



Ekspress Grupp  
CONSOLIDATED ANNUAL REPORT  
2007

(Translation of the Estonian original)

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## GENERAL INFORMATION

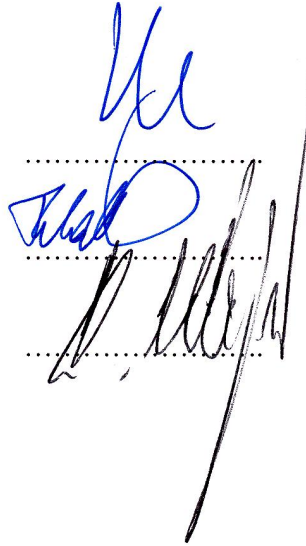
|                                 |  |
|---------------------------------|--|
| Beginning of the financial year | 1 January  |
| Ending of the financial year    | 31 December  |
| Name of the Company             | AS Ekspress Grupp                                    |
| Registration number             | 10004677   |
| Address                         | Narva mnt.11 E, 10151 Tallinn                        |
| Phone no.                       | +372 669 8181  |
| Fax no                          | +372 669 8081  |
| E-mail                          | <a href="mailto:grupp@egrupp.ee">grupp@egrupp.ee</a> |
| Internet homepage               | <a href="http://www.egrupp.ee">www.egrupp.ee</a>     |
| 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 73.5 million euros.

Highlights of Ekspress Group 2007 operating results:

- Sales revenue EUR 73.5 million, year-over-year growth 24%
- Gross profit EUR 18.9 million, year-over-year growth 24%
- EBITDA EUR 10.2 million, year-over-year growth 17%
- EBIT EUR 7.6 million, year-over-year growth 14%
- Net profit 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 3.3 million euros and EBITDA was 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.

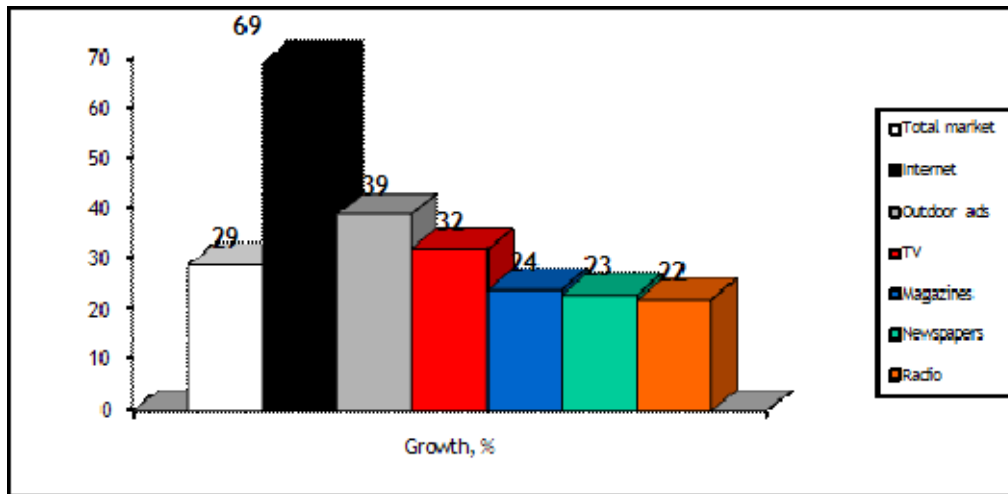
### Other important events in 2007

- 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

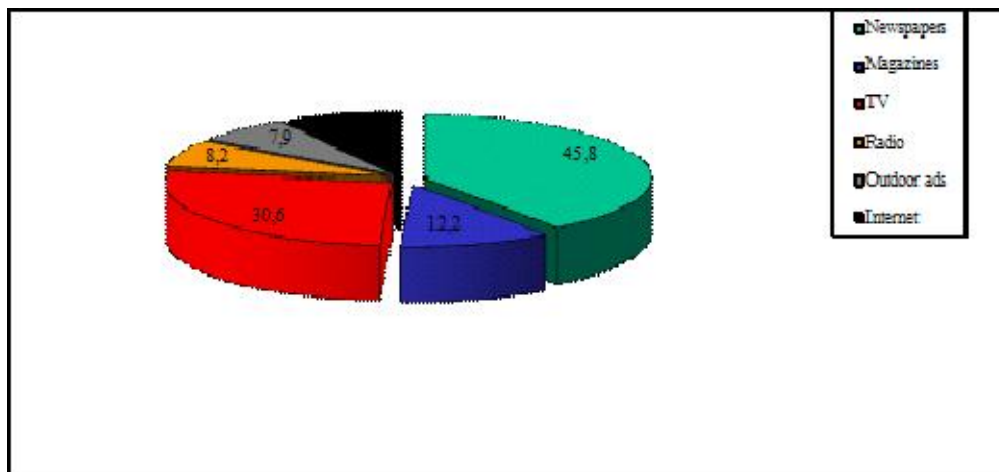
According to the survey of the media advertising market conducted by TNS Emor, the sales revenue of media advertising grew by 29% in 2007 as compared to 2006. Sales growth in the 4th quarter was 24% as compared to the same period last year, showing moderate cooling off in the advertising market. Internet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

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



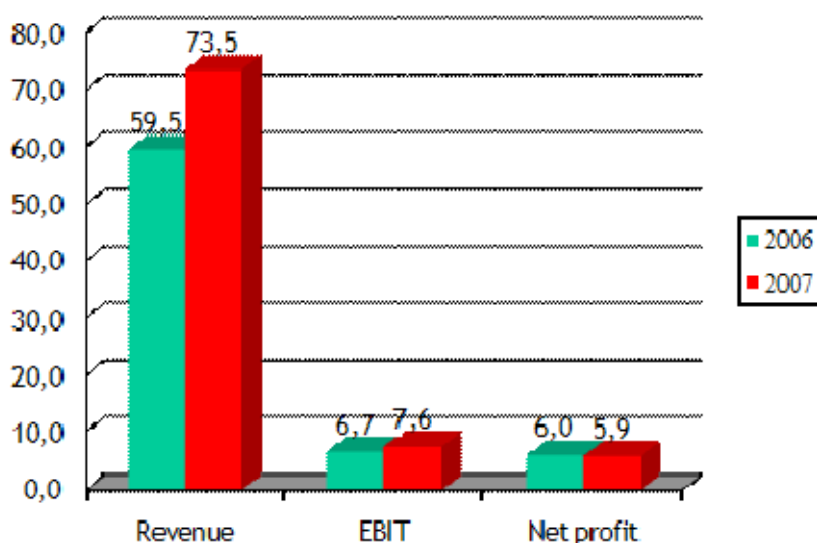
Newspaper advertising with the highest advertising market volume of EUR 45.8 million in 2007 and the share of 40% attained a remarkable 23% annual growth as compared to last year. The areas of real estate and automobile advertising showed the highest volume growth in 2007, 94% and 65%, respectively as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

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



The 2007 consolidated net sales of AS Ekspress Grupp totalled 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 EUR 10.2 million. On comparable bases, excluding the revenue relating to the sale of the holding of Linnaleht in the amount of 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 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 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 euros)



A loss relating to the costs of launching the information line in Romania in the amount of 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 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 (<http://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](http://rus.delfi.ee)), Latvian and Russian language internet portals in Latvia (<http://www.delfi.lv> and [rus.delfi.lv](http://rus.delfi.lv)), Lithuanian and Russian language internet portals in Lithuania (<http://www.delfi.lt>, <http://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 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 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 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 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 EUR 1.8 million. A major part of the financial expenses is made up of interest expenses in the amount of EUR 1.6 million. The growth of interest expenses is related to the loan in the amount of 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 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 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 EUR 19.5 million as of 31 December 2007. Of current assets, the Group's trade receivables increased the most in absolute numbers, reaching EUR 7.3 million, the growth in a year being 57.2%. Current liabilities increased by 55.8% in a year, reaching EUR 28.1 million by the end of the year. Of the current liabilities, short-term loans increased the most, reaching 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 EUR 47.4 million, increasing by 5.2 times in a year. Of the long-term borrowings, bank loans total EUR 38.8 million and finance lease payables total EUR 8.6 million. Of the bank loans, (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 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 EUR 5.2 million. As of the end of December, intangible assets stood at EUR 65.4 million, increasing by 6.4 times in a year. Of the growth of intangible assets, 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 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 EUR 15.4 million\*.

\*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 EUR 12 124 731, which consists of the shares with the nominal value of 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 euros and trading statistics in the Tallinn Stock Exchange from 05 April 2007 to 31 December 2007



### Security trading history

| PRICE                   | 2007      |
|-------------------------|-----------|
| Open                    | 6.78      |
| High                    | 7.50      |
| Low                     | 4.59      |
| Traded volume           | 7 343 762 |
| Turnover, million       | 44.50     |
| Capitalisation, million | 88.78     |

Currency: EUR

#### 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](http://www.ekspressauto.ee) and [www.ekspresskinnisvara.ee](http://www.ekspresskinnisvara.ee) have successfully undergone the renewal treatment and have been relaunched, [www.ekspressjob.ee](http://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.

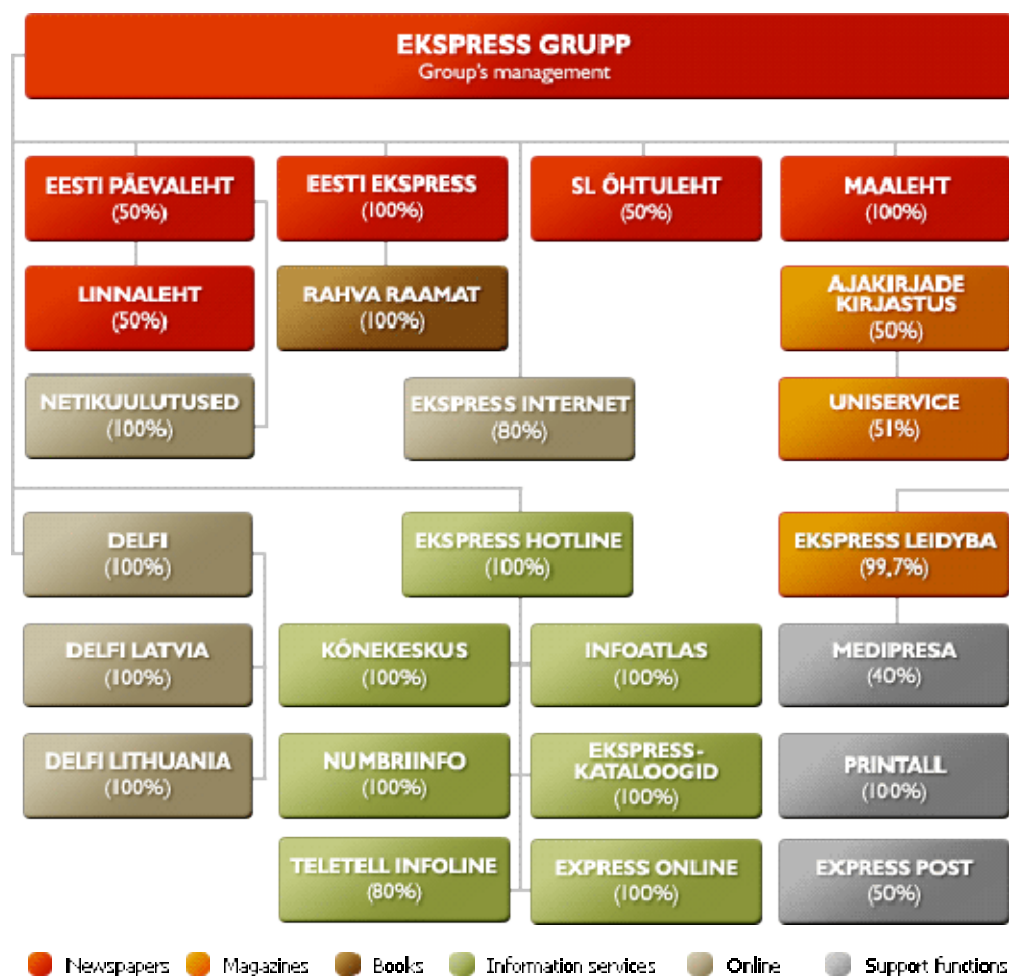
Selected financial indicators 2006-2007

| Financial ratios (th EUR)                                  | 2007    | 2006   |
|--|---------|--------|
| Accounting period  |         |        |
| Net sales  | 73 496  | 59 493 |
| Gross profit   | 18 889  | 15 277 |
| Operating profit   | 7 633   | 6 677  |
| Net profit for the period                                  | 5 886   | 6 018  |
| Net profit attributable to the parent company shareholders | 5 858   | 5 892  |
| At the end of the period                                   |         |        |
| Total current assets                                       | 19 529  | 14 382 |
| Total non-current assets                                   | 92 459  | 28 207 |
| <i>Total assets</i>  | 111 988 | 42 589 |
| Total liabilities  | 75 505  | 25 634 |
| Total equity   | 36 483  | 16 955 |
| Inc minority interests                                     | 61      | 15     |
| 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 (EUR)                                   | 0,32    | 0,45   |
| Financial leverage (%)                                     | 57%     | 45%    |

FORMULAS OF FINANCIAL RATIOS

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

Ekspress Group Structure



Revenue by Group Companies \*

| th EUR                        | Sales  |        |          |
|-------------------------------|--------|--------|----------|
|                               | 2007   | 2006   | Change % |
| Eesti Ekspressi Kirjastuse AS | 9 146  | 7 761  | 18%      |
| Delfi Grupp**                 | 8 311  | 5 707  | 46%      |
| AS Printall                   | 24 656 | 21 826 | 13%      |
| AS Maaleht                    | 3 825  | 3 373  | 13%      |
| UAB Ekspress Leidyba          | 4 326  | 3 503  | 24%      |
| Rahva Raamat AS               | 12 003 | 10 098 | 19%      |
| OÜ Netikuulutused             | 362    | 341    | 6%       |
| Ekspress Hotline Grupp        | 4 239  | 4 021  | 5%       |
| Eesti Päevalehe AS***         | 11 233 | 8 502  | 32%      |
| AS SL Õhtuleht***             | 10 075 | 8 821  | 14%      |
| AS Express Post***            | 4 610  | 3 147  | 47%      |
| AS Ajakirjade Kirjastus***    | 14 679 | 12 684 | 16%      |
| AS Linnaleht                  | 2 064  | 1 528  | 35%      |
| UAB Medipresa                 | 8 253  | 6 230  | 32%      |

\*with intergroup transactions uneliminated

\*\* 12 months figures

\*\*\*joint ventures 100%

Operating profit (EBIT) by Group Companies \*

| th EUR                        | EBIT  |       |          |
|-------------------------------|-------|-------|----------|
|                               | 2007  | 2006  | Change % |
| Eesti Ekspressi Kirjastuse AS | 1 616 | 1 254 | 29%      |
| Delfi Grupp**                 | 2 503 | 1 798 | 39%      |
| AS Printall                   | 3 292 | 3 027 | 9%       |
| AS Maaleht                    | 285   | 220   | 30%      |
| UAB Ekspress Leidyba          | (145) | 162   | -        |
| Rahva Raamat AS               | 388   | 298   | 30%      |
| OÜ Netikuulutused             | 108   | 16    | 568%     |
| Ekspress Hotline Grupp        | 667   | 578   | 15%      |
| Eesti Päevalehe AS*** /****   | 251   | 427   | -41%     |
| AS SL Õhtuleht***             | 2 024 | 1 845 | 10%      |
| AS Express Post***            | 182   | (30)  | -        |
| AS Ajakirjade Kirjastus***    | 1 307 | 1 553 | -16%     |
| AS Linnaleht                  | 63    | (269) | -        |
| UAB Medipresa                 | 121   | 27    | 358%     |

\*with intergroup transactions uneliminated

\*\* 12 months figures

\*\*\*joint ventures 100%

\*\*\*\* 2006 includes income 0.4 million euros from the sale of 50% shares in Linnaleht

## 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.

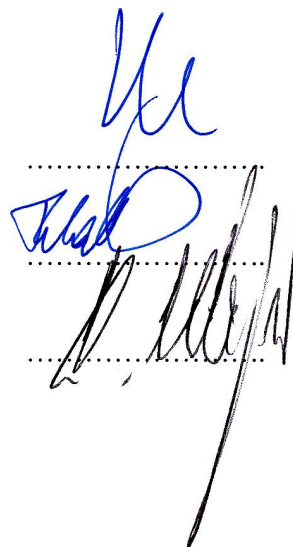
The management board confirms that:

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

Anne Kallas Member of the Management Board

Kaido Ulejev Member of the Management Board



16 April.2008  
16 April.2008  
16 April.2008



## Consolidated balance sheet

| th EUR  | 31.12.2007     | 31.12.2006    | Notes |
|---|----------------|---------------|-------|
| <b>ASSETS</b>   |                |               |       |
| Current assets  |                |               |       |
| Cash and cash equivalents   | 4 408          | 3 266         | 5     |
| Other financial assets at fair value through profit or loss                     | 294            | 414           | 6     |
| Trade and other receivables   | 10 599         | 7 835         | 7     |
| Inventories   | 4 228          | 2 867         | 11    |
| Total current assets  | 19 529         | 14 382        |       |
| Non-current assets  |                |               |       |
| Trade and other receivables   | 873            | 620           | 12    |
| Investments in associates   | 62             | 1             | 15    |
| Investment property   | 239            | 264           | 16    |
| Property, plant and equipment   | 25 877         | 18 484        | 17    |
| Intangible assets   | 65 408         | 8 838         | 18    |
| Total non-current assets  | 92 459         | 28 207        |       |
| <b>TOTAL ASSETS</b>   | <b>111 988</b> | <b>42 589</b> |       |
| <b>SHAREHOLDERS EQUITY AND LIABILITIES</b>                                      |                |               |       |
| Liabilities   |                |               |       |
| Current liabilities   |                |               |       |
| Borrowings  | 12 719         | 6 073         | 20    |
| Trade and other payables  | 15 384         | 11 960        | 19    |
| Total current liabilities   | 28 103         | 18 033        |       |
| Non-current liabilities   |                |               |       |
| Borrowings  | 47 396         | 7 596         | 20    |
| Other long term liabilities   | 6              | 5             |       |
| Total non-current liabilities   | 47 402         | 7 601         |       |
| Total liabilities   | 75 505         | 25 634        |       |
| Equity  |                |               |       |
| Capital and reserves attributable to equity holders of the Parent company       |                |               |       |
| Share capital   | 12 125         | 10 560        |       |
| Share premium   | 11 727         | 0             |       |
| Reserves  | 653            | 352           |       |
| Retained earnings   | 11 886         | 6 028         |       |
| Currency translation reserve  | 31             | 0             |       |
| Total capital and reserves attributable to equity holders of the Parent company | 36 422         | 16 940        |       |
| Minority interest   | 61             | 15            |       |
| Total equity  | 36 483         | 16 955        | 31    |
| <b>TOTAL EQUITY AND LIABILITIES</b>   | <b>111 988</b> | <b>42 589</b> |       |

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

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## Consolidated income statement

| th EUR  | 2007         | 2006         | Notes |
|---|--------------|--------------|-------|
| Sales   | 73 496       | 59 493       | 24    |
| Costs of sales  | 54 607       | 44 216       | 25    |
| Gross margin  | 18 889       | 15 277       |       |
| Distribution costs  | 3 115        | 2 527        | 26    |
| Administrative expenses   | 8 562        | 6 807        | 27    |
| Other income  | 771          | 1 039        | 28    |
| Other expenses  | 350          | 305          | 28    |
| Operating profit  | 7 633        | 6 677        |       |
| Interest income   | 460          | 445          | 29    |
| Interest expenses   | (1 813)      | (813)        | 29    |
| Net finance costs   | (1 353)      | (368)        |       |
| Share of profit (loss) of associates  | 64           | (22)         |       |
| Profit before income tax  | 6 344        | 6 287        |       |
| Income tax expense  | 458          | 269          | 9     |
| <b>PROFIT FOR THE YEAR</b>  | <b>5 886</b> | <b>6 018</b> |       |
| Attributable to:  |              |              |       |
| Equity holders of the Parent company  | 5 858        | 5 892        |       |
| Minority interest   | 28           | 126          |       |
| Basic and diluted earnings per share for profit attributable to the equity holders of the Company | 0,32         | 0,45         | 31    |

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

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### Consolidated statement of changes in equity

| th EUR                                    | Attributable to equity holders of the parent company |               |          |                   |                              |         | Minority interest | Total equity |
|---|--|---------------|----------|-------------------|------------------------------|---------|-------------------|--------------|
|   | Share capital  | Share premium | Reserves | Retained earnings | Currency translation reserve | Total   |                   |              |
| Balance at 31.12.2005                     | 142  | 1 360         | 653      | 8 662             | 0                            | 10 817  | 964               | 11 781       |
| Profit for the year                       | 0  | 0             | 0        | 5 892             | 0                            | 5 892   | 126               | 6 018        |
| Net income (expense) recognized in equity | 0  | 0             | 0        | 5 892             | 0                            | 5 892   | 126               | 6 018        |
| Dividends paid                            | 0  | 0             | 0        | (2 786)           | 0                            | (2 786) | 0                 | (2 786)      |
| Dividend reversal                         | 0  | 0             | 0        | 123               | 0                            | 123     | 0                 | 123          |
| Share capital increase                    | 3 196  | 0             | 0        | 0                 | 0                            | 3 196   | 0                 | 3 196        |
| Bonus issue to share capital              | 7 222  | (1 360)       | 0        | (5 863)           | 0                            | (1)     | 0                 | (1)          |
| Transaction costs                         | 0  | 0             | (301)    | 0                 | 0                            | (301)   | 0                 | (301)        |
| Change of minority interest               | 0  | 0             | 0        | 0                 | 0                            | 0       | (1 075)           | (1 075)      |
| Total changes                             | 10 418   | (1 360)       | (301)    | (8 526)           | 0                            | 231     | (1 075)           | (844)        |
| Balance at 31 December 2006               | 10 560   | 0             | 352      | 6 028             | 0                            | 16 940  | 15                | 16 955       |
| Balance at 31 December 2006               | 10 560   | 0             | 352      | 6 028             | 0                            | 16 940  | 15                | 16 955       |
| Profit for the period                     | 0  | 0             | 0        | 5 858             | 0                            | 5 858   | 28                | 5 886        |
| Currency translation difference           | 0  | 0             | 0        | 0                 | 31                           | 31      | 0                 | 31           |
| Transactions costs                        | 0  | (301)         | 301      | 0                 | 0                            | 0       | 0                 | 0            |
| Net income (expense) recognized in equity | 0  | (301)         | 301      | 5 858             | 31                           | 5 889   | 28                | 5 917        |
| Share capital increase                    | 1 565  | 12 028        | 0        | 0                 | 0                            | 13 593  | 0                 | 13 593       |
| Change of minority interest               | 0  | 0             | 0        | 0                 | 0                            | 0       | 18                | 18           |
| Total changes                             | 1 565  | 12 028        | 0        | 0                 | 0                            | 13 593  | 18                | 13 611       |
| Balance at 31 December 2007               | 12 125   | 11 727        | 653      | 11 886            | 31                           | 36 422  | 61                | 36 483       |

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 EUR   | 2007     | 2006    | Notes    |
|--|----------|---------|----------|
| Cash flows from operating activities   |          |         |          |
| Operating profit for the period  | 7 635    | 6 677   |          |
| Adjustments for:   |          |         |          |
| Depreciation, amortization and impairment of property, plant and equipment and intangibles | 2 544    | 1 991   | 16,17,18 |
| Profit (loss) on sale of property, plant and equipment                                     | (266)    | (125)   |          |
| Changes in working capital:  |          |         |          |
| Trade and other receivables  | (2 277)  | 77      |          |
| Inventories  | (941)    | 180     |          |
| Trade and other payables   | 2 435    | 1 049   |          |
| Cash generated from operations   | 9 129    | 9 848   |          |
| Income tax paid  | (403)    | (343)   |          |
| Interest paid  | (1 837)  | (439)   |          |
| Net cash generated from operating activities   | 6 890    | 9 067   |          |
| Cash flows from investing activities   |          |         |          |
| Investments in business combinations   | (56 731) | (81)    | 13, 14   |
| Proceeds from financial assets   | 7        | 390     |          |
| Interest received  | 262      | 204     |          |
| Purchase of property, plant and equipment  | (3 554)  | (4 370) | 17, 18   |
| Proceeds from sale of property, plant and equipment  | 83       | 760     | 17, 18   |
| Loans granted  | (4 527)  | (2 197) |          |
| Loan repayments received   | 5 168    | 1 483   |          |
| Net cash used in investing activities  | (59 291) | (3 811) |          |
| Cash flows from financing activities   |          |         |          |
| Share issue  | 13 594   | 0       |          |
| Finance lease payments made  | (1 439)  | (1 233) |          |
| Change in overdraft used   | 821      | (1 170) | 20       |
| Proceeds from borrowings   | 47 761   | 9 325   |          |
| Repayments of borrowings   | (7 194)  | (8 429) |          |
| Dividend paid  | 0        | (2 786) | 31       |
| Net cash generated from financing activities   | 53 543   | (4 294) |          |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS                                       | 1 141    | 963     |          |
| Cash and cash equivalents at the beginning of the period                                   | 3 266    | 2 304   |          |
| Cash and cash equivalents at the end of the period   | 4 408    | 3 266   |          |

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

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## 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 (EEK). The financial statements are presented in euros (EUR), 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<br>31.12.2007 | Shareholding<br>31.12.2006 | Main field of activities               | Location  |
|-------------------------------|-------------------|----------------------------|----------------------------|--|-----------|
| AS Ekspress Grupp             | Parent<br>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<br>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<br>distribution | Lithuania |
| Evi Consult OÜ                | Associate         | 0%                         | 32%                        | Business consulting                    | Estonia   |

Dormant companies

|                      |            |     |     |                       |         |
|----------------------|------------|-----|-----|-----------------------|---------|
| OÜ Öhtuleht          | 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 euros (EUR), unless indicated otherwise.

The financial statements presented in euros can be obtained from the company's web site [www.egrupp.ee](http://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 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.

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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.

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### 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.

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## 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"), Estonian kroon. These consolidated financial statements are presented in euros, which is the presentation currency of those financial statements 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 policies "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.

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### 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.

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

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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 EUR                        | 31.12.2007 | 31.12.2006 |
|-------------------------------|------------|------------|
| Delfi AS (Estonia)            | 7 776      | 0          |
| Eesti Ekspressi Kirjastuse AS | 139        | 148        |
| AS Maaleht                    | 714        | 0          |
| Ajakirjade Kirjastuse AS      | 86         | 0          |
| UAB Ekspress Leidyba          | 1 354      | 1 140      |
| Ekspress Hotline AS           | 730        | 771        |
| Trademarks Total              | 10 799     | 2 059      |

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 660.5 th euros and 31.12.2006 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 1 978 th euros and 31.12.2006 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 501 th euros and 31.12.2006 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.

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### Goodwill by Group companies

| th EUR                        | 31.12.2007 | 31.12.2006 |
|-------------------------------|------------|------------|
| Delfi AS (Estonia)            | 15 739     | 0          |
| Delfi AS (Latvia)             | 14 876     | 0          |
| Delfi UAB                     | 12 517     | 0          |
| Netikuulutused OÜ             | 76         | 76         |
| Eesti Ekspressi Kirjastuse AS | 70         | 78         |
| AS Ajakirjade Kirjastus       | 455        | 455        |
| UAB Ekspress Leidyba          | 902        | 902        |
| AS Maaleht                    | 1 816      | 0          |
| Rahva Raamat AS               | 504        | 504        |
| Ekspress Hotline AS           | 4 342      | 4 342      |
| Goodwill Total                | 51 297     | 6 357      |

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 6 203 th euros and 31.12.2006 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 15 017 th euros and 31.12.2006 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 1 645 th euros and 31.12.2006 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 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 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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## 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 Kredidiinfo 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 7 156 thousand euros, 2006: 4 553 thousand euros.

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| Trade receivables | Not due | Overdue >= 7 days | Overdue >7 to <=60 days | Overdue > 60 days | Total receivables |
|-------------------|---------|-------------------|-------------------------|-------------------|-------------------|
| th EUR 2007       |         |                   |                         |                   |                   |
| Total             | 4 183   | 781               | 1 590                   | 602               | 7 156             |

| Trade receivables | Not due | Overdue >= 7 days | Overdue >7 to <=60 days | Overdue > 60 days | Total receivables |
|-------------------|---------|-------------------|-------------------------|-------------------|-------------------|
| th EUR 2006       |         |                   |                         |                   |                   |
| Total             | 2 921   | 630               | 791                     | 211               | 4 553             |

As of 31.12.2007, the Group has written down uncollectible receivables in the amount of 353 thousand euros (31.12.2006: 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 EUR                 | 2007 | <= 1 month | > 1 month and <=3 months | > 3 months and <= 1 year | >1 year and <=5 years | > 5 years | Carrying amount |
|------------------------|------|------------|--------------------------|--------------------------|-----------------------|-----------|-----------------|
| Bank loans             |      | 657        | 1 315                    | 11 306                   | 45 185                | 854       | 49 329          |
| Finance lease payments |      | 194        | 405                      | 2 047                    | 8 170                 | 1 342     | 10 786          |
| Other loans            |      | 0          | 0                        | 990                      | 0                     | 0         | 943             |
| Trade payables         |      | 3 052      | 1 544                    | 308                      | 0                     | 0         | 4 903           |
| Other payables         |      | 2 829      | 2 177                    | 208                      | 0                     | 0         | 5 213           |
| Total                  |      | 6 731      | 5 441                    | 14 859                   | 53 354                | 2 196     | 71 175          |

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

| th EUR                 | 2006 | <= 1 month | > 1 month<br>and <=3<br>months | > 3 months<br>and <= 1<br>year | >1 year and<br><=5 years | > 5 years | Carrying<br>amount |
|------------------------|------|------------|--------------------------------|--------------------------------|--------------------------|-----------|--------------------|
| Bank loans             |      | 40         | 80                             | 4 865                          | 3 480                    | 0         | 7 608              |
| Finance lease payments |      | 134        | 271                            | 1 216                          | 4 913                    | 65        | 6 060              |
| Other loans            |      | 346        | 0                              | 0                              | 0                        | 0         | 345                |
| Trade payables         |      | 2 885      | 1 325                          | 221                            | 0                        | 0         | 4 432              |
| Other payables         |      | 1 820      | 1 312                          | 0                              | 0                        | 0         | 3 132              |
| Total                  |      | 5 225      | 2 989                          | 6 302                          | 8 394                    | 65        | 21 578             |

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 EUR                 | 2007     | Interest rate type | <= 1 year | >1 year<br>and <=5<br>years | > 5 years | Carrying<br>amount |
|------------------------|----------|--------------------|-----------|-----------------------------|-----------|--------------------|
| Bank loans             | floating |                    | 5 504     | 37 958                      | 814       | 40 442             |
|                        | Fixed    |                    | 5 053     | 0                           | 0         | 0                  |
| Finance lease payments | floating |                    | 2 162     | 7 323                       | 1 301     | 10 786             |
| Other loans            | Fixed    |                    | 943       | 0                           | 0         | 943                |

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

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## Note 5. Cash and cash equivalents

| th EUR  | 31.12.2007 | 31.12.2006 |
|---|------------|------------|
| Cash in hand  | 44         | 46         |
| Cash at bank  | 4 364      | 3 220      |
| Cash and cash equivalents in consolidated cash flow statement | 4 408      | 3 266      |

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

| th EUR             | 31.12.2007 | 31.12.2006 |
|--------------------|------------|------------|
| Listed shares      | 0          | 38         |
| Listed bonds       | 0          | 10         |
| Money market funds | 294        | 366        |
| Total              | 294        | 414        |

|   | 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                           | 12    | 9        |

All instruments are held for trading purposes.

## Note 7. Receivables and prepayments

| th EUR                            | 31.12.2007 | 31.12.2006 |
|-----------------------------------|------------|------------|
| Trade receivables (Note 8)        | 7 156      | 4 553      |
| Prepaid taxes (Note 9)            | 662        | 34         |
| Other receivables (Note 10)       | 2 222      | 2 716      |
| Prepayments                       | 559        | 532        |
| Total receivables and prepayments | 10 599     | 7 835      |

## Note 8. Trade receivables

| th EUR                             | 31.12.2007 | 31.12.2006 |
|------------------------------------|------------|------------|
| Trade receivables                  | 7 509      | 4 882      |
| Allowance for doubtful receivables | (353)      | (329)      |
| Total trade receivables            | 7 156      | 4 553      |

| th EUR  | 31.12.2007 | 31.12.2006 |
|---|------------|------------|
| Allowance for doubtful receivables at the beginning of the period | (329)      | (298)      |
| Proceeds from doubtful receivables during the period              | 162        | 171        |
| Allowance of doubtful receivables recognized during the period    | (188)      | (213)      |
| Receivables written off from balance sheet during the period      | 2          | 11         |
| Allowance for doubtful receivables at the end of the period       | (353)      | (329)      |

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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 EUR                                    | 31.12.2007 |           | 31.12.2006 |           |
|---|------------|-----------|------------|-----------|
|   | Prepayment | Liability | Prepayment | Liability |
| Corporate income tax on fringe benefits   | 173        | 205       | 1          | 93        |
| Personal income tax                       | 7          | 392       | 7          | 292       |
| Social security tax                       | 0          | 850       | 0          | 578       |
| Unemployment insurance tax                | 0          | 18        | 0          | 13        |
| Contributions to mandatory funded pension | 0          | 29        | 0          | 21        |
| Value added tax                           | 482        | 269       | 26         | 194       |
| Taxes total (note 7)                      | 662        | 1 763     | 34         | 1 191     |

### Corporate income tax

| th EUR  | 2007   | 2006   |
|---|--------|--------|
| <b>Estonia</b>  |        |        |
| Dividend income and attracting income tax from joint ventures | 1 266  | 1 146  |
| Calculated income tax 22/78 (2006 : 23/77)                    | 357    | 342    |
| Current dividend income tax expense (note 31)                 | 357    | (269)  |
| Tax expense   | 357    | 343    |
| Tax reversal  | 0      | (74)   |
| Effective income tax rate                                     | 28.21% | 29.87% |
| <b>Latvia</b>   |        |        |
| Profit (loss) before tax                                      | 409    | 0      |
| Tax rate  | 15%    | 15%    |
| Calculated income tax   | 61     | 0      |
| Income/expenses not deductible for tax purposes               | 30     | 0      |
| Income tax expense  | 66     | 0      |
| Deferred income tax income (expense)                          | 0      | 0      |
| <b>Lithuania</b>  |        |        |
| Profit (loss) before tax                                      | 232    | 163    |
| Tax rate  | 15%    | 15%    |
| Calculated income tax   | 35     | 24     |
| Income/expenses not deductible for tax purposes               | 6      | 0      |
| Income tax expense  | 36     | 0      |
| Deferred income tax income (expense)                          | 40     | 0      |
| <b>Group income tax expense</b>                               |        |        |
| Income tax expense  | 459    | (269)  |
| Deferred income tax income (expense)                          | (40)   | 0      |
| Total income tax expense                                      | 419    | (269)  |

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## Note 10. Other short-term receivables

| th EUR  | 31.12.2007 | 31.12.2006 |
|---|------------|------------|
| Receivables from associated companies (Note 33) | 364        | 384        |
| Trade receivables                               | 364        | 377        |
| Loans granted (Note 12)                         | 0          | 7          |
| Receivables from joint ventures                 | 375        | 278        |
| Trade receivables                               | 375        | 278        |
| Receivables from related parties (Note 33)      | 522        | 296        |
| Other receivables                               | 522        | 296        |
| Other short-term debts                          | 961        | 1 758      |
| Loans granted                                   | 955        | 1 591      |
| Accrued interest receivable                     | 1          | 1          |
| Other receivables                               | 5          | 166        |
| Total other short-term receivables              | 2 222      | 2 716      |

### Guarantees issued as collateral for loans granted by joint ventures

- Ajakirjade Kirjastus (Lender) Loan Agreement with Kroonpress in the total amount of 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 31.12.06 495 th euros. Loan matures in 2008, interest rate 4%.
- SL Õhtuleht (Lender) Loan Agreement with Kroonpress in the total amount of 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. 447 th euros. Loan matures in 2008, interest rate 4%.

Loans granted to other parties in the amount on 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 EUR            | 31.12.2007 | 31.12.2006 |
|-------------------|------------|------------|
| Raw materials     | 1 978      | 1 611      |
| Work in progress  | 501        | 415        |
| Finished goods    | 660        | 171        |
| Goods for resale  | 1 089      | 670        |
| Total inventories | 4 228      | 2 867      |

| Allowance for impairment of inventories                               | 31.12.2007 | 31.12.2006 |
|---|------------|------------|
| Finished goods  | 38         | 14         |
| Allowance for impairment recognized in income statement               | 38         | 14         |
| Inventories at the custody of third parties                           | 531        | 38         |
| Inventories of third parties held at the custody of the Group (books) | 5 396      | 5 344      |

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As of 31 December 2007 37.8 thousand euros (31 December 2006: 14 thousand euros) of inventories were discounted to net realisable value.

#### Note 12. Non-current trade and other receivables

| th EUR  | 31.12.2007 | 31.12.2006 |
|---|------------|------------|
| Loans granted                                 | 618        | 596        |
| Long-term receivables to buyers               | 177        | 0          |
| Deferred income tax assets (note 9)           | 40         | 0          |
| Prepayments                                   | 38         | 24         |
| Total non-current trade and other receivables | 873        | 620        |

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 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        |

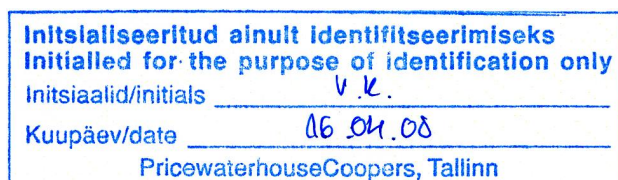
A new subsidiary of AS Ekspress Hotline, TeleTell Infoline S.R.L was established in Romania on 11 May 2007. On 26 November 2007 TeleTell Infoline S.R.L opened a business information infoline TeleTell in Romania.

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 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 (EUR 80.5). After the acquisition, the Group holds 99.73% of the equity of UAB Ekspress Leidyba

In April 2007 Ekspress Grupp increased the share capital of UAB Ekspress Leidyba by EUR 433.5 thousand. 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 EUR 56.1 million and closing adjustment EUR 0.1 million. In addition to the acquisition price, a receivable of OÜ Interinfo Baltic from previous shareholders in the amount of EUR 14.5 million was offset. The acquisition cost of the shares included fees paid to the advisors in the amount of 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 EUR 0.1 million), of which 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 EUR 35 thousand were also included in the purchase price.

The acquired company AS Delfi portion of the group's sales is 3 304 th euros and the net profit was 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 EUR 8 311 thousand and the net profit 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 EUR 426 for each acquired share of AS Maaleht. The total acquisition price paid for 7800 shares totalled EUR 3.3 million. In addition to the acquisition price for the shares totalling EUR 3.3 million, the acquisition cost of the acquired holding includes directly attributable expenditures relating to the acquisition in the amount of EUR 6.3 thousand, and the total acquisition cost is EUR 3.3 million.

The acquired company AS Maaleht portion of the group's sales is EUR 1 225 thousand and the net profit was 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 EUR 3 825 thousand and the net profit EUR 257.9 thousand. The calculations are based on the group's accounting principles.

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value of net assets is 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 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 EUR 0.7 million. As a result of the purchase price allocation, the fair value of the net assets of AS Maaleht totalled (EUR 1.6 million. Goodwill arose in the acquisition of AS Maaleht in the amount of EUR 1.7 million.

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%

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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 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 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 Netikuulutus, 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 6 thousand euros.

#### 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          |

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| th EUR              | Ajakirjade Kirjastuse AS | AS SL Õhtuleht | Eesti Päevalehe AS | AS Express Post | OÜ Uniservice | Total   |
|---------------------|--------------------------|----------------|--------------------|-----------------|---------------|---------|
| at 31 December 2006 |                          |                |                    |                 |               |         |
| Assets total        | 2 595                    | 2 086          | 1 538              | 1 606           | 0             | 7 825   |
| Liabilities total   | (1 331)                  | (793)          | (1 097)            | (1 334)         | 0             | (4 555) |
| Revenue total       | 6 342                    | 4 411          | 4 251              | 1 573           | 0             | 16 577  |
| Net profit/loss     | 614                      | 764            | 190                | 2               | 0             | 1 570   |
| at 31 December 2007 |                          |                |                    |                 |               |         |
| Assets total        | 2 715                    | 2 326          | 1 728              | 1 535           | 1 164         | 9 468   |
| Liabilities total   | (1 535)                  | (869)          | (1 322)            | (1 147)         | (1)           | (4 874) |
| Revenue total       | 7 340                    | 5 038          | 5 617              | 2 305           | 0             | 20 300  |
| Net profit/loss     | 498                      | 846            | 132                | 117             | (1)           | 1 592   |

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 EUR                                | Fair value    | Book value |
| Intangible assets                     | 22            | 1          |
| Trademarks                            | 16            | 0          |
| The fair value of acquired net assets | 0             | 0          |
| Acquired ownership                    | 38            | 1          |
| Acquired net assets                   | 51%           |            |
| Goodwill                              | 19            |            |
| Acquisition cost of investment        | (19)          |            |
| Purchase price paid in cash           | (19)          |            |
| Net cash outflow on acquisition       | (19)          |            |

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## Note 15. Associated companies

| th EUR   | 31.12.2007 | 31.12.2006 |
|--|------------|------------|
| Carrying amount of shares of associated companies          | 62         | 1          |
| Share of loss in associates recognized in income statement | 2 007      | 2 006      |
| Profit/(loss) from the disposal of shares of associates    | 0          | 0          |
| Share of profit/(loss) of associates                       | 64         | (22)       |
| Total profit/(loss) of associates                          | 64         | (22)       |

| 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 EUR              | AS Linnaleht | UAB Medipresa | OÜ Evi Consult | Total   |
|---------------------|--------------|---------------|----------------|---------|
| at 31 December 2006 |              |               |                |         |
| Assets total        | 299          | 1 171         | 4              | 1 474   |
| Liabilities total   | (592)        | (1 198)       | (1)            | (1 791) |
| Revenues total      | 1 073        | 6 230         | 0              | 7 303   |
| Net profit/loss     | (278)        | 25            | 0              | (253)   |
| at 31 December 2007 |              |               |                |         |
| Assets total        | 375          | 1 471         | 0              | 1 846   |
| Liabilities total   | 288          | 1 376         | 0              | 1 664   |
| Revenues total      | 2 064        | 8 253         | 0              | 10 317  |
| Net profit/loss     | 61           | 121           | 0              | 182     |

### Disposals

In February 2007 Group disposed 100% of share capital of associated company EVI Consult OÜ for 0.8 thousand euros. The effect of the disposal on the income statement was -0.3 thousand euros.

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## Note 16. Investment property

| th EUR                                  | 2007  | 2006  |
|---|-------|-------|
| Investment properties as at 1 January   | 264   | 80    |
| Disposals                               | 0     | 80    |
| Reclassification (note 17)              | 0     | 291   |
| Depreciation                            | (25)  | (27)  |
| Investment properties as at 31 December |       |       |
| Acquisition cost                        | 500   | 500   |
| Accumulated depreciation                | (261) | (236) |
| Book value                              | 239   | 264   |

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| th EUR               | 31.12.2007 | 31.12.2006 |
|----------------------|------------|------------|
| Rental income        | 49         | 55         |
| Administrative costs | (16)       | (47)       |
| Net income           | 33         | 8          |

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 EUR                                  | Land | Buildings | Plant and equipment | Other equipment | Unfinished buildings and prepayments | Fixed assets total |
|---|------|-----------|---------------------|-----------------|--------------------------------------|--------------------|
| Balance at 31 December 2005             |      |           |                     |                 |                                      |                    |
| Acquisition cost                        | 552  | 7 798     | 14 073              | 2 806           | 2                                    | 25 231             |
| Accumulated depreciation                | 0    | (617)     | (3 633)             | (2 006)         | 0                                    | (6 256)            |
| Book value                              | 552  | 7 181     | 10 440              | 800             | 2                                    | 18 975             |
| Acquisitions and improvements           | 0    | 348       | 1 178               | 474             | 16                                   | 2 016              |
| Disposals (at book value)               | (3)  | (442)     | (4)                 | (38)            | 0                                    | (487)              |
| Write-offs (at book value)              | 0    | 0         | 0                   | 0               | 0                                    | 0                  |
| Reclassification (note 16)              | 0    | (288)     | 2                   | 0               | (3)                                  | (289)              |
| Disposals through business combinations | 0    | 0         | 0                   | (40)            | 0                                    | (40)               |
| Depreciation and impairment             | 0    | (270)     | (1 008)             | (413)           | 0                                    | (1 691)            |
| Balance at 31 December 2006             |      |           |                     |                 |                                      |                    |
| Acquisition cost                        | 549  | 7 235     | 15 242              | 3 026           | 15                                   | 26 067             |
| Accumulated depreciation                | 0    | (706)     | (4 634)             | (2 243)         | 0                                    | (7 583)            |
| Book value                              | 549  | 6 529     | 10 608              | 783             | 15                                   | 18 484             |
| Acquisitions and improvements           | 8    | 20        | 5 227               | 1 123           | 2 488                                | 8 866              |
| Disposals (at book value)               | (8)  | (96)      | (9)                 | (4)             | 0                                    | (117)              |
| Write-offs (at book value)              | 0    | 0         | (1)                 | (4)             | 0                                    | (5)                |
| Reclassification                        | 0    | 3         | 13                  | 38              | (49)                                 | 5                  |
| Acquired through business combinations  | 7    | 17        | 401                 | 235             | 0                                    | 660                |
| Depreciation and impairment             | 0    | (267)     | (1 223)             | (526)           | 0                                    | (2 016)            |
| Balance at 31 December 2007             |      |           |                     |                 |                                      |                    |
| Acquisition cost                        | 556  | 7 162     | 20 769              | 3 984           | 2 454                                | 34 925             |
| Accumulated depreciation                | 0    | (956)     | (5 753)             | (2 339)         | 0                                    | (9 048)            |
| Book value                              | 556  | 6 206     | 15 016              | 1 645           | 2 454                                | 25 877             |

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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 2.5 million euros, 1.2 million euros constitutes the prepayment for the sizing machine; 0.7 million euros the prepayment for the wire stitching machine and 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 EUR                                 | Good-will | Trade-marks | Develop-ment | Client relation-ship | Computer software | Prepay-ments | Total intangible assets |
|--|-----------|-------------|--------------|----------------------|-------------------|--------------|-------------------------|
| Balance at 31 December 2005            |           |             |              |                      |                   |              |                         |
| Acquisition cost                       | 4 283     | 2 266       | 0            | 0                    | 1 151             | 3            | 7 703                   |
| Accumulated depreciation               | 0         | (97)        | 0            | 0                    | (823)             | 0            | (920)                   |
| Book value                             | 4 283     | 2 169       | 0            | 0                    | 328               | 3            | 6 783                   |
| Acquisitions and improvements          | 2 074     | 0           | 0            | 0                    | 215               | 66           | 2 355                   |
| Disposals (at book value)              | 0         | 0           | 0            | 0                    | (12)              | 0            | (12)                    |
| Write-offs (at book value)             | 0         | 0           | 0            | 0                    | 0                 | 0            | 0                       |
| Reclassification                       | 0         | 0           | 0            | 0                    | (1)               | (2)          | (3)                     |
| Disposals through business combination | 0         | 0           | 0            | 0                    | (10)              | 0            | (10)                    |
| Depreciation and impairment            | 0         | (110)       | 0            | 0                    | (164)             | 0            | (274)                   |
| Balance at 31 December 2006            |           |             |              |                      |                   |              |                         |
| Acquisition cost                       | 6 357     | 2 266       | 0            | 0                    | 1 334             | 66           | 10 023                  |
| Accumulated depreciation               | 0         | (207)       | 0            | 0                    | (978)             | 0            | (1 185)                 |
| Book value                             | 6 357     | 2 059       | 0            | 0                    | 356               | 66           | 8 838                   |
| Acquisitions and improvements          | 0         | 382         | 155          | 0                    | 255               | 134          | 926                     |
| Disposals (at book value)              | 0         | 0           | 0            | 0                    | 0                 | 0            | 0                       |
| Write-offs (at book value)             | (8)       | (3)         | 0            | 0                    | 0                 | 0            | (11)                    |
| Reclassification                       | 0         | 0           | 0            | 0                    | (2)               | 0            | (2)                     |
| Acquired through business combination  | 44 948    | 8 538       | 108          | 2 116                | 431               | 20           | 56 161                  |
| Amortization and impairment            | 0         | (177)       | (4)          | (106)                | (217)             | 0            | (504)                   |
| Balance at 31 December 2007            |           |             |              |                      |                   |              |                         |
| Acquisition cost                       | 51 297    | 11 183      | 268          | 2 116                | 1 941             | 220          | 67 025                  |
| Accumulated amortization               | 0         | (384)       | (9)          | (106)                | (1 118)           | 0            | (1 617)                 |
| Book value                             | 51 297    | 10 799      | 259          | 2 010                | 823               | 220          | 65 408                  |

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

### Goodwill by Group companies

| th EUR                        | 31.12.2007 | 31.12.2006 |
|-------------------------------|------------|------------|
| Delfi AS (Eesti)              | 15 739     | 0          |
| Delfi AS (Läti)               | 14 876     | 0          |
| Delfi UAB                     | 12 517     | 0          |
| Netikuulutused OÜ             | 76         | 76         |
| Eesti Ekspressi Kirjastuse AS | 70         | 78         |
| AS Ajakirjade Kirjastus       | 455        | 455        |
| UAB Ekspress Leidyba          | 902        | 902        |
| AS Maaleht                    | 1 816      | 0          |
| Rahva Raamat AS               | 504        | 504        |
| Ekspress Hotline AS           | 4 342      | 4 342      |
| Goodwill total                | 51 297     | 6 357      |

### Note 19. Trade and other payables

| th EUR                               | 31.12.2007 | 31.12.2006 |
|--------------------------------------|------------|------------|
| Trade payables                       | 4 903      | 4 432      |
| Payables to employees                | 2 392      | 1 460      |
| Taxes payable (Note 9)               | 1 763      | 1 191      |
| Deferred income*                     | 4 324      | 3 108      |
| Payables to associates               | 1          | 12         |
| Payables to joint ventures           | 1 097      | 1 034      |
| Trade payables                       | 154        | 91         |
| Loans received**                     | 943        | 943        |
| Accrued interest                     | 89         | 29         |
| Loans received from related party*** | 0          | 345        |
| Other accrued liabilities            | 815        | 349        |
| Trade and other payables total       | 15 384     | 11 960     |

\* 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 991 th euros. In the balance sheet the loan amounted as at 31.12.2007 and 31.12.2006: 495 th euros. Loan matures in 2008 and interest rate is 4%.

\*\* Printall (Borrower) Loan Agreement with AS SL Õhtulehe in the amount of 895 th. euros. In the balance sheet the loan amounted as at 31.12.2007 ja 31.12.2006: 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 345 th euros, interest 6-months EURIBOR + 1,2% per annum. The loan was repaid on 31 august 2007.

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## Note 20. Bank loans and borrowings

| th EUR                  | Total amount  | Repayment term |               |              | Interest rate |
|-------------------------|---------------|----------------|---------------|--------------|---------------|
|                         |               | up to 1 year   | 1 to 5 years  | over 5 years |               |
| Balance at 31.12.2006   |               |                |               |              |               |
| Bank overdraft          | 4 231         | 4 231          | 0             | 0            | 3,70%         |
| Long-term bank loans    | 3 378         | 478            | 2 900         | 0            | 4,20%         |
| Finance lease (note 21) | 6 060         | 1 365          | 4 634         | 61           | 4,20%         |
| <b>Total</b>            | <b>13 669</b> | <b>6 074</b>   | <b>7 534</b>  | <b>61</b>    |               |
| Balance at 31.12.2007   |               |                |               |              |               |
| Bank overdraft          | 5 053         | 5 053          | 0             | 0            | 6,20%         |
| Long-term bank loans    | 44 276        | 5 504          | 37 958        | 814          | 5,05%         |
| Finance lease (note 21) | 10 786        | 2 162          | 7 323         | 1 301        | 5,05%         |
| <b>Total</b>            | <b>60 115</b> | <b>12 719</b>  | <b>45 281</b> | <b>2 115</b> |               |

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 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 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 2 755 thousand euros;

- with a combined pledge in the amount of 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 39.9 million euros.

- Ekspress Group (Borrower) Overdraft Agreement in the amount of 3 132 th euros credit limit in Sampo Pank in 31.12.2007, balance was 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 2 876 th euros credit limit in SEB in 31.12.2007, balance was 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 4 793 thousand euros, with the term of 15.12.2013, is secured with a mortgage in the amount of 6.4 million euros on registered immovable property located at Peterburi Rd 64A, Tallinn (carrying amount as of 31.12.2007: 4 866 thousand euros, 31.12.2006: 5 055 thousand euros), also a commercial pledge on the assets of the company in the amount of 3.2 million euros. The outstanding loan balance as of 31.12.2007: 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.

- Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

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

| th EUR                                   | Interest rate              | 2007   | 2006  |
|--|----------------------------|--------|-------|
| Finance lease<br>6 months or less        | 6 months<br>euribor + 1,2% | 10 786 | 6 060 |
| Long-term bank loans<br>6 months or less | 6 months<br>euribor + 1,7% | 44 276 | 3 377 |

## Note 21. Finance lease

Finance lease – the Group as the lessee

| th EUR                   | Plant and machinery |
|--------------------------|---------------------|
| Balance at 31.12.2006    |                     |
| Acquisition cost         | 11 182              |
| Accumulated depreciation | (1 775)             |
| Net book amount          | 9 407               |
| Balance at 31.12.2007    |                     |
| Acquisition cost         | 15 652              |
| Accumulated depreciation | (2 459)             |
| Net book amount          | 13 193              |

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

| th EUR                                       | 2007   | 2006  |
|--|--------|-------|
| At 31 December                               | 10 786 | 6 060 |
| Principal payments during the financial year | 1 428  | 1 233 |
| Interest expenses during the financial year  | 305    | 253   |
| Average annual interest rate                 | 5,32%  | 3,94% |

| th EUR  | 2007    | 2006  |
|---|---------|-------|
| Finance lease liabilities – minimum lease payments:           |         |       |
| No later than 1 year  | 2 646   | 1 621 |
| Later than 1 year and no later than 5 years                   | 8 170   | 4 913 |
| Later than 5 years  | 1 342   | 65    |
| Total   | 12 158  | 6 599 |
| Future finance charges on finance leases                      | (1 371) | (538) |
| Present value of finance lease liabilities                    | 10 786  | 6 060 |
| The present value of finance lease liabilities is as follows: |         |       |
| No later than 1 year  | 2 162   | 1 365 |
| Later than 1 year and no later than 5 years                   | 7 323   | 4 634 |
| Later than 5 years  | 1 301   | 61    |
| Total   | 10 786  | 6 060 |

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## Note 22. Operating lease

Group as the lessee

| th EUR   | 2007  | 2006  |
|--|-------|-------|
| Total operating lease payments expensed                              | 1 233 | 902   |
| Facilities   | 1 034 | 676   |
| Motor vehicles   | 199   | 226   |
| Future minimum lease payments under non-cancellable operating leases | 1 508 | 1 022 |
| Less than one year   | 855   | 459   |
| Between one and five years   | 653   | 563   |

## 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.









### 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 EUR                                     | 2007   | 2006   |
|--|--------|--------|
| Sale by activities                         |        |        |
| Advertising revenue                        | 19 616 | 13 786 |
| including barter                           | 472    | 297    |
| Single-copy sales revenue, net             | 5 578  | 4 659  |
| Subscriptions' revenue                     | 7 488  | 6 250  |
| Book sales revenue                         | 13 515 | 11 168 |
| Printing services' and paper sales         | 21 100 | 18 746 |
| Other revenues                             | 6 199  | 4 884  |
| Revenue total                              | 73 496 | 59 493 |
| Revenues from sale by geographical regions |        |        |
| Estonia                                    | 55 898 | 46 261 |
| Russia                                     | 4 051  | 4 529  |
| Lithuania                                  | 5 634  | 3 521  |
| Scandinavia and Finland                    | 5 507  | 4 373  |
| Latvia                                     | 1 525  | 263    |
| Other Europe                               | 866    | 543    |
| Canada                                     | 15     | 3      |
| Total                                      | 73 496 | 59 493 |

| EMTA<br>K | Sale by activities   | 2007   | 2006   |
|-----------|----------------------|--------|--------|
| 73121     | Advertising revenue  | 19 616 | 13 786 |
| 18111     | Newspaper printing   | 2 095  | 2 394  |
| 18122     | Magazine printing    | 19 004 | 16 352 |
| 58131     | Newspaper publishing | 7 315  | 6 032  |
| 58141     | Magazine publishing  | 5 752  | 4 877  |
| 47611     | Book retail sale     | 6 728  | 5 622  |
| 46491     | Book wholesale       | 6 788  | 5 546  |
| 82201     | Call centre services | 2 611  | 2 543  |
| 82991     | Other business       | 3 587  | 2 341  |
|           | Total                | 73 496 | 59 493 |

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| Other expenses<br>th EUR              | 2007 | 2006 |
|---------------------------------------|------|------|
| Losses from sale and writeoffs of PPE | 15   | 55   |
| Currency exchange losses              | 13   | 12   |
| Fines and penalties paid              | 16   | 10   |
| Other expenses                        | 306  | 228  |
| Total                                 | 350  | 305  |

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 99 thousand euros, membership fees and other costs.

#### Note 29. Finance costs

| th EUR                          | 2007    | 2006  |
|---------------------------------|---------|-------|
| Interest income                 | 221     | 46    |
| Interest expenses               | (1 570) | (690) |
| Currency exchange gains         | 11      | 4     |
| Currency exchange loss          | (9)     | (2)   |
| Other financial income          | 227     | 355   |
| Other financial expenses        | (233)   | (81)  |
| Financial income/expenses total | (1 353) | (368) |

#### Note 30. Expenses by nature

| th EUR  | 2007   | 2006   |
|---|--------|--------|
| Depreciation, amortization and impairment                     | 2 544  | 1 991  |
| Salaries and social taxes                                     | 20 119 | 14 747 |
| Raw materials and consumables used                            | 27 303 | 23 442 |
| Rental expenses   | 1 270  | 901    |
| Services purchased  | 9 410  | 7 908  |
| Marketing   | 2 346  | 1 925  |
| Repairs and maintenance                                       | 704    | 498    |
| Communication expenses  | 372    | 313    |
| Other expenses  | 2 216  | 1 825  |
| Total cost of sales, distribution and administrative expenses | 66 284 | 53 550 |
| 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 414.6 th euros to 7 365 th euros by issuing 11 301 600 new shares with the nominal value of 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

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## 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 638 th euros and transaction costs reserve – 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 EUR  | 31.12.2007 | 31.12.2006 |
|---|------------|------------|
| Share premium                                 | 11 727     | 0          |
| Statutory legal reserve                       | 14         | 14         |
| Other reserves                                | 639        | 338        |
| Additional payments in cash from shareholders | 639        | 639        |
| Transaction costs reserve                     | 0          | (301)      |

## 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.

| EUR   | 2007       | 2006       |
|---|------------|------------|
| Profit attributable to equity holders of the Parent Company | 5 858 811  | 5 890 356  |
| The average number of ordinary shares                       | 18 333 961 | 12 981 533 |
| Basic and diluted earnings per share                        | 0,32       | 0,45       |

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.

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## Dividends

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

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

In 2006 Group decided to reverse dividends receivable from subsidiary, AS Ekspress Hotline, in the amount of 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 1 266 th euros and in 2006 1 146 th euros. In 2007, the income tax on paid dividends was paid in the amount of 357 th euros and in 2006, 343 th euros.

## Note 32. Contingent liabilities

### Contingent income tax liability:

The consolidated retained earnings of Group as at 31 December 2007 amounted to 11 886 th euros (31 December 2006: 6 207.5 th 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 9 390.2 th euros and the corresponding income tax would amount to 2 496 th euros, as the joint ventures have paid 2 227 thousand euros. As at 31 December 2006 it would have been possible to pay out dividends to the shareholders in the amount of 4 701 th euros and the corresponding income tax would have amounted to 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.

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### 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 EUR  | 2007       | 2006       |
|---|------------|------------|
| Sales   |            |            |
| Sale of fixed assets  | 376        | 0          |
| members of supervisory boards and companies related to them | 376        | 0          |
| Sale of goods   | 1 857      | 1 594      |
| associated companies  | 1 827      | 1 594      |
| members of supervisory boards and companies related to them | 30         | 0          |
| Sale of goods   | 738        | 683        |
| members of management boards and companies related to them  | 0          | 1          |
| members of supervisory boards and companies related to them | 33         | 14         |
| associated companies  | 705        | 668        |
| Sales total   | 2 971      | 2 277      |
| th EUR  |            |            |
| Purchases   | 2007       | 2006       |
| Purchase of goods   | 69         | 20         |
| associated companies  | 69         | 20         |
| Purchase of services  | 409        | 282        |
| members of management boards and companies related to them  | 48         | 114        |
| members of supervisory boards and companies related to them | 359        | 76         |
| associated companies  | 2          | 92         |
| Purchases total   | 478        | 302        |
| Receivables   |            |            |
| th EUR  | 31.12.2007 | 31.12.2006 |
|   | 7          |            |
| Short-term receivables                                      | 886        | 680        |
| members of management boards and companies related to them  | 0          | 0          |
| members of supervisory boards and companies related to them | 522        | 296        |
| associated companies  | 364        | 384        |
| Long-term receivables                                       | 348        | 596        |
| members of supervisory boards and companies related to them | 348        | 596        |
| Receivable total  | 1 234      | 1 276      |
| Liabilities   |            |            |
| th EUR  | 31.12.2007 | 31.12.2006 |
|   | 7          |            |
| Short-term payables   |            |            |
| members of management boards and companies related to them  | 5          | 4          |
| members of supervisory boards and companies related to them | 28         | 345        |
| associated companies  | 0          | 12         |
| Liabilities total   | 33         | 361        |

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

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 EUR 959 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 EUR   | 2007 | 2006 |
|--|------|------|
| Salaries and other short-term employee benefits (paid) | 913  | 805  |
| Total  | 913  | 805  |

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 328 th euros and 2006 was 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 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.

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### 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 EUR  | 31.12.2007    | 31.12.2006    |
|---|---------------|---------------|
| <b>ASSETS</b>   |               |               |
| Current assets  |               |               |
| Cash on hand and in banks                                   | 2             | 3             |
| Other financial assets at fair value through profit or loss | 0             | 37            |
| Trade receivables   | 32            | 14            |
| Prepaid taxes   | 0             | 17            |
| Other receivables   | 5 498         | 1 005         |
| Prepayments   | 22            | 13            |
| Total trade and other receivables                           | 5 552         | 1 049         |
| Inventories   | 0             | 1             |
| Total   | 5 554         | 1 090         |
| Total current assets  | 0             | 0             |
| Non-current assets  | 5 554         | 1 090         |
| Long-term financial investments                             |               |               |
| Shares of subsidiaries                                      | 546           | 524           |
| Loans to subsidiaries                                       | 19 345        | 16 207        |
| Shares of joint ventures                                    | 52 613        | 0             |
| Shares of associated companies                              | 3 097         | 3 097         |
| Property, plant and equipment                               | 0             | 1             |
| Intangible assets   | 109           | 60            |
| Total non-current assets                                    | 57            | 59            |
| <b>TOTAL ASSETS</b>   | <b>75 767</b> | <b>19 948</b> |
| <b>SHAREHOLDERS EQUITY AND LIABILITIES</b>                  | <b>81 321</b> | <b>21 038</b> |
| Liabilities   |               |               |
| Borrowings  |               |               |
| Trade and other payables                                    | 9 921         | 4 231         |
| Trade payables  |               |               |
| Payroll accrued liabilities                                 | 39            | 69            |
| Taxes payable   | 51            | 92            |
| Other accrued liabilities                                   | 52            | 17            |
| Total trade and other payables                              | 17 018        | 11 082        |
| Total current liabilities                                   | 17 160        | 11 260        |
| Borrowings  | 27 081        | 15 491        |
| Total non-current liabilities                               | 35 074        | 0             |
| Total liabilities   | 35 074        | 0             |
| Equity  | 62 155        | 15 491        |
| Share capital   |               |               |
| Share premium   | 12 125        | 10 560        |
| Statutory legal reserves                                    | 11 727        | 0             |
| Other reserves  | 14            | 14            |
| Retained earnings   | 639           | 337           |
| Total equity  | (5 339)       | (5 364)       |
| <b>SHAREHOLDERS EQUITY AND LIABILITIES</b>                  | <b>19 166</b> | <b>5 547</b>  |
| <b>TOTAL</b>  | <b>19 166</b> | <b>5 547</b>  |

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Income statement AS Ekspress Grupp (parent company)

| th EUR                             | 2007    | 2006  |
|------------------------------------|---------|-------|
| Net sales                          | 128     | 86    |
| Costs of goods sold                | 30      | 30    |
| Gross margin                       | 98      | 56    |
| Distribution costs                 |         |       |
| Administrative expenses            | 20      | 5     |
| Other income                       | 702     | 552   |
| Other expenses                     | 1 374   | 92    |
| Operating profit                   | 6       | 1     |
| Finance costs                      | 744     | (410) |
| Shares of income of subsidiary     |         |       |
| Shares of income of joint ventures | (624)   | (487) |
| Share of loss of associates        | 1 266   | 1 146 |
| Interest expenses                  | 0       | (250) |
| Currency exchange losses           | (1 486) | (294) |
| Other financial income/expenses    | (3)     | (1)   |
| Total finance costs                | 128     | 294   |
| Net income before taxes            | (719)   | 408   |
| PROFIT FOR THE YEAR                | 25      | (2)   |

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

| th EUR   | Attributable to equity holders of the Group |               |          |                   | Total equity |
|--|---|---------------|----------|-------------------|--------------|
|  | Share capital                               | Share premium | Reserves | Retained earnings |              |
| Balance at 31 December 2005  | 142   | 1 360         | 653      | 3 288             | 5 443        |
| Profit for the year  | 0   | 0             | 0        | (2)               | (2)          |
| Net income (expense) recognized in equity  | 0   | 0             | 0        | (2)               | (2)          |
| Dividends paid   | 0   | 0             | 0        | (2 787)           | (2 787)      |
| Share capital increase   | 3 196                                       | 0             | 0        | 0                 | 3 196        |
| Bonus issue to share capital   | 7 222                                       | (1 360)       | 0        | (5 863)           | (1)          |
| Transaction costs  | 0   | 0             | (302)    | 0                 | (302)        |
| Total changes  | 10 418                                      | (1 360)       | (302)    | (8 650)           | 106          |
| Balance at 31 December 2006  | 10 560                                      | 0             | 351      | (5 364)           | 5 547        |
| Book value of holdings under control or significant influence                            |   |               |          |                   | (19 304)     |
| Value of holdings under control or significant influence, calculated under equity method |   |               |          |                   | 30 697       |
| Adjusted unconsolidated equity as of 31.12.2006  |   |               |          |                   | 16 940       |
| Profit for the year  | 0   | 0             | 0        | 25                | 25           |
| Net income (expense) recognized in equity  | 0   | 0             | 0        | 25                | 25           |
| Share capital increase   | 1 565                                       | 12 029        | 0        | 0                 | 13 594       |
| Transaction costs  | 0   | (302)         | 302      | 0                 | 0            |
| Total changes  | 1 565                                       | 11 727        | 302      | 0                 | 13 594       |
| Balance at 31. detsember 2007  | 12 125                                      | 11 727        | 653      | (5 339)           | 19 166       |
| Book value of holdings under control or significant influence                            |   |               |          |                   | (22 442)     |
| Value of holdings under control or significant influence, calculated under equity method |   |               |          |                   | 39 698       |
| Adjusted unconsolidated equity as of 31.12.2007  |   |               |          |                   | 36 422       |

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

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AS Ekspress Grupp cash flow statement (parent company)

| th EUR   | 2007     | 2006    |
|--|----------|---------|
| Cash flows from operating activities   |          |         |
| Operating profit for the period  | 744      | (410)   |
| Adjustments for:   |          |         |
| Depreciation, amortization and impairment of property, plant and equipment and intangibles | 29       | 19      |
| Profit (loss) on sale of property, plant and equipment                                     | 0        | 0       |
| Changes in working capital:  |          |         |
| Trade and other receivables  | (1 356)  | 147     |
| Inventories  | 1        | (1)     |
| Trade and other payables   | 5 956    | 158     |
| Cash generated from operations   | 5 374    | (87)    |
| Interest paid  | (1 256)  | (294)   |
| Net cash generated from operating activities   | 4 118    | (381)   |
| Cash flows from investing activities   |          |         |
| Investments in financial assets at fair value through profit or loss                       | (3 768)  | (107)   |
| Proceeds from financial assets at fair value through profit or loss                        | 7        | 134     |
| Interest received  | 137      | 98      |
| Dividends received   | 1 266    | 1 146   |
| Purchase of property, plant and equipment  | (77)     | (84)    |
| Proceeds from sale of property, plant and equipment  | 0        | 1       |
| Loans granted  | (60 884) | (2 013) |
| Loan repayments received   | 5 189    | 1 331   |
| Net cash used in investing activities  | (58 130) | 506     |
| Cash flows from financing activities   |          |         |
| Share emission   | 13 594   | 0       |
| Change in overdraft used   | 821      | 1 151   |
| Proceeds from borrowings   | 42 954   | 9 163   |
| Repayments of borrowings   | (3 358)  | (7 652) |
| Dividends paid   | 0        | (2 786) |
| Net cash generated from financing activities   | 54 011   | (124)   |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS                                       | (1)      | 1       |
| Cash and cash equivalents at the beginning of the period                                   | 3        | 1       |
| Exchange gains/(losses) on cash and cash equivalents                                       | 0        | (1)     |
| Cash and cash equivalents at the end of the period   | 2        | 3       |

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Kuupäev/date                     16.04.08                      
PricewaterhouseCoopers, Tallinn



**AS PricewaterhouseCoopers**  
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10141 Tallinn  
Estonia  
  
Telephone +372 614 1800  
Facsimile +372 614 1900  
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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.



### 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.

A handwritten signature in black ink, appearing to read 'U. Kaarlep'.

Urmas Kaarlep  
AS PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'E. Jansen'.

Eva Jansen  
Authorised Auditor

16 April 2008

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*\* 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.*

## 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 5 858 thousand euros to be transferred to the retained earnings and 1.3 thousand euros to be transferred to the legal reserve.

| th EUR  | 2007   |
|---|--------|
| Retained earnings attributable to equity holders of the parent company: |        |
| Retained earnings of previous periods                                   | 6 028  |
| Profit for 2007   | 5 858  |
| Total distributable profits at 31.12.2007                               | 11 886 |
| The management board proposes that profits be allocated as follows:     |        |
| Transfer to statutory legal reserve                                     | 1      |
| Retained earnings after allocations                                     | 11 885 |

## 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



Chairman of the Management Board  
Priit Leito

Member of the Supervisory Board  
Hans Luik



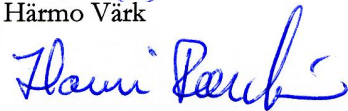
Member of the Supervisory Board  
Selle Luik



Member of the Supervisory Board  
Kalle Norberg



Member of the Supervisory Board  
Härmo Värk



Member of the Supervisory Board  
Harri Helmer Roschier

Member of the Management Board  
Anne Kallas



Member of the Management Board  
Kaido Ulejev

