INDEX TO COMBINED FINANCIAL STATEMENTS

Trader Media East

Report of the auditors

To the Board of Directors of Trader Media East Limited

We have audited the accompanying combined balance sheet of Trader Media East Limited as described in Note 1 ("the TME Group") as of December 31, 2005 and the related combined statements of operations, cash flows and changes in invested equity for the years then ended. These combined financial statements are the responsibility of the TME Group's management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of the TME Group as of December 31, 2005 and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Without qualifying our opinion, we draw attention to the fact that, as described in Note 1, the TME Group has not operated as a separate group. These combined financial statements are therefore not indicative of results that would have occurred if the TME Group had been a separate stand-alone group during the years presented or of future results of the TME Group.

Neuilly-sur-Seine, France
September 26, 2006

PricewaterhouseCoopers

TRADER MEDIA EAST
Combined Balance Sheets
(US Dollars in millions)

	December 31, 2005	December 31, 2004
ASSETS		
Current assets:		
Cash and cash equivalents	$18.7	$22.6
Restricted deposit (note 2c)	0.9	-
Accounts receivable, net of allowances (note 5)	9.4	10.7
Other receivables	5.9	5.4
Other current assets	6.0	5.6
Total current assets	**40.9**	**44.3**
Property, plant and equipment, net (note 6)	26.5	27.8
Goodwill (note 7)	66.4	73.4
Intangible assets, net (note 7)	40.4	46.6
Other non current assets	1.8	1.7
TOTAL ASSETS	**$176.0**	**$193.8**
LIABILITIES AND INVESTED EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$6.3	$7.4
Deferred revenues	2.6	3.3
Social and fiscal liabilities	5.5	6.1
Other liabilities	0.2	0.4
Payables to related party (note 16)	2.8	11.3
Current portion of long-term debt (note 8)	1.1	-
Total current liabilities	**18.5**	**28.5**
Long-term liabilities:		
Long-term debt, net of current portion (note 8)	6.1	-
Deferred income tax liabilities (note 14)	12.8	12.7
Other long term liabilities	0.5	1.0
Related party long-term liabilities (note 16)	26.0	47.8
Total liabilities	**63.9**	**90.0**
Commitments and contingencies (note 11)		
Minority interest	7.6	7.2
Invested equity	**104.5**	**96.6**
TOTAL LIABILITIES AND INVESTED EQUITY	**$176.0**	**$193.8**

The accompanying notes are an integral part of these combined financial statements
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TRADER MEDIA EAST
Combined Statements of Operations
(US Dollars in millions)

	December 31, 2005	December 31, 2004
Revenues	**$197.9**	**$177.5**
Operating costs and expenses:		
Cost of sales	(83.6)	(70.4)
General & Administrative	(49.4)	(44.4)
Depreciation and amortization	(6.5)	(7.4)
	(139.5)	**(122.2)**
Operating profit	**58.4**	**55.3**
Other income (expense):		
Interest and financing fees (note 13)	(2.5)	(0.8)
Foreign exchange gain (loss) and other	0.7	(0.8)
	(1.8)	**(1.6)**
Income before income taxes and minority interest	**56.6**	**53.7**
Income tax provision, net	(18.6)	(17.1)
Income before minority interest	**38.0**	**36.6**
Minority interest	(7.6)	(7.0)
Net income	**$30.4**	**$29.6**

The accompanying notes are an integral part of these combined financial statements

TRADER MEDIA EAST
Combined Statements of changes in Invested Equity and Total Comprehensive Income
(US Dollars in millions)

	Invested Equity	Accumulated Income	Other Elements of Comprehensive Income	Subtotal Comprehensive Income	Total Invested Equity
As of January 1, 2004	**51.9**	**37.6**	**17.5**	**-**	**107.0**
Invested equity	(43.7)	-	-	-	(43.7)
Net income for the year ended December 31, 2004	-	29.6	-	29.6	29.6
Currency translation adjustment	-	-	3.7	3.7	3.7
Comprehensive income for the year ended December 31, 2004	-	-	-	$33.3	-
As of December 31, 2004	**8.2**	**67.2**	**21.2**	**-**	**96.6**
Invested equity	(13.0)	-	-	-	(13.0)
Net income for the year ended December 31, 2005	-	30.4	-	30.4	30.4
Currency translation adjustment	-	-	(9.5)	(9.5)	(9.5)
Comprehensive income for the year ended December 31, 2005	-	-	-	$20.9	-
As of December 31, 2005	**$(4.8)**	**$97.6**	**$11.7**	**-**	**$104.5**

The accompanying notes are an integral part of these combined financial statements

TRADER MEDIA EAST
Combined Statements of Cash Flows
(US Dollars in millions)

	December 31, 2005	December 31, 2004
Operating activities:		
Net income	**$30.4**	**$29.6**
Adjustments to reconcile net income to net cash provided by operating activities:		
Minority interest	7.6	7.0
Amortization	2.0	3.7
Depreciation	4.5	3.7
Provision for doubtful accounts	1.5	2.2
Unrealized foreign exchange loss (gain)	(1.7)	1.7
Non cash taxes	1.7	0.8
Non-cash interest and other	2.0	0.4
Net change in restricted deposit	(0.9)	-
Net change in working capital balances (note 15)	(4.3)	(5.5)
Net cash provided by operating activities	**42.8**	**43.6**
Investing activities:		
Cash paid for investments	(0.2)	(0.1)
Cash paid for property, plant and equipment	(5.5)	(5.7)
Cash paid for acquisitions, net of cash acquired (note 4)	(2.2)	(24.3)
Net cash used in investing activities	**(7.9)**	**(30.1)**
Financing activities:		
Cash received from borrowings	7.7	-
Cash paid for financing costs	(0.3)	(0.6)
Invested Equity	(7.9)	24.6
Cash paid to minority interests and to related parties	(37.0)	(36.8)
Increase in bank overdraft balances	(0.2)	0.2
Net cash used in financing activities	**(37.7)**	**(12.6)**
Effect of exchange rate changes on cash and cash equivalents	(1.1)	1.4
Net increase in cash and cash equivalents	**(3.9)**	**2.3**
Cash and cash equivalents at beginning of period	22.6	20.3
Cash and cash equivalents at end of period	**$18.7**	**$22.6**

The accompanying notes are an integral part of these combined financial statements

1. DESCRIPTION OF THE BUSINESS AND BASIS OF PRESENTATION:

BACKGROUND

In the fourth quarter of 2005, Trader Classified Media N.V. ("**TCM**") announced its intention to pursue the public listing of a single independent business under new ownership comprising its operations in Russia, Croatia, Hungary, Poland, Ukraine, Belarus, Kazakhstan and Lithuania. On November 11, 2005, TCM incorporated Trader Media East Limited in Jersey as the parent company of its Central and Eastern European operations and the assets and liabilities associated with such operations were transferred to the Trader Media East group (the "**Reorganization**").

The subsequent international offering of Trader Media East Limited's shares in the form of Global Depositary Receipts ("**GDRs**") on the main market of the London Stock Exchange was successfully completed on February 10, 2006, with unconditional trading commencing on February 13, 2006 (the "**Offering**"). The Reorganization leading up to the Offering is more fully described in Note 17.

DESCRIPTION OF THE BUSINESS

Trader Media East is a leader in classified advertising and owns leading publications and websites in major metropolitan and regional markets in these regions. Trader Media East's major publications and websites include:

- in Hungary, the publications *Expressz, Kepes Auto, Kepes Ingatlan, Mai Hirdetes, Szuperinfo, Kisokos* and the website *www.expressz.hu*;
- in Moscow and major cities across Russia and the Commonwealth of Independent States, the publications *Iz Ruk v Ruki, Aviso, Avto, Nedvizhimost* and the websites *www.izrukvruki.ru* and *www.irr.ru*;
- in Croatia, the publication *Oglasnik* and the website *www.oglasnik.hr*; and
- in Poland, the publications *Auto Bit* and *Auto Biznes* and the websites *www.trader.pl* and *www.kupsprzedaj.pl*.

BASIS OF PRESENTATION

For all periods, the terms "**Trader Media East**", "**Group**" or the "**Company**" as used herein refer to Trader Media East Limited and its subsidiaries.

The accompanying combined Trader Media East financial statements have been prepared from the consolidation returns prepared by TCM operations acquired by Trader Media East for the purposes of the consolidated financial statements of TCM using TCM historical bases in the assets, liabilities and result of operations. Trader Media East operations have been historically part of the TCM business and its assets and liabilities were held by several indirect subsidiaries of TCM.

The combined financial statements include the historical assets, liabilities, revenue and expenses that were directly related to the Trader Media East business within TCM during the periods presented. Trader Media East did not previously operate as a separate, stand-alone company. The accompanying combined financial statements comprise the combination of the consolidation returns of Mirabridge International B.V. which includes its then 88% owned subsidiary Pronto-Moscow and its respective subsidiaries (collectively, the "**Russian Entities**") with the financial statements of Trader.com (Polska) Sp. Z.o.o, Expressz Magyarorszag Zrt., Trader Hungary Tanacsado Kft., Expressz Garancia Központ Kft., Kisokos Directory Kft. and TCM Croatia Holdings B.V., which indirectly owns 70% of the Croatian publication *Oglasnik*.

Trader Media East's results until December 31, 2005 are included in the consolidated financial statements of TCM on a regional basis, and there are accordingly no separate historical equity accounts for Trader Media East. Changes in invested equity represent TCM net investment in Trader Media East after giving effect to the net earnings of Trader Media East, dividends paid and transfers (including cash) to and from TCM.

1. DESCRIPTION OF THE BUSINESS AND BASIS OF PRESENTATION: (Continued)

The combined financial statements include allocations of certain TCM corporate expenses, including legal, accounting, operation, acquisition, as well as treasury and other corporate and infrastructure costs. The expense allocations have been determined on the basis that TCM and Trader Media East are considered as being a reasonable reflection of the utilization of services provided or corresponding to the benefit received by Trader Media East. However, the financial information included herein may not reflect the combined financial position, operating results, changes in invested equity and cash flows of Trader Media East in the future or what they would have been, had Trader Media East been a separate, stand alone company during the periods presented.

2. SIGNIFICANT ACCOUNTING POLICIES:

(a) Basis of preparation:

The Company's combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). These financial statements include the results of combined entities from the date of acquisition.

All majority-owned subsidiaries of TCM directly related to the Trader Media East business have been combined in the accompanying combined financial statements. Investments in affiliated companies over which the Company has a significant influence or ownership of more than 20% but less than or equal to 50% are accounted for under the equity method. Investments of 20% or less are accounted for under the cost method. At December 31, 2004 and 2005, equity method investments were not material to the Group's combined financial statements. All significant intercompany accounts and transactions have been eliminated.

(b) Cash and cash equivalents:

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

(c) Restricted deposit:

Restricted deposit reflects a placement in promissory notes further to the obtaining of a bank guarantee. This deposit is redeemable on demand not earlier than June 9, 2006, the actual maturity of the guarantee. This deposit is subject to an interest of 4% per annum.

(d) Foreign currency 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, the reporting currency of Trader Media East, using the year-end exchange rate for balance sheet items and the weighted average exchange rate for items in the statements of operations.

(US Dollars and other currencies in millions)

2. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(e) Foreign currency translation (Continued):

Until January 1st, 2003, the Russian Entities were designated as entities operating in highly inflationary economies and, accordingly, these entities were using the euro as their functional currency. Since January 1st, 2003, the Russian Entities have been using the Russian Rouble as their functional currency as the Russian economy was no longer considered being highly inflationary.

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

	RUB/US $	HUF/US $	HRK/US $	PLZ/US $	EUR/US $
2004					
Average	0.035	0.005	0.159	0.276	1.243
Closing	0.036	0.006	0.171	0.333	1.364
2005					
Average	0.035	0.005	0.167	0.308	1.239
Closing	0.035	0.005	0.161	0.307	1.184

(f) Property, plant and equipment:

Property, plant and equipment are recorded at cost. Depreciation is computed for financial reporting purposes by use of the straight-line method over the estimated useful lives as follows:

Asset	Estimated useful lives
Buildings	25-50 years
Office furniture, computers and equipment	3-10 years
Software	1-5 years
Printing presses and related equipment	3-15 years
Leasehold improvements	2-20 years

Assets held under capital 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.

2. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) 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, 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 Company. Tradenames with definite life and advertiser base are amortized using the straight-line method over their estimated useful lives, which range from 10 to 20 years for tradenames and from 6 to 12 years for the advertiser base. In accordance with SFAS No. 142, goodwill and intangible assets with indefinite useful lives are not amortized but subject to at least an annual assessment for impairment.

Following the detailed review of the useful lives of tradenames performed by Management, certain trade-names which were amortized until December 31, 2004 have been considered as of January 1, 2005 as intangible assets with indefinite useful life. The estimated impact of this change in estimate on the combined statements of operations is presented in Note 7.

(h) Impairment of assets:

SFAS No. 142 prohibits the amortization of goodwill and purchased intangible assets with indefinite lives. The Company 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 Company compares the carrying value of each of its geographic reporting units, including goodwill and intangible assets, to the fair value 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's goodwill exceeds its implied fair value, the Company records an impairment loss equal to the difference.

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 undiscounted cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset, which is based on discounted cash flows.

(i) Other non-current assets:

Other non-current assets consist of deferred acquisition and financing fees, deferred income taxes and other assets.

The Group defers acquisition costs that qualify for capitalization as part of the purchase price of targeted acquisitions. Such costs are principally advisory services, such as accounting, legal and consulting fees. The typical time frame over which the costs of targeted acquisitions are capitalized ranges between eight and twelve months. Costs for acquisitions which are no longer actively pursued are written-off in full in the period in which management determines the acquisition is no longer feasible and in no circumstances would such costs remain on the balance sheet for a period in excess of one year.

Fees related to debt financing agreements are deferred and amortized over the term of the financing agreement. When a financing agreement is extinguished, the previously capitalized financing fees are fully written-off.

2. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(j) 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 on a weekly basis 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 our centers 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 Company'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 on website 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.

(k) Website development costs:

The Group recognizes website development costs in accordance with EITF No. 00-02, *"Accounting for Website Development Costs."* As such, the Group expenses all costs incurred that relate to the planning and post implementation phases for development of its websites. Direct costs incurred in the development phase are capitalized and recognized over the estimated useful lives. Costs associated with repair and maintenance of the website are included in operating costs and expenses in the combined statements of operations.

(l) Operating costs and expenses:

Operating costs and expenses include, in addition to depreciation, amortization, non-cash stock compensation expense and write down of assets impaired, costs of sales and general and administrative expenses. Cost of sales includes direct selling costs and production costs. General and administrative expenses include general and administrative expenses from the operations, marketing expenses and management and assistance fees from TCM.

(m) Advertising expenses:

The Group expenses advertising costs as incurred in accordance with the American Institute of Certified Public Accountants (AICPA) Statement of Position 93-7, "*Reporting for Advertising Costs*". Advertising expenses are included in general and administrative expenses in the statements of operations. Advertising expenses amounted to $5.5,and $6.6 for the years ended December 31, 2004 and 2005, respectively.

(n) Income taxes:

Trader Media East operating results historically have been included in TCM consolidated income tax return and in tax returns of certain TCM foreign subsidiaries. The provision for income taxes in Trader Media East's combined financial statements has been determined on a separate-return basis.

2. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(n) Income taxes (Continued):

Under the provisions of SFAS No. 109, "*Accounting for Income Taxes*", income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating losses and tax credits carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period during which the change is enacted.

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 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, 2005. 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.

The Group has not recognized a deferred tax liability for undistributed earnings of its foreign subsidiaries as these are considered to be permanently invested. A deferred tax liability will be recognized when the Company expects to recover those undistributed earnings in taxable revenue. The Company considers the available tax plans to minimize such taxes at the time of distribution and, consequently, has not yet made a determination of the deferred tax liability. Such liability is not reasonably determinable at the present time.

(o) Fair value of financial instruments:

The fair values of the Group's cash and cash equivalents, accounts receivable, other receivables, accounts payable, social and fiscal liabilities, income taxes payable and accrued liabilities and long-term debt having variable interest rates approximate their carrying values due to their short-term nature or the variable interest rate.

(p) Accounting for stock-based compensation:

Employee stock awards granted under the Company's compensation plan are accounted for in accordance with Accounting Principles Board Opinion No. 25, "*Accounting for Stock Issued to Employees" ("APB 25")*, and related interpretations. The Company has not adopted the fair value method of accounting for stock based employee compensation. Accordingly, compensation expense is recorded for options issued to employees to the extent that the fair value of the Company's common stock exceeds the exercise price of the option at the date granted and all other criteria for fixed accounting has been met.

Pursuant to SFAS No. 148, "*Accounting for Stock-Based Compensation – Transition and Disclosure*", an amendment of FASB Statement No. 123, the Company's net income would not have been materially impacted if compensation expense for the stock-based compensation plan had been determined based on the fair value at the grant dates as calculated in accordance with SFAS No. 123.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions for the years ended December 31, 2004 and 2005:

(US Dollars and other currencies in millions)

2. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(p) Accounting for stock-based compensation (Continued):

	December 31, 2005	December 31, 2004
Expected dividend yield	5%	0%
Expected stock price volatility	30%	35%
Risk-free interest rate	4.03%	4.2%
Expected life	6 years	6 years

(q) Concentration of credit risk and significant customers:

Financial instruments, which potentially expose the Company to concentrations of credit risk consist primarily of cash and accounts receivable. Cash and cash equivalents are deposited with financial institutions which the Company believes to be of high credit quality. The Company 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 Company establishes the allowance for doubtful accounts based on factors surrounding the credit risk of specific customers, historical trends and other information. No individual customer accounted for greater than 10% of accounts receivable at December 31, 2005 and 2004 or revenue for all periods presented.

(r) Use of estimates:

The preparation of financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect the amounts reported in these combined financial statements.

Management of the Group has made a number of estimates and assumptions, including an estimate of the useful life and the fair value of intangible assets, the fair value of each reporting unit, the realizability of deferred tax assets and the assessment of contingent liabilities, among others. Actual results could differ from those estimates.

(s) Earnings per share:

Trader Media East historical capital structure is not indicative of its prospective structure since no direct ownership relationship existed among all the various units comprising Trader Media East. Accordingly, historical earning per share have not been presented in the combined financial statements.

(t) Recent pronouncements

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard No. 123 (revised 2004), Share Based Payment (SFAS 123R). SFAS 123(R) requires that the Company recognizes the cost of share-based payments granted to employees measured at the grant-date fair value of the award. The Company is required to adopt SFAS 123(R) effective January 1, 2006 for all share-based grants made or modified after June 15, 2005 and for the unvested portion of outstanding share-based grants made prior to June 15, 2005. The Company is currently evaluating the impact of adopting SFAS 123(R).

In April 2005, the Securities and Exchange Commission (“SEC”) issued Staff Accounting Bulletin (“SAB”) 107 “Share-Based Payments” which expresses the SEC Staff’s views regarding the application of SFAS No. 123(R). The impact of the adoption of SFAS No. 123(R), as applied using standards set forth in SAB 107, is currently subject to an evaluation by the Company.

2. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(s) Recent pronouncements (Continued):

In December 2004, the FASB issued SFAS No. 153 "Exchanges of Non-monetary Assets" which amends Accounting Principles Board Opinion No. 29. This standard requires that exchanges of non-monetary assets be measured based on the fair value of the assets exchanged. This standard is effective for non-monetary asset exchanges occurring in fiscal periods beginning after June 15, 2005 and should be applied prospectively. The adoption of this standard did not have a material effect on the Company's financial position, results of operations or cash flows.

In May 2005, SFAS No. 154, “Accounting Changes and Error Corrections” was issued, which replaces APB Opinion No. 20, “Accounting Changes”, and SFAS No. 3, “Reporting Accounting changes in Interim Financial Statements”. Among other changes, SFAS No. 154 requires retrospective application of a voluntary change in an accounting principle to prior period financial statements presented in accordance with the new accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. SFAS No. 154 also requires accounting for a change in method of depreciating or amortizing a long-lived non-financial asset as a change in accounting estimate (prospectively) affected by a change in accounting principle. Further, the statement requires that corrections of errors in previously issued financial statements be termed a “restatement.” The new standard is effective for accounting changes and error corrections made in fiscal years beginning after December 15, 2005. We do not expect the adoption of SFAS No. 154 to have a material impact on our Balance Sheet or Statement of Operations.

Notes to Combined Financial Statements (Continued)
(US Dollars and other currencies in millions)

3. GEOGRAPHIC 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 before certain expenses such as depreciation, amortization, non-cash compensation expense and write-down of impaired assets.

The Company considers its products to be classified advertisements, display advertisements and services. The channels through which these products are distributed, which today are print publications and Internet websites do not constitute separate business segments within the meaning of SFAS No.131 *"Disclosures about segments of an Enterprise and Related Information"*.

Year ended December 31, 2005	**Russia & the CIS**	**Hungary**	**Poland**	**Croatia**	**Total**
Print revenues	$135.4	$42.6	$4.3	$10.3	$192.6
Online revenues	1.2	2.2	1.8	0.1	5.3
Total revenues	**136.6**	**44.8**	**6.1**	**10.4**	**197.9**
Operating profit (loss) before certain expenses	54.8	9.0	0.5	3.6	67.9
Interest (expense) income	0.1	(1.9)	(0.3)	(0.4)	(2.5)
Amortization	(0.6)	(1.3)	(0.1)	-	(2.0)
Depreciation	(2.6)	(1.7)	(0.2)	-	(4.5)
Income tax (expense) benefit	(16.3)	(1.9)	0.3	(0.7)	(18.6)
Total assets	**79.1**	**71.7**	**3.4**	**21.8**	**176.0**
Goodwill	**23.5**	**38.5**	**0.6**	**3.8**	**66.4**
Fixed assets	**21.0**	**4.7**	**0.3**	**0.5**	**26.5**
Increase in fixed assets	**$2.7**	**$2.2**	**$0.3**	**$0.5**	**$5.7**

Year ended December 31, 2004	**Russia & the CIS**	**Hungary**	**Poland**	**Croatia**	**Total**
Print revenues	$118.3	$46.9	$4.4	$3.6	$173.2
Online revenues	1.0	2.2	1.1	-	4.3
Total revenues	**119.3**	**49.1**	**5.5**	**3.6**	**177.5**
Operating profit (loss) before certain expenses	53.4	11.7	0.4	0.9	66.4
Interest (expense) income	0.3	(0.5)	(0.3)	(0.3)	(0.8)
Amortization	(1.3)	(2.0)	(0.1)	(0.3)	(3.7)
Depreciation	(2.3)	(1.3)	(0.1)	-	(3.7)
Income tax (expense) benefit	(15.1)	(2.0)	0.1	(0.1)	(17.1)
Total assets	**81.4**	**87.3**	**3.8**	**21.3**	**193.8**
Goodwill	**23.8**	**45.2**	**0.6**	**3.8**	**73.4**
Fixed assets	**22.3**	**5.1**	**0.3**	**0.1**	**27.8**
Increase in fixed assets	**$3.4**	**$0.8**	**$0.1**	**$-**	**$4.3**

(US Dollars and other currencies in millions)

3. GEOGRAPHIC INFORMATION: (Continued)

Revenues generated by channel are as follows:

	December 31, 2005	December 31, 2004
Print revenues		
Classified Ads - Private	$11.0	$11.9
Classified Ads – Professional	56.6	49.3
Display	90.0	83.0
Circulation	25.0	21.5
Services & Other	10.0	7.5
Total Print revenues	**192.6**	**173.2**
Online revenues	5.3	4.3
Total revenues	**$197.9**	**$177.5**

The differences between the operating profit before certain expenses and the operating income as per the Combined Statements of Operations are as follows:

	December 31, 2005	December 31, 2004
Operating profit before certain expenses	$67.9	$66.4
Depreciation and amortization	(6.5)	(7.4)
Management and assistance expenses (note 16)	(3.0)	(3.7)
Operating profit as per Combined Statements of Operations	**$58.4**	**$55.3**

4. ACQUISITIONS:

2005 ACQUISITIONS

During the year 2005, the Group did not acquire any material new business, but purchased supplemental interest in some of its subsidiaries mainly in Russia, and incurred some additional costs related to previous years acquisitions.

The following table presents the impact of these changes on the 2005 combined financial statements:

Goodwill	$1.9
Intangibles	0.1
Minority interests	0.2
Total Cash paid for acquisitions	**$2.2**

(US Dollars and other currencies in millions)

4. ACQUISITIONS (Continued):

All direct costs of acquisitions and earn-out payments are recorded as increases to goodwill. In certain cases, the Company may be obligated to make future earn-out payments in the event that specified performance targets are achieved by the acquired entities over periods of no more than 3 years from the date of acquisition as set forth in the respective purchase agreements. In addition, in connection with the acquisition of a majority stake in Oglasnik, performed in 2004, the Company granted certain put option liquidity rights to holders of minority interests (see also Note 11).

2004 ACQUISITIONS

The following table presents, for each of the 2004 acquisitions, a summary information regarding the acquisition and the total consideration paid by the Company at the acquisition date including direct costs of acquisition and earn-out payments made by the Company during and subsequent to the acquisition through December 31, 2004. During 2004, Trader Media East Ltd acquired a 70% ownership in *Oglasnik*, the leading classified advertising in Croatia.

Acquisition Name	Country	Date Acquired	Percentage Ownership Acquired	Total Consideration
Szuperinfo	Hungary	June 1	85%	$2.4
Oglasnik d.o.o	Croatia	July 30	70%	15.4
Other				1.2
Total Acquisitions during 2004				**19.0**
		Add: earn-out paid and deferred acquisition payments in 2004		5.3
Total Cash paid for acquisitions				**$24.3**

The following table presents the impact of these acquisitions on the 2004 combined financial statements:

Goodwill	$9.6
Intangibles	14.5
Net tangible assets acquired	4.4
Deferred income tax liability	(4.0)
Minority interests	(0.2)
Total Cash paid for acquisitions	**$24.3**

(US Dollars and other currencies in millions)

5. ACCOUNTS RECEIVABLES:

The following table presents the breakdown of accounts receivables and allowances:

	December 31, 2005	December 31, 2004
Accounts receivables, gross	$13.1	$15.5
Allowances	(3.7)	(4.8)
Accounts receivables, net	**$9.4**	**$10.7**

6. PROPERTY, PLANT AND EQUIPMENT:

The major classes of property, plant and equipment and related accumulated depreciation are as follows:

	December 31, 2005	December 31, 2004
Land	$0.2	$0.2
Buildings	3.7	4.4
Printing presses and related equipment	17.7	18.0
Office furniture, computers and equipment	14.0	15.3
Leasehold improvements	0.3	0.9
Software	8.8	7.3
Assets in progress	1.9	1.3
	46.6	47.4
Less accumulated depreciation	(20.1)	(19.6)
Property, plant and equipment, net	**$26.5**	**$27.8**

The variation in property, plant and equipment is as follows:

	December 31, 2005	December 31, 2004
Net balance at opening	$27.8	$25.4
Acquisitions of businesses	-	0.2
Additions	5.7	4.3
Depreciation	(4.3)	(3.7)
Disposal, write-offs and other	(1.1)	(0.3)
Currency translation adjustment	(1.6)	1.9
Net balance at closing	**$26.5**	**$27.8**

(US Dollars and other currencies in millions)

7. GOODWILL AND OTHER INTANGIBLES:

The breakdown in goodwill and intangible assets is as follows:

	December 31, 2005	December 31, 2004
Goodwill, net	$66.4	$73.4
Intangibles, net	40.4	46.6
Goodwill and intangibles, net	**$106.8**	**$120.0**

The major classes of goodwill and intangible assets, and related accumulated amortization are as follows:

	December 31, 2005	December 31, 2004
Goodwill	**$77.1**	**$85.1**
Less accumulated amortization	(10.7)	(11.7)
Goodwill, net	**$66.4**	**$73.4**

Accumulated amortization fluctuation results from currency translation adjustment.

	December 31, 2005	December 31, 2004
Tradenames	$48.3	$53.9
Advertiser base	7.9	9.0
Other intangible assets	2.2	2.0
Intangibles	**58.4**	**64.9**
Less accumulated amortization	(18.0)	(18.3)
Intangibles, net	**$40.4**	**$46.6**

At December 31, 2005, the net carrying amount of intangible assets not subject to amortization is $29.0.

The variation of goodwill is as follows:

	December 31, 2005	December 31, 2004
Net balance at opening	73.4	56.9
Acquisitions of businesses and increase	1.9	9.1
Disposal, write-offs and other	(0.7)	0.4
Currency translation adjustment	(8.2)	7.0
Net balance at closing	**$66.4**	**$73.4**

The variation of indefinite-life intangible assets is as follows:

	December 31, 2005	December 31, 2004
Net balance at opening	32.0*	-
Currency translation adjustment	(3.0)	
Net balance at closing	**$29.0**	**-**

(US Dollars and other currencies in millions)

7. GOODWILL AND OTHER INTANGIBLES: (Continued)

The variation of definite-life intangible assets is as follows:

	December 31, 2005	December 31, 2004
Net balance at opening	14.6*	31.6
Acquisitions of businesses	0.1	15.1
Additions	0.5	-
Depreciation	(1.8)	(3.7)
Disposal, write-offs and other	(0.1)	(0.9)
Currency translation adjustment	(1.9)	4.5
Net balance at closing	**$11.4**	**$46.6**

*Starting January 1st 2005, certain tradenames have been considered as indefinite-life assets (please refer to the below explanation – change in accounting estimates) and have been accordingly reclassified from "definite" to "indefinite-life" intangible assets.

TCM generated more than 10% of its revenues on the online channel in 2004, reflecting the growing importance of this channel in the classified ads business. This evolution also emphasized the key role of tradenames to attract content and display advertising and, as a consequence, the increased focus on tradename management. As a consequence, TCM performed a detailed review of the useful life of its tradenames, based on an analysis of various parameters, including the history of the tradename, financial indicators, its awareness, its competitive position or development plans. On this basis, conclusion was reached that certain tradenames, leaders on their respective markets, met the criteria for recognition as indefinite life assets. Consistent with Accounting Principles Board Opinion N°20 "Accounting Changes", starting as of January 1, 2005, Trader Media East performed a change in accounting estimate applied on a prospective basis. Accordingly, tradenames with indefinite useful life are no longer amortized but tested for impairment at least annually. All other tradenames are amortized over their estimated useful life determined at the time of their acquisition, generally in the range of 10 to 20 years.

Had the change in estimate been effective January 1st, 2004, the impact on the statement of operations of this change would have been as follows :

	December 31, 2005	December 31, 2004
Amortization as reported	$(2.0)	$(3.7)
Change in estimated amortization	-	2.0
Amortization, as adjusted	$(2.0)	$(1.7)

Estimated amortization expense of all our definite-life intangible assets for the next five years is $(1.7) per year.

(US Dollars and other currencies in millions)

8. LONG-TERM DEBT:

On July 8, 2005, TCM entered into a new senior debt facility led by BNP PARIBAS (the "**2005 Credit Agreement**"). The 2005 Credit Agreement reflects the Company's migration from a leveraged credit to a crossover corporate credit. Trader Hungary Tanacsado Kft., registered in Hungary, is part of this agreement as borrower.

	December 31, 2005	December 31, 2004
2005 Credit Agreement		
BNP PARIBAS Agreement: Drawdown from Trader Hungary Tanacsado Kft. under the 2005 Credit Agreement at 125 bps over IBOR (denominated in HUF); repayable in increasing annual instalments from July 8, 2006 to July 8, 2010	$7.2	$-
	7.2	**-**
Less amounts due within one year	(1.1)	-
	$6.1	**$-**

As of December 31, 2005, the maturities of long-term debt are as follows:

Period ending December 31	Total
2006	1.1
2007	1.5
2008	2.1
2009	2.1
2010 and after	0.4
	$7.2

The 2005 Credit Agreement presents covenants, which include (but are not limited to) restrictions on changes of business, liens, indebtedness, investments, joint ventures, payment of dividends, intercompany debt and transactions between group members. Compliance with these covenants set forth in the 2005 Credit Agreement was tested over pre-determined periods that are generally fiscal quarters.

The 2005 Credit Agreement is guaranteed by substantially all of our subsidiaries and is secured by pledges of the shares of substantially all of our subsidiaries, except the Russian Entities. The guarantees from some of the subsidiaries are limited to comply with requirements of local laws.

The Group has the right to prepay the loans under the 2005 Credit Agreement, without penalty, in whole or in part. Amounts applied as prepayments of the Trader Hungary Tanacsado Kft drawdown may not be borrowed again. All amounts outstanding under the 2005 Credit Agreement are required to be repaid on a change of control, when certain subsidiaries become publicly listed or on the sale of all or substantially all of the assets of TCM.

(US Dollars and other currencies in millions)

8. LONG-TERM DEBT (Continued):

The 2005 Credit Agreement also includes, with exceptions and limitations, mandatory prepayments under certain circumstances, including disposition of assets.

9. SHARE OPTIONS:

For the years 2004 and 2005, certain employees of combined entities benefited from TCM Equity Incentive Plan. For option grants made under the 1998 and 1999 Option Plans during periods preceding the TCM's IPO in April 2000, the exercise price was below the deemed fair value of Company's common stock at grant date. Non-cash compensation expense in connection with these compensatory grants made prior to TCM's initial public offering (IPO) for the years 2004 and 2005 was immaterial. All these grants are fully vested by December 31, 2005. All options granted subsequent to April 2000 had exercise prices equal to or greater than the grant-date market value of the shares. Accordingly, no compensation expense under US GAAP Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees" was recorded for post-IPO employee option grants.

The following table summarizes the option activity under TCM's Equity Plans :

		Exercise Price per share	
	Options	**Range**	**Weighted Average**
Balance, December 31, 2001	**64,494**	**$3.50 – 21.45**	**$10.95**
Granted	-	-	-
Exercised	-	-	-
Canceled / Forfeited	(8,800)	7.57 – 21.45	18.30
Balance, December 31, 2002	**55,694**	**3.50 – 21.45**	**$9.79**
Granted	10,000	8.95	8.95
Exercised	-	-	-
Canceled / Forfeited	(2,200)	21.45	21.45
Balance, December 31, 2003	**63,494**	**3.50 – 21.45**	**$9.26**
Granted	15,000	14.79	14.79
Exercised	(10,098)	3.50	3.50
Canceled / Forfeited	-	-	-
Adjustments	57,572	2.24 – 13.70	6.14
Balance, December 31, 2004	**125,968**	**$2.24 – 13.70**	**$7.01**
Granted	25,000	12.41	12.41
Exercised	-	-	-
Canceled / Forfeited	-	-	-
Adjustments	7,114	1.85 – 12.41	7.04
Balance, December 31, 2005	**158,082**	**$1.85 – 12.41**	**$6.91**

In 2004 and 2005, TCM made three exceptional cash distributions to shareholders of respectively $501.2 (€406.5) or $5.36 per share (€4.35) on April 26, 2004, $100.0 (€81.0) or $1.06 per share (€0.86) on November 4, 2004 and $75.9 (€59.7) or $0.80 per share (€0.63) on July 26, 2005 through the repayment of Additional Paid in Capital. In accordance with the terms of the option plans, the total number and exercise price of the outstanding option grants were adjusted, without any accounting consequences pursuant to the provision of FASB Interpretation No. 44 "Accounting for Certain Transactions Involving Stock Compensation", in order to restore the economic position of optionholders to their position pre-distribution. These adjustments resulted in an increase of respectively 57,572 in 2004 and 7,114 in 2005 of the number of options and the reduction of the exercise price from a range of $3.50 to $21.45 to a range of $1.85 to $12.41.

(US Dollars and other currencies in millions)

9. SHARE OPTIONS (Continued):

Outstanding and vested options under the Equity Plans as of December 31, 2005 were as follows:

Outstanding options			Exercisable options		
Options	Remaining Life (years)	Exercise Price (US $)	Options	Exercise Price Price (€)	Price (US$)
15,450	3.0	$1.85	15,450	$1.85	€1.56
54,172	4.9	4.64	54,172	4.64	3.92
18,042	7.2	4.73	7,217	4.73	3.99
28,730	8.2	7.82	5,746	7.82	6.60
15,443	4.4	11.34	15,443	11.34	9.57
26,245	9.2	12.41	-	12.41	€10.48
158,082			**98,028**		

Options have been granted in 2004 and 2005 at a weighted average fair value of $6.17 (€4.97) and $6.27 (€5.06), respectively.

10. RESTRUCTURING ACTIONS AND WRITE-DOWN OF IMPAIRED ASSETS:

In December 2004, the Management of the Company implemented targeted restructuring actions, and recorded a $0.2 charge in general and administrative expenses in 2004.

11. COMMITMENTS AND CONTINGENCIES:

a) The commitments reflecting minimum lease payments under existing operating leases for office space, automobiles and office equipment at December 31, 2005 amount to approximately:

	Operating Lease Payments
2006	$1.1
2007	1.1
2008	1.2
2009	1.1
2010 and thereafter	1.3
	$5.8

Lease expense amounted to $4.0 and $6.4 for the years ended December 31, 2004 and 2005, respectively.

b) The Group is or may be involved in various litigation and tax audits arising in the normal course of business in several countries. In particular, a media agent company filed a claim against one of our Hungarian subsidiaries, requesting payment of HUF 820.1 million (or $3.8) for an alleged breach of contract and breach of the Competition Act for failure to enter into an agreement in 2006. The Group believes that none of these actions, individually or in the aggregate, will have material adverse effect on the combined financial statements.

c) In relation to the acquisition of a 70% per cent stake in *Oglasnik*, Croatia, the Group granted certain rights including a put option over the 30% interest held by minority shareholders. This right is exercisable until July 2009 and the exercise price is determined through an earnings-based formula. Also, the Company has been granted a call option, exercisable from July 2007 to July 2009, over 6% held by the minority shareholders and determined through an earnings-based formula.

(US Dollars and other currencies in millions)

11. COMMITMENTS AND CONTINGENCIES (Continued):

d) Mirabridge International B.V. ("**Mirabridge**"), a wholly-owned subsidiary of Trader Media East, has granted a put option right to the 12% minority shareholders in its Russian operations, exercisable in two equal installments in the 12-month periods ending April 2009 and April 2010. The exercise price is the then-prevailing fair market value of the shares. Upon election by Mirabridge not to purchase the shares further to the exercise of the put option, the 12% minority interest has a right to initiate a trade sale over 100% of the shares with Mirabridge receiving its prorata share of the proceeds. In 2006 however, Mirabridge has purchased the 12% minority shareholders under the Acquisition Agreement described in note 17.

e) In 2004, we acquired an 85% interest in *Szuperinfo* in Hungary and an additional 7.7% in 2005. Pursuant to the sale and purchase agreement, we are obligated to acquire the remaining interest in *Szuperinfo* in 2006. The purchase price is not expected to be material to the Group.

12. PENSION AND OTHER POST-EMPLOYMENT BENEFITS :

TCM applies local laws and regulations for granting to the employees pension plans or other post-employment benefits. Consistent with texts and regulations in force in the regions where Trader Media East operates, the Company's employees have not benefited of any defined benefit plan over the periods presented. Accordingly, the Company's combined financial statements do not include any material provision relating to pensions or other similar post-employment benefits.

13. INTEREST AND FINANCING FEES:

The details of interest expense and financing fees are as follows :

	December 31, 2005	**December 31, 2004**
Interest income	$0.2	$0.2
Interest on related party balances	(1.8)	(1.0)
Other financial expense	(0.9)	-
	$(2.5)	**$(0.8)**

Financing fees related to debt issuance are amortized on a straight-line basis over the term of the debt. However, as a consequence of the 2005 Credit Agreement, previously capitalized deferred financing fees related to the former credit agreements have been recorded in other financial expense in the third quarter of 2005 for an amount of $0.6.

Interest on long-term related party balances is computed at the prevailing rate in Hungary incremented by 1%.

(US Dollars and other currencies in millions)

14. INCOME TAXES:

Amounts for the years ended December 31, 2004 and 2005 differed from the amounts computed by applying the statutory income tax rate applicable in the Netherlands of respectively 34.5% and 31.5%, to income before income taxes and minority interest as indicated in the table below.

Year ended December 31,	**December 31, 2005**	**December 31, 2004**
Income before income taxes and minority interest :		
Netherlands	(0.9)	(0.8)
Foreign	57.5	54.5
	56.6	**53.7**
Expected statutory tax expense	(17.8)	(18.5)
Decrease in valuation allowance	(1.2)	0.2
Effect of foreign tax rate differences	4.7	6.6
Non-deductible differences:		
Non-deductible expenses[1]	(1.6)	(2.1)
Non-taxable revenues	-	0.1
Other	(2.7)	(3.3)
Total non-deductible differences	**(4.3)**	**(5.3)**
Other differences, net	-	(0.1)
Income tax provision, net	**$(18.6)**	**$(17.1)**

[1] Non-deductible expenses include certain corporate costs.

(US Dollars and other currencies in millions)

14. INCOME TAXES (Continued):

The components of income tax expense are as follows:

	December 31, 2005	December 31, 2004
Current provision:		
Netherlands	(1.5)	(1.4)
Foreign	(16.8)	(16.2)
	(18.3)	**(17.6)**
Deferred benefit (provision):		
Netherlands	-	-
Foreign	(0.3)	0.5
	(0.3)	**0.5**
Income tax provision, net	**$(18.6)**	**$(17.1)**

The components of current income tax are classified in the combined balance sheets as follows :

	December 31, 2005	December 31, 2004
Other receivables	$2.3	$1.4
Social and fiscal liabilities	(0.9)	(0.3)

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and deferred tax liabilities are presented below :

	December 31, 2005	December 31, 2004
Deferred tax assets:		
Allowance for doubtful accounts	0.3	-
Operating loss carryforwards	1.5	2.4
Other	0.6	0.5
Gross deferred tax assets:	**2.4**	**2.9**
Valuation allowance	(0.6)	(1.5)
Net deferred tax assets	**1.8**	**1.4**
Deferred tax liabilities:		
Accrued liabilities	-	(0.2)
Fixed assets and intangibles	(12.8)	(12.6)
Total deferred tax liabilities	**(12.8)**	**(12.8)**
Net deferred tax liability	**$(11.0)**	**$(11.4)**

(US Dollars and other currencies in millions)

14. INCOME TAXES (Continued):

The net deferred tax liability for the amounts shown above is classified in the Combined Balance Sheets as follows:

	December 31, 2005	December 31, 2004
Other current assets	0.5	0.4
Other non-current assets	1.3	1.0
Other liabilities	-	(0.1)
Deferred income tax liabilities long term	(12.8)	(12.7)
Net deferred tax liability	**$(11.0)**	**$(11.4)**

At December 31, 2005, the Company had $15.5 of accumulated net operating loss carryforwards, available to offset future taxable income in various subsidiaries. $2.2 expires in various years from 2006 through 2008, $5.5 expires from 2009 through 2022 and $7.8 can be carried forward indefinitely.

15. CASH FLOW INFORMATION:

(a) Supplemental cash flow information and non-cash transactions:

	December 31, 2005	December 31, 2004
Cash paid (received) for:		
Interest	$1.9	$1.3
Income taxes (net of tax refunds)	16.9	16.0

(b) Net change in working capital balances related to operations, net of acquisitions:

	December 31, 2005	December 31, 2004
(Increase) decrease in:		
Accounts receivable	$(1.4)	$(4.8)
Other receivables and other assets	0.7	0.9
Income taxes receivable	(1.0)	(0.4)
Inventory	(0.6)	(0.2)
Deposits and prepaid expenses	(0.4)	(0.6)
(Increase) decrease in:		
Accounts payable and accrued liabilities	(1.5)	(0.5)
Income taxes payable	0.7	0.2
Other liabilities	(0.8)	(0.1)
Net change in working capital balances and other	**$(4.3)**	**$(5.5)**

(US Dollars and other currencies in millions)

16. RELATED PARTY TRANSACTIONS

Related party balances

Related party balances as of December 31, 2004 and 2005 are balances with TCM. The nature of these balances is mainly comprised of internal financing for acquisitions including *Kisokos* in Hungary and *Oglasnik* in Croatia, management and assistance fees, interest on long-term related party balances and cash advances of current nature.

	December 31, 2005	December 31, 2004
Current liabilities	(2.8)	(11.3)
Long term related party balances	(26.0)	(47.8)
Related party net balances	**$(28.8)**	**$(59.1)**

Management and assistance contract

For the years 2004 and 2005, the combined entities signed a management and assistance contract with TCM to compensate for services incurred by TCM head office personnel for the benefit of the combined businesses. These services were performed in following areas: management of operations, legal, finance, human resources, internal audit, information technology, marketing and acquisitions. Accordingly, respectively $3.7 and $3.0 have been recorded as expenses of Eastern European countries for the years 2004 and 2005.

Related party financing

In the course of the development of their activities, the combined entities benefited from TCM worldwide credit facilities. Accordingly, a direct drawdown of $8.0 under the acquisition tranche of TCM European facility was performed in 2003 to finance a portion of the acquisition of the *Kisokos* directory activities in Hungary. In addition, the acquisition of 70% of *Oglasnik* in Croatia was financed through a related party debt with a wholly-owned subsidiary of TCM.

Hungary entities recapitalization

In October 2005, the Hungarian entities combined in Trader Media East benefited from the conversion by TCM of their related party debt toward TCM into invested equity for a total amount of $7.4.

Option Agreement, Drag and Tag Along Agreement, IPO Letter Agreement, Supplemental Agreement

Under an agreement dated December 31, 2004 (the "**Option Agreement**"), Mr. Makaron has a put option to sell to Mirabridge his entire interest in Pronto-Moscow and Mirabridge has a call option to purchase from Mr. Makaron those interests at any time between April 6, 2009 and April 9, 2010 at fair market value.

Under a second agreement dated December 31, 2004 (The "**Drag and Tag Along Agreement**"), Mr. Makaron agreed to cooperate with Mirabridge until December 31, 2007 to assist Mirabridge in its pursuit and successful completion of a transaction maximizing Mirabridge's investments in Pronto-Moscow and SP Pronto Kiev through sale, partnership or other means.

Under a third agreement dated October 31, 2005 (the "**IPO Letter Agreement**"), Mirabridge and Mr. Makaron agreed that an initial public offering of Pronto-Moscow, together with TCM's businesses in Croatia, Poland and Hungary constituted a Transaction for the purposes of the Drag and Tag Along Agreement. In addition, Mirabridge agreed to cause Trader Media East to grant to Mr. Makaron an option to acquire at the Offering price, shares in Trader Media East (convertible into GDRs) representing 0.5% of its issued and outstanding share capital as calculated immediately prior to the closing of the Offering.

16. RELATED PARTY TRANSACTIONS (Continued):

Under a fourth agreement dated October 31, 2005 (the "**Supplemental Agreement**"), Mirabridge and Mr. Makaron agreed to relinquish, waive and abandon any and all rights that each party would have obtained in the event of the failure by either party to perform, fulfil and satisfy their respective obligations under the Drag and Tag Along Agreement and accept the performance of such obligations by the other party as satisfactory and in compliance with the obligations under the Drag and Tag Along Agreement through the date of the Supplemental Agreement.

Pursuant to the Acquisition Agreement described in Note 17, Mirabridge purchased from Mr. Makaron his 12% interest in Pronto-Moscow for a total consideration of $100.9 in February 2006.

Lease Agreement

Pursuant to a letter agreement dated January 21, 2005, Mirabridge and Mr. Makaron agreed to enter into negotiations for Pronto-Moscow to lease certain property owned by Mr. Makaron at a market rate of rent under commercially reasonable arms' length terms.

Acquisition of Minority Interests

Pursuant to agreements dated June 21, 2005 and March 15, 2005, Pronto-Moscow acquired interests in OOO Pronto-Krasnodar and ZAO Informatcija Vilnusa, respectively, from Mr. Makaron for a total consideration of $0.3.

17. SUBSEQUENT EVENTS:

Legal Reorganization and Offering

Following the incorporation of Trader Media East Limited on November 11, 2005, TCM undertook an internal corporate reorganization of the entities included in Trader Media East (the "**Reorganization**"), which was completed in February 2006. The Reorganization included the following steps.

- TCM incorporated a wholly-owned subsidiary Trader East Holdings B.V. ("**Trader East Holdings**") in The Netherlands.
- Trader East Holdings purchased from members of the TCM group their investments in Hungary, Poland and Croatia in exchange for a promissory note to the TCM group.
- TCM contributed its investment in Mirabridge International B.V. ("**Mirabridge**"), which owns 88% of Pronto-Moscow, in exchange for the shares of Trader East Holdings.
- TCM contributed the shares of Trader East Holdings (and consequently its promissory note) to Trader Media East in exchange for a capital increase of Trader Media East beneficial to TCM.
- TCM proceeded with an international offering on the main market of the London Stock Exchange of shares in Trader Media East. The Offering was successfully completed on February 10, 2006, with unconditional trading commencing on February 13, 2006. The Offering consisted of 43.5 million shares in Trader Media East in the form of global depositary receipts ("**GDRs**") (each GDR representing one share of Trader Media East). TCM has retained a 13% interest in Trader Media East.

17. SUBSEQUENT EVENTS (Continued):

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

Subsequent cash advance granted to TCM

Subsequent to the year-end, TCM drew a cash advance in the amount of $3.4 million, against the intention to pay a dividend of $5.9 million relating to the pre-listing period. The dividend was not authorized and declared, and accordingly TME has claimed the repayment of the advance.

TCM disputes this claim but the directors of TME are confident in TME's entitlement to this amount.

Purchase of the minority interest in Pronto-Moscow (Acquisition agreement between Mirabridge B.V. and Leonid Makaron)

Under an agreement dated January 22, 2006 (the ''Acquisition Agreement''), Mirabridge has purchased from Mr. Makaron his interest in Pronto-Moscow, for a total consideration of $100.9 ("the Purchase Price"). On this amount, $10.5 were paid into escrow account payable on December 31, 2007. Mirabridge has funded these payments through a drawdown of the Senior Credit Facility.

Senior Credit Facility

On February 9, 2006, we entered into a $250 million multi-currency senior secured term loan and revolving credit facility (the "**Senior Credit Facility**"), with BNP PARIBAS as Global Co-ordinator and BNP PARIBAS and WestLB AG, London Branch, as Mandated Lead Arrangers. Borrowers under the facility are Trader East Holdings and certain of its subsidiaries (the "**Borrowers**"). Obligations of the Borrowers under the Senior Credit Facility will be guaranteed by Trader East Holdings, the Borrowers and certain of its subsidiaries and are secured by pledges of certain intercompany loans, over shares in Trader East Holdings, Mirabridge and certain of our other subsidiaries and of certain bank accounts. The final maturity date of the Senior Credit Facility is five years from the date of signing. The Senior Credit Facility consists of three term loans available within 30 days of signing and amounting in aggregate up to $140 million. We have drawn down this amount on the closing of the Offering, as well as $1 million of Revolver Line. In addition, the Senior Credit Facility provides a revolving credit facility of up to $25 million and an acquisition facility of up to $85 million.

Term Loan Facility 1, with up to $100 million available for drawing, has been used to purchase the 12% interest in Pronto-Moscow held by the General Manager of our Russian operations.

Term Loan Facility 2, with up to $7.4 million available for drawing, has been used to refinance existing indebtedness of Trader Hungary Tanacsado Kft.

Term Loan Facility 3, with up to $32.5 million 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 Senior Credit Facility.

17. SUBSEQUENT EVENTS (Continued):

The rate of interest payable for each term loan shall be the sum, per annum, of the applicable margin (set at market rates and thereafter subject to adjustment according to the quarterly ratio of our 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.

The Senior Credit Facility requires 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 our ability to dispose of certain assets, make certain acquisitions, enter into mergers, incur additional indebtedness, make certain distributions (including dividend payments to Trader Media East), and change our core business.

The Senior Credit Facility also requires that we comply 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 Senior Credit Facility). The covenants also specify maximum permissible capital expenditures.

The Senior Credit Facility contains a number of customary events of default including: non-payment, failure to satisfy financial covenants, cross defaults, changes in our 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 requires mandatory prepayment in full upon any change of control or the sale of all or substantially all of the assets or business of the Group.

The term loan facilities are to be repaid in semi-annual, progressively increasing installments beginning in July 2006. The acquisition facility, if drawn, is to be repaid in equal semi-annual installments. All amounts outstanding under the revolving credit facility are due on the final maturity date, five years after the closing date of the Senior Credit Facility.

Purchase Agreements and Lock-up Letters

Mr. Makaron and Mr. McCall MacBain (the principal shareholder of TCM) have severally agreed, in separate agreements with Morgan Stanley & Co. International Limited dated January 22, 2006 (the "**Purchase Agreements**"), to each purchase in the Offering a number of GDRs equal to a price of at least $25 million (3.8% of the issued and outstanding share capital of Trader Media East as calculated immediately prior to Closing and have each agreed not to offer, sell or otherwise dispose of GDRs or Shares or any security of the Company similar to the Shares prior to the date falling 540 days after Closing).

Equity Incentive Plan

Trader Media East's 2006 Equity Incentive Plan (the "**Plan**") was implemented following the closing of the Offering to provide key employees of the Company and its subsidiaries the opportunity to acquire equity interests in the Company. The Plan provides for the issuance of a maximum of 2,500,000 shares (in the form of GDRs) in Trader Media East. The Plan is administered by the Compensation Committee of the Board of Directors.

Tax claim in Russia

In June 2006, Pronto-Moscow received a claim amounting to $6 million from the tax authorities in relation to a tax dispute and penalties dated back to 1998. This tax claim was disputed by the Company and was heard on the 20th September 2006 by the Court in Moscow, which ruled in our favor. The tax authorities have indicated that this decision will be appealed. The Company considers that no provision for any settlement would be necessary at this stage. In connection with this claim, the company deposited in escrow an amount of $3.9 million beginning of July 2006.

17. SUBSEQUENT EVENTS (Continued):

Decision regarding Kisokos

On September the 18th 2006, TME has announced that its Board was exploring strategic alternatives for its Hungarian directory business, Kisokos. The decision made was to dispose of the business in the near future. In the 2006 accounts, Kisokos operation will be discontinued and shown as held for sale.