AS EKSPRESS GRUPP

CONSOLIDATED INTERIM REPORT

FOR THE FOURTH QUARTER AND TWELVE MONTHS OF 2011

(translation of the Estonian original)

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GENERAL INFORMATION

Beginning of reporting period	1 January 2011
End of reporting period	31 December 2011
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
	Harri Helmer Roschier
	Ville Jehe
Auditor	AS PricewaterhouseCoopers

Management Board's confirmation of the Group's interim financial statements

The Management Board confirms that the management report and interim consolidated financial statements of AS Ekspress Grupp disclosed on pages 5 to 45 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	*signed digitally*	29.02.2012
Pirje Raidma	Member of the Management Board	*signed digitally*	29.02.2012
Andre Veskimeister	Member of the Management Board	*signed digitally*	29.02.2012
Madis Tapupere	Member of the Management Board	*signed digitally*	29.02.2012

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.

Key financial indicators and financial ratios

Financial indicators (EUR thousand)	Q4 2011	Q4 2010	Change %	12 months 2011	12 months 2010	Change %
For the reporting period						
Sales	16 313	14 885	10%	57 391	51 814	11%
Gross profit	3 660	3 466	6%	12 544	11 294	11%
EBITDA	1 236	1 854	-33%	7 757	6 041	28%
EBITDA (excl. change in goodwill)	**1 986**	**1 854**	**7%**	**6 967**	**6 041**	**15%**
Operating profit	287	1 016	-72%	4 233	2 760	53%
Operating profit (excl. change in goodwill)	**1 037**	**1 016**	**2%**	**3 443**	**2 760**	**25%**
Net profit/(loss) from continuing operations	(215)	210	-202%	1 683	(509)	431%
Net profit/(loss) for the period	**(215)**	**210**	**-202%**	**1 683**	**(146)**	**1250%**

Profitability ratios (%)	Q4 2011	Q4 2010	12 months 2011	12 months 2010
Sales growth (%)	**10%**	**10%**	**11%**	**0%**
Gross margin (%)	22%	23%	22%	22%
EBITDA margin (%) (excl. change in goodwill)	**12%**	**12%**	**12%**	**12%**
Operating margin (%) (excl. change in goodwill)	6%	7%	6%	5%
Net margin (%)	-1%	1%	3%	0%
ROA (%)	0%	0%	2%	0%
ROE (%)	-1%	1%	4%	0%
Earnings per share EUR	(0.01)	0.01	0.06	(0.01)

Formulas used to calculate the financial ratios:

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

Financial indicators (EUR thousand)	31.12.2011	31.12.2010	Change %
As of the end of the period			
Current assets	12 523	12 729	-2%
Non-current assets	68 986	73 253	-6%
Total assets	**81 509**	**85 982**	-5%
Current liabilities	16 547	16 018	3%
Non-current liabilities	26 574	33 665	-21%
Total liabilities	**43 121**	**49 683**	-13%
Equity	38 388	36 299	6%

Financial position ratios (%)	31.12.2011	31.12.2010
Equity ratio (%)	47%	42%
Liquidity ratio	0.8	0.8
Debt to equity ratio (%)	83%	107%
Debt to capital ratio (%)	43%	48%

Formulas used to calculate the financial ratios:

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

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

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

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

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

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

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

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

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

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

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

With regard to the cost structure of group companies, the greatest changes were related to the amendment of the Lithuanian tax laws, which increased Delfi Lithuania's liabilities in the form of the social tax, as well

as the addition of the local news portal Eesti Elu acquired by Delfi Estonia to the cost base and the addition of rental expenses to the expenses of AS Eesti Ajalehed (Eesti Päevalehe AS used to be located on its own premises and did not incur any rental expenses). The other changes occurred in the expenses were primarily related to the growth of business; no major growth of in the number of employees or their wages occurred in 2011.

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

Overview of the Group's segments

Key financial data of the segments in Q4 2010/2011

(EUR thousand)	Sales			EBITDA		
	Q4 2011	Q4 2010	Change %	Q4 2011	Q4 2010	Change %
online media	2 586	2 302	12%	696	302	130%
periodicals	6 544	6 051	8%	62	253	-75%
printing services	8 143	7 230	13%	1 495	1 529	-2%
corporate functions	71	31	129%	(1 018)	(236)	-331%
intersegment eliminations	(1 031)	(729)	-41%	1	6	-83%
TOTAL	**16 313**	**14 885**	**10%**	**1 236**	**1 854**	**-33%**

Key financial data of the segments for the 12 months of 2010/2011

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

EBITDA margin	Q4 2011	Q4 2010	12 months 2011	12 months 2010
online media	27%	13%	16%	10%
periodicals	1%	4%	2%	4%
printing services	18%	21%	21%	21%

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

News portals owned by the Group

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

Online media segment

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

(EUR thousand)	Sales			EBITDA		
	Q4 2011	Q4 2010	Change %	Q4 2011	Q4 2010	Change %
Delfi Estonia	913	783	17%	117	20	485%
Delfi Latvia	591	513	15%	135	16	744%
Delfi Lithuania	1 054	1 000	5%	285	252	13%
Delfi Ukraine	17	11	55%	(62)	(138)	55%
other Delfi companies	11	22	-50%	221	155	42%
intersegment eliminations	0	(27)	100%	0	(3)	-
TOTAL	**2 586**	**2 302**	**12%**	**696**	**302**	**130%**

(EUR thousand)	Sales			EBITDA		
	12 months 2011	12 months 2010	Change %	12 months 2011	12 months 2010	Change%
Delfi Estonia	3 177	2 643	20%	154	56	175%
Delfi Latvia	2 014	1 681	20%	230	(106)	317%
Delfi Lithuania	3 703	3 463	7%	653	737	-11%
Delfi Ukraine	56	35	60%	(259)	(522)	50%
other Delfi companies	26	151	-83%	647	594	9%
intersegment eliminations	1	(89)	101%	0	(1)	-
TOTAL	**8 977**	**7 884**	**14%**	**1 425**	**758**	**88%**

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

The key highlights during the year worth mentioning separately include:

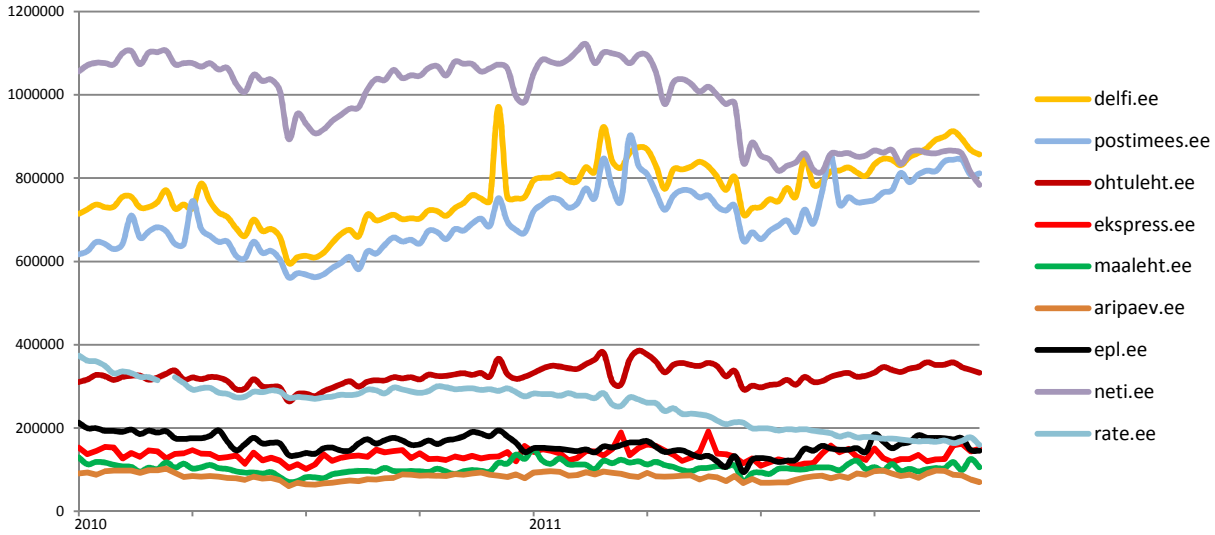
- Advertising sales were launched in Delfi's mobile environments. The sales of video advertisements were also launched, creating better opportunities for the online segment to participate in the television advertising market. The growth of mobile advertisements has been aggressive, yet modest in absolute numbers.

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

Delfi Estonia

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

Estonian online readership 2010-2011



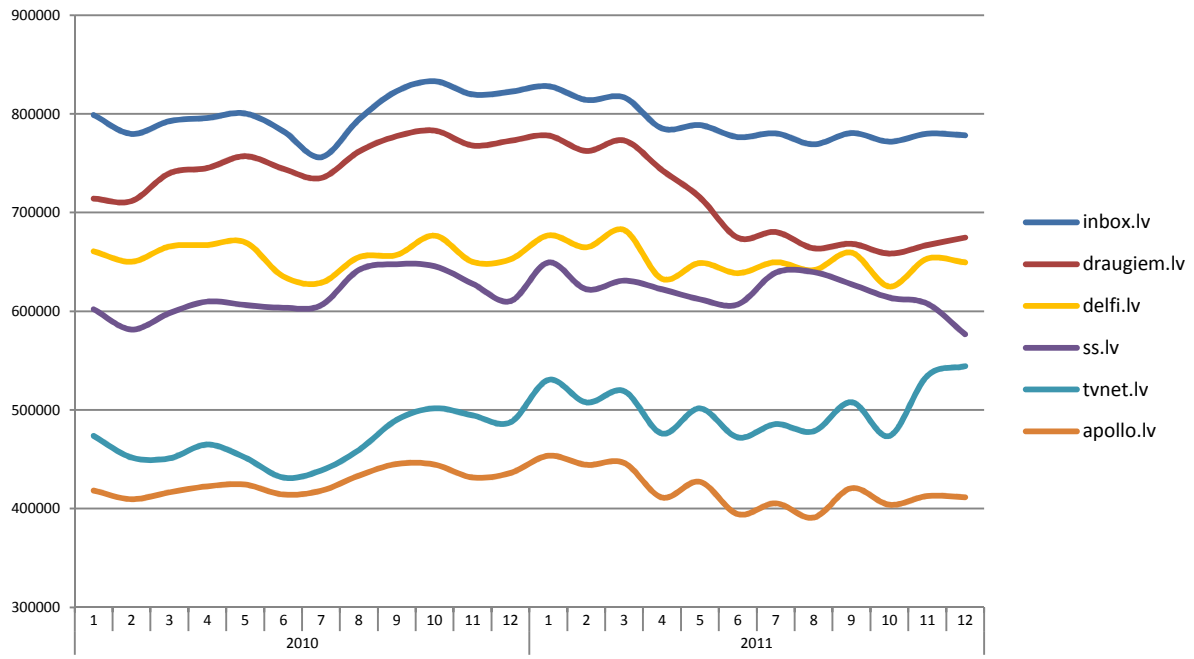
TNSMetrix weekly audience survey

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

Delfi Latvia

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

Latvian online readership 2010-2011



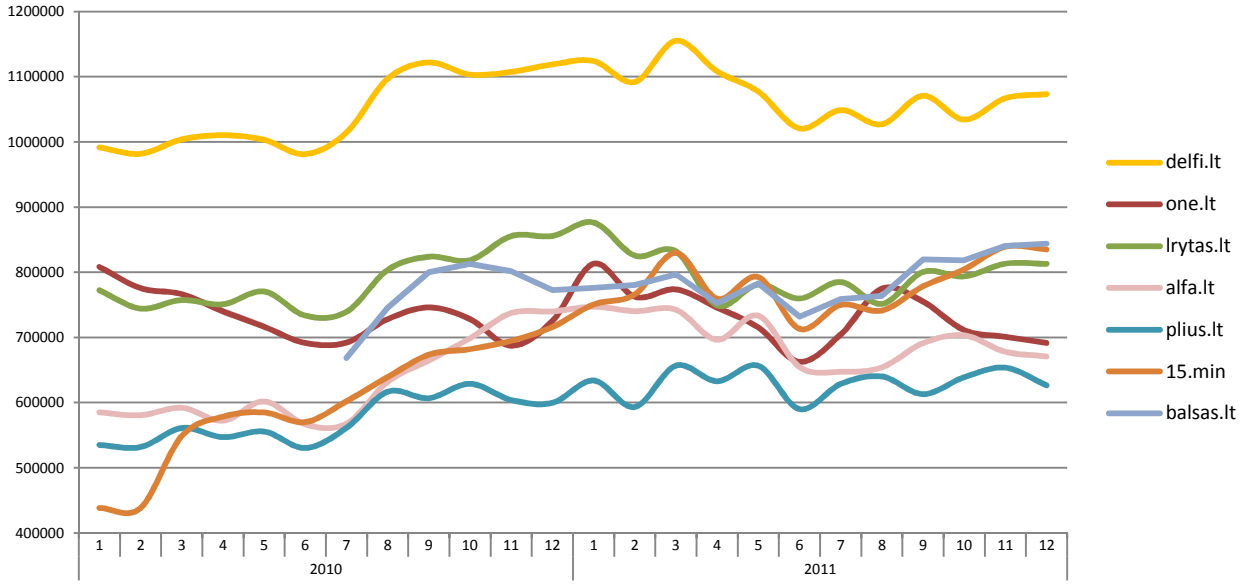
GemiusAudience monthly audience survey

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

Delfi Lithuania

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

Lithuanian online readership 2010-2011



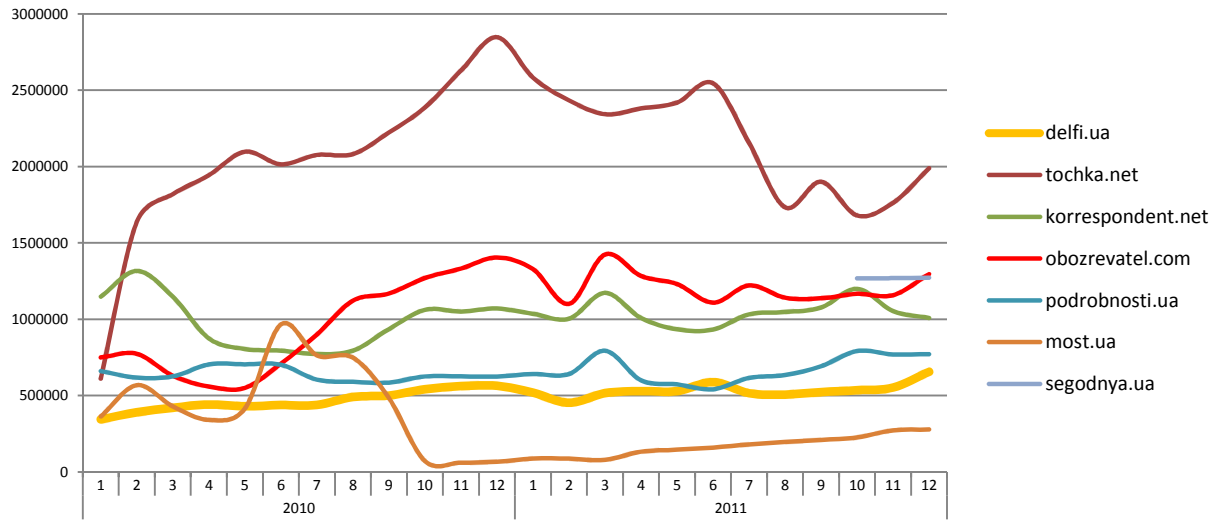
GemiusAudience monthly audience survey

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

Delfi Ukraine

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

Ukrainian online readership 2010-2011



GemiusAudience monthly audience survey

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

Periodicals segment

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

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

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

(EUR thousand)	Sales			EBITDA		
	Q4 2011	Q4 2010	Change%	Q4 2011	Q4 2010	Change%
Eesti Ajalehed AS**	3 330	3 733	-11%	(192)	3	-6510%
SL Õhtuleht AS*	915	887	3%	62	57	9%
AS Ajakirjade Kirjastus*	1 206	1 243	-3%	102	77	32%
UAB Ekspress Leidyba	742	691	7%	12	(18)	167%
AS Express Post*	628	644	-2%	82	79	4%
OÜ Uniservice*	0	4	-100%	0	(1)	100%
intersegment eliminations***	(277)	(1 151)	76%	(4)	56	-
TOTAL	**6 544**	**6 051**	**8%**	**62**	**253**	**-75%**

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

*Proportionate share of joint ventures

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

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

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

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

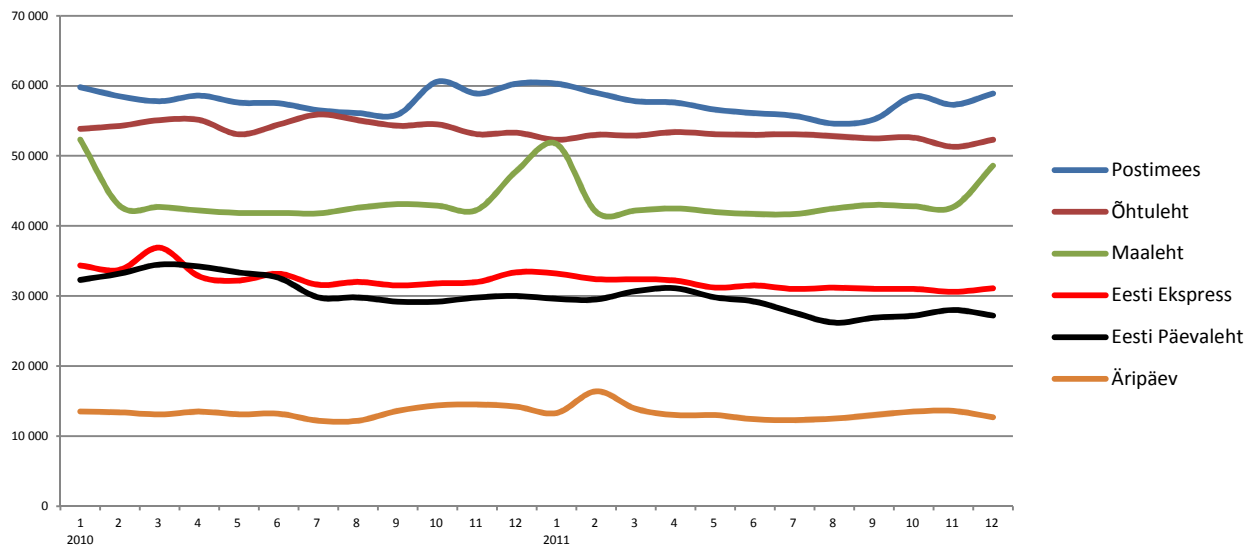
In the 2nd quarter, an important product upgrade was implemented at the newspaper Eesti Päevaleht. Under the guidance of the new editor-in-chief Vallo Toomet who had previously been in charge of economic news, the upgraded Eesti Päevaleht with a more magazine-like format and design was developed and launched. The product upgrade of Eesti Päevaleht was received well in the market, which is evidenced by the fact that Eesti Päevaleht was the only national daily newspaper whose readership increased in the 3rd quarter.

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

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

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

Estonian newspaper circulation 2010-2011

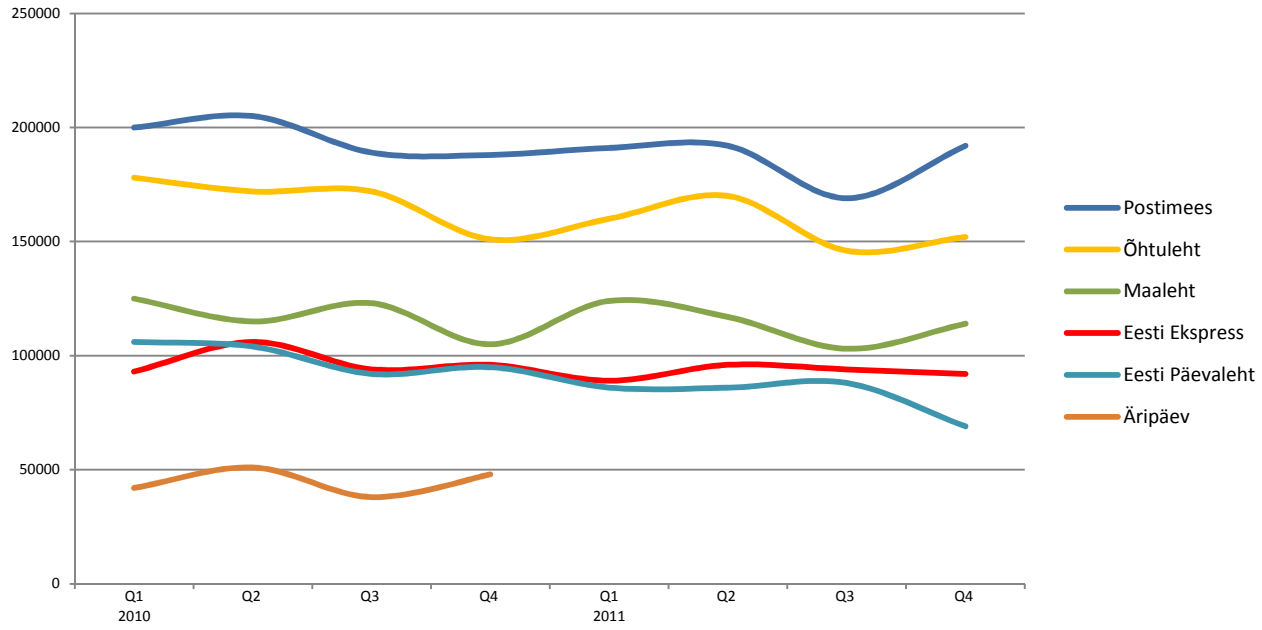


Estonian Newspaper association data

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

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

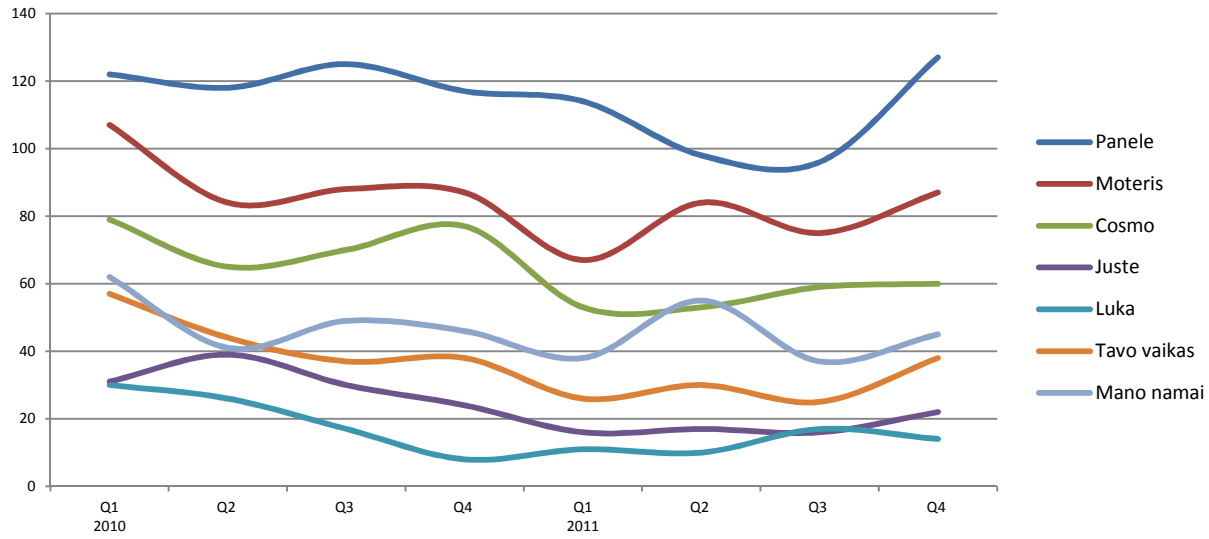
Estonian newspaper readership 2010-2011



TNS EMOR quarterly survey

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

Ekspress Group Lithuanian magazine readership 2010-2011



TNS EMOR's quarterly audience survey

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

Printing services segment

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

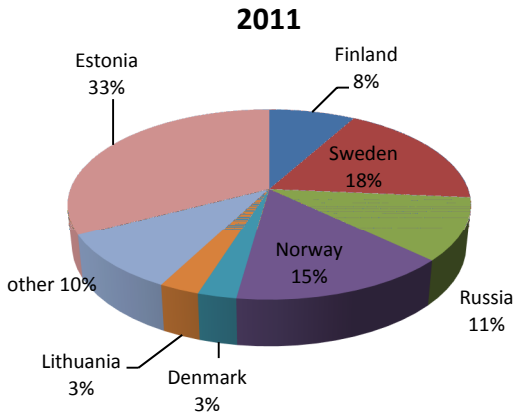
(EUR thousand)	Sales			EBITDA		
	Q4 2011	Q4 2010	Change %	Q4 2011	Q4 2010	Change %
AS Printall	8 143	7 230	13%	1 495	1 529	-2%

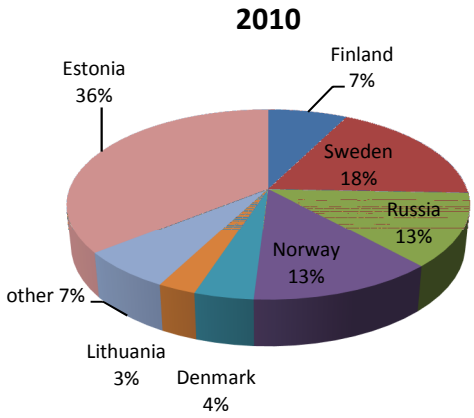
(EUR thousand)	Sales			EBITDA		
	12 months 2011	12 months 2010	Change %	12 months 2011	12 months 2010	Change %
AS Printall	27 736	24 221	15%	5 959	5 198	15%

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

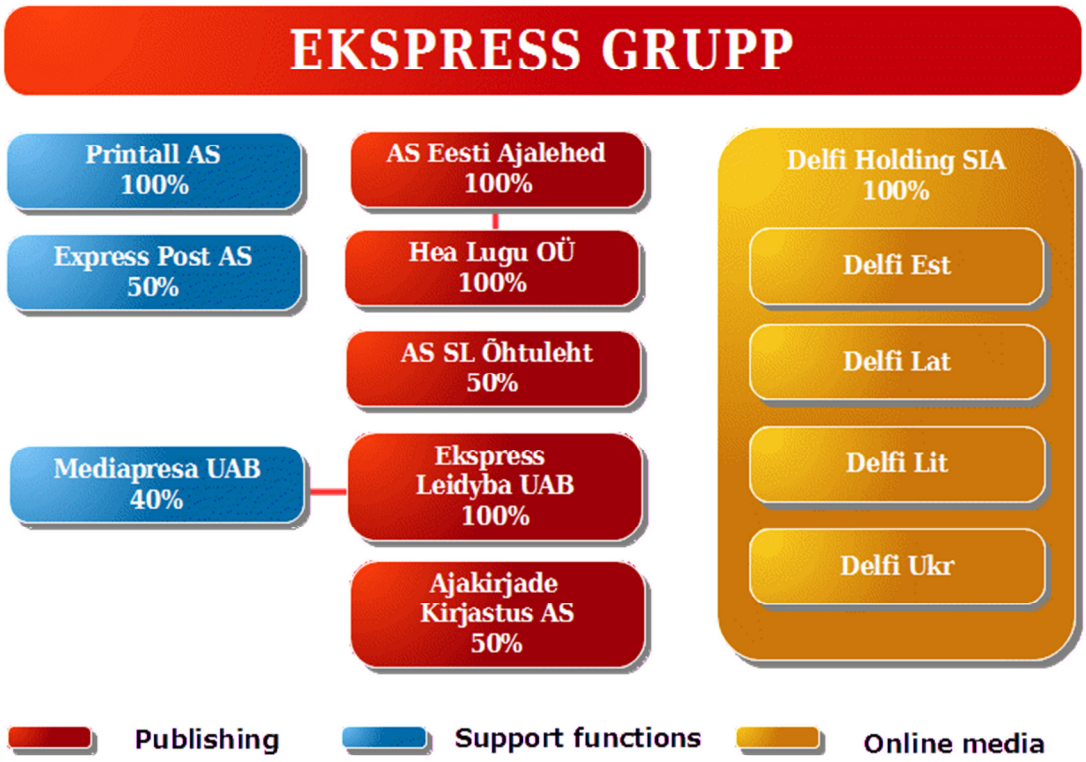
Geographical break-down of printing services

	Q4 2011	Q4 2010	Change%	12 months 2011	12 months 2010	Change%
Exports	**5 630**	**4 779**	**18%**	**18 691**	**15 571**	**20%**
Finland	688	424	62%	2 248	1 816	24%
Sweden	1 504	1 363	10%	5 069	4 388	16%
Norway	802	850	-6%	2 969	3 041	-2%
Russia	1 117	983	14%	4 194	3 100	35%
Denmark	182	301	-40%	742	991	-25%
Lithuania	219	177	24%	771	638	21%
Other exports	1 118	681	64%	2 698	1 597	69%
Estonia	**2 513**	**2 451**	**3%**	**9 045**	**8 650**	**5%**
Total sales	**8 143**	**7 230**	**13%**	**27 736**	**24 221**	**15%**
Incl. group sales	1 034	1 040	-1%	3 993	4 010	0%
Incl. non-group sales	7 109	6 190	15%	23 743	20 211	17%





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



Shares and shareholders of AS Ekspress Grupp

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 kapital was EUR 19 043 652 and it consists 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 kapital was EUR 13 324 738 and it consists of 20 848 841 shares wit the nominal value EUR 0,64 per share. In January 2009 1 877 760 new shares were issued at the price EUR 0,96 per share of which EUR 0,32 per share was share premium.

All shares are of one type and there are no ownership restrictions. The Group does not have any shares granting specific controlling rights and the Group 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 Group to the extent related to pledging of securities and that is public information.

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

Name	Number of shares	%
Hans Luik	16 023 692	53.78%
Hans Luik	*7 963 307*	*26.73%*
Hans Luik, OÜ HHL Rühm	*8 053 485*	*27.03%*
Hans Luik , OÜ Minigert	*6 900*	*0.02%*
ING Luxembourg S.A.	4 002 052	13.43%
Skandinaviska Enskilda Banken Ab Clients	3 127 253	10.50%
Funds managed by LHV Pank and LHV Varahaldus	2 136 450	7.26%
Members of the Management and Supervisory Boards and their close relatives	452 112	1.51%
Gunnar Kobin, OÜ Griffen SVP	*320 512,0*	*1.08%*
Gunnar Kobin, OÜ Griffen Holding	*91 836,0*	*0.31%*
Viktor Mahhov, OÜ Flexinger	*37 464,0*	*0.13%*
Aavo Kokk, OÜ Synd & Katts	*400,0*	*0.00%*
Pirje Raidma, OÜ Aniston Trade	*1 900,0*	*0.01%*
Other minority shareholders	4 028 282	13.52%
Total	**29 796 841**	**100.00%**

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

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

Share information

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

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

The following table shows the stock trading history for 2010/2011

Price (EUR)	Q4 2011	Q4 2010	12 months 2011	12 months 2010
Opening price	1,01	1,43	1,53	1,03
Closing price	1,03	1,53	1,03	1,53
High	1,24	1,62	1,84	1,62
Low	0,97	1,37	0,95	0,80
Average	1,07	1,49	1,32	1,28
Traded shares, pcs	1 335 719	1 463 361	3 909 472	3 856 572
Turnover, mln	1.43	2.18	5.17	4.92
Capitalisation on the balance sheet date, million	30.72	45.53	30.72	45.53
Price/earnings ratio	18	na	18	na

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet (unaudited)

(EUR thousand)	31.12.2011	31.12.2010
ASSETS		
Current assets		
Cash and cash equivalents	2 729	2 767
Trade and other receivables	6 921	6 941
Inventories	2 833	2 961
Total	**12 483**	**12 669**
Non-current assets held for sale	40	60
Total current assets	**12 523**	**12 729**
Non-current assets		
Term deposit (Note 7)	98	3 009
Trade and other receivables	167	162
Investments in associates	0	8
Property, plant and equipment (Note 6)	16 751	19 138
Intangible assets (Note 6)	51 970	50 936
Total non-current assets	**68 986**	**73 253**
TOTAL ASSETS	**81 509**	**85 982**
LIABILITIES		
Current liabilities		
Borrowings (Note 7)	5 436	5 233
Trade and other payables	11 111	10 785
Total current liabilities	**16 547**	**16 018**
Non-current liabilities		
Long-term borrowings (Note 7)	26 397	33 053
Other long-term liabilities	1	2
Derivate instruments	176	610
Total non-current liabilities	**26 574**	**33 665**
Total liabilities	**43 121**	**49 683**
EQUITY		
Share capital (Note 10)	17 878	19 044
Share premium	14 277	14 277
Reserves (Note 10)	480	46
Retained earnings	5 749	2 900
Currency translation reserve	4	32
Total equity	**38 388**	**36 299**
TOTAL LIABILITIES AND EQUITY	**81 509**	**85 982**

The Notes presented on pages 27 to 45 form an integral part of the interim consolidated financial statements

Consolidated statement of comprehensive income (unaudited)

(EUR thousand)	Q4 2011	Q4 2010	12 months 2011	12 months 2010
Sales	16 313	14 885	57 391	51 814
Cost of sales	(12 653)	(11 419)	(44 847)	(40 520)
Gross profit	**3 660**	**3 466**	**12 544**	**11 294**
Marketing expenses	(649)	(640)	(2 098)	(2 242)
Administrative expenses	(1 929)	(1 782)	(7 081)	(6 435)
Other expenses	(343)	(147)	(542)	(270)
Other income	298	119	620	413
Gain from sale of ownership in joint venture (Note 3)	0	0	1 540	0
Impairment loss for goodwill (Note 6)	(750)	0	(750)	0
Operating profit	**287**	**1 016**	**4 233**	**2 760**
Interest income	12	31	45	52
Interest income	(523)	(639)	(2 212)	(2 596)
Foreign exchange gains (losses)	73	16	45	16
Other finance costs	(47)	(39)	(154)	(175)
Net finance cost	**(485)**	**(631)**	**(2 276)**	**(2 702)**
Profit/(loss) from investments in associates	(8)	(11)	(52)	(33)
Profit (loss) before income tax	**(206)**	**374**	**1 905**	**25**
Income tax expense	(9)	(164)	(222)	(534)
Profit (loss) from continuing operations	**(215)**	**210**	**1 683**	**(509)**
Profit (loss) from discontinued operations	0	0	0	363
Profit (loss) for the reporting period	**(215)**	**210**	**1 683**	**(146)**
Net profit (loss) for the reporting period attributable to:				
equity holders of the parent company	(215)	228	1 683	(128)
non-controlling interest	0	(18)	0	(18)
Other comprehensive income (expense)				
Currency translation differences	(63)	(14)	(28)	(73)
Hedging reserve change	63	284	434	284
Total other comprehensive income (expense) for the period	**0**	**270**	**406**	**211**
Comprehensive income for the reporting period attributable to:	**(215)**	**480**	**2 089**	**64**
equity holders of the parent company	(215)	498	2 089	82
non-controlling interest	0	(18)	0	(18)
Basic and diluted earnings per share (Note 9)	(0,01)	0,01	0,06	(0,01)

The Notes presented on pages 27 to 45 form an integral part of the interim consolidated financial statements

Consolidated statement of changes in equity (unaudited)

(EUR thousand)	Attributable to equity holders of the Parent Company						Minority interest	Total equity
	Share capital	Share premium	Reserves	Retained earnings	Currency translation reserve	Total		
Balance on 31.12.2009	**13 325**	**12 327**	**(20)**	**2 810**	**105**	**28 547**	**18**	**28 565**
Income for the reporting period	0	0	0	(128)	0	(128)	(18)	(146)
Gain on hedging instrument	0	0	284	0	0	284	0	284
Currency translation difference	0	0	0	0	(73)	(73)	0	(73)
Change in revaluation reserve of investment property	0	0	(218)	218	0	0	0	0
Issued share capital	5 719	1 950	0	0	0	7 669	0	7 669
Balance on 31.12.2010	**19 044**	**14 277**	**46**	**2 900**	**32**	**36 299**	**0**	**36 299**
Share capital reduction	(1 166)	0	0	1 166	0	0	0	0
Income for the reporting period	0	0	0	1 683	0	1 683	0	1 683
Gain on hedging instrument	0	0	434	0	0	434	0	434
Currency translation difference	0	0	0	0	(28)	(28)	0	(28)
Balance on 31.12.2011	**17 878**	**14 277**	**480**	**5 749**	**4**	**38 388**	**0**	**38 388**

The Notes presented on pages 27 to 45 form an integral part of the interim consolidated financial statements

Consolidated cash flow statement (unaudited)

(EUR thousand)	12 months 2011	12 months 2010
Cash flows from operating activities from continuing operations		
Operating profit (loss) for the period	4 233	2 760
Adjustments for:		
Depreciation, amortisation and impairment (Note 6)	3 524	3 282
Gain from sale of ownership in joint venture and change in goodwill (Note 6)	(790)	0
Profit (loss) on sale and write-downs of property, plant and equipment	249	20
Changes in working capital:		
Trade and other receivables	(121)	1 191
Inventories	249	(265)
Trade and other payables	(690)	(1 917)
Cash generated from operations	**6 654**	**5 071**
Income tax paid	(98)	(365)
Interest paid	(2 318)	(2 596)
Net cash generated from operating activities from continuing operations	**4 238**	**2 109**
Net cash used in operating activities from discontinued operations	**0**	**(160)**
Cash flows from investing activities		
Investments in subsidiaries and joint ventures (Notes 3,4)	(26)	0
Term deposit release/placement) (Note 7)	1 500	(3 000)
Proceeds from sale of shares in subsidiaries (Note 5)	0	3 980
Interest received	51	62
Purchase of property, plant and equipment (Note 6)	(914)	(581)
Proceeds from sale of property, plant and equipment	92	542
Loans granted	(30)	(39)
Loan repayments received	126	648
Net cash used in investing activities from continuing operations	**799**	**1 611**
Net cash generated from investing activities from discontinued operations	**0**	**0**
Cash flows from financing activities from continuing operations		
Issue of shares	0	5 248
Finance lease repayments made	(1 245)	(1 279)
Change in overdraft used	(712)	(1 879)
Proceeds from borrowings	90	(245)
Repayments of borrowings	(3 208)	(5 188)
Net cash used in financing activities from continuing operations	**(5 075)**	**(3 342)**
Net cash used in financing activities from discontinued operations	**0**	**(5)**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(38)**	**214**
Cash and cash equivalents at the beginning of the period	2 767	2 553
Cash and cash equivalents at the end of the period	2 729	2 767

The Notes presented on pages 27 to 45 form an integral part of the interim consolidated financial statements

SELECTED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Note 1. General information

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

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

This interim consolidated report was approved by the Management Board on 29 February 2012.

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

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

Note 2. Bases of preparation

The interim consolidated financial statements of AS Ekspress Grupp for the 4th quarter and 12 months of 2011 ended 31.12.2011 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 and 12 months of 2011 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.

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

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

Note 3. Business combinations

On 11 March 2011, AS Ekspress Grupp and Vivarone OÜ concluded a contract for restructuring their current partnership in Eesti Päevalehe AS. In accordance with the contract, Vivarone OÜ acquired the offices previously in the ownership of Eesti Päevalehe AS at Narva Road 13 and Ekspress Group acquired the business of Eesti Päevalehe AS. For completion of the transaction, Eesti Päevalehe AS sold its real estate to Vivarone OÜ and Vivarone OÜ in turn sold 50% of the shares of Eesti Päevalehe AS in its ownership to Ekspress Group, 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, an impairment loss was recognised for the loans granted to AS Linnaleht.

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 goddwill of hyppelaud.ee in amount of EUR 25 thousand that was previously recognised in the Group balance sheet. At the end of year an impairment loss was recognised for goodwill in the amount of EUR 130 thousand (see Note 6). As of 31.12.2011 the carrying value of the goodwill is EUR 1 102 thousand.

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

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

If the acquisition of Eesti Päevalehe AS by the Group had happened at the beginning of the year then group revenues would have been higher by EUR 472 thousand and netprofit smaller by EUR 46

thousand. In case of OÜ Saarmann Meedia there had been no difference as the company didn't have any substantial revenues in 2011.

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

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

Note 4. Increase of ownership interest in joint venture

In March 2011, the Group gained an additional 25% ownership interest in AS Linnaleht due to the increase of its ownership interest in Eesti Päevalehe AS (see Note 3). 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, AS Linnaleht and AS SL Õhtuleht were merged. The ownership interest of Ekspress Group in AS Linnaleht did not change, but it is still 50%. Eesti Meedia is the owner of the other half of the company.

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 5. Discontinued operations

Sale of information services segment

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

Sale of the book retail and wholesale segment

On 9 February 2010, the subsidiary of AS Ekspress Grupp, Eesti Ajalehed AS and OÜ Raamatumaja concluded a purchase and sales transaction for the shares of Rahva Raamat AS. The sales price paid in cash was EUR 2.1 million and the profit totalled EUR 0.4 million. The transaction was completed on 18 February 2010. The new owner of the company is the management of Rahva Raamat AS. In the consolidated financial statements for 2010, Rahva Raamatu AS is accounted for as a discontinued operation and the related income and expenses are reported in one line "Gain (loss) from discontinued operations".

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

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

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

Note 6. Property, plant and equipment, and intangible assets

(EUR thousand)	Property, plant and equipment		Intangible assets	
	12 months 2011	12 months 2010	12 months 2011	12 months 2010
Balance at the beginning of the period				
Cost	32 795	33 306	55 356	56 133
Accumulated depreciation and amortisation	(13 658)	(12 272)	(4 420)	(3 695)
Carrying amount on 31.12.2010	**19 137**	**21 034**	**50 936**	**52 438**
Acquisitions and improvements	441	294	473	287
Disposals (at carrying amount)	(57)	(2)	(2)	0
Write-offs and write-downs of PPE (at carrying amount)	(9)	4	(1 022)	(14)
Reclassification	(1)	(60)	1	0
Acquisitions through business combinations	24	0	2 870	0
Disposals through business combinations	(547)	0	0	(628)
Depreciation and amortisation	(2 237)	(2 136)	(1 287)	(1 146)
Currency translation differences	0	4	2	(1)
Balance at end of the period				
Cost	30 373	32 796	57 512	55 356
Accumulated depreciation and amortisation	(13 622)	(13 658)	(5 542)	(4 420)
Carrying amount on 31.12.2011	**16 751**	**19 138**	**51 970**	**50 936**

Information about the items of property, plant and equipment pledged as loan collateral is disclosed in Note 7.

Intangible assets by type

(thousand)	EUR	
	31.12.2011	31.12.2010
Goodwill	40 761	40 304
Trademarks	9 886	8 955
Other intangible assets	1 323	1 677
Total intangible assets	**51 970**	**50 936**

Carrying amount of trademarks by segment

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

Goodwill by cash generating units and segments

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

In 2011, the Group recognised goodwill on acquisition of Eesti Päevalehe AS in the amount of EUR 1 232 thousand which was added to the goodwill of hyppelaud.ee, the carrying amount of which was EUR 25 thousand. As of 31.12.2011, an impairment loss was recognised for goodwill related to Eesti Päevaleht in the amount of EUR 130 thousand. Also, in the 4th quarter, an impairment loss was recognised for goodwill related to Ekspress Leidyba in the amount of EUR 450 thousand and for goodwill related to Delfi Latvia in the amount of EUR 170 thousand. In 2011, impairment losses for goodwill totalled EUR 750 thousand. The impairment loss of goodwill is recognised on a separate line in condensed income statement.

Change in goodwill

(EUR thousand)	Q4 2011	Q4 2010	2011	2010
Gain from sale of 50% ownership interest in Eesti Päevalehe AS (Note 3)	**0**	**0**	**1 540**	**0**
Impairment loss of goodwill related to Eesti Päevaleht	(130)	0	(130)	0
Impairment loss of goodwill related to Ekspress Leidyba	(450)	0	(450)	0
Impairment loss of goodwill related to Delfi Latvia	(170)	0	(170)	0
Total impairment loss on goodwill	**(750)**	**0**	**(750)**	**0**
Total gain from sale of ownership and change in goodwill	**(750)**	**0**	**790**	**0**

Impairment tests for goodwill

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

The applied revenue growth rates are as follows:

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

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

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

The present value and the terminal value of the cash flows for the following five years were determined using the weighted average cost of capital as the discount rate, where the expected ROE is 10.79%-11.73% (2010: 9.5% - 11.9%) and the return on debt is 7.21% for Estonia, 7.93% for Latvia and 7.75% for Lithuania (2010: 6.1%-8.5%), which equals the estimated average interest rate on long term loans granted in local currencies and offered to Ekspress Group by banks as of 31.12.2011 and 31.12.2010. The debt ratio is based on the average debt ratio of the market available in the database of Damodaran Online as of 31.12.2011, 14% (31.12.2010: 19.35%) for online media units and 45% for publishing units (31.12.2010: 54.64%). The cost of equity has been calculated using CAPM (Capital Asset Pricing Model). The equity betas of the units used in the model have been calculated using the average unleveraged assisted betas of the industries from the database of Damodaran Online. The yields on long-term government bonds issued in Latvia and Lithuania in December 2011 have been used as the basis for determining the risk rates of these countries. In respect of Estonia, the country's risk rate is based on the yield of Slovakia's long-term bonds.

The applied discounts rates are as follows:

Cash-generating unit	31.12.2011	31.12.2010
Delfi Estonia	10.47%	9.08%
Delfi Latvia	10.62%	11.34%
Delfi Lithuania	10.42%	9.79%
Hyppelaud.ee	-	9.08%
Eesti Päevaleht (Eesti Ajalehed)	10.33%	-
Maaleht (Eesti Ajalehed)	10.33%	8.28%
Ajakirjade Kirjastus	10.33%	8.28%
Ekspress Leidyba	-	9.12%

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

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

In 2011, impairment losses for goodwill were recognised as follows: Eesti Päevaleht EUR 130 thousand, Ekspress Leidyba EUR 450 thousand. In 2010, no impairment losses were recognised for goodwill.

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

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

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

Due to changed economic outlook and more conservative assumptions, the sensitivity of impairment tests is higher and it may be necessary to recognise impairment losses due to much smaller fluctuations of the assumptions as previously. For goodwill of Delfi Lithuania, the recoverable amount would decrease equal to its carrying amount if in the forecast for 2013-2016 revenue growth is lower 8 percentage point (pp) , EBITDA margin is lower 5 pp, terminal value growth is lower 2.25 pp or the discount rate used is higher 1.65 pp. For Delfi Estonia, the recoverable amount would fall to its carrying amount if in the forecasts for 2013-2016 revenue growth is lower 1.5 pp, EBITDA margin is lower 1pp, terminal value growth is lower 0.4pp or the discount rate used is higher 0.3pp. For Delfi Latvia, it would be necessary to recognise an impairment loss in the amount of EUR 1 million if in the forecasts 2013-2016 revenue growth is lower 3 pp, EBITDA margin is lower 1.75pp, terminal value growth is lower 0.7pp or the discount rate used is higher 0.55pp.

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

Note 7. Bank loans and borrowings

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

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

Syndicated loan

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

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

On 11 October 2011, an annex was concluded for the syndicated loan contract with SEB Bank, Danske Bank A/S Estonia branch (Sampo Bank) and Nordea Bank. The annex relates to the release of the **term deposit** in the amount of **EUR 3 million**, which was recognised as a non-current asset in the balance sheet as of 31.12.2010. Half of the security deposit, i.e. EUR 1.5 million was used to prematurely repay the bullet amount and the remaining amount with accrued interest was transferred to the Parent Company's current account.
From 25.01.2010, the interest rate on the loan was 6-month Euribor+4%, from 25.02.2010, 6-month Euribor+3.75% and from 25.07.2011, 6-month Euribor+3.5%.

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

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

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

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

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

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

Long-term loan and lease commitments

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

Finance lease agreements also contain certain covenants which the financial indicators of the company must comply with. As of the balance sheet date, all ratios were in compliance with the covenants established by financial institutions.

In conjunction with the amendment of the terms and conditions of the syndicated loan of AS Ekspress Grupp, the loan and rental obligations of AS Printall were also reviewed in 2010. In accordance with the agreements, loan and rental maturity dates were extended by one year and the principal payments were reduced by 50% between January 2010 and December 2011.

Overdraft facilities

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

Note 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) and SIA Ekspress Portals (Latvia) and mango.lv SIA (Latvia), which were merged with Delfi Latvia in 2010 and 2011 respectively.

Periodicals: publishing of newspapers, magazines, custom publications and books in Estonia and Lithuania. This segment includes group companies Eesti Ajalehed AS (publisher of Eesti Ekspress, Maaleht and from 1 October, also Eesti Päevaleht), Eesti Päevalehe AS, which was merged with Eesti Ajalehed AS on 1 October, AS Ajakirjade Kirjastus, AS SL Õhtuleht, UAB Ekspress Leidyba, OÜ Uniservice (the operation of which was transferred to AS Ajakirjade Kirjastus in autumn 2011 and was merged with AS Ajakirjade Kirjastus on 1 January 2012). This segment also includes AS Express Post, engaged in home delivery of periodicals.

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

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

The Management Board assesses the performance of the operating segments based on revenue and EBITDA. The EBITDA margin is also monitored. Internal management fees and goodwill impairment are not included in segment results.

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

2011 Q4 (EUR thousand)	Online media	Perio-dicals	Printing services	Corporate functions	Eliminat-ions	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**	**(1 018)**	**1**	**1 236**
Depreciation (Note 6)	-	-	-	-	-	949
Operating profit	-	-	-	-	-	287
Investments (Note 6)	112	210	16	0	0	338

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

2010 Q4 (EUR thousand)	Online-media	Periodicals	Printing services	Corporate functions	Eliminat-ions	Total Group
Sales to external customers	**2 286**	**6 045**	**6 548**	**6**	**0**	**14 885**
Inter-segment sales	16	6	682	25	(729)	0
Total segment sales	2 302	6 051	7 230	31	(729)	14 885
EBITDA	**302**	**253**	**1 529**	**(236)**	**6**	**1 854**
Depreciation (Note 6)	-	-	-	-	-	837
Operating profit	-	-	-	-	-	1 016
Investments (Note 6)	90	52	16	1	0	159

2010 12 months (EUR thousand)	Online-media	Periodicals	Printing services	Corporate functions	Eliminat-ions	Total Group
Sales to external customers	**7 807**	**22 355**	**21 628**	**24**	**0**	**51 814**
Inter-segment sales	77	165	2 593	105	(2 940)	0
Total segment sales	7 884	22 520	24 221	129	(2 940)	51 814
EBITDA	**758**	**914**	**5 198**	**(833)**	**4**	**6 041**
Depreciation (Note 6)	-	-	-	-	-	3 282
Operating profit	-	-	-	-	-	2 760
Investments (Note 6)	329	181	58	13	0	581

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.

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

	EUR			
	Q4 2011	Q4 2010	12 months 2011	12 months 2010
Net profit (loss) attributable to equity holders of the Parent Company	(215 038)	210 310	1 683 151	(146 258)
The average number of ordinary shares	29 796 841	29 796 841	29 796 841	26 781 488
Basic and diluted earnings per share	(0.01)	0.01	0.06	(0.01)

Note 10. Equity

The Annual General Meeting of Shareholders of AS Ekspress Grupp held on 30 March 2010 decided to increase the share capital of AS Ekspress Grupp by issuing 8 948 000 new shares with the nominal value of EUR 0.64 each and to list these shares on NASDAQ OMX Tallinn Stock Exchange. The subscription for new shares took place between 16 April 2010 and 3 May 2010. New shares were issued with the share premium of EUR 0.24 per share. In total, the share capital increased by EUR 5 719 thousand and the share premium by EUR 2 155 thousand. Issue-related costs in the amount of EUR 206 thousand were subtracted from share premium. As a result, the total share premium increased by EUR 1 950 thousand. Monetary contributions to share capital amounted to EUR 5 454 thousand the amount of EUR 2 420 thousand was offset by the outstanding loan and loan interest, including OÜ HHL Rühm in the amount of EUR 1 369 thousand and KJK Fund SICAV-SIF in amount of EUR 1 051 thousand.

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

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

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

Reserves

The reserves include:

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

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

Note 11. Contingent liabilities

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

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

Note 12. Related party transactions

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

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

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

Sales

(EUR thousand)	12 months 2011	12 months 2010
Sales of goods		
Members of Management Board and companies related to them	2	2
Associates	982	1 024
Total sale of goods	**984**	**1 026**
Sale of services		
Members of Supervisory Board and companies related to them	13	31
Associates	155	191
Total sale of services	**168**	**222**
Total sales	**1 152**	**1 248**

Purchases

(EUR thousand)	12 months 2011	12 months 2010
Purchase of services		
Members of Management Board and companies related to them	82	101
Members of Supervisory Board and companies related to them	363	457
Associates	0	1
Total purchases of services	**445**	**559**
Total purchases	**445**	**559**

Receivables

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

Liabilities

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

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

Remuneration of key management and the members of the Supervisory Board

(EUR thousand)	12 months 2011	12 months 2010
Salaries , other benefits and termination compensations	1 130	1 001

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

Note 13. 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.

The payment discipline of clients is continuously monitored to reduce credit risk, a credit policy has been established to ensure the sale or services to clients with an adequate credit history and the application of

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

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

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

The Group's management is aware that credit risk is higher in an economic recession and therefore, credit risk management is a high-priority area. As a specific measure, the credit policies at the group companies have been harmonised and they have been made stricter. A regular reporting routine in respect of accounts receivable has been established, enabling the Group's management to receive immediate information and if necessary, to interfere.

Liquidity risk

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

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

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

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

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

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

Type of interest	Interest rate	31.12.2011 (EUR thousands)	<= 1 year	>1 year and <=5 years	Carrying amount
Floating interest	6-month Euribor + 3,75%	Syndicate loan	2 794	26 690	29 484
	6-month Euribor +2,9%	Finance lease and long term loan (*Printall)*	1 523	6 363	7 886
	1-month Euribor + 3,5%	Short term loans and overdraft	629	0	629
	6-month Euribor +3,5% and Bank's base rate+3,5%	Overdraft	287	0	287
Fixed interest	2,6%-3,6% p.a.	Other loans	511	0	511

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

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

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

Foreign exchange risk

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

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 higher than average and continuous investments are made to increase its security and reliability. The responsibility for managing operational risk lies with the Management Board of the Group and the management boards of subsidiaries.

Capital risk

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

According to the practice common in the industry, the Group uses the debt to capital ratio to monitor capital. The debt to capital ratio is calculated as the ratio of net debt to total capital. Net debt is calculated by deducting cash and bank accounts from total debt (current and non-current liabilities recognised in the balance sheet of consolidated financial statements). Total capital is recognised as the aggregate of equity and net debt.

Equity ratios of the Group

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

Note 14. Events after the balance sheet date

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

Note 15. Sustainability of operations

As of 31.12.2011, the Group's current liabilities exceeded current assets by EUR 3.9 million. The Group's interim report has been prepared on the going concern principle, as the management estimates that negative working capital will not cause any financial difficulties for the Group during 12 months from the date of signing the financial statements. The Group's cash flow forecast for 2012, which already considers higher loan repayments, shows positive cash flows in total. In addition client's prepayments for subscriptions, which are recognised as liabilities in the balance sheet at the year end are not to be paid out but recognised as income in the following year. Also the Group has an unused overdraft facility in the amount of EEK 2.9 million. Information about liquidity risk and the measures used to manage the risk is disclosed in more detailed in Note 13.