



**AS Ekspress Grupp**  
**CONSOLIDATED ANNUAL**  
**REPORT**  
**2010**

(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 number	+372 669 8381
Fax number	+372 669 8180
E-mail	<a href="mailto:egrupp@egrupp.ee">egrupp@egrupp.ee</a>
Internet homepage	<a href="http://www.egrupp.ee">www.egrupp.ee</a>
Main field of activity	Publishing and related services (5814)
CEO	Gunnar Kobin
Auditor	AS PricewaterhouseCoopers

The annual report consists of the management report, consolidated financial statements, independent auditor's report and loss allocation proposal. The document comprises 96 pages.

### **Management Board's confirmation of the management report**

The Management Board confirms that the management report of AS Ekspress Grupp disclosed on pages 4 to 24 presents a true and fair view of the business developments, results and financial position of the Parent Company and consolidated companies as a group.

Gunnar Kobin	Chairman of the Management Board	<i>signed digitally</i>	04.03.2011
Erle Oolup	Member of the Management Board	<i>signed digitally</i>	04.03.2011
Andre Veskimeister	Member of the Management Board	<i>signed digitally</i>	04.03.2011
Pirje Raidma	Member of the Management Board	<i>signed digitally</i>	04.03.2011

## STATEMENT OF THE CHAIRMAN OF THE MANAGEMENT BOARD

The 2010 financial year was a breakthrough year for the Group. The decline in revenue in the first half of the year as compared to the previous period reversed in mid-year, growing more than 10% in the better-performing months as compared to the same months last year. The Group achieved better results for EBITDA and the margin than expected at the beginning of the year. EBITDA grew by 98% as compared to last year and the EBITDA margin more than doubled, reaching 12%.

The key reason for improved results included growth in the segments of printing services and online media.

In the 2<sup>nd</sup> quarter of 2010, the online media segment grew by almost 20% as compared to the same period last year. After the volatile summer, the revenue in the online media segment increased by 41% as compared to the same period last year. From the beginning of the year, profitability in the printing services increased as a result of the use of various cost control mechanisms. However, from the second half of the year, revenue also increased which was 23% higher in the better-performing months as compared to the same period last year. In 2010, the periodicals segment continued to be under pressure, but at the year-end, the revenue almost reached the level of the previous year.

In 2011, we expect growth to continue in the online media segment in all Baltic States. We also strive at evaluating the sustainability of operations of Delfi Ukraine on an ongoing basis after product upgrading and stepping up of sales activities.

In 2011, we expect revenue in the periodicals segment to remain at the same level as last year. We expect EBITDA to turn positive at the Lithuanian publisher of magazines, Express Leidyba, and considerable profit growth at Ajakirjade Kirjastus as compared to the year 2010.

In February 2011, AS Ekspress Grupp entered into a preliminary contract for the sale of its ownership interest in the joint venture AS Express Post, engaged in home delivery of newspapers, which is currently waiting for an approval from the Estonian Competition Authority.

With regard to the Group's printing company, we expect moderate revenue and profit growth in 2011, currently inhibited by the high utilisation rate of the equipment park. Therefore, we have started to consider the necessity of acquisition of additional equipment.

The Group implemented most of its efficiency enhancing measures in 2009, as a result, no other major restructuring steps were taken in 2010 other than at Eesti Päevaleht where aggressive reduction in salary costs was implemented in spring. The EBITDA margin of Ekspress Grupp was the strongest in successful advertising months in spring and autumn. In the 4<sup>th</sup> quarter, the EBITDA margin was lower due to accumulation of volume rebates arising from contracts entered into with advertising agencies in the last quarter. With regard to efficiency, it should be noted that if the average ratio of personnel expenses to revenue was 37.7% in 2009, then it was 34.5% in 2010.

In addition to the improvement in the results of operations, the Group also managed to stabilise its fiscal position due to capital raising in spring, concluding new loan agreements with the banks providing financing for the Group and two completed disposals of subsidiaries.

We can state that against the backdrop of the results of operations for 2010 as well as the loan restructuring and new capital raised that were mentioned above, the Group has successfully come out of the economic recession and the Management Board is optimistic about the upcoming years.

Unlike 2009, the results of operations for 2010 do not include any major extraordinary expenses, and likewise, there has been no need to write down the Group's assets. In 2010, the revenue trends in the

online media segment have supported our previous estimates regarding the value of companies and the Group's conservative policy regarding debtors has also been successful, ensuring write-down of doubtful receivables on an ongoing basis and preventing unpleasant surprises during the preparation of the financial statements.

With regard to its strategy, the Group is gradually moving more towards digital media. If the revenue in the online media segment made up 12.5% of the Group's revenue at the beginning of 2009, then the share had increased to 14.4% at the end of 2010. In the revenue structure for 2011, the share of the online media segment should increase to 16.3%. The Group intends to continue focusing on digital media through development of its subsidiaries currently included in the portfolio as well as possible acquisition of new companies in all countries in which the Group has presence. In addition to continued development of the online media segment, we are optimistic about the digitalisation process of periodicals and we believe that the popularity of various portable information devices will accelerate the digitalisation process which in turn will create opportunities for significant improvement of efficiency in the periodicals sector.

In 2011, we expect the Group to achieve moderate growth in revenue and margins. We strive at increasing the Group's revenue by 10% and the EBITDA margin to 14%, primarily through improvement in the margins of the online media segment and hopefully, also in the periodicals segment.

## MANAGEMENT REPORT

The following report presents the consolidated financial data of Ekspress Grupp in 2010, related market developments and management decisions.

### Key financial data

Financial data (thousand)	EEK		EUR		Change %
	2010	2009	2010	2009	
<b>For the period</b>					
Sales*	810 712	813 218	51 814	51 974	0%
Gross profit*	176 705	145 383	11 294	9 292	22%
EBITDA*	94 520	47 156	6 041	3 014	100%
Operating profit*	43 176	(98 418)	2 760	(6 289)	144%
<b>Net profit (loss) for the period</b>	<b>(2 305)</b>	<b>(190 026)</b>	<b>(146)</b>	<b>(12 144)</b>	<b>99%</b>
	<u>31.12.2010</u>	<u>31.12.2009**</u>	<u>31.12.2010</u>	<u>31.12.2009**</u>	Change %
Current assets	199 195	214 312	12 729	13 696	-7%
Assets of discontinued operations	0	93 457	0	5 973	-100%
Non-current assets	1 146 137	1 180 248	73 253	75 431	-3%
<b>Total assets</b>	<b>1 345 332</b>	<b>1 488 017</b>	<b>85 982</b>	<b>95 100</b>	<b>-10%</b>
Current liabilities	250 634	426 761	16 018	27 275	-41%
Liabilities of discontinued operations	0	17 231	0	1 101	-100%
Non-current liabilities	526 742	597 068	33 665	38 159	-12%
<b>Total liabilities</b>	<b>777 376</b>	<b>1 041 060</b>	<b>49 683</b>	<b>66 535</b>	<b>-25%</b>
Equity	567 956	446 957	36 299	28 565	27%

\*Include only the results of continuing operations (online media, periodicals and printing services).

\*\* The comparative data in the balance sheet also include the assets and liabilities related to discontinued operations (information services, and retail and wholesale of books).

### Financial ratios

Profitability ratios (%)	EEK		
	31.12.2010	31.12.2009	
Sales growth (%) *	0%	-24%	
Gross margin (%) *	22%	18%	
Net margin (%) *	0%	-23%	
EBITDA margin (%) *	12%	6%	
Operating margin (%) *	5%	-12%	
ROA (%)	0%	-12%	
ROE (%)	0%	-32%	
Earnings per share	EEK	(0.09)	(9.14)
	EUR	(0.01)	(0.58)

\* Include only the results of continuing operations (online media, periodicals and printing services).

Formulas used to calculate the financial indicators:

Sales growth (%)	$(\text{sales 2010} - \text{sales 2009}) / \text{sales 2009} * 100$
Gross margin (%)	$\text{gross profit} / \text{sales} * 100$
Net margin (%)	$\text{net profit} / \text{sales} * 100$
EBITDA margin (%)	$\text{EBITDA} / \text{sales} * 100$
Operating margin (%)	$\text{operating profit} / \text{sales} * 100$
Earnings per share	$\text{net profit} / \text{average number of shares}$
ROA (%)	$\text{net profit} / \text{average assets} * 100$
ROE (%)	$\text{net profit} / \text{average equity} * 100$

Financial position ratios (%)	31.12.2010	31.12.2009
Equity ratio (%)	42%	30%
Liquidity ratio	0.8	0.5
Debt to equity ratio (%)	107%	166%
Debt to capital ratio (%)	47%	61%

Formulas used to calculate the financial indicators:

Equity ratio (%)	$\text{equity} / (\text{liabilities} + \text{equity}) * 100$
Liquidity ratio	$\text{current assets} / \text{current liabilities}$
Debt to equity ratio (%)	$\text{interest bearing liabilities} / \text{equity} * 100$
Debt to capital ratio (%)	$\text{interest bearing liabilities} - \text{cash and bank balances (net debt)} / (\text{net debt} + \text{equity}) * 100$

**Key events in 2010**

Management

- From October 2010, AS Ekspress Grupp has a new member of the Management Board: Pirje Raidma.

Finance

- In February 2010, an agreement was signed with a bank syndicate for restructuring of the loan of Ekspress Grupp.
- At the Annual General Meeting of the Shareholders held on 30 March 2010, it was decided to increase the share capital of AS Ekspress Grupp by monetary contributions issuing 8 948 000 new shares with the nominal value of EEK 10 (EUR 0.64) and to list aforesaid shares on NASDAQ OMX Tallinn Stock Exchange. The shares were issued at the Premium of EEK 3.77 (EUR 0.24) per share. As a result of the share issue, the equity capital of AS Ekspress Grupp increased in total by ca. EEK 120 million (EUR 7.7 million). The listing date of the issued shares was 6 May 2010.

Transactions

- On 5 February 2010, AS Ekspress Grupp concluded an agreement to complete the sales transaction involving AS Ekspress Hotline, launched already in 2009. Herewith, the Group exited the information services segment.



- In January 2010, a decision was adopted to exit the segment of book sales and the process to dispose of Rahva Raamat AS was launched. On 9 February 2010, the subsidiary of AS Ekspress Grupp, Eesti Ajalehed AS and OÜ Raamatumaja concluded the purchase and sales transaction involving the shares of Rahva Raamat AS.

## Overview of the segments and discontinued operations

In 2010, the Group operated in the following segments:

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

In 2009, the Group also operated in the segments of:

- book sales (retail and wholesale) and
- information services.

The latter two segments are treated as discontinued operations in the annual report for 2010, and their income and expenses are shown separately in the line “Profit (loss) from discontinued operations” of the consolidated income statement. The comparative figures for 2009 have also been adjusted. In accordance with the requirements of IFRS, no adjustments have been made to the statement of financial position and hence, only the assets and liabilities of an operation discontinued at that time (i.e. segment of information services) are included within the assets and liabilities of discontinued operations in the balance sheet as of 31.12.2009. The assets and liabilities related to the retail and wholesale of books continue to be consolidated on a line-by-line basis in the balance sheet as of 31.12.2009 because the sale of Rahva Raamat AS could not be treated as a discontinued operation as of 31.12.2009.

## Key financial data of the segments in 2009/2010

### Group

(thousand)	Sales			EBITDA		
	2010	2009	Change %	2010	2009	Change %
EEK						
online media	123 356	108 572	14%	11 860	(1 894)	726%
periodicals	352 369	405 301	-13%	14 299	3 834	273%
printing services	378 979	355 125	7%	81 331	59 554	37%
corporate functions	2 013	2 275	-12%	(13 040)	(14 463)	10%
intersegment eliminations	(46 005)	(58 055)	21%	70	125	-44%
<b>TOTAL</b>	<b>810 712</b>	<b>813 218</b>	<b>0%</b>	<b>94 520</b>	<b>47 156</b>	<b>100%</b>

### Group

(thousand)	Sales			EBITDA		
	2010	2009	Change %	2010	2009	Change %
EUR						
online media	7 884	6 939	14%	758	(121)	726%
periodicals	22 520	25 903	-13%	914	245	273%
printing services	24 221	22 697	7%	5 198	3 806	37%
corporate functions	129	146	-12%	(833)	(924)	10%
intersegment eliminations	(2 940)	(3 711)	21%	4	8	-44%
<b>TOTAL</b>	<b>51 814</b>	<b>51 974</b>	<b>0%</b>	<b>6 041</b>	<b>3 014</b>	<b>100%</b>

<b>EBITDA margin</b>	2010	2009
online media	10%	-2%
periodicals	4%	1%
printing services	21%	17%
<b>TOTAL</b>	<b>12%</b>	<b>6%</b>

### Online media segment

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

(thousand) EEK	Sales			EBITDA		
	2010	2009	Change%	2010	2009	Change%
Delfi Estonia	42 790	35 316	21%	3 446	2 246	53%
Delfi Latvia	26 309	28 058	-6%	(1 663)	(2 611)	36%
Delfi Lithuania	54 188	45 156	20%	11 537	1 440	701%
Delfi Ukraine	550	44	1150%	(8 167)	(5 279)	-55%
other Delfi companies	15 077	10 384	45%	6 721	2 689	150%
intersegment eliminations	(15 558)	(10 386)	-50%	(14)	(379)	96%
<b>TOTAL</b>	<b>123 356</b>	<b>108 572</b>	<b>14%</b>	<b>11 860</b>	<b>(1 894)</b>	<b>726%</b>

(thousand) EUR	Sales			EBITDA		
	2010	2009	Change%	2010	2009	Change%
Delfi Estonia	2 735	2 257	21%	220	144	53%
Delfi Latvia	1 681	1 793	-6%	(106)	(167)	36%
Delfi Lithuania	3 463	2 886	20%	737	92	701%
Delfi Ukraine	35	3	1150%	(522)	(337)	-55%
other Delfi companies	963	665	45%	430	172	150%
intersegment eliminations	(993)	(665)	-50%	(1)	(25)	96%
<b>TOTAL</b>	<b>7 884</b>	<b>6 939</b>	<b>14%</b>	<b>758</b>	<b>(121)</b>	<b>726%</b>

### News portals owned by Ekspress Grupp

Owner	Portal	Owner	Portal
Delfi Estonia	<a href="http://www.delfi.ee">www.delfi.ee</a>	Eesti Ajalehed AS	<a href="http://www.ekspress.ee">www.ekspress.ee</a>
	rus.delfi.ee		<a href="http://www.maaleht.ee">www.maaleht.ee</a>
Delfi Latvia	<a href="http://www.delfi.lv">www.delfi.lv</a>	AS SL Õhtuleht	<a href="http://www.ohtuleht.ee">www.ohtuleht.ee</a>
	rus.delfi.lv		Eesti Päevalehe AS
Delfi Lithuania	<a href="http://www.delfi.lt">www.delfi.lt</a>		
	<a href="http://www.klubas.lt">www.klubas.lt</a>		
	ru.delfi.lt		
Delfi Ukraine	<a href="http://www.delfi.ua">www.delfi.ua</a>		

By the year-end 2010, the number of unique users of the news portals of Ekspress Grupp reached 3.9 million per month, which is 12% more than in December 2009. Delfi Group continues to be the only new media publication operating in all Baltic States and also in Ukraine.

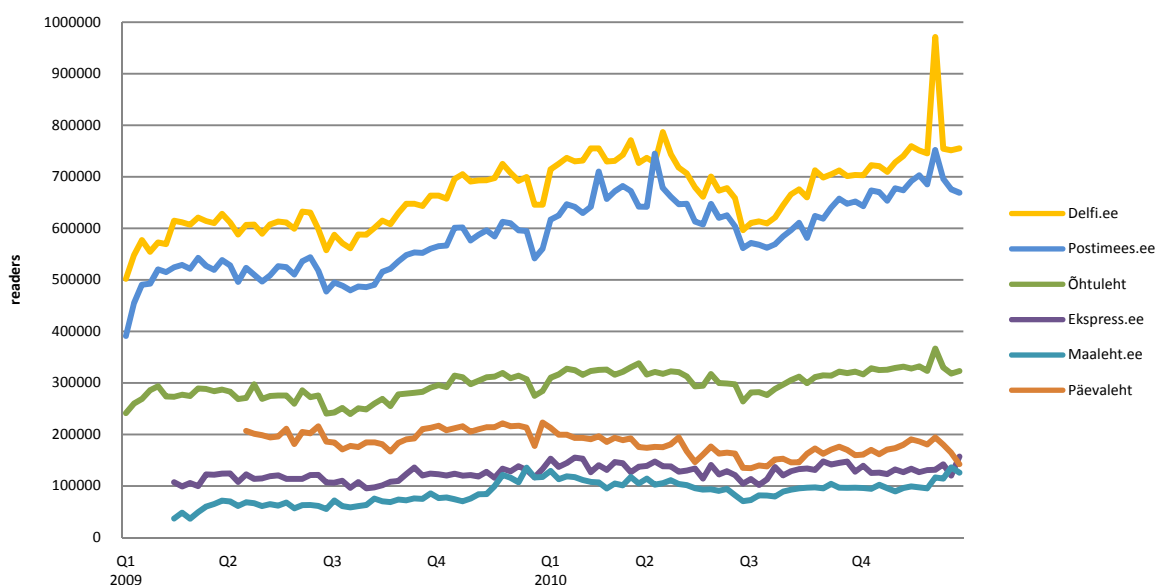
Two factors characterising the Internet usage in 2010 could be mentioned. Firstly, it is the emergence of a more important role of social media in daily activities of an Internet user. Despite this, the usage figures of Delfi have not declined both in terms of the number of users and length of sessions. Secondly, the growth in the sales of smart phones should be mentioned, which primarily means that the access to the Internet will become frequently more mobile.

Delfi Lithuania contributed the most to the growth in the online media segment. Although Delfi Latvia incurred a loss for the year, the economic environment in Latvia started to significantly improve in the last quarter, propelling Latvia's revenue growth and ensuring positive results of operations for Delfi Latvia next year. In Ukraine, Delfi remained in the investment phase in the year ended.

Key events in 2010 included:

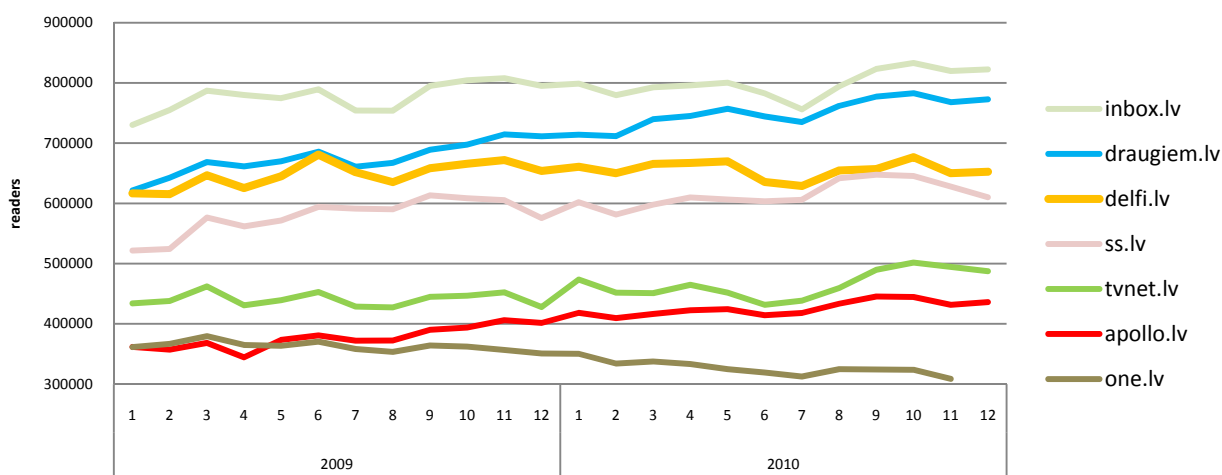
- Delfi changed the design of all of its products with the goal of upgrading the image of the products and their ease of use. The project will continue in 2011 with the goal of harmonising the design of Delfi portals in different counties and simplify future development activities.
- Delfi Estonia launched an economy section
- Delfi portals in all countries launched citizen journalism projects, the goal of which is to add value to the content of Delfi through the contribution made by freelance co-workers
- The citizen journalism column "Pilietis" of Delfi Lithuania was awarded the title of the best achievement in journalism at the year-end
- Delfi launched new advertisement portals *Müü!*, *Parduok!* and *Pardod!* in all Baltic States with the goal of generating revenue in the sectors in which Delfi previously had no presence
- Delfi Lithuania won the contest of portals to be funded by European Structural Funds and launched an environment portal [www.grynas.lt](http://www.grynas.lt)

**Estonian online readership 2009-2010**



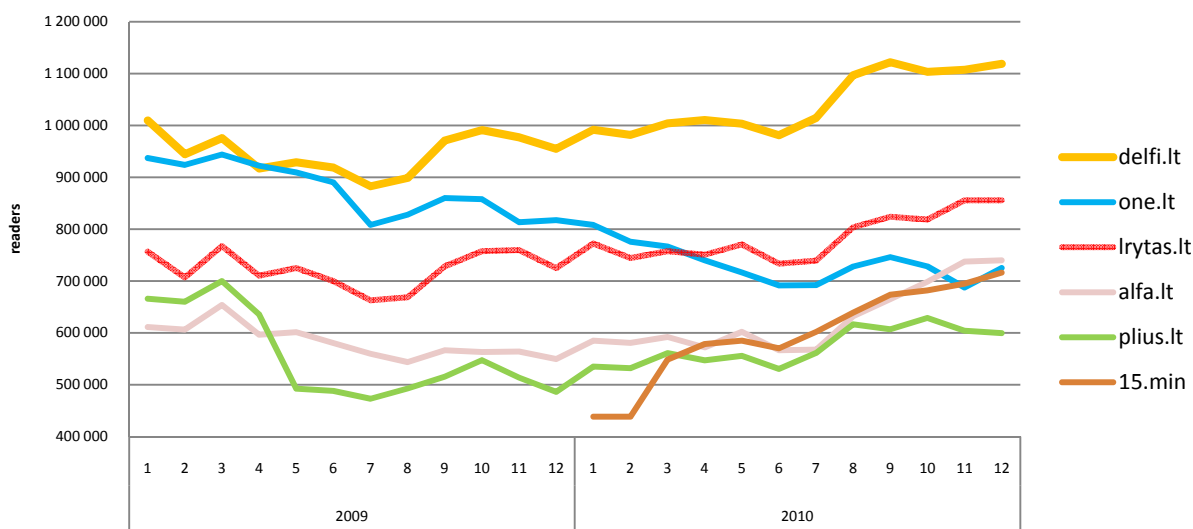
The number of users of Delfi Estonia increased by 18.9% at the year-end compared to December 2009. Delfi continues to be the most visited news portal in Estonia. However, the most visited Internet environment continues to be neti.ee, the total number of users of which is regularly over one million users a week.

### Latvian online readership 2009-2010



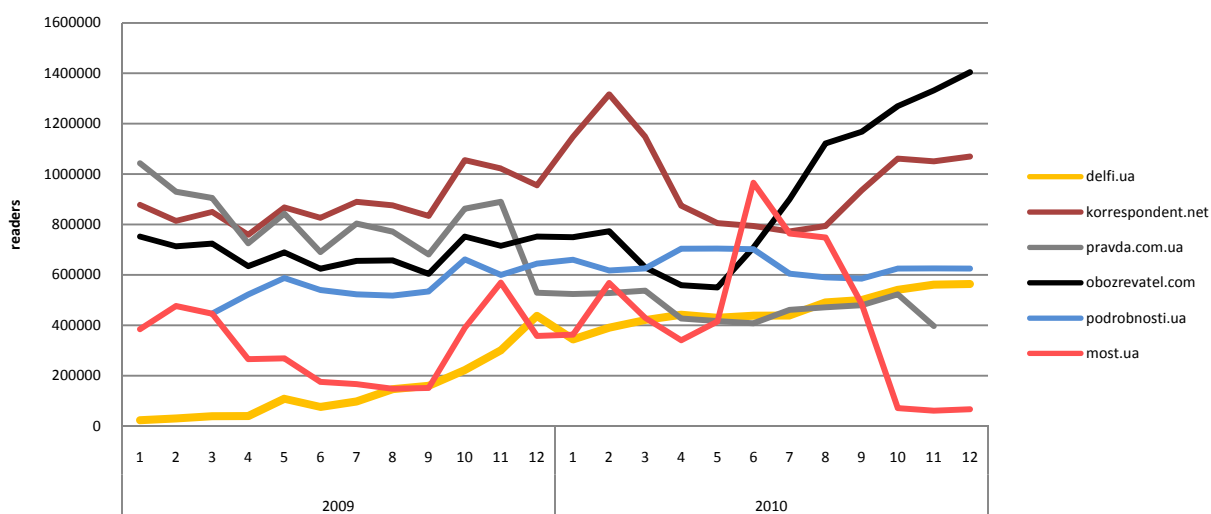
The e-mail environment Inbox.lv and the social network draugiem.lv continue to be the most popular web pages among the Latvian Internet users. Throughout the year, the advertising portal ss.lv has remained in the 4<sup>th</sup> place in Latvia on a yearly basis. Delfi Latvia continues to be the most visited news portal. Of the competitors, tvnet.lv and apollo.lv have almost a third fewer visitors than Delfi.lv. Latvia Delfi is the only company of Delfi Group, the number of users of which has not increased as compared to December 2009 but has practically stayed at the same level (-0.2%).

### Lithuanian online readership 2009-2010



In 2010, Delfi Lithuania continued to be the most popular Internet environment in Lithuania, increasing by 17.2% year-over-year. The number of Delfi users increased sharply in the second half of the year and reached over 1.1 million users per month over the last months of the year.

### Ukraine online readership 2009-2010



The Ukrainian Internet market functions differently from that of the Baltic States. In Ukraine, the environments with the largest user base are such content aggregators that do not produce content themselves. Therefore, the numbers of users of the environments oriented towards content production fluctuate greatly. The goal of Delfi in Ukraine has not been to increase visitors' numbers by purchasing traffic from the aggregators but to develop organically and raise a loyal user base for itself. During 2010, the number of users of Ukraine Delfi has increased by 28.8%, which places it only 42th in the overall ranking of Internet environments.

### Periodicals segment

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

(thousand) EEK	Sales			EBITDA		
	2010	2009	Change%	2010	2009	Change%
Eesti Ajalehed AS	117 871	130 321	-10%	9 208	(1 949)	572%
Eesti Päevalehe AS*	50 602	65 513	-23%	(4 266)	(1 682)	-154%
SL Õhtuleht AS*	53 841	60 754	-11%	4 212	8 331	-49%
AS Ajakirjade Kirjastus*	68 377	75 147	-9%	2 622	364	620%
UAB Ekspress Leidyba	42 642	53 267	-20%	(2 151)	(4 666)	54%
AS Express Post*	37 803	39 591	-5%	4 659	4 815	-3%
OÜ Uniservice	179	245	-27%	(95)	(46)	-107%
intersegment eliminations	(18 946)	(19 537)	3%	110	(1 333)	108%
<b>TOTAL</b>	<b>352 369</b>	<b>405 301</b>	<b>-13%</b>	<b>14 299</b>	<b>3 834</b>	<b>273%</b>

\*proportionate share of joint ventures

(thousand) EUR	Sales			EBITDA		
	2010	2009	Change%	2010	2009	Change%
Eesti Ajalehed AS	7 533	8 329	-10%	588	(125)	572%
Eesti Päevalehe AS*	3 234	4 187	-23%	(273)	(107)	-154%
SL Õhtuleht AS*	3 441	3 883	-11%	269	532	-49%
AS Ajakirjade Kirjastus*	4 370	4 803	-9%	168	23	620%
UAB Ekspress Leidyba	2 725	3 404	-20%	(137)	(298)	54%
AS Express Post*	2 417	2 528	-5%	297	307	-3%
OÜ Uniservice	12	14	-27%	(6)	(4)	-107%
intersegment eliminations	(1 212)	(1 245)	3%	8	(83)	108%
<b>TOTAL</b>	<b>22 520</b>	<b>25 903</b>	<b>-13%</b>	<b>914</b>	<b>245</b>	<b>273%</b>

\*proportionate share of joint ventures

In the periodicals segment, Eesti Ajalehed, the publisher of Eesti Ekspress and Maaleht, managed to beat the market and achieve better than expected results at the beginning of the year. The results of SL Õhtuleht and Ajakirjade Kirjastus stabilised in the second half of the year and the revenue of Ajakirjade Kirjastus started to pick up. The revenue of the Lithuanian publisher of magazines was lower than last year. This can be partly attributed to the changes in tax legislation, increasing the value added tax liability in a situation in which the increase in cover and subscription prices was not possible and thus, reduced the company's net income. We also decided to change accounting rules at the Lithuanian publisher dealing with the expensing of published books, which had a certain effect on the company's results. The situation at Eesti Päevaleht is complicated, as the reduction in salaries has been unable to make the company profitable. However, the company makes a profit for the Group, considering the revenue generated from printing of the newspaper and home delivery for the group companies Printall and Express Post.

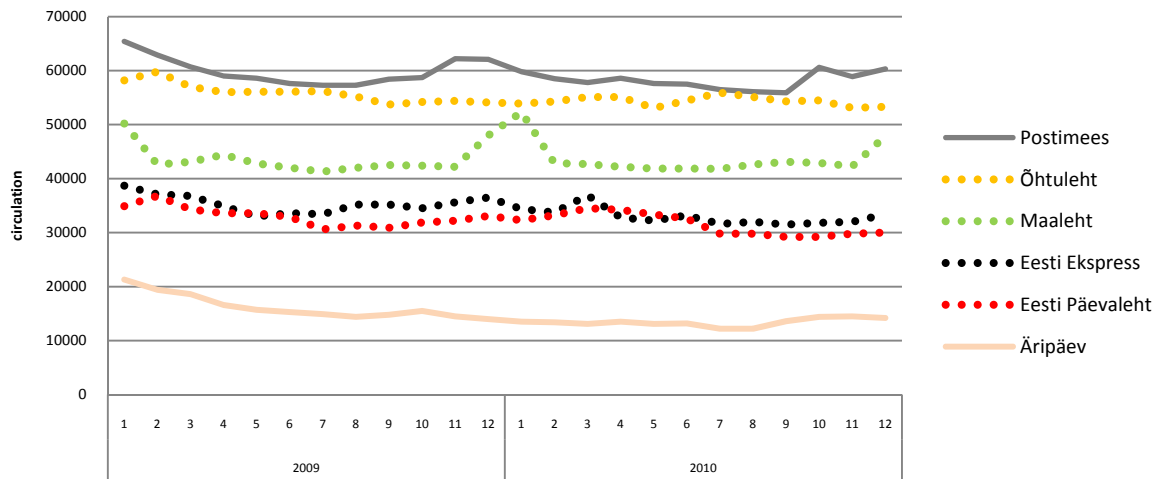
The key events in 2010 worth mentioning include:

- In spring, Eesti Ekspress implemented a radical product upgrading, becoming a modern weekly newspaper
- In autumn, Eesti Ekspress introduced the electronic publication Eesti Ekspress Pro as the first electronic publication targeted at iPad to the market, and the application required for its reading had been downloaded by almost 1300 users by the beginning of 2011
- Eesti Ekspress and Maaleht were the first publications to introduce the option to read articles in the publications' online environments by making a micropayment via mobile telephone.
- Eesti Ekspress and Õhtuleht were the first publications to introduce newspaper vending machines operating with a mobile telephone and coin payments, to test the outlook for creating a new sales network
- In spring, Eesti Päevaleht radically cut its personnel expenses by almost 20%
- Eesti Päevaleht launched the electronic newspaper project in iPad, the first issue of the paper became available online in January 2011
- The Lithuanian publisher of newspapers acquired a license for publishing of the magazine Cosmopolitan and launched the publication of the magazine

Both positive as well as negative changes have occurred in the market situation of newspapers during the year. As a positive change, the circulation of newspapers has stabilised and the longer term downward trend is therefore over. As a negative change, it should be acknowledged that the reader numbers are still in a downward trend. On the one hand, it can definitely be explained by the fact that the readability of Internet publications has increased and this has a partial impact on the reader base of paper-based newspapers. On the other hand, the year 2010 is also characterised by a positive global outlook for electronic media. In April 2010, Apple iPad was introduced for the first time and during the year, tens of other similar devices have been brought to the market. Eesti Express as the first publication in Estonia was also made available in the format of tablet PCs from November 2010. The development trends in the

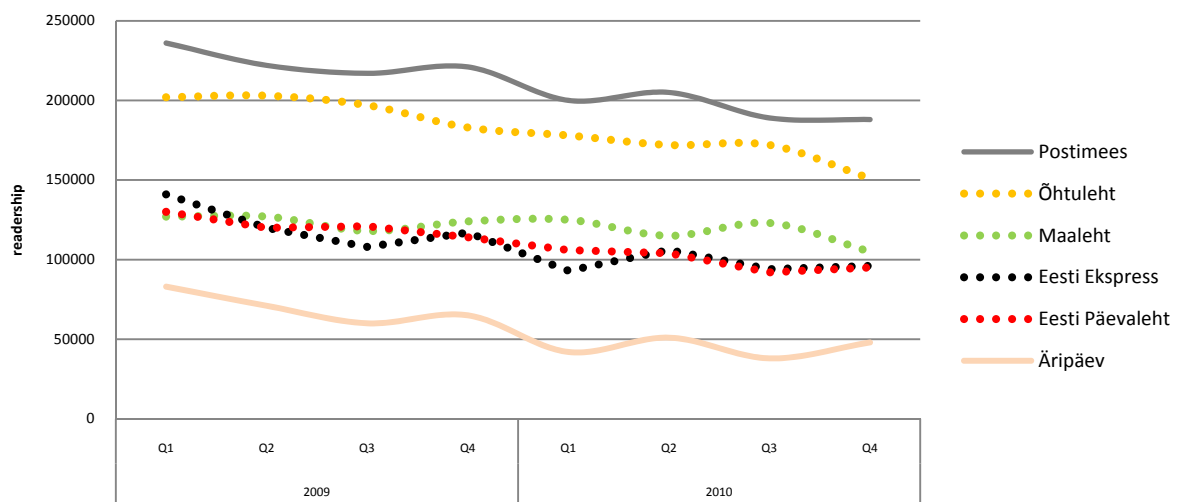
upcoming years are definitely related to the development of electronic versions of newspapers and thereby, winning back readers to the production of newspaper publishers.

### Estonian newspaper circulation 2009-2010



Postimees continues to be the newspaper with the highest circulation. The circulation of other newspapers has been relative stable and stayed at the same level. Eesti Päevaleht, with the circulation loss of by ca 10% on yearly basis, have experienced the largest decrease in the Group.

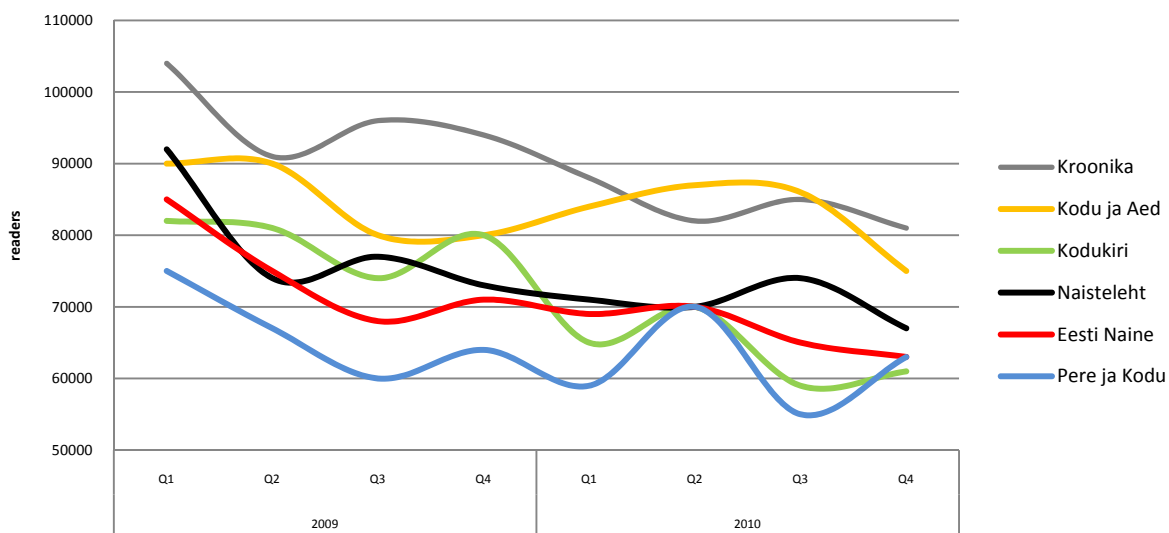
### Estonian newspaper readership 2009-2010



No newspaper has been saved from the decline in the reader base. However, the decline in the reader base of all publications has been of the same magnitude – 14-17%.

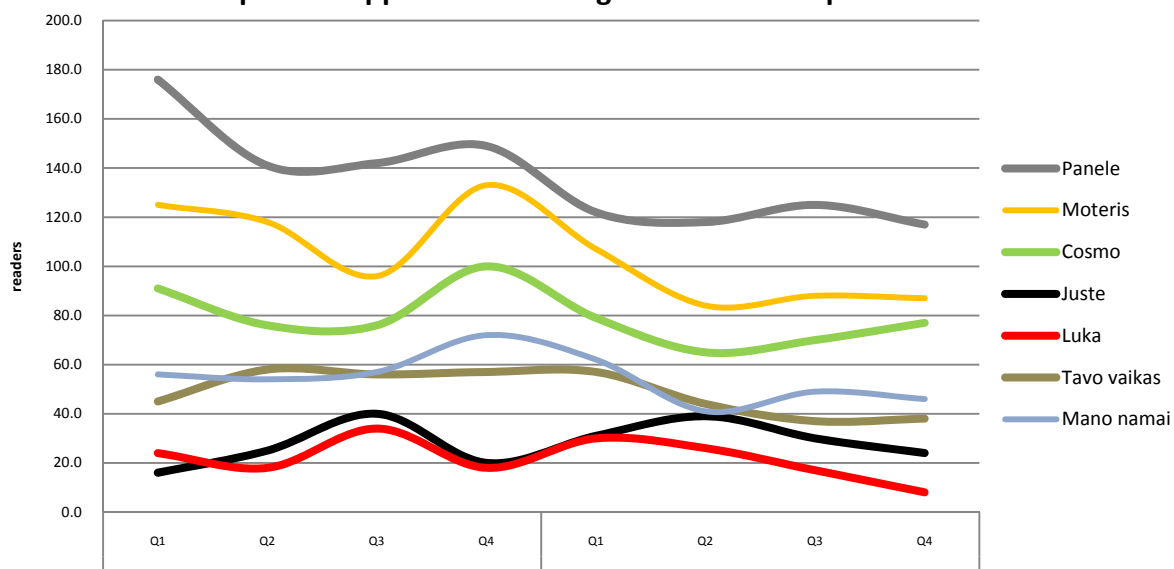
Similarly to the reader base of newspapers, the decline in the number of readers has also continued in the market of magazines. However, in the last quarter of 2010, signs of stabilisation are visible both in single copy sales as well as advertising revenue, both in Estonia and Lithuania.

### Estonian magazines readership 2009-2010



As of the year-end 2010, the most popular magazine in Estonia is Kroonika, the reader base of which has stabilised after a decline at the beginning of the year. With regard to other magazines, the market shares have not changed.

### Ekspress Grupp Lithuanian magazines readership 2009-2010



With regards to the Lithuanian magazines of Ekspress Grupp, the readership numbers have been similar to those of Estonia. At the beginning of the year, the number of readers declined but stabilised in the second half of the year. It gives us pleasure to state that the readership numbers of the magazine Cosmo acquired at the beginning of the year have increased over the last three quarters.



### Printing services segment

All printing services of Ekspress Grupp are provided by AS Printall which is the largest printing company in Estonia. Printall is able to print both newspapers (coldest) and magazines (heatset).

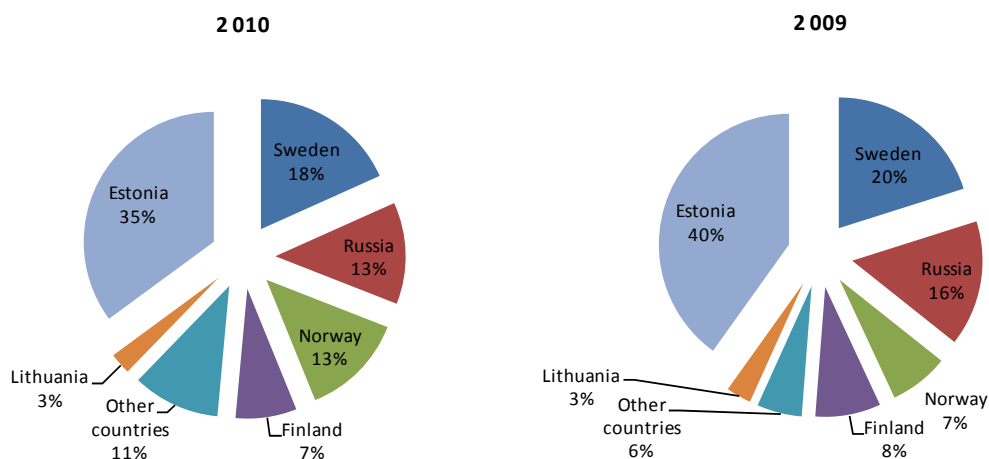
(thousand) EEK	Sales			EBITDA		
	2010	2009	Change%	2010	2009	Change%
AS Printall	378 979	355 125	7%	81 331	59 554	37%

(thousand) EUR	Sales			EBITDA		
	2010	2009	Change%	2010	2009	Change%
AS Printall	24 221	22 697	7%	5 198	3 806	37%

In the printing segment, aggressive development occurred in the export markets which generated almost 2/3 of revenue. The most important customers for the Company are in Sweden, Norway, Finland and Russia. Also, work was launched for customers in Germany, Netherlands and France. In most cases, this represents production of periodicals or product catalogues. The printing company Printall has reached high efficiency through well-managed costs and an optimum equipment park, and it has ensured a leading position thanks to its flexible labour policy and high-quality production.

The key event in 2010 was receipt of several environmental certificates as acknowledgement of the environmentally friendly production cycle of the Company.

### Geographic break-down of printing services



Structure of Group companies (see detailed list for all legal entities in the Group in Note 1 to the Consolidated Financial Statements)



## Shares and shareholders of AS Ekspress Grupp

The Company's share capital is EEK 297 968 410 (EUR 19 043 652), which consists of the shares with the nominal value of EEK 10 (EUR 0.6) each. 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 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 31.12.2010 based on the Estonian Central Register of Securities

Name	Number of shares	%
Hans H. Luik	16 236 520	54.49%
<i>Hans H. Luik</i>	<i>7 963 307</i>	<i>26.73%</i>
<i>OÜ HHL Rühm</i>	<i>8 266 313</i>	<i>27.74%</i>
<i>OÜ Minigert</i>	<i>6 900</i>	<i>0.02%</i>
ING Luxembourg S.A.	3 727 344	12.51%
Skandinaviska Enskilda Banken Ab Clients	2 132 657	7.16%
Nordea Bank Finland PLC/Non-Resident Legal Entities	1 616 786	5.43%
Members of the Management and Supervisory Boards and their close relatives	498 201	1.68%
<i>Gunnar Kobin. OÜ Griffen SVP</i>	<i>320 512</i>	<i>1.08%</i>
<i>Gunnar Kobin. OÜ Griffen Invest</i>	<i>73 169</i>	<i>0.25%</i>
<i>Viktor Mahhov. OÜ Flexinger</i>	<i>48 464</i>	<i>0.16%</i>
<i>Aavo Kokek. OÜ Synd &amp; Katts</i>	<i>400</i>	<i>0.00%</i>
<i>Ville Jebe. OÜ Octoberfirst</i>	<i>55 656</i>	<i>0.19%</i>
Other minority shareholders	5 585 333	18.74%
<b>Total</b>	<b>29 796 841</b>	<b>100.00%</b>

Genesis Investment Management LLP has informed the Company on 15 June 2010 that their ownership interest, through the nominee account of Nordea Bank Finland Plc in AS Ekspress Grupp is 5.31%.

East Capital Asset Management AB has informed the Company on 16 September 2010 that their ownership interest in AS Ekspress Grupp, through the nominee account of Skandinaviska Enskilda Banken Ab Clients has increased to 5.43%.

KJK Fund SICAV-SIF formerly known as DCF Fund (II) SICAV-SIF has 12.51% ownership interest in Ekspress Grupp through the nominee account of ING Luxembourg S.A.

On 20.04.2010, the investment company Griffen SPV managed by the Chairman of the Management Board of AS Ekspress Grupp OÜ and the investment firm OÜ HHL Rühm owned by the member of the Supervisory Board of AS Ekspress Hans H. Luik a supplementary agreement to the sales agreement entered into on 16.11.2009, according to which the price of the share transactions was changed retrospectively to EEK 15.6466 (EUR 1) per share. Another agreement was additionally concluded for the acquisition of 80 127 shares of AS Ekspress Grupp at the price of EEK 15.6466 (EUR 1) per share.

### Share information

The share price in Estonian kroons (EEK) and the trading statistic on OMX Tallinn Stock Exchange from 1 January 2010 to 31 December 2010.



The share price in Estonian kroons (EEK) and trading statistics on OMX Tallinn Stock Exchange from 1 January to 31 December 2009.



By virtue of the conditions set in the Group's loan agreements, payment of dividends to shareholders is limited.

The following table show the stock trading history

Price	2010		2009	
	EEK	EUR	EEK	EUR
Open	16.12	1.03	12.20	0.78
Closing price	23.91	1.53	16.12	1.03
High	25.35	1.62	23.47	1.50
Low	12.52	0.80	6.10	0.39
Traded shares	3 856 572	3 856 572	2 461 534	2 461 534
Turnover million	77.04	4.92	34.05	2.18
Capitalisation million	712.38	45.53	336.00	21.47

## REPORT OF 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, proceeds from the requirements of the Tallinn Stock Exchange and 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 paid to the members of the Supervisory Board and 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, bonus systems and their important features, 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 termination of the contract, a member of the Management Board is paid compensation in accordance with the conditions prescribed in the contract of services concluded with the member. Termination benefits to the members of the Management Board are payable only in case termination is initiated by the Company. If a member of the Management Board is removed without a valid reason, termination benefits are paid in the amount of four 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.

### 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 2010, no significant transactions were concluded 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 2010, no remuneration was assigned to the members of the Supervisory Board.

## **Election and authority of the governing bodies of Ekspress Grupp**

### **General Meeting**

The General Meeting is highest governing body of Ekspress Grupp. The ordinary 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 Grupp for 2010 was held on 30 March 2010 at the seat of the company. The General Meeting approved Ekspress Grupp's annual report for the year 2009, and decided to cover the loss for the financial year from retained earnings. In addition, the agenda of the General Meeting included appointment of the auditor and determination of the procedure for payment of auditor's fees, removal of the members of the Supervisory Board (Härmo Värk and Kalle Norberg) and election of new members of the Supervisory Board (Hans H. Luik and Aavo Kokk) and extension of the right of representation of a current member of the Supervisory Board (Viktor Mahhov). The increase of share capital to EEK 297 968 410 (EUR 19 051 689) was also approved.

### **Supervisory Board**

The Supervisory Board of the Company plans the activities of the Company, organises the management of the Company and supervise 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.

The Supervisory Board of Ekspress Grupp 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 and Antti Mikael Partanen.

In 2010, 14 meetings of the Supervisory Board were held.

### **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 Grupp does not have any right to issue shares of the Company.

Election of the members of the Management Board is in the competence of the Company. The members of the Management Board shall be elected for a term of up to three 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 of the Company.

There are no agreements between Ekspress Grupp 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 Grupp has four members. The Management Board comprises the Chairman of the Management Board Gunnar Kobin, and the members of the Management Board Erle Oolup, Pirje Raidma and Andre Veskimeister. At the meeting of the Supervisory Board held on 6 September 2010, Peeter Rumessen was additionally elected as a member of the Management Board. At the

meeting of the Supervisory Board held on 4 October 2010, Peeter Rumessen was removed from the position of a member of the Management Board and Pirje Raidma was elected as a new member of the Management Board from 7 October 2010.

Upon takeover of the Company pursuant to Chapter 19 of the Securities Market Act, the current co-shareholder in companies AS SL Õhtuleht, AS Ajakirjade Kirjastus and AS Express Post, where the Company has ownership interest, has the right to acquire ownership interest of the company in the aforementioned companies at a fair price.

### **Audit Committee**

Pursuant to clause § 99 (1) 1) and clause § 13 (1) 1) of the Auditors Activities Act (entered into force on 01.07.2010), Ekspress Grupp shall have an Audit Committee.

At the meeting of the Supervisory Board held on 1 July 2010, an Audit Committee with two members was approved. Aavo Kokk was appointed as the Chairman of the Audit Committee, and Viktor Mahhov was appointed as a member of the Audit Committee.

The Audit Committee at Ekspress Grupp 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.



## CONSOLIDATED FINANCIAL STATEMENTS

### Consolidated statement of financial position

(thousand)	EEK		EUR		Notes
	31.12.2010	31.12.2009	31.12.2010	31.12.2009	
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	43 292	39 953	2 767	2 553	5
Financial assets at fair value through profit or loss	1	892	0	57	6
Trade and other receivables	108 631	116 286	6 941	7 431	7
Inventories	46 332	57 181	2 961	3 655	11
<b>Total</b>	<b>198 256</b>	<b>214 312</b>	<b>12 669</b>	<b>13 696</b>	
Non-current assets held for sale	939	0	60	0	
<b>Total current assets</b>	<b>199 195</b>	<b>214 312</b>	<b>12 729</b>	<b>13 696</b>	
<b>Assets of discontinued operations</b>	<b>0</b>	<b>93 457</b>	<b>0</b>	<b>5 973</b>	14
<b>Non-current assets</b>					
Long-term deposit	47 074	0	3 009	0	5
Trade and other receivables	2 519	5 697	162	364	12
Investments in associates	124	640	8	41	16
Investment property	0	6 360	0	406	17
Property, plant and equipment	299 438	345 938	19 138	22 109	18
Intangible assets	796 982	821 613	50 936	52 511	19
<b>Total non-current assets</b>	<b>1 146 137</b>	<b>1 180 248</b>	<b>73 253</b>	<b>75 431</b>	
<b>TOTAL ASSETS</b>	<b>1 345 332</b>	<b>1 488 017</b>	<b>85 982</b>	<b>95 100</b>	
<b>LIABILITIES AND EQUITY</b>					
<b>Liabilities</b>					
<b>Current liabilities</b>					
Borrowings	81 878	143 093	5 233	9 145	21
Trade and other payables	168 756	283 668	10 785	18 130	20
<b>Total current liabilities</b>	<b>250 634</b>	<b>426 761</b>	<b>16 018</b>	<b>27 275</b>	
<b>Liabilities of discontinued operations</b>	<b>0</b>	<b>17 231</b>	<b>0</b>	<b>1 101</b>	14
<b>Non-current liabilities</b>					
Borrowings	517 168	583 047	33 053	37 263	21
Other long-term liabilities	36	28	2	2	
Derivative instruments	9 538	13 993	610	894	33
<b>Total non-current liabilities</b>	<b>526 742</b>	<b>597 068</b>	<b>33 665</b>	<b>38 159</b>	
<b>Total liabilities</b>	<b>777 376</b>	<b>1 041 060</b>	<b>49 683</b>	<b>66 535</b>	
<b>Equity</b>					
Share capital	297 968	208 488	19 044	13 325	32
Share premium	223 394	192 883	14 277	12 327	32
Reserves	721	(313)	46	(20)	32
Retained earnings	45 373	43 976	2 900	2 811	
Currency translation reserve	500	1 635	32	104	
<b>Total capital and reserves attributable to equity holders of the Parent Company</b>	<b>567 956</b>	<b>446 669</b>	<b>36 299</b>	<b>28 547</b>	
Non-controlling interest	0	288	0	18	
<b>Total EQUITY</b>	<b>567 956</b>	<b>446 957</b>	<b>36 299</b>	<b>28 565</b>	32
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1 345 332</b>	<b>1 488 017</b>	<b>85 982</b>	<b>95 100</b>	

The Notes presented on pages 29 to 92 form an integral part of the consolidated financial statements

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## Consolidated statement of comprehensive income

(thousand)	EEK		EUR		Notes
	2010	2009*	2010	2009*	
Sales	810 712	813 218	51 814	51 974	25
Cost of sales	634 007	667 835	40 520	42 682	26
<b>Gross profit</b>	<b>176 705</b>	<b>145 383</b>	<b>11 294</b>	<b>9 292</b>	
Marketing expenses	35 074	39 917	2 242	2 551	27
Administrative expenses	100 680	109 134	6 435	6 975	28
Impairment of goodwill	0	91 445	0	5 844	19
Other income	6 449	8 826	413	564	29
Other expenses	4 224	12 131	270	775	29
<b>Operating profit (loss)</b>	<b>43 176</b>	<b>(98 418)</b>	<b>2 760</b>	<b>(6 289)</b>	
Other finance income	1 072	2 099	69	134	30
Other finance costs	(43 359)	(47 889)	(2 771)	(3 061)	30
<b>Net finance costs</b>	<b>(42 287)</b>	<b>(45 790)</b>	<b>(2 702)</b>	<b>(2 927)</b>	30
Share of profit (loss) of associates	(516)	189	(33)	12	16
<b>Profit (loss) before income tax</b>	<b>373</b>	<b>(144 019)</b>	<b>25</b>	<b>(9 204)</b>	
Income tax expense	8 356	3 960	534	253	9
<b>Profit (loss) from continuing operations for the year</b>	<b>(7 983)</b>	<b>(147 979)</b>	<b>(509)</b>	<b>(9 457)</b>	
Loss from discontinued operations for the year	5 678	(42 047)	363	(2 687)	14
<b>Profit (loss) for the year</b>	<b>(2 305)</b>	<b>(190 026)</b>	<b>(146)</b>	<b>(12 144)</b>	
<b>Attributable to:</b>					
Equity holders of the Parent Company	(2 017)	(190 026)	(128)	(12 144)	
Non-controlling interest	(288)	0	(18)	0	
<b>Other comprehensive income (expense)</b>					
Currency translation differences	(1 135)	280	(73)	18	
Gain/loss on hedges	4 448	(4 438)	284	(284)	33
<b>Total other comprehensive income (expense) for the year</b>	<b>3 313</b>	<b>(4 158)</b>	<b>211</b>	<b>(266)</b>	
<b>Total comprehensive income (expense) for the year</b>	<b>1 008</b>	<b>(194 184)</b>	<b>64</b>	<b>(12 411)</b>	
<b>Attributable to:</b>					
Equity holders of the Parent Company	1 296	(194 184)	82	(12 411)	
Non-controlling interest	(288)	0	(18)	0	
Basic and diluted earnings per share for profit attributable to the equity holders of the Parent Company from continuing operations	(0.30)	(7.12)	(0.02)	(0.45)	32
Basic and diluted earnings per share for profit attributable to the equity holders of the Parent Company from discontinued operations	0.21	(2.02)	0.01	(0.13)	32

\*2009 figures adjusted and show only the results of operations from continuing operations consolidated on a line-by-line basis.

The Notes presented on pages 29 to 92 form an integral part of the consolidated financial statements

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## Consolidated statement of changes in equity

EEK thousand	Attributable to equity holders of the Parent Company						Non-controlling interest	Total equity
	Share capital	Share premium	Reserves	Retained earnings	Currency translation reserve	Total		
<b>Balance on 31.12.2008</b>	<b>189 710</b>	<b>183 494</b>	<b>4 125</b>	<b>231 082</b>	<b>1 355</b>	<b>609 766</b>	<b>288</b>	<b>610 054</b>
Total comprehensive income for the reporting period	0	0	(4 438)	(190 026)	280	(194 184)	0	(194 184)
Cancellation of share options	0	0	0	2 920	0	2 920	0	2 920
Share capital increase	18 778	9 389	0	0	0	28 167	0	28 167
<b>Balance on 31.12. 2009</b>	<b>208 488</b>	<b>192 883</b>	<b>(313)</b>	<b>43 976</b>	<b>1 635</b>	<b>446 669</b>	<b>288</b>	<b>446 957</b>
Total comprehensive income	0	0	4 448	(2 017)	(1 135)	1 296	(288)	1 008
Change in revaluation reserve of investment property (Note 17)	0	0	(3 414)	3 414	0	0	0	0
Share capital increase	89 480	30 511	0	0	0	119 991	0	119 991
<b>Balance on 31.12. 2010</b>	<b>297 968</b>	<b>223 394</b>	<b>721</b>	<b>45 373</b>	<b>500</b>	<b>567 956</b>	<b>0</b>	<b>567 956</b>

EUR thousand	Attributable to equity holders of the Parent Company						Non-controlling interest	Total equity
	Share capital	Share premium	Reserves	Retained earnings	Currency translation reserve	Total		
<b>Balance on 31.12.2008</b>	<b>12 125</b>	<b>11 727</b>	<b>264</b>	<b>14 769</b>	<b>86</b>	<b>38 971</b>	<b>18</b>	<b>38 989</b>
Total comprehensive income for reporting period	0	0	(284)	(12 145)	18	(12 411)	0	(12 411)
Cancellation of share options	0	0	0	187	0	187	0	187
Share capital increase	1 200	600	0	0	0	1 800	0	1 800
<b>Balance on 31.12. 2009</b>	<b>13 325</b>	<b>12 327</b>	<b>(20)</b>	<b>2 811</b>	<b>104</b>	<b>28 547</b>	<b>18</b>	<b>28 565</b>
Total comprehensive income	0	0	284	(129)	(72)	83	(18)	65
Change in revaluation reserve of investment property (Note 17)	0	0	(218)	218	0	0	0	0
Share capital increase	5 719	1 950	0	0	0	7 669	0	7 669
<b>Balance on 31.12. 2010</b>	<b>19 044</b>	<b>14 277</b>	<b>46</b>	<b>2 900</b>	<b>32</b>	<b>36 299</b>	<b>0</b>	<b>36 299</b>

Further information about changes in equity is disclosed in Note 32.

The Notes presented on pages 29 to 92 form an integral part of the consolidated financial statements

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## Consolidated cash flow statement

(thousand)	EEK		EUR		Notes
	2010	2009*	2010	2009*	
<b>Cash flows from operating activities from continuing operations</b>					
Operating profit (loss) for the period	43 176	(98 418)	2 760	(6 289)	
Adjustments for:					
Depreciation and amortisation and impairment	51 354	145 571	3 282	9 304	17,18,19
Profit (loss) on sale and write-downs of property, plant and equipment	313	937	20	60	
<b>Changes in working capital:</b>					
Trade and other receivables	18 406	39 100	1 176	2 499	
Inventories	(4 140)	4 344	(265)	278	
Trade and other payables	(30 000)	27 549	(1 917)	1 761	
<b>Cash generated from operations</b>	<b>79 109</b>	<b>119 083</b>	<b>5 056</b>	<b>7 611</b>	
Income tax paid	(5 716)	(6 135)	(365)	(392)	
Interest paid	(40 622)	(45 904)	(2 596)	(2 934)	
<b>Net cash generated from operating activities from continuing operations</b>	<b>32 771</b>	<b>67 044</b>	<b>2 094</b>	<b>4 285</b>	
<b>Net cash used in operating activities from discontinued operations</b>	<b>(2 511)</b>	<b>6 422</b>	<b>(160)</b>	<b>410</b>	
<b>Cash flows from investing activities</b>					
Proceeds from sale of shares in subsidiaries	62 266	0	3 980	0	13
Long-term deposit	(46 940)	0	(3 000)	0	5
Interest received	964	1 949	62	125	
Purchase of property, plant and equipment	(9 095)	(9 515)	(581)	(608)	18, 19
Proceeds from sale of property, plant and equipment	8 480	5 868	542	375	18, 19
Loans granted	(615)	(4 722)	(39)	(302)	
Loan repayments received	10 144	12 255	648	783	
<b>Net cash generated from investing activities from continuing operations</b>	<b>25 204</b>	<b>5 835</b>	<b>1 611</b>	<b>373</b>	
<b>Net cash used in investing activities from discontinued operations</b>	<b>0</b>	<b>(1 499)</b>	<b>0</b>	<b>(96)</b>	
<b>Cash flows from financing activities from continuing operations</b>					
Share issue	82 121	28 166	5 248	1 800	32
Finance lease payments made	(20 009)	(35 901)	(1 279)	(2 294)	22
Change in overdraft used	(29 399)	7 836	(1 879)	501	21
Change in factoring used	(5 340)	8 222	(341)	525	
Proceeds from borrowings	1 500	4 317	96	276	21
Repayments of borrowings	(81 169)	(84 089)	(5 188)	(5 374)	21
<b>Net cash used in financing activities from continuing operations</b>	<b>(52 296)</b>	<b>(71 449)</b>	<b>(3 342)</b>	<b>(4 566)</b>	
<b>Net cash used in financing activities from discontinued operations</b>	<b>(76)</b>	<b>(12 500)</b>	<b>(5)</b>	<b>(799)</b>	
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>3 339</b>	<b>(6 435)</b>	<b>213</b>	<b>(411)</b>	
Cash and cash equivalents at the beginning of the period	39 953	46 388	2 553	2 965	
Cash and cash equivalents at the end of the period	43 292	39 953	2 767	2 553	

\* 2009 figures adjusted

The Notes presented on pages 29 to 92 form an integral part of the consolidated financial statements

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 1. General information

The main fields of activity of AS Ekspress Grupp and its subsidiaries and joint ventures (hereinafter the Group) include online media, publishing of newspapers and magazines, and provision of printing services. In 2009, the Group was also engaged in retail and wholesale of books and provision of information services in telephone catalogues, information telephone line and over the Internet. In 2010, the Group had exited the two latter fields of activity.

AS Ekspress Grupp (registration number 10004677, address: Narva mnt.11E, 10151 Tallinn) is a company registered and operating in the Republic of Estonia, the main field of which is management of group companies. As of 31.12.2010, the Group consists of 10 subsidiaries, 5 joint ventures and 2 associates.

Pursuant to the Commercial Code of the Republic of Estonia, the annual report including the consolidated financial statements prepared by the Management Board and approved by the Supervisory Board of the Parent Company will be approved by the General Meeting of Shareholders. This annual report was approved by the Management Board on 4 March 2011.

The consolidated financial statements of AS Ekspress Grupp for 2010 reflect the results of the following group companies:

Company name	Status	Ownership interest 31.12.2010	Ownership interest 31.12.2009	Main field of activity	Domicile
AS Ekspress Grupp	Parent Company			Holding company	Estonia
Eesti Ajalehed AS*	Subsidiary	100%	100%	Newspaper publishing	Estonia
Maaleht AS**	Subsidiary	0%	100%	Newspaper publishing 2009 (merged with the Parent Company in 2010)	Estonia
UAB Ekspress Leidyba	Subsidiary	100%	100%	Magazine publishing	Lithuania
Eesti Päevalehe AS	Joint venture	50%	50%	Newspaper publishing	Estonia
AS SL Öhtuleht	Joint venture	50%	50%	Newspaper publishing	Estonia
AS Express Post	Joint venture	50%	50%	Periodicals' home delivery	Estonia
AS Ajakirjade Kirjastus	Joint venture	50%	50%	Magazine publishing	Estonia
Uniservice OÜ	Joint venture	26%	26%	Magazine publishing	Estonia
AS Linnaleht	Associate	25%	25%	Newspaper publishing	Estonia
Medipresa UAB	Associate	40%	40%	Periodicals' wholesale distribution	Lithuania
SIA Delfi Holding	Subsidiary	100%	100%	Management of online-media subsidiaries	Latvia
Delfi AS	Subsidiary	100%	100%	Online media	Estonia
Delfi AS	Subsidiary	100%	100%	Online media	Latvia
Mango.lv SIA	Subsidiary	100%	100%	Online media	Latvia
SIA Ekspress Portals	Subsidiary	0%	100%	Online media (merged with Latvia's Delfi AS in 2010)	Latvia
Delfi UAB	Subsidiary	100%	100%	Online media	Lithuania
UAB Ekspress Portals	Subsidiary	100%	100%	Online media (dormant)	Lithuania
TOV Delfi	Subsidiary	100%	100%	Online media	Ukraine
AS Printall	Subsidiary	100%	100%	Printing services	Estonia

\* On 1 October 2009, the net assets and business activities of AS Maaleht were sold to Eesti Ekspressi Kirjastuse AS. The new business name of the company is AS Eesti Ajalehed.

\*\* On 30 December 2009, AS Ekspress Grupp and AS Maaleht signed a merger agreement and at the end of the merger proceeding, AS Maaleht is deemed to be liquidated. The acquiring company will continue business under the name AS Ekspress Grupp.

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During 2010, the following companies, the results of operations of which had been included in the consolidated financial statements of the Group for 2009, were sold. For information about discontinued operations, please refer to Notes 13, 14 and 24.

Name of company	Status	Ownership interest 31.12.2010	Ownership interest 31.12.2009	Main field of activity	Domicile
AS Ekspress Hotline	Subsidiary	0%	100%	Information and advertising services	Estonia
Ekspresskataloogide AS	Subsidiary	0%	100%	Phone directories	Estonia
AS Infoatlas	Subsidiary	0%	100%	Phone directory "Infoatlas"	Estonia
Kõnekeskuse AS	Subsidiary	0%	100%	Call centre services	Estonia
Teletell Infoline SRL	Subsidiary	0%	100%	Information services (discontinues operation)	Romania
Express Online SRL	Subsidiary	0%	100%	Call centre services (discontinues operation)	Romania
Rahva Raamat AS	Subsidiary	0%	100%	Book sales	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.

### Bases 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.

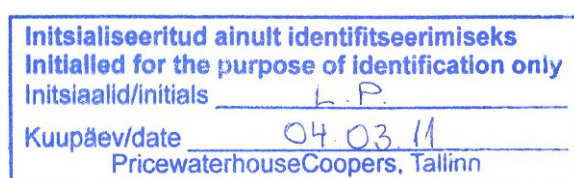
The financial statements have been prepared under the historical cost convention, as modified by the financial assets at fair value through profit or loss which have been revalued and are presented at fair value, and investment property presented at fair value as disclosed in the accounting policies below.

The preparation of 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.

The functional currency of AS Ekspress Grupp is the Estonian kroon (EEK). These financial statements are presented in thousand of Estonian kroons (EEK) and euros (EUR), unless otherwise indicated. The consolidated financial statements are presented in euros, as this is required by the Stock Exchange.

### Comparability

The financial statements have been prepared in accordance with the consistency and comparability principles, the nature of the changes in methods and their effect 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.



### **Change in presentation of primary financial statements**

In the 2010 financial statements, information services and retail and wholesale of books are treated as discontinued operations and the income and expenses of these segments are reported in a separate line "Profit (loss) from discontinued operations" of the consolidated income statement. The comparative figures for 2009 have also been restated in the income statement. No restatements have been made to the balance sheet in accordance with the requirements of IFRS and hence the assets and liabilities of discontinued operations shown in the statement of financial position as of 31.12.2009 include only the assets and liabilities of the operations that can be viewed as discontinued at that time (i.e. information services segment). The assets related to the segment of retail and wholesale of books are still consolidated line-by-line in the statement of financial position as of 31.12.2009, as the sale of Rahva Raamat AS could not be treated as a discontinued operation as of 31.12.2009. The impact of the transaction on the consolidated financial statements have been disclosed in Note 14.

### **Amendment to presentation of financial information in the notes to the financial statements**

The Group has made amendments to the presentation of financial information in the segment report. Beginning with 2010, Ekspress Grupp includes advertising and other online revenue earned from web portals of the companies within the segment of periodicals, because it represents a better way to reflect the actual monitoring of financial results by the management and the reporting by companies. The revenue earned from web publications and portals had previously been included within the online media segment (see Note 24).

The comparative data for 2009 has also been amended.

### **Standards, amendments to standards and interpretations which became effective in the financial year of the Group beginning on 1 January 2010.**

**IAS 27, Consolidated and Separate Financial Statements** (effective for annual periods beginning on or after 1 July 2009). The revised IAS 27 requires an entity to attribute total comprehensive income to the owners of the parent and the non-controlling interests (previously "minority interests") even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that transactions which lead to changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary will have to be measured at its fair value. The amendments did not have a material impact on the Group's financial statements.

**IFRS 3, Business Combinations** (effective for business combinations for which the acquisition date is at or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised IFRS 3 will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer will have to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss. Acquisition-related costs will be accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer will have to recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. The amendments did not have an impact on the Group's financial statements.

**Eligible Hedged Items—Amendment to IAS 39, Financial Instruments: Recognition and Measurement.** (effective with retrospective application for annual periods beginning on or after 1 July 2009). The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The amendments did not have a material impact on the Group's financial statements.

**Improvements to International Financial Reporting Standards, issued in April 2009** (amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010; the improvements have not yet been adopted by the EU). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: clarification that contributions of businesses in common control transactions and formation of joint ventures are not within the scope of IFRS 2; clarification of disclosure requirements set by IFRS 5 and other standards for non-current assets (or disposal groups) classified as held for sale or discontinued operations; requiring to report a measure of total assets and liabilities for each reportable segment under IFRS 8 only if such amounts are regularly provided to the chief operating decision maker; amending IAS 1 to allow classification of certain liabilities settled by entity's own equity instruments as non-current; changing IAS 7 so that only expenditures that result in a recognised asset are eligible for classification as investing activities; allowing classification of certain long-term land leases as finance leases under IAS 17 even without transfer of ownership of the land at the end of the lease; providing additional guidance in IAS 18 for determining whether an entity acts as a principal or an agent; clarification in IAS 36 that a cash-generating unit shall not be larger than an operating segment before aggregation; supplementing IAS 38 regarding measurement of fair value of intangible assets acquired in a business combination; amending IAS 39 (i) to include in its scope option contracts that could result in business combinations, (ii) to clarify the period of reclassifying gains or losses on cash flow hedging instruments from equity to profit or loss for the year and (iii) to state that a prepayment option is closely related to the host contract if upon exercise the borrower reimburses economic loss of the lender; amending IFRIC 9 to state that embedded derivatives in contracts acquired in common control transactions and formation of joint ventures are not within its scope; and removing the restriction in IFRIC 16 that hedging instruments may not be held by the foreign operation that itself is being hedged. The Group estimates that the amendment did not have a material impact on the Group's financial statements.

**Amendments and interpretations to existing standards that are mandatory for the Group from 1 January 2010 but that are not material to the Group's activities.**

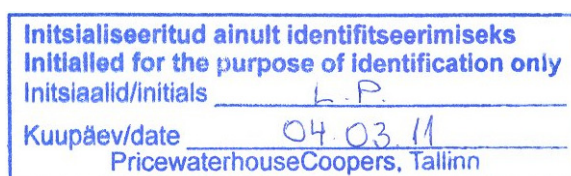
**Embedded Derivatives – Amendments to IFRIC 9 and IAS 39, issued in March 2009** (effective for annual periods ending on or after 30 June 2009; amendments to IFRIC 19 and IAS 39 as adopted by the EU are effective for annual periods beginning after 31 December 2009, early adoption permitted).

**IFRIC 12, Service Concession Arrangements** (IFRIC 12 as adopted by the EU is effective for annual periods beginning on or after 30 March 2009, early adoption permitted).

**IFRIC 15, Agreements for the Construction of Real Estate** (effective for annual periods beginning on or after 1 January 2009; IFRIC 15 as adopted by the EU is effective for annual periods beginning after 31 December 2009, early adoption permitted).

**IFRIC 16, Hedges of a Net Investment in a Foreign Operation** (effective for annual periods beginning on or after 1 October 2008; IFRIC 16 as adopted by the EU is effective for annual periods beginning after 30 June 2009, early adoption permitted).

**IFRIC 17, Distributions of Non-cash Assets to Owners** (effective for annual periods beginning on or after 1 July 2009; IFRIC 17 as adopted by the EU is effective for annual periods beginning after 30 October 2009, early adoption permitted).





**IFRIC 18, Transfers of Assets from Customers** (effective prospectively to transfers of assets from customers received on or after 1 July 2009, early adoption permitted; IFRIC 18 as adopted by the EU is effective for annual periods beginning after 31 October 2009, early adoption permitted).

**IFRS 1, First-time Adoption of International Financial Reporting Standards**, revised in December 2008 (effective for the first IFRS financial statements for a period beginning on or after 1 July 2009; revised IFRS 1 as adopted by the EU is effective for annual periods beginning after 31 December 2009, early adoption permitted).

**Group Cash-settled Share-based Payment Transactions - Amendments to IFRS 2** (effective for annual periods beginning on or after 1 January 2010, not yet adopted by the EU).

**Additional Exemptions for First-time Adopters - Amendments to IFRS 1** (effective for annual periods beginning on or after 1 January 2010; not yet adopted by the EU).

**Standards, amendments and interpretations to existing standards that are not yet effective and the Group has not adopted early but that may have an impact on the Group's 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 2013; not yet adopted by the EU). IFRS 9 replaces 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 (that is, 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.

**Amendment to IAS 24, Related Party Disclosures, issued in November 2009** (effective for annual periods beginning on or after 1 January 2011; not yet adopted by the EU). The amended standard simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. The Group is currently assessing the impact of the amended standard on disclosures in its financial statements.

**Improvements to International Financial Reporting Standards, issued in May 2010** (effective dates vary standard by standard, most improvements are effective for annual periods beginning on or after 1 January 2011; the improvements have not yet been adopted by the EU). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IFRS 1 was amended (i) to allow previous GAAP carrying amount to be used as deemed cost of an item of property, plant and equipment or an intangible asset if that item was used in operations subject to rate

regulation, (ii) to allow an event driven revaluation to be used as deemed cost of property, plant and equipment even if the revaluation occurs during a period covered by the first IFRS financial statements and (iii) to require a first-time adopter to explain changes in accounting policies or in the IFRS 1 exemptions between its first IFRS interim report and its first IFRS financial statements; IFRS 3 was amended (i) to require measurement at fair value (unless another measurement basis is required by other IFRS standards) of non-controlling interests that are not present ownership interest or do not entitle the holder to a proportionate share of net assets in the event of liquidation, (ii) to provide guidance on acquiree's share-based payment arrangements that were not replaced or were voluntarily replaced as a result of a business combination and (iii) to clarify that the contingent considerations from business combinations that occurred before the effective date of revised IFRS 3 (issued in January 2008) will be accounted for in accordance with the guidance in the previous version of IFRS 3; IFRS 7 was amended to clarify certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose carrying amount of renegotiated financial assets that would otherwise be past due or impaired, (iii) by replacing the requirement to disclose fair value of collateral by a more general requirement to disclose its financial effect, and (iv) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date and not the amount obtained during the reporting period; IAS 1 was amended to clarify that the components of the statement of changes in equity include profit or loss, other comprehensive income, total comprehensive income and transactions with owners and that an analysis of other comprehensive income by item may be presented in the notes; IAS 27 was amended by clarifying the transition rules for amendments to IAS 21, 28 and 31 made by the revised IAS 27 (as amended in January 2008); IAS 34 was amended to add additional examples of significant events and transactions requiring disclosure in a condensed interim financial report, including transfers between the levels of fair value hierarchy, changes in classification of financial assets or changes in business or economic environment that affect the fair values of the entity's financial instruments; and IFRIC 13 was amended to clarify measurement of fair value of award credits. The Group is currently evaluating the impact of the amended standards to its consolidated financial statements.

***Disclosures –Transfers of Financial Assets – amendment to IFRS 7*** (effective for annual periods beginning on or after 1 July 2011; not yet adopted by the European Union). The amendment requires additional disclosures about risks arising from transferred assets. For such financial assets that have been transferred to third parties but continue to be carried in the balance sheet of the entity, their nature, carrying amount and description of risks and rewards shall be disclosed by their class. It is also mandatory to disclose information enabling the user of the financial statements to understand the amount of possible related liabilities and their relationship with respective financial assets. When the transferred financial assets have been taken off the balance sheet but the entity continues to be exposed to certain risks and rewards related to them, additional information shall be disclosed in order to comprehend the effect of these risks. The Group is evaluating the effect of the amended standard to the disclosures made in the financial statements.

**New standards, amendments to standards and interpretations that are not yet effective and that the Group does not expect to have a material impact on the Group's financial reporting.**

***IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments*** (effective for annual periods beginning on or after 1 July 2010).

***Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14*** (effective for annual periods beginning on or after 1 January 2011).

***Limited exemption from comparative IFRS 7 disclosures for first-time adopters*** (effective for annual periods beginning on or after 1 July 2010).

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**Classification of Rights Issues - Amendment to IAS 32, issued in October 2009** (effective for annual periods beginning on or after 1 February 2010).

**Deferred Income Tax: Recovery of Underlying Assets – amendment to IAS 12** effective for annual periods beginning on or after 1 January 2012; not yet adopted by the European Union). The amendment establishes an exception to the principle for measuring deferred tax assets or liabilities in case of investment property carried at fair value.

**Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters – amendment to IFRS 1** (effective for annual periods beginning on or after 1 July 2011; not yet adopted by the European Union). The amendments provide an exemption for the first-time adopters of IFRS from the restoration of the transactions occurred before the transition to IFRS and guidance to the companies that after exiting severe hyperinflation will resume preparation of IFRS financial statements or start to prepare IFRS financial statements for the first time.

## 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 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.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed on the date of exchange, plus costs directly attributable to the acquisition. According to the purchase method, identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in the consolidated 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.

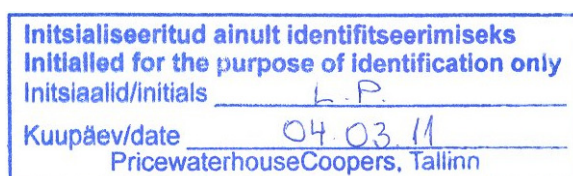
### Transactions with non-controlling interest

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. Disposals to non-controlling interests result in gains and losses for the Group that are recorded in the income statement.

Purchases of non-controlling interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying amount of the net assets of the subsidiary.

### 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 venturer. 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 income statement. 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 also been used as 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 are accounted for at cost less any impairment charges (see Note 38)

#### **Cash and cash equivalents**

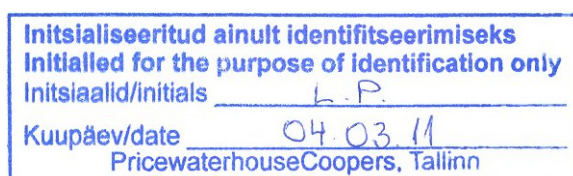
Cash and cash equivalents include cash in hand, deposits held at call with banks and short-term deposits up to three months term. Bank overdraft is included within borrowings in current liabilities in the balance sheet. Shares of liquid funds are classified as financial assets at fair value through profit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

#### **Foreign currency translation**

##### Functional and presentation currency

Items included in the financial statements of each group company are measured using the currency of the primary economic environment in which the company operates ("the functional currency"). The consolidated financial statements are presented in Estonian kroons and 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 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 income statement.

#### Group companies

The results and financial position 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 Estonian kroons at the closing rate at the date of that balance sheet;
- (b) income and expenses for each income statement are translated to Estonian kroons at average exchange rates;
- (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. 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 Estonian kroon and Lithuanian litas are both pegged to the Euro, the translation from these currencies to the Group's presentation currency does not give rise to currency translation differences. The exchange differences of LVL and UAH are recognised directly in equity as a "Currency translation reserve".

#### **Inventories**

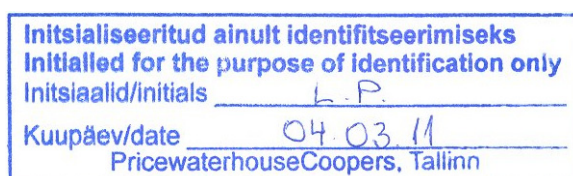
In the balance sheet, inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method for inventories used in periodicals and book sales segments and the weighted average cost method for production inventories used in the printing segment. 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 and available-for-sale financial assets. 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.

#### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated at fair value through profit or loss at inception. Financial assets at fair value through profit or loss are initially recognised at cost, which is the fair value of the consideration received from or paid for the financial investment (does not include transaction costs). After initial recognition, financial assets in



this category are measured at fair value. Changes in fair values of these assets are recognised consistently, either as a profit or loss in the income statement of the accounting period.

In case of listed securities, the bid price is considered as the fair value of investments. To find the fair value of investments not actively traded in the market, alternative methods such as the price of recent transactions (under market conditions), specific purchase offers made, discounted cash flow method or option valuation models are used.

#### 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.

#### **Investment property**

Properties (land, buildings) owned or leased at finance lease terms by the Group to earn lease income or for capital appreciation and not used in the Group's own economic activities are recognised as investment property. Investment property is initially measured at cost, including any directly attributable expenditure (interest expenses). After initial recognition, the investment property is carried at fair value based on the market value determined annually by independent appraisers and the judgment of the management, using the prices of transactions involving comparable properties in the region. The rental income earned on investment properties is recognised in the income statement line "Other income". Changes in fair value of investment properties are recorded in the income statement lines "Other income"/ "Other expenses".

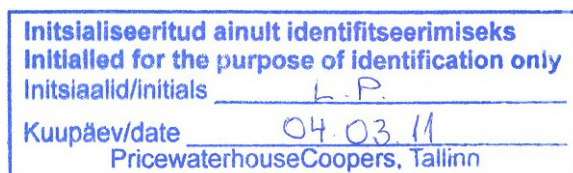
If the non-current assets in the Company's own use are reclassified as investment properties, the difference between the carrying amount and fair value is recognised in equity as a revaluation reserve. If the difference arising from revaluation compensates for the write-down expense arising from impairment occurred in the previous periods, the change in the value is directly recognised in the income statement as income at the value which recovers the previous write-down expense. The equity reserve that was created upon initial valuation of investment property at fair value is entered to retained earnings when the item of investment property is disposed of.

#### **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 is 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, the obligation for which an entity incurs 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.

The costs related to the financial liabilities (interest expenses) are included within the cost of non-current assets.



If an item of property, plant and equipment consists of components which have significantly different useful lives, the components are recorded as separate items of property, plant and equipment, with separate depreciation rates assigned to them according to their useful lives. Groups of non-current assets with similar estimated useful lives are recorded as aggregates.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the assets are written down to their estimated recoverable amount. The recoverable amount is the higher of a particular 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 in 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. Depreciation rates are set separately to each asset depending on its estimated useful life. 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 becomes 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 determined by comparing proceeds with the carrying amount are recognised in profit or loss.

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

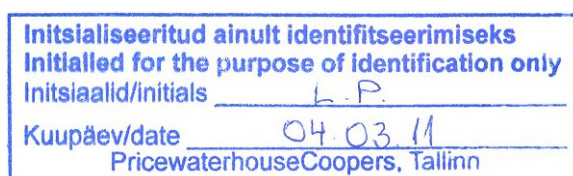
<u>Buildings and structures</u>	20-30 years
<u>Machinery and equipment:</u>	
Production equipment	8-12 years
<u>Other non-current assets:</u>	
Vehicles	5-10 years
Other fixtures and equipment	3-5 years

Subsequent costs are included in the asset's carrying amount or recognised as a separate non-current asset, as appropriate, only 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 income statement during the financial period in which 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/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. Separately recognised goodwill is tested annually for impairment and carried at cost less any accumulated impairment losses. Impairment losses on goodwill are not reversed. Goodwill recognised in the 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 less than the fair value of the net assets acquired, the difference is recognised directly in the income statement.



Goodwill is allocated to cash-generating units for the purpose of impairment testing. 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 recoverable amount exceeds the carrying amount of the investment, no revaluation is performed. 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 and licenses

Trademarks and licenses are initially recognised at cost, including the purchase price and other costs directly attributable to the preparation of the asset for its use. Trademarks and licenses 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 and licenses 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 and licenses 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 5 years.

#### Research and development costs

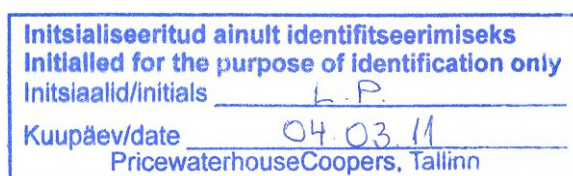
Development costs are costs which are made upon implementation of research results for elaboration of new products and services. The costs related to surveys and research conducted for generation of new scientific or technical knowledge are recognised as an expense in the income statement at the time 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, direct labour costs and a proportional share of production overheads. Other development and research costs are recognised as an expense in the income statement at the time they are incurred. Capitalised development costs are recognised at cost less any accumulated amortisation and 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 at historical cost less any accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis using the following estimated useful lives:

- Other intangible assets 3-5 years





### Impairment of assets

Assets that have 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 purposes 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 short-term liabilities normally equals their nominal value; therefore short-term liabilities are stated in the balance sheet in their redemption value. For calculating the amortised cost of long-term financial liabilities, interest expenses are calculated on the liabilities in subsequent periods, using the effective interest rate method.

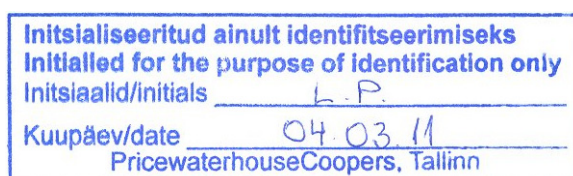
Financial liabilities are classified as current when they are due within twelve months after the balance sheet or if the Group does not have an unconditional right to defer the payment for later than 12 months after the balance sheet date. Borrowings whose due date is within 12 months after the balance 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 incurred for the construction of any qualifying asset are capitalised 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.

### Provisions

Liabilities that have arisen during the financial year or prior periods, which have a legal or contractual basis, which are expected to result in the outflow of resources, and which can be reliably measured, but for which the actual payment amount and payment date has 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 as of the balance sheet date for settling the obligation or transfer it to the third party. 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 in the Notes to the financial statements as contingent liabilities.



### Payables to employees

Payables to employees include the obligation arising from bonus policy which is approved with the order of the Management Board. Payables to employees also include vacation payroll accrual calculated in accordance with employment contracts and the local laws in force as of the balance sheet date. The liability related to the payment of 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 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 reduction in 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 income statement, 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 to 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

Derivative instruments are recognised upon their initial recognition 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 has cash flow hedging instruments, the objective of which is to fix interest expenses in the case of loans with floating interest rate

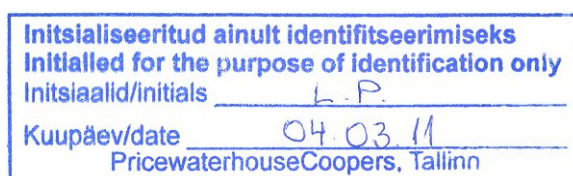
Upon inception of the transaction, the Group documents the relationship between hedging instruments and hedged items, hedging objectives and a strategy for making different hedging transactions. Besides, upon inception of a transaction as well as on an ongoing basis, it is documented as to whether the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

Fair values of derivative instruments used for hedging purposes are presented in Note 32. Movements in the hedging reserve included in equity are shown in Note 33. 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 as other operating income or other operating expenses.

The amounts accumulated in equity are reclassified to the income statement 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 income statement when the forecast transaction is ultimately recognised in the income statement. 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 operating income or other operating expenses.

### Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminated sales within the Group.

#### Retail sales of periodicals and books

Sales of goods are 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 usually sold with a right to return. Historical experience with returned goods is used to estimate and provide for such returns at the time of sale as a deduction from the sales. The sales of published books are recognised at the time 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 publication is issued. Customer prepayments for publications issued in future period are recorded as deferred income.

#### Sale of services

Revenue from sale of services (including printing 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 advertising 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 of multi-period advertising packages is recognised on a linear basis over the package duration.

#### Interest income

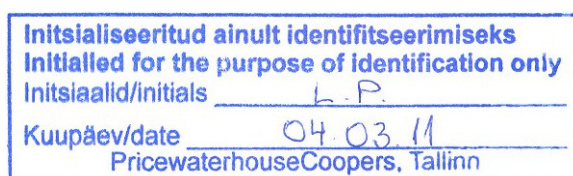
Interest income is recognised using the effective interest rate method unless the receipt of interest is uncertain. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of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

### 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.



### Flotation costs

Flotation costs include registration and other fees related to regulators, amounts paid to lawyers, auditors and other professional advisors, printing costs and state fees. Transaction costs of equity transactions are accounted for as deductions from equity under the assumption that they are treated as unavoidable additional costs directly attributable to equity transactions.

### 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.

### 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 on 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 annual accounts.

### 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.

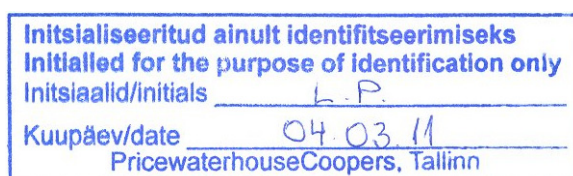
Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the 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 10<sup>th</sup> day of the month following the payment of dividends.

The corporate income tax arising from the payment of dividends is not recognised as a liability until the declaration of dividends. The maximum amount of a contingent income tax liability which may arise from the payment of dividends 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, 15% in Lithuania and 25% in Ukraine). There have been no changes in tax rates in Latvia and Ukraine as compared to 2009. From 2010, the income tax rate in Lithuania is 15% (until 21.12.2009:20%).

Deferred income tax is recognised, using the liability method, on 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 IFRS 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.

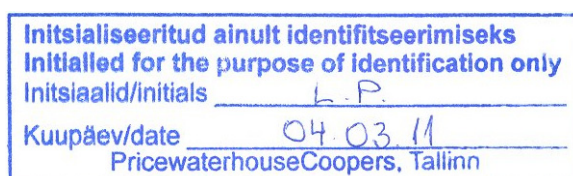
The preparation of the financial statements involves estimates made by the Management Board of the Parent Company about circumstances that influence the Group's and the Parent Company's assets and liabilities as of the balance sheet date, and about income received and expenses incurred during the financial year. These estimates are based upon up-to-date information about the state of the Group and take into consideration the Group's plans and risks as of the date of the 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 19), valuation of inventory (Note 11), valuation of goodwill (Note 19), determination of useful lives of property, plant and equipment (Note 18) and valuation of receivables and loans granted (Notes 4, 7, 8), evaluation of derivative instruments (Notes 4, 33).

a) 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 given fields 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 for trademarks are 20-50 years, based on past experiences on useful lives of similar trademarks (carrying amount as of 31.12.2010 is EEK 140 115 thousand (EUR 8 955 thousand) and as of 31.12.2009, EEK 146 272 thousand (EUR 9 348 thousand)). The trademarks 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) and the trademark of the book sales segment is “Rahva Raamat”, the title of a bookstore chain, which was sold in 2010. The remaining amortisation period of trademarks of online media segment is 47 years.

#### Carrying amounts of trademarks by segments

(thousand)	EEK		EUR	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Online media	114 217	116 776	7 300	7 463
Periodicals	25 898	27 545	1 654	1 758
Book sales (discontinued operation)	0	1 951	0	125
<b>Total trademarks</b>	<b>140 115</b>	<b>146 272</b>	<b>8 954</b>	<b>9 346</b>

The useful lives of client relationships is estimated to be 5 years based on the statistical data of sales of media agencies such as turnover and purchase volumes (carrying amount as of 31.12.2010, EEK 11 588 thousand (EUR 741 thousand) and as of 31.12.2009, EEK 18 209 thousand (EUR 1 164 thousand)). Similarly to 2009, no changes were made to amortisation rates in 2010.

If the useful lives of trademarks and client relationships increased/decreased by 10%, the annual amortisation charge would decrease/increase by EEK 422 thousand and EEK 662 thousand (EUR 27 thousand and EUR 42 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 EEK 1 794 thousand (EUR 115 thousand).

For recoverable amount testing see section c).

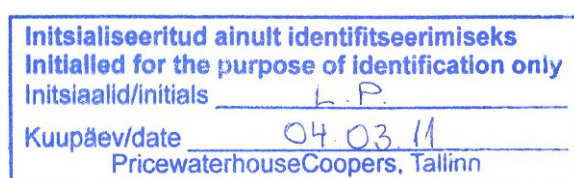
#### b) Inventory valuation

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. In determining the impairment of finished goods (carrying amount as of 31.12.2010, EEK 14 785 thousand (EUR 945 thousand) and as of 31.12.2009, EEK 12 368 thousand (EUR 790 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 31.12.2010, EEK 25 052 thousand (EUR 1 601 thousand) and as of 31.12.2009, EEK 22 049 thousand (EUR 1 408 thousand)), their potential of usage in producing the finished goods and generating income is considered; upon valuation of work in progress (carrying amount as of 31.12.2010, EEK 4 596 thousand (EUR 294 thousand) and as of 31.12.2009, 3 113 thousand (EUR 199 thousand)), their stage of completion that can reliably be measured is considered.

#### c) Goodwill valuation

As of 31.12.2010 and 31.12.2009, the management has carried out impairment tests for goodwill which arose upon acquisition of the following cash-generating units or companies: AS Delfi (Estonia), Delfi AS (Latvia), Delfi UAB (Lithuania), UAB Ekspress Leidyba, employment ads portal within Eesti Päevalehe AS (hyppelaud.ee), AS Ajakirjade Kirjastus, an automobile portal (ekspressauto.ee) and Maaleht within Eesti Ajalehed AS. As of 31.12.2009, impairment tests for goodwill of cash-generating units Ekspress Hotline (discontinued operation) and wholesale department of Rahva Raamat AS (discontinued operation) were carried out.

Future expected cash flows based on the budgeted sales volumes in the Estonian, Latvian and Lithuanian market have been taken into consideration in finding the recoverable amount of the investments. The future expected cash flows have been discounted using the weighted average cost of capital (WACC). As a result of the impairment tests, goodwill was not written off in 2010. As a result of the impairment tests, goodwill in cash-generating units Delfi Estonia and Delfi Latvia were written down in the total amount of EEK 91 445 thousand (EUR 5 844 thousand) in 2009. See Note 19.



Using the expected sales price as the basis, the discontinued operation (cash-generating unit of Ekspress Hotline) was remeasured to fair value and in 2009, a loss of EEK 41 023 thousand (EUR 2 622 thousand) was incurred. See Note 14.

d) 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 given fields 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.

According to the estimates, the useful lives for buildings are 20-30 years, depending on their structure and purpose (carrying amount as of 31.12.2010, EEK 77 608 thousand (EUR 4 960 thousand) and as of 31.12.2009, EEK 81 553 thousand (EUR 5 213 thousand). The useful lives of machinery and equipment are 8-12 years (carrying amount as of 31.12.2010, EEK 206 955 thousand (EUR 13 227 thousand) and as of 31.12.2009, EEK 230 532 thousand (EUR 14 733 thousand)), depending on their use. The useful lives of other equipment and IT equipment are 3-5 years (carrying amount as of 31.12.2010, EEK 8 213 thousand (EUR 525 thousand) and as of 31.12.2009, EEK 26 606 thousand (EUR 1 700 thousand)), depending on the nature of each asset and its purpose. There have been no changes in depreciation rates during 2010 and 2009.

If the useful lives increased/decreased by 10%, the annual depreciation charge would decrease/increase by EEK 396 thousand, 2 411 thousand and 550 thousand (EUR 25 thousand, 154 thousand and 35 thousand) of 'Buildings', 'Machinery and equipment' and 'Other equipment', respectively. The total decrease/increase in the depreciation charge in case of increase/decrease in useful lives of 10% would be EEK 3 357 thousand (EUR 215 thousand).

e) Assessment of the value of receivables is based on the management's estimates, taking into account recoverability of receivables and due dates for those receivables that were not collected according to the original terms of receivables. The management's estimates are used for assessing the value. The estimates are made based on 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.

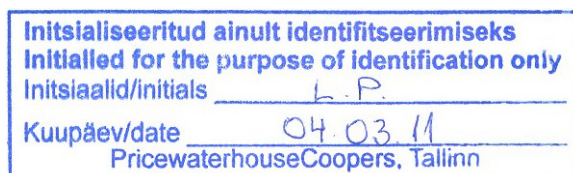
f) Evaluation of derivative instruments – fair value pricing models are used for estimating the fair value of non-negotiable derivative instruments. Interest rate swap contracts recognised in the hedging reserve are presented based on the fair value calculated by the bank syndicate.

#### 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 level of the Group 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 main role upon the management of risks is vested in the Management Board of the Parent Company. The Supervisory Board of the Parent Company exercises supervision over the measures applied by the Management Board for hedging risks. 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 the joint venture.

### 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 assets in short-term interest-bearing instruments, such as overnight deposits, money market funds and short-term deposits offered by the banks primarily with the credit rating of "A", they do not expose the Group to any credit risk.

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

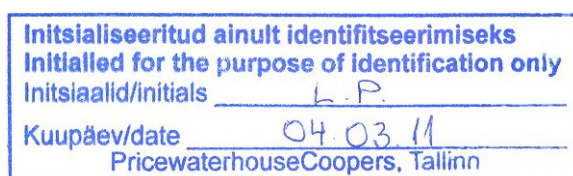
Moody's	Standard & Poor's	31.12.2010		31.12.2009	
		EEK	EUR	EEK	EUR
A1	A	50 614	3 235	4 341	277
A2	A	34 195	2 185	25 742	1 645
Aa3	A+	4 903	313	7 942	508
Other banks		273	18	362	23
<b>Total (Note 5)</b>		<b>89 984</b>	<b>5 751</b>	<b>38 387</b>	<b>2 453</b>

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 or 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, possible grace periods. Clients are classified on the basis of their size, reputation, the results of checking credit background 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 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 is also monitored with increased 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:

Trade receivables and other short-term receivables	Not due	Overdue >= 7 days	Overdue >7 to <=60 days	Overdue > 60 days	Total receivables
31.12.2010 (thousand)					
EEK	80 089	8 488	12 095	246	<b>100 918</b>
EUR	5 118	542	773	16	<b>6 449</b>

Trade receivables and other short-term receivables	Not due	Overdue >= 7 days	Overdue >7 to <=60 days	Overdue > 60 days	Total receivables
31.12.2009 (thousand)					
EEK	96 518	5 955	8 769	1 401	<b>112 643</b>
EUR	6 170	381	560	89	<b>7 198</b>

In 2010, the Group has written down doubtful receivables in the amount of EEK 10 269 thousand (EUR 656 thousand) (31.12.2009: EEK 12 837 thousand (820 EUR thousand)), in accordance with the rules for valuation of trade receivables applicable in the Group based on estimated cash flows. The Group's management is aware that credit risk is higher under the conditions of economic recession and therefore credit risk management is a priority field. As a specific measure, the credit policies applicable in the companies within the Group have been harmonised and made stricter. A regular reporting routine on trade receivables has been established, which enables the Group's management to receive information on an ongoing basis and intervene when necessary if the debtor is an international group operating in several Baltic States.

Since a significant part of other receivables is due from the group companies, the management estimates that the receivables do not contain credit risk.

### Liquidity risk

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

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. According to the Group's policy, the ideal liquidity level (cash at bank) is 10% and the minimum liquidity level is 5% of the sales at any given time period. 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 of it. According to the policy of the Group, the subsidiaries that have joined the group account prepare cash flow projections for next two months every week. In 2010, the Group has managed to keep

the liquidity level in the group account in accordance with the rules due to the overdraft credit opportunities.

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

Overdraft credit is used to finance working capital, bank loans and investment loans are used to acquire financial investments and non-current assets. The Group has high leverage and the cash flow position was especially critical in 2009, as a result of which the Group has not paid dividends to owners in the previous two years. The Group's liquidity situation was improved through raising of additional capital in May 2010 (see Note 32), restructuring syndicated loan agreements (see Note 21) and exiting two non-core (information services and book sales) segments ( see Notes 13 and 14).

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

31.12.2010 EEK thousand	<= 1 month	> 1month and <=3 months	> 3 months and <= 1 year	>1 year and <=5 years	Carrying amount
Bank loans	6 298	23 072	55 873	538 795	517 741
Finance lease payments	1 845	3 682	16 489	69 805	81 305
Other loans	30	8 060	0	0	8 000
Trade payables	60 963	890	246	0	62 099
Other payables	55 779	0	0	0	55 917
<b>Total</b>	<b>125 053</b>	<b>35 704</b>	<b>72 608</b>	<b>608 600</b>	<b>725 062</b>

31.12.2009 EEK thousand	<= 1 month	> 1month and <=3 months	> 3 months and <= 1 year	>1 year and <=5 years	Carrying amount
Bank loans	7 756	55 380	67 878	612 573	622 209
Finance lease payments	3 498	6 979	31 248	73 787	103 931
Other loans	143	17 787	21 500	0	38 300
Trade payables	86 935	1 070	443	0	88 449
Other payables	76 920	32 472	0	0	109 392
<b>Total</b>	<b>175 253</b>	<b>113 687</b>	<b>121 070</b>	<b>686 360</b>	<b>962 281</b>

31.12.2010 EUR thousand	<= 1 month	> 1month and <=3 months	> 3 months and <= 1 year	>1 year and <=5 years	Carrying amount
Bank loans	402	1 475	3 571	34 435	33 090
Finance lease payments	118	235	1 054	4 461	5 196
Other loans	2	515	0	0	511
Trade payables	3 896	57	16	0	3 969
Other payables	3 574	0	0	0	3 574
<b>Total</b>	<b>7 992</b>	<b>2 282</b>	<b>4 641</b>	<b>38 896</b>	<b>46 340</b>

Other liabilities include payables to employees, taxes payable, payables to joint ventures (trade payables), accrued interest and other accrued liabilities, see Note 20.

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31.12.2009 EUR thousand	<= 1 month	> 1month and <=3 months	> 3 months and <= 1 year	>1 year and <=5 years	Carrying amount
Bank loans	496	3 539	4 338	39 151	39 766
Finance lease payments	224	446	1 997	4 716	6 642
Other loans	9	1 137	1 374	0	2 448
Trade payables	5 556	68	28	0	5 653
Other payables	4 916	2 075	0	0	6 991
<b>Total</b>	<b>11 201</b>	<b>7 265</b>	<b>7 737</b>	<b>43 867</b>	<b>61 500</b>

The maturity analysis of the financial liabilities as of 31.12.2009 does not include the effect of the restructuring of the syndicated loan which became effective after the balance sheet date.

### Interest rate risk

Since the Group does not have any significant interest-bearing financial assets, the Group's income and cash flow of operating activities are substantially independent of changes in interest rates occurring in the market.

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.

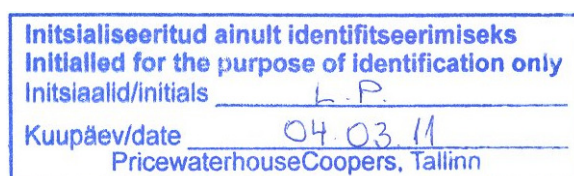
The interest rate risk of the Group is related to short-term and long-term borrowings which have been assumed at a floating interest rate. The interest rate risk is mainly related to the fluctuation of Euribor and the resulting change in average interest rates of banks. Despite the general decline in Euribor in 2009 having a positive effect on the Group's cash flows and profit, in the long run, a floating interest rate is risky because growth of consumption necessary to overcome the economic crisis would also bring about a rise in Euribor. Euribor has increased by ca. 25 basis points year-over-year.

The Group manages interest rate risk by using derivative instruments for hedging purposes. On 30 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 on 50% of the loan repayments until the end of the loan annuity schedule in September 2012. Pursuant to the interest rate swap contracts, the Group makes fixed interest payments of 4.3%, receiving interest payments on a 6-month Euribor basis in turn.

The table below gives an overview of the borrowings as of the balance sheet date, differentiated by a fixed interest rate and a floating interest rate based on 6-month Euribor. The division of main instalments of the interest bearing obligations into up to 1 year, 1 to 5 years has been selected in consideration of the consistency of selected information.

31.12.2010 EEK thousand	Interest rate type	Interest rate	<= 1 year	>1 year and <=5 years	Carrying amount
Bank loans	floating	6-month Euribor + 3.75%	31 668	436 667	468 335
	fixed*	4.3%	26 883	18 704	45 587
Finance lease payments	floating	6-month Euribor +1.05%	19 509	61 796	81 305
Short-term loans	floating	1-month Euribor + 3.5%	3 819	0	3 819
Other loans	fixed	6% p.a.	8 000	0	8 000

\*due to interest rate swap contract (see Note 33)



31.12.2009 EEK thousand	Interest rate type	Interest rate	<= 1 year	>1 year and <=5 years	Carrying amount
Bank loans	floating	6-month Euribor + 3.5%	67 006	481 147	548 153
	fixed*	4.3%	29 255	36 579	65 834
Finance lease payments	floating	6-month Euribor +1.05%	38 610	65 321	103 931
Short-term loans	floating	1-month Euribor + 3.5%	8 222	0	8 222
Other loans	fixed	6% p.a.	38 300	0	38 300

31.12.2010 EUR thousand	Interest rate type	Interest rate	<= 1 year	>1 year and <=5 years	Carrying amount
Bank loans	floating	6-month Euribor + 3.75%	2 024	27 908	29 932
	fixed*	4.3%	1 718	1 195	2 914
Finance lease payments	floating	6-month Euribor +1.05%	1 247	3 949	5 196
Short-term loans	floating	1-month Euribor + 3.5%	244	0	244
Other loans	fixed	6% p.a.	511	0	511

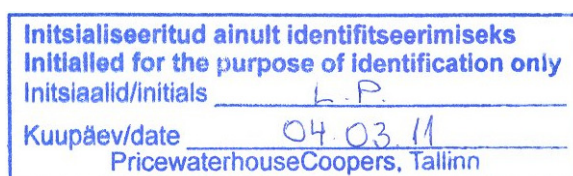
31.12.2009 EUR thousand	Interest rate type	Interest rate	<= 1 year	>1 year and <=5 years	Carrying amount
Bank loans	floating	6-month Euribor + 3.5%	4 282	30 751	35 033
	fixed*	4.3%	1 870	2 338	4 208
Finance lease payments	floating	6-month Euribor +1.05%	2 468	4 175	6 643
Short-term loans	floating	1-month Euribor + 3.5%	525	0	525
Other loans	fixed	6% p.a.	2 448	0	2 448

\*due to interest rate swap contract (see Note 33)

### 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 Company. According to the policy established by the Group's management, the group companies are required to manage their foreign exchange risk with regard to functional currency. The subsidiaries are required to use the Euro as the currency in their foreign contracts. The major foreign currencies that the Group uses include the Euro and to a lesser extent, the Russian rouble (RUB), Swedish krona (SEK), Lithuanian litas (LTL) and Latvian lats (LVL), and to the least extent, the Ukrainian hryvnia (UAH). In 2010, the change in the exchange rate of LVL to EEK was -0.03% (2009: -0.25%), RUB to EEK was 6.9% (2009: -5.2%), SEK to EEK was 14.7% (2009: 6.5%) and UAH to EEK was 8.9% (2009: -4%).

The exchange rate of the Euro and Lithuanian litas to Estonian kroon is fixed. Hence, the Group does not have any significant amounts exposed to foreign exchange risk. Therefore, the Group does not use derivatives for hedging the risk. The Group pays most of its suppliers of paper and other materials in euros, while the domestic suppliers and employees are paid in Estonian kroons, Lithuanian litas, Latvian lats and Ukrainian hryvnias.



The group companies have changed their open foreign currency positions to a minimum. The Group's management estimates that Ekspress Grupp is not exposed to any major foreign exchange risks.

### 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. Upon performance of 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 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. Dependence of the Group's activities on IT systems is considered to be low by the management, other than online media, which directly depends on the functioning of the IT systems and which is continuously invested in to increase its security and reliability are continuously made. The responsibility for managing operational risk lies with the Management Board of the Group.

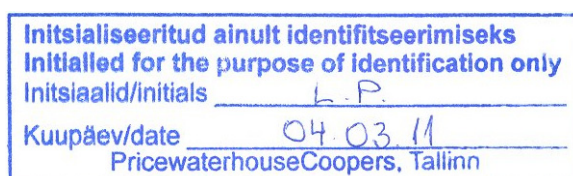
### Capital risk

The main objective of the Group upon managing capital risk is to ensure the sustainability of the Group in order to ensure income for shareholders and benefits for other stakeholders, while maintaining the optimal capital structure in order to reduce price of the capital. In order to maintain or improve the capital structure, the Group may regulate the dividends payable to the shareholders, return the paid-in share capital, issue new shares or sell assets to reduce obligations.

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 the total debt (current and non-current liabilities recognised in the balance sheet of consolidated financial statements). Total capital is recognised as the aggregate of equity and net debt.

According to the conditions stipulated in the loan agreement, the Group also uses the equity ratio derived by dividing equity to total assets for monitoring capital. The equity ratio was 42% as of 31.12.2010 and 30% as of 31.12.2009. See also Note 21 for financial covenants.

As at 31.12.2010 the equity of the Company is compliance with the Accounting Act of Estonia (Estonian Commercial Law).



## Equity ratio of the Group

(thousand)	EEK		EUR	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Interest-bearing debt (Note 21)	607 046	743 640	38 796	47 527
Cash and bank accounts (Note 5)	90 366	39 953	5 775	2 553
Net debt	516 680	703 687	33 021	44 974
Equity	567 956	446 957	36 299	28 566
<b>Total capital</b>	<b>1 084 636</b>	<b>1 150 644</b>	<b>69 320</b>	<b>73 540</b>
Debt to capital ratio	47%	61%	47%	61%
Balance sheet total	1 345 332	1 488 017	85 982	95 102
Equity ratio	42%	30%	42%	30%

### Fair value

The Group estimates that the fair values of the financial assets (Notes 5,7,8,10,12) and financial liabilities (Notes 20-22) denominated in the balance sheet at amortised cost do not differ significantly from their carrying amounts presented in the Group's consolidated balance sheet on 31 December 2010 and 31 December 2009. Since the long-term borrowings of the Group have floating interest rates, which change according to the fluctuations in the market interest rate, the discount rate used in the cash flow model is adjusted for calculating fair value for borrowings. New information about transactions may not be available as of the year-end and although the Company can determine the general level of market interest rates, it may not know which credit or other risk level the participants in the market would take into account for determining the price of an instrument at that date. The Company might not have data derived from recent transactions to determine the required price spread of credit in respect of the base interest rate in order to use that price spread for determining the discount rate necessary for calculation of present value. Due to the above, the management is of opinion that the fair value of non-current liabilities is not substantially different from their carrying amount. Trade receivables and trade payables have short maturities, therefore the management estimates that their carrying amount is similar to their fair value. 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.

The following table present the Group's financial assets and liabilities that are measured at fair value by the level in the fair value hierarchy as of 31 December 2010.

	Valuation technique with inputs observable in markets (Level 2)	Total
Derivative instruments used for hedging (Note 33)	9 538	9 538
<b>Total financial liabilities (EEK)</b>	<b>9 538</b>	<b>9 538</b>
Derivative instruments used for hedging (Note 33)	610	610
<b>Total financial liabilities (EUR)</b>	<b>610</b>	<b>610</b>

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily FTSE 100 equity investments classified as trading securities or available-for-sale.

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 and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in level 2.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

## Note 5. Cash and cash equivalents

(thousand)	EEK		EUR	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Cash in hand	382	940	24	60
Cash at bank	39 767	38 387	2 542	2 453
Cash in transit	3 143	626	201	40
<b>Cash and cash equivalents</b>	<b>43 292</b>	<b>39 953</b>	<b>2 767</b>	<b>2 553</b>
Long-term deposit	47 074	0	3 008	0
<b>Total cash and bank balances</b>	<b>90 366</b>	<b>39 953</b>	<b>5 775</b>	<b>2 553</b>

After the disposal of subsidiaries in 2010 (see Note 13), AS Ekspress Grupp and parties to the syndicated loan concluded a term deposit contract in the amount of EUR 3 million (EEK 46 940 thousand), which the Group may use for interest and principal payments of the syndicated loan and premature payment of the syndicated loan (see Note 21). According to the contract, the Group has the right to terminate the security deposit when the ratio of the Group's interest-bearing borrowings and EBITDA is lower than 4.00 in four consecutive quarters, but not before 31.03.2013.

## Note 6. Other financial assets at fair value through profit or loss

(thousand)	EEK		EUR	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Listed shares	1	12	0	1
Money market funds	0	880	0	56
<b>Total</b>	<b>1</b>	<b>892</b>	<b>0</b>	<b>57</b>

(thousand)	EEK		EUR	
	2010	2009	2010	2009
Swedbank Money Market Fund interest rate	0%	2,40%	0%	2,40%
Interest income	0	592	0	38

All instruments are held for trading purposes.

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## Note 7. Trade and other receivables

(thousand)	EEK		EUR	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Trade receivables(Note 8)	75 149	76 717	4 803	4 903
Prepaid taxes (Note 9)	3 065	3 701	196	237
Other receivables (Note 10)	25 769	32 076	1 646	2 049
Prepayments	4 648	3 792	297	242
<b>Total trade and other receivables</b>	<b>108 631</b>	<b>116 286</b>	<b>6 942</b>	<b>7 431</b>

## Note 8. Trade receivables

(thousand)	EEK		EUR	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Trade receivables	87 720	89 313	5 606	5 708
Allowance for doubtful receivables	(12 571)	(12 596)	(803)	(805)
<b>Total trade receivables</b>	<b>75 149</b>	<b>76 717</b>	<b>4 803</b>	<b>4 903</b>

(thousand)	EEK		EUR	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Allowance for doubtful receivables at the beginning of the period	(12 596)	(7 342)	(805)	(469)
Proceeds from doubtful receivables during the period	7 593	4 830	485	309
Allowance of doubtful receivables recognised during the period	(10 269)	(12 837)	(656)	(820)
Receivables written off balance sheet during the period	2 702	2 753	173	176
<b>Allowance for doubtful receivables at the end of the period from continuing operations</b>	<b>(12 571)</b>	<b>(12 596)</b>	<b>(803)</b>	<b>(805)</b>

Impairment losses recognised during the period are reported in the income statement as “Cost of sales”. For further information on ageing of receivables (including receivables over time) see Note 4.

## Note 9. Taxes

EEK thousand	31.12.2010		31.12.2009	
	Prepayment	Liability	Prepayment	Liability
Corporate income tax	1 685	1 217	2 694	650
Personal income tax	15	4 499	24	4 922
Social security tax	0	9 920	0	11 183
Unemployment insurance tax	0	875	0	963
Contributions to mandatory funded pension	0	198	0	120
Value added tax	1 365	4 499	983	3 817
<b>Total taxes (Note 7, 20)</b>	<b>3 065</b>	<b>21 208</b>	<b>3 701</b>	<b>21 655</b>

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EUR thousand	31.12.2010		31.12.2009	
	Prepayment	Liability	Prepayment	Liability
Corporate income tax	108	78	172	42
Personal income tax	1	288	2	315
Social security tax	0	633	0	715
Unemployment insurance tax	0	56	0	62
Contributions to mandatory funded pension	0	13	0	8
Value added tax	87	288	63	244
<b>Total taxes (Note 7, 20)</b>	<b>196</b>	<b>1 356</b>	<b>237</b>	<b>1 386</b>

### Corporate income tax

(thousand)	EEK		EUR	
	2010	2009	2010	2009
<b>Estonia</b>				
Dividends paid by joint ventures and subject to taxation	21 503	23 515	1374	1 503
Tax rate	21/79	21/79	21/79	21/79
<b>Current income tax on dividends</b>	<b>(5 716)</b>	<b>(6 251)</b>	<b>(365)</b>	<b>(400)</b>
<b>Latvia</b>				
Profit (loss) before tax	(48 085)	(101 331)	(3 073)	(6 476)
Tax rate	15%	15%	15%	15%
Estimated income tax	7 213	15 200	461	971
Impact of income/expenses not deductible for tax purposes	(8 941)	(12 721)	(571)	(813)
<b>Current income tax expense</b>	<b>(80)</b>	<b>(228)</b>	<b>(5)</b>	<b>(15)</b>
<b>Deferred income tax gains (losses)</b>	<b>(1 648)</b>	<b>2 707</b>	<b>(105)</b>	<b>173</b>
<b>Lithuania</b>				
Profit (loss) before tax	2 946	(7 498)	188	(479)
Tax rate	15%	20%	15%	20%
Estimated income tax	(442)	1 500	(28)	96
Impact of income/expenses not deductible for tax purposes	(263)	(1 688)	(17)	(108)
<b>Current income tax expense</b>	<b>(705)</b>	<b>(188)</b>	<b>(45)</b>	<b>(12)</b>
<b>Deferred income tax gains/ (losses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Ukraine</b>				
Profit (loss) before tax	(8 484)	(6 002)	(542)	(384)
Tax rate	25%	25%	25%	25%
Estimated income tax	2 121	1 501	136	96
Impact of income/expenses not deductible for tax purposes	(2 328)	(1 501)	(149)	(96)
<b>Current income tax expense</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Deferred income tax gains/ (losses)</b>	<b>(207)</b>	<b>0</b>	<b>(13)</b>	<b>0</b>

Group income tax expense	EEK		EUR	
	2010	2009	2010	2009
Current income tax expense	(6 501)	(6 667)	(415)	(426)
Deferred income tax gains/(losses)	(1 855)	2 707	(119)	173
<b>Total income tax expense</b>	<b>(8 356)</b>	<b>(3 960)</b>	<b>(534)</b>	<b>(253)</b>

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## Note 10. Other short-term receivables

(thousand)	EEK		EUR	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
<b>Receivables from associates (Note 35)</b>	<b>5 927</b>	<b>4 566</b>	<b>379</b>	<b>292</b>
Trade receivables	5 927	4 566	379	292
<b>Receivables from joint ventures</b>	<b>6 299</b>	<b>4 831</b>	<b>403</b>	<b>309</b>
Trade receivables	5 474	3 831	350	245
Other receivables	825	1 000	53	64
<b>Receivables from related parties (Note 35)</b>	<b>3 389</b>	<b>3 054</b>	<b>216</b>	<b>195</b>
Other receivables	3 089	3 054	197	195
Loans granted	300	0	19	0
<b>Other short-term receivables</b>	<b>10 154</b>	<b>19 625</b>	<b>648</b>	<b>1 253</b>
Loans granted *	8 073	17 602	515	1 124
Interest	585	438	37	28
Other receivables	1 496	1 585	96	101
<b>Total other short-term receivables</b>	<b>25 769</b>	<b>32 076</b>	<b>1 646</b>	<b>2 049</b>

\* Loans received from joint ventures

Guarantees received as collateral for loans granted by joint ventures:

The loan given by AS SLÕhtuleht to AS Kroonpress is secured by the surety issued by AS Eesti Meedia. In the balance sheet, the loan amounted to EEK 3 250 thousand (EUR 208 thousand) as of 31.12.2010 and to EEK 6 000 thousand (EUR 383 thousand) as of 31.12.2009. The loan will mature on 31.03.2011, the interest rate is 2.644%.

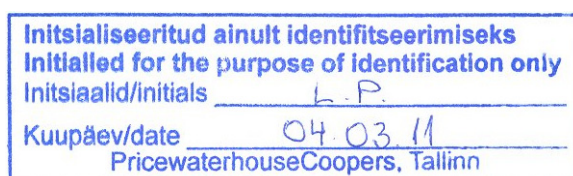
The loan given by AS Express Post to AS Kroonpress is secured by the surety issued by AS Eesti Meedia. In the balance sheet, the loan amounted to EEK 4 750 thousand (EUR 304 thousand) as of 31.12.2010 and as of 31.12.2009. The loan will mature on 31.03.2011, the interest rate is 3.6%.

## Note 11. Inventories

(thousand)	EEK		EUR	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Raw materials	25 052	22 049	1 601	1 408
Work in progress	4 596	3 113	294	199
Finished goods	14 785	14 389	945	920
Goods for resale	1 899	17 630	121	1 128
<b>Total inventories</b>	<b>46 332</b>	<b>57 181</b>	<b>2 961</b>	<b>3 655</b>

(thousand)	EEK		EUR	
	2010	2009	2010	2009
Finished goods	3 839	2 727	245	174
<b>Allowance for impairment recognised in income statement</b>	<b>3 839</b>	<b>2 727</b>	<b>245</b>	<b>174</b>

Allowance for inventories is recognised in the statement of comprehensive income in the line „Cost of sales“.



## Note 12. Long-term trade and other receivables

(thousand)	EEK		EUR	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Loans granted to related parties (Note 35)	1 100	1 550	70	99
Other loans granted	250	250	16	16
Deferred income tax receivable	1 136	3 807	73	243
Prepayments	33	90	3	6
<b>Total long-term receivables</b>	<b>2 519</b>	<b>5 697</b>	<b>162</b>	<b>364</b>

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

All granted loans are payable in five years at the latest and they bear the market interest rate (5-6% p.a.).

## Note 13. Disposals of subsidiaries

### Sale of AS Ekspress Hotline and its subsidiaries

On 23 April 2009, AS Ekspress Grupp signed a contract for the sale of 100% of the shares in AS Ekspress Hotline and its subsidiaries AS Kõnekeskus, Ekspresskataloogide AS and AS Infoatlas to Cheh OÜ, a holding company that belongs to the investment fund BaltCap. The total transaction amount was EEK 75.2 million (EUR 4.8 million). The transaction amount consisted of the following parts: EEK 46.9 million (EUR 3 million) was payable at the transaction date, EEK 28.3 million (EUR 1.8 million) was subject to offsetting the debt of AS Ekspress Grupp to Ekspress Hotline. The agreement for the conclusion of this sales transaction was concluded on 25 February 2010. AS Ekspress Hotline with its subsidiaries is treated as discontinued operations in these financial statements (Note 14). The assets and liabilities related to the company are shown as of 31.12.2009 in a separate line of the statement of financial position "Assets or liabilities of discontinued operations". The revenue and expenses related to the company are also included in one line "Gain (loss) from discontinued operations".

### Sale of Rahva Raamat AS

On 9 February 2010, the subsidiary of AS Ekspress Grupp, Eesti Ajalehed AS and OÜ Raamatumaja concluded a purchase and sales transaction for the shares of Rahva Raamat AS. The sales price paid in cash was EEK 33 million (EEK 2.1 million) and the profit on the transaction totalled EEK 6.3 million (EUR 0.4 million). The transaction was completed on 18 February 2010. The decision of AS Ekspress Grupp to dispose of Rahva Raamat AS was based on the Group's strategy to focus more on its core activities in printing and online media. The new owner of the company is the management of Rahva Raamat AS.

In the consolidated statement of comprehensive income, Rahva Raamatu AS is accounted for as a discontinued operation and the related income and expenses are reported in one line "Gain (loss) from discontinued operations".

In according with the requirements of IFRS, no adjustments have been made to the statement of financial position and therefore, only the assets and liabilities treated as a discontinued operation are included in the assets and liabilities of discontinued operations in the statement of financial position as of 31.12.2009 (i.e. the assets and liabilities related to Ekspress Hotline). The assets and liabilities related to Rahva Raamatu AS continue to be consolidated on a line-by-line basis in the statement of financial position as of 31.12.2009, as the sale of Rahva Raamatu AS cannot be treated as a discontinued operation as of this date.

#### Note 14. Assets and liabilities of discontinued operations

The assets and liabilities related to Ekspress Hotline and its subsidiaries (constituting the information services segment) as of 31.12.2009, which are included in the line "Assets of discontinued operations" and "Liabilities of discontinued operations", are shown below.

AS Ekspress Hotline

	EEK	EUR
(thousand)	31.12.2009	31.12.2009
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	882	56
Trade and other receivables	38 506	2 461
Inventories	2 376	152
<b>Total current assets</b>	<b>41 764</b>	<b>2 669</b>
<b>Non-current assets</b>		
Investment property	3 341	214
Property, plant and equipment	9 322	596
Intangible assets	39 030	2 494
<b>Total non-current assets</b>	<b>51 693</b>	<b>3 304</b>
<b>TOTAL ASSETS OF DISCONTINUED OPERATIONS</b>	<b>93 457</b>	<b>5 973</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	17 231	1 101
<b>TOTAL LIABILITIES OF DISCONTINUED OPERATIONS</b>	<b>17 231</b>	<b>1 101</b>
	2009	2009
Sales	59 799	3 822
Expenses	60 491	3 866
including depreciation	2 324	149
<b>Loss from discontinued operations</b>	<b>(692)</b>	<b>(44)</b>
Loss recognised on the remeasurement of assets of discontinued operations	(40 018)	(2 558)
Loss for the year from discontinued operations	(40 710)	(2 602)
Currency translation reserve	1 004	64

The loss recognised on the revaluation of assets of discontinued operations mainly relates to the impairment of goodwill.

The table below shows the assets and liabilities of Rahva Raamat AS at the time of sale, i.e. on 18.02.2010 as well as on 31.12.2009, when they had been consolidated in the Group's statement of financial position on a line-by-line basis.

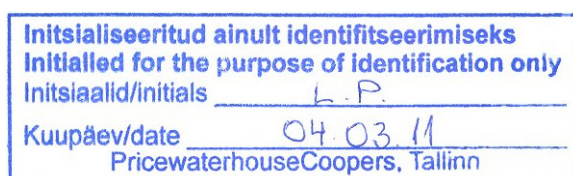
(thousand)	EEK		EUR	
	18.02.2010	31.12.2009	18.02.2010	31.12.2009
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	14 551	780	930	50
Trade and other receivables	12 395	33 664	792	2 152
Inventories	14 134	14 051	903	898
<b>Total current assets</b>	<b>41 080</b>	<b>48 495</b>	<b>2 625</b>	<b>3 100</b>
<b>Non-current assets</b>				
Property, plant and equipment	16 495	16 829	1 054	1 076
Intangible assets	10 924	10 975	698	701
<b>Total non-current assets</b>	<b>27 419</b>	<b>27 804</b>	<b>1 752</b>	<b>1 778</b>
<b>TOTAL ASSETS</b>	<b>68 499</b>	<b>76 299</b>	<b>4 377</b>	<b>4 878</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Finance lease (current portion)	945	945	60	60
Trade and other payables	39 465	46 526	2 522	2 974
<b>Total current liabilities</b>	<b>40 410</b>	<b>47 471</b>	<b>2 582</b>	<b>3 034</b>
Finance lease (non-current portion)	1 419	1 496	91	96
<b>Total non-current liabilities</b>	<b>1 419</b>	<b>1 496</b>	<b>91</b>	<b>96</b>
<b>TOTAL LIABILITIES</b>	<b>41 829</b>	<b>48 967</b>	<b>2 673</b>	<b>3 130</b>
	2010 (January)	2009	2010 (January)	2009
Sales	11 835	188 571	756	12 052
Expenses	12 498	189 908	799	12 137
<b>Loss from discontinued operations</b>	<b>(663)</b>	<b>(1 337)</b>	<b>(42)</b>	<b>(85)</b>
Profit from sales	6 341	0	405	0
<b>Profit (loss) from discontinued operations</b>	<b>5 678</b>	<b>(1 337)</b>	<b>363</b>	<b>(85)</b>

## Note 15. Joint ventures

Company name	Ownership %	
	31.12.2010	31.12.2009
Eesti Päevalehe AS	50	50
AS SL Õhtuleht	50	50
AS Express Post	50	50
AS Ajakirjade Kirjastus	50	50
OÜ Uniservice	26	26

The parties to the contract undertake to keep the equity of joint venture generally within the 20% limit of the total assets of the joint venture. Equity valuation is based on the balance sheets presented by Management Board of the joint venture.

Uniservice OÜ is a 51% subsidiary of the joint venture AS Ajakirjade Kirjastus, thus Ekspress Grupp has joint control over the assets, liabilities, revenue and expenses of Uniservice OÜ.



**Condensed financial information of joint ventures** (representing the consolidated share of joint ventures)

EEK thousand	Ajakirjade Kirjastuse AS	AS SL Öhtuleht	Eesti Päevalehe AS	AS Express Post	OÜ Uniservice	Total
31.12.2010						
Current assets	19 057	14 054	4 108	28 091	42	65 352
Non-current assets	1 925	1 093	11 603	1 297	13	15 931
<b>Total assets</b>	<b>20 982</b>	<b>15 147</b>	<b>15 711</b>	<b>29 388</b>	<b>55</b>	<b>81 283</b>
Current liabilities	17 385	9 893	14 471	24 697	193	66 639
Non-current liabilities	36	0	0	0	0	36
<b>Total liabilities</b>	<b>17 421</b>	<b>9 893</b>	<b>14 471</b>	<b>24 697</b>	<b>193</b>	<b>66 675</b>
Total revenue	68 377	53 841	50 602	37 803	179	210 802
Total expenses	69 105	52 502	56 365	34 844	276	213 092
<b>Net profit (loss)</b>	<b>(728)</b>	<b>1 339</b>	<b>(5 763)</b>	<b>2 959</b>	<b>(97)</b>	<b>(2 290)</b>
31.12.2009						
Current assets	29 201	21 220	9 350	25 002	32	84 805
Non-current assets	2 334	1 425	12 615	2 297	15	18 686
<b>Total assets</b>	<b>31 535</b>	<b>22 645</b>	<b>21 965</b>	<b>27 299</b>	<b>47</b>	<b>103 491</b>
Current liabilities	17 288	10 254	14 921	16 879	238	59 580
Non-current liabilities	28	0	41	0	0	69
<b>Total liabilities</b>	<b>17 316</b>	<b>10 254</b>	<b>14 962</b>	<b>16 879</b>	<b>238</b>	<b>59 649</b>
Total revenue	75 147	60 754	65 513	39 590	245	241 249
Total expenses	77 436	56 115	68 566	36 025	293	238 435
<b>Net profit (loss)</b>	<b>(2 289)</b>	<b>4 639</b>	<b>(3 053)</b>	<b>3 565</b>	<b>(48)</b>	<b>2 814</b>

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EUR thousand	Ajakirjade Kirjastuse AS	AS SL Õhtuleht	Eesti Päevalehe AS	AS Express Post	OÜ Uniservice	Total
31.12.2010						
Current assets	1 218	898	263	1 795	3	4 177
Non-current assets	123	70	742	83	1	1 019
<b>Total assets</b>	<b>1 341</b>	<b>968</b>	<b>1 005</b>	<b>1 878</b>	<b>4</b>	<b>5 196</b>
Current liabilities	1 111	632	925	1 578	12	4 258
Non-current liabilities	2	0	0	0	0	2
<b>Total liabilities</b>	<b>1 113</b>	<b>632</b>	<b>925</b>	<b>1 578</b>	<b>12</b>	<b>4 260</b>
Total revenue	4 370	3 441	3 234	2 416	11	13 472
Total expenses	4 417	3 355	3 602	2 227	17	13 618
<b>Net profit (loss)</b>	<b>(47)</b>	<b>86</b>	<b>(368)</b>	<b>189</b>	<b>(6)</b>	<b>(146)</b>
31.12.2009						
Current assets	1 866	1 356	598	1 598	2	5 420
Non-current assets	149	91	806	147	1	1 194
<b>Total assets</b>	<b>2 015</b>	<b>1 447</b>	<b>1 404</b>	<b>1 745</b>	<b>3</b>	<b>6 614</b>
Current liabilities	1 105	655	954	1 079	15	3 808
Non-current liabilities	2	0	3	0	0	5
<b>Total liabilities</b>	<b>1 107</b>	<b>655</b>	<b>957</b>	<b>1 079</b>	<b>15</b>	<b>3 813</b>
Total revenue	4 803	3 883	4 187	2 530	16	15 419
Total expenses	4 949	3 587	4 382	2 302	19	15 239
<b>Net profit (loss)</b>	<b>(146)</b>	<b>296</b>	<b>(195)</b>	<b>228</b>	<b>(3)</b>	<b>180</b>

## Note 16. Associates

(thousand)	EEK		EUR	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Investments in associates	0	150	0	10
Carrying amount of shares of associates	124	640	8	41
<b>Share of loss in associates recognised in income statement</b>				
Share of profit (loss) of associates under equity method	(516)	189	(33)	12
<b>Total profit (loss) of associates</b>	<b>(516)</b>	<b>189</b>	<b>(33)</b>	<b>12</b>

Company name	Ownership %	
	31.12.2010	31.12.2009
AS Linnaleht	25	25
UAB Medipresa	40	40

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### Condensed financial information of associates

EEK thousand	AS Linnaleht	UAB Medipresa	Total
<b>31.12.2010</b>			
Total assets	1 269	38 916	<b>40 185</b>
Total liabilities	1 565	38 606	<b>40 171</b>
Total revenue	11 970	133 733	<b>145 703</b>
Total expenses	12 921	134 614	<b>147 535</b>
<b>Net profit (loss)</b>	<b>(951)</b>	<b>(881)</b>	<b>(1 832)</b>
<b>31.12.2009</b>			
Total assets	2 670	32 872	<b>35 542</b>
Total liabilities	2 015	31 680	<b>33 695</b>
Total revenue	16 876	143 669	<b>160 545</b>
Total expenses	16 861	143 207	<b>160 068</b>
<b>Net profit (loss)</b>	<b>15</b>	<b>462</b>	<b>477</b>

EUR thousand	AS Linnaleht	UAB Medipresa	Total
<b>31.12.2010</b>			
Total assets	81	2 487	<b>2 568</b>
Total liabilities	100	2 467	<b>2 567</b>
Total revenue	765	8 547	<b>9 312</b>
Total expenses	826	8 603	<b>9 429</b>
<b>Net profit (loss)</b>	<b>(61)</b>	<b>(56)</b>	<b>(117)</b>
<b>31.12.2009</b>			
Total assets	171	2 101	<b>2 272</b>
Total liabilities	129	2 025	<b>2 154</b>
Total revenue	1 079	9 182	<b>10 261</b>
Total expenses	1 078	9 152	<b>10 230</b>
<b>Net profit (loss)</b>	<b>1</b>	<b>30</b>	<b>31</b>

### Note 17. Investment property

(thousand)	EEK		EUR	
	2010	2009	2010	2009
<b>Investment property on 1 January</b>	<b>6 360</b>	<b>12 341</b>	<b>406</b>	<b>789</b>
Sales	(6 360)	0	(406)	0
Revaluation to fair value through profit or loss	0	(2 640)	0	(169)
<b>Reclassification to discontinued operations (Note 14)</b>	<b>0</b>	<b>(3 341)</b>	<b>0</b>	<b>(214)</b>
<b>Investment property on 31 December</b>	<b>0</b>	<b>6 360</b>	<b>0</b>	<b>406</b>

The previously agreed sales price has been used as the basis for estimating the fair value of the investment property of AS Printall as of 31.12.2009. In the 4<sup>th</sup> quarter 2010, the transaction was completed at the same price and the revaluation reserve of the investment property has been transferred to retained earnings.

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## Note 18. Property, plant and equipment

EEK thousand	Land	Buildings	Plant and equipment	Other equipment	Unfinished buildings and prepayments	Total non-current assets
<b>31.12.2008</b>						
Cost	6 526	114 439	366 220	78 600	503	<b>566 288</b>
Accumulated depreciation	0	(19 347)	(114 201)	(43 168)	0	<b>(176 716)</b>
<b>Carrying amount</b>	<b>6 526</b>	<b>95 092</b>	<b>252 019</b>	<b>35 432</b>	<b>503</b>	<b>389 572</b>
Acquisitions and improvements	0	171	2 634	4 284	1 568	<b>8 657</b>
Disposals (at carrying amount)	0	0	(13)	(365)	0	<b>(378)</b>
Write-offs (at carrying amount)	0	(146)	(373)	(123)	0	<b>(642)</b>
Reclassification	0	202	0	788	(1 349)	<b>(359)</b>
Non-current assets of discontinued operations (Note 14)	0	(9 584)	0	(2 168)	0	<b>(11 752)</b>
Depreciation	0	(4 182)	(23 736)	(11 242)	0	<b>(39 160)</b>
including depreciation of discontinued operations	0	0	(4 260)	0	0	<b>(4 260)</b>
<b>31.12.2009</b>						
Cost	6 526	101 916	367 609	74 746	722	<b>551 519</b>
Accumulated depreciation	0	(20 363)	(137 078)	(48 140)	0	<b>(205 581)</b>
<b>Carrying amount</b>	<b>6 526</b>	<b>81 553</b>	<b>230 531</b>	<b>26 606</b>	<b>722</b>	<b>345 938</b>
Acquisitions and improvements	0	12	1 381	3 071	137	<b>4 601</b>
Disposals (at carrying amount)	0	0	(20)	(18)	0	<b>(38)</b>
Sale of assets of discontinued operations (Note 14)	0	0	(81)	(16 749)	0	<b>(16 830)</b>
Write-offs (at carrying amount)	0	0	(24)	86	0	<b>62</b>
Reclassification	0	0	(937)	723	(723)	<b>(937)</b>
Depreciation	0	(3 957)	(23 954)	(5 506)	0	<b>(33 417)</b>
Currency translation differences	0	0	59	0	0	<b>59</b>
<b>31.12.2010</b>						
Cost	6 526	101 928	361 465	43 099	136	<b>513 154</b>
Accumulated depreciation	0	(24 320)	(154 510)	(34 886)	0	<b>(213 716)</b>
<b>Carrying amount</b>	<b>6 526</b>	<b>77 608</b>	<b>206 955</b>	<b>8 213</b>	<b>136</b>	<b>299 438</b>

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EEK thousand	Land	Buildings	Plant and equipment	Other equipment	Unfinished buildings and prepayments	Total non-current assets
<b>31.12.2008</b>						
Cost	417	7 314	23 406	5 023	32	<b>36 192</b>
Accumulated depreciation	0	(1 236)	(7 299)	(2 759)	0	<b>(11 294)</b>
<b>Carrying amount</b>	<b>417</b>	<b>6 078</b>	<b>16 107</b>	<b>2 264</b>	<b>32</b>	<b>24 898</b>
Acquisitions and improvements	0	10	168	273	100	<b>551</b>
Disposals (at carrying amount)	0	0	(1)	(23)	0	<b>(24)</b>
Write-offs (at carrying amount)	0	(9)	(24)	(8)	0	<b>(41)</b>
Reclassification	0	13	0	50	(86)	<b>(23)</b>
Non-current assets of discontinued operations (Note 14)	0	(612)	0	(138)	0	<b>(750)</b>
Depreciation	0	(267)	(1 517)	(718)	0	<b>(2 502)</b>
including depreciation of discontinued operations	0	0	(272)	0	0	<b>(272)</b>
<b>31.12.2009</b>						
Cost	417	6 514	23 494	4 777	46	<b>35 248</b>
Accumulated depreciation	0	(1 301)	(8 761)	(3 077)	0	<b>(13 139)</b>
<b>Carrying amount</b>	<b>417</b>	<b>5 213</b>	<b>14 733</b>	<b>1 700</b>	<b>46</b>	<b>22 109</b>
Acquisitions and improvements	0	1	88	196	9	<b>294</b>
Disposals (at carrying amount)	0	0	(1)	(1)	0	<b>(2)</b>
Sale of assets of discontinued operations (Note 14)	0	0	(5)	(1 069)	0	<b>(1 074)</b>
Write-offs (at carrying amount)	0	0	(2)	5	0	<b>3</b>
Reclassification	0	0	(60)	46	(46)	<b>(60)</b>
Depreciation	0	(254)	(1 530)	(352)	0	<b>(2 136)</b>
Currency translation differences	0	0	4	0	0	<b>4</b>
<b>31.12.2010</b>						
Cost	417	6 514	23 102	2 755	9	<b>32 797</b>
Accumulated depreciation	0	(1 554)	(9 875)	(2 230)	0	<b>(13 659)</b>
<b>Carrying amount</b>	<b>417</b>	<b>4 960</b>	<b>13 227</b>	<b>525</b>	<b>9</b>	<b>19 138</b>

Information about pledged items of property, plant and equipment is disclosed in Note 21.

Information about non-current assets leased under the finance lease terms is disclosed in Note 22.

## Note 19. Intangible assets

EEK thousand	Good-will	Trade-marks	Develop-ment	Customer relation-ship	Compu-ter software	Prepay-ments	Total intangible assets
<b>31.12.2008</b>							
Cost	801 833	175 085	7 406	33 108	36 931	3 850	<b>1 058 213</b>
Accumulated amortisation	0	(11 181)	(1 800)	(8 277)	(23 576)	0	<b>(44 834)</b>
<b>Carrying amount</b>	<b>801 833</b>	<b>163 904</b>	<b>5 606</b>	<b>24 831</b>	<b>13 355</b>	<b>3 850</b>	<b>1 013 379</b>
Acquisitions and improvements	0	0	2 371	0	2 313	542	<b>5 226</b>
Disposals (at carrying amount)	(3 930)	(2 009)	0	0	(65)	0	<b>(6 004)</b>
Write-offs (at carrying amount)	0	(294)	(71)	0	(69)	0	<b>(434)</b>
Reclassification	0	0	0	0	1 952	(1 593)	<b>359</b>
Non-current assets of discontinued operations (Note 14)	(67 961)	(10 791)	0	0	(1 097)	0	<b>(79 849)</b>
Amortisation, including amortisation of discontinued operations	0	(4 538)	(3 593)	(6 622)	(4 892)	0	<b>(19 645)</b>
Impairment	(91 445)	0	0	0	0	0	<b>(91 445)</b>
Currency translation differences	0	0	0	0	26	0	<b>26</b>
<b>31.12.2009</b>							
Cost	729 942	159 203	9 706	33 108	37 453	2 799	<b>972 211</b>
Accumulated amortisation and impairment	(91 445)	(12 931)	(5 393)	(14 899)	(25 940)	0	<b>(150 608)</b>
Foreign exchange adjustments	0	0	0	0	10	0	<b>10</b>
<b>Carrying amount</b>	<b>638 497</b>	<b>146 272</b>	<b>4 313</b>	<b>18 209</b>	<b>11 523</b>	<b>2 799</b>	<b>821 613</b>
Acquisitions and improvements	0		2 338		1 857	299	<b>4 494</b>
Disposed of through business combinations	(7 881)	(1 939)	0	0	(1 143)	0	<b>(10 963)</b>
Write-offs (at carrying amount)	0	0	(92)	0	(121)	0	<b>(213)</b>
Reclassification	0	0	0	0	988	(988)	<b>0</b>
Amortisation	0	(4 218)	(2 715)	(6 622)	(4 382)	0	<b>(17 937)</b>
Currency translation differences	0	0	0	0	(12)	0	<b>(12)</b>
<b>31.12.2010</b>							
Cost	630 616	156 588	7 501	33 108	36 207	2 110	<b>866 130</b>
Accumulated amortisation	0	(16 473)	(3 657)	(21 521)	(27 497)	0	<b>(69 148)</b>
<b>Carrying amount</b>	<b>630 616</b>	<b>140 115</b>	<b>3 844</b>	<b>11 587</b>	<b>8 710</b>	<b>2 110</b>	<b>796 982</b>

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EUR thousand	Good-will	Trade-marks	Develop-ment	Client relation-ship	Compute-r software	Prepay-ments	Total intangible assets
<b>31.12.2008</b>							
Cost	51 246	11 190	473	2 116	2 360	246	<b>67 631</b>
Accumulated amortisation	0	(715)	(115)	(529)	(1 507)	0	<b>(2 866)</b>
<b>Carrying amount</b>	<b>51 246</b>	<b>10 475</b>	<b>358</b>	<b>1 587</b>	<b>853</b>	<b>246</b>	<b>64 765</b>
Acquisitions and improvements	0	0	152	0	148	35	<b>335</b>
Disposals (at carrying amount)	(251)	(128)	0	0	(4)	0	<b>(383)</b>
Write-offs (at carrying amount)	0	(19)	(5)	0	(4)	0	<b>(28)</b>
Reclassification	0	0	0	0	125	(102)	<b>23</b>
Non-current assets of discontinued operations (Note 14)	(4 343)	(690)	0	0	(70)	0	<b>(5 103)</b>
Amortisation, including amortisation of discontinued operations	0	(292)	(230)	(423)	(311)	0	<b>(1 256)</b>
Impairment	0	0	0	0	(27)	0	<b>(27)</b>
Currency translation differences	(5 844)	0	0	0	0	0	<b>(5 844)</b>
	0	0	0	0	2	0	<b>2</b>
<b>31.12.2009</b>							
Cost	46 652	10 172	620	2 116	2 396	179	<b>62 135</b>
Accumulated amortisation and impairment	(5 844)	(826)	(345)	(952)	(1 658)	0	<b>(9 625)</b>
Foreign exchange adjustments	0	0	0	0	1	0	<b>1</b>
<b>Carrying amount</b>	<b>40 808</b>	<b>9 346</b>	<b>275</b>	<b>1 164</b>	<b>739</b>	<b>179</b>	<b>52 511</b>
Acquisitions and improvements	0	0	149	0	117	19	<b>285</b>
Disposed of through business combinations	(504)	(123)	0	0	(73)	0	<b>(700)</b>
Write-offs (at carrying amount)	0	0	(6)	0	(8)	0	<b>(14)</b>
Reclassification	0	0	0	0	63	(63)	<b>0</b>
Amortisation	0	(269)	(173)	(423)	(280)	0	<b>(1 145)</b>
Currency translation differences	0	0	0	0	(1)	0	<b>(1)</b>
<b>31.12.2010</b>							
Cost	40 304	10 008	479	2 116	2 314	135	<b>55 356</b>
Accumulated amortisation	0	(1 054)	(234)	(1 375)	(1 757)	0	<b>(4 420)</b>
<b>Carrying amount</b>	<b>40 304</b>	<b>8 954</b>	<b>245</b>	<b>741</b>	<b>557</b>	<b>135</b>	<b>50 936</b>

Information about intangible assets pledged as collateral for loans is disclosed in Note 21.

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### Goodwill by cash-generating units

(thousand)	EEK		EUR	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Delfi EE (Estonia)	238 001	238 001	15 211	15 211
Delfi LV (Latvia)	149 586	149 586	9 560	9 560
Delfi LT (Lithuania)	195 841	195 841	12 517	12 517
Hyppeaud.ee (AS Eesti Päevaleht)	386	386	25	25
Ekspress Auto (Delfi Estonia)	1 100	1 100	70	70
Ajakirjade Kirjastus	7 128	7 128	456	456
Ekspress Leidyba	10 160	10 160	649	649
Maaleht (Eesti Ajalehed)	28 414	28 414	1 816	1 816
Rahva Raamat (wholesale)	0	7 881	0	504
<b>Total goodwill</b>	<b>630 616</b>	<b>638 497</b>	<b>40 304</b>	<b>40 808</b>

### Goodwill by segments

(thousand)	EEK		EUR	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Online media	584 914	584 914	37 382	37 382
Periodicals	45 702	45 702	2 922	2 922
Book sales (discontinued operation See Note 14)	0	7 881	0	504
<b>Total goodwill</b>	<b>630 616</b>	<b>638 497</b>	<b>40 304</b>	<b>40 808</b>

In the impairment test, the discounted cash flow method was used except for assessment of Rahva Raamat (wholesale) as of 31.12.2009 for which the fair value less costs to sell method was used because the value of Rahva Raamat has been determined in a sales transaction that was completed after the balance sheet date. For determining the recoverable amount of Rahva Raamat, the management used the sales price as the basis, see details on the sales price and net assets of the segment disposed also in Note 13. For each cash-generating unit acquired, 5-year revenue forecasts have been prepared for the respective cash-generating units. Revenue growth, and variable and fixed costs have been estimated of the basis of prior period results and strategic developments planned for the near future. In the impairment tests, the nominal models are used.

The applied revenue growth rates are as follows:

Cash-generating unit	2011		2012-2015		Terminal value growth	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Delfi EE*	23%	18%	25%	17-30%	3%	3%
Delfi LV	27%	0%	25%	17-35%	4%	4%
Delfi LT	19%	-7%	20%	17-35%	4%	4%
Hyppeaud.ee	10%	30%	5-9%	15-25%	3%	3%
Eesti Ajalehed (Ekspress Auto)	*	34%	*	18-30%	*	2%
Ajakirjade Kirjastus	8%	3%	5%	4-6%	3%	2%
Ekspress Leidyba	2,4%	-15%	5-8%	6-10%	3%	2%
Eesti Ajalehed (Maaleht)	6%	-2%	2%	4-6%	2%	2%

\*In 2010, Ekspress Auto was merged with Delfi AS (Estonia). As it is complicated to separately identify the cash flows related to Ekspress Auto, then the goodwill related to Ekspress Auto is combined with the goodwill of Delfi EE and impairment tests for goodwill are performed for Delfi EE as the smallest cash-generating unit.

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 9.5% - 11.9% (2009: 7.8% - 14.8%) and the return on debt is 6.1% for Estonia, 8.5% for Latvia and 7.2% for Lithuania (2009: 7.6%-9.6%), which equals the estimated average interest rate on loans granted in local currencies and offered to Ekspress Grupp by banks as of 31.12.2010 and 31.12.2009. The debt ratio is based on the average debt ratio of the market available in the database of Damodaran Online as of 31.12.2010, 16% (31.12.2009: 40%) for online media units and 35% (31.12.2009: 55%) for publishing units. 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 non-power 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 2010 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 yield of Slovakia's long-term bonds.

The applied discounts rates are as follows:

Cash-generating unit	31.12.2010	31.12.2009
Delfi EE	9.08%	9.74%
Delfi LV	11.34%	12.74%
Delfi LT	9.79%	12.07%
Hyppeaud.ee	9.08%	12.00%
Eesti Ajalehed (Ekspress Auto)	*	10.18%
Ajakirjade Kirjastus	8.28%	9.76%
Ekspress Leidyba	9.12%	11.26%
Eesti Ajalehed (Maaleht)	8.28%	9.76%

\*In 2010, Ekspress Auto was merged with the activity of AS Delfi. As distinction of separate cash flows associated with Ekspress Auto is difficult, the goodwill of Ekspress Auto has been joined with the goodwill of Delfi EE as the smallest cash-generating unit.

Difference between the carrying amount and the recoverable amount of cash-generating units:

(thousand EEK)	31.12.2010	31.12.2009
Delfi EE	183 766	(8 275)
Delfi LV	28 848	(83 170)
Delfi LT	268 581	36 991
Maaleht	87 961	73 013
Ajakirjade Kirjastus	96 332	159 537
Other	4 793	14 818

(thousand EUR)	31.12.2010	31.12.2009
Delfi EE	11 745	(529)
Delfi LV	1 844	(5 316)
Delfi LT	17 165	2 364
Maaleht	5 622	4 666
Ajakirjade Kirjastus	6 157	10 196
Other	306	947

Other cash-generating units are Ekspress Leidyba and Hypepelaud.ee and in 2009, also Eesti Ajalehed Ekspress Auto (Eesti Ajalehed) .

In 2009, goodwill of Delfi Group was written down in the amount of EEK 91 445 thousand (EUR 5 844 thousand)

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.

The sensitivity of goodwill of Delfi Estonia and Lithuania to the change in revenue growth and the EBITDA margin is lower than in the case of Delfi Latvia. For Delfi Estonia, the recoverable amount of goodwill exceeds the carrying amount even if revenue growth is 10% in 2012-2015, under the assumption that the EBITDA margin meets the expectations. For Lithuania, the recoverable amount exceeds the carrying amount even if no revenue growth is forecast, but margins are maintained at the current 30% level. In Latvia, revenue growth is estimated to be at least 20% in 2012-2015, in order for the recoverable amount to cover the carrying amount of goodwill under the assumption that the EBITDA margin is maintained at 20-30%.

In respect of Maaleht, future cash flows would cover the carrying amount of goodwill if no revenue growth is expected and costs are expected to increase by 2-3%. In respect Ajakirjade Kirjastus, at least 3% growth is necessary to cover the carrying amount of goodwill.

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## Note 20. Trade and other payables

(thousand)	EEK		EUR	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Trade payables	62 099	88 449	3 969	5 653
incl. payables to related parties (Note 35)	320	833	20	53
Payables to employees	22 309	24 112	1 426	1 541
Taxes payable (Note 9)	21 208	21 655	1 355	1 384
Deferred income *	42 738	47 527	2 731	3 038
Payables to associates	2	0	0	0
Payables to joint ventures	8 288	20 472	530	1 308
Trade payables	288	2 972	18	190
Loans received**	8 000	17 500	511	1 118
Liability to discontinued operation (cash in Ekspress Hotline's group account)	0	32 472	0	2 075
Accrued interest	2 658	3 528	170	225
Loan from related parties (Note 35)	0	20 800	0	1 329
Other accrued liabilities	9 454	24 653	604	1 577
<b>Total trade and other payables</b>	<b>168 756</b>	<b>283 668</b>	<b>10 785</b>	<b>18 130</b>

\* Deferred income includes the amounts received from clients for subscriptions of periodicals.

\*\* Loans are received from joint ventures of which 50% is eliminated in consolidation however the other part remains in the balance sheet.

In the balance sheet, the outstanding loan balance of the loan concluded between AS Printall (Borrower) and AS SL Õhtuleht is EEK 3 250 thousand (EUR 208 thousand) as of 31.12.2010 and EEK 6 000 thousand (EUR 383 thousand) as of 31.12.2009. The loan will mature on 31.03.2011 and the loan interest is 2.644%.

In the balance sheet, the outstanding loan balance of the loan concluded between AS Printall (Borrower) and AS Express Post is EEK 4 750 thousand (304 thousand) as of 31.12.2010 and 31.12.2009. The loan will mature on 31.03.2011 and the loan interest is 3.6%.

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## Note 21. Bank loans and borrowings

EEK thousand	Total amount	Repayment term			Average effective interest rate
		up to 1 year	1 to 5 years	Later than 5 years	
<b>Balance on 31.12.2010</b>					
Bank overdraft	10 510	10 510	0	0	4.13%
Short-term bank loans	3 819	3 819	0	0	3.85%
Long-term bank loans	503 412	48 041	455 371	0	4.71%
Finance lease (Note 22)	81 305	19 509	61 796	0	3.84%
<b>Total:</b>	<b>599 046</b>	<b>81 878</b>	<b>517 168</b>	<b>0</b>	
<b>Balance on 31.12.2009</b>					
Bank overdraft	39 909	39 909	0	0	4.13%
Short-term bank loans	8 222	8 222	0	0	5.81%
Long-term bank loans	574 078	56 352	517 726	0	4.58%
Finance lease (Note 22)	103 931	38 610	65 321	0	3.24%
<b>Total:</b>	<b>726 140</b>	<b>143 093</b>	<b>583 047</b>	<b>0</b>	

EUR thousand	Total amount	Repayment term			Average effective interest rate
		up to 1 year	1-5 years	later than 5 years	
<b>Balance on 31.12.2010</b>					
Bank overdraft	672	672	0	0	4.13%
Short-term bank loans	244	244	0	0	3.85%
Long-term bank loans	32 172	3 070	29 102	0	4.71%
Finance lease (Note 22)	5 196	1 247	3 949	0	3.84%
<b>Total:</b>	<b>38 284</b>	<b>5 233</b>	<b>33 053</b>	<b>0</b>	
<b>Balance on 31.12.2009</b>					
Bank overdraft	2 551	2 551	0	0	4.13%
Short-term bank loans	525	525	0	0	5.81%
Long-term bank loans	36 689	3 602	33 087	0	4.58%
Finance lease (Note 22)	6 643	2 468	4 175	0	3.24%
<b>Total:</b>	<b>46 408</b>	<b>9 145</b>	<b>37 263</b>	<b>0</b>	

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

A loan agreement has been concluded between the syndicate of SEB Bank, Danske Bank A/S Estonia Branch (Sampo Bank) and Nordea Bank, and Ekspress Grupp on 28 August 2007 in the amount of EEK 674.4 million (EUR 43.1 million) for purchasing Delfi Group and Maaleht. The loan's repayment date is 25.09.2012. On 5 February 2010, an agreement was concluded to amend the loan agreement and according to this, the new repayment date is 25 January 2015 instead of the previously agreed 25 September 2012.

The repayment profiles were amended in such a way that AS Ekspress Grupp will begin repaying the difference in the form of instalments starting from February 2010 until December 2012 under a ten year annuity profile and starting from January 2013 until December 2014, under a five year annuity profile. The difference is added to the bullet amount of the loan, payable on 25 January 2015.

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In 2009, the interest rate on the loan was 3.5%+ 6-month Euribor, from 25.01.2010, the interest rate was 4%+ 6-month Euribor and from 25.02.2010, the interest rate is 3.75% + 6-month Euribor.

As of 31.12.2010, the outstanding loan balance is EEK 461.3 million (EUR 29.4 million), as of 31.12.2009, EEK 526.9 million (EUR 33.7 million). The loan is secured by:

- a mortgage on the registered immovable located at Peterburi tee 64A in the mortgage amount of EEK 40 million (EUR 2.56 million);
- a pledge on the shares of Delfi Estonia, Delfi Latvia, Delfi Lithuania, Eesti Ajalehed, Printall, Eesti Päevaleht, SL Õhtuleht, Ajakirjade Kirjastus and Delfi Holding and the guarantee of these subsidiaries in the total amount of EUR 43.1 million (EEK 674,4 million), of which net assets represent a majority of the Group's assets;
- a combined pledge in the amount of EEK 4 million (EUR 0.3 million) on the following trademarks: Eesti Ekspress, Delfi and Maaleht, which are included in the value of the aforementioned net assets.

According to the conditions of the loan agreement, the borrower must comply with the levels established for certain financial ratios, such as the total EBITDA level of the subsidiaries and equity ratio (equity /balance sheet total). As of the balance sheet date, all financial ratios were in compliance with the terms established by financial institutions. From 31.03.2011, an additional covenant includes the debt-service coverage ratio and times interest earned ratio as well as total debt/EBITDA ratio. In addition, according to the conditions fixed in the loan agreement, payment of dividends is limited.

On 01 April 2010, AS Ekspress Grupp and Danske Bank A/S Estonia Branch (legal successor of AS Sampo Pank) entered into an overdraft agreement, according to which the overdraft amount is EUR 0.96 million (EEK 15 million). The overdraft interest rate is 3.5%+ 6 month Euribor and the maturity term is 31 March 2012. After the balance sheet date, the loan has been rolled over until 31.01.2012.

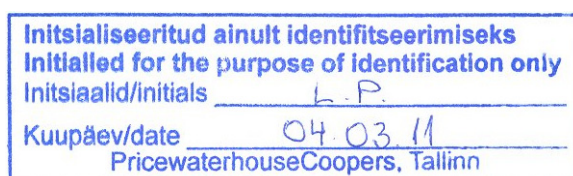
On 24 May 2010, AS Ekspress Grupp and AS SEB Pank entered into an overdraft agreement with the limit of EUR 0.96 million (EEK 15 million). The overdraft interest rate is 3.5%+ 1-month Euribor. After the balance sheet, the contract was extended until 31 July 2012.

On 08.06.2010, an overdraft contract was concluded between AS Ekspress Grupp and Nordea Bank Finland Plc Estonia Branch with the limit of EUR 0.96 million (EEK 15 million). The loan interest rate is the prevailing bank's base rate + margin of 3.5% p.a. and the maturity date of the loan is 31.01.2011. After the balance sheet date, the loan was rolled over until 31.01.2012.

A loan agreement of AS Printall (borrower) in the amount of EEK 75 million (EUR 4.8 million), with the term of 15.12.2014 is secured with a mortgage in the amount of EEK 100 million (EUR 6.4 million) on the registered immovable located at Peterburi Rd 64A, Tallinn the carrying amount of the building as of 31.12.2010, EEK 68.6 million (EUR 4.4 million); the carrying amount of the registered immovable, EEK 6.4 million (0.4 million). As of 31.12.2010, the outstanding loan balance was EEK 42.1 million (EUR 2.7 million), as of 31.12.2009, EEK 47.2 million (EUR 3.0 million). Finance lease agreements also contain certain covenants for the ratios of the company which the financial indicators of the company must comply with. As of the balance sheet date, all ratios were in compliance with the covenants established by financial institutions.

In conjunction with the refinancing of the loans of AS Ekspress Grupp, the loan and rental obligations of the subsidiary Printall AS were also reviewed and the agreements to amend loan and rental contracts were concluded. In accordance with the agreements, loan and rental maturity dates were extended by one year and the principal payments were reduced by 50% between January 2010 and December 2011.

Lease liabilities are adequately secured as the rights to the leased asset revert to the lessor until the expiration of the agreement.



## Note 22. Finance lease

Finance lease – Ekspress Grupp as the lessee

(thousand)	EEK		
	Machinery and equipment	Other equipment	Total
<b>Balance on 31.12.2009</b>			
Cost	272 854	4 323	276 827
Accumulated depreciation	(61 197)	(211)	(61 357)
<b>Carrying amount</b>	<b>211 657</b>	<b>4 112</b>	<b>215 470</b>
<b>Balance on 31.12.2010</b>			
Cost	272 854	0	272 854
Accumulated depreciation	(80 231)	0	(80 231)
<b>Carrying amount</b>	<b>192 623</b>	<b>0</b>	<b>192 623</b>

(thousand)	EUR		
	Machinery and equipment	Other equipment	Total
<b>Balance on 31.12.2009</b>			
Cost	17 439	276	17 715
Accumulated depreciation	(3 911)	(13)	(3 924)
<b>Carrying amount</b>	<b>13 528</b>	<b>263</b>	<b>13 791</b>
<b>Balance on 31.12.2010</b>			
Cost	17 439	0	17 439
Accumulated depreciation	(5 128)	0	(5 128)
<b>Carrying amount</b>	<b>12 311</b>	<b>0</b>	<b>12 311</b>

The information about finance lease liabilities is disclosed in Note 21.

(thousand)	EEK		EUR	
	2010	2009	2010	2009
<b>Finance lease liabilities on 31 December</b>	<b>81 305</b>	<b>103 931</b>	<b>5 196</b>	<b>6 643</b>
Principal payments in the financial year	20 050	36 927	1 281	2 360
Interest expenses in the financial year	2 843	3 982	182	254
Average annual interest rate p.a.	3,68%	3,24%	3,24%	5,69%

(thousand)	EEK		EUR	
	2010	2009	2010	2009
<b>Finance lease liabilities – minimum lease payments:</b>				
Not later than 1 year	22 508	41 725	1 439	2 667
Later than 1 year and not later than 5 years	65 597	73 787	4 192	4 716
<b>Total</b>	<b>88 105</b>	<b>115 512</b>	<b>5 631</b>	<b>7 383</b>
Future finance charges on finance leases	6 800	11 581	435	740
Present value of finance lease liabilities (Note 21)	81 305	103 931	5 196	6 642

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## Note 23. Operating lease

Group as the lessee

(thousand)	EEK		EUR	
	2010	2009	2010	2009
<b>Operating lease payments</b>	<b>16 600</b>	<b>18 186</b>	<b>1 061</b>	<b>1 163</b>
Facilities	12 140	13 343	776	853
Motor vehicles	4 460	4 843	285	310
<b>Future minimum lease payments under non-cancellable operating leases</b>	<b>7 854</b>	<b>12 524</b>	<b>502</b>	<b>800</b>
Not later than 1 year	3 487	4 976	223	318
Later than 1 year but not later than 5 years	4 367	7 548	279	482

## Note 24. 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:** administration of online 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 (Läti), mango.lv SIA (Läti), UAB Ekspress Portals (Leedu) and SIA Ekspress Portals (Läti), which was merged with Delfi Latvia in 2010. .

**Periodicals:** publishing of newspapers, magazines, custom publications and books in Estonia and Lithuania. This segment includes group companies AS Eesti Ajalehed (publisher of Eesti Ekspress and Maaleht), AS Ajakirjade Kirjastus, AS SL Õhtuleht, Eesti Päevalehe AS, UAB Ekspress Leidyba, OÜ Uniservice. This segment also includes AS Express Post, engaged in home delivery of periodicals.

From 2010, Ekspress Grupp includes the revenue of all periodicals in this segment, including advertising revenue of web portals and sale of articles and publications in a digital form.

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

The Management Board assesses the performance of the operating segments based on revenue and EBITDA. The EBITDA margin is also monitored.

According to the Parent Company management's estimate, 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.

The amounts provided to the Management Board in respect of total assets and total liabilities are measured in a manner consistent with that of the financial statements. These assets and liabilities are allocated based on the operations of the segments.

2010 EEK thousand	Online media	Periodical s	Printing services	Corporate functions	Eliminations	Total Group
<b>Sales of external customers</b>	<b>122 158</b>	<b>349 793</b>	<b>338 403</b>	<b>358</b>	<b>0</b>	<b>810 712</b>
Inter-segment sales	1 198	2 576	40 576	1 653	(46 003)	0
Total segment sales	123 356	352 369	378 979	2 011	(46 003)	810 712
<b>EBITDA</b>	<b>11 860</b>	<b>14 299</b>	<b>81 331</b>	<b>(13 040)</b>	<b>70</b>	<b>94 520</b>
Capital expenditure	5 144	2 826	917	208	0	9 095
Depreciation (Note 18, 19)	16 868	8 178	25 731	577	0	51 354

2010 EUR thousand	Online media	Periodical ls	Printing services	Corporate functions	Elimination s	Total Group
<b>Sales to external customers</b>	<b>7 807</b>	<b>22 355</b>	<b>21 628</b>	<b>24</b>	<b>0</b>	<b>51 814</b>
Inter-segment sales	77	165	2 593	106	(2 941)	0
Total segment sales	7 884	22 520	24 221	130	(2 941)	51 814
<b>EBITDA</b>	<b>758</b>	<b>914</b>	<b>5 198</b>	<b>(833)</b>	<b>4</b>	<b>6 041</b>
Capital expenditure	328	180	58	13	0	579
Depreciation (Note 18, 19)	1 078	522	1 644	37	0	3 281

2009 EEK thousand	Online media	Periodical s	Printing services	Corporate functions	Eliminations	Total Group
<b>Sales to external customers</b>	<b>105 449</b>	<b>400 701</b>	<b>306 334</b>	<b>734</b>	<b>0</b>	<b>813 218</b>
Inter-segment sales	3 123	4 600	48 791	1 543	(58 057)	0
Total segment sales	108 572	405 301	355 125	2 277	(58 057)	813 218
<b>EBITDA</b>	<b>(1 894)</b>	<b>3 834</b>	<b>59 554</b>	<b>(14 463)</b>	<b>125</b>	<b>47 156</b>
Capital expenditure	4 649	3 847	1 924	179	0	10 599
Depreciation (Note 18, 19)	19 088	10 074	24 302	661	0	54 125
Impairment of goodwill (Note 19)	91 445	0	0	0	0	91 445

2009 EUR thousand	Online media	Periodical ls	Printing services	Corporate functions	Eliminations	Total Group
<b>Sales to external customers</b>	<b>6 739</b>	<b>25 609</b>	<b>19 579</b>	<b>47</b>	<b>0</b>	<b>51 974</b>
Inter-segment sales	200	294	3 118	99	(3 711)	0
Total segment sales	6 939	25 903	22 697	146	(3 711)	51 974
<b>EBITDA</b>	<b>(121)</b>	<b>245</b>	<b>3 806</b>	<b>(924)</b>	<b>8</b>	<b>3 014</b>
Capital expenditure	297	246	123	11	0	677
Depreciation (Note 18, 19)	1 220	644	1 553	42	0	3 459
Impairment of goodwill (Note 19)	5 844	0	0	0	0	5 844

\* Difference between the capital expenditure in Notes 18,19 and segment disclosures is attributable to the capital expenditure of discontinued operations.

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Capital expenditure comprises additions to property, plant and equipment (Note 18) and intangible assets (Note 19), including additions resulting from acquisitions through business combinations.

In the segment report, income and expenses are directly related to the segment –sales to customers, cost of sales, depreciation, amortisation and impairment related to the segment operations. Operating income and expenses of corporate functions include administrative income and expenses of the Group.

Segment assets consist primarily of inventories and fixtures employed by the segment, also other necessary working capital (e.g. cash). Segments liabilities are related to the borrowings and deferred income from subscribers, also for rental agreements, payroll expenses and taxes.

The corporate functions are presented separately, although these do not form separate fields of activity. The corporate function assets are office equipment used for general administration, other equipment and current assets related to general activities. The corporate function liabilities arise from the holding activities of group companies.

The significant non-current assets located outside Estonia include primarily by the online trademarks of Delfi Group (EEK 36.0 million (EUR 2.3 million) in Latvia as of 31.12.2010; EEK 36.8 million (EUR 2.4 million) as of 31.12.2009; EEK 29.7 million (EUR 1.9 million) in Lithuania as of 31.12.2010 and EEK 30.3 million (EUR 1.9 million) as of 31.12.2009, goodwill of Delfi Grupp and Ekspress Leidyba (see Note 19 for details by geographical area).

Analysis of revenue by category and geographical location of customers is provided in Note 25.

## Note 25. Revenue

EEK thousand	EEK		EUR	
	2010	2009	2010	2009
<b>Revenue by activities</b>				
Advertising revenue	231 857	231 066	14 818	14 768
incl. barter	5 902	7 558	377	483
Single-copy sales	57 517	69 197	3 676	4 422
Subscriptions' revenue	114 523	122 536	7 319	7 831
Book publishing	33 886	43 849	2 166	2 803
Sale of paper and printing services	334 823	302 423	21 399	19 328
Sale of other goods and services	38 106	44 147	2 436	2 822
<b>Total</b>	<b>810 712</b>	<b>813 218</b>	<b>51 814</b>	<b>51 974</b>
<b>Revenue by geographical areas</b>				
Estonia	452 523	480 812	28 922	30 729
Scandinavia	161 523	131 253	10 323	8 389
Lithuania	95 549	107 534	6 107	6 873
Russia	47 577	54 845	3 041	3 505
Latvia	34 243	24 915	2 189	1 592
Other Europe	19 215	13 738	1 228	878
Canada, USA, Australia	82	121	5	8
<b>Total</b>	<b>810 712</b>	<b>813 218</b>	<b>51 815</b>	<b>51 974</b>

## Note 26. Cost of sales

(thousand)	EEK		EUR	
	2010	2009	2010	2009
Raw materials and consumables used	208 593	221 067	13 332	14 128
Services purchased	135 852	127 047	8 683	8 120
Salaries and social taxes	225 720	244 050	14 426	15 598
Depreciation and amortisation	34 038	34 424	2 175	2 200
Rental expenses	5 339	4 578	341	293
Other expenses	24 465	36 669	1 563	2 343
<b>Total expenses</b>	<b>634 007</b>	<b>667 835</b>	<b>40 520</b>	<b>42 682</b>

## Note 27. Marketing expenses

(thousand)	EEK		EUR	
	2010	2009	2010	2009
Marketing	24 420	28 651	1 561	1 831
Salaries and social taxes	10 390	11 032	664	705
Rental expenses	229	185	15	12
Depreciation and amortisation	35	49	2	3
<b>Total marketing expenses</b>	<b>35 074</b>	<b>39 917</b>	<b>2 242</b>	<b>2 551</b>

## Note 28. Administrative expenses

(thousand)	EEK		EUR	
	2010	2009	2010	2009
Raw materials and consumables used	2 948	2 919	188	187
Repairs and maintenance	6 290	6 339	402	405
Communication expenses	3 317	3 805	212	243
Rental expenses	11 032	13 424	705	858
Services purchased	19 487	13 570	1 246	867
Salaries and social taxes	40 326	49 425	2 578	3 159
Depreciation and amortisation	17 280	19 652	1 104	1 256
<b>Total administrative expenses</b>	<b>100 680</b>	<b>109 134</b>	<b>6 435</b>	<b>6 975</b>

## Note 29. Other income and expenses

### Other income

(thousand)	EEK		EUR	
	2010	2009	2010	2009
Proceeds from sale of PPE	186	93	12	6
Fines and penalties received	2 221	1 464	142	94
Currency exchange gains	1 404	26	90	2
Other income	2 638	7 243	169	462
<b>Total income</b>	<b>6 449</b>	<b>8 826</b>	<b>413</b>	<b>564</b>

### Other expenses

(thousand)	EEK		EUR	
	2010	2009	2010	2009
Losses from sale and write-offs of PPE	499	1 030	32	66
Currency exchange losses	1 164	1 133	74	72
Fines and penalties paid	1 262	6	81	0
Other expenses	1 299	9 962	83	637
<b>Total expenses</b>	<b>4 224</b>	<b>12 131</b>	<b>270</b>	<b>775</b>

### Note 30. Finance income and costs

(thousand)	EEK		EUR	
	2010	2009	2010	2009
Interest income	814	2 099	52	134
Interest expense	(40 622)	(46 145)	(2 596)	(2 949)
Foreign exchange gains (losses)	258	(417)	16	(27)
Other finance expenses	(2 737)	(1 327)	(175)	(84)
<b>Total finance income and costs</b>	<b>(42 287)</b>	<b>(45 790)</b>	<b>(2 703)</b>	<b>(2 926)</b>

### Note 31. Expenses by type

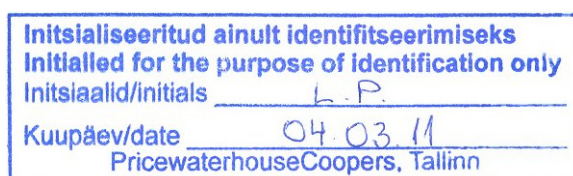
(thousand)	EEK		EUR	
	2010	2009	2010	2009
Depreciation and amortisation	51 353	54 125	3 282	3 459
Salaries and social taxes	276 436	304 507	17 667	19 462
Raw materials and consumables used	211 541	223 986	13 520	14 315
Rental expenses	16 600	18 187	1 061	1 162
Services purchased	155 339	140 617	9 928	8 987
Marketing expenses	24 420	28 651	1 561	1 831
Repairs and maintenance	6 290	6 339	402	405
Communication expenses	3 317	3 805	212	243
Other expenses	24 465	36 669	1 564	2 344
<b>Total cost of sales, distribution and administrative expenses</b>	<b>769 761</b>	<b>816 886</b>	<b>49 197</b>	<b>52 208</b>
<b>Average number of employees</b>	<b>1 746</b>	<b>2 115</b>	<b>1746</b>	<b>2 115</b>

### Note 32. Equity

#### Share capital and premium

The Annual General Meeting of Shareholders of AS Ekspress Grupp held on 30 March 2010 decided to increase the share capital of AS Ekspress Grupp by issuing 8 948 000 new shares with the nominal value of EEK 10 (EUR 0.64) each and to list these shares on NASDAQ OMX Tallinn Stock Exchange. The subscription for new shares took place between 16 April 2010 and 3 May 2010.

New shares were issued with the share premium of EEK 3.77(EUR 0,24) per share. In total the share capital increased by EEK 89 480 thousand (EUR 5 719 thousand) and share premium EEK 33 731 thousand (EUR 2 155 thousand). Issue related costs in amount of EEK 3 220 thousand (EUR 206





thousand) were deducted from share premium. As a result, the share premium increased in total EEK 30 511 thousand (EUR 1 950 thousand).

Monetary contributions amounted to EEK 85 341 thousand (EUR 5 454 thousand). EEK 37 980 thousand (EUR 2 420 thousand) were offset outstanding loan and loan interests, including OÜ HHL Rühm in amount of EEK 21 427 thousand (EUR 1 369 thousand) and KJK Fund SICAV-SIF in amount of EEK 16 443 thousand (EUR 1 051 thousand).

As of 31.12.2010, the share capital increase, the share capital of Ekspress Grupp is EEK 297 968 410 (EUR 19 043 652) and consists of 29 796 841 shares with the nominal value of EEK 10 (EUR 0.64) per share (31.12.2009: EEK 208 488 410 (EUR 13 324 738)).

The maximum amount of share capital as stipulated by the articles of association is EEK 400 000 000 (EUR 25 564 659).

## Reserves

The reserves include:

- Statutory reserve capital required by the Commercial Code. Subject to the approval of the General Meeting of Shareholders, the reserve may be used for covering cumulated losses, if the latter cannot be covered from other unrestricted equity, and for increasing share capital.
- Other reserves –monetary contributions by owners as a general-purpose additional equity contribution by a founding shareholder, a hedging reserve derived from interest rate swaps and revaluation reserve of investment property at the end of 2009.

## Reserves by type

(thousand)	EEK		EUR	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Statutory reserve capital	266	266	17	17
Other reserves				
Additional payments in cash from shareholders	10 000	10 000	639	639
Revaluation of investment property (Note 17)	0	3 414	0	218
Hedging reserve (Note 33)	(9 539)	(13 993)	(610)	(894)
<b>Total reserves</b>	<b>721</b>	<b>(313)</b>	<b>46</b>	<b>(20)</b>

## 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.

EEK	2010	2009
Profit (loss) attributable to equity holders of the Parent Company from continuing operations	(7 983 082)	(147 979 025)
Profit (loss) attributable to equity holders of the Parent Company from discontinued operations	5 678 181	(42 047 217)
The average number of ordinary shares	26 781 488	20 787 106
Basic and diluted earnings per share from continuing operations	(0.30)	(7.12)
Basic and diluted earnings per share from discontinued operations	0.21	(2.02)

EUR	2010	2009
Profit (loss) attributable to equity holders of the Parent Company from continuing operations	(510 212)	(9 457 583)
Profit (loss) attributable to equity holders of the Parent Company from discontinued operations	362 902	(2 687 307)
The average number of ordinary shares	26 781 488	20 787 106
Basic and diluted earnings per share from continuing operations	(0.02)	(0.45)
Basic and diluted earnings per share from discontinued operations	0.01	(0.13)

In view of the fact that the Group has no dilutive potential ordinary shares at the end of 2010 and 2009, diluted earnings per share equal basic earnings per share. Calculation of the weighted average number of shares is based on following data:

On 3 May 2010, 8 948 000 new shares were issued. As a result of the share issue, the share capital of Ekspress Grupp increased to 29 796 841 shares and the weighted average in 2010 is 781 488 shares.

### Note 33. Derivative instruments

(thousand)	Non-current liabilities			
	EEK		EUR	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Interest rate swap	9 538	13 993	610	894
<b>Total</b>	<b>9 538</b>	<b>13 993</b>	<b>610</b>	<b>894</b>

*Interest rate swap* 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 makes fixed interest payments of 4.3%, receiving interest payments in return that have been calculated on the basis of 6-month Euribor.

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

As of 31.12.2010, the fair value of the interest rate swap contract was a negative and it is included with non-current liabilities in the line of other liabilities as presented in the above table. The change in the fair value in 2010 was EEK 4 448 thousand (EUR 284 thousand) and in 2009 the change was minus EEK 4 438 thousand (EUR 284 thousand).

### Note 34. Contingent liabilities

#### Contingent income tax liability

As of 31 December 2010, the consolidated retained earnings of the Group amounted to EEK 45 373 thousand (EUR 2 970 thousand) (31.12.2009: EEK 43 976 thousand (2 811 thousand)). Income tax of 21/79 of net dividend paid is imposed on the profit distributed as dividends. Thus, the retained earnings as of 31 December 2009 that can be paid out as dividends to the shareholders amount to EEK 35 845 thousand (EEK 2 291 thousand) and the corresponding income tax would amount to EEK 9 528 thousand (EUR 609 thousand). As of 31 December 2009, it would have been possible to pay out

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dividends to the shareholders in the amount of EEK 34 741 thousand (EUR 2 220 thousand), and the corresponding income tax would have amounted to EEK 9 235 thousand (EUR 590 thousand)

### Contingent liabilities related to Tax Inspection

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 2009-2010 except in Delfi Ukraine. The management believes that there are not any circumstances which may lead the tax authorities to impose significant additional taxes on the group companies.

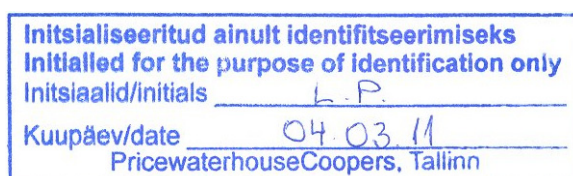
### Contingent liabilities arising from pending court cases

In the legislative proceeding of Harju County Court there is a civil dispute no 2-09-63661 OÜ Sanoma Baltic's (formerly OÜ Autoportaal) against Eesti Ajalehed AS to prohibit Eesti Ajalehed AS to reproduce, copy, edit and publish the works of OÜ Sanoma Baltic published on the website [www.auto24.ee](http://www.auto24.ee); to prohibit making extracts and re-using OÜ Sanoma Baltic's database published on the above-mentioned website or re-use significant parts of the database on [www.ekspressauto.ee](http://www.ekspressauto.ee) or on other portals; to oblige Eesti Ajalehed AS in the future to refrain from rights violating actions using plaintiff's works and databases without prior written permission from the plaintiff; to order payment of the foregone license fee for 32 months in the total amount of EEK 9 600 thousand (EUR 614 thousand). On 1 December 2010, OÜ Sanoma Baltic filed the court an application to involve AS Delfi as an additional defendant in the proceeding, as the plaintiff considers that despite the transfer of the portal, the violation named in the action continues. As it is a very complex legal dispute, it is very difficult to assess the likelihood of satisfaction. In case the action should be satisfied, the satisfaction of the monetary claim in full is unlikely as the amount of the claim compensation named in the application is calculated based on an operation where the total cost of plaintiff's economic activity has been considered as income of Eesti Ajalehed AS and this in turn has been considered as plaintiff's loss. In case the court finds AS Delfi's infringement, OÜ Sanoma Baltic may claim foregone license fees in 2010. The Group's management believes that the dispute is unlikely bring any significant financial commitment and as of 31 December 2010 no provisions have been recognised.

BF Regens' action against AS Printall is in the legislative proceeding of Harju County Court, with the payment amount of EEK 2 813 thousand (EUR 180 thousand) and with a fine for delay of EEK 748 thousand (EUR 48 thousand), with 11 January 2010 as the term when obligation falls due. Action is invoked on an authorisation agreement, according to which the plaintiff helped to draft the defendant's application for financing to Enterprise Estonia (hereafter EAS). The Group's management believes that satisfaction of the action is unlikely because according to the conditions of the contract concluded by the Parties, the Contract expired when EAS delivered their negative decision, i.e. 31 December 2008. It was not stipulated in any of the Contract's conditions that the Contract would be valid with all other applications submitted to EAS by AS Printall. Even if the action is satisfied, then it is likely that the Court will order payment of the amount calculated based on the initial application. There is no reasonable cause why BF Regens should be paid from a significantly larger volume project not prepared with BF Regens, compared to the project prepared with the help of BF Regens. Therefore, the order payment should rather be in the maximum amount of EEK 595 thousand (EUR 38 thousand) (including VAT), for which provisions have been recognised as of 31 December 2010.

On 25 January 2010, AS Delfi (Estonia) submitted a complaint to the European Court of Human Rights against the Republic of Estonia (case no. 64569/09) on the judgment of the Supreme Court of Estonia made on 10 June 2009 in civil matter no 3-2-1-43-09 Vjatšeslav Leedo's action against AS Delfi, which ordered payment of EEK 5 000 (EUR 320). The estimated time for verdicts is year 2015.

In addition, there is one civil dispute in the legislative proceeding of Tallinn District Court and three civil disputes in the legislative proceeding of Harju County Court. The disputes claim correction of incorrect data in the articles published in the Group's newspapers and claim compensation for damage in the total amount of EEK 450 thousand (EUR 28 760).



### Note 35. Related party transactions

Transactions with related parties are transactions with shareholders, joint ventures, associates, unconsolidated subsidiaries, key management, members of the Management Board, members of the Supervisory Board, 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, fixed assets) and sold its goods and services to (lease of fixed assets, management services, other services) to the following related parties:

#### Sales

(thousand)	EEK		EUR	
	2010	2009	2010	2009
<b>Sales of goods</b>				
Members of the Supervisory Board and companies related to them	25	1	2	0
Associates	16 017	23 535	1 024	1 504
<b>Total sale of goods</b>	<b>16 042</b>	<b>23 536</b>	<b>1 026</b>	<b>1 504</b>
<b>Sale of services</b>				
Members of the Supervisory Board and companies related to them	484	79	31	5
Associates	2 995	5 211	191	333
<b>Total sale of services</b>	<b>3 479</b>	<b>5 290</b>	<b>222</b>	<b>338</b>
<b>Total sales</b>	<b>19 521</b>	<b>28 826</b>	<b>1 248</b>	<b>1 842</b>

#### Purchases

(thousand)	EEK		EUR	
	2010	2009	2010	2009
<b>Purchase of services</b>				
members of Management Board and companies related to them	1 585	680	101	43
members of Supervisory Board and companies related to them	7 147	11 411	457	729
Associates	15	535	1	34
<b>Total purchases of services</b>	<b>8 747</b>	<b>12 626</b>	<b>559</b>	<b>806</b>

#### Receivables

(thousand)	EEK		EUR	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
<b>Short-term receivables</b>				
members of the Supervisory Board and companies related to them (Note 10)	3 389	3 054	217	195
Associates	5 927	4 566	379	292
<b>Total short-term receivables</b>	<b>9 316</b>	<b>7 620</b>	<b>596</b>	<b>487</b>
<b>Long-term receivables</b>				
members of Supervisory Board and companies related to them (Note 12)	1 100	1 550	70	99
<b>Total long-term receivables</b>	<b>1 100</b>	<b>1 550</b>	<b>70</b>	<b>99</b>
<b>Total receivables</b>	<b>10 416</b>	<b>9 170</b>	<b>666</b>	<b>586</b>

### Liabilities

(thousand)	EEK		EUR	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
<b>Current liabilities</b>				
members of Management Board and companies related to them	52	41	3	3
members of Supervisory Board and companies related to them	268	21 592	17	1 380
<b>Total liabilities (Note 20)</b>	<b>320</b>	<b>21 633</b>	<b>20</b>	<b>1 383</b>

According to the decision of the Annual General Meeting held on 2 June 2009, Hans H. Luik will be paid a guarantee fee of 1.5% p.a. on the guarantee amount for the personal guarantee of EUR 4 000 000 on the syndicated loan and overdraft agreements until the guarantee expires. The amount paid during 2010 was EEK 0.9 million (EUR 0.05 million) and as of 31.12.2010, there is no outstanding debt.

The Management Board of the Parent Company has three members and the Supervisory Board has seven members.

### Remuneration of key management and the members of the Supervisory Board (including management of subsidiaries and joint ventures)

(thousand)	EEK		EUR	
	2010	2009	2010	2009
Salaries and other benefits (paid)	15 642	18 859	1 000	1 205
<b>Total</b>	<b>15 642</b>	<b>18 859</b>	<b>1 000</b>	<b>1 205</b>

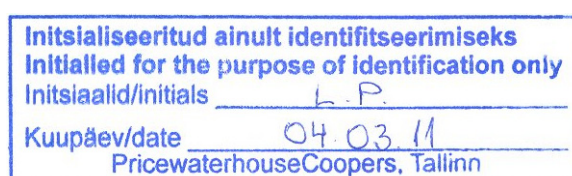
The members of the Management Board are entitled to receive compensation at the termination of their contracts in accordance with the terms laid down in their employment contracts. The key management terminations benefits are obligations only in case the termination of contracts is originated by Group. If a member of the Management Board is recalled without a substantial reason, the member will be paid compensation for termination of the contract in the amount of up to 4 months' salary. Upon termination of an employment relationship, no compensation will be paid if a member of the Management Board leaves at his or her initiative or if a member of the Management Board is removed by the Supervisory Board with a valid reason. Potential key management termination benefits total EEK 3 398 thousand (EUR217 thousand) in 2010 and EEK 3 472 thousand (EUR 222 thousand) in 2009.

The management estimates that the transactions with related parties have been carried out at arms' length conditions.

### Note 36. Events after the balance sheet date

#### Preliminary contract for the sale of AS Express Post

On 4 February 2011, AS Ekspress Grupp entered into a preliminary contract for the sale of its ownership interest in the joint venture AS Express Post, engaged in home delivery of newspapers. The acquirer of the ownership interest is AS Estonia Post. The transaction amount according to the preliminary contract was EUR 2 621 100.



AS Ekspress Grupp wishes to dispose of its ownership interest in this company due to its strategy to focus more on electronic media. This, the strategic value of this company is reduced for Ekspress Grupp. At the same time, the possible merger of Express Post and Estonia Post may make the delivery of newspapers more effective by combining various activities. The Company will conclude the final purchase and sales contract after the receipt of the merger permit from the Competition Board.

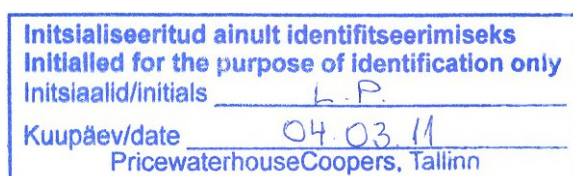
More detailed financial information about the joint venture is disclosed in Note 15.

#### Changeover to euro in Estonia

On 1 January 2011, the Republic of Estonia joined the euro zone and adopted the euro as the national currency, which replaced the Estonian kroon. Consequently, the Group's currency from 2011 is the euro and annual reports submitted to the Commercial Register in 2011 and in coming years will be in euros. The comparable data will be converted into euros at the transition rate of EEK 15.6466/EUR 1, which is also the fixed exchange rate used for the previous periods.

### **Note 37. Going concern**

As of 31 December 2010, the Group's current liabilities exceeded its current assets by EEK 51.4 million (EUR 3.3 million). The Group's consolidated financial statements have been prepared guided by the Group's going concern as in the managements opinion, the negative working capital as of 31 December 2010 does not cause the Group any economic difficulties during the next 12 months from signing the financial statement. In addition to unused balance in the total amount of EEK 36.6 million (EUR 2.2 million, see Note 21)) in bank accounts, the Group may use the long-term security deposit in the total amount of EEK 47.1 million (EUR 3 million) if necessary, for further information see Note 5.



### Note 38. Financial information on 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.

#### Statement of financial position of AS Ekspress Grupp (Parent Company)

(thousand)	EEK		EUR	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
<b>ASSETS</b>				
Cash	84	7 694	5	492
Trade receivables	59	51	4	3
Prepaid taxes	869	361	56	23
Other receivables	153 426	153 861	9 806	9 832
Prepayments	1 102	125	70	8
<b>Total trade and other receivables</b>	<b>155 456</b>	<b>154 398</b>	<b>9 936</b>	<b>9 866</b>
Inventories	1	0	0	0
<b>Total current assets</b>	<b>155 541</b>	<b>162 092</b>	<b>9 941</b>	<b>10 358</b>
<b>Non-current assets</b>				
Long-term deposit	47 074	0	3 009	0
Long-term financial investments	1 100	1 550	70	99
Shares of subsidiaries	396 521	109 616	25 342	7 006
Loans to subsidiaries	567 839	838 388	36 292	53 583
Shares of joint ventures	35 213	48 461	2 251	3 097
Property, plant and equipment	828	1 243	53	79
Intangible assets	840	839	54	54
<b>Total non-current assets</b>	<b>1 049 415</b>	<b>1 000 097</b>	<b>67 071</b>	<b>63 918</b>
<b>TOTAL ASSETS</b>	<b>1 204 956</b>	<b>1 162 189</b>	<b>77 012</b>	<b>74 276</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities</b>				
Borrowings	53 998	85 418	3 451	5 459
<b>Trade and other payables</b>				
Trade payables	413	976	26	62
Payables to employees	448	393	29	25
Taxes payable	373	287	24	18
Other liabilities	341 736	367 471	21 841	23 486
Deferred income	342 970	369 127	21 920	23 591
<b>Total trade and other payables</b>	<b>396 968</b>	<b>454 545</b>	<b>25 371</b>	<b>29 050</b>
<b>Total current liabilities</b>	<b>417 614</b>	<b>481 371</b>	<b>26 690</b>	<b>30 765</b>
Long-term borrowings	9 538	13 993	610	894
Derivative instruments	<b>427 152</b>	<b>495 364</b>	<b>27 300</b>	<b>31 659</b>
<b>Total non-current liabilities</b>	<b>824 120</b>	<b>949 909</b>	<b>52 671</b>	<b>60 709</b>
<b>Total liabilities</b>				
<b>Equity</b>				
Share capital at nominal value	297 968	208 488	19 044	13 325
Share premium	223 394	192 883	14 277	12 327
Statutory reserve capital	265	265	17	17
Other reserves	462	(3 993)	31	(255)
Retained earnings	(141 253)	(185 363)	(9 028)	(11 847)
<b>Total equity</b>	<b>380 836</b>	<b>212 280</b>	<b>24 341</b>	<b>13 567</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1 204 956</b>	<b>1 162 189</b>	<b>77 012</b>	<b>74 276</b>

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

(thousand)	EEK		EUR	
	2010	2009	2010	2009
Revenue	2 012	38 921	129	2 488
Cost of sales	657	31 985	42	2 044
<b>Gross profit</b>	<b>1 355</b>	<b>6 936</b>	<b>87</b>	<b>444</b>
Marketing expenses	152	2 249	10	144
Administrative expenses	13 534	21 619	866	1 382
Other income	3	3 716	0	237
Other expenses	28 643	279	1 831	18
<b>Operating profit (loss)</b>	<b>(40 971)</b>	<b>(13 495)</b>	<b>(2 620)</b>	<b>(863)</b>
<b>Finance income and costs</b>				
Finance income and costs on shares of joint ventures	21 503	29 869	1 374	1 909
Interest income	57 434	58 133	3 671	3 715
Interest expenses	(50 753)	(49 976)	(3 244)	(3 194)
Foreign exchange losses	(137)	(19)	(9)	(1)
Other finance income and costs	57 034	(92 319)	3 647	(5 900)
Total finance income and costs	85 081	(54 312)	5 439	(3 471)
<b>Profit (loss) before tax</b>	<b>44 110</b>	<b>(67 807)</b>	<b>2 819</b>	<b>(4 334)</b>
<b>PROFIT (LOSS) FOR THE YEAR</b>	<b>44 110</b>	<b>(67 807)</b>	<b>2 819</b>	<b>(4 334)</b>
<b>Other comprehensive income (expense)</b>				
Hedging reserve	4 455	(4 438)	286	(284)
<b>Total other comprehensive income (expense) for the year</b>	<b>4 455</b>	<b>(4 438)</b>	<b>286</b>	<b>(284)</b>
<b>Total comprehensive income (expense) for the year</b>	<b>48 565</b>	<b>(72 245)</b>	<b>3 105</b>	<b>(4 618)</b>

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

EEK thousand	Attributable to equity holders of the Group				Total equity
	Share capital	Share premium	Reserves	Retained earnings	
<b>Balance on 31 December 2008</b>	189 711	183 495	710	(120 476)	<b>253 440</b>
Total comprehensive income	0	0	(4 438)	(67 807)	(72 245)
Cancellation of share options	0	0	0	2 920	2 920
Reserve capital increase	18 777	9 388	0	0	28 165
<b>Total change</b>	<b>18 777</b>	<b>9 388</b>	<b>(4 438)</b>	<b>(64 887)</b>	<b>(41 160)</b>
<b>Balance on 31 December 2009</b>	<b>208 488</b>	<b>192 883</b>	<b>(3 728)</b>	<b>(185 363)</b>	<b>212 280</b>
Carrying amount of holdings under control or significant influence					<b>(158 077)</b>
Value of holdings under control or significant influence, calculated under equity method					<b>392 466</b>
<b>Adjusted unconsolidated equity as of 31.12.2009</b>					<b>446 669</b>
Net profit for financial year	0	0	4 455	44 110	48 565
Share capital increase	89 480	30 511	0	0	119 991
<b>Total change</b>	<b>89 480</b>	<b>30 511</b>	<b>4 455</b>	<b>44 110</b>	<b>168 556</b>
<b>Balance on 31 December 2010</b>	<b>297 968</b>	<b>223 394</b>	<b>727</b>	<b>(141 253)</b>	<b>380 836</b>
Carrying amount of holdings under control or significant influence					<b>(431 734)</b>
Value of holdings under control or significant influence, calculated under equity method					<b>618 854</b>
<b>Adjusted unconsolidated equity as of 31 December 2010</b>					<b>567 956</b>

The adjusted unconsolidated equity is the basis for the determination of distributable equity according to the Accounting Act of Estonia.

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EUR thousand	Attributable to equity holders of the Group				Total equity
	Share capital	Share premium	Reserves	Retained earnings	
<b>Balance on 31 December 2008</b>	12 125	11 727	45	(7 700)	<b>16 197</b>
Total comprehensive income	0	0	(283)	(4 334)	(4 617)
Cancellation of share options	0	0	0	187	187
Reserve capital increase	1 200	600	0	0	1 800
<b>Total change</b>	<b>1 200</b>	<b>600</b>	<b>(283)</b>	<b>(4 147)</b>	<b>(2 630)</b>
<b>Balance on 31 December 2009</b>	<b>13 325</b>	<b>12 327</b>	<b>(238)</b>	<b>(11 847)</b>	<b>13 567</b>
Carrying amount of holdings under control or significant influence					<b>(10 103)</b>
Value of holdings under control or significant influence, calculated under equity method					<b>25 083</b>
<b>Adjusted unconsolidated equity as of 31 December 2009</b>					<b>28 547</b>
Net profit for financial year	0	0	286	2 819	3 105
Share capital increase	5 719	1 950	0	0	7 669
<b>Total change</b>	<b>5 719</b>	<b>1 950</b>	<b>286</b>	<b>2 819</b>	<b>10 774</b>
<b>Balance on 31 December 2010</b>	<b>19 044</b>	<b>14 277</b>	<b>48</b>	<b>(9 028)</b>	<b>24 341</b>
Carrying amount of holdings under control or significant influence					<b>(27 593)</b>
Value of holdings under control or significant influence, calculated under equity method					<b>39 552</b>
<b>Adjusted unconsolidated equity as of 31 December 2010</b>					<b>36 299</b>

The adjusted unconsolidated equity is used as the basis for the determination of distributable equity according to the Accounting Act of Estonia.

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**Cash flow statement of AS Ekspress Grupp (Parent Company)**

(thousand)	EEK		EUR	
	2010	2009	2010	2009
<b>Cash flows from operating activities</b>				
Operating profit (loss) for the period	<b>(40 972)</b>	<b>(13 495)</b>	<b>(2 619)</b>	<b>(862)</b>
Adjustments for:				
Depreciation, amortisation and impairment	623	1 862	40	119
Profit (loss) on sale of property, plant and equipment	0	(473)	0	(30)
<b>Changes in working capital:</b>				
Trade and other receivables	54 079	34 389	3 456	2 198
Inventories	(1)	6 863	0	439
Trade and other payables	9 883	35 053	632	2 239
<b>Cash generated from operations</b>	<b>23 612</b>	<b>64 199</b>	<b>1 509</b>	<b>4 103</b>
Interest paid	(50 020)	(49 976)	(3 197)	(3 194)
<b>Net cash generated from operating activities</b>	<b>(26 408)</b>	<b>14 223</b>	<b>(1 688)</b>	<b>909</b>
<b>Cash flows from investing activities</b>				
Increase in share capital of subsidiaries	(313 385)	0	(20 029)	0
Proceeds from sale of shares in subsidiaries	46 940	0	3 000	0
Long-term deposit	(46 940)	0	(3 000)	0
Interest received	10 468	112	669	7
Dividends received	21 853	27 869	1 397	1 781
Purchase of property, plant and equipment	(208)	(554)	(13)	(35)
Proceeds from sale of property, plant and equipment	0	620	0	40
Loans granted	(1 091)	(3 279)	(70)	(210)
Loan repayments received	314 657	29	20 110	2
<b>Net cash used in investing activities</b>	<b>32 294</b>	<b>24 797</b>	<b>2 064</b>	<b>1 585</b>
<b>Cash flows from financing activities</b>				
Share issue	82 121	28 166	5 248	1 800
Change in overdraft used	(29 628)	7 836	(1 894)	501
Proceeds from borrowings	0	4 317	0	276
Repayments of borrowings	(65 989)	(73 180)	(4 217)	(4 677)
<b>Net cash generated from financing activities</b>	<b>(13 496)</b>	<b>(32 861)</b>	<b>(863)</b>	<b>(2 100)</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(7 610)</b>	<b>6 159</b>	<b>(487)</b>	<b>394</b>
Cash and cash equivalents at beginning of the period	7 694	1 535	492	98
Cash and cash equivalents at end of the period	84	7 694	5	492

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## **Independent auditor's report**



## LOSS ALLOCATION PROPOSAL FOR THE YEAR 2010

The Management Board of AS Ekspress Grupp proposes to allocate the net loss for the year ended 31 December 2010 in the amount of EEK (2 017) thousand (EUR 129 thousand) to retained earnings.

(thousand)	2010	
	EEK	EUR
<b>Retained earnings attributable to equity holders of AS Ekspress Grupp</b>		
Retained earnings	47 390	3 029
Net loss for 2010	(2 017)	(129)
<b>Total distributable profit on 31.12.2010</b>	<b>45 373</b>	<b>2 900</b>
<b>Retained earnings after allocations</b>	<b>45 373</b>	<b>2 900</b>

## 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 2010.

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.

### Management Board

<i>Signed digitally</i>	<i>Signed digitally</i>	<i>Signed digitally</i>	<i>Signed digitally</i>
Chairman	Member	Member	Member
Gunnar Kobin	Andre Veskimeister	Pirje Raidma	Erle Oolup
4 March 2011	4 March 2011	4 March 2011	4 March 2011

### Supervisory Board

.....	.....	.....
Chairman	Member	Member
Viktor Mahhov	Hans H. Luik	Ville Jehe

.....	.....	.....
Member	Member	Member
Harri Helmer Roschier	Aavo Kokk	Antti Mikael Partanen

### List of fields of activity

EMTAK	Field of activity	EEK thousand		EUR thousand	
		2010	2009	2010	2009
73121	Advertising revenue	231 857	231 066	14 818	14 768
18111	Newspaper printing	8 790	22 772	562	1 455
18122	Magazine printing	326 033	279 651	20 837	17 873
58131	Newspaper publishing	111 672	120 422	7 137	7 696
58141	Magazine publishing	60 368	71 312	3 858	4 558
46491	Book wholesale	33 886	43 849	2 166	2 802
82991	Other business	38 106	44 146	2 436	2 822
	<b>Total</b>	<b>810 712</b>	<b>813 218</b>	<b>51 814</b>	<b>51 974</b>