Ekspress Grupp
CONSOLIDATED ANNUAL REPORT
2008

(Translation of the Estonian original)

TABLE OF CONTENTS

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
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Phone no.	+372 669 8081
Fax no	+372 669 8180
E-mail	grupp@egrupp.ee
Internet homepage	www.egrupp.ee
Main field of activity	Publishing and related services (5814)
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 101 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 23 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	.....	24 April.2009
Anne Kallas	Member of the Management Board	.....	24 April.2009
Kaido Ulejev	Member of the Management Board	.....	24 April.2009

MANAGEMENT REPORT

While in 2007 the Estonian economy grew by 6.3%, in 2008 the economic downturn reached 2.6% according to the information available from Swedbank, which indicates a serious economic crisis.

The consolidated sales revenue of Ekspress Group, which has strengthened its position in both domestic and international markets, grew by 15% in the year, reaching EEK 1.32 billion (EUR 84.6 million). Earnings before depreciation, financial income and expenses, income tax and minority interest (EBITDA) increased by 10% compared to the last year, reaching EEK 171.7 million (EUR 11.0 million). The stalling of the sales revenue growth and the decline of EBITDA in the second half of the year and in particular in the fourth quarter was caused by the decline in advertising revenue relating to the economic recession. Operating profit (EBIT) decreased by 5.3% compared to the last year, reaching EEK 110.3 million (EUR 7.0 million). Slow-down in the growth of EBIT in 2008 is caused by the growth of amortisation related to the intangible assets added by acquisition of Delfi and Maaleht. Decline in EBIT is also affected by the loss resulting from the launching of the information line in Romania and the expenses of Delfi development projects. Net profit decreased by 50.1% compared to the last year, reaching EEK 46.0 million (EUR 2.9 million). Slowdown in the growth of net profit in 2008 is, in addition to the events affecting EBIT, caused by an increase in interest expenses in conjunction with the syndicated loan taken in the amount of EEK 674.4 million (EUR 43.1 million) in August 2007.

Key figures characterising the activities of Ekspress Group in 2008

- Sales revenue EEK 1 323.4 million (EUR 84.6 million), year-over-year growth 15%
- Gross profit EEK 335.5 million (EUR 21.4 million), year-over-year growth 11%
- EBITDA EEK 171.7 million (EUR 11.0 million), year-over-year growth 10%
- EBIT EEK 110.3 million (EUR 7.0 million), year-over-year change -5.3%
- Net profit EEK 46.0 million (EUR 2.9 million), year-over-year change -50.1%

Highlights of 2008

The road to the highlights of 2008 was paved with the purchase of Delfi in the summer of 2007, as a result of which Ekspress Group became the largest company acting in the field of online media in the Baltic States. In 2008, Delfi aggressively expanded in Ukraine, achieving 45 000 unique visitors per month at the year-end according to the research of Gemius Audience. Considering an increasing interest of Internet users towards the entertainment area, in 2008 Delfi introduced to the market in the three Baltic states the new entertainment portals: www.klubas.lt in Lithuania, www.mango.lv in Latvia and Publik.ee in Estonia. All the three entertainment portals quickly achieved the leading position in their field, increasing from month to month the number of unique visitors. Video news portal Delfi.TV, launched at the end of 2008 in Estonia and Latvia, enables to watch for the first time an Internet-based video portal on a TV screen at home.

The purchase of Delfi being a right business decision is proved by the fact that while in 2008 the print advertising market fell by 12%, the online advertising increased by 26%. The online advertising does not grow any longer so aggressively as in the previous periods, but the growth continues and the growth of the share of online advertising in the total advertising market has accelerated. The trend is continuing, Internet is becoming an ever more important advertising channel.

In cooperation with Delfi Eesti and Eesti Ekspress, new combined environments of automobiles, real estate and employment were introduced to the market. This year,

ekspresskinnisvara.ee has been the fastest growing real estate portal, the factors behind this fast growth include a good technical solution and comprehensive cooperation with Delfi.
Maaleht, which was added to Ekspress Group in the summer of 2007, enabled the Group to expand its target group of readers, launched in the second quarter of 2008 a web version with an upgraded concept www.maaleht.ee, which enabled to double the number of visitors by the year-end. The upgraded website of Maaleht has significantly increased the citation of Maaleht in other publications, which has contributed to the awareness of the brand of Maaleht.

In 2008, Ekspress Group strengthened its position in book sales, by opening three new stores, of which two are in Tallinn: in Ülemiste City 66m2 and in Rocca al Mare shopping centre. Rahva Raamat, which was opened on 800 m2 space in Rocca al Mare shopping centre on 1 October, is the second largest bookstore in Estonia. A bookstore with a size of 554 m2, opened in the leisure centre Tasku in Tartu, has become the favourite bookstore of many inhabitants of Tartu.

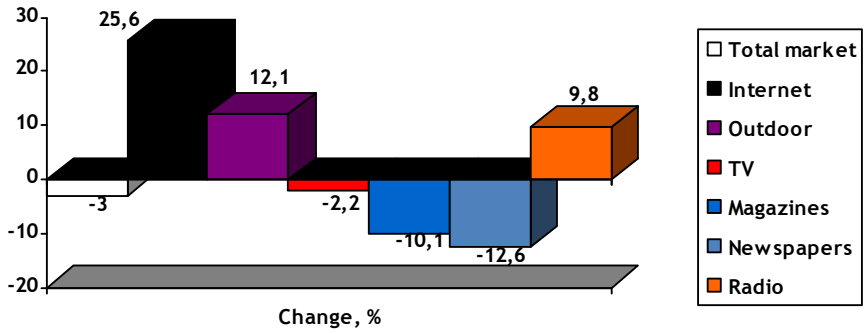
Other important events in 2008

- ✓ putting into operation of new magazine gluing line in AS Printall
- ✓ launching of the women-oriented portal www.naistemaailm.ee
- ✓ launching of the web version of women-oriented monthly "Panele"www.panele.lt in Lithuania
- ✓ launching of the science and technology news environment www.forte.ee
- ✓ launching of Delfi Infoliin 1184 (Delfi Information Line 1184) that replaced the previous 1184 Numbriinfo.
- ✓ launching of the upgraded web publication of the women's magazine Moteris www.moteris.lt in Lithuania

Overview of the advertising market

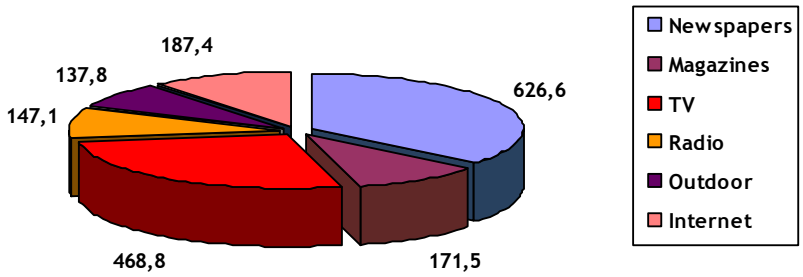
According to the survey of the media advertising market conducted by TNS Emor, the sales revenue of media advertising fell in Estonia by 3% in 2008 as compared to 2007, reaching EEK 1739.2 million (EUR 111.2 million) (2007: EEK 1793 million, EUR 114.6 million). In the first quarter of 2008, the advertising revenue was at the level of the first quarter of 2007, where the latter included election advertising. In the second quarter, the advertising revenue was EEK 517 million (EUR 33 million), being the best result ever in the same period. While the advertising revenue in the third quarter was still at the level of 2007, in the fourth quarter the advertising revenue steeply fell by 14% as compared to the same period of 2007, which is mostly impacted by shrinkage of employment ads, real estate and automobile ads. In light of the panic prevailing in the fourth quarter due to the crash of the financial markets and the overall economic recession, such results were to be expected. The fourth quarter did not yet bring about such a drastic decline in Latvia and Lithuania, and thus the advertising revenue in 2008 increased in Latvia and Lithuania by 3% and 9%, respectively as compared to 2007.

Estonian advertising market 2008/ 2007 (in %)
Source: TNS Emor



The newspaper advertising and the magazine advertising fell by most, 12.6% and 10.1%, respectively. Internet advertising demonstrated the highest growth 25.6%. Internet advertising is not growing as vigorously as in the previous periods, but the growth continues and the growth of the share of Internet advertising in the total advertising market has accelerated. While in 2007 Internet advertising comprised 8% of the total advertising market, in 2008 it already accounted for 11%. Under the conditions of a decline in the advertising market, the growth was achieved on account of print advertising. Communication, electronics, business services, entertainment and furnishing were the areas that dominated in the advertising market in 2008.

Estonian advertising market in 2008 (millions of kroons)
Source: TNS Emor



Overview of segments

In 2008, Ekspress Group continued to focus on its five principal segments: online media, publishing, printing services, book sales and information services. From 2008, the online media service also includes the web publications of AS Eesti Päevaleht, SLÕhtuleht AS and Eesti Ekspress Kirjastus AS, as well as automobile, real estate and employment web environments of Eesti Ekspress Kirjastus AS which were previously included in the publishing segment. All web environments to be set up in the future are also included in the online media segment.

In 2008, the largest revenue growth in absolute terms as compared to 2007 was attained in the segment of online media related to the acquisition of Delfi Group in September 2007. A significant contribution to the sales revenue growth in 2008 was also made by the segment of printing services where the sales revenue growth was attained through an increase in the production capacities in conjunction with the launching of a new printing press in October 2007. The sales revenue growth was also noteworthy in the book sales owing to the opening of new stores. The sales revenue growth remained modest in the publishing segment as a result of a significant decline in the advertising market at the end of 2008.

In the segment of **online media** Delfi continues to be the leading news portal in the Baltic States, the users of which grew in all markets in 2008 as compared to 2007. A total of 2.5 million people in the Baltic States and Ukraine use Delfi portals. According to the data by TNS Metrix, Delfi continued to be the largest news portal in Estonia at the end of 2008 with 549 000 unique users per month, growing its user base by 28 000 unique users as compared to the same period last year. Delfi's largest competitor www.postimees.ee had 445 000 unique visitors in the same period.

According to the data by Gemius Audience, Delfi had on average 924 000 unique visitors per month in Lithuania at the end of 2008 and thereby continued to be the largest news portal there. The competing news portals www.lrytas.lt and www.alfa.lt had 665 000 and 527 000 unique visitors, respectively, in the same period.

According to the data by Gemius Audience, Delfi is also the largest news portal in Latvia with 589 000 unique users per month. Delfi's competing news portals www.tvnet.lv had 420 000 and www.apollo.lv had 371 000 unique visitors.

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

In the first quarter, Delfi launched in Lithuania the entertainment portal www.klubas.lt which expectedly became very popular among clients, supported by celebrity magazine with the same name "Klubas" already published by the Group in the Lithuanian market. At the end of 2008, www.klubas.lt was the largest entertainment portal with 253 000 unique users. The new web version www.panele.lt of the largest women-oriented monthly magazine "Panele" that was launched by Delfi in Lithuania in the second quarter had 213 000 unique visitors per month, being a magazine's web version with the largest user base. In Estonia, Maaleht launched in the second quarter the web version with upgraded concept www.maaleht.ee. In the second quarter, Ajakirjade Kirjastus launched in Estonia the women-oriented portal www.naistemaailm.ee. In July, Delfi launched in Latvia a new entertainment portal www.mango.lv to meet the increasing interest of Internet users towards the field of entertainment. At the end of 2008, www.mango.lv strengthened its leadership position as the leading portal in its field, gaining 33 000 unique visitors per month in the fourth quarter. The entertainment portal Publik.ee launched in Estonia in August by Delfi became fast the leading portal in its field, having on average 237 000 unique visitors per week. The science and technology news environment Forte.ee launched in Estonia in September by Delfi had 89 000 unique visitors per week as of the end of 2008. In the fourth quarter, the women's magazine Moteris introduced an upgraded website in Lithuania,

www.moteris.lt, that on average was visited by 73 000 unique visitors per month. The video news portal Delfi-TV was launched in Estonia in October and in Latvia in November, enabling to watch an Internet-based video portal for the first time on a TV screen at home.

Significant developments also took place in the market of classified portals in 2008. In the first quarter, new combined environments of automobile and real estate were launched in cooperation of Delfi Eesti and Eesti Ekspress. The automobile portal www.ekspressauto.ee launched at the end of January fast became the second most visited automobile portal. As at the end of 2008, the automobile portal ekspressauto.ee continued to secure its second place in the market, reaching an average of 26 000 unique visitors per week. At the end of October, the real estate portal www.ekspresskinnisvara.ee that had been launched in mid-February became the second most visited real estate portal with 80 000 unique visitors per week according to the data by the website measurement system TNS Metrix in Estonia, surpassing such portals as kv.ee, soov.ee and kuldnebors.ee. This year, ekspresskinnisvara.ee has been the fastest growing real estate portal, the factors behind this fast growth include a good technical solution and comprehensive cooperation with Delfi. In addition to the new combined environments of automobiles and real estate launched in the first quarter of 2008, the new employment ads portal www.ekspressjob.ee was launched in the second quarter. In June, the new employment portal was visited on average by 13 815 unique visitors per week. The employment news column launched by ekspressjob.ee in Delfi at the end of December increased the user base of ekspressjob.ee to 30 000 unique visitors per week.

The goal of the Group's management is to strengthen the Group's market leadership position in the Internet markets of all Baltic states.

In December, Delfi started to implement the restructuring project, and as its first stage, the subsidiary of AS Ekspress Group in Latvia under the name of SIA Delfi Holding was registered on 23 December 2008. On 30 December 2008, a share purchase agreement was entered into between Delfi AS (Estonia) and SIA Delfi Holding for the sale of 100% of the shares of Delfi AS (Latvia).

The sales revenue of Delfi Group increased by 13% in 2008 as compared to 2007, reaching EEK 147.5 million (EUR 9.4 million). EBITDA made up 80% of the level of 2007. The decline in EBITDA was related to the costs of launching Delfi Ukraina in the amount of EEK 2.8 million (EUR 0.2 million) as well as additional development projects such as klubas.lt in Lithuania in the amount of EEK 2.7 million (EUR 173 thousand), mango.lv in Latvia in the amount of EEK 1.1 million (EUR 70 thousand), publik.ee in Estonia in the amount of EEK 1.0 million (EUR 64 thousand) and forte.ee in Estonia in the amount of EEK 0.9 million (EUR 58 thousand). Excluding the costs related to the aforementioned development projects, EBITDA decreased by 1% as compared to 2007.

In the **publishing segment**, the signs indicating the slow-down in the growth of advertising sales, which were noticed in the fourth quarter of 2007, manifested in the advertising revenue. Given the seasonal nature of the advertising business, with the addition of AS Maaleht the impact of the decline period of the first and third quarter on the financial indicators of the segment is major. Since the advertising revenue is directly dependant on an economic cycle, the economic recession has brought about a decline in the advertising sales of the publishing segment. In 2008, the advertising revenue of the Group's publishing segment fell by 9%. The economic recession has also had an impact on the single copy sales of periodicals, which has grown by a minimal 5% as compared to 2007. At the same time, the subscriptions increased by 17%. The stalling of the advertising revenue growth has a major impact on the profit in the publishing segment, because the gross margin of advertising revenue is significantly higher than that of subscriptions and single copy sales. Therefore, EBITDA of the publishing sector fell by 3% as compared to 2007. The subscription campaign of Eesti Päevaleht regarding the book series "Eesti Lugu" (Estonian Story) dealing with the history of Estonia, which was introduced

to the market in 2008, gained new subscribers as well as increased its single copy sales. The programme "Värske Ekspress" which is shown on TV3 on Thursdays has helped to increase the reader base of Eesti Ekspress at the end of 2008. Excluding the single profit from the selling of OÜ Netikuulutused in the first quarter of 2008 in the amount of EEK 3.5 million (EUR 0.2 million), the marginal of EBITDA is 10%.

In **the segment of printing services**, the sales revenue growth of the printing company was a significant 10% in 2008 as compared to 2007. The addition of new contracts to better utilise the operating capacity of the printing machine taken into use in October 2007 enabled to increase the company's exports by 73% and increase the total sales revenue of the printing company to an almost record-breaking level. Similarly to publishing, printing services are also characterised by seasonality, with one peak being from March to May and the second, in October and November. The growth of EBITDA in 2008 was 26.4% as compared to 2007.

In the second half of 2007, modernisation of the magazine production unit was commenced, during which a new gluing line Kolbus was put into operation, which is unique in Estonia, enabling to simultaneously insert up to three advertising sheets and glue one product sample. The production capacity of the new gluing line is up to 8000 products per hour.
On 15 December, the printing company entered into a purchase and sales agreement regarding the sale of the 6859 m2 unimproved land plot in its possession in the amount of EEK 9 million (EUR 0.6 million). The year-over-year EBITDA growth of the printing company was 22%, excluding the gain from the recognition of the land plot in the fair value in the amount of EEK 3.4 million (EUR 0.2 million).

With regard **to book sales**, 11% growth in the sales revenue was attained in 2008. The growth of the retail sales of books was even 25% achieved through the addition of new sales premises. In 2008, Ekspress Group strengthened its position in book sales, by opening three new stores, of which two are in Tallinn: in Ülemiste City 66m2 and in Rocca al Mare shopping centre. Rahva Raamat, which was opened on 800 m2 space in Rocca al Mare shopping centre on 1 October, is the second largest bookstore in Estonia. A bookstore with an area of 554 m2, opened in the leisure centre Tasku in Tartu, has become the favourite bookstore of many inhabitants of Tartu. As of the balance sheet date, Rahva Raamat operates in six stores in Estonia on a total area of 3 365 m^2. Rahva Raamat will open another new store next year, in Pärnu Centre located in Pärnu.

The sales revenue of **information services** increased by 7% in 2008 as compared to 2007. The decline of EBITDA in 2008 was related to losses incurred in Romania and write-off of doubtful receivables in Estonia. As of the balance sheet date, Ekspress Group has exited its business of information services in Romania. The Company launched Delfi Infoliin 1184 (Delfi Information Line 1184) in cooperation with Delfi which will replace the previous 1184 Numbriinfo. In addition to the information available in the Internet environment www.ee.ee, the new brand Delfi Infoliin 1184 also includes Delfi company search. Delfi Infoliin 1184 is a universal information telephone which provides information as desired in Estonian, English or Russian languages. We expect **cooperation with Delfi to contribute to sales revenue growth of information services.**

Profit

Given the seasonal nature of the advertising business, the addition of AS Maaleht and Delfi Group has significantly increased the share of advertising revenue in the Group's sales revenue, therefore the impact of the seasonal nature on the Group's sales revenue and profit is larger than ever. The economic downturn which steeply deepened in the fourth quarter had an impact on the Group's revenue and profit, manifested in a decline of advertising revenue as well as the related decline in profit as a result of direct dependence of the advertising market on the economic cycle.

As compared to the 15% growth of sales revenue, direct costs increased by 16.7% in 2008 as a result of which the gross margin declined from 26.4% to 25.4%. Besides appreciation of printing and distribution services, depreciation included in direct expenses has also increased.

EBITDA totalled EEK 171.7 million (EUR 11.0 million) in 2008, the growth being 10% as compared to 2007. In 2008, EBIT reached EEK 110.3 million (EUR 7.0 million), being by 5.3% less than the level of 2007. In 2008, the operating margin was 8.3% (2007: 10.1%). The factors behind the slowdown of EBIT are besides the decline of advertising revenue also higher depreciation related to the intangible assets added in the acquisition of Delfi and Maaleht and other investments made into fixed assets in 2007.

The marketing expenses of the Group have increased due to the addition of new companies (AS Maaleht, Delfi Group, TeleTell) in the Group in the second half of 2007 as well as the launching of new products and marketing campaigns such as the launching of automobile, real estate and employment web environments and the new book project of Eesti Päevaleht. In addition to the aforementioned reasons, the marketing costs also increased as a result of the Hotline brand advertising campaign and the production costs of the TV programme Värske Ekspress. Annual growth as compared to 2007 is 16.3%. At the same time marketing costs increased only by 12% in the fourth quarter as compared to the same period in 2007, attained through optimisation of marketing expenses.

In 2008, administrative expenses increased as a result of expansion of the Group at the end of 2007 by 23.9% as compared to the last year. In the fourth quarter, which is on comparable bases with the same period of 2007, administrative expenses fell by 10%. Wages and salaries included in administrative expenses decreased in the fourth quarter by 20% as compared to the same period in 2007. The decline of administrative expenses has been attained through implementation of cost-cutting measures described below. The decline of wages and salaries has been attained through freezing of wage increases and laying off of employees.

Other operating income includes a gain of EEK 3.4 million (EUR 0.2 million) from recognising the 6859 m2 unimproved land plot in Printall's possession in the fair value pursuant to the purchase and sales agreement entered into on 15 December 2008.

The Group's financial expenses in 2008 reached EEK 62.2 million (EUR 4.0 million). Financial expenses were mostly made up of interest expenses in the amount of EEK 56.7 million (EUR 3.6 million) (2007: EEK 24.6 million (EUR 1.6 million). Higher interest expenses are related to the loan in the amount of EEK 674.4 million (EUR 43.1 million) taken from the syndicate of SEB, Sampo Bank and Nordea Bank for the acquisition of Delfi and Maaleht in the fourth quarter of 2007. As of 31 December 2008, the outstanding loan balance is EEK 574.1 million (EUR 36.7 million).

The net profit (after taxes and minority interest) of Ekspress Group totalled EEK 46.0 million (EUR 2.9 million) in 2008. As compared to the same period in 2007, the net profit decreased by 50.1%. In addition to the events impacting the operating profit, the stalling of the net profit growth is related to the increase of interest expenses in connection with the syndicate loan.
Under the conditions of a deepening economic recession, the management of the Group has carried out the cost cutting programme during all the four quarters. The main components of the programme include savings of paper and printing costs, savings of IT development costs and savings of payroll expenses. Of administrative expenses, training, representation, business trip, parking and other costs have been curbed in addition to the cost saving measures announced earlier. The biggest cost savings source is payroll expenses, which is mainly achieved through lay-offs of employees. As of the balance sheet date, 60 employees have been laid off. Lay-offs relate mostly to Ajakirjade Kirjastus, Ekspress Kirjastus, Eesti Päevaleht and Delfi. Due to the additional lay-offs of employees, termination benefits are also included in the payroll expenses of

2008. The full effect of saving these payroll expenses will be achieved from 2009 onwards. The additional lay-offs were related to a major decline of advertising revenue as well as combining of support functions necessary for increasing business effectiveness. The reduction in the number of employees and reduction of wages will continue in 2009.

Balance sheet and investments

As of 31 December 2008, the consolidated balance sheet total of Ekspress Group was EEK 1 706.5 million (EUR 109.1 million), decreasing by 2.6 % year-over-year. As of 31 December 2008, current assets decreased by 6.2% year-over-year, reaching EEK 286.7 million (EUR 18.3 million). Current liabilities increased by 4.2% year-over-year, reaching EEK 458.1 million (EUR 29.3 million) at the year-end. Of current liabilities, borrowings decreased by 11.5% million, reaching EEK 176.2 million (EUR 11.3) at the year-end. At the same time, the payables to the suppliers increased by 5%.

As of the end of December 2008, the Group's long-term borrowings totalled EEK 627.8 million (EUR 40.1 million), decreasing by EEK 113.8 million (EUR 7.3 million) year-over-year or 15%. Of the long-term borrowings, bank loans constitute EEK 524.3 million (EUR 33.5 million) and the finance lease liability is EEK 103.5 million (EUR 6.6 million). Of the long-term loans, the non-current portion of the loan taken by Ekspress Group from the syndicate of SEB, Sampo Bank and Nordea Bank in the amount of EEK 674.4 (EUR 43.1 million) in the fourth quarter of 2007 totals 476.9 million (EUR 30.5 million). The total outstanding balance of this loan as of 31 December 2008 was EEK 574.1 million (EUR 36.7 million).

Property, plant and equipment stood at EEK 389.6 million (EUR 24.9 million) as of year-end, decreasing by 4% year-over-year. As of the year-end, intangible assets were EEK 1 013.4 million (EUR 64.7 million), decreasing by 1% year-over-year. Of intangible assets, EEK 822.3 million (EUR 52.6 million) is related to the carrying value of trademarks, customer relations and software as well as goodwill which arose in the acquisition of Delfi Group. Investment property has increased due to the reclassification of the 6859 m2 unimproved land plot of Printall into the investment property with the market value of EEK 9.0 million (EUR 0.6 million) as of 31 December 2008.

Employees

As of the end of December 2008, Ekspress Group employed 2 393 people (As of 31 December 2007: 2 292 people). The average number of employees in 2008 was 2 375 (2007: 2 274). In 2008, the personnel costs of the Ekspress Group totalled EEK 401.8 million (EUR 25.7 million), (2007: EEK 314.8 million (EUR 20.1 million))*.

*proportional part from joint ventures

Number of employees by segments

Segment	Number of employees		Average number of employees	
	31.12.2008	31.12.2007	2008	2007
Online media	197	168	190	180
Periodicals	1622	1645	1648	1658
Printing services	211	199	212	195
Book sales	134	87	94	78
Information services	221	186	224	157
Unallocated	8	7	7	6
Total	**2393**	**2292**	**2375**	**2274**

Shares and shareholders of Ekspress Group

The share capital of the public limited company is EEK 189 710 810 (EUR 12 124 731) which consists of the shares with the nominal value of EEK 10 (EUR 0.6). 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 Group as of 31 December 2008:

- Hans Luik who controls 12 866 488 shares which makes up 67.82% of the share capital of the public limited company.
- ING Luxembourg S.A whose customers hold 1 441 134 shares which makes up 7.60% of the share capital of the public limited company.

The information given in the table is calculated on the basis of shareholdings as at the date of 31.12.2008

Name	Number of shares	%
ING Luxembourg S.A.	1 441 134	7,60%
Juhatuse ja nõukogu liikmed ja nende lähikondlased		
Hans Luik	10 766 800	56,75%
Hans Luik, OÜ HHL Rühm	2 092 712	11,03%
Hans Luik , OÜ Minigert	6 900	0,04%
Hans Luik, Selle Luik	76	0,00%
Priit Leito	52 757	0,28%
Viktor Mahhov, OÜ Integer Management Services	33 910	0,18%
Härmo Värk, Holderstone OÜ	10 000	0,05%
Kaido Ulejev	8 471	0,04%
Ville Jehe, OctoberFirst OÜ	55 656	0,29%
Other minority shareholders	4 502 665	23,78%
Total	**18 971 081**	**100%**

DCF FUND (II) Baltic States, the shareholder of AS Ekspress Grupp, notified AS Ekspress Grupp on 2 July 2008 of the acquisition of 1 279 937 shares of AS Ekspress Grupp, which constitutes 6.75% of the share capital of AS Ekspress Grupp. With the aforementioned holding DCF FUND (II) Baltic States is the person with qualifying holding in the share capital of AS Ekspress Grupp. As of 30 September 2008 DCF FUND (II) Baltic States has increased its holding in the share capital of AS Ekspress Grupp to 7.60 %. The shares are registered in the share register of the public limited company under the ING Luxembourg S.A., their ownership constitutes 7.60% as of 31 December 2008.

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 share price in Estonian kroons and trading statistics on OMX Tallinn Stock Exchange from 1 January to 31 December 2008.

Security trading history

PRICE	2008 EEK	2008 EUR
Open	72,13	4,61
High	72,44	4,63
Low	10,17	0,65
Traded volume	3 503 571	3 503 571
Turnover, million	133,93	8,56
Capitalisation, million	234,50	14,99

View of management on 2009

The global economic situation has significantly deteriorated over the recent months and uncertainty towards future persists. The deepening economic recession in the main foreign markets of Estonia has also weakened the outlook for Estonian economy. According to the forecast of the Bank of Estonia, Estonia's economic downturn may reach 12% this year due to sharply decreased foreign demand. The majority of economic experts do not expect growth in the world (and also in Estonia) to resume before 2010. In 2011, Estonia's economic growth should recover to almost 5%. In 2009, the keywords underlying the success are rapid reaction to market changes and reduction of salaries. As a result of steep decline in advertising revenue, from 1 March 2009 the Group has reduced salaries of employees in online media, publishing

segment and information services segment, as well as the parent company on average by 10% for one year until 1 March 2010. Reduction of salaries concerns all employees, including members of the Management Board. In the judgement of the Group's management, reduction of salaries enables to maintain quality of media publications under the conditions of economic recession.

How the advertising market will look like in 2009, depends on the extent to which Internet can compensate for a decrease in print advertising, the amount of advertising money brought to the market by two elections and the recipients of it, and the behaviour of large international advertisers towards the Baltic states. Since there is a prevailing tendency towards online media in the whole world, it enables the growth trend of online media to continue also this year.

The objective of the Group's management is to strengthen the Group's position as a market leader in the Internet market in all the Baltic states. Thus, like in 2008, the main attention of the Group will be on Internet. While other media markets are in a deep decline at the beginning of 2009, Internet demonstrates a modest growth. Internet definitely constitutes the largest growth potential part of the media market, therefore the Group's online media business model is built on a significant increase of revenue in the long run. In 2009, Ekspress Group will focus on further development of products introduced to the market to date, which involves two main fields: entertainment portals in the Baltic states and classified ads (employment, real estate, automobiles) portals. In Estonia, www.ekspressauto.ee, www.ekspresskinnisvara.ee and www.ekspressjob.ee have already successfully undergone the renewal treatment and have been relaunched, the objective is to launch classified portals also in Latvia and Lithuania. The second important priority is to achieve synergy between Delfi portals and other online environments and publications.

The restructuring of Delfi, which was started in December last year, will be completed in 2009. According to the new structure, the Latvian, Lithuanian and Ukrainian subsidiaries that belonged to Eesti Delfi until now, as well as Eesti Delfi that in turn belonged to Ekspress Group will belong to holding company SIA Delfi Holding. In addition to subsidiaries of all the regions, the new holding company will also hold all the trade marks and licences. SIA Delfi Holding is 100% owned by Ekspress Group. The restructuring was caused by the need to bring the structure of Delfi Group into compliance with its actual management structure. Development decisions of Delfi will be made in the new holding company and its management will include the managers of all the regions, as well as the marketing manager and IT manager of Eesti Delfi. The holding company will be located in Riga, because its location is geographically most suitable, and Latvian and Lithuanian portals have the greatest growth portal in the near future.

Besides the online media, the main activities of Ekspress Group continue to be the publishing of newspapers and magazines. In 2009, one of the main key issues is the merger and consolidation of support functions of the two segments as a whole, in order to be more flexible and effective in the changed economic environment. Reduction of expenses of the printing house provides good business opportunities for finding new export clients. For this, all preconditions have been created by introduction of a new magazine printing press, the free production capacity of which helps significantly increase the volume of export products.

In book sales, Ekspress Group strengthens even more its position in 2009, by opening a flagship bookstore under the trade mark of Rahva Raamat in Pärnu Centre in Pärnu.

Concerning information services, the Group focuses on the development of information services in Estonia in cooperation with Delfi, as a result of which we expect the further growth of sales revenue from the information services.

Key financial indicators of Ekspress Group 2007-2008

(thousand)	EEK 2008	EEK 2007	EUR 2008	EUR 2007
Accounting period				
Sales	1 323 376	1 149 962	84 579	73 496
Gross profit	335 488	303 249	21 442	19 381
Operating profit	110 267	116 400	7 048	7 439
Net profit for the period	45 981	92 110	2 939	5 886
At the end of the period	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Total current assets	286 720	305 565	18 325	19 528
Total non-current assets	1 419 812	1 446 666	90 741	92 460
Total assets	**1 706 532**	**1 752 231**	**109 066**	**111 988**
Total liabilities	1 095 659	1 181 389	70 024	75 505
Total equity	610 873	570 842	39 042	36 483

Performance indicators

(%)			2008	2007
Sales growth (%)	(sales 12 months 2008 –sales 12 months 2007) / sales 12 months 2007*100		15%	24%
Gross profit margin (%)	gross profit/ sales*100		25%	26%
Net profit margin (%)	net profit/ sales*100		3%	8%
Equity ratio (%)	equity / (equity + debt) * 100		36%	33%
ROA (%)	net profit/assets *100		3%	8%
ROE (%)	net profit/equity *100		8%	21%
Operating profit margin (%)	operating profit/ sales*100		8%	10%
Liquidity ratio	current assets/current liabilities		63%	69%
Debt equity ratio (%)	interest bearing liabilities/equity*100		142%	167%
Financial leverage (%)	interest bearing liabilities-cash and cash equivalents/interest bearing liabilities + equity *100		55%	58%
Earnings per share	net profit/average number of shares	EEK	2,42	5,00
		EUR	0,15	0,32

Changes in the structure of Ekspress Group

A share purchase agreement regarding the shares of OÜ Netikuulutused has been entered into on 31 March 2008 between Eesti Päevalehe AS and Eesti Ekspress Kirjastus AS belonging to Ekspress Group. According to the agreement, Eesti Ekspress Kirjastus AS sold 50 % of the shares of OÜ Netikuulutused to Eesti Päevalehe AS. As a result of the transaction, Eesti Päevalehe AS is the sole shareholder of OÜ Netikuulutused. On 1 July 2008, Eesti Päevalehe AS and OÜ Netikuulutused merged. On 28 July 2008, OÜ Netikuulutused was deleted from the Commercial Register.

On 31 May 2008, TOV Delfi, a subsidiary of AS Delfi (Estonia), was established in Ukraine.

On 20 June 2008, AS Ekspress Grupp purchased 782 shares of UAB Ekspres Leidyba held by the minority shareholders. As a result of the transaction, AS Ekspress Grupp is the sole shareholder of UAB Ekspres Leidyba.

On 03 July 2008, Mango LV SIA, a subsidiary of AS Delfi (Latvia), was established in Latvia.

On 11 September, 2008 SIA Ekspress Portals, a subsidiary of AS Ekspress Grupp, was established in Latvia.

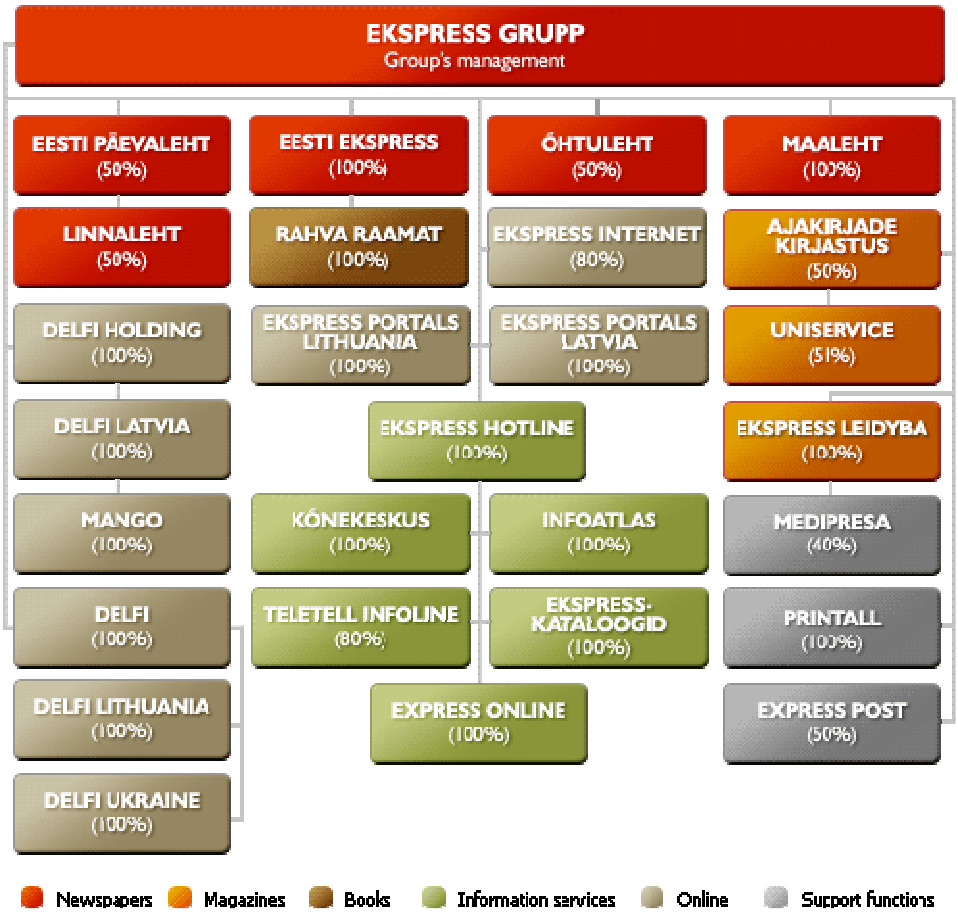
On 16 September 2008 AS Ekspress Grupp made a resolution to increase the share capital of AS Delfi by 151 thousand EEK (10 thousand EUR) from 3 021 thousand EEK (193 thousand EUR) to 3 172 thousand EEK (203 thousand EUR). The share capital shall be increased with non-monetary contribution, which is the receivable of AS Ekspress Grupp against AS Delfi. With payment of the non-monetary contribution the receivable against AS Delfi will be decreased by 55 568 thousand EEK (3 551 thousand EUR).

On 1 October 2008, AS Numbriinfo merged with AS Ekspresskataloogid.

On 15 November 2008, UAB Ekspress Portals, a subsidiary of AS Ekspress Grupp, was established in Lithuania.

On 23 December 2008, SIA Delfi Holding, a subsidiary of AS Ekspress Grupp, was established in Latvia.

Detailed information on the acquisitions of subsidiaries and associates is given in Note 13.


EKSPRESS GRUPP
Group's management
EESTI PÄEVALEHT (50%)
EESTI EKSPRESS (100%)
ÕHTULEHT (50%)
MAALEHT (100%)
LINNALEHT (50%)
RAHVA RAAMAT (100%)
EKSPRESS INTERNET (80%)
AJAKIRJADE KIRJASTUS (50%)
DELFI HOLDING (100%)
EKSPRESS PORTALS LITHUANIA (100%)
EKSPRESS PORTALS LATVIA (100%)
UNISERVICE (51%)
DELFI LATVIA (100%)
EKSPRESS HOTLINE (100%)
EKSPRESS LEIDYBA (100%)
MANGO (100%)
KÕNEKESKUS (100%)
INFOATLAS (100%)
MEDIPRESA (40%)
DELFI (100%)
TELETELL INFOLINE (80%)
EKSPRESS-KATALOOGID (100%)
PRINTALL (100%)
DELFI LITHUANIA (100%)
EXPRESS ONLINE (100%)
EXPRESS POST (50%)
DELFI UKRAINE (100%)
Newspapers
Magazines
Books
Information services
Online
Support functions

Revenue by Group companies*

(thousand)	EEK 2008	EEK 2007	EUR 2008	EUR 2007	Muutus %
Eesti Ekspressi Kirjastuse AS	134 982	143 101	8 627	9 146	-6%
AS Delfi	147 477	130 043	9 425	8 311	13%
AS Printall	422 997	385 787	27 034	24 656	10%
AS Maaleht	56 922	59 848	3 638	3 825	-5%
UAB Ekspress Leidyba	80 529	67 692	5 147	4 326	19%
Rahva Raamat AS	207 790	187 800	13 280	12 003	11%
AS Ekspress Hotline	70 660	66 332	4 516	4 239	7%
Eesti Päevalehe AS**	175 054	175 766	11 188	11 233	0%
AS SL Õhtuleht**	151 124	157 640	9 659	10 075	-4%
AS Express Post**	81 800	72 132	5 228	4 610	13%
AS Ajakirjade Kirjastus**	221 672	229 678	14 167	14 679	-3%
AS Linnaleht	29 506	32 294	1 886	2 064	-9%
UAB Medipresa	154 330	129 135	9 863	8 253	20%

*with intergroup transactions uneliminated
**joint ventures 100%

Operating profit (EBITDA) by Group Companies *

(thousand)	EEK 2008	EEK 2007	EUR 2008	EUR 2007	Muutus %
Eesti Ekspressi Kirjastuse AS	11 172	26 707	714	1 707	-58%
AS Delfi	36 231	45 108	2 316	2 883	-20%
AS Printall	84 988	69 924	5 432	4 469	22%
AS Maaleht	4 819	5 136	308	328	-6%
UAB Ekspress Leidyba	1 892	(216)	121	(14)	-
Rahva Raamat AS	7 176	8 650	459	553	-17%
AS Ekspress Hotline	312	8 752	20	559	-96%
Eesti Päevalehe AS**	10 022	7 672	641	490	31%
AS SL Õhtuleht**	27 250	32 208	1 742	2 058	-15%
AS Express Post**	5 954	4 748	381	303	25%
AS Ajakirjade Kirjastus**	13 932	21 354	890	1 365	-35%
AS Linnaleht	(1 049)	2 264	(67)	145	-
UAB Medipresa	359	315	23	20	14%

*with intergroup transactions uneliminated
**joint ventures 100%

REPORT OF CORPORATE GOVERNANCE CODE

The Corporate Governance Code (CGC) is a set of guidelines which is intended to be observed above all by listed companies. Compliance with the provisions of CGC is not compulsory, the Company has the obligation to disclose and substantiate as to whether and to which extent CGC is not complied with. Listed companies are subject to the requirement "fulfil or explain" since 1 January 2006.

In its business activities, AS Ekspress Group proceeds from laws and legal provisions and, as a listed company, proceeds from the requirements of Tallinn Stock Exchange and substantially takes into account the guidelines of Corporate Governance Code in its activities. For practical considerations, some of the recommendations are partially followed.

Clause 2.2.7 of CGC
Basic wages, performance pay, severance packages, other payable benefits and bonus schemes of a Management Board member as well as their essential features (incl. features based on comparison, incentives and risk) shall be published in clear and unambiguous form on website of the Issuer and in the Corporate Governance Code Report. Information published shall be deemed clear and unambiguous if it directly expresses the amount of expense to the Issuer or the amount of foreseeable expense as of the day of disclosure.

Group discloses the total amount of the remuneration paid to the members of the Supervisory Boardand 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.

Upon termination of contract, a member of Management Board is paid compensation in accordance with the conditions prescribed in the contract of service concluded with the member. Compensation for termination of contract with members of the Management Board are payable only in the case if termination is initiated by the company. If a member of the Management Board is removed without a good reason, compensation for termination of contract is paid in the amount of four months' salary. No compensation for termination of employment relationship is paid if a member of the Management Board leaves at his or her own initiative, or a member of the Management Board is removed by a member of the Supervisory Board with a good reason.

Clause 2.3.2 of CGC

The Supervisory Board shall approve the transactions which are significant to the Issuer and concluded between the Issuer and a member of its Management Board or another person connected or close to them and shall determine the terms of such transactions. Transactions approved by Supervisory Board between the Issuer and a member of the Management Board, a person close to them or a person connected to them shall be published in the Corporate Governance Code Report.

In 2008, no transactions were made between the Group and a member of the Management Board.

Clause 3.2.5 of CGC

The amount of remuneration of a member of the Supervisory Board determined at a General Meeting and terms of payment shall be published in the Corporate Governance Code Report, indicating separately basic and additional payment (incl. compensation for termination of contract and other payable benefits).

In accordance with a resolution of the General Meeting held on 31 August 2007, the remuneration of the Chairman of the Supervisory Board was determined to be EEK 15 000 (EUR 959). No remuneration was determined to members of the Supervisory Board. On the General Meeting held on 12 December 2008, it was decided to end the payment of remuneration to the Chairman of the Supervisory Board as of 1 January 2009.

Election and authority of the governing bodies of Ekspress Group

General Meeting

The General Meeting is the highest directing body of Ekspress Group. An annual General meeting shall be held once a year not later than six months after the end of the financial year. A special General Meeting shall be called in the cases prescribed by law.

The annual General Meeting of Ekspress Group for 2007 was held on 14 May 2008 at the address Narva Rd 11E, Tallinn. The General Meeting approved Ekspress Group's 2007 annual report, profit distribution proposal and granted the Management Board the consent to purchase 160 000 treasury shares.

Amendment of the articles of association of Ekspress Group is the exclusive competence of the shareholders, requiring 2/3 of votes present at the General Meeting. The special General Meeting held on 21 January 2008 approved the amendment of the articles of association.

The special General Meeting held on 12 December 2008 approved the increase of the company's share capital, appointment of an auditor and payment of remuneration to the auditor, removal of a member of the Supervisory Board, election of members of the Supervisory Board and change of the remuneration of the Chairman of the Supervisory Board.

Supervisory Board

The Supervisory Board of the Company shall plan the activities of the Company, organise the management of the Company and supervise the activities of the Management Board.

In accordance with the articles of association, the Supervisory Board shall comprise three to seven members. The number of members shall be determined by the General Meeting. Members of the Supervisory Board shall be elected by the General Meeting for a term of five years.

The Supervisory Board of Ekspress Group has seven members. The Supervisory Board comprises the Chairman of the Supervisory Board Viktor Mahhov and members of the Supervisory Board Hans H Luik, Kalle Norberg, Härmo Värk, Harri Helmer Roschier, Ville Jehe and Antti Partanen. At the special General Meeting of shareholders held on 12 December 2008, Selle Luik was removed from the position as a member of the Supervisory Board, and Ville Jehe and Antti Partanen were elected as new members of the Supervisory Board.

In 2008, seven meetings of the Supervisory Board were held.

Management Board

Authorities of the Management Board of the company are specified in the Commercial Code and those are limited to the extent determined in the articles of association of the Company. The Management Board of Ekspress Group does not have any right to issue shares of the Company.

Election of members of the Management Board is in the competence of the company. Members of the Management Board shall be elected for a term of up to three years. In order to elect and remove members of the Management Board, simple majority of the Supervisory Board is required. In order to resign from the position as a member of the Management Board, the member shall give one month's notice to the Supervisory Board of the company.

There are no agreements between Ekspress Group and members of the Management Board which would deal with benefits in connection with takeover of a public limited company provided for in Chapter 19 of the Securities Market Act.

In accordance with the articles of association, the Management Board shall comprise one to five members.

The Management Board of Ekspress Group has three members. The Management Board comprises Chairman of the Management Board Priit Leito, and members of the Management Board Anne Kallas and Kaido Ulejev.

Upon takeover of the company pursuant to Chapter 19 of the Securities Market Act, the current co-shareholder in companies AS SL Õhtuleht, AS Ajakirjade Kirjastus and AS Express Post, where the company has a shareholding, has the right to acquire at a fair price the shareholding of the company in the aforementioned companies.

CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT BOARD'S CONFIRMATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Management Board confirms the correctness and completeness of Ekspress Grupp Group 2008 consolidated financial statements as presented on pages 24 to 96.

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	……..24 April.2009
Anne Kallas	Member of the Management Board	……..24 April.2009
Kaido Ulejev	Member of the Management Board	……..24 April.2009

Consolidated balance sheet

(thousand)	EEK 31.12.2008	EEK 31.12.2007	EUR 31.12.2008	EUR 31.12.2007	Notes
ASSETS					
Current assets					
Cash and cash equivalents	46 388	68 970	2 965	4 408	5
Other financial assets at fair value through profit or loss	8 025	4 606	513	294	6
Trade and other receivables	166 649	165 828	10 651	10 598	7
Inventories	65 658	66 161	4 196	4 228	11
Total current assets	**286 720**	**305 565**	**18 325**	**19 528**	
Non-current assets					
Trade and other receivables	4 218	13 671	268	874	12
Investments in associates	302	964	19	62	15
Investment property	12 341	3 732	789	239	16
Property, plant and equipment	389 572	404 880	24 898	25 877	17
Intangible assets	1 013 379	1 023 419	64 767	65 408	18
Total non-current assets	**1 419 812**	**1 446 666**	**90 741**	**92 460**	
TOTAL ASSETS	**1 706 532**	**1 752 231**	**109 066**	**111 988**	
SHAREHOLDERS EQUITY AND LIABILITIES					
Liabilities					
Current liabilities					
Borrowings	176 219	199 013	11 262	12 719	20
Trade and other payables	281 911	240 703	18 017	15 384	19
Total current liabilities	**458 130**	**439 716**	**29 279**	**28 103**	
Non-current liabilities					
Borrowings	627 811	741 585	40 124	47 396	20
Other long term liabilities	163	88	10	6	
Derivative instruments	9 555	0	611	0	32
Total non-current liabilities	**637 529**	**741 673**	**40 745**	**47 402**	
Total liabilities	**1 095 659**	**1 181 389**	**70 024**	**75 505**	
Equity					
Capital and reserves attributable to equity holders of the Parent company					
Share capital	189 711	189 711	12 125	12 125	
Share premium	183 495	183 495	11 727	11 727	
Reserves	4 125	10 222	264	653	
Retained earnings	231 899	185 981	14 821	11 886	
Currency translation reserve	1 355	480	87	31	
Total capital and reserves attributable to equity holders of the Parent company	**610 585**	**569 889**	**39 024**	**36 422**	
Minority interest	288	953	18	61	
Total equity	**610 873**	**570 842**	**39 042**	**36 483**	31
TOTAL EQUITY AND LIABILITIES	**1 706 532**	**1 752 231**	**109 066**	**111 988**	

The notes presented on pages 29 to 96 form an integral part of the consolidated financial statements

Consolidated income statement

(thousand)	EEK 2008	EEK 2007*	EUR 2008	EUR 2007*	Notes
Sales	1 323 376	1 149 962	84 579	73 496	24
Costs of sales	987 888	846 713	63 138	54 115	25
Gross margin	**335 488**	**303 249**	**21 441**	**19 381**	
Marketing expenses	65 653	56 434	4 196	3 607	26
Administrative expenses	166 012	133 972	10 610	8 562	27
Other income	11 474	9 026	734	577	28
Other expenses	5 030	5 469	321	350	28
Operating profit	**110 267**	**116 400**	**7 048**	**7 439**	
Financial income	3 002	10 252	192	655	
Financial expenses	(62 206)	(28 364)	(3 976)	(1 813)	
Net financial expenses	**(59 204)**	**(18 112)**	**(3 784)**	**(1 158)**	29
Share of profit (loss)of associates	(627)	996	(40)	64	15
Profit before income tax	**50 436**	**99 284**	**3 224**	**6 345**	
Income tax expense	4 455	7 174	285	459	9
PROFIT FOR THE YEAR	**45 981**	**92 110**	**2 939**	**5 886**	
Attributable to:					
Equity holders of the Parent company	45 962	91 671	2 938	5 859	
Minority interest	19	439	1	28	
Basic and diluted earnings per share for profit	2,42	5,00	0,15	0,32	31

*2007 figures adjusted

The notes presented on pages 29 to 96 form an integral part of the consolidated financial statements

Consolidated statement of changes in equity

th EEK	Attributable to equity holders of the parent company						Minority interest	Total equity
	Share capital	Share premium	Reserves	Retained earnings	Currency translation reserve	Total		
Balance on 31.12.2006	**165 232**	**0**	**5 501**	**94 310**	**0**	**265 043**	**227**	**265 270**
Profit for the year	0	0	0	91 671	0	91 671	439	92 110
Currency translation difference	0	0	0	0	480	480	0	480
Net income (expense) recognized in equity	**0**	**0**	**0**	**91 671**	**480**	**92 151**	**439**	**92 590**
Share capital increase	24 479	188 216	0	0	0	212 695	0	212 695
Transaction costs	0	(4 721)	4 721	0	0	0	0	0
Change of minority interest	0	0	0	0	0	0	287	287
Balance on 31 .12.2007	**189 711**	**183 495**	**10 222**	**185 981**	**480**	**569 889**	**953**	**570 842**
Profit for the period	0	0	0	45 962	0	45 962	19	45 981
Currency translation difference	0	0	0	0	875	875	0	875
Hedging reserve	0	0	(9 555)	0	0	(9 555)	0	(9 555)
Net income (expense) recognized in equity	**0**	**0**	**(9 555)**	**45 962**	**875**	**37 282**	**19**	**37 301**
Reserve capital increase	0	0	44	(44)	0	0	0	0
Revaluation of investment property	0	0	3 414	0	0	3 414	0	3 414
Change of minority interest	0	0	0	0	0	0	(684)	(684)
Balance on 31 .12.2008	**189 711**	**183 495**	**4 125**	**231 899**	**1 355**	**610 585**	**288**	**610 873**

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 on 31.12.2006	**10 561**	**0**	**351**	**6 027**	**0**	**16 939**	**15**	**16 954**
Profit for the year	0	0	0	5 859	0	5 859	28	5 887
Currency translation difference	0	0	0	0	31	31	0	31
Net income (expense) recognized in equity	**0**	**0**	**0**	**5 859**	**31**	**5 859**	**28**	**5 918**
Share capital increase	1 564	12 029	0	0	0	13 593	0	13 593
Transaction costs	0	(302)	302	0	0	0	0	0
Change of minority interest	0	0	0	0	0	0	18	18
Balance on 31 .12.2007	**12 125**	**11 727**	**653**	**11 886**	**31**	**36 422**	**61**	**36 483**
Profit for the period	0	0	0	2 938	0	2 938	1	2 939
Currency translation difference	0	0	0	0	56	56	0	56
Hedging reserve	0	0	(610)	0	0	(610)	0	(610)
Net income (expense) recognized in equity	**0**	**0**	**(610)**	**2 938**	**56**	**2 384**	**1**	**2 385**
Reserve capital increase	0	0	3	(3)	0	0	0	0
Revaluation of investment property	0	0	218	0	0	218	0	218
Change of minority interest	0	0	0	0	0	0	(44)	(44)
Balance on 31 .12.2008	**12 125**	**11 727**	**264**	**14 821**	**87**	**39 024**	**18**	**39 042**

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

The notes presented on pages 29 to 96 form an integral part of the consolidated financial statements

Consolidated cash flow statement

(thousand)	EEK 2008	EEK 2007*	EUR 2008	EUR 2007*	Notes
Cash flows from operating activities					
Operating profit for the period	110 267	116 400	7 047	7 439	
Adjustments for:					
Depreciation, amortization and impairment of property, plant and equipment and intangibles	61 454	39 814	3 928	2 545	16,17,18
Profit (loss) on sale and writedowns of property, plant and equipment	318	(4 169)	20	(266)	
Changes in working capital:					
Trade and other receivables	(4 205)	(29 024)	(269)	(1 855)	
Inventories	503	(21 304)	32	(1 362)	
Trade and other payables	(830)	30 929	(53)	1 977	
Cash generated from operations	**167 507**	**132 646**	**10 706**	**8 478**	
Income tax paid	(4 455)	(6 302)	(285)	(403)	
Interest paid	(56 682)	(28 735)	(3 623)	(1 837)	
Net cash generated from operating activities	**106 370**	**97 609**	**6 798**	**6 238**	
Cash flows from investing activities					
Investments in business combinations	(445)	(887 645)	(28)	(56 731)	13, 14
Proceeds from financial assets	7 500	113	479	7	
Interest received	1 165	7 166	74	458	
Purchase of property, plant and equipment	(32 965)	(57 130)	(2 107)	(3 651)	17, 18
Proceeds from sale of property, plant and equipment	895	1 294	57	83	17, 18
Loans granted	(4 182)	(70 828)	(267)	(4 527)	
Loan repayments received	236	80 861	15	5 168	
Net cash used in investing activities	**(27 796)**	**(926 169)**	**(1 776)**	**(59 193)**	
Cash flows from financing activ					
Share issue	0	219 081	0	14 002	
Finance lease payments made	(35 043)	(22 513)	(2 240)	(1 439)	
Change in overdraft used	(46 988)	12 852	(3 003)	821	20
Proceeds from borrowings	42 521	749 568	2 718	47 906	
Repayments of borrowings	(61 646)	(112 559)	(3 940)	(7 194)	
Net cash used in /generated from financing activities	**(101 156)**	**846 429**	**(6 465)**	**54 097**	
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(22 582)**	**17 869**	**(1 443)**	**1 142**	
Cash and cash equivalents at the beginning of the period	68 970	51 101	4 408	3 266	
Cash and cash equivalents at the end of the period	46 388	68 970	2 965	4 408	

The notes presented on pages 29 to 96 form an integral part of the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1. General information

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

AS Ekspress Grupp (registration number 10004677, address: Narva mnt.11E, 10151 Tallinn) is a holding company registered in Estonia. There are 19 subsidiaries, 5 joint ventures and 2 associated companies, belonging to the consolidation group as of 31.12.2008.

These financial statements are presented in Estonian kroons (EEK) and euros (EUR), rounded to the nearest thousand.

Pursuant to the Commercial Code of the Republic of Estonia, the annual report including the consolidated financial statements prepared by the Management Board and approved by the Supervisory Board of the Parent company will be approved by the general meeting of shareholders. These consolidated financial statements have been approved by the Management Board on 24 April 2009.

The consolidated statements of AS Ekspress Grupp for 2008 reflect the results of the following group companies:

Name	Status	Shareholding 31.12.2008	Shareholding 31.12.2007	Main field of activities	Location
AS Ekspress Grupp	Parent Entity			Holding Entity	Estonia
Eesti Ekspressi Kirjastuse AS	Subsidiary	100%	100%	Newspaper publishing	Estonia
Maaleht AS	Subsidiary	100%	100%	Newspaper publishing	Estonia
UAB Ekspress Leidyba	Subsidiary	100%	99,80%	Magazine publishing	Lithuania
SIA Delfi Holding	Subsidiary	100%	0%	Holding Company	Latvia
Delfi AS	Subsidiary	100%	100%	Online classified ads	Estonia
Delfi AS	Subsidiary	100%	100%	Online classified ads	Latvia
Mango.lv SIA	Subsidiary	100%	0%	Online classified ads	Latvia
SIA Ekspress Portals	Subsidiary	100%	0%	Online classified ads	Latvia
Delfi UAB	Subsidiary	100%	100%	Online classified ads	Lithuania
UAB Ekspress Portals	Subsidiary	100%	0%	Online classified ads	Lithuania
TOV Delfi.	Subsidiary	100%	0%	Online classified ads	Ukraina
AS Printall	Subsidiary	100%	100%	Printing services	Estonia
Rahva Raamat AS	Subsidiary	100%	100%	Books retail sale	Estonia
AS Ekspress Hotline	Subsidiary	100%	100%	Information services	Estonia
Ekspresskataloogide AS	Subsidiary	100%	100%	Phone directories	Estonia
AS Infoatlas	Subsidiary	100%	100%	Phone directories	Estonia
AS Numbriinfo	Subsidiary	0	100%	Information hotline	Estonia
Kõnekeskuse AS	Subsidiary	100%	100%	Call centre services	Estonia
Teletell Infoline SRL	Subsidiary	80%	80%	Information services	Romania
Express Online SRL	Subsidiary	100%	100%	Call centre services	Romania
Eesti Päevalehe AS	Joint venture	50%	50%	Newspaper publishing	Estonia
AS SL Õhtuleht	Joint venture	50%	50%	Newspaper publishing	Estonia
AS Express Post	Joint venture	50%	50%	Periodicals' home delivery	Estonia
AS Ajakirjade Kirjastus	Joint venture	50%	50%	Magazine publishing	Estonia
OÜ Netikuulutused	Joint venture	0%	75%	Online classified ads	Estonia
Uniservice OÜ	Joint venture	26%	26%	Magazine publishing	Estonia
AS Linnaleht	Associate	25%	25%	Newspaper publishing	Estonia
UAB Medipresa	Associate	40%	40%	Periodicals' wholesale distribution	Lithuania

Dormant companies

OÜ Ekspress Internet	Subsidiary	80%	80%	Online classified ads	Estonia

Note 2. Summary of significant accounting policies

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

Change in accounting policies

From 1 January 2008, the company has changed its accounting polies for investment properties – the company started to recognise investment properties at fair value. The change in the accounting policies is retrospectively recognised. The fair value of investment properties as of 31.12.2007 did not significantly differ from their carrying amount and therefore the comparative data has not been adjusted.

Change in presentation of primary financial statements

The Group has made changes in the presentation of financial information in the income statement and cash flow statement.

In 2007, interest income from the operating activities of EEK 3 060 thousand (EUR 195.6 thousand) was recognised as other operating income. In 2008, interest income was recognised as financial income. The 2007 income statement, cash flow statement and notes have been adjusted accordingly.

In 2007, expenses in the amount of EEK 7 701 thousand (EUR 492 thousand) were added to the costs of sales and marketing expenses were recognised in a respectively smaller amount.

In the 2008 financial statements, the given expenses are recognised as marketing expenses. The 2007 income statement and notes have been adjusted accordingly.

Change in presentation in the notes to the financial statements

The Group has made some changes in the presentation of financial information in segment reporting. Since 2008, Ekspress Group includes in the online media segment also the web publications of AS Eesti Päevaleht, SL.Õhtuleht AS and Eesti Ekspress Kirjastus AS as well as the web environments of automobiles, real estate and employment of Eesti Ekspress Kirjastus AS which were earlier included in the periodicals segment (see Note 23).

As the online media of periodicals had an insignificant influence in the previous years, no retrospective adjustment was made in 2007.

Basis of preparation

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

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

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

The functional currency of AS Ekspress Grupp is Estonian kroon (EEK). These financial statements are presented in thousand of Estonian kroons (EEK) and Euros (EUR), unless indicated otherwise.

Comparability

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

Standards, amendments to standards and interpretations which entered into force in the financial year of the Group beginning on 1 January 2008.

IFRIC 11, IFRS 2 - Group and Treasury Share Transactions. 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. This interpretation does not have an impact on the Group's consolidated financial statements.

Reclassification of Financial Assets—Amendments to IAS 39, Financial Instruments: Recognition and Measurement, and IFRS 7, Financial Instruments: Disclosures **and a subsequent amendment,** ***Reclassification of Financial Assets: Effective Date and Transition.*** The amendments allow entities the options (a) to reclassify a financial asset out of the held to trading category if, in rare circumstances, the asset is no longer held for the purpose of selling or repurchasing it in the near term; and (b) to reclassify an available-for-sale asset or an asset held for trading to the loans and receivables category, if the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity (subject to the asset otherwise meeting the definition of loans and receivables). The amendments do not have an impact on the Group's financial statements because the Group does not have such assets.

New standards, amendments to standards and interpretations that are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods and which the Group has not early adopted.

IFRS 8 "Operating Segments" (effective for annual periods beginning on or after 1 January 2009). The standard applies to entities whose whose debt or equity instruments are traded in a public market, or that file, or are in the process of filing, their financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about the operating segments, with segment information presented on a similar basis to that used for internal reporting purposes. The Group is currently assessing what impact the new standard will have on segment disclosures in the consolidated financial statements.

Puttable Financial Instruments and Obligations Arising on Liquidation— IAS 32 and IAS 1 Amendment (effective for annual periods beginning on or after 1 January 2009). The amendment requires classification as equity of some financial instruments that meet the definition of financial liabilities. The Group does not expect the amendment to affect its consolidated inancial statements.

IAS 23, Borrowing Costs (revised March 2007; 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 Group does not expect the amendment to the standard to impact since the Group had already earlier capitalised borrowing costs.

IAS 1, Presentation of Financial Statements (revised September 2007; 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 on the previously used recognition and valuation principles in the consolidated financial statements.

IAS 27, Consolidated and Separate Financial Statements (revised January 2008; effective for annual periods beginning on or after 1 July 2009; the revised standard has not been adopted by the EU). The revised IAS 27 will require an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interests") even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that transactions which lead to changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary will have to be measured at its fair value. 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 (issued in January 2008; effective for annual periods beginning on or after 1 January 2009). 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.

IFRS 3, Business Combinations (revised January 2008; 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 standard has not been adopted by the EU). The revised IFRS 3 will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer will have to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss. Acquisition-related costs will be accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer will have to recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by

contract alone. The Group is currently assessing the impact of the amended standard on its financial statements.

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

IFRIC 13, Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008; according to the EU's adoption the interpretation is effective for annual periods beginning after 31 December 2008, early adoption permitted). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. The Group is currently assessing the impact of the interpretation on its financial statements.

IFRIC 14, IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2008; the interpretation as adopted by the EU is effective for annual periods beginning after 31 December 2008, early adoption permitted). The Interpretation contains general guidance on how to assess the limit of the surplus of fair value of a defined benefit plan over the present value of its liabilities which can be recognised as an asset, in accordance with IAS 19. In addition, IFRIC 14 explains how the statutory or contractual requirements of the minimum funding may affect the values of assets and liabilities of a defined benefit plan. The Group does not expect the interpretation to affect its consolidated financial statements because the Group does not have the corresponding assets.

IFRIC 15, Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2009; the interpretation has not been adopted by the EU). The interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors, and provides guidance for determining whether agreements for the construction of real estate are within the scope of IAS 11 or IAS 18. It also provides criteria for determining when entities should recognise revenue on such transactions. IFRIC 15 is not relevant to the Group's operations because it does not have any agreements for the construction of real estate.

IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008; the interpretation has not been adopted by the EU). The interpretation explains which currency risk exposures are eligible for hedge accounting and states that translation from the functional currency to the presentation currency does not create an exposure to which hedge accounting could be applied. The IFRIC allows the hedging instrument to be held by any entity or entities within a group except the foreign operation that itself is being hedged. The interpretation also clarifies how the gain or loss recycled from the currency translation reserve to profit or loss is calculated on disposal of the hedged foreign operation. Reporting entities will apply IAS 39 to discontinue hedge accounting prospectively when their hedges do not meet the criteria for hedge accounting in IFRIC 16. IFRIC 16 does not have any impact on these financial statements as the Group does not use hedging for foreign currency risk.

Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate—IFRS 1 and IAS 27 Amendment (issued in May 2008; effective for annual periods beginning on or after 1 January 2009). The amendment allows first-time adopters of IFRS to measure investments in subsidiaries, jointly controlled entities or associates at fair value or at previous GAAP carrying value as deemed cost in the separate financial statements. The amendment also requires distributions from pre-acquisition net assets of investees to be recognised in profit or loss rather than as a recovery of the investment. The amendments will not have any impact on the Group's financial statements.

Eligible Hedged Items—Amendment to IAS 39, Financial Instruments: Recognition and Measurement (effective with retrospective application for annual periods beginning on or after 1 July 2009; the amendment has not been adopted by the EU). The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The Group is currently assessing the impact of the interpretation on its financial statements

Improvements to International Financial Reporting Standards (issued in May 2008). In 2007, the International Accounting Standards Board decided to initiate an annual improvements project as a method of making necessary, but non-urgent, amendments to IFRS. The amendments consist of a mixture of substantive changes, clarifications, and changes in terminology in various standards. The substantive changes relate to the following areas: classification as held for sale under IFRS 5 in case of a loss of control over a subsidiary; possibility of presentation of financial instruments held for trading as non-current under IAS 1; accounting for sale of IAS 16 assets which were previously held for rental and classification of the related cash flows under IAS 7 as cash flows from operating activities; clarification of definition of a curtailment under IAS 19; accounting for below market interest rate government loans in accordance with IAS 20; making the definition of borrowing costs in IAS 23 consistent with the effective interest method; clarification of accounting for subsidiaries held for sale under IAS 27 and IFRS 5; reduction in the disclosure requirements relating to associates and joint ventures under IAS 28 and IAS 31; enhancement of disclosures required by IAS 36; clarification of accounting for advertising costs under IAS 38; amending the definition of the fair value through profit or loss category to be consistent with hedge accounting under IAS 39; introduction of accounting for investment properties under construction in accordance with IAS 40; and reduction in restrictions over manner of determining fair value of biological assets under IAS 41. Further amendments made to IAS 8, 10, 18, 20, 29, 34, 40, 41 and to IFRS 7 represent terminology or editorial changes only, which the IASB believes have no or minimal effect on accounting. The Group does not expect the amendments to have any material effect on its financial statements.

IFRIC 17, Distribution of Non-Cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009; the interpretation has not been adopted by the EU). The interpretation clarifies when and how distribution of non-cash assets as dividends to the owners should be recognised. An entity should measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. A gain or loss on disposal of the distributed non-cash assets will be recognised in profit or loss when the entity settles the dividend payable. FRIC 17 is not relevant to the Group's operations because it does not distribute non-cash assets to owners.

IFRS 1, First-time Adoption of International Financial Reporting Standards (following an amendment in December 2008, effective for the first IFRS financial statements for a period beginning on or after 1 July 2009; the amended standard has not been adopted by the EU). The revised IFRS 1 retains the substance of its previous version but within a changed structure in order to make it easier for the reader to understand and to better accommodate future changes. The Group concluded that the revised standard does not have any effect on its financial statements.

IFRIC 18, Transfers of Assets from Customers (effective for annual periods beginning on or after 1 July 2009; the interpretation has not been adopted by the EU). The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers. IFRIC 18 is not expected to have any impact on the Group's financial statements.

Improving disclosures on financial instruments - Amendment to IFRS 7, Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2009; the interpretation has not been adopted by the EU). The amendment requests additional disclosures on fair value measurements and liquidity risk. An entity is required to disclose analysis of financial instruments by using three-level hierarchy for fair value measurement. The amendment (a) explains that liquidity analysis by contractual maturities must contain the issued financial guarantees in the maximum amount of the guarantee and in the earlirest period in which the guarantee could be called;

and (b) requests disclosure of remaining contractual maturities for those financial derivative instruments for which contractual maturities are essential for an understanding of the timing of the cash flows. In addition, an entity must disclose a maturity analysis of financial assets it holds for managing liquidity risk if that information is necessary to the users of its financial statements to understand the nature and extent of liquidity risk. The Group is currently assessing the impact of the amendment on the disclosures in the financial statements.

Consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has control. Control is assumed if the Group has power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are no longer consolidated from the date that control ceases.

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

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

Transactions and minority interests

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

Business combinations

All business combinations between independent parties are accounted for under the purchase method of accounting at the Group under which the acquired holding is reported at the acquisition cost. The purchase method is applied as of the date of acquisition. As of this date, the acquisition cost of the acquired holding,the fair value of the net assets acquired and the resulting (positive or negative) goodwill are determined. In addition to the acquisition cost of the acquired holding, directly attributable expenditures relating to the acquisition, such as fees paid to the advisors and other expenditures are according to IFRS 3.24 also included in the acquisition cost of the acquired holding.

To allocate the acquisition cost to the fair values of the acquired assets, liabilities and contingent liabilities, a purchase price allocation is prepared. The acquisition cost is allocated to the fair value of the net assets acquired; the excess of the acquisition cost of the acquired holding over the fair value of the net assets acquired is recognised as (positive or negative) goodwill. Goodwill reflects that portion of the acquisition cost that was paid for such assets of the Company that cannot be identified and accounted for separately. Positive goodwill is attributable to the high profitability of the acquired business units, cost savings as compared to alternative costs and major synergies which are expected

to arise after the concentration into the Group. Goodwill as an intangible asset with an indefinite useful life is not subject to amortisation but instead, an impairment test is performed at least once a year.

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 up to three months term. Bank overdrafts and shares of liquid funds are not classified as

cash and cash equivalents. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet. Shares of liquid funds are classified as financial assets at fair value through profit or loss.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Estonian kroons and Euros.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on 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 on 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, Ukraina 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, UAH 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 on every

reporting date. The Group assesses on 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 on 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.

Investment property

Properties (land, buildings) owned or leased at finance lease terms by the Company to earn lease income or for capital appreciation and not used in the Company's own economic activities are recognised as an investment property. Investment property is initially measured at cost, including any directly attributable expenditure (interest expenses). After initial recognition, the investment property is carried at fair value based on the market value determined annually by independent appraisers and the judgement of the management, using the prices of transactions involving comparable properties in the region. The rental income earned on investment properties is recognised in the income statement line "Other operating income". Changes in fair value of investment poperties are recorded in the income statement lines "Other operating income"/ "Other operating expenses".

If the non-current assets in the Company's own use are reclassified as investment properties, the difference between the carrying amount and fair value is recognised in the equity as a revaluation reserve. If the difference arising from revaluation compensates for the write-down expense arising from impairment occurred in the previous periods, the change in the value is directly recognised in the income statement as an income at the value which recovers the previous write-down expense. The equity reserve that was created upon initial valuation of investment property at fair value is entered to retained earnings when the item of investment property is disposed of.

Property, plant and equipment

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

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

Cost includes borrowing costs incurred on specific or general funds borrowed to finance construction of qualifying assets.
If the fixed asset object consists of components, which have significantly different useful lives, the components will be recorded as independent fixed asset objects, with separate depreciation rates assigned according to their useful life. Groups of fixed assets with similar estimated useful lives will be recorded as aggregates.

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

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. Depreciation rates are set separately to each asset depending on its estimated useful life. Depreciation of an asset is started when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases on 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, on each balance sheet date. When the residual value of the asset exceeds its carrying amount, the depreciation of the asset is ceased.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss in the income statement.

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

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

Freehold land is not depreciated.

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

Intangible assets

Goodwill

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

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

The basis for the recoverable amount of a cash generating unit are the expected cash flows of that cash generating unit, which are discounted using the weighted average cost of capital. When the carrying amount of the investment is not recoverable, the investment is written down to its recoverable amount and an impairment loss is recognised. When the carrying amount of the investment is recoverable, revaluation is not necessary. Assumptions and estimates used in the evaluation of business combinations are constantly reviewed and when the actual results differ from these estimates, the results are restated.

Trademarks and licences

Trademarks and licenses are shown at the acquisition cost, including purchase price and other costs directly attributable to the preparation of the usage of the asset. Trademarks and licences which have a finite useful life and are carried at acquisition cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the acquisition cost of trademarks and licences over their estimated useful lives. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable and, if necessary, an impairment loss is recognised (see also the impairment of assets).

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

Trademarks and licences	20-50 years

The amortisation rates are assessed for appropriateness on each balance sheet date.

Research and development costs

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

Capitalised costs include cost of materials, direct labour costs and a proportional share of production overheads. Other development and research costs are recognised as an expense in the income statement at the time they are incurred. Capitalised development costs are recognised at the

acquisition cost less any accumulated depreciation and impairment losses. Development costs are expensed under a straight-line method over the expected useful life, the maximum length of which does not exceed 5 years.

Other intangible assets

Other intangible assets (including computer software) are stated at historical cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis.

The estimated useful lives of other intangible assets:

Other intangible assets	3-5 years

Impairment of non-financial assets

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

Financial liabilities

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

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

Provisions

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

Contingent liabilities

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

Payables to employees

Payables to employees include the obligation arising from bonus policy which is approved with the order of the Management Board. Payables to employees include also vacation payroll accrual calculated in accordance with employment contracts and the local laws in force as of 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 on 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 a straight-line basis over the term of the relevant lease, irrespectively from the execution of payments. Assets leased under operating lease are not recognised in the balance sheet.

Derivatives and hedging

Derivatives are recognised upon their initial recognition at fair value on the date of entering into a derivative contract. After initial recognition, derivatives are revalued on each balance sheet date to their current fair value. The method for recognising gains or losses on a change in the value depends on whether the derivative is designated as a hedging instrument and, if so, on the nature of the hedged item. The Group has cash flow hedging instruments, the objective of which is to fix interest expenses in the case of loans with floating interest rate

Upon conclusion of the transaction, the Group documents the relationship between hedging instruments and hedged items, hedging objectives and strategy for making different hedging transactions. Besides, upon conclusion of a transaction as well as on an ongoing basis, it is documented as to whether the derivatives used in hedging transactions are effective for setting off cash flows of hedged items.

Fair values of derivative instruments used for hedging purposes are presented in Note 32. Movements in hedging reserve included in equity are classified as a non-current asset or liability if the remaining useful life of an hedged item is over 12 months, and as a current asset or liability if the remaining useful life of the hedged item is less than 12 months and are disclosed in Note 31.

Cash flow hedge

The effective part of a change in the fair value of derivative instruments which are designated as a cash flow hedge and qualify as such is included in equity. Profit of loss related to the ineffective portion is immediately offset in the income statement as other operating income or other operating expenses.

The amounts included in equity are recognised in the income statement in those periods when the hedged item influences profit or loss (for example, if the hedged sale occurs). Profit or loss, related to to the effective part of interest rate swap, which is used to hedge debt liabilities with a changing interest rate is offset in the income statement within other operating income or other operating expenses.

If a hedging instrument expires or is sold or if a hedge no longer meets the hedge accounting criteria, cumulative profit or loss included in equity will remain in equity and will be recognised in the income statement upon the final recognition of the expected future event. If the occurrence of a forecast transaction is no longer expected, profit or loss included in equity will be immediately recognised in the income statement as other operating income or other operating expenses.

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 in 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 Trade and other payables. 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 Trade and other receivables.

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 rate) 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.

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 on 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 on 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 and deferred tax

Corporate income tax in Estonia

According to the Income Tax Act applicable in Estonia, the annual profit earned by entities is not taxed in Estonia. Income tax is paid on dividends, fringe benefits, gifts, donations, reception costs, expenses not related to busines and adjustments of transfer price. From 1 January 2008, the profit distributed as dividends is subject to income tax of 21/79 (in 2007: 22/78) of the net amount to be paid out. The Income Tax Act provides for further decrease of the income tax rate from 2010 to 2012: in 2010 the tax rate is 20/80, 2011: 19/81 and from 2012 the tax rate will be 18/82 on the amount paid out as net dividends. 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 actually paid. The obligation to pay income tax arises on the 10th day of the month following the payment of dividends.
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 ,Romania and Ukraine

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 and in Ukraina 25%). There have been no changes in tax rates compared to year 2007.

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 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 on the date of the financial statements' preparation.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include allocating purchase price in business combinations and determination of useful lives of intangible assets identified (note 13), valuation of inventory (note 11), valuation of goodwill (note 18), determination of useful lives of property, plant and equipment (note 17) and receivables and loans given to related parties (note 33).

a) Valuation of useful lives of intangible assets

Amortisation of intangible assets is based on the acquisition cost (purchase price), with appropriate adjustment for impairment and taking into account the estimated useful life of various classes of non-current assets. The management has determined the estimated useful lives of intangible assets, taking into account the business conditions and volumes, historical experience in given fields and future projections. The depreciation charges will be increased where useful lives are lower than previously estimated lives and technically obsolete and idle assets that have been written off or written down.

According to the estimations the useful lives for trademarks and licences is 20-50 years, depending on their purpose (carrying amount as of 31.12.2008 is EEK 163 904 thousand (EUR 10 475 thousand) and as of 31.12.2007, EEK 168 979 thousand (EUR 10 800 thousand)). The useful life of development costs is up to 5 years (carrying amount as of 31.12.2008 EEK 5 606 thousand (EUR 358

thousand) and as of 31.12.2007 EEK 4 052 thousand (EUR 259 thousand)), depending on their use. The useful life of client lists is 5 years (carrying amount as of 31.12.2008 EEK 24 831 thousand and as of 31.12.2007, EEK 31 453 thousand (EUR 2 010 thousand)). The useful life of other intangible assets (including computer software) is 3-5 years (carrying amount as of 31.12.2008 EEK 13 355 thousand (EUR 855 thousand) and as of 31.12.2007, EEK 12 869 thousand (EUR 822 thousand)), depending on a specific asset and its purpose. Like in 2007, no changes were made in amortisation rates in 2008.

If the useful lives increase by 10%, the annual amortisation charge would decrease by EEK 512, 166, 662 and 653 thousand (EUR 33, 11, 42 and 42 thousand) for trademarks and licences, development costs, client lists and computer software, respectively. The total decrease in the amortisation charge in case of an increase in useful lives by 10% would be EEK 1 993 thousand (EUR 127 thousand).

Carrying amounts of trademarks by Group companies

	EEK		EUR	
(thousand)	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Delfi AS (Estonia)	119 221	121 667	7 619	7 776
Eesti Ekspressi Kirjastuse AS	2 048	2 179	131	139
AS Maaleht	10 649	11 167	681	714
Ajakirjade Kirjastuse AS	1 255	1 350	80	86
UAB Ekspress Leidyba	19 939	21 186	1 274	1 354
Ekspress Hotline AS	10 791	11 429	690	730
Trademarks Total	**163 903**	**168 978**	**10 475**	**10 799**

For recoverable amount testing see section c).

b) Valuation of Inventory

Upon valuation of inventories, the management will rely on its best knowledge taking into consideration historical experience, general background information and assumptions and preconditions of the future events. In determining the impairment of inventories (carrying amount 31.12.2008 11 465 th kroons (733 th euros) and 31.12.2007 10 334 th kroons (660.5 th euros)), the sales potential as well as the net realisable value of finished goods is considered, upon valuation of raw materials and materials (carrying amount 31.12.2008 27 460 th kroons (1 755 th euros) and 31.12.2007 30 944 th kroons (1 978 th euros)), their potential of usage in producing the finished goods and generating income is considered; upon valuation of work in progress (carrying amount 31.12.2008 7 839 th kroons (472 th euros) and 31.12.2007 7 839 th. kroons (501 th.euros), their stage of completion that can reliably be measured is considered.

c) Valuation of Goodwill

Goodwill is the excess of the cost of the acquisition over the fair value of the acquired net assets, reflecting the part of cost that was paid for the acquisition of such assets than cannot be separately identified and recognised. Goodwill as an intangible asset with an indefinite useful life is not amortised but it is tested for impairment at least once a year. The management has carried out impairment tests for goodwill which arose upon acquisition of the following companies, based on the principle of cash-generating units: AS Delfi (Estonia), Delfi AS (Latvia), Delfi UAB (Lithuania), AS Maaleht, UAB Ekspress Leidyba, an employment ads portal within AS Eesti Päevaleht (hyppelaud.ee), a wholesale division within AS Rahva Raamat Ajakirjade Kirjastuse AS, AS Ekspress Hotline and an automobile portal within Ekspress Kirjastuse AS (ekspressauto.ee) See note 18.

Future expected cash flows based on the budgeted sales volumes in the Latvian, 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) Valuation of useful lives of Property, plant and equipment

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 (carrying amount 31.12.2008 95 092 th kroons (6 078 th euros) and 31.12.2007 97 062 th kroons (6 203 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 (carrying amount 31.12.2008 252 019 th kroons (16 107 th euros) and 31.12.2007 234 962 th kroons (15 017 th euros)) depending on their usage. The useful life of other fixed assets and IT equipment is 3-5 years (carrying amount 31.12.2008 35 432 th kroons (2 264 th euros) and 31.12.2007 25 745 th kroons (1 645 th euros), depending on the nature of each asset and its purpose. There have been no changes in depreciation rates during 2008.

If the useful lives increase by 10% the decrease in the annual depreciation charge would be of 439, 2 564 and 1 111 thousand kroons (28, 164 and 71 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 4 114 thousand kroons (263 th euros).

e) Assessment of the value of receivables is based on the management's estimates, taking into account recoverability of receivables and due dates for those receivables that were not collected according to the original terms of receivables. The management's estimates are used for assessing the value. The estimates are made based on financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments. As a result of changes in the market conditions or economic situation, the current estimates of the management may significantly change.Collectibility of receivables past due significantly depends on the applied procedures.

Impacts of financial and economic crisis

The financial difficulties resulting from steeply increased compulsory realisation of collateral assets in the US mortgage market in the second half of 2007, the US real estate crash, bankruptcy of several old and well-known investment banks such as Lehman Brothers have led to a global economic crisis. In connection with this, global investors have revalued their risk threshold, which has brought about increased volatility and decreased liquidity in the financial markets of instruments with fixed interest rates, equity instruments and derivative instruments. Although the situation in the European markets is better as compared to the USA, the strengthening of the Euro, a decrease in the availability of loan capital and higher inflation affect volatility and liquidity in the Group's markets. Changes in the financial markets may affect the Group's opportunities to receive further loan capital and refinance the existing liabilities on such conditions as were available in the recent past. The changed economic climate may also affect liquidity of the Group's clients which in turn affects their payment behaviour and ability to pay their liabilities to the Group in a timely manner. The Group's management cannot reliably assess the impact of a further decrease in liquidity and volatility of financial markets on the Group's financial position.

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 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 Group's risk management programme focuses on unpredictability of financial markets and finding of possibilities to minimise the potential negative impacts arising from this on the Group's financial activities. The Group uses derivative instruments to manage certain risks.

The main role upon the management of risks is vested in the Management Board of the parent. The Supervisory Board of the parent exercises supervision over the measures applied by the Management Board 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 that deals with the financing of the parent 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, money market funds, 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, money market funds 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.

Cash and cash equivalents at bank classified by credit rating

Moody`s	Standard & Poor`s	31.12.2008		31.12.2007	
		EEK	EUR	EEK	EUR
A1	A	37 882	2 421	53 116	3 395
Aa3	A+	5 781	369	12 693	811
Other banks		1 993	127	2 474	158
Total		**45 656**	**2 918**	**68 283**	**4 364**

The credit rating applies on long-term deposits as published on banks' websites.

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. At the first level, the advertising clients are handled in two groups: advertising agencies and direct clients, they are further grouped according to the above principles. The Group applies the same credit policy in all the Baltic states, but is aware of different credit behaviour of clients. While in Estonia invoices are generally paid when due, the usual practice in Latvia and Lithuania is to pay invoices 1-3 months past their due date and not to consider it as a violation of credit discipline.

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

In case of large transactions, in particular in the segment of printing services, clients are requested to provide a collateral, including surety. Credit insurance as well as export guarantees and sureties of KredEx are used for export clients.

The Group is not aware of any substantial risks in connection with the clients and partners. In the management's judgement, there is no credit risk in loans of related parties.

The maximum credit risk which arises from the Group's unsecured receivables (trade receivables) is as of the balance sheet date EEK 114 596 thousand (EUR 7 324 thousand), 2007: EEK 111 974 thousand (EUR 7 156 thousand).

Trade receivables and other short-term receivables 31.12.2008 EEK th	Not due	Overdue >= 7 days	Overdue >7 to <=60 days	Overdue > 60 days	Total receivables
Total	104 014	11 841	28 079	9 537	**153 471**

Trade receivables and other short-term receivables 31.12.2007 EEK th	Not due	Overdue >= 7 days	Overdue >7 to <=60 days	Overdue > 60 days	Total receivables
Total	100 193	12 227	24 885	9 413	**146 718**

Trade receivables and other short-term receivables 31.12.2008 EUR th	Not due	Overdue >= 7 days	Overdue >7 to <=60 days	Overdue > 60 days	Total receivables
Total	6 647	757	1 795	610	**9 809**

Trade receivables and other short-term receivables 31.12.2007 EUR th	Not due	Overdue >= 7 days	Overdue >7 to <=60 days	Overdue > 60 days	Total receivables
Total	6 404	781	1 590	602	**9 377**

As of 31.12.2008, the Group has written down uncollectible receivables in the amount of 7 561 kroons (483 thousand euros) (31.12.2007: 5 520 thousand kroons, 353 thousand euros) in accordance with the rules for valuation of trade receivables applicable in the Group based on the estimated cash flows. The Group's management is aware that credit risk is higher under the conditions of economic recession and therefore credit risk management is a priority field. As a specific measure, the credit policies applicable in companies within the Group have been harmonised and made stricter. A weekly reporting routine on trade receivables has been established, which enables the Group's management to receive information on an ongoing basis and intervene when necessary if the debtor is an international group operating in several Baltic States. The bonus scheme of the company's management has been changed so that reduction of trade receivables to the agreed level has been added as one objective.

Since a significant part of other receivables is related to the Group companies, in the judgement of the management the given receivables do not contain a credit risk.

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. According to the Group's policy, the ideal liquidity level is 10% and the minimum liquidity level is 5% of the sales revenue at all times. To manage the liquidity risk as effectively as possible, the bank accounts of the parent 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. 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 each week cash flow projections for next two months and 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 non-current assets. In the judgement of the management, liquidity risk is reduced by the agreement for the restructuring of a syndicated loan, entered into between Ekspress Group and SEB Bank, Sampo Bank and Nordea Bank on 24 March 2009. Liquidity risk is also reduced by the matter that the Group does not pay the shareholders any dividends for the financial year ended on 31.12.2008. The Group's management has taken notice of the higher liquidity risk and is actively searching for additional financing possibilities. The Group's management actively deals with involvement of additional capital, considering the selling of some non-core activity company within the Group as one option .

Analysis of undiscounted financial liabilities by payment terms as of 31 December 2008

31.12.2008 EEK th	<= 1 month	> 1month and <=3 months	> 3 months and <= 1 year	>1 year and <=5 years	> 5 years	Carrying amount
Bank loans	7 708	15 468	122 857	665 692	0	**664 238**
Finance lease payments	2 967	6 107	28 482	125 349	1 442	**139 792**
Other loans	21 005	0	41 643	0	0	**60 750**
Trade payables	52 942	22 580	5 012	0	0	**80 534**
Other payables	43 168	19 890	8 522	0	0	**71 580**
Total	**127 790**	**64 045**	**206 516**	**791 041**	**1 442**	**1 016 894**

31.12.2007 EEK th	<= 1 month	> 1month and <=3 months	> 3 months and <= 1 year	>1 year and <=5 years	> 5 years	Carrying amount
Bank loans	10 272	20 578	176 907	706 984	13 368	771 833
Finance lease payments	3 030	6 342	32 028	127 828	20 994	168 765
Other loans	0	0	15 488	0	0	14 750
Trade payables	47 746	24 154	4 821	0	0	76 721
Other payables	44 262	34 058	3 250	0	0	81 570
Total	**105 310**	**85 132**	**232 494**	**834 812**	**34 363**	**1 113 639**

31.12.2008 EUR th	<= 1 month	> 1month and <=3 months	> 3 months and <= 1 year	>1 year and <=5 years	> 5 years	Carrying amount
Bank loans	493	989	7 852	42 545	0	**42 452**
Finance lease payments	190	390	1 820	8 011	92	**8 934**
Other loans	1 342	0	2 661	0	0	**3 883**
Trade payables	3 384	1 443	320	0	0	**5 147**
Other payables	2 759	1 271	545	0	0	**4 574**
Total	**8 168**	**4 093**	**13 198**	**50 556**	**92**	**64 990**

31.12.2007 EUR th	<= 1 month	> 1month and <=3 months	> 3 months and <= 1 year	>1 year and <=5 years	> 5 years	Carrying amount
Bank loans	657	1 315	11 306	45 185	854	49 329
Finance lease payments	194	405	2 047	8 170	1 342	10 786
Other loans	0	0	990	0	0	943
Trade payables	3 052	1 544	308	0	0	4 903
Other payables	2 829	2 177	208	0	0	5 213
Total	**6 731**	**5 441**	**14 859**	**53 354**	**2 196**	**71 175**

The ageing analysis of the financial liabilities does not include the effect of the restructuring of the syndicate loan which became effective after the balance sheet date (please see note 36: Post-balance-sheet events).

The future cash flows have been estimated on the basis of floating interest rates applicable as of the balance sheet date of 31.12.2008 and 31.12.2007. 50% of the repayments of the syndicated loan is accounted for at the rate fixed by the interest-swap. In the judgement of the management, carrying amount of bank loans and financial leases is not significantly different from their fair value.

Interest rate risk

Since the Group does not have any significant interest-bearing assets, the Group's income and cash flow of operating activities substantially depend on changes in the interest rate occurring in the market.

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 resulting change of average interest rates of banks. Although in the short run a decline in Euribor over the recent months, which is caused by reduction of the euro base interest rate of both the US and European Central Bank, has positively influenced the Group's cash flows and profit, in the long run a floating interest rate is risky because a growth of consumption necessary to overcome the economic crisis would also bring about a rise in Euribor.

If the interest rate increased by 1%, the financial cost would increase by EEK 25 614 thousand (EUR 1 637 thousand).

According to the interest rate 5.433% per year applicable as of the date of preparation of the report, the amount of loan to be repaid totals EEK 783.1 million (EUR 50 million).

The Group manages the interest risk by using derivative instruments for hedging purposes. On 30 September 2008, the Group entered into interest rate swap contracts with the banks that issued the syndicated loan in order to hedge fluctuations of Euribor on 50% of the loan repayments until the end of the loan annuity schedule in September 2012.

The table below gives an overview of the debt obligations as of the balance sheet date, differentiated by a fixed interest rate and a floating 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.

31.12.2008 EEK th	Interest rate type	<= 1 year	>1 year and <=5 years	> 5 years	Carrying amount
Bank loans	floating	107 828	524 338	0	632 166
	Fixed	32 072		0	32 072
Finance lease payments	floating	36 319	102 109	1 364	139 792
Other loans	Fixed	60 750			60 750

31.12.2007 EEK th	Interest rate type	<= 1 year	>1 year and <=5 years	> 5 years	Carrying amount
Bank loans	floating	86 126	593 915	12 732	692 773
	Fixed	79 060	0	0	79 060
Finance lease payments	floating	33 827	114 587	20 351	168 765
Other loans	Fixed	14 750	0	0	14 750

31.12.2008 EUR th	Interest rate type	<= 1 year	>1 year and <=5 years	> 5 years	Carrying amount
Bank loans	floating	6 891	33 511	0	40 403
	Fixed	2 050	0	0	2 050
Finance lease payments	floating	2 321	6 526	87	8 934
Other loans	Fixed	3 883	0	0	3 883

31.12.2007 EUR th	Interest rate type	<= 1 year	>1 year and <=5 years	> 5 years	Carrying amount
Bank loans	floating	5 504	37 958	814	44 276
	Fixed	5 053	0	0	5 053
Finance lease payments	floating	2 162	7 323	1 301	10 786
Other loans	Fixed	943	0	0	943

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

(thousand)	Interest rate	EEK		EUR	
		2008	2007	2008	2007
Finance lease 6 months or less	6 months euribor +1,2%	139 792	168 765	8 934	10 786
Long-term bank loans 6 months or less	6 months euribor + 1,7%	632 166	692 773	40 402	44 276
Bank loans at fixed interest rate (overdraft)	6% aastas	32 072	79 060	2 050	5 053

Foreign exchange risk

The Group's operating activities have an international dimension and therefore the Group is exposed to foreign exchange risks. Foreign exchange risk arises when the future business transactions or recognised assets or liabilities are fixed in a currency which is not a functional currency of the company. According to the policy established by the Group's management, the companies within the Group are required to manage their foreign exchange risk with regard to functional currency. Since the foreign exchange risk hedging instruments are unreasonably expensive, those are not used. Subsidiaries are required to use the Euro as a currency unit in international agreements. Of foreign currencies, the Group's settlements in significant amounts are made in euros and to a smaller extent in Russian roubles, Swedisn kronas, Lithuanian litai Latvian lats, Romanian lei and Ukrainian hryvnias. The average change of the Latvian lat exchange rate to Estonian kroon in 2008 was -0.35% (2007: -0.55%). Transactions made in Romanian leus and in Ukrainian hryvnias in 2008 were, like in 2007, insignificant for the Group. Upon exporting the printing services to Russia and Sweden, the price is agreed upon and the contract is entered into in euros. The weakening of currencies of those countries with regard to the Euro has an unfavourable impact on the growth of exports. 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, Ukrainian hryvniasand Romanian lei.

The Group companies 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.

Of the price risk related to raw materials, the price of paper affects the activities of the Group the most. In a situation where majority of paper used in the production is purchased directly from producers at the base price without any commissions and the price is fixed for half a year in advance, and given that the volume of paper in the international scale is insignificant, the Group does not use derivative instruments to hedge the paper price risk.

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 2008, like 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 of 55% as of 31.12.2008 is substantially higher than as of 31.12.2007: 60%. As a result of amortisation of a loan, the debt to capital ratio has decreased by 5% year-over-year. The debt to capital ratio continues to decrease in the future periods as a result of amortisation of loan and increase of equity through generation of profit.

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 36% as of 31.12.2008 and 33% as of 31.12.2007. As of the balance sheet date, the equity ratio target set by the financial institutions was larger than or equal to 35%. Hence, the said ratio was in conformity with the conditions established for the Group. See also Note 20 for financial covenants.

Debt equity ratio of the Group

	EEK		EUR	
(thousand)	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Interest bearing debt (note 20)	804 030	940 598	51 386	60 115
Cash and cash equivalents (note 5)	46 388	68 970	2 965	4 408
Net debt	757 642	871 628	48 421	55 707
Equity	610 873	570 842	39 042	36 483
Total capital	1 368 515	1 442 470	87 463	92 191
Debt and capital ratio	76%	60%	76%	60%
Assets total	1 706 532	1 752 231	109 066	111 988
Equity ratio	36%	33%	36%	33%

Fair value

The Group estimates that the fair values of the assets (Notes 5-18) and liabilities (Notes 19-22) denominated in the balance sheet at amortised cost do not differ significantly from their carrying amounts presented in the Group's consolidated balance sheet on 31 December 2008 and 31 December 2007. Since the long-term debt obligations of the Group bear a floating interest rate, which changes according to the fluctuations of the market interest rate, the discount rate used in the cash flow model is adjusted in calculating fair value for debt obligations. New transaction information might not be available as of the year-end and although the company can determine the general level of market interest rates, the company might not know which credit or other risk level the participants in market would take into account for determining the price of an instrument on that date. The company might not have data deriving from recent transactions to determine the required price difference of credit in respect of the base interest rate in order to use that price difference for determining the discount rate necessary for calculation of present value. Based on this, the management is of opinion that fair value of non-current liabilities is not substantially different from their carrying amount. Trade receivables and supplier payables are recognised at amortised cost, therefore in the judgement of the management their carrying amount is similar to their fair value. Fair value of financial liabilities is determined on the basis of discounted future contractual cash flows, using a market interest rate which is available for the Group upon using similar financial instruments.

Note 5. Cash and cash equivalents

	EEK		EUR	
(thousand)	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Cash in hand	732	687	47	44
Cash at bank	45 656	68 283	2 918	4 364
Cash and cash equivalents in consolidated cash flow statement	**46 388**	**68 970**	**2 965**	**4 408**

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

	EEK		EUR	
(thousand)	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Listed shares	1	1	0	0
Money market funds	8 024	4 605	513	294
Total	**8 025**	**4 606**	**513**	**294**

	EEK		EUR	
(thousand)	2008	2007	2008	2007
Swedbank Money Market Fund interest rate	6,09%	3,60%	3,60%	3,60%
SEB Money Market Fund interest rate	3,87%	3,73%	3,73%	3,73%
Interest income	513	183	33	12

All instruments are held for trading purposes.

Note 7. Receivables and prepayments

(thousand)	EEK		EUR	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Trade receivables (Note 8)	113 315	111 974	7 242	7 156
Prepaid taxes (Note 9)	4 449	10 362	284	662
Other receivables (Note 10)	40 156	34 744	2 566	2 221
Prepayments	8 729	8 748	559	559
Total receivables and prepayments	**166 649**	**165 828**	**10 651**	**10 598**

Note 8. Trade receivables

(thousand)	EEK		EUR	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Trade receivables	122 157	117 494	7 807	7 509
Allowance for doubtful receivables	(8 842)	(5 520)	(565)	(353)
Total trade receivables	**113 315**	**111 974**	**7 242**	**7 156**

(thousand)	EEK		EUR	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Allowance for doubtful receivables at the beginning of the period	(5 520)	(5 144)	(353)	(329)
Proceeds from doubtful receivables during the period	188	2 532	12	162
Allowance of doubtful receivables recognized during the period	(2 810)	(2 941)	(179)	(188)
Receivables written off from balance sheet during the period	(700)	33	(45)	2
Allowance for doubtful receivables at the end of the period	**(8 842)**	**(5 520)**	**(565)**	**(353)**

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

EEK th	31.12.2008		31.12.2007	
	Prepayment	Liability	Prepayment	Liability
Corporate income tax on fringe benefits	3 210	57	2 700	3 214
Personal income tax	0	6 003	116	6 127
Social security tax	0	13 113	0	13 302
Unemployment insurance tax	0	278	0	282
Contributions to mandatory funded pension	0	497	0	461
Value added tax	1 239	2 327	7 546	4 203
Taxes total (note 7)	**4 449**	**22 275**	**10 362**	**27 589**

EUR th	31.12.2008		31.12.2007	
	Prepayment	Liability	Prepayment	Liability
Corporate income tax	205	4	173	205
Personal income tax	0	384	7	392
Social security tax	0	837	0	850
Unemployment insurance tax	0	18	0	18
Contributions to mandatory funded pension	0	32	0	29
Value added tax	79	149	482	269
Taxes total (note 7)	**284**	**1 424**	**662**	**1 763**

Corporate income tax

(thousand)	EEK		EUR	
	2008	2007	2008	2007
Estonia				
Dividend income attracting income tax from joint ventures	12 266	19 801	784	1 266
Calculated income tax 22/78 (2006 : 23/77)	3 261	5 585	208	357
Current dividend income tax expense (note 31)				
Tax expense	**(3 261)**	**(5 585)**	**(208)**	**(357)**
Effective tax rate	26,58%	28,21%	26,58%	28,21%
Latvia				
Profit (loss) before tax	12 861	6 396	822	409
Tax rate	15%	15%	15%	15%
Calculated income tax	1 929	959	123	61
Income/expenses not deductible for tax purposes	(2 286)	474	(146)	30
Income tax expense	**(1 586)**	**(1 031)**	**(101)**	**(66)**
Deferred income tax income (expense)	0	0	0	0
Lithuania				
Profit (loss) before tax	8 676	3 630	554	232
Tax rate	20%	15%	20%	15%
Calculated income tax	1 735	545	111	35
Income/expenses not deductible for tax purposes	(3 356)	93	(214)	6
Income tax expense	**(1 064)**	**(558)**	**(68)**	**(36)**
Deferred income tax income (expense)	**826**	**624**	**53**	**40**
Ukraine				
Profit (loss) before tax	(2 841)	0	(182)	0
Tax rate	25%	25%	25%	15%
Calculated income tax	(710)	0	(45)	0
Income/expenses not deductible for tax purposes	(2 208)	0	(141)	0
Income tax expense	**(316)**	**0**	**(20)**	**0**
Deferred income tax income (expense)	**946**	**0**	**60**	**0**

Group income tax expense	EEK		EUR	
	2008	2007	2008	2007
Income tax expense	(6 227)	(7 174)	(398)	(458)
Deferred income tax income (expense)	1 772	624	113	40
Total income tax expense	**(4 455)**	**(6 550)**	**(285)**	**(419)**

As of 31 December 2008, the deferred income in Lithuania is accounted for at 20%, because from 2009, the corporate income tax is 20% (2008 and 2007: 15%).

Note 10. Other short-term receivables

(thousand)	EEK		EUR	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Receivables from associated companies (Note 33)	**7 039**	**5 695**	**450**	**364**
Trade receivables	7 039	5 695	450	364
Receivables from joint ventures	**6 697**	**5 875**	**428**	**375**
Trade receivables	6 697	5 875	428	375
Receivables from related parties (Note 33)	**3 145**	**8 171**	**201**	**522**
Other receivables	3 145	8 171	201	522
Other short-term debts	**23 275**	**15 003**	**1 487**	**960**
Loans granted	18 894	14 948	1 207	956
Accrued interest receivable	210	11	13	1
Other receivables	4 171	44	267	3
Total other short-term receivables	**40 156**	**34 744**	**2 566**	**2 221**

Guarantees received as collateral for loans granted by joint ventures

– Ajakirjade Kirjastus (Lender) Loan Agreement with Kroonpress in the total amount of EEK 15 500 thousand (EUR 991 thousand) is secured by Surety Agreement concluded between Ajakirjade Kirjastus and Eesti Meedia under which the latter guarantees the obligations of Kroonpress under the loan agreement. In the balance sheet the loan amounted as of 31.12.08 and 31.12.07 EEK 7 750 thousand (EUR 495 thousand). Loan matures in 2009, interest rate 5%.

– SL Õhtuleht (Lender) Loan Agreement with Kroonpress in the total amount of EEK 14 000 thousand (EUR 895 thousand) is secured by Surety Agreement concluded between SL Õhtuleht and Eesti Meedia under which the latter guarantees the obligations of Kroonpress under the loan agreement. In the balance sheet the loan amounted as of 31.12.08 and 31.12.07 EEK 7 000 thousand (EUR 447 thousand). Loan matures in 2008, interest rate 5%.

– AS Express Post (Lender) Loan Agreement with Kroonpress in the total amount of EEK 8 000 thousand (EUR 511 thousand) is secured by Surety Agreement concluded between SL Õhtuleht and Eesti Meedia under which the latter guarantees the obligations of Kroonpress under the loan agreement. In the balance sheet the loan amounted as of 31.12.2008 EEK 4 000 thousand (EUR 256 thousand) and 31.12.2007 0 kroons (0 euros). Loan matures in 2009, interest rate 5%.

Note 11. Inventories

(thousand)	EEK		EUR	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Raw materials	27 460	30 944	1 755	1 978
Work in progress	7 382	7 839	472	501
Finished goods	11 465	10 334	733	660
Goods for resale	19 351	17 044	1 236	1 089
Total inventories	**65 658**	**66 161**	**4 196**	**4 228**

(thousand)	EEK		EUR	
	2008	2007	2008	2007
Finished goods	2 403	592	154	38
Allowance for impairment recognized in income statement	**2 403**	**592**	**154**	**38**
Inventories at the custody of third parties	2 488	8 303	159	531
Inventories of third parties held at the custody of the Group (books)	104 858	84 434	6 702	5 396

Note 12. Non-current trade and other receivables

	EEK		EUR	
(thousand)	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Loans granted	1 800	9 669	115	618
Long-term receivables to buyers	457	2 768	29	177
Deferred income tax assets (note 9)	1 772	624	113	40
Prepayments	189	610	12	39
Total non-current trade and other receivables	**4 218**	**13 671**	**269**	**874**

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 carrying amount of the receivable is 6 989 thousand kroons (446.7 thousand euros) as of 31 December 2007. In 2008, the receivable is repaid.

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

On 30 March 2008, Eesti Päevaleht AS purchased 50% of the shares OÜ Netikuulutused from Eesti Ekspress Kirjastus AS. As a result of the transaction, Eesti Päevaleht AS is the sole shareholder of OÜ Netikuulutused. The Group's shareholding was reduced from 75% to 50%. On 1 July 2008, Eesti Päevalehe AS and OÜ Netikuulutused were merged. On 28 July 2008, OÜ Netikuulutused was deleted from the Commercial Register.

On 20 June 2008, AS Ekspress Grupp purchased 782 shares of UAB Ekspress Leidyba from minority shareholders for 392 thousand EEK (EUR 25 thousand). Goodwill of 339 thousand EEK (EUR 22 thousand) was recognised from the transaction. As a result of the transaction, AS Ekspress Grupp is the sole shareholder of UAB Ekspress Leidyba.

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

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

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

The acquired company AS Delfi portion of the group's sales is 51 700 th EEK (3 304 th euros) and the net profit was 15 501 th EEK (991 th euros) during the period from 03 September to 31 December 2007. If the acquisition had occurred on 1 January 2007, the effect on the sales would have

been EEK 130 043 thousand (EUR 8 311 thousand) and the net profit EEK 34 190 thousand (EUR 2 185 thousand). The calculations are based on the group's accounting principles.

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

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

Purchase price allocations of new subsidiaries acquired:

Subsidiary	OÜ Delfi Holding			
	3.09.2007			
	Fair value		Balance sheet value	
(thousand)	EEK	EUR	EEK	EUR
Cash and cash equivalents	38 384	2 453	38 384	2 453
Receivables and prepayments	243 430	15 558	243 430	15 558
Inventories	3	0	3	0
Property, plant and equipment	8 247	527	8 247	527
Intangible assets	41 523	2 654	3 846	246
Trademarks	122 278	7 815	0	0
Liabilities	(17 752)	(1 135)	(17 752)	(1 135)
The fair value of acquired net assets	**436 113**	**27 873**	**276 158**	**17 650**
Acquired ownership	100,00%	0		
Acquired net assets	436 113	27 873		
Minority	0,00%	0		
Goodwill	674 872	43 132		
Acquisition cost of investment	(1 110 985)	(71 005)		
Purchase price paid in cash	(882 145)	(56 379)		
Acquired cash and cash equivalents	38 384	2 453		
Unpaid part of current period	1 721	110		
Net cash outflow on acquisition	**(843 761)**	**(53 926)**		

Subsidiary	AS Maaleht			
	30.09.2007			
	Õiglane väärtus		Bilansiline väärtus	
(thousand)	EEK	EUR	EEK	EUR
Cash and cash equivalents	8 528	545	8 528	545
Receivables and prepayments	3 342	214	4 245	271
Inventories	6578	420	8358	534
Property, plant and equipment	2 202	141	2 202	141
Intangible assets	0	0	0	0
Trademarks	11 309	723	0	0
Liabilities	(8 274)	(529)	(8 274)	(529)
The fair value of acquired net assets	**23 685**	**1 514**	**15 059**	**962**
Acquired ownership	100,00%	0		
Acquired net assets	23 685	1 514		
Minority	0,00%	0		
Goodwill	28 413	1 816		
Acquisition cost of investment	(52 098)	(3 330)		
Purchase price paid in cash	(52 098)	(3 330)		
Acquired cash and cash equivalents	8 528	545		
Unpaid part of current period	0	0		
Net cash outflow on acquisition	**(43 570)**	**(2 785)**		

For further information of goodwill see also note 18.

Note 14. Joint ventures

Financial information is presented representing the consolidated share of joint ventures.

Company name	Ownership %	
	31.12.2008	31.12.2007
Eesti Päevalehe AS	50	50
AS SL Õhtuleht	50	50
AS Express Post	50	50
AS Ajakirjade Kirjastus	50	50
OÜ Uniservice	26	26

EEK th	Ajakirjade Kirjastuse AS	AS SL Õhtuleht	Eesti Päevalehe AS	AS Express Post	OÜ Uniservice	Total
on 31 December 2008						
Current assets	41 044	31 412	15 860	22 505	57	110 878
Non-current assets	2 624	2 026	15 347	3 154	17	23 168
Assets total	**43 668**	**33 438**	**31 207**	**25 659**	**74**	**134 046**
Current liabilities	18 455	12 213	20 820	17 304	217	69 009
Non-current liabilities	149	13	0	0	0	162
Liabilities total	**18 604**	**12 226**	**20 820**	**17 304**	**217**	**69 171**
Revenue total	110 836	75 562	87 527	40 900	187	**315 012**
Net profit/loss	6 600	10 672	3 355	2 280	(166)	**22 741**
on 31 December 2007						
Current assets	39 054	34 462	15 421	21 072	0	110 009
Non-current assets	3 431	1 933	11 620	2 949	19	19 952
Assets total	**42 485**	**36 395**	**27 041**	**24 021**	**19**	**129 961**
Current liabilities	23 946	13 568	20 687	17 945	16	76 162
Non-current liabilities	65	22	0	0	0	87
Liabilities total	**24 011**	**13 590**	**20 687**	**17 945**	**16**	**76 249**
Revenue total	114 839	78 820	87 883	36 066	0	**317 608**
Net profit/loss	7 787	13 239	2 058	1 831	(17)	**24 898**

EUR th	Ajakirjade Kirjastuse AS	AS SL Õhtuleht	Eesti Päevalehe AS	AS Express Post	OÜ Uniservice	Total
on 31 December 2008						
Current assets	2 623	2 008	1 014	1 438	4	7 087
Non-current assets	168	129	981	202	1	1 481
Assets total	**2 791**	**2 137**	**1 995**	**1 640**	**5**	**8 568**
Current liabilities	1 179	781	1 331	1 106	14	4 411
Non-current liabilities	10	1	0	0	0	11
Liabilities total	**1 189**	**782**	**1 331**	**1 106**	**14**	**4 422**
Revenue total	7 084	4 829	5 594	2 614	12	**20 133**
Net profit/loss	422	682	214	146	(11)	**1 453**
on 31 December 2007						
Current assets	2 496	2 203	986	1 347	0	7 032
Non-current assets	219	124	743	188	1	1 275
Assets total	**2 715**	**2 327**	**1 729**	**1 535**	**1**	**8 307**
Current liabilities	1 530	867	1 322	1 147	1	4 867
Non-current liabilities	4	1	0	0	0	5
Liabilities total	**1 534**	**868**	**1 322**	**1 147**	**1**	**4 872**
Revenue total	7 340	5 038	5 617	2 305	0	**20 300**
Net profit/loss	498	846	132	117	(1)	**1 592**

Note 15. Associated companies

(thousand)	EEK		EUR	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Carrying amount of shares of associated companies	302	964	19	62
Share of loss in associates recognized in income statement	**2008**	**2007**	**2008**	**2007**
Profit/(loss) from the disposal of shares of associates	0	(4)	0	0
Share of profit/(loss) of associates	(627)	996	(40)	64
Total profit/(loss) of associates	**(627)**	**992**	**(40)**	**64**

Company name	Ownership %	
	31.12.2008	31.12.2007
AS Linnaleht	25	25
UAB Medipresa	40	40

Condensed financials of associated companies:

EEK th	AS Linnaleht	UAB Medipresa	Total
on 31 December 2008			
Assets total	3 751	27 729	**31 480**
Liabilities total	3 712	27 000	**30 712**
Revenues total	29 506	154 246	**183 752**
Net profit/loss	(1 324)	21	**(1 303)**
on 31 December 2007			
Assets total	5 869	23 013	**28 882**
Liabilities total	4 505	21 537	**26 042**
Revenues total	32 294	129 135	**161 429**
Net profit/loss	951	1 900	**2 851**

EUR th	AS Linnaleht	UAB Medipresa	Total
on 31 December 2008			
Assets total	240	1 772	2 012
Liabilities total	237	1 726	1 963
Revenues total	1 886	9 858	11 744
Net profit/loss	(85)	1	(84)
on 31 December 2007			
Assets total	375	1 471	**1 846**
Liabilities total	288	1 376	**1 664**
Revenues total	2 064	8 253	**10 317**
Net profit/loss	61	121	**182**

Note 16. Investment property

(thousand)	EEK		EUR	
	2008	2007	2008	2007
Investment properties as of 1 January	**3 732**	**3 732**	**239**	**239**
Reclassification from property, plant and equipment as of 1 January 2008 (Note17)	2 172	0	139	0
Revaluation to fair value through profit or loss	3 023	0	193	0
Revaluation to fair value through equity	3 414	0	218	0
Investment properties as of 31 December	**12 341**	**3 732**	**789**	**239**

Since 1 January 2008, the Group states the investment properties at fair value. The effect of fair value adjustment as of 1 January 2008, i.e. at the moment of changing the accounting policy, is recognised as a reserve in equity. Further revaluations are recognised in the income statement.

On 1 January 2008, the Group reclassified the property owned by Printall in connection with a change in use. On 15 December 2008, the Group entered into a contract for selling the investment property at the price of EEK 9 000 thousand (EUR 575 thousand), the conditions related to the right of ownership to the investment propery have not been met as of the balance sheet date. The fair value of the investment property has been determined by the management, the valuation is based on a property valuation report prepared by a certified property appraiser. The fair value is determined by the discounted cash flow method as of 31.12.2008.

The fair value of other investment properties has not been valued on the balance sheet date by a professional appraiser and in the judgement of the management, the fair value of other assets is close to their carrying amount.

Note 17. Property, plant and equipment

EEK th	Land	Buildings	Plant and equipment	Other equipment	Unfinished buildings and prepayments	Fixed assets total
Balance on 31 December 2006						
Acquisition cost	8 590	113 171	238 487	47 354	248	**407 850**
Accumulated depreciation	0	(11 046)	(72 495)	(35 099)	0	**(118 640)**
Carrying amount	**8 590**	**102 125**	**165 992**	**12 255**	**248**	**289 210**
Acquisitions and improvements	127	306	81 782	17 645	38 932	**138 792**
Disposals (at carrying amount)	(133)	(1 520)	(144)	(69)	0	**(1 866)**
Write-offs (at carrying amount)	0	0	(8)	(57)	0	**(65)**
Reclassification	0	50	203	515	(768)	**0**
Acquired through business combinations	114	273	6 269	3 683	0	**10 339**
Depreciation and impairment	0	(4 171)	(19 132)	(8 227)	0	**(31 530)**
Balance on 31 December 2007						
Acquisition cost	8 698	112 024	324 965	62 339	38 412	**546 438**
Accumulated depreciation	0	(14 961)	(90 003)	(36 594)	0	**(141 558)**
Carrying amount	**8 698**	**97 063**	**234 962**	**25 745**	**38 412**	**404 880**
Acquisitions and improvements	0	2 060	5 302	11 765	10 014	**29 141**
Disposals (at carrying amount)	0	0	(86)	(697)	0	**(783)**
Write-offs (at carrying amount)	0	0	(13)	(215)	0	**(228)**
Reclassification	(2 172)	355	37 495	9 972	(47 923)	**(2 273)**
Depreciation and impairment	0	(4 386)	(25 641)	(11 112)	0	**(41 139)**
Revaluation of exchange rates	0	0	0	(26)	0	**(26)**
Balance on 31 December 2008						
Acquisition cost	6 526	114 439	366 220	78 600	503	**566 288**
Accumulated depreciation	0	(19 347)	(114 201)	(43 168)	0	**(176 716)**
Carrying amount	**6 526**	**95 092**	**252 019**	**35 432**	**503**	**389 572**

Land in the amount of EEK 2 172 thousand was reclassified as investment property by AS Printall (please see note 16).

EUR th	Land	Buildings	Plant and equipment	Other equipment	Unfinished buildings and prepayments	Fixed assets total
Balance on 31 December 2006						
Acquisition cost	549	7 233	15 242	3 026	16	**26 066**
Accumulated depreciation	0	(706)	(4 633)	(2 243)	0	**(7 582)**
Carrying amount	**549**	**6 527**	**10 609**	**783**	**16**	**18 484**
Acquisitions and improvements	8	20	5 227	1 128	2 488	**8 871**
Disposals (at carrying amount)	(8)	(97)	(9)	(4)	0	**(118)**
Write-offs (at carrying amount)	0	0	(1)	(4)	0	**(5)**
Reclassification	0	3	13	33	(49)	**0**
Acquired through business combinations	7	17	401	235	0	**660**
Depreciation and impairment	0	(267)	(1 223)	(526)	0	**(2 016)**
Balance on 31 December 2007						
Acquisition cost	556	7 160	20 769	3 984	2 455	**34 924**
Accumulated depreciation	0	(956)	(5 752)	(2 339)	0	**(9 047)**
Carrying amount	**556**	**6 204**	**15 017**	**1 645**	**2 455**	**25 877**
Acquisitions and improvements	0	131	339	752	640	**1 862**
Disposals (at carrying amount)	0	0	(5)	(45)	0	**(50)**
Write-offs (at carrying amount)	0	0	(1)	(14)	0	**(15)**
Reclassification	(139)	23	2 396	637	(3 063)	**(146)**
Depreciation and impairment	0	(280)	(1 639)	(709)	0	**(2 628)**
Revaluation of exchange rates	0	0	0	(2)	0	**(2)**
Balance on 31 December 2008						
Acquisition cost	417	7 314	23 406	5 023	32	**36 192**
Accumulated depreciation	0	(1 236)	(7 299)	(2 759)	0	**(11 294)**
Carrying amount	**417**	**6 078**	**16 107**	**2 264**	**32**	**24 898**

Land in the amount of EUR 139 thousand was reclassified as investment property by AS Printall (please see note 16).

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.

Note 18. Intangible assets

EEK th	Good-will	Trade-marks	Develop-ment	Client relation-ship	Compu-ter software	Prepay-ments	Total intangible assets
Balance on 31 December 2006							
Acquisition cost	99 470	35 456	0	0	20 861	1 036	**156 823**
Accumulated depreciation	0	(3 227)	0	0	(15 314)	0	**(18 541)**
Carrying amount	**99 470**	**32 229**	**0**	**0**	**5 547**	**1 036**	**138 282**
Acquisitions and improvements	0	5 982	2 427	0	3 981	2 094	**14 484**
Disposals (at carrying amount)	0	0	0	0	(3)	0	**(3)**
Write-offs (at carrying amount)	(128)	(45)	0	0	(3)	0	**(176)**
Acquired through business combination	703 286	133 587	1 695	33 108	6 739	308	**878 723**
Depreciation and impairment	0	(2 774)	(70)	(1 655)	(3 392)	0	**(7 891)**
Balance on 31 December 2007							
Acquisition cost	802 628	174 979	4 189	33 108	30 384	3 438	**1 048 726**
Accumulated depreciation	0	(6 000)	(137)	(1 655)	(17 515)	0	**(25 307)**
Carrying amount	**802 628**	**168 979**	**4 052**	**31 453**	**12 869**	**3 438**	**1 023 419**
Acquisitions and improvements	0	0	3 617	0	5 530	1 665	**10 812**
Disposals (at carrying amount)	(795)	0	0	0	(206)	0	**(1001)**
Reclassification	0	45	(400)	0	1 709	(1 253)	**101**
Amortization and impairment	0	(5 120)	(1 663)	(6 622)	(6 531)	0	**(19 936)**
Revaluation of exchange rates	0	0	0	0	(16)	0	**(16)**
Balance on 31 December 2008							
Acquisition cost	801 833	175 085	7 406	33 108	36 931	3 850	**1 058 213**
Accumulated amortization	0	(11 181)	(1 800)	(8 277)	(23 576)	0	**(44 834)**
Carrying amount	**801 833**	**163 904**	**5 606**	**24 831**	**13 355**	**3 850**	**1 013 379**

EUR th	Good-will	Trade-marks	Develop-ment	Client relation-ship	Computer software	Prepay-ments	Total intangible assets
Balance on 31 December 2006							
Acquisition cost	6 357	2 266	0	0	1 333	66	**10 022**
Accumulated depreciation	0	(206)	0	0	(979)	0	**(1 185)**
Carrying amount	**6 357**	**2 060**	**0**	**0**	**354**	**66**	**8 837**
Acquisitions and improvements	0	382	155	0	254	134	**925**
Write-offs (at carrying amount)	(8)	(3)	0	0	0	0	**(11)**
Acquired through business combination	44 948	8 538	108	2 116	431	20	**56 161**
Depreciation and impairment	0	(177)	(4)	(106)	(217)	0	**(504)**
Balance on 31 December 2007							
Acquisition cost	51 297	11 183	268	2 116	1 941	220	**67 025**
Accumulated depreciation	0	(383)	(9)	(106)	(1 119)	0	**(1 617)**
Carrying amount	**51 297**	**10 800**	**259**	**2 010**	**822**	**220**	**65 408**
Acquisitions and improvements	0	0	231	0	353	106	**690**
Disposals (at carrying amount)	(51)	0	0	0	(13)	0	**(64)**
Reclassification	0	3	(26)	0	109	(80)	**6**
Amortization and impairment	0	(328)	(106)	(423)	(416)	0	**(1 273)**
Revaluation of exchange rates	0	0	0	0	(1)	0	**(1)**
Balance on 31 December 2008							
Acquisition cost	51 246	11 190	473	2 116	2 360	246	**67 631**
Accumulated amortization	0	(715)	(115)	(529)	(1 505)	0	**(2 864)**
Carrying amount	**51 246**	**10 475**	**358**	**1 587**	**855**	**246**	**64 767**

The cost of intangible assets does not include capitalised interest.

Information on intangible assets pledged as collateral for loans is provided in Note 20.

As of each balance sheet date, the Group's management assesses whether the cash flows generated by cash generating units are sufficient to cover acquired goodwill and the assets recognised in an acquisition, such as trademarks, customer relations, software, etc.

Goodwill by cash generating units

	EEK		EUR	
(thousand)	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Delfi AS (Estonia)	246 276	246 276	15 740	15 740
Delfi AS (Latvia)	232 756	232 756	14 876	14 876
Delfi UAB	195 841	195 841	12 517	12 517
AS Eesti Päevaleht (Hyppelaud.ee)	387	1 182	25	76
Eesti Ekspressi Kirjastuse AS (Ekspress Auto)	1 100	1 100	70	70
AS Ajakirjade Kirjastus	7 128	7 128	456	456
UAB Ekspress Leidyba	14 090	14 090	901	901
AS Maaleht	28 413	28 413	1 815	1 815
Rahva Raamat AS (wholesale)	7 881	7 881	504	504
Ekspress Hotline AS	67 961	67 961	4 342	4 342
Goodwill Total	**801 833**	**802 628**	**51 246**	**51 297**

The management has performed impairment tests for the following cash generating units: AS Delfi (Estonia), Delfi AS (Latvia), Delfi UAB (Lithuania), AS Maaleht, UAB Ekspress Leidyba, an

employment ads portal within AS Eesti Päevaleht (hyppelaud.ee), a wholesale division within AS Rahva Raamat, Ajakirjade Kirjastuse AS, AS Ekspress Hotline and an automobile portal within Ekspress Kirjastuse AS (ekspressauto.ee) as of 31 December 2008 and 31 December 2007.

In the impairment test, the discounted cash flow method was used except for Ekspress Hotline for which the fair value less costs to sell method was used because the value of Ekspress Hotline will be determined in a sales transaction to be completed after the balance sheet date. For determining the recoverable amount of Ekspress Hotline, the management has used the sales price as the basis, the components of which are described in Note 36. Events after the balance sheet date.

For each cash generating unit acquired, 5-year revenue forecasts have been prepared for the respective cash-generating units. In respect of Delfi cash generating units, the cash flows to be derived from the synergies of web environments of Ekspress Group and the web environments planned to be launched have also been considered for the purpose of impairment testing. Due to the fact that these environments have been integrated into Delfi portals, the number of contacts will increase in classified portals, as a result of which more advertisements will be directed to these portals. The management has used the statistics of TNS Metrix currently available for contacts to estimate the share of contacts from Delfi portals in the period 2009-2013. The same proportion was used for recognition of revenue from the classified portal in the impairment test of Delfi Group. The management's estimate is supported by the fact that the competitive situation has significantly improved – several portals based on local capital without media backing (motors24, city24) have exited the market. Due to its integration into Delfi, it is easier for the Group to gain market share.

The test for Delfi Estonia includes the synergy from the cash flows of ekspressauto.ee, ekspresskinnisvara.ee, ekspressjob.ee, EPL.ee, maaleht.ee and 1184.ee. The tests for Delfi Latvia and Delfi Lithuania include the synergy from classified portals.

The goodwill of Delfi Group comprises the major growth potential of Delfi Group both in the Baltic States and Ukraine, and possible expansion of the business to other countries. For the following years, the management forecasts sales growth of up to 27 per cent and maintenance of the EBITDA margin of 25-41%. The management also considers the synergy of income and expenses with the current and new operating areas of Ekspress Group to have great potential.

Revenue growth, and variable and fixed costs have been estimated of the basis of prior period results and strategic developments planned for the near future. Calculations have been performed using nominal growth rates, without consideration of inflation. The revenue forecast is based on two important assumptions. Firstly, advertising revenue per capita is significantly lower in the Baltic States than the respective measure in Western Europe. Secondly, media agencies expect the share of online advertising to continue to grow in the total advertising volume.

The management estimates that the revenue growth of Delfi Estonia will be 15-21%, the revenue growth of Delfi Latvia will be 12-27% and the revenue growth of Delfi Lithuania will be 14-25% in the period 2010-2013. The larger growth rates of Latvia and Lithuania relate to their greater growth potential in light of the size of their markets and the market share attained. Due to the decline of the advertising market and following the principle of conservatism, the management expects the revenue of Delfi to grow by 5% in Estonia and to decline by 7% and 2% in Latvia and Lithuania, respectively, in 2009. The forecast for 2009-2013 is based on the growth of the market share of online advertising which was 11% in 2008, growing by 3% as compared to 2007. The market share of online advertising will continue to grow in 2011-2013, and the advertising market as a whole is also expected to grow.

The revenue growth of ekspressauto.ee is forecast to be 30-50% in the period 2010-2013. Revenue is forecast to fall by 17% in 2009 due to the decline of the advertising market. The revenue growth of Hyppelaud.ee is expected to be up to 25%. The revenue growth rates of other cash generating units are expected to be in the range of 5-15%, reflecting their level of maturity and stable development. Stability also manifests itself in the growth of variable and general expenses of these units, which is expected to remain in the range of 1-12%.

In the period 2009-2013, the EBITDA margin of Delfi Estonia is forecast to be 25%, that of Delfi Latvia 38-41% and that of Delfi Lithuania 33-37%. The EBITDA margins of Delfi Latvia and Delfi Lithuania are higher due to higher advertisement prices and lower variable costs in these markets whereas fixed costs in these three countries are at comparable levels. The EBITDA margin of the cash flows derived from the synergies of Delfi Estonia is forecast to be 50-55% due to low fixed costs of these web environments. The EBITDA margin of the cash flows derived from the synergies of Delfi Latvia and Delfi Lithuania is forecast to be at the same level as the EBITDA margins of Delfi Latvia and Delfi Lithuania, because they represent web environments planned to be launched.

In 2009, the largest investments include the investments to be made in Delfi Estonia in the amount of EEK 1.1 million (EUR 70 thousand), and in Delfi Latvia and Delfi Lithuania in the amount of EEK 1.9 million (EUR 120 thousand); from 2010, the investments will total at least EEK 1.6 million (EUR 100 thousand) in each country due to the launching of new products and improvement of existing products.

The tested cash generating units do not need additional working capital for their operating activities.

The applied revenue growth rates are as follows:

Cash generating unit	2009	2010-2013	Terminal value growth
Delfi EE	5%	15-21%	3%
Delfi LV	-7%	12-27%	4%
Delfi LT	-2%	14-25%	4%
Hyppelaud	1%	15-25%	3%
Rahva Raamat wholesale	5%	6-7%	2%
Ekspress Kirjastus (Ekspress Auto)	-17%	30-50%	2%
Ajakirjade Kirjastus	-6%	5%	2%
Ekspress Liedyba	-12%	6%	2%
Maaleht	5%	10-15%	2%

The present value and the terminal value of the cash flows for the following five years were determined using the weighted average cost of capital as the discount rate, where the expected ROE is 13.74% - 17.60% (2007: 15.63%-25.22%) and the return on debt is 6%- 9.0% for Estonia and 9.5% for Latvia and Lithuania (2007: 6.0%-10%), which equals the estimated average interest rate on loans granted in local currencies and offered to Ekspress Group by banks as of 31.12.2008 and 31.12.2007. The debt ratio is based on the average debt ratio of the market available in the database of Damodaran Online as of 31.12.2008 - 28.7% for online media units and 42.5% for publishing units (31.12.2007: 35%) which is also similar to the Group's capital structure. The cost of equity has been calculated using CAPM (Capital Asset Pricing Model). The equity betas of the units used in the model have been calculated using the inputs from the database of Damodaran Online. The yields on long-term government bonds issued in Latvia and Lithuania in December 2008 have been used as the basis for determining the risk rates of these countries. In respect of Estonia, the country's risk rate has been derived from the yield of a 10-year German bond and the rate of CDS (Currency Default Swap) of the Estonian kroon as of 31.12.2008. If as of 31.12.2007, the long-term growth rate of the terminal value of all units equalled moderate economic growth or 4% per annum, in the conditions of a deep recession, we have used 2% as the growth rate of the terminal value for print media units, etc. and 3-4% for fast-growing markets (Delfi) as of 31.12.2008.

The applied discounts rates are as follows:

Cash generating unit	31.12.2008	31.12.2007
Delfi EE	12,38%	13,89%
Delfi LV	14,11%	13,71%
Delfi LT	14,60%	13,71%
Hyppelaud	12,38%	11,00%
Rahva Raamat wholesale division	11,79%	11,00%
Ekspress Kirjastus ekspressauto.ee	12,38%	11,00%
Ajakirjade Kirjastus	11,79%	11,00%
Ekspress Hotline	10,80%	11,00%
Ekspress Liedyba	15,64%	9,00%
Maaleht	11,79%	17,45%

The results of impairment tests of all cash generating units demonstrated that the recoverable amounts of the assets exceeded their carrying amounts as of 31.12.2008 and as of 31.12.2007. The Group's management does not consider it necessary to recognise impairment loss of goodwill.

Comparison of the recoverable amounts and carrying amounts of assets to be recovered of the tested cash generating units as of 31.12.2008.

tuh EEK Cash generating unit	Recoverable amount	Carrying amount of assets to be recovered	Variance
Delfi EE	322 809	318 724	4 085
Delfi LV	302 611	281 344	21 267
Delfi LT	293 849	235 563	58 285
Ekspress Hotline	93 190	84 036	9 154
Maaleht	108 777	37 342	71 435
Other	286 625	92 006	194 619

tuh EUR Cash generating unit	Recoverable amount	Carrying amount of assets to be recovered	Variance
Delfi EE	20 631	20 370	261
Delfi LV	19 340	17 981	1 359
Delfi LT	18 780	15 055	3 725
Ekspress Hotline	5 956	5 371	585
Maaleht	6 952	2 387	4 566
Other	18 319	5 880	12 438

The Group's management considers the key assumptions used for the purpose of impairment testing of all acquired cash generating units to be realistic. If there is a major unfavourable change in any of the key assumptions used in the test, an impairment loss may be recognised. The management would consider it necessary to recognise an impairment loss for an asset if the following changes were to

occur in the assumptions used for the tests of Delfi EE, Delfi LV, Delfi LT, Ekspress Hotline and Maaleht, provided that the other assumptions remain constant:

Delfi EE

Decrease in EBITDA margin	50 b.p.
Increase in discount rate	50 b.p.
Decrease in terminal value growth rate	50 b.p.

Delfi LV

Decrease in EBITDA margin	350 b.p.
Increase in discount rate	100 b.p.
Decrease in terminal value growth rate	100 b.p.

Delfi LT

Decrease in EBITDA margin	700 b.p.
Increase in discount rate	250 b.p.
Decrease in terminal value growth rate	400 b.p.

Maaleht

Decrease in EBITDA margin	900 b.p.
Increase in discount rate	1450 b.p.
Decrease in terminal value growth rate	4300 b.p.

Ekspress Hotline

Increase in discount rate	400 b.p.

If the cash flows of other cash generating units decreased by 10% and/ or the discount rate were increased by 200 basis points and/or the growth rate of the terminal value were reduced by 200 basis points, there would be no impairment loss of goodwill calculated using the discounted future cash flows.

Note 19. Trade and other payables

	EEK		EUR	
(thousand)	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Trade payables	80 534	76 721	5 147	4 903
Payables to employees	33 781	37 421	2 159	2 392
Taxes payable (Note 9)	22 275	27 589	1 424	1 763
Deferred income*	69 046	67 662	4 413	4 324
Payables to associates	3	9	0	1
Payables to joint ventures	21 636	17 179	1 383	1 098
Trade payables	2 886	2 429	184	155
Loans received**	18 750	14 750	1 198	943
Accrued interest	3 444	1 393	220	89
Loans received from related party***	42 000	0	2 685	0
Other accrued liabilities	9 192	12 729	586	814
Trade and other payables total	**281 911**	**240 703**	**18 017**	**15 384**

* 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

** Loans received from joint ventures

Printall (Borrower) Loan Agreement with Ajakirjade Kirjastus in the amount of EEK 15 500 thousand (EUR 991 thousand). In the balance sheet the loan amounted as of 31.12.2008 and 31.12.2007: EEK 7 750 thousand (EUR 495 thousand). Loan matures in 2009 and interest rate is 5%.

Printall (Borrower) Loan Agreement with AS SL Õhtuleht in the amount of 14 000 th. kroons (895 th. euros). In the balance sheet the loan amounted as of 31.12.2008 ja 31.12.2007: 7 000 th kroons (447 th euros). Loan matures in 2009 and interest rate is 5%.

Printall (Borrower) Loan Agreement with AS Express Post in the amount of 8 000 th. kroons (511 th. euros). In the balance sheet the loan amounted as of 31.12.2008 4 000 th kroons (256 th euros) and 31.12.2007 0 kroons (0 euros). Loan matures in 2009 and interest rate is 5%.

*** Loans received from related parties.

AS Ekspress Grupp (Borrower) entered into a short term loan agreement with HHL Rühm OÜ (company related to the owner) in March 2008 in the amount of 30 million kroons (1.9 million euros). Loan matures in 2009 and interest rate is 6%.

AS Ekspress Grupp (Borrower) entered into a short term loan agreement with HHL Rühm OÜ (company related to the owner) in September 2008 in the amount of 12 million kroons (0.8 million euros). Loan matures in 2009 and interest rate is 1.7 % + 6 month EURIBOR.

Note 20. Bank loans and borrowings

EEK th	Total amount	Repayment term			Interest rate
		up to 1 year	1 to 5 years	over 5 years	
Balance on 31.12.2008					
Bank overdraft	**32 072**	32 072	0	0	6,00%
Long-term bank loans	**632 166**	107 828	524 338	0	6,74%
Finance lease (note 21)	**139 792**	36 319	102 109	1 364	5,69%
Total	**804 030**	**176 219**	**626 447**	**1 364**	
Balance on 31.12.2007					
Bank overdraft	**79 060**	79 060	0	0	6,20%
Long-term bank loans	**692 773**	86 126	593 915	12 732	5,05%
Finance lease (note 21)	**168 765**	33 827	114 587	20 351	5,05%
Total	**940 598**	**199 013**	**708 502**	**33 083**	

EUR th	Total amount	Repayment term			Interest rate
		up to 1 year	1 to 5 years	over 5 years	
Balance on 31.12.2008					
Bank overdraft	**2 050**	2 050	0	0	6,00%
Long-term bank loans	**40 402**	6 891	33 511	0	6,74%
Finance lease (note 21)	**8 934**	2 321	6 526	87	5,69%
Total	**51 386**	**11 262**	**40 037**	**87**	
Balance on 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%
Total	**60 115**	**12 719**	**45 282**	**2 114**	

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

A loan agreement has been concluded between the syndicate of SEB, Sampo Bank and Nordea Bank and Ekspress Group on 28 August 2007 in the amount of 674.4 million kroons (43.1 million euros) for purchasing Delfi Group and Maaleht. The loan repayment date is 25.12.2012, the loan interest is 1.7% + 6 month EURIBOR. The outstanding loan balance as of 31.12.2008: 574.1 million kroons (36.7 millio euros). The loan is secured:
- with a mortgage on the registered immovable located at Peterburi Rd 64A in the mortgage amount of 40 million kroons (2.5 million euros);
- with a pledge on the shares of Delfi Estonia, Delfi Latvia, Delfi Lithuania, Maaleht, Eesti Ekspress Kirjastus and Ekspress Hotline, and with the guarantee of the said subsidiaries in the total amount of 43.1 million euros (674.4 million kroons);
- with a combined pledge in the amount of 4 million kroons (0.3 million 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.

After the balance sheet date, the shares of the Group companies Rahva Raamat, Printall, Eesti Päevaleht, SL Õhtuleht, Ajakirjade Kirjastus ja Delfi Holding have been additionally pledged by agreement with the banks under the framework of the restructuring of the loan and the interest margin has been changed (see Note 36).

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 the balance sheet date, there could have risen a conflict with the levels established for certain financial ratios, but before the balance sheet date an agreement was reached with banks, according to which the conflict with financial ratios does not qualify the breach of the loan agreement.

On 31 March 2008 an amendment to the overdraft agreement between Ekspress Grupp and AS Sampo Pank has been made, under which the overdraft limit is EEK 20 million (EUR 1.28 million) from 1 April 2008 and EEK 15 million (EUR 1.0 million euros) from 1 October 2008. The interest rate of overdraft agreement is 6% and the maturity date is 31.03.2009 according to the amendment to the overdraft agreement entered into on 30 June 2008. As of 31.12.2008, the overdraft had been used in the amount of EEK 9 million (EUR 0.6 million)

On 30 March 2008 an overdraft agreement was concluded between AS Ekspress Grupp and AS SEB Pank, the overdraft limit is EUR 1.28 million (EEK 20 million) from 1 April 2008 and EUR 1.0 million (EEK 15 million) from 1 October 2008. The interest rate of overdraft is 6% and the overdraft maturity date is 31.03.2009. As of 31.12.2008, the overdraft had been used in the amount of EEK 8 million (EUR 0.5 million).

On 31 March 2008 an overdraft agreement was concluded between AS Ekspress Grupp and Nordea Bank Finland Plc Estonian branch with the limit of EUR 1.28 million (EK 20 million) from 1 April 2008 and EUR 1.0 million (EEK 15 million) from 1 October 2008. The interest rate of overdraft is 6% and the overdraft maturity date is 31.03.2009.As of 31.12.2008, the overdraft credit had been used in the amount of EEK 15 million(EUR 1.0 million)

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

On 30 September 2008 a cancellable swap transactions were concluded between AS Ekspress Grupp and SEB Pank, Sampo Pank ja Nordea Pank with a fixed interest rate of 4.3%. Transaction amount is EEK 291.0 millions (EUR 18.6 millions) and termination date is 3 September 2012

A loan agreement of AS Printall (borrower) in the amount of EEK 75 000 thousand (EUR 4 793 thousand), with the term of 15.12.2013 is secured with a mortgage in the amount of EEK 100 million (EUR 6.4 million) on registered immovable property located at Peterburi Rd 64A, Tallinn (the carrying amount of the building as of 31.12.2008: EEK 74 885 thousand (EUR 4 786 thousand), the carrying amount of the land property EEK 6 400 thousand (EUR 409 thousand), the carrying amount of the investment property EEK 9 000 thousand (EUR 575 thousand). The agreement is also secured by a commercial pledge on the assets of the company in the amount of EEK 50 million (EUR 3.2 million). The outstanding loan balance as of 31.12.2008: EEK 58 101 thousand (EUR 3 713 thousand), 31.12.2007: EEK 67 823 thousand (EUR 4 335 thousand). 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.

Note 21. Finance lease

Finance lease – the Group as the lessee

(thousand)	EEK		
	Plant and machinery	Other equipment	Kokku
Balance on 31.12.2007			
Acquisition cost	244 905	0	244 905
Accumulated depreciation	(38 475)		(38 475)
Net book amount	**206 430**	**0**	**206 430**
Balance on 31.12.2008			
Acquisition cost	272 601	3 973	276 574
Accumulated depreciation	(44 154)	(160)	(44 314)
Net book amount	**228 447**	**3 813**	**232 260**

(thousand)	EUR		
	Plant and machinery	Other equipment	Kokku
Balance on 31.12.2007			
Acquisition cost	15 652	0	15 652
Accumulated depreciation	(2 459)	0	(2 459)
Net book amount	**13 193**	**0**	**13 193**
Balance on 31.12.2008			
Acquisition cost	17 422	254	17 676
Accumulated depreciation	(2 822)	(10)	(2 832)
Net book amount	**14 600**	**244**	**14 844**

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

(thousand)	EEK		EUR	
	2008	2007	2008	2007
Finanance lease liabilities at 31 December	**139 792**	**168 765**	**8 934**	**10 786**
Principal payments during the financial year	34 295	22 345	2 192	1 428
Interest expenses during the financial year	8 414	4 772	538	305
Average annual interest rate	5,69%	5,32%	5,69%	5,32%

(thousand)	EEK		EUR	
	2008	2007	2008	2007
Finance lease liabilities – minimum lease payments:				
No later than 1 year	43 041	41 400	2 744	2 751
Later than 1 year and no later than 5 years	112 229	127 828	7 152	7 172
Later than 5 years	1 402	20 994	90	90
Total	**156 672**	**190 222**	**9 986**	**10 013**
Future finance charges on finance leases	16 880	(21 457)	1 052	1 079
Present value of finance lease liabilities	139 792	168 765	8 934	8 934

Note 22. Operating lease

Group as the lessee

(thousand)	EEK		EUR	
	2008	2007	2008	2007
Total operating lease payments expensed	**22 599**	**19 286**	**1 444**	**1 233**
Facilities	18 461	16 175	1 180	1 034
Motor vehicles	4 138	3 111	264	199
Future minimum lease payments under non-cancellable operating leases	**20 429**	**23 601**	**2 371**	**1 508**
Less than one year	15 906	13 377	1 017	855
Between one and five years	21 186	10 224	1 354	653

Note 23. Segment reporting

Information by segments

Business Segment by Area of Operations – Primary Segment

In 2008, 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), TOV Delfi (Ukraina), OÜ Ekspress Internet, SIA Ekspress Portals (Latvia), UAB Ekspress Portals (Lithuania).

Since 2008, Eesti Ekspress recognises in the online media segment also the web publications of AS Eesti Päevaleht, SL.Õhtuleht AS and Eesti Ekspress Kirjastus AS as well as the automobile, real estate and employment web environments of Eesti Ekspress Kirjastus AS that were earlier recognised under the periodicals segment.

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.

2008 EEK th	Online media	Periodicals	Printing services	Book sales	Infor-mation services	Unallocated	Elimina-tions	Group total
Sales to external customers	**159 538**	**523 560**	**362 287**	**207 009**	**70 526**	**455**	**0**	**1 323 375**
Inter-segment sales	3 694	30 181	60 710	781	133	2 097	(97 596)	0
Total gross segment sales	163 232	553 741	422 997	207 790	70 660	2 552	(97 596)	1 323 376
Cost of sales	94 240	408 330	349 256	190 197	36 969	443	(91 547)	987 888
Gross profit	**68 992**	**145 411**	**73 741**	**17 593**	**33 691**	**2 109**	**(6 049)**	**335 488**
Depreciation, amortisation and impairment of PPE and intangible assets (Note 16,17,18)	18 658	10 048	26 832	2 928	2 398	590	0	61 454
Segment result	**10 645**	**48 955**	**61 570**	**4 248**	**(2 086)**	**(10 335)**	**(2 730)**	**110 267**
Financial cost - net								(59 204)
Share of loss of associates (Note 15)		(627)						(627)
Profit before income tax								50 436
Income tax expense								(4 455)
Profit for the year								**45 981**
Attributable to:								
Equity holders of the Parent								45 962
Minority interest								19
Segment assets	873 281	239 512	406 935	68 166	108 988	9 348	0	1 706 230
Investment in associates		302					0	302
Total assets	**873 281**	**239 814**	**406 935**	**68 166**	**108 988**	**9 348**	**0**	**1 706 532**
Segment liabilities	641 796	98 335	256 129	37 173	24 362	37 864	0	1 095 659
Consolidated liabilities total	**641 796**	**98 335**	**256 129**	**37 173**	**24 362**	**37 864**	**0**	**1 095 659**
Capital expenditure	8 443	8 861	6 696	14 559	928	466	0	39 953

2008 EUR th	Online media	Periodicals	Printing services	Book sales	Information services	Unallocated	Eliminations	Group total
Sales to external customers	**10 196**	**33 462**	**23 154**	**13 230**	**4 507**	**29**	**0**	**84 579**
Inter-segment sales	236	1 929	3 880	50	9	134	(6 238)	0
Total gross segment sales	10 432	35 391	27 034	13 280	4 516	163	(6 238)	84 579
Cost of sales	6 023	26 097	22 322	12 156	2 363	28	(5 851)	63 138
Gross profit	**4 409**	**9 293**	**4 713**	**1 124**	**2 153**	**135**	**(387)**	**21 442**
Depreciation, amortisation and impairment of PPE and intangible assets (Note 16,17,18)	1 192	642	1 715	187	153	38	0	3 928
Segment result	**680**	**3 129**	**3 935**	**271**	**(133)**	**(661)**	**(174)**	**7 047**
Financial cost - net								(3 784)
Share of loss of associates (Note 15)		(40)						(40)
Profit before income tax								3 223
Income tax expense								(285)
Profit for the year								**2 939**
Attributable to:								
Equity holders of the Parent								2 938
Minority interest								1
Segment assets	55 813	15 308	26 008	4 357	6 966	597	0	109 048
Investment in associates	0	19	0	0	0	0	0	19
Total assets	**55 813**	**15 327**	**26 008**	**4 357**	**6 966**	**597**	**0**	**109 067**
Segment liabilities	41 018	6 285	16 370	2 376	1 557	2 420	0	70 025
Consolidated liabilities total	**41 018**	**6 285**	**16 370**	**2 376**	**1 557**	**2 420**	**0**	**70 025**
Capital expenditure	540	566	428	930	59	30	0	2 553

2007 Adjusted EEK th	Online media	Periodicals	Printing services	Book sales	Information services	Unallocated	Eliminations	Group total
Sales to external customers	**58 024**	**512 887**	**324 681**	**187 610**	**66 271**	**489**	**0**	**1 149 962**
Inter-segment sales	446	18 073	61 106	190	79	1 520	(81 414)	0
Total gross segment sales	58 470	530 960	385 787	187 800	66 350	2 009	(81 414)	1 149 962
Cost of sales	26 551	380 568	320 162	172 228	25 436	477	(78 709)	846 713
Gross profit	**31 919**	**150 392**	**65 625**	**15 572**	**40 914**	**1 532**	**(2 705)**	**303 249**
Depreciation, amortisation and impairment of PPE and intangible assets (Note 16,17,18)	4 444	8 921	21 392	2 583	2 087	387	0	39 814
Segment result	**14 973**	**51 752**	**48 532**	**6 067**	**6 683**	**(10 350)**	**(1 257)**	**116 400**
Financial cost - net								(18 112)
Share of loss of associates (Note 15)		996						996
Profit before income tax								99 284
Income tax expense								(7 174)
Profit for the year								**92 110**
Attributable to:								
Equity holders of the Parent								91 671
Minority interest								439
Segment assets	909 838	245 863	416 336	51 507	111 784	15 938	0	1 751 267
Investment in associates		964					0	964
Total assets	**909 838**	**246 827**	**416 336**	**51 507**	**111 784**	**15 938**	**0**	**1 752 231**
Segment liabilities	648 059	112 923	284 073	30 131	23 964	82 238	0	1 181 389
Consolidated liabilities total	**648 059**	**112 923**	**284 073**	**30 131**	**23 964**	**82 238**	**0**	**1 181 389**
Capital expenditure	802 991	45 092	118 946	7 591	2 950	1 205	0	978 775

2007 Adjusted EUR th	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**	**73 496**
Inter-segment sales	29	1 155	3 905	12	5	97	(5 203)	0
Total gross segment sales	3 737	33 935	24 656	12 003	4 241	128	(5 203)	73 496
Cost of sales	1 697	24 323	20 462	11 007	1 626	30	(5 030)	54 115
Gross profit	**2 040**	**9 612**	**4 194**	**995**	**2 615**	**98**	**(173)**	**19 381**
Depreciation, amortisation and impairment of PPE and intangible assets (Note 16,17,18)	284	570	1 367	165	133	25	0	2 545
Segment result	**957**	**3 308**	**3 102**	**388**	**427**	**(661)**	**(80)**	**7 439**
Financial cost - net								(1 158)
Share of loss of associates (Note 15)		64						64
Profit before income tax								6 345
Income tax expense								(459)
Profit for the year								**5 887**
Attributable to:								
Equity holders of the Parent								5 859
Minority interest								28
Segment assets	58 149	15 714	26 609	3 292	7 144	1 019	0	111 926
Investment in associates	0	62	0	0	0	0	0	62
Total assets	**58 149**	**15 775**	**26 609**	**3 292**	**7 144**	**1 019**	**0**	**111 988**
Segment liabilities	41 419	7 217	18 156	1 926	1 532	5 256	0	75 505
Consolidated liabilities total	**41 419**	**7 217**	**18 156**	**1 926**	**1 532**	**5 256**	**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.

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

The company is active in Estonia, Latvia, Lithuania, Ukraina 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.

Note 24. Net sales

(thousand)	EEK		EUR	
	2008	2007	2008	2007
Sale by activities				
Advertising revenue	374 512	306 931	23 936	19 616
including barter	8 632	7 385	552	472
Single-copy sales revenue, net	91 712	87 282	5 861	5 578
Subscriptions' revenue	137 225	117 160	8 770	7 488
Book sales revenue	235 074	211 470	15 024	13 516
Printing services' and paper sales	371 256	330 137	23 728	21 100
Other revenues	113 597	96 982	7 260	6 198
Revenue total	**1 323 376**	**1 149 962**	**84 579**	**73 496**
Revenues from sale by geographical regions				
Estonia	925 750	874 611	59 166	55 898
Russia	137 185	88 150	8 768	5 634
Lithuania	116 731	86 168	7 460	5 507
Scandinavia and Finland	78 345	63 381	5 007	4 051
Latvia	52 950	23 865	3 384	1 525
Other Europe	12 134	13 555	776	866
Canada	281	232	18	15
Total	**1 323 376**	**1 149 962**	**84 579**	**73 496**

Note 25. Cost of sales

(thousand)	EEK		EUR	
	2008	2007	2008	2007
Raw materials and consumables used	441 730	421 424	28 232	26 934
Services purchased	141 503	121 287	9 044	7 752
Salaries and social taxes	322 025	243 777	20 581	15 580
Depreciation, amortization and impairment	37 685	27 879	2 409	1 782
Rental expenses	8 180	5 360	523	343
Other expenses	36 765	26 986	2 349	1 724
Total	**987 888**	**846 713**	**63 138**	**54 115**

Note 26. Marketing expenses

(thousand)	EEK		EUR	
	2008	2007	2008	2007
Marketing	50 659	44 392	3 238	2 837
Salaries and social taxes	14 351	11 727	917	749
Rental expenses	166	227	11	15
Depreciation, amortization and impairment	477	88	30	6
Total	**65 653**	**56 434**	**4 196**	**3 607**

Note 27. Administrative expenses

(thousand)	EEK		EUR	
	2008	2007	2008	2007
Raw materials and consumables used	6 954	5 776	444	369
Repairs and maintenance	11 015	11 017	704	704
Communication expenses	5 643	5 824	361	372
Rental expenses	22 209	14 278	1 419	913
Services purchased	31 428	25 935	2 009	1 658
Salaries and social taxes	65 472	59 296	4 185	3 789
Depreciation, amortization and impairment	23 291	11 846	1 488	757
Total administrative expenses	**166 012**	**133 972**	**10 610**	**8 562**

Note 28. Other income and expenses

Other income

(thousand)	EEK		EUR	
	2008	2007	2008	2007
Profit from sale of PPE	170	4 410	11	282
Profit from sale of subsidiary	3 363	41	215	3
Fines and penalties received	136	193	9	12
Currency exchange income	1 159	0	74	0
Other income	6 646	4 439	424	284
Total	**11 474**	**9 083**	**733**	**581**

Other operating expenses comprise one-off costs not related to the main activities of the companies. Of the other operating income, EEK 3.4 million (EUR 0.2 million) account for gain on recognition of investment property of AS Printall at fair value.

Other expenses

(thousand)	EEK		EUR	
	2008	2007	2008	2007
Losses from sale and writeoffs of PPE	487	241	31	15
Currency exchange losses	455	206	29	13
Fines and penalties paid	190	247	12	16
Other expenses	3 898	4 775	249	306
Total	**5 030**	**5 469**	**321**	**350**

Note 29. Financial income/ expenses

(thousand)	EEK		EUR	
	2008	2007	2008	2007
Interest income	2 705	6 524	173	417
Interest expenses	(56 666)	(24 569)	(3 622)	(1 570)
Currency exchange income/-expenses	(2 927)	34	(187)	2
Other financial income	295	3 552	19	227
Other financial expenses	(2 611)	(3 653)	(167)	(234)
Financial income/-expenses total	**(59 204)**	**(18 112)**	**(3 784)**	**(1 158)**

Note 30. Expenses by nature

(thousand)	EEK		EUR	
	2008	2007	2008	2007
Depreciation, amortization and impairment	61 453	39 813	3 928	2 545
Salaries and social taxes	401 848	314 800	25 683	20 119
Raw materials and consumables used	448 684	427 200	28 676	27 303
Rental expenses	30 555	19 865	1 953	1 270
Services purchased	172 931	147 222	11 052	9 409
Marketing	50 659	44 392	3 238	2 837
Repairs and maintenance	11 015	11 017	704	704
Communication expenses	5 643	5 824	361	372
Other expenses	36 765	26 986	2 349	1 725
Total cost of sales, distribution and administrative expenses	**1 219 553**	**1 037 119**	**77 944**	**66 284**
Average number of employees	**2 375**	**2 274**	**2 375**	**2 274**

Note 31. Equity

Change in the share capital in 2007 and 2008

On 05 April 2007, the company's share capital was increased via an initial public offering of shares by 24 479 th kroons (1 564 th euros) by issuing 2 447 881 new shares with the nominal value of 10 kroons (0.63 euros) each. The new shares were subscribed during the initial public offering of the company's shares on the Tallinn Stock Exchange where the final offer price was set at 92.30 kroons (5.90 euros). Thus, after the deduction of the issue costs 17 996 th kroons (1 148 th euros), the company recognised a share premium of 183 495 th kroons (11 727 th euros).

Following the share capital increases, the share capital of the Company is 189 711 th kroons (12 125 th euros), divided into 18 971 081 shares with the nominal value of 10 kroons (0.6 euros) each.
Authorised maximum share capital according to the Articles of Association is 400 000 000 kroons (25 564 659 euros).

On the special general meeting of shareholders held on 21 January, it was decided to add a provision to the articles of association of AS Ekspress Grupp which grants the Supervisory Board the right to increase the share capital of the Company in the period from 22.01.2008 to 21.01.2011 by up to 470 000 shares. That right will be exercised if new shares are issued to the key management of the Group and its subsidiaries approved by the Supervisory Board on 11 March 2008 for conducting the share option programme. According to the share option programme approved by the Supervisory Board, Ekspress Group will issue up to 470 000 options, while the number of options granted to one person is a maximum of 100 000. Each option grants the right to one share on the exercise date. The share

option will be exercised in the first half year of 2009, 2010 and 2011 each year accordingly 1/3 of the volume determined to the entitled person. The number of shares to be issued annually under the option programme comprises 0.8% of the total number of shares.

On 12 March 2008, agreements of stock call option were concluded with the members of the management of the Group and its subsidiaries included in the option program.

In the annual general meeting of shareholders held on 14 May 2008, the Management Board was given the authorization to buy up to 160 000 own shares with a price for one share not being higher than the highest price paid for Ekspress Grupp share on the Tallinn Stock Exchange on the same day. The Company shall dispose own shares within one year after the resolution of the general meeting.

The special general meeting of shareholders held on 12 December 2008 decided to increase the share capital of the Company to EEK 18 777 600 (EUR 1 200 107) with supplementary contributions by issuing 1 877 760 new shares with the par value of 10 kroons (0.63 euros) per share. The new shares shall be issued with a share premium in the amount of 5 kroons (0.32 euros) per share. For one share in total 15 kroons (0.96 euros) shall be paid. The new amount of share capital shall be 208 488 410 kroons (13 324 838 euros). The maturity date of the subscription and payment for new shares shall be 12 January 2009. The increase of the said share capital is not included in the Group's balance sheet as of 31.12.2008. Further information is provided in Note 36.

Reserves

Reserves include:

- Statutory legal reserve required by the Commercial Code. Subject to the approval of the general meeting, the reserve may be used for covering cumulated losses, if the latter cannot be covered with other unrestricted equity, and for increasing share capital.
- Other reserves- additional payments in cash from shareholders 10 000 th kroons (638 th euros), a hedging reserve derived from interest rate swaps EEK 9 555 thousand (EUR 611 thousand) and revaluation of investment property EEK 3 414 thousand (EUR 218 thousand)

Reserve allocation

(thousand)	EEK		EUR	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Statutory legal reserve	266	222	17	14
Other reserves	3 859	10 000	247	639
Additional payments in cash from shareholders	10 000	10 000	639	639
Revaluation of investment property	3 414	0	218	0
Hedging reserve (Note 32)	(9 555)	0	(611)	0

Earnings per share

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

EEK	2008	2007
Profit attributable to equity holders of the Parent Company	45 961 439	91 670 468
The average number of ordinary shares	18 971 081	18 333 961
Basic and diluted earnings per share	2,42	5,00

EUR	2008	2007
Profit attributable to equity holders of the Parent Company	2 937 471	5 858 811
The average number of ordinary shares	18 971 081	18 333 961
Basic and diluted earnings per share	0,15	0,32

In view of the fact that the Group has not dilutive potential ordinary shares at the end of 2008 and 2007 years, diluted earnings per share equals basic earnings per share.

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

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.

There were no changes in share capital in 2008

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.

Note 32. Derivative instruments

	Liabilities			
	EEK		EUR	
(thousand)	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Interest rate swap	9 555	0	611	0
Total	**9 555**	**0**	**611**	**0**

The total fair value of hedging derivative instruments is classified as a non-current asset or liability if the remaining useful life of the hedged item is over 12 months, and as a current asset or liability if the remaining useful life of the hedged item is less than 12 months.

Interest rate swap

The principal part of the loan of interest rate swaps in force comprised EEK 291 million (EUR 18.6 million) as of 31.12.2008 (31.12.2007: 0).

As of 31.12.2008, the fixed interest rates were 5-6% and the floating interest rate was based on EURIBOR. Profits and losses that are recognised in the hedging reserve under equity (Note 31) are consistently recognised in the income statement during the entire term of the loan schedule.

Note 33. Contingent liabilities

Contingent income tax liability:

The consolidated retained earnings of Group as of 31 December 2008 amounted to EEK 231 899 thousand (EUR 11 822 th) (31 December 2007: EEK 185 981 thousand (EUR 11 886 th)). As from 1 January 2008 income tax of 21/79 of net dividend paid (up to 31 December 2007: 21/79) is imposed on the profit distributed as dividends. Thus, the retained earnings as of 31 December 2008 that can be paid out as dividends to the shareholders, amount to EEK 183 200 thousand (EUR 11 709 th) and the corresponding income tax would amount to EEK 48 699 thousand (EUR 3 112 th). As of 31 December 2007 it would have been possible to pay out dividends to the shareholders in the amount of 146 925 thousand kroons (9 390.2 th euros) and the corresponding income tax would have amounted to 39 056 thousand kroons (2 496 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 2007-2008. 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 heard in the Supreme Court on 13 April 2009 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. On 5 June 2008, the court of first instance ordered AS Delfi to pay EEK 5000. This court judgement was approved by the court of second instance. 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.

Note 34. Related party transactions

Transactions with related parties are transactions with 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 .

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

Sales

	EEK		EUR	
(thousand)	2008	2007	2008	2007
Sale of fixed assets				
members of supervisory boards and companies related to them	0	5 885	0	376
Sale of goods				
associated companies	26 315	28 584	1 682	1 827
members of supervisory boards and companies related to them	0	463	0	30
Sale of goods total	**26 315**	**29 047**	**1 682**	**1 857**
Sale of services				
associated companies	3	2	0	0
members of supervisory boards and companies related to them	399	514	26	33
associated companies	10 136	11 034	648	705
Sale of services total	**10 538**	**11 550**	**674**	**738**
Sales total	**36 853**	**46 482**	**2 356**	**2 971**

Purchases

(thousand)	EEK 2008	EEK 2007	EUR 2008	EUR 2007
Purchase of goods				
associated companies	0	1 086	0	69
Purchase of services				
members of Management Boards and companies related to them	773	752	49	48
members of Supervisory Boards and companies related to them	9 601	5 624	614	359
associated companies	69	35	4	2
Purchase of services total	**10 443**	**6 411**	**667**	**409**
Purchases total	**10 443**	**7 497**	**667**	**478**

Receivables

(thousand)	EEK 31.12.2008	EEK 31.12.2007	EUR 31.12.2008	EUR 31.12.2007
Short-term receivables				
members of Management Boards and companies related to them	0	1	0	0
members of Supervisory Boards and companies related to them	3 145	8 171	201	522
associated companies	7 039	5 695	450	364
Short-term receivables total	**10 184**	**13 867**	**651**	**886**
Long-term receivables				
members of Supervisory Boards and companies related to them	1 550	5 439	99	348
Long-term receivables total	**1 550**	**5 439**	**99**	**348**
Receivables total	**11 734**	**19 306**	**680**	**1 234**

Liabilities

(thousand)	EEK 31.12.2008	EEK 31.12.2007	EUR 31.12.2008	EUR 31.12.2007
Short-term liabilities				
members of management boards and companies related to them	11	72	1	5
members of supervisory boards and companies related to them	42 512	442	2 717	28
associated companies	0	4	0	0
Liabilities total	**42 523**	**518**	**2 718**	**33**

See Note 11 for information on loans received from related parties 19.

The Management Board of the Parent company consists of 3 members.

The Supervisory Board of the Parent company includes 7 members. It was decided to recall Selle Luik from the member of the Supervisoy Board and elect Ville Jehe and Antti Mikael Partanen as the new members of the Supervisoy Board at the special general meeting held on 12 December 2008.

The chairman of the Supervisory Board Viktor Mahhov was paid a membership fee of EEK 15 000 (EUR 959) per month in 2008. No other reimbursements were received by the members of the Supervisory Board in 2007 and 2008. No remuneration is paid to the chairman of the Supervisory Board from 1 January 2009.

Key management and Supervisory Board remuneration

(thousand)	EEK		EUR	
	2008	2007	2008	2007
Salaries and other short-term employee benefits (paid)	19 003	14 291	1 215	913
Total	**19 003**	**14 291**	**1 215**	**913**

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 substantial reason, the member will be paid compensation for termination of the contract up to 4 months' salary. 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 2008 is 5 997 th kroons (383 th euros) and 2007 was 5 132 th kroons (328 th euros).

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

Note 35. Going concern

As of 31 December 2008, the current liabilities of the Group exceeded the current assets by 169 million kroons (10.8 million euros). This amount includes the current portion of the long-term loan obligation part of which is staggered according to the restructuring agreement of the syndicated loan. The amount also includes the prepayment received from customers EEK 69 million (EUR 4.4 million), which is realised during the year. The financial statements of the Group have been prepared under the going concern assumption, because in the judgement of the management, the negative working capital does not cause any financial difficulties for the Group as of the balance sheet date. In 2009, the working capital is financed by the cash flow generated by the Group and the overdraft of SEB, Sampo Bank and Nordea Bank. Neither does Eesti Ekspress Group pay any dividends to the shareholders for the financial year 2008. On 24 March 2009, the syndicate of SEB Bank, Sampo Bank and Nordea Bank and AS Ekspress Grupp entered into an agreement for the restructuring of the syndicated loan, according to which the Group can pay the principal instalments in a reduced amount in the period from 1 March 2009 to 1 August 2010. The amendment to the loan agreement led to an increase in the interest margin (see Note 36).

The Group's management actively deals with involvement of additional capital, considering as one option the selling of some non-core activity company within the Group.

Note 36. Post-balance-sheet events

As decided at the special general meeting of shareholders held on 12 December 2008 the maturity date for the subscription and payment of the new shares for the share increase was 12 January 2009. The AS Ekspress Grupp share issue of the 1 877 760 shares with the subscription price of 15 kroons (0.96 euros) per share was precisely subscribed at term.

Subscribers were:
HHL Rühm with 1 393 575 shares
ING Luxembourg with 432 025 shares

SEB with 52160 shares

The subscribed shares were transferred to the securities accounts of the subscribers as of 31 January 2009. The share capital of Ekspress Grupp increased from 189 710 810 kroons (12 124 731 euros) to 208 488 410 kroons (13 324 838 euros).

On 24 March 2009, the syndicate of SEB Bank, Sampo Bank and Nordea Bank and AS Ekspress Grupp entered into an amendment to the loan agreement entered into on 28 August 2007, according to which the Group pays the principal instalments in a reduced amount in the period from 1 March 2009 to 1 August 2010. The reduced principal payments are added to the bullet amount of the loan. The new interest rate is 3.5%+ 6 month Euribor. The amendment to the loan agreement is secured by the guarantee of Hans Luik, majority shareholder of AS Ekspress Group, the mortgage on the property owned by Hans Luik and the pledge of shares held by AS Ekspress in AS Rahva Raamat, AS Printall, Eesti Päevalehe AS, AS Sl Õhtuleht, AS Ajakirjade Kirjastus and Delfi Holding SIA.

On 30 March 2009, AS Ekspress Grupp and Danske Bank A/S Estonia Branch (legal successor of AS Sampo Pank) entered into an overdraft agreement, according to which the overdraft amount is EUR 0.96 million (EEK 15 million). The overdraft interest rate is 3.5%+ 6 month EURIBOR and the maturity term is 1 October 2009.

On 30 March 2009, AS Ekspress Grupp and AS SEB Pank entered into an overdraft agreement with a limit of EUR 0.96 million (EEK 15 million). The overdraft interest rate is 3.5%+ 1 month EURIBOR and the maturity term is 20 October 2009.

On On 30 March 2009, AS Ekspress Grupp and Nordea Bank Finland Plc entered into a loan agreement with a limit of EUR 0.96 million (EEK 15 million). The overdraft interest rate is 3.5%+ 1 month EURIBOR and the maturity term is 30 September 2009.

On 23 April 2009 AS Ekspress Group signed a contract for the sale of the 100% of shares in AS Ekspress Hotline and its subsidiaries AS Kõnekeskus, Ekspresskataloogide AS and AS Infoatlas to Cheh OÜ, a holding company that belongs to the investment fund BaltCap. The consideration for the transaction consists of following parts: EUR 2 million (EEK 31.3 million) is payable at the transaction date, about EUR 2 million (EEK 31.3 million) is subject to off-set with the payable by AS Ekspress Group to Ekspress Hotline Group, and EUR 2 million (EEK 31.3 million) will be paid in 5 years; the buyer will pay 8% interest per annum on this amount. The carrying amount of the net assets of the entities sold is EEK 116 million (EUR 7.4 million), including the cash and bank balances. Additionally as a result of the transaction within 5 years Ekspress Group is entitled to convert the total amount of the receivable (EUR 2 million or EEK 31 million) into the shareholding of the Pan-Baltic company to be formed after combining the operations of SIA Contact Holding and Ekspress Hotline, which is13.5% in 5th year. The prerequisite for the sale transaction becoming effective is the approval by the Estonian Competition Authority authorising the concentration. As the transaction was carried out directly before the approval of the annual accounts and the valuation of the price components of the transaction was not finally completed yet, the outcome and possible profit or loss of the transaction were not finally evidenced by the date of the approval of the annual accounts.

Note 37. Financial information on the parent company

As required by Estonian Accounting Law the separate non-consolidated primary reports of the parent company shall be disclosed in the consolidated annual report.

Balance sheet AS Ekspress Grupp (parent company)

	EEK		EUR	
(thousand)	31.12.2008	31.12.2007	31.12.2008	31.12.2007
ASSETS				
Current assets				
Cash on hand and in banks	289	29	18	2
Trade receivables	501	506	32	32
Prepaid taxes	247	0	16	0
Other receivables	94 967	86 017	6 070	5 498
Prepayments	286	349	18	22
Total trade and other receivables	**96 001**	**86 872**	**6 136**	**5 552**
Inventories	96	0	6	0
Total current assets	**96 386**	**86 901**	**6 160**	**5 554**
Non-current assets				
Long-term financial investments	1 550	8 539	99	546
Shares of subsidiaries	316 141	302 676	20 205	19 345
Loans to subsidiaries	772 131	823 221	49 348	52 613
Shares of joint ventures	48 461	48 461	3 097	3 097
Shares of associated companies	1 752	1 709	112	109
Property, plant and equipment	813	897	52	57
Total non-current assets	**1 140 848**	**1 185 503**	**72 913**	**75 767**
TOTAL ASSETS	**1 237 234**	**1 272 404**	**79 073**	**81 321**
SHAREHOLDERS EQUITY AND LIABILITIES				
Liabilities				
Borrowings	129 198	155 225	8 257	9 921
Trade and other payables				
Trade payables	910	613	58	39
Payables to employees	617	804	39	51
Taxes payable	423	809	27	52
Other liabilities	332 193	266 272	21 231	17 018
Total trade and other payables	**334 143**	**268 498**	**21 355**	**17 160**
Total current liabilities	**463 341**	**423 723**	**29 612**	**27 081**
Borrowings	476 939	548 785	30 482	35 074
Derivative instruments	9 555	0	611	0
Total non-current liabilities	**486 494**	**548 785**	**31 093**	**35 074**
Total liabilities	**949 835**	**972 508**	**60 705**	**62 155**
Equity				
Share capital	189 711	189 711	12 125	12 125
Share premium	183 495	183 495	11 727	11 727
Reserve capital increase	265	222	17	14
Other reserves	445	10 000	28	639
Retained earnings	(86 517)	(83 532)	(5 529)	(5 339)
Total equity	**287 399**	**299 896**	**18 368**	**19 166**
SHAREHOLDERS EQUITY AND LIABILITIES TOTAL	**1 237 234**	**1 272 404**	**79 073**	**81 321**

Income statement AS Ekspress Grupp (parent company)

(thousand)	EEK		EUR	
	2008	2007*	2008	2007*
Net sales	2 552	2 009	163	128
Costs of goods sold	443	467	28	30
Gross margin	**2 109**	**1 542**	**135**	**98**
Marketing expenses	547	309	35	20
Administrative expenses	11 744	10 987	751	702
Other income	49	14	3	1
Other expenses	71	96	5	6
Operating loss	**(10 204)**	**(9 836)**	**(653)**	**(629)**
Finance income/expenses				
Shares of income of subsidiary	0	(9 765)	0	(624)
Shares of income of joint ventures	12 266	19 801	784	1 266
Interest income	55 827	21 491	3 568	1 374
Interest expenses	(59 092)	(23 247)	(3 777)	(1 486)
Currency exchange losses	(1)	(54)	0	(3)
Other financial income/expenses	(1 738)	2 001	(111)	128
Total financial expenses	7 262	10 227	464	655
Net income before taxes	(2 942)	391	(189)	26
PROFIT/ LOSS FOR THE YEAR	**(2 942)**	**391**	**(189)**	**26**

*The information for 2007 is adjusted.

In 2007, interest income of EEK 21.5 million (EUR 1.4 million) was included in other operating income. In the 2008 financial statements, the interest income is included in the financial income.

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

EEK th	Attributable to equity holders of the Group				
	Share capital	Share premium	Reserves	Retained earnings	Total equity
Balance on 31 December 2006	**165 232**	**0**	**5 501**	**(83 923)**	**86 810**
Profit for the year	0	0	0	391	391
Net income (expense) recognized in equity	**0**	**0**	**0**	**391**	**391**
Share capital increase	24 479	188 216	0	0	212 695
Transaction costs	0	(4 721)	4 721	0	0
Total changes	**24 479**	**183 495**	**4 721**	**0**	**212 695**
Balance on 31 December 2007	**189 711**	**183 495**	**10 222**	**(83 532)**	**299 896**
Carrying amount of holdings under control or significant influence					**(351 137)**
Value of holdings under control or significant influence, calculated under equity method					**621 127**
Adjusted unconsolidated equity as of 31.12.2007					**569 886**
Profit for the year	0	0	0	(2 942)	(2 942)
Net income (expense) recognized in equity	**0**	**0**	**0**	**(2 942)**	**(2 942)**
Reserve capital increase	0	0	43	(43)	0
Potential interest liability	0	0	(9 555)	0	(9 555)
Total changes	**0**	**0**	**(9 512)**	**(43)**	**(9 555)**
Balance on 31 December 2008	**189 711**	**183 495**	**710**	**(86 517)**	**287 399**
Carrying amount of holdings under control or significant influence					**(364 602)**
Value of holdings under control or significant influence, calculated under equity method					**689 923**
Adjusted unconsolidated equity as of 31.12.2008					**612 720**

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

EUR th	Attributable to equity holders of the Group				
	Share capital	Share premium	Reserves	Retained earnings	Total equity
Balance on 31 December 2006	**10 560**	**0**	**351**	**(5 364)**	**5 547**
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 on 31 December 2007	**12 125**	**11 727**	**653**	**(5 339)**	**19 166**
Carrying amount 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**
Profit for the year	0	0	0	(187)	(187)
Net income (expense) recognized in equity	**0**	**0**	**0**	**(187)**	**(187)**
Reserve capital increase	0	0	3	(3)	0
Potential interest liability	0	0	(611)	0	(611)
Total changes	**0**	**0**	**(608)**	**(3)**	**(611)**
Balance on 31 December 2008	**12 125**	**11 727**	**45**	**(5 529)**	**18 368**
Carrying amount of holdings under control or significant influence					**(23 302)**
Value of holdings under control or significant influence, calculated under equity method					**44 094**
Adjusted unconsolidated equity as of 31.12.2008					**39 160**

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

AS Ekspress Grupp cash flow statement (parent company)

(thousand)	EEK 2008	EEK 2007	EUR 2008	EUR 2007
Cash flows from operating activities				
Operating profit for the period	**(10 204)**	**(9 836)**	**(653)**	**(629)**
Adjustments for:				
Depreciation, amortization and impairment of property, plant and equipment and intangibles	635	455	41	29
Profit /(loss) on sale of property, plant and equipment	35	0	2	0
Changes in working capital:				
Trade and other receivables	56 115	(21 238)	3 586	(1 357)
Inventories	(96)	20	(6)	1
Trade and other payables	17 302	93 184	1 542	5 956
Cash generated from operations	**63 787**	**62 585**	**4 512**	**4 000**
Interest paid	(54 293)	(19 645)	(3 470)	(1 256)
Net cash generated from operating activities	**9 494**	**42 940**	**1 042**	**2 744**
Cash flows from investing activities				
Investments in financial assets at fair value through profit or loss	(537)	(58 950)	(34)	(3 768)
Proceeds from financial assets at fair value through profit or loss	6 000	113	383	7
Interest received	30 235	23 630	1 932	1 510
Dividends received	12 266	19 801	784	1 266
Purchase of property, plant and equipment	(632)	(1 205)	(40)	(77)
Proceeds from sale of property, plant and equipment	4	0	0	0
Loans granted	(398)	(952 632)	(25)	(60 884)
Loan repayments received	180	81 196	12	5 189
Net cash used in investing activities	**47 118**	**(888 047)**	**3 012**	**(56 757)**
Cash flows from financing activities				
Share emission	0	212 694	0	13 594
Change in overdraft used	(46 988)	12 852	(3 003)	821
Proceeds from borrowings	42 000	672 092	2 684	42 955
Repayments of borrowings	(51 364)	(52 543)	(3 719)	(3 358)
Net cash generated from financing activities	**(56 352)**	**845 095**	**(4 038)**	**54 012**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**260**	**(12)**	**16**	**(1)**
Cash and cash equivalents at the beginning of the period	29	41	2	3
Cash and cash equivalents at the end of the period	289	29	18	2

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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 2008 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. Except as discussed below, we conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

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Basis for Qualified Opinion – Limitation on Scope

As described in the Note 36 to the consolidated financial statements, during the course of preparing those consolidated financial statements the Group has initiated a transaction to sell off one of its business units (AS Ekspress Hotline, carrying amount of net assets is 116 million kroons (7.4 million euros)). The prerequisite for the transaction becoming effective is the approval by the Estonian Competition Authority authorising the concentration. Sale proceeds include an option to acquire shares of another company. As the transaction took place immediately before the signing of the consolidated financial statements the management was not able to reliably evaluate the fair value of the call option received as part of consideration. Therefore our audit procedures did not enable us to assess whether the sale consideration exceeds the carrying amount of the net assets of the business unit. In case the fair value of sale consideration would be lower than the carrying amount of the net assets of the business unit, the goodwill associated with the business unit should be respectively written down, the assets, equity and net profit of the Group would be decreased respectively.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion – Limitation on Scope* paragraph, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2008, 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.

Emphasis of Matter

Without further qualifying our opinion, we draw attention to Note 18 in the consolidated financial statements, which discloses significant assumptions and inputs used by management in impairment testing of the Group's assets (incl. goodwill) and the impact of possible changes in those assumptions and inputs on the results of the impairment tests.

Ago Vilu
AS PricewaterhouseCoopers

Eva Jansen
Authorised Auditor

28 April 2009

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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.*

2008 PROFIT ALLOCATION PROPOSAL

The Management Board of AS Ekspress Grupp recommends that the net profit for the year ended on 31 December 2008 in the amount of EEK 45 962 thousand (EUR 2 938 thousand) to be transferred to the retained earnings.

	2008	
(thousand)	EEK	EUR
Retained earnings attributable to equity holders of the parent company:		
Retained earnings of previous periods	185 937	11 884
Profit for 2008	45 962	2 938
Total distributable profits on 31.12.2008	**231 899**	**14 822**
Retained earnings after allocations	**231 899**	**14 822**

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 on 31 December 2008.

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 Management Board
Anne Kallas

Member of the Supervisory Board
Kalle Norberg

Member of the Management Board
Kaido Ulejev

Member of the Supervisory Board
Härmo Värk

Member of the Supervisory Board
Harri Helmer Roschier

Member of the Supervisory Board
Ville Jehe

Member of the Supervisory Board
Antti Mikael Partanen

List of fields of activity

EMTAK	Sale by activities	EEK th		EUR th	
		2008	2007	2008	2007
73121	Advertising revenue	374 511	306 931	23 936	19 616
18111	Newspaper printing	31 246	32 783	1 997	2 095
18122	Magazine printing	327 072	297 354	20 904	19 004
58131	Newspaper publishing	133 480	114 448	8 531	7 315
58141	Magazine publishing	95 457	89 994	6 101	5 752
47611	Book retail sale	98 313	105 265	6 283	6 728
46491	Book wholesale	136 761	106 205	8 741	6 788
82201	Call centre services	43 145	40 849	2 757	2 611
82991	Other business	83 391	56 133	5 330	3 587
	Total	**1 323 376**	**1 149 962**	**84 580**	**73 496**