Nordic Morning Group Plc

Financial Statements Jan. 1 – Dec. 31, 2020

Nordic Morning Group Plc
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Business ID: 0912752-6

Contents

Board of Directors' report for the financial year January 1–December 31, 2020

Financial performance in 2020

- The Nordic Morning Group's consolidated net revenue was EUR 73.9 million (EUR 77.6 million). Net revenue grew in the Edita Prima business area thanks to the large volume of postal delivery operations, significant service projects, and new customer accounts. Net revenue declined in the Nordic Morning business areas in Sweden and Finland largely due to the impacts of the COVID-19 pandemic. In the Edita Publishing business area, net revenue decreased mainly due to it being the final year of the national curriculum, which reduced the sales of learning materials.
- Gross margin before non-operating items decreased from EUR 42.8 million to EUR 37.6 million and EBITDA before non-operating items decreased from EUR 6.0 million to EUR 4.8 million.
- The operating loss was -2.2 (+0.6) million. Non-operating items totaled EUR -3.0 (-0.9) million.
- Operating profit before non-operating items was EUR 0.8 (1.5) million. Profit before non-operating items increased in the Edita Prima business area. Edita Publishing's operating profit before non-operating items was on par with the previous year. In the Nordic Morning business area, profit before non-operating items improved thanks to efficiency improvement measures and lower IFRS expense adjustments. Administrative expenses increased due to costs relating to development of Group common ICT systems.
- The equity ratio at the end of the review period was 32.8 (38.6) percent.
- Cash and cash equivalents amounted to EUR 0.3 (0.3) million and net debt was EUR 11.8 (11.2) million.

CONSOLIDATED KEY FIGURES		2020	2019
Net revenue	k€	73 920	77 550
Exports and foreign operations %		30,5 %	34,1 %
Adjusted operating gross margin	k€	37 555	42 750
% of net revenue		50,8 %	55,1 %
Adjusted operating EBITDA	k€	4 820	5 954
% of net revenue		6,5 %	7,7 %
Adjusted operating profit/loss	k€	839	1 470
% of net revenue		1,1 %	1,9 %
Operating profit/loss	k€	-2 165	611
% of net revenue		-2,9 %	0,8 %
Profit before taxes	k€	-2 076	304
% of net revenue		-2,8 %	0,4 %
Profit for financial year	k€	-2 116	254
Return on equity (ROE), %	%	-12,7 %	1,4 %
Return on capital employed, %	%	-5,3 %	2,0 %
Equity-to-assets ratio (%)	%	32,8 %	38,6 %
Gearing (%)	%	77,1 %	62,6 %
Gross capital expenditure	k€	5 249	2 034
% of net revenue		7,1 %	2,6 %
Average number of employees		372	442
Earnings per share (EPS)	€	-0,35	0,04
Dividends per share	€	0,00	0,33
Equity per share	€	2,56	2,98

The Nordic Morning Group and changes in group structure

The Nordic Morning Group consists of three business areas:

- *Nordic Morning,* comprising Nordic Morning Finland Oy, Nordic Morning Sweden AB, and Mods Graphic Studio AB.
- *Edita Prima*, comprising Edita Prima Oy.
- *Edita Publishing*, comprising Edita Publishing Oy.

There were no changes in group structure during the financial year.

Consolidated net revenue

The Group's consolidated net revenue was EUR 73.9 (77.6) million. Net revenue in Finland amounted to EUR 51.4 (51.1) million. Net revenue in other EU countries was EUR 22.4 (25.4) million and exports outside the EU totaled EUR 0.1 (1.1) million. Of the Group's net revenue, 70 percent (66) came from Finland and 30 percent (33) from Sweden and other EU countries. Net revenue decreased in the Nordic Morning business area in Finland and Sweden because the COVID-19 pandemic lead to lower business volumes for certain key customers. Net revenue increased in the Edita Prima business area thanks to the high volume of postal delivery operations, significant service projects, and new customer accounts. In the Edita Publishing business area, net revenue decreased mainly due to it being the final year of the national curriculum, which reduced the sales of learning materials.

Revenue (EUR 1,000)	**2020**	**2019**	**Change 2020-2019**
Nordic Morning	29 827	36 087	-17,3 %
Edita Publishing	12 138	13 323	-8,9 %
Edita Prima	32 128	28 297	13,5 %
Group-internal revenue and other operations	-172	-157	-9,6 %
Group	**73 920**	**77 550**	**-4,7 %**

In the Nordic Morning business area, net revenue was EUR 29.8 (36.1) million. In Finland, net revenue decreased from EUR 9.9 million to EUR 8.2 million. In Sweden, net revenue decreased from EUR 27.2 million to EUR 22.4 million. Net revenue within this business area between Finland and Sweden was EUR 0,8 (1,0) million. In Sweden, the net revenue of both Mods Graphic Studio AB and Nordic Morning Sweden AB declined.

In the Edita Publishing business area, net revenue was EUR 12.1 (13.3) million. Net revenue was particularly reduced by the decline in revenue from learning materials.

In the Edita Prima business area, net revenue was EUR 32.1 (28.3) million. Net revenue increased thanks to the high volume of postal delivery operations, large service projects, and new customer accounts.

Non-operating items

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

Consolidated operating profit

The Group’s operating loss was EUR -2.2 million (operating profit of EUR 0.6 million), which is EUR 2.8 million lower than in the previous year. The operating profit includes non-operating items totaling EUR -3.0 (-0.9) million. The non-operating income included in the operating profit amounted to EUR 0.0 (0.1) million. Non-operating expenses totaled EUR -3.0 (-1.0) million. The most significant non-operating expenses in 2020 were related to termination provisions recognized in Finland and Sweden and an impairment of goodwill. The Group’s operating profit before non-operating items declined to EUR 0.8 (1.5) million.

Operating profit/loss (EUR 1,000)	2020	2019
Nordic Morning	-2 448	-1 086
Edita Publishing	2 158	2 109
Edita Prima	1 146	764
Other operations	-3 022	-1 177
Group	**-2 165**	**611**
Operating Profit %	**-2,9 %**	**0,8 %**

The Nordic Morning business area’s operating loss was EUR -2.4 (-1.1) million. The result for the period was weighed down by lower net revenue as well as non-operating termination provisions and goodwill impairment. Operating profit before non-operating items was EUR -0.0 (-0.5) million. The result before non-operating items improved in both Finland and Sweden thanks to efficiency improvement measures. In Sweden, the result of Mods Graphic Studio AB remained at a good level.

The Edita Publishing business area’s operating profit was EUR 2.2 (2.1) million. Operating profit was particularly improved by the favorable development of legal services.

The Edita Prima business area’s operating profit was EUR 1.1 (0.8) million. Operating profit before non-operating items was EUR 1.4 (0.8) million. The improvement in the result was attributable to higher production volume and significant service projects.

Other operations include group administration, the operating profit of which was EUR -3.0 (-1.2) million. The result consists mainly of group administration expenses. The change in the profit was primarily attributable to an increase in personnel costs and ICT expenses. ICT expenses were increased especially due to the development of new common systems for the Group’s units.

Solvency and financial position

The net cash flow from the Group’s operating activities was EUR 4.6 (5.6) million. Cash for investments totaled EUR 2.7 (2.1) million. Loan installments and repayments of leasing liabilities amounted to EUR 5.1 (4.0) million. The Group’s cash and cash equivalents at the end of the year totaled EUR 0.3 (0.3) million.

The Group’s equity ratio was 32.8 (38.6) percent. The equity ratio decreased due to the negative result.

	2020	2019
Return on equity (ROE), %	-12,7 %	1,4 %
Equity-to-assets ratio, %	32,8 %	38,6 %

The Group’s parent company

The net revenue of the Group’s parent company, Nordic Morning Group Plc, was EUR 3.8 (4.1) million, its result for the financial year was EUR -5.2 (-0.8) million. The parent company’s balance sheet total was EUR 61.5 (61.3) million.

Investments

The Group’s gross capital expenditure, as per international financial statements standards (IFRS), was EUR 5.2 (2.0) million. The parent company’s gross capital expenditure, as per Finnish accounting regulations, was EUR 1.1 (1.1) million.

Personnel

During the financial year, the Group employed an average of 372 (442) persons (full-time equivalents). The parent company employed an average of 23 (25) persons.

The average number of personnel decreased by 58 in the Nordic Morning business area (full-time equivalents). The decrease in personnel was due to terminations of employment and temporary layoffs in Finland and long-term part-time layoffs in Sweden. There were no significant changes in the number of personnel in the other business areas.

Of the Group’s employees, 60 (57) percent worked in Finland and 40 (43) percent in Sweden.

Average number of employees in full-time equivalents	**2020**	**2019**	**Change 2020–2019**
Nordic Morning	170	228	-25,4 %
Edita Publishing	83	89	-6,7 %
Edita Prima	87	87	0,0 %
Other operations	32	38	-15,8 %
Group	**372**	**442**	**-15,8 %**
Per country			
Finland	224	255	-12,2 %
Sweden	148	187	-20,9 %
Group	**372**	**442**	**-15,8 %**
Employee benefits expense (EUR 1,000)	**28 729**	**32 461**	**-11,5 %**

Compensation

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

The Board of Directors of Nordic Morning Group Plc decides the terms and conditions of the contracts of the CEO and directors who are directly accountable to the CEO. Every year, the Board sets targets, based on the budget and operating plans, that must be met for bonuses to be paid and decides on the compensation of the CEO and directors directly accountable to the CEO. As regards those other than the CEO and members of the business areas' management teams, the Board decides on the principles of compensation.

In 2020, the Group had an incentive program under which the CEO was entitled to a performance-based bonus not exceeding 100 percent of the CEO's annual taxable earnings. The other individuals covered by the incentive program are entitled to a performance-based bonus not exceeding 60–80 percent of their annual taxable earnings. No performance bonus provisions were recognized in relation to this incentive system during the 2020 financial year. Bonus provisions were recognized in relation to other current programs approved by the board in accordance with the rules of those programs.

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

Risks and risk management

The Nordic Morning Group's most significant risks are related to the development of the general economic situation, structural changes in the marketing and communications industry, risks related to business operations, and development of the value of the Swedish krona. In 2020–2021, there are also significant risks related to the COVID-19 pandemic and its business impacts. The Group's risks are assessed regularly as part of operational planning and reporting.

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

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

Nordic Morning Group has historically grown largely through acquisitions, which have created acquisition-related goodwill in the balance sheet. On the financial statements date, the Group's balance sheet included EUR 13.4 million in goodwill, which has been allocated to the Nordic Morning business area's Finnish and Swedish units. If the structural change of the marketing and communications market continues to be more intense than anticipated, the Nordic Morning Group may have to consider impairment of goodwill.

As a result of previous acquisitions, the Nordic Morning Group's information systems structure has been fragmented. The risk this poses to business operations has been reduced by the implementation of the first phase of the new information systems structure in 2020.

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

Financing risks are managed by hedging part of the interest rates on loans. The Group's most recent hedging arrangement expired in the first quarter of 2020 when the final installment of the bank loan in question was made.

Corporate responsibility

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

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

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

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

Board of Directors, CEO and auditors

The Annual General Meeting on March 12, 2020, decided that Jukka Ruuska (Chairman), Mervi Airaksinen (Vice Chairman), Ingrid Jonasson Blank and Anne Korkiakoski will continue as members of the Board of Directors of Nordic Morning Group Plc. Jani Engberg and Maija Strandberg were elected as new members.

The Nordic Morning Group's CEO is Anne Årneby.

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

Outlook for 2021

The uncertainty in the global economy caused by the COVID-19 pandemic is expected to continue in 2021. The Group will not issue financial guidance for the new year. In the long term, the digital transformation is expected to create new business opportunities for the Group. The Group will continue to develop its businesses and structures to support its services and ensure that the Group's businesses respond to their customers' constantly changing needs. Our key goals are to improve the profitability of the Nordic Morning business area and develop our shared information systems. The Group has made significant investments in a new ERP system in 2019–2020, and investments are expected to continue in 2021.

Shares

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

Board's proposal on the disposal of distributable funds

Nordic Morning Group Plc's equity was EUR 34,081,204.67 at the end of the financial year. The company's distributable funds amount to EUR 2,211,594.33, of which the result for the financial year is EUR -5,220,230.76.

The Board of Directors proposes to the Annual General Meeting that the parent company's distributable funds be transferred to the profit and loss account of previous financial periods and that no dividend be distributed.

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.

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

	Note	1.1. -31.12.2020	1.1. -31.12.2019
NET REVENUE	**2,3**	**73 920**	**77 550**
Other operating income	4	1 173	658
Change in inventories of finished and unfinished goods		-201	-186
Work performed for company use		48	102
Materials and services	5	-30 904	-27 836
Employee benefits expense	6	-28 729	-32 461
Depreciation	7	-3 980	-4 477
Impairment	7	-1 024	0
Other operating expenses	8	-12 467	-12 732
Share of profit in associates	17	0	-7
OPERATING PROFIT		**-2 165**	**611**
Financial income	10	659	8
Financial expenses	11	-570	-315
PROFIT BEFORE TAXES		**-2 076**	**304**
Income taxes	13	-40	-50
PROFIT FOR THE FINANCIAL YEAR		**-2 116**	**254**
Distribution			
Parent company's shareholders		-2 116	254
Earnings per share calculated on the profit attributable to shareholders of the parent company:			
earnings per share, EUR		-0,35	0,04

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

	Note	1.1. -31.12.2020	1.1. -31.12.2019
PROFIT FOR THE FINANCIAL YEAR		**-2 116**	**254**
Other comprehensive income			
Items that may be recognized through profit and loss later			
Translation differences	12	-425	149
		-425	149
Post-tax OCI items for the financial year		-425	149
ACCUMULATED COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		**-2 542**	**403**
Distribution of comprehensive income			
Parent company's shareholders		-2 542	403

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

ASSETS	**Note**	**31.12.2020**	**31.12.2019**
NON-CURRENT ASSETS			
Tangible fixed assets	14	15 447	15 282
Goodwill	15	13 426	14 298
Other intangible assets	15	2 863	1 806
Other financial assets	18	26	26
Deferred tax assets	19	124	98
		31 886	31 510
CURRENT ASSETS			
Inventories	20	1 316	1 406
Sales receivables and other receivables	21	14 982	14 611
Tax receivables based on taxable income for the financial year		239	422
Other current financial assets	18	0	114
Cash and cash equivalents	22	283	256
		16 820	16 809
Total assets		**48 706**	**48 319**

EQUITY AND LIABILITIES	**Note**	**31.12.2019**	**31.12.2019**
SHAREHOLDERS' EQUITY			
Share capital		6 000	6 000
Share premium fund		25 870	25 870
Translation differences		-154	271
Fair value fund		0	54
Retained earnings		-16 354	-14 292
Shareholders' equity attributable to parent company shareholders	23	15 361	17 903
LIABILITIES			
Non-current liabilities			
Financial liabilities	25	6 575	7 352
Non-current provisions	24	62	3
Deferred tax liabilities	19	0	65
		6 637	7 420
Current liabilities			
Current financial liabilities	25	5 555	4 111
Accounts payable and other current liabilities	26	21 109	18 861
Tax liabilities based on taxable income for the financial year		44	25
		26 708	22 996
Total liabilities		33 345	30 416
Total shareholders' equity and liabilities		**48 706**	**48 319**

Consolidated statement of cash flows (EUR 1 000)

	Note	1.1. - 31.12.2020	1.1. - 31.12.2019
Cash flow from operating activities			
Profit for the financial year		-2 116	254
Adjustments			
Non-cash transactions	29	4 969	4 474
Interest expenses and other financial expenses		570	315
Interest income		-655	-8
Dividend income		-4	-4
Taxes		40	50
Changes in working capital			
Change in sales receivables and other receivables		-371	-411
Change in inventories		90	266
Change in accounts payable and other liabilities		2 151	1 080
Change in provisions		59	-112
Interest and other financial expenses paid		-288	-219
Interest received		37	8
Taxes paid (-) received (+)		74	-92
Net cash flow from operating activities (A)		**4 557**	**5 602**
Cash flow from investing activities			
Divestment of business operations		0	114
Sale of tangible fixed assets		0	40
Investments in tangible fixed assets		-1 341	-978
Investments in intangible assets		-1 377	-1 094
Proceeds from other investments		103	0
Dividends received		4	163
Net cash flow from investing activities (B)		**-2 610**	**-1 755**
Cash flow from financing activities			
Use of cash pool liability		3 331	2 143
Repayment of loans	25	-2 893	-1 880
Lease payments	25	-2 214	-2 155
Dividends paid		0	-2 000
Net cash flow from financing activities (C)		**-1 775**	**-3 892**
Change in cash and cash equivalents (A+ B + C)		**171**	**-46**
Cash and cash equivalents at start of the period		256	234
Effect of changes in exchange rates		-144	67
Cash and cash equivalents at end of the period	22	**283**	**256**

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

Shareholders’ equity attributable to parent company shareholders

	Note	Share capital	Share premium fund	Translation differences	Fair value fund	Retained earnings	Total
Shareholders’ equity, January 1, 2019		**6 000**	**25 870**	**122**	**54**	**-12 546**	**19 500**
Comprehensive income							
Profit for financial year						254	254
Other comprehensive income (adjusted with tax effect)							
Translation differences				149		0	149
Accumulated comprehensive income for the financial year				**149**		**254**	**403**
Transaction with owners							
Parent dividend distribution	25					-2 000	-2 000
Shareholders’ equity, December 31, 2019		**6 000**	**25 870**	**271**	**54**	**-14 292**	**17 903**
Shareholders’ equity, January 1, 2020		**6 000**	**25 870**	**271**	**54**	**-14 292**	**17 903**
Comprehensive income							
Profit for financial year						-2 116	-2 116
Other comprehensive income (adjusted with tax effect)							
Translation differences				-425			-425
Accumulated comprehensive income for the financial year				**-425**	**0**	**-2 116**	**-2 542**
Transaction with owners							
Parent dividend distribution	25					0	0
Other items					**-54**	**54**	**0**
Shareholders’ equity, December 31, 2020		**6 000**	**25 870**	**-154**	**0**	**-16 354**	**15 361**

Notes to the consolidated financial statements

1. Accounting policies applied to the consolidated financial statements

Basic information

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

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

These financial statements were approved for publication by the Board of Directors of Nordic Morning Group Plc at its meeting held on February 23, 2021. 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, 2020, 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 adopted the following new and amended standards and interpretations starting from January 1, 2020. The amendments have not had a material effect on the consolidated financial statements.

- Amendments to References to Conceptual Framework in IFRS Standards (effective for financial years beginning on or after 1 January 2020). The revised Framework codifies IASB's thinking adopted in recent standards. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs.
- Definition of Material – Amendments to IAS 1 *Presentation of Financial Instruments* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (effective for financial years beginning on or after 1 January 2020). The amendments clarify the definition of material and include guidance to help improve consistency in the application of that concept across all IFRS Standards. In addition, the explanations accompanying the definition have been improved.

- Interest Rate Benchmark Reform – Phase 1 – Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures* (effective for financial years beginning on or after 1 January 2020). Amendments have been issued to address uncertainties related to the reform of interbank offered rates (IBOR). The amendments provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to IBOR reform.

Subsidiaries

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

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

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

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

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

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

Associates

Associates are companies over which the Group has significant influence. Significant influence is achieved when the Group owns more than 20 percent of the company’s voting power or when the Group otherwise has significant influence, but not control. The Group did not have associates at the end of the accounting period.

Associates are consolidated by using the equity method.

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

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

Translation of Items Denominated in Foreign Currencies

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

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

Translation of foreign Group companies' financial statements

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

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

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

Tangible fixed assets

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

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

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

Buildings and structures	10–30 years
Machinery and equipment	4–15 years
Right-of-use assets (leasing)	the economic life of the underlying asset

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

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

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

Intangible assets

Goodwill

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

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

Research and development expenditure

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

Assets are subject to depreciation as soon as they are ready for use. An asset that is not yet ready for use will be tested annually for impairment. After their initial recognition, capitalized development expenses are measured at acquisition cost less accumulated depreciation and impairment.

The useful life of capitalized development expenditure is 3–5 years, during which time the capitalized costs are recognized as expenses depreciated using the straight line method.

Other intangible assets

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

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

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

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

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

Inventories

Materials, accessories and unfinished and finished goods are recognized under inventories. Inventories are measured at the lower of cost or net realizable value. Acquisition cost is calculated using the first in, first out (FIFO) method. All purchasing costs, including direct transportation, handling and other costs, are included in the acquisition cost of products that have been purchased as finished products. The acquisition cost of finished and unfinished products manufactured by the company is made up of raw materials, direct costs resulting from work carried out, other direct costs and a systematically applied share of the variable and fixed general costs of manufacturing at a normal level of activity.

The acquisition cost of inventories does not include borrowing costs. The net realizable value is the estimated sales price obtainable through normal business, less the estimated expenses of completing the product and the estimated essential expenses of selling the product.

Leases

Group as the lessee

The Group as the lessee recognizes assets and liabilities for all leases with a term exceeding 12 months that satisfy the IFRS 16 definition of a lease, except where the underlying asset is of low value. However, leased computers are treated in accordance with the IFRS 16 standard. The Group recognizes a right-of-use asset that represents its right to use the leased asset, and a lease liability that represents the obligation to pay rent. The Group has lease agreements that satisfy the IFRS 16 definition in relation to office facilities and cars in Finland and Sweden as well as computers in Finland. The office lease agreement in Finland is in effect until the end of 2027. In Sweden, the most significant office lease agreement is in effect until the end of 2022. There are also other office lease agreements in Sweden, the financial value of which is low in comparison to the agreements mentioned above. They will be in effect until 2022 and 2023. The car lease agreements are typically made for three years.

Leases are recognized on the balance sheet at the start of the lease term, at fair value of the leased asset at the time of signing the agreement or at the present value of minimum lease payments, whichever is lower. The lease term is the period during which the lease is noncancelable. In determining the lease term, the Group takes into account extension options and termination options if it is reasonably certain that the Group will exercise the extension option or elect not to exercise the termination option.

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

The expenses of short-term leases and leases for which the underlying asset is of low value are recognized under other operating expenses and the total value of future minimum lease payments are disclosed in the Notes as off-balance sheet liabilities.

Group as the tenant

Assets leased out under IFRS 16 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. Income from lease agreements that are not part of the Group's primary business are recognized in other income in the income statement.

Impairment of tangible and intangible assets

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

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

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

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

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

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

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

The useful life of an asset subject to depreciation is reassessed when the impairment loss is recognized.

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

Employee Benefits

Pension obligations

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

Provisions and contingent liabilities

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

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

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

Income taxes for the year and deferred taxes

The tax liability in the income statement is made up of income tax for the financial year and deferred tax. Taxes are recognized through profit or loss, except when they relate directly to shareholders’ equity or other comprehensive income items. 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 leasing agreements and provisions.

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

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

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

Recognition policies

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

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

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

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

Sale of goods

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

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

Revenue from sale of services and recognition of revenue over time

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

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

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

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

For services, the degree of completion is defined according to the amount of work carried out in relation to the estimated amount of work required to complete the whole project. If the derived costs and recognized profits are greater than the amount charged from the project, the difference is presented on the balance sheet under the item “sales receivables and other receivables”. If the derived costs and recognized profits are less than the amount charged from the project, the difference is presented on the balance sheet under the item “accounts payable and other liabilities”.

Otherwise, the revenue from the service is recognized when the control of the service has been transferred, it is likely that the performance of the service will generate financial benefit, the customer has a legal right to the asset or the customer has approved the asset. If it is likely that the overall expenses required to complete the service will exceed the overall income from the project, the expected loss is immediately recognized as an expense.

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

Licensing revenue

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

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

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

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

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

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

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

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

Financial assets and liabilities

Financial assets

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

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

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

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

Impairment of financial assets

The Group estimates expected credit losses using the simplified approach. The Group recognizes expected impairment losses for financial receivables measured at amortized cost. In addition, significant hardships of the debtor, the likelihood of bankruptcy, failure to make payments or major delays in payments indicate that sales receivables may have to be impairment. If the impairment loss sum decreases during a later period and the depreciation can objectively be deemed as tied to an event that took place after the recognition of the impairment, the recognized impairment will be reversed through profit and loss. The expected credit loss is recognized through profit or loss and its counterpart is a loss allowance that reduces the financial asset.

Financial liabilities

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

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

Expenses arising from interest-bearing liabilities are recognized as expenses using the effective interest method.

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

Derivative contracts and hedge accounting

On the date of the balance sheet for the financial year or the comparison year, the Group had no open derivative contracts to which the Group had applied hedge accounting. On the balance sheet date, the Group also had no open interest hedges used to change variable interest rates to fixed interest rates. On the balance sheet date of the comparison year, the Group had one open interest hedge related to a loan from a bank.

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

In spite of the fact that the hedging relationships fulfill the requirements for effective hedging set by the Group's risk management, hedge accounting is not applied to them. Changes in their fair value are recognized in financial income or expenses in accordance with the method of recognition followed in the Group. Fair values of hedging instruments are presented in Note 28 "Fair value of financial assets and liabilities".

Operating profit

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

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

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

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

The Group management makes decisions 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.

Estimates have been used in drawing up the financial statements, for example in the calculations for impairment testing and when defining the life of tangible and intangible assets. The value of intangible assets was measured on the basis of estimates of the cash flows associated with the assets because no market information from transactions involving corresponding assets was available. The COVID-19 pandemic increases uncertainty related to management estimates. When estimating the impact of the COVID-19 pandemic the assumption has been that new vaccinations and their effective distribution diminish the impacts of the pandemic in the future.

The Group tests its goodwill and work-in-progress for impairment annually. In impairment testing, the recoverable amounts from the CGUs have been defined on the basis of value in use. These calculations require estimates. More information about the sensitivity of recoverable amounts to changes in the applied estimates is provided in Note 15 “Intangible Assets”.

New and revised standards and interpretations to be applied later

The Group will apply future standards and interpretations from the effective date. However, if this date is not the first day of the financial year, it will apply the standard or interpretation from the beginning of the following financial year.

Covid-19-Related Rent Concessions – Amendment to IFRS 16 *Leases* (effective for financial years beginning on or after 1 June 2020). The amendment allows the lessees not to account for rent concessions as lease modifications if the concessions are a direct consequence of the covid-19 pandemic and only if certain conditions are met. The amendment is not expected to have a material effect on the consolidated financial statements.

Property, Plant and Equipment — Proceeds before Intended Use – Amendments to IAS 16 *Property, Plant and Equipment* (to be applied from 1 January 2022). Under the amendments, proceeds from selling items before the related item of PPE is available for use should be recognized in profit or loss, together with the costs of producing those items. The standard has not been endorsed for use by the European Union as of 31 December 2020. The amendment is not expected to have a material effect on the consolidated financial statements.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* (to be applied from 1 January 2022). When an onerous contract is accounted for based on the costs of fulfilling the contract, the amendments clarify that these costs comprise both the incremental costs and an allocation of other direct costs. The standard has not been endorsed for use by the European Union as of 31 December 2020. The amendment is not expected to have a material effect on the consolidated financial statements.

Annual Improvements to IFRS Standards 2018–2020 (to be applied from 1 January 2022)
The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The standard has not been endorsed for use by the European Union as of 31 December 2020. The amendments clarify the following standards:

- IFRS 16 *Leases* – Lease incentives – Example 13. The amendment removes the illustration of payments from the lessor relating to leasehold improvements. The example was not clear as to why such payments are not a lease incentive. The amendment is not expected to have a material effect on the consolidated financial statements.

Classification of Liabilities as Current or Non-current - Amendments to IAS 1 *Presentation of Financial Statements* (to be applied from 1 January 2023). The amendments are to promote consistency in application and clarify the requirements on determining if a liability is current or non-current. The standard has not been endorsed for use by the European Union as of 31 December 2020. The amendment is not expected to have a material effect on the consolidated financial statements.

Notes on consolidated financial statements (IFRS)

2. Operating segments

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

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

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

The **Edita Prima** business area produces multichannel customer communications solutions, online services for managing marketing materials, election services, and extensive printing services. The business area comprises the Finnish subsidiary Edita Prima Ltd.

Other Operations includes the administrative operations of Nordic Morning Group Sweden AB and the operations of the parent company Nordic Morning Group Plc, which owns the Group's subsidiaries and steers the Group's operations and supports them with expert and administrative services.

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

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

Financial year 2020, EUR 1,000 Operating segments	**Nordic Morning**	**Edita Publishing**	**Edita Prima**	**Other operations**	**Elim.**	**Total**
External net revenue	29 720	12 134	32 065	1		73 920
Inter-segment net revenue	107	4	63	4 860	-5 033	0
Net revenue, total	**29 827**	**12 138**	**32 128**	**4 861**	**-5 033**	**73 920**
Depreciation	-104	-37	-772	-3 066		-3 980
Impairment	-1 024	0	0	0		-1 024
Operating profit/loss	**-2 448**	**2 158**	**1 146**	**-3 022**		**-2 165**
Assets and liabilities						
Goodwill	13 426	0	0	0		13 426
Segment assets	5 329	1 773	9 468	15 934	-408	32 096
Segment assets, total	**18 755**	**1 773**	**9 468**	**15 934**	**-408**	**45 521**
Segment liabilities	**2 961**	**742**	**5 446**	**9 871**	**-408**	**18 612**
Investments	**0**	**250**	**1 477**	**3 522**	**0**	**5 249**

Notes on consolidated financial statements (IFRS)

Financial year 2019, EUR 1,000 **Operating segments**	Nordic Morning	Edita Publishing	Edita Prima	Other operations	Elim.	Total
External net revenue	36 030	13 317	28 202	0		77 550
Inter-segment net revenue	57	6	95	5 564	-5 721	0
Net revenue, total	**36 087**	**13 323**	**28 297**	**5 564**	**-5 721**	**77 550**
Depreciation	-502	-37	-804	-3 134		-4 477
Impairment	0	0	0	0		0
Investments in associated companies	0	0	-7	0		-7
Operating profit/loss	**-1 086**	**2 109**	**764**	**-1 177**		**611**
Assets and liabilities						
Goodwill	14 298	0	0	0		14 298
Segment assets	6 977	2 040	7 716	15 157	-72	31 818
Segment assets, total	**21 275**	**2 040**	**7 716**	**15 157**	**-72**	**46 116**
Segment liabilities	**2 603**	**614**	**3 320**	**9 103**	**-72**	**15 568**
Investments	**6**	**0**	**522**	**1506**	**0**	**2 034**

Reconciliations between the consolidated data and the reported segment data

EUR 1,000	2020	2019
Net revenue		
Reported segment net revenue	73 920	77 550
Consolidated net revenue	**73 920**	**77 550**
Profit/loss before taxes		
Reported segment operating profit/loss	-2 165	611
Consolidated net financial income (+)/expenses (-)	89	-307
Consolidated profit/loss before taxes	**-2 076**	**304**
Assets		
Reported segment assets	45 521	46 116
Assets not allocated to a segment	3 184	2 203
Consolidated assets	**48 706**	**48 319**
Equity and liabilities		
Reported segment liabilities	18 612	15 568
Liabilities not allocated to a segment	14 733	14 849
Group equity	15 361	17 903
Group equity and liabilities	**48 706**	**48 319**

Notes on consolidated financial statements (IFRS)

3. Net revenue

Revenue information concerning geographical areas

During the financial year, the Group's segments operated in Finland and Sweden. Sales income from external customers have been defined in accordance with the International Financial Reporting Standards (IFRS). In the financial year 2020, the Group had two customers whose share of the Group's net revenue exceeded 10% (2019: two customers). Net revenue from customer A was approximately EUR 13.7 million (2019: approx. EUR 11.5 million) and was allocated to the Edita Prima and Edita Publishing segments (2019: Edita Prima segment). Net revenue from customer B was approximately EUR 9.4 million (2019: approx. EUR 8.6 million) and was allocated to the Nordic Morning and Edita Prima segments in the financial year and in the comparison period.

Financial year 2020, EUR 1,000	**Nordic**	**Edita**	**Edita**	**Other**		
Geographical areas	**Morning**	**Publishing**	**Prima**	**operations**	**Elim.**	**Total**
Finland	7 900	12 119	32 023	2 889	-3 531	51 401
Sweden and the rest of the EU	22 625	10	92	2 031	-2 379	22 379
Export sales	119	8	13	0	0	140
Eliminations	-817	0	0	-59	877	0
Net revenue, total	**29 827**	**12 138**	**32 128**	**4 861**	**-5 033**	**73 920**

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

Revenue by category and timing

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

Financial year 2020, EUR 1,000	**Nordic**	**Edita**	**Edita**	**Other**		
	Morning	**Publishing**	**Prima**	**operations**	**Elim.**	**Total**
Revenue from services recognized at a point in time	4 453	2 028	868	3 984	-4 068	7 264
Revenue from services recognized over time	25 374	5 104	882	0	-51	31 310
Revenue from goods recognized at a point in time	0	3 916	30 377	0	-38	34 255
Other revenue recognized at a point in time	0	1 090	0	876	-876	1 090
Net revenue, total	**29 827**	**12 138**	**32 128**	**4 861**	**-5 033**	**73 920**

Financial year 2019, EUR 1,000	**Nordic**	**Edita**	**Edita**	**Muut**		
	Morning	**Publishing**	**Prima**	**toiminnot**	**Elim.**	**Yhteensä**
Revenue from services recognized at a point in time	5 976	1 179	331	4 688	-5 073	7 101
Revenue from services recognized over time	30 111	5 822	981	0	290	37 205
Revenue from goods recognized at a point in time	0	5 080	26 985	0	-62	32 002
Other revenue recognized at a point in time	0	1 242	0	876	-876	1 242
Net revenue, total	**36 087**	**13 323**	**28 297**	**5 564**	**-5 721**	**77 550**

Notes on consolidated financial statements (IFRS)

Balances of contracts with customers

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

EUR 1,000	2020	2019
Receivables included in sales receivables and other receivables	12 041	12 396
Contractual assets	1 082	696
Contractual liabilities	3 500	3 303

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

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

	2020		2019	
EUR 1,000	Contractual assets	Contractual liabilities	Contractual assets	Contractual liabilities
Share of opening balance's contractual liabilities recognized as revenue	-	-3 303	-	-3 873
Increase in contractual liabilities due to advances received, excluding the amount for which revenue was recognized during the period	-	3 500	-	3 303
Contractual assets transferred from the opening balance of contractual assets to sales receivables	-696	-	-1 215	-
Increase in contractual assets due to change in the degree of completion	1 082	-	696	-

Transaction price reported for remaining performance obligations

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

EUR 1,000	2021	2020
Sale of services	11 839	12 637
Sale of goods	407	590

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

Additional expenses arising from obtaining contracts

The Group has capitalized orders received through intermediaries, the performance obligations for which will likely be satisfied during the next financial year. The capitalized commissions amounted to EUR 20 thousand (2019: EUR 9 thousand). The capitalized commissions will be recognized as expenses when the performance obligation is satisfied and revenue for it is recognized.

Notes on consolidated financial statements (IFRS)

Recognizing income as profit, and expenses as expenditures over time

Projects for which revenue is recognized over time are related to services sold by the Nordic Morning and Edita Publishing business areas. Where realized expenses and recognized gains exceed the amount billed from the customer, the gross receivables are included in Note 21 under "Accrued income on projects in progress". Advances received for work that has not yet been started or the share already billed for projects which exceeds the accumulated expenses and profit are included in Note 26 under Advances received from customers for projects in progress.

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

Receivables from customers for projects in progress **EUR 1,000**	Note 21	**2020**	**2019**
Income/assignment expense		418	586
Amount invoiced from customers		-22	-70
Total		**395**	**516**

Advances received from customers for projects in progress **EUR 1,000**	Note 26	**2020**	**2019**
Income/assignment expense		-802	-149
Amount invoiced from customers		2 596	2 028
Total		**1 794**	**1 879**

4. Other operating income

EUR 1,000	**2020**	**2019**
Sales profit from tangible fixed assets	0	40
Rental income	654	410
Other income items	519	208
Total	**1 173**	**658**

5. Materials and services

EUR 1,000	**2020**	**2019**
Purchases made during the financial year	-3 739	-3 853
Change in stocks	30	-81
	-3 709	-3 934
Outsourced services	-27 196	-23 903
Total	**-30 904**	**-27 836**

Notes on consolidated financial statements (IFRS)

6. Employee benefits expense

EUR 1,000	2020	2019
Salaries	-22 064	-24 360
Pension costs – defined contribution plans	-3 271	-3 905
Other related expenses	-3 395	-4 195
Total	**-28 729**	**-32 461**

Average number of employees during the financial year by business area	2020	2019
Nordic Morning	170	228
Edita Publishing	83	89
Edita Prima	87	87
Other operations	32	38
Group, total	**372**	**442**
In Finland	224	254
In Sweden	148	188
Group, total	**372**	**442**

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

7. Depreciation and impairment

EUR 1,000	Notes	2020	2019
Depreciation by asset group			
Intangible assets			
Capitalized development costs		-37	-37
Contracts with customers		-101	-479
Capitalization of software and information systems		-245	-114
Other intangible assets		-38	-58
Total		**-422**	**-688**
Tangible fixed assets			
Buildings		-576	-584
Leases		-2 224	-2 226
Machinery and equipment		-759	-979
Total		**-3 559**	**-3 789**
Total depreciation		**-3 980**	**-4 477**
Impairment by asset group			
Goodwill	15	-1 024	0
Total		**-1 024**	**0**

Notes on consolidated financial statements (IFRS)

8. Other operating expenses

EUR 1,000	2020	2019
Royalties and order commissions	-996	-1 369
Leasing expenses for office equipment and other lease adjustments	-269	83
Other business premises expenses	-1 399	-1 204
Logistics and transport costs	-1 087	-1 076
IT and data communications	-4 021	-3 961
Marketing and representation costs	-269	-475
Consulting and specialist fees	-591	-657
Other operating expenses	-3 837	-4 074
Total	**-12 467**	**-12 732**

Auditor's fees

Authorized Public Accountants KPMG	2020	2019
Audit	-87	-74
Tax consultation	-30	-27
Other services	-5	-8
Total	**-122**	**-109**

9. Research and development expenditure and other capitalized assets

Direct development expenses of information systems have been capitalized as other capitalized assets. The capitalizations and advance payments for the 2020 financial year amounted to EUR 1,379 thousand (EUR 1,096 thousand). EUR 1,863 thousand (2019: 0) were reassigned from advance payments to other intangible assets. The unamortized acquisition cost of other intangible assets is EUR 2,220 thousand (EUR 641 thousand) and of advance payments EUR 611 thousand (EUR 1,096 thousand). Direct marketing automation expenses have been capitalized as development expenses. The unamortized acquisition cost is EUR 32 thousand (EUR 70 thousand) (Note 15). Development costs of EUR 532 thousand were recognized as expenses in the financial year 2020 (2019: EUR 128 thousand).

10. Financial income

EUR 1,000	2020	2019
Dividend income	4	4
Interest income	37	4
Unrealized exchange rate differences	618	0
Total	**659**	**8**

11. Financial expenses

Items recognized through profit and loss

EUR 1,000	2020	2019
Interest expenses on financial liabilities measured at amortized cost	-84	-77
Changes in value of financial assets measured at fair value through profit or loss		
- Interest rate derivatives, hedge accounting not applied	0	9
- Financial securities	-10	31
Interest expenses on leases	-137	-135
Other financial items	-339	-143
Total	**-570**	**-315**

Other financial items primarily consist of expenses related to financing limit provisions and exchange rate differences. In the income statement, exchange rate differences are recognized in revenue, other operating expenses, financing income, and other financing expenses. The exchange rate differences recognized through profit and loss totaled EUR +335 thousand in 2020 (EUR -108 thousand in 2019).

Notes on consolidated financial statements (IFRS)

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

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

EUR 1,000		2020			2019	
	Recognized in OCI	Change in classification	Total	Recognized in OCI	Change in classification	Total
Translation differences	-425	0	-425	149	0	149
Total	**-425**	**0**	**-425**	**149**	**0**	**149**

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

13. Income taxes

EUR 1,000	2020	2019
Income tax paid for the financial year	-124	-214
Taxes relating to previous financial years	-3	-1
Deferred taxes:		
Temporary differences that have been generated and that do not exist any more	87	165
Taxes in the income statement	**-40**	**-50**

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

EUR 1,000	2020	2019
Profit before taxes	-2 076	304
Taxes at the parent company’s tax rates	415	-61
Tax-free income	2 136	179
Non-deductible expenses	-1 307	-180
Unrecognized referred tax assets		
on losses subject to tax	-1 630	-93
Use of losses subject to tax	331	99
Taxes relating to previous financial years	-3	-1
Share of profit in associated companies less taxes	0	-1
Other items and different tax rates of foreign subsidiaries	17	7
Taxes in the income statement	**-40**	**-50**
Effective tax rate	-1,9 %	16,4 %

Taxes relating to OCI items

EUR 1,000		2020			2019	
	Before taxes	Tax effect	After taxes	Before taxes	Tax effect	After taxes
Translation differences	-425	0	-425	149	0	149
Total	**-425**	**0**	**-425**	**149**	**0**	**149**

Notes on consolidated financial statements (IFRS)

14. Tangible fixed assets

EUR 1,000	Land and water areas	Build-ings	Machinery and equipment	*Right of use assets* *Office leases*	*Car leases*	*Computer leases*	Total
Acquisition cost January 1, 2020	1 923	16 781	21 131	14 692	406	0	54 933
Exchange rate differences	0	0	1	-38	-1	0	-38
Increases	0	0	1 341	2 097	211	121	3 769
Decreases	0	0	0	-4 916	-97	-4	-5 016
Acquisition cost, December 31, 2020	**1 923**	**16 781**	**22 473**	**11 835**	**519**	**117**	**53 648**
Accumulated depreciation and impairment on January 1, 2020	0	13 152	19 491	6 847	165	0	39 655
Decreases	0	0	-4	-4 916	-89	-4	-5 013
Depreciation for the financial year	0	576	759	2 021	164	39	3 559
Accumulated depreciation, December 31, 2020	**0**	**13 728**	**20 247**	**3 952**	**239**	**35**	**38 201**
Carrying amount, December 31, 2020	**1 923**	**3 053**	**2 226**	**7 883**	**280**	**82**	**15 447**
Carrying amount, January 1, 2020	1 923	3 629	1 641	7 845	242	0	15 279

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

Notes on consolidated financial statements (IFRS)

15. Intangible assets

EUR 1,000	Goodwill	Develop. expenses	Other intangible assets	Advance payments	Total
Acquisition cost January 1, 2020	30 530	149	6 667	1 096	38 442
Exchange rate differences	152	0	0	0	151
Increases	0	0	1 964	1 379	3 343
Decreases	0	0	0	-1 863	-1 863
Acquisition cost, December 31, 2020	**30 682**	**149**	**8 631**	**611**	**40 072**
Accumulated depreciation and impairment on January 1, 2020	16 232	80	6 026	0	22 337
Depreciation for the financial year	0	37	384	0	422
Impairment	1 024	0	0	0	1 024
Accumulated depreciation, December 31, 2020	**17 256**	**117**	**6 410**	**0**	**23 782**
Carrying amount, December 31, 2020	**13 426**	**32**	**2 220**	**611**	**16 289**
Carrying amount, January 1, 2020	14 298	70	641	1 096	16 105

EUR 1,000	Goodwill	Develop. expenses	Other intangible assets	Advance payments	Total
Acquisition cost January 1, 2019	30 599	149	6 409	0	37 157
Exchange rate differences	-69	0	-17	0	-86
Increases	0	0	275	1 096	1 371
Acquisition cost, December 31, 2019	**30 530**	**149**	**6 667**	**1 096**	**38 442**
Accumulated depreciation and impairment on January 1, 2019	16 232	43	5 375	0	21 649
Depreciation for the financial year	0	37	651	0	688
Accumulated depreciation, December 31, 2019	**16 232**	**80**	**6 026**	**0**	**22 337**
Carrying amount, December 31, 2019	**14 298**	**70**	**641**	**1 096**	**16 105**
Carrying amount, January 1, 2019	14 367	107	1 034	0	15 507

Other intangible assets include IT software related other capitalized assets, software, licenses, customer agreements acquired through mergers, and the associated customer contracts and customer relationships.

Notes on consolidated financial statements (IFRS)

Allocation of goodwill

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

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

At the end of the financial years 2019–2020, goodwill in the Group was allocated to Nordic Morning Sweden and Nordic Morning Finland. The following shows the carrying amounts of the tested business units and the allocation of goodwill to them: The tested value consists of goodwill and carrying amounts.

EUR 1,000	Nordic Morning Sweden	Nordic Morning Finland	Total
2020			
Goodwill	12 173	1 253	**13 426**
Carrying amount	15 013	1 835	**16 848**
2019			
Goodwill	12 021	2 277	**14 298**
Carrying amount	15 109	2 979	**18 088**

Impairment testing, December 31, 2020

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. COVID-19 pandemic increases the uncertainty relating to the forecasts. Management estimates assume that vaccinations and their effective distribution can decrease the negative revenue and profit impacts of the pandemic.

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

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

Discount rate before taxes	Nordic Morning Sweden	Nordic Morning Finland
2020	6,9 %	7,4 %
2019	7,5 %	7,9 %

Sensitivity analysis in impairment testing

The assumptions used in sensitivity analyses are related to net revenue, expenses, 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 and expenses on profitability (gross margin).

In the Nordic Morning Sweden unit, the recoverable amount exceeds the carrying amount of the unit by EUR 15.6 million. The unit’s carrying amount corresponded to the recoverable amount if the average gross margin used in the calculation of the value in use were to decline by 3.8 percentage units and all other factors remained unchanged. No foreseeable change in any other individual variable would give rise to the need to recognize impairment.

In the Nordic Morning Finland unit, the recoverable amount in the testing fell short of the carrying amount. A goodwill impairment of EUR 1.0 million was recorded in 2020. According to the sensitivity analysis the Group would have to record additional impairments if the estimates of financial development were not reached. Of the variables used the changes in EBITDA-% were having the most significant impact on the recoverable amount. The Group would have to impair all remaining goodwill if the average EBITDA-% used in the calculation of the value in use would decline by ca. 1%-unit.

Notes on consolidated financial statements (IFRS)

16. Subsidiaries and material non-controlling interests

Group structure

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

		Number of wholly-owned subsidiaries	
Operating segment	**Country**	**2020**	**2019**
Nordic Morning	Finland/Sweden	3	3
Edita Publishing	Finland	1	1
Edita Prima	Finland	1	1
Other operations	Finland/Sweden	1	1

A full list of the Group’s subsidiaries is presented in Note 31 “Related party transactions”.

Changes in holdings in subsidiaries

2020

No changes during the financial year.

2019

No changes during the financial year.

Notes on consolidated financial statements (IFRS)

17. Interests in associated companies

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

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

The Group did not have any holdings in associated companies at the end of the financial year 2019 or in the financial year 2020.

Summary of financial information concerning associated companies

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

EUR 1,000	Edita Bobergs Förvaltnings AB 2019
Profit for the financial year	-5
Dividends received from the associated company during the period	159

Notes on consolidated financial statements (IFRS)

18. Other financial assets

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

EUR 1,000	2020	2019
Financial assets measured at fair value through profit or loss	26	140
Total	**26**	**140**

The Group sold its Finnish listed equities during the financial year.

Changes in the value of financial assets

EUR 1,000	2020	2019
At the beginning of the financial year	140	110
Sale of equity investments	-104	0
Other decreases	-10	0
Other increases	0	31
At the end of the financial year	**26**	**140**
Non-current financial assets	26	26
Current financial assets	0	114

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

19. Deferred tax assets and liabilities

Change in deferred taxes during 2020

EUR 1,000	01.01.2020	Recognized in the income statement	Exchange rate differences	31.12.2020
Deferred tax assets				
Internal margin in inventories	0	0		0
Provisions	0	12		12
Leases	98	11	3	112
Total	**98**	**22**	**3**	**124**
Deferred tax liabilities				
Measurement of intangible and tangible assets at fair value in business combinations	22	-22	0	0
Accumulated depreciation differences and appropriations	24	-24	0	0
Financial assets	20	-20		0
Total	**65**	**-65**	**0**	**0**

Notes on consolidated financial statements (IFRS)

Change in deferred taxes during 2019

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

The Group had EUR 9.9 million in losses confirmed on December 31, 2020, for which deferred tax assets were not recognized due to the uncertainty of their use. The confirmed losses in Finland amount to EUR 20 thousand and they will expire in 2027. The rest of the confirmed losses are in Sweden and they will not expire.

20. Inventories

EUR 1,000	2020	2019
Materials and supplies	272	242
Unfinished products	139	171
Finished products/goods	905	993
Total	**1 316**	**1 406**

As expenses of EUR 108 thousand were recognized for the financial year, the carrying amount of inventories was reduced to correspond with their net realizable value (EUR 152 thousand in 2019).

Notes on consolidated financial statements (IFRS)

21. Sales receivables and other receivables

EUR 1,000	2020	2019
Loans and other receivables		
Sales receivables	12 041	12 396
Receivables from customers for projects in progress	395	516
Prepaid expenses and accrued income		
Rents	325	184
Royalty receivables	147	41
Social security expense accruals	53	33
Sales accruals	548	9
Annual credits	15	26
IT service accruals	193	151
Other prepaid expenses and accrued income	266	135
Other receivables	999	1 121
Total of sales receivables and other receivables	**14 982**	**14 611**

The Group recognized EUR 49 thousand (EUR 87 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. The following table presents information on the credit risk concentrations of the Group's sales receivables.

Maturity distribution of sales receivables and recognized expected credit losses

2020 EUR 1,000	Not due	<30 days	31–60 days	>60 days	Total
ECL multiplier*)	0,6 %	2,0 %	7,5 %	10,0 %	
Gross carrying amount	10 763	1 192	46	40	12 041
Lifetime ECL	65	24	3	4	96

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

*) Expected credit loss multiplier

Sales receivables by currency

EUR 1,000	2020	2019
EUR	8 475	7 563
SEK	3 562	4 805
NOK	2	4
Other	1	25
Total	**12 041**	**12 396**

Notes on consolidated financial statements (IFRS)

22. Cash and cash equivalents

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

EUR 1,000	2020	2019
Cash in hand and at the bank	283	256
Total	**283**	**256**

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

23. Equity and capital management

EUR 1,000	Number of shares (1,000)	Share-holders' equity	Share premium fund
31.12.2018	6 000	6 000	25 870
31.12.2019	6 000	6 000	25 870
31.12.2020	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 2020 and 2019, the Group held no treasury shares.

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

Fair value fund
The fair value fund includes changes in financial assets measured at fair value through other comprehensive income.

EUR 1,000	2020	2019
Fair value fund	0	54

Distributable assets
The profit for the year is recognized in retained earnings. The distributable assets of the Group's parent company were EUR 2,211,594.33 in the financial statements dated December 31, 2020. In the comparison year, on December 31, 2019, the distributable assets of the Group's parent company were EUR 7,431,825.09.

Notes on consolidated financial statements (IFRS)

Dividends and capital management

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

The covenants relating to the Group's bank loans are normal terms that, for example, restrict the placement of collateral, large-scale mergers and acquisitions, essential changes in business and changes of qualified majority in ownership. During the financial year 2020, the Group agreed on temporary relaxations of the covenants. The Group will be required to satisfy the original covenant terms again on March 31, 2021. The temporary or original covenants were not breached during the financial year 2020. There were no situations in the financial year 2019 that would have given the management reason to believe that the covenants were breached.

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 2020, the Group's interest-bearing net liabilities stood at EUR 11.8 million (2019: EUR 11.2 million) and the net gearing ratio was 77.1% (2019: 62.6%). 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	**31.12.2020**	**31.12.2019**
Interest-bearing liabilities	12 130	11 463
Cash and cash equivalents	283	256
Net indebtedness	**11 847**	**11 207**
Total shareholders' equity	15 361	17 903
Equity-to-assets ratio, %	32,8 %	38,6 %
Gearing ratio %	77,1 %	62,6 %

24. Provisions

EUR 1,000	**Rearrange-ments**	**Other provisions**	**Total**
Provisions on December 31, 2019	**3**	**0**	**3**
Amounts used	-2	0	-2
New provisions	0	61	61
Reversal of unused amounts	-2	0	-2
Provisions on December 31, 2020	**0**	**61**	**61**

Restructuring provision

Restructuring provisions are related to restructuring of the Edita Prima and Edita Publishing business areas, aiming to adjust business operations to the changing market situation.

Other provisions

The Group's other provisions are related to ongoing legal processes.

Notes on consolidated financial statements (IFRS)

25. Interest-bearing liabilities

EUR 1,000

Non-current financial liabilities amortized at cost	2020	2019
Lease liabilities	6 575	7 352
Total	**6 575**	**7 352**

Current financial liabilities amortized at cost	2020	2019
Loan repayments due in the following year	3 331	2 893
Payments of lease liabilities due in the following year	2 223	1 218
Total	**5 555**	**4 111**

Contractual maturing of lease liabilities by maturity class	Lease liabilities		Interest	
	2020	2019	2020	2019
2020	0	1 218	0	107
2021	2 223	1 184	113	92
2022	2 089	1 056	84	76
2023	896	997	55	64
2024	868	1 010	44	51
2025	879	1 022	33	39
2026	890	1 035	22	26
2027	901	1 048	11	13
Total	**8 746**	**8 570**	**363**	**468**

Assets and depreciation related to leases are presented in Note 14.

Contractual maturing of bank liabilities by maturity class	Bank loans		Interest	
	2020	2019	2020	2019
2020		2 893		10
2021	3 331	0	17	0
Total	**3 331**	**2 893**	**17**	**10**

Contractual maturing of interest-bearing liabilities by maturity class	Interest-bearing liabiliti		Interest	
	2020	2019	2020	2019
2020		4 111		117
2021	5 555	1 184	130	92
2022	2 089	1 056	84	76
2023	896	997	55	64
2024	868	1 010	44	51
2025	879	1 022	33	39
2026	890	1 035	22	26
2027	901	1 048	11	13
Total	**12 078**	**11 463**	**380**	**478**

Notes on consolidated financial statements (IFRS)

Weighted averages of effective interest rates of non-current interest-bearing liabilities	2020	2019
	1,5 %	1,4 %

Non-current interest-bearing liabilities are divided by currency as follows	2020	2019
EUR	5 354	7 122
SEK	1 221	231
Total	**6 575**	**7 352**

Current interest-bearing liabilities are divided by currency as follows	2020	2019
EUR	4 308	3 891
SEK	1 247	220
Total	**5 555**	**4 111**

Changes in liabilities arising from financing

EUR 1,000	2020	2019
Interest-bearing liabilities January 1	11 463	12 974
Use of consolidated account credit limit*)	3 331	2 143
Repayments of borrowings*)	-2 893	-1 880
Repayments of lease liabilities*)	-2 214	-2 155
Changes in lease liabilities	0	215
Increases from leases	2 424	195
Exchange rate differences	19	-28
Total interest-bearing liabilities December 31	**12 130**	**11 463**

*) Change with cash flow effect

Notes on consolidated financial statements (IFRS)

26. Accounts payable and other liabilities

EUR 1,000	2020	2019
Current financial liabilities amortized at cost		
Accounts payable	8 075	5 169
Financial liabilities recognized at current fair value through profit or loss		
Derivative contracts, hedge accounting not applied	0	3
Accounts payable and financial liabilities measured at fair value through profit or loss, total	**8 075**	**5 172**

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

Accounts payable by currency	2020	2019
EUR	7 350	4 435
SEK	721	728
NOK	3	22
DKK	0	1
Other currencies	1	-17
Total	**8 075**	**5 169**

Notes on consolidated financial statements (IFRS)

27. Financial risk management

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

Currency risk
Business outside the euro zone accounts for approximately one-third of the net revenue (2019: approximately one-third) and consists mainly of sales denominated in Swedish krona. No currency derivatives were open in the Group on the balance sheet dates in 2019 and 2020. The risk due to the translation of long-term foreign net investments was not hedged on the balance sheet dates December 31, 2019, and December 31, 2020. According to the currency risk policy confirmed by Nordic Morning Group's Board of Directors, currency risks are monitored regularly and hedged when necessary.

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

Nominal values

EUR 1,000	2020	2019
Non-current assets	6 253	4 260
Non-current liabilities	1 221	252
Exchange rate changes in non-current items	165	-107
Current assets	5 112	6 335
Current liabilities	7 981	7 107
Exchange rate changes in current items	-32	35

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

EUR 1,000	2020	2019
Percentage of change	10 %	10 %
Effect on Group's profit after tax	126	46
Effect on the Group's shareholders' equity	-156	2

EUR 1,000	2020	2019
Percentage of change	-10 %	-10 %
Effect on Group's profit after tax	-154	-56
Effect on the Group's shareholders' equity	190	-3

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

At the end of the year, cash and cash equivalents totaled EUR 0.3 million (EUR 0.3 million on December 31, 2019). The Group had a consolidated account credit limit with a maximum size of EUR 9.3 million (EUR 6.3 million). At the end of the financial year, the consolidated account credit limit debt was EUR 3.3 million (EUR 2.1 million). In addition, the Group has had access to unwithdrawn confirmed credit limits of EUR 7.0 million (EUR 10.0 million). Some of the credit limits have loan covenants, which are reported to investors semi-annually. The covenant terms are related to equity and the ratio of net cash to EBITDA. During the financial year 2020, the Group agreed on temporary relaxations of the covenants. The Group will be required to satisfy the original covenant terms again on March 31, 2021. The temporary or original covenants were not breached during the financial year 2020. There were no situations in the financial year 2019 that would have given the management a reason to believe that the covenants were breached.

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

Notes on consolidated financial statements (IFRS)

EUR 1,000

Breakdown of maturities of financial liabilities 2020	Balance sheet value	Cash flow*	12 months or less	1–2 years	2–5 years	>5 years
Financial liabilities	3 331	3 348	3 348	0	0	0
Lease liabilities	8 798	9 110	2 337	2 173	2 776	1 824
Accounts payable	8 075	8 075	8 075			

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

*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 is reduced as necessary by hedging with interest rate derivatives. The Group had a total of EUR 3.3 million (EUR 2.9 million) in interest-bearing debt from financial institutions on December 31, 2020. In addition, the Group had liabilities related to non-cancellable leases in the amount of EUR 8.8 million (EUR 8.6 million). Interest rate risk has been reduced by using interest rate derivatives to convert variable rate loans to fixed rate loans. The final installment on the Group's latest interest-hedged bank loan was made in 2020. On the reporting date, the duration was 2.7 (3.5). In analyzing the interest rate risk, a +1 percentage unit change in the interest rate is estimated to not constitute a risk to the Group's pre-tax profit, as the majority of the Group's debt is related to lease liabilities for which the interest rate is redefined when the lease period or other terms of the lease are redefined. The impact of interest rate changes in 2019 and 2020 would have been ca. 30 thousand euros.

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 largest customers operate in the public sector or are among the largest companies in their industries. The Group's total amount of credit risk corresponds to the carrying amount of financial assets at the end of the financial year. A list of the age distribution of sales receivables and expected credit risks are presented in Note 21.

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

	2020	2020	2020	2019	2019	2019
EUR 1,000	**Positive fair value**	**Negative fair value**	**Fair value, net**	**Positive fair value**	**Negative fair value**	**Fair value, net**
Interest rate swaps						
Maturity:						
in under one year	0	0	0	0	-3	-3

Notes on consolidated financial statements (IFRS)

28. Fair value of financial assets and liabilities

EUR 1,000	Note	Carrying value 2020	Fair value 2020	Carrying value 2019	Fair value 2019
Financial assets					
Other financial assets	18	26	26	26	26
Sales receivables and other receivables	21	14 982	14 982	14 611	14 611
Other current financial assets	18	0	0	114	114
Cash and cash equivalents	22	283	283	256	256
Financial liabilities					
Financial loans	25	3 331	3 298	2 893	2 873
Accounts payable	26	8 075	8 075	5 169	5 169
Financial liabilities measured at fair value through profit or loss:					
- Interest rate derivatives, hedge accounting not applied	26	0	0	3	3

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

Financial assets, equity investments and other investments
Financial assets consist of cash, demand deposits and other current, extremely liquid investments. Other financial assets and other current financial assets comprise unlisted and listed Finnish equities and they are measured at the price quotation on the reporting period’s end date. The listed Finnish equities previously owned by the Group were sold in 2020.

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

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

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

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

Notes on consolidated financial statements (IFRS)

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

EUR 1,000	Fair values on balance sheet date		
Assets measured at fair value	**31.12.2020**	**Level 1**	**Level 2**
Financial assets measured at fair value through profit or loss			
Share investments	26	0	26
Liabilities measured at fair value			
Financial liabilities measured at fair value through profit or loss:			
Interest rate derivatives, hedge accounting not applied	0	0	0

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

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).

Notes on consolidated financial statements (IFRS)

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

EUR 1,000	**Fair values on balance sheet date**			
	31.12.2020	**Level 1**	**Level 2**	**Level 3**
Financial assets:				
Sales receivables and other receivables	14 982		14 982	
Financial liabilities:				
Bank loans	3 298			3 298
Accounts payable	8 075		8 075	
Total	**20 172**		**16 873**	**3 298**

EUR 1,000	**Fair values on balance sheet date**			
	31.12.2019	**Level 1**	**Level 2**	**Level 3**
Financial assets:				
Sales receivables and other receivables	14 611		14 611	
Financial liabilities:				
Bank loans	2 873			2 873
Accounts payable	5 169		5 169	
Total	**16 612**		**13 739**	**2 873**

29. Adjustments to cash flow from operating activities

Non-cash transactions

EUR 1,000	**2020**	**2019**
Depreciation and impairment	5 004	4 477
Adjustments to sales gains	0	-40
Exchange rate differences	-36	22
Share of profit in associated companies	0	7
Other adjustments	1	9
Total	**4 969**	**4 474**

Notes on consolidated financial statements (IFRS)

30. Collateral and other contingent liabilities

EUR 1,000	2020	2019
Other collateral and guarantees given on behalf of shareholders		
Rent guarantees	798	823
Minimum leases payable on the basis of non-cancelable operating leases starting after the financial year		
Within one year	0	989
1–5 years	0	2 136
Total	**0**	**3 125**
Leases with a term of less than 12 months and leases for which the underlying asset is of low value		
Within one year	51	77
1–5 years	30	51
Total	**82**	**127**

Off-balance sheet financial liabilities

Real estate investments

The Group is obligated to review the VAT reductions made on real estate investments completed in the years 2010-2016, if the property's taxable use decreases during the review period. The last review year is 2025. The maximum amount of the liability is EUR 78,751.66 (124,143.30).

Disputes and legal proceedings

The Group has one unresolved dispute. The dispute is uncompleted and the management cannot estimate its result.

31. Related party transactions

Parties are considered to be related parties if one party has the ability to control the other party or to exercise significant influence in or joint control over the other party in making financial and operating decisions. The Group's related parties include its subsidiaries and the sole shareholder, the Finnish state. The ownership of all shares of the parent company were transferred from the State Business Development Company Vake Oy to the direct ownership of the Finnish state on December 18, 2020. The related parties also include the members of the Group's Board of Directors, the CEO, the members of the Group's and its business groups' management teams, and the family members of the aforementioned. Entities under the control or joint control of related parties are also considered related parties. More information on the parent company's subsidiaries is presented in Note 16.

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

The company	**Parent company's holding %**	**Sub-Group's parent company's holding %**	**Group's holding and votes, %**
Parent company Nordic Morning Group Plc, Helsinki, Finland			
Edita Prima Oy, Helsinki, Finland	100 %		100 %
Edita Publishing Oy, Helsinki, Finland	100 %		100 %
Nordic Morning Finland Oy, Helsinki, Finland	100 %		100 %
Nordic Morning Group Sweden AB*, Stockholm, Sweden	100 %		100 %
Nordic Morning Sweden AB, Stockholm, Sweden		100 %	100 %
Mods Graphic Studio AB, Stockholm, Sweden		100 %	100 %

*Sub-Group's parent company

Notes on consolidated financial statements (IFRS)

Sales of goods and services conducted with a related party are based on market prices. The Group did not have material transactions with related parties outside the Group during the financial year.

Related party transactions with associated companies

EUR 1,000	2020	2019
Sales of goods and services	0	0
Purchases of goods and services	0	0
Dividends received	0	159

Employee benefits of management

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

Salaries and fees

The Group Management Team was established in 2019. It manages the Group's operational business activities.

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

In 2019–2020, the Group had an incentive program under which the CEO was entitled to a performance-based bonus not exceeding 100 percent of the CEO's annual taxable earnings. The other individuals covered by the incentive program are entitled to a performance-based bonus not exceeding 60–80 percent of their annual taxable earnings. No performance-based bonus was accrued under the incentive program in 2019 or 2020. Bonus provisions were recognized in relation to other current programs approved by the board in accordance with the rules of those programs.

Notes on consolidated financial statements (IFRS)

Fees paid and fee-related provisions

EUR 1,000		**2020**	**2019**
CEO		240	234
The CEO's incentive bonuses		0	18
Total		**240**	**253**
Other members of the Group Management Team		893	1 085
Incentive bonuses of the other members of the Group Management Team		0	38
Total		**893**	**1 124**
Members of Nordic Morning Group Plc's Board of Directors			
Ruuska Jukka	Chairman of the Board since March 12, 2020 Vice Chairman of the Board until March 12, 2020	52,2	37
Sjödell Per	former Member of the Board Chairman of the Board until March 12, 2020	12	70
Airaksinen Mervi	Member of the Board Vice Chairman of the Board since March 12, 2020	33	22
Jonasson Blank Ingrid	Member of the Board	34	32
Korkiakoski Anne	Member of the Board	41	32
Engberg Jani	Member of the Board	26	0
Strandberg Maija	Member of the Board	26	0
Hurtola Pekka	former Member of the Board	6	32
Ronkainen Anni	former Member of the Board	0	7
Total		**229**	**232**
Total		**1 362**	**1 608**

The contractual retirement age of the parent company's CEO complies with the applicable laws and regulations. The CEO and the members of the Board of Directors do not own any company shares, nor have they been granted any share options. The CEO and the members of the Board of Directors have not been granted any loans, and no collateral or contingent liabilities have been provided on their behalf.

32. Post-statement events

The COVID-19 pandemic causes uncertainty in the Group's operating environment. The Group's management monitors the development of the pandemic and will react as necessary. As the estimates of the pandemic's duration and spread change often, the Group will not issue an estimate of the financial impact of the pandemic on its business operations.

33. Breakdown of share ownership and information on shareholders

The State Business Development Company Vake Oy owned 100% of Nordic Morning Group Plc's shares from December 5, 2018 to December 18, 2020. The Finnish state assumed direct full ownership of the company by a deed of transfer signed on December 18, 2020.

34. Impact of COVID-19 pandemic on the financial statements and in the accounting period

The COVID-19 pandemic impacted the net revenue and result especially in the Nordic Morning business area because the business volumes of some key customers declined. Also the net revenue and operating profit declined in the Nordic Morning business area versus the comparison period. The pandemic impacted the financial statements also by increasing the uncertainty relating to the future. This was reflected in management estimates about the development of the business. In the long run the accelerating digital transformation is believed to create new business opportunities for the Group.

Consolidated key indicators

		IFRS 2020	IFRS 2019	IFRS 2018
Net revenue	k€	73 920	77 550	76 379
Exports and foreign operations %		30,5 %	34,1 %	43,9 %
Adjusted operating gross margin	k€	37 555	42 750	46 786
% of net revenue		50,8 %	55,1 %	61,3 %
Adjusted operating EBITDA	k€	4 820	5 954	5 907
% of net revenue		6,5 %	7,7 %	7,7 %
Adjusted operating profit/loss	k€	839	1 470	1 337
% of net revenue		1,1 %	1,9 %	1,8 %
Operating profit/loss	k€	-2 165	611	880
% of net revenue		-2,9 %	0,8 %	1,2 %
Profit before taxes	k€	-2 076	304	244
% of net revenue		-2,8 %	0,4 %	0,3 %
Profit for financial year	k€	-2 116	254	218
Return on equity (ROE), %	%	-12,7 %	1,4 %	1,1 %
Return on capital employed, %	%	-5,3 %	2,0 %	2,6 %
Equity-to-assets ratio (%)	%	32,8 %	38,6 %	40,1 %
Gearing (%)	%	77,1 %	62,6 %	65,3 %
Gross capital expenditure	k€	5 249	2 034	1 796
% of net revenue		7,1 %	2,6 %	2,4 %
Average number of employees		372	442	472
Earnings per share (EPS)	€	-0,35	0,04	0,03
Dividends per share	€	0,00	0,33	0,33
Equity per share	€	2,6	3,0	3,2
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), %

$$\frac{\text{Profit for financial year}}{\text{Shareholders' equity (average during the year)}}$$

Return on capital employed, %

$$\frac{\text{Profit before tax, interest, and other financial expenses}}{\text{Total assets — non-interest-bearing liabilities (average during the year)}}$$

Equity-to-assets ratio, %

$$\frac{\text{Shareholders' equity}}{\text{Total assets — advances received}}$$

Sales margin

Operating income — variable cost

EBITDA

Operating profit — depreciation and impairment

Operating profit

Profit before tax and financial items

Undiluted EPS, EUR

$$\frac{\text{Profit for financial year attributable to parent company shareholders}}{\text{Average number of shares (adjusted for share issue)}}$$

Net gearing ratio, %

$$\frac{\text{Interest-bearing liabilities — cash and cash equivalents}}{\text{Shareholders' equity}}$$

Equity per share, EUR

$$\frac{\text{Shareholders' equity attributable to parent company shareholders}}{\text{Undiluted number of shares on closing date}}$$

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	1.1.2020 - 31.12.2020	1.1.2019 - 31.12.2019
NET REVENUE	**2**	**3 826 516,48**	**4 125 173,62**
Other operating income	3	2 046 932,80	1 655 590,17
Personnel expenses	4	-2 120 062,69	-2 102 511,74
Depreciation and impairment	5	-816 506,30	-827 339,14
Other operating expenses	6	-5 577 072,17	-3 978 183,97
OPERATING PROFIT / LOSS (-)		**-2 640 191,88**	**-1 127 271,06**
Financial income and expenses	7	-4 793 449,02	-988 680,58
PROFIT/LOSS (-) BEFORE APPROPRIATIONS AND TAXES		**-7 433 640,90**	**-2 115 951,64**
Appropriations	8	2 213 251,19	1 330 596,25
Income taxes	9	158,95	-8 208,73
PROFIT/LOSS (-) FOR THE FINANCIAL YEAR		**-5 220 230,76**	**-793 564,12**

Parent company balance sheet (FAS) (EUR)

ASSETS	Note	31.12.2020	31.12.2019
NON-CURRENT ASSETS			
Intangible assets	10	2 175 454,72	1 211 987,29
Tangible assets	11	5 100 402,63	5 786 730,48
Investments in Group companies	12	44 814 102,06	46 308 911,22
Other investments	12	25 982,55	25 982,55
Total non-current assets		52 115 941,96	53 333 611,54
CURRENT ASSETS			
Current receivables	13	9 360 432,92	7 940 696,02
Financial securities	14	102,00	15 152,33
Cash and bank balances		37 013,79	7 968,01
Total current assets		9 397 548,71	7 963 816,36
Total assets		**61 513 490,67**	**61 297 427,90**

SHAREHOLDERS' EQUITY AND LIABILITIES	Note	31.12.2020	31.12.2020
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		7 431 825,09	8 225 389,21
Profit/loss (-) for the financial year		-5 220 230,76	-793 564,12
Shareholders’ equity, total		34 081 204,67	39 301 435,43
ACCUMULATED APPROPRIATIONS	16	0,00	113 251,19
MANDATORY PROVISIONS	18	60 683,00	0,00
LIABILITIES			
Current liabilities	18	27 371 603,00	21 882 741,28
Total liabilities		27 371 603,00	21 882 741,28
Liabilities total		**61 513 490,67**	**61 297 427,90**

Parent company cash flow statement (FAS) (EUR)

	1.1. -31.12.2020	1.1. -31.12.2019
Cash flow from operating activities		
Profit/loss (-) before appropriations and taxes	-7 433 640,90	-2 115 951,64
Adjustments:		
Planned depreciation and impairment	816 506,30	827 339,14
Unrealized exchange rate gains/losses	290 599,93	-77 959,57
Other adjustments	1 480 395,19	-716 751,42
Financial income and expenses (+)	4 496 790,47	988 680,58
Change in working capital:		
Increase (+) decrease (-) in non-interest-bearing current receivables	-522 230,67	340 775,23
Increase (+) decrease (-) in non-interest-bearing current liabilities	550 630,86	48 528,28
Interest and other financial expenses paid	-164 421,74	-128 557,49
Dividends received	0,00	2 172 385,12
Interest received	34 839,34	27 746,65
Taxes paid	-15 617,15	-9 184,53
Cash flow from operating activities	**-466 148,37**	**1 357 050,35**
Cash flow from investing activities		
Investments in intangible and intangible assets	-1 044 050,92	-819 393,93
Income from selling of investments	96 709,66	0,00
Dividends received	4 008,95	3 792,25
Cash flow from investing activities	**-943 332,31**	**-815 601,68**
Cash flow from financing activities		
Current loans withdrawn	3 331 387,21	2 142 860,75
Repayments of current borrowings	-2 142 860,75	-380 297,74
Repayments on non-current borrowings	-750 000,00	-1 500 000,00
Dividends paid	0,00	-2 000 000,00
Contributions received from subsidiaries	1 000 000,00	1 200 000,00
Cash flow from financing activities	**1 438 526,46**	**-537 436,99**
Change in cash and cash equivalents, increase (+)/decrease (-)	**29 045,78**	**4 011,68**
Cash and cash equivalents at January 1	7 968,01	3 956,33
Cash and cash equivalents at December 31	**37 013,79**	**7 968,01**

Notes to the Parent Company Financial Statements

1. Accounting policies applied to the parent company's financial statements (FAS)

Basic information

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

Non-current assets

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

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

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

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

Financial assets

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

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

Derivatives

Interest rate swaps used to convert the variable rates of the company's loans from financial institutions to fixed rates are recognized on the balance sheet at fair value. Interest rate swaps are defined for five years, until the end of the loan period. The Group had no interest rate swaps in effect on the balance sheet date.

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)

2. Net revenue

	31.12.2020	31.12.2019
By market area		
Finland	3 075 104,73	3 321 289,54
EU	751 411,75	803 884,08
Total	3 826 516,48	4 125 173,62

3. Other operating income

	31.12.2020	31.12.2019
Rental income	1 485 431,71	1 205 808,73
Group's internal administrative fees	533 595,87	449 562,00
Other	27 905,22	219,44
	2 046 932,80	1 655 590,17

4. Personnel

	31.12.2020	31.12.2019
Personnel expenses		
Salaries and fees	-1 826 903,56	-1 797 895,32
Pension expenses and pension insurance contributions	-213 929,81	-240 212,93
Other personnel expenses	-79 229,32	-64 403,49
	-2 120 062,69	-2 102 511,74
Employees in the company during the financial year		
Employees on salary	23	25
Management salaries and fees		
Members of the Board	-228 695,43	-232 412,90
	-228 695,43	-232 412,90

The salaries and fees of the Group's CEO, Anne Årneby, are paid from the Swedish parent company Nordic Morning Group Sweden AB. More information on the remuneration of the Group's executive management is presented in the consolidated financial statements in Note 31: Related party

5. Depreciation and impairment

	31.12.2020	31.12.2019
Depreciation on tangible and intangible assets	-816 506,30	-827 339,14

6. Other operating expenses

Rents	-1 058 803,56	-983 608,90
Other business premises expenses	-959 419,25	-659 187,02
Logistics	-4 488,65	-4 951,45
IT and data communications	-1 425 764,30	-1 032 156,27
Marketing and representation expenses	-6 128,56	-28 892,81
Other operating expenses	-2 122 467,85	-1 269 387,52
Other operating expenses, total	-5 577 072,17	-3 978 183,97
Auditor's fees		
Audit fees	-39 151,00	-32 470,00
Tax consultation	-15 595,60	-11 420,00
Other fees	-5 120,00	-7 000,00
	-59 866,60	-50 890,00

7. Financial income and expenses

Dividend income		
From Group companies	0,00	2 172 385,12
From others	4 008,95	3 792,25
	4 008,95	2 176 177,37
Other interest income		
From Group companies	34 732,37	27 706,08
From others	106,97	40,57
	34 839,34	27 746,65
Other financial income		
From others	82 390,13	0,00
	82 390,13	0,00
Interest income and other financial income, total	121 238,42	2 203 924,02
Exchange rate gains and losses	274 752,52	-77 959,57
Impairment and impairment refunds from non-current asset investments	-5 045 898,05	-3 000 000,00
Interest expenses		
To Group companies	-19 860,33	-18 009,42
To others	-79 296,81	-63 241,67
	-99 157,14	-81 251,09
Other financial expenses		
To others	-44 384,77	-33 393,94
	-44 384,77	-33 393,94
Interest expenses and other financial expenses, total	-143 541,91	-114 645,03
Total financial income and expenses	-4 793 449,02	-988 680,58

8. Appropriations

Difference between planned depreciation and depreciation made for taxation purposes	113 251,19	330 596,25
Contributions received from subsidiaries	2 100 000,00	1 000 000,00
	2 213 251,19	1 330 596,25

9. Notes on income taxes

Income tax on appropriations	-420 000,00	-200 000,00
Income tax on normal operations	420 000,00	194 118,38
Income tax on normal operations from previous year	158,95	-2 327,11
	158,95	-8 208,73

Non-current assets

10. Intangible assets

Intellectual property		
Acquisition cost, January 1	702 726,72	702 726,72
Acquisition cost, December 31	702 726,72	702 726,72
Accumulated depreciation, January 1	702 679,13	690 562,61
+ Depreciation for the year	47,59	12 116,52
Accumulated depreciation, December 31	702 726,72	702 679,13
Carrying amount, December 31	0,00	47,59
Other non-current expenses		
Acquisition cost, January 1	184 793,78	184 793,78
+ Increases	1 863 442,61	0,00
Acquisition cost, December 31	2 048 236,39	184 793,78
Accumulated depreciation, January 1	68 534,41	31 575,66
+ Depreciation for the year	130 130,86	36 958,75
Accumulated depreciation, December 31	198 665,27	68 534,41
Carrying amount, December 31	1 849 571,12	116 259,37
Intangible assets, total		
Acquisition cost, January 1	887 520,50	887 520,50
+ Increases	1 863 442,61	0,00
Acquisition cost, December 31	2 750 963,11	887 520,50
Accumulated depreciation, January 1	771 213,54	722 138,27
+ Depreciation for the year	130 178,45	49 075,27
Accumulated depreciation, December 31	901 391,99	771 213,54
Carrying amount, December 31	1 849 571,12	116 306,96
Advance payments	325 883,60	1 095 680,33
	2 175 454,72	1 211 987,29

11. Tangible assets

Land areas		
Acquisition cost, January 1	1 922 846,00	1 922 846,00
Acquisition cost, December 31	1 922 846,00	1 922 846,00
Carrying amount, December 31	1 922 846,00	1 922 846,00
Buildings and structures		
Acquisition cost, January 1	16 781 260,69	16 781 260,69
Acquisition cost, December 31	16 781 260,69	16 781 260,69
Accumulated depreciation, January 1	13 152 329,67	12 567 954,44
+ Depreciation for the year	575 965,57	584 375,23
Accumulated depreciation, December 31	13 728 295,24	13 152 329,67
Carrying amount, December 31	3 052 965,45	3 628 931,02
Machinery and equipment		
Acquisition cost, January 1	2 942 828,14	2 942 828,14
Acquisition cost, December 31	2 942 828,14	2 942 828,14
Accumulated depreciation, January 1	2 707 874,68	2 513 986,04
+ Depreciation for the year	110 362,28	193 888,64
Accumulated depreciation, December 31	2 818 236,96	2 707 874,68
Carrying amount, December 31	124 591,18	234 953,46
Tangible assets, total		
Acquisition cost, January 1	21 646 934,83	21 646 934,83
Acquisition cost, December 31	21 646 934,83	21 646 934,83
Accumulated depreciation, January 1	15 860 204,35	15 081 940,48
+ Depreciation for the year	686 327,85	778 263,87
Accumulated depreciation, December 31	16 546 532,20	15 860 204,35
Carrying amount, December 31	5 100 402,63	5 786 730,48
Of the carrying amount, December 31		
Share of machinery and equipment in production	124 591,18	234 953,46

12. Investments

Share in Group companies, January 1	46 308 911,22	40 502 386,73
+ Increases	3 551 088,91	8 806 524,49
- Impairment	-5 045 898,07	-3 000 000,00
Total, December 31	44 814 102,06	46 308 911,22

Other shares and holdings, January 1	25 982,55	25 982,55
Total, December 31	25 982,55	25 982,55

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

13. Receivables

Sales receivables	65 019,68	5 838,54
Receivables from Group companies		
Sales receivables	318 143,24	3 615,22
Group account receivables	6 313 408,38	6 525 796,63
Contributions from subsidiaries	2 100 000,00	1 000 000,00
Prepaid expenses and accrued income	58 262,00	1 870,00
	8 789 813,62	7 531 281,85
Other receivables	389 071,27	300 000,00
Prepaid expenses and accrued income		
Social security expense accruals	10 094,79	4 862,99
Tax receivables	9 894,48	0,00
IT expenses accruals	73 755,05	31 077,00
Other	22 784,03	67 635,64
	116 528,35	103 575,63
Receivables, total	9 360 432,92	7 940 696,02

14. Financial securities

Replacement value	2 352,19	106 826,75
Carrying amount	102,00	15 152,33
Difference	2 250,19	91 674,42

15. Shareholders’ equity

Restricted shareholders’ equity

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

Unrestricted shareholders’ equity

Profit/loss from previous years brought forward, January 1	7 431 825,09	10 225 389,21
Dividend distribution	0,00	-2 000 000,00
Profit/loss from previous years brought forward, December 31	7 431 825,09	8 225 389,21
Profit/loss (-) for the financial year	-5 220 230,76	-793 564,12
Total unrestricted shareholders’ equity	2 211 594,33	7 431 825,09
Total shareholders’ equity	**34 081 204,67**	**39 301 435,43**

Funds at the disposal of the Annual General Meeting, December 31		
Profit/Loss from previous years brought forward	7 431 825,09	8 225 389,21
Profit/loss (-) for the financial year	-5 220 230,76	-793 564,12
	2 211 594,33	7 431 825,09

The parent company had distributable funds of EUR 2,211,594.33 on December 31, 2020.

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	0,00	113 251,19

17. Mandatory provisions

Other mandatory provisions	60 683,00	0,00
	60 683,00	0,00

18. Current liabilities

Liabilities to credit institutions	3 331 387,21	2 892 860,75
Accounts payable	1 022 110,57	480 135,90
	4 353 497,78	3 372 996,65
Liabilities to Group companies		
Loans	22 302 313,04	17 841 289,49
Accounts payable	5 429,56	3 599,11
Accrued liabilities and deferred income	0,00	33 160,34
	22 307 742,60	17 878 048,94
Other current liabilities	118 275,04	125 636,22
Accrued liabilities and deferred income		
Wages and salaries with related expenses	354 406,11	279 385,64
Taxes	0,00	5 881,62
Interest	0,00	5 032,42
Other	237 681,47	215 759,79
	592 087,58	506 059,47
Current liabilities, total	27 371 603,00	21 882 741,28
Interest-bearing liabilities		
Current	25 633 700,25	20 734 150,24
Non-interest-bearing liabilities		
Current	1 737 902,75	1 148 591,04

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	70 292,99	81 353,18
Due for payment later	40 152,87	44 842,39
	110 445,86	126 195,57
Guarantees given on behalf of Group companies	798 490,00	822 469,00
Amounts payable under lease agreements		
Due for payment in the next financial year	892 034,25	858 299,25
Due for payment later	4 997 718,00	5 830 671,00
	5 889 752,25	6 688 970,25

<u>Off-balance sheet financial liabilities</u>
Real estate investments
The company is obligated to review the VAT reductions made on real estate investments completed in the years 2010–2016, if the property's taxable use decreases during the review period. The last review year is 2025. The maximum amount of the liability is EUR 78,751.00.

21. Derivative agreements

Interest rate swaps		
Fair value	0,00	-2 697,00
Underlying security	0,00	750 000,00

The Group did not have interest rate swaps in effect at the end of the financial year.

Signing of financial statements and Board of Directors' report

Helsinki, February , 2021

Jukka Ruuska
Chairman of the Board

Mervi Airaksinen
Vice Chairman of the Board

Anne Korkiakoski

Maija Strandberg

Jani Engberg

Ingrid Jonasson Blank

Anne Årneby
CEO

Auditor's statement

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

Helsinki, , 2021

KPMG Oy
Authorized Public Accountants

Kati Nikunen
Authorized Public Accountant