



**AS Ekspress Grupp
CONSOLIDATED ANNUAL
REPORT
2012**

(Translation of the Estonian original)

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GENERAL INFORMATION

Beginning of the financial year	1 January
End of the financial year	31 December
Company name	AS Ekspress Grupp
Registration number	10004677
Address	Narva mnt.11 E, 10151 Tallinn
Phone no.	+372 669 8381
Fax	+372 669 8180
E-mail	egrupp@egrupp.ee
Internet homepage	www.egrupp.ee
Main field of activity	Publishing and related services (5814)
Management Board	Gunnar Kobin (chairman) Andre Veskimeister Pirje Raidma Madis Tapupere
Supervisory Board	Viktor Mahhov (chairman) Hans H. Luik Aavo Kokk Antti Mikael Partanen (until 04.05.2012) Kari Sakari Salonen (since 04.05.2012) Harri Helmer Roschier Ville Jehe
Auditor	AS PricewaterhouseCoopers

The Annual Report consists of the Management Board's confirmation of the annual report, statement of the chairman of the Management Board, management report, report of corporate governance code, consolidated financial statements, independent auditor's report, proposal for profit allocation, and declaration of the Management Board and Supervisory Board. The document comprises 80 pages.

Management Board's confirmation of the consolidated annual report

The Management Board confirms that the management report of AS Ekspress Grupp disclosed on pages 5 to 26 presents a true and fair view of the business developments, results and financial position of the Parent Company and its group companies. The Management Board confirms that the consolidated financial statements disclosed on pages 27 to 76 give to the best of its knowledge a true and fair view of the assets, liabilities, financial position and results of the issuer and its group companies in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and include a description of major risks and doubts.

Gunnar Kobin	Chairman of the Management Board	<i>signed digitally</i>	8 March 2013
Pirje Raidma	Member of the Management Board	<i>signed digitally</i>	8 March 2013
Andre Veskimeister	Member of the Management Board	<i>signed digitally</i>	8 March 2013
Madis Tapupere	Member of the Management Board	<i>signed digitally</i>	8 March 2013

STATEMENT OF THE CHAIRMAN OF THE MANAGEMENT BOARD

Despite the setbacks that hit the advertising market in the 2nd half of the year, it was a solid year of growth for the Group. Improved financial mainly derived from restructuring activities carried out in prior years which had a major economic effect. In addition to successful business operations, net profit growth was also greatly impacted by the agreement to refinance the Group's loans concluded in mid-year which considerably reduced the Group's interest expenses.

In 2012, the Group's sales increased by 4% and totalled EUR 59.7 million. The consolidated net profit from continuing operations (excluding extraordinary gains and impairment losses) tripled, totalling EUR 2.7 million, the net margin increased to 4.5%. EBITDA increased by 14% in a year, totalling EUR 7.9 million. Simultaneously with the refinancing of loans, the Group continued to reduce its outstanding borrowings as a result of which the debt to EBITDA ratio fell to 3.6 by the year-end and it still continues to fall rapidly. As compared to the budget, the Group's actual sales were almost 1% better. EBITDA failed to meet the target by being 1.5% lower, however the net profit target met expectations.

In a year, the share of the online media segment in non-group sales (Note 21) has increased from 15% to 17%, and the share of EBITDA from 18% to 20%. The share of the periodicals segment in sales has decreased from 42% to 40%, but the share in EBITDA has increased from 7% to 10%. The share of the printing services segment has remained unchanged and makes up 43% of sales while the share of EBITDA has decreased from 75% to 70%. These changes are attributable to continued strong online sales and also to improved profitability of the periodicals segment. This is also evident in the improvement of the EBITDA margin of the periodicals segment from 2% to 3%. The margin in the printing services segment stayed at the same level as last year and increased from 16% to 17% in the online media segment. The share of the online media segment in the Group's sales and profit has increased steadily since 2009 and exceeded its share of the profit in 2008. With regard to EBITDA, we expect the share of printing services to continue to decline steadily and that of the periodicals and online media segments to increase next year.

An impairment loss on trademarks related to the sale of Lithuanian children's magazines in the amount of EUR 157 thousand had a one-off effect on the financial results of the Group in the last quarter.

In 2012, several important changes and developments occurred in the Group.

In the **online media segment**, we redesigned all Delfi's front pages in the Baltic States. The redesigning process will continue on the front pages of the portals and is planned to be completed in the 1st quarter of 2013. As a result of redesigning, the Delfi environment will receive a consistently new and modern look, which will significantly improve the ease of use of its visitors. Along with the redesign of the front pages, all Delfi portals also introduced an alternative front page in the market with the goal of providing a different kind of ease of use primarily to younger and more proficient media consumers. In Latvia and Lithuania, the alternative front page is called Delfi Easy while in Estonia it bears the name of Delfi 2. With the help of Delfi portal, we launched a business line of new online verticals, under which we introduced a new Cosmopolitan portal in the market and revamped current portals moteris.lt, 5braskes.lt and klubas.lt. In autumn, we acquired a classified ads portal and magazine Alio in Lithuania, which we combined with Delfi. With this step, we made a huge leap forward in the Lithuanian online ads business. In all Baltic countries, we introduced Delfi's Facebook version MyDelfi with the goal of providing an opportunity to Facebook users to read personalised Delfi news flows in Facebook. The development of the project will continue in 2013. During the year, we continued to develop the mobile versions of all Delfi sites with the goal to strengthen our position among the mobile web leaders in all Baltic States. Although the share of mobile ad sales in our total sales is still modest, mobile ad sales have increased rapidly in all countries during the last year. In Delfi Estonia, we launched live basketball TV broadcasts, taking a huge step forward in online television. We believe that online television is a significant trend and we will continue to make our best effort in this direction. In the last quarter of the year, Delfi Estonia received a new Chief Executive Officer Mari-Liis R  tsalu and its previous Chief Executive Officer started to manage our content production unit within AS Eesti Ajalhed. In Ukraine, we have managed to double Delfi's user base and if this trend continues, Delfi

Ukraine will become a Delfi portal with the highest number of users by the end of the 1st quarter of 2013. Although Delfi Ukraine is still unprofitable, we have agreed with the management to adopt a new business model in 2013 which will limit our annual expenses to EUR 150 thousand. Once the Ukrainian advertising market develops further, it is realistic that we will become profitable with our product in 2014.

In the **periodicals segment**, we launched a new week-end newspaper LP in the 4th quarter. This is a former week-end edition of Eesti Päevaleht, which we completely reorganised, hiring a separate editor-in-chief for the edition, and changing the format and design of the newspaper. LP has been received very well among the readers, its advertising sales have also exceeded our conservative estimates.

In the 2nd half of the year, we optimised the product portfolio of magazine publishers. In Estonia, we combined weekly magazines Nädal and Kroonika, and discontinued some unprofitable smaller-scale products. In Lithuania, we disposed of children's magazines and terminated the agreement with the company's Chief Executive Officer, appointing the current Marketing Manager as the head of the company. As a result of these changes, the financial results of both publishers should significantly improve, which will be assisted by the reduction of VAT on magazines introduced in Lithuania at the beginning of the year 2013.

We have also made significant progress in our business line of **digital newspapers**. We have decided to disclose the results of digital subscriptions in this report for the first time since we are convinced of the success of this business line. At the year-end, both of the two main newspapers Eesti Ekspress and Eesti Päevaleht which are published on the digital platform had approximately 10 thousand clients with personal accounts and reading access, divided into subscribers of printed and digital newspapers (ca. 7 thousand) and clients who subscribe only to the fee-based digital newspaper (ca. 3 thousand). On a monthly basis with the help by various marketing activities, approximately 12 thousand unique users use both digital newspapers.

Considering the number of paying subscribers of digital newspapers, we managed to increase the total number of subscribers of Eesti Ekspress by 5% last year and compensate for the decline in the number of subscribers of Eesti Päevaleht. Today, the portfolio of our digital newspapers consists of four products: Eesti Päevaleht, weekly newspapers Eesti Ekspress and LP, and monthly newspaper Ärileht. We plan to continue with the development of the business line, by offering to as many potential readers as possible an opportunity to introduce the product and subscribe it at favourable conditions. We will also continue to develop a marketing model, unique in the world, which will enable us to use our dominant position in online media to guide readers to digital products. During 2012, we made direct investments in the development of digital products in the amount of ca. EUR 140 thousand and invested approximately half a million euros through operating costs. We expect this business line to continue to be capital and cost intensive in **2013**, but the continued growth of paying subscribers and advertising sales will reduce the pressure that the business line costs exerts on the company. In the periodical segment, another success story of 2012 was the joint project of Eesti Päevaleht and the book publisher Hea Lugu in publishing a DVD series of Estonian films. This project made a significant contribution to the financial results of the periodicals segment as well as the single copy sales of Eesti Päevaleht.

In the **printing services segment**, the year 2012 was primarily a year of utilisation of production capacity reserves. No new investments were made in the expansion of the equipment park. In the 3rd quarter of the year, Printall received ISO 9001 management certificate and ISO 14001 environmental certificate.

Another **important event** of 2012 was also the establishment of the Group's information technology company OÜ Ekspress Digital. With the establishment of the company we consolidated the Group's total IT capacity into one entity, thereby creating an important technology competence centre with the goal of serving the technology needs of the Group as well as third parties. The company conducts business with group companies under market conditions and has the right to sell acquired know-how to third parties that are not related to the Group. The company currently employs 23 people.

In **2013**, we expect the share of the online media segment to continue to grow both in sales as well as in profit. In the upcoming year, we will increase the content production offered by Delfi, but will also create new online products in addition to Delfi. The challenging economic environment will continue to put pressure on the periodicals segment, but our hopes are pinned to the growth of subscribers of Eesti Päevaleht and weekly newspapers through provision of digital products. Through applications produced

separately for tablet computers, we plan to provide access to subscribers to the content of our online environments which had been inaccessible until now, for which purpose we will make necessary technological rearrangements. In the printing services segment, we will continue to optimise production capacity and will continue to discuss opportunities to increase production capacity.

All our improvements and innovations should primarily support the **vision** of the Group to be the most professional and innovative partner for our demanding readers and clients, and continue to offer new and interesting journalism experiences both in printed and digital media.

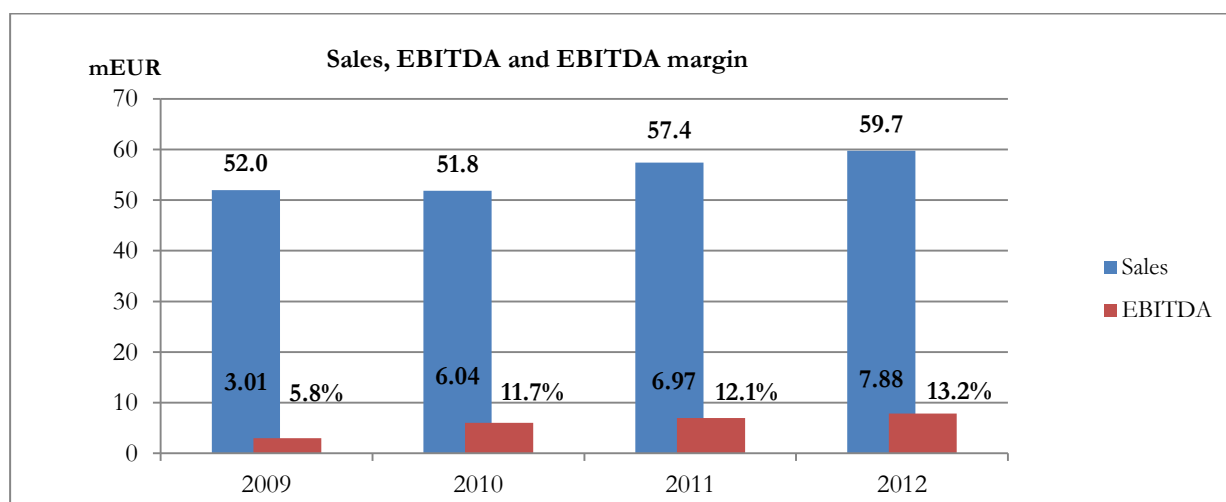
MANAGEMENT REPORT

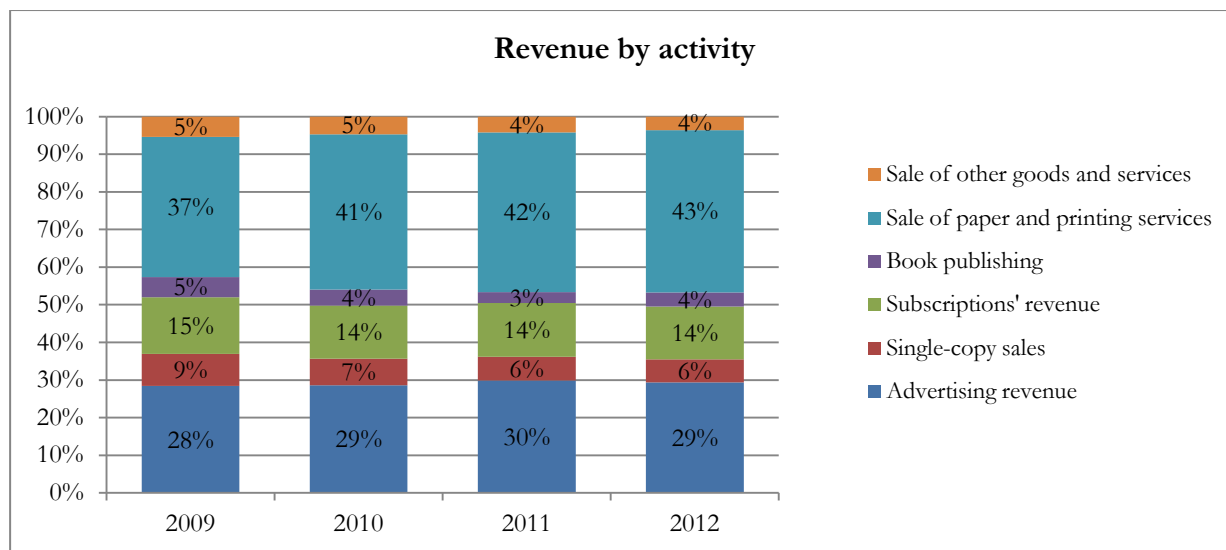
The following report presents the consolidated financial information of AS Ekspress Grupp for the year 2012, the related market developments and management decisions.

Financial indicators (EUR thousand)	2012	2011	Change %	2010	2009
For the reporting period					
Sales	59 706	57 391	4%	51 814	51 974
Gross profit	13 187	12 544	5%	11 294	9 292
EBITDA*	7 882	6 968	13%	6 041	3 014
Operating profit*	4 596	3 443	33%	2 760	(445)
Profit / (loss) from continuing operations for the period *	2 682	893	200%	(509)	(3 613)
EBITDA margin* (%)	13.2%	12.1%		11.7%	5.8%
Operating margin* (%)	7.7%	6.0%		5.3%	-0.9%
Net margin* (%)	4.5%	1.6%		-1.0%	-7.0%
Extraordinary gain related to acquisition of Eesti Päevalehe AS**	0	1 540	-100%	0	0
Impairment of goodwill and trademarks	(157)	(750)	-79%	0	(5 844)
Net profit / (loss) from continuing operations for the period in the financial statements	2 525	1 683	50%	(509)	(9 457)
Net profit / (loss) for the period in the financial statements	2 525	1 683	50%	(146)	(12 144)
Net margin (%)	4.2%	2.9%		-0.3%	-23.4%
Earnings per share (EPS)	0.08	0.06		(0.01)	(0.58)

*The results exclude impairment of goodwill and trademarks, and the net extraordinary gain in relation to the acquisition of an additional ownership interest in Eesti Päevalehe AS (see below).

** In the 1st quarter of 2011, an additional 50% ownership interest in Eesti Päevalehe AS was acquired. The transaction was accounted for in two parts: firstly, as the sale of the current 50% ownership interest on which the net extraordinary gain totalled EUR 1 540 thousand and secondly, as the acquisition of the wholly-owned subsidiary (see Note 12 to the financial statements).





Balance sheet (EUR thousand)	31.12.2012	31.12.2011	Change %
As of the end of the period			
Current assets	13 545	12 523	8%
Non-current assets	66 754	68 986	-3%
Total assets	80 299	81 509	-1%
Current liabilities	14 967	16 547	-10%
Non-current liabilities	24 233	26 574	-9%
Total liabilities	39 200	43 121	-9%
Equity	41 099	38 388	7%

Financial ratios (%)	31.12.2012	31.12.2011
Equity ratio (%)	51%	47%
Debt to equity ratio (%)	70%	83%
Debt to capital ratio (%)	38%	43%
Total debt/EBITDA ratio	3.6	4.6
Debt service coverage ratio	1.52	1.06
Liquidity ratio	0.90	0.76
ROA (%)	3.2%	2.0%
ROE (%)	6.4%	4.4%

Formulas used to calculate the financial ratios	
EBITDA margin* (%)	EBITDA*/sales x 100
Operating margin* (%)	Operating profit*/sales x 100
Net margin* (%)	Net profit*/sales x 100
Net margin (%)	Net profit/sales x 100
Earnings per share	Net profit/average number of shares
Equity ratio (%)	Equity /(liabilities + equity) x 100
Debt to equity ratio (%)	Interest bearing liabilities /equity x 100
Debt to capital ratio (%)	Interest bearing liabilities –cash and cash equivalents (net debt)/(net debt+ equity) x 100
Total debt/EBITDA	Interest bearing borrowings/EBITDA

Formulas used to calculate the financial ratios	
Debt service coverage ratio	EBITDA/loan and interest payments for the period
Liquidity ratio	Current assets/current liabilities
ROA (%)	Net profit/average assets x 100
ROE (%)	Net profit/average equity x 100

OVERVIEW OF THE SEGMENTS

In 2012 and 2011, the Group operated in the following segments:

- online media
- periodicals (newspapers, magazines and books)
- printing services

Key financial data of the segments 2012/2011

Group

(EUR thousand)	Sales			EBITDA		
	2012	2011	Change %	2012	2011	Change %
online media	10 370	8 977	16%	1 776	1 425	25%
periodicals	24 741	24 069	3%	848	552	54%
printing services	29 167	27 736	5%	6 052	5 959	2%
corporate functions	996	209	377%	(795)	(980)	19%
intersegment eliminations	(5 568)	(3 600)	-55%	1	12	-92%
TOTAL	59 706	57 391	4%	7 882	6 968	13%

EBITDA margin	2012	2011
online media	17%	16%
periodicals	3%	2%
printing services	21%	21%
TOTAL	13%	12%

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

News portals owned by the Group

Owner	Portal	Owner	Portal
Delfi Estonia	www.delfi.ee	Eesti Ajalehed AS	www.ekspress.ee
	rus.delfi.ee		www.maaleht.ee
Delfi Latvia	www.delfi.lv		www.epl.ee
	rus.delfi.lv	AS SL Õhtuleht	www.ohhtuleht.ee
Delfi Lithuania	www.delfi.lt		
	ru.delfi.lt		
Delfi Ukraine	www.delfi.ua		

Advertising portals owned by the Group

Owner	Portal	Owner	Portal
Delfi Lithuania	www.alio.lt	Eesti Ajalehed AS	www.ekspressjob.ee
			www.ekspressauto.ee
			www.hyppeaud.ee

Online media segment

The online media segment includes Delfi operations in Estonia, Latvia, Lithuania and Ukraine.

(EUR thousand)	Sales			EBITDA		
	2012	2011	Change %	2012	2011	Change %
Delfi Estonia	3 469	3 177	9%	279	154	81%
Delfi Latvia	2 292	2 014	14%	183	230	-20%
Delfi Lithuania	4 531	3 703	22%	1 182	653	81%
Delfi Ukraine	73	56	30%	(260)	(259)	0%
Other Delfi companies	6	26	-77%	399	647	-38%
intersegment eliminations	(1)	1	-200%	(7)	0	-
TOTAL	10 370	8 977	16%	1 776	1 425	25%

Throughout the year, the main driver behind the sales and EBITDA growth of the online segment has been primarily Delfi Lithuania. Sales have grown in other countries, but the EBITDA growth in number terms has been more modest. The lower result of Delfi Latvia in 2012 was related to the hiring of additional editors in the 2nd half of the year to improve the coverage of news and to increase content production in 2013. In Latvia, subsidies and grants received were also lower.

The key highlights of the year worth mentioning separately include.

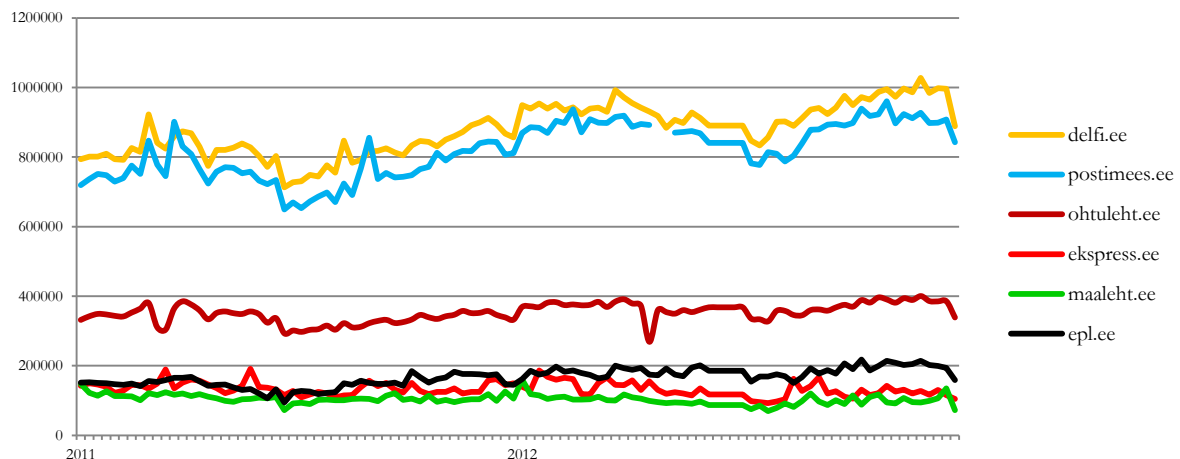
- A new version of mobile applications to read Delfi portals was introduced in all countries.
- Alternative Delfi front pages with a greater focus on pictures were introduced.
- A new location-based weather forecast section was introduced which is also available in the mobile version.

Delfi Estonia

- Delfi Estonia was the first portal in Estonia whose number of unique users exceeded 1 million, which represents ca. 80% of all Estonian internet users. This result reinforced Delfi's position as the most popular website in Estonia while also widening the gap with its closest competitors.
- The number of people who use Delfi via their mobile phones has increased at a fast pace. Successful coverage of the Olympic games increased the number of people reading Delfi via their mobile phones to 100 thousand people per week.
- For the first time, Delfi Estonia transmitted a live programme of a public event, using 4G mobile communication solutions for this purpose. It is now possible to regularly view basketball broadcasts in Delfi.
- New categories and subsites in Estonian language version of Delfi, such as the subsection of Saturday newspaper LP of Eesti Päevaleht, EU-related debate section, live sports blog and VIASAT highlights in Delfi Sport, Eesti otsib superstaari (*Estonia is Searching for a Superstar*), Tähed jääl (*Stars on Ice*), Spordimeditsiin (*Sports Medicine*), Kuldnene mask (*Golden Mask*), Puhka Eestis (*Visit Estonia*), Olümpia 2012 (*Olympic Games 2012*), Purjetamine (*Sailing*), Kirev maailm, (*Colourful World*), Suvetüdruk (*Summer Girl*), Kuldrula (*Golden Skateboard*), Viru Folk, new TOP Gear news block, etc.
- A separate soccer category in Delfi Estonian and Russian versions as well as mobile applications.
- New categories and new look in Delfi Russian language sections and functionality to share the news in social networks.
- A Russian language e-store and filmilaenus.ee were launched.

- A new Facebook wall in Noorte Hää (Voice of Young People) and Reisileidja (Travel Finder) is now also available on Facebook.
- Delfi archive received a fresher and more user-friendly facelift.
- In cooperation with SEB Heategevusfond (SEB Charity Fund), Delfi Estonia implemented again a cooperation project “Jõulusoovide puu” (Christmas Wish Tree), providing gifts to almost 1200 children in shelter and foster homes.

Estonian online readership 2011-2012



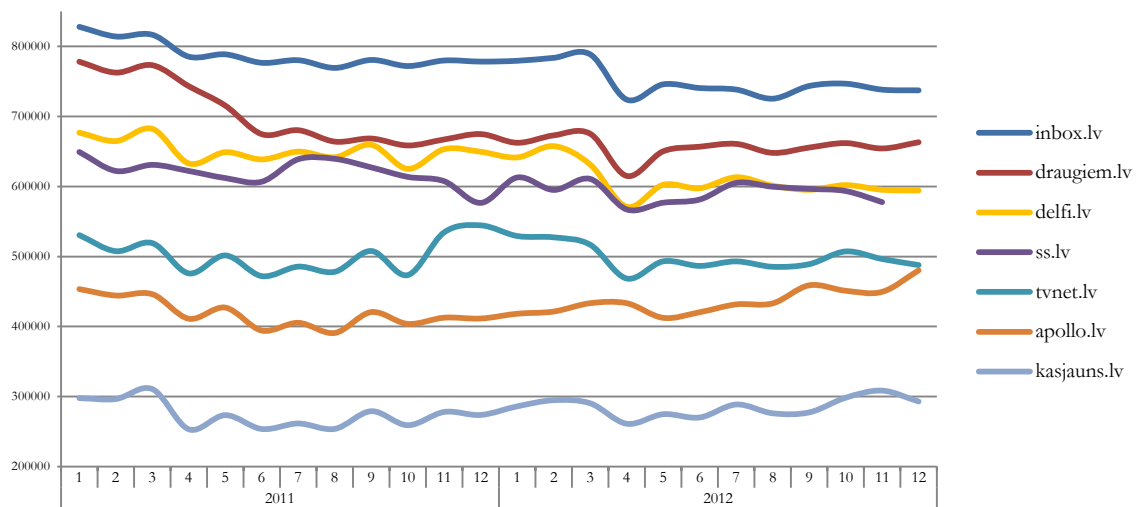
TNSMetrix weekly audience survey

At the end of 2012, Delfi.ee continues to be the largest online media portal in Estonia. Although the gap with its closest competitors in terms of the number of users decreased primarily in summer months, it increased steadily at the year-end and in December 2012, the gap with the closest competitor in terms of the average number of users per week was ca. 80 thousand. During 2012, the average number of users per month in the Estonian online market increased by 84 thousand users. This primarily means that users use more often various appliances to consumer Delfi. This trend is also expected to continue in 2013 because the sales figures of smart phones and tablet computers demonstrate solid growth.

Throughout 2012, the online environment of Eesti Päevaleht www.epl.ee has also experienced steady growth, becoming a portal of solely quality news. The week-end newspaper of Eesti Päevaleht LP offers a distinct alternative to those consumers who prefer information to entertainment.

Delfi Latvia

- Delfi Latvia's Russian language portal achieved the best result in readership numbers, including in daily, weekly and monthly terms.
- New categories and subsections such as the entertainment section, ice hockey, European Football Championships and London Olympics, and content and functional development of several subsections (Auto, Woman, Technology).
- Reorganisation of the editorial staff to ensure better news coverage on weekends.
- Fast and widespread coverage of summer events in Delfi attracted many new readers. The coverage of Positivus Festival in Delfi was especially popular.
- According to the survey carried out by the advertising agency DDB, Delfi was the most popular and powerful online brand in Latvia in December 2012.
- Cooperation partners in miscellaneous fields:
 - Media partner for the Latvian music awards „The Great Music Award“ and classical music festival “Riga Festival”,
 - Media partner in the international advertising festival Golden Hammer and Riga Fashion Week,
 - National journalism cooperation project “Road Reporter” with TV3+ continued.

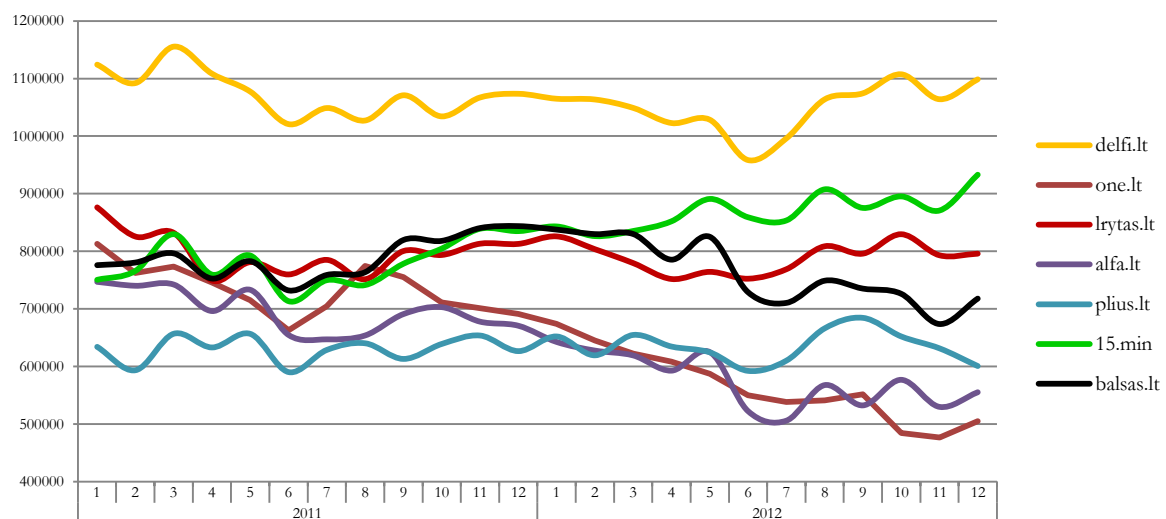
Latvian online readership 2011-2012*GemiusAudience monthly audience survey*

At the end of 2012, Delfi.lv continued to be the most popular online media portal in Latvia. In terms of the overall internet use, both the e-mail environment Inbox.lv as well as the social network Draugiem.lv still continues to surpass Delfi with their higher number of users. However, with regards to portals, Delfi surpasses its closest competitors by more than 100 users per month. The gap with its closest competitor tvnet.lv has remained stable during the year and totalled 106 thousand users in December 2012. Throughout 2012, apollo.lv owned by Sanoma News has increased steadily, which will definitely threaten the position of tvnet.lv in 2013. The total Latvian market of internet users has decreased rather than increased during 2012 unlike the Estonian, Lithuanian and Ukrainian markets, where the number of users has increased. In 2013, we expect the overall number of users to increase because the growth in the number of mobile appliances should also have a positive impact in Latvia.

Delfi Lithuania

- In cooperation with the Group's magazine publisher Ekspress Leidyba, various vertical portals targeted primarily at women, such as www.cosmopolitan.lt, www.moteris.lt, and www.panele.lt, were launched, thus forming internet sites with a strong lifestyle and entertainment focus.
- In November, Alio which is the oldest and most popular classified ads portal in Lithuania, was acquired, which marked an important milestone in classified market segment. In addition to the internet portal, a printed newspaper was also obtained.
- Delfi's Polish language portal was launched.
- New categories and subsections such as London Olympics, "Mano litai" (*My Litas*) targeted at consumers and upgrades in Delfi games and Rahva Hää (Voice of People) sections.
- Delfi was the exclusive Eurovision partner in Lithuania and official communications partner at the Lithuanian Internet conference LOGIN.
- Active collaboration with the Lithuanian national television.
- The existing IT team was restructured.

Lithuanian online readership 2011-2012



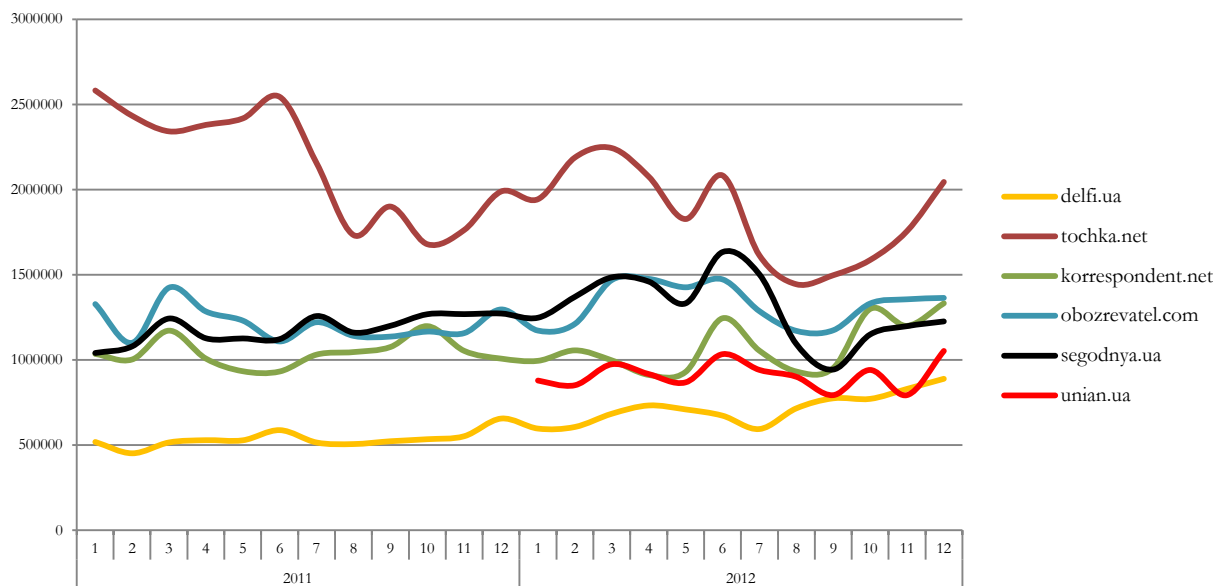
GemiusAudience monthly audience survey

At the year-end of 2012, Delfi.lt continued to be the largest internet media portal in Lithuania. Despite the fact that its largest competitor 15min.lt has acquired and merged three different portals during the year, the gap increased in the 2nd half of the year and is still 166 thousand users in December 2012.

Delfi Ukraine

- The company continues with the strategy launched last year to offer easier and more tabloid-like news.
- Marketing activities in social media and cooperation projects with radio and TV channels to improve Delfi's visibility in the market.
- From September 2012 has increased content production of news targeted at women due to the profile of the users of Delfi.ua.

Ukrainian online readership 2011-2012



GemiusAudience monthly audience survey

The Ukrainian internet market operates in a significantly different manner than that of the Baltic States. The year 2012 as a whole was extremely successful for Delfi.ua – the number of users of Delfi's news production has practically doubled. This achievement is even more extraordinary if to compare it with other portals where the number of users has decreased rather than increased during the year. Unfortunately such growth in the number of users has not translated into similar growth in advertising sales. This also represents a unique sentiment characteristic of the Ukrainian market where it is the advertising intermediaries and not the media portals that retain the bigger share in advertising budgets.

Periodicals segment

The periodicals segment includes the publishers of newspapers, magazines and books. This segment also includes AS Express Post, engaged in home delivery of periodicals.

As of 1 October 2011, Eesti Päevalehe AS and AS Eesti Ajalehed were merged. At the same date, the book publishing department of the merged company was spun off as a separate legal entity. The new book publisher under the name of OÜ Hea Lugu operated as the subsidiary of AS Eesti Ajalehed until January 2013 when it became directly owned by the parent company. The merger of the joint ventures AS SL Õhtuleht and AS Linnaleht occurred on 1 November 2011 and that of OÜ Uniservice and AS Ajakirjade Kirjastus occurred on 1 January 2012.

(EUR thousand)	Sales			EBITDA		
	2012	2011	Change%	2012	2011	Change%
AS Eesti Ajalehed**	12 999	12 761	2%	502	(211)	338%
AS SL Õhtuleht *	3 705	3 432	8%	244	203	20%
AS Ajakirjade Kirjastus*	4 196	4 190	0%	35	164	-79%
UAB Ekspress Leidyba	2 629	2 816	-7%	(190)	14	-1457%
AS Express Post*	2 313	2 396	-3%	258	290	-11%
OÜ Uniservice*	0	9	-100%	0	1	-100%
intersegment eliminations***	(1 101)	(1 535)	28%	(1)	91	-
TOTAL	24 741	24 069	3%	848	552	54%

* Proportionate share of joint ventures

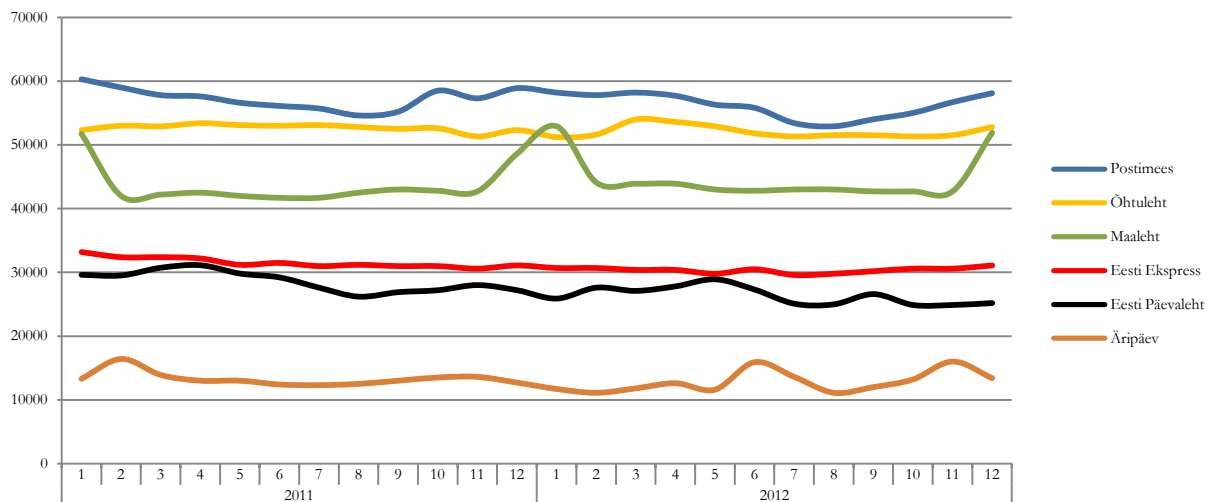
** For the purpose of comparability, AS Eesti Ajalehed combines the data for AS Eesti Ajalehed, Eesti Päevalehe AS (100% in both years) with that of OÜ Hea Lugu.

*** Intra-segment eliminations in EBITDA in 2011 include the elimination of the 50% negative EBITDA of Eesti Päevalehe AS and adjustment of the goodwill which arose on acquisition of an ownership interest in Eesti Päevalehe AS.

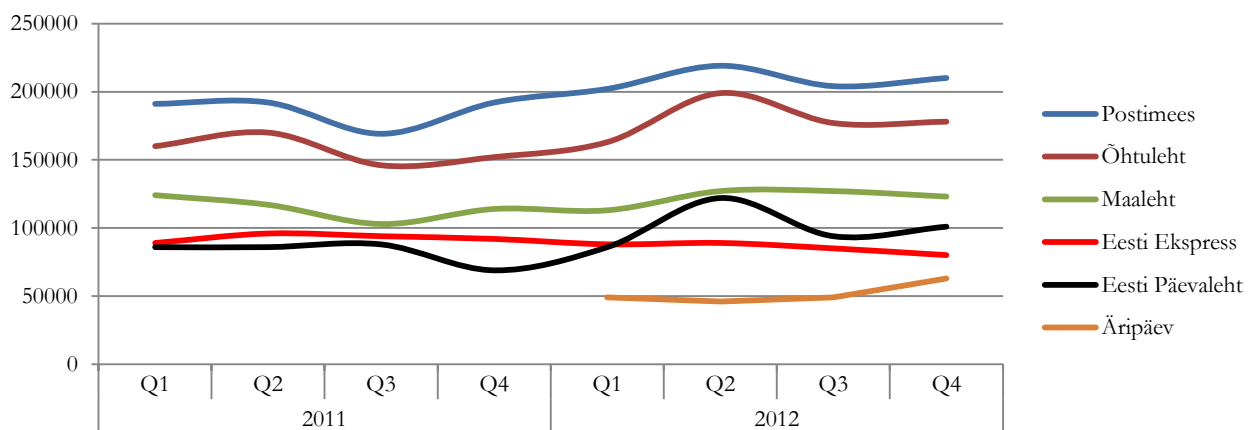
Despite the difficult conditions in the advertising sales market, the periodicals segment managed to increase its sales revenues. This was attributable to several initiatives and product developments.

To celebrate the 100th anniversary of Estonian film industry, a joint project of OÜ Hea Lugu and Eesti Päevaleht was launched, providing an opportunity for the readers of Eesti Päevaleht to purchase a series of 30 Estonian classic films together with their subscription of Eesti Päevaleht. The additional series with another 15 films will continue until February 2013. AS Eesti Ajalehed introduced a new Saturday newspaper LP of Eesti Päevaleht which has been received very well by readers. The jubilee book and annual book projects of Maaleht were also successful, as was the retail sales project of Eesti Ekspress with the bestseller "Fifty Shades of Gray".

Ajakirjade Kirjastus started to publish a new magazine Top Gear with its Lithuanian partner who owns the magazine publishing license. In November, the first issue of the quarterly magazine Elu Lood (*Life Stories*) published as a supplement to Eesti Naine (*Estonian Woman*) which was received very well by readers. In October, the magazines Kroonika and Nädal were merged. From June, the Lithuanian magazine publisher publishes magazine GEO under a license. In November, the publishing business of the Lithuanian children's magazines was sold at a marginal price as it was an unprofitable business, its circulation was low and it had no growth outlook.

Estonian newspaper circulation 2011-2012*Estonian Newspaper Association data*

The year 2012 was relatively stable in terms of the circulation of newspapers. There is a slight downward trend in circulation over the long term but it is similar to the processes taking place in the rest of the world. In 2012, the average circulation of the newspapers decreased by 2% as compared to 2011. Only Maaleht managed to increase its average annual circulation (+2.5%) while that of other publications fell. This analysis does not reflect the overall situation in the newspaper market because the publications of AS Eesti Ajalehed have been published in a digital form for the second consecutive year already. Once the subscribers of digital newspapers are added to the circulation of printed newspapers, both the circulation of Eesti Ekspress as well as Eesti Päevaleht increased in 2012.

Estonian newspaper readership 2011-2012*TNS EMOR's quarterly audience survey (2011) and Turu-uuringute AS (2012).*

On a positive note, the average newspaper readership figures for 2012 are in an upward trend. This is a somewhat unexpected result, because the circulation of newspapers is in a slight downward trend. The average growth is also attributable to a correction made to the survey, because all people aged 15 and above have been included in the sample since the 2nd quarter of 2012. This growth is also partly attributable to the fact that Eesti Päevaleht and Eesti Ekspress have been published in a digital form for the second consecutive year. As there is no separate survey of the readers of digital newspapers, there is no methodological basis to compare it with the number of printed newspapers. AS Eesti Ajalehed ordered a special survey in December 2012, as a result of which we can confirm that both Eesti Päevaleht as well as Eesti Ekspress have ca. 30 thousand readers, who use these editions in an electronic form and which the comparison of readers described above does not reflect. One of the key goals of the Group for the year 2013 is to significantly increase the number of electronic readers.

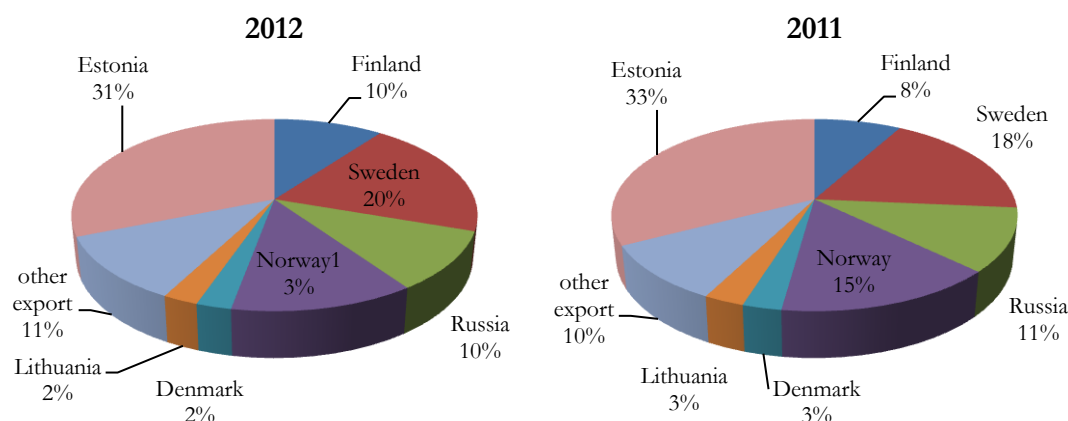
Printing services segment

All printing services of the Group are provided by AS Printall which is one of the largest printing companies in Estonia. Printall is able to print both newspapers (*coldset*) and magazines (*heatset*).

(EUR thousand)	Sales			EBITDA		
	2012	2011	Change %	2012	2011	Change %
AS Printall	29 167	27 736	5%	6 052	5 959	2%

The printing company Printall continues to exceed previous year's results, but which due to operating at the maximum production capacity levels in the peak season is becoming more complicated. The share of group companies in sales decreases and the share of exports increases. Most of the volume growth is generated by printing on heatset machines, which makes up ca. 85% of total sales.

Geographical break-down of printing services



Printing services and the environment

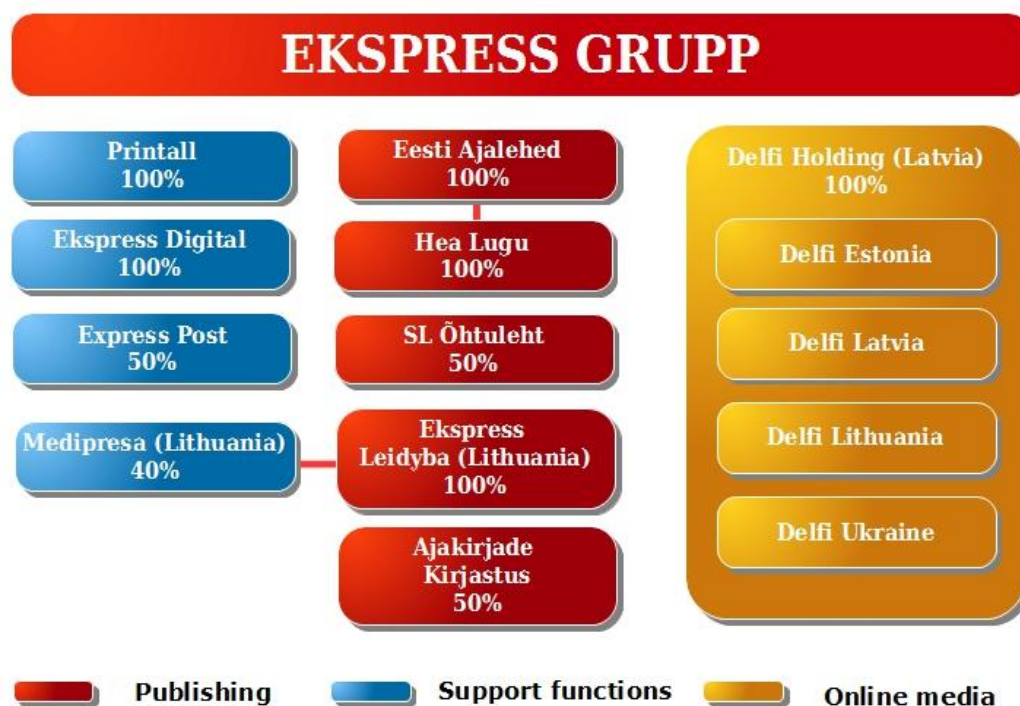
In addition to its very strong financial position, Printall also focuses on environmentally conscious production. In 2012, Printall was granted ISO 9001 management and ISO 14001 environmental certificates.

The Minister of the Environment of the Republic of Estonia and the waste managing company AS Ragn-Sells awarded Printall with the title of the Top Recycler of the Year, because the company recycles 95% of its waste.

The Nordic Council of Ministers has awarded Printall with the environmental label "The Nordic Ecolabel", used to acknowledge the companies in the Nordic countries that use environmentally efficient production. Printall also has FSC and PEFC Chain of Custody (COC) certificates, which the company uses to promote a green way of thinking in the printing industry. Both of those certificates indicate compliance with monitoring and production process requirements which are issued to businesses that comply with the requirements established by FSC (Forest Stewardship Council) and PEFC (Programme for the Endorsement of Forest Certification). A business that is issued these certificates helps to support the environmentally friendly, socially fair and economically viable management of the world's forests.

Printall cares about the environment and uses green energy. The POWERED BY GREEN certificate is a proof that the company buys electricity, 70% of which has been generated by renewable sources of energy.

GROUP STRUCTURE



For a more detailed list of all legal entities of the Group, please refer to Note 1 to the financial statements.

SHARES AND SHAREHOLDERS OF AS EKSPRESS GRUPP

As of 31.12.2012 and 31.12.2011, the company's share capital is EUR 17 878 105 and it consists of 29 796 841 shares with the nominal value of EUR 0.60 per share.

The General Meeting of Shareholders held on 30 May 2011 approved the conversion of share capital from Estonian kroons into euros, as a result of which the nominal value of a share was lowered from EUR 0.64 to EUR 0.60. The total number of shares did not change, but the share capital was reduced by EUR 1 165 548.

As of 31.12.2010, the company's share capital was EUR 19 043 652 and it consisted of 29 796 841 shares with the nominal value of EUR 0.64 per share. In May 2010, 8 948 000 new shares were issued at price EUR 0.88 per share of which EUR 0.24 per share was share premium.

As of 31.12.2009, the company's share capital was EUR 13 324 738 and it consisted of 20 848 841 shares with the nominal value EUR 0.64 per share. In January 2009, 1 877 760 new shares were issued at the price EUR 0.96 per share of which EUR 0.32 per share was share premium.

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

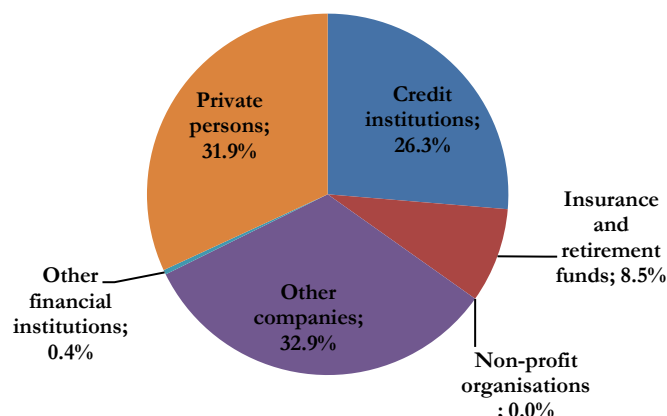
Structure of shareholders as of 31.12.2012 according to the Estonian Central Register of Securities

Name	Number of shares	%
Hans Luik	16 023 692	53.78%
<i>Hans Luik</i>	7 963 307	26.73%
<i>Hans Luik, OÜ HHL Rühm</i>	8 053 485	27.03%
<i>Hans Luik, OÜ Minigert</i>	6 900	0.02%
ING Luxembourg S.A.	4 002 052	13.43%
Skandinaviska Enskilda Banken Ab Clients	2 735 308	9.18%
Funds managed by LHV Pank and LHV Varahaldus	2 255 269	7.57%
Members of the Management and Supervisory Boards and their close relatives	360 276	1.21%
<i>Gunnar Kobin, OÜ Griffen SVP</i>	320 512	1.07%
<i>Viktor Mahbov, OÜ Flexinger</i>	37 464	0.13%
<i>Aavo Kokk, OÜ Synd & Katts</i>	400	0.00%
<i>Pirje Raidma, OÜ Aniston Trade</i>	1 900	0.01%
Other minority shareholders	4 420 244	14.83%
Total	29 796 841	100.0%

East Capital Asset Management AB has an ownership interest through the nominee account of Skandinaviska Enskilda Banken Ab Clients. KJK Fund SICAV-SIF has an ownership interest in the company through the account of ING Luxembourg S.A.

Distribution of shareholders by category as of 31.12.2012 according to the Estonian Central Register of Securities

Category	Number of shareholders	Number of shares
Credit institutions	18	7 841 161
Insurance and retirement funds	9	2 530 125
Other financial institutions	31	123 961
Other companies	367	9 799 242
Private persons	3 305	9 501 933
Non-profit organisations	2	419
TOTAL	3 732	29 796 841



AS Ekspress Grupp share information and dividend policy

Share information

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

By virtue of the conditions laid down in the Group's loan agreements, payment of dividends to shareholders in previous years was limited. As a result of the refinancing of the syndicated loan contract signed in July 2012, it is now possible to pay dividends to shareholders if certain ratios are met. Payment of dividends is decided annually and it depends on the company's results and potential investment needs. The share of AS Ekspress Grupp should be considered as a growth share.

The table below shows the stock trading history 2009-2012

Price (EUR)	12 months 2012	12 months 2011	12 months 2010	12 months 2009
Opening price	1.03	1.53	1.03	0.78
Closing price	1.06	1.03	1.53	1.03
High	1.18	1.84	1.62	1.50
Low	0.96	0.95	0.80	0.39
Average	1.04	1.32	1.28	0.89
Traded shares, pcs	1 247 945	3 909 472	3 856 572	2 461 534
Sales, mln	1.30	5.17	4.92	2.18
Capitalisation at balance sheet date, million	31.58	30.72	45.53	21.47
P/E ratio (<i>price earnings ratio</i>)	12,51	18,24	na	na

The share price in euros and the trading statistics on OMX Tallinn Stock Exchange from 1 January 2009 until 31 December 2012.



The share price comparison with OMX Tallinn Stock Exchange index from 1 January 2009 until 31 December 2012.



REPORT OF THE CORPORATE GOVERNANCE CODE

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

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

Clause 2.2.7 of CGC

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

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

Upon expiry and termination of the contract, the members of all management boards of the consolidation group (incl. CEOs of subsidiaries) are paid compensation in accordance with the conditions prescribed in the contract of services concluded with the member. Termination benefits are payable to the members of the Management Board and CEOs only in case termination is initiated by the company. If a member of the Management Board or CEO is removed without a valid reason, it shall be announced 3 months in advance and termination benefits shall be paid in the amount of up to seven months' salary. Termination benefits are not paid if a member of the Management Board leaves at his or her own initiative, or a member of the Management Board is removed by a member of the Supervisory Board with a valid reason.

Bonus schemes have been approved for the members of the management boards of the parent and its subsidiaries which are part of the consolidation group, pursuant to which they can earn bonuses totalling up to 6 months remuneration once certain criteria and goals are met.

Clause 2.3.2 of CGC

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

In 2012, no significant transactions were conducted between the Group and the members of the Management Board.

Clause 3.2.5 of CGC

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

In 2012, remuneration was neither assigned to the Parent Company of the Issuer nor to the members of the supervisory boards of the Group's subsidiaries and associates.

Election and authority of the governing bodies of AS Ekspress Grupp

General Meeting

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

The annual General Meeting of Ekspress Group for 2012 was held on 4 May 2012 at the seat of the company. The General Meeting approved Ekspress Group's consolidated annual report for the year 2011 and profit distribution proposal presented by management according to which the net profit for 2011 in the amount of EUR 1 683 shall be allocated as follows: EUR 84 thousand shall be transferred to statutory reserve capital and EUR 1 599 shall be transferred to retained earnings. It was decided not to pay dividends to shareholders. In addition, the agenda of the General Meeting included extension of the term of office of the member of the Supervisory Board Harri Hermer Roschier; removal of the member of the Supervisory Board Antti Mikael Partanen; election of an additional member of the Supervisory Board Kari Sakari Salonen; granting approval for a transaction with the member of the Supervisory Board Hans Luik; and appointment of the auditor. The General Meeting authorised the Management Board to conclude a transaction with the member of the Supervisory Board Hans Luik. The transaction consists of Hans Luik's toleration of restriction of transfer of its ownership arising from current and/or future loan agreements concluded by AS Ekspress Grupp and/or surety by Hans Luik to secure AS Ekspress Grupp's obligations and paying Hans Luik a fee for the afore-mentioned in the amount of 1.5 % a year of the total commitment given by Hans Luik until expiry of the respective restriction up to 1.5% a year of EUR 4 million. The General Meeting approved the public limited company PricewaterhouseCoopers as the auditor of the annual report of AS Ekspress Group for the year 2012.

Supervisory Board

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

In accordance with the articles of association, the Supervisory Board shall comprise three to seven members. The number of the members shall be determined by the General Meeting. The members of the Supervisory Board shall be elected by the General Meeting for a term of five years. In 2012, two Supervisory Board meetings were held and on four occasions, decisions were adopted without calling a meeting of the Supervisory Board.

The Supervisory Board of Ekspress Group has six members. The Supervisory Board comprises the Chairman of the Supervisory Board Viktor Mahhov and the members of the Supervisory Board Aavo Kokk, Hans H. Luik, Harri Helmer Roschier, Ville Jehe, Antti Mikael Partanen (until 4 May 2012) and Kari Sakari Salonen (from 4 May 2012).

Information about the members of the Supervisory Board:

Viktor Mahhov

- Chairman of the Supervisory Board since 2006
- Financial Controller of Coca-Cola Hellenic in the Baltic States
- Completed graduate studies in economics at St. Petersburg University in 1992

Aavo Kokk

- Member of the Supervisory Board since 2010
- management partner of Catella Corporate Finance OÜ
- Graduated from University of Tartu in 1990 with a degree in journalism

Hans H. Luik

- Member of the Supervisory Board since 2004
- Member of the Management Board of OÜ HHL Rühm
- Member of the Management Board of OÜ Minigert
- Graduated from University of Tartu in 1984 with a degree in journalism

Harri Helmer Roschier

- Member of the Supervisory Board since 2007
- managing director of Talentum Oy in 1991-2006
- Member of the Supervisory Board of Avaus Consulting OY and Uoma Oy
- Completed graduate studies in economics

Ville Jehe

- Member of the Supervisory Board since 2008
- Member of the Management Board of OÜ Majatohter, OÜ Catelit, ABC Kinnisvarateenuste OÜ, Cineunit OÜ, OÜ Primevision, OÜ Keha3, Ümera OÜ and Skü Mechatronics OÜ
- Graduated from Faculty of Automation of Tallinn University of Technology in 1993

Kari Sakari Salonen

- Member of the Supervisory Board since 2012
- Member of the Management Board of KJK Management SA
- Member of the Supervisory Board of KJK Capital OY
- Graduated from Espoo School of Economics in 1983

Management Board

The authorities of the Management Board of the Company are specified in the Commercial Code and they are limited to the extent determined in the articles of association of the company. The Management Board of Ekspress Group does not have any right to issue shares of the company. The election of the members of the Management Board is the authority of the Supervisory Board. The members of the Management Board are elected for a period of up to 5 years. In order to elect and remove the members of the Management Board, a simple majority of the votes of the Supervisory Board is required. In order to resign from the position of a member of the Management Board, the member shall give one month's notice to the Supervisory Board. There are no agreements between Ekspress Group and the members of the Management Board which would deal with the benefits in connection with a takeover of a public limited company provided for in Chapter 19 of the Securities Market Act. In accordance with the articles of association, the Management Board shall comprise one to five members. The Management Board of Ekspress Group has four members. The Management Board comprises the Chairman of the Management Board Gunnar Kobin, and the members of the Management Board Pirje Raidma, Andre Veskimeister and Madis Tapupere.

Information about the members of the Management Board:

Gunnar Kobin

- Chairman of the Management Board since 2009
- CEO of the Group
- Chairman of the Management Board of AS Ülemiste City in 2005-2008
- Graduated from Tallinn University of Technology in 1993, specializing in production planning and management



Andre Veskimeister

- Member of the Management Board since 2009
- Development Manager of the Group
- Head of development of AS Ülemiste City in 2009
- Director of Finance and Support Services of Enterprise Estonia in 2003-2006

- Graduated from Estonian Business School in 2004, specialising in business management



Pirje Raidma

- Member of the Management Board since 2010
- Chief Financial Officer of the Group
- Auditor at auditing company PwC (worked in Estonia and in The Channel Islands) in 1997 – 2005
- LHV Group finance and administrative director in 2005 – 2006
- Investment bank GILD Bankers finance and administrative director in 2006 – 2010
- Graduated from University of Tartu in 1996 with a degree in international economy
- Certified Auditor and fellow of the Association of Chartered Certified Accountants, FCCA



Madis Tapupere

- Member of the Management Board since 2011
- Director of Information Technology of the Group
- Head of IT strategy and architecture of Swedbank Group in 2007 - 2011
- Graduated from Tallinn University in 1993 with a degree in computer sciences (computers and computer networks)



Audit Committee

The Audit Committee is an advisory body to the Supervisory Board in the fields of book-keeping, audit reviews, risk management, internal control and auditing, supervision and preparation of a budget and in the area of legality of the activities of the Supervisory Board.

The Audit Committee has two members. The Head of the Audit Committee is Aavo Kokk and a member of the Audit Committee is Viktor Mahhov.

Other information

Pursuant to Chapter 19 of the Securities Market Act, in case of a takeover of the company, the current co-owner of AS SL Õhtuleht, AS Ajakirjade Kirjastus and AS Express Post has the right to acquire company's part of ownership interest in those joint ventures at a fair price.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

(EUR thousand)	31.12.2012	31.12.2011	Notes
ASSETS			
Current assets			
Cash and cash equivalents	3 182	2 729	5
Trade and other receivables	7 344	6 921	6
Inventories	2 922	2 833	10
Total	13 448	12 483	
Non-current assets held for sale	97	40	
Total current assets	13 545	12 523	
Non-current assets			
Term deposit	98	98	5
Trade and other receivables	365	167	11
Investments in associates	0	0	14
Property, plant and equipment	14 841	16 751	15
Intangible assets	51 450	51 970	16
Total non-current assets	66 754	68 986	
TOTAL ASSETS	80 299	81 509	
LIABILITIES			
Current liabilities			
Borrowings	4 347	5 436	18
Trade and other payables	10 620	11 111	17
Total current liabilities	14 967	16 547	
Non-current liabilities			
Long-term borrowings	24 233	26 397	18
Derivate financial instruments	0	176	28
Total non-current liabilities	24 233	26 574	
TOTAL LIABILITIES	39 200	43 121	
EQUITY			
Share capital	17 878	17 878	29
Share premium	14 277	14 277	29
Reserves	740	480	29
Retained earnings	8 190	5 749	
Currency translation reserve	14	4	
TOTAL EQUITY	41 099	38 388	29
TOTAL LIABILITIES AND EQUITY	80 299	81 509	

The Notes presented on pages 31 to 76 form an integral part of the consolidated financial statements

Consolidated statement of comprehensive income

(EUR thousand)	2012	2011	Notes
Sales revenue	59 706	57 391	22
Cost of sales	(46 519)	(44 847)	23
Gross profit	13 187	12 544	
Other income	650	620	
Marketing expenses	(2 378)	(2 098)	24
Administrative expenses	(6 643)	(7 081)	25
Other expenses	(220)	(542)	
Gain from disposal of ownership in joint venture	0	1 540	12, 26
Impairment of goodwill and loss from sale of trademarks	(157)	(750)	26
Operating profit	4 439	4 233	
Interest income	5	45	
Interest expense	(1 549)	(2 212)	
Foreign exchange gains (losses)	(15)	45	
Other finance costs	(117)	(154)	
Net finance cost	(1 676)	(2 276)	
Profit (loss) from investments in associates	(41)	(52)	14
Profit before income tax	2 722	1 905	
Income tax expense	(197)	(222)	8
Profit for the reporting period	2 525	1 683	
Net profit for the reporting period attributable to:			
Equity holders of the parent company	2 525	1 683	
Other comprehensive income			
Currency translation differences	10	(28)	
Profit (loss) on change in value of a hedging instrument	176	434	28
Total other comprehensive income for the period	186	406	
Comprehensive income for the reporting period attributable to:	2 711	2 089	
Equity holders of the parent company	2 711	2 089	
Basic and diluted earnings per share	0.08	0.06	29

The Notes presented on pages 31 to 76 form an integral part of the consolidated financial statements

Consolidated statement of changes in equity

(EUR thousand)	Share capital	Share premium	Reserves	Currency translation reserve	Retained earnings	Total equity
Balance on 31.12.2010	19 044	14 277	46	32	2 900	36 299
Conversion of nominal value of shares into euros	(1 166)	0	0	0	1 166	0
Profit/(loss) for the reporting period	0	0	0	0	1 683	1 683
Other comprehensive income (expense)	0	0	434	(28)	0	406
<i>Comprehensive income (expense) for the reporting period total</i>	<i>0</i>	<i>0</i>	<i>434</i>	<i>(28)</i>	<i>1 683</i>	<i>2 089</i>
Balance on 31.12.2011	17 878	14 277	480	4	5 749	38 388
Increase in statutory legal reserve	0	0	84	0	(84)	0
Profit/(loss) for the reporting period	0	0	0	0	2 525	2 525
Other comprehensive income (expense)	0	0	176	10	0	186
<i>Comprehensive income (expense) for the reporting period total</i>	<i>0</i>	<i>0</i>	<i>176</i>	<i>10</i>	<i>2 525</i>	<i>2 711</i>
Balance on 31.12.2012	17 878	14 277	740	14	8 190	41 099

Additional information about changes in equity is disclosed in Note 29.

The Notes presented on pages 31 to 76 form an integral part of the consolidated financial statements

Consolidated cash flow statement

(EUR thousand)	2012	2011	Notes
Cash flows from operating activities from continuing operations			
Operating profit for the reporting period	4 439	4 233	
<u>Adjustments for:</u>			
Depreciation, amortisation and impairment	3 285	3 524	15,16
Gain from disposal of ownership in joint venture, loss on sale of trademarks and goodwill impairment	157	(790)	26
Loss on sale and write-downs of property, plant and equipment	63	249	
Cash flows from operating activities:			
Trade and other receivables	(715)	(121)	
Inventories	(146)	249	
Trade and other payables	(433)	(690)	
Cash generated from operations	6 650	6 654	
Income tax paid	(188)	(98)	
Interest paid	(1 591)	(2 318)	
Net cash generated from operating activities	4 871	4 238	
Cash flows from investing activities			
Acquisitions through business combinations	(434)	(26)	12
Term deposit (placement)/release	0	1 500	5,18
Purchase of other investments	(15)	0	
Interest received	5	51	
Purchase of property, plant and equipment	(785)	(914)	15,16
Proceeds from sale of property, plant and equipment	42	92	15,16
Loans granted	(10)	(30)	
Loan repayments received	182	126	
Net cash generated from investing activities	(1 015)	799	
Cash flows from financing activities			
Finance lease repayments made	(390)	(1 245)	19
Change in use of overdraft	731	(712)	18
Change in use of factoring	(270)	90	18
Repayments of borrowings	(3 474)	(3 208)	18
Net cash used in financing activities	(3 403)	(5 075)	
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	453	(38)	
Cash and cash equivalents at the beginning of the period	2 729	2 767	
Cash and cash equivalents at the end of the period	3 182	2 729	

The Notes presented on pages 31 to 76 form an integral part of the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1. General information

The main fields of activity of AS Ekspress Grupp and its subsidiaries include online media, publishing of newspapers, magazines and books, and provision of printing services.

AS Ekspress Grupp (registration number 10004677, address: Narva mnt.11E, 10151 Tallinn) is a holding company registered and operating in the Republic of Estonia. The Group consists of the subsidiaries, joint ventures and associates listed below.

Pursuant to the Commercial Code of the Republic of Estonia, the annual report including also the consolidated financial statements prepared by the Management Board and approved by the Supervisory Board shall be approved by the General Meeting of Shareholders. This annual report was approved by the Management Board on 8 March 2013.

The consolidated financial statements of AS Ekspress Grupp (hereinafter the Group) for the year 2012 reflect the results of the following group companies.

Company name	Status	Ownership interest 31.12.2012	Ownership interest 31.12.2011	Main field of activity	Domicile
Operating segment: corporate functions					
AS Ekspress Grupp	Parent Company			Holding company and support services	Estonia
OÜ Ekspress Digital	Subsidiary	100%	-	Providing IT services	Estonia
OÜ Ekspress Finance	Subsidiary	100%	-	Providing financing for the Group	Estonia
Operating segment: periodicals					
AS Eesti Ajalehed	Subsidiary	100%	100%	Publishing of daily and weekly newspapers	Estonia
OÜ Hea Lugu	Subsidiary	100%	100%	Book publishing. Acquired the book publishing business of AS Eesti Ajalehed on 1 October 2011	Estonia
UAB Ekspress Leidyba	Subsidiary	100%	100%	Magazine publishing	Lithuania
Medipresa UAB	Associate	40%	40%	Periodicals' wholesale distribution	Lithuania
AS SL Õhtuleht	Joint venture	50%	50%	Newspaper publishing	Estonia
AS Ajakirjade Kirjastus	Joint venture	50%	50%	Magazine publishing	Estonia
Uniservice OÜ	Joint venture	-	50%	Internet portal management. Merged with AS Ajakirjade Kirjastus on 1 January 2012	Estonia
AS Express Post	Joint venture	50%	50%	Periodicals' home delivery	Estonia
Operating segment: online media					
SIA Delfi Holding	Subsidiary	100%	100%	Management of online media subsidiaries	Latvia
AS Delfi	Subsidiary	100%	100%	Online media	Estonia
Saarmann Meedia OÜ	Subsidiary	100%	100%	Operations transferred to Delfi AS in Estonia (being liquidated)	Estonia
Delfi AS	Subsidiary	100%	100%	Online media	Latvia
Delfi UAB	Subsidiary	100%	100%	Online media	Lithuania
UAB Ekspress Portals	Subsidiary	-	100%	Online media (liquidated as of 04.09.2012)	Lithuania
TOV Delfi	Subsidiary	100%	100%	Online media	Ukraine
Operating segment: printing services					
AS Printall	Subsidiary	100%	100%	Printing services	Estonia

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

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

Basis of preparation

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

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

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

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

Comparability

The financial statements have been prepared in accordance with the consistency and comparability principles, the nature of the changes in methods and their impact is explained in the respective notes. When the presentation of items in the financial statements or their classification method has been amended, then the comparative information of previous periods has also been restated.

Standards, amendments to standards and interpretations which became effective in the financial year of the Group beginning on 1 January 2012

Disclosures—Transfers of Financial Assets – amendment to IFRS 7 The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party, yet remain in the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised, but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood. The amendment had irrelevant impact on the Group.

New standards, amendments to standards and interpretations which will become mandatory for the Group in the financial year beginning on or after 01.01.2013 and which the Group has not adopted early but which may have an effect on the Group's financial statements

Presentation of Items of Other Comprehensive Income – amendments to IAS 1 (effective for annual periods beginning on or after 1 July 2012). The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to a 'statement of profit or loss and other comprehensive income'. The Group expects the amended standard to change presentation of its financial statements, but have no impact on measurement of transactions and balances.

Amendment to IAS 19, Employee Benefits (effective for annual periods beginning on or after 1 January 2013) changes significantly (i) the recognition and measurement of defined benefit expenses and termination benefits, (ii) disclosures about all employee benefits. The standard requires all changes in net defined benefit liabilities (assets) to be recognised when they occur as follows: (i) service cost and net interest income (cost) in the profit or loss, and (ii) restatement in other comprehensive income. The Group is evaluating the impact of the amended standard on its financial statements.

Deferred Income Tax: Recovery of Underlying Assets – amendments to IAS 12 (effective for annual periods beginning on or after 1 January 2013). The amendment establishes an exception to the principle for measuring deferred tax assets or liabilities in case investment property is carried at fair value. The Group is evaluating the impact of the amendment on its financial statements.

Disclosures – Offsetting Financial Assets and Financial Liabilities – amendments to IFRS 7 (effective for annual periods beginning on or after 1 January 2013). The amendment requires disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off. The amendment will impact disclosures but will not impact the measurement and recognition of financial instruments.

IFRS 13, Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013). The objective of the standard is to improve consistency and reduce complexity, therefore, the standard contains a revised definition of fair value and the bases of measurement of fair value and disclosure requirements used in other IFRSs. The Group is evaluating the impact of the standard on its financial statements.

IFRS 10, Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2014). The standards will replace the guidance for control and consolidation in IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation – Special Purpose Entities". IFRS 10 changes the definition of control so that the same criteria are applied to all entities for determining control. The application of the definition is aided by extensive application guidance. The Group is evaluating the impact of the standard on its financial statements.

IFRS 11, Joint Arrangements (effective for annual periods beginning on or after 1 January 2014) will replace the standard IAS 31 "Interest in Joint Ventures" and SIC 13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers". Amendments in definitions have reduced the types of joint arrangements to two – joint operations and joint ventures. The current accounting policy choice of proportionate consolidation has been eliminated for jointly controlled entities. Those with an ownership interest in joint ventures are required to use the equity method. This standard has a material impact on the Group's financial statements because proportionate consolidation is applied to the financials of the joint ventures AS Ajakirjade Kirjastus, AS SL Õhtuleht and AS Express Post in the periodicals segment. As a result of these changes, the Group's sales and expenses will decrease, and the assets and liabilities will also decrease. This change will have no impact on the Group's net profit.

IFRS 12 Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2014). The standard will apply to entities with an ownership interest in subsidiaries, joint ventures, associates or unconsolidated structured entities; it will replace the disclosure requirements in IAS 28 "Investments in Associates". IFRS 12 requires entities to disclose such information that would enable the users of financial statements to evaluate the nature, risks and financial effects of ownership interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet this objective, the new standard requires disclosures about different areas, including (i) key judgments and assumptions used to determine whether an entity has control, joint control or significant influence over the other entity; (ii) more detailed information about the share of non-controlling interests in the activities and cash flows of the Group; (iii) combined financial information about subsidiaries with significant non-controlling interests; and (iv) detailed disclosures about interests in unconsolidated structured entities. The Group is evaluating the impact of the standard on its financial statements.

IAS 27 (amended in 2011), Separate Financial Statements (effective for annual periods beginning on or after 1 January 2014). The objective of the amended standards is to specify the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates if an entity prepares unconsolidated financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10 "Consolidated Financial Statements". The Group is evaluating the impact of the amended standard on its financial statements.

IAS 28 (revised in 2011), Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2014). The standard was amended due to the issue of IFRS 11 and it includes the requirement that joint ventures shall be recognised under the equity method similarly to associates. According to the Group's preliminary estimate, the amended standard may impact its financial statements. The Group is evaluating the impact of the amendment on its financial statements.

Offsetting Financial Assets and Financial Liabilities – amendments to IAS 32 (effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to deal with inconsistencies identified in applying some offsetting criteria. It clarifies, inter alia, the meaning of ‘currently has a legally enforceable right of set-off’ as well as that some gross settlement systems may be considered as equivalent to net settlements. The Group is evaluating the impact of the amendment on the Group and the timing of its adoption by the Group.

Improvements to IFRS, issued in May 2012 (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU). The amendments relate to amendments in five standards. Amendments to IFRS 1 (i) explain that an entity that will restart to prepare its financial statements in accordance with IFRS may choose to reapply IFRS 1 or apply all IFRS retrospectively as if it had never ceased using them and (ii) exempt first-time users from retrospective application of IAS 23 “Borrowing Costs”.

IAS 1 was amended to clarify that notes shall not be prepared for the third balance sheet presented as of the beginning date of the comparative period when the third balance sheet was prepared because it was materially impacted by the retrospective correction of errors, changes in accounting policies or reclassifications, but the notes shall be presented if the entity chooses to voluntarily present additional comparative periods in the financial statements.

Amendment to IAS 16 clarifies that maintenance equipment used for a period longer than one reporting period, shall be classified as non-current assets and not inventories.

Amendment to IAS 32 clarifies that the taxation effects arising on payments to owners shall be recognised in the income statement as required by IAS 12.

IAS 34 was amended to bring it into compliance with the requirements of IFRS 8 – IAS 34 will require disclosure of the assets and liabilities of business segments only in case this information is regularly provided to the highest decision maker and there has been a significant change in the data as compared to the last financial statements.

The Group is evaluating the impact of the amendment on its financial statements.

Transition Guidance – amendments to IFRS 10, IFRS 11 and IFRS 12 (effective for annual periods beginning on or after 1 January 2013; earlier adoption is required if IFRS 10, 11 and 12 are applied earlier; not yet adopted by the EU).

Amendments clarify transition guidance in IFRS 10 “Consolidated Financial Statements”. Entities that apply IFRS 10, need to assess whether control existed as of the first date of the reporting period when the standard was adopted and if the conclusion made in accordance with IFRS 10 differs from the conclusion made in accordance with IAS 27 and SIC 12, the data for annual period immediately preceding shall be adjusted (e.g. an entity whose financial year is the calendar year and that adopts IFRS 10 in 2013, shall adjust the data for 2012 retrospectively) unless it is impracticable. The amendments also provide additional relief for transitional rules in IFRS 10, IFRS 11 “Joint Ventures” and IFRS 12 “Disclosure of Interest in Other Entities”, clarifying that disclosures about restated comparatives shall be made only for the immediately preceding year. A requirement to disclose comparatives for unconsolidated structured entities for the periods preceding the application of IFRS 12 was also removed. The Group is evaluating the impact of the amendment on its financial statements.

Government Loans – amendments to IFRS 1 (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU). The amendments relate to government loans received at a lower than market interest rate and exempt first-time adopters of IFRS from a complete retrospective application of IFRS when recognising such loans. First time adopters shall receive an exemption which is the same as the one used by entities that already use IFRS. The Group is evaluating the impact of the amendment on its financial statements.

Investment Entities – amendments to IFRS 10, IFRS 12 and IAS 27 (effective for annual periods beginning on or after 1 January 2014; not yet adopted by the EU). The amendments introduce the term of an investment entity: an investment entity is an entity that (i) obtains funds from investors for the purpose of providing those investors with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity shall recognise its subsidiaries at fair value through profit or loss and shall consolidate only those subsidiaries that provide

services related to the entity's investment activities. IFRS 12 amendments added disclosure requirements, incl. material estimates that were made to decide whether the entity was an investment entity, financial or other support provided or to be provided to unconsolidated subsidiaries. The Group is evaluating the impact of the amendment on its financial statements.

IFRS 9, Financial Instruments Part 1: Classification and Measurement, issued in November 2009 (effective for annual periods beginning on or after 1 January 2015; not yet adopted by the EU). IFRS 9 will replace those parts of IAS 39 relating to the classification and measurement of financial assets. The key features are as follows:

- Financial assets are required to be classified into two measurement categories: the assets measured at fair value, and the assets measured at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (i.e. it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments shall be measured subsequently at fair value. Equity instruments that are held for trading shall be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

The other new or amended standards or interpretation which are not yet effective are not expected to have a material impact on the Group.

Principles of consolidation

Subsidiaries

Subsidiaries are all entities over which the Parent Company has control. Control is assumed if the Parent Company has power to govern the financial and operating policies of the subsidiary generally accompanying a shareholding of more than one half of the voting rights of the subsidiary. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. When the Parent Company acquired or transferred control over the company during the period, the respective subsidiary is subject to consolidation from the date at which control is transferred to the Group until the date that control ceases.

Acquisition of subsidiaries is accounted for under the purchase method. The fair value of the consideration payable (i.e. of the assets transferred, liabilities assumed and equity instruments issued by the acquirer for the purpose of acquisition) and expenditure directly attributable to acquisition at the date of acquisition is considered as the cost. According to the purchase method, the acquired and separately identifiable assets, liabilities and contingent liabilities are initially recognised at their fair value. The excess of the cost of the ownership interest acquired in a business combination over the fair value of acquired net assets is recognised as goodwill. If cost is lower than the fair value of acquired net assets, the difference is immediately taken to profit or loss.

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

Joint ventures

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that it is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

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

Associates

Associates are all entities over which the Group has significant influence, but not control, generally accompanying a shareholding of between 20% -50%. Investments in associates are initially recognised at cost and thereafter, using the equity method of accounting. The Group's investment in associates includes goodwill identified on acquisition.

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

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

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

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

Pursuant to the Accounting Act of the Republic of Estonia, information of the unconsolidated financial statements (primary statements) of the consolidating entity (Parent Company) shall be disclosed in the Notes to the consolidated financial statements. In preparing the primary financial statements of the Parent Company, the same accounting policies have been used as also in preparing the consolidated financial statements. The accounting policies for reporting subsidiaries have been amended in the separate primary financial statements disclosed as supplementary information in the Annual Report in conjunction with IAS 27 "Consolidated and Separate Financial Statements" and investments into the shares of subsidiaries and joint ventures are accounted for at cost less any impairment charges.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank accounts and short-term deposits with the term of up to three months. Bank overdraft is included within borrowings in current liabilities in the balance sheet. Shares of liquid funds are classified as financial assets at fair value through profit or loss.

Foreign currency translationFunctional and presentation currency

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

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions of the central banks of the countries where the respective group companies are located. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Group companies

The results and balance sheets of all group companies (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each balance sheet presented are translated to euros at the closing rate of the European Central Bank at the date of that balance sheet;
- (b) income and expenses for each income statement are translated to euros at average exchange rates of the European Central Bank for the period;
- (c) all resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate of the balance sheet date. When a subsidiary is partially or wholly disposed of through sale, liquidation, repayment of share capital or abandonment, the exchange differences deferred in equity are reclassified to profit or loss.

The Group has group companies in Estonia, Latvia, Lithuania and Ukraine. Since the Lithuanian litas is pegged to the euro, no currency translation differences arise from the translation into the presentation currency. The exchange differences of LVL and UAH are recognised directly in equity as a "Currency translation reserve".

Inventories

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

Financial assets

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

Loans and receivables

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

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less a provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due

according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the initial effective interest rate.

Property, plant and equipment

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

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

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

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

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

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

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

Buildings and structures 20-33 years

Machinery and equipment:

Production equipment 5-15 years

Other non-current assets:

Vehicles 5-10 years

Other fixtures and equipment 2-7 years

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

Intangible assets

Goodwill

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

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

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

Trademarks

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

The estimated useful lives of assets with finite useful lives are as follows:

- Trademarks 20-50 years

The amortisation rates are assessed for appropriateness at each balance sheet date.

Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. Customer relationships have a finite useful life and are carried at cost less any accumulated amortisation. Amortisation is calculated using the straight line method over the expected life of the customer relationship which is up to 5 years.

Research and development costs

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

Capitalised costs include the cost of materials and direct labour costs. Other development and research costs are recognised as an expense in the statement of comprehensive income at the time they are incurred.

Capitalised development costs are recognised at cost less any accumulated amortisation and any impairment losses. Development costs are expensed under a straight-line method over the expected useful life, the maximum length of which does not exceed 5 years.

Other intangible assets

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

- Other intangible assets 2-7 years

Impairment of assets

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

Financial liabilities

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

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

Derecognition of financial assets

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

Provisions

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

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

Contingent liabilities

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

Payables to employees

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

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

Finance and operating lease

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

The Group as a lessee

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

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

Derivative instruments and hedging

At initial recognition, derivative instruments are recognised at fair value at the date of entering into a derivative contract. After initial recognition, derivatives are revalued at each balance sheet date to their current fair value. The method for recognising gains or losses on a change in the value depends on whether the derivative is designated as a hedging instrument and, if so, on the nature of the hedged item. The Group had cash flow hedging instruments effective until September 2012, the purpose of which was to fix interest expenses on loans with floating interest rates.

Upon inception of a transaction, the Group documents the relationship between hedging instruments and hedged items, hedging objectives and a strategy for making different hedging transactions. Besides, upon inception of a transaction as well as on an ongoing basis, it is documented as to whether the derivatives used in hedging transactions are effective for setting off cash flows of hedged items.

Fair values of derivative instruments used for hedging purposes and movements in the hedging reserve included in equity are disclosed in the Notes. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining useful life of a hedged item is more than 12 months, and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months.

Cash flow hedge

The effective portion in the fair value change of derivative instruments which are designated and qualify as a cash flow hedge is recognised in equity. A gain or loss related to the ineffective portion is immediately recognised in the income statement.

The amounts accumulated in equity are reclassified to the statement of comprehensive income in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold or when a hedge no longer meets the hedge accounting criteria, any cumulative gain or loss included in equity will remain in equity and will be recognised in the statement of comprehensive income when the forecast transaction is ultimately recognised. When the occurrence of a forecast transaction is no longer expected, the cumulative gain or loss included in equity will be immediately transferred to the income statement as other income or other expenses.

Revenue recognition

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

Retail sales of periodicals and books

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

Sales of subscribed periodicals and books

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

Sale of services

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

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

Interest income

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

Dividend income

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

Earnings per share

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

Statutory reserve capital

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

Dividend distribution

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

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

Events after the balance sheet date

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

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

Segment reporting

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

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

Corporate income tax and deferred income tax

Corporate income tax in Estonia

According to the Income Tax Act applicable in Estonia, the annual profit earned by entities is not taxed in Estonia. Income tax is paid on dividends, fringe benefits, gifts, donations, reception costs, non-business related expenses and adjustments of the transfer price. From 1 January 2008, the profit distributed as dividends is subject to income tax of 21/79 of the net amount to be paid out. The corporate income tax arising from the payment of dividends is accounted for as an expense in the period when dividends are declared, regardless of the actual payment date or the period for which dividends are actually paid. The obligation to pay income tax arises on the 10th day of the month following the payment of dividends.

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

Corporate income tax for companies registered in Latvia, Lithuania and Ukraine

In accordance with the local income tax laws, the net profit of companies located in Latvia, Lithuania, and Ukraine that has been adjusted for the permanent and temporary differences as stipulated by law is subject to corporate income tax. The income tax rate is 15% in Latvia (2011: 15%), 15% in Lithuania (2011: 15%) and 21% in Ukraine (2011: 23%).

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

enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

Note 3. Critical accounting estimates and judgments

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

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

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year include assessment of useful lives of intangible assets identified (Note 16), valuation of inventory (Note 10), valuation of goodwill (Note 16), determination of useful lives of property, plant and equipment (Note 15) and valuation of receivables and loans granted (Notes 4, 6, 7), evaluation of derivative instruments (Notes 4, 28).

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

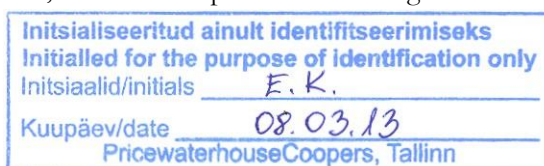
At each balance date the management has carried out impairment tests for goodwill which had arisen upon acquisition of the following cash-generating units or companies: Delfi Estonia, Delfi Latvia, Delfi Lithuania, Ekspress Leidyba, Ajakirjade Kirjastus, Maaleht published by Eesti Ajalehed AS and Eesti Päevaleht with its book-publishing operation, in which additional 50% ownership was acquired in 2011. Along with impairment tests for goodwill the value of other assets will also be assessed because the recoverable amounts of cash-generating units should cover goodwill as well as other assets related to cash-generating units like trademarks, intangible and tangible assets, net current assets. For finding the recoverable amount of the assets of all cash-generating units the future expected cash flows have been discounted using the weighted average cost of capital (WACC). For Ekspress Leidyba in 2011, the recoverable amount of the investment was based on a potential sales price. A more detailed overview of cash-generating units is disclosed in Note 16.

As of 31.12.2011, an impairment loss was recognised for goodwill related to Eesti Päevalehe AS, Delfi Latvia and Ekspress Leidyba in the amount of EUR 750 thousand. As of 31.12.2012, no impairment losses were recognised for goodwill.

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

b) Estimation of useful lives of intangible assets

The management has determined the estimated useful lives of intangible assets, taking into account the business conditions and volumes, historical experience in the given field and future projections. The



depreciation charges will be increased where useful lives are shorter than previously estimated lives, and technically obsolete and idle assets that have been written off or written down.

According to the estimates, the useful lives trademarks are 20-50 years, based on past experiences on useful lives of similar trademarks (carrying amount as of 31.12.2012 is EUR 9 542 thousand and as of 31.12.2011 is EUR 9 886 thousand). The trademark in the online segment is the title of the online portal "Delfi", the trademarks in periodicals segment are mainly the titles of different publications (magazines, newspapers). The remaining amortisation period of online media trademarks is 45 years.

Carrying amounts of trademarks by segment

(EUR thousand)	31.12.2012	31.12.2011
Online media	7 300	7 369
Periodicals	2 242	2 517
Total trademarks	9 542	9 886

The useful lives of advertising customer relationships are estimated to be 5 years based on the statistical data of sales of media agencies such as sales and purchase volumes. The estimated useful lives of customer relationships of newspaper subscribers are up to 2 years. As of 31.12.2012, the carrying amount of customer relationships was EUR 16 thousand and as of 31.12.2011, EUR 397 thousand. Similarly to 2011, no changes were made to amortisation rates in 2012.

If the useful lives of trademarks increased by 10%, the annual amortisation charge would decrease by EUR 26 thousand. If the useful lives of trademarks decreased by 10%, the annual amortisation charge would increase by EUR 32 thousand. The total decrease/increase in the amortisation charge of intangible assets in case of an increase/decrease in useful lives by 10% would be EUR 119 thousand.

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

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

If the useful lives increased/decreased by 10%, the annual depreciation charge would decrease/increase by EUR 22/27 thousand, EUR 156/190 thousand and EUR 24/29 thousand of 'Buildings', 'Machinery and equipment' and 'Other equipment', respectively. The total decrease/increase in the depreciation charge in case of an increase/decrease of 10% in useful lives would be EUR 246/201 thousand.

d) Assessment of the value of receivables is based on Group procedures according to which the provision for all receivables that are overdue more than 60 days will be recognised, taking also into account the management's estimates on each receivable if the following of Group procedure is not reasoned. The estimates are made based on the financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments. As a result of changes in the market conditions or economic situation, the current estimates of the management may significantly change.

e) Inventory valuation

Upon valuation of inventories, the management will rely on its best knowledge taking into consideration historical experience, general background information and assumptions and preconditions of the future events. For determining the impairment of finished goods (carrying amount as of 31.12.2012, EUR 622 thousand and as of 31.12.2011, EUR 862 thousand), the sales potential as well as the net realisable value of finished goods is considered, upon valuation of raw materials and materials (carrying amount as of 31.12.2012, EUR 2 030 thousand and as of 31.12.2011, EUR 1 701 thousand), their potential use in producing finished goods and generating income is considered, upon valuation of work in progress (carrying amount as of 31.12.2012, EUR 245 thousand and as of 31.12.2011, EUR 267 thousand), their stage of completion that can reliably be measured is considered.

Note 4. Financial risk management

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

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

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

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

Credit risk

Credit risk is expressed as a loss which may be incurred by the Group and is caused by the counterparty if the latter fails to perform its contractual financial obligations.

Credit risk arises from cash and cash equivalents, money market funds, trade receivables, other short-term receivables and loans granted.

Since the Group invests available liquid funds in the banks with the credit rating of "A", mainly as term and overnight deposits, they do not expose the Group to substantial credit risk.

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

Bank name	Moody's	Standard & Poor's	31.12.2012	31.12.2011
SEB	A1	A+	332	202
Swedbank	A2	A+	2 823	2 460
Nordea /Danske	Aa3/Baa1	A-/AA-	83	135
Other banks	Other banks	-	11	13
Total (Note 5)			3 251	2 810

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

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

In the case of new clients, their credit background is checked with the help of financial information databases such as Krediidinfo and other similar databases. At the beginning their payment behaviour will be monitored with heightened interest. Upon following the payment discipline, it is possible to receive more flexible credit terms, such as longer payment terms, higher credit limits, etc. Upon violation of the payment discipline, stricter credit terms are applied. In addition, in the publishing segment, the Group's subsidiaries use a program that provides information to major media companies about their debtors.

In case of large transactions, in particular in the segment of printing services, clients are requested to provide security, including surety.

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

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

31.12.2012 (EUR thousand)	Due date	Overdue >= 7 days	Overdue >7 days and <=60 days	Overdue > 60 days	Total receivables
Trade receivables	4 267	755	1 264	5	6 291
Other short-term receivable	721	0	0	0	721
TOTAL	4 988	755	1 264	5	7 012

31.12.2011 (EUR thousand)	Due date	Overdue >= 7 days	Overdue >7 days and <=60 days	Overdue > 60 days	Total receivables
Trade receivables	3 861	577	941	65	5 444
Other short-term receivable	1 185	0	0	0	1 185
TOTAL	5 046	577	941	65	6 629

In 2012, the Group has written down doubtful receivables in the amount of EUR 661 thousand. (31.12.2011: EUR 710 thousand), in accordance with the rules for valuation of trade receivables applicable at the Group based on estimated cash flows. The Group's management is aware that credit risk is still high in recovered economic situation and therefore, credit risk management is a high-priority area. As a specific measure, the credit policies at the group companies have been harmonised and they have been made stricter. A regular reporting routine in respect of accounts receivable has been established, enabling the Group's management to receive immediate information and if necessary, to interfere.

Since a significant part of other receivables is due from the joint ventures, more specifically their unconsolidated 50% share, the management estimates that the receivables do not contain any credit risk.

Liquidity risk

Liquidity risk means that the Group may not have liquid funds to fulfil its financial obligations in a timely manner (Note 33).

The objective of the Group is to maintain a balance between the financial need and financial possibilities of the Group. Cash flow planning is used as a means to manage the liquidity risk. To manage liquidity risk as effectively as possible, the bank accounts of the Parent Company and its subsidiaries comprise one group account (cash pool) which enables the members of the group account to use the finances of the Group within the limit established by the Parent Company. The group account operates in Estonia, but foreign subsidiaries in Latvia and Lithuania are also part thereof.

According to the policy of the Group, all subsidiaries and joint ventures prepare long term cash flow projections for following year, which are adjusted on a quarterly basis. For monitoring short-term cash

flows the subsidiaries that have joined the group account prepare eight week cash flow projections on a weekly basis.

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

Overdraft credit is used to finance working capital, long-term bank loans and finance lease agreements are used to make capital expenditures to acquire non-current assets. The Group has high leverage; thus, liquidity risk management is one of the priorities of the Group.

Analysis of undiscounted financial liabilities (principal and future interest payments) by payment term as of 31.12.2012

31.12.2012 (EUR thousand)	<= 1 month	> 1 month and <=3 months	> 3 months and <= 1 year	>1 year and <=5 years	Carrying amount
Bank loans	358	716	3 966	25 906	28 580
Trade payables	3 898	22	35	0	3 955
Other payables	691	0	0	0	691
TOTAL	4 947	738	4 001	25 906	33 226

Other payables include payables to joint ventures (50% of unconsolidated share), accrued interest and other accrued liabilities, see Note 17.

31.12.2011 (EUR thousand)	<= 1 month	> 1 month and <=3 months	> 3 months and <= 1 year	>1 year and <=5 years	Carrying amount
Bank loans	695	850	3 830	25 911	27 883
Finance lease payments	174	250	1 134	2 627	3 950
Other loans	0	119	0	0	118
Trade payables	3 262	1 074	40	0	4 378
Other payables	1 082	89	0	0	1 171
TOTAL	5 213	2 382	5 004	28 538	37 500

Interest rate risk

Interest rate risk means that a change in interest rates results in a change in the cash flow and profit of the Group. The interest rates of loans granted and assumed by the Group are partially fixed and partially tied to Euribor.

The Group's interest rate risk is related to short-term and long-term borrowings which have been assumed with a floating interest rate. The interest rate risk is mainly related to the fluctuation of Euribor and the resulting change in average interest rates of banks. Interest rate change by 1 percentage point would change Group's loan interest expense 285 thousand euros per year.

Type of interest	Interest rate	31.12.2012 (EUR thousands)	<= 1 year	>1 year and <=5 years	Carrying amount
Floating interest	1 month Euribor + 2.5%	Syndicated loan (<i>Parent Company</i>)	2 972	18 118	21 090
	1 month Euribor + 2.5%	Syndicated loan (<i>Printall</i>)	630	6 115	6 745
	1 month Euribor + 1.9%	Overdraft	745	0	745

Type of interest	Interest rate	31.12.2011 (EUR thousands)	<= 1 year	>1 year and <=5 years	Carrying amount
Floating interest	6 month Euribor + 3.5%	Syndicated loan	2 968	22 236	25 204
	6 month Euribor +2.9%	Finance lease and long term loan (Printall)	2 183	4 161	6 344
	1 month Euribor + 3.5%	Short term loans and overdraft	270	0	270
	EONIA +3.5% bank base rate+3.5%	Overdraft	14	0	14
Fixed interest	3.5% per year	Other loans	118	0	118

On September 2008, the Group entered into interest rate swap contracts with the banks that issued the syndicated loan in order to hedge fluctuations of Euribor. Interest rate contracts (or swap contracts) had been concluded on loan repayments until September 2012. On the basis of the interest rate swap contract, the Group made fixed interest payments of 4.3% and received interest payments that had been calculated on the basis of 6-month Euribor in return.

Interest payments and reduction in nominal amounts occurred twice a year, at the beginning of March and September. At the same dates, the interest rate of the syndicated loan was refixed, the latter being also 6-month Euribor.

Beginning of periods	End of period	Nominal amount used for calculation (EUR thousand)
1.09.2010	1.03.2011	13 425
1.03.2011	1.09.2011	11 925
1.09.2011	1.03.2012	10 375
1.03.2012	3.09.2012	8 767

As of 31.12.2012, Group has no derivative financial instruments for interest risk management.

Foreign exchange risk

The Group's operating activities have an international dimension and therefore, the Group is exposed to foreign exchange risk. Foreign exchange risk arises when future business transactions or recognised assets or liabilities are fixed in a currency which is not the functional currency of the Group. Group companies are required to manage their foreign exchange risk with regard to functional currency. The Group's income is primarily fixed in local currencies, i.e. the euros, Lithuanian litas, Latvian lats and Ukrainian hryvnias. The Group also pays most of its suppliers and employees in local currencies. The subsidiaries are typically required to use the euro as the currency in foreign contracts. The subsidiary Printall exports also to non-EU countries and it also earns revenue in Russian roubles, Norwegian kroner and Swedish kronor. The amounts received will be typically converted into euros immediately after their receipt, thereby reducing open foreign currency positions. Although Russian clients pay in currencies other than the euro, the invoices for the goods and services are denominated in euros and thus carry not foreign currency risk. With regard to other foreign currencies, ca. 6-8% of the Group's sales carry foreign currency risk. No other means are used for hedging foreign exchange risk.

Financial assets and financial liabilities by currency as of 31.12.2012.

(EUR thousand)	EUR	LTL	LVL	UAH	SEK	Other currencies	TOTAL
Assets							
Cash and cash equivalents	2 633	394	150	6	0	0	3 182
Trade and other receivables	4 942	1 461	571	38	354	56	7 422
Term deposit	0	98	0	0	0	0	98
Total financial assets	7 574	1 953	722	44	354	56	10 703
Liabilities							
Borrowings	28 580	0	0	0	0	0	28 580
Trade and other payables	6 434	688	336	17	24	12	7 512
Total financial liabilities	35 014	688	336	17	24	12	36 091
Net foreign currency position	(27 440)	1 265	386	26	330	43	

Financial assets and financial liabilities by currency as of 31.12.2011.

(EUR thousand)	EUR	LTL	LVL	UAH	SEK	Other currencies	TOTAL
Assets							
Cash and cash equivalents	2 344	269	108	8	0	0	2 729
Trade and other receivables	4 719	1 283	453	59	298	30	6 842
Term deposit	0	98	0	0	0	0	98
Total financial assets	7 063	1 650	561	67	298	30	9 670
Liabilities							
Borrowings	31 833	0	0	0	0	0	31 833
Trade and other payables	6 936	499	262	4	18	8	7 728
Derivative instruments	176	0	0	0	0	0	176
Total financial liabilities	38 945	499	262	4	18	8	39 737
Net foreign currency position	(31 882)	1 152	299	63	280	21	

Price risk

The management estimates that price risk does not have any substantial impact on the activities of the Group, because the company does not have any substantial investments in equity instruments.

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

Operational risk

Operational risk is a possible loss caused by insufficient or non-functioning processes, employees and information systems or external factors.

The involvement of employees in the risk assessment process improves the general risk culture. For performing transactions, systems of transaction limits and competences are used to minimise possible losses. The four-eye principle in use, under which the confirmation of at least two employees independent of each other or that of a unit is necessary for the performance of a transaction or a procedure, reduces the possible occurrence of human errors and mistakes. The four-eye principle is also applied during negotiations related to purchase and sales as well as other transactions. Drafts of important agreements prepared by law offices are reviewed by the management; in-house lawyers are also involved in the work process. The management considers the legal protection of the Group to be good.

The management estimates that the dependence of the Group's activities on IT systems is higher than average and continuous investments are made to increase its security and reliability. The responsibility for

managing operational risk lies with the Management Board of the Group and the management boards of subsidiaries.

Capital risk

The main objective of the Group upon managing capital risk is to ensure the sustainability of the Group in order to ensure income for its shareholders and benefits for other stakeholders, while maintaining the optimal capital structure in order to reduce the price of capital.

According to the practice common in the industry, the Group uses the debt to capital ratio to monitor capital. The debt to capital ratio is calculated as the ratio of net debt to total capital. Net debt is calculated by deducting cash and bank accounts from total debt (short and long-term interest bearing liabilities recognised in the consolidated balance sheet). Total capital is recognised as the aggregate of equity and net debt. The ratio of equity to total assets (one of criterias measured quarterly according to syndicated loan contract) is also monitored. During the year the equity ratio of the Group has been in compliance with conditions set in the syndicate loan contract.

Equity ratios of the Group

(EUR thousand)	31.12.2012	31.12.2011
Interest-bearing debt	28 580	31 951
Cash and bank accounts	3 280	2 827
Net debt	25 300	29 124
Equity	41 099	38 388
Total capital	66 399	67 512
Debt to capital ratio	38%	43%
Total assets	80 299	81 509
Equity ratio	51%	47%

Fair value

The Group's management estimates that the fair values of the financial assets (Notes 5,6,7,9,11) and financial liabilities (Notes 17-19) recognised in the balance sheet at amortised cost do not significantly differ from their carrying amounts presented in the Group's consolidated balance sheet on 31 December 2012 and 31 December 2011. The Group's interest bearing liabilities were refinanced in 2012 and thus reflect the adequate situation of current market interest rates. Also, the Group's risk margins correspond to market conditions. Based on that, the management estimates that the fair value of long-term borrowings does not significantly differ from their carrying amounts. The fair value of financial liabilities is determined on the basis of discounted future contractual cash flows, using a market interest rate which is available for the Group upon using similar financial instruments. Trade receivables and trade payables are recognised at amortised cost, due to which the management estimates that their carrying amount approximates their fair value.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in level 2.

Note 5. Cash and bank

(EUR thousand)	31.12.2012	31.12.2011
Cash in hand	29	17
Cash at bank	3 153	2 667
Cash in transit	0	45
Cash and cash equivalents	3 182	2 729
Term deposit	98	98
Total cash and bank	3 280	2 827

As of 31.12.2012 and 31.12.2011, Delfi UAB's security deposit related to the ongoing national project is included within the term deposit.

Note 6. Trade and other receivables

(EUR thousand)	31.12.2012	31.12.2011
Trade receivables (Note 7)	6 291	5 444
Prepaid taxes (Note 8)	44	47
Other receivables (Note 9)	721	1 185
Prepayments	288	245
Total trade and other receivables	7 344	6 921

Note 7. Trade receivables

(EUR thousand)	31.12.2012	31.12.2011
Trade receivables	6 918	5 894
Allowance for doubtful accounts	(627)	(450)
Total trade receivables	6 291	5 444
(EUR thousand)	31.12.2012	31.12.2011
Allowance for doubtful receivables at the beginning of the period	(450)	(803)
Proceeds from doubtful receivables during the period	423	610
Allowance for doubtful receivables recognised during the period	(661)	(710)
Receivables written off balance sheet during the period	61	453
Allowance for doubtful receivables at the end of the period	(627)	(450)

Impairment losses recognised during the period are reported in the statement of comprehensive income as "Cost of sales". For further information on ageing of receivables (including overdue receivables), see Note 4.

Note 8. Taxes

(EUR thousand)	31.12.2012		31.12.2011	
	Prepayment	Liability	Prepayment	Liability
Corporate income tax	17	122	1	75
Personal income tax	0	293	0	288
Social security tax	0	739	0	681
Unemployment insurance tax	0	55	0	58
Contributions to mandatory funded pension	0	23	0	20
Value added tax	27	295	46	243
Total taxes (Notes 6, 17)	44	1 527	47	1 365

Group's income tax expense (EUR thousand)	2012	2011
Corporate income tax expense	(218)	(171)
Deferred income tax	21	(50)
Total income tax expense	(197)	(221)

Income tax

(EUR thousand)	2012	2011
Estonia		
Dividends paid by joint ventures and subject to taxation	341	370
Tax rate	21/79	21/79
Income tax expense for the year	(91)	(98)
Latvia		
Profit (loss) before tax	(5 224)	(1 346)
Tax rate	15%	15%
Estimated income tax	784	202
Impact of income/expenses not deductible for tax purposes	(789)	(271)
Current income tax expense	0	(2)
Deferred income tax gains (losses)	5	(67)
Lithuania		
Profit (loss) before tax	582	402
Tax rate	15%	15%
Estimated income tax	(87)	(60)
Impact of income/expenses not deductible for tax purposes	(7)	(12)
Current income tax expense	(127)	(71)
Deferred income tax gains (losses)	33	(1)
Ukraine		
Profit (loss) before tax	(402)	(292)
Tax rate	21%	23%
Estimated income tax	84	67
Impact of income/expenses not deductible for tax purposes	(101)	(49)
Current income tax expense	0	0
Deferred income tax gains (losses)	(17)	18

Note 9. Other short-term receivables

(EUR thousand)	31.12.2012	31.12.2011
Receivables from associates (Note 31)	101	122
Trade receivables	101	122
Receivables from joint ventures (Note 31)	509	536
Trade receivables	509	483
Other receivables	0	53
Receivables from related parties (Note 31)	0	201
Other receivables	0	201
Other short-term receivables	111	326
Loans granted	7	121
Interest	0	33
Other receivables	104	172
Total other short-term receivables	721	1 185

Allowance for receivable from the associate Medipresa UAB has been made in the amount of EUR 63 thousand in accordance with the ownership interest in the negative equity of Medipresa UAB.

Note 10. Inventories

(EUR thousand)	31.12.2012	31.12.2011
Raw materials	2 030	1 701
Work in progress	245	267
Finished goods	622	862
Goods for resale	25	3
Total inventories	2 922	2 833

(EUR thousand)	2012	2011
Impairment of finished goods	78	51
Allowance for impairment recognised in statement of comprehensive income	78	51

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

Note 11. Long-term trade and other receivables

(EUR thousand)	31.12.2012	31.12.2011
Loans granted to related parties (Note 31)	192	60
Other loans granted	16	16
Deferred income tax receivable	137	90
Prepayments	5	1
Other investments	15	0
Total long-term receivables	365	167

Deferred tax assets derive mainly from deferred tax losses, which can generally be used within five years.

Note 12. Business combinations

In October 2012, Lithuanian companies Delfi UAB and UAB Alio concluded a contract for acquisition of the oldest and best-known classified ads portal and newspaper on 1 November 2012 that is operating in Lithuanian market under brand name *Alio reklama*. UAB Alio continues its business with other operations under old name. Delfi UAB acquired classified ads business with all employees related to it. EUR 434 thousand was paid in cash for the transaction. Upon acquisition of Alio the fair value of trademark was recognised in the amount of EUR 102 thousand by the management and goodwill arose in the amount of EUR 332 thousand, the allocation of which can be adjusted by the management within one year.

On 11 March 2011, AS Ekspress Grupp and Vivarone OÜ concluded a contract for restructuring their current partnership in Eesti Päevalehe AS. In accordance with the contract, Vivarone OÜ acquired the offices previously in the ownership of Eesti Päevalehe AS at Narva Road 13 and Ekspress Group acquired the business of Eesti Päevalehe AS. For completion of the transaction, Eesti Päevalehe AS sold its real estate to Vivarone OÜ and Vivarone OÜ in turn sold 50% of the shares of Eesti Päevalehe AS in its ownership to AS Ekspress Grupp, and the parties offset the receivables due from each other. Neither party paid actual cash for the transaction. The Group continues to lease the current offices from Vivarone OÜ. In addition to the ownership interest acquired in Eesti Päevalehe AS, the company also obtained an additional 25% ownership interest in AS Linnaleht. As the equity of the latter is negative, loans granted to AS Linnaleht were written down during the acquisition.

Full ownership of Eesti Päevalehe AS enabled AS Ekspress Grupp to integrate various media content production units and support structures, and thereby, achieve cost savings. Upon acquisition of Eesti Päevalehe AS, goodwill arose in the amount of EUR 1 232 thousand, which includes goodwill of hyppeaud.ee in amount of EUR 25 thousand that was previously recognised in the Group balance sheet. At the end of year 2011, an impairment loss was recognised for goodwill in the amount of EUR 130 thousand. As of 31.12.2012, the carrying amount of goodwill is EUR 1 102 thousand.

The acquisition of the additional 50% ownership interest in Eesti Päevalehe AS is recognised in accordance with IFRS 3 (revised) in two parts. Firstly, as the disposal of the 50% ownership interest and thereafter, as the acquisition of a 100% ownership interest. The sales proceeds of the current 50% ownership interest is reported in a separate line of operating profit in the amount of EUR 1 540 thousand in the 1st quarter of 2011.

On 4 March 2011, Delfi AS acquired a 100% ownership interest in OÜ Saarmann Meedia, paying EUR 34 thousand in cash for the company. This company owns the local news portal of rural municipalities www.eestielu.ee and the cost of the portal made up most of the amount paid. No goodwill arose on acquisition. After the acquisition, the company's operations have been transferred to Delfi Estonia and Saarmann Meedia OÜ will be liquidated.

If the acquisition of Alio by the Group had been completed at the beginning of 2012, the Group's revenue would have been ca EUR 300 thousand higher and net profit would have been ca EUR 100 thousand higher. If the acquisition of Eesti Päevalehe AS by the Group had been completed at the beginning of 2011, the Group's revenue would have been EUR 472 thousand higher and net profit would have been EUR 46 thousand lower. There would have been no major difference in case of OÜ Saarmann Meedia.

The table below provides an overview of acquired identifiable assets and liabilities at the time of acquisition. The balance sheet as of 31.10.2012 has been used as the basis for allocation of the purchase price of Alio and balance sheets as of 28.02.2011 for other companies.

	Alio		Eesti Päevalehe AS		Saarmann Media OÜ	
(EUR thousand)	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount
Cash and bank	0	0	21	21	0	0
Other receivables and assets	0	0	2 003	1 350	0	0
Joint venture (ownership and loan)	0	0	(10)	16	0	0
Property, plant and equipment	0	0	47	47	7	7
Intangible assets (licenses, programmes, portals)	0	0	300	322	34	0
Trademark	102	0	1 222	0	0	0
Contractual customer relationships	0	0	263	0	0	0
Other liabilities	0	0	(1 878)	(1 928)	(6)	(6)
Total identifiable assets	102	0	1 968	(172)	34	1
Goodwill	332		1 232	239	0	
Cost of ownership interest	434		3 200		34	
Paid for ownership interest in cash	434		0		34	
Cash and cash equivalents in the acquired entity (EPL 50%)	0		(11)		0	
Total cash effect on the Group	(434)		(11)		34	

Note 13. Joint ventures

Company name	Ownership interest %	
	31.12.2012	31.12.2011
AS SL Õhtuleht	50	50
AS Linnaleht	-	-
AS Express Post	50	50
AS Ajakirjade Kirjastus	50	50
OÜ Uniservice	-	50

In March 2011, the Group acquired an additional 50% ownership interest in Eesti Päevalehe AS, which also included an additional 25% ownership interest in AS Linnaleht and AS Linnaleht became a joint venture of the Group with a 50% ownership interest. As the operations of AS Linnaleht were unprofitable due to the general economic recession, the business of the latter was reorganised in 2011. In August 2011, the operations of AS Linnaleht were transferred to AS SL Õhtuleht and as of 1 November 2011, AS Linnaleht and AS SL Õhtuleht were merged.

In June 2011, the joint venture AS Ajakirjade Kirjastus acquired a 49% ownership interest in its subsidiary Uniservice OÜ. Because this transaction represented an increase of the ownership interest from 51% to 100%, no assets were revalued during the transaction and no goodwill arose. A cash payment of EUR 6 thousand was made for the acquisition of the ownership interest. Upon acquisition of full ownership, the operations of OÜ Uniservice were transferred to the Parent Company and from 1 January 2012, the companies were merged.

Financial information of joint ventures (representing a proportionate consolidated share)

(EUR thousand)	Ajakirjade Kirjastuse AS	AS SL Õhtuleht	Eesti Päevalehe AS*	AS Express Post	OÜ Uniservice	Total
31.12.2012						
Current assets	1 147	945	0	1 576	0	3 668
Non-current assets	67	63	0	37	0	167
Total assets	1 214	1 008	0	1 613	0	3 835
Current liabilities	890	728	0	1 334	0	2 952
Non-current liabilities	0	0	0	0	0	0
Total liabilities	890	728	0	1 334	0	2 952
Total revenue	4 196	3 705	0	2 313	0	10 214
Total expenses	4 196	3 534	0	2 142	0	9 872
Net profit (loss)	0	171	0	171	0	342
31.12.2011						
Current assets	1 280	901	0	1 525	0	3 706
Non-current assets	100	55	0	48	0	203
Net profit (loss)	1 380	956	0	1 573	0	3 909
Current liabilities	1 056	698	0	1 273	-2	3 025
Non-current liabilities	0	1	0	0	0	1
Total liabilities	1 056	699	0	1 273	(2)	3 026
Total revenue	4 190	3 432	472	2 396	9	10 499
Total expenses	4 091	3 309	518	2 205	8	10 131
Net profit (loss)	99	123	(46)	191	1	369

*For Eesti Päevalehe AS, the information for 2011 includes revenue and expenses for the period of January-February 2011, when the company was a joint venture.

Note 14. Associates

(EUR thousand)	31.12.2012	31.12.2011
Additional contribution to associate (AS Linnaleht)	0	27
Impairment loss recognised for the receivables of associates	(41)	(17)
Share of loss in associates recognised in comprehensive income statement		
Loss under the equity method	(41)	(52)
Total loss of associates	(41)	(52)

Company name	Ownership %	
	31.12.2012	31.12.2011
UAB Medipresa	40	40

In March 2011, the Group acquired an additional 50% ownership interest in Eesti Päevalehe AS, which included an additional 25% ownership interest in AS Linnaleht and thus, AS Linnaleht became the Group's joint venture with a 50% ownership interest (see Note 13).

Financial information of associate

(EUR thousand)	UAB Medipresa
31.12.2012	
Total assets	2 341
Total liabilities	2 497
Total revenue	7 551
Total expenses	7 653
Net profit (loss)	(102)
31.12.2011	
Total assets	2 853
Total liabilities	2 905
Total revenue	8 721
Total expenses	8 757
Net profit (loss)	(36)

Note 15. Property, plant and equipment

(EUR thousand)	Land	Buildings	Machinery and equipment	Other fixtures	Prepayments	Total PPE
31.12.2010						
Cost	417	6 514	23 102	2 755	9	32 797
Accumulated depreciation	0	(1 554)	(9 875)	(2 230)	0	(13 659)
Carrying amount	417	4 960	13 227	525	9	19 138
Acquisitions and improvements	0	1	99	193	148	441
Disposals (at carrying amount)	0	0	(18)	(36)	(3)	(57)
Write-offs (at carrying amount)	0	(5)	(2)	(1)	(1)	(9)
Reclassification	0	58	11	73	(143)	(1)
Acquired through business combinations	0	0	8	16	0	24
Disposed through business combinations	(8)	(539)	0	0	0	(547)
Depreciation	0	(226)	(1 724)	(287)	0	(2 237)
31.12.2011						
Cost	409	5 793	21 492	2 670	10	30 374
Accumulated depreciation	0	(1 544)	(9 890)	(2 189)	0	(13 623)
Carrying amount	409	4 249	11 602	481	10	16 751
Acquisitions and improvements	0	15	161	191	67	434
Disposals (at carrying amount)	0	0	(9)	(23)	0	(32)
Write-offs (at carrying amount)	0	0	0	1	(3)	(2)
Reclassification	0	21	(88)	18	(49)	(98)
Depreciation	0	(241)	(1 713)	(260)	0	(2 214)
31.12.2012						
Cost	409	5 786	20 942	2 425	26	29 588
Accumulated depreciation	0	(1 742)	(10 989)	(2 016)	0	(14 747)
Carrying amount	409	4 044	9 953	409	26	14 841

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

Note 16. Intangible assets

(EUR thousand)	Good-will	Trade-marks	Develop-ment costs	Custo-mer relation-ships	Com-puter software	Prepay-ments	Total intangible assets
31.12.2010							
Cost	40 303	10 007	479	2 116	2 314	135	55 354
Accumulated amortisation	0	(1 052)	(234)	(1 375)	(1 757)	0	(4 418)
Carrying amount	40 303	8 955	245	741	557	135	50 936
Acquisitions and improvements	0	0	19	0	202	251	472
Disposals (at carrying amount)	0	0	0	0	0	(2)	(2)
Write-offs (at carrying amount)	0	0	0	0	(25)	0	(25)
Impairment loss	(750)	0	0	0	0	(270)	(1 020)
Reclassification	0	0	0	0	163	(161)	2
Acquired through business combinations	1 208	1 222	0	263	66	135	2 894
Amortisation	0	(291)	(6)	(607)	(383)	0	(1 287)
Currency translation differences	0	0	0	0	2	0	2
31.12.2011							
Cost	40 761	11 229	498	2 379	2 556	87	57 510
Accumulated amortisation	0	(1 343)	(240)	(1 982)	(1 975)	0	(5 540)
Carrying amount	40 761	9 886	258	397	581	87	51 970
Purchases and improvements	0	0	71	0	119	161	351
Disposals (at carrying amount)	0	(155)	0	0	(6)	0	(161)
Write-offs (at carrying amount)	0	0	0	0	(3)	(71)	(74)
Reclassification	0	0	0	0	151	(151)	0
Acquired through business combinations	332	102	0	0	0	0	434
Amortisation	0	(291)	(12)	(381)	(387)	0	(1 071)
Currency translation differences	0	0	0	0	1	0	1
31.12.2012							
Cost	41 093	11 079	479	2 379	2 526	26	57 582
Accumulated amortisation	0	(1 537)	(162)	(2 363)	(2 070)	0	(6 132)
Carrying amount	41 093	9 542	317	16	456	26	51 450

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

Goodwill by cash-generating units and segments

(thousand)	EUR	
	31.12.2012	31.12.2011
Delfi Estonia	15 281	15 281
Delfi Latvia	9 390	9 390
Delfi Lithuania	12 517	12 517
Alio (Delfi Lithuania)	332	-
Online media segment	37 520	37 188
Eesti Päevaleht (incl. hyppelaud.ee)	1 102	1 102
Ajakirjade Kirjastus	456	456
Ekspress Leidyba	199	199
Maaleht (Eesti Ajalehed)	1 816	1 816
Periodicals segment	3 573	3 573
Total goodwill	41 093	40 761

In November 2012, Delfi Lithuania acquired the classified ads portal and newspaper under the trademark *Alio Reklama*. The related goodwill is recognised in the balance sheet in the amount of EUR 332 thousand (Note 12).

In 2011, the Group recognised goodwill on acquisition of Eesti Päevalehe AS in the amount of EUR 1 232 thousand which was added to the goodwill of hyppelaud.ee, the carrying amount of which was EUR 25 thousand. As of 31.12.2011, an impairment loss was recognised for goodwill related to Eesti Päevaleht in the amount of EUR 130 thousand. An impairment loss was also recognised for goodwill related to Ekspress Leidyba in the amount of EUR 450 thousand and for goodwill related to Delfi Latvia in the amount of EUR 170 thousand. In 2011, impairment losses for goodwill totalled EUR 750 thousand. The impairment loss for goodwill is recognised in a separate line in the income statement.

In the impairment test, the discounted cash flow method was used except for assessment of Ekspress Leidyba UAB as of 31.12.2011, for which the fair value less costs to sell method was used that was based on the agreed but unrealised transaction price. For each business unit acquired, 5-year cash flow forecasts have been prepared for the respective cash-generating units. Revenue growth, and variable and fixed costs have been estimated on the basis of prior period results and future strategic plans. In the impairment tests, the nominal models are used.

The applied revenue growth rates are as follows:

Cash-generating unit	Next financial year		Years 2-5		Terminal value growth	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Delfi Estonia	9.0%	7.3%	10-15%	15-20%	3.5%	4%
Delfi Latvia	9.6%	4%	15-20%	20-25%	4%	4%
Delfi Lithuania	8.2%	3.3%	10-15%	10-20%	4%	4%
Eesti Päevaleht (Eesti Ajalehed)	-8%	4%	1.8-1.9%	2%	0-3.5%	1-3%
Maaleht (Eesti Ajalehed)	1.4%	9%	1.4-1.5%	2%	0%	1%
Ajakirjade Kirjastus	-0.4%	7%	0.5%	2%	0%	1%
Ekspress Leidyba	-0.7%	-	0.6-1%	-	0%	-

Future cash flows of Eesti Päevaleht, Ärioleht, epl.ee, hyppelaud.ee+job.ee and the book publisher Hea Lugu are used in the impairment test for Eesti Päevaleht. Lower revenue in 2013 is related to the very successful series of Estonian films in 2012 which we do not expect to surpass next year. The impairment test of Maaleht is based on the future cash flows of Maaleht, Maakodu, Maamajandus and maaleht.ee. Lower revenue of Ekspress Leidyba is related to the discontinued book publishing business. Lower revenue of Ajakirjade Kirjastus is related to uncertainty in Estonian magazine publishing market and therefore the assumptions of revenue forecast are more conservative.

The present value and the terminal value of the cash flows for the following five years were determined using the weighted average cost of capital as the discount rate, where the expected ROE is 7.96%-10.67% (2011: 10.79%-11.73%) and the return on debt is 6.1%, for Estonia, 7.2% for Latvia and 8.0% for Lithuania (2011: 7.21%-7.93%). The debt to equity ratio is based on the average debt to equity ratio of the market available in the database of Damodaran Online as of 31.12.2012, 10.4% (31.12.2011: 14%) for online media units and 51% for publishing units (31.12.2011: 45%). The cost of equity has been calculated using CAPM (Capital Asset Pricing Model). The equity betas of the units used in the model have been calculated using the average unleveraged assisted betas of the industries from the database of Damodaran Online. The yields on long-term government bonds issued in Latvia and Lithuania in December 2012 have been used as the basis for determining the risk rates of these countries. In respect of Estonia, the country's risk rate is based on the long-term euro bond yields of the Czech Republic (last year: Slovakia).

The applied discounts rates are as follows:

Cash-generating unit	31.12.2012	31.12.2011
Delfi Estonia	7.60%	10.47%
Delfi Latvia	8.36%	10.62%
Delfi Lithuania	9.29%	10.42%
Eesti Päevaleht (Eesti Ajalehed)	7.39-7.60%	10.33%
Maaleht (Eesti Ajalehed)	7.39%	10.33%
Ajakirjade Kirjastus	7.39%	10.33%
Ekspress Leidyba	9.09%	-

The carrying amount, the recoverable amount of cash-generating units and the difference before impairment losses:

(EUR thousand)	31.12.2012			31.12.2011		
	Recoverable amount	Carrying amount	Difference	Recoverable amount	Carrying amount	Difference
Delfi Estonia	25 497	18 019	7 478	18 640	17 773	867
Delfi Latvia	16 597	11 981	4 616	12 258	12 428	(170)
Delfi Lithuania	36 568	15 182	21 386	19 362	15 243	4 119
Eesti Päevaleht (Eesti Ajalehed)	2 194	2 160	34	2 449	2 579	(130)
Maaleht (Eesti Ajalehed)	15 393	2 015	13 378	11 658	2 112	9 546
Ajakirjade Kirjastus	2 133	660	1 474	1 601	535	1 066
Ekspress Leidyba	1 194	582	612	1 179	1 629	(450)

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

In 2012, the assumptions used in the impairment tests were made more conservative, primarily related to the weaker outlook for the global economy and Eurozone countries as compared to the same period last year. Due to the changed economic outlook and more conservative assumptions, the sensitivity of impairment tests should be higher than previously. However, the overall decline in interest rates have an opposite effect on the sensitivity of the test, due to which the average discount rate used has also fallen as compared to last and the difference between the recoverable amount and carrying amount of goodwill has increased.

An impairment loss for goodwill related to Delfi Lithuania would be recognised under current assumptions only if online market did not grow and interest rates more than doubled. The sensitivity of goodwill related to Delfi Estonia is greater and it would be necessary to recognise an impairment loss if revenue increased only 4% in 2014-2017, the EBITDA margin decreased by 6.5 pp, the residual value growth were 2 pp lower and the discount rate 1.65 pp higher. For Delfi Latvia, impairment loss should be recognised if in the forecasts for the period 2014-2017 revenue growth were 10 pp lower, EBITDA margin were 4.5 pp lower,

terminal value growth were 1.85 pp lower or the discount rate used were 1.49 pp higher. Based on the above, the changes in the discount rate and the terminal value would have the greatest impact on the potential impairment loss of goodwill.

For Eesti Päevaleht, an impairment loss for goodwill should be recognised in the full amount (EUR 1.1 million) if revenue did not grow but fixed expenses increased by 1.2%. A 2 pp change in the discount rate would require a 50% reduction in an impairment loss for goodwill. In respect of Maaleht, future cash flows would cover the carrying amount of goodwill if revenue declined by 9% in 2014-2017. In respect of Ajakirjade Kirjastus, future cash flows would cover the carrying amount of goodwill if revenue declined by 2% in 2014-2017. In respect of Ekspress Leidyba, future cash flows would cover the carrying amount of goodwill if revenue related to magazines did not grow in 2014-2017.

Note 17. Trade and other payables

(EUR thousand)	31.12.2012	31.12.2011
Trade payables	3 955	4 378
incl. payables to related parties (Note 31)	16	20
Payables to employees	1 804	1 587
Taxes payable (Note 8)	1 527	1 365
Deferred income	2 643	2 492
Payables to joint ventures (Note 31)	42	169
Trade payables	42	51
Loans received	0	118
Accrued interest	12	125
Other accrued liabilities	637	995
Total trade and other payables	10 620	11 111

Deferred income includes the prepayments received from clients for subscriptions of periodicals.

Note 18. Bank loans and borrowings

(EUR thousand)	Total amount	Repayment term	
		Up to 1 year	1-5 years
Balance as of 31.12.2012			
Overdraft facilities	745	745	0
Long-term bank loans	27 835	3 602	24 233
incl. syndicated loan (AS Ekspress Grupp)	21 090	2 972	18 118
incl. long-term loan (AS Printall)	6 745	630	6 115
Total	28 580	4 347	24 233
Balance as of 31.12.2011			
Overdraft facilities	14	14	0
Short-term bank loans (incl. factoring)	270	270	0
Long-term bank loans	27 599	3 723	23 876
incl. syndicated loan (AS Ekspress Grupp)	25 204	2 968	22 236
incl. long-term loan (AS Printall)	2 395	755	1 640
Finance lease (Note 19)	3 950	1 429	2 521
Total	31 833	5 436	26 397

The effective interest rates are very close to the nominal interest rates.

Refinancing of loan obligations in July 2012

On 12 July 2012, a new syndicated loan contract was signed for refinancing the loan and lease obligations of AS Ekspress Grupp and AS Printall in the total amount of EUR 29.3 million. Previous obligations were paid off with the new loan. The company did not take any additional loans. The parties to the new contract include AS SEB Pank, Nordea Bank Estonia branch, AS Ekspress Grupp and AS Printall. The refinancing transaction was completed on 23 July 2012.

The break-down of the total loan amount according to the loan contract in the amount of EUR 29.3 million is as follows:

(EUR thousand)	New loan principal	Term of annuity payments
Syndicated loan granted to AS Ekspress Grupp	22 300	7 years
Mortgage loan granted to AS Printall	5 000	12 years
Loan granted to AS Printall	2 000	7 years
Total liabilities	29 300	

The loan will mature on 25 July 2017. Interest is based on one-month Euribor, plus a margin of 2.5%. Upon expiry of the loan contract, the outstanding loan balance is ca. EUR 11 million.

Together with the syndicated loan, all overdraft facilities of AS Ekspress Grupp were also refinanced. The contract with Danske Bank Estonia branch was terminated and the limit with the remaining contractual partners of the syndicated loan contract was increased to EUR 3 million. The interest rate on overdraft facilities is 1.9% and the limit fee is 1% of the contract amount.

Similarly to the previous syndicated loan, the loans are secured by the shares of the subsidiaries, the guarantees of Estonian subsidiaries in the amount of EUR 37 million, the commercial pledge on the assets of AS Printall in the amount of EUR 16 million and the trademarks of Delfi, Eesti Ekspress, Maaleht, Eesti Päevaleht and Eesti Ekspressi Kirjastus in the amount of EUR 5 million, all which value of the assets set as collateral is included already within the net assets of the Group. In addition the mortgage on the registered immovable and production facilities of AS Printall in the amount of EUR 9 million has been set. As at 31.12.2012 the carrying amount of the building was EUR 4.0 million and that of the registered immovable was EUR 0.4 million.

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

In the course of the same transaction, the interest swap contract entered into between AS Ekspress Grupp and Danske Bank, as well as the factoring contract between AS Printall and Danske Bank were terminated.

Syndicated loan (repaid on 23 July 2012)

A loan agreement was concluded on 28 August 2007 between the syndicate of SEB Bank, Danske Bank A/S Estonia branch (Sampo Bank) and Nordea Bank, and Ekspress Grupp in the amount of EUR 43.1 million for acquisition of Delfi Group and Maaleht. The loan would have matured on 25 January 2015.

In 2010, the repayment schedule was amended in such a way that AS Ekspress Grupp returns monthly instalments starting from February 2010 until December 2012 under a ten year annuity and starting from January 2013 until December 2014, under a five year annuity. The reduced principal payments were added to the bullet amount of the loan, payable on 25 January 2015.

On 11 October 2011, an annex was concluded for the syndicated loan contract with SEB Bank, Danske Bank A/S Estonia branch (Sampo Bank) and Nordea Bank. The annex relates to the release of the term deposit in the amount of EUR 3 million. Half of the security deposit, i.e. EUR 1.5 million was used to prematurely repay the bullet amount and the remaining amount with accrued interest was transferred to the Parent Company's current account.

As of 31.12.2011, the loan was secured by following assets owned by the Group:

- a mortgage of the 2nd ranking on the registered immovable at Tala 4 (former address Peterburi Road 64A) with the mortgage amount of EUR 5 million (31.12.2010, EUR 2.6 million); as of 31.12.2011, the carrying amount of the building was EUR 4.2 million and that of the registered immovable was EUR 0.4 million;
- a pledge on the shares of Delfi Estonia, Delfi Latvia, Delfi Lithuania, Delfi Holding, Eesti Ajalehed and Printall, the shares of which represented the majority of the Group's net assets;
- a guarantee of Delfi Estonia, Eesti Ajalehed and Printall in the total amount of EUR 43.1 million, which were included in the value of the aforementioned net assets;
- a combined pledge in the amount of EUR 0.3 million on the following trademarks: Eesti Ekspress, Delfi and Maaleht, which were included in the value of the aforementioned net assets;
- a commercial pledge on the movable property of AS Printall in the minimum amount of EUR 3.2 million, which was included in the value of the aforementioned net assets.

Long-term loan (repaid on 23 July 2012)

A loan agreement of AS Printall in the initial amount of EUR 4.8 million, with the term of 15.12.2014 was secured with a mortgage of the 1st ranking in the amount of EUR 4 million on the registered immovable located at Tala 4, Tallinn (former address Peterburi Rd 64A) (31.12.2010, EUR 6.4 million). As of 31.12.2011, the carrying amount of the building was EUR 4.2 million and the carrying amount of the registered immovable was EUR 0.4 million.

Overdraft facilities (refinanced on 23 July 2012)

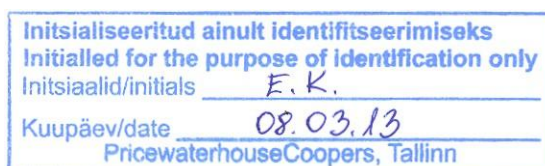
Date of contract	Bank	Limit (EUR thousand)	Used 31.12.2012 (EUR thousand)	Interest rate	Expiration date of the contract
12.07.2012	Nordea Bank Finland Plc Estonia branch	1 320	745	1-month EURIBOR + 1.9%	25.07.2017
12.07.2012	AS SEB Pank	1 680	0	1-month EURIBOR + 1.9%	25.07.2017
Total		3 000	745		

Note 19. Finance lease

The Group's subsidiary AS Printall as the lessee has acquired the following items of property, plant and equipment under the finance lease terms.

(EUR thousand)	Machinery and equipment
Balance as of 31.12.2012	
Cost	0
Accumulated depreciation	0
Carrying amount	0
Balance as of 31.12.2011	
Cost	17 380
Accumulated depreciation	(6 414)
Carrying amount	10 966

On 12 July 2012, a new syndicated loan contract was entered into, which was used to refinance all lease liabilities of AS Printall. More detailed information is disclosed in Note 18.



(EUR thousand)	2012	2011
Finance lease liabilities at the end of the year	0	3 950
Principal payments in the financial year	390	1 247
Interest expenses in the financial year	166	165
Average annual interest rate p.a.	4.40%	4.40%

(EUR thousand)	2012	2011
Finance lease liabilities – minimum lease payments:		
Not later than 1 year	0	1 558
Later than 1 year and not later than 5 years	0	2 627
Total	0	4 185
Future finance charges on finance leases	0	235
Present value of finance lease liabilities	0	3 950

Note 20. Operating lease

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

(EUR thousand)	2012	2011
Operating lease payments	1 288	1 195
Facilities	947	858
Motor vehicles and other machinery and equipment	248	337
Future minimum lease payments under non-cancellable operating leases	2 928	3 235
Not later than 1 year	814	700
Later than 1 year but not later than 5 years	1 383	1 398
Later than 5 years	732	1 137

On 11 March 2011, AS Ekspress Grupp and Vivarone OÜ concluded an agreement to restructure their partnership in Eesti Päevalehe AS (see Note 12). One of the clauses of the agreement stipulated that the Group would continue renting the office space from Vivarone OÜ. A long-term non-cancellable lease agreement with the term of until 11.03.2022 was concluded.

Note 21. Segment reporting

The management has determined the operating segments based on the reports reviewed by the Management Board of the Parent Company AS Ekspress Grupp. The Management Board considers the business from the product perspective. The Company's internal management structure has been divided between the following business segments which have different economic characteristics:

Online media: managing online news portals and classified portals, intermediation of internet advertising services.

This segment includes group companies AS Delfi, AS Delfi (Latvia), UAB Delfi (Lithuania), TOV Delfi (Ukraine), Delfi Holding SIA (Latvia), UAB Ekspress Portals (Lithuania) (discontinued 04.09.2012) and mango.lv SIA (Latvia), which was merged with Delfi Latvia in the 2nd half of 2011.

Periodicals: publishing of newspapers, magazines, customer publications and books in Estonia and Lithuania. This segment includes group companies Eesti Ajalehed AS (publisher of Eesti Ekspress, Maaleht and from 1 October 2011, also Eesti Päevaleht), Eesti Päevalehe AS, which was merged with Eesti Ajalehed AS on 1 October 2011, AS Ajakirjade Kirjastus, AS SL Öhtuleht, UAB Ekspress Leidyba, OÜ Uniservice (the operation of which was transferred to AS Ajakirjade Kirjastus in autumn 2011 and was merged with AS

Ajakirjade Kirjastus on 1 January 2012). This segment also includes AS Express Post, engaged in home delivery of periodicals.

Printing services: rendering of printing and related services. This segment includes the group company AS Printall.

The Group's corporate functions are shown separately and they do not form a separate business area. It includes the Parent Company AS Ekspress Grupp, subsidiary OÜ Ekspress Digital (established in March 2012), that provides intra-group IT services and OÜ Ekspress Finance (established in December 2012 during demerger of AS Printall), the main activity of which is intra-group financing.

The Management Board assesses the performance of the operating segments based on revenue, EBITDA and the EBITDA margin. Volume-based and other fees payable to advertising agencies have not been deducted from the advertising sales of segments, because the Group's management monitors the gross income of companies and segments. Discounts and volume rebates are reported as a reduction of the Group's sales and are shown in the aggregate line of eliminations. Internal management fees and goodwill impairment are not included in segment results.

According to the estimate of the Parent Company's management, the inter-segment transactions have been carried out at arm's length conditions and they do not differ significantly from the conditions of the transactions concluded with third parties.

2012 (EUR thousand)	Online media	Periodi- cals	Printing services	Corporate functions	Elimi- nations	Total Group
Sales to external customers	10 240	24 504	25 990	10	(1 038)	59 706
Inter-segment sales	(130)	(237)	(3 177)	(986)	(4 530)	0
Total segment sales	10 370	24 741	29 167	996	(5 568)	59 706
EBITDA	1 776	848	6 052	(795)	1	7 882
EBITDA margin	17%	3%	21%			13%
Depreciation (Notes 15,16)						(3 285)
Loss on sale of trademarks						(157)
Operating profit						4 439
Investments (Notes 15,16)						1 219

2011 (EUR thousand)	Online media	Periodi- cals	Printing services	Corporate functions	Elimi- nations	Total Group
Sales to external customers	8 884	23 883	24 601	23	0	57 391
Inter-segment sales	(93)	(186)	(3 135)	(186)	(3 600)	0
Total segment sales	8 977	24 069	27 736	209	(3 600)	57 391
EBITDA	1 425	552	5 959	(980)	12	6 968
EBITDA margin	16%	2%	21%			12%
Depreciation (Notes 15,16)						(3 524)
Gain from acquisition of an additional 50% ownership interest in Eesti Päevalehe AS						1 540
Goodwill impairment						(750)
Operating profit						4 233
Investments (Notes 15,16)						914

Capital expenditure comprises additions to property, plant and equipment (Note 15) and intangible assets (Note 16).

The significant non-current assets located outside Estonia include primarily the online trademarks of Delfi Group in their carrying amounts as follows:

- In Latvia, EUR 2.3 million as of 31.12.2012 (EUR 2.3 million as of 31.12.2011)
- In Lithuania, EUR 2.1 million as of 31.12.2012 (EUR 2.1 million as of 31.12.2011)
- In Ukraine, EUR 0.5 million as of 31.12.2012 (EUR 0.6 million as of 31.12.2011)

And goodwill relating to companies outside Estonia in their carrying amounts:

- Delfi Latvia EUR 9.4 million as of 31.12.2012 (EUR 9.4 million as of 31.12.2011)
- Delfi Lithuania EUR 12.8 million as of 31.12.2012 and 31.12.2011
- Goodwill of Ekspress Leidyba in Lithuania EUR 0.2 million as of 31.12.2012 and 31.12.2011

Note 22. Sales revenue

(EUR thousand)	2012	2011
Sales revenue by activity		
Advertising revenue	17 555	17 138
<i>incl. barter deals</i>	425	371
Single-copy sales	3 637	3 626
Subscriptions' revenue	8 359	8 187
Book publishing	2 234	1 652
Sale of paper and printing services	25 778	24 374
Sale of other goods and services	2 143	2 414
Total	59 706	57 391
Sales revenue by geographical area		
Estonia	31 299	30 820
Scandinavia	13 275	12 298
Lithuania	7 002	6 429
Russia	2 925	2 969
Latvia	2 233	2 496
Other Europe	2 905	2 309
Other countries	68	70
Total	59 706	57 391

Note 23. Cost of sales

(EUR thousand)	2012	2011
Raw materials and consumables used	16 294	15 174
Services purchased	8 516	9 279
Salaries and social taxes	17 218	16 545
Depreciation and amortisation	2 218	2 164
Rental expenses	369	369
Other expenses	1 904	1 316
Total expenses	46 519	44 847

Note 24. Marketing expenses

(EUR thousand)	2012	2011
Marketing	1 535	1 417
Salaries and social taxes	828	664
Rental expenses	14	15
Depreciation and amortisation	1	2
Total marketing expenses	2 378	2 098

Note 25. Administrative expenses

(EUR thousand)	2012	2011
Raw materials and consumables used	139	140
Repairs and maintenance	510	442
Communication expenses	182	202
Rental expenses	905	811
Services purchased	1 209	1 422
Salaries and social taxes	2 632	2 705
Depreciation and amortisation	1 066	1 359
Total administrative expenses	6 643	7 081

Note 26. Gain (loss) from disposal of ownership in joint venture and impairment of goodwill

(EUR thousand)	2012	2011
Gain from disposal of 50% ownership interest in Eesti Päevalehe AS	0	1 540
Impairment loss of goodwill related to Ekspress Leidyba	0	(450)
Impairment loss of goodwill related to Eesti Päevaleht	0	(130)
Impairment loss of goodwill related to Delfi Latvia	0	(170)
Loss on sale of Ekspress Leidyba trademarks	(157)	0
Total impairment loss for goodwill	(157)	(750)
Total gain from disposal of ownership and goodwill impairment	(157)	790

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

Note 27. Expenses by type

(EUR thousand)	2012	2011
Depreciation and amortisation	3 285	3 525
Salaries and social taxes	20 678	19 914
Raw materials and consumables used	16 433	15 314
Rental expenses	1 288	1 195
Services purchased	9 725	10 701
Marketing expenses	1 535	1 417
Repairs and maintenance	510	442
Communication expenses	182	202
Other expenses	1 904	1 316
Total cost of sales, marketing and administrative expenses	55 540	54 026

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Average number of employees	1 713	1 731
Average number of employees (joint ventures proportionally)	1 262	1 266

Note 28. Derivative financial instruments

(EUR thousand)	Non-current liabilities	
	31.12.2012	31.12.2011
Interest rate swap	0	176
Total	0	176

Interest rate swap (effective until September 2012)

On 30 September 2008, the Group entered into interest swap contracts with the banks that had issued the syndicated loan in order to hedge the fluctuations in Euribor. The interest rate contracts (or *swap contracts*) had been concluded on 50% of the loan repayments until September 2012. On the basis of the interest rate swap contract, the Group made fixed interest payments of 4.3%, receiving interest payments in return that had been calculated on the basis of 6-month Euribor.

Interest payments and reduction in nominal amounts occurred twice a year, at the beginning of March and September. At the same dates, the interest rate of the syndicated loan was refixed, the latter being also 6-month Euribor.

As of 31.12.2011, the fair value of the interest rate swap contract was negative and it was included within non-current liabilities as presented in the above table. Fair value adjustments were EUR 176 thousand in 2012 and EUR 434 thousand in 2011.

Note 29. Equity

Share capital and share premium

As of 31.12.2010, the share capital of Ekspress Grupp was EUR 19 043 652 and consisted of 29 796 841 shares with the nominal value of EUR 0.64 per share. In conjunction with the adoption of the euro in Estonia, the General Meeting of Shareholders of AS Ekspress Grupp held on 30 May 2011 decided to decrease the nominal value of shares to EUR 0.60, as a result of which the share capital was reduced by EUR 1 165 548. The change in share capital was registered in the Commercial Register on 15.06.2011. The amount which arose in the reduction of share capital was taken to retained earnings. The number of shares did not change as a result of the transaction.

As of 31.12.2011 and 31.12.2012, the share capital of AS Ekspress Grupp was EUR 17 878 105 and consisted of 29 796 841 shares with the nominal value of EUR 0.60 per share. The maximum amount of share capital as stipulated by the articles of association is EUR 25 564 656.

Reserves

The reserves include statutory reserve capital required by the Commercial Code, additional monetary contributions as a general-purpose additional equity contribution by a founding shareholder and hedging reserve derived from interest rate swaps.

(thousand)	EUR	
	31.12.2012	31.12.2011
Statutory reserve capital	101	17
Additional payments in cash from shareholders	639	639
Hedging reserve	0	(176)
Total reserves	740	480

Earnings per share

Basic earnings per share have been calculated by dividing the profit attributable to equity holders of the Parent Company by the weighted average number of shares outstanding during the period.

EUR	2012	2011
Profit (loss) attributable to equity holders of the Parent Company from continuing operations	2 525 379	1 683 151
The average number of ordinary shares	29 796 841	29 796 841
Basic and diluted earnings per share from continuing operations	0.08	0.06

In view of the fact that the Group has no dilutive potential ordinary shares on 31.12.2012 and 31.12.2011, diluted earnings per share equal basic earnings per share.

Note 30. Contingent liabilities**Contingent income tax liability**

As of 31.12.2012, the consolidated retained earnings of the Group amounted to EUR 8 190 thousand (31.12.2011: EUR 5 749 thousand). Income tax of 21/79 of net dividend paid is imposed on the profit distributed as dividends. When an entity pays dividends it has received from its joint ventures and subsidiaries that have already paid income tax on those dividends or the profit of which has already been taxed in the domicile of the entity, the payment of those dividends by the Parent Company is not subject to additional income tax. As of 31.12.2012, AS Ekspress Grupp (Parent Company) may pay out dividends tax-free in the amount of EUR 6 891 thousand (as of 31.12.2011: EUR 6 444 thousand). Upon the payment of all retained earnings, there is a potential income tax liability in the amount of EUR 273 thousand and the amount to be paid out to shareholders would total EUR 7917 thousand. Last year, it would have been possible to pay all retained earnings without an additional income tax liability in the amount of EUR 5 749 thousand.

Contingent liabilities related to the Tax Board

Tax authorities have the right to review the Group's tax records for up to 6 years after submitting the tax declaration and upon finding errors, impose additional taxes, interest and fines. The tax authorities have not performed any tax audits in any of the group companies during 2011-2012. The management of the Group's Parent Company believes that there are not any circumstances which may lead the tax authorities to impose significant additional taxes on the group companies.

Contingent liabilities arising from pending court cases

The Group's subsidiaries have several pending court cases, but their effect on the Group's financial results is insignificant.

Note 31. Related party transactions

Transactions with related parties are transactions with shareholders, associates, joint ventures, members of the Supervisory and Management Board of all group companies (incl. managing directors of subsidiaries), their immediate family members and the companies under their control or significant influence.

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

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

Sales

(EUR thousand)	2012	2011
Sales of goods		
Members of Supervisory Board and companies related to them	0	2
Associates and joint ventures	767	982
Total sale of goods	767	984
Sale of services		
Members of Supervisory Board and companies related to them	6	13
Associates and joint ventures	757	873
Total sale of services	763	886
Total sales	1 530	1 870

Purchases

(EUR thousand)	2012	2011
Purchase of services		
Members of Management Board and companies related to them	65	82
Members of Supervisory Board and companies related to them	405	363
Associates and joint ventures	443	418
Total purchases of services	913	863

Receivables

(EUR thousand)	31.12.2012	31.12.2011
Short-term receivables		
Members of Supervisory Board and companies related to them (Note 9)	0	201
Associates and joint ventures	610	658
Total short-term receivables	610	859
Long-term receivables		
Members of Supervisory Board and companies related to them (Note 11)	192	60
Total long-term receivables	192	60
Total receivables	802	919

Liabilities

(EUR thousand)	31.12.2012	31.12.2011
Current liabilities		
Members of Management Board and companies related to them	4	3
Members of Supervisory Board and companies related to them	12	17
Joint ventures	42	169
Total liabilities (Note 18)	58	189

According to the decision of the General Meeting held on 2 June 2009 and 4 May 2012, Hans H. Luik will be paid a guarantee fee of 1.5% per annum on the guarantee amount for the personal guarantee of EUR 4 million on the syndicated loan and overdraft agreements until the guarantee expires. In 2012, the payment amount was EUR 60 thousand (2011: EUR 58 thousand) and there are no outstanding liabilities as of 31.12.2012 and 31.12.2011.

The management estimates that the transactions with related parties have been carried out at arms' length conditions. AS of 31.12.2012 the allowance for a receivable from the associate Medipresa UAB has been made in amount of EUR 63 thousand (31.12.2011: EUR 21 thousand) in accordance with the ownership interest in the negative equity of Medipresa UAB.

Remuneration of members of the Management and Supervisory Boards of all group companies

(EUR thousand)	2012	2011
Salaries and other benefits (without social tax)	1 230	1 079
Termination benefits (without social tax)	46	51
Total (without social tax)	1 276	1 130

The members of all management boards of the group companies (incl. managing directors of subsidiaries if these companies do not have management board as per Estonian law) (hereinafter Key Management) are entitled to receive compensation upon expiry or termination of their contracts in accordance with the terms laid down in their employment contracts. The Key Management terminations benefits are payable only in case the termination of contracts is originated by the company. If a member of the Key Management is recalled without a substantial reason, a notice thereof shall be given up to 3 months in advance and the member shall be paid compensation for termination of the contract in the amount of up to 7 months' salary. Upon termination of an employment relationship, no compensation shall be paid if a member of the Key Management leaves at his or her initiative or if a member of the Key Management is removed by the Supervisory Board with a valid reason. As of 31.12.2012, the maximum gross amount of potential Key Management termination benefits was EUR 436 thousand (31.12.2011 491 thousand EUR). No remuneration is paid separately to the members of the Supervisory Boards of the Group companies and no compensation is paid if they are recalled.

Note 32. Events after the balance sheet date

In January 2013, the intra-group restructuring took place in the course of which the book publishing company OÜ Hea Lugu was transferred directly into the ownership of the Parent Company AS Ekspress Grupp. From the time of the spin-off of the book publishing department in October 2011 until January 2013, OÜ Hea Lugu AS was a wholly owned subsidiary of Eesti Ajalehed.

Note 33. Sustainability of operations

As of 31.12.2012, the Group's current liabilities exceeded current assets by EUR 1.4 million. The Group's consolidated financial statements have been prepared on the going concern principle, as the management estimates that negative working capital will not cause any financial difficulties for the Group during 12 months from the date of signing the financial statements. Also the Group has an unused overdraft facility in the amount of EUR 2.2 million. In addition client's prepayments for subscriptions, which are recognised as liabilities in the balance sheet in amount of 2.6 million euros at the year-end are not to be paid out but recognised as income in the following year. Information about liquidity risk and the measures used to manage the risk is disclosed in more detailed in Note 4.

Note 34. Financial information about the Parent Company

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

Balance sheet of AS Ekspress Grupp (Parent Company)

(EUR thousand)	31.12.2012	31.12.2011
ASSETS		
Cash	0	0
Trade receivables	6	6
Prepaid taxes	0	14
Other receivables	2 568	2 906
Prepayments	42	19
Total trade and other receivables	2 616	2 945
Total current assets	2 616	2 945
Non-current assets		
Long-term financial investments	207	60
Shares of subsidiaries	23 700	23 697
Loans to subsidiaries	37 358	35 894
Shares of joint ventures	527	527
Property, plant and equipment	15	30
Intangible assets	18	49
Total non-current assets	61 825	60 257
TOTAL ASSETS	64 441	63 202
LIABILITIES AND EQUITY		
Liabilities		
Borrowings	3 717	2 982
Trade and other payables		
Trade payables	16	61
Payables to employees	27	20
Taxes payables	69	63
Other liabilities	33 256	27 297
Total trade and other payables	33 368	27 441
Total current liabilities	37 085	30 423
Long-term borrowings	18 118	22 236
Derivative financial instruments	0	176
Total non-current liabilities	18 118	22 412
Total liabilities	55 203	52 835
Equity		
Share capital at nominal value	17 878	17 878
Share premium	14 277	14 277
Statutory reserve capital	101	17
Other reserves	639	463
Retained earnings	(23 657)	(22 268)
Total equity	9 238	10 367
TOTAL LIABILITIES AND EQUITY	64 441	63 202

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

(EUR thousand)	2012	2011
Sales revenue	583	502
Cost of sales	1	(37)
Gross profit	582	465
Other income	2	1
Marketing expenses	(1)	(9)
Administrative expenses	(1 104)	(1 150)
Other expenses	(3)	(8)
Finance income and costs on shares of joint ventures	341	616
Interest income	1 477	2 277
Interest expenses	(2 520)	(3 108)
Foreign exchange gain/(losses)	0	67
Other finance income and costs	(80)	(13 546)
Profit (loss) before tax	(1 306)	(14 395)
PROFIT (LOSS) FOR THE YEAR	(1 306)	(14 395)
Other comprehensive income (expense)		
Change in fair value of hedging instrument	176	433
Total other comprehensive income (expense) for the	176	433
Total comprehensive income (expense) for the year	(1 130)	(13 962)

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

(EUR thousand)	Attributable to equity holders of the Group				
	Share capital	Share premium	Reserves	Retained earnings	Total equity
Balance on 31.12.2010	19 044	14 277	47	(9 039)	24 329
Carrying amount of holdings under control or significant influence					(27 581)
Value of holdings under control or significant influence, calculated under equity method					39 551
Adjusted unconsolidated equity as of 31.12.2010					36 299
Profit/(loss) for the reporting period	0	0	0	(14 395)	(14 395)
Other comprehensive income	0	0	433	0	433
Comprehensive income (expense) for the reporting period	0	0	433	(14 395)	(13 962)
Conversion of nominal value of shares into euros	(1 166)	0	0	1 166	0
Total change	(1 166)	0	433	(13 229)	(13 962)
Balance on 31.12.2011	17 878	14 277	480	(22 268)	10 367
Carrying amount of holdings under control or significant influence					(24 224)
Value of holdings under control or significant influence, calculated under equity method					52 245
Adjusted unconsolidated equity as of 31.12.2011					38 388
Profit for the reporting period	0	0	0	(1 306)	(1 306)
Other comprehensive income	0	0	176	0	176
Comprehensive income (expense) for the reporting period	0	0	176	(1 306)	(1 130)
Share capital increase	0	0	84	(84)	0
Total change	17 878	14 277	740	(23 658)	9 237
Balance on 31.12.2012	17 878	14 277	740	(23 658)	9 237
Carrying amount of holdings under control or significant influence					(24 227)
Value of holdings under control or significant influence, calculated under equity method					56 089
Adjusted unconsolidated equity as of 31.12.2012					41 099

The adjusted unconsolidated equity is the basis for the determination of distributable income according to the Commercial Code of the Republic of Estonia.

Cash flow statement of AS Ekspress Grupp (Parent Company)

(EUR thousand)	2012	2011
Cash flows from operating activities		
Operating profit (loss) for the period	(524)	(701)
Adjustments for:		
Depreciation, amortisation and impairment	21	34
Changes in working capital:		
Trade and other receivables	(197)	(309)
Trade and other payables	(1 877)	(904)
Cash generated from operations	(2 577)	(1 880)
Interest paid	(2 612)	(3 195)
Net cash generated from operating activities	(5 189)	(5 075)
Cash flows from investing activities		
Increase of share capital of subsidiaries	(3)	0
Purchase of other investments	(15)	0
Decrease of share capital in joint venture	0	357
Term deposit release/(placement)	0	1 500
Interest received	304	1 328
Dividends received	447	370
Purchase of property, plant and equipment	(21)	(7)
Disposal of property, plant and equipment	49	0
Loans granted	(75)	(210)
Loan repayments received	60	129
Net cash used in investing activities	746	3 467
Cash flows from financing activities		
Change in overdraft used	731	(643)
Change in cash pool account	6 411	5 056
Repayments of loans received	(2 699)	(2 810)
Net cash generated from financing activities	4 443	1 603
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	0	(5)
Cash and cash equivalents at beginning of the period	0	5
Cash and cash equivalents at end of the period	0	0



INDEPENDENT AUDITOR'S REPORT

(Translation of the Estonian original)*

To the Shareholders of AS Ekspress Grupp

We have audited the accompanying consolidated financial statements of AS Ekspress Grupp and its subsidiaries and joint ventures (the Group), which comprise the consolidated balance sheet as of 31 December 2012 and the consolidated statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management Board's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.



Emphasis of Matter

We draw attention to Note 16 in the consolidated financial statements, which discloses significant assumptions and inputs used by management in impairment testing of the Group assets (incl. goodwill) recorded in consolidated balance sheet and the impact of possible changes in those assumptions and inputs on the results of the impairment tests. Our opinion is not qualified in respect of this matter.

AS PricewaterhouseCoopers

/signed digitally/

Ago Vilu
Auditor's Certificate No.325

/signed digitally/

Janno Hermanson
Auditor's Certificate No.570

8 March 2013

** This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.*

PROFIT ALLOCATION PROPOSAL FOR THE YEAR 2012

The Management Board of AS Ekspress Grupp proposes to allocate the net profit for the financial year ended 31 December 2012 in the amount of EUR 2 525 thousand as follows:

(EUR thousand)	
Net profit attributable to equity holders of AS Ekspress Grupp	2 525
Payment of dividends	298
Increase of statutory reserve (1/20 from the profit)	126
Profit for the financial year to be transferred to retained earnings	2 101
Statutory reserve before increase	101
Statutory reserve after the increase	227
Retained earnings balance before profit allocation	5 665
Total retained earnings after profit distribution	7 766

DECLARATION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

The Management Board has prepared the management report and the consolidated financial statements of AS Ekspress Grupp for the year ended on 31 December 2012.

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

Management Board

Signed digitally

Chairman of the
Management Board

Gunnar Kobin

8 March 2013

Signed digitally

Member of the
Management Board

Andre Veskimeister

8 March 2013

Signed digitally

Member of the
Management Board

Pirje Raidma

8 March 2013

Signed digitally

Member of the
Management Board

Madis Tapupere

8 March 2013

Supervisory Board



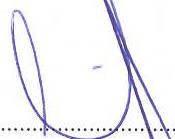
Chairman of the
Supervisory Board

Viktor Mahhov



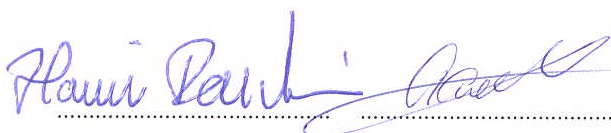
Member of the
Supervisory Board

Hans H. Luik



Member of the
Supervisory Board

Ville Jehe



Member of the
Supervisory Board

Harri Helmer Roschier

Member of the
Supervisory Board

Aavo Kokk

Member of the
Supervisory Board

Kari Sakari Salonen