AS EKSPRESS GRUPP

CONSOLIDATED INTERIM REPORT

FOR THE FIRST QUARTER OF 2014

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# GENERAL INFORMATION

| | |
|---|---|
| Beginning of reporting period | 1 January 2014 |
| End of reporting period | 31 March 2014 |
| | |
| End of reporting period | AS Ekspress Grupp |
| Registration number | 10004677 |
| Address | Narva mnt 11E, Tallinn 10151 |
| Phone | 669 8381 |
| Fax | 669 8081 |
| E-mail | egrupp@egrupp.ee |
| Internet homepage | www.egrupp.ee |
| Main field of activity | Publishing and related services |
| | |
| Management Board | Gunnar Kobin (chairman) |
| | Andre Veskimeister |
| | Pirje Raidma |
| | |
| Supervisory Board | Viktor Mahhov (chairman) |
| | Hans H. Luik |
| | Aavo Kokk |
| | Kari Sakari Salonen |
| | Harri Helmer Roschier |
| | Ville Jehe |
| | |
| Auditor | AS PricewaterhouseCoopers |

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

The Management Board confirms that the management report and interim consolidated financial statements of AS Ekspress Grupp disclosed on pages 5 to 43 present a true and fair view of the key events which have occurred during the reporting period and their effect on the Group's financial position, results and cash flows, and they include a description of major risks and related party transactions of great significance.

| | | | |
|---|---|---|---|
| Gunnar Kobin | Chairman of the Management Board | *signed digitally* | 30.04.2014 |
| Pirje Raidma | Member of the Management Board | *signed digitally* | 30.04.2014 |
| Andre Veskimeister | Member of the Management Board | *signed digitally* | 30.04.2014 |

# MANAGEMENT REPORT

In the 1st quarter of 2014, the normalised EBITDA of Ekspress Group amounted to EUR 1.64 million and the net profit was EUR 0.69 million. The normalised EBITDA increased by 9.2% year-on-year and the net profit figure was 8.3% higher as compared to Q1 2013. In the 1st quarter, extraordinary expenses included the amount of EUR 0.19 million in costs related to the court dispute with AS Eesti Meedia. The normalised result exceeds last year's figures, as well as the Group's budgeted quarterly result by approximately EUR 0.4 million in terms of both EBITDA and the net profit. Almost all Group companies contributed to that positive result. Without normalising the figures, the company's EBITDA was EUR 1.45 million and the net profit was EUR 0.50 million. The Company has a strong financial position. The debt service coverage ratio is as high as 1.64 and the liquidity ratio is over 1.0. By the end of the quarter, the Company's ratio of total debt to EBTIDA decreased to 3.26.

The above numbers relate to all our joint ventures (AS SL Õhtuleht, AS Ajakirjade Kirjastus and AS Express Post) consolidated line-by-line 50%. Starting from 2014, in accordance with **new international financial reporting standards (IFRS)** 50% joint ventures are recognized under the equity method in the consolidated financial statements. The change in these accounting policies did not affect the net profit, but decreased the first-quarter revenue by EUR 2 million and the EBITDA by EUR 0.1 million. In its monthly reports, the management monitors the Group's performance by continuing proportionate consolidation of joint ventures. Also loan covenants set in the syndicated loan contract are calculated based on proportionate consolidation. For purposes of clarity, the management report shows two sets of indicators: one where joint ventures are consolidated line by line and the other where joint ventures are recognised under the equity method and their results are presented in one line as financial income. In Note 3 of the interim financial statements, the impact of each joint venture on relevant lines of the income statement and balance sheet is shown in more detail.

In the 1st quarter, the biggest growth in both revenue and EBITDA was recorded in the online media segment, where sales revenue increased by 12% and EBITDA were up by 96%. The periodicals segment managed to increase the revenue by 4%, but EBITDA improved by 42%. In the printing services segment, revenue increased by 7% and EBITDA improved by 3%.

**In the online media segment,** the biggest revenue growth was posted by Delfi Estonia, and was up by 26%. The revenue of Delfi Lithuania increased by 11%. In the 1st quarter, the revenue of Delfi Latvia decreased by 5%, but the result was still better in the light of the possible price shock related to the euro changeover. The EBITDA figure improved significantly both in Estonia and Lithuania. In the 1st quarter, the operations in the online media segment were characterised by focusing in addition on core products also on specialized verticals. In all three countries we also continued developing portals zave.ee, zave.lv and zave.lt that publish discount campaign offers of retailers. By the end of the 1st quarter, the fastest-growing of the three was Zave in Estonia with more than 20 different retailers in their system.

**The periodicals segment** is characterised by weak print advertising market that is partly being off-set by revenue from subscriptions and single-copy sales. In the segment, the revenue of AS Eesti Ajalehed increased by 9% and EBITDA improved by 82%. The growth is largely attributable to an increase in cover prices in both retail sales and subscriptions, as well as the success in criminal novels series. Because of the popularity of the book series, it was decided to extend it by 10 titles. The digital subscriptions of Eesti Ekspress and Eesti Päevaleht have also strongly increased as compared to the year earlier, by 98% and 134%, respectively, reaching 7 thousand subscribers by the end of the quarter. In the 1st quarter, the first digital subscriptions for Maaleht were sold and by the end of the quarter, Maaleht had approximately 3.5 thousand paying digital subscribers. In the periodicals segment, the revenue of AS SL Õhtuleht and AS Ajakirjade Kirjastus also increased moderately. The EBITDA of AS SL Õhtuleht for the quarter was 12% lower than a year earlier, whereas the EBITDA of AS Ajakirjade Kirjastus was 1.5 times higher as compared to the year before, reaching EUR 10 thousand in profit in absolute figures. The book publishing enterprise OÜ Hea Lugu earned 20% higher EBITDA year-over-year, whereas AS Express Post increased its profit by 14%. The Lithuanian magazine publishing company ended the first quarter with a loss of EUR 29 thousand.

In January, Eesti Päevaleht underwent modernisation and separate topical days were launched. Every day, four final pages are dedicated to one specific topic (sports, business, science, health and consumers, respectively). Maakodu (Country Home) that this year celebrates its 25th anniversary, has been published in a new format since March. Changes also concern Eesti Ekspress that at the end of April will be published on Wednesdays and not on Thursdays, as at present.

Specially should be mentioned our journalists who outperformed the yearly competition by winning the biggest number of press awards for articles published in 2013 including the most prestigious one – the Bonnier Award.

In **the printing services segment**, the revenue of AS Printall increased by 7% and EBITDA was up by 3%. Estonian revenue increased in the 1st quarter, decreasing the share of exports by one percentage point to 68%. The breakdown of exports by countries is constantly changing: in the first quarter, sales to Finland increased by 58% whereas sales of Russia fell by 33% as compared to the year before.

**On the Group level**, the dispute with the competing media enterprise Eesti Meedia over the realisation of the purchasing right pertaining to the ownership of joint ventures continued.

In **the second quarter**, we expect sales to grow moderately by 5% as compared to the year before, evenly in all segments, and the increase of EBITDA and the net profit by 10%. Our view for the second quarter does not take into consideration possible negative developments in our neighbouring economies that may be caused by the dramatic deterioration of the economic environment.

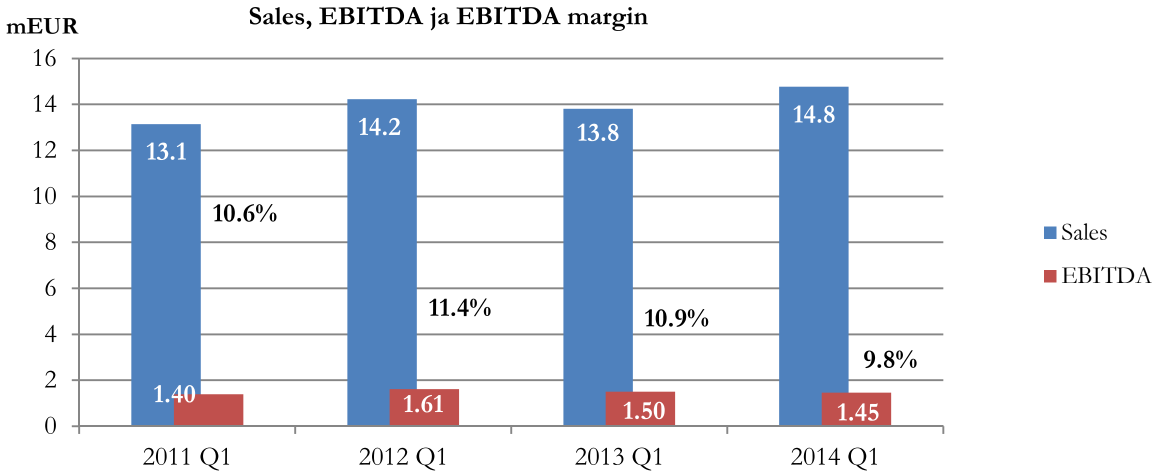
In the 2nd quarter, the Group's Lithuanian subsidiaries will be merged into one media-house. The objective is to strengthen our position and to achieve synergy both in expenses and in quality. Close cooperation with Lithuania's largest advertising network Adnet, in which the acquisition of a minority ownership is being completed, is expected to help it.

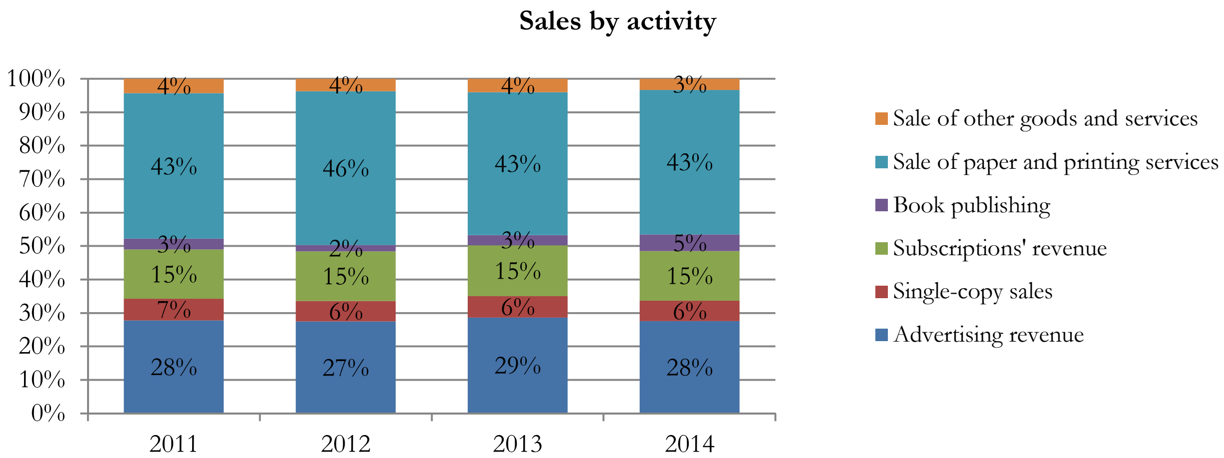
We continue to look for new sources of growth that would help to develop innovative solutions for our demanding readers and customers. With our solutions we continue to offer new and interesting experiences both on paper and in digital media, without compromising on news quality, choice of topics and journalistic objectivity.

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

| Performance indicators – joint ventures consolidated by 50% (EUR thousand) | Q1 2014 | Q1 2013 | Change % | Q1 2012 | Q1 2011 |
|---|---|---|---|---|---|
| **For the period** | | | | | |
| Sales | 14 766 | 13 809 | 7% | 14 219 | 13 146 |
| **EBITDA** | **1 454** | **1 503** | **-3%** | **1 615** | **1 395** |
| ***EBITDA margin (%)*** | ***9.8%*** | ***10.9%*** | | ***11.4%*** | ***10.6%*** |
| Operating profit* | 691 | 840 | -18% | 756 | 555 |
| *Operating margin* (%)* | *4.7%* | *6.1%* | | *5.3%* | *4.2%* |
| Interest expenses | (176) | (197) | 11% | (488) | (559) |
| **Profit / (loss) for the period *** | **503** | **638** | **-21%** | **179** | **(155)** |
| ***Net margin* (%)*** | ***3.4%*** | ***4.6%*** | | ***1.3%*** | ***-1.2%*** |
| Net profit / (loss) for the period in the financial statements (incl. impairments and gain on sale of ownership interest) | 503 | 638 | -21% | 179 | 1 385 |
| *Net margin (%)* | *3.4%* | *4.6%* | | *1.3%* | *10.5%* |
| ROA (%) | *0.7%* | *0.8%* | | *0.2%* | *1.6%* |
| ROE (%) | *1.2%* | *1.5%* | | *0.5%* | *3.8%* |
| **Earnings per share (EPS)** | **0.02** | **0.02** | | **0.01** | **0.05** |

*The results exclude impairment of goodwill and trademarks, and the net extraordinary gain in relation to the acquisition of an additional ownership interest in Eesti Päevalehe AS. In the 1st quarter of 2011, an additional 50% ownership interest in Eesti Päevalehe AS was acquired. The transaction was accounted for in two parts: firstly, as the sale of the current 50% ownership interest on which the net extraordinary gain totalled EUR 1 540 thousand and secondly, as the acquisition of the wholly-owned subsidiary.



| Balance sheet – joint ventures consolidated by 50% (EUR thousand) | 31.03.2014 | 31.12.2013 | Change % |
|---|---|---|---|
| **As at the end of the period** | | | |
| Current assets | 12 943 | 14 447 | -10% |
| Non-current assets | 62 476 | 63 019 | -1% |
| **Total assets** | **75 419** | **77 466** | **-3%** |
| *incl. cash and bank* | *3 230* | *4 501* | *-28%* |
| *incl. goodwill* | *40 052* | *40 052* | *0%* |
| Current liabilities | 12 843 | 14 468 | -11% |
| Non-current liabilities | 19 750 | 20 673 | -4% |
| **Total liabilities** | **32 593** | **35 141** | **-7%** |
| *incl. borrowings* | *23 510* | *24 432* | *-4%* |
| Equity | 42 826 | 42 325 | 1% |

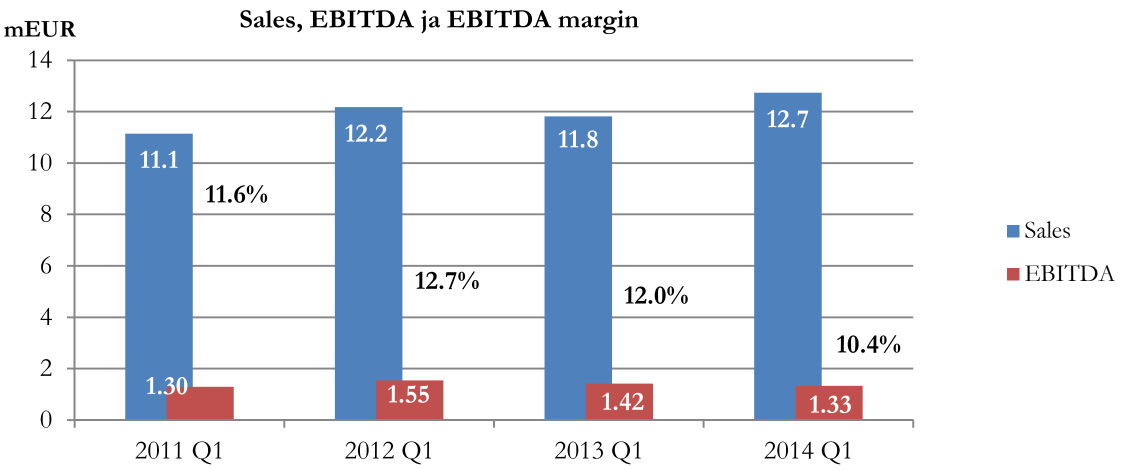
| Financial ratios (%) – joint ventures consolidated by 50% | 31.03.2014 | 31.12.2013 |
|---|---|---|
| Equity ratio (%) | 57% | 55% |
| Debt to equity ratio (%) | 55% | 58% |
| Debt to capital ratio (%) | 32% | 32% |
| Total debt / EBITDA ratio | 3.26 | 3.36 |
| Debt service coverage ratio | 1.64 | 1.66 |
| Liquidity ratio | 1.01 | 1.00 |

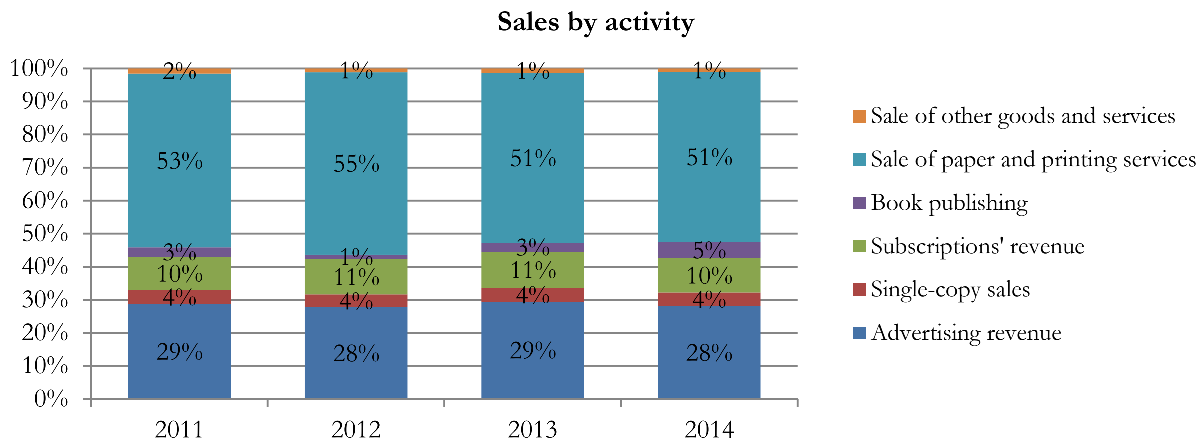
| Formulas used to calculate the financial ratios | |
|---|---|
| EBITDA margin (%) | EBITDA/sales x 100 |
| Operating margin* (%) | Operating profit*/sales x100 |
| Net margin* (%) | Net profit*/sales x100 |
| Net margin (%) | Net profit /sales x100 |
| Earnings per share | Net profit / average number 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 |
| ROA (%) | Net profit /average assets x 100 |
| ROE (%) | Net profit /average equity x 100 |

## FINANCIAL INDICATORS AND RATIOS – joint ventures by equity method

| Performance indicators – joint ventures by equity method (EUR thousand) | Q1 2014 | Q1 2013 | Change % | Q1 2012 | Q1 2011 |
|---|---|---|---|---|---|
| **For the period** | | | | | |
| Sales (subsidiaries only) | 12 734 | 11 812 | 8% | 12 177 | 11 149 |
| **EBITDA (subsidiaries only)** | **1 330** | **1 417** | **-6%** | **1 548** | **1 295** |
| ***EBITDA margin (%)*** | ***10.4%*** | ***12.0%*** | | ***12.7%*** | ***11.6%*** |
| Operating profit* (subsidiaries only) | 593 | 777 | -24% | 720 | 496 |
| *Operating margin* (%)* | *4.7%* | *6.6%* | | *5.9%* | *4.4%* |
| Interest expenses (subsidiaries only) | (176) | (197) | 11% | (489) | (563) |
| Profit from joint ventures by equity method | 98 | 63 | 55% | 40 | 70 |
| **Profit / (loss) for the period *** | **503** | **638** | **-21%** | **179** | **(155)** |
| ***Net margin* (%)*** | ***3.9%*** | ***5.4%*** | | ***1.5%*** | ***-1.4%*** |
| Net profit / (loss) for the period in the financial statements (incl. impairments and gain on sale of ownership interest) | 503 | 638 | -21% | 179 | 1 385 |
| *Net margin (%)* | *3.9%* | *5.4%* | | *1.5%* | *12.5%* |
| ROA (%) | *0.7%* | *0.8%* | | *0.2%* | *1.7%* |
| ROE (%) | *1.2%* | *1.5%* | | *0.5%* | *3.8%* |
| **Earnings per share (EPS)** | **0.02** | **0.02** | | **0.01** | **0.05** |

*The results exclude impairment of goodwill and trademarks, and the net extraordinary gain in relation to the acquisition of an additional ownership interest in Eesti Päevalehe AS. In the 1st quarter of 2011, an additional 50% ownership interest in Eesti Päevalehe AS was acquired. The transaction was accounted for in two parts: firstly, as the sale of the current 50% ownership interest on which the net extraordinary gain totalled EUR 1 540 thousand and secondly, as the acquisition of the wholly-owned subsidiary.



| Balance sheet – joint ventures by equity method (EUR thousand) | 31.03.2014 | 31.12.2013 | Change % |
|---|---|---|---|
| **As at the end of the period** | | | |
| Current assets | 9 985 | 11 357 | -12% |
| Non-current assets | 63 452 | 63 898 | -1% |
| **Total assets** | **73 437** | **75 255** | **-2%** |
| *incl. cash and bank* | *1 348* | *2 209* | *-39%* |
| *incl. goodwill* | *39 596* | *39 596* | *0%* |
| Current liabilities | 10 861 | 12 258 | -11% |
| Non-current liabilities | 19 750 | 20 672 | -4% |
| **Total liabilities** | **30 611** | **32 930** | **-7%** |
| *incl. borrowings* | *23 510* | *24 432* | *-4%* |
| Equity | 42 826 | 42 325 | 1% |

| Financial ratios (%) – joint ventures by equity method | 31.03.2014 | 31.12.2013 |
|---|---|---|
| Equity ratio (%) | 58% | 56% |
| Debt to equity ratio (%) | 55% | 58% |
| Debt to capital ratio (%) | 34% | 34% |
| Total debt /EBITDA ratio | 3.61 | 3.71 |
| Debt service coverage ratio | 1.48 | 1.50 |
| Liquidity ratio | 0.92 | 0.93 |

| Formulas used to calculate the financial ratios | |
|---|---|
| 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 |
| ROA (%) | Net profit /average assets x 100 |
| ROE (%) | Net profit /average equity x 100 |
| Operating margin* (%) | Operating profit*/sales x100 |

## OVERVIEW OF THE SEGMENTS

Since 2009 the Group operates in the following operating segments:
- Online media
- Periodicals (newspapers, magazines and books)
- Printing services.

### *Cyclicality*

All operating areas of the Group are characterised by cyclicality 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.

### Key financial data of the segments Q1 2011-2014

| (EUR thousand) | Sales | | | Sales | |
|---|---|---|---|---|---|
| | Q1 2014 | Q1 2013 | Change % | Q1 2012 | Q1 2011 |
| Online media | 2 737 | 2 437 | 12% | 2 187 | 1 852 |
| Periodicals (incl. consolidated joint ventures) | 5 967 | 5 743 | 4% | 5 781 | 5 562 |
| Printing services | 7 062 | 6 617 | 7% | 7 376 | 6 470 |
| Corporate functions | 422 | 355 | 19% | 140 | 26 |
| Intersegment eliminations | (1 422) | (1 343) | -6% | (1 264) | (765) |
| **TOTAL GROUP** | **14 766** | **13 809** | **7%** | **14 219** | **13 146** |
| Impact of joint ventures | (2 032) | (1 997) | | (2 042) | (1 997) |
| **TOTAL GROUP by new accounting standards** | **12 734** | **11 812** | **8%** | **12 177** | **11 149** |

| (EUR thousand) | EBITDA | | | EBITDA | |
|---|---|---|---|---|---|
| | Q1 2014 | Q1 2013 | Change % | Q1 2012 | Q1 2011 |
| Online media | 165 | 84 | 96% | 238 | (37) |
| Periodicals (incl. consolidated joint ventures) | 298 | 210 | 42% | 21 | 144 |
| Printing services | 1 459 | 1 414 | 3% | 1 529 | 1 496 |
| Corporate functions | (467) | (206) | -127% | (174) | (214) |
| Intersegment eliminations | 0 | 1 | -78% | 0 | 5 |
| **TOTAL GROUP** | **1 454** | **1 503** | **-3%** | **1 615** | **1 395** |
| Impact of joint ventures | (125) | (86) | | (67) | (100) |
| **TOTAL GROUP by new accounting standards** | **1 330** | **1 417** | **-6%** | **1 548** | **1 295** |

| EBITDA margin | Q1 2014 | Q1 2013 | Q1 2012 | Q1 2011 |
|---|---|---|---|---|
| Online media | 6% | 3% | 11% | -2% |
| Periodicals | 5% | 4% | 0% | 3% |
| Printing services | 21% | 21% | 21% | 23% |
| **TOTAL** | **10%** | **11%** | **11%** | **11%** |
| **TOTAL GROUP by new accounting standards** | **10%** | **12%** | **13%** | **12%** |

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

### News portals owned by the Group

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

### Advertising portals owned by the Group

| Owner | Portal | Owner | Portal |
|---|---|---|---|
| Delfi Lithuania | www.alio.lt | AS Eesti Ajalehed | www.ekspressjob.ee |
| | | | www.ekspressauto.ee |
| | | | www.hyppelaud.ee |

### Online media segment

The online media segment includes Delfi operations in Estonia, Latvia, Lithuania and Ukraine as well as the Parent Company Delfi Holding. Starting from 1 March 2014, the operations in Ukraine have been terminated. The first-quarter EBITDA of Delfi Ukraine includes expenses related to the termination of operations.

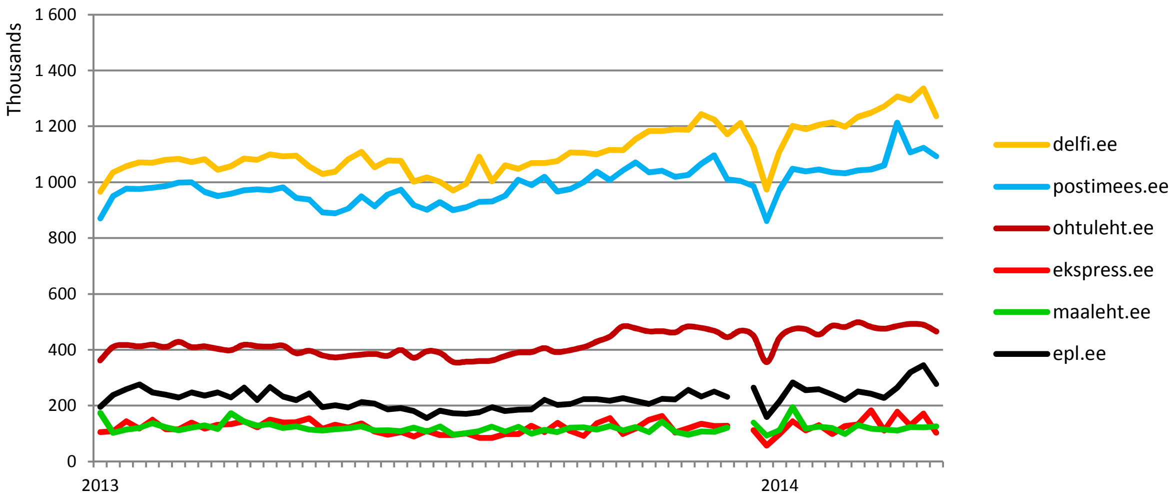
| (EUR thousand) | Sales | | | EBITDA | | |
|---|---|---|---|---|---|---|
| | Q1 2014 | Q1 2013 | Change % | Q1 2014 | Q1 2013 | Change % |
| Delfi Estonia | 1 073 | 852 | 26% | 37 | (29) | 228% |
| Delfi Latvia | 494 | 520 | -5% | (83) | 38 | -318% |
| Delfi Lithuania | 1 169 | 1 055 | 11% | 161 | 43 | 274% |
| Delfi Ukraine | 2 | 10 | -80% | (51) | (59) | 14% |
| Other Delfi companies | 0 | 0 | - | 100 | 90 | 11% |
| Intersegment eliminations | (1) | 0 | - | 1 | 1 | - |
| **TOTAL** | **2 737** | **2 437** | **12%** | **165** | **84** | **96%** |

In the 1st quarter, sales and number of users of Delfi continued to grow strongly both in Estonia and in Lithuania. The sales growth was mainly attributable to the successful launch of new verticals and topical portals, new advertising solutions, Delfi TV and the growing use of the mobile app. The EBITDA of Delfi in Lithuania increased mainly because of higher efficiency of the sales team, improved customer focus and more active handling of overdue receivables. The sales and the EBITDA of Delfi in Latvia have decreased as compared to the year before, but exceeded the budget significantly. We had budgeted the possible negative impact of the euro changeover, but it turned out to be smaller than we estimated. On the other hand, the events unfolding in Ukraine have had an impact and are likely to affect business also in the future. We believe that initiatives launched all over the Baltic states will add boost to our growth in Latvia and that this year will generally be more successful in sales and product development as compared to the year earlier.

**Delfi Estonia**

- Launch of separate Delfi TV on a new platform.
- Delfi Estonia continued 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, streams from basketball matches abroad, etc.
- Websites for weather and jokes were renewed. The latter was re-named [www.igav.ee](http://www.igav.ee).
- In connection with launching a new comments' section, the number of comments posted by registered users has increased.
- Delfi has received a lot of feedback and support in connection with the complaint that the Grand Chamber of European Court of Human Rights has decided to give further examination. AS Delfi continuously is in an opinion that website owners are not under the obligation to pre-edit user-created content. The court case started in 2006 when Vjatšeslav Leedo sued Delfi for comments published at the article „SLK destroys planned ice route“. The article received a total of 185 readers' comments, 20 of which Mr. Leedo considered defamatory.

**Estonian online readership 2013-2014**



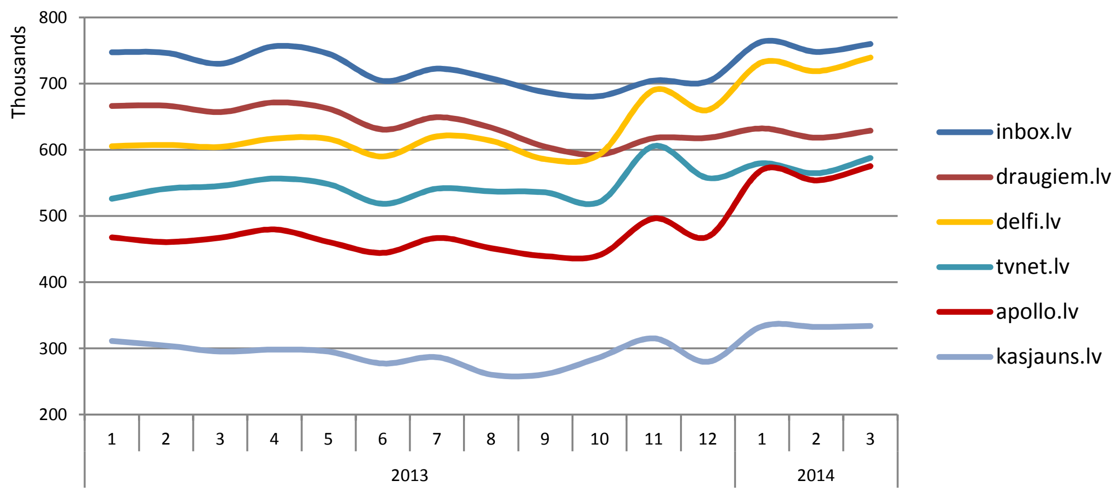

*TNSMetrix weekly audience survey*

The 1st quarter of 2014 has been successful for Delfi. The difference in the number of users with the competing portal postimees.ee has been stable at more than 150 thousand unique browsers a week. Also the consumption of news portals by smartphones continues to increase – in the 1st quarter there were weeks when the number of mobile users of Delfi has exceeded 330 thousand unique browsers. This shows that at times 25% of Delfi news is consumed via mobile equipment.

## Delfi Latvia

- 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.
- New Latvian-language and Russian-language travel portals, portal for discount offers www.zave.lv and humour website www.loli.lv were launched
- In Q1, the cooking portal www.tasty.lv has become Latvia's largest and most popular recipe portal.
- Separate topical sites such as Sochi Olympics, Valentine's Day, Women's Day, etc.
- Cooperation projects:
  - Latvian Music Awards „The Great Music Award" (media partner),
  - Marketing Festival „Password" (media partner),
  - Riga Fashion Week (media partner).

**Latvian online readership 2013-2014**




*GemiusAudience monthly audience survey*

In the 1st quarter, the users' activity in news portals was again very high. This was attributable to the users' interest to the tragic accident that happened in Riga in November and the escalation of events in Ukraine.

The number of unique visitors of Delfi has been growing sharply during last few months. Delfi is close to get the biggest portal of Latvia and based on the March statistics there is only 20 thousand real users that inbox.lv has more than Delfi. Taking into the account that these figures do not consist mobile users it is fair to assume that with mobile traffic Delfi would be the biggest portal in Latvia.

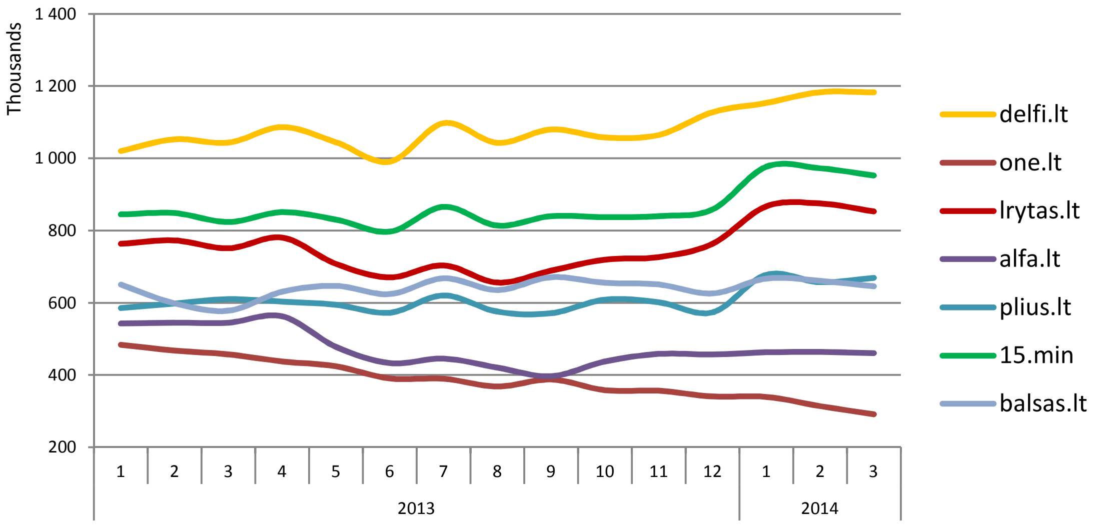
In the 1st quarter, the most important event on the market was the acquisition of Apollo.lv by Tvnet.lv. As a result, Delfi will have a strong competitor in Latvia.

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 within 2014.

**Delfi Lithuania**

- 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 TV launched a daily TV programme with news in brief that in 2 minutes wraps up the most important and interesting news.
- Delfi TV produced a documentary series about Bushido and the history of samurais, the mission of NATO Air Force in Lithuania, a popular science project ScienceExpress, cooking projects, etc.
- New TV channels „Moteris TV“ (“Lithuanian Woman”) and „Mano namai TV“ (“My Home”) were launched.
- Coverage of news in Ukraine which included local freelance journalists and photographers from Ukraine and covering economy, politics and defence policy were very popular with the audience.
- Cooperation projects in different fields:
    - Lithuanian Winter Rally (cooperation partner),
    - Economic conference "Valstybė" (cooperation partner),
    - BZN START - awards gala of start-ups (official media partner).

**Lithuanian online readership 2013-2014**




*GemiusAudience monthly audience survey*

Among Lithuanian internet users, Delfi Lithuania remains an uncontested market leader, with more than 1.2 million unique users a month. The events in Ukraine have notably increased the readership of Delfi and users’ numbers show that Delfi’s coverage has been most successful since competing publications have been losing readers.

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 within 2014.

## Periodicals segment

The periodicals segment includes AS Eesti Ajalehed, the publisher of Maaleht, Eesti Ekspress and Eesti Päevaleht, AS SL Õhtuleht, the publisher of Õhtuleht and Linnaleht, book publisher OÜ Hea Lugu, magazine publishers AS Ajakirjade Kirjastus in Estonia and UAB Ekspress Liedyba in Lithuania. This segment also includes AS Express Post, engaged in home delivery of periodicals.

| (EUR thousand) | Sales | | | EBITDA | | |
|---|---|---|---|---|---|---|
| | Q1 2014 | Q1 2013 | Change % | Q1 2014 | Q1 2013 | Change % |
| AS Eesti Ajalehed | 2 862 | 2 615 | 9% | 133 | 73 | 82% |
| OÜ Hea Lugu | 308 | 329 | -6% | 66 | 55 | 20% |
| UAB Ekspress Leidyba | 584 | 628 | -7% | (29) | (5) | -480% |
| Intersegment eliminations | (10) | (12) | 17% | 4 | 0 | - |
| **TOTAL (subsidiaries)** | **3 744** | **3 560** | **5%** | **174** | **123** | **41%** |
| SL Õhtuleht AS* | 948 | 900 | 5% | 31 | 35 | -12% |
| AS Ajakirjade Kirjastus* | 960 | 918 | 4% | 10 | (22) | 145% |
| AS Express Post* | 584 | 601 | -3% | 84 | 74 | 14% |
| Additional eliminations | (270) | (236) | -15% | (1) | 1 | -192% |
| **TOTAL (joint ventures)** | **2 223** | **2 183** | **2%** | **124** | **87** | **43%** |
| **TOTAL segment** | **5 967** | **5 743** | **4%** | **298** | **210** | **42%** |

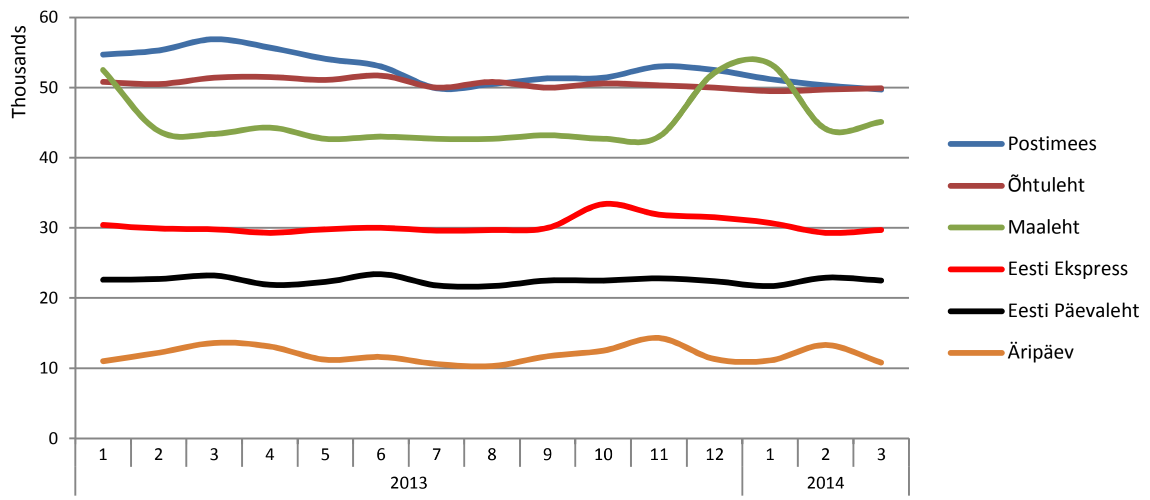
*Proportionate share of joint ventures

It was a challenging quarter for the periodicals segment. Whereas the advertising market of magazines has been slightly improving, advertising income of all newspapers is decreasing. Revenue has been maintained by special projects, book series and also by the increase in cover price, although circulations are shrinking. The positive factor is the growth in the number of subscribers, especially in digital subscriptions, that is off-setting the disappearance of retail locations. The number of digital subscriptions has increased by 98% for Eesti Ekspress and 134% for Eesti Päevaleht, amounting to more than 7 thousand subscribers. The series of criminal novels of LP has been relatively successful, whereas the results of the series of children's movies on DVDs is significantly below expectations. We continue to publish more book titles. "Late-night Textbook of Maths", a new concept launched at the end of 2013, has been very successful and is now available also electronically for free.

In cooperation with Ajakirjade Kirjastus, AS SL Õhtuleht has through its network significantly increased online advertising sales.

In the 1st quarter, Ajakirjade Kirjastus launched new products Kilo&Kalor, a special supplement of TervisPluss, and Unistuste Pulmad, a special wedding publication of Anne&Stiil. Special attention has been paid on developing online portal www.ideesahver.ee and a new parenting portal www.tarklapsevanem.ee. Significant changes have also been made in the work of the telemarketing department that should improve future sales results.

**Estonian newspaper readership 2013-2014**

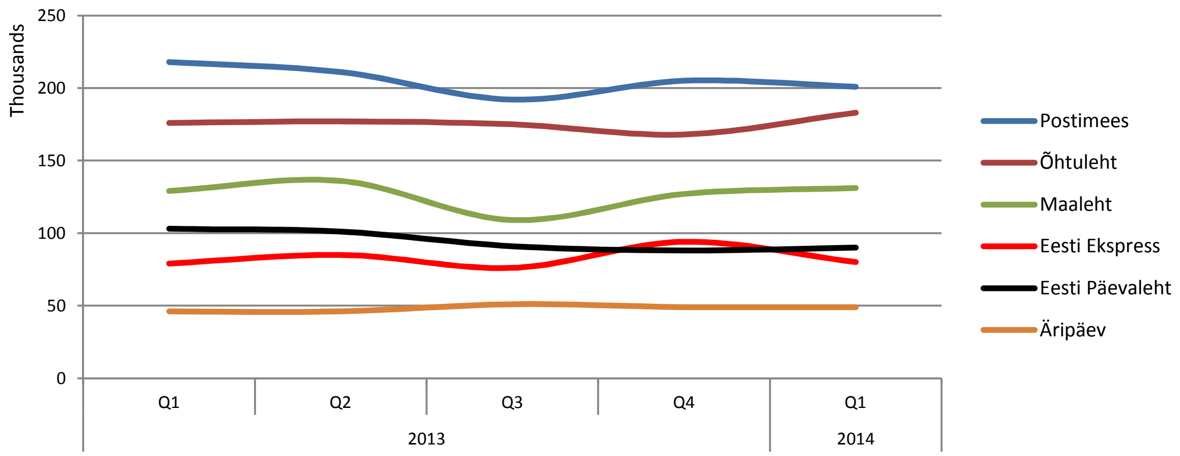



*Estonian Newspaper Association data*

Circulations of Estonian newspapers have remained stable or are falling moderately. The circulation of daily newspapers is falling faster than that of weeklies. As at Q1 2014, the highest decline in the circulation was recorded for Postimees, more than 10% in comparison with Q1 2013. In the 1st quarter 2014, the circulation of largest daily newspapers has fallen by 3% on average.

Weekly newspapers have done relatively well. As for the weekly publications of Ekspress Grupp, Eesti Ekspress managed to maintain average circulation and Maaleht being the only larger newspaper that has increased its circulation. With regard to the publications of Ekspress Grupp, one needs to add also subscribers of digital newspapers numbering about 7 000 for both Eesti Ekspress and for Eesti Päevaleht as of the 1st quarter of 2014. The number of digital subscribers continues to grow.

**Estonian newspaper readership 2013-2014**




*Turu-uuringute AS*

In the 1st quarter of 2014, there were no major changes in the readership of Estonian newspapers. According to the readership survey of Turu-uuringute AS, the number of newspaper readers fell by 2% on average in Q1 2014. Monthly fluctuations have been bigger, but it is attributed mainly to the survey methods. It should be mentioned that the number of digital newspapers of Ekspress Grupp is not included in the above figures and the number of readers of all publications of Ekspress Grupp is higher than shown in the graph.

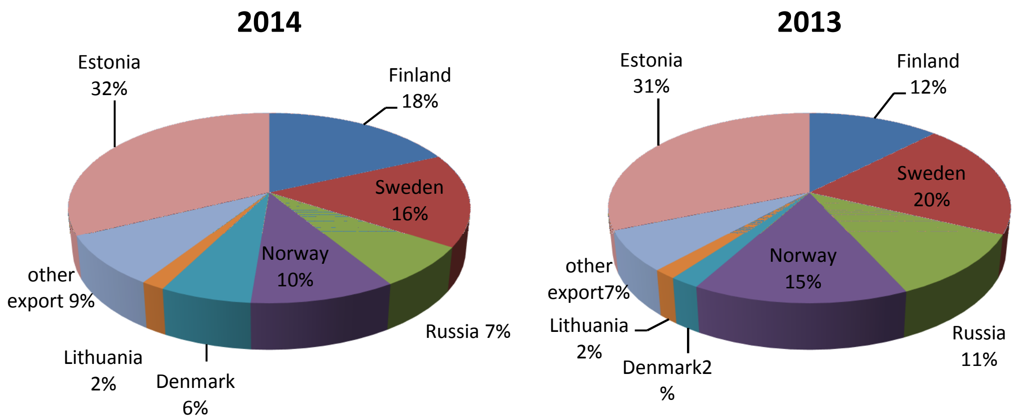
## Printing services segment

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 | | |
|---|---|---|---|---|---|---|
| | Q1 2014 | Q1 2013 | Change % | Q1 2014 | Q1 2013 | Change % |
| **AS Printall** | 7 062 | 6 617 | 7% | 1 459 | 1 414 | 3% |

In the 1st quarter, the revenue of AS Printall from printing services only increased by 5.6% and sale of paper increased by 8%. After a long period, the non-Group sales in Estonia increased, by as much as 20%. This was attributable to the growth in circulation of existing customers, printing of new publications and additional new customers. The share of exports in revenue decreased from 69% to 68%. There have also been significant changes in the geographical break-down of export markets. The share of Finland and Denmark has increased, whereas exports to Russia, Norway and Sweden decreased. The Company continues to increase its productivity. Although the volume of printing production increased in the 1st quarter, the number of working hours remained on the same level as compared to the previous year same period.

### 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. In 2012, Printall was granted ISO 9001 management and ISO 14001 environmental certificates.

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

The Nordic Council of Ministers has awarded Printall with the environmental label "The Nordic Ecolabel", used to acknowledge the companies in the Nordic countries that use environmentally efficient production. Printall also has FSC and PEFC Chain of Custody (COC) certificates, which the company uses to promote a green way of thinking in the printing industry. Both of those certificates indicate compliance with monitoring and 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.

## GROUP STRUCTURE


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

The acquisition of the minority share in **Adnet Media** is at completion stage.

## AS EKSPRESS GRUPP SHARES AND SHAREHOLDERS

As of 31.03.2014, 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.

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.

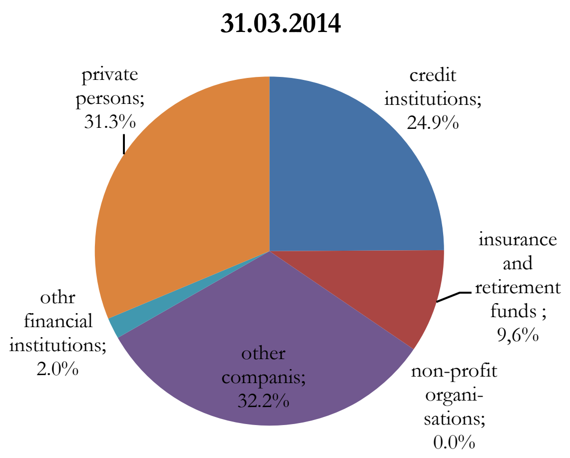
**Structure of shareholders as of 31.03.2014 according to the Estonian Central Register of Securities**

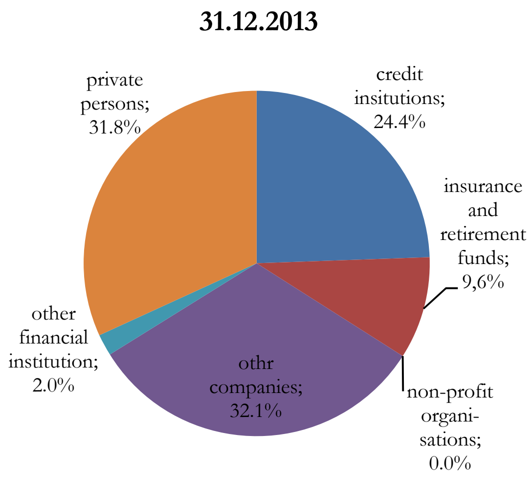
| Name | Number of shares | % |
|---|---|---|
| Hans Luik | 16 580 032 | 55.64% |
| *Hans Luik* | *7 963 307* | *26.73%* |
| *Hans Luik, OÜ HHL Rühm* | *8 609 825* | *28.90%* |
| *Hans Luik , OÜ Minigert* | *6 900* | *0.02%* |
| ING Luxembourg S.A. | 4 002 052 | 13.43% |
| Skandinaviska Enskilda Banken Ab Clients | 2 496 183 | 8.38% |
| Funds managed by LHV Bank and LHV Varahaldus | 2 039 441 | 6.84% |
| Members of the Management and Supervisory Boards and their close relatives | 39 764 | 0.13% |
| *Viktor Mahhov, OÜ Flexinger* | *37 464* | *0.13%* |
| *Aavo Kokk, OÜ Synd & Katts* | *400* | *0.00%* |
| *Pirje Raidma, OÜ Aniston Trade* | *1 900* | *0.01%* |
| Funds managed by LHV Bank and LHV Varahaldus | 4 639 369 | 15.57% |
| **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 | 31.03.2014 | | 31.12.2013 | |
|---|---|---|---|---|
| | Number of shareholders | Number of shares | Number of shareholders | Number of shares |
| Insurance and retirement funds | 14 | 7 427 219 | 15 | 7 318 923 |
| Other financial institutions | 11 | 2 856 692 | 11 | 2 856 692 |
| Other companies | 66 | 585 852 | 68 | 586 852 |
| Private persons | 284 | 9 595 341 | 288 | 9 574 560 |
| Non-profit organisations | 3 122 | 9 331 318 | 3 174 | 9 459 395 |
| Insurance and retirement funds | 2 | 419 | 2 | 419 |
| **TOTAL** | **3 499** | **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 | Finasta Investment Bank |

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

At the General Meeting of Shareholders held on 24 May 2013, the payment of dividends for the year 2012 was approved in the amount of 1 cent/share in the total amount of EUR 298 thousand. Dividends were paid on 1 October 2013.

**The table below shows the stock trading history 2010-2014**

| Price (EUR) | Q1 2014 | Q1 2013 | Q1 2012 | Q1 2011 | Q1 2010 |
|---|---|---|---|---|---|
| Opening price | 1.12 | 1.06 | 1.03 | 1.53 | 1.03 |
| Closing price | 1.02 | 1.19 | 1.06 | 1.65 | 1.28 |
| High | 1.13 | 1.22 | 1.18 | 1.84 | 1.48 |
| Low | 0.99 | 1.03 | 1.00 | 1.40 | 0.95 |
| Average | 1.03 | 1.09 | 1.11 | 1.69 | 1.17 |
| Traded shares, pcs | 479 302 | 369 352 | 216 975 | 1 501 989 | 727 313 |
| Sales, mln | 0.49 | 0.40 | 0.24 | 2.54 | 0.85 |
| Capitalisation at balance sheet date, million | 30.39 | 35.46 | 31.61 | 49.02 | 26.69 |

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 March 2014.


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

## SUPERVISORY BOARD AND MANAGEMENT BOARD OF AS EKSPRESS GRUPP

The Supervisory Board of AS Ekspress Grupp has six members: Chairman of the Supervisory Board Viktor Mahhov and members of the Supervisory Board Aavo Kokk, Hans Luik, Harri Helmer Roschier, Ville Jehe and Kari Sakari Salonen.

**Information about members of the Supervisory Board:**

Viktor Mahhov (appointed until 30.03.2015)
- 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

Aavo Kokk (appointed until 30.03.2015)
- 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

Hans H. Luik (appointed until 30.03.2015)
- 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 30.05.2017)- 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

Ville Jehe (appointed until 24.05.2018)- independent supervisory board member
- Member of the Supervisory Board since 2008
- Member of the Management Board of OÜ Majatohter, OÜ Catelit, ABC Kinnisvarateenuste OÜ, Cineunit OÜ, OÜ Primevision, OÜ Keha3, Ümera OÜ and Skü Mechatronics OÜ
- Graduated from the Faculty of Automation of Tallinn University of Technology in 1993

Kari Sakari Salonen (appointed until 04.05.2017)
- Member of the Supervisory Board since 2012
- Member of the Management Board of KJK Management SA
- Member of the Supervisory Board of KJK Capital OY
- Graduated from Espoo School of Economics in 1983

**Management Board**

Since April 2013, the Management Board of AS Ekspress Grupp has three members: Chairman of the Management Board Gunnar Kobin and members of the Management Board Pirje Raidma and Andre Veskimeister.

**Information about the members of the Management Board:**

Gunnar Kobin (appointed 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 (appointed until 21.09.2015)
- 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 (appointed until 06.10.2016)
- 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

# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## Consolidated balance sheet (unaudited)

| (EUR thousand) | 31.03.2014 | 31.12.2013 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | 1 245 | 2 111 |
| Term deposit | 103 | 98 |
| Trade and other receivables | 6 538 | 6 819 |
| Inventories | 2 099 | 2 329 |
| **Total current assets** | **9 985** | **11 357** |
| **Non-current assets** | | |
| Trade and other receivables | 410 | 399 |
| Investment in joint ventures and associates | 1 642 | 1 543 |
| Property, plant and equipment (Note 6) | 13 234 | 13 595 |
| Intangible assets (Note 6) | 48 166 | 48 361 |
| **Total non-current assets** | **63 452** | **63 898** |
| **TOTAL ASSETS** | **73 437** | **75 255** |
| **LIABILITIES** | | |
| **Current liabilities** | | |
| Borrowings (Note 7) | 3 782 | 3 760 |
| Trade and other payables | 7 079 | 8 498 |
| **Total current liabilities** | **10 861** | **12 258** |
| **Long term liabilities** | | |
| Long-term borrowings (Note 7) | 19 728 | 20 672 |
| Other long-term payables | 22 | 0 |
| **Total non-current liabilities** | **19 750** | **20 672** |
| **TOTAL LIABILITIES** | **30 611** | **32 930** |
| **EQUITY** | | |
| Share capital (Note 11) | 17 878 | 17 878 |
| Share premium | 14 277 | 14 277 |
| Reserves (Note 11) | 1 284 | 1 250 |
| Retained earnings | 9 351 | 8 848 |
| Currency translation reserve | 36 | 72 |
| **TOTAL EQUITY** | **42 826** | **42 325** |
| **TOTAL LIABILITIES AND EQUITY** | **73 437** | **75 255** |

The Notes presented on pages 29-43 form an integral part of the consolidated interim report.

## Consolidated statement of comprehensive income (unaudited)

| (EUR thousand) | Q1 2014 | Q1 2013 |
|---|---|---|
| Sales revenue | 12 734 | 11 812 |
| Cost of sales | (10 223) | (9 482) |
| **Gross profit** | **2 511** | **2 330** |
| Other income | 116 | 93 |
| Marketing expenses | (440) | (364) |
| Administrative expenses | (1 536) | (1 259) |
| Other expenses | (58) | (23) |
| **Operating profit** | **593** | **777** |
| Interest income | 2 | 0 |
| Interest expense | (176) | (197) |
| Foreign exchange gains/losses | 36 | 16 |
| Other finance income/costs | (16) | (11) |
| **Total finance income/costs** | **(154)** | **(192)** |
| Profit (loss) on shares of joint ventures | 98 | 63 |
| Profit (loss) on shares of associates | (12) | (7) |
| **Profit (loss) before income tax** | **525** | **641** |
| Income tax expense | (22) | (3) |
| **Net profit for the reporting period** | **503** | **638** |
| **Net profit for the reporting period attributable to:** | | |
| Equity holders of the parent company | 503 | 638 |
| **Other comprehensive income (expense) that can be later reclassified to profit or loss** | | |
| Currency translation differences | (36) | (20) |
| **Total other comprehensive income for the period** | **(36)** | **(20)** |
| **Comprehensive income (expense) for the reporting period** | **467** | **618** |
| Attributable to equity holders of the parent company | 467 | 618 |
| Basic and diluted earnings per share (Note 9) | 0.02 | 0.02 |

The Notes presented on pages 29-43 form an integral part of the consolidated interim report.

## Consolidated statement of changes in equity (unaudited)

| (EUR thousand) | Share capital | Share premium | Reserves | Currency translation reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|---|
| **Balance on 31.12.2012** | **17 878** | **14 277** | **740** | **14** | **8 190** | **41 099** |
| Net profit for the reporting period | 0 | 0 | 0 | 0 | 638 | **638** |
| Other comprehensive income | 0 | 0 | 0 | (20) | 0 | **(20)** |
| *Total comprehensive income for the reporting period* | *0* | *0* | *0* | *(20)* | *638* | ***618*** |
| **Balance on 31.03.2013** | **17 878** | **14 277** | **740** | **(6)** | **8 828** | **41 717** |
| **Balance on 31.12.2013** | **17 878** | **14 277** | **1 250** | **72** | **8 848** | **42 325** |
| Share option | 0 | 0 | 34 | 0 | 0 | **34** |
| *Total transactions with owners* | *0* | *0* | *34* | *0* | *0* | ***34*** |
| Net profit for the reporting period | 0 | 0 | 0 | 0 | 503 | **503** |
| Other comprehensive income | 0 | 0 | 0 | (36) | 0 | **(36)** |
| *Total comprehensive income for the reporting period* | *0* | *0* | *0* | *(36)* | *503* | ***467*** |
| **Balance on 31.03.2014** | **17 878** | **14 277** | **1 284** | **36** | **9 351** | **42 826** |

The Notes presented on pages 29-43 form an integral part of the consolidated interim report.

## Consolidated cash flow statement (unaudited)

| (EUR thousand) | Q1 2014 | Q1 2013 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Operating profit for the reporting period | 593 | 777 |
| Adjustments: | | |
| Depreciation, amortisation and impairment (Note 6) | 736 | 639 |
| Loss on sale and write-down of property, plant and equipment | (3) | (1) |
| Change in value of share option | 34 | 0 |
| **Cash flows from operating activities:** | | |
| Trade and other receivables | 275 | 827 |
| Inventories | 229 | 470 |
| Trade and other payables | (1 387) | (992) |
| **Cash generated from operations** | **477** | **1 720** |
| Income tax paid | (47) | (15) |
| Interest paid | (176) | (197) |
| **Net cash generated from operating activities** | **254** | **1 508** |
| **Cash flows from investing activities** | | |
| Purchase of other financial investments | 0 | (15) |
| Interest received | 2 | 0 |
| Purchase of  property, plant and equipment (Note 6) | (175) | (172) |
| Proceeds from sale of property, plant and equipment | 4 | 3 |
| Loans granted | (20) | (2) |
| Loan repayments received | 1 | 2 |
| **Net cash generated from investing activities** | **(188)** | **(184)** |
| **Cash flows from financing activities** | | |
| Finance lease repayments made | (18) | 0 |
| Change in use of overdraft | 0 | (745) |
| Repayments of borrowings | (914) | (894) |
| **Net cash used in financing activities** | **(932)** | **(1 639)** |
| **NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS** | **(866)** | **(315)** |
| Cash and cash equivalents at the beginning of the period | 2 111 | 1 193 |
| Cash and cash equivalents at the end of the period | 1 245 | 877 |

The Notes presented on pages 29-43 form an integral part of the consolidated interim report.

# SELECTED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## Note 1. General information

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

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

These interim financial statements were approved and signed by the Management Board on 30 April 2014.

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

| Company name | Status | Ownership interest 31.03.2014 | 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: periodicals** | | | | | |
| AS Eesti Ajalehed | Subsidiary | 100% | 100% | Publishing of daily and weekly newspapers | Estonia |
| OÜ Hea Lugu | Subsidiary | 100% | 100% | Book publishing. From January 2013 fully owned by the parent. Previously, subsidiary of AS Eesti Ajalehed | Estonia |
| UAB Ekspress Leidyba | Subsidiary | 100% | 100% | Magazine publishing | Lithuania |
| Medipresa UAB | Associate | 40% | 40% | Periodicals' wholesale distribution | Lithuania |
| AS SL Õhtuleht | Joint venture | 50% | 50% | Newspaper publishing | Estonia |
| AS Ajakirjade Kirjastus | Joint venture | 50% | 50% | Magazine publishing | Estonia |
| AS Express Post | Joint venture | 50% | 50% | Periodicals' home delivery | Estonia |
| **Operating segment: online media** | | | | | |
| SIA Delfi Holding | Subsidiary | 100% | 100% | Management of online media subsidiaries | Latvia |
| AS Delfi | Subsidiary | 100% | 100% | Online media | 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 | Lithuania |
| UAB Sport Media | Subsidiary | 51% | 51% | Online broadcasting of basketball events (acquired in November 2013) | Lithuania |
| TOV Delfi | Subsidiary | - | 100% | Online media (sold for the purpose of liquidation) | Ukraine |
| **Operating segment: printing services** | | | | | |
| AS Printall | Subsidiary | 100% | 100% | Printing services | Estonia |

## Note 2. Bases of preparation

The consolidated interim financial statements of AS Ekspress Grupp for 3 months ended 31 March 2014 have been prepared in accordance with IAS 34 "Interim Financial Reporting". The condensed interim consolidated financial statements should be read together to the annual report for the financial year ended 31.12.2013.

The Management Board estimates that the interim consolidated financial statements for 3 months of 2014 present a true and fair view of the Group's operating results, and all group companies are going concerns. These interim financial statements have neither been audited nor reviewed in any other way by auditors. These consolidated interim financial statements are presented in thousands of euros, unless otherwise indicated.

## Note 3. Accounting policies and bases of preparation

*Standards, amendments to standards and interpretations which became mandatory for the Group from 1 January and which impact the Group's interim financial statements.*

***IFRS 11, Joint Arrangements*** will replace the standard IAS 31 "Interest in Joint Ventures" and SIC 13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers". Amendments in definitions have reduced the types of joint arrangements to two – joint operations and joint ventures. The current accounting policy choice of proportionate consolidation has been eliminated for jointly controlled entities. Those with an ownership interest in joint ventures are required to use the equity method. This standard has a material impact on the Group's financial statements because proportionate consolidation is applied to the financials of the joint ventures AS Ajakirjade Kirjastus, AS SL Õhtuleht and AS Express Post in the periodicals segment. As a result of these changes, the Group's sales and expenses will decrease, and the assets and liabilities will also decrease. This change will have no impact on the Group's net profit. Please refer to the impact of the amendment in the tables below.

***Transition Guidance*** **– amendments to IFRS 11 and IFRS 12**

The amendments also provide additional relief for transitional rules in IFRS 11 "Joint Ventures" and IFRS 12 "Disclosure of Interest in Other Entities", clarifying that disclosures about restated comparatives shall be made only for the immediately preceding year.

*Accounting policies and valuation bases*

The accounting policies and valuation bases used in the preparation of the consolidated interim financial statements are the same as last year, other than those described below. When the accounting policies, presentation of items or classification methods have been changed, the comparative information of the previous periods has also been reclassified.

*Recognition of joint ventures*

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 Venture", joint ventures are accounted for under the equity method. The cost of investments made into joint ventures was 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.

| Income statement Q1 2013 | 2013 interim financial statements | Change: AS SL Õhtuleht | Change: AS Ajakirjade Kirjastus | Change: AS Express Post | Change: Elimina-tions | Comparative information in the interim financial statements for Q1 2014 |
|---|---|---|---|---|---|---|
| Income | 13 809 | (900) | (918) | (601) | 422 | 11 812 |
| Expenses | (12 969) | 873 | 948 | 533 | (421) | (11 035) |
| **Operating profit** | **840** | **(27)** | **30** | **(68)** | **2** | **777** |
| Profit under equity method | 0 | 27 | (30) | 68 | (2) | 63 |
| Net profit | 638 | 0 | 0 | 0 | 0 | 638 |

| Balance as of 31.12.2013 | 2013 annual report | Change: AS SL Õhtuleht | Change: AS Ajakirjade Kirjastus | Change: AS Express Post | Change: Elimina-tions | Comparative information in 2014 Q1 interim financial statements |
|---|---|---|---|---|---|---|
| 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** |
| *Incl. cash and bank* | *4 501* | *(723)* | *(179)* | *(1 390)* | *0* | *2 209* |
| *Incl. goodwill* | *40 052* | *0* | *(456)* | *0* | *0* | *39 596* |
| Current liabilities | 14 468 | (714) | (883) | (1 489) | 876 | 12 258 |
| Non-current liabilities | 20 673 | (1) | 0 | 0 | 0 | 20 672 |
| **TOTAL LIABILITIS** | **35 141** | **(715)** | **(883)** | **(1 489)** | **876** | **32 930** |
| *Incl. borrowings* | *24 432* | 0 | 0 | 0 | 0 | *24 432* |
| **EQUITY** | **42 325** | **0** | **0** | **0** | **0** | **42 325** |

## 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 within the Group is performed in cooperation with the other shareholder of joint ventures.

**Credit risk**

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

**Bank account balances (incl. term deposits) by credit ratings of the banks**

| Bank name | Moody`s | Standard & Poor`s | 31.03.2014 | 31.12.2013 |
|---|---|---|---|---|
| SEB | A1 | A+ | 511 | 580 |
| Swedbank | A2 | A+ | 662 | 1 430 |
| Nordea/Danske | Aa3/Baa1 | A-/AA- | 165 | 166 |
| Other banks | - | - | 0 | 13 |
| **Total** | | | **1 338** | **2 189** |

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

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

In the case of new clients, their credit background is checked with the help of financial information databases such as Krediidiinfo and other similar databases. Their payment behaviour is also initially monitored with heightened interest. Upon following the payment discipline, it is possible to receive more flexible credit terms, such as longer payment terms, higher credit limits, etc. Upon violation of the payment discipline, stricter credit terms are applied.

In case of large transactions, in particular in the segment of printing services, clients are requested to provide either prepayment or guarantee.

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

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

**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 account) 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 group companies prepare long-term cash flow forecasts for the next year which are updated quarterly. For monitoring short-term cash flows the subsidiaries that have joined the group account prepare detailed 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, continuous monitoring of trade receivables and delivery contracts.

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

### Interest rate risk

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

The Group's interest rate risk is related to short-term and long-term borrowings which have been assumed with a floating interest rate. The interest rate risk is mainly related to the fluctuation of Euribor. An interest rate change by one percentage point would change the Group's loan interest expense by approximately 230 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 (*Parent Company*) | 3 063 | 14 301 | 17 364 |
| | 1-month Euribor + 2.5% | Syndicated loan *(Printall)* | 644 | 5 312 | 5 956 |
| | 1-month Euribor + 2.3% | Finance lease *(Printall, Delfi Estonia)* | 75 | 115 | 190 |
| | 1-month Euribor + 1.9% | Overdraft | 0 | 0 | 0 |

| 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 (*Parent Company*) | 3 043 | 15 076 | 18 119 |
| | 1-month Euribor + 2.5% | Syndicated loan (Printall) | 643 | 5 472 | 6 115 |
| | 1-month Euribor + 2.3% | Finance lease *(Printall)* | 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 a certain degree. Foreign exchange risk arises when future business transactions or recognised assets or liabilities are fixed in a currency which is not the functional currency of the Group. Group companies are required to manage their foreign exchange risk with regard to functional currency. The Group's income is primarily fixed in local currencies, i.e. the euros, Lithuanian litas, Latvian lats (until 31.12.2013) and Ukrainian hryvnias. The Group also pays most of its suppliers and employees in local currencies. The subsidiaries are typically required to use the euro as the currency in foreign contracts. The subsidiary Printall exports also outside of euro-zone and invoices for services are also issued in Norwegian kroner and Swedish kronor. In addition, the Russian clients pay in roubles, although the invoices are issued in euros and they carry no foreign exchange risk. The amounts received in foreign currencies are typically converted into euros immediately after their receipt, thereby reducing open foreign currency positions. Foreign exchange risk is reduced year after year and in the 1st quarter of 2014, approximately 4% (2013: 5%) of the Group's sales revenue carried foreign currency risk. No other means are used to mitigate foreign currency risk.

**Financial assets and financial liabilities by currency as of 31.03.2014**

| (EUR thousand) | EUR | LTL | LVL | UAH | SEK | Other currencies | TOTAL |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash and cash equivalents | 888 | 460 | 0 | 0 | 0 | 0 | **1 348** |
| Trade and other receivables | 4 632 | 1 676 | 0 | 0 | 171 | 68 | **6 547** |
| **Total financial assets** | **5 520** | **2 136** | **0** | **0** | **171** | **68** | **7 896** |
| **Liabilities** | | | | | | | |
| Borrowings | 23 510 | 0 | 0 | 0 | 0 | 0 | **23 510** |
| Trade payables and accrued expenses | 4 198 | 793 | 0 | 0 | 6 | 1 | **4 997** |
| **Total financial liabilities** | **27 708** | **793** | **0** | **0** | **6** | **1** | **28 507** |
| **Net foreign currency position** | **-22 188** | **1 344** | **0** | **0** | **165** | **68** | |

**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** |
| Trade and other receivables | 3 964 | 1 635 | 448 | 30 | 200 | 25 | **6 303** |
| **Total financial assets** | **5 633** | **2 070** | **551** | **32** | **200** | **26** | **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** | **30 544** |
| **Net foreign currency position** | **-24 042** | **1 492** | **302** | **7** | **189** | **19** | |

## Price risk

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

## Operational risk

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

The involvement of employees in the risk assessment process improves the general risk culture. For performing transactions, systems of transaction limits and competences are used to minimise possible losses. The four-eye principle in use, under which the confirmation of at least two employees independent of each other or that of a unit is necessary for the performance of a transaction or a procedure, reduces the possible occurrence of human errors and mistakes.

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

### Capital risk

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

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

### Equity ratios of the Group

| (EUR thousand) | 31.03.2014 | 31.12.2013 |
|---|---|---|
| Interest-bearing debt | 23 510 | 24 432 |
| Cash and bank accounts | 1 348 | 2 209 |
| Net debt | 22 162 | 22 223 |
| Equity | 42 826 | 42 325 |
| Total capital | 64 988 | 64 548 |
| **Debt to capital ratio** | **34%** | **34%** |
| Total assets | 73 437 | 75 255 |
| **Equity ratio** | **58%** | **56%** |

## Note 5. Business combinations

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 online Internet site in Latvia, targeting expecting and young mothers. The transaction was completed in July 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 management has the right to review its allocation within one year.

If the Group had acquired Calis.lv at the start of the year, Group revenue would have higher by approximately EUR 70 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 was used as the basis.

| (EUR thousand) | Cālis LV SIA | |
|---|---|---|
| | Fair value | Carrying amount |
| Net assets | 1 | 1 |
| Trademark | 66 | 0 |
| **Total identifiable assets** | **68** | **1** |
| **Goodwill** | **260** | |
| Cost of acquired ownership interest | 327 | |
| Cash paid for ownership interest | 327 | |
| Cash and cash equivalents in acquired company | 0 | |
| **Total cash effect on the company** | **(327)** | |

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

| (EUR thousand) | Property, plant and equipment | | Intangible assets | |
|---|---|---|---|---|
| | Q1 2014 | Q1 2013 | Q1 2014 | Q1 2013 |
| **Balance at beginning of the period** | | | | |
| Cost | 29 271 | 28 940 | 63 617 | 63 064 |
| Accumulated depreciation and amortisation | (15 676) | (14 164) | (15 256) | (12 194) |
| **Carrying amount** | **13 595** | **14 776** | **48 361** | **50 870** |
| Acquisitions and improvements | 134 | 135 | 51 | 37 |
| Disposals (at carrying amount) | (1) | (1) | 0 | (1) |
| Write-offs and write-downs of PPE | 0 | (1) | (3) | 0 |
| Depreciation and amortisation | (493) | (476) | (243) | (163) |
| Exchange rate correction | 0 | 0 | 0 | (1) |
| **Balance at end of the period** | | | | |
| Cost | 29 379 | 29 033 | 63 665 | 63 090 |
| Accumulated depreciation and amortisation | (16 144) | (14 599) | (15 499) | (12 348) |
| **Carrying amount** | **13 234** | **14 434** | **48 166** | **50 742** |

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

### Intangible assets by type

| (thousand) | EUR | |
|---|---|---|
| | 31.03.2014 | 31.12.2013 |
| Goodwill | 39 596 | 39 596 |
| Trademarks | 7 957 | 8 120 |
| Other intangible assets | 613 | 645 |
| **Total intangible assets** | **48 166** | **48 361** |

### Carrying amount of trademarks by segment

| (thousand) | EUR | |
|---|---|---|
| | 31.03.2014 | 31.12.2013 |
| Online media | 6 656 | 6 698 |
| Periodicals | 1 301 | 1 422 |
| **Total trademarks** | **7 957** | **8 120** |

### Goodwill by cash generating units and segments

| (thousand) | EUR | |
|---|---|---|
| | 31.03.2014 | 31.12.2013 |
| Delfi Estonia | 15 281 | 15 281 |
| Delfi Latvia (incl. Calis.lv) | 9 650 | 9 650 |
| Delfi Lithuania (incl. Alio) | 12 848 | 12 848 |
| **Online media segment** | **37 780** | **37 780** |
| Maaleht (Eesti Ajalehed) | 1 816 | 1 816 |
| **Periodicals segment** | **1 816** | **1 816** |
| **Total goodwill** | **39 596** | **39 596** |

In May 2013, AS Delfi (Latvia) acquired a 100% ownership interest in SIA Cālis.lv that operates the portal Cālis.lv. The related goodwill is recognised in the balance sheet in the amount of EUR 260 thousand (Note 5).

## Note 7. Bank loans and borrowings

| (EUR thousand) | Total amount | Repayment term | |
|---|---|---|---|
| | | Up to 1 year | 1-5 years |
| **Balance on 31.03.2014** | | | |
| Overdraft facilities | **0** | 0 | 0 |
| Long-term bank loans | **23 320** | 3 707 | 19 613 |
| *incl. syndicated loan (AS Ekspress Grupp)* | **17 364** | 3 063 | 14 301 |
| *incl. syndicated and mortgage loan (AS Printall)* | **5 956** | 644 | 5 312 |
| Finance lease | **190** | 75 | 115 |
| **Total** | **23 510** | **3 782** | **19 728** |
| **Balance on 31.12.2013** | | | |
| Overdraft facilities | **0** | 0 | 0 |
| Long-term bank loans | **24 234** | 3 687 | 20 548 |
| *incl. syndicated loan (AS Ekspress Grupp)* | **18 119** | 3 043 | 15 076 |
| *incl. syndicated and mortgage loan (AS Printall)* | **6 115** | 643 | 5 472 |
| Finance lease | **198** | 73 | 125 |
| **Total** | **24 432** | **3 760** | **20 673** |

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

**Borrowings**

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

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

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

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

The loans are secured by the shares of the subsidiaries, the guarantees of Estonian subsidiaries in the amount of EUR 37 million, the commercial pledge on the assets of AS Printall in the amount of EUR 16 million and the trademarks of Delfi, Eesti Ekspress, Maaleht, Eesti Päevaleht and Eesti Ekspressi Kirjastus in the amount of EUR 5 million, the value of all of which is already 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 31.03.2014, the carrying amount of the building was EUR 3.7 million (31.12.2013: EUR 3.8 million) and the carrying amount of the registered immovable was EUR 0.4 million (31.12.2013: 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, all financial ratios were in compliance with the loan covenants set in the loan contract.

**Overdraft facilities**

| Date of contract | Bank | Limit (EUR thousand) | Used 31.03.2014 (EUR thousand) | Used 31.12.2013 (EUR thousand) | Interest rate | Expiration date of the contract |
|---|---|---|---|---|---|---|
| 12.07.2012 | Nordea Bank Finland Plc Estonian Branch | 1 320 | 0 | 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** | **0** | **0** | | |

## Note 8. Segment reporting

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

**Online media:** managing online news portals and classified portals, selling advertising space on its own portal.

This segment includes group companies AS Delfi, AS Delfi (Latvia), UAB Delfi (Lithuania), TOV Delfi (Ukraine), and Delfi Holding SIA (Latvia). AS Ekspres Grupp has terminated Delfi's activity in Ukraine from 1st of March 2014. The Group doesn't see a positive outlook for the future development of Delfi Ukraine, which would justify continuing the business and therefore has decided to stop its activity 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 results of operations for 2013.

The key revenue of the segment comes from the sale of advertising banners, other advertising space and products in its own portals.

**Periodicals:** publishing of newspapers, magazines, customer publications and books in Estonia and Lithuania. This segment includes group companies Eesti Ajalehed AS (publisher of newspapers Eesti Ekspress, Maaleht and Eesti Päevaleht), OÜ Hea Lugu and UAB Ekspress Leidyba. Also joint ventures AS Ajakirjade Kirjastus, AS SL Õhtuleht and AS Express Post, engaged in home delivery of periodicals, belong into this segment. Starting from 2014 these joint ventures are not any more consolidated line-by-line, however in some tables one can see their results and impact on Group figures.

The key revenue of the periodicals segment comes from the sale of advertising space in newspapers and magazines, revenue from subscriptions and single-copy sales of newspapers and magazines, sale of books and various series, service fees from 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, subsidiary OÜ Ekspress Digital (established in March 2012) that provides intra-group IT services, and OÜ Ekspress Finance (established in December 2012 during the demerger of AS Printall), the main activity of which is intra-group refinancing.

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

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

| Q1 2014 (EUR thousand) | Online media | Periodi-cals | Printing services | Corporate functions | Elimin-ations | Total Group |
|---|---|---|---|---|---|---|
| **Sales to external customers (subsidiaries)** | **2 702** | **3 690** | **6 617** | **1** | **(276)** | **12 734** |
| Effect of joint ventures | 0 | 2 223 | (191) | 0 | 0 | 2 032 |
| Inter-segment sales | 35 | 54 | 636 | 421 | (1 146) | 0 |
| Total segment sales together with joint ventures | 2 737 | 5 967 | 7 062 | 422 | (1 422) | 14 766 |
| **EBITDA (subsidiaries)** | **165** | **174** | **1 459** | **(467)** | **(1)** | **1 330** |
| **EBITDA margin (subsidiaries)** | **6%** | **5%** | **21%** | | | **10%** |
| *EBITDA together with joint ventures* | *165* | *298* | *1 459* | *(467)* | *(1)* | *1 454* |
| *EBITDA margin together with joint ventures* | *6%* | *5%* | *21%* | | | *10%* |
| Depreciation (subsidiaries) (Note 6) | | | | | | 736 |
| Operating profit (subsidiaries) | | | | | | 593 |
| Investments (subsidiaries) (Note 6) | 72 | 17 | 52 | 44 | 0 | 185 |

| Q1 2013 (EUR thousand) | Online media | Periodi-cals | Printing services | Corporate functions | Elimin-ations | Total Group |
|---|---|---|---|---|---|---|
| **Sales to external customers (subsidiaries)** | **2 429** | **3 492** | **6 134** | **1** | **(244)** | **11 812** |
| Effect of joint ventures | 0 | 2 183 | (186) | 0 | 0 | 1 997 |
| Inter-segment sales | 8 | 68 | 669 | 354 | (1 099) | 0 |
| Total segment sales together with joint ventures | 2 437 | 5 743 | 6 617 | 355 | (1 343) | 13 809 |
| **EBITDA (subsidiaries)** | **84** | **123** | **1 414** | **(206)** | **2** | **1 417** |
| **EBITDA margin (subsidiaries)** | **3%** | **3%** | **21%** | | | **12%** |
| *EBITDA together with joint ventures* | *84* | *210* | *1 414* | *(206)* | *1* | *1 503* |
| *EBITDA margin together with joint ventures* | *3%* | *4%* | *21%* | | | *11%* |
| Depreciation (subsidiaries) (Note 6) | | | | | | 639 |
| Operating profit (subsidiaries) | | | | | | 777 |
| Investments (subsidiaries) (Note 6) | 19 | 9 | 86 | 58 | 0 | 172 |

## Note 9. Earnings per share

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

| EUR | Q1 2014 | Q1 2013 |
|---|---|---|
| Profit attributable to equity holders | 502 830 | 637 933 |
| Average number of ordinary shares | 29 796 841 | 29 796 841 |
| Basic and diluted earnings per share | 0,02 | 0,02 |

In view of the fact that the Group has no dilutive potential ordinary shares on 31.03.2014 and 31.03.2013, **diluted earnings per share** equal basic earnings per share.

## Note 10. Management's share option plan

In November 2013, the General Meeting of Shareholders approved a share option programme for the Management Board. Under the programme, 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 entered in 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 31.03.2014, this reserve totalled EUR 418 thousand and the number of earned shares was 370 thousand. As of 31.12.2013 this reserve totalled EUR 384 thousand and the number of earned shares was 340 thousand. See Note 11.

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.

From 7 April 2014, the company has started to buy back its own shares, carried out by AS SEB Pank.

## Note 11. Equity and dividends

### Share capital and share premium

As of 31 March 2014 and 31 December 2013, the share capital of AS Ekspress Grupp was EUR 17 878 105 and it consists of 29 796 841 shares with the nominal value of EUR 0.60 per share. The maximum amount of share capital as stipulated by the articles of association is EUR 25 564 656.

### Dividends

At the Ordinary General Meeting of Shareholders held on 24 May 2013, 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 on 1 October 2013. 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.

**Reserves**

The reserves include statutory reserve capital required by the Commercial Code, additional monetary contributions as a general-purpose additional equity contribution by a founding shareholder and share option reserve (see Note 10).

| (thousand) | EUR | |
|---|---|---|
| | 31.03.2014 | 31.12.2013 |
| Statutory reserve capital | 227 | 227 |
| Additional payments in cash from shareholders | 639 | 639 |
| Share option reserve | 418 | 384 |
| **Total reserves** | **1 284** | **1 250** |

## Note 12. Related party transactions

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

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

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

| SALES (EUR thousand) | Q1 2014 | Q1 2013 |
|---|---|---|
| **Sales of goods** | | |
| Associates | 174 | 169 |
| **Total sale of goods** | **174** | **169** |
| **Sale of services** | | |
| Members of Supervisory Board and companies related to them | 1 | 1 |
| Associates and joint ventures | 342 | 355 |
| **Total sale of services** | **343** | **356** |
| **Total sales** | **517** | **525** |

| PURCHASES (EUR thousand) | Q1 2014 | Q1 2013 |
|---|---|---|
| **Purchase of services** | | |
| Members of Management Board and companies related to them | 13 | 12 |
| Members of Supervisory Board and companies related to them | 63 | 78 |
| Associates and joint ventures | 241 | 200 |
| **Total purchases of services** | **317** | **290** |

| RECEIVABLES (EUR thousand) | 31.03.2014 | 31.12.2013 |
|---|---|---|
| **Short-term receivables** | | |
| Members of Supervisory Board and companies related to them | 1 | 5 |
| Associates and joint ventures | 403 | 1 279 |
| **Total short-term receivables** | **404** | **1 284** |
| **Long-term receivables** | | |
| Members of Supervisory Board and companies related to them | 160 | 160 |
| **Total long-term receivables** | **160** | **160** |
| **Total receivables** | **564** | **1 444** |

| LIABILITIES (EUR thousand) | 31.03.2014 | 31.12.2013 |
|---|---|---|
| **Current liabilities** | | |
| Members of Management Board and companies related to them | 5 | 4 |
| Members of Supervisory Board and companies related to them | 9 | 11 |
| Associates and joint ventures | 92 | 109 |
| **Total liabilities** | **14** | **15** |

According to the decision of the General Meeting held on 2 June 2009 and 4 May 2012, Hans H. Luik will be paid a guarantee fee of 1.5% per annum on the guarantee amount for the personal guarantee of EUR 4 million on the syndicated loan and overdraft agreements until the guarantee expires. The amount paid out in the first quarter of 2014 was EUR 15 thousand (2013: EUR 15 thousand) there are no outstanding liabilities as of 31 March 2014 and 31 March 2013.

The management estimates that the transactions with related parties have been carried out at arms' length condition. As of 31.03.2014, the allowance for the receivable from the associate Medipresa UAB was made in the amount of EUR 55 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) | Q1 2014 | Q1 2013 |
|---|---|---|
| Salaries and other benefits (without social tax) | 210 | 230 |
| Termination benefits (without social tax) | 0 | 0 |
| Share option | 34 | 0 |
| **Total (without social tax)** | **244** | **230** |

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 usually payable 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 12 months' salary. Upon termination of an employment relationship, no compensation shall be paid if a member of the Key Management leaves at his or her initiative or if a member of the Key Management is removed by the Supervisory Board for a valid reason. As of 31 March 2014, the maximum gross amount of potential Key Management termination benefits was EUR 379 thousand (31 March 2013: EUR 327 thousand). No remuneration is paid separately to the members of the Supervisory Boards of the group companies and no compensation is paid if they are recalled.

## Note 13. Contingent assets and liabilities

### Contingent liabilities related to pending court cases

The Group's subsidiaries have several pending court cases, however, the effect of which is insignificant to the Group's financial results.

Court case with AS Eesti Meedia regarding the acquisition of joint ventures

AS Ekspress Grupp and AS Eesti Meedia both own 50% in joint ventures AS SL Õhtuleht, AS Ajakirjade Kirjastus and AS Express Post. On 10 October 2013, AS Ekspress Grupp submitted AS Eesti Meedia a notice in which the Group wished to exercise the contractual right to purchase the shares Eesti Meedia holds in the joint ventures SL Õhtuleht, Ajakirjade Kirjastus and Express Post. This right is provided for the contracting parties in the event the major shareholder of the other party changes. On 12 September 2013, Eesti Meedia announced the change in company's sole shareholder. 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, AS Express Post. As a result of the decision, AS Ekspress Grupp may purchase the shares AS Eesti Meedia owns in AS SL Õhtuleht, AS Ajakirjade Kirjastus and AS Express Post and to sell the shares to OÜ Suits Meedia.

On 13 December 2013, AS Ekspress Grupp decided that since AS Eesti Meedia had breached the shareholders agreements between the parties and hence hindered AS Ekspress Grupp from acquiring the shares of joint venture companies, AS Ekspress Grupp shall recourse to court to protect its rights. AS Ekspress Grupp also withdrew from the buyout of shares of joint venture AS Express Post, for the same reason. In the lawsuit submitted to the arbitration, AS Ekspress Grupp requires, among other things, contractual penalties for breaching the agreements in the sum of at least EUR 3.5 million from AS Eesti Meedia. In response to our notice, AS Eesti Meedia then filed an action against AS Ekspress Grupp which on 10 January 2014 the board of the Court of Arbitration of the Estonian Chamber of Commerce and Industry decided to proceed with. AS Eesti Meedia requires AS Ekspress Grupp to pay EUR 8.6 million based on shareholders' agreement in AS SL Õhtuleht, AS Ajakirjade Kirjastus and AS Express Post, of which EUR 5.1 million is the ownership for 50% holding in the joint ventures and EUR 3.5 million is contractual penalty.

At this point it is difficult to assess the possible outcome of the litigation.

## Note 14. Events after the balance sheet date

The Group has decided to merge two group entities: UAB Delfi and UAB Ekspress Leidyba. Prior to the merger, the Parent Company will sell the shares of UAB Ekspress Leidyba to SIA Delfi Holding that also owns all the shares of UAB Delfi. As a result of the merger, Delfi UAB remains and UAB Ekspress Leidyba will be removed from the register. The purpose of the merger is creation of synergy and combining of similar activities in Lithuania. This event will have an impact on the Group's segment reporting in the future.

The Group's Supervisory Board has approved the proposal to invest into the acquisition of a new sheet-fed printing machine at AS Printall. Over the last years, the subsidiary AS Printall has been operating close to its maximum production capacity and the new machine will enable the company to grow and increase its profit by 20-25%. The cost of the investment will be in the range of EUR 2.5-3.5 million. Two-thirds of the cost will be financed by a bank loan and the remaining from equity. The estimated installation time of the new printing machine will be 1st quarter of 2015.