AS Ekspress Grupp
CONSOLIDATED ANNUAL REPORT
2011

(Translation of the Estonian original)

TABLE OF CONTENTS

GENERAL INFORMATION

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

The Annual Report consists of the statement of the chairman of the management board, management report, report of corporate governance code, consolidated financial statements, independent auditor's report and proposal for profit allocation. The document comprises 79 pages.

Management Board's confirmation of the consolidated annual report

The Management Board confirms that the management report of AS Ekspress Grupp disclosed on pages 5 to 24 presents a true and fair view of the business developments, results and financial position of the Parent Company and its group companies. The Management Board confirms that the consolidated financial statements disclosed on pages 25 to 75 gives to the best of its knowledge true and fair view of the assets, liabilities, financial position and results of the issuer and its group companies in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and includes description of major risks and doubts.

Gunnar Kobin	Chairman of the Management Board	*signed digitally*	08.03.2012
Pirje Raidma	Member of the Management Board	*signed digitally*	08.03.2012
Andre Veskimeister	Member of the Management Board	*signed digitally*	08.03.2012
Madis Tapupere	Member of the Management Board	*signed digitally*	08.03.2012

STATEMENT OF THE CHAIRMAN OF THE MANAGEMENT BOARD

The year 2011 was a year of restored growth for Ekspress Group. The improved economic environment helped the company to earn a net profit for the first time since the beginning of the economic crisis. Our net profit totalled EUR 1.7 million as compared to the loss of EUR 0.1 million in 2010. Our EBITDA growth was 28% as compared to last year, totalling EUR 7.8 million as compared to EUR 6.0 million in 2010. The company's sales increased by 11%, totalling EUR 57.4 million as compared to EUR 51.8 last year. In 2011, sales exceeded the budget by 2%.

The operating results of 2011 were impacted by several extraordinary activities.

- The net gain arising from the revaluation profit of additional 50% ownership in Eesti Päevalehe AS and the impairment loss recognised for goodwill of Eesti Päevaleht, Lithuanian magazine publisher Ekspress Leidyba and Delfi Latvia in amount EUR 790 thousand;
- Information technology developments made previously at Eesti Päevalehe AS were written down in the amount of EUR 270 thousand;
- We incurred extraordinary one-off expenses in the amount of ca EUR 150 thousand related to the merger and relocation of the editorial offices of Eesti Päevalehe AS and AS Eesti Ajalehed.

Excluding the net result attributable to revaluation gain and goodwill impairment loss, we earned normalised EBITDA in the amount of EUR 7.0 million which is 15% higher than last year and net profit from continuing operations in the amount of EUR 0.9 million, which is EUR 1.5 million higher than last year. The EBITDA margin increased by 0.6% in 2011.

In 2011, the company's restructuring process which had already been launched two years ago, continued.

In the periodicals segment, the most significant event was the acquisition of an additional 50% ownership interest in Eesti Päevalehe AS at the beginning of the year. This acquisition was a cash-free transaction. The former co-shareholder Jaan Manitski's company OÜ Vivarone acquired the real estate property previously in the ownership of Eesti Päevalehe AS (also current premises used by the editorial office) and AS Ekspress Grupp acquired the shares of Eesti Päevalehe AS from OÜ Vivarone previously held by the latter. As a consequence of the merger of Eesti Päevalehe AS and AS Eesti Ajalehed in the second half of the year, we managed to stabilise the economic activities of the newspaper Eesti Päevaleht and considerably improve the organisational efficiency of these two companies due to their merger. The estimated net gain from the acquisition of Eesti Päevalehe AS and its merger with AS Eesti Ajalehed is almost EUR 0.4 million for the year, expressed primarily in the improvement of efficiency. In addition to attainment of organisational efficiency, the merger enabled us to launch joint marketing packages both in the sale of advertisements as well as newspaper subscriptions, which had previously been independent of each other. More specifically, this expresses itself in cross-marketing of the newspapers published by AS Eesti Ajalehed as well as in preparation of joint product packages, the best example of which is the joint subscription packages of digital newspapers of Eesti Päevaleht and Eesti Ekspress.

In 2011, the second most important focus in the operations of the periodicals segment was development of digital newspapers. The digital products in our product portfolio include pay-per-read articles, the access to which can be bought through the newspapers' online pages, digital newspapers of Eesti Ekspress and Eesti Päevaleht which can be accessed through web browsers to be read in personal computers and the applications of Eesti Ekspress, Eesti Päevaleht and Ärileht for tablet computers. Based on the results of operations for the year 2011, we can state that Ekspress Grupp is the pioneer of digital publishing of periodicals. A significant acknowledgement of our digital product development was the ninth place won by Eesti Ekspress iPad application in the global digital publications contest WAN-IFRA XMA Cross Media Awards 2011, where our competitors were large, globally well-known publications. We also consider development of the time-based paywall for consumption of the digital content which we have created and the marketing chain based thereon to be unique in the world. However, the contribution of digital publishing revenue to the total periodicals segment is still insignificant.

During the restructuring of the periodicals segment, we decided to combine the separate book-publishing operations of newspapers into one entity, for the purpose of which we set up a new private limited company Hea Lugu. For the purpose of comparability, we shall treat this company as well as Eesti Päevalehe AS together with AS Eesti Ajalehed.

In the online segment, the key event was the recovery of EBITDA growth of Delfi Latvia. The sales of Delfi Latvia increased by 20% as compared last year, but while Delfi Latvia still incurred a EBITDA loss of EUR 107 thousand in 2010, it ended the year 2011 with a EBITDA profit of EUR 230 thousand. We consider the change in the concept of Delfi Ukraine as another important development, which has created an opportunity for a stable increase in the number of portal users, especially in the last months of the year. Advertising sales are also slowly picking up. The launching of Delfi digital book store at Delfi Estonia is also worth mentioning. During the first four months of its operation, Delfi Digiraamat achieved the third place in the terms of the number of books sold in the e-book market. In 2012, the plan calls for launching digital book stores also in Latvia and Lithuania. The sales in the online segment as a whole increased by 14% and EBITDA more than doubled.

In the printing services segment, AS Printall's success in the export markets continued. Both the company's sales as well as EBITDA increased by 15% as compared to last year. The key to Printall's successful results of operations lies in its high-quality export products, which the efficiently managed company is able to sell at competitive prices. Sales increased in all export markets. The largest markets continued to be Scandinavia and Russia, while the Netherlands and France have also become important markets. In the last quarter, exports made up 72% of the company's sales and the contribution made by group companies was 15%. The sales and net profit of Printall contribute significantly to the Group's total results of operations.

With regard to the cost structure of group companies, the greatest changes were related to the amendment of the Lithuanian tax laws, which increased Delfi Lithuania's liabilities in the form of the social tax, as well as the addition of the local news portal Eesti Elu acquired by Delfi Estonia to the cost base and the addition of rental expenses to the expenses of AS Eesti Ajalehed (Eesti Päevalehe AS used to be located on its own premises and did not incur any rental expenses). The other changes occurred in the expenses were primarily related to the growth of business; no major growth of in the number of employees or their wages occurred in 2011.

In **2012,** we expect conservative sales growth in the periodicals and online segments. Sales of periodicals are expected to increase due the recovery of advertising sales in the second half of the year just ended, which should also continue modestly this year. In the printing services segment, we do not expect any major growth due to the printing companies operating nearly at full capacity in peak periods. However, we expect the Group's EBITDA margin to grow by 1-2 percentage points this year, because we do not see any major sources of expense growth. Our objective in 2012 is to increase the efficiency of the online segment, continue the development of Delfi Ukraine and improve the efficiency of its advertising sales, increase the number of subscribers of digital publications and grow revenue in the periodicals segment, and take the united editorial offices to the next level on the basis of our media brands.

MANAGEMENT REPORT

The following report presents the consolidated financial information of AS Ekspress Grupp for the year 2011, the related market developments and management decisions.

Financial indicators of the income statement (EUR thousand)	2011	2010	Change %	2009	Change %
For the reporting period					
Sales	57 391	51 814	11%	51 974	0%
Gross profit	12 544	11 294	11%	9 292	22%
EBITDA	7 757	6 041	28%	(2 830)	313%
EBITDA (excl. change in goodwill)	**6 967**	**6 041**	**15%**	**3 014**	**100%**
Operating profit	4 233	2 760	53%	(6 289)	144%
Operating profit (excl. change in goodwill)	**3 443**	**2 760**	**25%**	**(445)**	**720%**
Profit /(loss) from continuing operations for the period	**1 683**	**(509)**	**431%**	**(9 457)**	**95%**
Net profit /(loss) for the period	**1 683**	**(146)**	**1250%**	**(12 144)**	**99%**
Balance sheet	**31.12.2011**	**31.12.2010**	**Change %**	**31.12.2009**	**Change %**
As of the end of the period					
Current assets	12 523	12 729	-2%	13 696	-7%
Non-current assets	68 986	73 253	-6%	81 404	-10%
Total assets	**81 509**	**85 982**	**-5%**	**95 100**	**-10%**
Current liabilities	16 547	16 018	3%	28 376	-44%
Non-current liabilities	26 574	33 665	-21%	38 159	-12%
Total liabilities	**43 121**	**49 683**	**-13%**	**66 535**	**-25%**
Equity	**38 388**	**36 299**	**6%**	**28 565**	**27%**

Profitability ratios (%)	31.12.2011	31.12.2010	31.12.2009
Sales growth (%)	11%	0%	-24%
Gross margin (%)	22%	22%	18%
EBITDA margin (excl. change in goodwill) (%)	12%	12%	6%
Operating margin (excl. change in goodwill) (%)	6%	5%	-1%
Net margin (%)	3%	0%	-23%
ROA (%)	2%	0%	-12%
ROE (%)	4%	0%	-32%
Earnings/(loss) per share EUR	0,06	(0,01)	(0,58)

Formulas used to calculate the financial ratios:

Sales growth (%)	(sales 2011 – sales 2010) / sales 2010*100
Gross margin (%)	gross profit/sales*100
EBITDA margin (excl. change in goodwill) (%)	EBITDA (excl. change in goodwill)/sales*100
Operating margin (excl. change in goodwill) (%)	Operating profit (excl. change in goodwill)/sales*100
Net margin (%)	net profit/sales*100
Earnings per share	net profit/average number of shares
ROA (%)	net profit/average assets *100
ROE (%)	net profit/average equity *100

Balance sheet ratios (%)	31.12.2011	31.12.2010	31.12.2009
Equity ratio (%)	47%	42%	30%
Liquidity ratio	0,8	0,8	0,5
Debt to equity ratio (%)	83%	107%	166%
Debt to capital ratio (%)	43%	48%	61%

Formulas used to calculate the financial indicators:

Equity ratio (%)	equity / (liabilities + equity)* 100
Liquidity ratio	current assets/current liabilities
Debt to equity ratio (%)	interest bearing liabilities /equity*100
Debt to capital ratio (%)	interest bearing liabilities –cash and cash equivalents (net debt)/ (net debt+ equity)*100

OVERVIEW OF THE SEGMENTS

In 2011 and 2010, the Group operated in the following segments:

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

Key financial data of the segments 2010/2011

Group

(EUR thousand)	Sales			EBITDA		
	2011	2010	Change %	2011	2010	Change %
online media	8 977	7 884	14%	1 425	758	88%
periodicals	24 069	22 520	7%	552	914	-40%
printing services	27 736	24 221	15%	5 959	5 198	15%
corporate functions	209	129	62%	(191)	(833)	77%
intersegment eliminations	(3 600)	(2 940)	-22%	12	4	200%
TOTAL	**57 391**	**51 814**	**11%**	**7 757**	**6 041**	**28%**

EBITDA margin	2011	2010
online media	16%	10%
periodicals	2%	4%
printing services	21%	21%
TOTAL	**14%**	**12%**

The segments' EBITDA does not include goodwill impairment. This is included within the corporate function. The segment results do not include intragroup management fees. Volume-based and other fees payable to advertising agencies have not been deducted from the advertising sales of segments.

News portals owned by the Group

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

Online media segment

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

(EUR thousand)	Sales			EBITDA		
	2011	2010	Change %	2011	2010	Change %
Delfi Estonia	3 177	2 643	20%	154	56	175%
Delfi Latvia	2 014	1 681	20%	230	(106)	317%
Delfi Lithuania	3 703	3 463	7%	653	737	-11%
Delfi Ukraine	56	35	60%	(259)	(522)	50%
Other Delfi companies	26	151	-83%	647	594	9%
intersegment eliminations	1	(89)	101%	0	(1)	-
TOTAL	**8 977**	**7 884**	**14%**	**1 425**	**758**	**88%**

Throughout the year, the main drivers behind the sales and EBITDA growth of the online segment were Delfi Estonia and Latvia. In Lithuania, the sales growth has been modest and the margin has been impacted by the increase in staff costs arising from the changes in taxation of employee compensations. Ukraine reduced its loss by almost half due to the lay-offs in the editorial staff at the beginning of the year. In summary, it can be said about the online media segment that Delfi Estonia and Latvia have started to demonstrate better results due to the improvement of the economic environment and the market has started to recover slightly in Lithuania. Delfi Ukraine continues to increase the number of its users; however, it will take a while before advertising revenue catches up. The ongoing focus of the editorial staff of Delfi is to improve the quality of their products and news.

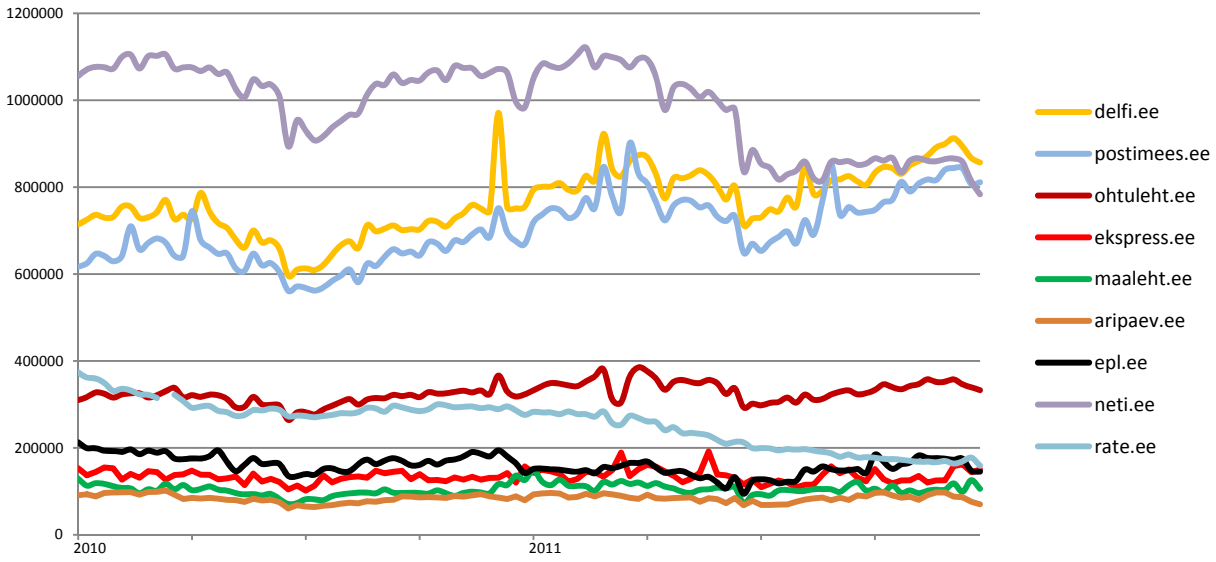
The key highlights during the year worth mentioning separately include:

- Advertising sales were launched in Delfi's mobile environments. The sales of video advertisements were also launched, creating better opportunities for the online segment to participate in the television advertising market. The growth of mobile advertisements has been aggressive, yet modest in absolute numbers.
- An important product development upgrade included the environment for collecting and displaying pictures, videos and anecdotes sent by users (in the portal vimka.ee in Estonia).
- Special vouchers were introduced under the trademark of Delfi Diil in all three Baltic States and in addition, the environment for aggregation of discount vouchers was launched where advertisements are sold to other companies offering discount vouchers.
- A new system of user comments was created, allowing users with a registered user identity to comment on the articles. The users can authorise themselves and make comments using the user names of the most popular social networks, such as Facebook, Twitter, draugiem.lv and odnoklasniki.ru.
- Integration with Facebook's environment where since June it is possible to read the news produced by the company as well as the news posted by the user's Facebook friends without exiting Delfi website.
- Additional fee-based services in the classified ads portals Müü!; Pardod!; Parduok! and Prodai! were introduced in all countries.

Delfi Estonia

- Delfi Estonia has become the website with the largest number of visitors, surpassing neti.ee in terms of the number of weekly users.
- During the organisational reform, the editorial office of Delfi was relocated to the joint premises with Eesti Ekspress, Eesti Päevaleht and Maaleht. Due to the relocation of the editorial offices to the same premises, the exchange of information and cooperation among various publications in covering major events has significantly improved.
- For the purpose of creating IT synergies, the web environments of Eesti Ekspress, Eesti Päevaleht and Maaleht have been moved to Delfi's portal platform and the articles published in newspapers are also published in Delfi's news feed.
- The e-business department of Delfi Estonia was launched with the goal of collaborating with the best online businesses and earning from e-commerce in addition to earning regular advertising revenue. In 2011, the most successful project was the development of the sales environment of e-books, Delfi Digiraamat. Delfi Digiraamat represents a cooperation project of the Estonian Digital Book Centre and Delfi, where Delfi sells all e-books digitalised or purchased for resale by the EDBC. At Delfi Digiraamat, it is possible to buy the majority of e-books published in Estonia
- A new advertising and content section "Reisileidja" (Trip Finder) was introduced which has received good feedback from tourist companies and generated new advertising revenue for Delfi.
- In the 1st quarter, Delfi Estonia acquired the portal Eesti Elu, which was used as the basis for developing a hyperlocal news portal, and which is becoming more and more popular.
- From October, Delfi news is displayed on the screens of city buses.
- In cooperation with SEB Charity Fund, Delfi Estonia successfully implemented a cooperation project "Christmas Wish Tree", with the objective to provide Christmas presents to 1000 children and young people without parental care. Delfi readers donated more than EUR 30 thousand in support of the project.

Estonian online readership 2010-2011



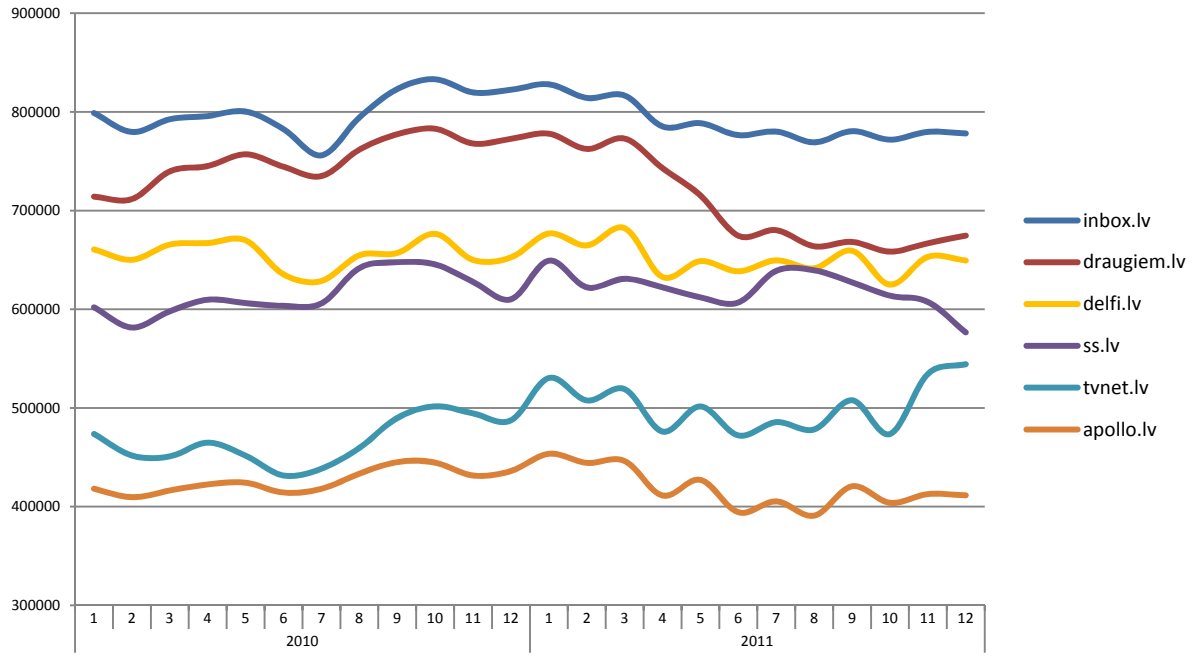
TNSMetrix weekly audience survey

At the end of 2011, Delfi Estonia became the most visited website, surpassing neti.ee with its weekly number of users. During 2011, the number of users of Delfi.ee has on average increased by 100 000 users a week. Two media publications - Delfi and Postimees – dominate the market. The most important developments in the Internet market have been related to the development of mobile environments, because the growth of smart phones as well as tablet computers continues at a fast pace. In 2012, the share of media consumption on mobile phones is expected to grow the fastest.

Delfi Latvia

- Delfi Latvia was awarded the special prize at the annual awards of the Latvian Journalist Association "Best Economic Publication of the Year".
- The Latvian Journalist Association recognised Delfi as the best publication to report on EU topics.
- Upgrades in the product design with enhancement of content quality have helped the company to reach the highest number of views per page among Latvian news portals.
- Collaboration projects in different fields:
    - With the help of the EU subsidy, the portal Morning.lv was launched with the goal of communicating information related to the European Parliament.
    - Delfi Latvia was selected as the media partner for the Latvian Olympic Committee in arranging the ceremony "Athlete of the Year".
    - Collaboration project "Road reporter" with TV3+ on national journalism.

Latvian online readership 2010-2011



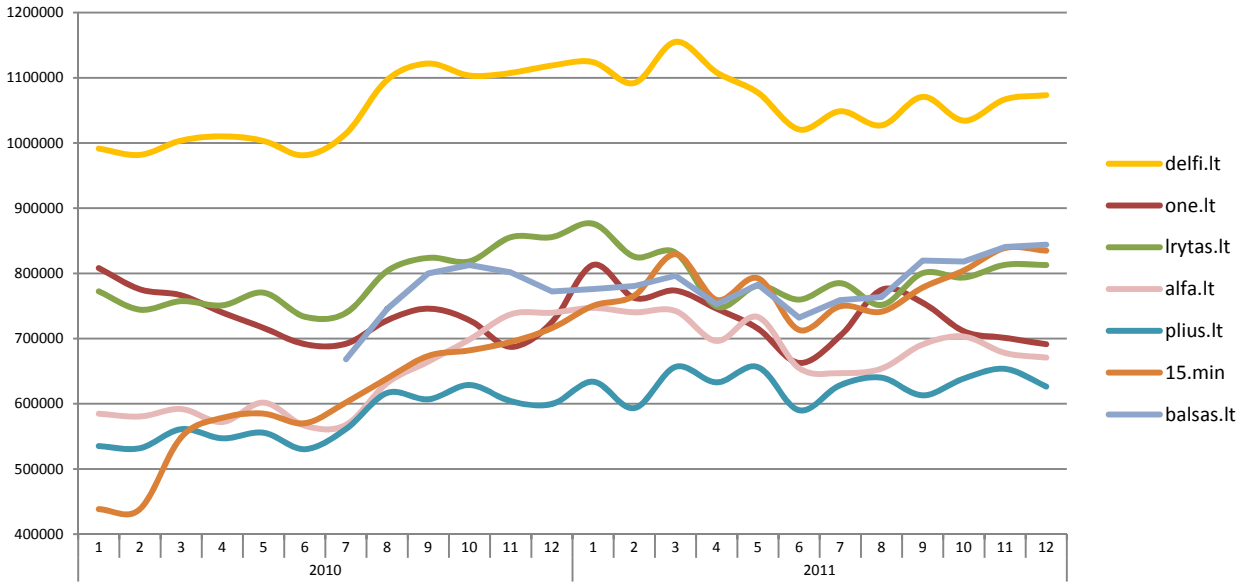
GemiusAudience monthly audience survey

The most popular website among the Latvian Internet users continues to be the e-mail environment Inbox.lv despite the fact that it lost ca 50 thousand users during the year. In terms of the number of users, the social network draugiem.lv still holds the second place but due to the growth of use of international social networks, the number of users of Draugiem is expected to fall – by ca 100 thousand as compared to last year. Delfi.lv continues to be the most popular news portal with its number of users remaining almost at the same level as last year. However, important changes occurred in the Latvian media market in 2011. Schibsted Media Group acquired the Latvian news portal tvnet.lv in March 2011 and the Russian language news portal novonews.lv in October, increasing its number of users by ca 50 thousand users with these acquisitions. The second acquisition in the field of online media occurred in September 2011, when Sanoma News acquired the second most-popular news portal apollo.lv.

Delfi Lithuania

- In the first quarter, Delfi Lithuania launched the women's news portal www.5braskes.lt with the goal of increasing its market share primarily targeted at women.
- In December, Delfi Lithuania was selected as the partner for MAMA 2011, the largest Lithuanian music awards gala which took place in Vilnius.
- From November, the new CEO of Delfi Lithuania is Aleksandras Česnavičius.
- From October, the news of Delfi Lithuania has been integrated into the popular IP TV "Gala" in Lithuania, where the readers can read Delfi news while watching TV.
- From October, the company started active cooperation with the Lithuanian national television.

Lithuanian online readership 2010-2011



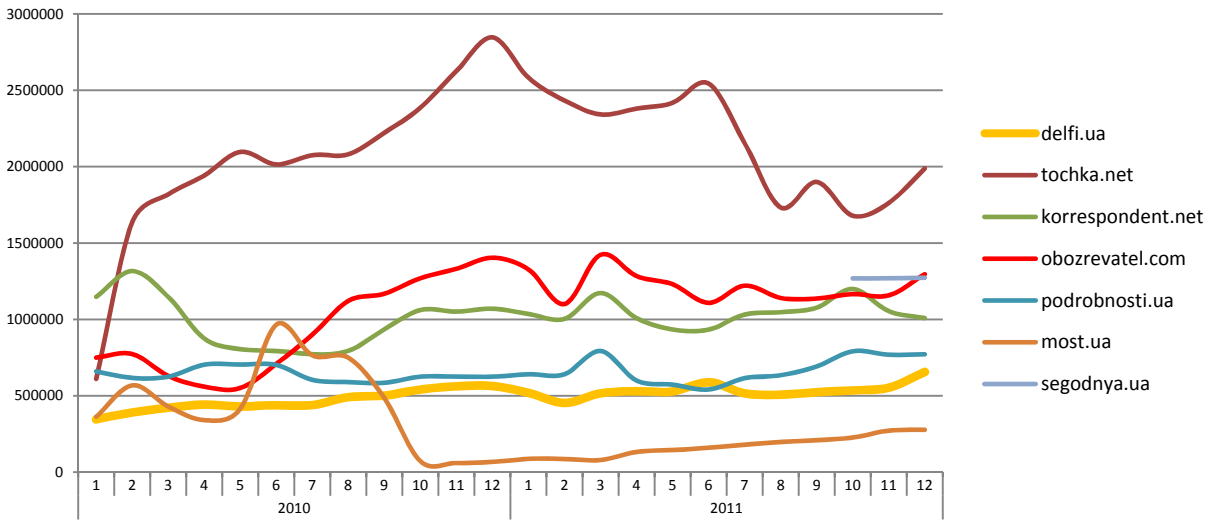
GemiusAudience monthly audience survey

Delfi continues to be the uncontested market leader among Lithuanian Internet users with more than one million unique users. The key event in the Lithuanian market was the arrangement of the European Basketball Championship; however, the activity of Internet users did not increase significantly. This can be attributed to the very good coverage of the games at home.

Delfi Ukraine

- In the 1st quarter, an important conceptual change was implemented, and a product and organisational reform was launched. The former conservative information portal strategy was abandoned and a more entertaining news portal with tabloid-like news with a social content was launched. The product was made more tabloid-like than it is normally customary in the Baltic States. The market reception of the new product has been good, expressed in the steady growth of unique users. In December, Delfi Ukraine had the highest number of visitors ever during its history.
- In November, cooperation with Tochka was launched.

Ukrainian online readership 2010-2011



GemiusAudience monthly audience survey

The Ukrainian Internet market operates in a significantly different manner than that of the Baltic States. Considerably less attention is paid to local media publications than the so-called "aggregators" which aggregate the news of media publication on their pages. During the year, several changes have occurred in the staffs and strategies of the market participants. The formerly popular concept of "buying readers" has become less widespread and therefore, the readership of media publications is beginning to resemble the actual real readership. In this light, it is good to acknowledge that Delfi's long-term strategy to attract loyal users has started to show positive results and the steady growth of readers is turning Delfi into a serious market contender in Ukraine.

Periodicals segment

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

In September, the Estonian Competition Authority granted its permission for the concentration of Eesti Päevalehe AS and Eesti Ajalehed AS. As of 1 October, these two companies were merged. At the same date, the book publishing department of the merged company was spun off as a separate legal entity. The new book publisher under the name of OÜ Hea Lugu will remain as the subsidiary of Eesti Ajalehed AS. The merger of the joint ventures AS SL Õhtuleht and AS Linnaleht occurred on 1 November 2011 and that of OÜ Uniservice and AS Ajakirjade Kirjastus occurred on 1 January 2012.

At the beginning of the year, a preliminary contract to sell Express Post AS was concluded with AS Eesti Post, which however was prohibited by the Competition Authority in autumn. Both shareholders of Express Post are currently considering various alternative scenarios to determine the future activities of the company.

(EUR thousand)	Sales			EBITDA		
	2011	2010	Change%	2011	2010	Change%
Eesti Ajalehed AS**	12 761	14 001	-9%	(211)	42	-603%
SL Õhtuleht AS*	3 432	3 441	0%	203	269	-25%
AS Ajakirjade Kirjastus*	4 190	4 370	-4%	164	168	-2%
UAB Ekspress Leidyba	2 816	2 725	3%	14	(317)	104%
AS Express Post*	2 396	2 417	-1%	290	297	-2%
OÜ Uniservice*	9	12	-25%	1	(6)	117%
intersegment eliminations***	(1 535)	(4 446)	65%	91	461	-
TOTAL	**24 069**	**22 520**	**7%**	**552**	**914**	**-40%**

*Proportionate share of joint ventures

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

***Intra-segment eliminations in EBITDA include the elimination of the 50% negative EBITDA of Eesti Päevalehe AS and the sales loss of the trademark of Ekspress Leidyba UAB in 2010, and the 50% negative EBITDA of Eesti Päevalehe AS and adjustment of the goodwill which arose on acquisition of an ownership interest in Eesti Päevalehe AS in 2011.

In 2011, the periodicals segment grew and this primarily due to the acquisition of an additional 50% ownership interest of Eesti Päevalehe AS. Without this change, the segment's results would have remained below last year's results. While the advertising sales recovered in 2011, the decline in book publishing as well as in circulation and revenue of printed newspapers and magazines continued. In the 4th quarter, EBITDA was negatively affected by the impairment loss recognised for the client relationship management software of Eesti Päevaleht, and the redundancy and relocation expenses due to the merger of Eesti Päevalehe AS and AS Eesti Ajalehed in the amount of ca EUR 120 thousand.

The Lithuanian publishing company Express Leidyba was the only company in this segment to grow its sales 2011, primarily due to the addition of the magazine Cosmopolitan. Sales declined the most at AS Ajakirjade Kirjastus and Eesti Ajalehed AS combined entity due to the aforementioned decline in the number of published books. Newspapers Maaleht and Eesti Ekspress surprised positively, with the advertising sales up by 14.1% and 9.6%, respectively. At the same time, advertising sales decreased by 3.0% at Õhtuleht and by 6.5% at Eesti Päevaleht. The revenue of single copy sales and subscriptions increased by 3.1% at Maaleht, remained at the same level as in 2010 at Eesti Ekspress and decreased by 2.6% at Õhtuleht and 9.2% at Eesti Päevaleht.

In the 2nd quarter, an important product upgrade was implemented at the newspaper Eesti Päevaleht. Under the guidance of the new editor-in-chief Vallo Toomet who had previously been in charge of economic news, the upgraded Eesti Päevaleht with a more magazine-like format and design was developed and launched. The product upgrade of Eesti Päevaleht was received well in the market, which

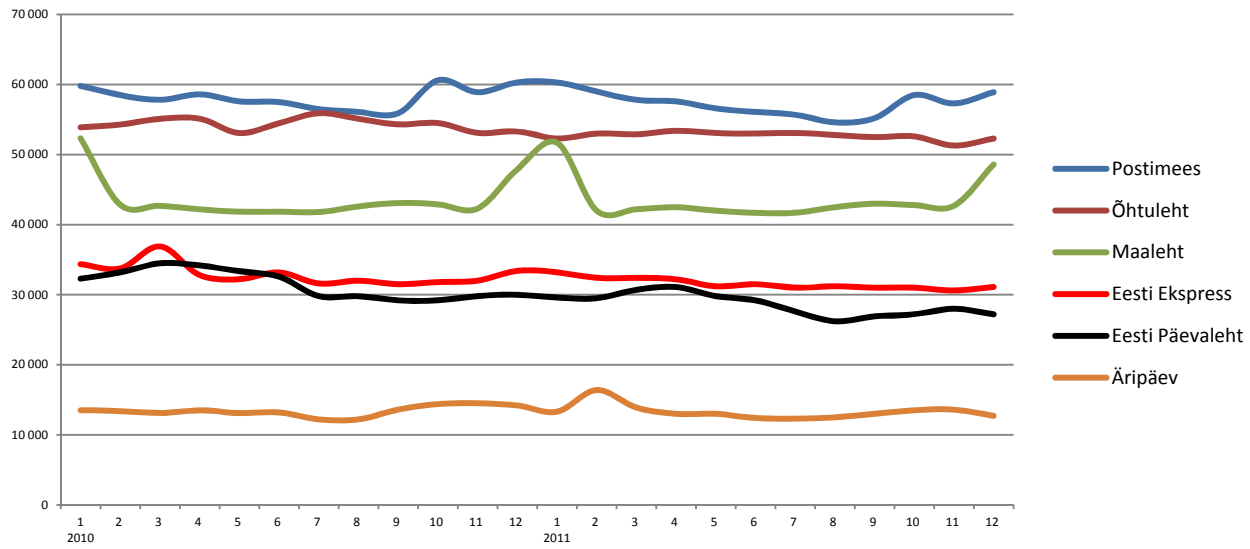
is evidenced by the fact that Eesti Päevaleht was the only national daily newspaper whose readership increased in the 3rd quarter.

In 2011, Janek Luts who had formerly worked as the editor-in-chief of Kuku Raadio became the editor-in-chief of Eesti Ekspress.

A joint digital newspaper campaign of Eesti Päevaleht and Eesti Ekspress was launched, where subscribers can buy the tablet PC Apple iPad at a special price. A software solution was also developed, enabling to use the product published on iPad from regular desktop or laptop computers.

The creation of the multi-media news space across the media units based in Estonia was also successfully launched. The editorial offices of various publications were relocated to common premises at the end of the 2nd quarter, followed by content integration and cooperation between different editorial offices and their people.

Estonian newspaper circulation 2010-2011

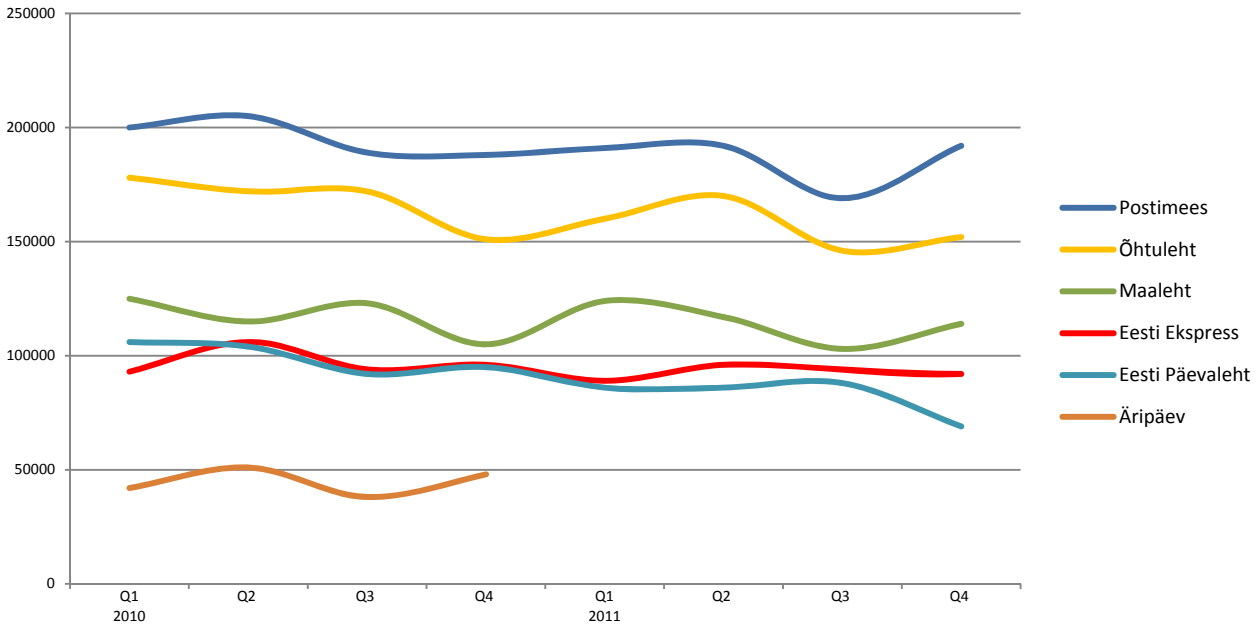


Estonian Newspaper Association data

The year 2011 was a year of relative stabilisation in the Estonian newspaper market. The circulation of major publications declined slightly, but not significantly. Postimees continues to be the newspaper with the highest circulation. In terms of comparison of the annual average circulation, Eesti Päevaleht was the biggest loser as compared to 2010. This decline was to be expected because the acquisition of the 100% ownership interest of the newspaper by Ekspress Grupp, the replacement of the editor-in-chief as well as the review of the concept of the newspaper always translates into losses in circulation.

Circulation is also affected by the continued decline of point of sales all over Estonia.

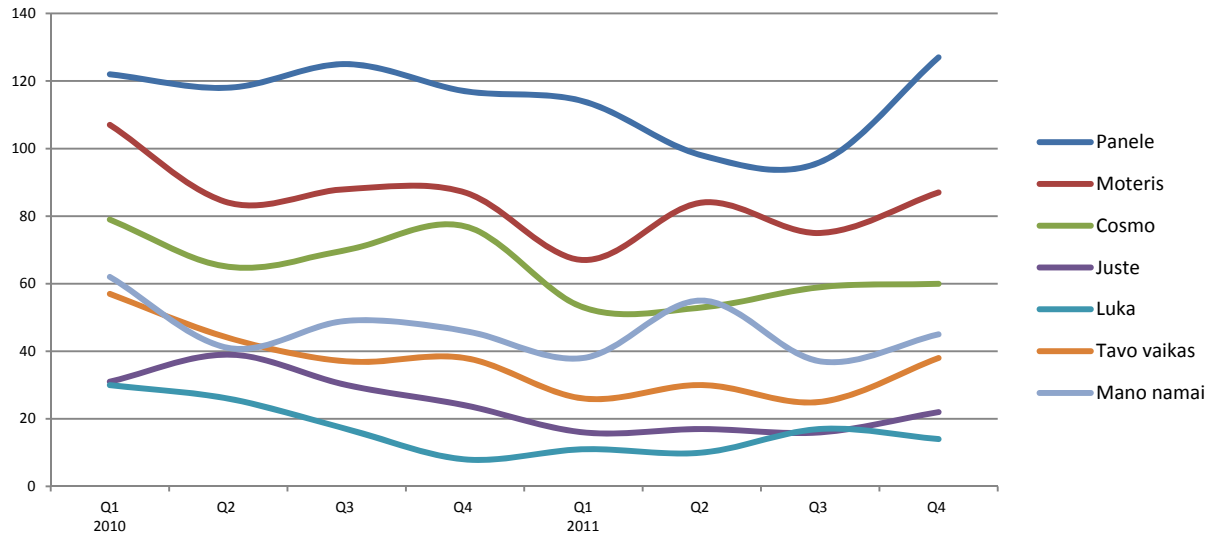
Estonian newspaper readership 2010-2011



TNS EMOR's quarterly audience survey

In the 4th quarter, the total reach of publications included in the reader surveys of TNS Emor was 62% of the population. In a year-over-year comparison, this translates into ca 20 thousand people abandoning printed newspapers. This confirms the international trend of a declining number of readers of printed newspapers in developed countries. Although the trend of readers is still downward, printed newspapers are still competitive in the advertising market in many respects, meaning that fast disappearance of printed newspapers is not yet to be expected. The readership figures for 2011 vary from quarter to quarter, showing that the consumption of printed newspapers is becoming more cyclical in nature than we have previously witnessed. However, these figures concern just the readers of printed newspapers. As Ekspress Grupp is developing the digital versions of its newspapers for the second consecutive year already, we are more optimistic about the future than the current readership figures indicate.

Ekspress Group Lithuanian magazine readership 2010-2011



TNS EMOR's quarterly audience survey

The readership figures in the last quarter of 2011 have increased significantly – as compared to the previous quarters, the readership of all magazines of Ekspress Leidyba has increased by 21% which is a very good result. However, as compared to the last year, the readership figures have stayed at the same level. Of the monthly magazines, Panele and Moteris are Lithuanian most popular publications.

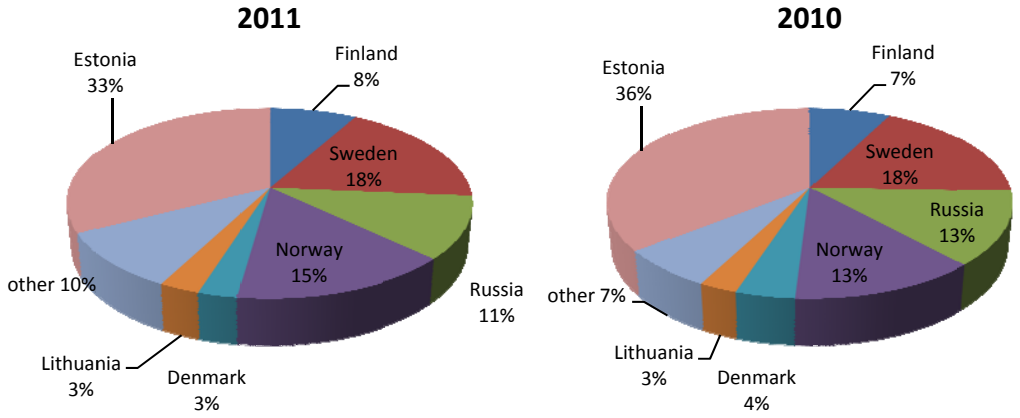
Printing services segment

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

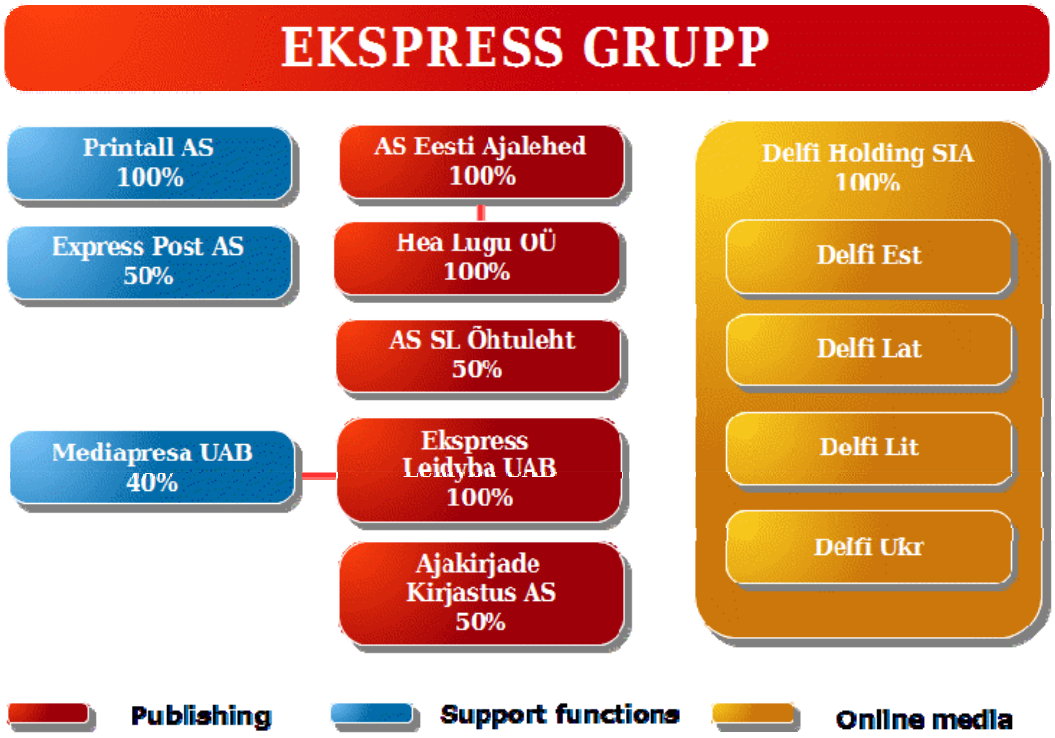
(EUR thousand)	Sales			EBITDA		
	2011	2010	Change %	2011	2010	Change %
AS Printall	27 736	24 221	15%	5 959	5 198	15%

The printing company Printall continues to exceed previous year's results. Both sales as well as EBITDA increased by 15%. The share of group companies in sales decreases and the share of exports increases. Most of the volume growth is generated by printing on *heatset* machines, but a positive trend in 2011 was the modest capacity growth of *coldset* machines as compared to the decline in previous years.

Geographical break-down of printing services



Group structure (see detailed list for all legal entities in the Group in Note 1 to the financial statements)



Shares and shareholders of AS Ekspress Grupp

As of 31.12.2011, the company's share capital is EUR 17 878 105 and it consists of 29 796 841 shares with the nominal value of EUR 0.60 per share. The General Meeting of Shareholders held on 30 May 2011 approved the conversion of share capital from Estonian kroons into euros, as a result of which the nominal value of a share was lowered from EUR 0.64 to EUR 0.60. The total number of shares did not change, but the share capital was reduced by EUR 1 165 548.

As of 31.12.2010, the company's share capital was EUR 19 043 652 and it consisted of 29 796 841 shares with the nominal value of EUR 0,64 per share. In May 2010 8 948 000 new shares were issued at price EUR 0,88 per share of which EUR 0,24 per share was share premium.

As of 31.12.2009, the company's share capital was EUR 13 324 738 and it consisted of 20 848 841 shares wit the nominal value EUR 0,64 per share. In January 2009 1 877 760 new shares were issued at the price EUR 0,96 per share of which EUR 0,32 per share was share premium.

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

Structure of shareholders as of 31.12.2011 according to the Estonian Central Register of Securities

Name	Number of shares	%
Hans Luik	16 023 692	53.78%
Hans Luik	*7 963 307*	*26.73%*
Hans Luik, OÜ HHL Rühm	*8 053 485*	*27.03%*
Hans Luik , OÜ Minigert	*6 900*	*0.02%*
ING Luxembourg S.A.	4 002 052	13.43%
Skandinaviska Enskilda Banken Ab Clients	3 127 253	10.50%
Funds managed by LHV Pank and LHV Varahaldus	2 136 450	7.26%
Members of the Management and Supervisory Boards and their close relatives	452 112	1.51%
Gunnar Kobin, OÜ Griffen SVP	*320 512*	*1.08%*
Gunnar Kobin, OÜ Griffen Holding	*91 836*	*0.31%*
Viktor Mahhov, OÜ Flexinger	*37 464*	*0.13%*
Aavo Kokk, OÜ Synd & Katts	*400*	*0.00%*
Pirje Raidma, OÜ Aniston Trade	*1 900*	*0.01%*
Other minority shareholders	4 028 282	13.52%
Total	**29 796 841**	**100.00%**

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

By virtue of the conditions laid down in the Group's loan agreements, payment of dividends to shareholders is limited and thus no corporate dividend policy exists.

Share information

The share price in euros and the trading statistics on OMX Tallinn Stock Exchange from 1 January 2009 until 31 December 2011.

The share price comparison with OMX Tallinn Stock Exchange index from 1 January 2009 until 31 December 2011

The following table shows the stock trading history.

Price (EUR)	12 months 2011	12 months 2010	12 months 2009
Opening price	1.53	1.03	0.78
Closing price	1.03	1.53	1.03
High	1.84	1.62	1.50
Low	0.95	0.80	0.39
Average	1.32	1.28	0.89
Traded shares, pcs	3 909 472	3 856 572	2 461 534
Sales, mln	5.17	4.92	2.18
Capitalisation on the balance sheet date, million	30.72	45.53	21.47
Price/earnings ratio	18	na	na

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 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 of the members of the Management Board, because these constitute sensitive information for the members of the Management Board and the disclosure of such information is not inevitably necessary for judgment of the company's management quality. Neither does the Group wish to disclose such information to its competitors.

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

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 2011, 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 2011, remuneration was neither assigned to the Parent Company of the Issuer nor to the members of the supervisory boards of the Group's subsidiaries and associates.

Election and authority of the governing bodies of Ekspress Group

General Meeting

The General Meeting is highest governing body of Ekspress Group. 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 Group for 2011 was held on 30 May 2011 at the seat of the company. The General Meeting approved Ekspress Group's annual report for the year 2010, and decided to cover the loss for the financial year from retained earnings. In addition, the agenda of the General Meeting included amendment of the articles of association, conversion of share capital into euros and reduction of share capital as well as appointment of the auditor. The General Meeting approved the amendment of the articles of association and the conversion of the nominal value of shares and share capital into euros, as a result of which the share capital was reduced by EUR 1 165 547.70 by reducing the nominal value of shares to EUR 17 878 104.60 and the nominal value of shares was reduced by 4 eurocents to 60 eurocents. The rounding of the conversion of the nominal value of shares has no legal meaning. It was decided not to make any payments to the shareholders due to the reduction of share capital, but to transfer this amount to retained earnings. The public limited company PricewaterhouseCoopers was approved as the auditor of the financial statements of Ekspress Group for the year 2011.

Supervisory Board

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

In accordance with the articles of association, the Supervisory Board shall comprise three to seven members. The number of the members shall be determined by the General Meeting. The members of the Supervisory Board shall be elected by the General Meeting for a term of five years.

The Supervisory Board of Ekspress Group has six members. The Supervisory Board comprises the Chairman of the Supervisory Board Viktor Mahhov and the members of the Supervisory Board Aavo Kokk, Hans H. Luik, Harri Helmer Roschier, Ville Jehe and Antti Mikael Partanen.

In 2011, four meetings of the Supervisory Board were held and on three occasions, decisions were adopted without calling a meeting of the Supervisory Board.

Management Board

The authorities of the Management Board of the Company are specified in the Commercial Code and they are limited to the extent determined in the articles of association of the company. The Management Board of Ekspress Group does not have any right to issue shares of the company.

Election of the members of the Management Board is in the competence of the Supervisory Board of the company. The members of the Management Board shall be elected for a term of up to five years. This change is effective from the change in Statute dated 30.05.2011. No automatic changes have taken place in the current contracts concluded with the existing members of the Management Board.

In order to elect and remove the members of the Management Board, a simple majority of the votes of the Supervisory Board is required. In order to resign from the position of a member of the Management Board, the member shall give one month's notice to the Supervisory Board.

There are no agreements between Ekspress Group and the members of the Management Board which would deal with the benefits in connection with a takeover of a public limited company provided for in Chapter 19 of the Securities Market Act.

In accordance with the articles of association, the Management Board shall comprise one to five members.

The Management Board of Ekspress Group has four members. The Management Board comprises the Chairman of the Management Board Gunnar Kobin, and the members of the Management Board Pirje Raidma, Andre Veskimeister and Madis Tapupere, who was elected as an additional member of the Management Board from 11 July 2011.

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 an ownership interest, has the right to acquire an ownership interest of the company in the aforementioned companies at a fair price.

Audit Committee

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

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

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

(EUR thousand)	31.12.2011	31.12.2010	Notes
ASSETS			
Current assets			
Cash and cash equivalents	2 729	2 767	5
Trade and other receivables	6 921	6 941	6
Inventories	2 833	2 961	10
Total	**12 483**	**12 669**	
Non-current assets held for sale	40	60	
Total current assets	**12 523**	**12 729**	
Non-current assets			
Term deposit	98	3 009	5
Trade and other receivables	167	162	11
Investments in associates	0	8	15
Property, plant and equipment	16 751	19 138	16
Intangible assets	51 970	50 936	17
Total non-current assets	**68 986**	**73 253**	
TOTAL ASSETS	**81 509**	**85 982**	
LIABILITIES			
Current liabilities			
Borrowings	5 436	5 233	19
Trade and other payables	11 111	10 785	18
Total current liabilities	**16 547**	**16 018**	
Non-current liabilities			
Long-term borrowings	26 397	33 053	19
Other long-term liabilities	1	2	
Derivate financial instruments	176	610	30
Total non-current liabilities	**26 574**	**33 665**	
TOTAL LIABILITIES	**43 121**	**49 683**	
EQUITY			
Share capital	17 878	19 044	29
Share premium	14 277	14 277	29
Reserves	480	46	29
Retained earnings	5 749	2 900	
Currency translation reserve	4	32	
Total capital and reserves attributable to equity holders of parent company	**38 388**	**36 299**	
TOTAL EQUITY	**38 388**	**36 299**	29
TOTAL LIABILITIES AND EQUITY	**81 509**	**85 982**	

The Notes presented on pages 29 to 75 form an integral part of the consolidated financial statements

Consolidated statement of comprehensive income

(EUR thousand)	2011	2010	Notes
Sales revenue	57 391	51 814	23
Cost of sales	(44 847)	(40 520)	24
Gross profit	**12 544**	**11 294**	
Other income	620	413	
Marketing expenses	(2 098)	(2 242)	25
Administrative expenses	(7 081)	(6 435)	26
Other expenses	(542)	(270)	
Gain from disposal of ownership in joint venture	1 540	0	12,27
Impairment of goodwill	(750)	0	27
Operating profit	**4 233**	**2 760**	
Interest income	45	52	
Interest expense	(2 212)	(2 596)	
Foreign exchange gains (losses)	45	16	
Other finance costs	(154)	(175)	
Net finance cost	**(2 276)**	**(2 702)**	
Profit (loss) from investments in associates	(52)	(33)	15
Profit (loss) before income tax	**1 905**	**25**	
Income tax expense	(222)	(534)	8
Profit (loss) from continuing operations	**1 683**	**(509)**	
Profit from discontinued operations	0	363	13
Profit (loss) for the reporting period	**1 683**	**(146)**	
Net profit (loss) for the reporting period attributable to:			
Equity holders of the parent company	1 683	(128)	
Non-controlling interest	0	(18)	
Other comprehensive income (expense)			
Currency translation differences	(28)	(73)	
Change in the fair value of hedging instrument	434	284	30
Total other comprehensive income (expense) for the period	**406**	**211**	
Comprehensive income for the reporting period attributable to:	**2 089**	**64**	
Equity holders of the parent company	2 089	82	
Non-controlling interest	0	(18)	
Basic and diluted earnings per share	0.06	(0.01)	29

The Notes presented on pages 29 to 75 form an integral part of the consolidated financial statements

Consolidated statement of changes in equity

(EUR thousand)	Attributable to equity holders of the Parent Company						Minority interest	Total equity
	Share capital	Share premium	Reserves	Retained earnings	Currency translation reserve	Total		
Balance on 31.12.2009	**13 325**	**12 327**	**(20)**	**2 810**	**105**	**28 547**	**18**	**28 565**
Profit/(loss) for the reporting period	0	0	0	(128)	0	(128)	(18)	(146)
Other comprehensive income (expense)	0	0	284	0	(73)	211	0	211
Comprehensive income (expense) for the reporting period	0	0	284	(128)	(73)	83	(18)	65
Change in revaluation reserve of investment property	0	0	(218)	218	0	0	0	0
Issued share capital	5 719	1 950	0	0	0	7 669	0	7 669
Balance on 31.12.2010	**19 044**	**14 277**	**46**	**2 900**	**32**	**36 299**	**0**	**36 299**
Conversion of nominal value of shares into euros	(1 166)	0	0	1 166	0	0	0	0
Profit/(loss) for the reporting period	0	0	0	1 683	0	1 683	0	1 683
Other comprehensive income (expense)	0	0	434	0	(28)	406	0	406
Comprehensive income (expense) for the reporting period	0	0	434	1 683	(28)	2 089	0	2 089
Balance on 31.12.2011	**17 878**	**14 277**	**480**	**5 749**	**4**	**38 388**	**0**	**38 388**

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

The Notes presented on pages 29 to 75 form an integral part of the consolidated financial statements

Consolidated cash flow statement

(EUR thousand)	2011	2010	Notes
Cash flows from operating activities from continuing operations			
Operating profit for the reporting period	4 233	2 760	
Adjustments for:			
Depreciation, amortisation and impairment	3 524	3 282	16,17
Gain from disposal of ownership in joint venture and goodwill impairment	(790)	0	27
Profit (loss) on sale and write-downs of property, plant and equipment	249	20	
Changes in working capital:			
Trade and other receivables	(121)	1 191	
Inventories	249	(265)	
Trade and other payables	(690)	(1 917)	
Cash generated from operations	**6 654**	**5 071**	
Income tax paid	(98)	(365)	
Interest paid	(2 318)	(2 596)	
Net cash generated from operating activities from continuing operations	**4 238**	**2 109**	
Net cash used in operating activities from discontinued operations	**0**	**(160)**	
Cash flows from investing activities			
Investments in subsidiaries and joint ventures	(26)	0	12
Term deposit release/(placement)	1 500	(3 000)	5
Proceeds from sale of shares in subsidiaries	0	3 980	
Interest received	51	62	
Purchase of property, plant and equipment	(914)	(581)	16,17
Proceeds from sale of property, plant and equipment	92	542	16,17
Loans granted	(30)	(39)	
Loan repayments received	126	648	
Net cash generated from investing activities from continuing operations	**799**	**1 611**	
Net cash generated from investing activities from discontinued operations	**0**	**0**	
Cash flows from financing activities from continuing operations			
Issue of shares	0	5 248	29
Finance lease repayments made	(1 245)	(1 279)	20
Change in overdraft used	(712)	(1 879)	19
Proceeds from borrowings	90	(245)	19
Repayments of borrowings	(3 208)	(5 188)	19
Net cash used in financing activities from continuing operations	**(5 075)**	**(3 342)**	
Net cash used in financing activities from discontinued operations	**0**	**(5)**	
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(38)**	**214**	
Cash and cash equivalents at the beginning of the period	2 767	2 553	
Cash and cash equivalents at the end of the period	2 729	2 767	

The Notes presented on pages 29 to 75 form an integral part of the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1. General information

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

AS Ekspress Grupp (registration number 10004677, address: Narva mnt.11E, 10151 Tallinn) is a holding company registered and operating in the Republic of Estonia. As of 31.12.2011, the Group consists of the subsidiaries, joint ventures and associates listed below.

Pursuant to the Commercial Code of the Republic of Estonia, the annual report including also the consolidated financial statements prepared by the Management Board and approved by the Supervisory Board shall be approved by the General Meeting of Shareholders. This annual report was approved by the Management Board on 8 March 2012.

The consolidated financial statements of AS Ekspress Grupp (hereinafter the Group) for the year 2011 reflect the results of the following group companies.

Company name	Status	Ownership interest 31.12.2011	Ownership interest 31.12.2010	Main field of activity	Domicile
Operating segment: corporate functions					
AS Ekspress Grupp	Parent Company			Holding company and support services	Estonia
Operating segment: periodicals					
Eesti Ajalehed AS	Subsidiary	100%	100%	Newspaper publishing	Estonia
OÜ Hea Lugu	Subsidiary	100%	-	Book publishing. Took over Eesti Ajalehed AS book-publishing operation from 1 October 2011	Estonia
Eesti Päevalehe AS	Subsidiary/ joint venture	-	50%	Newspaper publishing. Wholly-owned subsidiary from March 2011, operation merged with Eesti Ajalehed AS from 1 October 2011	Estonia
UAB Ekspress Leidyba	Subsidiary	100%	100%	Magazine publishing	Lithuania
Medipresa UAB	Associate	40%	40%	Periodicals' wholesale distribution	Lithuania
AS SL Õhtuleht	Joint venture	50%	50%	Newspaper publishing	Estonia
AS Linnaleht	Joint venture/ associate	-	25%	Newspaper publishing. Joint venture from March 2011. Merged with AS SL Õhtuleht on 1 November 2011	Estonia
AS Ajakirjade Kirjastus	Joint venture	50%	50%	Magazine publishing	Estonia
Uniservice OÜ	Joint venture	50%	26%	Internet portal management. Merged with AS Ajakirjade Kirjastus on 1 January 2012	Estonia
AS Express Post	Joint venture	50%	50%	Periodicals' home delivery	Estonia
Operating segment: online media					
SIA Delfi Holding	Subsidiary	100%	100%	Management of online media subsidiaries	Latvia
Delfi AS	Subsidiary	100%	100%	Online media	Estonia
OÜ Saarmann Meedia	Subsidiary	100%	-	Online media (operations transferred to Delfi AS in Estonia)	Estonia
Delfi AS	Subsidiary	100%	100%	Online media	Latvia
Mango.lv SIA	Subsidiary	-	100%	Online media, merged with Delfi AS in Latvia in November 2011	Latvia
Delfi UAB	Subsidiary	100%	100%	Online media	Lithuania
UAB Ekspress Portals	Subsidiary	100%	100%	Online media (discontinued)	Lithuania
TOV Delfi	Subsidiary	100%	100%	Online media	Ukraine
Operating segment: printing services					
AS Printall	Subsidiary	100%	100%	Printing services	Estonia

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

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

Basis of preparation

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

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

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

On 1 January 2011 Republic of Estonia joined euro-zone and exchanged its national currency Estonian kroon against euro. As a result the functional currency of the Parent company and its Estonian group companies is euro (EUR) since 1 January 2011. Change in functional currency is recognized prospectively. As of 1 January 2011 the Parent company and its Estonian group companies revalued opening balance in their books based on exchange rate 15,6466 Estonian kroons/euro.

These consolidated financial statements are presented in thousands of euros, unless otherwise indicated. Comparatives presented in these consolidated financial statements have been revalued based on exchange rate 15,6466 Estonian kroons/euro. As the beforementioned exchange rate has been fixed and effective in previous periods then no revaluation gain or loss occurred.

Comparability

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

Standards, amendments to standards and interpretations which became effective in the financial year of the Group beginning on 1 January 2011

Amendment to IAS 24 "Related Party Disclosures", issued in November 2009. The amended standard simplifies the disclosure requirements for state entities and clarifies the meaning of a related party.

Improvements to International Financial Reporting Standards, issued in May 2010. 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 the 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 impact, 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 a 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. As a consequence of the amendments provided above, the disclosures were supplemented or changed in the financial statements, but there were no significant effects on the measurement or recognition of transactions or balances reported in these financial statements. The financial impact of the collateral, the disclosure of which is required by the amendments to IFRS 7, is presented accordingly in these financial statements.

The other new or amended standards or interpretations which became effective for the first time in the financial year beginning on 01.01.2011, did not have a material impact on the Group.

New standards, amendments to standards and interpretations which will become mandatory for the Group in the financial year beginning on or after 01.01.2012 and which the Group has not adopted early but which may have an effect 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 2015; not yet adopted by the EU). IFRS 9 will replace those parts of IAS 39 relating to the classification and measurement of financial assets. The key features are as follows:

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

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

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 EU). 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 type. Entities are also required to disclose information enabling the users of 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 arising

from them, additional disclosures shall be made in order to understand the impact of these risks. The Group is evaluating the impact of the amended standard on the disclosures made in the financial statements.

IFRS 10, Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU). The standards will replace the guidance for control and consolidation in IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation – Special Purpose Entities". IFRS 10 changes the definition of control so that the same criteria are applied to all entities for determining control. The application of the definition is aided by extensive application guidance. The Group is evaluating the impact of the standard on its financial statements.

IFRS 11, Joint Arrangements (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU) will replace the standard IAS 31 "Interest in Joint Ventures" and SIC 13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers". Amendments in definitions have reduced the types of joint arrangements to two – joint operations and joint ventures. The current accounting policy choice of proportionate consolidation has been eliminated for jointly controlled entities. Those with an ownership interest in joint ventures are required to use the equity method. The Group is evaluating the impact of the standard on its financial statements.

IFRS 12 Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU). The standard will apply to entities with an ownership interest in subsidiaries, joint ventures, associates or unconsolidated structured entities; it will replace the disclosure requirements in IAS 28 "Investments in Associates". IFRS 12 requires entities to disclose such information that would enable the users of financial statements to evaluate the nature, risks and financial effects of ownership interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet this objective, the new standard requires disclosures about different areas, including (i) key judgments and assumptions used to determine whether an entity has control, joint control or significant influence over the other entity; (ii) more detailed information about the share of non-controlling interests in the activities and cash flows of the Group; (iii) combined financial information about subsidiaries with significant non-controlling interests; and (iv) detailed disclosures about interests in unconsolidated structured entities. The Group is evaluating the impact of the standard on its financial statements.

IFRS 13 Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU). The objective of the standard is to improve consistency and reduce complexity, therefore, the standard contains a revised definition of fair value and the bases of measurement of fair value and disclosure requirements used in other IFRSs. The Group is evaluating the impact of the standard on its financial statements.

IAS 27 (amended in 2011), Separate Financial Statements (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU). The objective of the amended standards is to specify the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates if an entity prepares unconsolidated financial statements. The guidance on control and consolidated financial statements was replaced IFRS 10 "Consolidated Financial Statements". The Group is evaluating the impact of the amended standard on its financial statements.

IAS 28 (revised in 2011), Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU). The standard was amended due to the issue of IFRS 11 and it includes the requirement that joint ventures shall be recognised under the equity method similarly to associates. According to the Group's preliminary estimate, the amended standard may impact its financial statements.

Presentation of Items of Other Comprehensive Income – amendments to IAS 1 (effective for annual periods beginning on or after 1 July 2012). The amendments require entities to separate items in the statement of other comprehensive income into two groups, depending on whether they may or may not be reclassified to profit or loss in the future. The proposed title of the statement has been amended in IAS 1, with the new title being "statement of profit or loss and other comprehensive income". The Group expects the amended standards to change the presentation in its financial statements but not to impact the recognition of transactions or balances.

Amendment to IAS 19, Employee Benefits (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU) changes significantly (i) the recognition and measurement of defined benefit expenses and termination benefits, (ii) disclosures about all employee benefits. The standard requires all changes in net defined benefit liabilities (assets) to be recognised when they occur as follows: (i) service cost and net interest income (cost) in the profit or loss, and (ii) restatement in other comprehensive income. The Group is evaluating the impact of the amended standard on its financial statements.

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

Offsetting Financial Assets and Financial Liabilities – amendments to IAS 32 (effective for annual periods beginning on or after 1 January 2014; not yet adopted by the EU). The amendment added application guidance to IAS 32 to deal with inconsistences identified in applying some offsetting criteria. It clarifies, inter alia, the meaning of 'currently has a legally enforceable right of set-off' as well as that some gross settlement systems may be considered as equivalent to net settlements. The Group is evaluating the impact of the amendment on the Group and the timing of its adoption by the Group.

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

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

Principles of consolidation

Subsidiaries

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

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

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

Transactions with non-controlling interests

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the comprehensive 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 venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

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

Associates

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

The Group's share of its associates' post-acquisition profits or losses is recognised in the comprehensive 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.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank accounts 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 in functional currency, which is the currency of the primary economic environment in which the company operates. The consolidated financial statements are presented in euros. In 2010 the presentation currency of the Group was Estonian kroon, however due to Rules of OMX Tallinn Stock Exchange the consolidated financial statements were in parallel presented also in euros.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions of the central banks of the countries where 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 comprehensive income statement.

Group companies

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

(a) assets and liabilities for each balance sheet presented are translated to euros at the closing rate of the European Central Bank at the date of that balance sheet;

(b) income and expenses for each income statement are translated to euros at average exchange rates of the European Central Bank;

(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 Lithuanian litas is pegged to the euro, currency translation differences arise from the translation into the presentation currency. The exchange differences of LVL and UAH are recognised directly in equity as a "Currency translation reserve".

Inventories

In the balance sheet, inventories are stated at the lower of cost and net realisable value. Cost is determined using 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, available-for-sale financial assets and assets presented at fair value through profit or loss. The management determines the classification of its financial assets at initial recognition and reviews the asset's classification at each balance sheet date. The Group's management assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. The purchases and sales of financial assets are recognised at the trade date – the date at which the Group commits to purchase or sell the asset.

Loans and receivables

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

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less a provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are

considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the initial effective interest rate.

Property, plant and equipment

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

Property, plant and equipment are stated at historical cost less any depreciation. Cost includes the purchase price, non-refundable taxes and other expenditure that are directly or indirectly attributable to the acquisition of non-current items. The cost of items of property, plant and equipment also includes estimates of the costs of dismantling and removing the item and restoring the site on which it is located, 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 financial liabilities (interest expenses) are included within the cost of non-current assets.

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

If the recoverable amount of an asset is lower than its carrying amount, an impairment loss is recognised for the amount of which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and its value in use. The estimated future discounted cash flows are used as the basis for determining value in use (see also the accounting policy "Impairment of assets"). Impairment losses 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 the amounts determined by comparing sales proceeds with the carrying amount and they 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.

Buildings and structures	20-30 years
Machinery and equipment:	
Production equipment	8-12 years
Other non-current assets:	
Vehicles	5-10 years
Other fixtures and equipment	2-5 years

Subsequent expenditure incurred for items of property, plant and equipment are recognised as separate non-current assets, when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the profit or loss 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, association or joint venture at the date of acquisition. Goodwill on acquisitions of subsidiaries and joint ventures is included in intangible assets; goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested at least annually for impairment and where necessary, impairment losses are recognised. Impairment losses on goodwill are not reversed. Goodwill recognised in the consolidated balance sheet is taken into account when calculating the gains and losses at the disposal of the shares of a subsidiary or joint venture. If the cost of acquisition is lower than the fair value of the net assets acquired, the difference is recognised directly in profit or loss.

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

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

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

Capitalised costs include the cost of materials and direct labour costs. Other development and research costs are recognised as an expense in profit or loss at the time they are incurred. Capitalised development costs are recognised at cost less any accumulated amortisation and any impairment losses. Development costs are expensed under a straight-line method over the expected useful life, the maximum length of which does not exceed 5 years.

Other intangible assets

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

- Other intangible assets 2-5 years

Impairment of assets

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

Financial liabilities

All financial liabilities (trade payables, borrowings, accrued expenses and other borrowings) are initially recognised at their fair value, including all transaction costs. Financial liabilities are recognised at the trade date. After initial recognition, financial liabilities are measured at amortised cost. The amortised cost of short-term liabilities normally equals their nominal value; therefore short-term liabilities are stated in the balance sheet at 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 company does not have an unconditional right to defer the payment for later than 12 months after the balance sheet date. Borrowings whose due date is within 12 months after the balance sheet date but which are refinanced as non-current after the balance sheet date but before the financial statements are authorised for issue are recognised as current. Borrowings that the lender has the right to recall at the balance sheet date due to a breach of contractual terms are also classified as current. Borrowing costs 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.

Derecognition of financial assets

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

Provisions

Liabilities that have arisen as a result of past event before the balance sheet date, which have a legal or contractual basis or arises from established or published practice, which are expected to result in an outflow of resources, and which can be reliably measured, but for which the actual payment amount and payment date have not been definitely determined, are recorded as provisions in the balance sheet. The provisions are recognised based on the management's estimates regarding the amount and timing of the expected outflows. A provision is recognised in the balance sheet in the amount which according to the management is necessary for settling the obligation or transfer it to the third party as of the balance sheet date. The provision expense is included in profit or loss 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 a bonus policy which is approved with the order of the Management Board. Payables to employees also include a 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 a vacation payroll accrual together with social security and unemployment insurance payments is included within "current liabilities" in the balance sheet and as personnel expenses in profit or loss.

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 a reduction of the outstanding balance of the liability. Finance costs are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recorded in profit or loss, 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 payment 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 at 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 and movements in the hedging reserve included in equity are shown in the Notes. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining useful life of a hedged item is more than 12 months, and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months.

Cash flow hedge

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

The amounts accumulated in equity are reclassified to the comprehensive 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 comprehensive income statement when the forecast transaction is ultimately recognised in the comprehensive 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 comprehensive 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

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

Sales of subscribed periodicals and books

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

Sale of services

Revenue from the sale of services is recognised in the accounting period in which the services are rendered, or if a service is provided over a long period of time, based on the stage of completion method. Revenue from sales and intermediation of media and advertising services is recognised as income in the same period when the 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 from longer term advertising packages is allocated on a linear basis over the package duration.

Interest income

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

Dividend income

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

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 at the balance sheet date.

Events after the balance sheet date

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

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

Segment reporting

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

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

Corporate income tax and deferred income tax

Corporate income tax in Estonia

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

The corporate income tax arising from the payment of dividends is not recognised as a 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 in Latvia is 15% (2010: 15%), in Lithuania 15% (2010: 15%) and in Ukraine 23% (2010: 25%, from 2012: 21%).

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

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 17), valuation of inventory (Note 10), valuation of goodwill (Note 17), determination of useful lives of property, plant and equipment (Note 16) and valuation of receivables and loans granted (Notes 4, 6, 7), evaluation of derivative instruments (Notes 4, 30).

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

According to the estimates, the useful lives trademarks and licences are 20-50 years, based on past experiences on useful lives of similar trademarks (carrying amount as of 31.12.2011 is EUR 9 886 thousand and as of 31.12.2010, EUR 8 955 thousand. The trademark in the online segment is the title of the online portal "Delfi", the trademarks in periodicals segment are mainly the titles of different publications (magazines, newspapers). The remaining amortisation period of online media trademarks is 46 years.

Carrying amounts of trademarks by segment

(EUR thousand)	31.12.2011	31.12.2010
Online media	7 369	7 540
Periodicals	2 517	1 415
Total trademarks	**9 886**	**8 955**

The useful lives of advertising customer relationships are estimated to be 5 years based on the statistical data of sales of media agencies such as sales and purchase volumes. The estimated useful lives of customer relationships of newspaper subscribers are up to 2 years. As of 31.12.2011, the carrying amount of customer relationships was EUR 397 thousand and as of 31.12.2010, EUR 741 thousand. Similarly to 2010, no changes were made to amortisation rates in 2011.

If the useful lives of trademarks and customer relationships increased by 10%, the annual amortisation charge would decrease by EUR 26 thousand and EUR 55 thousand, respectively. If the useful lives of trademarks and client relationships decreased by 10%, the annual amortisation charge would increase by EUR 32 thousand and EUR 67 thousand, respectively. The total decrease/increase in the amortisation

charge of intangible assets in case of an increase/decrease in useful lives by 10% would be EUR 143 thousand and EUR 117 thousand, respectively.

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. For determining the impairment of finished goods (carrying amount as of 31.12.2011, EUR 867 thousand and as of 31.12.2010, EUR 945 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 31.12.2011, EUR 1 701 thousand and as of 31.12.2010, EUR 1 601 thousand)), their potential use in producing finished goods and generating income is considered; upon valuation of work in progress (carrying amount as of 31.12.2011, EUR 267 thousand and as of 31.12.2010, EUR 294 thousand), their stage of completion that can reliably be measured is considered.

c) Goodwill valuation

As of 31.12.2011 and 31.12.2010, the management has carried out impairment tests for goodwill which had arosen upon acquisition of the following cash-generating units or companies: Delfi Estonia, Delfi Latvia, Delfi Lithuania, Ekspress Leidyba, Ajakirjade Kirjastus, Maaleht published by Eesti Ajalehed AS and Eesti Päevaleht with its book-publishing operation, additional 50% ownership was acquired in 2011. As of 31.12.2010, an impairment test for the employment portal of Eesti Päevalehe AS (hyppelaud.ee), which as of 2011 forms part of the goodwill of Eesti Päevaleht, was 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). For Ekspress Leidyba, the recoverable amount of the investment is based on a potential sales price.

Based on the results of the impairment test, impairment losses were recognised for goodwill in the amount of EUR 750 thousand in 2011. In 2010, no impairment losses were recognised. A more detailed overview of the impairment losses of goodwill by cash-generating units is disclosed in Note 17.

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 the given field and future projections. The management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

According to the estimates, the useful lives of buildings are 20-30 years, depending on their structure and purpose (carrying amount as of 31.12.2011, EUR 4 250 thousand and as of 31.12.2010, 4 961 thousand). The useful lives of machinery and equipment are 8-12 years (carrying amount as of 31.12.2011, EUR 11 602 thousand and as of 31.12.2010, EUR 13 227 thousand), depending on their use. The useful lives of other equipment and IT equipment are 3-5 years (carrying amount as of 31.12.2011, EUR 480 thousand and 31.12.2010, EUR 524 thousand), depending on the nature of each asset and its purpose. There have been no changes in depreciation rates during 2011 and 2010.

If the useful lives increased/decreased by 10%, the annual depreciation charge would decrease/increase by EUR 21/25 thousand, EUR 157/192 thousand and EUR 26/32 thousand of 'Buildings', 'Machinery and equipment' and 'Other equipment', respectively. The total decrease/increase in the depreciation charge in case of an increase/decrease of 10% in useful lives would be EUR 249/203 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 the financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments. As a result of changes in the market conditions or economic situation, the current estimates of the management may significantly change.

Note 4. Financial risk management

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

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

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

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

Credit risk

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

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

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

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

Moody`s	Standard & Poor`s	31.12.2011	31.12.2010
A1	A/A+	202	3 235
A2	A/A+	2 460	2 185
Aa3/A2	A	135	313
Other banks		13	18
Total (Note 5)		**2 810**	**5 751**

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 and credit limits. Clients are classified on the basis of their size, reputation, and the results of credit background checks and history of payment behaviour. At the first level, the advertising clients are divided into two groups: advertising agencies and direct clients, they are further grouped according to the above principles. The Group applies the same credit policy in all Baltic States, but is aware of different credit behaviour of clients. While in Estonia invoices are generally paid when due, the usual practice in Latvia and Lithuania is to pay invoices 1-3 months past their due date and not to consider it as a violation of the credit discipline.

In the case of new clients, their credit background is checked with the help of financial information databases such as Krediidiinfo and other similar databases. At the beginning, their payment behaviour is also monitored with an 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:

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

31.12.2010 (thousand)	Due date	Overdue >= 7 days	Overdue >7 days and <=60 days	Overdue > 60 days	Total receivables
Trade receivables	3 472	542	773	16	**4 803**
Other short-term receivable	1 646	0	0	0	**1 646**
TOTAL	**5 118**	**542**	**773**	**16**	**6 449**

In 2011, the Group has written down doubtful receivables in the amount of EUR 710 thousand. (31.12.2010: EUR 656 thousand), in accordance with the rules for valuation of trade receivables applicable at the Group based on estimated cash flows. The Group's management is aware that credit risk is higher in an economic recession and therefore, credit risk management is a high-priority area. As a specific measure, the credit policies at the group companies have been harmonised and they have been made stricter. A regular reporting routine in respect of accounts receivable has been established, enabling the Group's management to receive immediate information and if necessary, to interfere.

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

Liquidity risk

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

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

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

Analysis of undiscounted financial liabilities (principal and future interest payments) by payment term as of 31 December 2011

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

Other payables include payables to joint ventures, accrued interest and other accrued liabilities, see Note 18.

31.12.2010 (EUR thousand)	<= 1 month	> 1 month and <=3 months	> 3 months and <= 1 year	>1 year and <=5 years	Carrying amount
Bank loans	402	1 475	3 571	34 435	**33 089**
Finance lease payments	118	235	1 054	4 461	**5 197**
Other loans	2	515	0	0	**511**
Trade payables	3 896	57	16	0	**3 969**
Other payables	791	0	0	0	**791**
TOTAL	**5 209**	**2 282**	**4 641**	**38 896**	**43 557**

Interest rate risk

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

The Group's interest rate risk is related to short-term and long-term borrowings which have been assumed with a floating interest rate. The interest rate risk is mainly related to the fluctuation of Euribor and the resulting change in average interest rates of banks. Interest rate change by 1 percentage point would increase/decrease Group's loan interest expense ca 320 thousand euros per year.

Type of interest	Interest rate	31.12.2011 (EUR thousands)	<= 1 year	>1 year and <=5 years	Carrying amount
Floating interest	6-month Euribor + 3,5%	Syndicate loan	2 968	22 236	25 204
	6-month Euribor +2,9%	Finance lease and long term loan *(Printall)*	2 183	4 161	6 344
	1-month Euribor + 3,5%	Short term loands and overdraft	270	0	270
	EONIA +3,5% Bank's base rate+3,5%	Overdraft	14	0	14
Fixed interest	3,5% p.a.	Other loans	118	0	118

Type of interest	Interest rate	31.12.2010 (EUR thousands)	<= 1 year	>1 year and <=5 years	Carrying amount
Floating interest	6-month Euribor + 3,75%	Syndicate loan	2 794	26 690	29 484
	6-month Euribor +2,9%	Finance lease and long term loan (*Printall*)	1 523	6 363	7 886
	1-month Euribor + 3,5%	Short term loans and overdraft	629	0	629
	6-month Euribor +3,5% and Bank's base rate+3,5%	Overdraft	287	0	287
Fixed interest	2,6%-3,6% p.a.	Other loans	511	0	511

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. Interest rate contracts (or swap contracts) had been concluded on loan repayments until September 2012. On the basis of the interest rate swap contract, the Group makes fixed interest payments of 4.3%, receiving interest payments that have been calculated on the basis of 6-month Euribor in return.

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.

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

Foreign exchange risk

The Group's operating activities have an international dimension and therefore, the Group is exposed to foreign exchange risk. Foreign exchange risk arises when future business transactions or recognised assets or liabilities are fixed in a currency which is not the functional currency of the Group. Group companies are required to manage their foreign exchange risk with regard to functional currency. The subsidiaries are required to use the euro as the currency in their foreign contracts. The Group's income is primarily fixed in local currencies, i.e. the euros, Lithuanian litas, Latvian lats and Ukrainian hryvnias. The Group also pays most of its suppliers in euros or local currencies. The subsidiary Printall exports also to non-EU countries and it also earns revenue in Russian roubles, Norwegian kroner and Swedish kronor. The aforementioned currencies make up ca 10% of the Group's revenue. Until the accounts receivables are collected, the Group is exposed to foreign exchange risk. The amounts received will be typically converted into euros immediately after their receipt, thereby reducing open foreign currency positions. No other means are used for hedging foreign exchange risk.

In 2011, the change in the exchange rate of LVL to EUR was 1.42% (2010: -0.01%), RUB to EUR was -2.26% (2010: 5.72%), SEK to EUR was 0.60% (2010: 14.35%), NOK to EUR was 0.59% (2010: 6,41%), UAH to EUR was 3.37% (2010: 8.89%). The exchange rate of LTL is pegged to EUR.

Price risk

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

Of the price risk related to raw materials, the price of paper affects the activities of the Group the most. In a situation where the majority of paper used in the production is purchased directly from producers at the base price without any commissions and the price is fixed for half a year in advance, and given that the

volume of paper in the international scale is insignificant, the Group does not use derivative instruments to hedge the paper price risk.

Operational risk

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

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

The management estimates that the dependence of the Group's activities on IT systems is higher than average and continuous investments are made to increase its security and reliability. The responsibility for managing operational risk lies with the Management Board of the Group and the management boards of subsidiaries.

Capital risk

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

According to the practice common in the industry, the Group uses the debt to capital ratio to monitor capital. The debt to capital ratio is calculated as the ratio of net debt to total capital. Net debt is calculated by deducting cash and bank accounts from total debt (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 47% as of 31.12.2011 and 42% as of 31.12.2010. See also Note 19 for financial covenants.

As of 31.12.2011, the company's equity is in compliance with the Accounting Act of Estonia (Estonian Commercial Law).

Equity ratios of the Group

(EUR thousand)	31.12.2011	31.12.2010
Interest-bearing debt (Notes 18 and 19)	31 951	38 797
Cash and bank accounts (Note 5)	2 827	5 776
Net debt	29 124	33 021
Equity	38 388	36 299
Total capital	67 512	69 320
Debt to capital ratio	43%	48%
Balance sheet total	81 509	85 982
Equity ratio	47%	42%

Fair value

The Group's management estimates that the fair values of the financial assets (Notes 5,6,7,9,11) and financial liabilities (Notes 18-20) recognised in the balance sheet at amortised cost do not significantly differ from their carrying amounts presented in the Group's consolidated balance sheet on 31 December 2011 and 31 December 2010. Since the long-term borrowings of the Group carry mainly 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 may 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 the 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 are recognised at amortised costs, 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 2011.

Valuation techniques with inputs observable in markets (Level 2)	31.12.2011	31.12.2010
Derivative instruments used for hedging (Note 30)	176	610
Total financial liabilities (EUR thousand)	**176**	**610**

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.

Note 5. Cash and bank

(EUR thousand)	31.12.2011	31.12.2010
Cash in hand	17	24
Cash at bank	2 667	2 542
Cash in transit	45	201
Cash and cash equivalents	**2 729**	**2 767**
Term deposit	98	3 009
Total cash and bank	**2 827**	**5 776**

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, which the Group may use for interest and principal payments of the syndicated loan and premature payment of the syndicated loan (see Note 19). 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.

On 11 October 2011, an annex was concluded for the syndicated loan contract with SEB Bank, Danske Bank A/S Estonia branch (Sampo Bank) and Nordea Bank. The annex relates to the release of the term deposit in the amount of EUR 3 million, which was recognised as a non-current asset in the balance sheet as of 31.12.2010. Half of the security deposit, i.e. EUR 1.5 million was used to prematurely repay the syndicated loan and the remaining amount with accrued interest was transferred to the Parent Company's current account.

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

Note 6. Trade and other receivables

(EUR thousand)	31.12.2011	31.12.2010
Trade receivables (Note 7)	5 444	4 803
Prepaid taxes (Note 8)	47	196
Other receivables (Note 9)	1 185	1 646
Prepayments	245	296
Total trade and other receivables	**6 921**	**6 941**

Note 7. Trade receivables

(EUR thousand)	31.12.2011	31.12.2010
Trade receivables	5 894	5 606
Allowance for doubtful receivables	(450)	(803)
Total trade receivables	**5 444**	**4 803**
(EUR thousand)	**31.12.2011**	**31.12.2010**
Allowance for doubtful receivables at the beginning of the period	(803)	(805)
Proceeds from doubtful receivables during the period	610	485
Allowance for doubtful receivables recognised during the period	(710)	(656)
Receivables written off balance sheet during the period	453	173
Allowance for doubtful receivables at the end of the period	**(450)**	**(803)**

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

Note 8. Taxes

	31.12.2011		31.12.2010	
(EUR thousand)	Prepay-ment	Liability	Prepay-ment	Liability
Corporate income tax	1	75	108	78
Personal income tax	0	288	1	288
Social security tax	0	681	0	634
Unemployment insurance tax	0	58	0	56
Contributions to mandatory funded pension	0	20	0	13
Value added tax	46	243	87	288
Total taxes (Notes 6, 18)	**47**	**1 365**	**196**	**1 357**

Group's income tax expense (EUR thousand)	2011	2010
Current income tax expense	(171)	(415)
Deferred income tax gains	(50)	(119)
Total income tax expense	**(221)**	**(534)**

Corporate income tax

(EUR thousand)	2011	2010
Estonia		
Dividends paid by joint ventures and subject to taxation	370	1 374
Tax rate	21/79	21/79
Dividend income tax expense	**(98)**	**(365)**
Latvia		
Profit (loss) before tax	(1 346)	(3 073)
Tax rate	15%	15%
Estimated income tax	202	461
Impact of income/expenses not deductible for tax purposes	(271)	(571)
Current income tax expense	**(2)**	**(5)**
Deferred income tax gains (losses)	**(67)**	**(105)**
Lithuania		
Profit (loss) before tax	402	188
Tax rate	15%	15%
Estimated income tax	(60)	(28)
Impact of income/expenses not deductible for tax purposes	(12)	(17)
Current income tax expense	**(71)**	**(45)**
Deferred income tax gains (losses)	**(1)**	**0**
Ukraine		
Profit (loss) before tax	(292)	(542)
Tax rate	23%	25%
Estimated income tax	67	136
Impact of income/expenses not deductible for tax purposes	(49)	(149)
Current income tax expense	**0**	**0**
Deferred income tax gains (losses)	**18**	**(13)**

Note 9. Other short-term receivables

(EUR thousand)	31.12.2011	31.12.2010
Receivables from associates (Note 32)	**122**	**379**
Trade receivables	122	379
Receivables from joint ventures	**536**	**403**
Trade receivables	483	350
Other receivables	53	53
Receivables from related parties (Note 32)	**201**	**217**
Other receivables	201	198
Loans granted	0	19
Other short-term receivables	**326**	**647**
Loans granted *	121	515
Interest	33	37
Other receivables	172	95
Total other short-term receivables	**1 185**	**1 646**

*Loans received from joint ventures

The sureties of AS Eesti Meedia are used as collateral for loans granted by joint ventures. As of 31.12.2011, the loan granted by AS SL Õhtuleht to AS Kroonpress is reported in the balance sheet in the amount of EUR 118 thousand and as of 31.12.2010, EUR 208 thousand. The loan will mature on 31.03.2012, the interest rate is 3.453%. As of 31.12.2010, the loan granted by AS Express Post to AS Kroonpress is reported in the balance sheet in the amount of 304 thousand. The loan was repaid in 2011.

Receivable from the associate of Medipresa UAB has been reduced by the amount of EUR 21 thousand according to the ownership in the negative equity of Medipresa UAB.

Note 10. Inventories

(EUR thousand)	31.12.2011	31.12.2010
Raw materials	1 701	1 601
Work in progress	267	294
Finished goods	862	945
Goods for resale	3	121
Total inventories	**2 833**	**2 961**

(EUR thousand)	2011	2010
Impairment of finished goods	51	245
Allowance for impairment recognised in profit or loss	**51**	**245**

Allowance for inventories is recognised in profit or loss in the line "Cost of sales".

Note 11. Long-term trade and other receivables

(EUR thousand)	31.12.2011	31.12.2010
Loans granted to related parties (Note 32)	60	70
Other loans granted	16	16
Deferred income tax receivable	90	73
Prepayments	1	3
Total long-term receivables	**167**	**162**

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 12. Business combinations

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

Full ownership of Eesti Päevalehe AS enabled AS Ekspress Grupp to integrate various media content production units and support structures, and thereby, achieve cost savings. Upon acquisition of Eesti Päevalehe AS, goodwill arose in the amount of EUR 1 232 thousand, which includes goodwill of hyppelaud.ee in amount of EUR 25 thousand that was previously recognised in the Group balance sheet. At the end of year an impairment loss was recognised for goodwill in the amount of EUR 130 thousand (see Note 17). As of 31.12.2011 the carrying value of the goodwill is EUR 1 102 thousand.

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

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

If the acquisition of Eesti Päevalehe AS by the Group had happened at the beginning of the year then group revenues would have been higher by EUR 472 thousand and net profit smaller by EUR 46 thousand. In case of OÜ Saarmann Meedia there had been no difference as the company didn't have any substantial revenues in 2011.

The table below provides an overview of acquired identifiable assets and liabilities at the time of acquisition. The balance sheets as of 28.02.2011 have been used as the basis for preparing the purchase analysis.

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

Note 13. Discontinued operations

Sale of information services segment

On 25 February 2010, the sale of the shares of AS Ekspress Hotline and its subsidiaries was completed. The final transaction price was EUR 4.8 million. Of the amount, EUR 3 million was payable at the transaction date, and EUR 1.8 million had to be offset with the debt of AS Ekspress Grupp to Ekspress Hotline. The information services segment was accounted for as a discontinued segment already in the 2009 annual report.

Sale of the book retail and wholesale segment

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 EUR 2.1 million and the profit totalled EUR 0.4 million. The transaction was completed on 18 February 2010. The new owner of the company is the management of Rahva Raamat AS. In the consolidated financial statements for 2010, 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".

The assets of AS Rahva Raamat at the time of sale, and income and expenses for 2010 are shown below.

(EUR thousand)	18.02.2010
ASSETS	
Cash and cash equivalents	930
Trade and other receivables	792
Inventories	903
Total current assets	**2 625**
Property, plant and equipment	1 054
Intangible assets	698
Total non-current assets	**1 752**
TOTAL ASSETS	**4 377**
LIABILITIES	
Finance lease (current portion)	60
Trade and other payables	2 522
Total current liabilities	**2 582**
Finance lease (non-current portion)	91
Total non-current liabilities	**91**
TOTAL LIABILITIES	**2 673**

AS Rahva Raamat (EUR thousand)	1.01– 18.02.2010
Sales	756
Expenses	799
Loss from discontinued operations	**(42)**
Gain from sale of operation	405
Profit from discontinued operations for the year	**363**

Note 14. Joint ventures

Company name	Ownership %	
	31.12.2011	31.12.2010
Eesti Päevalehe AS	-	50
AS SL Õhtuleht	50	50
AS Express Post	50	50
AS Ajakirjade Kirjastus	50	50
OÜ Uniservice	50	26

In March 2011, the Group gained an additional 25% ownership interest in AS Linnaleht due to the 50% increase of its ownership interest in Eesti Päevalehe AS (see Note 12). As the operations of AS Linnaleht were unprofitable due to the general economic recession, the business of the latter was reorganised in 2011. In August 2011, the operations of AS Linnaleht were transferred to AS SL Õhtuleht and as of 1 November 2011, AS Linnaleht and AS SL Õhtuleht were merged.

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

Parties to the contract undertake to keep the equity of joint venturers at 20% of the total assets of the joint venture. For valuation of equity, the balance sheets submitted by the management boards of the joint venture are used as the basis.

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

(EUR thousand)	Ajakirjade Kirjastuse AS	AS SL Õhtuleht	Eesti Päevalehe AS*	AS Express Post	OÜ Uniservice	Total
31.12.2011						
Current assets	1 280	901	0	1 525	0	3 706
Non-current assets	100	55	0	48	0	203
Total assets	**1 380**	**956**	**0**	**1 573**	**0**	**3 909**
Current liabilities	1 056	698	0	1 273	-2	3 025
Non-current liabilities	0	1	0	0	0	1
Total liabilities	**1 056**	**699**	**0**	**1 273**	**(2)**	**3 026**
Total revenue	4 190	3 432	472	2 396	9	10 499
Total expenses	4 091	3 309	518	2 205	8	10 131
Net profit (loss)	**99**	**123**	**(46)**	**191**	**1**	**369**
31.12.2010						
Current assets	1 218	898	263	1 795	3	4 177
Non-current assets	123	70	742	83	1	1 019
Total assets	**1 341**	**968**	**1 005**	**1 878**	**4**	**5 196**
Current liabilities	1 111	632	925	1 578	12	4 258
Non-current liabilities	2	0	0	0	0	2
Total liabilities	**1 113**	**632**	**925**	**1 578**	**12**	**4 260**
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
Net profit (loss)	**(47)**	**86**	**(368)**	**189**	**(6)**	**(146)**

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

Note 15. Associates

(EUR thousand)	31.12.2011	31.12.2010
Additional contribution to associate	27	0
Impairment loss recognised for the receivables of associates	17	0
Shares of associates in the balance sheet	0	8
Share of loss in associates recognised in profit or loss		
Under the equity method		
Loss	(52)	(33)
Total loss of associates	**(52)**	**(33)**

Company name	Ownership %	
	31.12.2011	31.12.2010
AS Linnaleht *	-	25
UAB Medipresa	40	40

* As of 1.november 2011, AS Linnaleht and AS SL Õhtuleht were merged (see Notes 12,14).

Condensed financial information of associates

(EUR thousand)	AS Linnaleht	UAB Medipresa	Total
31.12.2011			
Total assets	-	2 853	**2 853**
Total liabilities	-	2 905	**2 905**
Total revenue	563	8 721	**9 284**
Total expenses	641	8 757	**9 398**
Net profit (loss)	(78)	(36)	**(114)**
31.12.2010			
Total assets	81	2 487	**2 568**
Total liabilities	100	2 467	**2 567**
Total revenue	765	8 547	**9 312**
Total expenses	826	8 603	**9 429**
Net profit (loss)	(61)	(56)	**(117)**

Note 16. Property, plant and equipment

(EUR thousand)	Land	Buildings	Plant and equip-ment	Other equip-ment	Prepayments for PPE	Total non-current assets
31.12.2009						
Cost	417	6 514	23 494	4 777	46	**35 248**
Accumulated depreciation	0	(1 301)	(8 761)	(3 077)	0	**(13 139)**
Carrying amount	**417**	**5 213**	**14 733**	**1 700**	**46**	**22 109**
Acquisitions and improvements	0	1	88	196	9	**294**
Disposals (at carrying amount)	0	0	(1)	(1)	0	**(2)**
Sale of assets of discontinued operations	0	0	(5)	(1 069)	0	**(1 074)**
Write-offs (at carrying amount)	0	0	(2)	6	0	**4**
Reclassification	0	0	(60)	46	(46)	**(60)**
Depreciation	0	(253)	(1 531)	(352)	0	**(2 136)**
Currency translation differences	0	0	4	0	0	**4**
31.12.2010						**0**
Cost	417	6 514	23 102	2 755	9	**32 797**
Accumulated depreciation	0	(1 554)	(9 875)	(2 230)	0	**(13 659)**
Carrying amount	**417**	**4 960**	**13 227**	**525**	**9**	**19 138**
Acquisitions and improvements	0	1	99	193	148	**441**
Disposals (at carrying amount)	0	0	(18)	(36)	(3)	**(57)**
Write-offs (at carrying amount)	0	(5)	(2)	(1)	(1)	**(9)**
Reclassification	0	58	11	73	(143)	**(1)**
Acquired through business combinations	0	0	8	16	0	**24**
Disposed through business combinations	(8)	(539)	0	0	0	**(547)**
Depreciation	0	(226)	(1 724)	(287)	0	**(2 237)**
31.12.2011						**0**
Cost	409	5 793	21 492	2 670	10	**30 374**
Accumulated depreciation	0	(1 544)	(9 890)	(2 189)	0	**(13 623)**
Carrying amount	**409**	**4 249**	**11 602**	**481**	**10**	**16 751**

Information about pledged items of property, plant and equipment is disclosed in Note 19.

Information about payments and terms of finance lease and non-current assets leased under the finance lease terms is disclosed in Note 20.

Note 17. Intangible assets

(EUR thousand)	Good-will	Trade-marks	Develop-ment costs	Custo-mer relation-ships	Com-puter software	Prepay-ments	Total intangible assets
31.12.2009							
Cost	40 807	10 174	620	2 116	2 396	179	**56 292**
Accumulated amortisation	0	(826)	(345)	(952)	(1 658)	0	**(3 781)**
Carrying amount	**40 807**	**9 348**	**275**	**1 164**	**738**	**179**	**52 511**
Acquisitions and improvements	0	0	149	0	119	19	**287**
Sale of assets of discontinued operations	(504)	(123)			(73)		**(700)**
Write-offs (at carrying amount)	0	0	(6)	0	(8)	0	**(14)**
Reclassification	0	0	0	0	63	(63)	**0**
Amortisation	0	(270)	(174)	(423)	(280)	0	**(1 147)**
Currency translation differences	0	0	0	0	(1)	0	**(1)**
31.12.2010							
Cost	40 303	10 007	479	2 116	2 314	135	**55 354**
Accumulated amortisation	0	(1 052)	(234)	(1 375)	(1 757)	0	**(4 418)**
Carrying amount	**40 303**	**8 955**	**245**	**741**	**557**	**135**	**50 936**
Purchases and improvements	0	0	19	0	202	251	**472**
Disposals (at carrying amount)	0	0	0	0	0	(2)	**(2)**
Write-offs (at carrying amount)	0	0	0	0	(25)	0	**(25)**
Impairment loss	(750)	0	0	0	0	(270)	**(1 020)**
Reclassification	0	0	0	0	163	(161)	**2**
Acquired through business combinations	1 208	1 222	0	263	66	135	**2 894**
Amortisation	0	(291)	(6)	(607)	(383)	0	**(1 287)**
Currency translation differences	0	0	0	0	2	0	**2**
31.12.2011							
Cost	40 761	11 229	498	2 379	2 556	87	**57 510**
Accumulated amortisation	0	(1 343)	(240)	(1 982)	(1 975)	0	**(5 540)**
Carrying amount	**40 761**	**9 886**	**258**	**397**	**581**	**87**	**51 970**

Information about intangible assets pledged as collateral for loans is disclosed in Note 19.

Goodwill by cash-generating units and segments

(thousand)	EUR 31.12.2011	EUR 31.12.2010
Delfi Estonia	15 281	15 281
Delfi Latvia	9 390	9 560
Delfi Lithuania	12 517	12 517
Online media segment	**37 188**	**37 358**
Eesti Päevaleht (incl. hyppelaud.ee) (Eesti Ajalehed)	1 102	25
Ajakirjade Kirjastus	456	456
Ekspress Leidyba	199	649
Maaleht (Eesti Ajalehed)	1 816	1 816
Periodicals segment	**3 573**	**2 946**
Total goodwill	**40 761**	**40 304**

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

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

The applied revenue growth rates are as follows:

Cash-generating unit	Next financial year		Years 2-5		Terminal value growth	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Delfi Estonia	7,3%	23%	15-20%	25%	4%	3%
Delfi Latvia	4%	27%	20-25%	25%	4%	4%
Delfi Lithuania	3,3%	19%	10-20%	20%	4%	4%
Hyppelaud.ee	-	10%	-	5-9%	-	3%
Eesti Päevaleht (Eesti Ajalehed)	4%	-	2%	-	1-3%	-
Maaleht (Eesti Ajalehed)	9%	6%	2%	2%	1%	2%
Ajakirjade Kirjastus	7%	8%	2%	5%	1%	3%
Ekspress Leidyba	-	2,4%	-	5-8%	-	3%

In 2010, ekspressauto is combined with the operation and goodwill of Delfi AS (Estonia) and goodwill tests are performed for Delfi EE as the smallest cash-generating unit.

In 2011, an additional 50% ownership interest was acquired in Eesti Päevalehe AS, due to which the goodwill related to Eesti Päevaleht (before any impairment) in the amount of EUR 1 232 thousand is recognised in the balance sheet. As the goodwill related to hyppelaud.ee was already included in the balance sheet of Eesti Päevalehe AS, it is combined with the goodwill of Eesti Päevaleht from the time of acquisition of the full ownership interest. The impairment test of Eesti Päevaleht is based on the future cash flows of Eesti Päevaleht, Ärileht, epl.ee, hyppelaud.ee+job.ee and the book publisher Hea Lugu. The impairment test of Maaleht is based on the future cash flows of Maaleht, Maakodu, Maamajandus and maaleht.ee.

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 10.79%-11.73% (2010: 9.5% - 11.9%) and the return on debt is 7.21% for Estonia, 7.93% for Latvia and 7.75% for

Lithuania (2010: 6.1%-8.5%), which equals the estimated average interest rate on long term loans granted in local currencies and offered to Ekspress Group by banks as of 31.12.2011 and 31.12.2010. The debt ratio is based on the average debt ratio of the market available in the database of Damodaran Online as of 31.12.2011, 14% (31.12.2010: 19.35%) for online media units and 45% for publishing units (31.12.2010: 54.64%). The cost of equity has been calculated using CAPM (Capital Asset Pricing Model). The equity betas of the units used in the model have been calculated using the average unleveraged assisted betas of the industries from the database of Damodaran Online. The yields on long-term government bonds issued in Latvia and Lithuania in December 2011 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	31.12.2011	31.12.2010
Delfi Estonia	10.47%	9.08%
Delfi Latvia	10.62%	11.34%
Delfi Lithuania	10.42%	9.79%
Hyppelaud.ee	-	9.08%
Eesti Päevaleht (Eesti Ajalehed)	10.33%	-
Maaleht (Eesti Ajalehed)	10.33%	8.28%
Ajakirjade Kirjastus	10.33%	8.28%
Ekspress Leidyba	-	9.12%

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

(thousand EUR)	31.12.2011	31.12.2010
Delfi Estonia	867	11 745
Delfi Latvia	(170)	1 844
Delfi Lithuania	4 119	17 165
Hyppelaud.ee	-	122
Eesti Päevaleht (Eesti Ajalehed)	(130)	-
Maaleht (Eesti Ajalehed)	9 546	5 622
Ajakirjade Kirjastus	1 066	6 157
Ekspress Leidyba	(450)	184

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

In 2011, the assumptions used in the impairment tests were made more conservative, primarily related to the weaker outlook for the global economy and Eurozone countries as compared to the same period last year.

This was one of the reasons why in 2011 impairment losses for goodwill of Eesti Päevaleht EUR 130 thousand and Delfi Latvia EUR 170 thousand were recognised. Impairment loss for goodwill of Ekspress Leidyba EUR 450 thousand was recognised as the potential sales price was lower by that amount compared to carrying value of company's net assets. In 2010, no impairment losses were recognised for goodwill.

Due to changed economic outlook and more conservative assumptions, the sensitivity of impairment tests is higher and it may be necessary to recognise impairment losses due to much smaller fluctuations of the assumptions as previously. For goodwill of Delfi Lithuania, the recoverable amount would decrease equal to its carrying amount if in the forecast for 2013-2016 revenue growth is lower 8 percentage point (pp) , EBITDA margin is lower 5 pp, terminal value growth is lower 2.25 pp or the discount rate used is higher 1.65 pp. For Delfi Estonia, the recoverable amount would fall to its carrying amount if in the forecasts for 2013-2016 revenue growth is lower 1.5 pp, EBITDA margin is lower 1pp, terminal value growth is lower 0.4pp or the discount rate used is higher 0.3pp. For Delfi Latvia, it would be necessary to recognise an impairment loss in the amount of EUR 1 million if in the forecasts 2013-2016 revenue growth is lower 3

pp, EBITDA margin is lower 1.75pp, terminal value growth is lower 0.7pp or the discount rate used is higher 0.55pp.

For Eesti Päevaleht, an impairment loss for goodwill should be recognised in the full amount (i.e. EUR 1.1 million) if revenue for period 2013-2016 did not increase but fixed expenses increased by 1.75%. The change in the discount rate and the terminal value within a reasonable range would not significantly impact goodwill. In respect of Maaleht, future cash flows would cover the carrying amount of goodwill if revenue declined by 4.8% and fixed costs increased by 5% simultaneously in the period 2013-2016. The future cash flows of Ajakirjade Kirjastus would cover the carrying amount of goodwill, if revenue between 2013-2016 did not increase but fixed costs increased by 2%.

Note 18. Trade and other payables

(EUR thousand)	31.12.2011	31.12.2010
Trade payables	4 378	3 969
incl. payables to related parties (Note 32)	20	20
Payables to employees	1 587	1 426
Taxes payable (Note 8)	1 365	1 357
Deferred income	2 492	2 731
Payables to joint ventures	169	529
Trade payables	51	18
Loans received*	118	511
Accrued interest	125	170
Other accrued liabilities	995	603
Total trade and other payables	**11 111**	**10 785**

* Loans have been received from joint ventures of which 50% is eliminated upon consolidation but other half remains in the balance sheet

AS Printall has received a loan from AS SL Õhtuleht, which as of 31.12.2011 is recognised in the balance sheet in the amount of EUR 118 thousand and as of 31.12.2010, in the amount of EUR 207 thousand. The loan will mature on 31.03.2012 and the loan interest is 3.453% (2010: 2.644%)

As of 31.12.2010, AS Printall had also received a loan from AS Express Post, recognised in the balance sheet in the amount of EUR 304 thousand. The loan was repaid in March 2011.

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

Note 19. Bank loans and borrowings

(EUR thousand)	Total amount	Repayment term	
		Up to 1 year	1-5 years
Balance as of 31.12.2011			
Overdraft facilities	**14**	14	0
Short-term bank loans (incl. factoring)	**270**	270	0
Long-term bank loans	**27 599**	3 723	23 876
incl. syndicated loan (AS Ekspress Grupp)	***25 204***	*2 968*	*22 236*
incl. long-term loan (AS Printall)	***2 395***	*755*	*1 640*
Finance lease	**3 950**	1 429	2 521
Total	**31 833**	**5 436**	**26 397**
Balance as of 31.12.2010			
Overdraft facilities	**672**	672	0
Short-term bank loans (incl. factoring)	**244**	244	0
Long-term bank loans	**32 173**	3 070	29 103
incl. syndicated loan (AS Ekspress Grupp)	***29 484***	*2 794*	*26 690*
incl. long-term loan (AS Printall)	***2 689***	*276*	*2 413*
Finance lease	**5 197**	1 247	3 950
Total	**38 286**	**5 233**	**33 053**

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

Syndicated loan

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 Group on 28 August 2007 in the amount of EUR 43.1 million for purchasing Delfi Group and Maaleht. The loan will mature on 25 January 2015.

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

On 11 October 2011, an annex was concluded for the syndicated loan contract with SEB Bank, Danske Bank A/S Estonia branch (Sampo Bank) and Nordea Bank. The annex relates to the release of the term deposit in the amount of EUR 3 million, which was recognised as a non-current asset in the balance sheet as of 31.12.2010. Half of the security deposit, i.e. EUR 1.5 million was used to prematurely repay the bullet amount and the remaining amount with accrued interest was transferred to the Parent Company's current account.

From 25.01.2010, the interest rate on the loan was 6-month Euribor+4%, from 25.02.2010, 6-month Euribor+3.75% and from 25.07.2011, 6-month Euribor+3.5%.

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

- a mortgage of the 2nd ranking on the registered immovable at Tala 4 (former address Peterburi Road 64A) with the mortgage amount of EUR 5 million (31.12.2010, EUR 2.6 million); as of 31.12.2011, the carrying amount of the building was EUR 4.2 million and that of the registered immovable was EUR 0.4 million;

- a pledge on the shares of Delfi Estonia, Delfi Latvia, Delfi Lithuania, Eesti Ajalehed, Printall and Delfi Holding, the shares of which represent the majority of the Group's net assets;

- a guarantee of Delfi Estonia, Eesti Ajalehed and Printall in the total amount of EUR 43.1 million, which are included in the value of the aforementioned net assets;
- a combined pledge in the amount of EUR 0.3 million on the following trademarks: Eesti Ekspress, Delfi and Maaleht, which are included in the value of the aforementioned net assets;

- a commercial pledge on the movable property of AS Printall in the minimum amount of EUR 3.2 million, which is included in the value of the aforementioned net assets.

According to the conditions of the loan agreement, the borrower must comply with certain loan covenants, such as the total EBITDA level of the parent company and the subsidiaries, equity ratio (equity/total assets) and total debt/EBITDA ratio. As of the balance sheet date, all financial ratios were in compliance with the loan covenants set in the loan contract. From 31.03.2012, an additional covenant includes the debt-service coverage ratio. In addition, according to the conditions laid down in the loan agreement, payment of dividends to the owners is limited and total amount of capital expenditure annually is determined. An approval for the part exceeding total volume in 2011 has been received by the syndicate banks.

Long-term loan and lease commitments

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

Finance lease agreements also contain certain covenants 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 amendment of the terms and conditions of the syndicated loan of AS Ekspress Grupp, the loan and rental obligations of AS Printall were also reviewed in 2010. 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.

Overdraft facilities

Last extension date of contract	Bank	Limit (EUR thousand)	Used 31.12.2011 (EUR thousand)	Interest rate	Expiration date of the contract
21.12.2011	Nordea Bank Finland Plc Estonia branch	959	14	bank's base interest +3.5%	25.01.2015
11.01.2012	AS SEB Pank	959	0	1-month EURIBOR +3.5%	25.01.2015
30.01.2012	Danske Bank A/S Estonia branch (legal successor of AS Sampo Pank)	959	0	EONIA+3.5%	25.01.2015
Total		**2 877**	**14**		

Note 20. Finance lease

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

(EUR thousand)	Machinery and equipment
Balance as of 31.12.2010	
Cost	17 439
Accumulated depreciation	(5 128)
Carrying amount	**12 311**
Balance as of 31.12.2011	
Cost	17 380
Accumulated depreciation	(6 414)
Carrying amount	**10 966**

More detailed information about finance lease liabilities is disclosed in Note 19.

(EUR thousand)	2011	2010
Finance lease liabilities on 31 December	**3 950**	**5 197**
Principal payments in the financial year	1 247	1 281
Interest expenses in the financial year	165	182
Average annual interest rate p.a.	4.40%	3.68%

(EUR thousand)	2011	2010
Finance lease liabilities – minimum lease payments:		
Not later than 1 year	1 558	1 439
Later than 1 year and not later than 5 years	2 627	4 192
Total	**4 185**	**5 631**
Future finance charges on finance leases	235	434
Present value of finance lease liabilities(Note 19)	3 950	5 197

Note 21. Operating lease

The companies belonging to the Group lease facilities, motor vehicles and other equipment under the operating lease terms.

(EUR thousand)	2011	2010
Operating lease payments	**1 195**	**1 061**
Facilities	858	776
Motor vehicles and other machinery and equipment	337	285
Future minimum lease payments under non-cancellable operating leases	**3 235**	**502**
Not later than 1 year	700	223
Later than 1 year but not later than 5 years	1 398	279
Later than 5 years	1 137	0

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

Note 22. Segment reporting

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

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

This segment includes group companies AS Delfi, AS Delfi (Latvia), UAB Delfi (Lithuania), TOV Delfi (Ukraine), Delfi Holding SIA (Latvia), UAB Ekspress Portals (Lithuania) (discontinued) and SIA Ekspress Portals (Latvia) and mango.lv SIA (Latvia), which were merged with Delfi Latvia in 2010 and 2011 respectively.

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

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

From 2010, Ekspress Group includes the revenue of all periodicals in this segment, including advertising revenue of their web portals and sale revenue 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. Internal management fees and goodwill impairment are not included in segment results.

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

2011 (EUR thousand)	Online media	Periodicals	Printing services	Corporate functions	Elimin-ations	Total Group
Sales to external customers	**8 884**	**23 883**	**24 601**	**23**	**0**	**57 391**
Inter-segment sales	93	186	3 135	186	(3 600)	0
Total segment sales	8 977	24 069	27 736	209	(3 600)	57 391
EBITDA	**1 425**	**552**	**5 959**	**(191)**	**12**	**7 757**
Depreciation (Notes 16, 17)	-	-	-	-	-	3 524
Operating profit	-	-	-	-	-	4 233
Investments	303	545	60	6	0	914

2010 (EUR thousand)	Online media	Periodicals	Printing services	Corporate functions	Elimin-ations	Total Group
Sales to external customers	**7 807**	**22 355**	**21 628**	**24**	**0**	**51 814**
Inter-segment sales	77	165	2 593	105	(2 940)	0
Total segment sales	7 884	22 520	24 221	129	(2 940)	51 814
EBITDA	**758**	**914**	**5 198**	**(833)**	**4**	**6 041**
Depreciation (Notes 16, 17)	-	-	-	-	-	3 282
Operating profit	-	-	-	-	-	2 760
Investments	329	181	58	13	0	581

Capital expenditure comprises additions to property, plant and equipment (Note 16) and intangible assets (Note 17).

In the segment report, income and expenses (incl. EBITDA) are directly related to the segment. The operating income and expenses of the corporate function include administrative income and expenses of the Group, including impairment losses for goodwill. The operations of the corporate function are shown separately and they do not constitute a separate segment.

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

- In Latvia, EUR 2.25 million as of 31.12.2011 (EUR 2.30 million as of 31.12.2010)
- In Lithuania, EUR 1.86 million as of 31.12.2011 (EUR 1.90 million as of 31.12.2010)
- In Ukraine, EUR 0.5 million as of 31.12.2011 (EUR 0.6 million as of 31.12.2010)

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

- Delfi Latvia EUR 9.4 million as of 31.12.2011 (EUR 9.6 million as of 31.12.2010)
- Delfi Lithuania EUR 12.5 million as of 31.12.2011 and 31.12.2010

- Goodwill of Ekspress Leidyba in Lithuania EUR 0.2 million as of 31.12.2011 (EUR 0.6 million as of 31.12.2010)

Analysis of revenue by category and geographical location of customers is provided in Note 23.

Note 23. Sales revenue

(EUR thousand)	2011	2010
Sales revenue by activities		
Advertising revenue	17 138	14 818
incl. barter deals	*371*	*383*
Single-copy sales	3 626	3 676
Subscriptions' revenue	8 187	7 319
Book publishing	1 652	2 166
Sale of paper and printing services	24 374	21 399
Sale of other goods and services	2 414	2 436
Total	**57 391**	**51 814**
Sales revenue by geographical areas		
Estonia	30 820	28 921
Scandinavia	12 298	10 323
Lithuania	6 429	6 107
Russia	2 969	3 041
Latvia	2 496	2 189
Other Europe	2 309	1 228
Other countries	70	5
Total	**57 391**	**51 814**

Note 24. Cost of sales

(EUR thousand)	2011	2010
Raw materials and consumables used	15 174	13 726
Services purchased	9 279	8 741
Salaries and social taxes	16 545	14 426
Depreciation and amortisation	2 164	2 175
Rental expenses	369	341
Other expenses	1 316	1 111
Total expenses	**44 847**	**40 520**

Note 25. Marketing expenses

(EUR thousand)	2011	2010
Marketing	1 417	1 561
Salaries and social taxes	664	664
Rental expenses	15	15
Depreciation and amortisation	2	2
Total marketing expenses	**2 098**	**2 242**

Note 26. Administrative expenses

(EUR thousand)	2011	2010
Raw materials and consumables used	140	188
Repairs and maintenance	442	402
Communication expenses	202	212
Rental expenses	811	705
Services purchased	1 422	1 246
Salaries and social taxes	2 705	2 578
Depreciation and amortisation	1 359	1 104
Total administrative expenses	**7 081**	**6 435**

Note 27. Gain from disposal of ownership in joint venture and impairment of goodwill

(EUR thousand)	2011	2010
Gain from disposal of 50% ownership interest in Eesti Päevalehe	**1 540**	**0**
Impairment loss of goodwill related to Eesti Päevaleht	(130)	0
Impairment loss of goodwill related to Ekspress Leidyba	(450)	0
Impairment loss of goodwill related to Delfi Latvia	(170)	0
Total impairment loss for goodwill	**(750)**	**0**
Total gain from disposal of ownership and goodwill impairment	**790**	**0**

More detailed information about impairment losses for goodwill is disclosed in Note 17.

Note 28. Expenses by type

(EUR thousand)	2011	2010
Depreciation and amortisation	3 525	3 281
Salaries and social taxes	19 914	17 668
Raw materials and consumables used	15 314	13 914
Rental expenses	1 195	1 061
Services purchased	10 701	9 987
Marketing expenses	1 417	1 561
Repairs and maintenance	442	402
Communication expenses	202	212
Other expenses	1 316	1 111
Total cost of sales, marketing and administrative expenses	**54 026**	**49 197**
Average number of employees	**1 731**	**1 746**
Average number of employees (joint ventures proportionally)	**1 266**	**1 168**

Note 29. Equity

Share capital and share 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 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 EUR 0.24 per share. In total, the share capital increased by EUR 5 719 thousand and the share premium by EUR 2 155 thousand. Issue related costs in the amount of EUR 206 thousand were subtracted from share premium. As a result, the total share premium increased by EUR 1 950 thousand. Monetary contributions to share capital amounted to EUR 5 454 thousand.

As of 31.03.2011 and 31.12.2010, the share capital of Ekspress Group is EUR 19 043 652 and consists of 29 796 841 shares with the nominal value of EUR 0.64 per share.

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

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

Reserves

The reserves include:

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

(thousand)	EUR	
	31.12.2011	31.12.2010
Statutory reserve capital	17	17
Additional payments in cash from shareholders	639	639
Hedging reserve	(176)	(610)
Total reserves	**480**	**46**

Earnings per share

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

EUR	2011	2010
Profit (loss) attributable to equity holders of the Parent Company from continuing operations	1 683 151	(509 160)
Profit (loss) attributable to equity holders of the Parent Company from discontinued operations	0	362 902
The average number of ordinary shares	29 796 841	26 781 488
Basic and diluted earnings per share from continuing operations	0.06	(0.02)
Basic and diluted earnings per share from discontinued operations	0.00	0.01

In view of the fact that the Group has no dilutive potential ordinary shares on 31.12.2011 and 31.12.2010, **diluted earnings per share** equal basic earnings per share.

Note 30. Derivative financial instruments

(EUR thousand)	Non-current liabilities	
	31.12.2011	31.12.2010
Interest rate swap	176	610
Total	**176**	**610**

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 s*wap 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 31.12.2011, the fair value of the interest rate swap contract was negative and it is included within non-current liabilities as presented in the above table. Fair value adjustments were EUR 434 thousand in 2011 and EUR 284 thousand in 2010.

Note 31. Contingent liabilities

Contingent income tax liability

As of 31 December 2011, the consolidated retained earnings of the Group amounted to EUR 5 749 thousand (31.12.2010: EUR 2 970 thousand). Income tax of 21/79 of net dividend paid is imposed on the profit distributed as dividends. When en entity pays dividends it has received from its joint ventures and subsidiaries that have already paid income tax on those dividends or the profit of which has already been taxed in the domicile of the entity, then the payment of those dividends by the Parent Company is not subject to additional income tax. As of 31.12.2011, AS Ekspress Grupp (Parent Company) may to pay out dividends tax-free in the amount of EUR 6 549 thousand (as of 31.12.2010, 6 179 thousand). Thus, the company may pay out all retained earnings and there is no any potential income tax liability.

Contingent liabilities related to the Tax Board

Tax authorities have the right to review the Group's tax records for up to 6 years after submitting the tax declaration and upon finding errors, impose additional taxes, interest and fines. The tax authorities have not performed any tax audits in any of the group companies during 2010-2011 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

On 7 June 2011, Harju County Court satisfied an action filed by AS Sanoma Baltics against AS Eesti Ajalehed and AS Delfi, relating to the court case concerning the violation of copyright of the car portal www.auto24.ee by the portal of car sales ads www.ekspressauto.ee. The activities of the portal www.ekspressauto.ee were based on agreements with car sellers whose ads had been posted in the www.auto24.ee environment. The court ruled that both AS Eesti Ajalehed and AS Delfi solidarily had to pay compensation for damage in the amount of EUR 60 thousand. The judgement of the court has been appealed. As of 31.12.2011, a provision has been recognised in this amount.

The subsidiaries of the Group have also several other ongoing court cases, the effect of which is insignificant on the financial results of the Group.

Note 32. Related party transactions

Transactions with related parties are transactions with shareholders, associates, unconsolidated subsidiaries, members of the Supervisory and Management Board (incl. managing directors of subsidiaries), their immediate family members and the companies related to them.

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

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

Sales

(EUR thousand)	2011	2010
Sales of goods		
Members of Supervisory Board and companies related to them	2	2
Associates	982	1 024
Total sale of goods	**984**	**1 026**
Sale of services		
Members of Supervisory Board and companies related to them	13	31
Associates	155	191
Total sale of services	**168**	**222**
Total sales	**1 152**	**1 248**

Purchases

(EUR thousand)	2011	2010
Purchase of services		
Members of Management Board and companies related to them	82	101
Members of Supervisory Board and companies related to them	363	457
Associates	0	1
Total purchases of services	**445**	**559**

Receivables

(EUR thousand)	31.12.2011	31.12.2010
Short-term receivables		
Members of Supervisory Board and companies related to them (Note 9)	201	217
Associates	143	379
Total short-term receivables	**344**	**596**
Long-term receivables		
Members of Supervisory Board and companies related to them (Note 11)	60	70
Total long-term receivables	**60**	**70**
Total receivables	**404**	**666**

Liabilities

(EUR thousand)	31.12.2011	31.12.2010
Current liabilities		
Members of Management Board and companies related to them	3	3
Members of Supervisory Board and companies related to them	17	17
Total liabilities (Note 18)	**20**	**20**

According to the decision of the Annual General Meeting held 2 June 2009, Hans H. Luik will be paid a guarantee fee of 1.5% per annum. on the guarantee amount for the personal guarantee of EUR 4 million on the syndicated loan and overdraft agreements until the guarantee expires. The amount paid out in 2011 totalled EUR 58 thousand (2010: EUR 61 thousand) and there are not outstanding liabilities as of 31.12.2011 and 31.12.2010.

The management estimates that the transactions with related parties have been carried out at arms' length conditions. No provision was required in 2011(2010:nil) for receivables from related parties.

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

(EUR thousand)	2011	2010
Salaries and other benefits (paid)	1 079	978
Termination compensation paid	51	23
Total	**1 130**	**1 001**

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

Note 33. Events after the balance sheet date

In February 2012 a new subsidiary OÜ EG Digital, which will focus on IT developments and management all over the Group, was established. So far those activites were accommodated as department of Delfi Estonia.

Note 34. Sustainability of operations

As of 31.12.2011, the Group's current liabilities exceeded current assets by EUR 3.9 million. The Group's consolidated financial statements have been prepared on the going concern principle, as the management estimates that negative working capital will not cause any financial difficulties for the Group during 12 months from the date of signing the financial statements. The Group's cash flow forecast for 2012, which already considers higher loan repayments, shows positive cash flows in total. In addition client's prepayments for subscriptions, which are recognised as liabilities in the balance sheet at the year end are not to be paid out but recognised as income in the following year. Also the Group has an unused overdraft facility in the amount of EEK 2.9 million. Information about liquidity risk and the measures used to manage the risk is disclosed in more detailed in Note 4.

Note 35. Financial information about the Parent Company

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

Balance sheet of AS Ekspress Grupp (Parent Company)

(EUR thousand)	31.12.2011	31.12.2010
ASSETS		
Cash	0	5
Trade receivables	6	4
Prepaid taxes	14	56
Other receivables	2 906	3 810
Prepayments	19	70
Total trade and other receivables	**2 945**	**3 940**
Total current assets	**2 945**	**3 945**
Non-current assets		
Term deposit	0	3 009
Long-term financial investments	60	70
Shares of subsidiaries	23 697	25 342
Loans to subsidiaries	35 894	42 288
Shares of joint ventures	527	2 239
Property, plant and equipment	30	53
Intangible assets	49	54
Total non-current assets	**60 257**	**73 055**
TOTAL ASSETS	**63 202**	**77 000**
LIABILITIES AND EQUITY		
Liabilities		
Borrowings	2 982	3 451
Trade and other payables		
Trade payables	61	26
Payables to employees	20	29
Taxes payables	63	24
Other liabilities	27 297	21 841
Total trade and other payables	**27 441**	**21 920**
Total current liabilities	**30 423**	**25 371**
Long-term borrowings	22 236	26 690
Derivative financial instruments	176	610
Total non-current liabilities	**22 412**	**27 300**
Total liabilities	**52 835**	**52 671**
Equity		
Share capital at nominal value	17 878	19 044
Share premium	14 277	14 277
Statutory reserve capital	17	17
Other reserves	463	30
Retained earnings	(22 268)	(9 039)
Total equity	**10 367**	**24 329**
TOTAL LIABILITIES AND EQUITY	**63 202**	**77 000**

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

(EUR thousand)	2011	2010
Sales revenue	502	129
Cost of sales	(37)	(42)
Gross profit	**465**	**87**
Other income	1	0
Marketing expenses	(9)	(10)
Administrative expenses	(1 150)	(865)
Other expenses	(8)	(1 831)
Operating profit (loss)	**(701)**	**(2 619)**
Finance income and costs		
Finance income and costs on shares of joint ventures	616	1 374
Interest income	2 277	3 671
Interest expenses	(3 108)	(3 244)
Foreign exchange gain/(losses)	67	(9)
Other finance income and costs	(13 546)	3 634
Total finance income and costs	**(13 694)**	**5 426**
Profit (loss) before tax	**(14 395)**	**2 807**
PROFIT (LOSS) FOR THE YEAR	**(14 395)**	**2 807**
Other comprehensive income (expense)		
Change in fair value of hedging instrument	433	286
Total other comprehensive income (expense) for the year	**433**	**286**
Total comprehensive income (expense) for the year	**(13 962)**	**3 093**

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

(EUR thousand)	Attributable to equity holders of the Group				
	Share capital	Share premium	Reserves	Retained earnings	Total equity
Balance on 31 December 2009	13 325	12 327	(239)	(11 846)	**13 567**
Profit/(loss) for the reporting period	0	0	0	2 807	2 807
Other comprehensive income (expense)	0	0	286	0	289
Comprehensive income (expense) for the reporting period	0	0	286	2 807	3 093
Share capital increase	5 719	1 950	0	0	7 669
Total change	**5 719**	**1 950**	**286**	**2 807**	**10 762**
Balance on 31 December 2010	**19 044**	**14 277**	**47**	**(9 039)**	**24 329**
Carrying amount of holdings under control or significant influence					**(27 581)**
Value of holdings under control or significant influence, calculated under equity method					**39 551**
Adjusted unconsolidated equity as of 31 December 2010					**36 299**
Profit/ (loss) for the reporting period	0	0	0	(14 395)	(14 395)
Other comprehensive income (expense)	0	0	433	0	433
Comprehensive income (expense) for the reporting period	0	0	433	(14 395)	(13 962)
Conversion of nominal value of shares into euros	(1 166)	0	0	1 166	0
Total change	**(1 166)**	**0**	**433**	**(13 229)**	**(13 962)**
Balance on 31 December 2011	**17 878**	**14 277**	**480**	**(22 268)**	**10 367**
Carrying amount of holdings under control or significant influence					**(24 224)**
Value of holdings under control or significant influence, calculated under equity method					**52 245**
Adjusted unconsolidated equity as of 31 December 2011					**38 388**

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

Cash flow statement of AS Ekspress Grupp (Parent Company)

(EUR thousand)	2011	2010
Cash flows from operating activities		
Operating profit (loss) for the period	**(701)**	**(2 619)**
Adjustments for:		
Depreciation, amortisation and impairment	34	40
Changes in working capital:		
Trade and other receivables	(309)	3 456
Trade and other payables	(904)	(117)
Cash generated from operations	**(1 880)**	**761**
Interest paid	(3 195)	(3 197)
Net cash generated from operating activities	**(5 075)**	**(2 436)**
Cash flows from investing activities		
Increase of share capital of subsidiaries	0	(20 029)
Disposal of subsidiaries	0	3 000
Decrease of share capital in joint venture	357	0
Term deposit release/(placement)	1 500	(3 000)
Interest received	1 328	669
Dividends received	370	1 397
Purchase of property, plant and equipment	(7)	(13)
Loans granted	(210)	(70)
Loan repayments received	129	20 110
Net cash used in investing activities	**3 467**	**2 064**
Cash flows from financing activities		
Share issue	0	5 248
Change in overdraft used	(643)	(1 894)
Change in facilities of group account	5 056	749
Repayments of borrowings	(2 810)	(4 217)
Net cash generated from financing activities	**1 603**	**(114)**
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	**(5)**	**(487)**
Cash and cash equivalents at beginning of the period	5	492
Cash and cash equivalents at end of the period	0	5

INDEPENDENT AUDITOR'S REPORT

(Translation of the Estonian original)*

To the Shareholders of AS Ekspress Grupp

We have audited the accompanying consolidated financial statements of AS Ekspress Grupp and its subsidiaries (the Group), which comprise the consolidated balance sheet as of 31 December 2011 and the consolidated statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management Board's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2011, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of Matter

We draw attention to Note 17 in the consolidated financial statements, which discloses significant assumptions and inputs used by management in impairment testing of the Group assets (incl. goodwill) and the impact of possible changes in those assumptions and inputs on the results of the impairment tests.

Our opinion is not qualified in respect of this matter.

AS PricewaterhouseCoopers

/signed digitally/

Ago Vilu
Auditor's Certificate No.325

/signed digitally/

Eva Jansen-Diener
Auditor's Certificate No.501

8 March 2012

---

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

PROFIT ALLOCATION PROPOSAL FOR THE YEAR 2011

The Management Board of AS Ekspress Grupp proposes to allocate the net profit for the financial year ended 31 December 2011 in the amount of EUR 1 683 thousand as follows.

(EUR thousand)	2011
Net profit attributable to equity holders of AS Ekspress Grupp	1 683
Increase of statutory reserve (1/20 from the profit)	84
Statutory reserve before increase	17
Statutory reserve after the increase	**101**
Net profit to be transferred to retained earnings	1 599
Retained earningsbefore profit distribution	4 066
Total retained earnings after profit distribution	**5 665**

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 2011.

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

Management Board

Signed digitally	*Signed digitally*	*Signed digitally*	*Signed digitally*
Chairman of the Management Board	Member of the Management Board	Member of the Management Board	Member of the Management Board
Gunnar Kobin	Andre Veskimeister	Pirje Raidma	Madis Tapupere
8 March 2012	8 March 2012	8 March 2012	8 March 2012

Supervisory Board

.....	.....	.....
Chairman of the Supervisory Board	Member of the Supervisory Board	Member of the Supervisory Board
Viktor Mahhov	Hans H. Luik	Ville Jehe

.....	.....	.....
Member of the Supervisory Board	Member of the Supervisory Board	Member of the Supervisory Board
Harri Helmer Roschier	Aavo Kokk	Antti Mikael Partanen