trader media east

Annual Report and Financial Statements

for the year ended 31 December 2008

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2008 Financial Highlights

Revenues of $296.9 million, up 9.4% of which organic growth 6.3% in local currencies.

Operation EBITDA of $68.2 million, down 12.7%.

Consolidated EBITDA of $55.4 million, down 9.5%.

Consolidated Revenues

Revenues increased by $25.4 million, or 9.4%, to $296.9 million in 2008 from $271.5 million in 2007.

Print revenues in 2008 increased by 8.3%, to $278.4 million from $257.0 million in 2007. Excluding exchange rate impact, organic print revenue growth was 5.4%, reflecting primarily the growth in classified and display advertising.

Online revenues in 2008 increased by 27.6%, to $18.5 million from $14.5 million in 2007, due primarily to the continued development of the online business in the Group, and growth in the online advertising market in general, particularly in the classified advertising market. Organic growth was 21.6%.

Operations EBITDA

Operations EBITDA decreased by 12.7% from $78.1 million in 2007 to $68.2 million in 2008 at a margin of 23%, lower by 5.8% from the previous year.

Operation Print EBITDA decreased by $9.8 million, or 13.3% in 2008 compared to 2007, of which 14.7% was organic.

Operation Online EBITDA decreased $0.1 million, or 3.7%, in 2008 compared to 2007 of which 1.9% was organic.

Consolidated EBITDA

After inclusion of the costs of Headquarters, the Technology and Innovation centres, and the one time expenses associated with the restructuring, including closure of the Paris office, consolidated EBITDA amounted to $55.4 million in 2008 compared to $61.2 million in 2007, a decrease of 9.4%.

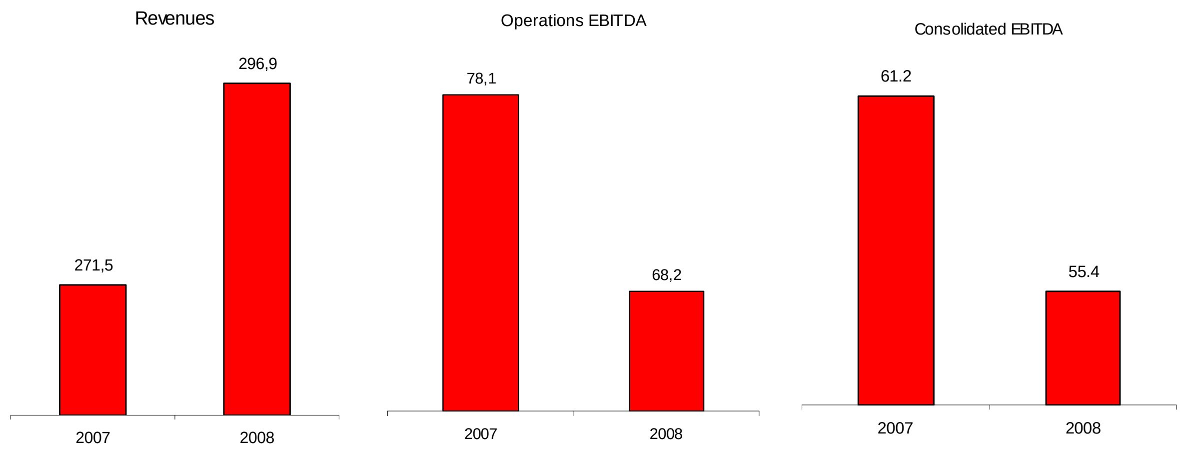
On May 14, 2008, TME agreed to sell Trader.com (Polska) Sp. Z.o.o. ("Trader.com") to Polish media group Agora SA, for a cash consideration of US$ 54.4 million. The transaction was completed on June 25, 2008 and the sale proceeds was used in credit repayment.

Financial Highlights

IN US$ MILLIONS	2008	2007
REVENUES	296.9	271.5
OPERATIONS EBITDA	68.2	78.1
MARGIN (%)	23.0%	28.8%
CONSOLIDATED EBITDA	55.4	61.2
MARGIN (%)	18.7%	22.5%
NET LOSS/PROFIT FROM CONTINUING OPERATIONS	(24.8)	12.2
NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS	50.2	(1.5)
CASH USED FOR AQUISITIONS	0.9	4.7

We define Consolidated EBITDA as operating profit before bad debt, depreciation and amortization, non-cash compensation expense and write down on impaired assets and Consolidated EBITDA margin as the ratio of Consolidated EBITDA to revenues.

We define Operation EBITDA (or operating profit before certain expenses) as Consolidated EBITDA before management service expenses / corporate costs and Operation EBITDA margin as the ratio of Operation EBITDA to revenues.



Vision, Mission and Strategic Goals

Trader Media East (TME)'s vision is to be the leading multinational classified advertising marketplace in all media platforms for our customers, and to generate high returns which will create long term shareholder value.

We offer our customers a unique proposition with a wide choice of generalist and vertical publications and websites in 11 Central and Eastern European countries. The Group has a robust and sustainable business outlook and growth concentrating on the core content categories of: automotive, real estate, jobs and general household merchandise.

The Group's strong organic growth and profitability we expect will be maintained by an intense focus on effective business management, the localization of the existing products and maintaining the local values as the core of the operations delivered through the Internet and other channels.

Our unique strength is to provide our advertisers with the widest exposure of content in our regional and national brands - so that buyers have access to the widest choice of content and sellers have access to the largest marketplace of buyers.

By completing selective targeted acquisitions, mainly of leading classified publications and sites in our key geographic markets, Trader Media East expects to;

- strengthen and leverage its market leadership within each operating country and region;
- enter new high growth geographies with significant potential and the roll-out of selected pure online play platforms; and
- diversify into niche segments.

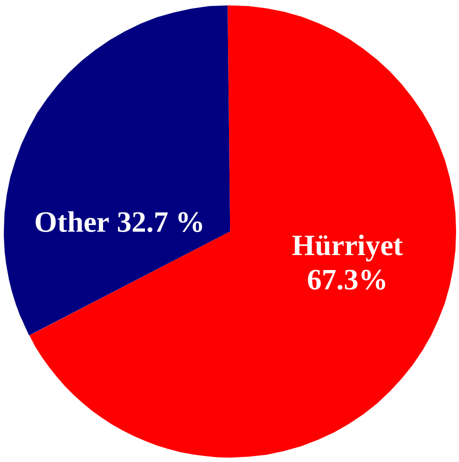
With its rich and balanced communities created around both our private and professional clients mainly in auto, real estate and job advertisements. TME's strategy is to achieve the dominant market share position in all segments it operates.

Corporate Profile

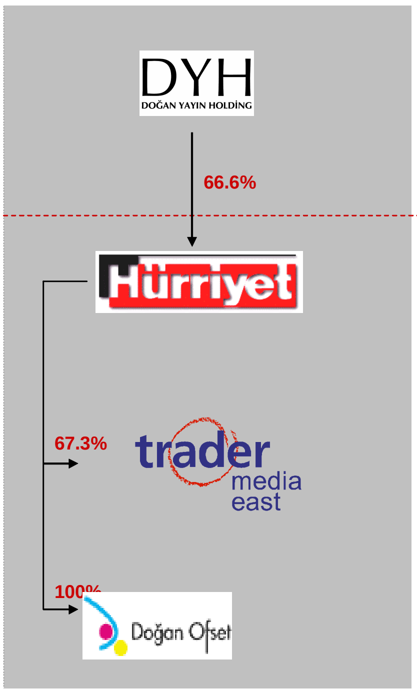
Hürriyet [1] acquired 67.3% of Trader Media East

Purchase price: US$ 10 per share

Acquisition cost: US$ 336.5 million



Corporate Structure



Dogan Yayin Holding (DYH)

- Major shareholder of Hurriyet.
- Largest Turkish media conglomerate, with core businesses of publishing and broadcasting.
- Total ad market share of 43%.
- Listed in Istanbul Stock Exchange.

Hürriyet

- #1 publishing & printing group in Turkey.
- 40% ad market share among newspapers.
- #1 Turkish news website.
- Listed in ISE since 1992 with a free float of 40%.

Trader Media East (TME)

- #1 marketplace for communities of real estate, auto and recruitment in Russia; CIS and Eastern Europe.
- Listed in London Stock Exchange with a free float of 32.7%

Printing Assets

- 7 newspaper and ofset printing plants in Turkey and 1 printing plant Germany.

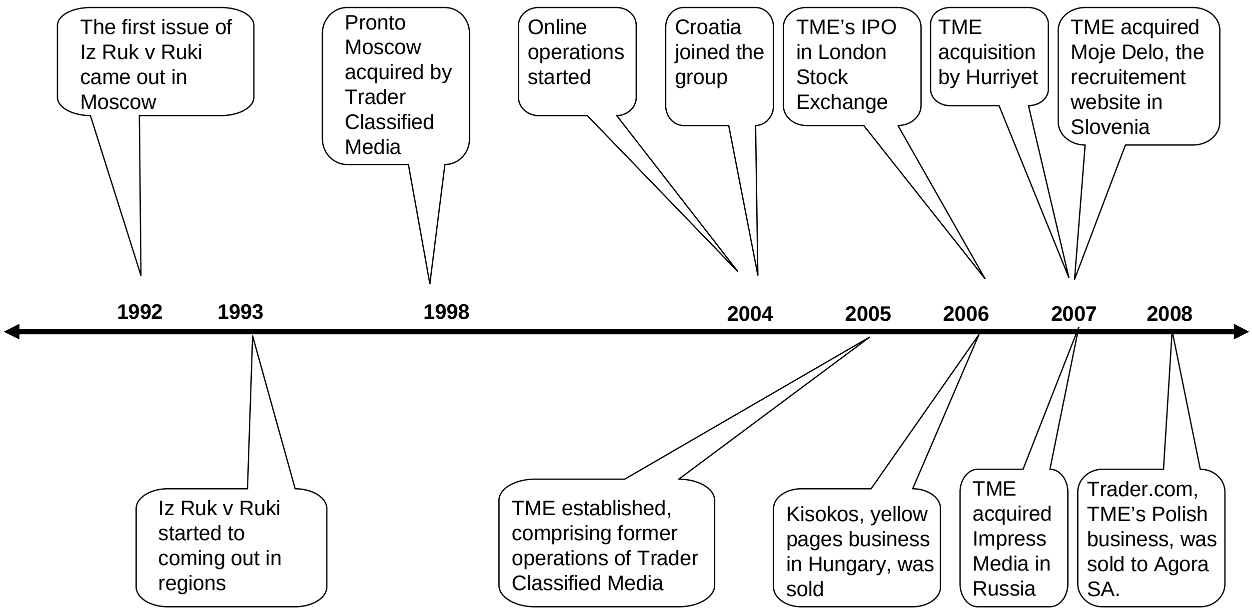
[1] Hürriyet Invest B.V. is a wholly owned subsidiary of Hürriyet Gazetecilik ve Matbaacılık A.Ş.

TME in Brief

Trader Media East is the leading marketplace for communities of real estate, auto and recruitment, with strong local brands, serving local markets in Russia, CIS, Central and Eastern Europe. We operate efficient and value adding multimedia marketplaces that facilitate conversations and trade between individuals and institutions.

We produce 234 print titles, with 4 million readers per week and host 25 websites, with 7.2 million unique monthly visitors and employ 5,375 people in 10 countries. Our branded classified advertising websites and publications and related specialised services have leading positions in specific markets in the following countries: Belarus, Bosnia, Croatia, Hungary, Kazakhstan, Lithuania, Russia, Serbia, Slovenia and Ukraine.

Milestones of TME

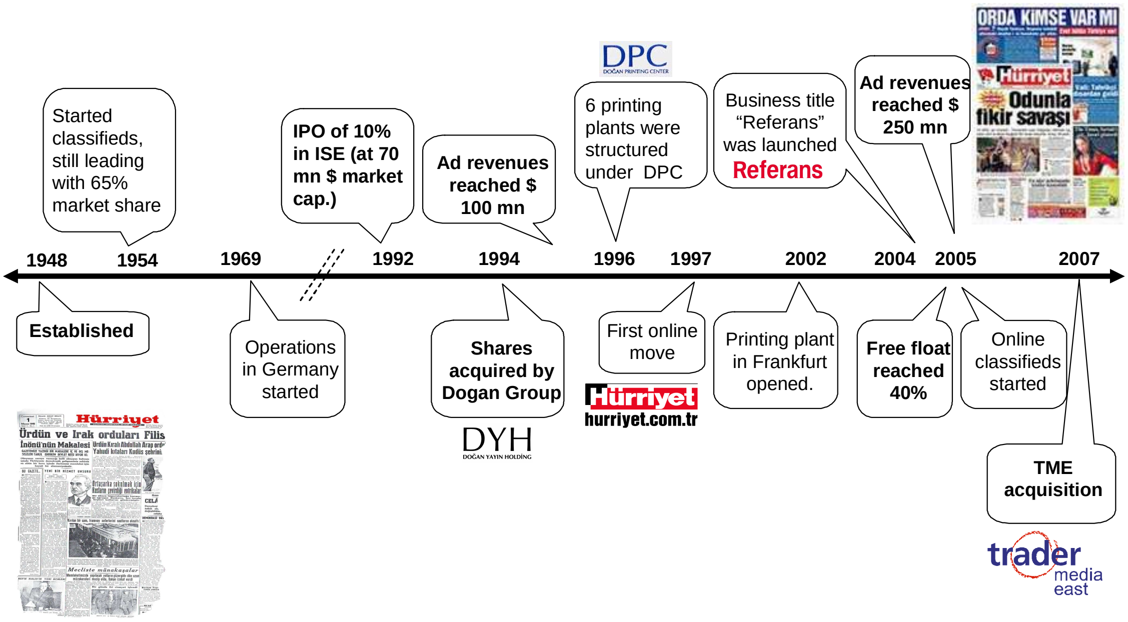


Hürriyet in Brief

Hürriyet met its readers for the first time on May 11, 1948 and thus began writing the history of Turkey. Since that day, as well as for the following 60 years, Hürriyet has gone to press without losing the true spirit in which it was founded.

Founded within the Doğan Yayın Holding conglomerate, Hürriyet's main enterprise is journalism. However, through its affiliated firms and partnerships both inside and outside of Turkey, Hürriyet is also active in other areas such as printing, distribution, Internet services, book publishing, advertising, TV production, and marketing. As a further step forward, Hürriyet acquired a 67.3% interest in Trader Media East (TME) by a voluntary call at the London Stock Exchange in April 2007. This transaction has turned Hürriyet into a regional player for advertisement in eleven countries. This major investment was also remarkable in the sense that it was the first time that a Turkish company acquired an international corporation that was already a leader in its field.

Milestones of Hurriyet



Chairman's Statement

2008 Overview and Financial results

It is my pleasure to submit the Annual Report and Accounts for the year ended 31 December 2008.

As you may remember, TME's trading performance for 2007 represented a significant improvement over the previous year. The Group achieved, in 2007, an annual organic revenue growth of 16.5%, with total revenue growth of 32% benefiting in this of the strong performance of the Ruble.

2008 started well with an attractive continuation of its growth performance, however during the latter part of the year, TME's results were severely impacted by the world wide crisis as it hit the CIS where TME is principally active (over 80% of revenues and more in terms of EBITDA).

Notwithstanding these contrary developments, in 2008, TME's revenues for the year came to $ 296.9 m, with organic growth at 6.3% and overall growth at 9.4 %. This compared to 2007 revenue's at $ 271.5 m.

After a solid start, the Group's results weakened during second half of the 2008 and particularly during the last quarter of 2008. Consolidated EBITDA 2008 ended at $55.4 m versus $ 61.2 m in 2007, showing an overall annual decrease notwithstanding increased revenues.

The decrease in Consolidated EBITDA was due, amongst others, to the deterioration of the Group's markets, to the relative devaluation of the Ruble versus the US$ (most of TME's earnings are in Rubles while results are presented in US$,) and lastly to a margin decrease (from 22.5% in 2007 to 18.7% in 2008) which did not compensate the revenue increases.

As a consequence of these adverse market conditions, the last part of the year was characterized by Management's pro-active first response to the crisis. This centered on focused and far reaching cost cutting including reducing staff numbers by some 12%, transforming fixed costs into variable costs through outsourcing, a continued decrease of HQ costs, closing of loss making titles, reducing the cost of raw materials, introducing a hiring freeze and bonus suspensions, imposing tighter controls on regional spending. This exercise is expected to continue during 2009 where possible.

Following a review of the TME's activities and strategies, the Board had resolved to distribute the functions performed in the Paris organization between TME's field operations in Moscow and Hürriyet headquarters in Istanbul. As a result, official closure of TME Management (France) SAS as per August 19th, 2008 has been accomplished, thus TME Management (France) SAS merged into Trader East Holdings B.V.

To share positive news in these turbulent and unpredictable times, during 2008, TME's online revenues outpaced the Group's overall growth by a wide margin and in June 2008, TME completed the previously announced sale of its Polish operation for a US$ 54.4 m consideration. This successful cash sale just before the crisis strengthened the liquidity position of TME at a most opportune moment.

Furthermore, Oglasnik d.o.o. ("Oglasnik") has acquired a Croatian real estate publisher Info-Media d.o.o. ("InfoMedia"). Among the acquired products and services of InfoMedia are the first real estate vertical Croatian bi-monthly publication Infonekretnine and quarterly real estate magazine CREM are included. With this acquisition, Oglasnik has increased its real estate market share up to 70% and has strengthened its leading position in the market.

Dividend

The Group's policy is to reinvest cash generated in the business. Consequently, the Board is not recommending a distribution at this stage.

Outlook

In 2009, we continue to expect extremely difficult market conditions, both in print and online. TME is working on various scenarios in order to be as prepared as possible, should the market continue to deteriorate and revenues diminish.

Nevertheless, we expect these turbulent markets to offer opportunities. We will do our best to prudently evaluate and seize them as they arise, both in the online and print sectors and within the Group's means.

TME also will remain flexible and pragmatic in terms of cooperation with others, including strategic partnerships, mergers and/or acquisitions, so as to continue lowering costs and where possible positioning TME's competitively for when markets recover.

Like in 2008, TME plans to continue expanding its on line presence in selected markets with a preference for those markets where its strong print position gives it a strategic advantage or where its objective of dominance is likely to be achieved.

TME will continue to be open to both the sale and purchase of print and on line assets, further allowing TME to reposition its asset portfolio strategically.

Nobody can predict the future and in 2009 less than ever. TME will endeavor to weather this storm by remaining focused on its core business, operating efficiently and adding value in market places that facilitate trade and communications between its customers, and at the same time allocating resources carefully during these difficult and unpredictable times.

Roelof A. Quintus
Chairman

30 April 2009

Message from CEO

As was the case for the businesspeople world over, 2008 was quite a year. It started out very well for TME. Our revenues in every country with the exception of Hungary and Kazakhstan increased in double digits. Aided by the general valuation of our local currencies, our income statement in US Dollars looked very strong until the global crisis hit us all.

With the help and insight of our partners Doğan Yayın Holding, we acted very swiftly in taking counter measures. Having encountered many economic ups and downs in Turkey in the past, we are experienced in managing under crisis situations. We set out to reduce our fixed costs and variable costs per unit revenue for all of our entities. We were as quick as we could in taking actions. Due to public rules and regulations, our cost cutting actions did not show their effects in our 2008 books but they will positively affect our 2009 financials.

Upon examination of our financials for 2008, you will be able to see our financial accomplishments despite the damaging effects of the global crisis. Leaving this task to you, I would rather share with you the challenges and opportunities we face.

The classified industry is going through a major paradigm shift; from paper to online. The shift is from that of high to low fixed and marginal costs. The only significant barrier to entry in our network-effected industry is the critical mass of customers. We have the unique challenges of moving our offline customers to online and monetize our offerings in our geography. Clearly, the successful profit model of online requires high volume but deals with low margins.

A recent customer survey we overtook shows that only about 10% of the general public use classifieds regularly. 50% never use it and do not plan to use it. The remaining 40% use it intermittently. In our search for high volume, we should seek the non-users as well as the intermittent ones. You will see the results of our online efforts involving such prospective customers towards the end of 2009.

For the near term, we have set our geography as Russia, CIS, Balkans and Hungary. Nine different languages are spoken in nine countries we operate in. We are actively present in every Russian city whose population exceeds 300,000. We have direct access to media agencies, enterprise and Small Medium Business companies as well as millions of consumers in these countries. We are number 1 in generalist classified media, both in print and online. With the current crisis, we plan to solidify our place at the top.

I would like to reassure our investors, partners and employees about the transparency of TME. Please do not hesitate to direct your inquiries to us. We will make sure that you get prompt and clear answers.

We plan to guide our company during the crisis period no matter how long it lasts, invest into print to online transformation and be ready with our best in class processes, people and products when business picks up.

S. Şahin Tulga
Chief Executive Officer

30 April 2009

Board of Directors and Advisors

Current Directors	Mr Roelof A. Quintus, *Chairman of the Board and Senior Independent Non-Executive Director* Ms Vuslat Doğan Sabancı, *Vice Chairwoman and Non-Executive Director* Mr Paul F.E. Tesselaar, *Independent Non-Executive Director* Mr Cem M. Kozlu, *Non-Executive Director* Mr Ertuğrul Özkök, *Non-Executive Director* Ms Begümhan Doğan Faralyalı, *Executive Director* Mr Jacobus "Jack" Groesbeek, *Independent Non-Executive Director* Mr Alexander Aldert "Lex" Roukens, *Independent Non-Executive Director* Mr Peter de Mönnink, *Independent Non-Executive Director* Mr Michel Teheux, *Non-Executive Director*
Company Secretary	Mr Murat Doğu
Registered Office	22 Grenville Street St Helier, Jersey JE4 8PX Channel Islands
Business Address	Zwarteweg 6D 1412 GD Naarden The Netherlands
Company Registration	Registered in Jersey Number 91704
Independent Auditors	PricewaterhouseCoopers CI LLP 22 Colomberie St Helier, Jersey JEX 4XA Channel Islands
Legal Advisers as to Jersey Law	Mourant du Feu & Jeune 22 Grenville Street St Helier, Jersey JE4 8PX Channel Islands
Solicitors	Clifford Chance LLP 10 Upper Bank Street London, E14 5JJ United Kingdom
Principal Bankers	ABN AMRO Bank N.V. Gustav Mahlerlaan 10 P.O. Box 283 1082 PP Amsterdam PAQ HQ 6044 The Netherlands
Website	Further financial, corporate and shareholder information is available in the Investor Centre section of the TME Group's website: www.tmeast.com

Directors' Biographies

Roelof A. Quintus

Chairman and Senior Independent Non-Executive Director

Mr. Roelof A. Quintus (62), Dutch, graduated from Stanford University (MBA 1971) and from Paris University (Maitrise 1969, IHEI 1969). Mr. Quintus has an entrepreneurial background and has always worked internationally. He founded/co-founded several companies, mostly in the Medical and Energy sectors, starting in 1975. Most recently, Mr. Quintus completed the sale of Quimex SA and Excel Energy Ltd., both Oil and Gas production equipment distribution companies created by him, to Exterran, a US oil services company. He is presently Managing Director of MSI SA, an O&G well service equipment distribution company and building up two related companies in the same energy sector.

Vuslat Doğan Sabancı

Vice Chairwoman and Non-Executive Director

Ms Doğan Sabancı (38), Turkish, has been a member of TME Board of Directors since March 2007. She is currently Vice-Chairwoman of the Board being a Non-Executive Director.

During the course of her career, she is currently holding the following positions: (i) within TME Group, including the position of President of Compensation Committee and Member of Audit Committee; (ii) Hürriyet Group, including the positions of Vice-Chairwoman of Board, and acting Chief Executive Officer. Before that she held the positions of Vice-President of Advertising, and Chief Operating Officer in Hürriyet Group.

Prior to joining the Hürriyet Group in 1996, Ms Doğan Sabancı's professional experience included work at the Wall Street Journal and the New York Times. She is graduated from Bilkent University with a B.A. in Economics and holds a Masters Degree (LLM) in Media and Communications from Columbia University.

Paul F. E. Tesselaar

Independent Non-Executive Director

Mr Tesselaar (63), Dutch, has been a member of our Board of Directors since January 2006.

He served as Chief Executive Officer of ANP ,the Dutch press agency, from 1998 until April 2007. He is a Board member of Data Direction B.V. and Buurtlink. He also has experience in marketing and finance, serving as Managing Director of Chipper Netherlands (a joint card venture between Postbank and the Dutch telecom firm Kpn) and Managing Director of Bonaventura (weekly magazines). Mr Tesselaar received an MBA from Insead.

Cem Kozlu

Non-executive Director

Dr. Cem M. Kozlu (63), Turkish, holds a B.A.(Denison University); an MBA (Stanford University); a Ph.D. in Administrative Sciences (Bosphorus University) and Honorary Doctorate (Denison University). Dr. Kozlu served as Managing Director of Komili Holding A.Ş.; Komili Marketing&Foreign Trade Co.; Marketing Manager of Procter&Gamble,Geneva; Marketing Specialist in the National Cash Register Co.,Ohio.He joined The Coca-Cola Company in 1996 as Managing Director, Turkey, Caucasus&Central Asian Rep. Operations. Then, he served as President to Central Europe&Eurasia Group in 2000 and also Middle East in 2001 through 2006. Currently, Mr. Kozlu is serving as Consultant to Eurasia Group.Dr. Kozlu served as a Member of Parliament (1991-1995) and headed Turkish Airlines as Chairman and CEO (1988-1991);and as Chairman (1997-2003). He served as President to Association of European Airlines in 1990.Dr. Kozlu is a board member of The Coca-Cola Bottling Company of S. Arabia; Trader Media East Ltd. He is president to International Airlines Training Fund. He serves on the boards of TAV Airports Holding Co.; Hürriyet Gazetecilk ve Matbaacılık A.Ş.; Coca-Cola Icecek Co.; Evyap Industry & Trading Co.; Godiva; Anadolu Industry Holding; Efes Brewery& Malt Industry; Kamil Yazıcı Management&Consulting Co.; Foreign Economic Relations Board and For You Co.Ltd. He is a trustee of Anadolu-J.Hopkins Health Center, Sabancı University, Istanbul Modern Arts Foundation. Dr. Kozlu has six books on business and economics.

Ertuğrul Özkök

Non-Executive Director

Mr. Ertuğrul Özkök (62), Turkish, graduated from Izmir Namık Kemal High School and entered the College of Journalism and Broadcasting at the Ankara Faculty of Political Sciences. Following his graduation in 1969, he worked as a reporter at TRT for a year and later continued his studies in France, where he earned a Ph.D in communication science. Upon his return to Turkey, Özkök began working as a lecturer at Hacettepe University. In 1986, he became an associate professor and left the university to join the Hürriyet newspaper, where he served as the Ankara and Moscow representative. He currently serves as Editor-in-Chief and Vice President of Doğan Yayın Holding and as a daily political commentator. Özkök began his writing career in 1982 with the publication of his first book entitled “Art, Communication and Power,” followed by “The Unraveling of the Masses” in 1984, “Farewell Rebellion” in 1987 and “Stalin Baroque” in 1989.

Begümhan Doğan Faralyalı

Executive Director

Ms. Doğan Faralyalı (32), Turkish, is currently Vice President of Doğan Holding in charge of foreign investments and business development projects.

One of the key challenges of Doğan Media Group was to expand outside of Turkey as the group had already captured dominant market shares across all mediums in her home market. As the executive board member and VP of international investments, Ms. Dogan Faralyalı developed the group’s expansion strategy and focused on investment opportunities in Europe including Eastern Europe and Russia. She serves as a Director on the Board of Trader Media East.

Ms. Doğan Faralyalı is also the founder and the Chairwoman of Kanal D Romania, which a Joint Venture of DMG and Swiss Ringier Group, and is the first green field investment of Dogan Media Group outside Turkey

Ms. Doğan Faralyalı is a board member of Turkish American Businesspeople Association and serves as a board member of World Wildlife Foundation in Turkey.

Prior to joining the Doğan group, Ms. Doğan Faralyalı provided strategic consulting services to Arthur Anderson (1998-1999) and to Monitor & Company (1999- received an MBA from Stanford University.2001). She is a graduate of the London School of Economics and received an MBA from Stanford University.

Jacobus “Jack” Groesbeek

Independent Non-Executive Director

Mr. Groesbeek (55), Dutch, is the Member Director and founder of Intruad Management B.V. He has over 29 years of senior management experience in trust company environments. In addition to being an independent director of a company listed on the New Zealand Stock Exchange, he is a director of numerous Dutch and Luxemburg holding companies. Mr. Groesbeek holds a degree from the Nijinrode Business School and the Law Faculty of the University of Amsterdam.

Alexander Aldert “Lex” Roukens

Independent Non-Executive Director

Lex Roukens (45), Dutch, has a background in investment banking and finance. He joined ING in the telecommunications project finance group in Amsterdam, and moved to Singapore to set up a similar group in Asia. While in Singapore, he moved to TD Securities as Regional Director to head the TMT team in Asia. From Singapore he moved to London and joined TD’s TMT team in Europe, mainly focusing on the origination and structuring of advisory, leveraged finance and derivative transactions. Thereafter, he held positions as interim CFO at Fronter, a Norwegian e-learning company, Group Treasury Director at Zain/Celtel, a mobile telecommunications operator in Africa and the Middle East, and most recently as CFO of Spyker Cars, a super sports vehicle manufacturer. Mr. Roukens recently set up the Value Recovery Group, advising and assisting companies in their efforts to recapitalize and restructure their businesses. Mr. Roukens has held various board positions during the last five years, and holds an MBA from Nyenrode Business University.

Peter de Mönnink

Independent Non-Executive Director

Peter de Monnink (45), Dutch, is Chief Strategy and Internet Officer/member of the Reed Business Information worldwide board (The B2B division of Reed Elsevier, RBI is one of the largest B2B publisher in the world; geographical spread >12 countries) and an accomplished executive with experience in line management and virtual organizations, as well as corporate roles. He is an expert in on- and offline publishing in all formats. Mr. Mönnink had global executive roles for the last 7 years. In the years before 2002 he was based in the Netherlands and held roles as managing director, publisher, and sales director.

Michel Teheux

Non-Executive Director

Michel Teheux (38), Dutch, graduated in business economics at the HES Amsterdam. Michel Teheux started his career at the Institute for International Research (IIR – Informa) as Financial Controller for the operational businesses. After 3 years he joined IIR Group Finance as International Controller, where he gained great experience on internal audits and shared service centers. After IIR Mr. Teheux worked for the internet company Lycos Europe NV as Manager Group Accounting & Reporting. In 2005 he joined Honeywell BV as Finance Manager of the corporate departments for the Netherlands. Currently Mr. Teheux is director corporate headquarters at Trader Media East Ltd in Naarden, the Netherlands and has a broad experience in finance on corporate level, shared service level and business level.

Corporate Governance

The 2006 Combined Code of Corporate Governance (the "Combined Code") sets out certain corporate governance recommendations in relation to companies that are admitted to listing by the UK Listing Authorities and incorporated in England and Wales. The Combined Code, as such, does not strictly apply to companies incorporated in Jersey, however, the Company intends so far as it is able to apply the underlying principles of the Combined Code, having regard to its size and stage of development.

The Board is committed to maintaining high standards of Corporate Governance. This statement, together with the Report of the Board of Directors and the Report on Remuneration set out on pages 21 and 22, describes how the Company has applied the relevant principles of the Combined Code. The Board believes that the Company complies with most of the Combined Code and any exceptions are explained.

Corporate governance compliance statement

As a Jersey incorporated company, the Company is governed according to its articles of association and the relevant provisions of the Companies (Jersey) Law 1991. The Board is responsible for the proper management of the Company and confirms that the Company has complied throughout the financial year with most of the relevant provisions set out in the Combined Code. Any exceptions have been disclosed throughout this Annual Report as applicable.

Going concern basis

After making enquiries, the directors have formed a judgment, at the time of approving the financial statements, that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

The Board

Mr. Roelof A. Quintus *(Chairman of the Board and Senior Independent Non-Executive Director)**

Ms. Vuslat Doğan Sabancı *(Vice Chairwoman and Non-Executive Director)**

Mr. Paul F. E. Tesselaar *(Independent Non-Executive Director)**

Mr. Cem M. Kozlu *(Non-Executive Director)*

Mr. Ertuğrul Özkök (*Non-Executive Director*)

Ms. Begümhan Doğan Faralyalı *(Executive Director)*

Mr. Jacobus "Jack" Groesbeek *(Independent Non-Executive Director)*

Mr. Lex Roukens *(Independent Non-Executive Director)**

Mr. Peter de Mönnink *(Independent Non-Executive Director)*

Mr. Michel Teheux *(Non-Executive Director)**

The Board is responsible and accountable for the Group's operations. The Board has a formal schedule of matters for which they have sole responsibility, including the Group's strategic plans, acquisitions or disposals, capital expenditure, all financing matters, annual operating plan and budget and operating and financial performance. The Board meets regularly and a table of attendance is shown on page 20.

* The members of board who has recent and relevant finance experience to be able to assess the financial statements.

The Board also delegates specific responsibilities to committees, each of which has clear written terms of reference, as described below. The Board did not believe that it was necessary to use external resources to review its performance during 2008 but chose to evaluate its own performance, that of its committees and of its directors. The Board was broadly satisfied with its performance.

The Board believes that an increasing amount of work is undertaken by the Audit and Compensation Committees and that non-executive directors can only properly fulfill their responsibilities if they are present during committee meetings and are able to follow the detail of discussions and debate held at those meetings.

There are currently ten directors: Chairman and Senior Independent Director, Roelof Quintus and Vice Chairwoman and Chief Executive Officer Vuslat Doğan Sabancı; and eight other directors of which seven are independent and Ms. Begümhan Doğan Faralyalı is an Executive Director. The biographies are set out on pages 13 to 15 and illustrate the directors' breadth of experience.

The division of responsibilities between the Board and the Chief Executive Officer has been set out in writing and approved by the Board. The non-executive directors are subject to re- appointment on an annual basis at the Group's Annual General Meeting. Before a non- executive director is proposed for re-election by shareholders, the Compensation Committee (which is responsible for the roles identified by the Combined Code which would be reserved for a "Nomination Committee") meets to consider whether a non-executive director's performance continues to be effective and whether he/she demonstrates a commitment to the role.

Each director is subject to re-election by shareholders on an annual basis. An assessment is made of any training needs on a director's appointment and the appropriate training provided, if applicable. All directors have access to the Company Secretary and, in the furtherance of their duties, may take independent professional advice if necessary at the Company's expense.

The Board believes that the Chairman was and remains independent since the date of his appointment.

Relations with shareholders

The Group encourages two-way communication with its investors and responds quickly to all queries received orally or in writing. The Chief Executive Officer and the Chief Financial Officer meet regularly with analysts and institutional shareholders.

The Chief Executive Officer and the Chief Financial Officer report to the Board giving details of comment and "feedback" received from analysts and institutional investors. At the Annual General Meeting directors or alternates are available for questions. Communication is also made through the website, which is regularly updated.

Audit Committee

The Audit Committee is comprised of two non-executive directors and a representative of Hürriyet. Mr. Roelof Quintus and Mr. Paul F. E. Tesselaar are independent in character and judgment and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgment. Mr. Soner Gedik is an employee of Hürriyet Gazetecilik ve Matbaacılık A.Ş.

The Audit Committee meets at least four times a year and is responsible for reviewing, prior to its publication, any financial information made public through quarterly and half-year press releases on the Group's results, monitoring the Group's financial, accounting and legal practices against relevant ethical standards, reviewing any changes in accounting methods and main judgments made by management at the close of the half-year and annual consolidated financial statements and supervising the Group's compliance with accounting and financial internal control processes.

The Audit Committee will also recommend the choice of independent auditors to the Board, to be put to shareholders for approval at the Annual General Meeting. It will also discuss with the auditors their findings. In addition, the Audit Committee will direct the Group's internal audit function and review and analyze the reports issued by the internal audit team after a written response from management.

The performance of the external auditors is evaluated by the Audit Committee each year. Central to this evaluation is scrutiny of the external auditors' independence, objectivity and viability. To maintain the independence of the external auditors, the provision of non-audit services is limited to tax and audit-related work that fall within specific categories. The appointment of our auditors to perform these non-audit services has been pre-approved by the Audit Committee.

The Committee has formal written terms of reference which are available upon written request addressed to the Company Secretary.

The members of the Audit Committee at the date of this report were:

Paul F.E. Tesselaar (President)
Roelof A. Quintus
Soner Gedik

Compensation Committee

The Compensation Committee is comprised of three non-executive directors. Ms Doğan Sabancı, CEO of Hürriyet Gazetecilik ve Matbaacılık A.Ş., majority shareholder of the Group, is a member of the Compensation Committee. The other two directors are independent in character and judgment and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgment.

The Compensation Committee meets at least four times a year and is responsible for establishing and controlling the internal practices and rules developed in terms of financial compensation for the members of the Board, certain members of executive management and other key employees. It is also responsible for periodically reviewing the Board's structure and identifying potential candidates to be appointed as directors, as the need may arise, and determining succession plans for the Chairman and Chief Executive Officer of the Group.

The Report on Remuneration set out on page 21 contains a more detailed description of the Group's policies and procedures for executive remuneration. The Chief Executive Officer, the General Counsel and Group HR Manager, as appropriate, attend meetings of the Committee but they do not participate in discussions on their own remuneration.

The Committee has formal written terms of reference which are available upon written request addressed to the Company Secretary.

The members of the Compensation Committee at the date of this report were:

Mr. Roelof A. Quintus (President)
Ms. Vuslat Doğan Sabancı
Mr. Cem M. Kozlu

Nomination Committee

The Compensation Committee is additionally responsible for the roles identified by the Combined Code which would be reserved for a "Nomination Committee". Consequently, the Compensation Committee also meets as required to select and propose to the Board suitable candidates of appropriate calibre for appointment as directors.

Internal Control

The directors are responsible for the Group's established system of internal financial control and for reviewing its effectiveness. During the review the Board has not been advised of any failings or weaknesses which were deemed to be significant. No system of internal financial control can provide absolute assurance against material misstatement or loss. Such a system is designed to provide the directors with reasonable assurance that problems are identified on a timely basis and dealt with appropriately. The key procedures that have been established and designed to provide effective internal financial control are:

- *Management and organizational structure*. The existing organizational structure is considered appropriate to the size of the Group. This clearly identifies levels of delegated responsibility to operational management. The performance of senior management is regularly evaluated and individual employees' responsibilities are clearly defined and communicated.

- *Financial reporting.* Part of the comprehensive management reporting discipline involves the preparation of detailed annual budgets by all operating units. These budgets are reviewed by the executive management and are ultimately summarized and submitted to the Board for approval. Monthly revenue and profit returns are received from all operating units followed by the issuance of monthly management accounts, which are prepared promptly and reported against the approved budget. Consolidated monthly management accounts are prepared, including detailed profit analysis (with comparisons to budget, latest forecasts, prior year and consensus market opinion), and treasury report (including comparison to our financial covenants), providing relevant, reliable and up-to-date financial and other information to the Board. Revised profit and cash flow forecasts for the current year are prepared and submitted to the Board at quarterly intervals during the year.

- *Investment appraisal*. We have a clearly defined framework for capital expenditure which is controlled centrally. Appropriate authorization levels and limits beyond which such expenditure requires the prior approval of the Executive Management Team or, in certain circumstances, the Board, are clearly set. There is a prescribed format for capital expenditure applications which places a high emphasis on the overall Group strategy or logic for the expenditure, and demands a comprehensive and sound financial representation of the business case being put forward. All significant corporate acquisitions or investments are controlled by the Board on the basis of proposals advanced by the Executive Management Team or a Board sub-committee and are subject to detailed investment appraisal and performance of due diligence procedures prior to approval by the Board.

- *Functional reporting.* A number of our key functions, including treasury, taxation, internal audit and risk management, litigation, IT strategy and development and insurance are dealt with centrally. Each of these functions reports to the Board on a regular basis through the Chief Executive Officer, Chief Financial Officer and General Counsel, as appropriate. The treasury function operates within the terms of clearly defined policy statements. The policy statements exist to ensure that we are not exposed to any unnecessary risk and that where appropriate there is hedging against foreign currency and interest rate risks.

The Audit Committee reviews reports from management, the internal audit department and the external auditors to provide reasonable assurance that control procedures are in place and are being followed. Formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

Table of attendance at meetings

	Board	Audit Committee	Compensation Committee	Nomination Committee	AGM
Number of meetings in the year 2008	4	4	4	-	1
V. Doğan Sabancı	4	-	4	-	-
Y.B. Doğan Faralyalı	4	-	-	-	-
C. M. Kozlu	4	-	4	-	-
E. Özkök	4	-	-	-	-
P.F.E. Tesselaar	4	4	-	-	1
A. van den Belt [1]	4	-	-	-	-
R. A. Quintus	4	4	4	-	1
J. Groesbeek	4	-	-	-	-
S. Gedik	-	4	-	-	-
A.A. Lex Roukens [2]	-	-	-	-	-
P. de Mönnink [2]	-	-	-	-	-
M.H.P. Teheux [2]	-	-	-	-	-

1 Ms. A. van den Belt resigned from the Board as of 20th of November 2008.

2 Mr. Roukens, Mr. de Mönnink and Mr. Teheux are appointed as members of the Board as of 20th of November 2008.

Report on Remuneration

Directors are paid a fixed annual fee on a quarterly basis. Members of the Audit Committee and/or Compensation Committee are paid an attendance fee of €1,000 per meeting.

Service contracts

Non-Executive directors

There are no service contracts in force between any non-executive director and the TME Group. Each of the non-executive directors has a letter of appointment setting out the terms and conditions of his or her appointment. The letters of appointment do not provide for any benefits to be paid to the non-executive directors upon the termination of their appointments nor do they provide for a specific notice period. There are no commissions or profit-sharing arrangements in their letters of appointment.

Executive officer

Mr. Şahin Tulga joined the Group as “Chief Executive Officer” as of June 2nd, 2008.

Directors’ remuneration

Directors’ remuneration is set out below:

	EUROS	
	2008 Basic Remuneration	**2008 Committee Fees**
V. Doğan Sabancı	20.000	4.000
Y.B. Doğan Faralyalı	20.000	-
C. M. Kozlu	20.000	4.000
E. Özkök	20.000	-
P.F.E. Tesselaar	20.000	4.000
A. van den Belt	20.000	-
R. A. Quintus	30.000	8.000
J. Groesbeek	20.000	-

Report of the Board of Directors

Trader Media East ("TME" or "Company" or "Group")'s directors present their report and the audited financial statements for the year ended 31 December 2008.

Incorporation

The Group is incorporated in Jersey, Channel Islands.

Directors' responsibilities for the financial statements

The directors are required by the Companies (Jersey) Law 1991 to prepare financial statements for each financial period in accordance with generally accepted accounting principles and which show a true and fair view of the profit or loss of the Group for the period and of the state of the Group's affairs as at the end of the financial period. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Group is required to keep proper accounting records which are sufficient to show and explain its transactions and are such as to (a) disclose with reasonable accuracy at any time the financial position of the Group at that time; and (b) enable the directors to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud, error and non-compliance with law and regulations.

The directors confirm they have complied with the above requirements in preparing the financial statements.

After making enquiries, the directors have formed a judgment, at the time of approving the financial statements, that there is a reasonable expectation that we have adequate resources to continue in operational existence for the foreseeable future.

For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

The maintenance and integrity of the website is the responsibility of the directors, the work carried out by the auditors does not involve consideration of these matters and accordingly, the auditors accept no responsibility for any changes that may have occurred to the information contained in the financial statements since they were initially presented on the website.

The directors are also required by the Disclosure and Transparency Rules of the Financial Services Authority to include a management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Group.

Directors' statement pursuant to the Disclosure and Transparency Rules

Each of the directors, whose names and functions are listed in page 16 confirm that, to the best of each person's knowledge and belief:

- the financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group and the Company; and

- the Directors' Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the company and group, together with a description of the principal risks and uncertainties that they face.

Principal activities

TME is the leading marketplace for communities of real estate, auto and recruitment, with strong local brands, serving local markets in Russia, CIS, Central and Eastern Europe. TME produces 234 print titles, with 4 million readers per week and hosts 25 websites, with 7.2 million unique monthly visitors. TME is one of the largest companies in the region operating with weekly and daily newspapers and websites, primarily in the real estate, automotive and recruitment categories.

Results and dividends

The profit and loss account of the Group for the year ended 31 December 2008 is set out in the audited financial statements. No dividends were paid during the year.

Directors

The composition of the Board as of 30 April 2009 is as follows *(please see notes under the table for explanations)*:
Mr Roelof A. Quintus, Chairman of the Board and Senior Independent Non-Executive Director
Mrs Vuslat Doğan Sabancı, Vice-Chairwoman and Non-Executive Director
Mr Paul F.E. Tesselaar, Independent Non-Executive Director
Mr Cem M. Kozlu, Non-Executive Director
Mr Ertuğrul Özkök, Non-Executive Director
Mrs Begümhan Doğan Faralyalı, Executive Director
Mr Jacobus "Jack" Groesbeek, Independent Non-Executive Director
Mrs Annelies van den Belt, Independent Non-Executive Director *****
Mr Alexander Aldert "Lex" Roukens, Independent Non-Executive Director ******
Mr Peter Gerardus Maria de Mönnink, Independent Non-Executive Director ******
Mr Michel Hubertus Paulus Teheux, Non-Executive Director ******

* Mrs Annelies van den Belt has resigned on 20 November, 2008.
** Mr Alexander Aldert "Lex" Roukens, Mr Peter Gerardus Maria de Mönnink, and Mr Michel Hubertus Paulus Teheux have been assigned on 20 November 2008.

Directors' Interests

No options were granted to or exercised by any director of TME in the period since December 31, 2008 and the signing date of these audited financial statements. None of the directors had a material interest in any contract of significance to which the Company or any of its subsidiaries was a party during the year.

Policy on payment of creditors

It is Group policy, in respect of all of its suppliers, to settle the terms of payment when agreeing each transaction, to ensure that suppliers are made aware of the terms of payment and to abide by those terms. The average number of creditor days in relation to trade creditors outstanding depends on each country where we generally apply local practices.

Financial risk management

The Group finances its operations though the generation of cash from operating activities and from its Senior Credit Facility. It uses derivative instruments, including swaps, forward contracts, swap and options to manage the associated interest rate exposure, as far as certain foreign currency exposure arising from its international cash management system is concerned. Liquidity risk is managed through forecasting the future cash flow requirements of the business and maintaining sufficient cash at bank balances.

Principal risks and uncertainties

The following risks and uncertainties could have an effect on the Group's performance. As at the date of this report, the Board considers the risks described below to the the principal risks facing the Group. The Group has a risk management structure in place that is designed to identify, manage, and mitigate business risks. This forms part of the Group's system of internal control that is described in detail in Corporate Governance. The key risks identified through this risk management process and how they are managed are detailed below.

General

The Group's activities expose it to a variety of operational and financial risks, these risks are market risk including the effects of changes in debt and equity market prices, foreign currency exchange rates, fair value interest rate risk and cash flow interest rate risk, credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. The Group use derivative financial instruments in a limited manner to hedge these exposures. As the Group operates in different regions and countries, Group Headquarters deal effectively with the coordination of management of different entities.

Risks relating to the Groups business and industry

The global economic crisis has affected our business the same way it has affected many businesses operating in the same field and the same geography. From September 2008 onwards we have experienced an ongoing drop in revenues especially in display advertising as many advertisers started to cut their advertising budgets. This effect continued across all our geographies till the end of the year with different levels of impact in different countries. Due to the global uncertainty and the lack of real estate sales, the publications and websites concentrating in this field specifically suffered considerable revenue losses in the last quarter which traditionally was the strongest revenue months. The lack of new jobs in the market also led to a decreased number of advertisements in the job publications and websites.

TME has quickly responded to the downturn of revenues since the onset of the crisis and launched a new comprehensive exercise where the business model is re-engineered to encompass the present and future developments affecting our business. We are working to remodel our cost structure making costs a variable function of revenues as far as possible; therefore eliminating to the best of our abilities any fixed costs that would reduce profitability when revenues decline. This exercise is a work in progress and a top priority for the Group.

Risks relating to the Groups financial condition

The Group is exposed to variety of financial risks due to its operations. These risks include interest rate risk, liquidity risk, funding risk, credit risk and foreign currency risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Group finances its operations though the generation of cash from operating activities and from its Senior Credit Facility. It uses derivative instruments, including swaps, forward contracts, swap and options to manage the associated interest rate exposure, as far as certain foreign currency exposure arising from its international cash management system is concerned. Liquidity risk is managed through forecasting the future cash flow requirements of the business and maintaining sufficient cash at bank balances.

Foreign Currency

As a relatively high proportion of the Groups sales and operating profits arise in the Russian Federation, the Group's reported results are adversely affected by weakening of the Russian Rubles against US Dollar.

In addition to the US Dollar, the other major currency for which the Group has a translation risk is the Euro. Whilst there was a benefit from the strengthening of the Euro towards the end of 2008, a significant weakening of the Euro would adversely affect the Group's results.

Competitive Forces

The markets in which the Group operates are highly dynamic and competitive. The majority of its co-operation is long term in nature and access to the key platforms is critical to the success of the business. This requires sustained investment in technology, capability, and infrastructure, which presents a high barrier to entry. However, these factors alone do not protect the Group from competition, such that price competition and technical advances made by competitors could adversely affect the Group's results.

The Group has developed a balanced business portfolio and maintained a steady improvement in operational performance, which together with the establishment of long term customer relationships and sustained investment in technology acquisition, allows the Group to respond to competitive pressure.

Legal Risks

The Group operates internationally and is subject to laws and regulations in a large number of jurisdictions. Combined with this, the large numbers of customers and suppliers to the Group result in a complex set of contractual obligations and a risk of non-compliance.

The Group addresses this risk in a number of ways:

- Through reviews, advice, and opinions provided by the in-house legal department;
- Monitoring and reporting of issues by the Internal Audit function;
- Internal control processes requiring local management to report on areas of potential non-compliance;
- Controls on the levels of management required to approve proposed contractual arrangements.

Charitable and political donations

The Group did not make any material charitable or political donations during the year.

Intangible assets

Historically, the Group has attributed value to its main trade names, customer database and goodwill in allocating a part of the purchase price paid for its subsidiaries to these intangible assets. These values attributed to intangible assets are referred to in note 8 to the financial statements.

Purchase of own shares

The Company did not purchase any of its shares for cancellation during the year. At present the Company had no authority to purchase Company's issued ordinary share capital.

At the 2009 Annual General Meeting the company is planning to seek shareholder approval to have authority to purchase Company's issued ordinary share capital up to 5%.

Secretary

Mr Hakan Hanlı was the Secretary from 24th September 2007 until 3rd September 2008 at which date Mr. Murat Doğu was appointed to the position.

Independent Auditors

PricewaterhouseCoopers CI LLP has expressed their willingness to continue as auditors to the Group.

A resolution to reappoint the auditors and to authorize the directors to fix their remuneration will be proposed at the Annual General Meeting (AGM) date will be announce shortly.

By order of the Board

Murat Doğu
Secretary
30 April 2009

Registered office:
P.O. Box 87
22 Grenville Street
St Helier, Jersey
JE4 8PX Channel Islands

Responsibility Statement

The 2008 Annual Report and Accounts contain a responsibility statement in compliance with paragraph 4.1.12 of the DTR signed by order of the Board by Mr Roelof A. Quintus, Chairman of the Board and Senior Independent Director; Mrs Vuslat Doğan Sabancı, Vice-Chairwoman and Non-Executive Director; Mr Paul F.E. Tesselaar, Independent Non-Executive Director; Mr Alexander Aldert Roukens, Independent Non-Executive Director; and Mr Michel Hubertus Paulus Teheux, Non-Executive Director.

This statement is set out below in full and unedited text. This states that on April 30, 2009, the date of approval of the 2008 Annual Report and Accounts:

Each of the directors hereby confirm:

"To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the Company management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company".

Naarden, The Netherlands
30 April 2009
Trader Media East Limited

Mrs Vuslat Doğan Sabancı
Vice-Chairwoman and Non-Executive Director

Mr Ertugrul Özkök
Non-Executive Director

General Overview & Financial Review

We are pleased to present the consolidated financial results of Trader Media East Limited ("**Trader Media East**" or "**TME**" or the "**Group**" or **"We"**) for the year ended December 31, 2008.

The financial results for both periods have been prepared on the basis described below, in the section "Basis of Presentation".

This report contains statements regarding future events or conditions that may or may not be accurate in the future. You should refer to the risks identified in the "Forward Looking Statements" section of this report.

About Trader Media East

We are the leading marketplace for communities of real estate, auto and recruitment, with strong local brands, serving local markets in Russia, CIS, Central and Eastern Europe. Trader Media East produces 233 print titles, with 4 million readers per week and hosts 25 websites, with 7.2 million unique monthly visitors.

Trader Media East was founded in November 2005 and comprises former operations of Trader Classified Media N.V. Today, it employs 5,375 people in 10 countries.

Our branded classified advertising websites and publications and related specialized services have leading positions in specific markets in the following countries: Belarus, Bosnia, Croatia, Hungary, Kazakhstan, Lithuania, Russia, Serbia, Slovenia and Ukraine.

Major developments

Sale of Trader.com (Polska) Sp. Z.o.o.

On May 14, 2008, TME agreed to sell Trader.com (Polska) Sp. Z.o.o. ("Trader.com") to Polish media group Agora SA, for a cash consideration of US$ 54.4 million. The transaction was completed on June 25, 2008 and the sale proceeds was used in credit repayment.

Acquisition of Real Estate Magazine Infonekretnine and CREM Magazine

In June 2008, TME's affiliate in Croatia, Oglasnik d.o.o., acquired the operations of Info-Media d.o.o., a real estate publisher in Croatia. InfoMedia's products and services include bi-monthly real estate magazine called Infonekretnine, quarterly real estate magazine called CREM and real estate websites named www.info-nekretnine.com and www.crem-magazine.com.

CEO Appointment

Mr. Şahin Tulga joined the Group as "Chief Executive Officer" as of June 2nd, 2008. Mr. Tulga has 25 years of experience in the IT & Telecom industries.

Basis of Presentation

The consolidated financial statements of TME for the year ended December 31, 2008 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted in the European Union ("EU"). International Financial Reporting Standards 1 "First-time Adoption of IFRS" ("IFRS 1"), has been applied in preparing these consolidated financial statements. The consolidated financial statements have been prepared in accordance with those IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective or issued and early adopted as at the time of preparing these financial statements (April 30, 2009).

Business Overview

Our registered office is in Jersey and we maintain our principal administrative offices in the Netherlands. Our operating structure is designed to provide centralized control over financial management, acquisitions, strategic partnerships and Internet development. We provide local managers with support for finance, sales, marketing, production and distribution while giving them the responsibility and the flexibility to react quickly and effectively to varying local market conditions. Within each of our major metropolitan and regional markets, we have operation managers, sales and marketing teams, a production group and distribution managers.

Market Conditions

The global economic crisis has affected our business the same way it has affected many businesses operating in the same field and the same geography. From September 2008 onwards we have experienced an ongoing drop in revenues especially in display advertising as many advertisers started to cut their advertising budgets. This effect continued across all our geographies till the end of the year with different levels of impact in different countries. Due to the global uncertainty and the lack of real estate sales, the publications and websites concentrating in this field specifically suffered considerable revenue losses in the last quarter which traditionally was the strongest revenue months. The lack of new jobs in the market also led to a decreased number of advertisements in the job publications and websites.

TME has quickly responded to the downturn of revenues since the onset of the crisis and launched a new comprehensive exercise where the business model is re-engineered to encompass the present and future developments affecting our business. We are working to remodel our cost structure making costs a variable function of revenues as far as possible; therefore eliminating to the best of our abilities any fixed costs that would reduce profitability when revenues decline. This exercise is a work in progress and a top priority for the Group.

Sales and Marketing

We sell advertisements in our print publications and on our websites through our local direct sales force, centralized marketing team and customer service call centers. Our websites and a limited number of our print publications, such as *Iz Ruk v Ruki* in Russia, have a national reach, and in these cases we solicit national advertising, either directly or through advertising agencies. In December 2008, our field sales force consisted of approximately 2,440 individuals operating almost exclusively at the local level. All our sales personnel receive commission-based compensation.

Each of our local print and online media operations has a dedicated direct sales force focused on retaining existing advertisers and acquiring new ones, particularly local businesses such as car dealers, real estate brokers and other local retailers, through sales visits to customers. In addition, our sales forces in both our satellite offices and call centers up-sell enhancements to advertisements and value-added services including our ‘‘Power Pages’’ solutions and inventory lot management. Our local sales forces are also instrumental in promoting our websites to advertisers in our print publications with integrated print and online advertising offered to professional advertisers for an incremental fee. Our local managers set advertising rates and cover prices of our local publications, after consultation with our centralized management. The advertisements we sell typically run for one to four editions and are generally published on a daily, weekly or monthly basis.

Customers typically place advertisements in our publications either through our local call centers (via standard or premium rate telephone lines) or by filling in a coupon from the relevant publication and taking it to one of our ad placement offices located within each city or region. Our customers in Moscow may also place advertisements either by purchasing a telephone card from one of our ad placement offices and placing an advertisement over the phone, by purchasing an Internet card from one of our websites or ad placement offices and placing the advertisement online, or via SMS and MMS services by mobile phone.

Distribution of Print Publications

We distribute our products through a variety of channels, including:

- independent wholesalers: third party distributors who purchase from us directly at wholesale prices and sell through their own sales networks or to other networks;
- individual distributors; and
- satellite offices.

Our ability to distribute publications in an efficient and cost-effective manner is a decisive factor in our business. All of our publications have or share an internal distribution department dedicated to managing the distribution process. Local distribution managers, through frequent contact with wholesalers, third party distributors and retailers, closely monitor the flow of publications to ensure that an adequate number of copies are available for sale or distribution, while minimizing the number of unsold or undistributed copies. In many of our regions, this process has been automated through the use of planning software. Our distribution channels vary from region to region and we have sought to expand our distribution network where feasible.

Production, Printing and Technology

We prepare our own page layout design for print publications using desktop publishing systems with modern commercial software packages. This is efficient in terms of the amount of labor and materials required and helps minimize the lead-time necessary to produce each edition. These digitally formatted layouts can be conveniently transferred by our designers to printing facilities or uploaded to websites at minimal added cost.

A majority of our publications are printed by third party printers and we seek to outsource our printing wherever possible in order to control costs. We seek to establish contracts (generally for 12-month terms with the option to extend) with reliable and proven printers, typically on a publication-by-publication basis. In addition, we have invested in three in-house printing facilities in Russia in order to ensure availability of printing facilities, increase control and security over our content (i.e., to prevent advertisements from being copied by competitors) and to overcome technical limitations of third party printing in terms of print volume and frequency.

With the help of our Internet Competency Center in Warsaw, we are implementing a technology initiative focusing on providing a comprehensive and flexible technology platform to support our online strategy.

Paper Supply

We typically consolidate purchases of large quantities of paper in each country to obtain volume discounts. We buy paper either directly from paper manufacturers or from third party printers. In the absence of fixed price, long-term contracts or discount arrangements, we purchase paper at market prices. Historically, we have been able to charge higher cover prices to compensate for paper price increases. In 2007 and in 2008, paper costs represented approximately 9% of our revenues, which we believe is significantly less than traditional newspapers. We generally do not have editorial content and, therefore, almost every page of our publications generates revenues.

Full year 2008 – key operating results by geographic segment

The key operating indicators we use to measure the performance of our consolidated operations are EBITDA and EBITDA margin and of our geographical operating units on a regional level are Operation EBITDA (operating profit before certain expenses) and Operation EBITDA margin.

We define EBITDA as operating profit before bad debt, depreciation and amortization, non-cash compensation expense and write down on impaired assets and EBITDA margin as the ratio of EBITDA to revenues.

We define Operation EBITDA (or operating profit before certain expenses) as EBITDA before management service expenses / corporate costs and Operation EBITDA margin as the ratio of Operation EBITDA to revenues.

None of EBITDA, EBITDA margin, Operation EBITDA or Operation EBITDA margin is defined under IFRS. We present EBITDA (and the related measures EBITDA margin, Operation EBITDA and Operation EBITDA margin) because it is the measure we use to evaluate the performance of our operating units and because it is a widely accepted financial indicator of a company's ability to incur and service debt.

However, EBITDA (a) is not intended to be a performance measure that should be regarded as an alternative to, or as more meaningful than, operating profit or net earnings, as an indicator of operating performance or cash flow from operations or as a measure of liquidity; (b) is not intended to represent funds available for dividends, reinvestment or other discretionary uses; (c) should not be a consideration in isolation or as a substitute for measures of performance prepared in accordance with IFRS; and (d) may be calculated differently by other companies in our industry, or may be used for different purposes than the purposes we use it for, limiting its usefulness as a comparative measure.

The following table shows a summary of our revenues, Operation EBITDA and Operation EBITDA margin (defined as the ratio of Operation EBITDA to revenues) by geographic segment:

	December 31, 2008			**December 31, 2007**		
	Revenues	**Operation EBITDA**	**Operation EBITDA margin**	**Revenues**	**Operation EBITDA**	**Operation EBITDA margin**
	(millions of $)		**%**	**(millions of $)**		**%**
Russia, Baltics & the CIS	$248.2	$63.5	25.6	$218.4	$68.5	31.6
Hungary	29.6	2.7	9.0	35.5	5.6	15.7
Croatia	15.8	2.4	15.1	14.9	3.7	24.5
Poland**	-	-	-	-	-	-
Moje Delo*	3.3	(0.4)	(12.9)	2.7	0.3	9.4
Total	**$296.9**	**$68.2**	**23.0**	**$271.5**	**$78.1**	**28.8**

* Moje Delo group includes Slovenia, Bosnia and Serbia.

**The Polish Operation Trader.com (Polska) Sp. Z.o.o was sold on June 25th, 2008. The proceeds from sales and the results of Trader.com is shown under profit from discontinued operations. Therefore, the above EBITDA figures exclude Poland Results.

Currency Fluctuations

We express our results in US dollar and generate revenues in eleven currencies. The two most significant currencies are the Russian Ruble, in which we have generated 70% of our revenues in 2008, and the Hungarian Forint, in which we have generated 10% of our revenues in 2008. Our results can be significantly impacted by fluctuations in these currencies compared to the US dollar.

Set up below is a table of December 2008 average rates against the US dollar compared to 2007.

	December 31, 2008 average rate	***December 31, 2007 average rate***	***Fluctuation %***
Russian Ruble	0.0400	0.0392	2%
Hungarian Forint	0.0058	0.0055	5%

Inflation

Our costs are closely linked to domestic cost factors in the countries in which we operate. Inflation has been high in Russia during the past five years.

The table below presents changes in Russia's consumer price index from 2003 through 2008.

	2004	**2005**	**2006**	**2007**	**2008**
Consumer Price Index, December to December change in RUR	10.9%	11.1%	9.0%	11.9%	13.3%

<u>Revenues</u>

Source of Revenues

We primarily derive revenues from selling advertising space in our publications. To a lesser extent, we derive revenues from paid circulation of some of our print publications and from additional services we provide. We generate revenues from print activities (94% in 2008 and 95% in 2007) and Internet activity (6% of revenues in 2008 and 5% in 2007).

We generate print revenues principally from four sources, or ”channels”, which are display advertisements, private and professional classified advertisements, circulation and services.

We earn circulation revenues primarily through sales to individuals who purchase at kiosks or newsstands, through subscriptions or from street vendors.

Service and other revenues include commissions earned for selling products and services to third parties including warranty services. They also include printing for third parties in Russia and revenues associated with services such as pre-paid telephone calling cards used by private customers to access our call centers and place advertisements. The commissions earned are a percentage of the value of the products or services.

We derive online revenues primarily from classified and display advertisements, including professional advertisements, consumer advertisements and banners. We also derive online revenue from subscription or one-off access fees to content and information we provide through our websites. In online revenues we include revenues deriving from products advertised solely on our websites, as well as the portion of revenues attributable to the online component (as determined by management based upon relative fair value) for bundled contracts providing both print and online advertisements.

The channel of revenue varies in importance depending on the individual publication. Our primary channels of revenue are:

Relative Importance of Revenues by Channel

	Year ended December 31, 2008	**Year ended December 31, 2007**
	(percentage of total revenues)	
Print revenues	**94%**	**95%**
Classified Ads	33%	32%
Display	45%	46%
Circulation	9%	10%
Services & Other	7%	7%
Online revenues	**6%**	**5%**

Management believes that the Group is operating under one business segment as the scope of the business for the Group is classified advertisements, display advertisements and services and as there is no significant difference in terms of risk and return between these activities. Nature of products, nature of production processes, type of customers, methods used to distribute the products are similar.

Classified advertising is the key to our revenue generation. The revenues generated by this channel are split between private individuals and professionals, or business customers. We experience the highest margins with display advertisement, which constituted 45% of revenues in 2008.

We publish private and professional classified advertisements and display advertisements on a daily, weekly and monthly basis depending on the publication, and recognize the related revenues at the time the advertisement is published. We defer revenues related to advertisements appearing on multiple occasions and recognize them proportionally during the period when the advertisement is run. We recognize circulation revenues at the time a publication is sold to a customer. We recognize service revenues (i.e., commissions) as earned at the date the service is rendered, or when contracts are activated. We recognize online revenues at the time the advertisement is run. We recognize revenues from subscription and one-off access fees to content and information we provide through our websites over the period of usage, and other related services.

<u>Consolidated Revenues</u>

Revenues increased by $25.4 million, or 9.4%, to $296.9 million in 2008 from $271.5 million in 2007.

In order to reflect the effect of acquisitions on our financial statements, we measure revenues, EBITDA and Operation EBITDA on the basis of total growth and organic growth. In calculating organic growth, we include the revenue, EBITDA or Operation EBITDA contribution from an acquired business only with respect to entities that have been consolidated in our financial statements for at least twelve months.

Organic growth is computed by excluding the effect of foreign currency fluctuations.

	December 31, 2008	*December 31, 2007*	*Growth (%)*	*Organic Growth (%)*
Print revenues				
Display	$134.3	$125.8	6.7%	3.6%
Classified Ads	96.5	84.9	13.7%	11.3%
Circulation	25.6	27.3	(6.7)%	(10.1%)
Services & Other	22.0	19.0	15.7%	13.3%
Total Print revenues	**$278.4**	**$257.0**	**8.3%**	**5.4%**
Online revenues	18.5	14.5	27.6%	21.6%
Total revenues	**$296.9**	**$271.5**	**9.3%**	**6.3%**

Print revenues in 2008 increased by 8.3%, to $278.4 million from $257.0 million in 2007. Excluding exchange rate impact, organic print revenue growth was 5.4%, reflecting primarily the growth in classified and display advertising.

Online revenues in 2008 increased by 27.6%, to $18.5 million from $14.5 million in 2007, due primarily to the continued development of the online business in the Group, and growth in the online advertising market in general, particularly in the classified advertising market. Organic growth was 21.6%.

Revenues by Geographic Segment

Region	***December 31, 2008***	***December 31, 2007***	***Growth***	***Organic Growth***
	(millions of $)		***%***	***%***
Russia, Baltics & the CIS	$248.2	$218.4	13.6%	11.8%
Hungary	29.6	35.5	-16.6%	-21%
Croatia	15.8	14.9	6.0%	-5.2%
Poland**	-	-	-	-
Moje Delo*	3.3	2.7	22.2%	6.6%
Total Revenues	**$296.9**	**$271.5**	**9.3%**	**6.3%**

* Moje Delo group includes Slovenia, Bosnia and Serbia

** Trader.com (Polska) Sp.z.o.o. was sold on 25th June 2008

Russia, Baltics and the CIS

Russia & CIS grew by 11.8% organically, driven both by print (10.5%) and online (47.6%)

The focus of growth in 2008 was however in the Russian regions – experiencing organic growth of 20.6%.

Hungary

Revenue declined organically by 21% compared to 2007 despite the 25.8% organic revenue growth in online (after removing the calculated bundled revenues from 2007, as the practice ceased at the end of 2007). The performance in Hungary reflects the impact of the global economic crisis which has accelerated the rapid transition from Print to Online. We believe that Hungarian economic conditions will continue to be challenging in the short to medium term.

Croatia

The impact of the global economic crisis was slower to take hold in Croatia and overall organic growth for 2008 declined by 5.2%. The transition from print to online is the most advanced in Croatia and will accelerate as a result of the crisis. Organic revenue growth for online business in 2008 was 64.8%. Online revenue accounts for 11.5% of total revenues in 2008 and is expected to reach 16.6% in 2009. The Offline business is experiencing more difficult conditions as the market shrinks. Revenue declined in 2008 by 10.3% organically.

Moje Delo

The acquisition of Moje Delo was completed in June 2007 and added revenue of US$3.3m to the Group in 2008. Moje Delo operates in the job sector with the leading online recruitment portal in Slovenia, and launched websites in Bosnia and Serbia in 2008, although revenue has been negligible so far. The job sector has been particularly hard hit by the global economic crisis but Moje Delo achieved 6.6% organic revenue growth in 2008.

Operating profit

Operating profit is as follows:

	December 31, 2008	***December 31, 2007***
	(millions of $)	
Consolidated EBITDA	$55.4	$61.2
Depreciation and amortization	(9.8)	(8.3)
Goodwill Impairment	(12.3)	(3.3)
Other Operating costs	(4.5)	(6.4)
Operating profit	**$28.8**	**$43.2**

Operating profit decreased by $14.4 million from $43.2 million in 2007 to $28.8 million in 2008, a decrease of 33.3%. This decrease arises from an increase in goodwill impairment, depreciation and amortization and non-recurring other operating costs.

EBITDA

Consolidated EBITDA

Consolidated EBITDA decreased by $5.8 million, from $61.2 million in 2007 to $55.4 million in 2008, a decrease of 9.5%. The margin deteriorated (18.7% versus 22.5% in 2007) due to a decline in both print margin (23.1% versus 28.9% in 2007) and online margin (20.6% versus 27.2% in 2007). Organically, EBITDA is declining by 6.3% versus 2007.

The decrease reflected mostly difficult trading conditions in the 2nd six months of the year and product development issues resulting in delayed launches and re-launches of new online products.

Consolidated EBITDA	***December 31, 2008***	***December 31, 2007***	***Growth***	***Growth***	***Growth constant exchange rate***	***EBITDA Margin 2008***
	(millions of $)			***%***	***%***	***%***
Operating Print EBITDA	$64.3	$74.2	$(9.9)	(13.3)%	(15.0)%	23.1%
Operating Online EBITDA	3.8	3.9	(0.1)	(3.7)%	(5.9)%	20.6%
Corporate Costs	(10.6)	(15.2)	4.6	30.1%	32.6%	-
Competency Centre	(2.1)	(1.7)	(0.4)	(20.4)%	(17.7)%	-
Consolidated EBITDA	**$55.4**	**$61.2**	**$(5.8)**	**(9.5)%**	**(11.0)%**	**18.7%**

Operating Print EBITDA decreased by $9.9 million, or 13.3% in 2008 compared to 2007, of which 14.7% was organic.

Operating Online EBITDA decreased $0.1 million, or 3.7%, in 2008 compared to 2007 of which 1.9% was organic.

Operation EBITDA by Geographic Segment

Region	***December 31, 2008***	***December 31, 2007***	***Change***	***Organic growth***	***2008***	***2007***
	(millions of $)		***%***	***%***	***EBITDA Margin %***	***EBITDA Margin %***
Russia, Baltics & the CIS	$63.5	$68.5	(7.9)%	(9.0)%	25.6%	31.6%
Hungary	2.7	5.6	(52.4)%	(55)%	9.0%	15.7%
Croatia	2.4	3.7	(34.7)%	(38.3)%	15.1%	24.5%
Poland**	-	-	-	-	-	-
Moje Delo*	(0.4)	0.3	(259.8)%	(185.3)%	(12.9)%	9.4%
Operation EBITDA	**$68.2**	**$78.1**	**(12.7)%**	**(14.0)%**	**23.0%**	**28.8%**

* Moje Delo group includes Slovenia, Bosnia and Serbia

** Trader.com (Polska) Sp.z.o.o. was sold on 25th June 2008

Russia, Baltics and the CIS

Operating EBITDA showed an decrease of 7.3%, with a decrease of margin (25.6% versus 31.4% in 2007) mainly attributable to a change of mix between Moscow and Regions, through the higher growth in the regions which operate at lower margins due to less critical mass and maturity of the business compared to Moscow)

Hungary

We incurred a decrease of Operation EBITDA by (51.8%) and a deterioration of the margin (9% versus 15.8% in 2007) primarily due to the revenue degradation. The decision has been taken to close a number of non profitable print publications and launch online vertical sites across our main segments. The impact of declining revenue puts strain on the Hungarian cost structure but this is being addressed by management in the form of headcount reduction, reduction in working hours, change of office premises as well as introducing new revenue sources.

Croatia

Operation EBITDA decreased by 35.1%, with a deterioration of the margin (15.2% versus 24.8% in 2007) due primarily to the decline in Print revenue not matched by cost reductions causing the margin to deteriorate from 30.4% to 21.4%.

Poland

On June 25th, 2008, TME sold Trader.com (Polska) Sp. Z.o.o. ("Trader.com") to Polish media group Agora SA.

Depreciation and amortization

Depreciation and amortization has increased from $8.3 in 2007 to $ 9.8 in 2008. This increase has mainly two reasons: 1) the subsidiaries acquired during 2007 partially contributed to the total amount in 2007 with respect to the month they were acquired whereas they contributed full year in 2008; 2) the depreciation of newly purchased fixed and intangible assets amounting to $11.8 million, has an additional effect.

Financial income and expenses

In May 2007, we have closed our Senior Credit Facility which we had entered into on February 9, 2006 and entered into a new credit agreement arranged by ABN AMRO, with five years maturity date. At the refinancing date, we have drawn down an amount of $142 million, mainly to replace the previous debt to BNP and finance the new financing fees incurred through the refinancing. An additional $2.8 million was drawn in July 2007 to finance new acquisitions. Following the sale of Trader.com, which constituted the major art of Poland operations in June 2008, we have paid back $54.4 million. We have used the remaining part of our credit line amounting to $55.2 million for possible opportunities by October 2008. This amount is still preserved as of 2008 year end in time deposit.

As a result of the decrease in financial liabilities- senior credit facility balance between July 2008 and October 2008, total interest expenses due to senior credit facility have decreased from $ 12.4 million in 2007 to $ 9.6 in 2008.

The major reason behind the significant increase in financial expenses from $15.6 million to $36.1 million in total is due to foreign exchange loss incurred in 2008 on this senior-credit facility because of the depreciation of Russian Ruble against US$.

Similarly, foreign exchange gain obtained in 2007 could not be obtained in 2008. As a result, financial income decreased accordingly. On the other hand, interest income on time deposits increased from $0.5 million in 2007, to $1.1 million in 2008 mainly due to $55.2 million kept in time deposit since October 2008.

Income taxes

Our effective tax rate for profit making subsidiaries is 23.8% on the average. When expressed as a percentage of our income before tax, minority interest and discontinued operations, the calculated rate is 43.3%. The reconciliation of effective rate is as follows:

Profit before tax and minority interest	**$44,8**
Income Tax	$19,4
Effective Rate	**43,3%**

Minority interest

Minority interest for 2008 decreased to $6.2 million from $7.1 million in 2007, mainly due lower operating profits of related subsidiaries for 2008.

Net income from continuing operations

We generated net loss from continuing operations of $(24.8) million for 2008 compared to $12.2 million for 2007, a decrease of $(37.0) million. There are 3 main reasons for this decrease: 1) the increase in impairment of goodwill from $3.3 million to $12.3 million in 2008; 2) net foreign exchange loss due to general appreciation of US$ against the currencies of consolidated companies amounting to $(22.4) million in 2008, compared to net foreign exchange gain of $8.8 million in 2007; 3) lower EBITDA margin at consolidated level due to global economic downturn mainly taking effect during the fourth quarter of 2008.

Net income/ (loss) from discontinued operations

In 2007, net income/ (loss) from discontinued operations included only the Kisokos items. In 2008, as a result of the sales of Trader.com (Polska) Sp. Z.o.o., Polland, the operations of this company is reclassified as discontinued operations for both years. The gain on sales of this operation is classified as income from discontinued operations as well.

	December 31, 2008	***December 31, 2007***
Revenues	$4.7	$7.6
Expenses	(4.3)	(8.8)
Income tax and other	-	(0.3)
Net income/ (loss) from discontinued operations	**$0.4**	**$(1.5)**
Gain recognised on the disposal of assets of discontinued operations (*)	49.8	-
Net profit/(loss) for the year from discontinued operations	**$50.2**	**$(1.5)**

(*) The Group sold 100% of shares of its wholly-owned subsidiary, Trader.com (Polska) Sp. Z.o.o. for a cash consideration of $54.4 on June 25, 2008. The resulting gain on sale of this subsidiary amounted to $49.8.

Credit agreement

On May 17, 2007 we have entered into a $200 million credit facility agreement with ABN Amro Bank N.V. mainly to refinance the BNP Paribas loan obtained on February 9, 2006, restructuring and new acquisitions. At the refinancing date, we have drawn down an amount of $142 million, mainly to replace the previous debt to BNP and finance the new financing fees incurred through the refinancing. An additional $2.8 million was drawn in July 2007 to finance new acquisitions. Following the disposal of Trader.com (Polska) Sp. Z.o.o., Polland, $54.4 million of this amount was paid in June 2008. $1.5 million of the remaining credit line was used on September 15, 2008 and $53.7 million was used on October 3, 2008. The credit line is fully utilized as of December 31, 2008.

Basis of preparation

The consolidated financial statements of TME have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted in the European Union ("EU"). International Financial Reporting Standards 1 "First-time Adoption of IFRS" ("IFRS 1"), has been applied in preparing these consolidated financial statements by the Group's first IFRS financial statements for the year ended December 31, 2008. These consolidated financial statements have been prepared in accordance with those IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective or issued and early adopted as at the time of preparing these statements.

TME's consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") until December 31, 2007. US GAAP differs in some areas from IFRS as adopted in the EU. In preparing TME's consolidated financial statements for the year ended December 31, 2008, management has amended certain accounting methods applied in the US GAAP financial statements to comply with IFRS as adopted in the EU. The comparative figures in respect of 2007 were restated to reflect these adjustments, except as described in the accounting policies of the notes to auditors' report for the year ended 31 December 2008.

Purchase Price Allocation for Business Combinations

Our growth has been driven, in part, by acquisitions made since we commenced operations in 1991. A significant portion of the value related to these acquisitions has been determined to be goodwill or identifiable intangible assets, principally trade names and advertising customer bases of the acquired entities.

Goodwill represents the excess of purchase price over the fair value of identifiable assets and liabilities acquired. Intangible assets, substantially all of which resulted from business combinations except for computer software and rights, include trade names and advertiser bases. Purchase price amounts allocated to these intangibles, and their related amortization periods, are determined principally by external valuation studies and by the Group. Goodwill and intangible assets with indefinite useful lives are not amortized but subject to at least an annual assessment for impairment. Amortisation of intangible assets is recognized in general administrative expenses.

Estimated useful lives of the intangible assets with finite useful lives are as follows:

Trade names	20 years
Customer lists	12 years
Software and rights	5 years
Other intangible assets	5 years

Impairment of assets

IFRS as adopted in the EU prohibits the amortization of goodwill and purchased intangible assets with indefinite lives. The Group reviews goodwill and purchased intangible assets with indefinite lives for impairment annually in the last quarter and whenever events and changes in circumstances suggest that the carrying amount may not be recoverable. The Group compares the carrying value of each of its geographic reporting units, including goodwill and intangible assets, to the fair value less cost to sell of the reporting unit, based on its projected cash flows, discounted with the appropriate weighted-average cost of capital. If the carrying amount of a geographic reporting unit exceeds its implied fair value less cost to sell, the Group records an impairment loss equal to the difference. For the purposes of assessing impairment, assets are grouped at the lowest levels as the geographic reporting unit for which there is separately identifiable cash flows (cash-generating units). Impairment losses are recognized in general administrative expenses.

Long-lived assets, including intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future discounted cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value less cost to sell of the asset, which is based on discounted cash flows.

The recoverable amounts of cash generating units have been determined using fair value less costs to sell valuation model. Fair value is measured based on discounted cash flows using a discount rate reflecting the risk associated with the assets in question based on financial budgets covering a five-year period. Cash flows beyond the five-year period are extrapolated using the discount rates stated below.

	EBITDA margins (%) (*)	**EBITDA growth rates (%) (**)**	**Discount rates (%)**
Russia & CIS	28.7	3.90	14.3
Hungary	16.3	2.36	12.6
Croatia	20.5	2.17	13.2
Eastern Europe	7.7	1.75	11.6

(*) Budgeted operating profit before interest, tax, depreciation and amortization, impairment charges and other non-recurring operating expenses (“EBITDA”) margins.

(**) Weighted average EBITDA growth rates used to extrapolate cash flows beyond the budget period.

The sensitivity of these assumptions, including the determination of the reporting units, the estimates of the Group’s future cash flows and the discount rates used to calculate the fair value of reporting units and long-lived assets could significantly affect the amount of impairment charges. Future cash flow assumptions are sensitive to the continued perceived value of the brands.

Deferred Tax Assets

As at December 31, 2008 we had US$0.7 million of net deferred tax assets related to net operating loss carry forwards. This amount US$4.5 million as of December 31, 2007. The amount has decreased mainly due to merging of Hungarian entities. Previously booked amounts of the closed down entities are reversed to be on the conservative side.

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. A valuation allowance is recorded, if necessary, to reduce a deferred tax asset to the portion which is more likely than not to be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment.

Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Group will realize the benefits of these deductible differences, net of the existing valuation allowances at December 31, 2008 and 2007. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced.

Forward-Looking Statements

Some of the statements in this document are forward-looking. Forward-looking statements include statements regarding the intent, belief and current expectations of Trader Media East or its officers with respect to various matters. When used in this document, the words “expects,” “believes,” “anticipates,” “plans,” “may,” “will,” “should” and similar expressions, and the negatives thereof, are intended to identify forward-looking statements. Such statements are not promises or guarantees, and are subject to risks and uncertainties that could cause actual outcome to differ materially from those suggested by any such statements.

Those factors include, but are not limited to, risks or uncertainties relating to our highly competitive industry, our dependence on advertising including print and online advertising, our ability to make and integrate acquisitions, our ability to obtain financing for acquisitions and other needs on terms acceptable to us, the uncertain operating environment created by political, economic and social conditions, including corruption, in some of the countries in which we operate, the currencies in which we do business, our ability to remit funds freely from the jurisdictions in which we operate, restraints on our operations resulting from minority holdings in some of our subsidiaries, our ability to manage foreign exchange exposures, our dependence on our management team and key personnel, our ability to attract and retain key sales staff, our content, our brands, our limited operating history of our online operations in the countries in which we do business, our inability to adapt to technological changes, as well as general economic and market conditions relating generally to emerging markets.

These forward-looking statements speak only as of the date of this document. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any forward-looking statement is based.

Operational Performance by Countries

Russia, Baltics & CIS

Revenue (for full year 2008)	**US$ millions**	**Brand Coverage**	
Publications	236.5	Number of publications	221
Websites	11.7	Number of websites	10
Total	**248.2**		

Russia and CIS are the key markets for TME. In 2008, share of those regions in TME revenue was 84%, US$ 248.2 million), in EBITDA 93% (in 2007 88%).

Pronto-Moscow Ltd Group is operating in the Russian advertising market since the beginning of 1992, when it launched first title in Moscow. As of 2008 it has the largest network of around 200 print titles which are published in 100 cities in Russia, CIS countries and Baltic states and are distributed in around 700 cities. There are more than 6,000 points for paid and free distribution of print titles only in Moscow and its immediate region. Print portfolio of the Group includes generalist newspapers Iz Ruk v Ruki and Aviso, vertical and niche newspapers and magazines Rabota Segodnya, Iz Ruk v Ruki - Avto, Iz Ruk v Ruki -Commercial Avto, Photonedvigimost, Vse Avto, Vsya Nedvigimost, Vsja Rabota, Vsja Stroika, Auto Gallery, Gallereja Nedvizhimosti, Magazine, Commercial Real Estate, Tvoya Ipoteka, Golf Digest, and other titles. The Group has been extending its presence year by year in Russia and in the CIS. In 2008, the Group introduced Iz Ruk v Ruki to 2 more cities and also launched 25 new vertical titles. Online portfolio includes leading internet resources www.irr.ru and www.job.ru, as well as newly launched www.automania.ru, www.domania.ru, www.irr.by and other resources.

The Group's strategy is to take advantage of being a strong nationwide player, but having knowledge and experience in every local market where it operates. Growing share of revenue coming from the Internet is also among strategic objectives of the Group.

Financial results of the Group for 2008 showed good revenue growth versus previous year, especially in first 9 months before world-wide crisis impacted Russia and Ukraine. Highest growth was achieved in Russian regional companies and Belarus. Recent driver for Russian regions growth is not only the key generalist edition Iz Ruk v Ruki, but also vertical titles in specific segments of the market: real estate, transport, jobs and construction.

In 2008, the Group not only strengthened its position in print classified media, but also achieved considerable increases in Internet sales. According to 2008 surveys, Pronto-Moscow Ltd is listed among the top ten leading on-line companies in Russia. Internet revenue growth rate is more than 4 times higher than the print one, though online revenue share is still not significant as online advertising market in Russia and CIS countries is not so developed. The online business model implies both sales of online only products as well as packages for customers who advertise in offline titles.

EBITDA margin for 2008 is 25%, which is several points lower than in 2007 as a result of investment into national (Russia-wide) brand promotion campaign for main Iz Ruk v Ruki title linked to its refreshment, investments in promotion of online and offline resources, merchandising, free and paid distribution aimed as market share growth and overall cost inflation. Margins were also negatively affected by Q4 revenue performance.

Hungary

Revenue (for full year 2008)	US$ millions	Brand Coverage	
Publications	27.0	Number of publications	7
Websites	2.6	Number of websites	4
Total	**29.6**		

Expressz has continued to build its market share both in print and in the on-line front, focusing on our key operating categories: vehicle, real estate, job and generalist.

We have decided to discontinue some of the print products which were either operated in non-core categories or those contribution to overall profit were negligible. At the same time, we have launched on-line verticals, with the aim to complete our portfolio to cover our core categories. This way we have made a large step towards the transformation/creation of the right product mix to better meet the rapidly changing customer demand.

Our online revenues grew by 41%, reaching 10% of total company revenue. Our websites had 877 thousand unique monthly visitors by December, which is 72% higher than December 2007. We realized close to 50 million page impressions in December 2008, which means a growth of 61% compared to previous year.

In May we have re-factored our main www.expressz.hu site and face-lifted its layout according to the new image of the company, which has further strengthened our market leadership.

We have made major steps ahead in establishing the right portfolio of vertical and niche websites. We have launched www.szuperallas.hu job and www.szuperingatlan.hu real-estate websites and we have acquired www.haszongepjarmu.hu commercial vehicle site, which had been completely redesigned and re-launched in October.

Development of our new vehicle vertical site is almost completed, www.szuperauto.hu will be launched in Q1 2009.

We have signed a long term portal partnership contract with one of the largest local news, vehicle news and community portal to promote our vertical sites in the launch period and longer term as well.

Print was still dominating our business with an annual printed circulation of 4,5 million. Expressz is one of the best known brands in the Hungarian market, which helps us to protect our print and further build our on-line leadership despite the volatile market trend in the classified business.

Szuperinfo - our free print franchise - has dominant position among free distributed advertising publications, offering local, regional and national advertising solutions to our clients. More than 3,2 million printed copies issued nationwide, which is reaching more than 3,3 million readers per week (35% of total 14+ population).

We have re-freshened and re-launched our company/product image and brand design in order to better meet clients' needs and to modernize our traditional print focused message towards the internet. We have completed major rebranding activities and communication campaigns for most brands, which resulted in a fully harmonized product lay-out in all categories off- and on-line, creating the right platform for the long term growth for the company.

Croatia

Revenue (for full year 2008)	**US$ millions**	**Brand Coverage**	
Publications	14.0	Number of publications	6
Websites	1.8	Number of websites	7
Total	**15.8**		

From the beginning of 2008, it was visible that growth of organic business from prevuios years is slowing down. During the first three quarters, total revenue was on a level of 2007 revenue. In that period print business was 5% down vs. 2007, while online business had close to 100% growth.

Due to global crisis, negative trends affected results of Q4 2008 significantly. In Q4 2008 revenue was 11% down compared to Q4 2007, which results with total revenue decrease of 2.4% on a annual level.

Print business was affected by further development of internet penetration, by growing competition, decrease of copies sold and decrease of total print advertising market. Online business still have a growth till the end of 2008, but growth was decreased from +100% to 30%.

Significant cost cutting measures was implemented from October 2008, which kept EBITDA margin level in Q4 at the same level as in the first three quartres, around 15%.

To sustain the leading market position and to kept limited growth in 2008 it was necessary to continue with market consolidation through acquisitions. In June 2008 Oglasnik made its second acquisition on Croatian market. A strong regional real estate (‘RE’) company was acquired (Infomedia d.o.o. from SW part of Croatia). This company published two print RE magazines, and had two websites. With this acquisition Oglasnik acquired 70% of total print RE market.

Online business with total annual growth of 66% (over 100% in the first two quarters and slowing down to 35% growth in the last two quarters) reach 12% of total business in 2008, while in 2007 was only 7% of total business. All of our websites had impressive growth in terms of traffic, revenue and number of ads. We are the 6th strongest digital network in Croatia (between all other biggest publisher groups as Styria, EPH and others), having total of 465.000 UMV or reach to 28% of all internet users.

Job website – posao.hr had impressive growth of 72% in terms of revenue, having 42% of total company online business. This website was on 23rd position in Croatia, and is continuously decreasing gap to the strongest competitor, having only 20% less UMV. Posao.hr had more than 150.000 UMV, which is 50% growth in terms of traffic.

Generalist website – oglasnik.hr had growth of 29% in terms of revenue, having 37% of total online business. This website was on 14th position, with more than 270.000 UMV, and keeping second best position between generalist websites, with growth of 10% in terms of traffic.

RE website – nekretnine.net and car website – auti.hr had more than 200% revenue growth comparing to 2007 and around 10% each of total company online business. Nekretnine.net is a market leader between RE websites, with more than 80.000 UMV and is between top 50 Croatia websites, while auti.hr is a strong leader in a car segment, with more than 155.000 UMV and was on 22nd position. Both websites had over 30% growth in terms of traffic comparing to the end of 2007.

Offline business had 7% revenue decrease in 2008 comparing to 2007. The biggest drop is coming from generalist publication, while most of the vertical print products had a growth in 2008. Revenue decrease is a result of market trends, but still we are market leader by far in all segments, having more than 70% in generalist segment, more than 70% in RE segment and more than 50% in car segment.

We acquired two new RE vertical magazines in 2008, and we are continuously developing and improving them. One is regional RE magazine - Infonekretnine, and another is CREM luxury lifestyle magazine with luxury RE content. We also discontinued production of one regional generalist publication due to cost reduction activities, but we are still present in the region by using this content into regional RE magazine.

In 2009, we will optimize our print portfolio, in terms of content and frequency, as we will decrease frequency of some magazines, national RE magazine from bi-weekly to monthly, and car magazine from weekly to bi-weekly, as it is current market and customer needs due to global crisis.

During 2008 we got a few important awards as a company. During the past 3 years company has been proclaimed as Gazelle – one of the fastest growing Croatian companies, and between only 100 Croatian companies which made it for 3 years in a row. Also in the last few years company is between Top 500 Croatian companies according to newly created values, by independent researches. In 2008 for the first time in our 20 years history company got Superbrand award, as one of 100 super popular and well known brands in Croatia. It is confirmed by independent researches in which we had 87% spontaneous brand awareness and 97% prompted brand awareness in region of Zagreb.

Our target in 2009 is to keep our leading position as a company, to increase market share further in all segments, to continue with development of projects necessary for successful positioning in a future, all with special focus on our customers for full satisfaction of their needs.

Slovenia

Revenue (for full year 2008)	**US$ millions**	**Brand Coverage**	
Publications	0.9	Number of publications	-
Websites	2.3	Number of websites	4
Total	**3.2**		

Moje Delo ltd. is a leading Slovenian provider of job postings, job seeking and career development products in Slovenia. With its unique and progressive marketing approach, it is creating a market and selling services to companies and individuals interested in career and job search. We want to provide companies and individuals with every product necessary for career and HR development. Partnership with 6 out of 8 of the largest Slovene newspapers, 14 magazines (including Cosmopolitan, Mens Health) and 30 Slovene WebPages gives us an extended advertising reach, helping us to pursue our rapid growth.

Our product and service portfolio includes Slovenia's largest recruitment portal, Slovenia's largest educational portal, an HR magazine, HR seminars, employer brand development products, career books, job fairs, career product & services for job seekers and web advertising.

We are a trend setter in HR (employer branding) and the career sector. Using the Internet and outsourcing enables us to rapidly develop new services, low sales costs and fixed margins on every product sold. Clever use of our media and partner network enables us to quickly launch new product interest and accelerate awareness and sales of new services.

We are a fast growing company and our portals were launched on January 20, 2004; Our star sales products are job postings and job fairs. In years to come we will maintain revenue growth, due to job postings growth, larger sales of high priced Employer brand development products and career & job search product for job seekers.

In 2007, we expanded our activities to include Bosnia and Herzegovina and Serbia with career portals Boljiposao.ba and Boljiposao.com. At the end of 2007, we employed six people in each country and we are number two in the market. We have our operations also in Bosnia and Hercegovina and Serbia -www.boljiposao.com. In both countries we are second player on the market. We are cooperating with local natioal employment service, newspapers and other media partners.

TRADER MEDIA EAST LIMITED

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report
To the Members of Trader Media East Limited

Report on the financial statements
We have audited the accompanying group financial statements of Trader Media East Limited (the “Company”) and its subsidiaries (the “Group”) for the year ended 31 December 2008 which comprise the consolidated balance sheets as at 31 December 2008, the consolidated statements of income, the consolidated statements of changes in equity, the consolidated statements of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors’ Responsibility for the Financial Statements
The directors are responsible for preparing the annual report and the group financial statements in accordance International Financial Reporting Standards (“IFRS”) as adopted by the EU and with the requirements of Jersey law. 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.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors’ judgement, 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 the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 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 EU and have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Independent Auditor's Report
To the Members of Trader Media East Limited (Continued)

Report on other legal and regulatory requirements
We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the consolidated financial statements. The other information comprises only the Financial Highlights, the Vision, Mission and Strategic Goals, the Corporate Profile, the Chairman's Statement, the Message from the CEO, the Corporate Governance Statement, the Report on Remuneration, the Report of the Board of Directors, the General Overview and Financial Review, and the Operational Performance by Countries.

We review whether the information in the Report on Remuneration reflect the Group's compliance with the Listing Rules of the Financial Services Authority (the “Listing Rules”) and we report if it does not.

We also review whether the Corporate Governance Statement reflects the Group's compliance with the nine provisions of the 2006 FRC Combined Code specified for our review by the Listing Rules and we report if it does not. We are not required to consider whether the Board’s statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group’s corporate governance procedures or its risk and control procedures.

In our opinion, the other information given in the Directors' Report is consistent with the consolidated financial statements.

This report, including the opinion, has been prepared for and only for the Company’s members as a body in accordance with Article 110 of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers CI LLP

PricewaterhouseCoopers CI LLP
Chartered Accountants
Jersey, Channel Islands
30 April 2009

TRADER MEDIA EAST LIMITED
Consolidated Statements of Income
(Amounts expressed in millions of US Dollars ("$") unless otherwise indicated)

	Notes	As at December 31, 2008	As at December 31, 2007
ASSETS			
Non-current assets			
Property, plant and equipment	6	$ 18.3	$ 24.5
Goodwill	7	117.3	152.8
Intangible assets	8	98.1	112.7
Available-for-sale financial assets		0.1	0.1
Deferred income tax assets	17	0.7	4.5
Other non-current assets		0.3	0.8
Total non-current assets		**234.8**	**295.4**
Current assets			
Inventories	9	4.5	4.0
Trade and other receivables	10	12.8	19.7
Cash and cash equivalents	11	58.7	25.2
Other current assets	18	15.3	14.0
Total current assets		**91.3**	**62.9**
Total assets		**326.1**	**358.3**
EQUITY			
Capital and reserves attributable to equity holders of the company			
Share capital	12	8.0	8.0
Additional paid-in capital		678.1	678.1
Translation reserve	2.2	24.6	42.2
Accumulated losses		(573.6)	(592.8)
		137.1	**135.5**
Minority interest in equity		**2.9**	**3.0**
Total equity		**140.0**	**138.5**
LIABILITIES			
Non-current liabilities			
Financial liabilities - *Senior credit facility*	13	86.6	120.5
Financial liabilities to minorities	14	4.0	16.3
Deferred income tax liabilities	17	24.1	30.6
Other non-current liabilities		0.3	0.8
Total non-current liabilities		**115.0**	**168.2**
Current liabilities			
Financial liabilities - *Senior credit facility*	13	37.2	19.6
Financial liabilities to minorities	14	9.0	-
Trade and other payables	15	15.2	19.4
Due to shareholders	16	0.3	0.4
Current income tax liabilities	17	1.4	1.0
Other current liabilities	18	8.0	11.2
Total current liabilities		**71.1**	**51.6**
Total liabilities		**186.1**	**219.8**
Total liabilities and equity		**326.1**	**358.3**

Approved by the Board on April 30, 2009 and signed on its behalf by:

Vuslat Doğan Sabancı

Ertuğrul Çökök

The accompanying notes form an integral part of these consolidated financial statements.

TRADER MEDIA EAST LIMITED
Consolidated Statements of Income
(Amounts expressed in millions of US Dollars ("$") unless otherwise indicated)

	Notes	For the years ended December 31, 2008	December 31, 2007
Continuing operations			
Sales	4	$ 296.9	$ 271.5
Cost of sales	20	(142.6)	(124.8)
Gross profit		**154.3**	**146.7**
Marketing, selling and distribution expenses	20	(34.3)	(18.8)
General administrative expenses	20	(91.9)	(85.7)
Other income		0.7	1.0
Operating profit		**28.8**	**43.2**
Financial income	22	1.9	9.9
Financial expenses	23	(36.1)	(15.5)
(Loss)/profit before income taxes		**(5.4)**	**37.6**
Income tax expense	17	(19.4)	(25.4)
Net (loss)/profit for the year from continuing operations		**(24.8)**	**12.2**
Discontinued operations			
Net profit/(loss) for the year from discontinued operations	**21**	**50.2**	**(1.5)**
Net profit for the year		**25.4**	**10.7**
Attributable to:			
Equity holders of the parent		19.2	3.6
Minority interest		6.2	7.1
		25.4	**10.7**
Weighted average number of ordinary shares in issue (thousands)		50,000	50,000
Basic and diluted (losses)/earnings per share for profit from continuing and discontinued operations attributable to the equity holders of the parent during the period (expressed in full US Dollar per share)			
Continuing operations		(0.62)	0.10
Discontinued operations		1.00	(0.03)

The accompanying notes form an integral part of these consolidated financial statements.

TRADER MEDIA EAST LIMITED

Consolidated Statements of Changes in Equity

(Amounts expressed in millions of US Dollars ("$") unless otherwise indicated)

	Share capital	Additional paid-in capital	Translation reserve	Accumulated losses	Minority interests	Total equity
Balances at January 1, 2007	**$ 8.0**	**$ 674.6**	**$ 30.6**	**$ (590.4)**	**$ 2.0**	**$ 124.8**
Stock based compensation expense	-	3.5	-	-	-	3.5
Dividend payments to previous shareholders and minority	-	-	-	(6.0)	(5.5)	(11.5)
Currency translation adjustment	-	-	11.6	-	(0.3)	11.3
Purchase of minority interest	-	-	-	-	(0.3)	(0.3)
Net profit for the year	-	-	-	3.6	7.1	10.7
Balances at December 31, 2007	**8.0**	**678.1**	**42.2**	**(592.8)**	**3.0**	**138.5**
Balances at January 1, 2008	**$ 8.0**	**$ 678.1**	**$ 42.2**	**$ (592.8)**	**$ 3.0**	**$ 138.5**
Dividend payments to minority	-	-	-	-	(6.9)	(6.9)
Currency translation adjustment	-	-	(17.6)	-	0.6	(17.0)
Net profit for the year	-	-	-	19.2	6.2	25.4
Balances at December 31, 2008	**8.0**	**678.1**	**24.6**	**(573.6)**	**2.9**	**140.0**

The accompanying notes form an integral part of these consolidated financial statements.

TRADER MEDIA EAST LIMITED

Consolidated Statements of Cash Flows

(Amounts expressed in millions of US Dollars ("$") unless otherwise indicated)

	Notes	For the years ended December 31, 2008	December 31, 2007
Net (loss)/profit for the year from continuing operations		$ (24.8)	$ 12.2
Adjustments:			
Depreciation and amortisation	4	9.8	8.3
Financing costs	23	1.9	1.7
Deferred tax expenses	17	-	0.2
Stock based compensation expense		-	3.5
Goodwill impairment	4	12.3	3.3
Interest expenses of written put options	4	1.4	0.9
Provision for doubtful receivables	4	4.0	1.4
Interest expenses, net		8.5	11.9
Profit/(loss) after tax of discontinued operations	21	0.4	(1.5)
Change in working capital, net		(2.5)	(2.3)
Cash flows provided by operating activities		**11.0**	**39.6**
Cash flows from investing activities:			
Purchases of property, plant and equipment and intangible assets	6,8	(11.8)	(10.7)
Proceeds from sales of property, plant and equipment		1.8	0.7
Cash paid for acquisition of subsidiaries, net of cash acquired		(0.9)	(4.7)
Proceeds from sale of subsidiary	21	54.4	-
Net cash provided by/(used in) investing activities		**43.5**	**(14.7)**
Cash flows from financing activities:			
Dividends paid to minority interests		(6.9)	(5.5)
Cash received from borrowings		55.2	144.8
Cash repayment for borrowings		(72.6)	(133.7)
Cash paid for financing costs		(1.9)	(3.7)
Interest receipts and payments, net		(8.8)	(11.9)
Pre-offering dividend paid to TCM		-	(2.5)
Net cash used in financing activities		**(35.0)**	**(12.5)**
Exchange losses on cash and cash equivalents		13.7	(8.3)
Change in cash and cash equivalents		**33.2**	**4.1**
Cash and cash equivalents at beginning of period	**11**	**25.2**	**21.1**
Cash and cash equivalents at end of period	**11**	**58.4**	**25.2**

The accompanying notes form an integral part of these consolidated financial statements.

NOTE 1 – ORGANISATION AND NATURE OF OPERATIONS

Description of the business

Trader Media East Limited (the "Company" or "TME") and its subsidiaries (together the "Group") are involved in classified advertising and own leading publications and websites in major metropolitan and regional markets in the countries of operation. TME's major publications and websites include:

- in Moscow and major cities across Russia and the Commonwealth of Independent States (the "CIS"), the publications Iz Ruk v Ruki, Aviso, Avto, Nedvizhimost and the website www.irr.ru;
- in Hungary, the publications Expressz, Kepes Auto, Kepes Ingatlan, Mai Hirdetes, Szuperinfo, and the website www.expressz.hu;
- in Croatia, the publication Oglasnik and the website www.oglasnik.hr; and
- in Slovenia, the website www.mojedelo.com

The Group sold Trader.com (Polska) Sp. Z.o.o. ("Trader.com") for a cash consideration of US$54.4 million on May 14, 2008 and completed this transaction on June 25, 2008. The resulting gain on sale of this subsidiary amounted to US$49.8 and included in the net income/(loss) from discontinued operations in the consolidated statement of income (Note 21).

The address of the registered office of TME is 22 Grenville Street, St Helier, Jersey, JE4 8PX, Channel Islands.

These consolidated financial statements have been approved for issue by the Board of Directors on April 30, 2009. The Group's shareholders have power to amend these consolidated financial statements.

Business and economic environment

Subsidiaries of TME, mainly operate in Russia and the CIS (Russia, Ukraine, Belarus, Kazakhstan and Lithuania), Hungary, Croatia and Slovenia. The Russia and the CIS has been experiencing political and economic change, which has affected and will continue to affect the activities of enterprises operating in this environment. Consequently, operations in Russian and the CIS involve risks, which do not typically exist in other markets.

The consolidated financial statements reflect management's assessment of the impact of the business environment in the countries in which the Group operates on the operations and the financial position of the Group. The future business environments may differ from management's assessment.

NOTE 1 – ORGANISATION AND NATURE OF OPERATIONS (Continued)

Formation of the Group

TME was incorporated in November 2005 in Jersey. As of January 25, 2006, TME purchased from Trader Classified Media N.V. ("TCM"), its parent company at this date, and from some of its subsidiaries the operations located in Russia, Croatia, Hungary, Poland, Ukraine, Belarus, Kazakhstan and Lithuania. Main steps of this restructuring process (the "restructuring") were:

- the incorporation by TCM of a wholly owned subsidiary Trader East Holdings B.V. ("Trader East") in the Netherlands;
- the purchase by Trader East from members of the TCM group of their investments in Hungary, Poland, Croatia in exchange for a promissory note to the TCM group;
- the contribution by TCM of its investment in Mirabridge International B.V. ("Mirabridge"), which owned 88% of OOO Pronto Moscow ("Pronto Moscow"), in exchange for the shares of Trader East;
- the contribution by TCM of the shares of Trader East (and consequently its promissory note) to TME in exchange for a capital increase of TME beneficial to TCM; and
- On February 10, 2006, TME purchased from Leonid Makaron the remaining 12% shares of Pronto Moscow, which operates the business located in Moscow and its parent company of the operations located in Russian regions, Belarus, Kazakhstan and Lithuania.

Listing of TME

After this process, on February 10, 2006, TCM completed the listing of 43.5 million of TME's shares in the form of Global Depository Receipts ("GDR's") on the main market of the London Stock Exchange, with unconditional trading commencing on February 13, 2006 (the "Offering"). TCM retained 13% interest in TME which was later divested.

Letter Agreement with TCM

In a Letter Agreement dated January 25, 2006, TCM and TME agreed that the assets and earnings of operations transfer and promissory note issued in connection with the restructuring were deemed to have taken place with economic effect on January 1, 2006.

Acquisition made by Hurriyet Invest B.V.

Following the agreement between the boards of directors of Hürriyet Gazetecilik ve Matbaacılık A.Ş. ("Hürriyet") and TME, a cash offer of $10.00 was recommended per TME Share (including each TME Share represented by a TME GDR) (the "Offer"), Hurriyet Invest B.V. (a fully owned subsidiary of Hürriyet) announced on March 16, 2007 that all of the conditions to the Offer had been satisfied or waived and, accordingly, the Offer was declared unconditional in all respects. The Offer was closed on March 29, 2007. Hürriyet Invest B.V. received valid acceptances representing approximately 67.3% of TME's share capital. The remaining 32.7% of TME shares continue to be circulated as GDRs on London Stock Exchange.

Hürriyet, the parent company of Hurriyet Invest B.V., is listed in Istanbul Stock Exchange ("ISE") in Turkey. The majority shareholder of Hurriyet is Doğan Yayın Holding A.Ş. which is listed in ISE and controlled by Doğan Şirketler Grubu Holding A.Ş. ("Doğan Holding"). Doğan Holding is also listed in ISE and controlled by Adilbey Holding A.Ş. (ultimate parent), Doğan Family and companies owned by Doğan Family.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of preparation

These consolidated financial statements of TME are for the year ended December 31, 2008. They have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted in the European Union ("EU"). International Financial Reporting Standards 1 "First-time Adoption of IFRS" ("IFRS 1"), has been applied in preparing these consolidated financial statements by the Group's first IFRS financial statements for the year ended December 31, 2008. These consolidated financial statements have been prepared in accordance with those IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective or issued and early adopted as at the time of preparing these statements (April 30, 2009).

The accounting policies set out in Note 2.4 have been consistently applied to all periods presented.

TME's consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") until December 31, 2007. US GAAP differs in some areas from IFRS as adopted in the EU. In preparing TME's consolidated financial statements for the year ended December 31, 2008, management has amended certain accounting methods applied in the US GAAP financial statements to comply with IFRS as adopted in the EU. The comparative figures in respect of 2007 were restated to reflect these adjustments, except as described in the accounting policies.

Reconciliations and descriptions of the effect of the transition from US GAAP to IFRS as adopted in the EU on the Group's equity and its net income are provided in Note 2.3.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of consolidated financial statements in accordance with IFRS as adopted in the EU requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Company'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 2.5(j).

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1 Basis of preparation (Continued)

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

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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 and are recorded in the consolidated statement of income. Investments which the Group does not exercise a significant influence, or which are immaterial are carried at cost less any provision for impairment.

On September 18, 2006, the Group announced its decision to dispose of the Group’s Hungarian directory business, Kisokos Directory Kereskedelmi es Szolgaltato Kft. (“Kisokos”). Accordingly, the business was accounted at fair value; the net gain/loss generated by Kisokos were classified as net loss/income from discontinued operations and its contribution to the assets and liabilities were classified as assets and liabilities held for sale in the consolidated financial statements prepared in accordance with US GAAP as of December 31, 2007 and 2006 and for the years then ended. On October 31, 2008, Kisokos has been merged with another subsidiary incorporated in Hungary and not disposed as planned. Consequently, the assets and liabilities of Kisokos and its results of financial performance has been included in the continuing operations for all periods presented in these consolidated financial statements and its assets are measured at fair value less cost to sell.

(Amounts expressed in millions of US Dollars ("$") unless otherwise indicated)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2 Foreign currency transactions and translation

Over the reporting periods, all entities use their local currency as their functional currency. The financial statements of these entities are translated into US Dollars ("US Dollars" or "$"), the functional and presentation currency of the Group, using the year-end exchange rate for balance sheet items and the weighted average exchange rate for items in the statements of income.

Gains and losses arising from the translation are reported separately in the translation reserve account as part of the equity. Transaction gains and losses arising from certain intercompany loans that have been designated as permanently invested have been classified as a component of the translation reserve.

Following table presents the functional currencies in the major countries which the Group operates:

Country	Currency	Country	Currency
Russia	Russian Ruble ("RUR")	Lithuania	Lithuania Litas ("LTL")
Hungary	Hungarian Forint ("HUF")	Ukraine	Ukrainian Grivna ("UAH")
Croatia	Croatian Kuna ("HRK")	Kazakhstan	Kazakh Tenge ("KZT")
Poland	Poland Zloti ("PLZ")	Belarus	Belarusian Ruble ("BYR")
European Union	Euro ("EUR")		

The following tables summarizes the period end and average exchange rates of local currencies for TME and its subsidiaries for $1.00 at December 31, 2008 and 2007 and for the years then ended:

	December 31, 2008		December 31, 2007	
	Average	Closing	Average	Closing
$/ RUR	25.0120	29.4766	25.5062	24.5110
$/ HUF	172.9413	189.3821	182.8705	172.9179
$/ HRK	4.9349	5.1555	5.3420	4.9881
$/ PLZ	2.4332	2.9462	2.7516	2.4480
$/ EUR	0.6818	0.7095	0.7273	0.6794
$/ LTL	2.3613	2.4687	2.5113	2.3459
$/ UAH	5.4046	7.9288	5.1676	5.1410
$/ KZT	122.4897	123.8640	125.5080	122.5400
$/ BYR	2,403.5000	2,657.0000	2,150.7545	2,150.0000

The Russian Ruble and some other currencies of Russia and the CIS are not readily convertible outside of their countries. Accordingly, the translation of amounts recorded in these currencies into US Dollars should not be construed as a representation that such currency amounts have been, could be or will in the future be converted into US Dollars at the exchange rate shown or at any other exchange rate.

(Amounts expressed in millions of US Dollars ("$") unless otherwise indicated)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 Transition to IFRS as adopted in the EU

(a) Application of IFRS 1

The Group's financial statements for the year ended December 31, 2008 is the first annual financial statements that comply with IFRS as adopted in the EU. These consolidated financial statements have been prepared as described in Note 2.1. The Group has applied IFRS 1 in preparing these consolidated financial statements.

TME's transition date is January 1, 2007. The Group prepared its opening IFRS balance sheet at that date. The reporting date of these consolidated financial statements is December 31, 2008. The Group's IFRS adoption date is January 1, 2008.

In preparing these consolidated financial statements in accordance with IFRS 1, TME has not elected to apply any of the optional exemptions from full retrospective application granted by IFRS 1 and has applied all mandatory exceptions from full retrospective application, where applicable, as required by IFRS 1.

(b) Reconciliation between IFRS as adopted in the EU and US GAAP

The following reconciliations provides an overview of the impact on equity of the transition to IFRS as adopted in the EU at January 1, 2007 and December 31, 2007:

	December 31, 2007	January 1, 2007
Total equity under US GAAP	**$ 137.4**	**$ 123.8**
Reclassification of minority interests under equity - as required by IAS1	4.1	3.1
Recognition of the written put options issued in connection with business combinations		
- offset of minority interests	(1.2)	(1.2)
- interest charges regarding the written put options	(1.8)	(0.9)
Total equity under IFRS as adopted in the EU	**138.5**	**124.8**

The following reconciliation provides an overview of the impact on the consolidated statement of income of the transition to IFRS for the year ended December 31, 2007:

	December 31, 2007
Net profit under US GAAP	**$ 4.5**
Recognition of the written put options issued in connection with business combinations	
- interest charges regarding the written put options	(0.9)
Net profit under IFRS as adopted in the EU	**3.6**

(Amounts expressed in millions of US Dollars ("$") unless otherwise indicated)

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 Transition to IFRS as adopted in the EU (Continued)

The following reconciliation provides an overview of the impact on the balance sheet of the transition to IFRS as adopted in the EU at January 1, 2007 and December 31, 2007:

	December 31, 2007	January 1, 2007
Net assets under US GAAP	**$ 141.5**	**$ 127.0**
Recognition of the written put options issued in connection with business combinations		
- increase in financial liabilities to minorities	(16.3)	(7.5)
- increase in goodwill	13.3	5.3
Net assets under IFRS as adopted in the EU	**138.5**	**124.8**

The transition from US GAAP to IFRS as adopted in the EU had no impact on the cash flows of the Group except for the reclassification of net interest receipts and payments of $11.9 from financing activities to operating expenses.

Recognition of the written put options issued in connection with business combinations

Under the certain terms of acquisition agreements, the Group is committed to acquire the interests owned by minority shareholders in consolidated subsidiaries, if these minority interests wish to sell their share of interests. As it is highly probable that the Group will fulfil this obligation, IAS 32, "Financial Instruments: Disclosure and Presentation", requires the value of such put options be presented as a financial liability on the balance sheet for the discounted value of the expected exercise price of this option, notwithstanding the ability of the Group to settle part of these obligations with its own shares rather than cash. Such written put options were not recognised under US GAAP.

The share of minority shareholders in the net asset of the company subject to the put options must be reclassified from "minority interest" to "financial liability" in the consolidated balance sheet (Note 14) and the subsequent unwinding of the discount is recognised in financial expense while the change in the value of the commitment is recorded through goodwill.

2.4 Changes in IFRS

i) Standards, amendments and interpretations, effective in 2008 but not relevant to the Group's operations

- IFRIC 11, "IFRS 2 - Group and treasury share transactions"
- IFRIC 12, "Service concession arrangements"
- IFRIC 13, "Customer loyalty programmes"
- IFRIC 14, "IAS 19- The limit on a defined benefit asset, minimum funding requirements and their interaction"

The Group has not applied the aforementioned changes in consolidated financial statements as of December 31, 2008 since they are not relevant to the Group's operations.

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.4 Changes in IFRS (Continued)

ii) Standards, amendments and interpretations to existing standards that are not yet effective in 2008 and have not been early adopted by the Group

Standards, amendments and interpretations to existing standards that will be effective from January 1, 2009

- IAS 1 (Revised), "Presentation of financial statements" comprehensive changes related with the statement of comprehensive income in equity.
- IAS 23 (Revised), "Borrowing costs" comprehensive changes related with preventing the immediately expensing of the borrowing costs.
- IAS 32 (Amendment), "Financial instruments: Presentation" - Puttable financial instruments and obligations arising on liquidation.
- IAS 39 (Amendment), "Financial instruments: Recognition and measurement" changes related with the items that could be subject to hedge accounting.
- IFRS 2 (Amendment), "Share-based payment".
- IFRS 8, "Operating segments".
- IFRIC 15, "Agreements for construction of real estates".
- IFRIC 16, "Hedges of a net investment in a foreign operation".

Standards, amendments and interpretations to existing standards that will be effective from July 1, 2009

- IAS 27, "Consolidated and separate financial statements".
- IAS 28, "Investments in associates".
- IAS 31, "Interests in joint ventures" comprehensive changes related with the application of the purchase method.
- IFRS 3, "Business combinations".

Group will evaluate the effect of the aforementioned changes within its operations and apply changes starting from January 1, 2009.

2.5 Summary of significant accounting policies

(a) Cash and cash equivalents

Cash and cash equivalents are defined as cash available in bank accounts or in hand and highly liquid instruments with an initial term of less than three months (Note 11).

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5 Summary of significant accounting policies (Continued)

(b) Goodwill and intangible assets

Goodwill represents the excess of purchase price over the fair value of identifiable assets and liabilities acquired. Intangible assets, substantially all of which resulted from business combinations except for computer software and rights, include tradenames and advertiser bases. Purchase price amounts allocated to these intangibles, and their related amortization periods, are determined principally by external valuation studies and by the Group. Goodwill and intangible assets with indefinite useful lives are not amortized but subject to at least an annual assessment for impairment. Amortisation of intangible assets are recognized in general administrative expenses.

Estimated useful lives of the intangible assets with finite useful lives are as follows:

Trade names	20 years
Customer lists	12 years
Software and rights	5 years
Other intangible assets	5 years

(c) Impairment of assets

IFRS as adopted in the EU prohibits the amortization of goodwill and purchased intangible assets with indefinite lives. The Group reviews goodwill and purchased intangible assets with indefinite lives for impairment annually in the last quarter and whenever events and changes in circumstances suggest that the carrying amount may not be recoverable. The Group compares the carrying value of each of its geographic reporting units, including goodwill and intangible assets, to the fair value less cost to sell of the reporting unit, based on its projected cash flows, discounted with the appropriate weighted-average cost of capital. If the carrying amount of a geographic reporting unit exceeds its implied fair value less cost to sell, the Group records an impairment loss equal to the difference. For the purposes of assessing impairment, assets are grouped at the lowest levels as the geographic reporting unit for which there are separately identifiable cash flows (cash-generating units). Impairment losses are recognized in general administrative expenses.

Long-lived assets, including intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future discounted cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value less cost to sell of the asset, which is based on discounted cash flows.

(Amounts expressed in millions of US Dollars ("$") unless otherwise indicated)

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5 Summary of significant accounting policies (Continued)

The recoverable amounts of cash generating units have been determined using fair value less costs to sell valuation model. Fair value is measured based on discounted cash flows using a discount rate reflecting the risk associated with the assets in question based on financial budgets covering a five-year period. Cash flows beyond the five-year period are extrapolated using the discount rates stated below.

	EBITDA margins (%) (*)	EBITDA growth rates (%) (**)	Discount rates (%)
Russia & CIS	28.7	3.90	14.3
Hungary	16.3	2.36	12.6
Croatia	20.5	2.17	13.2
Eastern Europe	7.7	1.75	11.6

(*) Budgeted operating profit before interest, tax, depreciation and amortization, impairment charges and other non-recurring operating expenses ("EBITDA") margins.
(**) Weighted average EBITDA growth rates used to extrapolate cash flows beyond the budget period.

The sensitivity of these assumptions, including the determination of the reporting units, the estimates of the Group's future cash flows and the discount rates used to calculate the fair value of reporting units and long-lived assets could significantly affect the amount of impairment charges. Future cash flow assumptions are sensitive to the continued perceived value of the brands.

(d) Trade receivables and provision for doubtful receivables

Trade receivables that are created by the Group by way of providing goods or services directly to a debtor are carried at amortised cost. A credit risk provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The recoverable amount is the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception (Note 10). Provision for doubtful receivables is included in marketing, selling and distribution expenses.

(e) Inventories

Inventories are valued at the lower of cost or estimated selling price less estimated costs to make the sale. Inventories are mainly composed of paper raw materials. The cost of inventories is determined on the weighted average basis (Note 9).

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5 Summary of significant accounting policies (Continued)

(f) Revenue recognition

The Group's primary source of print revenue is the sale of advertising space in its publications. Private and professional classified ads and display ads are published on a daily, weekly and monthly basis. The related revenues are recognized at the time the advertisement is published. Revenues related to advertisements appearing on multiple occasions are deferred and recognized during the period when the advertisement is run.

Circulation revenues, net of returns, are recognized at the time when the publications are sold through to the customer. Circulation revenues are earned mainly through kiosks, newsstands and other points of sales.

Service and other revenues primarily include warranty services in Hungary and printing for third parties in Russia. The products or services are recognized as earned at the date the products are sold to the final customer, or when contracts are activated. In addition, other revenue includes the sale of prepaid telephone cards, used by customers to call the Group's centres to publish an ad. Prepaid telephone card revenue is recognized when the card is sold to the customer because the use of the card typically takes place in the month of its sale. Online revenues are derived primarily from classified ads and display ads, including professional ads, consumer ads and banners which are deferred and recognized during the period when the advertisement is run.

Other types of revenue include (1) subscription or one-off access fees to content and information provided through the Group's websites which are recognized over the period of usage and (2) revenues generated from paid line usage for connecting buyers and sellers or other related services. Online revenues include revenues on products sold solely through the Group's websites and revenues for contracts providing both print and online advertisements for which an allocation of revenues attributable to online revenues has been made by management based upon relative fair value.

(g) Accounting for stock-based compensation

Stock-based compensation expense recognized during the prior period is based on the value of the portion of stock-based payment awards that is ultimately expected to vest during the period. Pursuant to the purchase by Hurriyet Invest B.V. of approximately 67.3% of the issued share capital of TME, TME option holders accepted the offer from Hürriyet to cancel their outstanding options for a cash amount. The cancellation of options and cash payment were accounted for as an acceleration of vesting and related vesting acceleration resulted in additional stock compensation expense of $3.5 for the year ended December 31, 2007. The cash payment to the optionees of $1.7 was recharged to Hürriyet.

(h) Earnings per share

Basic earnings per share is computed using the weighted average number of common shares outstanding and diluted earnings per share is computed using the weighted average number of common and potentially dilutive common shares outstanding during the year.

(Amounts expressed in millions of US Dollars ("$") unless otherwise indicated)

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5 Summary of significant accounting policies (Continued)

(i) Property, plant and equipment and depreciation

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is provided using the straight-line method based on the estimated useful lives of the assets. The depreciation periods for property, plant and equipment, which approximate the economic useful lives of assets concerned, are as follows:

Buildings	25-50 years
Printing presses and related equipment	3-15 years
Furniture and fixtures	3-10 years
Leasehold improvements	2-20 years

Assets held under finance leases and leasehold improvements are amortized over the shorter of the term of the related lease or the useful life of the asset. Gains or losses on the sale of property, plant and equipment are recognized in the period of disposal of the asset. Improvements which extend the useful lives of assets are capitalized. Repairs and maintenance are expensed as incurred.

(j) Significant accounting estimates and decisions

Preparation of financial statements requires the use of estimates and assumptions that may affect the amount of assets and liabilities recognised as of the balance sheet date, contingent assets and liabilities disclosed and the amount of revenue and expenses reported. Although, these estimates and assumptions rely on the Company management's best knowledge about current events and transactions, actual outcomes may vary from those estimates and assumptions.

The critical accounting estimates which may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the following financial reporting periods are as follows:

Impairment of assets

If the estimated discount rate applied to the discounted cash flows for the geographic unit in Hungary had been 1% higher than management's estimates, the Group would have recognised a further impairment charge against goodwill by $2.7.

Useful lives of intangible assets

Group estimates the useful lives of some trade names as indefinite. If these intangible assets' useful lives are finite (in case of useful lives of 20 years), their amortization would have increased by $4.6 (2007: $4.4) and income before tax and minority interests would have decreased by $4.6 (2007: $4.4).

Group amortizes trade names, customer lists and domain names with finite useful lives over the useful lives. If the useful lives of trade names, customer lists and domain names differ from the management's estimates by 10%, the effects on the financial statements would be as follows:

- Had the useful lives been higher by 10%, amortization charges would have decreased by $0.2 (2007: $0.2) and income before tax and minority interests would have increased by $0.2; or

- Had the useful lives been lower by 10%, amortization charges would have increased by $0.2 (2007: $0.2) and income before tax and minority interests would have decreased by $0.2.

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5 Summary of significant accounting policies (Continued)

(k) Borrowings

Borrowings are recognized initially at fair value. Borrowings are subsequently stated at amortized costs; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of income over the period of the borrowings. Financing fees paid during initial transactions are classified as "Deferred financing fees" and offset from borrowings (Note 13).

(l) Provisions

Provisions are recognised when the Group has a present legal constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

(m) Web page development costs

The direct costs incurred in the development of its websites are capitalised and recognised over the estimated useful lives. The costs incurred that relate to the planning and post implementation phases are expensed. Repair and maintenance costs associated with websites are included in cost of sales and general administrative expenses.

(n) Foreign currency transactions and translation

Income and expenses arising in foreign currencies have been translated with exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated at the exchange rates prevailing at the balance sheet date. Exchange gains or losses arising from settlement and translation of foreign currency items are recognised as income or expense in the consolidated statement of income.

(o) Taxes on income

Taxes on income include current period income taxes and deferred income taxes. Current year tax liability consists of tax liability on period income calculated according to currently enacted tax rates and tax legislation in force as of balance sheet date and includes adjustments related to previous years' tax liabilities.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

In substance, temporary differences arise from the differences in the periods of the recognition of income and expenses in accordance with IFRS as adopted in the EU and tax legislation. Deferred tax liabilities are recognised for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised. Deferred tax assets and deferred tax liabilities related to income taxes levied by the same taxation authority are offset accordingly.

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5 Summary of significant accounting policies (Continued)

(p) Segment reporting

A geographical segment is a distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments. A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments (Note 4).

A reportable segment is a business segment or a geographical segment identified based on the foregoing definitions for which segment information is required to be disclosed. A business segment or geographical segment should be identified as a reportable segment if a majority of its revenue is earned from sales to external customers and its revenue from sales to external customers and from transactions with other segments is 10% or more of the total revenue, external and internal, of all segments; or its segment result, whether profit or loss, is 10% or more of the combined result of all segments in profit or the combined result of all segments in loss, whichever is the greater in absolute amount; or its assets are 10% or more of the total assets of all segments.

(q) Financial liabilities to minorities

Under the certain terms of acquisition agreements, the Group is committed to acquire the interests owned by minority shareholders in consolidated subsidiaries, if these minority interests wish to sell their share of interests.

As it is highly probable that the Group will fulfil this obligation, IAS 32, "Financial Instruments: Disclosure and Presentation", requires the value of such put options to be presented as a financial liability on the balance sheet for the discounted value of the expected exercise price of this option, notwithstanding the ability of the Group to settle part of these obligations with its own shares rather than cash. Furthermore, the share of minority shareholders in the net asset of the company subject to the put option must be reclassified from "minority interest" to "financial liability" in the consolidated balance sheet (Note 14). The Group presents, on initial recognition, the difference between the exercise price of the option and the carrying value of the minority interests as a reduction of minority interest and then as additional goodwill. The subsequent unwinding of the discount is recognised in financial expense while the change in the value of the commitment is recorded through goodwill.

(r) Related parties

For the purposes of these consolidated financial statements, Doğan Holding and Doğan Yayın, shareholders, key management personnel and Board members, in each case together with their families and companies controlled or affiliated with them are considered and referred to as "Related parties". Key management personnel are defined as board members, general manager and assistant general managers (Note 16).

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5 Summary of significant accounting policies (Continued)

(s) Financial leases

Assets acquired under finance lease agreements are capitalised at the inception of the lease at fair value of the leased asset or at present value of the lease payment, whichever is the lower, less accumulated depreciation. Minimum lease payments are treated as comprising capital and interest elements.

Lease payments are apportioned between the finance charges and capital redemption so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalized leased assets are depreciated over the estimated useful life of the asset.

(t) Dividends

Dividends on ordinary shares are recognised in equity in the period in which the dividends are approved by the Group's shareholders. Dividend receivables are accounted for income at the date of dividend collection is eligible.

(u) Subsequent events

Subsequent events and announcements related to net income or even declared after other selective financial information has been publicly announced, include all events that take place between the balance sheet date and the date when the balance sheet is authorised for issue.

In the case that events requiring a correction to be made occur subsequent to the balance sheet date, the Company makes the necessary corrections to the financial statements.

(v) Reporting of cash flows

In the statement of cash flows, cash flows during the period are classified under operating, investing or financing activities. The cash flows raised from operating activities indicate cash flows due to the Group's operations. The cash flows due to investing activities indicate the Group cash flows that are used for and obtained from investments (investments in property, plant and equipment and financial investments). The cash flows due to financing activities indicate the cash obtained from financial arrangements and used in their repayment. Cash and cash equivalents include cash and bank deposits and the investments that are readily convertible into cash and highly liquid with 3 months or less to maturity (Note 11).

(w) Assets held for sale and discontinued operations

Discontinued operations are the part of the Group which either are classified as held-for-sale or have been disposed of and whose activities and cash flows can be treated as separable from the Group's activities and cash flows. Discontinued operations represent separate business or geographical segments, which are part of a plan to sell or dispose, or is a subsidiary acquired for selling. The Group measures discontinued operations, with the lower of the carrying amounts of the related assets and liabilities of the discontinued operations or the fair values less costs to sell (Note 21).

NOTE 3 – FINANCIAL RISK MANAGEMENT

3.1 Financial risk management

The Group is exposed to variety of financial risks due to its operations. These risks include interest rate risk, liquidity risk, funding risk, credit risk and foreign currency risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group also uses derivative financial instruments to hedge risk exposures.

Financial risk management is carried out by the Group management under policies approved by the Boards of Directors.

(a) Interest rate risk

The Group management uses limited interest bearing short term assets to stabilize the maturity of the interest bearing liabilities and assets. Furthermore, the Group hedges interest rate risks arising from floating rate borrowings when necessary, by limited use of derivatives.

At December 31, 2008, had the interest rates on USD denominated borrowings been hundred basis point higher/lower with all other variables held constant, mainly as a result of higher/lower interest expense on floating rate borrowings; profit before taxes for the period would have been lower/higher by $1.2 (2007: $1.4).

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Funding risk of current and future debt requirements is managed by the continual monitoring of the quality and availability of credit access and maintenance of cash and cash equivalents. The Group aims at maintaining cash and cash equivalents for the anticipated cash flows of raw material purchase for the subsequent six-months. Cash and cash equivalents amount to $58.7 (2007:$25.2) at December 31, 2008.

(Amounts expressed in millions of US Dollars ("$") unless otherwise indicated)

NOTE 3 – FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk management (Continued)

(b) Liquidity risk (Continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. Such amounts are undiscounted future cash flows of financial liabilities of the Group. Financial liabilities due within 12 months equal their carrying balances as the impact of discounting is not significant.

2008	**Up to 3 months**	**3 to 6 months**	**6 to 12 months**	**1 to 2 years**	**2 to 5 years**	**Total**
Financial liabilities	-	21.5	21.1	40.6	57.4	140.6
Financial liabilities to minorities	-	-	9.4	3.0	1.2	13.6
Trade and other payables	14.3	0.8	0.1	-	-	15.2

2007	**Up to 3 months**	**3 to 6 months**	**6 to 12 months**	**1 to 2 years**	**2 to 5 years**	**Total**
Financial liabilities	-	5.4	23.5	44.9	100.5	174.3
Financial liabilities to minorities	-	-	-	9.2	9.3	18.5
Trade and other payables	16.8	1.2	1.4	-	-	19.4

At December 31, 2008, the Group has long-term financial liabilities amounting to $86.6 (2007: $120.5) (Note 13).

(c) Funding risk

The ability to fund the existing and prospective debt requirements is managed by maintaining the availability of adequate committed funding lines from high quality lenders.

(d) Credit Risk

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. These risks are monitored by limiting the aggregate risk to any individual counterparty. As the entities comprising customer base are numerous and spread on different business areas, credit risk is diversified.

Financial assets, which potentially expose the Group to concentrations of credit risk consist primarily of cash and accounts receivable. Cash and cash equivalents are deposited with financial institutions which the Group believes to be of high credit quality. The Group does not believe that it is subject to any unusual financial credit risk related to cash and cash equivalent beyond the normal risk associated with commercial banking relationships. The Group establishes the allowance for doubtful accounts based on factors surrounding the credit risk of specific customers, historical trends and other information.

(Amounts expressed in millions of US Dollars ("$") unless otherwise indicated)

NOTE 3 – FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk management (Continued)

(e) Foreign currency risk

The Group is exposed to foreign exchange risk through the impact of rate changes in the translation of foreign currency denominated assets and liabilities to US Dollars. The foreign exchange risk mainly arises from the impact of rate changes in the translation of the Group's foreign currency denominated borrowings (Note 13).

Assets and liabilities denominated in foreign currencies, in the context of functional currencies used by the subsidiaries, at December 31, 2008 and 2007 and resulting net foreign currency position at the respective balance sheet dates are as follows:

	December 31, 2008	**December 31, 2007**
Assets - Cash and cash equivalents	$ 45.8	$ 1.5
Liabilities - Senior credit facility	(123.8)	(140.1)
Net foreign currency position	**(78.0)**	**(138.6)**

All foreign currency balances included in the foreign currency position at December 31, 2008 and 2007 are originally denominated in US Dollars except for the cash and cash equivalents amounting to $0.7 at December 31, 2007 which were originally denominated in Euros.

Following exchange rates have been used in the translation of foreign currency denominated balance sheet items as of December 31, 2008: $0.0339 = RUR 1, EUR0.0241=RUR 1 (2007: $0.0408= RUR 1, EUR0.0277= RUR 1).

At December 31, 2008, had the US Dollar weakened/strengthened by 20% against RUR and other local currency of the countries which Group has significant operations, ceteris paribus, income before tax and minority interests for the year would have been $15.6 lower/higher (2007: $26.5), as a result of foreign exchange gains/losses on translation of USD denominated financial liabilities.

Due to the global financial crisis started at the beginning of the fourth quarter of 2008, the functional currencies used by the subsidiaries has devaluated against US Dollar when exchange rates effective at the approval date of these financial statements are compared with the exchange rates effective at the balance sheet date (Note 24).

3.2 Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realise in a current market exchange.

NOTE 3 – FINANCIAL RISK MANAGEMENT (Continued)

3.2 Fair value of financial instruments (Continued)

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

Monetary assets

The fair value of the balances denominated in foreign currencies, which are translated by using the exchange rates prevailing at period-end, is considered to approximate carrying value.

The fair values of certain financial assets carried at cost where the fair values cannot be measured reliably, including cash and cash equivalents, are considered to approximate their respective carrying values due to their short-term nature and is negligible impairment risk of the receivables.

The carrying value of trade receivables measured at amortised cost using the effective interest method, less provision for impairment are assumed to approximate their fair values.

Monetary liabilities

The carrying values of trade payables are assumed to approximate their fair values. The carrying values of non-current borrowings approximate their fair values as the repricing maturity of the borrowings are less than 6 months. The carrying values of trade payables and other long term financial liabilities approximate their fair values as the effect of the discounting is not material.

3.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

NOTE 4 – SEGMENT INFORMATION

The Group's geographic operating segments are organized on a regional basis for purposes of presenting internal financial information, consistent with its operating management structure. Geographical operating profit is analyzed by management at the EBITDA level. There is no standard definition of EBITDA in generally accepted accounting principles, however the Group defines EBITDA as operating profit before interest, tax, depreciation and amortization, impairment charges and other non-recurring gains and losses.

Management believes that the Group is operating under one business segment as the scope of the business for the Group is classified advertisements, display advertisements and services and as there is no significant difference in terms of risk and return between these activities. Nature of products, nature of production processes, type of customers, methods used to distribute the products are similar.

Notes to Consolidated Financial Statements

(Amounts expressed in millions of US Dollars ("$") unless otherwise indicated)

NOTE 4 – SEGMENT INFORMATION (Continued)

a) Geographic segmental analysis for the year ended December 31, 2008:

	Russia & CIS	Hungary	Croatia	Eastern Europe	Corporate and unallocated	Total
Print revenues	$ 236.5	$ 27.0	$ 14.0	$ 0.9	$ -	$ 278.4
Online revenues	11.7	2.6	1.8	2.4	-	18.5
Total revenues	**248.2**	**29.6**	**15.8**	**3.3**	**-**	**296.9**
EBITDA	**63.5**	**2.7**	**2.4**	**(0.4)**	**(12.8)**	**55.4**
Depreciation and amortisation	(5.7)	(2.9)	(0.5)	-	(0.7)	(9.8)
Goodwill impairment (*)	-	(12.0)	-	(0.3)	-	(12.3)
Income tax expenses	(15.2)	(3.8)	(0.4)	-	-	(19.4)
Accrued interest expenses of the written put options	(0.6)	-	(0.8)	-	-	(1.4)
Provision for doubtful receivables	(2.2)	(1.7)	(0.1)	-	-	(4.0)
Total assets	189.5	38.0	31.1	5.0	62.5	326.1
Additions to property, plant and equipment	3.2	0.9	0.2	-	0.3	4.6
Goodwill	83.2	18.4	11.4	3.8	0.5	117.3
Total liabilities	16.4	3.8	2.2	1.1	162.6	186.1

(*) The goodwill allocated to Hungary and Eastern Europe segments have been impaired due to the significant impact of global economic crisis on local markets of such geographies.

(Amounts expressed in millions of US Dollars (“$”) unless otherwise indicated)

NOTE 4 – SEGMENT INFORMATION (Continued)

c) Geographic segmental analysis for the year ended December 31, 2007:

	Russia & CIS	Hungary	Croatia	Poland (*)	Eastern Europe	Corporate and unallocated	Total
Print revenues	$ 210.6	$ 31.7	$ 13.9	-	$ 0.8	-	$ 257.0
Online revenues	7.8	3.8	1.0	-	1.9	-	14.5
Total revenues	**218.4**	**35.5**	**14.9**	**-**	**2.7**	**-**	**271.5**
EBITDA	**68.5**	**5.6**	**3.7**	**-**	**0.3**	**(16.9)**	**61.2**
Depreciation and amortisation	(5.3)	(2.5)	(0.5)	-	-	-	(8.3)
Goodwill impairment	-	(3.3)	-	-	-	-	(3.3)
Income tax expenses	(23.4)	(0.5)	(1.3)	-	-	(0.2)	(25.4)
Accrued interest expenses of the written put options	(0.5)	-	(0.4)	-	-	-	(0.9)
Provision for doubtful receivables	(0.8)	(0.6)	-	-	-	-	(1.4)
Total assets	232.2	61.5	4.3	31.7	5.3	23.3	358.3
Additions to property, plant and equipment	4.2	0.5	0.1	0.3	-	-	5.1
Goodwill	99.4	33.3	10.1	0.8	4.3	4.9	152.8
Total liabilities	19.4	4.5	3.6	1.4	0.7	190.2	219.8

(*) The Group sold Trader.com (Polska) Sp. Z.o.o. (“Trader.com”) for a cash consideration of US$54.4 million on May 14, 2008 and completed this transaction on June 25, 2008 (Note 21).

Notes to Consolidated Financial Statements

(Amounts expressed in millions of US Dollars ("$") unless otherwise indicated)

NOTE 4 – SEGMENT INFORMATION (Continued)

A reconciliation of adjusted EBITDA to profit before tax is provided as follows:

	2008	2007
EBITDA for reportable segments	68.2	78.1
Corporate and unallocated EBITDA	(12.8)	(16.9)
Goodwill impairment	(12.3)	(3.3)
Depreciation and amortisation	(9.8)	(8.3)
Provision for doubtful receivables	(4.0)	(1.4)
Non-recurring charges	(0.1)	(4.2)
Interest expenses of written put options	(1.4)	(0.9)
Financial expenses, net	(32.8)	(4.7)
Other	(0.4)	(0.8)
(Loss)/profit before income taxes	**(5.4)**	**37.6**

Reportable segments' assets are reconciled to total assets as follows:

	2008	2007
Segment assets for reportable segments	263.6	335.0
Corporate and unallocated:		
Property, plant and equipment, net	0.9	0.2
Goodwill	0.4	4.9
Intangible assets	5.4	-
Available-for-sale financial assets	0.5	0.1
Deferred income tax assets	0.7	4.5
Receivable from tax authorities	1.6	4.0
Prepaid tax	6.9	0.2
Cash and cash equivalents	45.5	2.2
Other	0.6	7.2
Total assets	**326.1**	**358.3**

Reportable segments' liabilities are reconciled to total liabilities as follows:

	2008	2007
Segment liabilities for reportable segments	23.5	29.6
Corporate and unallocated:		
Financial liabilities - Senior credit facility	123.8	140.1
Financial liabilities to minorities	13.0	16.3
Deferred income tax liabilities	24.1	30.6
Trade and other payables	1.7	3.2
Total liabilities	**186.1**	**219.8**

NOTE 5 – BUSINESS COMBINATIONS

Acquisitions during the year ended December 31, 2008:

The Group acquired 100% of shares of Oglasnik Nekretnine d.o.o, incorporated in Croatia, on June 6, 2008 for a total purchase consideration of $0.52 and $0.51 of such purchase consideration has been allocated to goodwill.

Acquisitions during the year ended December 31, 2007:

The Group has entered into the following business combinations for the year ended December 31, 2007:

Acquisition of Moje Delo in Slovenia

In June 2007, the Group acquired a 55% of the shares of Moje Delo d.o.o. ("Moje Delo") in Slovenia for a nominal amount of $2.7 (equivalent of €2.0 million), plus an earn-out to be determined on the basis of 2007 financial results, subject to a maximum of $1.3 (equivalent of €1.0 million) and payable (if any) by no later than June 30, 2008. As of December 31, 2007, payable amounting to $1.3 was recognized as a liability and considered as part of acquisition cost. Such earn-out payment has been made on September, 2008.

Moje Delo is a leading provider of recruiting services in Slovenia both online and offline. Moje Delo has 2 subsidiaries in Bosnia and Serbia (Bolji Posao Bosnia and Bolji Posao Serbia) fully-owned, which started their activities in 2008.

The Group has granted to the selling shareholders a put option on the remainder of the shares exercisable from January 2009 to January 2012 and have a call option exercisable from January 2011 to January 2014. Exercise price shall be calculated based on EBITDA and net financial debt of Moje Delo.

The acquisition was completed in June 2007 and results of Moje Delo are included in the consolidated statement of income of the Group from the date of acquisition.

Acquisition of Impress Media in Russia

Impress Media is one of the leaders in commercial real estate advertising in the Russian market with its publication Commercial Real Estate. It also organizes and hosts the well-known "Golden Brick" annual award event aimed at promoting the best developers in Russia.

Impress Media's product portfolio includes, among others, magazines such as Tvoya Ipoteka ("Your Mortgage"), Novy Adress ("New Address") and Flooring Professional.

In January 2007, the Group finalized the acquisition of 68.5% of the shares of Impress Media for a purchase consideration of $4.5.

NOTE 5 – BUSINESS COMBINATIONS (Continued)

The Group has granted the following put options to the minority shareholders:

- to each of the two minority shareholders each owning 8.2% of the shares of Impress Media, a put option on 2.5% of the shares of Impress Media or on all shares held by them at the date of the exercise, exercisable from the date of completion of the share purchase agreement (the "Completion") until and subject to the occurrence of certain events, including changes in management employment, substantial changes in the business or in the marketing strategy, sale of major publications for less than fair market value or alienation of other significant assets.
- to the minority shareholder owning 15% of the shares of Impress Media, a put option on all shares held by him at the date of exercise, exercisable from the third anniversary of Completion to the seventh anniversary of Completion, or at any time from Completion upon the occurrence of certain events mentioned above.

The minority shareholders have also granted to the Group the following call options:

- by each of the two minority shareholders each owning 8.2% of the shares of Impress Media, a call option on any shares held by them at the time of the exercise, exercisable in the event of changes in management employment.
- by the minority shareholder owning 15% of the shares of Impress Media, on all shares held by him at the date of exercise, exercisable at any time between the fifth and the seventh anniversary of Completion.

In addition, one of the minority shareholders has a call option exercisable upon the occurrence of certain events, pursuant to which he is entitled to repurchase shares previously purchased by the Group, subject to a maximum of 10.1%.

Under the put and call option agreements, the purchase price of the shares will be either a fixed amount or the result of a calculation based on EBITDA or revenues.

The purchase price allocation results in the identification of an additional publication title (Commercial Real Estate) for an amount of $2.8. This publication title will be amortized over 10 years. The remaining amount is allocated to goodwill for $2.3.

The acquisition was completed in January 2007 and results of Impress Media are included in the consolidated statement of income of the Group.

Acquisition of the remaining 30% in Internet Posao d.o.o. in Croatia

Posao.hr is a job site enabling employees to find a job and to prepare curricula vitae, and for employers, to publish openings and perform searches of curriculum vitae data based on specific criteria to find suitable candidates. The site was opened in October 2002.

(Amounts expressed in millions of US Dollars ("$") unless otherwise indicated)

NOTE 5 – BUSINESS COMBINATIONS (Continued)

The Group's 70% owned subsidiary Oglasnik purchased 70% of Internet Posao d.o.o. for $0.7 in December 2006. The former ultimate owner of the website had remained a minority shareholder owning 30% of the shares at that date. The Group has finally repurchased its shares for $0.2 on June 29, 2007. The Group's share in the purchase price has been allocated to the website Posao.hr.

Reconciliation of cash paid for the acquisitions in 2008 and 2007 and purchase consideration for the assets and liabilities acquired are as follows:

	2008	2007
Acquisition of 55% in Moje Delo (Slovenia)	$ 1.3	$ 2.7
Acquisition of 100% in Oglasnik Nekretnine d.o.o. (Croatia)	0.5	-
Payment of the remaining portion for the purchase of 68.5% in Impress Media (Russia)	-	2.0
Acquisition of the remaining 30% of Internet Posao d.o.o. by the Group's 70% owned subsidiary Oglasnik d.o.o from the minority shareholder (Croatia)	-	0.2
Less: Cash and cash equivalents in subsidiaries acquired	-	(0.5)
Total cash paid for acquisitions	**1.8**	**4.4**
Earned out payable as a part of Moje Delo acquisition cost	(1.3)	1.3
Financial liabilities to minorities related to written put options in connection with business combinations	-	8.2
Cash paid in 2006 for Impress Media acquisition	-	2.5
Total purchase consideration	**0.5**	**16.4**

The allocation of purchase consideration to assets and liabilities acquired is as follows:

	2008	2007
Goodwill	$ 0.5	$ 14.1
Intangible assets	-	2.8
Property, plant and equipment	-	0.4
Deferred tax liabilities	-	(0.7)
Non-current financial liabilities	-	(0.2)
Total purchase consideration	**0.5**	**16.4**

Notes to Consolidated Financial Statements

(Amounts expressed in millions of US Dollars ("$") unless otherwise indicated)

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT

Movement of property, plant and equipment and related accumulated depreciation for the year ended December 31, 2008 is as follows:

	1 January 2008	Additions	Disposals	Transfers (*)	Disposal of subsidiaries (**)	Currency translation differences	31 December 2008
Cost:							
Land and land improvements	0.1	-	-	-	-	-	0.1
Buildings	4.3	-	-	0.1	-	(0.8)	3.6
Printing presses and related equipment	20.3	0.2	(0.3)	-	-	(3.4)	16.8
Furniture and fixtures	19.2	3.1	(2.9)	-	(1.7)	(2.7)	15.0
Leasehold improvements	0.5	0.3	(0.2)	-	(0.1)	-	0.5
Construction in progress	2.1	1.0	(0.6)	(1.8)	(0.1)	(0.2)	0.4
	46.5	**4.6**	**(4.0)**	**(1.7)**	**(1.9)**	**(7.1)**	**36.4**
Accumulated depreciation:							
Buildings	0.6	0.1	-	-	-	(0.1)	0.6
Printing press and related equipment	8.3	1.4	(0.1)	-	-	(1.6)	8.0
Furniture and fixtures	12.9	2.3	(2.6)	-	(1.4)	(1.8)	9.4
Leasehold improvements	0.2	-	(0.1)	-	-	-	0.1
	22.0	**3.8**	**(2.8)**	**-**	**(1.4)**	**(3.5)**	**18.1**
Net book value	**24.5**						**18.3**

(*) Transferred to intangible assets.
(**) Disposal of Trader.com (Polska) Sp. Z.o.o. on June 25, 2008.

Depreciation expenses amounting to $3.8 for the year ended December 31, 2008 have been included in cost of sales and general administrative expenses amounted to $1.4 and $2.4, respectively (2007: $1.4 and $2.2).

Notes to Consolidated Financial Statements

(Amounts expressed in millions of US Dollars ("$") unless otherwise indicated)

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT (Continued)

Movement of property, plant and equipment and related accumulated depreciation for the year ended December 31, 2007 is as follows:

	1 January 2007	Additions	Disposals	Acquisitions (*)	Write-off	Currency translation differences	31 December 2007
Cost:							
Land and land improvements	0.1	-	-	-	-	-	0.1
Buildings	3.8	0.3	-	-	-	0.2	4.3
Printing presses and related equipment	19.6	-	-	-	(0.7)	1.4	20.3
Furniture and fixtures	15.8	3.5	(0.3)	0.2	(0.5)	0.5	19.2
Leasehold improvements	0.5	-	-	-	-	-	0.5
Construction in progress	1.2	1.3	(0.3)	-	-	(0.1)	2.1
	41.0	**5.1**	**(0.6)**	**0.2**	**(1.2)**	**2.0**	**46.5**
Accumulated depreciation:							
Buildings	0.4	0.1	-	-	-	0.1	0.6
Printing press and related equipment	7.0	1.4	-	-	(0.6)	0.5	8.3
Furniture and fixtures	10.5	2.1	(0.2)	-	(0.6)	1.1	12.9
Leasehold improvements	0.1	-	-	-	-	0.1	0.2
	18.0	**3.6**	**(0.2)**	**-**	**(1.2)**	**1.8**	**22.0**
Net book value	**23.0**						**24.5**

(*) Due to the acquisition of 68.5% of shares of Impress Media shares.

Notes to Consolidated Financial Statements

(Amounts expressed in millions of US Dollars ("$") unless otherwise indicated)

NOTE 7 – GOODWILL

The movements in goodwill during the years ended December 31, 2008 and 2007 are as follows:

	2008	**2007**
1 January	**152.8**	**131.3**
Additions	0.5	14.1
Currency translation adjustment	(17.7)	10.8
Disposal due to sale of Trader.com (Polska) Sp. Z.o.o.	(0.9)	-
Change in fair value of the exercise price of the written put options issued in connection with business combinations	(5.1)	(0.1)
Impairment (*)	(12.3)	(3.3)
31 December	**117.3**	**152.8**

(*) The goodwill allocated to Hungary and Eastern Europe segments have been impaired due to the significant impact of global economic crisis on local markets of such geographies.

Notes to Consolidated Financial Statements

(Amounts expressed in millions of US Dollars ("$") unless otherwise indicated)

NOTE 8 – INTANGIBLE ASSETS

Movement of intangible assets and related accumulated amortization for the year ended December 31, 2008 is as follows:

	1 January 2008	Additions	Transfers (*)	Disposal of subsidiaries (**)	Currency translation differences	31 December 2008
Cost:						
Trade names	114.6	0.4	-	(3.0)	(14.5)	97.5
Customer list	9.6	-	-	(0.3)	(1.0)	8.3
Software and rights	19.5	6.6	1.4	(1.9)	(1.9)	23.7
Other intangible assets	2.9	0.2	0.3	(0.6)	(0.2)	2.6
	146.6	**7.2**	**1.7**	**(5.8)**	**(17.6)**	**132.1**
Accumulated depreciation:						
Trade names	13.9	1.3	-	(1.4)	(1.5)	12.3
Customer list	7.9	0.6	-	(0.2)	(0.9)	7.4
Software and rights	9.6	3.6	-	(1.0)	(0.1)	12.1
Other intangible assets	2.5	0.5	-	(0.6)	(0.2)	2.2
	33.9	**6.0**	**-**	**(3.2)**	**(2.7)**	**34.0**
Net book value	**112.7**					**98.1**

(*) Transferred from property, plant and equipment.
(**) Disposal of Trader.com (Polska) Sp. Z.o.o. on June 25, 2008.

Intangible assets with indefinite useful lives amounts to $79.9 at December 31, 2008, (2007: $92.1). The useful lives of the assets with indefinite useful life, as expected by the Group, are determined based on the stability of the industry, changes in market demands as to the products and services provided through assets, control period over the assets and legal or similar restrictions on their utilization.

Amortisation expenses amounting to $6.0 for the year ended December 31, 2008 have been included in general administrative expenses (2007: $4.7).

(Amounts expressed in millions of US Dollars ("$") unless otherwise indicated)

NOTE 8 – INTANGIBLE ASSETS (Continued)

Movement of intangible assets and related accumulated amortization for the year ended December 31, 2007 is as follows:

	1 January 2007	Additions	Write-off	Acquisitions (*)	Currency translation differences	31 December 2007
Cost:						
Trade names	102.5	-	-	2.8	9.3	114.6
Customer list	8.8	-	-	-	0.8	9.6
Software and rights	12.4	5.6	(0.6)	-	2.1	19.5
Other intangible assets	2.5	-	-	-	0.4	2.9
	126.2	**5.6**	**(0.6)**	**2.8**	**12.6**	**146.6**
Accumulated depreciation:						
Trade names	12.2	0.5	-	-	1.2	13.9
Customer list	6.7	0.5	-	-	0.7	7.9
Software and rights	6.4	3.1	(0.6)	-	0.7	9.6
Other intangible assets	1.7	0.6	-	-	0.2	2.5
	27.0	**4.7**	**(0.6)**	**-**	**2.8**	**33.9**
Net book value	**99.2**					**112.7**

(*) Due to the acquisition of 68.5% of Impress Media shares.

(Amounts expressed in millions of US Dollars ("$") unless otherwise indicated)

NOTE 9 – INVENTORIES

	2008	2007
Raw materials	$ 4.4	$ 3.8
Finished goods	0.1	0.2
	4.5	**4.0**

The cost of inventories recognised as expense and included in "cost of sales" amounted to $68.5 (2007: $60.0).

NOTE 10 – TRADE AND OTHER RECEIVABLES

The details of trade and other receivables as at December 31, 2008 and 2007 are as follows:

	2008	2007
Trade receivables	$ 19.1	$ 22.9
Less: provision for impairment of trade receivables	(7.9)	(7.4)
Trade receivables - net	**11.2**	**15.5**
Receivable from tax authorities	1.6	4.0
Deposits and guarantees given	-	0.2
	12.8	**19.7**

The fair values of trade and other receivables approximate to the carrying values.

As of December 31, 2008, trade receivables of $9.5 (2007: $12.6) were fully performing.

As of December 31, 2008, trade receivables of $1.7 (2007: $2.9) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2008	2007
Up to 3 months	$ 1.4	$ 2.1
3 to 6 months	0.3	0.8
	1.7	**2.9**

(Amounts expressed in millions of US Dollars ("$") unless otherwise indicated)

NOTE 10 – TRADE AND OTHER RECEIVABLES (Continued)

As of December 31, 2008, trade receivables of $7.9 (2007: $7.4) were impaired and provided for. The individually impaired receivables relate to customers, which are in difficult economic situations. The ageing of these receivables is as follows:

	2008	2007
Up to 3 months	$ 1.3	$ 0.1
3 to 6 months	0.3	0.2
Over 6 months	6.3	7.1
	7.9	**7.4**

Movements of provision for impairment of trade receivables are as follows:

	2008	2007
1 January	**$ 7.4**	**$ 5.9**
Additions	4.0	1.4
Collections	(0.1)	-
Write-off	(2.3)	(0.2)
Disposal due to sale of Trader.com	(0.3)	-
Currency translation differences	(0.8)	0.3
31 December	**7.9**	**7.4**

Trade receivables and related provision are written off when there is no expectation of recovery. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

NOTE 11 – CASH AND CASH EQUIVALENTS

The cash and cash equivalents as at December 31, 2008 and 2007 are as follows:

	2008	2007
Cash	$ 0.5	$ 0.1
Banks		
- demand deposits	12.7	23.7
- time deposits	45.5	1.4
	58.7	**25.2**

(Amounts expressed in millions of US Dollars ("$") unless otherwise indicated)

NOTE 11 – CASH AND CASH EQUIVALENTS (Continued)

Cash and cash equivalents included in the consolidated statements of cash flows as at and for years ended at December 31, 2008, 2007 and 2006 are as follows:

	2008	2007	2006
Cash and banks	$ 58.7	$ 25.2	$ 21.1
Less: interest accruals	(0.3)	-	-
	58.4	**25.2**	**21.1**

The maturity analysis of time deposits is as follows:

	2008	2007
Up to 1 month	$ 45.5	$ 0.6
6-12 months	-	0.8
	45.5	**1.4**

There are no time deposits with variable interest rates at December 31, 2008 and 2007. The effective interest rate for US Dollar time deposits is 5.7% (2007: None). There are no other foreign currency denominated bank deposits as of December 31, 2008 (2007: EUR: 4.4%, RUR: 7.7%).

NOTE 12 – SHARE CAPITAL

The shareholding structure is as follows:

	2008	Share (%)	2007	Share (%)
Hurriyet Invest B.V	5.4	67.3	5.4	67.3
Publicly owned	2.6	32.7	2.6	32.7
Share capital	**8.0**	**100.0**	**8.0**	**100.0**

At January 1, 2006, TME had an issued share capital of two shares of £1.0 each, that have been each subdivided and reconsolidated into 11.03125 shares of $0.16 (full) as of January 25, 2006, then brought to 12 shares of $0.16 (full) at the same date after that each member of TME have allotted and issued at par to them 0.96875 of a share. These shares have been transferred to TCM. A further number of 49,999,976 ordinary shares have been issued in the restructuring process to the benefit of TCM, being the final owner of the 50,000,000 ordinary shares of TME. Additional paid-in capital amounting to $678.1 at December 31, 2008 (2007: $678.1) is related to issuance of such shares and share premium arised in the restructuring process (Note 1).

NOTE 13 – FINANCIAL LIABILITIES - SENIOR CREDIT FACILITY

From February 9, 2006 to May 22, 2007

On February 9, 2006, the Group entered into a $250.0 multi-currency senior secured term loan and revolving credit facility, with BNP Paribas as Global Coordinator and BNP Paribas and West LB AG, London Branch, as Mandated Lead Arrangers.

Excluding the potential short-term repayment due to the issues mentioned below, the final maturity date of this facility was five years from the date of signing. The facility consisted of three term loans available within 30 days of signing and amounting in aggregate up to $140.0. The Group has drawn down this amount on the closing of the Offering in February 2006. In addition, the facility provided a revolving credit facility of up to $25.0 and an acquisition facility of up to $85.0. Term Loan Facility 1, with up to $100.0 available for drawing, has been used to purchase the 12% interest in Pronto Moscow, a subsidiary of TME, held by the General Manager of the Group's Russian operations. Term Loan Facility 2, with up to $7.5 available for drawing, has been used to refinance existing indebtedness of Trader Hungary Tanacsado Kft. Term Loan Facility 3, with up to $32.5 available for drawing, has been used to pay outstanding related party balances with TCM, third party debt and certain fees, costs and expenses associated with the arranging and syndication of the facility.

The rate of interest payable for each term loan was the sum, per annum, of the applicable margin (set at market rates and thereafter subject to adjustment according to the quarterly ratio of the Group's consolidated Net Debt to consolidated EBITDA) plus the one, two, three or six month LIBOR or other interbank reference rate (as appropriate), plus any mandatory costs.

Contractually and in the absence of early repayment due to covenant violation or change of control, the term loan facilities would be repaid in biannual, progressively increasing instalments beginning in July 2006.

This facility required the Group generally and the Borrowers to comply with certain customary covenants, including, but not limited to, a negative pledge as well as covenants that restrict the Group's ability to dispose of certain assets, make certain acquisitions, enter into mergers, incur additional indebtedness, make certain distributions and change the Group's core business.

It also required that the Group complied with certain financial covenants including ratios with respect to net debt to consolidated EBITDA, consolidated EBITDA to consolidated net interest payable, and Operating Cash Flow to Total Debt Service (each as defined in the loan agreement facility). The covenants also specified maximum permissible capital expenditures.

It contained a number of customary events of default including: non-payment, failure to satisfy financial covenants, cross defaults, changes in the Group's ownership and insolvency. Upon the occurrence and during the continuation of any event of default, the Lenders had the right, subject to waiver and applicable grace periods, to declare all or any portion of the obligations immediately due, cease advancing money or extending credit to any Borrower and terminate the facility as to any future obligation of the Lenders.

NOTE 13 – FINANCIAL LIABILITIES - SENIOR CREDIT FACILITY (Continued)

Throughout 2006 the Group had complied with the above covenants with the exception of one minor infringement in December 2006 for which a waiver was subsequently granted. At the end of 2006, management also considered that as a consequence of the changing business profile of the Group and the need to reorganize the Group structure, a new credit facility had to be renegotiated. As a consequence, the debt and related financing fees had been reclassified as current as of December 31, 2006.

Borrowers under this facility were Trader Media East and certain of its subsidiaries. Obligations of the Borrowers under the facility were guaranteed by Trader Media East, the Borrowers and certain of its subsidiaries and were secured by pledges of certain intercompany loans, pledges over shares in Trader Media East, Mirabridge and certain of the Group's other subsidiaries and of certain bank accounts.

On January 31, 2007, Hürriyet Invest B.V. announced that the boards of Hürriyet and TME had reached agreement on the terms of a recommended cash offer of $10.00 (in full) per TME Share. On March 16, 2007, The Offer became unconditional. Under the provision of the "change of control" clause of the agreement, lenders might require repayment of the debt outstanding and a cancellation of their commitments.

From May 22, 2007 to December 31, 2008

In May 2007, following that change in the Group's ownership, the Group completed the signing of its new senior credit agreement (the "Senior Credit Facility") arranged by ABN Amro, which amounts to a total facility of $200.0 with a five-year maturity date and the Group repaid the original senior credit facility arranged by BNP Paribas.

The facility was available 6 months after the signing date (Serie 2: 18 months after the signing date). The total amount drawn by December 31, 2008 is $127.4 (2007: $144.8). The Group has made a repayment amounted $54.4 (2007: nil)during the year and has drawn an additional portion amounted to $55.2 (2007: nil). The deferred financing fees amount to $4.1 as of December 31, 2008 (2007: $6.5). The amortised cost of the borrowings (net-off deferred financing fees) amount to $123.8 as of December 31, 2008 (2007: $140.1).

If any of the following events occurs the borrower shall prepay and cancel the Senior Credit Facility in full:

- Change of control; or
- Illegality provided that there will be mitigation language in the Senior Credit Facility agreement.

The net proceeds of the following shall be applied in prepayment and permanent reduction of the Senior Credit Facility:

- disposals or asset sales in aggregate in excess of the amount of 10% of the book value of the Group's consolidated assets; and
- equity issues received in excess of the amount of 10% of the book value of the Group's consolidated assets.

The borrower shall repay the Senior Credit Facility in eight (8) equal, semi-annual instalments commencing 18 months after the Signing Date.

(Amounts expressed in millions of US Dollars ("$") unless otherwise indicated)

NOTE 13 – FINANCIAL LIABILITIES - SENIOR CREDIT FACILITY (Continued)

Interest Periods:

Interest will be payable on advances at the rate per annum which is the aggregate of:

- LIBOR for the relevant interest period;
- the applicable margin; and
- all mandatory reserve asset and regulatory costs

LIBOR will be determined using the relevant Telerate reference screen. If the benchmark rates are not available, LIBOR will be determined by the reference banks defined in the Senior Credit Facility agreement.

6 months or such other periods as the borrower and facility agent may agree. No interest period will end after the final maturity date.

The Senior Credit Facility contains a number of customary events of default including: non-payment, failure to satisfy financial covenants, cross defaults, changes in the Group's ownership and insolvency. Upon the occurrence and during the continuation of any event of default, the lenders have the right, subject to waiver and applicable grace periods, to declare all or any portion of the obligations immediately due, cease advancing money or extending credit to any borrower and terminate the Senior Credit Facility as to any future obligation of the lenders.

The Senior Credit Facility is USD denominated and the effective interest rate per annum is 6.6% (LIBOR+2.5%) at December 31, 2008 (2007: 7.3%).

The redemption schedule of the non-current portion of the Senior Credit Facility is as follows:

	2008	**2007**
Year		
2009	-	36.2
2010	36.4	36.2
2011	36.4	36.2
2012	13.8	11.9
	86.6	**120.5**

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	2008	**2007**
Year		
Up to 6 months	123.8	140.1
	123.8	**140.1**

Carrying value of the Senior Credit Facility is considered to approximate its fair value since any discounting effect is not material.

(Amounts expressed in millions of US Dollars ("$") unless otherwise indicated)

NOTE 14 – FINANCIAL LIABILITIES TO MINORITIES

Financial liabilities to minorities relate to written put options issued in connection with business combinations.

In January 2007, OOO ProntoMoscow, a subsidiary of the Group, finalised the acquisition of Impress Media Marketing LLC incorporated in Russia. The Group has the right to purchase minority shares of 31.5% from owners without a time constraint, provided that certain conditions are met. The Group has exercised 5% portion of the written put options during the year. The 5.8% portion of the remaining 26.5% of minority shares estimated as exercisable in the current period by the management and classified in current financial liabilities to minorities. The current portion of remaining option's value is $0.8 while the non-current portion amounted to $2.9 (2007: $3.6) as of December 31, 2008 according to various valuation techniques and assumptions.

The Group has granted a put option, on the remainder of 30% shares during the acquisition of 70% interest of the shares in its subsidiary Oglasnik d.o.o. incorporated in Croatia. The fair value of this option amounts to $8.2 (2007: $7.4) as of December 31, 2008 in accordance with various valuation techniques and assumptions. The option is exercisable until July 2009 and classified in current financial liabilities to minorities.

The Group has acquired a 55% interest in Moje Delo d.o.o. ("Moje Delo") incorporated in Slovenia. The Group has granted to the selling shareholders a put option on the remainder of the shares exercisable from January 2009 to January 2012 and has a call option exercisable from January 2011 to January 2014. Exercise price shall be calculated based on EBITDA and the net financial debt of Moje Delo. The fair value of the put option is $1.1 as of December 31, 2008 (2007: $5.3) and classified in non-current financial liabilities to minorities.

NOTE 15 – TRADE AND OTHER PAYABLES

The details of trade and other payables as at December 31, 2008 and 2007 are as follows:

	2008	**2007**
Trade payables	$ 9.9	$ 10.9
Social security and other taxes	1.4	2.5
Payable to personnel	3.5	6.0
Other	0.4	-
	15.2	**19.4**

NOTE 16 – RELATED PARTY DISCLOSURES

i) Balances with related parties:

Amounts due to shareholders - current:

	2008	**2007**
Hürriyet	0.3	0.4
	0.3	**0.4**

(Amounts expressed in millions of US Dollars ("$") unless otherwise indicated)

NOTE 16 – RELATED PARTY DISCLOSURES

ii) Transactions with related parties:

Service purchases from related parties:

	2008	**2007**
Hürriyet	1.5	0.4
	1.5	**0.4**

	2008	**2007**
Remunerations paid to Board members and key management personnel	0.3	1.6

NOTE 17 - TAXATION ON INCOME

	2008	**2007**
Corporate and income taxes payable	1.4	1.0
Less: prepaid taxes (Note 18)	(6.9)	(0.2)
Taxes (receivable)/payable, net	**(5.5)**	**0.8**

The Group calculates its deferred tax assets and liabilities, considering the effects of temporary differences which result from different evaluations of principles of preparation of the financial statements and legal financial statements mentioned in Note 2.5.o. Those temporary differences usually cause income and loss to be accounted for in different reporting periods in accordance with the principles of preparation of the financial statements and tax laws mentioned in Note 2.5.o.

Deferred income taxes are calculated on temporary differences that are expected to be realized or settled based on the taxable income in coming years under the liability method using a principal tax rate. The tax rates at December 31, 2008, which are used in the calculation of deferred tax, taking each country's tax legislations into consideration are as follows:

Country	**Tax rates**	**Country**	**Tax rates**
Belarus	24.0	Kazakhstan	30.0
France	33.3	Hungary	16.0
Croatia	20.0	Poland	19.0
Netherlands	25.5	Russia	20.0
Ukraine	25.0		

(Amounts expressed in millions of US Dollars ("$") unless otherwise indicated)

NOTE 17 – TAXATION ON INCOME (Continued)

The temporary differences giving rise to deferred income tax assets/(liabilities) using the enacted tax rates as of December 31, 2008 and 2007 are as follows:

	Temporary differences		Deferred tax assets/ (liabilities)	
	2008	**2007**	**2008**	**2007**
Carry forward tax losses (*)	7.4	35.3	1.2	5.6
Allowance for doubtful accounts	5.6	2.5	0.9	0.4
Other, net	3.6	-	0.7	-
Deferred tax assets	**16.6**	**37.8**	**2.8**	**6.0**
Difference between tax base and carrying value of property, plant and equipment and intangible assets	123.7	143.6	24.9	31.5
Other, net	6.5	3.7	1.3	0.6
Deferred tax liabilities	**130.2**	**147.3**	**26.2**	**32.1**
Deferred tax liabilities, net	**(113.6)**	**(109.5)**	**(23.4)**	**(26.1)**

(*) The Group did not recognise deferred income tax assets of $2.8 (2007: nil) in respect of losses amounting to $17.4 (2007: nil) that can be carried forward against future taxable income.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The offset amounts are as follows:

	2008	**2007**
Deferred tax assets:		
- Deferred tax asset to be recovered after more than 12 months	0.7	3.9
- Deferred tax asset to be recovered within 12 months	-	0.6
	0.7	**4.5**
Deferred tax liabilities:		
- Deferred tax liability to be recovered after more than 12 months	(24.1)	(30.6)
	(24.1)	**(30.6)**
Deferred tax liabilities, net	**(23.4)**	**(26.1)**

Notes to Consolidated Financial Statements

(Amounts expressed in millions of US Dollars ("$") unless otherwise indicated)

NOTE 17 – TAXATION ON INCOME (Continued)

The movements of deferred tax balances for the years ended at December 31, 2008 and 2007 are as follows:

	2008	2007
1 January	**26.1**	**23.0**
Deferred tax income for the year	-	0.2
Disposal of subsidiary	(0.1)	-
Currency translation differences	(2.6)	2.2
Acquisition of subsidiaries, net	-	0.7
31 December	**23.4**	**26.1**

The analysis of the tax expenses for the years ended December 31, 2008 and 2007 are as follows:

	2008	2007
Current	(19.4)	(25.5)
Deferred	-	(0.2)
	(19.4)	**(25.7)**

The reconciliation of the taxation on income in the consolidated statement of income for the years ended December 31, 2008 and 2007 and the taxation on income calculated with the current tax rate over income before tax and minority interest is as follows:

	2008	2007
(Loss)/profit before income taxes and minority	**(5.4)**	**37.6**
Aggregated current income tax (income)/expense calculated at the effective tax rates of countries	(0.8)	8.1
Expenses not deductible for tax purposes	6.5	9.0
Current period tax losses	7.3	8.4
Withholding tax relating to dividend distribution	5.3	-
Other, net	1.1	(0.1)
Taxation on income	**19.4**	**25.4**

NOTE 17 – TAXATION ON INCOME (Continued)

The details of the effective tax laws in the countries which the Group has significant operations are stated below:

Russian Federation:

The corporate tax rate effective in the Russian Federation is 24% (2007: 24%). Starting from January 1, 2009 corporate tax rate is 20%.

Russian tax year is the calendar year and other fiscal year ends are not permitted. Tax profit is calculated on a year-to-date basis. Advance payments are made monthly, with different calculation methods for quarterly or monthly schedules subject to the taxpayer's choice.

The annual balance is due by 28 March of the following year.

According to Russian Federation's tax system, losses may be carried forward for 10 years to be deducted from future taxable income. Maximum amount that can be deducted in any year is limited to 30% of the taxable income (2007: 30%). Starting from 2007 there is no limitation as to the maximum amount that can be deducted in each particular year (such limitations existed before 2007). Rights related to tax losses that have not been utilized in the related periods will be lost.

Tax refunds are technically possible but are very difficult to obtain in practice. Often they can only be obtained through court action.

Tax consolidation of tax reporting/payments by different legal entities (or grouping) is not permitted in Russia at present.

Generally, dividend income payable to a foreign organisation is subject to withholding tax at 15%. This standard rate may, however, be reduced under the provisions of applicable double tax treaty.

The standard corporate tax rate in Russia decreased from 24% to 20% in accordance with the Federal Law numbered 224-FZ of the Russian Federation enacted on 26 November 2008. The new rate, which is effective starting from 1 January 2009, is applied to the calculation of deferred income taxes on temporary differences that are expected to be realized in Russia in these consolidated financial statements for the year ended December 31, 2008.

NOTE 17 – TAXATION ON INCOME (Continued)

Hungary:

Companies are subject to corporate income tax and special profit tax in Hungary. The corporate income tax rate effective in Hungary is 16% (2007: 16%) and the special profit tax rate is 4% (December 31, 2007 4%).

Taxpayers are, in general, entitled to carry forward their tax losses indefinitely from a corporate income tax perspective. The Tax Authority's permission is needed to carry forward the tax-year's losses if a company's pre-tax profit is negative and its income is less than 50% of its costs and expenses or the company's tax base was also negative in the previous two years. Loss carry forward is not allowed for special profit tax purposes.

From 1 January 2007, capital gains from the sale of registered shareholdings are exempt from corporate income tax and special profit tax, provided that the taxpayer held the shareholding for at least two years prior to its disposal. The two-year holding period has been reduced to one year from January 1, 2008. Capital losses and impairments on registered shares are not deductible for corporate income tax purposes.

Since 1 January 2004, interest and royalty payments have not been subject to withholding tax. Withholding tax on dividend distributions to companies was fully abolished in January 2006.

Croatia:

The corporate tax rate effective in Croatia is 20% (2007: 20%).

There are no formal procedures in Croatia to agree the final level of tax charge upon submission of the declaration for corporate tax and VAT. However, such tax settlements may be subject to review by the relevant tax authorities during the limitation period of three years. The limitation period of three years starts with the year that follows the year of submission of tax declarations. The counting of three years starts again with any action of tax authorities with the purpose to collect tax, interest or fines until absolute statute of limitation of 6 years expires. Tax losses may be carried forward and used within five years following the year in which they were incurred.

When paying fees for the use of intellectual property, market research services, tax and business consultation, auditing and similar services, and interest to foreign legal persons, Croatian taxpayers are obliged to withhold and pay 15% tax.

(Amounts expressed in millions of US Dollars ("$") unless otherwise indicated)

NOTE 17 – TAXATION ON INCOME (Continued)

Poland:

The corporate tax rate effective in Poland is 19% (2007: 19%).

The annual corporate income tax return should be submitted to the tax office within three months after the end of the tax year. The corporate income tax advances should be paid for each month by the 20th day of the following month.

Prepaid taxes are deductable from following years declared corporate tax amount. Leftover amount of the prepaid corporate tax after the deduction made can be acquired in cash or either can be deducted from another fiscal liability. A tax loss reported in a tax year can be carried forward over the next five consecutive tax years. However, only 50% of a loss can be deducted against income reported in any one particular year of the above five-year period.

Dividend payments are generally subject to 19% withholding tax.

NOTE 18 – OTHER CURRENT ASSETS AND LIABILITIES

Other current assets as at December 31 are as follows:

	2008	**2007**
Prepaid tax (Note 17)	$ 6.9	$ 0.2
Prepaid expenses (*)	3.5	5.6
Advances given to personnel	0.4	0.5
Value Added Tax ("VAT") receivables	1.4	2.2
Income accruals	-	0.7
Other	3.1	4.8
	15.3	**14.0**

(*) Prepaid expenses comprise prepaid rent, insurance and similar expenses.

Other current liabilities as at December 31 are as follows:

	2008	**2007**
Deferred revenue	$ 4.9	$ 6.4
VAT payables	2.7	2.1
Expense accruals	-	2.2
Other	0.4	0.5
	8.0	**11.2**

(Amounts expressed in millions of US Dollars ("$") unless otherwise indicated)

NOTE 19 – COMMITMENTS AND CONTINGENCIES

(a) The commitments reflecting minimum lease payments under existing operating leases for office space, automobiles and office equipment at December 31, 2008 and 2007 are as follows:

	2008	**2007**
2008	-	1.7
2009	11.6	1.6
2010	1.1	1.6
2011	0.4	1.3
2012	0.1	-
	13.2	**6.2**

Lease expense amounted to $11.2 (2007: $9.4) for the year ended December 31, 2008.

(b) The Group is or may be involved in various litigation and tax audits arising in the normal course of business in several countries. The Group believes that none of these actions, individually or in the aggregate, will have a material adverse effect on the consolidated financial statements.

In particular, a media agent company filed a claim against one of the Group's Hungarian subsidiaries, requesting payment of $5.4 (equivalent of HUF820.1) for an alleged breach of contract and breach of the Competition Act for failure to enter into an agreement in 2006. In June 2007, the agent company reduced its claim to $0.3 (equivalent of HUF46). The Group believes that none of these actions, individually or in the aggregate, will have material adverse effect on the consolidated financial statements.

Commitments and contingencies, from which the management does not anticipate any significant losses or liabilities, are summarised below:

Guarantees given

		December 31, 2008		**December 31, 2007**	
	Currency	**Original amount**	**US Dollar millions**	**Original amount**	**US Dollar millions**
Letters of guarantee	HUF	58.7	0.4	58.7	0.3

(Amounts expressed in millions of US Dollars ("$") unless otherwise indicated)

NOTE 19 – COMMITMENTS AND CONTINGENCIES (Continued)

c) Derivative financial instruments:

The notional principal amounts of the outstanding interest rate swap contracts at December 31, 2008 were $120.0 (2007: $ 74.0). At December 31, 2008, the fixed interest rates vary from 2.8% to 5.6% (2007: 3.9% to 6.9%), and the main floating rate is LIBOR. Financial expense recognized in regards with these agreements amounted to $0.3 (2007: $0.3).

NOTE 20 – EXPENSES BY NATURE

The expenses by nature for the years ended December 31, 2008 and 2007 are as follows:

	2008	2007
Raw material	67.8	58.8
Paper	*25.3*	*23.6*
Printing and ink	*42.5*	*35.2*
Personnel expenses	82.7	72.6
Commissions	23.2	26.7
Depreciation, amortization and impairment charges	22.1	11.6
Advertisement	17.0	7.2
Rent	10.3	8.0
Electricity, water and office expenses	9.4	7.4
Transportation, storage and travel	8.5	7.3
Consultancy	6.9	8.0
Provision for doubtful receivables	4.0	1.4
Communication	2.2	2.3
Compensation charges	2.1	3.5
Non-recurring charges	0.1	4.2
Other	12.5	10.3
Total	**268.8**	**229.3**

Notes to Consolidated Financial Statements

(Amounts expressed in millions of US Dollars ("$") unless otherwise indicated)

NOTE 21 – DISCONTINUED OPERATIONS

Analysis of the result of discontinued operations is as follows:

	2008	2007
Revenue	4.7	7.6
Expenses	(4.3)	(8.8)
Profit/(loss) before tax of discontinued operations	0.4	(1.2)
Income tax expenses	-	(0.3)
Profit/(loss) after tax of discontinued operations	**0.4**	**(1.5)**
Gain recognised on the disposal of assets of discontinued operations (*)	49.8	-
Net profit/(loss) for the year from discontinued operations	**50.2**	**(1.5)**

(*) The Group sold 100% of shares of its wholly-owned subsidiary, Trader.com (Polska) Sp. Z.o.o. for a cash consideration of $54.4 on June 25, 2008. The resulting gain on sale of this subsidiary amounted to $49.8.

NOTE 22 – FINANCIAL INCOME

The details of financial income for the years ended December 31, 2008 and 2007 are as follows:

	2008	2007
Interest income on time deposits	1.1	0.5
Foreign exchange income	0.8	9.4
Total	**1.9**	**9.9**

NOTE 23 – FINANCIAL EXPENSES

The details of financial expenses for the years ended December 31, 2008 and 2007 are as follows:

	2008	2007
Foreign exchange loss	23.2	0.6
Interest expenses on the Senior Credit Facility	9.6	12.4
Financing costs	1.9	1.7
Interest expenses of the written put options	1.4	0.9
Total	**36.1**	**15.6**

Notes to Consolidated Financial Statements

(Amounts expressed in millions of US Dollars ("$") unless otherwise indicated)

NOTE 24 – SUBSEQUENT EVENTS

- Due to the global financial crisis started at the beginning of the fourth quarter of 2008, the functional currencies used by the subsidiaries has devaluated at the following rates against US Dollar when exchange rates effective at March 31, 2009 (last month-end before the approval date of these financial statements) are compared with the exchange rates effective at the balance sheet date.

	March 31, 2009 Closing	**December 31, 2008 Closing**	**Change (%)**
$/ RUR	33.4221	29.4766	13.4
$/ HUF	222.0400	189.3821	17.2
$/ HRK	5.4978	5.1555	6.6
$/ PLZ	3.3491	2.9462	13.7
$/ EUR	0.7356	0.7095	3.7
$/ LTL	2.5632	2.4687	3.8
$/ UAH	8.1440	7.9288	2.7
$/ KZT	153.4400	123.8640	23.9
$/ BYR	2,811.0000	2,657.0000	30.7

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