Nordic Morning Group Plc

Financial Statements Jan. 1 – Dec. 31, 2019

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

Contents

Board of Directors’ report	3
Consolidated income statement (IFRS)	10
Consolidated statement of comprehensive income (IFRS)	11
Consolidated statement of financial position (IFRS)	12
Consolidated statement of cash flows (IFRS)	13
Consolidated statement of changes in shareholders’ equity (IFRS)	14
Notes to the consolidated financial statements (IFRS)	15
Consolidated key indicators of financial performance 2019–2015 (IFRS)	57
Formulae for calculating key indicators	58
Parent company income statement (FAS)	59
Parent company balance sheet (FAS)	60
Parent company cash flow statement (FAS)	61
Notes to the parent company financial statements (FAS)	62
Signing of the financial statements and Board of Directors’ report	71
Auditor’s statement	71

Board of Directors' report for the financial year January 1–December 31, 2019

Financial performance in 2019

- The Nordic Morning Group's consolidated net revenue was EUR 77.6 million (EUR 76.4 million). Net revenue grew in the Edita Prima business area thanks to new, more extensive customer agreements and postal delivery services included in them. Net revenue declined particularly in the Nordic Morning business areas in Sweden and Finland due to lost customers and a decrease in subcontract invoicing. In the Edita Publishing business area, net revenue decreased mainly due to lower revenue from learning materials and made-to-order products.
- Gross margin before non-recurring items decreased from EUR 46.8 million to EUR 42.8 million and EBITDA before non-recurring items increased from EUR 5.9 million to EUR 6.0 million.
- Operating profit amounted to EUR 0.6 (0.9) million. Non-recurring items totaled EUR -0.9 (-0.5) million.
- Operating profit before non-recurring items was EUR 1.5 (1.3) million. Profit before non-recurring items declined in the Edita Prima and Edita Publishing business areas. In the Nordic Morning business area, however, profit before non-recurring items improved primarily due to the favorable development of the profitability of Mods Graphic Studio AB.
- The equity ratio at the end of the review period was 38.6 (40.1) percent.
- Cash and cash equivalents amounted to EUR 0.3 (0.2) million and net debt was EUR 11.2 (12.7) million.

CONSOLIDATED KEY FIGURES		2019	2018
Net revenue	k€	77 550	76 379
Exports and foreign operations %		34,1 %	43,9 %
Adjusted operating gross margin	k€	42 750	46 786
% of net revenue		55,1 %	61,3 %
Adjusted operating EBITDA	k€	5 954	5 907
% of net revenue		7,7 %	7,7 %
Adjusted operating profit/loss	k€	1 470	1 337
% of net revenue		1,9 %	1,8 %
Operating profit/loss	k€	611	880
% of net revenue		0,8 %	1,2 %
Profit before taxes	k€	304	244
% of net revenue		0,4 %	0,3 %
Profit for financial year	k€	254	218
Return on equity (ROE), %	%	1,4 %	1,1 %
Return on capital employed, %	%	2,0 %	2,6 %
Equity-to-assets ratio (%)	%	38,6 %	40,1 %
Gearing (%)	%	62,6 %	65,3 %
Gross capital expenditure	k€	2 034	1 796
% of net revenue		2,6 %	2,4 %
Average number of employees		442	472
Earnings per share (EPS)	€	0,04	0,03
Dividends per share	€	0,33	0,33
Equity per share	€	2,98	3,25

The Nordic Morning Group and changes in Group structure

The Nordic Morning Group consists of three business areas:

- *Nordic Morning,* comprised of Nordic Morning Finland Oy, Nordic Morning Sweden AB, and Mods Graphic Studio AB.
- *Edita Prima*, comprised of Edita Prima Oy. The business area also included the associated company Edita Bobergs Förvaltnings AB, which was no longer engaged in actual business operations. The associated company was sold during the financial year.
- *Edita Publishing*, comprised of Edita Publishing Oy.

Nordic Morning Group Sweden AB sold its share of the associated company Edita Bobergs Förvaltnings AB. The deed of sale was signed on October 25, 2019. The purchase price was paid on November 26, 2019.

Consolidated net revenue

The Group's consolidated net revenue was EUR 77.6 (76.4) million. Net revenue in Finland amounted to EUR 51.1 (42.8) million. Net revenue in other EU countries was EUR 25.4 (32.4) million and exports outside the EU totaled EUR 1.1 (1.2) million. Of the Group's net revenue, 66 percent (57) came from Finland and 33 percent (43) from Sweden. Net revenue decreased in the Nordic Morning business area in Finland due to subcontract invoicing and in Sweden due to lost customers. In the Edita Prima business area, net revenue grew primarily due to postal delivery being included in new customer agreements. In the Edita Publishing business area, net revenue decreased due to lower revenue from learning materials and made-to-order products.

Revenue (EUR 1,000)	**2019**	**2018**	**Change 2019-2018**
Nordic Morning	36 087	44 381	-18,7 %
Edita Publishing	13 323	13 864	-3,9 %
Edita Prima	28 297	18 581	52,3 %
Group-internal revenue and other operations	-157	-446	64,9 %
Group	**77 550**	**76 379**	**1,5 %**

In the Nordic Morning business area, net revenue was EUR 36.1 (44.4) million. In Finland, net revenue decreased from EUR 12.2 million to EUR 9.9 million. In Sweden, net revenue decreased from EUR 32.9 million to EUR 27.2 million. In Sweden, the net revenue of Mods Graphic Studio AB remained close to the previous year, but the sales of Nordic Morning Sweden AB declined.

In the Edita Publishing business area, net revenue was EUR 13.3 (13.9) million. Net revenue was reduced, in particular, by a decline in revenue from learning materials and made-to-order products.

In the Edita Prima business area, net revenue was EUR 28.3 (18.6) million. Revenue increased particularly due to new postal delivery agreements.

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, impairments, 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 0.6 (0.9) million, a decrease of EUR 0.3 million from the previous year. The operating profit includes non-recurring items totaling EUR -0.9 (-0.5) million. The non-recurring income included in the operating profit totaled EUR 0.1 (0.0) million and consisted of sales of fixed assets. Non-recurring expenses amounted to EUR -1.0 (-0.5) million. The most significant non-recurring expenses in 2019 were related to termination provisions recognized in Finland and Sweden. The Group's operating profit excluding non-recurring items increased somewhat, amounting to EUR 1.5 (1.3) million.

Operating profit/loss (EUR 1,000)	**2019**	**2018**
Nordic Morning	-1 086	-998
Edita Publishing	2 109	3 032
Edita Prima	764	903
Other operations	-1 177	-2 056
Group	**611**	**880**
Operating Profit %	**0,8 %**	**1,2 %**

In the Nordic Morning business area, the operating loss was EUR -1.1 (-1.0) million. The result for the period was weighed down by lower net revenue as well as non-recurring termination provisions. Operating profit excluding non-recurring items was EUR -0.5 (-0.7) million. Operating profit excluding non-recurring items declined in Finland but improved in Sweden due to the excellent result of Mods Graphic Studio AB.

In the Edita Publishing business area, operating profit amounted to EUR 2.1 (3.0) million. The operating profit was reduced by the negative development of net revenue and increased expenses allocated to the development of new products and services.

In the Edita Prima business area, operating profit amounted to EUR 0.8 (0.9) million. Operating profit before non-recurring items was EUR 0.8 (0.9) million. The lower profit was attributable to higher expenses.

Other operations include group administration, the operating profit of which was EUR -1.2 (-2.1) million. The profit consists mainly of group administration expenses. The change in the profit was primarily attributable to a decrease in personnel costs and ICT expenses.

Solvency and financial position

The net cash flow from the Group's operating activities was EUR 5.6 (3.6) million. Investments totaled EUR 2.1 (0.7) million. Loan installments and repayments of leasing liabilities amounted to EUR 4.0 (3.6) million. The Group's cash and cash equivalents at the end of the year totaled EUR 0.3 (0.2) million.

The Group’s equity ratio was 38.6 (40.1) percent. The equity ratio did not change significantly during the financial year.

	2019	2018
Return on equity (ROE), %	1,4 %	1,1 %
Equity-to-assets ratio, %	38,6 %	40,1 %

The Group’s parent company

The net revenue of the Group’s parent company, Nordic Morning Group Plc, was EUR 4.1 (3.9) million, and its result for the financial year was EUR -0.8 (5.3) million. The parent company’s balance sheet total was EUR 61.3 (63.0) million.

Investments

The Group’s gross capital expenditure, as per international financial statements standards (IFRS), was EUR 2.0 (1.8) million. The parent company’s gross capital expenditure, as per Finnish accounting regulations, was EUR 1.1 (0.1) million.

Personnel

During the financial year, the Group employed an average of 442 (472) persons (full-time equivalents). The parent company employed an average of 25 (26) persons.

The average number of personnel decreased by 34 in the Nordic Morning business area. There were no significant changes in the number of personnel in the other business areas.

Of the Group’s employees, 57 (54) percent worked in Finland and 43 (46) percent in Sweden.

Average number of employees in full-time equivalents	2019	2018	Change 2018–2017
Nordic Morning	228	262	-13,0 %
Edita Publishing	89	83	7,2 %
Edita Prima	87	86	1,2 %
Other operations	38	41	-7,3 %
Group	**442**	**472**	**-6,4 %**
Per country			
Finland	255	257	-0,8 %
Sweden	187	215	-13,0 %
Group	**442**	**472**	**-6,4 %**
Employee benefits expense (EUR 1,000)	**32 461**	**35 339**	**-8,1 %**

In 2019, we continued our efforts to strengthen behavior that supports our shared company culture and guiding principles. We believe that openness and a strong feedback culture have a positive impact on the development of the work community. With this in mind, we highlighted growth-oriented thinking and feedback as our themes for the year. We organized workshops for our personnel to discuss the significance of a growth mindset to individual development as well as the Group's development and learned how to achieve the best possible results through the use of feedback. In workshops for managers, the growth mindset and feedback theme was also approached from the perspective of dialog between managers and employees. During the year, we paid special attention to our managers' ability to hold high-quality performance and development discussions with their teams.

Compensation

The compensation of the CEO and members of the Group Management Team consists of a fixed monthly salary, standard benefits and a performance-based bonus based on annually-decided criteria that must be met for the bonus to be paid. Nordic Morning Group Plc does not use incentive systems based on shares or share derivatives.

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.

In 2019, the Group had an incentive program under which the CEO was 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. No performance bonus provisions were recognized in relation to this incentive program during the 2019 financial year. Bonus provisions were recognized in relation to other current programs approved by the board, in accordance with the rules of those programs.

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 conditions, the structural changes in the marketing and communications industry, risks related to business 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 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 are focus areas of the Group's strategy. From this perspective, the Group's key objective for its company culture is to create a shared foundation of values and establish Group-wide guiding principles.

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 further.

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 14.3 million in goodwill, which has been allocated to the Nordic Morning business area's Finnish and Swedish units. 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 impairment 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 developing the information systems structure in order to establish a coherent and modern platform for business processes. The Group will deploy a Group-wide ERP system in 2020 as the foundation of its information systems architecture.

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.

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 financial year.

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, Swan ecolabelled and climate neutral. It has also been granted the right to use 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 18, 2019, decided that Per Sjödell (Chairman), Jukka Ruuska (Vice Chairman), Pekka Hurtola, Anne Korkiakoski and Ingrid Jonasson Blank will continue as members of the Board of Directors of Nordic Morning Group Plc. Mervi Airaksinen was elected as a new member.

The Nordic Morning Group's CEO is Anne Årneby.

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

Outlook for 2020

The Group will continue to develop its businesses and structures to support its services and ensure that the Group's businesses respond to their customers' changing needs. The key goals are to improve the profitability of the Nordic Morning business area and further develop and implement common information systems to increase transparency and cooperation between the Group's companies and competencies. The investments made in 2019 and the investments to be made in 2020 are expected to enable the positive development of the Group's business and profitable growth.

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 39,301,435.43 at the end of the financial year. The company's distributable funds amount to EUR 7,431,825.09 of which the result for the financial year was EUR -793,564.12.

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 5,431,825.09
	EUR 7,431,825.09

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. -31.12.2019	1.1. -31.12.2018
NET REVENUE	**2,3**	**77 550**	**76 379**
Other operating income	4	658	600
Change in inventories of finished and unfinished goods		-186	-270
Work performed for company use		102	121
Materials and services	5	-27 836	-22 826
Employee benefits expense	6	-32 461	-35 339
Depreciation	7	-4 477	-4 567
Impairment	7	0	0
Other operating expenses	8	-12 732	-13 220
Share of profit in associates	17	-7	3
OPERATING PROFIT		**611**	**880**
Financial income	10	8	25
Financial expenses	11	-315	-661
PROFIT BEFORE TAXES		**304**	**244**
Income taxes	13	-50	-26
PROFIT FOR THE FINANCIAL YEAR		**254**	**218**
Distribution			
Parent company's shareholders		254	208
Non-controlling interest		0	10
Earnings per share calculated on the profit attributable to shareholders of the parent company:			
earnings per share, EUR		0,04	0,03

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

	Note	1.1. -31.12.2019	1.1. -31.12.2018
PROFIT FOR THE FINANCIAL YEAR		**254**	**218**
Other comprehensive income			
Items that are not recognized through profit and loss later			
Financial assets which are measured at fair value trough other comprehensive income	12	0	8
Taxes relating to OCI items	13	0	-2
		0	6
Items that may be recognized through profit and loss later			
Translation differences	12	149	283
		149	283
Post-tax OCI items for the financial year		149	289
ACCUMULATED COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		**403**	**507**
Distribution of comprehensive income			
Parent company's shareholders		403	505
Non-controlling interest		0	2

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

ASSETS	**Note**	**31.12.2019**	**31.12.2018**
NON-CURRENT ASSETS			
Tangible fixed assets	14	15 282	18 456
Goodwill	15	14 298	14 367
Other intangible assets	15	1 806	1 140
Interests in associated companies	17	0	282
Other financial assets	18	26	26
Deferred tax assets	19	98	104
		31 510	34 375
CURRENT ASSETS			
Inventories	20	1 406	1 672
Sales receivables and other receivables *)	21	14 611	14 205
Tax receivables based on taxable income for the financial year		422	527
Other current financial assets	18	114	84
Cash and cash equivalents	22	256	234
		16 809	16 723
Total assets		**48 319**	**51 097**

EQUITY AND LIABILITIES	**Note**	**31.12.2019**	**31.12.2018**
SHAREHOLDERS' EQUITY			
Share capital		6 000	6 000
Share premium fund		25 870	25 870
Translation differences		271	122
Fair value fund		54	54
Retained earnings *)		-14 292	-12 546
Shareholders' equity attributable to parent company shareh	23	17 903	19 500
Non-controlling interest	16	0	0
Total shareholders' equity		17 903	19 500
LIABILITIES			
Non-current liabilities			
Financial liabilities	25	7 352	9 082
Non-current provisions	24	3	115
Deferred tax liabilities	19	65	238
		7 420	9 436
Current liabilities			
Current financial liabilities	25	4 111	3 891
Accounts payable and other current liabilities	26	18 861	18 263
Tax liabilities based on taxable income for the financial year		25	7
		22 996	22 162
Total liabilities		30 416	31 597
Total shareholders' equity and liabilities		**48 319**	**51 097**

*) Sales receivables and retained earnings in 2018 have been adjusted with -135 thousand euros due to correction of an error

Consolidated statement of cash flows (EUR 1,000)

	Note	1.1. - 31.12.2019	1.1. - 31.12.2018
Cash flow from operating activities			
Profit for the financial year		254	218
Adjustments			
Non-cash transactions *)	29	4 474	4 232
Interest expenses and other financial expenses		315	661
Interest income		-8	-25
Dividend income		-4	-4
Taxes		50	26
Changes in working capital			
Change in sales receivables and other receivables *)		-411	3 866
Change in inventories		266	141
Change in accounts payable and other liabilities		1 080	-3 575
Change in provisions		-112	-31
Interest paid		-219	-400
Interest received		8	25
Taxes paid (-) received (+)		-92	-1 547
Net cash flow from operating activities (A)		**5 602**	**3 588**
Cash flow from investing activities			
Divestment of business operations		114	71
Sale of tangible fixed assets		40	0
Acquisition of subsidiaries and businesses (net of cash and equivalents acquired)		0	-293
Investments in tangible fixed assets		-978	-102
Investments in intangible assets		-1 094	-319
Proceeds from other investments		0	170
Dividends received		163	1 125
Net cash flow from investing activities (B)		**-1 755**	**652**
Cash flow from financing activities			
Use of cash pool liability		2 143	380
Repayment of loans	25	-1 880	-1 551
Lease payments	25	-2 155	-2 049
Dividends paid		-2 000	-2 230
Net cash flow from financing activities (C)		**-3 892**	**-5 450**
Change in cash and cash equivalents (A+ B + C)		**-46**	**-1 210**
Cash and cash equivalents at start of the period		234	1 326
Effect of changes in exchange rates		67	118
Cash and cash equivalents at end of the period	22	**256**	**234**

*) 2018 Changes in sales receivables have been adjusted with 135 thousand euros and the line Adjustments, non-cash transactions with -135 thousand euros due to correction of an error

Consolidated statement of changes in shareholders' equity (IFRS) (EUR 1,000)

	Note	Shareholders' equity attributable to parent company shareholders						Non-controlling interest	Total shareholders' equity
		Share capital	Share premium fund	Translation differences	Fair value fund	Retained earnings	Total		
Shareholders' equity, January 1, 2018		**6 000**	**25 870**	**-167**	**48**	**-10 544**	**21 207**	**197**	**21 404**
Comprehensive income									
Profit for financial year						208	208	10	218
Correction to profit for financial year						-135	-135	0	-135
Other comprehensive income (adjusted with tax effect)									
Financial assets which are measured at					6		6		6
fair value trough other comprehensive income							0		0
Translation differences				290			290	-8	283
Accumulated comprehensive income for the financial year				**290**	**6**	**73**	**370**	**2**	**372**
Transaction with owners									
Parent dividend distribution	25					-2 000	-2 000		-2 000
Subsidiary dividend distribution						-77	-77	-154	-230
Changes in subsidiary holdings									
Changes in non-controlling interests that resulted in changes in control								-46	-46
Shareholders' equity, December 31, 2018		**6 000**	**25 870**	**122**	**54**	**-12 546**	**19 500**	**0**	**19 500**
Shareholders' equity, January 1, 2019		**6 000**	**25 870**	**122**	**54**	**-12 546**	**19 500**	**0**	**19 500**
Comprehensive income									
Profit for financial year						254	254	0	254
Other comprehensive income (adjusted with tax effect)									
Translation differences				149		0	149	0	149
Accumulated comprehensive income for the financial year				**149**		**254**	**403**	**0**	**403**
Transaction with owners									
Parent dividend distribution	25					-2 000	-2 000		-2 000
Shareholders' equity, December 31, 2019		**6 000**	**25 870**	**271**	**54**	**-14 292**	**17 903**	**0**	**17 903**

Notes to the consolidated financial statements

1. Accounting policies applied to the consolidated financial statements

Basic information

The Group consists of three business areas: Nordic Morning focuses on data-driven marketing and service design, Edita Prima creates automated customer communications services and Edita Publishing develops intelligent learning and information solutions.

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.nordicmorninggroup.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 13, 2020. 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, 2019, 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 adopted IFRS 16 *Leases* (effective for financial periods beginning on or after January 1, 2019) starting from January 1, 2018. 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 has not changed significantly.

The Group has applied the following new and revised standards and interpretations as of January 1, 2019:

- IFRIC 23 Uncertainty over Income Tax Treatments (effective for financial periods beginning on or after January 1, 2019). IFRIC 23 adds to the requirements in IAS 12 Income Taxes by specifying how to reflect the effects of uncertainty in accounting for income taxes when it is unclear how tax law applies to a particular transaction or circumstance, or it is unclear whether a taxation authority will accept a company's tax treatment. The amendment has not had a significant effect on the consolidated financial statements.

- *Long-term Interests in Associates and Joint Ventures* (amendments to IAS 28 (effective for financial periods beginning on or after January 1, 2019)). The amendment clarifies that long-term interests in associates or joint ventures to which the equity method is not applied shall be treated in accordance with IFRS 9 before recognizing losses or impairment under IAS 28. The amendment has not had a significant effect on the consolidated financial statements.

- Annual Improvements to IFRSs 2015–2017 (effective for financial periods beginning on or after January 1, 2019). The document *Annual Improvements to IFRSs 2015–2017* contains amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs. The amendments to IFRS 3 clarify that when a company obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when a company obtains joint control of a business that is a joint operation, it does not remeasure previously held interests in that business. The amendments to IAS 12 clarify that the company must treat all income tax consequences of dividends in the same way regardless of how the tax arises. The amendments to IAS 23 clarify that when a qualifying asset is ready for its intended use, the company treats any related specific outstanding borrowing as part of its general borrowings. The amendments have 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 achieved 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 potentially 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 straight-line 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
Right-of-use assets (leasing)	the economic life of the underlying asset

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 straight line 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

The Group as the lessee

The Group as the lessee recognizes assets and liabilities for all leases with a term exceeding 12 months that satisfy the IFRS 16 definition of a lease, except where the underlying asset is of low value. The Group recognizes a right-of-use asset that represents its right to use the leased asset, and a lease liability that represents the obligation to pay rent. The Group has rent agreements that satisfy the IFRS 16 definition in relation to office facilities and cars in Finland and Sweden. The office lease agreement in Finland is in effect until the end of 2027. In Sweden the most significant office lease agreement ended at the end of 2019. A new agreement that commences in 2020 is presented as an off-balance sheet liability and will be in effect until the end of 2022. There are also other office lease agreements in Sweden, the financial value of which is low in comparison to the agreements mentioned above. They will be in effect until 2022 and 2023. The car lease agreements are typically made for three years. The accounting policies applied for lease agreements are consistent in all of the Group’s legal entities.

Leases 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 lease term is the period during which the lease is non-cancellable. In determining the lease term, the Group takes into account extension options and termination options if it is reasonably certain that the Group will exercise the extension option or elect not to exercise the termination option.

The recognized assets 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.

The expenses of short-term leases and leases for which the underlying asset is of low value 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 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.

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 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. All pension plans in the Group are defined contribution plans.

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.

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 in other comprehensive income. 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

The Group’s key revenue recognition policy is that the recognition of revenue depicts the transfer of control of promised goods or services to customers, and the recognized amount reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. There are five steps in the recognition of revenue: identifying the contract or contracts; identifying the performance obligations in the contract; determining the transaction price; allocation of the transaction price to each performance obligation; and recognizing revenue when (or as) the performance obligation is satisfied by the Group.

The Group considers the terms of the contract and its customary business practices to determine the transaction price. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (for example, some sales taxes). The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both. When allocating the transaction price, the Group allocates the transaction price to each performance obligation (or distinct good or service) in an amount that depicts the amount of consideration to which the Group is entitled.

The incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover those costs.

The Group acts as an agent in certain cases. When the Group satisfies a performance obligation as a principal, it recognizes revenue in the gross amount of consideration to which it expects to be entitled in exchange for the specified good or service. The Group acts as an agent if its performance obligation is to arrange for another party to provide a specified good or service. When acting as an agent, the Group does not control a good or service provided by another party before the good or service in question is transferred to a customer. When (or as) the Group, acting as an agent, satisfies the performance obligation, it recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the other party to provide the specified goods or services.

Sale of goods

Revenue from the sale of goods is recognized when control has been transferred to the buyer. As a rule, this occurs at the time of the transfer of the goods in accordance with the terms of the contract.

In some contracts, the Group transfers control of a product to a customer and also grants the customer the right to return the product and receive a full or partial refund of any consideration paid, or a credit that can be applied against amounts owed, or that will be owed, to the Group. To account for the transfer of products with a right of return, the Group recognizes revenue for the transferred products in the amount of consideration to which the Group expects to be entitled. Therefore, revenue is not recognized for products that are expected to be returned. The goods that the Group sells include legal and learning materials and other printed products. The revenue related to them is presented in Note 3, Revenue from goods recognized at a point in time.

Revenue from sale of services and recognition of revenue over time

Revenue from the sale of services is recognized according to a revenue recognition method based on the degree of completion, provided that any of the following criteria are met:

(a) the customer simultaneously receives and consumes the benefits provided by the Group's service as the Group produces the service;

(b) the Group's service creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

(c) the Group's performance does not create an asset with an alternative use to the Group, and the Group has an enforceable right to payment for performance completed to date.

For services, 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 revenue from the service is recognized when the control of the service has been transferred, it is likely that the performance of the service will generate financial benefit, the customer has a legal right to the asset or the customer has approved the asset. 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.

The services that the Group sells include services related to the on-line operations and marketing of customers, electronic learning and legal services, training services, announcement services, election services and warehousing services.

Licensing revenue

The licenses sold by the Group are distinct from other services and they are treated as separate performance obligations. Revenue from licenses is usually recognized at a point in time, when the license provides the right to the Group’s intellectual property as it exists throughout the license period. In certain cases, revenue from licenses is recognized at a point in time when the license provides the right to access the Group’s intellectual property as it exists at the point in time at which the license is granted. The Group’s licensing revenue is related to for example annual subscription fees of electronic legal and other services.

The content of revenue is described in more detail in Note 3.

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.

On the balance sheet date, the Group had no assets classified as held for sale.

Financial assets and liabilities

Financial assets

The classification of financial assets is based on contractual cash flows. The Group's financial assets are classified as follows: measured at fair value through profit or loss, measured at fair value through other comprehensive income and measured at amortized cost.
Classification takes place when the Group becomes party to the contractual provisions of the instrument and when the Group first recognizes a financial asset.

Financial assets are classified as *measured at amortized cost* when, according to the Group's business model, they are held until maturity and the asset's cash flows consist exclusively of interest and the repayment of principal.

Financial assets are classified as *measured at fair value through other comprehensive income* when, according to the Group's business model, they may be held until maturity or sold. In this case, the gains and losses are realized through profit or loss. Impairment is recognized through profit or loss.

All other financial assets are measured at fair value and changes in the fair value are recognized through profit or loss.

Impairment of financial assets

The Group estimates expected credit losses using the simplified approach. The Group recognizes an impairment loss for financial receivables measured at amortized cost when 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. The expected credit loss is recognized through profit or loss and its counterpart is a loss allowance that reduces the financial asset.

Financial liabilities

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 expenses using the effective interest method.

Fair value determination principles for all financial assets and liabilities are presented in Note 28 “Fair value of financial assets and liabilities”.

Derivative contracts and hedge accounting

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 hedges used to change variable interest rates to fixed interest rates.

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.

In spite of the fact that the 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 28 “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. The value of intangible assets was measured on the basis of estimates of the cash flows associated with the assets, because no market information from transactions involving corresponding assets was available.

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 provided in Note 15 “Intangible Assets”.

New and revised standards and interpretations to be applied later

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

Notes on consolidated financial statements (IFRS)

2. Operating segments

The Group's operations are steered and reported on by the separate business areas which make up the following operating segments:

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 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 the associated company Edita Bobergs Förvaltnings AB (33.33%). The shares of Edita Bobergs Förvaltnings AB were sold during the financial year. The company was no longer engaged in actual business operations.

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.

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 projects in progress and inventories, while liabilities comprise accounts payable, advances received and lease liabilities. 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).

Financial year 2019, EUR 1,000 **Operating segments**	**Nordic Morning**	**Edita Publishing**	**Edita Prima**	**Other operations**	**Elim.**	**Total**
External net revenue	36 030	13 317	28 202	0		77 550
Inter-segment net revenue	57	6	95	5 564	-5 721	0
Net revenue, total	**36 087**	**13 323**	**28 297**	**5 564**	**-5 721**	**77 550**
Depreciation	-502	-37	-804	-3 134		-4 477
Impairment	0	0	0	0		0
Investments in associates	0	0	-7	0		-7
Operating profit/loss	**-1 086**	**2 109**	**764**	**-1 177**		**611**
Assets and liabilities						
Goodwill	14 298	0	0	0		14 298
Associates	0	0	0	0		0
Segment assets	6 977	2 040	7 716	15 157	-72	31 818
Segment assets, total	**21 275**	**2 040**	**7 716**	**15 157**	**-72**	**46 116**
Segment liabilities	**2 603**	**614**	**3 320**	**9 103**	**-72**	**15 568**
Investments	**6**	**0**	**522**	**1 506**	**0**	**2 034**

Notes on consolidated financial statements (IFRS)

Financial year 2018, EUR 1,000 **Operating segments**	**Nordic Morning**	**Edita Publishing**	**Edita Prima**	**Other operations**	**Elim.**	**Total**
External net revenue	44 194	13 845	18 340	0		76 379
Inter-segment net revenue	187	19	240	5 311	-5 757	0
Net revenue, total	**44 381**	**13 864**	**18 581**	**5 311**	**-5 757**	**76 379**
Depreciation	-692	-29	-666	-3 180		-4 567
Impairment	0	0	0	0		0
Investments in associates	0	0	3	0		3
Operating profit/loss	**-998**	**3 032**	**903**	**-2 056**		**880**
Assets and liabilities						
Goodwill	14 367	0	0	0		14 367
Associates	0	0	282	0		282
Segment assets	10 185	1 666	5 568	17 326	-1 953	32 792
Segment assets, total	**24 552**	**1 666**	**5 850**	**17 326**	**-1 953**	**47 441**
Segment liabilities	**4 123**	**808**	**1 607**	**10 589**	**-591**	**16 536**
Investments	**0**	**54**	**982**	**760**	**0**	**1 796**

Reconciliations between the consolidated data and the reported segment data

EUR 1,000	**2019**	**2018**
Net revenue		
Reported segment net revenue	77 550	76 379
Consolidated Net Revenue	**77 550**	**76 379**
Profit/loss before taxes		
Reported segment operating profit/loss	611	880
Consolidated net financial income (+) / expenses (-)	-307	-636
Consolidated profit/loss before taxes	**304**	**244**
Assets		
Reported segment assets	46 116	47 441
Assets not allocated to a segment	2 203	3 656
Consolidated assets	**48 319**	**51 097**
Equity and liabilities		
Reported segment liabilities	15 568	16 536
Liabilities not allocated to a segment	14 849	15 061
Group equity	17 903	19 500
Group equity and liabilities	**48 319**	**51 097**

Notes on consolidated financial statements (IFRS)

3. Net revenue

Revenue information concerning geographical areas

During the financial year, the Group's segments operated in Finland and Sweden. Sales income from external customers have bee n defined in accordance with the International Financial Reporting Standars (IFRS). In the financial year 2019, the Group had two customer s whose share of the Group's net revenue exceeded 10%. Net revenue from customer A was approximately EUR 11.5 million (2018: approx. EUR 2.1 milli on) and was allocated to the Edita Prima segment. Net revenue from customer B was approximately EUR 8.6 million (2018: approx. EUR 6.6 mi llion) and was allocated to the Nordic Morning and Edita Prima segments.

Financial year 2019, EUR 1,000	**Nordic**	**Edita**	**Edita**	**Other**		
Geographical areas	**Morning**	**Publishing**	**Prima**	**operations**	**Elim.**	**Total**
Finland	10 046	13 287	28 243	3 831	-4 315	51 093
Sweden and rest of EU	25 969	7	40	1 828	-2 460	25 383
Export sales	1 031	28	14	0	0	1 073
Eliminations	-959	0	0	-95	1 054	0
Net revenue, total	**36 087**	**13 323**	**28 297**	**5 564**	**-5 721**	**77 550**

Financial year 2018, EUR 1,000	**Nordic**	**Edita**	**Edita**	**Other**		
Geographical areas	**Morning**	**Publishing**	**Prima**	**operations**	**Elim.**	**Total**
Finland	10 900	13 841	18 490	3 581	-3 992	42 820
Sweden and rest of EU	33 029	8	77	1 784	-2 491	32 407
Export sales	1 125	15	14	0	0	1 153
Eliminations	-672	0		-54	726	0
Net revenue, total	**44 381**	**13 864**	**18 581**	**5 311**	**-5 757**	**76 379**

Revenue by category and timing

The Group's operating revenue consists of services for which revenue is primarily recognized over time, or at a point in time, depending on the content of the service and the duration of the project. Revenue from the sale of goods consists primarily of books in the Edita Publishing business area and various printed materials in the Edita Prima business area. Revenue from the sale of goods is recognized at a point in time when the customer has obtained control of the product. Other revenue mainly consists of advertising sales revenue in the Edita Publishing business area. The revenue recognition principles are described in Note 1.

Financial year 2019, EUR 1,000	**Nordic Morning**	**Edita Publishing**	**Edita Prima**	**Other operations**	**Elim.**	**Total**
Revenue from services recognized at a point in time	6 607	1 179	331	5 444	-6 460	7 101
Revenue from services recognized over time	30 439	5 822	981	0	-38	37 205
Revenue from goods recognized at a point in time	0	5 080	26 985	0	-62	32 002
Other revenue recognized at a point in time	0	1 242	0	0	0	1 242
Net revenue, total	**37 046**	**13 323**	**28 297**	**5 444**	**-6 560**	**77 550**

Financial year 2018, EUR 1,000	**Nordic Morning**	**Edita Publishing**	**Edita Prima**	**Other operations**	**Elim.**	**Total**
Revenue from services recognized at a point in time	6 785	1 004	313	5 311	-5 518	7 895
Revenue from services recognized over time	37 596	5 582	964	0		44 142
Revenue from goods recognized at a point in time	0	5 744	17 304	0	-240	22 808
Other revenue recognized at a point in time	0	1 534	0	0		1 534
Net revenue, total	**44 381**	**13 864**	**18 581**	**5 311**	**-5 757**	**76 379**

Notes on consolidated financial statements (IFRS)

Balances of contracts with customers

The following table illustrates information on receivables related to contracts with customers as well as contractual assets and liabilities:

EUR 1,000	2019	2018
Receivables included in sales receivables and other receivables	12 396	11 068
Contractual assets	696	1 215
Contractual liabilities	3 303	3 873

Contractual assets are related to the Group's right to receive consideration from customers in exchange for goods or services transferred. The most significant proportion of the contractual assets is related to projects for which revenue is recognized over time in the Nordic Morning and Edita Publishing business areas.

Contractual liabilities are related to the Group's obligation to transfer to customers services and products for which the Group has received payment from the customers. The most significant proportion of the contractual assets is related to projects for which revenue is recognized over time in the Nordic Morning and Edita Publishing business areas as well as licenses and annual subscriptions for other services in Edita Publishing Ltd. The maturity of contractual assets and liabilities exceeds one year only in exceptional cases.

	2019		2018	
EUR 1,000	Contractual assets	Contractual liabilities	Contractual assets	Contractual liabilities
Share of opening balance's contractual liabilities recognized as revenue	-	-3 873	-	-3 916
Increase in contractual liabilities due to advances received, excluding the amount for which revenue was recognized during the period	-	3 303	-	3 873
Contractual assets transferred from the opening balance of contractual assets to sales receivables	-1 215	-	-2 094	-
Increase in contractual assets due to change in the degree of completion	696	-	1 215	-

Transaction price reported for remaining performance obligations

The following table illustrates the expected revenue to be recognized in relation to performance obligations that are fully or partly unsatisfied:

EUR 1,000	2020	2019
Sale of services	12 637	8 758
Sale of goods	590	619

The Group expects that, during the next financial year, it will deliver the services and goods related to performance obligations that were fully or partly unsatisfied on the reporting date, as the Group's projects are, as a rule, less than one year in duration.

Additional expenses arising from obtaining contracts

The Group has capitalized orders received through intermediaries, the performance obligations for which will likely be satisfied during the next financial year. The capitalized commissions amounted to EUR 9 thousand (2018: EUR 34 thousand). The capitalized commissions will be recognized as expenses when the performance obligation is satisfied and revenue for it is recognized.

Notes on consolidated financial statements (IFRS)

Recognizing income as profit, and expenses as expenditures over time

Projects for which revenue is recognized over time 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 21 under "Accrued income on projects in progress". Advances received for work that has not yet been started or the share already billed for projects which exceeds the accumulated expenses and profit are included in Note 26 under Advances received from customers for projects in progress.

For projects in progress, realized expenses and profit (excluding loss) and advances received were recognized as follows:

Receivables from customers for projects in progress EUR 1,000	Note 21	**2019**	**2018**
Income / assignment expense		586	1 282
Amount invoiced from customers		-70	-370
Total		**516**	**912**

Advances received from customers for projects in progress EUR 1,000	Note 26	**2019**	**2018**
Income / assignment expense		-149	-142
Amount invoiced from customers		2 028	2 551
Total		**1 879**	**2 409**

4. Other operating income

EUR 1,000	**2019**	**2018**
Sales profit from tangible fixed assets	40	8
Rental income	410	468
Other income items	208	124
Total	**658**	**600**

5. Materials and services

EUR 1,000	**2019**	**2018**
Purchases made during the financial year	-3 853	-3 776
Change in stocks	-81	129
	-3 934	-3 646
Outsourced services	-23 903	-19 180
Total	**-27 836**	**-22 826**

Notes on consolidated financial statements (IFRS)

6. Employee benefits expense

EUR 1,000	2019	2018
Salaries	-24 360	-26 348
Pension costs – defined contribution plans	-3 905	-4 178
Other related expenses	-4 195	-4 813
Total	**-32 461**	**-35 339**

Average number of employees during the financial year by business area	2019	2018
Nordic Morning	228	262
Edita Publishing	89	83
Edita Prima	87	86
Other operations	38	41
Group, total	**442**	**472**
In Finland	254	257
In Sweden	188	215
Group, total	**442**	**472**

The employee benefits of management are presented under Note 31 “Related party transactions”.

7. Depreciation and impairment

EUR 1,000	2019	2018
Depreciation by asset group		
Intangible assets		
Capitalized development costs	-37	-29
Customer agreements	-479	-645
Other intangible assets	-172	-135
Total	**-209**	**-164**
Tangible fixed assets		
Buildings	-584	-597
Leases	-2 226	-2 226
Machinery and equipment	-979	-936
Total	**-3 789**	**-3 758**
Total depreciation	**-3 998**	**-3 922**

Impairment by asset group

Notes
15

The Group had no impairment during the financial years 2018–2019.

Notes on consolidated financial statements (IFRS)

8. Other operating expenses

EUR 1,000	2019	2018
Royalties and order commissions	-1 369	-1 160
Leasing expenses for office equipment and other lease adjustments	83	-98
Other business premises expenses	-1 204	-1 265
Logistics and transport costs	-1 076	-1 294
IT and data communications	-3 961	-3 859
Marketing and representation costs	-475	-580
Consulting and specialist fees	-657	-642
Losses on sales of tangible fixed assets	0	-24
Other operating expenses	-4 074	-4 297
Total	**-12 732**	**-13 220**

Auditor's fees

Authorized Public Accountants KPMG	2019	2018
Audit	-74	-65
Tax consultation	-27	-22
Other services	-8	0
Total	**-109**	**-87**

9. Research and development expenditure

Direct development expenses of information systems have been capitalized as development expenses. The capitalizations and advance payments for the 2019 financial year amounted to EUR 1,096 thousand (2018: EUR 54 thousand). The unamortized acquisition cost is EUR 70 thousand (EUR 107 thousand) on development expenses and EUR 1,096 thousand on advance payments (Note 15). Development costs totaling 128 thousand euros were recognized as expenses during the 2019 financial year (2018: EUR 0).

10. Financial income

EUR 1,000	2019	2018
Dividend income	4	4
Interest income on bank balances	4	21
Total	**8**	**25**

11. Financial expenses

Items recognized through profit and loss

EUR 1,000	2019	2018
Interest expenses on financial liabilities measured at amortized cost	-77	-102
Changes in value of financial assets measured at fair value through profit or loss		
- Interest rate derivatives, hedge accounting not applied	9	16
- Financial securities	31	0
Interest expenses on leases	-135	-149
Other financial items	-143	-426
Total	**-315**	**-661**

Other financial items primarily consist 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 -108 thousand in 2019 (EUR -376 thousand in 2018).

Notes on consolidated financial statements (IFRS)

12. 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	2019			2018		
	Recognized in OCI	Change in classification	Total	Recognized in OCI	Change in classification	Total
Financial assets measured at fair value through other comprehensive income	0	0	0	8	0	8
Translation differences	149	0	149	283	0	283
Total	**149**	**0**	**149**	**291**	**0**	**291**

Taxes relating to OCI items are presented in Note 13 “Income taxes”.

13. Income taxes

EUR 1,000	2019	2018
Income tax paid for the financial year	-214	-265
Taxes relating to previous financial years	-1	11
Deferred taxes:		
Temporary differences that have been generated and that do not exist any more	165	228
Taxes in the income statement	**-50**	**-26**

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

EUR 1,000	2019	2018
Profit before taxes	304	244
Taxes at the parent company’s tax rates	-61	-49
Tax-free income	179	133
Non-deductible expenses	-180	-31
Unrecognized referred tax assets on losses subject to tax	-93	-218
Use of losses subject to tax	99	141
Taxes relating to previous financial years	-1	11
Share of profit in associates less taxes	-1	1
Other items and different tax rates of foreign subsidiaries	7	-13
Taxes in the income statement	**-50**	**-26**
Effective tax rate	16,4 %	10,7 %

Taxes relating to OCI items

EUR 1,000	2019			2018		
	Before taxes	Tax effect	After taxes	Before taxes	Tax effect	After taxes
Financial assets measured at fair value through other comprehensive income	0	0	0	8	-2	6
Translation differences	149	0	149	283	0	283
Total	**149**	**0**	**149**	**290**	**-2**	**289**

Notes on consolidated financial statements (IFRS)

14. Tangible fixed assets

EUR 1,000	Land and water areas	Build- ings	Machinery and equipment	Office leases	Car leases	Advance payments	Total
Acquisition cost January 1, 2019	1 923	16 781	21 069	15 339	385		55 496
Exchange rate differences	0	0	-4	-16	0		-20
Increases	0	0	253	215	195		663
Decreases	0	0	-187	-847	-173		-1 206
Acquisition cost, December 31, 2019	**1 923**	**16 781**	**21 131**	**14 692**	**406**		**54 933**
Accumulated depreciation and impairment on January 1, 2019	0	12 568	18 695	5 587	190		37 041
Decreases	0	0	-183	-819	-173		-1 176
Depreciation for the financial year	0	584	979	2 079	147		3 789
Accumulated depreciation, December 31, 2019	**0**	**13 152**	**19 491**	**6 847**	**165**		**39 655**
Carrying amount, December 31, 2019	**1 923**	**3 629**	**1 641**	**7 845**	**242**	**0**	**15 279**
Carrying amount, January 1, 2019	1 923	4 213	2 374	9 753	194	0	18 456

EUR 1,000	Land and water areas	Build- ings	Machinery and equipment	Office leases	Car leases	Advance payments	Total
Acquisition cost January 1, 2018	1 923	16 781	19 884	16 756	541		55 885
Exchange rate differences	0	0	-8	-92	-3		-103
Increases	0	0	1 193	452	177		1 821
Decreases	0	0	0	-1 778	-330		-2 107
Acquisition cost, December 31, 2018	**1 923**	**16 781**	**21 069**	**15 339**	**385**		**55 496**
Accumulated depreciation and impairment on January 1, 2018	0	11 971	17 760	5 307	352		35 388
Decreases	0	0	0	-1 778	-330		-2 107
Depreciation for the financial year	0	597	936	2 058	168		3 759
Accumulated depreciation, December 31, 2018	**0**	**12 568**	**18 695**	**5 587**	**190**		**37 040**
Carrying amount, December 31, 2018	**1 923**	**4 213**	**2 374**	**9 753**	**194**	**0**	**18 456**
Carrying amount, January 1, 2018	1 923	4 810	2 125	11 449	189	346	20 843

Notes on consolidated financial statements (IFRS)

15. Intangible assets

EUR 1,000	Goodwill	Trade-marks	Develop. expenses	Other intangible assets	Advance payments	Total
Acquisition cost January 1, 2019	30 599	0	149	6 409	0	37 157
Exchange rate differences	-69	0	0	-17	0	-86
Increases	0	0	0	275	1 096	1 371
Acquisition cost, December 31, 2019	**30 530**	**0**	**149**	**6 667**	**1 096**	**38 442**
Accumulated depreciation and impairment on January 1, 2019	16 232	0	43	5 375	0	21 649
Accumulated depreciation on decreases and transfers	0	0	0	0	0	0
Depreciation for the financial year	0	0	37	651	0	688
Impairment	0	0	0	0	0	0
Accumulated depreciation, December 31, 2019	**16 232**	**0**	**80**	**6 026**	**0**	**22 338**
Carrying amount, December 31, 2019	**14 298**	**0**	**70**	**641**	**1 096**	**16 104**
Carrying amount, January 1, 2019	14 367	0	107	1 034	0	15 507

EUR 1,000	Goodwill	Trade-marks	Develop. expenses	Other intangible assets	Advance payments	Total
Acquisition cost January 1, 2018	30 756	0	395	6 013		37 164
Exchange rate differences	-157	0	0	-49		-206
Increases	0	0	67	444		512
Decreases	0	0	-313	0		-313
Acquisition cost, December 31, 2018	**30 599**	**0**	**149**	**6 409**		**37 157**
Accumulated depreciation and impairment, January 1, 2018	16 232	0	327	4 595		21 153
Accumulated depreciation on decreases and transfers	0	0	-313	0		-313
Depreciation for the financial year	0	0	29	780		809
Accumulated depreciation, December 31, 2018	**16 232**	**0**	**43**	**5 375**		**21 649**
Carrying amount, December 31, 2018	**14 367**	**0**	**107**	**1 034**	**0**	**15 507**
Carrying amount, January 1, 2018	14 525	0	68	1 417	193	16 203

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

Notes on consolidated financial statements (IFRS)

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 2019 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. Goodwill and carrying amount form the value to be tested.

EUR 1,000	**Nordic Morning Sweden**	**Nordic Morning Finland**	**Total**
2019			
Goodwill	12 021	2 277	**14 298**
Carrying amount	15 109	2 979	**18 088**
2018			
Goodwill	12 091	2 277	**14 367**
Carrying amount	16 676	3 699	**20 375**

Impairment testing, December 31, 2019

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**
2019	8,1 %	7,9 %
2018	8,1 %	7,5 %

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 11.5 million. The unit’s carrying amount corresponded to the recoverable amount if the average gross margin used in the calculation of the value in use were to decline by 4.3 percentage points and all other factors remained unchanged. No foreseeable change in any individual variable would give rise to the need to recognize impairment.

In the Nordic Morning Finland unit, the recoverable amount exceeds the carrying amount of the unit by EUR 0.6 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 7.9% to 9.6%
• the decrease of the gross margin used in the calculation of the value in use by 0.7 percentage points

Notes on consolidated financial statements (IFRS)

16. 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**	**2019**	**2018**
Nordic Morning	Finland / Sweden	3	3
Edita Publishing	Finland	1	1
Edita Prima	Finland	1	1
Other operations	Finland / Sweden	1	1

A full list of the Group’s subsidiaries is presented in Note 31 “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 in the comparison year. The Group divested its holding in Edita Bobergs AB in October 2018.

		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**		**2018**	
Edita Bobergs AB	Sweden		10	

Notes on consolidated financial statements (IFRS)

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

	Edita Bobergs AB	
EUR 1,000	**2019**	**2018**
Current assets	0	0
Current liabilities	0	0
Net revenue	0	5
Expenses and other items	0	-38
Profit (loss)	0	33
Share of profit(/loss) allocated to	0	
parent company shareholders	0	23
Share of profit(/loss) allocated to	0	
non-controlling interests	0	10
Comprehensive income for the financial year	0	33
Share of comprehensive income allocated to	0	
parent company shareholders	0	23
Share of comprehensive income allocated to	0	
non-controlling interests	0	10
Cash flow from operating activities	0	-7
Cash flow from investing activities	0	1
Cash flow from financing activities	0	-468

Changes in holdings in subsidiaries

2019

No changes during the financial year.

2018

On January 1, 2018, the business operations of CountQuest AB and Ottoboni AB were merged into Nordic Morning Sweden AB. The legal merger between the companies was carried out on March 14, 2018.

On May 1, 2018, the business operations of Nordic Morning Data-Driven Content AB were merged into Nordic Morning Sweden AB. The legal merger between the companies was carried out on August 17, 2018.

On October 8, 2018, Nordic Morning Group Sweden AB sold its share of Edita Bobergs AB. The transaction had no significant impact on the Group's profit or financial position or on the Group's full-year net revenue or profit, as the company no longer engaged in actual business operations.
began in the fall and the companies' shareholdings were transferred from Nordic Morning Group Sweden AB to the merger recipient, Nordic Morning Sweden AB.

Notes on consolidated financial statements (IFRS)

17. Interests in associated companies

EUR 1,000	2019	2018
Acquisition cost, January 1	282	1 459
Share in result	-7	3
Dividend distribution from associates	-159	-1 121
Decreases	-110	0
Translation differences	-5	-58
Total investments in associated companies, December 31	**0**	**282**

In October 2019, Nordic Morning Sweden Group AB signed an agreement on the sale of the shares in the associated company Edita Bobergs Förvaltnings AB. The transaction was finalized in November 2019.

Name	Operating segment	Domicile	Holding
Edita Bobergs Förvaltnings AB	Edita Prima	Falun	0,00 %

The Group did not have any holdings in associated companies at the end of the financial year 2019.

Summary of financial information concerning associated companies

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

	Edita Bobergs Förvaltnings AB	
EUR 1,000	**2019**	**2018**
Current assets	0	846
Non-current assets	0	0
Current liabilities	0	1
Net revenue	0	0
Profit for financial year	-5	7
Dividends received from the associated company during the period	159	1 121

Reconciliation of the associated company's financial information with the balance sheet value recognized by the Group:

Associated company's net assets		845
Group's holding, %	0,00 %	33,33 %
Group's share of net assets		282
Associated company's balance sheet value in the consolidated balance sheet		282

Notes on consolidated financial statements (IFRS)

18. Other financial assets

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

EUR 1,000	2019	2018
Financial assets measured at fair value through profit or loss	140	26
Financial assets measured at fair value through other comprehensive income	0	84
Total	**140**	**110**

There were no changes in the Group’s share investments during the financial year.

Changes in the value of financial assets

EUR 1,000	2019	2018
At the beginning of the financial year	110	266
Sale of equity investments	0	-164
Other decreases	0	0
Other increases	31	8
At the end of the financial year	**140**	**110**
Non-current financial assets	26	26
Current financial assets	114	84

Changes in the fair value fund are presented in Note 23 “Equity management”.

19. Deferred tax assets and liabilities

Change in deferred taxes during 2019

EUR 1,000	01.01.2019	Recognized in the income statement	Recognized in OCI	Exchange rate differences	31.12.2019
Deferred tax assets					
Internal margin in inventories	0	0			0
Provisions	23	-22			0
Leases	81	17		0	98
Total	**104**	**-5**	**0**	**0**	**98**
Deferred tax liabilities					
Measurement of intangible and tangible assets at fair value in business combinations	120	-95		-3	22
Accumulated depreciation differences and appropriations	105	-81		0	24
Financial assets	14	6	0		20
Total	**238**	**-170**	**0**	**-3**	**65**

Notes on consolidated financial statements (IFRS)

Change in deferred taxes during 2018

EUR 1,000	01.01.2018	Recognized in the income statement	Recognized in OCI	Exchange rate differences	31.12.2018
Deferred tax assets					
Internal margin in inventories	1	0			0
Provisions	29	-6			23
Leases	39	42		0	81
Total	**69**	**36**	**0**	**0**	**104**
Deferred tax liabilities					
Measurement of intangible and tangible assets at fair value in business combinations	264	-133		-11	120
Accumulated depreciation differences and appropriations	164	-59		0	105
Available-for-sale financial assets	11	0	2		14
Total	**440**	**-193**	**2**	**-11**	**238**

The Group had EUR 9.6 million in losses confirmed on December 31, 2019, for which deferred tax assets were not recognized due to the uncertainty of their use. Losses confirmed in Finland totaled EUR 140,350.76 and they will expire in 2027. The rest of the confirmed losses were in Sweden and they do not have a defined date of expiry.

20. Inventories

EUR 1,000	2019	2018
Materials and supplies	242	323
Unfinished products	171	270
Finished products/goods	993	1 080
Total	**1 406**	**1 672**

The Group recognized EUR 152 thousand as expenses for the financial year, by which the carrying amount of inventories was reduced to correspond to their net realizable value (EUR 171 thousand in 2018).

Notes on consolidated financial statements (IFRS)

21. Sales receivables and other receivables

EUR 1,000	2019	2018
Loans and other receivables		
Sales receivables*)	12 396	10 933
Receivables from customers for projects in progress	516	912
Prepaid expenses and accrued income		
Rents	184	351
Royalty receivables	41	45
Social security expense accruals	33	235
Sales accruals	9	34
Annual credits	26	18
IT service accruals	151	273
Other prepaid expenses and accrued income	135	132
Other receivables	1 121	1 272
Total of sales receivables and other receivables	**14 611**	**14 205**

The Group recognized EUR 87 thousand (EUR 418 thousand) in impairment losses for sales receivables during the financial year. The reason for the lower impairment losses is that, in the comparison year 2018, a significant customer went into reorganization proceedings. There are no other 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. The following table presents information on the credit risk concentrations of the Group's sales receivables.

Aging of sales receivables and recognized anticipated credit losses

2019 EUR 1,000	Not due	<30 days	31-60 days	>60 days	Total
ECL multiplier**)	0,5 %	2,0 %	7,5 %	10,0 %	
Gross carrying amount	11 236	1 031	36	93	12 396
Lifetime ECL	54	21	3	9	87

2018 EUR 1,000	Not due	<30 days	31-60 days	>60 days	Total
ECL multiplier**)	3,5 %	5,0 %	7,5 %	10,0 %	
Gross carrying amount*)	8 639	2 092	154	49	10 933
Lifetime ECL	298	104	12	5	418

**) Expected credit loss multiplier

Sales receivables by currency

EUR 1,000	2019	2018
EUR	7 563	4 678
SEK	4 805	6 137
NOK	4	4
Other	25	113
Total*)	**12 396**	**10 933**

*) The sales receivables in the comparison year 2018 have been adjusted by EUR -135 thousand due to an error.

Notes on consolidated financial statements (IFRS)

22. Cash and cash equivalents

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

EUR 1,000	2019	2018
Cash in hand and at the bank	256	234
Total	**256**	**234**

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.

23. Equity and capital management

EUR 1,000	Number of shares (1,000)	Share-holders' equity	re premium fund
31.12.2017	6 000	6 000	25 870
31.12.2018	6 000	6 000	25 870
31.12.2019	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 2019 and 2018 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 includes changes in financial assets measured at fair value through other comprehensive income.

EUR 1,000	2019	2018
Fair value fund	54	54

Distributable assets and restatement due to an error
The profit for the year is recognized in retained earnings. The distributable assets of the Group's parent company were EUR 7,431,825.09 in the financial statements dated December 31, 2019 The retained earnings shown in the consolidated statement of financial position in the comparison year 2018 have been adjusted by EUR -135 thousand due to an error. The income statement for 2018 has not been adjusted.

Notes on consolidated financial statements (IFRS)

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. During accounting years 2018-2019 there were no circumstances in the Group that would lead the management to suspect that the covenants might be broken.

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 2019, the Group's interest-bearing net liabilities stood at EUR 11.2 million (2018: EUR 12.7 million) and the net gearing ratio was 62.6% (2018: 64.9%). When calculating net indebtedness, interest-bearing net liabilities are divided by shareholder's equity. Net liabilities include inte rest-bearing financial liabilities less interest-bearing receivables and cash and cash equivalents.

EUR 1,000	31.12.2019	31.12.2018
Interest-bearing liabilities	11 463	12 974
Cash and cash equivalents	256	234
Net indebtedness	**11 207**	**12 740**
Total shareholders' equity	17 903	19 500
Equity-to-assets ratio, %	38,6 %	40,1 %
Gearing ratio %	62,6 %	65,3 %

24. Provisions

EUR 1,000	Rearrange-ments	Environmental provisions	Total
Provisions on December 31, 2018	**45**	**70**	**115**
Amounts used	-3	0	-3
New provisions	1	0	1
Reversal of unused amounts	-40	-70	-110
Provisions on December 31, 2019	**3**	**0**	**3**

Restructuring provision
Restructuring provisions are related to restructuring of the Edita Prima and Edita Publishing business areas, 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.

Notes on consolidated financial statements (IFRS)

25. Interest-bearing liabilities

EUR 1,000

Non-current financial liabilities amortized at cost	2019	2018
Bank loans and other financial loans	0	750
Lease liabilities	7 352	8 332
Total	**7 352**	**9 082**

Current financial liabilities amortized at cost	2019	2018
Loan repayments due in the following year and other current interest-bearing liabilities	2 893	1 880
Payments of lease liabilities due in the following year	1 218	2 011
Total	**4 111**	**3 891**

Contractual maturing of lease liabilities by maturity class	Lease liabilities		Interest	
	2019	**2018**	**2019**	**2018**
2019	0	2 011	0	129
2020	1 218	1 108	107	104
2021	1 184	1 134	92	90
2022	1 056	984	76	76
2023	997	996	64	64
2024	1 010	1 009	51	51
2025	1 022	1 021	39	39
2026	1 035	1 034	26	26
2027	1 048	1 047	13	13
Total	**8 570**	**10 344**	**468**	**591**

The assets and depreciations relating to lease agreements are presented in Note 14.

Contractual maturing of bank liabilities by maturity class	Bank loans		Interest	
	2019	**2018**	**2019**	**2018**
2019		1 880		15
2020	2 893	750	10	4
Total	**2 893**	**2 630**	**10**	**18**

Contractual maturing of interest-bearing liabilities by maturity class	Interest-bearing liabilities		Interest	
	2019	**2018**	**2019**	**2018**
2019		3 891		144
2020	4 111	1 858	117	107
2021	1 184	1 134	92	90
2022	1 056	984	76	76
2023	997	996	64	64
2024	1 010	1 009	51	51
2025	1 022	1 021	39	39
2026	1 035	1 034	26	26
2027	1 048	1 047	13	13
Total	**11 463**	**12 974**	**478**	**610**

Notes on consolidated financial statements (IFRS)

Weighted averages of effective interest rates of non-current interest-bearing liabilities	2019	2018
	1,4 %	1,2 %

Non-current interest-bearing liabilities are divided by currency as follows	2019	2018
EUR	7 122	8 745
SEK	231	338
Total	**7 352**	**9 082**

Current interest-bearing liabilities are divided by currency as follows	2019	2018
EUR	3 891	2 688
SEK	220	1 204
Total	**4 111**	**3 891**

Changes in liabilities arising from financing

EUR 1,000	2019	2018
Interest-bearing liabilities January 1	12 974	15 664
Use of consolidated account credit limit*)	2 143	380
Repayments of borrowings*)	-1 880	-1 551
Repayments of lease liabilities*)	-2 155	-2 049
Changes in lease liabilities	215	0
Increases from leases	195	628
Exchange rate differences	-28	-99
Total interest-bearing liabilities December 31	**11 463**	**12 974**

*) Changes impacting cash flows

Notes on consolidated financial statements (IFRS)

26. Accounts payable and other liabilities

EUR 1,000	2019	2018
Current financial liabilities amortized at cost		
Accounts payable	5 169	3 758
Advances received	9	107
Advances received from customers for projects in progress	1 879	2 409
Accrued liabilities and deferred income		
Wages and salaries with related expenses	4 984	4 509
Social insurance contribution expense provision from previous years	801	848
Sales accruals	1 416	1 357
Rents	23	286
Interests	5	7
IT Services	7	13
Incentive bonus for executive management, including indirect personnel expenses	0	71
Other accrued expenses	1 156	1 113
Other current liabilities	3 412	3 774
Financial liabilities recognized at current fair value through profit or loss		
Derivative contracts, hedge accounting not applied	3	12
Total accounts payable and other liabilities	**18 863**	**18 263**

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	2019	2018
EUR	12 133	9 125
SEK	6 724	9 061
NOK	22	8
DKK	1	6
Other currencies	-18	63
Total	**18 863**	**18 263**

Notes on consolidated financial statements (IFRS)

27. 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 one-third (in 2018 ca. 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 2018-2019. The risk due to the translation of long-term foreign net investments was not hedged on the balance sheet date, December 31, 2018 or December 31, 2019. 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	2019	2018
Non-current assets	4 260	6 264
Non-current liabilities	252	458
Exchange rate changes in non-current items	-107	-313
Current assets	6 335	8 510
Current liabilities	7 107	10 400
Exchange rate changes in current items	35	91

Currency risk sensitivity analysis in accordance with IFRS 7
The table below shows the appreciation/depreciation 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	2019	2018
Percentage of change	10 %	10 %
Effect on Group's profit after tax	46	131
Effect on the Group's shareholders' equity	2	771

EUR 1,000	2019	2018
Percentage of change	-10 %	-10 %
Effect on Group's profit after tax	-56	-158
Effect on the Group's shareholders' equity	-3	-942

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 0.3 million (EUR 0.2 million on December 31, 2018). The Group had a consolidated account credit limit with a maximum size of EUR 6.3 million. At the end of the financial year, the consolidated account credit limit debt was EUR 2.1 million. In addition, the Group has had access to unwithdrawn confirmed credit limits of EUR 10.0 million. Some of the credit limits have loan covenants, 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 with a good safety margin. During accounting years 2018-2019 there were no circumstances in the Group that would lead the management to suspect that the covenants might be broken.

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.

Notes on consolidated financial statements (IFRS)

EUR 1,000

Breakdown of maturities of financial liabilities 2019	Balance sheet value	Cash flow*	12 months or less	1–2 years	2–5 years	>5 years
Financial liabilities	2 893	2 903	2 903	0	0	0
Lease liabilities	8 570	9 038	1 324	1 276	3 254	3 183
Accounts payable	5 169	5 169	5 169			
Maturity breakdown of derivative liabilities						
Interest rate derivatives, hedge accounting not applied	3	3	3			

Breakdown of maturities of financial liabilities 2018	Balance sheet value	Cash flow*	12 months or less	1–2 years	2–5 years	>5 years
Financial liabilities	2 630	2 649	1 895	754	0	0
Lease liabilities	10 344	10 935	2 140	1 212	3 344	4 240
Accounts payable	3 758	3 758	3 758			
Maturity breakdown of derivative liabilities						
Interest rate derivatives, hedge accounting not applied	12	12	12			

*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 2.9 million (EUR 2.6 million) in interest-bearing debt from financial institutions on December 31, 2019. In addition, the Group had liabilities related to non-cancellable leases in the amount of EUR 8.6 million (EUR 10.3 million). Interest rate risk has been reduced by using interest rate derivatives to convert variable rate loans to fixed rate loans. On the reporting date, the duration was 3.5 (3.8). In analyzing the interest rate risk, a +1 percentage unit change in the interest rate is estimated to not constitute a risk to the Group’s pre-tax profit, as the majority of the Group’s debt is related to lease liabilities, the interest of which is re-determined when the lease term or other conditions are re-determined.

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 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 and expected credit risks are presented in Note 21.

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

EUR 1,000	2019 Positive fair value	2019 Negative fair value	2019 Fair value, net	2018 Positive fair value	2018 Negative fair value	2018 Fair value, net
Interest rate swaps						
Maturity:						
in under one year	0	-3	-3	0	-12	-12

Notes on consolidated financial statements (IFRS)

28. Fair value of financial assets and liabilities

EUR 1,000	Note	Carrying value 2019	Fair value 2019	Carrying value 2018	Fair value 2018
Financial assets					
Other financial assets	18	26	26	26	26
Sales receivables and other receivables	21	14 611	14 611	14 340	14 340
Other current financial assets	18	114	114	84	84
Cash and cash equivalents	22	256	256	234	234
Financial liabilities					
Financial loans	25	2 893	2 873	2 630	2 601
Lease liabilities	25	8 570	8 570	10 344	10 344
Accounts payable and other liabilities	26	5 169	5 169	3 758	3 758
Financial liabilities measured at fair value through profit or loss:					
- Interest rate derivatives, hedge accounting not applied	26	3	3	12	12

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 investments and other investments
Financial assets consist of cash, demand deposits and other current, extremely liquid investments. Other financial assets and other current financial assets comprise unlisted and listed Finnish equities and they 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 amortised cost 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 lease liabilities
Financial liabilities are initially measured 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 financial 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.

Notes on consolidated financial statements (IFRS)

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

EUR 1,000	Fair values on balance sheet date		
Assets measured at fair value	**31.12.2019**	**Level 1**	**Level 2**
Financial assets measured at fair value through other comprehensive income			
Share investments	0	0	0
Financial assets measured at fair value through profit or loss			
Share investments	140	0	140
Liabilities measured at fair value			
Financial liabilities measured at fair value through profit or loss:			
Interest rate derivatives, hedge accounting not applied	3	0	3

EUR 1,000	Fair values on balance sheet date		
Assets measured at fair value	**31.12.2018**	**Level 1**	**Level 2**
Financial assets measured at fair value through other comprehensive income			
Share investments	84	84	0
Financial assets measured at fair value through profit or loss			
Share investments	26	0	26
Liabilities measured at fair value			
Financial liabilities measured at fair value through profit or loss:			
Interest rate derivatives, hedge accounting not applied	12	0	12

During the past financial year and the financial year before that, no transfers occurred between levels 1 and 2 of the fair v alue 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 le vel 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 bas ed on input information concerning the asset or liability that is not based on observable market information (unobservable inputs).

Notes on consolidated financial statements (IFRS)

Fair value hierarchy of financial assets and liabilities measured at fair value, which are not measured 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			
	31.12.2019	Level 1	Level 2	Level 3
Financial assets:				
Sales receivables and other receivables	14 611		14 611	
Financial liabilities:				
Bank loans	2 873			2 873
Lease liabilities	8 570		8 570	
Accounts payable and other liabilities	5 169		5 169	
Total	**16 612**		**13 739**	**2 873**

EUR 1,000	Fair values on balance sheet date			
	31.12.2018	Level 1	Level 2	Level 3
Financial assets:				
Sales receivables and other receivables	14 205		14 205	
Financial liabilities:				
Bank loans	2 601			2 601
Lease liabilities	10 344		10 344	
Accounts payable and other liabilities	3 758		3 758	
Total	**16 702**		**14 101**	**2 601**

29. Adjustments to cash flow from operating activities

Non-cash transactions

EUR 1,000	2019	2018
Depreciation and impairment	4 477	4 567
Adjustments to sales gains	-40	-6
Exchange rate differences	22	-190
Profit/loss at fair value through profit or loss from the measurement of recognizable assets and liabilities	0	-2
Share of profit in associates	7	-3
Other adjustments*)	9	-135
Total	**4 474**	**4 232**

*) Other adjustments in 2018 have been adjusted by -135 thousand euros due to correction of an error

Notes on consolidated financial statements (IFRS)

30. Collateral and other contingent liabilities

EUR 1,000	2019	2018
Other collateral and guarantees given on behalf of shareholders		
Rent guarantees	823	838
Less than 12 month lease agreements and lease agreements relating to low value assets		
Within one year	989	0
1–5 years	2 136	0
Total	**3 125**	**0**
Minimum leases payable on the basis of non-cancellable operating leases		
Within one year	77	81
1–5 years	51	71
Total	**127**	**151**

The minimum lease payments payable under operating leases are related to leases for which the underlying asset is of low value or contracts with a maturity of less than 12 months.

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 2010-2016, 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 124,143.30.

Disputes and legal proceedings

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

31. 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 Development Company Vake Oy. The related parties also include the members of the Group's Board of Directors, the CEO, the members of the Group's and its business groups' management teams and the family members of the aforementioned. Entities under the control or joint control of related parties are also considered related parties. Additional information about the subsidiaries of the parent company is presented in Note 16.

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 %
Mods Graphic Studio AB, Stockholm, Sweden		100 %	100 %

*Sub-Group's parent company

Notes on consolidated financial statements (IFRS)

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 17.

Related party transactions with associated companies

EUR 1,000	2019	2018
Sales of goods and services	0	0
Purchases of goods and services	0	0
Dividends received	159	1 121

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

The Group Management Team was established in 2019. In 2018, the Group's operations were managed by the business area management teams and the Group did not have a separate Group Management Team.

Anne Årneby became the Group's CEO on January 12, 2017.

In 2018–2019, the Group had an incentive program under which the CEO was 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. No performance-based bonus was accrued under this incentive program in 2019. Bonus provisions were recognized in relation to other current programs approved by the board, in accordance with the rules of those programs.

Accumulated incentive bonuses	Parent company CEO		Other members of the Group Managen	
EUR 1,000	2019	2018	2019	2018
Incentive bonuses	0	19	0	38

Notes on consolidated financial statements (IFRS)

Fees paid and fee-related provisions

EUR 1,000		**2019**	**2018**
CEO		234	231
The CEO's incentive bonuses		18	56
Total		**253**	**286**
Other members of the Group Management Team		1085	0
Incentive bonuses of the other members of the Group Management Team		38	0
Total		**1 124**	**0**
Members of Nordic Morning Group Plc's Board of Directors			
Sjödell Per	Chairman of the Board	70	68
Ruuska Jukka	Vice-Chairman of the Board	37	35
Blank Jonasson Ingrid	Member of the Board	32	32
Hurtola Pekka	Member of the Board	32	23
Korkiakoski Anne	Member of the Board	32	23
Airaksinen Mervi	Member of the Board	22	0
Ronkainen Anni	former Member of the Board	7	28
Iso-Aho Maritta	former Member of the Board	0	7
Vihervuori Petri	former Member of the Board	0	8
Total		**232**	**225**
Total		**1 609**	**511**

The contractual retirement age of the parent company's CEO complies with the applicable laws and regulations. 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.

32. 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.

33. Breakdown of share ownership and information on shareholders

From December 5, 2018, the State Business Development Company Vake Oy has owned 100% of Nordic Morning Group Plc's shares.

Consolidated key indicators

		IFRS 2019	IFRS 2018	IFRS 2017
Net revenue	k€	77 550	76 379	93 402
Exports and foreign operations %		34,1 %	43,9 %	51,8 %
Adjusted operating gross margin	k€	42 750	46 786	53 876
% of net revenue		55,1 %	61,3 %	57,7 %
Adjusted operating EBITDA	k€	5 954	5 907	8 693
% of net revenue		7,7 %	7,7 %	9,3 %
Adjusted operating profit/loss	k€	1 470	1 337	3 078
% of net revenue		1,9 %	1,8 %	3,3 %
Operating profit/loss	k€	611	880	5 939
% of net revenue		0,8 %	1,2 %	6,4 %
Profit before taxes	k€	304	244	5 518
% of net revenue		0,4%	0,3 %	5,9 %
Profit for financial year	k€	254	218	4 502
Return on equity (ROE), % *)	%	1,4 %	1,1 %	22,4 %
Return on capital employed, % *)	%	2,0 %	2,6 %	14,5 %
Equity-to-assets ratio (%) *)	%	38,6 %	40,1 %	37,2 %
Gearing (%) *)	%	62,6 %	65,3 %	67,0 %
Gross capital expenditure	k€	2 034	1 796	11 024
% of net revenue		2,6 %	2,4 %	11,8 %
Average number of employees		442	472	548
Earnings per share (EPS)	€	0,04	0,03	0,74
Dividends per share	€	0,33	0,33	0,33
Equity per share *)	€	3,0	3,2	3,5
No. of shares, adjusted for share issue		6 000 000	6 000 000	6 000 000

*) Key indicator for 2018 adjusted due to correction of an error

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. -31.12.2019	1.1. -31.12.2018
NET REVENUE	**2**	**4 125 173,62**	**3 889 250,48**
Other operating income	3	1 655 590,17	1 575 377,24
Personnel expenses	4	-2 102 511,74	-2 119 311,08
Depreciation and impairment	5	-827 339,14	-870 851,02
Other operating expenses	6	-3 978 183,97	-3 456 261,05
OPERATING PROFIT / LOSS (-)		**-1 127 271,06**	**-981 795,43**
Financial income and expenses	7	-988 680,58	4 865 133,21
PROFIT/LOSS (-) BEFORE APPROPRIATIONS AND TAXES		**-2 115 951,64**	**3 883 337,78**
Appropriations	8	1 330 596,25	1 481 404,06
Income taxes	9	-8 208,73	-15 479,41
PROFIT/LOSS (-) FOR THE FINANCIAL YEAR		**-793 564,12**	**5 349 262,43**

Parent company balance sheet (FAS) (EUR)

ASSETS	Note	31.12.2019	31.12.2018
NON-CURRENT ASSETS			
Intangible assets	10	1 211 987,29	165 382,23
Tangible assets	11	5 786 730,48	6 564 994,35
Investments in Group companies	12	46 308 911,22	40 502 386,73
Other investments	12	25 982,55	25 982,55
Total non-current assets		53 333 611,54	47 258 745,86
CURRENT ASSETS			
Current receivables	13	7 940 696,02	15 715 077,07
Financial securities	14	15 152,33	15 152,33
Cash and bank balances		7 968,01	3 956,33
Total current assets		7 963 816,36	15 734 185,73
Total assets		**61 297 427,90**	**62 992 931,59**

SHAREHOLDERS' EQUITY AND LIABILITIES	Note	31.12.2019	31.12.2018
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		8 225 389,21	4 876 126,78
Profit/loss (-) for the financial year		-793 564,12	5 349 262,43
Shareholders’ equity, total		39 301 435,43	42 094 999,55
ACCUMULATED APPROPRIATIONS	16	113 251,19	443 847,44
LIABILITIES			
Non-current liabilities	17	0,00	750 000,00
Current liabilities	18	21 882 741,28	19 704 084,60
Total liabilities		21 882 741,28	20 454 084,60
Liabilities total		**61 297 427,90**	**62 992 931,59**

Parent company cash flow statement (FAS) (EUR)

	1.1. -31.12.2019	1.1. -31.12.2018
Cash flow from operating activities		
Profit/loss (-) before appropriations and taxes	-2 115 951,64	3 883 337,78
Adjustments:		
Planned depreciation and impairment	827 339,14	870 851,02
Unrealized exchange rate gains/losses	-77 959,57	-327 379,66
Other adjustments	-716 751,42	-5 095 174,98
Gains on disposal of fixed assets and other investments	0,00	-6 434,41
Financial income and expenses (+)	988 680,58	-4 865 133,21
Change in working capital:		
Increase (+) decrease (-) in non-interest-bearing current receivables	340 775,23	473 856,83
Increase (+) decrease (-) in non-interest-bearing current liabilities	48 528,28	-118 472,11
Interest and other financial expenses paid	-128 557,49	-158 951,37
Dividends received	2 172 385,12	7 903 575,55
Interest received	27 746,65	27 531,49
Taxes paid	-9 184,53	-161 738,41
Cash flow from operating activities	**1 357 050,35**	**2 425 868,52**
Cash flow from investing activities		
Investments in intangible and intangible assets	-819 393,93	-130 656,80
Income from investment transfers	0,00	170 000,00
Dividends received	3 792,25	0,00
Cash flow from investing activities	**-815 601,68**	**39 343,20**
Cash flow from financing activities		
Current loans withdrawn	2 142 860,75	380 297,74
Repayments of current borrowings	-380 297,74	0,00
Repayments on non-current borrowings	-1 500 000,00	-1 500 000,00
Dividends paid	-2 000 000,00	-2 000 000,00
Contributions received from subsidiaries	1 200 000,00	0,00
Cash flow from financing activities	**-537 436,99**	**-3 119 702,26**
Change in cash and cash equivalents, increase (+)/decrease (-)	**4 011,68**	**-654 490,54**
Cash and cash equivalents at January 1	3 956,33	658 446,87
Cash and cash equivalents at December 31	**7 968,01**	**3 956,33**

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 Group 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)

	31.12.2019	31.12.2018

2. Net revenue

	31.12.2019	31.12.2018
By market area		
Finland	3 321 289,54	3 053 101,14
EU	803 884,08	836 149,34
Total	4 125 173,62	3 889 250,48

3. Other operating income

	31.12.2019	31.12.2018
Profit from sales of non-current assets	0,00	6 434,41
Rental income	1 205 808,73	1 136 253,74
Group’s internal administrative fees	449 562,00	423 093,96
Other	219,44	9 595,13
	1 655 590,17	1 575 377,24

4. Personnel

	31.12.2019	31.12.2018
Personnel expenses		
Salaries and fees	-1 797 895,32	-1 814 789,41
Pension expenses and pension insurance contributions	-240 212,93	-247 221,92
Other personnel expenses	-64 403,49	-57 299,75
	-2 102 511,74	-2 119 311,08
Employees in the company during the financial year		
Employees on salary	25	26
Management salaries and fees		
Members of the Board	-232 412,90	-225 000,00
	-232 412,90	-225 000,00

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 Note 31 to the consolidated financial statements, related party transactions.

5. Depreciation and impairment

	31.12.2019	31.12.2018
Depreciation on tangible and intangible assets	-827 339,14	-870 851,02

6. Other operating expenses

Rents	-983 608,90	-890 150,38
Other business premises expenses	-659 187,02	-676 660,66
Logistics	-4 951,45	-5 148,43
IT and data communications	-1 032 156,27	-714 146,23
Marketing and representation expenses	-28 892,81	-58 396,45
Other operating expenses	-1 269 387,52	-1 111 758,90
Other operating expenses, total	-3 978 183,97	-3 456 261,05
Auditor's fees		
Audit fees	-32 470,00	-31 833,00
Tax consultation	-11 420,00	-2 188,60
Other fees	-7 000,00	0,00
	-50 890,00	-34 021,60

7. Financial income and expenses

Dividend income		
From Group companies	2 172 385,12	7 900 000,00
From others	3 792,25	3 575,55
	2 176 177,37	7 903 575,55
Other interest income		
From Group companies	27 706,08	26 493,55
From others	40,57	1 037,94
	27 746,65	27 531,49
Interest income and other financial income, total	2 203 924,02	7 931 107,04
Exchange rate gains and losses	-77 959,57	-327 379,66
Impairment and impairment refunds from non-current asset investments	-3 000 000,00	-2 600 000,00
Interest expenses		
To Group companies	-18 009,42	-22 758,11
To others	-63 241,67	-71 393,51
	-81 251,09	-94 151,62
Other financial expenses		
To others	-33 393,94	-44 442,55
	-33 393,94	-44 442,55
Interest expenses and other financial expenses, total	-114 645,03	-138 594,17
Total financial income and expenses	-988 680,58	4 865 133,21

8. Appropriations

Difference between planned depreciation and depreciation made for taxation purposes	330 596,25	281 404,06
Contributions received from subsidiaries	1 000 000,00	1 200 000,00
	1 330 596,25	1 481 404,06

9. Notes on income taxes

Income tax on appropriations	-200 000,00	-240 000,00
Income tax on normal operations	194 118,38	230 105,46
	-8 208,73	-15 479,41

Non-current assets

10. Intangible assets

Intellectual property		
Acquisition cost, January 1	702 726,72	702 726,72
Acquisition cost, December 31	702 726,72	702 726,72
Accumulated depreciation, January 1	690 562,61	666 309,80
+ Depreciation for the year	12 116,52	24 252,81
Accumulated depreciation, December 31	702 679,13	690 562,61
Carrying amount, December 31	47,59	12 164,11
Intangible assets, total		
Acquisition cost, January 1	887 520,50	702 726,72
+ Increases	0,00	184 793,78
Acquisition cost, December 31	887 520,50	887 520,50
Accumulated depreciation, January 1	722 138,27	666 309,80
+ Depreciation for the year	49 075,27	55 828,47
Accumulated depreciation, December 31	771 213,54	722 138,27
Carrying amount, December 31	116 306,96	165 382,23
Advance payments	1 095 680,33	0,00
	1 211 987,29	165 382,23

11. Tangible assets

Land areas		
Acquisition cost, January 1	1 922 846,00	1 922 846,00
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	16 781 260,69	16 781 260,69
Acquisition cost, December 31	16 781 260,69	16 781 260,69
Accumulated depreciation, January 1	12 567 954,44	11 970 983,97
+ Depreciation for the year	584 375,23	596 970,47
Accumulated depreciation, December 31	13 152 329,67	12 567 954,44
Carrying amount, December 31	3 628 931,02	4 213 306,25
Machinery and equipment		
Acquisition cost, January 1	2 942 828,14	2 650 888,41
+ Increases	0,00	291 939,73
Acquisition cost, December 31	2 942 828,14	2 942 828,14
Accumulated depreciation, January 1	2 513 986,04	2 295 933,96
+ Depreciation for the year	193 888,64	218 052,08
Accumulated depreciation, December 31	2 707 874,68	2 513 986,04
Carrying amount, December 31	234 953,46	428 842,10
Tangible assets, total		
Acquisition cost, January 1	21 646 934,83	21 354 995,10
+ Increases	0,00	291 939,73
Acquisition cost, December 31	21 646 934,83	21 646 934,83
Accumulated depreciation, January 1	15 081 940,48	14 266 917,93
+ Depreciation for the year	778 263,87	815 022,55
Accumulated depreciation, December 31	15 860 204,35	15 081 940,48
Carrying amount, December 31	5 786 730,48	6 564 994,35
Of the carrying amount, December 31		
Share of machinery and equipment in production	234 953,46	428 842,10

12. Investments

Share in Group companies, January 1	40 502 386,73	43 102 386,73
+ Increases	8 806 524,49	0,00
- Impairment	-3 000 000,00	-2 600 000,00
Total, December 31	46 308 911,22	40 502 386,73
Other shares and holdings, January 1	25 982,55	189 548,14
- Decreases	0,00	-163 565,59
Total, December 31	25 982,55	25 982,55

Parent company's holdings in subsidiaries December 31, 2018

Company and domicile	Holding %	Holding %
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

Sales receivables	5 838,54	5 405,96
Receivables from Group companies		
Sales receivables	3 615,22	159 124,75
Other receivables	0,00	3 186 111,70
Group account receivables	6 525 796,63	6 407 900,18
Contributions from subsidiaries	1 000 000,00	1 200 000,00
Transaction price receivables	0,00	4 165 390,57
Prepaid expenses and accrued income	1 870,00	989,00
	7 531 281,85	15 119 516,20
Other receivables	300 000,00	300 000,00
Prepaid expenses and accrued income		
Social security expense accruals	4 862,99	126 762,42
IT expenses accruals	31 077,00	81 136,49
Other	67 635,64	82 256,00
	103 575,63	290 154,91
Receivables, total	7 940 696,02	15 715 077,07

14. Financial securities

Replacement value	106 826,75	78 287,36
Carrying amount	15 152,33	15 152,33
Difference	91 674,42	63 135,03

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	10 225 389,21	6 876 126,78
Dividend distribution	-2 000 000,00	-2 000 000,00
Profit/Loss from previous years brought forward, December 31	8 225 389,21	4 876 126,78
Profit/loss (-) for the financial year	-793 564,12	5 349 262,43
Total unrestricted shareholders' equity	7 431 825,09	10 225 389,21
Total shareholders' equity	**39 301 435,43**	**42 094 999,55**

Funds at the disposal of the Annual General Meeting, December 31		
Profit/Loss from previous years brought forward	8 225 389,21	4 876 126,78
Profit/loss (-) for the financial year	-793 564,12	5 349 262,43
	7 431 825,09	10 225 389,21

The parent company had distributable funds of EUR 7,431,825.09 on December 31, 2019.

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	113 251,19	443 847,44

17. Non-current liabilities

Liabilities to credit institutions	0,00	750 000,00

18. Current liabilities

Liabilities to credit institutions	2 892 860,75	1 880 297,74
Accounts payable	480 135,90	164 189,08
	3 372 996,65	2 044 486,82
Liabilities to Group companies		
Loans	17 841 289,49	16 985 122,24
Accounts payable	3 599,11	5 427,41
Accrued liabilities and deferred income	33 160,34	32 415,78
	17 878 048,94	17 022 965,43
Other current liabilities	125 636,22	138 578,78
Accrued liabilities and deferred income		
Wages and salaries with related expenses	279 385,64	276 381,21
Taxes	5 881,62	6 857,42
Interest	5 032,42	18 944,88
Other	215 759,79	195 870,06
	506 059,47	498 053,57
Current liabilities, total	21 882 741,28	19 704 084,60
Interest-bearing liabilities		
Non-current	0,00	750 000,00
Current	20 734 150,24	18 865 419,98
	20 734 150,24	19 615 419,98
Non-interest-bearing liabilities		
Current	1 148 591,04	838 664,62

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	81 353,18	70 812,57
Due for payment later	44 842,39	102 460,37
	126 195,57	173 272,94
Guarantees given on behalf of Group companies	822 469,00	838 187,00
Amounts payable under lease agreements		
Due for payment in the next financial year	858 299,25	847 008,00
Due for payment later	5 830 671,00	7 821 849,00
	6 688 970,25	8 668 857,00

<u>Off-balance sheet financial liabilities</u>
Real estate investments
The company is obligated to review the VAT reductions made on real estate investments completed in the years 2010–2016, 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 124,146.30.

21. Derivative agreements

Interest rate swaps		
Fair value	-2 697,00	-11 998,00
Underlying security	750 000,00	2 250 000,00

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 13, 2020

Per Sjödell
Chairman of the Board

Jukka Ruuska
Vice Chairman of the Board

Anne Korkiakoski

Pekka Hurtola

Mervi Airaksinen

Ingrid Jonasson Blank

Anne Årneby
CEO

Auditor's statement

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

Helsinki, , 2020

KPMG Oy
Authorized Public Accountants

Kati Nikunen
Authorized Public Accountant