AS EKSPRESS GRUPP
OFFERING AND LISTING PROSPECTUS

This is the secondary public offering (the "Offering") of shares of AS Ekspress Grupp, (the "Company", together with its subsidiaries, the "Group" or "Ekspress"), registration code 10004677, a limited liability company incorporated in Estonia. The Company is offering up to 8 948 000 new issued shares (the "Offer Shares"). The Offering is made (i) to the Company's shareholders, (ii) to the public in Estonia and (iii) to institutional investors in and outside Estonia in reliance on certain exceptions available under the laws of each jurisdiction where the Offer Shares are offered to institutional investors. The Company's shareholders fixed in shareholders list on 14 April 2010 at 11:59 p.m. (Estonian time) shall be granted the pre-emptive right to subscribe the Offer Shares (the "Subscription Rights" or "Rights"). Investors may submit subscription undertakings (the "Subscription Undertakings") with or without the Subscription Rights. The offer price is EEK 13.77 (EUR 0.88) per Offer Share (the "Offer Price").

Prior to the Offering, the Company's shares are traded on the Main List of the NASDAQ OMX Tallinn Stock Exchange ("NASDAQ OMX Tallinn"). The Company has made an application to list the Offer Shares on the Main List of the NASDAQ OMX Tallinn. Trading in the Offer Shares is expected to commence on the NASDAQ OMX Tallinn on or about 10 May 2010. In addition, the Company has made an application to list the Subscription Rights on the NASDAQ OMX Tallinn. Trading in the Subscription Rights is expected to commence on the NASDAQ OMX Tallinn on 16 April 2010 and is expected to end on 27 April 2010. This Prospectus has been prepared for purposes of the Offering and the listing of Offer Shares and Rights on NASDAQ OMX Tallinn.

Once the increase of share capital relating to the issue of Offer Shares is registered with the Estonian Commercial Register, the Offer Shares will rank *pari passu* with all the existing shares of the Company and the Offer Shares will be eligible for any dividends declared and paid on the Company's shares for the financial period ended on 31 December 2009, and for any dividends declared and paid thereafter. Possible dividends paid by the Company to shareholders who are not generally subject to taxation in Estonia may be subject to deduction of Estonian taxes as described in "Taxation".

Investing in the Offer Shares and Subscription Rights involves risks. See "Risk Factors" on page 14 for a discussion of certain factors that should be considered by prospective investors.

This offer is not directed to persons whose involvement in the Offering requires any extra registration, prospectus or other measures in addition to those necessary under Estonian law. No action has been or will be taken in any jurisdiction by the Company that would permit the public offering of the Rights or the Offer Shares other than in Estonia, and the Offering is not being made in any jurisdiction in which it would not be permissible to offer the Rights or the Offer Shares. The Offer Shares and the Rights may not be offered, sold, resold, allotted or subscribed to, directly or indirectly, in the countries where it is unlawful to do so without meeting additional requirements, unless any applicable exemption of those requirements exists.

THE OFFER SHARES AND SUBSCRIPTION RIGHTS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OR WITH ANY SECURITIES AUTHORITY OF THE UNITED STATES OR ANY STATE OF THE UNITED STATES, AND THE OFFER SHARES AND THE RIGHTS MAY NOT BE RE-OFFERED OR RE-SOLD WITHIN THE UNITED STATES OR FOR THE ACCOUNT OF U.S. PERSONS EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT OR PURSUANT TO AN EXEMPTION FROM REGISTRATION.

Lead Manager

Swedbank AS

The date of this Prospectus is 12 April 2010.

This Prospectus has been prepared by the Company in connection with the Offering and the listing of the Offer Shares and Subscription Rights on the NASDAQ OMX Tallinn in accordance with the Estonian laws implementing Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC and in accordance with the Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC. The information contained in this Prospectus has been provided by the Company and other sources identified herein. It is prohibited to copy or distribute the Prospectus or to reveal or use the information contained therein for any other purpose than considering an investment in the Offer Shares.

The Company accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Company, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import.

Tallinn, 12 April 2010

Management Board of AS Ekspress Grupp

____________________	____________________	____________________
Gunnar Kobin	*Andre Veskimeister*	*Erle Oolup*

NOTICE TO INVESTORS

The Offering and this Prospectus will be governed by and construed in accordance with Estonian laws. Any disputes relating to the Offering will be settled in a competent court of law, having its jurisdiction in Estonia.

No person has been authorised to give any information or to make any representation in connection with the Offering other than as contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by the Company. This Prospectus does not constitute an offer to sell, or a solicitation of an offer, subscribe or to buy any of the Offer Shares or the Subscription Rights in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offering or sale of the Offer Shares or the Subscription Rights in certain jurisdictions is restricted by law. Persons into whose possession this Prospectus may come are required by the Company to inform about themselves and to observe such restrictions. Neither the delivery nor distribution of this Prospectus nor the offering, sale or delivery of the Offer Shares or the Subscription Rights shall in any circumstances constitute a representation or create any implication that there has been no change, or any event reasonably likely to involve any change, in the condition (financial or otherwise) or affairs of the Company since the date of this Prospectus. The Company will update any information presented in this Prospectus in accordance with the applicable provisions of the Estonian Securities Market Act.

THE OFFER SHARES AND RIGHTS NOR THEIR DISTRIBUTION HAS BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OR WITH ANY SECURITIES AUTHORITY OF THE UNITED STATES OR ANY STATE OF THE UNITED STATES, AND THE OFFER SHARES AND THE RIGHTS MAY NOT BE RE-OFFERED OR RE-SOLD WITHIN THE UNITED STATES OR FOR THE ACCOUNT OF U.S. PERSONS EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT OR PURSUANT TO AN EXEMPTION FROM REGISTRATION.

The Offer Shares and Rights may not be lawfully offered or sold to persons in the United Kingdom except in circumstances which do not constitute an offer to the public in the United Kingdom within the definition of the Financial Services and Markets Act 2000 (the “FSMA”) as amended or otherwise in compliance with

all applicable provisions of the FSMA. Neither this nor any other document issued in connection with the Offering has been approved by an authorised person for the purposes of section 21 of the FSMA and hence may not be passed on to any person in the United Kingdom unless that person is entitled to receive this document by virtue of him falling into one of the categories of exemptions under the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or is a person to whom the document may otherwise lawfully be issued or passed on.

Each prospective purchaser of the Subscription Rights or prospective purchaser or subscriber of the Offer Shares must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, subscribes, offers or sells the Offer Shares or the Subscription Rights or possesses or distributes this Prospectus and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Offer Shares or the Subscription Rights under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, subscriptions, offers or sales, and none of the Company and Swedbank AS shall have any responsibility for these obligations.

IN MAKING AN INVESTMENT DECISION, YOU MUST RELY UPON YOUR OWN EXAMINATION OF THE COMPANY AND THE TERMS OF THIS PROSPECTUS, *INTER ALIA,* INCLUDING THE RISKS INVOLVED.

The contents of this Prospectus are not construed as legal, business or tax advice. Each prospective investor should consult with its own legal adviser, business adviser or tax adviser as to legal, business and tax advice.

AVAILABLE INFORMATION

This Prospectus has been published in an electronic form on the website of the Estonian Financial Supervision Authority (www.fi.ee).

The Articles of Association of the Company, the annual reports, including audited consolidated financial statements, of the Company for the financial years ended 31 December 2007, 2008 and 2009 are available at its head office located at Narva mnt 11E, 10151 Tallinn, Estonia, and on the NASDAQ OMX Tallinn's website (www.nasdaqomxbaltic.com).

Any institutional investor may obtain a copy of these items from the Company without charge. References to the Company's website in this Prospectus should not be deemed to incorporate the information on the Company's website by reference.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Prospectus are forward-looking. Such forward-looking statements and information are based on the beliefs of the Company's management (the "Management") or are assumptions based on information available to the Company. When used in this document, the words "anticipate," "believe," "estimate", "plan" and "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Such forward-looking statements reflect the current views of the Company or its management with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others, risks or uncertainties associated with the Company's technological development, growth management, relations with customers and suppliers and, more generally, general economic and business conditions, changes in domestic and foreign laws and regulations (including those of the European Union), taxes, changes in competition and pricing environments, and other factors referenced in this document. Some of these factors are discussed in more detail under "Risk Factors".

Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this document as anticipated, believed, estimated or expected.

The Company does not intend, and does not assume any obligation, to update the forward-looking statements included in this Prospectus as at the date set forth on the cover.

PRESENTATION OF FINANCIAL INFORMATION AND DEFINITION OF TERMS

The Company prepared its audited consolidated financial statements for the financial years ended 31 December 2007, 2008 and 2009 in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”).

Certain financial information presented in this Prospectus has been obtained directly from the audited financial statements of the Group, while certain other financial information presented herein has been recomputed by the Management from amounts contained in the audited consolidated financial statements. Please note that ratios and indicators set forth herein have not been audited.

Certain financial and other information set forth in a number of tables in this Prospectus has been rounded off, for the convenience of readers. Accordingly, in certain instances, the sum of the numbers in a column may not conform exactly to the total figure given.

All references in this Prospectus to (i) “kroon” or “EEK” refer to the currency of Estonia, (ii) “euro” or “EUR” refer to the single currency of the European Union Member States participating in the European Monetary Union, (iii) “U.S. dollars”, “U.S.$” or “USD” refer to the currency of the United States of America, (iv) “LVL” or “lats” refer to the currency of Latvia, (v) “LTL” or “litas” refers to the currency of Lithuania, (vi) “UAH” or “hryvnia” refer to the currency of Ukraine, and (vii) “SEK” or “Swedish krona” refer to the currency of Sweden. For conversion from “EEK” to “EUR” a fixed exchange rate of EUR equals 15.6466 EEK is used.

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SUMMARY

This summary should be read as an introduction to this Prospectus. The summary information set out below is based on, should be read in conjunction with, and is qualified in its entirety by, the full text of this Prospectus, including the financial information presented herein. Any consideration to invest in the Offer Shares or the Subscription Rights should be based on consideration of this Prospectus as a whole by the investor. Where a claim relating to the information contained in this Prospectus is brought before an Estonian court, the plaintiff might, under Estonian law, have to bear the costs of translating this Prospectus in the course of the legal proceedings or before such proceedings are initiated. The Company assumes civil liability in respect of this summary only if it is misleading, inaccurate or inconsistent when read together with the other parts of this document.

Overview

The Group was originally formed around Eesti Ekspress, the first independent newspaper in Estonia after the Soviet era and it has developed and grown continuously ever since (see "Business – History"). The current publishing business of the Group and its affiliates accounts for approximately half of the Group's revenues and includes four newspapers, more than 10 Lithuanian magazines and over 15 Estonian magazines. Four of the newspapers published by the Group and its affiliates *Õhtuleht*, *Eesti Päevaleht, Maaleht* and *Eesti Ekspress,* are among the leading four national publications in Estonia by circulation. The magazines *Kroonika*, *Teleleht* and *Nädal* published by the Group's affiliates are the most read Estonian weekly magazines while *Eesti Naine*, *Kodukiri* and *Pere ja Kodu* are among the top four most read monthly magazines in the country. The Group is involved in the printing business through its subsidiary Printall, which is the market leader by revenue in the Estonian printing market and provides high-quality printing services to the Group's subsidiaries and affiliates, in addition to the significant revenues it earns from the sales of printing services to external customers. The Group is involved in the online media business through its subsidiary SIA Delfi Holding, which is a holding company for Delfi group of companies, the leading online media company in the Baltic States.

In 2006, 2007 and in first half of 2008 revenues of the Group increased and operations enlarged remarkably. The revenues of the Group were EEK 931 million in 2006 and EEK 1 255 million in 2008. Partly, such growth was related to excessive economic development of the Baltic States on 2006–2007 and first half of 2008. As well as aforementioned, two major acquisitions contributed to the growth of the Company. In June 2007, the Group bought a leading Estonian weekly newspaper Maaleht and in August 2007 the leading Baltic internet content company AS Delfi. These acquisitions were possible because of listing the Company's shares in NASDAQ OMX Tallinn in April 2007 and capital raised in the process. The second half of 2008 and 2009 were not successful for the Group because of the recent turbulence events in World's economy which were amplified by domestic economic nosedives in the Baltic States. In 2008 the Group's revenues were EEK 1 255 million, but in 2009 the revenues were EEK 984 million. The company has cut costs and restructured its business, merged several subsidiaries and is adjusting management procedures.

Group Structure

AS Ekspress Grupp, a company with limited liability, incorporated in Estonia, is the operating parent company of the Group and owns all shares in its subsidiaries Eesti Ajalehed AS ("Eesti Ajalehed"), AS Printall ("Printall"), AS Maaleht ("Maaleht"), all incorporated in Estonia, SIA Ekspress Portals ("Ekspress Portals Latvia"), incorporated in Latvia, and UAB Ekspress Portals ("Ekspress Portals Lithuania"), incorporated in Lithuania. The Company also owns all the shares in its subsidiary SIA Delfi Holding ("Delfi"), incorporated in Latvia, which is a holding company for AS Delfi ("Delfi Estonia"), Delfi AS ("Delfi Latvia") and UAB Delfi ("Delfi Lithuania"). Delfi Estonia in turn owns all the shares in its subsidiary Delfi LCC ("Delfi Ukraine"). Delfi Latvia in turn owns all the shares in its subsidiary Mango SIA ("Mango"), incorporated in Latvia. The Company also owns 100 per cent of the shares in its subsidiary UAB "Ekspress Leidyba" ("Ekspress Leidyba"), incorporated in Lithuania.

The Company also has affiliated companies where it owns 50 per cent of the shares, including Eesti Päevalehe AS ("Eesti Päevaleht"), SL Õhtuleht AS ("SL Õhtuleht"), AS Ajakirjade Kirjastus ("Ajakirjade

Kirjastus") and AS Express Post ("Express Post"), all incorporated in Estonia. Furthermore, Ajakirjade Kirjastus in turn owns 51 per cent of the shares of Uniservice OÜ ("Uniservice"), incorporated in Estonia. Eesti Päevaleht also owns 50 per cent of AS Linnaleht ("Linnaleht"), incorporated in Estonia. Ekspress Leidyba in turn owns 40 per cent of UAB "Medipresa" ("Medipresa"), incorporated in Lithuania.

Strategy

The Group is one of the two leading media groups in Estonia. The Group's strategic objective is to continue improving and consolidating its position in the Baltic States by capitalising on its experience in the Estonian, Latvian and Lithuanian markets. In addition, the Group considers Ukrainian media market to be attractive and sees possible rapid development for Delfi Ukraine. The Group intends to implement and achieve its strategic objectives by:

- Focusing on producing content and delivering it through different channels.
- Consolidating online operations.
- Maintaining newspaper and magazine circulation.
- Developing new distribution channels.
- Growing the business in the Baltic States and Ukraine.
- Maintaining control over key support functions.
- Controlling and reducing costs.
- Improving financial situation.

Competitive Strengths

The competitive strengths of the Group and its affiliates include:

- Leading brands and strong market position with newspapers, magazines and online media, including the most widely read publications and portals in Estonia, Latvia and Lithuania.
- Integrated media group which controls its own supply and production chain from publishing to printing and all the way to distribution.
- Extensive reach to consumers through the strong brands in the Group and its affiliates offers advertisers access to the key market segments in Estonia and Lithuania.
- Experienced management board and one key shareholder actively leading the Group.
- Flexibility of the Group's simple and efficient organisational structure, and ultimate control by one shareholder.

Risk Factors

Before subscribing for Offer Shares or purchasing Subscription Rights, prospective investors should carefully consider the risks described in "Risk Factors" in addition to the other information contained in this Prospectus. The risks described in "Risk Factors" are not the only risks that the Company and investors in the Offer Shares and the Subscription Rights shall face. Additional risks not currently known to the Company or that the Company currently believes are immaterial may also adversely affect its business, financial condition and results of operation. The market price of the Offer Shares or the Subscription Rights

could decline due to any of these risks and investors could lose all or part of their investment. For a more detailed description of the risks, see “Risk Factors”.

Management and Employees

The control and management of the Company is divided among the General Meeting of Shareholders, the Supervisory Council and the Management Board. The current members of the Supervisory Council are Hans Luik, Ville Jehe, Viktor Mahhov, Antti Partanen, Aavo Kokk and Harri Roschier. The current members of the Management Board are Gunnar Kobin, Andre Veskimeister and Erle Oolup.

The average number of employees of the Group and its affiliates in 2009 was 2115.

Articles of Association and Share Capital

The Articles of Association of the Company are in all material aspects in accordance with the requirements of the Estonian law. The latest version of the Articles of Association was adopted by a resolution of the General Meeting of Shareholders on 21 January 2008.

As at the date of this Prospectus, the Company’s registered share capital is EEK 208 488 410 divided into 20 848 841 fully paid Shares with a nominal value of EEK 10 each. Each Share entitles its holder to one vote at the General Meeting of Shareholders. The Company has only one class of shares and all existing Shares rank *pari passu* in all respects.

Shareholders and Related Party Transactions

As at the date of this Prospectus, the Company has two main shareholders. Mr. Hans Luik owns approximately 51.6 per cent of the Shares and OÜ HHL Rühm owns 16.6 per cent of the Shares. OÜ HHL Rühm is ultimately controlled by Mr. Hans Luik, who controls, directly or indirectly, about 2/3 of the votes represented by the shares of the Company.

The Group companies have entered into certain agreements with related parties. For the most relevant and material of the recent and on-going agreements see “Business - Related Party Transactions”.

Dividends

Once the increase of share capital relating to the issue of Offer Shares is registered with the Estonian Commercial Register, the Offer Shares will be eligible for dividends, if any, declared in respect of the financial year ended 31 December 2009, and for subsequent periods. See “Dividends and Dividend Policy”.

Offering

The Offering comprises of up to 8 948 000 new shares issued by the Company through a public offering in Estonia with 20 848 841 Subscription Rights to the Company’s shareholders fixed in the shareholder list on 14 April 2010 at 11:59 p.m. (Estonian time).

The Offer Shares represent approximately 42.9 per cent of the Company’s share capital prior to the Offering and approximately 30.0 per cent of the Company’s share capital following the completion of the Offering.

The purpose of the Offering is to obtain additional equity financing to support the operations of the Group through improved liquidity. Furthermore, the proceeds from the Offering will help to implement the on-going restructuring process of the Group and its strategy of focusing on online media.

Offer Price

The Offer Price is EEK 13.77 (EUR 0.88) per Offer Share.

Distribution and Allocation

Investors can subscribe to the Offer Shares with or without the Subscription Rights.

In the event that the demand for the Offer Shares exceeds the number of Offer Shares available, the investors are allocated first according to the amount of Subscription Rights on their securities account as described in section Terms and Conditions of the Offering. Allocation for the remaining Offer Shares will be decided by the Company in consultation with the advisers.

Use of Proceeds

The proceeds to the Company from the Offering are estimated to amount to approximately EEK 123.2 million (EUR 7.9 million).

The Company plans to use the funds received by it from the Offering to support the operations of the Group through improved liquidity. The proceeds from the Offering will help to implement the on-going restructuring process of the Group and its strategy of focusing on online media. Furthermore, some of the funds are also used to repay any outstanding debt liabilities.

Settlement

The Subscription Rights for the Company's existing shareholders fixed in the shareholders list on 14 April 2010 at 11:59 p.m. are transferred to their securities account on or about 16 April 2010 without any payment for such Subscription Rights.

The Offer Shares allocated to the investors will be transferred to their securities accounts on or about 7 May 2010 through the "delivery versus payment" method simultaneously with the transfer of payment for such Offer Shares.

Listing and Trading

Currently, the Company's shares are traded in the Main List of the NASDAQ OMX Tallinn. Hence, in connection with the Offering, the Company has applied for listing of Offer Shares on the Main List of the NASDAQ OMX Tallinn. In addition, the Company has applied for listing of Subscription Rights on the NASDAQ OMX Tallinn.

Trading in the Offer Shares is expected to commence on or about 10 May 2010. Trading in the Subscription Rights is expected to commence on 16 April 2010 and is expected to end on 27 April 2010.

The international securities identification number (ISIN code) for the Offer Shares is EE3804016964, the trading code in the NASDAQ OMX Tallinn trading system is EEG4T. The international securities identification number for the Subscription Rights is EE3701016968, the trading code in the NASDAQ OMX Tallinn trading system is EEGRT. The international securities identification number for the Shares is EE3100016965, the trading code in the NASDAQ OMX Tallinn trading system is EEG1T. The Offer Shares are expected to gain the same international securities identification number and trading code in the NASDAQ OMX Tallinn trading system as the Shares once the share capital increase in relation to the issue Offer Shares has been registered with the Estonian Commercial Register which is expected to happen on or about 18 May 2010.

Capitalization and Indebtedness

For information on capitalization and indebtedness of the Company see "Capitalization and Indebtedness".

Auditors and Legal Advisors

The auditor for the financial years 2007, 2008 and 2009 was AS PricewaterhouseCoopers, address Pärnu mnt 15, Tallinn 10141, Estonia. The principal legal advisor to the Company is OÜ Advokaadibüroo Luiga Mody Hääl Borenius, address Pärnu mnt 15, Tallinn 10141, Estonia.

Information Available for Inspection

The consolidated financial statements of the Company for the financial years ended 31 December 2007, 2008 and 2009 and the Articles of Association of the Company are available at its head office located at Narva mnt 11E, Tallinn, Estonia, and on the NASDAQ OMX Tallinn's website (www.nasdaqomxbaltic.com). Any institutional investor may obtain a copy of these items from the Company without charge. References to the Company's website in this Prospectus should not be deemed to incorporate the information on the Company's website by reference.

Key Dates

	9 April 2010	– Shares trading cum Rights for the last day
	14 April 2010	– Record date for the Subscription Rights
	16 April 2010	– Start of the Offer Period and beginning of trading with Subscription Rights
	27 April 2010	– Subscription Rights trading for the last day
	3 May 2010	– End of the Offer Period
	4 May 2010	– Publication of the results of the Offering
On or about	7 May 2010	– Settlement and delivery of the Offer Shares
On or about	10 May 2010	– First day of trading in the Offer Shares on the NASDAQ OMX Tallinn

Summary of the Consolidated Financial Statements of the Group

The financial information included below sets out certain summary consolidated financial information and operating data of the Group for the periods indicated. The information has been extracted or calculated based on the audited consolidated financial statements of the Group for each of the three years ended 31 December 2007, 2008, 2009 prepared in accordance with IFRS, which are incorporated by references to this Prospectus.

	Year ended 31 December		
Profit or loss account data (audited), thousands of EEK	**2007**	**2008**	**2009**
Sales	1 149 962	1 254 851	983 530
Operating profit	116 400	112 353	(98 745)
Profit before income tax	99 284	52 482	(144 344)
Net profit for the financial period (*)	92 110	45 981	(189 014)

(*) Attributable to the equity shareholders of the parent company.

	As at 31 December		
Balance sheet data (audited), thousands of EEK	**2007**	**2008**	**2009**
Cash and cash equivalents	68 970	46 388	39 953
Trade and other receivables	165 828	166 649	120 136
Inventories	66 161	65 658	55 160
Other financial assets at fair value through profit or loss	4 606	8 025	892
Total current assets	**305 565**	**286 720**	**216 141**
Assets of discontinued operations	**0**	**0**	**93 457**
Other non-current assets(*)	18 367	16 861	12 697
Property, plant and equipment	404 880	389 572	345 938
Intangible assets	1 023 419	1 013 379	821 613
Total assets	**1 752 231**	**1 706 532**	**1 489 846**
Current liabilities	439 716	458 130	426 761
Liabilities of discontinued operations	0	0	17 231
Non-current liabilities	741 673	637 529	597 068
Total liabilities	1 181 389	1 095 659	1 041 060
Capital and reserves attributable to equity holders of the Group	**569 889**	**610 585**	**448 498**
Minority interest	953	288	**288**
Total equity liabilities	**1 752 231**	**1 706 532**	**1 489 846**

(*) Include non-current trade and other receivables, investment in associates, investment property.

	Year ended 31 December		
Cash flow data (audited), thousands of EEK	**2007**	**2008**	**2009**
Cash flow from operating activities from continuing operations	97 609	105 514	69 663
Net cash generated from operating activities from discontinued operations	0	(516)	(1 235)
Cash flow used in investing activities from continuing operations	(926 169)	(27 040)	(4 069)
Net cash generated from investing activities from discontinued operations	0	616	1 518
Cash flow from financing activities from continuing operations	846 429	(101 127)	(72 312)
Net cash used in financing activities from discontinued operations	0	(29)	0

Ratios and indicators (derived from audited information)[*]	**Year ended 31 December**		
	2007	**2008**	**2009**
Number of shares	18 971 081	18 971 081	20 848 841
Earnings per share (EPS), EEK	5.0	2.42	(9.09)
EBITDA[1)] EEK ´000	156 212	171 409	51 506
EBITDA margin, %[2)]	13.6	13.7	0.2
Operating profit margin, %[3)]	10.0	9.0	(10.0)
Return on assets (ROA), %[5)]	8.0	3.0	(12.0)
Return on equity (ROE), %[6)]	21.0	8.0	(32.0)
Equity ratio, %	33.0	36.0	(30.0)

(*) See ”Selected Financial Data” for the explanation of the formulas used.

RISK FACTORS

An investment in the Offer Shares or purchasing the Subscription Rights involves a high degree of risk. Potential investors should carefully review this document and in particular consider, inter alia, the risks set forth below and the other information contained in this document, as well as all the risks inherent, prior to making a decision to invest in the Offer Shares or purchasing the Subscription Rights. Any of the risks highlighted below could have a material adverse effect on the Group's business, financial condition and result of operations, in which case the market price of the Company's shares or Subscription Rights could decline, resulting in the loss of all or part of their investment in the Company's shares or the Subscription Rights.

Prospective investors should note that the risks described below are not the only risks that the Group and investors in the Offer Shares or the Subscription Rights will face. Additional risks not currently known to the Group or that the Group currently believes are immaterial may also have the effect set forth above. The risk factors below are not intended to be exhaustive and are not intended to be presented in any assumed order of priority.

Risks Relating to the Group's Business

Competition

Whilst the operational segments of the Group are subject to varying levels of competitive pressure, the Group and its affiliates operate in a highly competitive business environment. Participants in the newspaper and magazine publishing industry depend primarily upon the sale of advertising, paid subscriptions and single copy sales to generate revenue, whilst online media is largely dependent on advertising and to a smaller extent on subscription-based services. Competition for advertising, subscribers and readers is intense and comes primarily from electronic media (television and radio), other print media (local, regional and national newspapers, magazines, and direct mail), Internet, telephone directories and other communications. In the printing industry, the Group faces intense competition from other printing houses, located both in Estonia and abroad.

The Group's ability to continue to successfully compete in the print and online media industries will depend upon a number of factors, such as high quality editorial content, sufficient distribution and subscription levels and generation of advertising revenue. The media industry is generally subject to intense price competition. Advertising on the alternative forms of media may become cheaper and technical advancement may make it increasingly easy to produce and place advertising on the alternative forms of media. Similarly, alternative forms of media may be able to target specific audiences and, accordingly, become more attractive to advertisers than traditional mass or print media.

Some of the Group's competitors are subsidiaries of major international media groups, which have greater financial resources and marketing capabilities compared with the Group. They may also benefit from greater operating efficiencies and economies of scale. In response to changing circumstances, the Group may have to increase its costs of producing or promoting its editorial content or reduce its advertising and/or subscription rates, which could adversely affect its financial performance.

The Group cannot assure investors that it will be able to compete successfully in the future against existing or potential competitors, and no assurances can be given that increased competition will not have an adverse effect on its business, financial condition or results of operations. If the Group fails to remain competitive, the Group could fail to increase, or maintain, its operating revenues.

No long term contracts with customers

In line with the industry practice, the Group and its affiliates have few long term contracts with its advertising or printing customers or distributors of the books, newspapers and magazines published by the Group and its affiliates.

A significant part of the Group's revenue is derived from advertising. Whilst more comprehensive marketing campaigns may be based on specific agreements between a publication and the advertiser, in most cases the advertisements are placed on the basis of one-off orders. Either the customers simply place advertisement orders for publication on a given date, or they make their orders through an advertising agency. As a result, the Group's advertising revenues fluctuate and no guarantees can be given that any given level of revenue can be maintained in the future.

Few of the Group's printing customers have long-term contracts with the Group, but a large portion of its printing capacity is sold for spot orders or repeat orders without further contractual framework. The Group and its affiliates have written agreements with a large proportion of the distributors of its publications, but in most cases the distributor can either reduce its purchase volumes or even terminate the agreement at short notice.

In the absence of long-term contracts, competitive pressure can have an immediate effect on the Group's revenues when the advertisers demand lower advertising rates or otherwise improved terms for their customers or distributors or printing customers demand improved terms or reduce the volume of their orders. Even though Management believes in the Group's high standards of editorial content and print quality and effective marketing strategy, price competition can lead to an unexpected and rapid adverse effect upon the Group's revenues and earnings and to a decrease in the Group's market share and/or decline in profit margins.

Decrease in circulation and pressure on cover prices

Sale of newspapers and magazines is an important source of revenue for the Group and its affiliates. Circulation and readership base are also key factors for advertisers selecting a media for their marketing campaigns. Circulation depends on the quality of the newspapers and magazines, efficiency of distribution and loyalty of readers. A variety of reasons, such as competition from other newspapers, competition from other media or from mass communication like television or radio or the Internet as well as changes in consumer lifestyles can cause an adverse effect on the circulation or readership pattern of a publication.

No guarantees can be given that the Group and its affiliates will be able to maintain the readership base of all of its publications at the current levels in the rapidly changing and highly competitive media industry. A decrease in the circulation of the Group's and its affiliates' print media publications could have an adverse effect upon the Group's revenues and earnings and lead to a decrease in the Group's and its affiliates' market share and/or decline in profit margins.

A decision by competitors to reduce the cover-prices of their newspapers or magazines may force the Group to also have to lower its cover prices. A reduction in the cover prices or loss of circulation would adversely affect the Group's business, financial condition and results of operations.

Dependence on key personnel and editorial team

Each business in the Group relies on a relatively small core management team and as a result, the Group is dependent on the performance of its key employees. The Group's performance depends to a significant extent on its ability to attract and retain highly qualified editorial, sales, marketing and managerial personnel. The Group anticipates that demand for management, editorial and other professional staff will increase.

The quality of the content and substance of the Group's and its affiliates' newspapers and magazines is dependent on the expertise of the editorial team. The Group's and its affiliates' newspapers and magazines are dependent on the network of reporters, journalists and external news service agencies to provide news and article content. Loss of the services of these key persons can adversely affect the results of operations of the Group. For example, if one or more key persons will join a competitor, the resulting competition could negatively influence the Group's business.

Also, future success depends on the continuing ability of the Group to identify, hire, train and retrain such personnel in the future. Any inability to attract and retain the Group's officers and key employees and the necessary professional personnel could have a material adverse effect on the Group's business, financial condition and results of operations.

Growth and its control

The Group grew relatively rapidly in years of 2006 to 2008, largely through acquisitions. The Group's ability to achieve future growth may require expansion in to new geographic markets, to new operational segments in existing and new markets and to new products. In addition, the Group needs to continually improve its financial and management controls, reporting systems and procedures. This growth and expansion will place significant demands on its management resources.

Growth through possible acquisitions will cause separate risks, partly because of risks inherent in acquiring businesses and partly connected with the integration of the acquired businesses into the Group. The Group plans to actively evaluate or pursue potential acquisitions, and may in the future acquire other media businesses and seek to integrate them into its own operations. The Group may fail to identify suitable acquisition targets, fail to negotiate or complete an acquisition or lose a target to a higher bidder. The Group may fail to integrate the acquired business in accordance with its business strategy and the target may have undiscovered contingent liabilities. Potential acquisitions may divert Management's attention away from the Group's primary areas of operation, result in the loss of key customers and/or personnel and expose the Group to unanticipated liabilities.

If the Group fails to control its potential growth and development successfully, this may have an adverse effect on its profits and financial position. The growth requires investments in fixed assets and additional working capital. The availability of additional financing on advantageous terms cannot be assured.

Dependence on machinery and information technology

The Group's printing and delivery businesses are dependent on smooth working processes which rely on sophisticated software and information technology. The Group has largely outsourced the professional maintenance of its machinery from the machinery producers. If a breakdown or malfunctions of machinery or failure in the supporting software or hardware systems seriously disrupt these working processes, the Group and its affiliates may be unable to fulfil its obligations towards its customers. As a result, the Group may not only lose profits but it also may have to pay contractual penalties or, in extreme situations, customers may terminate their contracts with the Group.

Management believes that the Group has an appropriate insurance cover for its printing business against failures in the printing process. The Group may also be able to make guarantee claims against the machinery or maintenance contractors. The Group has an understanding with certain other printing companies regarding mutual supply of emergency printing services, which Management hopes will enable the Group to meet at least part of its contractual obligations if the Group's print works are stopped due to a technical failure.

However, no assurances can be given that all technical risks associated with the Group's printing and delivery operations can be adequately covered by insurance or manufacturers' or maintenance guarantees. Nor may it be always possible to obtain adequate insurance coverage against some risks at commercially reasonable terms. Whilst Management believes that the Group has taken appropriate measures to reduce its exposure to technical failures, a major disruption in the Group's printing or delivery operations could have a material adverse effect on Group's operations and financial condition.

The delivery system of Express Post relies on IT software for which it has only an oral license from copyright owners of the software. Whilst Management is confident that the Group can continue using this software without interruptions, no assurances can be given that the Group would not be forced to replace this software either by software acquired from a third party or developed by the Group, which could have a material adverse effect on Group's operations and financial condition.

Dependence on suppliers

The Group relies on a number of key suppliers to provide materials and services to the Group companies. Management believes that apart from the distribution market, there are several alternative suppliers available to the Group and, accordingly, the Group is not directly dependent on any one of its suppliers.

The single most significant material category is newsprint, magazine paper and speciality papers used by the Group's printing operations. The Group currently relies on several paper suppliers, mainly from Finland and Russia, although the Group has no long-term supply contracts with any particular paper supplier. An interruption in their paper production or delivery systems of a supplier may influence the Group's ability to meet its printing orders. Although the Group has in the past managed to obtain alternative supplies, such replacement suppliers may not be willing to supply paper under the same terms and conditions as the Group's regular suppliers. Accordingly, there is no assurance that the businesses of the Group would not be adversely affected by a loss or suspension of deliveries by its regular suppliers.

The Group's and its affiliates' revenues from single-copy sales rely largely on an efficient distribution network of newspapers and magazines. In Estonia, there is effectively only one distributor in this market segment. The Group has had an agreement with this distributor since it sold its own distribution business and there has been no major disruptions in the distribution network. However, any disruption in the distribution system may have a material adverse effect on the single-copy sales and, as consequence, on the Group's business, financial condition and results of operations. It is also possible that the only distributor on the market may in the future demand unacceptable terms for its services, which may require the Group to set up a distribution network of its own.

There cannot be any assurance that the Group could find a cost-effective replacement for a key supplier, which could result in increased cost and reduced profitability.

Financing and loan agreements

The loan and lease agreements entered into and guarantees issued by the Group include several restrictive covenants and requirements to obtain the lender's consent for, *inter alia*, further financing, payment of dividends, changes in the Group's corporate structure or the nature of its business, and consolidating or merging with another corporation.

All of the Group's loan agreements with financial institutions contain customary events of default, including cross-default provisions. These cross-default clauses expose the Group to default risks based on performance under other agreements with the financial institutions in question. In addition, under most loan agreements, it is an event of default if the borrower takes significant additional financial obligations or a third party acquires in whole or in part the issued share capital of the borrower without the prior consent of the lender.

Any failure to comply with the loan, lease or guarantee agreements or any demand for early repayment made by the banks could have a material adverse effect on the Group's business, results of operations and financial condition.

Contractual risks

A dispute may arise between the Group and its contractual counterpart on the interpretation or the validity of a contract or fulfilling of contractual obligations, which can lead to arbitration or litigation with an unfavourable outcome for the Group. Contractual claims and other demands may also have an adverse effect on the Group's profits or financial position.

The Company is a holding company and is dependent upon cash flows from subsidiaries and affiliates

The Company is a holding company that conducts its operations through its subsidiaries and affiliates. The Company holds no significant assets other than the investments into the operating companies.

Under Estonian, Latvian and Lithuanian law, a company is not allowed to pay dividends or make other distributions unless current or retained profits are available for such distribution. In relation to many of its joint ventures, the Group is contractually bound to retain the equity-asset ratio of the affiliate at the level of at least 20 per cent. A maximum amount of funds that exceed this threshold are distributed to shareholders as a dividend, whilst the shareholders are also contractually bound to contribute additional capital to eliminate any shortfall. The Company's ability to benefit from the distribution of any assets of the subsidiaries or affiliates upon liquidation of any such companies will be subject to the prior claims of such companies' creditors, including trade creditors.

Inability to keep pace with technical and market developments in the media and printing business

The media industry has experienced and will further experience rapid and significant technological changes that may result in the development of alternative means of editorial content generation, publication and distribution. The continued growth of the Internet presents alternative options for content distribution that compete with traditional media for advertising revenue. In response to market developments, the Group and its affiliates have developed online versions of their newspapers and magazines and the Group has acquired specialised Internet web-portals. Whilst Management intends to keep abreast with general market trends, no guarantees can be given that the Group will be able to successfully compete with existing or newly developed alternative distribution technologies, or be able to acquire, develop or integrate new technologies.

In addition, the technical developments have had a certain impact on the printing industry in recent years and such developments may also continue in the future. Development of computer printers have refocused the clients' requirements and increased their expectations regarding print quality, price and delivery time. The Group has in the past invested heavily on updating and renewing its printing technology and printing machines and expects to continue doing so in the future. Although, in 2007 the Group acquired a new magazine printing press, the Group may need to increase the capacity of its printing plant or enhance the quality of the print works or update its printing machinery in the future. The cost of the acquisition, development or implementation of new technologies can be significant and the Group's ability to fund such implementation may be limited, which could in turn have an adverse effect on the Group's business, financial condition or results of operation.

Joint ownership of businesses with competitors

The other shareholders in many of the Group's joint ventures ("affiliates") are companies that compete with the Group in one or more business segment. Of the Company's affiliates, SL Õhtuleht, Ajakirjade Kirjastus and Express Post are owned via 50-50 per cent joint ventures with AS Eesti Meedia, a company controlled by the Norwegian media group Schibsted. Eesti Päevaleht, which is owned through a 50-50 per cent joint venture with Vivarone OÜ, a company controlled by Estonian individual Mr. Jaan Manitski, in turn, owns the free-distribution tabloid Linnaleht through a 50-50 per cent joint venture with AS Eesti Meedia. Further, the Group's Lithuanian distribution company Medipresa is owned together with two competing publishers.

Many of these 50-50 per cent ownership structures pre-date Estonia's and Lithuania's accession to the European Union and the new competition legislation subsequently enacted in these countries. Management believes that the ownership structures used by the Group and related shareholders' agreements comply with the competition rules currently in force in Estonia, Lithuania and the other jurisdictions where the Group does business as well as with those of the European Union. However, the competition rules are a rapidly developing area in the new accession states, and no assurances can be given that the competition rules will not change in these jurisdictions, or that the competition authorities will not change their interpretation and enforcement practice in the future. Accordingly, no assurances can be given that the competition authorities could not consider that the Group and the other shareholders in these ownership structures have such a combined market position that future possible acquisitions by the Group cannot be allowed. Nor can any assurances be given that the competition authorities could not decide to investigate the ownership structures used by the Group and its agreements with the other shareholders. In the event that such an action by the competition authorities results in fines, the Group being forced to divest one or more of its assets, or being prevented from consummating further acquisitions, it could have a material adverse effect on the Group's business, results of operations and financial condition.

All of the Group's 50-50 per cent joint ventures are structured so that neither shareholder has control of the joint venture company. The shareholders' agreements relating to the joint ventures with AS Eesti Meedia provide for a mechanism for solving a deadlock in the decision-making of the company. This mechanism enables either party to dissolve the joint venture either by selling its shares to the other shareholder or acquiring the shares held by the other shareholder. This mechanism has never been invoked in any of the joint ventures of the Group, but should a serious deadlock situation arise, it could have a material adverse effect on the Group's business, results of operations and financial condition.

The Company has no written or verbal shareholders' agreement in relation to its 50 per cent interest in Eesti Päevalehe AS beyond what is provided in the articles of association of that company. As neither shareholder has control in this company, in absence of agreement a deadlock in its decision-making could be solved only via liquidation of the company. No incidents giving rise to a concern of a deadlock have arisen in the years that this joint venture has been in existence. However, should a serious deadlock situation arise, it could have a material adverse effect on the Group's business, results of operations and financial condition.

Relationship with the principal shareholder

Prior to the Offering, Mr. Hans Luik owns or controls 68.3 per cent of the Shares. Following the completion of the Offering, this shareholder will continue to own or control at least 54.0 per cent of the Shares. Mr. Luik will be able to exercise significant control over all matters requiring shareholder approval, including the election of members of the Supervisory Council and approval of significant corporate transactions, which could delay or prevent a third party from acquiring control of the Company. The ability of a major shareholder to prevent or delay such transactions could cause a decline in the price of the Company's shares.

The Group and businesses controlled by Mr. Luik have contractual relationships relating to certain matters, including, among others, loan agreements and leases for commercial premises. The Company believes that all these contracts reflect market terms. Accordingly, there can be no assurance that the terms of some or all of these contracts are not less favourable to the Group than the terms that the Group would have been able to obtain from an independent third party.

Operations outside Estonia

In addition to Estonia, Ekspress has operations in Lithuania, Latvia and Ukraine. Management believes that a part of the Group's future growth potential will be in markets outside Estonia. Management proposes to continue the Group's expansion to new markets. The Group faces numerous risks characteristic of international businesses, such as the need to adapt to a large number of different rules and regulations, unexpected changes in export tariffs, tax practice or import and export quotas, foreign exchange rate fluctuations and general difficulties in operating in a new market such as enforcing contracts. In addition, the expansion of the Group's operations requires financial resources. These factors may have adverse effects on the Group's operating results and financial position.

Exposure to foreign currency fluctuations

Since the Group's operating activities have an international dimension the Group is exposed to foreign exchange risks. Foreign exchange risk arises when the future business transactions or recognised assets or liabilities are fixed in a currency which is not a functional currency of the company. According to the policy established by the Group's management, the companies within the Group are required to manage their foreign exchange risk with regard to functional currency.

All Group's companies are required to use the euro as a currency unit in international agreements. Of foreign currencies, the Group's settlements in significant amounts are made in euros, to a smaller extent in Russian roubles, Swedish kronas, Lithuanian litas and Latvian lats, and in insignificant amounts in Ukrainian hryvnias. The exchange rate of euro and Lithuanian litas to Estonian kroon is fixed. Therefore, the Group does not use derivatives for hedging the risk. The Group pays most of its suppliers of paper and other materials in euros, while the domestic suppliers and employees are paid in Estonian kroons, Lithuanian litas, Latvian lats and Ukrainian hryvnias.

The editorial content of the Group's and its affiliates' newspapers, magazines and online portals can be controversial and may result in litigation

In the ordinary course of business, the Group companies and affiliates have had, and may continue to have, litigation claims filed against them in relation to the editorial content of their newspapers, magazines and online portals.

In the past, there have been claims relating to the editorial content of the Group's or its affiliates' publishing titles, and the outcome of those claims have had insignificant or no financial impact on the Group. However, there can be no assurance that the Group companies and affiliates can avoid litigation on the editorial content in the future. Any such litigation, if material, may have adverse effect on the Group's operating results and financial position.

Similarly, the Group companies and affiliates may be liable for claims based on the content of advertising published in their newspapers, magazines and online portals. The Group companies and affiliates have trained their editors and advertising personnel to evaluate all proposed advertising in order to prevent any questionable or objectionable material from reaching print. This far, the Group companies and affiliates have successfully avoided the risk of such liabilities. However, there can be no assurance that the Group companies and affiliates can avoid such liability also in the future. Any such liability, if material, may have adverse effect on the Group's operating results and financial position.

Risks Relating to the Group's Industry

Cyclicality

The publishing and printing businesses are cyclical in nature and subject to fluctuations caused by changes in the general economic conditions and consumer confidence. Revenues from both publishing and printing are affected by the general economic cycle. In addition, printing business capital and labour costs are intensive and, as a result, printing companies have relatively high fixed cost structures. Printing revenues may decrease while many costs remain fixed, resulting in decreased earnings. No assurance can be made that the Group's business may not be materially and adversely affected if the Baltic and Ukrainian economies slow further down or if the advertising expenditure in these markets reduces further.

Seasonality

The Group's advertising revenues are subject to significant seasonal variations, with advertising revenues being at their highest levels in the second and fourth quarter of each year. Advertising revenues are at their lowest in the third quarter. Advertising revenues are higher in the fourth quarter because of the higher consumer spending during the run-up to Christmas and during the sales after Christmas. The summer months usually account for the lowest level of advertising expenditures during the year. Management expects these seasonal fluctuations to continue affecting its results in the future. Accordingly, the results of operations in any period should not be considered indicative of the results to be expected for future periods.

Volatility in paper cost

The basic raw materials for the publishing and printing of newspapers and magazines are newsprint, paper, ink and printing plates. The prices for newsprint and magazine paper have historically been volatile, depending on the volume of global supply and demand. Under its customer printing contracts, the Group is normally entitled to adjust its printing fees if the cost of printing raw material, including newsprint, changes considerably. However, the Group may not be able to pass the increased printing cost on to its ultimate customers of its own publications, which account for one quarter of its printing revenues. The Group does not hedge its exposure to paper price fluctuations. Any significant increase in the cost of paper may have a negative impact on the Group's financial condition and results of operations.

Online media

The Group and its affiliates are involved in online media through Delfi companies and several other portals and online versions of its newspapers. The future impact of the Internet based media on print media remains uncertain, and whilst Management believes that the Group is in a good position to benefit from the further development of the online media, the continuous and rapid changes in this area pose significant risks for the Group. Due to its primary reliance on print media, the Group may find it difficult to respond fast enough to challenges from foreign or domestic competitors specialising in online media, who may have more expertise on this business and who may be in better position to predict changes in the customer preferences. If the Group fails to meet the competitive challenges from the online media, this may have an adverse effect on its profits and financial position.

Risks Relating to the Offering

Possible Volatility of share prices

There is no assurance that an active market for the Subscription Rights and Offer Shares will be sustained and will not decline. The market price of the Subscription Rights and Offer Shares could be subject to significant fluctuations due to various external factors and events including the liquidity of the Subscription Rights and the Offer Shares in the market, difference between the Company`s actual financial or operating results and those expected by investors and analysts, the general market conditions and broad market fluctuations. Prevailing market price from time to time will depend also on many factors, *inter alia*, future interest rates, industry and market conditions, the Company`s operating results and cash flows and the market for the securities of any company in the same or similar sector of the economy in surrounding countries. In recent years, most stock markets have experienced significant price and trading volume fluctuations. These fluctuations have often been unrelated or disproportionate to the operating performance of the underlying company. Accordingly, there could be significant fluctuations, including decline, in the price of the Subscription Rights and Offer Shares. Furhtermore, there could be significant fluctuations in the price of the Offer Shares and Shares, including a substantial decline, following the Offering even if Company`s operating results meet expectations.

Risks associated with Subscription Rights as Opposed to Shares

The market for Subscription Rights is likely to be less liquid than the market for Offer Shares. A lack of liquidity may affect the value that investors receive for Subscription Rights sold on NASDAQ OMX Tallinn. One should consider therefore whether the Subscription Rights are a suitable investment in light of the investment objectives, financial circumstances and other risk factors set out in this Prospectus. Investor's custodian bank or agent may charge a certain fixed and/or variable commission fee related to trades with the Subscription Rights. Such fees could be unreasonably high relative to the total market value of the Subscription Rights which investor holds.

Risks associated with the Offer Shares

There is no assurance that the market price for the Offer Shares will not decline. It is also important to acknowledge that rights arising from the Offer Shares cannot be exercised before entry of the increase in share capital in the Estonian Commercial Register.

The NASDAQ OMX Tallinn has a relatively small market capitalization and is substantially less liquid than major European exchanges, which could adversely affect the ability of shareholders to sell the Shares or the Offer Shares.

Application has been made to the NASDAQ OMX Tallinn for the Subscription Rights and Offer Shares to be admitted to trading on the NASDAQ OMX Tallinn market for listed securities. However, the Company cannot provide any assurance that the Subscription Rights and Offer Shares will be admitted to trading or that, following admission, an active trading market for the Subscription Rights and Offer Shares will emerge or develop. The Company cannot provide any assurance that an active market for the Offer Shares is

sustained after completion of the Offering.

The average daily trading turnover on the NASDAQ OMX Tallinn from 1 January 2008 to 31 December 2008 was EEK 38.5 million. The average daily trading turnover on the NASDAQ OMX Tallinn from 1 January 2009 to 31 December 2009 was EEK 16.7 million. A total of 15 companies were listed on NASDAQ OMX Tallinn as at 8 April 2010. Consequently, the NASDAQ OMX Tallinn is substantially less liquid and more volatile than respective markets in countries with highly developed securities markets. The relatively small market capitalization and low liquidity of the NASDAQ OMX Tallinn may impair the ability of shareholders to sell the Shares, Offer Shares or Subscription Rights on the NASDAQ OMX Tallinn, which could increase the volatility of the price of the Shares, Offer Shares or Subscription Rights. The delisting of any of the large companies listed on the NASDAQ OMX Tallinn would be likely to have a negative effect on the market capitalisation and liquidity of the NASDAQ OMX Tallinn.

The NASDAQ OMX Tallinn, where the Offer Shares and Subscription Rights are expected to be listed, is a part of the NASDAQ Stock Market Inc, which is the world's largest exchange company. The NASDAQ OMX Tallinn uses the trading system INET, which in addition to Estonia is used by exchanges in Sweden, Finland, Denmark, Iceland, Latvia, Lithuania and by exchanges of NASDAQ OMX Group in United States of America. The trading system of the NASDAQ OMX Tallinn is open for trading to its members. Trading on the NASDAQ OMX Tallinn takes place on each business day from 10:00 a.m. to 4:00 p.m. (Estonian time). From 4:00 p.m. to 4:30 p.m. the NASDAQ OMX Tallinn carries out post-market trading.

Future sales of the Company's shares could adversely affect the market price of the Offer Shares.

There is no lock-up associated with this Offering for any shareholder or shareholder groups. The Company may decide to issue additional shares in the future. Sales of substantial amounts of Shares or Offer Shares by existing shareholders, or issuance of additional shares, or the perception that such sales or issues could occur, could adversely affect prevailing market prices for the Shares and the Offer Shares.

The Company cannot assure you that the Company will pay any dividend on the Offer Shares.

There is no assurance that the Company will pay dividends on the Offer Shares, nor is there any assurance as to the amount of any dividend it might pay. The payment and the amount of any dividend will be subject to the discretion of the Management Board, Supervisory Council and, ultimately, the General Meeting of Shareholders and will depend on available cash balances, anticipated cash needs, results of operations, financial condition and any loan agreement restrictions binding or subsidiaries as well as other relevant factors. See "Dividends and Dividend Policy."

If securities or industry analysts do not continue to publish regular research or reports about Company's business, the price of the Shares and the Offer Shares and respective trading volumes could decline.

The trading market for the Offer Shares will depend on the research and reports that industry or securities analysts may publish about the Company or its business. The Company do not have any control over these analysts. If one or more of the analysts who cover the Company's downgrade their ratings of the Offer Shares, the price may decline. If one or more of these analysts cease covering of the Company or fail to publish regular reports on the Company, it could lose visibility in the financial markets, which in turn could cause the price of the Offer Shares or trading volume respectively to decline.

Political, Economic and Legal Risks

Risks relating to doing business in the Baltic States

Investors investing in emerging markets such as Estonia, Latvia and Lithuania should recognise that these markets are subject to greater risks than more mature markets, including legal, economic and political risks. Estonia, Latvia and Lithuania have experienced significant political, legal and economic changes and

liberalisation during the last two decades of transition from the Soviet rule and plan economy to independence and a market economy.

For purposes of its accession to the European Union, Estonia, Latvia and Lithuania implemented significant social and economic changes, as well as reforms of their legal and regulatory framework. As a result, the volume of Estonian, Latvian and Lithuanian legislation and other regulations has increased and is expected to increase further pursuant to the obligation to apply European Community law.

The civil code and corporate, competition, securities, environmental and other laws in Estonia, Latvia and Lithuania have been substantially revised during the last decade as part of these countries' transition to a market economy and to meet EU requirements and standards. The new legislation remains in part largely untested in courts and no clear administrative or court interpretation practice has evolved.

Estonian, Latvian and Lithuanian businesses are in the process of adopting the business standards and practices of the European Union. Many Estonian companies, including the Company, are still adopting and developing management tools for competition law related risks, corporate governance, internal controls and risk management.

Risks relating to doing business in Ukraine

The Company has business operations in Ukraine. Notwithstanding, the Company's operations in Ukraine are insignificant in terms of Company's revenues, investors investing in emerging markets, such as Ukraine, should recognise that these markets are subject to significantly greater legal, economic and political risks than those in more mature markets.

Although some progress has been made since independence in 1991 to reform Ukraine's economy and its political and judicial systems, Ukraine still lacks the necessary legal infrastructure and regulatory framework which are essential to support market institutions, the effective transition to a market economy and broad-based social and economic reforms.

Political instability in Ukraine

Historically, a lack of political consensus has made it consistently difficult for the Ukrainian government to secure the support necessary to implement a series of policies intended to foster liberalisation, privatisation and financial stability. Since the independence in 1991, governmental instability has been a feature of the Ukrainian political scene and, as a result, Ukraine has had numerous prime-ministers. Domestic politics in Ukraine is expected to remain unstable because of rivalry between newly elected president Mr. Viktor Yanukovich, Ms. Yulia Tymoshenko and ex-president Mr. Viktor Yushchenko. The Ukraine is trapped in the constitutional compromise which divides executive power between the president and a prime minister chosen by the Verkhovna Rada (parliament). This means that, despite his win in February 2010, Mr. Yanukovich can do little without a parliamentary coalition and to form a majority coalition he needs the support of Mr. Yushchenko's Our Ukraine block. At the moment Ukraine's politics continues to be in rather chaos. As at the date of this Prospectus, it is still not clear how and when the political situation will stabilise.

Legal system in Ukraine

The Ukrainian legal system has been developing since the 1990s to support a market-based economy. The legal systems in this country remain, however, in transition and are therefore subject to greater risks and uncertainties than those in a more mature legal system.

The uncertainties in the legal system pose remarkable risks to the Company's operations and growth potential in Ukraine particularly with respect to its ability to enforce contracts, defend itself against unfair competition or arbitrary action by authorities.

Economic instability in Ukraine

In recent years, the Ukrainian economy has been characterised by a number of features which contribute to economic instability, including limited liquidity caused by a relatively weak banking system, tax evasion, significant capital flight, low and unpaid wages. Furthermore, the possible default of Ukraine sovereign debt was in focus in the beginning of 2009. Therefore, Ukraine took USD 16.4 billion in total loan from International Monetary Fund. At the moment because of political instability only a little attention is paid to the country's economic problems.

Although the government has generally been committed to economic reform, the implementation of reform has consistently been impeded by a lack of political consensus, controversies over privatisation, the restructuring of the energy sector, the removal of exemptions and privileges for certain state-owned enterprises or for certain industry sectors and the limited extent of cooperation with international financial institutions. No assurance can be given that reform policies favouring privatisation, industrial restructuring and tax reform will continue to be implemented and, even if implemented, that those policies will be successful.

Currency exchange risks

An investment in shares denominated in kroons by a foreign currency investor exposes the investor to a foreign currency risk. Any depreciation or appreciation of the kroon in relation to such foreign currency will correspondingly reduce or increase the value of the investment in foreign currency terms.

Due to the accession of Estonia to the European Union on 1 May 2004, Estonia took an obligation to adopt euro as the local currency. The exact date on which the euro will be adopted, however, has yet to be determined. Notwithstanding double-digit economic decline in GDP in 2009, the Estonian government cut spending hard and early, inflation is low, and government debt is negligible and fit the Maastricht criteria. The aforementioned gives prerequisites that Estonia will adopt euro in 1 January 2011.

The official and only legal tender in Estonia is the kroon. The kroon is pegged to the euro at the fixed rate of EEK 15.6466 for 1 EUR. The Estonian government and the Bank of Estonia have expressed their intention to maintain the current fixed exchange rate and the currency board system. However, there is no guarantee that Estonia will maintain the current exchange rate in the future.

The Company is also active in Latvia and Lithuania where the local currencies are pegged to the euro. There is no guarantee that the central banks of these countries will maintain the current exchange rate in the future. Any devaluation or revaluation of local currencies (LVL, LTL) may have negative effects on the economy as a whole and on the Company's financial condition and operating results. Furthermore, the Company is also active in Ukraine where floating exchange rate regime is used. The investors shall bear in mind that the political and economic instability in Ukraine possibly have implications for the local currency (UAH).

Foreign investors can open both kroon and foreign currency accounts in banks registered in Estonia. Any foreign currency may be freely purchased and sold at the market exchange rates. There are no capital movement restrictions. Any devaluation or revaluation of the kroon may have negative consequences for the Estonian economy as a whole and may have a material adverse effect on the Group's financial condition and results of operations.

Potential Tax Liabilities

It should be noted that Estonian tax laws and regulations have not been in force for significant time period, in contrast to more developed market economies; therefore, implemented laws and regulations may be unclear or nonexistent. Accordingly, there is limited case law on the application and interpretation of these laws. Often, differing opinions regarding legal interpretations exist both among and within tax authorities, thus creating uncertainties and areas of conflict. The Company's tax position may be subject to possible review and investigation by tax authorities. If for any reason the Company's tax position were to be disputed by the tax authorities, the possible tax liabilities of the Company could have a substantial adverse impact on

the Company's operating results, and therefore could have a material adverse impact on the market price for the Shares. See „Taxation" for more details.

TERMS AND CONDITIONS OF THE OFFERING

The Offering

The Offering comprises up to 8 948 000 new Offer Shares, which are being offered (i) to the Company's shareholders, (ii) to the public in Estonia and (iii) to institutional investors in and outside Estonia in reliance on certain exceptions available under the laws of each jurisdiction where the Offer Shared are offered to institutional investors. The Company's shareholders fixed in shareholders list on 14 April 2010 at 11:59 p.m. (Estonian time) shall be granted the pre-emptive right to subscribe the Offer Shares (the "Subscription Rights" or "Rights"). One Subscription Right per each Share shall be issued. Total of 20 848 841 Subscription Rights will be issued to the Company's shareholders. Investors may submit subscription undertakings (the "Subscription Undertakings") with or without the Subscription Rights. The Offering shall take place in Estonia.

Upon completion of the Offering, and assuming that all Offer Shares are subscribed for, there will be up to 29 796 841 Company's shares issued and outstanding. The Offer Shares represent approximately 30.0 per cent of the Company's share capital following the Offering and about 42.9 per cent of the Company's share capital before the Offering.

The allocation of the Offer Shares has been predetermined, i.e. in case all Subscription Rights are used to subscribe for the Offer Shares, there will be no remaining Offer Shares (the "Remaining Shares") to allocate in the general tranche (i) to new investors who subscribed for the Offer Shares without Rights and (ii) to investors who subscribed for the Offer Shares more than entitled with respective Rights. In case there will be Remaining Shares to allocate in the general tranche, the Company in consultation with the advisers will decide the allocation of the Remaining Shares. This will take place following the end of the Offer Period (as defined below).

When deciding the allocation of the Remaining Shares, the Company and the advisers will consider, among other, (listed in no particular order of importance) (i) the demand for the Remaining Shares, (ii) the variance in the size of orders in the Offering (iii) a proportion that gives the Company a wide shareholder base that can be expected to contribute to a stable and favourable development of the share price following the Offering.

The Company expects to announce the allocation of the Offer Shares on 4 May 2010 through the NASDAQ OMX Tallinn.

These terms and conditions (the "Terms") relate to this Offering.

Right to participate in the Offering

The Offering is made to the Company's existing shareholders fixed in shareholders list on 14 April 2010 at 11:59 p.m. (Estonian time) and to new investors who may be retail investors in Estonia or institutional investors in and outside Estonia. Investors outside Estonia may participate in the Offering only in case it is allowed under applicable laws to such investor bearing in mind that this Offering is not directed to persons whose involvement in the Offering requires any extra registration, prospectus or other measures in addition to those necessary under Estonian law. Investors can subscribe for the Offer Shares with or without respective Subscription Rights. It is possible that investors subscribing for the Offer Shares without the Subscription Rights will not be allocated any Offer Shares. The Offering shall take place in Estonia.

Offer Period

Investors may submit subscription undertakings for the Offer Shares (a "Subscription Undertaking" and the "Subscription Undertakings") during the offer period, which commences at 10 a.m. (Estonian time) on 16 April 2010 and terminates at 2 p.m. (Estonian time) on 3 May 2010 (the "Offer Period").

Cancellation of the Offer Shares or Prolonging the Offer Period

Pursuant to the decision of General Meeting of 30 March 2010, the Management Board has the right (i) to cancel the Offer Shares not subscribed during the Offer Period or (ii) to prolong the Offer Period. In case the Management Board uses one of the aforesaid rights, the Company shall make such announcement through the NASDAQ OMX Tallinn and in one daily newspaper circulated throughout Estonia.

Offer Price

The Offer Price will be EEK 13.77 (EUR 0.88) per Offer Share.

Submission of Subscription Undertakings

The Company will invite investors to submit Subscription Undertakings during the Offer Period in accordance with these Terms.

No action has been taken in any jurisdiction by the Company that would permit the public offering of the Offer Shares other than in Estonia, and the Offering is not being made in any jurisdiction in which it would not be permissible to offer the Rights or the Offer Shares. This Offering is not directed to persons whose involvement in the offer requires any extra registration, prospectus or other measures in addition to those necessary under Estonian law.

Possible multiple Subscription Undertakings submitted by the investor shall be merged for the purposes of allocation only within each securities account opened with the custodian of ECRS and not in case of multiple Subscription Undertakings submitted by the investor from different securities accounts opened with the custodian of ECRS.

In order to submit a Subscription Undertaking, an investor must have a securities account with the ECRS. Such securities account can be opened through any custodian of the ECRS (a "Custodian"). As at the date of this Prospectus the following financial institutions operate as qualifying Custodians: Swedbank AS, AS SEB Pank, Nordea Bank Finland Plc Estonian branch, Danske Bank A/S Estonian branch, AS LHV Pank, AS Eesti Krediidipank, Marfin Pank Eesti AS, Svenska Handelsbanken AB branch operations in Finland, Tallinna Äripanga AS and AS Parex banka (through its branch in Estonia).

An investor wishing to submit a Subscription Undertaking should contact the Custodian operating its ECRS securities account and register a transaction instruction for the purchase of the Offer Shares in the form set out below:

Owner of the securities account:	name of the investor
Securities account:	number of the investor's securities account
Custodian:	name of the investor's Custodian
Security:	additional share of AS Ekspress Grupp
ISIN code:	EE3804016964
Number of securities:	maximum number of Offer Shares which the investor wishes to acquire
Price (per share):	Offer Price
Transaction amount:	maximum number of Offer Shares which the investor wishes to acquire multiplied by the Offer Price

Counterparty:	AS Ekspress Grupp
Securities account of the counterparty:	99101558776
Custodian of the counterparty:	Swedbank AS
Value date of the transaction:	7 May 2010
Type of transaction:	"purchase"
Type of settlement:	"delivery versus payment"

The Subscription Undertaking can be submitted by any means accepted by the investor's Custodian (such as through personal visit to a branch office, via the Internet etc).

An investor may submit a Subscription Undertaking either personally or through a representative who has been duly authorised to represent the investor in this matter.

It is the investor's responsibility to ensure that all information contained in his Subscription Undertaking is correct, complete and readable. The Company shall have the right to reject any Subscription Undertaking, which is incomplete, incorrect or unclear.

A Subscription Undertaking will be deemed submitted and binding on the investor from the moment the registrar of the ECRS receives a valid transaction instruction from the investor's Custodian.

An investor bears all costs and fees charged by the Custodian in connection with the submission of the Subscription Undertaking.

By submitting a Subscription Undertaking an investor:

- accepts these Terms and agrees with the Company that these Terms will be applicable to the investor's acquisition of any Offer Shares;
- acknowledges that the Offering does not constitute a legally binding offer (in Estonian: *pakkumus*) on behalf of the Company for the sale of the Offer Shares, and that the submission of a Subscription Undertaking does not itself entitle the investor to acquire the Offer Shares nor result in a contract for the sale of Offer Shares;
- accepts that the number of Offer Shares indicated by the investor in the Subscription Undertaking will be regarded as the maximum number of Offer Shares which the investor wishes to acquire (the "Maximum Amount") and that the investor may receive less (but not more) Offer Shares than the Maximum Amount (see "Distribution and allocation");
- undertakes to acquire and pay for any number of Offer Shares allocated to him in accordance with these Terms;
- authorises and instructs his Custodian to forward the registered transaction instruction to the registrar of the ECRS;
- authorises the Custodian and the registrar of the ECRS to amend the information contained in the investor's transaction instruction, including (a) changing the value date of the transaction and (b) inserting in the transaction instruction (i) the number of Offer Shares allocated to the investor as the number of securities, (ii) the result of the Offer Price times the number of Offer Shares allocated to the investor as the transaction amount.

Amendment or cancellation of Subscription Undertaking

An investor may amend or cancel his Subscription Undertaking any time before the expiration of the Offer Period. To do so, the investor must contact the Custodian through whom the Subscription Undertaking in question was made, and complete all the procedures required by such Custodian for amending or cancelling a Subscription Undertaking. All fees payable in connection with an amendment and/or cancellation of a Subscription Undertaking will be entirely the responsibility of the investor.

Any amendment to or cancellation of the Subscription Undertaking becomes effective at the moment when the transaction instruction of the subject investor has been amended or cancelled in the ECRS on the basis of the respective order received from the investor's Custodian.

Payment

By submitting a Subscription Undertaking, an investor authorises and instructs the credit institution operating the investor's cash bank account connected to his securities account (which may or may not be also the investor's Custodian) to block the transaction amount on the investor's cash account until the settlement is completed on or about 7 May 2010 or funds are released in accordance with these Terms. The transaction amount to be blocked will be equal to the Offer Price multiplied by the maximum number of Offer Shares. An investor may submit a Subscription Undertaking only when there are sufficient funds to cover the transaction amount on the cash account connected to the investor's ECRS securities account.

Release of funds

If the investor's Subscription Undertaking is rejected or if the allocation deviates from the amount of Offer Shares applied for, the funds blocked on the investor's cash account, or the part thereof (the amount in excess of payment for the allocated Offer Shares) shall be released by the Custodian within about three banking days after the settlement.

The Company assumes no liability for the release of the investor's funds by the Custodian or for the payment of any interest accrued on the released funds for the time when the funds were blocked.

Distribution and allocation

Only the Subscription Undertaking submitted in full compliance with these Terms will be permitted to participate in the allocation process. The Company reserves the right to reject any Subscription Undertaking that does not comply with these Terms.

Each 2.33 (two point thirty three) Subscription Rights will entitle the investors to be allocated one Offer Share at the Offer Price provided that investors have submitted a valid Subscription Undertaking during the Offer Period. Furthermore see "Preferential Allocation".

Each investor will be allocated a full number of Offer Shares without fractions. In case the number of Subscription Rights shall not grant the right to subscribe integer number of Offer Shares, the number of allocated Offer Shares will be rounded down to the closest integer number of Offer Shares and these remaining Offer Shares which cannot be allocated because of rounding ("Rounded Shares") will be allocated in course of Preferential Allocation between the Preferred Investors, who subscribed for more Offer Shares than entitled with respective Subscription Rights, at random.

The allocation of the Offer Shares shall be conducted after the expiry of the Offer Period on or about 7 May 2010.

After the final settlement, an investor can obtain from his Custodian, in accordance with the terms and conditions applied by the Custodian, information about the number of Offer Shares allocated to him.

Preferential Allocation

The Company's shareholders fixed in shareholders list on 14 April 2010 at 11:59 p.m. (Estonian time) shall be granted one Subscription Right per each Share held, therefore 20 848 841 Subscription Rights will be issued to the Company's shareholders.

Each 2.33 (two point thirty three) Subscription Rights will entitle the investors to be allocated one Offer Share at the Offer Price provided that investors have submitted a valid Subscription Undertaking during the Offer Period. The Rights must be registered on the investor's securities account with a Custodian of ECRS or the Custodian's securities account with a Custodian of ECRS on 2 May 2010 at 11:59 p.m. (Estonian time) at the latest ("Preferred Investor"). The Preferred Investor will be entitled to a preferential allocation of Offer Shares (the "Preferential Allocation") in the Offering before the other investors.

In case the number of Subscription Rights shall not grant the right to subscribe integer number of Offer Shares, the number of allocated Offer Shares will be rounded down to the closest integer number of Offer Shares.

If a Preferred Investor subscribes for more Offer Shares than entitled with respective Subscription Rights, he/she/it participates in the allocation of the Offer Shares exceeding the Subscription Rights according to the principles of allocation in the general tranche. Regardless of the aforesaid, Rounded Shares are allocated between such Preferred Investors at random.

All Rights that are not used for the subscription of Offer Shares during the Offer Period will be cancelled on 4 May 2010 without any monetary compensation.

General Tranche

The Offer Shares that have not been allocated in the course of the Preferential Allocation (i.e. Remaining Shares) will be divided among (i) investors who subscribed for Offer Shares without the Subscription Rights and (ii) Preferred Investors who subscribed for more Offer Shares than entitled with respective Subscription Rights. In case all Subscription Rights are used to subscribe for the Offer Shares, there will be no Remaining Shares to allocate in the general tranche.

In case the demand in the general tranche exceeds the total number of the Remaining Shares after the Preferential Allocation, the allocation of the Remaining Shares will be decided by the Company in consultation with the advisers. When making the decision, the Company will aim to find (i) a proportion that gives the Company a wide shareholder base, and (ii) can be expected to contribute to a stable and favourable development of the share price following the Offering.

The table below illustrates the application of the allocation principles specified above.

Investor	Amount of Shares held on 14 April 2010 at 11:59 p.m. (Estonian time)	Rights to be granted	Rights bought from the NASDAQ OMX Tallinn	Amount of Offer Shares subscribed for by the investor	Number of Offer Shares allocated to the investor in course of Preferential Allocation	Total number of Offer Shares allocated to the investor
Investor who held the Shares on 14 April 2010 at 11:59 p.m. (Estonian time)	1 000	1 000	0	429 (1 000 / 2.33)	429	**429**
Investor who held the Shares on 14 April 2010 at 11:59 p.m. (Estonian time)	100	100	150	107 (250 / 2.33)	107	**107**

Investor	Amount of Shares held on 14 April 2010 at 11:59 p.m. (Estonian time)	Rights to be granted	Rights bought from the NASDAQ OMX Tallinn	Amount of Offer Shares subscribed for by the investor	Number of Offer Shares allocated to the investor in course of Preferential Allocation	Total number of Offer Shares allocated to the investor
Investor who held the Shares on 14 April 2010 at 11:59 p.m. (Estonian time)	750	750	0	1 000	321 (750 / 2.33)	**unknown**(1), but at least 321
Investor holding the Rights on 2 May 2010 at 11:59 p.m. (Estonian time)	0	0	500	214 (500 / 2.33)	214	**214**
Investor holding the Rights on 2 May 2010 at 11:59 p.m. (Estonian time)	0	0	600	800	257 (600 / 2.33)	**unknown**(1), but at least 257
Investor who subscribed for the Offer Shares without the Rights	0	0	0	1 000	0	**unknown**(2)

(1) Depends on (i) the allocation of the Rounded Shares and (ii) the decision of the Company which will be made in consultation with the advisers. In case all Subscription Rights are used to subscribe for the Offer Shares, there will be no remaining Offer Shares to allocate.

(2) Will be decided by the Company in consultation with the advisers. In case all Subscription Rights are used to subscribe for the Offer Shares, there will be no remaining Offer Shares to allocate.

The information provided in the described table is only for the purposes of exemplifying the application of the allocation principles and in no event should the investors base their investment decisions on this information.

Settlement and trading

The Offer Shares allocated to the investors shall be transferred to their securities accounts on or about 7 May 2010 through the "delivery versus payment" method simultaneously with effecting the payment for such Offer Shares.

Possible multiple Subscription Undertakings submitted by the investor shall be merged for the purposes of allocation only within each securities account opened with the custodian of ECRS and not in case of multiple Subscription Undertakings submitted by the investor from different securities accounts opened with the custodian of ECRS.

The number of Offer Shares to be transferred to each securities account may be rounded down to the closest full number of Offer Shares. If the settlement cannot be completed due to insufficient funds on the investor's cash account, the Subscription Undertaking made via the securities account connected to such cash account will be rejected and the investor will lose all rights to subscribe for Offer Shares pursuant to that Subscription Undertaking.

The Subscription Rights granted to the Company’s shareholder fixed in the shareholders list on 14 April 2010 at 11:59 p.m. (Estonian time) shall be transferred to their securities accounts on or about 16 April 2010 without monetary payment.

Trading in the Offer Shares is expected to commence on the NASDAQ OMX Tallinn on or about 10 May 2010.

Trading in the Subscription Rights is expected to commence on the NASDAQ OMX Tallinn on 16 April 2010 and is expected to end on 27 April 2010. Rights will be traded under the same terms and conditions as any other shares traded on the NASDAQ OMX Tallinn.

Applicable law and dispute resolution

The Offering shall be governed by the laws of Estonia. Any disputes arising in connection with the Offering shall be in the jurisdiction of the Harju County Court, except when law provides for the jurisdiction of another court which cannot be by-passed by contract.

BACKGROUND AND REASONS FOR THE OFFERING

The purpose of the Offering is to obtain additional equity financing to support the ongoing operations of the Group in the challenging economic environment. The Company shall increase the equity in order to improve its financial strength. The Company needs to ensure stronger liquidity position, as the operating environment is weak in the media sector.

Furthermore, the proceeds from the Offering will help to implement the on-going restructuring process of the Group, integration of Delfi operations and, its strategy of focusing on the online media sector.

In the Offering, up to 8 948 000 new shares of the Company will be offered. The Offering and the related share capital increase was approved by Company's General Meeting of Shareholders on 30 March 2010. The decisions of the General Meeting of Shareholders have been published on the NASDAQ OMX Tallinn and on Company's website on 30 March 2010.

USE OF PROCEEDS

The aggregate proceeds to the Company from the Offering are estimated to amount to approximately EEK 123.2 million (EUR 7.9 million). This does not exclude the fees and expenses incurred in connection with the Offering and payable by the Company. The fees and expenses incurred in connection with the Offering and payable by the Company are estimated to amount to approximately EEK 2.5 million (excluding applicable taxes) (EUR 0.16 million).

The purpose of the Offering is to obtain additional equity financing to support the operations of the Group through improved liquidity. The proceeds from the Offering will help to implement the on-going restructuring process of the Group and its strategy of focusing on online media. Furthermore, some of the funds are also used to repay outstanding debt liabilities. See “Capitalization and Indebtedness”, “Strategy”, “Selected Financial Data” and “Management Discussion” and “Analysis of the Group’s Financial Condition and Results of Operations” for additional information concerning financials and strategy.

DIVIDENDS AND DIVIDEND POLICY

The Offer Shares will be eligible for dividends, if any, declared in respect of the financial year ended 31 December 2009, and for subsequent periods. Once the share capital increase relating to the issue of Offer Shares of the Company has been registered with the Estonian Commercial Register, the newly issued shares will rank equally with the outstanding Shares for any dividends.

In 2007, 2008 and 2009 the Company did not pay dividends. The profits, if any, have been reinvested in the Group.

The declaration and payment by the Company of any future dividends and the amount thereof will depend on the Company's results of operations, financial condition, cash requirements, future prospects, profits available for distribution and other factors deemed by the Management Board to be relevant at the time. Therefore, dividends paid historically are not representative of dividends to be paid in the future.

Moreover, the Company has entered into syndicated loan agreement with financial institutions, which prohibits the Company to pay dividends.

For taxation questions with respect to dividends see "Taxation". As to the procedure and regulatory restrictions relating to the payment of dividends, see "Company, Share Capital and Ownership Structure – Shareholder Rights – Dividends and other distributions"

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth the actual capitalization and indebtedness of the Company based on audited consolidated financial statements for the financial year ended 31 December 2009. The table should be interpreted in conjunction with the consolidated financial statements incorporated by reference into this Prospectus.

EEK '000	**31 Dec 2009**
CAPITALIZATION	
Share capital [(1)]	208 488
Share premium	192 883
Reserves	(313)
Retained earnings	45 805
Currency translation reserve	1 635
Shareholder's equity	**448 498**
Minority interest	**288**
Short-term financial debt [(2)]	**143 093**
Long-term financial debt [(2)]	**583 047**
Total capitalization and indebtedness	**1 174 926**
NET INDEBTEDNESS	
A. Cash and cash equivalents	39 953
B. Trading securities	892
C. Liquidity (A) + (B)	**40 845**
D. Current financial recievables	**18 040**
E. Current bank debt	86 741
F. Current portion of non-current debt	56 352
G. Other current financial debt	0
H. Current financial debt (E) + (F) + (G)	**143 093**
I. Net current financial indebtedness (H) – (D) – (C)	**84 208**
J. Non-current bank loans	583 047
K. Other non-current loans	0
L. Long-term debt (J) + (K)	**583 047**
M. Net financial indebtedness (I) + (L)	**667 255**

No material changes in capitalization and indebtedness have incurred since 31 December 2009.

[(1)] The number of shares amounted to 20 848 841 each at nominal value of EEK 10 as at 31 December 2009.
[(2)] The Company's financial liabilities consist of overdrafts and bank loans which are secured by share pledges and asset pledges.

INDUSTRY OVERVIEW

The following information includes extracts from information, data and statistics publicly released by officials and has been extracted from public or other sources the Group believes to be reliable. The Group accepts responsibility for extracting and reproducing accurately such information, data and statistics. As far as the Group is aware no facts have been omitted that would render such information, data and statistics misleading, but the Group accepts no further responsibility in respect of such information, data and statistics. Such information, data and statistics may be approximations or use rounded numbers. In this section those segments on media market are described where AS Ekspress Grupp is active.

Baltic Advertising Market

The Baltic media market generated about EUR 241 million in advertising revenues in 2009, which was 41 per cent less in 2008.

The table below shows the development of the Baltic advertising market in 2007-2009:

(EUR, million)	**Advertising expenditure**					
	2007	**%**	**2008**	**%**	**2009**	**%**
Television	144.0	36.9	147.3	36.2	92.1	38.7
Newspapers	111.1	28.4	104.2	25.7	55.1	23.1
Magazines	54.0	13.8	53.6	13.2	23.1	9.7
Radio	31.5	8.1	35.1	8.6	24.3	10.2
Outdoor	28.6	7.3	33.7	8.3	20.6	8.6
Internet	21.4	5.5	32.5	8.0	23.1	9.7
Total	**390.6**	**100.0**	**406.4**	**100.0**	**238.3**	**100.0**

Source: TNS Emor, Company's estimate for year 2009

Advertising expenditure has historically been correlated with the growth in GDP. Estonia, Latvia and Lithuania experienced for several years fast GDP and advertising market growth. In 2008 the growth was slightly negative and in 2009 the GDP in all Baltic States declined more than in many other EU countries. The Management believes that during the year 2010 advertising markets will not increase, but expecs growth from 2011 in line with GDP growth.

Ukrainian Online Market

In Ukraine Ekspress has portal www.delfi.ua and has no intent in nearest future to enter into any other media sector than Internet.

Foreign capital prevails on the Ukrainian Internet media market. The Russians are present, for example, with the RBC news portal. Americans have built up leading web portals such as BigMir.net and Korrespondent.net. Israel investors stand behind the leading Ukr.net portal. Poland's Agora is developing sites.

While small in relative terms, Ukraine's Internet media market is growing fast and exhibits some of the largest growth opportunities ahead. Most of the traffic is concentrated in the capital, Kyiv. The upside potential for the internet is considered to be remarkable. According to the Group's management estimates the size of the Ukrainian Internet market (advertising revenues) was EUR 6.4 million in 2008 and EUR 7.7 million in 2009.

General Newsportals in Ukraine, 2009 Dec, unique users

korrespondent.net	955 567
obozrevatel.com	752 019
podrobnosti.ua	644 531
pravda.com.ua	529 027
delfi.ua	437 095
most.ua	357 783

Source: Gemius Audience

Baltic Online Market

Internet advertising in Estonia, Latvia and Lithuania, million EUR

	2007	2008	2009
Estonia	9.1	12.2	9.1
Latvia	8.0	12.4	8.2
Lithuania	4.3	7.9	5.8

Source: TNS Emor, Company's estimate for year 2009

The Internet advertising market has been the fastest growing media segment in Estonia over the past several years.

Ekspress controls the largest internet portal in Estonia: www.delfi.ee. Additionally the Group controls a number of other top portals – www.epl.ee, www.ekspress.ee, www.maaleht.ee.

The strongest competitor to Ekspress' portals is www.postimees.ee which belongs to AS Eesti Meedia (Schibsted). Postimees.ee consolidates to one site all of its national and regional newspapers plus also TV channel Kanal 2. In the news content Postimees and Delfi.ee are equal. Delfi can be considerate stronger in different social media content.

Newsportals in Estonia, 2009 Dec, unique users

delfi.ee	678 121
postimees.ee	580 584
sloleht.ee	297 971
epl.ee	206 038
ekspress.ee	129 636
maaleht.ee	118 652
aripaev.ee	86 245

Source: TNS Emor

In Latvia two portals have more unique users than Delfi, but those are not news portals. Inbox.lv is email and classifieds portal, Draugiem.lv is social site. Management believes that Delfi format will in the long run attract more users and provides more opportunities to sell advertising.

Internet portals in Latvia, 2009 Dec, unique users

inbox.lv	795 174
draugiem.lv	711 240
delfi.lv	653 743
ss.lv	575 548
tvnet.lv	427 827
apollo.lv	401 458
one.lv	350 665
zip.lv	277 737

Source: Gemius Audience

In Lithuania Delfi is the market leader. Online advertising market is not so developed as in Estonia and Latvia, but it is just a matter of time when Lithuania will have the largest online advertising market in the Baltics.

Newsportals in Lithuania, 2009 Dec, unique users

delfi.lt	954 819
one.lt	817 183
lrytas.lt	724 694
alfa.lt	549 321
balsas.lt	576 309
skelbiu.lt	496 052
draugas.lt	608 713

Source: Gemius Audience

Estonian Print Media Market

National Newspaper Market

The main national newspapers in Estonia are *Õhtuleht*, *Postimees*, *Eesti Päevaleht*, *Eesti Ekspress*, *Maaleht* and *Äripäev*. Õhtuleht is a major daily tabloid. Postimees and Eesti Päevaleht are general interest daily newspapers. Maaleht is a weekly newspaper focusing on regional news. Äripäev is the only daily business newspaper in Estonia. Linnaleht is the only national freesheet.

The table below illustrates the readership levels:

Title	Owner	Readership, Average 2009
Õhtuleht	Eesti Meedia 50%; Ekspress Grupp 50%	196 250
Postimees	Eesti Meedia	224 000
Eesti Ekspress	Ekspress Grupp	121 500
Maaleht	Ekspress Grupp	124 100
Eesti Päevaleht	Ekspress Grupp 50%; Vivarone OÜ 50%	121 250
Äripäev	Bonnier Business Press AB	69 750
Linnaleht	Päevaleht 50% Eesti Meedia 50%	136 100

Source: Eesti Päevalehe AS; TNS Emor

Magazine Market

The Estonian magazine market can be divided into (i) mass-circulation magazines and (ii) niche magazines. Mass circulation magazines include Estonian celebrity and lifestyle weeklies and monthlies, as well as weekly TV guides. Mass circulation magazines tend to be low-price impulse purchases and mainly have advertisements for consumer goods. Niche magazines, such as car magazines, are circulated in significantly lower volumes. Image advertising is dominant in these magazines and it tends to target specific consumer segments.

The largest magazine publisher in Estonia is Ajakirjade Kirjastus, a 50-50 joint venture between AS Eesti Meedia and the Group. It published 26 titles in 2009, including several leading magazines. According to Management estimates, the Ajakirjade Kirjastus' market share of the Estonian magazine publishing market is close to 60 per cent.

A significant part of the Estonian magazine market is owned by non-Estonian groups. The Finnish Yhtyneet Kuvalehdet OY is the largest foreign publisher in Estonia. It publishes several titles, including Kodutohter, Marie Claire and Cosmopolitan.

The following table sets out the readership share and ownership of the top five weekly and monthly magazines by the end of 2009:

Weekly magazines			Monthly magazines		
Title	**Readership**	**Owner**	**Title**	**Readership**	**Owner**
Kroonika	96 250	Ekspress 50% Eesti Meedia 50%	Kodu&Aed	85 000	Forma Media
Naisteleht	79 000	Presshouse	Kodukiri	79 250	Ekspress 50% Eesti Meedia 50%
Teleleht	73 500	Ekspress 50% Eesti Meedia 50%	Eesti Naine	74 750	Ekspress 50% Eesti Meedia 50%
Nädal	64 000	Ekspress 50% Eesti Meedia 50%	Tehnikamaailm	69 250	Ühinenud Ajakirjad
Naised	64 000	Ekspress 50% Eesti Meedia 50%	Pere ja Kodu	69 250	Ekspress 50% Eesti Meedia 50%

Source: TNS Gallup

Lithuanian Newspaper and Magazine Market

According to TNS Gallup, the leading magazines in Lithuania by circulation include television weeklies and women's magazines. The most read Lithuanian magazine is TV Antena, a weekly TV listing supplement of the national daily newspaper Lietuvos Rytas. The second biggest magazine by readership is Zmonės, weekly celebrity magazine with TV program.

The largest monthly magazines are women's titles, such as Panelė, Laima and Moteris.

The following table illustrates the leading five Lithuanian magazines, with respective readership levels and owners (December 2009):

Weekly magazines				Monthly magazines			
Title	**Readership**	**Owner**	**Niche**	**Title**	**Readership**	**Owner**	**Niche**
TV Antena	409 000	Lietuvos Rytas	TV weekly	Panelė	149 00	Ekspress	Women's monthly
Zmonės	420 000	Schibsted	Celebrity weekly	Laima	107 000	ZLG	Women's monthly
TV Publika	188 000	Respublika	TV weekly	Moteris	133 000	Ekspress	Women's monthly
Ekspress nedelia	170 000	Savaitės ekspresas	Social weekly in russian	Cosmopolitan	100 000	Jungtiniai leidiniai	Women's monthly
Savaitė su TV	180 000	Savaitės ekspresas	T V weekly	Edita	69 000	ZLG	Women's monthly

Source: TNS Gallup

The two major participants in the Lithuanian newspaper and magazine wholesale market are "Impress Teva", a subsidiary of the Finnish "Rautakirja" (*ca* 55 per cent market share) and "Medipresa", a company owned by Ekspress, UAB "Urnalų leidybos grupė" and UAB "Veido periodikos leidykla" (*ca* 45 per cent market share).The largest monthly magazines are women's titles, such as Panelė, Laima and Moteris.

Estonian Book Publishing Market

The Estonian book publishing market can be divided into (i) consumer books (ii) academic and professional books and (iii) school books. According to the Estonian National Library, a total of 4 685 book titles were

published in Estonia in 2008 with a total print run of 7.3 million copies. Most of these were first edition consumer and academic books. The majority of consumer books are Estonian translations of foreign books. The 2009 data was not available by the date of this Prospectus.

There is a large number of small general publishers without specialisation on any specific sector or literary genre. According to the Estonian National Library database, there are more than 900 companies involved with publishing in Estonia. Still just approximately 65 of those are publishing annually more than 10 books.

The book publishing market has been growing slowly, mainly because of its dependency on a limited number of affluent consumers who buy several books every year, while the younger population prefers the Internet and television to reading books. In 2009 the growth was negative, still in the longer run all industry experts believe that the slow growth returns.

The four largest Estonian book publishers are Avita, Koolibri, TEA and Varrak. Avita and Koolibri specialise in publishing school textbooks. TEA is strong in dictionaries. Varrak is the biggest publisher of fiction books. Most book publishers are controlled by Estonian nationals and some are owned by major newspaper publishers. Several Ekspress Group subsidiaries (Eesti Päevalehe AS, AS Eesti Ajalehed and Ajakirjade Kirjastuse AS) have also strong book publishing arms.

Printing, Distribution and Delivery

The biggest Estonian printing companies are (i) Kroonpress, which belongs to AS Eesti Meedia and (ii) Printall, owned by Ekspress Group.

According to the Estonian Trade Council, six Estonian companies have the capability to print newspapers. Four of them are local printworks printing small volume local titles. Kroonpress and Printall are the only printing houses with the capacity and technological ability to print high volume daily national titles and most of the magazines.

Due to the limited size of the domestic market, the sector’s growth is driven by export sales.

Distribution and Delivery

The Estonian newspaper and magazine distribution market is highly concentrated. The leading company in this sector is AS Lehepunkt, a subsidiary of the Finnish Suomalainen Kirjakauppa that is part of the Sanoma WSOY Group. According to Management estimates, Lehepunkt controls more than 90 per cent of the newspaper and magazine wholesale market in Estonia. The remaining 10 per cent represents local publishers who distribute their low volume publications with their own resources. AS Lehepunkt distributes over 900 Estonian and foreign language titles to 1 400 retail outlets.

Newspapers and magazines are delivered to the subscribers by delivery companies, which also handle the subscriptions for the publishers. Express Post, co-owned by the Group and Eesti Meedia, is the second largest domestic delivery operator after state owned Eesti Post. It differentiates itself from its state-owned competitor by providing more expedient services, such as the morning delivery of newspapers and advertising materials directly to the subscribers. Express Post covers the major cities – Tallinn, Tartu and Pärnu. The rest of the country is serviced by Eesti Post.

BUSINESS

Summary

The Group is one of the leading publishing groups in Estonian market and it is also strongly present in Lithuanian magazines' market. Additionally, via Delfi companies, the Group is the leading online media player in the Baltic markets.

The Group's and its affiliates' main customers in the publishing business are advertisers, subscribers and single-copy purchasers. The Group generates most of its revenue from customers in these key businesses.

Competitive Strengths

The Group is one of the leading media groups in the Baltic States. The competitive strengths of the Group and its affiliates include:

- ***Leading brands and strong market position***. The Group owns internet portal Delfi which is the leading news portal in the Baltic States.

  The publishing titles of the Group and its affiliates include Õhtuleht, Päevaleht, Eesti Ekspress and Maaleht as the most widely read Estonian newspapers and Kroonika, the most widely read magazine in Estonia (source: TNS Emor). In addition, the Group publishes several magazines in Lithuania, including Panelė, the most widely read monthly magazine in the country (source: TNS Emor).

  The Group has a strong position in the Estonian printing market through its subsidiary Printall. The Printall's current printing facility was built in 2004 and it is one of the two printing plants in Estonia capable of producing high volume national daily newspapers.

  The Group has a 50 per cent interest in Express Post, a company delivering newspapers and magazines to subscribers in Estonia and a 40 per cent interest in Medipresa, a Lithuanian magazine distributor.

- ***Integrated media group.*** The Group is a vertically integrated media group, which largely controls its own supply and production chain from publishing to printing to distribution. Having its own printing capacity enables the Group to save costs; it also increases the Group's control over the printing process and enables the Group to generate revenues from commercial printing for third parties. The different businesses can benefit from each other's reputation when targeting new customers, as well as share information, marketing and distribution resources.

- ***Extensive reach to consumers.*** The strong newspaper and magazine brands of the Group and its affiliates offer advertisers access to most key target segments of the Estonian and Lithuanian population. The Group and its affiliates reach every age and income population segment in Estonia through its portals, newspapers and magazines and those of its affiliates, including the high-income urban population which is the primary target audience for Estonian advertisers.

- ***Experienced management and active owner.*** The Group is run by one of the most experienced management teams in the Estonian media industry, supported by a majority shareholder who participates in the active daily management of the Group. Management has proven its commitment to growth and innovation by expanding the Group into new products and markets.

- ***Flexibility.*** The Group has a simple and efficient organisational structure, and it remains controlled by one person. The simple ownership structure combined with active shareholder participation in the daily operations of the Group have made the decision-making process fast and efficient. The Group can quickly respond to changes in the market conditions, which gives it a competitive advantage over those of its competitors that belong to large international groups and must follow inflexible and time-consuming management processes.

Strategy

The Group's strategic objective is to become the leading media group in the Baltic States, and to continue developing its existing operations by expanding into new media formats and new markets.

The Group intends to achieve its strategic objectives by:

- ***Focusing on producing content and delivering it through different channels.*** Management believes that the core competence and core business of Ekspress is to produce media content – news, educational content, entertaining content, etc.

- ***Consolidating online operations.*** Internet-based media is the fastest growing media sector. The Group has the online portal Delfi which successfully operates in three Baltic States and is deemed as leading leading online portal in the region. But the Group also has many other online activities in other subsidiaries. These comprise of online versions of the newspaper and magazine titles and portals for classified advertising. Management is seeking to consolidate some of those under Delfi brand and will seek for more synergies and cross-promotion between all those ventures. Management will develop online media as its primary business line and will take advantage of rapidly growing trend of user generated content.

- ***Maintaining newspaper and magazine circulation.*** Management believes that stable circulation figures of the newspapers and magazines of the Group and its affiliates are essential in order for the Group to increase its advertising revenues again after the economic recession. Management intends to continue focusing on editorial quality and continue promotion campaigns both in the publications of the Group and its affiliates and in media owned by third parties, in order to ensure continued interest towards its publications.

- ***Developing new channels.*** Management is also preparing to deliver printed newspapers and magazines through different electronic carriers (e-book readers, tablet PC-s and mobile phones) for the paid subscription or pay-per-view model.

- ***Growing the business in the Baltic States and Ukraine.*** Management plans to strengthen the Group's presence in Estonia, Latvia, Lithuania and Ukraine. The Group's online company Delfi is present in all those markets, but the Management thinks that there are remarkable organic growth opportunities as well as good prospects for cheap acquisitions.

- ***Maintaining control over key support functions.*** Management considers the control of the printing and distribution one of its key long-term strategies. Printall's printing facility gives the Group the operational flexibility to deal with unexpected print run fluctuations and to ensure the quality of printing. Owning a significant minority interest in Medipresa, a Lithuanian magazine wholesaler enables the Group to ensure the timely delivery of its magazines and to reach all key retail outlets in Lithuania. Management believes that these are both key factors in enhancing circulation. Similarly, the Group's 50 per cent interest in the delivery company Express Post is vitally important. Express Post is the only postal delivery company in Estonia that has the capacity to meet the requirements of the Group for an early morning delivery in a cost-efficient way.

- ***Controlling and reducing costs.*** In 2008 and 2009 because of economic recession advertising revenues of the Group have declined dramatically. In response the Group has been cutting costs and will reduce the cost level even further. Management takes the situation as opportunity to restructure operations, merge business units, divest from non-strategic businesses, etc.

- ***Improving financial situation.*** In connection with the purchase of Delfi in 2007 the Group is highly leveraged. To improve the situation the Group sold Ekspress Hotline and Rahva Raamat. Management is considering also sale and lease-back of some real estate assets. Management has

successfully negotiated with the lenders to restructure its debt with an aim to secure the principal payments and offer more comfort for both banks and investors.

History

AS Ekspress Grupp, the holding company of the Ekspress Grupp, was established on 27 September 1995 under the name AS Avolemb, for the purpose of consolidating several Estonian-owned media businesses under common ownership. Shortly after its incorporation, the Company acquired the nucleus of the Group's current publishing and printing businesses in the form of the weekly newspaper Eesti Ekspress, the daily tabloid Õhtuleht and a printing operation owned by AS Kroontrükk (now part of Printall). The Company was renamed AS Ekspress Grupp in July 1998.

The origins of the Group's business go back to 1989-91, the time of the political process which ultimately led to Estonia regaining its independence from Soviet Union in August 1991. A group of Estonian businessmen decided in 1989 to establish an independent, non-political weekly newspaper Eesti Ekspress as a counter-weight to the State-controlled media. They invited Mr. Hans Luik to be the editor-in-chief of the newspaper, which published its first issue in September 1989. Some 50 000 copies of the first issue were printed, which consisted of eight tabloid-sized pages. This newspaper became the starting point of the Group's development.

In 1991, Mr. Luik formed a new investment vehicle, AS Cronoes, with a number of individual investors. Mr. Luik owned 50.1 per cent of the new company, which acquired the publishing rights to Eesti Ekspress newspaper, and a number of other businesses, such as the news agency retailer AS Lehemees (later re-named AS Plusspunkt).

In March 1993 Mr. Luik established a directory inquiries business under the name AS Ekspress Hotline, of which Mr. Luik owned 60 per cent. A year later, in March 1994, Mr. Luik started a daily newspaper Eesti Sõnumid together with an Estonian businessman Mr. Robert Lepikson. In September 1995 this newspaper merged with Eesti Päevaleht, a daily newspaper that in turn had been formed by a merger of three other newspapers, Hommikuleht, Päevaleht and Rahva Hääl. A new company, Eesti Päevalehe AS, was formed to consolidate these two newspapers into one quality daily national newspaper under the name Eesti Päevaleht.

In August 1995, AS Cronoes acquired Õhtuleht, a local newspaper in Tallinn. Õhtuleht was an evening newspaper established in 1944 and had been privatized in 1994 by a sale to its employees. AS Cronoes also acquired a 40 per cent interest in AS Kroontrükk, a printing company that owned printing machinery leased to AS Printall, a former Communist Party print works which had been privatised in 1991 through a management-buy-out. In 1998 AS Kroontrükk was subsequently merged into Printall, which became a wholly owned subsidiary of the Group in 2005.

When the Group was formed in October 1995, AS Cronoes transferred its businesses to the Company and was subsequently liquidated. The Group made significant changes in Õhtuleht by turning it into a tabloid. The Group established a specialised magazine operations in 1996 under the name OÜ Ajakirjade Grupp, which took over the magazines published by Eesti Ekspress, and subsequently has added a number of new magazine titles to its portfolio.

In 1997 AS Ekspress Grupp acquired Eesti Päevalehe AS together with Mr. Jaan Manitski, an émigré Estonian financier from Sweden who had been the Minister of Foreign Affairs in the first cabinet of the independent Estonia.

In July 1998 the shareholders of the Company sold 50 per cent of their shares in the Company to Marieberg International AB, a subsidiary of the Swedish Bonnier Group. Mr. Hans Luik held the remaining 50 per cent.

The Group and AS Eesti Meedia, a subsidiary of the Norwegian media group Schibsted ASA, agreed in July 2000 to merge certain of their newspaper and magazine operations into three 50-50 per cent joint ventures. Two tabloids: Õhtuleht and AS Eesti Meedia's Sõnumileht, were merged into one title, SL Õhtuleht. The

Company acquired 50 per cent of the shares in the distribution company Express Post previously wholly owned by AS Eesti Meedia. Similarly, Ajakirjade Grupp and AS Eesti Meedia's Eesti Ajakirjade Kirjastus merged to form a magazine company AS Ajakirjade Kirjastus, which currently publishes 17 magazine titles. The Group still owns 50 per cent of the shares in each of these joint ventures, whilst Schibsted Group holds the remaining shares.

The Group sold its Estonian retail distribution company AS Plusspunkt to the Finnish Rautakirja Oyj in November 1999. At the same time, the Group and Rautakirja Oyj established a wholesale distribution company AS Lehepunkt, in which the Group owned a 50 per cent interest. The Group sold its shares in AS Lehepunkt to Rautakirja Oyj in April 2002.

In November 2001, Mr. Hans Luik acquired Marieberg International AB's shares in the Company.

In 2003-04 the Group built a new, technically advanced printing facility for AS Printall. The new KBA Compacta and KBA Continent printing presses of the new facility, improved printing quality and widened Printall's product selection. The new facility enabled the Group to double its exports of printing services.

The Group expanded to Lithuania in March 2004 by acquiring UAB Moteris, the publisher of the lifestyle magazine Panele and the women's magazine Moteris. The name of the company was changed into UAB Ekspress Leidyba, which subsequently acquired two other companies in the home and family magazine sector, Mano Namai and UAB Tavo Vaikas.

The Group expanded into book wholesale and retail by acquiring the book retailer AS Rahva Raamat in September 2004 and the wholesaler OÜ Raamatuvaramu in January 2005. AS Rahva Raamat was a well-established brand in the Estonia. The Group opened a new bookstore in Tallinn in December 2004, which remains the biggest bookstore in the Baltic States. OÜ Raamatuvaramu had been established in 1999 and conducted retail and wholesale of books, mainly to supermarkets, and following its acquisition by the Group, it was merged to AS Rahva Raamat in 2006.

Eesti Päevaleht reorganised its local free-distribution newspaper Linnaleht from a weekly into a daily in November 2005. Eesti Linnaleht was transferred into a separate company, AS Linnaleht, and Eesti Päevalehe AS sold 50 per cent of the shares in this company to AS Eesti Meedia in April 2006.

In December 2005, the Group acquired a 50 per cent stake in AS Ekspress Hotline, the directory inquiries and information services provider founded by Mr. Hans Luik, who subsequently also sold his shares in this company to the Group in November 2006.

In June 2007 the Group acquired controlling stake in AS Maaleht that was publishing a dominant weekly paper in Estonia – Maaleht.

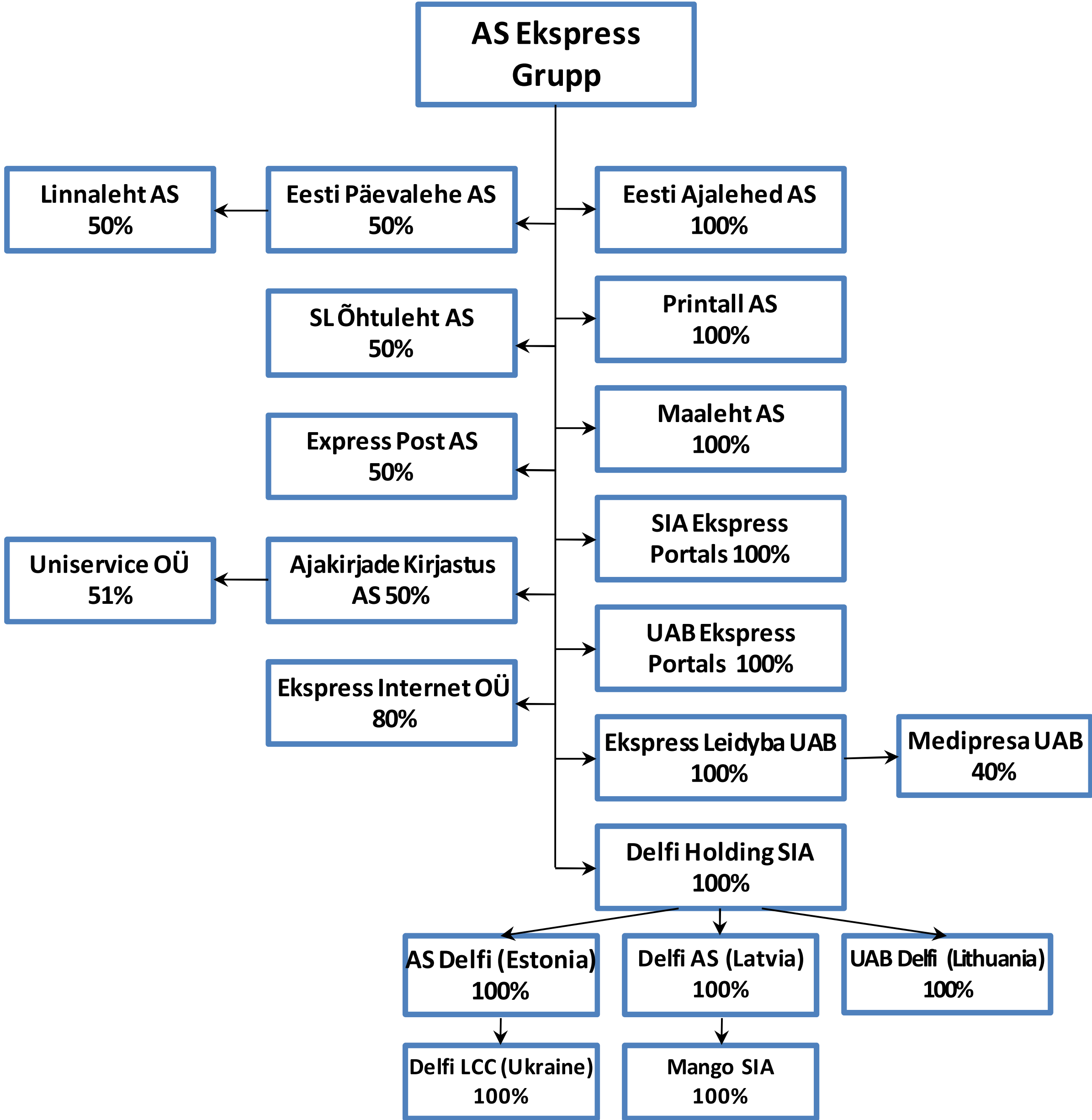
In August 2007 the Group acquired internet portal Delfi that had operations in Estonia, Latvia and Estonia. With this acquisition the Group became leading Internet media company in the Baltic States.

In February 2010, AS Rahva Raamat was sold at the price EEK 33 million to the management of the Rahva Raamat.

In February 2010, the Group completed the sale process of AS Ekspress Hotline at the price EEK 75.2 million.

Operations

Over the last ten years, the Group has developed into a vertically integrated media group. The following chart illustrates the ownership structure with the Group's principal subsidiaries and affiliates:



Competition

The Group's main competitors in the print media include the Norwegian Schibsted Group, the Swedish Bonnier Group and several locally-owned niche publishers.

The Group's principal competitors in the Lithuanian magazine market are both Lithuanian and foreign-owned publishing groups. Lietuvos Rytas is the largest publishing company in Lithuania and owned by its management. It publishes four newspapers and 12 magazines and distributes them through its own distribution subsidiary. The second largest publisher in Lithuania is Respublika Group, which publishes one magazine, two national and one regional newspaper. The Norwegian Schibsted controls the largest magazine group Zurnalu Leidybos Grupe.

The principal competitor of the Group's affiliate Medipresa in the Lithuanian newspaper and magazine wholesale market is Impress Teva, a subsidiary of the Finnish Suomalainen Kirjakauppa Oy. According to Management, Impress Teva controls about half of the Lithuanian market, and delivers magazines to the Lietuvos Spauda kiosk chain owned by its parent Suomalainen Kirjakauppa Oy.

The Group's main competitors in the internet classified advertising portals are www.auto24.ee car portal, the real estate portals www.city24.ee and www.kv.ee, and the recruitment portal www.cvkeskus.ee.

Investments

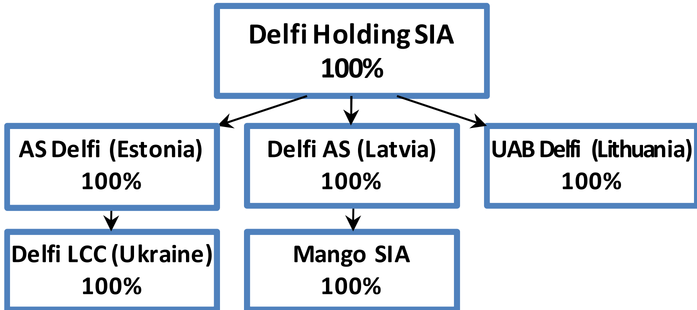
In 2010 Ekspress Grupp plans to invest ca EEK 10 million to IT hardware and software upgrade, furniture and fitting repairs, after-print services machinery in Printall. In first priority, the Company plans to finance investments by retained earnings or using the proceeds form the Offering.

SIA Delfi Holding

The Company entered into a share purchase agreement with Interinfo Holding SCA and Interinfo Finland OY on 2 August 2007 for the purchase of 100 per cent of the shares in Interinfo Baltic OÜ, the owner of 100 per cent of the shares in Delfi. Delfi is an Internet content provider founded in 1999 and currently has internet portals in four countries: Estonia, Latvia, Lithuania and Ukraine. Delfi is the only new media company that is represented in all three Baltic States.

The main mission for Delfi portals in all countries is to provide quality and agile news information to the major part of the society. Besides Delfi provides wide spectre of additional services – photo portal, classifieds, games, fun etc. Very specific feature of Delfi is large number of comments the articles what appear in Delfi.

The following chart illustrates the ownership structure of Delfi group of companies.



SIA Delfi Holding is a legal entity with no daily business operations. The purpose of the company is to own all Delfi subsidiaries. The company is registered in Latvia, but Delfi headquarters is located in Tallinn, Estonia.

Delfi AS (Latvian company) operates all Delfi business in Latvia except portal Mango.lt which is operated by Mango SIA. SIA Ekspress Portals operates car portal in Latvia. The last named company is legally owned at the moment by Ekspress Group, but from March 2010 it is expected to be part of Delfi.

Delfi UAB operates all Delfi business in Lithuania. UAB Ekspress Portals operates car portal in Lithuania. The company belongs directly to Ekspress Grupp, but from March 2010 it is expected to be part of Delfi.

AS Delfi (Estonian company) operates all Delfi operations in Estonia.

Technology

Delfi system is based on PHP and MYSQL software solutions developed mostly by in-house IT-team. The production infrastructure of hardware servers and system software applications is kept almost identical in 4 countries. It is one of strategic objectives as it enables lower systems administration costs and efficiently reuse developed functionality across countries.

Prominent systems (IT Services) in Delfi production infrastructure are:

- Online news-portal (CMS)
- Central account management system (DCDB)
- Public Web mail service
- Advertisement Servers (customised AdvertPro & AdOcean)
- Public Events database (WhatsOn2)
- Digital photo hosting and sharing portal
- Video hosting and sharing portal
- Customized forum platform
- Customized blogs platform
- Cookie-based statistics system
- Social network platform (Delfi2)
- Content widgets management tool
- Polls and Questionnaires service
- Search service (incl. national internet search) (provided by Siets)
- Contextual ads system for search Service

The main technology platform used in production systems:

- HW layer: IBM & HP servers
- Operating system layer: Linux
- Database layer: MySQL
- Application logic: PHP
- Web Servers: Appache, lighttpd
- Reverse proxy service (Varnish)

Approximately 90 per cent of Delfi‘s online web content is semi-static pre-generated from content database using templates and the content rendering system. Delfi also employs reverse proxy to lower the load on application servers and reduce latency. Delfi uses heavily MySQL replication for DB layer clustering and for DB back-up purposes.

In each country the production systems hardware is accommodated at leading housing service providers server rooms facilitated with market standard features (cooling, generators etc). They also provide the Internet connection. In Estonia and Ukraine the service provider is Linx Telecom, in Latvia the service is provided by Lattelecom and in Lithuania by Lietuvos Energios.

Business

Delfi's target is to maximise the number of regular unique users and to keep them on the portals as long as possible. The revenues are advertisements on the portals, marketing support to clients and redirecting the users to other sites. With respect to aforementioned Delfi has a number of sub-sites, sub-brands and advertising options. This allows to offer different advertising options on different price levels.

The pricing is primarily based on the number of client contacts (how many times the advertisement is expressed). 80 per cent of the revenues are from clients who buy Delfi services more than once a year. Most of the income originates from the banner advertising.

The new trends are video advertisements and cellular phone advertisements. Delfi already has solutions for online video and is developing solutions for cellular telephone advertising.

In the Baltics, Delfi covers monthly 56-62 per cent of all Internet users.

Content

Delfi is defining itself as news portal with interactive features. Delfi displays all of the journalistic content produced by Ekspress Grupp subsidiaries. But Delfi also has its own editorial team to produce short online news stories. Delfi is encouraging citizen journalism. Already a considerable amount of content (especially visual) comes from readers.

In addition to news, Delfi has special interest channels (entertainment, women, technology, automobile, etc). In many cases most of the content in those channels is produced by users.

The very specific feature of Delfi is a possibility to comment the portal's content. The users have the possibility to anonymously comment any article and those comments are displayed automatically near the article.

Delfi is regulating the user created content on site in order to guarantee high journalistic quality and avoid legal claims. Delfi has disclaimers that inform users about code of conduct and created easy possibilities for users to report about unlawful or defamatory content. The editors are actively monitoring commentaries and forums. This is done by staff moderators (only Ukraine does not have any such moderators due to small number of staff there).

Delfi also uses technical filters to block inappropriate language, blacklists of misbehaved commentators and some automatic pop-up disclaimers that remind the users about code of conduct before they can submit comments under categories known to attract inappropriate comments.

Management

All strategic developments are discussed by management board (CEO, CTO, country manager, Estonian sales and marketing manager). All country managers report to CEO. There is strict reporting procedure in place – monthly management reports, weekly reports on sales and bad debt situation.

All local companies have editor-in-chief, IT manager (not in Ukraine) and sales/marketing manager. These people are from local management teams. Those teams are quite free in their decision about content, design, marketing, and sales issues. Best practice in design, content creation and sales is shared via e-mails or at the meetings.

Development and IT teams operate as matrix structure. Local country manager is administrative head of IT/development team. Operational management of IT/development teams is performed by CTO and development manager (subordinate of CTO). Many tasks of the IT team are pan-Baltic (for example system administrators operate as one virtual team).

Delfi key financials

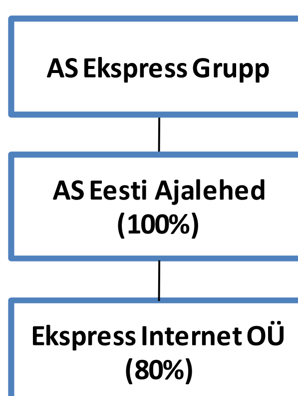
	Year ended 31 December		
(EEK, million)	**2007**	**2008**	**2009**
Sales	**129.8**	**147.5**	**107.6**
– Estonia	41.8	45.6	34.5
– Latvia	44.6	46.4	28.0
– Lithuania	43.4	55.5	45.1
– Ukraine	N/A	0.02	0.04
Costs	**91.1**	**129.3**	**215.9**
EBITDA	**45.1**	**36.2**	**2.1**
Operating profit	**38.7**	**18.2**	**(108.3)**

Important events

- Weekend.ee operations were merged with Delfi in Estonia in 2007. Weekend was established by Eesti Päevalehe AS, sold to Ekspress Grupp and then merged with Delfi;
- Klubas portal was launched in Lithuania in 2007;
- Ukrainian Delfi portal (www.delfi.ua) was launched in 2007, operated from Latvia;
- Delfi LLC (Ukrainian portal company) established in 2008;
- Technology and science portal Forte launched in Estonia in 2008;
- youth social network Kuut launched in Estonia in 2008.

AS Eesti Ajalehed

AS Eesti Ajalehed is the result of merger (2009) of the businesses of Eesti Ekspressi Kirjastuse AS and AS Maaleht ("Maaleht"). Eesti Ekspressi Kirjastuse AS was publishing weekly paper Eesti Ekspress that was the first media venture started by Mr. Hans Luik, who later established Ekspress Grupp. AS Maaleht was publishing weekly paper Maaleht which has a lot of subscribers in rural areas. Ekspress Grupp bought AS Maaleht in 2007. Before the merger Ekspress Grupp controlled 100 per cent of Eesti Ekspressi Kirjastuse AS and AS Maaleht shares.



Both Eesti Ekspress and Maaleht are dominant weekly papers in Estonia. Eesti Ekspress is focusing on urban readers, Maaleht on rural readers.

Average readership and circulation of published books, Eesti Ekspress & Maaleht

	Year		
	2007	**2008**	**2009**
Eesti Ekspress circulation	47 042	41 578	35 375
Eesti Ekspressi readership*	140 750	136 667	121 500
Maaleht circulation	45 358	43 456	43 625
Maaleht readership*	120 750	119 000	124 100
Published books	41	59	45

* TNS Emor

In 2009 Eksprss Grupp decided to merge Maaleht and Eesti Ekspress business operations. The editorial staffs are still separate and independent, but managements, advertising sales, book publishing and distribution are merged. This move gave perquisites to a significant costs reduction.

Both companies had book publishing units. Maaleht focused mainly on utilitarian literature, Eesti Ekspres on the other hand on fiction. After the merger the combined Maaleht and Eesti Ekspress book publishing unit is one of the major Estonian book publishers.

AS Eesti Ajalehed key financials

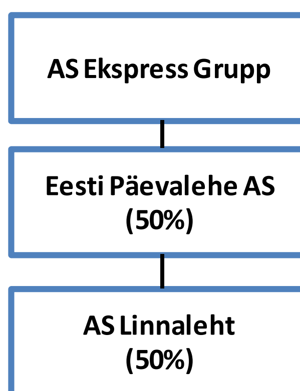
(EEK, million)	Year ended 31 December		
	2007	2008	2009
Sales	**198.3**	**191.9**	**130.3**
– Advertisements in the papers and supplements	87.2	89.3	48.9
– Online advertisements	2.3	4.8	4.3
– Subscriptions	18.7	18.3	16.0
– Single copy sales	40.6	42.2	39.2
– Books	16.6	21.8	14.1
– other income	32.9	15.5	7.8
Costs	**168.6**	**171.6**	**134.8**
EBITDA	**32.2**	**23.0**	**(1.9)**
Operating profit	**29.7**	**20.3**	**(4.5)**

In 2007 Eesti Ekspressi Kirjastuse AS acquired from AS Ekspress Grupp 80 per cent of Ekspress Internet OÜ. The company held car portal www.ac24.ee. AS Eesti Ajalehed added two more classifieds portals – jobs and real estate. The result was portfolio of classifieds portals: www.eskpressauto.ee (former AC24); www.ekspresskinnisvara.ee and www.ekspressjob.ee.

In 2009 Ekspress Grupp decided to consolidate those portals under Delfi management and AS Eesti Ajalehed is in the process to sell the business to Delfi.

Eesti Päevalehe AS & AS Linnaleht

In 1997 AS Ekspress Grupp acquired Eesti Päevalehe AS together with Mr. Jaan Manitski, an émigré Estonian financier from Sweden who had been the Minister of Foreign Affairs in the first cabinet of the independent Estonia. The company is still owned 50 per cent by Ekspress Grupp and 50 per cent by Mr. Jaan Manitski.



The main product of the company is daily newspaper Eesti Päevaleht, but already on 1997 the company started to broaden its product portfolio.

In March 1997 the company started freesheet Linnaleht, what was initially issued as weekly paper in Tallinn and later also in Tartu and Pärnu. In 2005 Linnaleht was reorganised into daily paper and 50 per cent of the shares were sold AS Eesti Meedia.

In 2005 Eesti Päevalehe Kirjastuse AS (currently named Eesti Päevalehe AS) started to book publishing and the revenues from books sales in 2008 matched already the revenues from the newspaper subscriptions.

Eesti Päevaleht was one of the first newspapers in Estonia to start its online version www.epl.ee. In 2005 Eesti Päevalehe AS acquired jobs portal www.hyppelaud.ee. The portal has No 4 status in Estonia (www.cvonline.ee includes 1095, www.cvkeskus.ee 869, www.ekspressjob.ee 220 and www.hyppelaud.ee 89 job offers at the end of March 2010, source: the management of Eesti Päevalehe AS). Initially the portal was owned jointly with Eesti Ekspressi Kirjastuse AS (currently part of AS Eesti Ajalehed). But in 2008 Eesti Päevalehe AS bought all of the shares of AS Netikuulutused which owned the portal and after that merged the company with Eesti Päevalehe AS. Currently www.hyppelaud.ee is part of Eesti Päevalehe AS. Eesti Päevalehe AS also owns a photo portal www.pressifoto.ee that is No 2 professional photo service in Estonia with 0.48 million domestic and 1.6 million international photos after Scanpix that has 2.4 million domestic and 3.3 million international photos as at 31 March 2010 (source: the management of Eesti Päevalehe AS).

Average circulation and readership; published books

	Year		
	2007	**2008**	**2009**
Circulation	37 201	36 730	33 007
Readership*	142 500	124 750	121 250
Published books	72	102	77

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* TNS Emor

Eesti Päevalehe AS key financials

	Year ended 31 December		
(EEK, million)	**2007**	**2008**	**2009**
Sales	**175.8**	**175.0**	**131.0**
– Advertisements in print products	68.4	64.3	37.9
– Advertisements in Online	5.9	8.8	4.7
– Single copy sales	48.6	49.8	43.2
– Subscriptions	6.5	6.2	4.9
– Books	37.5	38.5	33.6
– Other	8.9	7.4	6.7
Costs	**171.9**	**168.5**	**137.4**
EBITDA	**7.7**	**10.0**	**(3.4)**
Operating profit	**3.9**	**6.5**	**(6.4)**

Linnaleht is published in Tallinn (in Estonian and Russian), Tartu and Pärnu. Because of economic and low advertising starting from 2009, *Linnaleht* is published 2 times a week in Tallinn and once a week in Tartu and Pärnu.

The paper is distributed in shopping centres, office buildings and schools. In 2006-2009 the paper was also distributed on the streets of Tallinn.

Linnaleht also has its web site, but no extra online content is produced. The web version of the newspaper mirrors the paper version.

Average readership of Linnaleht

	Year		
	2007	**2008**	**2009**
Tallinn			
Estonian	85 000	74 000	57 000
Russian	72 000	78 000	62 000
Tartu	38 000	32 000	24 000
Pärnu	21 000	19 000	7 000

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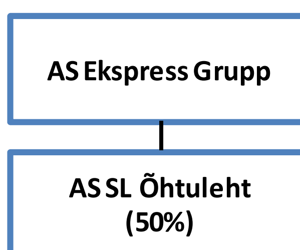
Source: TNS Emor

AS Linnaleht key financials

(EEK, million)	Year ended 31 December 2007	2008	2009
Sales	**32.8**	**29.5**	**16.9**
– Advertisements in the papers and supplements	32.4	28.5	16.0
– Other income	0.4	1.0	0.9
Costs	**31.8**	**30.8**	**16.9**
EBITDA	**1.5**	**(1.0)**	**0.2**
Operating profit	**1.0**	**(1.3)**	**0.0**

AS SL Õhtuleht

Õhtuleht is a tabloid, established in 2000 following a merger of two popular competing titles, Õhtuleht and Sõnumileht. Prior to the merger, the two newspapers had been involved in a price war, which had increased the circulation of both titles. This allowed Õhtuleht to become the most popular title in Estonia in a short time. The newspaper presents its content in a sensational style and targets a very broad audience. According to Management, this newspaper has a competitive edge in the exclusivity of its news, which often does not appear in other Estonian media.



The company is jointly owned by Ekspress Grupp and Eesti Meedia.

Average circulation and readership of Õhtuleht

	Year 2007	2008	2009
Circulation	63 900	60 800	55 917
Readership*	236 000	223 000	196 250

* TNS Emor

Historically the newspaper was mainly sold in supermarkets and outlets, but gradually the readers started to subscribe to the paper. Õhtuleht still has relatively more single copy sales than any other major Estonian newspaper.

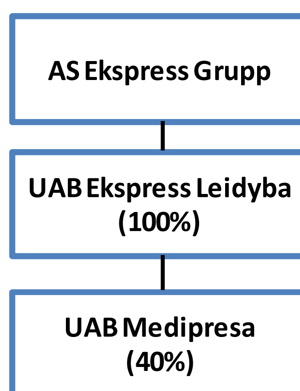
As all other Estonian newspapers, Õhtuleht has also its own news portal – www.ohtuleht.ee. Most of the content is from the printed newspaper, but some extra content is created by its online editorial team.

In recent years AS SL Õhtuleht has been very profitable because of its clear tabloid profile, relatively low costs and missing competition.

AS SL Õhtuleht key financials

(EEK, million)	Year ended 31 December		
	2007	2008	2009
Sales	**157.8**	**152.0**	**119.1**
– Advertisements in print products	62.0	52.8	32.2
– Advertisements in Online	5.0	8.8	4.7
– Subscriptions	59.0	64.0	61.3
– Single copy sales	31.4	26.2	20.8
– Other	0.4	0.2	0.1
Costs	**127.2**	**126.6**	**104.2**
EBITDA	**32.2**	**27.2**	**16.7**
Operating profit	**30.6**	**25.4**	**14.9**

UAB Ekspress Leidyba & UAB Medipresa



Ekspress Grupp expanded to Lithuania in March 2004 by acquiring UAB Moteris, the publisher of the lifestyle magazine Panele and the women's magazine Moteris. The name of the company was changed into UAB Ekspress Leidyba ("Ekspress Leidyba"), which subsequently acquired two other companies in the home and family magazine sector, Mano Namai and UAB Tavo Vaikas.

Ekspress Leidyba also owns a 40 per cent interest in a Lithuanian magazine wholesale and distribution company UAB Medipresa ("Mediapersa").

The main products of Ekspress Leidyba are:

Main magazines (without supplements)

Title	Description	Issue frequency	Readership (*)	Number of copies printed
Juste	Girls' magazine	monthly	20 000	10 000
Luka	Girls magazine	monthly	18 000	9 900
Mano Namai	Home and design magazine	monthly	72 000	14 500
Moteris	Women's magazine	monthly	133 000	17 500
Naminukas	Children's magazine	monthly	N/A	19 700
Panelė	Young women's magazine	monthly	149 000	36 000
Penki	Children's magazine	monthly	N/A	10 800
Tavo Vaikas	Magazine for parents	monthly	57 000	12 000
Klubas	Celebrity magazine	weekly	34 000	14 000

(*) Source: TNS Gallup; Spaudos auditorija December 2009

UAB Ekspress Leidyba key financials

(EEK, million)	Year ended 31 December		
	2007	**2008**	**2009**
Sales	**67.7**	**80.5**	**55.2**
– Advertising	29.6	34.4	19.0
– Subscription	6.9	8.2	7.1
– Single copy sales	29.1	31.6	20.4
– Books	1.9	3.9	5.3
– Other	0.2	2.4	3.4
Costs	**70.0**	**80.8**	**55.2**
EBITDA	**(0.2)**	**(1.9)**	**2.3**
Operating profit	**(2.3)**	**(0.3)**	**0.0**

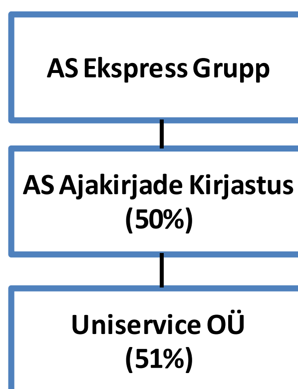
Mediapresa has approximately 25 per cent market share in Lithuania. The market leader is Impress Teva (Rautakirja) – approximately 55 per cent market share.

UAB Mediapresa key financials

(EEK, million)	Year ended 31 December		
	2007	**2008**	**2009**
Sales	**129.1**	**154.3**	**143.7**
– Ekspress Group	28.6	26.3	23.5
– Other	100.5	128.0	120.2
Costs	**127.2**	**154.3**	**143.3**
EBITDA	**2.2**	**0.4**	**0.9**
Operating profits	**1.9**	**0.0**	**0.4**

AS Ajakirjade Kirjastus

AS Ajakirjade Kirjastus is result of merger (2000) of AS Ajakirjade Grupp that belonged to Ekspress Grupp and AS Eesti Ajakirjade Kirjastus that belonged to Eesti Meedia.



The company has strong portfolio of weekly and monthly titles most of which are registered as trademarks. It has been focusing women, celebrity, TV and crossword magazines. Already at the beginning of 2000s the company started to publish books. In 2007 the company published 76 book titles, in 2008 and 2009 correspondingly 97 and 64.

Average circulation and readership:

Title	2008 Circulation	2008 Readership*	2009 Circulation	2009 Readership*
Anne	14 600	53 000	15 900	NA
Eesti Naine	24 300	89 000	25 300	71 000
Stiil	8 000	24 500	9 900	NA
Jana	6 100	34 000	6 650	35 000
Saladused	7 300	28 000	8 350	19 000
Stiina	11 000	23 000	0	0
TervisPluss	16 700	58 000	16 700	43 000
Kodukiri	24 700	85 000	23 350	80 000
Pere ja Kodu	19 700	79 000	21 650	64 000
Ruum	1 900	8 000	0	0
Käsitöö	7 500	26 000	9 500	29 000
OmaMaitse	8 200	32 000	10 100	30 000
AutoBild	8 000	33 500	4 200	NA
Nädal	21 400	68 000	23 100	56 000
Teleleht	38 000	83 500	41 900	79 000
Kroonika	35 100	119 000	38 500	94 000
Naised	21 900	62 000	24 600	64 000
Ristik	14 800	52 000	18 700	44 000
Miniristik	15 000	25 000	18 600	20 000
Megaristik	11 400	NA	15 100	NA
Meistriristik	6 000	NA	8400	NA
Ripsik	9 300	13 000	11 000	9 000
Kroonika Ristsõnad	8 200	NA	11 000	NA
Sudoku	5 000	NA	6 100	NA
Anne&Stiil	NA	NA	23 200	53 000

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* Source: TNS Emor, management of AS Ajakirjade Kirjastus

AS Ajakirjade Kirjastus key financials

(EEK, million)	Year ended 31 December 2007	2008	2009
Sales	**230.0**	**221.8**	**150.3**
– Advertisements in Online	75.8	63.6	32.1
– Single copy sales	58.8	60.2	47.9
– Subscriptions	49.4	51.2	39.6
– Books	19.2	22.6	19.4
– Other (custom publishing)	26.8	24.2	11.3
Costs	**210.8**	**210.4**	**151.6**
EBITDA	**21.4**	**14.0**	**0.7**
Operating profit	**19.2**	**11.4**	**(1.3)**

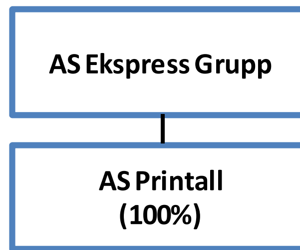
Important events

- In 2007 the company acquired controlling stake (51 per cent) in Uniservice OÜ that owns Estonian leading food portal www.toidutare.ee.

- In 2009 magazines Anne and Stiil were merged to one title Anne&Stiil.

AS Printall

All of the Group's printing operations belong to AS Printall, a printing house founded in 1971 and a wholly-owned subsidiary of the Company:



Printall is the largest printing house in Estonia. Printall prints mainly magazines and newspapers, advertising leaflets, product and service brochures, booklets, paperback books.

Printall's customers can be broadly divided into (i) the Group and associated companies in Estonia, (ii) external customers in Estonia, (iii) the Group and associated companies outside of Estonia and (iv) export customers.

AS Printall key financials

	Year ended 31 December		
(EEK, million)	**2007**	**2008**	**2009**
Sales			
– Estonian customers	115.2	109.3	75.4
– Export customers	162.8	207.3	199.3
– Group and affiliates	103.8	102.5	76.5
Total printing services	381.8	419.1	351.2
– Other sale	4.0	3.9	3.9
Total sale	385.8	423.0	355.1
Costs	**337.3**	**361.4**	**319.8**
EBITDA	**69.9**	**88.4**	**59.6**
Operating profit	**48.5**	**61.6**	**35.3**

Printall provides its services to the Group and affiliated companies at the same terms it applies to its external customers.

Printall has managed to maintain a relatively stable customer base including approximately 300 customers in total. In 2009 63 clients generated 80 per cent of the revenues. The most important customers are: in Estonia Ajakirjade Kirjastus, Eesti Päevaleht and Eesti Ekspress; in Russia: Fishpress and Rovesnik; in Finland: Sanoma; in Sweden: Next world Sverige and Hjemmet Mortensen; in Norway: Symbolon Forlag.

Printall has exported printing services for almost ten years. It performs printing services for customers in Russia, Finland, Sweden, Norway, the Netherlands, United Kingdom, Latvia and Lithuania.

Printall has annual printing contracts with most of its customers. An annual printing contract sets out the framework for individual orders with emphasis on when materials from the customer must be received in relation to the printing deadlines. The contract also sets out a formula for determining the total price for the printing and possible supplementary services. The price formula can be renegotiated in the event of changes in paper price or other unforeseen events. Provided that no renegotiation is required, the contract is automatically renewed from year to year until either party terminates it.

Printall has two main product lines:

- newsprinting; and
- commercial printing (web-press, sheet-feed press).

The newsprinting segment comprises the printing of daily and weekly newspapers and other publications printed in a newspaper format and limited after-print services. Printall normally prints 5 to 15 different newspapers or supplements per night.

Printall has a KBA Continent (2004) printing machine for newsprinting, which prints up to 40 pages tabloid (A3) format newspapers from five reels. The capacity of the machine is printing 32 colour pages and 8 black and white pages at a speed of 45 000 copies per hour. This machine allows using uncoated paper from 36 g/m² to 60 g/m².

The commercial printing segment includes the printing of magazines, advertising materials, product catalogues and paperback books and the after-print services that are usually required for these products.

In contrast to newspapers which are printed from many reels, magazines are printed from one reel on folded sheets, which are compiled into a magazine through a binding machine. Printall prints its magazines on folded sheets that result in 16 A4 format pages or 8 pages A3 format.

Printall has three heatset presses: MAN Rotoman (2007) with maximum speed 55 000 copies per hour, KBA Compacta 215 (2004) with maximum speed 50 000 copies per hour and Solna C 300 (1997) with maximum speed 25 000 copies per hour. These presses can use coated paper from 48 g/m² to 130 g/m². Printall has also MAN Roland 700 (2006) heatset press with maximum speed 14 000 sheets per hour. The press can use coated paper from 80 g/m² to 300 g/m², but also cardboard up to 250 g/m².

The printed sheets are transferred in the correct order into a binding machine, which collates them and compiles them into a magazine. After that the magazine pages are bound either via stitching or gluing (perfect binding) and stacked for delivery to the customer.

The after-print services include folding, compiling and finishing by hand and any other services that may be required to make the product ready for delivery to the customer.

Printwork’s principal raw materials are paper and ink, which in Printall’s case account for more than half of the cost of goods sold.

Printall’s paper suppliers are: StoraEnso, Kondapoga, Solikamsk, Sappi, UPM. Printall has no written supply contracts with its paper suppliers. The quantities and prices are agreed either on a quarterly or half-yearly basis and fixed in order confirmation from paper supplier. If the price is increased or terms of supply otherwise deteriorated, the customer may either choose a substitute paper or increased cost (supply terms deteriorated). Normally, in accordance with the customer contracts, Printall has the right to change the prices for the product due to fluctuations in the paper price.

Management believes that the absence of fixed supply contracts does not mean a direct risk of discontinued supply in the event of paper shortage. However, Printall nevertheless holds a reserve stock of newsprint equal to approximately one-week requirements. In addition, the paper importers used to hold an earmarked stock of newsprint in its premises sufficient to cover its approximate four weeks supply to Printall. Management considers five weeks’ supply to be sufficient to secure continued production while it finds a substitute supplier.

Magazine paper delivery takes four weeks on average. Printall holds as reserve stock of paper for two to four weeks for those magazines that are published frequently and also to cover variation in the number of pages printed in each issue of the magazine. The actual number of pages may be known less than 24 hours before printing, while ordering more paper takes three to seven weeks.

Printall’s current selection of inks was chosen in 2004-05, in conjunction with the commissioning of the new printing facility and the new printing presses. The main supplier of the inks is Flint Smith Group, a leading European manufacturer of printing inks.

The company normally holds a reserve stock of inks to cover customer orders for two weeks. In addition, an agent holds an earmarked stock of ink in its premises in Tallinn sufficient to cover its approximate six weeks supply to Printall.

Printall's premises were completed in July 2004. The facility has 10 300 m^2 of air conditioned production space and approximately 2 400 m^2 of other space for technical, ventilation and boiler room, administrative and staff facilities, such as offices, staff changing facilities and a staff canteen. Approximately 3 400 m^2 of the space has been let under long-term leases, primarily to major Estonian press logistics company AS Lehepunkt.

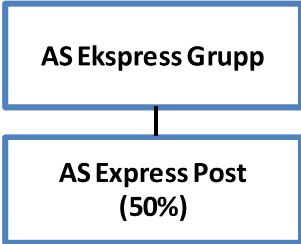
Printall's premises have been specifically built to meet the requirements of a modern printing facility. It has a logistically advantageous layout, which facilitates a smooth production flow. The production facility has been planned and built with a view to further capacity extensions. The foundations of the heatset presses are designed to hold twice the weight of the current machines. Should another printing line be needed, it can be mounted above the current production lines.

Management considers the Estonian printing market relatively competitive, in particular for magazines and advertising leaflets. Printall's main competitor in Estonia is AS Kroonpress, a subsidiary of AS Eesti Meedia, in Tartu. Other competitors include smaller printing houses like Reusner, Europrint, and Unipress, which compete with Printall in printing magazines and advertising materials.

Important events

- In October 2007 Printall put into operation a new heatset printing press with maximum capacity 55 000 copies per hour. The investment also included after-press equipment and was EEK 131 million.

AS Express Post



A major part of the Estonian newspapers and magazines of the Group and its affiliates are delivered by AS Express Post, an affiliate of Ekspress Grupp. Express Post was established in 1998 to provide early morning newspaper delivery service in Tartu and Tallinn. In 2001, its services were extended to Harjumaa and Pärnu. Express Post currently delivers approximately 3.2 million copies of different publications to their subscribers annually and has ca 45 per cent market share in delivery of periodicals. Ekspress Grupp owns 50 per cent of the shares in Express Post, and the remaining 50 per cent belong to AS Eesti Meedia.

Express Post delivers newspapers and magazines to subscribers between 5:00-7:00 am every week day from Monday through Saturday. In addition to newspapers and magazines, it also distributes advertising leaflets and similar materials. The Group and its associated companies and AS Eesti Meedia and its subsidiaries are the main customers of Express Post, although its services are available for third parties as well. Ekspress Grupp and Eesti Meedia buy Express Post services on market terms.

Express Post also delivers both addressed and non-addressed advertising materials competing with all other mail companies.

According to the management of Express Post, its delivery, subscription and client database maintenance services are used by 29 publishers (including the Group and affiliated companies). Express Post has become the second biggest player besides Eesti Post in the market in four years with approximately 660 employees on payroll working on two shifts.

Express Post handles all the subscription related matters and maintains the client database for the publications of the Group and its affiliates. It has developed a specific Internet-based subscription website www.tellimine.ee. The site allows its users to subscribe for newspapers, magazines and books published by the Group and its affiliates. All the publications of the Group and its affiliates use this service, apart from Eesti Päevaleht, which runs its own Internet subscription service and has its own subscription hotline service.

Express Post's subscriber database is shared by all the publishers who use Express Post as a distribution channel. The subscription database software Reggy has been developed for Express Post and it fulfills all functions required for a high quality service. This software is used by all the companies who are using the services of Express Post in accessing their subscriber databases.

AS Ekspress Post key financials

	Year ended 31 December		
(EEK, million)	**2007**	**2008**	**2009**
Sales	**72.2**	**81.8**	**18.8**
– Ekspress Grupp and Eesti Meedia	52.3	55.8	60.4
– Other clients	19.9	26.0	(41.6)
Costs	**69.4**	**78.4**	**11.8**
EBITDA	**4.8**	**6.0**	**9.6**
Operating profit	**2.8**	**3.4**	**7.0**

Principal investments

A new magazine press and binding line installed in Printall in 2007, EEK 131.6 million. The process was financed by leasing.

Acquisition of the Delfi operations in 2007 for EEK 846 million. The process was financed by bank loan.

Acquisition of Maaleht in 2007 for EEK 52 million. The process was financed by bank loan.

Employees

Overview

The following table details the average numbers of employees of the Company and its subsidiaries and affiliates for each of the financial years 2007, 2008 and 2009, the number of employees as at 31 December 2009 and the breakdown of employees as at the same date:

Company	**Average number of employees in 2007**	**Average number of employees in 2008**	**Average number of employees in 2009**	**Breakdown of employees as at 31 December 2009**
Delfi AS (Estonia)	70	79	73	73
Delfi AS (Latvia)	36	41	44	44
Delfi UAB (Lithuania)	52	64	65	63
Delfi (Ukraine)	0	4	12	15
Eesti Päevalehe AS	177	174	160	144
Ekspress Grupp AS	6	7	7	7
Eesti Ajalehed AS	192	200	135	167
Printall AS	195	212	196	185
Ajakirjade Kirjastus AS	215	212	166	148
Medipresa UAB	50	62	60	60
Ekspress Portals SIA	0	1	1	1
Linnaleht AS	47	45	34	30
Ekspress Portals UAB	0	1	1	1

Company	Average number of employees in 2007	Average number of employees in 2008	Average number of employees in 2009	Breakdown of employees as at 31 December 2009
Ekspress Leidyba UAB	90	100	88	89
SL Õhtuleht AS	122	125	120	114
Express Post AS	765	730	662	629
Discontinued operations	257	318	291	267

Most of the employment contracts of the Group and its affiliates have been concluded for an indefinite term.

In 2009 the salaries of all employees of the Company were reduced by 10 per cent for the period of one year. The reduction of salary was agreed with every employee separately by respective agreement.

Health and Safety

Management believes that work-related injuries are preventable and aim to promote practices that create safe work spaces that allow employees to work without injuries. All Group companies ensure, as far as reasonably practicable, the safety of their employees at work by maintaining safety equipment and safe premises, as well as by providing adequate instruction, training and supervision in the health and safety issues.

Recruitment and Training

Management believes that a qualified and motivated work force is important for the success of the Group and its affiliates and therefore invests heavily in training and development. Management believes that strong journalistic content and successful sales require recruiting competent employees who are given regular training. With a view to diverse nature of the businesses of the Group and its affiliates, the recruiting and training policy is set at the operating company level. Similarly, all Group companies and affiliates have different requirements for training and development.

Each of the Group subsidiaries and affiliates prepares a yearly training and development plan in connection with the annual budgeting process. Specifically, tailored in-house training method used in training and development. Training of journalists and editors is largely based on the Estonian Newspaper Association training program, which is carried out with journalism specialists from around the world. Management considers it very important for the employees of the Group and its affiliates to keep informed of the latest trends in print and online journalism in order to maintain the level of innovation in the publications of the Group and its affiliates. The Group companies and affiliates also subsidise the participation by its employees in international seminars and training programs organised by the World Association of Newspapers and International Marketing Association.

Labour union and collective agreements

None of the Group companies or affiliates is unionised, and as at the date of this Prospectus they have no collective bargaining agreements in force or contemplated.

Property, Plant and Equipment

Land ownership

The Group owns relatively few real properties and most of the Group companies and affiliates in Estonia operate from premises rented from OÜ Minigert, a company connected to the principal shareholder of the Company.

The Group's most significant real property is the printing plant owned by Printall at Peterburi tee 64A in Tallinn, Estonia. The total area of this property is 27 074 m² of which Printall occupies 13 000 m² for its printing plant and offices. The plant was completed in 2004 and its construction was financed by a loan from AS SEB Eesti Ühispank, secured by a mortgage on the property in the amount of EEK 100 000 000.

This loan was refinanced by AS Sampo Pank (current name Danske Bank A/S Estonian branch) on 15 December 2006. Therefore the mortgage on the property in the same amount was transferred to AS Sampo Pank, which was registered with the Land Register on 23 March 2007. Additionally the property is encumbered with the mortgage in favour of AS SEB Pank in the amount of EEK 40 million established under the mortgage agreement dated 30 August 2007 to secure the Company's syndicate loan.

Eesti Päevaleht owns a 2234/10000 legal share of the real property located at Narva mnt 13 in Tallinn, Estonia.

Eesti Ajalehed owns an apartment ownership at Gildi 3-1 in Tartu, Estonia, which was acquired in the process of transferring the enterprise (assets) of Maaleht to Eesti Ajalehed on 1 October 2009.

The land plot and residential house at P. Smuglevičiaus str. 21, Vilnius, owned by Ekspress Leidyba was sold on 28 November 2006 and the land plot and residential house at P. Smuglevičiaus str. 23, Vilnius, was sold on 29 December 2007.

Leased properties

The Group and its affiliates lease various properties in Estonia, Latvia and Lithuania. Those leased properties that are material for the Group and all properties leased from related parties are described below.

The offices of most of the Estonian Group companies and its affiliates are located in the office buildings at Narva mnt 11E and 13 in Tallinn, Estonia. These buildings are owned by OÜ Minigert and OÜ Ekspressmaja, which are controlled by the major shareholder of the Company.

Eesti Ajalehed rents a total of 1 401.6 m^2 of office space on the first, second, third, fourth and fifth floor at Narva mnt 11E from OÜ Minigert. On the first, second, third and fourth floor, Eesti Ajalehed rents 1 125.8 m^2 of office space from OÜ Minigert. Pursuant to a lease agreement valid as af 1 January 2010 a monthly rent for the aforementioned premises is EEK 158 870 plus VAT. The lease expires on 30 December 2013. On the fifth floor, Eesti Ajalehed rents 275.8 m^2 of office space from OÜ Minigert pursuant to a lease agreement dated 1 September 2009 for a monthly rent of EEK 26 000 plus VAT. The lease expires on 31 August 2011.

The Company rents 178 m^2 of office space on the sixth floor at Narva mnt 11E from OÜ Minigert pursuant to a lease agreement dated 1 December 2007 for a monthly rent of EEK 37 380 plus VAT. The lease is for an indefinite term, and can be terminated by either party with three months prior written notice.

Ajakirjade Kirjastus subleases office space at Maakri 23a in Tallinn, Estonia from AS Eesti Meedia pursuant to a lease agreement dated 12 December 2005. From October 2009, the size of the leased office space is 1 691.8 m^2 and a monthly rent is EEK 256 290.78 plus VAT. This lease expires on 21 June 2013.

Linnaleht rents 319.44 m^2 of office space at Narva mnt 13 from Eesti Päevaleht pursuant to a lease agreement dated 23 August 2006 for a monthly rent of EEK 46 957.70 plus VAT. This lease expires on 31 July 2010.

Õhtuleht rents 1 206.3 m^2 of office space at Narva mnt 13 from OÜ Ekspressmaja pursuant to a lease agreement dated 15 December 2008 for a monthly rent of EEK 189 993 plus VAT. This lease expires on 31 January 2013.

Delfi Latvia rents 347.6 m^2 of office space and 77.6 m^2 of common use premises in the first floor of Mūkusalas iela 41, Riga from SIA Baltlaits pursuant to a lease agreement dated 15 November 2005 with latest amendments on 30 December 2009, for monthly rent of EUR 1 955.28 plus VAT, whereas from 1 July 2010 the rent shall be determined by the mutual agreement of the parties. This lease expires on 31 December 2011. On 1 February 2009 16 m^2 of the respective premises were further sublet (without remuneration) to Delfi Holding and Mango respectively (subject to the consent from SIA Baltlaits). The lending is valid for the period of one year after its conclusion, provided that if neither of the parties informs the other party on

termination, it shall be automatically prolonged for the following calendar year. The lending also expires if the principal lease agreement is terminated or if SIA Baltlaits revokes authorisation for Delfi Latvia to lend the premises.

Ekspress Leidyba rents 612.75 m² of office space at Ozo str 10a in Vilnius, Lithuania pursuant to a lease agreement dated 16 May 2006 and its later amendments. The change of the lessor took place on 23 August 2008 when former lessor UAB "Unimodus" transferred all rights and obligations under the aforementioned agreement to UAB "Mobilėja". The rent is LTL 40 plus VAT per m^2, however, according to the amendment dated 10 June 2009 the parties reduced the rent fee down to LTL 30 plus VAT per m^2 until 31 December 2010. This lease expires on 30 June 2011.

Ekspress Leidyba rents 111.02 m² office premises at Gedimino str. 47, Kaunas, from AB "Žemprojektas" pursuant to a lease agreement dated 31 December 2002 and its later amendments. The rent is LTL 16 plus VAT per m^2. According to the last amendment, the lease had to expire on 31 December 2007, however, the agreement was automatically extended for succeeding years without any written amendments.

Ekspress Leidyba rents 235.78m² office space at P. Smuglevičiaus str. 23, Vilnius, from UAB "Telekomunikaciniai projektai" pursuant to a lease agreement dated 23 September 2008. The monthly rent is LTL 5 500 plus VAT. The lease expires on 16 December 2010.

Delfi Lithuania rents 578.16 m² of office space at Gynėjų str. 16 in Vilnius, from UAB BPT Optima Retail pursuant to a lease agreement dated 2 May 2007 for a monthly rent of EUR 9 764.05 plus VAT. This lease expires on 1 August 2012.

The other leased properties of the Group and its affiliates comprise mainly of office space rented by Express Post, Delfi and they are not material for the operations of the Group or its affiliates. The aggregate lease payments by the Group and its affiliates for all leased properties amount to approximately EEK 1 001 thousand per month.

Machinery and equipment

Printall is the only Group Company with substantial fixed assets. Printall has invested in modern high capacity production equipment in order to ensure that it can meet the requirements of future growth in its business.

Printall leased MAN Roland web offset rotary press Rotoman under the printing equipment purchase agreement entered into by Printall, MAN Roland Druckmachinen AG and AS SEB Ühisliising on 9 January 2007. The purchase of the printing equipment was financed by AS SEB Ühisliising as the lessor. The press started operating in October 2007.

The total amount of investments into the new machinery during 2007-2009 years was approximately EEK 117 million.

Intellectual Property

The Company and its subsidiaries and affiliates own more than one hundred registered trademarks in Estonia as well as several pending Estonian trademark registration applications. The most important trademarks of the Group and its affiliates include the names of the main publications such as "*Eesti Ekspress*", "*Eesti Päevaleht*", "*Õhtuleht*", "*Kroonika*", "*Maaleht*" and the names of Internet portals such as "*Delfi*", "*Publik*", "*Forte*", "*Naistekas*", "*EkspressKinnisvara*", "*EkspressAuto*", "*EkspressJob*" and trading names such as "*Ajakirjade Kirjastus*" and "*Express Pos*t".

Delfi Holding and Delfi Lithuania also own several registered trademarks in Lithuania and Latvia as necessary for Delfi business in the respective countries, and Ekspress Leidyba holds several Lithuanian trademarks which are used for main publications (such as magazines "*Moteris*", "*Panelė*", "*Tavo vaikas*", "*Klubas*", and other).

Delfi Holding as a licensor has licensed the use of its Estonian trademarks related to Delfi business to Delfi Estonia, respective Latvian trademarks to Delfi Latvia and Lithuanian trademarks to Delfi Lithuania. The royalty payment is 6 per cent from Licensee's ad sales revenue (without VAT) into the websites www.delfi.ee (rus.delfi.ee); www.delfi.lv (rus.delfi.lv) and www.delfi.lt (rus.delfi.lt) respectively, calculated on a quarterly basis. The term of license agreements is indefinite unless, terminated by one of the parties in writing subject to a period of one year.

Some Estonian trademarks of the Company and its subsidiaries and affiliates (as "*Delfi*", "*Delfi.ee*", "*Delfi.com*", "*Delfi Online*", "*DELFI*", "*Maaleht*", 2 trademarks "*Eesti Ekspress*", "E*esti Ekpress Eesti Ekspress Kirjastuse AS*") are pledged with the first-ranking combined register pledge in the amount of EEK 4 000 000 in favour of AS SEB Pank to secure any and all claims of AS SEB Pank that the latter may from time to time have against Ekspress Grupp under the loan agreement concluded on 28 August 2007 between Ekspress Grupp, AS SEB Pank, AS Sampo Pank (current name Danske Bank A/S Estonian branch) and Nordea Bank Finland Plc Estonian branch, including all the claims that are by the lenders under the named loan agreement transferred to AS SEB Pank.

The material first-level domain names as used in the business of the Company and its subsidiaries and affiliates are registered in the name of Group Companies. None of the domain names being material for the activities of the Group Companies are licensed or otherwise obtained for use from any third party.

The Company and its subsidiaries and affiliates have created several sub-domains. In some cases the use and administration of sub-domains is also licensed to other persons. E.g. Delfi Latvia has on 1 April 2009 concluded for one year the agreement with SIA Baltic Internet Search on establishment and administration of internet site: baltijasturisms.delfi.lv, where part of the respective internet portal, including copyrights, is owned by SIA Baltic Internet Search.

The Company and its subsidiaries and affiliates generally hold the copyright to the original articles and photos and other content published in their publications, as acquired from their employees and service providers. Eesti Päevaleht, SL Õhtuleht, Delfi Estonia, Delfi Latvia, Delfi Lithuania, Eesti Ajalehed, Maaleht, Ajakirjade Kirjastus and other publishers have concluded also licence agreements with other publishing companies and agencies in order to be able to use and re-print copyrighted materials such as news, articles, comics and photos owned by other publishers and agencies.

Environmental Issues

The Group companies are committed to environmentally responsible business in every community in which they do business. Management is committed to environmentally friendly practices, energy conservation and using environmentally friendly technology in production and distribution.

Printall is the only Group company that needs an environmental permit or license for its business. Printall holds an ambient air pollution permit issued for an indefinite term by Harjumaa environmental authority on 16 May 2006.

Management is not aware of any breaches by the Group companies of any environmental rules or regulations, and as at the date of this Prospectus, no environmental claims are pending against any of the Group companies.

Material Contracts

Acquisition and disposal of shareholdings in subsidiaries and affiliates

The Company has acquired shares in two subsidiaries during the past three years: Delfi and Maaleht.

The Company entered into a share purchase agreement with OÜ Raamatukoda on 25 June 2007 for the purchase of 98.96 per cent shares in Maaleht with the obligation of the seller to transfer the remaining 1.04

per cent of the shares in Maaleht after acquiring such shares by the seller. For now the Company has acquired 100 per cent of the shares in Maaleht. The purchase price has been paid in full.

The Company entered into a share purchase agreement with Interinfo Holding SCA and Interinfo Finland OY on 2 August 2007 for the purchase of 100 per cent of the shares in Interinfo Baltic OÜ, the owner of 100 per cent of the shares in Delfi. Delfi was the sole shareholder of Delfi Latvia, and Delfi Lithuania. The purchase price was paid in full. Subsequently a separate subsidiary Delfi Holding was established by the Company for the purpose of holding the shares of Delfi Estonia, Delfi Latvia and Delfi of Lithuania. Also the shares of Delfi Ukraine are held in Delfi Holding through Delfi Estonia.

On 12 June 2008 and 13 June 2008 the Company entered into the share purchase agreements with minority shareholders for the purchase of all shares in Ekspress Leidyba. Mr. Regimantas Gedgaudas sold 395 shares, Mr. Arvydas Makaravičius - 319 shares, Mr. Rimas Butkevičius - 67 shares and Mr. Romualdas Grigalevičius - 1 share to the Company. As a result of this transfer Ekspress Leidyba has become the wholly owned subsidiary of the Company. The sale and purchase of the shares was executed in compliance with the requirements of the law. However, the registration of the Company as the sole shareholder of Ekspress Leidyba in the Registry of Legal Entities as required by Lithuanian legal acts has not been performed yet.

On 23 April 2009 the Company entered into a share purchase agreement with CHEH OÜ, SIA Contact Holding and Baltcap Private Equite Fund L.P. for the sale of 100 per cent of the shares in Ekspress Hotline, by which the shares of Ekspress Hotline together with its subsidiaries were transferred. The transaction was closed on 25 February 2010.

On 9 February 2010 Eesti Ajalehed as the seller and OÜ Raamatumaja as the buyer entered into a share purchase agreement for the sale of 100 per cent of the shares in AS Rahva Raamat. The share sale transaction was closed and the shares were transferred to OÜ Raamatumaja on 18 February 2010.

Merger Agreements

The following mergers of the subsidiaries and affiliates of the Company have been performed during the past two years:

Eesti Päevaleht and Netikuulutused entered into a merger agreement on 13 May 2008. As a result of the merger, Netikuulutused was merged into Eesti Päevaleht and ceased to exist. All of the assets and liabilities of Netikuulutused were transferred to Eesti Päevaleht. The merger was registered in the Commercial Register on 28 July 2008.

On 30 December 2009 the Company and AS Maaleht have entered into a merger agreement under which AS Maaleht will be merged into the Company and will cease to exist. At the date of this Prospectus, the procedure has not been finished, but the Management expects it to be completed in the near months.

Acquisition and transfer of assets

Printall leased MAN Roland web offset rotary press Rotoman under the printing equipment purchase agreement entered into by Printall, MAN Roland Druckmachinen AG and AS SEB Ühisliising on 9 January 2007. The purchase of the printing equipment was financed by AS SEB Ühisliising as the lessor. The press started operating in October 2007.

On 9 January 2007, Eesti Päevaleht and Ekspress Internet entered into an agreement for the transfer of the portal “weekend.ee” from Eesti Päevaleht to Ekspress Internet. On 30 June 2007, Ekspress Internet and Eesti Ekspress (subsequently renamed to Eesti Ajalehed) entered into an agreement for the transfer of the portals “4seina.ee” and “weekend.ee” from Ekspress Internet to Eesti Ekspress. On 4 December 2009, the shareholders of Ekspress Internet have decided to cease the business activities and to apply for the aforementioned entry in the Commercial Register. As at the date of this Prospectus the respective application has not yet been submitted.

On 1 October 2009, Maaleht and Eesti Ajalehed entered into an agreement for the transfer of the assets (the company) of Maaleht to Eesti Ajalehed.

Contract of sale and purchase of trademarks and publishing rights between Ekspress Leidyba and UAB "Presa" dated 19 June 2009 regarding sale of trademarks "*Aha*", "*Pagunda*", "*Perlas*", "*Super Bumas*", "*50 Panoramų*", "*Superbumas*" and publishing rights to the following cross-word journals Aha, Pagunda, Pagunda plius, Pagunda lengvi, Pagunda 5 minutės, Sudoku, 50 Sudoku, Super Bumas, 50 Panoramų, Perlas including related property rights. UAB "Presa" is a limited liability company as partially owned by the manager of Ekspress Leidyba Mindaugas Norvaišis. By entering into the agreement Ekspress Leidyba undertook not to compete in the business of crossword magazines for five years.

See also "Company, Share Capital and Ownership Structure – Subsidiaries".

Related Party Transactions

The Group and its affiliates have entered into certain agreements with related parties. The most relevant and material of the recent and on-going agreements (excluding intra-group related party transactions) are the following:

- Loan agreement between OÜ HHL Rühm and the Company dated 27 July 2009 expiring on 6 August 2009 regarding a loan of EEK 2 300 000. Interest on the outstanding amount of this loan accrues at the rate of 9 per cent per annum and VAT. As at the date of this Prospectus, this loan has been repaid in full.

- Loan agreement between OÜ HHL Rühm and the Company dated 24 September 2008 expiring on 4 February 2009 regarding a loan of EEK 8 000 000. Interest on the outstanding amount of this loan accrues at the rate of 6 months' EURIBOR plus 1.7 per cent per annum and VAT. As at the date of this Prospectus, this loan has been repaid in full.

- Loan agreement between OÜ HHL Rühm and the Company dated 4 August 2008 expiring on 4 February 2009 regarding a loan of EEK 4 000 000. Interest on the outstanding amount of this loan accrues at the rate of 6 months' EURIBOR plus 1.7 per cent per annum and VAT. As at the date of this Prospectus, this loan has been repaid in full.

- Loan agreement between OÜ HHL Rühm and the Company dated 3 March 2008 expiring on 3 May 2008 regarding a loan of EEK 30 000 000. Interest on the outstanding amount of this loan accrues at the rate of 6 per cent per annum and VAT. As at the date of this Prospectus, EEK 20 800 000 is still outstanding.

- The Company, AS Eesti Ajalehe and SL Õhtuleht all rent office premises from either OÜ Minigert or OÜ Ekspressmaja, a wholly-owned subsidiary of OÜ Lars Group owned by OÜ Minigert, the sole member of the management board of OÜ Lars Group being Mr. Hans Luik. For more details on these transactions see "Property, Plant and Equipment - Leased Properties" above.

- Agreement between Ekspress Leidyba and OÜ Minigert dated 29 December 2007, regarding the sale by Ekspress Leidyba to OÜ Minigert of a 0,0185 m^2 land and 235,78 m^2 building at P. Smugleviciaus 23, Vilnius, Lithuania for the consideration of EEK 1 100 000 plus VAT.

- Share Sale Agreement between the Company and OÜ Minigert dated 2 January 2006 regarding the sale by the Company of 100 per cent of the shares of AS Privess to OÜ Minigert for a consideration of EEK 730 000. This transaction has been closed, the shares have been trasferred and OÜ Minigert has paid the purchase price in full.

- Share Sale Agreement between the Company and OÜ Minigert dated 9 June 2006, and amended on 22 November 2006, regarding the sale by the Company of 50 per cent of the shares of Suur Sepa Arenduse AS to OÜ Minigert for a consideration of EEK 6 500 000, of which EEK 4 000 000 has

been paid and EEK 2 500 000 is unpaid, due date was 1 August 2009. Interest accrues on the unpaid amount of the purchase price at the rate of six per cent per annum.

- Share Sale Agreement between AS Maaleht and OÜ Raamatukoda, which is controlled by Company's former key person Mr. Ülar Maapalu, and the Company dated 25 June 2007 regarding the sale by OÜ Raamatukoda of 98.96 per cent of the shares of AS Maaleht to the Company for EEK 6666.66 per share. This transaction has been closed, the shares have been transferred and the Company has paid the purchase in full.

- Share Sale Agreement between HHL Rühm OÜ and OÜ Griffen SPV, which is controlled by Mr. Gunnar Kobin, the chairman of the Management Board of the Company, dated 16 November 2009 regarding the sale by HHL Rühm OÜ of 1.2 per cent of the shares of the Company to OÜ Griffen SPV for EEK 20.80 per share. This transaction has been closed, the shares have been transferred and OÜ Griffen SPV has paid the purchase in full.

- Share Sale Agreement between the Company and OÜ Integer Management Services dated 25 April 2005 regarding the sale by the Company of 4.066 per cent of the shares of AS Bravocom Mobiil to OÜ Integer Management Services for a consideration of EEK 1 845 000 to be paid within five years as at the date of the agreement. Interest accrues on the unpaid amount of the purchase price at the rate of five per cent per annum. The purchaser's payment obligations are secured by the pledge of the same shares. Currently, the agreement has been transferred to OÜ Flexinger, of which Mr. Viktor Mahhov is the sole shareholder and the sole member of its management board. The outstanding amount of the loan is EEK 1 550 000.

- Agreement between the Company and OÜ Miljardini dated 9 June 2006 regarding the sale by the Company of 36 per cent of the shares of AS Bravocom Mobiil to OÜ Miljardini for the consideration of EEK 7 500 000 payable at any time within three years of the date of the agreement. To the extent that OÜ Miljardini pays the whole or part of the purchase price before the third anniversary of the agreement, the purchase price will be reduced at a discount rate of five per cent per year (360 days) of the amount paid during the time between the payment date and the third anniversary of the date of the agreement. OÜ Miljardini has paid the purchase price in full. Under the terms of the same agreement, the Company also sold to OÜ Miljardini claims against AS Bravocom Mobiil in the aggregate nominal value of EEK 33 321 770 for the consideration of EEK 2 326 770. The consideration for the transferred claims has been paid in full. Mr. Hans Luik has the ability to exercise indirect influence over the management of OÜ Miljardini.

- Agreement between Eesti Päevalehe AS and Medit Vision OÜ dated 30 January 2008 regarding counselling of trainings and development for the employees of Eesti Päevalehe AS for a fee of EEK 19 950 per month. The agreement expires on 10 March 2011. On 31 January 2009, the Agreement was amended and from 1 February 2009, the monthly fee is EEK 17 955. Medit Vision OÜ is a company controlled by Mr. Mihkel Reinsalu. Mr. Mihkel Reinsalu is a member of the management board of Eesti Päevalehe AS.

- Agreement between Eesti Päevalehe AS and P.E. Kapitali & Reiside OÜ dated 9 March 2005 regarding the provision of book-keeping, archiving and management accounting services for Linnaleht and the publishing department of Eesti Päevalehe AS for an aggregate fee of EEK 18 015 per month. The agreement expires on 10 March 2011. On 30 January 2009, the Agreement was amended and from 1 February 2009, the monthly fee is EEK 15 621. P.E. Kapitali & Reiside OÜ is a company controlled by Mr. Peeter Eomois. Mr. Peeter Eomois is a member of the management board of Eesti Päevalehe AS.

The Group companies and affiliates have also executed several intra-group transactions such as loan agreements, subcontracting agreements, guarantees and other agreements. For additional information regarding related party transactions see the annual report of the financial period ended 31 December 2009.

Management believes that all of the above agreements have been entered into at arms’ length basis.

Syndicated loan agreement

On 28 August 2007 a syndicated loan agreement in the total amount of EUR 43.1 million (EEK 674.4 million) was concluded between the Company, AS SEB Pank, Danske Bank A/S Estonian branch and Nordea Bank Finland Plc Estonian branch. The Company used the funds to finance the acquisition of Delfi companies. On 4 February 2010 an amendment agreement to the loan agreement was concluded in order to improve the liquidity position of the Company and add flexibility to capital management. According to amendment agreement the deadline for the repayment the loan is 25 January 2015 instead of previously agreed 25 September 2012. The repayment profiles were amended in a way that the Company began repaying the loan in the form of instalments starting from February 2010 until December 2012 under a ten year annuity profile and starting from January 2013 until December 2014 under a five year annuity profile. A minor decrease in the interest rate also accompanied the amendment resulting in the applicable interest rate equal to 6 months’ EURIBOR and the margin of 3.75 per cent per annum. The obligations of the Company under the syndicated loan agreement are *inter alia* secured by a second rank mortgage established over a registered immovable at Peterburi tee 64A, Tallinn; the pledge over the trademarks Eesti Ekspress, Delfi and Maaleht; the pledge over the shares of the following companies: Delfi Estonia, Maaleht, Delfi Latvia, Delfi Lithuania, Eesti Ajalehed, Printall and Delfi Holding; and guarantees in the total amount of EUR 43.1 million issued by Delfi Estonia, Eesti Ajalehed, Printall and Maaleht. Additionally, a financial collateral has been established over the deposit account of the Company opened with AS SEB Pank in the amount of EUR 3.0 million. Furthermore, the Company is obliged to regularly transfer part of its cashflows exceeding 125 per cent of the total interest bearing obligations (including the principal amount and the interest) of the group of companies of the Company to the pledge account agreed between the Company and AS SEB Pank.

Litigation

Certain Group companies and affiliates are parties to minor civil court cases and claims that have arisen in the ordinary course of business. However, none of the Group companies or affiliates have been, during the 12 months preceding the date of this Prospectus, and are currently not involved in any governmental, legal or arbitration proceedings which may have or have had a material adverse effect on the Company’s financial condition or profitability, except for the proceedings described below.

Delfi Estonia has submitted an application to European Court of Human Rights on the judgment of Supreme Court of Estonia made on 10 June 2009 in civil matter no 3-2-1-43-09. The dispute regards the question whether Delfi Estonia, as the owner of the Internet portal Delfi as available at www.delfi.ee, is responsible for publishing unlawful comments of portal users.

The referred dispute started on 17 April 2006 when Mr. Vjatšeslav Leedo (the Plaintiff) filed an action to Harju County Court against Delfi Estonia (the Defendant) claiming compensation for non-patrimonial damages. According to the statement of claim and its supplements, the Defendant’s internet portal www.delfi.ee published on 24 January 2006 an article “*SLK lõhkus plaanitava jäätrassi*” and allowed readers to comment the named article. The article got 185 comments, 20 of which contravened the Plaintiff’s personality rights, humiliating the Plaintiff’s honour and human dignity. The Defendant removed the comments in question after receiving the Plaintiff´s letter dated 9 March 2006. According to the Plaintiff’s opinion, the Defendant had created and made available for public use a technical solution, that allows publishing comments in the form that makes comments available to third parties, for what reason the Defendant is, according to the provisions of the Law of Obligations Act, a publisher of the comments. Delfi Estonia, as well as other owners of the portals and traditional journalism, were in the opinion that authors of the comments are the publishers in the meaning of the law and should be responsible for the comments, not the owners and/or administrators of the portals. Although commentators stay anonymous when publishing their comments, it is possible to identify the person behind the comment. The choice whether to publish the comment or not is made by the author of the comment. Derived from the essence of the service offered by the Defendant, the author of the comment is uncontrollable by the Defendant. It does not derive from the law that not editing the Internet comments is equal to agreeing with the comments and should be considered

as a declaration of intention to publish the comments. Neither the law nor customary practice requires the Defendant to edit the comments. Despite of the above-said contra-arguments, on 10 June 2009 Estonian Supreme Court made the final resolution under which it ruled that the Internet portal administrator is co-responsible for the publishing of the illegal comments by the commentators. In case the comments added by the readers are defamatory because of their vulgar, humiliating and threatening content, then the portal administrator should avoid publishing of such comments and in case of publication should remove such comments immediately. Under the court resolution Delfi Estonia was obliged to compensate to the plaintiff EEK 5 000.

On 19 June 2009 Mr. Neinar Seli filed a statement of claim in Harju County Court against Eesti Ajalehed related to ten comments published by users regarding Mr. Tarmo Vahter´s article "*Maadevahetuse pöörasid parseldamiseks reformierakondlased*" published on 30 October 2008 on the website www.ekspress.ee. On 9 October 2009 Eesti Ajalehed submitted a response to the statement of claim, in which it was stated that although in the Delfi case (as described above), the Estonian Supreme Court handled both the author of the comment and the administrator of the portal as persons disclosing the comments, the Supreme Court shall establish separate criteria for assessing the unlawfulness of the activity of the administrator of the portal, which is why the unlawfulness of the content of the comments must be verified, as well as the circumstance whether the improper value judgment contained in the comments is that obvious that an administrator of an Internet portal, who is acting sensibly and diligently, could be charged with failure to act, having not removed such comments. That is, the breach of the so-called duty of care must be identified. The result of said proceeding is important, as the goal is to make the writers of comments responsible for their comments. The proceedings are still in process.

According to the notice by the Harju County Court of 9 December 2009 OÜ Autoportaal has filed an action against Eesti Ajalehed in the amount of EEK 9.6 million for the breach of copyright of OÜ Autoportaal. According to the statement of claim, Eesti Ajalehed is using without the respective consent of OÜ Autoportaal, in Internet portal www.ekspressauto.ee, the works of OÜ Autoportaal which are published on the website www.auto24.ee. Eesti Ajalehed does not admit the claim and contests it. Eesti Ajalehed is, *inter alia*, of the opinion that OÜ Autoportaal does not enjoy the copyright in and to the referred works, as the information used by Eesti Ajalehed originates from the websites of car sellers with whom Eesti Ajalehed has partnership relations in place.

There is an ongoing dispute between Medipresa on the one side and the related companies UAB "Lietuvos spauda" and UAB "Impress Teva" that belong to Rautakirja Group on the other side regarding granting an access for Medipresa to the retail network of magazines' distribution in kiosks, which retail channel is owned by UAB "Lietuvos spauda". Whereas "UAB Impress Teva" has been recognised by the Competition Council of the Republic of Lithuania as having a dominant position in the wholesale market of magazines' distribution, in the beginning of 2009 UAB "Lietuvos spauda" and UAB "Impress Teva" submitted to the Competition Council of the Republic of Lithuania request to recognise Medipresa having a dominant position in wholesale market of magazines‘ distribution, but the request has been rejected. UAB "Lietuvos spauda" and UAB "Impress Teva" appealed such decision to the court, but there has been no success in reaching their contemplated result. Although UAB "Lietuvos spauda" and "UAB Impress Teva" may repeatedly apply to the Competition Council with the same request in case there are some changes in the market, the Competition Council is not likely to support such request, if there are no significant changes in comparison to the current market situation.

Another case of Medipresa is related to the fact that Medipresa and UAB "Lietuvos spauda" are not able to conclude the distribution agreement acceptable for both parties. As a precondition for acquisition of UAB "Lietuvos spauda" by Rautakirja Group in 2007, there were certain restrictions and obligations imposed by the Competition Council on UAB "Lietuvos spauda" and UAB "Impress Teva" in order to control and to ensure that the retail channel of distribution of magazines as owned by UAB "Lietuvos spauda" is open to all suppliers and is operated in accordance with fair competition principles. However, Medipresa has failed to reach a reasonable compromise with UAB "Lietuvos spauda" on distribution agreement in relation to magazines supplied by Medipresa to the retail distribution network operated by UAB "Lietuvos spauda" which would enable Medipresa to have an access to the broader range of ultimate costumers through the retail network of UAB "Lietuvos spauda". In the result of such failure and due to the fact that a period of

imposed restrictions is about to expire shortly, Medipresa is going to apply to the Competition Council to extend a period for such restrictions and obligations.

On 15 December 2008, Printall as the seller and Altenberg-Reval AS as the purchaser entered into the sales agreement under the law of obligations of registered immovable with estimated size of 6 857 m^2. Altenberg-Reval AS transferred its rights and obligations arising from the named agreement to OÜ Letona Properties. The purchase price had to be paid in several instalments. OÜ Letona Properties failed to pay the purchase price in full as set forth in the sales agreement. Therefore, Printall withdrew from the agreement on 30 December 2009. Due to the refusal of the purchaser to apply for deletion of the preliminary notation entered in the Land Register to secure the transfer of the ownership of the immovable to the purchaser, Printall is currently preparing for filing a respective action to court. However, also OÜ Letona Properties has submitted an application for withdrawal from the agreement claiming that there was an environmental pollution on the immovable that the purchaser was not informed of and demanding the repayment of the part of the purchase price paid to Printall in amount of EEK 6 500 000. Printall does not admit the claim of OÜ Letona Properties. Therefore, it cannot be excluded that also OÜ Letona Properties will file a claim to court demanding repayment of the part of the purchase price by Printall.

SELECTED FINANCIAL DATA

The following tables set forth selected financial data as at the end of and for each of the three financial years ended 31 December 2007, 2008 and 2009. The financial information as at and for the years ended 31 December 2007, 2008 and 2009 has been derived from the audited consolidated financial statements of the Group.

The ratios and indicators set forth in the table below are provided to illustrate certain aspects of Group's business and financial performance. Certain of these ratios and indicators are used by the Company's management to evaluate the Group's performance, while others are provided for the benefit of investors considering an investment in the Offer Shares. Although certain of these ratios and indicators are not IFRS defined measures of performance, the Company believes that the ratios and indicators set forth below are customary and often used by public companies to illustrate their business and financial performance. Please note that the ratios and indicators set forth in this Prospectus have not been audited.

	Year ended 31 December		
Profit or loss account data (audited), thousands of EEK	**2007**	**2008**	**2009**
Sales	1 149 962	1 254 851	983 530
Cost of sales	846 713	952 646	817 790
Gross profit	**303 249**	**302 205**	**165 740**
Marketing expenses	56 434	54 853	40 489
Administrative expenses	133 972	141 395	129 728
Impairment of goodwill	0	0	91 445
Other income	9 026	10 170	5 490
Other expenses	5 469	3 774	8 322
Operating profit (loss)	**116 400**	**112 353**	**(98 745)**
Financial income	10 252	2 998	1 979
Financial expenses	(28 364)	(62 242)	(47 767)
Net financial expenses	**(18 112)**	**(59 244)**	**(45 788)**
Share of profit (loss) of associates	996	(627)	189
Profit (loss) before income tax	**99 284**	**52 482**	**(144 344)**
Income tax expense	(7 174)	(4 455)	(3 960)
Profit (loss) for the year from continuing operations	**92 110**	**48 027**	**(148 304)**
Loss for the year from discontinued operations	0	(2 046)	(40 710)
Profit (loss) for the year	**92 110**	**45 981**	**(189 014)**
Minority interests	439	19	0
Net profit (loss) for the financial period (*)	**91 671**	**45 962**	**(189 014)**

(*) Attributable to the equity shareholders of the parent company.

	As at 31 December		
Balance sheet data (audited), thousands of EEK	**2007**	**2008**	**2009**
Cash and cash equivalents	68 970	46 388	39 953
Trade and other receivables	165 828	166 649	120 136
Inventories	66 161	65 658	55 160
Other financial assets at fair value through profit or loss(*)	4 606	8 025	892
Total current assets	**305 565**	**286 720**	**216 141**
Assets of discontinued operations	**0**	**0**	**93 457**
Other non-current assets(*)	18 367	16 861	12 697
Property, plant and equipment	404 880	389 572	345 938
Intangible assets	1 023 419	1 013 379	821 613
Total assets	**1 752 231**	**1 706 532**	**1 489 846**
Borrowings	199 013	176 219	143 093
Trade and payables	240 703	281 911	283 668
Total current liabilities	**439 716**	**458 130**	**426 761**
Liabilities of discontinued operations	**0**	**0**	**17 231**
Borrowings	741 585	627 811	583 047
Other long term liabilities	88	163	28
Derivative instruments	0	9 555	13 993
Total non-current liabilities	**741 673**	**637 529**	**597 068**

Balance sheet data (audited), thousands of EEK	As at 31 December		
	2007	**2008**	**2009**
Total liabilities	**1 181 389**	**1 095 659**	**1 041 060**
Share capital	189 711	189 711	208 488
Share premium	183 495	183 495	192 883
Reserves	10 222	4 125	(313)
Retained earnings	185 981	231 899	45 805
Currency translation reserve	480	1 355	1 635
Total capital and reserves attributable to equity holders of the Parent company	**569 889**	**610 585**	**448 498**
Minority interest	953	288	288
Total liabilities and equity	**1 752 231**	**1 706 532**	**1 489 846**

(*) Include non-current trade and other receivables, investment in associates, investment property.

Cash flow data (audited), thousands of EEK	Year ended 31 December		
	2007	**2008**	**2009**
Cash flow from operating activities from continuing operations	97 609	105 514	69 663
Net cash generated from operating activities from discontinued operations	0	(516)	(1 235)
Cash flow used in investing activities from continuing operations	(926 169)	(27 040)	(4 069)
Net cash generated from investing activities from discontinued operations	0	616	1 518
Cash flow from financing activities from continuing operations	846 429	(101 127)	(72 312)
Net cash used in financing activities from discontinued operations	0	(29)	0

Ratios and indicators (derived from audited information)	Year ended 31 December		
	2007	**2008**	**2009**
Number of shares	18 971 081	18 971 081	20 848 841
Earnings per share (EPS), EEK	5.0	2.42	(9.09)
EBITDA[1)] EEK ´000	156 212	171 409	51 506
EBITDA margin, %[2)]	13.6	13.7	5.2
Operating profit margin, %[3)]	10.0	9.0	(10.0)
Return on assets (ROA), %[5)]	8.0	3.0	(12.0)
Return on equity (ROE), %[6)]	21.0	8.0	(32.0)
Equity ratio, %	33.0	36.0	30.0

Calculation of Financial Ratios

1) EBITDA — Earnings before interest, taxes, depreciation and amortisation. EBITDA is included here as a supplemental item, because we believe that EBITDA, when considered in connection with cash flows from operating, investing and financing activities, may provide useful information. EBITDA is not a measure of operating performance calculated in accordance with IFRS and should not be considered as a substitute for operating profit, net income, cash flow from operations or other profit or loss or cash flow data determined in accordance with IFRS. EBITDA might not be comparable with similar ratios published by other companies.

2) EBITDA margin — EBITDA / Revenue. EBITDA margin measures the relationship between different measures of profitability and revenue providing information about a company's profitability from the operations of its business and are independent of the company's financing and tax position and depreciation related estimate.

3) Operating profit margin — Operating profit / Revenue. Operating profit margin measures the relationship between different measures of profitability and revenue providing information

	about a company's profitability from the operations of its business and are independent of both the company's financing and tax position.
4) Return on assets (ROA)	Net profit / Total assets. Return on assets compares income with total assets (i) measuring management's ability and efficiency in using the firm's assets to generate profits and (ii) reporting the total return accruing to all providers of capital (debt and equity), independent of the source of capital.
5) Return on equity (ROE)	Net profit / Shareholders' equity. Return on equity excludes debt in the denominator and uses either pre-tax income or net income.
6) Equity ratio	(Equity + minority interest) / Total assets. Equity ratio is a measure of financial leverage providing analysis of a company's capital structure.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE GROUP'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the financial statements of the Company, including the notes thereto, and the information presented elsewhere in this Prospectus. The financial information for the years ended 31 December 2007, 2008 and 2009 was prepared in accordance with IFRS as adopted by the European Union (IFRS). The analyses below are based on the financial information prepared in accordance with IFRS.

Overview

Set forth below is a discussion of the primary sources of revenue and operational expenses of the Group for the financial years ended 31 December 2007, 2008 and 2009 respectively. In accordance with IFRS, the Group consolidates its subsidiaries and includes the revenues, costs and financial information of each joint venture in proportion to the Group's holding in such a joint venture. Accordingly, references to the financial information of the Group in this section include a proportion of financial information on the joint ventures.

Basis of presentation

For the purposes of this section, the Group is defined as a consolidated group as defined by IFRS. Please refer to the consolidated audited financial statements of the Group for further clarification.

The Group operates primarily in three business segments. The analysis of those segments is provided in the notes to the annual consolidated report for the period of 2007-2009.

The information provided in the above mentioned reports may differ somewhat from the categorisation of the business areas as described in this Prospectus.

Factors Affecting Results of Operations

Advertising rates and customers

Advertising sales revenue depends on the overall level of competition in the market, macroeconomic conditions, number of customers, purchased advertising space, rates charged and discounts provided. The results are also dependent on the qualification and experience of the sales personnel.

Advertising revenue of the Group is derived mostly from sales of advertising space in print media. The share of advertising sold in online media has experienced steady growth in recent years.

The Group's advertising revenue is dependent on the skills of its sales team, which is responsible for attracting new customers and selling the Group's products and services.

In 2008 and 2009 advertising revenues decreased significantly because of economic nose dive in the Baltic States which was accelerated by the global economic downturn.

Printing expenses

Direct costs make up the largest part of total operational costs of the Group's printing operations.

According to the terms of printing contracts, the cost of printing is generally subject to adjustment in accordance with significant movements in the price of raw materials used in printing. As the Group does not hedge its exposure to printing cost increases, any significant increase in the raw materials will likely result in an increase in the printing costs for the Group and thus may adversely affect its results of operations.

Distribution arrangements

The majority of the newspapers and magazines published by the Group in Estonia are distributed by Express Post, an affiliate of the Company. Deliveries of the Eesti Ekspress directories and periodicals to remote areas are either made by Eesti Post, a state owned postal service provider, or other distribution companies. The Lithuanian magazines of the Group are distributed by the Lithuanian state postal service Lietuvos Paštas, or by regional newspaper publishers.

Since most of the print media in Estonia is distributed by Express Post and the state postal service in Lithuania, the Management believes that the increase in the cost of labour is the only factor which can affect the cost of such services.

Seasonality

The Group's advertising revenues are subject to significant seasonal fluctuations, with advertising revenue being at its highest level during the second and fourth quarters. Revenue from sales of advertising services is recognised as income in the period in which the advertising is published.

Foreign exchange fluctuations

The Group is exposed to foreign exchange fluctuations mainly in its printing services business segment, as most of its payments for the paper used in the production are made in either euros or U.S. dollars. The revenue from this business segment is also frequently denominated in euros or U.S. dollars. Regardless of the contractual terms and matching currency items, significant exchange rate movements may have a material adverse effect on the results of operations and financial condition of the Group.

Overview by segments

The Company continues to focus on its three principal segments: online media, publishing, printing services. The Group also operated in book sales and information services segments, but exited the segments in early 2010. In addition to Delfi, the online media segment includes the web publications of AS Eesti Päevaleht, SL Õhtuleht AS, and AS Maaleht; the automobile, real estate and employment web environments of AS Eesti Ajalehed, real estate and employment web environments, and Latvian and Lithuanian automobile portals. All web environments to be set up in the future are also included in the online media segment.

Online media segment

Online media segment includes Delfi operations in Estonia, Latvia, Lithuania and Ukraine. It also includes online operations of Eesti Päevalehe AS, AS Eesti Ajalehed (Maaleht and Eesti Ekspress), AS SL Õhtuleht.

List of newssites owned by Ekspress Grupp

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

The strategy of the Group is to have single platform mass media newsportal in all markets it operates. The Group is using Delfi brand for those operations. In Estonia the Group has historically several other large newsportals that are managed by newspapers the Group owns and using the same brand name as those newspapers. Still, the Group is gradually moving all those sites to Delfi platform.

Under the Delfi there is a number of sub brands and special interest portals (science, women, sports, weekend information, games, etc). Delfi and other Group portals do extensive cross-marketing. Still this is mainly in the form of passive linking and the management sees here a lot of possibilities to promote portals even more.

The intent of the management is to keep fixed costs as low as possible and not to have large editorial staff. The portals are encouraging their users to supply content, but they also have agreements with other newsproducers to use their content. So the main focus of the editorial staffs is not so much to generate original newsstories, but to select stories from other sources, amplify and comment those.

This approach has allowed to reach good operational margins when the advertising market was good. Delfi established quickly itself among the mass media channels in Estonia, Latvia and Lithuania. This granted that all major advertisers could hardly avoid Delfi in their campaigns.

The economic recession and advertising market decline hit Delfi and other portals hard. There are very few large companies who still do large scale mass advertising campaigns. Most of the companies look for very low budget solutions. Internet, including Delfi and other Group's portals are good solution for this. But the advertisers expect large discounts or go for niche marketing on special target sub-sites or look for keyword based advertising. Delfi and other sites have solutions for those needs, but still the revenues from those services are not so big as from display image advertising.

Revenues	**Year ended 31 December**		
(EEK, thousand)	**2007**	**2008**	**2009**
Delfi Estonia	21 983	60 712	34 533
Delfi Latvia	18 024	46 556	28 058
Delfi Lithuania	17 566	55 731	45 156
Delfi Ukraine	0	51	44
Other	6 833	15 957	11 146
Inter-segment eliminations	(5 936)	(16 523)	(645)
TOTAL	**58 470**	**162 484**	**118 292**

EBITDA	**Year ended 31 December**		
(EEK, thousand)	**2007**	**2008**	**2009**
Delfi Estonia	8 160	28 847	2 175
Delfi Latvia	6 608	12 583	(2 611)
Delfi Lithuania	4 343	11 206	1 440
Delfi Ukraine	0	(2 237)	(5 279)
Other	1 004	(6 562)	(2 778)
Inter-segment eliminations	(698)	(14 112)	150
TOTAL	**19 417**	**29 725**	**(6 903)**

Publishing segment

The publishing segment includes newspaper and magazine publishing of Eesti Päevalehe AS, AS Eesti Ajalehed (Maaleht and Eesti Ekspress), AS SL Õhtuleht, AS Linnaleht, UAB Express Leidyba and AS Ajakirjade Kirjastus.

All newspaper and magazine publishing units (except AS Linnaleht) of Ekspress Grupp are also publishing books.

The publishing segment was seriously affected in 2009 by economic recession. Both the circulation and advertising revenues were in decline. The newspaper circulation market declined 15 per cent and advertising market 42 per cent.

The Group publishing units responded to the trend with different classical countermeasures like cutting labor costs and reducing the number of pages. The Group also decided to merge Maaleht and Eesti Ekspress to one company – AS Eesti Ajalehed. This allowed to cut management costs and gain more synergy in advertising sales.

In September Ajakirjade Kirjastus merged magazines Anne and Stiil to a new title Anne&Stiil.

In January 2009 Ekspress Leidyba closed life style magazine Sveika! and in June sold crossword titles.

There were also a number of creative actions:

- Eesti Päevaleht launched a successful historical novel series of 50 books with cheap price and allowed just the subscribers to buy the books. It supported the circulation, but also generated good profits from book sales.
- Eesti Päevaleht launched e-shop that already from third month started to generate profits. A number of advertisers joined the project and share the revenues with Eesti Päevaleht.
- In February Maaleht changed its layout. Now it is more colorful and modern.
- In October Eesti Ekspress celebrated its 20th birthday and in connection to this launched a subscription promotion campaign. The campaign attracted over 4 000 new subscribers that is more than 10 per cent of subscription base.
- In November Eesti Ajalehed AS started a new periodical publication "Who is who".
- In 4Q2009 Õhtuleht started a new real estate advertising supplement.
- In 4Q2009 Ajakirjade Kirjastus started 2 new titles: "Käsityö" for Finnish market and Tvojo TV for Estonian Russian speaking market.
- In December 2009 Ajakirjade Kirjastus had subscription promotion campaign that attracted almost 13 000 new subscribers.

Publishing segment also includes periodicals distribution activities. Those activities are concentrated to AS Express Post where Ekspress Grupp ownership is 50 per cent.

2009 was the best ever year for Express Post. Both the business results and the delivery accuracy were better than in previous years. The growth engine has been direct mailing to clients, since because of recession many advertisers switched from display and print advertising to direct mail. In April 2009 Estonian regular mail market was also opened for competition and Express Post entered this business.

Revenues	**Year ended 31 December**		
(EEK, thousand)	**2007**	**2008**	**2009**
Eesti Päevalehe AS (*)	87 883	83 146	63 155
Eesti Ajalehed AS	143 101	130 011	88 530
AS Maaleht	19 169	56 922	36 645
SL Õhtuleht AS (*)	78 820	71 632	57 199
AS Ajakirjade Kirjastus (*)	114 839	110 836	75 147
UAB Ekspress Leidyba	67 692	80 529	55 216
AS Express Post (*)	36 067	40 901	39 590
Inter-segment eliminations	(16 611)	(20 772)	(19 224)
TOTAL	**530 960**	**553 205**	**396 258**

(*) Proportional part from affiliates

EBITDA (EEK, thousand)	Year ended 31 December		
	2007	**2008**	**2009**
Eesti Päevalehe AS [(*)]	3 836	4 497	(1 108)
Eesti Ajalehed AS	26 707	25 415	1 466
AS Maaleht	1 517	4 819	1 955
SL Õhtuleht AS [(*)]	16 104	12 724	7 853
AS Ajakirjade Kirjastus [(*)]	10 677	6 966	364
UAB Ekspress Leidyba	(216)	1 892	2 284
AS Express Post [(*)]	2 374	2 977	4 814
Inter-segment eliminations	(326)	(123)	(7 248)
TOTAL	**60 673**	**59 167**	**10 380**

[(*)] Proportional part from affiliates

The newspaper and magazine publishing is relatively low margin and high volume business. The conventional business model is to use low subscription rates and single copy sale price to reach large volumes and then sell advertising to those mass media products. The main variable costs are printing and distribution. The main fixed costs are the salaries of editorial staff.

2007 and 2008 were good for business, because market was booming and good advertising sales generated good profits. Starting from second half of 2008 the advertising revenues started to decline. The newspapers reacted to this first by reducing the number of printed pages. This helped to reduce variable printing costs and also to some extent distribution costs. By the end of the year also salaries were reduced in most of the companies by approximately 10 per cent.

In 2009 the advertising revenues declined even more and the newspaper companies could not cover the deficit any more by reducing the number of printed pages. It was time to reduce the staff in editorial offices. The process in Group companies started in 2009 and will continue in 2010. Along with this the publishing segment companies had to redesign their products. Less pages means that the classical division of the newspapers and magazines to many sections is not necessary and useful. Eesti Ekspress for example was redesigned according to this need in March 2010 and the cost effect was achieved. Also many non-core supplements were terminated and several titles or businesses were merged (Eesti Ekspress and Maaleht to one company; magazines Anne and Stiil to single title).

The book publishing is generally high margin low volume business. A book that sells 1 500 copies in Estonia, is already considered to be a very popular book. So the market is pricing the books based on the assumption that break-even is on the level of 1 000 copies or less. All of the Group companies involved in book publishing are able to outperform the market and sales per title are higher than the market average. The competitive advantage of the Group is the possibility to advertise the books more extensively than regular book publishers. The Group companies also have large customer base and can do direct sales of its books.

Eesti Päevaleht has actively and successfully testing the low margin book market. This has been done in the form of book series where the books cost 2.5 times less that the regular books in the bookstores. The book market is price sensitive and the Päevaleht experience tells that the volumes can go up even more than 10 times. The key to this business is extensive initial marketing investment (free gift book to all series subscribers, a lot of display advertising in mass media, point-of-sale marketing costs, etc).

If the recession affected newspaper and magazine publishing seriously, then the book publishing operations of the Group were able to adjust to market change and are still generating good profits.

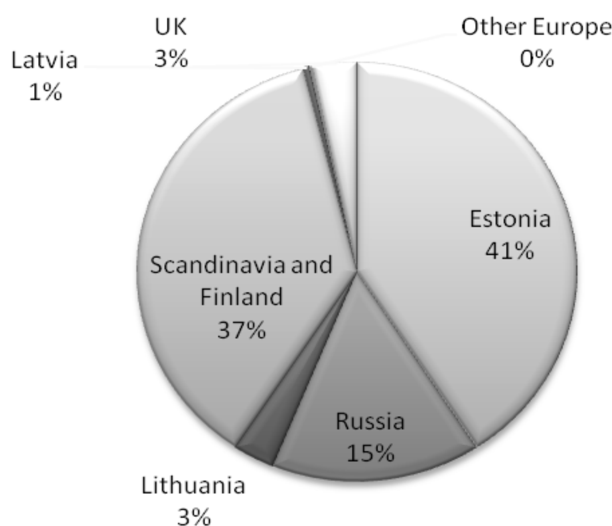
Printing Service Segment

All the printing services of Ekspress Grupp are concentrated to AS Printall. Printall is the largest printing company in Estonia. Printall is able to print both newspapers (coldest) and magazines (heatset).

Revenues	Year ended 31 December		
(EEK, thousand)	2007	2008	2009
AS Printall	385 787	422 997	355 125

EBITDA	Year ended 31 December		
(EEK, thousand)	2007	2008	2009
AS Printall	69 924	88 402	59 554

Printing revenue split, geographical



Printall has managed to maintain a relatively stable customer base including approximately 300 customers in total. In 2009 63 clients generated 80 per cent of the revenues. The most important customers are: in Estonia Ajakirjade Kirjastus, Eesti Päevaleht and Eesti Ekspress; in Russia: Fishpress and Rovesnik; in Finland: Sanoma; in Sweden: Next world Sverige and Hjemmet Mortensen; in Norway: Symbolon Forlag.

Printall has exported printing services for almost ten years. It provides printing services for customers in Russia, Finland, Sweden, Norway, the Netherlands, United Kingdom, Latvia and Lithuania.

The share of exports in revenues in 2009 was 59.2 per cent. The sales to Russia decreased by 30.1 per cent and sales to Western Europe increased by 20.6 per cent compared to 2008. Starting from March 2009 Printall is also printing all the magazines Ekspress Grupp is publishing in Lithuania.

Printing is a business that needs extensive investments and has large fixed costs (depreciation of the machinery and salaries). Still as Printall is positioned in large volume printing segment the relative share of overheads is small in total costs. This has allowd for Printall to be flexible in pricing its services and still generate good profits at the times of recession.

An important aspect is that Printall can print newspapers and magazines and is able to provide a wide range of after print services. This means that Printall is able to meet the demands of very wide range of customers.

Sold business entities

In 2009, the Company sold AS Ekspress Hotline (information services) together with its subsidiaries at the price EEK 75.2 million. The transaction was closed on 25 February 2010. In February 2010, AS Rahva Raamat (book sales) was sold at the price EEK 33 million. Management expects that the sale of AS Ekspress Hotline and AS Rahva Raamat to have no significant influence on future business results of the Company. Both have had rather low profit margins.

The results of AS Ekspress Hotline are reflected in only in the financial statements of 2007. In the financial statements of 2008 and 2009, the results of AS Ekspress Hotline are reflected as discontinued operations.

(EEK, thousand)	Year ended 31 December 2007
Sales	66 350
Expenses	58 045
Profit from discontinued operations	8 305
Currency translation reserve	143
EBITDA	**607**
Operating profit	**(847)**

The results of AS Rahva Raamat are reflected in the financial statements of 2007, 2008 and 2009 as follows:

	Year ended 31 December		
(EEK, thousand)	2007	2008	2009
Sales	187 800	207 790	188 571
Expenses	181 881	203 575	189 908
Profit from discontinued operations	5 919	4 215	(1 337)
EBITDA	**8 649**	**7 176**	**3 422**
Operating profit	**6 066**	**4 247**	**(1 329)**

Year Ended 31 December 2009 Compared to Year Ended 31 December 2008

The consolidated sales revenue of Ekspress Grupp decreased by 21.6 per cent in the year 2009 to EEK 983.5 million (EUR 62.9 million). Earnings before interest, taxes, depreciation, and amortization (EBITDA) decreased by 70 per cent compared to the last year to EEK 51.5 million (EUR 3.3 million).

The decline of sales and EBITDA was caused by the decline in advertising revenue relating to the economic recession. Operating profit (EBIT) decreased by 187.9 per cent compared to the last year to EEK minus 98.7 million (EUR -6.3 million). Decrease of EBIT in 2009 is caused by lower sales and inability to cut rather rigid fixed costs accordingly. Net profit decreased by 511 per cent compared to the last year to EEK minus 189 million (EUR -12.1 million).

Decrease of net profit in 2009 is, in addition to the events affecting EBIT, caused by an increase in interest expenses. Goodwill of Delfi Group was written down in the amount of EEK 91.4 million in 2009.

Key figures characterising the activities of Ekspress Group in 2009

- Sales revenue EEK 983.5 million (EUR 62.9 million), year-over-year growth -22 per cent.
- Gross profit EEK 165.7 million (EUR 10.6 million), year-over-year growth -45 per cent.
- EBITDA EEK 51.5 million (EUR 3.3 million), year-over-year growth -70 per cent.
- EBIT EEK -98.7 million (EUR -6.3 million), year-over-year change -188 per cent.
- Net profit EEK -189 million (EUR -12.1 million), year-over-year change -511 per cent.

Highlights of 2009

Management

- From September 2009 the Company has a new management team: Gunnar Kobin, Andre Veskimeister and Erle Oolup.

- In December 2009 Sven Nuutmann was appointed as chairman and CEO of Delfi Group.

Financial

- In October 2009 the Management opened discussions with banks syndicate to restructure the debt of Ekspress Grupp. The agreement was reached and signed in February 2010.

Operations

- In October 2009 AS Maaleht and Eesti Ekspressi Kirjastuse AS were merged to a company AS Eesti Ajalehed

- Most of the advertising portals of the Group were structured under the Delfi companies. Only job portal www.hyppelaud.ee remained under Eesti Päevalehe AS and www.ekspressjob.ee remained under AS Eesti Ajalehed.

- It was decided to exit information services business and the process of the sale of AS Ekspress Hotline was started. The transaction was completed in February 2010.

- The Company decided to exit book sales business and the process of the sale of AS Rahva Raamat was started. The transaction was completed in February 2010.

- In April 2009 regular mail business in Estonia was opened to competition. AS Express Post started immediately to deliver the service and to compete with AS Eesti Post.

Employees

As at the end of December 2009, Ekspress Group employed 2 037 people (2008: 2 393 people). The average number of employees in 2009 was 2 115 (2008: 2 375). In 2009, the personnel costs of the Ekspress Group totaled EEK 321.5 million, (2008: EEK 361.6 million).

Liquidity and Capital Resources

The following table outlines the Group's equity and balances of interest-bearing liabilities as at 31 December 2007, 2008 and 2009.

	As at 31 December		
(EEK, ´000)	**2007**	**2008**	**2009**
Equity	570 842	610 873	448 786
Interest-bearing liabilities	940 598	804 030	726 140

Source: the Company

Interest-bearing liabilities and operating cash flows have been the main sources of financing over the past three years.

Operating cash flows

The cash flows of the Group are calculated using the indirect method. Accordingly, cash flows from continuing operations is arrived at by adjusting operating profit for depreciation, amortisation charges and impairment, profit (loss) on sale and writedowns of operating assets, changes in working capital and interest and income tax expenses.

Cash flows from operating activities were EEK 97.6 million for the year ended 31 December 2007, EEK 105.0 million for the year ended 31 December 2008 and EEK 68.4 million for the year ended 31 December 2009.

In 2009 the receivables related to operating activities decreased by EEK 40.8 million and payables increased by EEK 21.2 million. The decrease in receivables was caused by smaller sales and increase of payables was caused by longer payment terms.

Inventories in 2009 decreased by EEK 7.0 million. The decrease in inventories was mainly caused by a decrease in the paper reserves of both AS Rahva Raamat and AS Printall in connection with the decreased sales.

In 2009 interest payment decreased by EEK 12.3 million in connection with EURIBOR decrease.

In 2009 operating profits were by EEK 211.1 million lower than in 2008, because sales has decreased in all the Group's companies, but the fixed costs were more rigid and goodwill of Delfi Group was written down in the amount of EEK 91.4 million.

Equity

On 5 April 2007, the Company's share capital was increased via an initial public offering of shares by EEK 24 479 000 (EUR 1 564 000) by issuing 2 447 881 new shares with the nominal value of 10 kroons (0.64 euros) each. The new shares were subscribed during the initial public offering of the Company's shares where the final offer price was set at 92.30 kroons (5.90 euros). Thus, after the deduction of the issue costs of EEK 17 996 000 (EUR 1 150 154), the Company recevived a share premium of EEK 183 495 000 (EUR 11 727 000). Following the share capital increase, the share capital of the Company was EEK 189 711 000 (EUR 12 125), divided into 18 971 081 shares with the nominal value of 10 kroons (0.64 euros) each.

According to the Articles of Association, the authorised maximum share capital is EEK 400 000 000 (EUR 25 564 659).

On the Extraordinary General Meeting of Shareholders held on 21 January 2008, it was decided to add a provision to the Articles of Association of AS Ekspress Grupp granting the Supervisory Council the right to increase the share capital of the Company in the period from 22 January 2008 to 21 January 2011 by up to 470 000 shares. On 12 March 2008 and 4 April 2008, agreements of stock call option were concluded with certain members of the Management of the Group and its subsidiaries included in the option program, which agreements have all been terminated by the date of this Prospectus. As a result, the Company has no issued and outstanding option rights. As at the date of this Prospectus such agreements are terminated.

In the Annual General Meeting of Shareholders held on 14 May 2008, the Management Board was given the authorisation to buy up to 160 000 own shares with a price for one share not being higher than the highest price paid for Ekspress Grupp share on the NASDAQ OMX Tallinn on the same day. The Management Board had right to dispose own shares within one year after the resolution of the General Meeting was adopted.

The Extraordinary General Meeting of Shareholders held on 12 December 2008 decided to increase the share capital of the Company to EEK 18 777 600 (EUR 1 200 107) with supplementary contributions by issuing 1 877 760 new shares with the par value of 10 kroons (0.64 euros) per share. The new shares were

issued with a share premium in the amount of 5 kroons (0.32 euros) per share. For one share in total 15 kroons (0.96 euros) was paid. The new amount of share capital became EEK 208 488 410 (EUR 13 324 838). The maturity date of the subscription and payment for new shares was 12 January 2009. The increase of the said share capital is not included in the Group's balance sheet as at 31 December 2008.

As at12 January 2009 the share issue was precisely subscribed and EEK 28.2 million (EUR 1.8 million) was paid for the new shares. Subscribers were HHL Rühm OÜ with 1 393 575 shares, ING Luxembourg with 432 025 shares and AS SEB with 52 160 shares. The share capital of Ekspress Grupp increased from EEK 189 710 810 (EUR 12 124 731) to EEK 208 488 410 (EUR 13 324 838).

Working capital

Management believes that, considering the current state of the Group's assets and financial resources, the Group's working capital is sufficient to meet all the liabilities arising as a result of the ongoing operations in the next 12 months after the date of this Prospectus.

Capital expenditure

Printall is the only Group company with a substantial asset base. The other three key segments of the Group are involved in publishing, online media and delivery services, and are much less capital-intensive.

The capital expenditure of Printall during the period from 1 January 2007 to 31 December 2009 represents most of the total capital purchases by the Group.

Over the period from 1 January 2007 to 31 December 2009, the gross amount of capital expenditure by Printall equalled EEK 127.7 million. The investments were mainly made to the purchase of the printing press Rotoman in the amount of EEK 74 million in 2007.

	Year ended 31 December		
(EEK, ´000)	**2007**	**2008**	**2009**
Property, plant and equipment acquisitions	138 792	29 141	8 657

Bank loans and borrowings

	As at 31 December		
(EEK, ´000)	**2007**	**2008**	**2009**
Bank overdraft	79 060	32 072	39 909
Short-term bank loans	0	0	8 222
Long-term bank loans	692 773	632 166	574 078
Finance lease	168 765	139 792	103 931
Total	**940 598**	**804 030**	**726 140**
total short term liabilities	199 013	176 219	143 093
total long term liabilities	741 585	627 811	583 047

The repayment obligations of the Group's bank loans outstanding as at 31 December 2009 divide between future periods as follows:

(EEK, ´000)	**Within one year**	**1-5 years**	**over 5 years**	**Total**
Bank loans	143 093	583 047	-	726 140

The Group has three primary sources of loan financing to fund its operations. Bank loans (including overdraft agreements) and capital lease arrangements on aggregate made up approximately 93.0 to 98.4 per cent of the total loan financing during the period from January 2007 to December 2009 of which bank loans were 76.8 to 81.4 per cent and financial leases were 13.6 to 17.7 per cent. From January 2007 to

Decemer 2009, other interest bearing liabilities consisted of 45 per cent of the loans received from joint ventures to Printall and represented 1.6-7.0 per cent of the total interest bearing balances.

For the periods ended 31 December 2007, 31 December 2008 and 31 December 2009, the total interest bearing obligations balances recorded were EEK 955.6 million, EEK 865.0 million and EEK 764.4 million, respectively.

Financial year ended 31 December 2009

In 2009 the Group decreased its interest bearing liabilities by EEK 100.6 million or 11.6 per cent as compared to the balance outstanding at 31 December 2008.

As at the end of December, the Group's long-term borrowings totalled EEK 583 million, decreasing by EEK 44.8 million year-over-year. Of the long-term borrowings, bank loans constitute EEK 517.7 million and the finance lease liability is EEK 65.3 million. Of the long-term borrowings, the non-current portion of the loan taken by Ekspress Group from the syndicate of SEB Pank, Sampo Pank (currently Danske Bank A/S Estonian branch) and Nordea Pank (currently Nordea Bank Finland Plc Estonian branch) in the amount of EEK 674.4 million is the most remarkable financial liability of the Company. As at 31 December 2009 the total outstanding balance of this loan was EEK 526.9 million. In 2009 the Group paid off the syndicate loan in the amount of EEK 47.7 million.

Property, plant and equipment stood at EEK 345.9 million as at the end of December 2009, decreasing by 11.2 per cent year-over-year. As at the end of December, the Group's intangible assets totalled EEK 821.6 million, decreasing by 18.9 per cent year-over-year. Of intangible assets, EEK 720.9 million was related to the carrying amount of trademarks, customer relations and software as well as goodwill which arose in the acquisition of Delfi. Investment property decreased by EEK 6.0 million due to the reclassification of discontinued operations investment property and the revaluation of investment property of Printall as at 31 December 2009.

The fair value of Printall investment property (carrying amount EEK 6 360 thousand as at 31 December 2009, EEK 9 000 thousand as at 31 December 2008) was valued at the balance sheet date by a professional appraiser. The fair value was determined by the sales comparison method as at 31 December 2009. As at 31 December 2008 the value was determined by reference to a prospectively agreed sales price.

Financial year ended 31 December 2008

The total balance of interest bearing obligations of the Group as at 31 December 2008 was EEK 804.0 million, representing decrease of approximately EEK 136.6 million or 14.5 per cent compared to 31 December 2007.

As at the end of December 2008, the Group's long-term borrowings totaled EEK 627.8 million, decreasing by EEK 113.8 million year-over-year or 15 per cent. Of the long-term borrowings, bank loans constitute EEK 524.3 million and the finance lease liability was EEK 103.5 million. Of the long-term loans, the non-current portion of the loan taken by Ekspress Group from the syndicate of SEB Pank, Sampo Pank (currently Danske Bank A/S Estonian branch) and Nordea Pank (Nordea Bank Finland Plc Estonian branch) in the amount of EEK 674.4 million was as at 31 December 2008 EEK 476.9 million. The total outstanding balance of this loan as at 31 December 2008 was EEK 574.1 million.

Property, plant and equipment stood at EEK 389.6 million as at year-end, decreasing by 4 per cent year-over-year. As at the year-end, intangible assets were EEK 1 013.4 million, decreasing by 1 per cent year-over-year. Of intangible assets, EEK 822.3 million was related to the carrying value of trademarks, customer relations and software as well as goodwill which arose in the acquisition of Delfi. Investment property increased due to the reclassification of the 6859 m^2 unimproved land plot of Printall to the investment property with the market value of EEK 9.0 million as at 31 December 2008.

Financial year ended 31 December 2007

The financial year ended 31 December 2007 was a year of significant investments for the Group in buildings, equipment and business combinations. The Group invested a total of EEK 1 065.1 million during the period, EEK 177.8 million of which was invested at Printall, EEK 843.7 million invested at Delfi and EEK 43.6 million in other operations. Out of the total investment into Printall, approximately EEK 177.8 million was invested into premises and equipment. Other companies invested EEK 8.1 million into other equipment and EEK 12.8 million into prepayments for fixed assets.

As at the end of December, the Group's long-term borrowings reached EEK 741.6 million, increasing by 6.2 times in a year. Of the long-term borrowings, bank loans total EEK 606.6 million and finance lease payables totaled EEK 134.9 million. Of the bank loans, EEK 548.8 million was related to the loan from the syndicate of SEB Pank, Danske Bank A/S Estonian branch and Nordea Bank Finland Plc Estonian branch for financing the acquisition of Delfi and Maaleht.

The purchase of Delfi in the summer of 2007 can be mentioned as a good example of expansion of the business activities. As a result of that transaction, Ekspress Group became the largest company acting in the field of online media in the Baltic states. Internet is becoming an ever more important advertising channel. That trend is proved by the growth rate and financial performance of Delfi. Since September 2007, the sales revenue of Delfi, which was included in Ekspress Group in 3Q2007, in the last four months, was EEK 51.7 million and EBITDA was EEK 18.7 million, the annual growth rates were 45 per cent and 63 per cent, respectively.

The purchase of weekly Maaleht, Estonia's second largest by volume in the summer of 2007 enabled the Group to expand the target group of its readers, also to further increase the sales and profit of the Group.

Another important event in 2007 was the purchase of magazine printing machine Rotoman which was put in operation in October and which made Ekspress Group the owner of the most modern printing house in Estonia

As at the year-end, property, plant and equipment stood at EEK 404.9, increasing by 40 per cent in a year. A major part of the growth of property, plant and equipment was attributable to the cost of the new printing press acquired by Printall in the amount of EEK 81.6 million. As at the end of December, intangible assets stood at EEK 1 023.4 million, increasing by 6.4 times in a year. Of the growth of intangible assets, EEK 832.3 million was attributable to the book value of trademarks, customer relations and software of the Delfi Group as well as goodwill which arose in the acquisitions. The net book value of the trademark and the goodwill which arose in the acquisition of Maaleht amounted to EEK 39.6 million.

Off-Balance Sheet Arrangements

On 30 September 2009, the Company and Nordea Bank Finland Plc entered into a loan agreement with a limit of EUR 0.96 million (EEK 15 million). The overdraft interest rate is 3.5 per cent + 1 month EURIBOR and the maturity term is 30 March 2010.

On 1 October 2009, the Company and Danske Bank A/S Estonia branch (previously AS Sampo Pank) entered into an overdraft agreement, according to which the overdraft wait is EUR 0.96 million (EEK 15 million). The overdraft interest rate is 3.5 per cent + 6 month EURIBOR and the maturity term is 31 March 2010.

On 19 October 2009, the Company and AS SEB Pank entered into an overdraft agreement with a limit of EUR 0.96 million (EEK 15 million). The overdraft interest rate is 3.5 per cent + 1 month EURIBOR and the maturity term is 20 April 2010.

A loan agreement of AS Printall (borrower) in the amount of EEK 75 million (EUR 4.8 million), with the term of 1 December 2013 is secured with a mortgage in the amount of EEK 100 million on registered immovable property located at Peterburi tee 64A, Tallinn (the carrying amount of the building as at 31

December 2009: EEK 71.8 million, the carrying amount of the land property EEK 6.4 million, the carrying amount of the investment property EEK 6.4 million. The outstanding loan balance as at 31 December 2009: EEK 47.2 million, 31 December 2008: EEK 58.1 million. Financial lease agreements contain, among others, certain conditions for ratios of the company with which the financial indicators of the company must comply.

Critical Accounting Policies

Revenue recognition

Revenue comprises of the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminated sales within the Group.

Sales of goods – wholesale

Sales of goods are recognised when a Group entity has delivered the products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured. Books, newspapers and magazines are often sold with a right to return. Accumulated experience is used to estimate and provide for such returns at the time of sale as a deduction from the sales. Revenue from classified directories mainly comprising advertising revenue is recognised in the income statement upon completion of delivery to the users of the directories.

Sales of goods – retail

Sales of goods are recognised when a group entity sells a product to the customer. The customer payments for the subscription of books, newspapers and magazines are apportioned according to the subscription period and recognised in income as the publication is issued. Customer prepayments for publications issued in future period are recorded as deferred income.

Sales of services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Revenue from sales and intermediation of media and advertising services is recognised as income at the same period when the advertising is published. Revenue from production of media and advertising services is recognised in income according to the percentage-of-completion method. The stage of completion is measured by reference to the relationship contract costs incurred for work performed to date bear to the estimated total costs for the contract. When the outcome of a service contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable those costs will be recoverable. When it is not probable that the costs incurred will be recovered, revenue is not recognised. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The revenue from quarterly, semi-annual and annual advertising packages sold is recognised in income linearly over the package duration. When progress billings up to the year-end exceed costs incurred plus recognised profits, the balance is shown as due to customers on service contracts, under other deferred income. Where costs incurred and recognised profits exceed progress billings up to the year-end, the balance is shown as due from customers on construction contracts, under accrued income.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at 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.

Corporate income tax

According to current legislation, the profits of Estonian companies are not taxed, therefore deferred income tax claims or liabilities do not exist. Instead of profits, Estonia taxes dividends paid out from undistributed profits at a rate of 21/79. The corporate tax resulting from the payment of dividends is recognised as an income tax expense in the same period as the dividends are declared regardless of for which period the dividends are declared or when they are actually paid out.

No provision is established for income tax payable on a dividend distribution before the dividend has been declared but information on the contingent liability is disclosed in the notes to the consolidated financial statements.

Income tax of the companies registered in Latvia

Companies registered in Latvia shall pay corporate income tax on their worldwide income. The Latvian corporate tax rate is 15 per cent. The taxable income shall be calculated on the basis of the profit-loss statement, which shall be adjusted in accordance with the applicable accounting and tax regulations, including for permanent and temporary differences.

Deferred tax is calculated using the liability method on all temporary differences arising between the tax bases of the assets and liabilities and their carrying value in the consolidated financial statements. However, deferred income tax is not accounted for to the extent it arises from the recognition of an asset or liability in a transaction, except when such a transaction is not a merger or other business combination which, at the time of the transaction, does not affect accounting, taxable profit or taxable loss. Assets and liabilities subject to deferred tax shall be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on such tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Assets subject to deferred income tax are recognised in the financial statements to the extent that it is probable that they will generate future taxable profits against which the temporary differences can be utilised. Income tax is deferred on temporary differences arising from investments in subsidiaries and associates, except in situations where the timing of the reversal of the temporary difference is in the group's control and it is probable that the temporary difference will not be reversed in the foreseeable future.

Income tax of the companies registered in Lithuania

Lithuanian tax laws provide that profit before taxes is adjusted for permanent and temporary differences. The Lithuanian basic corporate tax rate was 15 per cent in 2008 and it is 20 per cent in 2009, however, corporate tax rate in 2010 is 15 per cent. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying value in the consolidated financial statements. However, deferred income tax is not accounted for to the extent it arises from the initial recognition of an asset or liability in a transaction, except when such a transaction is not a merger or other business combination which, at the time of the transaction, does not affect accounting, taxable profit or taxable loss. Deferred income tax is calculated with those tax rates and in accordance with those tax laws that had been enacted or substantially enacted by the end of the financial year, and the same rules normally apply also to the capital gain realised when an asset subject to deferred income tax is sold or disposed of or the deferred income tax liability otherwise becomes payable or is settled.

Assets subject to deferred income tax are recognised to the extent that it is probable that they will generate future taxable profits against which the temporary differences can be utilised. Income tax is deferred on temporary differences arising from investments in subsidiaries and associates, except in situations where the timing of the reversal of the temporary difference is in the Group's control and it is not probable that the temporary difference will be reversed in the foreseeable future.

Income tax of the companies registered in Ukraine

Pursuant to the Ukrainian tax laws, income tax includes current and deferred tax. The Ukrainian income tax rate is 25 per cent. The deferred tax assets and liabilities are estimated under tax rates that are generally applied during the period of realisation of a corresponding taxed asset or the liquidation of tax obligation, with respect to the tax rates effective on respective accounting date.

Income tax is recognised in the earned surplus statement, except for assets directly reflected through the capital. In this case, the corresponding values of income tax are also subject to recording directly through the capital.

The deferred taxes are calculated according to the balance sheet liability method. The sum of such taxes reflects the net tax effect of temporary differences between balance sheet assets and liabilities for the preparation of financial statements and their cost, recognised for fiscal accounting. Deferred tax assets, including carrying over previous unused tax losses to future accounting periods, are only permitted, in case there is a probability that the future sums of taxable profits are sufficient for the realisation of assets under the deferred taxation. The deferred tax assets are subject to a reduction in case the option of a full or partial realisation, in the future profits, is terminated. Surtaxes on profit, which arise in connection with the distribution of dividends to the shareholders of company, are recognised as the liability together with the charge (recognition) of the corresponding sums of dividends at the time of their payment. Tax returns and payments are filed on a quarterly basis. Returns must be submitted within 40 days after the end of each quarter and the payment shall be made not later than 10 days after the date of submission.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgment in the process of applying the Group's accounting policies.

The preparation of the annual financial statements involves estimates made by the Management Board of the parent Company about circumstances that influence the Group's and the parent Company's assets and liabilities as at the balance sheet date, and about income received and expenses incurred during the financial year. These estimates are based upon up-to-date information about the state of the Group and take into consideration the Group's plans and risks as they stand at the date of the financial statements' preparation.

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 within the next financial year include allocating purchase price in business combinations, valuation of inventory, valuation of goodwill, determination of useful lives of property, plant and equipment, valuation of provisions, contingent liabilities and contingent assets.

- **Business combinations.** The Management has carried out the valuations and prepared purchase price allocation analysis in order to estimate the fair values in purchase price allocation considerations.

  The trademarks obtained in acquisitions of subsidiaries Ekspress Leidyba, Pieniu Pieva, Tavo Vaikas, Maaleht and Delfi have met the criteria for recognition as a separately identifiable asset acquired in a business combination given that these are registered trademarks in Estonia, Lithuania and Latvia respectively and are in continuous commercial use. As the trademarks are actively used and promoted

by AS Ekspress Grupp and the creation of such trademarks would require resources, a cost approach was selected to provide the most accurate measure of value. Thus, the cost approach method was used for valuation of the trademarks. A remaining useful life of 20 years has been assigned to the trademarks.

- **Valuation of Inventory.** 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. In determining the impairment of inventories, the sales potential as well as the net realizable value of finished goods is considered, upon valuation of raw materials and materials, their potential of usage in producing the finished goods and generating income is considered; upon valuation of work in progress, their stage of completion that can reliably be measured is considered.

  The recognition of publishing revenue includes the estimation to anticipated return rates. The anticipated return rates are based on Management estimate and historical data of return.

- **Valuation of Goodwill.** Goodwill is the excess of the cost of the acquisition over the fair value of the acquired net assets, reflecting the part of cost that was paid for the acquisition of such assets than cannot be separately identified and recognised. Goodwill as an intangible asset with an indefinite useful life is not amortised but it is tested for impairment at least once a year.

  Future expected cash flows based on the budgeted sales volumes in the Lithuanian, Estonian and Latvian market respectively have been taken into consideration in finding the recoverable amount of the investments. The future expected cash flows have been discounted using the expected rate of return. If the recoverable amount of the investment is lower than its carrying amount, an impairment loss is recorded to write down the investment to its recoverable amount. The recoverable values were found to be in excess of the carrying value. Goodwill of Delfi Group was written down in the amount of EEK 91.4 million in 2009.

  Estimates and judgments used in business combination evaluations are continually evaluated. If the actual results differ from the estimates, the respective adjustments will be made subsequently.

- **Property, plant and equipment**. Depreciation of property, plant and equipment is based on the historical acquisition value (purchase cost), with appropriate adjustment for impairment and taking into account the estimated useful life of various classes of assets. The Management has determined the estimated useful lives of the property, plant and equipment, taking into account the business conditions and volumes, historical experience in given fields 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.

  According to the estimates the useful lives for buildings is 20-30 years, depending on their structure and purpose. The useful life for manufacturing plant and equipment is 8-12 years, depending on the nature of specific assets and their purposes. The useful life of other machinery and equipment is 5-10 years depending on their usage. The useful life of other fixed assets and IT equipment is 3-5 years, depending on the nature of each asset and its purpose.

- **Valuation of provisions, contingent liabilities and contingent assets**. In estimating the probability of realisation of contingent assets and liabilities the Management is considering the historical experience, general information about the economical and social environment and the assumptions and conditions of the possible events in the future based on the best knowledge of the situation. There are no material provisions within the Group.

- The Group has receivables and loans extended to related parties. According to Management judgment these receivables and loans are not impaired and should not be provided for.

Financial Risk Management

Currency Fluctuation Impact

The Group's operating activities have an international dimension and therefore the Group is exposed to foreign exchange risks. Foreign exchange risk arises when the future business transactions or recognised assets or liabilities are fixed in a currency which is not a functional currency of the company. According to the policy established by the Group's management, the companies within the Group are required to manage their foreign exchange risk with regard to functional currency.

All group companies are required to use the euro as a currency unit in international agreements. Of foreign currencies, the Group's settlements in significant amounts are made in euros, to a smaller extent in Russian roubles, Swedish kronas, Lithuanian litas and Latvian lats, and in insignificant amounts in Ukrainian hryvnias. The average change of the Latvian lat exchange rate to Estonian kroon in 2009 was -0.25 per cent (2008: -0.35 per cent), Russian roubles exchange rate to Estonian kroon in 2009 -6.82 per cent (2008: -13.2 per cent) and Swedish kronas exchange rate to Estonian kroon in 2009 7.06 per cent (2008: -14.07 per cent). The exchange rate of euro and Lithuanian litas to Estonian kroon is fixed. Hence, the Group does not have any significant amounts exposed to foreign exchange risk. Therefore, the Group does not use derivatives for hedging the risk. The Group pays most of its suppliers of paper and other materials in euros, while the domestic suppliers and employees are paid in Estonian kroons, Lithuanian litas, Latvian lats and Ukrainian hryvnias.

The Group companies have changed their open foreign currency positions to minimum. In the judgment of the management of the Group, Ekspress Group does not have any significant currency risks.

Interest Rate Risk

Since the Group does not have any significant interest-bearing financial assets, the Group's income and cash flow of operating activities are substantially independent from changes in the interest rate occurring in the market.

Interest rate risk means that a change of the interest rate 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 interest rate risk of the Group is related to short-term and long-term debt obligations which have been assumed at a floating interest rate. The interest rate risk is mainly related to the fluctuation of Euribor and the resulting change of average interest rates of banks. Although in the short run a decline in Euribor over the last year, which is caused by reduction of the euro base interest rate of both the US and European Central Bank, has positively influenced the Group's cash flows and profit, in the long run a floating interest rate is risky because a growth of consumption necessary to overcome the economic crisis would also bring about a rise in Euribor.

If the interest rate increased by 100 basis points the interest expense would increase by EEK 30 328 thousand (2008: EEK 25 614 thousand).

The Group manages the interest risk by using derivative instruments for hedging purposes. On 30 September 2008, the Group entered into interest rate swap contracts with the banks that issued the syndicated loan in order to hedge fluctuations of Euribor on 50 per cent of the loan repayments until the end of the loan annuity schedule in September 2012.

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 receivables and loans granted.

Since the Group invests the available liquid assets to a substantial extent in the banks with credit rating "A" in short-term interest-bearing instruments, such as overnight deposits, money market funds and short term deposits, they do not result in any credit risk for the Group.

The Group is not open to a substantial extent to any credit risk in connection with any client or counterparty. The payment discipline of clients is continuously monitored to reduce credit risk, 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 with a higher risk category. According to the credit policy, different client groups are subject to different payment terms, credit limit, and possible grace period. Clients are classified on the basis of their size, reputation, results of credit background check and history of payment behaviour. At the first level, the advertising clients are handled in 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 the 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 credit discipline.

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

In case of large transactions, in particular in the segment of printing services, clients are requested to provide credit insurances.

The Group is not aware of any substantial risks in connection with the clients and partners. In the management's judgment, there is no credit risk in loans of related parties.

In 2009, the Group wrote down uncollectible receivables in the amount of EEK 12 837 thousand (31 December 2008: EEK 2 810 thousand) in accordance with the rules for valuation of trade receivables applicable in the Group based on the estimated cash flows. Management is aware that credit risk is higher under the conditions of economic recession and therefore credit risk management is a priority field. As a specific measure, the credit policies applicable in companies within the Group have been harmonised and made stricter. A weekly reporting routine on trade receivables has been established, which enables the Management to receive information on an ongoing basis and intervene when necessary if the debtor is an international group operating in several Baltic States.

Since a significant part of other receivables is due from related parties, in the judgment of the Management the given receivables do not contain a credit risk.

Liquidity Risk

Liquidity risk means that the Group might not have liquid assets 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. According to the Group's policy, the ideal liquidity level (cash at bank) is 10 per cent and the minimum liquidity level is 5 per cent of the sales revenue at all times. To manage the liquidity risk as effectively as possible, the bank accounts of the parent and its subsidiaries comprise one group account (cash pool) which enables the members of the group account to use the finances of the Group within the limit established by the parent. The group account is used in Estonia, Latvia and Lithuania. According to the policy of the Group, the subsidiaries that have

joined the group account prepare each week cash flow projections for next two months. In 2009, the Group managed to keep the liquidity level on Group's account in accordance with the rules, but it has been on a minimum level most of the time.

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

Overdraft credit is used to finance working capital, bank loans and investment loans are used to acquire financial investments and non-current assets. The Group has high leverage and the cash flow position was throughout the year 2009 rather critical. In the judgment of the Management, liquidity risk is reduced by the agreement for the restructuring of a syndicated loan, entered into between the Company and AS SEB Pank, Danske Bank A/S Estonian branch and Nordea Bank Finland Plc Estonian branch on 5 February 2010. Liquidity risk is also reduced by the matter that the Group did not pay any dividends to the shareholders for the financial year ended on 31 December 2009. Management has taken notice of the higher liquidity risk and is actively searching for additional financing possibilities. Management actively deals with involvement of additional capital and completed exit from two non-strategic segments (information services and book sales) in February 2010.

Price Risk

In the judgment of the Management, price risk does not have any substantial impact on the activities of the Group, because the Company does not have any substantial investments in equity instruments.

Of the price risk related to raw materials, the price of paper affects the activities of the Group the most. In a situation where 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. Upon performance of transactions, systems of transaction limits and competences are used to minimise possible losses. The useable four-eye principle, under which the confirmation of at least two mutually independent employees or units 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 purchase and sale and 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. Management considers the legal protection of the Group to be good. Dependence of the Group's activities on IT systems is considered to be low by the Management, except for with regard to online media, which directly depends on the functioning of the IT systems and investments for the increase of whose security and reliability are continuously made. Reliability for managing operational risk is borne by the Management.

Capital Risk

The main objective of the Group upon managing the capital risk is to ensure the sustainability of the Group in order to ensure income for shareholders and benefits for other interest groups, while maintaining the optimal capital structure in order to reduce the price of the capital. In order to maintain or improve the structure of the capital, the Group may regulate the dividends payable to the shareholders, return the paid-up share capital, issue new shares or sell assets to reduce obligations.

According to the practice common in the industry, the Group uses the debt to capital ratio to monitor the 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 cash equivalents from the total debt (current and non-current liabilities recognised in the balance sheet of consolidated financial statements). The total capital is recognised as the aggregate of equity and net debt. In 2009, as in 2008, the objective of the Group was to maintain the debt to capital ratio in the range of 55-65 per cent. The debt to capital ratio of 60 per cent as of 31 December 2009 was substantially higher than as of 31 December 2008: 55 per cent.

According to the conditions stipulated in the syndicated loan agreement, the Group uses for monitoring capital also the equity ratio which is received by dividing equity with total assets. The equity ratio comprised 30 per cent as of 31 December 2009 and 36 per cent as of 31 December 2008.

Fair Value

The Group estimates that the fair values of the financial assets and financial liabilities denominated in the balance sheet at amortised cost do not differ significantly from their carrying amounts presented in the Group's consolidated balance sheet on 31 December 2009 and 31 December 2008. Since the long-term debt obligations of the Group bear a floating interest rate, which changes according to the fluctuations of the market interest rate, the discount rate used in the cash flow model is adjusted in calculating fair value for debt obligations. New transaction information might not be available as of the year-end and although the Company can determine the general level of market interest rates, the Company might not know which credit or other risk level the participants in market would take into account for determining the price of an instrument on that date. The Company might not have data deriving from recent transactions to determine the required price difference of credit in respect of the base interest rate in order to use that price difference for determining the discount rate necessary for calculation of present value. Due to the above, the Management is of opinion that fair value of non-current liabilities is not substantially different from their carrying amount. Trade receivables and supplier payables have short maturities, therefore in the judgment of the Management their carrying amount is similar to their fair value. 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.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

Specific valuation techniques used to value financial instruments include (i) quoted market prices or dealer quotes for similar instruments and (ii) the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

MANAGEMENT

Pursuant to the provisions of the Estonian Commercial Code and the Company's Articles of Association, the control and management of the Company is divided among the General Meeting of Shareholders, the Supervisory Council and the Management Board. See "Estonian Securities Market - Corporate Governance" for further information.

Supervisory Council

The Supervisory Council is responsible for planning the business activities of the Company, organising the management of the Company and supervising the activities of the Management Board. The Supervisory Council reports to the General Meeting of Shareholders. According to the Company's Articles of Association, the Supervisory Council's functions also include the following:

- approval of the Company's overall strategy and business plans, supervision of their execution;
- approval of the annual budget and investment plan prepared by the Management Board;
- review of the annual report prepared by the Management Board;
- approval of transactions between the Company and members of its Management Board and decisions regarding taking action against members of the Management Board, and appointing a representative for the Company in such action or transaction;
- approval of transactions outside the ordinary course of business of the Company.

According to the Company's Articles of Association, the Supervisory Council's approval is required for transactions, which are beyond the ordinary course of business of the Company, and in particular any transaction involving:

- acquisition and disposal of shares in other companies;
- establishing and winding-up of subsidiaries;
- acquisition, transfer or winding-up of businesses;
- establishing and closing of branches abroad;
- investments with a value in excess of EEK 1 000 000 either in one investment or as a series of related investments;
- taking loans or other debt obligations in excess of EEK 1 000 000 either in one loan or as a series of related loans;
- giving loans or granting security for debt in excess of EEK 1 000 000, apart from intra-group loans and securing debt obligations of group companies;
- acquisition, transfer or encumbrance of the Company's assets with a value in excess of EEK 1 000 000 and agreements which may later result in obligation for such an acquisition, transfer or encumbrance.

According to the Company's Articles of Association, the Supervisory Council comprises of three to seven members elected by the General Meeting of Shareholders for a term of five years. The Supervisory Council elects one of its members to act as the chairman, who is responsible for organising the activities of the Supervisory Council.

As at the date of this Prospectus, the Supervisory Council of the Company is as follows:

Name	Year of birth	Member since	Position	Current term expires
Hans Luik	1961	1 June 2004	Member	30 March 2015
Ville Jehe	1969	12 December 2008	Member	12 December 2013
Viktor Mahhov	1967	13 January 2006	Chairman	30 March 2015
Antti Partanen	1969	12 December 2008	Member	12 December 2013
Harri Roschier	1957	1 June 2007	Member	1 June 2012
Aavo Kokk	1964	30 March 2010	Member	30 March 2015

Hans Luik. Mr. Hans Luik, born 1961, is the member of the Supervisory Council of the Company. He is currently also a member of the supervisory council of Eesti Päevalehe AS, Printall AS, AS SL Õhtuleht, AS Julianuse Inkasso Agentuur, Ammende Villa AS, Suur Sepa Arenduse AS, AS Julianus Grupp and a member of the management board of OÜ HHL Rühm and OÜ Minigert. Mr. Luik was a member of the management board of OÜ Moraales until 2002, the Estonian Business Association (*Eesti Suurettevõtjate Assotsiatsioon*) until 2003, OÜ OIRT until 2004, OÜ Starforte until 2005 and a member of the supervisory council of OÜ Õhtuleht until 2001, OÜ Gloss Invest until 2001, AS Plusspunkt until 2001, Eesti Ekspressi Investeeringute AS until 2002, OÜ Ajakirjade Grupp until 2002, OÜ AGE Com until 2002, RER Valduse AS until 2003, AS Kroontrükk until 2003, AS Trio LSL until 2003, AS Kiirliin until 2004, Raudtee Erastamise Rahva AS until 2004, Väärtpaberiparisnike AS until 2005. Mr. Luik graduated in 1984 from Tartu University where he specialised in journalism and social sciences.

Ville Jehe. Mr. Ville Jehe, born 1969, has been a member of the Supervisory Council of the Company since 2008. He is currently also a member of the supervisory council of AS Delfi, AS Gild Property Asset Management, AS Eesti Ajalehed, AS SL Õhtuleht, Enter IT Market AS, ML Arvutid AS and a member of the management board of OÜ Majatohter and Uus Maa Kinnisvargrupp OÜ. He is also deputy chairman of The Development Fund Investment Expert Committee**.** Mr. Jehe was a member of the management board of AS Mendelson & Co from 1992 until 1996 and AS Delfi from 1999 until 2008. Mr. Jehe graduated in 1993 from Tallinn University of Technology where he specialised in computer and systems engineering.

Viktor Mahhov. Mr. Viktor Mahhov, born 1967, is the chairman of the Supervisory Council. He currently works as the Financial Services Manager for the Baltic operation of Coca-Cola Hellenic Bottling Company. He also serves as a member of the supervisory board of Ice Credit Group. Previously, Mr. Mahhov has been a long-time employee of the Company. He joined the Company in 1999 and served as its chief financial officer from 1999 to 2002 and as chief financial officer from 2002 to 2005. Before joining the Company he was chief financial officer of AS Võru Juust and associate director of an investment bank Hansa Investments. Mr. Mahhov graduated in 1992 from the University of St. Petersburg, Russia with a Master's degree in economics.

Antti Partanen. Mr. Antti Mikael Partanen, born 1969, has been a member of the Supervisory Council of the Company since 2008. He is the senior analyst at Danske Capital, based in Helsinki. Mr. Partanen has a 12 years experience in the financial markets, first as a broker at Williams de Broe and in corporate banking at ABN AMRO and HSH-Nordbank. During the past six years, Mr. Partanen has been part of a team responsible for private equity investments in the Baltic States for funds managed by Danske Capital. Mr. Partanen holds a Master's degree in finance from University of Vaasa and has also studied at the Louisiana University.

Harri Roschier. Mr. Harri Helmer Roschier, born 1957, has been a member of the Supervisory Council of the Company since 2007. He was chief executive officer of Talentum Oyi from 1991 until 2006. Mr. Roschier is currently a chairman of the board at Avaus Consulting, Rostek Oy and Uoma Oy. He is also a member of the board of Futurice Oy. Mr. Roschier holds a Master of Science degree in Economy.

Aavo Kokk. Mr. Aavo Kokk, born 1964, has been a member of the Supervisory Council of the Company since 2010. He has been the head of taxation department of the Ministry of Finance from 1992 until 1993, the member of the management board of Estonian Savings Bank 1993-1997, editor-in-chief of Eesti Ekspress 1997-2002, chairman and publisher of Eesti Päevalehe AS 2002-2008. From 2008 he is managing partner of Catella Corporate Finance OÜ. He is also a member of supervisory council or management board of Premia Foods, Audentes, Open Estonian Foundation, Estonian Arts Academy and Estonian Association of Reserve Officers. Mr Kokk graduated in 1990 from Tartu University where he specialised in journalism and in 1992 from the banking and finance course in Stockholm University.

Management Board

The Management Board manages the Company's daily business operations. See "Estonian Securities Market – Corporate Governance" for further information on the duties of the Management Board. According to the Company's Articles of Association, the Management Board consists of one to five members elected by the Supervisory Council for a term of three years. If the Management Board has more than two members, the members of the Management Board elect one of its members to serve as the chairman.

The Management Board of the Company consists of three members. As at the date of this Prospectus, the Chairman of the Management Board is Gunnar Kobin, whose term of office commenced on 7 September 2009. The members of the Management Board are Andre Veskimeister and Erle Oolup, whose term of office commenced on 22 September 2009.

Mr. Gunnar Kobin, born 1971, is the chief executive officer of the Company. He was chairman of the Management Board of the Company also from 1996 until 2002. Prior to joining the Company again in 2009, Mr. Kobin was chairman of the management board of AS Ülemiste City from 2005 until 2008. Mr. Kobin graduated from the Tallinn University of Technology in 1993 specialising in production management and planning.

Mr. Andre Veskimeister, born 1967, is the chief innovation officer of the Company. Prior to that, he was chief innovation officer of Ülemiste City AS until 2009. From 2003 until 2006 Mr. Veskimeister served as finance and support service director at Enterprise Estonia (*Ettevõtluse Arendamise Sihtasutus*). Mr. Veskimeister graduated from Estonian Business School in 2004 specialising in business management.

Ms. Erle Oolup, born 1976, is the chief financial officer of the Company. Prior to that, she was chief financial officer of Ülemiste City AS from 2005 until 2009. Ms. Oolup graduated from the Tallinn University of Technology in 1999 specialising in business administration.

The Corporate Governance Recommendations call for the disclosure of the remuneration of each member of the Management Board on the Company's website including the details about his/her base salary, performance related bonuses, severance packages, other financial benefits and bonuses. The Supervisory Council of the Company believes that publishing such personal information would seriously damage the privacy of the members of the Management Board, and has therefore decided that the Company will not publish such information in the manner contemplated in the Corporate Governance Recommendations. However, details of the salary and other benefits of the members of the Management Board are published in the annual reports of the Company as required by law.

In all other respects the Company complies with the Corporate Governance Recommendations.

Other Key Executives

Name	Year of birth	Position
Kadi Lambot	1967	Chairman of the management board of Eesti Ajalehed AS
Mihkel Reinsalu	1964	Chairman of the management board of Eesti Päevalehe AS
Kristjan Mauer	1975	Chairman of the management board of AS SL Õhtuleht

Name	Year of birth	Position
Eve Maremäe	1955	Chairman of the management board of Linnaleht AS
Mart Luik	1970	Chairman of the management board of AS Ajakirjade Kirjastus
Andrus Takkin	1963	Chairman of the management board of Printall AS
Sven Suurraid	1968	Chairman of the management board of AS Express Post
Sven Nuutmann	1975	Chairman of the management board of SIA Delfi Holding
Sven Nuutmann	1975	Chairman of the management board of AS Delfi in Estonia
Juris Mendzinš	1970	Chairman of the management board of AS Delfi in Latvia
Jurga Eivaite	1974	Chairman of the management board of Delfi UAB in Lithuania
Arnis Ozols	1978	Managing Director of Delfi LCC in Ukraine
Mindaugas Norvaišis	1974	Director of UAB Ekspress Leidyba

Kadi Lambot. Ms. Kadi Lambot, born 1967, is the chairman of the management board of Eesti Ajalehed AS. From 2007 until 2009 she was the chairman of the management board of AS Maaleht. Prior to that, Ms. Lambot was chairman of the management board of AS Tere. Ms. Lambot is currently a member of the council of PRAXIS Centre for Policy Studies. She is also a member of the management board of OÜ Cinereus and Estonian Cancer Society. Ms. Lambot graduated in 1992 from Tartu University specialising in medicine.

Mihkel Reinsalu. Mr. Mihkel Reinsalu, born 1964, is the Chairman of the management board of Eesti Päevalehe AS. He joined Päevalehe AS in 2000 and served as its marketing director until 2007. He was appointed to his current position in 2008. Prior to joining Päevalehe AS, he served as sales manager and marketing manager at Äripäeva Kirjastuse AS from 1998 until 2000. Mr. Reinsalu is currently a member of the supervisory council of AS Express Post and Linnaleht AS. He is also a member of the management board of Medit Vision OÜ. From 2005 until 2008, Mr. Reinsalu was the member of the supervisory council of Netikuulutused OÜ. Mr. Reinsalu graduated from Tartu University in 1988 specialising in physical culture.

Kristjan Mauer. Mr. Kristjan Mauer, born 1975, is the chairman of the management board of AS SL Õhtuleht. He joined AS SL Õhtuleht in 2001 and served as its marketing director until he was appointed to his current position in 2005. Prior to that, he was development and marketing manager at BAKT Kaubanduse AS from 1998 to 2000. Mr. Mauer graduated in 2003 from the Estonian Business School specialising in marketing management.

Eve Maremäe. Ms. Eve Maremäe, born 1955, is the chairman of the management board of Linnaleht AS. She joined Linnaleht AS in 2005. Prior to that, she was project leader and manager for Eesti Päevaleht. Ms. Maremäe graduated in 1978 from the Estonian Academy of Theatre and Music.

Mart Luik. Mr. Mart Luik, born 1970, is the chairman of the management board of AS Ajakirjade Kirjastus. He joined AS Ajakirjade Kirjastus in 2008. Prior to that, he was director general at TV 3 Slovenia. Mr. Luik was a member of the management board of TV3 AS from 1998 until 2001. He is currently a member of the supervisory council of Tallinn Boys Choir Foundation.

Andrus Takkin. Mr. Andrus Takkin, born in 1963, is the chairman of the management board of Printall AS. He joined Printall AS in 2000. Prior to that, he was managing director and member of the Board of Max Schön Eesti OÜ. Mr. Takkin was a member of the management board of AS Privess until 2005. Mr. Takkin graduated in 1989 from the Tallinn University of Technology where he specialised in fine mechanics.

Sven Suurraid. Mr. Sven Suurraid, born in 1968, is the chairman of the management board of AS Express Post. He joined AS Express Post in 2003. Prior to that, he was assistant divisional director and regional director at AS Hansapank from 2000 to 2002. Mr. Suurraid was a member of the management board of a

non-profit organisation Kangru Küla Selts until 2008. Mr. Suurraid was a member of the management board of OÜ Monex until 2002. He graduated in 1993 from Tartu University where he specialised in mathematical statistics and in 2000 from the Estonian Business School with the Master's degree in international business.

Sven Nuutmann. Mr. Sven Nuutmann, born in 1975, is the chairman of the management board of SIA Delfi Holding and AS Delfi in Estonia. He joined Delfi in December 2009. Prior to that, Mr. Nuutmann has served as vice president of Rambler Media Ltd and as chief operative officer of rambler TV and Tele2 in Russia. Mr. Nuutmann has also served as chief executive officer of MTG Radio in Eastern Europe (part of Modern Times Group MTG AB). Prior to joining Delfi, Mr. Nuutmann served as chief executive officer of advertising agency Droom (part of Ühendatud Närvivõrgud OÜ) from 2007 until 2008, as chief executive officer of Sportland Eesti AS from 2008 until 2009 and as chief executive officer of Jalajälg AS until 2009. Currently he is the member of the management board of OÜ EastCom Capital, Beltrade OÜ and Cargopartner OÜ. Mr. Nuutmann graduated from the Estonian Business School specialising in business management.

Juris Mendzinš. Mr. Juris Mendzinš, born in 1970, is the chairman of the management board of AS Delfi in Latvia. He joined Defli in 2001. Prior to that, Mr. Mendzinš served as marketing director at Parks LvNet. He is also a member of the management board of SIA Mango.lv, a subsidiary of AS Delfi and a member of the board of SIA Delfi Holding. Mr. Mendzinš graduated from the University of Latvia specialising in physics and mathematics.

Jurga Eivaite. Ms. Jurga Eivaite, born in 1974, is the chairman of the management board of Delfi UAB in Lithuania. She joined Delfi in 2001. Prior to that, Ms. Eivaite served as marketing manager at UAB Skaitmenines komunikacijos from 1999 until 2000. She is also a member of the management board of SIA Delfi Holding. Ms. Eivaite graduated from Vilnius Pedagogical University specialising in English and German languages.

Arnis Ozols. Mr. Arnis Ozols, born in 1978, is the managing director of Delfi LCC in Ukraine. He joined Delfi in 2000 and served as its sales director until 2003 and from 2004 until 2008 as Pan Baltic Sales Coordinator. Prior becoming the managing director of Delfi Ukraine in 2009, Mr. Ozols served as managing director at Best Sponsorship/Experiental. Currently, he is the member of the management board of SIA Kamina and SIA Smart Project. Mr. Ozols graduated from the University of Latvia in 2002 and holds a Master's degree in management and economics.

Mindaugas Norvaišis. Mr. Mindaugas Norvaišis, born 1974, is the director of UAB Ekspress Leidyba. He joined UAB Ekspress Leidyba in 2004. Prior to that he was head of sales and marketing at Observer Lietuva from 2000 until 2004. He graduated in 1998 from the International Business School at Vilnius University in Lithuania.

The business address for all of the above persons is: c/o AS Ekspress Grupp, Narva mnt 11E, 10151 Tallinn, Estonia.

Remuneration

The following table sets forth the aggregate gross amounts of salaries and other remuneration paid by the Group to the members of its Supervisory Council, Management Board and other key executives for the financial year ended 31 December 2009:

	Salary (EEK)	**Bonuses (EEK)**	**Total remuneration (EEK)**
Supervisory Council	0	0	0
Management Board	2 316 974	304 500	2 621 474
Other key executives	13 167 259	280 000	13 447 259

The member of the Supervisory Council Mr. Viktor Mahhov was paid a membership fee of EEK 15 000 per month in 2008. No other reimbursements were received by the members of the Supervisory Council in 2007, 2008 and 2009. No remuneration is paid to the chairman of the Supervisory Council from 1 January 2009.

Mr. Gunnar Kobin has a service contract with the Company expiring on 7 September 2013. The contract entitles Mr. Kobin to a monthly gross salary of EEK 50 000 and an incentive bonus of EEK 120 000 twice a year depending on achievement of financial indicators separately agreed between the parties. The contract provides for a 28 days' paid vacation, training costs, use of car, as well as allowances for petrol and mobile phone. Mr. Kobin is entitled to compensation equal to four months' salary upon termination of his contract, except when he has terminated it himself or the Company has terminated it for cause. The Company is entitled to terminate the contract with immediate effect for causes specified in the contract. The contract includes a confidentiality clause with an indefinite term, and a non-compete covenant for six months after termination provided that the Company in that case continues paying Mr. Kobin 10 per cent of his monthly salary for as long as the covenant remains in force.

Mr. Andre Veskimeister has a service contract with the Company expiring on 22 September 2012. The contract entitles Mr. Veskimeister to a monthly gross salary of EEK 45 000. The contract provides for a 28 days' paid vacation, training costs, use of company car, as well as allowances for petrol and mobile phone. Mr. Veskimeister is entitled to compensation equal to four months' salary upon termination of his contract, except when he has terminated it himself or the Company has terminated it for cause. The Company is entitled to terminate the contract with immediate effect for causes specified in the contract. The contract includes a confidentiality clause with an indefinite term, and a non-compete covenant for six months after termination provided that the Company in that case continues paying Mr. Veskimeister 10 per cent of his monthly salary for as long as the covenant remains in force.

Ms. Erle Oolup has a service contract with the Company expiring on 22 September 2012. The contract entitles Ms. Oolup to a monthly gross salary of EEK 45 000. The contract provides for a 28 days' paid vacation, training costs, use of company car, as well as allowances for petrol and mobile phone. Ms. Oolup is entitled to compensation equal to four months' salary upon termination of his contract, except when he has terminated it himself or the Company has terminated it for cause. The Company is entitled to terminate the contract with immediate effect for causes specified in the contract. The contract includes a confidentiality clause with an indefinite term, and a non-compete covenant for as six months after termination provided that the Company in that case continues paying Ms. Oolup 10 per cent of his monthly salary for as long as the covenant remains in force.

Pension Benefits

The Company does not have pension plans, arrangements or executive schemes.

Loan Agreements

As at the date of this Prospectus there are no outstanding loans, guarantees or other collaterals issued or provided by the Group companies to the members of the Supervisory Council or the Management Board or other key executives.

Employment Agreements

The Group and its affiliates have entered into employment agreements or service contracts with all members of the senior management. The agreements of the senior management contain customary terms and conditions regarding salary, benefits, and termination. Under the terms of their employment agreements or service contracts, most members of the senior management are paid a base salary and provided benefits including a company car, car fuel, and use of a mobile phone. Some of these agreements provide for compensation upon termination equal to no more than six months' salary. Most of the agreements also include confidentiality and non-compete clauses.

Incentive Schemes

Apart from their rights as shareholders, no member of the Supervisory Council or the Management Board has any effective options as at the date of this Prospectus to purchase or sell Company's shares, or rights to subscribe for Company's shares or shares in any other company within the Group.

Share Ownership and Participation in the Offering

The following persons have significant holdings in AS Ekspress Group as at 25 March2010:

- Mr. Hans Luik who controls 14 242 982 Shares which makes up 68.3 per cent of the share capital of the Company.

- ING Luxembourg S.A. whose customers hold 2 083 159 Shares which makes up 9.99 per cent of the Company.

The information given in the table is calculated on the basis of shareholdings as at 8 April 2010:

Name	Number of shares	%
ING Luxembourg S.A.	2 083 159	9.99%
Members of Management Board and Supervisory Council and their immediate family members		
Hans Luik	10 766 046	51.64%
Hans Luik, OÜ HHL Rühm	3 470 036	16.64%
Hans Luik , OÜ Minigert	6 900	0.03%
Hans Luik, Selle Luik	76	0.00%
Gunnar Kobin, OÜ Griffen SVP	240 385	1.15%
Viktor Mahhov, OÜ Flexinger	33 910	0.16%
Aavo Kokk, OÜ Synd & Katts	400	0.00%
Ville Jehe, OÜ Octoberfirst	55 656	0.27%
Other minority shareholders	4 192 273	20.12%
Total	**20 848 841**	**100.00%**

See also "Company, Share Capital and Ownership Structure - Shareholders of the Company".

The existing shareholders of the Company and the members of its Management, Supervisory or administrative bodies may participate in the Offering subject to the conditions of the Offering as set forth in this Prospectus. The Company is not aware whether or not such persons intend to participate in the Offering. To the extent that the Company is informed Mr. Hans Luik directly or indirectly together with investment funds managed by Danske Capital Finland OY intend to subscribe for more than five per cent of the Offer Shares.

Transactions with Ekspress, Legal Issues

No member of the Supervisory Council or the Management Board has had any interest in transactions effected by the Company or its subsidiaries, which are unusual in their nature or which contain unusual terms or conditions, during the financial years ended 31 December 2007, 2008 and 2009. The Company is not aware of any potential conflicts of interest between the duties of the above mentioned persons to the Company and their private interests or other duties.

The Company is not aware of any convictions in relation to fraudulent offences or any official public incrimination and/or sanctions with respect to the members of its Supervisory Council or Management Board or other key executives.

The Company is not aware that any member of the Supervisory Council or the Management Board has been disqualified by any court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

COMPANY, SHARE CAPITAL AND OWNERSHIP STRUCTURE

General Information on the Company

Name, place of registration, legal form

The legal (business) name of the Company is Aktsiaselts Ekspress Grupp. The Company is a public limited company (*aktsiaselts*) incorporated pursuant to the laws of the Republic of Estonia. The Company is registered with the Estonian Commercial Register (*Äriregister*) under registration code 10004677.

The Company was originally registered with the Enterprise Register on 27 September 1995 under the name of AS Avolemb. Following the abolition of the Enterprise Register, the Company was registered with the Commercial Register on 13 December 1995 under the name of AS Meediakorp. The Company was re-named Aktsiaselts Ekspress Grupp on 29 July 1998 and has operated under this name since that time.

The Company has been established for an indefinite term.

Registered office

The Company's registered office is in Tallinn, Estonia at the address Narva mnt 11E, 10151 Tallinn, Estonia, telephone (+372) 669 8381.

Fields of activities

Pursuant to Article 1.3 of the Company's Articles of Association, the Company's fields of activities are (i) investment activities; and (ii) publishing and organisation thereof.

Financial year

The financial year of the Company runs from 1 January to 31 December.

Subsidiaries

The Company is the operating parent company of the Group.

The Company owns all shares of its subsidiary AS Eesti Ajalehed ("Eesti Ajalehed"), incorporated in Estonia with its registered office at Narva mnt 11E, 10151 Tallinn, Estonia. The share capital of Eesti Ajalehed is EEK 2 000 000, which is divided into 2 000 shares of nominal value EEK 1 000 each. The main field of activity of Eesti Ajalehed is publishing the weekly newspapers Eesti Ekspress and Maaleht, as well as operating the internet portals www.ekspressauto.ee, www.ekspresskinnisvara.ee and www.ekspressjob.ee.

The Company owns all shares of its subsidiary AS Maaleht ("Maaleht"), incorporated in Estonia with its registered office at Toompuiestee 16, 10137 Tallinn, Estonia. The share capital of Maaleht is EEK 780 000, which is divided into 7 800 shares of nominal value EEK 100 each. After the transfer of the undertaking issuing the weekly newspaper Maaleht to Eesti Ajalehed, Maaleht lacks any activity and is due to being merged with the Company.

The Company owns all shares of its subsidiary Aktsiaselts Printall ("Printall"), incorporated in Estonia with its registered office at Peterburi tee 64a, 11415 Tallinn, Estonia. The share capital of Printall is EEK 18 244 600, which is divided into 182 446 shares of nominal value EEK 100 each. The main field of activity of Printall is providing printing services.

The Company owns an 80 per cent share in its subsidiary OÜ Ekspress Internet ("Ekspress Internet"), incorporated in Estonia with its registered office at Narva mnt 11E, Tallinn 10151. The rest of the shares in Ekspress Internet are held by Priit Maanurm, Marko Johanson, Toomas Laasik and Anti Lehiste, each of whom own 5 per cent of the shares of this company. The share capital of Ekspress Internet is EEK 40 000,

which is divided into 5 shares of different nominal values ranging from EEK 2 000 to EEK 32 000. After the transfer of the undertakings operating the internet portals www.ac24.ee (also available at www.ekspressauto.ee) and www.4seina.ee (the activities of which have been suspended) to Eesti Ajalehed, Ekspress Internet lacks any activity and on 4 December 2009, the shareholders of Ekspress Internet decided to liquidate the company.

The Company owns all shares in its subsidiary SIA Ekspress Portals ("Ekspress Portals") incorporated in Latvia with its registered office at Mūkusalas iela 41, Riga, LV 1004, Latvia. The share capital of Ekspress Portals is LVL 2000 divided into 100 shares of nominal value LVL 20 each. The main field of activity of Ekspress Portals is operating an Internet portal for motor vehicles at www.auto.delfi.lv (also available at www.autopunkts.lv). Currently, the busness activities of Ekspress Portals are carried out under Delfi Latvia. Currently, SIA Ekspress Portals is a formal legal body which lacks business activity.

The Company owns all shares of its subsidiary SIA Delfi Holding ("Delfi Holding"), incorporated in Latvia with its registered office at Mūkusalas iela 41, Riga, LV 1004, Latvia. The share capital of Delfi Holding is LVL 2 000 divided into 100 shares of nominal value LVL 20 each. The main field of activity of Delfi Holding is holding shares, trademarks and licences in other Delfi group of companies. In addition, the management decisions with regard to Delfi Group are generally taken on the level of Delfi Holding, the management board of which consists of regional managers from Estonia, Latvia and Lithuania.

Delfi Holding owns all shares in AS Delfi ("Delfi Estonia"), incorporated in Estonia with its registered office at Rävala 6, 10143 Tallinn, Estonia. The share capital of Delfi Estonia is EEK 3 172 000, which is divided into 317 200 shares of nominal value EEK 10 each. The main field of activity of Delfi Estonia is operating the news and entertainment portal at www.delfi.ee.

Delfi Holding owns all shares in Delfi AS ("Delfi Latvia"), incorporated in Latvia with its registered office at Mūkusalas iela 41, Riga, LV 1004, Latvia. The share capital of Delfi Latvia is LVL 30 000 divided into 30 000 shares of nominal value LVL 1 each. The main field of activity of Delfi Latvia is operating the internet news portal www.delfi.lv.

Delfi Latvia owns all shares in SIA Mango.lv ("Mango") incorporated in Latvia with its registered address at Mūkusalas iela 41, Riga, LV 1004, Latvia. The share capital of Mango is LVL 2000 divided into 200 shares of nominal value LVL 10 each. The main field of activity of Mango is operating the internet entertainment portal www.mango.lv.

Delfi Holding owns all shares in UAB "Delfi" ("Delfi Lithuania"), incorporated in Lithuania with its registered office at A. Juozapavičiaus g. 6/2, Vilnius, Lithuania. The share capital of Delfi Lithuania is LTL 137 100 divided into 1 371 shares of nominal value LTL 100 each. The main field of activity of Delfi Lithuania is operating the internet news portal www.delfi.lt.

Delfi Estonia owns all shares in Delfi LLC ("Delfi Ukraine"), incorporated in Ukraine with its registered office in Kiev, Ukraine. The main field of activity of Delfi Ukraine is operating the internet news portal www.delfi.ua.

The Company owns all shares of its subsidiary UAB "Ekspress Leidyba" ("Ekspress Leidyba"), incorporated in Lithuania with its registered office at Ozo str.10A. 21, Vilnius, Lithuania. The share capital of Ekspress Leidyba is LTL 3 962 910, which is divided into 396 291 shares of nominal value LTL 10 each. The main field of activity of Ekspress Leidyba is publishing journals and newspapers.

The Company owns all shares of its subsidiary UAB "Ekspress Portals" ("Ekspress Portals Lithuania") incorporated in Lithuania with its registered office at P. Smuglevičiaus str. 23, Vilnius, Lithuania. The share capital of Ekspress Portals Lithuania is LTL 10 000, which is divided into 100 shares of nominal value LTL 100 each. The main field of activity of Ekspress Portals is operating an internet portal for motor vehicles at auto.delfi.lt. Currently, the business activities of Ekspress Portals Lithuania are carried out under Delfi Latvia. Currently, SIA Ekspress Portals is a formal legal body which lacks business activity

Affiliated Companies

The Company owns 50 per cent of the shares in Eesti Päevalehe Aktsiaselts ("Eesti Päevaleht"), incorporated in Estonia with its registered office at Narva mnt 13, 10151 Tallinn, Estonia. The remaining 50 per cent of the shares in Eesti Päevaleht are held by OÜ Vivarone, the sole shareholder of which, according to the data obtained from the Estonian Commercial Register, is Mr. Jaan Manitski. The share capital of Eesti Päevaleht is EEK 5 714 280, which is divided into 95 238 shares of nominal value EEK 60 each. The principal business of the company is to publish the daily newspaper Eesti Päevaleht.

Eesti Päevaleht owns 50 per cent of the shares in Aktsiaselts Linnaleht ("Linnaleht"), incorporated in Estonia with its registered office at Narva mnt 13, 10151 Tallinn, Estonia. The remaining 50 per cent of the shares in Linnaleht are held by AS Eesti Meedia. The share capital of Linnaleht is EEK 400 400, which is divided into 4 004 shares of nominal value EEK 100 each. The principal business of this company is to publish Linnaleht, a free-distribution newspaper, in three local editions for Tallinn, Tartu and Pärnu.

The Company owns 50 per cent of the shares in Aktsiaselts SL Õhtuleht ("SL Õhtuleht"), incorporated in Estonia with its registered office at Narva mnt 13, 10151 Tallinn, Estonia. The remaining 50 per cent of the shares in SL Õhtuleht are held by AS Eesti Meedia. The share capital of SL Õhtuleht is EEK 3 000 000, which is divided into 30 000 shares of nominal value EEK 100 each. The principal business of SL Õhtuleht is to publish Õhtuleht, a daily tabloid newspaper.

The Company owns 50 per cent of the shares in AS Express Post ("Express Post"), incorporated in Estonia with its registered office at Peterburi tee 34/5, 11415 Tallinn, Estonia. The remaining 50 per cent of the shares in Express Post are held by AS Eesti Meedia. The share capital of Express Post is EEK 12 300 000, which is divided into 1 230 shares of nominal value EEK 10 000 each. The main field of activity of Express Post is the administering of subscriptions and the delivery of newspapers and magazines.

The Company owns 50 per cent of the shares in Aktsiaselts Ajakirjade Kirjastus ("Ajakirjade Kirjastus"), incorporated in Estonia with its registered office at Maakri 23a, 10145 Tallinn, Estonia. The remaining 50 per cent of the shares in Ajakirjade Kirjastus are held by AS Eesti Meedia. The share capital of Ajakirjade Kirjastus is EEK 3 000 000 divided into 30 000 shares of nominal value EEK 100 each. The main field of activity of Ajakirjade Kirjastus is publishing.

Ajakirjade Kirjastus owns 51 per cent of the shares in OÜ Uniservice ("Uniservice"), incorporated in Estonia with its registered office at Maakri 23a, 10145 Tallinn, Estonia. The remaining 49 per cent of the shares in Uniservice are held by Urvi Kaljas and Heivi Peterson. The share capital of Uniservice is EEK 80 000 divided into three shares of different nominal values ranging from EEK 12 000 to EEK 40 800. The main field of activity of Uniservice is operating the food related internet portal at www.toidutare.ee.

Ekspress Leidyba owns 40 per cent of the shares in UAB "Medipresa" ("Medipresa"), incorporated in Lithuania with its registered office at P. Smuglevičiaus str. 21, Vilnius, Lithuania. The remaining 60 per cent of the shares in Medipresa are held by UAB "Žurnalų leidybos grupė" (holding 40 per cent) and UAB "Veido" Periodikos Leidykla (holding 20 per cent). The share capital of Medipresa is LTL 100 000 divided into 1 000 shares of nominal value LTL 100 each. The main field of activity of Medipresa is wholesale of magazines.

The Company and AS Eesti Meedia have entered into a shareholders' agreement regarding SL Õhtuleht and Ajakirjade Kirjastus, which regulates, among other things, the exercise of shared control over these companies. Under this agreement, each shareholder is entitled to nominate half of the members of the supervisory council of each joint venture company. Each shareholder is entitled to nominate Chairman of the supervisory council in alternate years, but the Chairman has no casting vote. The shareholders' agreement also provides for a procedure for the removal of the member(s) of the management board. The agreement provides a mechanism for a deadlock situation in the decision making of each joint venture, whereby either shareholder must either offer to acquire the shares of the other shareholder or, alternatively, agree to sell its shares to the other shareholder. The agreement also grants the shareholders the right to

acquire the shares held by the other shareholder in the event that the other shareholder undergoes change of control.

The Company and AS Eesti Meedia have entered into a shareholders' agreement regarding Express Post, which regulates, among other things, the exercise of shared control over that company. Each shareholder is entitled to nominate half of the members of the supervisory council of the company, whereas the Chairman of the supervisory council is appointed by shareholders in alternate years. Also, a mechanism for the removal of the management board members has been agreed upon.

Eesti Päevaleht and AS Eesti Meedia have entered into a shareholders' agreement regarding Linnaleht, which regulates, among other things, the exercise of shared control over this company. Under this agreement, each shareholder is entitled to nominate half of the members of the supervisory council of the joint venture company. The agreement provides a mechanism for a deadlock situation in the decision making of the joint venture, whereby either shareholder must either offer to acquire the shares of the other shareholder or, alternatively, agree to sell its shares to the other shareholder.

No written agreement has been concluded between the Company and OÜ Vivarone with regard to exercising shared control over Eesti Päevaleht. In practice, the two shareholders of Eesti Päevaleht have strived to adopt all material management decisions unanimously during the existence of this joint venture and have elected an equal number of members representing each shareholder to the supervisory council of Eesti Päevaleht.

The Company is not aware of any other restrictions regarding use of its voting rights in any of its affiliates or subsidiaries.

Information on Share Capital and Shares

As at 31 December 2008, the Company's registered share capital was EEK 189 710 810, which was divided into 18 971 081 fully paid Shares with a nominal (par) value of EEK 10 each.

As at the date of this Prospectus, the Company's registered share capital is EEK 208 488 410, which is divided into 20 848 841 fully paid Shares with a nominal value of EEK 10 each. See "Changes in the Share Capital".

After the completion of the Offering, the share capital of the Company will be up to EEK 297 968 410 divided into 29 796 841 Shares with a nominal (par) value of EEK 10 each.

The Offer Shares will be issued, under the laws of the Republic of Estonia. Once the increase of share capital relating to the issue of Offer Shares is registered with the Estonian Commercial Register, the Offer Shares will rank *pari passu* in all respects with all the existing Shares and will have the identification number (ISIN code) EE3100016965. This is expected to take place on or about 18 May 2010.

The Shares are registered in book-entry form in the Estonian Central Register of Securities (as maintained by AS Eesti Väärtpaberikeskus, address Tartu mnt 2, Tallinn, 10145) under the identification number (ISIN code) EE3100016965.

Free transferability of the Company's shares has not been restricted in the Company's Articles of Association, nor are any shares subject to any transfer restrictions.

Changes in the Share Capital

Since the registration of the Company in the Commercial Register on 13 December 1995, the amount of the share capital and the number of shares of the Company have changed as follows:

(EEK)	Change in share capital	New share capital	Change in number of Shares	New number of Shares	Share nominal value	Registered in Commercial Register
Registration of the Company in Commercial Register		2 000 000		2 000	1 000	13 December 1995
Share capital increase (new issue)	+215 000	2 215 000	+215	2 215	1 000	3 March 1998
Share capital increase (new issue)	+1 000	2 216 000	+1	2 216	1 000	5 August 1998
Share split and share capital increase (bonus issue)	+113 016 000	115 232 000	+11 520 984	11 523 200	10	12 September 2006
Share capital increase (new issue)	+50 000 000	165 232 000	+5 000 000	16 523 200	10	29 November 2006
Share capital increase (new issue)	+24 478 810	189 710 810	+2 447 881	18 971 081	10	10 April 2007
Share capital increase (new issue)	+18 777 600	208 488 410	+1 877 760	20 848 841	10	21 January 2009

On 31 August 2006 the General Meeting of Shareholders resolved to split the 2 216 existing shares of the Company into 221 600 shares (i.e. each existing share was split into 100 shares) and to increase the share capital of the Company from EEK 2 216 000 to EEK 115 232 000 by issuing 11 301 600 new shares with the nominal value of EEK 10 each. The new shares were issued to the existing shareholders of the Company as a bonus issue of converting retained earnings into share capital. As a result of this bonus issue, each existing shareholder of the Company received 5 100 additional shares for each share owned by them prior to the bonus issue and the share split. The share split and the increase of the share capital were registered in the Commercial Register on 12 September 2006.

On 15 September 2006 the General Meeting of Shareholders resolved to increase the share capital of the Company from EEK 115 232 000 to EEK 165 232 000 by issuing 5 000 000 new Shares with the nominal value of EEK 10 each. The new Shares were issued to Mr. Hans Luik. The subscription price of the Shares was their nominal value, i.e. EEK 10 per each share. The shares were paid for with a non-monetary contribution, the object of which was the 50 per cent shareholding in Ekspress Hotline. The increase of the share capital was registered in the Commercial Register on 29 November 2006.

On 29 March 2007 the General Meeting of Shareholders of the Company resolved to increase the share capital of the Company from EEK 165 232 000 to EEK 189 710 810 by issuing 2 447 881 new Shares with the nominal value of EEK 10 each. The new Shares were issued to AS Suprema Securities. The subscription price of the Shares totalled EEK 225 939 416.30 which was paid with a monetary contribution. The increase of the share capital was registered in the Commercial Register on 10 April 2007.

On 12 December 2008 the General Meeting of Shareholders resolved to increase the share capital of the Company from EEK 189 710 810 to EEK 208 488 410 by issuing 1 877 760 new shares with the nominal value of EEK 10 each. The new shares were issued to existing shareholders of the Company as at 5 January 2009. The subscription price of the shares was their nominal value of EEK 10 per plus a share premium of EEK 5, i.e. EEK 15 per each share. The shares were issued for a monetary contribution. The increase of the share capital was registered in the Commercial Register on 21 January 2009.

Following the described share capital increases, the share capital of the Company is EEK 208 488 410, divided into 20 848 841 Shares with the nominal value of EEK 10 each.

Issue of Offer Shares and Dilution

In connection with the Offering, the Company will issue 8 948 000 Offer Shares. The General Meeting of Shareholders approved the issue of Offer Shares on 30 March 2010. The notice calling this General Meeting of Shareholders was, *inter alia*, published on 8 March 2010 through the NASDAQ OMX Tallinn. The

decisions of the General Meeting of Shareholders were published through the NASDAQ OMX Tallinn on 30 March 2010.

The Offer Shares represent approximately 42.9 per cent of the Company's share capital immediately prior to the Offering and approximately 30.0 per cent of the Company's share capital following the completion of the Offering assuming that the Offering is exercised in full. In case a Company's existing shareholder will not subscribe for the Offer Shares with all Subscription Rights issued to it, its shareholding will be diluted approximately 30.0 per cent after the completion of the Offering assuming that the Offering is subscribed in full.

Option Rights, Securities with Warrants, Convertible Securities and Capital Loans

In absence of express authorisation in the articles of association, any decision which alters the share capital or number of shares in an Estonian public limited company must be passed by the general meeting of shareholders. Under Estonian law, convertible bonds are the only debt instruments granting a conversion right for the company's shares. The general meeting of shareholders can decide on the issuance of convertible bonds, if such right has been provided for in the articles of association, as is the case with the Company.

In addition, upon the decision of the general meeting of the shareholders for conditional share capital increase, share subscription rights may be granted to the employees and members of governing bodies of the company or related undertakings. Such subscription rights may be granted also in connection with the preparation for a merger.

Under the Articles of Association of the Company, the Supervisory Council is entitled to increase the Company's share capital by EEK 470 000 within the period of 22 January 2008 until 21 January 2011, in which case the Company's shareholders shall have no pre-emptive right for subscribing new shares. On 12 March 2008 and 4 April 2008, the Company concluded contracts for share purchase option with 11 persons: Allan Sombri; Anatoly Golubovs; Andrus Raudsalu; Juris Mendzins; Ingus Berzins; Jurga Evaite; Ville Jehe; Kadi Lambot; Kerttu Metsar; Priit Piile; Sulev Valner. Under these contracts, the key employees were granted the right to acquire a total of 352 065 Shares of the Company. As at the date of this Prospectus, all of these options have been terminated.

Whilst the Company's Articles of Association provide for the right to issue convertible securities, the Company has not, prior to the date of this Prospectus, issued any option rights, convertible bonds, bonds or other securities with warrants, capital loans or other instruments convertible into or exchangeable for Shares, except under the now terminated share purchase option described hereabove.

Shareholders of the Company

According to the shareholder register of the Company as maintained in the ECRS, the Company had two major shareholders, Mr. Hans Luik (holding 51.6 per cent of the Company's shares) and OÜ HHL Rühm (holding 16.6 per cent of the Company's shares), as at the date of this Prospectus.

The information given in the table is calculated on the basis of shareholdings as at 8 April 2010:

Name	Number of shares	%
ING Luxembourg S.A.	2 083 159	9.99%
Members of Management Board and Supervisory Council and their immediate family members		
Hans Luik	10 766 046	51.64%
Hans Luik, OÜ HHL Rühm	3 470 036	16.64%
Hans Luik , OÜ Minigert	6 900	0.03%
Hans Luik, Selle Luik	76	0.00%
Gunnar Kobin, OÜ Griffen SVP	240 385	1.15%
Viktor Mahhov, OÜ Flexinger	33 910	0.16%

Name	Number of shares	%
Aavo Kokk, OÜ Synd & Katts	400	0.00%
Ville Jehe, OÜ Octoberfirst	55 656	0.27%
Other minority shareholders	4 192 273	20.12%
Total	**20 848 841**	**100.00%**

As at the date of this Prospectus, neither the Company nor any of its subsidiaries owns any of the Shares.

Controlling Shareholder

As at the date of this Prospectus, Hans Luik, a member of the Company's Supervisory Council, controls, directly or indirectly 68.3 per cent of the votes that can be cast in the General Meeting of Shareholders of the Company.

Mr. Luik directly and indirectly owns 14 242 982 Shares, entitling him to 68.3 per cent of the votes that can be cast in the General Meeting of Shareholders. Osaühing HHL Rühm, a limited company registered in the Estonian Commercial Register under registration code 10743222, owns 3 470 036 Shares, entitling to 16.6 per cent of the votes that can be cast in the General Meeting of Shareholders. The registered office of HHL Rühm is Narva mnt 11E, 10151 Tallinn, Estonia. HHL Rühm is controlled by Mr. Hans Luik, the sole member of its management board, who owns the sole share of OÜ HHL Rühm representing 100 per cent of the share capital of HHL Rühm. Osaühing Minigert, a limited company registered in the Estonian Commercial Register under registration code 10460263, owns 6 900 Shares, entitling to 0.03 per cent of the votes that can be cast in the General Meeting of Shareholders. The registered office of Minigert is Narva mnt 11E, 10151 Tallinn, Estonia. Minigert is controlled by Mr. Hans Luik.

For the description of transactions entered into between the Group companies and other companies in which Mr. Luik has directly or indirectly the majority shareholding, see "Business – Related Party Transactions".

It is expected that immediately after the Offering Mr. Hans Luik will still control (directly and through OÜ HHL Rühm and OÜ Minigert) approximately 54.0 per cent of the votes that can be cast in the General Meeting of Shareholders.

Shareholders' Agreements

We have not been informed of any shareholders' agreements between shareholders in relation to their holdings of shares in the Company.

Shareholder Rights

General meetings of shareholders

Pursuant to the Estonian Commercial Code, shareholders exercise their power to decide on corporate matters at general meetings of shareholders. The general meeting of shareholders considers, *inter alia*, the annual report and the distribution of profits. The following general overview of regulation is provided with respect to the listed companies.

Resolutions may be adopted at either annual or extraordinary general meetings. In accordance with the Commercial Code, an annual general meeting of shareholders must be held within six months after the end of a financial year, at the latest. The management board can convene an extraordinary general meeting of shareholders whenever it deems it appropriate. In addition, the management board must convene an extraordinary general meeting when it is required by the Commercial Code (for example, if the company's equity capital falls below the minimum level required by law) and when the supervisory council, the auditor or shareholders representing at least one-twentieth of the share capital of the company so request. If the management board fails to convene an extraordinary general meeting within one month after the receipt of

such a request, the shareholders, the supervisory council or the auditor are entitled to convene an extraordinary general meeting themselves.

Notices to convene an annual general meeting of shareholders or an extraordinary general meeting of the shareholders must be given no later than three weeks prior to the meeting. Notices to convene a general meeting of shareholders must be sent to shareholders by registered mail to their registered addresses (being the address of the shareholder entered in the shareholders' register of the company as maintained in the ECRS). If the company is aware or should be aware that the address of a shareholder is different from the one entered in the share register, the notice must be sent also to such address. Notices may be sent via regular mail, fax or e-mail, in case it is provided that the letter, fax or e-mail is accompanied by a notice requesting the recipient to immediately confirm the receipt to the management board. However, if the company has more than 50 shareholders, there is no need to send the notice to shareholder and respective notice may be published in at least one national daily newspaper in Estonia. Furthermore, a listed company is obliged to publish the respective notices in the manner that allows quick access by using means of communication and the aforementioned can presumably be deemed to be effective to publish information within European Union. A listed company must also publish the notice on its Internet homepage. Pursuant to the Commercial Code, the notice shall include, *inter alia*, the place and time of the general meeting, the agenda for the same general meeting and the place where it is possible to access documents submitted to the general meeting of shareholders. Generally, the documents have to be accessible till the general meeting occurs.

The supervisory council of the company usually sets the agenda for the general meeting of shareholders. If, however, the shareholders or the auditor call a general meeting of shareholders, they also set the agenda for it. The management board or one or more shareholders whose shares represent at least one-twentieth of the share capital of the company is entitled to request items be included on the agenda for an annual general meeting of shareholders. According to the Commercial Code, items for the agenda for an extraordinary general meeting cannot be added in this way. The organ or person, on whose initiative the general meeting was convened, must provide the draft decision for each item in the agenda for such general meeting. In the event, the requirements of law or the articles of association have been materially breached in terms of convening a general meeting, no decision may be adopted at the meeting unless all shareholders participate or are represented at the meeting. Notwithstanding the aforementioned, the decisions adopted in the same meeting are invalid, if the shareholders, with respect to whom the convening procedure was violated, do not approve the decisions made at such meeting.

In order to have the right to attend and vote with respect to listed company's general meeting of shareholders, a shareholder has to be on the shareholders list on the cut-off date, which is seven days before the meeting, unless the articles of association of the company explicitly stipulate cut-off date on the day of the general meeting prior to the commence of the respective general meeting. At the date of this Prospectus, the Company's Articles of Association do not provide such clause, therefore the general rule of seven days shall apply. A shareholder may appoint his representative, whose authorisation to participate at a general meeting must be documented in writing. Notwithstanding the aforesaid, the participation of a representative shall not deprive the shareholder of the right to participate in the general meeting. Voting rights may not be exercised by a shareholder whose shares are registered in the name of a nominee unless the nominee account holder has given a power of attorney to the shareholder.

A general meeting of shareholders is capable of passing resolutions in case more than half of the votes represented by shares held by shareholders are present at the meeting, unless higher threshold is set forth with articles of association. If the meeting has no quorum, the management board must call a new general meeting of shareholders which shall take place within three weeks but not earlier than seven days after the previous meeting, and the next meeting shall be subject to no quorum requirements.

Voting rights

The Company has one class of shares with a nominal value of EEK 10 each. Each share entitles the holder to one vote. A shareholder may attend and vote at a general meeting of shareholders in person or by proxy. At a general meeting of shareholders, resolutions generally require the approval of a majority of the votes

represented at the meeting. However, certain resolutions, such as amending the articles of association, increasing or decreasing the share capital and, in certain cases, resolutions relating to a merger, division, reorganisation or liquidation of the company, require a majority of two-thirds of the votes represented at the general meeting of shareholders. Any issuance of new shares disapplying the existing shareholders' pre-emptive subscription rights requires a majority of at least three quarters of the votes represented at the meeting. Creating a new class of shares requires an amendment of the articles of association with a two-thirds majority of votes represented at the meeting. According to Estonian law, the rights attached to any class of shares may be amended only by a decision of the general meeting of shareholders which is supported by a qualified majority of four-fifths of all votes attaching to the shares of the company and at least nine-tenths of the shareholders whose shares belong to such class of which the rights are amended.

Dividends and other distributions

Under the Estonian Commercial Code, a general meeting of shareholders may authorise the payment of dividends on the terms and conditions set out in the profit distribution proposal presented by the management board. The supervisory council has the right to make changes to the proposal of the management board before submission to the general meeting. Dividends, if any, should be paid in cash. Upon the consent of the shareholders, dividends may also be paid in other property.

The shareholders decide annually the dividend amount and procedure of payment on the basis of the approved annual report. As a general rule, no interim dividends may be paid in respect of a financial period for which an annual report (together with the audited financial statements) has not yet been approved by the general meeting. However, the articles of association may provide that the management board has the right, upon the consent of the supervisory council, to make advance payments to the shareholders on account of the estimated profit after the end of a financial year but before the approval of the annual report, provided that such advance payments do not exceed one-half of the amount that may be distributed among shareholders. Currently the Company's Articles of Association provide for such right of the Management Board.

Dividends may only be paid out from net profit or undistributed profit from previous financial years, and from which uncovered losses from previous years have been deducted. Dividends may not be paid to the shareholders if the net assets of the company, as recorded in the approved annual report of the previous financial year, are less than or would be less than the total of share capital and reserves, which, pursuant to applicable law may not be distributed to the shareholders.

Dividends of companies listed on the NASDAQ OMX Tallinn are paid only to those shareholders (or their nominees) who are entered on the list of shareholders (shareholders' register) as maintained in the ECRS on the respective record date. The NASDAQ OMX Tallinn Rules provide that a listed company is required to disclose information about closing the list of shareholders (fixing the record date) at least nine trading days before the record date. If a general meeting adopts a resolution that relates to rights attached to the shares (for example, the declaration of payment of dividends), the record date may not be fixed at an earlier date than ten trading days after the date of the relevant general meeting.

All existing Shares and, once the increase of share capital relating to the this issue is registered with the Estonian Commercial Register, the Offer Shares, rank *pari passu* with regard to dividends and other distributions of the Company (including distribution of assets in the event of dissolution).

Pre-emptive subscription rights

Pursuant to the Estonian law, existing shareholders of limited liability companies have pre-emptive rights to subscribe for new shares in the company (subscription rights), in proportion to their existing shareholding. A resolution waiving subscription rights must be approved by at least three-fourths of all votes represented at the general meeting of shareholders. The management board has to provide a written explanation to the shareholders in advance as to why it is necessary to waive the subscription right and shall also explain the issue price of shares.

Right to acquire own shares

A public limited company is entitled to acquire its own shares only if the following conditions are met:

(i) the acquisition occurs within five years after the adoption of a resolution of the general meeting which specifies the conditions and term for the acquisition and the minimum and maximum price to be paid for the shares;

(ii) the sum of the nominal value of the shares held or taken as security by the company does not exceed one-tenth of its share capital; and

(iii) the acquisition of the shares does not cause the net assets to become less than the total of share capital and reserves which pursuant to law or the articles of association shall not be paid out to shareholders.

However, a public limited company may acquire its shares by a resolution of the supervisory council without requiring a resolution of the general meeting if the acquisition of the shares is necessary to prevent significant damage to the company. The shareholders must be informed of the details of the acquisition of the company’s own shares at the next general meeting of shareholders. A public limited company may acquire its own shares without any restrictions provided above in this section if the shares are acquired by succession. A public limited company’s own shares do not grant the company any rights of a shareholder.

In case, a public limited company acquires or takes as security its own shares illegally, the shares shall be transferred or the taking as security shall be terminated within one year after the acquisition or taking as security. If the event the shares are not transferred or the taking as security is not terminated during one year, the shares shall be cancelled and the share capital reduced accordingly.

The rules regarding acquisition of a company’s own shares are also applied to the acquisition of a parent company’s shares by the subsidiaries. In case a subsidiary acquires the shares of its parent company, the parent company shall be regarded as the acquiring party.

Pledge of Shares

A registered share may be pledged. A share encumbrance transaction must be in writing.

Transfer of Shares

The registered shares are freely transferable. Upon transfer of shares to third parties the shareholders have no right of pre-emption.

Disclosure of shareholdings

Pursuant to the Estonian Central Register of Securities Act, the Estonian Central Registry of Securities is required to ensure public access and disclose shareholder lists of listed companies on NASDAQ OMX Tallinn. The information disclosed is following (i) the names of the shareholders of listed companies (ii) and number of shares belonging to the shareholder.

Taxation of dividends

See “Taxation” below.

ESTONIAN SECURITIES MARKET

Estonian Company law

The following describes essential provisions of Estonian legislation regulating the legal status and management of public limited companies. The following summary does not constitute an exhaustive description of the subject matter. It is based on the laws of Estonia as in force on the date of this Prospectus, and is subject to changes as a result of any future amendments to Estonian legislation.

Introduction

Under Estonian law, limited liability companies are divided into two main categories: (i) a private limited company (*osaühing*, abbreviated as *OÜ*) and (ii) a public limited company (*aktsiaselts*, abbreviated as AS). Shareholders of limited liability companies are generally not personally liable for the obligations of the companies. The two company forms mainly differ in their requirements for capital and management structures. Public limited companies have greater capital requirements, can issue various classes of shares, and are also required to register their shares with the Estonian Central Registry of Securities (*Eesti väärtpaberite keskregister*) ("ECRS"). ECRS maintains the share registers of companies and records all the share transactions.

A limited liability company organised under Estonian law, must be registered in the Commercial Register, and a company acquires legal capacity when it has been entered in the same register. The Commercial Registers are maintained and kept by the courts of first instance. The registers are kept in Estonian and all documents in other languages must be submitted with a verified translation.

The minimum share capital required for incorporating a public limited company is EEK 400 000. A public limited company's share capital must be fully paid-up when it is registered in the Commercial Register. Shares must be paid up in cash, unless the company's articles of association allow payment by means of a non-monetary contribution. The value of non-monetary contributions must be confirmed by the auditor. The shares of public limited companies must have a nominal value of EEK 10 each or a full multiple thereof. Shares are freely transferable, but the company's articles of association may confer a pre-emptive right on shareholders. Dividends must be distributed to shareholders *pro rata*, based upon the nominal value of the shares owned by each shareholder. A public limited company may also issue non-voting shares, which grant a preferential right to receive dividends and to participate in the distribution of the remaining assets of the company upon dissolution (preferred shares). The sum of the nominal values of preferred shares may not be greater than one-third of the share capital.

Corporate Governance

Under Estonian law, the control and management of a public limited company is divided among the general meeting of shareholders, the supervisory council and the management board. The general meeting of shareholders is the highest authority in a public limited company and makes the most important decisions in the company, such as amending the articles of association, increasing and reducing share capital, approving the annual report and distributing profit.

A public limited company incorporated in Estonia must have a two-tier management structure, with a supervisory council and a management board.

The supervisory council engages in overseeing the work of the management board, devising business plans and generally organising the management of the company. The supervisory council must have at least three members. The general meeting of shareholders elects and appoints the supervisory council for a period of five years, unless a shorter period is set forth in the articles of association. The supervisory council reports to the general meeting of shareholders. There are no residency or nationality requirements applying for the members of the supervisory council. A member of the supervisory council may not simultaneously serve as a member of the management board of the same company, or any of its subsidiaries.

The management board is an executive body responsible for the daily management of the company, and it represents the company in relations with third parties, such as entering into contracts on behalf of the company. Unless another term is provided in the articles of association, the management board is elected for a term of three years, however the relevant period cannot be longer than five years. Members of the management board have number of general obligations towards the company, such as fiduciary duty of loyalty and the obligation to act with due diligence, and must preserve the business secrets of the company. Members of the management board may not serve as members of a managing body of another company in the same field of business without the consent of the supervisory council, unless the companies belong to the same group of companies. The management board must follow the instructions of the supervisory council, provided that they do not breach the law. At least half of the management board members in a public limited company must be residents of Member States of the European Economic Area ("EEA") or Switzerland. Members of the management board may not simultaneously serve as members of the supervisory council of the same company. Whilst most Estonian listed companies have a management board comprising several members, the law also allows a management board comprising only of one person, who acts as the chief executive officer of the company.

Members of the management board and supervisory council have a number of general obligations towards the company, including a fiduciary duty of loyalty, acting with due diligence, performing their duties with sufficient skill and in a manner commensurate with their knowledge and abilities, and acting to maximise the benefit of the company and prevent losses in the company.

Members of the supervisory council and management board must inform the company about any conflicts of interest and other material facts related to the performance of their duties. Members of the supervisory council and management board are subject to a strict confidentiality obligation for any information that they may learn in connection with the discharge of their duties. This confidentiality applies to the company's business and trade secrets and any other information that the company has a legitimate interest to keep confidential. To the extent necessary to protect the company's interests, the confidentiality obligation continues even after the management board or supervisory council member's term of services expire. Exceptions to the confidentiality obligation arise where the company authorises the disclosure, or where it is required by law. Unauthorised disclosure of business secrets may result in criminal sanctions. The Rules of the NASDAQ OMX Tallinn impose a number of additional restrictions and limitations on the supervisory council and management board of a company listed on the NASDAQ OMX Tallinn.

Pursuant to the Commercial Code, a public limited company is required to engage an auditor who must be appointed by the general meeting of shareholders. The general meeting of shareholders shall also determine the principles of remuneration of the company's auditors. The auditors may be appointed for a specified term or for a single audit.

A public limited company is required to have its annual report audited. After the end of the financial year, the management board prepares the annual accounts and activity reports and presents them to the auditor for review. The management board presents the annual report (comprising the annual accounts and management report) and the auditor's report and a proposal regarding distribution of profit to the general meeting shareholders for approval. Listed companies have to, not later than four months after the end of the financial year, disclose the last year annual report. No later than six months after the end of the financial year, the same annual report must be approved, the auditor's report and the proposal regarding distribution of profit (if any) must be filed with the Commercial Register.

Every shareholder has the right to receive information in regard to the activities of the company from the management board at the general meeting of shareholders. However, the management board may refuse to disclose information if such disclosure might seriously harm the interests of the company.

The protection of minority shareholders includes, among other things, the right of shareholders with shares representing at least one-twentieth of the share capital to (i) demand the convening of an extraordinary meeting of the shareholders (ii) require certain issues to be included in the agenda of the annual general meeting of shareholders and (iii) prevent modifications to the rights of certain types of shares. The shareholders whose shares represent at least one-tenth may, *inter alia*, (i) submit an application to the court

demanding a dismissal of a member of the supervisory council (the court shall dismiss the respective member of the supervisory council in case the application is duly grounded), (ii) request an extraordinary audit (if the general meeting of the shareholders does not approve such request, the shareholders shall have the right to submit respective application to the court. The court shall decide on conduct of a special audit only on the basis of the existence of good reason.), and (iii) demand the convening of a meeting of the supervisory council.

Pursuant to the Commercial Code a shareholder whose shares, together with the shares of its parent undertaking and its subsidiaries, represent at least 90 per cent of the share capital of a public limited company, can make an offer to acquire the shares held by the minority shareholders for a fair monetary compensation. Such an offer will be presented to the general meeting of shareholders, and if at least 95 per cent of all the votes attaching to the company's shares vote in favour, it will be binding on all shareholders.

The Estonian Financial Supervision Authority (*Finantsinspektsioon*) ("EFSA") has adopted the Corporate Governance Recommendations ("Recommendations"), which entered into force on 1 January 2006. As of that date, all companies whose shares are admitted for trading at the NASDAQ OMX Tallinn are required to either comply with the Recommendations or explain the reasons for their non-compliance ('comply or explain'). The Recommendations regulate, among other matters, the convening of and procedure in the general meetings of shareholders, the requirements for the composition, duties and activities of the management board and supervisory council, conflict of interest guidelines, requirements for the disclosure of information and financial reporting. The Recommendations impose stricter requirements on the composition of the supervisory council than the Rules of the NASDAQ OMX Tallinn, and require that at least half of the members of the supervisory council must be independent.

The NASDAQ OMX Tallinn and the Estonian Securities Market

The NASDAQ OMX Tallinn Stock Exchange ("NASDAQ OMX Tallinn") and the Estonian Central Securities Depository (*AS Eesti Väärtpaberikeskus*) ("ECSD") are the leading securities market infrastructure operators in Estonia. Herein is a summary of the information concerning the Estonian regulated securities market and certain provisions of Estonian law and current securities market regulations in effect on the date of this Prospectus. The summary is based on Estonian laws and securities market regulations and publicly available information on NASDAQ OMX Nordic OY, the sole shareholder of the company operating the NASDAQ OMX Tallinn.

NASDAQ OMX Tallinn

The NASDAQ OMX Tallinn is the single stock exchange operating in Estonia. It is operated by NASDAQ OMX Tallinn AS, a public limited company whose principal shareholder is NASDAQ OMX Nordic OY (a company controlled by NASDAQ Stock Market Inc which is the world's largest exchange company). The latter is controlling owner of the operators of the Copenhagen Stock Exchange, the Stockholm Stock Exchange, the Helsinki Stock Exchange, the Iceland Stock Exchange, the Riga Stock Exchange, and the Vilnius Stock Exchange.

The NASDAQ OMX Tallinn is a self-regulated organisation, issuing and enforcing its own rules and regulations consistent with standard exchange operating procedures, but is licensed and supervised by the EFSA. The Rules of NASDAQ OMX Tallinn are established by NASDAQ OMX Tallinn AS, the operator of the NASDAQ OMX Tallinn, in order to ensure the regular and lawful operation of the stock exchange. The operator may unilaterally amend the NASDAQ OMX Tallinn Rules, though the EFSA must approve such amendments. The rules and regulations of the NASDAQ OMX Tallinn regulate the listing of securities and trading in them on the NASDAQ OMX Tallinn and the performance of the obligations arising from securities transactions performed on the NASDAQ OMX Tallinn. The NASDAQ OMX Tallinn Rules are established by the management board of the NASDAQ OMX Tallinn. The Rules are binding on the members of the NASDAQ OMX Tallinn and the issuers whose securities are listed or admitted to trading on the Main List or the Secondary List which is a separate market also regulated by the NASDAQ OMX Tallinn.

The activities of, and trading on, the NASDAQ OMX Tallinn are subject to two tiers of regulation. Laws and government regulations comprise the basic regulatory framework, which is then supplemented by the NASDAQ OMX Tallinn Rules. The principal laws governing the activities of, and trading on, the NASDAQ OMX Tallinn are the Estonian Securities Market Act and the Estonian Central Registry of Securities Act.

Estonian Central Registry of Securities and Registration of Shares

The ECRS is a public register established, *inter alia* for the registration and maintenance of shares, debt obligations and other securities stipulated in the Estonian Central Registry of Securities Act, and transactions executed with such securities (including pledges). The ECRS is operated by the ECSD. The ECSD is organised as a public limited company, and all of its shares are fully owned by the NASDAQ OMX Tallinn's operator NASDAQ OMX Tallinn AS. The ECSD's primary functions include clearing and settling securities transactions, maintaining records of share ownership and pledges, and providing securities-related services to issuers and investors. The only securities settlement system (SSS) in Estonia is the ECSD which is the responsible body for stock trades, including over-the-counter trades. The Estonian Central Bank acts as a settlement bank of the netted cash position of the participants in the SSS.

All shares listed and traded on the NASDAQ OMX Tallinn must be registered in the ECRS or another register of securities if it is approved by the NASDAQ OMX Tallinn. No share certificates are issued with respect to the registered shares. Shares are registered in the ECRS in book-entry form and are held in dematerialised form in the respective shareholders' electronic securities accounts opened in the ECRS. Therefore, all transactions involving shares listed on the NASDAQ OMX Tallinn must be recorded on the ECRS' electronic database by account operators and are cleared and settled through the ECSD. The rights attached to the shares are presumed to belong to the persons who are registered as the shareholders in the share register of the issuer maintained by the ECSD.

The public has access to certain basic information, and has the right to obtain extracts and transcripts of documents from the ECRS, concerning the issuer (its name, seat and registry code) and the securities (the type, nominal value and amount of securities) registered with the ECRS. If shares are quoted on the stock exchange, the information concerning the shareholders is also accessible for the public. The Estonian Central Registry of Securities Act stipulates further circumstances when additional information registered with the ECRS is accessible for third parties.

A securities account can be opened in the ECRS by any Estonian or non-residents. The opening of the account takes place through an account administrator (custodian). Account administrators are institutions that qualify under Estonian law as professional participants in the securities market, such as credit institutions and investment firms, and other persons specified by law. Foreign companies that hold an activity license of a professional securities market participant and are registered in a Member State of the EU, or with which the Republic of Estonia has a respective treaty may also qualify as account administrators.

Professional participants in the Estonian securities market and foreign legal entities meeting certain criteria are entitled to open a nominee account in the ECRS. A notation is made and maintained in the ECRS indicating the nominee status of the relevant account. Shares held in the nominee account are deemed to be the client's shares, and not the shares of the account owner, and thus cannot be brought into the bankruptcy estate of the owner of the nominee account. In the exercise of voting rights and other rights arising from a share, the owner of a nominee account must follow the instructions of the client. At the request of the client, the owner of a nominee account must grant authorisation in the required format to the client so that the client can represent the owner of the nominee account in the exercise of rights arising from the shares.

Listing on the NASDAQ OMX Tallinn

Bearing in mind that Company's shares are listed in the Main List of NASDAQ OMX Tallinn, an application has been made to list the Offer Shares on the main list. In addition, an application has been made to list the Subscription Rights. In order to list shares on the Main List of the NASDAQ OMX Tallinn, among other requirements, a sufficient number of such shares must be held by the public. As a general rule,

this condition is fulfilled if at least 25 per cent of the share capital represented by the shares to be listed is held by the public, or taking into consideration the number of shares and their distribution among the public, the market would also operate properly at a lower percentage of shares held by the public, or such level of distribution is expected to be achieved shortly after listing. The NASDAQ OMX Tallinn Rules set out certain specific criteria as to determining whether shares are held by the public.

Trading on the NASDAQ OMX Tallinn

The trading system of the NASDAQ OMX Tallinn is open for trading to its members. Trading on the NASDAQ OMX Tallinn takes place on each business day from 10:00 a.m. to 3:55 p.m. (Estonian time). From 3:55 p.m. to 4:00 p.m. on the NASDAQ OMX Tallinn, the pre post-market trading is carried out. From 4:00 p.m. to 4:30 p.m. the NASDAQ OMX Tallinn carries out post-market trading. The NASDAQ OMX Tallinn uses the trading system INET, which in addition to Estonia is used by exchanges in Sweden, Finland, Denmark, Iceland, Latvia, Lithuania, and by exchanges of NASDAQ Group in the United States of America. The official trading currency of the NASDAQ OMX Tallinn trading system is the euro, however basis of any settlement is Estonian kroon which is the soley legal currency in Estonia. Investors of the NASDAQ OMX Tallinn instruments can place transaction orders and pay for transactions also in Estonian kroons without extra charge, stock exchange members use the official Bank of Estonia central rate (EUR 1 is fixed EEK 15.6466) for the calculations needed to fulfil customer's orders.

Transactions can be concluded on the NASDAQ OMX Tallinn either through automatic matching or through manual trades. In the case of automatic matching, the buy and sell orders are matched by the trading system automatically according to price and time priorities. Automatically matched transactions are settled on the third day after the transaction (T+3), unless agreed otherwise. Manual trades are negotiated between stock exchange members outside the system and brokers must enter the deal in the trading system as soon as possible, but not later than three minutes after its conclusion. Manual trades may have a settlement day between T+1 (inclusive) and T+6 (inclusive). Generally, member firms may agree on a different settlement date of the transaction than the one provided in the previous sentence only on the consent of the NASDAQ OMX Tallinn.

The operator of the NASDAQ OMX Tallinn is required to ensure constant access on its website to information on the securities traded on the market, including the acquisition and transfer prices of the securities, recent prices, price changes, the highest and lowest prices and the volume and number of transactions. According to the Estonian Securities Market Act such information must be accurate, clear, precise and complete. The NASDAQ OMX Tallinn operates an electronic trading system that provides real-time stock quotes, distributes issuer announcements and displays information regarding executed transactions, statistics and other such data. The operator of the NASDAQ OMX Tallinn must record at least the following regarding transactions concluded on the exchange: (i) the time at which the transaction is concluded; (ii) information regarding the market participant who concluded the transaction; (iii) the securities which served as the object of the transaction; and (iv) their number, nominal value and price. In accordance with the NASDAQ OMX Tallinn Rules, the operator of the NASDAQ OMX Tallinn has the right to request additional information regarding a transaction for the purposes of recording the transaction.

The Listing and Surveillance Committee of the NASDAQ OMX Tallinn has the right, for the purpose of ensuring sufficient liquidity of a security, to demand that the issuer concludes a market-making agreement with a member of the NASDAQ OMX Tallinn with respect to the securities to be listed.

Supervision of the NASDAQ OMX Tallinn

Activities of the NASDAQ OMX Tallinn are supervised by the EFSA, which is a body carrying out the supervision of all Estonian financial institutions including banks, insurance companies, investment and pension funds and the securities market. Compliance with the NASDAQ OMX Tallinn Rules by its members is monitored by the Listing and Surveillance Committee of the NASDAQ OMX Tallinn. The operator of the NASDAQ OMX Tallinn exercises supervision over the exchange with respect to the prices of securities traded on the exchange and the conduct and execution of transactions for the purpose of detecting and reducing transactions conducted on the basis of inside information, market manipulation and

other violations of the law. The operator of the NASDAQ OMX Tallinn also supervises the disclosure of adequate information to the investors, protection of the interests of the investors as well as their fair and equal treatment. The operator of the NASDAQ OMX Tallinn can apply contractual penalties, full or partial suspensions of up to 30 days, suspension of the listing of or trading with the security of up to 30 days, termination of membership of the exchange, or permanent termination of the listing or trading with the security. The operator is under an obligation to notify the EFSA immediately of any violation of law. The EFSA also has specific supervisory obligations for monitoring transactions concluded on the exchange.

Disclosure of Transactions and Ownership

A person who has acquired, either directly or indirectly, individually or together with persons operating in concert, a qualifying holding in a public limited company, and thus acquires or increases the number of votes owned thereby to more than 5, 10, 15, 20, 25 and 50 per cent or one-third or two-thirds of all votes represented by the shares of the public limited company, must immediately, but not later than within four business days, notify the public limited company and the EFSA and notify the number of votes owned by such person. The same notification requirements also apply in case the holding falls below the prescribed levels. The EFSA has the right to make exemptions from such notification requirements in certain circumstances. In the case of a company whose shares are listed on the NASDAQ OMX Tallinn, the disclosure obligations described above also apply in the case of the acquisition or reduction of a holding of five per cent. The issuer is also required to ensure that shareholders holding more than five per cent of the shares of the issuer disclose, through the issuer, all the significant provisions of all the agreements made with other shareholders or third parties which are aimed at restricting the free transferability of the shares or which may have a significant effect on the price of the shares.

In order to ensure that disclosure obligations established by law are also fulfilled in respect of shareholdings held by nominee accounts, the operator of a nominee account is required to enter into written agreements with the clients on whose behalf the operator holds securities. These agreements must, *inter alia*, require the client to notify the issuer and/or the competent supervisory body (the exact person to whom the notification must be submitted may vary depending on a particular transaction) if a holding in a company exceeds the threshold established by law or to obtain the permission of the competent supervisory body for the holding to exceed the threshold established by law (such permission is required, for example, in the case of the acquisition of a holding above a certain level in financial institutions, or in the case of an acquisition subject to concentration control by competition authorities). The NASDAQ OMX Tallinn Rules also regulate the disclosure of the issuer's dealings in its own shares.

Market Abuse

Estonian law prohibits market abuse, which, within the meaning of the Estonian Securities Market Act, is misuse of inside information and market manipulation. The same act also requires all persons providing investment services as a permanent activity to immediately notify the EFSA of a reasonable suspicion of market abuse.

Restrictions established for the misuse of inside information apply to all financial instruments admitted for trading on the market of Estonia or in a member state of the EEA, but also to instruments not admitted for trading, but the value of which depends on a financial instrument that are admitted to trading in Estonia or in an EEA Member State. Inside information is precise information which has not been made public, relating directly or indirectly to the financial instrument or its issuer and which, if it were made public, would probably have a significant effect on the price of the financial instrument or on the price of related derivative financial instruments. The law establishes additional conditions under which information may qualify as inside information.

An insider is considered to be a person who possesses inside information by virtue of being a partner or member of the management or supervisory bodies of the issuer, or by virtue of his shareholding in the issuer, or by virtue of having access to the information through the exercise of his employment, profession or duties, or by virtue of his criminal activities. Third parties who possess inside information are also treated as insiders if they knew or should have known that the information is inside information. The NASDAQ

OMX Tallinn Rules stipulate that, among other persons, persons who hold or control at least 10 per cent of shares in an issuer, the subsidiaries of the issuer and certain officials of such shareholders and subsidiaries and persons associated with them are deemed to be insiders for the purpose of the NASDAQ OMX Tallinn Rules.

Misuse of inside information comprises, *inter alia* actions, the trading on the basis of inside information, unauthorised disclosure of inside information, and the making of recommendations on the basis of inside information for the acquisition or disposal of financial instruments to which that information relates. Misuse of inside information is a subject of criminal offence, and may result in fines or imprisonment up to three years. The Securities Market Act also provides under set circumstances the right to demand from the issuer of the financial instrument traded on the Estonian market compensation of damages arising from the failure to disclose the information directly.

Issuers of publicly-traded securities and other individuals or entities that have regular access to inside information are required to establish internal rules and procedures to monitor access to inside information and prevent the disclosure of such information.

The Estonian Securities Market Act contains a non-exhaustive list of actions including price fixing, dissemination of rumours and false news and other methods that are deemed to constitute market manipulation. Credit institutions, investment firms and others providing investment recommendations must disclose any conflicts of interest they may have when providing investment advice. Under Estonian Penal Code, certain actions of market manipulation are subject to fines or imprisonment up to three years.

The NASDAQ OMX Tallinn Rules also restrict transactions involving an issuer's securities by certain officials of the issuer and by persons connected with such officials, to avoid profiting from short-term price fluctuations of the issuer's securities and during restricted periods (in particular, after the end of a financial period but when the financial results of the issuer have not yet been made public). The Listing and Supervisory Committee of the NASDAQ OMX Tallinn has the right to make exemptions from the requirement to abstain from trading during a restricted period if the Committee is of the opinion that the transaction will not be executed on the basis of confidential information.

Mandatory Takeover Bid

A person who has gained dominant influence over the target issuer, either directly or together with other persons acting in concert, is required within twenty days as of gaining that dominant influence to make a takeover bid for all the remaining shares of the target issuer with a minimum duration of twenty-eight days. This does not apply if a takeover bid has been done before gaining the dominant influence.

For the purposes of the mandatory takeover bid, a "dominant influence" is a situation where a person: (i) holds the majority of votes represented by the issuer's shares or holds the majority of the votes as a general partner or limited partner; or (ii) person who is the general or limited partner of the company and has the right to appoint or remove the majority of the members of the supervisory council or management board of the company; or (iii) person being a shareholder or general or limited partner of the company controls alone the majority of the votes pursuant to an agreement with other partners or shareholders. Pursuant to the Securities Market Act the offeror must obtain approval for the takeover bid from the EFSA, and that the purchase price in a takeover bid must be fair and in proportion to the rights and obligations deriving from the shares being acquired. A fair price is deemed to be the highest price paid for this share within the last six months before the takeover bid by the offeror or persons acting in concert.

After the EFSA has approved the takeover bid, a target person or other person connected with the takeover bid, may not demand cancellation of the takeover bid or modification of the conditions thereof.

If the offeror has acquired at least nine-tenths of the share capital of the target issuer through a takeover bid, then upon the application of the offeror, the general meeting of shareholders of the target issuer may decide to take over the rest of the shares belonging to the target persons for a fair price. The general meeting of

shareholders of the target issuer may decide this within three months since the due date of the takeover period. The quorum for this decision is nine-tenths of the votes represented by shares.

Those target offerees who did not make a bid to the offeror for the transfer of their shares in the course of the takeover bid have the sell-out right if the offeror owns at least 90 per cent of the target issuer's voting stock and the general meeting of the target issuer has not adopted a resolution for the squeeze-out described above.

TAXATION

The following summary is based on the tax laws of Estonia as in effect on the date of this Prospectus, and is subject to changes in such laws, including changes that could have a retroactive effect. The following summary is in no way exhaustive and does not take into account or discuss the tax laws of any jurisdiction other than Estonia. Investors are encouraged to seek and consult specialist assistance as to the Estonian or other tax consequences of the Offering and the purchase, ownership and disposition of Offer Shares or Subscription Rights. Prospective investors who may be affected by the tax laws of other jurisdictions should consult their own tax advisors with respect to the tax consequences applicable to their particular circumstances.

Corporate Income Tax

Pursuant to the Estonian Income Tax Act (*tulumaksuseadus*) the Estonian corporate income tax system currently in force is a unique system that shifts the point of corporate taxation from the moment of earning the profits to the moment of their distribution. Corporate income tax is charged on profit distributions and implicit distributions (such as fringe benefits, gifts and donations, transfer pricing adjustments and expenditures not related to the business activities of the company).

All of the above distributions are taxed at the rate of 21/79 of the net amount of distribution, which amounts to 21 per cent of the gross amount distributed.

Departing from the general rule described above, some profit distributions are exempted from the distribution tax. In particular, an Estonian resident company is not subject to the distribution tax in case of re-distribution of dividends received from a company subject to income tax and residing in an EEA member state or Switzerland (except for entities located at a low tax rate territory), provided that the Estonian company held at least 10 per cent of the share capital or votes in the distributing company at the moment of receiving the dividends.

Taxation of Dividends

In addition to the corporate income tax upon profit distributions, dividends payable to Estonian residents and non-residents are not subject to any withholding in Estonia (the above distribution tax nevertheless applies).

Capital Gains from Sale of Shares

Income tax is not charged on capital gains received by non-residents (whether individuals or legal persons) from the sale or exchange of shares of Estonian companies except for in cases where the non-resident held at least 10 per cent of the shares of a real estate company at the moment they are sold or exchanged. Pursuant to the Income Tax Act, income tax is charged if a non-resident transfers the holding of a company, a contractual investment fund or other pool of assets, of which real property (immovables) situated in Estonia constitute at the moment of transfer or have constituted at any moment within two years prior to transfer directly or indirectly more than 50 per cent.

In accordance with the income tax system currently applicable in Estonia, the earnings of an Estonian legal entity are not taxed upon receipt, but only after distribution of the profits. Therefore, income tax is not charged on capital gains received by an Estonian legal person from the sale or exchange of shares.

Income tax is charged on gains received by Estonian resident individuals from the sale or exchange of shares.

If the income tax on capital gains as described in above is to be charged, the taxable amount is deemed to be the difference between the acquisition costs and the sale price or exchange value of the shares.

Redemption of Shares or Purchase of Own Shares

Any payments made by the Company to its shareholders as a result of any redemption of its Shares or any purchase of its own shares or proceeds of the liquidation of the company exceeding the payments made to the equity of the Company are subject to income tax at the rate of 21/79 of the net amount of payment.

Payments received by Estonian resident individuals and non-residents from the redemption of Shares or purchase of own Shares or proceeds of the liquidation of the Company, are treated as capital gains for tax purposes and will be taxed accordingly. Payments or relevant share of profit already taxed on the Company level as described above, are not subject to income tax.

Stamp Duty and Other Transfer Taxes

Currently there are no stamp duties or transfer taxes payable upon the transfer of Shares, except for the service fees of the custodians and/or the ECRS which maintains the stock register.

LEGAL MATTERS

In respect of Estonian law, certain legal matters will be passed upon for the Company by Luiga Mody Hääl Borenius, Attorneys at law, Kawe Plaza, Pärnu mnt 15, Tallinn 10141, Estonia.

In respect of Latvian law, certain legal matters will be passed upon for the Company by Liepa, Skopina / BORENIUS, Attorneys at law, Lacplesa 20a LV-1011, Riga, Latvia.

In respect of Lithuanian law, certain legal matters will be passed upon for the Company by Foigt and Partners / Regija Borenius, Attorneys at law, J.Jasinskio g. 16A, LT-01112 Vilnius, Lithuania.

INDEPENDENT AUDITORS

Pursuant to the Estonian Commercial Code, the general meeting of shareholders elects the auditors. In the General Meeting of Shareholders held on 30 March 2010, AS PricewaterhouseCoopers, Pärnu mnt 15, Tallinn, Estonia, was elected the auditor of the Company for the financial year ending 31 December 2010. Present auditors of the Company are members of the Estonian Auditing Board.

The consolidated financial statements of the Group for the three years ended 31 December 2007, 2008 and 2009 incorporated by reference into this Prospectus were audited by AS PricewaterhouseCoopers.

AS PricewaterhouseCoopers audited the consolidated financial statements of the Group as of and for the year ended 31 December 2008 and issued a qualified auditor's opinion on the aforementioned financial statements with the following qualification: "As described in the Note 36 to the consolidated financial statements, during the course of preparing those consolidated financial statements the Group has initiated a transaction to sell off one of its business units (AS Ekspress Hotline, carrying amount of net assets is 116 million kroons (7.4 million euros)). The prerequisite for the transaction becoming effective is the approval by the Estonian Competition Authority authorising the concentration. Sale proceeds include an option to acquire shares of another company. As the transaction took place immediately before the signing of the consolidated financial statements the management was not able to reliably evaluate the fair value of the call option received as part of consideration. Therefore our audit procedures did not enable us to assess whether the sale consideration exceeds the carrying amount of the net assets of the business unit. In case the fair value of sale consideration would be lower than the carrying amount of the net assets of the business unit, the goodwill associated with the business unit should be respectively written down, the assets, equity and net profit of the Group would be decreased respectively"; and the following emphasis of matter: "Without further qualifying our opinion, we draw attention to Note 18 in the consolidated financial statements, which discloses significant assumptions and inputs used by management in impairment testing of the Group's assets (incl. goodwill) and the impact of possible changes in those assumptions and inputs on the results of the impairment tests."

AS PricewaterhouseCoopers audited the consolidated financial statements of the Group as of and for the year ended 31 December 2009 and issued a qualified auditor's opinion on the aforementioned financial statements with the following qualification: "As described in Note 13 to the consolidated financial statements, since April 2009 the Group has been in negotiations about the disposal of one of its business units (AS Ekspress Hotline). The sales transaction was completed in February 2010 whereby the final amount and components of the sales consideration differ from those assumed to be received when 2008 consolidated financial statements were prepared. The transaction resulted in a loss of approximately 40 million kroons (2.6 million euros), which is recognised as a loss from measurement to fair value less cost to sell of the assets of AS Ekspress Hotline in 2009. We were unable to assess the fair value less cost to sell of AS Ekspress Hotline as of 31 December 2008 and whether part of that loss should have been recognised in 2008 already. Our Independent Auditor's Report on 2008 consolidated financial statements was also qualified in that respect"; and the following two emphases of matters: "Without further qualifying our opinion, we draw attention to: (i) Note 19 in the consolidated financial statements, which discloses significant assumptions and inputs used by management in impairment testing of the Group's assets (incl. goodwill) and the impact of possible changes in those assumptions and inputs on the results of the impairment tests; (ii) the fact that the working capital of the Group is negative and management has disclosed its activity plan to cover the working capital deficit in Note 36."

Certain financial information presented in this Prospectus has been obtained directly from the audited financial statements of the Group, while certain other financial information presented herein has been recomputed by the Management from amounts contained in the audited consolidated financial statements. Please note that ratios and indicators presented in this Prospectus have not been audited.

DEFINITIONS AND GLOSSARY

"**Articles of Association**"	Articles of Association of the Company.
"**Company**"	AS Ekspress Grupp, incorporated in Estonia, under the Estonian Commercial Code, with registration number 10004677.
"**ECRS**"	Estonian Central Registry for Securities.
"**EEA**"	European Economic Area.
"**EEK**"	kroon, the currency of Estonia.
"**EFSA**"	Estonian Financial Supervision Authority.
"**Ekspress Grupp**" or the "**Group**"	The Company and its subsidiaries and affiliates.
"**EU**"	European Union.
"**EUR**" or "**euro**"	The single currency of the European Union Member States participating in the European Monetary Union.
"**GDP**"	Gross Domestic Production.
"**General Meeting of Shareholders**"	General Meeting of the Company's shareholders.
"**Group**"	See "Ekspress Grupp".
"**IFRS**"	International Financial Reporting Standards as adopted by the European Union.
"**LTL**"	litas, the currency of Lithuania.
"**LVL**"	lats, the currency of Latvia.
"**Management Board**"	The Management Board of the Company.
"**Management**"	The Company's management.
"**NASDAQ OMX Tallinn**"	NASDAQ OMX Tallinn Stock Exchange.
"**Offer Price**"	EEK 13.77 (EUR 0.88) per Offer Share.
"**Offer Shares**"	The shares made available to investors in the Offering.
"**Offering**"	The offer of up to 8 948 000 new shares to the shareholders of the Company and any new investors.
"**Prospectus Directive**"	Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading.
"**Prospectus Regulation**"	Commission Regulation (EC) 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of

	such prospectuses and dissemination of advertisements.
“**Prospectus**”	This offering and listing prospectus of AS Ekspress Grupp.
“**Share**”	A share in the Company as described in the Articles of Association.
“**Subscription Rights**” or “**Rights**”	The subscription rights issued to existing shareholders for pre-emptive right to subscribe the Offer Shares at the Offer Price.
“**Supervisory Council**”	The Supervisory Council of the Company.
“**U.S. dollars**”, “**U.S.$**” or “**USD**”	The currency of the United States of America.
“**UAH**”	hryvnia, the currency of Ukraine.

DOCUMENTS INCORPORATED BY REFERENCE

Due to the fact that the Company's shares are traded on the Main List of the NASDAQ OMX Tallinn and it is subject to disclosure obligations under applicable laws and stock exchange regulations, the below information and documents were incorporated into this Prospectus by reference. Such information derived from the documents which were made public by the Company.

The consolidated financial statements together with the respective auditor's reports have been incorporated into this Prospectus by reference to:

- the consolidated annual report of the Group for the year ended 31 December 2007 – exclusively up to the part including the consolidated financial statements of the Group for the year ended 31 December 2007 and to the independent auditor's report on the audit of these consolidated financial statements;
- the consolidated annual report of the Group for the year ended 31 December 2008 – exclusively up to the part including the consolidated financial statements of the Group for the year ended 31 December 2008 and to the independent auditor's report on the audit of these consolidated financial statements;
- the consolidated annual report of the Group for the year ended 31 December 2009 – exclusively up to the part including the consolidated financial statements of the Group for the year ended 31 December 2009 and to the independent auditor's report on the audit of these consolidated financial statements.

ISSUER

AS Ekspress Grupp
Narva mnt 11E
10151 Tallinn
Estonia

LEAD MANAGER

SWEDBANK AS
Liivalaia 8
15040 Tallinn
Estonia

LEGAL ADVISER TO THE ISSUER

Luiga Mody Hääl Borenius
Attorneys At Law
Pärnu mnt 15
10141 Tallinn
Estonia

INDEPENDENT AUDITORS

AS PricewaterhouseCoopers
Pärnu mnt 15
10141 Tallinn
Estonia