Nordic Morning Group Plc

Financial Statements Jan. 1 – Dec. 31, 2017

Nordic Morning Group Plc
P.O. Box 110
FI-00043 NORDIC MORNING
Business ID: 0912752-6

Contents

Board of Directors’ report for the financial year January 1–December 31, 2017

Financial performance in 2017

- The Nordic Morning Group’s financial performance was excellent compared to the previous year. The Nordic Morning Group consists of three business areas: Nordic Morning, Edita Prima and Edita Publishing.
- The Nordic Morning Group’s consolidated net revenue was EUR 93.4 million (EUR 103.4 million). Net revenue grew substantially in the Edita Publishing business area, particularly due to strong advertising sales, while the net revenue of the Edita Prima business area declined due to restructuring measures. The Nordic Morning business area’s net revenue declined due to the closure of the offices in Gothenburg and Malmö.
- Gross margin before non-recurring items decreased from EUR 58.2 million to EUR 53.9 million, but EBITDA before non-recurring items increased from EUR 2.0 million to EUR 6.2 million.
- Operating profit was EUR 5.9 million (EUR -14.3 million). Non-recurring items totalled EUR 2.9 million (EUR -12.4 million).
- Operating profit excluding non-recurring items was EUR 3.0 million (EUR -1.9 million). Profit excluding non-recurring items improved significantly in all business areas, thanks to successful efficiency improvement measures and cost savings.
- The equity ratio at the end of the review period was 46.8 percent (36.3 percent).
- Cash and cash equivalents amounted to EUR 1.3 million (EUR 1.0 million), and net debt was EUR 2.7 million (EUR 6.0 million).

CONSOLIDATED KEY FIGURES		2017	2016
Net revenue	k€	93 402	103 399
Exports and foreign operations %		51,8 %	60,2 %
Adjusted operating gross margin	k€	53 876	58 188
% of net revenue		57,7 %	56,3 %
Adjusted operating EBITDA	k€	6 215	1 966
% of net revenue		6,7 %	1,9 %
Adjusted operating profit/loss	k€	3 048	-1 920
% of net revenue		3,3 %	-1,9 %
Operating profit/loss	k€	5 909	-14 282
% of net revenue		6,3 %	-13,8 %
Profit before taxes	k€	5 573	-14 536
% of net revenue		6,0 %	-14,1 %
Profit for financial year	k€	4 547	-14 392
Return on equity (ROE), %	%	22,6	-53,4
Return on capital employed, %	%	23,3	-37,6
Equity-to-assets ratio (%)	%	46,8	36,3
Gearing (%)	%	12,4	32,0
Gross capital expenditure	k€	1 696	5 297
% of net revenue		1,8	5,1
Average number of employees		548	653
Earnings per share (EPS)	€	0,75	-2,38
Dividends per share	€	0,33	0,33
Equity per share	€	3,55	3,11

The Nordic Morning Group and changes in Group structure

According to Nordic Morning Group's new strategy, the operations were reorganized into three business areas:

- *Nordic Morning,* comprised of Nordic Morning Finland Oy, Nordic Morning Sweden AB, Ottoboni Sweden AB, Nordic Morning Data-Driven Content AB, Mods Graphic Studio AB and CountQuest Interactive AB.
- *Edita Prima*, comprised of Edita Prima Oy.
- *Edita Publishing*, comprised of Edita Publishing Ltd.

Kiinteistö Oy Vantaan Hakamäenkuja was liquidated in March, followed by Citat Robot AB and Journalistgruppen AB in April. The discontinued companies had no actual operations, and were included in the reports as a part of the administrative segment under "other operations".

In June, the Nordic Morning Group's parent company's shares of CountQuest Interactive AB and Ottoboni Sweden AB were transferred to the ownership of Nordic Morning Group Sweden AB, the Swedish parent company. In addition, Nordic Morning Finland Oy's share of Nordic Morning Sweden AB was transferred to Nordic Morning Group Sweden AB. The aim of the measures was to clarify the legal structure of the Nordic Morning Group.

In June, Nordic Morning Group Sweden AB sold its share of the Ukraine-based Sitrus Ukraine LLC. The transaction had no significant impact on the Group's profit or financial position or on the Group's net revenue or profit for the whole year.

In June, Nordic Morning Group Sweden AB signed an agreement on the sale of the associated company BrandSystems International AB. The transaction was finalized in December 2017.

The following changes in the operating entities' names entered into effect on September 15: in accordance with the new strategy, the Group's parent company Nordic Morning Plc changed its name to Nordic Morning Group Plc. Klikkicom Oy changed its name to Nordic Morning Finland Oy, Klikki AB changed its name to Nordic Morning Sweden AB, and Sitrus AB changed its name to Nordic Morning Data-Driven Content AB.

As a result of an internal merger process carried out in Finland, Sitrus Agency Oy, Seed Digital Media Oy and Ottoboni Finland Oy were merged with Nordic Morning Finland Oy on October 31, 2017.

In Sweden, the process of merging Ottoboni Sweden AB and CountQuest Interactive AB with Nordic Morning Sweden AB started in the fall. The aim is to have the legal process completed during spring 2018.

In September, Edita Bobergs AB sold its printing business to the Swedish printing company Åtta.45 Tryckeri AB. The Group intends to liquidate Edita Bobergs AB and the associated company Edita Bobergs Förvaltnings AB in 2018.

Consolidated net revenue

The Group’s consolidated net revenue was EUR 93.4 million (EUR 103.4 million). Net revenue in Finland amounted to EUR 45.0 million (EUR 41.1 million). Net revenue in other EU countries was EUR 46.7 million (EUR 59.8 million) and exports outside the EU totaled EUR 1.6 million (EUR 2.5 million). Of the Group’s net revenue, 49 percent (40%) came from Finland and 51 percent (60%) from Sweden. In Sweden, net revenue decreased in the Nordic Morning business area, where the focus was on improving profitability by discontinuing loss-making operations. The net revenue of the Edita Prima business area in Sweden decreased due to the restructuring of the printing business, whereas in Finland the net revenue of the business area increased slightly. In the Edita Publishing business area, net revenue increased by EUR 1.9 million, particularly due to strong advertising sales.

Revenue (EUR 1,000)	2017	2016	Change 2017–2016
Nordic Morning	52 991	60 472	-12,4 %
Edita Publishing	14 894	12 954	15,0 %
Edita Prima	26 697	30 958	-13,8 %
Group-internal revenue and other operations	-1 180	-986	-19,7 %
Group	**93 402**	**103 399**	**-9,7 %**

The **Nordic Morning business area’s** net revenue was EUR 53.0 million (EUR 60.5 million). In Finland, net revenue increased from EUR 9.7 million to EUR 11.1 million. In Sweden, net revenue was weighed down by the closure of Nordic Morning Data-Driven Content AB’s offices in Malmö and Gothenburg.

The **Edita Publishing business area’s** net revenue was EUR 14.9 million (EUR 13.0 million). Net revenue was particularly boosted by the strong growth of advertising sales and the positive developments in orders for learning materials.

The **Edita Prima business area’s** net revenue was EUR 26.7 million (EUR 31.0 million). Net revenue in Finland increased year-on-year. Net revenue declined in Sweden, where Edita Bobergs AB sold its printing business to the Swedish printing company Åtta.45 Tryckeri AB in September.

Non-recurring items

Exceptional transactions outside the ordinary course of business are treated as non-recurring items. Among such transactions are gains and losses on disposal of business operations and assets, impairment, costs of discontinuing significant business operations and restructuring provisions. In the income statement, gains are presented in other operating income, and expenses in the corresponding expense item. Non-recurring items are included in the segment-specific operating results.

Consolidated operating profit

The Group’s operating profit was EUR 5.9 million (EUR -14.3 million), an increase of EUR 20.2 million from the previous year. The operating profit includes non-recurring items totaling EUR 2.9 million (EUR -12.4 million). The non-recurring income included in the operating profit amounted to EUR 5.8 million (EUR 1.8 million), with the most significant item being a non-recurring gain of EUR 3.1 million on the sale of land in Hakuninmaa. Non-recurring expenses amounted to EUR 2.9 (14.1) million.

The most significant non-recurring expense, EUR 2.2 million, was related to the closure of unprofitable operations of Nordic Morning Data-Driven Content AB in the Nordic Morning business area. The Group’s operating profit excluding non-recurring items increased significantly, amounting to EUR 3.0 million (EUR -1.9 million).

The Group’s profit was mainly increased by the significant growth in the net revenue of Edita Publishing Oy and the strong result achieved by Edita Prima Oy in Finland. In Sweden, profit was boosted substantially by the gains from the sale of the Edita Bobergs AB and Edita Bobergs Förvaltning AB businesses as well as Ottoboni Sweden AB’s result improving thanks to efficiency improvement measures.

Operating profit/loss (EUR 1,000)	2017	2016
Nordic Morning	-2 929	-14 062
Edita Publishing	4 528	2 379
Edita Prima	2 904	57
Other operations	1 406	-2 656
Group	**5 909**	**-14 282**
Operating Profit %	**6,3 %**	**-13,8 %**

The **Nordic Morning business area’s** operating loss was EUR -2.9 million (EUR -14.1 million). This marked a significant improvement in the result, as the Group recognised a write-down of goodwill amounting to EUR 10.0 million in the previous year. The result was weighed down by EUR 2.2 million in restructuring costs arising from the discontinuation of Nordic Morning Data-Driven Content AB’s unprofitable operations. Operating profit excluding non-recurring items was EUR -0.4 million (EUR -1.4 million). In both Finland and Sweden, operating profit excluding non-recurring items showed a substantial improvement due to successful efficiency improvement measures.

The **Edita Publishing business area’s** operating profit was EUR 4.5 million (EUR 2.4 million). The operating profit was particularly boosted by the strong growth of advertising sales and the positive developments in orders for learning materials.

The **Edita Prima business area’s** operating profit was EUR 2.9 million (EUR 0.1 million). The result includes EUR 1.7 million (EUR 0.4 million) in net non-recurring items, mostly related to gains on the disposal of fixed assets and business operations. The result of the business area’s operations in Finland showed a substantial profit and a significant increase from the previous year. In Sweden, the operating profit excluding non-recurring items showed a loss, but the result was a substantial improvement from the previous year, as the divested businesses were sold during 2017.

Other operations include group administration, the operating profit of which was EUR 1.4 million (EUR -2.7 million). The result consists mainly of group administration expenses. Significant cost savings were achieved in group administration during the financial year. The result also includes EUR 3.1 million in non-recurring profit from the sale of land owned by Nordic Morning Group Plc.

Solvency and financial position

The net cash flow from the Group’s operating activities was EUR 2.0 million (EUR 3.5 million). Investments totaled EUR 2.4 million (EUR 3.0 million). Loan installments and repayments of leasing liabilities amounted to EUR 3.0 million (EUR 11.1 million). The Group’s cash and cash equivalents at the end of the year totaled EUR 1.3 million (EUR 1.0 million).

The Group’s equity ratio was 46.8 percent (36.3 percent). The strong result improved return on equity and the equity ratio.

	2017	2016
Return on equity (ROE), %	22,6 %	-53,4 %
Equity-to-assets ratio, %	46,8 %	36,3 %

The Group's parent company

The net revenue of the Group's parent company, Nordic Morning Plc, was EUR 3.8 million (EUR 4.5 million), and its profit for the financial year was EUR 1.8 million (EUR -22.7 million). The parent company's balance sheet total was EUR 67.1 million (EUR 67.5 million).

Investments

The Group's gross capital expenditure, as per international financial statements standards (IFRS), was EUR 1.7 million (EUR 5.3 million). The most significant capital expenditure item was the parent company's investment in new office premises, which allowed the Group to centralize the operations of its Finnish units in one location. The parent company's gross capital expenditure, as per Finnish accounting regulations, was EUR 1.3 million (EUR 3.9 million).

Personnel

During the financial year, the Group employed an average of 548 (653) persons (full-time equivalents). The parent company employed an average of 28 (31) persons.

The average number of personnel decreased by 67 in the Nordic Morning business area and by 36 in the Edita Prima business area.

Of the Group's employees, 47 (40) percent work in Finland and 53 (60) percent in other countries, mainly in Sweden.

Average number of employees in full-time equivalents	2017	2016	Change 2017–2016
Nordic Morning	307	374	-18,0 %
Edita Publishing	78	77	0,8 %
Edita Prima	122	158	-22,6 %
Other operations	41	44	-5,7 %
Group	**548**	**653**	**-16,1 %**
Per country			
Finland	258	263	-1,8 %
Sweden	285	373	-23,6 %
Other countries	5	17	-70,4 %
Group	**548**	**653**	**-16,1 %**
Employee benefits expense (EUR 1,000)	**41 455**	**49 513**	**-16,3 %**

The year 2017 was a year of business renewal, also from the employees' perspective. The personnel have been called on to make significant contributions to the reorganization of operations, renewed strategic focus and the development of the employees' capacity for change. To this end, the Group has improved its internal strategic communications and organized quarterly personnel events led by senior management with an emphasis on strategy and the focus areas of the Group's business operations.

The renewal of the Nordic Morning business area was supported in particular, both in the merger and harmonization negotiations of the companies concerned and in creating a coherent workplace culture. Several workshops were held during the year, focusing on two themes that are key to the Group's success: the Customer Experience and Key Behaviors. The goal of the workshops was to make the strategy more understandable and strengthen cooperation among personnel. The Group also designed a new incentive program for key persons in 2017. The program will enter into effect in 2018.

Compensation

The Board of Directors of Nordic Morning Group Plc decides the terms and conditions of the contracts of the CEO and directors directly accountable to the CEO. Every year the Board sets targets, based on the budget and operating plans that must be met for bonuses to be paid and decides on the compensation of the CEO and directors directly accountable to the CEO. As regards others than the CEO and members of the business areas' management teams, the Board decides on the principles of compensation. Nordic Morning Group Plc does not use incentive systems based on shares or share derivatives.

Due to the changes in strategy, no short or long term incentive programs were in effect in 2017. The Group's Board of Directors decided to award an incentive bonus to the current CEO for the year 2017 due to her excellent performance. The provision recognized in the financial statements is EUR 59 thousand, which is 25 % (max 40 %) of annual taxable earnings.

In 2018, the Group will implement an incentive program under which the CEO is entitled to a performance-based bonus not exceeding 100 percent of the CEO's annual taxable earnings. The other individuals covered by the incentive program are entitled to a performance-based bonus not exceeding 60–80 percent of their annual taxable earnings.

The contractual retirement age of the parent company's CEO complies with the applicable legislation.

Risks and risk management

The Nordic Morning Group's most significant risks are related to the development of the general economic situation, the structural changes in the marketing and communications industry, risks related to operations and the development of the value of the Swedish krona. The Group's risks are assessed regularly as part of operational planning and reporting.

The digital transformation has a tremendous impact by introducing rapid technological progress to learning, marketing, customer behavior and media consumption as well as the increasing use of data analytics. Using data analytics at the core of business operations creates deeper customer insight to serve as the foundation of operations and also enables a better customer experience.

The key to business growth lies in attracting and retaining highly competent personnel. As our business depends heavily on our human capital, this is of critical importance to the Nordic Morning Group. Failing to attract and retain talented professionals could pose significant challenges to the Group's business areas. With this in mind, the retention and development of competence is one of the focus areas of our strategy.

For the Group's solvency as well as cash and cash equivalents to remain at a good level, the profitability of business operations must be improved and the management of working capital must be enhanced.

Nordic Morning Group has grown largely through acquisitions, which have created acquisition-related goodwill in the balance sheet. The Group's balance sheet includes EUR 14.6 million in goodwill, which has been allocated to the Nordic Morning business area. If the structural change of the marketing and communications market continues to be more intense than anticipated, the Nordic Morning Group may have to consider additional write-downs of goodwill.

As a result of acquisitions, the Nordic Morning Group's information systems structure is fragmented. The risk this causes to business operations will be reduced by harmonizing the information systems structure in a manner that supports cooperation and information sharing between the business areas.

The Nordic Morning Group's currency risk is related to developments in the value of the Swedish krona. Currency risks are monitored regularly and hedged when necessary. No hedging of the Group's transaction or translation positions took place during the beginning of the year.

Financing risks are managed by hedging part of the interest rates on current loans. The hedging arrangements will remain in effect until the loans mature.

Corporate responsibility

Nordic Morning Group releases annual Corporate Responsibility Reports as part of its Annual Reports available on the Group's website. The report is prepared in accordance with the GRI (Global Reporting Initiative) guidelines.

For Nordic Morning Group, financial responsibility means producing financial added value for the company's key stakeholders, personnel, customers and owner. Important stakeholders also include partners, investors and the countries and municipalities in which the Nordic Morning Group operates. The tax footprint is reported annually as part of financial responsibility.

Social responsibility means acting in accordance with the Nordic Morning Group's values and ethical principles in work and in relation to stakeholders. Service providers are also required to act according to the Group's values and ethics. Key aspects of social responsibility include employee well-being, supporting continuous learning and competence development, as well as providing inspiring and caring leadership.

The Nordic Morning Group's environmental strategy is based on environmental awareness, environmentally responsible operations, services and products. The production facility in Helsinki is ISO14001 certified and climate neutral. It has also been granted the right to use the Swan ecolabel and paper chain of custody labels. Nordic Morning Group also encourages environmental responsibility on the part of its customers by reducing the environmental impact of its own operations and by offering sustainable products and services.

Board of Directors, CEO and auditors

The Annual General Meeting on March 21, 2017, decided that Per Sjödell (Chairman), Jukka Ruuska (Vice Chairman), Maritta Iso-Aho, Anni Ronkainen and Petri Vihervuori will continue as members of the Board of Directors of Nordic Morning. Ingrid Jonasson Blank was elected as a new member.

Anne Årneby became the Nordic Morning Group's CEO on January 12, 2017. She resigned from the Board of Directors on January 11, 2017.

The Annual General Meeting elected KPMG Oy AB, Authorized Public Accountants, as the auditor. The principal auditor is Kati Nikunen, APA.

Outlook for 2018

Nordic Morning Group is on a change journey. Our client's needs are changing due to the digital transformation that affects all industries, as well as society. And we believe in change and learning as keys to successful business. We will continue to develop and strengthen our culture of change and learning going forward to serve our clients in the best way possible.

We believe in making the world a better experience and we do that by challenging established thinking and ways of working through people and technology. Each business area offering is developed in close collaboration with our clients:

- Nordic Morning – Driving growth & customer loyalty
- Edita Prima – Eliminating inefficiencies
- Edita Publishing – Smart learning

The Nordic Morning Group's strength lies in broad-based expertise and close internal cooperation, which enable us to take a comprehensive approach to our customers' challenges. While we expect our net revenue to decrease somewhat due to the restructuring measures carried out in 2017, we anticipate that our result will continue to develop favorably.

Shares

The company has one share class, and so there are no vote differentials. One share carries one vote. The company's shares do not belong to the book-entry system. All shares issued have been fully paid for. The total number of shares was 6,000,000 throughout the financial year as well as during the comparison period.

Board's proposal on the disposal of distributable funds

Nordic Morning Group Plc's equity was EUR 38,745,737.12 at the end of the financial year. The company's distributable funds are EUR 6,876,126.78, of which the result for the financial year was EUR 1,795,226.96.

The Board of Directors proposes to the Annual General Meeting that the parent company's distributable funds be used as follows:

- distribute a dividend of EUR 0.33/share, totaling	EUR 2,000,000.00
- transfer to the profit and loss account of previous financial periods	EUR 4,876,126.78
	EUR 6,876,126.78

No substantial changes have taken place in the company's financial standing since the end of the financial year. The company's liquidity is good and, according to the view of the Board of Directors, the proposed profit distribution will not compromise the company's solvency.

Consolidated income statement (IFRS) (EUR 1,000)

	Note	1.1. -31.12.2017	1.1. -31.12.2016
NET REVENUE	**2,3**	**93 402**	**103 399**
Other operating income	5	4 634	2 259
Change in inventories of finished and unfinished goods		-142	-1
Work performed for company use		157	205
Materials and services	6	-31 478	-35 973
Employee benefits expense	7	-41 455	-49 513
Depreciation	8	-3 382	-4 077
Impairment	8	-311	-9 972
Other operating expenses	9	-16 665	-20 660
Share of profit in associates	18	1 150	52
OPERATING PROFIT		**5 909**	**-14 282**
Financial income	11	59	56
Financial expenses	12	-395	-310
PROFIT BEFORE TAXES		**5 573**	**-14 536**
Income taxes	14	-1 026	143
PROFIT FOR THE FINANCIAL YEAR		**4 547**	**-14 392**
Distribution			
Parent company's shareholders		4 501	-14 287
Non-controlling interest		45	-106
Earnings per share calculated on the profit attributable to shareholders of the parent company:			
earnings per share, EUR		0,75	-2,38

Consolidated statement of comprehensive income (IFRS) (EUR 1,000)

	Note	1.1. -31.12.2017	1.1. -31.12.2016
PROFIT FOR THE FINANCIAL YEAR		**4 547**	**-14 392**
Other comprehensive income			
Items that may be recognized through profit and loss later			
Available-for-sale financial assets	13	-67	-18
Translation differences	13	203	150
Taxes relating to OCI items	14	13	4
Post-tax OCI items for the financial year		150	135
ACCUMULATED COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		**4 696**	**-14 257**
Distribution of comprehensive income			
Parent company's shareholders		4 656	-14 143
Non-controlling interest		40	-115

Consolidated statement of financial position (IFRS) (EUR 1,000)

ASSETS	Note	31.12.2017	31.12.2016
NON-CURRENT ASSETS			
Tangible fixed assets	15	9 340	11 073
Goodwill	16	14 524	14 587
Other intangible assets	16	1 679	2 952
Interests in associated companies	18	1 459	1 184
Other financial assets	19	190	413
Deferred tax assets	20	43	85
		27 235	30 294
CURRENT ASSETS			
Inventories	21	1 813	2 286
Sales receivables and other receivables	22, 23	18 072	20 842
Tax receivables based on taxable income for the financial year		44	59
Other current financial assets	19	76	146
Cash and cash equivalents	24	1 326	1 007
		21 331	24 340
Total assets		**48 566**	**54 634**

EQUITY AND LIABILITIES	Note	31.12.2017	31.12.2016
SHAREHOLDERS' EQUITY			
Share capital		6 000	6 000
Share premium fund		25 870	25 870
Translation differences		-168	-377
Fair value fund		48	102
Retained earnings		-10 443	-12 944
Shareholders' equity attributable to parent company shareh	25	21 306	18 650
Non-controlling interest	17	197	157
Total shareholders' equity		21 504	18 807
LIABILITIES			
Non-current liabilities			
Financial liabilities	28	2 327	5 035
Non-current provisions	27	146	288
Deferred tax liabilities	20	440	826
		2 913	6 149
Current liabilities			
Current financial liabilities	28	1 669	1 992
Accounts payable and other current liabilities	22, 29	21 674	27 574
Tax liabilities based on taxable income for the financial year		807	113
		24 150	29 678
Total liabilities		27 062	35 827
Total shareholders' equity and liabilities		**48 566**	**54 634**

Consolidated statement of cash flows (EUR 1000)

	Note	1.1. - 31.12.2017	1.1. - 31.12.2016
Cash flow from operating activities			
Profit for the financial year		4 547	-14 392
Adjustments			
Non-cash transactions	31	-1 372	12 545
Interest expenses and other financial expenses		395	310
Interest income		-59	-56
Dividend income		-8	-7
Taxes		1 026	-143
Changes in working capital			
Change in sales receivables and other receivables		2 657	4 119
Change in inventories		121	242
Change in accounts payable and other liabilities		-4 356	1 165
Change in provisions		-142	43
Interest paid		-192	-282
Interest received		70	47
Taxes paid (-) received (+)		-660	-77
Net cash flow from operating activities (A)		**2 027**	**3 514**
Cash flow from investing activities			
Sale of business operations (net of cash)		1 422	182
Sale of tangible fixed assets		3 205	5 180
Acquisition of subsidiaries and businesses (net of cash and equivalents acquired)	4	-934	-2 301
Investments in tangible fixed assets		-1 380	-640
Investments in intangible assets		-111	-72
Proceeds from other investments		319	0
Dividends received		786	164
Net cash flow from investing activities (B)		**3 306**	**2 512**
Cash flow from financing activities	32		
Repayment of loans	32	-2 797	-7 064
Finance lease liabilities		-223	-870
Dividends paid		-2 000	-2 000
Net cash flow from financing activities (C)		**-5 020**	**-9 935**
Change in cash and cash equivalents (A+ B + C)		**313**	**-3 908**
Cash and cash equivalents at start of the period		1 007	4 823
Effect of changes in exchange rates		6	92
Cash and cash equivalents at end of the period	24	**1 326**	**1 007**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (IFRS) (EUR 1000)

	Shareholders' equity attributable to parent company shareholders						Non-controlling interest	Total share-holders' equity
	Share capital	Share premium fund	Trans-lation differen-ces	Fair value fund	Retained earnings	Total		
Shareholders' equity, January 1, 2016	**6 000**	**25 870**	**-536**	**116**	**3 343**	**34 793**	**272**	**35 065**
Comprehensive income								
Profit for financial year					-6 397	-6 397	-244	-6 641
Other comprehensive income (adjusted with tax effect)								
Available-for-sale financial assets				-1		-1		-1
Translation differences			-204			-204	-3	-207
Accumulated comprehensive income			**-204**	**-1**	**-6 397**	**-6 601**	**-247**	**-6 848**
Transaction with owners								
Dividend distribution					-2 000	-2 000		-2 000
Shareholders' equity, June 30, 2016	**6 000**	**25 870**	**-740**	**115**	**-5 054**	**26 190**	**25**	**26 216**
Shareholders' equity, January 1, 2017	**6 000**	**25 870**	**-377**	**102**	**-12 944**	**18 650**	**157**	**18 807**
Comprehensive income								
Profit for financial year					4 501	4 501	45	4 547
Other comprehensive income (adjusted with tax effect)								
Available-for-sale financial assets				-54		-54		-54
Translation differences			209			209	-6	203
Accumulated comprehensive income			**209**	**-54**	**4 501**	**4 656**	**40**	**4 696**
Transaction with owners								
Dividend distribution					-2 000	-2 000		-2 000
Shareholders' equity, June 30, 2017	**6 000**	**25 870**	**-168**	**48**	**-10 443**	**21 306**	**197**	**21 504**

Notes to the consolidated financial statements

1. Accounting policies applied to the consolidated financial statements

Basic information

The Nordic Morning Group produces communication products and services. The Group's parent company, Nordic Morning Group Plc, is a Finnish public limited company domiciled in Helsinki. The registered address of the parent company is Rantatie 8, FI-00580 Helsinki, Finland. The consolidated financial statements are available on the Group's website at the address www.nordicmorning.com or at the parent company's head office.

These financial statements were approved for publication by the Board of Directors of Nordic Morning Plc at its meeting held on February 14, 2018. According to the Finnish Limited Liability Companies Act, shareholders have the opportunity to accept or reject the financial statements at the Annual General Meeting held after their publication. The Annual General Meeting may also decide to amend the financial statements.

Accounting basis for the financial statements

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). In preparing them, the International Accounting Standards (IAS) and IFRS, together with their Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) interpretations, valid on December 31, 2017, were applied. The IFRS refer to the standards and associated interpretations given in the Finnish Accounting Act and in regulations issued under it that are approved by the EU for application in accordance with the procedure laid down in Regulation (EC) No 1606/2002. The Notes to the Consolidated Financial Statements also meet the provisions of Finnish accounting and company law that supplement the IFRS.

The consolidated financial statements' figures are presented in thousands of euros and are based on original acquisition costs unless otherwise notified in the accounting policies.

In order to prepare the financial statements in compliance with the IFRS, the Group management must make estimates and use their judgment in selecting and applying accounting policies. Information on the judgment-based decisions made by the management in applying the financial statements accounting policies of the Group, and which have the greatest impact on the figures presented in the financial statements, as well as information about presumptions about the future and key assumptions related to estimates, is presented in the accounting policies section "Accounting Policies Requiring the Management's Judgment, and Key Uncertainties Associated with Estimates".

New and revised standards and interpretations applied

The Group has applied the following new and revised standards and interpretations as of January 1, 2017:

- IAS 12 *Income Taxes* amendment *Recognition of Deferred Tax Assets for Unrealized Losses* (effective for financial periods beginning on or after January 1, 2017). The amendment has not had a significant effect on the consolidated financial statements.

- IAS 7 *Statement of Cash Flows* amendment *Disclosure Initiative* (effective for financial periods beginning on or after January 1, 2017). Reporting entities will be required to provide disclosures of changes in liabilities arising from financing activities. This covers changes arising from cash flows (such as taking out and repaying debt) as well as non-cash flow changes, such as acquisitions, divestments, accrued interest and unrealized foreign exchange differences. The amendment has led to an increase in the notes to the consolidated financial statements.

- Amendments to IFRS 12 *Disclosure of Interests in Other Entities* [part of Annual Improvements to IFRS Standards]. When an entity’s interest in a subsidiary, joint venture or associate (or part of such an interest) is classified as, or included in, assets held for sale in accordance with IFRS 5, the entity does not need to present a summary of the financial information concerning the subsidiary, joint venture or associate in question in its financial statements. The amendment has not had a significant effect on the consolidated financial statements.

Subsidiaries

Subsidiaries are companies over which the Group exercises control. The criteria for control are fulfilled when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Accounting for the subsidiaries is reported using the acquisition method. Acquisition value for the subsidiaries is allocated in accordance with identifiable assets and assumed liabilities, which are valued at fair value at the time of acquisition. Costs associated with acquisitions are recorded as expenses. A possible contingent additional purchase price is valued at fair value at the time of acquisition and it is recognized as a liability. An additional purchase price classified as a liability is valued at fair value on the ending date of each reporting period and any profit or loss derived from this is recorded as either profit or loss.

Any shares held by non-controlling interests in the acquiree are measured either at fair value or at an amount which corresponds to the share of the share held by the non-controlling interests relative to the identifiable net assets of the acquiree. The basis of measurement is defined separately for each acquisition. The treatment of goodwill generated in conjunction with subsidiary acquisitions is described in the section “Goodwill”.

Subsidiaries acquired are consolidated in the consolidated financial statements from the date when the Group obtained control, while subsidiaries divested are consolidated up to the date when control ceases. All business transactions within the Group, internal receivables and liabilities and internal distribution of profit are eliminated in the consolidated financial statements.

The allocation of profit or loss for the financial period to the parent company shareholders and non-controlling interests is presented in a separate income statement and the allocation of comprehensive income to the parent company shareholders and non-controlling interests is presented in connection with the comprehensive income statement. Comprehensive income is allocated to the parent company shareholders and non-controlling interests, even if this should mean that the shares held by the latter become negative. The share of shareholders’ equity owing to non-controlling interests is presented as a separate item on the balance sheet under shareholders’ equity. Changes in the parent company’s shareholding in the subsidiary, which do not lead to loss of control, are treated as equity-related transactions.

A previous shareholding in a staggered acquisition is measured at the fair price and any profit or loss derived from this is recorded as either profit or loss. When the Group loses control in a subsidiary, the remaining investment is measured at the fair price on the date of the expiry of control and the difference derived from this is recorded as either profit or loss.

Associates

Associates are companies over which the Group has significant influence. Significant influence is acheived when the Group owns more than 20 percent of the company’s voting power or when the Group otherwise has significant influence, but not control.

Associates are consolidated by using the equity method.

If the Group’s share of an associate’s losses exceeds the carrying amount of the investment, the investment is recognized at zero value on the balance sheet. Losses exceeding the carrying amount are not aggregated, unless the Group is committed to fulfilling the obligations of the associates.

An investment in an associate includes the goodwill resulting from the acquisition. A share of associates' profits for the financial year that corresponds with the Group's holding is presented as a separate item under operating profit. The Group's share in associates' changes recognized in other items of comprehensive income are recognized accordingly in the Group's other items of comprehensive income.

Translation of items denominated in foreign currencies

The figures related to the profit and financial position of the Group's units are defined in the currency of each unit's main operating environment ("the operating currency"). The consolidated financial statements are presented in euros, which is the operating and reporting currency of the Group's parent company.

Gains and losses arising from transactions denominated in foreign currencies and from the translation of monetary items are recognized through profit or loss. Exchange rate gains and losses related to business operations are included in the corresponding items above the operating profit line. Exchange rate gains and losses related to foreign currency loans are included in financial income and expenses, with the exception of exchange rate differences from those loans, the payment of which has not been planned and the payment of which is not likely and which are, on the basis of their actual content, part of net investments in foreign units and their exchange rate differences are treated in the same manner as translation differences in shareholders' equity. The exchange differences arising from these loans are recognized in other comprehensive income and the accumulated translation differences are presented as a separate item in equity until the foreign unit is relinquished completely or partially.

Translation of foreign Group companies' financial statements

Income and expense items on the comprehensive income statements and separate income statements of foreign Group companies are translated into euros at the average exchange rate of each company's financial year and their balance sheets are translated at the exchange rates of the end date of the reporting period.

Translating income and comprehensive income for the year at different exchange rates in the income statement and comprehensive income statement and in the balance sheet results in a translation difference, which is recognized under shareholders' equity, in the balance sheet. Changes in translation difference are recognized under other items of comprehensive income. Translation differences arising from the elimination of the acquisition cost of foreign subsidiaries and from the translation of equity items accumulated after the acquisition, as well as the effect of hedging instruments on net investments, are recognized under other items of comprehensive income. When subsidiaries are divested in whole or in part, the aggregated translation differences are recognized in the income statement under sales gains or losses.

Goodwill resulting from the acquisition of foreign units, and fair value adjustments made to the carrying amounts of said foreign units' assets and liabilities in conjunction with the acquisition, are treated as assets and liabilities of said foreign units and are translated into euros using the exchange rates of the balance sheet date.

Tangible fixed assets

Tangible fixed assets are recognized at cost less accumulated depreciation and, when applicable, impairment.

Expenses arising directly from the acquisition of a tangible fixed asset are included in the acquisition cost. If a fixed asset comprises several parts whose useful lives are of different lengths, each part is treated as a separate asset. In this case, the costs associated with renewing each part are capitalized and, in connection with the renewal, any remaining carrying amount is recognized off balance sheet. In other cases, costs arising later are included in the carrying amount of a tangible fixed asset only when it is likely that the future financial benefit associated with the asset will benefit the Group and when the acquisition cost of the asset can be reliably calculated. Other repair and maintenance costs are recognized through profit or loss, once they are realized.

Tangible fixed assets are depreciated using the straightline method throughout their estimated useful life. Land is not depreciated. The estimated useful lives are as follows:

Buildings and structures	10–30 years
Machinery and equipment	4–15 years

The residual value, useful life and depreciation method of an asset are checked at the end of each financial year at the minimum and, if necessary, are adjusted to reflect changed conditions.

Depreciation is started when the asset is ready for use, i.e. when it is in such a location and condition that it can function in the manner intended by the management. When tangible fixed assets are classified as for sale (or are included in a group of assets held for sale) according to IFRS 5 *Non-current assets held for sale and discontinued operations*, depreciation is no longer recognized.

Sales gains and losses resulting from the retiring and sale of tangible fixed assets are included in other operating income or expenses. Sales gains or losses are defined as the difference between the sale price and the remaining acquisition cost.

Intangible assets

Goodwill

Goodwill derived from business mergers is recognized as the amount at which the compensation paid out, the share held by non-controlling interests in the acquiree and any previously owned holding combined exceed the fair value of acquired net assets.

Goodwill is not subject to depreciation, but is tested for impairment annually and whenever there is any indication of potential impairment. For this purpose goodwill is allocated to cash-generating units, or, in the case of associates, is included in the acquisition cost of the said associates. Goodwill is measured at cost less impairment.

Research and development expenditure

Research expenses are recognized as expenses through profit or loss. Development expenses from the planning of newer or significantly improved products are capitalized as intangible assets in the balance sheet once expenses of the development phase can be calculated reliably, once the completion of the product can be implemented technically, once the Group can use or sell the product, once the Group can prove how the product will generate likely future financial benefit and once the Group has both the intention and the resources for completing the development work and for using or selling the product. Capitalized development expenses include the material, work and testing costs that are directly associated with completing the asset for its intended purpose. Development expenses that have already been recorded as expenses are not capitalized later.

Assets are subject to depreciation as soon as they are ready for use. An asset that is not yet ready for use will be tested annually for impairment. After their initial recognition, capitalized development expenses are measured at acquisition cost less accumulated depreciation and impairment. The useful life of capitalized development expenditure is 3–5 years, during which time the capitalized costs are recognized as expenses depreciated using the straight line method.

Other intangible assets

Intangible assets are recognized in the balance sheet at original acquisition cost when the acquisition cost can be calculated reliably and when it is likely that the expected economic benefits of the asset will flow to the Group.

Intangible assets with limited useful life are recognized in the income statement as expenses depreciated using the straightline method during their known or estimated useful life. The depreciation periods of intangible assets are as follows:

Customer agreements and associated customer relationships	2–8 years
Patents and licenses	4 years
IT software	4–5 years
Trademarks	5–10 years

The consolidated financial statements do not cover trademarks which have unlimited useful lives. The residual value, useful life and depreciation method of an asset are checked at the end of each financial year at the minimum and, if necessary, are adjusted to reflect changed conditions.

Depreciation on intangible assets is started when the asset is ready for use, i.e. when it is in such a location and condition that it can function in the manner intended by the management. When intangible assets are classified as for sale (or are included in a group of assets held for sale) according to IFRS 5 *Non-current assets held for sale and discontinued operations*, depreciation is no longer recognized.

Inventories

Materials, accessories and unfinished and finished goods are recognized under inventories. Inventories are measured at the lower of cost or net realizable value. Acquisition cost is calculated using the first in, first out (FIFO) method. All purchasing costs, including direct transportation, handling and other costs, are included in the acquisition cost of products that have been purchased as finished products. The acquisition cost of finished and unfinished products manufactured by the company is made up of raw materials, direct costs resulting from work carried out, other direct costs and a systematically applied share of the variable and fixed general costs of manufacturing at a normal level of activity.
The acquisition cost of inventories does not include borrowing costs. The net realizable value is the estimated sales price obtainable through normal business, less the estimated expenses of completing the product and the estimated essential expenses of selling the product.

Leases

Group as the tenant

Leases of tangible assets in which the Group assumes substantially all the risks and rewards incidental to ownership are classified as finance leases. They are recognized on the balance sheet at the start of the lease term, at fair value of the leased asset at the time of signing the agreement or at the present value of minimum lease payments, whichever is lower.

The assets acquired through finance leases are depreciated during the useful life of the assets or during the lease term, whichever is shorter. Leasings due for payment are distributed to financial expenditure and liability reduction during the lease term, so that each liability remaining during the period receives the same percentage of interest at the end of each month. Contingent rents are recognized as expenses for those periods during which they are realized. Lease liabilities are recorded under financial liabilities.

Leases in which substantially all the risks and rewards incidental to ownership remain with the lessor are classified as operating leases. Operating lease expenses are recognized under other operating expenses and the total value of future minimum lease payments are disclosed in the Notes as off-balance sheet liabilities.

Group as the tenant

Assets leased out by the Group in which substantially all the risks and rewards incidental to ownership have been transferred to the lessee are classified as finance leases and recognized on the balance sheet as receivables. The receivable is originally recognized at the present value of the lease.

Assets leased out under agreements other than finance leases are included in tangible fixed assets on the balance sheet. They are depreciated during their useful life in a similar manner as corresponding tangible fixed assets used by the Group itself. Income from rent is recognized through profit or loss in equal items throughout the lease period.

Arrangements that may contain a lease

When an arrangement begins, the Group will, on the basis of the actual content of the arrangement, determine whether the arrangement is a lease or contains a lease. A lease is considered to exist if the following conditions are met:

- realization of the arrangement depends on the use of certain asset(s), and
- the arrangement creates the right to use the asset.

If the arrangement contains a lease, the requirements of IAS 17 are applied to the component constituted by the lease. Provisions of IFRS standards applicable to other components of the arrangement are applied to these components.

Impairment of tangible and intangible assets

At each reporting date the Group assesses whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated.

Recoverable amounts are also evaluated annually for the following asset items, irrespective of whether or not there is any indication of impairment: goodwill, intangible assets if they have unlimited useful life and unfinished intangible assets.

In addition to annual testing, goodwill is tested for impairment whenever there is any indication of potential impairment. The requirement to recognize impairment is considered at the cash-generating unit (CGU) level, i.e. at the lowest unit level which is mainly independent of other units and whose cash flows can be extracted from and are mainly independent of cash flows of other equivalent units. A cash-generating unit (CGU) is the lowest level in the Group where goodwill is monitored for internal management. Four cash-generating units have been defined in the Group:

1. Nordic Morning Sweden
2. Nordic Morning Finland
3. Edita Prima
4. Edita Publishing

Such assets as are common to the entire Group, serve several cash-generating units and do not generate a separate cash flow have been allocated to cash-generating units in a reasonable and coherent manner and are tested as part of each cash-generating unit.

The recoverable amount is the fair value of the asset less expenses arising from sale or the value in use, whichever is higher. The value in use is the estimated future net cash flows expected to be derived from an asset or cash-generating unit, discounted to their present value. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized when the carrying amount of an asset is greater than its recoverable amount. An impairment loss is recorded immediately as either profit or loss. If an impairment loss affects a cash-generating unit, it is first allocated by lowering the goodwill allocated to the cash-generating unit and then by lowering the unit’s other assets in the same ratio. The useful life of an asset subject to depreciation is reassessed when the impairment loss is recognized.

An impairment loss recognized for any assets other than goodwill is reversed if there is a change in the assessments used to calculate the asset’s recoverable amount. However, an impairment loss can only be reversed up to the carrying value of the asset before recognition of the impairment loss. An impairment loss recorded for goodwill cannot be reversed under any circumstances.

Employee benefits

Pension obligations

Post-employment benefits comprise pensions and other benefits, such as life insurance, provided on the basis of employment. Benefits are classified into defined contribution plans and defined benefit plans. Under contribution plans, the Group makes fixed payments to a separate entity. The Group has no legal or de facto obligation to make any additional payments if the payment receiver is unable to pay out the pension benefits. Contributions to defined contribution plans are recognized through profit or loss for the period in which the contributions are payable. Those plans that do not fulfill the definition of defined contribution plans are classified as defined benefit plans. The Group has no defined benefit pension plans in effect.

Provisions and contingent liabilities

A provision is recognized when the Group has an existing legal or factual obligation resulting from an earlier event, the fulfillment of the payment obligation is probable and its magnitude can be reliably quantified. Provisions are valued according to the current value of the expenditure required to settle the obligation. The provision is discounted if the time value has fundamental significance for the size of the provision. Provision amounts are assessed on each reporting date and are adjusted to correspond with the best estimate at the time of review. Any adjustments to provisions are entered in the income statement in the same item as where the provision in question was originally entered.

Provisions in the Group include rental expenses for empty business premises (onerous contracts), other restructuring provisions and pension expense provisions concerning unemployment pension insurance.

A restructuring provision is made when the Group has compiled a company-specific restructuring plan and launched its implementation or informed the affected parties accordingly. A provision for environmental obligations is made when the Group has an obligation, based on environmental legislation and the Group’s environmental responsibility policies, which relates to site decommissioning, repairing environmental damage or moving equipment from one place to another.

A contingent liability is an obligation that may arise as a result of earlier events and whose existence will be confirmed only if an uncertain event outside the control of the Group is realized. A contingent liability is also considered to be an existing obligation where the payment obligation will probably not need to be fulfilled or whose magnitude cannot be reliably defined. Contingent liabilities are disclosed in the Notes.

Income taxes for the year and deferred taxes

The tax liability in the income statement is made up of income tax for the financial year and deferred tax. Taxes are recognized through profit or loss, except when they relate directly to shareholders’ equity or to items recognized in the comprehensive income statement. Thus, tax is also recognized in the relevant items. Income tax for the financial year is calculated on the basis of the valid tax rate for the country in question. Tax is adjusted with any taxes related to earlier financial years. The Group deducts deferred tax assets and liabilities from each other only in the case that the Group has a legally enforceable right to set off the recorded items and the Group intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Deferred taxes are calculated from temporary differences between the carrying amount and the taxable amount. However, deferred tax liabilities are not recognized on the initial recognition of goodwill, or if they arise from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

For investments made in subsidiaries, deferred tax is recognized, except when the Group is able to determine the moment when the temporary difference no longer exists and it is likely that the temporary difference exists in the foreseeable future.

The largest temporary differences are caused by the depreciation of tangible fixed assets, fair value assessments made in conjunction with acquisitions and the measurement of derivative contracts at fair value.

Deferred taxes are calculated using the official tax rates valid on the balance sheet date or those that were approved in practice by the end date of the reporting period.

Deferred tax assets are recognized only to the extent that, in the future, taxable profits against which the temporary difference can be utilized are likely to be available. Recognition of deferred tax assets is evaluated in this respect on the end date of each reporting period.

The Group deducts deferred tax assets and liabilities from each other only in the case that the Group has a legally enforceable right to set off tax receivables and tax liabilities based on the taxable income for the period against each other and the deferred tax receivables and liabilities are related to income taxes levied by the same tax recipient, either from the same taxpayer or different taxpayers, who intend either to set off the tax receivables and liabilities based on the taxable income for the period against each other, or to realize the receivable and pay the liabilities simultaneously in each such future period during which a significant amount of deferred tax liabilities are expected to be paid or a significant amount of deferred tax receivables are expected to be utilized.

Recognition policies

Revenue includes the income from the sale of products and services measured at fair value adjusted with indirect taxes, discounts granted and exchange rate differences for foreign currency sales. The content of sales is described in more detail in Note number two.

Sale of goods

Income from the sale of goods is recognized when the major risks, rewards and control incidental to ownership of the goods have been transferred to the buyer. This normally occurs at the time of transfer of the goods in accordance with the contract terms and conditions.

Revenue from sale of services and percentage-of-completion projects

Income from the sale of services is recognized according to an income recognition method based on degree of completion, provided that the degree of completion and the associated income and expenses can be reliably calculated. The degree of completion is defined according to the amount of work carried out in relation to the estimated amount of work required to complete the whole project. If the derived costs and recognized profits are greater than the amount charged from the project, the difference is presented on the balance sheet under the item “sales receivables and other receivables”. If the derived costs and recognized profits are less than the amount charged from the project, the difference is presented on the balance sheet under the item “accounts payable and other liabilities”.

Otherwise, the income from the service is recognized once the service has been provided and it is likely that the service will generate financial benefit. If it is likely that the overall expenses required to complete the service will exceed the overall income from the project, the expected loss is immediately recognized as an expense.

License and royalty receivables

License and royalty receivables are recognized according to the actual content of the contract.

Rental income

Rental income from properties is recognized in other operating income through profit or loss, in equal items throughout the rental period.

Interest and dividends

Interest income is recognized using the effective interest method and dividend income is recognized when right to dividends has been established.

Non-current assets classified as held for sale and discontinued operations

Business operations are treated as discontinued or held for sale when the management is committed to discontinuing or selling a separate business whose associated assets, liabilities and operating income can be extracted as a separate unit, both operationally and in reporting.

Once the characteristics of assets held for sale are fulfilled, the non-current assets are recognized at the lower of the balance sheet value or the fair value less sales expenses. Depreciation is no longer recognized for fixed assets. The assets and liabilities included in the group of assets held for sale are presented separately from the assets and liabilities of continuing operations. The profit after taxes from discontinued or held-for-sale operations and the sales profit or loss from their sale are recognized separately from continuing operations in the income statement.

A discontinued operation is the part of the Group which has been abandoned, or which has been classified as held for sale, and which fulfils one of the following criteria:

1. It is a significant separate business unit or a unit representative of a geographical area.
2. It is part of a coordinated plan which involves the abandonment of a separate central business area or geographical area of operations.
3. It is a subsidiary which has been acquired for the sole purpose of being resold.

At the balance sheet date, the Group has no assets classified as held for sale.

Financial assets and liabilities

Financial assets

The Group’s Financial assets are classified as follows: at fair value through profit or loss, loans and other receivables, and available-for-sale financial assets. The classification is based on the purpose of the acquisition of the financial asset and takes place in conjunction with the original acquisition.

The transaction date is generally used when recognizing financial instruments, and refers to the date on which the Group commits to purchase or sell the financial instrument. Financial assets are removed from the balance sheet when the Group has lost the contractual right to cash flows or when it has transferred substantially all the risks and rewards to an outside party.

Financial instruments in the *Financial assets at fair value through profit or loss* group are entered on the income statement for the period in which they arise. The derivative instruments that are in use in the Group are included in this group. The Group uses derivative instruments to hedge against changes in the interest rates of loans. Derivative contracts drawn up for this purpose are measured at fair value on the balance sheet date, and changes in the fair value are recognized through profit or loss under financial income or expenses.

Loans and other receivables are assets to which no derivatives are applied, and which are specifically classified in this group or not classified in any other group. They are valued at amortized cost and are recognized in the balance sheet, according to their nature, as current assets or non-current assets (those maturing in over 12 months). In the Nordic Morning Group, this group includes sales receivables and other receivables. The amount of uncertain receivables is estimated on the basis of the risk of individual assets. Impairment losses are recognized as an expense in the income statement under other operating expenses.

Available-for-sale financial assets are assets to which no derivatives are applied, and which are specifically classified in this group or not classified in any other group. Available-for-sale financial assets comprise listed and unlisted equities. They are valued at fair value. If the fair value of unlisted shares cannot be reliably assigned, the assets are valued at the original cost or probable value, whichever is the lowest.

Changes in the fair value of available-for-sale financial assets are recognized in other items of comprehensive income and are disclosed in the fair value reserve, less the tax effect. Accumulated changes in fair value are transferred from shareholders' equity to the income statement when the investment is sold or when its value has been impaired to such an extent that an impairment loss should be recognized. Available-for-sale investments are included in noncurrent assets, except when the intention is to keep them for less than 12 months from the balance sheet date, in which case they are included in current assets.

Cash and cash equivalents

Cash and cash equivalents consist of cash, demand deposits and other current, extremely liquid, investments, which are easily exchangeable for a previously known amount of cash assets and whose risk of a change in value is minimal. Items classified as cash and cash equivalents have a maximum maturity of three months from the date of acquisition. Accounts with overdraft facility are included in current financial liabilities if they have been used.

Impairment of financial assets

On the last day of each reporting period, the Group estimates whether there is objective proof indicating an impairment of a single item or group of items classified as financial items. If the fair value of unlisted equity investments is significantly below the acquisition cost, this indicates an impairment of an available-for-sale investment. If there is proof of impairment, the loss in the fair value fund is transferred into an item recognizable through profit or loss.

The Group recognizes an impairment loss for sales receivables once there is objective proof indicating that the receivable cannot be collected in full. Significant hardships of the debtor, the likelihood of bankruptcy, failure to make payments or major delays in payments constitute proof of sales receivable impairment. If the impairment loss sum decreases during a later period and the depreciation can objectively be deemed as tied to an event that took place after the recognition of the impairment, the recognized impairment will be reversed through profit and loss.

Financial liabilities and borrowing costs

Financial liabilities are initially recognized at fair value. Derivative instruments used to hedge against changes in financial liabilities are recognized at fair value through profit or loss. All other financial liabilities are measured at amortized cost after their initial recognition.

Financial liabilities are included in non-current and current liabilities. Financial liabilities are classified as current if the Group has no unconditional right to postpone repayment of the debt for at least 12 months from the ending date of the reporting period.

Expenses arising from interest-bearing liabilities are recognized as liabilities during the financial period during which they arose.

Fair value determination principles for all financial assets and liabilities are presented in Note 29 "Fair value of financial assets and liabilities".

Derivative contracts and hedge accounting

The Group has not hedged any exchange contracts. On the date of the balance sheet for the financial year or the comparison year, the Group had no open derivative contracts to which the Group had applied hedge accounting. The Group has interest rate hedges. The purpose of the hedges is to change the variable rate to a fixed interest rate.

Derivative contracts are originally recognized at fair value at the date on which the Group became a party to the contract, and they are still measured later at fair value. Gains and losses arising from measurement at fair value are accounted for as determined by the purpose of the derivative contracts.

The profit impacts of the value changes of those derivative contracts to which hedge accounting has been applied and which are effective hedges are recognized together with the hedged item.
The Group documents the hedge accounting at the beginning of the relationship between the hedged item and the hedging instrument, as well as the objectives of the Group's risk management and the hedging strategy applied. When initiating the hedge and thereafter when publishing all financial statements, the Group Management documents and assesses the effectiveness of the hedging relationships by examining the ability of the hedging instrument to nullify changes in the fair value of the hedged item or changes in cash flows. The gains and losses originating from the hedging of a net investment in a foreign operation and accumulated in the translation differences in shareholders' equity are recognized in the income statement when the net investment is relinquished completely or partially.

In spite of the fact that certain hedging relationships fulfill the requirements for effective hedging set by the Group's risk management, hedge accounting is not applied to them. Changes in their fair value are recognized in financial income or expenses in accordance with the method of recognition followed in the Group. Fair values of hedging instruments are presented in Note 31 "Fair value of financial assets and liabilities".

Operating profit

IAS 1 Presentation of Financial Statements does not define the concept of operating profit. The Nordic Morning Group defines operating profit as the net sum arrived at by adding other operating income to net revenue, deducting the costs of materials and services (adjusted for changes in inventories of finished and unfinished goods), employee benefit expenses, personnel expenses depreciation, impairment and other operating expenses, and taking account of the share of profit/loss from associates. All income statement items other than the above-mentioned are disclosed in the lines below operating profit. Exchange rate differences and changes in the fair values of derivatives are included in operating profit, provided that they arise from items related to business operations. Otherwise, they are recognized in financial items.

Accounting policies requiring the management's judgment and key uncertainties associated with estimates

In order to draw up the financial statements in compliance with the IFRS, the Group management must make estimates and assumptions concerning the future, the outcome of which may differ from that of earlier estimates and assumptions. It is also necessary to employ judgment in applying the accounting policies.

Management's judgment related to the selection and application of accounting policies

The Group management creates solutions based on its judgment with regard to the selection and application of accounting policies for the financial statements. Such judgment is required in particular with regard to cases where the existing IFRS standards include alternative options for recognition, measurement or presentation. The management must also employ judgment in assessing receivables and product development capitalization, tax risks and the utilization of deferred tax assets against future taxable income.

Uncertainties associated with estimates

The estimates made in conjunction with preparing the financial statements are based on the management's best assessments on the reporting period end date. The estimates are based on prior experience, as well as future assumptions that are considered to be the most likely on the balance sheet date with regard to issues such as the expected development of the Group's economic operating environment in terms of sales and cost levels. The Group monitors the realization of estimates and assumptions, as well as changes in the underlying factors, on a regular basis. Any changes made to the estimates and assumptions are entered in the financial statements for the year during which the changes are made, and in all subsequent years.

In the preparation of the financial statements, estimates have been used, for example, in the calculations for impairment testing, in fair value adjustments in connection with acquisitions, and when defining the life of tangible and intangible assets.

The Group engaged an external consultant for the estimate of the fair values of tangible and intangible assets in conjunction with significant business mergers. With regard to tangible assets, comparisons were made with the market prices of corresponding goods, and value impairment due to the acquired goods' age, wear and other such factors was estimated. Intangible assets' value was defined on the basis of estimates of the cash flows associated with the assets, because no market information from transactions involving corresponding assets was available. More information about the measurement of intangible assets acquired in conjunction with business mergers is provided in Note 4 "Acquired business operations".

The Group tests its goodwill and work-in-progress for impairment annually. In impairment testing, the recoverable amounts from the CGUs have been defined on the basis of value in use. These calculations require estimates. More information about the sensitivity of recoverable amounts to changes in the applied estimates is in Note 16 "Intangible Assets".

New and revised standards and interpretations to be applied later

The International Accounting Standards Board (IASB) has announced the following new or amended standards and interpretations, which the Group has not yet adopted. The Group will apply each standard and interpretation from the effective date. However, if this date is not the first day of the financial year, it will apply the standard and interpretation from the beginning of the following financial year.

- IFRS 15 *Revenue from Contracts with Customers* (effective for financial periods beginning on or after January 1, 2018). The new standard establishes a five-stage framework for recognizing revenue from contracts with customers and replaces existing revenue guidance, including IAS 18, IAS 11 and the related interpretations. Revenue can be recognized over time or at a specific time, with the central criterion being the transfer of control. The standard will also increase the notes presented with financial statements.

  The Group has assessed the effects of the standard. Based on the assessment, the standard will not have a significant effect on the Group's annual net revenue, as the timing of revenue recognition will only change for certain revenue streams, for which revenue recognition will be done at a specific time instead of recognizing revenue over time, or vice versa.

- IFRS 16 *Leases* (effective for financial periods beginning on or after January 1, 2019). IFRS 16 was published in January 2016. It will require that nearly all leases are recognized in the balance sheet, as operating leases and financial leases will no longer be separated. According to the new standard, reporting entities will recognize an asset (the right to use the leased asset) and a financial liability corresponding to lease payments. The only exceptions are short-term leases and leases whose underlying asset has a low value. The approach to lessor accounting will not change substantially. The standard has not yet been approved for application in the EU.

  The Group has assessed the effects of the standard and, according to the assessment and assuming the existing lease portfolio, the consolidated balance sheet total in the 2018 financial statements would be approximately EUR 9.5 million higher than if the standard were not applied. The effect on the equity ratio would be -8%, EBITDA would grow by EUR 2.1 million, depreciation would increase by EUR 2.2 million and financial expenses would increase by EUR 0.2 million.

  The Group will begin applying IFRS 16 *Leases* concurrently with IFRS 15 *Revenue from Contracts with Customers*, starting from January 1, 2018. The Group will apply the IFRS 16 standard retrospectively, which gives comparable figures for the comparative year.

- IFRS 9 *Financial Instruments* and amendments thereto (effective for financial periods beginning on or after January 1, 2018). The new standard replaces the existing IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 will change the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets. The classification and measurement of financial liabilities largely correspond to the current guidance in IAS 39. With regard to hedging, three hedging calculation types will remain in effect. More risk positions than before can be included in hedge accounting, and the principles regarding hedge accounting have been made more consistent with risk management. The Standard will not have a significant effect on the consolidated financial statements. The standard has not yet been approved for application in the EU.

- IFRS 17 *Insurance Contracts* (effective for financial periods beginning on or after January 1, 2021). This principles-based standard will harmonize the accounting treatment of insurance contracts. Measurement will be based on current estimates and assumptions and uncertainty will be taken into consideration. The recognition of insurance revenue will be based on the production of the insurance service. Notes will be presented on risks and discretionary decisions, among other things. The change is not expected to have a significant effect on the consolidated financial statements. The standard has not yet been approved for application in the EU.

- IFRS 2 *Share-based Payment* amendment (effective for financial periods beginning on or after January 1, 2018). Clarifications to the classification and measurement of share-based payment transactions. The amendment is not expected to have a significant effect on the consolidated financial statements. The amendment is not expected to have a significant effect on the consolidated financial statements. The amendments have not yet been approved for application in the EU.

- IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective for financial periods beginning on or after January 1, 2018). IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The interpretation is not expected to have a significant effect on the consolidated financial statements. The interpretation has not yet been approved for application in the EU.

- IFRIC 23 Uncertainty over Income Tax Treatments (effective for financial periods beginning on or after January 1, 2019). IFRIC 23 clarifies the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. The interpretation is not expected to have a significant effect on the consolidated financial statements. The interpretation has not yet been approved for application in the EU.

Notes on consolidated financial statements (IFRS)

2. Operating Segments

In accordance with the Group's strategy, the Group's operations are managed under new operating segments. The information for 2016 has been adjusted for comparability with the new structure. Reporting is based on business areas as follows:

The goal of the **Nordic Morning** business area is to help companies be customer-oriented by combining the business area's expertise in business refocusing, service design, technologies, data-driven marketing and content. The business area is comprised of the Finnish subsidiary Nordic Morning Finland Oy and, in Sweden, it includes Nordic Morning Sweden AB, Ottoboni Sweden AB, CountQuest AB, Nordic Morning Data-Driven Content AB and Mods Graphic Studio AB.

The **Edita Publishing** business area provides modern learning and information services. The services include the publishing of learning materials and non-fiction books, content curation, data services and online services. Edita Publishing Ltd is also a partner in the distribution of official information. The business area consists of the Finnish subsidiary Edita Publishing Ltd.

The **Edita Prima** business area produces multi-channel customer communications solutions, online services for managing marketing materials, election services and extensive printing services. The business area comprises the Finnish subsidiary Edita Prima Ltd and, in Sweden, Edita Bobergs AB (67%) and the associated company Edita Bobergs Förvaltnings AB (33.33%). The associated company BrandSystems AB (40%), which was part of the business area during the financial year, was divested in December 2017. In addition, the operations of Edita Bobergs AB and Edita Bobergs Förvaltnings AB have been discontinued.

Other Operations includes the administrative operations of Nordic Morning Group Sweden AB and the operations of the parent company Nordic Morning Group Plc, which owns the Group's subsidiaries and steers the Group's operations and supports them with expert and administrative services. Other operations also include small interests in companies which have no actual operations.

The Group has not combined operating segments to form the reporting segments mentioned above. Segment-based data is consolidated according to the accounting principles (IFRS) applied on the Group level, and reporting to the Board forms the basis of segment reporting. Figures for the operating segments are reported and the company's management uses these figures to allocate the Group's resources to the segments and to assess their performance. Transfer prices between the segments are based on market prices.

The segment's assets and liabilities are operating items that the segments use in their operations. Business segment assets comprise fixed assets, sales receivables, receivables from percentage-of-completion projects and inventories, while liabilities comprise accounts payable as well as advances received. All other assets and liabilities are presented in unallocated items in the reconciliation of segment information. Investments, depreciation and impairment have been allocated to the reporting segments. The main items in the monitoring and reporting of segments are net revenue and operating profit/loss (described in Note 1).

2017 financial year, EUR 1,000 Operating segments	**Nordic Morning**	**Edita Publishing**	**Edita Prima**	**Other operations**	**Elim.**	**Total**
External net revenue	52 112	14 876	26 415	0		93 402
Inter-segment net revenue	879	18	283	5 065	-6 244	0
Net revenue, total	**52 991**	**14 894**	**26 697**	**5 065**	**-6 244**	**93 402**
Depreciation	-1 183	-14	-1 091	-1 095		-3 382
Impairment	-311	0	0	0		-311
Investments in associates	0	0	1 150	0		1 150
Operating profit/loss	**-2 929**	**4 528**	**2 904**	**1 406**		**5 909**
Assets and liabilities						
Goodwill	14 524	0	0	0		14 524
Associates	0	0	1 459	0		1 459
Segment assets	11 946	2 414	5 685	8 568	-1 115	27 498
Segment assets, total	**26 471**	**2 414**	**7 144**	**8 568**	**-1 115**	**43 482**
Segment liabilities	**5 850**	**928**	**1 231**	**640**	**-1115**	**7 533**
Investments	**59**	**75**	**1 011**	**550**	**0**	**1 696**

2016 financial year, EUR 1,000 Operating segments	Nordic Morning	Edita Publishing	Edita Prima	Other operations	Elim.	Total
External net revenue	59 984	12 953	30 462	0		103 399
Inter-segment net revenue	488	1	496	3 012	-3 998	0
Net revenue, total	**60 472**	**12 954**	**30 958**	**3 012**	**-3 998**	**103 399**
Depreciation	-1 213	0	-1 832	-1 033		-4 077
Impairment	-9 972	0	0	0		-9 972
Investments in associates	0	0	52	0		52
Operating profit/loss	**-14 062**	**2 379**	**57**	**-2 656**		**-14 282**
Assets and liabilities						
Goodwill	14 587	0	0	0		14 587
Associates	0	0	1 184	0		1 184
Segment assets	12 955	2 444	8 926	8 504	-516	32 313
Segment assets, total	**27 542**	**2 444**	**10 110**	**8 504**	**-516**	**48 085**
Segment liabilities	**6 317**	**778**	**2 266**	**387**	**-516**	**9 231**
Investments	**3 843**	**21**	**572**	**886**	**-25**	**5 297**

Reconciliations between the consolidated data and the reported segment data

EUR 1,000	2017	2016
Net revenue		
Reported segment net revenue	93 402	103 399
Consolidated Net Revenue	**93 402**	**103 399**
Profit/loss before taxes		
Reported segment operating profit/loss	5 909	-14 282
Consolidated net financial income (+) / expenses (-)	-336	-254
Consolidated profit/loss before taxes	**5 573**	**-14 536**
Assets		
Reported segment assets	43 482	48 085
Assets not allocated to a segment	5 085	6 550
Consolidated assets	**48 566**	**54 634**
Equity and liabilities		
Reported segment liabilities	7 533	9 231
Liabilities not allocated to a segment	19 529	26 595
Group equity	21 504	18 807
Group equity and liabilities	**48 566**	**54 634**

Information concerning geographical areas

During the financial year, the Group's segments operated in Finland and Sweden. The Group also had a Ukrainian subsidiary that was discontinued in summer 2017. The sales of the Ukrainian operations were internal and therefore not presented separately in geographical terms. The revenue of geographical areas are presented in accordance with the location of the sales point, and their assets are presented in accordance with location of the asset. Sales income from external customers have been defined in accordance with the International Financial Reporting Standars (IFRS).

EUR 1,000

2017 financial year	Net revenue	Assets	Liabilities
Finland	45 623	30 179	14 244
Sweden	47 779	18 387	12 818
Group, total	**93 402**	**48 566**	**27 062**

2016 financial year	Net revenue	Assets	Liabilities
Finland	41 746	35 071	16 637
Sweden	61 653	19 530	19 178
Ukraine	0	34	12
Group, total	**103 399**	**54 635**	**35 827**

3. Net revenue

EUR 1,000	2017	2016
Sale of services	61 167	66 050
Sale of goods	29 285	36 091
Other revenue	2 950	1 258
Group, total	**93 402**	**103 399**

Digital services accounted for EUR 51.5 million (54.5) of service revenue. The item Other revenue primarily consists of advertising sales revenue.

During the current financial year or the reference year, the Group did not have any individual external customers accounting for 10% or more of the Group's total revenue.

4. Acquired business operations

Acquisitions in the 2017 financial year

The Group acquired no companies or businesses in 2017.

Acquisitions in the 2016 financial year

Nordic Morning - Sweden

On February 29, 2016, the Group acquired CountQuest Interactive AB. The acquired entity has been fully consolidated in the consolidated income statement starting from the beginning of March 2016. CountQuest Interactive AB specializes in digital analytics and its operations are focused on data management and web analytics.

The purchase price was EUR 3.2 million. Of the purchase price, EUR 1.9 million was paid in cash and EUR 1.3 million constituted a contingent additional purchase price.

The Group is liable to pay EUR 0.6 million in contingent consideration if the increase in gross margin in 2016 is at least 15% and the company's EBITDA exceeds EUR 0.4 million. In addition, the Group is liable to pay EUR 0.3 million if the increase in gross margin in 2017 is 15% compared to the previous year and the company's EBITDA exceeds EUR 0.4 million. Furthermore, the former owner is entitled to an additional purchase price of EUR 0.3 million if the combined EBITDA for 2016 and 2017 exceeds EUR 1.6 million.

The Group recognized EUR 0.1 million in fees in the income statement for 2016 in relation to consulting, determination of value and other such services. These fees are included under the "Other operating expenses" item of the consolidated income statement.

The total acquisition cost and the values of the acquired assets and received liabilities on the acquisition date were as follows:

Consideration transferred	**EUR 1,000**
Cash	1906
Contingent consideration	1287
Total acquisition cost	**3194**

The values of the acquired assets and received liabilities on the acquisition date were as follows:

	Notes	Entered values
Tangible fixed assets	15	47
Customer agreements and customer relationships (included in intangible assets)	16	1 814
Sales receivables and other receivables	23	575
Cash and cash equivalents		0
Total assets		**2 436**
Deferred tax liabilities	20	-399
Financial liabilities	28	-154
Other current liabilities	29	-344
Total liabilities		**-898**
Net assets		**1 538**
Goodwill resulting from acquisition		
Acquisition value		3 194
Identifiable net capital of acquired item		-1 538
Goodwill		**1 655**

5. Other operating income

EUR 1,000	2017	2016
Gains from the sale of businesses and associated companies	497	187
Sales profit from tangible fixed assets	3 217	1 553
Rental income	392	276
Other income items	528	244
Total	**4 634**	**2 259**

6. Materials and services

EUR 1,000	2017	2016
Purchases made during the financial year	-4 500	-5 191
Change in stocks	3	-225
	-4 497	-5 417
Outsourced services	-26 981	-30 557
Total	**-31 478**	**-35 973**

7. Employee benefits expense

EUR 1,000	2017	2016
Salaries	-29 949	-36 505
Pension costs – defined contribution plans	-5 631	-6 557
Other related expenses	-5 874	-6 451
Total	**-41 455**	**-49 513**

Average number of employees during the financial year by business area	2017	2016
Nordic Morning	307	374
Edita Publishing	78	77
Edita Prima	122	158
Other operations	41	44
Group, total	**548**	**653**
In Finland	258	263
In Sweden	285	373
Ukraine	5	17
Group, total	**548**	**653**

The employee benefits of management are presented under Note 35 “Related party transactions”.

8. Depreciation and impairment

EUR 1,000	Notes	2017	2016
Depreciation by asset group			
Intangible assets			
Trademarks		-90	-148
Capitalized development costs		-50	-36
Other intangible assets		-932	-1 068
Total		**-1 073**	**-1 252**
Tangible fixed assets			
Buildings		-644	-636
Machinery and equipment		-1 665	-2 189
Total		**-2 309**	**-2 825**
Total depreciation		**-3 382**	**-4 077**
Impairment by asset group			
Trademarks	16	-311	0
Goodwill	16	0	-9 972
Total		**-311**	**-9 972**

9. Other operating expenses

EUR 1,000	2017	2016
Royalties and order commissions	-1 359	-1 307
Rents	-2 900	-5 525
Other business premises expenses	-1 512	-1 643
Logistics and transport costs	-1 171	-1 119
IT and data communications	-4 183	-4 161
Marketing and representation costs	-666	-973
Consulting and specialist fees	-957	-972
Losses on sales of tangible fixed assets	0	-32
Other operating expenses	-3 917	-4 928
Total	**-16 665**	**-20 660**

Auditor’s fees

Authorized Public Accountants KPMG	2017	2016
Audit	-84	-84
Tax consultation	-33	-17
Other services	-10	-87
Total	**-128**	**-188**

Authorized Public Accountants PWC	2017	2016
Audit	-10	-17
Other services	-2	-3
Total	**-12**	**-20**

10. Research and development expenditure

Direct development expenses of information systems have been capitalized as development expenses. The capitalizations and advance payments for the 2017 financial year amounted to EUR 75 thousand (2016: EUR 21 thousand). The unamortized acquisition cost is EUR 68 thousand (EUR 36 thousand) (Note 16). Research and development expenses were recognized as expenses in the amount of EUR 84 thousand (EUR 0 thousand) during the financial year.

11. Financial income

EUR 1,000	2017	2016
Dividend income from available-for-sale financial assets	8	7
Interest income on bank balances (loans and other receivables)	51	49
Total	**59**	**56**

12. Financial expenses

Items recognized through profit and loss

EUR 1,000	2017	2016
Interest expenses on financial liabilities measured at amortized cost	-99	-159
Changes in value of financial assets recognized at fair value through profit or loss		
- Interest rate derivatives, hedge accounting not applied	18	-10
Interest expenses on finance leases	-9	-11
Other financial items	-306	-130
Total	**-395**	**-310**

Other financial items primarily consists of expenses related to financing limit provisions and exchange rate differences. In the income statement, exchange rate differences are recognized in revenue, other operating expenses and other financing expenses. Exchange rate differences recognized through profit and loss totaled EUR 270 thousand in 2017 (EUR 108 thousand in 2016).

13. Other comprehensive income items that may be recognized through profit and loss later

Items recognized in OCI items and the related adjustments due to classification changes are as follows:

EUR 1,000	2017			2016		
	Recognized in OCI	Change in classification	Total	Recognized in OCI	Change in classification	Total
Available-for-sale financial assets	-67	0	-67	-18	0	-18
Translation differences	203	0	203	150	0	150
Total	**136**	**0**	**136**	**132**	**0**	**132**

Taxes relating to OCI items are presented in Note 14 “Income taxes”.

14. Income taxes

EUR 1,000	2017	2016
Income tax paid for the financial year	-1 333	-144
Taxes relating to previous financial years	-14	-45
Deferred taxes:		
Temporary differences that have been generated and that do not exist any more	321	333
Taxes in the income statement	**-1 026**	**143**

Reconciliation of tax liability and the Group's taxes according to the Finnish tax rate, 20.0%:

EUR 1,000	2017	2016
Profit before taxes	5 573	-14 536
Taxes at the parent company’s tax rates	-1 115	2 907
Tax-free income	175	47
Non-deductible expenses	-382	-383
Goodwill impairment	0	-1 994
Unrecognized referred tax assets		
on losses subject to tax	-110	-1 076
Use of losses subject to tax	211	761
Taxes relating to previous financial years	-14	-45
Share of profit in associates less taxes	230	10
Other items and different tax rates of foreign subsidiaries	-21	-83
Taxes in the income statement	**-1 026**	**143**

Taxes relating to OCI items

EUR 1,000		2017			2016	
	Before taxes	Tax effect	After taxes	Before taxes	Tax effect	After taxes
Available-for-sale financial assets	-67	13	-54	-18	4	-14
Translation differences	203	0	203	150	0	150
Total	**136**	**13**	**150**	**132**	**4**	**135**

15. Tangible fixed assets

EUR 1,000	Land and water areas	Buildings	Machinery and equipment	Advance payments	Total
Acquisition cost January 1, 2017	1 923	16 774	23 890		42 587
Exchange rate differences		0	-40		-40
Increases		7	979		986
Decreases	0	0	-4 658		-4 658
Acquisition cost, December 31, 2017	**1 923**	**16 781**	**20 171**		**38 875**
Accumulated depreciation and impairment on January 1, 2017	0	11 327	20 216		31 542
Decreases		0	-3 967		-3 967
Depreciation for the financial year		644	1 662		2 306
Accumulated depreciation, December 31, 2017	**0**	**11 971**	**17 911**		**29 881**
Carrying amount, December 31, 2017	**1 923**	**4 810**	**2 260**	**346**	**9 340**
Carrying amount, January 1, 2017	1 923	5 447	3 674	28	11 073

EUR 1,000	Land and water areas	Buildings	Machinery and equipment	Advance payments	Total
Acquisition cost January 1, 2016	5 066	16 434	26 979		48 478
Exchange rate differences		0	-117		-117
Business mergers			40		40
Increases		475	1 204		1 679
Decreases	-3 143	-134	-4 216		-7 493
Acquisition cost, December 31, 2016	**1 923**	**16 774**	**23 890**		**42 587**
Accumulated depreciation and impairment on January 1, 2016	0	10 825	21 331		32 156
Business mergers			0		0
Decreases		-134	-3 304		-3 438
Depreciation for the financial year		636	2 189		2 825
Accumulated depreciation, December 31, 2016	**0**	**11 327**	**20 216**		**31 542**
Carrying amount, December 31, 2016	**1 923**	**5 447**	**3 674**	**28**	**11 073**
Carrying amount, January 1, 2016	5 066	5 608	5 649	283	16 606

Finance leases

Tangible fixed assets include assets leased under finance leases as follows:

EUR 1,000	2017 Machinery and equipment	2016 Machinery and equipment
Acquisition cost	276	484
Accumulated depreciation	-142	-271
Carrying amount, December 31	**134**	**213**

In 2017, the acquisition cost increases of tangible fixed assets included assets leased under finance leases worth EUR 0.1 million (2016: EUR 0.2 million).

16. Intangible assets

EUR 1,000	Goodwill	Trade-marks	Develop. expenses	Other intangible assets	Advance payments	Total
Acquisition cost January 1, 2017	30 819	869	313	6 247		38 247
Exchange rate differences	-63	-3		-171		-237
Increases	0		82	0		82
Business mergers	0	0		0		0
Decreases		-866	0	-63		-929
Acquisition cost, December 31, 2017	**30 756**	**0**	**395**	**6 013**		**37 164**
Accumulated depreciation and impairment on January 1, 2017	16 232	464	276	3 854		20 826
Accumulated depreciation accumulated depreciation		-866	0	-62		-928
Depreciation for the financial year		90	50	804		944
Impairment	0	311				311
Accumulated depreciation, December 31, 2017	**16 232**	**0**	**327**	**4 595**		**21 153**
Carrying amount, December 31, 2017	**14 525**	**0**	**68**	**1 417**	**193**	**16 203**
Carrying amount, January 1, 2017	14 587	405	36	2 393	118	17 539

EUR 1,000	Goodwill	Trade-marks	Develop. expenses	Other intangible assets	Advance payments	Total
Acquisition cost January 1, 2016	29 283	885	313	5 595		36 075
Exchange rate differences	-119	-16		-26		-161
Increases	0			58		58
Business mergers	1 655	0		1 778		3 433
Decreases		**0**	0	-1 158		-1 158
Acquisition cost, December 31, 2016	**30 819**	**869**	**313**	**6 247**		**38 247**
Accumulated depreciation and impairment on January 1, 2016	6 259	316	240	3 944		10 759
Accumulated depreciation accumulated depreciation		0	0	-1 158		-1 158
Depreciation for the financial year		148	36	1 068		1 252
Impairment	9 972					9 972
Accumulated depreciation, December 31, 2016	**16 232**	**464**	**276**	**3 854**		**20 826**
Carrying amount, December 31, 2016	**14 587**	**405**	**36**	**2 393**	**118**	**17 539**
Carrying amount, January 1, 2016	23 024	569	73	1 651	25	25 342

Other intangible assets include IT software, licences, customer agreements acquired through mergers, and the associated customer relationships.

Allocation of goodwill

Nordic Morning Group comprises three business segments: Nordic Morning, Edita Publishing and Edita Prima.

The Nordic Morning business area is divided into two cash-generating units: Nordic Morning Sweden and Nordic Morning Finland. Edita Prima and Edita Publishing constitute independent cash-generating units.

At the end of the 2017 financial year, goodwill in the Group is allocated to Nordic Morning Sweden and Nordic Morning Finland. The following shows the carrying amounts of the tested business units and the allocation of goodwill to them: Comparison figures are not available due to the Group establishing new operating segments and cash-generating units as part of its new strategy.

EUR 1,000	Nordic Morning Sweden	Nordic Morning Finland	Total
2017			
Goodwill	12 248	2 277	**14 524**
Carrying amount	18 189	3 843	**22 032**

Impairment testing, December 31, 2017

In impairment testing, the recoverable amounts from the business areas have been defined on the basis of value in use. Cash flow forecasts are based on forecasts approved by the management and which cover a period of three years. The cash flow after the management-approved forecast period has been extrapolated using a discount rate and zero growth percentage.

The key assumptions when calculating the value in use are as follows:

1. Net revenue – Based on the budget for the following year and estimated forecasts for the coming years.
2. EBITDA – Based on the budget for the following year and on strategy forecasts for the coming years. The prices based on the overhead cost index are also taken into account.
3. Discount rate – Defined by means of the weighted average cost of capital (WACC), which describes the total cost of equities and liabilities, taking into account the special risks associated with assets.

Discount rate before taxes	Nordic Morning Sweden	Nordic Morning Finland
2017	8,9 %	9,1 %

Sensitivity analysis in impairment testing

The assumptions used in sensitivity analyses are related to net revenue, profitability, the applied discount rate and the growth rate following the forecast period. In assessing the results of the sensitivity analyses, attention has been paid to the effect of changes in net revenue to profitability (gross margin).

In the Nordic Morning Sweden unit, the recoverable amount exceeds the carrying amount of the unit by EUR 11.0 million. Each of the following changes, assuming that all other factors would remain the same, would result in the carrying amount of the unit being equal with the recoverable amount:
- the increase of the discount rate from 8.9% to 14.7%.
- the decrease of the gross margin used in the calculation of the value in use from 5.9% to 4.0%.
- the decrease of the zero growth percentage following the forecast period to -10.3%.

In the Nordic Morning Finland unit, the recoverable amount exceeds the carrying amount of the unit by EUR 2.1 million. Each of the following changes, assuming that all other factors would remain the same, would result in the carrying amount of the unit being equal with the recoverable amount:
- the increase of the discount rate from 9.1% to 14.0%
- the decrease of the gross margin used in the calculation of the value in use from 5.2% to 4.0%.
- the decrease of the zero growth percentage following the forecast period to -8.2%.

17. Subsidiaries and material non-controlling interests

Group structure

The following table presents information on the Group’s structure on the balance sheet date.

		Number of wholly-owned subsidiaries	
Operating segment	**Country**	**2017**	**2016**
Nordic Morning	Finland / Sweden	6	10
Edita Publishing	Finland	1	1
Edita Prima	Finland	1	1
Other operations	Finland / Sweden	1	4

		Number of partly-owned subsidiaries	
Operating segment	**Country**	**2017**	**2016**
Edita Prima	Sweden	1	1

A full list of the Group’s subsidiaries is presented in Note 35 “Related party transactions”.

Itemized list of non-controlling interests

In the table, the non-controlling interest corresponds to the non-controlling interest presented in the consolidated income statement and balance sheet.

		Share of votes held by non-controlling interests %		Share of profit or loss allocated to non-controlling interests EUR 1,000		Share of equity allocated to non-controlling interests EUR 1,000	
Subsidiary	**Country**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Edita Bobergs AB	Sweden	32,8 %	32,8 %	45	-106	197	157

Summary of financial information for subsidiaries that have a non-controlling interest

	Edita Bobergs AB	
EUR 1,000	**2017**	**2016**
Current assets	699	2 859
Non-current assets	0	979
Current liabilities	98	2 283
Non-current liabilities	0	1 075
Net revenue	6 090	11 086
Expenses and other items	5 951	11 253
Profit (loss)	139	-167
Share of profit(/loss) allocated to parent company shareholders	94	-112
Share of profit(/loss) allocated to non-controlling interests	45	-55
Comprehensive income for the financial year	139	-167
Share of comprehensive income allocated to parent company shareholders	94	-112
Share of comprehensive income allocated to non-controlling interests	45	-55
Cash flow from operating activities	461	-984
Cash flow from investing activities	1 040	2 001
Cash flow from financing activities	-1 297	-863

In September, Edita Bobergs AB sold its printing business to the Swedish printing company Åtta.45 Tryckeri AB. The Group intends to liquidate Edita Bobergs AB in 2018.

Changes in holdings in subsidiaries

2017

Kiinteistö Oy Vantaan Hakamäenkuja was liquidated in March, followed by Citat Robot AB and Journalistgruppen AB in April. The discontinued companies had no actual operations, and were included in the reports as a part of the administrative segment under "other operations".

In June, the Nordic Morning Group's parent company's shares of CountQuest Interactive AB and Ottoboni Sweden AB were transferred to the ownership of Nordic Morning Group Sweden AB, the Swedish parent company. In addition, Nordic Morning Finland Oy's share of Nordic Morning Sweden AB was transferred to Nordic Morning Group Sweden AB. The aim of the measures was to clarify the legal structure of the Nordic Morning Group.

In June, Nordic Morning Group Sweden AB sold its share of the Ukraine-based Sitrus Ukraine LLC. The transaction had no significant impact on the Group's profit or financial position or on the Group's net revenue or profit for the full year.

As a result of an internal merger process carried out in Finland, Sitrus Agency Oy, Seed Digital Media Oy and Ottoboni Finland Oy were merged with Nordic Morning Finland Oy on October 31, 2017.

In Sweden, the process of merging Ottoboni Sweden AB and CountQuest Interactive AB with Nordic Morning Sweden AB began in the fall and the companies' shareholdings were transferred from Nordic Morning Group Sweden AB to the merger recipient, Nordic Morning Sweden AB.

2016

In March, the Group acquired CountQuest Interactive AB, which specializes in data management and analytics.

In August, Edita Västra Aros Ab sold its stake in Edita Bobergs AB to Nordic Morning Group Sweden AB, a subsidiary of Nordic Morning Plc. Edita Västra Aros Ab was liquidated in September 2016. The company had no actual operations.

18. Interests in associated companies

EUR 1,000	2017	2016
Acquisition cost, January 1	1 184	1 340
Share in result	1 150	52
Dividend distribution from associates	-794	-158
Decreases	-99	0
Translation differences	18	-50
Total investments in associated companies, December 31	**1 459**	**1 184**

In June, Nordic Morning Sweden Group AB signed an agreement on the sale of the associated company BrandSystems International AB. The transaction was finalized in December 2017.

Information on the Group's material associated companies on December 31, 2017

Name	Operating segment	Domicile	Holding
Edita Bobergs Förvaltnings AB	Edita Prima	Falun	33,33 %

Summary of financial information concerning associated companies

The Group's significant associated companies mentioned in the table are accounted for in the consolidated financial statements using the equity method. The summary of financial information presented in the table below is based on the associated companies' IFRS financial statements.

	Edita Bobergs Förvaltnings AB		BrandSystems International AB	
EUR 1,000	**2017**	**2016**	**2017**	**2016**
Current assets	4 406	2 009	0	1144
Non-current assets	10	557	0	23
Current liabilities	37	112	0	865
Net revenue	432	465	939	1307
Profit for financial year	4 108	448	79	32
Dividends received from the associated company during the period	657	158	137	0
Reconciliation of the associated company's financial information with the balance sheet value recognized by the Group:				
Associated company's net assets	4 378	2 454	0	302
Group's holding, %	33,33 %	33,33 %	0,00 %	40,00 %
Group's share of net assets	1 459	818	0	121
Other adjustments	0	246	0	0
Associated company's balance sheet value in the consolidatec	1 459	1 064	0	121

The carrying amount of the Group's associates has included not only goodwill, but also tangible fixed assets acquired and recognized in the merger of businesses. Tangible assets were measured at fair value on the basis of the market price of corresponding assets, taking into account the age, wear and other corresponding factors of the acquired assets.

A property owned by the associated company Edita Bobergs Förvaltnings AB was sold in December 2017. The Group intends to liquidate the company in 2018.

19. Other financial assets

The “Other financial assets” balance sheet item includes the following financial assets

EUR 1,000	2017	2016
Available-for-sale financial assets		
Unlisted share investments	190	413
Publicly listed share investments	76	146
Total	**266**	**559**

In the financial years 2017 and 2016, the Group has not re-classified financial assets recognized at fair value through profit and loss or financial assets recognized at cost. Unlisted equity investments measuring principles can be found in Note 30. The Group divested some of its equity investments during the financial year.

Available-for-sale financial assets EUR 1,000	2017	2016
At the beginning of the financial year	559	615
Sale of equity investments	-297	0
Other decreases	0	-55
Other increases	4	0
At the end of the financial year	**266**	**559**
in which non-current	190	413
Current available-for-sale financial assets	76	146

The Group recognized EUR 0.1 million in gains on the sale of available-for-sale financial assets during the financial year. Changes in the fair value fund are presented in Note 25 “Equity management”.

20. Deferred tax assets and liabilities

Change in deferred taxes during 2017 EUR 1,000	1.1.2017	Recognized in the income statement	Recog-nized in OCI	Exchange rate differences	Acquired subsidiaries	31.12.2017
Deferred tax assets						
Internal margin in inventories	0	1				1
Provisions	57	-28				29
Finance leases	27	-13		-1		13
Total	**85**	**-41**	**0**	**-1**		**43**
Deferred tax liabilities						
Measurement of intangible and tangible assets at fair value in merging businesses	523	-249		-10	0	264
Accumulated depreciation differences and approp	278	-113		0		164
Available-for-sale financial assets	25	0	-13			11
Total	**826**	**-362**	**-13**	**-10**	**0**	**440**

Change in deferred taxes during 2016 EUR 1,000	1.1.2016	Recognized in the income statement	Recog-nized in OCI	Exchange rate differences	Acquired subsidiaries	31.12.2016
Deferred tax assets						
Internal margin in inventories	0	0				0
Provisions	49	9				57
Finance leases	43	-14		-2		27
Total	**92**	**-6**	**0**	**-2**		**85**
Deferred tax liabilities						
Measurement of intangible and tangible assets at fair value in merging businesses	365	-222		-9	389	523
Accumulated depreciation differences and approp	397	-116		-3		278
Available-for-sale financial assets	28	0	-4			25
Total	**790**	**-338**	**-4**	**-12**	**389**	**826**

The Group had EUR 7.9 million in losses confirmed on December 31, 2017, for which deferred tax assets were not recognized due to the uncertainty of their use. The tax losses are in Sweden, where they do not expire.

21. Inventories

EUR 1,000	2017	2016
Materials and supplies	194	380
Unfinished products	312	450
Finished products/goods	1 308	1 455
Total	**1 813**	**2 286**

The Group recognized EUR 134,000 as expenses for the financial year, by which the carrying amount of inventories was reduced to correspond to their net realizable value (EUR 204,000 in 2016).

22. Recognizing income as profit, and expenses as expenditures based on degree of completion

Percentage-of-completion projects are related to services sold by the Nordic Morning and Edita Publishing business areas. Where realized expenses and recognized gains exceed the amount billed from the customer, the gross receivables are included in Note 23 under "Accrued income on percentage-of-completion projects". Advances received for work that has not yet been started or the share already billed for percentage-of-completion projects which exceeds the amount of expenses and profit are included in Note 29 under “Percentage-of-completion projects".

For unfinished percentage-of-completion projects, realized expenses and profit (excluding loss) and advances received for unfinished percentage-of-completion projects were recognized as follows:

Accrued income on percentage-of-completion projects

EUR 1,000	Note 23	2017	2016
Income / assignment expense		1 933	2 486
Amount invoiced from customers		-182	-315
Total		**1 751**	**2 171**

Advances received from customers for percentage-of-completion projects

EUR 1,000	Note 28	2017	2016
Income / assignment expense		-526	-307
Amount invoiced from customers		3 048	2 308
Total		**2 522**	**2 001**

23. Sales receivables and other receivables

EUR 1,000	2017	2016
Loans and other receivables		
Sales receivables	14 139	16 016
Accrued income on percentage-of-completion projects	1 751	2 171
Prepaid expenses and accrued income		
Rents	46	125
Royalty receivables	77	121
Social security expense accruals	200	100
Sales accruals	31	111
Annual credits	28	14
IT service accruals	314	407
Other prepaid expenses and accrued income	241	468
Other receivables	1 244	1 308
Total of sales receivables and other receivables	**18 072**	**20 842**

The Group recognized EUR 70 thousand (EUR 51 thousand) in impairment losses for sales receivables during the financial year. There are no major credit risk concentrations associated with receivables, as sales receivables are distributed across a broad group of customers in different businesses. Statement of financial position values provide the best indication of the maximum amount subject to a credit risk in a situation in which the counterparties to a contract are unable to fulfil the obligations associated with financial instruments.

Age distribution of sales receivables and items recognized as impairment losses

EUR 1,000	2017	Impairment loss	Net 2017	2016	Impairment loss	Net 2016
Not due	12 248		12 248	13 855		13 855
Less than 30 days overdue	1 593		1 593	2 014		2 014
31–60 days overdue	239		239	96		96
Over 60 days overdue	129	70	59	102	51	51
Total	**14 208**	**70**	**14 139**	**16 067**	**51**	**16 016**

Sales receivables by currency

EUR 1,000	2017	2016
EUR	6 375	5 858
SEK	7 639	10 135
NOK	7	15
DKK	0	2
Other	118	6
Total	**14 139**	**16 016**

24. Cash and Cash Equivalents

Cash and cash equivalents in the cash flow statement are formed as follows:

EUR 1,000	2017	2016
Cash in hand and at the bank	1 326	1 007
Total	**1 326**	**1 007**

Balance sheet values provide the best indication of the maximum amount subject to a credit risk in a situation in which the counterparts to a contract are unable to fulfil the obligations associated with financial instruments. There are no major credit risk concentrations associated with cash and cash equivalents. In the statement of cash flows, items classified as cash and cash equivalents have a maximum maturity of three months from the date of acquisition. Fair values of certificates of deposit included in cash and cash equivalents are presented in Note 30 “Fair value of financial assets and liabilities”.

25. Equity and capital management

EUR 1,000	Number of shares (1,000)	Share-holders’ equity	Share premium fund
31.12.2015	6 000	6 000	25 870
31.12.2016	6 000	6 000	25 870
31.12.2017	6 000	6 000	25 870

The company has one share class, and so there are no vote differentials. One share carries one vote. The share has no nominal value. The company’s shares do not belong to the book-entry system. All shares issued have been fully paid for.

Shareholders’ equity comprises share capital, the share premium fund, translation differences, the fair value fund and retained earnings.

Share premium fund
The share premium fund was created when Valtion painatuskeskus (the State Printing Centre) was turned into an independent company and ceased to operate as a state-owned public corporation. In connection with the business transfer, the company's equity was increased as capital contribution. The share premium fund is a non-distributable fund.

Treasury shares
In 2017 and 2016 the Group held no treasury shares.

Translation differences
The translation differences fund comprises translation differences arising from the translation of the financial statements of foreign units. The profits and losses arising from the hedging of net investments in foreign units are included in translation differences, provided that the requirements for hedging have been met. In addition, the translation differences fund includes exchange rate differences arising from the Group's internal equity-based loans.

Fair value fund
The fair value fund comprises changes in the fair values of available-for-sale investments.

EUR 1,000	2017	2016
Fair value fund	48	102

Distributable assets
The profit for the year is recognized in retained earnings. The distributable assets of the Group’s parent company were EUR 6,876,126.78 in the financial statements dated December 31, 2017.

Dividends and capital management
The goal of the Group's capital management is to support business operations by means of an optimal capital structure that ensures normal operating conditions and by increasing value generated to owners in the long term. The company has no fixed dividend policy. The equity-to-assets ratio and the company's needs form the basis for dividend distribution, concerning which the Board of Directors makes a proposal to the Annual General Meeting. After the end date of the reporting period, the Board of Directors proposed to the Annual General Meeting that a dividend of EUR 2.0 million be distributed.

The covenants relating to the Group's bank loans are normal terms that, for example, restrict the placement of collateral, large-scale mergers and acquisitions, essential changes in business and changes of qualified majority in ownership.

The Group's capital structure is continually monitored by means of the equity-to-assets leverage ratio and the gearing ratio. At the end of 2017, the Group's interest-bearing net liabilities stood at EUR 2.7 million (2016: EUR 6.0 million) and the net gearing ratio was 12.4% (2016: 32.0%). When calculating net indebtedness, interest-bearing net liabilities are divided by shareholder's equity. Net liabilities include interest-bearing financial liabilities less interest-bearing receivables and cash and cash equivalents.

EUR 1,000	**31.12.2017**	**31.12.2016**
Interest-bearing liabilities	3 996	7 027
Cash and cash equivalents	1 326	1 007
Net indebtedness	**2 669**	**6 020**
Total shareholders' equity	21 504	18 807
Equity-to-assets ratio, %	46,8 %	36,3 %
Gearing ratio %	12,4 %	32,0 %

26. Provisions

EUR 1,000	**Rearrange-ments**	**Environmental provisions**	**Other**	**Total**
Provisions on December 31, 2016	**118**	**70**	**100**	**288**
Amounts used	-42	0	0	-42
Reversal of unused amounts	0	0	-100	-100
Provisions on December 31, 2017	**76**	**70**	**0**	**146**

Restructuring provision
Restructuring provisions are related to restructuring of the Edita Prima business area, aiming to adjust business operations to the changing market situation.

Environmental provisions
Environmental provisions are related to the environmental obligations associated with the discontinued printing business.

Other provisions
The Other provisions item contains the obligations, other than the events mentioned above, that have previously taken place (legal or actual), which can be reliably measured and which are likely to require the transfer of financial resources out of the Group in order for the obligations to be fulfilled.

27. Interest-bearing liabilities

EUR 1,000

Non-current financial liabilities amortized at cost	2017	2016
Bank loans and other financial loans	2 250	4 876
Finance lease liabilities	77	159
Total	**2 327**	**5 035**

Current financial liabilities amortized at cost	2017	2016
Loan repayments due in the following year and other current interest-bearing liabilities	1 551	1 813
Finance lease payments due in the following year	118	179
Total	**1 669**	**1 992**

Maturing of contract-based financial liabilities by maturity class	Interest-bearing liabilities		Interest	
	2017	2016	2017	2016
2017	1 669	1 992	32	71
2018	1 550	1 933	15	49
2019	777	1 800	4	26
2020	0	1 012	0	11
2021	0	290	0	3
Total	**3 996**	**7 027**	**51**	**156**

Weighted averages of effective interest rates of non-current interest-bearing liabilities	2017	2016
	1,0 %	1,1 %

Non-current interest-bearing liabilities are divided by currency as follows	2017	2016
EUR	2 250	3 801
SEK	77	1 234
Total	**2 327**	**5 035**

Current interest-bearing liabilities are divided by currency as follows	2017	2016
EUR	1 551	1 551
SEK	118	440
Total	**1 669**	**1 992**

Maturity periods of finance lease liabilities

EUR 1,000	2017	2016
Gross finance lease liabilities – minimum leases by maturity period		
Within one year	121	190
Between one and five years	78	168
Total	**198**	**359**
Financial expenses accrued in the future	-4	-21
Finance lease liabilities, current value	**194**	**338**
Maturity of finance lease liabilities’ current value		
Within one year	118	179
Between one and five years	77	159
Total	**194**	**338**

28. Accounts payable and other liabilities

EUR 1,000	Notes	2017	2016
Current financial liabilities amortized at cost			
Accounts payable	30	5 281	6 492
Advances received		75	784
Advances received from customers for percentage-of-completion projects	22	2 522	2 001
Accrued liabilities and deferred income			
Wages and salaries with related expenses		5 009	6 248
Social insurance contribution expense provision from previous years		664	1 336
Sales accruals		1 319	1 271
Rents		646	1 761
Interests		40	25
IT Services		19	52
Annual bonus for executive management, including indirect personnel expenses		76	0
Long-term bonuses of management		0	51
Other accrued expenses		1 325	1 340
Other current liabilities	30	4 671	6 167
Financial liabilities recognized at current fair value through profit or loss			
Derivative contracts, hedge accounting not applied		28	45
Total accounts payable and other liabilities		**21 674**	**27 574**

The fair values of accounts payable and other liabilities are essentially equivalent to their carrying amounts. The discounting effect is not significant.

Current non-interest-bearing liabilities by currency	2017	2016
EUR	9 371	10 661
SEK	12 195	16 816
NOK	54	29
DKK	39	49
UAH	0	12
Other currencies	15	7
Total	**21 674**	**27 574**

29. Financial risk management

The Group is exposed to a number of financial risks in its normal business operations. The goal of the Group's risk management policy is to minimize the adverse effects of financial market movements on the Group's result. The main financial risks are currency and liquidity risks. Under the risk management policy, risks are managed through a risk management process. This process identifies the risks threatening operations, assesses and updates them, develops the appropriate risk management actions and regularly reports on risks to the Group management team and Board of Directors. Financial risk management is an integral part of the Group's risk management policy. Financial risks are divided in the Group as follows:

Currency risk
Business outside the euro zone accounts for approximately 50% of the net revenue and consists mainly of sales denominated in Swedish krona. No currency derivatives were open in the Group on the balance sheet date. The risk due to the translation of long-term foreign net investments was not hedged on the balance sheet date, December 31, 2017. According to the currency risk policy confirmed by Nordic Morning Group's Board of Directors, currency risks are monitored regularly and hedged when necessary.

The parent company's operating currency is the euro. The assets and liabilities of foreign subsidiaries, denominated in foreign currencies and translated into euros at the rate of the balance sheet date, are as follows. Exchange rate changes have been taken into account for the Swedish krona.

Nominal values

EUR 1,000	2017	2016
Non-current assets	7 027	4 495
Non-current liabilities	340	1 726
Exchange rate changes in non-current items	-82	-340
Current assets	11 360	15 035
Current liabilities	12 477	17 452
Exchange rate changes in current items	72	-119

Currency risk sensitivity analysis in accordance with IFRS 7
The table below shows the strengthening of the euro against the Swedish krona. The sensitivity analysis is based on the assets and liabilities denominated in foreign currencies on the balance sheet date as well as the profit for the financial year.

EUR 1,000	2017	2016
Percentage of change	10 %	10 %
Effect on Group's profit after tax	138	824
Effect on the Group's shareholders' equity	657	1 089

Liquidity risk
The liquidity risk relates to the repayment of debts, the payment of investments and the adequacy of working capital. The Nordic Morning Group strives to minimize its liquidity risk and the repayment of its future financial liabilities by ensuring sufficient finance from income, by maintaining a sufficient investment reserve and sufficient credit limit reserves and by evening out loan repayment schedules between different calendar years.

At the end of the year, cash and cash equivalents totaled EUR 1.3 million (EUR 1.0 million on December 31, 2016). The Group had a consolidated account credit limit with a maximum size of EUR 6.3 million. The consolidated account credit limit was utilised during the financial year, but the credit limit was unused at the end of the year. In addition, the Group has confirmed credit limits of EUR 5.0 million, the loan covenants for which are reported to investors semi-annually. The covenant terms are related to equity and the ratio of net cash to EBITDA. The Group fulfilled all covenant terms during the financial year.

The management regularly monitors the fulfillment of loan covenant terms. In the view of the management, the Group can manage the concentrations of liquidity risk due to the low amount of external debt. The liquidity risk is monitored constantly and liquidity forecasts are made regularly. The following table shows a maturity analysis based on agreements made.

EUR 1,000

Breakdown of maturities of financial liabilities 2017	Balance sheet value	Cash flow*	12 months or less	1–2 years	2–5 years
Financial liabilities	3 801	3 848	1 580	1 514	754
Finance lease liabilities	194	199	121	51	27
Accounts payable and other liabilities	21 646	21 646	21 646		
Maturity breakdown of derivative liabilities					
Interest rate derivatives, hedge accounting not applied	28	28	28		

Breakdown of maturities of financial liabilities 2016	Balance sheet value*	Cash flow*	12 months or less	1–2 years	2–5 years
Financial liabilities	6 689	6 827	1 872	1 858	3 097
Finance lease liabilities	338	359	190	124	44
Accounts payable and other liabilities	27 529	27 529	27 529		
Maturity breakdown of derivative liabilities					
Interest rate derivatives, hedge accounting not applied	45	45	45		

*Contractual cash flow from agreements cleared in gross amounts

Interest rate risk
The Group’s interest rate risk mainly comprises movements in market rates and margins affecting the loan portfolio. The effect of the interest rate risk on the Group’s net profit was reduced by hedging with interest rate derivatives. The Group had a total of EUR 4.0 million (EUR 7.0 million) in interest-bearing debt from financial institutions on December 31, 2017. Interest rate risk has been reduced by using interest rate derivatives to convert variable rate loans to fixed rate loans. On the reporting date, 94% (75%) of debt was fixed rate debt, and the duration was 1.8 (2.4). In analyzing the interest rate risk, a +1 percentage unit change in the interest rate is assumed. The effect of such a change over 12 months on the amount of variable rate debt prevailing on December 31, 2017, with all other factors remaining the same, is EUR -3 thousand (-12) on the Group’s pre-tax profit.

Credit risk
The Nordic Morning Group’s credit risks relate to operating activities. The Group’s credit risk policy defines the creditworthiness requirements for the Group's customers. The Group has no significant credit risk concentrations because, with the current business areas, it has a wide range of customers, and these are mainly divided between the two domestic markets of Finland and Sweden. The Group has seen no need to use credit insurance policies, letters of credit or bank guarantees provided by customers. The operating units are responsible for the credit risks related to operating activities, and all decisions on impairment losses are made by the Group on the basis of their assessments. The balance sheet values of sales receivables and other receivables best describe the cash sum that the receivables are expected to generate. The Group's total amount of credit risk corresponds to the carrying amount of financial assets at the end of the financial year. A list of the age distribution of sales receivables is presented in Note 23.

The table below shows the fair values of derivative contracts on the balance sheet date.

EUR 1,000	2017 Positive fair value	2017 Positive fair value	2017 Fair value, net	2016 Positive fair value	2016 Positive fair value	2016 Fair value, net
Interest rate swaps						
Maturity:						
in under one year	0	-28	-28	0	-45	-45

30. Fair value of financial assets and liabilities

EUR 1,000	Note	Carrying value 2017	Fair value 2017	Carrying value 2016	Fair value 2016
Financial assets					
Other financial assets	19	190	190	413	413
Sales receivables and other receivables	23	18 072	18 072	20 842	20 842
Other current financial assets	19	76	76	146	146
Cash and cash equivalents	24	1 326	1 326	1 007	1 007
Financial liabilities					
Financial loans	27	3 801	3 737	6 689	6 508
Finance lease liabilities	27	194	194	338	338
Accounts payable and other liabilities	28	21 646	21 646	27 529	27 529
Financial liabilities recognized at fair value through profit or loss:					
- Interest rate derivatives, hedge accounting not applied	28	28	28	45	45

Fair value determination principles applied by the Group on all financial instruments
When determining the fair values of the financial assets and liabilities shown in the table, the following price quotations, assumptions and measurement models have been used.

Financial assets, equity and fund investments and other investments
Financial assets consist of cash, demand deposits and other current, extremely liquid investments. Other financial assets comprise unlisted equity investments. Unlisted equity investments were measured at acquisition cost because it was not possible to measure them at fair value using the methods of measurement. There are no functional markets for unlisted equities and, for the time being, the Group has no intention of disposing of these investments. Other current financial assets comprise Finnish equities listed on the NASDAQ OMX Helsinki Stock Exchange and are measured at the price quotation on the reporting period’s end date.

Derivatives
For derivatives, the measurement principle is counterparty price quotation.

Sales receivables and other receivables
The initial carrying amount of sales receivables corresponds to their fair value because there is no material discounting effect when taking into account the maturity of the receivables.

Bank loans and financial lease liabilities
Financial liabilities are initially recognized at fair value. Subsequently, all financial liabilities are measured at amortized cost. The fair values of liabilities are based on discounted cash flows. The discount rate applied is the rate at which the Group could acquire corresponding loan funding externally at the reporting period’s end date. Interest-bearing liabilities are as a rule tied to six-month market interest rates. Expenses arising from interest-bearing liabilities are recognized as liabilities during the financial period during which they arose.

Accounts payable and other liabilities
The initial carrying amount of accounts payable and other liabilities corresponds to their fair value because there is no material discounting effect when taking into account the maturity of the liabilities.

Fair value hierarchy of financial assets and liabilities recognized at fair value

EUR 1,000	Fair values on balance sheet date		
Assets measured at fair value	**31.12.2017**	**Level 1**	**Level 2**
Available-for-sale financial assets			
Share investments	266	76	190
Liabilities measured at fair value			
Financial liabilities recognized at fair value through profit or loss:			
Interest rate derivatives, hedge accounting not applied	28		28

EUR 1,000	Fair values on balance sheet date		
Assets measured at fair value	**31.12.2016**	**Level 1**	**Level 2**
Available-for-sale financial assets			
Share investments	559	146	413
Liabilities measured at fair value			
Financial liabilities recognized at fair value through profit or loss:			
Interest rate derivatives, hedge accounting not applied	45		45

During the past financial year and the financial year before that, no transfers occurred between levels 1 and 2 of the fair value hierarchy.

Fair values of the hierarchy level 1 are based on the listed (unadjusted) prices of identical assets or liabilities in a well-functioning market. Fair values of the level 2 instruments are based to a significant extent on other input information than listed prices included in the level 1; however, they are based on information that can be determined for the asset or liability in question, either directly (i.e. as a price) or indirectly (i.e. derived from prices). For determining the fair value of these instruments, the Group utilises generally accepted measurement models, input information of which are, nevertheless, based to a significant extent on verifiable market information. Fair values of the level 3 instruments are based on input information concerning the asset or liability that is not based on observable market information (unobservable inputs).

Fair value hierarchy of financial assets and liabilities recognized at fair value, which are not recognized at fair value on the balance sheet but whose fair value is presented in the financial statements

EUR 1,000	Fair values on balance sheet date			
	31.12.2017	**Level 1**	**Level 2**	**Level 3**
Financial assets:				
Sales receivables and other receivables	18 072		18 072	
Financial liabilities:				
Bank loans	3 737			3 737
Finance lease liabilities	194		194	
Accounts payable and other liabilities	21 646		21 646	
Total	**25 578**		**21 841**	**3 737**

EUR 1,000	Fair values on balance sheet date			
	31.12.2016	**Level 1**	**Level 2**	**Level 3**
Financial assets:				
Sales receivables and other receivables	20 842		20 842	
Financial liabilities:				
Bank loans	6 508			6 508
Finance lease liabilities	338		338	
Accounts payable and other liabilities	27 529		27 529	
Total	**34 375**		**27 867**	**6 508**

31. Adjustments to cash flow from operating activities

Non-cash transactions

EUR 1,000	2017	2016
Depreciation and impairment	3 693	14 050
Adjustments to sales gains	-4 041	-1 577
Exchange rate differences	109	121
Profit/loss at fair value through profit or loss from the measurement of recognizable assets and liabilities	16	4
Share of profit in associates	-1150	-52
Total	**-1 372**	**12 545**

32. Changes in liabilities arising from financing

EUR 1,000	2017	2016
Interest-bearing liabilities January 1	7 027	14 672
Repayments of borrowings	-2 797	-7 064
Repayments of leasing liabilities	-223	-870
Increases from leasing agreements	71	208
Exchange rate differences	-82	81
Total interest-bearing liabilities December 31	**3 996**	**7 027**

33. Other leases

Group as the tenant

Minimum leases payable on the basis of non-cancellable operating leases

EUR 1,000	2017	2016
Within one year	2 925	3 273
Between one and five years	6 598	8 982
Over five years	3 928	4 982
Total	**13 451**	**17 236**

The Group leases its office premises in Finland and Sweden. Production facilities in Finland are owned by the Group. The lengths of the leases range between 2–10 years and normally include the possibility to continue the agreement after the original date of termination. Leases generally include an index clause.
.
The 2017 income statement contains lease expenses for operating leases of EUR 2.9 million (EUR 5.5 million).

34. Contingent liabilities

Collateral and other contingent liabilities

EUR 1,000	2017	2016
Other collateral and guarantees given on behalf of shareholders		
Rent guarantees	561	1 022
Other collateral given	0	6
Other collateral and guarantees given, total	**561**	**1028**

Off-balance sheet financial liabilities

Real estate investments

The Group is obligated to review the VAT reductions made on real estate investments completed in the years 2009–2016, if the property's taxable use decreases during the review period. The last review year is 2025. The maximum amount of the liability is EUR 209,384.22.

Disputes and legal proceedings

The Group does not have any unresolved disputes or legal processes that could impact its financial standing.

35. Related party transactions

Parties are considered to be related parties if one party has the ability to control the other party or to exercise significant influence in or joint control over the other party in making financial and operating decisions. The Group's related parties include its subsidiaries, associates and the sole shareholder, the Finnish state. The related parties also include the members of the Group's Board of Directors, the CEO, the members of the business group management teams and the family members of the aforementioned. Entities under the control or joint control of related parties are also considered related parties.

The Group's parent company and subsidiary relationships are as follows

The company	Parent company's holding %	Sub-Group's parent company's holding %	Group's holding and votes, %
Parent company Nordic Morning Group Plc, Helsinki, Finland			
Edita Prima Oy, Helsinki, Finland	100 %		100 %
Edita Publishing Oy, Helsinki, Finland	100 %		100 %
Nordic Morning Finland Oy, Helsinki, Finland	100 %		100 %
Nordic Morning Group Sweden AB*, Stockholm, Sweden	100 %		100 %
Nordic Morning Sweden AB*, Stockholm, Sweden		100 %	100 %
Ottoboni Sweden AB, Stockholm, Sweden		100 %	100 %
CountQuest AB, Stockholm, Sweden		100 %	100 %
Nordic Morning Data-Driven Content AB, Stockholm, Sweden		100 %	100 %
Mods Graphic Studio AB, Stockholm, Sweden		100 %	100 %
Edita Bobergs AB, Falun, Sweden		50,2 %	67,2 %

*Sub-Group's parent company

Sales of goods and services conducted with a related party are based on market prices. The Group did not have material transactions with related parties outside the Group during the financial year. A list of associated companies is presented in Note 18.

Related party transactions with associated companies

EUR 1,000	2017	2016
Sales of goods and services	5	20
Purchases of goods and services	298	489
Dividends received	777	158
Accounts payable	0	1 336

Employee benefits of management

More information on the Group CEO and the members of the Board of Directors can be found in the Group's annual report available online.

Salaries and fees

As part of the Group's new strategy, the Group's operations are managed by the business area management teams and it no longer has a separate Group Management Team. For this reason, the presentation of the salaries and fees of management has been changed. The section on the employee benefits of management now covers the salaries, fees and supplementary pensions of the Group's CEO and the members of the Board of Directors.

Anne Årneby became the Group's CEO on January 12, 2017. The figures for the CEO's salaries and fees in the comparison year are for the Group's previous CEO.

Due to the changes in strategy, no short or long term incentive programs were in effect in 2017. In 2018, the Group will implement an incentive program under which the CEO is entitled to a performance-based bonus not exceeding 100 percent of the CEO's annual taxable earnings. The other individuals covered by the incentive program are entitled to a performance-based bonus not exceeding 60–80 percent of their annual taxable earnings. The Group's Board of Directors decided to award an incentive bonus to the current CEO for the year 2017 due to her excellent performance. The provision recognized in the financial statements is EUR 59 thousand, which is 25 % (max 40 %) of annual taxable earnings.

The Group previously had a long-term incentive program for management related to the financial years 2013–2015. The total amount accrued for the long-term program was EUR 94 thousand and the total provision recognized in the 2016 financial statements was EUR 41 thousand. In 2017, payments made under the incentive program amounted to EUR 14 thousand paid to the former CEO and EUR 27 thousand paid to other key personnel included in the system.

Accumulated incentive bonuses	**Parent company CEOs**	
EUR 1,000	**2017**	**2016**
Incentive bonuses	59	**0**
Additional incentive bonuses	0	110
Severance pay	0	124

Fees paid and fee-related provisions			
EUR 1,000		**2017**	**2016**
CEO		236	274
One-time fees and incentive bonuses granted to former CEO		234	0
Members of the Board			
Sjödell Per	Chairman of the Board	68	51
Ruuska Jukka	Vice-Chairman of the Board	37	27
Jonasson Blank Ingrid	Member of the Board	25	0
Iso-Aho Maritta	Member of the Board	28	31
Ronkainen Anni	Member of the Board	28	31
Vihervuori Petri	Member of the Board	31	32
Årneby Anne	former Member of the Board	1	35
Brorman Carina	former Member of the Board	0	13
Lystimäki Jussi	former Member of the Board	0	14
Nordic Morning Group Plc's Board, total		**218**	**234**
Total		**688**	**509**

The contractual retirement age of the parent company's CEO complies with the applicable laws and regulations. The former CEO and CFO had a defined contribution plan supplementary pension, the annual payment for which was EUR 10 (71) thousand for the former CEO and EUR 30 (21) thousand for the former CFO in 2017. The supplementary pension scheme ended in 2017. The CEO and the members of the Board of Directors do not own any company shares, nor have they been granted any share options. The CEO and the members of the Board of Directors have not been granted any loans, and no collateral or contingent liabilities have been provided on their behalf.

36. Post-statement events

In the Group, there are no such substantial post-statement events, the non-disclosure of which might influence financial decisions made by the readers of the financial statements on the basis of the financial statements.

37. Breakdown of share ownership and information on shareholders

The Republic of Finland owns 100% of the shares of Nordic Morning Plc and the shares are administered by the ownership steering department of the Prime Minister’s Office.

Consolidated key indicators

		IFRS 2017	IFRS 2016	IFRS 2015
Net revenue	k€	93 402	103 399	104 909
Exports and foreign operations %		51,8 %	60,2 %	61,9 %
Adjusted operating gross margin	k€	53 876	58 188	61 259
% of net revenue		57,7 %	56,3 %	58,4 %
Adjusted operating EBITDA	k€	6 215	1 966	4 216
% of net revenue		6,7 %	1,9 %	4,0 %
Adjusted operating profit/loss	k€	3 048	-1 920	-64
% of net revenue		3,3 %	-1,9 %	-0,1 %
Operating profit/loss	k€	5 909	-14 282	-224
% of net revenue		6,3 %	-13,8 %	-0,2 %
Profit before taxes	k€	5 573	-14 536	-356
% of net revenue		6,0%	-14,1 %	-0,3 %
Profit for financial year	k€	4 547	-14 392	-224
Return on equity (ROE), %	%	22,6	-53,4	-0,6
Return on capital employed, %	%	23,3	-37,6	-0,3
Equity-to-assets ratio (%)	%	46,8	36,3	48,6
Gearing (%)	%	12,4	32,0	28,1
Gross capital expenditure	k€	1 696	5 297	7 786
% of net revenue		1,8	5,1	7,4
Average number of employees		548	653	709
Earnings per share (EPS)	€	0,75	-2,38	-0,02
Dividends per share	€	0,33	0,33	0,33
Equity per share	€	3,55	3,11	5,80
No. of shares, adjusted for share issue		6 000 000	6 000 000	6 000 000

Formulae for calculating key indicators

Return on equity (ROE), %	Profit for financial year / Shareholders' equity (average during the year)
Return on capital employed, %	Profit before tax, interest, and other financial expenses / Total assets — non-interest-bearing liabilities (average during the year)
Equity-to-assets ratio, %	Shareholders' equity / Total assets — advances received
Sales margin	Operating income — variable cost
EBITDA	Operating profit — depreciation and impairment
Operating profit	Profit before tax and financial items
Undiluted EPS, EUR	Profit for financial year attributable to parent company shareholders / Average number of shares (adjusted for share issue)
Net gearing ratio, %	Interest-bearing liabilities — cash and cash equivalents / Shareholders' equity
Equity per share, EUR	Shareholders' equity attributable to parent company shareholders / Undiluted number of shares on closing date
Dividends per share, EUR	Dividend per share approved by Annual General Meeting. For the previous year, the proposal of the Board of Directors to the Annual General Meeting regarding the amount of dividends.

Parent company income statement (FAS) (EUR)

	Note	1.1. -31.12.2017	1.1. -31.12.2016
NET REVENUE	**2**	**3 817 524,61**	**4 533 115,58**
Other operating income	3	4 034 300,36	712 119,14
Personnel expenses	4	-2 286 488,90	-2 896 653,68
Depreciation and impairment	5	-846 489,87	-827 100,94
Other operating expenses	6	-2 889 415,07	-2 406 791,25
OPERATING PROFIT / LOSS (-)		**1 829 431,13**	**-885 311,15**
Financial income and expenses	7	-143 792,83	-23 300 710,19
PROFIT/LOSS (-) BEFORE APPROPRIATIONS AND TAXES		**1 685 638,30**	**-24 186 021,34**
Appropriations	8	263 315,41	1 494 500,82
Income taxes	9	-153 726,75	-422,56
PROFIT/LOSS (-) FOR THE FINANCIAL YEAR		**1 795 226,96**	**-22 691 943,08**

Parent company balance sheet (FAS) (EUR)

ASSETS	Note	31.12.2017	31.12.2016
NON-CURRENT ASSETS			
Intangible assets	10	36 416,92	76 446,42
Tangible assets	11	7 434 153,88	7 859 121,16
Investments in Group companies	12	43 102 386,73	47 584 450,27
Other investments	12	189 548,14	1 532 892,14
Total non-current assets		50 762 505,67	57 052 909,99
CURRENT ASSETS			
Current receivables	13	15 685 827,07	10 062 967,58
Financial securities	14	15 152,33	15 152,33
Cash and bank balances		658 446,87	379 073,62
Total current assets		16 359 426,27	10 457 193,53
Total assets		**67 121 931,94**	**67 510 103,52**

SHAREHOLDERS' EQUITY AND LIABILITIES	Note	31.12.2017	31.12.2016
SHAREHOLDERS' EQUITY	15		
Share capital		6 000 000,00	6 000 000,00
Legal reserve		25 869 610,34	25 869 610,34
Profit/loss (-) from previous years brought forward		5 080 899,82	29 772 842,90
Profit/loss (-) for the financial year		1 795 226,96	-22 691 943,08
Shareholders' equity, total		38 745 737,12	38 950 510,16
ACCUMULATED APPROPRIATIONS	16	725 251,50	988 566,91
LIABILITIES			
Non-current liabilities	17	2 250 000,00	3 750 000,00
Current liabilities	18	25 400 943,32	23 821 026,45
Total liabilities		27 650 943,32	27 571 026,45
Liabilities total		**67 121 931,94**	**67 510 103,52**

Parent company cash flow statement (FAS) (EUR)

	1.1. -31.12.2017	1.1. -31.12.2016
Cash flow from operating activities		
Profit/loss (-) before appropriations and taxes	1 685 638,30	-24 186 021,34
Adjustments:		
Planned depreciation and impairment	834 833,87	827 100,94
Unrealized exchange rate gains/losses	-200 380,87	-106 816,06
Other adjustments	955 969,90	2 638 510,10
Gains on disposal of fixed assets and other investments	-3 106 000,00	-430 894,57
Financial income and expenses (+)	143 792,83	23 300 710,19
Change in working capital:		
Increase (+) decrease (-) in non-interest-bearing current receivables	689 074,17	2 409 837,79
Increase (+) decrease (-) in non-interest-bearing current liabilities	-928 030,13	79 675,38
Interest paid	-205 018,45	-213 830,70
Dividends received	3 250,50	853 033,80
Interest received	235 927,15	54 013,89
Taxes paid	-610,33	-422,56
Cash flow from operating activities	**108 446,94**	**5 224 896,86**
Cash flow from investing activities		
Investments in shares of subsidiaries	0,00	-4 509 475,99
Investments related to additional purchase prices	-638 580,60	0,00
Investments in intangible and intangible assets	-381 493,09	-645 850,42
Income from investment transfers	3 341 000,00	3 574 000,00
Cash flow from investing activities	**2 320 926,31**	**-1 581 326,41**
Cash flow from financing activities		
Repayments on non-current borrowings	-1 500 000,00	-6 500 000,00
Capital loans	0,00	-350 000,00
Dividends paid	-2 000 000,00	-2 000 000,00
Contributions received from subsidiaries	1 350 000,00	1 900 000,00
Cash flow from financing activities	**-2 150 000,00**	**-6 950 000,00**
Change in cash and cash equivalents, increase (+)/decrease (-)	**279 373,25**	**-3 306 429,56**
Cash and cash equivalents at January 1	379 073,62	3 685 503,18
Cash and cash equivalents at December 31	**658 446,87**	**379 073,62**

Notes to the Parent Company Financial Statements

1. Accounting Policies Applied to the Parent Company's Financial Statements (FAS)

Basic Information

Nordic Morning Group Plc is a Finnish public limited company domiciled in Helsinki and established in accordance with Finnish law. Nordic Morning Group Plc's financial statements have been drawn up in accordance with the Finnish Accounting Standards (FAS). Nordic Morning Group Plc is the parent company of the Nordic Morning Group. The consolidated financial statements have been drawn up in accordance with the latest IFRS regulations. As the accounting policies of the FAS and the IFRS are in most respects convergent in Nordic Morning Plc, a description of the most important accounting policies can be found in the accounting policies applied to the consolidated financial statements.

Non-current assets

Intangible and tangible assets are recognized in the balance sheet at original cost less planned depreciation. Planned depreciation is calculated from original acquisition values and estimated useful life. Land is not depreciated. The depreciation periods are as follows:

Buildings and structures	30 years
Machinery and equipment	4–15 years
Other non-current expenditure	4–5 years

Investments and receivables with an estimated life of over one year are presented under investments.

Any impairment requirement of non-current assets is reviewed annually and an impairment is recognized immediately when necessary.

Financial Assets

Cash and cash equivalents include cash in hand and at the bank, deposits of less than three months and other cash equivalents.

Shares and participations included in financial asset securities are measured at the lower of cost or market value.

Derivatives

Interest rate swaps used to convert the variable rates of the company's loans from financial institutions to fixed rates are recognized on the balance sheet at fair value. Interest rate swaps are defined for five years, until the end of the loan period.

Taxes

Income tax in the income statement is the tax on the year's profit/loss and tax adjustments from previous years. Deferred taxes are not recognized in the parent company's accounts.

Pension Plans

The statutory and individual pension insurance of parent company employees is arranged by external pension insurance companies.

Appropriations

The parent company's appropriations include contributions received from subsidiaries as well changes in depreciation difference.

Notes to the Parent Company Financial Statements (FAS) (EUR)

	31.12.2017	31.12.2016

2. Net revenue

	31.12.2017	31.12.2016
By market area		
Finland	3 076 796,25	3 470 770,14
EU	740 728,36	1 062 345,44
Total	3 817 524,61	4 533 115,58

3. Other operating income

	31.12.2017	31.12.2016
Profit from sales of non-current assets	3 117 656,00	430 894,57
Rental income	568 987,29	273 795,69
Group’s internal administrative fees	343 558,18	0,00
Other	4 098,89	7 428,88
	4 034 300,36	712 119,14

4. Personnel

	31.12.2017	31.12.2016
Personnel expenses		
Salaries and fees	-1 912 586,98	-2 380 047,71
Pension expenses and pension insurance contributions	-306 509,18	-316 885,19
Other personnel expenses	-67 392,74	-199 720,78
	-2 286 488,90	-2 896 653,68
Employees in the company during the financial year		
Employees on salary	28	31
Management salaries and fees		
CEO	0,00	-274 195,89
One-time fees granted to former CEO	0,00	-123 893,28
Former CEO’s incentive bonus	0,00	-109 678,36
Members of the Board	-209 438,66	-233 400,00
	-209 438,66	-741 167,53

The salaries and fees of the Group’s current CEO, Anne Årneby, are paid from the Swedish parent company Nordic Morning Group Sweden AB. More information on the remuneration of the Group’s executive management is presented in the consolidated financial statements in Note 35: Related party transactions.

5. Depreciation and impairment

	31.12.2017	31.12.2016
Depreciation on tangible and intangible assets	-846 489,87	-827 100,94

6. Other operating expenses

Rents	-278 011,57	-72 617,68
Other business premises expenses	-518 444,48	-448 329,27
Logistics	-3 449,68	-2 994,09
IT and data communications	-665 626,20	-554 167,22
Marketing and representation expenses	-176 159,97	-311 790,32
Other operating expenses	-1 247 723,17	-1 016 892,67
Other operating expenses, total	-2 889 415,07	-2 406 791,25
Auditor's fees		
Audit fees	-30 906,00	-30 600,00
Tax consultation	-13 916,90	-16 568,15
Other fees	-9 082,25	-84 976,42
	-53 905,15	-132 144,57

7. Financial income and expenses

Dividend income		
From Group companies	0,00	850 000,00
From others	3 250,50	3 033,80
	3 250,50	853 033,80
Other interest income		
From Group companies	236 330,14	53 061,30
From others	-402,99	952,59
	235 927,15	54 013,89
Interest income and other financial income, total	239 177,65	907 047,69
Exchange rate gains and losses	-200 380,87	-106 816,06
Impairment and impairment refunds from non-current asset investments	0,00	-21 870 297,64
Interest expenses		
To Group companies	-51 206,12	-20 277,30
To others	-84 878,44	-141 204,02
	-136 084,56	-161 481,32
Other financial expenses		
Expenses on holdings in Group companies	0,00	-2 033 112,78
To others	-46 505,05	-36 050,08
	-46 505,05	-2 069 162,86
Interest expenses and other financial expenses, total	-182 589,61	-2 230 644,18
Total financial income and expenses	-143 792,83	-23 300 710,19

8. Appropriations

Difference between planned depreciation and depreciation made for taxation purposes	263 315,41	144 500,82
Contributions received from subsidiaries	0,00	1 350 000,00
	263 315,41	1 494 500,82

9. Notes on income taxes

Income taxes on extraordinary items	0,00	-270 000,00
Income tax on normal operations	-153 537,49	269 577,44
	-153 726,75	-422,56

Non-current assets

10. Intangible assets

Intellectual property		
Acquisition cost, January 1	702 726,72	1 028 313,44
+ Increases	0,00	4 150,00
- Decreases	0,00	-329 736,72
Acquisition cost, December 31	702 726,72	702 726,72
Accumulated depreciation, January 1	629 234,92	920 349,49
- Accumulated depreciation on decreases	0,00	-329 736,72
+ Depreciation for the year	37 074,88	38 622,15
Accumulated depreciation, December 31	666 309,80	629 234,92
Carrying amount, December 31	36 416,92	73 491,80
Intangible assets, total		
Acquisition cost, January 1	702 726,72	1 028 313,44
+ Increases	0,00	4 150,00
- Decreases	0,00	-329 736,72
Acquisition cost, December 31	702 726,72	702 726,72
Accumulated depreciation, January 1	629 234,92	920 349,49
- Accumulated depreciation on decreases	0,00	-329 736,72
+ Depreciation for the year	37 074,88	38 622,15
Accumulated depreciation, December 31	666 309,80	629 234,92
Carrying amount, December 31	36 416,92	73 491,80

11. Tangible assets

Land areas		
Acquisition cost, January 1	1 922 846,00	5 065 951,43
- Decreases	0,00	-3 143 105,43
Acquisition cost, December 31	1 922 846,00	1 922 846,00
Carrying amount, December 31	1 922 846,00	1 922 846,00
Buildings and structures		
Acquisition cost, January 1	16 774 260,69	16 586 252,92
+ Increases	7 000,00	474 884,15
- Decreases	0,00	-286 876,38
Acquisition cost, December 31	16 781 260,69	16 774 260,69
Accumulated depreciation, January 1	11 326 781,19	10 978 087,68
- Accumulated depreciation on decreases	0,00	-286 876,38
+ Depreciation for the year	644 202,78	635 569,89
Accumulated depreciation, December 31	11 970 983,97	11 326 781,19
Carrying amount, December 31	4 810 276,72	5 447 479,50
Machinery and equipment		
Acquisition cost, January 1	2 619 517,41	2 645 901,49
+ Increases	31 371,00	189 001,96
- Decreases	0,00	-215 386,04
Acquisition cost, December 31	2 650 888,41	2 619 517,41
Accumulated depreciation, January 1	2 130 721,75	2 193 198,89
- Accumulated depreciation on decreases	0,00	-215 386,04
+ Depreciation for the year	165 212,21	152 908,90
Accumulated depreciation, December 31	2 295 933,96	2 130 721,75
Carrying amount, December 31	354 954,45	488 795,66
Tangible assets, total		
Acquisition cost, January 1	21 316 624,10	24 298 105,84
+ Increases	38 371,00	663 886,11
- Decreases	0,00	-3 645 367,85
Acquisition cost, December 31	21 354 995,10	21 316 624,10
Accumulated depreciation, January 1	13 457 502,94	13 171 286,57
- Accumulated depreciation on decreases	0,00	-502 262,42
+ Depreciation for the year	809 414,99	788 478,79
Accumulated depreciation, December 31	14 266 917,93	13 457 502,94
Carrying amount, December 31	7 088 077,17	7 859 121,16
Of the carrying amount, December 31		
Share of machinery and equipment in production	354 954,45	488 795,66

12. Investments

Share in Group companies, January 1	47 584 450,27	71 490 657,28
+ Increases	950 000,00	3 277 269,57
- Decreases	-5 432 063,54	-7 883 476,58
- Impairment	0,00	-19 300 000,00
Total, December 31	43 102 386,73	47 584 450,27
Other shares and holdings, January 1	412 892,00	412 892,14
- Decreases	-223 343,86	0,00
Total, December 31	189 548,14	412 892,14
Loan receivables from Group companies, January 1	1 120 000,00	770 000,00
+ Increases	0,00	350 000,00
- Decreases	-1 120 000,00	0,00
Total, December 31	0,00	1 120 000,00

Parent company's holdings in subsidiaries December 31, 2017

Company and domicile	Holding %	Votes %
Edita Prima Oy, Helsinki	100 %	100 %
Edita Publishing Oy, Helsinki	100 %	100 %
Nordic Morning Finland Oy, Helsinki	100 %	100 %
Nordic Morning Group Sweden AB, Stockholm, Sweden	100 %	100 %

13. Receivables

Receivables from Group companies		
Sales receivables	466 078,87	1 944,00
Loan receivables	0,00	3 420 354,70
Group account receivables	7 104 793,35	5 068 867,60
Contributions from subsidiaries	7 658 443,43	1 350 000,00
Prepaid expenses and accrued income	0,00	100 258,13
	15 229 315,65	9 941 424,43
Other receivables	300 000,00	0,00
Prepaid expenses and accrued income		
Social security expense accruals	38 737,12	1 460,00
IT expenses accruals	0,00	32 405,20
Other	112 695,26	59 236,00
	151 432,38	93 101,20
Receivables, total	15 685 827,07	10 062 967,58

14. Financial securities

Replacement value	71 006,24	67 127,31
Carrying amount	15 152,33	15 152,33
Difference	55 853,91	51 974,98

15. Shareholders’ equity

Restricted shareholders’ equity

Share capital, January 1	6 000 000,00	6 000 000,00
Share capital, December 31	6 000 000,00	6 000 000,00
Legal reserve, January 1	25 869 610,34	25 869 610,34
Legal reserve, December 31	25 869 610,34	25 869 610,34
Total restricted shareholders’ equity	31 869 610,34	31 869 610,34

Unrestricted shareholders’ equity

Profit/loss from previous years brought forward, January 1	7 080 899,82	31 772 842,90
Dividend distribution	-2 000 000,00	-2 000 000,00
Profit/loss from previous years brought forward, December 31	5 080 899,82	29 772 842,90
Profit/loss (-) for the financial year	1 795 226,96	-22 691 943,08
Total unrestricted shareholders’ equity	6 876 126,78	7 080 899,82
Total shareholders’ equity	**38 745 737,12**	**38 950 510,16**
Funds at the disposal of the Annual General Meeting, December 31		
Profit/Loss from previous years brought forward	5 080 899,82	29 772 842,90
Profit/loss (-) for the financial year	1 795 226,96	-22 691 943,08
	6 876 126,78	7 080 899,82

The parent company had distributable funds of EUR 6,876,126.78 on December 31, 2017.

The company has 6,000,000 shares. The share has no nominal value. All shares are associated with equal voting rights and equal entitlement to dividends.

16. Accumulated appropriations

Accumulated excess depreciation	725 251,50	988 566,91

17. Non-current liabilities

Liabilities to credit institutions	2 250 000,00	3 750 000,00

18. Current liabilities

Liabilities to credit institutions	1 500 000,00	1 500 000,00
Accounts payable	348 850,41	149 984,60
	1 848 850,41	1 649 984,60
Liabilities to Group companies		
Loans	22 777 190,39	19 811 130,68
Accounts payable	12 806,93	25 355,12
	22 789 997,32	19 836 485,80
Other current liabilities	124 755,82	1 408 388,91
Accrued liabilities and deferred income		
Wages and salaries with related expenses	269 401,41	614 406,12
Social insurance contribution expense provision	0,00	1 338,53
Interest	11 677,08	61 730,92
Rents	0,00	4 104,84
Sales accruals	0,00	22 536,61
Interest rate swaps	27 625,00	45 383,00
Long-term bonuses of management	0,00	33 369,00
Other	175 519,86	143 298,12
	637 339,77	926 167,14
Current liabilities, total	25 400 943,32	23 821 026,45
Interest-bearing liabilities		
Non-current	2 250 000,00	3 750 000,00
Current	24 277 190,39	21 311 130,68
	26 527 190,39	25 061 130,68
Non-interest-bearing liabilities		
Current	1 123 752,93	2 509 895,77

19. Related party transactions

There were no unusual transactions with related parties.

20. Contingent liabilities

Amounts payable under leasing agreements		
Due for payment in the next financial year	62 823,42	46 472,43
Due for payment later	121 600,29	47 744,49
	184 423,71	94 216,92
Guarantees given on behalf of Group companies	560 657,47	1 021 826,75
Amounts payable under lease agreements		
Due for payment in the next financial year	779 538,00	120 238,00
Due for payment later	7 686 909,00	9 592 755,00
	8 466 447,00	9 712 993,00

Off-balance sheet financial liabilities
Real estate investments
The company is obligated to review the VAT reductions made on real estate investments completed in the years 2009–2016, if the property's taxable use decreases during the review period. The last review year is 2025. The maximum amount of the liability is EUR 209,384.22.

21. Derivative agreements

Interest rate swaps		
Fair value	-27 625,00	-45 383,00
Underlying security	3 750 000,00	5 250 000,00

The interest rate swaps in effect at the end of the reporting period are used to hedge the interest rate risk of a variable rate bank loan. The contracts mature in the financial year beginning on January 1, 2020.

Signing of financial statements and Board of Directors' report

Helsinki, February 14, 2018

Per Sjödell
Chairman of the Board

Jukka Ruuska
Vice Chairman of the Board

Maritta Iso-Aho

Petri Vihervuori

Anni Ronkainen

Ingrid Jonasson Blank

Anne Årneby
CEO

Auditor's statement

A report has been issued today on the audit performed by us.

Helsinki, February 14, 2018

KPMG Oy
Authorized Public Accountants

Kati Nikunen
Authorized Public Accountant