Translation of the Estonian original

Ekspress Grupp
CONSOLIDATED ANNUAL REPORT

2006

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In thousands of euros

GENERAL INFORMATION

Beginning of the financial year	1 January
Ending of the financial year	31 December
Name of the Company	AS Ekspress Grupp
Registration number	10004677
Address	Narva mnt.11 E, 10151 Tallinn
Phone no.	+372 669 8181
Fax no	+372 669 8081
Main field of activity	Publishing and related services
CEO	Priit Leito
Auditor	AS PricewaterhouseCoopers

The Annual Report consists of Management Report, Consolidated Financial Statements, Independent Auditor's Report and profit allocation proposal. The document comprises of 55 pages.

MANAGEMENT REPORT

2006 was a year of strong growth for Ekspress Group. GDP grew by 11.4% in Estonia which fuelled rise in sales and profits in all key segments of the company. The consolidated net sales of the Group amounted to 60 million EUR in 2006, resulting in a year-to-year growth of 24% (2005 net sales equalled 48 m EUR).

Along the increase in sales the profitability improved significantly. EBITDA[1] of the Group reached 8.4 million EUR representing annual growth of 27%. Net profit more than doubled – from 2.6 million EUR in 2005 to 6 million EUR in 2006.

Ekspress Group concentrated its activities in 2006 to four key segments: publishing, printing, book sales and information services. The Group sold its stake in Bravocom mobile operations and acquired the remaining 50% of Ekspress Hotline getting the full control of the company. In the book sales segment two companies – the book retail sales company Rahva Raamat and wholsesale company Raamatuvaramu – were merged enabling to concentrate the books selling activities under one management.

Publishing

All the companies in the publishing segment managed to increase the sales in 2006. The main reason behind that was the growth of advertising revenues. According to TNS EMOR the advertising market grew by 18% in 2006. The newspapers were growing even slightly faster with ad revenues of big titles growing on average 19.5%. At the same time the market of single-copy sales and subscriptions remained quite stable with slight increase in the weeklies and magazines.

The total sales of the publishing segment accounted for 28 million EUR which is nearly half of all Ekspress Group. The EBITDA reached 3.5 million EUR representing annual growth of 19%. The key companies – Eesti Ekspress, SL Õhtuleht, Ajakirjade Kirjastus – all showed nice profit margins in excess of 15%.

The main developments in the publishing sector were dedicated to increase the presence of the Group in internet as this is the fastest growing part of the media business. All newspapers developed their web pages and a company OÜ Autocentrum was acquired in August and later renamed to OÜ Ekspress Internet. This unit initially operated car classified portal www.ac24.ee. In December real estate portal www.4seina.ee was added and talks were under way to acquire entertainment portal www.weekend.ee from Eesti Päevaleht.

Ekspress Group's Lithuanian operations became profitable in 2006. The main magazine titles showed good growth in advertising revenues in Lithuania and a new profitable business line – publishing of books – was started. Also a new health magazine Sveika was launched.

Printing

Printing company Printall showed great results in 2006. The company managed to increase exports and find new local customers which enabled it to reach practically full capacity utilization by the end of the year. The sales totalled 22 million EUR – growth of 21% compared to 2005. The EBITDA came in at 4.3 million EUR which is 28% higher than in 2005.

Preparations to install new heat-set printing press were started in 2006. By the end of 2007 additional printing capacity should be available to cover the needs of the customers.

[1] Earnings before interest, taxes, depreciation and amortisation

Book sales

The Group's two book sale companies were merged under the common name of AS Rahva Raamat in July 2006. This enabled to increase the efficiency of the book sales segment and to fully take advantage of management and logistic synergies. The sales in this segment saw fast growth reaching 10 million EUR, up nearly 50% from 2005. Partly it is due to the fact that book wholesale company Raamatuvaramu was acquired only in 2005 and the sales of it were not wholly represented in 2005 figures. But also organic growth in the book sales was strong in 2006 as the book market grew by 20%. EBIDTA of the book sales segment was 383 thousand EUR in 2006 compared to 211 thousand EUR the year before.

Rahva Raamat's flagship book store in Viru Keskus is currently the biggest book store in the Baltic countries. There is a plan to enlarge its activities in 2007 by renting additional space in Viru Keskus. Also other good spots are being searched by the management of Rahva Raamat to start new book stores. In the book wholesale Rahva Raamat plans to improve its service and efficiency in 2007.

Information Services

In November 2006 the remaining 50% of Ekspress Hotline were acquired after which Ekspress Group became 100% owner of the company. The sales of information services segment were 4 million EUR in 2006, a slight growth compared to 3.9 million EUR the year before. EBIDTA margin was considerably improved as the company earned 677 thousand EUR in 2006 (409 thousand EUR in 2005).

Ekspress Hotline has effectively managed to sell packages to customers which include both print and online phone directories and call centre. Using the synergies of being a part of Ekspress Group Ekspress Hotline has further managed to strengthen its brands' position on the market. Especially information telephone 1182 has gained through marketing activities and the web pages that the company is managing have attracted new customers through cross-promotion.

Management board's view on 2007

We believe 2007 will be favourable year for Estonian economy, for media business and for Ekspress Group. Triggered by double digit growth numbers in advertising markets Ekspress Group plans to significantly increase its revenues and profits.

An important milestone for Ekspress Group was the initial public offering of its shares and listing of the company on the Tallinn Stock Exchange. The offering was more than six times oversubscribed showing investor's confidence in Ekspress Group. April 5th 2007 was the first trading day of Ekspress Group shares on the Tallinn Stock Exchange. The IPO enables Ekspress Group to achieve further growth, to achieve its goals in becoming a pan-Baltic media company and increase the investments in internet sector which is the fastest growing part of media business. The company is looking for investments in publishing business (newspapers, magazines, internet) in the Baltic countries.

In internet there are two main areas to focus on. Classified advertising business in internet is booming which means Group will be looking for improving the market positions of its web portals www.hyppelaud.ee, www.4seina.ee, www.ekspressauto.ee. Also all newspapers will be updating the websites to get bigger share of the booming banner advertising market. As an important step all the web pages of the Group were gathered under a common header in 2006. In 2007 further consolidation of Group's web assets is needed.

In Lithuania Ekspress Group plans to start a weekly celebrity magazine either through acquisition or through greenfield start. The company also wants to capitalise on the good foundation of the book business that was laid in 2006.

The core of Ekspress Group's business will remain the publishing and printing of newspapers and magazines. Here the market remains very favourable with the prognosed advertising market growth of more than 15% in Estonia enabling to boost revenues for the publishing houses and provide good business opportunities for the printing plant Printall.

In thousands of euros

Financial ratios

		2006	2005
Sales growth (%)	(net sales 2006 – net sales 2005) / net sales 2005*100	24%	46%
Gross profit margin (%)	gross profit/net sales*100	26%	23%
Net profit growth (%)	(net profit 2006-net profit 2005)/net profit 2005*100	134%	112%
Net profit margin (%)	net profit/net sales*100	10%	5%
Equity / assets* 100		40%	30%
ROA (%)	net profit/assets *100	14%	6%
ROE (%)	net profit/equity *100	35%	22%

On average, Ekspress Group had 1900 employees in 2006 (2005: 1700). The employees of the Group companies were paid total salary of 11 millions EUR (2005 was 9 millions EUR).

FINANCIAL STATEMENTS

Management Board's confirmation of the Financial Statements

The Management Board confirms the correctness and completeness of the consolidated financial statements of AS Ekspress Group for the year 2006 as presented on pages 7-51.

The Management Board confirms that:

1. the accounting policies and presentation of information is in compliance with International Financial Reporting Standards as adopted by the European Union;

2. the financial statements present a true and fair view of the financial position, the results of the operations and the cash flows of the Group;

3. all Group companies are going concerns.

Member of Management Board
Priit Leito
20 April 2007

In thousands of euros

Consolidated balance sheet

th EUR	31.12.2006	31.12.2005	Notes
ASSETS			
Current assets			
Cash and cash equivalents	3 266	2 304	5
Other financial assets at fair value through profit or loss	415	380	6
Trade and other receivables	7 834	7 182	7
Inventories	2 867	3 047	11
Total	**14 382**	**12 913**	
Assets classified as held for sale	0	243	12
Total current assets	**14 382**	**13 156**	
Non-current assets			
Trade and other receivables	620	510	13
Investments in associates	1	2	16
Investment property	264	80	17
Property, plant and equipment	18 484	18 975	18
Intangible assets	8 837	6 783	19
Total non-current assets	**28 206**	**26 350**	
TOTAL ASSETS	**42 588**	**39 506**	
SHAREHOLDERS EQUITY AND LIABILITIES			
Liabilities			
Current liabilities			
Borrowings	6 072	7 109	21
Trade and other payables	11 960	11 922	20
Total current liabilities	**18 032**	**19 031**	
Non-current liabilities			
Borrowings	7 596	8 686	21
Other long term liabilities	5	7	20
Total non-current liabilities	**7 601**	**8 693**	
Total liabilities	**25 633**	**27 724**	
Equity			
Capital and reserves attributable to equity holders of the Group			
Share capital	10 560	142	
Share premium	0	1 360	
Reserves	352	653	
Retained earnings	6 028	8 663	
Total capital and reserves attributable to equity holders of the Group	**16 940**	**10 818**	32
Minority interest	15	964	
Total equity	**16 955**	**11 782**	
TOTAL EQUITY AND LIABILITIES	**42 588**	**39 506**	

The notes presented on pages 12 to 51 form an integral part of the consolidated financial statements

In thousands of euros

Consolidated income statement

th EUR	2006	2005	Notes
Sales	59 493	47 807	25
Costs of sales	44 217	36 574	26
Gross margin	**15 276**	**11 233**	
Distribution costs	2 527	2 320	27
Administrative expenses	6 808	4 516	28
Other income	739	759	29
Other expenses	303	274	29
Operating profit	**6 377**	**4 882**	
Financial income	405	51	30
Financial costs	(773)	(631)	30
Net finance costs	(368)	(580)	
Share of profit (loss)of associates	277	(1 387)	16
Profit before income tax	**6 286**	**2 915**	
Income tax expense	269	348	9
PROFIT FOR THE YEAR	**6 017**	**2 567**	
Attributable to:			
Equity holders of the Group	5 891	2 430	
Minority interest	126	137	
Basic and diluted earings per share for profit attributale to the equity holders of the Company (EUR per share)	0,5	0,2	32

The notes presented on pages 12 to 51 form an integral part of the consolidated financial statements

In thousands of euros

Consolidated statement of changes in equity

th EUR	Attributable to equity holders of the Group: Share capital	Share premium	Reserves	Retained earnings	Total	Minority interest	Total equity
Balance at 1 January 2005	142	1 360	653	6 233	8 388	289	8 677
Minority interest arising on business combinations	0	0	0	0	0	538	538
Total changes	0	0	0	0	0	538	538
Profit for the year	0	0	0	2 430	2 430	137	2 567
Balance at 31 December 2005	**142**	**1 360**	**653**	**8 663**	**10 818**	**964**	**11 782**
Balance at 1 January 2006	142	1 360	653	8 663	10 818	964	11 782
Dividends paid	0	0	0	(2 786)	(2 786)	0	(2 786)
Dividend reversal	0	0	0	123	123	0	123
Share capital increase	3 196	0	0	0	3 196	0	3 196
Bonus issue to share capital	7 222	(1 360)	0	(5 863)	0	0	0
Transaction costs	0	0	(301)	0	(301)	0	(301)
Change of minority interest	0	0	0	0	0	(1 075)	(1 075)
Total changes	10 418	(1 360)	(301)	(8 526)	231	(1 075)	(844)
Profit for the year	0	0	0	5 891	5 891	126	6 017
Balance at 31 December 2006	**10 560**	**0**	**352**	**6 028**	**16 940**	**15**	**16 955**

Further information on share capital and reserves can be found in note 32.

The notes presented on pages 12 to 51 form an integral part of the consolidated financial statements

In thousands of euros

Consolidated cash flow statement

th EUR	2 006	2 005	Notes
Net cash generated from operating activities	**6 724**	**6 319**	36
Cash flows from investing activities			
Investments in financial assets at fair value through profit or loss	(81)	0	
Proceeds from financial assets at fair value through profit or loss	390	3	
Interest received	204	196	
Purchase of investment property	0	(80)	17
Purchase of property, plant and equipment	(4 370)	(6 508)	18,19
Proceeds from sale of property, plant and equipment	760	67	17,18;19
Loans granted	(2 197)	(1 871)	
Loan repayments received	1 483	478	
Net cash used in investing activities	**(3 811)**	**(7 715)**	
Cash flows from financing activities			
Finance lease payments made	(1 233)	(2)	
Change in overdraft used	1 170	3 590	21
Proceeds from borrowings	9 325	1 143	
Repayments of borrowings	(8 429)	(2 779)	
Dividends paid	(2 786)	0	32
Net cash generated from financing activities	**(1 953)**	**1 952**	
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**960**	**556**	
Cash and cash equivalents at the beginning of the period	2 304	1 750	5
Exchange gains/(losses) on cash and cash equivalents	2	(2)	30
Cash and cash equivalents at the end of the period	3 266	2 304	5

The notes presented on pages 12 to 51 form an integral part of the consolidated financial statements

In thousands of euros

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1. General information

The main fields of activities of Ekspress Grupp and its subsidiaries include publishing newspapers and magazines, book sales, printing services and information services in phone directories, information hotlines and online.

AS Ekspress Grupp (registration number 10004677, address: Narva mnt.11E, 10151 Tallinn) is a holding Group registered in Estonia. There are 12 subsidiaries, 4 joint ventures and 5 associated companies, belonging to the consolidation group as at 31.12.2006.

These consolidated financial statements have been approved for issue by the Management Board on 20 April 2007.

The consolidated statements of AS Ekspress Grupp for 2006 reflect the results of the following group companies:

Name	Status	Share-holding 31.12.2005	Share-holding 31.12.2006	Main field of activities	Location
AS Ekspress Grupp	Parent Company			Holding Company	Estonia
Eesti Ekspressi Kirjastuse AS	Subsidiary	100%	100%	Newspaper publishing	Estonia
AS Printall	Subsidiary	100%	100%	Printing services	Estonia
UAB Ekspress Leidyba	Subsidiary	99,70%	99,70%	Magazine publishing	Lithuania
Rahva Raamat AS	Subsidiary	100%	100%	Books retail sale	Estonia
OÜ Raamatuvaramu	Subsidiary	100%	0%	Books wholesale	Estonia
OÜ Netikuulutused	Subsidiary	75%	75%	Online classified ads	Estonia
AS Ekspress Hotline	Subsidiary	50%	100%	Information services	Estonia
Ekspresskataloogide AS	Subsidiary	50%	100%	Phone directories	Estonia
AS Infoatlas	Subsidiary	50%	100%	Phone directories	Estonia
AS Numbriinfo	Subsidiary	50%	100%	Information hotline	Estonia
Kõnekeskuse AS	Subsidiary	50%	100%	Call centre services	Estonia
OÜ Ekspress Internet	Subsidiary	0%	80%	Online classified ads	Estonia
Eesti Päevalehe AS	Joint venture	50%	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%	Newspaper publishing	Estonia
AS Linnaleht	Associate	50%	25%	Magazine publishing	Estonia
UAB Medipresa	Associate	49%	40%	Periodicals' wholesale distribution	Lithuania
AS Bravocom Mobiil	Associate	32%	0%	Mobile phone operator	Estonia
EVI Consult OÜ	Associate	32%	32%	Business consulting	Estonia
Ühendatud Portaalid OÜ	Associate	25%	0%	Software development	Estonia
Dormant companies					
AS EnterNet Providers	Subsidiary	100%	0%	Internet portal	Estonia
OÜ Õhtuleht	Subsidiary	97%	97%	Newspaper publishing	Estonia

In 2005 UAB Moteris was renamed to UAB Ekspress Leidyba .

Note 2. Summary of significant accounting policies

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

Basis of preparation

The consolidated financial statements of AS Ekspress Grupp have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. These financial statements have been prepared in accordance with those standards and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements (31 December 2006).

The financial statements have been prepared under the historical cost convention, as modified by the financial assets at fair value through profit or loss.

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

The functional currency of AS Ekspress Group is Estonian kroon (EEK). The presentation currency is Euro (EUR). The financial statements are presented in thousand of Euros (EUR), unless indicated otherwise.

Standards, interpretations and amendments to published standards that are not yet effective

By the time of preparing these financial statements, new International Financial Reporting Standards and their interpretations have been published which will become mandatory for the Group from 1 January 2007 or later and which the Group has not adopted early. The following IAS amendments affect the Group:

- IAS 1 (Amendment) – Presentation of Financial Statements: Capital Disclosures which is effective from 1 January 2007 or later. The standard requires additional disclosures in the financial statements.

- IFRS 7 Financial Instruments: Disclosures and supplementary annex IAS 1, Presentation of Financial Statements, which is effective from 1 January 2007. IFRS 7 introduces new requirements for the notes in order to improve the presentation of information in the financial statements. This requires presentation of qualitative and quantitative information on the risks arising from financial instruments, containing specific minimum requirements for credit risk, liquidity risk and market risk (incl. sensitivity analysis of market risk). This replaces standard IAS 30, Disclosures in the Financial Statements and Other Financial Institutions and IAS 32 Financial Instruments: Disclosure and Presentation. This standard is effective for all companies preparing their financial statements in accordance with International Financial Reporting Standards. The revision to IAS 1 presents additional requirements for the Group's capital and capital management. The management considers the adoption of this revision.

The management is in the opinion that the amendments to and revisions of the following standards do not have a significant impact on the financial statements of the Group:

- IAS 19 (amendment) - Employee Benefits
- IAS 21 (amendment) - The Effects of Changes in Foreign Exchange Rates
- IAS 39 (revision) - Cash Flow Hedge Accounting of Forecast Intragroup Transactions
- IAS 39 (revision) - Fair Value Option
- IAS 39 and IFRS 4 (revision) - Financial Guarantee Contracts
- IFRS 6 - Exploration for and Evaluation of Mineral Resources
- IFRS 8 - Operating Segments – effective January 2008.

- IFRIC 4 - Determining whether an Arrangement contains a Lease
- IFRIC 5 - Rights to Interests Arising from Decommissioning, Restoration and Rehabilitation Funds
- IFRIC 6 - Liabilities arising from Participating a Specific Market – Waste Electric and Electronic Equipment
- IFRIC 7 - Applying the restatement approach under IAS 29 Financial Reporting in Hyperinflationary Environments
- IFRIC 8 - Share-based Compensations as defined in IFRS 2
- IFRIC 9 – Reassessment of Embedded Derivatives.
- IFRIC 10 – Interim Financial Reporting and Impairment (effective 1 November 2006)
- IFRIC 11 – IFRS 2 – Group Treasury Share Transactions (effective 1 March 2007)
- IFRIC 12 – Service Concession Arrangements (effective 1 January 2009).

Consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

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

Purchases of subsidiaries from parties under common control

Purchases of subsidiaries from parties under common control are accounted for using the purchase method. Under this method the cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Transactions and minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

Associates

Associates are all entities over which the Group has significant influence, but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

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

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

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

Joint ventures

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that it is attributable to the other ventures. The Group does not recognise its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

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

Parent company separate financial statements – primary statements presented as additional disclosure to these consolidated financial statements.

Pursuant to the Accounting Act of the Republic of Estonia, information of the unconsolidated financial statements (primary statements) of the consolidating entity (parent company) shall be disclosed in the notes to the consolidated financial statements. In preparing the primary financial statements of the parent company the same accounting policies have been used as in preparing the consolidated financial statements. The accounting policy for reporting subsidiaries has been amended in the separate primary financial statements disclosed as supplementary information in the Annual Report in conjunction with IAS 27 "Consolidated and Separate Financial Statements".

In the parent separate primary financial statements, disclosed to these consolidated financial statements (see Note 38), the investments into the shares of subsidiaries are accounted for at cost less any impairment recognized.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and three monts or less terms deposits. Bank overdrafts and shares of liquid funds are not classified as cash and cash equivalents. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet. Shares of liquid funds are classified as financial assets at fair value through profit or loss.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Euros, which is the presentation currency of AS Ekspress Grupp.

Transactions and balances

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

Group companies

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

(a) assets and liabilities for each balance sheet presented are translated to Estonian kroons at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statement are translated to Estonian kroons at average exchange rates;

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

The Group has group entities in Lithuania and Estonia. Since the Estonian kroon and Lithuanian litas are both pegged to the Euro, the translation to Group's presentation currency does not give rise to currency translation differences.

Trade receivables

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method for inventories used in periodicals and book sales segments and weighted average cost method for inventories used in printing segment. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchases of raw materials.

Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated at fair value through profit or loss at inception. Financial assets at fair value through profit or loss are initially recognised at cost at the settlement date, which is the fair value of the consideration received from or paid for the financial investment (does not include transaction costs). After initial recognition, financial assets in this category are measured at fair value. Changes in fair values of these assets are recognised consistently, either as a profit or loss in the income statement of the accounting period.

In case of listed securities, the bid price is considered as the fair value of investments. To find the fair value of investments not actively traded in the market, alternative methods such as the price of recent transactions (under market conditions), specific purchase offers made, the discounted cash flow method or option valuation models are used.

Loans and receivables

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

Available-for-sale

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

Investment property

Investment property is land or a building (or part of a building) which the Group holds for earning rental income or for capital appreciation. Land and buildings used by the Group for its own activities are treated as items of property, plant and equipment. Investment property is carried in the balance sheet at its historical cost less any accumulated depreciation and any impairment losses. The historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The fair value of investment properties is disclosed in the notes of to the financial statements. Land is not depreciated and the straight-line method is used for calculating depreciation of buildings (useful lives of 20–30 years). Earned rental income is recorded in profit or loss within other income.

Property, plant and equipment

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

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items (including the custom duties and other non refundable taxes). Cost includes direct and indirect costs related to acquisition of property, plant and equipment necessary to bring them to their present state and condition, as well as estimates of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item. The cost of self-constructed assets includes the cost of materials and direct labour.

If the fixed asset object consists of components, which have significantly different useful lives, the components will be recorded as independent fixed asset objects, with separate depreciation rates assigned according to their useful life. Groups of fixed assets with similar estimated useful lives will be recorded as aggregates.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the assets are presented at their estimated recoverable value. Recoverable value is equivalent to the higher of a particular asset's fair value less costs to sell, or value in use. The anticipated future discounted cash flows are used as the basis for determining value in use (see also part of accounting polices "Impairment of non-financial assets"). Impairment losses in fixed assets are expressed as an increase in accumulated depreciation and are recognised as an expense in the income statement. A recovery in value in use is recognised as a reversal of impairment loss.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. Depreciation rates are set separately to each asset depending on its estimated useful life. Depreciation of an asset is started when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases at the earlier of the date that asset is classified as held for sale (or included in a disposal group that is classified as held for sale) and the date the asset is derecognised. Depreciation does not cease when the asset becomes idle or is retired from the active use unless the asset is fully depreciated. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the income statement.

Depreciation is calculated linearly based on the following assumed useful lives:

Buildings	20-30 years
Plant and equipment:	
Machinery	8-12 years
Other equipment:	
Vehicles	5-10 years
Furniture, fittings and equipment	3-5 years

Freehold land is not depreciated.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets of the acquired subsidiary/associate/joint venture at the date of acquisition. Goodwill on acquisitions of subsidiaries and joint ventures is included in "intangible assets", goodwill on acquisitions of associates is included in "investments in associates". Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognised directly in the income statement.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Trademarks and licences

Trademarks and licenses are shown at historical cost. Trademarks and licences which have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

The estimated useful lives of assets with a definite useful live:

Trademarks and licences	20 years

Other intangible assets

Other intangible assets (including computer software) are stated at historical cost less accumulated amortisation and impairment losses.

The estimated useful lives of other intangible assets:

Other intangible assets	3-5 years

Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use.

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Financial liabilities

All financial liabilities (supplier payables, borrowings, accrued expenses and other borrowings) are initially recognised at the fair value of the consideration receivable for financial liabilities which also includes all transaction costs incurred. After initial recognition, financial liabilities are measured at amortised cost. The amortised cost of the short-term liabilities normally equals their nominal value; therefore short-term liabilities are stated in the balance sheet in their redemption value. The amortised cost of long-term liabilities is calculated using the effective interest rate method.

Financial liabilities are classified as current when they are due within twelve months after the balance sheet or if the Group does not have an unconditional right to defer the payment for later than 12 months after the balance sheet date. Borrowings whose due date is within 12 months after the balance sheet date but which are refinanced as non-current after the balance sheet date but before the financial statements are authorised for issue are recognised as current. Borrowings that the lender has the right recall at the balance sheet date due to violation of contractual terms are also classified as current. Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use Other borrowing costs are expensed.

Provisions

Liabilities that have arisen during the financial year or prior periods, which have a legal or contractual basis, which are expected to result in the outflow of resources, and which can be reliably measured, but for which the actual payment amount and payment date has not been definitely determined, are recorded as provisions on the balance sheet. The provisions are recognised based on the management's estimates regarding the amount and timing of the expected outflows. A provision is recognised in the balance sheet in the amount which according to the management is necessary as at the balance sheet date for settling the obligation or transfer it to the third party. The provision expense is included in the income statement of the period. Provisions are not recognised for future operating losses.

Contingent liabilities

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

Payables to employees

Payables to employees include the obligation arising from bonus policy which is approved with the order of the Management Board. Payables to employees include also vacation payroll accrual calculated in accordance with employment contracts and the local laws in force as at the balance sheet date. The liability related to the payment of vacation payroll accrual together with social security and unemployment insurance payments is included within current liabilities in the balance sheet and as personnel costs in the income statement. Employment termination compensation accruals are not recognised in case the member of the Management Board leaves on his/her own initiative or in case the member of the Management Board is called back by the Supervisory Board with material cause. If the member of the Management Board is called back without material cause, the compensation of 4 monthly salaries is to be paid and the accrual is recognised as the event occurs.

Leases

Leases of plant, property and equipment under which the Group assumes substantially all risks and rewards incidental to ownership are classified as finance leases. Leases in which a significant portion of the risks and rewards of ownership are retained by the lesor are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the date of acquisition or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recorded in income statement on accrual basis of accounting, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the group's general policy on borrowing costs. Finance assets are depreciated in accordance with the depreciation policy described above, with the depreciation period being the estimated useful life of the asset.

Rentals payable under operating leases are charged to expense on straight-line basis over the term of the relevant lease, irrespectively from disbursements for relevant payables. Assets leased under operating lease are not recorded on the balance sheet.

Revenue recognition

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

Sales of goods - wholesale

Sales of goods is recognised when a group entity has delivered the products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured. Books, newspapers and magazines are often sold with a right to return. Accumulated experience is used to estimate and provide for such returns at the time of sale as a deduction from the sales.

Revenue from classified directories mainly comprising advertising revenue, is recognised in the income statement upon completion of delivery to the users of the directories.

Sales of goods - retail

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

Sales of services

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

The revenue from quarterly, semi-annual and annual advertising packages sold is recognised in income linearly over the package duration.

When progress billings up to the year-end exceed costs incurred plus recognised profits, the balance is shown as due to customers on service contracts, under other deferred income. Where costs incurred and recognised profits exceed progress billings up to the year-end, the balance is shown as due from customers on construction contracts, under accrued income.

Interest income

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

Dividend income

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

Statutory reserve

The statutory reserve in equity is a mandatory reserve, created in accordance with Estonian Commercial Code and it can only be used for covering losses or conversion to the share capital. At each year at least 1/20 of net profit should be recognised as statutory reserve until the statutory reserve comprises 1/10 of share capital. The distribution to shareholders from the statutory reserve is not permitted.

Transaction costs

Transaction costs include registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties. The transaction costs of an equity transaction are accounted for as deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that othervise would have been avoided.

Earnings per share

Basic earning per share is calculated by dividing the profit of the year attributable to equity holders of the parent company by the weighted average number of ordinary shares outstanding during the year. Diluted earning per share is calculated based on profit or loss attributable to the ordinary equity holders of the parent company, and the weighted average number of shares outstanding, adjusted for the effects of all dilutive potential ordinary shares. As the Group has not issued any potential ordinary shares, the diluted earnings per share equals to the basic earnings per share.

Dividend distribution

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

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

Subsequent events

Significant events that occurred during the preparation of the annual accounts and are related to transactions that took place during the financial year, and confirm the conditions that existed at the date of the financial statement, are considered in the valuation of assets and liabilities.

Significant events that occurred during the preparation of the annual accounts and are not considered in the valuation of assets and liabilities, but significantly influence the results of the next financial year, are disclosed in the notes to the annual accounts.

Segment reporting

Groups of assets and operating areas are reported as separate segments, whose risks and rewards are significantly different from those of other segments. In the business segment it predominantly depends on the operating activity and on the type of product or service; with regard to geographical segments on the economic environment in the region in which the segment operates. The report provides information about the Group's segments, and this information is organised by both business segments (the primary format for segment reporting) and geographic segments (the secondary format for segment reporting). The majority of the Group's revenues are generated in Estonia.

The Group presents the following major segments as the primary segments in the consolidated financial statements:

a) printing services;

b) periodicals publishing and advertising;

c) book sales;

d) information services;

e) unallocated.

The secondary segment is the geographical segment by the location of the group's production and service facilities and other assets.

Segment expense is expense resulting from the operating activities and is directly attributable to the segment. Segment gross profit is segment revenue less segment expense. Segment gross profit is determined before any adjustments for minority interest. Segment assets are those operating assets that are operatively employed and that are directly attributable to the segment. Segment liabilities are those directly attributable to the segment. Capital expenditure represents total cost incurred during the period to acquire segment assets that are expected to be used during more than one period (property, plant and equipment, and intangible assets).

Unallocated assets and liabilities and such assets and liabilities whose allocation to segments is not possible or reasonable due to the structure of the company's business (for example, corporate income tax, interest receivables and liabilities, dividend receivables and liabilities) are recorded as the joint assets and liabilities of the Group. The segment's assets and liabilities do not include unallocated financial assets and financial liabilities and the segment's income and expenses do not include income and expenses arising from the above-mentioned assets and liabilities

Corporate income tax

According to current legislation, the profits of Estonian companies are not taxed, whereby deferred income tax claims or liabilities do not exist. In Estonia instead of profits, dividends paid from undistributed profits are taxed at a rate of 22/78 (until 31 December 2006, a tax rate of 23/77 was in force), on the net dividend paid out. The corporate tax resulting from the payment of dividends is recognized as an income tax expense in the same period as the dividends are declared regardless of for which period the dividends are declared or when they are actually paid out.

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

Income tax of the companies registered in Lithuania

In Lithuania the profit before taxes is adjusted for the permanent and temporary differences as determined in the respective tax laws. In Lithuania the tax rate is 15%. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax, it is not accounted for, if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

Note 3. Critical accounting estimates and judgements

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

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include allocating purchase price in business combinations (note 14), valuation of inventory (note 11), valuation of goodwill (note 14), determination of useful lives of property, plant and equipment (note 18), valuation of provisions, contingent liabilities and contingent assets (note 34).

a) Business combinations

The management has carried out the valuations and prepared purchase price allocation analysis in order to estimate the fair values in purchase price allocation considerations.

The trademarks obtained in acquisitions of subsidiaries Express Hotline, Rahva Raamat, UAB Ekspress Leidyba have met the criteria for recognition as a separately identifiable asset acquired in a business combination given that these are registered trademarks in Estonia and Lithuania respectively and are in continuous commercial use. As the trademarks are actively used and promoted by Ekspress Group and the creation of such trademarks would require resources, a cost approach was selected to provide the most accurate measure of value. Thus, the cost approach method was used for valuation of the trademarks. A remaining useful life of 20 years has been assigned to the trademarks.

b) Valuation of Inventory

Upon valuation of inventories, the management will rely on its best knowledge taking into consideration historical experience, general background information and assumptions and preconditions of the future events. In determining the impairment of inventories, the sales potential as well as the net realisable value of finished goods is considered, upon valuation of raw materials and materials, their potential of usage in producing the finished goods and generating income is considered; upon valuation of work in progress, their stage of completion that can reliably be measured is considered.

The recognition of publishing revenue includes the estimation to anticipated return rates. The anticipated return rates are based on management estimate and historical data of return. If the rate of return increases of 5%, the revenue would decrease of 51 thousand euros.

c) Valuation of Goodwill

Goodwill is the excess of the cost of the acquisition over the fair value of the acquired net assets, reflecting the part of cost that was paid for the acquisition of such assets than cannot be separately identified and recognised. Goodwill as an intangible asset with an indefinite useful life is not amortised but it is tested for impairment at least once a year. The management has performed an impairment test for goodwill resulting from the following corporate acquisitions: UAB Ekspress Leidyba, OÜ Netikuulutused, OÜ Raamatuvaramu, Ajakirjade Kirjastuse AS, AS Ekspress Hotline, OÜ Ekspress Internet.

Future expected cash flows based on the budgeted sales volumes in the Lithuanian and Estonian market respectively have been taken into consideration in finding the recoverable amount of the investments. The future expected cash flows have been discounted using the expected rate of return. If the recoverable amount of the investment is lower than its carrying amount, an impairment loss is recorded to write down the investment to its recoverable amount. The recoverable values were found to be in excess of the carrying value. Thus, the related goodwill was not impaired.

If the cash flow is decreased for 10% or discount rate is increased for 2%, the result of goodwill based on discounted cash flows would not lead to impairment.

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

d) Property, plant and equipment

Depreciation of property, plant and equipment is based on the historical acquisition value (purchase cost), with appropriate adjustment for impairment and taking into account the estimated useful life of various classes of assets. The Management has determined the estimated useful lives of the property, plant and equipment, taking into account the business conditions and volumes, historical experience in given fields and future projections. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

According to the estimates the useful lives for buildings is 20-30 years, depending on their structure and purpose. The useful life for manufacturing plant and equipment is 8-12 years, depending on the nature of specific assets and their purposes. The useful life of other machinery and equipment is 5-10 years depending on their usage. The useful life of other fixed assets and IT equipment is 3-5 years, depending on the nature of each asset and its purpose. There have been no changes in depreciation rates during 2006.

If the useful lives increase of 10% the decrease the annual depreciation charge would be of 27, 101, and 41 thousand euros of 'Buildings', 'Plant and equipment' and 'Other equipment' respectively. The total decrease of depreciation charge in case of increase in useful lives of 10% would be 169 thousand euros.

e) Valuation of provisions, contingent liabilities and contingent assets

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

f) The Group has receivables and loans given to related parties. According to the management judgement these receivables and loans are not impaired and should not be provided for. Further explanation of related parties' transactions is provided in Note 37.

Note 4. Financial risk management

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, and interest rate risk.

Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed to perform as contracted. The Group does not have significant exposure to credit risk to any individual customer or counter party. In order to lower credit risks, the payment discipline of customers is constantly being monitored; credit policy is set for ensuring that sales of products are made to customers with an appropriate credit history and advance payment policy is used for higher risk categories. The Group does not have essential risks regarding to clients and partners. Therefore the management estimates that the Group does not have any major credit risks.

Interest rate risk

The interest rates related to the loans and borrowings of the Group are mainly fixed and in some cases related to Euribor or Libor. The Group has not applied any hedge instrument. Interest risk arises from floating rate borrowings. Changes in floating interest rates and changes in average market interest rates affect the Group's interest expenses. The Company's management estimates that the Group does not have any major interest risks.

Foreign exchange risk

The Group has no significant concentrations of foreign exchange risk. The Group does not use any hedging of the foreign currency risk arising from future commercial transactions and recognised assets and liabilities. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group pays most of primary suppliers of paper and other materials in Euros, whilst domestic suppliers and workforce are being paid in Estonian kroons and Lithuanian litas. Group companies have minimized foreign currency net open balances.

In thousands of euros

Note 5. Cash and cash equivalents

th EUR	31.12.2006	31.12.2005
Cash on hand	45	51
Money in bank account	3 221	2 253
Cash and cash equivalents in the statement of cash flows	**3 266**	**2 304**

Note 6. Other financial assets at fair value through profit or loss

th EUR	31.12.2006	31.12.2005
Listed shares	38	0
Listed bonds	10	10
Money market funds	367	370
Total	**415**	**380**

	2006	2005
Hansa Money Market Fund interest rate	1,5-2,5%	1,5-2,0%
SEB Ühispanga Money Market Fund interest rate	1,7-2,5%	1,7-2,5%
Interest income	9	10

The shares in money market funds, listed bonds and listed shares are accounted for in fair value. See note 13 for the long term part of the listed bonds.

Note 7. Receivables and prepayments

th EUR	31.12.2006	31.12.2005
Trade receivables(Note 8)	4 553	4 481
Prepaid taxes (Note 9)	34	140
Other receivables (Note 10)	2 715	2 174
Prepayments	532	387
Receivables and prepayments total	**7 834**	**7 182**

Note 8. Trade receivables

th EUR	31.12.2006	31.12.2005
Trade receivables	4 882	4 780
Allowance for impairment of receivables	(329)	(299)
Accounts receivables total	**4 553**	**4 481**

th EUR	31.12.2006	31.12.2005
Allowance for impairment of receivables at the beginning of the period	(298)	(224)
Proceeds from impaired receivables during the period	171	153
Impairment of receivables recognised during the period	(213)	(286)
Receivables written off balance sheet during the period	11	58
Allowance for impairment at the end of the period	**(329)**	**(299)**

Impairment losses recognised during the period are reported in income statement as "Other expenses".

In thousands of euros

Note 9. Taxes

th EUR	31.12.2006 Prepayment	31.12.2006 Liability	31.12.2005 Prepayment	31.12.2005 Liability
Corporate income tax on fringe benefits	1	93	12	70
Personal income tax	7	292	0	236
Social tax	0	578	0	484
Unemployment insurance tax	0	13	0	14
Pension insurance tax	0	21	0	14
Value-added tax	26	194	128	168
Taxes total (note 7)	**34**	**1 191**	**140**	**986**

Corporate income tax

th EUR	2006	2005
Dividend income from joint ventures	1 146	1 074
Dividends attracting income tax	1 146	1 074
Income tax 23/77 (29,87%)	(342)	(321)
Current income tax expense (note 32)	**(269)**	**(348)**
Tax expense	(343)	(348)
Tax reversal	74	0
Effective income tax rate	29,87%	31,58%

Note 10. Other short-term receivables

th EUR	31.12.2006	31.12.2005
Receivables from associated companies (Note 37)	**384**	**3**
Trade receivables	377	3
Loans granted (Note 13)	7	0
Receivables from joint ventures	**279**	**404**
Accrued interest receivable	1	4
Trade receivables	278	400
Receivables from related parties (Note 37)	**296**	**132**
Other receivables (Note 37)	296	132
Other short-term debts	**1 756**	**1 635**
Loans granted	1 591	1 212
Other receivables	165	423
Total other short-term receivables	**2 715**	**2 174**

Loans granted by joint ventures:

– Ajakirjade Kirjastus (Lender) Loan Agreement with Kroonpress in the total amount of EUR 991 thousand is secured by Surety Agreement concluded between Ajakirjade Kirjastus and Eesti Meedia under which the latter guarantees the obligations of Kroonpress under the loan agreement. In the balance sheet the loan amounted as at 31.12.06 and 31.12.05 EUR 495 thousand. Loan matures in 2007, interest rate 4%.

– SL Õhtuleht (Lender) Loan Agreement with Kroonpress in the total amount of EUR 895 thousand is secured by Surety Agreement concluded between SL Õhtuleht and Eesti Meedia under which the latter guarantees the obligations of Kroonpress under the loan agreement. In the balance sheet the loan amounted as at 31.12.06 and 31.12.05 EUR 447 thousand. Loan matures in 2007, interest rate 4%.

Loans granted to other parties in the amount on EUR 639 thousand matures in November 2007, interest rate at 1.5% per month.

In thousands of euros

Note 11. Inventories

th EUR	31.12.2006	31.12.2005
Raw material	1 611	1 604
Work in progress	415	135
Finished goods	171	137
Goods for resale	670	1 171
Inventories total	**2 867**	**3 047**

Impairment of inventories	31.12.2006	31.12.2005
Finished goods	14	56
Goods for resale	0	0
Impairment recognised in income statement	**14**	**56**
Inventories at the custody of third parties	38	179
Inventories of third parties held at the custody of the Group	5 344	5 222

Information on pledged assets is presented in note 21

Note 12. Non-current assets held for sale

Fixed assets for sale as of 31 Dec 2005 are represented by outdated printing equipment in the amount of 115 th. EUR, which was sold in 2006.

Financial investment into a property development company Suursepa Arenduse AS in the acquisition cost of 128 th EUR, was sold in the 1st half of 2006 for 415 th EUR. From the selling price 128 th EUR is paid in cash in 2006. Remaining amount of 288 th EUR is recorded in the balance sheet as other short term receivable from related parties (Note 10 and Note 37).

Note 13. Non-current trade and other receivables

th EUR	31.12.2006	31.12.2005
Loans to associated companies (note 37)	0	310
Financial assets at fair value through profit or loss (note 6)	0	10
Loans granted (note 37)	596	187
Prepayments	24	3
Total non-current trade and other receivables	**620**	**510**

th EUR	2006	2005
Loans to associated companies (gross amount)	80	1 810
Allowance for impairment	(73)	(1 499)
Loans to associated companies (net amount)	7	310

All loans will be returned not later than five years and are at market interest rates (5-6% per annum).

In thousands of euros

Note 14. Business combinations

Company Name	Ownership %	
	31.12.2006	31.12.2005
Eesti Ekspressi Kirjastuse AS	100	100
AS Printall	100	100
AS EnterNet Providers	0	100
UAB Ekspress Leidyba	99,7	99,7
AS Rahva Raamat	100	100
OÜ Raamatuvaramu	0	100
OÜ Netikuulutused	75	75
AS Ekspress Hotline	100	50
Ekspresskataloogide AS	100	50
AS Infoatlas	100	50
AS Numbriinfo	100	50
Kõnekeskuse AS	100	50
OÜ Ekspress Internet	80	0

Acquisition of subsidiaries

Over the years 2005-2006 AS Ekspress Grupp acquired shares in the following **subsidiaries**:

In 2005 the Group acquired the remaining 4.67% of AS Printall from minority shareholders for 230 th EUR, resulting in 'excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost' of 129 th EUR.

In April 2005 Group acquired 100% of **OÜ Raamatuvaramu** at 582 th. EUR. The acquired company OÜ Raamatuvaramu portion of the group's sales is 2 596 th EUR and the net profit was 28 th EUR in the period 1 April to 31 December 2005. If the acquisition had occurred on 1 January 2005, the effect on the sales would have been 3 725 th EUR and the net profit 9 th EUR. The calculations are based on the group's accounting principles.

In July 2006 subsidiaries AS Rahva Raamat and OÜ Raamatuvaramu were merged.

In April 2005 Group acquired **UAB Tavo Vaikas** at 200 th EUR. In 2005 UAB Ekspress Leidyba, UAB Tavo Vaikas and UAB Pienų Pieva were merged. In October 2005 AS Ekspress Grupp increased the share capital of UAB Ekspress Leidyba by 622 th EUR. As of 31 Dec 2005, AS Ekspress Grupp owned 99.7% of UAB Ekspress Leidyba share capital.

The Group together with Eesti Päevalehe AS (a joint venture of the Group) acquired OÜ Netikuulutused in equal parts at an acquisition cost of 79 th EUR. Therefore, 75% of OÜ Netikuulutused belongs to the consolidation group of Ekspress Grupp. **OÜ Netikuulutused** is operating online job search portal Hyppelaud.

In November 2005 AS Ekspress Grupp acquired 50% of **AS Ekspress Hotline** at 3 196 th EUR AS Ekspress Hotline owns 4 subsidiaries: AS Ekspresskataloogid, AS Infoatlas, AS Numbriinfo and Kõnekeskuse AS. The acquired company AS Ekspress Hotline portion of the group's sales is 561 th EUR and the net profit was 191 th EUR in the period 1 December to 31 December 2005. If the acquisition had occurred on 1 January 2005, the effect on the sales would have been 1 972 th EUR and the net profit 200 th EUR.

In October 2006 the Group acquired the remaining 50% of AS Ekspress Hotline for 3 196 th EUR. The share was paid for with non-monetary contribution (see Note 32).

In July 2006 Group acquired 80% of **OÜ Autocentrum** at 70 th EUR. The acquired company OÜ Autocentrum portion of the group's sales is 12 th EUR and the net loss was – 42 th EUR. in the period 1 August to 31 December 2006. If the acquisition had occurred on 1 January 2006, the effect on the sales would have been 27 th EUR and the net loss -60 th. EUR. The calculations are based on the group's accounting principles. In December 2006 OÜ Autocentrum was renamed to OÜ Ekspress Internet.

In thousands of euros

Purchase price allocations of new subsidiaries acquired:

Subsidary	UAB Tavo Vaikas		OÜ Raamatu-varamu	AS Ekspress Hotline		OÜ Netikuulutused	
	30.04.2005		30.04.2005	30.11.2005	30.11.2005	31.01.2005	31.03.2005
th EUR	fair value	book value	fair/book value	fair value	book value	fair/book value	fair/book value
Cash and cash equivalents	7	7	85	191	191	0	19
Receivables and prepayments	71	71	324	937	1 341	0	8
Inventories	6	6	63	2	2	0	0
Investment property	0	0	0	371	371	0	0
Property, plant and equipment	12	12	33	1 216	1 216	3	7
Trademarks	90	0	0	815	0	0	0
Liabilities	(75)	(75)	(428)	(1 837)	(1 837)	0	(25)
Net asset value of the acquisition	**111**	**21**	**77**	**1 695**	**1 284**	**3**	**9**
Acquired ownership shares	100,0%		100,0%	50,0%		46,9%	28,1%
Acquired net assets	111		77	848		1	3
Minority	0,0%		0,0%	50,0%		53,1%	25,0%
Goodwill /(Negative goodwill)	25		505	2 348		47	28
Purchase consideration settled in cash	(136)		(582)	(3 196)		(48)	(31)
Acquired cash and cash equivalents	7		85	191		0	0
Unpaid part of current period	0		0	0		0	0
Cash outflow on acquisition	**(129)**		**(497)**	**(3 005)**		**(48)**	**(31)**

Subsidary	OÜ Autocentrum	AS Ekspress Hotline	
	31.07.2006	30.11.2006	30.11.2006
th EUR	fair/book value	fair value	book value
Cash and cash equivalents	1	735	735
Receivables and prepayments	8	577	619
Inventories	0	0	0
Investment property	0	266	266
Property, plant and equipment	0	1 245	1 305
Trademarks	0	775	
Liabilities	(19)	(1 197)	(1 197)
Net asset value of the acquisition	**(10)**	**2 401**	**1 728**
Acquired ownership shares	80,0%	50,0%	
Acquired net assets	(8)	1 201	
Minority	20,0%	0,0%	
Goodwill /(Negative goodwill)	78	1 995	
Purchase consideration settled in cash	(70)	0	
Non-monetary contribution (note 32)	0	(3 196)	
Acquired cash and cash equivalents	1	0	
Cash outflow on acquisition	**(69)**	**0**	

In thousands of euros

For goodwill see also note 19.

The goodwill is attributable to the high profitability of the acquired businesses, economies compared to opportunity costs and the significant synergies expected to arise after the Group's acquisition. As the mentioned values are not identifiable assets and not possible to sell separately of the acquired business units' other assets, they are recorded as goodwill.

The carrying value of goodwill was tested for impairment as of 31 Dec 2006 and 31 Dec 2005. The impairment test calculations were based on value in use method discounting the future cash flows. For each of the acquisitions the corresponding cash generating unit's business projections were prepared for 5 years.

Sales amounts, variable and fixed costs were forecasted taking into account the historic performance of the operations and strategic developments in the foreseeable future. The calculation was performed on the basis of real growth, excluding inflationary effect. The management's opinion on both years growth rates was the following:

- growth of sales: 5-15%;
- growth in variable costs: 3-10%
- growth in fixed costs: 1-2%

The faster growth rates of sales and variable costs were applied to Lithuanian operations (UAB Ekspress Leidyba) with rapidly growing product portfolio and faster-than average growth of advertising markets. The resulting growth rate for the free cash flow over the five-year period was 13-56% per annum.

As no significant growth is foreseen in the amount of fixed assets in use, the investments and depreciation amounts were assumed to remain mutually balanced.

The present value of resulting five-year cash flows and terminal value were calculated using weighted average rate of return as the discount factor, where the expected return on equity was taken 20%, return on debt 5% and the share of equity financing 35%. The long-term growth rate for the terminal value perpetuity is assumed to be on the level of moderate economic growth, 4% per annum.

As a result of the impairment tests conducted, no decrease in recoverable value of assets was found.

The value of trademarks was calculated using replacement value method. It was estimated based on the annual gross profit of the related cash generating unit multiplied by 2. It was assumed, based on historic experience, that two years' gross profit would have been the necessary marketing cost to replace, at similar recognition rates, the trade marks with new ones.

In 2005, excess of fair value of net assets acquired over cost generated in the acquisition transactions of Printall shares was a result of negotiations between the selling small shareholders and Ekspress Grupp, the buyer. It reflected the present value of expected dividend cash flow to shareholders and lack of control over the activities of the company. Excess of fair value of net assets acquired over cost is presented in income statement as other income (note 29).

Disposals

In September 2006 Group disposed 100% of share capital of subsidiary AS EnterNet Providers for 133 th EUR.

The details of assets and liabilities and disposal consideration are as follows as at 30 September 2006

th EUR	AS EnterNet Providers
Cash and cash equivalents	134
Trade and other receivables	0
Other liabilities	1
Net assets of subsidiary	**133**
Total carrying amount of net assets disposed	**133**
Cash inflow on disposal	(1)

In thousands of euros

Note 15. Joint ventures

Company Name	Ownership %	
	31.12.2006	31.12.2005
Eesti Päevalehe AS	50	50
AS SL Õhtuleht	50	50
AS Express Post	50	50
AS Ajakirjade Kirjastus	50	50
UAB Medipresa (note 16)	40	49
AS Linnaleht (note 16)	25	50

In May 2006 the group sold 50% of its share in joint venture AS Linnaleht to Eesti Meedia AS for the price of 511 th EUR. The joint venture was proportionally consolidated up to the sale of 50% of group's share and the remaining share of 25% in net assets was accounted for using the equity method as of 31 December 2006 and was reclassified from joint ventures to associated companies, see note 16.. The group's share of assets of the company at the time of sale were 128 thousand EUR and the respective liabilities were stated at 224 thousand EUR, resulting in group's share of profit on the partial sale of joint venture in amount of 307 thousand EUR. As the equity of company is negative as of 31 December 2006, the investment value recorded at balance sheet is nil.

In January 2006 UAB Medipresa issued new shares to another shareholder, UAB Žurnalu Leidyba Grupe, as a result of which the share of Group in UAB Medipresa decreased from 49% to 40% and the company became an associate (see Note 16) The joint venture was proportionally consolidated up to the sale of 18% of group's share and the remaining share in net assets was accounted for using the equity method as of 31 December 2006. The group's share of assets of the company at the time of sale was 352 thousand EUR and the respective liabilities were stated at 396 thousand EUR. As the equity of company is negative as of 31 December 2006, the investment recorded at balance sheet is nil. The effect of the disposal on the income statement was immaterial.

th EUR	AS Linnaleht	UAB Medipresa
Cash and cash equivalents	19	16
Property, plant and equipment	36	21
Trade and other receivables	73	319
Other liabilities	226	393
Net assets of joint venture	(98)	(37)
Total carrying amount of net assets disposed	(97)	(37)
Cash inflow on disposal	237	(16)

In thousands of euros

Joint ventures condensed financials (representing the share consolidated i.e. 50%)

th EUR	Ajakirjade Kirjastuse AS	AS SL Õhtuleht	Eesti Päevalehe AS	AS Express Post	UAB Medipresa	AS Linnaleht	Total
at 31 December 2005							
Assets total	2 294	1 794	1 364	1 422	178	127	**7 179**
Liabilities total	(1 182)	(687)	(1 071)	(1 153)	(141)	(135)	**(4 369)**
Revenue total	5 525	3 959	4 273	1 295	2 289	127	**17 468**
Net income/loss	599	616	164	114	2	(20)	**1 475**
at 31 December 2006							
Assets total	2 595	2 086	1 538	1 606	0	0	**7 825**
Liabilities total	(1 331)	(793)	(1 097)	(1 334)	0	0	**(4 555)**
Revenue total	6 342	4 411	4 251	1 573	0	0	**16 577**
Net income/loss	614	764	190	2	0	0	**1 570**

Information on the group's share of the contingent liabilities related to joint ventures are presented in Note 34.

Note 16. Associated companies

th EUR	31.12.2006	31.12.2005
Carrying amount of shares of associated companies	1	2
Share of loss in associates recognised in income statement	**2 006**	**2 005**
Profit from the sale of shares of associates	277	112
Impairment recognised on loans granted to associate companies (note 13)	0	(1 499)
Total share of loss of associates	277	(1 387)

Company Name	Ownership %	
	30.12.2006	31.12.2005
AS Bravocom Mobiil	0	32
AS Linnaleht (note 15)	25	50
UAB Medipresa (note 15)	40	49
OÜ Evi Consult	32	32
Ühendatud Portaalid OÜ	0	25

Condensed financials of associated companies

th EUR	AS Bravocom Mobiil	OÜ EVI Consult	Ühendatud Portaalid OÜ	AS Linnaleht	UAB Medipresa	Total
at 31 December 2005						
Assets total	1 493	4	0	0	0	**1 497**
Liabilities total	(4 840)	(1)	0	0	0	**(4 841)**
Revenue total	1 712	2	0	0	0	**1 714**
Net income/loss	(2 799)	1	0	0	0	**(2 798)**
at 31 December 2006						
Assets total	0	4	0	299	1 171	**1 474**
Liabilities total	0	(1)	0	(592)	(1 198)	**(1 791)**
Revenue total	0	0	0	1 073	6 230	**7 303**
Net income/loss	0	0	0	(278)	25	**(253)**

In June 2006 associate AS Bravocom Mobiil and loan receivables from associate were sold to a related party OÜ Miljardini for 479 th EUR, the effect of the disposal on the income statement was 8 th EUR. As at 31.12.2006 the receivable for sold investment amounted 425 th.EUR and is presented in the note 13. Maturity of the receivable is in 3 years and is recorded at discounted value using the discount rate of 5% per annum. See also note 37.

In thousands of euros

In September 2006 Grupp disposed 25% of share capital of associated comapany Ühendatud Portaalid OÜ for 2 th EUR. The effect of the disposal on the income statement was nil.

Note 17. Investment property

th EUR	2006	2005
Investment properties as at 1 January	**80**	**0**
Additions	0	80
Disposals	80	0
Transfer from owner occupied premises (note 18)	291	0
Depreciation	(27)	0
Investment properties as at 31 December		
Aquisition cost	500	80
Accumulated depreciation	(236)	0
Book value	264	80
Fair value	264	85

Income and expenses

th EUR	31.12.2006	31.12.2005
Rental income	55	0
Administrative costs	(47)	0
Net income	**8**	**0**

The Group acquired land in November 2005 through a business combination (see note 14), it stands as a collateral for a bank loan (see note 21). The fair value was estimated by reference to the expert opinion of certified property values. Discounted cash flows and comparative pricing methods were used by the expert. In August 2006, the named investment property has been sold at a price of 85 th EUR .

The fair value of the property investment has been estimated by the management using the method of comparable prices. The value estimate has been based on the market price per square meter of similar properties in the same neighbourhood, multiplied by the useful area of the building.

Discounted cash flows method was used in determing fair value of investment property as at 31.December 2006 management estimates that the fair value approximates to the book value as at 31 December 2006.

In thousands of euros

Note 18. Property, plant and equipment

th EUR	Land	Buildings	Plant and equipment	Other equipment	Prepayments	Fixed assets total
At 31 December 2004						
Acquistion cost	549	6 128	12 506	2 396	294	**21 873**
Accumulated depreciation	0	(136)	(2 697)	(1 699)	0	**(4 532)**
Book value	**549**	**5 992**	**9 809**	**697**	**294**	**17 341**
Acquisitions and improvements	0	59	1 262	373	2	**1 696**
Sales of fixed assets (at book value)	0	0	0	(41)	0	**(41)**
Write-offs (at book value)	0	0	0	(9)	0	**(9)**
Reclassification	0	7	273	3	(294)	**(11)**
Acquired through business combination	2	1 348	2	103	0	**1 455**
Depreciation, amortisation and impairm	0	(224)	(907)	(327)	0	**(1 458)**
At 31 December 2005						
Acquistion cost	552	7 813	14 073	2 836	2	**25 276**
Accumulated depreciation	0	(632)	(3 633)	(2 036)	0	**(6 301)**
Book value	**552**	**7 181**	**10 440**	**800**	**2**	**18 975**
Acquisitions and improvements	0	348	1 178	474	16	**2 016**
Sales of fixed assets (at book value)	(3)	(442)	(4)	(37)	0	**(486)**
Write-offs (at book value)	0	0	0	(1)	0	**(1)**
Reclassification	0	(291)	2	0	(2)	**(291)**
Disposals through business combinatio	0	0	0	(40)	0	**(40)**
Depreciation, amortisation and impairm	0	(270)	(1 008)	(413)	0	**(1 691)**
At 31 December 2006						
Acquistion cost	549	7 233	15 242	3 026	16	**26 066**
Accumulated depreciation	0	(706)	(4 633)	(2 243)	0	**(7 582)**
Book value	**549**	**6 527**	**10 609**	**783**	**16**	**18 484**

Information on pledged property, plant and equipment is presented in Note 21.
Disclosures on non-current assets leased under the finance lease terms are presented in Note 22.

In thousands of euros

Note 19. Intangible assets

th EUR	Goodwill	Trademarks	Computer software	Prepayments	Intangible fixed assets total
At 31 December 2004					
Acquistion cost	1 330	1 217	713	11	**3 271**
Accumulated amortisation	0	(25)	(479)	0	**(504)**
Book value	**1 330**	**1 192**	**234**	**11**	**2 767**
Acquisitions and improvements	0	142	241	8	**391**
Sales of fixed assets (at book value)	0	0	(1)	(11)	**(12)**
Write-offs (at book value)	0	(3)	0	0	**(3)**
Reclassification	0	0	5	(5)	**0**
Acquired through business combination	2 953	910	0	0	**3 863**
Amortisation and impairment	0	(72)	(150)	0	**(222)**
At 31 December 2005					
Acquistion cost	4 283	2 266	885	3	**7 437**
Accumulated amortisation	0	(97)	(557)	0	**(654)**
Book value	**4 283**	**2 169**	**328**	**3**	**6 783**
Acquisitions and improvements	2 074	0	215	66	**2 355**
Sales of fixed assets (at book value)	0	0	(14)	0	**(14)**
Write-offs (at book value)	0	0	0	0	**0**
Reclassification	0	0	(1)	(2)	**(3)**
Disposals through business combination	0	0	(10)	0	**(10)**
Amortisation and impairment	0	(110)	(164)	0	**(274)**
At 31 December 2006					
Acquistion cost	6 357	2 266	1 333	66	**10 022**
Accumulated amortisation	0	(206)	(979)	0	**(1 185)**
Book value	**6 357**	**2 060**	**354**	**66**	**8 837**

See also note 14

Note 20. Trade and other payables

th EUR	31.12.2006	31.12.2005
Trade payables	4 432	4 392
Payables to emlpoyees	1 460	1 345
Taxes payable (Note 9)	1 191	986
Deferred income	3 108	2 725
Payables to associates	12	1
Payables to joint ventures	1 034	991
Trade payables	91	48
Loans received	943	943
Accrued interest	29	125
Loans received from related party (note 37)	345	634
Other accrued liabilities	349	723
Trade and other payables total	**11 960**	**11 922**

Deferred income includes the amounts received from clients for subscriptions of periodicals, that will be recognised as income in future periods according to the periodicals published

Long-term part of deferred income, in the amount of 5 th EUR as of 31 Dec 2006, 7 th. EUR 2005, include the amounts received for the long-term part of subscriptions of periodicals. The long-term liabilities are not discounted, as the effect of discounting would be immaterial.

In thousands of euros

– Rahva Raamat (Borrower) Framework Loan Agreement with Eesti Päevaleht in the amount of maximum limit 320 th EUR.

Loans received:

– Printall (Borrower) Loan Agreement with Ajakirjade Kirjastus in the amount of EUR 991 th EUR(50% 495 th EUR) . Loan matures in 2007 and interest rate is 4%.

– Printall (Borrower) Loan Agreement with SL Õhtuleht in the amount of EUR 895 th EUR (50% 447 th EUR). Loan matures in 2007 and interest rate is 4%.

Loan received from related party is from OÜ Minigert in the amount of 345 th. EUR, interest 6-months EURIBOR + 1.2% per annum (see note 37). Loan matures in 2007.

Note 21. Bank loans and borrowings

th EUR	Amount total	up to 1 year	1 to 5 year	over 5 year	Interest rate
Balance at 31.12.05					
Bank overdraft	**5 402**	**5 402**	**0**	**0**	
Sampo Pank	2 886	2 886	0	0	3,60%
Ühispank	2 497	2 497	0	0	3,20%
Hansapank	19	19	0	0	4,20%
Long-term bank loans	**4 084**	**519**	**3 565**	**0**	
Ühispank	3 854	477	3 377	0	euribor + 2%
Vilniaus Banka	160	42	118	0	libor+2,5%
Sampo Pank	70		70		euribor+2,5%
Finance lease	**6 309**	**1 188**	**5 105**	**16**	average intr. 4,2%
Total	**15 795**	**7 109**	**8 670**	**16**	
Balance at 31.12.06					
Bank overdraft	**4 231**	**4 231**	**0**	**0**	
Sampo Pank	2 300	2 300	0	0	4,45%
Ühispank	1 931	1 931	0	0	4,60%
Long-term bank loans	**3 377**	**477**	**2 900**	**0**	
Ühispank	3 377	477	2 900	0	euribor + 2%
Finance lease	**6 060**	**1 364**	**4 635**	**61**	average intr. 3,9%
Total	**13 668**	**6 072**	**7 535**	**61**	

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

– Ekspress Group (Borrower) Overdraft Agreement No. AL-140604EG in the amount of EUR 3 m (credit limit), with maturity in November 2007, with Sampo Pank is secured by:

1) pledge encumbering 754 shares of Ekspress Group pursuant to the Share Pledge Agreement No. PL-140604EG; (book value 31.12. 2006 5 192 th EUR; book value 31.12. 2005 3 726 th. EUR) and

2) surety granted by Hans Luik pursuant to Surety Agreement No. KÄ-140604EG.

– Ekspress Group and the Companies, Printall, Eesti Ekspress, Rahva Raamat (Borrower) Overdraft Agreement No. 2005006073 in the amount of EUR 3 m(credit limit) , with maturity in September 2007, with is SEB Eesti Ühispank secured by:

1) the debtors have joint and several liability.

– AS Ekspress Hotline (Borrower) Overdraft Agreement No. 03-288717-KN in the amount of EUR 128 thousand (credit limit), with maturity in December 2006, with AS Hansapank secured by with 1st priority mortgage encumbering the real estate located at Õitse 22, Tallinn (book value 2005 86 th EUR)

In thousands of euros

- Printall (Borrower) Loan Agreement No. 1320007410410 with SEB Eesti Ühispank in the amount of EUR 4.41 m, with maturity in January 2009, is secured by
1) Commercial pledge encumbering the assets of Printall (book value 31.12.2006 25 035 th EUR, 31.12.2005 17 905 th EUR)
2) Mortgage encumbering the real estate located at Peterburi tee 64A, Tallinn. (book value 31.12.2006 5 055 th EUR, 31.12.2005 5 243 th. EUR)
– Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

The exposure of the Group's borrowings to interest rate changes by the period of change

th EUR	Interest rate	2006	2005
Finance lease	6 months		
6 months or less	euribor +1,2%	6 060	6 308
Long-term bank loans	6 months		
6 months or less	euribor + 2%	3 377	4 084

Note 22. Finance lease

Finance lease – the Group as the lessee

th EUR	Plant and machinery	Total
Balance at 31.12.2005		
Acquistion cost	10 193	10 193
Accumulated depreciation	(1 040)	(1 040)
Net book amount	**9 153**	**9 153**
Balance at 31.12.2006		
Acquistion cost	11 182	11 182
Accumulated depreciation	(1 775)	(1 775)
Net book amount	**9 407**	**9 407**

th EUR	2006	2005
At 31 December	**6 060**	**6 312**
Principal payments during the financial year	1 233	937
Interest expenses during the financial year	253	205
Average annual interest rate	3,94%	4,2%

th EUR	2006	2005
Finance lease liabilities – minimum lease payments:		
No later than 1 year	1 621	0
Later than 1 year and no later than 5 years	4 913	5 617
Later than 5 years	65	1 291
Total	**6 599**	**6 908**
Future finance charges on finance leases	(538)	(600)
Present value of finance lease liabilities	6 060	6 308
The present value of finance lease liabilities is as follows:		
No later than 1 year	1 364	0
Later than 1 year and no later than 5 years	4 635	5 181
Later than 5 years	61	1 127
Total	**6 060**	**6 308**

The information about finance lease liabilities is presented in note 21.

In thousands of euros

Note 23. Operating lease

th EUR	2006	2005
Total operating lease payments expensed	**902**	**537**
Facilities	676	403
Motor vehicles	226	134
Future minimum lease payments under non-cancellable operating leases:		
Total	**1 022**	**1 226**
Less than one year	459	475
Between one and five years	563	751

Note 24. Segment reporting

Business Segment by Area of Operations – Primary Segment

In 2006, the company operated in the following areas, generating significantly different risks and returns compared to each other and each activity is material enough to form a separate segment:

Printing services: rendering printing and related services. This segment is represented by Group company AS Printall.

Periodicals: publishing newspapers, magazines, custom publications and books in Estonia and Lithuania, publishing advertising in the publications. This segment is represented by the group companies Eesti Ekspressi Kirjastuse AS, AS Ajakirjade Kirjastus, AS SL Õhtuleht, Eesti Päevalehe AS, UAB Ekspress Leidyba, AS Linnaleht, AS Express Post, OÜ Netikuulutused.

Book sales revenue: retail and wholesale of books. This segment is represented by group companies AS Rahva Raamat and OÜ Raamatuvaramu.

Information services: information hotline services, publishing phone directories, advertising services, call centre services. This segment is represented by group companies AS Ekspress Hotline, AS Numbriinfo, AS Ekspresskataloogid, AS Infoatlas and AS Kõnekeskus.

In thousands of euros

2005 th EUR	Printing services	Periodicals	Book sales	Infor-mation services	Unallocated	Elimina-tions	Group total
Sales to external customers	**14 746**	**25 893**	**6 568**	**561**	**39**	**0**	**47 807**
Inter-segment sales	3 306	1 506	372	0	105	(5 289)	0
Total gross segment sales	18 052	27 399	6 940	561	144	(5 289)	47 807
Cost of sales	15 276	19 417	6 672	230	60	(5 081)	36 574
Gross profit	**2 776**	**7 982**	**268**	**331**	**84**	**(208)**	**11 233**
Depreciation, amortisation and impairment of PPE and intangible assets (Note 17,18,19)	1 098	450	96	9	27	0	1 680
Segment result	**2 256**	**2 559**	**106**	**191**	**(371)**	**141**	**4 882**
Financial cost - net							(580)
Share of loss of associates (Note 16)					(1 387)		(1 387)
Profit before income tax							2 915
Income tax expense							(348)
Profit for the year							**2 567**
Attributable to:							
Equity holders of the Group							2 430
Minority interest							137
Segment assets	19 711	10 918	2 216	5 819	840	0	39 504
Investment in associates					2	0	2
Total assets	**19 711**	**10 918**	**2 216**	**5 819**	**842**	**0**	**39 506**
Segment liabilities	12 762	5 469	1 658	1 602	6 233	0	27 724
Consolidated liabilities total	**12 762**	**5 469**	**1 658**	**1 602**	**6 233**	**0**	**27 724**
Capital expenditure	1 371	991	585	4 381	77	0	7 405

2006 th EUR	Printing services	Periodicals	Book sales	Infor-mation services	Unallocated	Elimina-tions	Group total
Sales to external customers	**18 326**	**27 027**	**10 096**	**4 018**	**26**	**0**	**59 493**
Inter-segment sales	3 499	1 394	2	3	60	(4 958)	0
Total gross segment sales	21 825	28 421	10 098	4 021	86	(4 958)	59 493
Cost of sales	17 959	20 049	9 331	1 315	30	(4 467)	44 217
Gross profit	**3 866**	**8 372**	**767**	**2 706**	**56**	**(491)**	**15 276**
Depreciation, amortisation and impairment of PPE and intangible assets (Note 17,18,19)	1 221	505	106	140	19	0	1 991
Segment result	**3 027**	**3 040**	**296**	**579**	**(410)**	**(155)**	**6 377**
Financial cost - net							(368)
Share of loss of associates (Note 16)					277		277
Profit before income tax							6 286
Income tax expense							(269)
Profit for the year							**6 017**
Attributable to:							
Equity holders of the Group							5 891
Minority interest							126
Segment assets	19 785	11 761	2 236	7 192	1 613	0	42 587
Investment in associates					1	0	1
Total assets	**19 785**	**11 761**	**2 236**	**7 192**	**1 614**	**0**	**42 588**
Segment liabilities	12 139	5 736	1 629	1 376	4 753		25 633
Consolidated liabilities total	**12 139**	**5 736**	**1 629**	**1 376**	**4 753**	**0**	**25 633**
Capital expenditure	1 316	894	87	2 029	45	0	4 371

Capital expenditure comprises additions to property, plant and equipment (note 18) and intangible assets (note 19), including additions resulting from acquisitions through business combinations (notes 14).

In thousands of euros

Allocated income and expenses are directly related to the segment – revenue from sales to customers, cost of sales, depreciation, amortisation and impairment related to the activity. Unallocated operating income and expenses are the general administrative expenses of the group, such as the central management expenses, etc.

The assets of the segment mainly consist of inventories and fixtures employed by the segment, also other necessary working capital (e.g. cash). The liabilities of the segments are related to the borrowings and deferred income from subscribers, also for rental agreements, payroll and taxes. Payables for the inventories are mostly to the group and joint venture companies and have thus been partly or fully eliminated in consolidation.

The unallocated assets of the group are the office equipment used for general administration, other equipment and current assets related to general activities. All assets related to production activity are located in Estonia.

The unallocated liabilities of the group are holding of group companies.

According to the parent company management’s estimate, the inter-segment transactions have been carried out at arm’s length and the conditions applied do not differ materially as compared to the transactions with third parties.

Geographical Segment by the Location of facilities and other assets– Secondary Segment

The company is active in Estonia and Lithuania. As the markets do not generate significantly different risks and returns and they exhibit similar long-term financial performance, these two segments are combined. The share of group’s revenues in Lithuania is less than 5%. There are no material inter-segment transactions or unallocated assets.

Note 25. Net sales

th EUR	2006	2005
Sale by activities		
Advertising revenue	13 786	11 653
including barter	413	435
Single-copy sales revenue, net	4 659	6 386
Subscriptions' revenue	6 250	5 338
Book sales revenue	11 168	7 989
Printing services' and paper sales	18 746	14 503
Other revenues	4 884	1 938
Revenue total	**59 493**	**47 807**
Revenues from sale by geographical regions		
Estonia	46 261	36 633
Russia	4 529	3 296
Lithuania	3 521	3 535
Scandinavia and Finland	4 373	3 633
Latvia	263	274
Other Europe	543	431
Canada	3	5
Total	**59 493**	**47 807**

In thousands of euros

Note 26. Cost of sales

th EUR	2006	2005
Raw materials and consumables used	23 166	18 884
Services purchased	6 701	5 526
Salaries and social taxes	10 966	9 058
Depreciation, amortisation and impairment	1 531	1 323
Rental expences	25	0
Other expenses	1 828	1 783
Total	**44 217**	**36 574**

Note 27. Distribution costs

th EUR	2006	2005
Marketing	1 925	1 779
Salaries and social taxes	589	537
Rental expences	9	0
Depreciation, amortisation and impairment	4	4
Total	**2 527**	**2 320**

Note 28. Administrative expenses

th EUR	2006	2005
Raw materials and consumables used	276	182
Repairs and maintenance	498	484
Communication expenses	313	210
Rental expenses	867	482
Services purchased	1 205	1 012
Salaries and social taxes	3 192	1 793
Depreciation, amortisation and impairment	457	353
Total overheads	**6 808**	**4 516**

Note 29. Other income and expenses

Other income

th EUR	2006	2005
Profit from sale and writeoffs of PPE	179	2
Excess of fair value of net assets acquired over cost	0	129
Fines and penalties received	11	398
Interest income from loans	126	186
Currency exchange income	0	2
Other income	423	42
Total	**739**	**759**

Other expenses

th EUR	2006	2005
Losses from sale and writeoffs of PPE	(55)	(179)
Currency exchange losses	(12)	(59)
Fines and penalties paid	(10)	(10)
Other expenses	(226)	(26)
Total	**(303)**	**(274)**

In thousands of euros

Note 30. Finance costs

th EUR	2006	2005
Interest income	46	10
Interest expenses	(690)	(611)
Currency exchange gains	4	1
Currency exchange loss	(2)	(3)
Other financial income	355	40
Other financial expenses	(81)	(17)
Financial income/expenses total	**(368)**	**(580)**

Note 31. Expenses by nature

th EUR	2006	2005
Depreciation, amortisation and impairment	1 992	1 680
Salaries and social taxes	14 747	11 388
Raw materials and consumables used	23 442	19 066
Rental expenses	901	482
Services purchased	7 906	6 538
Marketing	1 925	1 779
Repairs and maintenance	498	484
Communication expenses	313	210
Other expenses	1 828	1 783
Total cost of sales, distribution and administrative expenses	**53 552**	**43 410**
Number of employees	**1 900**	**1 700**

Note 32. Equity

As at 31 Dec 2005 the share capital of AS Ekspress Grupp constituted of 142 th EUR. The share capital was divided into 2 216 shares with 64 EUR face value (fully paid).

Change in the share capital in 2006

On 31 August 2006 the General Meeting of Shareholders of the Company resolved to split the 2 216 existing shares of the Company into 221 600 shares (i.e. each existing share was split into 100 share) and to increase the share capital of the Company from 142 th EUR to 7 365 th EUR by issuing 11 301 600 new shares with the nominal value of EUR 0.64 each. As a result of this bonus issue, each existing shareholder of the Company received 5 100 additional shares for each share owned by them prior to the bonus issue and the share split. The new shares were issued to the existing shareholders of the Company as a bonus issue of converting retained earnings and share premium into share capital. The share split and the increase of the share capital were registred in the Commercial Register on 12 September 2006.

On 15 September 2006 the General Meeting of Shareholders of the Company resolved to increase the share capital of the Company from 7 365 th EUR to 10 560 th EUR by issuing 5 000 000 new Shares with the nominal value of EUR 0.64 each. The new shares were issued to Mr. Hans Luik. The subscription price of the shares was their nominal value , i.e. EUR 0.64 per each share. The share were paid for with a non-monetary contribution, the object of which was the 50 per cent shareholding in Ekspress Hotline (see Note 14). The increase of the share capital was registered in the Commercial Register on 29 November 2006.

In thousands of euros

Following the described share capital increases, the share capital of the Company is 10 560 th EUR, divided into 16 523 200 shares with the nominal value pf EUR 0.64 each.

Authorised share capital according to the Articles of Association is 40 000 000 shares.

The following table present the holdings of the shareholders prior to the Combined Offering. The information given in the table is calculated on the basis of shareholdings as at the date of this Offering Circular.

Name	Number of share	%
Hans Luik	10 766 800	65,2
OÜ HHL Rühm	5 756 400	34,8
Total	**16 523 200**	**100**

Reserves

Reserves include:

- Statutory legal reserve required by the Commercial Code. Subject to the approval of the general meeting, the reserve may be used for covering cumulated losses, if the latter cannot be covered with other unrestricted equity, and for increasing share capital.
- Other reserves- additional payments in cash from share holders 639 th EUR and transaction costs reserve – 302 th EUR
- Share premium – the positive difference between the issue price and nominal value of issued shares (issue premium)

th EUR	31.12.2006	31.12.2005
Statutory legal reserves	14	14
Other reserves	337	639
Additional payments in cash from share holders	639	639
Transaction costs reserve	(302)	0

Earnings per share

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

EUR	2006	2005
Profit attributable to equity holders of the Company	5 890 356	2 429 894
The average number of ordinary shares	12 981 533	11 523 200
Basic and diluted earnings per share	0,5	0,2

In view of the fact that the Group has not dilutive potential ordinary shares at the end of 2006 and 2005 years, **diluted earnings per share** equals basic earnings per share.

Calculation of weighted average of shares is based on following data:

01.01.2006 Number of ordinary shares: 2 216

31.08.2006 Split of shares (1:100). As a result the number of ordinary shares increased to 221 600

31.08.2006 Bonus issue of 11 301 600 shares. As a result the number of ordinary shares increased to 11 523 200.

15.09.2006 Issue of 5 000 000 new shares. As a result the number of ordinary shares increased to 16 523 200 and the weighted average for 2006 is 12 981 533 shares.

Dividends

The Company had not paid dividends before the year 2006. Until 2006 the profits have been reinvested in the Group.

In 2006, the Company paid out dividend in the aggregate amount 2 786 th EUR

In 2006 Group decided to reverse dividends receivable from subsidiary, AS Ekspress Hotline, in the amount of 124 th EUR. Reversed dividends were transferred to retained earnings. Related income tax liabilitiy was accounted as deduction of current year income tax in the income statement (Note 9).

Note 33. Post-balance-sheet events

In January 2007 AS Ekspress Grupp bought 100% of the share capital of OÜ Zin Zin for 3 th. EUR, no material goodwill arose.

In February 2007 AS Ekspress Grupp sold associated company EVI Consult OÜ for 1 th EUR and subsidiary OÜ Õhtuleht for 6 th EUR.

In January 2007, AS Printall signed a purchase agreement with Man Roland Druckmaschinen AG to buy a new commercial web-press Rotoman sum of 4 749 th EUR. Related finance lease agreement was concluded in January 2006 with SEB Ühisliising.

In January 2007 Group purchased 94 shares of Ekspress Leidyba for 300 LTL (81 EUR). After the purchase Group owns 99.7% from the share capital of Ekspress Leidyba.

The combined offer of Ekspress Group shares on the OMX Tallinn Stock Exchange comprised 5 321 481 new and existing shares, of which 2 873 600 were sold by current shareholder OÜ HHL Rühm and 2 447 881 by the group as new shares. These shares formed 32.26% of total share capital.. Ekspress Grupp Ltd. first day of trading on the OMX Tallinn Stock Exchange was 5 April 2007.

Ekspress Hotline, the subsidiray company of Ekspress Group Ltd., signed a foundation agreement in Bucharest on 11.04.2007 to start a new company TeleTell Infoline S.R.L. This new company will do business in information services, as does Ekspress Hotline Ltd in Estonia.

According to the contract, 80% of the holding belong to Ekspress Hotline Ltd and 20% belong to IPC Investments LLC.

Note 34. Contingent liabilities

In August 2005 AS Express Post, on behalf of OÜ Skandinaviska Enskilda Securities, delivered a certain quantity of letters to AS Eesti Post to be mailed to Finland. The service was invoiced by Eesti Post to AS Express Post. As AS Express Post was acting on behalf of another company, the invoice was requested to be sent to OÜ Skandinaviska Enskilda Securities. The latter, though refused to pay for the service. In March 2006 AS Eesti Post presented a claim to AS Express Post in the amount of 68 274 EUR, demanding the payment from AS Express Post. AS Express Post does not recognize the claim and has presented its arguments in written form to AS Eesti Post. AS Eesti Post has filed a lawsuit against AS Express Post to court. The management considers it unlikely that the Group would be obliged to carry any significant costs related to the abovementioned claim; therefore no provisions are recorded.

Contingent income tax liability:

The consolidated retained earnings of Group as at 31 December 2006 amounted to 6 028 (31 December 2005: 8 662) thousand EUR. As from 1 January 2007 income tax of 22/78 of net dividend paid (up to 31 December 2006: 23/77) is imposed on the profit distributed as dividends. Thus, the retained earnings as at 31 December 2006 that can be paid out as dividends to the shareholders, amount to 4 701 thousand EUR and the corresponding income tax would amount to 1 326 thousand EUR. As at 31 December 2005 it would have been possible to pay out dividends to the shareholders in the amount of 6 670 thousand EUR and the corresponding income tax would have amounted to 1 992 thousand EUR.

In thousands of euros

Contingent liabilities related to Tax Inspection:

Tax authorities have the right to review the Group's tax records for up to 6 years after submitting the tax declaration and upon finding errors, impose additional taxes, interest and fines. The tax authorities have not performed any tax audits in any of the group companies' during 2005-2006. The management believes that there are no any circumstances which may lead the tax authorities to impose significant additional taxes on the group companies.

Note 35. Fair value of financial assets and liabilities

The Group estimates that the fair values of the assets and liabilities denominated in the balance sheet at amortised cost do not differ significantly from their carrying values presented in the Group's consolidated balance sheet as at 31.12.2006 and 31.12.2005. Loans to customers that have been issued with fixed interest rates are sufficiently short-term and issued at the market terms, so that the fair market rate and respectively the fair value of the loan does not differ significantly during the loan term. Loans received bear fixed and fluctuating interest rates, but similarly to the given loans, these are mainly of short maturity and therefore the fair value does not change significantly during the loan term.

Note 36. Cash flows operating activities

th EUR	2006	2005	Notes
Cash flows from operating activities			
Operating profit for the period	6 375	4 882	
Adjustments for:			
Depreciation, amortisation and impairment of property, plant and equipment and intangibles	1 991	1 680	31
(Loss)/profit on sale of property, plant and equipment	(125)	174	29
Changes in working capital:			
Trade and other receivables	378	(4 791)	
Inventories	180	(790)	
Trade and other payables	(1 293)	6 123	
Cash generated from operations	**7 506**	**7 278**	
Income tax paid	(343)	(348)	9
Interest paid	(439)	(611)	
Net cash generated from operating activities	**6 724**	**6 319**	

Note 37. Related party transactions

Transactions with related parties are transactions with parent company, shareholders, associates, unconsolidated subsidiaries, key management, management board, supervisory board, their close relatives and the companies in which they hold majority interest.

The ultimate controlling individual of AS Ekspress Grupp is Hans Luik (note 32)

In thousands of euros

The Group has purchased from (goods for sale, manufacturing materials, fixed assets) and sold its goods and services to (lease of capital assets, management services, other services) to the following related parties:

Sales

th EUR	2006	2005
Sale of goods		
members of executive boards and companies related to them	1	1
members of supervisory boards and companies related to them	14	12
associated companies	2 263	128
Sale total	**2 278**	**141**

Purchases

th EUR	2006	2005
Purchase of goods	**0**	**1 994**
associated companies	0	1 994
Purchase of fixed assets	**0**	**1**
associated companies	0	1
Purchase of services	**301**	**260**
members of executive boards and companies related to them	114	138
members of supervisory boards and companies related to them	76	120
associated companies	111	2
Purchase total	**301**	**2 255**

Receivables

th EUR	31.12.2006	31.12.2005
Short-term receivables (note 10)	**680**	**135**
members of supervisory boards and companies related to them	296	132
associated companies	384	3
Long-term receivables (note 13)	**596**	**497**
members of supervisory boards and companies related to them	596	187
associated companies	0	310
Receivable total	**1 276**	**632**

Liabilities

th EUR	31.12.2006	31.12.2005
Short-term payables (note 20)	**361**	**1 038**
members of executive boards and companies related to them	4	4
members of supervisory boards and companies related to them	345	651
associated companies	12	383
Liabilities total	**361**	**1 038**

In 2006, AS Ekspress Grupp has received loan from OÜ Minigert, related company of share holder, in the amount of 6 866 th EUR (in 2005 in the amout of 1 028 th. EUR), interest rate 1.2% + 6 month EURIBOR; in 2006 6 521 th EUR (in 2005, 394 th. EUR) has been repaid. Loan balance at 31 12.2006 is 345 th EUR .(at 31.12.2005 is 634 th. EUR) see note 20.

The Management Board of the Parent company consists of 1 member and the Supervisory Board of 5 members. No changes of the member of the Management Board are foreseen. The members of the Supervisory Board did not receive any reimbursements in 2006 and in 2005 .

Key managements and supervisory councils´remuneration

th EUR	2006	2005
Salaries and other short-term empoloyee benefits (paid)	574	509
Key management termination benefits (paid)	231	106
Total	**805**	**615**

Member of the Management Board is entitled to compensation equal to termination of his contract. The key management terminations benefits above are obligations only in case of termination of contracts originated by Group. Potential key management termination benefits in 2006 is 172 th EUR and 2005 was 121 th EEK. The key management termination benefits are obligations only in case of termination of contracts originated by Group.

In thousands of euros

Note 38. Financial information of parent company.

The financial information of parent company comprises of separate principal reports of parent company, disclosure which required by Estonian Accounting Law.

Balance sheet AS Ekspress Grupp (parent company)

th EUR	31.12.2006	31.12.2005
ASSETS		
Current assets		
Cash on hand and in banks	3	1
Other financial assets at fair value through profit or loss	37	0
Trade receivables	14	54
Prepaid taxes	17	3
Other receivables	1 005	180
Prepayments	13	11
Total trade and other receivables	1 049	248
Inventories	1	0
Total	**1 090**	**249**
Assets classified as held for sale	0	128
Total current assets	**1 090**	**377**
Non-current assets		
Trade and other receivables	524	425
Shares of subsidary	16 207	13 561
Shares of joint ventures	3 097	3 097
Shares of associated companies	1	258
Property, plant and equipment	60	35
Intangible assets	59	59
Total non-current assets	**19 948**	**17 435**
TOTAL ASSETS	**21 038**	**17 812**
SHAREHOLDERS EQUITY AND LIABILITIES		
Liabilities		
Borrowings	4 231	5 382
Trade and other payables		
Trade payables	69	37
Payroll accrued liabilities	92	21
Taxes payable	17	11
Other accrued liabilities	11 081	6 918
Total trade and other payables	11 259	6 987
Total current liabilities	**15 490**	**12 369**
Total liabilities	**15 490**	**12 369**
Equity		
Share capital	10 560	142
Share premium	0	1 360
Statutory legal reserves	14	14
Other reserves	337	639
Retained earnings	(5 363)	3 288
Total equity	**5 548**	**5 443**
TOTAL SHAREHOLDERS EQUITY AND LIABILITIES	**21 038**	**17 812**

In thousands of euros

Income statement AS Ekspress Grupp (parent company)

th EUR	2006	2005
Net sales	86	145
Costs of goods sold	30	60
Gross margin	**56**	**85**
Distribution costs	5	3
Administrative expenses	552	447
Other income	92	185
Other expenses	1	12
Operating profit	**(410)**	**(192)**
Finance costs		
Shares of income of subsidary	(487)	139
Shares of income of joint ventures	1 146	1 074
Share of loss of associates	(250)	(963)
Interest expenses	(294)	(198)
Currency exchange losses	(1)	(1)
Other financial income/expenses	293	(468)
Total finance costs	407	(417)
Net income before taxes	**(3)**	**(609)**
PROFIT FOR THE YEAR	**(3)**	**(609)**

Statement of change in equity AS Ekspress Grupp (parent company)

th EUR	Attributable to equity holders of the Group				Total equity
	Share capital	Share premium	Reserves	Retained earnings	
Balance at 1 January 2005	142	1 360	653	3 897	**6 052**
Profit for the year	0	0	0	(609)	(609)
Balance at 31 December 2005	142	1 360	653	3 288	**5 443**
Book value of holdings under control or significant influence					**(16 917)**
Value of holdings under control or significant influence, calculated under equity method					**22 292**
Adjusted unconsolidated equity as of 31.12.2005					**10 818**
Dividends paid	0	0	0	(2 786)	(2 786)
Share capital increase	3 196	0	0	0	3 196
Retained earnings to share capital	7 222	(1 360)	0	(5 862)	0
Emission expenses reserve	0	0	(302)	0	(302)
Total changes	10 418	(1 360)	(302)	(8 648)	108
Profit for the year	0	0	0	(3)	(3)
Balance at 31 December 2006	10 560	0	351	(5 363)	**5 548**
Book value of holdings under control or significant influence					**(19 305)**
Value of holdings under control or significant influence, calculated under equity method					**30 697**
Adjusted unconsolidated equity as of 31.12.2006					**16 940**

The adjusted equity is the basis for the determination of distributable equity according to the Estonian Accounting Law.

In thousands of euros

AS Ekspress Grupp cash flow statement (parent company)

th EUR	2006	2005
Cash flows from operating activities		
Operating profit for the period	**(410)**	**(192)**
Adjustments for:		
Depreciation, amortisation and impairment of property, plant and	19	28
Profit (loss) on sale of property, plant and equipment	0	11
Changes in working capital:		
Trade and other receivables	147	377
Inventories	(1)	(174)
Trade and other payables	158	(279)
Cash generated from operations	**(87)**	**(229)**
Interest paid	(294)	(198)
Net cash generated from operating activities	**(381)**	**(427)**
Cash flows from investing activities		
Investments in financial assets at fair value through profit or loss	(107)	(6 167)
Proceeds from financial assets at fair value through profit or loss	134	3
Interest received	98	145
Dividends received	1 146	1 074
Purchase of property, plant and equipment	(84)	(77)
Proceeds from sale of property, plant and equipment	1	0
Loans granted	(2 013)	(2 030)
Loan repayments received	1 331	2 150
Net cash used in investing activities	**506**	**(4 902)**
Cash flows from financing activities		
Change in overdraft used	1 151	3 570
Proceeds from borrowings	9 163	2 790
Repayments of borrowings	(7 652)	(1 033)
Dividends paid	(2 786)	0
Net cash generated from financing activities	**(124)**	**5 327**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**1**	**(2)**
Cash and cash equivalents at the beginning of the period	1	2
Exchange gains/(losses) on cash and cash equivalents	(1)	(1)
Cash and cash equivalents at the end of the period	3	1

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INDEPENDENT AUDITOR'S REPORT

(Translation of the Estonian original)

To the Shareholders of AS Ekspress Grupp

We have audited the accompanying consolidated financial statements of AS Ekspress Grupp and its subsidiaries (the Group) which comprise the consolidated balance sheet as of 31 December 2006, and the related consolidated statements of income, cash flows and changes in shareholders' equity for the years' then ended and a summary of significant accounting policies and other explanatory notes.

Management Board's Responsibility for the Financial Statements

Management Board is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion

We did not observe the counting of the physical inventory stated at 47,672 thousand kroons as of 31 December 2005, since this date was prior to our appointment as auditors. We were unable to satisfy ourselves as to the inventory balance at this date by other audit procedures.

PRICEWATERHOUSECOOPERS

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* paragraph, the financial statements give a true and fair view of the financial position of the Group as of 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Urmas Kaarlep
AS PricewaterhouseCoopers

Heidi Seeland
Authorised Auditor

23 April 2007

2006. PROFIT ALLOCATION PROPOSAL

th EUR	
Retained earnings of preceding periods	11
Profit for 2006	6 017
Total distributable profits at 31.12.2006	**6 028**
The management board proposes that profits be allocated as follows:	
Transfer to capital reserve	0
Dividend distribution	0
Retained earnings after allocations	**6 028**

SIGNATURES OF THE MANAGEMENT AND SUPERVISORY BOARD

Management Board

The management board has prepared the activity report and the annual financial statements of AS Ekspress Grupp 2006.

Supervisory board

The supervisory board has reviewed the annual report prepared by the management board, including an activity report and annual financial statements.

Chairman of the Supervisory Board
Viktor Mahhov

Member of the Management Board
Priit Leito

Member of the Supervisory Board
Hans Luik

Member of the Supervisory Board
Selle Luik

Member of the Supervisory Board
Kalle Norberg

Member of the Supervisory Board
Härmo Värk