AS Ekspress Grupp

CONSOLIDATED ANNUAL REPORT

2013

(Translation of the Estonian original)

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GENERAL INFORMATION

Beginning of reporting period	1 January
End of reporting period	31 December
Company name	AS Ekspress Grupp
Registration number	10004677
Address	Narva mnt.11 E, 10151 Tallinn
Phone	+372 669 8381
Fax	+372 669 8180
E-mail	egrupp@egrupp.ee
Internet homepage	www.egrupp.ee
Main field of activity	Publishing and related services (5814)
Management Board	Gunnar Kobin (chairman)
	Andre Veskimeister
	Pirje Raidma
	Madis Tapupere (until 13 April 2013)
Supervisory Board	Viktor Mahhov (chairman)
	Hans H. Luik
	Aavo Kokk
	Kari Sakari Salonen
	Harri Helmer Roschier
	Ville Jehe
Auditor	AS PricewaterhouseCoopers

The Annual Report consists of the Management Board's confirmation of the annual report, statement of the chairman of the Management Board, management report, report of corporate governance code, consolidated financial statements, independent auditor's report, proposal for profit allocation, and declaration of the Management Board and Supervisory Board. The document comprises 82 pages.

Management Board's confirmation of the consolidated annual report

The Management Board confirms that the management report of AS Ekspress Grupp disclosed on pages 5 to 27 presents a true and fair view of the business developments, results and financial position of the Parent Company and its group companies. The Management Board confirms that the consolidated financial statements disclosed on pages 28 to 78 give to the best of its knowledge a true and fair view of the assets, liabilities, financial position and results of the issuer and its group companies in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and include a description of major risks and doubts.

Gunnar Kobin	Chairman of the Management Board	*signed digitally*	17 March 2014
Pirje Raidma	Member of the Management Board	*signed digitally*	17 March 2014
Andre Veskimeister	Member of the Management Board	*signed digitally*	17 March 2014

STATEMENT OF THE CHAIRMAN OF THE MANAGEMENT BOARD

The year 2013 was a year of controversies for the Group, marked by both positive and negative impact. During the financial year, Ekspress Grupp earned normalised net profit in the amount of EUR 3.5 million which is 32% higher than last year. This was mainly attributable to lower interest expenses in connection with the favourable EURIBOR rate and the decrease in outstanding debt. However, we failed to meet the 2012 level for EBITDA and sales revenue. We also did not meet the budget targets. In addition, EBITDA was also impacted by the one-off expenses in amount of EUR 0.5 million that were related to the share option scheme and the acquisition process of joint ventures. Without these one-off expenses normalised EBITDA amounted to EUR 7.8 million, as compared to EUR 7.9 million in 2012.

At the end of the year we recognised impairment losses for goodwill and trademarks related mainly to print media in the total amount of EUR 2.5 million which decreased the full-year net profit down to EUR 1.1 million.

Impairment losses for goodwill and trademarks in the amount of EUR 1.6 million were recognised for assets related to Eesti Päevaleht. In respect of Ekspress Leidyba, a Lithuanian magazine publisher, impairment losses for goodwill and trademarks totalled EUR 0.4 million, while impairment losses for the trademark related to Delfi Ukraine amounted to EUR 0.5 million, due to the decision to close the company that operates Delfi in Ukraine. Unfortunately, because of the political and economic situation in Ukraine we did not see a prospect for continuing in this country. Since 2008 Ekspress Group has spent approximately EUR 1.8 million in total to operate the online portal in Ukraine.

The final quarter of the year was marked by the dispute with the competing media enterprise Eesti Meedia over the realisation of the purchasing right pertaining to the ownership of joint ventures. The position of Ekspress Group is that AS Eesti Meedia has been obstructing the legal fulfilment of the contract signed between the two parties from the moment when the purchasing right became available. We expect this dispute to have a positive outcome in the arbitration procedure in the second half of 2014.

Summarising the year, we can be proud of the growth in the number of our digital subscriptions that at the end of the year approached 5,500 subscribers for both Eesti Ekspress and Eesti Päevaleht. The share of digital subscriptions in the total number of subscribers of Eesti Päevaleht and Eesti Ekspress accounts for more than 21%. In Latvia, an important event in the online decelopment was the acquisition of parent-oriented portal Calis.lv in the summer. In addition to launching online verticals, at the end of the year we signed an agreement for the acquisition of advertising network Adnet that operates in all three Baltic countries and that will notably increase the number of online portals that are being sold and mediated by Ekspress Group. We also took aggressive steps in launching video products in all three Baltic countries. Among online portals, Delfi has become the largest enterprise in the Baltics that produces and webcasts online TV. The monetarisation of our video production will be the biggest challenge in all three Baltic countries in 2014.

Of more positive events, one should mention the launch of zave.ee, a new website for discount promotions, in Estonia in December. In Latvia and Lithuania, it will be launched in the first quarter 2014. The objective of the website is to offer users an overview of discounts that are being offered by large retailers. Until now, customers have received such offers in a printed form by direct mail to their mailboxes. In our opinion, another important achievement was that shortly before Christmas, the weekly number of users of Delfi Eesti in terms of internet browsers exceeded that of our closest competitor by more than 200 thousand, the first time since 2008. In the final quarter of the year, in November and December, Delfi Latvia became Latvia's second-largest internet portal, for the first time exceeding the number of users of the local social network Draugiem.

In the **online media segment** Latvian and Lithuanian companies saw their sales growth slow down considerably in the second half of the year. As a result, sales of Latvian and Lithuanian companies of Delfi increased only by 4% and 9%, respectively, during the year. At the same time, sales of Delfi Estonia increased by 18%. Since Europe's economic climate has been improving, such a slowdown in sales in the Latvian and Lithuanian market was unexpected and difficult to explain. It affected the profitability of the undertakings in these countries, which resulted their EBITDA decrease by 27% in Latvia and 11% in

Lithuania from the respective levels in 2012. Because competition in Latvia has become stronger, we decided at the end of 2012 to increase the staff of the editorial office which negatively affected the profitability in Latvia. As for 2014, we expect sales growth to recover and organisations to become more efficient. The objective is to increase sales revenue with the same cost basis.

In the **periodicals segment**, profitability improved more than in other segments during the year. The financial result of Ajakirjade Kirjastus has improved, as is the case of Express Post. Book publisher Hea Lugu showed marginal growth in EBITDA thanks to publishing more books which included several significant bestsellers. EBITDA of SL Õhtuleht is below last year' level, while in annual terms, the weakest result was posted by Eesti Ajalehed, mainly due to a decrease in print advertising income.

In the **printing services segment,** EBITDA decreased 3% as compared to last year. This is attributable to the unexpected decrease in sales at the start of the year which affected the profit more than we managed to offset in the second half of the year, mainly because the recovery of decreasing customer sales has been a slow process. We remain optimistic for 2014 since in the last months of the year we have signed a number of major printing contracts with large Scandinavian publishers.

Looking at the structure of the Group's sales and profit, the share of sales of the online segment has continued to grow and accounts for 19.1% of all non-Group sales in comparison with 16.9% a year earlier. The periodicals and printing services segments have seen their share fall by a few percentage points. In EBITDA, 2013 was a year when the share of the periodicals segment increased to 12.6%, as compared to 9.8% a year earlier, largely thanks to the improved profitability of the magazine publisher. The printing services segment has seen its share in the Group's total profit decrease by two percentage points. In terms of EBITDA margins of different segments, printing services remain the most profitable segment, with margin 21.3%. The EBITDA margin of periodicals has increased to 4.6%, but the average margin of the online segment has fallen to 15% from 17% a year earlier.

In **2014,** we expect the Group's sales to grow by a few percentages, while EBITDA is expected to grow more than 10% from the normalised result in 2013. We expect the profit of the online segment to increase more than 20%, whereas the profit of the periodicals segment is likely to grow less than 20%. The annual target for the printing services segment is re-attain the EBITDA level of 2012, a realistic target at the current production capacity. In addition to ongoing activities, we are actively looking around for suitable acquisitions. For 2014, the biggest challenge will be finding new sources of growth for the Group from new markets or new business sectors. Since the Group's investment capacity continues to grow due to the decreasing loan burden, we are financially more confident in seeking possible acquisition targets.

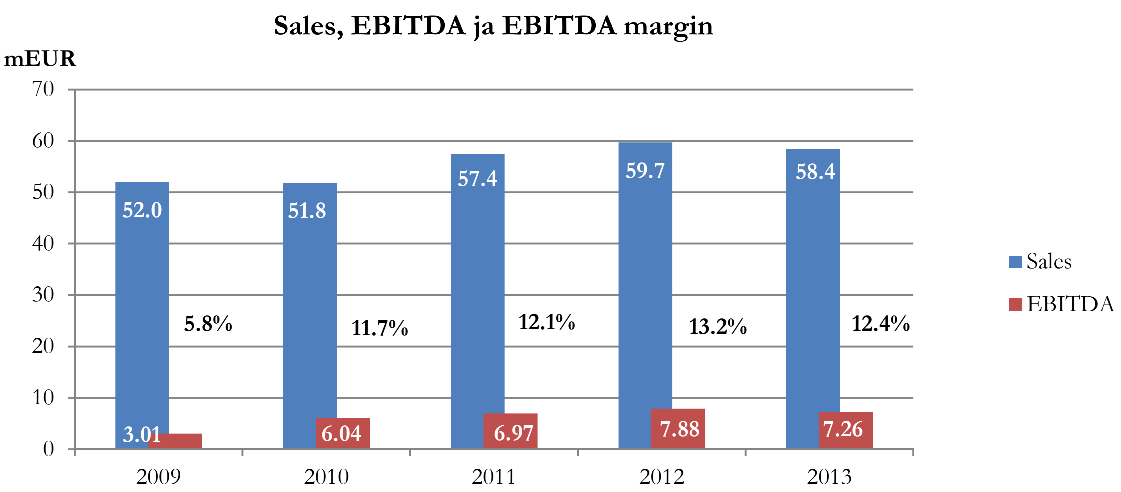
Both our new sources of growth and other developments and innovations must, first and foremost, support the Group's **vision** to be the most professional and innovative partner for our demanding readers and customers, and to continue to offer new and interesting experiences both on paper and in digital media.

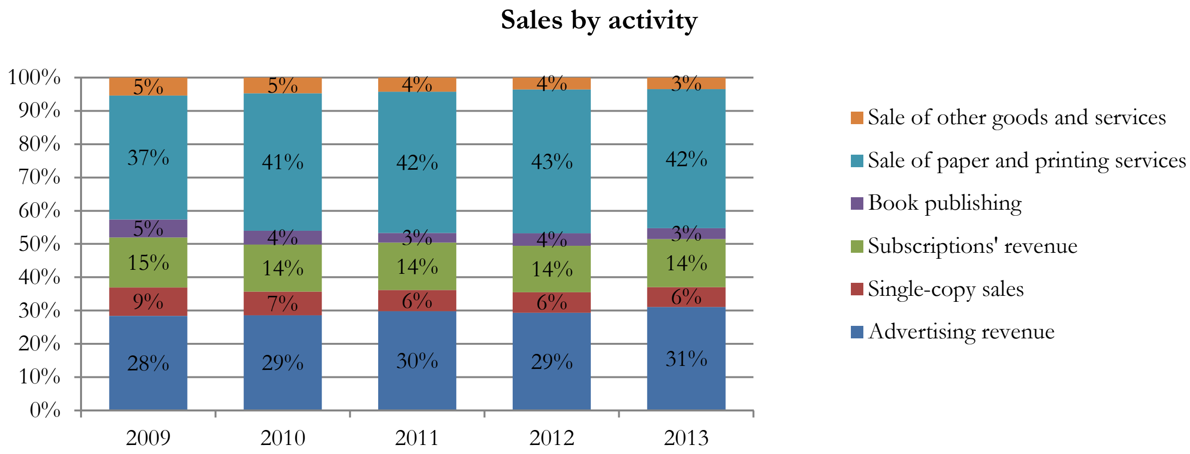
MANAGEMENT REPORT

The following report presents the consolidated financial information of AS Ekspress Grupp for the year 2013, the related market developments and management decisions.

Performance indicators (EUR thousand)	2013	2012	Change %	2011	2010	2009
For the period						
Sales	58 442	59 706	-2%	57 391	51 814	51 974
Gross profit	13 192	13 187	0%	12 544	11 294	9 292
EBITDA	**7 264**	**7 882**	**-8%**	**6 968**	**6 041**	**3 014**
Operating profit*	4 647	4 596	1%	3 443	2 760	(445)
Interest expenses	763	1 549	-51%	2 212	2 595	2 863
Profit /(loss) from continuing operations for the period*	**3 548**	**2 682**	**32%**	**893**	**(509)**	**(3 613)**
EBITDA margin (%)	**12.4%**	**13.2%**		**12.1%**	**11.7%**	**5.8%**
Operating margin* (%)	8.0%	7.7%		6.0%	5.3%	-0.9%
Net margin* (%)	**6.1%**	**4.5%**		**1.6%**	**-1.0%**	**-7.0%**
Extraordinary gain related to acquisition of 50% of Eesti Päevalehe AS*	0	0		1 540	0	0
Impairment of goodwill and trademarks	(2 467)	(157)		(750)	0	(5 844)
Net profit /(loss) from continuing operations for the period in the financial statements	1 081	2 525	-57%	1 683	(509)	(9 457)
Net profit /(loss) for the period in the financial statements	1 081	2 525	-57%	1 683	(146)	(12 144)
Net margin (%)	1.8%	4.2%		2.9%	-0.3%	-23.4%
ROA (%)	1.4%	3.2%		2.0%	-0.2%	-11.8%
ROE (%)	2.5%	6.4%		4.4%	-0.4%	-32.2%
Earnings per share (EPS)	**0.04**	**0.08**		**0.06**	**(0.01)**	**(0.58)**

* The results exclude impairment of goodwill and trademarks, and the net extraordinary gain in relation to the acquisition of an additional ownership interest in Eesti Päevalehe AS. 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 (EUR thousand)	**31.12.2013**	**31.12.2012**	**Change%**	**31.12.2011**
As of the end of the period				
Current assets	14 447	13 545	7%	12 523
Non-current assets	63 019	66 754	-6%	68 986
Total assets	**77 466**	**80 299**	-4%	**81 509**
incl. cash and bank	*4 501*	*3 280*	*37%*	*2 827*
incl. goodwill	*40 052*	*41 093*	*-3%*	*40 761*
Current liabilities	14 468	14 967	-3%	16 547
Non-current liabilities	20 673	24 233	-15%	26 574
Total liabilities	**35 141**	**39 200**	-10%	**43 121**
incl. borrowings	*24 432*	*28 580*	*-15%*	*31 951*
Equity	42 325	41 099	3%	38 388

Financial ratios (%)	**31.12.2013**	**31.12.2012**	**31.12.2011**
Equity ratio (%)	55%	51%	47%
Debt to equity ratio (%)	58%	70%	83%
Debt to capital ratio (%)	32%	38%	43%
Total debt/EBITDA ratio	3.3	3.6	4.6
Debt service coverage ratio	1.66	1.52	1.06
Liquidity ratio	1.00	0.90	0.76

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

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

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 2010-2013

(EUR thousand)	Sales			Sales	
	2013	2012	Change %	2011	2010
online media	11 455	10 370	10%	8 977	7 884
periodicals	23 798	24 741	-4%	24 069	22 520
printing services	27 462	29 167	-6%	27 736	24 221
corporate functions	1 530	996	54%	209	129
intersegment eliminations	(5 803)	(5 568)	-4%	(3 600)	(2 940)
TOTAL GROUP	**58 442**	**59 706**	**-2%**	**57 391**	**51 814**

(EUR thousand)	EBITDA			EBITDA	
	2013	2012	Change %	2011	2010
online media	1 703	1 776	-4%	1 425	758
periodicals	1 093	848	29%	552	914
printing services	5 862	6 052	-3%	5 959	5 198
corporate functions	(1 356)	(795)	-71%	(980)	(833)
intersegment eliminations	(38)	1	-	12	4
TOTAL GROUP	**7 264**	**7 882**	**-7%**	**6 968**	**6 041**

EBITDA margin	2013	2012	2011	2010
online media	15%	17%	16%	10%
periodicals	5%	3%	2%	4%
printing services	21%	21%	21%	21%
TOTAL GROUP	**12%**	**13%**	**12%**	**12%**

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

News portals owned by the Group

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

Advertising portals owned by the Group

Owner	Portal	Owner	Portal
Delfi Lithuania	**Error! Hyperlink**	Eesti Ajalehed AS	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.

(EUR thousand)	Sales			EBITDA		
	2013	2012	Change%	2013	2012	Change%
Delfi Estonia	4 101	3 469	18%	291	279	4%
Delfi Latvia	2 378	2 292	4%	133	183	-27%
Delfi Lithuania	4 924	4 531	9%	1 056	1 182	-11%
Delfi Ukraine	53	73	-27%	(195)	(260)	25%
other Delfi companies	0	6	-100%	421	399	6%
intersegment eliminations	(1)	(1)	0%	(3)	(7)	-
TOTAL	**11 455**	**10 370**	**10%**	**1 703**	**1 776**	**-4%**

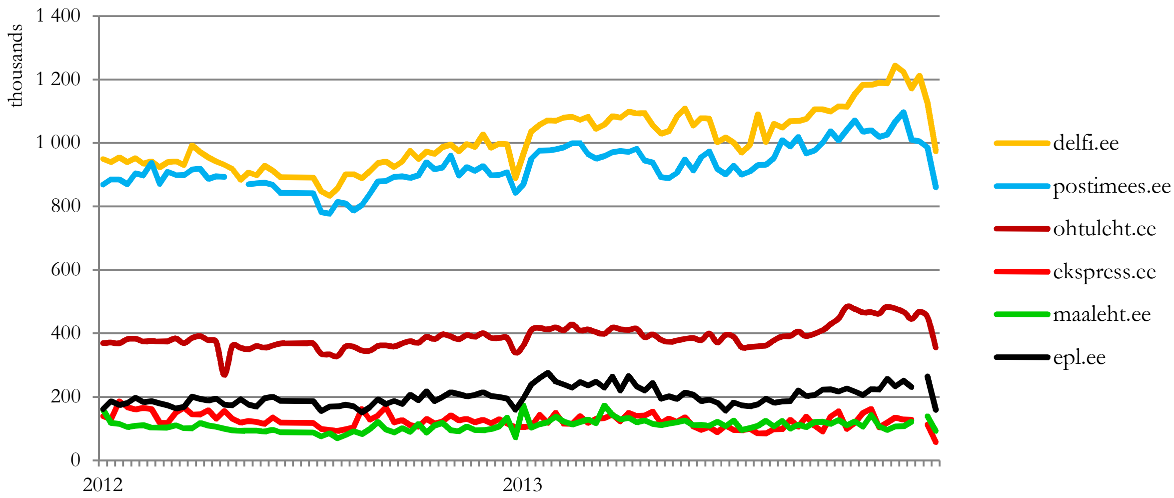
In the first half of the year, sales of the online media segment increased strongly in all markets. In the second half of the year, most of the growth came from Delfi Estonia, while business in Latvia and Lithuania slowed down. This was attributable to the slowdown in the Baltic and European economies and a hotter than normal summer that further reduced economic activity. In Latvia, the transition to euro added insecurity and unawareness, eroding advertising spending. Delfi Estonia buckled this trend and thanks to video streaming managed to significantly increase sales. Higher expenses related to new solutions and services, increase in the workforce of editorial offices aimed at maintaining quality and decrease in the subsidies for cooperation projects, initially affected both EBITDA and margins. The objective of the next year is to increase the efficiency of new solutions and the whole organisation. Strict cost-saving measures implemented in Ukraine succeeded in reducing a loss.

In 2013, the biggest projects in all Baltic countries were the development of Delfi TV with additional programming and video streaming as well as the launch of various online verticals such as travel, indoor decoration, cooking, family.

Delfi Estonia

- Delfi Eesti continued transmitting live webcasts that were begun last year. During the year, Delfi webcast various sports events (Estonian Championship matches in basketball, SEB Tallink Open 2013 in tennis, various volleyball and football matches, golf, etc.), cultural events such as Black Nights Film Festival (PÖFF), Tallinn Music Week, Jazzkaar, a concert of Smilers held in the editorial office, etc. The list of major projects included a full-day webcast from the events dedicated to the 95th anniversary of the Republic of Estonia, the election studio dedicated to municipal elections and debates of candidates for the post of the Mayor of Tallinn. The number of both serious and entertaining broadcasts has increased.
- In the second quarter, Delfi and Eesti Päevaleht launched a new business news website Ärileht www.arileht.ee that has become very popular.
- Also a new travel website www.reisijuht.ee and interior decorating website www.moodnekodu.ee were launched
- In cooperation with Maaleht, the website www.maaleht.ee was re-designed and supplemented with paid content.
- A new photo gallery and supplement to the comments section was added which now separates posts of registered commentators from posts of anonymous commentators.
- Cooperation projects with television channels TV3, Sky Media, Fox TV.
- Cooperation projects with Estonian Athletics Federation, Estonian Ski Federation, basketball club Kalev/Cramo, volleyball club Tallinna Selver.
- Cooperation projects with Theatre NO99, Tallinn Music Week, etc.
- Charity project “Astume koos ellu”.
- In the first quarter, a new mobile application version mDelfi 5.0. was launched that has helped to increase the number of people who read Delfi via their mobile phones 2.5 times.

Estonian online readership 2012-2013



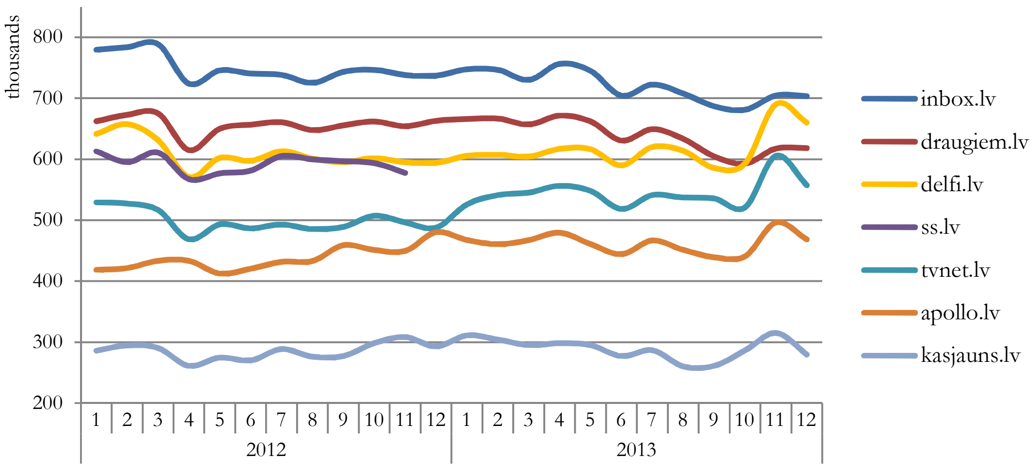
TNSMetrix weekly audience survey

2013 did not bring about major changes in the internet market. Delfi remains the largest online publication in Estonia. In comparison with its largest competitor, postimees.ee, the number of users of Delfi increased in the fourth quarter and exceeded postimees.ee on average by 150 thousand unique browsers. Over the year, the number of mobile users of Delfi has gone up 2.4 times, reaching 280 thousand unique browsers a week. Because of the proliferation of smartphones, this growth is set to continue also in 2014.

Delfi Latvia

- The portals of business news reached the highest number of visitors of all times, helped by strong media coverage of Latvia's accession to the Eurozone both before the year-end and a blog from the first day of euro changeover.
- In July Delfi Latvia acquired www.calis.lv portal that is targeted at parents. It was successfully integrated into the Delfi portal and became the basis for launching a special news channels targeted at parents.
- During the year, new online verticals were launched in the field of travel, indoor decoration, gardening and cooking.
- Delfi TV streamed from various events including Music Festival Positivus, a concert of Marta Ritova, one of the rising stars of Latvian pop music, annual dance competition Baltic Grand Prix, World Snooker Championships, etc.
- English-language version of Delfi was launched in cooperation with *The Baltic Times*.
- An interactive TV project was launched in cooperation with Lattelecom.
- Russian-language Delfi started cooperation with TV5, a TV station owned by MTG.
- Cooperation project with the e-school portal e-klase.lv targeted at younger readers.
- Cooperation project with entertainment portal kasjauns.lv.
- Selection of Latvia's best athlete in cooperation with the Latvian Olympic Committee.
- Other cooperation projects in different fields:
  - Main media partner of Positivus Festival,
  - Media partner of the Nordea Riga Marathon,
  - Official news website of the Rally of Champions,
  - Official cooperation partner of advertising festival "Golden Hammer",
  - Media partner of Latvian Music Awards „The Great Music Award",
  - Main media partner of European Rally Championships that were held in Latvia.
- According to data of the advertising agency DDB, Delfi is the most popular and influential brand in the Latvian social media.

Latvian online readership 2012-2013



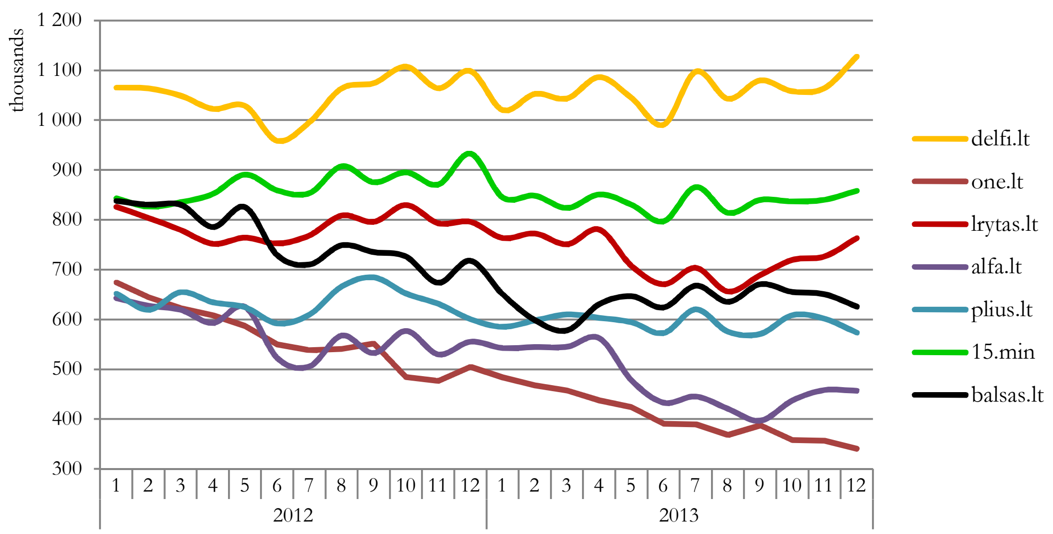
GemiusAudience monthly audience survey

In the 4th quarter of 2013, the readership of Latvian online portals was at peak levels in connection with the tragic accident in Riga. In November, the number of Delfi readers went up 16.4% as compared to the previous month which is the highest all-time increase of readers within a month. With this result, Delfi was only 2% behind Inbox.lv, Latvia's largest online portal and e-mail service provider, while increasing its leadership position in the news portal segment. Although there was a slight correction in December, Delfi recorded the smallest decline among news portals and the gap with tvnet.lv increased to more than 100 thousand unique users. Already in October, Delfi passed social network Draugiem.lv in terms of readers, making Delfi second-largest Latvian online portals by the number of users in the 4th quarter.

Delfi Lithuania

- In November, Delfi Lithuania acquired 51% of holding in UAB Sport Media that has secured basketball broadcasting rights in Lithuania for nine years. Participation and partnership with the Lithuanian Basketball Federation creates an opportunity to significantly increase video streaming of the most popular sport in Lithuania.
- In cooperation with the Group's magazine publisher Ekspress Leidyba, verticals were developed on the basis of its magazines. Together, www.cosmopolitan.lt, www.moteris.lt, www.panele.lt, www.manonamai.lt and www.tavovaikas.lt are standalone websites with a focus on lifestyle and entertainment.
- In addition, in cooperation with other Delfis, other specialised portals on travel, cooking, home and interior decoration and websites targeted at parents were launched.
- A new e-bookstore was launched.
- The development of Alio, a portal of classified ads acquired last year, has been disappointing because its online potential is not being fully used and its print version is decreasing faster than initially expected.
- In the first quarter, English language version of Delfi portal was launched in addition to existing Russian and Polish versions.

Lithuanian online readership 2012-2013



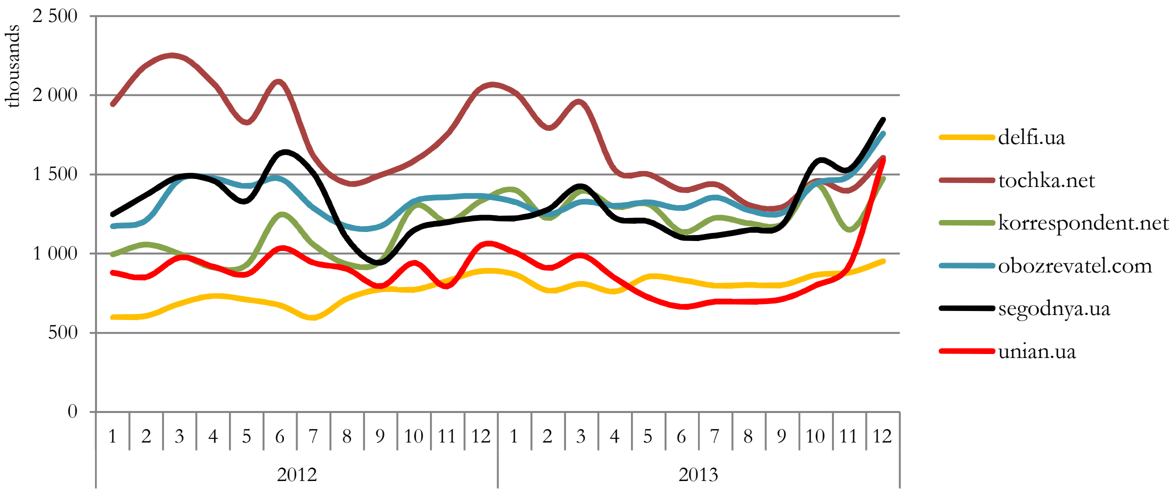
GemiusAudience monthly weekly audience survey

Among Lithuanian internet users, Delfi Lithuania remains an uncontested market leader, with more than one million unique users a month. In December, Delfi.lt attained its all-time best result with 1.127 million users a month, increasing the gap with the news portal 15min.lt to 270 thousand users a month. The readership of the Lietuvos Rytas portal has increased and is already close to that of 15min.lt.

Delfi Ukraine

- In 2013, the previous strategy was continued, offering easier and more tabloid-like news and mainly increasing production of content targeted at women.
- This strategy has helped to increase the number of users that is getting close to that of Delfi Lithuania and reaches almost one million. However, it has not generated enough advertising revenue to have confidence in the future of the project. Therefore, a decision has been made to terminate the Group's activity in Ukraine. The local undertaking will be liquidated, while the management and the editorial office are allowed to use the Delfi trademark and portal, but without the Group's support.

Ukrainian online readership 2012-2013



GemiusAudience monthly audience survey

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 in Lithuania. This segment also includes AS Express Post, engaged in home delivery of periodicals.

(EUR thousand)	Sales			EBITDA		
	2013	2012	Change%	2013	2012	Change%
AS Eesti Ajalehed	11 235	11 300	-1%	368	454	-19%
OÜ Hea Lugu	987	1 699	-42%	55	48	15%
AS SL Õhtuleht*	3 734	3 705	1%	221	244	-9%
AS Ajakirjade Kirjastus*	4 036	4 196	-4%	172	35	391%
UAB Ekspress Leidyba	2 515	2 629	-4%	0	(190)	100%
AS Express Post*	2 351	2 313	2%	279	258	8%
intersegment eliminations	(1 060)	(1 101)	4%	(2)	(1)	-
TOTAL	**23 798**	**24 741**	**-4%**	**1 093**	**848**	**29%**

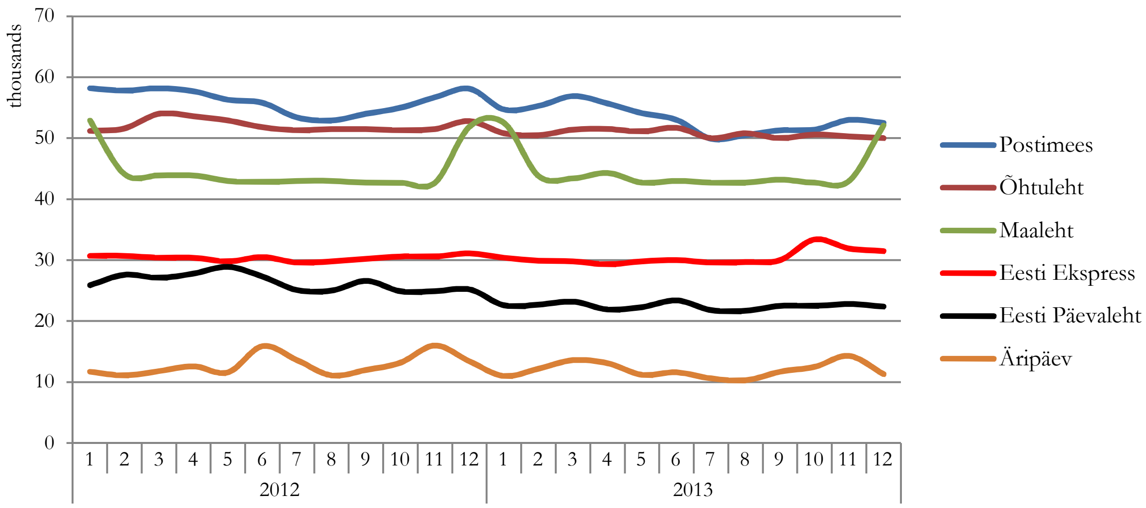
* Proportionate share of joint ventures

2013 will be remembered by the continued recession in the advertising market of print media. Advertising income of almost all newspapers decreased. At the same time advertising volumes of magazines in Estonia are growing that creates some confidence about the future and hope that the exodus of advertising from print media is slowing down. Circulations of newspapers and magazines have been in a slight downward trend and income is generated mainly through price increases. A positive factor is the ongoing growth of digital subscriptions that went up sharply especially in summer months. Throughout the year, the number of digital subscribers of Eesti Ekspress is up 60% and the number of subscribers of Eesti Päevaleht has almost doubled, reaching five and a half thousand for both publications. From now on, digital subscribers can read both digital newspapers and paid online content. In addition, in cooperation with Eesti Digiraamatute Keskus (Estonian Centre of e-books), a digital subscription entitles the subscriber to one free e-book a month. Our newspapers can be read in full also via mobile phones. In the autumn, the digital package of Maaleht was launched.

At the beginning of the year the joint project of OÜ Hea Lugu and Eesti Päevaleht was continued that included additional 15 films dedicated to the 100th anniversary of Estonian film. At the start of October, Eesti Ekspress co-launched a similar series of DVDs with Estonian children's films. In August, LP and Eesti Päevaleht launched a new series of criminal novels.

The website and mobile application of SL Õhtuleht has been renewed. Ajakirjade Kirjastus and SL Õhtuleht started cooperation in co-selling web advertising space. From July, "Kalale", a new fishing magazine targeted at men, is being published.

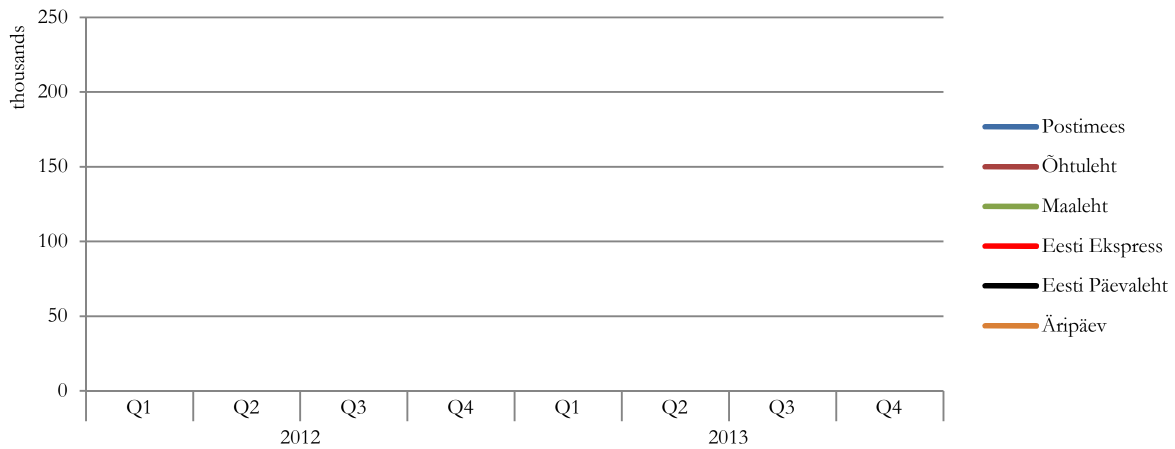
Estonian newspaper circulation 2012-2013



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. At year-end, the highest decline in the circulation was recorded for Postimees, a publication of Eesti Meedia: more than 10% in comparison with December 2012. As an annual average, the circulation of largest daily newspapers has fallen by 4%. Weekly newspapers have done relatively well, with Eesti Ekspress and Maaleht, two publications of Ekspress Grupp, managing to maintain average circulation. As for the publications of Ekspress Grupp, one needs to add also subscribers of digital newspapers numbering about 5 500 for both Eesti Ekspress and for Eesti Päevaleht at the end of the year. In comparison with the end of 2012, the number of subscribers of the digital package of Eesti Ekspress has increased by 60% and the number of subscribers of the digital package of Eesti Päevaleht has grown even by 90%.

Estonian newspaper readership 2012-2013



Turu-uuringute AS

In 2013, 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 2013. 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.

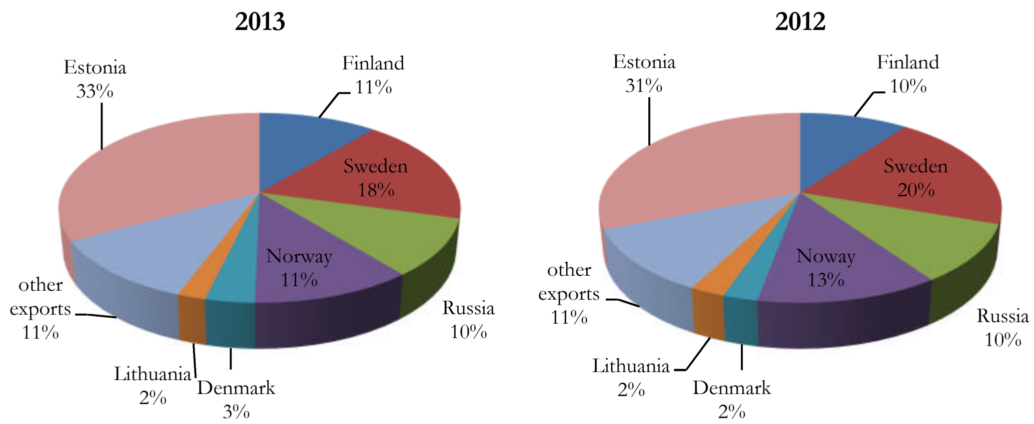
Printing services segment

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		
	2013	2012	Change%	2013	2012	Change%
AS Printall	27 462	29 167	-6%	5 862	6 052	-3%

After a number of years, total sales of AS Printall comprising paper and printing services decreased. Negative impact is attributable to falling circulations, and it takes a long time to offset and replace them with new customers due to the specific nature of the printing industry. Also, since in the peak season the production capacity of heatset machines has been at a maximum level, sales can be increased only by individual orders in less active months. The company's revenue only from printing services (without sale of paper) fell slightly less, 2.3% in 2013. Work in making processes more efficient is continuing, as a result of which the EBITDA margin has even been increased. 85% of revenue comes from heatset printing.

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 financial statements.

As at the date of signing the Annual Report the acquisition of minority share in **Adnet Media** is still in process.

SHARES AND SHAREHOLDERS OF AS EKSPRESS GRUPP

As of 31.12.2013, the company's share capital is EUR 17 878 105 and it consists of 29 796 841 shares with the nominal value of EUR 0.60 per share.

As of 31.12.2012 and 31.12.2011, the company's share capital was EUR 17 878 105 and it consisted of 29 796 841 shares with the nominal value of EUR 0.60 per share.

The General Meeting of Shareholders held on 30 May 2011 approved the conversion of share capital from Estonian kroons into euros, as a result of which the nominal value of a share was lowered from EUR 0.64 to EUR 0.60. The total number of shares did not change, but the share capital was reduced by EUR 1 165 548.

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

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

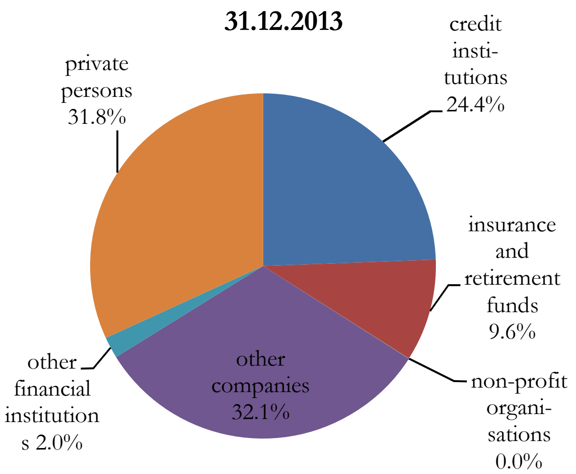
Structure of shareholders as of 31.12.2013 according to the Estonian Central Register of Securities

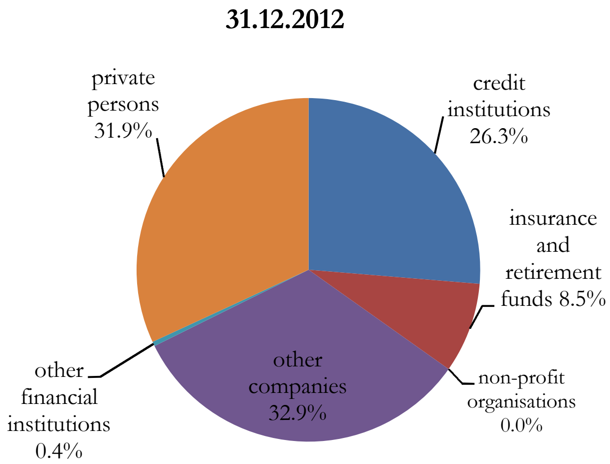
Name	Number of shares	%
Hans Luik	16 580 032	55.64%
Hans Luik	*7 963 307*	*26.73%*
Hans Luik, OÜ HHL Rühm	*8 609 825*	*28.90%*
Hans Luik , OÜ Minigert	*6 900*	*0.02%*
ING Luxembourg S.A.	4 002 052	13.43%
Skandinaviska Enskilda Banken Ab Clients	2 720 783	9.13%
LHV Bank and funds managed by LHV Varahaldus	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%*
Other minority shareholders	4 414 769	14.82%
Total	**29 796 841**	**100.0%**

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

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

Category	31.12.2013		31.12.2012	
	Number of shareholders	Number of shares	Number of shareholders	Number of shares
Private persons	3 174	9 459 395	3 305	9 501 933
Other companies	288	9 574 560	367	9 799 242
Other financial institutions	68	586 852	31	123 961
Credit institutions	15	7 318 923	18	7 841 161
Insurance and retirement funds	11	2 856 692	9	2 530 125
Non-profit organisations	2	419	2	419
TOTAL	**3 558**	**29 796 841**	**3 732**	**29 796 841**





AS Ekspress Grupp share information and dividend policy

Share information

ISIN	EE3100016965
Ticker symbol	EEG1T
List/segment	BALTIC MAIN LIST
Issuer	Ekspress Grupp (EEG)
Nominal value	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 Group's results and potential investment needs. The share of AS Ekspress Grupp should be considered as a growth share.

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

The table below shows the stock trading history 2009-2013

Price (EUR)	2013	2012	2011	2010	2009
Opening price	1.06	1.03	1.53	1.03	0.78
Closing price	1.14	1.06	1.03	1.53	1.03
High	1.22	1.18	1.84	1.62	1.50
Low	1.03	0.96	0.95	0.80	0.39
Average	1.13	1.04	1.32	1.28	0.89
Traded shares, pcs	1 395 363	1 247 945	3 909 472	3 856 572	2 461 534
Sales, mln	1.57	1.30	5.17	4.92	2.18
Capitalisation at balance sheet date, million	33.97	31.58	30.72	45.53	21.47
P/E ratio (price earnings ratio)	7.86	12.51	18.24	na	na

The price of the share of Ekspress Group (EEG1T) in euros and the trading statistics on OMX Tallinn Stock Exchange from 1 January 2009 until 31 December 2013.

The share price comparison (%) with OMX Tallinn Stock Exchange index from 1 January 2009 until 31 December 2013.

REPORT OF THE CORPORATE GOVERNANCE CODE

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

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

Clause 2.2.7 of CGC
Basic wages, performance pay, severance packages, other payable benefits and bonus schemes of a member of the Management Board as well as their essential features (incl. features based on comparison, incentives and risk) shall be published in a clear and unambiguous form on the website of the Issuer and in the Corporate Governance Code Report. Information published shall be deemed clear and unambiguous if it directly expresses the amount of an expense to the Issuer or the amount of a foreseeable expense as of the day of disclosure.

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

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

Clause 2.3.2 of CGC
The Supervisory Board shall approve the transactions which are significant to the Issuer and concluded between the Issuer and a member of its Management Board or another person connected or close to them and shall determine the terms of such transactions. Transactions approved by the Supervisory Board between the Issuer and a member of the Management Board, a person close to them or a person connected to them shall be published in the Corporate Governance Code Report.

In 2013, no significant transactions were conducted between the Group and the members of the Management Board.

Clause 3.2.5 of CGC
The amount of remuneration of a member of the Supervisory Board determined at a General Meeting and the terms of payment shall be published in the Corporate Governance Code Report, indicating separately basic and additional remuneration (incl. termination and other payable benefits).

In 2013, remuneration was neither assigned to the Parent Company of the Issuer nor to the members of the supervisory boards of the Group's subsidiaries and associates.

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

General Meeting

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

The annual General Meeting of Ekspress Group for 2013 was held on 24 May 2013 at the location of the company. The General Meeting approved Ekspress Group's consolidated annual report for the year 2012 and profit distribution proposal presented by management according to which the net profit for 2012 in the amount of EUR 2 525 was to be allocated as follows: EUR 126 thousand to be transferred to statutory reserve capital, dividends of one euro cent per share to be paid to shareholders and the remaining amount of EUR 2 101 thousand to be transferred to retained earnings. The shareholders who as of 7 June 2013 at 23:59 had been included in the list of shareholders of AS Ekspress Grupp were entitled to receive dividends. The dividends were paid on 01.10.2013. The General Meeting also approved the extension of authority of the member of the Supervisory Board Ville Jehe and the public limited company PricewaterhouseCoopers as the auditor of Ekspress Group for the year 2013.

On 21 November 2013, an Extraordinary General Meeting of Shareholders was held at the location of the company. The General Meeting decided to approved the terms and conditions of the share option of the member of the Management Board of AS Ekspress Grupp. The entitled subject of the share option is the Chairman of the Management Board of AS Ekspress Grupp, Gunnar Kobin (hereinafter: Member of the Management Board). Under the share option programme, the Member of the Management Board is entitled to acquire 700 thousand shares of AS Ekspress Grupp between 01.01.2017 and 31.03.2017. The Supervisory Board has the right to partly reduce the number of the shares in case the Member of the Management Board fails to fulfil the goals set by the Supervisory Board. The Member of the Management Board is entitled to receive shares for free.

As the second issue on the agenda, it was decided to acquire up to 700 000 shares of AS Ekspress Grupp to comply with the terms and conditions of the share option of the Member of the Management Board as well as §283 section 2 of the Commercial Code. AS Ekspress Grupp is entitled to acquire shares with one transaction or in parts from the stock exchange or over-the-counter within the time period starting from publication of the resolution of the Extraordinary General Meeting up to 31.12.2016. At a minimum, the stock exchange price of the Share on the transaction day or the nominal statutory value of the Share, i.e. 0.60 EUR in case of over-the-counter transaction and as a maximum the stock exchange price of the Share on the transaction day or maximum of 1.35 EUR in case of over-the-counter acquisition may be paid for the Share. The payment for the Shares shall be made from assets exceeding the share capital and the legal reserve. The Shares may not be encumbered with rights of third persons.

Supervisory Board

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

In accordance with the articles of association, the Supervisory Board shall comprise three to seven members. The number of the members shall be determined by the General Meeting. The members of the Supervisory Board shall be elected by the General Meeting for a term of five years. The Supervisory Board of Ekspress Group has six members. The Supervisory Board comprises the Chairman of the Supervisory Board Viktor Mahhov and the members of the Supervisory Board Aavo Kokk, Hans H. Luik, Harri Helmer Roschier, Ville Jehe and Kari Sakari Salonen.

In 2013, three Supervisory Board meetings were held, two of which were attended by all members of the Supervisory Board and one of which was not attended by Aavo Kokk. On eight occasions, decisions were adopted unanimously without calling a meeting of the Supervisory Board.

Information about members of the Supervisory Board:

Viktor Mahhov (elected until 30.03.2015)
- Chairman of the Supervisory Board since 2006
- Financial Manager of the oil-shale division of Eesti Energia
- Completed graduate studies in economics at St. Petersburg University in 1992

Aavo Kokk (elected 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 (elected 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 (elected until 30.05.2017) – independent member of the Supervisory Board
- 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 (elected until 24.05.2018) – independent member of the Supervisory Board
- 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 1993l

Kari Sakari Salonen (elected 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

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

Information about the members of the Management Board:

Gunnar Kobin (term of contract until 31.12.2016)
- Chairman of the Management Board since 2009
- CEO of the Group
- City Chairman of the Management Board of AS Ülemiste in 2005-2008
- Graduated from Tallinn University of Technology in 1993, specialising in production planning and management

Andre Veskimeister (term of contract until 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 (term of contract 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

Audit Committee

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

The Audit Committee has two members. The Head of the Audit Committee is Aavo Kokk and a member of the Audit Committee is Viktor Mahhov.

Selection and pay of auditors

An auditor is selected and approved by the General Meeting of Shareholders. AS PricewaterhouseCoopers audits the consolidated annual report for 2013 and also the Estonian subsidiaries. The subsidiaries located outside Estonia are audited by local companies. Joint ventures are audited by Ernst & Young Baltic AS. In 2013, the audit fee for auditing parent company and its subsidiaries in Estonia and outside was EUR 60 thousand. In the current year, Ekspress Group has additionally purchased services from other companies operating under the PwC trademark in the total amount of EUR 20 thousand.

Other information

Pursuant to Chapter 19 of the Securities Market Act, in case of a takeover of the company, the current co-owner of AS SL Õhtuleht, AS Ajakirjade Kirjastus and AS Express Post, i.e. AS Eesti Meedia, has the right to acquire the company's share of ownership interest in those joint ventures at a fair value. Ekspress Group also had the same right in case of a change in the shareholders of AS Eesti Meedia which occurred in September 2013. Ekspress Group has expressed its intention to acquire all three joint ventures mentioned above. Due to the different interpretation of the contract, this buy-out transaction has been taken to the Court of Arbitrage of the Estonian Chamber of Commerce and Industry.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

(EUR thousand)	31.12.2013	31.12.2012	Notes
ASSETS			
Current assets			
Cash and cash equivalents	4 403	3 182	5
Term deposit	98	0	5
Trade and other receivables	7 229	7 344	6
Inventories	2 717	2 922	10
Total	**14 447**	**13 448**	
Non-current assets held for sale	0	97	
Total current assets	**14 447**	**13 545**	
Non-current assets			
Term deposit	0	98	5
Trade and other receivables	399	365	11
Property, plant and equipment	13 665	14 841	15
Intangible assets	48 955	51 450	16
Total non-current assets	**63 019**	**66 754**	
TOTAL ASSETS	**77 466**	**80 299**	
LIABILITIES			
Current liabilities			
Borrowings	3 760	4 347	18
Trade and other payables	10 708	10 620	17
Total current liabilities	**14 468**	**14 967**	
Non-current liabilities			
Long-term borrowings	20 672	24 233	18
Other long term liabilities	1	0	
Total non-current liabilities	**20 673**	**24 233**	
TOTAL LIABILITIES	**35 141**	**39 200**	
EQUITY			
Share capital	17 878	17 878	29
Share premium	14 277	14 277	29
Reserves	1 250	740	29
Retained earnings	8 848	8 190	
Currency translation reserve	72	14	
TOTAL EQUITY	**42 325**	**41 099**	29
TOTAL LIABILITIES AND EQUITY	**77 466**	**80 299**	

The Notes presented on pages 32 to 78 form an integral part of the consolidated financial statements

Consolidated statement of comprehensive income

(EUR thousand)	2013	2012	Notes
Sales revenue	58 442	59 706	22
Cost of sales	(45 250)	(46 519)	23
Gross profit	**13 192**	**13 187**	
Other income	556	650	
Marketing expenses	(2 442)	(2 378)	24
Administrative expenses	(6 527)	(6 643)	25
Other expenses	(132)	(220)	
Impairment of trademarks and goodwill	(2 467)	(157)	26
Operating profit	**2 180**	**4 439**	
Interest income	6	5	
Interest expense	(763)	(1 549)	
Foreign exchange gains (losses)	(71)	(15)	
Other finance costs	(58)	(117)	
Net finance cost	**(886)**	**(1 676)**	
Profit (loss) from investments in associates	20	(41)	14
Profit before income tax	**1 314**	**2 722**	
Income tax expense	(233)	(197)	8
Profit for the reporting period	**1 081**	**2 525**	
Net profit for the reporting period attributable to:			
Equity holders of the parent company	1 081	2 525	
Other comprehensive income that may be subsequently reclassified to profit or loss			
Currency translation differences	58	10	
Profit on change in value of a hedging instrument	0	176	28
Total other comprehensive income for the period	**58**	**186**	
Comprehensive income for the reporting period attributable to:	**1 139**	**2 711**	
Equity holders of the parent company	1 139	2 711	
Basic and diluted earnings per share	0.04	0.08	29

The Notes presented on pages 32 to 78 form an integral part of the consolidated financial statements

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Kuupäev/date 14.03.14
PricewaterhouseCoopers, Tallinn

Consolidated statement of changes in equity

(EUR thousand)	Share capital	Share premium	Reserves	Currency translation reserve	Retained earnings	Total equity
Balance on 31.12.2011	**17 878**	**14 277**	**480**	**4**	**5 749**	**38 388**
Increase in statutory legal reserve	0	0	84	0	(84)	**0**
Transactions with owners total	*0*	*0*	*84*	*0*	*(84)*	***0***
Net profit for the year	0	0	0	0	2 525	**2 525**
Other comprehensive income	0	0	176	10	0	**186**
Total comprehensive income for the year	*0*	*0*	*176*	*10*	*2 525*	***2 711***
Balance on 31.12.2012	**17 878**	**14 277**	**740**	**14**	**8 190**	**41 099**
Increase in statutory legal reserve	0	0	126	0	(126)	**0**
Dividends	0	0	0	0	(298)	**(298)**
Value of share option	0	0	384	0	0	**384**
Transactions with owners total	*0*	*0*	*510*	*0*	*(424)*	***86***
Net profit for the year	0	0	0	0	1 081	**1 081**
Other comprehensive income	0	0	0	58	0	**58**
Total comprehensive income for the year	*0*	*0*	*0*	*58*	*1 081*	***1 139***
Balance on 31.12.2013	**17 878**	**14 277**	**1 250**	**72**	**8 848**	**42 325**

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

The Notes presented on pages 32 to 78 form an integral part of the consolidated financial statements.

Consolidated cash flow statement

(EUR thousand)	2013	2012	Notes
Cash flows from operating activities			
Operating profit for the reporting year	2 180	4 439	
Adjustments for:			
Depreciation, amortisation and impairment	2 618	3 285	15,16
Loss on sale of trademarks and trademark and goodwill impairment	2 467	157	26
(Gain)/loss on sale and write-down of property, plant and equipment	(29)	63	
Change in value of share option	384	0	
Cash flows from operating activities:			
Trade and other receivables	24	(715)	
Inventories	342	(146)	
Trade and other payables	144	(433)	
Cash generated from operations	**8 130**	**6 650**	
Income tax paid	(305)	(188)	
Interest paid	(794)	(1 591)	
Net cash generated from operating activities	**7 031**	**4 871**	
Cash flows from investing activities			
Acquisitions through business combinations	(327)	(434)	12
Purchase of other investments	(15)	(15)	
Interest received	34	5	
Purchase of property, plant and equipment	(888)	(785)	15,16,19
Proceeds from sale of property, plant and equipment	51	42	15,16
Loans granted	(3)	(10)	
Loan repayments received	6	182	
Net cash used in investing activities	**(1 142)**	**(1 015)**	
Cash flows from financing activities			
Dividends paid	(298)	0	
Finance lease repayments	(25)	(390)	19
Change in use of overdraft	(745)	731	18
Change in use of factoring	0	(270)	18
Repayments of borrowings	(3 600)	(3 474)	18
Net cash used in financing activities	**(4 668)**	**(3 403)**	
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**1 221**	**453**	
Cash and cash equivalents at the beginning of the year	3 182	2 729	5
Cash and cash equivalents at the end of the year	4 403	3 182	5

The Notes presented on pages 32 to 78 form an integral part of the consolidated financial statements

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1. General information

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

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

Pursuant to the Commercial Code of the Republic of Estonia, the annual report including also the consolidated financial statements prepared by the Management Board and approved by the Supervisory Board shall be approved by the General Meeting of Shareholders. This annual report was approved by the Management Board on 17 March 2014.

The consolidated financial statements of AS Ekspress Grupp (hereinafter the Group) for the year 2013 reflect the results of the following group companies.

Company name	Status	Ownership interest 31.12.2013	Ownership interest 31.12.2012	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 owned by the Parent Company. 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%	-	Online media (acquired in July 2013)	Latvia
Delfi AS	Subsidiary	100%	100%	Online media	Estonia
Saarmann Meedia OÜ	Subsidiary	-	100%	Merged with AS Delfi (Estonia) on 11.03.2013	Estonia
Delfi UAB	Subsidiary	100%	100%	Online media	Lithuania
UAB Sport Media	Subsidiary	51%	-	Online broadcasting of basketball events (acquired in November 2013	Lithuania
TOV Delfi	Subsidiary	100%	100%	Online media	Ukraine
Operating segment: printing services					
AS Printall	Subsidiary	100%	100%	Printing services	Estonia

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

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

Basis of preparation

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

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

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

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

Comparability

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

Standards, amendments to standards and interpretations which became effective in the financial year of the Group beginning on 1 January 2013

Presentation of Items of Other Comprehensive Income – amendments to IAS 1 (effective for annual periods beginning on or after 1 July 2012). The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The amended standard has changed the presentation of the financial statements, but has no impact on measurement of transactions and balances.

Amendment to IAS 19, Employee Benefits (effective for annual periods beginning on or after 1 January 2013) changes significantly (i) the recognition and measurement of defined benefit expenses and termination benefits, (ii) disclosures about all employee benefits. The standard requires all changes in net defined benefit liabilities (assets) to be recognised when they occur as follows: (i) service cost and net interest income (cost) in profit or loss, and (ii) restatement in other comprehensive income. This amendment has no significant impact on the Group.

Deferred Income Tax: Recovery of Underlying Assets – amendments to IAS 12 (effective for annual periods beginning on or after 1 January 2013). The amendment establishes an exception to the principle for measuring deferred tax assets or liabilities in case investment property is carried at fair value. This amendment has no significant impact on the Group.

Disclosures – Offsetting Financial Assets and Financial Liabilities – amendments to IFRS 7 (effective for annual periods beginning on or after 1 January 2013). The amendment requires disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off. The amendment will impact disclosures but will not impact the measurement and recognition of financial instruments.

IFRS 13, Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013). The objective of the standard is to improve consistency and reduce complexity, therefore, the standard contains a revised definition of fair value and the bases of measurement of fair value and disclosure requirements used in other IFRSs. This amendment has no significant impact on the Group.

Improvements to IFRS, issued in May 2012 (effective for annual periods beginning on or after 1 January 2013). The changes relate to amendments in five standards. Amendments to IFRS 1 (i) explain that an entity that will restart to prepare its financial statements in accordance with IFRS may choose to reapply IFRS 1 or apply all IFRS retrospectively as if it had never ceased using them and (ii) exempt first-time users from retrospective application of IAS 23 "Borrowing Costs".

IAS 1 was amended to clarify that notes shall not be prepared for the third balance sheet presented as of the beginning date of the comparative period when the third balance sheet was prepared because it was materially impacted by the retrospective correction of errors, changes in accounting policies or reclassifications, but the notes shall be presented if the entity chooses to voluntarily present additional comparative periods in the financial statements.

Amendment to IAS 16 clarifies that maintenance equipment used for a period longer than one reporting period, shall be classified as non-current assets and not inventories.

Amendment to IAS 32 clarifies that the taxation effects arising on payments to owners shall be recognised in the income statement as required by IAS 12.

IAS 34 was amended to bring it into compliance with the requirements of IFRS 8 – IAS 34 will require disclosure of the assets and liabilities of business segments only in case this information is regularly provided to the highest decision maker and there has been a significant change in the data as compared to the last financial statements.

This amendment has no significant impact on the Group.

Government Loans – amendments to IFRS 1 (effective for annual periods beginning on or after 1 January 2013). The amendments relate to government loans received at a lower than market interest rate and exempt first-time adopters of IFRS from a complete retrospective application of IFRS when recognising such loans. First time adopters shall receive an exemption which is the same as the one used by entities that already use IFRS. This amendment has no significant impact on the Group.

New standards, amendments to standards and interpretations which will become mandatory for the Group in the financial year beginning on or after 01.01.2014 and which the Group has not adopted early but which may have an effect on the Group's financial statements

IFRS 10, Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2014). The standards will replace the guidance for control and consolidation in IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation – Special Purpose Entities". IFRS 10 changes the definition of control so that the same criteria are applied to all entities for determining control. The application of the definition is aided by extensive application guidance. The Group is evaluating the impact of the standard on its financial statements.

IFRS 11, Joint Arrangements (effective for annual periods beginning on or after 1 January 2014) 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.

IFRS 12 Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2014). The standard will apply to entities with an ownership interest in subsidiaries, joint ventures, associates or unconsolidated structured entities; it will replace the disclosure requirements in IAS 28 "Investments in Associates". IFRS 12 requires entities to disclose such information that would enable the users of financial statements to evaluate the nature, risks and financial effects of ownership interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet this objective, the new standard requires disclosures about different areas, including (i) key judgments and assumptions used to determine whether an entity has control, joint control or significant influence over the other entity;

(ii) more detailed information about the share of non-controlling interests in the activities and cash flows of the Group; (iii) combined financial information about subsidiaries with significant non-controlling interests; and (iv) detailed disclosures about interests in unconsolidated structured entities. The Group is evaluating the impact of the standard on its financial statements.

IAS 27 (amended in 2011), Separate Financial Statements (effective for annual periods beginning on or after 1 January 2014). The objective of the amended standard is to specify the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates if an entity prepares unconsolidated financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10 "Consolidated Financial Statements". The Group is evaluating the impact of the amended standard on its financial statements.

IAS 28 (revised in 2011), Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2014). The standard was amended due to the issue of IFRS 11 and it includes the requirement that joint ventures shall be recognised under the equity method similarly to associates. According to the Group's preliminary estimate, the amended standard may impact its financial statements.

Offsetting Financial Assets and Financial Liabilities – amendments to IAS 32 (effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to deal with inconsistences identified in applying some offsetting criteria. It clarifies, inter alia, the meaning of 'currently has a legally enforceable right of set-off' as well as that some gross settlement systems may be considered as equivalent to net settlements. The Group is evaluating the impact of the amendment on the Group.

Transition Guidance – amendments to IFRS 10, IFRS 11 and IFRS 12 (effective for annual periods beginning on or after 1 January 2013; earlier adoption is required if IFRS 10, 11 and 12 are applied earlier).

Amendments clarify transition guidance in IFRS 10 "Consolidated Financial Statements". Entities that apply IFRS 10, need to assess whether control existed as of the first date of the reporting period when the standard was adopted and if the conclusion made in accordance with IFRS 10 differs from the conclusion made in accordance with IAS 27 and SIC 12, the data for annual period immediately preceding shall be adjusted (e.g. an entity whose financial year is the calendar year and that adopts IFRS 10 in 2013, shall adjust the data for 2012 retrospectively) unless it is impracticable. The amendments also provide additional relief for transitional rules in IFRS 10, 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. A requirement to disclose comparatives for unconsolidated structured entities for the periods preceding the application of IFRS 12 was also removed. The Group is evaluating the impact of the amendment on its financial statements.

Investment Entities – amendments to IFRS 10, IFRS 12 and IAS 27 (effective for annual periods beginning on or after 1 January 2014). The amendments introduce the term of an investment entity: an investment entity is an entity that (i) obtains funds from investors for the purpose of providing those investors with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity shall recognise its subsidiaries at fair value through profit or loss and shall consolidate only those subsidiaries that provide services related to the entity's investment activities. IFRS 12 amendments added disclosure requirements, incl. material estimates that were made to decide whether the entity was an investment entity, financial or other support provided or to be provided to unconsolidated subsidiaries. The Group is evaluating the impact of the amendment on its financial statements.

Recoverable Amount Disclosures for Non-Financial Assets – amendments to IAS 36 (effective for annual periods beginning on or after 1 January 2014). The amendments removed the requirement to disclose the recoverable amount in case goodwill or intangible assets with indefinite lives for relate to that cash-generating unit but an impairment loss has not been identified. The Group is evaluating the impact of the amendment on its financial statements.

Novation of Derivatives and Continuation of Hedge Accounting – amendments to IAS 39 (effective for annual periods beginning on or after 1 January 2014). The amendments allow continuation of hedge accounting in certain circumstances when a derivate designated as a hedging instrument and it is required to be novated in the contract as a result of laws or regulations (i.e. the parties have agreed to replace the initial counterparty by a one one) to conclude the transaction with the central counterparty. The Group is evaluating the impact of the amendment on its financial statements.

Defined Benefit Plans: Employee Contribution – amendments to IAS 19 (effective for annual periods beginning on or after 1 January 2014; not yet adopted by the EU). If an employee contribution is independent of the number of years of service, the amendment allows entities to recognise employee contributions as a reduction of the service cost in the period when the employee provides services instead of allocating contributions to years of service. The Group is evaluating the impact of the amendment on its financial statements.

IFRIC 21, Levies (effective for annual periods beginning on or after 1 January 2014; not yet adopted by the EU). The interpretation clarifies how to recognise an obligation to pay a levy that is not income tax. A liability is recognised when an obligating event occurs, an obligating event is the event identified by the legislation that specifies the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern principle, does not create an obligation to pay a levy. The same principles apply to interim and annual reports. The adoption of this interpretation is voluntary for those liabilities that arise from emission trading schemes. The Group is evaluating the impact of the interpretation on its financial statements.

Annual Improvements to IFRSs 2012 (effective for annual periods beginning on or after 1 July 2014, other than the cases listed below; not yet adopted by the EU). The amendments relate to changes in seven standards.

IFRS 2 was amended to clarify the definition of "vesting conditions" and define separately a "performance condition" and "service condition". The amendment is effective for share-based transactions for which the grant date is on or after 1 July 2014.

IFRS 3 was amended to clarify (1) if the obligation to pay contingent consideration is a financial instrument, it shall be classified either as a financial liability or equity in accordance with the definitions of IAS 32; (2) all contingent considerations not classified as equity – both financial as well as non-financial instruments – shall be measured at fair value at each reporting date and changes in fair value are taken to profit or loss. The amendments to IFRS are effective for business combinations, the acquisition date of which is on or after 1 July 2014.

IFRS 8 was amended to require (1) disclosure of decisions made by management for aggregation of operating segments, incl. a description of aggregated segments and that of their economic characteristics taken into consideration when a decision was made that the aggregated segments have similar economic characteristics and (2) reconciliation of the amount of segment assets with the entity's assets if segment assets are disclosed.

IFRS 13's basis for conclusions was changed to clarify that the purpose of the removal of certain paragraphs of IAS 39 when publishing IFRS 13 was not to remove an option to measure short-term receivables and payable in the amount of the invoice when the effect of discounting is immaterial.

IAS 16 and IAS 38 were amended to clarify how to measure cost and accumulated depreciation when the entity uses the revaluation method.

IAS 24 was amended to add an entity that provides key management personnel services to the reporting entity or the parent company of the reporting entity (i.e. management entity) and to require to disclose the amounts charged to the reporting entity by the management entity for the services provided.

The Group is evaluating the impact of the amendment on its financial statements.

Annual Improvements to IFRSs 2013" (effective for annual periods beginning on or after 1 July 2014; not yet adopted by the EU). The amendments relate to changes in four standards.

IFRS 1's basis for conclusions was amended to clarify that when a new version of a certain standard is not yet mandatory, but can be adopted early, the first-time adopter can use either the old or the new version under the assumption that the same standard shall be applied to all reporting periods presented.

IFRS 3 was amended to clarify that it shall not apply to any of the joint arrangements as defined in IFRS 11. The amendment also clarifies that the scope exception applies in the financial statements of the joint venture itself.

IFRS 13's amendment clarifies that the portfolio exception of IFRS 13 that allows an entity the measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts within the scope of IAS 39 or IFRS 9 (incl. contracts to purchase non-financial assets).

IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance of IAS 40 helps those preparing the financial statements to differentiate between investment property and owner-occupied property. Those who prepare the financial statements also need to follow the guidance in IFRS 3 to decide whether the acquisition of investment property constitutes a business combination.

The Group is evaluating the impact of the amendment on its financial statements.

IFRS 9, Financial Instruments Part 1: Classification and Measurement, issued in November 2009, amended in October 2010, in December 2011 and November 2013 (effective for annual periods beginning on or after 1 January 2015; not yet adopted by the EU). The key features are as follows:

- Financial assets are required to be classified into two measurement categories: the assets measured at fair value, and the assets measured at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (i.e. it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments shall be measured subsequently at fair value. Equity instruments that are held for trading shall be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- Hedge accounting requirements were changed in order to align the accounting more closely with risk management. The standard allows companies to choose the hedge accounting requirements of IFRS 9 or continue applying IAS 39 to hedging instruments, because the standard does not currently deal with macro hedge accounting.

With the amendment to IFRS 9 made in November 2013, the mandatory effective date was removed from the standard, thereby making the adoption of the standard voluntary. The Group does not plan to adopt this version of IFRS 9.

The other new or amended standards or interpretations which are not yet effective are not expected to have a material impact on the Group.

Principles of consolidation

Subsidiaries

Subsidiaries are all entities over which the Parent Company has control. Control is assumed if the Parent Company has power to govern the financial and operating policies of the subsidiary generally accompanying a shareholding of more than one half of the voting rights of the subsidiary. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. When the Parent Company acquired or transferred control over the company during the period, the respective subsidiary is subject to consolidation from the date at which control is transferred to the Group until the date that control ceases.

Acquisition of subsidiaries is accounted for under the purchase method. The fair value of the consideration payable (i.e. of the assets transferred, liabilities assumed and equity instruments issued by the acquirer for the purpose of acquisition) and expenditure directly attributable to acquisition at the date of acquisition is considered as the cost. According to the purchase method, the acquired and separately identifiable assets, liabilities and contingent liabilities are initially recognised at their fair value. The excess of the cost of the ownership interest acquired in a business combination over the fair value of acquired net assets is recognised as goodwill. If cost is lower than the fair value of acquired net assets, the difference is immediately taken to profit or loss.

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

Joint ventures

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Group combines 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 Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that it is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

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

Associates

Associates are all entities over which the Group has significant influence, but not control, generally accompanying a shareholding of between 20%-50%. Investments in associates are initially recognised at cost and thereafter, using the equity method of accounting. The Group's investment in associates includes goodwill identified on acquisition.

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

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

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

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

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

Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank accounts and short-term deposits with the term of up to three months. Bank overdraft is included within borrowings in current liabilities in the balance sheet. Shares of liquid funds are classified as financial assets at fair value through profit or loss.

Foreign currency translation

Functional and presentation currency

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

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions of the central banks of the countries where the respective group companies are located. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Group companies

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

(a) assets and liabilities for each balance sheet presented are translated to euros at the closing rate of the European Central Bank at the date of that balance sheet;

(b) income and expenses for each income statement are translated to euros at average exchange rates of the European Central Bank for the period;

(c) all resulting exchange differences are recognised as a separate component of equity.

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

The Group has group companies in Estonia, Latvia, Lithuania and Ukraine. Since the Lithuanian litas is pegged to the euro, no currency translation differences arise from the translation into the presentation currency. The exchange differences of LVL and UAH are recognised directly in equity as a "Currency translation reserve".

Inventories

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

Financial assets

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

Loans and receivables

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

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

Derecognition of financial assets

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

Factoring

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

Property, plant and equipment

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

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

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

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

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

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

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

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

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

Intangible assets

Goodwill

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

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

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

Trademarks

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

The estimated useful lives of assets with finite useful lives are as follows:

- Trademarks 5-50 years

The amortisation rates are assessed for appropriateness each year.

Customer relationships

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

Research and development costs

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

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

Other intangible assets

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

- Other intangible assets 2-7 years

Impairment of assets

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

Financial liabilities

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

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

Provisions

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

Contingent liabilities

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

Payables to employees

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

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

Share-based transactions

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

Finance and operating lease

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

The Group as a lessee

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

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

Derivative instruments and hedging

At initial recognition, derivative instruments are recognised at fair value at the date of entering into a derivative contract. After initial recognition, derivatives are revalued at each balance sheet date to their current fair value. The method for recognising gains or losses on a change in the value depends on whether the derivative is designated as a hedging instrument and if so, on the nature of the hedged item. The Group had cash flow hedging instruments effective until September 2012, the purpose of which was to fix interest expenses on loans with floating interest rates.

Upon inception of a transaction, the Group documents the relationship between hedging instruments and hedged items, hedging objectives and a strategy for making different hedging transactions. Besides, upon inception of a transaction as well as on an ongoing basis, it is documented as to whether the derivatives used in hedging transactions are effective for setting off cash flows of hedged items.

Fair values of derivative instruments used for hedging purposes and movements in the hedging reserve included in equity are disclosed in the Notes. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining useful life of a hedged item is more than 12 months, and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months.

Cash flow hedge

The effective portion in the fair value change of derivative instruments which are designated and qualify as a cash flow hedge is recognised in equity. A gain or loss related to the ineffective portion is immediately recognised in the income statement. The amounts accumulated in equity are reclassified to the statement of comprehensive income in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold or when a hedge no longer meets the hedge accounting criteria, any cumulative gain or loss included in equity will remain in equity and will be recognised in the statement of comprehensive income when the forecast transaction is ultimately recognised. When the occurrence of a forecast transaction is no longer expected, the cumulative gain or loss included in equity will be immediately transferred to the income statement as other income or other expenses.

Revenue recognition

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

Retail sales of periodicals and books

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

Sales of subscribed periodicals and books

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

Sale of services

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

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

Interest income

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

Dividend income

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

Earnings per share

Basic earnings per share are calculated by dividing the profit of the year attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share are calculated based on profit or loss attributable to the ordinary equity holders of the

Parent Company, and the weighted average number of shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

Statutory reserve capital

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

Dividend distribution

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

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

Events after the balance sheet date

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

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

Segment reporting

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

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

Corporate income tax and deferred income tax

Corporate income tax in Estonia

According to the Income Tax Act applicable in Estonia, the annual profit earned by entities is not taxed in Estonia. Income tax is paid on dividends, fringe benefits, gifts, donations, reception costs, non-business related expenses and adjustments of the transfer price. From 1 January 2008, the profit distributed as dividends is subject to income tax of 21/79 of the net amount to be paid out. The corporate income tax arising from the payment of dividends is accounted for as an expense in the period when dividends are declared, regardless of the actual payment date or the period for which dividends are actually paid. The obligation to pay income tax arises on the 10th day of the month following the payment of dividends.

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

Corporate income tax for companies registered in Latvia, Lithuania and Ukraine

In accordance with the local income tax laws, the net profit of companies located in Latvia, Lithuania, and Ukraine that has been adjusted for the permanent and temporary differences as stipulated by law is subject to corporate income tax. The income tax rate is 15% in Latvia (2012: 15%), 15% in Lithuania (2012: 15%) and 19% in Ukraine (2012: 21%).

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

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

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

Note 3. Critical accounting estimates and judgements

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

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

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

<u>a) Valuation of goodwill, trademarks, other intangible and tangible assets</u>

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

As of 31 December 2012, no impairment losses were recognised for goodwill. As of 31 December 2013, impairment losses related to the goodwill of Eesti Päevaleht and Ekspress Leidyba were recognised in the total amount of EUR 1 301 thousand and impairment losses related to the trademarks of Eesti Päevaleht, Delfi Ukraine and Ekspress Leidyba were recognised in the amount of EUR 1 166 thousand.

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

b) Estimation of useful lives of intangible assets

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

According to the estimates, the useful lives of **trademarks** as of the balance sheet date are 5-50 years, based on past experiences on useful lives of similar trademarks (carrying amount as of 31.12.2013 is EUR 8 154 thousand and as of 31.12.2012, it is EUR 9 542 thousand). The trademark in the online segment is the title of the online portal "Delfi", the trademarks in periodicals segment are mainly the titles of different publications (magazines, newspapers). The useful lives of online media trademarks are estimated to be longer than those of print media. The remaining amortisation period of online media trademarks is up to 44 years. The useful lives of periodicals trademarks are generally estimated to be 20 years. From 1 January 2014, the amortisation rates have been reviewed and the useful lives of periodicals' trademarks have been reduced to 5-10 years.

Carrying amounts of trademarks by segment

(EUR thousand)	31.12.2013	31.12.2012
Online media	6 698	7 300
Periodicals	1 456	2 242
Total trademarks	**8 154**	**9 542**

If useful lives of online trademarks increased or decreased by 10%, the annual amortisation charge would increase or decrease, respectively, by EUR 17 thousand. As a consequence of changing the useful lives of periodicals, the annual amortisation charge would increase by EUR 388 thousand from 1 January 2014.

The useful lives of **advertising customer relationships** are estimated to be 5 years based on the statistical data of sales of media agencies such as sales and purchase volumes. The estimated useful lives of customer relationships of newspaper subscribers are up to 2 years. As of 31.12.2012, the carrying amount of customer relationships was EUR 0 and as of 31 December 2012, EUR 16 thousand. Similarly to 2012, no changes were made to amortisation rates in 2013.

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

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

If the useful lives increased/decreased by 10%, the annual depreciation charge would decrease/increase by EUR 21/26 thousand, EUR 131/160 thousand and EUR 25/31 thousand of 'Buildings', 'Machinery and equipment' and 'Other equipment', respectively. The total decrease/increase in the depreciation charge in case of an increase/decrease of 10% in useful lives would be EUR 217/17 thousand.

d) Assessment of the value of receivables is based on the Group's procedures according to which the provision for all receivables that are overdue more than 60 days will be recognised, taking also into account the management's estimates on each receivable if the following of Group procedure is not reasoned. The estimates are made based on the financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments. As a result of changes in the market conditions or economic situation, the current estimates of the management may significantly change.

e) Inventory valuation

Upon valuation of inventories, the management will rely on its best knowledge taking into consideration historical experience, general background information and assumptions and preconditions of the future events. For determining the impairment of finished goods (carrying amount as of 31.12.2013, EUR 590

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thousand and as of 31.12. 2012, EUR 622 thousand), the sales potential as well as the net realisable value of finished goods is considered, upon valuation of raw materials and materials (carrying amount as of 31.12 2013, EUR 1 868 thousand and as of 31. 12 2012, EUR 2 030 thousand) their potential use in producing finished goods and generating income is considered, upon valuation of work in progress (carrying amount as of 31.12.2013, EUR 248 thousand and as of 31. 12 2012, EUR 245 thousand) their stage of completion that can reliably be measured is considered.

Note 4. Financial risk management

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

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

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

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

Credit risk

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

Credit risk arises from cash and cash equivalents, money market funds, trade receivables, other short-term receivables and loans granted.

Since the Group invests available liquid funds in the banks with the credit rating of "A", mainly as term and overnight deposits, they do not expose the Group to substantial credit risk.

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

Bank name	Moody`s	Standard & Poor`s	31.12.2013	31.12.2012
SEB	A1	A+	592	332
Swedbank	A2	A+	3 707	2 823
Nordea/Danske	Aa3/Baa1	A-/AA-	168	83
Other banks	Other banks	-	13	11
Total (Note 5)			**4 480**	**3 251**

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. At the beginning their payment behaviour will be monitored with heightened interest. Upon following the payment discipline, it is possible to receive more flexible credit terms, such as longer payment terms, higher credit limits, etc. Upon violation of the payment discipline, stricter credit terms are applied.

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

If possible, the Group uses factoring without recourse as an additional measure to manage credit risk.

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

31.12.2013 (EUR thousand)	Due date	Overdue >= 7 days	Overdue >7 days and <=60 days	Overdue > 60 days	Total receivables
Trade receivables	4 360	680	834	9	**5 883**
Other short-term receivables	917	0	0	0	**917**
TOTAL	**5 277**	**680**	**834**	**9**	**6 800**

31.12.2012 (EUR thousand)	Due date	Overdue >= 7 days	Overdue >7 days and <=60 days	Overdue > 60 days	Total receivables
Trade receivables	4 267	755	1 264	5	**6 291**
Other short-term receivables	721	0	0	0	**721**
TOTAL	**4 988**	**755**	**1 264**	**5**	**7 012**

In 2013, the Group has written down doubtful receivables in the amount of EUR 665 thousand (31.12.2012: EUR 661 thousand), in accordance with the rules for valuation of trade receivables applicable at the Group based on estimated cash flows. The Group's management is aware that credit risk is still high in the recovered economic situation and therefore, credit risk management is still a high-priority area. As a specific measure, the credit policies at the group companies have been harmonised and they have been made stricter.

Since a significant part of other receivables is due from the joint ventures, more specifically their unconsolidated 50% share, the management estimates that the receivables do not contain substantial credit risk.

Liquidity risk

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

The objective of the Group is to maintain a balance between the financial need and financial possibilities of the Group. Cash flow planning is used as a means to manage the liquidity risk. To manage liquidity risk as effectively as possible, the bank accounts of the Parent Company and its subsidiaries comprise one group account (cash pool) which enables the members of the group account to use the finances of the Group

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within the limit established by the Parent Company. The group account operates in Estonia, but foreign subsidiaries in Latvia and Lithuania are also part thereof. According to the policy of the Group, all subsidiaries and joint ventures prepare long term cash flow projections for the following year, which are adjusted on a quarterly basis. For monitoring short-term cash flows the subsidiaries that have joined the group account prepare eight week cash flow projections on a weekly basis.

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

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

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

31.12.2013 (EUR thousand)	<= 1 month	> 1 month and <=3 months	> 3 months and <= 1 year	>1 year and <=5 years	Carrying amount
Bank loans	359	719	3 233	21 676	**24 234**
Finance lease payments	6	13	58	127	**198**
Trade payables	4 125	13	11	0	**4 149**
Other payables	491	0	0	0	**491**
TOTAL	**4 981**	**745**	**3 302**	**21 803**	**29 072**

31.12.2012 (EUR thousand)	<= 1 month	> 1 month and <=3 months	> 3 months and <= 1 year	>1 year and <=5 years	Carrying amount
Bank loans	358	716	3 966	25 906	**28 580**
Trade payables	3 898	22	35	0	**3 955**
Other payables	691	0	0	0	**691**
TOTAL	**4 947**	**738**	**4 001**	**25 906**	**33 226**

Other payables include payables to joint ventures (50% of unconsolidated share), accrued interest and other accrued liabilities, see Note 17.

Interest rate risk

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

The Group's interest rate risk is related to short-term and long-term borrowings which have been assumed with a floating interest rate. The interest rate risk is mainly related to the fluctuation of Euribor and the resulting change in average interest rates of banks. Interest rate change by 1 percentage point would change the Group's loan interest expense by ca 240 thousand euros per year.

Type of interest	Interest rate	31.12.2013 (EUR thousands)	<= 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

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

Foreign exchange risk

The Group's operating activities have an international dimension and therefore, the Group is somewhat exposed to foreign exchange risk. Foreign exchange risk arises when future business transactions or recognised assets or liabilities are fixed in a currency which is not the functional currency of the Group. Group companies are required to manage their foreign exchange risk with regard to the functional currency. The Group's income is primarily fixed in local currencies, i.e. the euros, Lithuanian litas, Latvian lats and Ukrainian hryvnias. The Group also pays most of its suppliers and employees in local currencies. The subsidiaries are typically required to use the euro as the currency in foreign contracts. The subsidiary Printall exports outside of euro-zone and it also issues invoices denominated in Norwegian kroner and Swedish kronor. In addition, the Russian clients pay in Russian roubles, although the invoices issued have been denominated in euros and hence carry no exchange risk The amounts received will be typically converted into euros immediately after their receipt, thereby reducing open foreign currency positions. Foreign exchange risk decreases year after year and in 2013, it made up 4% (2012: 7%) on average of the Group's revenue. No other means are used for hedging foreign exchange risk.

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	3 961	435	103	2	0	0	**4 501**
Trade and other receivables	4 822	1 635	448	30	200	25	**7 161**
Total financial assets	**8 783**	**2 070**	**551**	**32**	**200**	**26**	**11 662**
Liabilities							
Borrowings	24 432	0	0	0	0	0	**24 432**
Trade and other payables	6 601	578	249	25	11	7	**7 470**
Total financial liabilities	**31 033**	**578**	**249**	**25**	**11**	**7**	**31 902**
Net foreign currency position	**-22 250**	**1 492**	**302**	**7**	**189**	**19**	

Financial assets and financial liabilities by currency as of 31.12.2012.

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

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 four-eye principle is also applied during negotiations related to purchase and sales as well as other transactions. Drafts of important agreements prepared by law offices are reviewed by the management; in-house lawyers are also involved in the work process. The management considers the legal protection of the Group to be good.

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

Capital risk

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

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

Equity ratios of the Group

(EUR thousand)	31.12.2013	31.12.2012
Interest-bearing debt	24 432	28 580
Cash and bank accounts	4 501	3 280
Net debt	19 931	25 300
Equity	42 325	41 099
Total capital	62 256	66 399
Debt to capital ratio	**32%**	**38%**
Total assets	77 466	80 299
Equity ratio	**55%**	**51%**

Fair value

The Group's management estimates that the fair values of the financial assets (Notes 5,6,7,9,11) and financial liabilities (Notes 17,18,19) recognised in the balance sheet at amortised cost do not significantly differ from their carrying amounts presented in the Group's consolidated balance sheet on 31 December

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

Note 5. Cash and bank

(EUR thousand)	31.12.2013	31.12.2012
Cash in hand	20	29
Cash at bank	4 378	3 153
Cash in transit	5	0
Cash and cash equivalents	**4 403**	**3 182**
Term deposit	98	98
Total cash and bank	**4 501**	**3 280**

As of 31.12.2013 and 31.12.2012, Delfi UAB's security deposit related to the ongoing government project is included within the term deposit.

Note 6. Trade and other receivables

(EUR thousand)	31.12.2013	31.12.2012
Trade receivables (Note 7)	5 883	6 291
Prepaid taxes (Note 8)	67	44
Other receivables (Note 9)	917	721
Prepayments	362	288
Total trade and other receivables	**7 229**	**7 344**

In 2013, the factoring without recourse was used in amount of EUR 1 908 thousand.

Note 7. Trade receivables

(EUR thousand)	31.12.2013	31.12.2012
Trade receivables	6 563	6 918
Allowance for doubtful accounts	(680)	(627)
Total trade receivables	**5 883**	**6 291**

(EUR thousand)	31.12.2013	31.12.2012
Allowance for doubtful receivables at the beginning of the period	(627)	(450)
Proceeds from doubtful receivables during the period	541	423
Allowance for doubtful receivables recognised during the period	(665)	(661)
Receivables written off balance sheet during the period	71	61
Allowance for doubtful receivables at the end of the period	**(680)**	**(627)**

Impairment losses recognised during the period are reported in the statement of comprehensive income as "Cost of sales". For further information on ageing of receivables (including overdue receivables), see Note 4.

Note 8. Taxes

(EUR thousand)	31.12.2013		31.12.2012	
	Prepayment	Liability	Prepayment	Liability
Corporate income tax	46	66	17	122
Personal income tax	0	293	0	293
Social security tax	0	729	0	739
Unemployment insurance tax	0	46	0	55
Contributions to mandatory funded pension	0	24	0	23
Value added tax	21	266	27	295
Total taxes (Notes 6, 17)	**67**	**1 424**	**44**	**1 527**

Group's income tax expense (EUR thousand)	2013	2012
Corporate income tax expense	(227)	(218)
Deferred income tax	(6)	21
Total income tax expense	**(233)**	**(197)**

Corporate income tax

(EUR thousand)	2013	2012
Estonia		
Dividends paid by joint ventures and subject to taxation	312	341
Tax rate	21/79	21/79
Income tax expense for the year	**(83)**	**(91)**
Latvia		
Profit (loss) before tax	(829)	(5 224)
Tax rate	15%	15%
Estimated income tax	124	784
Impact of income/expenses not deductible for tax purposes	(128)	(789)
Current income tax expense	**(3)**	**0**
Deferred income tax gains (losses)	**0**	**5**
Lithuania		
Profit (loss) before tax	923	582
Tax rate	15%	15%
Estimated income tax	(138)	(87)
Impact of income/expenses not deductible for tax purposes	(9)	(7)
Current income tax expense	**(141)**	**(127)**
Deferred income tax gains (losses)	**(6)**	**33**
Ukraine		
Profit (loss) before tax	(394)	(402)
Tax rate	19%	21%
Estimated income tax	75	84
Impact of income/expenses not deductible for tax purposes	(75)	(101)
Current income tax expense	**0**	**0**
Deferred income tax gains (losses)	**0**	**(17)**

Note 9. Other short-term receivables

(EUR thousand)	31.12.2013	31.12.2012
Receivables from associates (Note 31)	**186**	**101**
Trade receivables	186	101
Receivables from joint ventures (Note 31)	**525**	**509**
Accounts receivable	525	509
Receivables from related parties (Note 31)	**5**	**0**
Other receivables	5	0
Other short-term receivables	**206**	**111**
Loans granted	4	7
Other receivables	202	104
Total other short-term receivables	**917**	**721**

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

Note 10. Inventories

(EUR thousand)	31.12.2013	31.12.2012
Raw materials	1 869	2 030
Work in progress	248	245
Finished goods	590	622
Goods for resale	10	25
Total inventories	**2 717**	**2 922**

(EUR thousand)	2013	2012
Impairment of finished goods	50	78
Allowance for impairment recognised in statement of comprehensive income	**50**	**78**

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

Note 11. Long-term trade and other receivables

(EUR thousand)	31.12.2013	31.12.2012
Loans granted to related parties (Note 31)	160	192
Other loans granted	0	16
Deferred income tax receivable	130	137
Prepayments	3	5
Other investments	106	15
Total long-term receivables	**399**	**365**

Deferred tax assets derive mainly from deferred tax losses, which can generally be used within five years.

Note 12. 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, which the management has the right to review its allocation within one year.

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

If the Group had acquired Calis.lv at the start of the year, Group revenue would have been higher by approximately EUR 70 thousand. If the Group had acquired Alio at the beginning of 2012, Group revenue for 2012 would have been higher by approximately EUR 300 thousand and net profit would have been higher by approximately by EUR 100 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 Alio as of 31 October 2012 and the balance sheet of Cālis LV as of 31 March 2013 were used as the basis.

	Cālis LV SIA		Alio	
(EUR thousand)	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**
Trademark	66	0	102	0
Other net assets	1	1	0	0
Total identifiable assets	**68**	**1**	**102**	**0**
Goodwill	**260**		**332**	
Amount paid for the acquisition of ownership	327		434	
Paid for ownership interest in cash	327		434	
Cash and cash equivalents in the acquired entity	0		0	
Total cash effect on the Group	**(327)**		**(434)**	

Note 13. Joint ventures

Company name	Ownership interest %	
	31.12.2013	**31.12.2013**
AS SL Õhtuleht	50	50
AS Express Post	50	50
AS Ajakirjade Kirjastus	50	50

AS Eesti Meedia is the owner of the 50% of the shares of all the joint ventures named above. On 10 October 2013, AS Ekspress Grupp submitted AS Eesti Meedia a notice in which the Group wishes 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 was 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 resell the shares to OÜ Suits Meedia.

On 13 December 2013, AS Ekspress Grupp decided that since AS Eesti Meedia has breached the shareholders agreements between the parties and hence hindered AS Ekspress Grupp from acquiring the shares of parties' 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 AS Express Post, the joint venture of the parties, for the same reason. 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 8 590 140 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. Further developments in respect of this transaction are disclosed in Note 30.

Financial information of joint ventures (representing a proportionate consolidated share)

(EUR thousand)	AS Ajakirjade Kirjastuse	AS SL Õhtuleht	AS Express Post	Total
31.12.2013				
Current assets	1 292	915	1 759	3 966
Non-current assets	56	88	45	189
Total assets	**1 348**	**1 003**	**1 804**	**4 155**
Current liabilities	883	714	1 489	3 086
Non-current liabilities	0	1	0	1
Total liabilities	**883**	**715**	**1 489**	**3 087**
Total revenue	4 036	3 734	2 351	10 121
Total expenses	3 895	3 588	2 141	9 624
Net profit	**141**	**146**	**210**	**497**
31.12.2012				
Current assets	1 147	945	1 576	3 668
Non-current assets	67	63	37	167
Total assets	**1 214**	**1 008**	**1 613**	**3 835**
Current liabilities	890	728	1 334	2 952
Non-current liabilities	0	0	0	0
Total liabilities	**890**	**728**	**1 334**	**2 952**
Total revenue	4 196	3 705	2 313	10 214
Total expenses	4 196	3 534	2 142	9 872
Net profit	**0**	**171**	**171**	**342**

Note 14. Associates

(EUR thousand)	31.12.2013	31.12.2012
Impairment loss recognised for the receivables of associates	0	(41)
Share of loss in associates recognised in statement of comprehensive income		
Profit (loss) under the equity method	20	(41)
Total profit (loss) of associates	**20**	**(41)**

Company name	Ownership %	
	31.12.2013	31.12.2012
UAB Medipresa	40	40

Financial information of associate

(EUR thousand)	UAB Medipresa
31.12.2013	
Total assets	2 794
Total liabilities	2 901
Total revenue	8 110
Total expenses	8 047
Net profit (loss)	**63**
31.12.2012	
Total assets	2 341
Total liabilities	2 497
Total revenue	7 551
Total expenses	7 653
Net profit (loss)	**(102)**

Note 15. Property, plant and equipment

(EUR thousand)	Land	Buildings	Machinery and equipment	Other fixtures	Prepayments	Total
31.12.2011						
Cost	409	5 793	21 492	2 670	10	**30 374**
Accumulated depreciation	0	(1 544)	(9 890)	(2 189)	0	**(13 623)**
Carrying amount	**409**	**4 249**	**11 602**	**481**	**10**	**16 751**
Acquisitions and improvements	0	15	161	191	67	**434**
Disposals (at carrying amount)	0	0	(9)	(23)	0	**(32)**
Write-offs (at carrying amount)	0	0	0	1	(3)	**(2)**
Reclassification	0	21	(88)	18	(49)	**(98)**
Depreciation	0	(241)	(1 713)	(260)	0	**(2 214)**
31.12.2012						
Cost	409	5 786	20 942	2 425	26	**29 588**
Accumulated depreciation	0	(1 742)	(10 989)	(2 016)	0	**(14 747)**
Carrying amount	**409**	**4 044**	**9 953**	**409**	**26**	**14 841**
Acquisitions and improvements	0	3	126	317	375	**821**
Disposals (at carrying amount)	0	0	(13)	(4)	0	**(17)**
Write-offs (at carrying amount)	0	0	(1)	(3)	0	**(4)**
Reclassification	0	0	256	122	(400)	**(22)**
Depreciation	0	(236)	(1 441)	(276)	0	**(1 953)**
31.12.2013						
Cost	409	5 789	21 112	2 481	0	**29 791**
Accumulated depreciation	0	(1 978)	(12 232)	(1 916)	0	**(16 126)**
Carrying amount	**409**	**3 810**	**8 881**	**565**	**0**	**13 665**

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

Note 16. Intangible assets

(EUR thousand)	Good-will	Trade-marks	Develop-ment costs	Custo-mer relation-ships	Com-puter software	Prepay-ments	Total intangible assets
31.12.2011							
Cost	47 614	11 229	498	2 379	2 556	87	**57 510**
Accumulated amortisation and impairments	(6 853)	(1 343)	(240)	(1 982)	(1 975)	0	**(5 540)**
Carrying amount	**40 761**	**9 886**	**258**	**397**	**581**	**87**	**51 970**
Acquisitions and improvements	0	0	71	0	119	161	**351**
Disposals (at carrying amount)	0	(155)	0	0	(6)	0	**(161)**
Write-offs (at carrying amount)	0	0	0	0	(3)	(71)	**(74)**
Reclassification	0	0	0	0	151	(151)	**0**
Acquired through business combinations	332	102	0	0	0	0	**434**
Amortisation	0	(291)	(12)	(381)	(387)	0	**(1 071)**
Currency translation differences	0	0	0	0	1	0	**1**
31.12.2012							
Cost	47 946	11 079	479	2 379	2 526	26	**57 582**
Accumulated amortisation and impairments	(6 853)	(1 537)	(162)	(2 363)	(2 070)	0	**(6 132)**
Carrying amount	**41 093**	**9 542**	**317**	**16**	**456**	**26**	**51 450**
Purchases and improvements	0	0	0	0	153	137	**290**
Impairment loss (Note 26)	(1 301)	(1 166)	0	0	0	0	**(2 467)**
Reclassification	0	0	(71)	0	238	(145)	**22**
Acquired through business combinations	260	66	0	0	0	0	**326**
Amortisation	0	(288)	(9)	(16)	(352)	0	**(665)**
Currency translation differences	0	0	0	0	(1)	0	**(1)**
31.12.2013							
Cost	48 206	11 145	408	2 379	2 491	18	**56 493**
Accumulated amortisation and impairments	(8 154)	(2 991)	(171)	(2 379)	(1 997)	0	**(7 538)**
Carrying amount	**40 052**	**8 154**	**237**	**0**	**494**	**18**	**48 955**

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

Goodwill by cash-generating units and segments

(thousand)	EUR	
	31.12.2013	31.12.2012
Delfi Estonia	15 281	15 281
Delfi Latvia (incl. Calis.lv)	9 650	9 390
Delfi Lithuania (incl. Alio)	12 849	12 849
Online media segment	**37 780**	**37 520**
Eesti Päevaleht (Eesti Ajalehed)	0	1 102
Ajakirjade Kirjastus	456	456
Ekspress Leidyba	0	199
Maaleht (Eesti Ajalehed)	1 816	1 816
Periodicals segment	**2 272**	**3 573**
Total goodwill	**40 052**	**41 093**

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 12).

In the impairment tests the discounted cash flow method was used to calculate value in use. For each business unit acquired, five-year cash flow forecasts have been prepared for the respective cash-generating units. Revenue growth, and variable and fixed costs have been estimated of the basis of prior period results and future strategic plans. In the impairment tests, the nominal models are used.

The applied revenue growth rates are as follows:

Cash-generating unit	Next financial year		Years 2-5		Terminal value growth	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Delfi Estonia	5.1%	9.0%	10-15%	10-15%	3.5%	3.5%
Delfi Latvia	9.5%	9.6%	10-15%	15-20%	4%	4%
Delfi Lithuania	8.3%	8.2%	10%	10-15%	3.5%	4%
Eesti Päevaleht (Eesti Ajalehed)	4%	-8%	0%	1.8-1.9%	-3%	0-3.5%
Maaleht (Eesti Ajalehed)	2.1%	1.4%	0%	1.4-1.5%	0%	0%
Ajakirjade Kirjastus	4.1%	-0.4%	0.4%	0.5%	0%	0%
Ekspress Leidyba	-0.8%	-0.7%	-0.2-(-0.5)%	0.6-1%	0%	0%

Since 2013, the future cash flows of Eesti Päevaleht, Ärileht and epl.ee are used in the impairment test for Eesti Päevaleht, while in 2012 future cash flows of hyppelaud.ee+job.ee and the book publisher Hea Lugu were also used. The impairment test of Maaleht is based on the future cash flows of Maaleht, Maakodu, Maamajandus and maaleht.ee. Lower revenue of Ekspress Leidyba is related to the discontinued book publishing business. There is uncertainty in terms of the revenue of print media and a minimal revenue increase or even a decrease is to be expected over the long term. There is a reason to be more optimistic about the next year's budgets, helped by a slight increase in prices introduced during the mid-year 2013.

The present value and the terminal value of the cash flows for the following five years were determined using the weighted average cost of capital as the discount rate, where the expected ROE is 11.34-11.53% (2012: 7.96-10.67%) and the return on debt is 4.8% in Estonia, 5.62% in Latvia and 5.69% in Lithuania (2012: 6.1%-8.0%). The debt to equity ratio is based on the average debt to equity ratio of the market, i.e. 33.8% in media sector (publishing and newspapers), available in the database of Damodaran Online as of 31 December 2013 (31 December 2012: online media (internet software and services) 10.4% and 51% print media (publishing and newspapers)). The cost of equity has been calculated using CAPM (Capital Asset Pricing Model). The equity betas of the units used in the model have been calculated using the average unleveraged assisted betas of the industries from the database of Damodaran Online. The yields on long-term government bonds issued in Latvia and Lithuania in December 2013 have been used as the basis for determining the risk rates of these countries. In respect of Estonia, the country's risk rate is based on the long-term euro bond yields of Germany, plus the risk coefficient for Estonia according to the database of Damodaran Online. Last year, Estonian risk was derived from the long-term government bond yield of the Czech Republic.

The applied discounts rates are as follows:

Cash-generating unit	31.12.2013	31.12.2012
Delfi Estonia	9.70%	7.60%
Delfi Latvia	9.97%	8.36%
Delfi Lithuania	10.05%	9.29%
Eesti Päevaleht (Eesti Ajalehed)	9.70%	7.39-7.60%
Maaleht (Eesti Ajalehed)	9.70%	7.39%
Ajakirjade Kirjastus	9.70%	7.39%
Ekspress Leidyba	10.05%	9.09%

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

(EUR thousand)	31.12.2013			31.12.2012		
	Recoverable amount	Carrying amount (prior to impairment)	Difference	Recoverable amount	Carrying amount	Difference
Delfi Estonia	20 432	18 023	2 409	25 497	18 019	7 478
Delfi Latvia	12 600	12 192	408	16 597	11 981	4 616
Delfi Lithuania	28 639	15 666	12 973	36 568	15 182	21 386
Eesti Päevaleht (Eesti Ajalehed)	357	1 959	-1 602	2 194	2 160	34
Maaleht (Eesti Ajalehed)	3 384	1 915	1 469	7 915	2 015	5 900
Ajakirjade Kirjastus	832	738	94	2 133	660	1 474
Ekspress Leidyba	150	524	-374	1 194	582	612

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

In 2013, the assumptions used in the impairment tests were made more conservative, primarily related to the continued uncertainty in Eurozone countries as well as to weaker outlook in print media sector. Due to the changed economic outlook and more conservative assumptions, the sensitivity of impairment tests is higher than in previous year. The discount rate applied also has an impact on the sensitivity of the tests, which has increased as compared to last year.

An impairment loss for goodwill related to Delfi Lithuania should be recognised under current assumptions if revenues fell 10% in 2015-2018 or discount rate increased by more than five percentage points. The sensitivity of goodwill related to Delfi Estonia is greater and it would be necessary to recognise an impairment loss if revenue increased less that 7.6% in 2015-2018, the residual value growth were 1 pp lower and the applied discount rate 0.8 pp higher. For Delfi Latvia, the sensitivity of tests is especially high and an impairment loss would be recognised if in the forecasts for the period revenue growth were 1 pp lower, the terminal value growth were 0.2 pp lower or the discount rate used were 0.18 pp higher.

In respect of Maaleht, future cash flows would cover the carrying amount of goodwill if revenue declined by 2.2% in 2015-2018. In respect of Ajakirjade Kirjastus, future cash flows would cover the carrying amount of goodwill if revenue grew by 0,3% in 2015-2018 or discount rate grew by 1,9 pp.

Note 17. Trade and other payables

(EUR thousand)	31.12.2013	31.12.2012
Trade payables	4 149	3 955
incl. payables to related parties (Note 31)	15	16
Payables to employees	1 749	1 804
Taxes payable (Note 8)	1 424	1 527
Deferred income	2 895	2 643
Payables to joint ventures (Note 31)	55	42
Accrued interest	11	12
Other accrued liabilities	425	637
Total trade and other payables	**10 708**	**10 620**

Deferred income includes the prepayments received from clients for subscriptions of periodicals.

Note 18. Bank loans and borrowings

(EUR thousand)	Total amount	Repayment term	
		Up to 1 year	1-5 years
Balance as of 31.12.2013			
Overdraft facilities used	**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. long-term loan (AS Printall)	**6 115**	643	5 472
Finance lease	**198**	73	125
Total	**24 432**	**3 760**	**20 673**
Balance as of 31.12.2012			
Overdraft facilities used	**745**	745	0
Long-term bank loans	**27 835**	3 602	24 233
incl. syndicated loan (AS Ekspress Grupp)	***21 090***	*2 972*	*18 118*
incl. long-term loan (AS Printall)	***6 745***	*630*	*6 115*
Total	**28 580**	**4 347**	**24 233**

The effective interest rates are very close to the nominal interest rates. The fair value of the loan liabilities is close to its book value as the interest rate is floating and related to euribor and the margin was negotiated with the banks just one and half years ago. The loan liabilities are within level 3 of the fair value hierarchy.

Refinancing of loan obligations in July 2012

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

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

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

Together with the syndicated loan, all overdraft facilities of AS Ekspress Grupp were also refinanced. The contract with Danske Bank Estonia branch was terminated and the limit with the remaining contractual partners of the syndicated loan contract was increased to EUR 3 million. The interest rate on overdraft facilities is 1.9% and the limit fee is 1% of the contract amount.

Similarly to the previous syndicated loan, the loans are secured by the shares of the subsidiaries, the guarantees of Estonian subsidiaries in the amount of EUR 37 million, the commercial pledge on the assets of AS Printall in the amount of EUR 16 million and the trademarks of Delfi, Eesti Ekspress, Maaleht, Eesti Päevaleht and Eesti Ekspressi Kirjastus in the amount of EUR 5 million, the value of all of which is included within the net assets of the Group. In addition, the mortgage on the registered immovable and production facilities of AS Printall in the amount of EUR 9 million has been set. As of 31.12.2013, the carrying amount of the building was EUR 3.8 million and that of the registered immovable was EUR 0.4 million.

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

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

Overdraft facilities (refinanced on 23 July 2012)

Date of contract	Bank	Limit (EUR thousand)	Used 31.12.2013 (EUR thousand)	Used 31.12.2012 (EUR thousand)	Interest rate	Expiration date of the contract
12.07.2012	Nordea Bank Finland Plc Estonia branch	1 320	0	745	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**	**745**		

Note 19. Finance lease

The Group's subsidiary AS Printall as the lessee has acquired the following items of property, plant and equipment under the finance lease terms.

(EUR thousand)	Machinery and equipment
Balance as of 31.12.2013	
Cost	248
Accumulated depreciation	(9)
Carrying amount	**239**

On 12 July 2012, a new syndicated loan contract was entered into, which was used to refinance all lease liabilities of AS Printall. During 2013, miscellaneous equipment was purchased with the lease agreement of AS Printall. More detailed information is disclosed in Note 18.

(EUR thousand)	2013	2012
Finance lease liabilities at the end of the year	**198**	**0**
Principal payments in the financial year	25	390
Interest expenses in the financial year	2	166
Average annual interest rate p.a.	2.42%	4.40%

(EUR thousand)	2013	2012
Finance lease liabilities – minimum lease payments:		
Not later than 1 year	77	0
Later than 1 year and not later than 5 years	127	0
Total	**204**	**0**
Future finance charges on finance leases	7	0
Present value of finance lease liabilities	198	0

Note 20. Operating lease

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

(EUR thousand)	2013	2012
Operating lease payments (Notes 23, 24, 25)	**1 291**	**1 288**
Facilities	954	947
Motor vehicles and other machinery and equipment	337	248
Future minimum lease payments under non-cancellable operating leases	**2 858**	**2 928**
Not later than 1 year	816	814
Later than 1 year but not later than 5 years	1 570	1 383
Later than 5 years	473	732

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

Note 21. Segment reporting

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

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

This segment includes group companies AS Delfi, AS Delfi (Latvia), UAB Delfi (Lithuania), TOV Delfi (Ukraine), Delfi Holding SIA (Latvia). The key revenue of the segment comes from the sale of advertising banners and other advertising space in its own sites.

Periodicals: publishing of newspapers, magazines, customer publications and books in Estonia and Lithuania. This segment includes group companies Eesti Ajalehed AS (publisher of Eesti Ekspress, Maaleht and Eesti Päevaleht), OÜ Hea Lugu, AS Ajakirjade Kirjastus, AS SL Õhtuleht, UAB Ekspress Leidyba. This segment also includes AS Express Post, engaged in home delivery of periodicals.

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 client 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 demerger of AS Printall), the main activity of which is intra-group financing.

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

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

2013 (EUR thousand)	Online media	Periodicals	Printing services	Corporate functions	Eliminations	Total Group
Sales to external customers	**11 383**	**23 563**	**24 625**	**10**	**(1 139)**	**58 442**
Inter-segment sales	72	235	2 837	1 520	(4 664)	0
Total segment sales	11 455	23 798	27 462	1 530	(5 803)	58 442
EBITDA	**1 703**	**1 093**	**5 862**	**(1 356)**	**(38)**	**7 264**
EBITDA margin	15%	5%	21%			12%
Depreciation (Notes 15, 16)						(2 618)
Trademarks and goodwill impairment						(2 467)
Operating profit						2 180
Investments (Notes 15, 16)	89	254	453	315	0	1 111

2012 (EUR thousand)	Online media	Periodicals	Printing services	Corporate functions	Eliminations	Total Group
Sales to external customers	**10 240**	**24 504**	**25 990**	**10**	**(1 038)**	**59 706**
Inter-segment sales	(130)	(237)	(3 177)	(986)	(4 530)	0
Total segment sales	10 370	24 741	29 167	996	(5 568)	59 706
EBITDA	**1 776**	**848**	**6 052**	**(795)**	**1**	**7 882**
EBITDA margin	17%	3%	21%			13%
Depreciation (Notes 15, 16)						(3 285)
Loss on sale of trademarks						(157)
Operating profit						4 439
Investments (Notes 15, 16)	587	388	88	156	0	1 219

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

- In Latvia, EUR 2.4 million as of 31.12.2013 (EUR 2.3 million as of 31.12.2012)
- In Lithuania, EUR 2.1 million as of 31.12.2013 (EUR 2.1 million as of 31.12.2012)
- In Ukraine, 0 euros as of 31.12.2013 (EUR 0.5 million as of 31.12.2012).
- And trademarks related to Ekspress Leidyba in Lithuania 0.3 million euros as of 31.12.2013 (EUR 0.5 million as of 31.12.2012).

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

- Delfi Latvia EUR 9,7 million as of 31.12.2013 (EUR 9.4 million as of 31.12.2012)
- Delfi Lithuania EUR 12,8 million as of 31.12.2013 and 31.12.2012
- Goodwill of Ekspress Leidyba in Lithuania 0 euros as of 31.12.2013 (EUR 0.2 million as of 31.12.2012).

Note 22. Sales revenue

(EUR thousand)	2013	2012
Sales revenue by activity		
Advertising revenue	18 163	17 555
incl. barter deals	479	*425*
Single-copy sales	3 515	3 637
Subscriptions' revenue	8 417	8 359
Book publishing	1 900	2 234
Sale of paper and printing services	24 423	25 778
Sale of other goods and services	2 024	2 143
Total	**58 442**	**59 706**
Sales revenue by geographical area		
Estonia	31 264	31 299
Scandinavia	12 116	13 275
Lithuania	6 802	7 002
Latvia	2 981	2 233
Russia	2 705	2 925
Other Europe	2 514	2 905
Other countries	59	68
Total	**58 442**	**59 706**

Note 23. Cost of sales

(EUR thousand)	2013	2012
Raw materials and consumables used	15 053	16 294
Services purchased	8 314	8 516
Salaries and social taxes	17 808	17 218
Rental expenses (Note 20)	389	369
Other expenses	1 736	1 904
Depreciation and amortisation	1 950	2 218
Total expenses	**45 250**	**46 519**

Note 24. Marketing expenses

(EUR thousand)	2013	2012
Marketing	1 534	1 535
Salaries and social taxes	891	828
Rental expenses (Note 20)	16	14
Depreciation and amortisation	1	1
Total marketing expenses	**2 442**	**2 378**

Note 25. Administrative expenses

(EUR thousand)	2013	2012
Raw materials and consumables used	128	139
Repairs and maintenance	503	510
Communication expenses	154	182
Rental expenses (Note 20)	886	905
Services purchased	1 317	1 209
Salaries and social taxes	2 872	2 632
incl. cost of the share option issued to the Management Board	384	0
Depreciation and amortisation	667	1 066
Total administrative expenses	**6 527**	**6 643**

Note 26. Gain (loss) from impairment of goodwill and trademarks

(EUR thousand)	2013	2012
Impairment loss of goodwill related to Eesti Päevaleht	(1 102)	0
Impairment loss of trademark related to Eesti Päevaleht	(500)	0
Impairment loss of trademark related to Delfi Ukraine	(491)	0
Impairment loss of goodwill related to Ekspress Leidyba	(199)	0
Impairment and sales loss of trademarks related to Ekspress Leidyba	(175)	(157)
Total loss from goodwill and trademarks impairment	**(2 467)**	**(157)**

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

Note 27. Expenses by type

(EUR thousand)	2013	2012
Salaries and social taxes	21 571	20 678
Raw materials and consumables used	15 181	16 433
Rental expenses (Note 20)	1 291	1 288
Services purchased	9 631	9 725
Marketing expenses	1 534	1 535
Repairs and maintenance	503	510
Communication expenses	154	182
Other expenses	1 736	1 904
Depreciation and amortisation	2 618	3 285
Total cost of sales, marketing and administrative expenses	**54 219**	**55 540**
Average number of employees	**1 613**	**1 713**
Average number of employees (joint ventures proportionally)	**1 222**	**1 262**

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

In November 2013, the General Meeting of Shareholders approved a share option plan for the Chairman of the Management Board. Under the plan, in the first quarter 2017 the Chairman of the Management Board will be entitled to acquire up to 700 000 shares of AS Ekspress Grupp that the company will buy from the securities market at the market price. Of this amount, 300 000 shares to be received free of charge, 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 worked. Part of the shares is fixed and part depends on the fulfilment of set goals that are assessed once a year after the end of the financial year. The company is under no obligation to neither buy back shares nor pay cash compensation for the shares.

Upon approving the share option, the option was revalued to fair value and recognised on the one hand as an employees' salary cost in the income statement and, on the other hand, as a share option reserve in equity. As at 31.12.2013, this reserve totalled EUR 384 thousand and the number of earned shares was 340 000. See Note 29.

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

Note 29. Equity

Share capital and share premium

As of 31 December 2012 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 income tax on dividends or the profit of which has already been taxed in its domicile. Therefore, there was no need to pay additional income tax 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 a share option reserve issued to the management (see Note 28).

(EUR thousand)	EUR	
	31.12.2013	31.12.2012
Statutory reserve capital	227	101
Additional payments in cash from shareholders	639	639
Share option reserve	384	0
Total reserves	**1 250**	**740**

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	2013	2012
Profit attributable to equity holders of the Parent Company	1 081 074	2 525 379
The average number of ordinary shares (pc)	29 796 841	29 796 841
Basic and diluted earnings per share	0.04	0.08

In view of the fact that the Group has no dilutive potential ordinary shares on 31.12.2013 and 31.12.2012, diluted earnings per share equal basic earnings per share.

Note 30. Contingent assets and liabilities

Contingent income tax liability

As of 31.12.2013, the consolidated retained earnings of the Group amounted to EUR 8 848 thousand (31. 12. 2012: EUR 8 190 thousand). Income tax of 21/79 of net dividend paid is imposed on the profit distributed as dividends. When an entity pays dividends it has received from its joint ventures and subsidiaries that have already paid income tax on those dividends or the profit of which has already been taxed in the domicile of the entity, the payment of those dividends by the Parent Company is not subject to additional income tax. As of 31.12.2013, AS Ekspress Grupp (Parent Company) may pay out dividends tax-free in the amount of EUR 6 904 thousand (as of 31. 12. 2012: EUR 6 891 thousand). Upon the payment of all retained earnings, there is a potential income tax liability in the amount of EUR 408 thousand and the amount to be paid out to shareholders would total EUR 8 440 thousand.

Contingent liabilities related to the Tax Board

Tax authorities have the right to review the Group's tax records for up to 5 years after submitting the tax declaration and upon finding errors, impose additional taxes, interest and fines. The tax authorities have not performed any tax audits in any of the group companies during 2012-2013. The management of the Group's Parent Company believes that there are not any circumstances which may lead the tax authorities to impose significant additional taxes on the group companies.

Contingent assets and liabilities arising from pending court cases

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

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 has breached the shareholders agreements between the parties and hence hindered AS Ekspress Grupp from acquiring the shares of parties' 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 AS Express Post, the joint venture of the parties, for the same reason. 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 AS SL Õhtuleht, AS Ajakirjade Kirjastus and AS Express Post shareholders agreements between the parties, of which EUR 5.1 million is the ownership for 50% holding in the joint ventures and EUR 3.5 million is contractual penalty.

On 14 March AS Ekspress Grupp submitted to the Court of Arbitration of the Estonian Chamber of Commerce and Industry its objections to the claim made by AS Eesti Meedia and its own counterclaim. In both objections and its counterclaim AS Ekspress Grupp presented its arguments that AS Eesti Meedia has breached the shareholders agreements between the parties and hence hindered AS Ekspress Grupp from acquiring the shares of parties' joint venture companies and asked the court help in respect of enforcement of contracts. In its counterclaim AS Ekspress Grupp also requests a contractual penalty and penatly interests in amount of EUR 3.55 million.

At this point it is difficult to assess the possible outcome of the litigation, however the management considers that it is not probable for the Group to incur additional significant expenses.

Note 31. Related party transactions

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

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

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

SALES (EUR thousand)	2013	2012
Sales of goods		
Associates and joint ventures	711	767
Total sale of goods	**711**	**767**
Sale of services		
Members of Supervisory Board and companies related to them	11	6
Associates and joint ventures	733	757
Total sale of services	**744**	**763**
Total sales	**1 455**	**1 530**

PURCHASES (EUR thousand)	2013	2012
Purchase of services		
Members of Management Board and companies related to them	49	65
Members of Supervisory Board and companies related to them	290	405
Associates and joint ventures	455	443
Total purchases of services	**794**	**913**

RECEIVABLES (EUR thousand)	31.12.2013	31.12.2012
Short-term receivables		
Members of Supervisory Board and companies related to them (Note 9)	5	0
Associates and joint ventures	711	610
Total short-term receivables	**717**	**610**
Long-term receivables		
Members of Supervisory Board and companies related to them (Note 11)	160	192
Total long-term receivables	**160**	**192**
Total receivables	**919**	**802**

LIABILITIES (EUR thousand)	31.12.2013	31.12.2012
Current liabilities		
Members of Management Board and companies related to them	4	4
Members of Supervisory Board and companies related to them	11	12
Joint ventures	55	42
Total liabilities (Note 17)	**70**	**58**

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

The management estimates that the transactions with related parties have been carried out at arms' length conditions. As of 31 December 2013 the allowance for a receivable from the associate Medipresa UAB has been made in amount of EUR 43 thousand (31.12.2012: EUR 63 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)	2013	2012
Salaries and other benefits (without social tax)	993	1 230
Termination benefits (without social tax)	11	46
Share option (Note 28)	384	0
Total (without social tax)	**1 388**	**1 276**

The members of all management boards of the group companies (incl. managing directors of subsidiaries if these companies do not have management board as per Estonian law) (hereinafter Key Management) are entitled to receive compensation upon expiry or termination of their contracts in accordance with the terms laid down in their employment contracts. The Key Management terminations benefits are payable only in case the termination of contracts is originated by the company. If a member of the Key Management is recalled without a substantial reason, a notice thereof shall be given up to 3 months in advance and the member shall be paid compensation for termination of the contract in the amount of up to 7 months' salary. Upon termination of an employment relationship, no compensation shall be usually paid if a member of the Key Management leaves at his or her initiative or if a member of the Key Management is removed by the Supervisory Board with a valid reason. As of 31.12.2013, the maximum gross amount of potential Key Management termination benefits was EUR 439 thousand (31.12.2012: EUR 436 thousand). No remuneration is paid separately to the members of the Supervisory Boards of the Group companies and no compensation is paid if they are recalled.

Note 32. Events after the balance sheet date

AS Ekspres Grupp has decided to terminate Delfi's activity in Ukraine from 1st of March 2014. During a six year-period, AS Ekspress Grupp has invested EUR 1.8 million in the development of Delfi Ukraine but this has not brought the expected success in online portals market. The Group does not 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. Currently, negotiations with the management of the company are being held, as the management has expressed its willingness to continue the activities of the portal and use Delfi's trademark.

The termination of the activity in Ukraine will involve compensation to employees and premature termination of the contracts in total sum of approximately EUR 30 thousand. Allowance on trademark of Delfi Ukraine will result in a loss of approximately EUR 0.5 million, which is already reflected in the Group's financial results for 2013.

Note 33. Financial information about the Parent Company

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

Balance sheet of AS Ekspress Grupp (Parent Company)

(EUR thousand)	31.12.2013	31.12.2012
ASSETS		
Cash		
Trade receivables		
Prepaid taxes	0	6
Other receivables	959	2 568
Prepayments	35	42
Total trade and other receivables	**994**	**2 616**
Total current assets	**994**	**2 616**
Non-current assets		
Long-term financial investments	190	207
Shares of subsidiaries	23 002	23 700
Loans to subsidiaries	39 968	37 358
Shares of joint ventures	527	527
Property, plant and equipment	41	15
Intangible assets	87	18
Total non-current assets	**63 815**	**61 825**
TOTAL ASSETS	**64 809**	**64 441**
LIABILITIES AND EQUITY		
Liabilities		
Borrowings	3 043	3 717
Trade and other payables		
Trade payables	41	16
Payables to employees	36	27
Tax payables	55	69
Other liabilities towards subsidiaries	40 836	33 256
Total trade and other payables	**40 968**	**33 368**
Total current liabilities	**44 011**	**37 085**
Long-term borrowings	15 076	18 118
Total trade and other payables	**15 076**	**18 118**
Total current liabilities	**59 087**	**55 203**
Equity		
Share capital at nominal value	17 878	17 878
Share premium	14 277	14 277
Statutory reserve capital	227	101
Other reserves	1 023	639
Retained earnings	(27 683)	(23 657)
Total equity	**5 722**	**9 238**
TOTAL LIABILITIES AND EQUITY	**64 809**	**64 441**

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

(EUR thousand)	2013	2012
Sales revenue	523	583
Cost of sales	(18)	(1)
Gross profit	**505**	**582**
Other income	1	2
Marketing expenses	(3)	(1)
Administrative expenses	(1 632)	(1 104)
Other expenses	0	(3)
Finance income and costs on shares of joint ventures	312	341
Interest income	989	1 477
Interest expenses	(1 662)	(2 520)
Other finance income and costs	(2 112)	(80)
Profit (loss) before tax	**(3 602)**	**(1 306)**
PROFIT (LOSS) FOR THE YEAR	**(3 602)**	**(1 306)**
Other comprehensive income (expense)		
Change in fair value of hedging instrument	0	176
Total other comprehensive income (expense) for the year	**0**	**176**
Total comprehensive income (expense) for the year	**(3 602)**	**(1 130)**

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

(EUR thousand)	Attributable to equity holders of the Group				
	Share capital	Share capital	Share capital	Share capital	Share capital
Balance on 31.12.2011	**17 878**	**14 277**	**480**	**(22 268)**	**10 367**
Carrying amount of holdings under control or significant influence					**(24 224)**
Value of holdings under control or significant influence, calculated under equity method					**52 245**
Adjusted unconsolidated equity as of 31.12.2011					**38 388**
Profit/(loss) for the reporting period	0	0	0	(1 306)	(1 306)
Other comprehensive income	0	0	176	0	176
Comprehensive income (expense) for the reporting period	*0*	*0*	*176*	*(1 306)*	*(1 130)*
Increase in statutory legal reserve	0	0	84	(84)	0
Transactions with owners total	*0*	*0*	*84*	*(84)*	*0*
Total change	**17 878**	**14 277**	**740**	**(23 658)**	**9 237**
Balance on 31.12.2012	**17 878**	**14 277**	**740**	**(23 658)**	**9 237**
Carrying amount of holdings under control or significant influence					**(24 227)**
Value of holdings under control or significant influence, calculated under equity method					**56 089**
Adjusted unconsolidated equity as of 31.12.2012					**41 099**
Profit for the reporting period	0	0	0	(3 602)	(3 602)
Comprehensive income (expense) for the reporting period	*0*	*0*	*0*	*(3 602)*	*(3 602)*
Increase in statutory legal reserve	0	0	126	(126)	0
Dividends paid	0	0	0	(298)	(298)
Value of share option	0	0	384	0	384
Transactions with owners total	*0*	*0*	*510*	*(424)*	*86*
Total change	**0**	**0**	**510**	**(4 025)**	**(3 515)**
Balance on 31.12.2013	**17 878**	**14 277**	**1 250**	**(27 683)**	**5 722**
Carrying amount of holdings under control or significant influence					**(23 529)**
Value of holdings under control or significant influence, calculated under equity method					**60 132**
Adjusted unconsolidated equity as of 31.12.2013					**42 325**

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

Cash flow statement of AS Ekspress Grupp (Parent Company)

(EUR thousand)	2013	2012
Cash flows from operating activities		
Operating profit (loss) for the period	**(1 129)**	**(524)**
Adjustments for:		-
Depreciation, amortisation and impairment	13	21
Change in value of share option	384	0
Changes in working capital:		
Trade and other receivables	(87)	(197)
Trade and other payables	(88)	(1 877)
Cash generated from operations	**(907)**	**(2 577)**
Interest paid	(1 653)	(2 612)
Net cash generated from operating activities	**(2 560)**	**(5 189)**
Cash flows from investing activities		
Purchase and increase of share capital of subsidiaries	(1 375)	(3)
Purchase of other investments	(15)	(15)
Interest received	288	304
Dividends received	312	447
Purchase of property, plant and equipment	(109)	(21)
Disposal of property, plant and equipment	0	49
Loans granted	(175)	(75)
Loan repayments received	10	60
Net cash used in investing activities	**(1 064)**	**746**
Cash flows from financing activities		
Change in overdraft used	(745)	731
Change in cash pool account	7 638	6 411
Repayments of loans received	(2 971)	(2 699)
Dividends paid	(298)	0
Net cash generated from financing activities	**3 624**	**4 443**
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	**0**	**0**
Cash and cash equivalents at beginning of the period	0	0
Cash and cash equivalents at end of the period	0	0

INDEPENDENT AUDITOR'S REPORT

(Translation of the Estonian original)*

To the Shareholders of AS Ekspress Grupp

We have audited the accompanying consolidated financial statements of AS Ekspress Grupp and its subsidiaries and joint ventures (the Group), which comprise the consolidated balance sheet as of 31 December 2013 and the consolidated statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management Board's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of Matter

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

AS PricewaterhouseCoopers

/digitally signed/	/digitally signed/
Ago Vilu Auditor's Certificate No.325	Janno Hermanson Auditor's Certificate No.570

17 March 2014

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* *This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.*

PROFIT ALLOCATION PROPOSAL FOR THE YEAR 2013

The Management Board of AS Ekspress Grupp proposes to allocate the net profit for the financial year ended 31 December 2013 in the amount of EUR 1 081 thousand as follows:

(EUR thousand)	
Net profit attributable to equity holders of AS Ekspress Grupp	**1 081**
Payment of dividends	298
Increase in statutory reserve (1/20 from the profit)	54
Profit for the financial year to be transferred to retained earnings	729
Statutory reserve before increase	227
Statutory reserve after the increase	**281**
Retained earnings balance before profit allocation	7 767
Total retained earnings after profit distribution	**8 496**

DECLARATION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

The Management Board has prepared the management report and the consolidated financial statements of AS Ekspress Grupp for the year ended on 31 December 2013.

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

Management Board

Signed digitally	*Signed digitally*	*Signed digitally*
Chairman of the Management Board	Member of the Management Board	Member of the Management Board
Gunnar Kobin	Andre Veskimeister	Pirje Raidma
17 March 2014	17 March 2014	17 March 2014

Supervisory Board

....	....	....
Chairman of the Supervisory Board	Member of the Supervisory Board	Member of the Supervisory Board
Viktor Mahhov	Hans H. Luik	Ville Jehe

....	....	....
Member of the Supervisory Board	Member of the Supervisory Board	Member of the Supervisory Board
Harri Helmer Roschier	Aavo Kokk	Kari Sakari Salonen