



TRADER MEDIA EAST LIMITED

(incorporated in Jersey with limited liability)

Offering of up to 50,000,000 Ordinary Shares in the form of Global Depositary Receipts Offer at a price of US\$13.00 per Global Depositary Receipt

This prospectus relates to an offering (the "Offering") by Trader Classified Media N.V. ("TCM" or the "Selling Shareholder") of up to 50,000,000 ordinary shares of Trader Media East Limited ("Trader Media East" or the "Company"), each with a nominal value of US\$0.16 per share (the "Shares"), in the form of global depositary receipts ("GDRs"), with one GDR representing an interest in one Share.

This document constitutes a prospectus (this "Prospectus") relating to Trader Media East prepared in accordance with the prospectus rules of the Financial Services Authority (the "Prospectus Rules") made under section 73A of the Financial Services and Markets Act 2000 ("FSMA"). This Prospectus will be made available to the public in accordance with the Prospectus Rules.

The GDRs will not be offered to persons who are tax residents of Jersey. The GDRs are not being made available, in whole or in part, to the public in connection with the Offering. The Shares and the GDRs are not and will not be listed in Jersey.

The Selling Shareholder has granted to the managers named in "Subscription and Sale" (the "Managers") an option (the "Over-Allotment Option") exercisable for a period of 30 days after announcement of the Offer Price to purchase a maximum of 6,521,739 additional Shares in the form of GDRs, solely to cover over-allotments, if any, in the Offering. See "Subscription and Sale."

The GDRs are specialized investments and should normally only be bought and traded by investors who are particularly knowledgeable in investment matters. See "Risk Factors" beginning on page 12 for a discussion of certain matters that prospective investors should consider prior to making an investment decision.

We have applied (i) to the Financial Services Authority for up to 55,000,000 GDRs, consisting of 43,478,261 GDRs to be issued on or about February 10, 2006 (the "Closing Date"), up to 6,521,739 additional GDRs to be issued pursuant to the Over-Allotment Option, and up to 5,000,000 additional GDRs to be issued from time to time against the deposit of Shares with The Bank of New York, as depositary (the "Depositary"), to be admitted to the Official List of the Financial Services Authority (the "Official List") and (ii) to the London Stock Exchange plc (the "London Stock Exchange") for such GDRs to be admitted to trading on the London Stock Exchange's main market for listed securities (the "Main Market") and in particular on the International Order Book (the "IOB"). This market is a regulated market for purposes of Directive 93/22/EEC (the "Investment Services Directive"). Admission to the Official List together with admission to trading on the London Stock Exchange's Main Market constitute admission to official listing on a stock exchange ("Admission"). We have applied for the Rule 144A GDRs to be designated as eligible for trading in the PORTAL Market of The NASDAQ Stock Market, Inc. ("PORTAL"). Prior to the Closing Date there has not been any public market for the Shares or the GDRs. We expect that conditional trading through the IOB will commence on a "when issued" basis on or about February 7, 2006, and unconditional trading through the IOB will commence on or about February 13, 2006. **All dealings in the GDRs prior to the commencement of unconditional dealings will be of no effect if Admission does not take place and will be at the sole risk of the parties concerned. The Shares have not been, and are not expected to be, listed on any stock exchange.**

Neither the Shares nor the GDRs have been or will be registered under the US Securities Act of 1933, as amended (the "Securities Act"), and neither the Shares nor the GDRs may be offered or sold in the United States absent registration or an exemption from registration under the Securities Act. The Offering consists of (a) an offering (the "US Offering") in the United States to certain qualified institutional buyers (each a "QIB") as defined in Rule 144A under the Securities Act ("Rule 144A") of GDRs (the "Rule 144A GDRs") in reliance on Rule 144A and (b) an offering (the "International Offering") outside the United States of GDRs (the "Regulation S GDRs") in reliance on Regulation S under the Securities Act ("Regulation S"). Prospective purchasers of the GDRs in the United States are hereby notified that the sellers may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. The Shares and the GDRs are subject to selling and transfer restrictions in certain jurisdictions. Prospective purchasers should read the restrictions described under "Selling and Transfer Restrictions."

The GDRs offered hereby are offered severally by the Managers or through their selling agents, subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part. The Regulation S GDRs will be evidenced by a Master Regulation S Global Depositary Receipt (the "Master Regulation S GDR") registered in the name of The Bank of New York Depository (Nominees) Limited, as nominee for The Bank of New York, London Branch, as common depositary for Euroclear Bank N.V./S.A. as operator of the Euroclear system ("Euroclear") and Clearstream Banking, S.A. ("Clearstream, Luxembourg"). The Rule 144A GDRs will be evidenced by a Master Rule 144A Global Depositary Receipt (the "Master Rule 144A GDR" and, together with the Master Regulation S GDR, the "Master GDRs") registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC") in New York. The Shares represented by the GDRs will be held by BNY (Nominees) Limited, as Custodian, for the benefit of the Depositary. Except as described herein, beneficial interests in the Master GDRs will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear and Clearstream, Luxembourg and their direct and indirect participants. It is expected that delivery of the GDRs against payment therefor ("Closing") will be made on or about February 10, 2006 through Euroclear and Clearstream, Luxembourg with respect to the Regulation S GDRs and through DTC with respect to the Rule 144A GDRs.

Global Co-Ordinator

Morgan Stanley

Senior Co-Lead Manager

Credit Suisse

Co-Lead Managers

ABN AMRO Rothschild

JPMorgan

BNP PARIBAS

The date of this Prospectus is February 7, 2006

General

A copy of this document has been delivered to the Jersey registrar of companies in accordance with Article 5 of the Companies (General Provisions) (Jersey) Order 2002, and the registrar has given, and not withdrawn, consent to its circulation. The Jersey Financial Services Commission (the “Commission”) has given, and has not withdrawn, its consent under the Control of Borrowing (Jersey) Order 1958 to the issue of the Shares by the Company. It must be distinctly understood that, in giving these consents, neither the Jersey registrar of companies nor the Commission takes any responsibility for the financial soundness of the Company or for the correctness of any statements made, or opinions expressed, with regard to it.

If you are in any doubt about the contents of this document you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser. It should be remembered that the price of securities and the income from them can go down as well as up.

Trader Media East accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of Trader Media East (having taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

The contents of our websites do not form any part of this Prospectus.

In their capacity as authorized advisers to us and the Selling Shareholder in respect of the application for admission of the GDRs to the Official List, Morgan Stanley & Co. International Limited, Credit Suisse Securities (Europe) Limited, J.P. Morgan Securities Ltd., ABN AMRO Bank N.V. and NM Rothschild & Sons Limited (trading together as ABN AMRO Rothschild, an unincorporated equity capital markets joint venture) and BNP PARIBAS are acting exclusively for us and the Selling Shareholder and no one else in connection with the Offering and will not be responsible to any other person for providing the protection afforded to their respective clients or for providing advice in relation to the Offering.

No person is authorized to give any information or to make any representation in connection with the Offering other than as contained in this Prospectus, and, if given or made, such information or representation must not be relied upon as having been authorized by us, the Selling Shareholder, the Depositary or any of the Managers. This Prospectus is being furnished by us and the Selling Shareholder solely for the purpose of enabling a prospective investor to consider the purchase of the GDRs. No representation or warranty, express or implied, is made by any Manager or any of their affiliates or advisors as to the accuracy or completeness of any information contained in this Prospectus, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by any Manager as to the past or the future. Any reproduction or distribution of this Prospectus, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the GDRs is prohibited, except to the extent that such information is otherwise publicly available. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date hereof or that the information contained herein is correct at any time subsequent to such date. Each prospective investor, by accepting delivery of this Prospectus, agrees to the foregoing.

This Prospectus does not constitute an offer to sell, or a solicitation by or on behalf of us, the Selling Shareholder, the Depositary or any Manager to any person to subscribe for or purchase any of the GDRs in any jurisdiction where it is unlawful for such person to make such an offer or solicitation. The distribution of this Prospectus and the offering or sale of the GDRs in certain jurisdictions is restricted by law. Persons into whose possession this Prospectus may come are required by us, the Selling Shareholder and the Managers to inform themselves about and to observe such restrictions. No action has been taken by us, the Selling Shareholder or the Managers that would permit, otherwise than under the Offering, an offer of the GDRs, or possession or distribution of this Prospectus or any other offering material or application form relating to the GDRs in any jurisdiction where action for that purpose is required. This Prospectus may not be used for, or in connection with, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstances in which such offer or solicitation is not authorized or is unlawful. Further information with regard to restrictions on offers and sales of the GDRs is set forth under “Selling and Transfer Restrictions.”

The Regulation S GDRs and the Rule 144A GDRs will be delivered by the Depositary, pursuant to the Deposit Agreement (the “Deposit Agreement”), expected to be dated the Closing Date, between us and the Depositary. The Shares represented by the GDRs will be registered in the name of the Depositary or its nominee.

In connection with the Offering, Morgan Stanley & Co. International Limited or any person acting for it, as stabilizing manager, may, for stabilization purposes, over-allot GDRs up to a maximum of 20% of the total number of GDRs comprised in the Offering. For the purposes of allowing Morgan Stanley & Co. International Limited to cover short positions resulting from any such over-allotments and/or from sales of GDRs effected by it during the stabilizing period, the Selling Shareholder has granted the Managers the Over-Allotment Option pursuant to which Morgan Stanley & Co. International Limited, on behalf of the Managers, may require the Selling Shareholder to sell additional Shares, to be issued by the Depositary as GDRs, up to a maximum of 15% of the total number of GDRs comprised in the Offering, at the Offer Price. The Over-Allotment Option is exercisable in whole, upon notice by Morgan Stanley & Co. International Limited, at any time on or before the 30th calendar day after the announcement of the Offer Price. Any GDRs made available pursuant to the Over-Allotment Option will be issued on the same terms and conditions as the GDRs being issued in the Offering and will form a single class for all purposes with the other GDRs.

In connection with the Offering, Morgan Stanley & Co. International Limited or any person acting for it, may (but will be under no obligation to), to the extent permitted by applicable law, over-allot or effect transactions with a view to supporting the market price of the GDRs at a level higher than that which might otherwise prevail in the open market for a limited period after the issue date. However, Morgan Stanley & Co. International Limited or any of its agents are not required to enter into such transactions. Such stabilizing, if commenced, may be discontinued at any time, and may only be undertaken during the period from February 7, 2006 up to and including March 8, 2006.

In making an investment decision, prospective investors must rely on their own examination of the Company and the terms of this Prospectus, including the risks involved.

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED WITH, OR APPROVED OR DISAPPROVED BY, THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC") OR ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER US REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT PASSED ON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE IN THE UNITED STATES.

Nothing in this Prospectus nor anything communicated to the holders of the Shares or GDRs or potential holders of the Shares or GDRs by or on behalf of the Company is intended to constitute or should be construed as advice on the merits of the purchase of or subscription for the Shares or GDRs or the exercise of any rights attached thereto for the purposes of the Financial Services (Jersey) Law 1998, as amended.

NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA

To the extent that the offer of the GDRs described in this Prospectus is made in any member state of the European Economic Area that has implemented the Prospectus Directive before the date of publication of a prospectus in relation to the GDRs that has been approved by the competent authority in that member state in accordance with the Prospectus Directive (or, where appropriate, published in accordance with the Prospectus Directive and notified to the competent authority in that member state in accordance with the Prospectus Directive), the Offering (including any offer pursuant to this Prospectus) is only addressed to qualified investors in that member state within the meaning of the Prospectus Directive or has been or will be made otherwise in circumstances that do not require a prospectus to be published pursuant to the Prospectus Directive.

NOTICE TO INVESTORS IN THE RUSSIAN FEDERATION

Neither the Shares nor GDRs have been registered under the law of the Russian Federation "On the Securities Market" dated April 22, 1996, as amended, and the Shares and GDRs are not being offered, sold or delivered in the Russian Federation or to any Russian resident.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("RSA 421-B") WITH THE STATE OF NEW HAMPSHIRE, NOR THE FACT THAT A

SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE, CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT, NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION, MEANS THAT THE SECRETARY OF STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus includes forward-looking statements, which include all statements other than statements of historical facts, including, without limitation, any statements preceded by, followed by or that include the words “targets,” “believes,” “expects,” “aims,” “intends,” “will,” “may,” “anticipates,” “would,” “could” or similar expressions or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond our control that could cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Among the important factors that could cause our actual results, performance or achievements to differ materially from those expressed in such forward-looking statements include those in “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Risk Factors” and elsewhere in this Prospectus. These forward-looking statements speak only as at the date of this Prospectus. We expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any of such statements are based unless required to do so by the Listing Rules of the FSA.

AVAILABLE INFORMATION

For so long as any Shares or GDRs representing such Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, we will, during any period in which we are neither subject to Section 13 or Section 15(d) of the United States Securities Exchange Act of 1934, as amended (the “Exchange Act”), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner upon the request of such holder, beneficial owner or prospective purchaser, the information required to be delivered to such person pursuant to Rule 144A(d)(4) under the Securities Act (or any successor provision thereto).

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

We are incorporated under the laws of Jersey. The Selling Shareholder is incorporated under the laws of The Netherlands. Certain persons referred to herein are residents of Jersey, the Russian Federation, Ukraine, Belarus, Kazakhstan, Hungary, Croatia, Poland, Lithuania and The Netherlands and certain entities referred to herein are organized under the laws of the Russian Federation, Ukraine, Belarus, Kazakhstan, Hungary, Croatia, Poland, Lithuania and Jersey. All or a substantial portion of our assets and the assets of such persons and entities and the Selling Shareholder are located outside the United States. As a result, it may not be possible for investors to effect service of process upon such persons in the United States or to enforce against them or us judgments obtained in United States courts predicated upon the civil liability provisions of US securities laws.

A judgment of a court of a jurisdiction outside Jersey may only be enforced in Jersey pursuant to reciprocal enforcement laws which extend only to a limited range of jurisdictions and courts and include certain limitations (for example, the Jersey courts will not enforce the judgment of a foreign court which would contravene Jersey public policy or would constitute the collection of taxes or imposition of penalties of a foreign government). Where there are no reciprocal enforcement arrangements in place, it is generally considered that the courts of Jersey will recognize as valid a final judgment for a liquidated sum of money, which is not in respect of taxes, fines, penalties or other similar fiscal or revenue liabilities, rendered against the Company by a competent superior court in a relevant jurisdiction, provided that such judgment is obtained without fraud, in accordance with the principles of natural justice, is not contrary to public policy, and that notice of the proceedings in the foreign court were duly served.

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SUMMARY

This summary must be read as an introduction to this Prospectus and any decision to invest in the GDRs should be based on a consideration of the Prospectus as a whole, including the risk factors. No civil liability will attach to those persons who are responsible for this summary solely on the basis of this summary, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to the information contained in this Prospectus is brought before a court in a Member State of the European Economic Area, the plaintiff investor may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Prospectus before the legal proceedings are initiated.

Trader Media East Limited

Information on the Group

In the fourth quarter of 2005, Trader Classified Media N.V. (“TCM” or the “Selling Shareholder”) announced its intention to pursue the listing, subject to TCM shareholder approval, of a single independent business under new ownership comprising its Central and Eastern European operations. As part of that process, TCM placed its Russian, Baltic, CIS and Eastern European operations into a new holding company, Trader Media East Limited (“Trader Media East”).

Trader Media East is the leading provider of print and online classified advertising in the Russian, CIS and Eastern European region on the basis of geographic scope, readership and number of classified advertisements. Our leading publications and websites in Russia, Ukraine, Belarus, Kazakhstan, Hungary, Croatia and Poland serve as marketplaces in major metropolitan and regional markets where both private and professional sellers advertise items for sale and contact motivated buyers. Through our integrated print and online strategy, we offer buyers and sellers a comprehensive and focused forum for consumer-to-consumer and business-to-consumer transactions. We have extensive customer reach in the classified advertising markets in which we operate. Each issue of our flagship Russian publication *Iz Ruk v Ruki*, a widely trusted and recognized brand name throughout Russia, the Baltics and the CIS, is read by an estimated 2.49 million people, or 4.4% of the Russian population over 16 years old. Our market leading titles *Aviso* in Ukraine and *Expressz* in Hungary each have the highest circulation of paid-circulation classified advertising papers in their respective markets. Launched in August 2005, our new online *Iz Ruk v Ruki* platform in Russia, *irr.ru*, attracted 0.7 million unique monthly visitors in September 2005.

Summary Combined Financial and Operating Information

The table below sets out summary financial information for Trader Media East and our combined subsidiaries (the “Group”) for the periods indicated.

	Year ended December 31,			Nine months ended September 30,	
	2002	2003	2004	2004	2005
		(audited)	(millions of \$)	(unaudited)	
Revenues	\$107.6	\$136.7	\$177.5	\$125.8	\$146.4
Operating costs and expenses	(66.1)	(96.6)	(122.2)	(87.5)	(101.3)
Operating profit	41.5	40.1	55.3	38.3	45.1
Income before minority interest . . .	28.2	29.3	36.6	24.8	29.0
Minority Interest	(4.2)	(5.4)	(7.0)	(4.8)	(5.7)
Net income	\$24.0	\$23.9	\$29.6	\$20.0	\$23.3

Competitive Strengths

Our competitive strengths include:

- Our widely recognized main titles and trusted brands that are leaders in their respective markets that attract a critical mass of local content

We are the leading provider of print and online classified advertising in most of our local markets. We publish 235 print titles (as of September 30, 2005), with an estimated weekly readership that management estimates at 5 million, and operate 13 websites, which attracted over 3.2 million unique monthly visitors in

September 2005. Our print titles are trusted, established brands in their respective markets. *Iz Ruk v Ruki*, for example, was recognized by 89% of people in Russia in studies we commissioned.

Because we offer the most effective means of reaching the largest pool of potential buyers and sellers in our markets, we attract the most content, which in turn attracts a still larger readership. This self-reinforcing cycle presents a significant competitive advantage for us.

- Our chosen markets are fast-growing economies with rapidly expanding advertising markets

The countries in which we operate are experiencing, and have the potential for further, rapid growth. In Russia, our largest market, GDP is forecast to increase by an average of 6% per year in the period from 2004 to 2007 according to Global Insight. We expect this growth to be accompanied by corresponding expansion in private consumption and advertising expenditure. The advertising market in Russia, the Baltics, the CIS and Eastern Europe remains underdeveloped relative to Western standards, particularly in terms of advertising expenditure per capita, and has the potential for significant growth on the basis of current market trends.

The emergence of the Internet in these markets provides further opportunities for growth. We expect the relatively low current levels of Internet penetration and the predicted significant increase in Internet and broadband take-up to support the continued growth of online advertising in all our markets.

- Our diverse business's scaleable business model that can be expanded rapidly into different markets and media

Our business is diversified in terms of revenue source and product category, and by print and online publishing channels. Most of our print titles now also have online versions, replicating, and often contributing to, the content of our print titles.

Our brands are inherently scaleable. Our local management teams are experienced in developing new "vertical" titles devoted to a particular product segment and launching new publications (a process we refer to as "verticalization"), while our existing relationship with local online and print operators and local and national advertising agents and strong brand recognition also help us to quickly establish ourselves with a critical mass of content on the launch of a new title or the extension of an existing one.

- The growth of our revenue and cash generation

We increased revenues at a compound annual growth rate of 28.4% per year in the 3 years ended December 31, 2004 in US dollar terms as a result of our organic growth, managed acquisition strategy and low working capital requirements, leading to steadily growing cash generation.

- Our positioning to exploit new online opportunities

Because of the brand recognition of our print titles, we are in a strong position to take advantage of the expected growth of the online markets in Russia, the Baltics, the CIS and Eastern Europe where Internet penetration is relatively low and relatively few web-based competitors exist. We have entered into exclusive partnerships with the leading portals in Poland, Croatia and Hungary, which has boosted our own traffic and limited opportunities for local or global competitors to gain traction and critical mass to effectively compete in the market.

We have also established a Group-level Internet Competency Center to develop online best practices that we can roll out across the Group.

- Our experienced management team and flexible operating structure that encourages development of best practices

Our centralized senior management team has considerable experience in developing best operating practices and in identifying classified advertising market trends gained in both our and TCM's classified advertising markets across the globe. Building on our experience as part of the wider TCM group, we have developed "best-in-class" operating practices, including segmenting our markets with vertical titles, increasing publication frequency, and transforming call center personnel into sales-driven professionals. These practices can be applied to new countries and sectors as we establish or acquire new titles. Each local management team is also given sufficient autonomy and incentivized to develop new operating models, cost structures and marketing techniques.

Strategy

Our goal is to be the premier print and online marketplace for transactions between buyers and sellers in each of our local and regional markets. In achieving this aim, the key elements of our business strategy are:

- Expand our geographic reach with new titles, acquisitions and franchising opportunities
- Expand existing titles vertically and make acquisitions in order to move into new market segments and increase market share
- Continue to develop and incentivize our field and call center-based classified advertising sales professionals responsible for deepening customer relationships and driving revenue growth
- Develop our online business through strategic partnerships and improvements to our websites while increasing revenues
- Assist local management in initiating and developing best operating practices to be implemented across our organization

Risk Factors

The GDRs are specialized investments and should normally only be bought and traded by investors who are particularly knowledgeable in investment matters. Prospective investors should consider the following risks prior to making an investment decision:

Risks related to our operations generally

- The absence of synergies and services which we benefited from as a part of the TCM group, and the possibility of competition from TCM in the future
- No operating history as an independent company
- A material decline in the demand for classified advertising
- Competition in the classified advertising industry
- Growth in the market for online classified advertising harming our print business
- Increases in the price or disruptions in the supply of paper
- Our reliance on third party providers of printing services
- Our reliance on our senior management team and key personnel
- Impediments imposed by our key competitors and increased regulation to our access to distribution networks
- Failure to develop new brands or maintain the strength and integrity of our existing brands and intellectual property
- Claims of intellectual property infringement against us by a third party
- Legal claims against us in connection with advertising content
- Restraints on our operations resulting from minority holdings in some of our subsidiaries
- Monetary claims triggered by the exercise of withdrawal rights by minority shareholders in some of our Russian subsidiaries
- Currency translation and transaction risks
- Difficulty identifying targets and making and integrating acquisitions
- Restraints on our operations from and the difficulty in complying with rules on data protection

Risks related to our online operations

- Limited operating history of our online operations
- Unanticipated technological problems or deliberate attacks to our computer networks
- Inability to adapt to technological changes

- Decreases in the growth rate of Internet usage in the markets in which we operate
- Government regulation and legal uncertainties relating to electronic commerce

Risks relating to the markets in which we operate

- Risks relating generally to emerging markets
- Political and governmental instability
- Economic systems in emerging markets are in different stages of development and are changing rapidly
- Immaturity of legal systems, processes and practices in emerging markets

Risks relating to the Russian Federation

- Reversal of reform policies or the implementation of government policies in Russia targeted at specific individuals or companies
- The uncertain operating environment created by political, social and other conflicts, and corruption
- Economic instability
- The underdeveloped banking system in Russia
- Weaknesses of the Russian legal system and legislation
- Changes in Russian securities laws restricting listing outside Russia for companies with significant Russian assets
- Unlawful, selective or arbitrary Government action
- Uncertainty regarding rules relating to shareholder liability under Russian legislation
- Inconsistent and arbitrary application of antimonopoly legislation
- Inconsistent and arbitrary application of the taxation system in Russia

Risks related to this Offering

- No prior active public trading market for the GDRs
- Illiquidity and lack of listing of the Shares underlying the GDRs
- Ability to receive sufficient funds from our subsidiaries
- Inability to benefit from certain UK anti-takeover protections
- Unavailability of pre-emptive rights for US holders

Summary of the Offering

The Offering will comprise the sale of up to 50,000,000 Shares of Trader Media East, each with a nominal value of US\$0.16 per share, in the form of GDRs with one GDR representing an interest in one Share, by the Selling Shareholder. The Selling Shareholder will initially sell 43,478,261 Shares in the form of GDRs to the Managers and will make 6,521,739 Shares in the form of GDRs available to the Managers pursuant to the Over-Allotment Option.

We expect Admission to take place and unconditional dealings in the GDRs to commence on the London Stock Exchange at 8:00 am (London time) on or about February 13, 2006. Conditional dealings are expected to commence on or about February 7, 2006.

Use of Proceeds

We will not receive any portion of the proceeds from the Offering. The Selling Shareholder will receive all of the proceeds of the Offering, after deduction of certain commissions, fees and expenses.

Reasons for the Offering

We have undertaken the Offering in order to:

- increase our profile, brand recognition and credibility with our customers, suppliers and employees;
- assist in recruiting, retaining and incentivizing key management and employees;
- obtain access to the capital markets; and
- allow TCM to realize its investment in our business.

Current Trading and Prospects

Our preliminary estimates indicate that our revenues were \$197.5 million in the year ended December 31, 2005, an increase of 11.3% compared to 2004. Excluding exchange rate effects, total revenue growth was 9.3%, of which 6.1% was organic (based on growth of 7.7% for the nine months ended September 30, 2005 and 2.2% for the quarter ended December 31, 2005). Calculated on a pro forma basis incorporating in 2004 full year revenues for the Croatian business, which was acquired in July 2004, organic total revenue growth, excluding exchange rate effects, was 6.4%.

The organic revenue growth in 2005 came primarily from Russia (which grew 12.3% compared to the prior year), reflecting our strong regional expansion in that market, and Croatia (which grew 18.5% compared to the prior year), where we extended our market presence through a number of marketing initiatives. In Hungary, revenues decreased 8.9% (on an organic basis), reflecting adverse market conditions in the second-hand car and real estate markets.

In the quarter ended December 31, 2005, we believe that our Operation EBITDA margin, which continued to be influenced by similar factors to those experienced in the first nine months of 2005 and the factors affecting our revenues in the quarter ended December 31, 2005 described above, experienced a limited decline from the level achieved in the nine-month period ended September 30, 2005. In 2006, we expect to continue our regional expansion in Russia, complemented by the introduction of vertical magazines in the auto and real estate sectors and the introduction of full color throughout the *Iz Ruk v Ruki* publication. We expect continued growth from the expansion of regional and vertical magazines in our non-Russian markets, and from investment in and continued development of our online business in all of our markets.

Going forward, we expect margins in 2006 to be influenced by the same factors that affected margins in 2005, with continued pressure on margins in our print business (resulting primarily from the change in business mix as a consequence of continued geographic and vertical title expansion in Russia) partially offset by the higher margin of our growing online business.

Dividend Policy

To the extent that we declare and pay dividends, holders of GDRs on the relevant record date will be entitled to receive dividends payable in respect of Shares underlying the GDRs, subject to the terms of the Deposit Agreement. We do not, however, expect to make dividend payments for the foreseeable future.

Capitalization & Indebtedness

The Group's capitalization at September 30, 2005 was \$158.7 million and its net indebtedness at September 30, 2005 was \$22.0 million.

Related Party Transactions

We expect to enter a Transition Services Agreement and a Strategic and Operating Relationship Agreement with TCM that will govern the separation of certain services from those of TCM and provide for the ongoing sharing of best practices with TCM following the Offering, respectively.

Lock Up Arrangements

Subject to certain exceptions, we and the Selling Shareholder (to the extent it has not disposed of its remaining shares in Trader Media East in connection with the exercise of the Over-Allotment Option by the Managers) have agreed that until 180 days from the date of the Underwriting Agreement (as defined in "Subscription and Sale"), neither we nor the Selling Shareholder will issue, sell or otherwise dispose of any GDRs or Shares or any securities of the Company similar to the Shares (or publicly announce any such

disposal). In connection with their respective purchases of GDRs in the Offering (see “Principal Shareholders”), John H. McCall MacBain (the principal shareholder of TCM) and Leonid Makaron (the General Manager of our Russian, Baltics and CIS businesses) have separately agreed that prior to the date falling 540 days after Closing, neither Mr. McCall MacBain nor Mr. Makaron will offer, sell or otherwise dispose of any GDRs or Shares or any securities of the Company similar to the Shares (or publicly announce any such offer, sale or disposal).

Documents on Display

Copies of this Prospectus, the financial information referred to herein, the auditors’ reports, the Company’s constitutional documents, its management incentivization plan, and certain consent letters will be on display during normal business hours for 12 months from the date of this document at Freshfields Bruckhaus Deringer, 65 Fleet Street, London EC4Y 1HS.

RISK FACTORS

An investment in the GDRs involves a high degree of risk. Prospective investors in the GDRs should carefully consider the risks described below and the other information contained in this Prospectus before making a decision to invest in the GDRs. Any of the following risks could adversely affect our business, financial condition and results of operations, in which case the trading price of the GDRs could decline, resulting in the loss of all or part of an investment in the GDRs.

Risks Related to Our Operations

Risks Related to Our Operations Generally

We will no longer have the synergies and services from which we benefited as part of the larger Trader Classified Media group, and we may be subject to competition from Trader Classified Media should it choose to re-enter the markets in which we operate

Prior to the Offering, our businesses constituted all of the operations of TCM in Russia, Ukraine, Belarus, Kazakhstan, Hungary, Croatia, Poland and Lithuania. TCM intends to sell its entire holding in us as part of the Offering (assuming the Over-Allotment Option is exercised in full) and thereby exit the markets in which we operate.

Prior to the Offering, TCM provided us with business and strategic planning, credit facilities and accounting and financial services. On February 10, 2006, we expect to enter into an agreement with TCM, the “Transition Services Agreement,” for the provision of similar services for a period of one year following the Closing Date. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—The Reorganization—Transition Services Agreement” and “Related Party Transactions—Transition Services Agreement.” We have not previously operated as a stand-alone company and, to the extent that we are not able to develop, provide for or contract at a reasonable rate the services previously provided by TCM and its affiliates, our business, results of operations and financial condition could be materially adversely affected.

Additionally, we have historically adopted best practices developed by other members of the TCM group. Although we expect to enter into a Strategic and Operating Relationship Agreement with TCM on February 10, 2006 to continue to share best practices with the remaining members of the TCM group, the failure to effectively continue this practice may have a material adverse effect on our business, results of operations and financial condition. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Assuming the sale by TCM of its entire shareholding in us, TCM will no longer have operations in our markets following the Offering. We have not entered into any form of agreement that would prohibit TCM from establishing new operations in our markets that compete, whether directly or indirectly, with our business. To the extent that TCM seeks to re-enter our markets, including through the acquisition of target companies that we may be interested in acquiring, and is successful in doing so, we may not be able to complete anticipated acquisitions at costs we deem reasonable or compete successfully with TCM, and our business, results of operations and financial condition could be materially adversely affected.

We do not have an operating history as an independent company and our historical Combined Financial Statements do not reflect the operations of an independent company

The Combined Financial Statements contained elsewhere in this Prospectus include allocations for technical, human resources, accounting, administrative, legal and other expenses incurred by TCM for services rendered pursuant to management services agreements. See “Related Party Transactions—Management and Assistance Contracts.” We have also relied on TCM to provide financing for our acquisitions. While we have accounted for the provision of these services in our Combined Financial Statements, these allocations are not necessarily indicative of the levels of expenses that would have resulted had we been operating as a separate, stand-alone company. As a result, our cash flows and operating results to date are not necessarily indicative of the cash flows that would have resulted had we been operating as an independent company during the periods presented. In the event our actual costs as an independent company are significantly higher than the costs reflected in our historical Combined Financial Statements, our business, results of operations and financial condition may be materially adversely affected. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Our results of operations and financial condition would be adversely affected by a material decline in the demand for classified advertising in the future

We derive substantially all of our revenues from commercial display advertising sales, classified advertising sales and paid circulation of our titles. Many factors can contribute to a decline in the demand for advertising generally, including economic downturns and decreases in the advertising budgets of businesses which purchase advertisements. Although our historical experience has shown only a limited correlation between the level of classified advertising activity and the economic cycle, any material decline in the overall demand for classified advertising or the demand for advertising in our publications in the future would have a material adverse effect on our business, results of operations and financial condition.

The classified advertising industry is highly competitive and we may not be able to compete effectively with other classified advertising businesses, thereby negatively affecting our results of operations and financial condition

The classified advertising publishing industry is highly competitive. In our local markets, we compete for both advertising revenues and readership with daily and weekly local, regional and national newspapers, direct mail marketing companies, free circulation papers, specialist magazines and other classified publications targeted to the same geographic area. We may not be able to compete successfully because our competitors may not need to achieve positive operating results from their businesses over the short term may have significantly greater operating experience and brand recognition in a particular market or may have greater financial, marketing and technical expertise, enabling them to develop and enhance competing businesses and to adapt more quickly to rapid technological change and changes in the industry.

We expect that the Internet will become an increasingly important part of the classified advertising market because it enables advertisers to reach large, targeted audiences at low cost, and it provides users more efficient access to a larger source of available items. We compete in several markets with websites offering classified advertising. We expect this competition to increase because the barriers to entry into the online market are relatively low in comparison to the print market. In particular, portals or large e-commerce companies may seek to extend their businesses into classified advertising; for example, community sites such as craigslist, Yahoo!, Excite and eBay (through its *kijiji.com* website) have established a presence in online classified advertising. Additionally, auction sites such as eBay may also offer an alternative to published or online classified advertisements while Google has recently launched GoogleBase, a service that allows individuals to add items (including advertisements for items for sale) in a searchable worldwide database.

If our print and online competitors take market share from us in any of our local markets, our financial condition and results of operations could be materially adversely affected.

Growth in the market for online classified advertising may harm our print business

As access to the Internet increases, consumers may use print publications less than they have done historically to purchase and sell goods and services through classified advertising. To date, nearly all of our revenues have been derived from print publications. For example, 98% of our 2004 revenues and 97% of our revenues for the nine months ended September 30, 2005 were derived from print publications. Over the long-term, consumers who use print publications may migrate to the Internet to effect transactions. The failure of our online business to capture a substantial portion of any of this migration from print media will adversely affect our results of operations and financial condition. In addition, increased online penetration and the resulting increase in the availability of free classified advertising opportunities may cause a decrease in the total revenues for classified advertising, particularly if we are unable to find a way to effectively generate revenue from our online activities. A resulting decline in our advertiser or consumer base would have a material adverse effect on our results of operations and financial condition.

Any fluctuations in the price or supply of paper would cause our expenses to increase and could negatively affect our results of operations and financial condition

Paper is our single largest raw material expense, representing approximately 9% of our revenues in 2004 and, along with printing, one of our largest operating expenses. We depend upon outside suppliers for all of our paper supplies, and we hold relatively small quantities of paper in stock. Our business is therefore subject to price increases and delays in receiving paper supplies. We cannot control the price at which we purchase paper or ensure the timeliness of its supply. The prices we have paid for paper have fluctuated widely, and although we have not experienced any material disruption in our business as a result of a delay

in the supply of paper, in the event of any such disruption or any material increase in paper prices our financial condition and results of operations could be materially adversely affected.

We rely to a significant degree on third party providers of printing services

Printing costs represented approximately 8% of our revenues in 2004 and in the nine-month period ended September 30, 2005. Although we own three printing facilities in Russia, two in Moscow (Pronto-Print and Rosprint) and one in Samara (Rosprint Samara), we rely on third-party printers to print the majority of our publications. Because of the nature of our business, it is important that such third-party printers, in addition to providing high-quality, high-volume printing services on a timely basis, are able to employ appropriate security measures to prevent unauthorized access to the information contained in our classified advertisements.

We do not have color printing capacity at our own printing facilities in Russia. In response to evolving market demands, we increasingly print our publications in color, which is relatively expensive in comparison to black and white printing. As a result, we must either accept decreased margins on our color publications or increase our cover prices. The fact that there are fewer color printing facilities in our chosen markets provides us with less flexibility in the event of price increases or production problems by one of these color printers.

If we are unable to establish and maintain contracts with high-quality, reliable third-party black and white or color printers on economically attractive terms and it is uneconomical in such situations to print the affected publications ourselves, or we or our third-party printers do not employ sufficient security measures to avoid the misappropriation of the contents of our classified advertisements, our business, financial condition and results of operations could be materially adversely affected.

We depend heavily on our senior management team and key personnel and our failure to retain these individuals or the failure of our senior management team to perform effectively would have a material adverse effect on our business

We depend on the continued services of our senior management team, in particular Pierre-Francois Catté, Paul Guest, Leonid Makaron and Zsolt Szokolay. We have entered into employment agreements with each of these members of senior management to ensure we have the continuity in management that will enable us to implement our business strategy. Despite these employment agreements, any of these members of senior management and other key personnel could leave us at any time or otherwise become incapable of performing their duties. Leonid Makaron, who has been instrumental in building our Russian and CIS business, is expected to have disposed of his minority stake in that business on or shortly after Closing. Mr. Makaron has, however, agreed to purchase in the Offering a number of GDRs for a price equal to at least \$25 million (3.8% of our issued and outstanding share capital as calculated immediately prior to Closing) and has agreed not to offer, sell or otherwise dispose of any GDRs or Shares or any securities of the Company similar to the Shares (or publicly announce any such offer, sale or disposal) prior to the date falling 540 days after Closing. He has further agreed to remain as General Manager of our Russian, Baltic and CIS business at least until the end of 2007. See “Principal Shareholders” and “Related Party Transactions—Acquisition of Minority Interests in Pronto-Moscow—Acquisition Agreement.”

The loss of or any diminution in the services of Pierre-Francois Catté, Paul Guest, Leonid Makaron, Zsolt Szokolay or those of any of the other members of our senior management or their failure to integrate successfully into an effective team could lead to our business, financial condition and results of operations being materially adversely affected. We do not maintain key-man life insurance policies for Pierre-Francois Catté, Paul Guest, Leonid Makaron, Zsolt Szokolay or any other of our employees. The failure to retain key personnel might significantly disrupt our business and our financial condition and results of operations could be materially adversely affected.

Our key competitors or increased regulation or costs may impede our access to our distribution networks

Our access to a significant portion of the Russian population is determined in large part by our ability to ensure that our publications are available in retail outlets. One of our key competitors pursues an aggressive strategy of acquiring additional networks of retail outlets throughout Russia which impedes the distribution of competing publications, including those owned by us. Furthermore, in 2004, the Government of the City of Moscow imposed restrictions in Moscow on kiosks in metro stations and underpasses, which are an important distribution channel for our print publications. These restrictions had the effect of limiting our distribution points. To the extent our key competitors are able to impede our

access to distribution networks or the availability of retail outlets is restricted by regulation or becomes costly, our circulation and, consequently, our sales and advertising revenue may be materially adversely affected.

We rely heavily on a few existing brands for a significant portion of our revenues and net income and our failure to adequately maintain the strength and integrity of these brands or to develop new brands may reduce demand for our services and harm our business, results of operations and financial condition

Our success depends in large part on our brands and their value, in particular *Iz Ruk v Ruki*, which represented 53% of our revenues for the nine-month period ended September 30, 2005, and *Expressz*, which represented 21% of our revenues over the same period. We may be unable to maintain the strength and integrity of our existing brands either in the print or online markets. For example, increased competition for online classified advertising in any of our markets could undermine the strength of associated print publications in those local markets. In addition, we are susceptible to others damaging the reputation of our brands through the infringement of our intellectual property rights. For example, we are aware that certain parties have in the past engaged in the unauthorized use of the *Iz Ruk v Ruki* name or variants of the *Expressz* brand. As we continue to expand into new media and new local markets, we may be unable to create new brands. To the extent that these or other events impair our ability to maintain the strength of existing brands or to create new brands, we could experience a decline in demand for our products and a loss of revenues and net income.

If we fail to adequately protect our intellectual property rights or face a claim of intellectual property infringement by a third party, we could lose our property rights or be liable for significant damages, which could materially and adversely affect our future activities and revenues

We rely primarily on a combination of locally held copyrights and trademarks and licensing and franchising agreements to protect our intellectual property. Despite these precautions, our competitors may infringe our key trademarks or otherwise obtain and use our intellectual property without authorization. Russia, and the CIS generally offer less intellectual property protection than Western Europe and North America. If we are unable to protect our proprietary rights against infringement or misappropriation, it could materially harm our future financial results and our ability to develop our business. To prevent infringement in the future, we may have to file infringement claims. Such claims can be time consuming and costly to prosecute and there can be no assurance that any such claims will be successful. Policing unauthorized use of our intellectual property is difficult and costly and we may not successfully prevent misappropriation of our proprietary rights. Unauthorized use of our intellectual property may damage our reputation, decrease the value of such property and reduce our market share.

As we develop our existing brands and enlarge our business, the measures taken to protect our existing brands and enforce our intellectual property rights must keep pace with our projected economic development and the development of new markets. Any failure to protect intellectual property rights could give rise to a number of negative consequences, such as:

- we may be unable to use our brand names in a number of countries in connection with certain products and services; or
- we may be unable to register certain domain names.

Parties may initiate litigation against us for alleged infringement of their proprietary rights if there were any defects in connection with our acquisition of such intellectual property rights. In the event of a successful claim of infringement and our failure or inability to develop non-infringing technology or content or to license the infringed or similar technology or content on a timely basis, our future business could suffer. Moreover, even if we are able to license the infringed or similar technology or content, we would be required to pay license fees to the licensor which could be substantial or uneconomical and our business, results of operations or financial condition could be materially adversely affected.

Legal claims in connection with advertising content that we distribute may require us to incur significant costs, which could have a material adverse effect on our future business, financial condition and results of operations

The content we make available to customers through our print and online properties could result in legal claims against us. We could be subject to claims based on a variety of causes of action, including defamation, slander, libel, trademark or copyright infringement, negligence, obscenity, personal injury,

invasion of privacy, data protection, false and misleading advertising, laws protecting consumers in general and other laws, based on the nature, publication or distribution of the information we supply, either directly or indirectly, to readers of our publications. We may incur significant costs defending any such claims, even if they do not result in liability, which may also distract management's attention from other aspects of the business. We may not be able to prevent the unlawful exchange of goods or services through our print or online properties, and we may suffer civil or criminal liability for unlawful activities carried out by our customers through either our online or print properties. We may have to spend substantial resources to reduce our exposure to liability for unlawful activities of our users. Despite the fact that we have imposed strict policies to regulate the contents of advertisements published by us, we remain potentially subject to such claims. Any costs, including litigation costs, incurred as a result of this type of liability or asserted liability could lead to our future results of operations and financial condition being materially adversely affected.

We do not own all of the share capital of all of our subsidiaries

Although we have a majority interest in, and management control of, each of our subsidiaries, a number of our subsidiaries have other shareholders who, in certain cases, hold substantial interests in these subsidiaries. As a result of these shareholdings, these subsidiaries may be subject to additional legal or regulatory requirements, or we may be unable to take certain courses of action without the prior approval of a particular shareholder or a specified majority of shareholders (either under shareholders' agreements or by operation of law). The existence of minority interests in certain of our subsidiaries may limit our ability to increase our equity interests in these subsidiaries, to combine similar operations, to utilize synergies that may exist between the operations of different subsidiaries or to reorganize our structure in ways that may be beneficial to us.

Our Russian operations may be affected by the withdrawal of minority shareholders from our Russian subsidiaries that are not wholly owned by us

We have 47 subsidiaries in Russia and the CIS, 21 of which are wholly owned through OOO Pronto-Moscow ("Pronto-Moscow") and 26 of which have minority shareholders (including Pronto-Moscow). Minority shareholders in our Russian subsidiaries existing in the form of limited liability companies may withdraw from such subsidiaries at any time without our consent and request compensation valued at fair market value, as determined by the courts, for their interests from the relevant Russian subsidiaries. Although to date no minority shareholder has exercised its withdrawal rights, if any were to do so our business, results of operations and financial condition could be materially adversely affected.

Currency risks may negatively affect our reported financial results

Our reported results of operations are subject to currency translation risk because we conduct our operations through subsidiaries in a number of countries. With the exception of our Russian and CIS entities prior to 2003, all of our subsidiaries use their local currency as their functional currency and the financial condition and results of operations of each of our subsidiaries are reported in the relevant local currency and then translated into US dollars at the applicable currency exchange rate for inclusion in our financial statements. Prior to 2003, the Russian economy was subject to high levels of inflation and our Russian subsidiaries were obliged to use the euro as their functional currency. As we present our financial results in US dollars, the appreciation of the US dollar against the functional currencies of certain of our subsidiaries, such as the Russian ruble and the Hungarian forint, would have a negative impact on our reported financial results.

In addition, we incur currency transaction risk whenever one of our operating subsidiaries enters into a transaction using a different currency than its functional currency. We attempt to reduce currency transaction risk by matching costs and revenues in the same currency. To the extent that we are not able to hedge this risk completely by matching costs and revenues our results of operations and financial condition may be materially adversely affected.

We may have difficulty continuing to identify targets and make acquisitions and we may not be able to successfully integrate acquisitions we make or launch greenfield operations, which would limit our growth and harm our business

Our growth historically has been fueled in part by strategic acquisitions, and we intend to continue to grow our business in this manner. Our acquisition strategy entails the following risks:

- acquisition opportunities may not be available in the future;
- we may experience increasing competition for potential acquisitions;
- we may not have access to sufficient capital to finance potential acquisitions;
- we may incorrectly assess the value of any acquisition candidate;
- we may not realize any of the anticipated benefits from any of the acquisitions we complete; and
- we may face many difficulties associated with integrating the operations of acquired businesses with our operations or with the launch of greenfield operations in territories in which we currently do not operate.

In particular, we have limited experience in identifying, competing for and valuing online businesses. It may be more difficult for us to complete acquisitions of online businesses successfully and to integrate them into our existing business than has been the case with acquisitions of print businesses. Therefore, we expect to be particularly vulnerable to these risks in connection with acquisitions of online properties. If we are unable to identify and make acquisitions in accordance with our business plan, our business, financial condition and results of operations may be materially adversely affected.

Privacy concerns and rules on data protection may make it difficult for us to collect and maintain information on our customer base

Websites typically place “cookies” on a user’s hard drive to collect data derived from the user’s online activity without the user’s knowledge or consent. We also gather information about our customers in surveys or in data collection forms by asking them to fill out information when they purchase a product or service from us. We use information that we gather from our customers across the business to better target our sales and marketing efforts to our current and prospective customer base. We save this information and use it for marketing purposes. Any limitation on the use of consumer data collection could impair our sales and marketing efforts in the future.

The EU Data Protection Directive imposes restrictions on the collection, use and processing of personal data and on the transfer of personal data out of the European Economic Area. The directive and national implementing legislation could hinder our ability to share personal information between our Hungarian and Polish businesses and our businesses which are based in non-EU countries and are not regarded by the relevant regulators as maintaining adequate standards of privacy.

The requirements with respect to the collection and processing of data, the rights of users and the obligations imposed on companies collecting data vary to a substantial extent from country to country (even among countries that have implemented the EU Data Protection Directive) and may continue to do so in the future. Penalties for breaching these laws could include criminal liability, the imposition of fines or damage to reputations. We may therefore be obliged to comply with different legislative requirements which could have an impact on our ability to collect data and share that data with third parties, such as advertisers. These requirements could adversely affect our activities and deter individuals from providing data that is of commercial value to us and our advertisers. There may also be an additional cost involved with implementing and maintaining legally compliant, privacy policies.

Risk Related to Our Online Operations

Our online business has a limited operating history, and if we fail to expand our online operations it could adversely affect our results of operations and financial condition

Our online business has a limited operating history. We therefore face the risks and difficulties frequently encountered by companies expanding into an evolving business area. To address these risks, we must, among other things, maintain and increase our base of customers, advertisers and database sources, implement and execute our online business strategy and continue to maintain and upgrade our technology. In addition, our business model is based on generating revenues from new sources, including revenues by links to other databases. If we are not able to execute our online strategy successfully, our results of operations and financial condition could be materially adversely affected.

Unanticipated technological problems or deliberate attacks to our computer networks may result in reduced traffic to our websites, lower circulation for our print publications and harm to our reputation, financial condition and results of operations

Our ability to provide our print and online products and services depends on the efficient and continuous operation of our computer hardware and software systems and the Internet. These systems are subject to damage or interruption from human error, natural disasters, telecommunications failures, sabotage or vandalism and computer viruses.

Third parties may attempt to gain access to our computer systems or viruses may be intentionally or unintentionally spread to our networks, and we cannot be certain that we will be able to protect our computer networks from such attacks. Any system failure that interrupts or reduces the responsiveness of any of our websites, or disrupts our ability to publish or distribute any of our print publications in a timely manner, could result in reduced readership and harm to our reputation, brands and relations with both commercial and individual advertisers. In addition, the inadvertent transmission of computer viruses could expose us to a material risk of loss or litigation and possible liability. We may be required to expend significant capital and other resources to protect our systems against the threat of such viruses and unauthorized access and to rectify any damage to our systems.

If we are unable to adapt to technological changes, our ability to compete on the Internet will be impaired and our business will be materially adversely affected

The market for online products and services is characterized by rapid technological developments, evolving industry standards and frequent new products and enhancements. As the number of web pages and users increases, we will need to modify our online infrastructure and our websites to accommodate increased traffic. If we cannot modify our computer systems, we may not be able to meet the expectations or changing demands of our customers.

If we fail to adapt effectively to increased usage of the Internet or new technological developments, we will not compete successfully online, adversely affecting our business and results of operations. If we are required to incur substantial costs to modify our infrastructure, our business, results of operations and financial condition could be materially adversely affected.

If Internet usage in the markets in which we operate does not grow at a strong pace, our online business will not be successful

In Russia, the Baltics, the CIS, Hungary, Croatia and Poland, Internet usage is not as widespread as in Western Europe and the United States. The success of our online business, and therefore our prospects and financial condition, depends in part on strong growth of Internet usage in the countries in which we operate. Internet growth in these countries could be limited by slower-than-expected growth in their GDP per capita. Additionally, low levels of credit card use and the lack of widespread acceptance of electronic payment methods could reverse growth in the online market in these countries. Growth in the online market could also be deterred by the comparatively high cost of personal computers and Internet access, the inadequacy of Internet infrastructure and the high price and lack of availability of Internet access devices.

Users of our websites depend on Internet service providers, online service providers and other website operators for access to our websites. Many of these services have experienced significant service outages in the past and could experience service outages, delays and other difficulties due to system failures unrelated to our systems. These occurrences could cause the visitors to our websites to perceive the Internet in general, or our websites in particular, as unreliable and, therefore, cause them to use other advertising media.

Concern about the transmission of confidential information has been a significant barrier to electronic commerce and communications over the Internet. In many of the countries in which we operate, there are minimal or no legal regulations for the commercial use of the Internet. Any well publicized compromise of security could deter more people from using the Internet to conduct transactions that involve the transmission of confidential information, such as purchasing goods or services. If our customers significantly reduce their use of the Internet because of security concerns, Internet advertising would most likely be negatively affected. We may also incur significant costs to protect ourselves against the threat of security breaches or to alleviate problems caused by these breaches.

Telecommunication regulatory authorities, aware of the burden placed by online usage on the current telecommunications infrastructure, may seek to regulate online service providers and could impose access fees on users or providers. If such access fees are imposed, the costs of using the Internet could increase dramatically, reducing the use of the Internet as a medium for commerce, which could depress the demand for Internet advertising.

The Internet is still emerging as a channel for selling goods and services to consumers in many of the markets in which we operate, and advertisers that have traditionally relied upon print advertising may be reluctant to advertise on the Internet. Online advertising may not grow because its effectiveness may not be easily measurable by advertisers, especially given the fact that many consumers do product research online, but may make their actual purchases offline. If we are unable to offer online advertising options that advertisers view as effective, advertisers may not continue advertising on our sites.

Government regulation and legal uncertainties relating to electronic commerce may restrict the activities of our online business, reduce demand for our products and limit future revenues

Currently, there are few laws or regulations that specifically regulate communications or commerce on the Internet. As Internet usage evolves, laws and regulations may be enacted with respect to the Internet covering privacy, pricing, taxation, content, copyrights, distribution, antitrust, quality of products and services, libel, property ownership, obscenity and consumer protection. It may take a long time to determine the extent to which existing laws relating to issues such as property ownership, libel and personal privacy apply to the Internet. In addition, tax laws and regulations relating to the provision of goods and services over the Internet are still developing. If the Russian Federation or other countries in which we operate impose taxes on products and services provided over the Internet, Internet usage is likely to decline and to the extent that the cost of our products increases we may not be able to pass on the cost to our customers. Any new laws or regulations or new interpretations of existing laws and regulations relating to the Internet could lead to our business and financial condition being materially adversely affected.

The EU has approved a program promoting safer use of the Internet and new online technologies, and there may be further EU legislation in this area that would restrict our online operations. The rapid growth of electronic commerce also may lead to tougher consumer protection laws, any of which could reduce the rate of growth of electronic commerce and harm our business both directly and indirectly.

Due to the global nature of the Internet, the governments of countries in which we do not currently operate may:

- attempt to regulate the content contained on or transmitted using our websites;
- prosecute us for violations of their laws;
- require us to qualify to do business in their country;
- require us to notify governmental authorities of our activities relating to the collection and processing of user data or relating to the provision of financial services information; or
- require us to retain user or communications data for law enforcement purposes.

Any such legislation or regulation, the application of laws and regulations from jurisdictions whose laws do not currently apply to our business, or the application of certain existing laws and regulations to the Internet and other online services could make it difficult for us to operate our online business in its current form and require us to make significant additional investments in our online business. This could in turn lead to our business, financial condition or results of operations being materially adversely affected.

Risks Related to the Markets in which We Operate

Investments in businesses operating in the emerging markets in which we operate are generally subject to greater risks than those operating in more developed markets

We currently operate in Russia, Belarus, Kazakhstan, Ukraine, Hungary, Croatia, Poland and Lithuania and intend to develop or acquire operations in additional countries. Investing in emerging markets, including Russia, the Baltics, the CIS and emerging Europe, involves greater risks than investing in more developed markets, including, in some cases, significant political, economic and legal risks, as more fully described below. Investors should note that the conditions in these markets are subject to rapid change,

and the information set out in this Prospectus may become outdated relatively quickly. Financial turmoil in one emerging market country tends to adversely affect prices in equity markets of many emerging market countries or the equity prices of companies that do business in such countries as investors move their money to more stable, developed markets. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in these markets and adversely affect their economies. In addition, during such times, companies that operate in emerging markets can face severe liquidity constraints as foreign funding sources are withdrawn. Financial turmoil in one emerging market country could seriously disrupt our business and result in a decrease in the price of the GDRs. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved, and investors are urged to consult with their own legal, financial and tax advisors before making an investment in the GDRs.

Political and governmental instability to varying degrees in some or all of the markets in which we operate could adversely affect the value of the GDRs

Since the early 1990's, the countries in which we currently operate have moved from being one-party states with centrally planned economies towards being market-oriented democracies. Although each has developed institutions and a legal and regulatory system characteristic of parliamentary democracies, these institutions and systems lack a long-term institutional history and are not as firmly established as their Western counterparts. The course of political, economic and other reforms has in some respects been uneven, and the composition of the governments in certain of these jurisdictions has at times been unstable. Shifts in government policy and regulation in these jurisdictions may be less predictable than in many Western democracies, and, in some or all of the markets in which we operate, changes in government policy that could affect us or our investors may (and in certain cases are likely to) continue.

For example, in Russia in February 2004, President Putin, prior to his election to a second term as president, dismissed his entire cabinet, replaced the prime minister and issued a presidential decree that significantly revised the federal administrative system. President Putin implemented reforms that resulted in certain offices that were previously elected positions now being appointed directly by the Russian president. He has also proposed to eliminate single-member-district elections for the State Duma in favor of voting on a party list basis. In Ukraine, President Yushenko, who was sworn into power in January 2005 following large-scale protests against alleged unfair elections, fired and replaced his entire cabinet in September 2005.

Future governmental changes, major policy shifts or lack of consensus internally between the leaders, executive and legislative bodies and powerful economic groups within one or more of the countries in which we operate could lead to political instability in those jurisdictions, which, in certain cases, could have a material adverse effect on our operations and the value of the GDRs.

Economic systems in the emerging markets in which we operate are in different stages of development and may continue to change rapidly

Because the economies of the emerging markets in which we operate are in different stages of development, our future results could be adversely affected by a variety of factors, including:

- changes in a specific country or group of countries' economic conditions;
- the programs of reform of economic and government policies undertaken over the last several years in some or all of the countries in which we operate, which may have affected and may continue to affect general market conditions in those jurisdictions. For example, in certain of the countries in which we operate, unemployment remains high and may increase in others, including Hungary, as these countries seek to make efficiency gains in their labor markets. While unemployment remains relatively high, the political reforms being implemented in each of the affected countries are likely to cause tension and, should such reforms be reversed or not achieve their intended aims, our business in those countries may be materially harmed. Our financial position and results of operations, and the price of the GDRs, may be particularly affected by unemployment levels, inflation, exchange rate policy and interest rates;
- potentially negative consequences from any changes in tax laws affecting us;
- differing labor regulations in various jurisdictions; and
- changes in regulatory environments.

Our overall success as a business depends, in part, upon our ability to operate in these differing and sometimes fast-changing economic, regulatory, social and political environments. As a result, economic, regulatory and local business risks could lead to our business, financial condition and results of operations being materially adversely affected.

The immaturity of legal systems, processes and practices in the countries in which we operate may adversely affect our business, financial condition or results of operations

Risks associated with the legal systems of some or all of the countries in which we currently operate include, to varying degrees: inconsistencies between and among laws, presidential decrees, edicts and governmental and ministerial orders and resolutions; conflicting local, regional, and federal rules and regulations; the lack of judicial or administrative guidance regarding the interpretation of the applicable rules; the untested nature of the independence of the judiciary and its immunity from political, social and commercial influences; the relative inexperience of jurists, judges and courts in interpreting recently enacted legislation and complex commercial arrangements; a high degree of unchecked discretion on the part of governmental authorities; substantial gaps in the regulatory structure due to delays in or absence of implementing regulations; bankruptcy procedures that are not well developed and are subject to abuse; and a lack of binding judicial precedent. All of these weaknesses affect our ability to protect and enforce our legal rights, including rights under contracts, and to defend against claims by others. In Poland and Hungary, the civil codes and corporate, competition, securities, environmental and other laws are in the process of substantial revision as part of the transition to market economies and to meet the standards required following their admission to the European Union.

The relatively recent enactment of many laws, the lack of consensus about the scope, content and pace of political and economic reform and the rapid evolution of legal systems in ways that may not always coincide with market developments have resulted in ambiguities, inconsistencies and anomalies and, in certain cases, the enactment of laws without a clear constitutional or legislative basis. Legal and bureaucratic obstacles and corruption exist to varying degrees in each of the jurisdictions in which we operate, and these factors are likely to hinder our further development. These characteristics give rise to investment risks that do not exist in countries with more developed legal systems. The developing nature of the legal systems in the countries in which we operate could result in our business, financial condition or results of operations being materially adversely affected.

Risks Related to the Russian Federation

Although the following risks are focused on the Russian Federation, many of them may also be applicable by analogy to the other CIS countries (and in certain cases to some or all of the other countries) where we conduct our business.

Political and Social Risks

The reversal of reform policies or the implementation of government policies in Russia targeted at specific individuals or companies could harm our business as well as investments in Russia more generally

Since President Putin took office as prime minister and then president in 1999, the political and economic situation in Russia has generally become more stable and conducive to investment. However, signs of a breakdown in the consensus among key governmental officials have raised questions about the direction of future economic reforms. Any significant struggle over the direction of future reforms, or the reversal of the reform program, could lead to a deterioration in Russia's investment climate that might constrain our ability to obtain financing, limit our sales in Russia and otherwise harm our business and results of operations.

In 2003, Russian authorities arrested Mikhail Khodorkovsky and Platon Lebedev, key shareholders and managers of OAO NK Yukos ("Yukos"), then Russia's largest oil company by production, on tax evasion and related charges, and in 2005 they were each sentenced to eight years of imprisonment on these charges. Significant back tax claims have since been brought against Yukos, resulting in the auction of its major production subsidiary, OAO Yuganskneftegaz ("Yuganskneftegaz"), and the effective destruction of Yukos. Yuganskneftegaz was acquired, indirectly, by OAO NK Rosneft, a state-owned oil company, resulting in the first effective renationalization of a significant company privatized in the 1990s. Some analysts contend that the arrests, destruction of Yukos and renationalization of Yuganskneftegaz portend a willingness on the part of the Putin administration to reverse key political and economic reforms

implemented in the 1990s, including certain privatizations. Other analysts, however, believe that these arrests were isolated events that relate to the specific individuals and companies involved and do not signal any deviation from broader political and economic reforms or a wider program of asset redistribution. President Putin announced in March 2005 that the Government was considering plans to reform the system of tax collection and administration, and in his Annual Address to the Federal Assembly on April 25, 2005, President Putin stated that tax authorities should not “terrorize” taxpayers by repeatedly considering the same problems. For further discussion of recent activities by Russian tax authorities, see “—Legislative and Legal Risks—The taxation system in Russia is subject to changes and inconsistencies.”

Political, social and other conflicts, and corruption, create an uncertain operating environment that hinders our long-term planning ability and could adversely affect the value of our investments in Russia

The Russian Federation is a federation of 88 sub-federal political units, consisting of republics, territories, regions, cities of federal importance and autonomous regions and districts. The delineation of authority and jurisdiction among the members of the Russian Federation and the federal government is, in many instances, unclear and remains contested. Lack of consensus between the federal government and local or regional authorities often results in the enactment of conflicting legislation at various levels and may lead to further political instability. In particular, conflicting laws have been enacted in the areas of privatization, securities, corporate legislation and licensing. Some of these laws and governmental and administrative decisions implementing them, as well as certain transactions consummated pursuant to them, have in the past been challenged in the courts, and such challenges may occur in the future. This lack of consensus creates uncertainties in our operating environment, which may prevent us from effectively and efficiently carrying out our business strategy.

In addition, ethnic, religious, historical and other divisions have, on occasion, given rise to tensions and, in certain cases, military conflict, such as the continuing conflict in Chechnya, which has brought normal economic activity within Chechnya to a halt and disrupted the economies of neighboring regions. Various armed groups in Chechnya have regularly engaged in guerrilla attacks in that area. Violence and attacks relating to this conflict have also spread to other parts of Russia, including terrorist attacks in Moscow. The further intensification of violence, including terrorist attacks and suicide bombings, or its continued spread to other parts of Russia, could have significant political consequences, including the imposition of a state of emergency in some or all of Russia. Moreover, any terrorist attacks and the resulting heightened security measures may cause disruptions to domestic commerce in Russia, and could materially adversely affect our results of operations and financial condition, and thus the value of the GDRs.

The Russian and international media have reported high levels of corruption in Russia and elsewhere in the CIS. Press reports have also described instances in which Government officials have engaged in selective investigations and prosecutions to further the interest of the Government and individual officials or business groups. Moreover, certain members of the Russian media appear to have published biased articles in exchange for payment. Demands of corrupt officials, allegations that we or our management have been involved in corruption or illegal activities or biased articles and negative publicity could materially adversely affect our ability to conduct our business in Russia and the value of the GDRs.

Economic Risks

Economic instability in Russia could adversely affect our business

Since the dissolution of the Soviet Union in 1991, the Russian economy has experienced at various times:

- significant declines in gross domestic product;
- a weak banking system providing limited liquidity to domestic enterprises;
- a large number of loss-making enterprises that have continued to operate due to the lack of effective bankruptcy proceedings;
- significant use of barter transactions and illiquid promissory notes to settle commercial transactions;
- widespread tax evasion;
- the growth of black and gray market economies;
- high levels of capital flight;
- high levels of corruption and the penetration of organized crime into the economy;

- high government debt relative to gross domestic product;
- hyperinflation;
- an unstable currency;
- significant increases in unemployment and underemployment; and
- the impoverishment of a large portion of the population.

The Russian economy has been subject to abrupt downturns. In particular, in August 1998, the Russian Government defaulted on its ruble-denominated securities, the Russian Central Bank stopped its support of the ruble and a temporary moratorium was imposed on certain hard currency payments. These actions resulted in an immediate and severe devaluation of the ruble, a sharp increase in the rate of inflation, a dramatic decline in the prices of Russian debt and equity securities and the inability of Russian insurers to raise funds in the international capital markets. These problems were aggravated by the near collapse of the Russian banking sector after the events of August 1998, which further impaired the ability of the banking sector to act as a reliable and consistent source of liquidity to Russian companies.

Recent favorable trends in the Russian economy—such as the increase in gross domestic product, a relatively stable ruble and a reduced rate of inflation—may not continue or may be abruptly reversed. For example, in the third quarter of 2005, the inflation rate in Russia increased and economic growth slowed. In addition, because Russia produces and exports large quantities of oil and natural gas, the Russian economy is particularly vulnerable to fluctuations in the price of oil and natural gas on the world market, and a decline in the price of oil or natural gas could significantly slow or disrupt the Russian economy. The occurrence of any of these events could materially adversely affect Russia’s economy and our business in the future.

The banking system in Russia remains underdeveloped

The banking and other financial systems in Russia are not well developed or regulated, and Russian legislation relating to banks and bank accounts is subject to varying interpretations and inconsistent application. The 1998 financial crisis referred to above resulted in the bankruptcy and liquidation of many Russian banks and almost entirely eliminated the developing market for commercial bank loans at that time. From April through July 2004, the Russian banking sector experienced its first serious turmoil since the financial crisis of August 1998. As a result of various market rumors and, in some cases, certain regulatory and liquidity problems, several privately owned Russian banks experienced liquidity problems and were unable to attract funds on the interbank market or from their client base. Simultaneously, they faced large withdrawals of deposits by both retail and corporate customers. Several of these privately-owned Russian banks collapsed or ceased or severely limited their operations. Russian banks owned or controlled by the Government or the Central Bank of Russia and foreign-owned banks generally were not adversely affected by the turmoil. There are currently also only a limited number of creditworthy Russian banks, most of which are located in Moscow.

As a result of these weaknesses in the banking system in Russia, we seek to reduce our risk by receiving and holding our funds, including our ruble-denominated funds, with subsidiaries of foreign banks and Russian state-owned banks, which we generally believe to be more stable and less risky than Russian banks. However there are few, if any, safe ruble-denominated instruments in which we may invest the excess ruble cash of our Russian subsidiaries. Another banking crisis or the bankruptcy or insolvency of the banks with which we hold funds could result in the loss of our deposits or affect our ability to complete banking transactions in Russia, which could have a material adverse effect on our financial condition and results of operations.

Legislative and Legal Risks

Weaknesses relating to the Russian legal system and legislation create an uncertain environment for investment and business activity in the region and thus could have a material adverse effect on our business and the value of the GDRs

Russia is still developing the legal framework required to support a market economy. The risks described above under “Risk Factors—Risks Relating to the Markets in Which We Operate—The immaturity of legal systems, processes and practices in the countries in which we operate may adversely affect our business, financial condition or results of operations,” as they relate to the Russian legal system, create

uncertainties with respect to the legal and business decisions that we make, many of which do not exist in countries with more developed market economies.

Additionally, the independence of the judicial system and the prosecutor general's office and their immunity from economic, political and nationalistic influences in Russia and the CIS is less than complete. The court system is understaffed and underfunded; judicial precedents generally have no binding effect on subsequent decisions; and most court decisions are not readily available to the public. Enforcement of court judgments can in practice be very difficult in the region. All of these factors make judicial decisions in Russia and the CIS difficult to predict and effective redress uncertain. Additionally, court claims are often used in furtherance of political aims, and law enforcement agencies do not always enforce or follow court judgments. We may be subject to such claims and may not be able to receive fair trials or to enforce any judgments in our favor.

Changes in Russian securities laws may make it more difficult for non-Russian companies with Russian assets to list their shares outside of Russia and the unfavorable opinion of the Russian state authorities of the Offering may result in arbitrary government action against our Russian subsidiaries

The Russian Federal Service for Financial Markets (the "FSFM") has publicly expressed its disapproval of listings of shares of non-Russian companies in circumstances where the main assets of the companies are shares or other interests in Russian companies, and legislation to address this concern was recently proposed in Russia and then withdrawn after discussion in the State Duma, the lower chamber of the Russian parliament. Although current Russian legislation does not prevent the listing of GDRs representing our shares on the London Stock Exchange, and the recently-withdrawn legislation as proposed would not have strictly applied to us, there can be no assurance that should the FSFM take an unfavorable opinion of the Offering, it will not result in selective, arbitrary or unlawful governmental action against us or our Russian subsidiaries.

Unlawful, selective or arbitrary Government action may have an adverse effect on our business and the value of the GDRs

Governmental authorities have a high degree of discretion in Russia and at times appear to act selectively or arbitrarily, without hearing or prior notice, and in a manner that is contrary to law or influenced by political or commercial considerations. Moreover, the Government also has the power in certain circumstances, by regulation or government act, to interfere with the performance of, nullify or terminate contracts. Unlawful, selective or arbitrary governmental actions have reportedly included denial or withdrawal of licenses, sudden and unexpected tax audits, criminal prosecutions and civil actions. Federal and local government entities also appear to have used common defects in matters surrounding share issuances and registration as pretexts for court claims and other demands to invalidate the issuances or registrations or to void transactions, seemingly for political purposes. Standard & Poors has expressed concerns that "Russian companies and their investors can be subjected to government pressure through selective implementation of regulations and legislation that is either politically motivated or triggered by competing business groups." In this environment, our competitors could receive preferential treatment from the government, potentially giving them a competitive advantage. Unlawful, selective or arbitrary governmental action, if directed at our operations in Russia, could lead to our business, results of operations and financial condition and the value of the GDRs being materially adversely affected.

Shareholder liability under Russian legislation could cause us to become liable for the obligations of our Russian subsidiaries and our past transactions and those of our Russian subsidiaries could be challenged under mandatory provisions of Russian law, negatively affecting our business

The Russian Civil Code, the Law on Joint Stock Companies and the Law on Limited Liability Companies generally provide that shareholders in a Russian joint stock company or limited liability company are not liable for the obligations of the company and bear only the risk of loss of their investment. This may not be the case, however, when one person (an "effective parent") is capable of determining decisions made by another (an "effective subsidiary"). The effective parent bears joint and several responsibility for transactions concluded by the effective subsidiary in carrying out these decisions if:

- this decision-making capability is provided for in the charter of the effective subsidiary or in a contract between the companies; and
- the effective parent gives obligatory directions to the effective subsidiary.

In addition, an effective parent is secondarily liable for an effective subsidiary's debts if an effective subsidiary becomes insolvent or bankrupt as a result of the action or inaction of an effective parent. This is the case no matter how the effective parent's capability to determine decisions of the effective subsidiary arises. For example, this liability could arise through ownership of voting securities or by contract. In these instances, other shareholders of the effective subsidiary may claim compensation for the effective subsidiary's losses from the effective parent that caused the effective subsidiary to act or fail to act, knowing that such action or inaction would result in losses. Accordingly, in our position as an effective parent, we could be liable in some cases for the debts of our effective subsidiaries in Russia.

We have taken a variety of actions in Russia involving the establishment of new business organizations, share issuances, share acquisitions and disposals, so-called "major transactions" and "interested party transactions" and other transactions that, if successfully challenged on the basis of non-compliance with applicable legal requirements by competent state authorities, counterparties in such transactions or other interested parties, could result in the invalidation of such transactions or the imposition of other liabilities. Applicable provisions of Russian law are subject to many different interpretations and there can be no assurance that we would be able to successfully defend any challenge brought against such transactions. The invalidation of any such transactions or imposition of any such liability may, individually or in the aggregate, result in our business being materially adversely affected.

If the Russian Federal Antimonopoly Service were to conclude that we acquired or created a new company or reorganised certain shareholdings in contravention of antimonopoly legislation or were to increase the level of control it exerts over certain of our operations, we could face various sanctions including administrative fines, divestiture of assets, invalidation of the transaction or be subject to limitations in our operating flexibility

Our business has grown through the acquisition and founding of companies incorporated and operating in the Russian Federation. In part, relevant legislation restricts the acquisition (indirect and direct) or founding or reorganization of companies by groups of companies or individuals acting in concert without the prior approval or subsequent notification of the Russian Federal Antimonopoly Service (the "FAS"). See "Regulatory Matters—Russia—Anti-monopoly Regulation." While we believe that we have complied with applicable regulations and all requirements of the FAS applicable to our operations (including the Reorganization), the legislation and regulations with respect to such matters are vague in certain parts and there can be no assurance that we will be able to remain in compliance in the future or that our past conduct will not be challenged. Any such finding could result in the imposition of various sanctions (including administrative fines and the invalidation of the transaction) or require the divestiture of such newly acquired or created company or other assets, and our business, results of operations and prospects could be materially adversely affected.

The taxation system in Russia is subject to changes and inconsistencies

Generally, taxes payable by Russian companies are substantial and numerous. These taxes include, among others, income taxes, value-added tax ("VAT"), excise taxes, social and pension contributions and property tax. All of these taxes are subject to change. The discussion below provides general information regarding Russian taxes and is not intended to be inclusive of all issues. **Investors should seek advice from their own tax advisors as to these tax matters before investing in the GDRs.**

The tax environment in Russia has historically been complicated by the fact that various authorities have often issued contradictory pieces of tax legislation. Because of the political changes which have occurred in Russia over the past several years, there have recently been significant changes to the Russian taxation system.

Tax reform commenced in 1999 with the introduction of Part One of the Russian Tax Code, which sets out general taxation guidelines. Since then, Russia has been in the process of replacing legislation regulating the application of major taxes such as corporate income tax, VAT and property tax with new chapters of the Tax Code. For instance, new chapters of the Tax Code on VAT, unified social tax and personal income tax came into force on January 1, 2001; the profits tax and mineral extraction tax chapters came into force on January 1, 2002; and the corporate property tax chapter of the Tax Code came into force on January 1, 2004.

In practice, Russian tax authorities often have their own interpretation of the tax laws that rarely favors taxpayers, who often must resort to court proceedings to defend their position against the tax authorities. Differing interpretations of tax regulations exist both among and within government ministries and

organizations at the federal, regional and local levels, creating uncertainties and inconsistent enforcement. Tax declarations, together with related documentation such as customs declarations, are subject to review and investigation by a number of authorities, each of which may impose fines, penalties and interest charges. Generally, taxpayers are subject to inspection for a period of three calendar years of their activities which immediately preceded the year in which the audit is carried out. As previous audits do not exclude subsequent claims relating to the audited period, the statute of limitations is not entirely effective. In addition, in some instances, new tax regulations have been given retroactive effect. Recently, for example, the Constitutional Court of the Russian Federation ruled that VAT paid on a commercial enterprise's purchases, or input VAT, cannot be offset against VAT collected from sales to the extent that the input VAT was incurred on items purchased with borrowed funds.

Moreover, financial statements of Russian companies are not consolidated for tax purposes. Therefore, each of our Russian subsidiaries pays its own Russian taxes and may not offset its profit or loss against the loss or profit of another entity in our consolidated group. In addition, pursuant to amendments to tax legislation effective as of January 1, 2005, payments of intercompany dividends between two Russian entities are subject to a withholding tax of 9% at the time they are paid out of profits, although this tax does not apply to dividends already taxed.

Trader Media East and its non-Russian subsidiaries are generally considered to be non-residents of Russia for tax purposes. Though we believe that we conduct our operations in accordance with applicable requirements, there can be no assurance that Russian tax authorities will not deem that we or any of our non-Russian subsidiaries have a permanent establishment in Russia as a result of an exercise of management and control from within Russia. There are instances where foreign companies that perform holding or finance functions and are managed and controlled from Russia have been challenged by Russian tax authorities as having a permanent establishment in Russia. Such a challenge to our operations could result in us or one or more of our non-Russian subsidiaries being subject to Russian profits tax computed under Russian tax principles and Russian income tax withholding being assessed on dividend, interest and other similar payments paid from such companies. Such occurrences could increase our tax liabilities and our business and results of operations and the value of the GDRs could be materially adversely affected.

The foregoing conditions create tax risks in Russia that are more significant than typically found in countries with more developed tax systems, imposing additional burdens and costs on our operations, including management resources. There can be no assurance that current taxes will not be increased or that additional sources of revenue or income, or other activities, will not be subject to new taxes, charges or similar fees in the future. In addition to our substantial tax burden, these risks and uncertainties complicate our tax planning and related business decisions, potentially exposing us to significant fines and penalties and enforcement measures despite our best efforts at compliance, and our business and results of operations and the value of the GDRs could be materially adversely affected.

Risks Related to this Offering

Risks related to the GDRs and the market for trading

Because there has been no prior active public trading market for the GDRs, the Offering may not result in an active or liquid trading market for the GDRs, and their price may be highly volatile

Before the Offering, there has been no public trading market for the GDRs or for our ordinary shares. Although the GDRs will be admitted to trading on the London Stock Exchange, an active, liquid trading market may not develop or be sustained after this offering. Active, liquid trading markets generally result in lower price volatility and more efficient execution of buy and sell orders for investors. If an actual liquid trading market for the GDRs does not develop, the price of the GDRs may be more volatile and it may be difficult to complete a buy or sell order for the GDRs.

The trading prices of the GDRs may be subject to wide fluctuations in response to many factors that are unrelated to us or our performance, including:

- variations in our operating results and those of other advertising companies;
- variations in national and industry growth rates;
- actual or anticipated announcements of technical innovations or new products or services by us or our competitors;

- changes in governmental legislation or regulation;
- general economic conditions within our business sector or in Russia and the other emerging markets in which we operate; and
- extreme price and volume fluctuations on the Russian or other emerging market stock exchanges of Russia and the other emerging markets in which we operate.

In addition, the market price of the GDRs may decline below the offering price, which will be determined by the results of the book-building exercise being conducted by the Managers.

The Shares underlying the GDRs are not listed and may be illiquid

Unlike many other GDRs traded on the London Stock Exchange, our ordinary shares are neither listed nor traded on any stock exchange, and we do not intend to apply for the listing or admission to trading of our ordinary shares on any stock exchange. As a result, a withdrawal of shares by a holder of GDRs, whether by election or due to certain events described under “Terms and Conditions of the Global Depositary Receipts” will result in that holder obtaining securities that are significantly less liquid than the GDRs and the price of those shares may be discounted as a result of such withdrawal.

Our ability to pay dividends depends primarily upon receipt of sufficient funds from our subsidiaries

Because we are a holding company, our ability to pay dividends depends primarily upon receipt of sufficient funds from our subsidiaries. Furthermore, the payment of dividends by our subsidiaries and/or our ability to repatriate such dividends may, in certain instances, be subject to statutory restrictions, and retained earnings criteria, and are contingent upon the earnings and cash flow of those subsidiaries. The inability on the part of some of our subsidiaries to pay dividends would negatively affect the amount of funds available to us to pay dividends. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” In addition, our revenue is principally generated by our subsidiaries in rubles, which our management intends to convert into US dollars or other foreign currencies. No assurance may be given that we will succeed in converting such revenue, or, if we are able to do so, that we will be able to convert it at favorable exchange rates.

Holders of the GDRs may not be able to benefit from certain UK anti-takeover protections

Although we are incorporated in Jersey, our management and center of operations are based outside the United Kingdom, the Channel Islands and the Isle of Man and the City Code on Takeovers and Mergers may not apply to us.

Pre-emptive rights for US holders may not be available

In the event we increase our share capital for cash, existing holders of our shares represented by GDRs would generally be entitled to pre-emption rights pursuant to our articles of association, unless such rights are restricted or excluded by a resolution of the general meeting of shareholders as described in “Description of Share Capital and Corporate Structure.” Even if pre-emption rights are not restricted or excluded, US holders of GDRs may not be able to exercise pre-emptive rights for the Shares represented by GDRs unless a registration statement under the Securities Act is effective with respect to those rights, or an exemption from the registration requirement thereunder is available. We are unlikely to file any such registration statement, and no assurance can be given that an exemption from the registration requirements of the Securities Act would be available to enable such US holders to exercise such pre-emptive rights or, if available, that we will utilize any such exemptions.

THE OFFERING

“The Company”	Trader Media East Limited
“The Offering”	The Offering comprises up to 50,000,000 Shares in Trader Media East in the form of GDRs, with one GDR representing an interest in one Share. The GDRs are being offered (a) in the United States to QIBs in the form of Rule 144A GDRs in reliance on Rule 144A and (b) outside the United States in the form of Regulation S GDRs in reliance on Regulation S.
“Selling Shareholder”	Trader Classified Media N.V. Overschiestraat 61 1062 XD Amsterdam The Netherlands
“Over-Allotment Option”	The Selling Shareholder has granted to the Managers the Over-Allotment Option exercisable for a period of 30 days after the announcement of the Offer Price to purchase a maximum of 6,521,739 additional Shares in the form of GDRs solely to cover over-allotments, if any, in the Offering. See “Subscription and Sale.”
“Offer Price”	US\$13.00 per GDR.
“The GDRs”	Each GDR will represent one Share. The GDRs will be issued and delivered by the Depositary pursuant to the Deposit Agreement. The Regulation S GDRs will be evidenced by the Master Regulation S GDR and the Rule 144A GDRs will be evidenced by the Master Rule 144A GDR. See “Summary of Provisions Relating to the GDRs while in Master Form.” GDRs representing 50,000,000 Shares will initially be created for the purposes of the Offering. Pursuant to the Deposit Agreement, the Shares represented by the GDRs will be held by BNY (Nominees) Limited, as Custodian, for the benefit of the Depositary.
“The Shares”	<p>Our share capital consists of 50,000,000 Shares, each with a nominal value of US\$0.16, which are fully paid, issued and outstanding. In addition, we are authorized by our constitutional documents to issue an additional 450,000,000 Shares. The Shares are subject to applicable provisions of Jersey corporate law and our memorandum and articles of association and have the rights described under “Description of Share Capital and Corporate Structure.”</p> <p>Except in the limited circumstances described herein, definitive GDR certificates will not be issued to holders in exchange for interests in the GDRs represented by the Master GDRs. Subject to the terms of the Deposit Agreement, interests in the Master Regulation S GDR may be exchanged for interests in the corresponding number of GDRs represented by the Master Rule 144A GDR and vice versa.</p>
“Depositary”	The Bank of New York.
“Lock up”	We and the Selling Shareholder (to the extent it has not disposed of its remaining shares in Trader Media East in connection with the exercise of the Over-Allotment Option by the Managers) have agreed with the Managers that, subject to certain exceptions, until 180 days from the date of the Underwriting Agreement (as defined in “Subscription and Sale”), neither we nor TCM will offer, issue, sell, contract to sell,

pledge, charge, grant options over or otherwise dispose (or publicly announce any of the foregoing) of any Shares or securities of ours that are substantially similar to the Shares or GDRs, or enter into any transaction with the same economic effect as any of the foregoing otherwise than pursuant to the terms of the Underwriting Agreement (as defined under “Subscription and Sale”). See “Subscription and Sale.”

Mr. John McCall MacBain (the principal shareholder of TCM) and Mr. Leonid Makaron (the General Manager of our Russian, Baltic and CIS businesses) have each severally agreed in the Lock-up Letters (as defined in “Principal Shareholders”), that until a date falling 540 days after the Closing Date neither will offer, issue, sell, contract to sell, pledge, charge, grant options over or otherwise dispose (or publicly announce any of the foregoing) of any Shares or securities of the Company that are substantially similar to the Shares or GDRs, or enter into any transaction with the same economic effect as any of the foregoing except with the consent of Morgan Stanley & Co. International Limited. See “Subscription and Sale.”

“Voting Rights”

The Depositary will endeavor to exercise on behalf of holders of GDRs, at any meeting of holders of the Shares of which the Depositary receives timely notice, the voting rights relating to the Shares underlying the GDRs in accordance with instructions it receives from holders of GDRs, but only if we notify the Depositary of the resolution to be voted upon. If no voting instructions are received in respect of any GDR, the Depositary may issue a discretionary proxy to a person designated by us to provide voting instructions in respect of the Shares underlying such GDRs. See “Terms and Conditions of the Global Depositary Receipts—Voting Rights.”

“Dividends”

Holders of Shares, including the Depositary, will be entitled to receive amounts (if any) paid by us as dividends on the Shares. See “Dividend Policy.”

“Taxation”

For a discussion of certain United States federal, United Kingdom, Dutch and Jersey income tax consequences of purchasing and holding the GDRs, see “Taxation.”

“Use of Proceeds”

We will not receive any portion of the proceeds of the Offering. The Selling Shareholder will receive all of the proceeds of the Offering, after the deduction of certain commissions, fees and expenses.

“Listing and Trading”

We have applied (i) to the Financial Services Authority for a listing of up to 55,000,000 GDRs, consisting of 43,478,261 GDRs to be issued on the Closing Date, up to 6,521,739 additional GDRs to be issued pursuant to the Over-Allotment Option, as described herein, and up to 5,000,000 additional GDRs to be issued from time to time in each case against the deposit of Shares with The Bank of New York, as Depositary, to be admitted to the Official List, which is expected to occur on or about February 13, 2006 and (ii) to the London Stock Exchange for such GDRs to be admitted to trading on the London Stock Exchange’s Main Market for listed securities and in particular on the IOB, which is expected to occur on or about February 13, 2006. We have applied for the Rule 144A GDRs to be designated as eligible for trading on PORTAL. Prior to the Closing Date, there has not been any public market for the Shares or the GDRs. It is expected that conditional trading of

the GDRs through the IOB will commence on a “when issued” basis on or about February 7, 2006 and unconditional trading through the IOB will commence on or about February 13, 2006. **The Shares have not been, and are not expected to be, listed on any stock exchange.**

“Payment and Settlement”

The Depository has applied to have the Regulation S GDRs accepted for clearance through the book-entry settlement systems of Euroclear and Clearstream, Luxembourg and the Rule 144A GDRs accepted for clearance through DTC. Payment for, and delivery of, the Regulation S GDRs will be made on or about February 10, 2006 through the facilities of Euroclear and Clearstream, Luxembourg. Payment for, and delivery of, the Rule 144A GDRs will be made on or about February 10, 2006 through the facilities of DTC. Upon acceptance by DTC, a single Master Rule 144A GDR will be held in book-entry form and will be issued to DTC and registered in the name of Cede & Co., as nominee for DTC. The Master Regulation S GDR will be registered in the name of The Bank of New York Depository (Nominees) Limited, as nominee for The Bank of New York, London Branch, as common depository for Euroclear and Clearstream, Luxembourg. Euroclear and Clearstream, Luxembourg are expected to accept the Regulation S GDRs for settlement in their respective book-entry settlement systems. Except in limited circumstances described herein, investors may hold beneficial interests in the GDRs evidenced by the corresponding Master GDR only through DTC, Euroclear or Clearstream, Luxembourg, as applicable. The security identification numbers of the GDRs offered hereby are as follows:

Regulation S GDRs ISIN:	US89255G2084
Regulation S GDRs Common Code:	024132269
Regulation S GDRs Sedol:	BOWH826
Regulation S GDRs CUSIP Number:	89255G208

Rule 144A GDRs ISIN:	US89255G1094
Rule 144A GDRs Common Code:	024132439
Rule 144A GDRs Sedol:	BOWH859
Rule 144A GDRs CUSIP Number:	89255G109

London Stock Exchange GAR trading symbol:	TME
PORTAL Rule 144A GAR trading symbol:	TMELYP44A

“Risk Factors”

Prospective investors should consider carefully the risks discussed under “Risk Factors.”

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Our audited Combined Financial Statements in respect of the financial years ended December 31, 2002, 2003 and 2004 included in this Prospectus (the “Audited Combined Financial Statements”) and our unaudited combined interim financial statements in respect of the nine-month period ended September 30, 2005 included in this Prospectus (the “Unaudited Combined Interim Financial Statements,” and together with the Audited Combined Financial Statements, the “Combined Financial Statements”) have been prepared in accordance with United States Generally Accepted Accounting Principles (“US GAAP”).

Market data used in this Prospectus, including without limitation under the caption “Industry Overview,” have been extracted from official and industry sources and other sources we believe to be reliable. Throughout this Prospectus, we have also set forth certain statistics, including statistics in respect of numbers of advertisements, circulation and market share, from industry sources and other sources we believe to be reliable. We accept responsibility for accurately reproducing, but have not independently verified, such information, data and statistics. Such information, data and statistics may be approximations or estimates or use rounded numbers.

In this Prospectus, unless the context requires otherwise, all references to “Trader Media East,” “we,” “us,” “our,” “the Group” or “our Group” are to the Company and its consolidated subsidiaries, taken as a whole. Prior to the Reorganization (as defined in “Management’s Discussion and Analysis of Financial Condition and Results of Operations—The Reorganization”), all such references are to the consolidated subsidiaries of the Company, taken as a whole.

In this Prospectus, all references to “RUR” and “ruble” are to the currency of the Russian Federation (“Russia”), all references to “UAH” and “hryvnia” are to the currency of Ukraine, all references to “BYR” and “Belarussian ruble” are to the currency of Belarus, all references to “KZT” and “tenge” are to the currency of Kazakhstan, all references to “HUF” and “forint” are to the currency of Hungary, all references to “HRK” and “kuna” are to the currency of Croatia, all references to “PLZ” and “zloty” are to the currency of Poland, all references to “€” and “euro” are to the currency of the participating member states in the third stage of the Economic and Monetary Union of the Treaty establishing the European community, and all references to “US\$,” “\$,” “US dollar” and “dollar” are to the currency of the United States of America. No representation is made that the ruble or dollar amounts referred to herein could have been or could be converted into rubles or dollars, as the case may be, at these rates, at any particular rate or at all. See “Exchange Rate Information.”

In this Prospectus, all references to “US” are to the United States of America, all references to “UK” are to the United Kingdom and all references to the “EU” are to the European Union and its member states as of the date of this Prospectus. Where in this document we refer to “Russia, the Baltics and the CIS” in the context of our business or operations, or the markets in which we operate, except where the context indicates otherwise, we refer only to Russia, the Republic of Lithuania and the member states of the Commonwealth of Independent States other than Russia in which we currently have operations: Ukraine, Belarus and Kazakhstan. All other references to “CIS” are to the member states of the Commonwealth of Independent States: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.

In this Prospectus, we refer to management’s estimates of readership figures. In arriving at such figures, management has, in accordance with industry standard convention, multiplied paid circulation by three. An individual copy of a publication distributed free of charge is assumed to have one reader.

In this Prospectus, we have derived our competitive position principally on the basis of geographic reach within a given market and by reference to the number of classified advertisements included in our and our competitors’ publications as determined by management in the course of market surveys conducted by us in 2004 and 2005. We have estimated our website’s competitive positions on the basis of traffic rankings compiled by third party analysts and our own determination of the number of advertisements on our and our competitors’ websites. We have determined our brand recognition in Russia and Hungary by commissioning surveys in 2004 and 2005 respectively.

Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

USE OF PROCEEDS

We will not receive any portion of the proceeds from the Offering. The Selling Shareholder will receive all of the proceeds of the Offering, after deduction of certain commissions, fees and expenses.

DIVIDEND POLICY

As a holding company, the level of our income and our ability to pay dividends depend primarily upon the receipt of dividends and distributions from our subsidiaries. The payment of dividends by our subsidiaries is contingent upon the sufficiency of their earnings, cash flows and distributable reserves and the ability of our subsidiaries, particularly those subsidiaries located in Russia, Ukraine, Belarus, Kazakhstan, Lithuania and Croatia, to make, in accordance with relevant national legislation, company law and exchange controls, dividend payments to us. See “Risk Factors—Our ability to pay dividends depends primarily upon receipt of sufficient funds from our subsidiaries.”

To the extent that we declare and pay dividends, owners of GDRs on the relevant record date will be entitled to receive dividends payable in respect of Shares underlying the GDRs, subject to the terms of the Deposit Agreement. Cash dividends may be paid to the Depositary in any currency and, except as otherwise described under “Terms and Conditions of GDRs—Conversion of Foreign Currency,” are converted into US dollars by the Depositary and paid to holders of GDRs net of currency conversion expenses.

We do not, however, expect to make dividend payments for the foreseeable future.

EXCHANGE RATE INFORMATION

Our main functional currency is the Russian ruble, the official currency of Russia, where most of our assets and operations are located. Our Combined Financial Statements are presented in US dollars. As a result, fluctuations in the value of the ruble against the US dollar may affect these results when translated into US dollars. Gains and losses arising from the translation are reported separately in the cumulative translation account as part of other comprehensive income. See “Risk Factors—Currency risks may negatively affect our reported financial results,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Reporting Currency” and note 2(e) to the Combined Financial Statements.

The table below sets forth, for the periods and dates indicated, certain information regarding the exchange rate between the US dollar and the Hungarian forint, Polish zloty, Croatian kuna, Russian ruble and euro, based on the interbank market exchange rates quoted by Oanda.com. Fluctuations in the exchange rates between the US dollar and these currencies in the past are not necessarily indicative of fluctuations that may occur in the future. These rates may also differ from the actual rates used in the preparation of our Combined Financial Statements and other information presented in this Prospectus.

Average and Closing Rates Against the US Dollar

Country	Year ended December 31,			Nine months ended September 30,	
	2002	2003	2004	2004	2005
Hungary (HUF)					
Average	0.004	0.004	0.005	0.005	0.005
Closing	0.004	0.005	0.006	0.005	0.005
Poland (PLZ)					
Average	0.245	0.256	0.276	0.265	0.309
Closing	0.260	0.266	0.333	0.282	0.310
Croatia (HRK)					
Average	—	—	0.159	0.157	0.169
Closing	—	—	0.171	0.158	0.161
Russia (RUR)					
Average	0.032	0.033	0.035	0.035	0.035
Closing	0.032	0.034	0.036	0.034	0.035
Euro					
Average	0.947	1.134	1.243	1.220	1.257
Closing	1.048	1.255	1.364	1.228	1.204

Source: Oanda Rates®

No representation is made that the US dollar amounts referred to in this Prospectus could have been or could be converted into any currency at the above exchange rates, at any other rate or at all.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth, at September 30, 2005, (a) the Group’s historical cash and cash equivalents, short and long-term borrowings and total capitalization, (b) our cash and cash equivalents, short and long-term borrowings and total capitalization as adjusted to reflect the expected drawdown at the closing date of \$141 million under the Senior Credit Facility expected to be entered into by the Company with BNP PARIBAS as Global Co-ordinator and BNP PARIBAS and WestLB AG, London Branch, as Mandated Lead Arrangers on or prior to the Closing Date and an additional \$1 million under a \$25 million revolving credit facility available to certain borrowers under the Senior Credit Facility, (c) the purchase by Mirabridge of the 12% minority interest in Pronto-Moscow which is anticipated to occur simultaneously with Closing or thereafter, calculated on the basis set forth in the Acquisition Agreement. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—The Reorganization—Purchase of Minority Interests”.

	At September 30, 2005	
	Historical <i>(unaudited)</i> (millions of \$)	As adjusted ⁽¹⁾ <i>(unaudited)</i>
Cash and cash equivalents	23.9	18.1
Short-term borrowings (including current portion of long-term borrowings)	1.1	10.8
Payables to related parties	5.7	—
Long-term borrowings, net of current portion	6.3	130.2
Related Party long-term liabilities	32.8	—
Invested equity		
Invested equity	8.4	8.4
Accumulated income	90.5	90.5
Currency translation adjustments	13.9	13.9
Total invested equity	112.8	112.8
Total capitalization	158.7	253.8

(1) Adjusted to give effect to the expected drawdown at the Closing Date of \$141 million under the Senior Credit Facility and the purchase by Mirabridge of the 12% minority interest in Pronto-Moscow, as described above, but not adjusted for any other changes subsequent to September 30, 2005 or for the expenses incurred in connection with the Offering.

Except as described above, there has been no material change in our total capitalization since September 30, 2005.

SELECTED COMBINED FINANCIAL INFORMATION

The selected combined financial information set forth below shows our historical combined financial information and other operating information as of December 31, 2002, 2003 and 2004 and for the years then ended and as of September 30, 2004 and 2005 and for the nine-month periods then ended. The selected combined financial information set forth below has been extracted without material adjustment from, and should be read in conjunction with, the Combined Financial Statements and the notes thereto included elsewhere in this Prospectus. The Combined Financial Statements have been derived from the consolidated financial statements of TCM and have been prepared using TCM's historical bases in the assets, liabilities and results of operations. The business of Trader Media East had historically been part of TCM's business and was operated, and its assets and liabilities were held, by several indirect subsidiaries of TCM. The selected combined financial information should also be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" below.

Income Statement

	Year ended December 31,			Nine months ended September 30,	
	2002	2003	2004	2004	2005
		(audited)		(unaudited)	
	(millions of \$)				
Revenues					
Print Revenues	\$105.2	\$133.6	\$173.2	\$122.7	\$142.5
Russia and CIS	75.5	90.3	118.3	84.7	99.3
Hungary	25.4	39.0	46.9	33.4	32.2
Croatia/Poland	4.3	4.3	8.0	4.6	11.0
Online Revenues	2.4	3.1	4.3	3.1	3.9
Russia and CIS	0.4	0.6	1.0	0.8	0.8
Hungary	1.7	1.9	2.2	1.6	1.7
Croatia/Poland	0.3	0.6	1.1	0.7	1.4
	107.6	136.7	177.5	125.8	146.4
Operating costs and expenses					
Cost of Sales	(34.9)	(52.4)	(70.4)	(49.2)	(61.1)
General and Administrative	(25.6)	(36.7)	(44.4)	(32.8)	(35.7)
Depreciation and Amortization	(5.6)	(6.9)	(7.4)	(5.5)	(4.5)
Write Down of Impaired Assets	—	(0.6)	—	—	—
	(66.1)	(96.6)	(122.2)	(87.5)	(101.3)
Operating profit	41.5	40.1	55.3	38.3	45.1
Other Income (Expense)					
Interest and Financing Fees	(0.2)	(0.6)	(0.8)	(0.9)	(2.3)
Foreign Exchange Gain (Loss)/ Other	(2.2)	(0.2)	(0.8)	0.1	0.4
	(2.4)	(0.8)	(1.6)	(0.8)	(1.9)
Income before income taxes and minority interest	39.1	39.3	53.7	37.5	43.2
Income tax provision, net	(10.9)	(10.0)	(17.1)	(12.7)	(14.2)
Income before minority interest	28.2	29.3	36.6	24.8	29.0
Minority Interest	(4.2)	(5.4)	(7.0)	(4.8)	(5.7)
Net income	\$24.0	\$23.9	\$29.6	\$20.0	\$23.3
Revenue by channel					
Display	44.5	59.8	83.0	57.9	65.8
Classified Ads—Professional	32.1	40.0	49.3	35.4	41.6
Circulation	15.3	17.6	21.5	15.4	19.0
Classified Ads—Private	8.5	10.8	11.9	9.1	8.8
Services and Other	4.8	5.4	7.5	4.9	7.3
Total Print Revenues	105.2	133.6	173.2	122.7	142.5
Online Revenues	2.4	3.1	4.3	3.1	3.9
Total Revenues	\$107.6	\$136.7	\$177.5	\$125.8	\$146.4

Other financial data

Operation EBITDA ⁽¹⁾⁽⁴⁾	\$49.3	\$51.2	\$66.4	\$46.5	\$51.5
EBITDA ⁽²⁾⁽⁴⁾	\$47.1	\$47.6	\$62.7	\$43.8	\$49.6
EBITDA margin ⁽³⁾⁽⁴⁾	43.8%	34.8%	35.3%	34.8%	33.9%

- (1) Operation EBITDA (or operating profit before certain expenses) is defined as EBITDA (as defined below) before management service expenses. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Reconciliation of EBITDA and Operation EBITDA (operating profit before certain expenses) to operating profit,” “—Management service expenses” and notes 3 and 16 to the Combined Financial Statements.
- (2) EBITDA is defined as operating profit before depreciation and amortization, non-cash compensation expense and write down on impaired assets.
- (3) EBITDA margin is defined as the ratio of EBITDA to revenues over a given period.
- (4) We present EBITDA (and the related measures of EBITDA margin and Operation EBITDA) because EBITDA 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 more meaningful than, operating profit or net earnings, as an indicator of operating performance or cash flow from operations, 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 US GAAP and (d) may be calculated differently by other companies in our industry, or may be used for purposes other than the purposes for which we use EBITDA, limiting its usefulness as a comparative measure. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Reconciliation of EBITDA and Operation EBITDA to operating profit.”

Balance Sheet

	At December 31,			At
	2002	2003	2004	September 30,
		(audited)		2005
	(millions of \$)			(unaudited)
Assets				
Current Assets				
Cash and Cash Equivalents	\$14.7	\$20.3	\$22.6	\$23.9
Restricted deposit	—	—	—	0.9
Accounts Receivable, Net of Allowances	3.1	6.5	10.7	9.3
Other Receivables	2.7	5.5	5.4	4.9
Receivables from related party	5.0	18.3	—	11.7
Other Current Assets	3.8	4.7	5.6	5.4
Total Current Assets	29.3	55.3	44.3	56.1
Property, Plant and Equipment, Net	18.1	25.4	27.8	27.1
Goodwill, Net	44.0	56.9	73.4	68.3
Intangibles, Net	24.5	31.6	46.6	41.2
Other Non Current Assets	2.8	1.8	1.7	1.7
Total Assets	\$118.7	\$171.0	\$193.8	\$194.4
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities	\$1.8	\$4.7	\$7.4	\$4.7
Deferred revenues	2.2	3.5	3.3	4.2
Social and fiscal liabilities	8.4	6.7	6.1	6.2
Other liabilities	0.3	3.0	0.4	0.1
Payables to related party	3.2	8.5	11.3	5.7
Current Portion of Long-term debt	0.3	2.1	—	1.1
Total Current Liabilities	16.2	28.5	28.5	22.0
Long-term Liabilities				
Long-term Debt, Net of Current Portion	0.1	—	—	6.3
Deferred Income Taxes	4.6	9.0	12.7	11.7
Other Long-term Liabilities	0.4	0.4	1.0	1.0
Related party long-term liabilities	12.2	20.2	47.8	32.8
Total Liabilities	33.5	58.1	90.0	73.8
Commitments and Contingencies				
Minority Interest	3.8	5.9	7.2	7.8
Invested equity	81.4	107.0	96.6	112.8
Total Liabilities and Invested Equity	\$118.7	\$171.0	\$193.8	\$194.4

Cash Flow Statement

	Year ended December 31,			Nine months ended September 30,	
	2002	2003 <i>(audited)</i>	2004	2004 <i>(unaudited)</i>	2005 <i>(unaudited)</i>
	(millions of \$)				
Operating Activities					
Net Income	\$24.0	\$23.9	\$29.6	\$20.0	\$23.3
Adjustments to reconcile net income to net cash provided by operating activities:					
Minority interest	4.2	5.4	7.0	4.8	5.7
Amortization	2.3	3.2	3.7	2.6	1.3
Depreciation	3.3	3.7	3.7	2.9	3.2
Provision for doubtful accounts .	0.7	1.3	2.2	0.9	0.9
Unrealized foreign exchange loss (gain)	(1.2)	—	1.7	0.5	(1.5)
Non-cash taxes	(0.2)	(2.1)	0.8	0.7	1.1
Write down of impaired assets . .	—	0.6	—	—	—
Non-cash interest and other	0.2	—	0.4	0.2	0.5
Net change in restricted deposit .	—	—	—	—	(0.9)
Net change in working capital balances	(2.7)	(3.7)	(5.5)	(0.9)	(1.5)
Net cash provided by operating activities	30.6	32.3	43.6	31.7	32.1
Investing activities					
Cash paid for investments	(0.7)	(0.1)	(0.1)	(0.5)	(0.3)
Cash paid for property, plant and equipment	(2.8)	(5.0)	(5.7)	(3.9)	(3.7)
Cash paid for acquisitions, net of cash acquired	(1.1)	(14.7)	(24.3)	(20.4)	(2.0)
Net cash used in investing activities .	(4.6)	(19.8)	(30.1)	(24.8)	(6.0)
Financing activities					
Cash received from borrowings .	0.1	—	—	—	7.7
Repayments on borrowings	(0.2)	—	—	—	—
Cash paid for financing costs . . .	—	—	(0.6)	—	(0.3)
Invested Equity	(2.9)	19.3	24.6	21.3	(6.5)
Cash paid to minority interests and to related party	(18.4)	(27.7)	(36.8)	(25.4)	(24.8)
Increase in bank overdraft balances	—	—	0.2	—	—
Net cash used in financing activities .	(21.4)	(8.4)	(12.6)	(4.1)	(23.9)
Effect of exchange rate changes on cash and cash equivalents	1.7	1.5	1.4	—	(0.9)
Increase in cash and cash equivalents	6.3	5.6	2.3	2.8	1.3
Cash and cash equivalents at beginning of period	8.4	14.7	20.3	20.3	22.6
Cash and cash equivalents at end of period	\$14.7	\$20.3	\$22.6	\$23.1	\$23.9

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with our Combined Financial Statements and the notes thereto and the other information included elsewhere in this Prospectus. This section contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in such forward-looking statements as a result of various factors, including those described under "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements."

Overview

We are the leading provider of print and online classified advertising in the Russian, CIS and Eastern European region. Our leading publications and websites in Russia, Ukraine, Belarus, Kazakhstan, Hungary, Croatia and Poland serve as marketplaces in major metropolitan and regional markets where both private and professional sellers advertise items for sale and contact motivated buyers. Through our integrated print and online strategy, we offer buyers and sellers a comprehensive and focused forum for consumer-to-consumer and business-to-consumer transactions.

We have extensive customer reach in the classified advertising markets in which we operate. Each issue of our flagship Russian publication *Iz Ruk v Ruki*, a widely trusted and recognized brand name throughout Russia and the CIS, is read by an estimated 2.49 million people, or 4.4% of the Russian population over 16 years old. Our market leading titles *Aviso* in Ukraine and *Expressz* in Hungary each have the highest circulation of paid-circulation classified advertising papers in their respective markets. Our new online *Iz Ruk v Ruki* platform in Russia, *irr.ru*, which we launched in August 2005, attracted 0.7 million unique monthly visitors in September 2005.

The following table shows our revenues, Operation EBITDA, EBITDA and EBITDA margin in 2004 and for the nine-month period ended September 30, 2005:

Revenues, Operation EBITDA,⁽¹⁾ EBITDA⁽²⁾ and EBITDA margin⁽³⁾

	Year ended December 31, 2004	Nine months ended September 30, 2005
	(millions of \$)	
Revenues	\$177.5	\$146.4
Operation EBITDA ⁽¹⁾	\$66.4	\$51.5
EBITDA ⁽²⁾	\$62.7	\$49.6
EBITDA margin ⁽³⁾	35.3%	33.9%

(1) Operation EBITDA (or operating profit before certain expenses) is defined as EBITDA (as defined below) before management service expenses. See "—Reconciliation of EBITDA and Operation EBITDA (operating profit before certain expenses) to operating profit," "—Management service expenses" and notes 3 and 16 to the Combined Financial Statements.

(2) EBITDA is defined as operating profit before depreciation and amortization, non-cash compensation expense and write down on impaired assets.

(3) EBITDA margin is defined as the ratio of EBITDA to revenues over a given period.

Revenues

The following table shows our revenues, Operation EBITDA and Operation EBITDA margin by geographic segment:

Revenues, Operation EBITDA and Operation EBITDA margin by geographic segment

	Year ended December 31, 2004			Nine months ended September 30, 2005		
	Revenues <i>(audited)</i>	Operation EBITDA	Operation EBITDA margin (millions of \$)	Revenues <i>(unaudited)</i>	Operation EBITDA	Operation EBITDA margin ⁽¹⁾
Russia and CIS	\$119.3	\$53.4	44.8%	\$100.1	\$41.4	41.4%
Hungary	49.1	11.7	23.8%	33.9	7.1	20.9%
Croatia and Poland . .	9.1	1.3	14.3%	12.4	3.0	24.2%
Total	\$177.5	\$66.4	37.4%	\$146.4	\$51.5	35.2%

(1) Operation EBITDA margin is defined as the ratio of Operation EBITDA to revenues.

We have increased revenues primarily by expanding into new territories, segmenting existing markets through verticalization, acquiring publications and selling services for additional fees. We have also increased operating cash flow by implementing operating practices that improve performance and control costs throughout our organization. See “Business—Competitive Strengths.”

Formation

In the fourth quarter of 2005, TCM announced its intention to pursue the listing of a single independent business under new ownership, comprising its Central and Eastern European operations. As part of that process, TCM placed its Russian, Baltic, CIS and Eastern European operations into a new holding company, Trader Media East. Trader Media East was incorporated in Jersey on November 11, 2005 as a wholly owned subsidiary of TCM.

Basis of presentation of Combined Financial Statements

Our Combined Financial Statements have been derived from the consolidated financial statements of TCM and have been prepared using TCM’s historical bases in the assets, liabilities and results of operations. Prior to Closing, the business of Trader Media East had historically been part of TCM’s business and was operated, and its assets and liabilities were held, by several indirect subsidiaries of TCM.

Our Combined Financial Statements include the historical assets, liabilities, revenues and expenses that were directly related to the Trader Media East business within TCM during the periods presented. Prior to Closing, Trader Media East did not operate as a separate, stand-alone company. See “Risk Factors—Risks related to our operations generally—We do not have an operating history as an independent company and our historical Combined Financial Statements do not reflect the operations of an independent company.” The Russia and CIS business, the Hungary business, the Croatia business and the Poland business were previously operated as separate, stand-alone businesses within the TCM group. The accompanying Combined Financial Statements comprise the combination of the consolidated returns of Mirabrigé International B.V., which includes its 88% owned subsidiary Pronto-Moscow and its consolidated subsidiaries (collectively, the “Russian Entities”), with the financial statements of Trader.com (Polska) Sp. Zo.o, Expressz Magyarország Zrt., Trader Hungary Tanácsadó Kft., Expressz Garancia Központ Kft, Kisokos Directory Kft., and Trader Classified Media Croatia Holding B.V., the latter being the owner of 70% of the Croatian publication Oglasnik.

Trader Media East’s results of operations were 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 represents TCM’s 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.

The Combined Financial Statements include allocations of certain of TCM’s corporate expenses, including legal, accounting, operation, acquisition, as well as treasury and other corporate and infrastructure costs. The expense allocations have been determined on bases that TCM and Trader Media East considered to be a reasonable reflection of the utilization of services provided or 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. See note 1 to the Combined Financial Statements and “Risk Factors—We will no longer have the synergies and services from which we benefited as part of the larger Trader Classified Media group, and we may be subject to competition from TCM should it choose to re-enter the markets in which we operate” and “Risk Factors—We do not have an operating history as an independent company and our historical Combined Financial Statements do not reflect the operations of an independent company.”

The Reorganization

Legal reorganization

Following incorporation of Trader Media East Limited, a Jersey company that is a Dutch resident, on November 11, 2005, during December 2005 and January 2006, TCM undertook an internal corporate reorganization of the entities included in Trader Media East (the “Reorganization”). The Reorganization involved the following steps.

- TCM incorporated a wholly owned company 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.

Debt restructuring

Prior to Closing, we expect to enter into a \$250 million multi-currency senior secured term loan and revolving credit facility (the “Senior Credit Facility”), with BNP PARIBAS as Global Coordinator and BNP PARIBAS and WestLB AG, London Branch, as Mandated Lead Arrangers. Borrowers under the facility are Trader East Holdings, a wholly owned subsidiary of Trader Media East, and certain of its subsidiaries (the “Borrowers”). Entry into the Senior Credit Facility is subject to certain members of the Group obtaining relevant corporate approvals which we expect to obtain prior to Closing. Obligations of the Borrowers under the Senior Credit Facility will be guaranteed by the Company, the Borrowers and the Company’s Material Subsidiaries (as defined in the Senior Credit Facility) and 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 will be five years from the date of signing. The Senior Credit Facility consists of three term loans amounting in aggregate up to \$140 million available to be drawn down within 30 days of the signing date and expected to be drawn down at Closing, a \$25 million revolving credit facility of which \$1 million is expected to be drawn down at Closing and an \$85 million acquisition facility. The term loans will be used at Closing for the purchase of the 12% minority interest in Pronto-Moscow pursuant to the Acquisition Agreement, payment of outstanding related party balances with TCM and repayment of third party debt and certain fees, costs and expenses associated with the arranging and syndication of the Senior Credit Facilities. The Senior Credit Facility contains covenants including financial coverage and leverage covenants. See “—Liquidity and Capital Resources—Senior Credit Facility,” “—Indebtedness” and “—Purchase of minority interests” and note 17 to the Combined Financial Statements.

Transition Services Agreement

On February 10, 2006, we expect to enter into a Transition Services Agreement (the “Transition Services Agreement”) with TCM relating to the ongoing relationship between the parties and the provision for a period of one year following Closing of certain limited services and technical support to us by TCM. These services and technical support include information and technology management, facilities management, certain legal services, certain finance functions and certain general human resources functions. See “Related Party Transactions” and note 17 to the Combined Financial Statements.

Strategic and Operating Relationship Agreement

On February 10, 2006, we expect to enter into a Strategic and Operating Relationship Agreement (the “Strategic and Operating Relationship Agreement”) with TCM for the sharing of best practices and other knowledge-sharing arrangements between TCM and us. See “Related Party Transactions” and note 17 to the Combined Financial Statements.

Purchase of minority interests

Mirabridge, a wholly owned subsidiary of Trader Media East and owner of an 88% interest in Pronto-Moscow, and Leonid Makaron, General Manager of our Russia, Baltics and CIS business and owner of the remaining 12% interest in Pronto-Moscow, are parties to the Acquisition Agreement dated January 22, 2006 (the “Acquisition Agreement”) (see “Related Party Transactions—Acquisition of Minority Interest in Pronto-Moscow—Acquisition Agreement”). Under the Acquisition Agreement, Mirabridge and Mr. Makaron agreed that Mirabridge will purchase from Mr. Makaron his interest in Pronto-Moscow for \$79.9 million. See “Related Party Transactions—Acquisition of Minority Interest in Pronto-Moscow—Acquisition Agreement.”

In addition, pursuant to the Acquisition Agreement and in satisfaction of its obligations under the Drag and Tag Along Agreement (see “Related Party Transactions—Drag and Tag Along Agreement”), Mirabridge has agreed to pay Mr. Makaron an additional amount of \$21 million, 50% payable on Closing and with the remainder paid into an escrow account payable on December 31, 2007. Mirabridge intends to fund this payment through a drawdown of the Senior Credit Facility.

Mr. Makaron’s interest in Pronto-Moscow is included in the periods covered by the Combined Financial Statements in “minority interests.” Following Closing, Mr. Makaron is no longer expected to hold a minority interest in the Company or any of its subsidiaries, although (i) pursuant to the Acquisition Agreement, he will be granted options, subject to the terms of the Acquisition Agreement, to acquire at the Offer Price, Shares in Trader Media East representing 0.5% of its issued and outstanding share capital as calculated immediately prior to Closing (See “Related Party Transactions—Acquisition Agreement”) and (ii) pursuant to the Purchase Agreement relating to Mr. Makaron, he has agreed to purchase in the Offering a number of GDRs equal to a price of at least \$25 million (3.8% of our issued and outstanding share capital as calculated immediately prior to Closing) and has agreed not to offer, sell or otherwise dispose of any GDRs or Shares or any securities of the Company similar to the Shares prior to the date falling 540 days after Closing (see “Principal Shareholders”).

Summary of Acquisitions

We have made a number of acquisitions pursuant to our strategy to expand into new territories through acquisitions of local established businesses during the periods under review. For more information regarding our acquisitions before the periods covered by the Combined Financial Statements, see “Business—History” and note 4 to the Combined Financial Statements.

In June 2002, we acquired the outstanding minority interest in *Pronto Novosibirsk* in Russia for \$0.7 million and made a number of other smaller acquisitions amounting to \$0.4 million in total consideration.

In 2003, in Hungary, we acquired *Újpressz* for \$4.5 million. In 2003, we also acquired *Kisokos* for an initial sum of \$6.6 million and paid additional advances and direct costs related to this acquisition for \$2.4 million against a final purchase price yet to be determined, with additional consideration, if any, payable by TCM, on the basis of a multiple of audited EBITDA. We also made a number of other smaller acquisitions amounting to \$1.2 million in total consideration.

In 2004, we acquired an 85% interest in *Szuperinfó* in Hungary for \$2.4 million in total consideration and a 70% interest in *Oglasnik* in Croatia for \$15.4 million in total consideration, and made a number of other smaller acquisitions amounting to \$1.2 million in total consideration. We also made earn-out and deferred acquisition payments of \$5.3 million in 2004 in connection with acquisitions made in Hungary. Pursuant to the sale and purchase agreement, we are obligated to acquire the remaining interest in *Szuperinfó* in 2006.

During the first nine months of 2005, we did not acquire any material new business, but purchased additional interests in some of our Russian and Hungarian subsidiaries, and incurred additional costs related to previous years' acquisitions amounting to \$2.0 million.

On a pro forma basis, if the acquisitions made in 2003 and 2004 had been consummated on January 1, 2003, and including the cost of the debt and amortization of other intangibles (without accounting for any operational or other changes which might have been made by the Company), our consolidated revenues would have increased \$7.8 million to \$144.5 million in 2003 and \$5.0 million to \$182.5 million in 2004 and net income from continuing operations would have been \$23.9 million in 2003 and \$29.6 million in 2004. See note 4 to the Combined Financial Statements.

We have made no firm commitments regarding any material potential acquisitions or other investments.

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.

Revenue

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 (98% of revenues in 2004 and 97% in the nine-month period ended September 30, 2005) and Internet activity (2% of revenues in 2004 and 3% in the nine-month period ended September 30, 2005).

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

We earn circulation revenues primarily through sales to individuals who purchase at kiosks or news-stands, 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.

Revenue Breakdown

We break down revenues by geographic segment, channel (or source), circulation model and type of publication.

Revenues by geographic segment

Of total revenues of \$177.5 million in 2004 (and \$146.4 million in the first nine months of 2005), we derived 67% of revenues from Russia and the CIS, 28% of revenues from Hungary and 5% of revenues from Croatia and Poland (or 68%, 23% and 9%, respectively, in the first nine months of 2005). We anticipate that we will maintain this approximate geographic mix of revenues for the foreseeable future except to the extent that this mix may be affected by any acquisitions we make.

In Russia and the CIS, revenues from the regions outside Moscow increased from 29% of total revenues in 2001 to 47% of total revenues in the nine-month period ended September 30, 2005, reflecting our strategy of rapid expansion into selected markets outside Moscow. We expect this trend to continue.

Revenues by channel

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, 2004	Nine months ended September 30, 2005
	<i>(percentage of total revenues)</i>	
Print revenues	98%	97%
Display advertisements	47%	45%
Professional classified advertisements	28%	28%
Circulation	12%	13%
Private classified advertisements	7%	6%
Services and other	4%	5%
Online revenues	2%	3%

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 and fastest growth with display and professional classified advertisements, which together constituted 75% of revenues in 2004 and 73% in the first nine months of 2005. Revenues from private classified advertisements are declining due to the increasing proportion of free advertisements and increased competition in free advertisement titles. Increases in circulation revenues, which constituted 12% of revenues in 2004 (and 13% in the nine months ended September 30, 2005), are mainly driven by investments in promoting our brands and point of sale promotions targeted at developing new sales outlets such as supermarkets, retail outlets and gas stations. Circulation revenue growth continues to be positively affected by the development of verticalization, in Russia and the CIS with vertical titles accounting for 11% of our revenues in 2004 compared to 6% in 2001. See “—Revenues by type of publication” below. We expect online revenues to become increasingly important in the revenue mix and private advertisement and circulation revenues to become relatively less important.

	Revenue by channel				
	Year ended December 31,			Nine months ended September 30,	
	2002	2003	2004	2004	2005
	<i>(audited)</i>			<i>(unaudited)</i>	
	<i>(millions of \$)</i>				
Print Revenues					
Display	\$44.5	\$59.8	\$83.0	\$57.9	\$65.8
Classified Ads—Professional	32.1	40.0	49.3	35.4	41.6
Circulation	15.3	17.6	21.5	15.4	19.0
Classified Ads—Private	8.5	10.8	11.9	9.1	8.8
Service and other	4.8	5.4	7.5	4.9	7.3
Total Print Revenues	\$105.2	\$133.6	\$173.2	\$122.7	\$142.5
Online Revenues	2.4	3.1	4.3	3.1	3.9
Total Revenues	\$107.6	\$136.7	\$177.5	\$125.8	\$146.4

Revenues by circulation model

We classify our classified-only publications into three circulation revenue models on the basis of whether circulation is free or paid, and on the basis of whether basic private classified advertisements are free or paid. Professional advertisements are always paid. Where the placement of advertisements of private customers is offered for free, the opportunity is always given to the customer to upgrade the visibility of its advertisement for a fee.

We focus on the paid circulation revenue model, which in 2004 contributed 92% of print revenues. Free circulation papers accounted for only 7% of revenues in 2004. The following table sets forth the revenues as a percentage of our total revenues of our three principal revenue models:

	Percentage of print revenues	
	Year ended, December 31 2004	Nine months ended September 30, 2005
Free Ad/Paid Circulation	65%	65%
Paid Ad/Paid Circulation	27%	27%
Free Circulation	7%	7%
Other	1%	1%

See “Business—Industry overview—Print” and “Business—Our products—Print.”

Revenues by type of publication

We generate print revenues primarily from generalist publications, which accounted for 81% of revenues in 2004. The remainder of revenues we generate from vertical publications: vehicles, real estate and employment. In 2004, 13% of print revenues derived from publications focused on vehicles, 5% from publications focused on real estate and 1% from publications focused on employment. Our leading generalist publication *Iz Ruk v Ruki*, accounted for 77% of our Russian revenues (and 53% of our total revenues) in the nine-month period ended September 30, 2005.

The relative importance of the type of publication varies by market. Generalist publications generate 89% of print revenue in Russia and the CIS, 65% in Hungary and 100% in Croatia. In Poland, where 95% of revenues are generated by vehicle publications, we do not have any generalist publications.

Revenue recognition

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, net of returns, on a weekly basis at the time a publication is sold to a customer.

We recognize service revenues (*i.e.*, commissions) as earned at the date the service products are sold, 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.

Seasonality

Due to the relatively stable nature of the classified advertising market, we experience limited seasonality in our revenues and operating results.

Operating costs and expenses

Operating costs and expenses consist of cost of sales, general and administrative costs, depreciation and amortization and write-down of impaired assets. Operating costs and expenses amounted to \$122.2 million, or 69% of revenues in 2004, and \$101.3 million, or 69% of revenues in the first nine months of 2005.

Cost of Sales. Cost of sales consist of production costs (paper, printing and binding) and direct selling costs (fixed salary and commissions paid to sales personnel including call center staff and payments to sales-related third party contractors). Cost of sales are largely variable costs. Cost of sales accounted for \$70.4 million, or 58%, of operating costs and expenses in 2004 and \$61.1 million, or 60%, of operating costs and expenses in the first nine months of 2005.

Production costs accounted for 24% of revenues in 2004 and 25% in the first nine months of 2005. This increase is mainly driven by increased costs associated with geographical expansion. Paper costs as a percentage of revenues have tended to remain relatively stable at approximately 9% of revenues in 2004 and the nine-month period ended September 30, 2005 despite periodic fluctuations in paper prices throughout the period. Printing costs were approximately 8% of revenues in 2004 and for the nine-month period ended September 30, 2005.

Within a single country, production costs as a percentage of revenues vary primarily as a result of fluctuations in the price of paper, renegotiations of contracts with third party printers, launching of new publications, introduction of color publications and the quality of publications produced.

Production costs as a percentage of revenues vary from publication to publication reflecting primarily variations in the quality of paper and printing used. Standard newsprint is usually sufficient for our generalist publications, such as most editions of *Iz Ruk v Ruki* in Russia. While historically the publication featured black and white photos and few graphic enhancements, we are currently upgrading selected editions of *Iz Ruk v Ruki* to higher quality print processes including full color throughout. We use glossy, high quality paper for our specialized publications, such as our real estate publications, *Galereja Nedvizhimost* in Russia and *Képes Ingatlan* in Hungary, which include color photos and more elaborate style effects.

In addition, the revenue model of each publication, for example, free advertisements versus paid advertisements and free circulation versus paid circulation, affects the revenues derived from a publication, which in turn creates variations in production costs as a percentage of revenues.

Selling costs accounted for 16% of revenues in 2004 and 17% of revenues in the nine-month period ended September 30, 2005, compared to 13% in 2003. The increase primarily reflected ongoing investments in building and incentivizing our sales force.

General and administrative costs. General and administrative costs consist of marketing costs and other general and administrative costs, including salaries and costs of administrative and management personnel, facilities costs, headquarters costs and all other costs not directly related to production or direct local sales efforts. Marketing costs are roughly evenly split between fixed and variable costs. Other general and administrative costs are largely fixed costs. Included in general and administrative expenses are management service expenses, which include expenses incurred from TCM as compensation for management, legal, financial, human resources, internal audit, information technology and marketing and acquisition services pursuant to the Management and Assistance Contracts. Management service expenses amounted to \$3.7 million in 2004 and \$1.9 million in the nine-month period ended September 30, 2005. These expenses are expected by management to increase from approximately 2% of revenues in 2004 and the nine-month period ended September 30, 2005 to approximately 3% of revenues in future periods. See “—Management and Assistance Contracts” and “—Reorganization.” General and administrative expenses accounted for \$44.4 million or 36% of operating costs and expenses in 2004 and \$35.7 million or 35% of operating costs and expenses in the first nine months of 2005. Of these amounts, marketing costs (which includes advertising costs and salaries of internal marketing personnel) amounted to \$6.8 million in 2004 and \$6.0 million in the nine-month period ended September 30, 2005. Marketing costs as a proportion of operating costs and expenses have grown in 2004 and 2005, reflecting our investment in this area. Other general and administrative costs have grown slightly in 2004 and 2005, reflecting our investment in IT infrastructure and printing.

Depreciation and amortization. Depreciation and amortization accounted for \$7.4 million, or 6% of operating costs and expenses, in 2004 and \$4.5 million, or 4% of operating costs and expenses, in the first nine months of 2005. In early 2005, we performed a detailed review of the useful life of our tradenames, based on the analysis of various parameters, and reached the conclusion that certain tradenames, leaders in their respective markets, met the criteria for recognition as indefinite life assets. As a consequence, starting from January 1, 2005, we performed a change in estimate applied on a prospective basis. Had this change occurred on January 1, 2004, depreciation and amortization for 2004 would have been reduced by \$2.0 million to \$5.4 million. See “—Critical Accounting Policies.”

Write-down on impaired assets. In December 2003, the Management Board of TCM recorded a write-down of tradenames amounting to \$0.4 million in Hungary and \$0.2 million in Russia.

Operating Margins

Our operating margins in the countries in which we conduct business depend primarily on the operating margins of our publications. The operating margin of any publication depends primarily on its local competitive environment and its sources of revenue. A publication that faces little competition generally enjoys better operating margins than one that faces strong competition from other sources of classified advertisements, such as other classified advertising publications, newspapers or free circulation papers. A publication with multiple sources of revenue, such as a publication that generates revenue from paid classified and display advertisements as well as from circulation, generally enjoys better operating margins than one that has only one or two sources of revenue. For example, we enjoy high operating margins in Russia and Croatia primarily due to the market position and multiple sources of revenue of our largest publications in those countries. Within Russia, our margins tend to be highest in Moscow, reflecting the fact that we publish two papers a day and our use of an agency sales model. Our operating margins tend to be generally lower in Hungary and Poland, as a result of competition from other sources of classified advertisements and efforts to integrate acquisitions. The number of new publications that we launch in a given period also affects our operating margins.

EBITDA, EBITDA margin, Operation EBITDA (operating profit before certain expenses) and Operation EBITDA margin

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 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 and Operation EBITDA margin as the ratio of Operation EBITDA to revenues. See “Management service expenses” and notes 3 and 16 to the Combined Financial Statements. None of EBITDA, EBITDA margin, Operation EBITDA or Operation EBITDA margin is defined under US GAAP. 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, 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 US GAAP 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. See “—Reconciliation of EBITDA and Operation EBITDA (operating profit before certain expenses) to operating profit.”

EBITDA amounted to \$47.1 million, \$47.6 million and \$62.7 million, respectively, in 2002, 2003 and 2004 and \$43.8 million and \$49.6 million, respectively, in the nine-month periods ended September 30, 2004 and 2005.

EBITDA margin decreased from 43.8% in 2002, to 34.8% in 2003, and increased to 35.3% in 2004 and decreased to 33.9% in the nine-month period ended September 30, 2005.

EBITDA margin has during the periods covered been negatively affected by costs related to the expansion of the Group, particularly in 2003 and 2004. Since 2003, we have rapidly expanded our Russian business outside of the Moscow area. The expansion has resulted in a significantly lower level of EBITDA margin on a consolidated basis due to generally lower margins in our regional business in Russia. Our seven largest regional businesses outside Moscow generated EBITDA margin of approximately 36% in 2004, compared to approximately 65% in Moscow in 2004. EBITDA margin was also negatively impacted by our launch of vertical publications. EBITDA margin was also significantly negatively affected in Hungary by acquisition and integration costs related to our acquisition of *Kisokos* (which has not yet reached the breakeven point), as well as our launch of free advertisement papers to complement the existing Hungarian portfolio of paid advertisement publications, the imposition of the EU transfer tax on cars (which imposed an 8% to 17% incremental cost on used car purchases), a reduction in government subsidies relating to real estate and investments we made to stabilize our sales force.

The decline in EBITDA margin was to some degree mitigated by our improved cross/up selling, reduced operating costs and improved margins of acquired businesses, reflecting the sharing and implementation of best practices throughout the Group. The slight increase in EBITDA margin from 2003 to 2004, from 34.8% to 35.3%, reflected the combined effect of these mitigating factors.

The decrease in EBITDA margin from 34.8% in the first nine months of 2004, to 33.9% in the first nine months of 2005 reflected the ongoing negative impact of factors that have affected margins throughout the periods covered (the integration of acquisitions in Hungary, the development of our Russian business outside of the Moscow area and the launch of free circulation publications in Hungary), as well as significant online investments that are not yet fully monetized. EBITDA margin increased in this period in Croatia and Poland.

EBITDA margin (and Operation EBITDA margin) varies in each of our major markets for the reasons discussed above. Operation EBITDA margin in 2004 was 44.8% in Russia and the CIS (41.4% in the nine-month period ended September 30, 2005), 23.8% in Hungary (20.9% in the nine-month period ended September 30, 2005), and 14.3% in Croatia and Poland (24.2% in the nine-month period ended September 30, 2005). Our Russia and CIS business accounted for 80% of Operation EBITDA in 2004.

Taxation

We determine the provision for income taxes in our Combined Financial Statements on a separate return basis, reflecting both current and deferred taxes as historically incurred by our operations.

Over the periods presented, our major operational subsidiaries have calculated their income tax in compliance with local regulations. The statutory tax rates in Russia, Hungary, Croatia and Poland were 24%, 16%, 20% and 19%, respectively, in 2004 and the nine-month period ended September 30, 2005.

Our level of income tax is also impacted by the withholding tax paid on dividend distributions by Group companies in Russia, including a 5% withholding tax paid by Pronto-Moscow on distributions to TCM. Our level of income tax is also impacted by tax loss carry forwards, which we recognize only when we consider them realizable. See “—Critical accounting policies—Deferred tax assets” for a description of the criteria we use in recognizing these assets. Our level of income taxes will also be impacted by our borrowings under the Senior Credit Facility. To the extent those borrowings are incurred at the level of a Dutch holding company rather than at the level of operational subsidiaries, the interest on such borrowings is not expected to be tax deductible. It is anticipated that up to \$132.6 million of the initial borrowings will be drawn by the Dutch holding companies. See “—Liquidity and Capital Resources—Senior Credit Facility.”

Minority Interests

During the periods covered by the Combined Financial Statements, minority interests consisted of a 12% interest in Pronto-Moscow (which owns substantially all of our Russian and CIS operating subsidiaries) held by the General Manager of our Russian operations, Leonid Makaron, and the interests held by various parties in certain of our local Russian operations. Following Closing, Mr. Makaron is expected to hold the following interests in the Company: (i) pursuant to the Acquisition Agreement, he will be granted an option to acquire at the Offer Price Shares in Trader Media East (convertible into GDRs) representing 0.5% of its issued and outstanding share capital as calculated immediately prior to Closing, (see “Related Party Transactions—Acquisition of Minority Interest in Pronto-Moscow—Acquisition Agreement”), and (ii) pursuant to the Purchase Agreement and the Lock-up Letter relating to Mr. Makaron, he has agreed to purchase in the Offering a number of GDRs equal to a price of at least \$25 million (3.8% of our issued and outstanding share capital as calculated immediately prior to Closing) and has agreed not to offer, sell or otherwise dispose of any GDRs or Shares or any securities of the Company similar to the Shares prior to the date falling 540 days after Closing (see “Principal Shareholders”).

We have 47 subsidiaries in Russia and the CIS, of which 21 are wholly owned through Pronto-Moscow and 26 of which have minority Shareholders (including Pronto-Moscow). Subsidiaries with minority interests generated 33% of revenues and 22% of EBITDA in 2004. Following our acquisition of a 70% interest in *Oglasnik* in Croatia in July 2004, minority interests also included a 30% interest in *Oglasnik* held by the founders and former managers of the operation. In connection with the acquisition, we granted those founders and former managers a put option in respect of their holdings. See note 11 to the Combined Financial Statements.

Operating Segments

Our geographic operating segments are organized on a regional basis for purposes of presenting internal financial information, consistent with our operating management structure. We consider our products to be professional and private 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.

Reporting Currency

We generated 67% of our revenues in 2004, and 68% of our revenues in the first nine months of 2005, in Russian rubles and other CIS currencies.

We generate revenues in seven currencies. With the exception of our Russian and CIS subsidiaries, which prior to January 1, 2003 used the euro as their functional currency, each company uses its local currency as its functional currency. The Combined Financial Statements of these entities are translated into US dollars, at the period-end exchange rate for balance sheet items and the weighted average exchange rate for income statement items.

Gains and losses arising from the translation of local currency to US dollars 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.

Until January 1, 2003, our Russian and CIS subsidiaries were designated as entities operating in highly inflationary economies and, accordingly, these entities used the euro as their functional currency. Since January 1, 2003, our Russian and CIS subsidiaries, other than our subsidiaries in Belarus, use their local currencies as their functional currency as the economy of those countries is no longer considered highly inflationary. See note 2(e) to the Combined Financial Statements included elsewhere in this Prospectus. The economy of Belarus continues to be considered to be highly inflationary.

Historical Results of Operations

Nine Months Ended September 30, 2005 Compared to Nine Months Ended September 30, 2004

Revenues

Revenues in the nine months ended September 30, 2005 increased \$20.6 million, or 16%, to \$146.4 million from \$125.8 million in the nine months ended September 30, 2004. The increase consisted of a \$19.8 million, or 16% increase in print revenues and a \$0.8 million, or 26% increase in online revenues. Excluding exchange rate impact, total growth was 12.3% and organic growth was 7.7%.

Revenues by channel

Print revenues in the nine months ended September 30, 2005 increased \$19.8 million, or 16%, to \$142.5 million from \$122.7 million in the nine months ended September 30, 2004. Excluding exchange rate impact, total print revenue growth was 12.1% and organic growth was 7.4%, reflecting primarily strong growth in circulation and display advertising.

Online revenues in the nine months ended September 30, 2005 increased \$0.8 million, or 26%, to \$3.9 million from \$3.1 million in the nine months ended September 30, 2004, due primarily to expansion of the online business in Poland, and growth in the online advertising market in general, particularly in the classified advertising market.

Revenues by geographical segment

Russia and the CIS. Revenues in Russia and the CIS in the nine months ended September 30, 2005 increased \$14.6 million, or 17%, to \$100.1 million from \$85.5 million in the nine months ended September 30, 2004, reflecting an increase of \$14.6 million in print revenues and stable online revenues. The strong revenue growth reflected our expansion into new cities and the development of specialized publications in Moscow and the regions and price increases in certain markets. Excluding exchange rate impact, total growth was 14.3% in the nine-month period ended September 30, 2005, considerably lower than growth in the corresponding period in 2004, reflecting a slowing real estate market and increased competition in the Moscow area, and lower growth rates in regional cities.

Hungary. Revenues in Hungary in the nine months ended September 30, 2005 decreased \$1.1 million, or 3%, to \$33.9 million from \$35.0 million in the nine months ended September 30, 2004, reflecting a decrease of \$1.2 million in print revenues, slightly offset by an increase of \$0.1 million in online revenues. The decline in print revenue reflected difficult market conditions in both the real estate and vehicle segments (see “—EBITDA, EBITDA margin, Operation EBITDA and Operation EBITDA margin”), negative changes in tax regulations and ongoing restructuring at *Mai Hirdetés* and *Újpressz*. Excluding exchange rate impact, organic growth was a negative 7.4%.

Croatia and Poland. Revenues in Croatia and Poland in the nine months ended September 30, 2005 increased \$7.1 million, or 134%, to \$12.4 million from \$5.3 million in the nine months ended September 30, 2004 reflecting an increase of \$6.4 million in print revenues and \$0.7 million in online revenues. This increase primarily reflected the positive impact of the acquisition of *Oglasnik* in Croatia in July 2004. Organic revenue growth slowed markedly in Poland in the nine-month period in 2005, reflecting the contraction of the print business, which was offset by strong online revenue growth.

Operating costs and expenses

Operating costs and expenses increased \$13.8 million, or 16%, to \$101.3 million in the nine months ended September 30, 2005 from \$87.5 million in the nine months ended September 30, 2004. The increase was primarily due to the \$11.9 million increase in cost of sales.

Cost of sales

Cost of sales in the nine months ended September 30, 2005 increased \$11.9 million, or 24%, to \$61.1 million from \$49.2 million in the nine months ended September 30, 2004. Cost of sales increased as a percentage of revenues to 42% in the nine months ended September 30, 2005 from 39% in the nine months ended September 30, 2004, primarily due to higher distribution costs in Moscow (including commissions paid to distributors) resulting from our expansion of the distribution network following the closure by the Moscow government of our distribution network in Metro stations in 2004, increased wages for sales staff and increased paper costs. Production costs increased to 25% of revenues in the nine months ended September 30, 2005 from 24% of revenues in the nine months ended September 30, 2004 as a result of relatively little competition for printing services in the Russian market.

General and administrative

General and administrative expenses in the nine months ended September 30, 2005 increased \$2.9 million, or 9%, to \$35.7 million from \$32.8 million in the nine months ended September 30, 2004, well below revenue growth of 16%. General and administrative costs decreased as a percentage of revenues to 24% in the nine months ended September 30, 2005 from 26% in the nine months ended September 30, 2004, due primarily to modifications in the remuneration of Russian management.

Depreciation and amortization

Depreciation and amortization in the nine months ended September 30, 2005 decreased \$1.0 million, or 18%, to \$4.5 million from \$5.5 million in the nine months ended September 30, 2004. The decrease reflected a change in accounting estimate related to certain tradenames including *Iz Ruk v Ruki*, *Expressz* and *Oglasnik*. Depreciation slightly increased, from \$2.9 million to \$3.2 million, reflecting our strong control over capital expenditure.

Write-down of impaired assets

There was no write-down of impaired assets in the nine months ended September 30, 2005 or 2004.

EBITDA

EBITDA increased by \$5.8 million, from \$43.8 million in the first nine months in 2004 to \$49.6 million in the first nine months in 2005. This increase primarily reflected the increase in Operation EBITDA of \$5.0 million, or 11%, while costs related to the Management and Assistance Contracts decreased \$0.8 million in the first nine months of 2005 compared to the first nine months of 2004. EBITDA margin decreased to 33.9% in the first nine months in 2005, from 34.8% in the first nine months in 2004. The decrease reflected the investments and expenses associated with the integration of acquisitions completed

over the past 18 months, including the *Kisokos* local directory business, as well as temporary structural changes in Hungarian tax law.

Operating Profit and Operation EBITDA

Operating profit in the nine months ended September 30, 2005 increased \$6.8 million, or 18%, to \$45.1 million from \$38.3 million in the nine months ended September 30, 2004.

On a consolidated level, Operation EBITDA (operating profit before certain expenses) in the nine months ended September 30, 2005 increased \$5.0 million, or 11% to \$51.5 million from \$46.5 million in the nine months ended September 30, 2004. For a description of this calculation, see note 3 to our Combined Financial Statements. Print Operation EBITDA increased \$5.2 million, or 12% in the nine-month period ended September 30, 2005 compared to the nine-month period ended September 30, 2004. Excluding exchange rate impact, total growth was 8.2%, including organic growth of 4.0% sustained by strong growth in Russia and the CIS and Croatia, offset by soft market conditions in Hungary. Online Operation EBITDA decreased \$0.2 million, or 13%, from \$1.3 million in the nine-month period ended September 30, 2004 to \$1.1 million in the nine-month period ended September 30, 2005. Excluding exchange rate impact, online Operation EBITDA total growth and organic growth was negative 17.2% and 17.7% respectively, which reflected investments made in sales force and marketing to develop and promote the online channel.

Russia and the CIS. Operation EBITDA in Russia and the CIS in the nine months ended September 30, 2005 increased \$4.3 million, or 12% to \$41.4 million in the nine months ended September 30, 2005 from \$37.1 million in the nine months ended September 30, 2004. This increase was primarily due to the geographical expansion of regional titles throughout Russia and the CIS and further verticalization, offset to some degree by continued investments in regional expansion. Excluding exchange rate impact, total and organic growth was 8.8%. Operation EBITDA margin decreased from 43.4% to 41.4% reflecting primarily the expansion of the business into lower margin regions.

Hungary. Operation EBITDA in Hungary in the nine months ended September 30, 2005 declined \$1.7 million, or 19% to \$7.1 million from \$8.8 million in the nine months ended September 30, 2004. This decrease primarily reflected a decline in revenue at *Expressz* and *Kisokos*. Operation EBITDA margin decreased from 25.1% to 20.9% reflecting primarily the decline in revenues. The decrease in revenues resulted from difficult market conditions in the real estate and vehicle sectors. Excluding exchange rate impact, total and organic Operation EBITDA growth was negative 22.6%, due to the increase of *Kisokos* losses from \$0.5 million for the nine months ended September 30, 2004 to \$0.8 million in the nine months ended September 30, 2005, and to the reduction of revenues and margin at *Expressz*.

Croatia and Poland. Operation EBITDA in Croatia and Poland in the nine months ended September 30, 2005 increased \$2.4 million to \$3.0 million from \$0.6 million in the nine months ended September 30, 2004. This increase primarily reflected the beneficial impact of the 2004 acquisition of *Oglasnik* in Croatia and the strong development of online activities in Poland. Excluding exchange rate impact, Operation EBITDA total growth in Croatia and Poland was 328%, with organic growth of 51.3%. Operation EBITDA margin increased from 11.3% to 24.2% reflecting primarily the inclusion of Croatia in the full period in 2005 and growth in the Croatian business.

Other income and expenses

Other expenses in the nine months ended September 30, 2005 increased \$1.1 million, or 138%, to \$1.9 million from \$0.8 million in the nine months ended September 30, 2004, primarily due to an increase of interest and financing fees from \$0.9 million in the period in 2004 to \$2.3 million in the period in 2005, which was somewhat offset by a foreign exchange gain of \$0.4 million in the period in 2005 (compared to a gain of \$0.1 million in the period in 2004).

Interest and financing fees of \$2.3 million in the nine months ended September 30, 2005 included expense of \$1.8 million in Hungary related primarily to the financing of the *Kisokos* acquisition (in the nine months ended September 30, 2004: \$0.9 million) and \$0.5 million in Croatia and Poland (in the nine months ended September 30, 2004: \$0.2 million) and nil in Russia and the CIS (in the nine months ended September 30, 2004: \$0.2 million in income).

Income before income taxes

Income before income taxes in the nine months ended September 30, 2005 increased \$5.7 million, or 15%, to \$43.2 million from \$37.5 million in the nine months ended September 30, 2004.

Income taxes

Income taxes in the nine months ended September 30, 2005 increased \$1.5 million, or 12%, to \$14.2 million from \$12.7 million in the nine months ended September 30, 2004. Income tax of \$14.2 million in the nine months ended September 30, 2005 reflected income tax expense of \$12.7 million in Russia and the CIS (in the nine months ended September 30, 2004: \$11.4 million), \$1.0 million in Hungary (in the nine months ended September 30, 2004: \$1.4 million) and \$0.5 million in Croatia and Poland (in the nine months ended September 30, 2004: \$0.1 million in income). Increases in the period directly reflected the increased operating performance of the Group.

Minority interest

Minority interest for the nine months ended September 30, 2005 increased to \$5.7 million from \$4.8 million for the nine months ended September 30, 2004, primarily due to the inclusion of *Oglasnik* in our accounts for the full period in 2005, and continued growth in our Russian business.

Net income

We generated net income of \$23.3 million for the nine months ended September 30, 2005 compared to \$20.0 million for the nine months ended September 30, 2004.

Year Ended December 31, 2004 Compared to Year Ended December 31, 2003

Revenues

Revenues in 2004 increased \$40.8 million, or 30%, to \$177.5 million from \$136.7 million in 2003. The increase consisted of a \$39.6 million, or 30%, increase in print revenues and a \$1.2 million, or 39%, increase in online revenues. Excluding exchange rate impact, total growth was 17.9% and organic growth was 14%, primarily driven by the sustained growth in Russia and the CIS through further verticalization and geographical expansion offset by negative growth in *Expressz* of 4.5%.

Revenues by channel

Print revenues in 2004 increased \$39.6 million, or 30%, to \$173.2 million from \$133.6 million in 2003, reflecting strong growth in display advertisements of 39% and of professional advertisements of 23%. Excluding exchange rate impact, total growth was 17.7% and organic growth was 13.8%.

Online revenues in 2004 increased \$1.2 million, or 39%, to \$4.3 million from \$3.1 million in 2003, due primarily to the strong development of the Polish generalist website *kupsprzedaj.pl*. Excluding exchange rate impact, total and organic growth was 24.8%.

Revenues by region

Russia and the CIS. Revenues in Russia and the CIS increased \$28.4 million, or 31%, to \$119.3 million in 2004 from \$90.9 million in 2003, reflecting an increase of \$28.0 million in print revenues and \$0.4 million in online revenues. The increase in revenues largely reflected the improvement in circulation in 2004 following the split of the generalist *Iz Ruk v Ruki* publication into separate editions in 2003 (which resulted in a temporary decline in circulation revenues), the strong development of *Iz Ruk v Ruki* and specialized magazines in Russia and the CIS and the further development of call center activities following the acquisitions of Astra Pejdh from NPK in 2004. Excluding exchange rate impact, total growth was 23.3%, including organic growth of 22.3%.

Hungary. Revenues in Hungary in 2004 increased \$8.2 million, or 20%, to \$49.1 million from \$40.9 million in 2003, reflecting an increase of \$7.9 million in print revenues and \$0.3 million in online revenues. Excluding the impact of exchange rate fluctuations, total growth was 7.9% and organic growth was negative 2.5%. Negative organic growth reflected primarily the rationalization of products and offers following the integration of the 2003 acquisitions, as well as temporary changes in the automobile and the real estate sectors, respectively, resulting from the implementation of the EU car registration tax and the reduction in the Hungarian government housing subsidy. See “—EBITDA, EBITDA margin, Operation EBITDA and Operation EBITDA margin.”

Croatia and Poland. Revenues in Croatia and Poland in 2004 increased \$4.2 million, or 86%, to \$9.1 million from \$4.9 million in 2003, reflecting an increase of \$3.7 million in print revenues and \$0.5 million in online revenues. The strong growth in print revenues reflected primarily the acquisition of

Oglasnik in July 2004 and the implementation of TCM's best practices post acquisition with respect to sales management, the call centers and distribution. Excluding exchange rate impact, total and organic growth in Poland was 5.4%, led by growth in display and classified advertising, slightly offset by a decline in circulation.

Operating costs and expenses

Operating costs and expenses increased \$25.6 million, or 27%, to \$122.2 million in 2004 from \$96.6 million in 2003. The increase was primarily due to an \$18.0 million increase in cost of sales.

Cost of sales

Cost of sales in 2004 increased \$18.0 million, or 34%, to \$70.4 million from \$52.4 million in 2003, reflecting increased sales, the investment in our sales force and distributors, including investment in our call centers in Russia and Hungary, and the increase in production and transportation costs related to geographic expansion in Russia.

Accordingly, cost of sales increased as a percentage of revenues to 40% in 2004 from 38% in 2003. Production costs remained relatively steady at 24% of revenues in 2004 compared to 2003, despite a slight decrease in paper costs compared to revenues.

General and administrative

General and administrative expenses in 2004 increased \$7.7 million, or 21%, to \$44.4 million from \$36.7 million in 2003, largely reflecting infrastructure improvements to support general growth. Expressed as a percentage of revenues, general and administrative costs decreased to 25% in 2004 from 27% in 2003, reflecting our ongoing cost control initiatives.

Depreciation and amortization

Depreciation and amortization in 2004 increased \$0.5 million, or 7%, to \$7.4 million from \$6.9 million in 2003. The increase reflected increased amortization in 2004 related to the acquisition of *Kisokos* in Hungary in July 2003, for which amortization was recorded for the full year in 2004, and the acquisition of *Oglasnik* in Croatia in July 2004, for which amortization costs were recorded for five months in 2004. Depreciation remained stable at group level, with the increase in depreciation in Russia and the CIS resulting from investment in 2003 in printing facilities and software offset by decreases in depreciation in Hungary.

Write-down of impaired assets

We made no write-downs of impaired assets in 2004, compared to write-downs of \$0.6 million in 2003.

EBITDA

EBITDA increased \$15.1 million in 2004, from \$47.6 million in 2003 to \$62.7 million in 2004. The increase resulted primarily from the further development of our main publication, *Iz Ruk v Ruki*, and specialist magazines in Moscow and throughout Russia and the CIS and the beneficial impact of the acquisition of *Oglasnik* in Croatia, which was partly offset by investments and the expenses associated with the integration of the *Kisokos* directory business in Hungary which was acquired in 2003. EBITDA margin increased to 35.3% in 2004, from 34.8% in 2003 reflecting our improved cross/up selling, reduced operating costs, online growth, improved ability to monetize online traffic and content and improved margins of acquired businesses reflecting the sharing and implementation of best practices throughout the Group.

Operating profit and Operation EBITDA

Operating profit in 2004 increased \$15.2 million, or 38%, to \$55.3 million from \$40.1 million in 2003.

On a consolidated level, Operation EBITDA (operating profit before certain expenses) in 2004 increased \$15.2 million, or 30% to \$66.4 million from \$51.2 million in 2003. For a description of this calculation, see note 3 to our Combined Financial Statements. Print Operation EBITDA increased \$14.8 million or 30% to \$64.7 million in 2004 from \$49.9 million in 2003. Online Operation EBITDA increased \$0.4 million or 31% to \$1.7 million in 2004 from \$1.3 million in 2003.

Russia and the CIS. Operation EBITDA in Russia and the CIS increased \$12.2 million, or 30% to \$53.4 million in 2004 from \$41.2 million in 2003. This increase was primarily due to the strong growth in the Moscow region and throughout Russia and the CIS of our leading publication *Iz Ruk v Ruki*, despite significant investment in sales, marketing and infrastructure needed for the expansion of our activities into new cities. Operation EBITDA margin decreased from 45.3% to 44.8% primarily reflecting investments made in regional expansion. Excluding exchange rate impact, total growth was 21.8% and organic growth was 22.6%.

Hungary. Operation EBITDA in Hungary in 2004 increased \$1.8 million, or 18% to \$11.7 million from \$9.9 million in 2003. This increase primarily reflected a significant reduction in losses at *Kisokos* and an increase in *Expressz* revenues in 2004. Operation EBITDA margin decreased from 24.2% to 23.8% reflecting primarily the increasing importance of the lower-margin *Kisokos* business in the Hungarian business. Excluding exchange rate impact, total growth was 6.3% and organic growth was 2.2%, mainly driven by the *Kisokos* business.

Croatia and Poland. Operation EBITDA in Croatia and Poland in 2004 increased \$1.2 million to \$1.3 million from \$0.1 million in 2003. This sharp increase primarily reflected the contribution of \$0.9 million by *Oglasnik* in Croatia, which was acquired in July 2004, and a significant increase in Poland of \$0.3 million driven by an increase in online revenues and control of production and G&A costs. Operation EBITDA margin increased from 2.0% to 14.3% resulting primarily from the *Oglasnik* acquisition. Excluding exchange rate impact, total growth was 880.5%. Organic growth in Poland was 195.1%, driven by the online business.

Other income and expenses

Other expenses in 2004 increased \$0.8 million, or 100%, to \$1.6 million from \$0.8 million in 2003, primarily due to an increase of \$0.6 million in foreign exchange losses resulting from the effect of exchange rate fluctuations on balances with TCM related parties, expressed in euro, as well as \$0.2 million in increased interest expense.

Interest expense of \$0.8 million in 2004 also included interest income related to excess cash balances in Russia and the CIS.

Income before income taxes

Income before income taxes increased \$14.4 million, or 37%, to \$53.7 million in 2004 from \$39.3 million in 2003.

Income taxes

Income taxes in 2004 increased \$7.1 million, or 71%, to \$17.1 million from \$10.0 million in 2003. Income tax of \$17.1 million in 2004 reflected income tax expense of \$17.6 million and deferred tax benefit of \$0.5 million. The increase in income tax expense reflected primarily the significant increase in operating profit of the group in 2004. Income tax expense in 2004 was \$15.1 million in Russia and the CIS (2003: \$9.2 million), \$2.0 million in Hungary (2003: \$0.9 million) and nil in Croatia and Poland (2003: \$0.1 million income).

Minority interest

During 2003 and 2004, minority interest consisted of a 12% ownership in Pronto-Moscow held by the General Manager of our Russian operations, and the interests held by various parties in certain of our local Russian operations. Minority interests in 2004 also included a 30% interest in the Croatian publication *Oglasnik*, in which the Group purchased a 70% interest in July 2004.

Minority interest in 2004 increased \$1.6 million, or 30%, to \$7.0 million from \$5.4 million in 2003, primarily due to the strong results in Russia and the CIS.

Net income

We generated net income of \$29.6 million in 2004 compared to \$23.9 million in 2003.

Year Ended December 31, 2003 Compared to Year Ended December 31, 2002

Revenues

Revenues in 2003 increased \$29.1 million, or 27%, to \$136.7 million from \$107.6 million in 2002. The increase consisted of a \$28.4 million, or 27% increase in print revenues and a \$0.7 million, or 29% increase in online revenues. Excluding exchange rate impact, total growth was 20.5% and organic growth was 14.6%, primarily driven by geographical expansions in Hungary and Russia, and the development of our portfolio of products in these two countries.

Revenues by channel

Print revenues in 2003 increased \$28.4 million, or 27%, to \$133.6 million in 2003 from \$105.2 million in 2002, reflecting primarily increases in display advertisements and professional classified advertisements.

Online revenues in 2003 increased \$0.7 million, or 29%, to \$3.1 million in 2003 from \$2.4 million in 2002, due primarily to the development of our Internet activities in Poland (which grew by 91.1%) and in Russia and the CIS (which grew by 59.7%).

Revenues by region

Russia and the CIS. Revenues in Russia and the CIS in 2003 increased \$15.0 million, or 20%, to \$90.9 million from \$75.9 million in 2002, reflecting an increase of \$14.8 million in print revenues and \$0.2 million in online revenues. Excluding exchange rate impact, total growth was 17.1% and organic growth was 15.9% in 2003 due to the strong geographical expansion in eight cities throughout Russia and the CIS of our leading publication, *Iz Ruk v Ruki*, further segmentation of the market and the launch of new products.

In 2003, operations were established in Smolensk, Kemerovo and additional shares of the business in Kaliningrad were acquired. We also moved toward diversification, through the acquisition of the business to business editions of *Optovik* and the establishment of direct marketing. In early 2003, the Moscow edition of *Iz Ruk v Ruki* was split into a generalist and an auto title, which negatively affected circulation revenues, as the increase in the number of volumes sold did not fully offset the impact of the lower cover price. However, the title maintained its good performance with a positive growth of 2.3% in 2003 in local currency, largely due to the increase of display and professional advertisement revenue.

Hungary. Revenues in Hungary in 2003 increased \$13.8 million, or 51%, to \$40.9 million from \$27.1 million in 2002, reflecting an increase of \$13.6 million in print revenues and \$0.2 million in online revenues. This increase was primarily due to the impact of the acquisitions made in 2003, including *Uijpressz*, a paid ad and paid circulation publication which had its own outbound call center, and *Kisokos*, the free distribution directory business, combined with a strong organic growth of the *Expressz* activities of 13.8%. The growth was also led by expansion outside of Budapest. Excluding exchange rate fluctuations, total growth was 32.3% and organic growth was 13.8% in 2003.

Poland. Revenues in Poland in 2003 increased \$0.3 million, or 7%, to \$4.9 million from \$4.6 million in 2002, reflecting an increase of \$0.3 million in online revenues. We did not acquire our Croatian operations until 2004.

Operating costs and expenses

Operating costs and expenses in 2003 increased \$30.5 million, or 46%, to \$96.6 million in 2003 from \$66.1 million in 2002. The increase was primarily due to the \$17.5 million increase in cost of sales and the \$11.1 million increase in general and administrative expenses.

Cost of sales

Cost of sales in 2003 increased \$17.5 million, or 50%, to \$52.4 million from \$34.9 million in 2002. Cost of sales increased as a percentage of revenues to 38% in 2003 from 32% in 2002, primarily due to the acquisitions in Hungary, and particularly *Kisokos* with higher selling and production costs than the *Expressz* business, and to geographical expansion in Russia, where development in the regions generated lower profit margins. Production costs increased to 23.6% of revenues in 2003 from 20.2% of revenues in 2002.

General and administrative

General and administrative expenses in 2003 increased \$11.1 million, or 43%, to \$36.7 million from \$25.6 million in 2002. General and administrative expenses increased as a percentage of revenues to 27% in 2003 from 24% in 2002, due primarily to an increase in these expenses in Russia related to our regional development and the need to set up adequate infrastructure.

Depreciation and amortization

Depreciation and amortization in 2003 increased \$1.3 million, or 23%, to \$6.9 million from \$5.6 million in 2002. The increase reflected amortization in Hungary related to the *Kisokos* acquisition in 2003.

Write-down of impaired assets

We made \$0.6 million in write-downs of impaired assets in 2003, compared to no write-down of impaired assets in 2002. The write-down of impaired assets reflected the write-down of a trade name no longer used in Hungary of \$0.4 million and an asset write-down in Russia of \$0.2 million.

EBITDA

EBITDA increased by \$0.5 million, from \$47.1 million in 2002 to \$47.6 million in 2003. The increase resulted primarily from a favorable impact of exchange rate fluctuations, from continuing revenue growth in Russia, and from the development of our online activities, which had organic growth of 164%. EBITDA margin decreased to 34.8% in 2003, from 43.8% in 2002, reflecting primarily higher cost of sales and general expenses in Russia and Hungary. This decrease reflected primarily investments made to expand the business into the Russian regions and the increasing component of lower margin regional business in the revenue mix.

Operating profit and Operation EBITDA

Operating profit in 2003 decreased by \$1.4 million, or 3%, to \$40.1 million from \$41.5 million in 2002.

On a consolidated level, Operation EBITDA (operating profit before certain expenses) in 2003 increased \$1.9 million, or 4% to \$51.2 million from \$49.3 million in 2002. For a description of this calculation, see note 3 to our Combined Financial Statements.

Russia and the CIS. Operation EBITDA in Russia and the CIS increased \$1.8 million, or 4.6% to \$41.2 million in 2003 from \$39.4 million in 2002. This increase was primarily due to organic growth of 3.2%, driven by an increase in revenues, partially offset by lower profit margins due to geographical expansion. Operation EBITDA margin decreased from 51.9% to 45.3% reflecting primarily investments in regions which produce lower margins than the Moscow region, investments in our sales force and distribution network and an increase in production costs for *Iz Ruk v Ruki*.

Hungary. Operation EBITDA in Hungary in 2003 decreased \$0.1 million, or 1% to \$9.9 million from \$10.0 million in 2002. The decrease primarily reflected the negative impacts of investments in our sales force, the development of a free circulation publication and the efforts associated with the integration of recent acquisitions, partially offset by positive currency exchange rate fluctuations. Operation EBITDA margin decreased from 36.9% in 2002 to 24.2% in 2003.

Poland. Operation EBITDA in Poland in 2003 increased \$0.2 million to \$0.1 million from negative \$0.1 million in 2002. This increase primarily reflected the strong development of our online activities. Operation EBITDA margin was negligible in both periods.

Other income and expenses

Other expenses in 2003 decreased by \$1.6 million, or 67%, to \$0.8 million from \$2.4 million in 2002, primarily due to a decrease of \$2.0 million in foreign exchange losses caused by exchange rate fluctuations, offset by an increase of \$0.4 million in interest expense.

Interest expense of \$0.6 million in 2003 included expense of \$0.7 in Hungary (2002: \$0.5 million) and \$0.2 in Croatia and Poland (2002: \$0.2 million), offset by income of \$0.3 million in Russia and the CIS (2003: \$0.5 million). Interest expense primarily increased through acquisitions in 2003 in Hungary financed with related party debt from TCM.

Income before income taxes

Income before income taxes in 2003 increased \$0.2 million, or 1%, to \$39.3 million in 2003 from \$39.1 million in 2002.

Income taxes

Income taxes in 2003 decreased \$0.9 million, or 8%, to \$10.0 million from \$10.9 million in 2002. Income tax of \$10.0 million in 2003 reflected income tax expense of \$9.2 million in Russia and the CIS (2002: \$10.6 million) and \$0.9 million in Hungary (2002: \$0.3 million) offset in part by a tax gain of \$0.1 million in Croatia and Poland (2002: negligible).

Minority interest

During 2002 and 2003 minority interest consisted of a 12% ownership in Pronto-Moscow (which owns substantially all of our Russian and CIS operating subsidiaries) held by the General Manager of our Russia, Baltics and CIS business, Leonid Makaron, and the interests held by various parties in our local Russian operations. Minority interest in 2003 increased \$1.2 million, or 29%, to \$5.4 million from \$4.2 million in 2002, primarily due to higher net income in Russia, particularly in the Moscow region.

Net income

We generated net income of \$23.9 million in 2003 compared to \$24.0 million in 2002.

Liquidity and Capital Resources

Historically, our working capital requirements have been minimal, and cash flow from operations has been sufficient to finance our operations. We have primarily financed acquisitions from free cash flow and in the case of *Kisokos* from third party and related party borrowings. See notes 15 and 16 to the Combined Financial Statements. We intend to fund future acquisitions through free cash flow and borrowings under the new Senior Credit Facility. See “—Capital Resources” below.

Cash provided by operating activities

Net cash provided by operating activities was \$32.1 million and \$31.7 million in the nine months ended September 30, 2005 and 2004, respectively. The increase primarily reflected the \$3.3 million increase in net income, offset by unrealized foreign exchange gain of \$1.5 million in the period in 2005 (compared to a loss of \$0.5 million in the period in 2004), an increase in net change in working capital balances of \$1.5 million in the period in 2005 (compared to an increase of \$0.9 million in the period in 2004), and a decrease of \$1.3 million in amortization.

Net cash provided by operating activities was \$43.6 million, \$32.3 million and \$30.6 million in 2004, 2003 and 2002, respectively. The 35% increase in net cash provided by operating activities in 2004 compared to 2003 primarily reflected the strong growth (29.7%) in operating profit before certain expenses of the Group during the period, and to a lesser extent the reduction in negative net change in working capital expressed as a percentage of revenues. Negative working capital reflected the strong growth of revenues as a result of a change in the revenue mix reflecting the increasing importance of professional and display customers compared to private customers in 2004. The 5.6% increase in net cash provided by operating activities in 2003 compared to 2002 reflected the increase in operating profit before certain expenses of 3.9% and a negative change in working capital balances and other in 2003 of \$3.7 million (compared to \$2.7 million in 2002), partly offset by the acquisition of *Kisokos* in July 2003.

Cash used in investing activities

Net cash used in investing activities was \$6.0 million and \$24.8 million in the nine months ended September 30, 2005 and 2004, respectively. The decrease primarily reflected \$18.4 million less in cash paid for acquisitions, net of cash required, reflecting the acquisition of Oglasnik for \$15.4 million, *Szuperinfó* for \$2.4 million and earn-out and deferred acquisition payments in the nine months ended September 30, 2004.

Net cash used in investing activities was \$30.1 million, \$19.8 million and \$4.6 million in 2004, 2003 and 2002, respectively. The increase in net cash used in investing activities over the three periods reflected the increase in its two major components: cash paid for acquisitions of \$24.3 million, \$14.7 million and

\$1.1 million for the years ended December 31, 2004, 2003 and 2002, respectively, and cash paid for property, plant and equipment of \$5.7 million, \$5.0 million and \$2.8 million for the years ended December 31, 2004, 2003 and 2002, respectively.

Cash paid for acquisitions in 2004 primarily reflected the acquisitions of a 70% controlling interest in *Oglasnik* in Croatia for \$15.4 million and an 85% interest in *Szuperinfó*, a network of franchises in Hungary distributing the *Szuperinfó* publication, for \$2.4 million. Cash paid for acquisitions in 2003 primarily reflected the payment of initial installments of \$9.0 million for the *Kisokos* directory business in Hungary and the acquisition of the free-circulation *Újpressz* for \$4.5 million. Cash paid for acquisitions in 2002 primarily reflected the acquisition of a 44% interest in *Pronto Novossibirsk* for \$0.7 million.

Cash paid for property, plant and equipment, mainly incurred for software and back office support systems, increased 14.0% from \$5.0 million in 2003 to \$5.7 million in 2004. Expressed as a percentage of revenues, however, cash paid for property, plant and equipment decreased to 3.2% in 2004 from 3.7% in 2003, reflecting the low capital expenditure requirements of the business and strong control over capital expenditures. Cash paid for property, plant and equipment increased by \$2.2 million from \$2.8 million in 2002 to \$5.0 million in 2003. This increase primarily reflected the significant investment in the Hungarian back office support system in 2003.

Cash used in financing activities

Net cash used in financing activities was \$23.9 million and \$4.1 million in the nine months ended September 30, 2005 and 2004, respectively. This includes cash paid to minority interests and related parties including shareholders of \$24.8 million and \$25.4 million. The increase primarily reflected the decrease in invested equity from \$21.3 million in the period in 2004 to negative \$6.5 million in the period in 2005, partially offset by cash received from borrowings of \$7.7 million in the period in 2005.

Net cash used in financing activities was \$12.6 million, \$8.4 million and \$21.4 million in 2004, 2003 and 2002, respectively. The increase in net cash used in financing activities in 2004 compared to 2003 primarily reflected an increase of \$9.1 million in cash paid to minority interests and to related parties, partially offset by an increase of \$5.3 million in invested equity. The decrease in net cash used in financing activities in 2003 compared to 2002 primarily reflected invested equity of \$19.3 million in 2003 (compared to negative invested equity of \$2.9 million in 2002) slightly offset by an increase in cash paid to minority interests and to related parties of \$9.3 million.

Free cash flow

Although it should not be considered in isolation or as a substitute for measures of performance prepared in accordance with US GAAP, we use free cash flow as a measure of cash available for acquisitions and debt repayment. We define free cash flow as cash generated from operating activities after interest, tax and cash paid for capital expenditures. Free cash flow was \$37.9 million, \$27.3 million and \$27.8 million in 2004, 2003 and 2002, respectively, and \$28.4 million in the first nine months of 2005 (compared to \$27.8 million in the first nine months of 2004).

Working Capital

At December 31, 2004 and September 30, 2005, net accounts receivable were \$10.7 million and \$9.3 million, respectively, which represented 20 and 21 days of revenues, respectively, which is considered to be relatively low by market standards. Our relatively low net accounts receivable is due to the portion of private customers who make payment as soon as an advertisement is submitted and strong control over cash collection.

Capital expenditure

Our primary capital expenditures are on online infrastructure and back office systems. Cash paid for capital expenditure amounted to \$2.8 million, \$5.0 million and \$5.7 million in 2002, 2003 and 2004, respectively, and \$3.9 million and \$3.7 million, respectively, in the nine-month periods ended September 30, 2004 and 2005. Capital expenditure primarily related to the implementation of a new back office system in Hungary from 2002 through 2005, and to the purchase of printing facilities in Russia. We do not currently intend to invest in additional printing facilities. After having made significant investments, particularly in Hungary, in software, the upgrade of our production and accounting systems is now

completed. We anticipate that over the next twelve to eighteen months, we will make capital expenditures in the range of 3% to 4% of revenues, in line with our historical level of capital expenditure.

Senior Credit Facility

Prior to Closing we expect to enter 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”). Entry into the Senior Credit Facility is subject to certain members of the Group obtaining relevant corporate approvals which we expect to obtain prior to Closing. Obligations of the Borrowers under the Senior Credit Facility will be guaranteed by the Company, the Borrowers and the Company’s Material Subsidiaries (as defined in the Senior Credit Facility) 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 will be 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 expect to draw down this amount on Closing. In addition, the Senior Credit Facility provides a revolving credit facility of up to \$25 million to be made available to certain Borrowers (of which we expect to draw down \$1 million at Closing) and an acquisition facility of up to \$85 million to be made available to certain Borrowers.

Term Loan Facility 1, with up to \$100 million available for drawing, will be used to purchase the 12% interest in Pronto-Moscow held by Leonid Makaron and to pay additional amounts due under the Acquisition Agreement. See “Related Party Transactions—Acquisition of Minority Interest in Pronto-Moscow—Acquisition Agreement.” Term Loan Facility 2, with up to \$7.4 million available for drawing, will be used to refinance existing indebtedness of Trader Hungary Tanácsadó Kft. Term Loan Facility 3, with up to \$32.5 million available for drawing, will be 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.

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 (or any other period agreed by Trader East Holdings B.V. and BNP PARIBAS) 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 net interest payable, and operating cash flow to debt service (each as defined in the Senior Credit Facility Agreement). 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.

At the closing date of the Senior Credit Facility, we anticipate that approximately \$140 million will be drawn down and outstanding. Approximately \$110 million of additional capacity will remain to finance future acquisitions and for general corporate purposes.

Indebtedness

During the periods under review, indebtedness consisted primarily of related-party balances with members of the TCM Group and a senior debt facility provided by a syndicate of banks led by BNP PARIBAS entered into by TCM on July 8, 2005. We had \$59.1 million outstanding in related party balances at December 31, 2004, and \$26.8 million outstanding at September 30, 2005. See “—Related party balances” below and note 16 to the Combined Financial Statements. Our Hungarian subsidiary Trader Hungary Tanácsadó Kft., borrowed \$7.4 million under the senior debt facility, which it intends to repay on the closing date with funds borrowed under the Senior Credit Facility. See “Capitalization and Indebtedness,” “—The Reorganization” and “—Senior Credit Facility.” We had deferred acquisition and other debt of \$0.4 million, \$2.1 million and nil at December 31, 2002, 2003 and 2004, respectively.

Related party balances

Related party balances as of December 31, 2002, 2003 and 2004 and September 30, 2005 were balances with TCM. These balances primarily included balances owing with respect to internal financing for acquisitions including *Kisokos* (Hungary) in 2003 and *Oglasnik* (Croatia) in 2004, management services fees, interest on long term related party balances and current cash advances.

The table below shows our related party net balances as of the dates indicated:

	At December 31,			At
	2002	2003	2004	September 30, 2005
		(millions of \$)		
Current assets	\$5.0	\$18.3	\$—	\$11.7
Current liabilities	(3.2)	(8.5)	(11.3)	(5.7)
Related party net current assets/(liabilities)	1.8	9.8	(11.3)	6.0
Long term related party balances	(12.2)	(20.2)	(47.8)	(32.8)
Related party net balances	<u><u>\$(10.4)</u></u>	<u><u>\$(10.4)</u></u>	<u><u>\$(59.1)</u></u>	<u><u>\$(26.8)</u></u>

Management and Assistance Contracts

Certain members of the Trader Media East Group have entered into management services agreements (the “Management and Assistance Contracts”) with TCM to compensate it for services rendered by TCM head office personnel for the benefit of the combined businesses. These services performed by TCM included management of operations, legal, finance, human resources, internal audit, information technology, marketing and acquisitions services. Accordingly, \$2.2 million, \$3.6 million and \$3.7 million, respectively, were recorded as expenses of Trader Media East in 2002, 2003 and 2004, and \$2.7 million and \$1.9 million, respectively, in the nine-month periods ended September 30, 2004 and 2005. Management service expenses are expected by management to increase from approximately 2% of revenues in 2004 and 2005, to approximately 3% of revenues in future periods. See “—Operating Costs and expenses—General and Administrative costs.”

Commitments and Contingencies

The table below shows our commitments and contingencies at December 31, 2004, which consisted of minimum lease payments under existing operating leases for office space, automobiles and office equipment:

	Operating lease payments (millions of \$)
2005	\$1.0
2006	1.0
2007	1.0
2008	1.1
2009 and thereafter	0.7
	\$4.8

Lease expense amounted to \$2.3 million, \$3.0 million and \$4.0 million in the years ended December 31, 2002, 2003 and 2004, respectively.

Share options

For the periods covered by the Combined Financial Statements, certain employees of the Trader Media East Group benefited from grants of stock rights under the TCM Equity Incentive Plan. Non-cash compensation expense incurred under the plan was immaterial during the periods covered. Had Trader Media East determined compensation expense using the fair-value based method on the grant date for all options issued, as prescribed by SFAS No. 123, our net income in the periods covered would not have been affected. See note 9 to the Combined Financial Statements.

Inflation

Our costs are closely linked to domestic cost factors in the countries in which we operate. Inflation moderated in Russia during the past five years, decreasing from 21.5% in 2001 to 12.7% in 2005.

The table below presents changes in Russia's consumer price inflation from 2001 through 2005.

	2001	2002	2003	2004	2005 ⁽¹⁾
Consumer Price Inflation	21.5%	15.8%	13.7%	10.9%	12.7%

(1) Economist Intelligence Unit estimate.

Source: Economist Intelligence Unit.

The economy of Belarus continues to be considered to be highly inflationary.

Critical accounting policies

The preparation of financial information requires management to make judgments concerning the election of accounting methods, estimates and assumptions that are sensitive to changes in market conditions or other uncertainties that could affect our reported results. We outline below what we consider to be our critical accounting policies, the judgments used to develop our reported results and the sensitivity of these results to changes in conditions.

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 tradenames and advertising customer bases of the acquired entities. We typically prepare valuation studies when allocating purchase price consideration to intangible assets. The valuation studies use a "relief from royalty" approach with a royalty rate ranging from 6% to 11% for tradenames. The basis for determining advertising customer base is to assume a turnover of professional customers of approximately 8% to 10% per year. The resultant estimated net cash flows are then discounted using our weighted average cost of capital. The excess purchase price over identified tangible and intangible net assets is determined to be goodwill.

We have estimated that the useful lives for tradenames considered as definite life assets range from 10 to 20 years and for advertising customer bases from 6 to 12 years. Commencing January 1, 2005, further to a change in estimate, certain tradenames with significant notoriety have been considered as indefinite life assets no longer subject to amortization, and are now tested for impairment at least once a year. We do not amortize goodwill pursuant to SFAS No. 142. “*Goodwill and Other Intangible Assets*” but subject goodwill to an annual impairment test. Therefore, the sensitivity of the Company’s choice of method regarding the use of the relief from royalty approach, the assumptions concerning the royalty rate, the turnover rate for professional customers, the useful life of assets and the projected net cash flows have significantly affected amortization expense recorded to date.

Impairment of Goodwill and Long-Lived Assets

As required by SFAS No. 142, goodwill is tested for impairment at least annually. We compare the carrying value of each of our 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 for each reporting unit. Our reporting units are based on geographic regions. We review long-lived assets and identifiable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of any assets may not be recoverable. Impairment is determined by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If this comparison indicates the asset is impaired, the impairment recognized is the amount by which the carrying amount of the asset exceeds the fair value of the asset. We measure fair value based on discounted cash flows using a discount rate reflecting the risk associated with the asset in question. The discount rates range from 9.0% for our businesses in Central and Eastern Europe to 15.8% for our businesses in Poland, with the Group’s weighted average cost of capital determined to be 10.0% in 2004.

The sensitivity of these assumptions, including the determination of our reporting units, the estimates of our 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.

In addition, our future cash flow assumptions are sensitive to the continued perceived value of our brands, which to date have generally allowed us to generate cash flows sufficient to support the value of our acquisitions. The classified advertising publishing industry is competitive. In our local markets, we compete for both advertising revenues and readership with daily and weekly local newspapers, direct mail marketing companies, free circulation papers and other classified publications targeted to the same geographic area. We also compete with pure online classified advertising businesses. These newspaper publishers and other print and online competitors could take market share from us in any of our local markets, negatively affecting our results of operations and could lead us to reduce our future cash flow assumptions with consequent potential impairment charges.

Deferred Tax Assets

As at December 31, 2004, we had \$7.4 million of net deferred tax assets related to net operating loss carry-forwards. In assessing the value of these assets, we consider whether it is more likely than not that some portion or all of the deferred tax asset will be realized. The ultimate realization of these assets depends upon the generation of future taxable income during the periods in which the net operating losses can be carried forward. We consider the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment.

We reassess each year the likelihood of a future benefit in light of our improved profitability and expectations of future profitability. As a result, we recognized deferred tax benefits related to our reassessment of the future utilization of net operating losses carry forwards of \$0.3 million and \$0.2 million, respectively, in our 2003 and 2004 income statements.

The amount of the deferred tax asset considered realizable, however, could change, with a charge or benefit to our income statement, if our estimates of future taxable income during the carry forward period or tax planning strategies are revised.

Reconciliation of EBITDA and Operation EBITDA (operating profit before certain expenses) to operating profit

The differences between EBITDA and Operation EBITDA (operating profit before certain expenses) and operating profit as per our Combined Financial Statements are as follows:

	December 31,			September 30,	
	2002	2003	2004	2004	2005
		<i>(audited)</i>	<i>(millions of \$)</i>	<i>(unaudited)</i>	
Operation EBITDA	49.3	51.2	66.4	\$46.5	\$51.5
Management service expense	(2.2)	(3.6)	(3.7)	(2.7)	(1.9)
EBITDA	47.1	47.6	62.7	43.8	49.6
Depreciation and amortization . . .	(5.6)	(6.9)	(7.4)	(5.5)	(4.5)
Non-cash compensation expense . .	—	—	—	—	—
Write-down of impaired assets	—	(0.6)	—	—	—
Operating profit as per Income Statement	\$41.5	\$40.1	\$55.3	\$38.3	\$45.1

Quantitative and qualitative information about market risk

Market risk exposures and risk management

We are exposed to market risk related changes with respect to the following: foreign currency rates, interest rates and paper prices in connection with our print business.

TCM centrally manages our exposures to these risks as provided under the Management and Assistance Contracts. The stated objective of our corporate hedging policy is to seek to minimize external financial risks whenever it is possible to do so at an acceptable price. We do not enter into any transactions with derivative financial instruments for speculative purposes.

Foreign Currency Risk

Foreign currency risk is the risk that we will incur economic losses due to adverse changes in foreign currency exchange rates. As currency exchange rates change, translation of the financial statements of our international businesses into US dollars affects year-over-year comparability of results.

Currency Translation Risk. Appreciation of the US dollar against other currencies negatively affects our revenues and net income as presented in our financial statements. Conversely, depreciation of the US dollar against other currencies positively affects our revenues and net income. The appreciation or depreciation of the US dollar against other currencies also decreases or increases our costs denominated in those currencies when reported in the applicable reporting currency. We have not hedged translation risk.

Currency Transaction Risk. We incur currency transaction risk whenever one of our operating subsidiaries enters into either a purchase or sales transaction using a currency other than its functional currency. We seek to reduce currency transaction risk by matching sales revenues and costs in the same currency.

Amounts outstanding under our Senior Credit Facility are denominated in the functional currencies of the debtor subsidiaries, thereby mitigating foreign exchange risk.

The financial statements of our subsidiaries are translated into US dollars, our reporting currency, from the relevant local currency, using the year-end exchange rate for balance sheet items and the weighted average exchange rate for items in the statements of operations. Gains and losses arising from the translation are reported separately in the cumulative translation account as part of other comprehensive income. See note 2(e) to the Combined Financial Statements.

The following table sets forth the principal currencies in which we generate revenue and their average closing rates against the US dollar, and the average and closing rates of the euro against the US dollar, for periods indicated:

Average and Closing Rates Against the US Dollar

Country	Year ended December 31,			Nine months ended September 30,	
	2002	2003	2004	2004	2005
Hungary (HUF)					
Average	0.004	0.004	0.005	0.005	0.005
Closing	0.004	0.005	0.006	0.005	0.005
Poland (PLZ)					
Average	0.245	0.256	0.276	0.265	0.309
Closing	0.260	0.266	0.333	0.282	0.310
Croatia (HRK)					
Average	—	—	0.159	0.157	0.169
Closing	—	—	0.171	0.158	0.161
Russia (RUR)					
Average	0.032	0.033	0.035	0.035	0.035
Closing	0.032	0.034	0.036	0.034	0.035
Euro					
Average	0.947	1.134	1.243	1.220	1.257
Closing	1.048	1.255	1.364	1.228	1.204

Sources: Oanda Rate®.

Interest Rate Risk

Interest rate risk has historically arisen primarily from our external credit facility in HUF. Borrowings by our Group are scheduled to be repaid in full upon Closing. As of September 30, 2005, borrowings under this credit facility amounted to HUF 1.08 billion. We currently have no hedging activity with respect to our HUF indebtedness. The HUF interest rate on external debt decreased in the last two years from 13% to 6%. As of September 30, 2005, the weighted average interest rate for the period of our total third-party indebtedness was 6.67%.

We expect to draw down approximately \$140 million under the term loan facilities and an additional \$1 million under the revolving credit facility at closing of the Senior Credit Facility. The rate of interest payable for each term is 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 (or any other period agreed by Trader East Holdings B.V. and BNP PARIBAS (as agent under the Senior Credit Facility)) LIBOR or other interbank reference rate (as appropriate); plus any mandatory costs. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Senior Credit Facility.”

Commodity Price Risk

We are subject to market risk with respect to commodities since paper is our single largest raw material expense and, along with printing, one of our most important operating expenses.

In both 2004 and the first nine months of 2005, the cost of paper represented 9% of our revenues. We do not enter into future contracts on commodity markets to hedge our exposure to paper prices. However, in the normal course of business, we enter into paper supply agreements with outside vendors that generally provide pre-agreed discounts from prevailing market prices.

Current Trading and Prospects

Our preliminary estimates indicate that our revenues were \$197.5 million in the year ended December 31, 2005, an increase of 11.3% compared to 2004. Excluding exchange rate effects, total revenue growth was 9.3%, of which 6.1% was organic (based on growth of 7.7% for the nine months ended September 30, 2005

and 2.2% for the quarter ended December 31, 2005). Calculated on a pro forma basis incorporating in 2004 full year revenues for the Croatian business, which was acquired in July 2004, organic total revenue growth, excluding exchange rate effects, was 6.4%.

The organic revenue growth in 2005 came primarily from Russia (which grew 12.3% compared to the prior year), reflecting our strong regional expansion in that market, and Croatia (which grew 18.5% compared to the prior year), where we extended our market presence through a number of marketing initiatives. In Hungary, revenues decreased 8.9% (on an organic basis), reflecting adverse market conditions in the second-hand car and real estate markets.

In the quarter ended December 31, 2005, we believe that our Operation EBITDA margin, which continued to be influenced by similar factors to those experienced in the first nine months of 2005 and the factors affecting our revenues in the quarter ended December 31, 2005 described above, experienced a limited decline from the level achieved in the nine-month period ended September 30, 2005. In 2006, we expect to continue our regional expansion in Russia, complemented by the introduction of vertical magazines in the auto and real estate sectors and the introduction of full color throughout the *Iz Ruk v Ruki* publication. We expect continued growth from the expansion of regional and vertical magazines in our non-Russian markets, and from investment in and continued development of our online business in all of our markets.

Going forward, we expect margins in 2006 to be influenced by the same factors that affected margins in 2005, with continued pressure on margins in our print business (resulting primarily from the change in business mix as a consequence of continued geographic and vertical title expansion in Russia) partially offset by the higher margin of our growing online business.

BUSINESS

Overview

We are the leading provider of print and online classified advertising in the Russian, CIS and Eastern European region. Our leading publications and websites in Russia, Ukraine, Belarus, Kazakhstan, Hungary, Croatia and Poland serve as marketplaces in major metropolitan and regional markets where both private and professional sellers advertise items for sale and contact motivated buyers. Through our integrated print and online strategy, we offer buyers and sellers a comprehensive and focused forum for consumer-to-consumer and business-to-consumer transactions.

We have extensive customer reach in the classified advertising markets in which we operate. Each issue of our flagship Russian publication *Iz Ruk v Ruki*, a widely trusted and recognized brand name throughout Russia, and the CIS, is read by an estimated 2.49 million people, or 4.4% of the Russian population over 16 years old.⁽¹⁾ Our market leading titles *Aviso* in Ukraine and *Expressz* in Hungary each have the highest circulation of paid-circulation classified advertising papers in their respective markets. Launched in August 2005, our new online *Iz Ruk v Ruki* platform in Russia, *irr.ru*, attracted 0.7 million unique monthly visitors in September 2005.

The following table shows our revenues, broken down by geography, in 2004 and the nine months ended September 30, 2005:

Revenues by geography

	Year ended December 31, 2004		Nine months ended September 30, 2005	
	<i>(audited)</i>		<i>(unaudited)</i>	
	(millions of \$ unless otherwise indicated)		(millions of \$ unless otherwise indicated)	
		% of total		% of total
Russia, Baltics and CIS	\$119.3	67	\$100.1	68
Hungary	49.1	28	33.9	23
Croatia and Poland	9.1	5	12.4	9
Total	\$177.5	100	\$146.4	100

We published 235 classified advertising print titles as of September 30, 2005. We estimate that our print publications have an annual circulation of approximately 112 million copies reaching an estimated 5 million readers each week.⁽²⁾ Our online business is growing rapidly and in September 2005, we estimate that our websites attracted over 3.2 million unique monthly visitors, compared to 2.1 million in December 2004.

We also estimate that in the year ended December 31, 2004, our print and online titles contained approximately 85 million classified advertisements. Approximately 75% of our classified advertising by volume relates to high-value items, primarily in the real estate and automotive sectors, which represented approximately 45% and 30%, respectively, of our classified advertising by volume in 2004.

We have grown and diversified our business primarily by extending the geographic reach of our existing print and online brands, introducing new titles, making selective acquisitions of existing publications and online businesses and increasing our penetration of existing markets by segmenting our content into specialized print publications and websites by product area (a process commonly referred to as “verticalization”). We have also entered into new regions, both through our franchising program, in which we license our leading brands and share our best operating practices with local partners in exchange for a monthly royalty and, more recently, through establishing direct subsidiaries. We are currently focused on leveraging the strength of our print business to rapidly expand our online business.

Prior to the Offering, our businesses were subsidiaries of Trader Classified Media N.V. which specializes in print and online classified advertising throughout North and South America, Europe and Asia. Excluding our publications and websites, as of September 30, 2005, TCM had 380 print publications and 40 websites in 14 countries. TCM listed its shares on Euronext Paris in 2000. For more information about our

(1) Source: TNS Gallup Media Survey March–July 2005.

(2) Readership figures assume three readers per copy sold and one reader per copy distributed without charge, a common assumption in the industry.

relationship with TCM, see “Management’s Discussion And Analysis Of Financial Condition And Results Of Operations—Reorganization” and “Related Party Transactions—Management and Assistance Contracts” and “—Transition Services Agreement.”

Competitive Strengths

Our main titles are widely recognized and trusted brands that are leaders in their respective markets and attract a critical mass of local content and motivated buyers

We are the leading provider of print and online classified advertising in most of our local markets. We publish 235 print titles (as of September 30, 2005), with an estimated weekly readership that management estimates at 5 million, and operate 13 websites, which attracted over 3.2 million unique monthly visitors in September 2005. Our print titles *Iz Ruk v Ruki*, *Avto*, *Nedvizhimost* and *Rabota Segodnyain* in Russia, Belarus and Kazakhstan, *Aviso* in Ukraine, *Expressz* in Hungary, *Oglasnik* in Croatia and *AutoBit* and *Autobiznes* in Poland are trusted, established brands in their respective markets. *Iz Ruk v Ruki* was recognized by 89% of people in Russia and *Expressz* by 97% of people in Hungary in prompted brand recognition tests commissioned by us in 2004 and 2005, respectively. Launched in August 2005, our new online *Iz Ruk v Ruki* platform in Russia, *irr.ru*, attracted 0.7 million unique monthly visitors in September 2005. The market reach and high level of local recognition of our brands in our local markets represents a significant competitive advantage for us.

Buyers choose our leading publications and websites because of our strong brands, because we offer the widest selection of goods and services in their local markets and because our content is “fresh” over 20% of the classified advertisements we publish and display in Moscow each month are new advertisements. Private sellers, dealers, brokers, advertising agencies and other businesses advertise with us because we offer the most effective means of reaching the largest pool of potential buyers in our local markets, which in turn promotes still greater readership of our print publications and websites by potential buyers. This self-reinforcing cycle provides us with an expanding network of buyers and sellers, which presents a significant barrier to entry for new competitors.

Our chosen markets are fast-growing economies with rapidly expanding advertising markets

The countries in which we operate are experiencing, and have the potential for further, rapid growth. In particular, in Russia, our largest market, GDP is forecast to increase by an average of 6% per year in the period from 2004 to 2007.⁽³⁾ We expect this growth to be accompanied by corresponding expansion in private consumption and advertising expenditure. The advertising market in Russia, the Baltics, the CIS and Eastern Europe remains underdeveloped relative to Western standards, particularly in terms of advertising expenditure per capita, and has the potential for significant growth on the basis of current market trends. Total Russian advertising expenditure (including online) is forecast to grow at an average annual rate of 30.3% between 2004 and 2007 (in US\$ terms), while advertising expenditure in Hungary is expected to grow at an average annual rate of 14.4% in the same period.⁽⁴⁾

The emergence of the Internet in these markets provides further opportunities for growth. Between 2002 and 2005, Internet penetration grew from 5% to 10% in Russia and from 17% to 35% in Hungary.⁽⁵⁾ We expect the relatively low current levels of Internet penetration and the predicted significant increase in Internet and broadband take-up to support the continued growth of online advertising in all our markets. In Russia, for example, on-line advertising expenditure amounted to \$30 million in 2004, and grew at an average annual rate of 65% between 2002 and 2004.⁽⁶⁾

We have a diverse business with a scaleable business model that can be expanded rapidly into different markets and media

Our business is diversified in terms of revenue source and product category, and by print and online publishing channels. We derive revenues from a variety of sources: primarily print and online display advertisements, print and online professional and private paid classified advertisements and paid circulation. Our titles’ product categories are automotive, real estate, employment and general merchandise. We have well-established consumer-to-consumer and business-to-consumer publications, and

(3) Source: Global Insight.

(4) Source: Zenith Optimedia.

(5) Source: Economist Intelligence Unit.

(6) Source: Zenith Optimedia.

are currently developing business-to-business titles in Russia which we believe have high potential for future growth.

For most of our print titles we now also have online versions, replicating, and often contributing to, the content of our print titles. The extension of our print titles online provides us with significant efficiency gains and opportunities to generate additional revenue by bundling print and online offers, and through the provision of enhancements, in particular visibility enhancements such as bold, colored or flashing type, photographs, and prominent placement of the advertisement on the website. Our online versions also allow us to generate revenue from value-added services such as sponsored links, banner advertisements and our “Power Pages” solution, which allows professional advertisers (particularly car dealers and real estate agents) to manage their own online advertisements in real time.

Our local management teams are experienced in developing new “vertical” titles devoted to a particular product segment and launching new publications, which contributes to lower start-up costs and speeds up market penetration, particularly in less accessible markets and geographic areas. Our existing relationship with local online and print operators and local and national advertising agents also helps us quickly establish ourselves with a critical mass of content on the launch of a new title. We also have expertise in entering new markets and countries through selective acquisitions and our franchising program.

Our brands are scaleable, both vertically and online. Once we have established a well-recognized generalist title, we segment it into vertical specialist titles, such as automotive, real estate and employment, expand it into new geographic areas and introduce online versions. The strong local brand recognition we have developed allows us to expand and scale the business quickly.

Over the past six years we have steadily grown our revenue and cash generation

We increased revenues at a compound annual growth rate of 28.4% per year over the 3 years to December 31, 2004 in US dollar terms as a result of our organic growth and managed acquisition strategy. Our low working capital requirements reflect the fact that classified advertisements are typically paid for in advance of publication. Our working capital requirements have not exceeded 3% of revenues over the past three years, due in part to the fact that our print functions are largely outsourced.

Our strong revenue growth and low capital expenditure requirements have resulted in steadily growing cash generation and the sustained ability to convert a high percentage of EBITDA into cash.

Our strong brand recognition and extensive print content make us well-positioned to exploit new online opportunities

Our goal is to leverage our leading position in print classified advertising publications to establish a comparable position on the Internet, thereby developing new sources of revenues and further expanding our network of motivated buyers and sellers.

We believe that classified advertising is particularly well suited to the Internet because it offers high levels of interaction between buyers and sellers and enables buyers to target their searches to meet their specific needs. As we have done with our print titles, we established vertical websites focused on particular product areas such as cars, jobs or real estate. We have then enhanced the capabilities of our websites through the addition of easy to use, interactive features that allow buyers to tailor their searches. To incentivize take up of our online offers and help establish a critical mass of online advertisements, we sell online classified advertising as part of a bundle with advertising in our print products.

We are in a strong position to take advantage of the expected growth of the online markets in Russia, the Baltics, the CIS and Eastern Europe where Internet penetration is relatively low and relatively few web-based competitors exist. We have entered into exclusive partnerships with the leading portals in Poland, Croatia and Hungary, which has boosted our own traffic and limited opportunities for other local sites or global competitors to gain traction in the market.

In addition, we established the Internet Competency Center in early 2005 in Warsaw to develop online technology and best practices that we can then roll out across the Group. We also recently launched a new generalist *Iz Ruk v Ruki* platform in Russia, *irr.ru*.

We benefit from both an experienced management team and a flexible operating structure, which allow local management to develop new operating practices that, if successful, are then adapted across the Group to meet regional market requirements

Our centralized senior management team has considerable experience in developing best operating practices and in identifying classified advertising market trends gained in both our and TCM's classified advertising markets across the globe. Building on our experience as part of the wider TCM group, we have developed "best-in-class" operating practices which can be applied to new countries and sectors. Each local management team is also given sufficient autonomy and incentivized to develop new operating models, cost structures and marketing techniques. Central management continually analyses and evaluates these local practices to identify and develop best operating practices to share across our group. We then implement these best practices to improve performance across our entire organization.

These best practices have included segmenting our markets with new vertical titles, increasing the frequency of publications, converting our call center personnel from inbound-call ad-takers to sales-driven classified advertising professionals, introducing flexible pricing initiatives, improving customer service, developing point of sale distribution channels, creating employee incentives, objective performance targets and performance reviews and implementing cost-containment measures. In addition to establishing our Internet Competency Center, we also have an intranet information system called "Insight" in place providing information, techniques and tools which help us to efficiently implement our best operating practices across our group.

For example, following our acquisition of *Oglasnik* in Croatia in 2004, we were able to increase revenues by 14% while decreasing costs by 7% and increasing EBITDA by 33% in the first nine months of 2005, which we attribute to the implementation of new call center procedures and new sales practices and promotions.

Business Strategy

Our goal is to be the premier print and online marketplace for transactions between buyers and sellers in each of our local and regional markets. The key elements of our business strategy are set forth below.

Expand our geographic reach with new titles, acquisitions and franchising opportunities

We will continue to identify metropolitan regions and countries in the Baltics, Central and Eastern Europe and the CIS where we do not yet have established brands and where we believe the market has the potential for us to successfully develop a new title. We typically target cities with populations of over 300,000 people in Russia (and over 100,000 elsewhere in the Eastern European/Baltic/CIS region) with growing economies.

The fragmentation of the classified advertising industry in the Russian, Baltic, CIS and Eastern European region provides numerous opportunities for growth through acquisitions and strategic ventures. Our preferred acquisition targets typically advertise products within our areas of expertise, such as vehicles or general merchandise, and enjoy a leading position and a high level of brand recognition in their local markets. By introducing new management techniques, financial discipline and applying our best operating practices we have historically been able to successfully integrate new businesses and improve their revenues and cash flows.

We will also continue to use franchise arrangements in order to aid our expansion into new regions. Typically we have used franchising as a means of expansion in areas of higher business risk and in order to limit start-up costs. We often subsequently acquire successful franchisees once they have reached a certain size and level of profitability, such as our Kazan edition in Russia, which we acquired in 1997.

Expand existing titles vertically and make acquisitions in order to move into new market segments and increase market share

We will continue to segment our existing brands into vertical titles and websites focused on specific product areas. We will also continue to diversify and add value to our existing titles by launching supplements or including inserts to our publications, for example, editions of our automotive titles focusing on "niche" categories, such as motorbikes or 4x4 vehicles.

Like the region as a whole, our current markets are relatively fragmented, and where appropriate, we will seek to further consolidate our markets by acquiring existing classified advertising producers in our markets that have titles in our areas of expertise.

Develop and incentivize our field and call center-based classified advertising sales professionals responsible for deepening customer relationships and driving revenue growth

We intend to further develop and incentivize our sales function staff of approximately 2,400 sales professionals. Continuing the conversion of our call center staff from inbound-call ad-takers to sales-driven classified advertising professionals, we will use the call centers to sell value-added enhancements and cross-sell services that are complimentary to our advertisements and increase the proportion of sales generated by outbound calls. We will continue to develop call center technology and databases that will give our call center-based sales professionals the information they need to satisfy customer preferences and expectations while assisting us with monitoring sales traffic and trends.

We will also continue to train our 2,100-strong field sales force and to help them develop the skills and competencies needed to effectively manage existing customer relationships and generate new accounts. By incentivizing our sales professionals to actively market bundled packages of print and online advertising and specific online offers, we aim to further develop our online business.

Develop our online business through strategic partnerships and improvements to our websites while increasing revenues

We plan to continue to leverage the market-leading position and strong brand recognition of our print publications to extend our leadership into the online classified advertising market, which we believe has even greater potential for growth than the print market. Our objective is to establish ourselves as online market leaders as measured by traffic and then to increase revenues once market leadership has been achieved by initiating charges for advertisements, selling our “Power Pages” solution, and selling banner advertisements, search result placement and sponsored links on our sites.

We are seeking to enter into strategic partnering arrangements with targeted Internet service providers and website operators. For example, in 2002, we entered into exclusive cooperation arrangements with ONET, the leading Polish Internet portal, to drive traffic to our websites in Poland and consequently increase revenues. As a result of these initiatives, our online revenues in Poland were 30% of our overall Polish revenues in the nine months ended September 30, 2005 (an increase from 20% in the year ended December 31, 2004). Following the success of *irr.ru* in Russia, we will continue to establish national Internet platforms in our key markets.

We also will continue to develop the functionality of our websites by making them more user-friendly and adding features such as improved search functions and “Power Pages,” a software package allowing professional advertisers (particularly car dealers and real estate agents) to manage their own online advertisements in real time.

We are also developing our online-only business with job websites such as *job.ru* and dating websites such as *i2i.ru* which, once mature, offer the potential for leveraged revenue growth on relatively modest investments.

Assist local management in initiating and developing best operating practices to be implemented across our organization and in any new businesses we acquire

We will continue to assist local management to develop on their own initiative best operating practices, which, if successful, we will then implement across our organization and in any new businesses we acquire. We have greatly improved the performance of newly acquired publications by implementing best practices developed elsewhere, such as verticalization and focusing on inbound call center sales techniques.

At the group level, we also use our recently-opened Internet Competency Center in Warsaw to further develop online best practices, which we will export throughout the group.

History

We commenced operations in Russia with the launch of *Iz Ruk v Ruki*, in St. Petersburg and Yekaterinburg in 1991 and in Moscow in 1992. We expanded *Iz Ruk v Ruki* in Russia, the Baltics and the CIS to 30 regional titles by 2000, 59 by 2003 and 71 (95 including our franchisees) by 2005.

We first expanded our business internationally into Poland through our acquisition of *Ogloszenia Biznes* in 1992. In 1995, we expanded into Ukraine with the purchase of *Aviso* and into Hungary through the purchase of *Expressz*. We expanded further into Hungary through our acquisition of the Hungarian free ad publication *Mai Hirdetés* in 2002, the local business directory *Kisokos* and the free ad publication *Újpressz* in 2003, and by acquiring an 85% stake in *Szuperinfó*, a franchised distribution network of free papers, in

2004. We extended our business into Croatia through our acquisition of a 70% stake in *Oglasnik*, the leading classified advertising title in Croatia, in 2004 and into Lithuania by launching a Vilnius edition of *Iz Ruki v Ruki* in 2005.

We began implementing our strategy of verticalization through our launch or acquisition of specialized vertical titles including *Avto* (automotives) in 1996 as a supplement to *Iz Ruk v Ruki* and as a separate edition in 1997, *Nedvizhimost* (real estate) in 1998, and *Rabota Segodnya* (jobs) in 1999 in Russia, *Képes Autó* (automotives) in 1997, *Képes Ingatlan* (real estate) in 1998 and *Képes Haszonjármű* (heavy equipment) in 1999 in Hungary and *Autobiznes*, *AutoBit* and *AutoFoto* (all automotives) in 1992, 2000 and 2001, respectively, and *Nieruchomosci* (Real Estate) in 2002 in Poland. We started our first business-to-business title with the acquisition of *Optovik* in Russia in 2003.

We have also acquired and launched complementary titles such as our acquisition of a glossy Moscow based real estate magazine *Galerya Nedvizhimosty* in 2004 and launch of a weekend entertainment supplement to *Iz Ruk v Ruki* in 2005.

We launched our online operations in Russia in 1997 with *izrukvruki.ru*, and in Hungary in 1999 with *expressz.hu*, in each case using the name of our successful print publication. We acquired our first vertical website *job.ru* in 1999. We further expanded our online capabilities with companions to *Avto* in 2001 and *Nedvizhimost* in 2002 and beginning in 2003, launching companion websites to most of our print titles.

Our Russian business, which includes our Baltic and CIS operations, was acquired by TCM in December 1996. TCM acquired our Polish business in 1992, our Hungarian business in 1995 and our Croatian business in July 2004.

Industry Overview

The markets in which we operate do not have a strong tradition of advertising in local newspapers. The principal media for classified advertising have been regionally based classified publications. Compared to Western Europe and North America, television receives a disproportionate amount of advertising from larger advertisers, which we believe provides considerable potential for growth in print and online media as the economies in the region improve and their market structures move closer to Western Europe and North America.

Specific data with respect to the classified advertising market is not available for the markets in which we operate. In 2004 general advertising expenditures for both print and online media in the countries in which we operate was \$3.8 billion for Russia, \$2.0 billion for Ukraine, \$30 million for Belarus, \$2.2 billion for Hungary, \$411 million for Croatia and \$3.4 billion for Poland.⁽⁷⁾ Our management estimates that the classified advertising market accounts for approximately 10% of print and online advertising expenditure in the principal markets in which we operate.

Business cycle

Classified advertising revenues have historically had a relatively limited correlation with the business cycle and have demonstrated resilience during economic downturns, which tend to see an emergence of a greater number of private sellers and an increased willingness on behalf of buyers to purchase secondhand goods.

Characteristics of successful operations

Buyers and sellers tend to trust major brands or the dominant title in their local region. This factor makes it relatively difficult for competitors from outside a local region to expand into new markets without sufficient resources to make major localized investments, while at the same time, new local entrants generally do not have the resources to effectively compete against large brands or the incumbent dominant title.

While there are some national advertisers looking for national reach, classified advertising is essentially a regional business as the majority of products and services sold through such advertising are sold within a local region, usually within 30 miles of a buyer's home or work.

(7) Source: Zenith Optimedia.

High-value transactions generally involve some form of face-to-face interaction between buyer and seller, as the buyer usually needs to view the car or property before making a purchase. This typically requires that the paper or website be regionally based. Buyers choose local and trusted classified channels with relevant, up-to-date, frequently refreshed and diverse content and easy-to-use papers and websites. Similarly, sellers choose classified channels with significant readership to improve the likelihood of a quick sale. Therefore, in order to meet the requirements of both buyers and sellers, a successful classified provider must have a strong local presence and significant local sales forces that will continue to attract extensive fresh content. It is difficult for a new entrant to successfully aggregate sufficient content without a local presence, such as a local sales force and/or a local language call center.

Additionally, buyers and sellers tend to favor the dominant title in a market or region as network effects favor publications with the greatest numbers of buyers and sellers. A trusted brand name helps drive fresh content and high levels of readership or traffic. Any potential new entrant will generally need to build up a reasonably high level of content and a critical mass of buyers and sellers before it will be able to attract professional advertisers whose advertisement frequency and regularity are key to a stable and growing revenue model. By definition, national advertisers will require a forum with national reach.

Transition to business-to-consumer model

The classified advertising market is becoming increasingly focused on business-to-consumer transactions as customers become sensitive to the value and confidence brought by purchasing from professional sellers, especially in high-value transactions such as automobiles and real estate. In the automotive segment, buyers increasingly look for dealers that are perceived to offer quality and a wide range of products and who are also able to offer a range of secondary services, such as warranties and acquisition financing. As with the automotive segment, real estate buyers and sellers increasingly value the services and confidence given by professional agents who are better able to facilitate and quickly complete a transaction and also offer a wide range of related services.

Print

Classified publications typically generate revenues through three direct revenue sources: (1) fees for display advertisements, (2) fees for classified advertisements and (3) paid circulation. Publications are characterized by the type of revenues that they generate. The type of goods being sold typically determines the most appropriate format for the publication.

Revenue Models

Paid Ad/Paid Circulation: These titles will typically focus on high average selling price items, such as real estate and cars, trucks, boats and motorcycles. A fee is charged for classified and display advertisements and the publication itself is sold to readers for a fixed cover charge. This format is used for our generalist title *Expressz* in Hungary, along with our vertical titles in Russia and the CIS, Hungary and Poland.

Free Ad/Paid Circulation: These titles typically focus on less expensive general merchandise such as household items although they generally also have extensive real estate and automotive advertising. Consumers are entitled to place classified advertisements for free up to a maximum number of lines or number of appearances. Professional advertisers (primarily of automotives and real estate) are charged for classified advertisements. Both private and professional customers pay a fee for display advertisements, visibility enhancements or repetition. The publications are sold to readers for a fixed cover charge. This format is used for our generalist titles such as *Iz Ruk v Ruki* in Russia, the Baltics and the CIS, *Mai Hirdetés* and *Újpressz* in Hungary and *Oglasnik* in Croatia.

Free Circulation: These titles typically focus on general merchandise and real estate, and generally consist primarily of display advertisements. A fee is charged for all display advertisements but distribution of the publication is free. This format is used for *Utro Peterburga* in St. Petersburg, *Metro* in Kiev and *Szuperinfó* and *Kisokos* in Hungary.

Products and services advertised in classified publications generally fall into one of the following four vertical categories:

- Automotives: selling and buying cars, trucks, tractors, motorcycles, boats, heavy equipment etc. and related services;

- Residential and commercial real estate: renting, letting, selling and buying residential and vacation homes, other residential and commercial property and related services;
- Employment: finding and advertising jobs and related services; and
- Consumer products and other goods and services including consumer and general merchandise, personal and memorial advertisements.

Classified publications are a highly cost-effective, targeted and efficient method of marketing specific products and services in a regional market. Because classified publications have large volumes of advertisements, they have a lower per-page cost than traditional newspapers—there are no costs for journalists or the additional space required for editorial content. Consequently, classified publications generally allow a greater volume of advertising to be distributed to a broader audience at lower average cost than other print media. Moreover, readers of classified publications typically have already decided to purchase the products being advertised. As a result, potential sellers have an incentive to advertise in these classified publications. In turn buyers and sellers of these products will typically turn to widely recognized titles offering sellers better opportunities to sell and offering buyers higher quality and a wider range of goods. In addition, brand awareness can in some circumstances justify charging higher cover prices and higher advertising fees.

Online

The market for online classified advertising has a different revenue model than the market for print classified advertising. As a general rule a classified advertising website will need to build traffic with free listings for at least 18 months before it can generate incremental revenues from paid advertisements. Once that point has been reached, typically, access to content is free and advertisers are charged placement fees, or are provided access to a website as a bundled sale with a related print publication. Additional fees are charged for visibility enhancements, such as bold, colored or flashing text, photographs and prominent placement of the advertisement on the website. Revenues are also generated online from commissions from the sale of related services, or by fees for access to premium content. Advertisers of complementary products or services are also able to reach a targeted audience by purchasing banner advertisements and sponsored links to their websites.

Because the Internet offers one-to-one communication, online advertisers are able to target, measure and manage direct consumer relationships more easily while establishing and maintaining a broad consumer base rapidly and economically. Consumers benefit from improved overall convenience, better information regarding available products and services, enhanced interactivity and, often, more competitive pricing. This interactivity has helped spur the development of vertical websites. For example, automotive websites enable consumers to search for specific models and makes of cars (new and used) or find related products and services, such as insurance and financing. Buyers are also increasingly likely to take advantage of the interactivity of the Internet to conduct research online before purchasing goods, even if the eventual purchase is made offline.

In contrast to Western Europe and the United States, the leading Internet sites tend to be country-specific local-language portal sites, such as *ONET.pl* in Poland as opposed to the global search sites such as Google or Yahoo!. As a result, partnerships with these local portals are critical to increased traffic for specialized sites and we believe therefore that the opportunity for the global sites to enter our markets is somewhat reduced.

Information on Our Markets

Classified advertising markets in Russia, the Baltics, the CIS and Eastern Europe remain underdeveloped relative to Western European standards, particularly in terms of advertising expenditure per capita (even after adjusting for the difference in GDP per capita levels). Annual GDP growth in our two largest markets in the region, Russia and Hungary, averaged 6.1% and 3.6%, respectively, between 2000 and 2004, while advertising expenditure per capita during the same period in these markets increased on an annualized basis by 33% and 18%, respectively. We believe that advertising expenditure will continue to increase at a faster rate than GDP in each of our markets.

The tables below set forth, for the countries in which we operate, key information with respect to the population, GDP per capita and GDP growth for the period between 2000 and 2004, as well as the total

advertising expenditure, growth in advertising expenditure in the period between 2000 and 2004 and 2004 per capita advertising expenditure for selected markets for which comparable data is available.

<u>Country</u>	<u>Population</u>	<u>GDP per capita</u>	<u>GDP CAGR</u>
	<u>2004</u>	<u>2004</u>	<u>2000–2004</u>
	(in millions)	(\$)	(%)
Russia	143.4	2,291	6.1
Ukraine	47.3	926	8.9
Belarus	9.8	1,704	6.8
Kazakhstan	15.1	1,801	10.4
Hungary	10.1	5,297	3.6
Croatia	4.5	4,867	4.4
Poland	38.1	4,847	2.9
Total	268.8		

Source: Global Insight (October 2005).

<u>Country</u>	<u>Advertising spending</u>	<u>Total growth in advertising expenditure</u>	<u>Per capita expenditure</u>
	<u>2004</u>	<u>2000–2004</u>	<u>2004</u>
	(millions of \$)	(%)	(\$)
Russia	3,855	47	27 ⁽¹⁾
Hungary	2,186	18.5	216
Poland	3,386	12.4	88

Sources: Zenith Optimedia (2005).

(1) Moscow: \$272.

Internet penetration in Russia, the Baltics, the CIS, Hungary, Croatia and Poland lags significantly behind that of Western Europe and North America. According to the Economist Intelligence Unit, in 2005 Russia is forecast to have an overall Internet penetration rate of 13% (with a considerably higher penetration rate in Moscow), while Hungary and Poland are forecast to have Internet penetration rates of 35% and 41% respectively. As of September 30, 2005 Ukraine had an Internet penetration rate of 12%, while Kazakhstan was 3% and Belarus was 15%.⁽⁸⁾ In 2004, Croatia had an Internet penetration rate of 30%.⁽⁹⁾ In the period from 2000 to 2004, Internet penetration grew from 2% to 10% in Russia, from 9% to 31% in Poland and from 10% to 30% in Hungary and is expected to further increase to 35% in Russia, to 80% in Poland and to 52% in Hungary by 2010, according to the Economist Intelligence Unit.

We anticipate Internet usage to grow in our chosen markets as their economies develop and GDP grows, which we believe will spur growth in online classified advertising expenditure. We believe that online advertising revenues in our markets will increase as online payment systems are developed, commercial retail banks grow and credit cards are more widely held.

Our Products

Print

Our publications are market leaders with buyers, sellers and advertisers in the majority of the metropolitan and regional markets in which we operate in Russia, the Baltics, the CIS, Hungary, Croatia and Poland. The following descriptions set forth some of the key characteristics of each of our major titles.

Major Markets

Russia, the Baltics and the CIS. We are the leading publisher of classified advertising publications in Russia, the Baltics and the CIS, accounting, by our estimates, for over 10% of the total expenditure on

(8) Source: Public Opinion.

(9) Source: Euromonitor.

print advertising in Russia. We have benefited from our relatively long history in Russia and the CIS, being one of the first brands established in the classified advertising sector. This has helped us to establish strong locally-recognized brands which we have leveraged by launching new vertical publications anticipating and driving market demand, and diversifying and adapting our existing vertical titles. We launched 15 new editions (plus nine regional business titles) of existing publications in new regions or cities in Russia, the Baltics and the CIS in 2004 and 13 new editions in 2005.

- *Iz Ruk v Ruki* or “Hand to Hand,” a free ad/paid circulation paper, is the leading generalist classified advertising title in each of Russia, Belarus and Kazakhstan. According to TNS Gallup, in 2005 readership of each issue of *Iz Ruk v Ruki* in Russia totalled approximately 2.49 million, representing 4.4% of the Russian population over the age of 16. Distribution of the title covered 70 major cities in Russia, the Baltics and the CIS (as of September 30, 2005) with 43.6 million copies sold in 2004, comprising approximately 13.6 million copies sold in Moscow and a further 30.0 million copies in the regions and the rest of the CIS, including six cities in Belarus (approximately 4.9 million copies sold in 2004) and six cities in Kazakhstan (approximately 2.0 million copies sold in 2004). In line with our strategy of vertical expansion, in February 2003 we split the *Iz Ruk v Ruki* format in Moscow into two editions published five times weekly: a generalist edition (with 60% real estate content) and an automotive edition. The paper continues to be published as a single generalist publication in the other 69 major Russian, Baltic and CIS cities where it is published.
- *Aviso*, or “Advice,” a free ad/paid circulation paper, is the leading generalist classified advertising title in Ukraine and was acquired by us in 1995. Approximately 3.8 million copies were sold in 2004. Seven editions are published, either weekly or twice weekly, in seven major cities in Ukraine, with further expansion to one other city planned by 2007.
- *Rabota Segodnya*, or “Job Today,” a paid ad/paid circulation paper, is a specialist jobs title acquired by us in 1999 that is currently published in 23 editions across Russia, Belarus and Kazakhstan. Approximately 3.5 million copies were sold in total in all regions in 2004 (0.8 million in Moscow). The title is published weekly and includes specialized paid employment advertisements with a particular focus on professional and educated job seekers. The title has been expanded from 15 cities at the end of December 2004 to 22 cities by September 2005.
- *Avto*, or “Auto,” a paid ad/paid circulation paper, is the leading specialist photo automotive title in Russia, which we launched in 1997 and is now published weekly in 15 editions across Moscow and St. Petersburg and cities in Belarus, Far Eastern Russia, Siberia and Southern Russia. Approximately 3.0 million copies were sold in 2004 (1.4 million in Moscow). The paper contains full-color-only paid advertisements. The title has been expanded from seven cities at the end of December 2004 to 15 cities by September 2005.
- *Nedvizhimost* or “Real Estate,” a paid ad/paid circulation paper that we launched in 1998, is the leading specialist photo real estate title in Russia and is now published weekly with six editions in Russia and Belarus (including *Galereya Nedvizhimost*). Approximately 0.6 million copies were sold in 2004 (0.2 million in Moscow). The paper contains paid-only advertisements in full color for the consumer and business real estate market.
- *Optovik* or “Wholesaler,” a paid ad/free circulation paper that we acquired in 2003, is our first business-to-business publication, encompassing three separate vertical titles (generalist, industrial and agricultural). The generalist title is published weekly and the industrial and agricultural titles are published monthly, with a total of 2.2 million copies distributed in 2004. We plan to focus *Optovik* on greater Moscow. We launched a further paid ad/free circulation business-to-business title “*Bisnes Region*” or “Business Regions” in 2003 with 11 editions published across Russia, Belarus and Kazakhstan as of September 2005.

Each of our print publications in Russia and the CIS, other than *Optovik*, can be accessed on-line under its respective Internet site, with a total of more than 1.7 million advertisements in September 2005. See “—Online—Russia and the CIS” below for more details.

Hungary. In Hungary, our key brand *Expressz*, a paid ad/paid circulation title, is the market leader with strong brand recognition in each of our main segments.

Expressz is published six times a week, and remains the largest selling publication in Hungary for automobile, real estate, employment and generalist classified advertisements, with sales of 5.5 million copies in 2004.

We acquired the *Expressz* title in 1995 and launched various vertical magazines as its brand extensions between 1997 and 1999. Since then, the brand's reputation has enabled us to implement our strategy of vertical expansion, successfully launching several national weekly classified ad publications: *Expressz Képes Autó* in the automotive sector, which we launched in 1997 and which sold 1.6 million copies in 2004, *Expressz Képes Ingatlan* in real estate, which we launched in 1998 and which sold 0.3 million copies in 2004, and *Expressz Képes Haszonjármű* in the utility vehicle segment, which we launched in 1999 and which sold 0.6 million copies in 2004. To develop a presence in niche markets, in 2004 we launched a new *Expressz* vertical publication focusing on low-value used cars. We aim to continue to leverage the strength of our key *Expressz* brand to further strengthen our market position across Hungary.

We also publish one free ad/paid circulation paper in Hungary: *Mai Hirdetés*, which we acquired in October 2002, and *Újpressz*, a paid ad/paid circulation paper, which we acquired in May 2003. In July 2003, we acquired *Kisokos*, one of Hungary's main local directory publishing groups. *Kisokos* publishes paid display advertisements for small and medium size businesses and provides us with added geographic reach into the regions. *Kisokos* is distributed to approximately 3 million households spread over 75 regions and totals approximately 150 issues per year, most of which are published twice yearly. In June 2004, we acquired an 85% stake in the free circulation paper *Szuperinfó*, which is published in 56 cities locally by franchise partners (with the exception of the two largest cities where *Expressz* is the publisher) with more than 3 million copies a week being distributed. *Szuperinfó* sells local professional advertising with *Expressz* providing national advertising content.

Although the automotive and real estate classified markets in Hungary have suffered from a short-term market downturn since mid-2004 due to a slowdown in the underlying automotive and real estate markets resulting from various tax changes, our brands maintained their dominant leading positions, which should allow us to benefit from the expected market upturn.

Croatia. In Croatia, we publish the market-leading *Oglasnik*, or "Classified Ad Paper," a free ad/paid circulation paper, three times weekly. We acquired our 70% stake in *Oglasnik* in 2004, reflecting our strategy of acquiring leading publications in their respective markets. We have succeeded in further developing the brand, which now has the highest advertisement content and circulation volume of any classified advertising publication in Croatia, with an average of 85,000 advertisements published each week and 2.6 million copies sold in 2004. *Oglasnik* carries approximately five times more content and 10 times higher circulation than its nearest generalist classified advertising competitor. *Oglasnik* is particularly strong in automotive, real estate and general merchandise, and the website *oglasnik.hr* duplicates the publication's contents online.

Poland. *Auto Biznes*, or "Auto Business," established in 1991, is the leading weekly automotive photo magazine in Warsaw, selling 0.5 million copies in 2004, and its counterpart, *Auto-Bit*, which we acquired in 2000, is the leading weekly automotive photo magazine in Krakow and Katowice, selling 0.8 million copies in 2004. We also launched our monthly automotive photo classified advertising title *Auto Foto* in 2001 and our Warsaw-based specialist real estate advertising magazine, *Nieruchomosci*, in 2002. All four are paid ad/paid circulation papers. The content of all these publications is replicated online either on our website *trader.pl* or our newly launched generalist site, *kupsprzedaj.pl*. Two new vertical titles were launched in late 2005, *Motogięlda Mazowiecka* (automotives) in Mazowsze and *Nieruchomosci* (real estate) in Wrocław.

The following table sets forth information about our leading print publications:

Summary Information Regarding Our Leading Publications

Country	Number of publications in region (as of September 30, 2005)	Number of editions per publication	Major publications	Segment	Primary market(s)	Year founded	Frequency	Revenue model	2004 circulation (millions of copies sold)	Approximate number of classified advertisements in 2004 (millions of advertisements)
Russia, Baltics and CIS	145	70	<i>Iz Ruk v Ruki</i>	Generalist	Moscow and 68 cities across Russia, Kazakhstan and Belarus	1991	Daily/Weekly	Free Ad/Paid Circulation	43.6	45.4 in Russia 52.0 in total
		1	<i>Iz Ruk v Ruki</i> (Lithuania)	Generalist	Vilnius	2005	Weekly	Free Ad/Paid Circulation	—	—
		7	<i>Aviso</i>	Generalist	Cities in Ukraine including Kiev, Odessa, Dnepropetrovsk, Cherkasy, Zhitomir, Kharkov and Rovno	1992	Bi-weekly/Weekly	Free Ad/Paid Circulation	3.8	6.0
		23	<i>Rabota Segodnya</i>	Employment	Moscow and regions and Kazakhstan	1997	Weekly	Paid Ad/Paid Circulation	3.5	0.8
		15	<i>Avto</i>	Automotive	Moscow, St. Petersburg, Belarus, Eastern Russia, Siberia, Southern Russia	1997	Weekly	Paid Ad/Paid Circulation	3.0	0.5
		8	<i>Nedvizhimost</i>	Real Estate	Moscow, St. Petersburg, Belarus	1998	Weekly	Paid Ad/Paid Circulation	0.6	0.1
		3	<i>Optovik</i>	Generalist	Moscow and regions	1993	Weekly/Monthly	Paid Ad/Free Circulation	—	0.2
		18	Other Publications	—	Moscow and regions	—	—	—	0.5	—
Hungary	85	1	<i>Expressz</i>	Generalist	Budapest/National	1984	Daily	Paid Ad/Paid Circulation	5.5	1.8
		1	<i>Képes Auto</i>	Automotive	Budapest/National	1997	Weekly	Paid Ad/Paid Circulation	1.6	0.2
		1	<i>Képes Ingatlan</i>	Real Estate	National	1998	Weekly	Paid Ad/Paid Circulation	0.3	0.1
		1	<i>Képes Haszonjármű</i>	Heavy Equipment	National	1999	Weekly	Paid Ad/Paid Circulation	0.6	0.1
		1	<i>Maj Hirdetés</i>	Generalist	National	1990	3 issues/week	Free Ad/Paid Circulation	0.7	0.4
		2	<i>Újpressz</i>	Generalist	Budapest	1999	Bi-weekly	Paid Ad/Paid Circulation	0.6	0.3
		75	<i>Kisokos</i>	Generalist	75 cities	1992	Bi-annually	Display & Listings/ Free Circulation	—	—
		2	<i>Szuperinfó</i>	Generalist	Budapest/National	2003	Weekly	Free Ad/Free Circulation	—	0.002
Croatia	1	1	<i>Oglasnik</i>	Generalist	Zagreb/National	1989	3 issues/week	Free Ad/Paid Circulation	2.6 <i>(pro forma for full year results after July 2004 acquisition)</i>	5.8 <i>(pro forma for full year results after July 2004 acquisition)</i>
Poland	4 (2 launched in October 2005)	1	<i>AutoBit</i>	Automotive	Krakow & Katowice	1992	Weekly	Paid Ad/Paid Circulation	0.8	0.5
		1	<i>Autobiznes</i>	Automotive	Warsaw	1991	Weekly	Paid Ad/Paid Circulation	0.5	0.3
		1	<i>Nieruchomosci</i>	Real Estate	Warsaw	2002	Bi-weekly	Paid Ad/Paid Circulation	0.1	0.1
		1	<i>Auto Foto</i>	Automotive	National	2001	Monthly	Paid Ad/Paid Circulation	0.2	0.04
		1	<i>MotoGielda Mazowiecka</i>	Automotive	Warsaw	2005	Weekly	Paid Ad/Paid Circulation	—	—
		1	<i>Nieruchomości-Wrocław i okolice</i>	Real Estate	Wrocław	2005	Fortnightly	Paid Ad/Paid Circulation	—	—

Print Business Model

We generate print revenues principally from three sources: the sale of display advertisements, the sale of classified advertisements (to both private and professional customers) and paid circulation.

	Percentage of print revenues	
	Year ended December 31, 2004	Nine months ended September 30, 2005
Display Advertisements	48%	46%
Classified Advertisements		
Professional Classified Advertisements	29%	29%
Private Classified Advertisements	7%	7%
Paid Circulation	12%	13%
Services & Other	4%	5%

We categorize our publications into three basic revenue models on the basis of whether circulation is free or paid and whether basic private customer classified advertisements are free or paid. Professional advertisements are always paid for. Private customers may upgrade or enhance the visibility of their advertisement for a set fee. The enhancements offered to private customers range from repetition of their advertisement (either for a set number of issues or until the product in question is sold), increasing the size of the advertisement, visibility enhancements (such as bolding or framing to help distinguish the advertisement on the page), color advertisements and the addition of photographs (which may be in black and white or color and may vary in size). Fees paid for these enhancements and services are offered at relatively little cost to ourselves and enable us to grow revenues from our free ad titles. Our professional customers, who pay for advertisements regardless of the type of publication, are offered similar enhancements and services as those available to our private customers as well as specific services such as dealer display pages. Our customers can also order “Fast Track,” paying for priority advertisement approval, typesetting and publication.

The following table sets out the number of publications, and the revenues as a percentage of our total revenues, of each of our three principal revenue models.

	Number of print publications		Percentage of print revenues ⁽²⁾	
	As of December 31, 2004	As of September 30, 2005	Year ended December 31, 2004	Nine months ended September 30, 2005
Free Ad ⁽¹⁾ /Paid Circulation	77	81	65%	65%
Paid Ad/Paid Circulation	34	55	27%	27%
Free Circulation	104	97	7%	7%

(1) For private customers only.

(2) A further 1% of print revenues are derived from other sources including contract printing and minor publications including *Golf Digest*, a golf magazine which we publish under license in Russia.

In addition to our own titles, we enter into franchise agreements with local publishers in the early stages of regional development or areas with a higher degree of business risk. These agreements typically provide for the licensing of the *Iz Ruk v Ruki* brand in Russia and the CIS in exchange for a monthly royalty of gross advertising revenues, typically 5%, and give us a call option on the title within a certain time period.

Online

We launched the new consolidated online *Iz Ruk v Ruki* platform in Russia, *irr.ru*, in August 2005. Our main websites in Hungary (*expressz.hu*), Croatia (*oglasnik.hr*) and Poland (*trader.pl*) were all launched between 1997 and 1999. Our classified advertising websites are closely linked to companion print publications, usually sharing the same brand name, and their success has been greatly helped by the market recognition of our respective print brands.

While using the strength of our respective print brands to launch vertical websites in each of our main market sectors, following the success of *irr.ru*, we intend to establish national websites in each of our main markets. Our objective is to establish ourselves as online market leaders as measured by traffic and then to increase revenues once market leadership has been achieved by initiating changes for advertisements,

selling our “Power Pages” solution, and selling banner advertisements, search result placement and sponsored links on our sites.

As of September 30, 2005, we had 13 classifieds websites, most of which are market leaders, with a targeted further 5 websites to be launched in 2006. In September 2005, we estimate that our websites together generated more than 3.2 million unique monthly visitors. We generated online revenues of \$3.9 million in the nine months ended September 30, 2005, which represented 2.7% of our total revenues.

We have established a dedicated online division which, as of September 30, 2005, had approximately 70 full-time employees. As of September 30, 2005, we also had approximately 24 staff working at our Internet Competency Center in Warsaw, which we established in early 2005. Our Internet Competency Center focuses on developing technologies for our websites across all our markets and, together with our local and corporate Internet teams, sharing best practices within our group, thereby helping to grow traffic and content locally. The development of technologies and best practices at our Internet Competency Center enables us to minimize new site development time and costs.

Major Markets

The following descriptions set forth some of the key characteristics of our major websites in our online markets:

Russia and the CIS. Several of our websites in Russia and the CIS are market leaders and we are therefore well positioned to take advantage of the expected strong growth in Internet usage. We develop and roll out new online products and services on *irr.ru*. The site was developed with technology from the platform developed by our Internet Competency Center with a focus on usability and high-traffic capacity. Approximately 1.4 million advertisements from our print titles and websites were included on launch and we expect content growth to in turn attract more traffic and revenue potential. The majority of revenues on our websites in Russia and the CIS are currently derived from banner advertising.

Our individual websites are as follows:

- *izrukvruki.ru* (and *irr.ru*) is the leading generalist classified website in Russia and the online version of our leading print title *Iz Ruk v Ruki*. As of September 30, 2005, approximately 1.4 million classified advertisements were available on the site, of which approximately 400,000 related to real estate, 340,000 related to automotives, 120,000 related to jobs, and the rest are of general merchandise. Basic private advertisements from *Iz Ruk v Ruki* are placed online free of charge for 30 days, with additional charges for enhancements as suggested by our call center staff or an online promotion. We currently charge for push-up (moving the advertisement temporarily to top of list) and for visibility options. Users are also charged for real estate advertisements in Moscow.
- *job.ru* is the leading classified jobs site in Russia and the first Russian website devoted to employment advertisements. The site featured approximately 140,000 job vacancies and over 120,000 CVs in September 2005.
- *auto-photo.ru* is the online version of our weekly automotive magazine *Avto*. The site includes all photo advertisements published in the previous print issue, with advertisers in the print issue receiving online advertisements for free. A redevelopment of this site is expected in 2006.
- *realty-photo.ru* is the online version of our weekly real estate magazine *Nedvizhimost*. The site includes all photo advertisements published in the previous issue, with advertisers in the print issue receiving online advertisements for free. A redevelopment of this site is expected in 2006.
- *i2i.ru* is our dating portal. While browsing and online personal ad submissions are free, members can place advertisements in person for a fee (thereby earning a “high credibility status” in respect of their photo and personal details). As of November 2005, this site featured 8,166 profiles.

Hungary. Despite their relatively recent launch, most of our Hungarian websites already occupy market-leading positions in terms of number of ads. We expect use of our sites to increase further as Internet usage in Hungary grows, particularly as broadband access becomes widely available, and we believe our partnership with the leading portal site should lead to rapid traffic growth. The content of our leading print publications are included on our websites and we expect to leverage the strength of these publications in Hungary, both in the form of companion websites and by bundling online offers with our publications.

- *expressz.hu*, the online version of our leading generalist print title *Expressz*, is in the process of being deployed on a more advanced online platform. It is already the leading online generalist classified advertising website in Hungary. The website featured approximately 195,000 classified advertisements in September 2005. We anticipate significant potential for further growth given the popularity of the brand.
- *ingatlan.expressz.hu* is the number two real estate site in Hungary, featuring particularly strong content from Budapest and the surrounding area. The site has grown rapidly from featuring 30,000 classified advertisements in December 2004 to approximately 105,000 classified advertisements in September 2005.
- *auto.expressz.hu* is one of the top two automotive sites in Hungary. The website received approximately 100,000 unique monthly visitors and featured 45,000 classified advertisements in September 2005.
- *karrier.expressz.hu* is the leading jobs classified site in Hungary and is growing rapidly with approximately 75,000 unique monthly visitors, 10,000 job openings in September 2005.

Croatia. In Croatia, where Internet penetration is relatively high for the region, we have extended *Oglasnik* online to leverage its market leading position.

- *oglasnik.hr* is the leading classified advertisement site in Croatia. It has more than a 50% market share in all categories (automotive, real estate, general merchandise, employment), with 165,000 unique monthly visitors and almost 100,000 classified advertisements in September 2005.

Poland. We have made considerable investments in our online operations in Poland, including establishing an online-only sales force and promoting online-only advertisements in order to gain a leading position in the market. We expect Internet usage to grow, particularly with the growth of broadband access. Our online operations account for a relatively large share of our overall revenues in Poland (30% expected in 2005).

- *trader.pl* is the leading site in Poland. It is devoted to automotive and real estate classified advertisements, generating approximately 1 million unique monthly visitors and 350,000 classified advertisements in September 2005. The site attracts its own online-only content and replicates the content of our leading automotive and real estate titles *Autobiznes*, *AutoBit* and *Nieruchomosci*.
- *kupsprzedaj.pl* is a generalist website. It was launched in 2004 and is already the number one website in Poland, generating approximately 300,000 unique monthly visitors and 150,000 classified advertisements in September 2005.

The following table lists on a country and category basis our most active websites, a description of those sites and traffic information.

Country/Category	Website	Segment	December 2004 ⁽¹⁾	September 2005 ⁽²⁾
			Unique monthly visitors (in thousands)	Unique monthly visitors (in thousands)
Russia and CIS	<i>izrukvruki.ru</i>	Generalist site	263	688
	<i>job.ru</i>	Employment site	262	756
	<i>auto-photo.ru</i>	Automotive site	97	44
	<i>realty-photo.ru</i>	Real Estate site	94	27
Hungary	<i>auto.expressz.hu</i>	Automotive site	50	106
	<i>expressz.hu</i>	Generalist site	39	78
	<i>karrier.expressz.hu</i>	Employment site	39	75
	<i>ingatlan.expressz.hu</i>	Real Estate site	31	66
Croatia	<i>oglasnik.hr</i>	Generalist site	231	164
Poland	<i>trader.pl</i> ⁽³⁾	Real Estate and Automotive sites	713	963
	<i>kupsprzedaj.pl</i>	Generalist site	213	307
	Total ⁽³⁾		2,130	3,274

(1) Source: Trader Classified Media.

(2) Source: Nielsen/NetRatings SiteCensus.

(3) Total unique monthly visitors have been summed.

Online Business Model

As a general rule a classified advertising website will need to build traffic with free listings for at least 18 months before it can generate revenues. Once we reach that point, our business model involves:

- private advertisements from our print publications displayed without charge on websites associated with our free ad publications, and included on websites associated with our paid ad publications for an incremental amount as part of a bundled pricing package;
- professional advertisements from our print publications included on the website for an incremental amount;
- additional fees paid for any enhancements to advertisements on our websites, for example prominent positioning or including photographs;
- fees paid by professional sellers to include their inventory in searchable databases of our websites;
- the sale of “Power Pages” which allow professional sellers to manage the content of their own pages on our websites;
- fees from third party advertisers primarily for paid links that provide direct access from our searchable database to the home pages and product offerings of real estate agents, automobile dealers and other services; and
- free access to the website, regardless of whether the associated print publication is a free or paid circulation paper.

Our vertical sites typically attract purchasers with a specific interest in a particular product and sellers of such products looking to establish contact with those purchasers. This alignment of interests establishes a community of users that is more likely to engage in frequent transactions and, we believe, become regular long-term users of our websites. Our sales force actively cross-sells our online and print products and sells bundled packages of online and print services to both our private and professional advertisers, as well as separate print and online products and pricing to our professional customers. We believe that our print publications drive traffic to our websites.

We have been particularly successful in our business-to-consumer markets with the introduction of “Power Pages,” an online system that allows dealers to manage and monitor their own inventory through separate pages on our websites and easily upload information and photographs. The service is aimed at car dealers, real estate agents and small businesses and complements our other services offered to professional customers online, such as banner advertising and sponsored links to their own websites or goods.

Operations

General

Our registered office is in Jersey. We maintain our principal administrative offices in Amsterdam. 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 operations managers, sales and marketing teams, a production group and distribution managers.

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 September 2005, our field sales force consisted of approximately 2,100 individuals operating almost exclusively at the local level. All our sales personnel receive commissions-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. Of the free private advertisements placed with our titles in Moscow in September 2005, approximately 51% were submitted directly to advertising placement offices, 43% were received by phone and 2% were submitted online. Elsewhere in Russia, 78% of our free advertisements were submitted by telephone (via our toll-free line) with the remainder submitted by coupon.

In Moscow, a significant portion of our sales is to advertising agencies, which, in turn, source advertisements from a wide variety of clients. We handle sales to the large advertising agencies for both local and national advertising campaigns through a separate sales department based in Moscow comprising 140 staff as of September 30, 2005, working with approximately 140 local advertising agencies, with whom we have developed strong relationships and 14 of which we regard as key relationships. Of total advertising booked in Moscow in 2004, 47% (13% of total Russian revenue) was derived from our ten largest clients, most of whom are advertising agencies which in turn source advertisements from a wide variety of clients. We are focused on further developing direct client sales in Moscow, which currently make up only 13% of advertisements booked. By contrast, in the Russian regions, almost 100% of sales come through direct sales.

We currently have five call centers, two of which are based in Russia including the NPK call center in Moscow and a new call center in Nizhnij Novgorod, with further call centers in each of Hungary, Croatia

and Poland. We are further developing our call center operations to focus on sales-driven telemarketing and telesales as well as accepting inbound bookings from customers. With the expansion of our call centers it is expected that phone bookings will become a more significant driver of sales. Our Russian call center has 145 staff, of which 89 are independent contractors.

We have 358 sales and call center staff in Hungary covering all our publications in Hungary. Our sales and call center staff are split into sales teams concentrating on different vertical sectors of our Hungarian business, i.e., automotives, real estate, employment or generalist, as well as different sales channels, for example direct customer sales or sales to advertising agencies, and on our different sales regions in Hungary. We have 59 sales and call center staff in Croatia based in one call center who work directly with local customers and advertising agencies. Our 67 sales and call center staff in Poland are split both by the geographic market on which they focus (i.e. Warsaw or Krakow), and by vertical sector.

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.

In Russia, wholesalers account for more than 80% of our distribution for most of our titles. Additionally, we have a network of 36 satellite offices throughout the Moscow area through which we distribute our publications. Our publications are also distributed to readers at newsstands, convenience and grocery stores and other points of distribution.

In Hungary, Lapker RT (Hachette) handles distribution to our points of sale. Distribution of some of our *Expressz* titles, along with *Mai Hirdetés* and *Újpressz*, tend to be focused in Budapest with our vertical automotive titles, having a more national reach, distributed across a larger number of outlets nationwide. Our points of sale are a mixture of smaller, independent retailers and larger retailing chains operated by the wholesaler, with distribution at gas stations playing an increasingly important role as are sales in the major general retail stores. We also distribute our paid circulation titles for free in major office buildings and certain public waiting rooms. The national post company and another distributor, recently acquired by Austrian Post AG, the Austrian national post company, provide free delivery of *Kisokos* and *Szuperinfó* to individual homes.

In Croatia, we rely on three distributors varying in size. Our main distributor is Tisak, the country's largest private distributor which owns a network of licenses across the country. In Croatia above 60% of our sales are made in the Zagreb area. The remainder of our distribution is through two smaller distributors in supermarkets, stores, gas stations, kiosks and on the street.

In Poland, we use a variety of distributors depending on the title and the region. Our main distributors are Kolporter and Ruch. Kolporter is a leading Polish print distributor with a distribution chain consisting of a number of smaller outlets and stands and the exclusive right to distribute in a number of supermarkets, hypermarkets and gas stations. Ruch is the oldest public distribution company in Poland and is number one in the market just ahead of Kolporter. Our other distributors in Poland are smaller, privately owned enterprises.

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 (two in Moscow, Pronto-Print and Rosprint and one in Samara, Rosprint Samara) 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. The platform will include:

- enhanced customer databases and tools for data mining;
- sales campaign management and reporting;
- delivery of dynamic and personalized content using web based profiling and matching tools to deliver targeted content to individual customers;
- transaction support systems to enable customers to make payments online;
- advanced back office functionality;
- commercial offers, including the “Power Pages” solutions; and
- advertisement taking and advertisement searching functionality.

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 pass paper price increases along to our readers in the form of higher cover prices. In 2004, 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.

Competition

Our publications and associated websites are primarily local and therefore compete for buyers and sellers with other classified publications targeted to the same geographic area. Our competition includes free circulation papers, local and regional daily and weekly newspapers, direct mailing firms, free ad papers and online classified and auction sites. Our websites compete primarily with websites maintained by local classified online businesses and local classified print businesses attempting to extend their print business online. Because the leading sites in our markets tend to be country-specific local language portals, rather than the global search sites such as Google or Yahoo!, our main competitors are local sites, although eBay is seeking to enter local markets with *kijiji.com*.

Russia, the Baltics and the CIS

As of 2005, television is the main medium of general advertising in Russia, accounting for 46% of advertising expenditures, ahead of the print media sector, accounting for 30%.⁽¹⁰⁾ The classified advertising market is dominated by generalist print publications, which mainly feature real estate, vehicles and employment advertisements, although an increasing number of vertical publications have been launched in recent years.

We are the market leaders in Russia in the classified advertising market, having the leading brands in each of the automotive, real estate, employment and generalist print sectors. Our number three position in the employment print segment reflects the fact that our two main competitors have been established in the

(10) Source: AKAR

employment sector in Moscow for a number of years, whereas we have only relatively recently expanded into this segment.

We face competition in the print market in each of our vertical sectors from titles published by Servis Delovogo Mira (“SDM”), a Moscow-based competitor in operation since 1994 that is also present in the regions. SDM has made recent launches in specific market segments to build market share. SDM also controls a strong distribution network, which includes 675 news-stands in Moscow as of September 2005—equivalent to approximately 24% of the distribution market (not including individual distributors)—and may be in a position to impede our own distribution. See “Risk Factors—Our key competitors may impede our access to our distribution networks.”

Our competitor RDV-Media specializes in the employment segment of the market and publishes the number two recruitment title *Rabota Dlya Vas* (“Job for You”). This title is published in 29 cities in Russia, including Moscow, where it has a 44% share of the market. It mainly competes with SDM’s employment title *Rabota & Zaplata*. RDV-Media also publishes a specialized edition aimed at the high-end recruitment market.

Our competitor Pronto-Center’s core title, *Moya Reklama* (“My Advertisement”) is published in 16 cities in Russia and Belarus. The company has used a number of promotional strategies, including large advertising discounts, low cover prices and advertising agency incentive schemes to attract advertisers.

Pechatnik-M publishes the free ad paper *Sdelka* (“Deal”). It was launched in November 2003 and is published three times per week. Approximately 6,000 copies of each edition are distributed per week.

Of the five next largest cities in Russia, the Baltics and the CIS, no single competitor has more than 30% of the market.

The online market in Russia is more fragmented than the print market, with a variety of websites operating in each sector. We are currently the market leader in the generalist sector with our website *irr.ru*, that aggregates content from our best-selling publications *Iz Ruk v Ruki* in all of Russia, the Baltics and the CIS, as well as in the jobs sector with our pure online jobs site *job.ru*. Our website *auto-photo.ru* is an online version of *Avto* magazine. Our websites *realty-photo.ru* taken together with *irr.ru* (which has approximately 30% real estate content out of over 1.4 million ads) are the market leaders in the online real estate sector in Russia based on the volume of advertisements, competing with three other pure-play classified real estate sites, that have partnerships with large portals: *orsn.rambler.ru*, *realty.rbc.ru*, and *realty.mail.ru*.

Hungary

Our print publications in Hungary are market leaders in all the sectors in which we operate. In the employment sector, our main competition comes from *HVG*, a weekly business magazine which is particularly strong in high-end and middle sector jobs and has a strong online presence. In the automotive sector our main competitor is *Auto Trader*, which uses discount pricing to enhance its position and has only an estimated 25% market share as of September 2005 (compared to our market share of approximately 67%). Our competitors in the generalist sectors, in which we have an estimated 80% market share in central Hungary as of September 2005, are *Bazar Almos*, which has a market share of approximately 13% and sells mainly outside Budapest, and *Hirpressz*, a paper launched in August 2004 in cooperation with employment and real estate professionals with an overall market share of approximately 5%. We have an estimated 95% market share in the real estate sector as of September 2005.

In the online generalist sector our website *expressz.hu* is the current market leader (with 71% market share based on advertisement volume as of October 2005), having grown rapidly to overtake the market share of our competitor *apronet.hu* (with a market share of 22%). In the jobs sector our competitors tend to be international. For example, Monster.com acquired the site *jobpilot.hu* in 2004 in order to enter the market and now has 6% of the market. Our main competitor in the real estate sector is *ingatlan.com*, which has been in the market since 1997 (with 37% percent of the market as of October 2005). In the automotive sector *haszanaltauto.hu* is the market leader and has been in the market for five years, with an established brand name with users and automotive dealers. They have 48% of the market compared to 38% for the *Expressz* sites as of October 2005.

Croatia

The classified advertising market in Croatia is relatively undeveloped, with competition being largely regionally based. The classified advertising market has grown by more than 10% a year in the 2000 to 2004 period.

Oglasnik is the market leader in print and online in all categories, with a market share in the range of 50% to 70% depending on the sector as of September 2005. Our main competitor nationally in the generalist sector is *Mali Oglasnik*, a weekly title launched in 2003 that is owned by the large Croatian daily paper *Vecernji List*. There are also several regional generalist titles which are published weekly with more focus on local content than *Oglasnik*. The daily newspaper, *Vecernji List*, and a few photo magazines, tend to attract higher end advertisers, particularly national brands in the case of *Vecernji List*, and new car dealers and high-end real estate advertisements.

Poland

The classified advertising industry in Poland is highly fragmented with a number of local operators. No one brand holds a dominant position nationally. Our only competitors on a national level are *Gazeta Wyborcza*, a daily paper that is the current market leader and features both automotive and real estate content, and *Gielda Samochodowa*, a vertical automotive title. The online classified advertising sector in Poland is similarly fragmented, with a number of small classified websites. In the generalist sector the auction site *allegro.pl* is the current market leader. Our *kupsprzedaj.pl* is the leading classified website. In the real estate sector, our *trader.pl* real estate site occupies the leading position. In the automotive online sector *motoallegro.pl* and *otomoto.pl* (the sites share listings and are owned by the same company) are the current market leaders while *trader.pl* is the number two website.

Intellectual Property

We have developed strong brand awareness for our products and services. Accordingly, we consider our trademarks, servicemarks and copyrights to be critical factors in our success and we rely on trademark, servicemark and copyright law, as well as licensing and confidentiality agreements, to protect our intellectual property. We generally register our material trademarks and servicemarks in the key countries where the marks are used and actively pursue cases of infringement. All of our intellectual property is owned directly by us or our subsidiaries and is held locally.

Employees

As of September 30, 2005, we had 4,300 full-time employees (excluding independent contractors) in seven countries, including a sales function staff of 1,600 people (2,400 including independent contractors), 250 employees working in distribution, 1,300 in production, 100 in marketing and 1,050 in general and administrative. We employed approximately 3,900 people at December 31, 2004, approximately 3,200 at December 31, 2003 and approximately 2,200 at December 31, 2002. No work stoppages have had adverse effects on operations in the past three years. We consider our relationships with our employees to be good.

Real Estate

We own real estate in Moscow, Samara, Piatigorsk, Nizhnij Novgorod and Cheboksary in Russia and in Budapest, Hungary. We own two printing facilities in Moscow and one in Samara in Southern Russia. See “—Production, Printing and Technology.” The total net book value of our property, plant and equipment was \$27.1 million as of September 30, 2005. Our business strategy does not contemplate investing in real estate assets and the land and buildings that we own are held primarily as the result of our acquisition of companies that already had real estate assets or to serve our printing needs in Russia. All other office, warehouse and production space is leased on market terms. We believe our properties are in good operating condition and that suitable or alternative space will be available on commercially reasonable terms as needed. None of our directors rent or make available facilities to us and we do not own any facility of any kind that we make available to any of our directors. Mirabridge and Leonid Makaron have, however, agreed to enter into negotiations for Pronto-Moscow to lease premises owned by Mr. Makaron at a market rate of rent under commercially reasonable arms’ length terms. See “Related Party Transactions—Lease Agreement.”

No property of the Group accounts for 10% or more of our annual revenues.

Data Protection

As part of our business we both receive and store a large amount of personal information about our customers. We are subject to national laws on data protection in each of the markets in which we operate, including legislation implemented in compliance with the EU Data Protection Directive in Hungary, Poland, Lithuania and, in the future, Croatia.

Marketing

We market our brands through a variety of media, including television, radio and billboard campaigns. We carried out an active marketing campaign in Russia during March and April 2005 through television, radio and billboard and poster advertising. According to our estimates, the campaign led to an approximate 10% increase in circulation in April and an approximate 20% increase in the number of new clients.

Whereas sales to large advertising agencies make up a large proportion of our sales in Moscow, in the regions and outside Russia almost all our content comes directly from client sales or our ad placement offices. We are therefore focusing our marketing efforts on direct client sales in Moscow in particular.

We are also engaged in initiatives to improve the visibility of our titles at the point of sale and we have special agreements with our distributors to prioritize the positioning of our publications.

PRINCIPAL SHAREHOLDERS

The table below sets forth certain information regarding the ownership of the Shares (i) as of the date of this Prospectus after giving effect to the Reorganization and (ii) as of the Closing Date, as adjusted to give effect to the sale of the Shares in the form of GDRs by the Selling Shareholder in the Offering. All information given in this section assumes that the Over-Allotment Option is exercised in full.

<u>Shareholder</u>	Before the Offering		After the Offering	
	Number of Shares	% of Share Capital	Number of Shares	% of Share Capital
Trader Classified Media N.V.	50,000,000	100%	0	0%
Mr. Makaron	0	0%	1,923,077	3.8%
Mr. McCall MacBain	0	0%	1,923,077	3.8%
Other investors in the Offering	0	0%	46,153,846	92.4%
Total	50,000,000	100%	50,000,000	100%

Assuming the Over-Allotment Option is exercised in full, after the Offering TCM will not own any shares or GDRs in the Company.

Jersey law does not require persons with interests in shares in excess of certain thresholds to notify the relevant company of such holdings. Under our Articles of Association (the “Articles”) the Directors may require our shareholders to disclose to the Company the identity of any party who has an interest in the shares held by such shareholders. As of the date of this Prospectus, the Directors have not made such a request of any shareholder.

Mr. Makaron and Mr. McCall MacBain (the principal shareholder of TCM) have severally agreed, in separate agreements with Morgan Stanley & Co. International Ltd. dated January 22, 2006 (the “Purchase Agreements”), to each purchase in the Offering an amount of GDRs equal to a price of at least \$25 million (each such amount of GDRs representing 3.8% of our issued and outstanding share capital as calculated immediately prior to Closing) and have each severally agreed with Morgan Stanley & Co. International Ltd., 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.

In addition, prior to Admission, Mr. Makaron owned 12% of Pronto-Moscow. Mr. Makaron has agreed to sell his entire interest in Pronto-Moscow to Mirabridge pursuant to the Acquisition Agreement. See “Related Party Transactions—Acquisition of Minority Interest in Pronto-Moscow—Acquisition Agreement.” Upon Closing, we have agreed to grant Mr. Makaron an option to acquire, at the Offer Price, shares in Trader Media East representing 0.5% of our issued and outstanding share capital as calculated immediately prior to Closing. See “Directors and Senior Management—Directors’ and Senior Management Interests in the Company.”

DIRECTORS AND SENIOR MANAGEMENT

Directors

The Company's directors (together, the "Board of Directors", the "Directors" or the "Board") are:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Pieter Eduard Hamming	57	Director and Chairman
Pierre-Francois Catté	49	Director and Chief Executive Officer
Didier Breton	52	Director
Anatoly Karachinsky	46	Director
Paul F.E. Tesselaar	62	Director
Anthony C. van Kempen	57	Director
Ruud Waals	49	Director

The business address of each director is Overschiestraat 61, 1062 XD Amsterdam, The Netherlands.

Pieter Eduard Hamming: Director and Chairman

Mr. Hamming has been Chairman of our Board of Directors since January 2006. Currently an advisor to the board of management, he was a member of the board of Vendex KBB from 1991 to 2005, and was chairman from 2000. He started his career in 1973 as manager at D.Ven, a food wholesaler in Amsterdam, thereafter working in several management capacities at Bührmann-Tettrode in The Netherlands, France and Belgium, HIJ Herenmode (now WE International) and Wehkamp (Great Universal Stores), where he was Deputy General Manager. He sits on the board of several Dutch associations, including SVM Pact, the Dutch Retail Trade Platform, the National Crime Control Platform and the Dutch Retail Council. Mr. Hamming studied business economics at the University of Amsterdam.

Pierre-Francois Catté: Director and Chief Executive Officer

Mr. Catté has been acting CEO since August 2005 and a member of our Board of Directors since November 2005. Prior to this, Mr. Catté was Senior Vice President of Operations of Polycom, a world leader in integration of voice, video and data over the Internet. He has also spent 20 years with Hewlett Packard (the last 10 in the United States) running large companies acquired by Hewlett Packard. Mr. Catté has extensive experience in technology marketing. He received an MBA from EM Lyon.

Didier Breton: Director

Mr. Breton has been a member of our Board of Directors since January 2006. He has been the Chief Operating Officer of TCM since June 2000. Prior to joining TCM, he was president of the Infrastructure and Systems Division at Bull. He has extensive executive experience in managing international operations at companies such as Hewlett Packard and Valeo. Mr. Breton holds an MBA from the Institut Supérieur des Affaires.

Anatoly Karachinsky: Director

Mr. Karachinsky has been a member of our Board of Directors since January 2006. He is the founder, president and CEO of IBS Group, the largest IT corporation in Russia. Having started his career as a computer engineer with a state research and development institution in 1981, he was an early entrepreneur in the former Soviet Union, first as a director of the Austrian firm PROSYSTEM and subsequently as a senior manager of Intermicro, a Russian/Austrian joint venture. Mr. Karachinsky has a degree in systems engineering from the Moscow Institute of Railroad Transport Engineers.

Paul F.E. Tesselaar: Director

Mr. Tesselaar has been a member of our Board of Directors since January 2006. He is Chief Executive Officer of the Dutch press agency ANP, a position he has held since 1998. 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.

Anthony C. van Kempen: Director

Mr. van Kempen has been a member of our Board of Directors since January 2006. He has been an independent financial consultant since December 2003. Prior to that, he has held various directorships within the Achmea Group, one of the largest financial institutions in The Netherlands, and also worked for Unilever in various finance and audit capacities. Mr. van Kempen is trained as a chartered accountant.

Ruud Waals: Director

Mr. Waals has been a member of our Board of Directors since November 2005. He joined TCM in 2000 as Group Tax Manager and has served as a member of its management board since June 2003. Prior to joining TCM, Mr. Waals was a corporate attorney with the privately owned Larmag Group, engaged in oil, shipping and real estate. Until 1994 Mr. Waals was a tax advisor with KPMG Meijburg & Co. in Amsterdam and he graduated in tax law at the University of Leiden.

Senior Management

The members of the Company's senior management are:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Pierre-Francois Catté	49	Chief Executive Officer
Paul Guest	61	Chief Financial Officer
Leonid Makaron	56	General Manager of Russia, Baltics and CIS
Zsolt Szokolay	45	General Manager of Hungary
Anna Podkowińska	31	General Manager of Poland
Gordan Putanec	40	General Manager of Croatia
Rhonda Friesen	36	General Counsel
Andrei Belyi	37	Director of Business Development and Investor Relations

Paul Guest: Chief Financial Officer

Mr. Guest joined TCM in February 2000 as Vice President Operations and Finance. Prior to this Mr. Guest was European Vice President Finance with Vanenburg (1998–2000) and with Tandem Computers (1993–1998). He has also held senior finance management positions with Digital Equipment. By qualification, Mr. Guest is a UK Chartered Accountant.

Leonid Makaron: General Manager of Russia, Baltics and CIS

Founder of our Russian business, Mr. Makaron has served as General Director of Pronto-Moscow since its inception and is currently general manager of our Russia, Baltics and CIS businesses. Prior to founding our Russian business in 1991, Mr. Makaron served in the armed forces of the former Soviet Union. Mr. Makaron is a graduate of the Harvard Business School (OPM 30) and a faculty chair of advertising of the Moscow State University of Publication. He has also earned a PhD in Philosophy from the Moscow Institute of Culture. He is a member of the Industrial Committee on Mass Media and recently became President of the Russian Guild of Publishers of Intermittent Publication. Mr. Makaron is fluent in Russian and English.

Zsolt Szokolay: General Manager of Hungary

Mr. Szokolay joined us in 1999 and is a graduate of the University of Economics in Budapest, with a BA degree, and finished postgraduate management studies. He has 18 years of general management experience mainly in a multinational environment. Mr. Szokolay is fluent in Hungarian and English.

Anna Podkowińska: General Manager of Poland

Ms. Podkowińska joined TCM in 2000 and has been general manager of its Poland operations since 2004. Previously, she had four years of managerial experience in operations and human resources at PepsiCo Poland. She has a BA from the Warsaw School of Psychology, an MA from the Warsaw School of Economics and is currently completing her MBA from the University of Illinois. Ms. Podkowińska is fluent in Polish and English.

Gordan Putanec: General Manager of Croatia

Mr. Putanec has 14 years of experience in professional management positions, most recently as a Commercial Manager at GlaxoSmithKline. He joined us in 2005 as General Manager of Croatia. He has a BSc. in Electrical Engineering and has undertaken post-graduate studies in Management at the University of Zagreb. Mr. Putanec is fluent in English and Croatian.

Rhonda Friesen: General Counsel

Ms. Friesen joined TCM in 2004 after working at the law firm Borden Ladner Gervais from 1998 to 2003 in Canada and as a marketing coordinator and management consultant at Testa, Hurwitz & Thibault until 2004 in the United States. She has a law degree from the Université de Montréal and the Quebec Bar Association School and is a member of the Quebec Bar. Ms. Friesen is fluent in French and English.

Andrei Belyi: Business Development and Investor Relations

Mr. Belyi joined us in January 2006 as head of business development and investor relations. Mr. Belyi was a consultant to John Fairfax, an Australian newspaper group from 2004 to 2005. He also has eight years of combined experience in strategy consulting with Bain & Co. and in investment banking with Morgan Stanley and Credit Suisse. Mr. Belyi holds an MBA from Tuck School of Business at Dartmouth College and is fluent in his native Russian, English, Spanish and Portuguese.

At the date of this document, none of the Directors or senior management has at any time within the last five years:

- (i) had any convictions (whether spent or unspent) in relation to offences involving fraud or dishonesty;
- (ii) been adjudged bankrupt or been the subject of any individual voluntary arrangement;
- (iii) been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies);
- (iv) been disqualified by a court from acting as a director or other officer of any company or from acting in the management or conduct of the affairs of any company;
- (v) been a partner in a partnership which, while he was a partner or within 12 months of his ceasing to be a partner, was put into compulsory liquidation or administration or which entered into any partnership voluntary arrangement, or had a receiver appointed over any partnership asset;
- (vi) had a receiver appointed with respect to any assets belonging to him; or
- (vii) has been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation or administration or which entered into any company voluntary arrangement or any composition or arrangement with its creditors generally or any class of creditors, at any time during which he was a director of that company or within 12 months after his ceasing to be a director.

In addition to their directorships in the Company and certain wholly owned subsidiaries of the Company, the Directors and members of senior management hold, or have held within the past five years, the following directorships or partnerships:

<u>Name</u>	<u>Directorships/Partnerships</u>	<u>Position still held (Y/N)</u>
<i>Directors</i>		
Pieter Eduard Hamming	Royal Vendex KBB N.V.	N
	Kobalt B.V.	N
	D. Ven B.V.	N
	PCM (Amsterdam)	N
Pierre-Francois Catté	Menlo Finance	Y
	Shou di Shou Ltd.	N
Didier Breton	Trader Classified Media N.V.	Y
	Various TCM Subsidiaries ⁽¹⁾	As noted below
Anatoly Karachinsky	IBS Group	Y
Paul F.E. Tesselaar	European Photo Agency	Y
	ANP	Y
	Data Direction B.V.	Y
	Postcode Nieuws Net	Y
Anthony C. van Kempen	None	—
Ruud Waals	Trader Classified Media N.V.	Y
	Various TCM Subsidiaries ⁽²⁾	As noted below
<i>Senior Management</i>		
Paul Guest	Netclub S.A.	N
Leonid Makaron	OOO Pronto-Moscow	Y
Zsolt Szokolay	Tullio Kft.	N
Anna Podkowińska	None	—
Gordan Putanec	Oglasnik d.o.o.	Y
Rhonda Friesen	None	—
Andrei Belyi	None	—

(1) Current: Anuntis Segundamano Holding SL, Anuntis SL, Garantie System S.A., Hebdo Mag Singapore Pte Ltd, Infojobs S.A., NetClub B.V., Netclub S.A., Trader Classified Media France S.A., Trader Classified Media International SARL, Trader Classified Media Mexico S.A. de C.V., Trader.com Acquisitions France S.A. and Trader.com Internet Machine GIE.

Former: Adsonline.com.au Pty Ltd, Appraised Staff Agency Pty Ltd, Australia wide Classified Pty Limited, Australian Retirement Publications Pty Ltd, Auto Trader Australia Pty Ltd, Blue Mountains Trading Post Pty Ltd, Collectormania Australia Pty Ltd, Commercial Dynamics Pty Ltd, Expressz Kiado Rt., Gula Interactive Trader Aktiebolag, Interactive Trading Post Services Pty Ltd, Job Guide Pty Limited, Queensland Trading Post Pty Ltd, Research Resources Pty Ltd, Sydney Auto Trader Pty Ltd, Sydney Buy & Sell Pty Ltd, The Melbourne Trading Post Pty Ltd, The National Trading Post Pty Ltd, TMS Immo SA, Trader.com (Australia) Pty Limited, Trader.com (Hungary) Rt, Trader.com (Sweden) A.B., Tradernet Pty Limited, Trading Post Auctions Pty Limited, Trading Post Australia Pty Ltd, Trading Post Classifieds Pty Limited, Trading Post Finance Pty Ltd, Trading Post Group Pty Ltd, Trading Post Marketing (Qld) Pty Ltd, Trading Post on Line Pty Limited, Trading Post on the Net Pty Ltd, Trading Post Publishing Pty Ltd, Tradingpost.com Pty Ltd, Tradingpost.com.au Pty Ltd, Tradingpostads.com Pty Ltd and True Blue Tradesmen Pty Ltd.

(2) Current: Arimpex B.V., Hebdo Mag Brazil Holdings B.V., Netclub B.V., TCM China Holdings B.V., TCM India Holdings B.V., Trader (Netclub Holdings) B.V., Trader Classified (Mauritius) Holdings Ltd., Trader Classified Media (NA) Holdings B.V., Trader Classified Media Acquisitions B.V., Trader Classified Media Group B.V., Trader Classified Media Holdings N.V., Trader Classified Media International B.V., Trader Classified Media International Holdings B.V., Trader Classified Media IPR B.V., Trader Classified Media Trademark (Mexico) B.V., Trader Hungary Tanacsado Kft, Trader.com Australia Holdings B.V., Trader.com Holdings N.V. and ViaVia B.V.

Former: e-deLuxe Holding B.V., e-deLuxe N.V., Hebdo Mag Europe B.V., Hebdo Mag Finance B.V., Montaigne VII B.V. and Trader.com (Auctions) B.V.

Save as set out above, none of the Directors or senior management has any business interests, nor performs any activities, outside our Group which are significant with respect to our Group.

None of our Directors or members of senior management have any family relationship for the purposes of the Prospectus Rules of the Financial Services Authority.

Except as set out below there are:

- (i) no potential conflicts of interest between any duties to the Company, of the Directors and senior management and their private interests and/or other duties; and

- (ii) no arrangements or understandings with major shareholders, members, customers, suppliers or others, pursuant to which any of the Directors and senior management were selected.

Anatoly Karachinsky, is president and CEO of IBS Group, a company which has provided IT consultancy services to us in the past, and may continue to do so in the future.

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. See "Related Party Transactions—Lease Agreement."

Corporate Governance

The Combined Code of Corporate Governance (the "Combined Code") sets out certain corporate governance recommendations in relation to public limited companies incorporated in England and Wales. There are no corporate governance recommendations applicable to companies incorporated in Jersey, but the Company intends so far as it is able, having regard to its size and stage of development, to comply with the recommendations of the Combined Code as if it were a public company incorporated in England and Wales.

Compensation Committee

The role of the Compensation Committee is to establish and control the internal practices and rules developed in terms of financial compensation for the members of the Board of Directors, members of senior management and any 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. This Committee also determines succession plans for the Chairman and Chief Executive Officer.

The Compensation Committee will also generate an annual remuneration report to be approved by the shareholders of the Company at the annual general meeting. The Compensation Committee will normally meet not less than twice a year.

The Compensation Committee will include Didier Breton, Paul Tesselaar and Pieter Eduard Hamming and will be chaired by Mr. Breton. The Combined Code recommends that all members of compensation committees (whether or not combined) be non-executive directors, 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. On Admission, the Company will comply with this recommendation of the Combined Code.

Audit Committee

The role of the Audit Committee is to review, prior to its publication, any financial information made public through quarterly and half-year press releases on the Company's results; monitor the Company's financial, accounting and legal practices against relevant ethical standards; review any changes in accounting methods and main judgments made by management at the close of the half-year and annual consolidated financial statements; and supervise the Company's compliance with accounting and financial internal control processes.

The Audit Committee will also recommend the choice of independent auditors to shareholders and approves the fees paid to them. It will also discuss with the auditors their findings.

In addition, the Audit Committee will direct the Company's internal audit function and review and analyze the reports issued by the internal audit team after a written response from management.

The Audit committee will meet at least four times per year.

The Audit Committee will include Anthony van Kempen, Ruud Waals and Didier Breton and will be chaired by Mr. van Kempen. The Combined Code recommends that all members of an audit committee be non-executive directors, 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. On Admission, the Company will comply with this recommendation of the Combined Code.

Management of Subsidiaries

Our operations are organized according to a decentralized model with each General Manager, assisted by a financial controller, reporting directly to the CEO.

Internal control measures are implemented within each operation under the supervision and responsibility of the relevant General Manager. The internal audit function operates independently of the regional structure and reports directly to the Audit Committee.

Remuneration of Directors and Senior Management

The Directors have confirmed in writing their willingness to act as directors but have not entered into service contracts with Trader Media East. The members of senior management are expected to enter into service contracts with Trader Media East or the relevant regional or local subsidiary on February 10, 2006. The aggregate amount of remuneration paid by us to our directors and senior management as a group for services in all capacities provided to us during the year ended December 31, 2005 was \$2.6 million in salary and bonuses (other than health insurance and car allowances for senior management, and, in the case of Mr. Makaron, use of a holiday home and personal security services). This amount includes \$62,000 paid by way of remuneration by TCM to Mr. Catté in consideration for services rendered during the year ended December 31, 2005. No other remuneration or benefits were paid in the year ended December 31, 2005.

Our Directors do not receive any benefits upon termination of employment or service except as provided herein. Upon termination other than for cause, Mr. Catté is entitled to two years' salary and bonus on target earnings.

Directors' and Senior Management Interests in the Company

The table below sets out the interests of the Directors in our share capital as they are expected to be immediately prior to, and following, Admission.

	Immediately prior to Admission		Immediately following Admission	
	Number of Options Owned	As a percentage of issued ordinary share capital	Number of Options Owned	As a percentage of issued ordinary share capital
Pieter Eduard Hamming	—	0%	25,000	0.05%
Pierre-Francois Catté	—	0%	149,000 ⁽¹⁾	0.30%
Didier Breton	—	0%	20,000	0.04%
Anatoly Karachinsky	—	0%	20,000	0.04%
Paul F.E. Tesselaar	—	0%	20,000	0.04%
Anthony C. van Kempen	—	0%	20,000	0.04%
Ruud Waals	—	0%	20,000	0.04%

⁽¹⁾ Consisting of 129,000 restricted shares and 20,000 options.

The interests of the Directors together will represent approximately 0.55% of our issued share capital immediately following Admission.

In addition, prior to Admission, Mr. Makaron owned 12% of Pronto-Moscow. Mr. Makaron has agreed to sell his entire interest in Pronto-Moscow to Mirabridge pursuant to the Acquisition Agreement. See "Related Party Transactions—Acquisition of Minority Interest in Pronto-Moscow—Acquisition Agreement." Upon Closing, (i) we have agreed to grant Mr. Makaron an option to acquire at the Offer Price, Shares in Trader Media East (convertible into GDRs) representing 0.5% of our issued and outstanding share capital as calculated immediately prior to Closing and (ii) Mr. Makaron will purchase in the Offering the number of GDRs equal to a price of at least \$25 million (3.8% of our issued and outstanding share capital as calculated immediately prior to Closing).

Members of our senior management, including Mr. Catté and Mr. Makaron, will have the right to participate in the 2006 Equity Incentive Plan. See "—Stock Option Plans and Pension Arrangements—2006 Equity Incentive Plan."

Stock Option Plans and Pension Arrangements

2006 Equity Incentive Plan

Trader Media East's 2006 Equity Incentive Plan (the "Plan") will 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 exchangeable into GDRs.

The Plan is administered by the Compensation Committee of the Board of Directors. Subject to the provisions of the Plan, this committee has the authority to determine the terms of options, awards and opportunities to make direct purchases, including the authority to:

- determine to whom share rights may be granted;
- determine the times at which share rights will be granted;
- determine the exercise price of shares subject to share rights;
- determine the time when each share right shall become exercisable and the duration of the exercise period;
- extend the period during which outstanding share rights may be exercised;
- determine whether restrictions such as repurchase options are imposed on shares subject to share rights and the nature of any such restrictions; and
- interpret the Plan and prescribe and rescind rules and regulations relating to it.

Upon implementation, share rights representing approximately 1,500,000 Shares are expected to be granted pursuant to the 2006 Equity Incentive Plan including share rights granted to the Directors and Senior Management, pursuant to a resolution of the Compensation Committee on February 6, 2006.

Model Code

Upon Admission, the Company has adopted a code of securities dealings in relation to the GDRs (and the Shares represented thereby) which is based on, and is at least as rigorous as, the Model Code as published in the Listing Rules. The code adopted will apply to the Directors and other relevant employees of the Group.

DESCRIPTION OF SHARE CAPITAL AND CORPORATE STRUCTURE

Set out below is a summary of material information concerning our share capital, including a description of certain rights of the holders thereof (the “members”), and related material provisions of the Articles of Association of the Company (the “Articles”). This information is not exhaustive and reference should be made to our Articles and to the laws of Jersey.

General

Trader Media East Limited was incorporated under the laws of Jersey on November 11, 2005 as a private limited company with registered number 91704. Pursuant to a resolution of its sole member passed on February 3, 2006, Trader Media East Limited was converted to a public limited company with effect from the date of such resolution. Our constitutional documents are available as a matter of public record from the offices of the Registrar of Companies in Jersey. Our registered office is at 22 Grenville Street, St Helier, Jersey JE4 8PX, Channel Islands. Our principal and administrative offices are at Overschiestraat 61, 1062 XD Amsterdam, The Netherlands, where our telephone number is +31 20 388 2105.

Capitalization of Reserves

The Company may, upon the recommendation of the Directors, resolve that it is desirable to capitalize any undistributed profits of the Company (including profits carried and standing to any reserve or reserves) not required for payment of fixed dividends on any shares entitled to fixed preferential dividends with or without further participation in profits, or any sum carried to reserve as a result of the sale or revaluation of the assets of the Company (other than goodwill) or any part thereof or, subject as hereinafter provided, any sum standing to the credit of the Company’s share premium account or capital redemption reserve fund and accordingly that the Directors be authorised and directed to appropriate the profits or sum resolved to be capitalised to the members in the proportion in which such profits or sum would have been divisible amongst them had the same been applicable and been applied in paying dividends, and to apply such profits or sum on their behalf, either in or towards paying up the amounts, if any, for the time being unpaid on any shares held by such members respectively, or in paying up in full any unissued shares or debentures of the Company, such shares or debentures to be allotted and distributed, credited as fully paid up, to and amongst such members in the proportions referred to above, or partly in one way and partly in the other. The share premium account and the capital redemption reserve fund and any unrealised profits may not be applied in the paying up of any debentures of the Company.

Share capital

Without prejudice to any special rights for the time being conferred on the holders of any class of shares (which special rights shall not be varied or abrogated except with such consent or sanction as contained in the Articles) any share in the Company may be issued with such preferred, deferred or other special rights or such restrictions whether in regard to dividends, return of capital, voting or otherwise as the Company may from time to time by special resolution determine.

The Company was incorporated under the Companies (Jersey) Law 1991 with an authorised share capital of £10,000 divided into 10,000 shares of a par value of £1 each of which two were issued nil paid on incorporation. By a resolution of its members passed on January 25, 2006 the authorised share capital of the Company was redenominated in US dollars and increased to US\$80,000,000 divided into 500,000,000 shares of a par value of US\$0.16 each of which 50,000,000 fully paid shares are currently in issue. The Company may by special resolution alter its share capital in any of the ways permitted or provided for under the Companies (Jersey) Law 1991.

Subject to any confirmation by the court and the provisions of the Companies (Jersey) Law 1991 the Company may by special resolution reduce its share capital in any way.

Other than as disclosed in this document in “Directors and Senior Management—Stock Option Plans and Pension Arrangements”, there are no options, acquisition rights and/or obligations over authorized but unissued capital and the Company has not given any undertakings to further increase the capital.

Unless otherwise directed by an extraordinary resolution of the Company in general meeting, and except for issues during any calendar year of the equivalent of up to 10% of the shares currently in issue (which shares shall be allotted and issued at the discretion of the Directors) as of January 1 of such calendar year

(except for 2006 which amount shall be determined at Closing), all new shares shall be offered only to existing members and in proportion to the existing shares held by them. Such offers shall be made by notice specifying the number of shares to which the member is entitled and prescribing the period within which the offer will remain open, and upon the expiry of such period the offer, if not accepted, shall be deemed to have been declined. All such shares, if offered to the shareholders and not taken up by them, shall be disposed of by the Directors in such manner as the Directors think most beneficial to the Company.

The Company may alter its share capital by special resolution. Subject to the preceding paragraph, any new shares created on an increase or other alteration of share capital shall be issued upon such terms and conditions as the members of the Company in general meeting shall direct.

Subject to the Companies (Jersey) Law 1991 whenever the share capital of the Company is divided into different classes of shares the special rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may be varied or abrogated at any time with the consent in writing of the holders of the majority of the issued shares of that class or with the sanction of a resolution passed at a separate meeting of the holders of the shares of that class.

Pursuant to the Articles, the special rights conferred upon the holders of any share or class of shares issued with preferred, or other special rights shall not (unless otherwise expressly provided by the conditions of the issue of such shares) be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

Form and transfer of shares

The shares of the Company are all of the same ordinary class and are limited shares of US\$0.16 each in a company incorporated pursuant to the Companies (Jersey) Law 1991 (as amended). The shares do not have an ISIN (International Security Identification Number) or other such security identification code. The shares are in registered form and are certificated. The register is kept at the registered office of the Company at 22 Grenville Street, St Helier, Jersey, JE4 8PX (Channel Islands) by Mourant & Co. Limited.

The shares carry equal rights to dividend and on any return of capital whether on a winding up of the Company or in any other manner.

The shares are freely transferable save that the Directors of the Company may refuse to register any transfer of partly paid shares, including, without limitation, a transfer of such shares to a person of whom they do not approve and may refuse to register any transfer of shares on which the Company has a lien.

Repurchase of our own shares

Neither the Company nor any member has the right to redeem any of the shares but the Company may repurchase shares with the sanction of a special resolution on terms approved by a resolution of the holders of shares which are not the subject of the repurchase. Pursuant to the Companies (Jersey) Law 1991 as amended there are limits on the sources of funds which may be used by the Company to fund such a repurchase and the Company may only repurchase shares if the Directors who authorise the payment reasonably believe that following such payment the Company will be able to meet the solvency tests set out in the Companies (Jersey) Law 1991.

Lien

The Company shall have a first and paramount lien on every share (not being a fully paid share) for all monies (whether presently payable or not) called or payable at a fixed time in respect of that share and the Company shall also have a first and paramount lien on all shares (other than fully paid shares) standing registered in the name of a single member for all the debts and liabilities payable by him or his estate to the Company but the Directors may at any time declare any share to be exempt from the provisions of the relevant article. The Company's lien (if any) on the shares shall extend to all dividends payable thereon.

General meeting of members

An annual general meeting shall be held once in every calendar year, in The Netherlands, at such time and place as may be determined by the Directors; but so long as the Company holds its first annual general meeting within 18 months of its incorporation it need not hold it in the year of its incorporation or in the following year. Not more than 18 months must elapse between annual general meetings. At least 21 clear

days' notice shall be given of every annual general meeting and of every general meeting called for the passing of a special resolution or an extraordinary resolution, and at least fourteen clear days' notice shall be given of all other general meetings. Every notice shall specify the place, the day and the time of the meeting and in the case of special business, the general nature of such business and, in the case of an annual general meeting, shall specify the meeting as such.

A meeting of the Company may be requisitioned by members holding not less than one tenth of the total voting rights of the members entitled to vote at such meeting in accordance with provisions of the Companies (Jersey) Law 1991 as amended.

Resolutions

Pursuant to the provisions of the Companies (Jersey) Law 1991, a resolution is a special resolution when it has been passed by a majority of not less than two thirds of members who (being entitled to do so) vote in person, or by proxy, at a general meeting of the Company of which not less than 21 days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given.

Pursuant to the Articles, an extraordinary resolution is any of the following: (a) a resolution of members approved by not less than 75% of the votes cast; (b) a consent given by a majority of not less than 75% of the votes cast on a postal ballot of members conducted in such manner as the Secretary of the Company thinks fit; or (c) the written consent of members holding more than 75% of the shares in issue.

A resolution in writing (including a special resolution but excluding a resolution removing an auditor) signed by all members who would be entitled to receive notice of and to attend and vote at a general meeting at which such a resolution would be proposed, or by their duly appointed attorneys, shall be as valid and effectual as if it had been passed at a general meeting of the Company duly convened and held.

Voting Rights

Each member present in person has one vote on a resolution of the Company taken on a show of hands at any meeting of members. On a poll every member present in person or by proxy or (in the case of a corporation) by duly authorised representative, shall have one vote for each share of which he is the holder. No member has, as of the date of this Prospectus, special rights, restrictions or prohibitions as regards voting.

Each member may appoint multiple proxies in respect of the shares held by him and any proxy validly appointed by such member shall have the right to attend, vote and speak at general meetings.

All proxies validly appointed shall have the right to demand that a vote at a general meeting is taken on a poll.

Financial statements and the statutory auditor

Within seven months after the end of each financial period, the accounts of the Company for that period shall be prepared, and examined and reported upon by auditors and laid before a general meeting of the Company together with a copy of the auditors' report. The auditors must be qualified to act as such as a matter of Jersey law.

Disclosure of interests

The Directors may by notice in writing require a person whom they know or have reasonable cause to believe to or, at any time during the three years immediately preceding the date on which the notice is issued, to have or have had been interested in any of the shares comprised in the capital of the Company to confirm that fact or (as the case may be) to indicate whether or not it is the case, and where he holds or has during that time held an interest in any of the shares comprised in the capital of the Company to give such further information as may be required.

Any such notice shall require any information given in response to the notice to be given in writing within such reasonable time as may be specified in the notice, and a copy of such notice shall be sent to the member or members reasonably believed by the Directors to be holding the shares (the "Relevant Members") and to each other person appearing to be interested in the shares the subject of such notice (but the failure or omission by the Company to do so shall not invalidate such notice).

If any person appearing to the Directors to be interested in any shares in the Company has been duly served with a notice requesting information relating to such shares and is in default 14 days from the date of service of the notice in supplying to the Company the information thereby required, then the Company may (at the absolute discretion of the Directors) at any time thereafter serve a notice upon such Relevant Member (a "direction notice") directing that in respect of (i) the shares in relation to which the default occurred and (ii) any other shares held at the date of the direction notice by or on behalf of the shareholder or Relevant Member or such of them as the Directors may determine from time to time (the "default shares"), the Relevant Member shall not, nor shall any transferee to which any of such shares are transferred other than pursuant to a permitted transfer, be entitled to be present or to vote on any question, either in person or by proxy, at any general meeting of the Company, or to be reckoned in a quorum until the Relevant Member has provided or caused to be provided to the Directors the information required by the notice.

Where the default shares represent at least 0.25% (in nominal value) of the issued shares of the same class, then the direction notice may additionally require that: (i) any dividend or part thereof or other money which would otherwise be payable on the default shares shall be withheld by the Company, shall not bear interest against the Company and shall be payable (only when the direction notice ceases to have effect) to the person who would but for the direction notice have been entitled to them, (ii) where an offer of the right to elect to receive shares of the Company or certificates representing such shares instead of cash in respect of any dividend or part thereof is or has been made by the Company, any election made thereunder by the Relevant Member in respect of such default shares shall not be effective and (iii) no transfer of any of the shares held by the Relevant Member shall be recognised or registered by the Directors unless the transfer is a permitted transfer or the Relevant Member is not himself in default in supplying the information requested and the transfer is of part only of the shareholder's holding and, when presented for registration, is accompanied by a certificate by the shareholder in a form satisfactory to the Directors to the effect that after due and careful enquiry the shareholder is satisfied that none of the shares the subject of the transfer are default shares.

Upon giving a direction notice its terms shall apply accordingly and any direction notice shall have effect in accordance with its terms until seven days after the Directors are satisfied that the default, in respect of which the direction notice was issued, no longer continues, but shall cease to have effect in relation to any shares which are transferred by a Relevant Member by means of a permitted transfer on receipt by the Company of notice that a transfer as aforesaid has been made. The Company may at any time give notice to the Relevant Member cancelling or suspending for a stated period the operation of a direction notice in whole or in part.

For the purposes of the above, a person shall be treated as appearing to be interested in any shares if the member holding such shares has given to the Company a notification whether following service of a notice which either (1) names such person as being so interested or (2) (after taking into account the said notification and any other relevant information in the possession of the Company) the Company knows or has reasonable cause to believe that the person in question is or may be interested in the shares.

For the purposes of the above, a transfer of shares is a permitted transfer if but only if (i) it is a transfer by way of, or in pursuance of, an acceptance of a take-over offer for the Company or (ii) the Directors are satisfied that the transfer is made pursuant to a bona fide sale of the whole of the beneficial ownership of the shares to a third party unconnected with the transferring Member or with any person appearing to the Directors interested in the shares of that Member or (iii) the transfer results from a sale made on or through the London Stock Exchange or any stock exchange outside the United Kingdom on which the Company's shares of the same class as the default shares are normally dealt in.

Amendment of Articles

The Articles of the Company may only be amended with the sanction of a special resolution of the Company's members.

Liquidation

If the Company is wound up, the assets available for distribution among the members shall be applied first in repaying to the members the amount paid up on their shares respectively, and if such assets shall be more than sufficient to the whole amount paid up on their shares, the balance shall be distributed among the members in proportion to the amount which at the time of the commencement of the winding up had been actually paid up on their said shares respectively.

Board of Directors

Number of Directors

The Company may by ordinary resolution of the Board determine the maximum and minimum number of Directors provided always that the minimum number of Directors is three. A Director need not be a shareholder but is entitled to receive notice of and to attend and speak at shareholders' meetings.

Appointment, removal and retirement of Directors

The Directors have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. At any general meeting at which a Director retires or is removed from office, the Company shall elect a Director to fill the vacancy, unless the Company determines to reduce the number of Directors in office. If the Company in general meeting determines to increase the number of Directors in office the Company shall elect additional Directors. There is no compulsory retirement age.

The office of a Director shall be vacated if:

- (a) he resigns his office by notice to the Company;
- (b) he ceases to be a Director by virtue of any provision of the Companies (Jersey) Law 1991 as amended or he becomes prohibited or disqualified by law from being a Director;
- (c) he becomes bankrupt or makes any arrangement or composition with his creditors generally;
- (d) he is or may be suffering from a mental disorder;
- (e) he is removed from office by ordinary resolution of the shareholders; or
- (f) he is requested in writing to resign by not less than three-quarters of the other Directors.

At each annual general meeting, each of the Directors shall retire from office in accordance with the Articles. If the Company does not fill the vacancy at the meeting at which a Director retires, the retiring Director shall, if willing to act, be deemed to have been re-appointed unless at the meeting it is resolved not to fill the vacancy or unless a resolution for the reappointment of the Director is put to the meeting and lost.

Remuneration of Directors

The Directors are entitled to be paid out of the funds of the Company their travelling and other expenses properly and necessarily expended by them in attending meetings of the Directors or members or otherwise on the affairs of the Company. Any remuneration for their services shall be fixed by resolution of the Company.

Conflicts of interest

Provided that he has disclosed the nature and extent of any of his interests which conflict or may conflict to a material extent with the interests of the Company at the first meeting of the Directors at which a transaction is considered, or as soon as practical after that meeting by notice in writing to the Secretary or has otherwise previously disclosed that he is to be regarded as interested in a transaction with a specific person, a Director notwithstanding his office:

- may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise interested;
- may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested;
- shall not, by reason of his office, be accountable to the Company for any benefit which he derives from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit; and

- may, notwithstanding his interest, be counted in the quorum present at any meeting of Directors at which any contract or arrangement in which he is interested is considered and he may vote in respect of any such contract or arrangement.

Committees

The Directors may delegate any of their powers to committees consisting of such Directors or Director or such other persons as they think fit. Any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on it by the Directors.

Officers

The Secretary of the Company must be qualified to act as such in accordance with Jersey law.

Dividends

The Company may, by ordinary resolution in general meeting declare dividends but no dividend shall exceed the amount recommended by the Directors.

The Directors may, if they think fit, from time to time pay to the members such interim dividends as appear to the Directors to be justified.

Subject to any particular rights or limitations as to dividend for the time being attached to any shares, as may be specified in the Articles or upon which such shares may be issued, all dividends shall be declared, apportioned and paid pro-rata according to the amounts paid up on the shares (otherwise than in advance of calls) during any portion or portions of the period in respect of which the dividend is paid.

The Directors may deduct from any dividend payable to any member all such sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

All unclaimed dividends may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed. No dividend shall bear interest as against the Company.

Any dividend which has remained unclaimed for a period of five years from the date of declaration thereof shall, if the Directors so resolve, be forfeited and cease to remain owing by the Company and shall thenceforth belong to the Company absolutely.

Potential mandatory offer rules

The Companies (Jersey) Law 1991 as amended provides that, if a takeover offer relates to all the shares in the Company and at any time before the end of the period within which the offer can be accepted the offeror has by virtue of acceptances of the offer, acquired or contracted to acquire some (but not all) of the shares to which the offer relates and those shares (with or without any other shares in the Company which he has acquired or contracted to acquire) amount to not less than nine-tenths in value of all the shares in the Company the offeror may force the acquisition of the remaining shares or the holder of any shares to which the offer relates who has not accepted the offer may by a written communication addressed to the offeror require him to acquire those shares.

RELATED PARTY TRANSACTIONS

The following is a summary of our most significant transactions with related parties for the years ended December 31, 2002, 2003 and 2004, the nine-month period ended September 30, 2005, and the period to the date of this Prospectus. For further details of these transactions, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Management and Assistance Contracts” and note 16 to our Combined Financial Statements.

In the ordinary course of our business, we have engaged in transactions with parties that are, or, following completion of the Offering, will be, under common control with us or that are, or, following completion of the Offering, will be, otherwise related parties to us. Transactions with entities under common control with us constitute transactions with parties that have the same beneficial owners as we do, or who are members of our Board of Directors. See “Principal Shareholders.” Other than the transactions described herein, we did not engage in any transactions with members of our Board of Directors or with entities under common control with us during the period under review.

We seek to conduct all transactions with entities that are under common control or otherwise constitute related parties on market terms and in accordance with relevant Jersey, Russian and other legislation. However, there can be no assurance that any or all of these transactions have been or will be conducted on market terms.

The Board of Directors has adopted certain procedures relating to the approval of transactions with related parties.

Significant transactions with related parties are set out below:

- Acquisition of Minority Interest in Pronto-Moscow

Mirabridge and Leonid Makaron are parties to several agreements relating to the disposal of Mr. Makaron’s 12% interest in Pronto-Moscow.

Mr. Makaron’s interest in Pronto-Moscow is included in the periods covered by the Combined Financial Statements in “minority interests.” At Closing Mr. Makaron is expected to sell his interest in Pronto-Moscow to Mirabridge. Pursuant to the Purchase Agreement, he has agreed to purchase in the Offering a number of GDRs equal to a price of at least \$25 million (3.8% of our issued and outstanding share capital as calculated immediately prior to Closing). In addition, he will be granted an option to acquire, at the Offer Price, Shares in Trader Media East (convertible into GDRs) representing 0.5% of its issued and outstanding share capital as calculated immediately prior to Closing. See “Directors and Senior Management—Directors’ and Senior Management Interests in the Company.”

Option 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 (as determined using customary valuation methodologies). Between April 6, 2008 and April 5, 2009 the put and call options relate to one half of Mr. Makaron’s interest. Under the Option Agreement, if Mirabridge does not purchase Mr. Makaron’s interest upon his exercise of the put option, Mr. Makaron has the right to arrange, and Mirabridge is obligated to cooperate with, a trade sale to a third party of the entire capital of Pronto-Moscow at fair market value.

Both the put and call options become immediately exercisable with respect to all or any portion of Mr. Makaron’s interests upon his death or disability. The call option becomes immediately exercisable if Mr. Makaron voluntarily ceases to be employed on a substantially full-time basis by Pronto-Moscow or is terminated for cause under the terms of his employment agreement.

Except as contemplated under the Option Agreement, Mr. Makaron may not sell, assign, pledge or otherwise transfer or dispose of the interests subject to the Option Agreement other than to members of his family or trusts in which they are the beneficial owners which have agreed to be bound by the terms of the Option Agreement. Upon Closing, the Option Agreement will terminate.

Drag and Tag Along Agreement

Under an 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 (a “Transaction”). In the event of a Transaction, Mr. Makaron agreed to remain as General Manager of Pronto-Moscow until December 31, 2007 (or (a) 18 months following a Transaction taking place after June 30, 2006 or (b) 24 months following a change of control in TCM) and acknowledged Pronto-Moscow’s rights to, among others, the trademark *Iz Ruk v Ruki* and agreed to take no actions that would endanger the trademarks or intellectual property of Pronto-Moscow.

Pursuant to the Drag and Tag Along Agreement, in the event of a sale of more than 50% of the charter capital in Pronto-Moscow, Mr. Makaron has the right to participate, and Mirabridge has the right to require such participation, in such a sale provided Mr. Makaron receives minimum purchase price equivalent to his pro-rata share of eight times the prior years’ full year EBITDA for Pronto-Moscow. A sale of less than 50% of the charter capital of Pronto-Moscow will trigger similar rights on a pro-rata basis.

Following the completion of a sale by Mirabridge of its interest in Pronto-Moscow to a bona fide third party prior to December 31, 2007 or following the change of control of the Selling Shareholder, Mr. Makaron will receive a success fee determined by reference to the EBITDA of Pronto-Moscow, 50% payable upon the production of Pronto-Moscow’s audited accounts by Mr. Makaron with the remainder paid into an escrow account to be paid to Mr. Makaron on December 31, 2007 (the “Fee”).

IPO Letter Agreement

Under an agreement dated October 31, 2005 (the “IPO Letter Agreement”), Mirabridge and Mr. Makaron agreed that an initial public offering of Pronto Moscow, along with TCM’s businesses in Croatia, Poland and Hungary constituted a Transaction for the purposes of the Drag and Tag Along Agreement and agreed a formula for the purchase price to be paid to Mr. Makaron for his interest in Pronto-Moscow with reference to the net proceeds of the Offering received by TCM or the prior year EBITDA of Pronto-Moscow.

In addition, Mirabridge agreed to cause Trader Media East to grant to Mr. Makaron the right to acquire at the Offer Price shares in Trader Media East representing 0.5% of its issued and outstanding share capital as calculated immediately prior to Closing.

Supplemental Agreement

Under an 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 to 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.

Acquisition Agreement

Under an agreement dated January 22, 2006 (the “Acquisition Agreement”), Mirabridge and Mr. Makaron agreed that Mirabridge will purchase from Mr. Makaron his interest in Pronto-Moscow, for an amount equal to 10.75% of the sum of the net proceeds of the Offering to TCM and the net proceeds of the demerged debt resulting from the sale of TME less any financing costs associated therewith, together with an incremental fee determined on the basis of the Offer Price (a total of \$79.9 million) (the “Purchase Price”).

In addition, in satisfaction of the obligation to pay the Fee under the Drag and Tag Along Agreement, Mirabridge has agreed to pay Mr. Makaron an additional amount of \$21 million, (i) 50% payable on Closing (ii) 50% paid into an escrow account at the same time as the payment referred to in (i) (with an additional payment to ensure that such funds held in escrow result in Mr. Makaron obtaining a gross return on such funds of 7% per annum (prior to the payment of withholding or additional taxes)) payable to Mr. Makaron on December 31, 2007 upon receipt of certification from him that he is and remained at all times prior to that date, the General Manager of Pronto-Moscow.

Mirabridge intends to fund these payments through a drawdown of the Senior Credit Facility. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Senior Credit Facility” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Purchase of minority interests.”

Settlement and Release Agreement

Under an agreement dated January 20, 2006 (the “Settlement and Release Agreement”), Mirabridge and Mr. Makaron agreed that neither party would dispute the other party’s compliance with their respective obligations under the Drag and Tag Along Agreement. Mr. Makaron further released, among others, Mirabridge, TCM and Trader Media East from any claim he may have had relating to rights under the Drag and Tag Along Agreement.

- Management and Assistance Contracts

Certain members of the Trader Media East Group have entered into management services agreements (the “Management and Assistance Contracts”) with TCM to compensate it for services incurred by TCM head office personnel for the benefit of the combined businesses. These services performed by TCM included management of operations, legal, finance, human resources, internal audit, information technology, marketing and acquisitions. Accordingly, \$2.2 million, \$3.6 million and \$3.7 million were recorded as expenses of Trader Media East for 2002, 2003 and 2004, respectively, and \$1.9 million in the nine-month period ended September 30, 2005. The Management and Assistance Contracts will be terminated effective on the Closing Date.

- Transition Services Agreement

Trader Media East expects to enter into, on February 10, 2006, the Transition Services Agreement with TCM providing for limited non-strategic support, including central IT, facilities management (certain buildings and subleases), legal services, insurance, certain treasury and human resources functions, from TCM for one year.

- Strategic and Operating Relationship Agreement

Trader Media East expects to enter into, on February 10, 2006, the Strategic and Operating Relationship Agreement (the “Strategic and Operating Relationship Agreement”) with TCM for the sharing of best practices and other knowledge-sharing arrangements between TCM and Trader Media East. See note 17 to the Combined Financial Statements.

- 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 on 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 \$340,000.

- Indemnity Agreement

Pursuant to a letter agreement dated February 7, 2006 between us and TCM, we agreed that, in the event that TCM is required to pay to the Managers any amount pursuant to a claim under the indemnity it has provided to the Managers in the Underwriting Agreement, we will reimburse TCM for all such amounts; provided that in no event shall we be required to reimburse TCM an amount in excess of the amount that we would have been required to pay had the claim been made directly against or paid by us; and provided further that in no event shall we be required to reimburse TCM in respect of any breaches by it of the representations and warranties it has given in the Underwriting Agreement.

MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by a member of the Group within the two years immediately preceding the date of this document and are, or may be, material or have been entered into at any time by any member of the Group and contain provisions under which any member of the Group has an obligation or entitlement which is, or may be, material to the Group as at the date of this document:

- Acquisition Agreement

The Acquisition Agreement dated January 22, 2006, between Mirabridge International B.V. and Leonid Makaron, as described in “Related Party Transactions—Acquisition of Minority Interest in Pronto-Moscow—Acquisition Agreement.”

- Underwriting Agreement

The Underwriting Agreement dated February 7, 2006, between the Company, TCM and the Managers providing for, *inter alia*, the underwriting of the Offering and described in “Subscription and Sale.”

- Deposit Agreement

The Deposit Agreement to be entered into on February 10, 2006, between the Company and the Depositary as described in “Terms and Conditions of the Global Depositary Receipts.”

- Senior Credit Facility Agreement

The Senior Credit Facility Agreement expected to be entered into on or prior to the Closing Date, between Trader East Holdings B.V., Pronto-Moscow, Trader Hungary Tanácsadó Kft., Mirabridge International B.V., certain other subsidiaries of the Company and BNP Paribas, as described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Senior Credit Facility.”

- Transition Services Agreement

The Transition Services Agreement expected to be entered into on February 10, 2006, between Trader Media East and TCM, as described in “Related Party Transactions—Transition Services Agreement.”

- Strategic and Operating Relationship Agreement

The “Strategic and Operating Relationship Agreement” expected to be entered into on February 10, 2006, between Trader Media East and TCM as described in “Related Party Transactions—Strategic and Operating Relationship Agreement.”

TERMS AND CONDITIONS OF THE GLOBAL DEPOSITARY RECEIPTS

The following terms and conditions (subject to completion and amendment and excepting sentences in italics) will apply to the Global Depositary Receipts, and will be endorsed on each Global Depositary Receipt certificate: (x) 28.5

The Global Depositary Receipts (“GDRs”) represented by this certificate are each issued in respect of one ordinary share of US\$0.16 par value each (the “Shares”) in Trader Media East Limited (the “Company”) pursuant to and subject to an agreement to be dated February 10, 2006, and made between the Company and The Bank of New York in its capacity as depositary (the “Depositary”) for the “Regulation S Facility” and for the “Rule 144A Facility” (such agreement, as amended from time to time, being hereinafter referred to as the “Deposit Agreement”). Pursuant to the provisions of the Deposit Agreement, the Depositary has appointed BNY (Nominees) Limited as Custodian (the “Custodian”) to receive and hold on its behalf any relevant documentation respecting certain Shares (the “Deposited Shares”) and all rights, interests and other securities, property and cash deposited with the Custodian which are attributable to the Deposited Shares (together with the Deposited Shares, the “Deposited Property”). The Depositary shall hold Deposited Property for the benefit of the Holders (as defined below) as bare trustee in proportion to their holdings of GDRs. In these terms and conditions (the “Conditions”), references to the “Depositary” are to The Bank of New York and/or any other depositary which may from time to time be appointed under the Deposit Agreement, references to the “Custodian” are to BNY (Nominees) Limited or any other custodian from time to time appointed under the Deposit Agreement and references to the “Main Office” mean, in relation to the relevant Custodian, its head office in the city of London or such other location of the head office of the Custodian as may be designated by the Custodian with the approval of the Depositary (if outside the city of London) or the head office of any other custodian from time to time appointed under the Deposit Agreement.

References in these Conditions to the “Holder” of any GDR shall mean the person or persons registered on the books of the Depositary maintained for such purpose (the “Register”) as holder. These Conditions include summaries of, and are subject to, the detailed provisions of the Deposit Agreement, which includes the forms of the certificates in respect of the GDRs. Copies of the Deposit Agreement are available for inspection at the specified office of the Depositary and each Agent (as defined in Condition 17) and at the Main Office of the Custodian. Terms used in these Conditions and not defined herein but which are defined in the Deposit Agreement have the meanings ascribed to them in the Deposit Agreement. **Holders of GDRs are not party to the Deposit Agreement and thus, under English Law, have no contractual rights against, or obligations to, the Company or the Depositary. However, the Deed Poll executed by the Company in favor of the Holders provides that, if the Company fails to perform the obligations imposed on it by certain specified provisions of the Deposit Agreement, any Holder may enforce the relevant provisions of the Deposit Agreement as if it were a party to the Deposit Agreement and was the “Depositary” in respect of that number of Deposited Shares to which the GDRs of which he is the Holder relate. The Depositary is under no duty to enforce any of the provisions of the Deposit Agreement on behalf of any Holder of a GDR or any other person.**

1. Withdrawal of Deposited Property and Further Issues of GDRs

1.1. Any Holder may request withdrawal of, and the Depositary shall thereupon relinquish, the Deposited Property attributable to any GDR upon production of such evidence of the entitlement of the Holder to the relative GDR as the Depositary may reasonably require, at the specified office of the Depositary or any Agent accompanied by:

- (i) a duly executed order (in a form approved by the Depositary) requesting the Depositary to cause the Deposited Property being withdrawn to be delivered at the Main Office of the Custodian, or (at the request, risk and expense of the Holder, and only if permitted by applicable law from time to time) at the specified office located in New York, London or Jersey of the Depositary or any Agent, or to the order in writing of, the person or persons designated in such order;
- (ii) the payment of such fees, taxes, duties, charges and expenses as may be required under these Conditions or the Deposit Agreement;
- (iii) the surrender (if appropriate) of GDR certificates in definitive registered form properly endorsed in blank or accompanied by proper instruments of transfer satisfactory to the Depositary to which the Deposited Property being withdrawn is attributable; and

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- (iv) the delivery to the Depositary of a duly executed and completed certificate substantially in the form set out either (a) in Schedule 3, Part B, to the Deposit Agreement, if Deposited Property is to be withdrawn or delivered during the Restricted Period (such term being defined as the 40 day period beginning on the latest of the commencement of the Offering, the original issue date of the GDRs, and the issue date with respect to the additional GDRs, if any, issued to cover over-allotments) in respect of surrendered Regulation S GDRs, or (b) in Schedule 4, Part B, to the Deposit Agreement, if Deposited Property is to be withdrawn or delivered in respect of surrendered Rule 144A GDRs.
- 1.2. Upon production of such documentation and the making of such payment as aforesaid for withdrawal of the Deposited Property in accordance with Condition 1.1, the Depositary will direct the Custodian, by tested telex, facsimile or SWIFT message, within a reasonable time after receiving such direction from such Holder, to deliver at its Main Office to, or to the order in writing of, the person or persons designated in the accompanying order:
- (i) a certificate (if any) for, or other appropriate instrument of title (if any) to or evidence of a book-entry transfer in respect of the relevant Deposited Shares, registered in the name of the Depositary or its nominee and accompanied by such instruments of transfer in blank or to the person or persons specified in the order for withdrawal and such other documents, if any, as are required by law for the transfer thereof; and
 - (ii) all other property forming part of the Deposited Property attributable to such GDR, accompanied, if required by law, by one or more duly executed endorsements or instruments of transfer in respect thereof; provided however that the Depositary may make delivery at its specified office in New York of any Deposited Property which is in the form of cash;

PROVIDED THAT the Depositary (at the request, risk and expense of any Holder so surrendering a GDR):

- (a) will direct the Custodian to deliver the certificates for, or other instruments of title to, or book-entry transfer in respect of, the relevant Deposited Shares and any document relative thereto and any other documents referred to in sub-paragraphs 1.2(i) and (ii) of this Condition (together with any other property forming part of the Deposited Property which may be held by the Custodian or its agent and is attributable to such Deposited Shares); and/or
- (b) will deliver any other property forming part of the Deposited Property which may be held by the Depositary and is attributable to such GDR (accompanied, if required by law, by one or more duly executed endorsements or instruments of transfer in respect thereof);

in each case to the specified office located in New York or London of the Depositary (if permitted by applicable law from time to time) or at the specified office in Jersey of any Agent as designated by the surrendering Holder in the order accompanying such GDR.

- 1.3. Delivery by the Depositary, any Agent and the Custodian of all certificates, instruments, dividends or other property forming part of the Deposited Property as specified in this Condition will be made subject to any laws or regulations applicable thereto.
- 1.4. The Depositary may, in accordance with the terms of the Deposit Agreement and upon delivery of a duly executed order (in a form reasonably approved by the Depositary) and a duly executed certificate substantially in the form of (a) Schedule 3, Part A of the Deposit Agreement by or on behalf of any investor who is to become the beneficial owner of the Regulation S GDRs or (b) Schedule 4, Part A of the Deposit Agreement by or on behalf of any investor who is to become the beneficial owner of Rule 144A GDRs from time to time execute and deliver further GDRs having the same terms and conditions as the GDRs which are then outstanding in all respects (or the same in all respects except for the first dividend payment on the Shares corresponding to such further GDRs) and, subject to the terms of the Deposit Agreement, the Depositary shall accept for deposit any further Shares in connection therewith, so that such further GDRs shall form a single series with the already outstanding GDRs. References in these Conditions to the GDRs include (unless the context requires otherwise) any further GDRs issued pursuant to this Condition and forming a single series with the already outstanding GDRs.
- 1.5. Any further GDRs issued pursuant to Condition 1.4 which correspond to Shares which have different dividend rights from the Shares corresponding to the outstanding GDRs will correspond

to a separate temporary global Regulation S GDR and/or Rule 144A GDR. Upon becoming fungible with outstanding GDRs, such further GDRs shall be evidenced by a Master Regulation S GDR and a Master Rule 144A GDR (by increasing the total number of GDRs evidenced by the relevant Master Regulation S GDR and the Master Rule 144A GDR by the number of such further GDRs, as applicable).

- 1.6. The Depositary may issue GDRs against rights to receive Shares from the Company (or any agent of the Company recording Share ownership). No such issue of GDRs will be deemed a “Pre-Release” as defined in Condition 1.7.
- 1.7. Unless requested in writing by the Company to cease doing so, and notwithstanding the provisions of Condition 1.4, the Depositary may execute and deliver GDRs or issue interests in a Master Regulation S GDR or a Master Rule 144A GDR, as the case may be, prior to the receipt of Shares (a “Pre-Release”). The Depositary may, pursuant to Condition 1.1, deliver Shares upon the receipt and cancellation of GDRs, which have been Pre-Released, whether or not such cancellation is prior to the termination of such Pre-Release or the Depositary knows that such GDR has been Pre-Released. The Depositary may receive GDRs in lieu of Shares in satisfaction of a Pre-Release. Each Pre-Release will be (a) preceded or accompanied by a written representation from the person to whom GDRs or Deposited Property are to be delivered (the “Pre-Releasee”) that such person, or its customer, (i) owns or represents the owner of the corresponding Deposited Property or GDRs to be remitted (as the case may be), (ii) assigns all beneficial right, title and interest in such Deposited Property or GDRs (as the case may be) to the Depositary in its capacity as such and for the benefit of the Holders and (iii) will not take any action with respect to such GDRs or Deposited Property (as the case may be) that is inconsistent with the transfer of beneficial ownership (including without the consent of the Depositary, disposing of such Deposited Property or GDRs, as the case may be), other than in satisfaction of such Pre-Release; (b) at all times fully collateralized with cash or such other collateral as the Depositary determines in good faith will provide substantially similar liquidity and security; (c) terminable by the Depositary on not more than five (5) business days’ notice; and (d) subject to such further indemnities and credit regulations as the Depositary deems appropriate. The number of GDRs which are outstanding at any time as a result of Pre-Release will not normally represent more than 30% of the total number of GDRs then outstanding; provided, however, that the Depositary reserves the right to change or disregard such limit from time to time as it deems appropriate and may, with the prior written consent of the Company, change such limits for the purpose of general application. The Depositary will also set dollar limits with respect to such transactions hereunder with any particular Pre-Releasee hereunder on a case-by-case basis as the Depositary deems appropriate. The collateral referred to in sub-paragraph (b) above shall be held by the Depositary as security for the performance of the Pre-Releasee’s obligations in connection herewith, including the Pre-Releasee’s obligation to deliver Shares and/or other securities or GDRs upon termination of a transaction anticipated hereunder (and shall not, for the avoidance of doubt, constitute Deposited Property hereunder).

The Depositary may retain for its own account any compensation received by it in connection with the foregoing including, without limitation, earnings on the collateral.

The person to whom a Pre-Release of Rule 144A GDRs or Rule 144A Shares is to be made pursuant to this Condition 1.7 shall be required to deliver to the Depositary a duly executed and completed certificate substantially in the form set out in Schedule 4, Part A of the Deposit Agreement. The person to whom any Pre-Release of Regulation S GDRs or Regulation S Shares is to be made pursuant to this Condition 1.7 shall be required to deliver to the Depositary a duly executed and completed certificate substantially in the form set out in Schedule 3, Part A of the Deposit Agreement.

2. Suspension of Issue of GDRs and of Withdrawal of Deposited Property

The Depositary shall be entitled, at its reasonable discretion, at such times as it shall determine, to suspend the issue or transfer of GDRs (and the deposit of Shares) generally or in respect of particular Shares. In particular, to the extent that it is in its opinion practicable for it to do so, the Depositary will refuse to accept Shares for deposit, to execute and deliver GDRs or to register transfers of GDRs if it has been notified by the Company in writing that the Deposited Shares or GDRs or any depositary receipts corresponding to Shares are listed on a US Securities Exchange or quoted on a US automated inter-dealer quotation system unless accompanied by evidence satisfactory to the Depositary that any such Shares are eligible for resale pursuant to Rule 144A. Further, the Depositary may suspend the withdrawal of

Deposited Property during any period when the Register, or the register of shareholders of the Company is closed or, generally or in one or more localities, suspend the withdrawal of Deposited Property or deposit of Shares if deemed necessary or desirable or advisable by the Depositary in good faith at any time or from time to time, in order to comply with any applicable law or governmental or stock exchange regulations or any provision of the Deposit Agreement or for any other reason. The Depositary shall (unless otherwise notified by the Company) restrict the withdrawal of Deposited Shares where the Company notifies the Depositary in writing that such withdrawal would result in ownership of Shares exceeding any limit under any applicable law, government resolution or the Company's constitutive documents or would otherwise violate any applicable laws.

3. Transfer and Ownership

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The GDRs are in registered form, each corresponding to one Share. Title to the GDRs passes by registration in the Register and accordingly, transfer of title to a GDR is effective only upon such registration. The Depositary will refuse to accept for transfer any GDRs if it reasonably believes that such transfer would result in violation of any applicable laws. The Holder of any GDR will (except as otherwise required by law) be treated by the Depositary and the Company as its beneficial owner for all purposes (whether or not any payment or other distribution in respect of such GDR is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or theft or loss of any certificate issued in respect of it) and no person will be liable for so treating the Holder.

Interests in Rule 144A GDRs corresponding to the Master Rule 144A GDR may be transferred to a person whose interest in such Rule 144A GDRs is subsequently represented by the Master Regulation S GDR only upon receipt by the Depositary of written certifications (in the forms provided in the Deposit Agreement) from the transferor and the transferee to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S under the United States Securities Act of 1933, as amended (the "Securities Act"). Prior to expiration of the Restricted Period, no owner of Regulation S GDRs may transfer Regulation S GDRs or Shares represented thereby except in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act or to, or for the account of, a qualified institutional buyer as defined in Rule 144A under the Securities Act (each a "QIB") in a transaction meeting the requirements of such Rule 144A. There shall be no transfer of Regulation S GDRs by an owner thereof to a QIB except as aforesaid and unless such owner (i) withdraws Regulation S Shares from the Regulation S Facility in accordance with Clause 3.5 of the Deposit Agreement and (ii) instructs the Depositary to deliver the Shares so withdrawn to the account of the Custodian to be deposited into the Rule 144A Facility for issuance thereunder of Rule 144A GDRs to, or for the account of, such QIB. Issuance of such Rule 144A GDRs shall be subject to the terms and conditions of the Deposit Agreement, including, with respect to the deposit of Shares and the issuance of Rule 144A GDRs, delivery of the duly executed and completed written certificate and agreement required under the Deposit Agreement by or on behalf of each person who will be the beneficial owner of such Rule 144A GDRs certifying that such person is a QIB and agreeing that it will comply with the restrictions on transfer set forth therein and to payment of the fees, charges and taxes provided therein.

4. Cash Distributions

Whenever the Depositary shall receive from the Company any cash dividend or other cash distribution on or in respect of the Deposited Shares (including any amounts received in the liquidation of the Company) or otherwise in connection with the Deposited Property, the Depositary shall, as soon as practicable, convert the same into United States dollars in accordance with Condition 8. The Depositary shall, if practicable in the opinion of the Depositary, give notice to the Holders of its receipt of such payment in accordance with Condition 23, specifying the amount per Deposited Share payable in respect of such dividend or distribution and the earliest date, determined by the Depositary, for transmission of such payment to Holders and shall as soon as practicable distribute any such amounts to the Holders in proportion to the number of Deposited Shares corresponding to the GDRs so held by them respectively, subject to and in accordance with the provisions of Conditions 9 and 11; PROVIDED THAT:

- (a) in the event that the Depositary is aware that any Deposited Shares are not entitled, by reason of the date of issue or transfer or otherwise, to such full proportionate amount, the amount so distributed to the relative Holders shall be adjusted accordingly; and
- (b) the Depositary will distribute only such amounts of cash dividends and other distributions as may be distributed without attributing to any GDR a fraction of the lowest integral unit of currency in

which the distribution is made by the Depositary, and any balance remaining shall be retained by the Depositary beneficially as an additional fee under Condition 16.1(iv).

5. Distributions of Shares

Whenever the Depositary shall receive from the Company any distribution in respect of Deposited Shares which consists of a dividend or free distribution of Shares, the Depositary shall cause to be distributed to the Holders entitled thereto, in proportion to the number of Deposited Shares corresponding to the GDRs held by them respectively, additional GDRs corresponding to an aggregate number of Shares received pursuant to such distribution. Such additional GDRs shall be distributed by an increase in the number of GDRs corresponding to the Master GDRs or by an issue of certificates in definitive registered form in respect of GDRs, according to the manner in which the Holders hold their GDRs; PROVIDED THAT, if and in so far as the Depositary deems any such distribution to all or any Holders not to be reasonably practicable (including, without limitation, due to the fractions which would otherwise result or to any requirement that the Company, the Custodian or the Depositary withhold an amount on account of taxes or other governmental charges) or to be unlawful, the Depositary shall (either by public or private sale and otherwise at its discretion, subject to all applicable laws and regulations) sell such Shares so received and distribute the net proceeds of such sale as a cash distribution pursuant to Condition 4 to the Holders entitled thereto.

6. Distributions other than in Cash or Shares

Whenever the Depositary shall receive from the Company any dividend or distribution in securities (other than Shares) or in other property (other than cash) on or in respect of the Deposited Property, the Depositary shall distribute or cause to be distributed such securities or other property to the Holders entitled thereto, in proportion to the number of Deposited Shares corresponding to the GDRs held by them respectively, in any manner that the Depositary may deem equitable and practicable for effecting such distribution; PROVIDED THAT, if and in so far as the Depositary deems any such distribution to all or any Holders not to be reasonably practicable (including, without limitation, due to the fractions which would otherwise result or to any requirement that the Company, the Custodian or the Depositary withhold an amount on account of taxes or other governmental charges) or to be unlawful, the Depositary shall deal with the securities or property so received, or any part thereof, in such way as the Depositary may determine to be equitable and practicable, including, without limitation, by way of sale (either by public or private sale and otherwise at its discretion, subject to all applicable laws and regulations) and shall (in the case of a sale) distribute the resulting net proceeds as a cash distribution pursuant to Condition 4 to the Holders entitled thereto.

7. Rights Issues

If and whenever the Company announces its intention to make any offer or invitation to the holders of Shares to subscribe for or to acquire Shares, securities or other assets by way of rights, the Depositary shall as soon as practicable give notice to the Holders, in accordance with Condition 23, of such offer or invitation, specifying, if applicable, the earliest date established for acceptance thereof, the last date established for acceptance thereof and the manner by which and time during which Holders may request the Depositary to exercise such rights as provided below or, if such be the case, specifying details of how the Depositary proposes to distribute the rights or the proceeds of any sale thereof. The Depositary will deal with such rights in the manner described below:

- (i) if and to the extent that the Depositary shall, at its discretion, deem it to be lawful and reasonably practicable, the Depositary shall make arrangements whereby the Holders may, upon payment of the subscription price in US dollars or other relevant currency together with such fees, taxes, duties, charges, costs and expenses as may be required under the Deposit Agreement and completion of such undertakings, declarations, certifications and other documents as the Depositary may reasonably require, request the Depositary to exercise such rights on their behalf with respect to the Deposited Shares and to distribute the Shares, securities or other assets so subscribed or acquired to the Holders entitled thereto by an increase in the numbers of GDRs corresponding to the Master GDRs or an issue of certificates in definitive registered form in respect of GDRs, according to the manner in which the Holders hold their GDRs; or

- (ii) if and to the extent that the Depositary shall at its discretion, deem it to be lawful and reasonably practicable, the Depositary will distribute such rights to the Holders entitled thereto in such manner as the Depositary may at its discretion determine; or
- (iii) if and to the extent that the Depositary deems any such arrangement and distribution as is referred to in paragraphs (i) and (ii) above to all or any Holders not to be lawful and reasonably practicable (including, without limitation, due to the fractions which would otherwise result or to any requirement that the Company, the Custodian or the Depositary withhold an amount on account of taxes or other governmental charges) or to be unlawful, the Depositary (a) will, PROVIDED THAT Holders have not taken up rights through the Depositary as provided in (i) above, sell such rights (either by public or private sale and otherwise at its discretion subject to all applicable laws and regulations) or (b) may, if such rights are not transferable, in its discretion, arrange for such rights to be exercised and the resulting Shares or securities sold and, in each case, distribute the net proceeds of such sale as a cash distribution pursuant to Condition 4 to the Holders entitled thereto.
- (iv) (a) Notwithstanding the foregoing, in the event that the Depositary offers rights pursuant to Condition 7(i) (the “Primary GDR Rights Offering”), if authorized by the Company to do so, the Depositary may, in its discretion, make arrangements whereby in addition to instructions given by a Holder to the Depositary to exercise rights on its behalf pursuant to Condition 7(i), such Holder is permitted to instruct the Depositary to subscribe on its behalf for additional rights which are not attributable to the Deposited Shares represented by such Holder’s GDRs (“Additional GDR Rights”) if at the date and time specified by the Depositary for the conclusion of the Primary GDR Offering (the “Instruction Date”) instructions to exercise rights have not been received by the Depositary from the Holders in respect of all their initial entitlements. Any Holder’s instructions to subscribe for such Additional GDR Rights (“Additional GDR Rights Requests”) shall specify the maximum number of Additional GDR Rights that such Holder is prepared to accept (the “Maximum Additional Subscription”) and must be received by the Depositary by the Instruction Date. If by the Instruction Date any rights offered in the Primary GDR Rights Offering have not been subscribed by the Holders initially entitled thereto (“Unsubscribed Rights”), subject to Condition 7(iv)(c) and receipt of the relevant subscription price in US dollars or other relevant currency, together with such fees, taxes, duties, charges, costs and expenses as it may deem necessary, the Depositary shall make arrangements for the allocation and distribution of Additional GDR Rights in accordance with Condition 7(iv)(b).
- (b) Holders submitting Additional GDR Rights Requests shall be bound to accept the Maximum Additional Subscription specified in such Additional GDR Request but the Depositary shall not be bound to arrange for a Holder to receive the Maximum Additional Subscription so specified but may make arrangements whereby the Unsubscribed Rights are allocated *pro rata* on the basis of the extent of the Maximum Additional Subscription specified in each Holder’s Additional GDR Rights Request.
- (c) In order to proceed in the manner contemplated in this Condition 7(iv), the Depositary shall be entitled to receive such opinions from Jersey counsel and US counsel as in its discretion it deems necessary which opinions shall be in a form and provided by counsel satisfactory to the Depositary and at the Company’s expense and may be requested in addition to any other opinions and/or certifications which the Depositary shall be entitled to receive under the Deposit Agreement and these Conditions. For the avoidance of doubt, save as provided in these Conditions and the Deposit Agreement, the Depositary shall have no liability to the Company or any Holder in respect of its actions or omissions to act under this Condition 7(iv) and, in particular, the Depositary will not be regarded as being negligent, acting in bad faith, or in willful default if it elects not to make the arrangements referred to in Condition 7(iv)(a).

The Company has agreed in the Deposit Agreement that it will, unless prohibited by applicable law or regulation, give consent to, and if requested use all reasonable endeavors (subject to the next paragraph) to facilitate, any such distribution, sale or subscription by the Depositary or the Holders, as the case may be, pursuant to Conditions 4, 5, 6, 7 or 10 (including the obtaining of legal opinions from counsel reasonably satisfactory to the Depositary concerning such matters as the Depositary may reasonably specify).

If the Company notifies the Depositary that registration is required in any jurisdiction under any applicable law of the rights, securities or other property to be distributed under Condition 4, 5, 6, 7 or 10 or the securities to which such rights relate in order for the Company to offer such rights or distribute such securities or other property to the Holders or owners of GDRs and to sell the securities corresponding to such rights, the Depositary will not offer such rights or distribute such securities or other property to the Holders or sell such securities unless and until the Company procures the receipt by the Depositary of an opinion from counsel reasonably satisfactory to the Depositary that a registration statement is in effect or that the offering and sale of such rights or securities to such Holders or owners of GDRs are exempt from registration under the provisions of such law. Neither the Company nor the Depositary shall be liable to register such rights, securities or other property or the securities to which such rights relate and neither the Company nor the Depositary shall be liable for any losses, damages or expenses resulting from any failure to do so.

If at the time of the offering of any rights, at its discretion, the Depositary shall be satisfied that it is not lawful or practicable (for reasons outside its control) to dispose of the rights in any manner provided in paragraphs (i), (ii), (iii) and (iv) above, the Depositary shall permit the rights to lapse. The Depositary will not be responsible for any failure to determine that it may be lawful or feasible to make such rights available to Holders or owners of GDRs in general or to any Holder or owner of a GDR or Holders or owners of GDRs in particular.

8. Conversion of Foreign Currency

Whenever the Depositary shall receive any currency other than United States dollars by way of dividend or other distribution or as the net proceeds from the sale of securities, other property or rights, and if at the time of the receipt thereof the currency so received can in the judgment of the Depositary be converted on a reasonable basis into United States dollars and distributed to the Holders entitled thereto, the Depositary shall as soon as practicable itself convert or cause to be converted by another bank or other financial institution, by sale or in any other manner that it may reasonably determine, the currency so received into United States dollars. If such conversion or distribution can be effected only with the approval or license of any government or agency thereof, the Depositary shall make reasonable efforts to apply, or procure that an application be made, for such approval or license, if any, as it may deem desirable. If at any time the Depositary shall determine that in its judgment any currency other than United States dollars is not convertible on a reasonable basis into United States dollars and distributable to the Holders entitled thereto, or if any approval or license of any government or agency thereof which is required for such conversion is denied or, in the opinion of the Depositary, is not obtainable, or if any such approval or license is not obtained within a reasonable period as determined by the Depositary, the Depositary may distribute such other currency received by it (or an appropriate document evidencing the right to receive such other currency) to the Holders entitled thereto to the extent permitted under applicable law, or the Depositary may in its discretion hold such other currency for the benefit of the Holders entitled thereto. If any conversion of any such currency can be effected in whole or in part for distribution to some (but not all) Holders entitled thereto, the Depositary may at its discretion make such conversion and distribution in United States dollars to the extent possible to the Holders entitled thereto and may distribute the balance of such other currency received by the Depositary to, or hold such balance for the account of, the Holders entitled thereto, and notify the Holders accordingly.

9. Distribution of any Payments

9.1. Any distribution of cash under Condition 4, 5, 6, 7 or 10 will be made by the Depositary to Holders on the record date established by the Depositary for that purpose (such date to be as close to the record date set by the Company as is reasonably practicable) and, if practicable in the opinion of the Depositary, notice shall be given promptly to Holders in accordance with Condition 23, in each case subject to any laws or regulations applicable thereto and (subject to the provisions of Condition 8) distributions will be made in United States dollars by check drawn upon a bank in New York City or, in the case of the Master GDRs, according to usual practice between the Depositary and Clearstream, Euroclear or DTC, as the case may be. The Depositary or the Agent, as the case may be, may deduct and retain from all moneys due in respect of such GDR in accordance with the Deposit Agreement all fees, taxes, duties, charges, costs and expenses which may become or have become payable under the Deposit Agreement or under applicable law or regulation in respect of such GDR or the related Deposited Property.

- 9.2. Delivery of any securities or other property or rights other than cash shall be made as soon as practicable to the Holders on the record date established by the Depositary for that purpose (such date to be as close to the record date set by the Company as is reasonably practicable), subject to any laws or regulations applicable thereto. If any distribution made by the Company with respect to the Deposited Property and received by the Depositary shall remain unclaimed at the end of three years from the first date upon which such distribution is made available to Holders in accordance with the Deposit Agreement, all rights of the Holders to such distribution or the proceeds of the sale thereof shall be extinguished and the Depositary shall (except for any distribution upon the liquidation of the Company when the Depositary shall retain the same) return the same to the Company for its own use and benefit subject, in all cases, to the provisions of applicable law or regulation.

10. Capital Reorganization

Upon any change in the nominal or par value, sub-division, consolidation or other reclassification of Deposited Shares or any other part of the Deposited Property or upon any reduction of capital, or upon any reorganization, merger or consolidation of the Company or to which it is a party (except where the Company is the continuing corporation), the Depositary shall as soon as practicable give notice of such event to the Holders and at its discretion may treat such event as a distribution and comply with the relevant provisions of Conditions 4, 5, 6 and 9 with respect thereto, or may execute and deliver additional GDRs in respect of Shares or may require the exchange of existing GDRs for new GDRs which reflect the effect of such change.

11. Withholding Taxes and Applicable Laws

- 11.1. Payments to Holders of dividends or other distributions on or in respect of the Deposited Shares will be subject to deduction of Dutch and (if any) Jersey or other withholding taxes, if any, at the applicable rates.
- 11.2. If any governmental or administrative authorization, consent, registration or permit or any report to any governmental or administrative authority is required under any applicable law in Jersey or The Netherlands in order for the Depositary to receive from the Company Shares or other securities to be deposited under these Conditions, or in order for Shares, other securities or other property to be distributed under Condition 4, 5, 6 or 10 or to be subscribed under Condition 7 or to offer any rights or sell any securities represented by such rights relevant to any Deposited Shares, the Company has agreed to apply for such authorization, consent, registration or permit or file such report on behalf of the Holders within the time required under such laws. In this connection, the Company has undertaken in the Deposit Agreement to the extent reasonably practicable to take such action as may be required in obtaining or filing the same. The Depositary shall not be obliged to distribute GDRs representing such Shares, Shares, other securities or other property deposited under these Conditions or make any offer of any such rights or sell any securities corresponding to any such rights with respect to which such authorization, consent, registration or permit or such report has not been obtained or filed, as the case may be, and shall have no duties to obtain (but shall where assistance is reasonably requested by the Company, and such assistance does not require the Depositary to take any action in conflict with market practice or in a capacity other than its capacity as Depositary, at the expense of the Company make reasonable endeavors to assist the Company to obtain) any such authorization, consent, registration or permit, or to file any such report.

12. Voting Rights

- 12.1. Holders will have the right to instruct the Depositary with respect to the exercise of voting rights with respect to the Deposited Shares. Where two or more persons are registered as the Holder of a GDR, the Depositary will require instructions from each such person, each giving the same instructions, for the purposes of Condition 12. The Company has agreed to notify the Depositary of any resolution to be proposed at any General Meeting of the Company and the Depositary will vote or cause to be voted the Deposited Shares in the manner set out in this Condition 12. (x) 28.8

The Company has agreed with the Depositary that it will promptly provide to the Depositary sufficient copies, as the Depositary may reasonably request, of notices of meetings of the shareholders of the Company and the agenda therefor as well as written requests containing voting instructions by which each Holder may give instructions to the Depositary to vote for or against

- each and any resolution specified in the agenda for the meeting, which the Depositary shall send to any person who is a Holder on the record date established by the Depositary for that purpose (which shall be the same as the corresponding record date set by the Company for the Shares or as near as practicable thereto) as soon as practicable after receipt of the same by the Depositary in accordance with Condition 23. The Company has also agreed to provide to the Depositary appropriate proxy forms to enable the Depositary to appoint a representative to attend the relevant meeting and vote on behalf of the Depositary.
- 12.2. In order for each voting instruction to be valid, the voting instructions form must be completed and duly signed by the respective Holder (or in the case of instructions received from the clearing systems should be received by authenticated SWIFT message) in accordance with the written request containing voting instructions and returned to the Depositary by such record date as the Depositary may specify.
 - 12.3. The Depositary will exercise or cause to be exercised the voting rights in respect of the Deposited Shares so that the relevant portion of the Deposited Shares will be voted for and the relevant portion of the Deposited Shares will be voted against any resolution specified in the agenda for the relevant meeting in accordance with the voting instructions it has received.
 - 12.4. If the Depositary is advised in the opinion referred to in Condition 12.7 below that it is not permitted by Jersey law to exercise the voting rights in respect of the Deposited Shares differently (so that a portion of the Deposited Shares may be voted for a resolution and a portion of the Deposited Shares may be voted against a resolution) the Depositary shall, if the opinion referred to in Condition 12.7 below confirms it to be permissible under Jersey law, calculate from the voting instructions that it has received from all Holders (x) the aggregate number of votes in favor of a particular resolution and (y) the aggregate number of votes opposed to such resolution and cast or cause to be cast in favor of or opposed to such resolution the number of votes representing the net positive difference between such aggregate number of votes in favor of such resolution and such aggregate number of votes opposed to such resolution.
 - 12.5. The Depositary will only endeavor to vote or cause to be voted the votes attaching to Shares in respect of which voting instructions have been received, except that if no voting instructions are received by the Depositary from a Holder (either because no voting instructions are returned to the Depositary by such Holder or because the voting instructions are incomplete, illegible or unclear) with respect to any or all of the Deposited Shares represented by such Holder's GDRs on or before the record date specified by the Depositary, the Depositary shall have no obligation to, and shall not, exercise any voting rights attaching to such Deposited Shares.
 - 12.6. If the Depositary is advised in the opinion referred to in Condition 12.7 below that it is not permissible under Jersey law or the Depositary determines that it is not reasonably practicable to vote or cause to be voted such Deposited Shares in accordance with Conditions 12.3, 12.4 or 12.5 the Depositary shall not vote or cause to be voted such Deposited Shares.
 - 12.7. Where the Depositary is to vote in respect of each and any resolution in the manner described in Conditions 12.3, 12.4 or 12.5 above the Depositary shall notify the chairman of the Company's board of directors (the "Chairman") and appoint a person designated by the Chairman as a representative of the Depositary to attend such meeting and vote the Deposited Shares in the manner required by this Condition. The Depositary shall not be required to take any action required by this Condition 12 unless it shall have previously received an opinion from the Company's legal counsel (such counsel being reasonably acceptable to the Depositary) at the Company's expense to the effect that the voting arrangements contemplated in this Condition are valid and binding on Holders under Jersey law and the Company's statutes and that the Depositary is permitted to exercise votes in accordance with the provisions of this Condition 12 and that in doing so the Depositary will not be deemed to be exercising voting discretion.
 - 12.8. By continuing to hold GDRs, all Holders shall be deemed to have agreed to the provisions of this Condition 12 as it may be amended from time to time in order to comply with applicable Jersey law.
 - 12.9. The Depositary shall not, and the Depositary shall ensure that the Custodian and its nominee or nominees, if any, do not, vote or attempt to exercise any right to vote that attaches to the Deposited Shares, other than in accordance with instructions given in accordance with this Condition.

13. Recovery of Taxes, Duties and Other Charges, and Fees and Expenses due to the Depositary

The Depositary shall not be liable for any taxes, duties, charges, costs or expenses which may become payable in respect of the Deposited Shares or other Deposited Property or the GDRs, whether under any present or future fiscal or other laws or regulations, and such part thereof as is proportionate or referable to a GDR (the "Charges") shall be payable by the Holder thereof to the Depositary at any time on request or may be deducted from any amount due or becoming due on such GDR in respect of any dividend or other distribution. The Depositary may sell (whether by way of public or private sale and otherwise at its discretion, subject to all applicable laws and regulations) for the account of the Holder an appropriate number of Deposited Shares or amount of other Deposited Property and will discharge out of the proceeds of such sale any Charges, and any fees or expenses due to the Depositary from the Holder pursuant to Condition 16, and subsequently pay any surplus to the Holder. Any request by the Depositary for the payment of Charges shall be made by giving notice pursuant to Condition 23.

14. Liability

- 14.1. In acting hereunder the Depositary shall have only those duties, obligations and responsibilities expressly specified in the Deposit Agreement and these Conditions and, other than holding the Deposited Property for the benefit of Holders as bare trustee, does not assume any relationship of trust for or with the Holders or owners of GDRs or any other person.
- 14.2. Neither the Depositary, the Custodian, the Company, any Agent, nor any of their agents, officers, directors or employees shall incur any liability to any other of them or to any Holder or owner of a GDR or any other person with an interest in any GDRs if, by reason of any provision of any present or future law or regulation of Jersey or any other country or of any relevant governmental authority, or by reason of the interpretation or application of any such present or future law or regulation or any change therein, or by reason of any other circumstances beyond their control, or in the case of the Depositary, the Custodian, the Agent or any of their agents, officers, directors or employees, by reason of any provision, present or future, of the constitutive documents of the Company, any of them shall be prevented, delayed or forbidden from doing or performing any act or thing which the terms of the Deposit Agreement or these Conditions provide shall or may be done or performed; nor shall any of them incur any liability to any Holder or owner of GDRs or any other person with an interest in any GDRs by reason of any exercise of, or failure to exercise, any voting rights attached to the Deposited Shares or any of them or any other discretion or power provided for in the Deposit Agreement. Any such party may rely on, and shall be protected in acting upon, any written notice, request, direction or other document believed by it to be genuine and to have been duly signed or presented (including a translation which is made by a translator believed by it to be competent or which appears to be authentic).
- 14.3. Neither the Depositary nor any Agent shall be liable (except for its own willful default, negligence or bad faith or that of its agents, officers, directors or employees) to the Company or any Holder or owner of GDRs or any other person, by reason of having accepted as valid or not having rejected any certificate for Shares or GDRs or any signature on any transfer or instruction purporting to be such and subsequently found to be forged or not authentic or for its failure to perform any obligations under the Deposit Agreement or these Conditions.
- 14.4. The Depositary and its agents may engage or be interested in any financial or other business transactions with the Company or any of its subsidiaries or affiliates, or in relation to the Deposited Property (including without prejudice to the generality of the foregoing, the conversion of any part of the Deposited Property from one currency to another), may at any time hold or be interested in GDRs for its own account, and shall be entitled to charge and be paid all usual fees, commissions and other charges for business transacted and acts done by it as a bank, and not in the capacity of Depositary, in relation to matters arising under the Deposit Agreement (including, without prejudice to the generality of the foregoing, charges on the conversion of any part of the Deposited Property from one currency to another and on any sales of property) without accounting to Holders or any other person for any profit arising therefrom.
- 14.5. The Depositary shall endeavor to effect any such sale as is referred to or contemplated in Conditions 5, 6, 7, 10, 13 or 21 or any such conversion as is referred to in Condition 8 in accordance with the Depositary's normal practices and procedures but shall have no liability (in the absence of its own willful default, negligence or bad faith or that of its agents, officers, directors or employees)

- with respect to the terms of such sale or conversion or if such sale or conversion shall not be reasonably practicable.
- 14.6. The Depositary shall not be required or obliged to monitor, supervise or enforce the observance and performance by the Company of its obligations under or in connection with the Deposit Agreement or these Conditions.
 - 14.7. The Depositary shall have no responsibility whatsoever to the Company, any Holders or any owner of GDRs or any other person as regards any deficiency which might arise because the Depositary is subject to any tax in respect of the Deposited Property or any part thereof or any income therefrom or any proceeds thereof.
 - 14.8. In connection with any proposed modification, waiver, authorization or determination permitted by the terms of the Deposit Agreement, the Depositary shall not, except as otherwise expressly provided in Condition 22, be obliged to have regard to the consequence thereof for the Holders or the owners of GDRs or any other person.
 - 14.9. Notwithstanding anything else contained in the Deposit Agreement or these Conditions, the Depositary may refrain from doing anything which could or might, in its opinion, be contrary to any law of any jurisdiction or any directive or regulation of any agency or state or which would or might otherwise render it liable to any person and the Depositary may do anything which is, in its opinion, necessary to comply with any such law, directive or regulation.
 - 14.10. The Depositary may, in relation to the Deposit Agreement and these Conditions, act or take no action on the advice or opinion of, or any certificate or information obtained from, any lawyer, valuer, accountant, banker, broker, securities company or other expert whether obtained by the Company, the Depositary or otherwise, and shall not be responsible or liable for any loss or liability occasioned by so acting or refraining from acting or relying on information from persons presenting Shares for deposit or GDRs for surrender or requesting transfers thereof.
 - 14.11. Any such advice, opinion, certificate or information (as discussed in Condition 14.10 above) may be sent or obtained by letter, telex, facsimile transmission, telegram or cable and the Depositary shall not be liable for acting on any advice, opinion, certificate or information purported to be conveyed by any such letter, telex or facsimile transmission although (without the Depositary's knowledge) the same shall contain some error or shall not be authentic.
 - 14.12. The Depositary may call for and shall be at liberty to accept as sufficient evidence of any fact or matter or the expediency of any transaction or thing, a certificate, letter or other communication, whether oral or written, signed or otherwise communicated on behalf of the Company by any directors of the Company or by a person duly authorized by any of the directors of the Company or such other certificate from persons specified in Condition 14.10 above which the Depositary considers appropriate and the Depositary shall not be bound in any such case to call for further evidence or be responsible for any loss or liability that may be occasioned by the Depositary acting on such certificate.
 - 14.13. The Depositary shall have no obligation under the Deposit Agreement except to perform its obligations as are specifically set out therein without willful default, negligence or bad faith.
 - 14.14. The Depositary may delegate by power of attorney or otherwise to any person or persons or fluctuating body of persons, whether being a joint Depositary of the Deposit Agreement or not and not being a person to whom the Company may reasonably object, all or any of the powers, authorities and discretions vested in the Depositary by the Deposit Agreement and such delegation may be made upon such terms and subject to such conditions, including power to sub-delegate and subject to such regulations as the Depositary may in the interests of the Holders think fit, provided that no objection from the Company to any such delegation as aforesaid may be made to a person whose financial statements are consolidated with those of the Depositary's ultimate holding company. Any delegation by the Depositary shall be on the basis that the Depositary is acting on behalf of the Company and the Holders in making such delegation. The Company shall not in any circumstances and the Depositary shall not (provided that it shall have exercised reasonable care in the selection of such delegate) be bound to supervise the proceedings or be in any way responsible for any loss, liability, cost, claim, action, demand or expense incurred by reason of any misconduct or default on the part of any such delegate or sub-delegate. However, the Depositary shall, if practicable and if so requested by the Company, pursue (at the Company's expense and subject to

receipt by the Depositary of such indemnity and security for costs as the Depositary may reasonably require) any legal action it may have against such delegate or sub-delegate arising out of any such loss caused by reason of any such misconduct or default. The Depositary shall, within a reasonable time of any such delegation or any renewal, extension or termination thereof, give notice thereof to the Company. Any delegation under this Condition which includes the power to sub-delegate shall provide that the sub-delegate shall be required to provide the services sub-delegated in substantially the same manner as such services are required to be provided under the Deposit Agreement and the delegate shall, within a specified time of any sub-delegation or amendment, extension or termination thereof, give notice thereof to the Company and the Depositary.

- 14.15. The Depositary may, in the performance of its obligations hereunder, instead of acting personally, employ and pay an agent, whether a solicitor or other person, to transact or concur in transacting any business and do or concur in doing all acts required to be done by such party, including the receipt and payment of money.
- 14.16. The Depositary shall be at liberty to hold or to deposit the Deposit Agreement and any deed or document relating thereto in any part of the world with any banking company or companies (including itself) whose business includes undertaking the safe custody of deeds or documents or with any lawyer or firm of lawyers of good repute, and the Depositary shall not (in the case of deposit with itself, in the absence of its own negligence, willful default, or bad faith or that of its agents, directors, officers or employees) be responsible for any losses, liability or expenses incurred in connection with any such deposit.
- 14.17. Notwithstanding anything to the contrary contained in the Deposit Agreement or these Conditions, the Depositary shall not be liable in respect of any loss or damage which arises out of or in connection with its performance or non-performance or the exercise or attempted exercise of, or the failure to exercise any of, its powers or discretions under the Deposit Agreement except to the extent that such loss or damage arises from the willful default, negligence or bad faith of the Depositary or that of its agents, officers, directors or employees.
- 14.18. No provision of the Deposit Agreement or these Conditions shall require the Depositary to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity and security against such risk of liability is not assured to it.
- 14.19. For the avoidance of doubt, the Depositary shall be under no obligation to check, monitor or enforce compliance with any ownership restrictions in respect of GDRs or Shares under any applicable Jersey law as the same may be amended from time to time. Notwithstanding the generality of Condition 3, the Depositary shall refuse to register any transfer of GDRs or any deposit of Shares against issuance of GDRs if notified by the Company, or the Depositary becomes aware of the fact, that such transfer or issuance would result in a violation of the limitations set forth above.
- 14.20. No disclaimer of liability under the Securities Act is intended by any provision of the Deposit Agreement.

15. Issue and Delivery of Replacement GDRs and Exchange of GDRs

Subject to the payment of the relevant fees, taxes, duties, charges, costs and expenses and such terms as to evidence and indemnity as the Depositary may require, replacement GDRs will be issued by the Depositary and will be delivered in exchange for or replacement of outstanding lost, stolen, mutilated, defaced or destroyed GDRs upon surrender thereof (except in the case of the destruction, loss or theft) at the specified office of the Depositary or (at the request, risk and expense of the Holder) at the specified office of any Agent.

16. Depository's Fees, Costs and Expenses

16.1. The Depository shall be entitled to charge the following remuneration and receive the following remuneration and reimbursement (such remuneration and reimbursement being payable on demand) from the Holders in respect of its services under the Deposit Agreement:

- (i) for the issue of GDRs (other than upon the issue of GDRs pursuant to the Offering) or the cancellation of GDRs upon the withdrawal of Deposited Property: US\$5.00 or less per 100 GDRs (or portion thereof) issued or cancelled;
- (ii) for issuing GDR certificates in definitive registered form in replacement for mutilated, defaced, lost, stolen or destroyed GDR certificates: a sum per GDR certificate which is determined by the Depository to be a reasonable charge to reflect the work, costs and expenses involved;
- (iii) for issuing GDR certificates in definitive registered form (other than pursuant to (ii) above): the greater of US\$1.50 per GDR certificate (plus printing costs) or such other sum per GDR certificate which is determined by the Depository to be a reasonable charge to reflect the work plus costs (including but not limited to printing costs) and expenses involved;
- (iv) for receiving and paying any cash dividend or other cash distribution on or in respect of the Deposited Shares: a fee of US\$0.02 or less per GDR for each such dividend or distribution;
- (v) in respect of any issue of rights or distribution of Shares (whether or not evidenced by GDRs) or other securities or other property (other than cash) upon exercise of any rights, any free distribution, stock dividend or other distribution: US\$5.00 or less per 100 outstanding GDRs (or portion thereof) for each such issue of rights, dividend or distribution;
- (vi) for transferring interests from and between the Regulation S Master GDR and the Rule 144A Master GDR: a fee of US\$0.05 or less per GDR;
- (vii) a fee of US\$0.02 or less per GDR (or portion thereof) for depository services, which shall accrue on the last day of each calendar year and shall be payable as provided in paragraph (viii) below; and
- (viii) any other charge payable by the Depository, any of the Depository's agents, including the Custodian, or the agents of the Depository's agents, in connection with the servicing of Deposited Shares or other Deposited Property (which charge shall be assessed against Holders as of the date or dates set by the Depository and shall be payable at the sole discretion of the Depository by billing such Holders for such charge or deducting such charge from one or more cash dividends or other cash distributions,

together with all expenses (including currency conversion expenses), transfer and registration fees, taxes, duties and charges payable by the Depository, any Agent or the Custodian, or any of their agents, in connection with any of the above.

16.2. The Depository is entitled to receive from the Company the fees, taxes, duties, charges costs and expenses as specified in a separate agreement between the Company and the Depository.

17. Agents

17.1. The Depository shall be entitled to appoint one or more agents (the "Agents") for the purpose, *inter alia*, of making distributions to the Holders.

17.2. Notice of appointment or removal of any Agent or of any change in the specified office of the Depository or any Agent will be duly given by the Depository to the Holders.

18. Listing

The Company has undertaken in the Deposit Agreement to use all reasonable endeavors to maintain, so long as any GDR is outstanding, a listing for the GDRs on the official list maintained by the Financial Services Authority (the "Official List") and admission to trading on the market for listed securities of the London Stock Exchange.

For that purpose the Company will pay all fees and sign and deliver all undertakings required by the Financial Services Authority and the London Stock Exchange in connection with such listings. In the event that the listing on the Official List and admission to trading on the London Stock Exchange's Main Market is not maintained, the Company has undertaken in the Deposit Agreement to use all reasonable endeavors with the reasonable assistance of the Depositary (provided at the Company's expense) to obtain and maintain a listing of the GDRs on any other internationally recognized stock exchange in Europe.

19. The Custodian

The Depositary has agreed with the Custodian that the Custodian will receive and hold (or appoint agents approved by the Depositary to receive and hold) all Deposited Property for the account and to the order of the Depositary in accordance with the applicable terms of the Deposit Agreement which include a requirement to segregate the Deposited Property from the other property of, or held by, the Custodian PROVIDED THAT the Custodian shall not be obliged to segregate cash comprised in the Deposited Property from cash otherwise held by the Custodian. The Custodian shall be responsible solely to the Depositary PROVIDED THAT, if and so long as the Depositary and the Custodian are the same legal entity, references to them separately in these Conditions and the Deposit Agreement are for convenience only and that legal entity shall be responsible for discharging both functions directly to the Holders and the Company. The Custodian may resign or be removed by the Depositary by giving 90 days' prior notice, except that if a replacement Custodian is appointed which is a branch or affiliate of the Depositary, the Custodian's resignation or discharge may take effect immediately on the appointment of such replacement Custodian. Upon the removal of or receiving notice of the resignation of the Custodian, the Depositary shall promptly appoint a successor Custodian (approved (i) by the Company, such approval not to be unreasonably withheld or delayed, and (ii) by the relevant authority in Jersey, if any), which shall, upon acceptance of such appointment, and the expiry of any applicable notice period, become the Custodian. Whenever the Depositary in its discretion determines that it is in the best interests of the Holders to do so, it may, after prior consultation with the Company, terminate the appointment of the Custodian and, in the event of any such termination, the Depositary shall promptly appoint a successor Custodian (approved (i) by the Company, such approval not to be unreasonably withheld or delayed, and (ii) by the relevant authority in Jersey, if any), which shall, upon acceptance of such appointment, become the Custodian under the Deposit Agreement on the effective date of such termination. The Depositary shall notify Holders of such change immediately upon such change taking effect in accordance with Condition 23. Notwithstanding the foregoing, the Depositary may temporarily deposit the Deposited Property in a manner or a place other than as therein specified; PROVIDED THAT, in the case of such temporary deposit in another place, the Company shall have consented to such deposit, and such consent of the Company shall have been delivered to the Custodian. In case of transportation of the Deposited Property under this Condition, the Depositary shall obtain appropriate insurance at the Company's expense if and to the extent that the obtaining of such insurance is reasonably practicable and the premiums payable are of a reasonable amount.

20. Resignation and Termination of Appointment of the Depositary

20.1. The Company may terminate the appointment of the Depositary under the Deposit Agreement by giving at least 120 days' prior notice in writing to the Depositary and the Custodian, and the Depositary may resign as Depositary by giving at least 120 days' prior notice in writing to the Company and the Custodian. Within 30 days after the giving of either such notice, notice thereof shall be duly given by the Depositary to the Holders in accordance with Condition 23 and to the Financial Services Authority and the London Stock Exchange.

The termination of the appointment or the resignation of the Depositary shall take effect on the date specified in such notice; PROVIDED THAT no such termination of appointment or resignation shall take effect until the appointment by the Company of a successor depositary under the Deposit Agreement and the acceptance of such appointment to act in accordance with the terms thereof and of these Conditions, by the successor depositary. The Company has undertaken in the Deposit Agreement to use all reasonable endeavors to procure the appointment of a successor depositary with effect from the date of termination specified in such notice as soon as reasonably possible following notice of such termination or resignation. Upon any such appointment and acceptance, notice thereof shall be duly given by the Depositary to the Holders in accordance with Condition 23 and to the Financial Services Authority and the London Stock Exchange.

20.2. Upon the termination of appointment or resignation of the Depositary and against payment of all fees and expenses due to the Depositary from the Company under the Deposit Agreement, the Depositary shall deliver to its successor as depositary sufficient information and records to enable such successor efficiently to perform its obligations under the Deposit Agreement and shall deliver and pay to such successor depositary all property and cash held by it under the Deposit Agreement. The Deposit Agreement provides that, upon the date when such termination of appointment or resignation takes effect, the Custodian shall be deemed to be the Custodian thereunder for such successor depositary, and the resigning Depositary shall thereafter have no obligation under the Deposit Agreement or the Conditions (other than liabilities accrued prior to the date of termination of appointment or resignation or any liabilities stipulated in relevant laws or regulations).

21. Termination of Deposit Agreement

21.1. Either the Company or the Depositary but, in the case of the Depositary, only if the Company has failed to appoint a replacement Depositary within 90 days of the date on which the Depositary has given notice pursuant to Condition 20 and the Deposit Agreement that it wishes to resign, may terminate the Deposit Agreement by giving 90 days' prior notice to the other and to the Custodian. Within 30 days after the giving of such notice, notice of such termination shall be duly given by the Depositary to Holders of all GDRs then outstanding in accordance with Condition 23.

21.2. During the period beginning on the date of the giving of such notice by the Depositary to the Holders and ending on the date on which such termination takes effect, each Holder shall be entitled to obtain delivery of the Deposited Property relative to each GDR held by it, subject to (i) the provisions of Condition 1.1 and compliance by it with Condition 1, (ii) payment by the Holder of the charge specified in Condition 16.1(i) and Clause 10.1.1(a) for such delivery and surrender, and (iii) payment by the Holder of any sums payable by the Depositary and/or any other expenses incurred by the Depositary (together with all amounts which the Depositary is obliged to pay to the Custodian) in connection with such delivery and surrender, and otherwise in accordance with the Deposit Agreement.

21.3. If any GDRs remain outstanding after the date of termination, the Depositary shall as soon as reasonably practicable sell the Deposited Property then held by it under the Deposit Agreement and shall not register transfers, shall not pass on dividends or distributions or take any other action, except that it will deliver the net proceeds of any such sale, together with any other cash then held by it under the Deposit Agreement, *pro rata* to Holders of GDRs which have not previously been so surrendered by reference to that proportion of the Deposited Property which is represented by the GDRs of which they are the Holders. After making such sale, the Depositary shall be discharged from all obligations under the Deposit Agreement and these Conditions, except its obligation to account to Holders for such net proceeds of sale and other cash comprising the Deposited Property without interest.

22. Amendment of Deposit Agreement and Conditions

All and any of the provisions of the Deposit Agreement and these Conditions (other than this Condition 22) may at any time and from time to time be amended by agreement between the Company and the Depositary in any respect which they may deem necessary or desirable. Notice of any amendment of these Conditions (except to correct a manifest error) shall be duly given to the Holders by the Depositary, and any amendment (except as aforesaid) which shall increase or impose fees payable by Holders or which shall otherwise, in the opinion of the Depositary, be materially prejudicial to the interests of the Holders (as a class) shall not become effective so as to impose any obligation on the Holders until the expiration of three months after such notice shall have been given. During such period of three months, each Holder shall be entitled to obtain, subject to and upon compliance with Condition 1, delivery of the Deposited Property relative to each GDR held by it upon surrender thereof, payment of the charge specified in Condition 16.1(i) for such delivery and surrender and otherwise in accordance with the Deposit Agreement and these Conditions. Each Holder at the time when such amendment so becomes effective shall be deemed, by continuing to hold a GDR, to approve such amendment and to be bound by the terms thereof in so far as they affect the rights of the Holders. In no event shall any amendment impair the right of any Holder to receive, subject to and upon compliance with Condition 1, the Deposited Property attributable to the relevant GDR.

For the purposes of this Condition 22, an amendment shall not be regarded as being materially prejudicial to the interests of Holders if its principal effect is to permit the creation of GDRs in respect of additional Shares to be held by the Depositary which are or will become fully consolidated as a single series with the other Deposited Shares PROVIDED THAT temporary GDRs will represent such Shares until they are so consolidated.

23. Notices

- 23.1. Any and all notices to be given to any Holder shall be duly given if personally delivered, or sent by mail (if domestic, first class, if overseas, first class airmail) or air courier, or by telex or facsimile transmission confirmed by letter sent by mail or air courier, addressed to such Holder at the address of such Holder as it appears on the transfer books for GDRs of the Depositary, or, if such Holder shall have filed with the Depositary a written request that notices intended for such Holder be mailed to some other address, at the address specified in such request.
- 23.2. Delivery of a notice sent by mail or air courier shall be effective three days (in the case of domestic mail or air courier) or seven days (in the case of overseas mail) after dispatch, and any notice sent by telex transmission, as provided in this Condition, shall be effective when the sender receives the answerback from the addressee at the end of the telex and any notice sent by facsimile transmission, as provided in this Condition, shall be effective when the intended recipient has confirmed by telephone to the transmitter thereof that the recipient has received such facsimile in complete and legible form. The Company or the Depositary may, however, act upon any telex or facsimile transmission received by it from the other or from any Holder, notwithstanding that such telex or facsimile transmission shall not subsequently be confirmed as aforesaid.
- 23.3. So long as GDRs are listed on the Official List and admitted to trading on the London Stock Exchange's Main Market and the rules of the Financial Services Authority or the London Stock Exchange so require, all notices to be given to Holders generally will also be published in a leading daily newspaper having general circulation in the UK (which is expected to be the *Financial Times*).

24. Reports and Information on the Company

- 24.1. The Company has undertaken in the Deposit Agreement (so long as any GDR is outstanding) to furnish the Depositary with six copies in the English language (and to make available to the Depositary, the Custodian and each Agent as many further copies as they may reasonably require to satisfy requests from Holders) of:
- (i) in respect of the financial year ending on 31 December 2005 and in respect of each financial year thereafter, the consolidated financial statements of the Company as at the end of such financial year, prepared in conformity with generally accepted accounting principles in Jersey and reported upon by independent public accountants selected by the Company, as soon as practicable (and in any event within 180 days) after the end of such year;
 - (ii) if the Company publishes semi-annual financial statements for holders of Shares, such semi-annual financial statements, as soon as practicable, after the same are published and in any event no later than four months after the end of the period to which they relate; and
 - (iii) if the Company publishes quarterly financial statements for holders of Shares, such quarterly financial statements, as soon as practicable, after the same are published, and in any event no later than two months after the end of the period to which they relate.
- 24.2. The Depositary shall upon receipt thereof give due notice to the Holders that such copies are available upon request at its specified office and the specified office of any Agent.
- 24.3. For so long as any of the GDRs remains outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the United States Securities Act of 1933, as amended (the "Securities Act"), if at any time the Company is neither subject to and in compliance with the reporting requirements of Section 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended, nor exempt from such reporting requirements by complying with the information furnishing requirements of Rule 12g3-2(b) thereunder, the Company has agreed in the Deposit Agreement to supply to the Depositary such information, in the English language and in such quantities as the Depositary may from time to time reasonably request, as is required to be delivered pursuant to Rule 144A(2)(4) to any Holder or beneficial owner of GDRs or to any holder

of Shares or a prospective purchaser designated by such Holder, beneficial owner or holder pursuant to a Deed Poll executed by the Company in favor of such persons and the information delivery requirements of Rule 144A(d)(4) under the Securities Act, as amended, to permit compliance with Rule 144A thereunder in connection with resales of GDRs or Shares or interests therein in reliance on Rule 144A under the Securities Act and otherwise to comply with the requirements of Rule 144A(d)(4) under the Securities Act. Subject to receipt, the Depositary will deliver such information, during any period in which the Company informs the Depositary it is subject to the information delivery requirements of Rule 144(A)(d)(4), to any such holder, beneficial owner or prospective purchaser but in no event shall the Depositary have any liability for the contents of any such information.

25. Copies of Company Notices

The Company has undertaken in the Deposit Agreement to transmit to the Custodian and the Depositary on or before the day when the Company first gives notice, by mail, publication or otherwise, to holders of any Shares or other Deposited Property, whether in relation to the taking of any action in respect thereof or in respect of any dividend or other distribution thereon or of any meeting or adjourned meeting of such holders or otherwise, such number of copies of such notice and any other material (which contains information having a material bearing on the interests of the Holders) furnished to such holders by the Company (or such number of copies of an English translation of the originals if the originals were prepared in a language other than English) in connection therewith as the Depositary may reasonably request. If such notice is not furnished to the Depositary in English, either by the Company or the Custodian, the Depositary shall, at the Company's expense, arrange for an English translation thereof (which may be in such summarized form as the Depositary may deem adequate to provide sufficient information) to be prepared. Except as provided below, the Depositary shall, as soon as practicable after receiving notice of such transmission or (where appropriate) upon completion of translation thereof, give due notice to the Holders which notice may be given together with a notice pursuant to Condition 9.1, and shall make the same available to Holders in such manner as it may determine.

26. Moneys held by the Depositary

The Depositary shall be entitled to deal with moneys paid to it by the Company for the purposes of the Deposit Agreement in the same manner as other moneys paid to it as a banker by its customers and shall not be liable to account to the Company or any Holder or any other person for any interest thereon, except as otherwise agreed and shall not be obliged to segregate such moneys from other moneys belonging to the Depositary.

27. Severability

If any one or more of the provisions contained in the Deposit Agreement or in these Conditions shall be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained therein or herein shall in no way be affected, prejudiced or otherwise disturbed thereby.

28. Governing Law

28.1. The Deposit Agreement and the GDRs are governed by, and shall be construed in accordance with, English law except that the certifications set forth in Schedules 3 and 4 to the Deposit Agreement and any provisions relating thereto shall be governed by and construed in accordance with the laws of the State of New York. The rights and obligations attaching to the Deposited Shares will be governed by Jersey law. The Company has submitted in respect of the Deposit Agreement and the Deed Poll to the jurisdiction of the English courts and the courts of the State of New York and any United States Federal Court sitting in the Borough of Manhattan, New York City. The Company has also agreed in the Deposit Agreement, and the Deed Poll to allow, respectively, the Depositary and the Holders to elect that a Dispute be resolved by arbitration if they consider that there is a significant risk that a judgment in relation to such Dispute, if it were obtained in the English courts, the courts of the State of New York or any United States Federal Court sitting in the Borough of Manhattan, New York City, might not be enforceable in Jersey.

(x) 28.2

28.2. The Company has irrevocably appointed Law Debenture Corporate Services Limited, as its agent in England to receive service of process in any Proceedings in England based on the Deed Poll and

appointed CT Corporation System as its agent in New York to receive service of process in any Proceedings in New York. If for any reason the Company does not have such an agent in England or New York as the case may be, it will promptly appoint a substitute process agent and notify the Holders and the Depositary of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

- 28.3. The courts of England are to have jurisdiction to settle any disputes (each a “Dispute”) which may arise out of or in connection with the GDRs and accordingly any legal action or proceedings arising out of or in connection with the GDRs (“Proceedings”) may be brought in such courts. Without prejudice to the foregoing, the Depositary further irrevocably agrees that any Proceedings may be brought in any New York State or United States Federal Court sitting in the Borough of Manhattan, New York City. The Depositary irrevocably submits to the non-exclusive jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.
- 28.4. These submissions are made for the benefit of each of the Holders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdictions (whether concurrently or not).
- 28.5. In the event that the Depositary is made a party to, or is otherwise required to participate in, any litigation, arbitration, or Proceeding (whether judicial or administrative) which arises from or is related to or is based upon any act or failure to act by the Company, or which contains allegations to such effect, upon notice from the Depositary, the Company has agreed to fully cooperate with the Depositary in connection with such litigation, arbitration or Proceeding.
- 28.6. The Depositary irrevocably appoints The Bank of New York, London Branch, (Attention: The Manager) of 48th Floor, One Canada Square, London E14 5AL as its agent in England to receive service of process in any Proceedings in England based on any of the GDRs. If for any reason the Depositary does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Holders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

SUMMARY OF PROVISIONS RELATING TO THE GDRs WHILE IN MASTER FORM

The GDRs will initially be evidenced by (i) a single Master Regulation S GDR in registered form and (ii) a single Master Rule 144A GDR in registered form. The Master Regulation S GDR will be deposited with The Bank of New York, London Branch as common depository for Euroclear and Clearstream, Luxembourg and registered in the name of The Bank of New York Depository (Nominees) Limited. The Master Rule 144A GDR will be registered in the name of Cede & Co as nominee for DTC, and will be held by The Bank of New York as Custodian for DTC. The Master Regulation S GDR and the Master Rule 144A GDR (collectively the “Master GDRs”) contain provisions which apply to the GDRs while they are in master form, some of which modify the effect of the “Terms and Conditions of the Global Depository Receipts” set out in this Prospectus. The following is a summary of certain of those provisions. Unless otherwise defined herein, the terms defined in the “Terms and Conditions of the Global Depository Receipts” shall have the same meaning herein.

The Master GDRs will only be exchanged for certificates in definitive registered form representing GDRs in the circumstances described in (i), (ii), (iii) or (iv) below in whole but not in part. The Depository will irrevocably undertake in the Master GDRs to deliver certificates evidencing GDRs in definitive registered form in exchange for the relevant Master GDR to the Holders within 60 calendar days in the event that:

- (i) Euroclear or Clearstream, Luxembourg (in the case of the Master Regulations GDR) or DTC, or any successor to DTC (in the case of the Master Rule 144A GDR) notifies the Depository in writing that it is unwilling or unable to continue as depository and a successor depository is not appointed within 90 calendar days; or
- (ii) Euroclear or Clearstream, Luxembourg, in the case of the Master Regulation S GDR, or DTC, in the case of the Master Rule 144A GDR, is closed for business for a continuous period of 14 calendar days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, and, in each case, no alternative clearing system satisfactory to the Depository is available within 45 calendar days; or
- (iii) in the case of Master Rule 144A GDR, DTC or any successor ceases to be a “clearing agency” registered under the Exchange Act; or
- (iv) the Depository has determined that, on the occasion of the next payment in respect of the GDRs, the Depository or its agent would be required to make any deduction or withholding from any payment in respect of the GDRs which would not be required were the GDRs represented by certificates in definitive registered form, provided that the Depository shall have no obligation to so determine or to attempt to so determine.

Any exchange shall be at the expense (including printing costs) of the relevant GDR holder.

A GDR evidenced by an individual definitive certificate will not be eligible for clearing and settlement through DTC, Euroclear or Clearstream, Luxembourg.

Upon any exchange of a Master GDR for certificates in definitive registered form, or any exchange of interests between the Master Rule 144A GDR and the Master Regulation S GDR pursuant to Condition 3 of the Deposit Agreement, or any distribution of GDRs pursuant to Conditions 5, 7 or 10 or any reduction in the number of GDRs represented thereby following any withdrawal of Deposited Property pursuant to Condition 1, the relevant details shall be entered by the Depository on the register maintained by the Depository whereupon the number of GDRs represented by the Master GDR shall be reduced or increased (as the case may be) for all purposes by the amount so exchanged and entered on the register, provided always that, if the number of GDRs represented by a Master GDR is reduced to zero, such Master GDR shall continue in existence until our obligations under the Deposit Agreement and the obligations of the Depository pursuant to the Deposit Agreement and the Conditions have terminated.

Payments, Distributions and Voting Rights

Payments of cash dividends and other amounts (including cash distributions) will, in the case of GDRs represented by the Master Regulation S GDR, be made by the Depository through Euroclear and Clearstream, Luxembourg and, in the case of GDRs represented by the Master Rule 144A GDR, will be made by the Depository through DTC, on behalf of persons entitled thereto upon receipt of funds therefor from the Company. A free distribution or rights issue of Shares to the Depository on behalf of the Holders

will result in the record maintained by the Depositary being marked up to reflect the enlarged number of GDRs represented by the relevant Master GDR.

Holders of GDRs will have voting rights as set out in the Terms and Conditions of the GDRs.

Surrender of GDRs

Any requirement in the Terms and Conditions of the GDRs relating to the surrender of a GDR represented by the Master Regulation S GDR to the Depositary shall be satisfied by the production by Euroclear or Clearstream, Luxembourg, and relating to the surrender of a GDR represented by the Master Rule 144A GDR to the Depositary shall be satisfied by the production by DTC, on behalf of a person entitled to an interest therein, of such evidence of entitlement of such person as the Depositary may reasonably require, which is expected to be a certificate or other documents issued by Euroclear or Clearstream, in the case of the Master Regulation S GDR, or by DTC in the case of the Master Rule 144A GDR. The delivery or production of any such evidence shall be sufficient evidence, in favour of the Depositary, any Agent and the Custodian of the title of such person to receive (or to issue instructions for the receipt of) all money or other property payable or distributable in respect of the Deposited Property represented by such GDRs.

Notices

For as long as the Master Regulation S GDR is registered in the name of a common depositary (or its nominee) for Euroclear and Clearstream, Luxembourg and the Master Rule 144A GDR is registered in the name of DTC (or its nominee), notices to Holders may be given by the Depositary by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg with respect to the Master Regulation S GDR and to DTC with respect to the Master Rule 144A GDR for communication to persons entitled thereto in substitution for delivery of notices in accordance with Condition 23. So long as GDRs are listed on the Official List maintained by the Financial Services Authority and admitted for trading on the London Stock Exchange, and the Financial Services Authority or the London Stock Exchange so requires, notices shall also be published in a leading newspaper having general circulation in the United Kingdom (which is expected to be the *Financial Times*).

The Master GDRs shall be governed by and construed in accordance with English law.

REGULATORY MATTERS

Russia

Regulation of Mass Media in the Russian Federation

In Russia we are subject to various laws and government regulations including special legislation relating to our mass media and advertising activities. In general, the activities of media and information companies are subject to more extensive regulation in the Russian Federation than would be expected in Western European countries. Laws particularly relevant to our activities are:

- Federal Law on Mass Media;
- Federal Law on Advertising;
- Federal Law on Information, Distribution of Information Technologies (Informatisation) and Protection of Information; and
- Federal Law on Copyright and Related Rights.

Numerous government authorities in the Russian Federation are involved in regulating and controlling our activities pursuant to the above-mentioned laws. The most relevant are the Federal Service for Supervision over the Compliance with Mass Media Legislation and Protection of Cultural Heritage (the “Federal Service”) as well as the Federal Antimonopoly Service.

According to Russian law on mass media (newspapers (including classified advertising papers), television stations, and Internet services), entities disseminating information through such media are required, among other things, to register such media with the Federal Service or its regional branches. We have obtained registrations for all of our principal mass media, including *Iz Ruk v Ruki*, *Avto*, *Rabota Segodnja*, and *Nedvizhimost*.

None of these registrations are required to be renewed unless there are material changes in the activities of the entities involved or in the entities themselves. A registration could be revoked by an order of court under certain circumstances, including making false statements during registration, failure to publish or broadcast for more than one year, failure to adopt a special media charter within three months after the commencement of publication or broadcasting activities.

Foreign legal entities and individuals, as well as Russian legal entities with foreign shareholders (if such ownership constitutes 50% or more of their charter capital), are not allowed to engage in certain media activities, including mass television broadcasting.

Advertising through mass media is also subject to state regulation by the Federal Antimonopoly Service (the Russian antimonopoly authority) (the FAS). Publication of any commercial information could be deemed advertising immediately upon its issuance. Furthermore there are specific restrictions applicable to the advertising of certain products and services including, among others, alcohol, tobacco, medical goods, medical services, weapons and financial, insurance, and investment services.

By contrast, only a few current laws or regulations directly apply to commercial online services or the Internet. Performance of commercial activities on the Internet is mainly regulated by general civil legislation. As activities on the Internet are of a specific nature, the absence of special regulation gives rise to legal uncertainty. Laws dedicated to electronic commerce are being considered by the Russian state legislature, but have not yet been enacted. Judicial bodies, as a rule, do not have sufficient experience in dealing with Internet commerce and judicial decisions are therefore unpredictable.

However, certain direct rules do apply to the field of domain names. Russian trademark law currently gives priority to trademark rights in the event of a conflict with a domain name, but actions brought thereunder are rarely effective.

The Coordination Group of the “.ru” top-level domain, the Russian Research Institute of Public Network Development (“RIPN” or “RosNIIROS”) and ANO Regional Network Information Center (“RU-CENTER”) have issued guidance recognized as important for the use of and the proprietary rights to domain names. While these bodies have attempted to establish some degree of order in the allocation of and access to certain domain names in Russia, the level of protection is still low.

Antimonopoly Regulation in Russia

The Russian Federal Antimonopoly Service is authorized by law to control, in particular, (i) acquisitions of more than 20% of the voting shares in a Russian business entity; (ii) acquisitions of more than 10% of the production assets of a business entity; and (iii) acquisitions of control over business entities. If the combined assets of the target and acquirer's group of entities and/or individuals exceed RUR3 billion (approximately US\$106.5 million) or if the target, the acquirer or a company in the acquirer's group of entities and/or individuals is registered as having more than a 35% share of a particular commodity market, prior clearance for the acquisition is required from the FAS. As a condition to issuing such approvals, the FAS may impose certain conditions designed to promote competition, including restrictions on conducting business, such as price limitations, geographical expansion, associations and agreements with competitors. In addition, a company holding a dominant position is prohibited from abusing such a position.

Russian antimonopoly legislation expressly provides for its extraterritorial application to transactions which are made outside of the Russian Federation but lead, or may lead, to the restriction of competition in Russia, or entail other negative consequences on the Russian markets. Russian antimonopoly authorities have therefore historically taken the view that merger control rules apply to offshore acquisitions if the non-Russian target company has direct or indirect subsidiaries or substantial market presence in Russia. Thus the acquisition of voting shares in Trader Media East Limited may in some cases also be subject to Russian merger control rules. Trader Media East indirectly controls the Russian subsidiaries of the Group. Purchase of more than 20% of the voting shares in Trader Media East or acquisition of control over Trader Media East otherwise by an investor or several entities constituting "a group of entities and/or individuals," in the meaning ascribed to it in Russian antimonopoly laws, may be subject to obtaining clearance from the FAS. Currently there is no court guidance as to the meaning of "acquisition of control," and the terms "group of entities and/or individuals" and "acquisition of control" are rather broad. Consequently, application of the relevant antimonopoly rules is largely dependent on their interpretation at any particular time by the FAS and/or the courts. See "Risk Factors—Risks Relating to the Russian Federation—Legislative and Legal Risks." **Prospective investors should obtain their own advice on the Russian antimonopoly law in connection with the Placement or other acquisition of significant share portfolios in the Company.**

Failure to obtain FAS's consent may result in:

- (a) the invalidation by a Russian court of the relevant acquisition transaction if the FAS proves that it resulted in restriction of competition;
- (b) the imposition of an administrative fine of up to RUR500,000 (approximately \$17,750) (a new draft law is currently being considered by the Russian government which may increase fines for non-compliance. In particular, the offender may be required in future to pay a fine equal to a percentage of its turnover rather than a flat amount);
- (c) the issuing by FAS of certain orders in relation to the Group's Russian subsidiaries (e.g. orders imposing restrictions on their activities or establishing additional reporting requirements); and
- (d) complications in any further dealings with, or investigations by, the FAS, including in relation to any future restructuring or acquisition involving the Group's Russian subsidiaries.

Hungary

Media registration

Periodicals (including classified advertising papers) are required to be registered with the Ministry of Cultural Heritage before the commencement of publication thereof. Such register contains basic data on each periodical and on the founder, publisher and editor thereof. The periodicals' registrations are not required to be renewed, however changes to the registered data must be notified to the Ministry of Cultural Heritage. Under the Hungarian regime, the founder's and publisher's rights are not necessarily owned by the same entity and they may be transferred separately. A registration may be revoked by an order of court if the conditions of registration were not actually met at the time of the registration (including the making of false statements during the registration procedure). We have obtained registrations for our principal classified advertising papers (including *Expressz*, *Képes Auto*, *Képes Ingatlan*, *Képes Harzonjáromü*, *Mai Hirdetés* and *Újpressz*).

TAXATION

The following summary of material US federal income, United Kingdom, Dutch and Jersey tax consequences of ownership of Shares and GDRs is based upon laws, regulations, decrees, rulings, income tax conventions (treaties), administrative practice and judicial decisions in effect at the date of this Prospectus. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may be retroactive and could affect the tax consequences to holders of the Shares and holders of GDRs. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to a holder of Shares or GDRs. Each prospective holder is urged to consult its own tax adviser as to the particular tax consequences to such holder of the ownership and disposition of Shares or GDRs, including the applicability and effect of any other tax laws or tax treaties, and of pending or proposed changes in applicable tax laws as of the date of this Prospectus, and of any actual changes in applicable tax laws after such date.

United States Federal Income Tax Considerations

The following discussion is a general summary based on current law of certain US federal income tax considerations relevant to the purchase, ownership and disposition of the Shares or GDRs. The discussion is not a complete description of all tax considerations that may be relevant to investors and does not consider an investor's particular circumstances. It applies to US Holders that purchase GDRs in the Offering, hold the Shares and GDRs as capital assets and use the US dollar as functional currency. It does not address the tax treatment of investors subject to special rules, such as banks, tax-exempt entities, insurance companies, dealers, traders in securities that elect to mark to market, investors liable for alternative minimum tax, US expatriates, investors that directly, indirectly or constructively own 10% or more of the Shares, including Shares represented by GDRs, investors that have a permanent establishment in the Netherlands or Jersey or investors that hold Shares or GDRs as part of a straddle, hedging, conversion or other integrated transaction.

This discussion assumes that the Company is not a passive foreign investment company ("PFIC") for US federal income tax purposes. The Company does not believe that it will be a PFIC for the current taxable year or for subsequent taxable years. The Company's status as a PFIC must be determined annually and therefore may be subject to change depending upon, among other things, changes in the activities or assets of the Company. If the Company were to become a PFIC for any taxable year, materially adverse consequences could result to US Holders (whether or not the Company continued to be a PFIC).

THE STATEMENTS ABOUT US FEDERAL TAX CONSIDERATIONS ARE MADE TO SUPPORT THE MARKETING OF THE OFFERING. NO TAXPAYER CAN RELY ON THEM TO AVOID TAX PENALTIES. EACH PROSPECTIVE PURCHASER SHOULD SEEK ADVICE FROM AN INDEPENDENT TAX ADVISOR ABOUT THE TAX CONSEQUENCES UNDER ITS OWN PARTICULAR CIRCUMSTANCES OF INVESTING IN THE OFFERING UNDER THE LAWS OF JERSEY, THE NETHERLANDS, THE UNITED STATES AND ITS CONSTITUENT JURISDICTIONS, AND ANY OTHER JURISDICTIONS WHERE THE PURCHASER MAY BE SUBJECT TO TAXATION.

As used here, a "US Holder" means a beneficial owner of the Shares or GDRs that is for US federal income tax purposes (i) an individual citizen or resident of the United States, (ii) a corporation or other business entity taxable as a corporation that is created or organized under the laws of the United States or its political subdivisions, (iii) an estate the income of which is subject to US federal income tax without regard to its source or (iv) a trust subject to the primary supervision of a US court and the control of one or more US persons or that has elected to be treated as a domestic trust for US federal income tax purposes.

The US federal income tax treatment of a partner in a partnership that holds Shares or GDRs will depend on the status of the partner and the activities of the partnership. Partnerships should consult their tax advisors concerning the US federal income tax consequences to their partners of the acquisition, ownership and disposition of Shares or GDRs.

Generally, holders of GDRs will be treated for US federal income tax purposes as holding the Shares represented by the GDRs. No gain or loss will be recognized upon the exchange of Shares for GDRs or an exchange of GDRs for Shares.

Taxation of Distributions

Distributions made to a US Holder on the Shares or GDRs will be treated as taxable dividends to the extent such distributions are paid out of the Company's current or accumulated earnings and profits, as determined under US federal income tax principles. Such dividends will be includable in a US Holder's gross income as ordinary income from foreign sources when the US Holder actually or constructively receives the dividend. The dividends will not be eligible for the dividends received deduction generally allowed to US corporations or the preferential tax rate applicable to qualified dividend income received by individuals and certain other non-corporate persons. The amount includable in income will be the US dollar value of the payment based on the exchange rate for the currency received (if the dividend is paid in a currency other than US dollars) on the date the US Holder receives the dividend, regardless of whether the US Holder converts the payment into US dollars at that time. Any gain or loss recognized by a US Holder on a subsequent conversion of the currency received for US dollars or other disposition generally will be treated as ordinary income or loss from US sources.

To the extent that a distribution made to a US Holder exceeds the Company's current or accumulated earnings and profits, such distribution will be treated first as a tax free return of capital up to such US Holder's adjusted tax basis in the Shares or GDRs with respect to which the distribution is made, and then as a gain from the sale, exchange or other disposition of the Shares or GDRs, with the tax consequences described below. However, the Company does not intend to determine its earnings and profits under US federal income tax principles, in which event a US Holder will be unable to establish that a distribution is not out of earnings and profits and will generally be required to treat the full amount of the distribution as a dividend.

Taxation of Dispositions

When US Holders dispose of Shares or GDRs, they will recognize gain or loss in an amount equal to the difference between the amount realized and their adjusted tax basis in the Shares or GDRs. Adjusted tax basis in a Share or GDR will generally be its US dollar cost. The US dollar cost of a Share or GDR purchased with foreign currency will generally be the US dollar value of the purchase price paid in the Offering. The gain or loss generally will be from sources within the United States. The capital gain or loss will be long-term capital gain or loss if the US Holder has held the Shares or GDRs for at least one year. Deductions for capital losses are subject to limitations.

If a US Holder receives a currency other than US dollars upon disposition of the Shares or GDRs, the US Holder will realize an amount equal to the US dollar value of the currency received on the date of disposition or, if the Shares or GDRs are traded on an established securities market and the US Holder is a cash-basis or electing accrual basis taxpayer, the settlement date. The US Holder will have a tax basis in the currency received equal to the US dollar amount realized. Gain or loss on a subsequent conversion or disposition of the currency received generally will be US source ordinary income or loss.

Backup Withholding and Information Reporting

Dividends on the Shares or GDRs and proceeds from the sale or other disposition of the Shares or GDRs may be reported to the US Internal Revenue Service ("IRS") unless the US Holder is a corporation or otherwise establishes a basis for exemption. Backup withholding tax may apply to amounts subject to reporting if the US Holder fails to provide an accurate taxpayer identification number or otherwise establish a basis for exemption. US Holders can claim a credit against their US federal income tax liability for amounts withheld under the backup withholding rules, and amounts in excess of their liability are refundable if the required information is provided to the IRS.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE IMPORTANT TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES OF AN INVESTMENT IN THE GDRS UNDER THE INVESTOR'S OWN CIRCUMSTANCES.

United Kingdom Tax Considerations

The comments below are of a general nature and are based on current UK law and published H.M. Revenue & Customs practice, both of which are subject to change, possibly with retrospective effect. The summary only covers the principal UK tax consequences for the absolute beneficial owners of Shares or GDRs and any dividends paid in respect of them, in circumstances where the dividends paid are

regarded for UK tax purposes as that person's own income (and not the income of some other person), and who are resident (or, in the case of individuals only, ordinarily resident) in the UK for tax purposes. In addition, the summary (a) only addresses the tax consequences for holders who hold the Shares or GDRs as capital assets and does not address the tax consequences which may be relevant to certain other categories of holders, for example, dealers; (b) does not address the tax consequences for holders that are insurance companies, collective investment schemes or persons connected with the company; (c) assumes that the holder does not control or hold, either alone or together with one or more associated or connected persons, directly or indirectly, 10% or more of the shares and/or voting power of the Company; (d) assumes that there will be no register in the UK in respect of the Shares or GDRs; (e) assumes that the Shares will not be held by, and that the GDRs will not be issued by, a depository incorporated in the UK; and (f) assumes that neither the Shares nor the GDRs will be paired with shares issued by a company incorporated in the UK.

The following is intended only as a general guide and is not intended to be, nor should it be considered to be, legal or tax advice to any particular holder. Potential investors should satisfy themselves as to the overall tax consequences, including, specifically, the consequences under UK law and H.M. Revenue & Customs practice, of acquisition, ownership and disposition of Shares or GDRs in their own particular circumstances, by consulting their own tax advisors.

Taxation of Dividends

Income Tax and Corporation Tax

Holders who are resident (or, in the case of individuals only, ordinarily resident) in the UK will, in general, be subject to income tax or corporation tax on the total of the dividends received on their Shares or GDRs plus any withholding tax deducted in The Netherlands.

Withholding Tax and Tax Credits

When the Company pays dividends it is generally required for Dutch tax purposes to withhold 25% of the gross amount of the dividend paid to UK resident holders and to account for that amount to Dutch tax authorities. See "Dutch Tax Considerations—Withholding tax." Holders who are resident (or, in the case of individuals only, ordinarily resident) in the UK are eligible for relief at source or a refund from the Dutch tax authorities in respect of an amount equal to 10% of the gross annual amount of the dividend under the UK/Netherlands Tax treaty. The remaining 15% Dutch withholding tax is generally allowed as a credit against the UK tax liability of a UK resident holder but any excess of such Dutch withholding tax over the UK tax payable on the aggregate amount of the dividend and the Dutch withholding tax is generally not refundable.

The Company is not required to make any deduction from payments of dividends for or on account of UK tax.

Tax Liability for Individual Holders

For an individual holder who is liable to UK tax on the dividend at the dividend ordinary rate (currently 10%), the credits for Dutch tax deducted at source will exceed his UK income tax liability in respect of the dividend and he will have no further UK tax to pay. For an individual holder who is liable to UK tax on the dividend at the dividend upper rate (currently 32.5%), the UK tax will be chargeable on the gross dividend with credit for Dutch tax deducted at source, at a rate, where the holder is entitled to claim relief at source or a refund of Dutch tax as described above, at up to 15%.

Tax Liability for Corporate Shareholders

A holder within the charge to UK corporation tax and resident (for tax purposes) in the UK will be liable for UK corporation tax on the receipt of the gross dividend with credit for the Dutch tax deducted at source, at a rate, where the holder is entitled to claim relief at source or a refund of Dutch tax as described above, at up to 15%.

Taxation of Capital Gains

The disposal or deemed disposal of the Shares or GDRs by a holder who is resident (or, in the case of individuals only, ordinarily resident) in the UK for tax purposes may give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of capital gains, depending on the holder's circumstances

and subject to any available exemption or relief. In addition, holders who are individuals and who dispose of their Shares or GDRs while they are temporarily non-resident may be treated as disposing of them in the tax year in which they again become resident or ordinarily resident in the UK.

Stamp Duty and Stamp Duty Reserve Tax

No UK stamp duty will be payable on the issue of the Shares or GDRs, and no UK stamp duty will be payable on the transfer of the Shares or GDRs, provided that any instrument of transfer is not executed in the UK and does not relate to any property situated or to any matter or thing done or to be done in the UK. No UK stamp duty reserve tax will be payable on the issue or transfer of Shares or GDRs.

Dutch Tax Considerations

We have established residency in The Netherlands for Dutch corporate income tax purposes and accordingly certain Dutch tax considerations apply to an investment in our Shares or GDRs.

Corporate and Individual Income Tax

Residents of The Netherlands

A holder of Shares or GDRs which is a corporate entity that is a resident or deemed to be a resident of The Netherlands for Dutch tax purposes will generally be subject to corporate income tax on any benefits derived or deemed to be derived from the Shares or GDRs (including any capital gains realised on the disposal thereof) unless such holder is eligible for the participation exemption with respect to those Shares or GDRs. The participation exemption is generally available if the holder owns at least 5% of the Company's nominal paid-up share capital. The current rate of corporate income tax is 29.6% (25.5% for the first €22,689 of taxable income).

An individual holder who is resident or deemed to be a resident in The Netherlands for Dutch tax purposes (including a non-resident individual who has opted to be taxed as a resident in The Netherlands), is subject to tax in respect of income derived from and gains realised upon the Shares or GDRs at progressive rates with a maximum of 52%, if:

- (a) the holder of Shares or GDRs has an enterprise or an interest in an enterprise, to which the Shares or GDRs are attributable;
- (b) such income or gains qualify as "income from miscellaneous activities" (*resultaat uit overige werkzaamheden*), which include activities in The Netherlands with respect to the Shares or GDRs that exceed "normal active asset management" (*normaal actief vermogensbeheer*).

An individual holder who is resident or deemed to be a resident in The Netherlands for Dutch tax purposes (including a non-resident individual who has opted to be taxed as a resident in The Netherlands), is subject to tax in respect of income and gains derived from the Shares or GDRs at a flat rate of 25% if the holder of the Shares or GDRs or any of his spouse, his partner, a person deemed to be his partner, or other persons sharing such person's house or household, or certain other of such persons' relatives (including foster children), has a substantial interest, as defined in The Netherlands Income Tax Act (*Wet inkomstenbelasting 2001*) in the Company. A substantial interest is generally present if a holder holds, alone or together with his spouse or certain persons related to or deemed related to that individual, whether directly or indirectly, the ownership of, or certain rights (including the rights to acquire shares, whether or not already issued) over, (a) shares representing 5% or more of the total issued and outstanding capital (or the issued or outstanding capital of any class of shares) of the Company, (b) profit participating certificates, entitling the holder to 5% or more of the Company's annual profit or 5% or more of the liquidation proceeds of the Company. If an individual does not have a substantial interest in the Company, a deemed substantial interest will be present if (part of) a substantial interest has been disposed of, or is deemed to be disposed of, on a non-recognition basis.

In other cases an individual holder of Shares or GDRs, will not be taxable on actual payments on Shares or GDRs and the actual gains realised upon the disposal of Shares or GDRs. Instead, the holder of Shares or GDRs will be taxed at a flat rate of 30% on deemed income from "savings and investments" (*sparen en beleggen*). This deemed income amounts to 4% of the average of the individual's "yield basis" (*rendementsgrondslag*) at the beginning of the calendar year, and the individual's "yield basis" at the end of the calendar year.

Non-residents of The Netherlands

A holder of Shares or GDRs will not be subject to any Netherlands taxes on income or capital gains in respect of dividends distributed by the Company or in respect of any gain realised on the disposal of Shares or GDRs (other than the withholding tax described below), provided that:

- (i) such holder is neither a resident nor deemed to be a resident of The Netherlands, nor, if he is an individual, has elected to be taxed as a resident of The Netherlands;
- (ii) such holder does not have an enterprise, or an interest in an enterprise, that is, in whole or in part, carried on through a permanent establishment or a permanent representative in The Netherlands, and to which enterprise or part of an enterprise, as the case may be, the Shares or GDRs are attributable;
- (iii) if such holder is an individual, his activities in The Netherlands with respect to Shares or GDRs do not exceed “normal active asset management” (*normaal actief vermogensbeheer*);
- (iv) if such holder is an individual, neither such holder nor any of his spouse, his partner, a person deemed to be his partner, or other persons sharing such person’s house or household, or certain other of such persons’ relatives (including foster children), has a substantial interest, as defined in The Netherlands Income Tax Act (*Wet inkomstenbelasting 2001*) in the Company. A substantial interest is generally present if a holder holds, alone or together with his spouse or certain persons related to or deemed related to that individual, whether directly or indirectly, the ownership of, or certain rights (including the rights to acquire shares, whether or not already issued) over, (a) shares representing 5% or more of the total issued and outstanding capital (or the issued or outstanding capital of any class of shares) of the Company, (b) profit participating certificates entitling the holder to 5% or more of the Company’s annual profit or 5% or more of the liquidation proceeds of the Company. If an individual does not have a substantial interest in the Company, a deemed substantial interest will be present if (part of) a substantial interest has been disposed of, or is deemed to be disposed of, on a non-recognition basis; and
- (v) if such holder is not an individual, such holder does not have, directly or indirectly, a substantial or a deemed substantial interest, as defined in The Netherlands Income Tax Act 2001 (*Wet inkomstenbelasting 2001*) in the Company, or, in the event that the holder does have such interest, it forms part of the assets of an enterprise.

Withholding Tax

Dividends distributed by the Company are generally subject to withholding tax imposed by The Netherlands at a rate of 25%. Dividends distributed by the Company include, but are not limited to:

- (i) distributions in cash or in kind, deemed and constructive distributions and repayments of paid-in capital not recognised for Netherlands dividend withholding tax purposes;
- (ii) liquidation proceeds, proceeds from the redemption of Shares and GDRs or, as a rule, consideration for the repurchase of Shares and GDRs by the Company in excess of the average paid-in capital recognised for Netherlands dividend withholding tax purposes;
- (iii) the par value of Shares and GDRs issued to a holder of Shares or GDRs or an increase of the par value of Shares, as the case may be, to the extent that it does not appear that a contribution, recognised for Netherlands dividend withholding tax purposes, has been made or will be made; and
- (iv) partial repayment of paid-in capital, recognised for Netherlands dividend withholding tax purposes, if and to the extent that there are net profits (*zuivere winst*), unless (a) the general meeting of shareholders of the Company has resolved in advance to make such repayment and (b) the nominal value of the Shares and GDRs concerned has been reduced in an equal amount by way of an amendment to the Articles.

A holder of Shares or GDRs who is resident in a country other than The Netherlands may, if a treaty for avoidance of double taxation is in effect between The Netherlands and such country, depending on the terms of such double taxation treaty, be eligible for a full or partial exemption from, or refund of, Netherlands dividend withholding tax.

According to anti-dividend stripping rules, no exemption from or credit, reduction or refund of, Netherlands dividend withholding tax may be granted if the recipient of the dividend paid by the Company is not considered to be the beneficial owner (*uiteindelijk gerechtigde*) of such dividends.

Gift Tax

Residents of The Netherlands

Gift tax may be due in The Netherlands with respect to an acquisition of the Shares or GDRs by way of a gift by a holder of Shares or GDRs who is resident or deemed to be resident in The Netherlands. Estate tax may be due in The Netherlands with respect to an acquisition of Shares or GDRs on the death of a holder of Shares or GDRs resident or deemed to be resident in The Netherlands, or by way of a gift by a holder of Shares or GDRs resident or deemed to be resident in The Netherlands within 180 days before his death.

For purposes of Netherlands gift and inheritance tax, an individual who holds Netherlands nationality will be deemed to be resident in The Netherlands if he has been resident in The Netherlands at any time during the ten years preceding the date of the gift or his death.

For purposes of Netherlands gift and inheritance tax, an individual not holding Netherlands nationality will be deemed to be resident in The Netherlands if he has been resident in The Netherlands at any time during the twelve months preceding the date of the gift.

Non-residents of The Netherlands

No gift, estate or inheritance tax will arise in The Netherlands with respect to an acquisition of the Shares or GDRs by way of a gift by, or on the death of, a holder who is neither resident nor deemed to be resident in The Netherlands, unless:

- (i) such holder at the time of the gift has or at the time of his death had an enterprise, or an interest in an enterprise, that is or was, in whole or in part, carried on through a permanent establishment or a permanent representative in The Netherlands and to which enterprise or part of an enterprise, as the case may be, the Shares or GDRs are or were attributable; or
- (ii) in the case of a gift of the Shares or GDRs by an individual who at the date of the gift was neither resident nor deemed to be resident in The Netherlands, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident in The Netherlands.

Other Taxes

No Netherlands VAT, capital tax, registration tax, customs duty, transfer tax, stamp duty or any other similar tax or duty will be payable in The Netherlands in respect of or in connection with the holding of the Shares or GDRs.

Jersey Tax Considerations

Holders of Shares issued by the Company and the GDRs (other than residents of Jersey) are not subject to any tax in Jersey in respect of the holding, sale or other disposition of such Shares or GDRs. So long as the Company maintains its “exempt company” status, dividends on the Shares may be paid by the Company without withholding or deduction for or on account of Jersey income tax.

The Company has “exempt company” status within the meaning of Article 123A of the Income Tax (Jersey) Law 1961, as amended, for the calendar years ended December 31, 2005 and December 31, 2006. The Company will be required to pay an annual exempt company charge which is currently £600 in respect of each calendar year during which it wishes to continue to have “exempt company” status. The retention of “exempt company” status is conditional on the Jersey Comptroller of Income Tax being satisfied that no Jersey resident has a beneficial interest in the Company, except as permitted by concessions granted by the Jersey Comptroller of Income Tax, and disclosure of beneficial ownership being made to the Jersey Financial Services Commission.

As an “exempt company,” the Company will not be liable to Jersey income tax other than on Jersey source income (except by concession bank deposit interest on Jersey bank accounts).

On June 3, 2003, the European Union (“EU”) Council of Economic and Finance Ministers reached political agreement on the adoption of a Code of Conduct on Business Taxation. Jersey is not a member of

the EU, however, the States of Jersey has announced that, in keeping with Jersey's policy of constructive international engagement, it intends to propose legislation to replace the Jersey exempt company regime by the end of 2008 with a general zero rate of corporate tax.

It is intended that the new corporate tax will preserve tax neutrality (and so retain the existing benefits of the exempt company regime through a revised fiscal structure). Unlike the exempt company regime, it is anticipated that the new regime will not require an annual application/election or the payment of any sum by the relevant company.

SUBSCRIPTION AND SALE

Description of the Distribution

The Offering consists of an international offering of GDRs. The GDRs are being offered in the United States to QIBs in reliance on Rule 144A and outside the United States to certain persons in offshore transactions in reliance on Regulation S.

Under the terms of, and subject to, the conditions contained in an Underwriting Agreement dated February 7, 2006 (the “Underwriting Agreement”) entered into between us, the Selling Shareholder and the Managers, the Managers named below have severally agreed to procure purchasers for, or failing which, themselves to purchase, at the Offer Price, the number of Shares in the form of GDRs indicated below. The number of GDRs indicated below does not include the Shares in the form of GDRs to be purchased by Mr. McCall MacBain and Mr. Makaron in the Offering being an amount equal to such total amount of GDRs purchased at the Offer Price for \$50 million (amounting to 3,846,154 Shares). The Selling Shareholder has agreed to make available, at the Offer Price, to the Managers, the following number of Shares in the form of GDRs:

<u>Manager</u>	<u>Number of Shares</u>
Morgan Stanley & Co. International Limited	24,175,586
Credit Suisse Securities (Europe) Limited	7,530,100
BNP PARIBAS	3,765,050
J.P. Morgan Securities Ltd.	2,377,926
ABN AMRO Bank N.V. and NM Rothschild & Sons Limited (trading together as ABN AMRO Rothschild, an unincorporated equity capital markets joint venture)	1,783,445
Total	<u>39,632,107</u>

We estimate that our and the Selling Shareholder’s total expenses of the Offering, other than the commissions, will be a maximum of \$10,088,765.

The Managers will be soliciting non-binding indications of interest in acquiring GDRs under the Offering from prospective institutional investors. Prospective institutional investors will be required to specify the number of GDRs which they would be prepared to acquire at the Offer Price (subject to it being determined). This process is known as book-building.

GDRs allocated under the Offering will, following determination of the Offer Price, be fully underwritten by the Managers as described in this section, “Subscription and Sale.” Allocations will be determined at the discretion of the Managers (following consultation with the Company) after non-binding indications of interest from prospective investors have been received in the book-building process.

All GDRs issued or sold pursuant to the Offering will be issued or sold at the Offer Price.

The Underwriting Agreement contains, amongst others, the following further provisions:

- The Selling Shareholder has granted to the Managers an Over-Allotment Option to acquire up to 6,521,739 additional Shares in the in form of GDRs at the Offer Price solely to cover over-allotments in connection with the Offering. The Over-Allotment Option is exercisable upon written notice to the Selling Shareholder by Morgan Stanley & Co. International Limited on behalf of the Managers, given not later than 30 days following the announcement of the Offer Price. If the Managers exercise this option, the Selling Shareholder will be obligated to sell, and each Manager will be severally obligated, subject to the conditions contained in the Underwriting Agreement, to purchase, a number of additional Shares in the form of GDRs proportionate to that Manager’s initial amount reflected in the table above.
- The Managers will deduct from the proceeds of the Offering:
 - costs and expenses incurred by the Managers in connection with the Offering; and
 - certain commissions payable by the Selling Shareholder, of 3.125% of the gross proceeds of the Offering (less the amounts purchased by Mr. McCall MacBain and Mr. Makaron). Such commissions will equate to a total of \$18,750,000 million (assuming that the Over-Allotment Option is exercised in full).

- The obligations of the parties to the Underwriting Agreement are subject to certain conditions that are typical for an agreement of this nature. These conditions include, amongst others, the accuracy of the representations and warranties under the Underwriting Agreement and the application for admission to the official list of the Financial Services Authority and to trading on the London Stock Exchange having been approved on or prior to Closing. Morgan Stanley & Co. International Limited, in consultation with the Company, may terminate the Underwriting Agreement prior to Closing in certain specified circumstances that are typical for an agreement of this nature. These include the occurrence of certain material adverse changes in our condition (financial or otherwise), or in our earnings, business affairs, prospects or trading position and certain changes in monetary, financial, political or economic conditions (as more fully set out in the Underwriting Agreement). If any of the above-mentioned conditions are not satisfied (or waived, where capable of being waived), or the Underwriting Agreement is terminated, prior to Closing, then the Offering will lapse.
- We have given customary representations and warranties to the Managers, including in relation to our business, our accounting records and our legal compliance, in relation to the Shares and GDRs and in relation to the contents of this Prospectus. The Selling Shareholder has given certain warranties and indemnities to the Managers, including in relation to its good title to the Shares.
- We have given customary indemnities to the Managers in connection with the Offering.
- If a Manager defaults, the Underwriting Agreement provides that in certain circumstances, the purchase commitments of the non-defaulting Managers may be increased or the Underwriting Agreement may be terminated.

We and the Selling Shareholder (to the extent it has not disposed of its remaining shares in Trader Media East in connection with the exercise of the Over-Allotment Option by the Managers) have agreed, subject to certain exceptions relating to, with respect to us, employee share option schemes and, with respect to the Selling Shareholder, any pledge of Shares and transfers to affiliates, as part of the Underwriting Agreement, not to issue, offer, sell, contract to sell, pledge, charge, grant options over or otherwise dispose of, directly or indirectly, any Shares in us or securities convertible or exchangeable into or exercisable for any Shares in us or warrants or other rights to purchase such Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options or certificates representing the right to receive any such securities, or publicly announce any intention to do any of the foregoing, for a period of 180 days from the date of the Underwriting Agreement.

Mr. Makaron and Mr. McCall MacBain (the principal shareholder of TCM) have severally agreed in the Purchase Agreements (see “Principal Shareholders”), to each purchase in the Offering an amount of GDRs equal to a price of at least \$25 million (each such amount representing 3.8% of our issued and outstanding share capital as calculated immediately prior to Closing). In connection with the Purchase Agreements, Mr. Makaron and Mr. McCall MacBain have agreed not to offer, sell, contract to sell, pledge, charge, grant options over or otherwise dispose of (or publicly announce any such offer, sale, contract to sell, pledge, charge, option or disposal of), directly or indirectly, any Shares of the Company or securities convertible or exchangeable into or exercisable for any Shares of the Company or warrants or other rights to purchase Shares of the Company or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options or GDRs representing the right to receive any such securities, for a period of 540 days from Closing.

In connection with the Offering, Morgan Stanley & Co. International Limited (or any agent or other person acting for it), as stabilizing manager, may over-allot or effect transactions to enable it to satisfy any over-allocations or which stabilize, maintain, support or otherwise affect the market price of the GDRs at a level higher than that which might otherwise prevail for a period of 30 days after the announcement of the Offer Price. However, there may be no obligation on Morgan Stanley & Co. International Limited, or any agent of Morgan Stanley & Co. International Limited, to do this. Such transactions may be effected on the London Stock Exchange and any other securities market, over the counter market, stock exchange or otherwise. Such stabilizing, if commenced, may be discontinued at any time, and must be brought to an end 30 days after the announcement of the Offer Price. Save as required by law, Morgan Stanley & Co. International Limited does not intend to disclose the extent of any over-allotments and/or stabilization transactions under the Offering.

In connection with the Offering, each of the Managers and any affiliate acting as an investor for its own account may take up the Shares and in that capacity may retain, purchase or sell the Shares, in the form of GDRs (or related investments), for its own account and may offer or sell such securities (or other investments) otherwise than in connection with the Offering. The Managers do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Application has been made to (i) the Financial Services Authority for a listing of up to 55,000,000 GDRs, consisting of 43,478,261 GDRs to be issued on Closing, up to 6,521,739 additional GDRs issued pursuant to the Over-Allotment Option, as described herein, and up to 5,000,000 additional GDRs to be issued from time to time against the deposit of Shares with the Depositary, to be admitted to the Official List and (ii) the London Stock Exchange for such GDRs to be admitted to trading on the London Stock Exchange's Main Market for listed securities and in particular on the International Order Book. Application has also been made to have the Rule 144A GDRs designated as eligible for trading in PORTAL. Prior to the Offering, there has been no market for the Shares or the GDRs. Trading in the GDRs on the London Stock Exchange is expected to commence on or about February 7, 2006, on a "when issued" basis. Closing is expected to take place on or about February 10, 2006, and admission to the Official List of the Financial Services Authority and to trading on the London Stock Exchange's Main Market for listed securities are expected to take place on or about February 13, 2006.

Investors wishing to enter into transactions in the GDRs prior to the Closing Date, whether such transactions are effected on the London Stock Exchange or otherwise, should be aware that Closing may not take place on February 10, 2006 or at all if certain conditions or events referred to in the Underwriting Agreement are not satisfied or waived or do not occur on or prior to such date. All such transactions will be of no effect if the Offering does not become unconditional. In addition, the GDRs are expected to be eligible for trading in PORTAL. However, we cannot assure you that an active public or other market will develop for the GDRs or that a liquid trading market of the GDRs will exist. We do not intend to list the GDRs or Shares on any US national securities exchange or to seek the admission thereof to trading on the Nasdaq National Market System.

Some of the Managers and their respective affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or members of our Group. In addition, an affiliate of Morgan Stanley & Co. International Limited is advising TCM in its strategic review of its operations. They have received customary fees and commissions for these transactions and services.

SELLING AND TRANSFER RESTRICTIONS

Selling Restrictions

No action has been or will be taken in any jurisdiction that would permit a public offering of the Shares or the GDRs, or possession or distribution of this document or any other offering material in any country or jurisdiction where action for that purpose is required. Accordingly, neither the Shares nor the GDRs may be offered or sold, directly or indirectly, and neither this document nor any other offering material or advertisement in connection with the Shares and the GDRs may be distributed or published in or from any country of jurisdiction except under circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this document comes should inform themselves about and observe any restrictions on the distribution of this document and the offer, subscription and sale of Shares and the GDRs, including those in the paragraphs below. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This document does not constitute an offer to subscribe for or buy any of the Shares or the GDRs, offered hereby to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

United States

The Shares and the GDRs have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States except in certain transactions exempt from or not subject to the registration requirements of the Securities Act. The Managers propose to offer the Shares (i) in the form of GDRs to institutional investors outside the United States in accordance with Regulation S, and (ii) in the form of GDRs through the US selling agents of certain of the Managers, only to QIBs in the United States in accordance with Rule 144A. Each of the Managers has agreed that, except as permitted in the Underwriting Agreement, it will not offer, sell or deliver Shares or the GDRs within the United States.

In addition, until 40 days after the commencement of the Offering, an offer or sale of Shares or GDRs within the United States by a dealer (whether or not participating in the Offering) may violate the registration and prospectus delivery requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each a “Relevant Member State”), each Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”) it has not made and will not make an offer of the Shares or GDRs to the public in that Relevant Member State prior to the publication of a prospectus in relation to those Shares or GDRs which has been approved by the competent authority in that Relevant Member State in accordance with the Prospectus Directive or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, in accordance with Article 18 of the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of the Shares or GDRs to the public in that Relevant Member State:

- (i) at any time to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- (ii) at any time to any legal entity which has two or more of (a) an average of at least 250 employees during the last financial year; (b) a total balance sheet of more than €43,000,000 and (c) an annual net turnover of more than €50,000,000 as shown in its last annual or consolidated accounts;
- (iii) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Managers; or
- (iv) at any time or in any other circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Shares or GDRs to the public” in relation to any Shares or GDRs in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Shares or GDRs to be offered so as to enable an investor to decide to purchase or subscribe for the Shares or GDRs, as the same may be varied

in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measures in each Relevant Member State.

Each subscriber for or purchaser of the GDRs in the Offering located within a Member State of the European Economic Area will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of Article 2(1)(e) of the Prospectus Directive. The Company, each Manager and their affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement, and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Global Co-ordinator of such fact in writing may, with the consent of the Global Co-ordinator, be permitted to subscribe for or purchase the GDRs in the Offering.

United Kingdom

Each Manager has represented, warranted and agreed that:

- (i) it has only communicated and caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Shares or GDRs in circumstances in which section 21(1) of the FSMA does not apply to the Company; and
- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Shares or GDRs in, from or otherwise involving the United Kingdom.

France

Neither this Prospectus nor any other offering material relating to the Shares or GDRs has been submitted to the clearance procedures of the *Autorité des Marchés Financiers* in France or by the competent authority of another Member State of the European Economic Area and notified to the *Autorité des Marchés Financiers*. The Shares or GDRs have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. Neither this Prospectus nor any other offering material relating to the Shares or GDRs has been or will be (i) released, issued, distributed or caused to be released, issued or distributed to the public in France or (ii) used in connection with any offer for subscription or sale of the Shares or GDRs to the public in France. Such offers, sales and distributions will be made in France only (i) to qualified investors (*investisseurs qualifiés*) and/or to a restricted circle of investors (*cercle restreint d'investisseurs*), in each case investing for their own account, all as defined in and in accordance with Article L.411-2-II-5°, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French *Code monétaire et financier* or (ii) to investment services providers authorized to engage in portfolio management on behalf of third parties, or (iii) in a transaction that, in accordance with article L.411-2-II-1°-or-2°-or 3° of the French *Code monétaire et financier* and article 211-2 of the General Regulations (*Règlement Général*) of the *Autorité des Marchés Financiers*, does not constitute a public offer (*appel public à l'épargne*). Such Shares or GDRs may be resold directly or indirectly, only in compliance with Articles L.411-1, L.412-1 and L.621-8 through L.621-8-3, or L.411-2, of the French *Code monétaire et financier*.

Italy

The Offering in the Republic of Italy (“Italy”) has not been registered with the *Commissione Nazionale per le Società e la Borsa* (“CONSOB”) pursuant to Italian securities legislation and, accordingly, the Shares or GDRs cannot be offered, sold or delivered in Italy nor may any copy of this Prospectus or any other document relating to the Shares or GDRs be distributed in Italy other than to professional investors (*operatori qualificati*) as defined in Article 31, second paragraph, of CONSOB Regulation No. 11522 of July 1, 1998 as subsequently amended. Any offer, sale or delivery of the Shares or GDRs or distribution of copies of this Prospectus or any other document relating to the Shares or GDRs in Italy must be made (a) by an investment firm, bank or intermediary permitted to conduct such activities in Italy in accordance with Legislative Decree No. 58 of February 24, 1998 and Legislative Decree No. 385 of September 1, 1993 (the “Banking Act”); (b) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy and (c) in compliance with any other applicable laws and regulations and other possible requirements or limitations which may be imposed by Italian authorities. Insofar as the requirements above are based on laws, which are superseded at any time pursuant to the implementation of the Directive 2003/71/EC (the Prospectus Directive), such requirements shall be deemed to be automatically replaced by the applicable requirements under the Prospectus Directive.

Russia

Each Manager has represented, warranted and agreed that it has not offered or sold and will not offer or sell any Shares or GDRs to or for the benefit of any persons resident, incorporated, established or having their usual residence in Russia or to any person located within the territory of Russia unless and to the extent otherwise permitted under Russian law.

Jersey

Each Manager has represented, warranted and agreed that:

- (i) neither Shares nor GDRs may be offered to, sold to or purchased or held by or for the account of persons resident for income tax purposes in Jersey;
- (ii) it has not offered or sold and will not offer or sell any Shares or GDRs in any jurisdiction in a manner that would cause the Company to be in breach of consents granted to it by the Jersey Financial Services Commission; and
- (iii) it will not take any action on behalf of the Company that would result in the Company being required to become registered under the Financial Services (Jersey) Law 1998, as amended.

Japan

Each Manager has represented, warranted and agreed that it has not offered or sold and will not offer or sell any Shares or GDRs, directly or indirectly in Japan or to or for the account of any resident of Japan except (a) pursuant to an exemption from the registration requirements of the Securities and Exchange Law of Japan and (b) in compliance with any other applicable requirements of Japanese law.

Transfer Restrictions

Rule 144A GDRs

Each purchaser of Rule 144A GDRs in the Offering, by its acceptance thereof, will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S are used herein as defined therein):

1. The purchaser (i) is a QIB, (ii) is aware that, and each Beneficial Owner of such Rule 144A GDRs has been advised that, the sale to it is being made in reliance on Rule 144A, and (iii) is acquiring such Rule 144A GDRs for its own account or for the account of a QIB.
2. The purchaser is aware the Rule 144A GDRs and the Shares represented thereby have not been and will not be registered under the Securities Act and are being offered in the United States in reliance on Rule 144A only in a transaction not involving any public offering in the United States and are restricted securities within the meaning of the Securities Act.
3. If in the future the purchaser decides to offer, resell, pledge or otherwise transfer such Rule 144A GDRs or the Shares represented thereby, such Rule 144A GDRs and Shares may be offered, sold, pledged or otherwise transferred only in accordance with the following legend, which the Rule 144A GDRs will bear unless otherwise determined by us and the Depositary in accordance with applicable law:

THIS RULE 144A GLOBAL DEPOSITARY RECEIPT AND THE ORDINARY SHARES OF TRADER MEDIA EAST LIMITED REPRESENTED HEREBY (THE "SHARES") HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE HOLDER HEREOF BY PURCHASING THE GDRs, AGREES FOR THE BENEFIT OF TRADER MEDIA EAST LIMITED THAT THE GDRs AND THE SHARES CORRESPONDING HERETO MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON WHOM THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER ("QIB") (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (3) PURSUANT TO AN EXEMPTION FROM

REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF APPLICABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE HOLDER OF THE GDRs WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY SUBSEQUENT PURCHASER OF SUCH GDRs OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. THE BENEFICIAL OWNER OF SHARES RECEIVED UPON CANCELLATION OF ANY RULE 144A GLOBAL DEPOSITARY RECEIPT MAY NOT DEPOSIT OR CAUSE TO BE DEPOSITED SUCH ORDINARY SHARES INTO ANY DEPOSITARY RECEIPT FACILITY IN RESPECT OF SHARES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK, OTHER THAN A RESTRICTED RULE 144A DEPOSITARY RECEIPT FACILITY, SO LONG AS SUCH SHARES ARE “RESTRICTED SECURITIES” WITHIN THE MEANING OF RULE 144(a)(3) UNDER THE SECURITIES ACT. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTIONS PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR THE RESALE OF THE SHARES OR ANY RULE 144A GLOBAL DEPOSITARY RECEIPTS.

Prospective purchasers are hereby notified that the sellers of the Rule 144A GDRs may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Regulation S GDRs

Each purchaser of Regulation S GDRs in the Offering, by its acceptance thereof, will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S are used herein as defined therein):

1. That such purchaser (i) is, and the person, if any, for whose account it is acquiring the Regulation S GDRs is, outside the United States, (ii) is not an affiliate of ours or a person acting on behalf of such an affiliate and (iii) is not in the business of buying or selling securities or, if it is in such business, it did not acquire the Regulation S GDRs or the Shares represented thereby from us or one of our affiliates in the initial distribution of Regulation S GDRs.
2. If in the future the purchaser decides to offer, resell, pledge or otherwise transfer such Regulation S GDR or the Shares represented thereby, such Regulation S GDR and Shares may be offered, sold, pledged or otherwise transferred only in accordance with the following legend, which the Regulation S GDRs will bear unless otherwise determined by us and the Depositary in accordance with applicable law:

THIS REGULATION S GLOBAL DEPOSITARY RECEIPT AND THE ORDINARY SHARES OF TRADER MEDIA EAST LIMITED REPRESENTED HEREBY (THE “SHARES”) HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, PRIOR TO THE EXPIRATION OF A RESTRICTED PERIOD (DEFINED AS THE PERIOD ENDING 40 DAYS AFTER THE LATEST OF THE COMMENCEMENT OF THE GDR OFFERING, THE ORIGINAL ISSUE DATE OF THE GDRs AND THE LATEST ISSUE DATE WITH RESPECT TO THE ADDITIONAL GDRs, IF ANY, ISSUED TO COVER OVER-ALLOTMENTS) MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (B) TO A PERSON WHOM THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER (“QIB”) (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, IN EACH CASE, IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES; PROVIDED THAT IN CONNECTION WITH ANY TRANSFER UNDER (B) ABOVE, THE TRANSFEROR SHALL PRIOR TO THE SETTLEMENT OF SUCH SALE, WITHDRAW THE SHARES FROM THE REGULATION S FACILITY (AS DEFINED IN THE DEPOSIT AGREEMENT) IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE DEPOSIT AGREEMENT AND INSTRUCT THAT SUCH SHARES BE DELIVERED TO THE CUSTODIAN UNDER THE DEPOSIT AGREEMENT FOR DEPOSIT IN THE RULE 144A FACILITY (AS DEFINED IN THE DEPOSIT AGREEMENT) THEREUNDER

AND THAT RULE 144A GDRs REPRESENTED BY A MASTER RULE 144A GDR BE ISSUED, IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE DEPOSIT AGREEMENT, TO OR FOR THE ACCOUNT OF SUCH QIB.

UPON THE EXPIRATION OF THE RESTRICTED PERIOD REFERRED TO ABOVE, THIS REGULATION S GLOBAL DEPOSITARY RECEIPT AND THE SHARES REPRESENTED HEREBY SHALL NO LONGER BE SUBJECT TO THE RESTRICTIONS ON TRANSFER PROVIDED IN THIS LEGEND, PROVIDED THAT AT THE TIME OF SUCH EXPIRATION THE OFFER OR SALE OF THE GLOBAL DEPOSITARY RECEIPTS REPRESENTED HEREBY AND THE SHARES REPRESENTED THEREBY BY THE HOLDER HEREOF IN THE UNITED STATES WOULD NOT BE RESTRICTED UNDER THE SECURITIES LAWS OF THE UNITED STATES OR ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES.

SETTLEMENT AND TRANSFER

Clearing and Settlement of GDRs

Custodial and depositary links have been established between Euroclear, Clearstream, Luxembourg and DTC to facilitate the initial issue of the GDRs and cross-market transfers of the GDRs associated with secondary market trading.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream, Luxembourg provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Indirect access to Euroclear or Clearstream, Luxembourg is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream, Luxembourg participant, either directly or indirectly.

Distributions of dividends and other payments with respect to book-entry interests in the GDRs held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Depositary, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

DTC

DTC is a limited-purpose trust company organized under the laws of the State of New York, a "banking organization" within the meaning of the New York Banking Law, a member of the United States Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities for DTC participants and facilitates the clearance and settlement of securities transactions between DTC participants through electronic computerized book-entry changes in DTC participants' accounts. DTC participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly.

Holders of book-entry interests in the GDRs holding through DTC will receive, to the extent received by the Depositary, all distributions of dividends or other payments with respect to book-entry interests in the GDRs from the Depositary through DTC and DTC participants. Distributions in the United States will be subject to relevant US tax laws and regulations. See "Taxation—United States Federal Income Tax Considerations."

As DTC can act on behalf of DTC direct participants only, who in turn act on behalf of DTC indirect participants, the ability of beneficial owners who are indirect participants to pledge book-entry interests in the GDRs to persons or entities that do not participate in DTC, or otherwise take actions with respect to book-entry interests in the GDRs, may be limited.

Registration and Form

Book-entry interests in the GDRs held through Euroclear and Clearstream, Luxembourg will be represented by the Master Regulation S GDR registered in the name of The Bank of New York Depositary (Nominees) Limited as nominee for The Bank of New York, London Branch, as common depositary for Euroclear and Clearstream, Luxembourg. Book-entry interests in the GDRs held through DTC will be represented by the Master Rule 144A GDR registered in the name of Cede & Co, as nominee for DTC, which will be held by a custodian for DTC. As necessary, the Depositary will adjust the amounts of GDRs on the relevant register to reflect the amounts of GDRs held through Euroclear, Clearstream,

Luxembourg and DTC, respectively. Beneficial ownership in the GDRs will be held through financial institutions as direct and indirect participants in Euroclear, Clearstream, Luxembourg and DTC.

The aggregate holdings of book-entry interests in the GDRs in Euroclear, Clearstream, Luxembourg and DTC will be reflected in the book-entry accounts of each such institution. Euroclear, Clearstream, Luxembourg and DTC, as the case may be, and every other intermediate holder in the chain to the beneficial owner of book-entry interest in the GDRs, will be responsible for establishing and maintaining accounts for their participants and customers having interests in the book-entry interests in the GDRs. The Depository will be responsible for maintaining a record of the aggregate holdings of GDRs registered in the name of the common depository for Euroclear and Clearstream, Luxembourg and the nominee for DTC. The Depository will be responsible for ensuring that payments received by it from the Company for holders holding through Euroclear or Clearstream, Luxembourg are credited to Euroclear or Clearstream, Luxembourg as the case may be, and the Depository will also be responsible for ensuring that payments received by it from us for holders holding through DTC are received by DTC.

The Company will not impose any fees in respect of the GDRs; however, holders of book-entry interests in the GDRs may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear, Clearstream, Luxembourg or DTC and certain fees and expenses payable to the Depository in accordance with the terms of the Deposit Agreement.

Global Clearance and Settlement Procedures

Initial Settlement

The GDRs will be in global form evidenced by the two Master GDRs. Purchasers electing to hold book-entry interests in GDRs through Euroclear or Clearstream, Luxembourg accounts will follow the settlement procedures applicable to depository receipts. DTC participants acting on behalf of purchasers electing to hold book-entry interests in the GDRs through DTC will follow the delivery practices applicable to depository receipts.

Secondary Market Trading

For a description of the transfer restrictions relating to the GDRs, see “Terms and Conditions of the Global Depository Receipts—Transfer Restrictions.”

Trading between Euroclear and Clearstream, Luxembourg participants

Secondary market sales of book-entry interests in the GDRs held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the GDRs through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear or Clearstream, Luxembourg and will be settled using the normal procedures applicable to depository receipts.

Trading between DTC participants

Secondary market sales of book-entry interests in the GDRs held through DTC will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to depository receipts, if payment is effected in US dollars, or free of payment, if payment is not effected in US dollars. Where payment is not effected in US dollars, separate payment arrangements outside DTC are required to be made between the DTC participants.

Trading between DTC seller and Euroclear/Clearstream, Luxembourg purchaser

When book-entry interests in the GDRs are to be transferred from the account of a DTC participant to the account of a Euroclear or Clearstream, Luxembourg participant, the DTC participant must send to DTC a delivery free of payment instruction at least two business days prior to the settlement date. DTC will in turn transmit such instruction to Euroclear or Clearstream, Luxembourg, as the case may be, on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg participant. On the settlement date, DTC will debit the account of its DTC participant and will instruct the Depository to instruct Euroclear or Clearstream, Luxembourg, as the case may be, to credit the relevant account of the Euroclear or Clearstream, Luxembourg participant, as the case may be. In addition, on the settlement date, DTC will instruct the Depository to (i) decrease the amount of book-entry interests in the GDRs registered in the

name of a nominee for DTC and represented by the Master Rule 144A GDR and (ii) increase the amount of book-entry interests in the GDRs registered in the name of the common nominee for Euroclear and Clearstream, Luxembourg and represented by the Master Regulation S GDR.

Trading between Clearstream, Luxembourg/Euroclear seller and DTC purchaser

When book-entry interests in the GDRs are to be transferred from the account of a Euroclear or Clearstream, Luxembourg participant to the account of a DTC participant, the Euroclear or Clearstream, Luxembourg participant must send to Euroclear or Clearstream, Luxembourg a delivery free of payment instruction at least two business days prior to the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg participant, as the case may be. On the settlement date, Euroclear or Clearstream, Luxembourg, as the case may be, will debit the account of its participant and will instruct the Depository to instruct DTC to credit the relevant account of Euroclear or Clearstream, Luxembourg, as the case may be, and will deliver such book-entry interests in the GDRs free of payment to the relevant account of the DTC participant. In addition, Euroclear or Clearstream, Luxembourg, as the case may be, shall on the settlement date instruct the Depository to (i) decrease the amount of the book-entry interests in the GDRs registered in the name of the common nominee and evidenced by the Master Regulation S GDR and (ii) increase the amount of the book-entry interests in the GDRs registered in the name of a nominee for DTC and represented by the Master Rule 144A GDR.

General

Although the foregoing sets out the procedures of Euroclear, Clearstream, Luxembourg and DTC in order to facilitate the transfers of interests in the GDRs among participants of Euroclear, Clearstream, Luxembourg and DTC, none of Euroclear, Clearstream, Luxembourg or DTC are under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Company, the Managers, the Depository, the Custodian or their respective agents will have any responsibility for the performance by Euroclear, Clearstream, Luxembourg or DTC or their respective participants of their respective obligations under the rules and procedures governing their operations.

INFORMATION RELATING TO THE DEPOSITARY

The Depository is a state-chartered New York banking corporation and a member of the United States Federal Reserve System, subject to regulation and supervision principally by the United States Federal Reserve Board and the New York State Banking Department. The Depository was constituted in 1784 in the State of New York. It is a wholly owned subsidiary of The Bank of New York Company, Inc., a New York bank holding company. The principal office of the Depository is located at One Wall Street, New York, New York 10286, United States of America. Its principal administrative offices are located at 101 Barclay Street, 22 West, New York, New York 10286, United States of America. A copy of the Depository's Articles of Association, as amended, together with copies of The Bank of New York Company, Inc.'s most recent financial statements and annual report are available for inspection at the Corporate Trust Office of the Depository located at 101 Barclay Street, New York, NY 10286, United States of America and at The Bank of New York, One Canada Square, London E14 5AL, United Kingdom. Holders of the GDRs can contact the Depository at 101 Barclay Street, 22 West, New York, New York 10286, USA (telephone +1 212 815 4493).

LEGAL MATTERS

Certain legal matters in connection with the Offering will be passed upon for us with respect to US, English, Dutch and Russian law by Freshfields Bruckhaus Deringer. Certain legal matters with respect to Jersey law will be passed upon for us by Mourant du Feu & Jeune. Certain legal matters in connection with the Offering will be passed upon for the Managers with respect to US and English law by Skadden, Arps, Slate, Meagher & Flom (UK) LLP, with respect to Russian law by Skadden, Arps, Slate, Meagher & Flom LLP and with respect to Jersey law by Ogier.

INDEPENDENT AUDITORS

The combined financial statements and related notes as of and for the years ended December 31, 2002, 2003 and 2004 included in this Prospectus have been audited by PricewaterhouseCoopers Audit S.A, independent auditors, as stated in their report appearing herein. The combined financial statements and related notes as of September 30, 2005 and for the nine month period then ended included in this Prospectus have been reviewed by PricewaterhouseCoopers S.A, independent auditors, as stated in their report appearing herein. PricewaterhouseCoopers Audit S.A is a member firm of the *Compagnie Nationale des Commissaires aux Comptes* and has given and not withdrawn its written consent to the inclusion of its audit and review reports on pages F-2 and F-3 of this document in the form and context in which they appear and has authorized the contents of that part of this document for the purposes of Rule 5.5.4R(2)(f) of the Prospectus Rules.

We have appointed PricewaterhouseCoopers CI LLP of Twenty Two, Colomberie, St. Helier, Jersey JE1 4XA, Channel Islands as our independent auditors going forward.

GENERAL INFORMATION

1. All consents, approvals, authorizations or other orders required for the issue of the Shares and the GDRs under the prevailing laws of Jersey have been given or obtained.
2. The issue of the Shares was duly authorized by our Board of Directors on February 6, 2006 in accordance with the Company's memorandum and articles of association. The transfer of the Shares to the Depository and issue of the GDRs was approved by the board of directors of the Selling Shareholder on February 3, 2006.
3. It is expected that listing of the GDRs will take place on February 13, 2006 subject only to the issue of the Master GDRs. Prior to listing, it is expected that conditional dealings will be permitted by the London Stock Exchange in accordance with its rules. It is expected that unconditional dealings in the GDRs will commence on February 13, 2006. Transactions will normally be effected for settlement in US dollars and for delivery on the third working day after the day of the transaction. Listing of the GDRs on the London Stock Exchange is conditional upon the issuance of the GDRs by the Depository.
4. Except as disclosed on pages 40 to 42, in the paragraphs entitled "Formation" and "the Reorganization" and pages 64 to 65 in the paragraph entitled "Current Trading and Prospects" in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and note 17 to the Combined Financial Statements there has been no significant change in the financial or trading position of the group since September 30, 2005.
5. From time to time we are involved in legal proceedings arising in the ordinary course of business. During the previous 12 months, we have not been involved in any governmental, legal or arbitration proceedings, nor are we aware of any such pending or threatened proceedings, which may have, or have had in the recent past, significant effects on the Company and/or the Group's financial position or profitability.
6. In the event that certificates in definitive form are issued in respect of the GDRs, we will appoint an agent in the United Kingdom for so long as the GDRs are listed on the London Stock Exchange.
7. Copies in English of the following documents may be inspected at the offices of Freshfields Bruckhaus Deringer, 65 Fleet Street, London EC4Y 1HS, during usual business hours on any weekday (Saturday, Sunday and public holidays excepted) for a period of one year following the date of this document:
 - (a) our Memorandum and Articles of Association in effect upon completion of the Offering; and
 - (b) our Audited Combined Financial Statements audited in accordance with US GAAP for the years ended December 31, 2002, 2003 and 2004, together with the reports of PricewaterhouseCoopers Audit S.A. contained therein.
8. We prepare annual and interim consolidated financial statements in accordance with US GAAP. Copies of our future annual audited consolidated financial statements and unaudited interim consolidated financial statements required to be provided to holders of GDRs will be available for inspection and may be obtained free of charge at the registered office of the Company.
9. There are no temporary documents of title issued in respect of the GDRs. There is no premium and there are no expenses specifically charged to any purchaser of GDRs in the Offering. The Offering is an institutional offering only in which payment for the GDRs by investors will be arranged with the Managers. Holders may inspect the rules governing the issue of the certificates at the offices of the Depository from the Closing Date.
10. The following table sets forth the registered offices of certain of our subsidiaries:

<u>Company</u>	<u>Effective interest</u>	<u>Actual interest</u>	<u>Registered office</u>	<u>Country of Incorporation</u>
OOO Pronto Moscow ⁽¹⁾	100%	100%	Volgogradskiy prospect 2, 109316, Moscow, Russia	Russia
Expressz Magyarország Zrt.	100%	100%	1131 Budapest, Babér str. 7, Hungary	Hungary
Trader.com Polska Sp Z.o.o.	100%	100%	Towarowa 22 Str., 00-839 Warsaw, Poland	Poland
Oglasnik z.o.o.	70%	70%	Savska 41/XI, 10000 Zagreb, Croatia	Croatia

(1) Assuming completion of the acquisition of Leonid Makaron's interest in Pronto-Moscow. See "Management's Discussion and Analysis of Financial Condition and Results of Operation—The Reorganization—Acquisition of Minority Interests."

11. The GDRs have no nominal or par value. The Offer Price was determined based on the results of the book building exercise conducted by the Managers.

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Audit 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, 2002, 2003 and 2004 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, 2002, 2003 and 2004 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.

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.

For the purposes of Prospectus Rule 5.5.4R(2)(f), we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex X of the Prospectus Directive Regulation.

Paris, France
February 7, 2006

PricewaterhouseCoopers

Review report of the Auditors

To the Board of Directors of Trader Media East Limited

We have reviewed the accompanying combined interim balance sheet of Trader Media East Limited (“the TME Group”) as of September 30, 2005 and the related combined interim statements of operations and cash flows for the 9-month periods ended September 30, 2004 and 2005 and changes in invested equity for the 9-month period ended September 30, 2005. These combined interim financial statements are the responsibility of the TME Group’s management. Our responsibility is to issue a report on these combined interim financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance about whether the combined interim financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying combined interim financial statements are not presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States.

We draw your attention to the fact that, as described in Note 1 to the combined interim financial statements, the TME Group has not operated as a separate group. These combined interim 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 periods presented or of future results of the TME Group.

For the purposes of Prospectus Rule 5.5.4R(2)(f), we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex X of the Prospectus Directive Regulation.

Paris, France
February 7, 2006

PricewaterhouseCooper

TRADER MEDIA EAST
COMBINED BALANCE SHEETS
(US Dollars in millions)

	<u>December 31, 2002</u>	<u>December 31, 2003</u>	<u>December 31, 2004</u>	<u>September 30, 2005</u> (unaudited)
ASSETS				
Current assets:				
Cash and cash equivalents	\$14.7	\$20.3	\$22.6	\$23.9
Restricted deposit (note 2d)	—	—	—	0.9
Accounts receivable, net of allowances (note 5)	3.1	6.5	10.7	9.3
Other receivables	2.7	5.5	5.4	4.9
Receivables from related party (note 16)	5.0	18.3	—	11.7
Other current assets	3.8	4.7	5.6	5.4
Total current assets	<u>29.3</u>	<u>55.3</u>	<u>44.3</u>	<u>56.1</u>
Property, plant and equipment, net (note 6)	18.1	25.4	27.8	27.1
Goodwill (note 7)	44.0	56.9	73.4	68.3
Intangible assets, net (note 7)	24.5	31.6	46.6	41.2
Other non current assets	2.8	1.8	1.7	1.7
TOTAL ASSETS	<u>\$118.7</u>	<u>\$171.0</u>	<u>\$193.8</u>	<u>\$194.4</u>
LIABILITIES AND INVESTED EQUITY				
Current liabilities:				
Accounts payable and accrued liabilities	\$1.8	\$4.7	\$7.4	\$4.7
Deferred revenues	2.2	3.5	3.3	4.2
Social and fiscal liabilities	8.4	6.7	6.1	6.2
Other liabilities	0.3	3.0	0.4	0.1
Payables to related party (note 16)	3.2	8.5	11.3	5.7
Current portion of long-term debt (note 8)	0.3	2.1	—	1.1
Total current liabilities	<u>16.2</u>	<u>28.5</u>	<u>28.5</u>	<u>22.0</u>
Long-term liabilities:				
Long-term debt, net of current portion (note 8)	0.1	—	—	6.3
Deferred income taxes	4.6	9.0	12.7	11.7
Other long term liabilities	0.4	0.4	1.0	1.0
Related party long-term liabilities (note 16)	12.2	20.2	47.8	32.8
Total liabilities	<u>33.5</u>	<u>58.1</u>	<u>90.0</u>	<u>73.8</u>
Commitments and contingencies (note 11)				
Minority interest	3.8	5.9	7.2	7.8
Invested equity	<u>81.4</u>	<u>107.0</u>	<u>96.6</u>	<u>112.8</u>
TOTAL LIABILITIES AND INVESTED EQUITY	<u>\$118.7</u>	<u>\$171.0</u>	<u>\$193.8</u>	<u>\$194.4</u>

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

TRADER MEDIA EAST
COMBINED STATEMENTS OF OPERATIONS
(US Dollars in millions)

	December 31, 2002 (12 months)	December 31, 2003 (12 months)	December 31, 2004 (12 months)	September 30, 2004 (9 months) (unaudited)	September 30, 2005 (9 months) (unaudited)
Revenues	\$107.6	\$136.7	\$177.5	\$125.8	\$146.4
Operating costs and expenses:					
Cost of sales	(34.9)	(52.4)	(70.4)	(49.2)	(61.1)
General and Administrative	(25.6)	(36.7)	(44.4)	(32.8)	(35.7)
Depreciation and amortization	(5.6)	(6.9)	(7.4)	(5.5)	(4.5)
Write down of impaired assets	—	(0.6)	—	—	—
	<u>(66.1)</u>	<u>(96.6)</u>	<u>(122.2)</u>	<u>(87.5)</u>	<u>(101.3)</u>
Operating profit	41.5	40.1	55.3	38.3	45.1
Other income (expense):					
Interest and financing fees (note 13)	(0.2)	(0.6)	(0.8)	(0.9)	(2.3)
Foreign exchange gain (loss) and other	(2.2)	(0.2)	(0.8)	0.1	0.4
	<u>(2.4)</u>	<u>(0.8)</u>	<u>(1.6)</u>	<u>(0.8)</u>	<u>(1.9)</u>
Income before income taxes and minority interest	39.1	39.3	53.7	37.5	43.2
Income tax provision, net	(10.9)	(10.0)	(17.1)	(12.7)	(14.2)
Income before minority interest	28.2	29.3	36.6	24.8	29.0
Minority interest	(4.2)	(5.4)	(7.0)	(4.8)	(5.7)
Net income	<u>\$24.0</u>	<u>\$23.9</u>	<u>\$29.6</u>	<u>\$20.0</u>	<u>\$23.3</u>

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, 2002	\$29.8	\$(10.3)	\$0.5	\$—	\$20.0
Invested Equity	27.5	—	—	—	27.5
Net income for the year ended December 31, 2002	—	24.0	—	24.0	24.0
Currency translation adjustment Comprehensive income for the year ended December 31, 2002	—	—	9.9	9.9	9.9
				<u>\$33.9</u>	<u>—</u>
As of December 31, 2002	<u>57.3</u>	<u>13.7</u>	<u>10.4</u>	<u>—</u>	<u>81.4</u>
Invested equity	(5.4)	—	—	—	(5.4)
Net income for the year ended December 31, 2003	—	23.9	—	23.9	23.9
Currency translation adjustment Comprehensive income for the year ended December 31, 2003	—	—	7.1	7.1	7.1
				<u>\$31.0</u>	<u>—</u>
As of December 31, 2003	<u>51.9</u>	<u>37.6</u>	<u>17.5</u>	<u>—</u>	<u>107.0</u>
Invested equity	(43.7)	—	—	—	(43.7)
Net income for the year ended December 31, 2004	—	29.6	—	29.6	29.6
Currency translation adjustment Comprehensive income for the year ended December 31, 2004	—	—	3.7	3.7	3.7
				<u>\$33.3</u>	<u>—</u>
As of December 31, 2004	<u>8.2</u>	<u>67.2</u>	<u>21.2</u>	<u>—</u>	<u>96.6</u>
Invested equity	0.2	—	—	—	0.2
Net income for the nine-month period ended September 30, 2005	—	23.3	—	23.3	23.3
Currency translation adjustment Comprehensive income for the nine-month period ended September 30, 2005	—	—	(7.3)	(7.3)	(7.3)
				<u>\$16.0</u>	<u>—</u>
As of September 30, 2005	<u>\$8.4</u>	<u>\$90.5</u>	<u>\$13.9</u>	<u>—</u>	<u>\$112.8</u>

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, 2002 (12 months)	December 31, 2003 (12 months)	December 31, 2004 (12 months)	September 30, 2004 (9 months) (unaudited)	September 30, 2005 (9 months) (unaudited)
Operating activities:					
Net income	\$24.0	\$23.9	\$29.6	\$20.0	\$23.3
Adjustments to reconcile net income to net cash provided by operating activities:					
Minority interest	4.2	5.4	7.0	4.8	5.7
Amortization	2.3	3.2	3.7	2.6	1.3
Depreciation	3.3	3.7	3.7	2.9	3.2
Provision for doubtful accounts .	0.7	1.3	2.2	0.9	0.9
Unrealised foreign exchange loss (gain)	(1.2)	—	1.7	0.5	(1.5)
Non cash taxes	(0.2)	(2.1)	0.8	0.7	1.1
Write down of impaired assets .	—	0.6	—	—	—
Non-cash interest and other . . .	0.2	—	0.4	0.2	0.5
Net change in restricted deposit balances (note 15)	(2.7)	(3.7)	(5.5)	(0.9)	(1.5)
Net cash provided by operating activities	30.6	32.3	43.6	31.7	32.1
Investing activities:					
Cash paid for investments	(0.7)	(0.1)	(0.1)	(0.5)	(0.3)
Cash paid for property, plant and equipment	(2.8)	(5.0)	(5.7)	(3.9)	(3.7)
Cash paid for acquisitions, net of cash acquired (note 4)	(1.1)	(14.7)	(24.3)	(20.4)	(2.0)
Net cash used in investing activities	(4.6)	(19.8)	(30.1)	(24.8)	(6.0)
Financing activities:					
Cash received from borrowings . .	0.1	—	—	—	7.7
Repayments on borrowings	(0.2)	—	—	—	—
Cash paid for financing costs	—	—	(0.6)	—	(0.3)
Invested Equity	(2.9)	19.3	24.6	21.3	(6.5)
Cash paid to minority interests and to related party	(18.4)	(27.7)	(36.8)	(25.4)	(24.8)
Increase in bank overdraft balances	—	—	0.2	—	—
Net cash used in financing activities	(21.4)	(8.4)	(12.6)	(4.1)	(23.9)
Effect of exchange rate changes on cash and cash equivalents . .	1.7	1.5	1.4	—	(0.9)
Net increase in cash and cash equivalents	6.3	5.6	2.3	2.8	1.3
Cash and cash equivalents at beginning of period	8.4	14.7	20.3	20.3	22.6
Cash and cash equivalents at end of period	\$14.7	\$20.3	\$22.6	\$23.1	\$23.9

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

TRADER MEDIA EAST
NOTES TO COMBINED FINANCIAL STATEMENTS
(US Dollars and other currencies in millions)

1. DESCRIPTION OF THE BUSINESS AND BASIS OF PRESENTATION:

Background

In the fourth quarter of 2005, Trader Classified Media N.V. (“TCM”) announced a plan to create a separate sub-group, named Trader Media East, comprised of TCM operations located in the following regions—Russia, Croatia, Hungary, Poland, Ukraine, Belarus, Kazakhstan and Lithuania. For the purpose of this reorganization, TCM incorporated Trader Media East Limited as the parent company of this sub-group, in Jersey on November 11, 2005.

In connection with the admission to trading of Trader Media East’s shares in the form of Global Depositary Receipts (“GDR”) on the London Stock Exchange and prior to the Offering Date, TCM agreed to transfer to Trader Media East the assets and liabilities associated with the businesses of Trader Media East. Trader Media East also entered into an agreement with TCM relating to certain interim and ongoing relationship. This reorganization and agreements are described in detail 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 major publications and websites include: *Expressz*, *Kepes Auto*, *Kepes Ingatlan*, *Mai Hirdetes*, *Szuperinfo*, *Kisokos* and *www.expressz.hu* website in Hungary; *Iz Ruk v Ruki*, *Aviso*, *Avto*, *Nedvizhimost* in Moscow and major cities across Russia and the Commonwealth of Independent States (CIS) and *www.izrukvruki.ru* and *www.irr.ru* website; *Oglasnik* and *www.oglasnik.hr* website in Croatia and *Auto Bit*, *Auto Biznes* and *www.trader.pl* and *www.Kupsprzedaj.pl* websites in Poland.

Basis of Presentation

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’s 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 B.V. which includes its 88% owned subsidiary Pronto Moscow L.L.C. and its respective subsidiaries (collectively, the Russian Entities) with the financial statements of Trader.com (Polska) Sp. Zo.o, Expressz Magyarország Rt, Trader Hungary Tanacsado Kft, Expressz Garancia Központ Kft, Kisokos Directory Kft and Trader Classified Media Croatia Holding B.V., which owns 70% of the Croatian publication Oglasnik. For all periods, the terms “Trader Media East”, “Group” or the “Company” as used herein refer to these entities and their subsidiaries.

Trader Media East’s results 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.

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.

TRADER MEDIA EAST
NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)
(US Dollars and other currencies in millions)

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 ("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's 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, 2002, 2003 and 2004 and at September 30, 2005, equity method investments were not material to the Group's combined financial statements. All significant intercompany accounts and transactions have been eliminated.

(b) Interim financial information:

The financial information for the nine-month periods ended September 30, 2004 and September 30, 2005 is unaudited but includes all adjustments, consisting only of normal and recurring accruals, that management considers necessary for a fair presentation of its combined financial position, operating results and cash flows. Results for the nine month-period ended September 30, 2005 are not necessarily indicative of results to be expected for the full fiscal year 2005 or for any future.

(c) 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.

(d) Restricted deposit:

Restricted deposit reflects a placement of 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 interest of 4% per annum.

(e) Foreign currency translation:

With the exception of the Russian and CIS entities until January 1, 2003, 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.

Until January 1, 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

TRADER MEDIA EAST
NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)
(US Dollars and other currencies in millions)

2. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

January 1, 2003, the Russian entities have been using the Russian Ruble as their functional currency as the Russian economy was no longer considered being highly inflationary.

	<u>RUB/US\$</u>	<u>HUF/US\$</u>	<u>HRK/US\$</u>	<u>PLZ/US\$</u>	<u>EUR/US\$</u>
2002					
Average	0.032	0.004	N/A	0.245	0.947
Closing	0.032	0.004	N/A	0.260	1.048
2003					
Average	0.033	0.004	N/A	0.256	1.134
Closing	0.034	0.005	N/A	0.266	1.255
September 2004					
Average	0.035	0.005	0.157	0.265	1.220
Closing	0.034	0.005	0.158	0.282	1.228
2004					
Average	0.035	0.005	0.159	0.276	1.243
Closing	0.036	0.006	0.171	0.333	1.364
September 2005					
Average	0.035	0.005	0.169	0.309	1.257
Closing	0.035	0.005	0.161	0.310	1.204

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.

(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:

<u>Asset</u>	<u>Estimated useful lives</u>
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.

(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. The Company adopted Statement of Financial Accounting Standards No. 142 or SFAS No. 142 “Goodwill and Other Intangible Assets”, on January 1, 2002 on a prospective basis. In accordance

TRADER MEDIA EAST
NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)
(US Dollars and other currencies in millions)

2. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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 the 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 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.

(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

TRADER MEDIA EAST
NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)
(US Dollars and other currencies in millions)

2. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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 \$2.0, \$3.6, \$5.5, \$3.3 and \$4.8 for the years ended December 31, 2002, 2003 and 2004 and nine month-periods ended September 30, 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 Trader foreign subsidiaries. The provision for income taxes in Trader Media East's combined financial statements has been determined on a separate-return basis.

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

TRADER MEDIA EAST
NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)
(US Dollars and other currencies in millions)

2. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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, 2004. 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) Concentration of credit risk and significant customer:

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, 2004, 2003 and 2002 and September 30, 2005 or revenue for all periods presented.

Russia and the CIS operations:

In 2002, 2003, 2004 and for the nine months ending September 30, 2004 and 2005, the Group derived respectively \$75.9, \$90.9, \$119.3, \$85.5 and \$100.1 of its revenues, \$39.4, \$41.2, \$53.4, \$37.1 and \$41.4 of its operating profit before certain expenses and \$29.5, \$40.9, \$49.6, \$34.3 and \$37.7 in earnings before income taxes and minority interest from Russia and the CIS. The Russian Federation has been experiencing political and economic changes which have affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks, which do not typically exist in other markets.

Additionally, the taxation system in the Russian Federation is characterized by numerous taxes and frequently changing legislation, which may be applied retroactively and which is often unclear, contradictory, and subject to differing interpretation by numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges.

The above facts may create risks in Russia substantially more significant than in other countries. The accompanying financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Company. The future business environment may differ from management's assessment. The impact of such differences on the operations and the financial position of the Company may be significant.

TRADER MEDIA EAST
NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)
(US Dollars and other currencies in millions)

2. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(q) Use of estimates:

The preparation of financial statements in accordance with US GAAP requires management to make estimates and assumptions that effect 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.

(r) 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.

(s) 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 to 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 December 2004, the FASB issued SFAS No. 153 "*Exchange of Non-Monetary Assets*" as an amendment of APB Opinion No. 29 "*Accounting for Non-Monetary Transactions*". SFAS No. 153 is based on the principle that exchanges of nonmonetary assets should be recorded and measured at the fair value of the assets exchanged. APB Opinion No. 29 provided an exception to its basic measurement principle (fair value) for exchanges of similar productive assets. Under APB Opinion No. 29, an exchange of a productive asset for a similar productive asset was based on the recorded amount of the asset relinquished. SFAS No. 153 eliminates this exception and replaces it with exceptions for exchanges of nonmonetary assets that do not have reasonably determinable fair values or commercial substance. SFAS No. 153 is effective for nonmonetary asset exchanges occurring in reporting periods beginning after June 15, 2005. We are required to adopt SFAS No. 153 effective July 1, 2005. We do not expect the adoption of SFAS No. 153 to have a material impact on our Balance Sheet or Statement of Operations.

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.

TRADER MEDIA EAST

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, 2002	Russia and the CIS	Hungary	Poland	Croatia	Total
Print revenues	\$75.5	\$25.4	\$4.3	\$—	\$105.2
Online revenues	0.4	1.7	0.3	—	2.4
Total revenues	75.9	27.1	4.6	—	107.6
Operating profit (loss) before certain expenses	39.4	10.0	(0.1)	—	49.3
Interest (expense) income	0.5	(0.5)	(0.2)	—	(0.2)
Amortization	(1.1)	(1.1)	(0.1)	—	(2.3)
Depreciation	(1.8)	(1.3)	(0.2)	—	(3.3)
Income tax (expense) benefit	(10.6)	(0.3)	—	—	(10.9)
Total assets	67.0	48.9	2.8	—	118.7
Goodwill	18.4	25.2	0.4	—	44.0
Fixed assets	15.5	2.3	0.3	—	18.1
Increase in fixed assets	\$2.4	\$0.3	\$0.1	\$—	\$2.8
Year ended December 31, 2003	Russia and the CIS	Hungary	Poland	Croatia	Total
Print revenues	\$90.3	\$39.0	\$4.3	\$—	\$133.6
Online revenues	0.6	1.9	0.6	—	3.1
Total revenues	90.9	40.9	4.9	—	136.7
Operating profit (loss) before certain expenses	41.2	9.9	0.1	—	51.2
Interest (expense) income	0.3	(0.7)	(0.2)	—	(0.6)
Amortization	(1.2)	(1.9)	(0.1)	—	(3.2)
Depreciation	(2.1)	(1.5)	(0.1)	—	(3.7)
Income tax (expense) benefit	(9.2)	(0.9)	0.1	—	(10.0)
Total assets	93.2	75.0	2.8	—	171.0
Goodwill	21.2	35.2	0.5	—	56.9
Fixed assets	20.2	4.9	0.3	—	25.4
Increase in fixed assets	\$5.3	\$3.4	\$0.1	\$—	\$8.8

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

3. GEOGRAPHIC INFORMATION: (Continued)

<u>Year ended December 31, 2004</u>	<u>Russia and the CIS</u>	<u>Hungary</u>	<u>Poland</u>	<u>Croatia</u>	<u>Total</u>
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
 <u>9 month period ended September 30, 2004</u>	<u>Russia and the CIS</u>	<u>Hungary</u>	<u>Poland</u>	<u>Croatia</u>	<u>Total</u>
Print revenues	\$84.7	\$33.4	\$3.2	\$1.4	\$122.7
Online revenues	0.8	1.6	0.7	—	3.1
Total revenues	85.5	35.0	3.9	1.4	125.8
Operating profit (loss) before certain expenses	37.1	8.8	0.2	0.4	46.5
Interest (expense) income	0.2	(0.9)	(0.2)	—	(0.9)
Amortization	(1.0)	(1.5)	(0.1)	—	(2.6)
Depreciation	(1.7)	(1.1)	(0.1)	—	(2.9)
Income tax (expense) benefit . .	(11.4)	(1.4)	0.1	—	(12.7)
Total assets	79.5	79.3	3.1	16.6	178.5
Goodwill	21.5	40.5	0.5	14.8	77.3
Fixed assets	20.5	4.3	0.3	—	25.1
Increase in fixed assets	\$2.1	\$0.4	\$0.1	\$—	\$2.6

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

3. GEOGRAPHIC INFORMATION: (Continued)

9 month period ended September 30, 2005	Russia and the CIS	Hungary	Poland	Croatia	Total
Print revenues	\$99.3	\$32.2	\$3.3	\$7.7	\$142.5
Online revenues	0.8	1.7	1.4	—	3.9
Total revenues	100.1	33.9	4.7	7.7	146.4
Operating profit (loss) before certain expenses	41.4	7.1	0.4	2.6	51.5
Interest (expense) income	—	(1.8)	(0.2)	(0.3)	(2.3)
Amortization	(0.3)	(0.9)	(0.1)	—	(1.3)
Depreciation	(2.1)	(1.0)	(0.1)	—	(3.2)
Income tax (expense) benefit . .	(12.7)	(1.0)	—	(0.5)	(14.2)
Total assets	96.5	74.1	3.2	20.6	194.4
Goodwill	23.9	40.0	0.6	3.8	68.3
Fixed assets	21.3	5.3	0.3	0.2	27.1
Increase in fixed assets	\$1.4	\$1.9	\$0.2	\$0.2	\$3.7

Revenues generated by channel are as follows:

	December 31, 2002	December 31, 2003	December 31, 2004	September 30, 2004	September 30, 2005
Print revenues					
Classified Ads—Private	\$8.5	\$10.8	\$11.9	\$9.1	\$8.8
Classified Ads—Professional . .	32.1	40.0	49.3	35.4	41.6
Display	44.5	59.8	83.0	57.9	65.8
Circulation	15.3	17.6	21.5	15.4	19.0
Services and Other	4.8	5.4	7.5	4.9	7.3
Total Print revenues	105.2	133.6	173.2	122.7	142.5
Online revenues	2.4	3.1	4.3	3.1	3.9
Total revenues	\$107.6	\$136.7	\$177.5	\$125.8	\$146.4

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, 2002	December 31, 2003	December 31, 2004	September 30, 2004	September 30, 2005
Operating profit before certain expenses	\$49.3	\$51.2	\$66.4	\$46.5	\$51.5
Depreciation and amortization .	(5.6)	(6.9)	(7.4)	(5.5)	(4.5)
Management and assistance expenses (Note 16)	(2.2)	(3.6)	(3.7)	(2.7)	(1.9)
Non cash compensation expense (Note 9)	—	—	—	—	—
Write-down of impaired assets .	—	(0.6)	—	—	—
Operating profit as per Combined Statements of Operations	\$41.5	\$40.1	\$55.3	\$38.3	\$45.1

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

4. ACQUISITIONS:

2005 Acquisitions

During the first nine-month of 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	\$1.7
Intangibles	0.1
Minority interests	0.2
Total Cash paid for acquisitions	<u>\$2.0</u>

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.

<u>Acquisition Name</u>	<u>Country</u>	<u>Date Acquired</u>	<u>Percentage Ownership Acquired</u>	<u>Total Consideration</u>
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				<u>\$24.3</u>

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

Goodwill	\$9.6
Intangibles	14.5
Investments	—
Net tangible assets acquired	4.4
Deferred income tax liability	(4.0)
Minority interests	(0.2)
Total Cash paid for acquisitions	<u>\$24.3</u>

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

4. ACQUISITIONS: (Continued)

2003 Acquisitions

The following table presents, for each of the 2003 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, 2003. All acquisitions are related to the classified or directory advertising business. Purchase price considerations were paid in cash in 2003.

<u>Acquisition Name</u>	<u>Country</u>	<u>Date Acquired</u>	<u>Percentage Ownership Acquired</u>	<u>Total Consideration</u>
Uijpressz	Hungary	April 24	100%	\$4.5
Kisokos	Hungary	July 3	100%	9.0
Other				1.2
Total Acquisitions during 2003				14.7
Add: earn-out paid and deferred acquisition payments in 2003				—
Total cash paid for acquisitions				\$14.7

The following table presents the impact of these acquisitions on the 2003 combined financial statements:

Goodwill	\$9.7
Intangibles	8.9
Increase in long term debt	(1.5)
Net liabilities assumed	(0.9)
Deferred income tax liability	(1.4)
Minority interests	(0.1)
Total cash paid for acquisitions	\$14.7

2002 Acquisitions

The following table presents, for each of the 2002 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, 2002. All purchase price considerations were paid in cash in 2002.

<u>Acquisition Name</u>	<u>Country</u>	<u>Date Acquired</u>	<u>Percentage Ownership Acquired</u>	<u>Total Consideration</u>
Pronto Novossibirsk ⁽¹⁾	Russia	June 21	44.0%	\$0.7
Other				0.4
Total Acquisitions during 2002				1.1
Add: earn-out paid and deferred acquisition payments in 2002				—
Total cash paid for acquisitions				\$1.1

(1) Purchase of additional minority interests.

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

4. ACQUISITIONS: (Continued)

The following table presents the impact of these acquisitions on the 2002 combined financial statements:

Goodwill	\$1.1
Intangibles	—
Reduction of long term debt	—
Deferred income tax liability	—
Reduction of minority interests	—
Total cash paid for acquisitions	<u><u>\$1.1</u></u>

Proforma Information

The following unaudited pro forma information presents the Company's results of operations for the years ended December 31, 2003 and 2004, after giving effect to the 2003 and 2004 acquisitions as if they had been consummated on January 1, 2003. Such unaudited pro forma information is based on the historical financial information of all the acquisitions and does not include operational or other changes which might have been made by the Company. This pro forma information also includes the cost of the debt and amortization of other intangibles.

The unaudited pro forma information for the years ended December 31, 2003 and 2004 presented below is solely for illustrative purposes and is not necessarily indicative of results which would have been achieved or results which may be achieved in the future.

<u>Year ended December 31,</u>	<u>Unaudited Pro forma</u>	
	<u>2003</u>	<u>2004</u>
Revenues	\$144.5	\$182.5
Net income from continuing operations	\$23.9	\$29.6

5. ACCOUNTS RECEIVABLES:

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

	<u>December 31,</u> <u>2002</u>	<u>December 31,</u> <u>2003</u>	<u>December 31,</u> <u>2004</u>	<u>September 30,</u> <u>2005</u>
Accounts receivables, gross	\$4.6	\$9.5	\$15.5	\$13.5
Allowances	(1.5)	(3.0)	(4.8)	(4.2)
Accounts receivables, net	<u><u>\$3.1</u></u>	<u><u>\$6.5</u></u>	<u><u>\$10.7</u></u>	<u><u>\$9.3</u></u>

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

6. PROPERTY, PLANT AND EQUIPMENT:

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

	December 31, 2002	December 31, 2003	December 31, 2004	September 30, 2005
Land	\$0.1	\$0.2	\$0.2	\$0.2
Buildings	2.0	3.4	4.4	4.5
Printing presses and related equipment	12.1	16.1	18.0	17.2
Office furniture, computers and equipment	9.3	12.1	15.3	15.6
Leasehold improvements	0.8	0.9	0.9	0.7
Software	3.7	4.2	7.3	8.4
Assets in progress	0.1	2.9	1.3	1.8
	<u>28.1</u>	<u>39.8</u>	<u>47.4</u>	<u>48.4</u>
Less accumulated depreciation	<u>(10.0)</u>	<u>(14.4)</u>	<u>(19.6)</u>	<u>(21.3)</u>
Property, plant and equipment, net	<u>\$18.1</u>	<u>\$25.4</u>	<u>\$27.8</u>	<u>\$27.1</u>

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

	December 31, 2002	December 31, 2003	December 31, 2004	September 30, 2005
Net balance at opening	\$16.1	\$18.1	\$25.4	\$27.8
Acquisitions of businesses	—	0.4	0.2	—
Additions	2.8	8.8	4.3	3.7
Depreciation	(3.3)	(3.7)	(3.7)	(3.2)
Disposal, write-offs and other	(0.2)	—	(0.3)	(0.2)
Currency translation adjustment	2.7	1.8	1.9	(1.0)
Net balance at closing	<u>\$18.1</u>	<u>\$25.4</u>	<u>\$27.8</u>	<u>\$27.1</u>

7. GOODWILL AND OTHER INTANGIBLES:

The breakdown in goodwill and intangible assets is as follows:

	December 31, 2002	December 31, 2003	December 31, 2004	September 30, 2005
Goodwill, net	\$44.0	\$56.9	\$73.4	\$68.3
Intangibles, net	24.5	31.6	46.6	41.2
Goodwill and intangibles, net	<u>\$68.5</u>	<u>\$88.5</u>	<u>\$120.0</u>	<u>\$109.5</u>

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

	December 31, 2002	December 31, 2003	December 31, 2004	September 30, 2005
Goodwill	<u>\$53.9</u>	<u>\$67.5</u>	<u>\$85.1</u>	<u>\$79.2</u>
Less accumulated amortization	<u>(9.9)</u>	<u>(10.6)</u>	<u>(11.7)</u>	<u>(10.9)</u>
Goodwill, net	<u>\$44.0</u>	<u>\$56.9</u>	<u>\$73.4</u>	<u>\$68.3</u>

TRADER MEDIA EAST
NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)
(US Dollars and other currencies in millions)

7. GOODWILL AND OTHER INTANGIBLES: (Continued)

Accumulated amortization fluctuation primarily results from currency translation adjustment.

	December 31, 2002	December 31, 2003	December 31, 2004	September 30, 2005
Tradenames	\$25.5	\$34.6	\$53.9	\$49.3
Advertiser base	7.4	8.0	9.0	8.1
Other intangible assets	0.3	1.8	2.0	1.8
Intangibles	33.2	44.4	64.9	59.2
Less accumulated amortization	(8.7)	(12.8)	(18.3)	(18.0)
Intangibles, net	\$24.5	\$31.6	\$46.6	\$41.2

As of September 30, 2005, the net carrying amount of intangible assets not subject to amortization is \$29.5.

The variation of goodwill is as follows:

	December 31, 2002	December 31, 2003	December 31, 2004	September 30, 2005
Net balance at opening	\$36.8	\$44.0	\$56.9	\$73.4
Acquisitions of businesses	(0.1)	9.4	9.1	1.8
Disposals, write-offs and other	—	(0.6)	0.4	(0.4)
Currency translation adjustment	7.3	4.1	7.0	(6.5)
Net balance at closing	\$44.0	\$56.9	\$73.4	\$68.3

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

	December 31, 2002	December 31, 2003	December 31, 2004	September 30, 2005
Net balance at opening	\$—	\$—	\$—	\$32.0*
Currency translation adjustment	—	—	—	(2.5)
Net balance at closing	\$—	\$—	\$—	\$29.5

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

	December 31, 2002	December 31, 2003	December 31, 2004	September 30, 2005
Net balance at opening	\$21.4	\$24.5	\$31.6	\$14.6*
Acquisitions of businesses	1.2	9.8	15.1	—
Additions	—	—	—	0.1
Depreciation	(2.3)	(3.2)	(3.7)	(1.3)
Disposal, write-offs and other	—	(1.7)	(0.9)	—
Currency translation adjustment	4.2	2.2	4.5	(1.7)
Net balance at closing	\$24.5	\$31.6	\$46.6	\$11.7

* Starting January 1, 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.

Write-down of tradenames are \$0, \$0.6, \$0, and \$0, respectively for the years ended December 31, 2002, December 31, 2003 and December 31, 2004 and for the nine month-period ending September 30, 2005. No write-down of goodwill have been recorded during the periods herein presented.

TRADER MEDIA EAST
NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)
(US Dollars and other currencies in millions)

7. GOODWILL AND OTHER INTANGIBLES: (Continued)

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 No. 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 20 years.

Had the change in estimate been effective January 1, 2002, the impact on the statement of operation of this change would have been as follows:

	December 31, 2002	December 31, 2003	September 30, 2004	December 31, 2004	September 30, 2005
Amortization as reported	\$(3.3)	\$(3.7)	\$(2.7)	\$(3.7)	\$(1.3)
Change in estimated amortization	1.4	1.8	1.3	2.0	—
Amortization, as adjusted	\$(1.9)	\$(1.9)	\$(1.4)	\$(1.7)	\$(1.3)

Estimated amortization expense for the next five years is \$(1.8) per year.

8. LONG-TERM DEBT:

On July 8, 2005, TCM entered into a new senior debt facility led by BNP PARIBAS. The new facility provides significant improvement in financial conditions, considerably greater operating flexibility and 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, 2002	December 31, 2003	December 31, 2004	September 30, 2005
(i) Senior Credit facility				
BNP PARIBAS Agreement:				
Draw-down from Trader Hungary Tanacsado Kft under the Senior Credit Facility at 125 bps over IBOR (denominated in HUF); repayable in increasing annual instalments from July 8, 2006 to July 8, 2010	\$—	\$—	\$—	\$7.4
(ii) Deferred acquisition and other debt	0.4	2.1	—	—
	0.4	2.1	—	7.4
Less amounts due within one year	(0.3)	(2.1)	—	(1.1)
	\$0.1	\$—	\$—	\$6.3

TRADER MEDIA EAST
NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)
(US Dollars and other currencies in millions)

8. LONG-TERM DEBT: (Continued)

As of September 30, 2005, the maturities of long-term debt are as follows:

<u>Period ending September 30,</u>	<u>Total</u>
2006	1.1
2007	1.5
2008	2.2
2009	2.2
2010 and after	0.4
	<u>\$7.4</u>

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

The credit agreements are guaranteed by substantially all of our subsidiaries and are 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 credit agreement, without penalty, in whole or in part. Amounts applied as prepayments of the Trader Hungary Tanacsado Kft draw-down may not be borrowed again. All amounts outstanding under the 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. The Credit Agreement also includes, with exceptions and limitations, mandatory prepayments under certain circumstances, including disposition of assets.

9. SHARE OPTIONS:

For the years 2002, 2003 and 2004, 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 initial public offering (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 IPO for the years 2002, 2003 and 2004 was immaterial. All these grants are fully vested by December 31, 2004. 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.

TRADER MEDIA EAST
NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)
(US Dollars and other currencies in millions)

9. SHARE OPTIONS: (Continued)

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

	Options	Exercise Price Per Share	
		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	13.83	13.83
Exercised	—	—	—
Canceled/Forfeited	—	—	—
Adjustments	7,114	1.88–12.62	7.47
Balance, September 30, 2005	158,082	\$1.88–12.62	\$7.02

In 2004 and 2005, Trader 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 \$1.88 to \$12.62.

Outstanding and vested options under the Equity Plans as of September 30, 2005 were as follows:

Outstanding Options			Exercisable Options		
Options	Remaining Life (years)	Exercise Price (US \$)	Options	Exercise Price	
				Price (US\$)	Price (€)
15,450	3.2	\$1.88	15,450	\$1.88	€1.56
54,172	5.2	4.72	43,338	4.72	3.92
18,042	7.5	4.80	7,217	4.80	3.99
28,730	8.5	7.95	5,746	7.95	6.60
15,443	4.6	11.52	15,443	11.52	9.57
26,245	9.5	12.62	—	\$12.62	€10.48
158,082			87,194		

TRADER MEDIA EAST
NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)
(US Dollars and other currencies in millions)

9. SHARE OPTIONS: (Continued)

Options have been granted in 2003, 2004 and 2005 at a weighted average fair value of \$3.39 (€2.99), \$6.17 (€4.97) and \$6.36 (€5.06), respectively.

Pro forma disclosures

Had the Group determined compensation expense using the fair-value based method on the grant date for all options issued, as prescribed by SFAS No. 123 "Accounting for Stock-Based Compensation", the Company's pro forma net income for the years ended December 31, 2002, 2003 and 2004 and the nine-month period ended September 30, 2005 would have been as follows:

	December 31, 2002	December 31, 2003	December 31, 2004	September 30, 2005
Net income				
As reported	\$24.0	\$23.9	\$29.6	\$23.3
Add back: employee compensation cost recognized in income statement in accordance with intrinsic value method	—	—	—	—
Deduct: employee compensation expense that would have been recognized if the fair value based method had been applied to all awards	—	—	—	—
Pro forma	<u>\$24.0</u>	<u>\$23.9</u>	<u>\$29.6</u>	<u>\$23.3</u>

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, 2002, 2003 and 2004 and the nine-month period ended September 30, 2005:

	December 31, 2002	December 31, 2003	December 31, 2004	September 30, 2005
Expected dividend yield	0%	0%	0%	0%
Expected stock price volatility	52%	35%	35%	35%
Risk-free interest rate	3.6%	4.1%	4.2%	4.6%
Expected life	6 years	6 years	6 years	6 years

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

In December 2003 and 2004, the Management of the Company implemented targeted restructuring actions, and recorded a write-down of intangible assets for \$0.4 in Hungary and \$0.2 in Russia in 2003, and a \$0.2 charge in general and administrative expenses in 2004 which was paid during the period.

TRADER MEDIA EAST
NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)
(US Dollars and other currencies in millions)

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, 2004 amount to approximately:

	Operating Lease Payments
2005	\$1.0
2006	1.0
2007	1.0
2008	1.1
2009 and thereafter	0.7
	\$4.8

Lease expense amounted to \$2.3, \$3.0 and \$4.0 for the years ended December 31, 2002, 2003 and 2004, 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. 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% 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 minority shareholders and determined through an earnings-based formula.
- (d) Mirabridge B.V., a wholly owned company of Trader Media East Ltd, 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 B.V. 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 B.V. receiving its prorata-share of the proceeds.

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 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, 2002	December 31, 2003	December 31, 2004	September 30, 2004	September 30, 2005
Interest income	\$0.5	\$0.4	\$0.2	\$0.2	\$0.1
Interest on related party balances	(0.7)	(1.0)	(1.0)	(1.1)	(1.7)
Other financial expense	—	—	—	—	(0.7)
	\$(0.2)	\$(0.6)	\$(0.8)	\$(0.9)	\$(2.3)

TRADER MEDIA EAST
NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)
(US Dollars and other currencies in millions)

13. INTEREST AND FINANCING FEES: (Continued)

Financing fees related to debt issuance are amortized on a straight-line basis over the term of the debt. However, as a consequence of a new facility agreement in which TCM entered in July 2005, 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%.

14. INCOME TAXES:

Amounts for the years ended December 31, 2002, 2003 and 2004 and the nine month-period ended September 30, 2005 differed from the amounts computed by applying the statutory income tax rate of respectively 34.5%, 34.5%, 34.5% and 31.5%, to income before income taxes and minority interest as indicated in the table below.

	<u>December 31, 2002</u>	<u>December 31, 2003</u>	<u>December 31, 2004</u>	<u>September 30, 2005</u>
Income before income taxes, minority interest and discontinued operations:				
Netherlands	(1.5)	(1.3)	(0.8)	(0.4)
Foreign	40.6	40.6	54.5	43.6
	<u>39.1</u>	<u>39.3</u>	<u>53.7</u>	<u>43.2</u>
Expected statutory tax expense	(13.5)	(13.6)	(18.5)	(13.6)
Decrease in valuation allowance	—	0.3	0.2	(0.8)
Effect of foreign tax rate differences	5.1	4.8	6.6	3.5
Non-deductible differences:				
Non-deductible expenses ⁽¹⁾	(0.4)	(0.7)	(2.1)	(2.1)
Non-taxable revenues	—	0.2	0.1	0.1
Other	(2.3)	(1.0)	(3.3)	(1.3)
Total non-deductible differences	<u>(2.7)</u>	<u>(1.5)</u>	<u>(5.3)</u>	<u>(3.3)</u>
Other differences, net	0.2	—	(0.1)	—
Income tax provision, net	<u><u>\$(10.9)</u></u>	<u><u>\$(10.0)</u></u>	<u><u>\$(17.1)</u></u>	<u><u>\$(14.2)</u></u>

(1) Non-deductible expenses include primarily certain corporate costs.

The components of income tax expense are as follows:

	<u>December 31, 2002</u>	<u>December 31, 2003</u>	<u>December 31, 2004</u>	<u>September 30, 2005</u>
Current provision:				
Netherlands	(0.1)	(0.8)	(1.4)	(1.0)
Foreign	(12.2)	(8.7)	(16.2)	(13.2)
	<u>(12.3)</u>	<u>(9.5)</u>	<u>(17.6)</u>	<u>(14.2)</u>
Deferred benefit (provision):				
Netherlands	—	—	—	—
Foreign	1.4	(0.5)	0.5	—
	<u>1.4</u>	<u>(0.5)</u>	<u>0.5</u>	<u>—</u>
Income tax provision, net	<u><u>\$(10.9)</u></u>	<u><u>\$(10.0)</u></u>	<u><u>\$(17.1)</u></u>	<u><u>\$(14.2)</u></u>

TRADER MEDIA EAST
NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)
(US Dollars and other currencies in millions)

14. INCOME TAXES: (Continued)

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

	December 31, 2002	December 31, 2003	December 31, 2004	September 30, 2005
Other receivables	\$0.9	\$1.0	\$1.4	\$1.5
Social and fiscal liabilities	(3.6)	(0.1)	(0.3)	(0.9)

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, 2002	December 31, 2003	December 31, 2004	September 30, 2005
Deferred tax assets:				
Allowance for doubtful accounts	0.3	0.3	—	0.5
Accrued liabilities and deferred revenues . .	0.1	0.1	—	—
Operating loss carryforwards	3.1	2.6	2.4	1.9
Other	—	0.4	0.5	(0.4)
Gross deferred tax assets:	3.5	3.4	2.9	2.0
Valuation allowance	(1.6)	(1.5)	(1.5)	(1.4)
Net deferred tax assets	1.9	1.9	1.4	0.6
Deferred tax liabilities:				
Accrued liabilities	(0.2)	(0.1)	(0.2)	—
Fixed assets and intangibles	(5.9)	(8.7)	(12.6)	(11.7)
Other	1.3	(0.3)	—	—
Total deferred tax liabilities	(4.8)	(9.1)	(12.8)	(11.7)
Net deferred tax liability	\$(2.9)	\$(7.2)	\$(11.4)	\$(11.1)

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

	December 31, 2002	December 31, 2003	December 31, 2004	September 30, 2005
Other current assets	0.4	0.8	0.4	—
Other non-current assets	1.5	1.1	1.0	0.6
Other liabilities	(0.2)	(0.1)	(0.1)	—
Deferred income taxes long term	(4.6)	(9.0)	(12.7)	(11.7)
Net deferred tax liability	\$(2.9)	\$(7.2)	\$(11.4)	\$(11.1)

At December 31, 2004, the Company had \$15.5 of accumulated net operating loss carryforwards, available to offset future taxable income in various subsidiaries. \$6.2 expires in various years from 2005 through 2007, \$1.5 expires from 2008 through 2021 and \$7.8 can be carried forward indefinitely.

TRADER MEDIA EAST
NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)
(US Dollars and other currencies in millions)

15. CASH FLOW INFORMATION:

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

	December 31, 2002	December 31, 2003	December 31, 2004	September 30, 2004	September 30, 2005
Cash paid (received) for:					
Interest	\$0.1	\$(0.1)	\$1.3	\$0.4	\$0.7
Income taxes (net of tax refunds)	11.0	10.9	16.0	9.9	12.0

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

	December 31, 2002	December 31, 2003	December 31, 2004	September 30, 2004	September 30, 2005
(Increase) decrease in:					
Accounts receivable	\$(0.8)	\$(4.1)	\$(4.8)	\$(3.4)	\$(0.4)
Other receivables and other assets	0.1	(2.5)	0.9	(0.5)	0.3
Income taxes receivable	0.2	—	(0.4)	0.8	(0.1)
Inventory	0.2	(0.1)	(0.2)	(0.3)	(0.5)
Deposits and prepaid expenses	(0.2)	(0.1)	(0.6)	(1.0)	—
(Increase) decrease in:					
Accounts payable and accrued liabilities	(1.1)	2.9	(0.5)	1.5	(2.4)
Income taxes payable	0.1	0.3	0.2	0.4	0.5
Other liabilities	(1.2)	(0.1)	(0.1)	1.6	1.1
Net change in working capital balances and other	<u>\$(2.7)</u>	<u>\$(3.7)</u>	<u>\$(5.5)</u>	<u>\$(0.9)</u>	<u>\$(1.5)</u>

16. RELATED PARTY TRANSACTIONS:

Related party balances

Related party balances as of December 31, 2002, 2003, 2004 and September 30, 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, 2002	December 31, 2003	December 31, 2004	September 30, 2005
Current assets	\$5.0	\$18.3	\$—	\$11.7
Current liabilities	(3.2)	(8.5)	(11.3)	(5.7)
Subtotal: Related party net current liabilities	1.8	9.8	(11.3)	6.0
Long term related party balances	(12.2)	(20.2)	(47.8)	(32.8)
Related party net balances	<u>\$(10.4)</u>	<u>\$(10.4)</u>	<u>\$(59.1)</u>	<u>\$(26.8)</u>

Management and assistance contract

For the years 2002, 2003 and 2004 and the nine month-period ended September 30, 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

TRADER MEDIA EAST
NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)
(US Dollars and other currencies in millions)

16. RELATED PARTY TRANSACTIONS: (Continued)

following areas: management of operations, legal, finance, human resources, internal audit, information technology, marketing and acquisitions. Accordingly, respectively \$2.2, \$3.6, \$3.7 and \$1.9 have been recorded as expenses of Eastern countries for the years 2002, 2003, 2004 and the nine month-period ended September 30, 2005.

Related party financing

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

Option 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 (as determined using customary valuation methodologies). Between April 6, 2008 and April 5, 2009 the put and call options relate to one half of Mr. Makaron's interest. Under the Option Agreement, if Mirabridge does not purchase Mr. Makaron's interest upon his exercise of the put option, Mr. Makaron has the right to arrange, and Mirabridge is obligated to cooperate with, a trade sale to a third party of the entire capital of Pronto-Moscow at fair market value.

Both the put and call options become immediately exercisable with respect to all or any portion of Mr. Makaron's interests upon his death or disability. The call option becomes immediately exercisable if Mr. Makaron voluntarily ceases to be employed on a substantially full-time basis by Pronto-Moscow or is terminated for cause under the terms of his employment agreement.

Except as contemplated under the Option Agreement, Mr. Makaron may not sell, assign, pledge or otherwise transfer or dispose of the interests subject to the Option Agreement other than to members of his family or trusts in which they are the beneficial owners which have agreed to be bound by the terms of the Option Agreement. Upon Closing of the Offering, the Option Agreement will terminate.

Drag and Tag Along Agreement

Under an 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 (a "Transaction"). In the event of a Transaction, Mr. Makaron agreed to remain as General Manager of Pronto Moscow until December 31, 2007 (or (a) 18 months following a Transaction taking place after June 30, 2006 or (b) 24 months following a change of control in TCM) and acknowledged Pronto-Moscow's rights to, among others, the trademark *Iz Ruk v Ruki* and agreed to take no actions that would endanger the trademarks or intellectual property of Pronto-Moscow.

Pursuant to the Drag and Tag Along Agreement, in the event of a sale of more than 50% of the charter capital in Pronto-Moscow, Mr. Makaron has the right to participate, and Mirabridge has the right to require such participation, in such a sale provided Mr. Makaron receives minimum purchase price equivalent to his pro-rata share of eight times the prior years' full year EBITDA for Pronto-Moscow. A sale of less than 50% of the charter capital of Pronto-Moscow will trigger similar rights on a pro-rata basis.

Following the completion of a sale by Mirabridge of its interest in Pronto-Moscow to a bona fide third party prior to December 31, 2007 or following the change of control of the Selling Shareholder, TCM, Mr. Makaron will receive a success fee determined by reference to the EBITDA of Pronto-Moscow,

TRADER MEDIA EAST
NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)
(US Dollars and other currencies in millions)

16. RELATED PARTY TRANSACTIONS: (Continued)

50% payable upon the production of accounts by Pronto-Moscow with the remainder paid into an escrow account to be paid to Mr. Makaron on December 31, 2007 provided he is still acting as general director of Pronto-Moscow.

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

Following the incorporation of Trader Media East Limited, a Jersey company that is a Dutch resident, on November 11, 2005, during December and January 2006, TCM undertook an internal corporate reorganization of the entities included in Trader Media East. The reorganization involved the following steps.

- TCM incorporated a wholly owned company, Trader East Holdings B.V. ("Trader East Holdings") in the Netherlands.
- Trader East Holdings purchased from members of TCM 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 incorporated Trader Media East, a Jersey company that is Dutch Tax resident.
- 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.

Acquisition agreement between Mirabridge B.V. and Leonid Makaron

Under an agreement dated January 22, 2006 (the "Acquisition Agreement"), Mirabridge and Mr. Makaron agreed that, Mirabridge will purchase from Mr. Makaron his interest in Pronto-Moscow, for \$79.9 (the "Purchase Price"). In addition, Mirabridge has agreed to pay Mr. Makaron an additional amount of \$21, 50% payable on Closing and with the remainder paid into an escrow account payable on December 31, 2007 upon receipt of certification from him that he is and remained at all times prior to that date, the General Manager of Pronto-Moscow. Mirabridge intends to fund these payments through a drawdown of the Senior Credit Facility.

Agreements between TCM and Trader Media East

Trader Media East expects to enter into a Transition Services Agreement (the "Transition Services Agreement") with TCM relating to the ongoing relationship between the parties and the provision for a period of one year following the Closing Date of certain services and technical support to Trader Media East by TCM. These services and technical support will include Information and Technology management, facilities management, certain legal services, certain finance functions and certain general human resource functions.

TRADER MEDIA EAST
NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)
(US Dollars and other currencies in millions)

17. SUBSEQUENT EVENTS: (Continued)

Also, Trader Media East expects to enter into a Strategic and Operating Relationship Agreement (the “Strategic and Operating Relationship Agreement”) with TCM for the sharing of best practices and other knowledge-sharing arrangements between TCM and Trader Media East.

Senior Credit Facility

Prior to Closing the Company expects to enter into a \$250 multi-currency senior secured term loan and credit facility (the “Senior Credit Facility”), arranged by BNP PARIBAS and WestLB AG. Borrowers under the facility are Trader East Holdings, a wholly owned subsidiary of Trader Media East, and certain of its subsidiaries. Entry into the Senior Credit Facility is subject to certain members of the Group obtaining relevant corporate approvals which we expect to obtain prior to Closing. Obligations of the Borrowers under the facility are guaranteed by Trader Media East Limited (“the Company”), the Borrowers and the Company’s Material Subsidiaries (as defined in the Senior Credit Facility Agreement) and will be secured by pledges of certain intercompany loans and over shares in Trader East Holdings, Mirabridge and certain of Trader Media East’s subsidiaries and bank accounts. The final maturity date of the facility is five years from the date of signing. The Senior Credit Facility consists of three term loans, available within 30 days of signing of the Facility only, amounting in aggregate up to \$140 million expected to be drawn down on the closing date of the Senior Credit Facility, a \$25 million revolving credit facility (of which we expect to draw down \$1 million at Closing) and a \$85 million acquisition facility. The term loans will be used at closing for the purchase of the 12% minority interest in Pronto-Moscow pursuant to the Acquisition Agreement, repayment of outstanding related party balances with TCM, repayment of third party debt, and payment of certain financing fees. The Senior Credit Facility is subject to certain guarantees including share or assets pledges and covenants including fixed coverage and leverage covenants.

Initial Public Offering

The Offering will comprise the sale of 43,478,261 ordinary shares of Trader Media East, each with a nominal value of US\$0.16 per share (the “Shares”), in the form of Global Depositary Receipts (“GDRs”), with one GDR representing an interest in one share, by the Selling Shareholder, Trader Classified Media N.V. In addition, the Selling Shareholder will make 6,521,739 Shares in the form of GDRs available to the underwriters pursuant to an Over-Allotment Option.

Pursuant to the Deposit Agreement, the shares represented by the GDRs will be held by Bank of New York Nominees Limited, as Custodian, for the benefit of the Depositary. The GDRs are being also offered in the United States to qualified institutional buyers.

IPO Letter Agreement

Under an agreement dated October 31, 2005 (the “IPO Letter Agreement”), Mirabridge and Mr. Makaron agreed that an initial public offering of Pronto Moscow, along with TCM’s businesses in Croatia, Poland and Hungary constituted a Transaction for the purposes of the Drag and Tag Along Agreement.

Pursuant to the Acquisition Agreement Mirabridge will purchase from Mr. Makaron his interest in Pronto-Moscow for an amount to be determined based on 10.75% of the sum of the net proceeds of the Offering to TCM and the net proceeds of the demerged debt resulting from the sale of TME less any financing costs associated therewith together with an incremental fee determined on the basis of the Offer Price.

In addition, Mirabridge agreed to cause Trader Media East to grant to Mr. Makaron an option to acquire at the Offer Price Shares in Trader Media East (convertible into GDRs) representing 0.5% of its issued and outstanding share capital as calculated immediately prior to Closing.

TRADER MEDIA EAST
NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)
(US Dollars and other currencies in millions)

17. SUBSEQUENT EVENTS: (Continued)

Supplemental Agreement

Under an 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.

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”) is expected to be implemented following Closing to provide key employees of the Company and its subsidiaries the opportunity to acquire equity interests in the Company. The Plan is expected to provide for the issuance of a maximum of 2,500,000 shares (in the form of GDRs). The Plan will be administered by the Compensation Committee of the Board of Directors.

Hungary entities recapitalization

In October 2005, TCM converted the debt of a number of TME subsidiaries in Hungary into invested equity for a total amount of \$7.4 million.

REGISTERED OFFICE OF THE COMPANY

Trader Media East Limited
22 Grenville Street
St Helier
Jersey JE4 8PX
Channel Islands

PRINCIPAL AND ADMINISTRATIVE OFFICES

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The Netherlands

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United Kingdom

SENIOR CO-LEAD MANAGER

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One Cabot Square
London E14 4QJ
United Kingdom

CO-LEAD MANAGERS

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125 London Wall
London EC2Y 5AJ
United Kingdom

ABN AMRO Bank N.V. and
NM Rothschild & Sons Limited
(trading together as
ABN AMRO Rothschild, an
unincorporated equity capital
markets joint venture)
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