Ekspress Grupp

CONSOLIDATED ANNUAL REPORT

2007

(Translation of the Estonian original)

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In thousands of Estonian kroons

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
E-mail	grupp@egrupp.ee
Internet homepage	www.egrupp.ee
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 78 pages.

MANAGEMENT BOARD'S CONFIRMATION ON THE MANAGEMENT REPORT

The management board confirms that the management report of AS Ekspress Grupp presented on pages 4 to 15 presents a true and fair view of the business developments and results, of the financial position, and includes the description of major risks and doubts for the Parent company and consolidated companies as a group.

Priit Leito	Chairman of the Management Board	………………………	16 April.2008
Anne Kallas	Member of the Management Board	………………………	16 April.2008
Kaido Ulejev	Member of the Management Board	………………………	16 April.2008

MANAGEMENT REPORT

In 2007, the Estonian economy grew soundly 7.1%, but compared to the growth of 11.2% in 2006 the growth still remained modest, which marks the beginning of the slow-down of economy.

The sales revenue of Ekspress Group, which has extended its reach in both domestic and international markets, grew nearly by a quarter in a year, reaching 1.15 billion kroons.

Highlights of Ekspress Group 2007 operating results:
- Sales revenue EEK 1 150.0 million (EUR 73.5 million), year-over-year growth 24%
- Gross profit EEK 295.5 million (EUR 18.9 million), year-over-year growth 24%
- EBITDA EEK 159.3 million (EUR 10.2 million), year-over-year growth 17%
- EBIT EEK 119.5 million (EUR 7.6 million), year-over-year growth 14%
- Net profit EEK 92.1 million (EUR 5.9 million), year-over-year change -2.2%

Highlights of 2007

The highlight of 2007 was undoubtedly the public offer of shares conducted in March and, since 5 April 2007, the listing of shares in the Main List of the Tallinn Stock Exchange. It was important for Ekspress Group that the offer of the shares in Ekspress Group was over subscribed by almost six times, which showed the faith of investors in the business activities of the Group. The first trading day of shares on the stock exchange was 5 April 2007. Owing to the funds received from the share issue, the Group could expand its business activities on both domestic and foreign markets.

The purchase of Delfi in the summer of 2007 can be mentioned as the best example of expansion of the business activities. As a result of that transaction, Ekspress Group became the largest company acting in the field of online media in the Baltic States. The fact that the volume of internet advertising grew vigorously last year and that the trend is continuing demonstrates that it was a right business decision. Internet is becoming an ever more important advertising channel. That trend is proved by the growth rate and financial performance of Delfi. Since September 2007, the sales revenue of Delfi Group, which is included in Ekspress Group, in the last four months was 51.7 million kroons (3.3 million euros) and EBITDA was 18.7 million kroons (1.2 million euros), the annual growth rates were 45% and 63%, respectively.

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

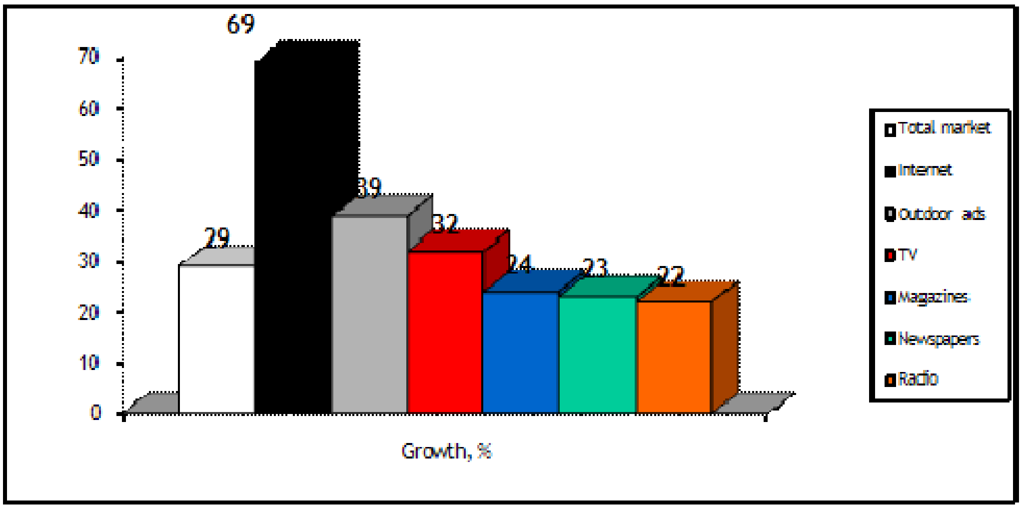
Other important events in 2007

- acquisition of magazine printing machine Rotoman which was put in operation in October and which made Ekspress Group the owner of the most modern printing house in Estonia
- launch of Russian-language news portal of Delfi (http://ru.delfi.lt) in Lithuania
- opening of the information line providing business information in Romania
- launch of celebrity magazine "Klubas" in Lithuania
- launch of magazine "Naised" in Estonia

Overview of the advertising market

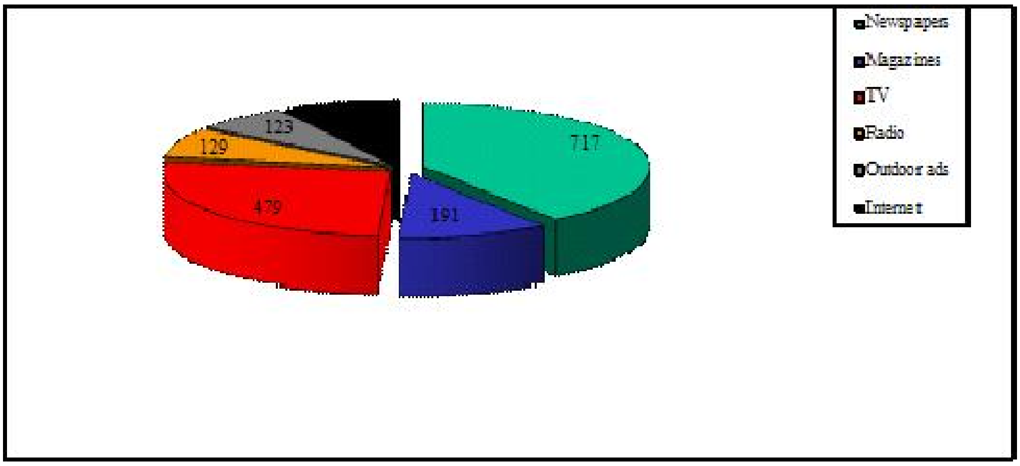
According to the survey of the media advertising market conducted by TNS Emor, the sales revenue of media advertising grew by 29% in 2007 as compared to 2006. Sales growth in the 4th quarter was 24% as compared to the same period last year, showing moderate cooling off in the adverting market. Internet advertising demonstrated the highest growth for the whole year (69%).

Growth of Estonian advertising market 2007 vs. 2006 (in %)
Source: TNS Emor



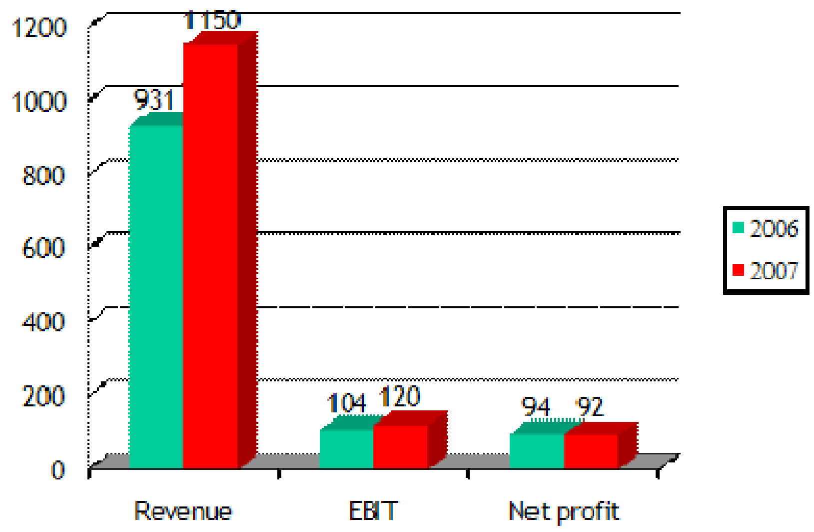
Newspaper advertising with the highest advertising market volume of EEK 717 million (EUR 45.8 million) in 2007 and the share of 40% attained a remarkable 23% annual growth as compared to last year. The areas of real estate and automobile advertising showed the highest volume growth in 2007, 94% and 65%, respectively as compared to 2006. Advertising of financial services also grew a remarkable 48%.

Estonian advertising market in 2007 (millions of kroons)
Source: TNS Emor



The 2007 consolidated net sales of AS Ekspress Grupp totalled EEK 1 150.0 million (EUR 73.5 million) which is 23.5% higher than in 2006. Operating profit before depreciation (income before depreciation, financial income and expenses, income tax and minority interest) (EBITDA) totalled EEK 159.3 million (EUR 10.2 million). On comparable bases, excluding the revenue relating to the sale of the holding of Linnaleht in the amount of EEK 3.4 million (EUR 0.2 million) in 2006 and the revenue relating to the sale of the 50% holding of the real estate development company Suursepa Arendus AS in the amount of EEK 4.5 million (EUR 0.3 million) in the 4th quarter of 2006, it exceeds the sales revenue of 2006 by 24.8%. The Group's net profit for 2007 reached EEK 92.1 million (EUR 5.9 million) which is (excluding the effect of Linnaleht and Suursepa Arendus) 6.8% more than in 2006.

Revenue and profit of Ekspress Group in 2006-2007 (in millions of kroons)



A loss relating to the costs of launching the information line in Romania in the amount of EEK 3 million (EUR 0.2 million) and a change in the management's estimation relating to the recognition of revenue from information services had a negative effect on the level of EBIT. The slow-down of EBIT in 2007 also relates to depreciation growth in conjunction with new intangibles acquired in the acquisition of Delfi and Maaleht. In addition to the events affecting EBIT in 2007, the slow-down in the growth of the net profit in 2007 is attributable to higher interest costs related to assuming a syndicate loan in the amount of EEK 674.4 million (EUR 43.1 million) in August 2007.

Overview by segments

Ekspress Group concentrated its activities in 2007 to five key segments: online media, periodicals, printing, book sales and information services.

In 2007, the growth drivers of the Group's sales revenue in absolute terms were primarily the publishing of newspapers and magazines. The online media segment made a significant contribution to the sales growth of 2007 and primarily to that of the 4th quarter which was related to the acquisition of Delfi Group in September. Sales growth was also noteworthy in the segments of printing services and book sales.

On 5 November, Delfi launched a Russian-language news portal in Lithuania (hhtp://ru.delfi.lt). The goal for 2008 includes reaching 80 000 unique users per month. According to the forecast, the portal will be profitable in a year after being launched.

As of the day of the balance sheet AS Delfi together with its Latvian and Lithuanian subsidiaries manages Estonian and Russian language internet portals in Estonia http://www.delfi.ee and rus.delfi.ee), Latvian and Russian language internet portals in Latvia http://www.delfi.lv and rus.delfi.lv, Lithuanian and Russian language internet portals in Lithuania http://www.delfi.lt, hhtp://ru.delfi.lt) and the news portal in the Ukraine http://www.delfi.ua.

From September 2007, after the consolidation of the results of operations of Delfi in the financial statements of the Ekspress Group, until the end of 2007 the year-over-year sales growth of the Delfi Group was 45%. At the same time, the year-over-year growth of EBITDA was 63% which has been attained due to the synergies of costs between Delfi and its subsidiaries in Latvia and Lithuania. The EBITDA margin was 36%. Management forecasts 30 per cent sales growth in the upcoming years and continuation of 35-40 per cent EBITDA margin. Management sees great potential in the synergies of income and expenses with the current operating areas of the Ekspress Group, the first achievement of which is the improvement in the quality of Delfi's content due to cooperation with editorial departments of newspapers. As a result of the cooperation, the number of Delfi users has increased from 500 000 at the beginning of September to 525 000 users at the end of December. By the end of 2008, the number of users is expected to reach 545 000. New automobile and real estate combined internet environments in collaboration with Delfi and Eesti Ekspress will be launched in the first quarter of 2008.

In the periodicals segment, advertising sales grew a decent 23% year-over-year but a moderate slowdown could be observed in advertising sales in the 4th quarter. The sales growth of periodicals (subscriptions and single issue sales) was also a decent 20%, derived from the sales growth of existing products as well as new magazines publications. The launching of new products has increased marketing costs. The growth of staff costs, marketing costs as well as publishing costs has lowered the EBITDA margin from 13% in 2006 (excluding revenue relating to the sale of the share of Linnaleht in the amount of EEK 3.4 million kroons (EUR 0.2 million)) to 12% in 2007.

In the segment of printing services, in 2007, the sales growth of the subsidiary was a decent 13% as compared to 2006. This growth was primarily related to non-Group Estonian customers and export products. However, the operating margin has been reduced by higher paper prices and acceleration of staff costs (18%) as compared to productivity, and higher depreciation related to acquisition of new equipment. In October, the magazine printing press Rotoman acquired in the first half of the year enabling to increase the production capacity of Printall by one third, became operational. The new printing press which will be fully operational in 2008 was acquired for the purpose of increasing capacity primarily in foreign markets. In 2007, exports made up ca 45% of the sales revenue of Printall.

The remarkable 19% sales growth in book sales in 2007 as compared to 2006 is a sign of a favourable market condition which was well utilised with the opening of a new book store in Viljandi and expansion of the commercial space in Viru Centre. Sales are expected to grow further after the opening of a new store in Tartu. The respectable 38% EBITDA growth was achieved in 2007 compared to 2006.

The sales of information services increased by 5% in 2007 as compared to 2006. Modest sales growth is related to the changes in management's estimation of revenue recognition. In 2007, revenue is allocated to periods according to the duration of the contract of information services. EBITDA made up 80% of the 2006 level. The decline of EBITDA is related to the costs of launching the information telephone at the Romanian subsidiary of AS Ekspress Hotline leading to a loss of EEK 3 million (EUR 0.2 million).

Net profit

For the whole year of 2007, the gross profit of the Ekspress Group was 25.7%, being at the same level as last year. The gross profit for 2007 reached EEK 295.5 million (EUR 18.9 million), growing by 23.6% in a year. The Group's marketing expenses increased due to the expansion of the Group and launching of new products. The annual growth was 23%. Staff costs increased as a result of hiring new employees related to the addition of new companies and also due to wage rise, growing by 37.2 %.

In 2007, EBIT reached EEK 119.5 million (EUR 7.6 million), increasing by 14.4% as compared to the same period last year. In 2007, the operating margin was 10.4% (2006: 11.2%). The slowdown of EBIT was related to depreciation growth in conjunction with new intangibles acquired in the acquisition of Delfi and Maaleht.

In 2007, the Group's financial expenses reached EEK 28.4 million (EUR 1.8 million). A major part of the financial expenses is made up of interest expenses in the amount of EEK 24.6 million (EUR

1.6 million). The growth of interest expenses is related to the loan in the amount of EEK 674.4 million (EUR 43.1 million) taken from the syndicate of SEB Eesti Ühispank, Sampo Pank and Nordea Pank for the acquisition of Delfi and Maaleht by the Ekspress Group.

Overall, the Ekspress Group earned a net profit (after taxes and minority interest) in the amount of EEK 92.1 million (EUR 5.9 million) in 2007. As compared to the same period in 2006, the net profit decreased by 2.2%. Income tax expenses increased in Latvia and Lithuania due to the acquisition of Delfi.

Balance sheet and investments

As of 31 December 2007, the consolidated balance sheet total of Ekspress Group was EEK 1752.2 million (EUR 112.0), increasing by 1.6 times in a year. The assets and liabilities included in the balance sheet have increased as a result of the expansion of the Group and the investments made to acquire non-current assets.

Current assets increased by 35.8% in a year, reaching EEK 305.6 million (EUR 19.5 million) as of 31 December 2007. Of current assets, the Group's trade receivables increased the most in absolute numbers, reaching EEK 112.0 million (EUR 7.3 million), the growth in a year being 57.2%. Current liabilities increased by 55.8% in a year, reaching EEK 439.7 million (EUR 28.1 million) by the end of the year. Of the current liabilities, short-term loans increased the most, reaching EEK 199.0 million (EUR 12.7 million) by the end of December. Short-term loans comprise the used portion of overdraft and the current portion of long-term loans and finance lease payables.

As of the end of December, the Group's long-term borrowings reached EEK 741.6 million (EUR 47.4 million), increasing by 5.2 times in a year. Of the long-term borrowings, bank loans total EEK 606.6 million (EUR 38.8 million) and finance lease payables total EEK 134.9 million (EUR 8.6 million). Of the bank loans, EEK 548.8 million (EUR 35.1 million) is made up of the loan contract that the Group entered into with the syndicate of SEB Eesti Ühispank, Sampo Pank and Nordea Pank for financing the acquisition of Delfi and Maaleht in the third quarter.

As of the year-end, property, plant and equipment stood at EEK 404.9 (EUR 25.9 million), increasing by 40% in a year. A major part of the growth of property, plant and equipment is made up of the cost of the new printing press acquired by Printall in the amount of EEK 81.6 million (EUR 5.2 million). As of the end of December, intangible assets stood at EEK 1 023.4 million (EUR 65.4 million), increasing by 6.4 times in a year. Of the growth of intangible assets, EEK 832.3 million (EUR 53.2 million) is made up of the book value of trademarks, customer relations and software of the Delfi Group as well as goodwill which arose in the acquisitions. The net book value of the trademark and the goodwill which arose in the acquisition of Maaleht amounts to EEK 39.6 million (EUR 2.5 million).

Employees

As of the end of December, the Ekspress Group employed 2292 people (31 December 2006: 1900 people). The average number of employees in 2007 was 2274 (2006:1877). In 2007, wages and salaries paid to the employees of the Ekspress Group totalled EEK 241.5 million (EUR 15.4 million)*.

In thousands of Estonian kroons

*proportional part from joint ventures

Number of employees by segments

Segment	Number of employees		Average number of employees	
	31.12.2007	31.12.2006	2007	2006
Online media	168	31	180	31
Periodicals	1645	1483	1658	1480
Printing services	199	192	195	196
Book sales	87	58	78	47
Information services	186	130	157	117
Unallocated	7	6	6	6
Total	2292	1900	2274	1877

Shares and shareholders of the Ekspress Group

The share capital of the public limited company is EEK 189 710 810, which consists of the shares with the nominal value of 10 kroons (0.6 euros). All shares are of one type and there are no ownership restrictions.

The articles of association of the public limited company set no restrictions on the transfer of the shares of the public limited company.

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

The following persons have significant holdings in AS Ekspress Grupp as of 31 December 2007:

- Hans Luik, who controls 12 683 220 shares, which makes up 66.86% of the share capital of the public limited company
- Skandinaviska Enskilda Banken, whose customers hold 1 320 522 shares, which makes up 6.96% of the share capital of the public limited company.

The public limited company does not have any shares granting specific rights of control.
The public limited company does not possess information on agreements with regard to restrictions on the voting rights of shareholders.

Share information

The price of the share in Estonian kroons and trading statistics in the Tallinn Stock Exchange from 05 April 2007 to 31 December 2007

Security trading history

PRICE	2007
Open	106,08
High	117,35
Low	71,82
Traded volume	7 343 762
Turnover, million	696,23
Capitalisation, million	1 389,18

Currency: EEK

Election and authority of the governing bodies of the Ekspress Group

The election of the members of the Management Board is in the competence of the Supervisory Board of the public limited company. Simple majority voting at the Supervisory Board is required in order to elect and recall the members of the Management Board. Upon resignation, a member of the Management Board shall notify the Supervisory Board of the public limited company one month in advance.

The authority of the Management Board of the public limited company is specified in the Commercial Code and it is limited to the extent provided for in the articles of association. The Management Board of the public limited company has no right to issue shares.

Amendment of the articles of association is the exclusive competence of the shareholders, requiring 2/3 of votes present at the general meeting.

There are no agreements between the public limited company and the members of the Management Board referring to compensation related to a takeover of the public limited company as set out in Chapter 19 of the Securities Market Act.

Pursuant to Chapter 19 of the Securities Market Act, in case of a takeover of the public limited company, the current co-shareholder in the entities AS SL Õhtuleht, AS Ajakirjade Kirjastus and AS Express Post has the right to acquire the holding of the public limited company in the aforementioned entities at a fair price.

View of management on 2008

According to the forecast of the Bank of Estonia, the Estonian economy will grow in 2008 at a moderate pace of 4.3%. In 2008, the keywords underlying the success are a rapid reaction to market changes and an increase of salaries in conformity with increase of productivity.

Although at the beginning of the year the advertising market has calmed down, the advertising market should grow in 2008 in total 8-10% according to the recent forecasts of Emor TNS. It enables the continuance of the growing trend of media companies also this year.

The main attention will be on Internet as the most rapidly growing part of the media market. Internet has two main areas on which Ekspress Group focuses in 2008. The flow of classified portals (job, real estate, cars) to Internet will become stronger, as a result of which Ekspress Group must enhance the market position of its corresponding web portals. In Estonia www.ekspressauto.ee and www.ekspresskinnisvara.ee have successfully undergone the renewal treatment and have been relaunched, www.ekspressjob.ee will be soon started.

In 2008, the expansion of Delfi to the Ukraine together with the foundation of an on-site organisation is planned. In 2008 it has been planned to launch a celebrity portal in Lithuania and to further advance the successful publishing of books.

Besides the online media, the main activities of Ekspress Group in 2007 included the publishing of newspapers and magazines. The forecasts show the growth of advertising market by up to 10% in 2008, which will enable the publishing companies to increase income and offers good business possibilities to the printing house Printall. The new magazine printing press, which helps significantly increase the volume of export products, also offers good business possibilities to Printall.

Compliance with Corporate Governance Code

Ekspress Group complies with the Corporate Governance Code in its activities and in general proceeds from its requirements. For practical considerations, some of the recommendations are partially followed.
Of the Corporate Governance Code requirements, until 17 October 2007 Ekspress Group did not comply with section 2.2.1 under which the Management Board must have more than one member. At the meeting of the Supervisory Board of Ekspress Group held on 10.10.2007, Financial Director Anne Kallas was elected as a new member of the Management Board as of 17 October 2007.
At the meeting of the Supervisory Board held on 7 December 2007, Development Manager of Ekspress Group Kaido Ulejev was elected as a member of the Management Board.

Of the Corporate Governance Code requirements, Ekspress Group does not comply with section 2.2.7 under which the remuneration and other benefits of a member of the Management Board are subject to disclosure on the company's website and in the report of Corporate Governance Code. The Group discloses the total amount of the remuneration paid to the members of the Supervisory Board and the Management Board, but not the remuneration of each member individually. The Group does not disclose the basic salary, performance pay, compensation for termination of contract and other benefits, bonus systems and their important features, because those constitute sensitive information for the members of the Management Board and the disclosure of such information is not inevitably necessary for judgement of the company's management quality. Neither does the Group wish to disclose such information to its competitors.

In thousands of Estonian kroons

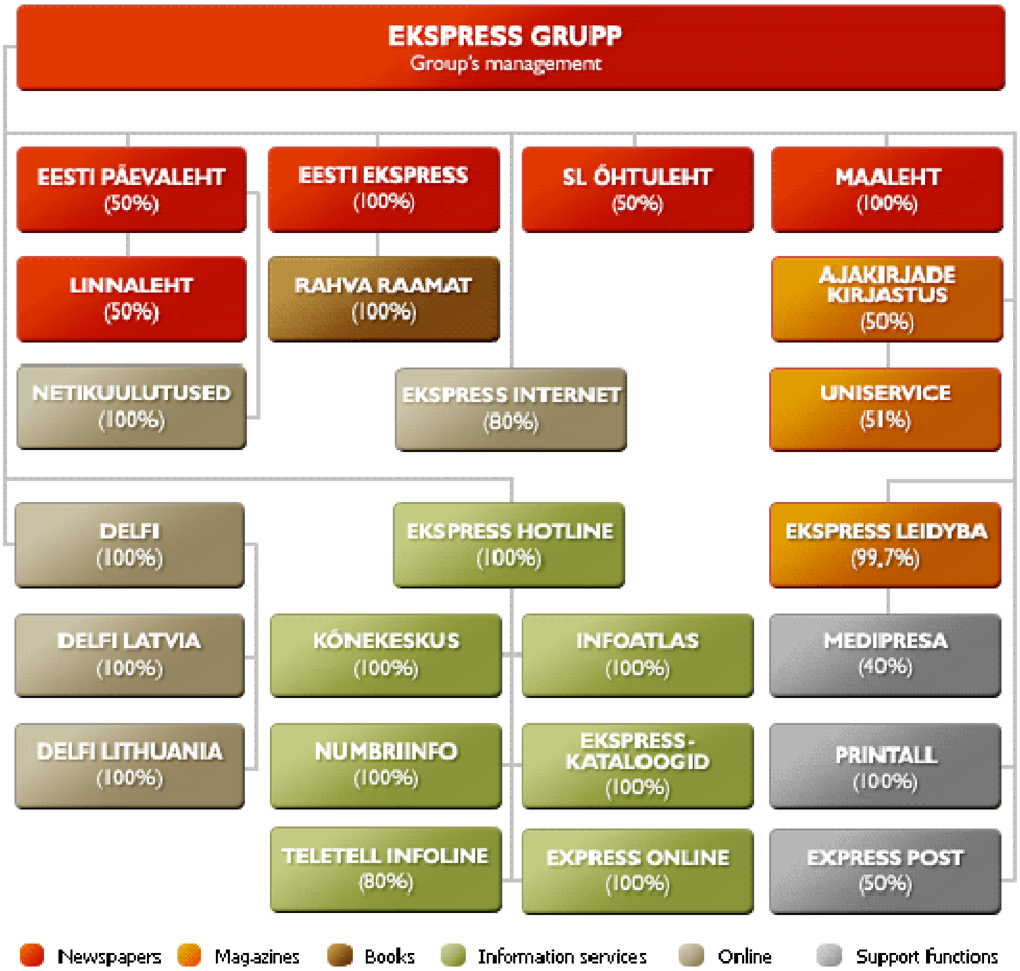
Selected financial indicators 2006-2007

Financial ratios (th EEK)	2007	2006
Accounting period		
Net sales	1 149 962	930 861
Gross profit	295 548	239 023
Operating profit	119 459	104 454
Net profit for the period	92 110	94 142
Net profit attributable to the parent company shareholders	91 671	92 165
At the end of the period		
Total current assets	305 569	225 018
Total non-current assets	1 446 662	441 339
Total assets	1 752 228	666 357
Total liabilities	1 181 389	401 087
Total equity	570 842	265 270
Inc minority interests	953	227
Performance indicators (%)	**2007**	**2006**
Sales growth (%)	24%	24%
Gross profit margin (%)	26%	26%
Net profit margin (%)	8%	10%
Equity ratio (%)	33%	40%
ROA (%)	5%	14%
ROE (%)	19%	44%
Operating profit margin (%)	10%	11%
Liquidity ratio	0,70	0,80
Debt equity ratio (%)	165%	81%
Earnings per share (EEK)	5,00	7,10
Financial leverage (%)	57%	45%

FORMULAS OF FINANCIAL RATIOS

Sales growth (%)	(net sales 2007 – net sales 2006) / net sales 2006*100
Gross profit margin (%)	gross profit/net sales*100
Net profit margin (%)	net profit/net sales*100
Equity ratio (%)	equity / (equity + debt) * 100
ROA (%)	net profit/assets *100
ROE (%)	net profit/equity *100
Operating profit margin (%)	operating profit/net sales*100
Liquidity ratio	current assets/current liabilities
Debt equity ratio (%)	interest bearing liabilities/equity*100
Earnings per share (EEK)	net profit/average number of shares
Financial leverage (%)	interest bearing liabilities-cash and cash equivalents/interest bearing liabilities + equity * 100

Ekspress Group Structure



In thousands of Estonian kroons

Revenue by Group Companies *

th EEK	Sales		
	2007	2006	Change %
Eesti Ekspressi Kirjastuse AS	143 101	121 432	18%
Delfi Grupp**	130 043	89 299	46%
AS Printall	385 787	341 507	13%
AS Maaleht	59 848	52 775	13%
UAB Ekspress Leidyba	67 692	54 806	24%
Rahva Raamat AS	187 800	157 998	19%
OÜ Netikuulutused	5 667	5 329	6%
Ekspress Hotline Grupp	66 332	62 910	5%
Eesti Päevalehe AS***	175 766	133 034	32%
AS SL Õhtuleht***	157 640	138 019	14%
AS Express Post***	72 133	49 233	47%
AS Ajakirjade Kirjastus***	229 679	198 465	16%
AS Linnaleht	32 294	23 905	35%
UAB Medipresa	129 135	97 476	32%

*with intergroup transactions uneliminated
** 12 months figures
***joint ventures 100%

Operating profit (EBIT) by Group Companies *

th EEK	EBIT		
	2007	2006	Change %
Eesti Ekspressi Kirjastuse AS	25 290	19 620	29%
Delfi Grupp**	39 158	28 135	39%
AS Printall	51 516	47 363	9%
AS Maaleht	4 465	3 439	30%
UAB Ekspress Leidyba	(2 262)	2 529	-
Rahva Raamat AS	6 067	4 666	30%
OÜ Netikuulutused	1 690	253	568%
Ekspress Hotline Grupp	10 441	9 046	15%
Eesti Päevalehe AS***/****	3 925	6 686	-41%
AS SL Õhtuleht***	31 661	28 871	10%
AS Express Post***	2 854	(468)	-
AS Ajakirjade Kirjastus***	20 447	24 301	-16%
AS Linnaleht	981	(4 203)	-
UAB Medipresa	1 901	415	358%

*with intergroup transactions uneliminated
** 12 months figures
***joint ventures 100%
**** 2006 includes income 6.7 million kroon (0.4 million euros) from the sale of 50% shares in Linnaleht

In thousands of Estonian kroons

CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT BOARD'S CONFIRMATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The management board confirms the correctness and completeness of Ekspress Grupp Group 2007 consolidated financial statements as presented on pages 16 to 74.

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.

Priit Leito	Chairman of the Management Board	....	16 April.2008
Anne Kallas	Member of the Management Board	....	16 April.2008
Kaido Ulejev	Member of the Management Board	....	16 April.2008

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Kuupäev/date 16.04.08
PricewaterhouseCoopers, Tallinn

In thousands of Estonian kroons

Consolidated balance sheet

th EEK	31.12.2007	31.12.2006	Notes
ASSETS			
Current assets			
Cash and cash equivalents	68 970	51 101	5
Other financial assets at fair value through profit or loss	4 606	6 484	6
Trade and other receivables	165 832	122 576	7
Inventories	66 161	44 857	11
Total current assets	305 569	225 018	
Non-current assets			
Trade and other receivables	13 667	9 708	12
Investments in associates	964	17	15
Investment property	3 732	4 123	16
Property, plant and equipment	404 880	289 210	17
Intangible assets	1 023 419	138 281	18
Total non-current assets	1 446 662	441 339	
TOTAL ASSETS	1 752 231	666 357	
SHAREHOLDERS EQUITY AND LIABILITIES			
Liabilities			
Current liabilities			
Borrowings	199 013	95 026	20
Trade and other payables	240 703	187 132	19
Total current liabilities	439 716	282 158	
Non-current liabilities			
Borrowings	741 585	118 846	20
Other long term liabilities	88	83	
Total non-current liabilities	741 673	118 929	
Total liabilities	1 181 389	401 087	
Equity			
Capital and reserves attributable to equity holders of the Parent company			
Share capital	189 711	165 232	
Share premium	183 495	0	
Reserves	10 222	5 501	
Retained earnings	185 981	94 310	
Currency translation reserve	480	0	
Total capital and reserves attributable to equity holders of the Parent company	569 889	265 043	
Minority interest	953	227	
Total equity	570 842	265 270	31
TOTAL EQUITY AND LIABILITIES	1 752 231	666 357	

The notes presented on pages 21 to 74 form an integral part of the consolidated financial statements

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Kuupäev/date 06.04.08
PricewaterhouseCoopers, Tallinn

In thousands of Estonian kroons

Consolidated income statement

th EEK	2007	2006	Notes
Sales	1 149 962	930 861	24
Costs of sales	854 414	691 838	25
Gross margin	295 548	239 023	
Distribution costs	48 733	39 541	26
Administrative expenses	133 972	106 505	27
Other income	12 085	16 257	28
Other expenses	5 469	4 779	28
Operating profit	119 459	104 455	
Interest income	7 193	6 958	29
Interest expenses	(28 364)	(12 724)	29
Net finance costs	(21 171)	(5 767)	
Share of profit (loss)of associates	996	(342)	
Profit before income tax	99 284	98 346	
Income tax expense	7 174	4 204	9
PROFIT FOR THE YEAR	92 110	94 142	
Attributable to:			
Equity holders of the Parent company	91 671	92 164	
Minority interest	439	1 978	
Basic and diluted earnings per share for profit attributable to the equity holders of the Company	5,00	7,10	31

The notes presented on pages 21 to 74 form an integral part of the consolidated financial statements

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Kuupäev/date 06.04.08
PricewaterhouseCoopers, Tallinn

In thousands of Estonian kroons

Consolidated statement of changes in equity

th EEK	Attributable to equity holders of the parent company						Minority interest	Total equity
	Share capital	Share premium	Reserves	Retained earnings	Currency translation reserve	Total		
Balance at 31.12.2005	2 216	21 285	10 222	135 537	0	169 260	15 087	184 347
Profit for the year	0	0	0	92 165	0	92 165	1 977	94 142
Net income (expense) recognized in equity	0	0	0	92 164	0	92 164	1 977	94 141
Dividends paid	0	0	0	(43 599)	0	(43 599)	0	(43 599)
Dividend reversal	0	0	0	1 938	0	1 938	0	1 938
Share capital increase	50 000	0	0	0	0	50 000	0	50 000
Bonus issue to share capital	113 016	(21 285)	0	(91 731)	0	0	0	0
Transaction costs	0	0	(4 721)	0	0	(4 721)	0	(4 721)
Change of minority interest	0	0	0	0	0	0	(16 837)	(16 837)
Total changes	163 016	(21 285)	(4 721)	(133 392)	0	3 618	(16 837)	(13 219)
Balance at 31 December 2006	165 232	0	5 501	94 310	0	265 043	227	265 270
Balance at 31 December 2006	165 232	0	5 501	94 310	0	265 043	227	265 270
Profit for the period	0	0	0	91 671	0	91 671	439	92 110
Currency translation difference	0	0	0	0	480	480	0	480
Transactions costs	0	(4 721)	4 721	0	0	0	0	0
Net income (expense) recognized in equity	0	(4 721)	4 721	91 671	480	92 151	439	92 590
Share capital increase	24 479	188 216	0	0	0	212 695	0	212 695
Change of minority interest	0	0	0	0	0	0	287	287
Total changes	24 479	188 216	0	0	480	212 695	287	212 982
Balance at 31 December 2007	189 711	183 495	10 222	185 981	480	569 889	953	570 842

Further information on share capital and reserves can be found in note 31.

The notes presented on pages 21 to 74 form an integral part of the consolidated financial statements

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Consolidated cash flow statement

th EEK	2007	2006	Notes
Cash flows from operating activities			
Operating profit for the period	119 459	104 455	
Adjustments for:			
Depreciation, amortization and impairment of property, plant and equipment and intangibles	39 814	31 151	16,17,18
Profit (loss) on sale of property, plant and equipment	(4 169)	(1 955)	
Changes in working capital:			
Trade and other receivables	(35 636)	1 198	
Inventories	(14 722)	2 815	
Trade and other payables	38 103	16 415	
Cash generated from operations	142 849	154 079	
Income tax paid	(6 302)	(5 362)	
Interest paid	(28 735)	(6 867)	
Net cash generated from operating activities	107 812	141 850	
Cash flows from investing activities			
Investments in business combinations	(887 646)	(1 263)	13, 14
Proceeds from financial assets	113	6 098	
Interest received	4 106	3 199	
Purchase of property, plant and equipment	(55 609)	(68 383)	17, 18
Proceeds from sale of property, plant and equipment	1 294	11 891	17, 18
Loans granted	(70 828)	(34 370)	
Loan repayments received	80 861	23 205	
Net cash used in investing activities	(927 709)	(59 623)	
Cash flows from financing activities			
Share issue	212 694	0	
Finance lease payments made	(22 513)	(19 298)	
Change in overdraft used	12 852	(18 306)	20
Proceeds from borrowings	747 292	145 910	
Repayments of borrowings	(112 559)	(131 886)	
Dividend paid	0	(43 599)	31
Net cash generated from financing activities	837 766	(67 179)	
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	17 869	15 048	
Cash and cash equivalents at the beginning of the period	51 101	36 053	
Cash and cash equivalents at the end of the period	68 970	51 101	

The notes presented on pages 21 to 74 form an integral part of the consolidated financial statements

In thousands of Estonian kroons

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1. General information

The main fields of activities of Ekspress Grupp and its subsidiaries include online media, 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 company registered in Estonia. There are 16 subsidiaries, 5 joint ventures and 3 associated companies, belonging to the consolidation group as at 31.12.2007.

The presentation currency is the Estonian kroon. The financial statements are presented in Estonian kroons (EEK), rounded to the nearest thousand.

Pursuant to the Commercial Code of the Republic of Estonia, the financial statements are subject to approval by the supervisory board of the Parent company and the general meeting of shareholders.

These consolidated financial statements have been approved by the Management Board on 16 April 2008.

The consolidated statements of AS Ekspress Grupp for 2007 reflect the results of the following group companies:

	Status	Shareholding 31.12.2007	Shareholding 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
Maaleht AS	Subsidiary	100%	0%	Newspaper publishing	Estonia
UAB Ekspress Leidyba	Subsidiary	99,83%	99,70%	Magazine publishing	Lithuania
Delfi AS	Subsidiary	100%	0%	Online classified ads	Estonia
Delfi AS	Subsidiary	100%	0%	Online classified ads	Latvia
Delfi UAB	Subsidiary	100%	0%	Online classified ads	Lithuania
OÜ Netikuulutused	Subsidiary	75%	75%	Online classified ads	Estonia
AS Printall	Subsidiary	100%	100%	Printing services	Estonia
Rahva Raamat AS	Subsidiary	100%	100%	Books retail sale	Estonia
AS Ekspress Hotline	Subsidiary	100%	100%	Information services	Estonia
Ekspresskataloogide AS	Subsidiary	100%	100%	Phone directories	Estonia
AS Infoatlas	Subsidiary	100%	100%	Phone directories	Estonia
AS Numbriinfo	Subsidiary	100%	100%	Information hotline	Estonia
Kõnekeskuse AS	Subsidiary	100%	100%	Call centre services	Estonia
Teletell Infoline SRL	Subsidiary	80%	0%	Information services	Romania
Express Online SRL	Subsidiary	100%	0%	Call centre services	Romania
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%	Magazine publishing	Estonia
Uniservice OÜ	Joint venture	26%	0%	Magazine publishing	Estonia
AS Linnaleht	Associate	25%	25%	Newspaper publishing	Estonia
UAB Medipresa	Associate	40%	40%	Periodicals' wholesale distribution	Lithuania
Evi Consult OÜ	Associate	0%	32%	Business consulting	Estonia

In thousands of Estonian kroons

Dormant companies

OÜ Õhtuleht	Subsidiary	0%	97%	Newspaper publishing	Estonia
OÜ Ekspress Internet	Subsidiary	80%	80%	Online classified ads	Estonia

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 (IFRS) 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.

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

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 Grupp is Estonian kroon (EEK). The financial statements are presented in thousand of Estonian kroons (EEK), unless indicated otherwise.

The financial statements presented in euros can be obtained from the company's web site www.egrupp.ee.

Comparability

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

Change in primary reports

The Group has made certain changes in presentation of items in the balance sheet and in cash flow statement
The gain of 4 683 thousand kroons (299 thousand euros) from the sale of 50% of the shares of joint venture Linnaleht was recognized as finance income on the row of „Share of profit (loss) of associates" in 2006. In 2007 financial statements in 2006 figures the gain from AS Linnaleht is presented as other operating revenue.

Change in presentation of financial information in disclosures

The Group has made certain changes in presentation of items in the segment reporting. A new segment of online media is added. Due to the creation of new segment the following companies such as OÜ Ekspress Internet, OÜ Netikuulutused were recognized in the online media segment. These companies were recognized in the publishing segment in 2006 (note 23).
Due to the new and amended accounting standards there are additional information disclosed in the financial statements compared to the previous years.

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New International Financial Reporting Standards, amendments to published standards and interpretations by the International Financial Reporting Interpretations Committee

a) Standards, amendments to published standards and interpretations effective from 1 January 2007

IFRS 7, Financial instruments: Disclosures. IFRS 7 introduced 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 these risks). This replaced standard IAS 30, Disclosures in the Financial Statements and Other Financial Institutions and adds to and replaced some of the requirements in IAS 32, Financial Instruments: Disclosure and Presentation. IFRS 7 adoption did not have any impact on measurement or recognition principles. The Group made certain changes in presentation and new disclosures are made in these financial statements (comparatives provided).

IAS 1, Presentation of Financial Statements – Capital disclosures. The amended standard requires additional disclosures in the financial statements about parent company's capital and capital management. IAS 1 adoption did not have any impact on measurement or recognition principles. The Group made certain changes in presentation and new disclosures are made in these financial statements (comparatives provided).

IFRIC 8, Scope of IFRS 2. The interpretation requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This standard does not have any impact on the Group's financial statements.

IFRIC 10, Interim Financial Reporting and Impairment. The interpretation prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements.

Standards, amendments and interpretations effective in 2007 but not relevant

IFRS 4, Insurance Contracts;

IFRIC 7, Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies; and

IFRIC 9, Re-assessment of Embedded Derivative.

b) New accounting pronouncements issued but not yet effective

Certain new standards and interpretations have been published that are mandatory for the Group's accounting periods beginning on or after 1 March 2007 or later periods and which the Group has not early adopted.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group.

IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009).

IFRS 8 supersedes IAS 14 Segment Reporting. The standard specifies new requirements in respect of the disclosure of information on business segments, as well as information on products and services, geographical areas where the business is conducted and major customers. IFRS 8 requires a "managerial approach" to reporting the performance of business segments. The Group is currently assessing the impact of the standard on segment disclosures in the consolidated financial statements.

IAS 23, Borrowing Costs (effective for annual periods beginning on or after 1 January 2009). The main change to IAS 23 is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalise such borrowing costs as part of the cost of the asset. The revised standard applies prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. The amended standard will not have an impact on the Group's accounting policies.

IAS 1, Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009). The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which will also include all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities will be allowed to present two statements: a separate income statement and a statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The Group expects the revised IAS 1 to affect the presentation of its financial statements but to have no impact on the recognition or measurement of specific transactions and balances.

IAS 27, Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009). The revised standard requires that the effects of transactions with minority shareholders be recognised directly in equity, on the condition that control over the entity is retained by the parent company. In addition, the standard elaborates on the accounting treatment of the loss of control over a subsidiary, i.e. it requires that the remaining shares be restated to fair value, with the resulting difference recognised in the income statement. The Group is currently assessing the impact of the amended standard on its consolidated financial statements.

IFRS 3, Business Combinations (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised IFRS 3 includes the choice to disclose minority interests either at fair value or their share in the fair value of the net assets identified; a restatement of shares already held in an acquired entity to fair value, with the resulting differences to be recognised in the income statement; and additional guidance on the application of the purchase method, including the recognition of transaction costs as an expense in the period in which they were incurred, measuring goodwill in step acquisition, and recognising post-acquisition changes in value of liability for contingent purchase consideration. The Group is currently assessing the impact of the amended standard on its consolidated financial statements.

Vesting Conditions and Cancellations – Amendment to IFRS 2, Share-based Payment (effective for annual periods beginning on or after 1 January 2008). The amendment clarifies that only service conditions and performance conditions are vesting conditions. Other features of a share-based payment are not vesting conditions. The amendment specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group is currently assessing the impact of the amended standard on its consolidated financial statements.

IFRIC 11 IFRS 2 – Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007). The interpretation contains guidelines on the following issues: applying IFRS 2 Share-based Payment, for transactions of payment with shares which are entered into by two or more related entities; and adopting an accounting approach in the following instances: an entity grants its employees rights to its equity instruments that may or must be repurchased from a third party in order to settle obligations towards the employees; or an entity or its owner grants the entity's employees rights to the entity's equity instruments, and the provider of those instruments is the owner of the entity. The Group is currently assessing the impact of the amended standard on its consolidated financial statements.

IFRIC 13, Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008). IFRIC 13 includes guidance on the accounting treatment of transactions resulting from loyalty programmes implemented by an entity for its customers, such as loyalty cards or awarding of "points". In particular, IFRIC 13 indicates the correct accounting for the entity's obligation to provide free or discounted goods or services if and when the customers redeem the points. The Group is currently assessing the impact of the amended standard on its consolidated financial statements.

Standards, amendments and interpretations to existing standards that are not yet effective and not relevant for the Group's operations

Puttable financial instruments and obligations arising on liquidation – IAS 32 and IAS 1 Amendment (effective from 1 January 2009). The amendment requires classification as equity of some financial instruments that meet the definition of a financial liability. The Group does not expect the amendment to affect its consolidated financial statements.

IFRIC 12, Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008). The interpretation contains guidelines on applying the existing standards by entities being parties to service concessions between the public and the private sector. IFRIC 12 pertains to arrangements where the ordering party controls what services are provided by the operator using the infrastructure, to whom it provides the services and at what price. The Group does not expect the interpretation to affect its consolidated financial statements as none of Group companies provide for public sector.

IFRIC 14 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2008). The interpretation contains general guidance on how to assess the limit of the surplus of fair value of a defined benefit plan over the present value of its liabilities which can be recognised as an asset, in accordance with IAS 19. In addition, IFRIC 14 explains how the statutory or contractual requirements of the minimum funding may affect the values of assets and liabilities of a defined benefit plan. The Group does not expect the interpretation to affect its consolidated financial statements as the Group has no qualifying assets.

Consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has control. Control is assumed if the Group has 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 no longer 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. 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.

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,. 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 associates 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 venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

The purchase method of accounting is used to account for the acquisition of joint ventures 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 36), 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 short-term 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 Estonian kroons, which is the functional and 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 of the Central Bank of Estonia. 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.

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

The Group has group entities in Estonia , Latvia , Lithuania and Romania. 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. The exchange differences of LVL and RON are recognised directly in the equity as a 'currency translation reserve'.

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.

Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to maturity investments and available for sale financial assets. The classification depends on the purpose for which the financial assets were acquired. The group has no held-to maturity investments and available for sale financial assets. 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. The purchases and sales of financial assets are recognised at the trade date – the date on which the Group commits to purchase or sell the asset.

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, 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.

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. Discount rate used is comparable to the market interest rates applicable to similar borrowers.

Renegotiated trade receivables

Trade receivables whose terms have been renegotiated are no longer considered to be past due but are treated as receivables due according to the renegotiated terms. In subsequent years, the receivables are considered to be past due and disclosed only if renegotiated. Management starts the renegotiation when the counterparty has not been able to meet the due dates in a longer period of time and the settlements of debts are irregular.

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.

Cost includes borrowing costs incurred on specific or general funds borrowed to finance construction of qualifying assets.
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. When the residual value of the asset exceeds its carrying amount, the depreciation of the asset is ceased.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss 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, including purchase price and other costs directly attributable to the preparation of the usage of the asset. 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 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	20-50 years

Research and development costs

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

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

Other intangible assets

Other intangible assets (including computer software) are stated 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. Non-current assets held for sale are not depreciated and are presented in balance sheet as "Non-current assets held for sale".

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 and assets with indefinite useful life (land) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Under those circumstances the recoverable amount is compared to the carrying amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and 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 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 at the trade date. 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.

Leases

Leases of plant, property and equipment under which the lessee 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 lessor 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.

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.

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.

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

Revenue of multi-period advertising packages is recognised linearly over the package duration.

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 otherwise 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) online media;

b) periodicals publishing and advertising;

c) printing services;

d) book sales;

e) information services;

f) 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

Corporate income tax in Estonia

According to the Income Tax Act, the annual profit earned by enterprises is not taxed in Estonia and thus there are no temporary differences between the tax bases and carrying values of assets and liabilities and no deferred tax assets or liabilities arise. Instead of taxing the net profit, the distribution of retained earnings is from 1 January 2008 subject to income tax of 21/79 (until 31 December 2007: 22/78 and until 31 December 2006: 23/77) of the amount paid out as dividends from which income tax paid before 1 January 2000 can be deducted using a respective coefficient. The corporate income tax arising from the payment of dividends is accounted for as an expense in the period when dividends are declared, regardless of the actual payment date or the period for which dividends are paid.

The corporate income tax arising from the payment of dividends is not recognised as a provision until the declaration of dividends. The maximum amount of a contingent income tax liability which may arise from the payment of dividends is specified in the notes to the annual report.

Corporate income tax in Lithuania, Latvia and Romania

In accordance with the local income tax laws, the net profit of companies located in Latvia and Lithuania that has been adjusted for the permanent and temporary differences as stipulated by law is subject to corporate income tax (the income tax rate is 15% in Latvia and Lithuania, up to 16 % in Romania). There have been no changes in tax rates compared to year 2006.

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.

In thousands of Estonian kroons

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 and determination of useful lives of intangible assets identified (note 13), valuation of inventory (note 11), valuation of goodwill (note 13), determination of useful lives of property, plant and equipment (note 17) and receivables and loans given to related parties (note 33).

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 AS Express Hotline, AS Rahva Raamat, UAB Ekspress Leidyba, AS Delfi and AS Maaleht 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. Another appropriate method considered by management is royalty rate method. This method is based on the concept that a business entity owning trademarks saves the cost of royalty fees payable upon leasing the trademarks. A remaining useful life of 20 -50 years has been assigned to the trademarks.

Book values of trademarks by Group companies

th EEK	31.12.2007	31.12.2006
Delfi AS (Estonia)	121 667	0
Eesti Ekspressi Kirjastuse AS	2 179	2 310
AS Maaleht	11 167	0
Ajakirjade Kirjastuse AS	1 350	0
UAB Ekspress Leidyba	21 186	17 852
Ekspress Hotline AS	11 429	12 067
Trademarks Total	168 978	32 229

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 (book value 31.12.2007 10 334 th kroons (660.5 th euros) and 31.12.2006 2 675 th kroons (171 th euros)), the sales potential as well as the net realisable value of finished goods is considered, upon valuation of raw materials and materials (book value 31.12.2007 30 944 th kroons (1 978 th euros) and 31.12.2006 25 199 th kroons (1 610.5 th euros)), their potential of usage in producing the finished goods and generating income is considered; upon valuation of work in progress (book value 31.12.2007 7 839 th kroons (501 th euros) and 31.12.2006 6 498 th. Kroons (415 th.euros), their stage of completion that can reliably be measured is considered.

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, AS Rahva Raamat, Ajakirjade Kirjastuse AS, AS Ekspress Hotline, OÜ Ekspress Internet, AS Delfi and AS Maaleht.

In thousands of Estonian kroons

Goodwill by Group companies

th EEK	31.12.2007	31.12.2006
Delfi AS (Estonia)	246 276	0
Delfi AS (Latvia)	232 756	0
Delfi UAB	195 841	0
Netikuulutused OÜ	1 181	1 181
Eesti Ekspressi Kirjastuse AS	1 100	1 228
AS Ajakirjade Kirjastus	7 128	7 128
UAB Ekspress Leidyba	14 091	14 091
AS Maaleht	28 413	0
Rahva Raamat AS	7 881	7 881
Ekspress Hotline AS	67 961	67 961
Goodwill Total	802 628	99 470

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 weighted average cost of capital (WACC). 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.

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 and intangible assets

Depreciation of property, plant and equipment and intangible assets is based on the historical cost (purchase price), 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 (book value 31.12.2007 97 062 th kroons (6 203 th euros) and 31.12.2006 102 125 th kroons (6 527 th euros)) . 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 (book value 31.12.2007 234 962 th kroons (15 017 th euros) and 31.12.2006 165 992 th kroons (10 609 th euros)) depending on their usage. The useful life of other fixed assets and IT equipment is 3-5 years (book value 31.12.2007 25 745 th kroons (1 645 th euros) and 31.12.2006 12 255 th kroons (783 th euros), depending on the nature of each asset and its purpose. There have been no changes in depreciation rates during 2007.

If the useful lives increase by 10% the decrease in the annual depreciation charge would be of 417,1 913, and 823 thousand kroons (27, 122 and 53 th euros) of 'Buildings', 'Plant and equipment' and 'Other equipment' respectively. The total decrease in the depreciation charge in case of increase in useful lives of 10% would be 3 153 thousand kroons (202 th euros).

e) 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 33.

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PricewaterhouseCoopers, Tallinn

Note 4. Financial risk management

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

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

The risk management of the Group is based on the requirements established by the Tallinn Stock Exchange, Financial Supervision Authority and other regulatory bodies, compliance with the generally accepted accounting standards and good practice, internal regulations and risk policies of the Group and its subsidiaries. The management of risks at the level of the Group includes the definition, measurement and control of risks. The main role upon the management of risks is vested in the management of the parent company. The supervisory board of the parent company exercises supervision over the measures applied by the management for hedging risks. The Group assesses and limits risks through systematic risk management. The management of the Group has involved in the management of financial risks the financial unit of the Group which deals with the financing of the parent company and its subsidiaries and, as a direct result thereof, with the management of liquidity risk and interest rate risk, as well as the managements and financial units of the subsidiaries. The risk management is exercised over the joint ventures within the Group in cooperation with the media group being the other shareholder of the joint venture.

Credit risk

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

Credit risk arises from cash and cash equivalents, deposits in banks, trade receivables, other short-term receivables and loans granted to customers.

Since the Group invests the available liquid assets to a substantial extent in the banks with credit rating “A” in short-term interest-bearing instruments, such as overnight deposits and short-term deposits, they do not result in any credit risk for the Group. Neither has the Group concluded any contracts for derivative instruments and has not granted any financial guarantees.

The Group is not open to a substantial extent to any credit risk in connection with any client or counterparty. The payment discipline of clients is continuously monitored to reduce credit risk, credit policy has been established to ensure the sale or services to clients with an adequate credit history and the application of prepayments to clients with a higher risk category. According to the credit policy, different client groups are subject to different payment terms, credit limit, possible grace period. Clients are classified on the basis of their size, reputation, results of credit background check and history of payment behaviour.

In the case of new clients, their credit background is controlled with the help of Krediidiinfo and other similar databases. At the beginning, their payment behaviour is also monitored with heightened interest. Upon following the payment discipline, it is possible to receive more flexible credit conditions, such as a longer payment term, higher credit limit, etc. Upon violation of the payment discipline, stricter credit conditions are applied.

The Group is not aware of any substantial risks in connection with the clients and partners.

The maximum credit risk which arises from the Group’s unsecured receivables (trade receivables) is as of the balance sheet date 111 974 thousand kroons (7 156 thousand euros), 2006: 71 237 thousand kroons (4 553 thousand euros).

In thousands of Estonian kroons

Trade receivables th EEK 2007	Not due	Overdue >= 7 days	Overdue >7 to <=60 days	Overdue > 60 days	Total receivables
Total	65 449	12 227	24 885	9 413	111 974

Trade receivables th EEK 2006	Not due	Overdue >= 7 days	Overdue >7 to <=60 days	Overdue > 60 days	Total receivables
Total	45 703	9 865	12 372	3 297	71 237

As of 31.12.2007, the Group has written down uncollectible receivables in the amount of 5 520 kroons (353 thousand euros) (31.12.2006: 5 144 thousand kroons, 329 thousand euros) in accordance with the rules for valuation of trade receivables applicable in the Group based on the estimated cash flows. Hence, in the judgement of the management the Group does not have any important credit risks and therefore the credit risk management is not a priority area.

Liquidity risk

Liquidity risk means that the Group might not have liquid assets to fulfill its financial obligations in a timely manner.

The objective of the Group is to maintain a balance between the financial need and financial possibilities of the Group. Cash flow planning is used as a means to manage the liquidity risk. To manage the cash flows as efficiently as possible, the bank accounts of the parent company and its subsidiaries comprise one group account (cash pool) which enables the members of the group account to use the finances of the Group within the limit established by the parent company. The group account is used in Estonia, Latvia and Lithuania. According to the policy of the Group, the subsidiaries that have joined the group account prepare cash flow forecasts for next two months and a precise cash flow plan for next two weeks.

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

Overdraft credit is used to finance working capital, bank loans and investment loans are used to acquire financial investments and intangible asset investments. In the judgement of the management, liquidity risk does not have any substantial impact on the Group, in consideration of the availability of bank loans and the cash flow generated by the Group. Liquidity risk is also reduced by the matter that the Group does not pay the shareholders any dividends for the financial year ended on 31.12.2007.

Analysis of undiscounted financial liabilities by payment terms as of 31 December 2007

th EEK 2007	<= 1 month	> 1month and <=3 months	> 3 months and <= 1 year	>1 year and <=5 years	> 5 years	Carrying amount
Bank loans	10 272	20 578	176 907	706 984	13 368	771 833
Finance lease payments	3 030	6 342	32 028	127 828	20 994	168 765
Other loans	0	0	15 488	0	0	14 750
Trade payables	47 746	24 154	4 821	0	0	76 721
Other payables	44 262	34 058	3 250	0	0	81 570
Total	105 310	85 132	232 494	834 812	34 363	1 113 639

Analysis of undiscounted financial liabilities by payment terms as of 31 December 2006

In thousands of Estonian kroons

th EEK 2006	<= 1 month	> 1month and <=3 months	> 3 months and <= 1 year	>1 year and <=5 years	> 5 years	Carrying amount
Bank loans	624	1 254	76 117	54 455	0	119 047
Finance lease payments	2 097	4 246	19 020	76 875	1 012	94 825
Other loans	5 418	0	0	0	0	5 400
Trade payables	45 141	20 739	3 465	0	0	69 346
Other payables	28 472	20 527	0	0	0	48 999
Total	81 753	46 766	98 603	131 330	1 012	337 617

The future cash flows have been estimated on the basis of floating interest rates applicable as of the balance sheet date of 31.12.2007 and 31.12.2006.

Market risks

Interest rate risk

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

Since cash and cash equivalents of the Group are deposited at a fixed interest rate, a change of the interest rates on the market does not influence the cash flows and profit of the Group.

The interest rate risk of the Group is related to short-term and long-term debt obligations which have been assumed at a floating interest rate. The interest rate risk is mainly related to the fluctuation of Euribor and the resultant change of average interest rates of banks.

The Group does not currently use derivatives to manage the interest rate risk, but due to the fluctuation of Euribor the Group has revalued the interest rate risk at the end of 2007. In the judgement of the management the interest rate risk of fair value arising from the debt obligation of the Group is not important if an interest rate swap is entered into to hedge the interest fluctuation. Because of this, the Group is currently holding negotiations with the banks that have granted a syndicate loan in order to enter into an interest rate swap or any other similar contract for hedging the interest fluctuation.

The table below gives an overview of the debt obligations as of the balance sheet date, differentiated by a fixed interest rate and a changing interest rate based on 6 months' Euribor. The division of main instalments of the interest bearing obligations into up to 1 year, 1 to 5 years and more than 5 years has been selected in consideration of the consistency of information presentation.

th EEK 2007	Interest rate type	<= 1 year	>1 year and <=5 years	> 5 years	Carrying amount
Bank loans	floating	86 126	593 915	12 732	632 773
	Fixed	79 060	0	0	0
Finance lease payments	floating	33 827	114 587	20 351	168 765
Other loans	Fixed	14 750	0	0	14 750

Foreign exchange risk

Foreign exchange risk arises when the future business transactions or recognised assets or liabilities are fixed in a currency which is not a operational currency of the company. Of foreign currencies, the Group's settlements in significant amounts are made in euros and to a smaller extent in Lithuanian litas, Latvian lats and Romanian leus. The average change of Latvian lat exchange rate to Estonian kroon in 2007 was -0.55% (2006: 0%). Transactions made in Romanian leus in 2007 were insignificant for the Group. The exchange rate of euro and Lithuanian litas to Estonian kroon is fixed. Hence, the Group does not have any significant amounts exposed to foreign exchange risk:

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Therefore, in the case of future business transactions and recognised assets and liabilities the Group does not use derivatives for hedging the risk. The Group pays most of its suppliers of paper and other materials in euros, while the domestic suppliers and employees are paid in Estonian kroons, Lithuanian litas, Latvian lats and Rumanian leus.

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

Price risk

In the judgement of the management, price risk does not have any substantial impact on the activities of the Group, because the company does not have any substantial investments in equity instruments.

Operational risk

Operational risk is a possible loss caused by insufficient or non-functioning processes, employees and information systems or external factors.

The involvement of employees in the risk assessment process improves the general risk culture. Upon performance of transactions, systems of transaction limits and competences are used to minimise possible losses. The useable four-eye principle, under which the confirmation of at least two mutually independent employees or units is necessary for the performance of a transaction or a procedure, reduces the possible occurrence of human errors and mistakes. The four-eye principle is also applied during negotiations related purchase and sale and other transactions. Drafts of important agreements prepared by law offices are reviewed by the management, in-house lawyers are also involved in the work process. The management considers the legal protection of the Group to be good. Dependence of the Group's activities on IT systems is considered to be low by the management, except for with regard to online media, which directly depends on the functioning of the IT systems and investments for the increase of whose security and reliability are continuously made. Reliability for managing operational risk is borne by the management of the Group.

Capital risk

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

According to the practice common in the industry, the Group uses the debt to capital ratio to monitor the capital. The debt to capital ratio is calculated as the ratio of net debt to total capital. Net debt is calculated by deducting cash and cash equivalents from the total debt (current and non-current liabilities recognised in the balance sheet of consolidated financial statements). The total capital is recognised as the aggregate of equity and net debt. In 2007, the objective of the Group was to maintain the debt to capital ratio in the range of 55-65%. The debt to capital ratio as of 31.12.2007 of 60% is substantially higher than as of 31.12.2006: 38% as a result of the syndicate loan added in 2007 in the amount of 674.4 million kroons (43.1 million euros). In the future periods, the debt to capital ratio will improve as a result of loan depreciation and, through generation of profit, increase of equity.

According to the conditions stipulated in the loan agreement, the Group uses for monitoring capital also the equity ratio which is received by dividing equity with total assets. The equity ratio comprised 33% as of 31.12.2007 and 40% as of 31.12.2006. As of the balance sheet date, the equity ratio target set by the financial institutions was larger than or equal to 32%. Hence, the said ratio was in conformity with the conditions established for the Group. See also Note 20 for financial covenants.

In thousands of Estonian kroons

Debt equity ratio of the Group

th EEK	31.12.2007	31.12.2006
Interest bearing debt (note 20)	940 598	213 872
Cash and cash equivalents (note 5)	68 970	51 101
Net debt	871 628	162 771
Equity	570 842	265 270
Total capital	1 442 470	428 041
Debt and capital ratio	60%	38%
Assets total	1 752 231	666 357
Equity ratio	33%	40%

Fair value

The Group estimates that the fair values of the assets (Notes 5-18) and liabilities (Notes 19-22) denominated in the balance sheet at amortised cost do not differ significantly from their carrying amounts presented in the Group's consolidated balance sheet at 31 December 2007 and 31 December 2006. Since the long-term debt obligations of the Group bear a floating interest rate, which changes according to the fluctuations of the market interest rate, the discount rate used in the cash flow model is adjusted in calculating fair value for debt obligations. Neither may there be any new transaction data available as of the end of the year and although the company can determine the general level of market interest rates, the company might not know which credit or other risk level would be taken into account by the participants in the market upon determining the price of the instrument on its date. The company might not have data deriving from recent transactions to determine the required price difference of credit in respect of the base interest rate in order to use that price difference for determining the discount rate necessary for calculation of present value. Based on this, the management is of opinion that fair value of non-current liabilities is not substantially different from their carrying amount. Trade receivables and supplier payables are recognised at amortised cost, therefore in the judgement of the management their carrying amount is similar to their fair value. Fair value of financial liabilities is determined on the basis of discounted future contractual cash flows, using a market interest rate which is available for the Group upon using similar financial instruments.

Recent volatility in global financial markets

Since the second half of 2007, there has been a sharp rise in foreclosures in the US subprime mortgage market. The effects have spread beyond the US housing market as global investors have re-evaluated their exposure to risks, resulting in increased volatility and lower liquidity in the fixed income, equity, and derivative markets. Europe still looks better than the US, however, the stronger euro, tighter credit conditions and higher inflation may provide the volatility and lower liquidity situation on the Group's markets. Such circumstances may also affect the ability of the Group to obtain new borrowings and refinance its existing borrowings at terms and conditions that applied to similar transactions in recent periods. The changed economic climate may also influence liquidity of clients of the Group, which in turn influences their payment behaviour and ability to pay their obligations to the Group in a timely manner. The management of the Group cannot reliably assess the impact of possible decrease of liquidity and volatility of financial markets on the financial condition of the Group.

In thousands of Estonian kroons

Note 5. Cash and cash equivalents

th EEK	31.12.2007	31.12.2006
Cash in hand	687	699
Cash at bank	68 283	50 402
Cash and cash equivalents in consolidated cash flow statement	68 970	51 101

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

th EEK	31.12.2007	31.12.2006
Listed shares	1	587
Listed bonds	0	150
Money market funds	4 605	5 747
Total	4 606	6 484

	2007	2006
Hansapank Money Market Fund interest rate	3,60%	1,5-2,5%
SEB Money Market Fund interest rate	3,73%	1,7-2,5%
Interest income	183	143

All instruments are held for trading purposes.

Note 7. Receivables and prepayments

th EEK	31.12.2007	31.12.2006
Trade receivables (Note 8)	111 974	71 237
Prepaid taxes (Note 9)	10 362	515
Other receivables (Note 10)	34 747	42 499
Prepayments	8 749	8 325
Total receivables and prepayments	165 832	122 576

Note 8. Trade receivables

th EEK	31.12.2007	31.12.2006
Trade receivables	117 494	76 381
Allowance for doubtful receivables	(5 520)	(5 144)
Total trade receivables	111 974	71 237

th EEK	31.12.2007	31.12.2006
Allowance for doubtful receivables at the beginning of the period	(5 144)	(4 662)
Proceeds from doubtful receivables during the period	2 532	2 678
Allowance of doubtful receivables recognized during the period	(2 941)	(3 338)
Receivables written off from balance sheet during the period	33	178
Allowance for doubtful receivables at the end of the period	(5 520)	(5 144)

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In thousands of Estonian kroons

Impairment losses recognised during the period are reported in the income statement as "Other expenses". For further information on ageing of receivables see note 4.

Note 9. Taxes

th EEK	31.12.2007		31.12.2006	
	Prepayment	Liability	Prepayment	Liability
Corporate income tax on fringe benefits	2 700	3 214	8	1 451
Personal income tax	116	6 127	103	4 576
Social security tax	0	13 302	0	9 044
Unemployment insurance tax	0	282	0	209
Contributions to mandatory funded pension	0	461	0	324
Value added tax	7 546	4 203	404	3 031
Taxes total (note 7)	10 362	27 589	515	18 635

Corporate income tax

th EEK	2007	2006
Estonia		
Dividend income and attracting income tax from joint ventures	19 801	17 927
Calculated income tax 22/78 (2006 : 23/77)	5 585	5 355
Current dividend income tax expense (note 31)	5 585	(4 204)
Tax expense	5 585	5 362
Tax reversal	0	(1 158)
Effective income tax rate	28.21%	29.87%
Latvia		
Profit (loss) before tax	6 396	0
Tax rate	15%	15%
Calculated income tax	959	0
Income/expenses not deductible for tax purposes	474	0
Income tax expense	1 031	0
Deferred income tax income (expense)	0	0
Lithuania		
Profit (loss) before tax	3 630	2552
Tax rate	15%	15%
Calculated income tax	545	383
Income/expenses not deductible for tax purposes	93	0
Income tax expense	558	0
Deferred income tax income (expense)	624	0
Group income tax expense	2007	2006
Income tax expense	7 174	(4 204)
Deferred income tax income (expense)	(624)	0
Total income tax expense	6 550	(4 204)

In thousands of Estonian kroons

Note 10. Other short-term receivables

th EEK	31.12.2007	31.12.2006
Receivables from associated companies (Note 33)	5 695	6 005
Trade receivables	5 695	5 902
Loans granted (Note 12)	0	103
Receivables from joint ventures	5 875	4 348
Trade receivables	5 875	4 348
Receivables from related parties (Note 33)	8 171	4 636
Other receivables	8 171	4 636
Other short-term debts	15 006	27 510
Loans granted	14 948	24 892
Accrued interest receivable	11	9
Other receivables	47	2 609
Total other short-term receivables	34 747	42 499

Guarantees issued as collateral for loans granted by joint ventures

– Ajakirjade Kirjastus (Lender) Loan Agreement with Kroonpress in the total amount of 15 500 th kroons (991 th euros) 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 31.12.07 and 31.12.06 7 750 th kroons (495 th euros). Loan matures in 2008, interest rate 4%.

– SL Õhtuleht (Lender) Loan Agreement with Kroonpress in the total amount of 14 000 th kroons (895 th euros) 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 31.12.07 and 31.12.06 7 000 th kroons (447 th euros). Loan matures in 2008, interest rate 4%.

Loans granted to other parties in the amount on 10 000 th kroons (639 th euros), maturity in November 2007, interest rate at 1.5% per month. Loan was repaid on 31 August 2007.

Note 11. Inventories

th EEK	31.12.2007	31.12.2006
Raw materials	30 944	25 199
Work in progress	7 839	6 498
Finished goods	10 334	2 675
Goods for resale	17 044	10 485
Total inventories	66 161	44 857

Allowance for impairment of inventories	31.12.2007	31.12.2006
Finished goods	592	220
Allowance for impairment recognized in income statement	592	220
Inventories at the custody of third parties	8 303	598
Inventories of third parties held at the custody of the Group (books)	84 434	83 608

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In thousands of Estonian kroons

As of 31 December 2007 592 thousand kroons (31 December 2006: 220 thousand kroons) of inventories were discounted to net realisable value.

Note 12. Non-current trade and other receivables

th EEK	31.12.2007	31.12.2006
Loans granted	9 669	9 329
Long-term receivables to buyers	2 764	0
Deferred income tax assets (note 9)	624	0
Prepayments	610	379
Total non-current trade and other receivables	13 667	9 708

Loans granted includes a receivable from the sale of AS Bravocom Mobiil which due date is 8 June 2009. The loan has been discounted with the annual rate of 5%. The book value of the receivable is 6 989 thousand kroons (446.7 thousand euros) as of 31 December 2007.

All granted loans are payable at the latest in five years and are bearing market interest rate (5-6% per annum).

Note 13. Business combinations

Company name	Ownership %	
	31.12.2007	31.12.2006
Eesti Ekspressi Kirjastuse AS	100,0	100,0
Maaleht AS	100,0	0,0
UAB Ekspress Leidyba	99,83	99,7
Delfi AS (Estonia)	100,0	0,0
Delfi AS (Latvia)	100,0	0,0
Delfi UAB	100,0	0,0
OÜ Netikuulutused	75,0	75,0
AS Printall	100,0	100,0
Rahva Raamat AS	100,0	100,0
AS Ekspress Hotline	100,0	100,0
Ekspresskataloogide AS	100,0	100,0
AS Infoatlas	100,0	100,0
AS Numbriinfo	100,0	100,0
Kõnekeskuse AS	100,0	100,0
Teletell Infoline SRL	80,0	0,0
Express Online SRL	100,0	0,0

A new subsidiary of AS Ekspress Hotline, TeleTell Infoline S.R.L was established in Romania on 11 May 2007. On 26November 2007 TeleTell Infoline S.R.L opened a business information infoline TeleTell in Romania.

On 5 July 2007 another subsidiary of AS Ekspress Hotline, Express Online S.R.L was established in Romania, which main activity is offering call centre services.

Acquisition of subsidiaries

During the year 2007 AS Ekspress Grupp acquired shares in the following subsidiaries:

In January 2007 AS Ekspress Grupp acquired 100% of share capital of OÜ Zinzin at EEK 54 thousand (EUR 3.5 thousand); no significant goodwill arose in the acquisition.

In January 2007, AS Ekspress Grupp acquired 94 shares of UAB Ekspress Leidyba for LTL 300 (EEK 1 260). After the acquisition, the Group helds 99.73% of the equity of UAB Ekspress Leidyba

In April 2007 Ekspress Grupp increased the share capital of UAB Ekspress Leidyba by 6 784 th EEK. As of 31 Dec 2007, AS Ekspress Grupp owned 99.83% of UAB Ekspress Leidyba share capital.

On 3 September 2007, the wholly-owned subsidiary of AS Ekspress Grupp, OÜ Zinzin acquired 100% of the shares of OÜ Delfi Holding (formerly named OÜ Interinfo Baltic). OÜ Delfi Holding holds 100% of the shares of AS Delfi which in turn holds 100% of the shares of AS Delfi in the Republic of Latvia and 100% of the shares of UAB Delfi in the Republic of Lithuania. The acquisition price paid for the shares was EEK 877.0 million (EUR 56.1 million) and closing adjustment of EEK 1.7 million (EUR 0.1 million). In addition to the acquisition price, a receivable of OÜ Interinfo Baltic from previous shareholders in the amount of EEK 227.1 million (EUR 14.5 million) was offset. The acquisition cost of the shares included fees paid to the advisors in the amount of EEK 2.9 million (EUR 0.2 million).

OÜ ZinZin, OÜ Delfi Holding and AS Delfi merged as of 1 October 2007 according to the merger agreement concluded on 25 September 2007. AS Delfi was the acquirer, who became a direct subsidiary of AS Ekspress Grupp as a result of the transaction. AS Delfi owns in turn 100% of the shares of AS Delfi in the Republic of Latvia and 100% of the shares of UAB Delfi in the Republic of Lithuania. OÜ ZinZin and OÜ Delfi Holding ceased to operate.

As of 31 December 2007 the acquisition price was increased by EEK 2.3 million (EUR 0.1 million), of which EEK 1.7 million (EUR 110 thousand) constituted an additional payment to the seller as the closing adjustment in accordance with the share purchase agreement. Fees paid to the advisors in the amount of EEK 0.6 million (EUR 35 thousand) were also included in the purchase price.

The acquired company AS Delfi portion of the group's sales is 51 700 th EEK (3 304 th euros) and the net profit was 15 501 th EEK (991 th euros) during the period from 03 September to 31 December 2007. If the acquisition had occurred on 1 January 2007, the effect on the sales would have been EEK 130 043 thousand (EUR 8 311 thousand) and the net profit EEK 34 190 thousand (EUR 2 185 thousand). The calculations are based on the group's accounting principles.

On 17 September 2007, AS Ekspress Grupp acquired 100% of the shares of AS Maaleht. The Company paid EEK 6666.66 for each acquired share of AS Maaleht. The total acquisition price paid for 7800 shares totalled EEK 52 million (EUR 3.3 million). In addition to the acquisition price for the shares totalling EEK 52 million, the acquisition cost of the acquired holding includes directly attributable expenditures relating to the acquisition in the amount of EEK 98.2 thousand (EUR 6.3 thousand), and the total acquisition cost is EEK 52.1 million (EUR 3.3 million).

The acquired company AS Maaleht portion of the group's sales is EEK 19 169 thousand (EUR 1 225 thousand) and the net profit was EEK 1 386 thousand (EUR 88.6 thousand) during the period from 1 October to 31 December 2007. If the acquisition had occurred on 1 January 2007, the effect on the sales would have been EEK 59 848 thousand (EUR 3 825 thousand) and the net profit EEK 4 035 thousand (EUR 257.9 thousand). The calculations are based on the group's accounting principles.

In thousands of Estonian kroons

Purchase price allocations of new subsidiaries acquired:

Subsidiary	OÜ Delfi Holding		AS Maaleht	
	3.09.2007		30.09.2007	
th EEK	Fair value	Balance sheet value	Fair value	Balance sheet value
Cash and cash equivalents	38 384	38 384	8 528	8 528
Receivables and prepayments	243 430	243 430	3 342	4 245
Inventories	3	3	6 578	8 358
Property, plant and equipment	8 247	8 247	2 202	2 202
Intangible assets	41 523	3 846	0	0
Trademarks	122 278	0	11 309	0
Liabilities	(17 752)	(17 752)	(8 274)	(8 274)
The fair value of acquired net assets	436 113	276 158	23 685	15 059
Acquired ownership	100,0%		100,0%	
Acquired net assets	436 113		23 685	
Minority	0,0%		0,0%	
Goodwill	674 872		28 413	
Acquisition cost of investment	(1 110 985)		(52 098)	
Purchase price paid in cash	(882 145)		(52 098)	
Acquired cash and cash equivalents	38 384		8 528	
Unpaid part of current period	1 721		0	
Net cash outflow on acquisition	(843 761)		(43 570)	

For further information of goodwill see also note 18.

The acquired interest was recognized at acquisition cost. To allocate the acquisition cost to the fair values of the acquired assets, liabilities and contingent liabilities, a purchase price allocation is prepared. The acquisition cost is allocated to the fair value of the net assets acquired; the excess of the acquisition cost of the acquired holding over the fair value of the net assets acquired is recognised as (positive or negative) goodwill. Goodwill reflects that portion of the acquisition cost that was paid for such assets of the Company that cannot be identified and accounted for separately. Positive goodwill can be explained by the high profitability of the acquired business units, cost savings as compared to alternative costs and major synergies which are expected to arise after the concentration into the Group. Goodwill as an intangible asset with an indefinite useful life is not subject to amortisation but instead, an impairment test is performed at least once a year. In order to calculate the estimated future cash flows and the terminal value for the purpose of evaluating the value of assets of Delfi Group, the weighted average cost of capital was used as the discount rate whereby according to the management the cost of equity was estimated 15.6% in the Baltic states, 20.2% in the Ukraine and 25.2% in Russia. Higher cost of capital in the Ukraine and Russia are attributable to the risk of launching a business there. The cost of debt equals the interest rate on loans offered by banks, which is 6% in the Baltic states and 10% in the Ukraine and Russia. The share of equity financing is 81.80% which according to external valuation specialists is the expected share of equity in the media market. The discount rates used are 13.9% for Estonia, 13.7% for Latvia and Lithuania, 17.9% for the Ukraine and 22% for Russia. The long-term growth rate of the terminal value as perpetuity equals long-term moderate economic growth or 3% per annum.

The carrying amounts of the assets and liabilities of the Delfi Group as of 3 September 2007 were used as the basis for preparing the purchase analysis. The values of Delfi's trademarks registered in Estonia, Latvia, Lithuania, the Ukraine and Russia were determined under the royalty rate method. This method is based on the concept that a business entity owning trademarks saves the cost of royalty fees payable upon leasing the trademarks. Management has set the royalty rate relating to Delfi's trademarks at 6% of the revenue arising from the use of trademarks as compared to the royalty rates of well-known trademarks presented in the international databases are in the range of 5-20% and taking into consideration the familiarity of Delfi's trademarks. Revenue derived from the trademarks includes the revenue of the whole Delfi Group because Delfi's trademarks participate in the generation of the sales revenue of the whole Delfi Group. The share of trademark protection and marketing expenses in the sales revenue has historically been 1.5%. Management estimates that the marketing expenses will be stay at the level of 1.5% of the sales revenue in the upcoming years. To determine the value of a trademark, the present value of the estimated future cash flows of the difference between theoretical royalty payments and marketing expenses was calculated. The calculation yielded the following present values of Delfi's trademarks by countries:

Estonia 39.8 million kroons (2.5 million euros)

Latvia 38.5 million kroons (2.5 million euros)

Lithuania 31.8 million kroons (2.0 million euros)

Ukraine 8.8 million kroons (0.6 million euros)

Russia 3.4 million kroons (0.2 million euros)

The fair value of Delfi's trademarks was included in these amounts as of 3 September 2007.

In evaluating customer relationships, the multi-period excess earnings method was used. Under this method, the value of the asset is evaluated on the basis of discounted future excess earnings attributable to these customers over the remaining lifespan of the customer relationship.

Excess earnings are defined as the difference between the operating cash flow attributable to the existing customers and the cost of capital invested to retain the customers. Management estimates that the customer retention rate is 30% in all Baltic states. The charge of the assets enabling the generation of revenue through the customer relationships (trademarks, self-developed software, net working capital, etc) makes up 12-13.9% of the sales revenue in the Baltic states. The calculation yielded the following present values of Delfi's customer relationships by countries:

Estonia 12.3 million kroons (0.8 million euros)

Latvia 12.0 million kroons (0.8 million euros)

Lithuania 8.8 million kroons (0.6 million euros)

The fair value of Delfi's customer relationships was included in these amounts as of 3 September 2007.

In evaluating the software developed by Delfi, the replacement cost approach was used. Under this approach, the value of the asset is determined on the basis of the value of a similar comparable asset. With regard to developed software, the time necessary for its development in labour days and the respective cost of the labour day were determined. The outcome was adjusted under the assumption that the useful life of software is 14 year of which 5 years is left. The fair value of the developed software was EEK 4.6 million (EUR 0.3 million).

As a result of the purchase price allocation, the fair value of the net assets of the Delfi Group totalled EEK 437.4 million (EUR 28 million). Upon the acquisition of the Delfi Group, goodwill amounted to EEK 671.3 million (EUR 42.9 million). Goodwill is made up of the major growth potential of the Delfi Group in the Baltic states as well as in the Ukraine and Russia. Management forecasts growth at 30% of sales in the upcoming years and continuation of the 35-40 per cent EBITDA margin. The forecast is based on the continuing growth trend of the advertising market and anticipates the market share growth of internet advertising. Management also foresees major potential with regard to the synergy of revenue and expenses with the existing operating areas of the Ekspress Group.

AS Ekspress Grupp acquired significant control over the Delfi Group and includes it in the Group's financial statemenets from 3 September 2007.

As of 31.12.2007, the net assets of Delfi are adjusted of 1.3 million kroons (80 thousand euros) in order to make the balance of other payables to comply with their fair value. As a result of the adjustment, the adjusted value of net assets is 436.1 million kroons (27.9 million euros). As a result of the adjustment of the net assets and respective increase in acquisition cost, adjusted goodwill comprises the value of 674.9 million kroons (43.1 million euros).

The management has carried out the impairment test for the goodwill created upon acquisition of Delfi Group. The test was carried out for five cash-generating units of Delfi Group: Delfi Estonia, Delfi Latvia, Delfi Lithuania, Delfi Ukraine and Delfi Russia. Realistic business forecasts of those units for the next five years were prepared and the present value of those cash flows was found. The performed impairment test showed that the recoverable value of the assets exceeds the value of the net assets of the given asset item and goodwill as of 3 September 2007. In the judgement of the management there is no need to write down the goodwill.

To calculate the present value of the estimated future cash flows and the terminal value for the purpose of evaluating the value of assets of Maaleht, the average weighted cost of capital was used as the discount rate whereby the return on equity equals the rate of return expected by investors or 20%, the return on debt is the average interest on loans offered by banks, or 6% and the share of equity financing is 81.80%, which according to external valuation specialists is the expected share of equity in the media market. The applied discount rate is 17.45%. The long-term growth rate of the terminal value as perpetuity equals moderate long-term economic growth or 3% per annum.

The basis for preparing the purchase price allocation was the carrying amounts of the assets and liabilities of AS Maaleht as of 30 September 2007 which were adjusted for the differences in customer receivables and inventories as compared to their fair values. The value of land and real estate properties included within non-current assets was not adjusted due to its insignificant effect on the revaluation of goodwill. The value of the trademark “Maaleht” was found under the royalty rate method. Management estimates that the company’s royalty rate is 4% of the revenue derived from the trademark as compared to the royalty rates of other well-known trademarks presented in the international databases are in the range of 5-20% and considering the trademark’s familiarity and its limitation to the Estonian market. The trademark’s revenue equals the total sales revenue of AS Maaleht because the trademark “Maaleht” participates in the generation of revenue of the whole company. Management forecasts that the average sales revenue growth will be 15% per annum which is primarily generated from advertising. The share of trademark protection and marketing expenses in the sales revenue is 2.27% in 2007. Management estimates that the marketing expenses in the upcoming years will stay at the same level or at 2.25% of the sales revenue. The present value of the estimated future cash flows of the difference between the theoretical payments of royalty fees and the marketing expenses was calculated to determine the fair value of the trademark. The fair value of “Maaleht” was determined to be EEK 11.3 million (EUR 0.7 million). As a result of the purchase price allocation, the fair value of the net assets of AS Maaleht totalled EEK 25.2 million (EUR 1.6 million). Goodwill arose in the acquisition of AS Maaleht in the amount of EEK 26.9 million (EUR

Goodwill is made up of the major growth potential of advertising revenue. Management also foresees major potential with regard to the synergy of revenue and expenses with the existing operating areas of the Ekspress Group.

The date of attaining significant control by AS Ekspress Grupp and recognising it in the financial statements was 30 September 2007.

An impairment test was performed to test goodwill which arose in the acquisition of AS Maaleht as of 30 September 2007. The value-in-use method was used for the purpose of the impairment test by discounting the estimated future cash flows. To perform the test, the Company prepared realistic business forecasts for the following five years and the present value of these cash flows was determined. Sales revenue growth is forecast to be generated from advertising revenue, variable and fixed costs are forecast on the basis of the results of earlier periods and planned strategic developments. The calculations are based on real growth without any consideration for inflation. Management’s estimate of the growth rates is as follows:

sales revenue growth: 15%

growth of variable costs: 12-14%

growth of fixed costs: 7-14%

The calculation yielded a 17-32% growth rate of the free cash flows per annum over the next five-year period. As no major capital expenditures are planned over the next five years, the amounts of investments and depreciation will stay mutually balanced.

The impairment test demonstrated that the recoverable amount of the assets exceeded the fair value of the net assets transferred as of 30 September 2007. Management estimates that it is not necessary to write down goodwill. If cash flows decreased by 10% and/or the discount rate increased by 2%, goodwill based on the discounted future cash flows would not be impaired.

As of 31 December 2007 the purchase price allocation of Maaleht has been adjusted by EEK 1.5 million (EUR 0.1 million) in order to make the carrying value of inventories corresponding to its net realisable value. The adjusted value of goodwill constituted EEK 28.4 million (EUR 1.8 million) as a result of the adjustment.

For testing the goodwill of earlier acquired subsidiaries, the impairment tests were carried out for the following companies: UAB Ekspress Leidyba, OÜ Netikuulutused, OÜ Rahva Raamat, Ajakirjade Kirjastuse AS, AS Ekspress Hotline and OÜ Ekspress Internet as of 31 December 2007 and 31 December 2006. The value in use method was used in the impairment test for discounting future cash flows. In the case of each acquired business unit, business forecasts of a corresponding cash-generating unit have been made for 5 years.

Increase in sales revenue, variable and fixed costs are forecast on the basis of the results of earlier periods and the strategic developments planned in the near future. The calculations have been made on the basis of real growth, without taking into account the effect of inflation. Management's estimate on the growth rates in both years is as follows:

- increase in sales revenue: 5-20%;
- increase in variable costs: 3-10%
- increase in fixed costs: 1-15%

Since no significant growth is forecast in the amounts of non-current assets being used, the amounts of investments and depreciation remain mutually balanced.

The present value and residual value of cash flows for the next five years was found by using as discount rate the weighted average capital return rate where, based on the principle of consistency, the expected return on equity is 20%, the return on debt capital is 6% and the share of equity in financing is 35%. The long-term growth rate of perpetuity of the residual value is equal to moderate economic growth or 4% a year.

As a result of the performed impairment test it appeared that the recoverable value of assets has not decreased. In the judgement of the management there is no need to discount the goodwill.

Disposals

In February 2007 Group disposed 100% of share capital of subsidiary OÜ Õhtuleht for 100 th kroons (6 th euros)

In thousands of Estonian kroons

Note 14. Joint ventures

Company name	Ownership %	
	31.12.2007	31.12.2006
Eesti Päevalehe AS	50	50
AS SL Õhtuleht	50	50
AS Express Post	50	50
AS Ajakirjade Kirjastus	50	50
OÜ Uniservice	26	0

th EEK	Ajakirjade Kirjastuse AS	AS SL Õhtuleht	Eesti Päevalehe AS	AS Express Post	OÜ Uniservice	Total
at 31 December 2006						
Assets total	40 601	32 633	24 059	25 122	0	122 415
Liabilities total	(20 824)	(12 414)	(17 166)	(20 877)	0	(71 281)
Revenue total	99 232	69 009	66 517	24 616	0	259 374
Net profit/loss	9 613	11 948	2 972	32	0	24 565
at 31 December 2007						
Assets total	42 484	36 396	27 041	24 021	18 218	148 160
Liabilities total	(24 012)	(13 590)	(20 687)	(17 945)	(16)	(76 250)
Revenue total	114 839	78 820	87 883	36 066	0	317 608
Net profit/loss	7 787	13 239	2 058	1 831	(17)	24 898

Joint ventures condensed financials including the consolidated proportion of 50%.

Information on the group's share of the contingent liabilities related to joint ventures is presented in Note 33.

Purchase price allocations of new joint ventures acquired:

Joint venture	OÜ Uniservice	
	3.10.2007	
th EEK	Fair value	Book value
Intangible assets	338	19
Trademarks	250	0
The fair value of acquired net assets	588	19
Acquired ownership	51%	
Acquired net assets	300	
Goodwill	0	
Acquisition cost of investment	(300)	
Purchase price paid in cash	(300)	
Net cash outflow on acquisition	(300)	

In thousands of Estonian kroons

Note 15. Associated companies

th EEK	31.12.2007	31.12.2006
Carrying amount of shares of associated companies	964	17
Share of loss in associates recognized in income statement	2007	2006
Profit/(loss) from the disposal of shares of associates	(4)	0
Share of profit/(loss) of associates	996	(342)
Total profit/(loss) of associates	992	(342)

Company name	Ownership %	
	31.12.2007	31.12.2006
AS Linnaleht	25	25
UAB Medipresa	40	40
OÜ Evi Consult	0	32

Condensed financials of associated companies:

th EEK	AS Linnaleht	UAB Medipresa	OÜ Evi Consult	Total
at 31 December 2006				
Assets total	4 675	18 317	70	23 062
Liabilities total	(9 262)	(18 741)	(18)	(28 021)
Revenues total	16 786	97 476	0	114 262
Net profit/loss	(4 343)	396	0	(3 947)
at 31 December 2007				0
Assets total	5 869	23 013	0	28 882
Liabilities total	4 505	21 537	0	26 042
Revenues total	32 294	129 135	0	161 429
Net profit/loss	951	1 900	0	2 851

Disposals

In February 2007 Group disposed 100% of share capital of associated comapany EVI Consult OÜ for 4 th kroons (0.8 th euros). The effect of the disposal on the income statement was –4 th kroons (-0.3 th euros).

In thousands of Estonian kroons

Note 16. Investment property

th EEK	2007	2006
Investment properties as at 1 January	4 123	1 251
Disposals	0	1 251
Reclassification (note 17)	0	4 547
Depreciation	(391)	(424)
Investment properties as at 31 December		
Acquisition cost	7 820	7 820
Accumulated depreciation	(4 088)	(3 697)
Book value	3 732	4 123

Tulud ja kulud

th EEK	31.12.2007	31.12.2006
Rental income	769	863
Administrative costs	(253)	(735)
Net income	516	128

Fair value has not been assessed by a professional valuer on the balance sheet date. In the judgement of the management the fair value of investment properties is not substantially different from their carrying amount.

Note 17. Property, plant and equipment

th EEK	Land	Buildings	Plant and equipment	Other equipment	Unfinished buildings and prepayments	Fixed assets total
Balance at 31 December 2005						
Acquisition cost	8 632	122 015	220 191	43 907	37	394 782
Accumulated depreciation	0	(9 649)	(56 837)	(31 388)	0	(97 874)
Book value	8 632	112 366	163 354	12 519	37	296 908
Acquisitions and improvements	0	5 443	18 434	7 412	248	31 537
Disposals (at book value)	(42)	(6 912)	(61)	(586)	0	(7 601)
Write-offs (at book value)	0	0	0	(8)	0	(8)
Reclassification (note 16)	0	(4 548)	37	0	(37)	(4 548)
Disposals through business combinations	0	0	0	(626)	0	(626)
Depreciation and impairment	0	(4 224)	(15 772)	(6 456)	0	(26 452)
Balance at 31 December 2006						
Acquisition cost	8 590	113 171	238 487	47 354	248	407 850
Accumulated depreciation	0	(11 046)	(72 495)	(35 099)	0	(118 640)
Book value	8 590	102 125	165 992	12 255	248	289 210
Acquisitions and improvements	127	306	81 782	17 568	38 932	138 715
Disposals (at book value)	(133)	(1 521)	(144)	(69)	0	(1 867)
Write-offs (at book value)	0	0	(8)	(57)	0	(65)
Reclassification	0	50	203	592	(767)	78
Acquired through business combinations	114	273	6 269	3 683	0	10 339
Depreciation and impairment	0	(4 171)	(19 132)	(8 227)	0	(31 530)
Balance at 31 December 2007						
Acquisition cost	8 698	112 023	324 965	62 339	38 413	546 438
Accumulated depreciation	0	(14 961)	(90 003)	(36 594)	0	(141 558)
Book value	8 698	97 062	234 962	25 745	38 413	404 880

In thousands of Estonian kroons

Information on pledged property, plant and equipment is presented in Note 20

Disclosures on non-current assets leased under the finance lease terms are presented in Note 21.

Of the prepayments for items of property, plant and equipment in the total amount of 38.4 million kroons (2.5 million euros), 18.9 million kroons (1.2 million euros) constitutes the prepayment for the sizing machine; 11.3 million kroons (0.7 million euros) the prepayment for the wire stitching machine and 7.1 million kroons (0.5 million euros) the prepayment for the laminating machine. All the aforementioned machines have been acquired by AS Printall, subsidiary of the Group.

Note 18. Intangible assets

th EEK	Good-will	Trade-marks	Develop-ment	Client relation-ship	Compu-ter software	Prepay-ments	Total intangible assets
Balance at 31 December 2005							
Acquisition cost	67 018	35 456	0	0	18 012	43	120 529
Accumulated depreciation	0	(1 513)	0	0	(12 881)	0	(14 394)
Book value	67 018	33 943	0	0	5 131	43	106 135
Acquisitions and improvements	32 452	0	0	0	3 364	1 030	36 846
Disposals (at book value)	0	0	0	0	(220)	0	(220)
Write-offs (at book value)	0	0	0	0	(1)	0	(1)
Reclassification	0	0	0	0	(17)	(37)	(54)
Disposals through business combination	0	0	0	0	(150)	0	(150)
Depreciation and impairment	0	(1 714)	0	0	(2 561)	0	(4 275)
Balance at 31 December 2006							
Acquisition cost	99 470	35 456	0	0	20 860	1 036	156 822
Accumulated depreciation	0	(3 227)	0	0	(15 314)	0	(18 541)
Book value	99 470	32 229	0	0	5 546	1 036	138 281
Acquisitions and improvements	0	5 982	2 427	0	3 993	2 094	14 496
Disposals (at book value)	0	0	0	0	(3)	0	(3)
Write-offs (at book value)	(128)	(45)	0	0	(3)	0	(176)
Reclassification	0	0	0	0	(12)	0	(12)
Acquired through business combination	703 286	133 587	1 695	33 108	6 741	308	878 725
Amortization and impairment	0	(2 774)	(70)	(1 655)	(3 392)	0	(7 891)
Balance at 31 December 2007							
Acquisition cost	802 628	174 979	4 189	33 108	30 385	3 438	1 048 727
Accumulated amortization	0	(6 001)	(137)	(1 655)	(17 515)	0	(25 308)
Book value	802 628	168 978	4 052	31 453	12 870	3 438	1 023 419

See also Note 13 for the information on the intangible assets acquired through the business combinations in 2007.

Information on pledged property, plant and equipment is presented in Note 20

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In thousands of Estonian kroons

Goodwill by Group companies

th EEK	31.12.2007	31.12.2006
Delfi AS (Eesti)	246 276	0
Delfi AS (Läti)	232 756	0
Delfi UAB	195 841	0
Netikuulutused OÜ	1 181	1 181
Eesti Ekspressi Kirjastuse AS	1 100	1 228
AS Ajakirjade Kirjastus	7 128	7 128
UAB Ekspress Leidyba	14 091	14 091
AS Maaleht	28 413	0
Rahva Raamat AS	7 881	7 881
Ekspress Hotline AS	67 961	67 961
Goodwill total	802 628	99 470

Note 19. Trade and other payables

th EEK	31.12.2007	31.12.2006
Trade payables	76 721	69 346
Payables to employees	37 421	22 849
Taxes payable (Note 9)	27 589	18 635
Deferred income*	67 662	48 637
Payables to associates	9	181
Payables to joint ventures	17 179	16 173
Trade payables	2 429	1 423
Loans received**	14 750	14 750
Accrued interest	1 393	451
Loans received from related party***	0	5 400
Other accrued liabilities	12 729	5 460
Trade and other payables total	240 703	187 132

* 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

** Printall (Borrower) Loan Agreement with Ajakirjade Kirjastus in the amount of 15 500 th kroons (991 th euros). In the balance sheet the loan amounted as at 31.12.2007 and 31.12.2006: 7 750 th kroons (495 th euros). Loan matures in 2008 and interest rate is 4%.

** Printall (Borrower) Loan Agreement with AS SL Õhtulehe in the amount of 14 000 th. kroons (895 th. euros). In the balance sheet the loan amounted as at 31.12.2007 ja 31.12.2006: 7 000 th kroons (447 th euros). Loan matures in 2008 and interest rate is 4%.

*** Loan received from related party is a loan from OÜ Minigert in the amount of 5 400 th kroons (345 th euros), interest 6-months EURIBOR + 1,2% per annum. The loan was repaid on 31 august 2007.

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In thousands of Estonian kroons

Note 20. Bank loans and borrowings

th EEK	Total amount	Repayment term			Interest rate
		up to 1 year	1 to 5 years	over 5 years	
Balance at 31.12.2006					
Bank overdraft	66 208	66 208	0	0	3,70%
Long-term bank loans	52 838	7 459	45 379	0	4,20%
Finance lease (note 21)	94 826	21 359	72 515	952	4,20%
Total	213 872	95 026	117 894	952	
Balance at 31.12.2007					
Bank overdraft	79 060	79 060	0	0	6,20%
Long-term bank loans	692 773	86 126	593 915	12 732	5,05%
Finance lease (note 21)	168 765	33 827	114 587	20 351	5,05%
Total	940 598	199 013	708 502	33 083	

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

- a loan agreement has been concluded between the syndicate of SEB, Sampo Bank and Nordea Bank and Ekspress Group on 28 August 2007 in the amount of 674.4 million kroons (43.1 million euros) for purchasing Delfi Group and Maaleht. The loan repayment date is 25.12.2012, the loan interest is 1.7% + 6 month EURIBOR. The loan is secured:
- with a mortgage on the registered immovable located at Peterburi Rd 64A in the mortgage amount of 40 000 thousand kroons (2 556 thousand euros);
- with a pledge on the shares of Delfi Estonia, Delfi Latvia, Delfi Lithuania, Maaleht, Eesti Ekspress Kirjastus and Ekspress Hotline, and with the guarantee of the said subsidiaries in the total amount of 43 100 thousand kroons (2 755 thousand euros);
- with a combined pledge in the amount of 4 000 thousand kroons (255 thousand euros) on the following trademarks: Eesti Ekspress, Ekspress Hotline, Delfi and Maaleht.
- with an agreement with Hans Luik for the maintenance of a shareholding (direct and indirect) of at least 51 % in Ekspress Group.

According to the conditions of the loan agreement, the borrower must comply with the levels established for certain financial ratios, such as net interest-bearing borrowings /EBITDA, EBITDA/ interest and principal payments related to interest-bearing borrowings and equity /balance sheet total. As of 31.12.2007, the financial ratios of the Group complied with the established level.
As of 31.12.2007, the outstanding loan balance was 624.9 million kroons (39.9 million euros).

- Ekspress Group (Borrower) Overdraft Agreement in the amount of 49 000 th kroons (3 132 th euros) credit limit in Sampo Pank in 31.12.2007, balance was 36 307 th kroons (2 320 th. euros) , with maturity in March 2008, secured by surety granted by Hans Luik

- Ekspress Group and the Companies, Printall, Eesti Ekspress, Rahva Raamat (Borrower) Overdraft Agreement in the amount of 45 000 th kroons (2 876 th euros) credit limit in SEB in 31.12.2007, balance was 42 753 th kroons (2 732 th euros) , with maturity in March 2008, secured by the debtors with joint and several liability.

- The loan agreement of Printall (borrower) with Sampo Bank in the amount of 75 000 thousand. kroons (4 793 thousand euros), with the term of 15.12.2013, is secured with a mortgage in the amount of 100 million kroons (6.4 million euros) on registered immovable property located at Peterburi Rd 64A, Tallinn (carrying amount as of 31.12.2007: 76 143 thousand. kroons (4 866 thousand euros), 31.12.2006: 79 088 thousand kroons (5 055 thousand euros)), also a commercial pledge on the assets of the company in the amount of 50 million kroons. The outstanding loan balance as of 31.12.2007: 67 823 thousand kroons (4 335 thousand euros). Loan and financial lease agreements contain among other things certain conditions for ratios of the company with which the financial indicators of the company must comply. As of the balance sheet date, all the ratios were in compliance with the conditions established by the financial institutions.

In thousands of Estonian kroons

- 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 EEK	Interest rate	2007	2006
Finance lease 6 months or less	6 months euribor +1,2%	168 765	94 825
Long-term bank loans 6 months or less	6 months euribor + 1,7%	692 773	52 839

Note 21. Finance lease

Finance lease – the Group as the lessee

th EEK	Plant and machinery
Balance at 31.12.2006	
Acquisition cost	174 966
Accumulated depreciation	(27 768)
Net book amount	147 198
Balance at 31.12.2007	
Acquisition cost	244 905
Accumulated depreciation	(38 475)
Net book amount	206 430

The information about finance lease liabilities is presented in note 20.

th EEK	2007	2006
At 31 December	168 765	94 826
Principal payments during the financial year	22 345	19 298
Interest expenses during the financial year	4 772	3 958
Average annual interest rate	5,32%	3,94%

th EEK	2007	2006
Finance lease liabilities – minimum lease payments:		
No later than 1 year	41 400	25 363
Later than 1 year and no later than 5 years	127 828	76 875
Later than 5 years	20 994	1 012
Total	190 222	103 250
Future finance charges on finance leases	(21 457)	(8 424)
Present value of finance lease liabilities	168 765	94 825
The present value of finance lease liabilities is as follows:		
No later than 1 year	33 827	21 359
Later than 1 year and no later than 5 years	114 587	72 515
Later than 5 years	20 351	952
Total	168 765	94 826

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Note 22. Operating lease

Group as the lessee

th EEK	2007	2006
Total operating lease payments expensed	19 286	14 100
Facilities	16 175	10 569
Motor vehicles	3 111	3 531
Future minimum lease payments under non-cancellable operating leases	23 601	15 989
Less than one year	13 377	7 177
Between one and five years	10 224	8812

Note 23. Segment reporting

Information by segments

Business Segment by Area of Operations – Primary Segment

In 2007, 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:

Online media: administration of online classified portals, intermediation of internet advertising services. This segment is represented by the group companies AS Delfi, AS Delfi (Latvia), UAB Delfi (Lithuania), OÜ Ekspress Internet, OÜ Netikuulutused

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, AS Maaleht

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

Book sales revenue: retail and wholesale of books. This segment is represented by Group company AS Rahva Raamat

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 Estonian kroons

2006 th EEK	Online media	Periodicals	Printing services	Book sales	Infor-mation services	Unallocated	Elimina-tions	Group total
Sales to external customers	5 401	417 484	286 755	157 962	62 879	380	0	930 861
Inter-segment sales	100	9 916	54 752	36	42	972	(65 818)	0
Total gross segment sales	5 501	427 400	341 507	157 998	62 921	1 352	(65 818)	930 861
Cost of sales	3 937	302 551	280 995	146 003	20 577	470	(62 695)	691 838
Gross profit	1 564	124 849	60 512	11 995	42 344	882	(3 123)	239 023
Depreciation, amortisation and impairment of PPE and intangible assets (Note 17,18,19)	92	7 806	19 106	1 645	2 161	305	0	31 115
Segment result	(408)	52 289	47 363	4 633	9 057	(6 422)	(2 058)	104 454
Financial cost - net								(5 766)
Share of loss of associates (Note 15)		(342)						(342)
Profit before income tax								98 346
Income tax expense								(4 204)
Profit for the year								94 142
Attributable to:								
Equity holders of the Parent								92 165
Minority interest								1 977
Segment assets	3 901	180 122	309 569	34 991	112 528	25 229	0	666 340
Investment in associates						17		17
Total assets	3 901	180 122	309 569	34 991	112 528	25 246	0	666 357
Segment liabilities	1 042	88 700	189 931	25 494	21 528	74 392	0	401 087
Consolidated liabilities total	1 042	88 700	189 931	25 494	21 528	74 392	0	401 087
Capital expenditure	1 270	12 718	20 586	1 363	31 751	695	0	68 383

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In thousands of Estonian kroons

2007 th EEK	Online media	Periodicals	Printing services	Book sales	Infor-mation services	Unallocated	Elimina-tions	Group total
Sales to external customers	58 024	512 887	324 681	187 610	66 271	489	0	1 149 962
Inter-segment sales	446	18 073	61 106	190	79	1 520	(81 414)	0
Total gross segment sales	58 470	530 960	385 787	187 800	66 350	2 009	(81 414)	1 149 962
Cost of sales	26 551	386 180	320 162	172 228	25 436	477	(931 034)	0
Gross profit	31 919	144 780	65 625	15 572	40 914	1 532	849 620	1 149 962
Depreciation, amortization and impairment of PPE and intangible assets (Note 17,18,19)	4 444	8 912	21 401	2 583	2 087	387	0	39 814
Segment result	14 978	53 374	51 516	6 067	7 315	11 074	(24 865)	119 459
Financial cost - net								(21 171)
Share of loss of associates (Note 15)		996						996
Profit before income tax								99 284
Income tax expense								(7 174)
Profit for the year								92 110
Attributable to:								
Equity holders of the Parent								91 671
Minority interest								439
Segment assets	909 838	245 863	416 336	51 507	111 784	15 938	0	1 751 267
Investment in associates		964					0	964
Total assets	909 838	246 827	416 336	51 507	111 784	15 938	0	1 752 231
Segment liabilities	648 059	112 923	284 073	30 131	23 964	82 238	0	1 181 389
Consolidated liabilities total	648 059	112 923	284 073	30 131	23 964	82 238	0	1 181 389
Capital expenditure	802 991	45 092	118 946	7 591	2 950	1 205	0	978 775

Capital expenditure comprises additions to property, plant and equipment (note 17) and intangible assets (note 18), including additions resulting from acquisitions through business combinations (note 13).

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 arise from the holding activities of group companies.

In thousands of Estonian kroons

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, Latvia, Lithuania and Romania. As the markets do not generate significantly different risks and returns and they exhibit similar long-term financial performance, these four segments are combined. The share of group's revenues in Lithuania is less than 5% and in Latvia is less than 2%. There are no material inter-segment transactions or unallocated assets. In 2006 the share of group's revenues in Lithuania was same. There was no activities in Latvia and in Romania.

Note 24. Net sales

th EEK	2007	2006
Sale by activities		
Advertising revenue	306 931	215 702
including barter	7 385	4 653
Single-copy sales revenue, net	87 282	72 904
Subscriptions' revenue	117 160	97 795
Book sales revenue	211 470	174 737
Printing services' and paper sales	330 137	293 311
Other revenues	96 982	76 412
Revenue total	1 149 962	930 861
Revenues from sale by geographical regions		
Estonia	874 611	723 838
Russia	63 381	70 861
Lithuania	88 150	55 093
Scandinavia and Finland	86 168	68 416
Latvia	23 865	4 113
Other Europe	13 555	8 494
Canada	232	46
Total	1 149 962	930 861

EMTAK	Sale by activities	2007	2006
73121	Advertising revenue	306 931	215 702
18111	Newspaper printing	32 783	37 461
18122	Magazine printing	297 354	255 850
58131	Newspaper publishing	114 448	94 387
58141	Magazine publishing	89 994	76 312
47611	Book retail sale	105 265	87 962
46491	Book wholesale	106 205	86 774
82201	Call centre services	40 849	39 787
82991	Other business	56 133	36 626
	Total	1 149 962	930 861

In thousands of Estonian kroons

Note 25. Cost of sales

th EEK	2007	2006
Raw materials and consumables used	421 424	362 463
Services purchased	121 287	104 846
Salaries and social taxes	243 777	171 583
Depreciation, amortization and impairment	27 879	23 950
Rental expenses	5 360	396
Other expenses	34 687	28 600
Total	854 414	691 838

Note 26. Distribution costs

th EEK	2007	2006
Marketing	36 691	30 120
Salaries and social taxes	11 727	9 220
Rental expenses	227	143
Depreciation, amortization and impairment	88	58
Total	48 733	39 541

Note 27. Administrative expenses

th EEK	2007	2006
Raw materials and consumables used	5 776	4 324
Repairs and maintenance	11 017	7 793
Communication expenses	5 824	4 891
Rental expenses	14 278	13 561
Services purchased	25 935	18 889
Salaries and social taxes	59 296	49 937
Depreciation, amortization and impairment	11 846	7 110
Total overheads	133 972	106 505

Note 28. Other income and expenses

Other income

th EEK	2007	2006
Profit from sale and writeoffs of PPE	4 410	2 808
Excess of fair value of net assets acquired over cost	41	4 685
Fines and penalties received	193	168
Interest income from loans	3 060	1 979
Currency exchange income	0	4
Other income	4 381	6 612
Total	12 085	16 256

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In thousands of Estonian kroons

Other expenses

th EEK	2007	2006
Losses from sale and writeoffs of PPE	241	853
Currency exchange losses	206	191
Fines and penalties paid	247	163
Other expenses	4 775	3 572
Total	5 469	4 779

Other operating expenses comprise of costs not related to the main activities of the companies and created not regularly during the business activities, including costs related to investments in subsidiary AS Printall in the amount of 1 544 thousand kroons, membership fees and other costs.

Note 29. Finance costs

th EEK	2007	2006
Interest income	3 465	716
Interest expenses	(24 569)	(10 798)
Currency exchange gains	176	59
Currency exchange loss	(142)	(35)
Other financial income	3 552	5 559
Other financial expenses	(3 653)	(1 267)
Financial income/expenses total	(21 171)	(5 766)

Note 30. Expenses by nature

th EEK	2007	2006
Depreciation, amortization and impairment	39 813	31 118
Salaries and social taxes	314 800	230 740
Raw materials and consumables used	427 200	366 787
Rental expenses	19 865	14 100
Services purchased	147 222	123 735
Marketing	36 691	30 120
Repairs and maintenance	11 017	7 793
Communication expenses	5 824	4 891
Other expenses	34 687	28 600
Total cost of sales, distribution and administrative expenses	1 037 119	837 884
Average number of employees	2 274	1 877

Note 31. Equity

Change in the share capital in 2006 and 2007

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 2 216 th kroons(414.6 th euros) to 115 232 th kroons(7 365 th euros) by issuing 11 301 600 new shares with the nominal value of 10 kroons(0.6 euros) 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 registered in the Commercial Register on 12 September 2006.

In thousands of Estonian kroons

On 15 September 2006 the General Meeting of Shareholders of the Company resolved to increase the share capital of the Company from 115 232 th kroons(7 365 th euros) to 165 232 th kroons (10 560 th euros) by issuing 5 000 000 new Shares with the nominal value of 10 kroons(0.6 euros) each. The new shares were issued to Mr. Hans Luik. The subscription price of the shares was their nominal value, i.e. 10 kroons (0.6 euros) per each share. The shares were paid for with a non-monetary contribution, the object of which was the 50 per cent shareholding in Ekspress Hotline. The increase of the share capital was registered in the Commercial Register on 29 November 2006.

Following the described share capital increases, the share capital of the Company is 165 232 th kroons (10 560 th euros), divided into 16 523 200 shares with the nominal value of 10 kroons (0.6 euros) each.

Authorised maximum number of shares according to the Articles of Association is 40 000 000 shares and maximum share capital is 400 000 000 kroons (25 564 659 euros).

The following table present the holdings of the shareholders as at 31.12.2006

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

On 05 April 2007, the company's share capital was increased via an initial public offering of shares by 24 479 th kroons (1 564 th euros) by issuing 2 447 881 new Shares with the nominal value of 10 kroons (0.6 euros) each. The new shares were subscribed during the initial public offering of the company's shares at Tallinn Stock Exchange where the final offer price was set at 92.30 kroons (5.90 euros). Thus, after the deduction of the issue costs 17 996 th kroons (1 148 th euros), the company recognised a share premium of 183 495 th kroons (11 727 th euros).

Following the share capital increases, the share capital of the Company is 189 711 th kroons (12 124.7 th euros), divided into 18 971 081 shares with the nominal value of 10 kroons (0.6 euros) each.
Authorised maximum share capital according to the Articles of Association is 400 000 000 kroons (25 564 659 euros).

The information given in the table is calculated on the basis of shareholdings as at the date of 31.12.2007

Name	Number of shares	%
Skandinaviska Enskilda Banken AB Clients	1 320 522	6,96%
Members of Management and Supervisory Boards and their immediate family members		
Hans Luik	10 766 800	56,79%
Hans Luik, OÜ HHL Rühm	1 909 444	10,07%
Hans Luik , OÜ Minigert	6 900	0,00%
Hans Luik, Selle Luik	76	0,00%
Priit Leito	49 997	0,26%
Viktor Mahhov, OÜ Integer Management Services	33 910	0,18%
Härmo Värk, Holderstone OÜ	10 000	0,05%
Kaido Ulejev	8 471	0,00%
Other minority shareholders	4 864 961	25,69%
Total	18 971 081	100%

In thousands of Estonian kroons

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 shareholders 10 000 th kroons (638 th euros) and transaction costs reserve – 4 721 th kroons (302 th euros), which in 2007 was transferred to reduce the share premium.
- Share premium – the positive difference between the issue price and nominal value of issued shares (issue premium).

Reserve allocation

th EEK	31.12.2007	31.12.2006
Share premium	183 495	0
Statutory legal reserve	222	222
Other reserves	10 000	5 279
Additional payments in cash from shareholders	10 000	10 000
Transaction costs reserve	0	(4 721)

Earnings per share

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

EEK	2007	2006
Profit attributable to equity holders of the Parent Company	91 670 468	92 164 049
The average number of ordinary shares	18 333 961	12 981 533
Basic and diluted earnings per share	5,00	7,10

In view of the fact that the Group has not dilutive potential ordinary shares at the end of 2007 and 2006 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.

05.04.2007 Issue of 2 447 881 new shares. As a result the number of ordinary shares increased to 18 971 081 and the weighted average for 2007 is 18 333 961 shares.

See Note 35 for the information on description of events after the balance sheet date which would have influenced the number of shares to be potentially issued.

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 43 599 th EEK (2 786 th. euros).

In 2006 Group decided to reverse dividends receivable from subsidiary, AS Ekspress Hotline, in the amount of 1 939 th EEK (124 th. euros). Reversed dividends were transferred to retained earnings. Related income tax liability was accounted as deduction of current year income tax in the income statement (Note 9).

In 2007, joint ventures AS Ajakirjade Kirjastus and AS SL Õhtuleht paid the parent company AS Ekspress Grupp dividends in the amount of 19 801 th kroons (1 266 th euros) and in 2006 17 927 thousand kroons (1 146 th euros). In 2007, the income tax on paid dividends was paid in the amount of 5 585 th kroons (357 th euros) and in 2006, 5 632 th kroons (343 th euros).

Note 32. Contingent liabilities

Contingent income tax liability:

The consolidated retained earnings of Group as at 31 December 2007 amounted to 185 981 thousand kroons(11 886 th euros) (31 December 2006: 94 310 th kroons (6 207.5 euros)). As from 1 January 2008 income tax of 21/79 of net dividend paid (up to 31 December 2007: 22/78) is imposed on the profit distributed as dividends. Thus, the retained earnings as at 31 December 2007 that can be paid out as dividends to the shareholders, amount to 146 925 thousand kroons (9 390.2 th euros) and the corresponding income tax would amount to 39 056 thousand kroons (2 496 th euros), as the joint ventures have paid 34 845 thousand kroons.. As at 31 December 2006 it would have been possible to pay out dividends to the shareholders in the amount of 73 562 thousand kroons (4 701 th euros) and the corresponding income tax would have amounted to 20 748 thousand kroons (1 326 th 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 2006-2007. The management believes that there are no any circumstances which may lead the tax authorities to impose significant additional taxes on the group companies.

Contingent liabilities arising from pending court case

A contingent liability is related to the action of V. Leedo to be again heard in the court of first instance on 05.06.2008 against the Group's subsidiary AS Delfi in the claim for compensation for non-patrimonial damage in the fair value at the discretion of the court. In the judgement of V. Leedo, he was caused non- patrimonial damage in connection with the text published in the Internet comments of Delfi and Leedo considers Delfi to be liable for them. In the judgement of the management there is no reason to assume that the payment of a substantial compensation would be ordered by court in the given court case. Therefore, the Group has not recognised the provision. The court judgement is relevant for the Group, as it would indicate whether Delfi should limit in the future in Estonia the publication of information on social issues not censored previously.

In thousands of Estonian kroons

Note 33. Related party transactions

Transactions with related parties are transactions with parent company, shareholders, associates, unconsolidated subsidiaries, key management, management board, supervisory board, their immediate family members and the companies under their control or significant influence.
The ultimate controlling individual of AS Ekspress Grupp is Hans Luik (note 31)

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

Related party transactions

th EEK	2007	2006
Sales		
Sale of fixed assets	5 885	0
members of supervisory boards and companies related to them	5 885	0
Sale of goods	29 047	24 947
associated companies	28 584	24 947
members of supervisory boards and companies related to them	463	0
Sale of goods	11 550	10 691
members of management boards and companies related to them	2	13
members of supervisory boards and companies related to them	514	222
associated companies	11 034	10 456
Sales total	46 482	35 638

th EEK	2007	2006
Purchases		
Purchase of goods	1 086	307
associated companies	1 086	307
Purchase of services	6 411	4 414
members of management boards and companies related to them	752	1 789
members of supervisory boards and companies related to them	5 624	1 193
associated companies	35	1 432
Purchases total	7 497	4 721

Receivables

th EEK	31.12.2007	31.12.2006
Short-term receivables	13 865	10 641
members of management boards and companies related to them	1	0
members of supervisory boards and companies related to them	8 171	4 636
associated companies	5 694	6 005
Long-term receivables	5 439	9 324
members of supervisory boards and companies related to them	5 439	9 324
Receivable total	19 304	19 965

Liabilities

th EEK	31.12.2007	31.12.2006
Short-term payables		
members of management boards and companies related to them	72	68
members of supervisory boards and companies related to them	442	5 400
associated companies	4	181
Liabilities total	518	5 649

AS Ekspress Grupp (Lender) and OÜ ZinZin have concluded a Loan Agreement in 31 August 2007 in the amount of 879.5 million kroons (56,2 million euros) for the acquisition of Delfi Group. Loan matures in 2027, interest rate is 1.7% + 6 month EURIBOR.

In thousands of Estonian kroons

The Management Board of the Parent company consists of 3 members. The Supervisory Board of the parent company elected on 10 October 2007 the CFO Anne Kallas to the Management Board from 17 October 2007. Kaido Ulejev, the development manager of AS Ekspress Grupp was elected as a member of the Management Board at the supervisory board meeting held on 7 December 2007.

The Supervisory Board of the Parent company includes 6 members. On 30 May 2007 the general meeting elected Harri Helmer Roschier to the Supervisory Board of the Parent company.
The general meeting held on 31 August 2007 resolved to designate for the chairman of the supervisory board Viktor Mahhov a fee for a member of the supervisory board in the amount of EEK 15 000 per month as from 1 September 2007. No other reimbursements were received by the members of the Supervisory Board in 2007 and 2006.

Key management and supervisory board remuneration

th EEK	2007	2006
Salaries and other short-term employee benefits (paid)	14 291	12 599
Total	14 291	12 599

Member of the Management Board is entitled to compensation at the termination of his contract.
The key management terminations benefits are obligations only in case of termination of contracts is originated by Group. If a member of the Management Board is recalled without a good reason, the member will be paid compensation for termination of the contract and the cost will be recognised on an accrual basis. Upon termination of employment relationship, no compensation will be paid if a member of the Management Board leaves at his or her initiative or if a member of the Management Board is removed by the Supervisory Board with a good reason. Potential key management termination benefits in 2007 is 5 132 th kroons (328 th euros) and 2006 was 2 700 th kroons (173 th euros).

Transactions with related parties have been carried out at arms' length conditions according to management.

Note 34. Going concern

As of 31 December 2007, the current liabilities of the Group exceeded the current assets 134 million kroons (8.6 million euros), which is caused by the current portion of the mainly increased long-term loan obligation. The financial statements of the Group have been prepared on the basis that the Group continues as a going concern, because in the judgement of the management the negative working capital does not cause any financial difficulties to the Group as of the balance sheet date.

In 2008, the current capital is financed from the cash flow generated by the Group and the overdraft of SEB, Sampo Bank and Nordea Bank. Neither does Ekspress Group pay dividends to shareholders for the financial year of 2007.

Note 35. Post-balance-sheet events

On the special general meeting of shareholders held on 21 January, it was decided to add a provision to the articles of association of AS Ekspress Grupp which grants the Supervisory Board the right to increase the share capital of the Company in the period from 22.01.2008 to 21.01.2011 with up to 470 000 shares. That right will be exercised in the case if new shares are issued to the key management of the Group and its subsidiaries approved by the Supervisory Board on 11 March 2008 for conducting the share option programme. According to the share option programme approved by the Supervisory Board, Ekspress Group will issue up to 470 000 options, while the number of options granted to one person is a maximum of 100 000. Each option grants at exercise date the right to one share. The share option will be exercised in the first half year of 2009, 2010 and 2011 each year accordingly 1/3 of the volume determined to the entitled person. The number of shares to be issued annually under the option programme comprises 0.8% of the total number of shares. If the option programme would have occurred immediately before the balance sheet date, the impact on the potential annual average number of shares would have been lower than 0.01%.

As of preparation of the report, AS Ekspress Grupp has commenced negotiations with AS Eesti Post in connection with the proposal made by AS Eesti Post to transfer the shareholding in AS Express Post. Negotiations are held with AS Eesti Meedia, co-shareholder of AS Express Post. If an agreement is reached in all additional conditions, the transaction can be concluded in the first half-year of 2008. The consent of the Competition Board is also necessary for conclusion of the transaction. Since it is not a significant transfer, the parties have agreed that the price of the transaction will not be disclosed.

On 3 March 2008 an amendment to the overdraft agreement between Ekspress Grupp and AS Sampo Pank has been made, under which the new overdraft amount is 20 million kroons (1.28 million euros). The interest rate of overdraft agreement is 6% and the maturity date of the loan is 31.03.2009 according to the amendment to the overdraft agreement concluded on 31 March 2008.

A loan agreement was concluded on 3 March 2008 between AS Ekspress Grupp and HHL Rühm OÜ in the amount of 30 million kroons (1.9 million euros). The interest rate of the loan is 6% and the maturity date is 3.05.2008.

According to the overdraft agreement concluded on 30 March between AS Ekspress Grupp and AS SEB Pank, the new overdraft limit is 1.28 million euros (20 million kroons). The interest rate of overdraft is 6% and the maturity date of the loan is 31.03.2009.

On 31 March 2008 an overdraft agreement was concluded between AS Ekspress Grupp and Nordea Bank Finland Plc Estonian branch with the limit of 1.28 million euros (20 million kroons). The interest rate of overdraft is 6% and the loan maturity date is 31.03.2009.

The overdraft agreements concluded with Sampo, SEB and Nordea banks have been secured by the surety issued by Hans Luik. The corresponding contract of suretyship was concluded on 1 April 2008.

A share purchase and sale contract of OÜ Netikuulutused has been concluded on 31 March 2008 between Eesti Päevaleht AS and Eesti Ekspress Kirjastus AS belonging to Ekspress Group. As a result of the transaction, Eesti Päevaleht AS is the sole shareholder of OÜ Netikuulutused.

In thousands of Estonian kroons

Note 36. Financial information on the parent company

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

Balance sheet AS Ekspress Grupp (parent company)

Th EEK	31.12.2007	31.12.2006
ASSETS		
Current assets		
Cash on hand and in banks	29	41
Other financial assets at fair value through profit or loss	0	585
Trade receivables	506	223
Prepaid taxes	0	262
Other receivables	86 017	15 743
Prepayments	349	203
Total trade and other receivables	86 872	16 431
Inventories	0	20
Total	86 901	17 077
Total current assets	86 901	17 077
Non-current assets		
Long-term financial investments	8 539	8 199
Shares of subsidiaries	302 676	253 591
Loans to subsidiaries	823 221	0
Shares of joint ventures	48 461	48 461
Shares of associated companies	0	13
Property, plant and equipment	1 709	946
Intangible assets	897	916
Total non-current assets	1 185 503	312 126
TOTAL ASSETS	1 272 404	329 203
SHAREHOLDERS EQUITY AND LIABILITIES		
Liabilities		
Borrowings	155 225	66 208
Trade and other payables		
Trade payables	613	1 079
Payroll accrued liabilities	804	1 432
Taxes payable	809	273
Other accrued liabilities	266 272	173 401
Total trade and other payables	268 498	176 185
Total current liabilities	423 723	242 393
Borrowings	548 785	0
Total non-current liabilities	548 785	0
Total liabilities	972 508	242 393
Equity		
Share capital	189 711	165 232
Share premium	183 495	0
Statutory legal reserves	222	222
Other reserves	10 000	5 279
Retained earnings	(83 532)	(83 923)
Total equity	299 896	86 810
SHAREHOLDERS EQUITY AND LIABILITIES TOTAL	1 272 404	329 203

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In thousands of Estonian kroons

Income statement AS Ekspress Grupp (parent company)

Th EEK	2007	2006
Net sales	2 009	1 352
Costs of goods sold	467	470
Gross margin	1 542	882
Distribution costs	309	86
Administrative expenses	10 987	8 642
Other income	21 505	1 433
Other expenses	96	16
Operating profit	11 655	(6 429)
Finance costs		
Shares of income of subsidiary	(9 765)	(7 612)
Shares of income of joint ventures	19 801	17 927
Share of loss of associates	0	(3 911)
Interest expenses	(23 247)	(4 605)
Currency exchange losses	(54)	(11)
Other financial income / expenses	2 001	4 597
Total finance costs	(11 264)	6 385
Net income before taxes	391	(44)
PROFIT FOR THE YEAR	391	(44)

In thousands of Estonian kroons

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

th EEK	Attributable to equity holders of the Group				
	Share capital	Share premium	Reserves	Retained earnings	Total equity
Balance at 31 December 2005	2 216	21 285	10 222	51 452	85 175
Profit for the year	0	0	0	(44)	(44)
Net income (expense) recognized in equity	0	0	0	(44)	(44)
Dividends paid	0	0	0	(43 600)	(43 600)
Share capital increase	50 000	0	0	0	50 000
Bonus issue to share capital	113 016	(21 285)	0	(91 731)	0
Transaction costs	0	0	(4 721)	0	(4 721)
Total changes	163 016	(21 285)	(4 721)	(135 331)	1 679
Balance at 31 December 2006	165 232	0	5 501	(83 923)	86 810
Book value of holdings under control or significant influence					(302 052)
Value of holdings under control or significant influence, calculated under equity method					480 285
Adjusted unconsolidated equity as of 31.12.2006					265 043
Profit for the year	0	0	0	391	391
Net income (expense) recognized in equity	0	0	0	391	391
Share capital increase	24 479	188 216	0	0	212 695
Transaction costs	0	(4 721)	4 721	0	0
Total changes	24 479	183 495	4 721	0	212 695
Balance at 31.detsember 2007	189 711	183 495	10 222	(83 532)	299 896
Book value of holdings under control or significant influence					(351 137)
Value of holdings under control or significant influence, calculated under equity method					621 127
Adjusted unconsolidated equity as of 31.12.2007					569 886

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

In thousands of Estonian kroons

AS Ekspress Grupp cash flow statement (parent company)

th EEK	2007	2006
Cash flows from operating activities		
Operating profit for the period	11 655	(6 429)
Adjustments for:		
Depreciation, amortization and impairment of property, plant and equipment and intangibles	455	305
Profit (loss) on sale of property, plant and equipment	0	1
Changes in working capital:		
Trade and other receivables	(21 238)	2 321
Inventories	20	(20)
Trade and other payables	93 184	2 479
Cash generated from operations	84 076	(1 343)
Interest paid	(19 645)	(4 605)
Net cash generated from operating activities	64 431	(5 948)
Cash flows from investing activities		
Investments in financial assets at fair value through profit or loss	(58 950)	(1 670)
Proceeds from financial assets at fair value through profit or loss	113	2 097
Interest received	2 139	1 529
Dividends received	19 801	17 927
Purchase of property, plant and equipment	(1 205)	(1 307)
Proceeds from sale of property, plant and equipment	0	16
Loans granted	(952 632)	(31 502)
Loan repayments received	81 196	20 822
Net cash used in investing activities	(909 538)	7 912
Cash flows from financing activities		
Share emission	212 694	0
Change in overdraft used	12 852	18 008
Proceeds from borrowings	672 092	143 373
Repayments of borrowings	(52 543)	(119 734)
Dividends paid	0	(43 599)
Net cash generated from financing activities	845 095	(1 952)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(12)	12
Cash and cash equivalents at the beginning of the period	41	18
Exchange gains/(losses) on cash and cash equivalents	0	(11)
Cash and cash equivalents at the end of the period	29	41

PRICEWATERHOUSECOOPERS

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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 2007 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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.

PRICEWATERHOUSECOOPERS

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2007, 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

Eva Jansen
Authorised Auditor

16 April 2008

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

In thousands of Estonian kroons

2007 PROFIT ALLOCATION RECOMMENDATION

The management board of AS Ekspress Grupp recommends that the net profit for the year ended at 31 December 2007 in the amount of 91 651 thousand kroons (5 858 thousand euros) to be transferred to the retained earnings and 20 thousand kroons (1.3 thousand euros) to be transferred to the legal reserve.

th EEK	2007
Retained earnings attributable to equity holders of the parent company:	
Retained earnings of previous periods	94 310
Profit for 2007	91 671
Total distributable profits at 31.12.2007	185 981
The management board proposes that profits be allocated as follows:	
Transfer to statutory legal reserve	20
Retained earnings after allocations	185 961

DECLARATION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

The management board has prepared the management report and the consolidated financial statements of AS Ekspress Grupp for the year ended at 31 December 2007.

The supervisory board of AS Ekspress Grupp has reviewed the annual report, prepared by the management board, consisting of the management report, the consolidated financial statements, the management board's recommendation for profit allocation and the independent auditor's report, and has approved the annual report for presentation on the annual general meeting

Chairman of the Supervisory Board
Viktor Mahhov

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

Member of the Supervisory Board
Harri Helmer Roschier

Chairman of the Management Board
Priit Leito

Member of the Management Board
Anne Kallas

Member of the Management Board
Kaido Ulejev