



AS EKSPRESS GRUPP
CONSOLIDATED INTERIM REPORT
FOR THE FOURTH QUARTER AND
TWELVE MONTHS OF 2012

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GENERAL INFORMATION

Beginning of reporting period	1 January 2012
End of reporting period	31 December 2012
Company name	AS Ekspress Grupp
Registration number	10004677
Address	Narva mnt 11 E. 10151 Tallinn
Phone	669 8381
Fax	669 8081
E-mail	egrupp@egrupp.ee
Internet homepage	www.egrupp.ee
Main field of activity	Publishing and related services (5814)
Management Board	Gunnar Kobin (chairman) Andre Veskimeister Pirje Raidma Madis Tapupere
Supervisory Board	Viktor Mahhov (chairman) Hans H. Luik Aavo Kokk Antti Mikael Partanen (until 04.05.2012) Kari Sakari Salonen (since 04.05.2012) Harri Helmer Roschier Ville Jehe
Auditor	AS PricewaterhouseCoopers

Management Board's confirmation of the Group's consolidated interim report

The Management Board confirms that the management report and interim consolidated financial statements of AS Ekspress Grupp disclosed on pages 5 to 44 present a true and fair view of the key events which have occurred during the reporting period and their effect on the Group's financial position, results and cash flows, and they include a description of major risks and related party transactions of great significance.

Gunnar Kobin	Chairman of the Management Board	<i>signed digitally</i>	28.02.2013
Pirje Raidma	Member of the Management Board	<i>signed digitally</i>	28.02.2013
Andre Veskimeister	Member of the Management Board	<i>signed digitally</i>	28.02.2013
Madis Tapupere	Member of the Management Board	<i>signed digitally</i>	28.02.2013

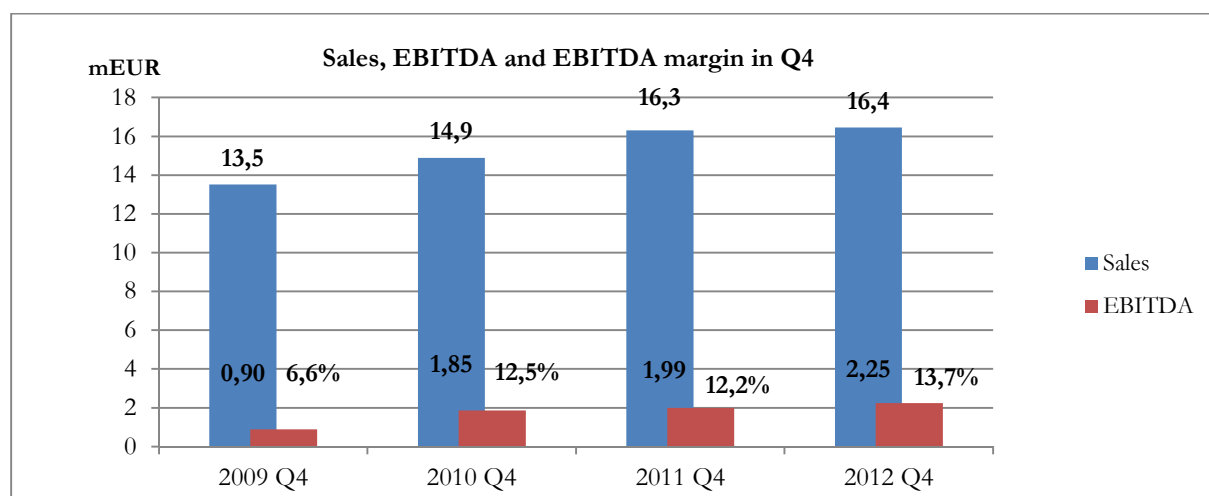
MANAGEMENT REPORT

The following report presents the consolidated financial information of AS Ekspress Grupp, the related market developments and management decisions. The financial indicators and ratios show the outcome of the Group's continuing operations, i.e. they express the consolidated operating results of online media, periodicals and printing services segments and corporate functions.

Key financial indicators and financial ratios

Financial indicators (EUR thousand)	Q4 2012	Q4 2011	Change %	Q4 2010	Q4 2009
For the reporting period					
Sales	16 447	16 313	1%	14 885	13 514
Gross profit	3 914	3 660	7%	3 466	2 598
EBITDA*	2 246	1 986	13%	1 854	896
Operating profit*	1 496	1 037	44%	1 016	37
Profit / (loss) from continuing operations for the period *	1 269	535	137%	210	(780)
EBITDA margin* (%)	13,7%	12,2%		12,5%	6,6%
Operating margin* (%)	9,1%	6,4%		6,8%	0,3%
Net margin* (%)	7,7%	3,3%		1,4%	-5,8%
Impairment of goodwill	(157)	(750)	-79%	0	(5 844)
Net profit / (loss) from continuing operations for the period	1 112	(215)	617%	210	(6 624)
Net profit for the period in the financial statements	1 112	(215)	617%	210	(6 986)
Net margin (%)	6.8%	-1.3%		1.4%	-51.7%

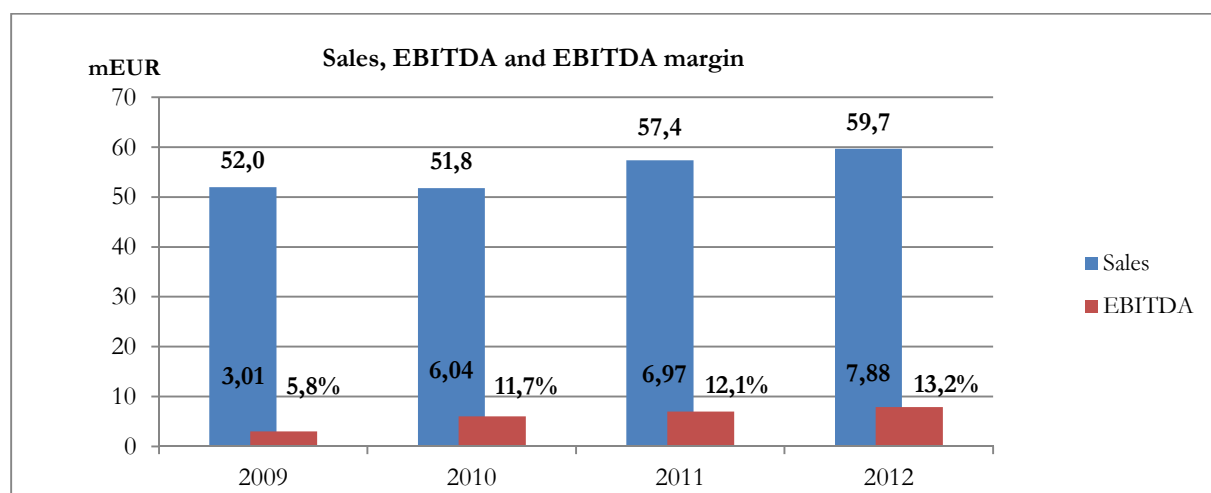
*The results exclude impairment of goodwill and trademarks.

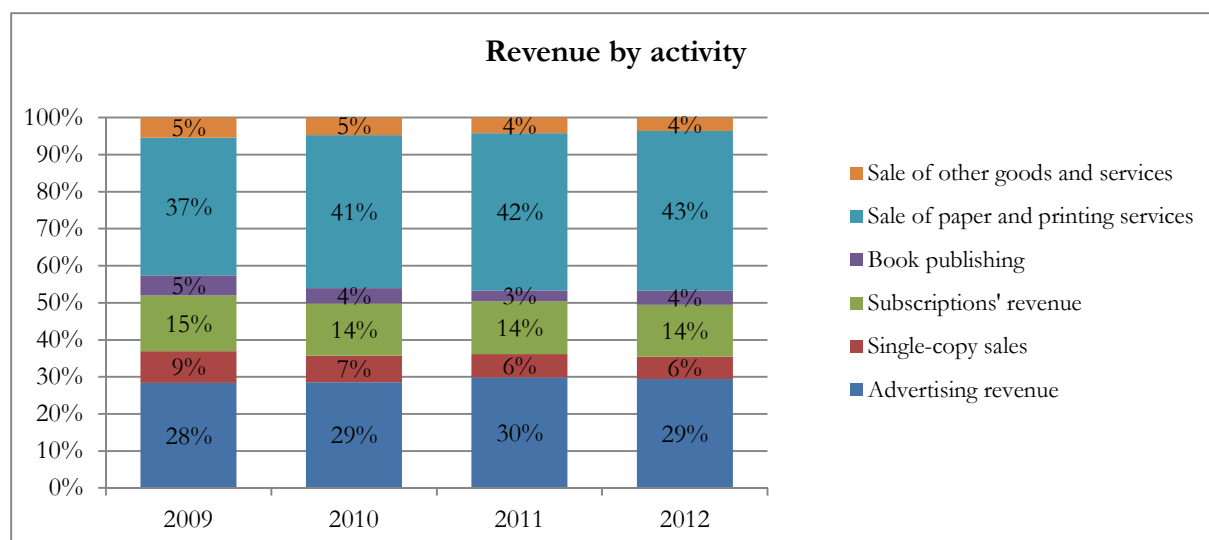


Financial indicators (EUR thousand)	12 months 2012	12 months 2011	Change %	12 months 2010	12 months 2009
For the period					
Sales	59 706	57 391	4%	51 814	51 974
Gross margin	13 187	12 544	5%	11 294	9 292
EBITDA*	7 882	6 968	13%	6 041	3 014
Operating profit*	4 596	3 443	33%	2 760	(445)
Profit / (loss) from continuing operations for the period *	2 682	893	200%	(509)	(3 613)
EBITDA margin* (%)	13,2%	12,1%		11,7%	5,8%
Operating margin* (%)	7,7%	6,0%		5,3%	-0,9%
Net margin* (%)	4,5%	1,6%		-1,0%	-7,0%
Extraordinary gain related to acquisition of Eesti Päevalehe AS**	0	1 540	-100%	0	0
Impairment of goodwill and trademarks	(157)	(750)	-79%	0	(5 844)
Net profit / (loss) from continuing operations for the period in the financial statements	2 525	1 683	50%	(509)	(9 457)
Net profit / (loss) for the period in the financial statements	2 525	1 683	50%	(146)	(12 144)
Net margin (%)	4,2%	2,9%		-0,3%	-23,4%
Earnings per share (EPS)	0.08	0.06		(0.01)	(0.58)

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

**In the 1st quarter of 2011, an additional 50% ownership interest in Eesti Päevalehe AS was acquired. The transaction was accounted for in two parts: firstly, as the sale of the current 50% ownership interest on which the net extraordinary gain totalled EUR 1 540 thousand and secondly, as the acquisition of the wholly-owned subsidiary (see Note 4 to the financial statements).





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

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

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

Formulas used to calculate the financial ratios	
Liquidity ratio	Current assets/current liabilities
ROA (%)	Net profit/average assets x 100
ROE (%)	Net profit/average equity x 100

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

In the last quarter of the year, the Group's sales increased by 1% as compared to the same period last year and totalled EUR 16.4 million. Achieving of higher efficiency was more important than sales growth, due which EBITDA increased by 13% as compared to the 4th quarter last year and the net profit excluding impairment losses increased by 137% and totalled EUR 1.27 million. In 2012, the Group's sales increased by 4% and totalled EUR 59.7 million. The consolidated net profit from continuing operations (excluding extraordinary gains and impairment losses) tripled, totalling EUR 2.7 million, the net margin increased to 4.5%. EBITDA increased by 14% in a year, totalling EUR 7.9 million. Simultaneously with the refinancing of loans, the Group continued to reduce its outstanding borrowings as a result of which the debt to EBITDA ratio fell to 3.6 by the year-end and it still continues to fall rapidly. As compared to the budget, the Group's actual sales were almost 1% better. EBITDA failed to meet the target by being 1.5% lower, however the net profit target met expectations.

In a year, the share of the online media segment in non-group sales (Note 8) has increased from 15% to 17%, and the share of EBITDA from 18% to 20%. The share of the periodicals segment in sales has decreased from 42% to 40%, but the share in EBITDA has increased from 7% to 10%. The share of printed services in sales has remained unchanged and is 43%, the share of EBITDA has decreased from 75% to 70%. These changes are attributable to continued strong online sales and also to improved profitability of the periodicals segment. This is also evident in the improvement of the EBITDA margin of the periodicals segment from 2% to 3%. The margin in the printing services segment stayed at the same level as last year and increased from 16% to 17% in the online media segment. The share of the online media segment in the Group's sales and profit has increased steadily since 2009 and exceeded its share of the profit in 2008. With regard to EBITDA, we expect the share of printing services to continue to decline steadily and that of the periodicals and online media segments to increase next year.

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

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

In the **online media segment**, we redesigned all Delfi's front pages in the Baltic States. The redesigning process will continue on the front pages of the portals and is planned to be completed in the 1st quarter of 2013. As a result of redesigning, the Delfi environment will receive a consistently new and modern look, which will significantly improve the ease of use of its visitors. Along with the redesign of the front pages, all Delfi portals also introduced an alternative front page in the market with the goal of providing a different kind of ease of use primarily to younger and more proficient media consumers. In Latvia and Lithuania, the alternative front page is called Delfi Easy while in Estonia it bears the name Delfi 2. With the help of Delfi portal, we launched a business line of new online verticals, under which we introduced a new Cosmopolitan portal in the market and revamped current portals moteris.lt, 5braskes.lt and klubas.lt. In the 4th quarter, we acquired a classified ads portal and magazine Alio in Lithuania, which we combined with Delfi. With this step, we made a huge leap forward in the Lithuanian online ads business. In all Baltic countries, we introduced Delfi's Facebook version MyDelfi with the goal of providing an opportunity to Facebook users to read personalised Delfi news flows in Facebook. The development of the project will continue in 2013. During the year, we continued to develop the mobile versions of all Delfi sites with the goal to strengthen our position among the mobile web leaders in all Baltic States. Although the share of mobile ad sales in our total sales is still modest, mobile ad sales have increased rapidly in all counties during the last year. In Delfi Estonia, we launched live basketball TV broadcasts, taking a huge step forward in online television. We believe that online television is a significant trend and we will continue to

make our best effort in this direction. In the last quarter of the year, Delfi Estonia received a new Chief Executive Officer Mari-Liis Rütšalu and its previous Chief Executive Officer started to manage our content production unit within AS Eesti Ajalehed. In Ukraine, we have managed to double Delfi's user base and if this trend continues, Delfi Ukraine will become a Delfi portal with the highest number of users by the end of the 1st quarter of 2013. Although Delfi Ukraine is still unprofitable, we have agreed with the management to adopt a new business model in 2013 which will limit our annual expenses to EUR 150 thousand. Once the Ukrainian advertising market develops further, it is realistic that we will become profitable with our product in 2014.

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

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

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

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

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

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

In **2013**, we expect the share of the online media segment to continue to grow both in sales as well as in profit. In the upcoming year, we will increase the content production offered by Delfi, but will also create new online products in addition to Delfi. The challenging economic environment will continue to put pressure on the periodicals segment, but our hopes are pinned to the growth of subscribers of Eesti Päevaleht and weekly newspapers through provision of digital products. Through applications produced separately for tablet computers, we plan to provide access to subscribers to the content of our online environments which had been inaccessible until now, for which purpose we will make necessary technological rearrangements. In the printing services segment, we will continue to optimise production capacity and will continue to discuss opportunities to increase production capacity.

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

OVERVIEW OF THE SEGMENTS

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

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

Key financial data of the segments in Q4 2012/2011

(EUR thousand)	Sales			EBITDA		
	Q4 2012	Q4 2011	Change %	Q4 2012	Q4 2011	Change %
online media	2 989	2 586	16%	586	696	-16%
periodicals	6 626	6 544	1%	253	62	308%
printing services	8 046	8 143	-1%	1 650	1 495	10%
corporate functions	308	71	334%	(242)	(268)	10%
intersegment eliminations	(1 522)	(1 031)	-48%	(1)	1	-200%
GROUP TOTAL	16 447	16 313	1%	2 246	1 986	13%

Key financial data of the segments 12 months 2012/2011

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

EBITDA margin	Q4 2012	Q4 2011	12 months 2012	12 months 2011
online media	20%	27%	17%	16%
periodicals	4%	1%	3%	2%
printing services	21%	18%	21%	21%
GROUP TOTAL	14%	12%	13%	12%

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

News portals owned by the Group

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

Classified portals owned by the Group

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

Online media segment

The online media segment includes Delfi operations in Estonia, Latvia, Lithuania and Ukraine as well as the Parent Company Delfi Holding.

(EUR thousand)	Sales			EBITDA		
	Q4 2012	Q4 2011	Change %	Q4 2012	Q4 2011	Change %
Delfi Estonia	951	913	4%	118	117	1%
Delfi Latvia	653	591	10%	89	135	-34%
Delfi Lithuania	1 369	1 054	30%	332	285	16%
Delfi Ukraine	16	17	-6%	(59)	(62)	5%
other Delfi companies	0	11	-100%	108	221	-51%
intersegment eliminations	0	0	-	(2)	0	-
TOTAL	2 989	2 586	16%	586	696	-16%

(EUR thousand)	Sales			EBITDA		
	12 months 2012	12 months 2011	Change %	12 months 2012	12 months 2011	Change %
Delfi Estonia	3 469	3 177	9%	279	154	81%
Delfi Latvia	2 292	2 014	14%	183	230	-20%
Delfi Lithuania	4 531	3 703	22%	1 182	653	81%
Delfi Ukraine	73	56	30%	(260)	(259)	0%
other Delfi companies	6	26	-77%	399	647	-38%
intersegment eliminations	(1)	1	-200%	(7)	0	-
TOTAL	10 370	8 977	16%	1 776	1 425	25%

Throughout the year, the main driver behind the sales and EBITDA growth of the online segment has been primarily Delfi Lithuania, contributing more than the others to the sales in the 4th quarter. Sales have also grown in other countries, but the EBITDA growth in number terms has been more modest. The lower result of Delfi Latvia in 2012 and in the 4th quarter was related to the hiring of additional editors in the 2nd half of the year to improve the coverage of news and to increase content production in 2013. In Latvia, subsidies and grants received were also lower.

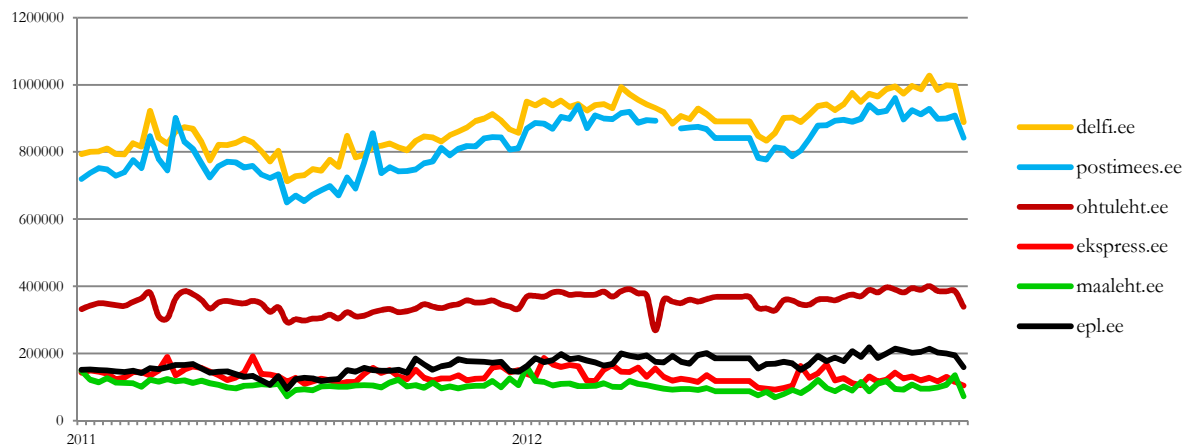
The key highlights of the year worth mentioning separately include:

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

Delfi Estonia

- Delfi Estonia was the first portal in Estonia whose number of unique users exceeded 1 million, which represents ca. 80% of all Estonian internet users. This result reinforced Delfi's position as the most popular website in Estonia while also widening the gap with its closest competitors.
- The number of people who use Delfi via their mobile phones has increased at a fast pace. Successful coverage of the Olympic Games increased the number of people reading Delfi via their mobile phones up to 100 thousand people per week.
- For the first time, Delfi Estonia transmitted a live programme of a public event, using 4G mobile communication solutions for this purpose. It is now possible to regularly view basketball broadcasts in Delfi.
- New categories and subsites in Estonian language version of Delfi, such as the subsection of Saturday newspaper LP of Eesti Päevaleht, EU-related debate section, live sports blog and VIASAT highlights in Delfi Sport, Eesti otsib superstaari (*Estonia is Searching for a Superstar*), Tähed jääl (*Stars on Ice*), Spordimeditsiin (*Sports Medicine*), Kuldn mask (*Golden Mask*), Puhka Eestis (*Visit Estonia*), Olümpia 2012 (*Olympic Games 2012*), Purjetamine (*Sailing*), Kirev maailm, (*Colourful World*), Suvetüdruk (*Summer Girl*), Kuldrula (*Golden Skateboard*), Viru Folk, new TOP Gear news block, etc.
- A separate soccer category in Delfi Estonian and Russian versions as well as mobile applications.
- New categories and new look in Delfi Russian language sections and functionality to share the news in social network.
- A Russian language e-store and filmilaenus.ee were launched.
- A new Facebook wall in Noorte Hää (*Voice of Young People*) and Reisileidja (*Travel Finder*) is now also available on Facebook.
- Delfi archive received a fresher and more user-friendly facelift.
- In cooperation with SEB Heategevusfond (*SEB Charity Fund*), Delfi Estonia implemented again a cooperation project "Jõulusoovide puu" (*Christmas Wish Tree*), providing gifts to almost 1200 children in shelter and foster homes.

Estonian online readership 2011-2012



TNSMetrix weekly audience survey

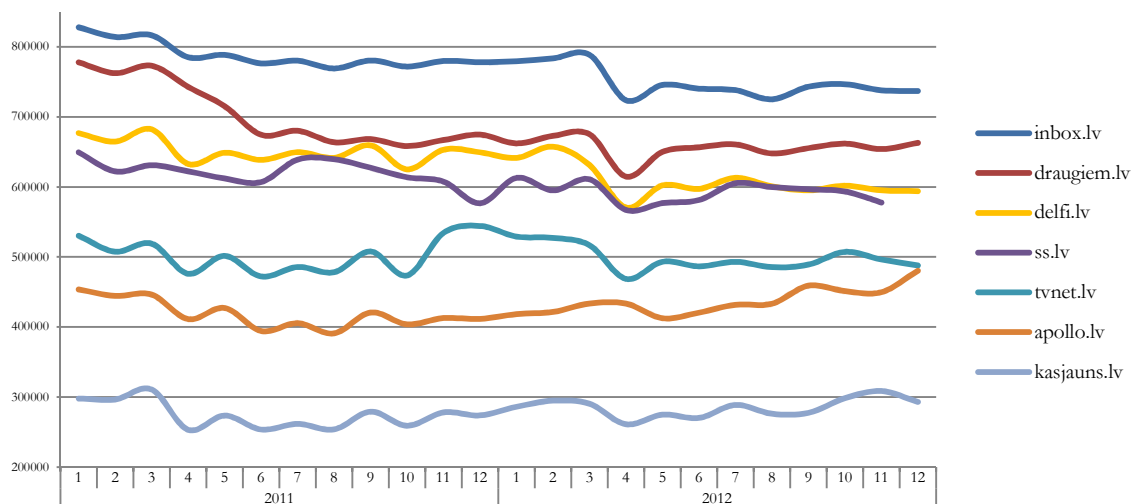
At the end of 2012, Delfi.ee continues to be the largest online media portal in Estonia. Although the gap with its closest competitors in terms of the number of users decreased primarily in summer months, it increased steadily at the year-end and in December 2012, the gap with the closest competitor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

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

Delfi Latvia

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

Latvian online readership 2011-2012



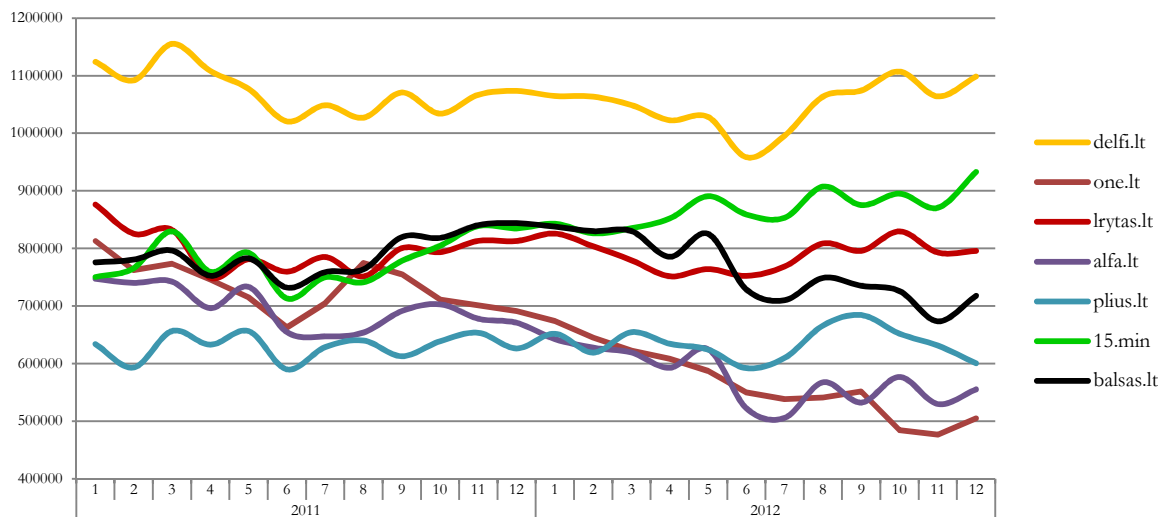
GemiusAudience monthly audience survey

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

Delfi Lithuania

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

Lithuanian online readership 2011-2012



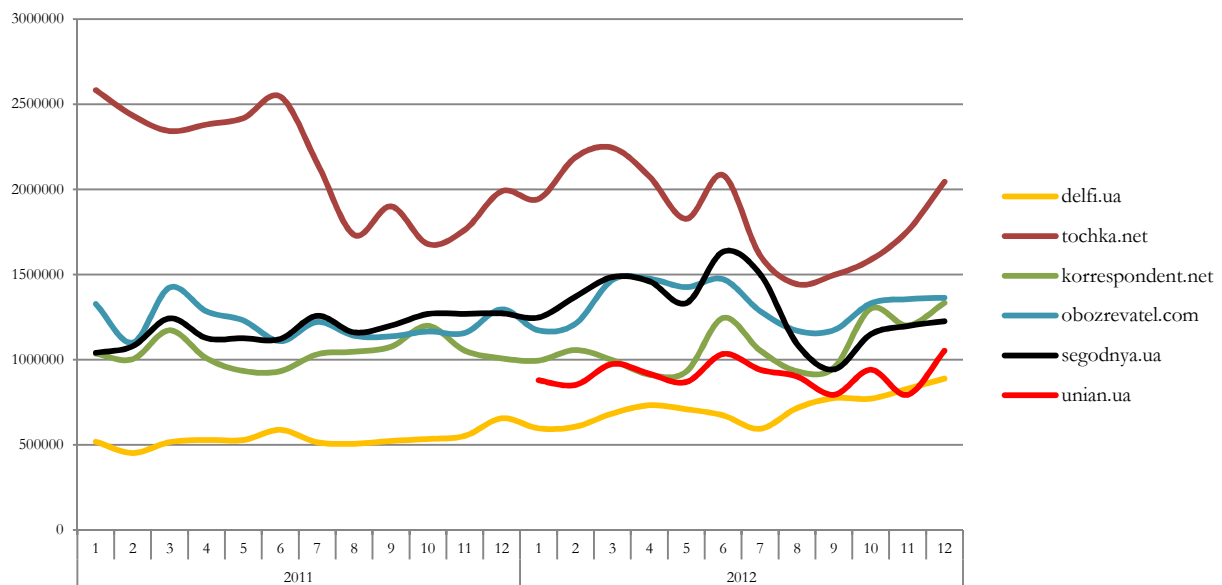
GemiusAudience monthly audience survey

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

Delfi Ukraine

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

Ukrainian online readership 2011-2012



GemiusAudience monthly audience survey

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

Periodicals segment

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

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

(EUR thousand)	Sales			EBITDA		
	Q4 2012	Q4 2011	Change%	Q4 2012	Q4 2011	Change%
AS Eesti Ajalehed**	3 529	3 330	6%	105	(192)	155%
AS SL Õhtuleht*	950	915	4%	51	62	-18%
AS Ajakirjade Kirjastus*	1 186	1 206	-2%	93	102	-9%
UAB Ekspress Leidyba	641	742	-14%	(80)	12	-767%
AS Express Post*	601	628	-4%	85	82	4%
intersegment eliminations	(281)	(277)	-1%	(1)	(4)	-
TOTAL	6 626	6 544	1%	253	62	308%

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

*Proportionate share of joint ventures

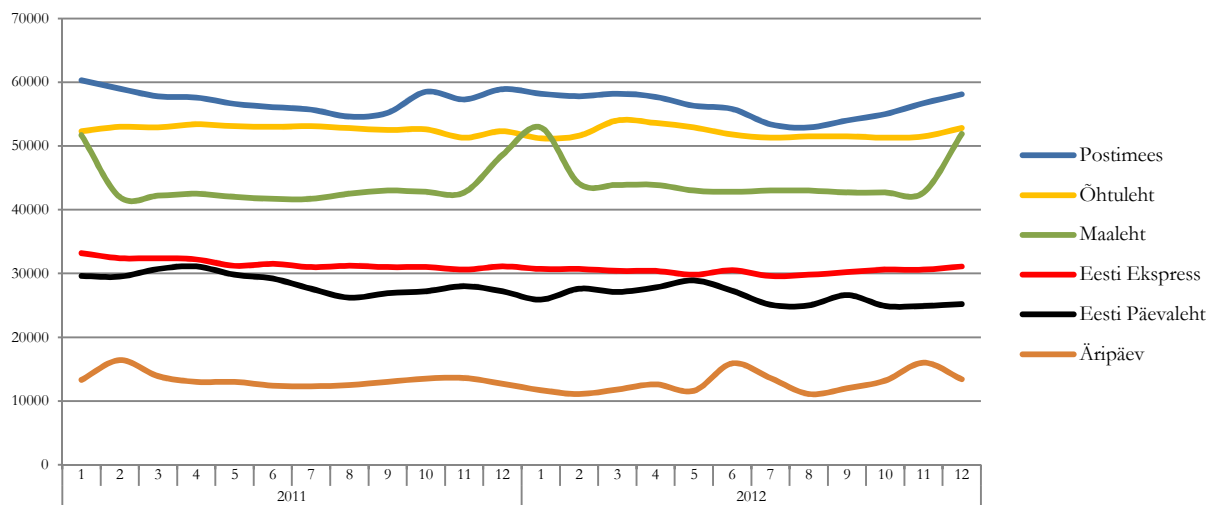
** For the purpose of comparability, AS Eesti Ajalehed combines the data for AS Eesti Ajalehed, Eesti Päevalehe AS (100% in both years) with that of OÜ Hea Lugu.

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

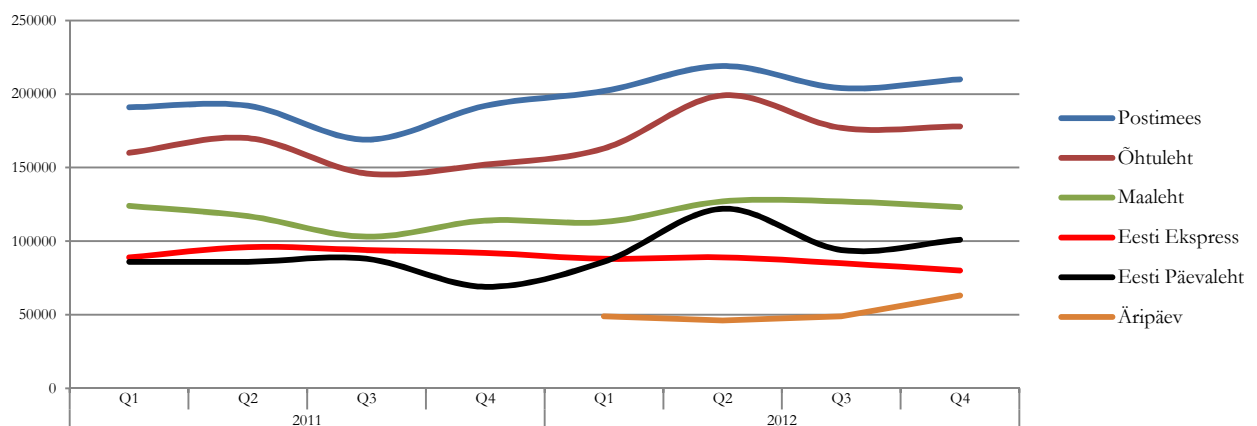
Despite the difficult conditions in the advertising sales market, the periodicals segment managed to increase its sales both in the 4th quarter as well as in 2012. This was attributable to several initiatives and product developments.

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

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

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

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

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

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

Printing services segment

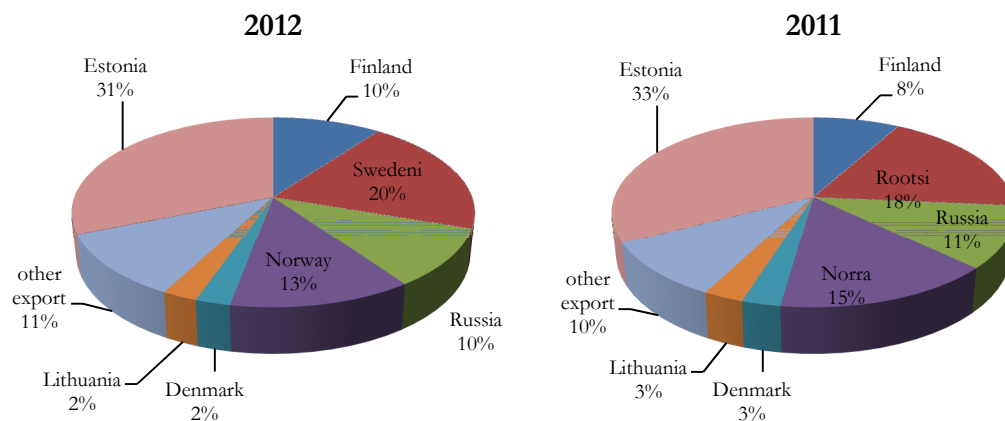
All printing services of the Group are provided by AS Printall which is one of the largest printing companies in Estonia. Printall is able to print both newspapers (*coldset*) and magazines (*heatset*).

(EUR thousand)	Sales			EBITDA		
	Q4 2012	Q4 2011	Change %	Q4 2012	Q4 2011	Change %
AS Printall	8 046	8 143	-1%	1 650	1 495	10%

(EUR thousand)	Sales			EBITDA		
	12 months 2012	12 months 2011	Change %	12 months 2012	12 months 2011	Change %
AS Printall	29 167	27 736	5%	6 052	5 959	2%

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

Geographical break-down of printing services



Printing services and the environment

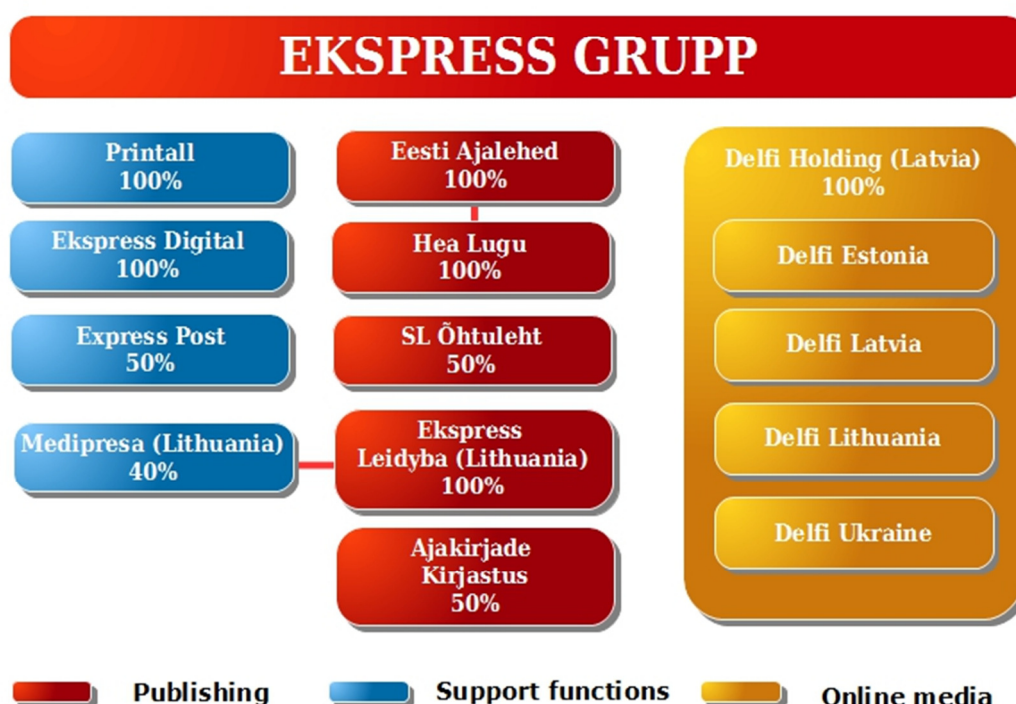
In addition to its very strong financial position, Printall also focuses on environmentally conscious production. In 2012, Printall was granted ISO 9001 management and ISO 14001 environmental certificates.

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

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

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

GROUP STRUCTURE



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

SHARES AND SHAREHOLDERS OF AS EKSPRESS GRUPP

As of 31.12.2012, 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.

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

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

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

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

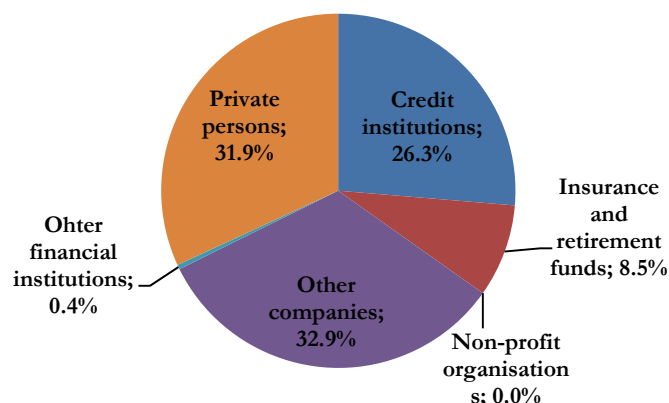
Structure of shareholders as of 31.12.2012 according to the Estonian Central Register of Securities

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

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

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

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

**AS Ekspress Grupp share information and dividend policy****Share information**

ISIN	EE3100016965
Ticker symbol	EEG1T
List/segment	BALTIC MAIN LIST
Issuer	Ekspress Grupp (EEG)
Nominal value	0,60 EUR
Issued shares	29 796 841
Listed shares	29 796 841
Date of listing	05.04.2007
Market maker	Finasta Investment Bank

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

The table below shows the stock trading history 2009-2012

Price (EUR)	12 months 2012	12 months 2011	12 months 2010	12 months 2009
Opening price	1,03	1,53	1,03	0,78
Closing price	1,06	1,03	1,53	1,03
High	1,18	1,84	1,62	1,50
Low	0,96	0,95	0,80	0,39
Average	1,04	1,32	1,28	0,89
Traded shares, pcs	1 247 945	3 909 472	3 856 572	2 461 534
Sales, mln	1,30	5,17	4,92	2,18
Capitalisation at balance sheet date, million	31,58	30,72	45,53	21,47
P/E ratio (<i>price earnings ratio</i>)	12,51	18,24	na	na

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



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



INTERIM CONSOLIDATED FINANCIAL STATEMENTS**Consolidated balance sheet (unaudited)**

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

The Notes presented on pages 27-44 form an integral part of the consolidated financial statements.

Consolidated statement of comprehensive income (unaudited)

(EUR thousand)	Q4 2012	Q4 2011	12 months 2012	12 months 2011
Sales revenue	16 447	16 313	59 706	57 391
Cost of sales	12 533	12 653	(46 519)	44 847
Gross profit	3 914	3 660	13 187	12 544
Other income	(768)	(649)	(2 378)	(2 098)
Marketing expenses	(1 805)	(1 929)	(6 643)	(7 081)
Administrative expenses	(90)	(343)	(220)	(542)
Other expenses	245	298	650	620
Gain from disposal of ownership in joint venture (Note 4)	0	0	0	1 540
Impairment of goodwill and loss from sales of trademarks (Note 6)	(157)	(750)	(157)	(750)
Operating profit	1 339	287	4 439	4 233
Interest income	0	12	5	45
Interest expense	(206)	(523)	(1 549)	(2 212)
Foreign exchange gains (losses)	(13)	73	(15)	45
Other finance costs	(14)	(47)	(117)	(154)
Net finance cost	(233)	(485)	(1 676)	(2 276)
Profit (loss) on shares of associates	(8)	(8)	(41)	(52)
Profit (loss) before income tax	1 098	(206)	2 722	1 905
Income tax expense	(14)	(9)	197	(222)
Net profit (loss) for the reporting period	1 112	(215)	2 525	1 683
Net profit (loss) for the reporting period attributable to:				
Equity holders of the parent company	1 112	(215)	2 525	1 683
Other comprehensive income (expense)				
Currency translation differences	8	(63)	10	(28)
Profit (loss) on change in value of a hedging instrument	0	63	176	434
Total other comprehensive income for the period	8	0	186	406
Comprehensive income (expense) for the reporting period attributable to:				
Equity holders of the parent company	1 120	(215)	2 711	2 089
Basic and diluted earnings per share (Note 9)	0,04	(0,01)	0,08	0,06

The Notes presented on pages 27-44 form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity (unaudited)

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

The Notes presented on pages 27-44 form an integral part of the consolidated financial statements.

Consolidated cash flow statement (unaudited)

(EUR thousand)	12 months 2012	12 months 2011
Cash flows from operating activities		
Operating profit (loss) for the reporting period)	4 439	4 233
<u>Adjustments for:</u>		
Depreciation, amortisation and impairment (Note 6)	3 285	3 524
Gain from disposal of ownership in joint venture, loss on sale of trademarks and goodwill impairment (Note 4,6)	157	(790)
Gain (loss) on sale and write-downs of property, plant and equipment	63	249
Cash flows from operating activities:		
Trade and other receivables	(715)	(121)
Inventories	(146)	249
Trade and other payables	(433)	(690)
Cash generated from operations	6 650	6 654
Income tax paid	(188)	(98)
Interest paid	(1 591)	(2 318)
Net cash generated from operating activities	4 871	4 238
Cash flows from investing activities		
Business combinations (Notes 4,5)	(434)	(26)
Purchase of other financial investments	(15)	0
Term deposit release (Note 7)	0	1 500
Interest received	5	51
Purchase of property, plant and equipment (Note 6)	(785)	(914)
Proceeds from sale of property, plant and equipment	42	92
Loans granted	(10)	(30)
Loan repayments received	182	126
Net cash generated from investing activities	(1 015)	799
Cash flows from financing activities		
Finance lease repayments made	(390)	(1 245)
Change in use of overdraft	731	(712)
Change in use of factoring	(270)	90
Repayments of borrowings	(3 474)	(3 208)
Net cash used in financing activities	(3 403)	(5 075)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	453	(38)
Cash and cash equivalents at the beginning of the period	2 729	2 767
Cash and cash equivalents at the end of the period	3 182	2 729

The Notes presented on pages 27-44 form an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**Note 1. General information**

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

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

These interim financial statements were approved by the Management Board on 28 February 2013.

The consolidated financial statements of AS Ekspress Grupp (hereinafter the Group) for the 4th quarter and the year 2012 reflect the results of the following group companies.

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

Note 2. Bases of preparation

The consolidated interim financial statements of AS Ekspress Grupp for the 4th quarter and 12 months ended 31.12.2012 have been prepared in accordance with IAS 34 "Interim Financial Reporting". The condensed interim consolidated financial statements should be read together to the annual report for the financial year ended 31.12.2011.

The Management Board estimates that the interim consolidated financial statements for the 4th quarter of 2012 present a true and fair view of the Group's operating results, and all group companies are going concerns. These interim financial statements have neither been audited nor reviewed in any other way by auditors.

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

Note 3. 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" they do not expose the Group to substantial credit risk.

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

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

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

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

In the case of new clients, their credit background is checked with the help of financial information databases such as Krediidinfo and other similar databases. Their payment behaviour is also initially monitored with heightened interest. Upon following the payment discipline, it is possible to receive more flexible credit terms, such as longer payment terms, higher credit limits, etc. Upon violation of the payment discipline, stricter credit terms are applied. In addition, in the periodicals 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 Group's management has an opinion that credit risk is still high in a current economic situation and therefore, credit risk management is continuously 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.

Liquidity risk

Liquidity risk means that the Group may not have liquid funds to fulfil its financial obligations in a timely manner (Note 14).

The objective of the Group is to maintain a balance between the financial need and financial possibilities of the Group. Cash flow planning is used as a means to manage the liquidity risk. To manage liquidity risk as effectively as possible, the bank accounts of the Parent Company and its subsidiaries comprise one group account (cash pool) which enables the members of the group account to use the finances of the Group within the limit established by the Parent Company. The group account operates in Estonia, but foreign subsidiaries in Latvia and Lithuania are also part thereof. According to the policy of the Group, all subsidiaries and joint ventures prepare long term cash flow projections for following year, which are adjusted on a quarterly basis. For monitoring short-term cash flows the subsidiaries that have joined the group account prepare eight week cash flow projections on a weekly basis.

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

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

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. An interest rate change by 1 percentage point would change Group's loan interest expense 285 thousand euros per year.

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

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

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

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

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

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

Foreign exchange risk

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

Financial assets and financial liabilities by currency as of 31 December 2012.

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

Financial assets and financial liabilities by currency as of 31 December 2011.

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

Price risk

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

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

Operational risk

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

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

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

Capital risk

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

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

Equity ratios of the Group

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

Note 4. Business combinations

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

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

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

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

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

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

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

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

Note 5. Investments in joint ventures

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

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

Note 6. Property, plant and equipment and intangible assets

(EUR thousand)	Property, plant and equipment		Intangible assets	
	12 months 2012	12 months 2011	12 months 2012	12 months 2011
Balance at beginning of the period				
Cost	30 376	32 795	57 689	55 356
Accumulated depreciation and amortisation	(13 625)	(13 658)	(5 719)	(4 420)
Carrying amount	16 751	19 137	51 970	50 936
Acquisitions and improvements	434	441	351	473
Disposals (at carrying amount)	(31)	(57)	(160)	(2)
Write-offs and write-downs of PPE	(2)	(9)	(74)	(1 022)
Reclassification	(97)	(1)	0	1
Acquisitions through business combinations	0	24	434	2 870
Disposals through business combinations	0	(547)	0	0
Depreciation and amortisation	(2 213)	(2 237)	(1 071)	(1 287)
Currency translation differences	0	0	1	2
Balance at end of the period				
Cost	29 590	30 373	57 761	57 512
Accumulated depreciation and amortisation	(14 749)	(13 622)	(6 311)	(5 542)
Carrying amount	14 841	16 751	51 450	51 970

Information about the items of non-current assets pledged as loan collateral is disclosed in Notes 7.

Intangible assets by type

(thousand)	EUR	
	31.12.2012	31.12.2011
Goodwill	41 093	40 761
Trademarks	9 542	9 886
Other intangible assets	815	1 323
Total intangible assets	51 450	51 970

Carrying amount of trademarks by segment

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

Goodwill by cash generating units and segments

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

In November 2012, Delfi Lithuania acquired the classified ads portal and newspaper under the trademark *Alio Reklama*. The related goodwill is recognised in the balance sheet in the amount of EUR 332 thousand (Note 4). 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 hyppeaud.ee, the carrying amount of which was EUR 25 thousand. As of 31.12.2011, an impairment loss was recognised for goodwill related to Eesti Päevaleht in the amount of EUR 130 thousand. An impairment loss was also recognised for goodwill related to Ekspress Leidyba in the amount of EUR 450 thousand and for goodwill related to Delfi Latvia in the amount of EUR 170 thousand. In 2011, impairment losses for goodwill totalled EUR 750 thousand. The impairment loss for goodwill is recognised in a separate line in the income statement.

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

The applied revenue growth rates are as follows:

Cash-generating unit	Next financial year		Years 2-5		Terminal value growth	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Delfi Estonia	9,0%	7,3%	10-15%	15-20%	3,5%	4%
Delfi Latvia	9,6%	4%	15-20%	20-25%	4%	4%
Delfi Lithuania	8,2%	3,3%	10-15%	10-20%	4%	4%
Eesti Päevaleht (Eesti Ajalehed)	-8%	4%	1,8-1,9%	2%	0-3,5%	1-3%
Maaleht (Eesti Ajalehed)	1,4%	9%	1,4-1,5%	2%	0%	1%
Ajakirjade Kirjastus	-0,4%	7%	0,5%	2%	0%	1%
Ekspress Leidyba	-0,7%	-	0,6-1%	-	0%	-

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

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

The applied discounts rates are as follows:

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

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

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

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

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

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

margin were 4.5 pp lower, terminal value growth were 1.85 pp lower or the discount rate used were 1.49 pp higher. Based on the above, the changes in the discount rate and the terminal value would have the greatest impact on the potential impairment loss of goodwill.

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

Note 7. Bank loans and borrowings

(EUR thousand)	Total amount	Repayment term	
		Up to 1 year	1-5 years
Balance on 31.12.2012			
Overdraft facilities	745	745	0
Long-term bank loans	27 835	3 602	24 233
<i>incl. syndicated loan (AS Ekspress Grupp)</i>	21 090	2 972	18 118
<i>incl. long-term loan (AS Printall)</i>	6 745	630	6 115
Total	28 580	4 347	24 233
Balance on 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
<i>incl. syndicated loan (AS Ekspress Grupp)</i>	25 204	2 968	22 236
<i>incl. long-term loan (AS Printall)</i>	2 395	755	1 640
Finance lease	3 950	1 429	2 521
Total	31 833	5 436	26 397

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

Refinancing of loan obligations in July 2012

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

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

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

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

Together with the syndicated loan, all overdraft facilities of AS Ekspress Grupp were also refinanced. The contract with Danske Bank Estonia branch was terminated and the limit with the remaining contractual

partners of the syndicated loan contract was increased to EUR 3 million. The interest rate on overdraft facilities is 1.9% and the limit fee is 1% of the contract amount.

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

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

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

Syndicated loan (repaid on 23 July 2012)

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

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

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

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

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

Long-term loan (repaid on 23 July 2012)

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

Overdraft facilities (refinanced on 23 July 2012)

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

Note 8. Segment reporting

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

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

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

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

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

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

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

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

2012 Q4 (EUR thousand)	Online media	Periodi- cals	Printing services	Corporate functions	Elimina- tions	Total Group
Sales to external customers	2 970	6 559	7 195	6	(283)	16 447
Inter-segment sales	(19)	(67)	(851)	(302)	(1 239)	0
Total segment sales	2 989	6 626	8 046	308	(1 522)	16 447
EBITDA	586	253	1 650	(242)	(1)	2 246
EBITDA margin	20%	4%	21%			14%
Depreciation (Note 6)						(750)
Loss on sale of trademarks						(157)
Operating profit						1 339
Investments (Note 6)						635

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

2011 Q4 (EUR thousand)	Online media	Periodi- cals	Printing services	Corporate functions	Elimina- tions	Total Group
Sales to external customers	2 540	6 489	7 277	7	0	16 313
Inter-segment sales	(46)	(55)	(866)	(64)	(1 031)	0
Total segment sales	2 586	6 544	8 143	71	(1 031)	16 313
EBITDA	696	62	1 495	(268)	1	1 986
EBITDA margin	27%	1%	18%			12%
Depreciation (Note 6)						(949)
Impairment of goodwill						(750)
Operating profit						287
Investments (Note 6)						949

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

Note 9. 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	Q4 2012	Q4 2011	12 months 2012	12 months 2011
Profit attributable to equity holders	1 112 264	(215 038)	2 525 379	1 683 151
The average number of ordinary shares	29 796 841	29 796 841	29 796 841	29 796 841
Basic and diluted earnings per share from continuing operations	0.04	(0.01)	0.08	0.06

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

Note 10. Equity

Share capital and share premium

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

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

Reserves

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

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

Note 11. Contingent liabilities

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

Note 12. Related party transactions

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

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

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

Sales

(EUR thousand)	12 months 2012	12 months 2011
Sales of goods		
Members of Management Board and companies related to them	0	2
Associates	767	982
Total sale of goods	767	984
Sale of services		
Members of Management Board and companies related to them	6	13
Associates and joint ventures	757	873
Total sale of services	763	886
Total sales	1 530	1 870

Purchases

(EUR thousand)	12 months 2012	12 months 2011
Purchase of services		
Members of Management Board and companies related to them	65	82
Members of Supervisory Board and companies related to them	405	363
Associates and joint ventures	443	418
Total purchases of services	913	863
Purchase of services	913	863

Receivables

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

Liabilities

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

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

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

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

(EUR thousand)	12 months 2012	12 months 2011
Salaries and other benefits (without social tax)	1 230	1 079
Termination benefits (without social tax)	46	51
Total (without social tax)	1 276	1 130

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

Note 13. Events after the balance sheet date

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

Note 14. Sustainability of operations

As of 31.12.2012, the Group's current liabilities exceeded current assets by EUR 1.4 million. The Group's consolidated financial statements have been prepared on the going concern principle, as the management estimates that negative working capital will not cause any financial difficulties for the Group during 12 months from the date of signing the financial statements. Also the Group has an unused overdraft facility in the amount of EUR 2.2 million. In addition client's prepayments for subscriptions, which are recognised as liabilities in the balance sheet in amount of 2.6 million euros at the year-end are not to be paid out but recognised as income in the following year. Information about liquidity risk and the measures used to manage the risk is disclosed in more detail in Note 3.