

TALLINNA KAUBAMAJA AS

**Consolidated Interim Report
for the fourth quarter and 12 months of 2010
(unaudited)**

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COMPANY PROFILE AND CONTACT DETAILS

The primary areas of activity of the companies of the Tallinna Kaubamaja AS Group include retail and wholesale trade and rental activities. The Tallinna Kaubamaja Group employs more than 3,180 employees.

The Company is listed on the Tallinn Stock Exchange.

| | |
|-------------------------------------|---|
| Registered office: | Gonsiori 2, 10143 Tallinn Republic of Estonia |
| Registry code: | 10223439 |
| Beginning of financial year: | 1 January 2010 |
| End of financial year: | 31 December 2010 |
| Beginning of interim report period: | 1 January 2010 |
| End of interim report period: | 31 December 2010 |
| Auditor: | PricewaterhouseCoopers AS |
| Telephone: | 372 667 3200 |
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MANAGEMENT REPORT

The primary areas of activity of the companies of the Tallinna Kaubamaja Group include retail and wholesale trade and rental activities.

Management

In order to manage the Tallinna Kaubamaja AS the general meeting of the shareholders, held at least once in a year, elects supervisory board, which according to the articles of association may have 3 to 6 members. Members of the Tallinna Kaubamaja AS supervisory board are Jüri Kõo (chairman of the supervisory board), Andres Järving, Enn Kunila, Gunnar Kraft and Meelis Milder. Members of Tallinna Kaubamaja AS supervisory board are elected for three years. The mandates of current supervisory board members will expire: Andres Järving 20 May 2012, Jüri Kõo 20 May 2012, Enn Kunila 20 May 2012, Meelis Milder 20 May 2012 and Gunnar Kraft 20 May 2012. During the period between the general meetings the supervisory board plans actions of the company, organises management and accomplishes supervision over management actions. Regular supervisory board meetings are held at least 11 times in a year. In order to manage daily activities the supervisory board appoints member(s) of the management board of the Tallinna Kaubamaja AS in accordance with the Commercial Code. In order to elect a member of the management board, his or her consent is required. By the articles of association a member of the management board shall be elected for a specified term of three years. Extension of the term of office of a member of the management board shall not be decided earlier than one year before the planned date of expiry of the term of office, and not for a period longer than the maximum term of office prescribed by the articles of association. Currently the management board of Tallinna Kaubamaja AS has one member. The term of office of the management board member Raul Puusepp was extended on 6 March 2008 and his term of office expires on 6 March 2011.

The law, the articles of association, decisions and goals stated by the shareholders and supervisory board are followed for managing the company. By Commercial Code a resolution on amendment of the articles of association shall be adopted, if at least two-third of the votes represented at a general meeting is in favour. A resolution on amendment of the articles of association shall enter into force as of making of a corresponding entry in the commercial register. The articles of association of the Tallinna Kaubamaja AS prescribe no greater majority requirement and the public limited company does not possess several classes of shares.

Company's structure

The following companies belong to the group as of December 31, 2010:

| | Location | Shareholding as of 31.12.2010 | Shareholding as of 31.12.2009 |
|----------------------------------|-----------|----------------------------------|----------------------------------|
| A-Selver AS | Estonia | 100% | 100% |
| AS Tartu Kaubamaja | Estonia | 100% | 100% |
| Tartu Kaubamaja Kinnisvara OÜ | Estonia | 100% | 100% |
| Tallinna Kaubamaja Kinnisvara AS | Estonia | 100% | 100% |
| SIA TKM Latvija | Latvia | 100% | 100% |
| Selver Latvia SIA | Latvia | 100% | 100% |
| OptiGroup Invest OÜ | Estonia | 100% | 100% |
| KIA Auto AS | Estonia | 100% | 100% |
| Ülemiste Autokeskus OÜ | Estonia | 100% | 100% |
| KIA Auto UAB | Lithuania | 100% | 100% |
| KIA Automobiles SIA | Latvia | 100% | 100% |
| OÜ TKM Beauty | Estonia | 100% | 100% |
| OÜ TKM Beauty Eesti | Estonia | 100% | 100% |
| OÜ Suurtüki NK | Estonia | 100% | 100% |
| SIA Suurtüki | Latvia | 100% | 100% |
| AS ABC King | Estonia | 100% | 100% |
| SIA ABC King | Latvia | 100% | 100% |
| Rävala Parkla AS | Estonia | 50% | 50% |

Economic development

The economy continued to improve during the fourth quarter. According to preliminary estimates by Statistics Estonia, the gross domestic product (GDP) of Estonia was up by 6.6% year-on-year in the fourth quarter of 2010 and for the whole year by 3.1% compared to the previous year. The GDP growth in the final quarter was driven mostly by the rapid rise in the processing industry's added value. Although the labour market showed a slight improvement, with the unemployment rate decreasing down to 13.6% in the fourth quarter, the analysts say that unemployment will remain high in years ahead. For the whole year, the consumer price index grew by 3.0% in Estonia, showing a rapid growth in the fourth quarter, and reached 5.2%. Food prices peaked especially strongly, by 10.9%, in the last quarter.

According to Statistics Estonia, the total volume of retail sales in current prices increased by 0.4% in 2010 and by 9.8% in the fourth quarter in Estonia. The year-end largest growth in sales was seen in other specialised stores that predominantly sell computers and accessories, photo goods, books, sports equipment, games, toys etc. While retail sales in current prices in non-specialised stores (predominantly food products) were down by 1.2% in 2010 compared with the preceding year, the figures grew by 6.8% in the last quarter of the year. According to the Estonian Institute of Economic Research, the consumer confidence index dropped in the last months of the year and was believed to have been influenced by euro changeover fears. The confidence of consumers in themselves and in the country's better future significantly grew in January.

Economic results**FINANCIAL RATIOS 2009–2010**

| In thousands of | EEK | | EUR | | Change |
|---|-------------------|-------------------|-------------------|-------------------|--------|
| | 12 months 2010 | 12 months 2009 | 12 months 2010 | 12 months 2009 | |
| Sales revenue | 6,302 | 6,388 | 402.8 | 408.3 | -1.3% |
| Operating profit/loss | 291.0 | -154.4 | 18.6 | -9.9 | |
| Net profit/loss | 260.5 | -196.7 | 16.6 | -12.6 | |
| Return on equity (ROE) | 14.4% | -11.4% | 14.4% | -11.4% | |
| Return on assets (ROA) | 6.5% | -4.7% | 6.5% | -4.7% | |
| Net profit margin | 4.13% | -3.08% | 4.13% | -3.08% | |
| Gross profit margin | 23.79% | 22.26% | 23.79% | 22.26% | |
| Quick ratio | 1.01 | 0.93 | 1.01 | 0.93 | |
| Debt ratio | 0.50 | 0.59 | 0.50 | 0.59 | |
| Sales revenue per employee (million) | 1.98 | 1.73 | 0.13 | 0.11 | |
| Inventory turnover | 10.23 | 10.36 | 10.23 | 10.36 | |
| SHARE | | | | | |
| Average number of shares (1000 pcs) | 40,729 | 40,729 | 40,729 | 40,729 | |
| Equity capital per share (EEK,EUR/share) | 49.48 | 39.63 | 3.16 | 2.53 | |
| Share's closing price (EEK,EUR/share) | 97.165 | 56.48 | 6.21 | 3.61 | |
| Earnings per share (EEK,EUR) | 6.4 | -4.8 | 0.4 | -0.3 | |
| Average number of employees | 3,184 | 3,695 | 3,184 | 3,695 | |

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| In thousands of | EEK | | EUR | | Change |
|--|-----------------|-----------------|-----------------|-----------------|--------|
| | IV quarter 2010 | IV quarter 2009 | IV quarter 2010 | IV quarter 2009 | |
| Sales revenue | 1,718 | 1,633 | 109.8 | 104.4 | 5.2% |
| Operating profit/loss | 121.7 | -160.9 | 7.8 | -10.3 | |
| Net profit/loss | 115.7 | -173.7 | 7.4 | -11.1 | |
| Return on equity (ROE) | 6.4% | -10.1% | 6.4% | -10.1% | |
| Return on assets (ROA) | 2.9% | -4.2% | 2.9% | -4.2% | |
| Net profit margin | 6.73% | -10.64% | 6.73% | -10.64% | |
| Gross profit margin | 24.52% | 23.68% | 24.52% | 23.68% | |
| Quick ratio | 1.01 | 0.93 | 1.01 | 0.93 | |
| Debt ratio | 0.50 | 0.59 | 0.50 | 0.59 | |
| Sales revenue per employee (million) | 0.55 | 0.45 | 0.04 | 0.03 | |
| Inventory turnover | 2.79 | 2.65 | 2.79 | 2.65 | |
| SHARE | | | | | |
| Average number of shares (1000 pcs) | 40,729 | 40,729 | 40,729 | 40,729 | |
| Equity capital per share (EEK,EUR/share) | 49.48 | 39.63 | 3.16 | 2.53 | |
| Share's closing price (EEK,EUR/share) | 97.165 | 56.48 | 6.21 | 3.61 | |
| Earnings per share (EEK,EUR) | 2.8 | -4.3 | 0.2 | -0.3 | |
| Average number of employees | 3,107 | 3,652 | 3,107 | 3,652 | |

| | |
|---------------------------------|--|
| Return on equity (ROE) | = Net profit / Average owners' equity * 100% |
| Return on assets (ROA) | = Net profit / Average total assets * 100% |
| Sales revenue per employee | = Sales revenue / Average number of employees |
| Inventory turnover (multiplier) | = Cost of goods sold / inventories |
| Net profit margin | = Net profit / Sales revenue * 100% |
| Gross profit margin | = (Sales revenue - Cost of goods sold) / Sales revenue |
| Quick ratio | = Current assets / Current liabilities |
| Debt ratio | = Total liabilities / Balance sheet total |

The consolidated non-audited sales revenue of the Tallinna Kaubamaja Group was 6.3 billion kroons (402.8 million euros) in 2010. The sales revenue of the Group was 6.4 billion kroons (408.3 million euros) in 2009, which translates into a drop of 1.3% compared to the preceding year. The sales revenue of the fourth quarter was 1.7 billion kroons (109.8 million euros), which makes it higher by 5.2% year-on-year. The profit for the financial year was 260.5 million kroons (16.6 million euros). In the fourth quarter, the profit was 115.7 million kroons (7.4 million euros). The loss of the year 2009 was 196.7 million kroons (12.6 million euros), whereas the loss of the fourth quarter of the previous year was 173.7 million kroons (11.1 million euros).

Although the Group's sales revenue was down by 1.3%, the continued growth of the market share in Estonia is good news. The Group's sales revenue in Estonia was up by 1.0% and the retail trade market by 0.4%. The Group sales revenue decreased by 18.4 million kroons (1.2 million euros) due to the sales tax levied in Tallinn since June. In the second half of the year, the purchase prices of goods were under pressure because of the increasing prices of raw materials and labour on the global market that had a negative impact on the Group's gross margin in the fourth quarter. In the annual outcome, improved inventory management has ensured a higher gross margin compared to 2009. In 2010, the Group's internal efficiency continued to grow. Rearranging our processes led to saving on labour and operating costs. The depreciation costs have decreased due to the write-down of fixed assets in 2009. The amount of financial expenses has reduced due to lower interest rates. The impairment tests conducted on the Group's assets at the end of the financial year increased the value of fixed assets in the total amount of 0.8 million kroons (0.1 million euros) as reported in the profit and loss statement.

Preparations for the changeover to the euro were made throughout the year and the related costs reached 2.5 million kroons (0.2 million euros). The Group was successful in starting to use the new currency on January 1st and the period of parallel use of both euros and kroons has also passed by today. From January 1st, the Group introduced a new management accounting system that will cover the accounting of the Group's 8 companies in Estonia and the main processes of the department stores business segment. In 2010, the work of the chilled goods

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distribution centre was launched. Rearrangement of logistics will continue in 2011. In March 2010, a Selter store with a sales area of 1.5 thousand square metres was opened in the Rannarootsi Centre in Haapsalu. Several new SHU footwear stores were opened instead of former Suurtüki stores. The fourth store in the chain of I.L.U. stores as well as SHU and ABC King stores opened their doors in the Kristiine Centre extension on September 30th.

As of 31 December 2010, the assets of the Tallinna Kaubamaja Group amounted to 4.1 billion kroons (260.2 million euros), meaning a growth of 90.4 million kroons (5.8 million euros), or 2.4%, compared to the end of 2009. The value of the Group's assets grew due to the partial revaluation of written-down assets in the amount of 169.3 million kroons (10.8 million euros) in 2009, of which, 168.5 million kroons (10.8 million euros) was recovered through the revaluation reserve.

At the end of the financial year, the number of regular customers exceeded 439,400, meaning an annual growth of 11.3%. The percentage of regular customers in the annual sales of the department stores segment was as high as usual – 76%. More than 9.7 thousand Partner credit cards had been issued by the end of the year.

Share market

Since 19 August 1997, the shares of AS Tallinna Kaubamaja have been listed in the main list of securities of the Tallinn Stock Exchange. Tallinna Kaubamaja AS has issued 40,729.2 thousand registered shares, each with the nominal value of 10 kroons (0.64 euros). The shares are freely transferable, no statutory restrictions apply. There are no restrictions on transfer of securities to the company as provided by contracts between the company and its shareholders. We do not have information about contracts between the shareholders restricting the transfer of securities. NG Investeeringud OÜ has direct significant participation. Shares granting special rights to their owners have not been issued.

The members of the management board of Tallinna Kaubamaja AS have no right to issue or buy back shares. In addition, there are no commitments between the company and its employees providing for compensation in mergers and acquisitions under article 19' of Stock Market Trade Act.

The share with a price of 56.48 kroons (3.61 euros) at the end of 2009 was closed in late December at 97.165 kroons (6.21 euros), increased by 72% within the year.

According to the notice of regular annual general meeting of the shareholders published on 23 April 2010, the management board proposed to pay dividends 0.65 kroons (0.04 euros) per share. The general meeting of shareholders approved it.

Share price and trading statistics on the Tallinn Stock Exchange from 01.01.2010 to 31.12.2010.

in Estonian kroons



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In euros



Department stores

The sales revenue of the department stores business segment was 1,153.2 million kroons (73.7 million euros) in 2010, down by 3.6% year-on-year. The sales revenue for the fourth quarter was 350.6 million kroons (22.4 million euros), an increase of 2.0% compared to the previous year. The net profit of department stores was 21.2 million kroons (1.4 million euros) in 2010, which is lower by 6.8 million kroons (0.4 million euros) compared to 2009 due to smaller financial income inside the Group. The operating profit of the department stores segment grew from 5.7 million kroons (0.4 million euros) in 2009 to 15.3 million kroons (1.0 million euros) in 2010. Much smaller discounts given compared to 2009 had a positive impact on operating profit, making it possible to earn a much higher gross profit from lower turnover. Improved management of inventory and margins also contributed to the growth of operating profit. Men's, sports and digital products departments of Tartu Kaubamaja were renovated in the first quarter of 2010, having a negative effect on sales. 2010 was an anniversary year for Kaubamaja with 50 years from the opening of Tallinna Kaubamaja. The marketing campaigns of the anniversary increased marketing costs by 5.7% year-on-year. The year 2010 in Kaubamaja was the year of introducing a new management accounting system, which was taken into use from 1 January 2011. All in all, the total operating expenses of 2010 remained on the level of 2009.

The sales revenue of OÜ TKM Beauty Eesti, which had so far been operating three I.L.U. cosmetics stores, was 34.6 million kroons (2.2 million euros) in 2010 and 12.7 million kroons (0.8 million euros) in the fourth quarter. The respective year-on-year sales revenues were 12.2 and 7.6 million kroons (0.8 and 0.5 million euros) in 2009. The net loss of the fourth quarter of 2010 was 1.2 million kroons (0.1 million euros), which was partly due to the one-time opening costs of the fourth store of the I.L.U. chain. The net loss of the financial year of the I.L.U. chain was 6.9 million kroons (0.4 million euros). In 2011, the focus will be on activities that help to grow the chain's market share and increase the profitability of the stores.

Selver supermarkets

The consolidated sales revenue of the business segment of supermarkets was 4.7 billion kroons (300.2 million euros) in 2010, a year-on-year fall of 1.4%. The sales revenue for the fourth quarter was 1.2 billion kroons (79.2 million euros), a growth of 2.7% compared to the previous year. The average monthly consolidated sales revenue per a square metre of sales area was 5.7 thousand kroons (361 euros) in 2010, growing by 6.4% compared to 2009. The monthly sales revenue per a square metre of sales area was 6.0 thousand kroons (381 euros) in the fourth quarter, a year-on-year growth of 13.7%.

The consolidated profit before taxes of the supermarket segment was 146.1 million kroons (9.3 million euros) in 2010, showing a growth of 176.7 million kroons (11.3 million euros) compared to 2009. The consolidated pre tax

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profit of the fourth quarter was 53.0 million kroons (3.4 million euros), a year-on-year growth of 74.9 million kroons (4.8 million euros). The consolidated net profit was 139.0 million kroons (8.9 million euros) in 2010, growing by 174.0 million kroons (11.1 million euros) compared to the previous year.

The sales revenue of the supermarket segment in Estonia was 4.7 billion kroons (300.2 million euros) in 2010, exceeding the sales revenue earned in 2009 by 1.7%. The sales revenue of the fourth quarter was 1.2 billion kroons (79.2 million euros), exceeding the year-on-year sales revenue by 4.6%. The average monthly sales revenue per square metre of sales area was 5.7 thousand kroons (363 euros) in 2010 and 6.0 thousand kroons (387 euros) in the fourth quarter, showing a year-on-year fall of 0.8% and a growth of 2.5%, respectively. In comparable stores, the sales revenue per square metre of sales area was 5.7 thousand kroons (367 euros) in 2010, a decrease of 0.6% compared to the reference basis. In 2010, 33.3 million purchases were made in Selver stores in Estonia, exceeding the number of purchases by 0.8% year-on-year.

The proportion of Selver in the retail sales of the country's non-specialised stores that carry predominantly food products, drinks and tobacco products was 18.3% in 2010, growing by 0.5 percent points compared to the market share in 2009.

The pre tax profit earned in Estonia was 193.1 million kroons (12.3 million euros) in 2010, of which 64.2 million kroons (4.1 million euros) were earned in the fourth quarter. Compared to the previous year, the profits grew by 77.4 million kroons (4.9 million euros) and 12.0 million kroons (0.8 million euros), respectively. The net profit earned in supermarkets in Estonia was 186.0 million kroons (11.9 million euros) in 2010, which gives an annual growth of 67.1%, or 74.7 million kroons (4.8 million euros).

Successful marketing activities that helped to grow the number of customers and the average size of a shopping basket had a positive effect on the annual sales figures. The overall growth in consumer confidence as well as the rise in food prices in Estonia also had their effect. The tightening of competition in some regions, different value added tax rates of the financial and reference years and the sales tax in Tallinn effective from June also had a negative impact on the sales revenue. In 2010, the main focus was on increasing profitability in Selver. While the net profit margin of Selver was 2.4% in 2009, the respective indicator was already 4.0% in 2010, growing by 1.5% points in a year. A remarkable efficiency was achieved in labour costs that have fallen by 7.8% regardless of the higher turnover and larger number of purchases. As for operating expenses, additional agreements were made to reduce fixed costs and the opportunities to save on variable costs were reviewed. The amount of stock carried at stores was optimised and the synergy created by the companies belonging to the Group has been taken advantage of.

In 2010, one new Selver store was opened in Estonia. As of the end of the year, the chain of Selver stores comprised 35 stores and a central kitchen.

Selver did not earn any sales revenue in the fourth quarter in Latvia due to the closing of Latvian stores. The sales revenue in Latvia was 0.2 million kroons (10.0 thousand euros) in 2010 compared to 150.8 million kroons (9.6 million euros) earned on the same period of the previous year. The loss before taxes and net loss of SIA Selver Latvia was 47.0 million kroons (3.0 million euros) in 2010, decreasing by 99.3 million kroons (6.3 million euros) year-on-year. The net loss earned in the fourth quarter was 11.2 million kroons (0.7 million euros), decreasing by 62.9 million kroons (4.0 million euros) year-on-year. All economic activities have been frozen and monthly costs have been reduced to minimum in Latvia.

On December 23rd, A-Selver AS, the parent company, increased the share capital of SIA Selver Latvia with non-cash contributions in the amount of 220.5 million kroons (14.1 million euros), necessary to ensure the continued operations of the company.

Real estate

The non-Group sales revenue of the real estate segment was 38.8 million kroons (2.5 million euros) in 2010, a year-on-year reduction of 9.0% due to the decline in rental activities in Latvia. The non-Group sales revenue of the segment was 9.5 million kroons (0.6 million euros) in the fourth quarter, which is a drop by 7.5% year-on-year. The segment's profit was 104.6 million kroons (6.7 million euros), of which, 27.4 million kroons (1.8 million euros) was earned in the fourth quarter. In 2009, the segment suffered a loss in the amount of 115.6 million kroons (7.4 million euros) due to the large-scale write-down of assets.

Car trade

The sales revenue of 2010 without the intersegment transactions was 202.0 million kroons (12.9 million euros), lower by 2.8% of the year-on-year revenues; whereas the sales revenue of the fourth quarter was 54.2 million kroons (3.5 million euros), which was 86.3% higher compared to the period a year ago. The net profit of the car trade segment was 3.4 million kroons (0.2 million euros) in 2010, including 1.0 million kroons (0.1 million euros) in

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the fourth quarter. In 2009, the car trade segment suffered a loss of 23.0 million kroons (1.5 million euros), including 4.7 million kroons (0.3 million euros) in the fourth quarter. The market share of KIA vehicles in the Baltic countries was 2.9% in 2010, with an annual growth of 30%. The growth continued in the fourth quarter. In the fourth quarter, 2,704 passenger cars were sold in Estonia, which is 40% more than a year ago. The sales numbers were up by 177% in Latvia, which translates into the sale of 1,572 vehicles. In Lithuania, 2,494 passenger cars were sold, giving a growth of 60%. In the fourth quarter, 173 KIA vehicles were registered in the Baltic countries, which is 108% more than a year ago. The improved market situation, low cost base and better margins explain the better economic results of 2010.

Footwear trade

The consolidated sales revenue of the footwear business segment was 211.0 million kroons (13.5 million euros) in 2010, growing by 17.4% compared to 2009. The sales revenue was 64.0 million kroons (4.1 million euros) in the fourth quarter, growing by 46.9% compared to 2009. The profit of the fourth quarter was 3.8 million kroons (0.2 million euro). The total loss in footwear trade in the fourth quarter of 2009 was 11.5 million kroons (0.7 million euros). The total loss suffered in 2010 was 7.8 million kroons (0.5 million euros), including the loss of Latvian companies in the sum of 1.2 million kroons (0.1 million euros), a drop of 84.8% compared to 2009. The decreased loss is mainly due to the higher sales revenue, better margin and significant reduction in operating costs as well as closing non-profitable stores. The successful sale of winter goods and the rapid expansion of the SHU footwear chain accounted for a significant portion of the growth in turnover.

SHU, an economy footwear chain, which opened its first stores at the end of 2009, currently operates 12 stores in Estonia. At the end of the fourth quarter, Suurtüki stores in the DeLange Centre in Pärnu and in the Jewe Centre in Jõhvi were closed down. As of the end of December, Suurtüki NK OÜ operates 14 stores in Estonia, ABC King AS 11 stores in Estonia and ABC King SIA 3 stores in Latvia.

Personnel

The average number of employees working for the Tallinna Kaubamaja Group was 3,184 in 2010, down by 13.8% compared to 2009, and the figure includes the reduction in the number of employees due to closing the Selver stores in Latvia. The total labour costs (salaries and social tax costs) in 2010 were 406.1 million kroons (26.0 million euros), decreasing by 11.9% year-on-year. The average salary costs per an employee in 2010 grew by 2.2% compared to the average salary in 2009. Labour costs fell by 2.5% in the fourth quarter and were 101.6 million kroons (6.5 million euros). The number of employees was lower by 14.9% in the fourth quarter. The year-on-year average salary in the fourth quarter was higher by 14.6% at the end of the year because of bonuses payments for the improved year-end economic results.

Approval of the chairman of the management board and signature to the report

The chairman of the management board confirms that the management report gives a true and fair overview of the most important events during the reporting period and their effects on the accounting report; it includes a description of the main risks and uncertainties during the remaining financial year and expresses the relevant contracts with partners.



Raul Puusepp
Chairman of the Management Board

Tallinn, 25th February 2011

CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT BOARD'S CONFIRMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Chairman of the Management Board confirms the correctness and completeness of Tallinna Kaubamaja AS consolidated interim financial statements (unaudited) as at and for the period of fourth quarter and twelve months 2010, presented on pages 11 to 38.

The Chairman of the Management Board confirms that:

1. the accounting principles used in preparing the financial statements are in compliance with the International Financial Reporting Standards;
2. the financial statements give a true and fair view of the financial position of the parent company and the group, as well as the results of their operations and cash flows;
3. Tallinna Kaubamaja AS and its subsidiaries are able to continue as a going concern.



Raul Puusepp
Chairman of the Management Board

Tallinn, 25th February 2011

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of

| | | EEK | | EUR | |
|-------------------------------------|-------|------------------|------------------|----------------|----------------|
| | Note | 31.12.2010 | 31.12.2009 | 31.12.2010 | 31.12.2009 |
| ASSETS | | | | | |
| Current assets | | | | | |
| Cash and bank | 2 | 246,176 | 223,691 | 15,734 | 14,296 |
| Trade receivables | 3 | 95,168 | 75,655 | 6,082 | 4,835 |
| Other short-term receivables | 4 | 86,825 | 82,032 | 5,549 | 5,242 |
| Prepaid and refundable taxes | 5 | 5,455 | 8,820 | 349 | 564 |
| Other prepayments | 5 | 11,711 | 12,404 | 748 | 793 |
| Inventories | 6 | 616,234 | 616,554 | 39,385 | 39,405 |
| Total current assets | | 1,061,569 | 1,019,156 | 67,847 | 65,135 |
| Fixed assets | | | | | |
| Prepaid expenses | 5 | 19,904 | 25,499 | 1,272 | 1,630 |
| Shares in affiliated companies | 8 | 23,527 | 20,323 | 1,504 | 1,299 |
| Other long-term receivables | 9 | 2,207 | 3,613 | 141 | 231 |
| Investment property | 10 | 55,800 | 55,800 | 3,566 | 3,566 |
| Tangible fixed assets | 11 | 2,748,134 | 2,689,639 | 175,638 | 171,900 |
| Intangible fixed assets | 12 | 55,288 | 62,018 | 3,533 | 3,964 |
| Goodwill | 12 | 104,993 | 104,993 | 6,710 | 6,710 |
| Total fixed assets | | 3,009,853 | 2,961,885 | 192,364 | 189,300 |
| TOTAL ASSETS | | 4,071,422 | 3,981,041 | 260,211 | 254,435 |
| LIABILITIES AND EQUITY | | | | | |
| Current liabilities | | | | | |
| Borrowings | 13,14 | 275,926 | 254,524 | 17,635 | 16,267 |
| Prepayments received | | 8,964 | 2,983 | 573 | 190 |
| Trade payables | | 631,765 | 713,855 | 40,377 | 45,623 |
| Tax liabilities | 15 | 73,174 | 63,490 | 4,677 | 4,058 |
| Other current liabilities | 15 | 63,828 | 62,720 | 4,079 | 4,009 |
| Provisions | 15 | 1,982 | 445 | 127 | 28 |
| Total current liabilities | | 1,055,639 | 1,098,017 | 67,468 | 70,175 |
| Long-term liabilities | | | | | |
| Borrowings | 13,14 | 998,948 | 1,267,096 | 63,844 | 80,982 |
| Provisions | 15 | 1,382 | 1,736 | 88 | 111 |
| Total long-term liabilities | | 1,000,330 | 1,268,832 | 63,932 | 81,093 |
| TOTAL LIABILITIES | | 2,055,969 | 2,366,849 | 131,400 | 151,268 |
| Equity | | | | | |
| Share capital | 16 | 407,292 | 407,292 | 26,031 | 26,031 |
| Statutory reserve capital | | 40,729 | 40,729 | 2,603 | 2,603 |
| Revaluation reserve | | 834,085 | 673,976 | 53,308 | 43,075 |
| Retained earnings | | 743,141 | 500,730 | 47,495 | 32,004 |
| Currency translation differences | | -9,794 | -8,535 | -626 | -546 |
| TOTAL EQUITY | | 2,015,453 | 1,614,192 | 128,811 | 103,167 |
| TOTAL LIABILITIES AND EQUITY | | 4,071,422 | 3,981,041 | 260,211 | 254,435 |

The notes presented on pages 16 to 38 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of

| | Note | EEK | | EUR | |
|---|-------|-------------------|-------------------|-------------------|-------------------|
| | | 12 months 2010 | 12 months 2009 | 12 months 2010 | 12 months 2009 |
| Revenue | 17 | 6,302,023 | 6,388,127 | 402,773 | 408 276 |
| Other operating income | 18 | 205,216 | 217,898 | 13,116 | 13 926 |
| Materials and consumables used | 6 | -4,802,729 | -4,966,417 | -306,951 | -317 412 |
| Other operating expenses | 19 | -693,167 | -727,064 | -44,301 | -46 468 |
| Staff costs | 20 | -543,931 | -614,084 | -34,764 | -39 247 |
| Depreciation and amortisation | 11,12 | -164,013 | -179,055 | -10,482 | -11 444 |
| Impairment losses | 11 | 778 | -239,461 | 50 | -15 304 |
| Other expenses | 21 | -13,141 | -34,339 | -840 | -2 195 |
| Operating profit | | 291,036 | -154,395 | 18,601 | -9 868 |
| Financial income | 22 | 4,669 | 5,565 | 298 | 356 |
| Financial costs | 22 | -31,417 | -46,406 | -2,008 | -2 966 |
| Financial income on shares of associates | 8 | 3,204 | 2,818 | 205 | 180 |
| Profit/(loss) before income tax | | 267,492 | -192,418 | 17,096 | -12 298 |
| Income tax | | -7,037 | -4,331 | -450 | -277 |
| Net profit (loss) for the reporting period | | 260,455 | -196,749 | 16,646 | -12 575 |
| Other comprehensive income/(loss) | | | | | |
| Exchange differences | | -1,259 | -8,120 | -80 | -519 |
| Other comprehensive income for the reporting period | | -1,259 | -8,120 | -80 | -519 |
| TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE REPORTING PERIOD | | 259,196 | -204,869 | 16,566 | -13,094 |
| Basic and diluted earnings per share (EEK/EUR) | 23 | 6.39 | -4.83 | 0.41 | -0.31 |

In thousands of

| | Note | EEK | | EUR | |
|---|-------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | | 4 th quarter 2010 | 4 th quarter 2009 | 4 th quarter 2010 | 4 th quarter 2009 |
| Revenue | 17 | 1,717,725 | 1,633,135 | 109,783 | 104,377 |
| Other operating income | 18 | 62,879 | 77,943 | 4,019 | 4,981 |
| Materials and consumables used | 6 | -1,296,492 | -1,246,487 | -82,861 | -79,666 |
| Other operating expenses | 19 | -183,488 | -186,583 | -11,727 | -11,924 |
| Staff costs | 20 | -136,113 | -138,997 | -8,699 | -8,883 |
| Depreciation and amortisation | | -38,564 | -35,851 | -2,465 | -2,292 |
| Impairment losses | 10,11 | 778 | -239,461 | 50 | -15,304 |
| Other expenses | 21 | -5,031 | -24,602 | -322 | -1,573 |
| Operating profit | | 121,694 | -160,903 | 7,778 | -10,284 |
| Financial income | 22 | 1,227 | 1,427 | 78 | 92 |
| Financial costs | 22 | -8,164 | -14,982 | -522 | -958 |
| Financial income on shares of associates | 8 | 968 | 746 | 62 | 48 |
| Profit/(loss) before income tax | | 115,725 | -173,712 | 7,396 | -11,102 |
| Income tax | | 0 | 0 | 0 | 0 |
| Net profit (loss) for the reporting period | | 115,725 | -173,712 | 7,396 | -11,102 |
| Other comprehensive income/(loss) | | | | | |
| Exchange differences | | -330 | -8,447 | -20 | -540 |
| Other comprehensive income for the reporting period | | -330 | -8,447 | -20 | -540 |
| TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE REPORTING PERIOD | | 115,395 | -182,159 | 7,376 | -11,642 |
| Basic and diluted earnings per share (EEK/EUR) | 23 | 2.84 | -4.27 | 0.18 | -0.27 |

The notes presented on pages 16 to 38 form an integral part of these consolidated financial statements

CONSOLIDATED CASH FLOW STATEMENT

In thousands of

| | Note | EEK | | EUR | |
|---|----------|-----------------|-----------------|----------------|----------------|
| | | 12 months 2010 | 12 months 2009 | 12 months 2010 | 12 months 2009 |
| CASH FLOW FROM OPERATING ACTIVITIES | | | | | |
| Net profit (loss) | | 260,455 | -196,749 | 16,646 | -12,575 |
| Adjustments: | | | | | |
| Income tax on dividends | 15 | 7,037 | 4,331 | 450 | 277 |
| Interest expense | 22 | 31,417 | 46,406 | 2,008 | 2,966 |
| Interest income | 22 | -4,669 | -5,565 | -298 | -356 |
| Depreciation and amortisation | 11,12 | 164,013 | 179,055 | 10,482 | 11,444 |
| Effect of equity method | | -778 | 244,047 | -50 | 15,597 |
| Change in inventories | | 0 | -20 400 | 0 | -1 304 |
| Profit/loss on sale and write-off of non-current assets | 11,18,21 | 10,882 | 2,344 | 695 | 150 |
| Effect of equity method | 8 | -3,204 | -2,818 | -205 | -180 |
| Change in inventories | | 320 | 164,750 | 20 | 10,529 |
| Change in receivables and prepayments related to operating activities | | -8 294 | 47 228 | -529 | 3 019 |
| Change in liabilities and prepayments related to operating activities | | -64 008 | -117 391 | --4 091 | -7 503 |
| TOTAL CASH FLOW FROM OPERATING ACTIVITIES | | 393,171 | 345,238 | 25,128 | 22,064 |
| CASH FLOW FROM INVESTMENT ACTIVITIES | | | | | |
| Purchase of property, plant and equipment (excl. finance lease) | 11 | -58,898 | -188,499 | -3,764 | -12,049 |
| Proceeds from sale of property, plant and equipment | 11 | 1,411 | 39,987 | 90 | 2,556 |
| Acquisition of intangible fixed assets | 12 | 0 | -300 | 0 | -19 |
| Loan to group account | 24 | -7,402 | 624 | -473 | 40 |
| Loan repayments received from associates | 24 | 2,078 | 2,500 | 133 | 160 |
| Interest received | | 5,041 | 5,388 | 322 | 344 |
| TOTAL CASH FLOW FROM INVESTMENT ACTIVITIES | | -57,770 | -140,300 | -3,692 | -8,968 |
| CASH FLOW FROM FINANCING ACTIVITIES | | | | | |
| Loans received | 13 | 122,447 | 360,604 | 7,826 | 23,047 |
| Repayments of loans received | 13 | -362,936 | -324,575 | -23,196 | -20,744 |
| Change in overdraft balance | 13 | 0 | -42,298 | 0 | -2,703 |
| Dividends paid | 16 | -26,474 | -16,292 | -1,692 | -1,041 |
| Income tax on dividends paid | | -7,037 | -4,331 | -450 | -277 |
| Repayment of financial lease principal | 13 | -6,257 | -5,617 | -400 | -359 |
| Interest paid | | -31,544 | -49,161 | -2,016 | -3,142 |
| TOTAL CASH FLOW FROM FINANCING ACTIVITIES | | -311,801 | -81,670 | -19,928 | -5,219 |
| TOTAL CASH FLOW | | 23,600 | 123,268 | 1,508 | 7,877 |
| Effect of exchange rate changes | | -1,115 | -930 | -70 | -59 |
| Cash and cash equivalents at the beginning of the period | 2 | 223,691 | 101,353 | 14,296 | 6,478 |
| Cash and cash equivalents at the end of the period | 2 | 246,176 | 223,691 | 15,734 | 14,296 |
| Net change in cash and cash equivalents | | 22,485 | 122,338 | 1,438 | 7,818 |

The notes presented on pages 16 to 38 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

in thousands of EEK

| | Share capital | Mandatory reserve | Revaluation reserve | Retained earnings | Foreign currency translation | Total |
|---|----------------|-------------------|---------------------|-------------------|------------------------------|------------------|
| Balance as of 31.12.2008 | 407,292 | 40,729 | 682,028 | 705,719 | -415 | 1,835,353 |
| Total comprehensive income or loss for the period | 0 | 0 | 0 | -196,749 | -8,120 | -204,869 |
| Reclassification of depreciation of revalued land and buildings | 0 | 0 | -8,052 | 8,052 | 0 | 0 |
| Dividends paid | 0 | 0 | 0 | -16,292 | 0 | -16,292 |
| Balance as of 31.12.2009 | 407,292 | 40,729 | 673,976 | 500,730 | -8,535 | 1,614,192 |
| Total comprehensive income or loss for the period | 0 | 0 | 0 | 260,455 | -1,259 | 259,196 |
| Reclassification of depreciation of revalued land and buildings | 0 | 0 | 160,109 | 8,430 | 0 | 168,539 |
| Dividends paid | 0 | 0 | 0 | -26,474 | 0 | -26,474 |
| Balance as of 31.12.2010 | 407,292 | 40,729 | 834,085 | 743,141 | -9,794 | 2,015,453 |

in thousands of EUR

| | Share capital | Mandatory reserve | Revaluation reserve | Retained earnings | Foreign currency translation | Total |
|---|---------------|-------------------|---------------------|-------------------|------------------------------|----------------|
| Balance as of 31.12.2008 | 26,031 | 2,603 | 43,590 | 45,105 | -27 | 117,302 |
| Total comprehensive income or loss for the period | 0 | 0 | 0 | -12,575 | -519 | -13,094 |
| Reclassification of depreciation of revalued land and buildings | 0 | 0 | -515 | 515 | 0 | 0 |
| Dividends paid | 0 | 0 | 0 | -1,041 | 0 | -1,041 |
| Balance as of 31.12.2009 | 26,031 | 2,603 | 43,075 | 32,004 | -546 | 103,167 |
| Total comprehensive income or loss for the period | 0 | 0 | 0 | 16,646 | -80 | 16,566 |
| Reclassification of depreciation of revalued land and buildings | 0 | 0 | 10,233 | 538 | 0 | 10,771 |
| Dividends paid | 0 | 0 | 0 | -1,693 | 0 | -1,693 |
| Balance as of 31.12.2010 | 26,031 | 2,603 | 53,308 | 47,495 | -626 | 128,811 |

The notes presented on pages 16 to 38 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED INTERIM ACCOUNTS

Note 1. Accounting Principles Followed upon Preparation of the Consolidated Interim Accounts

General Information

Tallinna Kaubamaja AS ('the Company') and its subsidiaries (jointly 'the Group') are companies engaged in rendering services related to retail sale and rental activities in Estonia, Latvia and Lithuania. Tallinna Kaubamaja AS is a company founded on 18 October 1994 in the Republic of Estonia. The shares of Tallinna Kaubamaja AS are listed on the Tallinn Stock Exchange.

Bases for Preparation

The Consolidated Interim Accounts of Tallinna Kaubamaja AS have been prepared in accordance with the International Financial Reporting Standard IAS 34 *Interim Financial Reporting* as adopted by the European Union. The consolidated interim financial statements do not contain all the information that has to be presented in the annual financial statements and they should be read in conjunction with the Group's consolidated financial statements as at and for the year ended 31 December 2009. The interim report has been prepared in accordance with the principal accounting policies applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2009.

The underlying currency of the consolidated Accounts is the Estonian kroon. Interim Accounts are presented in thousand in kroons, if not said differently. In order to help the readers to better understand the financial indicators and to adhere to the requirements of the rules and regulations of the Tallinn Stock Exchange the financial indicators in the Accounts are also given in euros which have been converted based on the original financial indicators given in Estonian kroons. As the exchange rate of the Estonian kroon and the euro has been fixed at 1 euro = 15.6466 kroons no spread is created upon conversion.

The Manager is of the opinion that the Interim Report of Tallinna Kaubamaja AS for the fourth quarter and twelve months of 2010 gives a true and fair view of the Company's performance in accordance with the going-concern concept.

This Interim Report has not been audited or otherwise reviewed by auditors.

New and revised standards effective as from 2010 and their impact on the Group's financial statements:

- Amendments to IFRS 2 *Group Cash-settled Share-based Payment Transactions* – effective for annual periods beginning on or after 1 January 2010. The amendments provide a clear basis to determine the classification of share-based payment awards in both consolidated and separate financial statements. The amendments incorporate into the standard the guidance in IFRIC 8 and IFRIC 11, which are withdrawn. The amendments expand on the guidance given in IFRIC 11 to address plans that were previously not considered in the interpretation. The amendments also clarify the defined terms in the Appendix to the standard. The Group estimates that the amendments will not have a significant on the financial statements.
- Amendments to IFRS 1 - *Additional Exemptions to First-time Adopters* - effective for annual periods beginning on or after 1 January 2010. The amendments exempt entities using the full cost method from retrospective application of IFRSs for oil and gas assets and also exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4, 'Determining Whether an Arrangement Contains a Lease' when the application of their national accounting requirements produced the same result. The amendments will not have an impact on the financial statements.
- Amendment to IAS 24 *Related Party Disclosures*, issued in November 2009 - effective for annual periods beginning on or after 1 January 2011. The amended standard simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. The Group is currently assessing the impact of the amended standard on the disclosures in the financial statements.
- IFRS 9 *Financial Instruments* part 1: Classification and Measurement, issued in November 2009 - effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU. IFRS 9 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:
 - Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
 - All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* - effective for annual periods beginning on or after 1 July 2010. This interpretation clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments as compared to the carrying amount of the debt. The Group is currently assessing the impact of the interpretation on its financial statements.
 - Amendment to IFRIC 14 *Prepayments of a Minimum Funding Requirement* - effective for annual periods beginning on or after 1 January 2011. This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement. The Group is currently assessing the impact of the amended interpretation on its financial statements.
 - Amendment to IFRS 1 *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* - effective for annual periods beginning on or after 1 July 2010. Existing IFRS preparers were granted relief from presenting comparative information for the new disclosures required by the March 2009 amendments to IFRS 7 'Financial Instruments: Disclosures'. This amendment to IFRS 1 provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7. The amendment will not have an impact on the Group's financial statements.

Amendments to presentation and accounting policies/correction of errors

In Note 22 on segment reporting of the interim report for the 4th quarter of 2009, intersegment sales had erroneously been included in the line "Intersegment sales" for the 12 months of 2009 and 4th quarter of 2009. The line "Total sales" erroneously included total segment sales together with internal sales. The line "Segment investment in non-current assets" erroneously included reclassification of unfinished buildings.

All changes are reported retrospectively in the interim report for the 4th quarter of 2010.

Note 2. Cash and Bank

In thousands of

| | EEK | | EUR | |
|----------------------------|----------------|----------------|---------------|---------------|
| | 31.12.2010 | 31.12.2009 | 31.12.2010 | 31.12.2009 |
| Cash on hand | 3,125 | 5,987 | 200 | 383 |
| Bank accounts | 219,052 | 202,396 | 14,000 | 12,935 |
| Cash in transit | 23,999 | 15,308 | 1,534 | 978 |
| Total cash and bank | 246,176 | 223,691 | 15,734 | 14,296 |

Note 3. Trade Receivables

In thousands of

| | EEK | | EUR | |
|--------------------------------|---------------|---------------|--------------|--------------|
| | 31.12.2010 | 31.12.2009 | 31.12.2010 | 31.12.2009 |
| Trade receivables | 75,871 | 55,895 | 4,849 | 3,572 |
| Card payments | 19,297 | 19,760 | 1,233 | 1,263 |
| Total trade receivables | 95,168 | 75,655 | 6,082 | 4,835 |

Note 4. Other Short Term Receivables

In thousands of

| | EEK | | EUR | |
|---|---------------|---------------|--------------|--------------|
| | 31.12.2010 | 31.12.2009 | 31.12.2010 | 31.12.2009 |
| Bonuses receivable from suppliers | 41,718 | 41,807 | 2,666 | 2,672 |
| Short-term receivables from associate (Note 24) | 0 | 250 | 0 | 16 |
| Other short-term receivables from related parties (Note 24) | 43,416 | 38,674 | 2,775 | 2,472 |
| Interest receivables from related parties (Note 24) | 0 | 372 | 0 | 24 |
| Other short-term receivables | 1,691 | 929 | 108 | 58 |
| Total other short-term receivables | 86,825 | 82,032 | 5,549 | 5,242 |

Note 5. Prepayments

In thousands of

| | EEK | | EUR | |
|---|---------------|---------------|--------------|--------------|
| | 31.12.2010 | 31.12.2009 | 31.12.2010 | 31.12.2009 |
| Prepayment account of taxable entity | 5,455 | 8,820 | 349 | 564 |
| Total tax prepayments and claims | 5,455 | 8,820 | 349 | 564 |
| Prepaid rental expenses | 6,246 | 6,372 | 399 | 407 |
| Other prepaid expenses | 5,465 | 6,032 | 349 | 386 |
| Total other short-term prepayments | 11,711 | 12,404 | 748 | 793 |
| Prepaid rental expenses | 19,904 | 25,499 | 1,272 | 1,630 |
| Total long-term prepayments | 19,904 | 25,499 | 1,272 | 1,630 |

Note 6. Inventories

In thousands of

| | EEK | | EUR | |
|-------------------------------------|----------------|----------------|---------------|---------------|
| | 31.12.2010 | 31.12.2009 | 31.12.2010 | 31.12.2009 |
| Goods purchased for resale | 582,846 | 569,906 | 37,251 | 36,424 |
| Passenger cars purchased for resale | 17,209 | 34,313 | 1,100 | 2,193 |
| Raw materials and materials | 10,395 | 9,599 | 664 | 613 |
| Prepayment for goods | 5,784 | 2,736 | 370 | 175 |
| Total inventories | 616,234 | 616,554 | 39,385 | 39,405 |

The income statement line "Materials and consumables used" includes the write-down and write-off expenses of inventories and shortages of inventory stocktaking as follows:

| | EEK | | EUR | |
|---|----------------|----------------|----------------|----------------|
| | 12 months 2010 | 12 months 2009 | 12 months 2010 | 12 months 2009 |
| Write-down and write-off of inventories | 55,956 | 59,806 | 3,576 | 3,822 |
| Shortages of inventory stocktaking | 25,916 | 29,259 | 1,656 | 1,870 |
| Total materials and consumables used | 81,872 | 89,065 | 5,232 | 5,692 |

Aging of inventory and seasonal nature of fashion items is used as basis for write down of inventories.

Note 7. Shares in Subsidiaries

The Tallinna Kaubamaja Group incorporates:

| Name of company | Location | Field of activity | Ownership 31 December 2010 and 31.12.2009 | Year of acquisition |
|----------------------------------|----------------------------|------------------------|---|---------------------|
| A-Selver AS* | Tallinn, Pärnu mnt.238 | Retail trade | 100% | 1996 |
| SIA Selver Latvia | Riga, Ieriku 3 | Retail trade | 100% | 2006 |
| AS Tartu Kaubamaja | Tartu, Riga 2 | Retail trade | 100% | 1996 |
| TKM Beauty OÜ | Tallinn, Gonsiori 2 | Retail trade | 100% | 2007 |
| TKM Beauty Eesti OÜ | Tallinn, Gonsiori 2 | Retail trade | 100% | 2007 |
| OÜ Suurtüki NK | Tallinn, Ehitajate tee 110 | Retail trade | 100% | 2008 |
| SIA Suurtuki | Riga, Tomsona 30-86 | Retail trade | 100% | 2008 |
| AS ABC King | Tallinn, Pärnu rd 139E | Retail trade | 100% | 2008 |
| ABC King SIA | Riga, Ieriku 3 | Retail trade | 100% | 2008 |
| OptiGroup Invest OÜ | Tallinn, Gonsiori 2 | Trade and financing | 100% | 2007 |
| KIA Auto AS | Tallinn, Ülemiste tee 1 | Retail trade | 100% | 2007 |
| Ülemiste Autokeskus OÜ | Tallinn, Ülemiste tee 1 | Retail trade | 100% | 2007 |
| KIA Automobiles SIA | Riga, Pulkeveza Brieza 31 | Retail trade | 100% | 2007 |
| KIA Auto UAB | Vilnius, Perkunkiemia g.2 | Retail trade | 100% | 2007 |
| Tallinna Kaubamaja Kinnisvara AS | Tallinn, Gonsiori 2 | Real estate management | 100% | 1999 |
| Tartu Kaubamaja Kinnisvara OÜ | Tartu, Riga 1 | Real estate management | 100% | 2004 |
| SIA TKM Latvija | Riga, Ieriku 3 | Real estate management | 100% | 2006 |

*See note 25.

Tallinna Kaubamaja AS

Note 8. Shares in Affiliates

Tallinna Kaubamaja AS has a holding in Rävåla Parkla AS which renders multi-storey car park services in Tallinn.

In thousands of

| | EEK | | EUR | |
|---|---------------|---------------|--------------|--------------|
| | 31.12.2010 | 31.12.2009 | 31.12.2010 | 31.12.2009 |
| Number of shares at end of year / (beginning) | 501 / (501) | 501 / (501) | 501 / (501) | 501 / (501) |
| Shareholding % at end of year / (beginning) | 50 / (50) | 50 / (50) | 50 / (50) | 50 / (50) |
| Investment in the associate at beginning of the year | 20,323 | 17,505 | 1,299 | 1,119 |
| Profit for the reporting period under equity method | 3,204 | 2,818 | 205 | 180 |
| Investment in the associate at end of the year | 23,527 | 20,323 | 1,504 | 1,299 |

Financial information on the associate Rävåla Parkla AS (reflecting 100% of the associate):

| | EEK | | EUR | |
|-------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 31.12.2010 | 31.12.2009 | 31.12.2010 | 31.12.2009 |
| Assets | 58,671 | 59,174 | 3,750 | 3,782 |
| Liabilities | 11,649 | 18,554 | 745 | 1,186 |
| | 12 months 2010 | 12 months 2009 | 12 months 2010 | 12 months 2009 |
| Revenue | 7,800 | 7,900 | 499 | 505 |
| Profit | 6,408 | 5,635 | 410 | 360 |
| | 4th quarter 2010 | 4th quarter 2009 | 4th quarter 2010 | 4th quarter 2009 |
| Revenue | 2,228 | 1,952 | 142 | 125 |
| Profit | 1,935 | 1,491 | 124 | 95 |

Note 9. Other Long-term Receivables

In thousands of

| | EEK | | EUR | |
|--|--------------|--------------|------------|------------|
| | 31.12.2010 | 31.12.2009 | 31.12.2010 | 31.12.2009 |
| Receivables from associate (Note 24) | 0 | 1,828 | 0 | 117 |
| Other long term receivables | 2,207 | 1,785 | 141 | 114 |
| Total other long term receivables | 2,207 | 3,613 | 141 | 231 |

Note 10. Investment property

In thousands of

| Changes occurred in 2009 | EEK | EUR |
|--|---------------|--------------|
| Reclassification (Note 11) | 35,400 | 2,263 |
| Gain from change in fair value upon reclassification | 20,400 | 1,303 |
| Carrying value as at 31.12.2009 | 55,800 | 3,566 |
| Carrying value as at 31.12.2010 | 55,800 | 3,566 |

Note 11. Tangible Fixed Assets

In thousands of kroons

| | Land and buildings | Machinery and equipment | Other equipment, fixtures and fittings | Prepayments for property, plant and equipment | Construction in progress | Total |
|--|--------------------|-------------------------|--|---|--------------------------|------------------|
| Changes in 2008 | | | | | | |
| Additions through business combinations | 714 | 740 | 5,652 | 0 | 0 | 7,106 |
| Purchases and improvements | 205,168 | 121,413 | 86,020 | 33,250 | 530,484 | 976,335 |
| Reclassification | 115,275 | -4,149 | 14,943 | -10,861 | -115,208 | 0 |
| Revaluations of depreciation | -71,600 | 0 | 0 | 0 | -75,000 | -146,600 |
| Sales and write downs | -290 | -445 | -988 | 0 | 0 | -1,723 |
| Depreciation | -50,922 | -42,893 | -44,108 | 0 | 0 | -137,923 |
| 31.12.2008 | | | | | | |
| Acquisition or revaluated cost | 1,969,527 | 355,830 | 362,439 | 34,534 | 912,686 | 3,635,016 |
| Accumulated depreciation | -154,399 | -190,179 | -217,365 | 0 | -75,000 | -636,943 |
| Carrying amount | 1,815,128 | 165,651 | 145,074 | 34,534 | 837,686 | 2,998,073 |
| Changes occurred in 2009 | | | | | | |
| Purchases and improvements | 22,611 | 64,872 | 37,814 | 24,909 | 38,293 | 188,499 |
| Reclassification | 158,063 | 26,600 | 3,240 | -17,897 | -205,406 | -35,400 |
| Sales and write downs | -1,057 | -40,866 | -1,182 | 0 | 0 | -43,105 |
| Impairment losses | -66,444 | -24,208 | 0 | -4,586 | -144,303 | -239,541 |
| Depreciation | -58,006 | -60,023 | -54,313 | 0 | 0 | -172,342 |
| Currency difference | -3,023 | 0 | 0 | 0 | -3,522 | -6,545 |
| 31.12.2009 | | | | | | |
| Cost or revalued amount | 2,157,776 | 351,411 | 391,885 | 36,960 | 742,051 | 3,680,083 |
| Accumulated depreciation and impairment losses | -290,504 | -219,385 | -261,252 | 0 | -219,303 | -990,444 |
| Carrying amount | 1,867,272 | 132,026 | 130,633 | 36,960 | 522,748 | 2,689,639 |
| Changes occurred in 2010 | | | | | | |
| Purchases and improvements | 2,118 | 3,214 | 24,379 | 25,642 | 3,545 | 58,898 |
| Reclassification | 1,720 | 8,344 | 10,214 | -19,767 | -511 | 0 |
| Sales and write downs | -13 | -967 | -11,313 | 0 | 0 | -12,293 |
| Impairment profit charged against other reserves in equity | 168,539 | 0 | 0 | 0 | 0 | 168,539 |
| Impairment profit/loss charged to the income statement | 17,300 | 0 | 0 | 0 | -16,522 | 778 |
| Depreciation | -58,150 | -48,333 | -50,800 | 0 | 0 | -157,283 |
| Currency difference | -61 | 3 | 3 | 0 | -89 | -144 |
| 31.12.2010 | | | | | | |
| Cost or revalued amount | 2,322,924 | 339,811 | 327,907 | 42,835 | 744,996 | 3,778,473 |
| Accumulated depreciation and impairment losses | -324,199 | -245,524 | -224,791 | 0 | -235,825 | -1,030,339 |
| Carrying amount | 1,998,725 | 94,287 | 103,116 | 42,835 | 509,171 | 2,748,134 |

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In thousands of euros

| | Land and buildings | Machinery and equipment | Other equipment, fixtures and fittings | Prepayments for property, plant and equipment | Construction in progress | Total |
|--|--------------------|-------------------------|--|---|--------------------------|----------------|
| Changes in 2008 | | | | | | |
| Additions through business combinations | 46 | 47 | 361 | 0 | 0 | 454 |
| Purchases and improvements | 13,113 | 7,760 | 5,498 | 2,125 | 33,904 | 62,400 |
| Reclassification | 7,367 | -265 | 955 | -694 | -7,363 | 0 |
| Revaluations of depreciation | -4,576 | 0 | 0 | 0 | -4,793 | -9,369 |
| Sales and write downs | -19 | -28 | -63 | 0 | 0 | -110 |
| Depreciation | -3,255 | -2,741 | -2,819 | 0 | 0 | -8,815 |
| 31.12.2008 | | | | | | |
| Acquisition or revaluated cost | 125,876 | 22,742 | 23,164 | 2,207 | 58,331 | 232,320 |
| Accumulated depreciation | -9,868 | -12,155 | -13,892 | 0 | -4,793 | -40,708 |
| Carrying amount | 116,008 | 10,587 | 9,272 | 2,207 | 53,538 | 191,612 |
| Changes occurred in 2009 | | | | | | |
| Purchases and improvements | 1,445 | 4,147 | 2,418 | 1,592 | 2,447 | 12,049 |
| Reclassification | 10,102 | 1,700 | 207 | -1,144 | -13,128 | -2,263 |
| Sales and write downs | -68 | -2,612 | -76 | 0 | 0 | -2,756 |
| Impairment losses | -4,247 | -1,547 | 0 | -293 | -9,223 | -15,310 |
| Depreciation | -3,707 | -3,836 | -3,472 | 0 | 0 | -11,015 |
| Currency difference | -193 | 0 | 0 | 0 | -224 | -417 |
| 31.12.2009 | | | | | | |
| Cost or revalued amount | 137,907 | 22,460 | 25,048 | 2,362 | 47,426 | 235,203 |
| Accumulated depreciation and impairment losses | -18,567 | -14,021 | -16,699 | 0 | -14,016 | -63,303 |
| Carrying amount | 119,340 | 8,439 | 8,349 | 2,362 | 33,410 | 171,900 |
| Changes occurred in 2010 | | | | | | |
| Purchases and improvements | 135 | 205 | 1,558 | 1,639 | 227 | 3,764 |
| Reclassification | 111 | 533 | 652 | -1,263 | -33 | 0 |
| Sales and write downs | -1 | -62 | -723 | 0 | 0 | -786 |
| Impairment profit charged against other reserves in equity | 10,772 | 0 | 0 | 0 | 0 | 10,772 |
| Impairment profit/loss charged to the income statement | 1,106 | 0 | 0 | 0 | -1,056 | 50 |
| Depreciation | -3,715 | -3,089 | -3,247 | 0 | 0 | -10,051 |
| Currency difference | -5 | 0 | 1 | 0 | -6 | -10 |
| 31.12.2010 | | | | | | |
| Cost or revalued amount | 148,460 | 21,718 | 20,959 | 2,738 | 47,614 | 241,489 |
| Accumulated depreciation and impairment losses | -20,719 | -15,691 | -14,369 | 0 | -15,072 | -65,851 |
| Carrying amount | 127,741 | 6,027 | 6,590 | 2,738 | 32,542 | 175,638 |

The cost of the investments registered in the reporting period amounted to 58,898 thousand kroons (3,764 thousand euros).

During the reporting period, the new Rannarootsi Selver was opened. In Tartu Kaubamaja the new music store was opened, new equipment for Food and Men Departments was purchased and implementation of new software started. In footwear trade, the new concept footwear stores SHU were launched. Capital works were performed on the unfinished buildings in Latvia.

The cost of investments in the business segment of supermarkets was 14,313 thousand kroons (915 thousand euros) in the period of twelve months of 2010. The investment cost of Rannarootsi Selver amounted to 6,547 thousand kroons (418 thousand euros), 3,105 thousand kroons (198 thousand euros) of it was invested during the reporting period. In 2010 the renovation works have been performed in the amount of 1,257 thousand kroons (80 thousand euros). An advanced payment in the amount of 9,951 thousand kroons (636 thousand euros) has been made for equipment of sales rooms. With regard to Selver store closures in Latvia, a parent company A-Selver AS purchased the closed stores assets amounting to 7,156 thousand (457 thousand euros), of which 6,335 thousand (405 thousand euros) was accounted as a low value assets in period costs. In addition, the software has been written off during the reporting period in the amount of 2,303 thousand kroons (147 thousand euros).

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In the reporting period, the cost of investments in the business segment of department stores was 31,211 thousand kroons (1,994 thousand euros). The investments in amount of 1,659 thousand kroons (112 thousand euros) was made in Viru Center leased premises. The investments into the department store music store amounted to 1,749 thousand kroons (112 thousand euros), equipment have been purchased in amount of 2,206 thousand of kroons (141 thousand euros), As regards the changeover from kroons to the euro currency the upgrade of the existing software and hardware systems (Oscar, BO, WiFi) was made in the amount of 8,711 thousand kroons (557 thousand euros). The pre-payment for the software development was 10,895 thousand kroons (696 thousand euros). The fourth store of I.L.U. was opened in Kristiine Centre in Tallinn on 30th September of 2010 and the reporting period cost of investments of cosmetics store amounted to 5,991 thousand kroons (382 thousand euros).

Furniture and equipment for new SHU and ABC stores have been purchased during reporting period. The cost of investments in the business segment of footwear trade was 8,636 thousand kroons (552 thousand euros) in the 2010.

The investment cost of the real estate segment was 4,358 thousand kroons (279 thousand euros), including the cost of unfinished capital works in Latvia which of 2,508 thousand kroons (160 thousand euros).

The fair value of "Land and buildings" and the recoverable amounts of "Unfinished buildings" were evaluated as of 31.12.2010. The fair values of "Land and buildings" and the recoverable amounts of "Unfinished buildings" (according to the value in use) were determined by a decision made by the management board, using the assessments of independent certified real estate experts and internally in the company using discount and capitalisation rates received from the experts. The discounted cash flow method, market-based information (comparable transactions, rent profits etc) and the depreciated replacement cost method were used to determine both the fair value and the recoverable amounts.

Discount rates of 9.0%–13% (2009: 9.0%–13.5%) and growth rates of 0.0% to 1.0% (2009: 0.0% to 1.0%) were used in evaluations. As a result of the evaluations, the value of Estonian registered immovables increased through the revaluation reserve by 168,539 thousand kroons (10,771 thousand euros). The total growth of the change of value in the sum of 778 thousand kroons (50 thousand euros) has been recorded through the income statement. The growth related to finished Selver stores in Estonia was 6,408 thousand kroons (410 thousand euros), while the growth related to finished buildings in Latvia was 10,892 thousand kroons (696 thousand euros). The decrease in value related to unfinished buildings in Estonia was 4,331 thousand kroons (277 thousand euros) and 12,191 thousand kroons (779 thousand euros) related to unfinished buildings in Latvia.

The investment into car trade amounted to 380 thousand kroons (24 thousand euros) during the reporting period.

The entities of Tallinna Kaubamaja consolidation group did not have any commitments to purchase items of property, plant and equipment.

Note 12. Intangible Fixed Assets

In thousands of kroons

| | Goodwill | Trademark | Beneficial contracts | Developing cost | Total |
|--|----------------|---------------|----------------------|-----------------|----------------|
| 31.12.2008 | | | | | |
| Cost | 114,187 | 54,887 | 16,900 | 0 | 185,974 |
| Accumulated depreciation and impairment losses | -4,688 | -1,820 | -1,536 | 0 | -8,044 |
| Carrying amount | 109,499 | 53,067 | 15,364 | 0 | 177,930 |
| Changes occurred in 2009 | | | | | |
| Purchases and improvements | 0 | 0 | 0 | 300 | 300 |
| Depreciation | 0 | -3,640 | -3,073 | 0 | -6,713 |
| Impairment losses | -4,506 | 0 | 0 | 0 | -4,506 |
| 31.12.2009 | | | | | |
| Cost | 114,187 | 54,887 | 16,900 | 300 | 186,274 |
| Accumulated depreciation and impairment losses | -9,194 | -5,460 | -4,609 | 0 | -19,263 |
| Carrying amount | 104,993 | 49,427 | 12,291 | 300 | 167,011 |
| Changes occurred in 2010 | | | | | |
| Reclassification | 0 | 14 | 0 | -14 | 0 |
| Depreciation | 0 | -3,657 | -3,073 | 0 | -6,730 |
| 31.12.2010 | | | | | |
| Cost or revalued amount | 114,187 | 54,901 | 16,900 | 286 | 186,274 |
| Accumulated depreciation and impairment losses | -9,194 | -9,117 | -7,682 | 0 | -25,993 |
| Carrying amount | 104,993 | 45,784 | 9,218 | 286 | 160,281 |

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In thousands of euros

| | Goodwill | Trademark | Beneficial contracts | Developing cost | Total |
|--|--------------|--------------|----------------------|-----------------|---------------|
| 31.12.2008 | | | | | |
| Cost | 7,298 | 3,508 | 1,080 | 0 | 11,886 |
| Accumulated depreciation and impairment losses | -300 | -116 | -98 | 0 | -514 |
| Carrying amount | 6,998 | 3,392 | 982 | 0 | 11,372 |
| Changes occurred in 2009 | | | | | |
| Purchases and improvements | 0 | 0 | 0 | 19 | 19 |
| Depreciation | 0 | -233 | -196 | 0 | -429 |
| Impairment losses | -288 | 0 | 0 | 0 | -288 |
| 31.12.2009 | | | | | |
| Cost | 7,298 | 3,508 | 1,080 | 19 | 11,905 |
| Accumulated depreciation and impairment losses | -588 | -349 | -294 | 0 | -1,231 |
| Carrying amount | 6,710 | 3,159 | 786 | 19 | 10,674 |
| Changes occurred in 2010 | | | | | |
| Reclassification | 0 | 1 | 0 | -1 | 0 |
| Depreciation | 0 | -234 | -197 | 0 | -431 |
| 31.12.2010 | | | | | |
| Cost or revalued amount | 7,298 | 3,509 | 1,080 | 18 | 11,905 |
| Accumulated depreciation and impairment losses | -588 | -583 | -491 | 0 | -1,662 |
| Carrying amount | 6,710 | 2,926 | 589 | 18 | 10,243 |

Under intangible assets is stated the goodwill related to acquisition of OptiGroup Invest OÜ, OÜ Suurtüki NK, SIA Suurtüki, AS ABC King and ABC King SIA as on 31.12.2010 in the amount of 104,993 thousand kroons (6,7 million euros) (2009: 104,993 thousand kroons, 6.7 million euros). Goodwill is initially reported at the acquisition cost thereof, which is the positive difference between the acquisition cost of the holding acquired and the fair value of the acquired assets, liabilities and contingent liabilities on the date of acquisition. In further reporting goodwill is measured at the acquisition cost thereof less possible discounts resulting from impairment. With regard to goodwill an impairment test is carried out at least once a year or more frequently if events or changed circumstances show that the book value of goodwill may have decreased.

The basis for finding the present value of cash flows related to recoverable amounts is the estimated cash flows of the following 5 years. Pursuant to the decrease in discount rates of 6.7%–8.1% (2009: 9.3%–10.9%) and the prognoses of a more positive economic growth, the values found as a result of tests had increased and the data indicated that goodwill has been recorded correctly in the balance sheet and the discount of goodwill is not necessary.

Goodwill is allocated to cash generating units of the Group by the following segments:

| In thousands of | EEK | | EUR | |
|-----------------|------------|------------|------------|------------|
| | 31.12.2010 | 31.12.2009 | 31.12.2010 | 31.12.2009 |
| Car trade | 49,388 | 49,388 | 3,156 | 3,156 |
| Footwear trade | 55,605 | 55,605 | 3,554 | 3,554 |

As a trademark, the Group has recognised the image of ABC King acquired in acquisition of footwear trade segment companies AS ABC King and SIA ABC King; the image contains a combination of the name, symbol and design together with recognition and preference by consumers. The remaining useful life of the trademark as at 31.12.2010 is 12.5 years.

Note 13. Interest bearing borrowings

In thousands of

| Group | EEK | | EUR | |
|-------------------------------------|------------------|------------------|---------------|---------------|
| | 31.12.2010 | 31.12.2009 | 31.12.2010 | 31.12.2009 |
| Long-term loans | | | | |
| Bank loans | 995,288 | 1,255,630 | 63,610 | 80,250 |
| Financial lease liability (Note 14) | 2,058 | 8,362 | 132 | 533 |
| Operational lease | 1,602 | 3,104 | 102 | 199 |
| | 998,948 | 1,267,096 | 63,844 | 80,982 |
| Short-term loans | | | | |
| Overdraft | 2,266 | 2,266 | 145 | 145 |
| Bank loans | 262,949 | 242,463 | 16,805 | 15,496 |
| Financial lease liability (Note 14) | 6,367 | 6,114 | 407 | 391 |
| Operational lease | 4,344 | 3,681 | 278 | 235 |
| | 275,926 | 254,524 | 17,635 | 16,267 |
| Total | 1,274,874 | 1,521,620 | 81,479 | 97,249 |

Borrowings received

in thousands of

| | EEK | | EUR | |
|----------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 12 months 2010 | 12 months 2009 | 12 months 2010 | 12 months 2009 |
| Bank loans | 110,265 | 353,520 | 7,048 | 22,594 |
| Finance lease liability | 204 | 0 | 13 | 0 |
| Other borrowings | 11,978 | 7,084 | 765 | 453 |
| Total borrowings received | 122,447 | 360,604 | 7,826 | 23,047 |

Borrowings paid

in thousands of

| | EEK | | EUR | |
|------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 12 months 2010 | 12 months 2009 | 12 months 2010 | 12 months 2009 |
| Overdraft | 0 | 42,298 | 0 | 2,703 |
| Bank loans | 350,121 | 312,570 | 22,377 | 19,977 |
| Finance lease liability | 6,257 | 5,617 | 400 | 359 |
| Other borrowings | 12,815 | 12,005 | 819 | 767 |
| Total Borrowings paid | 369,193 | 372,490 | 23,596 | 23,806 |

Bank loans are denominated in euros and finance lease liabilities are denominated in Estonian kroons.

As of 31.12.2010, the repayment dates of bank loans are between 7.05.2011 and 20.06.2018 (2009: between 1.03.2010 and 20.06.2018), the interest is linked to EURIBOR of 3 months and 6 months as well as EONIA. The weighted average interest rate was 2.294% (2009: 3.2%).

Note 14. Financial Lease

Group as the lessee

The Group leases buildings under finance lease terms:

In thousands of

| | EEK | | EUR | |
|--|--------------|---------------|------------|--------------|
| | 31.12.2010 | 31.12.2009 | 31.12.2010 | 31.12.2009 |
| Acquisition cost | 45,419 | 45,510 | 2,903 | 2,909 |
| Accumulated depreciation | -38,155 | -33,465 | -2,439 | -2,139 |
| Carrying amount | 7,264 | 12,045 | 464 | 770 |
| | EEK | | EUR | |
| | 31.12.2010 | 31.12.2009 | 31.12.2010 | 31.12.2009 |
| up to 1 year. | 6,742 | 6,913 | 431 | 441 |
| 1-5 years | 2,091 | 8,763 | 134 | 560 |
| Total | 8,833 | 15,676 | 565 | 1,001 |
| Future interest expense | -408 | -1,200 | -26 | -77 |
| Present value of lease payments (Note 13) | 8,425 | 14,476 | 539 | 924 |
| | EEK | | EUR | |
| | 31.12.2010 | 31.12.2009 | 31.12.2010 | 31.12.2009 |
| Present value of lease payments | | | | |
| up to 1 year. | 6,367 | 6,114 | 407 | 391 |
| 1-5 years | 2,058 | 8,362 | 132 | 533 |
| Total (Note13) | 8,425 | 14,476 | 539 | 924 |

The Group leases on capital lease conditions premises at Papiniidu 42, Pärnu, with the operating area 3,500 m². The agreement will end in 2012. The agreement can be prematurely terminated by notifying the other party thereof in writing one month in advance. The Group has the right of the renewal of agreement at the end of the term of validity of the agreement.

Note 15. Taxes, other short- and long-term payables, and provisions

In thousands of

| | EEK | | EUR | |
|---|---------------|---------------|--------------|--------------|
| | 31.12.2010 | 31.12.2009 | 31.12.2010 | 31.12.2009 |
| Value added tax | 40,500 | 28,311 | 2,589 | 1,809 |
| Sales tax | 426 | 0 | 27 | 0 |
| Income tax | 3 | 3 | 0 | 0 |
| Personal income tax | 9,045 | 10,201 | 578 | 652 |
| Social security taxes | 20,047 | 21,945 | 1,281 | 1,403 |
| Corporate Income tax on fringe benefits | 292 | 278 | 19 | 18 |
| Unemployment insurance | 2,342 | 2,543 | 150 | 163 |
| Mandatory funded pension | 519 | 209 | 33 | 13 |
| Total tax liabilities | 73,174 | 63,490 | 4,677 | 4,058 |
| Employee-payables | 55,127 | 53,321 | 3,524 | 3,408 |
| Interest payable | 600 | 727 | 38 | 46 |
| Other accrued expenses | 460 | 1,188 | 29 | 77 |
| Prepayments by tenants | 7,641 | 7,484 | 488 | 478 |
| Total other short-term payables | 63,828 | 62,720 | 4,079 | 4,009 |
| Short-term provisions | 1,982 | 445 | 127 | 28 |
| Long-term provisions | 1,382 | 1,736 | 88 | 111 |
| Total provisions | 3,364 | 2,181 | 215 | 139 |

Short-term provision and long term provision stand for guarantee provisions related with footwear and vehicle business.

Note 16. Share Capital

As of 31 December, 2010 the share capital amounted to 407,292 thousand kroons (26 million euros) and was divided into 40,729,200 ordinary shares with a nominal value of 10.0 kroons (0.64 euros). Pursuant to the Articles of Association the maximum allowed number of ordinary shares is 162,916,800. The regular stockholders' meeting on 18.05.2010 decided to pay a dividend of 0.65 kroons (0.04 euros) per stock totalling to 26,474 thousand kroons (1,692 thousand euros) (in 2009 0.4 kroons (0.03 euros) totalling to 16,292 thousand kroons (1,041 thousand euros)).

Note 17. Segment Reporting

Information on segments is disclosed according to business and geographical segments. Following the internal management structure the principal format indicates the division of business segments and the additional format the division of geographical segments. Income expenses assets and liabilities are divided between segments according to the connection thereof with the activities of the segment.

Business Segments

The Company's internal management structure has been divided between the following business segments:

- department store
- supermarkets
- real estate
- car trade
- footwear

Geographical Segments

- The Company's geographical segments are Estonia Latvia and Lithuania.
- Upon presentation of geographical segments sales revenue is reported according to the location of clients; assets of the segments are reported according to the physical location of the assets and the liabilities are allocated based on the operations of the segment.

Business Segment Report

In thousands of kroons

| 12 months 2010 | Depart- ment stores | Super markets | Real estate | Car trade | Footwear retail | Transac- tions between segments | Total |
|---|------------------------------------|--------------------------|------------------------|------------------|----------------------------|--|------------------|
| External revenue | 1,153,150 | 4,697,021 | 38,793 | 202,041 | 211,018 | 0 | 6,302,023 |
| Inter-segment revenue | 2,304 | 7,992 | 121,644 | 236 | 2,175 | -134,351 | 0 |
| Total revenue | 1,155,454 | 4,705,013 | 160,437 | 202,277 | 213,193 | -134,351 | 6,302,023 |
| Operating profit (loss) | 15,272 | 144,810 | 129,249 | 5,969 | -4,264 | 0 | 291,036 |
| Financial income (Note 22) | 3,885 | 739 | 0 | 34 | 11 | 0 | 4,669 |
| Finance income on shares of associates | 3,204 | 0 | 0 | 0 | 0 | 0 | 3,204 |
| Financial expense (Note 22) | -15,039 | -727 | -12,918 | -1,219 | -1,514 | 0 | -31,417 |
| Income tax | 0 | -7,037 | 0 | 0 | 0 | 0 | -7,037 |
| Net profit (loss) | 21,177 | 139,047 | 104,614 | 3,386 | -7,769 | 0 | 260,455 |
| incl. in Estonia | 21,177 | 186,036 | 97,218 | 7,446 | -6,561 | 0 | 305,316 |
| incl. in Latvia | 0 | -46,989 | 7,396 | -2,590 | -1,208 | 0 | -43,391 |
| incl. in Lithuania | 0 | 0 | 0 | -1,470 | 0 | 0 | -1,470 |
| Segment assets | 2,493,064 | 986,181 | 2,577,017 | 136,939 | 192,097 | -2,313,876 | 4,071,422 |
| Segment liabilities | 654,187 | 605,600 | 1,373,694 | 158,408 | 206,769 | -942,689 | 2,055,969 |
| Segment investment in non-current assets | 31,211 | 14,313 | 4,358 | 380 | 8,636 | 0 | 58,898 |
| Depreciation (Note 11, 12) | 17,000 | 84,998 | 48,477 | 2,306 | 11,232 | 0 | 164,013 |
| Impairment of non-current assets recognised in income statement (Note 11, 12) | 0 | 0 | -778 | 0 | 0 | 0 | -778 |

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In thousands of euros

| 12 months 2010 | Department stores | Super markets | Real estate | Car trade | Footwear retail | Transactions between segments | Total |
|---|-------------------|----------------|----------------|---------------|-----------------|-------------------------------|----------------|
| External revenue | 73,700 | 300,194 | 2,479 | 12,913 | 13,487 | 0 | 402,773 |
| Inter-segment revenue | 147 | 511 | 7,774 | 15 | 139 | -8,586 | 0 |
| Total revenue | 73,847 | 300,705 | 10,253 | 12,928 | 13,626 | -8,586 | 402,773 |
| Operating profit (loss) | 976 | 9,255 | 8,262 | 381 | -273 | 0 | 18,601 |
| Financial income (Note 22) | 248 | 47 | 0 | 2 | 1 | 0 | 298 |
| Finance income on shares of associates | 205 | 0 | 0 | 0 | 0 | 0 | 205 |
| Financial expense (Note 22) | -961 | -46 | -826 | -78 | -97 | 0 | -2,008 |
| Income tax | 0 | -450 | 0 | 0 | 0 | 0 | -450 |
| Net profit (loss) | 1,353 | 8,887 | 6,687 | 216 | -497 | 0 | 16,646 |
| incl. in Estonia | 1,353 | 11,890 | 6,214 | 477 | -420 | 0 | 19,514 |
| incl. in Latvia | 0 | -3,003 | 473 | -166 | -77 | 0 | -2,773 |
| incl. in Lithuania | 0 | 0 | 0 | -95 | 0 | 0 | -95 |
| Segment assets | 159,336 | 63,028 | 164,702 | 8,752 | 12,277 | -147,884 | 260,211 |
| Segment liabilities | 41,810 | 38,705 | 87,796 | 10,124 | 13,215 | -60,250 | 131,400 |
| Segment investment in non-current assets | 1,994 | 915 | 279 | 24 | 552 | 0 | 3,764 |
| Depreciation | 1,087 | 5,432 | 3,098 | 147 | 718 | 0 | 10,482 |
| Impairment of non-current assets recognised in income statement (note 11, 12) | 0 | 0 | -50 | 0 | 0 | 0 | -50 |

In thousands of kroons

| 12 months 2009 | Department stores | Super markets | Real estate | Car trade | Footwear retail | Transactions between segments | Total |
|---|-------------------|------------------|------------------|----------------|-----------------|-------------------------------|------------------|
| External revenue | 1,196,505 | 4,761,355 | 42,639 | 207,921 | 179,707 | 0 | 6,388,127 |
| Inter-segment revenue | 1,610 | 7,971 | 142,837 | 177 | 3,636 | -156,231 | 0 |
| Total revenue | 1,198,115 | 4,769,326 | 185,476 | 208,098 | 183,343 | -156,231 | 6,388,127 |
| Operating profit (loss) | 5,707 | -32,690 | -67,895 | -15,793 | -43,724 | 0 | -154,395 |
| Financial income (Note 22) | 5,225 | 296 | 0 | 2 | 1 | 0 | 5,524 |
| Finance income on shares of associates | 2,818 | 0 | 0 | 0 | 0 | 0 | 2,818 |
| Financial expense (Note 22) | -16,048 | -1,084 | -23,003 | -2,469 | -3,251 | 0 | -45,855 |
| Income tax | 0 | -4,331 | 0 | 0 | 0 | 0 | -4,331 |
| Net profit (loss) | 27,997 | -34,942 | -115,619 | -22,979 | -51,206 | 0 | -196,749 |
| incl. in Estonia | 27,997 | 111,333 | 67,399 | -15,380 | -40,308 | 0 | 151,041 |
| incl. in Latvia | 0 | -146,275 | -183,018 | -4,358 | -10,898 | 0 | -344,549 |
| incl. in Lithuania | 0 | 0 | 0 | -3,241 | 0 | 0 | -3,241 |
| Segment assets | 2,079,055 | 941,877 | 2,405,917 | 143,786 | 197,135 | -1,786,729 | 3,981,041 |
| Segment liabilities | 799,322 | 672,777 | 1,475,758 | 168,075 | 232,627 | -981,710 | 2,366,849 |
| Gain from change in fair value of investment property (Note 10) | 0 | 0 | 20,400 | 0 | 0 | 0 | 20,400 |
| Segment investment in non-current assets | 38,864 | 94,214 | 47,454 | 146 | 7,821 | 0 | 188,499 |
| Depreciation | 24,279 | 98,948 | 42,873 | 2,540 | 10,415 | 0 | 179,055 |
| Impairment of non-current assets recognised in income statement (note 11, 12, 21) | 0 | 28,794 | 210,747 | 0 | 4,506 | 0 | 244,047 |

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In thousands of euros

| 12 months 2009 | Department stores | Super markets | Real estate | Car trade | Footwear retail | Transactions between segments | Total |
|---|-------------------|----------------|----------------|---------------|-----------------|-------------------------------|----------------|
| External revenue | 76,471 | 304,306 | 2,725 | 13,289 | 11,485 | 0 | 408,276 |
| Inter-segment revenue | 103 | 509 | 9,129 | 11 | 232 | -9,984 | 0 |
| Total revenue | 76,574 | 304,815 | 11,854 | 13,300 | 11,717 | -9,984 | 408,276 |
| Operating profit (loss) | 365 | -2,089 | -4,339 | -1,009 | -2,796 | 0 | -9,868 |
| Financial income (Note 22) | 334 | 19 | 0 | 2 | 1 | 0 | 356 |
| Finance income on shares of associates | 180 | 0 | 0 | 0 | 0 | 0 | 180 |
| Financial expense (Note 22) | -1,041 | -69 | -1,470 | -178 | -208 | 0 | -2,966 |
| Income tax | 0 | -277 | 0 | 0 | 0 | 0 | -277 |
| Net profit (loss) | 1,789 | -2,235 | -7,389 | -1,469 | -3,273 | 0 | -12,577 |
| incl. in Estonia | 1,789 | 7,115 | 4,308 | -983 | -2,576 | 0 | 9,653 |
| incl. in Latvia | 0 | -9,348 | -11,697 | -279 | -697 | 0 | -22,021 |
| incl. in Lithuania | 0 | 0 | 0 | -207 | 0 | 0 | -207 |
| Segment assets | 132,876 | 60,197 | 153,766 | 9,190 | 12,599 | -114,193 | 254,435 |
| Segment liabilities | 51,085 | 42,998 | 94,318 | 10,742 | 14,868 | -62,743 | 151,268 |
| Gain from change in fair value of investment property (Note 10) | 0 | 0 | 1,304 | 0 | 0 | 0 | 1,304 |
| Segment investment in non-current assets | 2,484 | 6,021 | 3,035 | 9 | 500 | 0 | 12,049 |
| Depreciation | 1,552 | 6,324 | 2,740 | 162 | 666 | 0 | 11,444 |
| Impairment of non-current assets recognised in income statement (Note 11, 12, 21) | 0 | 1,840 | 13,469 | 0 | 288 | 0 | 15,597 |

In thousands of kroons

| 4th quarter 2010 | Department stores | Super markets | Real estate | Car trade | Footwear retail | Transactions between segments | Total |
|---|-------------------|------------------|------------------|----------------|-----------------|-------------------------------|------------------|
| External revenue | 350,627 | 1,239,280 | 9,543 | 54,241 | 64,034 | 0 | 1,717,725 |
| Inter-segment revenue | 1,154 | 2,145 | 30,900 | 74 | 662 | -34,935 | 0 |
| Total revenue | 351,781 | 1,241,425 | 40,443 | 54,315 | 64,696 | -34,935 | 1,717,725 |
| Operating profit (loss) | 29,295 | 52,675 | 33,643 | 1,538 | 4,543 | 0 | 121,694 |
| Financial income (Note 22) | 1,015 | 184 | 0 | 29 | -1 | 0 | 1,227 |
| Finance income on shares of associates | 968 | 0 | 0 | 0 | 0 | 0 | 968 |
| Financial expense (Note 22) | -3,752 | -147 | -3,580 | -331 | -354 | 0 | -8,164 |
| Income tax | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net profit (loss) | 30,626 | 52,950 | 27,414 | 971 | 3,764 | 0 | 115,725 |
| incl. in Estonia | 30,626 | 64,176 | 26,246 | 2,238 | 3,849 | 0 | 127,135 |
| incl. in Latvia | 0 | -11,226 | 1,168 | -717 | -85 | 0 | -10,860 |
| incl. in Lithuania | 0 | 0 | 0 | -550 | 0 | 0 | -550 |
| Segment assets | 2,493,064 | 986,181 | 2,577,017 | 136,939 | 192,097 | -2,313,876 | 4,071,422 |
| Segment liabilities | 654,187 | 605,600 | 1,373,694 | 158,408 | 206,769 | -942,689 | 2,055,969 |
| Segment investment in non-current assets | 13,406 | 2,974 | 1,046 | 68 | 2,262 | 0 | 19,756 |
| Depreciation | -866 | 19,368 | 16,500 | 555 | 3,007 | 0 | 38,564 |
| Impairment of non-current assets recognised in income statement (Note 11, 12) | 0 | 0 | -778 | 0 | 0 | 0 | -778 |

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In thousands of euros

| 4th quarter 2010 | Department stores | Super markets | Real estate | Car trade | Footwear retail | Transactions between segments | Total |
|--|-------------------|---------------|----------------|---------------|-----------------|-------------------------------|----------------|
| External revenue | 22,409 | 79,204 | 610 | 3,467 | 4,093 | 0 | 109,783 |
| Inter-segment revenue | 74 | 137 | 1,975 | 5 | 42 | -2,233 | 0 |
| Total revenue | 22,483 | 79,341 | 2,585 | 3,472 | 4,135 | -2,233 | 109,783 |
| Operating profit (loss) | 1,872 | 3,367 | 2,151 | 98 | 290 | 0 | 7,778 |
| Financial income (Note 22) | 64 | 12 | 0 | 2 | 0 | 0 | 78 |
| Finance income on shares of associates | 62 | 0 | 0 | 0 | 0 | 0 | 62 |
| Financial expense (Note 22) | -240 | -9 | -229 | -21 | -23 | 0 | -522 |
| Income tax | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net profit (loss) | 1,956 | 3,384 | 1,753 | 62 | 241 | 0 | 7,396 |
| incl. in Estonia | 1,956 | 4,102 | 1,678 | 143 | 246 | 0 | 8,125 |
| incl. in Latvia | 0 | -718 | 75 | -46 | -5 | 0 | -694 |
| incl. in Lithuania | 0 | 0 | 0 | -35 | 0 | 0 | -35 |
| Segment assets | 159,336 | 63,028 | 164,702 | 8,752 | 12,277 | -147,884 | 260,211 |
| Segment liabilities | 41,810 | 38,705 | 87,796 | 10,124 | 13,215 | -60,250 | 131,400 |
| Segment investment in non-current assets | 857 | 190 | 67 | 4 | 145 | 0 | 1,263 |
| Depreciation | -54 | 1,238 | 1,054 | 35 | 192 | 0 | 2,465 |
| Impairment of non-current assets recognised in income statement (Note 11, 12) | 0 | 0 | -50 | 0 | 0 | 0 | -50 |

In thousands of kroons

| 4th quarter 2009 | Department stores | Super markets | Real estate | Car trade | Footwear retail | Transactions between segments | Total |
|--|-------------------|------------------|------------------|----------------|-----------------|-------------------------------|------------------|
| External revenue | 343,730 | 1,206,382 | 10,315 | 29,118 | 43,590 | 0 | 1,633,135 |
| Inter-segment revenue | 392 | 2,142 | 55,777 | 36 | 1,676 | -60,023 | 0 |
| Total revenue | 344,122 | 1,208,524 | 66,092 | 29,154 | 45,266 | -60,023 | 1,633,135 |
| Operating profit (loss) | 23,391 | -22,780 | -150,572 | -3,543 | -7,399 | 0 | -160,903 |
| Financial income (Note 22) | 1,105 | 290 | 3 | 29 | 0 | 0 | 1,427 |
| Finance income on shares of associates | 746 | 0 | 0 | 0 | 0 | 0 | 746 |
| Financial expense (Note 22) | 0 | -237 | -13,966 | -276 | -503 | 0 | -14,982 |
| Income tax | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net profit (loss) | 34,050 | -21,976 | -169,676 | -4,657 | -11,453 | 0 | -173,712 |
| incl. in Estonia | 34,050 | 52,165 | 15,760 | -1,831 | -9,889 | 0 | 90,255 |
| incl. in Latvia | 0 | -74,141 | -185,436 | -1,535 | -1,564 | 0 | -262,676 |
| incl. in Lithuania | 0 | 0 | 0 | -1,291 | 0 | 0 | -1,291 |
| Segment assets | 2,079,055 | 941,877 | 2,405,917 | 143,786 | 197,135 | -1,786,729 | 3,981,041 |
| Segment liabilities | 799,322 | 672,777 | 1,475,758 | 168,075 | 232,627 | -981,710 | 2,366,849 |
| Gain from change in fair value of investment property (Note 10) | 0 | 0 | 20,400 | 0 | 0 | 0 | 20,400 |
| Segment investment in non-current assets | 10,078 | 16,346 | 0 | 120 | 5,286 | 0 | 31,830 |
| Depreciation | 5,773 | 23,848 | 3,101 | 586 | 2,543 | 0 | 35,851 |
| Impairment of non-current assets recognised in income statement Note 11, 12, 21) | 0 | 28,794 | 210,747 | 0 | 4,506 | 0 | 244,047 |

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In thousands of euros

| 4th quarter 2009 | Department stores | Super markets | Real estate | Car trade | Footwear retail | Transactions between segments | Total |
|---|-------------------|---------------|----------------|---------------|-----------------|-------------------------------|----------------|
| External revenue | 21,969 | 77,102 | 659 | 1,861 | 2,786 | 0 | 104,377 |
| Inter-segment revenue | 25 | 137 | 3,565 | 2 | 107 | -3,836 | 0 |
| Total revenue | 21,994 | 77,239 | 4,224 | 1,863 | 2,893 | -3,836 | 104,377 |
| Operating profit (loss) | 1,494 | -1,456 | -9,623 | -226 | -473 | 0 | -10,284 |
| Financial income (Note 22) | 71 | 19 | 0 | 2 | 0 | 0 | 92 |
| Finance income on shares of associates | 48 | 0 | 0 | 0 | 0 | 0 | 48 |
| Financial expense (Note 22) | 0 | -15 | -893 | -18 | -32 | 0 | -958 |
| Income tax | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net profit (loss) | 2,177 | -1,404 | -10,845 | -298 | -732 | 0 | -11,102 |
| incl. in Estonia | 2,177 | 3,334 | 1,007 | -117 | -632 | 0 | 5,769 |
| incl. in Latvia | 0 | -4,738 | -11,852 | -98 | -100 | 0 | -16,788 |
| incl. in Lithuania | 0 | 0 | 0 | -83 | 0 | 0 | -83 |
| Segment assets | 132,876 | 60,197 | 153,766 | 9,190 | 12,599 | -114,193 | 254,435 |
| Segment liabilities | 51,085 | 42,998 | 94,318 | 10,742 | 14,868 | -62,743 | 151,268 |
| Gain from change in fair value of investment property (Note 10) | 0 | 0 | 1,304 | 0 | 0 | 0 | 1,304 |
| Segment investment in non-current assets | 644 | 1,045 | 0 | 8 | 338 | 0 | 2,035 |
| Depreciation | 369 | 1,525 | 198 | 37 | 163 | 0 | 2,292 |
| Impairment of non-current assets recognised in income statement (note 11, 12, 21) | 0 | 1,840 | 13,469 | 0 | 288 | 0 | 15,597 |

External revenue according to types of goods and services sold

in thousands of

| | EEK | | EUR | |
|-------------------------------|------------------|------------------|----------------|----------------|
| | 12 months 2010 | 12 months 2009 | 12 months 2010 | 12 months 2009 |
| Retail revenue | 6,194,135 | 6,298,903 | 395,878 | 402,574 |
| Wholesale revenue * | 59,131 | 37,728 | 3,779 | 2,411 |
| Rental income | 38,792 | 42,638 | 2,479 | 2,725 |
| Services and catering revenue | 9,965 | 8,858 | 637 | 566 |
| Total revenue | 6,302,023 | 6,388,127 | 402,773 | 408,276 |

In thousands of

| | EEK | | EUR | |
|-------------------------------|------------------|------------------|------------------|------------------|
| | 4th quarter 2010 | 4th quarter 2009 | 4th quarter 2010 | 4th quarter 2009 |
| Retail revenue | 1,686,457 | 1,612,665 | 107,785 | 103,069 |
| Wholesale revenue* | 19,110 | 8,089 | 1,221 | 517 |
| Rental income | 9,542 | 10,314 | 610 | 659 |
| Services and catering revenue | 2,616 | 2,067 | 167 | 132 |
| Total revenue | 1,717,725 | 1,633,135 | 109,783 | 104,377 |

*In 2010 the wholesale revenue increased due car trade segment sales growth to dealership companies by 18,265 thousand kroons (1,167 thousand euros) compared to 12 months of 2009.

External revenue by client location

in thousands of

| | EEK | | EUR | |
|--------------|-------------------|-------------------|-------------------|-------------------|
| | 12 months 2010 | 12 months 2009 | 12 months 2010 | 12 months 2009 |
| Estonia | 6,200,561 | 6,115,004 | 396,289 | 390,820 |
| Latvia | 48,181 | 243,611 | 3,079 | 15,570 |
| Lithuania | 53,281 | 29,512 | 3,405 | 1,886 |
| Total | 6,302,023 | 6,388,127 | 402,773 | 408,276 |

in thousands of

| | EEK | | EUR | |
|--------------|---------------------|---------------------|---------------------|---------------------|
| | 4th quarter 2010 | 4th quarter 2009 | 4th quarter 2010 | 4th quarter 2009 |
| Estonia | 1,693,933 | 1,617,034 | 108,263 | 103,348 |
| Latvia | 11,506 | 12,093 | 735 | 773 |
| Lithuania | 12,286 | 4,008 | 785 | 256 |
| Total | 1,717,725 | 1,633,135 | 109,783 | 104,377 |

Distribution of non-current assets* by location of assets

in thousands of

| | EEK | | EUR | |
|--------------|------------------|------------------|----------------|----------------|
| | 31.12.2010 | 31.12.2009 | 31.12.2010 | 31.12.2009 |
| Estonia | 2,476,018 | 2,425,948 | 158,246 | 155,046 |
| Latvia | 506,344 | 511,332 | 32,361 | 32,680 |
| Lithuania | 3,427 | 3,744 | 219 | 239 |
| Total | 2,985,789 | 2,941,024 | 190,826 | 187,965 |

* Non-current assets other than financial assets and investment in associate.

Note 18. Other operating income

In thousands of

| | EEK | | EUR | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 12 months 2010 | 12 months 2009 | 12 months 2010 | 12 months 2009 |
| Rental income | 51,011 | 57,115 | 3,260 | 3,650 |
| Change in fair value of investment property (Note 10) | 0 | 20,400 | 0 | 1,304 |
| Advertising revenue | 107,227 | 94,830 | 6,853 | 6,061 |
| Income from foreign currency translation | 242 | 775 | 15 | 50 |
| Revenue from non-current assets | 543 | 135 | 35 | 8 |
| Income from parking services | 878 | 719 | 56 | 46 |
| Empty bottle handling income | 4,761 | 4,598 | 304 | 294 |
| Expedition income | 12,974 | 14,984 | 829 | 958 |
| Other operating income* | 27,580 | 24,342 | 1,764 | 1,555 |
| Total other operating income | 205,216 | 217,898 | 13,116 | 13,926 |

| | EEK | | EUR | |
|---|---------------------|---------------------|---------------------|---------------------|
| | 4th quarter 2010 | 4th quarter 2009 | 4th quarter 2010 | 4th quarter 2009 |
| Rental income | 12,153 | 12,343 | 777 | 789 |
| Change in fair value of investment property (Note 10) | 0 | 20,400 | 0 | 1,304 |
| Advertising revenue | 35,539 | 36,635 | 2,271 | 2,341 |
| Income from foreign currency translation | 46 | 400 | 3 | 26 |
| Revenue from non-current assets | 106 | 0 | 7 | 0 |
| Income from parking services | 257 | 217 | 16 | 14 |
| Empty bottle handling income | 960 | 900 | 61 | 58 |
| Expedition income | 3,737 | 4,783 | 239 | 306 |
| Other operating income* | 10,081 | 2,265 | 645 | 143 |
| Total other operating income | 62,879 | 77,943 | 4,019 | 4,981 |

*Other operating income includes income from the sale of lottery and theatre tickets, processing of invoices receivables and other income related to operating activities.

Note 19. Other operating expenses

In thousands of

| | EEK | | EUR | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 12 months 2010 | 12 months 2009 | 12 months 2010 | 12 months 2009 |
| Rental expenses | 211,095 | 217,246 | 13,491 | 13,885 |
| Operating cost | 95,236 | 100,305 | 6,087 | 6,411 |
| Advertising expenses | 75,467 | 75,654 | 4,823 | 4,835 |
| Bank expenses | 48,621 | 47,208 | 3,107 | 3,017 |
| Security costs | 28,428 | 33,783 | 1,817 | 2,159 |
| Heat and electricity expenses | 101,797 | 100,407 | 6,506 | 6,417 |
| Costs of materials | 47,676 | 56,776 | 3,047 | 3,629 |
| Computer and postage costs | 31,660 | 34,058 | 2,023 | 2,177 |
| Business trip expenses | 5,022 | 5,437 | 321 | 347 |
| Training expenses | 2,544 | 2,458 | 163 | 157 |
| Insurance expenses | 1,270 | 1,760 | 81 | 112 |
| Logistics expenses | 10,226 | 14,022 | 654 | 896 |
| Miscellaneous other operating expenses | 34,125 | 37,950 | 2,181 | 2,426 |
| Total other operating expenses | 693,167 | 727,064 | 44,301 | 46,468 |

In thousands of

| | EEK | | EUR | |
|--|---------------------|---------------------|---------------------|---------------------|
| | 4th quarter 2010 | 4th quarter 2009 | 4th quarter 2010 | 4th quarter 2009 |
| Rental expenses | 51,682 | 55,335 | 3,303 | 3,537 |
| Operating cost | 24,189 | 23,759 | 1,546 | 1,518 |
| Advertising expenses | 23,166 | 20,619 | 1,481 | 1,318 |
| Bank expenses | 13,401 | 12,569 | 856 | 803 |
| Security costs | 6,418 | 7,964 | 410 | 509 |
| Heat and electricity expenses | 27,895 | 25,154 | 1,783 | 1,608 |
| Costs of materials | 13,964 | 12,815 | 892 | 819 |
| Computer and postage costs | 8,513 | 8,149 | 544 | 521 |
| Business trip expenses | 1,185 | 975 | 76 | 62 |
| Training expenses | 681 | 920 | 44 | 59 |
| Insurance expenses | 321 | 523 | 21 | 33 |
| Logistics expenses | 2,629 | 3,054 | 168 | 195 |
| Miscellaneous other operating expenses | 9,444 | 14,747 | 603 | 942 |
| Total other operating expenses | 183,488 | 186,583 | 11,727 | 11,924 |

Note 20. Staff Costs

In thousands of

| | EEK | | EUR | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 12 months 2010 | 12 months 2009 | 12 months 2010 | 12 months 2009 |
| Wages and salaries | 406,108 | 461,197 | 25,956 | 29,476 |
| Social security tax | 137,823 | 152,887 | 8,808 | 9,771 |
| Total staff costs | 543,931 | 614,084 | 34,764 | 39,247 |
| Average wages per employee per month (kroons/euros) | 10,629 | 10,401 | 679 | 665 |
| Average number of employees in the reporting period | 3,184 | 3,695 | 3,184 | 3,695 |

| | EEK | | EUR | |
|--|---------------------|---------------------|---------------------|---------------------|
| | 4th quarter 2010 | 4th quarter 2009 | 4th quarter 2010 | 4th quarter 2009 |
| Wages and salaries | 101,552 | 104,110 | 6,490 | 6,654 |
| Social security tax | 34,561 | 34,887 | 2,209 | 2,229 |
| Total staff costs | 136,113 | 138,997 | 8,699 | 8,883 |
| Average wages per employee per month (kroons/euros) | 10,894 | 9,503 | 696 | 607 |
| Average number of employees in the reporting period | 3,107 | 3,652 | 3,107 | 3,652 |

Note 21. Other expenses

In thousands of

| | EEK | | EUR | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 12 months 2010 | 12 months 2009 | 12 months 2010 | 12 months 2009 |
| Loss from sale and liquidation of property plant and equipment | 5,090 | 2,479 | 325 | 158 |
| Foreign exchange losses | 485 | 773 | 31 | 49 |
| State fees fines penalties* | 546 | 18,373 | 35 | 1,174 |
| Acquisition or revaluated cost | 0 | 4,586 | 0 | 293 |
| Costs of entertaining guests | 688 | 384 | 44 | 25 |
| Other expenses | 6,332 | 7,744 | 405 | 496 |
| Total other expenses | 13,141 | 34,339 | 840 | 2,195 |

* Due to the suspension of SIA Selver Latvia activities the contractual penalties amounting to 17,231 thousand kroons (1,101 thousand euros) were recognised in 2009.

| | EEK | | EUR | |
|---|---------------------|---------------------|---------------------|---------------------|
| | 4th quarter 2010 | 4th quarter 2009 | 4th quarter 2010 | 4th quarter 2009 |
| Loss from sale and liquidation of property plant and equipment | 2,878 | 1,254 | 184 | 80 |
| Foreign exchange losses | 136 | 0 | 9 | 0 |
| State fees fines penalties* | 93 | 15,382 | 6 | 983 |
| Acquisition or revaluated cost | 0 | 4,586 | 0 | 293 |
| Costs of entertaining guests | 70 | 136 | 4 | 9 |
| Other expenses | 1,854 | 3,244 | 119 | 208 |
| Total other expenses | 5,031 | 24,602 | 322 | 1,573 |

Note 22. Finance income and costs

In thousands of

Finance income

| | EEK | | EUR | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 12 months 2010 | 12 months 2009 | 12 months 2010 | 12 months 2009 |
| Interest income on cash and cash equivalents | 939 | 1,187 | 60 | 75 |
| Interest income on Partner Card | 1,927 | 2,215 | 123 | 142 |
| Interest income on NGI Group's account | 1,655 | 1,810 | 106 | 116 |
| Interest income on associate's loan | 108 | 312 | 7 | 20 |
| Other finance income | 40 | 41 | 2 | 3 |
| Total finance income | 4,669 | 5,565 | 298 | 356 |

| | EEK | | EUR | |
|--|---------------------|---------------------|---------------------|---------------------|
| | 4th quarter 2010 | 4th quarter 2009 | 4th quarter 2010 | 4th quarter 2009 |
| Interest income on cash and cash equivalents | 214 | 0 | 14 | 0 |
| Interest income on Partner Card | 690 | 659 | 43 | 42 |
| Interest income on NGI Group's account | 285 | 688 | 18 | 44 |
| Interest income on associate's loan | 10 | 50 | 1 | 3 |
| Other finance income | 28 | 30 | 2 | 3 |
| Total finance income | 1,227 | 1,427 | 78 | 92 |

Finance costs

| | EEK | | EUR | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 12 months 2010 | 12 months 2009 | 12 months 2010 | 12 months 2009 |
| Interest expense of bank loans | -29,824 | -44,431 | -1,906 | -2,840 |
| Interest expense of finance lease | -801 | -1,236 | -51 | -79 |
| Interest expense NGI Group's group accounts (Note 24) | 0 | -189 | 0 | -12 |
| Other finance costs* | -792 | -550 | -51 | -35 |
| Total finance costs | -31,417 | -46,406 | -2,008 | -2,966 |

| | EEK | | EUR | |
|---|---------------------|---------------------|---------------------|---------------------|
| | 4th quarter 2010 | 4th quarter 2009 | 4th quarter 2010 | 4th quarter 2009 |
| Interest expense of bank loans | -7,778 | -14,566 | -498 | -931 |
| Interest expense of finance lease | -162 | -293 | -10 | -19 |
| Interest expense NGI Group's group accounts | 0 | 0 | 0 | 0 |
| Other finance costs* | -224 | -123 | -14 | -8 |
| Total finance costs | -8,164 | -14,982 | -522 | -958 |

* Other interest expenses comprise fees for concluding and amending loan contracts lease agreements and factoring contracts. Other finance costs consist of the fees for conclusion and changing of lease agreements and factoring agreements.

Note 23. Earnings per share

In order to calculate basic EPS the net profit distributable to the Parent's shareholders is divided with the weighted average number of common shares in the period of twelve months. In view of the fact that the Group does not have dilutive adjustments to earnings diluted earnings per share equal basic earnings per share.

In thousands of

| | EEK | | EUR | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 12 months 2010 | 12 months 2009 | 12 months 2010 | 12 months 2009 |
| Net profit (loss) | 260,455 | -196,749 | 16,646 | -12,575 |
| Weighted average number of shares | 40,729,200 | 40,729,200 | 40,729,200 | 40,729,200 |
| Basic and diluted net profit (loss) per share | 6.39 | -4.83 | 0.41 | -0.31 |

| | EEK | | EUR | |
|---|---------------------|---------------------|---------------------|---------------------|
| | 4th quarter 2010 | 4th quarter 2009 | 4th quarter 2010 | 4th quarter 2009 |
| Net profit (loss) | 115,725 | -173,712 | 7,396 | -11,102 |
| Weighted average number of shares | 40,729,200 | 40,729,200 | 40,729,200 | 40,729,200 |
| Basic and diluted net profit (loss) per share | 2.84 | -4.27 | 0.18 | -0.27 |

Note 24. Transactions with Related Parties

Upon preparation of the Consolidated Interim Report of Tallinna Kaubamaja AS the following have been deemed as related parties:

- owners (parent company and parties controlling or having significant influence over the parent company);
- affiliates;
- other companies belonging to the same consolidation group (incl. other subsidiaries of the parent company);
- executive management and senior management;
- close family members of the aforementioned persons and the companies being controlled by them or being under the significant influence thereof.

Within twelve months of 2010 the Group has purchased and sold goods and rendered services as follows:

In thousands of

| | EEK | | EUR | |
|--|--------------------------------|----------------------------|--------------------------------|----------------------------|
| | Purchases 12 months of 2010 | Sales 12 months of 2010 | Purchases 12 months of 2010 | Sales 12 months of 2010 |
| Parent | 3,406 | 1,736 | 218 | 111 |
| Entities in the Parent's consolidation group | 243,050 | 17,290 | 15,534 | 1,105 |
| Associate | 0 | 108 | 0 | 7 |
| Total | 246,456 | 19,134 | 15,752 | 1,223 |

Within 12 months of 2009 the Group has purchased and sold goods and rendered services as follows:

In thousands of

| | EEK | | EUR | |
|--|--------------------------------|----------------------------|--------------------------------|----------------------------|
| | Purchases 12 months of 2009 | Sales 12 months of 2009 | Purchases 12 months of 2009 | Sales 12 months of 2009 |
| Parent | 376 | 1,885 | 24 | 120 |
| Entities in the Parent's consolidation group | 254,133 | 49,650 | 16,242 | 3,173 |
| Associate | 0 | 389 | 0 | 25 |
| Total | 254,509 | 51,924 | 16,266 | 3,318 |

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Most of the purchases from other related companies consist of goods for resale. Purchases from the parent company mainly include management fees. Sales to related parties mainly include services rendered.

In 2010, no sales were made to SIA Selver Latvia, while in 2009, the sales were 38,293 thousand kroons (2,447 thousand euros). Purchases from SIA Selver Latvia in the year 2010 reached the amount of 4,400 thousand kroons (281 thousand euros) (2009: 27,349 thousand kroons or 1,748 thousand euros).

Loans granted to associates:

In thousands of

| | EEK | | EUR | |
|--|--------------|--------------|------------|------------|
| | 31.12.2010 | 31.12.2009 | 31.12.2010 | 31.12.2009 |
| Balance at beginning of the year (Note 9) | 2,078 | 4,578 | 133 | 293 |
| Repayments of loans received | -2,078 | -2,500 | -133 | -160 |
| Balance at end of period (Note 9) | 0 | 2,078 | 0 | 133 |

Balances with related parties:

In thousands of

| | EEK | | EUR | |
|---|---------------|---------------|--------------|--------------|
| | 31.12.2010 | 31.12.2009 | 31.12.2010 | 31.12.2009 |
| Parent's interest payable (Note 4) | 0 | 372 | 0 | 24 |
| Parent's group account payable (Note 4) | 23,609 | 16,207 | 1,509 | 1,036 |
| Payables of entities in the in the Parent's consolidation group (Note 4) | 18,192 | 20,941 | 1,163 | 1,346 |
| Sales bonuses payable of entities in the in the Parent's consolidation group (Note 4) | 1,615 | 1,526 | 103 | 90 |
| Short-term loans to associate (Note 4) | 0 | 250 | 0 | 16 |
| Total short-term receivables | 43,416 | 39,296 | 2,775 | 2,512 |
| Long-term | | | | |
| Long-term loans to associate (Note 9) | 0 | 1,828 | 0 | 117 |
| Total receivables from related parties | 43,416 | 41,124 | 2,775 | 2,629 |

| | EEK | | EUR | |
|--|---------------|---------------|--------------|--------------|
| | 31.12.2010 | 31.12.2009 | 31.12.2010 | 31.12.2009 |
| Parent | 27 | 164 | 2 | 10 |
| Entities in the Parent's consolidation group | 48,614 | 45,571 | 3,107 | 2,913 |
| Total liabilities to related parties | 48,641 | 45,735 | 3,109 | 2,923 |

A Group account agreement is in use enabling Group companies to use the Group's resources up to the limit established by the Parent company. The said Group as a subgroup has joined the NG Investeeringud OÜ group (hereinafter 'the Main Group') account agreement. Since the autumn of 2001 the Tallinna Kaubamaja Group has placed their available funds at the disposal of the Main Group earning interest income from the investment. During 12 months of 2010 the Tallinna Kaubamaja Group was earning 1,655 thousand kroons (106 thousand euros); (2009: 1,810 thousand kroons 116 thousand euros) of interest revenue from keeping available funds in the group account. As of 31.12.2010 the Tallinna Kaubamaja Group has not used the main group's financial instruments nor has paid an interest for using the spare financial instruments. In the comparable period of 2009 the Tallinna Kaubamaja Group used the main group's spare financial instruments and paid an interest of 189 thousand kroons (12 thousand euros) for using them. The average 12 months of 2010 interest rate payable on the use of the available funds of the NG Investeeringud OÜ group account was 0.58% EEK and 0.18% EUR (2009: 4.48% EEK 0.84 EUR). According to the group account agreement the members of the group bear solitarily liability for the amounts payable to the bank.

The management of Tallinna Kaubamaja AS believes that prices used in transactions with related parties do not differ significantly from market prices.

Remuneration paid to the members of the management and supervisory boards

The remuneration paid to the members of the management boards of the entities of Tallinna Kaubamaja Group, including social security taxes, totalled 8,389 thousand kroons (536 thousand euros) in twelve months of 2009, 9,457 thousand kroons (604 thousand euros) in twelve months of 2010 and the remuneration paid to the members of the supervisory boards totalled 3,403 thousand kroons (217 thousand euros) and in 2009, the remuneration paid the members of the supervisory boards, including social security, taxes totalled 3,671 thousand kroons (235 thousand euros).

Note 25 Events after the balance sheet date

Changeover to the euro

On 1 January 2011, Estonia joined the eurozone and the Estonian kroon (EEK) was replaced by euro (EUR). Pursuant to that, since that date, the Group converted the enterprises registered in the Republic of Estonia in its accounting to euros and the financial statement of 2011 and the financial statements of the following years will be prepared in euros. The reference data will be converted with the official exchange rate of 15.6466 EEK/EUR.

Sub-frontloaded euros

The Group's Estonian enterprises entered into sub-frontloading contracts with Swedbank AS in December 2010. Pursuant to the contract, the Group obtained 3,069 thousand euros. The sub-frontloaded euros represented off-balance-sheet finances (assets deposited into storage with liability), which were not permitted to be put into circulation before 1 January 2011. So as to secure contractual obligations, the bank reserved finances on the client's accounts in the sum of the sub-frontloaded euros. The bank debited the aforementioned sum on 17.01.2011 from the Group's bank accounts.

Change in the business name of an affiliate

In February 2010, the business name of A-Selver AS (the Group's direct holding 100%), an affiliate of Tallinna Kaubamaja AS, was changed. Its new business name is Selver AS. The relevant change was entered into the Commercial Register on 14.02.2011. The name of the affiliate was changed in relation to the wish to make the business name correspond to the brand name used every day. The area of activity of the enterprise was not changed due to the name change. General contact details remained the same as well. The change of the affiliate's business name does not influence the economic activities of the Tallinna Kaubamaja Group or the interests of its shareholders.