

EKSPRESS GRUPP

AS Ekspres Grupp
CONSOLIDATED ANNUAL
REPORT
2014

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GENERAL INFORMATION

Beginning of reporting period	1 January
End of reporting period	31 December
Company name	AS Ekspress Grupp
Registration number	10004677
Address	Narva mnt.11 E, 10151 Tallinn
Phone	+372 669 8381
Fax	+372 669 8180
E-mail	egrupp@egrupp.ee
Internet homepage	www.egrupp.ee
Main field of activity	Publishing and related services (5814)
Management Board	Gunnar Kobin (chairman) Andre Veskimeister Pirje Raidma
Supervisory Board	Viktor Mahhov (chairman) Hans H. Luik Kari Sakari Salonen Harri Helmer Roschier Ville Jehe (until 20.06.2014) Aavo Kokk (until 20.06.2014) Indrek Kasela (since 20.06.2014) Jaak Ennuste (since 20.06.2014)
Auditor	AS Deloitte Audit Eesti

The Annual Report consists of the Management Board's confirmation of the annual report, statement of the chairman of the Management Board, management report, report of corporate governance code, consolidated financial statements, independent auditor's report, proposal for profit allocation, and declaration of the Management Board and Supervisory Board. The document comprises 85 pages.

Management Board's confirmation of the consolidated annual report

The Management Board confirms that the management report of AS Ekspress Grupp disclosed on pages 5 to 28 presents a true and fair view of the business developments, results and financial position of the Parent Company and its group companies. The Management Board confirms that the consolidated financial statements disclosed on pages 29 to 81 give to the best of its knowledge a true and fair view of the assets, liabilities, financial position and results of the issuer and its group companies in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and include a description of major risks and uncertainties.

Gunnar Kobin	Chairman of the Management Board	<i>signed digitally</i>	18 March 2015
Pirje Raidma	Member of the Management Board	<i>signed digitally</i>	18 March 2015
Andre Veskimeister	Member of the Management Board	<i>signed digitally</i>	18 March 2015

STATEMENT OF THE CHAIRMAN OF THE MANAGEMENT BOARD

The year 2014 was a successful year for Ekspress Group. In year-on-year comparison, the consolidated EBITDA of the Group increased by 22% to almost EUR 9 million. Consolidated net profit was 30% higher and amounted to EUR 4.6 million. The EBITDA margin was 14.5%. The actual results were also higher compared to our cautiously budgeted EBITDA of EUR 8 million and net profit of EUR 3.8 million.

The above figures include all our joint ventures (AS SL Õhtuleht, AS Ajakirjade Kirjastus and AS Express Post) consolidated 50% line-by-line. Starting from 2014, in consolidated financial reports 50% joint ventures are recognised under the equity method, in compliance with **new international financial reporting standards (IFRS)**. The change in this accounting policy does not affect the net profit, but decreases annual sales revenue approximately EUR 8.6 million and EBITDA approximately EUR 1.0 million. In its monthly reports, the management has continued to monitor the Group's performance on a basis of proportional consolidation of joint ventures and the syndicated loan contract also determines the calculation of some loan covenants by proportional consolidation. For the purpose of clarity, the management report shows two sets of indicators: one where joint ventures are consolidated line-by-line 50% as previously and the other where joint ventures are recognised under the equity method and their net result is presented as financial income in one line. In Note 2 of the financial statements, the impact of every joint venture on the respective line of the income statement and balance sheet is described in more detail.

The income statement includes financial income in the amount of EUR 1.9 million resulting from the acquisition of shares of AS Ajakirjade Kirjastus and AS SL Õhtuleht from AS Eesti Meedia, their sale to OÜ Suits Meedia and subsequent restructuring. In essence, joint ventures with AS Eesti Meedia were sold and new joint ventures were acquired together with OÜ Suits Meedia. In addition, as a result of these transactions, trademarks, other intangible assets and goodwill in the acquired joint ventures are now recognised at their fair value in both the balance sheet of the joint ventures themselves and the Group (where joint ventures are 50% consolidated). In the income statement, the depreciation cost of these trademarks and other assets is recognised subsequently thus decreasing the net profit.

In addition to the above, the net profit was influenced by the impairment of goodwill related to Delfi Latvia in the amount of EUR 1.4 million. It is partly attributable to the decision made in the first half of 2014 to invest in the strengthening of the editorial office of Delfi Latvia which has had an impact on the entity's financial results and partly to the downturn of the economic climate, caused mainly by the events in Ukraine.

The Group's financial leverage improved notably during the year. The Group's total debt to EBITDA ratio (based on 50% proportional consolidation of joint ventures) decreased down to 2.57 by the end of the year and the debt service coverage ratio increased up to 1.90. Today our balance sheet allows us to look very aggressively towards new investment opportunities.

Media segment which includes 50% joint ventures achieved EBITDA growth of 44% compared to last year, totalling EUR 4.0 million. Starting from the third quarter when the Lithuanian magazine publisher UAB Ekspress Leidyba was merged with Delfi Lithuania, we no longer separate online media from periodicals, and talk about one media segment which represents both online and print media. The online revenue of Delfi Lithuania continues to be reported separately.

In the media segment, the biggest EBITDA growth was achieved by Delfi Estonia, exceeding last year's result by 98% and amounting to EUR 0.6 million. The strong result of Delfi Estonia is due to excellent work of the editorial office in increasing the readership of the portal that has enabled the advertising sales team to increase the revenue faster than the market in average. The rapid growth of new products, especially online topical portals and video solutions played an important role in increasing the revenue.

Although Delfi Latvia saw the EBITDA decrease 32% compared to year ago, it still earned a profit of EUR 0.1 million. In all three Baltic States, the competition in Latvia is the toughest. Acquisitions made by competitors to increase their market share have essentially equalled the readership of the three largest portals in Latvia, although Delfi remains the country's largest news portal and for a few months in the autumn was also Latvia's largest internet environment. In such a tough competitive situation we decided not to invest in acquisitions, but in the development of our own product, increasing editorial office and opening new topical portals. For this reason, costs in Delfi Latvia in 2014 were higher than we had planned at the start of the year.

EBITDA of Delfi Lithuania increased 23% in a year to EUR 1.3 million. The result of Delfi Lithuania was most affected by the merger with other group company Ekspress Leidyba, the Lithuanian magazine publisher, as a result of which we managed to optimise the organisational structure, while creating possibilities for selling online and print advertising packages.

It was also a good year for **publishers**. Although advertising income was largely in a downward trend, subscription income increased. AS Eesti Ajalehed that publishes newspapers Eesti Ekspress, Eesti Päevaleht and Maaleht improved its result by 46% and earned EUR 0.5 million in EBITDA. Contribution to the result during the year came from the series of Estonian children's films that were produced in cooperation with a group's book publisher Hea Lugu, and a series of detective novels, a cooperation project with third party book publisher Varrak. Our book publishing company Hea Lugu provided a positive surprise by earning an annual profit of EUR 0.1 million which is an increase of 71% from a year earlier. The strong annual result was attributable to the series of children's films in the first half and to several bestsellers published.

AS SL Õhtuleht increased its EBITDA result by 61% in a year to EUR 0.7 million. The result of AS Ajakirjade Kirjastus also improved this year, increasing by 49% and totalling EUR 0.5 million by the end of the year. The result of both AS SL Õhtuleht and AS Ajakirjade Kirjastus was influenced positively by smaller printing costs resulting from entering into new printing contracts with AS Kroonpress and AS Printall. Express Post, a home delivery service provider, grew 33% in a year, earning EUR 0.7 million in EBITDA.

Since only the net profit of our joint ventures is recognised in the Group's consolidated income statement prepared in accordance with new IFRS, the direct positive impact on consolidated results will be smaller due to amortisation of the trademarks and customer relations which now appear in the balance sheet of the joint ventures of AS SL Õhtuleht and AS Ajakirjade Kirjastus as a result of restructuring. However the positive impact is reflected in the EBITDA of the joint ventures themselves.

One of the most significant events in 2014 was the ending of the court dispute over the ownership of AS SL Õhtuleht and AS Ajakirjade Kirjastus. As a result of the dispute, AS Suits Meedia replaced AS Eesti Meedia as a shareholder in those two joint ventures. The immediate positive impact of the change in ownership was a significant decrease in the cost of printing services. In addition to a direct economic effect, this decision also has a long-term positive impact on the companies which have now more possibilities to compete in the market.

Very important event for the media segment was the growth in the number of paid digital subscriptions which exceeded 10,000 subscribers at the end of the year both for newspaper Eesti Ekspress and Eesti Päevaleht. It is also worth mentioning that weekly newspaper Eesti Ekspress celebrated its 25th birthday in autumn and at the same time Delfi celebrated its 15th birthday.

For online media companies, one of the most significant projects in 2014 was the development of the discount price portal Zave. By the end of the year, approximately 150 different merchants in the three Baltic States participated in this project.

The printing services segment increased its results ca 1% year-on-year and earned approximately EUR 6 million in EBITDA. In 2014, the key event in the printing services segment was the decision to acquire a new printing machine and its arrival in the last month of the year. The new sheet fed machine started production at the beginning of 2015.

At the end of the year we decided to launch a **new business line** – arrangement of entertainment events. The first project will be an exhibition in Riga about RMS Titanic that sank on her maiden voyage. The exhibition will open in the first half of 2015. After the Titanic exhibitions we will decide our further steps in terms of developing the business line of entertainment events.

In 2015 we expect the Group's business to gather pace and financial capability to increase. We expect to increase the consolidated revenue by 5% and the EBITDA by 8% at least. This includes 50% of the results of our joint ventures.

At the start of January we announced a merger between AS Eesti Ajalehed and AS Delfi into one entity. The objective of this step is to cut administrative bureaucracy in joint transactions between the two closely linked companies, to increase journalistic quality through the cooperation of editorial offices of both media entities and to provide paper and digital newspapers direct access to the marketing capacity of Estonian largest portal. For our advertising customers we wish to provide access to all our platforms from a single sales organisation.

We continue to develop the discount price portal Zave, a new innovative customer communication tool for retail merchants. We have also set a goal to increase the number of paid digital subscriptions up to 20 thousand by the end of the year.

We have also started the project in investing into Baltic startup companies with the objective of supporting young businesses that could develop their business with the help of the Group's marketing power in Baltic states and prepare expanding to larger international markets.

Our mission remains to offer new and interesting experiences both on paper and in digital media, without ever compromising on news quality, choice of topics and journalistic objectivity.

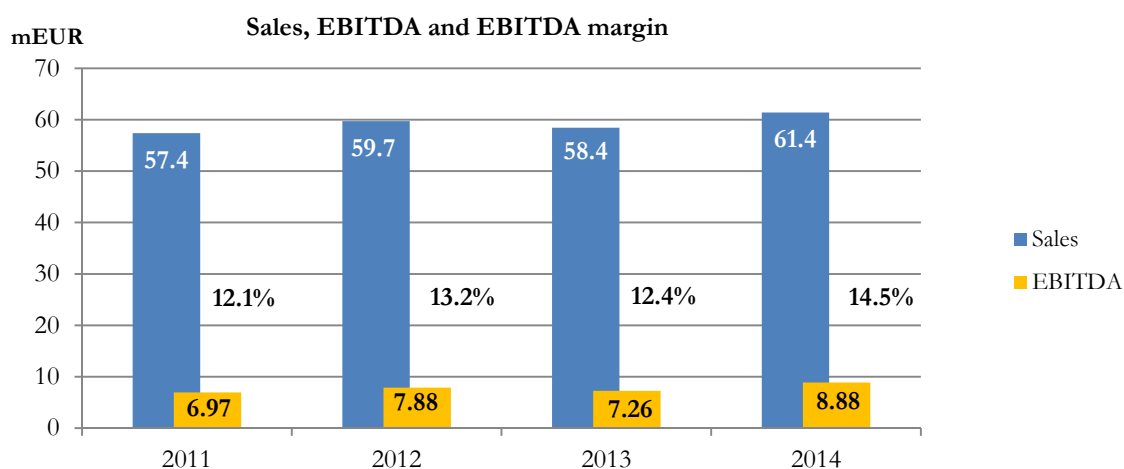
MANAGEMENT REPORT

Starting from 2014, in consolidated financial reports 50% joint ventures are recognised under the equity method, in compliance with **new international financial reporting standards (IFRS)**. In its monthly reports, the management has continued to monitor the Group's performance on a basis of proportional consolidation of joint ventures and the syndicated loan contract also determines the calculation of some loan covenants by proportional consolidation. For the purpose of clarity, the management report shows two sets of indicators: one where joint ventures are consolidated line-by-line 50% as previously and the other where joint ventures are recognised under the equity method and their net result is presented as financial income in one line.

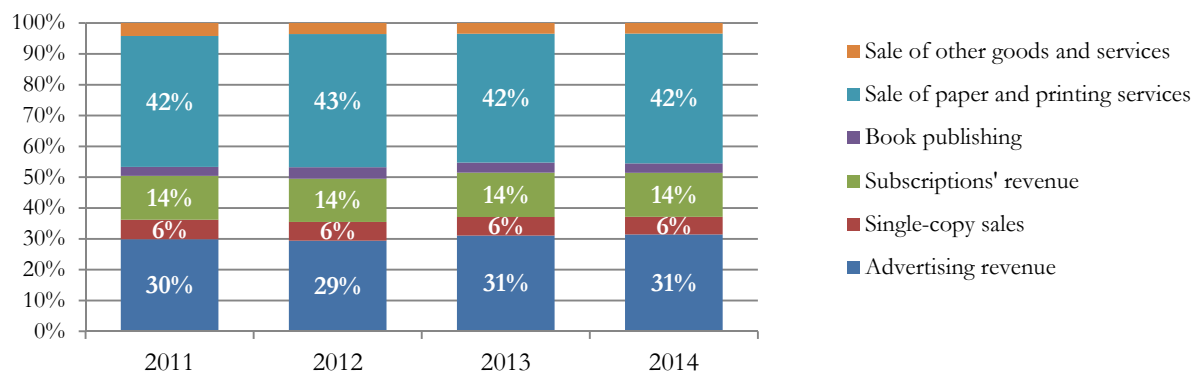
FINANCIAL INDICATORS AND RATIOS – joint ventures consolidated line-by-line 50%

Performance indicators – joint ventures consolidated 50% (EUR thousand)	2014	2013	Change %	2012	2011
Sales revenue	61 384	58 427	5%	59 706	57 391
EBITDA	8 878	7 264	22%	7 882	6 968
EBITDA margin (%)	14.5%	12.4%		13.2%	12.1%
Operating profit*	5 638	4 647	21%	4 596	3 443
Operating margin* (%)	9.2%	8.0%		7.7%	6.0%
Interest expenses	(732)	(763)	4%	(1 549)	(2 212)
Profit for the period*	4 620	3 548	30%	2 682	893
Net margin* (%)	7.5%	6.1%		4.5%	1.6%
Net profit for the period in the financial statements (incl. impairments and gain on change of ownership interest)	5 110	1 081	373%	2 525	1 683
Net margin (%)	8.3%	1.9%		4.2%	2.9%
Return on assets ROA (%)	6.6%	1.4%		3.2%	2.0%
Return on equity ROE (%)	11.4%	2.5%		6.4%	4.4%
Earnings per share (EPS)	0.17	0.04		0.08	0.06

* The results exclude allowances on impairments and one-off gains in relation to the acquisition in Eesti Päevalehe AS in 2011 and the change in ownership structure in joint ventures AS Ajakirjade Kirjastus and AS SL Öhtuleht in 2014. More information is disclosed in the Note 14 and Note 26 to the financial statements.



Sales revenue by activity



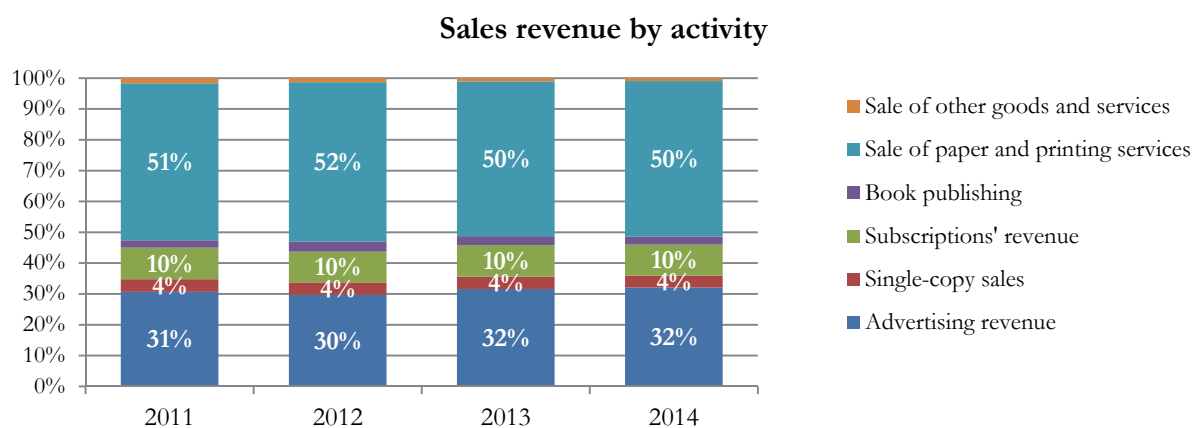
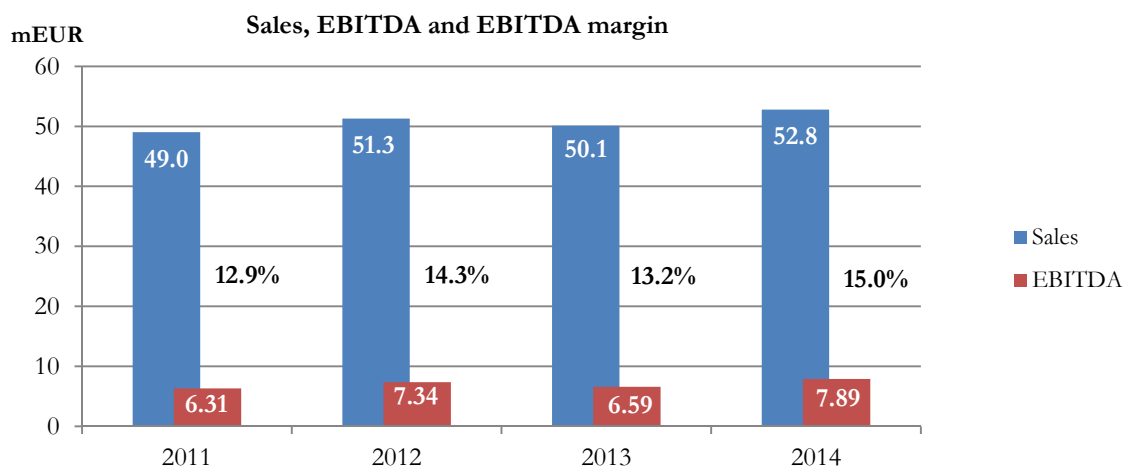
Balance sheet – joint ventures consolidated 50% (EUR thousand)	31.12.2014	31.12.2013	Change%	31.12.2012
At the end of the period				
Current assets	15 189	14 447	5%	13 545
Non-current assets	65 665	63 019	4%	66 754
Total assets	80 854	77 466	4%	80 299
<i>incl. cash and bank</i>	<i>6 788</i>	<i>4 501</i>	<i>51%</i>	<i>3 280</i>
<i>incl. goodwill</i>	<i>39 432</i>	<i>40 052</i>	<i>-2%</i>	<i>41 093</i>
Current liabilities	14 110	14 468	-2%	14 967
Non-current liabilities	19 569	20 673	-5%	24 233
Total liabilities	33 679	35 141	-4%	39 200
<i>incl. borrowings</i>	<i>24 592</i>	<i>24 432</i>	<i>1%</i>	<i>28 580</i>
Equity	47 175	42 325	11%	41 099

Financial ratios (%) – joint ventures consolidated 50%	31.12.2014	31.12.2013	31.12.2012
Equity ratio (%)	58%	55%	51%
Debt to equity ratio (%)	52%	58%	70%
Debt to capital ratio (%)	27%	32%	38%
Total debt/EBITDA ratio	2.61	3.36	3.63
Debt service coverage ratio	1.90	1.66	1.52
Liquidity ratio	1.08	1.00	0.90

FINANCIAL INDICATORS AND RATIOS – joint ventures recognised under the equity method

Performance indicators – joint ventures by the equity method (EUR thousand)	2014	2013	Change %	2012	2011
Sales revenue (only subsidiaries)	52 793	50 086	5%	51 290	49 027
EBITDA (only subsidiaries)	7 894	6 591	20%	7 345	6 311
EBITDA margin (%)	15.0%	13.2%		14.3%	12.9%
Operating profit* (only subsidiaries)	4 973	4 071	22%	4 173	2 930
Operating margin* (%)	9.4%	8.1%		8.1%	6.0%
Interest expenses (only subsidiaries)	(689)	(763)	10%	(1 550)	(2 219)
Profit of joint ventures by equity method	557	494	13%	339	421
Profit for the period*	4 621	3 548	30%	2 682	893
Net margin* (%)	8.8%	7.1%		5.2%	1.8%
Net profit for the period in the financial statements (incl. impairments and gain on change of ownership interest)	5 110	1 081	373%	2 525	1 683
Net margin (%)	9.7%	2.2%		4.9%	3.4%
Return on assets ROA (%)	6.8%	1.4%		3.2%	2.0%
Return on equity ROE (%)	11.4%	2.5%		6.4%	4.4%
Earnings per share (EPS)	0.17	0.04		0.08	0.06

* The results exclude allowances on impairments and one-off gains in relation to the acquisition in Eesti Päevalehe AS in 2011 and the change in ownership structure in joint ventures AS Ajakirjade Kirjastus and AS SL Õhtuleht in 2014. More information is disclosed in the Note 14 and Note 26 to the financial statements.



Balance sheet– joint ventures by equity method (EUR thousand)	31.12.2014	31.12.2013	Change %	31.12.2012
As at the end of the period				
Current assets	12 303	11 357	8%	10 747
Non-current assets	64 292	63 899	1%	67 470
Total assets	76 595	75 256	2%	78 217
<i>incl. cash and bank</i>	<i>5 275</i>	<i>2 209</i>	<i>139%</i>	<i>1 291</i>
<i>incl. goodwill</i>	<i>38 153</i>	<i>39 596</i>	<i>-4%</i>	<i>40 637</i>
Current liabilities	11 481	12 259	-6%	12 885
Non-current liabilities	17 939	20 672	-13%	24 233
Total liabilities	29 420	32 931	-11%	37 118
<i>incl. borrowings</i>	<i>23 152</i>	<i>24 432</i>	<i>-5%</i>	<i>28 580</i>
Equity	47 175	42 325	11%	41 099

Financial ratios (%) – joint ventures by the equity method	31.12.2014	31.12.2013	31.12.2012
Equity ratio (%)	62%	56%	53%
Debt to equity ratio (%)	49%	58%	70%
Debt to capital ratio (%)	27%	34%	40%
Total debt / EBITDA ratio	2.93	3.71	3.89
Debt service coverage ratio	1.77	1.50	1.36
Liquidity ratio	1.07	0.93	0.83

Cyclical

All operating areas of the Group are characterised by cyclical and fluctuation, related to the changes in the overall economic conditions and consumer confidence. The Group's revenue can be adversely affected by an economic slowdown or recession. It can appear in lower advertising costs in retail, preference of other advertising channels (e.g. preference of internet rather than print media) and changes in consumption habits of retail consumers (following current news in news portals versus reading printed newspapers, preference of the younger generation to use mobile devices and other communication channels, etc.).

Seasonality

The revenue from the Group's advertising sales as well as in the printing services segment is impacted by major seasonal fluctuations. The level of both types of revenue is the highest in the 2nd and 4th quarter of each year and the lowest in the 3rd quarter. Revenue is higher in the 4th quarter because of higher consumer spending during the Christmas season, accompanied by the increase in advertising expenditure. Advertising expenditure is usually the lowest during the summer months, as well as during the first months of the year following Christmas and New Year's celebrations. Book sales are the strongest in the last quarter of the year. Subscriptions and retail sales of periodicals do not fluctuate as much as advertising revenue. However the summer period is always more quiet and at the beginning of the school year in September there is increase in subscriptions and retail sale which usually continues until next summer holiday period.

Formulas used to calculate the financial ratios	
EBITDA margin (%)	EBITDA/sales x 100
Operating margin* (%)	Operating profit*/sales x100
Net margin* (%)	Net profit*/sales x100
Net margin (%)	Net profit /sales x100
Earnings per share	Net profit / average number of shares
Equity ratio (%)	Equity/ (liabilities + equity) x100
Debt to equity ratio (%)	Interest bearing liabilities /equity x 100
Debt to capital ratio (%)	Interest bearing liabilities – cash and cash equivalents (net debt) /(net debt +equity) x 100
Total debt/EBITDA ratio	Interest bearing borrowings /EBITDA
Debt service coverage ratio	EBITDA/loan and interest payments for the period
Liquidity ratio	Current assets / current liabilities
Return on assets ROA (%)	Net profit /average assets x 100
Return on equity ROE (%)	Net profit /average equity x 100

* The results exclude allowances on impairments and one-off gains in relation to the acquisition in Eesti Päevalehe AS in 2011 and the change in ownership structure in joint ventures AS Ajakirjade Kirjastus and AS SL Õhtuleht in 2014. More information is disclosed in the Note 14 and Note 26 to the financial statements.

CORPORATE STRUCTURE

EKSPRESS GROUP

<p>Eesti Ajalehed 100%</p>		<p>The main activity of Eesti Ajalehed is the publication of the biggest Estonian weekly newspapers - Eesti Ekspress and Maaleht, as well as the publication of the daily newspaper Eesti Päevaleht.</p>
<p>SL Õhtuleht 50%</p>		<p>AS SL Õhtuleht publishes daily newspaper Õhtuleht. The company is owned in equal parts by Ekspress Grupp and Suits Meedia.</p>
<p>Ajakirjade Kirjastus 50%</p>		<p>Ajakirjade Kirjastus publishes 34 magazine titles for more than 600,000 readers. The company is owned in equal parts by Ekspress Grupp and Suits Meedia.</p>
<p>Hea Lugu 100%</p>		<p>Hea Lugu is the Group's book publishing company. The company has published fiction, history books, children's books, reference books, handbooks and various series.</p>
<p>Delfi Estonia</p>		<p>In Estonia, Delfi is the largest internet portal whose websites are according to TNS Metrix visited by more than 500,000 people a month.</p>
<p>Delfi Latvia</p>		<p>In Latvia Delfi is the largest news portal whose websites are according to Gemius Audience visited by more than 700,000 people a month.</p>
<p>Delfi Lithuania</p>		<p>In Lithuania Delfi is the largest internet portal whose websites are according to Gemius Audience visited by more than 1,100,000 people a month. In addition, Delfi publishes several magazines that are the leading titles in their segments in Lithuania. Delfi has a 49% shareholding in Lithuanian home delivery company Medipresa.</p>
<p>Ekspress Digital 100%</p>		<p>Ekspress Digital is an IT development and management company that supports Group companies in developing and managing their IT solutions.</p>
<p>Express Post 50%</p>		<p>Express Post specialises in early-morning home delivery of periodicals and letters in Estonia. The company is owned in equal parts by Ekspress Grupp and Eesti Meedia.</p>
<p>Printall 100%</p>		<p>The most contemporary printing plant in the Baltic countries. Large part of the Estonian newspapers, magazines and advertising materials are printed in Printall. Most of the production is exported.</p>
<p>Zavetoday.com</p>		<p>Zavetoday.com is the portal of discounted offers of the largest retailers that operates in all three Baltic countries.</p>
<p>Adnet Media 49%</p>		<p>Adnet is an advertising network operating in the Baltic countries that mediates Internet advertising to end-consumers and re-sells international advertising space.</p>

SEGMENT OVERVIEW

Key financial data of the segments 2011-2014

From the 3rd quarter of the current year when the Group's Lithuanian subsidiaries were merged, the Group's activities are divided into **the media segment** and **the printing services segment**. Previously, the entities of the media segment were divided into online media and periodicals segments.

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

(EUR thousand)	Sales			Sales	
	2014	2013	Change %	2012	2011
media segment (by equity method)	27 459	25 842	6%	25 562	23 789
<i>incl. revenue from all digital and online channels</i>	<i>13 449</i>	<i>11 595</i>	<i>16%</i>	<i>10 561</i>	<i>9 111</i>
printing services	28 951	27 462	5%	29 167	27 736
corporate functions	1 731	1 530	13%	996	209
intersegment eliminations	(5 347)	(4 748)	13%	(4 435)	(2 707)
TOTAL GROUP by equity method	52 793	50 086	5%	51 290	49 027
media segment by proportional consolidation	36 930	34 955	6%	34 773	32 771
<i>incl. revenue from all digital and online channels</i>	<i>14 306</i>	<i>12 226</i>	<i>17%</i>	<i>11 147</i>	<i>9 673</i>
printing services	28 951	27 462	5%	29 167	27 736
corporate functions	1 731	1 530	13%	996	209
intersegment eliminations	(6 228)	(5 520)	13%	(5 230)	(3 325)
TOTAL GROUP by proportional consolidation	61 384	58 427	5%	59 706	57 391

(EUR thousand)	EBITDA			EBITDA	
	2014	2013	Change %	2012	2011
media segment by equity method	3 025	2 123	42%	2 089	1 325
<i>media segment by proportional consolidation</i>	<i>4 013</i>	<i>2 792</i>	<i>44%</i>	<i>2 624</i>	<i>1 977</i>
printing services	5 944	5 862	1%	6 052	5 959
corporate functions	(1 076)	(1 356)	21%	(797)	(980)
intersegment eliminations	0	(38)	101%	1	7
TOTAL GROUP by equity method	7 894	6 591	20%	7 345	6 311
TOTAL GROUP by proportional consolidation	8 878	7 264	22%	7 882	6 968

EBITDA margin	2014	2013	2012	2011
media segment by equity method	11%	8%	8%	6%
<i>media segment by proportional consolidation</i>	<i>11%</i>	<i>8%</i>	<i>8%</i>	<i>6%</i>
printing services	21%	21%	21%	21%
TOTAL GROUP by equity method	15%	13%	14%	13%
TOTAL GROUP by proportional consolidation	15%	12%	13%	12%

MEDIA SEGMENT

The media segment includes Delfi operations in Estonia, Latvia and Lithuania as well as the parent company Delfi Holding. Starting from 1 March 2014, the operations of Delfi in Ukraine have been terminated. EBITDA of Delfi Ukraine also includes expenses related to the termination of operations. The media segment also includes AS Eesti Ajalehed (publisher of Maaleht, Eesti Ekspress and Eesti Päevaleht), book publisher OÜ Hea Lugu as well as magazine publisher UAB Ekspress Leidyba in Lithuania, the latter having been merged into Delfi Lithuania on 1 July 2014.

This segment also includes joint ventures AS SL Õhtuleht (publisher of Õhtuleht and Linnaleht), magazine publisher AS Ajakirjade Kirjastus and home delivery company AS Express Post.

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		
Delfi Lithuania	www.delfi.lt	AS SL Õhtuleht	www.oh tuleht.ee
	ru.delfi.lt		

Classified portals owned by the Group

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

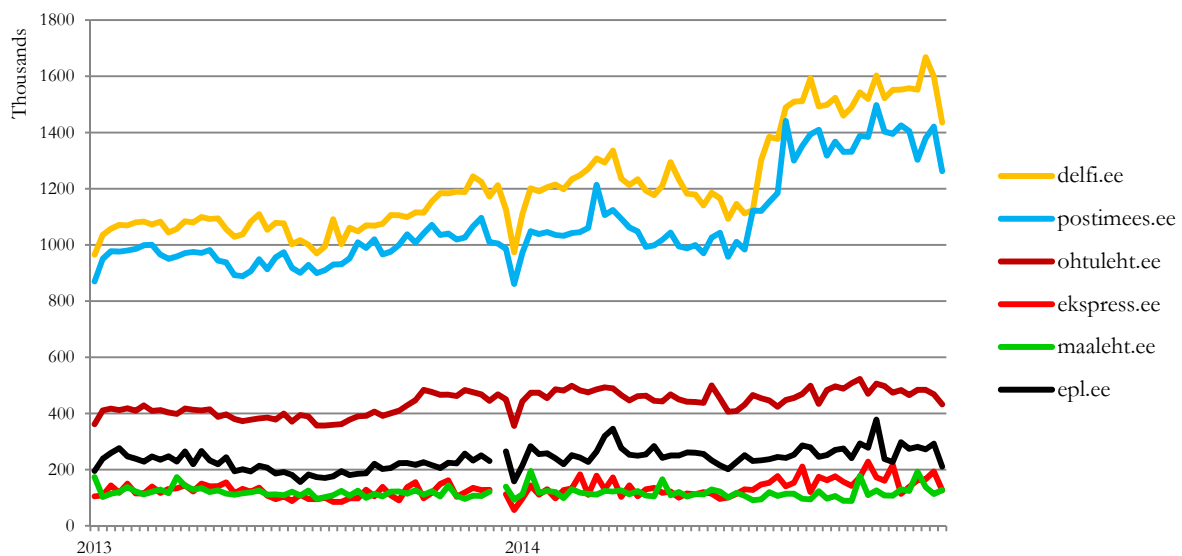
(EUR thousand)	Sales			EBITDA		
	2014	2013	Change %	2014	2013	Change %
Delfi Estonia	5 020	4 101	22%	575	291	98%
Delfi Latvia	2 562	2 378	8%	90	133	-32%
Delfi Lithuania (incl. Ekspress Leidyba)	8 047	7 439	8%	1 295	1 056	23%
<i>incl. online revenues</i>	<i>5 557</i>	<i>4 806</i>	<i>16%</i>			
Delfi Ukraine	2	53	-96%	(51)	(195)	74%
AS Eesti Ajalehed	11 330	11 235	1%	539	369	46%
OÜ Hea Lugu	792	987	-20%	94	55	71%
other companies (Delfi Holding)	0	0	-	479	421	14%
intersegment eliminations	(294)	(351)	16%	3	(7)	-
TOTAL (subsidiaries)	27 459	25 842	6%	3 025	2 123	42%
AS SL Õhtuleht*	3 909	3 734	5%	356	221	61%
AS Ajakirjade Kirjastus*	4 224	4 036	5%	257	172	49%
AS Express Post*	2 415	2 351	3%	372	279	33%
additional eliminations	(1 077)	(1 008)	-7%	2	(3)	168%
TOTAL (joint ventures)	9 471	9 112	4%	987	670	47%
TOTAL segment by proportional consolidation	36 930	34 955	6%	4 013	2 792	44%

* Proportional share of joint ventures

Delfi Estonia

- Further development of Delfi TV on a standalone new platform and the increasing number of live webcasts under the Delfi TV brand. Major projects included, already for the second year events dedicated to the anniversary of the Republic of Estonia, reports from Olympic Games, FIBA World Cup, Song and Dance Festival, visit of US President Barack Obama in Estonia, streams from basketball matches abroad and webcasts from games of 5 different Estonian leagues etc.
- Websites for weather and jokes were renewed. The latter was re-named www.igav.ee.
- A new verticals were launched: www.kasulik.ee aimed at regular consumers, www.elutark.ee directed to elderly people, www.catwalk.ee intended for people with interest on fashion.
- Cooperation with the New Age portal www.alkeemia.ee.
- Cross Baltic development of portal www.zave.ee, intended for information about discount offers in the city.
- Launching of a new comments' section which has increased the number of comments posted by registered users.
- Delfi's mobile application was renewed.
- Delfi celebrated its 15th birthday in November. "A day with Delfi" was presented for showing to the users how Delfi everyday work is being done and news produced.

Estonian online readership 2013-2014



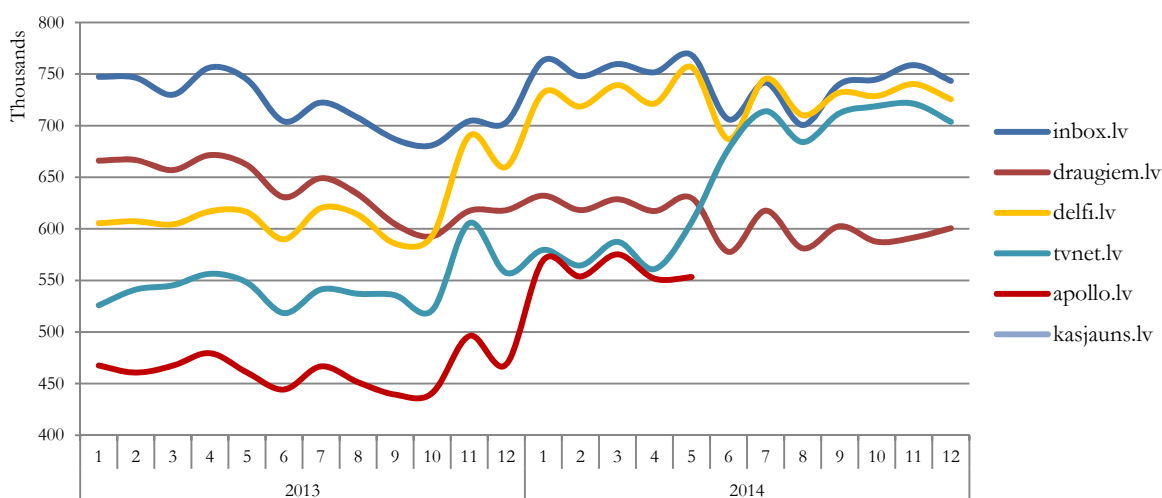
TNSMetric weekly audience survey

In the third quarter 2014, TNS Emor changed the methodology of its TNS Metric survey, which explains the sharp increase in the number of users. The main essence of the change is more accurate measurement and separate reporting of the number of mobile users. As a result of this change, Delfi remains the largest news portal in Estonia. This applies both to the number of PC and mobile users who visit the news portals. The increase of the users in Estonian internet market can be also explained by the increasing number of mobile users using smartphones. This will remain the key priority for news organisations to serve mobile users.

Delfi Latvia

- In July and August, Delfi was the largest online portal in Latvia succeeding also the local e-mail provider inbox.lv.
- Delfi TV streams based on a new platform from such events as matches of the Latvian basketball league and ice hockey league, an exclusive cabaret show from Concert Hall Palladium, opening of the National Library, etc.
- During the year many new verticals have been launched: travel site www.turismagids.lv both in Latvian and Russian, humour website www.loli.lv, new weather portal www.laika-zinas.lv, home and garden portal www.majadarzs.lv, new portal for women www.vina.lv, Russian portals covering politics www.spektr.lv, easy reading portals aimed at younger generation in Latvian www.skats.lv and Russian www.tchk.lv, health portal www.rutks.lv.
- Cross Baltic development of portal www.zave.lv, intended for getting overview about discount offers in the city.
- Media partner for several cooperation projects and teams:
 - Latvian Music Awards „The Great Music Award“
 - Positivus Festival and several Latvian music bands
 - Baltic Pearl Film and International Film Festival
 - Marketing Festival „Password“ and international advertising festival “Golden Hammer 2014”
 - Riga Fashion Week
 - Riga Marathon
 - Latvian national ice-hockey team
 - Award of the year in Sports etc.

Latvian online readership 2013-2014



GemiusAudience monthly audience survey

In July and August 2014, Delfi.lv became Latvia's largest online portal for the first time, exceeding the readership of inbox.lv. In September, however, Inbox.lv had again more users than Delfi.lv. In spite of the merger of tvnet.lv and apollo.lv in the 2nd quarter, their readership has not exceeded that of Delfi. In addition, the first available data on the number of users of mobile equipment are very favourable for Delfi.lv. Delfi is exceeding Latvian competitors in terms of mobile equipment by more than 20%.

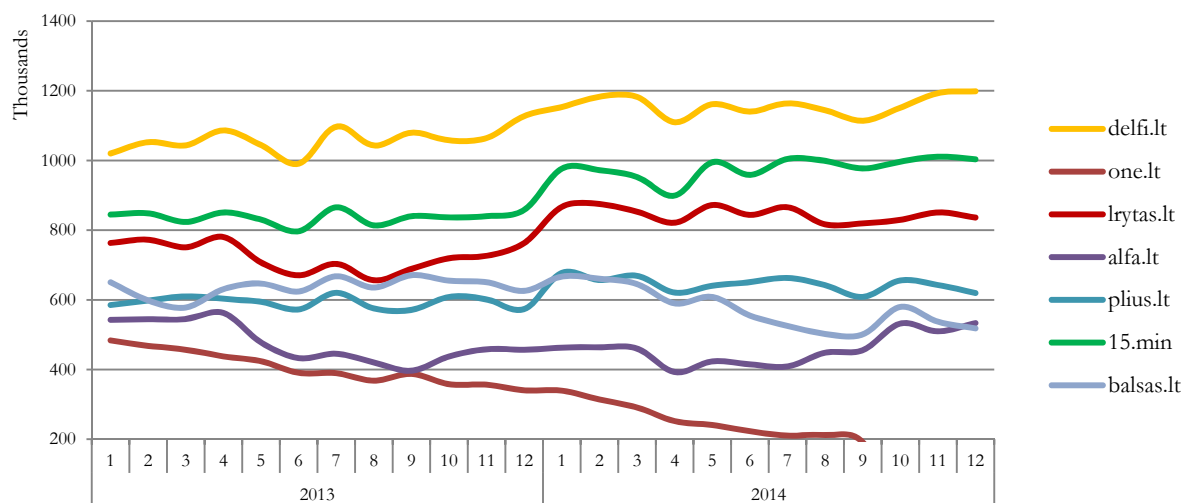
During the 4th quarter competitive situation remained stable with inbox.lv holding the first position in readership numbers. Delfi has been holding the second position and has been the most read newsportal in Latvia.

Starting from January 2014, the method of the Gemius online survey has changed. The readership in 2014 includes only results for computer users (PC) and excludes all mobile equipment. Separate statistics on mobile equipment will be created in the beginning of 2015.

Delfi Lithuania

- In November and December DELFI news portal achieved its all time high readership records.
- Delfi TV was launched on a new platform and has produced live webcast and streams from such events as Login, the largest tech conference in the Baltic states, ideas conference Tedx Vilnius, Davis Cup tennis match between Lithuania and Norway, various fashion and theatre events, Geneva Automotive Show, etc. DELFI signed long lasting contracts with National Basketball League and Lithuanian Basketball Federation and got an exclusive internet streaming rights to broadcast more than 700 sport streams in 2015.
- Delfi TV launched a daily TV programme with news in brief that in 2 minutes wraps up the most important and interesting news and produced several documentary series.
- New TV channels „Moteris TV“ (“Lithuanian Woman”) and „Mano namai TV“ (“My Home”) were launched.
- Several new verticals were launched and existing sub-sites were renewed. New jokes site www.Galjuokauji.lt, a special co-site kablus.delfi.lt dedicated to fisherman audience, a new Delfi English Channel.
- Co-operation projects such as: special co-site dedicated to auto fans in a partnership with Top Gear magazine, two major on-line automotive projects with the partners "Top Gear Awards" and "Car of the Year" to attract more male audience, special project with www.Kur.lt Lithuanian entertainment guide aimed at young city audience, a food order platform lekste.lt was integrated into Delfi recipes vertical www.1000receptu.lt.
- The layout of the mobile application was renewed and information was added, making Delfi the most popular newsportal in mobile phones and tablet PCs.
- DELFI changed social media strategy and dedicated additional resources within organization. Due to those activities significantly increased effectiveness in working with social media.
- Delfi and the Lithuanian magazine publisher Ekspress Leidyba were merged into one media house enabling further synergies between those two companies.

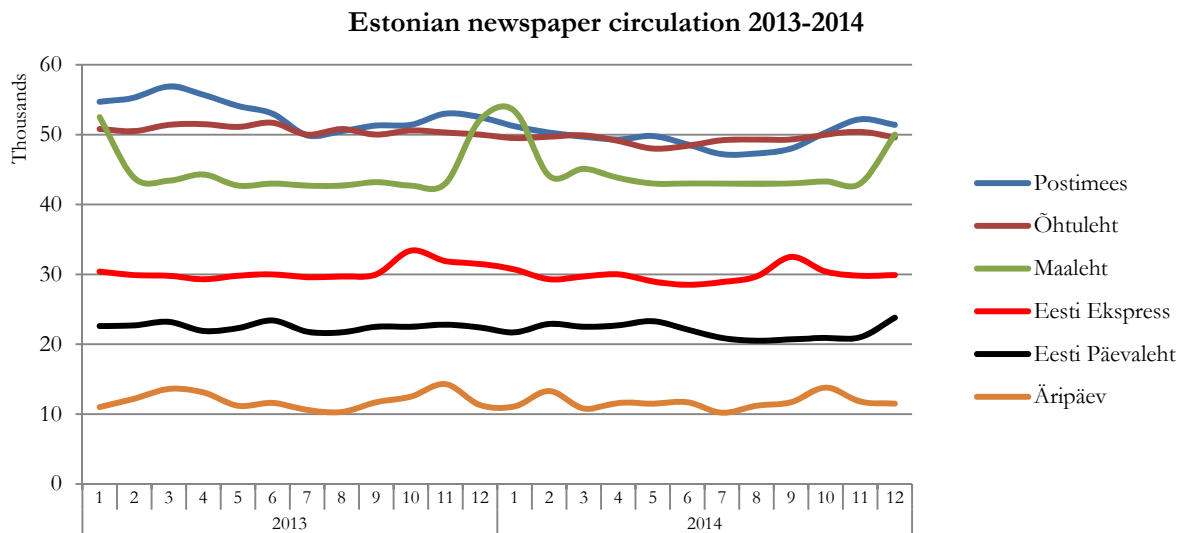
Lithuanian online readership 2013-2014



Gemius.Audience monthly weekly audience survey

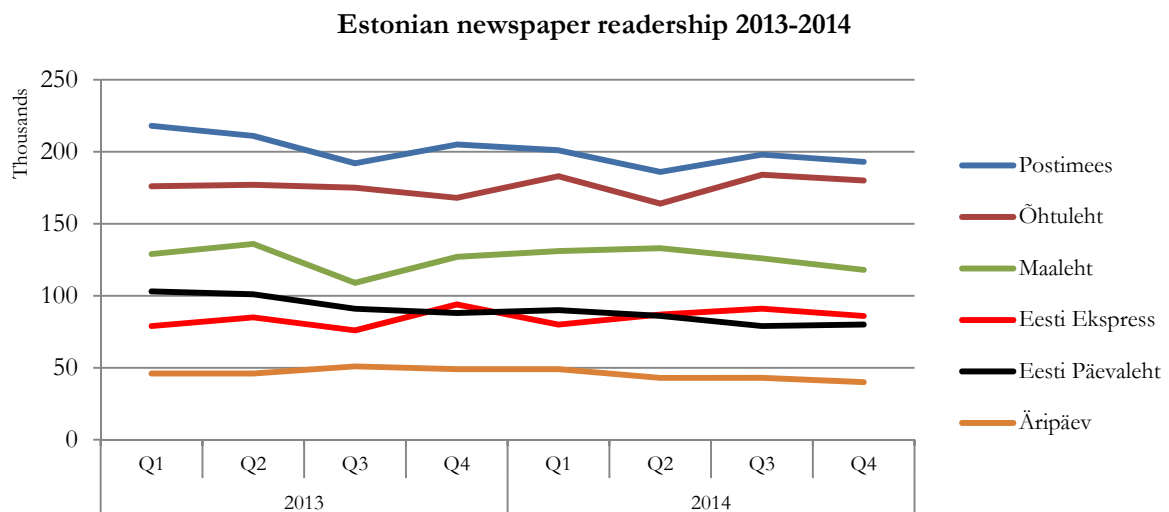
Delfi continues to be the largest online portal in Lithuania. In the 4th quarter, there were no major changes in preferences of Internet users in Lithuania. The initial data about the users of mobile equipment shows that the competition in this segment in Lithuania is very tough and other portals are closer to Delfi in readership than in computer users (PC). Delfi ended year with a new record of monthly real users – 1.198.737 and reached the highest gap between Delfi and 15min.lt – 19,45%. Starting from January 2014, the method of the Gemius online survey has changed. The readership in 2014 includes only results for computer users (PC) and excludes all mobile equipment. Separate statistics on mobile equipment will be created in the beginning of 2015.

Print-media in Estonia



Estonian Newspaper Association data

Circulations of Estonian newspapers have remained stable or are falling moderately. The circulation of daily newspapers is falling faster than that of weekly newspapers. As of the 4th quarter 2014, there has also been a significant development in the market – Õhtuleht has been the newspaper with the largest circulation in Estonia for three consecutive months. Other Group publications also performed well during the second half of the year, with all Eesti Päevaleht, Maaleht and Eesti Ekspress increasing circulation. One also needs to add to these figures the number of subscribers of digital newspapers which totalled more than 10 thousand for both Eesti Ekspress and Eesti Päevaleht, as of the end of the 2014.



Turu-uuringute AS

Over the recent two years, newspaper readership has been fairly stable. Õhtuleht has been one of the most successful newspaper brand, that has been growing its readership. Other two daily newspapers, Postimees and Eesti Päevaleht, has been losing readers. Weekly newspapers are also in a stable readership trend. The number of readers of digital newspapers of the Group is not included in the above figures and the number of readers of all publications of the Group is higher than shown in the graph above.

PRINTING SERVICES SEGMENT

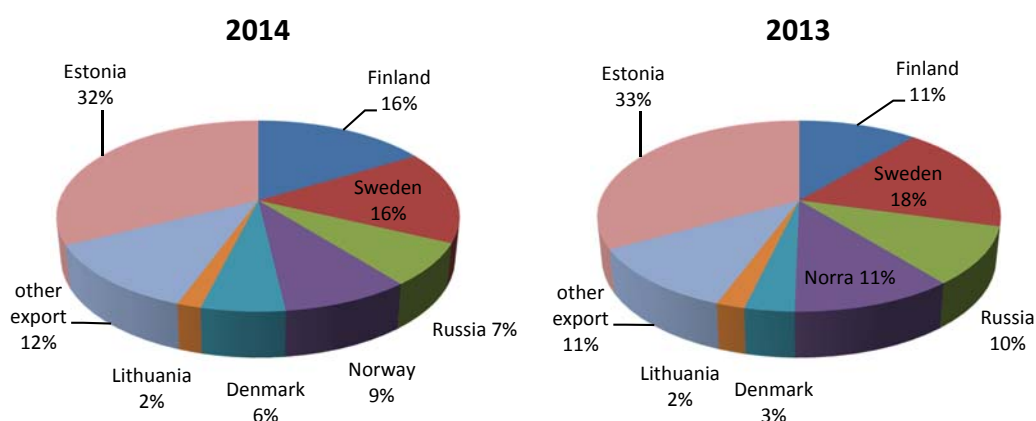
All printing services of the Group are provided by AS Printall which is one of the largest printing companies in Estonia. Printall is able to print both newspapers (coldset) and magazines (heatset).

(EUR thousand)	Sales			EBITDA		
	2014	2013	Change %	2014	2013	Change %
AS Printall	28 951	27 462	5%	5 944	5 862	1%

In 2014 AS Printall managed to increase its revenues 5%, out of which 5.7% is allocated to increase of services provided and 5.2% sales of paper. Due to changes in political landscape there have been changes in the structure of export markets where the share of Russia continues to decrease.

In June, AS Printall signed a contract for the acquisition of a new sheetfed printing machine. The machine will be used for printing magazine covers, small-circulation magazines and advertising products. The production will start at the beginning of 2015. Approximately 2/3 of the acquisition cost is financed with a long-term loan.

Geographical break-down of printing services by year



Printing services and the environment

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

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

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

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

SHARES AND SHAREHOLDERS OF AS EKSPRESS GRUPP

As of 31.12.2014, the company's share capital is EUR 17 878 105 and it consists of 29 796 841 shares with the nominal value of EUR 0.60 per share.

As of 31 December 2013, 31 December 2012 and 31 December 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 December 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 share with the price of EUR 0.88 were issued, of which the share premium was EUR 0.24 per share.

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

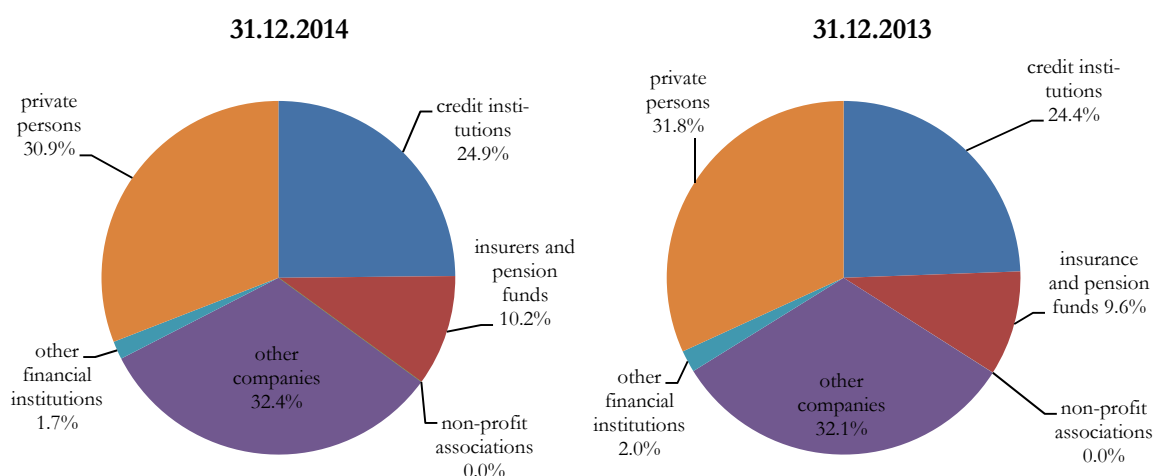
Structure of shareholders as of 31.12.2014 according to the Estonian Central Register of Securities

Name	Number of shares	%
Hans Luik	16 582 532	55.65%
Hans Luik	7 963 307	26.73%
Hans Luik, OÜ HHL Rühm	8 612 325	28.90%
Hans Luik , OÜ Minigert	6 900	0.02%
ING Luxembourg S.A.	4 002 052	13.43%
Skandinaviska Enskilda Banken Ab Clients	2 167 939	7.28%
LHV Bank and funds managed by LHV Varahaldus	2 179 441	7.31%
Members of the Management and Supervisory Boards and their close relatives	39 364	0.13%
Viktor Mahhov, OÜ Flexinger	37 464	0.13%
Pirje Raidma, OÜ Aniston Trade	1 900	0.01%
Other minority shareholders	4 763 524	15.99%
Treasury shares	61 989	0.21%
Total	29 796 841	100%

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

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

Category	31.12.2014		31.12.2013	
	Number of shareholders	Number of shares	Number of shareholders	Number of shares
Private persons	2 981	9 209 326	3 174	9 459 395
Other companies	262	9 656 142	288	9 574 560
Other financial institutions	61	492 505	68	586 852
Credit institutions	12	7 405 159	15	7 318 923
Insurance and p funds	11	3 033 290	11	2 856 692
Non-profit associations	2	419	2	419
TOTAL	3 329	29 796 841	3 558	29 796 841

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

ISIN	EE3100016965
Ticker symbol	EEG1T
List/segment	BALTIC MAIN LIST
Issuer	Ekspress Grupp (EEG)
Nominal value	EUR 0.60
Issued shares	29 796 841
Listed shares	29 796 841
Date of listing	05.04.2007
Market maker (until May 2014)	Finasta Investment Bank

Payment of dividends is decided annually and it depends on the Group's results of operations, fulfilment of conditions laid down in the syndicated loan contract and potential investment needs.

Date of the General Meeting	24.05.2013	20.06.2014
Period for which dividends are paid	2012	2013
Dividend payment per share EUR	1 cent	1 cent
Total payment of dividends EUR thousand	298	298
Date of fixing the list of dividend recipients	07.06.2013	09.07.2014
Date of dividend payment	01.10.2013	02.10.2014

The table below shows the stock trading history 2010-2014

Price (EUR)	2014	2013	2012	2011	2010
Opening price	1.12	1.06	1.03	1.53	1.03
Closing price	1.14	1.14	1.06	1.03	1.53
High	1.14	1.22	1.18	1.84	1.62
Low	0.79	1.03	0.96	0.95	0.80
Average	1.03	1.13	1.04	1.32	1.28
Traded shares in pieces	1 389 244	1 395 363	1 247 945	3 909 472	3 856 572
Sales in millions	1.43	1.57	1.30	5.17	4.92
Capitalisation at balance sheet date in millions	33.97	33.97	31.58	30.72	45.53
P/E ratio (price earnings ratio)	6.56	31.45	12.51	18.24	na

The price of the share of Ekspress Group (EEG1T) in euros and the trading statistics on OMX Tallinn Stock Exchange from 1 January 2009 until 31 December 2014.



The share price comparison (%) with OMX Tallinn Stock Exchange index from 1 January 2009 until 31 December 2014.



REPORT OF THE CORPORATE GOVERNANCE CODE

The Corporate Governance Code (CGC) is a set of guidelines which is primarily intended to be observed by the companies listed on the stock exchange. Compliance with the provisions of CGC is not mandatory, the company has the obligation to disclose and substantiate as to whether and to which extent CGC is not complied with. Listed companies are subject to the requirement “fulfil or explain” since 1 January 2006.

In its business activities, AS Ekspress Grupp proceeds from laws and legal provisions and, as a listed company, from the requirements of the Tallinn Stock Exchange and it takes into account the guidelines of the Corporate Governance Code in its activities to a great extent. For practical considerations, some of the recommendations are partially followed.

Clause 2.2.7 of CGC

Basic wages, performance pay, severance packages, other payable benefits and bonus schemes of a member of the Management Board as well as their essential features (incl. features based on comparison, incentives and risk) shall be published in a clear and unambiguous form on the website of the Issuer and in the Corporate Governance Code Report. Information published shall be deemed clear and unambiguous if it directly expresses the amount of an expense to the Issuer or the amount of a foreseeable expense as of the day of disclosure.

The Group discloses the total amount of the remuneration and termination benefits paid to the members of the Management Board, but not the remuneration of each member individually. The Group does not disclose the basic salary, performance pay, termination and other benefits of the members of the Management Board, because these constitute sensitive information for the members of the Management Board and the disclosure of such information is not inevitably necessary for judgment of the company's management quality. Neither does the Group wish to disclose such information to its competitors.

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

Clause 2.3.2 of CGC

The Supervisory Board shall approve the transactions which are significant to the Issuer and concluded between the Issuer and a member of its Management Board or another person connected or close to them and shall determine the terms of such transactions. Transactions approved by the Supervisory Board between the Issuer and a member of the Management Board, a person close to them or a person connected to them shall be published in the Corporate Governance Code Report.

In 2014, no significant transactions were conducted between the Group and the members of the Management Board.

Clause 3.2.5 of CGC

The amount of remuneration of a member of the Supervisory Board determined at a General Meeting and the terms of payment shall be published in the Corporate Governance Code Report, indicating separately basic and additional remuneration (incl. termination and other payable benefits).

In 2014, remuneration was neither assigned to the Supervisory Board members of the Issuer nor to the members of the Supervisory Boards of the Group's subsidiaries and associates.

Election and authority of the governing bodies of AS Ekspress Grupp (hereinafter Ekspress Group)

General Meeting

The General Meeting is highest governing body of Ekspress Group. The ordinary General Meeting is held once a year but not later than six months after the end of the financial year at the seat of the company. The extraordinary General Meeting is convened in the cases prescribed by law.

The annual General Meeting of Ekspress Group for 2014 was held on 20 June 2014 at the location of the company. The General Meeting approved Ekspress Group's consolidated annual report for the year 2013 and profit distribution proposal as presented by management according to which the net profit for 2013 in the amount of EUR 1 081 was allocated as follows: EUR 54 thousand was transferred to statutory reserve capital, dividends of one euro cent per share were declared and the remaining amount of EUR 729 thousand was transferred to retained earnings. The shareholders who had been included in the list of shareholders of AS Ekspress Group as of 09 July 2014 at 23:59 were entitled to receive dividends. The dividends were paid out on 2 October 2014. In addition, the General Meeting decided a removal of the members of Supervisory Board Ville Jehe and Aavo Kokk; election of additional members Indrek Kasela and Jaak Ennuste to the Supervisory Board; extension of authority of the members of the Supervisory Board Kari Sakari Salonen, Harri Helmer Roschier, Viktor Mahhov and Hans Luik. The General Meeting decided to appoint the audit firm AS Deloitte Audit Eesti to perform the audit of AS Ekspress Group for the financial years 2014 - 2016.

Supervisory Board

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

In accordance with the articles of association, the Supervisory Board shall comprise three to seven members. The number of the members shall be determined by the General Meeting. The members of the Supervisory Board shall be elected by the General Meeting for a term of five years. The Supervisory Board of Ekspress Group has six members. The Supervisory Board comprises the Chairman of the Supervisory Board Viktor Mahhov and the members of the Supervisory Board Hans H. Luik, Harri Helmer Roschier, Kari Sakari Salonen and from 20 June 2014 onwards also Indrek Kasela and Jaak Ennuste. Until latter replacement Aavo Kokk and Ville Jehe were the members of Supervisory Board.

In 2014, four Supervisory Board meetings were held, first Supervisory Board meeting was not attended by Viktor Mahhov; second Supervisory Board meeting was not attended by Viktor Mahhov, Ville Jehe, Aavo Kokk; third meeting was not attended by Jaak Ennuste and fourth meeting was not attended by Indrek Kasela and Harri Helmer Roschier. On two occasions, decisions were adopted unanimously without calling a meeting of the Supervisory Board.

Information about members of the Supervisory Board:

Viktor Mahhov (appointed until 20.05.2019)

- Chairman of the Supervisory Board since 2006
- Eesti Energia Oil Shale Division, Finance Manager
- Completed graduate studies in economics at St. Petersburg University in 1992

Hans H. Luik (appointed until 20.05.2019)

- Member of the Supervisory Board since 2004
- Member of the Management Board of OÜ HHL Rühm
- Member of the Management Board of OÜ Minigert
- Graduated from University of Tartu in 1984 with a degree in journalism

Harri Helmer Roschier (appointed until 20.05.2019) – independent Supervisory Board member

- Member of the Supervisory Board since 2007
- Managing Director of Talentum Oy in 1991-2006
- Member of the Supervisory Board of Avaus Consulting OY and Uoma Oy
- Completed graduate studies in economics

Kari Sakari Salonen (appointed until 20.05.2019)

- Member of the Supervisory Board since 2012
- Member of the Board of KJK Management SA
- Chairman of the Board of KJK Capital OY
- Member of the Management Board of KJK Fund Sicav-SIF
- Member of the Board of KJK Fund II Sicav-SIF
- Graduated from Espoo School of Economics in 1983

Indrek Kasela (appointed from 20.06.2014 until 20.05.2019) - independent supervisory board member

- Member of the Supervisory Board since 2014
- Partner of the private equity fund Amber Trust
- supervisory board member of AS Premia Foods (incl. subsidiaries of the same group), AS Toode, ELKE Grupi AS, EPhaG AS, Salva Kindlustuse AS, AS Ridge Capital and management board member of OÜ Transtech Service, Fine, Wood and Company OÜ, Noblessneri Jahtklubi OÜ, Lindermann, Birnbaum & Kasela OÜ and Managetrade OÜ as well as several other companies in the Baltic States and Russia.
- Graduated from New York University in 1996 with a Master's degree in law. Bachelor's degree from Tartu University in 1994, has a certificate in EU law from Uppsala University.

Jaak Ennuste (appointed from 20.06.2014 until 20.05.2019) - independent supervisory board member

- Member of the Supervisory Board since 2014
- supervisory board member and partner of e-marketing agency ADM Interactive
- supervisory board member and partner of Mediabrands Digital
- Graduated *cum laude* from Tallinn University of Technology in 1989 with a degree in engineering and finished Accelerated Development programme at London Business School in 2001.

Aavo Kokk (recalled 20.06.2014)

- Member of the Supervisory Board since 2010
- Management partner of Catella Corporate Finance OÜ
- Graduated from University of Tartu in 1990 with a degree in journalism

Ville Jehe (recalled 20.06.2014) – independent supervisory board member

- Member of the Supervisory Board since 2008
- Member of the Management Board of OÜ Majatohter, OÜ Catelit, ABC Kinnisvarateenuste OÜ etc.
- Graduated from the Faculty of Automation of Tallinn University of Technology in 1993

Management Board

The authorities of the Management Board of the Company are specified in the Commercial Code and they are limited to the extent determined in the articles of association of the company. The Management Board of Ekspress Group does not have any right to issue shares of the company. The election of the members of the Management Board is the authority of the Supervisory Board. The members of the Management Board are elected for a period of up to 5 years. In order to elect and remove the members of the Management Board, a simple majority of the votes of the Supervisory Board is required. In order to resign from the position of a member of the Management Board, the member shall give one month's notice to the Supervisory Board. There are no agreements between Ekspress Group and the members of the Management Board which would deal with the benefits in connection with a takeover of a public limited company provided for in Chapter 19 of the Securities Market Act. In accordance with the articles of association, the Management Board shall comprise one to five members. The Management Board of Ekspress Group has three members as of the year-end and preparation of the financial statements. The Management Board comprises the Chairman of the Management Board Gunnar Kobin, and the members of the Management Board Pirje Raidma and Andre Veskimeister.

Information about the members of the Management Board:

Gunnar Kobin (term of contract until 31.12.2016)

- Chairman of the Management Board since 2009
- CEO of the Group
- City Chairman of the Management Board of AS Ülemiste in 2005-2008
- Graduated from Tallinn University of Technology in 1993, specialising in production planning and management



Andre Veskimeister (term of contract until 16.12.2017)

- Member of the Management Board since 2009
- Development Manager of the Group
- Head of development of AS Ülemiste City in 2006-2009
- Director of Finance and Support Services of Enterprise Estonia in 2003-2006
- Graduated from Estonian Business School in 2004, specialising in business management



Pirje Raidma (term of contract until 16.12.2017)

Member of the Management Board since 2010

- Chief Financial Officer of the Group
- Auditor at auditing company PwC (worked in Estonia and the Channel Islands) in 1997 - 2005
- Finance and Administrative Director of LHV Group in 2005 - 2006
- Finance and Administrative Director of the investment bank GILD Bankers in 2006 - 2010
- Graduated from University of Tartu in 1996 with a degree in international economy
- Certified Auditor and fellow of the Association of Chartered Certified Accountants, FCCA



Audit Committee

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

The Audit Committee has two members. The Head of the Audit Committee was Aavo Kokk until 20 June 2014. A member of the Audit Committee is Viktor Mahhov.

Selection and pay of auditors

An auditor is selected and approved by the General Meeting of Shareholders. Usually the auditor is selected for the period of three years after which new tender is organised. The basis for selection is the experience of the audit team, reputation of the audit company, its access to international network, the independence of the auditor and price for the services. For the period 2014-2017 the General Meeting of the Shareholders approved AS Deloitte Audit Eesti to be an auditor of the Group. Latvian operations will be audited by the local audit firm and joint venture AS Express Post continues to be audited by Ernst & Young Baltic AS. The total fee to be paid for all 2014 audits (including all joint ventures) will be EUR 67 thousand. Between 2006-2013 AS PricewaterhouseCoopers audited the consolidated annual reports of the Group. In 2014 additional tax consultancy services have been purchased from Deloitte network in amount of EUR 8 thousand.

Other information

Pursuant to Chapter 19 of the Securities Market Act, in case of a takeover of the Group, the current co-owner of AS Express Post, i.e. AS Eesti Meedia, has the right to acquire the joint venture's 50% ownership interest at a fair value from Ekspress Group. Ekspress Group has the same right in case of a change in the shareholding of AS Eesti Meedia according to the existing agreement between current shareholders.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

(EUR thousand)	31.12.2014	31.12.2013	01.01.2013	Notes
ASSETS				
Current assets				
Cash and cash equivalents	3 656	2 111	1 193	5
Term deposits	19	98	0	5
Trade and other receivables	6 519	6 774	6 912	6
Corporate income tax receivable	37	45	14	
Inventories	2 072	2 329	2 531	10
Assets held for sale	0	0	97	
Total current assets	12 303	11 357	10 747	
Non-current assets				
Term deposit	1 600	0	98	5
Trade and other receivables	1 170	269	228	11
Deferred tax asset	65	130	137	
Investments in joint ventures	500	1 543	1 362	13
Investments in associates	164	0	0	14
Property, plant and equipment	14 506	13 595	14 775	15
Intangible assets	46 287	48 362	50 870	16
Total non-current assets	64 292	63 899	67 470	
TOTAL ASSETS	76 595	75 256	78 217	
LIABILITIES				
Current liabilities				
Borrowings	5 213	3 760	4 347	18
Trade and other payables	6 249	8 436	8 418	17
Corporate income tax payable	19	63	120	
Total current liabilities	11 481	12 259	12 885	
Non-current liabilities				
Long-term borrowings	17 939	20 672	24 233	18
Total non-current liabilities	17 939	20 672	24 233	
TOTAL LIABILITIES	29 420	32 931	37 118	
EQUITY				
Share capital	17 878	17 878	17 878	29
Share premium	14 277	14 277	14 277	29
Treasury shares	(64)	0	0	
Reserves	1 440	1 250	740	29
Retained earnings	13 644	8 848	8 190	
Currency translation reserve	0	72	14	
TOTAL EQUITY	47 175	42 325	41 099	29
TOTAL LIABILITIES AND EQUITY	76 595	75 256	78 217	

The Notes presented on pages 33 to 81 form an integral part of the consolidated financial statements

Consolidated statement of comprehensive income

(EUR thousand)	2014	2013	Notes
Sales revenue	52 793	50 086	22
Cost of sales	(40 688)	(39 195)	23
Gross profit	12 105	10 891	
Other income	470	542	
Marketing expenses	(2 011)	(1 864)	24
Administrative expenses	(5 438)	(5 396)	25
Other expenses	(153)	(102)	
Gain from change in ownership interest in joint ventures	1 933	0	12
Impairment of goodwill and trademarks	(1 443)	(2 467)	26
Operating profit	5 463	1 604	
Interest income	27	5	
Interest expense	(689)	(763)	
Foreign exchange gains (losses)	33	(71)	
Other finance costs	(90)	(58)	
Net finance cost	(719)	(887)	
Profit (loss) on shares of joint ventures	557	494	13
Profit (loss) from investments in associates	23	20	14
Profit before income tax	5 324	1 231	
Income tax expense	(214)	(150)	8
Profit for the reporting period	5 110	1 081	
Net profit for the reporting period attributable to:			
Equity holders of the parent company	5 110	1 081	
Other comprehensive income that may be subsequently reclassified to profit or loss			
Currency translation differences	(34)	58	
Total other comprehensive income for the period	5 076	1 139	
Comprehensive income for the reporting period attributable to:			
Equity holders of the parent company	5 076	1 139	
Basic and diluted earnings per share	0.17	0.04	29

The Notes presented on pages 33 to 81 form an integral part of the consolidated financial statements

Consolidated statement of changes in equity

(EUR thousand)	Share capital	Share premium	Treasury shares	Reserves	Currency translation reserve	Retained earnings	Total equity
Balance on 31.12.2012	17 878	14 277	0	740	14	8 190	41 099
Increase of statutory reserve capital	0	0	0	126	0	(126)	0
Dividend paid	0	0	0	0	0	(298)	(298)
Share option	0	0	0	384	0		384
<i>Total transactions with owners</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>510</i>	<i>0</i>	<i>(423)</i>	<i>87</i>
Net profit for the reporting period	0	0	0	0	0	1 081	1 081
Other comprehensive income	0	0	0	0	58		58
<i>Total comprehensive income for the reporting period</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>58</i>	<i>1 081</i>	<i>1 139</i>
Balance on 31.12.2013	17 878	14 277	0	1 250	72	8 848	42 325
Increase of statutory reserve capital	0	0	0	54	0	(54)	0
Dividend paid	0	0	0	0	0	(298)	(298)
Purchase of treasury shares	0	0	(64)	0	0	0	(64)
Share option	0	0	0	136	0	0	136
<i>Total transactions with owners</i>	<i>0</i>	<i>0</i>	<i>(64)</i>	<i>190</i>	<i>0</i>	<i>(352)</i>	<i>(226)</i>
Net profit for the reporting period	0	0	0	0	0	5 110	5 110
Reversal of currency translation reserve	0	0	0	0	(38)	38	0
Other comprehensive income	0	0	0	0	(34)	0	(34)
<i>Total comprehensive income for the reporting period</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>(72)</i>	<i>5 148</i>	<i>5 076</i>
Balance on 31.12.2014	17 878	14 277	(64)	1 440	0	13 644	47 175

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

The Notes presented on pages 33 to 81 form an integral part of the consolidated financial statements.

Consolidated cash flow statement

(EUR thousand)	2014	2013	Notes
Cash flows from operating activities			
Operating profit for the reporting year	5 463	1 604	
<u>Adjustments for:</u>			
Depreciation, amortisation and impairment	2 921	2 521	15,16
Loss on trademark and goodwill impairment	1 443	2 467	26
Gain from change in ownership interest in joint ventures	(1 933)	0	
(Gain)/loss on sale and write-down of property, plant and equipment	6	(30)	
Change in value of share option	136	384	
Cash flows from operating activities:			
Trade and other receivables	334	72	
Inventories	251	242	
Trade and other payables	(2 250)	16	
Cash generated from operations	6 371	7 276	
Income tax paid	(185)	(240)	
Interest paid	(692)	(794)	
Net cash generated from operating activities	5 494	6 242	
Cash flows from investing activities			
Term deposit (placement)/release	(1 600)	0	
Received on restructuring of joint ventures	2 354	0	
Investments in joint ventures	(3)	0	
Acquisition of associate	(135)	0	
Acquisition of subsidiary	0	(327)	
Purchase of other investments	0	(15)	
Interest received	6	34	
Purchase of property, plant and equipment	(3 101)	(769)	15,16,19
Proceeds from sale of property, plant and equipment	13	107	15,16
Loans granted	(24)	(3)	
Loan repayments received	7	6	
Net cash used in investing activities	(2 483)	(967)	
Cash flows from financing activities			
Dividends paid	(298)	(298)	
Dividend received from joint ventures	203	312	
Finance lease repayments	(75)	(25)	19
Change in use of overdraft	1 117	(745)	18
Loan received	1 346	0	
Repayments of bank loans	(3 695)	(3 600)	18
Purchase of treasury shares	(64)	0	
Net cash used in financing activities	(1 466)	(4 357)	
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	1 545	918	
Cash and cash equivalents at the beginning of the year	2 111	1 193	5
Cash and cash equivalents at the end of the year	3 656	2 111	5

The Notes presented on pages 33 to 81 form an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1. General information

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

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

Pursuant to the Commercial Code of the Republic of Estonia, the annual report including also the consolidated financial statements prepared by the Management Board and approved by the Supervisory Board shall be approved by the General Meeting of Shareholders. This annual report was approved by the Management Board on 18 March 2015.

The consolidated financial statements of AS Ekspress Grupp (hereinafter the Group) for the year 2014 reflect the results of the following group companies:

Company name	Status	Ownership interest 31.12.2014	Ownership interest 31.12.2013	Main field of activity	Domicile
Operating segment: corporate functions					
AS Ekspress Grupp	Parent company			Holding company and support services	Estonia
OÜ Ekspress Digital	Subsidiary	100%	100%	Provision of IT services	Estonia
OÜ Ekspress Finance	Subsidiary	100%	100%	Provision of financing for the Group	Estonia
Operating segment: media (online and print media)					
SIA Delfi Holding	Subsidiary	100%	100%	Management of online media subsidiaries	Latvia
AS Delfi	Subsidiary	100%	100%	Online media	Latvia
Cālis LV SIA	Subsidiary	100%	100%	Online media (in merger process with Delfi Latvia)	Latvia
Delfi AS	Subsidiary	100%	100%	Online media	Estonia
Delfi UAB	Subsidiary	100%	100%	Online media and magazine publishing (merged with UAB Ekspress Leidyba on 1 July 2014)	Lithuania
UAB Sport Media	Subsidiary	51%	51%	Online broadcasting of basketball events (currently dormant)	Lithuania
Medipresa UAB	Associate	40%	40%	Wholesale of magazines-newspapers (owned by UAB Ekspress Leidyba until 1 July 2014)	Lithuania
TOV Delfi	Subsidiary	-	100%	Online media (sold for the purpose of liquidation in March 2014)	Ukraine
UAB Ekspress Leidyba	Subsidiary	-	100%	Magazine publishing (merged with Delfi UAB on 1 July 2014)	Lithuania
AS Eesti Ajalehed	Subsidiary	100%	100%	Publishing of daily and weekly newspapers	Estonia
OÜ Hea Lugu	Subsidiary	100%	100%	Book publishing	Estonia
AS Ajakirjade Kirjastus	Joint venture	50%	50%	Magazine publishing	Estonia
AS SL Õhtuleht	Joint venture	50%	50%	Newspaper publishing	Estonia
AS Express Post	Joint venture	50%	50%	Periodicals' home delivery	Estonia
Adnet media UAB	Associate	49%	-	Online advertising solutions and network (acquired in Sept 2014)	Lithuania
Adnet Media OÜ	Associate	49%	-	Online advertising solutions and network (acquired in Sept 2014)	Estonia
Adnet media SIA	Associate	49%	-	Online advertising solutions and network (acquired in Sept 2014)	Latvia
Operating segment: printing services					
AS Printall	Subsidiary	100%	100%	Printing services	Estonia

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

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

Basis of preparation

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

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

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

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

Comparability

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

Standards, amendments to standards and interpretations which became effective on 1 January 2014 and which had an impact on the Group's accounting policies

IFRS 11 "Joint Arrangements" adopted by the EU on 11 December 2012. IFRS 11 introduces new accounting requirements for joint arrangements, replacing IAS 31 Interests in Joint Ventures. The option to apply the proportional consolidation method when accounting for jointly controlled entities is removed. Those with an ownership interest in joint ventures are required to use the equity method. Additionally, IFRS 11 eliminates jointly controlled assets to now only differentiate between joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets.

This standard had a material impact on the Group's financial statements because proportionate consolidation was applied in prior periods to the financials of the joint ventures AS Ajakirjade Kirjastus, AS SL Õhtuleht and AS Express Post in the media segment. As a result of the change, the Group's sales and expenses decrease, and the assets and liabilities also decrease. This change has no impact on the Group's net profit. Please refer to the impact of the amendment in the following tables.

Income statement for 2013	2013 annual report	Change				Comparative information in the financial statements for 2014
		AS SL Öhtuleht	AS Ajakirjade Kirjastus	AS Express Post	Eliminations	
Income	58 427	(3 734)	(4 036)	(2 351)	1 779	50 086
Expenses	(53 780)	3 553	3 897	2 095	(1 779)	(46 015)
Operating profit	4 647	(181)	(139)	(256)	0	4 071
Income tax expense	(233)	37	1	45	0	(150)
Profit under equity method	0	145	138	211	0	494
Net profit	3 548	0	0	0	0	3 548

Balance sheet as of 31.12.2013	2013 annual report	Change				Comparative information in the financial statements for 2014
		AS SL Öhtuleht	AS Ajakirjade Kirjastus	AS Express Post	Eliminations	
Current assets	14 447	(915)	(1 292)	(1 759)	876	11 357
Non-current asset	63 019	(88)	(511)	(45)	(20)	62 355
Investments in joint ventures	0	288	920	315	20	1 543
TOTAL ASSETS	77 466	(715)	(883)	(1 489)	876	75 255
<i>incl. cash and bank</i>	<i>4 501</i>	<i>(723)</i>	<i>(179)</i>	<i>(1 390)</i>	<i>0</i>	<i>2 209</i>
<i>incl. goodwill</i>	<i>40 052</i>	<i>0</i>	<i>(456)</i>	<i>0</i>	<i>0</i>	<i>39 596</i>
Current liabilities	14 468	(714)	(883)	(1 489)	876	12 258
Non-current liabilities	20 673	(1)	0	0	0	20 672
TOTAL LIABILITIES	35 141	(715)	(883)	(1 489)	876	32 930
<i>incl. borrowings</i>	<i>24 432</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>24 432</i>
EQUITY	42 325	0	0	0	0	42 325

Balance sheet as of 01.01.2013	2013 annual report	Change				Comparative information for the financial statements for 2014
		AS SL Öhtuleht	AS Ajakirjade Kirjastus	AS Express Post	Eliminations	
Current assets	13 545	(945)	(1 147)	(1 576)	870	10 747
Non-current asset	66 754	(63)	(523)	(37)	(23)	66 108
Investments in joint ventures	0	280	780	279	23	1 362
TOTAL ASSETS	80 299	(728)	(890)	(1 334)	870	78 217
<i>incl. cash and bank</i>	<i>3 280</i>	<i>(761)</i>	<i>(111)</i>	<i>(1 117)</i>	<i>0</i>	<i>1 291</i>
<i>incl. goodwill</i>	<i>41 093</i>	<i>0</i>	<i>(456)</i>	<i>0</i>	<i>0</i>	<i>40 637</i>
Current liabilities	14 967	(728)	(890)	(1 334)	870	12 885
Non-current liabilities	24 233	0	0	0	0	24 233
TOTAL LIABILITIES	39 200	(728)	(890)	(1 334)	870	37 118
<i>incl. borrowings</i>	<i>28 580</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>28 580</i>
EQUITY	41 099	0	0	0	0	41 099

Standards, amendments to standards and interpretations which became effective on 1 January 2014, however the adoption of these amendments to the existing standards has not led to any changes in the Group's accounting policies

IFRS 10 “Consolidated Financial Statements” adopted by the EU on 11 December 2012. IFRS 10 replaces the consolidation guidance in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e., whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities). Under IFRS 10, control is based on whether an investor has 1) power over the investee; 2) exposure, or rights, to variable returns from its involvement with the investee; and 3) the ability to use its power over the investee to affect the amount of the returns.

IFRS 12 “Disclosures of Interests in Other Entities”, adopted by the EU on 11 December 2012. IFRS 12 will require enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement. The objective of IFRS 12 is to require information so that financial statement users may evaluate the basis of control, any restrictions on consolidated assets and liabilities, risk exposures arising from involvements with unconsolidated structured entities and non-controlling interest holders' involvement in the activities of consolidated entities. The Group has extended its disclosures to the financial statements in order to comply with the new requirements.

IAS 27 (revised in 2011) “Separate Financial Statements”, adopted by the EU on 11 December 2012. The requirements relating to separate financial statements are unchanged and are included in the amended IAS 27. The other portions of IAS 27 are replaced by IFRS 10

IAS 28 (revised in 2011) “Investments in Associates and Joint Ventures”, adopted by the EU on 11 December 2012. IAS 28 is amended for conforming changes based on the issuance of IFRS 10, IFRS 11 and IFRS 12.

Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosures of Interests in Other Entities” – Transition Guidance, adopted by the EU on 4 April 2013. The amendments are intended to provide additional transition relief in IFRS 10, IFRS 11 and IFRS 12, by “limiting the requirement to provide adjusted comparative information to only the preceding comparative period”. Also, amendments were made to IFRS 11 and IFRS 12 to eliminate the requirement to provide comparative information for periods prior to the immediately preceding period.

Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosures of Interests in Other Entities” and IAS 27 (revised in 2011) “Separate Financial Statements” – Investment Entities, adopted by the EU on 20 November 2013. The amendments provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities.

Amendments to IAS 32 “Financial instruments: presentation”. Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012. Amendments provide clarifications on the application of the offsetting rules and focus on four main areas (a) the meaning of “currently has a legally enforceable right of set-off?”; (b) the application of simultaneous realisation and settlement; (c) the offsetting of collateral amounts; (d) the unit of account for applying the offsetting requirements.

Amendments to IAS 36 “Impairment of assets” - Recoverable Amount Disclosures for Non-Financial Assets, adopted by the EU on 19 December 2013. These narrow-scope amendments to IAS 36 address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. When developing IFRS 13 Fair Value Measurement, the IASB decided to amend IAS 36 to require disclosures about the recoverable amount of impaired assets. Current amendments clarify

the IASB's original intention that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.

Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” – Novation of Derivatives and Continuation of Hedge Accounting, adopted by the EU on 19 December 2013. The narrow-scope amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

New standards, amendments to standards and interpretations which will become mandatory for the Group for annual periods on or after 1 January 2015.

The Group has not adopted early those new standards or amendments. These new standards and amendments may have an impact on the Group's existing accounting policies, however their effect on its financial statements has not yet been analysed by the Group.

Amendments to various standards “Improvements to IFRSs (cycle 2010-2012)” resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 17 December 2014 (amendments are to be applied for annual periods beginning on or after 1 February 2015). The revisions clarify the required accounting recognition in cases where free interpretation used to be permitted. The most important changes include new or revised requirements regarding: (i) definition of 'vesting condition'; (ii) accounting for contingent consideration in a business combination; (iii) aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets; (iv) measuring short-term receivables and payables; (v) proportionate restatement of accumulated depreciation application in revaluation method and (vi) clarification on key management personnel.

Amendments to various standards “Improvements to IFRSs (cycle 2011-2013)” resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 18 December 2014 (amendments are to be applied for annual periods beginning on or after 1 January 2015). The revisions clarify the required accounting recognition in cases where free interpretation used to be permitted. The most important changes include new or revised requirements regarding: (i) meaning of effective IFRSs in IFRS 1; (ii) scope of exception for joint ventures; (iii) scope of paragraph 52 of IFRS 13 (portfolio exception) and (iv) clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

Amendments to IAS 19 “Employee Benefits” - Defined Benefit Plans: Employee Contributions - adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015). The narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

IFRIC 21 “Levies” adopted by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

New standards, amendments to standards and interpretations issued by IASB but not yet adopted by the EU.

The Group has not yet analysed the impact of those new standards and amendments on its accounting policies and financial statements.

IFRS 9 “Financial Instruments” (effective for annual periods beginning on or after 1 January 2018) is the IASB's replacement of IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting.

- **Classification and Measurement** - IFRS 9 introduces new approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces existing rule-based requirements under IAS 39. The new model also results in a single impairment model being applied to all financial instruments.
- **Impairment** - IFRS 9 has introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.
- **Hedge accounting** - IFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities.
- **Own credit** - IFRS 9 removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss.

IFRS 14 “Regulatory Deferral Accounts” (effective for annual periods beginning on or after 1 January 2016). This Standard is intended to allow entities that are first-time adopters of IFRS, and that currently recognise regulatory deferral accounts in accordance with their previous GAAP, to continue to do so upon transition to IFRS.

IFRS 15 “Revenue from Contracts with Customers” (effective for annual periods beginning on or after 1 January 2017). IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. The core principle of the new Standard is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new Standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016). The amendments address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.

Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures” - Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016). The narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28 introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances.

Amendments to IFRS 11 “Joint Arrangements” – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016). The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

Amendments to IAS 1 “Presentation of Financial Statements” - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 1 are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.

Amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets” - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016). Amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. Amendments also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

Amendments to IAS 16 “Property, Plant and Equipment” and IAS 41 “Agriculture” - Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016). The amendments bring bearer plants, which are used solely to grow produce, into the scope of IAS 16 so that they are accounted for in the same way as property, plant and equipment.

Amendments to IAS 27 “Separate Financial Statements” - Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016). The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

Amendments to various standards “Improvements to IFRSs (cycle 2012-2014)” resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 January 2016). The revisions clarify the required accounting recognition in cases where free interpretation used to be permitted. Changes include new or revised requirements regarding: (i) changes in methods of disposal; (ii) servicing contracts; (iii) applicability of the amendments to IFRS 7 to condensed interim financial statements; (iv) discount rate: regional market issue; (v) disclosure of information 'elsewhere in the interim financial report'.

Principles of consolidation

Subsidiaries

Subsidiaries are all entities over which the Parent Company has control. Control is assumed if the Parent Company has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. The Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed before.

When the Parent Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Parent Company considers all relevant facts and circumstances in assessing whether or not the Parent Company's voting rights in an investee are sufficient to give it power, including: the size of the parent Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders; potential voting rights held by the Parent Company, other vote holders or other parties; rights arising from other contractual agreements; and any additional facts and circumstances that indicate that the Parent Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

When the Parent Company acquired or transferred control over the company during the period, the respective subsidiary is subject to consolidation from the date at which control is transferred to the Parent Company until the date that control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Parent Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Parent Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Acquisition of subsidiaries is accounted for under the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the fair value of acquired net assets. If cost is lower than the fair value of acquired net assets, the difference is immediately taken to profit or loss as a bargain purchase gain.

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

Joint ventures and associates

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Associates are all entities over which the Group has significant influence, but not control, generally accompanying a shareholding of between 20-50%.

In prior years, the Group's interests in jointly controlled entities were accounted for by proportionate consolidation whereby the Group combined its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The purchase method of accounting is used to account for the acquisition of joint ventures similarly to the acquisition of subsidiaries by the Group. From 1 January 2014, proportionate consolidation is no longer permitted and according to IFRS 11 "Joint Ventures", joint ventures are accounted for under the

equity method. The cost of investments made into joint ventures was re-calculated as of 1 January 2013, which is the net cost of the assets and liabilities of joint ventures plus goodwill. The comparative information for 2013 has been changed to comply with the new accounting policies and they include joint ventures AS SL Õhtuleht, AS Ajakirjade Kirjastus and AS Express Post recognised already under the equity method.

Investments in joint ventures and associates are initially recognised at cost and thereafter, using the equity method of accounting. The Group's investment in joint ventures and associates includes goodwill identified on acquisition.

The Group's share of its joint ventures' and associates' post-acquisition profits or losses is recognised in the income statement. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture or an associate equals or exceeds its interest in the associate, including any other unsecured receivables from the associate, the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its joint ventures and associates are eliminated to the extent of the Group's interest in the joint ventures and associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures and associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

Parent Company's separate financial statements – primary statements presented as an additional disclosure to these consolidated financial statements

Pursuant to the Accounting Act of the Republic of Estonia, information of the unconsolidated financial statements (primary statements) of the consolidating entity (Parent Company) shall be disclosed in the Notes to the consolidated financial statements. In preparing the primary financial statements of the Parent Company, the same accounting policies have been used as also in preparing the consolidated financial statements. The accounting policies for reporting subsidiaries have been amended in the separate primary financial statements disclosed as supplementary information in the Annual Report in conjunction with IAS 27 "Consolidated and Separate Financial Statements" and investments into the shares of subsidiaries, joint ventures and associates are accounted for at cost less any impairment cost.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank accounts and short-term deposits with original term of up to three months. Bank overdraft is included within borrowings in current liabilities in the balance sheet.

Foreign currency translation

Functional and presentation currency

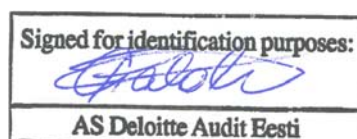
Items included in the financial statements of each group company are measured in their functional currency, which is the currency of the primary economic environment in which the company operates. The consolidated financial statements are presented in euros.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions of the central banks of the countries where the respective group companies are located or the European Central Bank in case of euro. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Group companies

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



- (a) assets and liabilities for each balance sheet presented are translated to euros at the closing rate of the European Central Bank at the date of that balance sheet;
- (b) income and expenses for each income statement are translated to euros at average exchange rates of the European Central Bank for the period;
- (c) all resulting exchange differences are recognised as a separate component of equity “Currency translation differences”.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate of the balance sheet date. When a subsidiary is partially or wholly disposed of through sale, liquidation, repayment of share capital or abandonment, the exchange differences deferred in equity are reclassified to profit or loss.

The Group has companies in Estonia, Latvia, Lithuania and until March 2014 in Ukraine.

On 1 January 2014 Latvia joined the Eurozone and the Latvian Lat was replaced by euro. Until then the Latvian subsidiaries carried out its accounting records and prepared its financial statements in the Latvian Lat. Since that date the accounting records have been carried out in euro. The conversion to the euro was done using the official exchange rate set by the Bank of Latvia – 1 EUR/0.702804 Latvian Lat. Until 1 January 2014, all transactions denominated in foreign currencies were translated into the Latvian Lat at the Bank of Latvia official rate of exchange prevailing on the transaction day. Starting from 1 January 2014, all transactions denominated in foreign currencies are translated into euro at the European Central Bank rate of exchange prevailing on the transaction day.

The Lithuanian litas is pegged to the euro, thus no currency translation differences arise from the translation into the presentation currency of the Lithuanian companies.

Inventories

In the balance sheet, inventories are stated at the lower of cost and net realisable value. Cost is determined using FIFO method for inventories used in periodicals and book sales segments and the weighted average cost method for production inventories used in the printing services segment. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price of products in the ordinary course of business, less applicable variable selling expenses to finish the product and complete the sale.

Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. The Group has no held-to-maturity investments, available-for-sale financial assets and assets measured at fair value through profit or loss. The management determines the classification of its financial assets at initial recognition and reviews the asset's classification at each balance sheet date. The Group's management assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. The purchases and sales of financial assets are recognised at the trade date – the date at which the Group commits to purchase or sell the asset.

Loans and receivables

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

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

between the asset's carrying amount and the present value of estimated future cash flows, discounted at the initial effective interest rate. Impairment of receivables is calculated on an individual basis.

Derecognition of financial assets

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

Factoring

Factoring is the sale of receivables, whereby depending on the type of the factoring contract the buyer has the right to sell back the transferred receivable within time agreed (factoring with recourse) or there is no right for selling back and all the risks and benefits associated with the receivable are transferred from seller to purchaser (factoring without recourse). If the seller of the receivable retains the repurchase obligation, the transaction is recognised as a financing transaction (i.e. as a loan with the receivable as a collateral) and not as a sale. The receivable is not considered as sold as a result of factoring, but it remains in the balance sheet until the receivable is collected or the recourse right has expired. The related liability is recorded similarly to other borrowings. If there is no repurchase obligation and the control over the receivable and the related risks and rewards of the ownership are transferred to the buyer, the transaction is recognised as a sale of the receivable. The related expense is recognised as a finance cost (similarly to interest expense). The Group mostly uses the factoring without recourse.

Property, plant and equipment

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

Property, plant and equipment are stated at historical cost less any depreciation. Cost includes the purchase price, non-refundable taxes and other expenditure that are directly or indirectly attributable to the acquisition of non-current items. The cost of items of property, plant and equipment also includes estimates of the costs of dismantling and removing the item and restoring the site on which it is located, for which an obligation arises for the entity either when the item is acquired or as a consequence of having used the item. The cost of self-constructed assets includes the cost of materials and direct labour.

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

If the recoverable amount of an asset is lower than its carrying amount, an impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and its value in use. The estimated future discounted cash flows are used as the basis for determining value in use (see also the accounting policy "Impairment of assets"). Impairment losses of non-current assets are expressed as an increase in accumulated depreciation and are recognised as an expense in the income statement. A recovery in value in use is recognised as a reversal of the impairment loss.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. The magazine printing machines and finishing machines with the cost of over EUR 320 thousand are depreciated using the production unit method. Depreciation rates are set separately to each asset depending on its estimated useful life or the estimated total production. Depreciation of an asset is started when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases when the residual value is higher than the carrying amount, the asset is completely withdrawn from use or is reclassified as held for sale. Depreciation does not cease when the asset is withdrawn from use. The assets' depreciation rates, the depreciation method and residual values are reviewed, and adjusted if appropriate, at each balance sheet date. When the residual value of the asset exceeds its carrying amount, the depreciation of the asset is ceased.

Gains and losses on disposals on non-current assets are the amounts determined by comparing sales proceeds with the carrying amount and they are recognised as other income or expenses in profit and loss statement.

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

<u>Buildings and structures</u>	20-33 years
<u>Machinery and equipment:</u>	
Production equipment	5-15 years
<u>Other non-current assets:</u>	
Vehicles	5-10 years
Other fixtures and equipment	2-7 years

Subsequent expenditure incurred for items of property, plant and equipment is recognised as separate non-current assets, when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the profit or loss at the time they are incurred.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the net identifiable assets of the acquired subsidiary, associate or joint venture at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets; goodwill on acquisitions of joint ventures and associates is included in investments in joint ventures and associates respectively. Goodwill is tested at least annually for impairment and where necessary, impairment losses are recognised. Impairment losses on goodwill are not reversed. Goodwill recognised in the consolidated balance sheet is taken into account when calculating the gains and losses at the disposal of the shares of a subsidiary. If the cost of acquisition is lower than the fair value of the net assets acquired, the difference is recognised directly in profit or loss.

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

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

Trademarks

Trademarks are initially recognised at cost, including the purchase price and other costs directly attributable to the preparation of the asset for its use. Trademarks with finite useful lives are recognised in the balance sheet at fair value less any accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the acquisition cost of trademarks over their estimated useful lives. Assets that are subject to amortisation are reviewed for impairment whenever there is any indication that the carrying amount may not be recoverable and, if necessary, an impairment loss is recognised (see also "The impairment of assets").

The estimated useful lives of trademarks with finite useful lives are 5-50 years. The amortisation rates are assessed for appropriateness each year.

Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. Customer relationships have a definite useful life and are carried at cost less any accumulated amortisation. Amortisation is calculated using the straight line method over the expected life of the customer relationship which is up to 5 years.

Research and development costs

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

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

Other intangible assets

Other intangible assets (including computer software) are stated in the balance sheet at historical cost less any accumulated amortisation and any impairment losses. Amortisation is calculated on a straight-line basis using 2-7 year estimated useful lives.

Impairment of assets

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

Financial liabilities

All financial liabilities (trade payables, borrowings and other borrowings) are initially recognised at their fair value, including all transaction costs. Financial liabilities are recognised at the trade date. After initial recognition, financial liabilities are measured at amortised cost. The amortised cost of current financial liabilities normally equals their nominal value; therefore current financial liabilities are stated in the balance sheet at their redemption value. For calculating the amortised cost of non-current financial liabilities, interest expenses are calculated on the liabilities in subsequent periods, using the effective interest rate method.

Financial liabilities are classified as current when they are due within twelve months after the balance sheet or if the company does not have an unconditional right to defer the payment for later than 12 months after the balance sheet date. Borrowings whose due date is within 12 months after the balance sheet date but which are refinanced as non-current after the balance sheet date but before the financial statements are authorised for issue are recognised as current. Borrowings that the lender has the right to recall at the balance sheet date due to a breach of contractual terms are also classified as current. Borrowing costs (e.g. interest) incurred for the construction of an item of property, plant and equipment are capitalised in the cost of the item during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed at the time they are incurred.

Provisions

Liabilities that have arisen as a result of past event before the balance sheet date, which have a legal or contractual basis or which arise from the company's established or published practice, which are probable to result in an outflow of resources, and which can be reliably measured, but for which the actual payment amount and payment date have not been definitely determined, are recorded as provisions in the balance sheet. The provisions are recognised based on the management's estimates regarding the amount and timing of the expected outflows. A provision is recognised in the balance sheet in the amount which according to the management is necessary for settling the obligation or transferring it to the third party as of the balance sheet date. The provision expense is included in the income statement of the period. Provisions are not recognised for future operating losses.

Contingent liabilities

Promises, guarantees and other commitments that in certain circumstances may become obligations, but it is not probable that an outflow of resources will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability, are disclosed as contingent liabilities in the Notes to the financial statements.

Payables to employees

Payables to employees and members of the Management Board include accrued wages and salaries, bonuses that have been calculated in accordance with the approved bonus policy and accrued vacation pay calculated in accordance with contracts of employment concluded with employees, contracts of services concluded with the members of the Management Board, and local laws in force as of the balance sheet date.

The liability related to the payment of a vacation payroll accrual together with social security and unemployment insurance payments is included within "trade and other payables" in the balance sheet and as personnel expenses in the income statement.

Share-based transactions

The fair value of services (work contribution) provided by employees to the entity in return for shares is recognised as employee costs in the income statement and as an equity reserve from the date of granting the share option and during the period when the services have been provided. The fair value of the services received is determined on the fair value of equity instruments (market price) granted to employees at the grant date. An employee is entitled to receive them within the framework of the share-based payment agreement, regardless of the effective employment relationship. Upon expiry of the share option, the company has the obligation to transfer an agreed number of shares which it buys at the market and at the market price. The shares purchased for the purpose of a share option are included as "Treasury shares" among equity. When shares are transferred the amounts reported as "Treasury shares" and the appropriate equity reserve are offset. The resulting difference is taken to retained earnings.

Finance and operating lease

Leases of plant, property and equipment under which the lessee assumes substantially all risks and rewards incidental to ownership are classified as finance leases. Other lease agreements are classified as operating leases.

The Group as a lessee

Finance lease payments are recognised in the balance sheet as an asset and liability at the lower of the fair value of the leased asset and the present value of minimum lease payments. Rental payments are divided into finance costs (interest expense) and a reduction of the outstanding balance of the liability. Finance costs are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recorded in the income statement on the accrual basis, unless they are directly attributable to construction of an item of property, plant and equipment and they are capitalised in the cost of the asset. Assets leased under finance leases are depreciated similarly to acquired non-current assets, with the depreciation period being the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are charged as expenses on a straight-line basis over the term of the relevant lease, irrespective of the execution of payments. Assets leased under operating lease are not recognised in the balance sheet.

Revenue recognition

Revenue is recognised at the fair value of the consideration received or receivable for the sale of goods or provision of services, taking into account any discounts and rebates.

Retail sales of periodicals and books

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

Sales of subscribed periodicals and books

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

Sale of services

Revenue from the sale of services is recognised in the accounting period in which the services are rendered, or if a service is provided over a long period of time, based on the stage of completion method. Revenue from sales of advertising services is recognised as income in the same period when the advertisement is published. Revenue from production of media services and printing services is recognised as revenue according to the percentage-of-completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total costs for the contract.

Revenue from longer term advertising packages is allocated on a linear basis over the package duration.

Interest income

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

Dividend income

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

Earnings per share


Basic earnings per share are calculated by dividing the profit of the year attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year. Treasury shares are eliminated from calculations. Diluted earnings per share are calculated based on profit or loss attributable to the ordinary equity holders of the Parent Company, and the weighted average number of shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

Statutory reserve capital

The statutory reserve in equity is a mandatory reserve, created in accordance with the Commercial Code of Estonia. Reserve capital can only be used for covering losses or to increase share capital. Each year, at least 1/20 of net profit should be transferred to reserve capital until it makes up 1/10 of share capital. The distribution to shareholders from the statutory reserve is not permitted.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

Signed for identification purposes:

AS Deloitte Audit Eesti

If dividends are declared after the balance sheet date, those dividends are not recognised as a liability at the balance sheet date.

Events after the balance sheet date

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

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

Segment reporting

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

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

Corporate income tax and deferred income tax

Corporate income tax in Estonia

According to the Income Tax Act applicable in Estonia, the annual profit earned by entities is not taxed in Estonia. Income tax is paid on dividends, fringe benefits, gifts, donations, reception costs, non-business related expenses and adjustments of the transfer price. From 1 January 2015, the profit distributed as dividends is subject to income tax of 20/80 of the net amount to be paid out. The corporate income tax arising from the payment of dividends is accounted for as an expense in the period when dividends are declared, regardless of the actual payment date or the period for which dividends are actually paid. The obligation to pay income tax arises on the 10th day of the month following the payment of dividends.

The corporate income tax arising from the payment of dividends is not recognised as a provision until the declaration of dividends. The maximum amount of a contingent income tax liability which may arise from distribution of all retained earnings is specified in the Notes to the financial statements.

Corporate income tax for companies registered in Latvia and Lithuania

In accordance with the local income tax laws the net profit of companies located in Latvia and Lithuania adjusted for the permanent and temporary differences as stipulated by law is subject to corporate income tax. The income tax rate is 15% in Latvia (2013: 15%) and 15% in Lithuania (2013: 15%).

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction impacts neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Note 3. Critical accounting estimates and judgements

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

For preparation of the financial statements, the estimates made by the managements of all group companies shall be used which impact the Group's assets and liabilities at the balance sheet date, and also revenue and expenses for the financial year. These estimates are based on the latest information about the situation of group companies, and they take into consideration the Group's and entities' separate plans and related risks at the time of preparation of the financial statements.

Management estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year include assessment of useful lives of intangible assets identified (Note 16), valuation of inventories (Note 10), valuation of goodwill (Note 16), determination of useful lives of property, plant and equipment (Note 15) and valuation of receivables and loans granted (Notes 4, 6, 7), evaluation of derivative instruments (Notes 4, 28).

a) Valuation of goodwill, trademarks, other intangible and tangible assets

At each balance sheet date, the management carries out impairment tests for goodwill which have arisen upon acquisition of the following cash-generating units or companies: Delfi Estonia, Delfi Latvia, Delfi Lithuania, Maaleht published by Eesti Ajalehed AS. Along with impairment tests for goodwill the value of other assets will also be assessed because the recoverable amounts of cash-generating units should cover goodwill as well as other assets related to cash-generating units like trademarks, intangible and tangible assets, net current assets. For finding the recoverable amount of the assets of all cash-generating units, the future expected cash flows have been discounted using the weighted average cost of capital (WACC). A more detailed overview of impairment tests is disclosed in Note 16.

As of 31 December 2013, impairment losses related to the goodwill of Eesti Päevaleht and Ekspress Leidyba were recognised in the total amount of EUR 1 301 thousand and impairment losses related to the trademarks of Eesti Päevaleht, Delfi Ukraine and Ekspress Leidyba were recognised in the amount of EUR 1 166 thousand. As of 31 December 2014, impairment loss related to the goodwill of Delfi Latvia was recognised in the total amount of EUR 1 443 thousand.

The Group has intangible and tangible assets other than goodwill and for estimating the value of these assets management will assess factors whether there are any indications referring that the value of assets has decreased. If there are such indications then impairment test will be performed for the assets of the smallest cash-generating unit and if the recoverable amount is smaller than carrying amount according to the realistic cash-flow forecast provided by the management, then the carrying amount of assets will be written down to the recoverable amount.

b) Estimation of useful lives of intangible assets

The management has determined the estimated useful lives of intangible assets, taking into account the business conditions and volumes, historical experience in the given field and future projections. The depreciation charges will be increased where useful lives are shorter than previously estimated lives, and technically obsolete and idle assets that have been written off or written down.

According to the estimates, the useful lives of **trademarks** as of the balance sheet date are 5-50 years, based on past experiences on useful lives of similar trademarks (carrying amount as of 31.12.2014 is EUR 7 469 thousand and as of 31.12.2013, it was EUR 8 120 thousand). The trademark in the online media is the title of the online portal "Delfi", the trademarks in print media are mainly the titles of different publications (magazines, newspapers). The useful lives of online media trademarks are estimated to be longer than those of print media. The remaining amortisation period of online media trademarks is up to 43 years. The useful lives of print media trademarks are generally estimated to be between 5-10 years.

Carrying amount of trademarks as of 31.12.2014 is EUR 7 469 thousands (31.12.2013: EUR 8 120 thousands). If useful lives of online trademarks increased or decreased by 10%, the annual amortisation charge would increase or decrease, respectively, by EUR 15 thousand.

The amortisation rates of print media trademarks have been changed at the beginning of 2014. All trademarks were individually assessed and appropriate changes were made.

c) Valuation of useful lives of property, plant and equipment

The management has determined the estimated useful lives of the items of property, plant and equipment, taking into account the business conditions and volumes, historical experience in the given field and future projections. The management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

If the useful lives increased/decreased by 10%, the annual depreciation charge would decrease/increase by EUR 21/26 thousand, EUR 134/164 thousand and EUR 23/29 thousand of 'Buildings', 'Machinery and equipment' and 'Other equipment', respectively. The total decrease/increase in the depreciation charge in case of an increase/decrease of 10% in useful lives would be EUR 179/219 thousand.

d) Assessment of the value of receivables is based on the Group's procedures according to which the provision for receivables that are overdue more than 60 days will be recognised, taking also into account the management's estimates on each receivable separately. The estimates are made based on the financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments. As a result of changes in the market conditions or economic situation, the current estimates of the management may significantly change.

e) Inventory valuation

Upon valuation of inventories, the management will rely on its best estimates taking into consideration historical experience, general background information and assumptions and preconditions of the future events. For determining the impairment of finished goods (carrying amount as of 31.12.2014, EUR 240 thousand and as of 31.12.2013, EUR 209 thousand), the sales potential as well as the net realisable value of finished goods is considered. Upon valuation of raw materials and materials (carrying amount as of 31.12.2014, EUR 1 577 thousand and as of 31.12.2013, EUR 1 870 thousand) their potential use in producing finished goods and generating income is considered. Upon valuation of work in progress (carrying amount as of 31.12.2014, EUR 248 thousand and as of 31.12.2013, EUR 241 thousand) their stage of completion that can reliably be measured is considered.

Note 4. Financial risk management

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

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

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

The main role upon the management of risks is vested in the management boards of the Parent and its subsidiaries. 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. The risk management at the joint ventures 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 bank, trade receivables, other short-term receivables and loans granted. Since the Group invests available liquid funds in the banks with the credit rating of "A" they do not expose the Group to substantial credit risk.

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

Bank name	Moody's	Standard & Poor's	31.12.2014	31.12.2013
SEB	A1	A+	4 835	580
Swedbank	A2	A+	289	1 430
Nordea/Danske	Aa3/Baa1	A-/AA-	141	166
Other banks	-	-	0	13
Total			5 265	2 189

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

The payment discipline of clients is continuously monitored to reduce credit risk. A credit policy has been established to ensure the sale of services to clients with an adequate credit history and the application of prepayments to clients in a higher risk category. According to the credit policy, different client groups are subject to different payment terms 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. All subsidiaries outsource reminder services in order to collect overdue receivables more effectively.

In the case of new clients, their credit background is checked with the help of financial information databases such as Krediidinfo and other similar databases. At the beginning clients' payment behaviour will be monitored with heightened interest. Upon following the payment discipline, it is possible to receive more flexible credit terms, such as longer payment terms, higher credit limits, etc. Upon violation of the payment discipline, stricter credit terms are applied. In case of large transactions, in particular in the segment of printing services, clients are requested to make prepayment or provide a guarantee letter.

The Group is not aware of any substantial risks related to the concentration of its clients and partners. The management estimates that there is no substantial credit risk in the loans of related parties, which amount are not material.

The maximum credit risk which arises from the trade and other receivables is provided below:

31.12.2014 (EUR thousand)	Due date	Overdue >= 7 days	Overdue >7 days and <=60 days	Overdue > 60 days	Total receivables
Trade receivables	3 690	636	1 240	8	5 574
Other short-term receivables	708	0	0	0	708
TOTAL	4 398	636	1 240	8	6 282

31.12.2013 (EUR thousand)	Due date	Overdue >= 7 days	Overdue >7 days and <=60 days	Overdue > 60 days	Total receivables
Trade receivables	3 623	656	801	6	5 085
Other short-term receivables	1 383	0	0	0	1 383
TOTAL	5 006	656	801	6	6 468

In 2014, the Group has written down doubtful receivables in the amount of EUR 541 thousand (31.12.2013: EUR 649 thousand), in accordance with the rules for valuation of trade receivables applicable at the Group based on estimated cash flows.

Since a significant part of other receivables is due from the joint ventures, the management estimates that the receivables do not contain substantial credit risk, as the financial health is regularly monitored and the management of Parent Company has substantial influence over the joint ventures.

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, all subsidiaries and joint ventures prepare long term cash flow projections for the following year, which are adjusted on a quarterly basis. For monitoring short-term cash flows the subsidiaries prepare eight week cash flow projections on a weekly basis.

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

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

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

31.12.2014 (EUR thousand)	Undiscounted				Carrying amount
	<= 1 month	> 1 month and <=3 months	> 3 months and <= 1 year	>1 year and <=5 years	
Bank loans	1 477	742	3 432	18 473	23 004
Finance lease payments	7	14	63	70	149
Trade payables	1 410	0	0	0	1 410
Other payables	565	0	0	0	565
TOTAL	3 459	756	3 495	18 543	25 128

31.12.2013 (EUR thousand)	Undiscounted				Carrying amount
	<= 1 month	> 1 month and <=3 months	> 3 months and <= 1 year	>1 year and <=5 years	
Bank loans	359	719	3 233	21 676	24 234
Finance lease payments	6	13	58	127	198
Trade payables	3 382	13	11	0	3 405
Other payables	495	0	0	0	495
TOTAL	4 242	745	3 302	21 803	28 332

Other payables include payables to joint ventures, accrued interest and other accrued liabilities, see Note 17.

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 mainly tied to Euribor. The Group has granted loans only on very small amounts thus the Group's interest rate risk is related to 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 change the Group's loan interest expense by ca 200 thousand euros per year.

Type of interest	Interest rate	31.12.2014 (EUR thousand)	<= 1 year	>1 year and <=5 years	Carrying amount
Floating interest	1-month Euribor + 2.5%	Syndicated loan (<i>Parent Company</i>)	3 139	11 931	15 070
	1-month Euribor + 2.5%	Syndicated loan (<i>Printall</i>)	665	4 805	5 470
	3-month Euribor + 2.7%	Syndicated loan Tranche D(<i>Printall</i>)	212	1 135	1 347
	1-month Euribor + 2.3%	Finance lease (<i>Printall, Delfi</i>)	80	69	149
	1-month Euribor + 1.9%	Overdraft	1 117	0	1 117

Type of interest	Interest rate	31.12.2013 (EUR thousand)	<= 1 year	>1 year and <=5 years	Carrying amount
Floating interest	1-month Euribor + 2.5%	Syndicated loan (<i>Parent Company</i>)	3 043	15 076	18 119
	1-month Euribor + 2.5%	Syndicated loan (<i>Printall</i>)	643	5 472	6 115
	1-month Euribor + 2.3%	Finance lease (<i>Printall</i>)	73	125	198
	1-month Euribor + 1.9%	Overdraft	0	0	0

Foreign exchange risk

The Group's operating activities have an international dimension and therefore, the Group is exposed to foreign exchange risk to some extent. 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 the functional currency. The Group's income is primarily fixed in local currencies, i.e. the euros in Estonia and Latvia and Lithuanian litas in Lithuania. The Group also pays most of its suppliers and employees in local currencies. The subsidiaries are typically required to use the euro as the currency in foreign contracts. The subsidiary Printall exports outside of euro-zone and it also issues invoices denominated in Norwegian kroner and Swedish kronor. Such foreign exchange risk has decreased year after year and is now on the level of 3-4% on average of the Group's revenue. In addition, the Russian clients pay in Russian roubles, although the invoices issued have been denominated in euros and hence carry no exchange risk. The amounts received in foreign currencies are typically converted into euros immediately after their receipt, thereby reducing open foreign currency positions. No other means are used for hedging foreign exchange risk.

Financial assets and financial liabilities by currency as of 31.12.2014

(EUR thousand)	EUR	LTL	LVL	UAH	SEK	Other currencies	TOTAL
Assets							
Cash and cash equivalents	2 923	751	0	0	0	1	3 675
Receivables	5 820	1 564	0	0	154	16	7 554
Term deposit	1 600	0	0	0	0	0	1 600
Total financial assets	10 343	2 315	0	0	154	17	12 829
Liabilities							
Borrowings	23 152	0	0	0	0	0	23 152
Trade payables and accrued expenses	3 519	470	0	0	2	3	3 995
Total financial liabilities	26 671	470	0	0	2	3	27 146
Net foreign currency position	(16 329)	1 845	0	0	152	14	

Financial assets and financial liabilities by currency as of 31.12.2013

(EUR thousand)	EUR	LTL	LVL	UAH	SEK	Other currencies	TOTAL
Assets							
Cash and cash equivalents	1 669	435	103	2	0	0	2 209
Receivables	3 964	1 635	448	30	200	25	6 303
Total financial assets	5 633	2 070	551	32	200	25	8 511
Liabilities							
Borrowings	24 432	0	0	0	0	0	24 432
Trade payables and accrued expenses	5 243	578	249	25	11	7	6 112
Total financial liabilities	29 675	578	249	25	11	7	30 545
Net foreign currency position	(24 042)	1 492	302	7	189	18	

Price risk

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

Equity ratios of the Group

(EUR thousand)	31.12.2014	31.12.2013
Interest-bearing debt	23 152	24 432
Cash and bank accounts	5 275	2 209
Net debt	17 877	22 223
Equity	47 175	42 325
Total capital	65 052	64 548
Debt to capital ratio	27%	34%
Total assets	76 595	75 255
Equity ratio	62%	56%

Fair value

The Group's management estimates that the fair values of the financial assets (Notes 5,6,7,9,11) and financial liabilities (Notes 17,18,19) recognised in the balance sheet at amortised cost do not significantly differ from their carrying amounts presented in the Group's consolidated balance sheet on 31 December 2014 and 31 December 2013. The Group's interest bearing liabilities were refinanced in 2012 and are related to Euribor and thus reflect the adequate situation of current market interest rates. Also, the Group's risk margins correspond to market conditions. Based on that, the management estimates that the fair value of long-term borrowings does not significantly differ from their carrying amounts. The fair value of financial liabilities is determined on the basis of discounted future contractual cash flows, using a market interest rate which is available for the Group upon using similar financial instruments. Trade receivables and trade payables are recognised at amortised cost, due to which the management estimates that their carrying amount approximates their fair value.

Note 5. Cash and bank

(EUR thousand)	31.12.2014	31.12.2013
Cash in hand	10	20
Cash at bank	3 645	2 085
Cash in transit	1	5
Cash and cash equivalents	3 656	2 111
Long term deposit	1 619	98
Total cash and bank	5 275	2 209

Term deposit includes deposit in amount of EUR 1.6 million set to guarantee 50% of the loan liabilities of joint ventures AS Ajakirjade Kirjastus and AS SL Õhtuleht.

Note 6. Trade and other receivables

(EUR thousand)	31.12.2014	31.12.2013
Trade receivables (Note 7)	5 574	5 085
Other prepaid taxes	0	21
Other receivables (Note 9)	708	1 383
Prepayments	237	285
Total trade and other receivables	6 519	6 774

Note 7. Trade receivables

(EUR thousand)	31.12.2014	31.12.2013
Trade receivables	6 071	5 761
Allowance for doubtful receivables	(497)	(676)
Total trade receivables	5 574	5 085
(EUR thousand)		
Allowance for doubtful receivables at the beginning of the period	(676)	(622)
Proceeds from doubtful receivables during the period	488	528
Allowance for doubtful receivables recognised during the period	(541)	(649)
Receivables written off balance sheet during the period	232	67
Allowance for doubtful receivables at the end of the period	(497)	(676)

Impairment losses from trade receivables recognised during the period are reported in the statement of comprehensive income as “Cost of sales”. For further information on ageing of receivables (including overdue receivables), see Note 4. Allowances made for doubtful receivables are based on individual assessment of the receivables. Factors considered in the assessment process are the amount of days overdue, feedback from outsourced reminder service companies and other factors which may indicate the possible impairment of receivables.

Note 8. Corporate income tax and deferred tax

Group's income tax expense (EUR thousand)	2014	2013
Corporate income tax expense	206	144
Deferred income tax expense	8	6
Total income tax expense	214	150

Corporate income tax

(EUR thousand)	2014	2013
<i>Latvia</i>		
Profit (loss) before tax	(580)	(829)
Tax rate	15%	15%
Estimated income tax	87	124
Impact of income/expenses not deductible for tax purposes	1	(15)
Deferred tax asset not recognised	(97)	(142)
Current income tax expense	(11)	(3)
Deferred income tax gains (losses)	0	0
<i>Lithuania</i>		
Profit (loss) before tax	1 197	923
Tax rate	15%	15%
Estimated income tax	(180)	(138)
Impact of income/expenses not deductible for tax purposes	(23)	(9)
Current income tax expense	(195)	(141)
Deferred income tax gains (losses)	(8)	(6)

Note 9. Other short-term receivables

(EUR thousand)	31.12.2014	31.12.2013
Receivables from associates (Note 31)	192	186
Trade receivables	192	186
Receivables from joint ventures (Note 31)	232	1 050
Accounts receivable	212	1 050
Other receivables	20	0
Receivables from related parties (Note 31)	5	5
Other receivables	5	5
Other short-term receivables	279	142
Loans granted	3	4
Other receivables	276	138
Total other short-term receivables	708	1 383

An allowance for the receivable from the associate Medipresa UAB has been recognised in the amount of EUR 49 thousand (31.12.2013 43 thousand) in accordance with the ownership interest in the negative equity of Medipresa UAB.

Note 10. Inventories

(EUR thousand)	31.12.2014	31.12.2013
Raw materials	1 577	1 870
Work in progress	248	241
Finished goods	240	209
Goods for resale	7	9
Total inventories	2 072	2 329

(EUR thousand)	2014	2013
Impairment of finished goods	43	62
Allowance for impairment recognised in profit and loss	43	62

Impairment of inventories is included in the line of the statement of comprehensive income "Cost of sales".

Note 11. Long-term trade and other receivables

(EUR thousand)	31.12.2014	31.12.2013
Loans granted to related parties (Note 31)	160	160
Receivables from joint ventures (Note 31)	978	0
Prepayments	2	3
Other investments	30	106
Total long-term receivables	1 170	269

Note 12. Business combinations

Transactions with the shares of AS Ajakirjade Kirjastus and AS SL Õhtuleht in 2014

AS Ekspress Grupp and AS Eesti Meedia both owned 50% in joint ventures AS SL Õhtuleht, AS Ajakirjade Kirjastus and AS Express Post. On 10 October 2013, AS Ekspress Grupp submitted to AS Eesti Meedia a notice in which the Group wished to exercise the contractual right to purchase the shares that Eesti Meedia held in all joint ventures. This right was provided for the contracting parties in the event of the changes of their ultimate shareholder. On 12 September 2013 AS Eesti Meedia announced of the transfer of the ownership interest of its sole shareholder to the new owner. On 28 November 2013, the Estonian Competition Board issued a decision authorizing the concentration of AS Ekspress Grupp, OÜ Suits Meedia and AS SL Õhtuleht, AS Ajakirjade Kirjastus and AS Express Post. As a result of the decision, AS Ekspress Grupp was able to purchase the shares that AS Eesti Meedia owned in AS SL Õhtuleht, AS Ajakirjade Kirjastus, AS Express Post and to resell the shares to OÜ Suits Meedia.

Due to the different views on the fulfilment of the shareholder contract, the dispute was handled at the Court of Arbitration. On 9 May 2014, AS Ekspress Grupp and AS Eesti Meedia signed a compromise contract in the arbitration proceeding which was brought to a conclusion by the ruling of the Court of Arbitration on 6 June. Pursuant to the court decision, AS Ekspress Grupp paid a total of EUR 3.3 million to AS Eesti Meedia and received the shares of AS Ajakirjade Kirjastus and AS SL Õhtuleht, which it sold to OÜ Suits Meedia. The ownership in AS Express Post remains the same, i.e. both AS Eesti Meedia as well AS Ekspress Grupp retain their 50% ownership interest in this joint venture.

In July, AS Ekspress Grupp reorganised its shareholdings in joint ventures AS SL Õhtuleht and AS Ajakirjade Kirjastus. Before the shareholdings were held directly in both companies, but starting from July, the shares were owned through new holding companies OÜ Ajaleht Holding and OÜ Ajakirjad Holding, respectively. Both AS Ekspress Grupp and OÜ Suits Meedia each owned 50% of the aforementioned holding companies. Holding companies were set up by monetary contributions to their share capital. AS Ekspress Grupp paid in

EUR 1,250 into the share capital of each holding company. Shareholdings in joint ventures were sold to new holding companies at the market value, i.e. for the same amount they had been acquired from AS Eesti Meedia. The same course of action applied for OÜ Suits Meedia. As a result of these transactions, the new holding companies became 100% owners of joint ventures and in their consolidated balance sheets, all identifiable assets of the joint ventures are recognised at fair value, including trademarks, customer relations, etc. Also goodwill was recognised in the balance sheet, which is the difference between the paid price and fair value of identifiable assets and liabilities. For the acquisition of 100% shareholdings, the holding companies borrowed a total of EUR 3.2 million from the bank. The table below shows 50% of the assets in the acquired entities as of 30 June 2014. As a result of the reorganisation, the financial income was recognised in the consolidated income statement in the amount of EUR 1 933 thousand that is attributable to the terminating of common joint ventures with AS Eesti Meedia and change in shareholdings. In November 2014 holding company OÜ Ajaleht Holding was merged with AS SL Õhtuleht and OÜ Ajakirjad Holding was merged with AS Ajakirjade Kirjastus.

(EUR thousand)	OÜ Ajaleht Holding & AS SL Õhtuleht (50%)		OÜ Ajakirjad Holding & AS Ajakirjade Kirjastus (50%)	
	Fair value	Carrying amount	Fair value	Carrying amount
Net assets	379	379	528	528
Trademark, customer relations and other intangible assets	759	0	385	23
Total identifiable assets	1 139	379	915	551
Goodwill	809		469	
Fair value of ownership interest	1 947		1 385	
Cash and cash equivalents in acquired company	800		385	
Bank loan received by companies	893		694	

Other acquisitions

On 30 September 2014 the acquisition of a 49% holding in **Adnet Media UAB**, an associate, was completed. The agreement of purchase and sale of shares was signed already in November 2013, but it was subject to the approval of the Lithuanian Competition Authority. On the basis of the agreement of purchase and sale of shares, the Group has an option to acquire the remaining 51% of the shares of Adnet Media at the start of 2017. The 49% holding was acquired for a cash consideration in the amount of EUR 135 thousand. Adnet Media is engaged in internet advertising sales in Estonia, Latvia and Lithuania. The purpose of the acquisition is to enlarge the advertising product portfolio in the online media segment. The purchase analysis of Adnet Media was prepared on the basis of the balance sheet as of 30.09.2014. The consolidated net assets of the company were negative and goodwill was recognised in the amount of EUR 135 thousand. The investment in the associate is recognised in the Group's consolidated report under the equity method and the arising goodwill is recognised in the balance sheet among the carrying value of the investment.

In May 2013, AS Delfi (Latvia) and Nextmedia Baltic OÜ signed a share sale and purchase agreement, under which Delfi Latvia acquired a 100% ownership interest in SIA Cālis.lv, which operates the portal Cālis.lv. Cālis.lv is the most popular internet site in Latvia, targeting expecting and young mothers. The transaction was completed in July 2013 and a total of LTL 235 thousand (ca EUR 327 thousand) was paid for it. The Group's management estimated that the fair value of the trademark acquired upon acquisition of SIA Cālis.lv was EUR 66 thousand and goodwill was EUR 260 thousand.

The table below presents an overview of acquired identifiable assets and liabilities at the time of acquisition. For preparation of the purchase analysis, the balance sheet of Cālis LV SIA as of 31 March 2013 and the balance sheet of Adnet media UAB as of 30 September 2014.

(EUR thousand)	Adnet media UAB (49%)		Calis LV SIA	
	Fair value	Carrying amount	Fair value	Carrying amount
Net assets	(22)	(22)	1	1
Trademark	0	0	66	0
Total identifiable assets	(22)	(22)	68	1
Goodwill	135		260	
Cost of acquired ownership interest	135		327	
Cash paid for ownership interest	135		327	
Cash and cash equivalents in acquired company	6		0	
Total cash effect on the group	(129)		(327)	

Note 13. Joint ventures

Company name	Ownership interest %		Co-owner	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
AS SL Õhtuleht	50	50	OÜ Suits Meedia	AS Eesti Meedia
AS Ajakirjade Kirjastus	50	50	OÜ Suits Meedia	AS Eesti Meedia
AS Express Post	50	50	AS Eesti Meedia	AS Eesti Meedia

In June 2014 the co-owner of AS Ajakirjade Kirjastus and AS SL Õhtuleht has changed. See Note12.

Financial information of joint ventures

(EUR thousand)	AS Ajakirjade Kirjastuse	AS SL Õhtuleht	AS Express Post	Total
31.12.2014				
Current assets	2 710	1 098	2 422	6 230
Non-current assets	1 604	3 040	78	4 722
Total assets	4 314	4 138	2 500	10 952
Current liabilities	2 074	1 952	1 688	5 714
Non-current liabilities	2 154	2 084	0	4 238
Total liabilities	4 228	4 036	1 688	9 952
The above amounts of assets and liabilities include the following:				
<i>Cash and cash equivalents</i>	738	702	1 585	3 025
<i>Current financial liabilities (excluding trade and other payables and provisions)</i>	240	360	0	600
<i>Non-current financial liabilities (excluding trade and other payables and provisions)</i>	1 020	1 260	0	2 280
31.12.2013				
Current assets	2 584	1 830	3 518	7 932
Non-current assets	112	176	90	378
Total assets	2 696	2 006	3 608	8 310
Current liabilities	1 766	1 428	2 978	6 172
Non-current liabilities	0	2	0	2
Total liabilities	1 766	1 430	2 978	6 174
The above amounts of assets and liabilities include the following:				
<i>Cash and cash equivalents</i>	357	1 447	2 780	4 584
<i>Current financial liabilities (excluding trade and other payables and provisions)</i>	0	0	0	0
<i>Non-current financial liabilities (excluding trade and other payables and provisions)</i>	0	0	0	0

(EUR thousand)	AS Ajakirjade Kirjastus	AS SL Õhtuleht	AS Express Post	Total
2014				
Revenue	8 447	7 819	4 829	21 095
Depreciation and amortisation	(127)	(231)	(49)	(407)
Interest income	0	1	1	1
Interest expense	(39)	(37)	0	(76)
Profit before income tax	347	443	695	1 485
Income tax expense	0	0	(108)	(108)
Profit for the reporting period	347	443	587	1 377
Other comprehensive income	0	0	0	0
Total comprehensive income	347	443	587	1 377
2013				
Revenue	8 072	7 467	4 703	20 241
Depreciation and amortisation	(60)	(80)	(46)	(186)
Interest income	0	1	2	3
Interest expense	(1)	0	0	(1)
Profit before income tax	283	363	514	1 160
Income tax expense	0	(73)	(93)	(166)
Profit for the reporting period	283	291	421	995
Other comprehensive income	0	0	0	0
Total comprehensive income	283	291	421	995

(EUR thousand)	AS Ajakirjade Kirjastuse	AS SL Õhtuleht	AS Express Post	Total
31.12.2014				
Net assets of the joint venture	86	102	812	1 000
Proportion of ownership in the joint venture	50%	50%	50%	
Carrying amount of interest in the joint venture	43	51	406	500
Profit on shares of joint ventures	122	141	294	557
31.12.2013				
Net assets of the joint venture	930	576	630	2 136
Proportion of ownership in the joint venture	50%	50%	50%	
Goodwill	456	0	0	456
Other adjustments	19	0	0	19
Carrying amount of interest in the joint venture	940	288	315	1 543
Profit on shares of joint ventures	138	146	210	494

Note 14. Associates

(EUR thousand)	31.12.2014	31.12.2013
Additional contribution to associate	135	0
Impairment loss recognised for the receivables of associates	(6)	0
Shares of associates in the balance sheet	164	0
Share of loss in associates recognised in statement of comprehensive income		
Profit (loss) under the equity method	23	20
Total profit (loss) of associates	23	20

Company name	Ownership %	
	31.12.2014	31.12.2013
UAB Medipresa	40	40
Adnet Media UAB	49	-

Financial information of associate

(EUR thousand)	UAB Medipresa	Adnet media UAB
31.12.2014		
Total assets	2 990	636
Total liabilities	3 112	628
Total revenue	7 833	833
Total expenses	7 838	775
Net profit (loss)	(5)	59
31.12.2013		
Total assets	2 794	-
Total liabilities	2 901	-
Total revenue	8 110	-
Total expenses	8 047	-
Net profit (loss)	63	-

Note 15. Property, plant and equipment

(EUR thousand)	Land	Buildings	Machinery and equipment	Other fixtures	Prepayments	Total
31.12.2012						
Cost	409	5 763	20 844	1 898	25	28 939
Accumulated depreciation	0	(1 702)	(10 921)	(1 542)	0	(14 164)
Carrying amount	409	4 061	9 923	356	25	14 775
Acquisitions and improvements	0	0	125	273	375	773
Disposals (at carrying amount)	0	0	(13)	(4)	0	(17)
Write-offs (at carrying amount)	0	0	(1)	(2)	0	(3)
Reclassification	0	0	256	122	(400)	(22)
Depreciation	0	(236)	(1 440)	(236)	0	(1 912)
31.12.2013						
Cost	409	5 763	21 027	2 072	0	29 271
Accumulated depreciation	0	(1 938)	(12 177)	(1 561)	0	(15 676)
Carrying amount	409	3 825	8 850	511	(0)	13 595
Acquisitions and improvements	0	0	145	296	2 445	2 886
Disposals (at carrying amount)	0	0	0	(4)	0	(4)
Write-offs (at carrying amount)	0	0	0	(3)	(7)	(10)
Reclassification	0	43	1	24	(62)	6
Depreciation	0	(232)	(1 478)	(258)	0	(1 968)
31.12.2014						
Cost	409	5 806	21 035	2 205	2 376	31 832
Accumulated depreciation	0	(2 170)	(13 518)	(1 637)	0	(17 326)
Carrying amount	409	3 636	7 518	566	2 376	14 506

Information about pledged items of property, plant and equipment is disclosed in Note 18. Information about payments and terms of finance lease and non-current assets leased under the finance lease terms is disclosed in Note 19.

Note 16. Intangible assets

(EUR thousand)	Good-will	Trade-marks	Develop-ment costs	Custo-mer relation-ships	Com-puter software	Prepay-ments	Total intangible assets
31.12.2012							
Cost	47 490	10 980	479	2 379	1 718	27	63 073
Accumulated amortisation and impairments	(6 853)	(1 481)	(162)	(2 363)	(1 344)	0	(12 203)
Carrying amount	40 637	9 499	317	16	374	27	50 870
Acquisitions and improvements	0	0	0	0	84	137	221
Impairment loss (Note 26)	(1 301)	(1 166)	0	0	0	0	(2 467)
Reclassification	0	0	(71)	0	238	(145)	22
Acquired through business combinations	260	66	0	0	0	0	326
Amortisation	0	(280)	(9)	(16)	(305)	0	(609)
Currency translation differences	0	0	0	0	(1)	0	(1)
31.12.2013							
Cost	47 750	11 046	408	2 379	2 024	19	63 626
Accumulated amortisation and impairments	(8 154)	(2 926)	(171)	(2 379)	(1 634)	0	(15 264)
Carrying amount	39 596	8 120	237	0	390	19	48 362
Purchases and improvements	0	0	0	0	70	171	241
Impairment loss (Note 26)	(1 443)	0	0	0	0	0	(1 443)
Write-offs (at carrying amount)	0	0	0	0	0	(6)	(6)
Reclassification	0	0	0	0	190	(104)	86
Amortisation	0	(651)	(7)	0	(295)	0	(953)
31.12.2014							
Cost	47 750	11 046	392	2 379	2 242	80	63 889
Accumulated amortisation and impairments	(9 597)	(3 577)	(162)	(2 379)	(1 886)	0	(17 602)
Carrying amount	38 153	7 469	230	0	356	80	46 287

Information about intangible assets pledged as collateral for loans is disclosed in Note 18.

Goodwill by cash-generating units and segments

(in thousands)	EUR	
	31.12.2014	31.12.2013
Delfi Estonia	15 281	15 281
Delfi Latvia	8 207	9 650
Delfi Lithuania	12 848	12 848
Maaleht (Eesti Ajalehed)	1 816	1 816
Total goodwill	38 153	39 596

The discounted cash flow method is used to determine **the recoverable value** and to calculate value in use in the impairment tests. For each business unit acquired, five-year cash flow forecasts have been prepared for the respective cash-generating units. Revenue growth, 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 impairment test of Delfi Estonia includes the cash flows of the Estonian legal entity AS Delfi. The impairment test of Delfi Latvia includes the cash flows of the Latvian legal entity AS Delfi and also calis.lv which was acquired in 2013. The impairment test of Delfi Lithuania includes the cash flows of Lithuanian entity UAB Delfi, which incorporates the revenues from Alio business acquired in 2013 and also magazine publishing revenues from UAB Ekspress Leidyba which merged with Delfi in July 2014. Last year Ekspress Leidyba was assessed separately. The impairment test of Maaleht is based on the future cash flows of business of newspaper Maaleht, portal www.maaleht.ee and magazine Maakodu (not included in 2013).

The applied revenue growth rates are as follows:

Cash-generating unit	Next financial year		Years 2-5		Terminal value growth	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Delfi Estonia	7.8%	5.1%	10%	10-15%	3.5%	3.5%
Delfi Latvia	4.2%	9.5%	10-15%	10-15%	3.5%	4%
Delfi Lithuania (including Ekspress Leidyba in 2014)	6.9%	8.3%	6.3-7.2%	10%	3.5%	3.5%
Maaleht (Eesti Ajalehed)	1.5%	2.1%	0.7%	0%	0%	0%

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 11.5-12% (2013: 11.3-11.5%) and the return on debt is 3.8% in Estonia, 4.1% in Latvia and 4.3% in Lithuania (2013: 4.8%-5.7%). The debt to equity ratio is based on the latest average debt to equity ratio of 47.4% in publishing and newspapers sector provided by the database of Damodaran Online. The cost of equity has been calculated using CAPM (Capital Asset Pricing Model). The latest average unleveraged beta of the publishing and newspaper industry based on Damodaran Online database has been used as one component. The yields on long-term government bonds with maturities of close to ten years issued by Latvia and Lithuania provided by the European Central Bank have been used as the basis for determining the risk rates of these countries. In respect of Estonia, the country's risk rate is based on the long-term euro bond yield of Germany, plus the risk coefficient for Estonia according to the database of Damodaran Online.

The applied discounts rates are as follows:

Cash-generating unit	31.12.2014	31.12.2013
Delfi Estonia	9.33%	9.70%
Delfi Latvia	9.14%	9.97%
Delfi Lithuania	9.44%	10.05%
Maaleht (Eesti Ajalehed)	9.33%	9.70%

The table below shows the recoverable and carrying amounts of cash-generating units, and the differences between them prior to recognition of an impairment loss. **The carrying amounts** include in addition to goodwill also trademarks, property, plant and equipment, other intangible assets and working capital. Impairment losses recognised during the year are disclosed in Note 26.

(EUR thousand)	31.12.2014			31.12.2013		
	Recoverable Amount	Carrying amount (prior to impairment)	Difference	Recoverable amount	Carrying amount (prior to impairment)	Difference
Delfi Estonia	20 569	17 996	2 573	20 432	18 023	2 409
Delfi Latvia	10 741	12 184	(1 443)	12 600	12 192	408
Delfi Lithuania	33 077	16 171	16 906	28 639	15 666	12 973
Maaleht (Eesti Ajalehed)	6 827	1 532	5 295	3 384	1 915	1 469

The Group's management considers the key assumptions used for the purpose of impairment testing of all 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.

Due to continued uncertainty in Eurozone countries, unclear economic impact of sanctions on Russia, weaker outlook in print media sector and thus more conservative assumptions, the sensitivity of impairment tests is higher than in previous year. In Latvia there has been a shift in competition due to acquisitions in 2014 which have forced us to strengthen our editorial office and invest more in different online products.

The earnings of both Delfi Lithuania and Maaleht are high and their future expected cash flows exceed the carrying value of its related assets by amount where any reasonable change in underlying assumptions would not cause the necessity for impairment loss to be recognized.

The sensitivity of goodwill related to Delfi Estonia and Delfi Latvia is much greater. It would be necessary to recognise an impairment loss if revenue of Delfi Estonia increased on average less than 6.2% in 2016-2019, the residual value growth was more than 1 pp lower or the applied discount rate was higher than 0.8 pp. Regarding Delfi Latvia if in the forecasts for the period 2016-2019 each year revenue growth would only reach 10%, an additional impairment loss of EUR 1.1 million should be recognized. Decrease of terminal value growth by 1 pp would cause additional impairment loss in amount of EUR 1.4 million and the increase in the discount rate by 1 pp would cause an additional impairment loss in amount of EUR 1.7 million.

Note 17. Trade and other payables

(EUR thousand)	31.12.2014	31.12.2013
Trade payables	1 410	3 405
incl. payables to related parties (Note 31)	15	15
Payables to employees	1 675	1 415
Other taxes payable	769	1 085
Deferred income	1 830	2 036
Payables to joint ventures (Note 31)	85	109
Accrued interest	8	11
Other accrued liabilities	472	375
Total trade and other payables	6 249	8 436

Deferred income includes mainly the client prepayments for subscriptions of periodicals.

Note 18. Bank loans and borrowings

(EUR thousand)	Total amount	Repayment term	
		Up to 1 year	Between 1-5 years
Balance as of 31.12.2014			
Overdraft	1 117	1 117	0
Long-term bank loans	21 887	4 016	17 871
<i>incl. syndicated loan (AS Ekspress Grupp)</i>	15 070	3 139	11 931
<i>incl. syndicated and mortgage loan (AS Printall)</i>	6 817	877	5 940
Finance lease (Note 19)	149	80	69
Total	23 153	5 213	17 939
Balance as of 31.12.2013			
Overdraft	0	0	0
Long-term bank loans	24 234	3 687	20 547
<i>incl. syndicated loan (AS Ekspress Grupp)</i>	18 119	3 043	15 075
<i>incl. syndicated and mortgage loan (AS Printall)</i>	6 115	643	5 472
Finance lease (Note 19)	198	73	125
Total	24 432	3 760	20 672

The effective interest rates are very close to the nominal interest rates. The fair value of the loan liabilities is close to its book value as the interest rate is floating and related to euribor and the margin has been negotiated based on market terms. The loan liabilities are within level 3 of the fair value hierarchy.

Long term bank loan

In July 2012, a new syndicated loan contract was signed for refinancing all the loan and lease obligations of AS Ekspress Grupp and AS Printall in the total amount of EUR 29.3 million. Previous obligations were paid off with the new loan. The company did not take any additional loans. The parties to the contract include AS SEB Pank, Nordea Bank Estonian branch, AS Ekspress Grupp and AS Printall. The loan will mature on 25 July 2017. In June 2014 additional Term D facility agreement was signed in amount of 2,3 million euros in order to finance the purchase of new sheet-fed machine. Previous facilities carry the interest based on 1-month Euribor plus a margin of 2.5%. Term D facility carries interest based on 3-month Euribor plus a margin of 2.7%. Upon expiry of the loan contract, the outstanding loan balance will be approx. EUR 12 million.

The loan is secured by the shares of the subsidiaries, the guarantees of Estonian subsidiaries in the amount of EUR 37 million, the commercial pledge on the assets of AS Printall in the amount of EUR 16 million and the trademarks of Delfi, Eesti Ekspress, Maaleht, Eesti Päevaleht and Eesti Ekspressi Kirjastus in the amount of EUR 5 million, the value of all of which is included within the net assets of the Group. In addition, the mortgage on the registered immovable and production facilities of AS Printall in the amount of EUR 9 million has been set. As of 31.12.2014, the carrying amount of the building was EUR 3.6 million and that of the registered immovable was EUR 0.4 million.

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

Overdraft facilities

Date of contract	Bank	Limit (EUR thousand)	Used 31.12.2014 (EUR thousand)	Used 31.12.2013 (EUR thousand)	Interest rate	Expiration date of the contract
12.07.2012	Nordea Bank AB Estonia Branch	1 320	1 117	0	1 month Euribor + 1.9%	25.07.2017
12.07.2012	AS SEB Pank	1 680	0	0	1 month Euribor + 1.9%	25.07.2017
Total		3 000	1 117	0		

Note 19. Finance lease

(EUR thousand)	Machinery and equipment
Balance as of 31.12.2014	
Cost	278
Accumulated depreciation	(49)
Carrying amount	229
Balance as of 31.12.2013	
Cost	248
Accumulated depreciation	(9)
Carrying amount	239

On 12 July 2012, a new syndicated loan contract was signed and all lease liabilities of AS Printall were refinanced. During 2013 miscellaneous equipment was purchased under new lease agreements by Printall and other companies.

(EUR thousand)	2014	2013
Finance lease liabilities at the end of the year	149	198
Principal payments in the financial year	75	25
Interest expenses in the financial year	5	2
Average annual interest rate p.a.	2.52%	2.42%

(EUR thousand)	2014	2013
Finance lease liabilities – minimum lease payments:		
Not later than 1 year	83	77
Later than 1 year and not later than 5 years	70	127
Total	153	204
Future finance charges on finance leases	4	7
Present value of finance lease liabilities	149	198

Note 20. Operating lease

Group companies and lessees lease facilities, motor vehicles and other equipment under the operating lease terms.

(EUR thousand)	2014	2013
Operating lease payments (Notes 23, 24, 25)	1 144	1 044
Office rental	551	745
Motor vehicles and other machinery and equipment	593	299
Future minimum lease payments under non-cancellable operating leases	2 684	2 239
Not later than 1 year	695	623
Later than 1 year but not later than 5 years	1 731	1 143
Later than 5 years	258	473

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

Note 21. 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 company perspective. Until June 2014, the Group divided its media companies into two different segments: online media and publishing of periodicals. Due to the fact that Lithuanian online media company UAB Delfi and magazine publisher UAB Ekspress Leidyba merged in July 2014 and that the publishers of periodicals are also more active in the online media market, the Group's media activities are combined into one media segment only. Thus leaving only two operating segments for the Group: media segment and printing services segment.

Media segment: management of online news portals and classified portals, advertising sales in own portals in the Baltics and publishing of newspapers, magazines, customer publications and books in Estonia and Lithuania.

This segment includes subsidiaries AS Delfi, AS Delfi (Latvia), UAB Delfi (Lithuania), Delfi Holding SIA (Latvia), AS Eesti Ajalehed (publisher of newspapers Eesti Ekspress, Maaleht and Eesti Päevaleht), OÜ Hea Lugu and UAB Ekspress Leidyba. Until 1 March 2014 it also included Delfi Ukraine, the operations of Delfi Ukraine were discontinued as the Group did not see a positive outlook for the future development in Ukraine. The costs related to liquidation of the business consisted of termination benefits of employees and premature termination of contracts in the amount of EUR 30 thousand that are included in the financial statements for the 1st quarter. The write-down of the trademark of Delfi Ukraine in the amount of EUR 0.5 million was already reflected in the consolidated results for 2013.

This segment also includes the joint ventures AS Ajakirjade Kirjastus, AS SL Õhtuleht and AS Express Post engaged in home delivery of periodicals. From 2014, joint ventures are not consolidated line-by-line, however some tables include their results and impact on the Group's figures.

The revenue of **the media segment** comes from sale of advertising banners and other advertising space and products in its own portals, sales of advertising space in newspapers and magazines, revenue from subscriptions and single copy sales of newspapers and magazines, sales of books and miscellaneous series, services fees for preparation of customer materials.

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

Segment revenue comes from the sale of paper and printing services.

The Group's corporate functions are shown separately and they do not form a separate business segment. It includes the Parent Company AS Ekspress Grupp, which provides legal advice and accounting services to its group companies, a subsidiary OÜ Ekspress Digital that provides intra-group IT services, and OÜ Ekspress Finance, the main activity of which is intra-group financing.

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

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

2014 (EUR thousand)	Media	Printing services	Corporate functions	Elimi- nations	Total Group
Sales to external customers (subsidiaries)	27 426	26 813	27	(1 473)	52 793
Effect of joint ventures	9 471	(756)	(5)	(118)	8 592
Inter-segment sales	33	2 894	1 709	(4 636)	0
Total segment sales, incl. joint ventures	36 930	28 951	1 731	(6 228)	61 384
EBITDA (subsidiaries)	3 025	5 944	(1 076)	0	7 894
EBITDA margin (subsidiaries)	11%	21%			15%
<i>EBITDA incl. joint ventures</i>	<i>4 013</i>	<i>5 944</i>	<i>(1 076)</i>	<i>(3)</i>	<i>8 878</i>
<i>EBITDA margin incl. joint ventures</i>	<i>11%</i>	<i>21%</i>			<i>14%</i>
Depreciation (subsidiaries) (Note 15,16)					2 921
Gain from change in ownership interest in joint ventures					1 933
Trademarks and goodwill impairment					(1 443)
Operating profit (subsidiaries)					5 463
Investments (subsidiaries) (Note 15,16)					3 127

2013 (EUR thousand)	Media	Printing services	Corporate functions	Elimi- nations	Total Group
Sales to external customers (subsidiaries)	25 834	25 343	15	(1 106)	50 086
Effect of joint ventures	9 112	(718)	(5)	(49)	8 340
Inter-segment sales	8	2 837	1 520	(4 365)	0
Total segment sales, incl. joint ventures	34 955	27 462	1 530	(5 520)	58 427
EBITDA (subsidiaries)	2 123	5 862	(1 356)	(38)	6 591
EBITDA margin (subsidiaries)	8%	21%			13%
<i>EBITDA incl. joint ventures</i>	<i>2 792</i>	<i>5 862</i>	<i>(1 356)</i>	<i>(35)</i>	<i>7 264</i>
<i>EBITDA margin incl. joint ventures</i>	<i>8%</i>	<i>21%</i>			<i>12%</i>
Depreciation (subsidiaries) (Note 15,16)					2 521
Trademarks and goodwill impairment					(2 467)
Operating profit (subsidiaries)					1 604
Investments (subsidiaries) (Note 15,16)					992

Capital expenditure comprises additions to property, plant and equipment (Note 15) and intangible assets (Note 16). The significant non-current assets located outside Estonia include primarily the online trademarks of Delfi Group in their carrying amounts as follows:

- In Latvia, EUR 2.2 million as of 31.12.2014 (EUR 2.3 million as of 31.12.2013)
- In Lithuania, EUR 2.1 million as of 31.12.2014 (EUR 2.1 million as of 31.12.2013)
- And trademarks related to former Ekspress Leidyba in Lithuania 0.1 million euros as of 31.12.2014 (EUR 0.3 million as of 31.12.2013).

Goodwill relating to companies outside Estonia at their carrying amounts is as follows:

- Delfi Latvia EUR 8.2 million as of 31.12.2014 (EUR 9.7 million as of 31.12.2013)
- Delfi Lithuania EUR 12.8 million as of 31.12.2014 and 31.12.2013

Note 22. Sales revenue

(EUR thousand)	2014	2013
Sales revenue by activity		
Advertising revenue	16 945	15 827
<i>incl. barter deals</i>	339	408
Single-copy sales	2 018	2 008
Subscriptions' revenue	5 308	5 124
Book publishing	1 402	1 461
Sale of paper and printing services	26 610	25 140
Sale of other goods and services	510	526
Total	52 793	50 086
Sales revenue by geographical area		
Estonia	23 925	23 027
Scandinavia	13 601	12 106
Lithuania	7 241	6 788
Latvia	2 098	2 705
Russia	2 704	2 951
Other Europe	3 197	2 455
Other countries	27	54
Total	52 793	50 086

Note 23. Cost of sales

(EUR thousand)	2014	2013
Raw materials and consumables used	15 184	14 717
Services purchased	6 118	6 094
Salaries and social taxes	15 032	14 352
Rental expenses (Note 20)	546	389
Other expenses	1 782	1 763
Depreciation and amortisation (Note 15,16)	2 026	1 880
Total expenses	40 688	39 195

Note 24. Marketing expenses

(EUR thousand)	2014	2013
Marketing	1 264	1 195
Salaries and social taxes	725	652
Rental expenses (Note 20)	20	16
Depreciation and amortisation (Note 15,16)	2	1
Total marketing expenses	2 011	1 864

Note 25. Administrative expenses

(EUR thousand)	2014	2013
Raw materials and consumables used	101	86
Repairs and maintenance	350	344
Communication expenses	112	108
Rental expenses (Note 20)	578	639
Services purchased	1 028	1 108
Salaries and social taxes	2 376	2 471
<i>incl. cost of the share option issued to the Management Board</i>	<i>136</i>	<i>384</i>
Depreciation and amortisation (Note 15,16)	893	640
Total administrative expenses	5 438	5 396

Note 26. Impairment loss for goodwill and trademarks

(EUR thousand)	2014	2013
Impairment loss for goodwill related to Delfi Latvia	1 443	0
Impairment loss for trademark related to Delfi Ukraine	0	491
Impairment loss for goodwill related to Eesti Päevaleht	0	1 102
Impairment loss for trademark related to Eesti Päevaleht	0	500
Impairment loss for goodwill related to Ekspress Leidyba	0	199
Impairment and sales loss for trademarks related to Ekspress Leidyba	0	175
Total loss from goodwill and trademarks impairment	1 443	2 467

More detailed information about impairment losses for goodwill is disclosed in Note 16.

Note 27. Expenses by type

(EUR thousand)	2014	2013
Salaries and social taxes	18 133	17 475
Raw materials and consumables used	15 285	14 803
Rental expenses (Note 20)	1 144	1 044
Services purchased	7 146	7 202
Marketing expenses	1 264	1 195
Repairs and maintenance	350	344
Communication expenses	112	108
Other expenses	1 782	1 763
Depreciation and amortisation	2 921	2 521
Total cost of sales, marketing and administrative expenses	48 137	46 455
Average number of employees	786	830

Note 28. Share option plan for Chairman of the Management Board

In November 2013, the General Meeting of Shareholders approved a share option plan for the Management Board. Under the plan, in the first quarter 2017 the Chairman of the Management Board will be entitled to acquire up to 700 000 shares of AS Ekspress Grupp that the company will buy from the securities market at the market price. Of this amount, 300 000 free of charge shares have already been earned at the time when the option was issued. The remaining amount is to be earned during the contractual period between September 2013 and December 2016 in equal quantities for every month of employment. Part of the shares is fixed and part depends on the fulfilment of set goals that is assessed once a year after the end of the financial year. The company is neither under the obligation to buy back shares nor pay cash compensation for them.

Upon approving the share option, the option was recognised at its fair value and recognised on the one hand as a staff cost in the income statement and, on the other hand, as a share option reserve in equity. As of 31.12.2014 this reserve totalled EUR 520 thousand and the number of earned shares was 460 000. As of 31.12.2013, this reserve totalled EUR 384 thousand and the number of earned shares was 340 000. See Note 29.

For finding the fair value of the share option upon the issuing of the option (i.e. when it was approved by the General Meeting of Shareholders), the *Black-Scholes-Merton* model was used. The assumptions used in the model were as follows: share price at the time of issuing the option: 1.16 euros, dividend rate: 0.01 euros per share, risk-free rate 2.96%, option term: slightly over 3 years.

Note 29. Equity

Share capital and share premium

As of 31 December 2014 and 31 December 2013, the share capital of AS Ekspress Grupp was EUR 17 878 105 and it 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.

Treasury shares

From 7 April 2014, AS SEB Pank has purchased back shares on behalf of the company within the framework of the share option programme. As of 31.12.2014, AS Ekspress Grupp had purchased ca 62 thousand treasury shares at the average price of EUR 1.03 for the total of EUR 64 thousand.

Dividends

At the Ordinary General Meeting of Shareholders held on 20 June 2014, it was decided to pay dividends to shareholders in the amount of one euro cent per share in the total amount of EUR 298 thousand. Dividends were paid out on 2 October 2014. There was no accompanying income tax liability because the Company paid out dividends it had received from its joint ventures and subsidiaries, that had already paid corporate income tax on dividends or the profit of which had already been taxed in its domicile. Therefore, there was no additional tax to be paid on distribution of dividends from the Parent Company.

Dividends of one euro cent per share in total amount of EUR 298 thousand were paid out also a year earlier on 1 October 2013.

Reserves

The reserves include statutory reserve capital required by the Commercial Code, a general-purpose equity contribution by a founding shareholder and a share option reserve issued to the management (see Note 28).

(EUR thousand)	EUR	
	31.12.2014	31.12.2013
Statutory reserve capital	281	227
Additional cash contribution from shareholders	639	639
Share option reserve	520	384
Total reserves	1 440	1 250

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. Treasury shares owned by the Parent Company are not taken into account as shares outstanding.

EUR	2014	2013
Profit attributable to equity holders of the Parent Company	5 110 132	1 081 074
The average number of ordinary shares (pc)	29 770 883	29 796 841
Basic and diluted earnings per share	0.17	0.04

Diluted earnings per share equal basic earnings on 31.12.2014 and 31.12.2013 as the Group has no any dilutive potential ordinary shares.

Note 30. Contingent assets and liabilities**Contingent income tax liability**

As of 31.12.2014, the consolidated retained earnings of the Group amounted to EUR 13 644 thousand (31.12.2013: EUR 8 848 thousand). Income tax of 20/80 of net dividend paid is imposed on the profit distributed as dividends. When an entity pays dividends it has received from its joint ventures and subsidiaries that have already paid income tax on those dividends or the profit of which has already been taxed in the domicile of the entity, the payment of those dividends by the Parent Company is not subject to additional income tax. As of 31.12.2014, AS Ekspress Grupp (Parent Company) may pay out dividends tax-free in the amount of EUR 6 925 thousand (as of 31.12.2013: EUR 6 904 thousand). Upon the payment of all possible retained earnings, there is a potential income tax liability in the amount of EUR 1 293 thousand and the amount to be paid out to shareholders would total EUR 12 096 thousand.

Contingent liabilities related to the Tax Board

Tax authorities have the right to review the Group's tax records for up to 3 years after submitting the tax declaration and upon finding errors, impose additional taxes, interest and fines. The tax authorities have not performed any tax audits in any of the group companies during 2012-2014. The management of the Group's Parent Company believes that there are not any circumstances which may lead the tax authorities to impose significant additional taxes on the group companies.

Contingent assets and liabilities arising from pending court cases

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

Contingent assets and liabilities arising from guarantees given

The Parent Company has given a guarantee in amount of EUR 1.6 million on 50% bank borrowings received by its joint ventures AS Ajakirjade Kirjastus and AS SL Õhtuleht. The other 50% of the loan is guaranteed by other co-owner of these joint ventures.

Note 31. Related party transactions

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

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

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

SALES (EUR thousand)	2014	2013
Sales of goods		
Associates	567	711
Total sale of goods	567	711
Sale of services		
Members of Supervisory Board and companies related to them	6	11
Joint ventures	1 565	1 466
Total sale of services	1 571	1 477
Total sales	2 138	2 188

PURCHASES (EUR thousand)	2014	2013
Purchase of services		
Members of Management Board and companies related to them	49	45
Members of Supervisory Board and companies related to them	242	275
Associates	2	4
Joint ventures	926	902
Total purchases of services	1 219	1 226

RECEIVABLES (EUR thousand)	31.12.2014	31.12.2013
Short-term receivables		
Members of Supervisory Board and companies related to them	5	5
Associates	241	229
Joint ventures	232	1 050
Total short-term receivables	478	1 284
Long-term receivables		
Members of Supervisory Board and companies related to them	160	160
Joint ventures	978	0
Total long-term receivables	1 138	160
Total receivables	1 616	1 444

LIABILITIES (EUR thousand)	31.12.2014	31.12.2013
Current liabilities		
Members of Management Board and companies related to them	4	4
Members of Supervisory Board and companies related to them	11	11
Joint ventures	85	109
Total liabilities	100	124

According to the decision of the General Meeting held on 2 June 2009 and 4 May 2012, Hans H. Luik will be paid a guarantee fee of 1.5% per annum on the amount for the personal guarantee of EUR 4 million given on the syndicated loan and overdraft agreements until the expiration of the guarantee. In 2014, the payment for personal guarantee was made in amount of EUR 60 thousand (2013: EUR 60 thousand) and there were no outstanding liabilities as of 31 December 2014 and 31 December 2013.

The management estimates that the transactions with related parties have been carried out at arms' length conditions. As of 31 December 2014 the allowance for a receivable from the associate Medipresa UAB has been made in amount of EUR 49 thousand (31.12.2013: EUR 43 thousand) in accordance with the ownership interest in the negative equity of Medipresa UAB.

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

(EUR thousand)	2014	2013
Salaries and other benefits (without social tax)	1 019	909
Termination benefits (without social tax)	35	11
Share option (Note 28)	136	384
Total (without social tax)	1 190	1 304

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 usually 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 31.12.2014, the maximum gross amount of potential Key Management termination benefits was EUR 357 thousand (31.12.2013: EUR 390 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 32. Events after the balance sheet dateMerger of subsidiaries

AS Ekspress Grupp has decided to merge AS Eesti Ajalehed and AS Delfi. The CEO of the merged company will be Mari-Liis Rüütsalu, the current CEO of AS Delfi. The formal merging process will be conducted during 2015, essentially the two companies will operate as a joint organization since 14th of January 2015. The reasons for the decision of merging two entities are the current highly integrated operation of the above companies and positive experience from Lithuania where last year a local Delfi organization and a magazine publishing house Ekspress Leidyba were merged.

Changeover to euro in Lithuania

On 1 January 2015, the Republic of Lithuania joined the euro zone and adopted the euro as the national currency, which replaced the Lithuanian litas. As Lithuanian litas was already previously pegged to euro at the transition rate LTL 3.4528/EUR 1, no any translation differences occur subsequently.

Changes of syndicate loan agreement

In March the Group signed changes of syndicate loan agreement according to which the guarantee deposit in the amount of 1.6 million EUR will be released and the loan will be early repaid in the same amount. Also some restrictions and covenants set in the agreement were relieved.

Note 33. Financial information about the Parent Company

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

Balance sheet of AS Ekspress Grupp (Parent Company)

(EUR thousand)	31.12.2014	31.12.2013
ASSETS		
Trade receivables		
Other receivables	781	959
Prepayments	28	35
Total trade and other receivables	809	994
Total current assets	809	994
Non-current assets		
Term deposit	1 600	0
Long-term financial investments	1 168	190
Shares of subsidiaries	22 833	23 002
Loans to subsidiaries	38 926	39 968
Shares of joint ventures	3	527
Shares of associates	135	0
Property, plant and equipment	45	41
Intangible assets	112	87
Total non-current assets	64 822	63 815
TOTAL ASSETS	65 631	64 809
LIABILITIES AND EQUITY		
Liabilities		
Borrowings	4 256	3 043
Trade and other payables		
Trade payables	31	41
Payables to employees	42	36
Tax payables	36	55
Other liabilities towards subsidiaries	42 658	40 836
Total trade and other payables	42 767	40 968
Total current liabilities	47 023	44 011
Long-term borrowings	11 931	15 076
Total trade and other payables	11 931	15 076
Total current liabilities	58 954	59 087
Equity		
Share capital at nominal value	17 878	17 878
Share premium	14 277	14 277
Treasury shares	(64)	0
Statutory reserve capital	281	227
Other reserves	1 159	1 023
Retained earnings	(26 854)	(27 683)
Total equity	6 677	5 722
TOTAL LIABILITIES AND EQUITY	65 631	64 809

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

(EUR thousand)	2014	2013
Sales revenue	497	523
Cost of sales	(44)	(18)
Gross profit	453	505
Other income	2	1
Marketing expenses	(34)	(3)
Administrative expenses	(1 465)	(1 632)
Other expenses	(3)	0
Finance income and costs on shares of joint ventures	203	312
Interest income	1 033	989
Interest expenses	(1 735)	(1 662)
Other finance income and costs	2 727	(2 112)
Financial income and expense	2 228	(3 602)
PROFIT (LOSS) FOR THE YEAR	1 181	(3 602)
Other comprehensive income (expense) for the year	0	0
Total comprehensive income (expense) for the year	1 181	(3 602)

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

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

(EUR thousand)	Attributable to equity holders of the Group					Total equity
	Share capital	Share premium	Treasury shares	Reserves	Retained earnings	
Balance on 31.12.2012	17 878	14 277	0	740	(23 658)	9 237
Carrying amount of holdings under control or significant influence						(24 227)
Value of holdings under control or significant influence, calculated under equity method						56 089
Adjusted unconsolidated equity as of 31.12.2012						41 099
Profit for the reporting period	0	0	0	0	(3 602)	(3 602)
<i>Comprehensive income (expense) for the reporting period</i>	0	0	0	0	(3 602)	(3 602)
Increase in statutory legal reserve	0	0	0	126	(126)	0
Dividends paid	0	0	0	0	(298)	(298)
Value of share option	0	0	0	384	0	384
<i>Transactions with owners total</i>	0	0	0	510	(424)	86
Total change	0	0	0	510	(4 025)	(3 515)
Balance on 31.12.2013	17 878	14 277	0	1 250	(27 683)	5 722
Carrying amount of holdings under control or significant influence						(23 529)
Value of holdings under control or significant influence, calculated under equity method						60 132
Adjusted unconsolidated equity as of 31.12.2013						42 325
Profit for the reporting period	0	0	0	0	1 181	1 181
<i>Comprehensive income (expense) for the reporting period</i>	0	0	0	0	1 181	1 181
Increase in statutory legal reserve	0	0	0	54	(54)	0
Dividends paid	0	0	0	0	(298)	(298)
Purchase of treasury shares	0	0	(64)	0	0	(64)
Value of share option	0	0	0	136	0	136
<i>Transactions with owners total</i>	0	0	(64)	190	(352)	(226)
Total change	0	0	(64)	190	829	955
Balance on 31.12.2014	17 878	14 277	(64)	1 440	(26 854)	6 677
Carrying amount of holdings under control or significant influence						(22 971)
Value of holdings under control or significant influence, calculated under equity method						63 469
Adjusted unconsolidated equity as of 31.12.2014						47 175

Cash flow statement of AS Ekspress Grupp (Parent Company)

(EUR thousand)	2014	2013
Cash flows from operating activities		
Operating profit (loss) for the period	(1 047)	(1 129)
<u>Adjustments for:</u>		
Depreciation, amortisation and impairment	36	13
Change in value of share option	136	384
Impairments of investments	17	0
Changes in working capital:		
Trade and other receivables	193	(87)
Trade and other payables	39	(88)
Cash generated from operations	(626)	(907)
Interest paid	(1 785)	(1 653)
Net cash generated from operating activities	(2 411)	(2 560)
Cash flows from investing activities		
Term deposit (placement)/release	(1 600)	0
Received on restructuring of joint ventures	2 354	0
Investment in joint ventures	(3)	0
Acquisition of associate	(135)	0
Proceeds from the sale of subsidiaries	150	0
Purchase and increase of share capital of subsidiaries	0	(1 375)
Purchase of other investments	0	(15)
Interest received	2 053	288
Dividends received	203	312
Purchase of property, plant and equipment	(70)	(109)
Disposal of property, plant and equipment	2	0
Loans granted	0	(175)
Loan repayments received	0	10
Net cash used in investing activities	2 954	(1 064)
Cash flows from financing activities		
Change in overdraft used	1 117	(745)
Change in cash pool account	1 751	7 638
Repayments of borrowings	(3 049)	(2 971)
Dividends paid	(298)	(298)
Purchase of treasury shares	(64)	0
Net cash generated from financing activities	(543)	3 624
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	0	0
Cash and cash equivalents at beginning of the period	0	0
Cash and cash equivalents at end of the period	0	0

[Translation from Estonian original]

INDEPENDENT CERTIFIED AUDITOR'S REPORT

To the shareholders of AS Ekspress Grupp:

We have audited the accompanying consolidated financial statements of AS Ekspress Grupp, which comprise the statement of financial position as at 31 December 2014, and the statement of income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management Board's Responsibility for the Financial Statements

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

Certified Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of AS Ekspress Grupp as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with Estonian Accounting Act and the International Financial Reporting Standards as adopted in the European Union.

Emphasis of Matter

We draw attention to Note 16 in the consolidated financial statements, which discloses significant assumptions and inputs used by management in impairment testing of the Group assets (incl. goodwill) and the impact of possible changes in those assumptions and inputs on the results of the impairment tests. Our opinion is not qualified in respect of this matter.

18 March 2015

/signed digitally/

Veiko Hintsov
Certified Auditor, No. 328
AS Deloitte Audit Eesti
License No. 27

/signed digitally/

Kersti Ruut
Certified Auditor, No. 604

PROPOSAL FOR PROFIT ALLOCATION FOR THE YEAR 2014

The Management Board of AS Ekspress Grupp proposes to allocate the consolidated net profit for the financial year ended 31 December 2014 in the amount of EUR 5 110 thousand as follows:

(EUR thousand)	
Consolidated net profit attributable to equity holders of AS Ekspress Grupp	5 110
Payment of dividends	1 189
Increase in statutory reserve (1/20 from the profit)	256
Profit for the financial year to be transferred to retained earnings	3 665
Statutory reserve before increase	281
Statutory reserve after the increase	537
Retained earnings balance before profit allocation	8 534
Total consolidated retained earnings after profit distribution	12 199

DECLARATION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

The Management Board has prepared the management report and the consolidated financial statements of AS Ekspress Grupp for the year ended on 31 December 2014.

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

Management Board

<i>Signed digitally</i>	<i>Signed digitally</i>	<i>Signed digitally</i>
Chairman of the Management Board	Member of the Management Board	Member of the Management Board
Gunnar Kobin	Andre Veskimeister	Pirje Raidma
18 March 2015	18 March 2015	18 March 2015

Supervisory Board

.....
Chairman of the Supervisory Board	Member of the Supervisory Board	Member of the Supervisory Board
Viktor Mahhov	Hans H. Luik	Indrek Kasela

.....
Member of the Supervisory Board	Member of the Supervisory Board	Member of the Supervisory Board
Harri Helmer Roschier	Jaak Ennuste	Kari Sakari Salonen