Lõhmus Haavel & Viisemann

Ekspress Grupp

Neutral

Company fully valued, initiate with Neutral

Baltic Main List **Share price (EUR):** **5.70**

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Symbol: na
Risk: High

Forecast (EUR)	**2005**	**2006E**	**2007E**	**2008E**
Sales (m)	47.8	59.5	67.9	78.9
EBITDA (m)	6.6	8.4	9.4	10.8
EBIT (m)	4.9	6.4	6.8	7.5
PTP (m)	2.9	6.0	6.4	6.9
EPS	0.13	0.32	0.30	0.34
Dividend	0.00	0.15	0.08	0.09
Sales growth (%)	46.0	24.4	14.1	16.2
EPS growth (%)	100.3	147.6	-6.5	14.1
PTP growth (%)	89.6	106.4	6.5	7.6
EBITDA margin (%)	13.7	14.0	13.8	13.7
EBIT margin (%)	10.2	10.7	10.0	9.5
PTP margin (%)	6.1	10.1	9.4	8.7
Net margin (%)	5.1	10.1	8.3	8.1

IPO, no chart available

Valuation	**2005**	**2006E**	**2007E**	**2008E**
P/S (x)	2.3	1.8	1.6	1.4
P/E (x)	44.5	18.0	19.2	16.9
P/CE (x)	17.1	26.8	35.9	35.3
EV/Sales (x)	2.5	2.1	1.9	1.7
EV/EBITDA (x)	18.5	14.8	14.0	12.6
EV/EBIT (x)	24.9	19.4	19.4	18.2
Yield (%)	0.0	2.6	1.4	1.6

Key ratios		**Performance**	
Market cap (m)	108	1M (%)	na
EV (m)	123	3M (%)	na
Net debt (m)	15	12M (%)	na
Net debt/Equity (%)	138.36	YTD (%)	na
Equity/Total assets (%)	30.9	12M high	na
ROE (%)	54.9	12M low	na
Number of shares, FD (m)	19.0	Next report	na

- The Estonian media company Ekspress Grupp is going public on April 5, 2007. Subscription period is from March 19 to 29. Over the last ten years, Ekspress has developed into a vertically integrated media group, which comprises of 11 subsidiaries and has interests in 4 joint ventures and 3 affiliated companies. The company is active in publishing, printing, book sales and information services. Given that the offered price range can be considered relatively high and the use of cash brought in with the IPO is quite uncertain, we argue the company is fully valued and initiate coverage with Neutral recommendation.

- The most important business segments both in terms of revenue and operating profit are publishing and printing (48% and 31% of sales; 52% and 42% of EBIT, respectively). Within publishing, the fastest growth is expected from advertising. However, the overall growth is brought down by flat circulation revenues. Printing is working close to full capacity at the moment and hence we expect just a single digit growth for 2007. Some capacity is added in the end of this year, which should boost sales in 2008. Book sales is the fastest growing segment, but it does not add much to the bottom line, since book selling is generating minimal margins. The fast-growing information services is also described by low profitability.

- Baltic media market is relatively immature compared to other EU and CEE countries (average spending on advertising per capita is between EUR 31-54 in Baltics, 110 EUR in CEE and 187 EUR in EU). Ekspress can be considered a leveraged play on economic growth. However, with leverage comes risk. Hence, the increased macro risks in Baltics have to be taken seriously.

- In the middle of the price range, Ekspress is trading at 19.2x 2007 PE and 16.9x 2008 PE, which is more or less in line with the peer group. The price also seems fair compared to forecasted profit growth. Hence, we see limited upside for the share and believe that Baltic markets have more attractive investment cases to offer.

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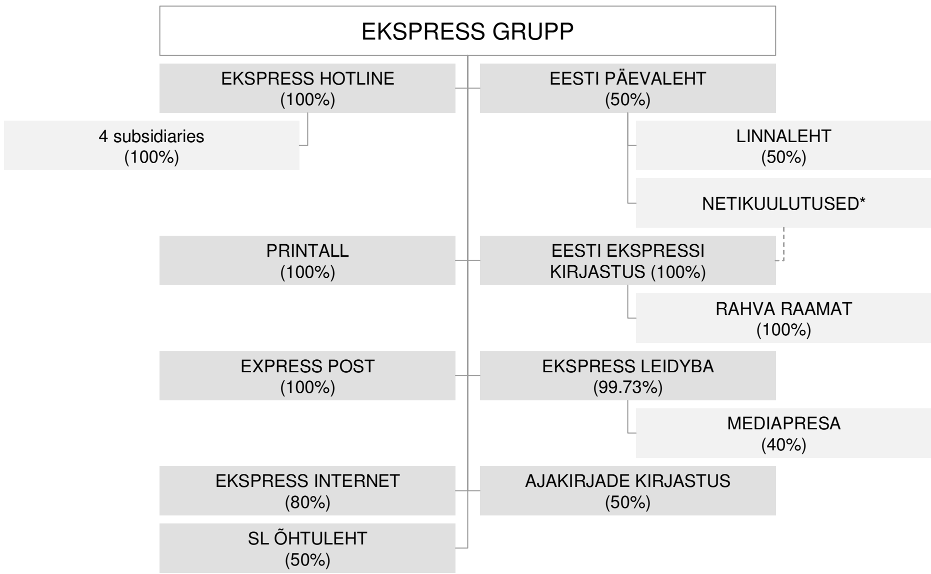
Company

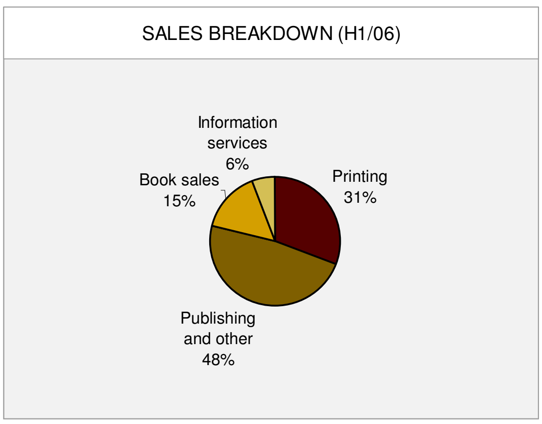
AS Ekspress Grupp, the holding company of the Ekspress group, was established in 1995 for the purpose of consolidating several Estonian-owned media businesses under common ownership. Over the last ten years, Ekspress has developed into a vertically integrated media group, which comprises of 11 subsidiaries and has interests in 4 joint ventures and 3 affiliated companies. The following chart illustrates the ownership structure with the Group's principal subsidiaries and affiliates.

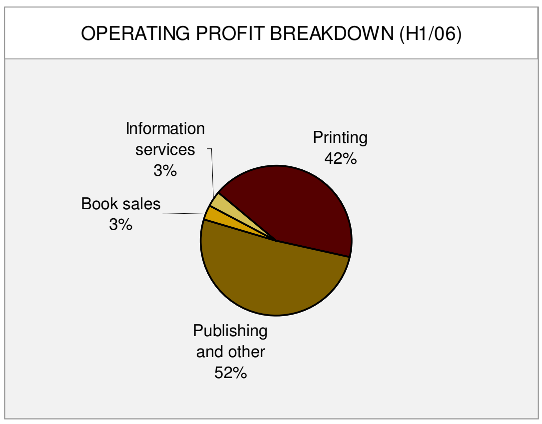


* - Eesti Päevaleht and Eesti Ekspress each own 50% share

Source: IPO prospectus

The Group's business can be divided into four segments. These are publishing, printing, book sales and information services. Close to 80% of sales come from Estonia, the rest comes from Scandinavia, Lithuania and Russia. The sales and operating profit breakdown is shown on the chart below.





Source: IPO prospectus

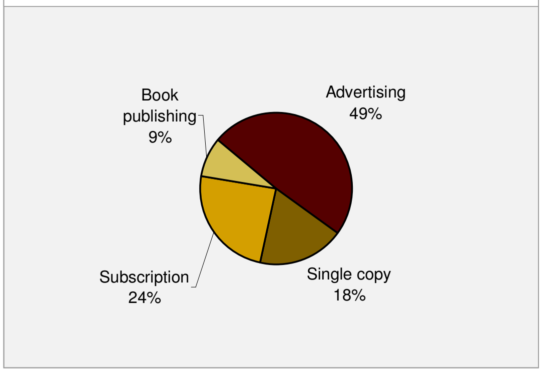
Business

As shown on the chart on the previous page, the most important segment in terms of revenue is Publishing, accounting for 48% of total sales (in H1/06). This is followed by Printing (31%) and Book Sales (15%). The smallest segment, Information Services, accounts for 6% of revenue. The picture is a bit different in terms of operating profit. Publishing and Printing give 52% and 42% of operating profit, respectively. At the same time, Book Sales, which gave 15% of revenue, account for just 3% of operating profit – i.e. book selling margins are relatively low and increase in book sales does not have a significant effect on the Group's bottom line. Information services account for 3% of total operating profit. Going forward, we discuss the present and future of different segments one by one.

Publishing

Publishing of print media is the core business segment, accounting for 48% of sales in H1/06. Ekspress Grupp and its affiliates publish a total of 4 newspapers and 44 magazines. In addition, the Group occasionally publishes books either in conjunction with its newspapers or magazines or as custom publishing. On-line versions of some newspapers and magazines are also available. The revenue division of Publishing segment is shown on the chart below.

PUBLISHING SALES BREAKDOWN (H1/06)



Source: IPO prospectus

Advertising accounts for 49% of the Group's publishing revenues and is the second most important source of Publishing revenues after copy sales (subscriptions and single copy sales combined). Approximately 46% of the publications are sold through subscriptions.

Baltic advertising market has experienced double digit growth rates during the last years. By far the fastest growing segment has been online advertising, which grew 72% in 9M/06 yoy, according to TNS Emor. In absolute numbers, TV advertising has benefited the most (Ekspress is not active in TV).

The Group's annual advertising market growth is expected to follow general market trends and reach approximately 10% in Estonia and around 10-12% in Latvia and Lithuania in 2007. Advertising rates increased during parliamentary elections in Q1/07, and are likely to drop back to 2006 levels for the rest of the year. In spite of that, the overall 2007 growth should still have been boosted by the elections. Generally, advertising revenue growth will come mostly from the Group's online businesses. Due to seasonality, advertising revenues are the highest in Q2 and Q4, and the lowest in Q3.

The book publishing industry has reached its bottom and the amounts are expected to increase in the future. However, as this is accompanied by price increase, oversupply could become a problem in some time. We believe a growth of 10-15% for publishing market could be reasonable in the aforementioned environment.

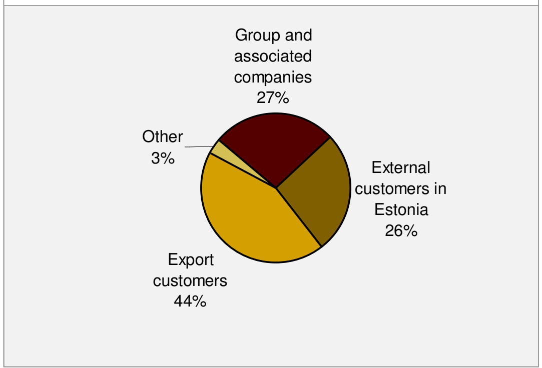
Circulation revenue dropped 6.3% in H1/06 due to 24.7% drop in single copy sales. Supported by increasing subscription revenue, the total circulation revenue is expected to stay flat or slightly decrease in 2007. The structure of circulation revenues on the aggregate level is expected to shift slightly towards subscription revenues from retail revenues.

Printing

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.

Printing revenue increased 30.9% in H1/06 yoy. However, the revenue is expected to show just a moderate increase in 2007 due to several factors. First, the printing house is working close to full capacity at the moment, which limits the short term growth (although the printing market itself is growing and there should be not problems with demand). Also, although additional capacity is added in August (Printall signed a purchase agreement to buy a new commercial web-press for approximately EUR 4.8m), the set up of the new production line will have a short term negative effect on overall sales. The negative effect should be compensated by increased capacity at the end of the year and we could expect more growth in 2008.

PRINTALL'S CUSTOMERS (H1/06)



Source: IPO prospectus

The margins of Estonian printing houses have been under pressure in recent years due to tough competition. Also the constant lack of workers is pressuring the margins. Although Printall has been able to improve its operating margin in the past years, the future prospects are not easy. All the major printing houses have admitted that the future of Estonian printing lies in exports. Exports also usually have better margins than the local market offers. At the moment 44% of Printall's sales go for exports (to Russia, Finland and Sweden). We expect the share of exports to increase in the future.

Printing margins could also be under slight pressure due to increase in paper price. The cost of printing materials represented 23% of total operating costs of the Group in 2005, of which by far the largest element was the cost of newsprint and magazine paper. Printall purchases most of its newsprint from Scandinavian, Finnish, Estonian and Russian suppliers and the Group does not hedge its exposure to paper price fluctuations.

Book sales

The Group's book wholesale and retail business belongs to Rahva Raamat, a wholly-owned subsidiary of the Company, which was acquired in September 2004. In January 2005, the book wholesaler Raamatuvaramu was acquired and merged with Rahva Raamat. In H1/06, the Book Sale segment (retail and wholesale) accounted for 15% of Group's revenue and just 3% of operating profit.

We expect book sales to increase close to 80% in 2006 to EUR 11.8m. Sales increase in the coming years is mainly expected to come from expansion. In February 2007, Rahva Raamat concluded an agreement with the operator of Viru Keskus to expand its sales area by up to 1,600 m2. New premises are planned to be opened in June 2007. Also, Rahva Raamat has recently opened a new shop in Viljandi (population ca 20,000), and the management aims to extend its shop network further by establishing book shops in other major Estonian cities.

On one hand, Book Selling margins are expected to be under slight pressure due to shift in sales mix towards supermarket sales (50% of wholesale revenue comes from supermarkets at the moment). Usually supermarkets order large quantities of books, which brings along discounts and lower margins. In contrast, books sold to libraries and smaller book stores generate higher margins. On the other hand, the most important driving force behind the book selling business is retail book sales (at the moment 40% of revenues come from retail and 60% from wholesale). Hence, given that retail sales are expected to generate better margins than wholesale, the aforementioned negative pressure on margins should get compensated and we expect more or less flat margins going forward.

Book retail business is highly seasonal. Close to 40% of book retail profit is earned in the last two months of the year. Q3 is the weakest for book sales.

Information services

The Group's information services business belongs to Ekspress Hotline and its 4 subsidiaries. The information services resemble directory assistance services and printed directories of telephone companies. Revenues mostly arise from charging a fee to persons who call its telephone service numbers and by selling advertising space in the printed and online catalogues.

The future growth is expected to come from expansion and increase in on-line advertising sales. Out of all Ekspress Grupp's business segments, Information Services is most open to expansion to other countries. Romania and Bulgaria have been discussed as possible candidates. The company has ordered a research about Romanian market recently and is expected to open a subsidiary there. However, the specific dates of possible expansion have not been discussed yet. Given that Information Services made up just 5.8% of revenues in H1/06, the revenue addition from the expansion has little effect on the Group sales. In addition, the segment's revenue growth may be limited by increased usage of Internet (which could decrease the call center's income) and although the services are available in Internet as well, the popularization of search engines such as Google could limit the increase of traffic on the company's web sites (and hence decrease the growth of advertising sales).

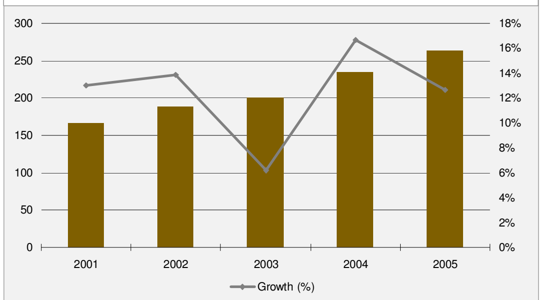
Market analysis

The Baltic media market was worth EUR 327m in 2005 which is 13% more than a year ago. The largest part of media revenues come from advertising. According to TNS Emor and Estonian Newspaper Association, the advertising market expanded by 12.7% to EUR 264m in 2005. Advertising expenditure, the main driver for media market, is highly correlated with overall economic development (correlation coefficient is estimated to be around 1.5), i.e. companies spend more on advertising when times are good and vice versa. The Baltic countries are currently most rapidly developing economies in EU. In 2006, Latvia posted the highest GDP growth of 11.9%, followed by Estonia and Lithuania with a growths of 11.5% and 7.5%, respectively. For the last five years, the Baltic media market has outgrown the overall economy. Given the strong GDP forecast for the coming years, the short to medium term outlook for media is expected to remain positive. However, as it is a leveraged play on the GDP growth, a sharp contraction in economy would significantly hit media business.

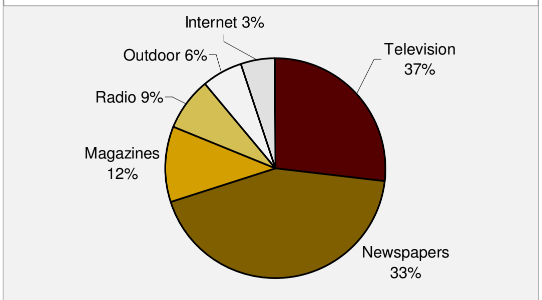
The Baltic media market structure is very similar to that in elsewhere Europe. Advertising is the key revenue source for television, radio and outdoor media, and it accounts for 53% of the total turnover in the newspaper market (another 47% comes from single copy sales and subscriptions). The trend towards even higher proportion of advertising revenues is similar to the rest of Europe. The Baltic advertising market can be broken down as follows (H1/06): newspapers account for the largest share of total advertising revenues (43%), followed by television (27%), magazines (11%), and radio (8%). However, there is some variation between the three markets, especially between the share of television and newspapers. In 2005, the biggest share of Estonian advertising market went to newspapers (44%), followed by television with 27% share. In Lithuania, the situation was opposite. Television accounted for the largest share (37%), and newspapers were the second largest adverting channel with a 33% share. In other segments, the structure looks similar.

Looking at the Company's revenue structure, the lack of television and radio media must be taken as a weakness. The company might miss its competitive edge if competitors start to offer more complex advertising packages including all major media channels.

BALTIC ADVERTISING MARKET (EURm)



BALTIC ADVERTISING MARKET (H1/2006)



BALTIC ADVERTISING MARKET BY COUNTRY (2005)

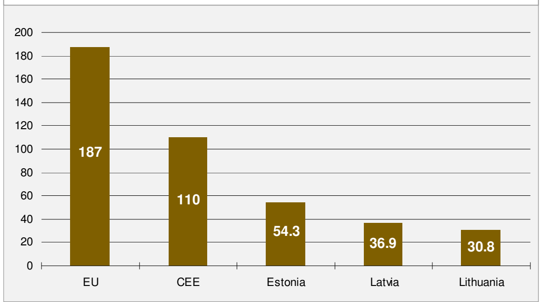
	Estonia	Latvia	Lithuania	Baltics
Television	27%	36%	43%	37%
Radio	8%	12%	7%	9%
Newspapers	44%	29%	29%	33%
Magazines	12%	13%	12%	12%
Outdoor	6%	6%	7%	6%
Internet	3%	3%	2%	3%
Cinema	na	1%	0%	0%
Total	100%	100%	100%	100%

Source: TNS Emor

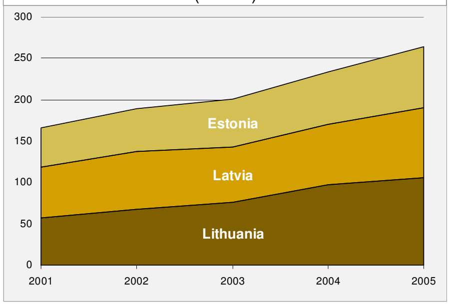
Comparative analysis shows that the Baltic media market is still very immature. According to ZenithOptimedia, advertising spending in the Baltics made up just 0.6% of GDP in 2005 (in Estonia 0.75%, in Latvia 0.73%, in Lithuania 0.51%). This is considerably lower than Western Europe where advertising spending makes up between 1.2% to 1.5% of GDP. In terms of advertising spending per capita, the EU 25 average in 2005 was EUR 187, and the CEE average reached to EUR 110. The corresponding figure in the Baltics was between EUR 31-54, i.e. it less than half of the CEE average. Within the Baltics, Estonia's market is most developed with advertising spending per capita amounting to EUR 54.3, followed by Latvia and Lithuania with EUR 36.9 and EUR 30.8, respectively (2005, TNS Emor).

In absolute terms, Estonia's advertising market is the smallest in the Baltics with total size of EUR 73m in 2005 (TNS Emor). The biggest advertising market is Lithuania with total size of EUR 105m, followed by Latvia with EUR 85m. In 2005, Latvian advertising market posted the highest growth (+22%), followed by Estonia (+15%), and Lithuania (+9%). The global advertising market grew by 4% in 2005, with the US market at the low end (+3%) and Bulgarian (+30%) market at the high end (TNS Emor).

AVERAGE SPENDING ON ADVERTISING (EUR PER CAPITA)



ADVERTISING MARKET DYNAMICS BY COUNTRY (EURm)



Source: TNS Emor, ZenithOptimedia

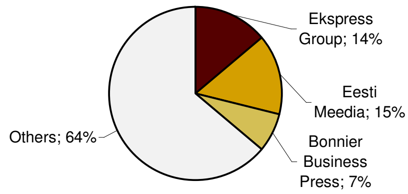
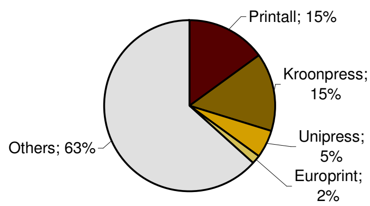
To sum it up, an investor with strong view on the Baltic economies should invest in media. It is a leverage play on the Baltic convergence to Western European and Nordic economies. Among the Baltic markets, Estonia seems to be most developed, while Latvia and Lithuania are more immature.

Competition

The competition in the Estonia, which currently makes up 80% of total group revenues, is quite high. In most of the segments there are two leading competitors with more or less equal market shares. However, Eesti Ekspress is among the top players in all the largest media segments, except television and radio. The most important business areas for the group are (1) publishing, (2) printing, (3) books, and (4) information services.

In publishing market, the two dominant players are Eesti Ekspress and Eesti Meedia with close to equal market shares (14% and 15%, respectively), followed by Bonnier Business Press (7%). These three companies publish the five most popular newspapers. Eesti Ekspress Group publishes a daily newspaper Eesti Päevaleht (readership 131,000) and a weekly newspaper Eesti Ekspress (142,000), while Eesti Meedia, the main competitor, publishes a daily newspaper Postimees (237,000). The most read newspaper in Estonia is SL Õhtuleht (tabloid), a JV (50/50) between Eesti Ekspress and Eesti Meedia with readership of 251,000. In magazine market, the leaders (i.e. Kroonika, Teleleht, Nädal, Kodukiri, Eesti Naine, Pere ja Kodu) are published by Ajakirjade Kirjastus, also a JV (50/50) between Eesti Ekspress and Eesti Meedia. Ajakirjade Kirjastus holds a market share of 60% of the total magazine market of EUR 9.5m (2005). General trends in the publishing market are similar to that of the world market, where newspaper circulation and readership are declining. According to the market researcher Peeter Vihalemm and TNS Emor, the percentage of regular newspaper readers (who have read at least four of the six issues of any issue) has declined from almost 100% in 1991 to 70.5% in 2004. We expect the trend to continue towards online media and TV in the coming years. Publishing is the most important revenue segment for the Group making up 46% of total revenues in H1/06.

Printing business is the second biggest revenue source for the Company with a 31% share of the total group revenues in H1/06. The Estonian printing market was worth EUR 120m in 2005. Printall (owned 100% by Eesti Ekspress Group) is the biggest player commanding a market share of 15.1%, followed by Kroonprint (owned 100% by Eesti Meedia) with a market share of 14.7%. However, in newspapers and magazines printing, these two companies have a market share close to 100%. In addition, these are the only Estonian printing houses which have the capacity and technological ability to print high volume daily national titles and most of the magazines. Since the domestic market is quite limited, around 30% of the total industry production comes from exports, mainly from Nordic countries and Russia. In 2006, the Company exported 46% of its production.

Market	Share of Group revenues (H1/06)	Marker size, EURm (2005)	Segment drivers	Market share allocation
Publishing	46%	50	domestic	
Printing	31%	120	domestic (70%) export (30%)	

Source: TNS Emor, company data, LHV Research

The estimated size of Estonian book sales market was EUR 29m in 2005, whereof wholesale made up EUR 5m and book retail sales EUR 24m. In wholesale, the market leader is Rahva Raamat (owned 100% by Eesti Ekspress) with a share of 60%, followed by AS Lehepunkt (owned by Sanoma WSOY). Rahva Raamat is the leading player in book market with a 31% market share. The other major player is Apollo Raamatud, owned by the Finnish Sanoma WSOY.

The total revenue of Estonian information services market (6% of the Group sales) amounted to EUR 10m in 2005. The market comprises of the following services: (1) information hotlines, (2) telephone directories, (3) online information directories, (4) and call centres. Eesti Ekspress is the second largest player in information services market after Interinfo Baltic OÜ (owned by Norwegian Interinfo Holding SCA). The largest subsegment is directory assistance hotlines, where Ekspress Hotline (owned 100% by the Company) is the leader with 45% market share.

Market	Share of Group revenues (H1/06)	Marker size, EURm (2005)	Segment drivers	Market share allocation	
Books	15%	29	domestic		
				Books wholesale (EUR 5m):	
				Rahva Raamat (Eesti Ekspress Group)	60%
				Lehepunkt (Sanoma WSOY)	na
				Books retail market (EUR 24m):	
				Rahva Raamat (Eesti Ekspress Group)	na
				Apollo (Sanoma WSOY)	na
				Allecto	na
Information services	6%	11	domestic		
				Information hotlines:	
				Ekspress Hotline (Eesti Ekspress Group)	45%
				Telephone directories:	
				Interinfo Baltic (Norwegian Interinfo Holding SCA)	70%
				Ekspress Hotline	30%

Source: TNS Emor, company data, LHV Research

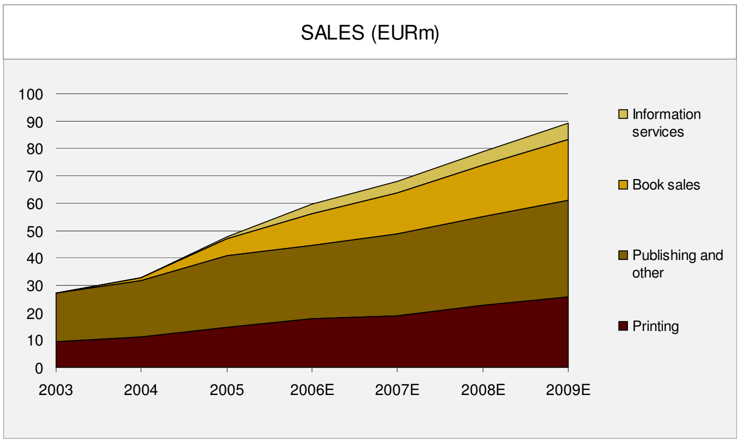
Forecast

Sales

Our sales and margin forecast is done separately for each business segment. We expect the fastest sales growth from Book Sales, with growth rates of 30% and 20% for 2007 and 2008, respectively. This should be followed by Information Services, which is expected to post growth rates of 25% and 20% for the aforementioned years, respectively. Both Book Sales and Information Services are driven by expansion. The company will expand its largest retail book shop in Viru shopping center by up to 1,600 m^2 and also plans to open new shops in other Estonian cities. Information Services should benefit from expansion to other countries as well as increase in on-line advertising sales.

Publishing revenue is expected to increase 11% and 9% in 2007 and 2008, respectively. Advertising and book publishing should be the main revenue drivers within the segment, posting sales increase of 18% and 15% in 2007, respectively. Circulation revenue (subscription + single copy) is expected to stay flat in the coming years – the increase in subscription is set off by decreasing single copy sales.

Printing segment is expected to post sales growth of just 7% in 2007 due to capacity constraints. However, additional capacity will be added in August 2007, which will drive sales in 2008. Our forecasted Printing revenue growth for 2008 and 2009 is 20% and 13%, respectively.

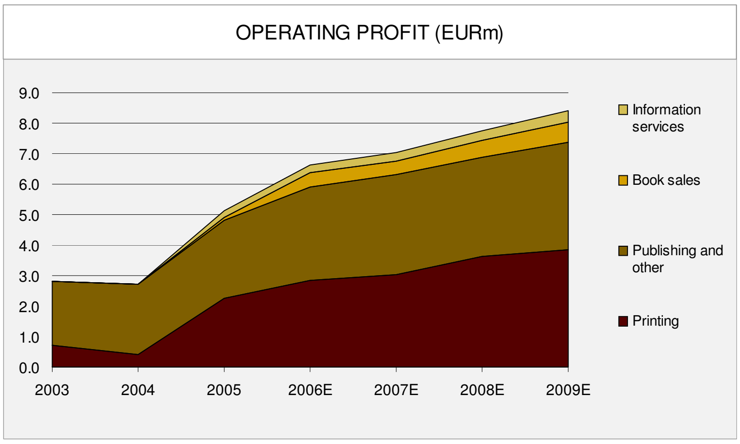


Source: IPO prospectus

Margins

Printing segment has historically generated the strongest operating margins and we expect the trend to continue. Although Estonian market can be described by tough competition and wage pressure (associated with lack of workers), the Printing segment's operating margins are expected to stay at 16% level in the coming years. The aforementioned negative pressure should be set off by growing export, which usually generates stronger margins than the local market. Printing is followed by Publishing, which is expected to post operating margins of 11% and 10% in 2007 and 2008, respectively. Information Services' operating margin amounted to 7.4% in H1/06. We expect to see similar levels in the coming years as well.

Book sales have historically shown the weakest operating margins in the range of 3-5%. Although we expect some changes in the sales mix, the margin of 3% for the coming years seems reasonable. On one hand, sales to supermarkets should increase, which brings along weaker margins. At the same time, more sales are expected to come from retail, which on the other hand has stronger margins. Hence, the overall effect should be close to zero.



Source: IPO prospectus

Due to the aforementioned factors, the Group's operating margin is expected to slightly come down to 10.0% in 2007 and 9.5% in 2008. In comparison, it amounted to 10.7% in 2006 and 10.2% in 2005. Pre-tax margin is forecasted at 9.4% and 8.7% in 2007 and 2008, respectively. In comparison, it was over 10% in 2006 and 6.1% in 2005. It should be noted that net profit does not give a good indication of the activities since the company paid dividends for 2006, which bring along income tax on dividends in 2007 (hence EPS growth negative). Also, since the company is planning to pay out ca 25% of profits in coming years as well, we suggest looking the Pre-tax line instead of net income. It is especially important in 2007, when the tax on exceptionally big 2006 year dividends is recorded.

Valuation

Our peer group consisting of major Nordic media companies trades at PE 2007 of 17.7x (median 17.8x), and at PE 2008 of 16.3x (median 16.8x). From country perspective, Estonian market currently trades at PE 2007 of 15.9x and at PE 2008 of 14.4x. There are no good peers in the Baltics. The only listed Baltic media company is Starman, which is a cable TV, internet and phone provider. There is also one listed media company in Poland (Agora SA), but due to artificially high market valuation we do not consider Poland as a very good comparable.

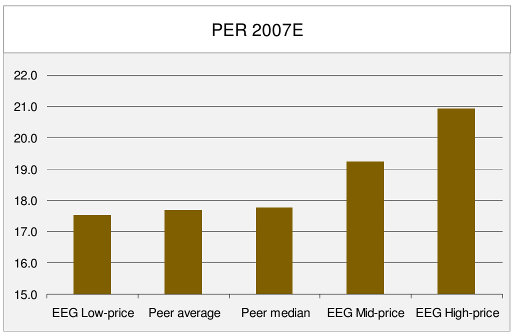
At the low end of the price range (EUR 5.20), Eesti Ekspress trades in-line with our peer group on PE 2007, and at a 5% discount on PE 2008. In the middle of the range (EUR 5.70), Eesti Ekspress trades at a 8% premium to its peer group on PE 2007, and in-line with the peer group on PE 2008. At the high end of the price range (EUR 6.20), the company trades at a premium of 18% and 12% to its peer group on PE 2007 and 2008, respectively.

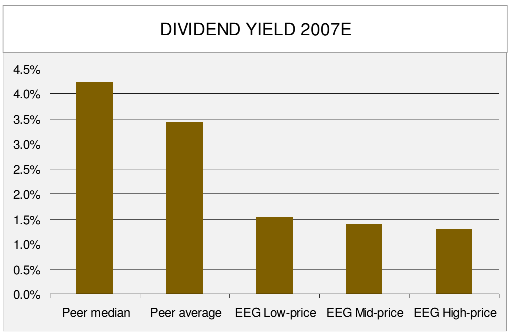
Given that the Baltic media market is expected to outgrow the Nordic area, we agree that there should be a slight premium. On the other hand, as media is a leveraged play on economic development, the high macro risk should be considered. We believe the share is fairly valued at the middle of the price range. Overall, from a country perspective we believe there are some more attractively valued cases in Estonia imposed to the same drivers and risks. Hence, we initiate the coverage with Neutral recommendation.

			Market	P/Sales				PER				EPS Growth				Dividend yield			
Company	Country	Price (EUR)	cap (EURm)	2005	2006E	2007E	2008E	2005	2006E	2007E	2008E	2005	2006E	2007E	2008E	2005	2006E	2007E	2008E
Sanoma ESOY	Finland	22.56	3721	1.4	1.4	1.3	1.2	17.3	15.5	17.8	16.8	11%	-13%	5%	8%	4.0%	4.2%	4.2%	4.5%
Schibsted ASA	Norway	33.19	2175	1.8	1.5	1.3	1.3	21.1	23.9	23.2	18.1	263%	-12%	3%	28%	1.6%	1.8%	1.9%	2.0%
Eniro AB	Sweden	9.65	1757	3.4	2.4	2.4	2.4	15.4	15.4	13.4	12.8	26%	0%	15%	5%	2.5%	4.9%	5.2%	na
Telegraaf Media	Netherlands	22.72	1193	1.6	1.5	1.5	1.5	22.9	24.2	20.1	20.1	-21%	-5%	20%	0%	1.9%	2.2%	2.1%	2.6%
Alma Media Corp	Finland	9.38	700	2.4	2.3	2.2	2.1	18.0	18.8	17.7	16.8	63%	-4%	6%	5%	1.3%	5.0%	5.1%	5.1%
Sondagsavisen A/S	Denmark	14.30	319	1.7	1.4	1.3	1.3	31.3	18.7	16.5	15.5	162%	68%	13%	7%	0.8%	0.9%	1.6%	1.9%
Elanders	Sweden	19.3	178	0.8	0.8	0.8	0.7	20.5	17.5	12.9	11.7	-19%	17%	36%	10%	1.3%	1.4%	2.1%	1.6%
Ilkka-Yhyma OY	Finland	12.2	53	1.0	1.0	1.0	1.0	na	19.3	19.6	19.5	na	na	-2%	1%	4.3%	4.3%	4.3%	4.3%
Talentum Oyj	Finland	3.6	160	1.5	0.8	0.7	1.2	8.6	na	18.0	15.7	180%	na	na	14%	8.3%	5.0%	4.2%	4.4%
Peer average				**1.7**	**1.5**	**1.4**	**1.4**	**19.4**	**19.2**	**17.7**	**16.3**	**83.1%**	**7.3%**	**12.2%**	**8.6%**	**2.9%**	**3.3%**	**3.4%**	**3.3%**
Peer median				**1.6**	**1.4**	**1.3**	**1.3**	**19.3**	**18.7**	**17.8**	**16.8**	**44.5%**	**-3.8%**	**9.6%**	**6.5%**	**1.9%**	**4.2%**	**4.2%**	**3.5%**
Eesti Ekspress Group (EEG)																			
EEG low-price	Estonia	5.20	99	2.1	1.7	1.5	1.3	40.6	16.4	17.5	15.4	100%	148%	-7%	14%	0.0%	2.8%	1.5%	1.7%
EEG mid-range	Estonia	5.70	108	2.3	1.8	1.6	1.4	44.5	18.0	19.2	16.9	100%	148%	-7%	14%	0.0%	2.6%	1.4%	1.6%
EEG high price	Estonia	6.20	118	2.5	2.0	1.7	1.5	48.4	19.5	20.9	18.3	100%	148%	-7%	14%	0.0%	2.4%	1.3%	1.5%

* prices as of March 22, 2007

Source: LHV (Eesti Ekspress), Bloomberg





Deviation from our 2007 EPS forecast

Price	-30%	-25%	-20%	-15%	-10%	-5%	0%	5%	10%	15%	20%	25%	30%
5.25	25.3	23.6	22.1	20.8	19.7	18.6	17.7	16.9	16.1	15.4	14.8	14.2	13.6
5.35	25.8	24.1	22.6	21.2	20.1	19.0	18.0	17.2	16.4	15.7	15.0	14.4	13.9
5.45	26.3	24.5	23.0	21.6	20.4	19.4	18.4	17.5	16.7	16.0	15.3	14.7	14.1
5.55	26.7	25.0	23.4	22.0	20.8	19.7	18.7	17.8	17.0	16.3	15.6	15.0	14.4
5.65	27.2	25.4	23.8	22.4	21.2	20.1	19.1	18.2	17.3	16.6	15.9	15.2	14.7
5.75	27.7	25.9	24.2	22.8	21.6	20.4	19.4	18.5	17.6	16.9	16.2	15.5	14.9
5.85	28.2	26.3	24.7	23.2	21.9	20.8	19.7	18.8	17.9	17.2	16.4	15.8	15.2
5.95	28.7	26.8	25.1	23.6	22.3	21.1	20.1	19.1	18.2	17.5	16.7	16.1	15.4
6.05	29.2	27.2	25.5	24.0	22.7	21.5	20.4	19.4	18.6	17.7	17.0	16.3	15.7
6.15	29.6	27.7	25.9	24.4	23.1	21.8	20.7	19.8	18.9	18.0	17.3	16.6	16.0
6.20	29.9	27.9	26.1	24.6	23.2	22.0	20.9	19.9	19.0	18.2	17.4	16.7	16.1

Ekspress Grupp

Income statement (m)	2003	2004	2005	2006	2007E	2008E	2009E	2010E
Sales	27.3	32.7	47.8	59.5	67.9	78.9	89.4	98.4
Gross profit	7.4	8.2	11.2	15.3	17.3	20.0	22.5	24.8
EBITDA	4.3	3.9	6.6	8.4	9.4	10.8	12.2	13.8
Depreciation	1.4	1.4	1.7	2.0	2.6	3.4	4.1	4.9
EBIT	2.9	2.5	4.9	6.4	6.8	7.5	8.1	8.9
Pre-tax profit	2.7	1.5	2.9	6.0	6.4	6.9	7.4	8.2
Tax	-0.2	-0.3	-0.3	0.0	-0.8	-0.5	-0.5	-0.6
Minority	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0
Net profit	2.4	1.2	2.4	6.0	5.6	6.4	6.9	7.6

Balance sheet (m)	2003	2004	2005	2006	2007E	2008E	2009E	2010E
Intangible assets	0.7	2.8	6.8	6.7	6.7	6.7	6.7	6.7
Tangible fixed assets	8.6	17.3	19.0	19.4	32.9	42.2	51.3	61.2
Financial fixed assets	0.0	0.5	0.5	0.6	0.0	0.0	0.0	0.0
Other fixed assets	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Fixed assets	9.3	20.7	26.4	26.7	39.6	49.0	58.0	67.9
Inventory	0.9	2.3	3.0	3.0	3.4	3.9	4.5	4.9
Receivables	5.0	5.2	7.8	8.2	9.4	10.9	12.3	13.6
Cash & short-term assets	1.1	1.7	2.3	1.9	2.4	3.3	4.1	3.7
Current assets	7.0	9.2	13.2	13.1	15.2	18.1	20.9	22.1
Total assets	16.2	29.9	39.5	39.8	54.8	67.1	78.9	90.0
Equity	7.4	8.7	11.8	12.3	16.8	22.1	27.6	33.5
Provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term debt	0.3	9.3	8.7	11.7	19.8	24.0	27.5	30.3
Accounts payable	6.3	7.9	11.9	10.2	11.6	13.5	15.3	16.8
Other short-term debt	2.1	4.0	7.1	5.7	6.5	7.5	8.5	9.4
Total short-term debt	8.5	11.9	19.0	15.8	18.1	21.0	23.8	26.2
Total equity & debt	16.2	29.9	39.5	39.8	54.8	67.1	78.9	90.0

Cash flow statement (m)	2003	2004	2005	2006	2007E	2008E	2009E	2010E
Cash flow bef chg working cap.	4.0	1.0	6.3	4.0	3.0	3.1	2.8	2.7
Cash flow bef investments	4.0	1.0	7.0	2.0	2.9	2.9	2.7	2.6
Cash flow bef financials	-0.2	-3.5	-1.4	-2.0	-8.0	-3.1	-2.3	-2.4
Net cash flow	-0.2	0.7	0.6	-2.0	-10.8	-4.6	-4.0	-4.3
Cash beg of period	1.3	1.1	1.7	2.3	0.3	-10.5	-15.1	-19.2
Cash eof period	1.1	1.7	2.3	0.3	-10.5	-15.1	-19.2	-23.5

Key ratios	2003	2004	2005	2006	2007E	2008E	2009E	2010E
Sales growth	na	19.8%	46.0%	24.4%	14.1%	16.2%	13.3%	10.0%
EBIT growth	na	-15.0%	97.8%	30.6%	6.4%	10.0%	8.8%	10.0%
Pre-tax profit growth	na	-42.4%	89.6%	106.4%	6.5%	7.6%	7.9%	9.6%
Net profit growth	na	-50.0%	100.3%	147.6%	-6.5%	14.1%	7.6%	9.5%
Gross margin	27.1%	24.9%	23.5%	25.7%	25.4%	25.3%	25.2%	25.2%
EBITDA margin	15.8%	11.9%	13.7%	14.0%	13.8%	13.7%	13.6%	14.0%
EBIT margin	10.6%	7.5%	10.2%	10.7%	10.0%	9.5%	9.1%	9.1%
Pre-tax margin	9.8%	4.7%	6.1%	10.1%	9.4%	8.7%	8.3%	8.3%
Net profit margin	8.9%	3.7%	5.1%	10.1%	8.3%	8.1%	7.7%	7.7%
ROE	na	15.6%	25.3%	54.9%	42.7%	36.5%	30.8%	27.4%
ROC	na	10.7%	14.1%	16.1%	14.3%	12.3%	11.1%	10.6%
Equity/Total assets	45.8%	29.0%	29.8%	30.9%	30.8%	32.9%	35.0%	37.2%
Net debt/Equity	18.8%	137.5%	124.7%	138.4%	156.5%	141.1%	127.5%	118.9%

Per share data	2003	2004	2005	2006	2007E	2008E	2009E	2010E
EPS	0.13	0.06	0.13	0.32	0.30	0.34	0.36	0.40
EPS growth	na	-50.0%	100.3%	147.6%	-6.5%	14.1%	7.6%	9.5%
Dividend	0.00	0.00	0.00	0.15	0.08	0.09	0.10	0.12
Dividend yield	0.0%	0.0%	0.0%	2.6%	1.4%	1.6%	1.8%	2.1%
Payout ratio	0.0%	0.0%	0.0%	46.3%	27.0%	26.6%	27.5%	30.1%
BVPS	0.38	0.44	0.57	0.59	0.80	1.05	1.31	1.59
Net debt per share	0.07	0.61	0.71	0.81	1.25	1.48	1.68	1.89

Valuation	2003	2004	2005	2006	2007E	2008E	2009E	2010E
Share price	5.70	5.70	5.70	5.70	5.70	5.70	5.70	5.70
Market cap	108	108	108	108	108	108	108	108
EV	109	120	122	123	132	136	140	144
PE	44.6	89.1	44.5	18.0	19.2	16.9	15.7	14.3
P/CE	27.3	110.6	17.1	26.8	35.9	35.3	38.2	40.0
P/Sales	4.0	3.3	2.3	1.8	1.6	1.4	1.2	1.1
P/BVPS	15.1	12.9	10.0	9.7	7.1	5.4	4.3	3.6
EV/Sales	4.0	3.7	2.5	2.1	1.9	1.7	1.6	1.5
EV/EBITDA	25.4	30.8	18.5	14.8	14.0	12.6	11.5	10.4
EV/EBIT	37.7	48.5	24.9	19.4	19.4	18.2	17.2	16.1
Dividend yield	0.0%	0.0%	0.0%	2.6%	1.4%	1.6%	1.8%	2.1%
Free cash flow yield	0.0%	-2.8%	-0.8%	-1.5%	-7.0%	-2.4%	-1.5%	-1.5%

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1/Buy	Expected return of more than 15% within 6-12 months (including dividends)
2/Accumulate	Expected return between 5-15% within 6-12 months (including dividends)
3/Neutral	Expected return 0% to <5% within 6-12 months (including dividends)
4/Sell	Expected return less than 0% within 6-12 months (including dividends)
Not rated	No recommendation
Under review	Recommendation is under review due to specific event

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