



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

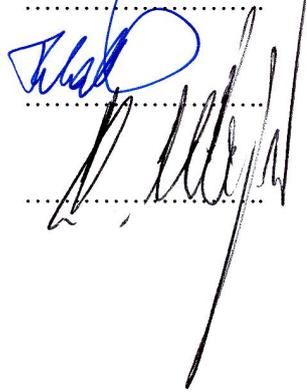
The management board confirms that the management report of AS Ekspress Grupp presented on pages 4 to 15 presents a true and fair view of the business developments and results, of the financial position, and includes the description of major risks and doubts for the Parent company and consolidated companies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

Priit Leito      Chairman of the Management Board



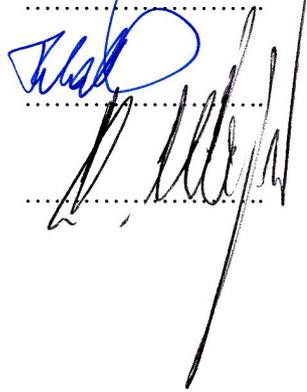
16 April.2008

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.

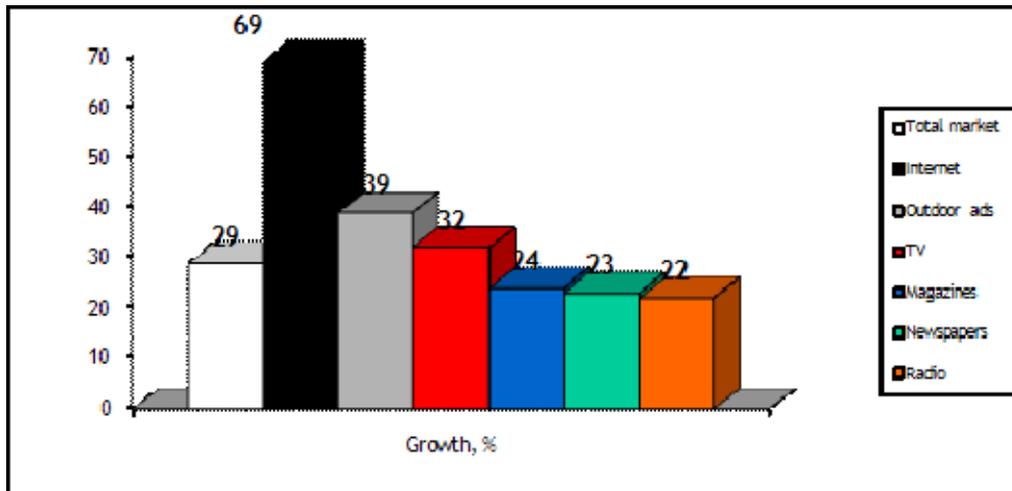
### Other important events in 2007

- 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

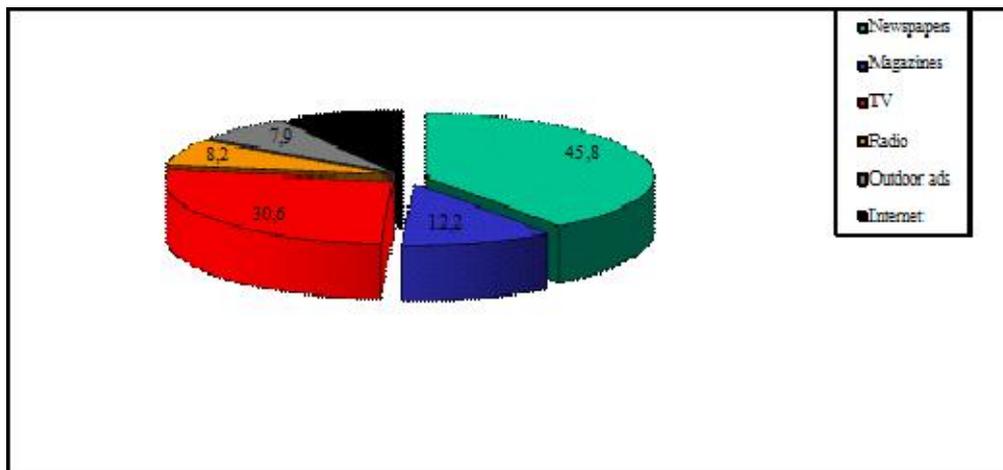
According to the survey of the media advertising market conducted by TNS Emor, the sales revenue of media advertising grew by 29% in 2007 as compared to 2006. Sales growth in the 4th quarter was 24% as compared to the same period last year, showing moderate cooling off in the advertising market. Internet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

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



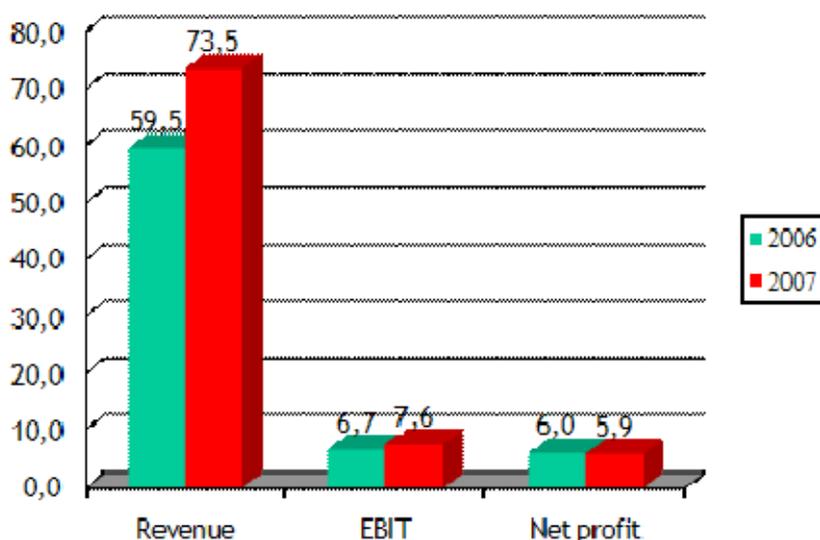
Newspaper advertising with the highest advertising market volume of EUR 45.8 million in 2007 and the share of 40% attained a remarkable 23% annual growth as compared to last year. The areas of real estate and automobile advertising showed the highest volume growth in 2007, 94% and 65%, respectively as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





### 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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### 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 $\geq$ 7 days	Overdue $>7$ to $\leq 60$ days	Overdue $> 60$ days	Total receivables
th EUR 2007					
Total	4 183	781	1 590	602	7 156

Trade receivables	Not due	Overdue $\geq$ 7 days	Overdue $>7$ to $\leq 60$ 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	$\leq 1$ month	$> 1$ month and $\leq 3$ months	$> 3$ months and $\leq 1$ year	$> 1$ year and $\leq 5$ 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 and <=3 months	> 3 months and <= 1 year	>1 year and <=5 years	> 5 years	Carrying 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 and <=5 years	> 5 years	Carrying 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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litas, Latvian lats and Romanian leus. The average change of Latvian lat exchange rate to Estonian kroon in 2007 was -0.55% (2006: 0%). Transactions made in Romanian leus in 2007 were insignificant for the Group. The exchange rate of euro and Lithuanian litas to Estonian kroon is fixed. Hence, the Group does not have any significant amounts exposed to foreign exchange risk: Therefore, in the case of future business transactions and recognised assets and liabilities the Group does not use derivatives for hedging the risk. The Group pays most of its suppliers of paper and other materials in euros, while the domestic suppliers and employees are paid in Estonian kroons, Lithuanian litas, Latvian lats and Rumanian leus.

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

#### Price risk

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

#### Operational risk

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

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

#### Capital risk

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

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

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

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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
Estonia		
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%
Latvia		
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
Lithuania		
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
Group income tax expense		
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

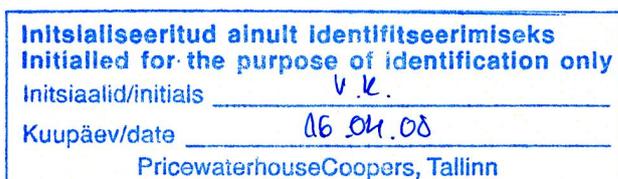
A new subsidiary of AS Ekspress Hotline, TeleTell Infoline S.R.L was established in Romania on 11 May 2007. On 26 November 2007 TeleTell Infoline S.R.L opened a business information infoline TeleTell in Romania.

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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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

### Tulud ja kulud

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 6 months or less	6 months euribor + 1,2%	10 786	6 060
Long-term bank loans 6 months or less	6 months 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.

2006 th EUR	Online media	Periodical s	Printin g services	Book sales	Infor- mation services	Unallocate d	Elimina- tions	Group total
Sales to external customers	345	26 682	18 327	10 096	4 019	24	0	59 493
Inter-segment sales	7	634	3 499	2	2	62	(4 206)	0
Total gross segment sales	352	27 316	21 826	10 098	4 021	86	(4 206)	59 493
Cost of sales	252	19 337	17 959	9 331	1 315	30	(4 008)	44 216
Gross profit	100	7 979	3 867	767	2 706	56	(198)	15 277
Depreciation, amortisation and impairment of PPE and intangible assets (Note 17,18,19)	6	499	1 221	105	138	19	0	1 988
Segment result	(26)	3 342	3 027	296	579	(410)	(131)	6 677
Financial cost - net								(368)
Share of loss of associates (Note 15)		(22)						(22)
Profit before income tax								6 287
Income tax expense								(269)
Profit for the year								6 018
Attributable to:								
Equity holders of the Parent								5 892
Minority interest								126
Segment assets	249	11 513	19 785	2 236	7 192	1 613	0	42 588
Investment in associates						1		1
Total assets	249	11 513	19 785	2 236	7 192	1 614	0	42 589
Segment liabilities	67	5 669	12 139	1 629	1 376	4 754	0	25 634
Consolidated liabilities total	67	5 669	12 139	1 629	1 376	4 754	0	25 634
Capital expenditure	81	813	1 316	87	2 029	44	0	4 370

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2007 th EUR	Online media	Periodicals	Printing services	Book sales	Information services	Unallocated	Eliminations	Group total
Sales to external customers	3 708	32 779	20 751	11 990	4 235	31	0	73 494
Inter-segment sales	29	1 156	3 905	13	6	97	(5 206)	0
Total gross segment sales	3 737	33 935	24 656	12 003	4 241	128	(5 206)	73 494
Cost of sales	1 697	24 681	20 462	11 007	1 626	30	(59 503)	0
Gross profit	2 040	9 254	4 194	996	2 615	98	54 297	73 494
Depreciation, amortization and impairment of PPE and intangible assets (Note 17,18,19)	284	570	1 368	165	133	25	0	2 545
Segment result	957	3 411	3 292	388	468	708	(1 591)	7 633
Financial cost - net								(1 353)
Share of loss of associates (Note 15)		64						64
Profit before income tax								6 344
Income tax expense								(458)
Profit for the year								5 886
Attributable to:								
Equity holders of the Parent								5 858
Minority interest								28
Segment assets	58 149	15 713	26 609	3 292	7 144	1 018	0	111 926
Investment in associates		62					0	62
Total assets	58 149	15 775	26 609	3 292	7 144	1 018	0	111 988
Segment liabilities	41 419	7 217	18 156	1 926	1 532	5 255	0	75 505
Consolidated liabilities total	41 419	7 217	18 156	1 926	1 532	5 255	0	75 505
Capital expenditure	51 320	2 882	7 602	485	189	77	0	62 555

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

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

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

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

The unallocated liabilities of the group arise from the holding activities of group companies.

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

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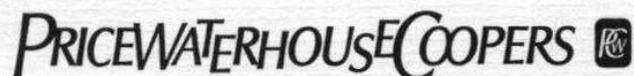
Statement of change in equity AS Ekspress Grupp (parent company)

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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## **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 'Urmas Kaarlep'.

Urmas Kaarlep  
AS PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Eva 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



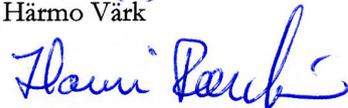
Member of the Supervisory Board  
Selle Luik



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

