# AS EKSPRESS GRUPP

# CONSOLIDATED INTERIM REPORT

# FOR THE FIRST QUARTER OF

# 2012

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# GENERAL INFORMATION

| | |
|---|---|
| Beginning of reporting period | 1 January 2012 |
| End of reporting period | 31 March 2012 |
| | |
| Company name | AS Ekspress Grupp |
| Registration number | 10004677 |
| Address | Narva mnt 11 E. 10151 Tallinn |
| Phone | 669 8381 |
| Fax | 669 8081 |
| E-mail | egrupp@egrupp.ee |
| Internet homepage | www.egrupp.ee |
| Main field of activity | Publishing and related services |
| | |
| 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 35 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* | 02.05.2012 |
| Pirje Raidma | Member of the Management Board | *signed digitally* | 02.05.2012 |
| Andre Veskimeister | Member of the Management Board | *signed digitally* | 02.05.2012 |
| Madis Tapupere | Member of the Management Board | *signed digitally* | 02.05.2012 |

# 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) | Q1 2012 | Q1 2011 | Change % |
|---|---|---|---|
| **For the reporting period** | | | |
| Sales | 14 219 | 13 146 | 8% |
| Gross profit | 2 799 | 2 617 | 7% |
| **EBITDA*** | **1 614** | **1 394** | **16%** |
| **Operating profit*** | **755** | **554** | **36%** |
| **Net profit/(loss) for the period*** | **179** | **(155)** | **215%** |
| Extraordinary gain from the acquisition of Eesti Päevalehe AS | 0 | 1 540 | -100% |
| Net profit for the period in the interim financial statements | 179 | 1 385 | -87% |

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

| Profitability ratios (%) | Q1 2012 | Q1 2011 |
|---|---|---|
| **Sales growth (%)** | 8.2% | 12.8% |
| Gross margin (%) | 19.7% | 19.9% |
| **EBITDA margin (%)*** | **11.4%** | **10.6%** |
| Operating margin (%)* | 5.3% | 4.2% |
| Net margin (%) * | 1.3% | -1.2% |
| ROA (%) | 0.2% | -0.2% |
| ROE (%) | 0.5% | -0.4% |
| **Earnings per share (EPS) EUR** | **0.01** | **0.05** |

* excluding the net extraordinary gain in relation to the acquisition of Eesti Päevalehe AS.

Formulas used to calculate the financial ratios:

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

* excluding the net extraordinary gain in relation to the acquisition of Eesti Päevalehe AS.

| Financial indicators (EUR thousand) | 31.03.2012 | 31.12.2011 | Change% |
|---|---|---|---|
| **As of the end of the period** | | | |
| Current assets | 11 916 | 12 523 | -5% |
| Non-current assets | 68 276 | 68 986 | -1% |
| **Total assets** | **80 192** | **81 509** | -2% |
| Current liabilities | 16 397 | 16 547 | -1% |
| Non-current liabilities | 25 127 | 26 574 | -5% |
| **Total liabilities** | **41 524** | **43 121** | -4% |
| Equity | 38 668 | 38 388 | 1% |

| Financial position ratios (%) | 31.03.2012 | 31.12.2011 |
|---|---|---|
| Equity ratio (%) | 48% | 47% |
| Liquidity ratio | 0.7 | 0.8 |
| Debt to equity ratio (%) | 80% | 83% |
| Debt to capital ratio (%) | 42% | 43% |

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 |

For the first time since 2008, the Group earned net profit from its main operations which totalled EUR 179 thousand in the 1st quarter (EUR 0.01 per share). The Group's operating profit, excluding the net extraordinary gain in relation to the acquisition of Eesti Päevalehe AS, amounted to EUR 755 thousand, which is 36% more than last year. EBITDA increased by 16% and totalled EUR 1 614 thousand. The Group's revenue for the 1st quarter exceeded the budget by 4% and EBITDA was better than the budget by 47%. The EBITDA margin increased by 0.8 percentage points.

All segments earned a profit in the 1st quarter. The online media segment showed the strongest results with its EBITDA growth being the highest among the segments. While online media had a loss of EUR 37 thousand in the 1st quarter of last year, it earned now a profit of EUR 238 thousand, thus increasing by EUR 275 thousand. The sales of online media increased by 18%, which also led to an increase in the share of online media in the Group's total sales, i.e. from 14.1% to 15.4%. In the 1st quarter, the advertising sales of online media exceeded the advertising sales of periodicals by 8% and its EBITDA also exceeded that of the periodicals segment.

Delfi Lithuania contributed the most to the result of online media. The small loss of Delfi Latvia incurred in the 1st quarter is related to one-off salary payments. Delfi Latvia essentially more than doubled its profit for the 1st quarter as compared to last year. The loss of Delfi Ukraine continues to shrink due to increasing advertising revenue.

In the periodicals segment, all companies had weaker results than last year. In respect of AS Eesti Ajalehed this is attributable to the fact that in the first two months of last year the company did not pay rent for the premises of Eesti Päevaleht as Eesti Päevalehe AS was also the owner of its premises. By normalising the result for the last year by excluding unpaid rent, the EBITDA of AS Eesti Ajalehed in the 1st quarter of the current year was higher than last year. Taking into consideration the 10% lower revenue of AS Eesti Ajalehed, and higher normalised EBITDA, the company's efficiency has significantly improved after the completion of organisational mergers with Eesti Päevalehe AS. The results of the periodicals segment are still impacted by lower sales from book publishing.

In the printing services segment, there were no significant changes, revenue increased by 14% and EBITDA growth was 2%. Export sales increased by 20% and domestic sales increased by 2%. Finland, Russia, Sweden and Norway are still the key export markets.

In March, the next stage in the creation of the multi-media news space across media units located in Estonia was completed. During this stage, a new editorial office of Daily News was created on the basis of former editorial offices of Eesti Päevaleht and Delfi. The editor in chief of Delfi Estonia, Urmo Soonvald became its new head and also the editor in chief of Eesti Päevaleht.

The establishment of Ekspress Group's technology company OÜ EG Digital was completed. The goal is to combine all our IT competences both in online as well as digital media into one entity. The first step was to transfer Delfi IT's development team to the company. OÜ EG Digital does not constitute a separate segment and its results are included within corporate functions.

The Group's management is moderately optimistic about growth over the **next quarters**. We expect growth in online media to continue, and the sales in periodicals and printing services to stay at the same level as last year. Profit growth is expected to be the highest in online media and in percentage terms especially at Delfi Ukraine where the concept developed last year seems to be working. This is evidenced by growing unique user numbers and increasing advertising sales. We will continue with the development of digital publications of Eesti Ekspress and Eesti Päevaleht. We have also started to actively seek opportunities to increase the Group's market share with acquisitions, primarily in the area of online media and we also constantly try to identify investing ideas in various areas related to IT and new media.

## Overview of the Group's segments

### Key financial data of the segments in Q1 2011/2012

| (EUR thousand) | Sales | | | EBITDA | | |
|---|---|---|---|---|---|---|
| | Q1 2012 | Q1 2011 | Change % | Q1 2012 | Q1 2011 | Change % |
| online media | 2 187 | 1 852 | 18% | 238 | (37) | 743% |
| periodicals | 5 781 | 5 562 | 4% | 21 | 144 | -85% |
| printing services | 7 376 | 6 470 | 14% | 1 529 | 1 496 | 2% |
| central functions | 140 | 26 | 438% | (174) | (214) | 19% |
| intersegment eliminations | (1 265) | (764) | -66% | 0 | 5 | -100% |
| **TOTAL*** | **14 219** | **13 146** | **8%** | **1 614** | **1 394** | **16%** |

* excluding the net extraordinary gain in relation to the acquisition of Eesti Päevalehe AS.

| EBITDA margin | Q1 2012 | Q1 2011 |
|---|---|---|
| online media | 11% | -2% |
| periodicals | 0% | 3% |
| printing services | 21% | 23% |

The segments' EBITDA does not include goodwill impairment. This is included within the corporate function. Neither does include the segment results intragroup management fees. Volume-based and other fees payable to advertising agencies have not been deducted from the advertising sales of segments.

### News portals owned by the Group

| Owner | Portal | Owner | Portal |
|---|---|---|---|
| Delfi Estonia | www.delfi.ee | AS Eesti Ajalehed | www.ekspress.ee |
| | rus.delfi.ee | | www.maaleht.ee |
| Delfi Latvia | www.delfi.lv | | www.epl.ee |
| | rus.delfi.lv | AS SL Õhtuleht | www.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.

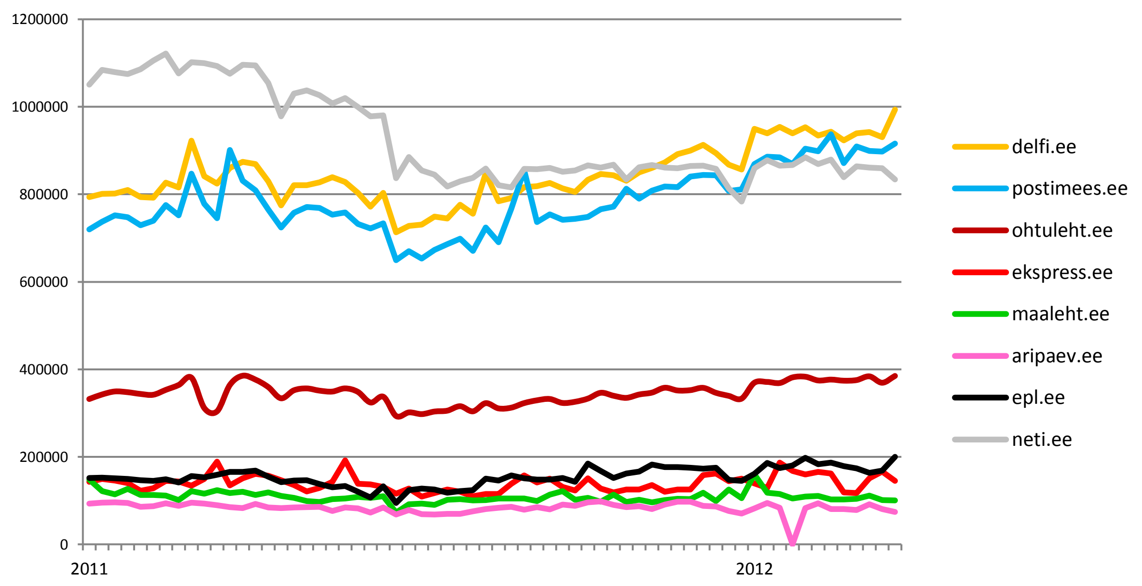
| (EUR thousand) | Sales | | | EBITDA | | |
|---|---|---|---|---|---|---|
| | Q1 2012 | Q1 2011 | Change % | Q1 2012 | Q1 2011 | Change % |
| Delfi Estonia | 799 | 697 | 15% | 44 | (1) | 4500% |
| Delfi Latvia | 479 | 422 | 14% | (6) | 7 | -186% |
| Delfi Lithuania | 889 | 720 | 23% | 169 | (36) | 569% |
| Delfi Ukraine | 14 | 7 | 100% | (67) | (85) | 21% |
| other Delfi companies | 6 | 22 | -73% | 98 | 78 | 26% |
| intersegment eliminations | 0 | (16) | 100% | 0 | 0 | - |
| **TOTAL** | **2 187** | **1 852** | **18%** | **238** | **(37)** | **743%** |

In the 1st quarter of 2012, Delfi Lithuania showed the best result which makes up for the relatively modest growth last year. The revenue growth of Delfi Ukraine attributable to an increasing number of unique users is also a very positive sign.

### Delfi Estonia

- For the first time, Delfi Estonia transmitted a live programme of a public event, using 4G mobile communication solutions for this purpose.
- A new archiving system for articles was completed.
- Sports and economic sections of Russian Delfi got their new facelifts.
- Section Forte received a separate Top Gear news block.
- A live sports blog and VIASAT highlights in Delfi Sport were launched.
- A separate EU-related debate section was launched.

**Estonian online readership 2011-2012**



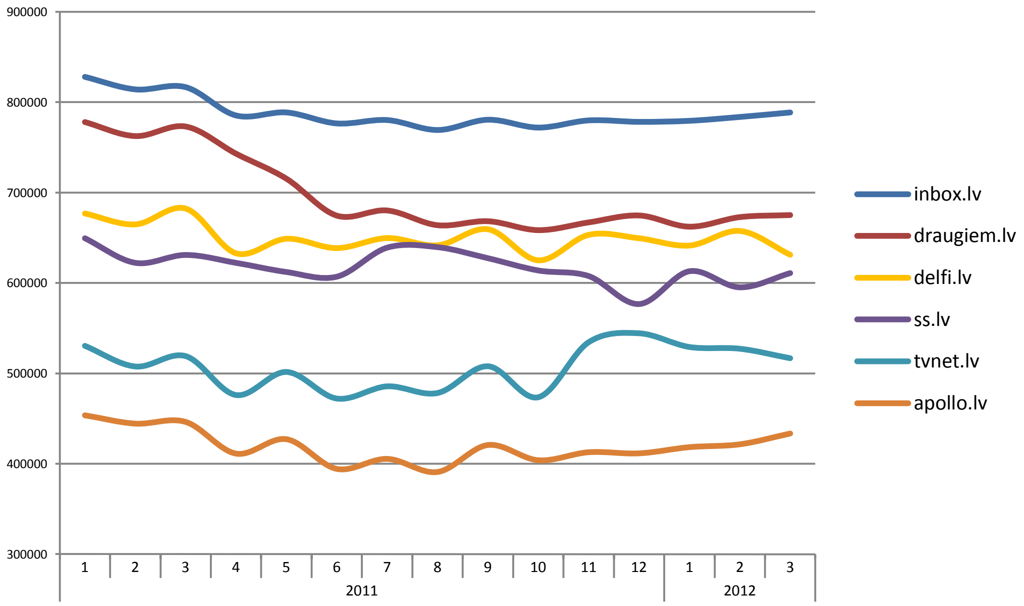

*TNSMetrix weekly audience survey.*

In the 1st quarter of 2012, there were no major changes in the Estonian Internet market. The number of neti.ee continues to decline steadily. Two media portals - Delfi and Postimees - dominate the market. Major 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 the 1st quarter of 2012, Delfi introduced new solutions to the market targeted at mobile phone users. This continued to increase the number of users of the mobile version.

**Delfi Latvia**

- A new version of mobile applications for reading Delfi portal was launched.
- New Delfi Entertainment section was launched.
- Delfi Latvia's Russian language portal achieved the best result in readership numbers both in daily, weekly and monthly terms.
- Media partner at the Latvian music awards ceremony.

**Latvian online readership 2011-2012**



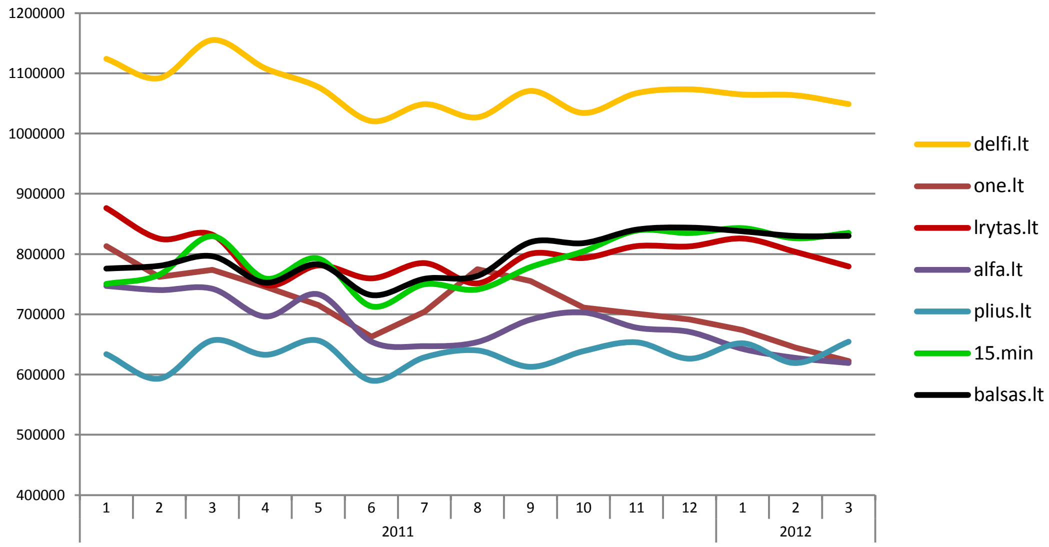

*GemiusAudience monthly audience survey*

The most popular website among the Latvian Internet users continues to be the e-mail environment Inbox. 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. Delfi.lv continues to be the most popular news portal. A change of ownership of competing portals (apollo.lv and tvnet.lv) in the 4th quarter of 2011 has not changed reader preferences.

**Delfi Lithuania**

- Similarly to the Latvian office, a new version of Delfi mobile application was launched.
- Delfi's Polish language portal was launched.
- Delfi was chosen as the exclusive Eurovision partner in Lithuania.

**Lithuanian online readership 2011-2012**



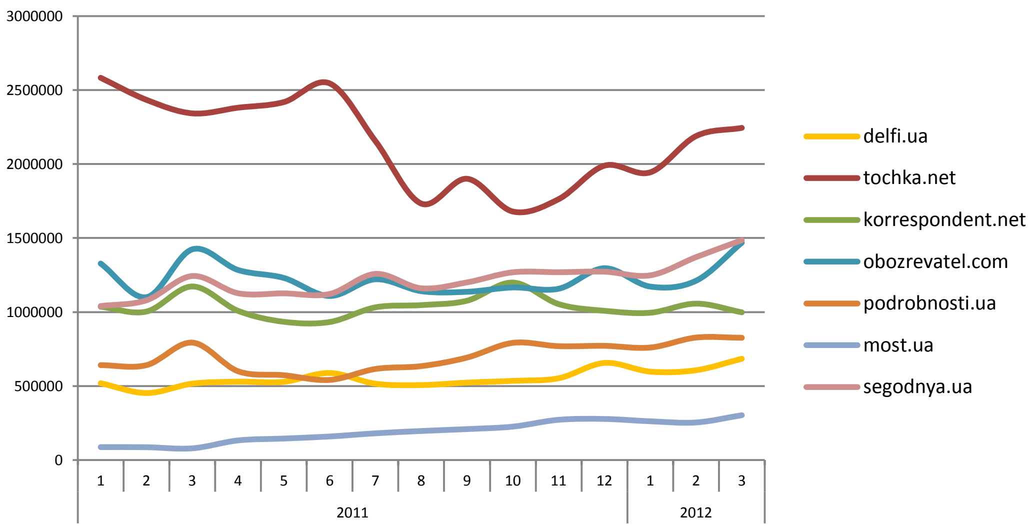

*GemiusAudience monthly audience survey*

Delfi continues to be the uncontested market leader among Lithuanian Internet users with more than one million unique users. In the 1st quarter of 2012, the portal 15min.lt acquired zebra.lt and combined both entities. The effect of this transaction will be evident in the near future. The Polish language subpage of Delfi.lt was been received well by users. The number of the users of the new mobile version of Delfi Lithuania is also growing rapidly.

**Delfi Ukraine**

- It continues to offer easier  and more tabloid-like news.

**Ukrainian online readership 2011-2012**




*GemiusAudience monthly audience survey*

The Ukrainian Internet market operates in a significantly different manner than that of the Baltic States. The number of users of Delfi.ua has increased by ca. 15% as compared to the 1st quarter of 2011. This growth has been organic, i.e. the aggregators dominating the market have not redirected users to Delfi.ua.

## 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.

On 1 October 2011, Eesti Päevalehe AS and AS Eesti Ajalehed  were merged. At the same date, the book publishing department of the merged company was spun off as a separate legal entity under the name of OÜ Hea Lugu that remained as the subsidiary of AS Eesti Ajalehed. On 1 November 2011, the joint ventures AS SL Õhtuleht and AS Linnaleht were merged, and from 1 January 2012, Uniservice OÜ and AS Ajakirjade Kirjastus were merged.

| (EUR thousand) | Sales | | | EBITDA | | |
|---|---|---|---|---|---|---|
| | Q1 2012 | Q1 2011 | Change% | Q1 2012 | Q1 2011 | Change% |
| AS Eesti Ajalehed** | 2 919 | 3 244 | -10% | 17 | 48 | -65% |
| AS SL Õhtuleht * | 911 | 837 | 9% | 35 | 49 | -29% |
| AS Ajakirjade Kirjastus* | 985 | 960 | 3% | (26) | (18) | -44% |
| UAB Ekspress Leidyba | 632 | 656 | -4% | (63) | (41) | -54% |
| AS Express Post* | 595 | 602 | -1% | 57 | 70 | -19% |
| Uniservice OÜ* | 0 | 3 | -100% | 0 | (3) | 113% |
| intersegment eliminations*** | (261) | (740) | 65% | 0 | 39 | - |
| **TOTAL** | **5 781** | **5 562** | **4%** | **21** | **144** | **-86%** |

*Proportionate share of joint ventures

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

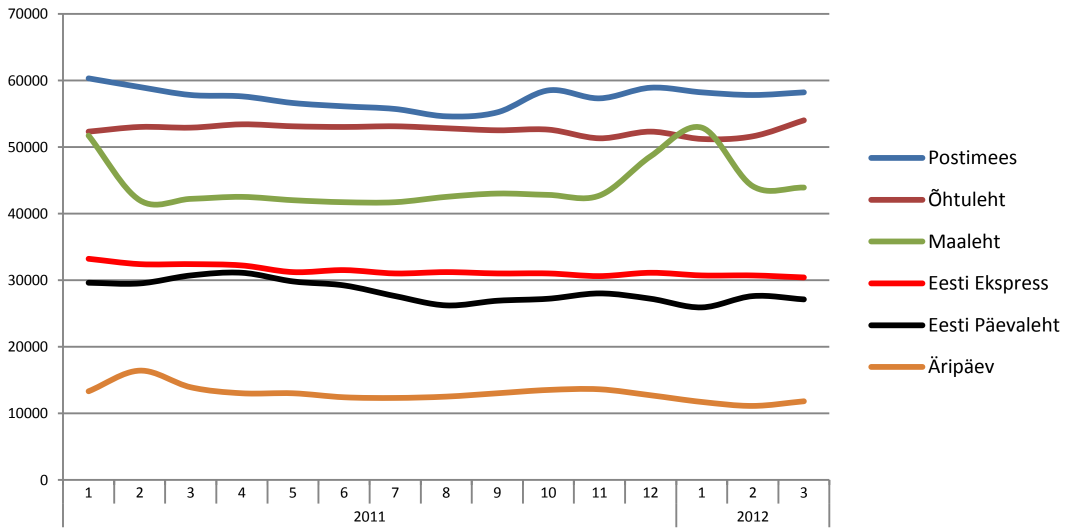
*** Intra-segment eliminations in sales and EBITDA for 2011 include the elimination of the 50% ownership interest in Eesti Päevalehe AS in January and February.

In the 1st quarter of 2012, the revenue of the periodicals segment grew and primarily due to the acquisition of an additional 50% ownership interest of Eesti Päevalehe AS and AS Linnaleht in March 2011. While advertising sales have increased and the revenue of periodicals has stayed more or less stable, there has been a sharp decline in the revenue of book publishing. Of the newspapers, Maaleht continues to be full of positive surprises, increasing its circulation, number of subscriptions as well as advertising revenue in the 1st quarter. However, Eesti Päevaleht demonstrates the opposite trend.

To celebrate the 100th anniversary of Estonian film industry, a joint project of OÜ Hea Lugu and Eesti Päevaleht was launched, providing an opportunity for the readers of Eesti Päevaleht to purchase a series of 30 Estonian classic films together with their subscription of Eesti Päevaleht.

Ajakirjade Kirjastus started to publish a new magazine Top Gear with its Lithuanian partner holding a license for publishing the magazine.

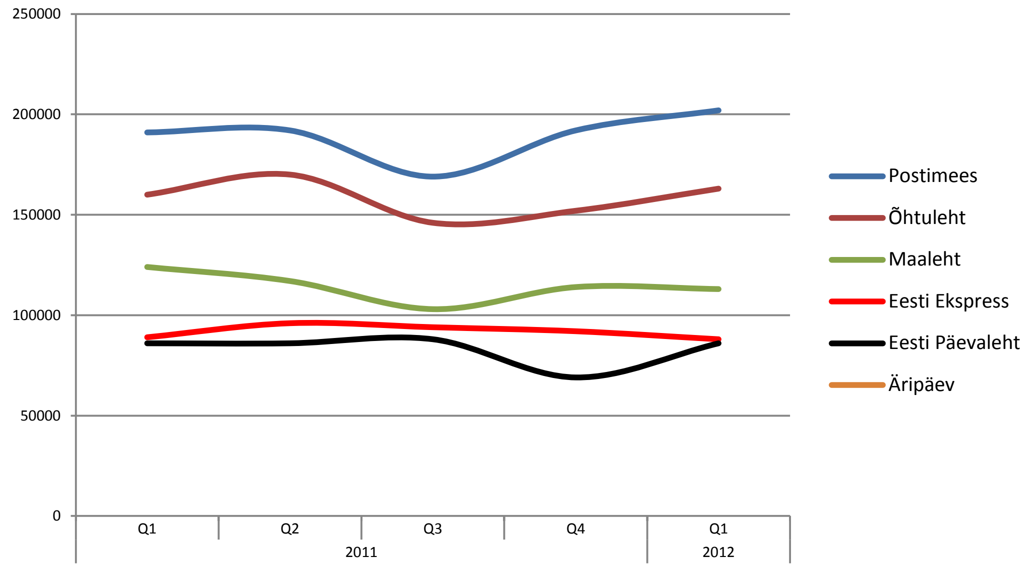
**Estonian newspaper circulation 2011-2012**




*Estonian Newspaper association data*

In the 1st quarter of 2012, no major changes occurred to the circulation of newspapers. In March, only Õhtuleht's circulation growth is worth mentioning. As a long-term trend, the circulation of newspapers continues to fall slightly similarly to other countries.

**Estonian newspaper readership 2011-2012**




*TNS EMOR quarterly audience survey (2011) and Turu-uuringute AS (2012).*

Due to the selection of a new partner for printed newspaper readership surveys, it is not statistically correct to compare the data for 2011 and 2012 in absolute terms but for the purpose of comparability, they are shown in the same chart. As compared to circulation, the number of readers of newspapers has been more stable and even increased slightly. Newspapers still play an important role as the marketing channel for advertising clients and therefore, it is important to continue their development. Ekspress Group continues to focus on development of digital versions of its newspapers, the readers of which are not included in the table above.

**Printing services segment**

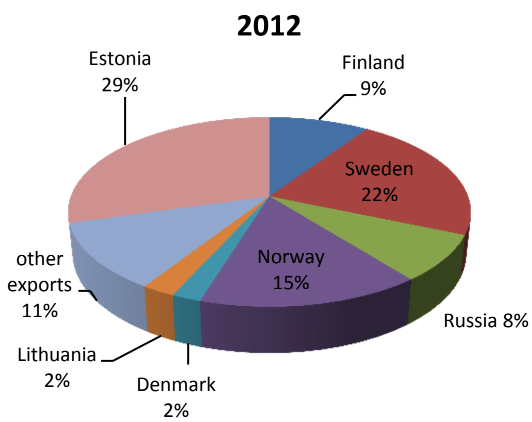
All printing services of AS Ekspress Grupp are provided by AS Printall which is one of the largest printing companies in Estonia. Printall is able to print both newspapers (coldset) and magazines (heatset).

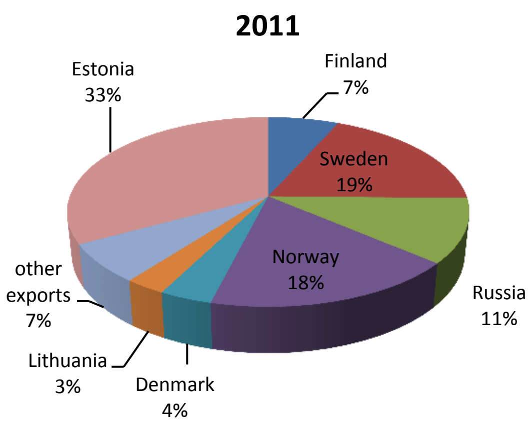
| (EUR thousand) | Sales | | | EBITDA | | |
|---|---|---|---|---|---|---|
| | Q1 2012 | Q1 2011 | Change % | Q1 2012 | Q1 2011 | Change % |
| **AS Printall** | 7 376 | 6 470 | 14% | 1 529 | 1 496 | 2% |

The printing company Printall continues to exceed the previous year's results and it managed to increase the sales by 14%. The share of group companies in sales is falling and the share of exports is rising. Most of the volume growth is generated by printing on *heatset machines*.

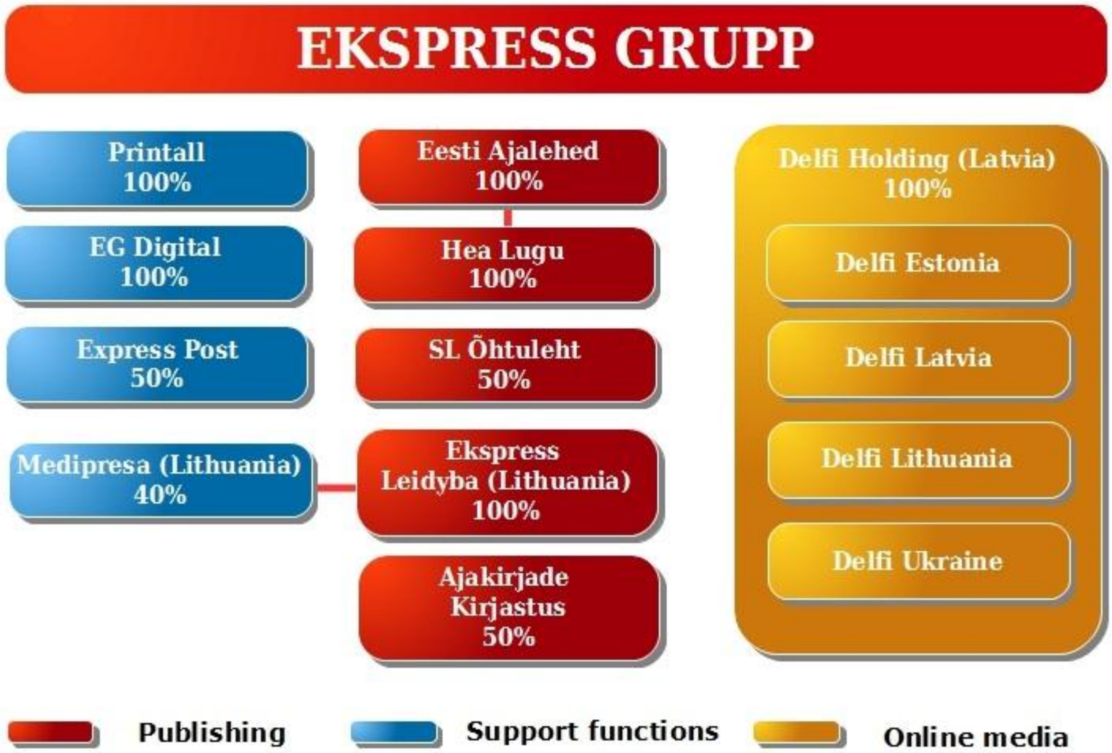
**Geographical break-down of printing services**

| | Q1 2012 | Q1 2011 | Change % |
|---|---|---|---|
| **Exports** | **5 203** | **4 336** | **20%** |
| Finland | 695 | 431 | 61% |
| Sweden | 1 623 | 1 206 | 35% |
| Norway | 585 | 709 | -17% |
| Russia | 1 136 | 1 143 | -1% |
| Denmark | 150 | 236 | -36% |
| Lithuania | 171 | 183 | -7% |
| Other exports | 843 | 428 | 97% |
| **Estonia** | **2 173** | **2 134** | **2%** |
| **Total sales** | **7 376** | **6 470** | **14%** |
| *Incl. group sales* | 958 | 982 | -2% |
| *Incl. non-group sales* | 6 418 | 5 488 | 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 31.03.2012, the company's share capital was EUR 17 878 105 and it consisted of 29 796 841 shares with the nominal value of EUR 0.60 per share.

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

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

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

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

**Structure of shareholders as of 31.03.2012 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 | 2 872 148 | 9.64% |
| Funds managed by LHV Pank and LHV Varahaldus | 2 163 433 | 7.26% |
| Members of the Management and Supervisory Boards and their close relatives | 452 112 | 1.51% |
| *Gunnar Kobin, OÜ Griffen SVP* | *320 512* | *1.08%* |
| *Gunnar Kobin, OÜ Griffen Holding* | *91 836* | *0.31%* |
| *Viktor Mahhov, OÜ Flexinger* | *37 464* | *0.13%* |
| *Aavo Kokk, OÜ Synd & Katts* | *400* | *0.00%* |
| *Pirje Raidma, OÜ Aniston Trade* | *1 900* | *0.01%* |
| Other minority shareholders | 4 283 404 | 14.38% |
| **Total** | **29 796 841** | **100.0%** |

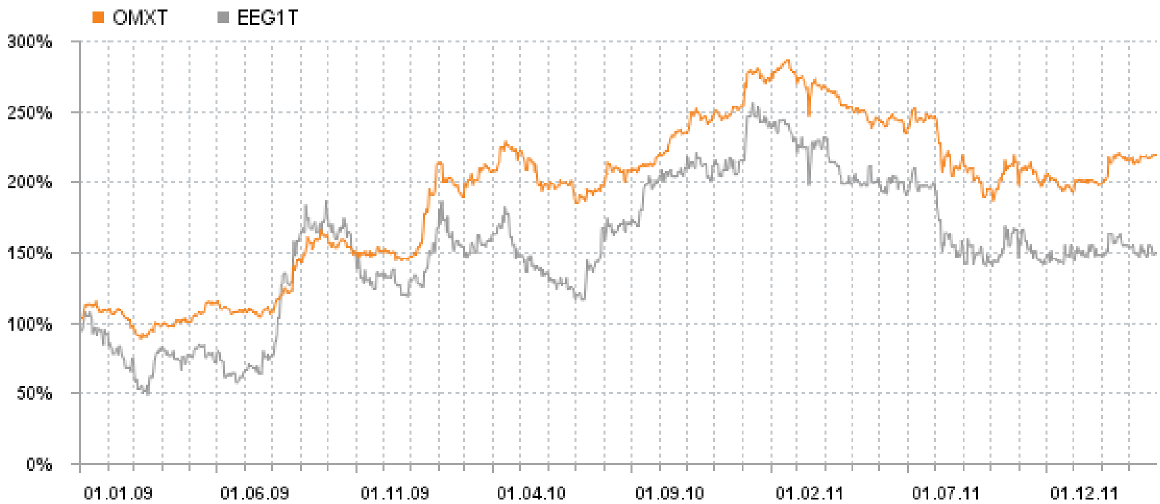
East Capital Asset Management AB has an ownership interest through the nominee account of Skandinaviska Enskilda Banken Ab Clients. KJK Fund SICAV-SIF has an ownership interest in the company through the account of ING Luxembourg S.A.

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 of Ekspress Grupp**

The share price of Ekspress Grupp (EEG1T) in euros and the trading statistics on OMX Tallinn Stock Exchange from 1 January 2009 until 31 March 2012.


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




The following table shows the stock trading history for 2010-2012

| Price (EUR) | Q1 2012 | Q1 2011 | Q1 2010 |
|---|---|---|---|
| Opening price | 1.03 | 1.53 | 1.03 |
| Closing price | 1.06 | 1.65 | 1.28 |
| High | 1.18 | 1.84 | 1.48 |
| Low | 1.00 | 1.40 | 0.95 |
| Average | 1.11 | 1.69 | 1.17 |
| Traded shares, pcs | 216 975 | 1 501 989 | 727 313 |
| Turnover, mln | 0.24 | 2.54 | 0.85 |
| Capitalisation at the balance sheet date, mln | 31.61 | 49.02 | 26.69 |

# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## Consolidated balance sheet (unaudited)

| (EUR thousand) | 31.03.2012 | 31.12.2011 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | 2 309 | 2 729 |
| Trade and other receivables | 6 905 | 6 921 |
| Inventories | 2 662 | 2 833 |
| **Total** | **11 876** | **12 483** |
| Non-current assets held for sale | 40 | 40 |
| **Total current assets** | **11 916** | **12 523** |
| **Non-current assets** | | |
| Term deposit | 98 | 98 |
| Trade and other receivables | 137 | 167 |
| Investments in associates | 0 | 0 |
| Property, plant and equipment (Note 6) | 16 306 | 16 751 |
| Intangible assets (Note 6) | 51 735 | 51 970 |
| **Total non-current assets** | **68 276** | **68 986** |
| **TOTAL ASSETS** | **80 192** | **81 509** |
| **LIABILITIES** | | |
| **Current liabilities** | | |
| Borrowings (Note 7) | 6 069 | 5 436 |
| Trade and other payables | 10 328 | 11 111 |
| **Total current liabilities** | **16 397** | **16 547** |
| **Non-current liabilities** | | |
| Long-term borrowings (Note 7) | 25 013 | 26 397 |
| Other long-term liabilities | 1 | 1 |
| Derivate instruments | 113 | 176 |
| **Total non-current liabilities** | **25 127** | **26 574** |
| **Total liabilities** | **41 524** | **43 121** |
| **EQUITY** | | |
| Share capital (Note 10) | 17 878 | 17 878 |
| Share premium | 14 277 | 14 277 |
| Reserves (Note 10) | 542 | 480 |
| Retained earnings | 5 928 | 5 749 |
| Currency translation reserve | 43 | 4 |
| **Total equity** | **38 668** | **38 388** |
| **TOTAL LIABILITIES AND EQUITY** | **80 192** | **81 509** |

The Notes presented on pages 22 to 35 form an integral part of the interim consolidated financial statements.

## Consolidated statement of comprehensive income (unaudited)

| (EUR thousand) | Q1 2012 | Q1 2011 |
|---|---|---|
| Sales | 14 219 | 13 146 |
| Cost of sales | (11 420) | (10 529) |
| **Gross profit** | **2 799** | **2 617** |
| Marketing expenses | (469) | (441) |
| Administrative expenses | (1 702) | (1 639) |
| Other expenses | (34) | (57) |
| Other income | 161 | 74 |
| Gain from sale of ownership interest in joint venture (Note 4) | 0 | 1 540 |
| **Operating profit** | **755** | **2 094** |
| Interest income | 3 | 10 |
| Interest expense | (488) | (559) |
| Foreign exchange gains (losses) | (44) | (71) |
| Other finance costs | (22) | (37) |
| **Net finance cost** | **(551)** | **(657)** |
| Profit/(loss) from investments in associates | (27) | 0 |
| **Profit (loss) before income tax** | **177** | **1 437** |
| Income tax expense | 2 | (52) |
| **Profit (loss) for the reporting period** | **179** | **1 385** |
| **Net profit (loss) for the reporting period attributable to:** | | |
| equity holders of the parent company | 179 | 1 385 |
| non-controlling interest | 0 | 0 |
| **Other comprehensive income (expense)** | | |
| Currency translation differences | 39 | 72 |
| Hedging reserve change | 62 | 237 |
| Total other comprehensive income (expense) for the p**eriod** | **101** | **309** |
| **Comprehensive income (expense) for the reporting period attributable to:** | **280** | **1 694** |
| equity holders of the parent company | 280 | 1 694 |
| non-controlling interest | 0 | 0 |
| Basic and diluted earnings per share (Note 9) | 0.01 | 0.05 |

The Notes presented on pages 22 to 35 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 translations reserve | Total | | |
| **Balance on 31 December 2010** | **19 044** | **14 277** | **46** | **2 900** | **32** | **36 299** | **0** | **36 299** |
| Profit for the reporting period | 0 | 0 | 0 | 1 385 | 0 | 1 385 | 0 | 1 385 |
| Gain on hedging instrument | 0 | 0 | 237 | 0 | 0 | 237 | 0 | 237 |
| Currency translation reserve | 0 | 0 | 0 | 0 | 72 | 72 | 0 | 72 |
| **Balance on 31 March 2011** | **19 044** | **14 277** | **283** | **4 285** | **104** | **37 993** | **0** | **37 993** |
| **Balance on 31 December 2011** | **17 878** | **14 277** | **480** | **5 749** | **4** | **38 388** | **0** | **38 388** |
| Profit for the reporting period | 0 | 0 | 0 | 179 | 0 | 179 | 0 | 179 |
| Gain on hedging instrument | 0 | 0 | 62 | 0 | 0 | 62 | 0 | 62 |
| Currency translation reserve | 0 | 0 | 0 | 0 | 39 | 39 | 0 | 39 |
| **Balance on 31 March 2012** | **17 878** | **14 277** | **542** | **5 928** | **43** | **38 668** | **0** | **38 668** |

The Notes presented on pages 22 to 35 form an integral part of the interim consolidated financial statements.

## Consolidated cash flow statement (unaudited)

| (EUR thousand) | Q1 2012 | Q1 2011 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Operating profit (loss) for the period | 755 | 2 094 |
| Adjustments for: | | |
| Depreciation, amortisation and impairment (Note 6) | 859 | 839 |
| Gain from sale of ownership interest in joint venture (Note 4) | 0 | (1 540) |
| Profit (loss) on sale and write-downs of property, plant and equipment | 0 | 6 |
| **Changes in working capital:** | | |
| Trade and other receivables | (11) | (287) |
| Inventories | 171 | 6 |
| Trade and other payables | (684) | (137) |
| **Cash generated from operations** | **1 090** | **981** |
| Income tax paid | 0 | 0 |
| Interest paid | (488) | (670) |
| **Net cash used in operating activities** | **602** | **311** |
| **Cash flows from investing activities** | | |
| Investments in subsidiaries and joint ventures (Notes 4,5) | 0 | (23) |
| Interest received | 3 | 10 |
| Purchase of property, plant and equipment (Note 6) | (181) | (123) |
| Proceeds from sale of property, plant and equipment | 1 | 1 |
| Loans granted | (1) | 0 |
| Loan repayments received | 32 | 20 |
| **Net cash used in investing activities** | **(146)** | **(115)** |
| **Cash flows from financing activities from continuing operations** | | |
| Finance lease repayments made | (388) | (305) |
| Change in overdraft used | 395 | 341 |
| Proceeds from borrowings (incl. factoring) | 160 | 116 |
| Repayments of borrowings | (1 043) | (894) |
| **Net cash used in financing activities** | **(876)** | **(742)** |
| **NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS** | **(420)** | **(546)** |
| Cash and cash equivalents at the beginning of the period | 2 729 | 2 767 |
| Cash and cash equivalents at the end of the period | 2 309 | 2 221 |

The Notes presented on pages 22 to 35 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 31.03.2012, the Group consists of the subsidiaries, joint ventures and associates listed below.

This interim consolidated report was approved by the Management Board on 2 May 2012.

The consolidated financial statements of AS Ekspress Grupp (hereinafter the Group) for the 1st quarter of 2012 reflect the results of the following group companies.

| Company name | Status | Ownership interest 31.03.2012 | Ownership interest 31.12.2011 | Main field of activity | Domicile |
|---|---|---|---|---|---|
| **Operating segment: corporate functions** | | | | | |
| AS Ekspress Grupp | Parent Company | | | Holding company and support services | Estonia |
| OÜ EG Digital | Subsidiary | 100% | - | IT (development) services | Estonia |
| **Operating segment: periodicals** | | | | | |
| AS Eesti Ajalehed | Subsidiary | 100% | 100% | Daily and weekly newspaper publishing | Estonia |
| OÜ Hea Lugu | Subsidiary | 100% | 100% | Book publishing. Took over AS Eesti Ajalehed book-publishing operation 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 Ajakirjade Kirjastus | Joint venture | 50% | 50% | Magazine publishing | Estonia |
| Uniservice OÜ | Joint venture | - | 50% | Internet portal management. Merged with AS Ajakirjade Kirjastus on 1 January 2012 | Estonia |
| AS Express Post | Joint venture | 50% | 50% | Periodicals' home delivery | Estonia |
| **Operating segment: online media** | | | | | |
| SIA Delfi Holding | Subsidiary | 100% | 100% | Management of online media subsidiaries | Latvia |
| AS Delfi | Subsidiary | 100% | 100% | Online media | Estonia |
| Saarmann Meedia OÜ | Subsidiary | 100% | 100% | Operations transferred to AS Delfi in Estonia | Eesti |
| Delfi AS | Subsidiary | 100% | 100% | Online media | 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 | Eesti |

## Note 2. Bases of preparation

The interim consolidated financial statements of AS Ekspress Grupp for the quarter ended 31.03.2012 have been prepared in accordance with IAS 34 "Interim Financial Reporting". The condensed interim consolidated financial statements should be read together to the annual report for the financial year ended 31.12.2011.

The Management Board estimates that the interim consolidated financial statements for the 1st quarter of 2012 present a true and fair view of the Group's operating results, and all group companies are going concerns. These interim financial statements have neither been audited nor reviewed in any other way by auditors.

On 1 January 2011, the Republic of Estonia joined the euro-zone and adopted the euro as the national currency, replacing the Estonian kroon. As a result, the functional currency of the Parent Company and its Estonian group companies is the euro (EUR) since 1 January 2011. The change in the functional currency was recognised prospectively. As of 1 January 2011, the Parent Company and its Estonian group companies revalued the opening balances in their books based on the exchange rate of EUR 1 = EEK 15.6466.

The consolidated interim financial statements have been presented in thousands of euros, unless stated otherwise.

### Note 3. Financial risk management

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

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

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

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

#### Credit risk

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

Credit risk arises from cash and cash equivalents, 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 of services and goods to clients with an adequate credit history and the application of prepayments to clients in a higher risk category is used. 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 or make a prepayment.

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

**Liquidity risk**

Liquidity risk means that the Group may not have liquid funds to fulfil its financial obligations in a timely manner. The Group has a high financial leverage, as a result of which the liquidity management is one of the priorities of the Group.

Cash flow planning is used as a means to manage 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 additional cash flow projections for next two months every week.

To manage 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 for capital expenditures.

**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. Interest rate risk is mainly related to the fluctuation of Euribor and the resulting change in average interest rates of banks. A change in interest rates by 1 percentage point would increase/decrease Group's loan interest expense by ca. 300 thousand euros per year.

| Type of interest | Interest rate | 31.03.2012 (EUR thousand) | <= 1 year | >1 year and <=5 years | Carrying amount |
|---|---|---|---|---|---|
| Floating interest | 6-month Euribor + 3.5% | Syndicated loan | 3 838 | 22 844 | 26 682 |
| | 6-month Euribor +2.9% | Finance lease and long term loan *(Printall)* | 1 392 | 2 169 | 3 561 |
| | 1-month Euribor + 3.5% | Short term loans and overdraft | 773 | 0 | 773 |
| | EONIA +3.5% Bank's base rate+3.5% | Overdraft | 66 | 0 | 66 |

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

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 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 company's functional currency. Group companies are required to manage their foreign exchange risk with regard to the functional currency. The Group's income is primarily fixed in local currencies, i.e. the euros, Lithuanian litas, Latvian lats and Ukrainian hryvnias. The Group also pays most of its suppliers and contractors in euros. The subsidiaries are generally required to use the euro as the foreign currency in their foreign contracts. The subsidiary Printall exports also to non-EU countries and it also earns revenue in Russian roubles, Norwegian kroner and Swedish kronor. The amounts received are generally converted into euros immediately upon their receipt, thereby reducing open foreign currency positions. Although funds received from Russian clients are in currencies other than the euro, invoices for goods and services sold to Russia are denominated in euros and thus do not carry foreign exchange risk. In relation to other currencies approximately 8% of the Group's revenue is exposed to foreign exchange risk. No other means are used for hedging foreign exchange risk.

**Financial assets and financial liabilities by currency as of 31.03.2012.**

| (EUR thousand) | EUR | LTL | LVL | UAH | SEK | Other | TOTAL |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash and cash equivalents | 2 016 | 138 | 69 | 10 | 66 | 10 | **2 309** |
| Trade and other receivables | 4 603 | 1 365 | 516 | 55 | 406 | 123 | **7 068** |
| Term deposit | 0 | 98 | 0 | 0 | 0 | 0 | **98** |
| **Total financial assets** | **6 619** | **1 601** | **585** | **66** | **471** | **133** | **9 475** |
| **Liabilities** | | | | | | | |
| Borrowings | 31 082 | 0 | 0 | 0 | 0 | 0 | **31 082** |
| Trade and other payables | 6 483 | 3 538 | 275 | 23 | 5 | 6 | **10 330** |
| Derivative instruments | 113 | 0 | 0 | 0 | 0 | 0 | **113** |
| **Total financial liabilities** | **37 678** | **3 538** | **275** | **23** | **5** | **6** | **41 525** |
| **Net currency position** | **(31 058)** | **(1 938)** | **309** | **43** | **467** | **127** | |

**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 paper price risk.

**Operational risk**

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

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

**Capital risk**

The main objective of the Group upon managing capital risk is to ensure the sustainability of the Group in order to ensure income for its shareholders and benefits for other stakeholders, while maintaining the optimal capital structure in order to reduce the price of capital.
According to the practice common in the industry, the Group uses the debt to capital ratio to monitor capital. The debt to capital ratio is calculated as the ratio of net debt to total capital. Net debt is calculated by deducting cash and bank accounts from total debt (current and non-current interest bearing liabilities carried in the consolidated balance sheet). Total capital is recognised in the consolidated balance sheet as the aggregate of equity and net debt. In addition equity ratio towards total assets is monitored.

### Equity and capital ratio of the Group

| (EUR thousand) | 31.03.2012 | 31.12.2011 |
|---|---|---|
| Interest-bearing debt | 31 082 | 31 951 |
| Cash and bank accounts | 2 407 | 2 827 |
| Net debt | 28 675 | 29 124 |
| Equity | 38 668 | 38 388 |
| Total capital | 67 343 | 67 512 |
| **Debt to capital ratio** | **43%** | **43%** |
| Balance sheet total | 80 192 | 81 509 |
| **Equity ratio** | **48%** | **47%** |

## Note 4. 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 goodwill of hyppelaud.ee in amount of EUR 25 thousand that was previously recognised in the Group balance sheet. At the end of year, an impairment loss was recognised for goodwill in the amount of EUR 130 thousand. As of 31.03.2012, the carrying amount of this 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. In the 1st quarter, the sales proceeds of the current 50% ownership interest in the amount of EUR 1 540 thousand is reported in a separate line under operating profit.

On 4 March 2011, AS Delfi acquired a 100% ownership interest in Saarmann Meedia OÜ, 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.

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.

| (EUR thousand) | Eesti Päevalehe AS | | Saarmann Meedia OÜ | |
|---|---|---|---|---|
| | 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 5. Investments in joint ventures

In March 2011, the Group acquired an additional 50% ownership interest in Eesti Päevalehe AS, increasing its interest to 100%. (see Note 4). With the additional ownership interest, another 25% interest was acquired in AS Linnaleht. As due to the overall economic recession the operations of AS Linnaleht were unprofitable, it was reorganised in 2011. In August 2011, the operations of AS Linnaleht were transferred to AS SL Õhtuleht and as of 1 November 2011, AS Linnaleht and AS SL Õhtuleht were merged.

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

## Note 6. Property, plant and equipment (PPE) and intangible assets

| (EUR thousand) | PPE | | Intangible assets | |
|---|---|---|---|---|
| | Q1 2012 | Q1 2011 | Q1 2012 | Q1 2011 |
| **Balance at beginning of the period** | | | | |
| Cost | 30 376 | 32 795 | 57 689 | 55 356 |
| Accumulated depreciation and amortisation | (13 625) | (13 658) | (5 719) | (4 420) |
| **Carrying amount on 31.12.2011** | **16 751** | **19 137** | **51 970** | **50 936** |
| Acquisitions and improvements | 120 | 69 | 61 | 54 |
| Disposals (at carrying amount) | 0 | (1) | 0 | 0 |
| Write-offs and write-downs of PPE | (1) | 0 | 0 | (6) |
| Reclassification | 0 | (1) | 0 | 1 |
| Acquisitions through business combinations | 0 | 24 | 0 | 2 831 |
| Disposals through business combinations | 0 | (547) | 0 | 0 |
| Depreciation and amortisation | (564) | (546) | (295) | (293) |
| Currency translation differences | 0 | (1) | 0 | (11) |
| **Balance at end of the period** | | | | |
| Cost | 30 352 | 32 364 | 57 750 | 58 347 |
| Accumulated depreciation and amortisation | (14 046) | (14 230) | (6 015) | (4 835) |
| **Carrying amount on 31.03.2012** | **16 306** | **18 134** | **51 735** | **53 512** |

Information about the items of assets pledged as loan collateral is disclosed in Note 7.

### Intangible assets by type

| | EUR | |
|---|---|---|
| (thousand) | 31.03.2012 | 31.12.2011 |
| Goodwill | 40 761 | 40 761 |
| Trademarks | 9 812 | 9 886 |
| Other intangible assets | 1 162 | 1 323 |
| **Total intangible assets** | **51 735** | **51 970** |

### Carrying amount of trademarks by segment

| | EUR | |
|---|---|---|
| (thousand) | 31.03.2012 | 31.12.2011 |
| Online media | 7 326 | 7 369 |
| Periodicals | 2 486 | 2 517 |
| **Total trademarks** | **9 812** | **9 886** |

### Goodwill by cash generating units and segments

| | EUR | |
|---|---|---|
| (thousand) | 31.03.2012 | 31.12.2011 |
| Delfi Estonia | 15 281 | 15 281 |
| Delfi Latvia | 9 390 | 9 390 |
| Delfi Lithuania | 12 517 | 12 517 |
| **Online media segment** | **37 188** | **37 188** |
| Eesti Päevaleht (incl. hyppelaud.ee) (Eesti Ajalehed) | 1 102 | 1 102 |
| Ajakirjade Kirjastus | 456 | 456 |
| Ekspress Leidyba | 199 | 199 |
| Maaleht (Eesti Ajalehed) | 1 816 | 1 816 |
| **Periodicals segment** | **3 573** | **3 573** |
| **Total goodwill** | **40 761** | **40 761** |

## Note 7. Bank loans and borrowings

| (EUR thousand) | Total amount | Repayment term | |
|---|---|---|---|
| | | up to 1 years | 1-5 years |
| **Balance on 31.03.2012** | | | |
| Overdraft facilities | **409** | 409 | 0 |
| Short-term bank loans (incl. factoring) | **430** | 430 | 0 |
| Long-term bank loans | **26 682** | 3 838 | 22 844 |
| *incl. syndicated loan (AS Ekspress Grupp)* | **24 474** | 3 072 | 21 403 |
| *incl. long-term loan (AS Printall)* | **2 208** | 766 | 1 442 |
| Finance lease | **3 561** | 1 392 | 2 169 |
| **Total** | **31 082** | **6 069** | **25 013** |
| **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** |

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 acquisition of 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. 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 25.02.2010, the interest rate on the loan is 6-month Euribor+3.75% and from 25.07.2011, 6-month Euribor+3.5%.

As of 31.03.2012 and 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; as of 31.03.2012 and 31.12.2011, the carrying amount of the building was EUR 4.2 million and that of the registered immovable was EUR 0.4 million;
- a pledge on the shares of Delfi Estonia, Delfi Latvia, Delfi Lithuania, Delfi Holding, Eesti Ajalehed and Printall, the shares of which 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 and from 31.03.2012, an additional covenant includes the debt-service coverage ratio. As of the balance sheet date, all financial ratios were in compliance with the loan covenants set in the loan contract. In addition, according to the conditions laid down in the loan agreement, payment of dividends to the owners is limited and the total amount of annual capital expenditure is determined.

**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). As of 31.03.2012, 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**

| Date of contract | Bank | Limit (EUR thousand) | Used 31.03.2012 (EUR thousand) | Interest rate | Expiration date of the contract |
|---|---|---|---|---|---|
| 21.12.2011 | Nordea Bank Finland Plc Estonia branch | 959 | 46 | bank's base interest +3.5% | 25.01.2015 |
| 11.01.2012 | AS SEB Pank | 959 | 343 | 1 month EURIBOR +3.5% | 25.01.2015 |
| 30.01.2012 | Danske Bank A/S Estonia branch (legal successor of AS Sampo Pank) | 959 | 20 | EONIA+3.5% | 25.01.2015 |
| **Total** | | **2 877** | **409** | | |

## 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) (in liquidation) and mango.lv SIA (Latvia), which was merged with Delfi Latvia in the second half of 2011.

**Periodicals:** publishing of newspapers, magazines, custom publications and books in Estonia and Lithuania. This segment includes group companies AS Eesti Ajalehed (publisher of Eesti Ekspress, Maaleht and from 1 October 2011, also Eesti Päevaleht), Eesti Päevalehe AS, which was merged with AS Eesti Ajalehed on 1 October, AS Ajakirjade Kirjastus, AS SL Õhtuleht, UAB Ekspress Leidyba, Uniservice OÜ (the operation of which was transferred to the Parent Company 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. Revenues by segments are monitored without deductions of volume-based and other fees payable to agencies.

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

| 2012 Q1 (EUR thousand) | Online media | Perio-dicals | Printing services | Corporate functions | Eliminat-ions | Total Group |
|---|---|---|---|---|---|---|
| **Sales to external customers** | **2 138** | **5 718** | **6 597** | **0** | **(234)** | **14 219** |
| Inter-segment sales | 49 | 63 | 779 | 140 | (1 031) | 0 |
| Total segment sales | 2 187 | 5 781 | 7 376 | 140 | (1 265) | 14 219 |
| **EBITDA** | **238** | **21** | **1 529** | **(174)** | **0** | **1 614** |
| Depreciation (Note 6) | | | | | | 859 |
| Operating profit | | | | | | 755 |
| Investments (Note 6) | 43 | 98 | 25 | 16 | 0 | 182 |

| 2011 Q1 (EUR thousand) | Online media | Perio-dicals | Printing services | Corporate functions | Eliminat-ions | Total Group |
|---|---|---|---|---|---|---|
| **Sales to external customers** | **1 839** | **5 525** | **5 777** | **5** | **0** | **13 146** |
| Inter-segment sales | 13 | 37 | 693 | 21 | (764) | 0 |
| Total segment sales | 1 852 | 5 562 | 6 470 | 26 | (764) | 13 146 |
| **EBITDA*** | **(37)** | **144** | **1 496** | **(214)** | **5** | **1 394** |
| Depreciation (Note 6) | | | | | | 839 |
| Operating profit * | | | | | | 554 |
| Investments (Note 6) | 43 | 43 | 35 | 2 | 0 | 123 |

* excl. the net extraordinary gain in relation to the acquisition of Eesti Päevalehe AS.

## 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 31.03.2012 and 31.03.2011, **diluted earnings per share** equal basic earnings per share.

| EUR | Q1 2012 | Q1 2011 |
|---|---|---|
| Net profit (loss) attributable to equity holders of the Parent Company | 179 336 | 1 385 071 |
| The average number of ordinary shares | 29 796 841 | 29 796 841 |
| Basic and diluted earnings per share | 0.01 | 0.05 |

## Note 10. Equity

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

In conjunction with the adoption of the euro in Estonia, the General Meeting of Shareholders of AS Ekspress Grupp held on 30 May 2011 decided to decrease the nominal value of shares to EUR 0.60, as a result of which the share capital was reduced by EUR 1 165 548. The change 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 was EUR 17 878 105 and consisted of 29 796 841 shares with the nominal value of EUR 0.60 per share. The maximum amount of share capital as stipulated by the articles of association is EUR 25 564 656.

**Reserves**

| (EUR thousand) | 31.03.2012 | 31.12.2011 |
|---|---|---|
| Statutory reserve capital | 17 | 17 |
| Additional monetary contribution by owners | 639 | 639 |
| Hedging reserve derived from interest rate swaps | (114) | (176) |
| **Total reserves** | **542** | **480** |

## 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 31.03.2012 and.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 under their control or significant influence.

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

The Group has purchased from (goods for resale, manufacturing materials, non-current assets) and sold its goods and services to (lease of non-current assets, management services, other services) to the following related parties. The management estimates that all transactions with related parties have been concluded at market conditions.

Sales

| (EUR thousand) | Q1 2012 | Q1 2011 |
|---|---|---|
| **Sales of goods** | | |
| Members of Management Board and companies related to them | 0 | 1 |
| Associates | 210 | 206 |
| **Total sale of goods** | **210** | **207** |
| **Sale of services** | | |
| Members of Supervisory Board and companies related to them | 1 | 0 |
| Associates | 0 | 60 |
| **Total sale of services** | **1** | **60** |
| **Total sales** | **211** | **267** |

Purchases

| (EUR thousand) | Q1 2012 | Q1 2011 |
|---|---|---|
| **Purchase of services** | | |
| Members of Management Board and companies related to them | 25 | 37 |
| Members of Supervisory Board and companies related to them | 94 | 110 |
| Associates | **119** | **147** |
| **Total purchases** | **119** | **147** |

Receivables

| (EUR thousand) | 31.03.2012 | 31.12.2011 |
|---|---|---|
| **Short-term receivables** | | |
| Members of Supervisory Board and companies related to them | 193 | 201 |
| Associates | 149 | 143 |
| **Total short-term receivables** | **342** | **344** |
| **Long-term receivables** | | |
| Members of Supervisory Board and companies related to them | 30 | 60 |
| **Total long-term receivables** | **30** | **60** |
| **Total receivables** | **372** | **404** |

Liabilities

| (EUR thousand) | 31.03.2012 | 31.12.2011 |
|---|---|---|
| **Current liabilities** | | |
| Members of Management Board and companies related to them | 13 | 3 |
| Members of Supervisory Board and companies related to them | 15 | 17 |
| **Total liabilities** | **28** | **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 the 1st quarter of 2012 totalled EUR 15 thousand (2011: EUR 15 thousand) and there are not outstanding liabilities as of 31.03.2012 and 31.12.2011.

**Remuneration of the members of management and supervisory boards of all group entities**

| | Q1 2012 | Q1 2011 |
|---|---|---|
| Salaries, other benefits and termination compensations | 317 | 245 |

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 31.03.2012, potential Key Management termination benefits total EUR 459 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. Events after the balance sheet date

In conjunction with the establishment of a new editorial office of Päevauudised on the basis of the editorial offices of Eesti Päevaleht and Delfi, the operations of the entire editorial office of Delfi will be transferred from AS Delfi to AS Eesti Ajalehed on 1 May 2012.

## Note 14. Sustainability of operations

As of 31.03.2012, the Group's current liabilities exceeded its current assets by EUR 4.5 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 consideration should be paid to the fact that client's prepayments for subscriptions, which are recognised as liabilities in the balance sheet are not to be paid out but recognised as income in the following period. Also, the Group has an unused overdraft facility in the amount of EUR 2.5 million. Information about liquidity risk and the measures used to manage it is disclosed in more detail in Note 3.