Nordic Morning Plc

Financial Statements Jan. 1 – Dec. 31, 2016

Nordic Morning Plc
P.O. Box 110
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Business ID: 0912752-6

Contents

Board of Directors' report for the financial year January 1–December 31, 2016

Market Review

Nordic Morning's home markets, Finland and Sweden, are developing at different rates. Media investments increased by well over three percent in Sweden in 2016, while the rate of increase in Finland was 0.9 percent. Online services, mobile solutions and social media continue to be the primary areas of growth in the demand for marketing communications. Marketers are focusing on digital media as well as their own online services and blogs. The significance of leveraging data, analytics and technology is increasing. *

The Nordic Morning Group and Changes in Group Structure

Nordic Morning's business areas were complemented by the addition of Data & Insights on March 1, 2016. The Group is now organized into four business areas:

- *Data & Insights,* comprised of CountQuest Interactive AB.
- *Visibility & Service Design*, comprised of Klikkicom Oy, Klikki AB, Ottoboni Sweden AB and Ottoboni Finland Oy.
- *Content*, comprised of Sitrus Agency AB, Sitrus Agency Oy, Sitrus Ukraine LLC, Edita Publishing Ltd and Mods Graphic Studio AB.
- *Campaigns & Dialogue*, comprised of Edita Prima Oy, Edita Bobergs AB, Seed Digital Media Ltd and the associated companies Edita Bobergs Förvaltnings AB and BrandSystems AB.

In March, the Group acquired CountQuest Interactive AB, which specializes in data management and analytics, and sold the sheet-fed offset printing business of Edita Bobergs AB to Åtta.45 AB.

Consolidated Net Revenue

Consolidated net revenue was EUR 103.4 million (EUR 104.9 million). Net revenue in Finland was EUR 41.1 million (EUR 39.9 million). Net revenue in other EU countries was EUR 59.8 million (EUR 62.0 million) and exports outside the EU totaled EUR 2.5 million (EUR 3.0 million). Of the Group's net revenue, 40 percent (39) came from Finland and 60 percent (61) from Sweden and other Nordic countries. The decline in consolidated net revenue was primarily due to the restructuring of the printing business in Sweden and the contraction of the net revenue of the Content business area. The Visibility & Service Design business area's net revenue grew by over 20 percent.

Revenue (EUR 1,000)	2016	2015	Change 2016–2015
Data & Insights	2 523	-	
Visibility & Service Design	34 670	28 775	20,5 %
Content	35 067	38 038	-7,8 %
Campaigns & Dialogue	32 432	39 695	-18,3 %
Group-internal revenue and other operations	-1 294	-1 600	19,1 %
Group	**103 399**	**104 909**	**-1,4 %**

The **Data & Insights business area** is comprised of CountQuest Interactive AB, which was acquired in March. The business area's net revenue was EUR 2.5 million.

The **Visibility & Service Design** business area's net revenue was EUR 34.7 million (EUR 28.8 million). In the Klikki Group, net revenue was increased by higher subcontract invoicing, but net revenue from the Klikki Group's own work also grew. The net revenue of Ottoboni Sweden AB declined significantly due to the closure of the Gothenburg unit.

*Sources: Institute for Advertising and Media Statistics (Institutet för Reklam- och Mediestatistik, IRM), Revised Advertising and Media Forecast 2016–2017, Dec. 9, 2016; Association of Finnish Advertisers, Advertising Barometer 2017, Jan. 10, 2017; Kantar TNS, Advertising in Finland in 2016, Jan. 31, 2017.

The **Content** business area's net revenue was EUR 35.1 million (EUR 38.0 million). Net revenue declined the most in Sitrus Agency AB due to cost saving measures implemented by significant customers. Edita Publishing Oy's net revenue decreased slightly from the previous year.

The **Campaigns & Dialogue** business area's net revenue was EUR 32.4 million (EUR 39.7 million). Net revenue decreased particularly in Sweden, where Edita Bobergs divested its sheet-fed offset printing business in March. In Finland, net revenue declined much less than in previous years.

Consolidated Operating Profit

The Group's operating profit was EUR -14.3 million (EUR -0.2 million), which is EUR 14.1 million lower than in the previous year. The operating profit included a substantially larger amount of non-recurring items than in the previous year at a total of EUR -12.4 million (EUR -0.2 million). The costs of one-time measures were EUR 14.1 million (EUR 2.7 million), most of which was attributable to impairment of goodwill of EUR 10.0 million (EUR 0.5 million) recognized in the Visibility & Service Design and Content business areas, while salaries paid for the period of notice and other restructuring provisions accounted for EUR 3.6 million (EUR 1.9 million). Non-recurring income totaled EUR 1.8 million (EUR 2.6 million), of which gains on the disposal of fixed assets represented EUR 1.6 million (EUR 0.3 million) and gains on the disposal of business operations EUR 0.2 million. The Group's operating profit excluding non-recurring items was EUR -1.9 million (EUR -0.1 million).

Operating profit/loss (EUR 1,000)	2016	2015
Data & Insights	340	-
Visibility & Service Design	-7 254	-695
Content	-4 573	2 181
Campaigns & Dialogue	-139	1 325
Other operations	-2 656	-3 034
Group	**-14 282**	**-224**
Operating Profit %	**-13,8 %**	**-0,2 %**

The consolidated operating profit was weighed down primarily by the impairment of goodwill, a significant decline in the net revenue of Ottoboni Sweden AB and the non-recurring expenses caused by the closure of the Gothenburg unit. The operating profit was also negatively affected by rationalization measures carried out to improve the profitability of Sitrus Agency AB, losses in the Swedish printing business and the non-recurring expenses caused by the divestment of Edita Bobergs AB's sheet-fed offset printing business. Edita Publishing Oy's profit also decreased slightly from the previous year. Other Group companies improved their results.

The **Data & Insights** business area's operating profit was EUR 0.3 million. CountQuest Interactive AB, acquired in March, achieved a better result than expected thanks to strong growth in net revenue.

The **Visibility & Service Design** business area's operating loss was EUR -7.3 million (EUR -0.7 million). The result was weighed down by non-recurring items of EUR -6.3 million (EUR -0.5 million), primarily arising from the impairment of goodwill of Ottoboni Sweden AB (EUR 4.9 million) and the rationalization of its business operations (EUR 1.4 million). The Klikki Group's result showed a profit and was substantially improved from the previous year in both Finland and Sweden. Ottoboni Finland Oy also improved its result year-on-year.

The **Content** business area's operating loss was EUR -4.6 million (profit: EUR 2.2 million). The result included non-recurring items of EUR -6.4 million (EUR -1.2 million), primarily arising from the impairment of goodwill of Content Sweden (EUR 5.1 million) and operational restructuring costs of Sitrus AB (EUR 1.3 million). Edita Publishing Ltd's result was slightly weaker than in the previous year due to investments in digital product and service development. Mods Graphic Studio continued its good profit performance and increased its operating profit.

The **Campaigns & Dialogue** business area's operating loss was EUR -0.1 million (profit: EUR 1.3 million). The result includes EUR 0.4 million (EUR 1.8 million) in net non-recurring items related to gains on the disposal of fixed assets and business operations as well as restructuring costs. In Sweden, the business area's result excluding non-recurring items showed a loss and was weaker than in the previous year. The result of the business area's operations in Finland showed a profit and improved from the previous year.

Other Operations include group administration, the operating profit of which was EUR -2.7 million (EUR -3.0 million). The result largely consists of group administration costs. During the financial year, IT and financial administration functions in Sweden were centralized in group administration. The result includes EUR 0.4 million in non-recurring profit from the sale of land owned by Nordic Morning Plc.

The Group's Parent Company

The net revenue of the Group's parent company, Nordic Morning Plc, was EUR 4.5 million (EUR 4.6 million), and profit for the financial year was EUR -22.7 million (EUR 8.1 million). The parent company's balance sheet totaled EUR 67.5 million (EUR 95.9 million) at the end of the period.

Financial Position

The net cash flow from the Group's operating activities was EUR 3.5 million (EUR 0.5 million). Investments totaled EUR 3.0 million (EUR 8.7 million). Loan installments and repayments of leasing liabilities amounted to EUR 11.1 million (EUR 9.2 million). The Group's cash and cash equivalents at the end of the year totaled EUR 1.0 million (EUR 4.8 million).

The Group's equity ratio was 36.3 percent (48.6 percent). The equity ratio was weighed down by the negative operating result.

	2016	2015
Return on equity (ROE), %	-53,4 %	-0,6 %
Equity-to-assets ratio, %	36,3 %	48,6 %

Investments

The Group's gross capital expenditure, as per international financial statements standards (IFRS), was EUR 5.3 million (EUR 7.8 million). The most significant investment was the acquisition of CountQuest Interactive AB in March. The parent company's gross capital expenditure, as per Finnish accounting legislation, was EUR 3.9 million (EUR 6.9 million).

Personnel

During the financial year, the Group employed an average of 653 (709) persons (full-time equivalents). The parent company employed an average of 31 (31) persons.

The average number of employees fell by 49 persons in the Campaigns & Dialogue business area, by 17 persons in the Content business area and by 12 persons in the Visibility & Service Design business area. The acquisition of CountQuest Interactive AB increased the number of employees in the Data & Insights business area by 17 persons.

Of the Group's employees, 40 percent (38%) work in Finland and 60 percent (62%) in other countries, mainly in Sweden.

Average number of employees in full-time equivalents	2016	2015	Change 2016–2015
Data & Insights	17	-	
Visibility & Service Design	159	171	-7,0 %
Content	263	280	-6,1 %
Campaigns & Dialogue	170	219	-22,4 %
Other operations	44	39	12,8 %
Group	**653**	**709**	**-7,9 %**
Per country			
Finland	263	271	-3,0 %
Sweden	373	416	-10,3 %
Other countries	17	22	-22,7 %
Group	**653**	**709**	**-7,9 %**
Employee benefits expense (EUR 1,000)	**49 513**	**50 645**	**-2,2 %**

The key strategic themes in HR management during the year were strengthening the commitment of personnel and developing the employer image. An employer promise was drawn up for the Group in the spring. The internal employer image was developed further and a new culture survey was launched in the fall.

The mentoring phase of the development program for high-potential employees, The Nordic Bond 002, was completed in the spring. A new nine-month mentoring program started in the fall.

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 based short and long term incentives with criterias that must be met for the incentives to be paid. Nordic Morning Plc does not use incentive systems based on shares or share derivatives.

In addition to that CEO and CFO have supplementary pension benefit. The agreed retirement age of the CEO of the parent company was 62 years. The annual payment for the defined contribution plan supplementary pension of the CEO was EUR 71,206 (108,279) in 2016, while that of the CFO was EUR 21,247 (21,091).

The Board of Directors of Nordic Morning Plc decides the terms and conditions of the contracts of the CEO and members of the Group Management Team. Every year the Board sets targets, based on the budget and operating plans, that must be met for incentives to be paid, and decides on the compensation of the CEO and members of the Group Management Team. As regards others than the CEO and members of the Group Management Team, the Board decides on the principles of compensation.

The CEO is entitled to a performance-based short- and long-term incentives, which is no more than 40 percent of their annual taxable earnings. The members of the Group Management Team are entitled to a short- and long-term performance-based incentives, which is no more than 30 percent of their annual taxable earnings. The short-term performance-based incentive is tied to the operating profit and to personal targets. In 2016 there were no valid long-term program.

The management has a short-term incentive program for which no money was accrued in 2016. The Group also had a long-term incentive program for management related to the financial years 2013–2015, for which EUR 21 thousand was accrued in the comparison period 2015. The total amount accrued for the long-term program was EUR 94 thousand.

The total short-term and long-term provision in the financial statements at the end of the financial year 2016 amounted to EUR 41 thousand (144). The CEO's share of the provision is EUR 14 (41) thousand, and that of other members of the Group Management Team is EUR 27 (103) thousand.

Accumulated incentives	**CEO**		**Other members of the Group Management Team**		**Total**	
EUR 1,000	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Short-term incentive program	0	0	0	0	0	0
Long-term incentive program	0	5	0	16	0	21
Additional incentives	110	0	0	23	110	23
Severance payment	124	0	0	0	0	0

Fees paid and termination provisions		
EUR 1,000	**2016**	**2015**
CEO	274	260
Other members of the Group Management Team	997	975
Termination benefits	0	96
Group Management Team, total	**1 272**	**1 331**

Risks and Risk Management

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

Sluggish economic development—particularly in Finland—and cost-saving pressures among organizations have an impact on the demand for communication services. At the same time, technical development and changes in media consumption influence the communication needs of organizations. Nordic Morning strives to predict changes in the markets and the development needs of its services by co-operating closely with customers.

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.

The keys to business growth are developing new digital competencies and recruitment. Failing to achieve these could cause substantial challenges for the business.

Nordic Morning has grown largely through acquisitions, which have created acquisition-related goodwill in the balance sheet. The Group's balance sheet includes EUR 14.6 million in goodwill, which has been allocated to the Data & Insights, Visibility & Service Design and Content business areas. If the structural change of the communication market continues to occur more intensely than anticipated, the Group may have to consider additional write-downs of goodwill, most likely in the Content business area.

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

The 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 year.

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

Corporate Responsibility

Nordic Morning releases annual Corporate Responsibility Reports as part of its Annual Reports available at http://reporting.nordicmorning.com. The report is prepared according to the GRI (Global Reporting Initiative) guidelines.

For Nordic Morning, 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 Group operates. The Group's tax footprint is reported annually as part of financial responsibility.

Social responsibility means acting in accordance with the 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 ethical principles. Key aspects of social responsibility include employee well-being, supporting continuous learning, competence development as well as inspiring and caring leadership.

We support the *Mahis* activities of Nuorten Akatemia (Finnish Youth Academy), which are aimed at preventing social exclusion among young people. In 2016, we granted support to six projects developed by young people.

The Group's environmental strategy is based on environmental awareness, environmentally responsible operations, services and products. The production plants in Helsinki and Falun are ISO14001 certified, climate-neutral, and entitled to use the Swan ecolabel. Moreover, they have been granted the right to use the paper chain of custody labels. Nordic Morning 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 31, 2016, decided to elect Per Sjödell as the new Chairman of the Board of Directors of Nordic Morning, with Jukka Ruuska as the Vice Chairman. Maritta Iso-Aho, Anni Ronkainen, Petri Vihervuori and Anne Årneby continued as members of the Board of Directors.

The company's CEO during the financial year 2016 was Timo Lepistö, LLM. On October 24, 2016, the company announced that Anne Årneby has been appointed the Group's new CEO effective from January 12, 2017. On December 21, 2016, Anne Årneby announced her resignation from the Board of Directors effective from January 12, 2017.

The Annual General Meeting elected KPMG Oy AB, Authorized Public Accountants, as the Auditor, and Minna Riihimäki, APA, as the principal auditor.

Post-statement events

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

Outlook for 2017

The demand for marketing communications is expected to increase, particularly in Sweden, but slight growth is also anticipated in Finland. Online services, mobile solutions and social media will continue to be the primary areas of demand growth. In Sweden, media investments are predicted to grow as much as over four percent from the previous year. In online marketing the focus is on display and search engine advertising, mobile advertising, social media as well as own online services and blogs.*

*Sources: Institute for Advertising and Media Statistics (Institutet för Reklam- och Mediestatistik, IRM), Revised Advertising and Media Forecast 2016–2017, Dec. 9, 2016; Association of Finnish Advertisers, Advertising Barometer 2017, Jan. 10, 2017; Kantar TNS, Advertising in Finland in 2016, Jan. 31, 2017.

Nordic Morning will reinforce its position in the Nordic region by providing innovative, data-driven services that combine strategic content, user-oriented design, optimal visibility and customer dialogue. For being able to meet our customers' needs we will invest in continuous competence and service development. Nordic Morning's strength lies in broad-based talent and close internal cooperation, which enable us to take a comprehensive approach to our customer's challenges.

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 Plc's equity was EUR 38,950,510.16 at the end of the financial year. The company's distributable funds are EUR 7,080,899.82, of which the loss for the financial year was EUR -22,691,943.08.

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	5,080,899.82
	EUR	7,080,899.82

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.–31.12.2016	1.1.–31.12.2015
NET REVENUE	**2,3**	**103 399**	**104 909**
Other operating income	5	2 259	3 027
Change in inventories of finished and unfinished goods		-1	-181
Work performed for company use		205	158
Materials and services	6	-35 973	-32 455
Employee benefits expense	7	-49 513	-50 645
Depreciation	8	-4 077	-4 373
Impairment	8	-9 972	-535
Other operating expenses	9	-20 660	-20 253
Share of profit in associates	18	52	124
OPERATING PROFIT		**-14 282**	**-224**
Financial income	11	56	84
Financial expenses	12	-310	-215
PROFIT BEFORE TAXES		**-14 536**	**-356**
Income taxes	14	143	132
PROFIT FOR THE FINANCIAL YEAR		**-14 392**	**-224**
Distribution			
Parent company's shareholders		-14 287	-133
Non-controlling interest		-106	-90
Earnings per share calculated on the profit attributable to shareholders of the parent company:			
earnings per share, EUR		-2,38	-0,02

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

	Note	1.1.–31.12.2016	1.1.–31.12.2015
PROFIT FOR THE FINANCIAL YEAR		**-14 392**	**-224**
Other comprehensive income			
Items that may be recognized through profit and loss later			
Available-for-sale financial assets	13	-18	57
Translation differences	13	150	149
Taxes relating to OCI items	14	4	-11
Post-tax OCI items for the financial year		135	195
ACCUMULATED COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		**-14 257**	**-28**
Distribution of comprehensive income			
Parent company's shareholders		-14 143	55
Non-controlling interest		-115	-84

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

ASSETS	Note	31.12.2016	31.12.2015
NON-CURRENT ASSETS			
Tangible fixed assets	15	11 073	16 606
Goodwill	16	14 587	23 024
Other intangible assets	16	2 952	2 318
Interests in associated companies	18	1 184	1 340
Other financial assets	19	413	451
Deferred tax assets	20	85	92
		30 294	43 832
CURRENT ASSETS			
Inventories	21	2 286	2 527
Sales receivables and other receivables	22, 23	20 842	24 339
Tax receivables based on taxable income for the financial year		59	46
Other current financial assets	19	146	164
Cash and cash equivalents	24	1 007	4 823
		24 340	31 899
Total assets		**54 634**	**75 731**

EQUITY AND LIABILITIES	Note	31.12.2016	31.12.2015
SHAREHOLDERS' EQUITY			
Share capital		6 000	6 000
Share premium fund		25 870	25 870
Translation differences		-377	-536
Fair value fund		102	116
Retained earnings		-12 944	3 343
Shareholders' equity attributable to parent company sharet	25	18 650	34 793
Non-controlling interest	17	157	272
Total shareholders' equity		18 807	35 065
LIABILITIES			
Non-current liabilities			
Financial liabilities	28	5 035	7 188
Non-current provisions	27	288	245
Deferred tax liabilities	20	826	790
		6 149	8 223
Current liabilities			
Current financial liabilities	28	1 992	7 485
Accounts payable and other current liabilities	22, 29	27 574	24 873
Tax liabilities based on taxable income for the financial year		113	85
		29 678	32 443
Total liabilities		35 827	40 666
Total shareholders' equity and liabilities		**54 634**	**75 731**

Consolidated statement of cash flows (EUR 1,000)

	Note	1.1.–31.12.2016	1.1.–31.12.2015
Cash flow from operating activities			
Profit for the financial year		-14 392	-224
Adjustments			
Non-cash transactions	32	12 545	4 172
Interest expenses and other financial expenses		310	215
Interest income		-56	-84
Dividend income		-7	-6
Taxes		-143	-132
Changes in working capital			
Change in sales receivables and other receivables		4 119	-521
Change in inventories		242	214
Change in accounts payable and other liabilities		1 165	-2 668
Change in provisions		43	-83
Interest paid		-282	-301
Interest received		47	83
Taxes paid (-) received (+)		-77	-156
Net cash flow from operating activities (A)		**3 514**	**510**
Cash flow from investing activities			
Sale of business operations (net of cash)		182	0
Sale of tangible fixed assets		5 180	2 232
Acquisition of subsidiaries and businesses (net of cash and equivalents acquired)	4	-2 301	-7 371
Investments in tangible fixed assets		-640	-1 154
Investments in intangible assets		-72	-214
Dividends received		164	151
Net cash flow from investing activities (B)		**2 512**	**-6 355**
Cash flow from financing activities			
Borrowing		0	12 500
Repayment of loans		-7 064	-8 465
Finance lease liabilities		-870	-767
Dividends paid		-2 000	-2 000
Net cash flow from financing activities (C)		**-9 935**	**1 269**
Change in cash and cash equivalents (A+ B + C)		**-3 908**	**-4 576**
Cash and cash equivalents at start of the period		4 823	9 277
Effect of changes in exchange rates		92	121
Cash and cash equivalents at end of the period	24	**1 007**	**4 823**

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

	Note	Share capital	Share premium fund	Trans-lation dif-ferences	Fair value fund	Retained earnings	Total	Non-controlling interest	Total share-holders' equity
		Shareholders' equity attributable to parent company shareholders							
Shareholders' equity, January 1, 2015		**6 000**	**25 870**	**-679**	**72**	**5 476**	**36 737**	**356**	**37 093**
Comprehensive income									
Profit for financial year						-133	-133	-90	-224
Other comprehensive income (adjusted with tax effect)									
Available-for-sale financial assets					46		46		46
Translation differences				143			143	6	149
Accumulated comprehensive income for the financial year				**143**	**46**	**-133**	**55**	**-84**	**-28**
Transaction with owners									
Dividend distribution	25					-2 000	-2 000		-2 000
Shareholders' equity, December 31, 2015		**6 000**	**25 870**	**-536**	**116**	**3 343**	**34 793**	**272**	**35 065**
Shareholders' equity, January 1, 2016		**6 000**	**25 870**	**-536**	**116**	**3 343**	**34 793**	**272**	**35 065**
Comprehensive income									
Profit for financial year						-14 287	-14 287	-106	-14 392
Other comprehensive income (adjusted with tax effect)									
Available-for-sale financial assets					-15		-15		-15
Translation differences				159			159	-9	150
Accumulated comprehensive income for the financial year				**159**	**-15**	**-14 287**	**-14 143**	**-115**	**-14 257**
Transaction with owners									
Dividend distribution	25					-2 000	-2 000		-2 000
Shareholders' equity, December 31, 2016		**6 000**	**25 870**	**-377**	**102**	**-12 944**	**18 650**	**157**	**18 807**

Notes to the Consolidated Financial Statements

1. Accounting Policies Applied to the Consolidated Financial Statements

Basic Information

The Nordic Morning Group produces communication products and services. The Group's parent company, Nordic Morning Plc, is a Finnish public limited company domiciled in Helsinki. The registered address of the parent company is Kuninkaantammenkierto 3, FI-00430 Helsinki, Finland. The consolidated financial statements are available on the Group's website at the address www.nordicmorning.com or at the parent company's head office.

These financial statements were approved for publication by the Board of Directors of Nordic Morning Plc at its meeting held on February 15, 2017. 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, 2016, were applied. The IFRS refer to the standards and associated interpretations given in the Finnish Accounting Act and in regulations issued under it that are approved by the EU for application in accordance with the procedure laid down in Regulation (EC) No 1606/2002. The Notes to the Consolidated Financial Statements also meet the provisions of Finnish accounting and company law that supplement the IFRS.

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

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

New and Revised Standards and Interpretations Applied

The Group has applied the following new and revised standards and interpretations as of January 1, 2016:

- Annual Improvements to IFRSs 2012–2014. Through the Annual Improvements procedure, small and less urgent amendments to the standards are collected and implemented together once a year. Their impact varies from standard to standard, but they have not had a significant effect on the consolidated financial statements.

- IAS 27 *Separate Financial Statements* amendment *Equity Method in Separate Financial Statements*. The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements, which has been a local requirement in certain countries. This allows more entities than before to prepare their separate financial statements under IFRS. The amendments to the standard have not had an effect on the consolidated financial statements.

- IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture* amendment *Bearer Plants*. These amendments allow biological assets that meet the definition of a bearer plant to be alternatively recognized at acquisition cost, when previously the standard required that they be recognized at fair value. However, the products obtained from bearer plants must still be recognized at fair value less the costs arising from their sale, pursuant to IAS 41. The amendments to the standards have not had an effect on the consolidated financial statements.

- IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* amendment, *Clarification of Acceptable Methods of Depreciation and Amortization.* The amendment specifies that the revenue-based method cannot be used to amortize intangible assets. As an exception, amortization of intangible assets can only be based on revenue if there is a very high degree of correlation between the revenue and the decrease in the economic value of the intangible asset. Nor can the revenue-based method be used to amortize property, plant and equipment. The amendments to the standard have not had an effect on the consolidated financial statements.

- IFRS 11 *Joint Arrangements* amendment *Accounting for Acquisitions of Interests in Joint Operations*. The amendment requires the use of business combination accounting for the acquisition of an interest in a joint operation that constitutes a business. The amendments to the standard have not had an effect on the consolidated financial statements.

- IAS 1 *Presentation of financial statements* amendment *Disclosure Initiative.* The amendment clarifies the IAS 1 guidelines concerning materiality, the combination of income statement and balance sheet items, the presentation of subheadings, as well as the structure of the financial statements and accounting policies. The amendment to the standard has not had a significant effect on the consolidated financial statements.

- IFRS 10 *Consolidated financial statements* and IAS 28 *Investments in Associates and Joint Ventures* amendment *Investment Entities: Applying the Consolidation Exception.* The amendment clarifies the exemption from the requirement to prepare consolidated financial statements when the Group includes investment entities. The amendment also makes it easier for investors that are not investment entities to account for investments in associates and joint ventures that themselves are investment entities. The amendments to the standards have not had an effect on the consolidated financial statements.

Subsidiaries

Subsidiaries are companies in 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 in which the Group has significant influence. Significant influence is reached when the Group owns more than 20 percent of the company's voting power or when the Group otherwise has significant influence, but not control.

Associates are consolidated by using the equity method.

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

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

Translation of Items Denominated in Foreign Currencies

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

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

Translation of Foreign Group Companies' Financial Statements

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

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

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

Tangible Fixed Assets

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

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

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

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

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

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

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

Intangible Assets

Goodwill

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

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

Research and Development Expenditure

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

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

Other Intangible Assets

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

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

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

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

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

Inventories

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

Leases

Group as the tenant

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

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

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

Group as the tenant

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

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

Arrangements that may contain a lease

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

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

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

Impairment of Tangible and Intangible Assets

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

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

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

1. Ottoboni Sweden
2. Ottoboni Finland
3. Klikki Group
4. Content Sweden
5. Content Finland
6. Campaigns & Dialogue
7. Data & Insights

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

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

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

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

Employee Benefits

Pension obligations

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

Share-based compensation

One of the Group’s subsidiaries had an option scheme valid until 2015 that was targeted at the company’s employees and certain persons selected by the Board of Directors of the company and that came into effect before the Group acquired a majority interest in the company. The Group repurchased the options during the financial year 2015. Benefits granted by the arrangement were valued at fair value at the time of granting and were recognized as expenses evenly throughout the period during which they arose. The profit impact of the arrangement was presented under expenses resulting from employee benefits in the consolidated income statement. Determined expenses were based on the Group’s estimate of the economic development of the acquired company.

Provisions and Contingent Liabilities

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

Provisions in the Group include rental expenses for empty business premises (onerous contracts), other restructuring provisions and pension expense provisions concerning unemployment pension insurance.
A restructuring provision is made when the Group has compiled a company-specific restructuring plan and launched its implementation or informed the affected parties accordingly. A provision for environmental obligations is made when the Group has an obligation, based on environmental legislation and the Group’s environmental responsibility policies, which relates to site decommissioning, repairing environmental damage or moving equipment from one place to another.

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

Income Taxes for the Year and Deferred Taxes

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

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

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

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

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

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

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

Recognition Policies

Revenue includes the income from the sale of products and services measured at fair value adjusted with indirect taxes, discounts granted and exchange rate differences for foreign currency sales.

Sale of Goods

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

Revenue from Sale of Services and Percentage-of-completion Projects

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

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

License and Royalty Receivables

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

Income from Rent

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

Interest and Dividends

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

Non-current Assets Classified as Held for Sale and Discontinued Operations

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

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

A discontinued operation is the part of the Group which has been abandoned or which has been classified as held for sale and 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 co-ordinated 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.

In the financial years 2016 and 2015, the Group had no business operations to be treated as a non-current asset classified as held for sale or discontinued operation.

Financial Assets and Liabilities

Financial assets

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

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

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

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

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

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

Cash and Cash Equivalents

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

Impairment of Financial Assets

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

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

Financial Liabilities and Borrowing Costs

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

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

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

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

Derivative Contracts and Hedge Accounting

The Group has not hedged any exchange contracts. On the date of the balance sheet for the financial year or the comparison year, the Group had no open derivative contracts to which the Group had applied hedge accounting.

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

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

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

Operating profit

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

Accounting Policies Requiring the Management’s Judgment, and Key Uncertainties Associated with Estimates

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

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

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

Uncertainties Associated with Estimates

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

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

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

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

New and Revised Standards and Interpretations to be Applied Later

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

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

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

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

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

  The Group has assessed the effects of the standard and, according to the assessment and assuming the existing lease portfolio, the consolidated balance sheet total in the 2018 financial statements would be approximately EUR 11 million higher than if the standard were not applied. The effect on the equity ratio would be -7%, EBITDA would grow by EUR 2.4 million, depreciation would increase by EUR 2.3 million and financial expenses would increase by EUR 0.2 million.

  The Group will begin applying IFRS 16 *Leases* concurrently with IFRS 15 *Revenue from Contracts with Customers*, starting from January 1, 2018.

- IAS 12 *Income Taxes* amendment *Recognition of Deferred Tax Assets for Unrealized Losses* (effective for financial periods beginning on or after January 1, 2017). Amendments were made to IAS 12 in January 2016 to clarify the recognition of deferred taxes when an asset is measured at fair value and the fair value is lower than the asset's taxable value. The amendment is not expected to have a significant effect on the consolidated financial statements. The amendments have not yet been approved for application in the EU.

- IAS 7 *Statement of Cash Flows* amendment *Disclosure Initiative* (effective for financial periods beginning on or after January 1, 2017). Reporting entities will be required to provide disclosures of changes in liabilities arising from financing activities. This covers changes arising from cash flows (such as taking out and repaying debt) as well as non-cash flow changes, such as acquisitions, divestments, accrued interest and unrealized foreign exchange differences. The Group is currently assessing the potential effects of the amendments. The amendments have not yet been approved for application in the EU.

- IFRS 4 *Insurance Contracts* amendment (effective for financial periods beginning on or after January 1, 2018). IFRS 9 *Financial Instruments* applied together with IFRS 4 *Insurance Contracts*. The amendment is not expected to have an effect on the consolidated financial statements. The amendments have not yet been approved for application in the EU.

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

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 **Data & Insights** business area consists of CountQuest Interactive AB. It specializes in digital analytics and its operations are focused on data management and web analytics.

The **Visibility & Service Design** business area is responsible for strategic media planning, digital service management, programmatic display advertising, search engine optimization and marketing, as well as strategic service design and user experience development. The business area comprises the Finnish subsidiaries Klikkicom Oy and Ottoboni Finland Oy. In Sweden, the business area comprises Klikki AB and Ottoboni Sweden AB.

The services of the **Content** business area cover strategic content design, production and marketing, social media services, digital and printed customer magazines and reports. The business area includes the publishing of learning materials and non-fiction books, as well as the production of professional information services to businesses and organizations. The business area comprises the Finnish subsidiaries Edita Publishing Ltd and Sitrus Agency Oy. In Sweden, the business area comprises Sitrus Agency AB and Mods Graphic Studio AB, and it also comprises Sitrus Ukraine LLC, which operates in Ukraine.

The **Campaign & Dialogue** business area is responsible for loyalty marketing and complete graphic production services which, in addition to printing services, include the following value-added services: administration of registers and databases, printing of changing information, and logistics and storage solutions. The business area includes the Finnish subsidiaries Edita Prima Ltd and Seed Digital Media Ltd. In Sweden, the business area comprises Edita Bobergs AB and the associated companies Edita Bobergs Förvaltnings AB (33.33%) and BrandSystems International AB (40%).

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

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

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

2016 financial year, EUR 1,000 Operating Segments	**Data & Insights**	**Visibility & Service Design**	**Content**	**Campaigns & Dialogue**	**Other operations**	**Elim.**	**Total**
External net revenue	2 522	34 356	34 539	31 981	0		103 399
Inter-segment net revenue	1	314	528	451	3 012	-4 306	0
Net revenue, total	**2 523**	**34 670**	**35 067**	**32 432**	**3 012**	**-4 306**	**103 399**
Depreciation	-342	-558	-158	-1 986	-1 033		-4 077
Impairment	0	-4 872	-5 100	0	0		-9 972
Investments in associates	0	0	0	52	0		52
Operating profit/loss	**340**	**-7 254**	**-4 573**	**-139**	**-2 656**		**-14 282**
Assets and liabilities							
Goodwill	1 689	3 864	9 034	0	0		14 587
Associates	0	0	0	1 184	0		1 184
Segment assets	362	6 483	8 328	9 267	8 504	-629	32 313
Segment assets, total	**2 051**	**10 346**	**17 362**	**10 452**	**8 504**	**-629**	**48 085**
Segment liabilities	**2**	**4 339**	**2 777**	**2 357**	**387**	**-629**	**9 231**
Investments	**3 199**	**432**	**233**	**572**	**886**	**-25**	**5 297**

2015 financial year, EUR 1,000 Operating Segments	Data & Insights	Visibility & Service Design	Content	Campaigns & Dialogue	Other operations	Elim.	Total
External net revenue		28 045	37 794	39 069	1		104 909
Inter-segment net revenue		730	244	626	3 281	-4 882	0
Net revenue, total		**28 775**	**38 038**	**39 695**	**3 283**	**-4 882**	**104 909**
Depreciation		-533	-134	-2 717	-989		-4 373
Impairment		0	0	-535	0		-535
Investments in associates		0	0	124	0		124
Operating profit/loss		**-695**	**2 181**	**1 325**	**-3 034**		**-224**
Assets and liabilities							
Goodwill		8 707	14 317	0	0		23 023
Associates		0	0	1 340	0		1 340
Segment assets		8 282	10 513	10 988	11 666	-415	41 034
Segment assets, total		**16 988**	**24 830**	**12 328**	**11 666**	**-415**	**65 397**
Segment liabilities		**3 124**	**3 386**	**2 193**	**320**	**-415**	**8 608**
Investments		**6 744**	**264**	**653**	**284**	**-159**	**7 786**

Reconciliations between the consolidated data and the reported segment data

EUR 1,000	2016	2015
Net revenue		
Reported segment net revenue	103 399	104 909
Consolidated Net Revenue	**103 399**	**104 909**
Profit/loss before taxes		
Reported segment operating profit/loss	-14 282	-224
Consolidated net financial income (+) / expenses (-)	-254	-132
Consolidated profit/loss before taxes	**-14 536**	**-356**
Assets		
Reported segment assets	48 085	65 397
Assets not allocated to a segment	6 550	10 334
Consolidated assets	**54 634**	**75 731**
Equity and liabilities		
Reported segment liabilities	9 231	8 608
Liabilities not allocated to a segment	26 596	32 059
Group equity	18 807	35 065
Group equity and liabilities	**54 634**	**75 731**

Information concerning geographical areas

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

EUR 1,000

2016 financial year	Net revenue	Assets	Liabilities
Finland	41 746	35 071	16 637
Sweden	61 653	19 530	19 178
Ukraine	0	34	12
Group, total	**103 399**	**54 634**	**35 827**

2015 financial year	Net revenue	Assets	Liabilities
Finland	40 647	43 782	20 844
Sweden	64 262	31 905	19 810
Ukraine	0	44	12
Group, total	**104 909**	**75 731**	**40 666**

3. Net revenue

EUR 1,000	2016	2015
Sale of services	66 050	61 057
Sale of goods	36 091	42 617
Other revenue	1 258	1 235
Group, total	**103 399**	**104 909**

Digital services accounted for EUR 54.5 million (47.3) of service revenue. The item Other revenue primarily consists of advertising sales revenue.

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

4. Acquired business operations

Acquisitions in the 2016 financial year

Data & Insights – Sweden

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

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

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

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

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

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

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

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

Acquisitions in the 2015 financial year

Visibility & Service Design – Sweden

On March 5, 2015, the Group acquired three subsidiaries: Ottoboni Group AB, Ottoboni Göteborg AB and Ottoboni Öresund AB, which were merged on December 1, 2015. The name of Ottoboni Group AB was changed to Ottoboni Sweden AB in fall 2015.

The companies are fully consolidated in the Group's income statement. The Ottoboni companies provide "one stop shop" services in the area of digital communications, including digital strategies, service design and technical solutions for implementing websites and mobile applications as well as e-commerce, CRM and web analysis solutions.

The purchase price was EUR 6.5 million. No additional purchase price became payable in relation to the acquisition. The Group recognized EUR 0.2 million in fees related to consulting, determination of value and other such services. These fees are included in the "Other operating expenses" item in the consolidated income statement.

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

Consideration transferred	**EUR 1,000**
Cash in hand	6 476
Total acquisition cost	**6 476**

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

	Notes	Entered values
Tangible fixed assets	15	281
Trademarks (incl. in intangible assets)	16	481
Customer agreements and customer relationships (included in intangible assets)	16	780
Sales receivables and other receivables	23	3 517
Cash and cash equivalents		140
Total assets		**5 199**
Deferred tax liabilities	20	-328
Financial liabilities	28	-507
Other current liabilities	29	-2 752
Total liabilities		**-3 587**
Net assets		**1 612**
Goodwill resulting from acquisition		
Acquisition value		6 476
Identifiable net capital of acquired item		-1 612
Goodwill		**4 865**

The 10-month net revenue of the merged Ottoboni Sweden AB, EUR 10.3 million, and operating profit, EUR -0.5 million, are included in the Group's 2015 consolidated statement of comprehensive income. In 2015, the Group's net revenue would have been EUR 106.9 million and the operating loss for the financial year EUR -0.3 million, if the business operations acquired during the financial year had been consolidated in the consolidated financial statements from the beginning of the financial year 2015.

Visibility & Service Design – Finland

On August 31, 2015, the Group's subsidiary Ottoboni Finland Oy acquired the business operations of Alkuvoima East Finland Oy. The acquisition strengthens the Nordic Morning Group's comprehensive communication services expertise particularly in the area of digital transformation, customer experience design and service design.

The purchase price was EUR 0.2 million. The estimated additional purchase price, EUR 0.2 million, is recognized as expenses in 2015–2016 under the "Payroll expenses and employee benefits" item in the consolidated income statement. The final amount of the additional purchase price will be determined by sales margin on the acquired entity's customer accounts during the period 2015–2016. The final estimated non-discounted range is EUR 0.0–0.2 million.

The Group has recorded EUR 27 thousand in remunerations related to consulting, determination of value and other such services. These remunerations are included under the "Other operating expenses" item of the consolidated income statement.

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

EUR 1,000

Consideration transferred	
Cash in hand	194
Total acquisition cost	**194**

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

	Notes	Entered values
Customer agreements and customer relationships (included in intangible assets)	16	220
Sales receivables and other receivables	23	16
Total assets		**236**
Other current liabilities	29	-42
Total liabilities		**-42**
Net assets		**194**
Goodwill resulting from acquisition		
Acquisition value		194
Identifiable net capital of acquired item		-194
Goodwill		**0**

5. Other operating income

EUR 1,000	**2016**	**2015**
Income from divestment of business operations	187	0
Sales profit from tangible fixed assets	1 553	485
Income from rent	276	349
VAT returns	0	1 979
Other income items	244	213
Total	**2 259**	**3 027**

6. Materials and services

EUR 1,000	2016	2015
Purchases made during the financial year	-5 191	-7 271
Change in stocks	-225	-105
	-5 417	-7 377
Outsourced services	-30 557	-25 078
Total	**-35 973**	**-32 455**

7. Employee benefits expense

EUR 1,000	2016	2015
Salaries	-36 505	-37 275
Pension costs – defined contribution plans	-6 557	-6 863
Other related expenses	-6 451	-6 507
Total	**-49 513**	**-50 645**

Average number of employees during the financial year by business area	2016	2015
Data & Insights	17	0
Visibility & Service Design	159	171
Content	263	280
Campaigns & Dialogue	170	219
Other operations	44	39
Group, total	**653**	**709**
In Finland	263	271
In Sweden	373	416
Ukraine	17	22
Group, total	**653**	**709**

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

8. Depreciation and impairment

EUR 1,000		2016	2015
Depreciation by asset group			
Intangible assets			
Trademarks		-148	-134
Capitalized development costs		-36	-36
Other intangible assets		-1 068	-759
Total		**-1 252**	**-929**
Tangible fixed assets			
Buildings		-636	-670
Machinery and equipment		-2 189	-2 775
Total		**-2 825**	**-3 444**
Total depreciation		**-4 077**	**-4 373**
Impairment by asset group			
	Notes		
Shares in associates	16	0	-535
Goodwill	16	-9 972	0
Total		**-9 972**	**-535**

9. Other operating expenses

EUR 1,000	2016	2015
Royalties and order commissions	-1 307	-1 332
Rents	-5 525	-4 393
Other business premises expenses	-1 643	-1 715
Logistics and transport costs	-1 119	-1 526
IT and data communications	-4 161	-3 974
Marketing and representation costs	-973	-895
Consulting and specialist fees	-972	-1 174
Losses on sales of tangible fixed assets	-32	0
Other operating expenses	-4 928	-5 244
Total	**-20 660**	**-20 253**

Auditor’s fees

Authorized Public Accountants KPMG	2016	2015
Audit	-84	-88
Activities referred to in the Finnish Auditing Act, Section 1.1,2.	0	0
Tax consultation	-17	-27
Other services	-87	-118
Total	**-188**	**-233**

Authorized Public Accountants PWC	2016	2015
Audit	-17	-16
Other services	-3	-11
Total	**-20**	**-27**

10. Research and Development Expenditure

Direct development expenses of information systems have been capitalized as development expenses. The capitalizations and advance payments for the 2016 financial year amounted to EUR 21 thousand (2015: EUR 0 thousand). The unamortized acquisition cost is EUR 36 thousand (EUR 73 thousand) (Note 16).

11. Financial income

EUR 1,000	2016	2015
Dividend income from available-for-sale financial assets	7	6
Interest income on bank balances (loans and other receivables)	49	77
Total	**56**	**84**

12. Financial expenses

Items recognized through profit and loss

EUR 1,000	2016	2015
Interest expenses on financial liabilities measured at amortized cost	-159	-181
Changes in value of financial assets recognized at fair value through profit or loss		
- Interest rate derivatives, hedge accounting not applied	-10	72
Interest expenses on finance leases	-11	-54
Other financial items	-130	-53
Total	**-310**	**-215**

In the income statement, currency rate differences are recognized in revenue, other operating expenses and other financing expenses. Currency rate differences recognized through profit and loss totaled EUR 108 thousand in 2016 (EUR 61 thousand in 2015).

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

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

EUR 1,000	2016			2015		
	Recognized in OCI	Change in classification	Total	Recognized in OCI	Change in classification	Total
Available-for-sale financial assets	-18	0	-18	57	0	57
Translation differences	150	0	150	149	0	149
Total	**132**	**0**	**132**	**206**	**0**	**206**

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

14. Income taxes

EUR 1,000	2016	2015
Income tax paid for the financial year	-144	-88
Taxes relating to previous financial years	-45	10
Deferred taxes:		
Temporary differences that have been generated and that do not exist any more	333	211
Taxes in the income statement	**143**	**132**

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

EUR 1,000	2016	2015
Profit before taxes	-14 536	-356
Taxes at the parent company's tax rates	2 907	71
Tax-free income	47	64
Non-deductible expenses	-383	-304
Goodwill impairment	-1 994	-107
Unrecognized referred tax assets on losses subject to tax	-1 076	-582
Use of losses subject to tax	761	928
Taxes relating to previous financial years	-45	10
Share of profit in associates less taxes	10	25
Other items and different tax rates of foreign subsidiaries	-83	27
Taxes in the income statement	**143**	**132**

Taxes relating to OCI items

EUR 1,000		2016			2015	
	Before taxes	Tax effect	After taxes	Before taxes	Tax effect	After taxes
Available-for-sale financial assets	-18	4	-14	57	-11	46
Translation differences	150	0	150	149	0	149
Total	**132**	**4**	**135**	**206**	**-11**	**195**

15. Tangible Fixed Assets

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

EUR 1,000	Land and water areas	Buildings	Machinery and equipment	Advance payments	Total
Acquisition cost January 1, 2015	5 339	18 746	31 406		55 490
Exchange rate differences		0	58		58
Business mergers			534		534
Increases		123	1 102		1 224
Decreases	-273	-2 435	-6 119		-8 827
Acquisition cost, December 31, 2015	**5 066**	**16 434**	**26 979**		**48 479**
Accumulated depreciation and impairment on January 1, 2015	0	11 117	24 403		35 519
Business mergers			250		250
Decreases		-961	-6 097		-7 057
Depreciation for the financial year		670	2 775		3 444
Accumulated depreciation, December 31, 2015	**0**	**10 825**	**21 331**		**32 156**
Carrying amount, December 31, 2015	**5 066**	**5 608**	**5 649**	**283**	**16 606**
Carrying amount, January 1, 2015	5 339	7 629	7 002	350	20 320

Finance leases

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

EUR 1,000	2016 Machinery and equipment	2015 Machinery and equipment
Acquisition cost	484	4 855
Accumulated depreciation	-271	-4 028
Carrying amount, December 31	**213**	**827**

In 2016, the acquisition cost increases of tangible fixed assets included assets leased under finance leases worth EUR 0.2 million (2015: EUR 0.1 million).

16. Intangible Assets

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

EUR 1,000	Goodwill	Trade-marks	Develop. expenses	Other intangible assets	Advance payments	Total
Acquisition cost January 1, 2015	24 310	396	380	5 612		30 698
Exchange rate differences	108	8		3		119
Increases	0			356		356
Business mergers	4 864	481		794		6 140
Decreases		**0**	-67	-1 170		-1 237
Acquisition cost, December 31, 2015	**29 283**	**885**	**313**	**5 595**		**36 075**
Accumulated depreciation and impairment on January 1, 2015	6 259	182	271	4 355		11 068
Accumulated depreciation accumulated depreciation		0	-67	-1 170		-1 237
Depreciation for the financial year		134	36	759		929
Impairment						
Accumulated depreciation, December 31, 2015	**6 259**	**316**	**240**	**3 944**		**10 759**
Carrying amount, December 31, 2015	**23 024**	**569**	**73**	**1 651**	**25**	**25 342**
Carrying amount, January 1, 2015	18 051	214	109	1 257	193	19 823

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

Allocation of goodwill

Nordic Morning Group comprises four business segments: Data & Insights, Visibility & Service Design, Content, and Campaigns & Dialogue.

The Visibility & Service Design business area is divided into three separate cash-generating units: Klikkicom Group, Ottoboni Sweden and Ottoboni Finland. The Content business area is divided geographically into two cash-generating units: Content Finland and Content Sweden. The Campaigns & Dialogue and Data & Insights business areas constitute an independent cash-generating units.

At the end of the 2016 financial year, goodwill in the Group was allocated to Data & Insights, the Klikkicom Group and Content Sweden. The following shows the carrying amounts of the tested business units and the allocation of goodwill to them:

EUR 1,000	Data & Insights	Ottoboni Sweden	Klikkicom Group	Content Sweden	Total
2016					
Goodwill	1 689	0	3 864	9 034	**14 587**
Carrying amount	3 667	-	4 886	17 883	
2015					
Goodwill	0	4 843	3 864	14 317	**23 024**
Carrying amount	-	7 896	5 439	19 239	

Allocation and recording of impairment losses

Impairment losses amounting to EUR 4.9 million were recognized for the Ottoboni Sweden business area on June 30, 2016. After the recognition of this impairment loss, the Ottoboni Sweden business area no longer includes goodwill. For the Content Sweden business, impairment losses amounting to EUR 0.1 million were recognized on June 30, 2016, and a further EUR 5.0 million on December 31, 2016. After the recognition of this impairment loss, goodwill of EUR 9.0 million is allocated to the Content Sweden business area.

In the current market situation, communication services are becoming digitalized and the demand for print communication services is declining in the Group's key customer groups. The Group companies have been able to meet this challenge only partially. The Group is currently implementing measures to revitalize the companies with low profitability and restore profitability in their operations. The success of these measures involves uncertainty, which has been a key factor behind impairment.

Impairment testing, December 31, 2016

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	Data & Insights	Ottoboni Sweden	Klikkicom Group	Content Sweden
2016	11,0 %	9,3 %	9,4 %	8,0 %
2015	-	11,6 %	11,7 %	9,4 %

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).

Due to impairment losses recognized during the reporting period in the Ottoboni Sweden unit, the recoverable amounts of the shares correspond to their carrying amounts.

Due to impairment losses recognized during the reporting period in the Content Sweden unit, the recoverable amounts of the shares correspond to their carrying amounts. As such, an unfavorable change in any variable would generate more impairment losses.

In the Klikkicom Group business area, the recoverable amount exceeds the carrying amount of the unit by EUR 3.8 million. Each of the following changes, with all other factors remaining the same, would result in the carrying amount of the unit being equal with the recoverable amount:
• the increase of the discount rate from 9.4% to 16.9%
• the decrease of the gross margin used in the calculation of the value in use from 4.2% to 2.8%.
• the decrease of the zero growth percentage following the forecast period to -12.4%.

In the Data & Insights unit, no foreseeable change in any individual variable would give rise to the need to recognize impairment.

17. Subsidiaries and material non-controlling interests

Group structure

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

		Number of wholly-owned subsidiaries	
Operating segment	**Country**	**2016**	**2015**
Data & Insights	Sweden	1	-
Visibility & Service Design	Finland / Sweden	4	4
Content	Finland, Sweden and Ukraine	6	6
Campaigns & Dialogue	Finland / Sweden	3	4
Other operations	Finland, Sweden and United Kingdom	2	2

		Number of partly-owned subsidiaries	
Operating segment	**Country**	**2016**	**2015**
Campaigns & Dialogue	Sweden	1	1

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

Itemized list of non-controlling interests

In the table, the non-controlling interest corresponds to the non-controlling interest presented in the consolidated income statement and balance sheet, and they also include shares of eliminations in the consolidated income statement and balance sheet that are not allocated to subsidiaries and are divided between parent company shareholders and non-controlling interest.

		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**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Edita Bobergs AB	Sweden	32,8 %	32,8 %	-106	-90	157	272

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

	Edita Bobergs AB	
EUR 1,000	**2016**	**2015**
Current assets	2 859	3 143
Non-current assets	979	2 569
Current liabilities	2 283	3 378
Non-current liabilities	1 075	1 661
Net revenue	11 086	17 749
Expenses and other items	11 253	17 809
Profit (loss)	-167	-60
Share of profit(/loss) allocated to parent company shareholders	-112	-40
Share of profit(/loss) allocated to non-controlling interests	-55	-20
Comprehensive income for the financial year	-167	-60
Share of comprehensive income allocated to parent company shareholders	-112	-40
Share of comprehensive income allocated to non-controlling interests	-55	-20
Cash flow from operating activities	-984	1 684
Cash flow from investing activities	2 001	50
Cash flow from financing activities	-863	-491

The share of profit/loss allocated to non-controlling interests may deviate from the amount presented in the consolidated income statement, as non-controlling interests may be allocated purchase price allocations to items such as intangible assets, which are depreciated over their useful lives and for which the non-controlling interest’s share is separated.

Changes in holdings in subsidiaries

2016

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

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

2015

On March 5, 2015, the Group acquired three subsidiaries: Ottoboni Group AB, Ottoboni Göteborg AB and Ottoboni Öresund AB, which were merged to form a single company, Ottoboni Sweden AB, on December 1, 2015.

In September 2015, the Group's subsidiary JG Communication AB was merged with Citat AB, which changed its name to Sitrus Agency AB. The company is reported under the Content business area.

The Campaigns & Dialogue business area liquidated Arkpressen i Västerås AB, while Other Operations liquidated Citat Communication Management Ltd on November 30, 2015. The liquidated companies had no actual operations.

18. Interests in associated companies

EUR 1,000	2016	2015
Acquisition cost, January 1	1 340	1 862
Share in result	52	124
Dividend distribution from associates	-158	-143
Depreciation of goodwill included in shares	0	-535
Translation differences	-50	31
Total investments in associated companies, December 31	**1 184**	**1 340**

The impairment of goodwill related to shares in BrandSystems International AB for the comparison year is presented in the consolidated income statement under "impairment".

Information on the Group's material associated companies on December 31, 2016

Name	Operating segment	Domicile	Holding
Edita Bobergs Förvaltnings AB	Campaigns & Dialogue	Falun	33,33 %
BrandSystems International AB	Campaigns & Dialogue	Stockholm	40,00 %

Summary of financial information concerning associated companies

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

	Edita Bobergs Förvaltnings AB		BrandSystems International AB	
EUR 1,000	**2016**	**2015**	**2016**	**2015**
Current assets	2 009	2 071	1 144	848
Non-current assets	557	559	23	29
Current liabilities	112	51	865	499
Non-current liabilities	0	0	0	0
Net revenue	465	470	1 307	1455
Profit for financial year	448	557	32	33
Dividends received from the associated company during the period	158	143	0	0
Reconciliation of the associated company's financial information with the balance sheet value recognized by the Group:				
Associated company's net assets	2 454	2 579	302	378
Group's holding, %	33,33 %	33,33 %	40,00 %	40,00 %
Group's share of net assets	818	859	121	151
Other adjustments	246	259	0	71
Associated company's balance sheet value in the consolidatec	1 064	1 118	121	222

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

19. Other financial assets

The "Other financial assets" balance sheet item includes the following financial assets

EUR 1,000	**2016**	**2015**
Available-for-sale financial assets		
Unlisted share investments	413	451
Publicly listed share investments	146	164
Total	**559**	**615**

In the financial years 2016 and 2015, the Group has not re-classified financial assets recognized at fair value through profit and loss or financial assets recognized at cost. Unlisted equity investments measuring principles can be found in Note 31.

Available-for-sale financial assets EUR 1,000	**2016**	**2015**
At the beginning of the financial year	615	520
Increases arising from business combinations	0	38
Other decreases	-55	0
Other increases	0	58
At the end of the financial year	**559**	**615**
in which non-current	413	451
Current available-for-sale financial assets	146	164

No capitalized sales profit or loss was recognized for available-for-sale financial assets for the financial years 2016 or 2015. Changes in the fair value fund are presented in Note 25 "Equity management".

20. Deferred tax assets and liabilities

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

Change in deferred taxes during 2015 EUR 1,000	1.1.2015	Recognized in the income statement	Recog-nized in OCI	Exchange rate differences	Acquired subsidiaries	31.12.2015
Deferred tax assets						
Internal margin in inventories	2	-2				0
Provisions	65	-17				49
Financial instruments	21	-21				0
Finance leases	43	0		1		43
Total	**132**	**-40**	**0**	**1**		**92**
Deferred tax liabilities						
Measurement of intangible and tangible assets at fair value in merging businesses	298	-217		1	282	365
Accumulated depreciation differences and approp	379	-35		1	52	397
Financial instruments	17	0	11			28
Total	**695**	**-251**	**11**	**1**	**334**	**790**

The Group had EUR 9.5 million in losses confirmed on December 31, 2016, for which deferred tax assets were not recognized due to the uncertainty of their use.

21. Inventories

EUR 1,000	2016	2015
Materials and supplies	380	610
Unfinished products	450	430
Finished products/goods	1 455	1 487
Total	**2 286**	**2 527**

EUR 204,000 was recognized as expenses for the financial year, the carrying amount of inventories was reduced to correspond to their net realizable value (EUR 130,000 in 2015).

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

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

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

Accrued income on percentage-of-completion projects **EUR 1,000**	Note 23	**2016**	**2015**
Income / assignment expense		2 486	2 790
Amount invoiced from customers		-315	-333
Total		**2 171**	**2 456**

Advances received from customers for percentage-of-completion projects

EUR 1,000	Note 29	**2016**	**2015**
Income / assignment expense		-307	-494
Amount invoiced from customers		2 308	3 788
Total		**2 001**	**3 294**

23. Sales receivables and other receivables

EUR 1,000	2016	2015
Loans and other receivables		
Sales receivables	16 016	18 959
Receivables from associates	0	17
Accrued income on percentage-of-completion projects	2 171	2 456
Prepaid expenses and accrued income		
Rents	125	442
Royalty receivables	121	106
Social security expense accruals	100	339
Sales accruals	111	70
Annual credits	14	0
IT service accruals	407	306
Other prepaid expenses and accrued income	468	627
Other receivables	1 308	1 016
Total of sales receivables and other receivables	**20 842**	**24 339**

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

Age distribution of sales receivables and items recognized as impairment losses

EUR 1,000	2016	Impairment loss	Net 2016	2015	Impairment loss	Net 2015
Not due	13 855		13 855	16 330		16 330
Less than 30 days overdue	2 014		2 014	2 308		2 308
31–60 days overdue	96		96	8		8
Over 60 days overdue	102	51	51	336	22	314
Total	**16 067**	**51**	**16 016**	**18 981**	**22**	**18 959**

Sales receivables by currency

EUR 1,000	2016	2015
EUR	5 858	4 266
SEK	10 135	14 569
NOK	15	25
DKK	2	40
Other	6	58
Total	**16 016**	**18 959**

24. Cash and Cash Equivalents

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

EUR 1,000	2016	2015
Cash in hand and at the bank	1 007	4 823
Total	**1 007**	**4 823**

Balance sheet values provide the best indication of the maximum amount subject to a credit risk in a situation in which the counterparts to a contract are unable to fulfil the obligations associated with financial instruments. There are no major credit risk concentrations associated with cash and cash equivalents. In the statement of cash flows, items classified as cash and cash equivalents have a maximum maturity of three months from the date of acquisition. Fair values of certificates of deposit included in cash and cash equivalents are presented in Note 31 “Fair value of financial assets and liabilities”.

25. Equity and capital management

EUR 1,000	Number of shares (1,000)	Share-holders’ equity	Share premium fund
31.12.2014	6 000	6 000	25 870
31.12.2015	6 000	6 000	25 870
31.12.2016	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 2016 and 2015 the Group held no treasury shares.

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

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

EUR 1,000	2016	2015
Fair value fund	102	116

Distributable assets
The profit for the year is recognized in retained earnings. The distributable assets of the Group’s parent company were EUR 7,080,899.82 in the financial statements dated December 31, 2016.

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 0.33 (EUR 0.33) per share be distributed, totaling EUR 2.0 million (EUR 2.0 million).

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

The Group's capital structure is continually monitored by means of the equity-to-assets leverage ratio and the gearing ratio. At the end of 2016, the Group's interest-bearing net liabilities stood at EUR 6.0 million (2015: EUR 9.9 million) and the net gearing ratio was 32.0% (2015: 28.1%). When calculating net indebtedness, interest-bearing net liabilities are divided by shareholder's equity. Net liabilities include interest-bearing financial liabilities less interest-bearing receivables and cash and cash equivalents.

EUR 1,000	**31.12.2016**	**31.12.2015**
Interest-bearing liabilities	7 027	14 673
Cash and cash equivalents	1 007	4 823
Net indebtedness	**6 020**	**9 850**
Total shareholders' equity	18 807	35 065
Equity-to-assets ratio, %	36,3 %	48,6 %
Gearing ratio %	32,0 %	28,1 %

26. Share-based compensation

One of the Group's subsidiaries had an option scheme targeted at the company's employees and certain persons selected by the Board of Directors of the company. The maximum number of options granted on the basis of the scheme was 1,286 on 31 December 2014. The scheme came into effect before the Group acquired a majority interest in the company. Benefits granted by the arrangement were valued at fair value at the time of granting and were recognized as expenses evenly throughout the period during which they arose. The profit impact of the arrangement was presented under expenses resulting from employee benefits in the Group's income statement. The determined expenses were based on the Group's estimate of economic development of the acquired company. The key terms and conditions of the arrangement, such as conditions under which a right is created, are presented in the table below. The arrangement expired during the 2015 financial year, and the Group's parent company has repurchased all issued options.

Arrangement	**1:**	**2:**	**3:**
Granting date	24.6.2009	21.5.2010	24.5.2012
Number of instruments granted	1 080	515	1 181
Subscription price	13.45 / 26.90	13.45 / 26.90	15.85 / 31.70
Validity (in years)	6,5	5,6	3,6
Execution	As shares	As shares	As shares

The condition for acquiring the right and the requirement for subscription is that the holder of the option rights stays in the company's or Group's employ until 2015.

The share subscription price for options granted in 2010 and 2009 is EUR 162.32 and for options granted in 2012 EUR 169.83. The Group repurchased the options during the financial year 2015.

In 2009, altogether 175 options were subscribed at EUR 13.45 and 905 options at EUR 26.90.
In 2010, altogether 375 options were subscribed at EUR 13.45 and 140 options at EUR 26.90.
In 2011, the company repurchased 150 options at EUR 13.45.
In 2012, altogether 391 options were subscribed at EUR 15.85 and 790 options at EUR 31.70.
In 2012, the company repurchased 525 options at EUR 34.41.
In 2013, Nordic Morning Plc repurchased 220 options at EUR 15.85 and 420 options at EUR 26.90.
In 2014, Nordic Morning Plc repurchased 35 options at EUR 34.41.
In 2015, Nordic Morning Plc repurchased 961 options at EUR 83.13 and 325 options at EUR 90.64.

Options issued	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**
At the beginning of the financial yea	1286	1321	1 961	1 305	1 595	1 080	0
Options granted		0	0	1 181	0	515	1 080
Options lost		0	0	0	-140	0	0
Options exercised	-1286	-35	-640	-525	-150	0	0
At the end of the financial year	**0**	**1 286**	**1 321**	**1 961**	**1 305**	**1 595**	**1 080**

27. Provisions

EUR 1,000	Rearrange-ments	Environmental provisions	Other	Total
Provisions on December 31, 2015	**145**	**0**	**100**	**245**
Increases	7	70	0	77
Amounts used	-33	0	0	-33
Reversal of unused amounts	-1	0	0	-1
Provisions on December 31, 2016	**118**	**70**	**100**	**288**

Restructuring provision
Restructuring provisions are related to restructuring of the Campaigns & Dialogue business area, aiming to adjust business operations to the changing market situation.

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

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

28. Interest-bearing liabilities

EUR 1,000

Non-current financial liabilities amortized at cost	2016	2015
Bank loans and other financial loans	4 876	7 014
Finance lease liabilities	159	174
Total	**5 035**	**7 188**

Current financial liabilities amortized at cost	2016	2015
Loan repayments due in the following year and other current interest-bearing liabilities	1 813	6 620
Finance lease payments due in the following year	179	866
Total	**1 992**	**7 485**

Maturing of contract-based financial liabilities by maturity class	Interest-bearing liabilities		Interest	
	2016	**2015**	**2016**	**2015**
2016	0	7 485	0	116
2017	1 992	2 220	71	60
2018	1 933	2 144	49	42
2019	1 800	2 073	26	19
2020	1 012	750	11	4
2021	290	0	3	0
Total	**7 027**	**14 673**	**159**	**240**

Weighted averages of effective interest rates of non-current interest-bearing liabilities	2016	2015
	1,1 %	1,3 %

Non-current interest-bearing liabilities are divided by currency as follows	2016	2015
EUR	3 801	5 353
SEK	1 234	1 835
Total	**5 035**	**7 188**

Current interest-bearing liabilities are divided by currency as follows	2016	2015
EUR	1 551	6 620
SEK	440	866
Total	**1 992**	**7 486**

Maturity periods of finance lease liabilities

EUR 1,000	2016	2015
Gross finance lease liabilities – minimum leases by maturity period		
Within one year	190	887
Between one and five years	168	177
Total	**359**	**1 064**
Financial expenses accrued in the future	-21	-24
Finance lease liabilities, current value	**338**	**1 040**
Maturity of finance lease liabilities' current value		
Within one year	179	866
Between one and five years	159	174
Total	**338**	**1 040**

29. Accounts payable and other liabilities:

EUR 1,000	Notes	2016	2015
Current financial liabilities amortized at cost			
Accounts payable	31	6 492	5 030
Liabilities to associates		0	201
Advances received		784	341
Advances received from customers for percentage-of-completion projects	22	2 001	3 294
Accrued liabilities and deferred income			
Wages and salaries with related expenses		6 248	6 285
Social insurance contribution expense provision from previous years		1 336	712
Sales accruals		1 271	1 242
Rents		1 761	1 317
Interests		25	7
IT Services		52	50
Long-term bonuses of management		51	201
Other accrued expenses		1 340	1 294
Other current liabilities	31	6 167	4 864

Financial liabilities recognized at current fair value through profit or loss

Derivative contracts, hedge accounting not applied	45	35
Total accounts payable and other liabilities	**27 574**	**24 873**

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	2016	2015
EUR	10 661	8 158
SEK	16 816	16 606
NOK	29	46
DKK	49	13
UAH	12	12
Other currencies	7	38
Total	**27 574**	**24 873**

30. 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 just over 60% of the net revenue and consists mainly of sales denominated in Swedish krona. No currency derivatives were open in the Group on the balance sheet date. The risk due to the translation of long-term foreign net investments was not hedged on the balance sheet date, December 31, 2016. According to the currency risk policy confirmed by Nordic Morning'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 as the company operating in Ukraine is consolidated with the sub-group using SEK.

Nominal values EUR 1,000	2016	2015
Non-current assets	4 495	11 157
Non-current liabilities	1 726	2 205
Exchange rate changes in non-current items	-340	223
Current assets	15 035	20 748
Current liabilities	17 452	17 605
Exchange rate changes in current items	-119	-25

Currency risk sensitivity analysis in accordance with IFRS 7
The table below shows the strengthening of the euro against the Swedish krona. The sensitivity analysis is based on the assets and liabilities denominated in foreign currencies on the balance sheet date as well as the profit for the financial year. For 2016, the significant effect on the Group's profit after tax is attributable to the impairment of SEK-denominated goodwill.

EUR 1,000	2016	2015
Percentage of change	10 %	10 %
Effect on Group's profit after tax	824	56
Effect on the Group's shareholders' equity	1 089	-1 249

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

At the end of the year, cash and cash equivalents totaled EUR 1.0 million (EUR 4.8 million on December 31, 2015). The Group had a consolidated account credit limit with a maximum size of EUR 6.3 million. The consolidated account credit limit was utilised during the financial year, but the credit limit was unused at the end of the year. In addition, the Group has confirmed credit limits of EUR 10.0 million of which EUR 5.0 million related the 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 was unable to satisfy the latter covenant term during the financial year at the time of the interim financial statements dated June 30, 2016, and the financial statements dated December 31, 2016. The investor consented to the Group being in breach of the covenant term until December 31, 2016.

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

EUR 1,000

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

Breakdown of maturities of financial liabilities 2015	**Balance sheet value**	**Cash flow***	**12 months or less**	**1–2 years**	**2–5 years**
Financial liabilities	13 634	13 849	6 714	2 153	4 982
Finance lease liabilities	1 040	1 064	887	127	50
Accounts payable and other liabilities	24 838	24 838	24 838		
Maturity breakdown of derivative liabilities					
Interest rate derivatives, hedge accounting not applied	35	35	35		

*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 7.0 million (EUR 14.7 million) in interest-bearing debt from financial institutions on December 31, 2016. Interest rate risk has been reduced by using interest rate derivatives to convert variable rate loans to fixed rate loans. On the reporting date, 75% (46%) of debt was fixed rate debt, and the duration was 2.4 (2.1). In analyzing the interest rate risk, a +1 percentage unit change in the interest rate is assumed. The effect of such a change over 12 months on the amount of variable rate debt prevailing on December 31, 2016, with all other factors remaining the same, is EUR -12 thousand (-54) on the Group’s pre-tax profit.

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

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

	2016	**2016**	**2016**	**2015**	**2015**	**2015**
EUR 1,000	**Positive fair value**	**Positive fair value**	**Fair value, net**	**Positive Fair value**	**Positive fair value**	**Fair value, net**
Interest rate swaps						
Maturity:						
in under one year	0	-45	-45	13	-48	-35

31. Fair value of financial assets and liabilities

EUR 1,000	Note	Carrying value 2016	Fair value 2016	Carrying value 2015	Fair value 2015
Financial assets					
Other financial assets	19	413	413	451	451
Sales receivables and other receivables	23	20 842	20 842	24 339	24 339
Other current financial assets	19	146	146	164	164
Cash and cash equivalents	24	1 007	1 007	4 823	4 823
Financial liabilities					
Financial loans	28	6 689	6 508	13 634	13 355
Finance lease liabilities	28	338	338	1 040	1 040
Accounts payable and other liabilities	29	27 529	27 529	24 838	24 838
Financial liabilities recognized at fair value through profit or loss:					
- Interest rate derivatives, hedge accounting not applied	29	45	45	35	35

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

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

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

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

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

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

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

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

EUR 1,000	Fair values on balance sheet date		
Assets measured at fair value	**31.12.2015**	**Level 1**	**Level 2**
Available-for-sale financial assets			
Share investments	615	164	451
Liabilities measured at fair value			
Financial liabilities recognized at fair value through profit or loss:			
Interest rate derivatives, hedge accounting not applied	35		35

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

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

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

EUR 1,000	Fair values on balance sheet date			
	31.12.2016	**Level 1**	**Level 2**	**Level 3**
Financial assets:				
Sales receivables and other receivables	20 842		20 842	
Financial liabilities:				
Bank loans	6 508			6 508
Finance lease liabilities	338		338	
Accounts payable and other liabilities	27 529		27 529	
Total	**34 374**		**27 866**	**6 508**

EUR 1,000	Fair values on balance sheet date			
	31.12.2015	Level 1	Level 2	Level 3
Financial assets:				
Sales receivables and other receivables	24 339		24 339	
Financial liabilities:				
Bank loans	13 355			13 355
Finance lease liabilities	1 040		1 040	
Accounts payable and other liabilities	24 838		24 838	
Total	**39 233**		**25 878**	**13 355**

32. Adjustments to cash flow from operating activities

Non-cash transactions

EUR 1,000	2016	2015
Depreciation and impairment	14 050	4 908
Adjustments to sales gains	-1 577	-485
Exchange rate differences	121	-115
Profit/loss at fair value through profit or loss from the measurement of recognizable assets and liabilities	4	-12
Share of profit in associates	-52	-124
Total	**12 545**	**4 172**

33. Other leases

Group as the tenant

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

EUR 1,000	2016	2015
Within one year	3 273	3 769
Between one and five years	8 982	4 612
Over five years	4 982	0
Total	**17 236**	**8 381**

The Group leases many of its office premises in Finland and Sweden. Production facilities in Finland are owned by the Group, while those in Sweden are leased from an associated company. The lengths of the leases range between 2–10 years and normally include the possibility to continue the agreement after the original date of termination. Leases generally include an index clause. On November 27, 2015, Nordic Morning Plc signed a 10-year lease that will enter into effect during the financial year 2017. The lease has been included in the figures for the financial year 2016.

The 2016 income statement contains lease expenses for operating leases of EUR 5.5 million (EUR 4.4 million).

34. Contingent liabilities

Collateral and other contingent liabilities

EUR 1,000	2016	2015
Liabilities to credit institutions, secured by mortgages and pledges		
Liabilities to credit institutions	0	625
Corporate mortgages	0	2 002
Property mortgages	0	0
Pledged machinery and equipment	0	625
Mortgages given as security, total	**0**	**2 627**
Other collateral and guarantees given on behalf of shareholders		
Property mortgages	0	82
Rent guarantees	1 022	675
Other collateral given	6	6
Other collateral and guarantees given, total	**1 028**	**762**

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 2008–2016, 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 270,985.29.

Disputes and legal proceedings

A former employee of a Group subsidiary has contested the grounds of their termination in relation to the restructuring of the Campaigns & Dialogue business area. The case are not pending at a court, and according to the Group's view, the case is unlikely to have a significant effect on the Group's financial position.

35. Related party transactions

The Group's related parties include the parent company, subsidiaries and associate companies. Members of the company's management are also considered to be related parties (members of the Board and the Group Management Team).

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 Plc, Helsinki, Finland			
Edita Prima Oy, Helsinki, Finland	100 %		100 %
Edita Publishing Oy, Helsinki, Finland	100 %		100 %
Ottoboni Finland Oy, Helsinki, Finland	100 %		100 %
Seed Digital Media Oy, Helsinki, Finland	100 %		100 %
Sitrus Agency Oy, Helsinki, Finland	100 %		100 %
Real estate company Vantaan Hakamäenkuja, Vantaa, Finland	100 %		100 %
Ottoboni Sweden AB, Stockholm, Sweden	100 %		100 %
CountQuest AB, Stockholm, Sweden	100 %		100 %
Klikkicom Oy, Helsinki*	100 %		100 %
Klikki AB, Stockholm, Sweden		100 %	100 %
Nordic Morning Sweden AB*, Stockholm, Sweder	100 %		100 %
Sitrus Agency AB, Stockholm, Sweden		100 %	100 %
Mods Graphic Studio AB, Stockholm, Sweden		100 %	100 %
Citat Robot AB, Stockholm, Sweden		100 %	100 %
Journalistgruppen, JG AB, Stockholm, Sweden		100 %	100 %
Sitrus Ukraine LLC, Kharkov, Ukraine		100 %	100 %
Edita Bobergs AB, Falun, Sweden		50,2 %	67,2 %

*Sub-Group's parent company

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

Related party transactions with associated companies

EUR 1,000	**2016**	**2015**
Sales of goods and services	20	187
Purchases of goods and services	489	664
Sales receivables, loan receivables and other receivables	0	17
Accounts payable	1 336	1 863

Employee benefits of management

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

Salaries and fees

The management has a short-term incentive program for which no money was accrued in 2016. The Group also had a long-term incentive program for management related to the financial years 2013–2015, for which EUR 21 thousand was accrued in the comparison period. The total amount accrued for the long-term program was EUR 94 thousand.

In 2015, the Board of Directors decided that some of the Group's senior management will be paid an additional one-time incentive for excellent performance. The additional incentive amounted to EUR 23 thousand in total.

The total short-term and long-term provision in the financial statements at the end of the financial year 2016 amounted to EUR 41 thousand (144). The CEO's share of the provision is EUR 14 (41) thousand, and that of other members of the Group Management Team is EUR 27 (103) thousand.

Accumulated incentives	**CEO**		**Other members of the Group Management Team**		**Total**	
EUR 1,000	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Short-term incentive program	0	0	0	0	0	0
Long-term incentive program	0	5	0	16	0	21
Additional incentives	110	0	0	23	110	23
Severance payment	124	0	0	0	0	0

Fees paid and termination provisions EUR 1,000		**2016**	**2015**
CEO		274	260
Other members of the Group Management Team		997	975
Termination benefits		0	96
Group Management Team, total		**1 272**	**1 331**
Members of the Board			
Sjödell Per	Chairman of the Board	51	0
Ronkainen Anni	Vice-Chairman of the Board	31	23
Iso-Aho Maritta	Member of the Board	31	29
Ruuska Jukka	Member of the Board	27	0
Vihervuori Petri	Member of the Board	32	30
Årneby Anne	Member of the Board	35	24
Björklund Persson Eva	former Member of the Board	0	9
Brorman Carina	former Member of the Board	13	35
Friman Kaj	former Member of the Board	0	16
Lystimäki Jussi	former Member of the Board	14	43
Nordic Morning Plc's Board, total		**233**	**209**
Total		**1 505**	**1 540**

The agreed retirement age of the CEO of the parent company was 62 years. The annual payment for the defined contribution plan supplementary pension of the CEO was EUR 71,206 (108,279) in 2016, while that of the CFO was EUR 21,247 (21,091). The CEO and the members of the Board of Directors do not own any company shares, nor have they been granted any share options. The CEO and the members of the Board of Directors have not been granted any loans, and no collateral or contingent liabilities have been provided on their behalf.

36. Post-statement events

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

37. Breakdown of share ownership and information on shareholders

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

Consolidated key indicators		IFRS 2016	IFRS 2015	IFRS 2014
Net revenue	k€	103 399	104 909	106 584
Exports and foreign operations %		60,2 %	61,9 %	59,1 %
Adjusted operating gross margin	k€	58 188	61 259	55 582
% of net revenue		56,3 %	58,4 %	52,1 %
Adjusted operating EBITDA	k€	1 966	4 216	5 602
% of net revenue		1,9 %	4,0 %	5,3 %
Adjusted operating profit/loss	k€	-1 920	-64	993
% of net revenue		-1,9 %	-0,1 %	0,9 %
Operating profit/loss	k€	-14 282	-224	3 370
% of net revenue		-13,8 %	-0,2 %	3,2 %
Profit before taxes	k€	-14 536	-356	3 419
% of net revenue		-14,1%	-0,3 %	3,2 %
Profit for financial year	k€	-14 392	-224	3 520
Return on equity (ROE), %	%	-53,4	-0,6	9,6
Return on capital employed, %	%	-37,6	-0,3	7,2
Equity-to-assets ratio (%)	%	36,3	48,6	51,4
Gearing (%)	%	32,0	28,1	2,5
Gross capital expenditure	k€	5 297	7 786	3 980
% of net revenue		5,1	7,4	3,7
Average number of employees		653	709	660
Earnings per share (EPS)	€	-2,38	-0,02	0,68
Dividends per share	€	0,33	0,33	0,33
Equity per share	€	3,11	5,80	6,12
No. of shares, adjusted for share issue		6 000 000	6 000 000	6 000 000

Formulae for calculating key indicators

Return on equity (ROE), %	$\dfrac{\text{Profit for financial year}}{\text{Shareholders' equity (average during the year)}}$
Return on capital employed, %	$\dfrac{\text{Profit before tax, interest, and other financial expenses}}{\text{Total assets — non-interest-bearing liabilities (average during the year)}}$
Equity-to-assets ratio, %	$\dfrac{\text{Shareholders' equity}}{\text{Total assets — advances received}}$
Sales margin	Operating income — variable cost
EBITDA	Operating profit — depreciation and impairment
Operating profit	Profit before tax and financial items
Undiluted EPS, EUR	$\dfrac{\text{Profit for financial year attributable to parent company shareholders}}{\text{Average number of shares (adjusted for share issue)}}$
Net gearing ratio, %	$\dfrac{\text{Interest-bearing liabilities — cash and cash equivalents}}{\text{Shareholders' equity}}$
Equity per share, EUR	$\dfrac{\text{Shareholders' equity attributable to parent company shareholders}}{\text{Undiluted number of shares on closing date}}$
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.–31.12.2016	1.1.–31.12.2015
NET REVENUE	**2**	**4 533 115,58**	**4 599 199,59**
Other operating income	3	712 119,14	248 765,14
Personnel expenses	4	-2 896 653,68	-2 737 746,93
Depreciation and impairment	5	-827 100,94	-777 098,84
Other operating expenses	6	-2 406 791,25	-2 360 092,23
OPERATING PROFIT / LOSS (-)		**-885 311,15**	**-1 026 973,27**
Financial income and expenses	7	-23 300 710,19	7 071 500,74
PROFIT/LOSS (-) BEFORE APPROPRIATIONS AND TAXES		**-24 186 021,34**	**6 044 527,47**
Appropriations	8	1 494 500,82	2 052 675,41
Income taxes	9	-422,56	-422,56
PROFIT/LOSS (-) FOR THE FINANCIAL YEAR		**-22 691 943,08**	**8 096 780,32**

Parent company balance sheet (FAS) (EUR)

ASSETS	Note	31.12.2016	31.12.2015
NON-CURRENT ASSETS			
Intangible assets	10	76 446,42	133 104,26
Tangible assets	11	7 859 121,16	11 126 819,27
Investments in Group companies	12	47 584 450,27	71 490 657,28
Other investments	12	1 532 892,14	1 182 892,14
Total non-current assets		57 052 909,99	83 933 472,95
CURRENT ASSETS			
Current receivables	13	10 062 967,58	8 308 825,95
Financial securities	14	15 152,33	15 152,33
Cash and bank balances		379 073,62	3 685 503,17
Total current assets		10 457 193,53	12 009 481,45
Total assets		**67 510 103,52**	**95 942 954,40**

SHAREHOLDERS' EQUITY AND LIABILITIES	Note	31.12.2016	31.12.2015
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		29 772 842,90	23 676 062,58
Profit/loss (-) for the financial year		-22 691 943,08	8 096 780,32
Shareholders' equity, total		38 950 510,16	63 642 453,24
ACCUMULATED APPROPRIATIONS	16	988 566,91	1 133 067,73
LIABILITIES			
Non-current liabilities	17	3 750 000,00	5 250 000,00
Current liabilities	18	23 821 026,45	25 917 433,43
Total liabilities		27 571 026,45	31 167 433,43
Liabilities total		**67 510 103,52**	**95 942 954,40**

Parent company cash flow statement (FAS) (EUR)

	1.1.–31.12.2016	1.1.–31.12.2015
Cash flow from operating activities		
Profit/loss (-) before extraordinary items	-24 186 021,34	6 044 527,47
Adjustments:		
Planned depreciation and impairment	827 100,94	777 098,84
Unrealized exchange rate gains/losses	-106 816,06	-18 788,81
Other adjustments	2 638 510,10	-8 499 080,45
Gains on disposal of fixed assets and other investments	-430 894,57	0,00
Financial income and expenses (+)	23 300 710,19	-7 071 500,74
Change in working capital:		
Increase (+) decrease (-) in non-interest-bearing current receivables	2 409 837,79	-115 794,95
Increase (+) decrease (-) in non-interest-bearing current liabilities	79 675,38	-457 215,54
Interest paid	-213 830,70	-251 960,02
Dividends received	853 033,80	8 845 197,39
Interest received	54 013,89	80 752,88
Taxes paid	-422,56	-422,56
Cash flow from operating activities	**5 224 896,86**	**-667 186,49**
Cash flow from investing activities		
Investments in shares of subsidiaries	-4 509 475,99	-7 119 805,57
Investments in intangible and intangible assets	-645 850,42	-233 389,79
Income from investment transfers	3 574 000,00	0,00
Cash flow from investing activities	**-1 581 326,41**	**-7 353 195,36**
Cash flow from financing activities		
Current loans withdrawn	0,00	5 000 000,00
Non-current loans withdrawn	0,00	7 500 000,00
Repayments on non-current borrowings	-6 500 000,00	-6 450 000,00
Capital loans	-350 000,00	-300 000,00
Dividends paid	-2 000 000,00	-2 000 000,00
Contributions received from subsidiaries	1 900 000,00	0,00
Cash flow from financing activities	**-6 950 000,00**	**3 750 000,00**
Change in cash and cash equivalents, increase (+)/decrease (-)	**-3 306 429,56**	**-4 270 381,85**
Cash and cash equivalents at January 1	3 685 503,18	7 955 885,03
Cash and cash equivalents at December 31	**379 073,62**	**3 685 503,18**

Notes to the Parent Company Financial Statements

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

Basic Information

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

The parent company's financial statements have been prepared in accordance with the new Finnish Accounting Act. The presentation of net revenue and other operating income has been changed in such a way that the Group services and management fees excluding property services, previously presented in other operating income, are now included in net revenue and the figures for the comparison period have been adjusted accordingly.

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)

	31.12.2016	31.12.2015

2. Net revenue

	31.12.2016	31.12.2015
By market area		
Finland	3 470 770,14	3 822 184,59
EU	1 062 345,44	777 015,00
Total	4 533 115,58	4 599 199,59

3. Other operating income

	31.12.2016	31.12.2015
Profit from sales of non-current assets	430 894,57	0,00
Rental income	273 795,69	245 121,82
Other	7 428,88	3 643,32
	712 119,14	248 765,14

4. Personnel

	31.12.2016	31.12.2015
Personnel expenses		
Salaries and fees	-2 380 047,71	-2 191 684,76
Pension expenses and pension insurance contributions	-316 885,19	-319 367,82
Other personnel expenses	-199 720,78	-226 694,35
	-2 896 653,68	-2 737 746,93
Employees in the company during the financial year		
Employees on salary	31	31
Management salaries and fees		
CEO	-274 195,89	-260 175,89
One-time fees granted to the CEO	-123 893,28	0,00
The CEO’s incentive bonus	-109 678,36	0,00
Members of the Board	-233 400,00	-208 800,00
	-741 167,53	-468 975,89

5. Depreciation and impairment

	31.12.2016	31.12.2015
Depreciation on tangible and intangible assets	-827 100,94	-777 098,84

6. Other operating expenses

Rents	-72 617,68	-90 869,96
Other business premises expenses	-448 329,27	-368 358,42
Logistics	-2 994,09	-3 176,76
IT and data communications	-554 167,22	-602 960,98
Marketing and representation expenses	-311 790,32	-262 261,97
Other operating expenses	-1 016 892,67	-1 032 464,14
Other operating expenses, total	-2 406 791,25	-2 360 092,23
Auditor's fees		
Audit fees	-30 600,00	-30 000,00
Tax consultation	-16 568,15	-26 638,70
Other fees	-84 976,42	-104 754,78
	-132 144,57	-161 393,48

7. Financial income and expenses

Dividend income		
From Group companies	850 000,00	8 842 336,95
From others	3 033,80	2 860,44
	853 033,80	8 845 197,39
Other interest income		
From Group companies	53 061,30	49 200,61
From others	952,59	31 552,27
	54 013,89	80 752,88
Interest income and other financial income, total	907 047,69	8 925 950,27
Exchange rate gains and losses	-106 816,06	-18 788,81
Impairment and impairment refunds from non-current asset investments	-21 870 297,64	-1 600 000,00
Interest expenses		
To Group companies	-20 277,30	-36 842,94
To others	-141 204,02	-193 777,78
	-161 481,32	-230 620,72
Other financial expenses		
Expenses on holdings in Group companies	-2 033 112,78	0,00
To others	-36 050,08	-5 040,00
	-2 069 162,86	-5 040,00
Interest expenses and other financial expenses, total	-2 230 644,18	-235 660,72
Total financial income and expenses	-23 300 710,19	7 071 500,74

8. Appropriations

Difference between planned depreciation and depreciation made for taxation purposes	144 500,82	152 675,41
Contributions received from subsidiaries	1 350 000,00	1 900 000,00
	1 494 500,82	2 052 675,41

9. Notes on income taxes

Income taxes on extraordinary items	-270 000,00	-380 000,00
Income tax on normal operations	269 577,44	379 577,44
	-422,56	-422,56

Non-current assets

10. Intangible Assets

Intellectual property		
Acquisition cost, January 1	1 028 313,44	977 800,49
+ Increases	4 150,00	50 512,95
- Decreases	-329 736,72	0,00
Acquisition cost, December 31	702 726,72	1 028 313,44
Accumulated depreciation, January 1	920 349,49	885 913,74
- Accumulated depreciation on decreases	-329 736,72	0,00
+ Depreciation for the year	38 622,15	34 435,75
Accumulated depreciation, December 31	629 234,92	920 349,49
Carrying amount, December 31	73 491,80	107 963,95
Intangible assets, total		
Acquisition cost, January 1	1 028 313,44	977 800,49
+ Increases	4 150,00	50 512,95
- Decreases	-329 736,72	0,00
Acquisition cost, December 31	702 726,72	1 028 313,44
Accumulated depreciation, January 1	920 349,49	885 913,74
- Accumulated depreciation on decreases	-329 736,72	0,00
+ Depreciation for the year	38 622,15	34 435,75
Accumulated depreciation, December 31	629 234,92	920 349,49
Carrying amount, December 31	73 491,80	107 963,95

11. Tangible assets

Land areas		
Acquisition cost, January 1	5 065 951,43	5 065 951,43
- Decreases	-3 143 105,43	0,00
Acquisition cost, December 31	1 922 846,00	5 065 951,43
Carrying amount, December 31	1 922 846,00	5 065 951,43
Buildings and structures		
Acquisition cost, January 1	16 586 252,92	16 463 384,31
+ Increases	474 884,15	122 868,61
- Decreases	-286 876,38	0,00
Acquisition cost, December 31	16 774 260,69	16 586 252,92
Accumulated depreciation, January 1	10 978 087,68	10 352 280,17
- Accumulated depreciation on decreases	-286 876,38	0,00
+ Depreciation for the year	635 569,89	625 807,51
Accumulated depreciation, December 31	11 326 781,19	10 978 087,68
Carrying amount, December 31	5 447 479,50	5 608 165,24
Machinery and equipment		
Acquisition cost, January 1	2 645 901,49	2 611 033,57
+ Increases	189 001,96	34 867,92
- Decreases	-215 386,04	0,00
Acquisition cost, December 31	2 619 517,41	2 645 901,49
Accumulated depreciation, January 1	2 193 198,89	2 076 343,31
- Accumulated depreciation on decreases	-215 386,04	0,00
+ Depreciation for the year	152 908,90	116 855,58
Accumulated depreciation, December 31	2 130 721,75	2 193 198,89
Carrying amount, December 31	488 795,66	452 702,60
Tangible assets, total		
Acquisition cost, January 1	24 298 105,84	24 140 369,31
+ Increases	663 886,11	157 736,53
- Decreases	-3 645 367,85	0,00
Acquisition cost, December 31	21 316 624,10	24 298 105,84
Accumulated depreciation, January 1	13 171 286,57	12 428 623,48
- Accumulated depreciation on decreases	-502 262,42	0,00
+ Depreciation for the year	788 478,79	742 663,09
Accumulated depreciation, December 31	13 457 502,94	13 171 286,57
Carrying amount, December 31	7 859 121,16	11 126 819,27
Of the carrying amount, December 31		
Share of machinery and equipment in production	488 795,66	452 702,60

12. Investments

Share in Group companies, January 1	71 490 657,28	66 811 108,71
+ Increases	3 277 269,57	6 657 256,73
- Decreases	-7 883 476,58	-377 708,16
- Impairment	-19 300 000,00	-1 600 000,00
Total, December 31	47 584 450,27	71 490 657,28
Other shares and holdings, January 1	412 892,14	412 892,14
Total, December 31	412 892,14	412 892,14
Loan receivables from Group companies, January 1	770 000,00	470 000,00
+ Increases	350 000,00	300 000,00
Total, December 31	1 120 000,00	770 000,00

Parent company's holdings in subsidiaries December 31, 2016

Company and domicile	Holding %	Votes %
Edita Prima Oy, Helsinki	100 %	100 %
Edita Publishing Oy, Helsinki	100 %	100 %
Sitrus Agency Oy, Helsinki	100 %	100 %
Ottoboni Finland Oy, Helsinki	100 %	100 %
Klikkicom Oy, Helsinki	100 %	100 %
Real estate company Vantaan Hakamäenkuja, Vantaa	100 %	100 %
Seed Digital Media Oy, Helsinki	100 %	100 %
CountQuest Interactive AB, Stockholm, Sweden	100 %	100 %
Nordic Morning AB, Stockholm, Sweden	100 %	100 %
Ottoboni Sweden AB, Stockholm, Sweden	100 %	100 %

13. Receivables

Receivables from Group companies		
Sales receivables	1 944,00	45 131,68
Loan receivables	3 420 354,70	0,00
Group account receivables	5 068 867,60	6 154 451,98
Contributions from subsidiaries	1 350 000,00	1 900 000,00
Prepaid expenses and accrued income	100 258,13	61 269,24
	9 941 424,43	8 160 852,90
Prepaid expenses and accrued income		
Social security expense accruals	1 460,00	13 978,00
IT expenses accruals	32 405,20	37 726,46
Other	59 236,00	96 268,59
	93 101,20	147 973,05
Receivables, total	10 062 967,58	8 308 825,95

14. Financial securities

Replacement value	67 127,31	75 491,93
Carrying amount	15 152,33	15 152,33
Difference	51 974,98	60 339,60

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	31 772 842,90	25 676 062,58
Dividend distribution	-2 000 000,00	-2 000 000,00
Profit/loss from previous years brought forward, December 31	29 772 842,90	23 676 062,58
Profit/loss (-) for the financial year	-22 691 943,08	8 096 780,32
Total unrestricted shareholders' equity	7 080 899,82	31 772 842,90
Total shareholders' equity	**38 950 510,16**	**63 642 453,24**

Funds at the disposal of the Annual General Meeting, December 31

Profit/Loss from previous years brought forward	29 772 842,90	23 676 062,58
Profit/loss (-) for the financial year	-22 691 943,08	8 096 780,32
	7 080 899,82	31 772 842,90

The parent company had distributable funds of EUR 7,080,899.82 on December 31, 2016.

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	988 566,91	1 133 067,73

17. Non-current liabilities

Liabilities to credit institutions	3 750 000,00	5 250 000,00

18. Current liabilities

Liabilities to credit institutions	1 500 000,00	6 500 000,00
Accounts payable	149 984,60	231 879,11
	1 649 984,60	6 731 879,11
Liabilities to Group companies		
Loans	19 811 130,68	18 258 204,96
Accounts payable	25 355,12	22 347,47
	19 836 485,80	18 280 552,43
Other current liabilities	1 408 388,91	208 539,30
Accrued liabilities and deferred income		
Wages and salaries with related expenses	614 406,12	367 185,31
Social insurance contribution expense provision	1 338,53	1 388,91
Interests	61 730,92	6 090,00
Rents	4 104,84	0,00
Sales accruals	22 536,61	0,00
Interest rate swaps	45 383,00	35 274,00
Long-term bonuses of management	33 369,00	110 000,00
Other	143 298,12	176 524,37
	926 167,14	696 462,59
Current liabilities, total	23 821 026,45	25 917 433,43
Interest-bearing liabilities		
Non-current	3 750 000,00	5 250 000,00
Current	21 311 130,68	24 758 204,96
	25 061 130,68	30 008 204,96
Non-interest-bearing liabilities		
Current	2 509 895,77	1 159 228,47

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	46 472,43	45 545,43
Due for payment later	47 744,49	42 930,84
	94 216,92	88 476,27
Guarantees given on behalf of Group companies	1 021 826,75	674 683,06
Amounts payable under lease agreements		
Due for payment in the next financial year	120 238,00	133 904,00
Due for payment later	9 592 755,00	120 238,00
	9 712 993,00	254 142,00

Off-balance sheet financial liabilities
Real estate investments
The company is obligated to review the VAT reductions made on real estate investments completed in the years 2008–2016, 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 270,985.29.

21. Derivative agreements

Interest rate swaps		
Fair value	-45 383,00	-35 274,00
Underlying security	5 250 000,00	6 750 000,00

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 15, 2017

Per Sjödell
Chairman of the Board

Jukka Ruuska
Vice Chairman of the Board

Maritta Iso-Aho

Petri Vihervuori

Anni Ronkainen

Anne Årneby
CEO

Auditor’s statement

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

Helsinki, February 15, 2017

KPMG Oy
APA member

Minna Riihimäki
Authorized Public Accountant