AS EKSPRESS GRUPP

CONSOLIDATED INTERIM REPORT

FOR THE FIRST QUARTER OF 2011

(translation of the Estonian original)

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GENERAL INFORMATION

Beginning of reporting period	1 January 2011
End of reporting period	31 March 2011
Company name	AS Ekspress Grupp
Registration number	10004677
Address	Narva mnt 11 E. 10151 Tallinn
Phone	669 8381
Fax	669 8081
Main field of activity	Publishing activities
CEO	Gunnar Kobin
Auditor	AS PricewaterhouseCoopers

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

The Management Board confirms that the management report and interim consolidated financial statements of AS Ekspress Grupp disclosed on pages 5 to 34 present a true and fair view of the key events which have occurred during the reporting period and their effect on the Group's financial position, results and cash flows, and they include a description of major risks and related party transactions of great significance.

Gunnar Kobin	Chairman of the Management Board	*signed digitally*	06.05.2011
Pirje Raidma	Member of the Management Board	*signed digitally*	06.05.2011
Andre Veskimeister	Member of the Management Board	*signed digitally*	06.05.2011

MANAGEMENT REPORT

The following report presents the consolidated financial information of Ekspress Group, the related market developments and management decision. The financial indicators and ratios show the outcome of the Group's continuing operations, i.e. they express the consolidated operating results of online media, periodicals and printing services segments.

Key financial indicators

Financial indicators (thousand)	EUR Q1 2011	Q1 2010	Change %
For the reporting period			
Revenue	13 146	11 658	13%
Gross margin	2 617	2 065	27%
EBITDA	2 934	733	300%
EBITDA (excluding revenue from business combination)	1 394	733	90%
Operating profit	2 094	(101)	649%
Operating profit (excluding revenue from business combinations)	554	(101)	2173%
Net profit/(loss) from continuing operations	**1 385**	**(1 131)**	**222%**
Net profit/(loss) for the period	**1 385**	**(768)**	**280%**
	31.03.2011	**31.12.2010**	**Change %**
Current assets and non-current assets held for sale	11 682	12 731	-8.2%
Non-current assets	74 838	73 251	2.2%
Total assets	**86 520**	**85 982**	0.6%
Current liabilities	15 949	16 018	-0.4%
Non-current liabilities	32 578	33 665	-3.2%
Total liabilities	**48 527**	**49 683**	**-2.3%**
Equity	**37 993**	**36 299**	**4.7%**

Financial ratios

Profitability ratios (%)	Q1 2011	Q1 2010
Sales growth (%)	13%	-12%
Gross margin (%)	20%	18%
EBITDA margin (%)	22%	6%
Operating margin (%)	16%	-1%
Net margin (%)	11%	-7 %
ROA (%)	2%	-1%
ROE (%)	4%	-3%
Earnings per share EUR	0.05	(0.04)

Formulas used to calculate the financial indicators:

Sales growth (%)	(sales Q1 2011 – sales Q1 2010) / sales Q1 2010*100
Gross margin (%)	gross profit/sales*100
Net margin (%)	net profit/sales*100
EBITDA margin (%)	EBITDA/sales*100
Operating margin (%)	operating profit/sales*100
Earnings per share	net profit/average number of shares
ROA (%)	net profit/average assets *100
ROE (%)	net profit/average equity *100

Financial position ratios (%)	31.03.2011	31.12.2010
Equity ratio (%)	44%	42%
Liquidity ratio	0.7	0.8
Debt to equity ratio (%)	99%	107%
Debt to capital ratio (%)	46%	47%

Formulas used to calculate the financial indicators:

Equity ratio (%)	equity / (liabilities + equity)* 100
Liquidity ratio	current assets/current liabilities
Debt to equity ratio (%)	interest bearing liabilities /equity*100
Debt to capital ratio (%)	interest bearing liabilities –cash and bank balances (net debt)/ (net debt+ equity)*100

In the 1st quarter of 2011, Ekspress Group significantly improved its operating results for the period. Despite the most modest quarter of the year in terms of advertising revenue, EBITDA increased to EUR 2.93 million and EBITDA growth was 300%. The Group's net profit totalled EUR 1.38 million and net profit growth was 280%. After normalising the operating results with the impact of business combination with Eesti Päevalehe AS in 2011 (see Note 3 for details), the Group's EBITDA was EUR 1.39 million and it grew by 90%. Excluding the one-off effects of the aforementioned acquisition of Eesti Päevalehe AS, the net loss was EUR 155 thousand in the 1st quarter of the year

The key contributors to the significant improvement of EBITDA included AS Printall, whose EBITDA improved by 25% (EUR 303 thousand); the online portal Delfi whose EBITDA improved by 56% (EUR 47 thousand); the publisher of Eesti Ekspress and Maaleht, Eesti Ajalehed AS whose EBITDA improved by 365% (EUR 139 thousand).

In the periodicals segment, the results of companies improved due to better efficiency and in the online media segment, due to sales growth. In the printing services segment, better results were primarily related to higher sales in export markets. The sales in the periodicals segment have stabilised at the last year's level, but the recovery from the decline in advertising sales is very uneven. In the middle of the quarter, sales were propelled by elections to the Riigikogu (Parliament), but the last month of the quarter experienced a sales setback. The revenue from subscriptions of periodicals and single copy sales have remained quite stable in terms of the monetary amount. While the revenue from single copy sales declined by 5.6%, then the revenue from subscriptions increased by 5.3% during the same time period. At Ajakirjade Kirjastus, the results of the 1st quarter were impacted by the additional allowance for the books.

The key event of the quarter was the acquisition of a controlling interest in Eesti Päevalehe AS. Negotiations with the former co-shareholder Jaan Manitski's company OÜ Vivarone resulted in OÜ Vivarone acquiring the real estate property which had previously been in the ownership of Eesti Päevalehe AS (former premises of the publisher) and AS Ekspress Grupp acquired the shares of Eesti Päevalehe AS from OÜ Vivarone. The parties did not pay any cash for the transaction. The transaction has created preconditions for better cooperation of Ekspress Group's media organisations and for increasing the competitiveness of the newspaper Eesti Päevaleht. Although Eesti Päevalehe AS is a loss-making company, the publishing of Eesti Päevaleht is a profitable activity for Ekspress Group as the Group's joint ventures and subsidiaries earn a profit from providing services to Eesti Päevaleht. With the acquisition of Eesti Päevaleht, Ekspress Group launched development of a new multimedia newsroom using the media brands in its ownership as the basis, which will represent the greatest challenge for the Group this year and an opportunity to save costs as well as increase competitiveness in the field of journalism.

Another significant event in the periodicals segment was conclusion of a preliminary contract for the sale of the periodical and newspaper home delivery company AS Express Post to AS Eesti Post. The reason for the conclusion of the preliminary sales contract was the vision of the management of

Ekspress Group that during the time of media digitalisation, the strategic value of a company engaged in classic home delivery will diminish over time for the Group. The precondition for the conclusion of the transaction is the respective concentration permit to be granted by the Competition Board, the application for which was submitted in the month after the end of the quarter and proceedings of which are expected in being completed in the 3rd quarter. The transaction amount is EUR 2.6 million.

Overview of the segments

Key financial data of the segments January – March 2010/2011

Group

(thousand EUR)	Sales			EBITDA		
	Q1 2011	Q1 2010	Change %	Q1 2011	Q1 2010	Change %
online media	1 852	1 541	20.2%	(37)	(84)	56.0%
periodicals	5 562	5 314	4.7%	144	(107)	234.6%
printing services	6 490	5 551	16.9%	1 516	1 213	25.0%
corporate functions	26	37	-29.7%	1 326	(287)	562.0%
intersegment eliminations	(784)	(785)	0.1%	(15)	(2)	-650.0%
TOTAL	**13 146**	**11 658**	**12.8%**	**2 934**	**733**	**300.3%**

EBITDA margin	Q1 2011	Q1 2010
online media	-2.0%	-5.5%
periodicals	2.6%	-2.0%
printing services	23.4%	21.9%
TOTAL	**22.3%**	**6.3%**

Over the last year, the Group's sales structure has changed, with the segments of printing services and online media increasing from 12.4% to 13.3% and from 44.7% to 46.7% of the total sales of the Group, respectively. The EBITDA margin has improved the most in the periodicals segment, where the last year's negative margin has been replaced by a positive margin of 2.6%. The margin of the online media segment has improved, increasing from - 5.5 % in the 1st quarter of the previous year to -2% in the comparable quarter this year.

The Group's management expects online media and printing services segments to continue to grow. The sales growth in periodicals segment is expected to remain uneven. The Group's management considers creation of a new multimedia newsroom and combination of overlapping activities of various publishing entities to be the largest challenge, expected to create considerable efficiency and support for increasing the competitiveness of its products. The management is also taking next steps towards digitalisation of classic printed media.

Online media segment

The online media includes Delfi operations in Estonia, Latvia, Lithuania and Ukraine.

(thousand EUR)	Sales			EBITDA		
	Q1 2011	Q1 2010	Change %	Q1 2011	Q1 2010	Change %
Delfi Estonia	703	585	20.2%	1	40	-97.5%
Delfi Latvia	422	354	19.2%	7	(52)	113.5%
Delfi Lithuania	720	621	15.9%	(36)	(59)	39.0%
Delfi Ukraine	7	1	600.0%	(85)	(106)	19.8%
other Delfi companies	16	16	0.0%	77	83	-7.2%
intersegment eliminations	(16)	(36)	55.6%	0	11	-
TOTAL	**1 852**	**1 541**	**20.2%**	**(37)**	**(84)**	**56.0%**

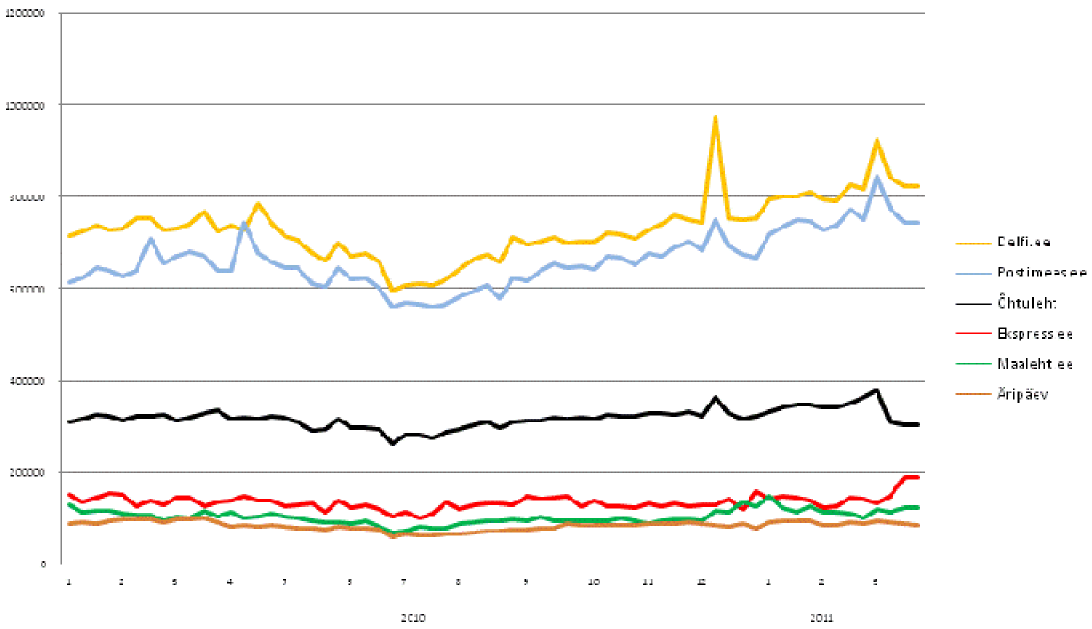
In the 1st quarter, the sales in the online media segment grew by 20%, whereby the growth by countries was quite similar. The advertising sales in the online media segment were supported by elections in Lithuania and Estonia in early spring. The position of Delfi Latvia has strengthened due to product design upgrades and this, combined with the content quality, has helped Latvia to reach the highest number of pageviews. A product upgrading process is also underway at Delfi Lithuania. In the 1st quarter, Delfi Lithuania launched the new women's portal www.5braskes.lt with the goal of primarily increasing the market share in the advertising segment targeted at women. At the end of the 1st quarter, Delfi Latvia launched the portal Morning.lv with an EU grant, the goal of which is to transmit information related to the European Parliament. In the 1st quarter, Delfi Estonia incorporated the portal Eesti Elu, to be used as the basis for developing a portal of hyperlocal news, and launched a new advertising and content section "Reisileidja", which has received positive feedback from tourist companies and created a new advertising sales flow for Delfi. Surveys of the focus groups of Delfi readers were conducted in all Baltic States in the 1st quarter, which help the editorial offices to better manage the quality of products. In the 1st quarter, a significant conceptual change was implemented at Delfi Ukraine, and a product and organisation reform was launched with the goal of finding a more competitive segment for the product in the extremely oversaturated Ukrainian online media landscape. At the suggestion of the management, a decision was adopted to make the product more tabloid-like than it is customary in the Baltic States. The change and focus of the concept have enabled to lower costs by downsizing the organisation. The first results show that the market has received the new product well, and the number of unique users and downloadable pages has increased. In the online media segment, the Group has started to sell mobile portal advertisements both on the iPhone and Android platforms as well as to the web-based application. The sales of video advertisements have been launched, which provides even better opportunities to participate in the TV advertising market. As the volume of TV advertisements exceeds the sales of online advertisements several times, the Management Board sees the best future growth opportunities primarily in the sale of video advertisements, enabling to participate in the budgets of TV advertisements. The growth in mobile advertisements will be aggressive, but modest in absolute numbers.

News portals owned by Ekspress Group

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

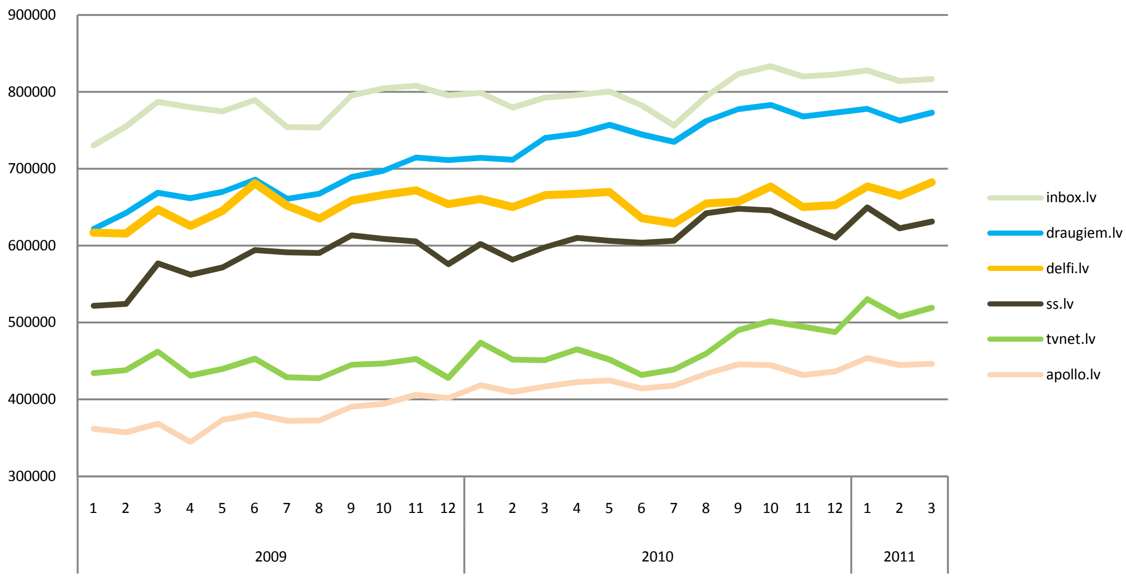
In the 1st quarter of 2011, there were no major changes in terms of the profile and number of readers of online publications. Delfi Group continues to be the only new media publication operating in all Baltic States as well as in Ukraine.

Estonian online readership 2009-2011



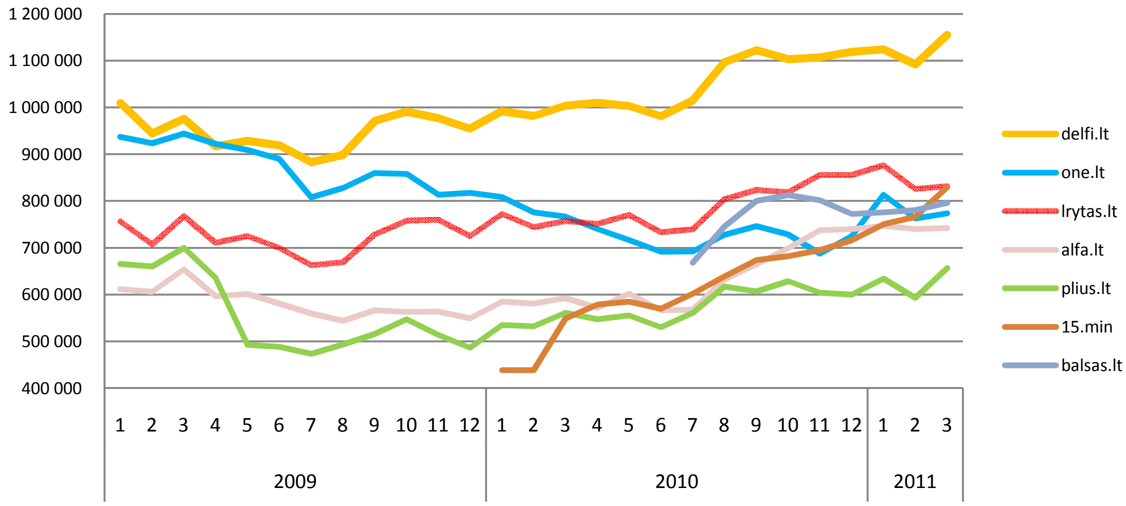
The number of the users of Delfi Estonia increased by ca. 11% in the 1st quarter as compared to the 1st quarter of 2010.

Latvian online readership 2009-2011



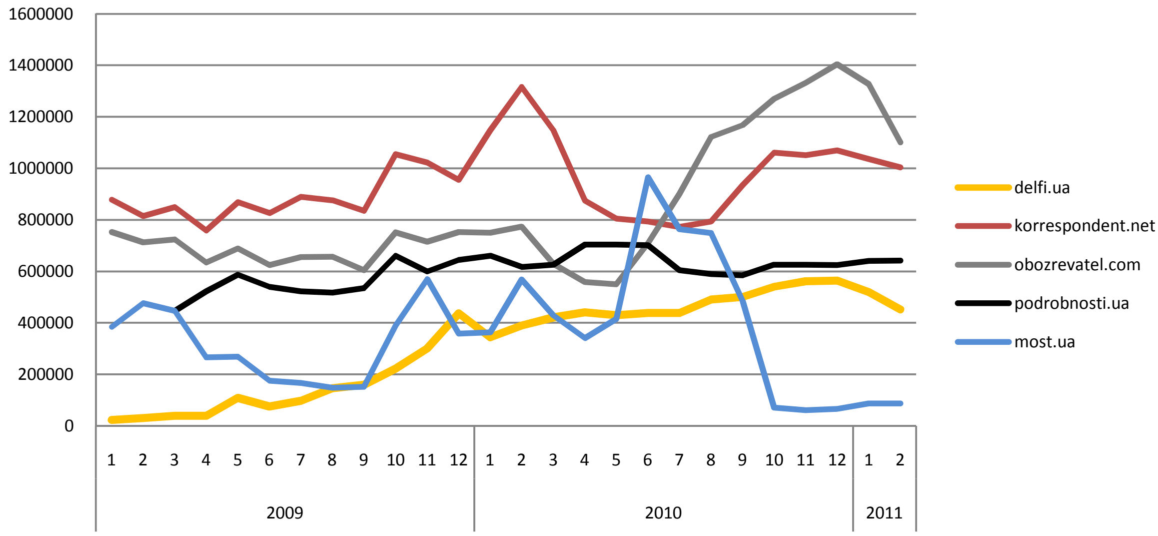
Delfi Latvia continues to be the most visited news portal. Of the competitors, tvnet.lv and apollo.lv have almost a third fewer visitors than Delfi.lt and this difference has prevailed also in the 1st quarter of 2011.

Lithuanian online readership 2009-2011



In the 1st quarter of 2011, Delfi Lithuania continued to be the most popular Internet environment in Lithuania, increasing by 15% year-over-year.

Ukrainian online readership 2009-2011



In the first months of the year, the number of users of Ukraine Delfi has declined slightly; however, the number of users in March is the highest it has ever been. The decline in the first months of the year is attributable to the rearrangement of Delfi editorial team, which has been completed by now, and rearrangement of some parts of the portal.

Periodicals segment

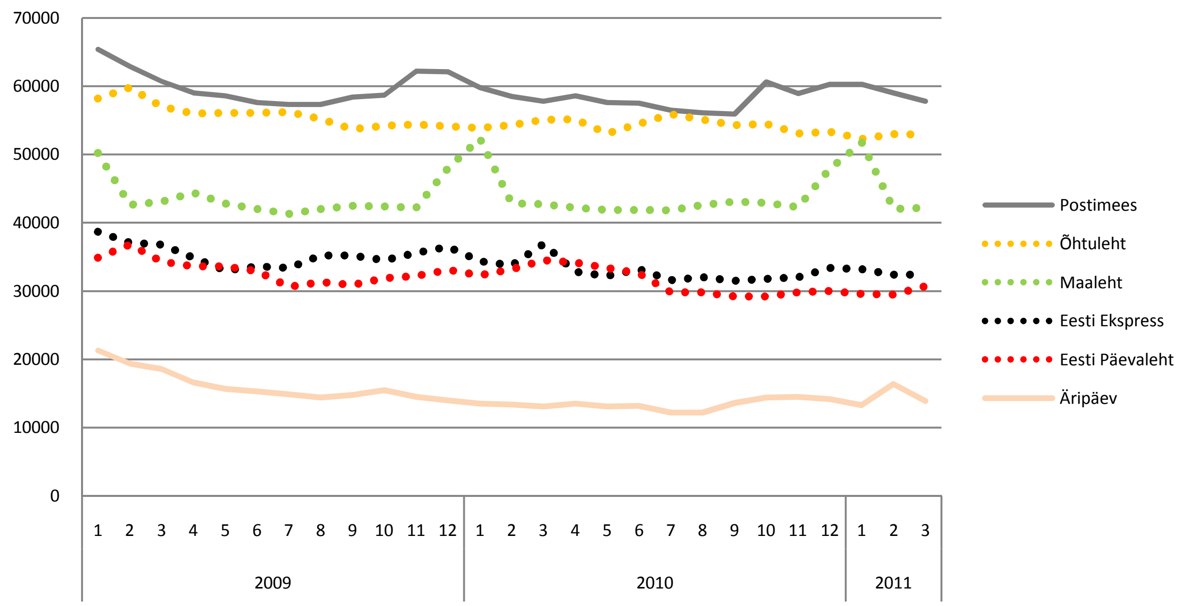
The periodicals segment includes publishers of newspapers and magazines, the operations of which also include publishing of books. This segment also includes AS Express Post, engaged in home delivery of periodicals.

(thousand EUR)	Sales			EBITDA		
	Q1 2011	Q1 2010	Change%	Q1 2011	Q1 2010	Change%
Eesti Ajalehed AS	1 796	1 787	0.5%	177	38	365.8%
Eesti Päevalehe AS**	1 448	717	102.0%	(129)	(189)	31.7%
SL Õhtuleht AS*	837	849	-1.4%	49	49	0.0%
AS Ajakirjade Kirjastus*	960	1 016	-5.5%	(18)	7	-357.1%
UAB Ekspress Leidyba	656	653	0.5%	(41)	(90)	54.4%
AS Express Post*	602	612	-1.6%	70	81	-13.6%
OÜ Uniservice*	3	2	50.0%	-3	-3	0.0%
intersegment eliminations	(740)	(322)	-129.8%	39	0	-
TOTAL	**5 562**	**5 314**	**4.7%**	**144**	**(107)**	**234.7%**

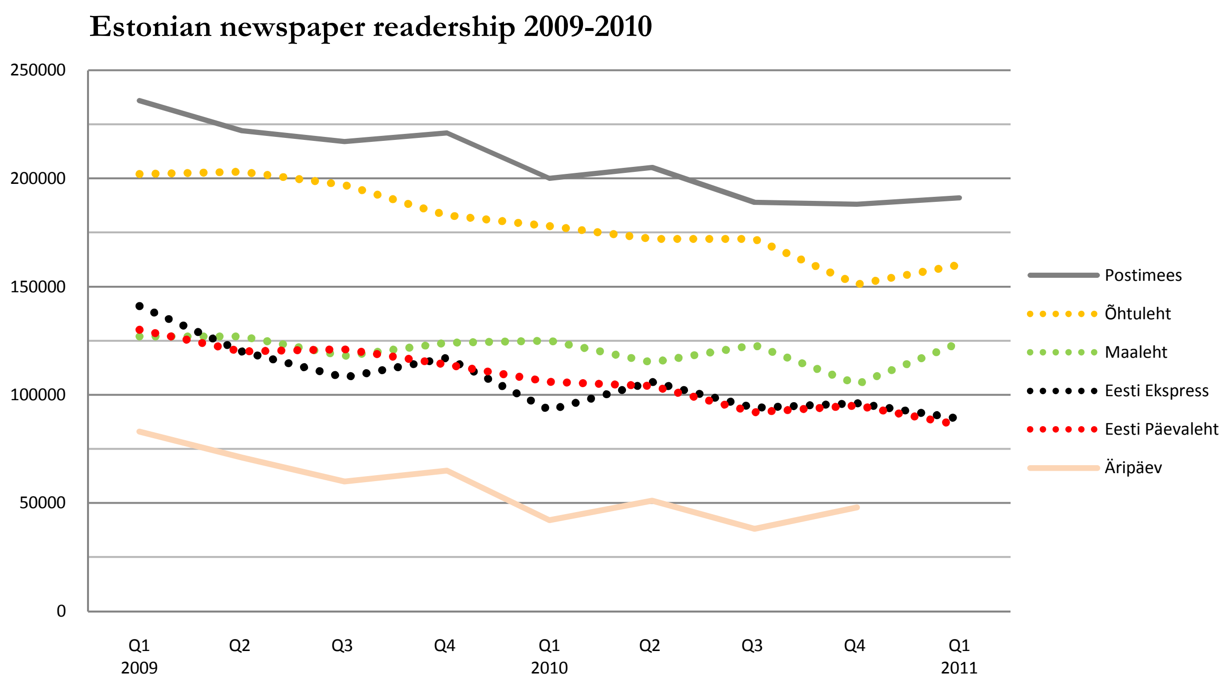
*Proportionate share of joint ventures

** Until February 2011, a 50% joint venture and consolidated on a proportionate basis. From March 2011, consolidated 100%.

Estonian newspaper circulation 2009-2010

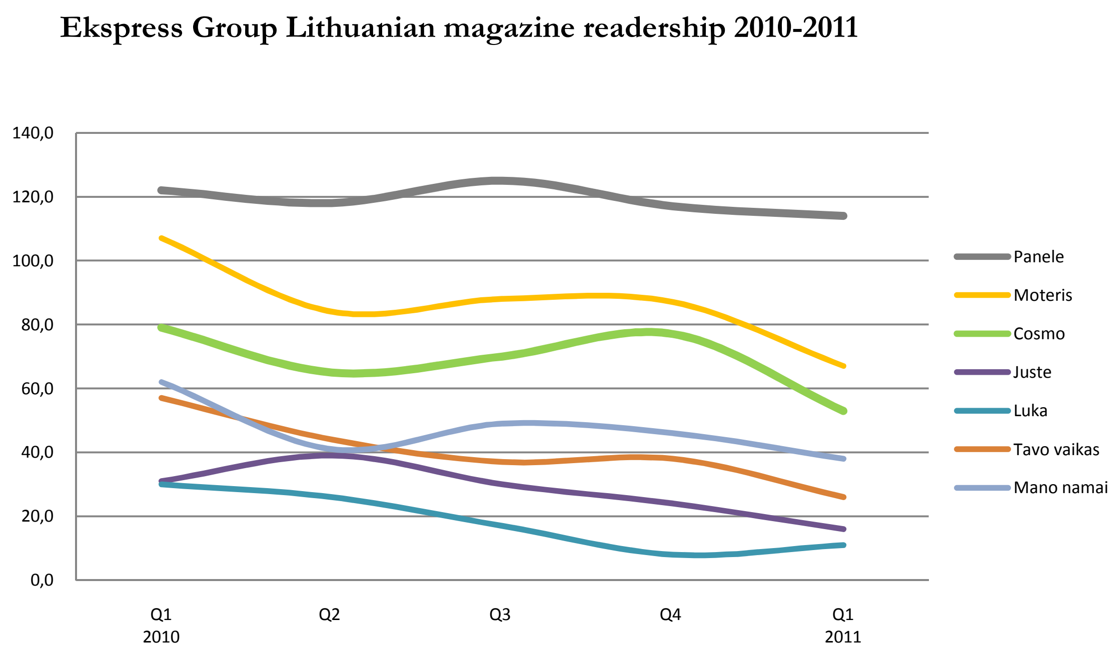


The circulation numbers of Estonian daily newspapers show slight signs of stabilisation and despite no investments in major marketing campaigns at the end of 2010 and beginning of 2011, the circulation numbers have been maintained in the 1st quarter of 2011.



In the 1st quarter of 2011, Maaleht has significantly increased its readership, and to a lesser extent, Õhtuleht.

In a year-over-year comparison, Eesti Ekspress has preserved its reader base. The daily newspapers – Postimees and Eesti Päevaleht have lost their readers the most.



With regard to the Lithuanian magazines of Ekspress Group, the readership has declined in the 1st quarter of 2011 for all periodicals, except for Panele and Mano Namai.

Printing services segment

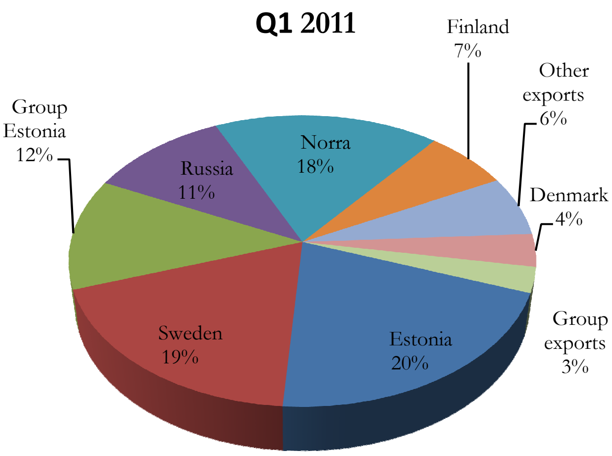
All printing services of Ekspress Group are provided by AS Printall which is the largest printing company in Estonia. Printall is able to print both newspapers (coldest) and magazines (heatset).

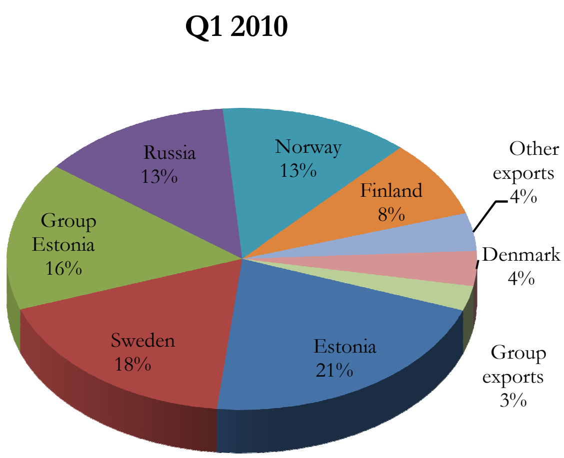
(thousand EUR)	Sales			EBITDA		
	Q1 2011	Q1 2010	Change %	Q1 2011	Q1 2010	Change %
AS Printall	6 490	5 551	16.9%	1 516	1 213	25.0%

In the printing segment, aggressive development continued in export markets. The share of exports in total sales has increased from 64% to 67% in a year. Exports to Scandinavia have increased the most, and new markets have been added in Western Europe. The company has reached its production capacity and the company's Management Board is preparing an investment plan for adding new production capacity.

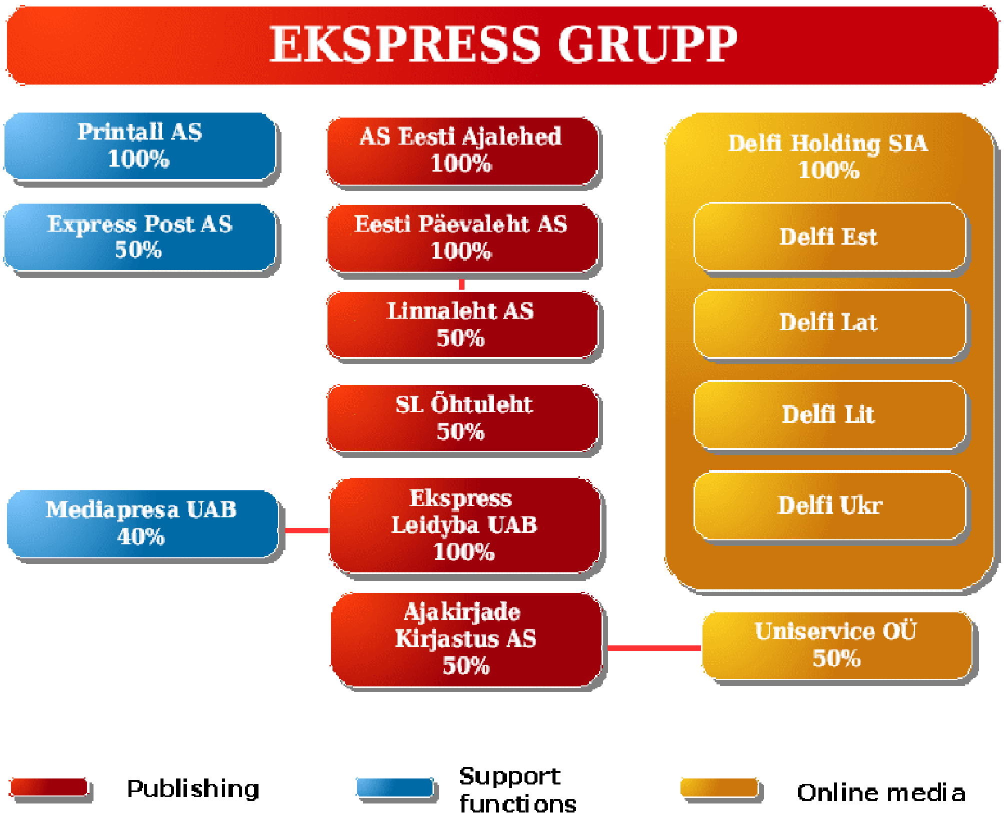
Geographical break-down of printing services

	Q1 2011	Q1 2010	Change
Exports (non-Group)	**64%**	**60%**	**24%**
Finland	7%	8%	-6%
Sweden	19%	18%	22%
Russia	11%	13%	-3%
Norway	18%	13%	57%
Denmark	4%	4%	13%
Other exports	7%	4%	90%
Estonia (non-Group)	**21%**	**21%**	**14%**
Group	**15%**	**19%**	**-5%**
incl. Estonia	12%	16%	-10%
Lithuania	3%	3%	24%
Total exports	**67%**	**63%**	**24%**
Exports to Europe	**56%**	**50%**	**31%**
Total Estonia	**33%**	**37%**	**4%**
Total sales	**100%**	**100%**	**17%**





Group structure (see detailed list for all legal entities in the Group in Note 1 to the interim financial statements)



Share and shareholders of AS Ekspress Grupp

AS Ekspress Grupp share capital is EUR 19 043 652, which consists of the shares with the nominal value of EUR 0.64. All shares of one type and there are no ownership restrictions. There are no any shares granting specific controlling rights and the Group lacks information about agreements dealing with the restrictions on voting rights of shareholders.

In conjunction with the adoption of the euro in Estonia on 01.01.2011 and the need to convert the share capital into euros while taking into account the rules for rounding laid down in law, a proposal was made at the regular meeting of shareholders to decrease the nominal value of the share to EUR 0.60. By decreasing the nominal value of shares, the share capital decreased by EUR 1 165 548 to EUR 17 878 105. The amount which arose in the reduction of share capital is taken to retained earnings.

The articles of association of the public limited company set no restrictions on the transfer of the shares of the public limited company. The agreements entered into between the public limited company and the shareholders set no restrictions on the transfer of shares. In the agreements between the shareholders, they are only known to the Group to the extent related to pledging of securities and that is public information.

Structure of shareholders as of 31.03.2011 according to the Estonian Central Register of Securities

Name	Number of shares	%
Hans H. Luik	16 236 520	54.49%
Hans H. Luik	*7 963 307*	*26.73%*
OÜ HHL Rühm	*8 266 313*	*27.74%*
OÜ Minigert	*6 900*	*0.02%*
ING Luxembourg S.A.	3 727 344	12.51%
Skandinaviska Enskilda Banken Ab Clients	2 531 967	8.50%
Members of the Management and Supervisory Boards and their close relatives	487 201	1.64%
Gunnar Kobin, OÜ Griffen SVP	*320 512*	*1.08%*
Gunnar Kobin, OÜ Griffen Invest	*73 169*	*0.25%*
Viktor Mahhov, OÜ Flexinger	*37 464*	*0.13%*
Aavo Kokk, OÜ Synd & Katts	*400*	*0.00%*
Ville Jehe, OÜ Octoberfirst	*55 656*	*0.19%*
Other minority shareholders	6 813 809	22.87%
Total	**29 796 841**	**100%**

On 16 September 2010, East Capital Asset Management AB announced that it increased its ownership interest to 5.43% which is held at the nominee account of Skandinaviska Enskilda Banken Ab Clients.

KJK Fund SICAV-SIF (former name: DCF Fund (II) SICAV-SIF) has a 12.51% ownership interest which is held at the account of ING Luxembourg S.A.

Share information

The share price in euros and the trading statistics on OMX Tallinn Stock Exchange from 1 January 2009 until 31 March 2011.

By virtue of the conditions laid down in the Group's loan agreements, payment of dividends to shareholders is limited.

The following table shows the stock trading history for Q1 2010/2011

Price (EUR)	2011	2010
Opening price	1.53	1.03
Closing price	1.50	1.53
High	1.62	1.48
Low	1.40	0.95
Traded shares, pcs	1 539 389	851 106
Turnover, million	2.60	1.0
Capitalisation, million	44.73	21.68

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of financial position (unaudited)

	EUR	
(thousand)	**31.03.2011**	**31.12.2010**
ASSETS		
Current assets		
Cash and cash equivalents	2 221	2 767
Trade and other receivables	6 446	6 943
Inventories	2 955	2 961
Total	**11 622**	**12 671**
Non-current assets held for sale	60	60
Total current assets	**11 682**	**12 731**
Non-current assets		
Term deposit	3 014	3 009
Trade and other receivables	170	160
Investments in associates	8	8
Property, plant and equipment (Note 6)	18 134	19 138
Intangible assets (Note 6)	53 512	50 936
Total non-current assets	**74 838**	**73 251**
TOTAL ASSETS	**86 520**	**85 982**
LIABILITIES AND EQUITY		
Liabilities		
Current liabilities		
Borrowings (Note 7)	5 338	5 233
Trade and other payables	10 611	10 785
Total current liabilities	**15 949**	**16 018**
Non-current liabilities		
Borrowings (Note 7)	32 204	33 053
Other long-term liabilities	0	2
Derivative instruments	374	610
Total non-current liabilities	**32 578**	**33 665**
Total liabilities	**48 527**	**49 683**
Equity		
Share capital (Note 10)	19 044	19 044
Share premium	14 277	14 277
Reserves (Note 10)	283	46
Retained earnings	4 285	2 900
Currency translation reserve	104	32
Total equity	**37 993**	**36 299**
TOTAL LIABILITIES AND EQUITY	**86 520**	**85 982**

The Notes presented on pages 21 to 34 form an integral part of the interim consolidated financial statements

Consolidated statement of comprehensive income (unaudited)

(thousand)	EUR Q1 2011	EUR Q1 2010
Sales	13 146	11 658
Cost of sales	10 529	9 593
Gross profit	**2 617**	**2 065**
Marketing expenses	441	541
Administrative expenses	1 639	1 689
Other income	1 614	79
incl. profit from business combinations (Note 3)	1 540	0
Other expenses	57	15
Operating profit	**2 094**	**(101)**
Interest income	10	11
Interest expense	559	624
Foreign exchange gains (losses)	(71)	29
Other finance costs	37	66
Net finance cost	**(657)**	**(650)**
Profit/(loss) from investments in associates	0	(10)
Profit (loss) before income tax	**1 437**	**(761)**
Income tax expense	52	370
Profit (loss) from continuing operations for the year	**1 385**	**(1 131)**
Profit (loss) from discontinued operations for the year	0	363
Profit (loss) for the period	**1 385**	**(768)**
Other comprehensive income (expense)		
Currency translation differences	72	(113)
Hedging reserve change	237	0
Total other comprehensive income (expense) for the period	**309**	**(113)**
Total comprehensive income (expense) for the period	**1 694**	**(881)**
Basic and diluted earnings per share (Note 9)	0.05	(0.04)

The Notes presented on pages 21 to 34 form an integral part of the interim consolidated financial statements

Consolidated statement of changes in equity (unaudited)

(thousand EUR)	Attributable to equity holders of the Parent Company						Minority interest	Total equity
	Share capital	Share premium	reserves	Retained earnings	Currency translation reserve	Total		
Balance on 31 December 2009	**13 325**	**12 327**	**(20)**	**2 927**	**104**	**28 663**	**18**	**28 681**
Comprehensive income for the reporting period	0	0	0	(768)	(113)	(881)	0	(881)
Balance on 31 March 2010	**13 325**	**12 327**	**(20)**	**2 159**	**(8)**	**27 783**	**18**	**27 801**
Balance on 31 December 2010	**19 044**	**14 277**	**46**	**2 900**	**32**	**36 299**	**0**	**36 299**
Comprehensive income for the reporting period	0	0	237	1 385	72	1 694	0	1 694
Balance on 31 March 2011	**19 044**	**14 277**	**283**	**4 285**	**104**	**37 993**	**0**	**37 993**

The Notes presented on pages 21 to 34 form an integral part of the interim consolidated financial statements

Consolidated cash flow statement (unaudited)

	EUR	
(thousand)	Q1 2011	Q1 2010
Cash flows from operating activities from continuing operations		
Operating profit (loss) for the period	2 094	(101)
Adjustments for:		
Depreciation, amortisation and impairment (Note 6)	839	834
Profit (-) loss (+) from business combinations (Note 3)	(1 540)	0
Profit (-) loss (+) on sale and write-downs of property, plant and equipment	0	1
Changes in working capital:		
Trade and other receivables	(281)	(443)
Inventories	6	(118)
Trade and other payables	(137)	(1 535)
Cash generated from operations	**981**	**(1 362)**
Income tax paid	0	(370)
Interest paid	(670)	(616)
Net cash generated from operating activities from continuing operations	**311**	**(2 349)**
Net cash used in operating activities from discontinued operations	**0**	**(160)**
Cash flows from investing activities		
Investments in subsidiaries, net of cash acquired (Note 3)	(23)	0
Proceeds from sale of shares in subsidiaries (Note 5)	0	3 980
Interest received	10	11
Purchase of property, plant and equipment (Note 6)	(123)	(151)
Proceeds from sale of property, plant and equipment	1	175
Loan repayments received	20	2
Net cash used in investing activities from continuing operations	**(115)**	**4 016**
Net cash generated from investing activities from discontinued operations	**0**	**0**
Cash flows from financing activities from continuing operations		
Finance lease payments made	(305)	(381)
Change in overdraft used	341	10
Proceeds from borrowings	116	121
Repayments of borrowings	(894)	(2 297)
Net cash used in financing activities from continuing operations	**(742)**	**(2 547)**
Net cash used in financing activities from discontinued operations	**0**	**(5)**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(546)**	**(1 046)**
Cash and cash equivalents at the beginning of the period	2 767	2 553
Cash and cash equivalents at the end of the period	2 221	1 508

The Notes presented on pages 21 to 34 form an integral part of the interim consolidated financial statements

SELECTED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Note 1. General information

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

AS Ekspress Grupp (registration number 10004677, address: Narva mnt.11E, 10151 Tallinn) is a holding company registered in the Republic of Estonia. As of 31.03.2011, the Group consists of 12 subsidiaries, 5 joint ventures and 1 associates.

This interim consolidated report was approved by the Management Board on 6 May 2011.

The Group's presentation currency is the euro (EUR). The financial statements have been prepared in euros (EUR), rounded to the nearest thousand.

As of 31.03.2011, the interim consolidated financial statements for the 1st quarter of 2011 of Ekspress Group reflect the results of the following group companies:

Company name	Status	Ownership interest 31.03.2011	Ownership interest 31.03.2010	Main field of activity	Domicile
Operating segment: corporate functions					
AS Ekspress Grupp	Parent company			Holding company	Estonia
Operating segment: periodicals					
Eesti Ajalehed AS	Subsidiary	100%	100%	Newspaper publishing	Estonia
Maaleht AS	Subsidiary	na	100%	Newspaper publishing (merged with Parent Company in 2010)	Estonia
UAB Ekspress Leidyba	Subsidiary	100%	100%	Magazine publishing	Lithuania
Eesti Päevalehe AS	Subsidiary /joint venture	100%	50%	Newspaper publishing	Estonia
AS SL Õhtuleht	Joint venture	50%	50%	Newspaper publishing	Estonia
AS Express Post	Joint venture	50%	50%	Periodicals' home delivery	Estonia
AS Ajakirjade Kirjastus	Joint venture	50%	50%	Magazine publishing	Estonia
Uniservice OÜ	Joint venture	26%	26%	Magazine publishing	Estonia
AS Linnaleht	Joint venture /Associate	50%	25%	Newspaper publishing	Estonia
Medipresa UAB	Associate	40%	40%	Periodicals' wholesale distribution	Lithuania
Operating segment: online media					
SIA Delfi Holding	Subsidiary	100%	100%	Management of online media subsidiaries	Latvia
Delfi AS	Subsidiary	100%	100%	Online media	Estonia
Delfi AS	Subsidiary	100%	100%	Online media	Latvia
Mango.lv SIA	Subsidiary	100%	100%	Online media	Latvia
Delfi UAB	Subsidiary	100%	100%	Online media	Lithuania
UAB Ekspress Portals	Subsidiary	100%	100%	Online media (discontinued operations)	Lithuania
TOV Delfi	Subsidiary	100%	100%	Online media	Ukraine
Operating segment: printing services					
AS Printall	Subsidiary	100%	100%	Printing services	Estonia

In the 1st quarter of 2010, the Group sold its 100% ownership interest in Rahva Raamat AS, more detailed information of which is disclosed in Note 5.

Note 2. Bases of preparation

The interim consolidated financial statements of AS Ekspress Grupp for the 1st quarter of 2011 ended 31.03.2011 have been prepared in accordance with IAS 34 "Interim Financial Reporting". The condensed interim consolidated financial statements should be read together to the annual report for the financial year ended 31.12.2010.

The Management Board estimates that the interim consolidated financial statements for the 1st quarter of 2011 present a true and fair view of the Group's operating results, and all group companies are going concerns. These interim financial statements have neither been audited nor reviewed in any other way by auditors.

Note 3. Business combinations

On 11 March 2011, AS Ekspress Grupp and Vivarone OÜ concluded a contract for restructuring their current partnership in Eesti Päevalehe AS. In accordance with the contract, Vivarone OÜ acquired the offices previously in the ownership of Eesti Päevaleht at Narva Road 13 and Ekspress Group acquired the business of Eesti Päevaleht. For completion of the transaction, Eesti Päevalehe AS sold its real estate to Vivarone OÜ and Vivarone OÜ in turn sold 50% of the shares of Eesti Päevalehe AS in its ownership to Ekspress Group, and the parties offset their receivables from each other. Neither party paid actual cash for the transaction. Eesti Päevalehe AS continues to lease the current offices from Vivarone OÜ.

Full ownership of Eesti Päevalehe AS enables Ekspress Group to integrate various media content production units and support structures, and thereby, achieve cost savings.

Upon acquisition of Eesti Päevalehe AS, goodwill arose in the amount of EUR 1 170 thousand which is related to the acquired customer base and potential savings due to the scale effect.

On 4 March 2011, Delfi AS acquired a 100% ownership interest in OÜ Saarmann Meedia, paying EUR 34 thousand in cash for the company. This company owns the local news portal of rural municipalities www.eestielu.ee and the cost of the portal made up most of the amount paid. No goodwill arose on acquisition.

The table below provides an overview of acquired identifiable assets and liabilities at the time of acquisition. The balance sheets as of 28.02.2011 have been used as the basis for preparing the purchase price allocation.

(thousand EUR)	Eesti Päevalehe AS	Saarmann Meedia OÜ
Cash and bank	21	0
Other receivables and assets	2 090	0
Property, plant and equipment	47	7
Intangible assets (licenses, programmes, portals)	316	34
Trademark	1 222	0
Contractual customer relationships	263	0
Other liabilities	(1 929)	(6)
Total identifiable assets	**2 030**	**34**
Cost of ownership interest	3 200	34
Goodwill	**1 170**	**0**
Purchase consideration settled in cash	0	34
Cash and cash equivalents in subsidiary acquired (EPL 50%)	(11)	0
Cash outflow on acquisition	**(11)**	**34**

The acquisition of an additional 50% ownership interest of Eesti Päevalehe AS is accounted for in two parts in accordance with IFRS 3 (revised): firstly, as the sale of the current 50% ownership interest and thereafter, as a purchase of a 100% ownership interest. The profit from sale of the current 50% ownership interest in the amount of EUR 1 540 thousand is forming part of operating profit and is reported as "Other income".

Note 4. Sale of a joint venture

On 4 February 2011, AS Ekspress Grupp concluded a preliminary contract for the sale of its ownership interest in the newspaper home delivery joint venture AS Express Post. The company acquiring the ownership interest is AS Eesti Post. According to the preliminary contract, the transaction price is EUR 2.6 million.

AS Ekspress Grupp wishes to dispose of its ownership interest due to its strategy to focus more on electronic media. Therefore, this company's strategic value has diminished for Ekspress Group. At the same time, the potential combination of Express Post and Eesti Post may turn newspaper home delivery more efficient through combination of various activities. The Group will conclude the final purchase and sales contract after receiving a concentration permit from the Competition Board.

Note 5. Discontinued operations

Sale of information services segment

On 25 February 2010 the sale of 100% of the shares in AS Ekspress Hotline and its subsidiaries was finalised. The total transaction amount was EUR 4.8 million. The transaction amount consisted of the EUR 3 million cash payable at the transaction date and EUR 1.8 million was subject to offsetting the debt of AS Ekspress Grupp to Ekspress Hotline. The information services segment was considered discontinued operation already in the financial statements for the year ended 31 December 2009.

Sale of the book retail and wholesale segment

On 9 February 2010, the subsidiary of AS Ekspress Grupp, Eesti Ajalehed AS and OÜ Raamatumaja concluded a purchase and sales transaction for the shares of Rahva Raamat AS. The sales price paid in cash was EUR 2.1 million and the profit totalled EUR 0.4 million. The transaction was completed on 18 February 2010. The decision of AS Ekspress Grupp to dispose of Rahva Raamat AS was based on the Group's strategy to focus more on its core activities in printing and online media. The new owner of the company is the management of Rahva Raamat AS.

In the consolidated financial statements for 2010, Rahva Raamatu AS is accounted for as a discontinued operation and the related income and expenses are reported in one line "Gain (loss) from discontinued operations".

The assets of AS Rahva Raamat at the time of sale, and the income and expenses for 2010 are shown below.

	EUR
(thousand)	18.02.2010
ASSETS	
Current assets	
Cash and cash equivalents	930
Trade and other receivables	792
Inventories	903
Total current assets	**2 625**
Non-current assets	
Property, plant and equipment	1 054
Intangible assets	698
Total non-current assets	**1 752**
TOTAL ASSETS	**4 377**
LIABILITIES	
Current liabilities	
Finance lease (current portion)	60
Trade and other payables	2 522
Total current liabilities	**2 582**
Finance lease (non-current portion)	91
Total non-current liabilities	**91**
TOTAL LIABILITIES	**2 673**
Sales	756
Expenses	799
Loss from discontinued operations	**(42)**
Profit from sale of business	405
Profit from discontinued operations for the financial year	**363**

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

(thousand EUR)	Property, plant and equipment		Intangible assets	
	Q1 2011	Q1 2010	Q1 2011	Q1 2010
Balance at beginning of the period				
Cost	32 795	33 306	55 356	56 133
Accumulated depreciation and amortisation	(13 658)	(12 272)	(4 420)	(3 695)
Carrying amount	**19 137**	**21 034**	**50 936**	**52 438**
Acquisitions and improvements	69	69	54	83
Disposals (at carrying amount)	(1)	(1)	0	0
Write-offs (at carrying amount)	0	(2)	(6)	0
Reclassification	(1)	0	1	0
Acquisitions through business combinations	256	0	2 831	0
Disposals through business combinations	(779)	0	0	(628)
Depreciation and amortisation	(546)	(535)	(293)	(299)
Currency translation differences	(1)	0	(11)	0
Balance at end of the period				
Cost	32 360	33 364	58 334	55 545
Accumulated depreciation and amortisation	(14 226)	(12 799)	(4 822)	(3 951)
Carrying amount	**18 134**	**20 565**	**53 512**	**51 594**

Information about the items of property, plant and equipment pledged as loan collateral is disclosed in Note 7.

Intangible assets by type

	EUR	
(thousand)	31.03.2011	31.12.2010
Goodwill	41 449	40 304
Trademarks	10 085	8 955
Other intangible assets	1 978	1 677
Total goodwill	**53 512**	**50 936**

Goodwill by cash generating units and segments

	EUR	
(thousand)	31.03.2011	31.12.2010
Delfi EE (Estonia)	15 281	15 281
Delfi LV (Latvia)	9 560	9 560
Delfi LT (Lithuania)	12 517	12 517
Online media segment	**37 358**	**37 358**
Eesti Päevaleht (incl. hyppelaud.ee)	1 170	25
Ajakirjade Kirjastus	456	456
Ekspress Leidyba	649	649
Maaleht (Eesti Ajalehed)	1 816	1 816
Periodicals segment	**4 091**	**2 946**
Total goodwill	**41 449**	**40 304**

Carrying amount of trademarks by segment

	EUR	
(thousand)	31.03.2011	31.12.2010
Online media	7 498	7 540
Periodicals	2 587	1 415
Total goodwill	**10 085**	**8 955**

Note 7. Bank loans and borrowings

(EUR thousand)	Total amount	Repayment term	
		up to 1 year	1-5 years
Balance on 31.03.2011			
Bank overdraft	**1 013**	**1 013**	**0**
Short-term bank loans (incl. factoring)	**232**	**232**	**0**
Long-term bank loans	**31 406**	**3 152**	**28 254**
incl. syndicated loan (AS Ekspress Grupp)	28 795	2 954	25 841
long-term loan (AS Printall)	2 611	198	2 413
Finance lease	**4 891**	**941**	**3 950**
Total	**37 542**	**5 338**	**32 204**
Balance on 31.12.2010			
Bank overdraft	**672**	**672**	**0**
Short-term bank loans (incl. factoring)	**244**	**244**	**0**
Long-term bank loans	**32 173**	**3 070**	**29 103**
incl. syndicated loan (AS Ekspress Grupp)	29 484	2 794	26 690
long-term loan (AS Printall)	2 689	276	2 413
Finance lease	**5 197**	**1 247**	**3 950**
Total	**38 286**	**5 233**	**33 053**

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

Syndicated loan

A loan agreement has been concluded between the syndicate of SEB Bank, Danske Bank A/S Estonia Branch (Sampo Bank) and Nordea Bank, and Ekspress Group on 28 August 2007 in the amount of EUR 43.1 million for acquisition of Delfi Group and Maaleht. The loan's repayment date is 25 January 2015 instead of the previously agreed date of 25 September 2012.

In 2010 the repayment profiles were amended in such a way that AS Ekspress Grupp will begin repaying the difference 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. The reduced principal payments have been added to the bullet amount of the loan, payable on 25 January 2015.

From 25.01.2010, the interest rate on the loan is 6-month Euribor+4% and from 25.02.2010, 6-month Euribor+3.75%.

The loan is secured by:
- a mortgage on the registered immovable located at Peterburi tee 64A in the mortgage amount of EUR 2.56 million;
- a pledge on the shares of Delfi Estonia, Delfi Latvia, Delfi Lithuania, Eesti Ajalehed, Printall, Eesti Päevaleht and Delfi Holding and the guarantee of these subsidiaries in the total amount of EUR 43.1 million, of which net assets represent a majority of the Group's assets;
- a combined pledge in the amount of EUR 0.3 million on the following trademarks: Eesti Ekspress, Delfi and Maaleht, which are included in the value of the aforementioned net assets.

According to the conditions of the loan agreement, the borrower must comply with the levels established for certain financial ratios, such as the total EBITDA level of the subsidiaries and equity ratio (equity/total assets). As of the balance sheet date, all financial ratios were in compliance with the terms established by financial institutions. From 31.12.2011, an additional covenant includes the debt-service coverage ratio and times interest earned ratio as well as total debt/EBITDA ratio. In addition, according to the conditions fixed in the loan agreement, payment of dividends is limited.

Long-term loan and lease commitments

A loan agreement of AS Printall (borrower) in the amount of EUR 4.8 million, with the term of 15.12.2014 is secured with a mortgage in the amount of EUR 6.4 million on the registered immovable located at Peterburi Rd 64A, Tallinn (the carrying amount of the building as of 31.03.2011, EUR 4.4 million the carrying amount of the registered immovable, EUR 0.4 million).

Finance lease agreements also contain certain covenants for the ratios of the company which the financial indicators of the company must comply with. As of the balance sheet date, all ratios were in compliance with the covenants established by financial institutions.

In conjunction with the refinancing of the loans of AS Ekspress Grupp, the loan and rental obligations of the subsidiary. In accordance with the agreements, loan and rental maturity dates were extended by one year and the principal payments were reduced by 50% between January 2010 and December 2011.

Overdraft facilities

Date of entry into contract	Bank	Facility (EUR thousand)	Used 31.03.2011 (EUR thousand)	Interest	Expiration date of the contract
26.01.2011	Nordea Bank Finland Plc Estonia Branch	959	76	Bank's base interest +3.5%	31.01.2012
26.01.2011	AS SEB Pank	959	271	1-month Euribor +3.5%	31.07.2011
31.01.2011	Danske Bank A/S Estonia Branch (legal successor of AS Sampo Pank)	959	666	EONIA+3.5%	31.01.2012
Total		**2 877**	**1 013**		

Note 8. Segment reporting

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

Online media: administration of online classified portals, intermediation of internet advertising services.

Periodicals: publishing of newspapers, magazines, custom publications and books in Estonia and Lithuania.

Printing services: rendering of printing and related services.

For the break-down of companies into operating segments, please see Note 1.

The Management Board assesses the performance of the operating segments based on revenue and EBITDA. The EBITDA margin is also monitored.

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

The amounts provided to the Management Board in respect of total assets and total liabilities are measured in a manner consistent with that of the financial statements. These assets and liabilities are allocated based on the operations of the segments.

Q1 2011 (EUR thousand)	Online media	Periodicals	Printing services	Corporate functions	Eliminations	Total Group
Sales of external customers	**1 839**	**5 525**	**5 777**	**4**	**0**	**13 146**
Inter-segment sales	13	37	713	22	(784)	0
Total segment sales	1 852	5 562	6 490	26	(784)	13 146
EBITDA	**(37)**	**144**	**1 516**	**1 326**	**(15)**	**2 934**
Capital expenditure	43	43	35	2	0	123
Depreciation (Note 5)	260	124	444	11	0	839

Q1 2010 (EUR thousand)	Online media	Periodicals	Printing services	Corporate functions	Eliminations	Total Group
Sales to external customers	**1 513**	**5 244**	**4 894**	**7**	**0**	**11 658**
Inter-segment sales	28	70	657	30	(785)	0
Total segment sales	1 541	5 314	5 551	37	(785)	11 658
EBITDA	**(84)**	**(107)**	**1 213**	**(287)**	**(2)**	**733**
Capital expenditure	55	57	27	12	0	151
Depreciation (Note 5)	285	138	401	10	0	834

Note 9. Earnings per share

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

In view of the fact that the Group has no dilutive potential ordinary shares on 31.03.2011 and 31.03.2010, **diluted earnings per share** equal basic earnings per share.

	EUR	
(thousand)	Q1 2011	Q1 2010
Net profit (loss) attributable to equity holders of the Parent Company	1 385 071	(766 911)
The average number of ordinary shares	29 796 841	20 848 841
Basic and diluted earnings per share	0.05	(0.04)

Note 10. Equity

The Annual General Meeting of Shareholders of AS Ekspress Grupp held on 30 March 2010 decided to increase the share capital of AS Ekspress Grupp by issuing 8 948 000 new shares with the nominal value of EUR 0.64 each and to list these shares on NASDAQ OMX Tallinn Stock Exchange. The subscription for new shares took place between 16 April 2010 and 3 May 2010.

New shares were issued with the share premium of EUR 0.24 per share. In total, the share capital increased by EUR 5 719 thousand and the share premium by EUR 2 155 thousand. Issue related costs in the amount of EUR 206 thousand were deducted from share premium. As a result, the total share premium increased by EUR 1 950 thousand.

Monetary contributions to share capital amounted to EUR 5 454 thousand. The amount of EUR 2 420 thousand was offset by the outstanding loan and loan interest, including OÜ HHL Rühm in the amount of EUR 1 369 thousand and KJK Fund SICAV-SIF in amount of EUR 1 051 thousand.

As of 31.03.2011 and 31.12.2010, the share capital of Ekspress Group is EUR 19 043 652 and consists of 29 796 841 shares with the nominal value of EUR 0.64 per share. The maximum amount of share capital as stipulated by the articles of association is EUR 25 564 659.

Reserves

The reserves include:

- Statutory reserve capital required by the Commercial Code. Subject to the approval of the General Meeting of Shareholders, the reserve may be used for covering cumulated losses, if the latter cannot be covered from other unrestricted equity, and for increasing share capital,
- monetary contributions by owners as a general-purpose additional equity contribution by a founding shareholder,
- a hedging reserve derived from interest rate swaps.

	EUR	
(thousand)	**31.03.2011**	**31.12.2010**
Statutory reserve capital	17	17
Additional payments in cash from shareholders	639	639
Hedging reserve	(374)	(610)
Total reserves	**283**	**46**

Note 11. Related party transactions

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

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

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

Sales

	EUR	
(thousand)	**Q1 2011**	**Q1 2010**
Sales of goods		
Members of the Management Board and companies related to them	1	0
Associates	206	228
Total sale of goods	**207**	**228**
Sale of services		
Members of the Supervisory Board and companies related to them	0	3
Associates	60	69
Total sale of services	**60**	**72**
Total sales	**267**	**300**

Purchases

(thousand)	EUR Q1 2011	Q1 2010
Purchase of services		
members of Management Board and companies related to them	37	14
members of Supervisory Board and companies related to them	110	116
Associates	0	1
Total purchases of services	**147**	**131**

Receivables

(thousand)	EUR 31.03.2011	31.12.2010
Short-term receivables		
members of the Supervisory Board and companies related to them	0	185
Associates	446	204
Total short-term receivables	**446**	**389**
Long-term receivables		
members of Supervisory Board and companies related to them	70	99
Total long-term receivables	**70**	**99**
Total receivables	**516**	**488**

Liabilities

(thousand)	EUR 31.03.2011	31.12.2010
Current liabilities		
members of Management Board and companies related to them	3	4
members of Supervisory Board and companies related to them	37	1 372
Total liabilities	**40**	**1 376**

According to the decision of the Annual General Meeting held on 2 June 2009, Hans H. Luik will be paid a guarantee fee of 1.5% p.a. on the guarantee amount for the personal guarantee of EUR 4 million on the syndicated loan and overdraft agreements until the guarantee expires. The amount paid during the 1st quarter of 2011 was EUR 15 thousand (Q1 2010: EUR 15 thousand) and as of 31.03.2011 and 31.12.2010, there is no outstanding debt.

Remuneration of key management and the members of the Supervisory Board (incl. management of subsidiaries and joint ventures)

(thousand)	EUR Q1 2011	Q1 2010
Salaries and other benefits (paid)	256	212

The members of the Management Board are entitled to receive compensation at the termination of their contracts in accordance with the terms laid down in their employment contracts. The key management terminations benefits are obligations only in case the termination of contracts is originated by the company. If a member of the Management Board is recalled without a substantial reason, the member will be paid compensation for termination of the contract in the amount of up to 4 months' salary and the cost is accounted for on an accrual basis. Upon termination of an employment relationship, no compensation will be paid if a member of the Management Board leaves at his or her initiative or if a member of the Management Board is removed by the Supervisory Board with a valid reason. In 2011, potential key management termination benefits total EUR 217 thousand and in 2010, EUR 226 thousand.

The management estimates that the transactions with related parties have been carried out on arms' length basis.

Note 12. Financial risk management

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

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

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

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

Credit risk

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

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

Since the Group invests available liquid funds in the banks with the credit rating of "A", they do not expose the Group to any credit risk.

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

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

In case of large transactions, in particular in the segment of printing services, clients are requested to provide security, including surety.

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

Liquidity risk

Liquidity risk means that the Group may not have liquid funds to fulfil its financial obligations in a timely manner.
The objective of the Group is to maintain a balance between the financial need and financial possibilities of the Group. Cash flow planning is used as a means to manage the liquidity risk. To manage liquidity risk as effectively as possible, the bank accounts of the Parent Company and its subsidiaries comprise one group account (cash pool) which enables the members of the group account to use the finances of the Group within the limit established by the Parent Company. The group account operates in Estonia, but foreign subsidiaries in Latvia and Lithuania are also part of it. According to the policy of the Group, the subsidiaries that have joined the group account prepare cash flow projections for next two months every week.

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; therefore, liquidity risk management is one of the priorities of the Group.

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 of changes in interest rates occurring in the market.

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

The interest rate risk of the Group is related to short-term and long-term borrowings 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 in average interest rates of banks.

31.03.2011 (thousand EUR)	Interest rate type	Interest rate	<= 1 year	>1 year and <=5 years	Carrying amount
Bank loans	floating	6 m Euribor + 3,75%	3 152	28 254	31 406
Finance lease payments	floating	6 m Euribor +1,05%	941	3 950	4 891
Short term loans and overdraft	floating	1 m Euribor + 3,5%	503	0	503
Overdrafts	floating	EONIA +3,5% bank's base rate +3,5%	742	0	742
Other loans	fixed	6% a year	208	0	208

31.12.2010 (tuhandetes EUR)	Intressi liik	Intressimäär	<= 1 aasta	>1 aasta ja <=5 aastat	Bilansiline väärtus
Bank loans	floating	6 m Euribor + 3,75%	3 070	29 103	32 173
Finance lease payments	floating	6 m Euribor +1,05%	1 247	3 950	5 197
Short term loans and overdraft	floating	1 m Euribor + 3,5%	629	0	629
Overdrafts	floating	6 m Euribor +3,5% ja bank's base rate+3,5%	287	0	287
Other loans	fixed	6% a year	511	0	511

On 30 September 2008, the Group entered into interest swap contracts with the banks that had issued the syndicated loan in order to hedge the fluctuations in Euribor. The interest rate contracts (or *swap contracts*) had been concluded on loan repayments until September 2012. On the basis of the interest rate swap contract, the Group makes fixed interest payments of 4.3%, receiving interest payments in return that have been calculated on the basis of 6-month Euribor.

Interest payments and reduction in nominal amounts occur twice a year, at the beginning of March and September. At the same dates, the interest rate of the syndicated loan is refixed, the latter being also 6-month Euribor.

Beginning of period	End of period	Notional amount (thousand EUR)
1.09.2010	1.03.2011	13 425
1.03.2011	1.09.2011	11 925
1.09.2011	1.03.2012	10 375
1.03.2012	3.09.2012	8 767

Foreign exchange risk

The Group's operating activities have an international dimension and therefore, the Group is exposed to foreign exchange risk. Foreign exchange risk arises when future business transactions or recognised assets or liabilities are fixed in a currency which is not the functional currency of the company. According to the policy established by the Group's management, the Group companies are required to manage their foreign exchange risk with regard to functional currency. The subsidiaries are required to use the euro as the currency in their foreign contracts. Due to the adoption of the euro in Estonia from 1 January 2011, the risk of devaluation of the Estonian kroon has disappeared.

The Group's income is primarily fixed in euros or local currencies. The Group pays most of its suppliers in euros or local currencies, i.e. Lithuanian litas, Latvian lats and Ukrainian hryvnias. In addition, the exchange rate of the Lithuanian litas is pegged to the euro. Therefore, the Group does not hold any major open foreign currency position.

Price risk

The management estimates that price risk does not have any substantial impact on the activities of the Group, because the Company does not have any substantial investments in equity instruments.

Of the price risk related to raw materials, the price of paper affects the activities of the Group the most. In a situation where the majority of paper used in the production is purchased directly from producers at the base price without any commissions and the price is fixed for half a year in advance, and given that the volume of paper in the international scale is insignificant, the Group does not use derivative instruments to hedge 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 four-eye principle in use, under which the confirmation of at least two employees independent of each other or that of a unit is necessary for the performance of a transaction or a procedure, reduces the possible occurrence of human errors and mistakes. The four-eye principle is also applied during negotiations related purchase and sales as well as other transactions. Drafts of important agreements prepared by law offices are reviewed by the management; in-house lawyers are also involved in the work process. The management considers the legal protection of the Group to be good.

Dependence of the Group's activities on IT systems is considered to be low by the management, other than online media, which directly depends on the functioning of the IT systems and which is continuously invested in to increase its security and reliability. The responsibility for managing operational risk lies with the Management Board of the Group and the management boards of subsidiaries.

Capital risk

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