Tallinna Kaubamaja AS

Consolidated Annual Report

2011

(translation of the Estonian original)

TALLINNA KAUBAMAJA AS
CONSOLIDATED ANNUAL REPORT 2011

The main areas of activity of Tallinna Kaubamaja Group are retail and wholesale trade. At the year-end 2011, Tallinna Kaubamaja Group employed almost 3,050 employees.

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Beginning of financial year:	*1.01.2011*
End of financial year:	*31.12.2011*
Auditor:	*PricewaterhouseCoopers AS*
Bank:	*AS Swedbank*
	AS SEB Pank
	Nordea Pank Finland Plc Estonia
Law office:	*Tamme Otsmann Ruus Vabamets OÜ*
Lawyer:	*Merle Magnus*

Subsidiaries and associates:	*Share capital*	*Ownership interest*
Selver AS	*1.4 MEUR*	*100%*
Selver Latvia SIA	*200.1 TLVL*	*100%*
AS Tartu Kaubamaja	*0.5 MEUR*	*100%*
Tartu Kaubamaja Kinnisvara OÜ	*3.0 TEUR*	*100%*
OptiGroup Invest OÜ	*3.0 TEUR*	*100%*
TKM Beauty OÜ	*3.0 TEUR*	*100%*
TKM Beauty Eesti OÜ	*3.0 TEUR*	*100%*
KIA Auto AS	*114.0 TEUR*	*100%*
Ülemiste Autokeskus OÜ	*41.0 TEUR*	*100%*
KIA Automobile SIA	*8.0 TLVL*	*100%*
KIA Auto UAB	*465.0 TLTL*	*100%*
Tallinna Kaubamaja Kinnisvara AS	*26.0 TEUR*	*100%*
SIA TKM Latvija	*2.0 TLVL*	*100%*
OÜ Suurtüki NK	*5.0 TEUR*	*100%*
SIA Suurtuki	*2.0 TLVL*	*100%*
AS ABC King	*32.0 TEUR*	*100%*
SIA ABC King	*200.0 TLVL*	*100%*
Rävala Parkla AS	*639.0 TEUR*	*50%*

The subsidiaries and associates Selver AS, AS Tartu Kaubamaja, Tartu Kaubamaja Kinnisvara OÜ, Tallinna Kaubamaja Kinnisvara AS, OptiGroup Invest OÜ, TKM Beauty OÜ, TKM Beauty Eesti OÜ, Ülemiste Autokeskus OÜ, KIA Auto AS, OÜ Suurtüki NK, AS ABC King and Rävala Parkla AS are registered in the Republic of Estonia. Selver Latvia SIA, SIA TKM Latvija, KIA Automobile SIA, SIA Suurtuki and SIA ABC King are registered in the Republic of Latvia and KIA Auto UAB, in the Republic of Lithuania.

This consolidated annual report consists of the management report, the consolidated financial statements, the independent auditor's report and the profit allocation proposal.

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MANAGEMENT REPORT

For Tallinna Kaubamaja Group, 2011 was the year of internal development, ensuring efficiency and searching for new commercial solutions.

During the effort of developing retail concepts that was set as a goal for 2011, we designed and introduced a new sales concept at six Selver stores during the financial year, completed the renewal of the SHU concept in the business segment of footwear and renovated the facade and interior solutions of I.L.U. stores.

In order to ensure a continued restoration of profitability we closed several financially inefficient stores. We paid close attention to the efficiency of the Group's labour force, for which we renewed the work processes of the employees and introduced a multi-functional work organisation at Selver stores, whereas in the business segment of department stores, we introduced structural changes to ensure better commercial management.

While the enlivening of the retail business market improved the Group's sales revenue, the smaller growth of commercial spaces compared to competitors translated into a reduction of the Group's market share in Estonia, which dropped to 10.3% (the market share was 10.9% in 2010). On 1 January 2011 Estonia adopted the euro in our daily transactions, whereas the negative impact of the changeover to the euro on the sales figures in the retail business was smaller than expected. The growth in the sales revenue was supported by the increased efficiency of commercial management and supplementing the selection of goods to match the changes in the customers' consumption preferences.

In 2012, the Group intends to improve its customer loyalty programme and strengthen cooperation between segments to better fulfil the customers' expectations. The focus is still on offering a more convenient buying environment. There are plans to expand the chain of Selver supermarkets by opening several new stores and extensively renovating commercial spaces in the business segment of department stores. We will also continue to maintain and enhance the segments' profitability.

The key events of the Tallinna Kaubamaja Group in 2011 and until the publishing of this annual report were:

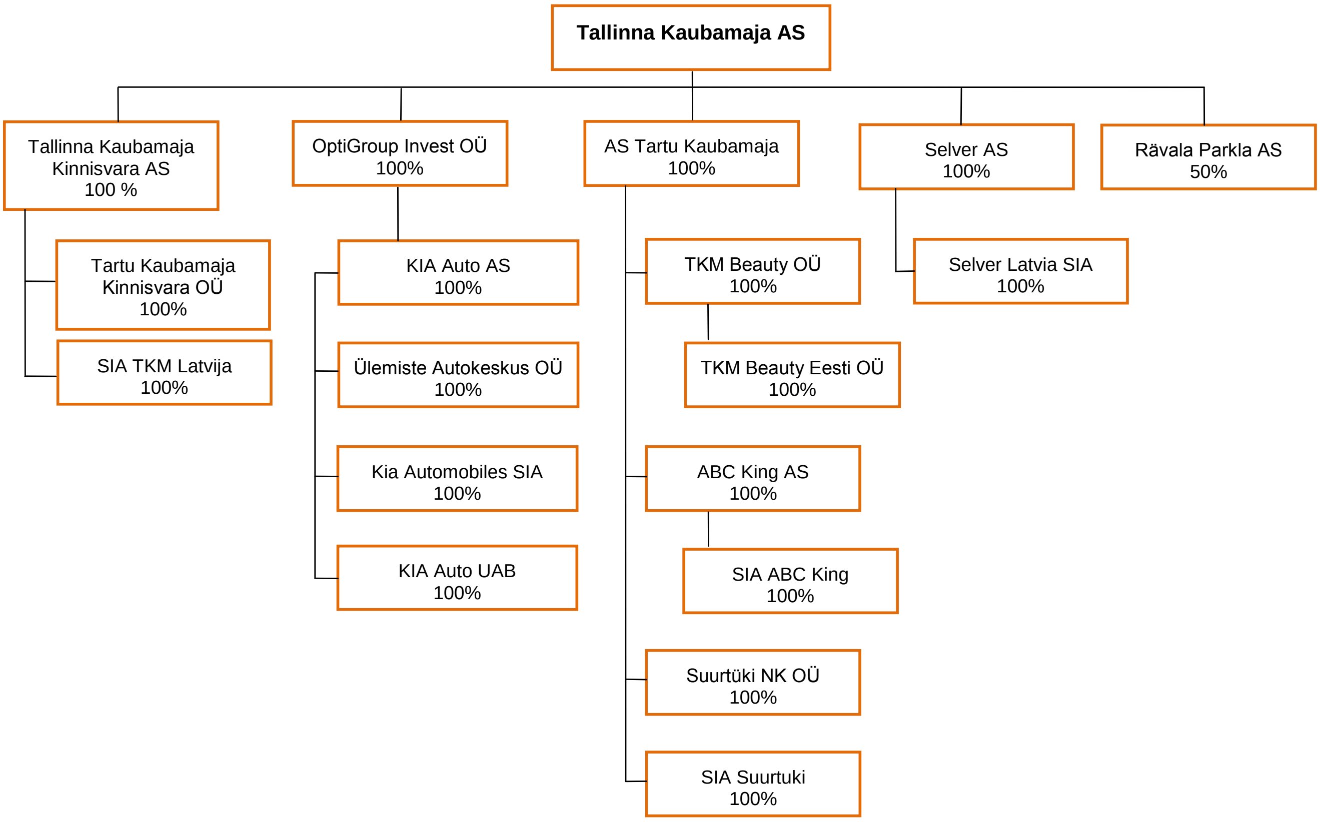
- The Group launched trading activities involving the euro without any failures on 1 January 2011.
- At the beginning of the financial year, a new accounting system was taken into use in the Group; preparations for the adoption of the new system had been made throughout 2010.
- A more customer-friendly sales floor concept was developed at Selver and altogether six Selver stores were renovated and expanded.
- The Soldino Selver in Narva was closed due to financial reasons.
- Selver achieved the first place in the category of supermarkets in the assessment of Estonian Service Index (Eesti Teeninduse Indeks).
- As regards footwear business, the repositioning of Suurtüki stores into SHU stores was completed. Three concepts will be continued with, i.e. ABC King, SHU and Nero. Stores that showed low return and had poor perspectives were closed in shopping centres, such as ABC King in Zeppelin, Stepper in Foorum, and Hiiumaa SHU. Rannarootsi SHU and Kaubamajaka SHU were opened.
- The position of a managing director of department stores was created and filled by Erkki Laugus. Raul Puusepp withdrew from the daily management of department stores and will be focusing on the strategic management of the Group in the future.
- Enn Parel, the former sales and marketing director of Tallinna Kaubamaja AS, has been a member of the management board of AS ABC King in the capacity of the managing director and a member of the management board of OÜ Suurtüki NK since 1 June 2011.
- Noortemaailm (Youth Department), Spordimaailm (Sports Department) and Digimaailm (Digital Devices Department) were closed in the department stores with the aim of focusing on the categories of goods in which we are the market leaders, i.e. women, men, children, cosmetics, household goods and foodstuffs.
- A fifth I.L.U. store was opened at Ülemiste Centre in Tallinn.
- A Group-wide IT support structure was established.

Structure of the Group and its changes

The main areas of activity of the entities of Tallinna Kaubamaja Group include retail and wholesale trade and rental activity. The following segments may be differentiated in the activities of the Group:

- Department stores
- Supermarkets
- Car trade
- Footwear trade
- Real estate

Legal structure of Tallinna Kaubamaja Group:



Economic development

In 2011, Estonian economy grew fast, mainly propelled by export. Both investments and employment increased, as did internal demand. According to the data of Statistics Estonia, in 2011, the annual GDP grew by 7.6% compared to the previous year. Analysts estimate that the growth will become slower, but according to prognosis, Estonian economy will continue to flourish in 2012 as well. Compared to 2010, the consumer price index has grown by an average of 5.0%. Juxtaposing it to the last year, the index was most affected by the 9.7% increase in the price of food and non-alcoholic beverages, which did however slow down considerably by the end of the year. After a long period of time, households' demand has started to rise. The decrease in unemployment and the increase in wages are additional positive indicators.

Compared to last year, the total volume of retail sales has indicated a strong steady development. Compared to the same period of the previous year, the 2011 retail sales of retail companies goods (motor vehicles and motorbikes not included) increased by 10.6% at current prices. The volume of sales increased in most areas of activity – only in pharmacies and beauty stores were the retail sales down by 7.7% compared to the previous year. Compared to other areas of retail sale, the annual increase in the sales of textile products, clothes, footwear and leather goods remained weak at 5.2%. The most remarkable rise could be seen in the sales of used goods (37.0%); in addition, retail sales by post or over the Internet grew rapidly (27.8%), as did the retail sales of food products, beverages and tobacco products in specialised stores (27.5%).

Financial performance

FINANCIAL RATIOS 2007-2011

In million euros	2011	2010	2009	2008	2007
Revenue	436	413	418	425	383
Sales growth	*6%*	*-1 %*	*-2%*	*11%*	*39%*
Gross profit	115	108	91	102	94
EBITDA	36	29	17	24	34
Operating profit	26	19	-10	9	28
Profit before tax	25	17	-12	7	27
Net profit	22	17	-13	5	26
Change in net profit	*29%*	*232%*	*-337%*	*-80%*	*50%*
Sales revenue per employee	0.143	0.130	0.113	0.115	0.135
Gross margin	26%	26%	22%	24%	25%
EBITDA margin	8%	7%	4%	6%	9%
Operating margin	6%	5%	-2%	2%	7%
Profit before tax margin	6%	4%	-3%	2%	7%
Net margin	5%	4%	-3%	1%	7%
Equity ratio	53%	50%	41%	42%	57%
Return on equity (ROE)	16%	14%	-11%	4%	26%
Return on assets (ROA)	8%	6%	-5%	2%	14%
Current ratio	1.1	1.0	0.9	0.9	1.0
Debt ratio	0.5	0.5	0.6	0.6	0.4
Inventory turnover	10.4	10.5	10.6	8.5	15.3
Average number of employees	3,059	3,184	3,695	3,703	2,833

**The presentation of the sales revenue has changed since the year 2011. The reference data of 2007–2010 have been adjusted according to the new presentation (Note 1).*

Gross profit	= revenue – Materials and consumables used
Gross margin	= gross profit / revenue
EBITDA	= profit before finance income/costs and depreciation
EBITDA margin	= EBITDA / revenue * 100%
Operating margin	= operating profit / revenue * 100%
Profit before tax margin	= Profit before tax / revenue * 100
Net margin	= net profit / revenue * 100%
Revenue per employee	= revenue / average number of employees
Equity ratio	= equity/ balance sheet total * 100%
Return on equity (ROE)	= net profit / average equity * 100%
Return on assets (ROA)	= net profit / average assets * 100%
Inventory turnover (ratio)	= revenue / inventories
Current ratio	= current assets / current liabilities
Debt ratio	= total liabilities / balance sheet total

The consolidated sales revenue of the Tallinna Kaubamaja Group, generated in the year 2011, was 436.0 million euros; compared to the sales revenue of 412.7 million euros a year back, the increase was 5.6%. The reference base was influenced by the sales tax, levied in Tallinn since June 2010 – it decreased the Group's sales revenue earned in 2011 by 2.1 million euros (by 1.2 million euros in 2010). On 1 January 2011, the presentation principles of the Group's sales revenue changed and the reference data from 2010 has been adjusted to the new principles. Pursuant to that, an additional 9.9 million euros has been recorded in the sales revenue in 2010. The Group's consolidated net profit, generated in 2011, was 21.5 million euros, having risen by 29.4% compared to the net profit of the previous year, which was 16.6 million euros. The pre-tax profit increased by 43.7% during the year, making up 24.6 million euros.

The livening of the retail market, which accompanied the improvement of Estonian economy in 2011, had a positive impact on all the retail segments of the Tallinna Kaubamaja Group. In addition to the great results of the supermarket segment, both the department store segment and the footwear segment showed strong growth figures in terms of sales as well as profitability, while the car segment underwent a truly rapid increase. In the financial year, the Group focussed on restoring internal profitability by better commercial management, the organisation of work processes, and the cost control. Rearranging the Group's management structures and the employees' organisation of work provided a solid basis for commercial development and helped to keep labour costs under control despite the wage pressure. Improving commercial management ensured the growth of sales revenue under new economic conditions, in which the number of impulse purchases has dropped and people consume more rationally.

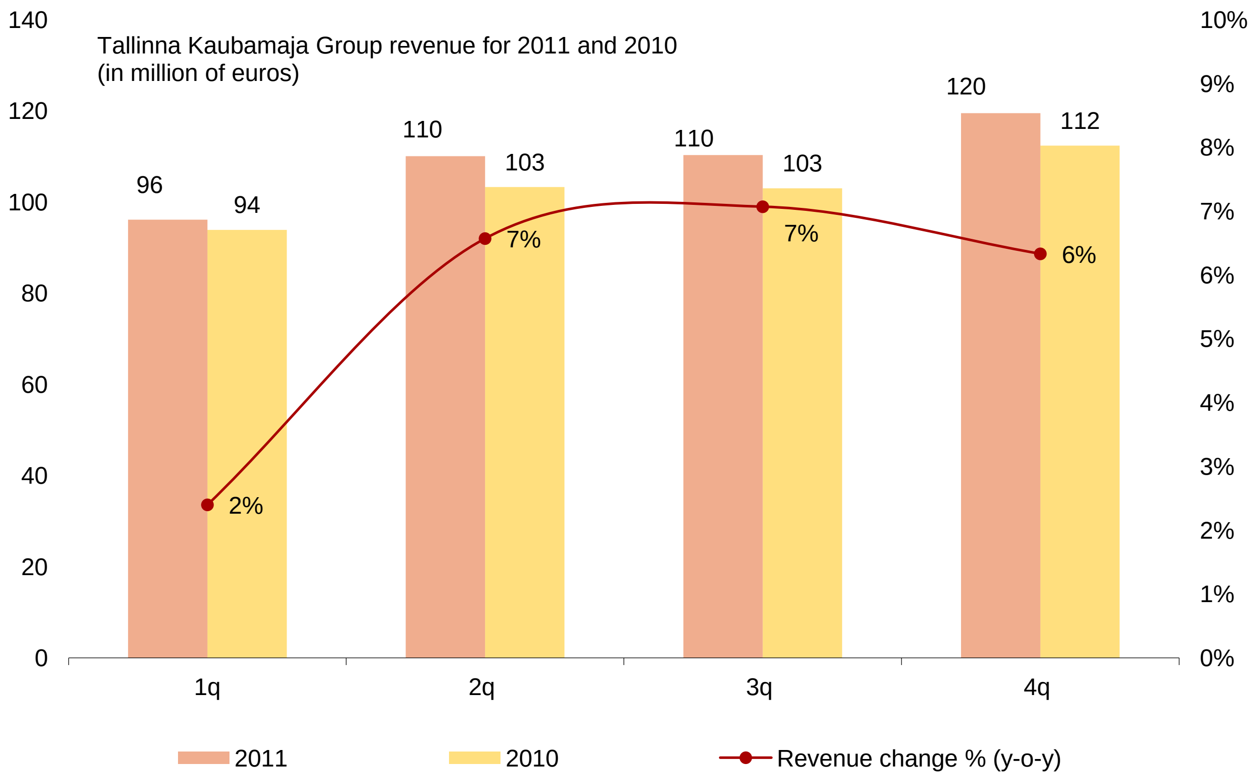
During the financial year, the Group paid much attention to the efficiency of floor spaces. Less effective stores were closed, including the Soldino Selver in Narva, the Youth Department in Kaubamaja and several footwear stores. In terms of the footwear segment, the concept renewal of Suurtüki NK OÜ came to an end, the last Suurtüki store was closed and the Group continues with 3 concepts – ABC, SHU and Nero. In 2011, Selver renovated four stores. In 2012, Selver plans to open several new stores, the first of which, Saku Selver, will be opened in May.

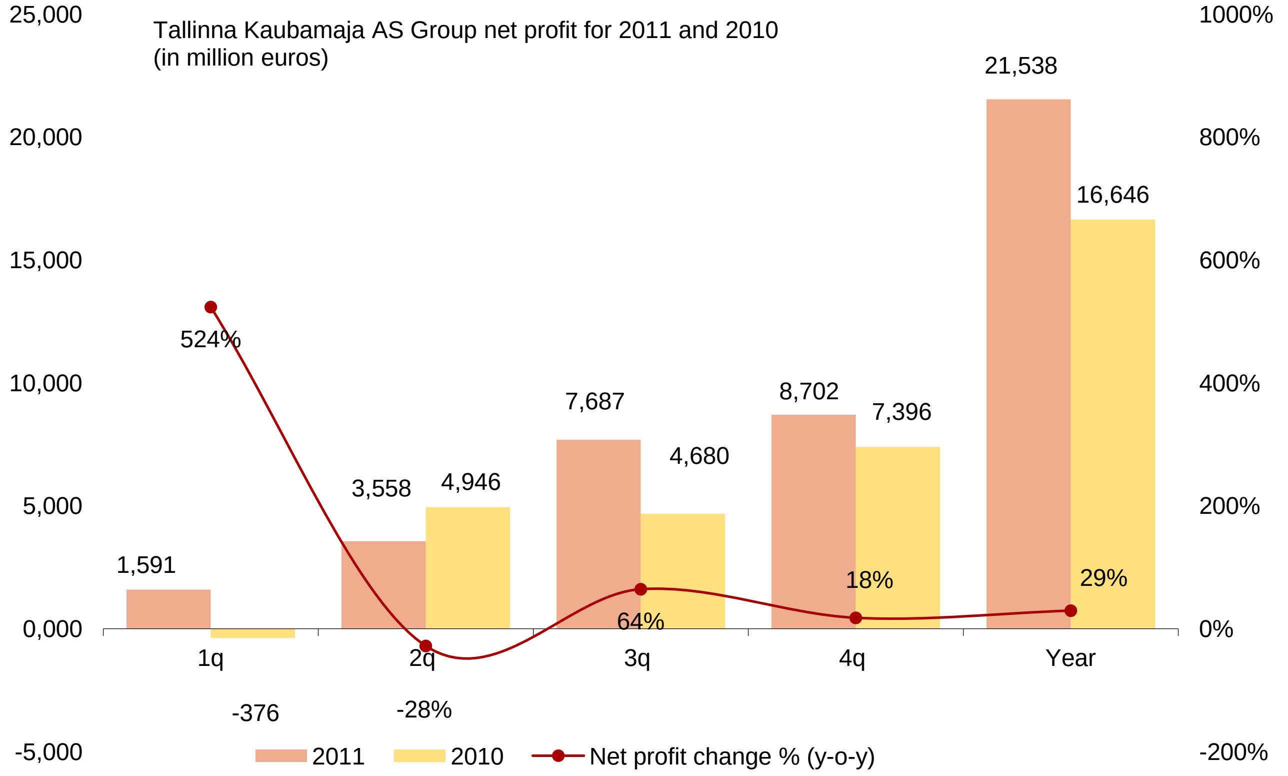
The volume of the assets of the Tallinna Kaubamaja Group as of 31 December 2011 was 262.5 million euros, having grown 2.3 million euros compared to the end of 2010, i.e. 0.9%.

At the end of the financial period, the Group had more than 487.6 thousand loyal customers – a figure that had increased by 11.0% in a year. The share of purchases made by loyal customers from the 2011 sales revenue of the Group was 77.6%. More than 7.9 thousand Partner Credit Cards had been issued by the end of the year.

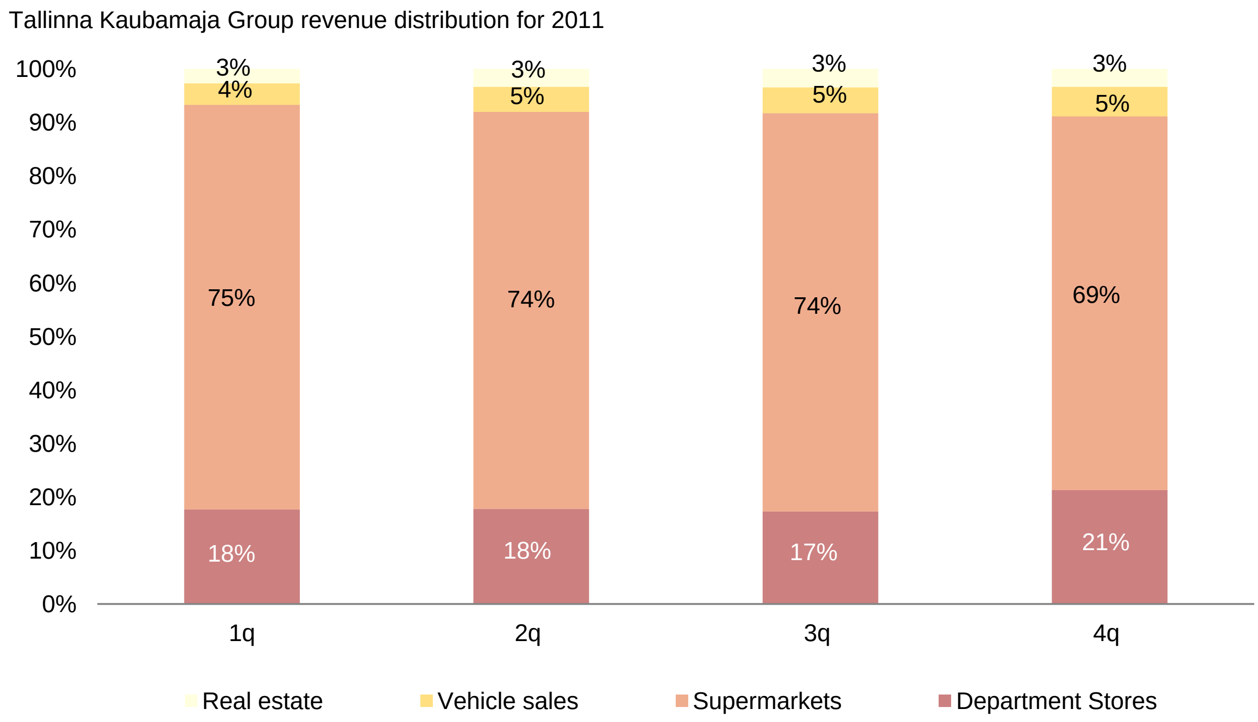
Seasonality of business

The operations of Tallinna Kaubamaja Group are not exposed to major seasonal fluctuations. As is common for retail trade, the sales revenue is about 10% lower in the first quarter and about 10% higher in the fourth quarter compared to the average sales revenue of quarters.





It is possible to identify a certain structural change in the group entities' contribution to the results of operations by quarter.



The share of the real estate business segment is around 1% in all quarters and is not shown separately in the chart.

Business segments

	Department stores			Supermarkets			Real Estate			Car Trade			Footwear trade			Group total		
In million euros	**2011**	**2010**	**%**	**2011**	**2010**	**%**	**2011**	**2010**	**%**	**2011**	**2010**	**%**	**2011**	**2010**	**%**	**2011**	**2010**	**%**
External revenue	80.5	74.6	*7.9*	317.9	308.9	*2.9*	2.8	2.8	*1.1*	20.8	12.9	*60.9*	14.0	13.5	*3.9*	436.0	412.7	*5.6*
EBITDA	**3.9**	**2.4**	*63.1*	**18.6**	**14.7**	*27.0*	**11.0**	**11.0**	*-0.3*	**1.7**	**0.5**	*218.8*	**0.8**	**0.4**	*84.3*	**36.0**	**29.1**	*24.0*
EBITDA margin	*4.8%*	*3.2%*		*5.9%*	*4.8%*					*8.1%*	*4.1%*		*5.9%*	*3.3%*		*8.3%*	*7.0%*	
Operating profit	**2.5**	**1.0**	*152.4*	**13.9**	**9.3**	*50.4*	**8.1**	**8.3**	*-2.0*	**1.5**	**0.4**	*303.4*	**0.1**	**-0.3**	*120.9*	**26.1**	**18.6**	*40.2*
Operating profit margin	*3.1%*	*1.3%*		*4.4%*	*3.0%*					*7.4%*	*3.0%*		*0.4%*	*-2.0%*		*6.0%*	*4.5%*	
Finance income and costs	*0.3*	*0.4*		*0.1*	*0.1*		*-1.5*	*-1.6*		*-0.2*	*-0.2*		*-0.2*	*-0.2*		*-1.5*	*-1.5*	
Corporate income tax				*-3.0*	*-0.5*											*-3.0*	*-0.5*	
Net profit/loss	**2.8**	**1.4**	*103.8*	**11.0**	**8.9**	*24.2*	**6.6**	**6.7**	*-0.8*	**1.3**	**0.2**	*500.0*	**-0.2**	**-0.5**	*63.0*	**21.5**	**16.6**	*29.4*
Net profit margin	*3.4%*	*1.8%*		*3.5%*	*2.9%*					*6.2%*	*1.7%*		*-1.3%*	*-3.7%*		*4.9%*	*4.0%*	

Department stores

The 2011 sales revenue of the department store business segment was 80.5 million euros, which had increased by 7.9% compared to the same period of the previous year. The profit earned by department stores in 2011 was 2.8 million euros, which had improved by 1.4 million euros compared to the year before. The operating profit of the department store segment had grown by 1.5 million euros in a year (from 1.0 million euros in 2010 to 2.5 million euros in 2011). The operating profit was influenced by the successful sales campaigns Osturalli and the closing campaign of the Digital and Sports Departments that began in the 4th quarter. The average sales revenue of Kaubamaja per a square metre of selling space in 2011 was 0.26 thousand euros, which is 8.3% higher than the average sales revenue of 2010. In August, the selling space of Kaubamaja decreased by 525 m^2 in connection with the closing of the Kaubamaja Youth Department. The 2011 operating profit of the department store segment was also boosted by the higher sales margin achieved thanks to successful purchases and the improved management of stock. In 2012, the Group will aim at giving a clear, comprehensive and wide-ranging content to the existing department store format in order to maintain its market segment and competitiveness on the local trade landscape. In March 2012, it is planned to renovate and expand Women's Fashion Department in Tallinn and open a new Kidswear and Toys Department on a commercial space two times as big as the current space. Development activities in Tartu Kaubamaja are to be undertaken in the beginning of the autumn season.

The 2011 sales revenue of OÜ TKM Beauty Eesti operating the I.L.U. beauty stores was 3.2 million euros, which had increased by 43.2% compared to the same period of the previous year. The net loss suffered by the I.L.U. chain in 2011 was 0.5 million euros, which was 0.1 million euros greater than in 2010 due to the costs of launching a new store. The I.L.U. chain opened its fourth store in September 2010 (located in Kristiine Centre in Tallinn), and its fifth store in April 2011 (located in Ülemiste Centre in Tallinn). The goal for 2012 is to continue work in finding possibilities for the I.L.U. chain's expansion and to significantly increase the chain's profitability.

Selver supermarkets

The consolidated sales revenue of the supermarket business segment in 2011 and its sales revenue in Estonia were 317.9 million euros, which means an increase of 2.9% compared to the period of a year before. The monthly average sales revenue of goods per one square metre of selling space in 2011 was 0.37 thousand euros, displaying a yearly growth of 3.2% in the consolidated view and 2.8% in the view of the Estonian market. The sales revenue per a square metre of selling space in comparable stores was an average of 0.38 thousand euros in 2011, having increased by 3.7%.

The increase in Selver's sales revenue is the result of continuously successful sales campaigns, which meet the target customers' expectations, and the good sales of the holiday season in December. In addition, the constant work done to adjust the selection of goods according to changes in demand, and to ensure the availability of goods. The growth of the sales revenue of goods is influenced by the general rise in the prices of food products in Estonia, which has resulted in a decline of bulk sales. Since October 2011, the increase in consumer prices has slowed down and a growth in bulk sales can be detected. Compared to last year, the increase in the sales revenue has been negatively influenced by the continued intense competition on the retail business market and the sales tax levied in Tallinn. In addition, the sales revenue was affected by the closing of the now renovated stores for a period of repair works lasting 2–4 weeks. In 2011, people made 33.1 million purchases from the Selvers located in Estonia – 0.6% less than the number of purchases made the year before. Selver's share among the retail sales of the republic's unspecialised stores, which are dominated by food products, beverages, and tobacco products, was 17.5% in the year 2011 (18,3% in 2010).

The consolidated pre-tax profit of the supermarket segment in 2011 was 14.1 million euros, which means a growth of 4.7 million euros, i.e. 50.7% compared to 2010. The consolidated net profit in 2011 was 11.0 million euros, thus displaying an increase of 2.1 million euros, i.e. 24.2% compared to the period of a year before.

The pre-tax profit earned in Estonia in the year 2011 was 16.4 million euros. Compared to last year, profits grew by 32.9%. The net profit generated by supermarkets in Estonia in 2011 was 13.4 million euros, which means the profit grew by 12.5% in a year. The substantial difference between the growths of the pre-tax profit and net profit was caused by the income tax paid on dividends allocated to Supermarket segment, which was 6.7 times greater than the income tax of a year before. The increase in the profit earned in Estonia was mainly due to the revision of the employees' work processes and the implementation of a multifunctional work organisation – as a result, labour efficiency was enhanced and labour costs decreased by 8.4% in the view of the year. Throughout the year, constant attention has been paid to the efficiency of operational expenditure. In addition, a drop in depreciation costs had a significant impact on the profit formation.

The total sales revenue of Selver in Latvia was 0.002 million euros in 2011 and 0.03 million euros in 2010. No sales revenue from goods was generated in Latvia in 2011. The loss sustained by SIA Selver Latvia in 2011 was 2.3 million euros, having decreased by 0.7 million euros compared to the previous year. Economic activities in Latvia have been brought to a halt.

In the year 2011, Selver renovated four stores – Kadaka in Tallinn, Mai in Pärnu, Männimäe in Viljandi and Vilja in Võru. The renewed Kadaka Selver was opened in April, while the other stores were renovated in the 4th quarter. The renovation of the stores was guided by Selver's new sales area concept, which was developed in 2011. In addition, the SelveEkspress purchase system, which is innovative in Estonia, was introduced at the Kadaka Selver. In July, Selver closed the Soldino Selver in Narva due to the store's unsatisfactory profitability. At the moment, Selver is continuing business in Narva with one store.

2012 is envisaged to be the year of Selver's active expansion. In January, lease contracts for three new stores were entered into. The first new store to be opened in May is the Saku Selver, which will have 1,764 square metres of selling space and will employ 39 people. In the Rapla Selver to be opened in November, the size of the sales area is planned to be 1,630 square metres, and the store will provide jobs for 45 people. At the moment, Rapla County is also the only county where Selver has not been represented so far. In mid-December, a Selver store will be opened in Tartu, Vahi quarter. The size of its sales area will be 1,010 square metres and the store will provide work for 30 people. According to plans, in 2012 Selver will open other new stores in addition to the three referred to. At the end of 2011, Selver's total selling space was 69.1 thousand square metres and Selver stores employed 2,269 people.

Real Estate

The external sales revenue of the real estate business segment for 2011 was 2.8 million euros, having increased by 1.1% compared to the previous year. The profit earned in the segment in 2011 was 6.6 million euros, which remained on the same level as in 2010.

Car Trade

In 2011, the car trade segment experienced substantial sales and income growth. The sales of new cars in the Baltics are yet to reach the pre-crisis level. The segment's sales revenue without inter-segment transactions was 20.8 million euros, exceeding the sales revenue of the same period of the previous year by 60.9%. Thanks to strong sales results, the 2011 profit of the car trade segment was 1.3 million euros, and thus exceeded the result of a year before by nearly five times.

Thanks to an advantageous market and the addition of new models, the vehicle trade segment underwent a significant increase in 2011. In a year, a total of 1,128 new cars were sold. Compared to a year before, the growths was 56%. The profit increase was chiefly brought about by the successful sales of the new crossover SUV (special urban vehicle) KIA Sportage, which made up 46% of total sales, but also by the two new models added to the selection – KIA Picanto and KIA Rio. The remarkable growth was supported by the fact that the entire market for new vehicles in the Baltics was extremely active in 2011, increasing by nearly 70% during the year. In a year, KIA's market share in the Baltic states went up from 2.9% to 3.2%. Substantial growth is also expected for 2012 thanks to the new generation KIA Cee'd, which will reach the market in spring, and the mid-range sedan KIA Optima. The growth is sure to be positively influenced by the third shift that started work in the Slovakia plant – this should considerably improve the availability of the popular crossover SUV KIA Sportage.

Footwear trade

The 2011 sales revenue of the footwear trade segment was 14.0 million euros, thus having grown by 3.9% in a year. The net loss of 2011 was 0.2 million euros, while the loss of 2010 was 0.5 million euros; thus, losses decreased by 63.0%. EBITDA of Footwear Trade was doubled. The drop in the annual loss was caused by the closing of ineffective stores and a higher gross margin, which was achieved due to improved stock management.

In the beginning of December, the first SHU store was opened in the Pärnu Kaubamajaka centre on the area thus far rented by ABC King; there are plans to reopen the ABC King store in the Pärnu Kaubamajaka centre in the 2nd quarter of 2012. At the end of December, Suurtüki NK OÜ owned 14 stores in Estonia, ABC King AS owned 9 stores in Estonia, and ABC King SIA owned 3 stores in Latvia. After the balance sheet date, the decision was made to close ABC King footwear stores in Latvia until the economic situation in Latvia improves and a new strategy is developed. The reasons for the closing were the losses of the existing 3 stores and the lack of suitable selling spaces in superior Latvian shopping centres, as well as extremely strong competition on the Latvian footwear market. The non-recurring expenses accompanying the closing of the stores remain within the limits of 30,000 euros.

Personnel

The success of the enterprises belonging to the Tallinna Kaubamaja Group can be attributed to its loyal, committed and result-oriented employees. The well-designed recruitment and selection process, which is followed by goal-oriented development, and creating a working environment that supports it, is the main objective of personnel management. Various training and evaluation programmes and a range of other motivational tools stimulate the employees' readiness to serve, focus on achieving results and commit themselves to our enterprises. The Group inspires our employees to follow a healthy lifestyle by increasing their awareness of the need to take care of their health, creating a secure and healthy working environment, giving them opportunities to participate in sports, relax and have healthy lunch and rest breaks in a comfortable environment (resting rooms).

The Group highly appreciates the experience of its employees by upholding their long steady careers (vertical as well as horizontal) within the Group. The employees are offered professional in-service training opportunities in Estonia as well as abroad. Internal training sessions organised by professional specialists offered in the enterprise are considered important and we have significantly increased the amount of these sessions in 2011. In 2011, an internal trainer was employed in the personnel service of Tallinna Kaubamaja AS whose main responsibility is to develop and conduct high-level service-related training courses.

In order to raise a next generation of employees, the Tallinna Kaubamaja Group has offered students various practical training opportunities. The Group's enterprises work closely together with vocational schools and other educational institutions all over Estonia, serving as their base where to carry out practical training and as a cooperation partner in conducting training courses. We also want to assist our employees who are still studying in writing their course and final papers by suggesting the Group as their research subject. This helps to develop a body of next-generation employees who are ambitious and want to grow. In cooperation with BCS Koolituse AS and the Estonian Unemployment Insurance Fund we have created practical training positions for the unemployed. In cooperation with the Unemployment Insurance Fund, the Tallinna Kaubamaja Group has contributed to facilitating the employment of disabled persons and has offered jobs to people that have difficulties competing on the current employment market.

In order to train new employees, the Group has created a training programme, which is implemented by different specialists whose experience gained during their long service ensure the high quality of training and effective learning. New managers are assigned a mentor for their induction period and the well-designed system also functions in instructing new employees in the units. The continued development and motivation of employees are ensured via a system of evaluation and competence levels that is in compliance with the enterprise's main values and the competence models of the positions.

So as to ensure a safe working environment and good occupational health, the Tallinna Kaubamaja Group has established a system of measures that includes medical examinations, regular training as regards occupational safety requirements, conducting risk analyses, and the availability of protection equipment. There are examples from the Group's enterprises where a system has been established for the active inclusion of work environment representatives to fend for a healthy working environment. The habits developed in a particular structural unit determine that the employees can, if they wish, use massage services for a lower price at the workplace. The joint events of teams that help to create a favourable atmosphere and strengthen team work are common. People participate in various amateur sports events together.

In 2011, the average number of employees in the Tallinna Kaubamaja Group was 3,059, being 3.9% lower compared to 2010. The total labour costs (salaries and social security costs) were 34.1 million euros in 2011, a decline of 1.8% compared to the previous year. The average salary cost per an employee increased altogether 2.4% in the year compared to the average salary in 2010. The labour costs were higher since the annual performance pay calculated for the employees was reflected in the costs of the last months of the year.

Social responsibility

The Tallinna Kaubamaja Group acknowledges its role and responsibility in the society, which is reflected in the following principles held throughout the organisation:

1. To offer the customers quality products and goods from small producers of Estonian origin. The goal of the Kaubamaja Group is to differentiate itself though the selection of goods – that is made possible thanks to the Group's long-term cooperation with small Estonian producers.
2. To promote a healthy lifestyle among the Tallinna Kaubamaja Group employees, supporting sports and other healthy habits, offering healthy lunches and enabling family physician services as well as an opportunity to use blood pressure manometers and massage chairs and massage services.
3. To participate in the society with several charity projects throughout decades:
    a. Tallinna Kaubamaja has been a godparent for white-tailed eagles in Tallinn Zoo since 1994.
    b. Tallinna Kaubamaja has supported the Male Choir of Tallinn University for the last nine years.
    c. In cooperation with Uuskasutuskeskus (Reuse Centre) and during the campaign "Heategu annab sooja" ("An Act of Kindness Gives Warmth"), clothes and footwear are collected each year to be given to shelters and large families.

d. Over the last six years, we have held charity campaigns in February, working together with several charity organisations to collect money for animal shelters, large families with several children and for other noble causes.
e. Throughout the years, the campaign "Koos on kergem" ("It's Easier Together") has been the charity project of Selver during which, together with customers, money is raised to support children's hospitals and children's departments in hospitals located in the same towns as Selver supermarkets. 76,791 euros were raised in 2011 (74,576 euros in 2010).
f. For the past two and a half years, Selver has worked together with the non-profit organisation Shalom Aid Centre, donating food products approaching their best before dates to families in need.
g. Selver continues to support youth sports and is the main sponsor of Selver Tallinn volleyball club. The objective of the club is to promote volleyball in Estonia as well as to enhance youth work and professional sports. The club activity is reflected through the following:
    - Representing team: SELVER TALLINN;
    - Farm club to raise the next generation: SELVER / AUDENTES;
    - Promoting youth sports: AUDENTESE VÕRKPALLIKOOL (AUDENTES VOLLEYBALL SCHOOL);
    - Amateur beach ball: CAPAROLI RANNAVOLLE KESKUS (CAPAROL BEACH BALL CENTRE).

Investments

During the financial period, investments were made in the amount of 5.8 million euros (3.8 million euros in 2010). In 2011, Selver renovated the selling space, furnishings and equipment in several Selver stores by investing 4.1 million euros (0.9 million euros in 2010). In the business segment of department stores, investments were made in the sum of 0.8 million euros (2.0 million euros in 2010) during the accounting period. In 2011, in Kaubamaja an additional 0.2 million euros were invested into the new accounting system, the furnishings of the sales floors were renovated, and new computing equipment was acquired for 0.4 million euros. An investment of 0.2 million euros was made to open a new I.L.U. store in the Ülemiste shopping centre in Tallinn. Investments made in footwear trade reached 0.2 million euros (0.5 million euros in 2010), for which furnishings were acquired for the new ABC and SHU stores. In the real estate segment, investments were made in the sum of 0.5 million euros (0.3 million euros in 2010), which was used to launch a new parking system in Tartu, acquire machines and equipment and repair rental spaces. In the car trade segment, investments were made in the amount of 0.2 million euros in the accounting year.

The share

Security information

ISIN	EE0000001105
Ticker	TKM1T
Nominal value	0.60 EUR
Total number of securities	40,729,200
Number of listed securities	40,729,200
Listing date	06.09.1996

The shares of Tallinna Kaubamaja AS are listed on the Tallinn Stock Exchange from 6 September 1996 and in the Main List, from 19 August 1997. Tallinna Kaubamaja AS has issued 40,729.2 thousand registered shares of the same class, each with the nominal value of 0.60 euros. Common shareholders are entitled to receive dividends when the Company distributes them. Each ordinary share gives one vote at the General Meeting of Shareholders of Tallinna Kaubamaja AS. The shares are freely transferable, there are no restrictions imposed on them by the articles of association, likewise, there are no restrictions imposed on the transfer of securities concluded between the Company and its shareholders. There are no known restrictions imposed on the transfer of securities laid down in the contracts between the shareholders. NG Investeeringud OÜ has direct majority ownership. 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 of Tallinna Kaubamaja AS. In addition, there are no commitments between the Company and its employees providing for compensation in case of mergers and acquisitions under section 19' of Securities Market Trade Act.

Dividend policy

In recent years the Group has consistently paid dividends to shareholders. According to the notice of the general meeting of the shareholders published on 5 April 2011, the Management Board proposed to pay 11.4 million euros as dividends that is 0.28 euros per share. The general meeting of shareholders approved the proposal. The amount of a dividend distribution has been determined by reference to:

- The dividend expectations of the majority shareholder;
- The overall rate of return on the local securities market ;
- The optimal structure capital that is required for the Group's sustainable development.

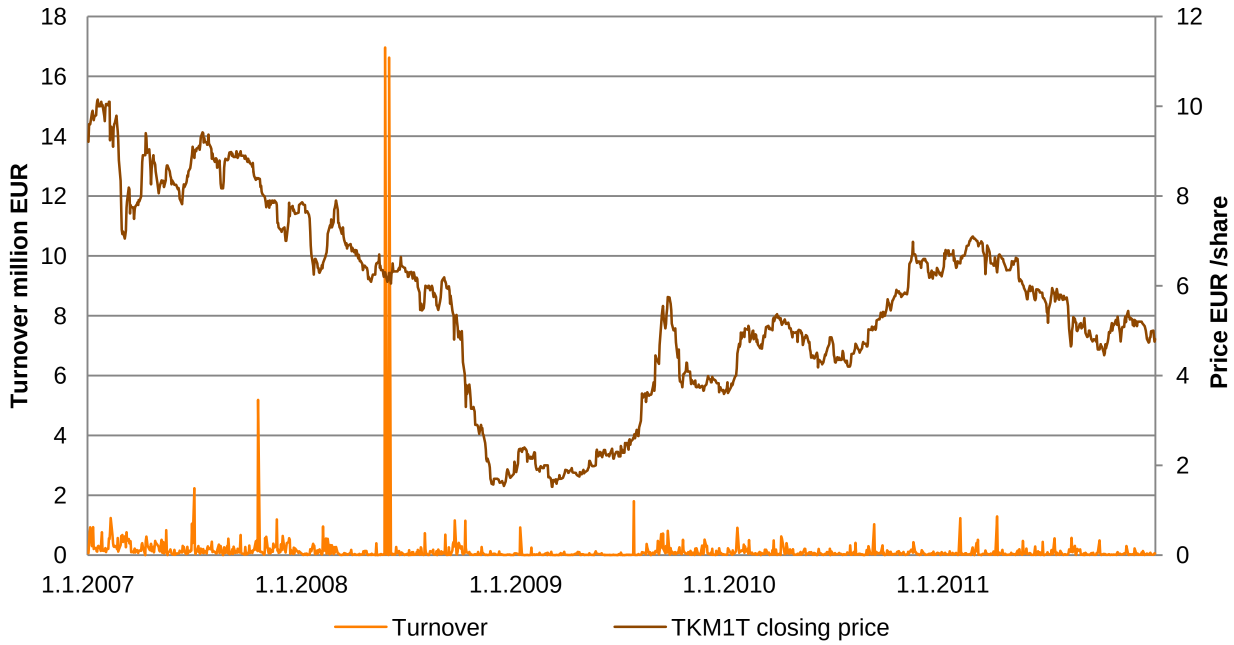
At the end of the 2011 the Group had 3,086 shareholders and division of shares is following:

Ownership structure	Number of shares	Shareholders%	Shares%	Votes%
Private persons	2,549	82.6%	6.1%	6.1%
Companies (Estonian)	484	15.7%	3.9%	3.9%
Financial institutions (other countries)	34	1.1%	14.6%	14.6%
Companies (other countries)	12	0.4%	0.9%	0.9%
Financial institutions (Estonian)	5	0.2%	0.7%	0.7%
ING LUXEMBOURG S.A.	1	0.0%	6.9%	6.9%
OÜ NG INVESTEERINGUD	1	0.0%	67.0%	67.0%
Total	**3,086**	**100.0%**	**100.0%**	**100.0%**

Number of shares	Number of shareholders	Shareholders%	Shares%	Votes%
1–100	643	20.8%	0.1%	0.1%
101–1 000	1,588	51.5%	1.7%	1.7%
100 001–1 000 000	14	0.5%	8.8%	8.8%
10 001–100 000	57	1.8%	3.5%	3.5%
1 001–10 000	780	25.3%	4.8%	4,8%
1 000 001–	4	0.1%	81.2%	81.2%
Total	**3,086**	**100.0%**	**100.0%**	**100.%**

Share price and trading statistics in Tallinn Stock Exchange during 01.01.2007-31.12.2011

In euros



Share price change in 2011 compared to the main comparison index OMX Tallinn

Index/Equity	01.01.2011	31.12.2011	+/-%
OMX Tallinn	698.38	531.17	-23.94
TKM1T	6.21 EUR	4.81 EUR	-22.50

The share price of Tallinna Kaubamaja has fluctuated, following the general trends on the Tallinn stock market. A share priced at 6.210 euros at the end of 2010 closed at 4.813 euros at the end of December, an annual decline of 22.5%; however, in comparison, the OMX Tallinn index during the same period fell slightly more, i.e. 23.94%.

Share trading history

In euros

	2011	2010	2009	2008	2007
Average number of shares (1000 pcs)	40,729	40,729	40,729	40,729	40,729
Traded shares (1000 pcs)	3,136,128	4,207,617	5,558,846	9,888,854	7,960,638
Dividend / net profit	66%*	69%	-13%	19%	20%
P/E	9.1	15.2	-11,7	15,9	12,1
P/BV	1,4	2,0	3,9	0,7	2,6
Opening price	6,37	3,62	2,08	7,82	9,18
Share price, highest	7,19	6,98	5,88	8,03	10,32
Share price, lowest	4,35	3,62	1,5	1,49	6,85
Share price, at the year-end	4.813	6.21	3.61	2.08	7.8
Share price, yearly average	5.77	5.13	2.95	5.44	8.56
Turnover (million)	17.96	21.00	18.58	56.27	67.79
Capitalisation (million)	196.03	252.93	147.03	84.72	317.69
Earnings per share	0.5	0.4	-0.3	0.1	0.6
Dividend per share	0.35	0.28	0.04	0.03	0.13
Equity per share	3.4	3.2	2.5	2.9	3.0

* according to profit allocation proposal
P/E = share price at the year-end / earnings per share
P/BV = share price at the year-end / equity per share

Corporate Governance Report

The Corporate Governance (CG) is a set of guidelines and recommended rules, which is intended to be observed mainly by publicly traded companies. The principles specified in the Corporate Governance Code are recommendable and the companies have to decide themselves as to how and whether to take into account these principles in organising the management. Below is a description of the management principles of Tallinna Kaubamaja Group and justification is given in the events when some clauses of the Code are not followed.

General meeting

Exercise of shareholders' rights

The general meeting of shareholders is the highest governing body of Tallinna Kaubamaja. The annual general meeting is held once a year and extraordinary general meetings may be convened by the Management Board in the events prescribed by law. The articles of association do not provide for any rights to shares of a different class which would bring about unequal treatment of shareholders in voting. The general meeting is competent to change the articles of association, elect members of the Supervisory Board and decide on their remuneration, appoint an auditor, approve the annual report and allocate profit, as well as decide on other matters stipulated by the articles of association and laws.

Convening the general meeting and disclosures

Tallinna Kaubamaja published a notice convening the general meeting through information system of the NASDAQ OMX Tallinn Stock Exchange as well as on its website on 5 April 2011 and through a daily newspaper Eesti Päevaleht on 6 April 2011. The company enabled its shareholders to ask questions on the topics specified in the agenda by using the e-mail address and phone specified in the notice, and examine the annual report on its website and in its office at Gonsiori 2, Tallinn, starting from 5 April 2011.

The general meeting of shareholders of Tallinna Kaubamaja was held in the conference centre of Radisson Blu Hotel Olümpia, Liivalaia 33, Tallinn, on 28 April 2011 beginning at 13.00 p.m. The resolutions made at the general meeting are published in the press releases on the website of NASDAQ OMX Tallinn Stock Exchange and on the website of Tallinna Kaubamaja.

At the choice of a member of the Supervisory Board, data of a candidate with regard to his or her participation in the work of the Supervisory Boards, Management Boards or executive managements of other companies have been disclosed.

Holding of the general meeting

A general meeting can adopt resolutions if over one-half of the votes represented by shares are present. A resolution of general meeting is adopted if over one-half of the votes represented at the meeting are in favour unless a larger majority is required by law.

The language of the general meeting held in 2011 was Estonian and the meeting was chaired by the Sales and Marketing Director of Tallinna Kaubamaja Enn Parel. The meeting was also attended by the chairman of the Supervisory Board Jüri Käo and member of the Management Board Raul Puusepp. 75.43% of the votes represented by shares were present at the general meeting. Tallinna Kaubamaja did not consider it expedient to use the Internet to organise its monitoring and participation in the general meeting. At the general meeting, allocation of profit was discussed as a separate theme and a separate resolution was adopted with regard to it.

Considering the aforementioned principles in the management of Tallinna Kaubamaja, in 2011, the Company has complied with the Corporate Governance Code in informing the shareholders, convening and holding the general meeting.

Management Board

The Management Board is a governing body of Tallinna Kaubamaja that represents and directs the Company on a daily basis. In accordance with the articles of association, the Management Board may have one to six members. Members of the Management Board are elected by the Supervisory Board for three years.

Unlike clause 2.2.1 of the Corporate Governance Code, the Management Board of Tallinna Kaubamaja AS consists of one member. It is a historical tradition, but at the same time the management team of the Parent has seven members who are the directors of the main areas. All resolutions are adopted by the Management Board in collaboration with the parent's company management. In 2011, 35 meetings of the management were held. Areas of responsibility, duties and authorities are exactly specified between the members of the management team; the same also applies to all the subsidiaries. The Group believes that such a division protects the best the interests of all shareholders and ensures sustainability of the company.

For the daily management of the Company, 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. According to the articles of association, a member of the Management Board shall be elected for a specified term of up to 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 23 February 2011 and his term of office will expire on 6 March 2014.

The duties and remuneration of the Chairman of the Management Board Raul Puusepp are specified in the board member contract concluded with the Chairman. In accordance with the contract, the Chairman of the Management Board may receive performance pay according to the results of operations of the Group. In 2011, the remuneration and benefits (including social security taxes) paid to the Chairman of the Management Board amounted to 38 thousand euros (in 2010 33 thousand euros) and calculated 61 thousand euros (in 2010 3 thousand euros).

Supervisory Board

The Supervisory Board plans the activities of Tallinna Kaubamaja, organises its management and supervises the activities of the Management Board in the period between the meetings of shareholders. The Supervisory Board notifies the general meeting of the result of such supervision. The Supervisory Board decides on the development strategy and investment policy of the Company, conclusion of real estate transactions, adoption of the investment budget and annual budget prepared by the Management Board. The meetings of the Supervisory Board are regularly held. In 2011, 12 scheduled meetings and 2 extraordinary meetings of the Supervisory Board were held and in 2010, 10 scheduled meetings and 1 extraordinary meeting were held.

The Supervisory Board has three to six members according to the resolution of the general meeting and the member is elected for up to three years. The work of the Supervisory Board is organised by the Chairman of the Supervisory Board. The meetings of the Supervisory Board are held as necessary, but not less frequently than once every three months.

By the resolution of the general meeting held on 20 May 2009, Andres Järving, Jüri Käo, Enn Kunila, Meelis Milder and Gunnar Kraft were elected as the members of the Supervisory Board. Authorities of the current members of the Supervisory Board: Andres Järving, Jüri Käo, Enn Kunila, Meelis Milder and Gunnar Kraft will expire on 20.05.2012. At the meeting of 22 May 2009, the Supervisory Board elected Jüri Käo as the Chairman of the Supervisory Board, he has been a member of the Supervisory Board of Tallinna Kaubamaja from 1997 and has been a Chairman of the Supervisory Board in 2000-2001.

In accordance with the resolution of the annual general meeting held on 17.05.2007, the remuneration of a member of the Supervisory Board of Tallinna Kaubamaja AS is 959 euros a month, the remuneration of the Chairman of the Supervisory Board is 1,150 euros a month. In 2011, the total remuneration calculated for the members of the Supervisory Board of Tallinna Kaubamaja totalled 80 thousand euros, (in 2010 80 thousand euros), including 18 thousand euros (in 2010 18 thousand euros) for the Chairman of the Supervisory Board.

Cooperation between the Management Board and Supervisory Board

The Management Board and Supervisory Board closely collaborate to achieve the purpose of better protection of the interests of Tallinna Kaubamaja. The Management Board, management and the Supervisory Board jointly participate in development of the strategy of the Company. In making management decisions, the Management Board and management are guided by the strategic instructions supplied by the Supervisory Board.

The Management Board regularly notifies the Supervisory Board of any important circumstances concerning the planning and business activities of the Company's activities, and separately draws attention to any important changes in the business activities of Tallinna Kaubamaja. The Management Board submits the information, including financial statements to the Supervisory Board, in advance before the holding of a meeting of the Supervisory Board.

Management of the Company shall be based on the legislation, articles of association, resolutions of meetings of shareholders and Supervisory Board, and the set objectives. Amendments to the articles of association shall be made in accordance with the Commercial Code, under which a resolution on amending the articles of association is adopted if at least 2/3 of the votes represented at a general meeting of shareholders are in favour. A resolution on amending the articles of association shall enter into force as of the making of a respective entry in the commercial register. The articles of association of Tallinna Kaubamaja AS do not provide for a larger majority requirement.

Disclosure of information

Tallinna Kaubamaja treats all shareholders equally and notifies all shareholders of important circumstances equally, by using its own website as well as the information system of the Tallinn Stock Exchange.

Tallinna Kaubamaja's website www.kaubamaja.ee contains general introduction of the Company and key employees, press releases and reports. The annual and interim reports include information on the strategy and financial results of the Company as well as the Corporate Governance Report. In the subsection of press releases, information is disclosed with regard to the membership of the Supervisory Board and auditor, resolutions of the general meeting, and other important information.

Financial reporting and auditing

The Management Board of Tallinna Kaubamaja publishes the annual report once each year and interim reports during the financial year. A meeting of the Supervisory Board, where the annual report is reviewed, is also attended by the auditor of the Company at the invitation of the Supervisory Board. The annual report, which is signed by the members of the Management Board and Supervisory Board, is submitted to shareholders for examination.

Audit Committee

The Audit Committee of Kaubamaja AS Group was established in March 2010, its statutes were approved at the meeting of the Supervisory Board of Tallinna Kaubamaja AS held at 21.05.2010. With the establishment of the Audit Committee, the former Audit Committee of AS A-Selver was liquidated.

The Audit Committee is a body established by the Supervisory Board, the task of which is advising the Supervisory Board in supervision issues. For this purpose, the Audit Committee exercises supervision in the following areas:

(i) adherence to accounting principles;

(ii) preparation and approval of the financial budget and reporting;

(iii) sufficiency and effectiveness of performing an external audit;

(iv) development and functioning of an internal control system (incl. risk management);

(v) monitoring of the legality of the Company's operations. The Audit Committee separately participates in guaranteeing the independence of the process and activities of an external audit, and planning and assessment of an internal audit.

In performing its tasks, the Audit Committee collaborates with the Supervisory Board, the Management Board, internal and external auditors and if necessary, external experts. The Audit Committee has between 3 and 5 members, at least half of whom are appointed from among the members of the Supervisory Board. The members are appointed by the Supervisory Board for three years.

The Audit Committee prepares an annual summary report about meeting the goals laid down in the statutes and presents it to the Supervisory Board, in which it assesses its activities and gives its opinion in respect of the monitoring of (i) adherence to accounting principles, (ii) preparation and approval of the financial budget and reporting, (iii) sufficiency and effectiveness of performing an external audit, (iv) development and functioning of an internal control system (incl. risk management), (v) legal compliance, (vi) activities of an internal audit and (vii) independence of an external audit provider. Based on its duties, the Audit Committee provides ongoing evaluations and makes proposals to the Supervisory Board, the Management Board, the internal audit and/or an external audit provider.

10 planned Audit Committee meetings were held during the accounting period.

Directions for 2012

The key development directions and objectives of the Tallinna Kaubamaja Group in 2012 are:

- Re-launch of the Group's Partnerkaart (Partner Card) loyalty programme to offer loyal clients more attractive extra benefits and maximise synergy across the Group.
- Extensive renovation of the Kaubamaja sales environment in both houses. The starting point for development activities is offering a full solution to customers, a more balanced brand portfolio and meeting the expectations of different target customers, and achieving a similar concept of department stores in Tallinn and Tartu.
- Building a fresh visual identity and using a new advertising language in the business segment of department stores.
- Improving efficiency in the footwear segment.
- Improving the financial results of I.L.U. and creating a portfolio of brands imported by the Group.
- Searching for expansion opportunities in the car trade segment, maintaining and boosting its efficiency and market share.
- Developing the security business: expanding in the field of security business and increasing sales outside the Group.
- Procurement and introduction of the retail modules of information systems.
- Further development of the multi-functional work organisation in the supermarkets segment, increasing the competitiveness of important categories of goods and opening new stores.
- Increasing the efficiency of the production in Selveri Köök (Selver Kitchen).

Chairman's confirmation of and signature to the management report

The Chairman confirms that management report gives a true and fair view of the key events occurred in the reporting period and their impact on the financial statements, contains a description of key risks and uncertainties of the remaining period of the financial year and provides an overview of important transactions with the related parties.

Raul Puusepp
Chairman

Tallinn, 15 March 2012

CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT BOARD'S CONFIRMATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Chairman of the Management Board confirms the correctness and completeness of Tallinna Kaubamaja AS consolidated financial statements for the year 2011 as set out on pages 19-59.

The Chairman of the Management Board confirms that:

1. the accounting policies used in preparing the financial statements are in compliance with International Financial Reporting Standard as adopted in the European Union;
2. the financial statements give a true and fair view of the financial position, the results of the operations and the cash flows of the Parent and the Group;
3. Tallinna Kaubamaja AS and its subsidiaries are going concerns.

Raul Puusepp
Chairman of the Management Board

Tallinn, 15 March 2012

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Kuupäev/date 15.03.12
PricewaterhouseCoopers, Tallinn

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in thousands of euros

	Note	31.12.2011	31.12.2010
ASSETS			
Current assets			
Cash and bank	5	11,948	15,734
Trade receivables	6	9,976	8,987
Other short-term receivables	7	9,372	2,644
Prepaid taxes and other prepayments	8	959	1,097
Inventories	9	41,973	39,385
Total current assets		**74,228**	**67,847**
Non-current assets			
Prepayments	8	985	1,272
Investments in associates	11	1,550	1,504
Other long-term receivables	12	56	141
Investment property	13	3,566	3,566
Property, plant and equipment	14	172,272	175,638
Intangible assets	15	9,809	10,243
Total non-current assets		**188,238**	**192,364**
TOTAL ASSETS		**262,466**	**260,211**
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings	16,17	11,261	17,635
Trade payables	18	46,419	40,377
Tax liabilities	19	5,038	4,677
Other current liabilities	20	4,489	4,652
Provisions	21	135	127
Total current liabilities		**67,342**	**67,468**
Non-current liabilities			
Borrowings	16,17	55,591	63,844
Provisions	21	73	88
Total non-current liabilities		**55,664**	**63,932**
TOTAL LIABILITIES		**123,006**	**131,400**
Equity			
Share capital	22	24,438	26,031
Statutory reserve capital		2,603	2,603
Revaluation reserve		52,197	53,308
Retained earnings		60,333	47,495
Currency translation differences		-111	-626
TOTAL EQUITY		**139,460**	**128,811**
TOTAL LIABILITIES AND EQUITY		**262,466**	**260,211**

The notes presented on pages 24-59 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in thousands of euros

	Note	2011	2010
Revenue	23	435,977	412,663
Other operating income	24	420	695
Materials, consumables used and services	9	-321,503	-304,918
Other operating expenses	25	-44,353	-43,842
Staff costs	26	-34,145	-34,764
Depreciation and amortisation	14,15	-9,976	-10,482
Impairment losses	14	0	50
Other expenses	27	-347	-801
Operating profit		**26,073**	**18,601**
Finance income	28	247	298
Finance costs	28	-1,897	-2,008
Finance income on shares of associates	11	150	205
Profit before tax		**24,573**	**17,096**
Corporate income tax	22	-3,035	-450
NET PROFIT FOR THE FINANCIAL YEAR		**21,538**	**16,646**
Other comprehensive income:			
Revaluation of land and buildings		0	10,771
Currency translation differences		515	-80
Other comprehensive income for the financial year		515	10,691
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		**22,053**	**27,337**
Basic and diluted earnings per share (euros)	29	0.53	0.41

Net profit and total comprehensive income are attributable to the owners of the parent.

The notes presented on pages 24-59 form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

in thousands of euros

	Note	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit		21,538	16,646
Adjustments:			
Income tax on dividends paid	*22*	*3,031*	*450*
Interest expense	*28*	*1,897*	*2,008*
Interest income	*28*	*-247*	*-298*
Depreciation, amortisation and impairment losses	*14,15*	*9,976*	*10,432*
Loss on sale and write-off of non-current assets	*14,24,27*	*84*	*695*
Effect of equity method	*11*	*-150*	*-205*
Change in inventories		-2,588	20
Change in receivables and prepayments related to operating activities		286	-529
Change in liabilities and prepayments related to operating activities		6,232	-4,091
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		**40,059**	**25,128**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment (excl. finance lease)	14	-5,830	-3,764
Proceeds from sale of property, plant and equipment	14	42	90
Change in balance of parent company's group account	31	-7,491	-473
Repayments of loans to associates	31	0	133
Dividends received		104	0
Interest received		247	322
TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES		**-12,928**	**-3,692**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	16	18,206	7,826
Repayments of borrowings	16	-32,575	-23,196
Change in overdraft balance	16	150	0
Dividends paid	22	-11,404	-1,693
Income tax on dividends paid	22	-3,031	-450
Repayments of finance lease principal	16	-408	-400
Interest paid		-1,898	-2,015
TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES		**-30,960**	**-19,928**
TOTAL CASH FLOWS		**-3,829**	**1,508**
Effect of exchange rate changes		43	-70
Cash and cash equivalents at the beginning of the period	5	15,734	14,296
Cash and cash equivalents at the end of the period	5	11,948	15,734
Net change in cash and cash equivalents		**-3,786**	**1,438**

The notes presented on pages 24-59 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in thousands of euros

	Share capital	Statutory reserve capital	Revaluation reserve	Retained earnings	Currency translation differences	Total
Balance as of 31.12.2009	**26,031**	**2,603**	**43,075**	**32,004**	**-546**	**103,167**
Net profit for the reporting period	0	0	0	16,646	0	16,646
Other comprehensive income for the reporting period	0	0	10,771	0	-80	10,691
Total comprehensive income for the reporting period	**0**	**0**	**10,771**	**16,646**	**-80**	**27,337**
Reclassification of depreciation of revalued land and buildings	0	0	-538	538	0	0
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**
Net profit for the reporting period	0	0	0	21,538	0	21,538
Other comprehensive income for the reporting period	0	0	0	0	515	515
Total comprehensive income for the reporting period	**0**	**0**	**0**	**21,538**	**515**	**22,053**
Reclassification of depreciation of revalued land and buildings	0	0	-1,111	1,111	0	0
Dividends paid	0	0	0	-11,404	0	-11,404
Decrease in share capital	-1,593	0	0	1,593	0	0
Balance as of 31.12.2011	**24,438**	**2,603**	**52,197**	**60,333**	**-111**	**139,460**

Additional information on share capital and changes in equity is provided in Note 22.

The notes presented on pages 24-59 form an integral part of these consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 General information

Tallinna Kaubamaja AS (the Company) and its subsidiaries (together as the Group) are entities engaged in retail trade and provision of related services. Tallinna Kaubamaja AS is a company registered on 18 October 1994 in the Republic of Estonia with the legal address of Gonsiori 2, Tallinn. The shares of Tallinna Kaubamaja AS are listed on the Tallinn Stock Exchange. The majority shareholder of Tallinna Kaubamaja AS is OÜ NG Investeeringud (Note 33), the majority owner of which is NG Kapital OÜ. NG Kapital OÜ is an entity with ultimate control over Tallinna Kaubamaja Group.

These consolidated financial statements have been authorised by the Management Board on 15 March 2012 for issue. In accordance with the Commercial Code of the Republic of Estonia, the Annual Report shall be approved by the Company's Supervisory Board and approved by the General Meeting of Shareholders.

Note 2 Accounting policies adopted in the preparation of the financial statements

Bases of preparation

The consolidated financial statements of AS Tallinna Kaubamaja for the year 2011 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union.

The consolidated financial statements have been prepared under the historical cost convention, except for land and buildings that have been revalued and are reported under the revaluation method as described in the respective accounting policies, as well investment property which is reported at fair value.

The functional and presentation currency of AS Tallinna Kaubamaja is euro. All amounts disclosed in the financial statements have been rounded to the nearest thousand unless referred to otherwise.

In preparing the consolidated financial statements, the following accounting policies applied to all periods presented in the financial statements have been used, unless referred to otherwise.

In accordance with International Financial Reporting Standards, management needs to make accounting estimates in certain areas. They also need to make decisions in respect of the adoption of the Group's accounting policies. The areas in which the importance and complexity of management's decisions have a greater impact or in which the consolidated financial statements largely depend on assumptions and estimates, are disclosed in Note 3.

Changes in accounting policies and presentation

Changes in functional and presentation currency

On 1 January 2011, the Republic of Estonia joined the Euro area and adopted the Euro as its national currency, replacing the Estonian kroon. Consequently, the functional currency of AS Tallinna Kaubamaja since 1 January 2011 is Euro. Change in the functional currency has been accounted for prospectively. The parent company and its Estonian subsidiaries have translated the balances on their accounts as of 1 January 2011 by applying the currency rate of 15,6466 kroon/euro.

2011 consolidated financial statements have been presented in euros. Comparative figures presented in the financial statements have been translated from Estonian kroons to euros using the conversion rate of 15.6466 kroon/euro. As the exchange rate has been the same during previous periods, no currency differences arose in translation.

Changes in presentation

Starting from 1 January 2011, the Group changed presentation of sales revenue according to which all regular revenues will be presented as sales revenue. Previously, certain regular revenues directly not related to main business operations (rental income) were reported under the item of other operating income. In addition presentation of materials, consumables used and services, other operating expenses and other expenses has been changed. Other operating expenses have been reduced by the expenses (e.g. utilities that are compensated by tenants) that are directly related to reclassified revenue (rental income). The comparative data of 2010 is adjusted in compliance with the changed presentation. These changes do not have any effect on Group's profit. According to the changed presentation 2010 data has been changed as follows:

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in thousands of euros

Consolidated statement of comprehensive income	2010	Change	Restated 2010
Revenue	402,773	9,890	412,663
Other operating income	13,116	-12,421	695
Materials, consumables used and services	-306,951	2,033	-304,918
Other operating expenses	-44,301	459	-43,842
Other expenses	-840	39	-801
Comprehensive income for the reporting period	**27,337**	**0**	**27,337**

Adoption of New or Revised Standards and Interpretations

There are no new or revised standards or interpretations that are effective for the first time for the financial year beginning on or after 01.01.2011 that would be expected to have a material impact to the Group.

New Accounting Pronouncements

Certain new or revised standards and interpretations have been issued that are mandatory for the Group's annual periods beginning on or after 01.01.2012, and which the Group has not early adopted.

Presentation of Items of Other Comprehensive Income, amendments to IAS 1,
(effective for annual periods beginning on or after 1 July 2012; not yet adopted by the EU). The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to 'statement of profit or loss and other comprehensive income'. The Group expects the amended standard to change presentation of its financial statements, but have no impact on measurement of transactions and balances.

There are no other new or revised standards or interpretations that are not yet effective that would be expected to have a material impact on the Group.

Disclosures about the primary statements of the Parent

In accordance with the Accounting Act of Estonia, the separate primary statements of the consolidating entity (Parent) are to be disclosed in the notes to the consolidated financial statements. The Parent's primary statements, disclosed in Note 36, have been prepared using the same accounting methods and measurement bases as those that have been used for preparing the consolidated financial statements. In the separate primary statements, investment in subsidiaries and associates are carried at historical cost. According to the cost method, the investment is initially recognised at cost which is the fair value of the consideration paid upon acquisition which is subsequently adjusted by any impairment losses.

Foreign currency transactions

Functional and presentation currency

The financial statements of group entities have been prepared in the currency of the primary economic environment of each entity (functional currency), that being the local currency. The functional currency of the Parent and its subsidiaries registered in Estonia is euro. The consolidated financial statements have been prepared in euros.

Accounting for foreign currency transactions

Foreign currency transactions are recorded based on the foreign currency exchange rates of the central bank prevailing on the dates of the transactions. Monetary assets and liabilities denominated in a foreign currency have been translated using the foreign currency exchange rates of the central bank prevailing on the balance sheet date. Profits and losses from foreign currency transactions are recognised in the income statement as income or expenses of that period.

Financial statements of foreign entities

When the functional currency of subsidiaries differs from the functional currency of the Parent (for example, the Latvian lats in case of the entities operating in Latvia), the following principles have been applied to translate the financial statements of subsidiaries prepared in foreign currencies:

- The assets and liabilities of all foreign subsidiaries have been translated using the exchange of the central bank rate prevailing on the balance sheet date;
- The income and expenses of subsidiaries have been translated using the weighted average exchange rate for the year (unless this average cannot be considered a reasonable rounding of the cumulative effect of the rates prevailing on the transaction date in which case income and expenses are translated on the dates of the

transaction).

The exchange rate differences are reported in the equity item “currency translation differences”. Upon the disposal of foreign subsidiaries, the amounts reported in the equity item “currency translation differences” are recognised in profit or loss of the financial year.

Principles of consolidation

Subsidiaries

A subsidiary is an entity controlled by the Parent. Control is presumed to exist when the Parent owns, directly or indirectly through subsidiaries, more than 50% of the voting power of an subsidiary or otherwise has power to govern its financial and operating policies. Subsidiaries are consolidated from the date of their acquisition (obtaining of control) until the date of sale (loss of control).

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of acquisition is measured as the fair value of consideration paid upon acquisition (i.e. assets transferred, liabilities incurred and equity instruments issued by the acquirer for the purpose of acquisition) plus fair value of assets and liabilities of contingent consideration. Costs directly attributable to the acquisition are recorded as expenses. Acquired and separately identifiable assets, liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values on the date of acquisition The Group chooses for each business combination whether to account for non-controlling interest at fair value or proportionally to net assets.

The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income.

In preparing consolidated financial statements, the financial statements of all the subsidiaries under the control of the Parent are combined on a line-by-line basis. The receivables, liabilities, income, expenses and unrealised profits which arise as a result of transactions between the Parent and its subsidiaries are eliminated. Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

Associates

Associate is an entity in which the Group has significant influence, but which it does not control. Significant influence is generally presumed to exist when the Group holds between 20% and 50% of the voting power of the investee.

In the consolidated financial statements, investments in associated are carried using the equity method; under this method, the initial investment is adjusted with the profit/loss received from the entity and the dividends collected.

Unrealised gains on transactions between the investor and its associates are eliminated to the extent of the Company’s interest in the investment. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

When the Group’s share of losses in an associate equals or exceeds the book value of the associate, the investment is reduced to zero and further losses are recognised as off-balance-sheet items. When the Group has incurred obligations or made payments on behalf of the associates, the respective liability is recorded in the balance sheet, and loss under the equity method is recognised. Where necessary, the accounting policies of associates have been changed to correspond to the accounting policies of the Group.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Supervisory Board of the Parent that makes strategic decisions.

Cash and cash equivalents

For the purposes of the balance sheet and the cash flow statement, cash and cash equivalents include cash on hand, bank account balances (excl. overdraft) and term deposits with maturities of 3 months or less. Overdraft is included within short-term borrowings in the balance sheet. Cash collected, but not yet deposited in the bank account is recognised as cash in transit. Cash and cash equivalents are carried amortised cost.

Financial assets

The Group's financial assets are classified only in the category of loans and receivables. Classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

Loans and receivables are initially recognised at their cost which is the fair value of consideration paid for the financial asset. Initial cost includes all transactions costs directly attributable to the financial asset.

Subsequently, the Group carries loans and receivables at amortised cost (less any impairment losses), calculating interest income on the receivable in the following periods using the effective interest rate method. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are included within current assets except for maturities greater than 12 months after the balance sheet date. Such assets are classified as non-current assets. Loans and receivables are reported as trade receivables and other receivables in the balance sheet.

An impairment loss is recognised when there is objective evidence that the Group is unable to collect all amounts due according to the original terms of receivables. Such situations may include significant financial difficulties of the debtor, bankruptcy or delinquency in payments to the Group. The amount of the impairment loss is the difference between the carrying amount and the present value of cash flows to be received from the present value, discounted at the initial effective interest rate of the receivable.

Financial assets are derecognised from the balance sheet when the entity loses its right to receive cash flows from the financial asset or when it transfers the cash flows from the asset and most of the related risks and benefits to a third party.

Purchases and sales of financial assets are recognised consistently from the day on which the Company becomes the owner of the financial asset or loses its ownership interest in the financial asset

Inventories

Inventories are initially recognised at cost which includes the purchase price, the related customs duties and other non-refundable taxes and costs of transportation directly attributable to the acquisition of inventories, less any discounts and volume rebates. The FIFO method is used to account for the cost of industrial goods inventories, the cost of food products is recognised by means of the weighted average acquisition cost method. In the car trade segment, the cost of spare parts is recognised by means of the weighted average acquisition cost method and that of cars is recorded on individual cost basis. Inventories are measured in the balance sheet at the lower of acquisition/production cost and net realisable value. The net realisable value is the estimated sales price less estimated expenditures for completion and sale of the product.

Investment property

The property (land or a building) held by the Group for earning long-term rental yields or for capital appreciation, rather than it its own operations, is recorded as investment property. Investment property is initially recognised in the balance sheet at cost, including any directly attributable expenditure (e.g. notary fees, property transfer taxes, professional fees for legal services, and other transaction costs without which the transaction would have not taken place). Investment property is subsequently measured at fair value, based on the market price determined annually by independent appraisers, based on the prices of recent transactions involving similar items (adjusting the estimate for the differences) or using the discounted cash flow method. Changes in fair value are recorded under the income statement items "Other operating expenses"/"Other operating income". No depreciation is calculated on investment property recognised at fair value.

Investment property whose fair value cannot be determined reliably, is measured at cost less any accumulated depreciation and any accumulated impairment losses.

Investment property is derecognised on disposal or when the asset is withdrawn from use and no future economic benefits are expected. Gains or losses from the derecognition of investment property are included within other operating income or other operating expenses in the income statement in the period in which derecognition occurs.

When the purpose of use of an investment property changes, the asset is reclassified in the balance sheet. From the date of the change, the accounting policies of the group into which the asset has been transferred are applied to the asset.

Property, plant and equipment

Property, plant and equipment are assets used in the operations of the Company with a useful life of over one year when it is probable that future economic benefits attributable to them will flow to the Company.

Land and buildings are carried using the revaluation method: after initial recognition, land and buildings are carried at the revalued amount, being the fair value of the assets at the date of revaluation less any accumulated depreciation and any impairment losses. Valuations are performed regularly by independent real estate experts at least once every four years. Earlier accumulated depreciation is eliminated on the date of revaluation and the former cost of the asset is replaced by its fair value on the date of revaluation.

The increase in the carrying amount of land and buildings as a result of revaluation is recognised in the statement of comprehensive income and accumulated in the equity item "Revaluation reserve". The recoveries of value of such assets that have been written down through profit or loss are recognised in the income statement. Impairment of an asset is recognised in the statement of comprehensive income to the extent of the accumulated revaluation reserve of the same asset. The remaining amount is charged to the profit or loss. Each year, the difference in depreciation arising from the difference in historical cost and revalued amounts of assets is transferred from "Revaluation reserve" to "Retained earnings".

Other items of property, plant and equipment are recognised at cost less any accumulated depreciation and any impairment losses. Other items of property, plant and equipment are initially recognised at cost which consists of the purchase price and any directly attributable expenditure.

For items of property, plant and equipment that necessarily take a substantial period of time to get ready for its intended use, the borrowing costs are capitalised in the cost of the asset. Capitalisation of borrowing costs is terminated when the asset is substantially ready to be used or its active development has been suspended for a longer period of time.

Subsequent expenditure incurred for items of property, plant and equipment are recognised as property, plant and equipment when it is probable that future economic benefits associated with the asset will flow to the company and the cost of the asset can be measured reliably. Other repair and maintenance costs are recognised as expenses at the time they are incurred.

The straight-line method is used for determining depreciation. The depreciation rates are set separately for each item of property, plant and equipment depending on its useful life. The ranges of useful lives for the groups of property, plant and equipment are as follows:

▪ Land and buildings	
- Land is not amortised.	
- Buildings and facilities	10-50 years
incl. Renovation of buildings	*12-23 years*
▪ Machinery and equipment	3-7 years
▪ Other fixtures and fittings	
- IT equipment and software	3-7 years
- Vehicles and fixtures	5 years
- Capitalised improvements on rental premises	4-10 years

Depreciation is started when the asset is available for use for the purpose intended by management and is ceased when the residual value exceeds the carrying amount, when the asset is permanently withdrawn from use or upon its reclassification as held for sale. On each balance sheet date, the appropriateness of the depreciation rates, the depreciation method and the residual value are reviewed.

Management assesses on each balance date whether there is any known indication of the impairment of non-current assets. When indications of impairment exist, management determines the recoverable amount of non-current assets (i.e. higher of the fair value of the asset less costs to sell and its value in use). When the recoverable amount is lower than the carrying amount, the items of property, plant and equipment are written down to their recoverable amount. An impairment loss recognised in previous period is reversed when there has been a change in the estimates that form the basis for determining recoverable value.

Profits and losses from the sale of non-current assets, determined by subtracting the carrying amount from the sales price, are recognised within other operating income or other operating expenses in the statement of comprehensive income.

Intangible assets

Purchased intangible assets are initially recognised at cost which includes the purchase price and any directly attributable expenditure. The cost of intangible assets acquired in a business combination is their fair value at the time of the business combination. After initial recognition, intangible assets are recognised at loss less any accumulated amortisation and any impairment losses.

The straight-line method is used for amortising intangible assets with finite useful lives. The useful lives are as follows:

▪ Beneficial contracts	5.5 years
▪ Trademark	15 years
▪ Development expenditure	5 years

For determining the useful lives of beneficial lease agreements, the length of lease agreements has been used as the basis, in case of the trademark and development expenditure, the expected length of a cash-generating period has been taken into consideration. The amortisation charge of intangible assets with a finite useful life is recognised in the income statement according to the allocation of intangible assets. The amortisation period and method of intangible assets with definite useful lives are reviewed at least once at the end of the financial year. Changes in the expected useful lives or the expected use of economic benefits related to the asset are recognised as changes in the amortisation period or method. Such changes are treated as changes in accounting estimates.

Intangible assets with finite useful lives are tested for impairment whenever there is any indication that the carrying amount of the asset may not be recoverable. If necessary, the asset is written down to its recoverable amount.

Impairment of assets

Assets that are subject to depreciation and land are assessed for possible impairment when there is any indication that the carrying amount of the asset may not be recoverable. Whenever such indication exists, the recoverable amount of the asset is assessed and compared with the carrying amount. An impairment loss is recognised in the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of the asset is the higher of its fair value less costs to sell and its value in use. An impairment test is performed for the smallest identifiable group of assets for which cash flows can be determined (cash-generating unit). On each following balance sheet date, the test is repeated for the assets that have been written down to determine whether their recoverable amount has increased.

Goodwill

Goodwill is subsequently measured at cost less any accumulated impairment losses. Goodwill is not amortised. Instead, an impairment test is performed annually (or more frequently if an event or change in circumstances indicates that the value of goodwill may be impaired).

For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating units or groups of units which are expected to generate economic benefits from a specific business combination. An independent cash-generating unit (group of units) is the smallest identifiable group of assets which is not larger than an operating segment used for segment reporting. Impairment is determined by estimating the recoverable amount of the cash-generating unit. When the recoverable amount of the cash-generating unit is lower than its carrying amount (incl. goodwill), an impairment loss for goodwill is recognised. Impairment losses of goodwill are not reversed.

Finance and operating leases

Leases which transfer substantially all the risks and rewards incidental to ownership to the lessee are classified as finance leases. Other leases are classified as operating leases.

The Group as the lessee

Finance leases are recognised in the balance sheet as assets and liabilities at the lower of the fair value of the leased asset and the present value of minimum lease payments. Each lease payment is apportioned between the finance charges (interest expense) and reduction of the outstanding liability. The finance costs are charged to the income statement over the lease period so as to achieve a constant periodic rate of interest on the remaining balance of the liability. The assets acquired under finance leases are depreciated similarly to purchased assets over the shorter of the useful life of the asset and the lease term (if the passage of ownership at the end of lease period is not certain).

Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. Payments to be made to the lessor for the right of use of rental premises are treated as part of the rental agreement and these payments are recognised as rental prepayments in the balance sheet and a rental expense on a straight-line basis over the lease term.

The Group as the lessor

Assets leased out under operating lease terms are recognised in the balance sheet analogously to property, plant and equipment. They are depreciated over their expected useful lives on a basis consistent with similar assets. Operating lease payments are recognised as income on a straight-line basis over the lease term.

Financial liabilities

Financial liabilities (trade payables, other current and non-current liabilities) are initially recognised at cost, less transaction costs. They are subsequently measured at amortised cost, using the effective interest rate method.

The amortised cost of current financial liabilities generally equals their nominal value, therefore current financial liabilities are carried in the balance sheet in their redemption value. For determining the amortised cost of non-current financial liabilities, they are initially recognised at the fair value of the consideration received (less any transaction costs), calculating interest expense on the liability in subsequent periods using the effective interest rate method.

A financial liability is classified as current when it is due to be settled within 12 months after the balance sheet date or the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Borrowings due to be settled within 12 months after the balance sheet date but that are refinanced as long-term after the balance sheet date but before the financial statements are authorised for issue are recognised as current liabilities. Borrowings that the lender has the right to recall on the balance sheet date as a consequence of a breach of contractual terms are also recognised as current liabilities.

Borrowings costs (e.g. interest) related to construction of assets are capitalised during the period which is necessary to prepare the asset for the purpose intended by management. Other borrowing costs are expensed in the period in which they are incurred.

Provisions and contingent liabilities

Provisions are recognised in the balance sheet when the company has a (legal or contractual) commitment arising from the events occurred before the balance sheet date; it is probable that an outflow of resources will be required to settle the obligation; but the final amount of the liability or date of payment are not known.

Provisions are recognised based on management's estimates regarding the amount and timing of the expected outflows. The amount recognised as a provision is the best estimate of the management regarding the expenditure required to settle the present obligation on the balance sheet date or to transfer it to a third party. Provisions are recognised at the discounted value (in the amount of the present value of payments relating to the provision), unless the effect of discounting is insignificant. The cost relating to the provision is recognised in the income statement for the period. Future operating losses are not recognised as provisions.

Other obligations whose settlement is not probable or the amount of accompanying expenditure of which cannot be measured with sufficient reliability, but that in certain circumstances may become obligations, are disclosed as contingent liabilities in the notes to the financial statements.

Corporate income tax and deferred corporate income tax

Corporate income tax assets and liabilities, and income tax expenses and income include current (payable) income tax and deferred income tax. Income tax payable is classified as a current asset or a current liability, and deferred income tax as a non-current asset or a non-current liability.

Group's Estonian entities

In accordance with applicable laws of the Republic of Estonia, the Estonian entities do not pay income tax on profits. Instead of the income tax payable on profits, the Estonian entities pay corporate income tax on dividends, fringe benefits, gifts, donations, costs of entertaining guests, non-business related disbursements and adjustments of the transfer price. The current tax rate is 21/79 on the amount paid out as net dividends. As income tax is paid on dividends and not on profit, no temporary differences arise between the tax bases of assets and liabilities and the carrying amounts of assets and liabilities which may give rise to deferred income tax assets and liabilities.

The corporate income tax arising from the payment of dividends is recognised as a liability and an income tax expense in the period in which dividends are declared, regardless of the period for which the dividends are paid or the actual payment date. An income tax liability is due on the 10th day of the month following the payment of dividends.

The maximum income tax liability which would accompany the distribution of Company's retained earnings is disclosed in Note 34 to the consolidated financial statements.

Group's Latvian and Lithuanian entities

In Latvia and in Lithuania, corporate profits are subject to income tax. The corporate income tax rate is 15% in Latvia and 15% in Lithuania on taxable income. Taxable income is calculated by adjusting profit before tax for permanent and temporary differences as permitted by local tax laws.

For foreign subsidiaries, the deferred income tax assets and liabilities are determined for all temporary differences between the tax bases of assets and liabilities and their carrying amounts on the balance sheet date. Deferred corporate income tax on calculated on the basis of tax rates applicable on the balance sheet date and current legislation, expected to prevail when the deferred tax assets are settled. Deferred tax assets are recognised in the balance sheet only when it is probable that future taxable profit will be available against which the deductions can be made.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates granted.

Revenue from the sale of goods is recognised when all significant risks and rewards of ownership of the goods have been transferred to the buyer, when the amount of revenue and the costs incurred in respect of the transaction can be measured reliably and the receipt of economic benefits associated with the transaction is probable.

Revenue from the sale of goods – retail sales

Revenue from the sale of goods is recognised at the time when a sales transaction is completed for the client in a retail store. The client generally pays in cash or by credit card. The probability of returning goods is estimated based on prior experience, and returns are recognised in the period of the sales transaction as a reduction of revenue.

Revenue from the sale of goods – wholesale

Revenue from the sale of goods is recognised when all the risks and rewards have been transferred to the client in accordance with the terms of delivery. The probability of returning goods is estimated based on prior experience, and returns are recognised in the period of the sales transaction as a reduction of revenue.

Revenue from provision of services

Revenue from provision of services (mainly rental income) is recorded upon the provision of services or (when services are performed over a longer period of time), based on the stage of completion on the balance sheet date.

Income from joint advertising

The provision of marketing services arising from contractual relations is recorded as income from joint advertising as the group has a contractual obligation to advertise its sublessees and their products for common benefit throughout the year during various campaigns and joint events via various media channels and outlets.

Interest income

Interest income is recognised using the effective interest rate. Interest income is recognised when the receipt of revenue is probable and the amount of revenue can me estimated reliably. If the receipt of interest is uncertain, interest income is recognised on a cash basis.

In cooperation with credit institutions, the group offers its clients the loyalty card Partner Krediitkaart with credit options. The clients are required to pay a fixed interest for the credit used with Partner Krediitkaart and the interest income is divided between the bank and the group in proportion to the distribution of risks related to the crediting activity.

Statutory reserve capital

The Company has formed statutory reserve capital in accordance with the Commercial Code of the Republic of Estonia. During each financial year, at least 5% of the net profit shall be entered in reserve capital, until reserve capital is at least 10% of share capital. Reserve capital may be used to cover a loss, or to increase share capital. Payments shall not be made to shareholders from reserve capital.

Earnings per share

Basic earnings per share are determined by dividing the net profit for the financial year by the weighted average number of shares issued during the period. The diluted earnings per share are calculated by adjusting both the net profit as well as the average number of shares with potential shares that have a dilutive effect on earnings per share. As the Group does not have financial instruments with a dilutive effect on earnings per share, the basic earnings per share equal the diluted earnings per share.

Payables to employees

Payables to employees contain the contractual obligation arising from employment contracts with regard to performance-based pay which is calculated on the basis of the Group's financial results and meeting of objectives set for the employees. Performance-based pay is included in period expenses and as a liability if it is paid in the next financial year. In addition to the performance-based pay, this liability also includes accrued social and unemployment taxes calculated on it.

Pursuant to employment contracts and current legislation, payables to employees also include vacation pay accrual as of the balance sheet date. In addition to the vacation pay accrual, this liability also includes accrued social and unemployment taxes.

Note 3 Critical accounting estimates and judgements

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates and judgments by management, which impact the amounts reported in the financial statements. It also requires management to exercise its judgment and make estimates in the process of applying the Group’s accounting policies and measurement bases. Although these estimates have been made to the best knowledge of management, they may not coincide with subsequent actual results. Changes in management estimates are included in the income statement of the period in which the change occurred.

The areas requiring key management judgments and estimates which have a direct impact on the amount reported in the financial statements are as follows:

- *Estimation of the useful lives of property, plant and equipment:* the Group owns several in the recent past completed sales areas, the useful lives of significant components of which have been estimated using the data of technical project documentation and historical data. Actual useful lives may differ from those initially estimated by management.
- *Determination of the revalued value of land and buildings:* the Group accounts for land and buildings using the revaluation method. For this purpose, management regularly evaluates whether the fair value of revalued non-current assets does not significantly differ from their carrying amount. Management uses expert opinions to determine the fair value of revalued non-current assets, whereby the estimates of external experts are used at least every 4 years. As a result of the valuation performed in the 4^{th} quarter of 2011 no significant differences recognised between fair values and carrying value of land and buildings. Carrying value of land and buildings using revaluation method as at 31.12.2011 amounted to 125,422 thousand euros (31.12.2010: 127,741 thousand euros). As at 31.12.2010 the value of land and buildings located in Latvia (carrying value: 14,578 thousand euros) increased by 696 thousand euros, which was recognised through profit or loss. In 2010, an increase in the value of land and buildings located in Estonia (carrying value: 113,164 thousand euros as at 31.12.2010) in the amount of 11,181 thousand euros, incl. 410 thousand euros which was recognised through profit or loss. More detailed information is disclosed in Note 14.
- *Assessment of impairment of buildings under construction:* at each balance sheet date, the Group assesses whether any indications exist of possible impairment of buildings under construction. If such indications exist, an impairment test is performed at each balance sheet date on assets that have been previously impaired. For estimation of the value, the items’ value in use is determined. For determining the value in use, the discounted cash flow method is used and the investment value is found. Internal and external valuers were used for determining the value in use. As a result of the impairment test performed in the 4^{th} quarter of 2011 no impairment of buildings under construction was recognised. As at 31.12.2010 the impairment loss of buildings under construction located in Estonia (carrying value: 14,806 thousand euros) amounted to 277 thousand euros which was recognised through profit or loss. As a result of the impairment test, the value of buildings under construction located in Latvia (carrying value: 17,736 thousand euros as at 31.12.2010) was reduced by 779 thousand euros which was recognised through profit or loss. See more detailed information in Note 14.
- *Assessment of impairment of goodwill:* at least annually, the Group evaluates possible impairment of goodwill which arose in the acquisition of subsidiaries. For the purpose of determining the value, the fair value is determined for cash-generating units which goodwill has been allocated to. For determining the value in use, management has forecast future cash flows of cash-generating units and selected an appropriate discount rate for determining the present value of cash flows. As at 31.12.2011, the carrying value of goodwill was 6,710 thousand euros (2010: 6,710 thousand euros). The results of the impairment tests performed in the financial year showed that no recognition of impairment of goodwill was necessary (2010: no recognition of impairment was necessary). More detailed information is disclosed in Note 15.
- *Classification of lease agreements:* the Group has concluded lease agreements whose classification into operating or finance leases depends on the fair value of the leased asset at the time of conclusion of the lease agreements. In such cases, external appraisers have been involved in determining fair value.

Note 4 Risk management and description of key risks

Managing risks associated with the Group's business activities is an integral and important part of the management of the Group. The supervisory boards of enterprises in collaboration with the executive management teams and the audit committee regularly analyse the enterprises' risks and the management thereof. The Audit Committee analyses the prepared risk management plans, assessed level of risk and risk profile and determines the risk tolerance threshold. The executive management teams identify and assess risks, prepare management plans and if necessary make proposals as to the allocation of resources to deal with major risks. In cooperation with the executive management teams, the internal audit department promotes awareness of risks and helps to bring the idea of risk management to the processes and employees.

In 2011, the Group adopted common rules and methods that regulate the framework and process of risk management. According to these, risk is defined as a potential event or scenario that may occur in the future and that could impact the ability of the Group and/or its enterprises to achieve their objectives. A risk may be both a threat as well as an opportunity. The Group's ability to identify, evaluate and manage various risks has an important impact on the Group's profitability. Every year risks are identified and assessed in all of the Group's enterprises, the tolerance threshold is established and risk management plans are prepared. The quantification of risks enables to compare financial and non-financial risks as well as make informed decisions about managing a risk by comparing its cost against its impact. Risk management activities are coordinated by the manager of the internal audit department, which reports to the audit committee. The duties of the Audit Committee include the regular monitoring of risks and preparing a risk report twice a year.

Management of financial risks

The Group's business may be accompanied by exposure to several financial risks, of which the most significant are liquidity risk, credit risk and market risk (including foreign exchange risk, interest rate risk and price risk). Managing financial risks falls within the scope of competence of the parent company's management board and comprises risk identification, measurement and management. The objective of financial risk management is managing financial risks and reducing the volatility of financial performance results. The supervisory board of the parent company exercises supervision over the measures taken by the management board for the purpose of managing risks. The Group systematically analyses and manages risks through the financial unit, which is involved in financing the parent company and its subsidiaries and, consequently, managing the liquidity risk and interest rate risk arising from it. Risks are also analysed and managed by the subsidiaries' managements and financial units. The assistance of specialists from the principle shareholder NG Investeeringud OÜ is also employed in risk management.

All the financial assets of the Group are included in the category "Loans and receivables" and consist of cash and cash equivalents (Note 5), trade receivables (Note 6), other short-term receivables (Note 7) and other long-term receivables (Note 12). All financial liabilities of the Group are included in the category "Other financial liabilities" and consist of borrowings (Note 16), trade payables (Note 18), interest payables, other accrued expenses and rental prepayments by tenants (Note 20).

Market risk

Foreign currency risk

Foreign exchange risk is a risk that the fair value of financial instruments or cash flows will fluctuate in the future due to changes in foreign exchange rates. The financial assets and liabilities denominated in euros in 2011 and in kroons in 2010 are deemed to be financial assets and liabilities free of foreign exchange risk. To manage the foreign exchange risk of the Group, most of the contracts are concluded in euros. Material long-term loan contracts are in euros and free of foreign exchange risk. The main foreign exchange risk of the Group is primarily related to the purchase contracts made in different foreign currencies, including purchase contracts denominated in USD. The only significantly volatile currency is USD, which at the same time does not form a major part of such contracts, but its open position seasonally appears in spring when all larger seasonal purchases cumulate. As of the end of the accounting period, the Group did not have any major financial assets and liabilities fixed in some other currency than the euro. The Group has assessed its foreign-exchange risks in 2010 and 2011 and does not see any reason to use additional measures to manage the foreign exchange risk.

The Group operates through its subsidiaries both in Latvia and Lithuania. The currencies of all these countries in which the Group has operations, are strictly tied to the euro (Estonia and Lithuania) or are in the euro corridor (Latvia), lowering the foreign currency risk arising from intra-group transactions and other similar transactions.

Price risk

The Group does not have securities held for sale related price risk.

Cash flow and fair value change interest rate risk

Interest rate risk is such risk whereby an increase in interest expenses due to higher interest rates may significantly impact the profitability of the Group's operations. The deposits of the Group's cash and cash equivalents have fixed interest rates, therefore, the change in the market interest rates neither impacts the Group's results of operations nor cash flows from operating activities.

The Group's long-term loans are primarily tied to EURIBOR, therefore, the Group is dependent on the developments in international financial markets. In managing the Group's interest rate risk, it is important to monitor the changes in the money market interest rate curve, which reflects the expectations of market participants in respect of market interest rates and enables to evaluate the trend of formation of EUR interest rates.

In 2011, the 6-month EURIBOR increased from 1.224% at the beginning of the year to the year-end 1.617%. In the beginning of 2012, EURIBOR began to decrease. The Group estimates that EURIBOR will not rise in 2012 enough to significantly affect the Group's financial performance results.

Had the interest rates with a floating interest rate been 1 percentage point higher as of 31 December 2011 (31.12.2010: 1 percentage point), the Group's financial cost would have increased by 638,000 euros (2010: 739,000 euros). Had the interest rates been 0.9 percentage point lower as of 31 December 2011, the Group's financial cost would have decreased by 536,000 euros (2010: as of 31 December 2010 changed by 0.3 percentage point and by 206,000 euros).

During the interest rate analysis, different options to hedge risks are considered. Such options include refinancing, renewal of existing positions and alternative financing. In the current and preceding financial year, no transactions have been concluded to hedge interest rate risk with financial instruments because management estimates that the costs attributable to hedged risk would have exceeded the possible losses arising from changes in interest rates.

The borrowings of the Group are exposed to changes in interest rate risks as follows:

in thousands of euros

	31.12.2011	31.12.2010
Rates changing during 3 months	61	140
Rates changing during 3 – 6 months	66,660	80,801
Total borrowings at floating interest rate	**66,721**	**80,941**
Borrowings with fixed interest rate	131	538
Total borrowings	**66,852**	**81,479**

Credit risk

Credit risk is defined as the risk that the Group will suffer as financial loss caused by the other party of a financial instrument who is unable to meet its liabilities.

The Group is exposed to credit risk arising from its operating (mainly receivables) and investing activities, including deposits in banks and financial institutions. The management of the Group manages the credit risk arising from deposits in banks and financial institutions in compliance with the Group's strategy, according to which the Group may invest available funds only into financial instruments that meet the following criteria:

- Deposits and cash in bank accounts in domestic credit institutions – the domestic credit institution has an activity licence as required by the Credit Institutions Act and the credit rating of its parent bank by Moody's rating agency is at least A2 and the rating perspective is set at least as stable or equivalent;
- Deposits and cash in bank accounts in foreign credit institutions– the credit rating of the foreign credit institution as provided by Moody's rating agency is at least A2 and the rating perspective is set at least as stable or equivalent;
- Commercial papers and bonds of a domestic issuer – the credit rating of the domestic issuer is at least Baa3 or equivalent, as provided by Moody's rating agency, and the bonds are freely marketable on the securities market;
- Commercial papers and bonds of a foreign issuer – the credit rating of the foreign issuer is at least Aa3 or equivalent, as provided by Moody's rating agency, and the bonds are freely marketable on the securities market;
- Interest and money market funds – the management company has an activity licence as prescribed by the Investment Funds Act and the weighted average of the investments (enterprises) comprising the fund has been given Moody's credit rating Baa3 at the least.

In the allocation of short term liquid funds the following principles are followed in the order of priority:

- Assuring liquidity;
- capital retention;

- earning income.

The Group does not keep more than a half of its assets (including money in the bank account, deposits and investments in the bonds of the relevant bank) in one bank to manage the liquidity risk.

Cash and cash equivalents by the credit rating of the depositing bank in thousands of euros:

	31.12.2011	31.12.2010
A1	630	718
A2	5,376	10,985
Aa2	4,584	3,831
Total	**10,590**	**15,534**

Credit rating is given to deposits. The data is from the website of Moody's Investor Service.

Due to the specific nature of retail sales, the Group is not exposed to any major credit risk. Possible credit risk related to receivables is primarily attributable to non-collection of rental income, but this risk does not represent a major risk for the Group. As at 31 December 2011, the maximum credit risk arising from receivables is in the amount of 19,404 thousand euros (2010: 11,772 thousand euros).

The aging structure of receivables is as follows, in thousands of euros:

	31.12.2011	31.12.2010
Not due	17,575	10,393
Incl. receivables from the group account	*9,000*	*1,509*
Incl. receivables from card payments	*1,358*	*1,233*
Incl. receivables from bonuses	*2,686*	*2,666*
Incl. trade receivables	*4,531*	*4,984*
Overdue < 3 months	1,774	1,286
Overdue 3 - 6 months	41	36
Overdue 6 - 12 months	8	38
Overdue > 12 months	6	19
Total receivables	**19,404**	**11,772**

With regard to receivables not yet overdue, the claims against the group account is secured by the group account contract of the head group (NG Investeeringud OÜ). According to the contract, the group members are solidarily responsible for any unpaid amounts. The receivables arising from card payments are secured by the card payment agreement of Nordea Bank Finland Plc Estonia Branch, ensuring the receipt of card payments during two banking days. Bonuses and other receivables are secured by merchandise contracts and they do not carry credit risk because the Group's liabilities to the same contractual partners exceed the receivables due from them.

The Group does not consider it necessary to write down its overdue receivables, because the customers with overdue receivables are also the Group's suppliers whose liabilities exceed the amount of receivables.

Liquidity risk

Liquidity risk is risk that the Group is unable to meet its financial liabilities due to cash flow shortages.

Liquidity, i.e. the existence of adequate financial resources to settle the liabilities arising from the activities of the Group has been one of the priorities of Tallinna Kaubamaja Group in 2011. For more efficient management of the Group's cash flows, joint group accounts of the Parent and its subsidiaries have been set up at the banks which enable the members of the group accounts to use the monetary funds of the Group within the limit established by the Parent. The group accounts have been opened in Estonia. According to the Group's policy, the subsidiaries that have joined the group accounts prepare cash flow forecasts on a weekly basis for the current calendar year by banking days. To manage liquidity risk, the Group uses different sources of financing, including bank loans, overdraft, regular monitoring of trade receivables and delivery contracts.

Tallinna Kaubamaja Group has solid support from the financial sector to secure the liquidity and development process of the Group. According to the Group's experience, it is possible to find additional sources of funding with favourable interest rates, and also to refinance or extend existing loans if necessary.

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Analysis of the Group's undiscounted financial liabilities by maturity dates:

In thousands of euros	< 3 months	3-12 months	1-2 years	2-5 years	after 5 years	Total 31.12.2011
Borrowings	3,167	9,547	25,887	4,152	29,478	72,231
Trade payables	46,419	0	0	0	0	46,419
Current financial liabilities	1,158	0	0	0	0	1,158
Total	**50,744**	**9,547**	**25,887**	**4,152**	**29,478**	**119,808**

	< 3 months	3-12 months	1-2 years	2-5 years	after 5 years	Total 31.12.2010
Borrowings	4,676	14,667	25,022	13,368	31,423	89,156
Trade payables	40,377	0	0	0	0	40,377
Current financial liabilities	555	0	0	0	0	555
Total	**45,608**	**14,667**	**25,022**	**13,368**	**31,423**	**130,088**

For calculating future cash flows, the floating interest rates prevailing at the balance sheet date of 31.12.2011 and 31.12.2010, have been used.

As of the end of the financial year, the Group had available funds in the sum of 11,948 thousand euros (2010: 15, 734 thousand euros). The Group follows its established credit risk management strategy when investing its cash flow surplus. As of 31 December 2011, the Group had deposited 9,000 thousand euros into the joint group account through its parent company NG Investeeringud OÜ (no such deposit existed in 2010).

As of 31 December 2011, the working capital was positive by 6,886 thousand euros (2010: positive by 379 thousand euros). The main reason of the increased working capital is the growth of positive cash flows from business operations in 2011. Accordingly, the quick ratio of Tallinna Kaubamaja Group (current assets less inventories / current liabilities) has improved and increased to 0.48 in 2011, compared to 0.42 in 2010. The management believes that the Tallinna Kaubamaja Group does not have any liquidity problems.

Capital management

The Group's primary goal of capital (both debt and equity) management is to ensure a strong capital structure, which would support the stability of the Group's business operations and continuity of its operations, and would optimise the capital structure, lower the cost of capital and thereby protect the interests of shareholders. To preserve and adjust the capital structure, the Group may regulate the dividends payable to the shareholders, resell shares, issue new shares or sell assets to cover liabilities.

Following a common practice in retail business, the Group uses the debt to equity ratio, which is calculated as net debt to total equity, to monitor its proportion of capital. As of 31 December 2011, the ratio was 28% and compared to 31 December 2010 when the ratio was 34%, it has improved during the accounting period as a result of positive economic performance, reduction of the debt commitment and growth in current assets.

in thousands of euros

	31.12.2011	31.12.2010
Interest-bearing liabilities (Note 16)	66,852	81,479
Cash and bank (Note 5)	-11,948	-15,734
Net debt	**54,904**	**65,745**
Equity	139,460	128,811
Total equity and borrowings	**194,364**	**194,556**
Debt to equity ratio*	28%	34%

**Debt to equity ratio = Net debt / Total equity and borrowings*

Fair value of financial instruments

Management estimates that the carrying amount of the Group's financial assets and liabilities does not significantly differ from their fair value. Trade receivables and payables are short-term and therefore the management estimates that their carrying amount is close to their fair value. Most of the Group's long-term borrowings are based on floating interest rates, which change according to the market interest rate. In management's estimation, the Group's risk margins have not significantly changed compared to the time when the borrowings were received and the interest rates of the Group's borrowings correspond to the market conditions. The interest rates of receivables and liabilities with fixed interest rates are not significantly different from the current market interest rates according to the estimation of the management. Based on the above, the management estimates that the fair values of long-term payables and receivables are an approximation of their carrying amount. To determine the fair value, a discounted cash flow analysis has been used, by discounting contractual future cash flows with current market interest rates that are available to the Group for using similar financial instruments.

Note 5 Cash and bank

in thousands of euros

	31.12.2011	31.12.2010
Cash on hand	1,358	200
Bank accounts	8,917	14,000
Cash in transit	1,673	1,534
Total cash and bank	**11,948**	**15,734**

Note 6 Trade receivables

in thousands of euros

	31.12.2011	31.12.2010
Trade receivables	8,423	7,545
Allowance for doubtful receivables	-35	-30
Receivables from related parties (Note 31)	230	239
Credit card payments	1,358	1,233
Total trade receivables	**9,976**	**8,987**

Note 7 Other short-term receivables

in thousands of euros

	31.12.2011	31.12.2010
Short-term receivables from related parties (Note 31)	9,277	2,537
Other short-term receivables	95	107
Total other short-term receivables	**9,372**	**2,644**

Note 8 Prepayments

in thousands of euros

	31.12.2011	31.12.2010
Prepaid taxes	79	349
Total prepaid taxes	**79**	**349**
Prepaid rental expenses	398	399
Other prepaid expenses	482	349
Total other short-term prepayments	**880**	**748**
Prepaid rental expenses	916	1,199
Deferred tax asset	69	73
Total long-term prepayments	**985**	**1,272**

Note 9 Inventories

in thousands of euros

	31.12.2011	31.12.2010
Goods purchased for resale	37,233	37,251
Passenger cars purchased for resale	3,561	1,100
Raw materials and materials	784	664
Prepayment for goods	395	370
Total inventories	**41,973**	**39,385**

The income statement line "Materials, consumables used and services" includes the allowances and write-off expenses of inventories and inventory stocktaking deficit as follows:

in thousands of euros

	2011	2010
Write-down and write-off of inventories	4,640	3,576
Inventory stocktaking deficit	1,678	1,656
Total materials and consumables used	**6,318**	**5,232**

The basis for inventory impairment is their aging structure and in case of fashion goods, the seasonality. The carrying amount of inventories is adjusted through the allowance account. As of 31 December 2011, the allowance account amounted to 1,003 thousand euros (31.12.2010: 1,635 thousand euros).

Group's materials, consumables used and services cost in 2011 amounted 321,503 thousand euros (2010: 304,918 thousand euros). Group recognises as the "Cost of materials, consumables used and services" the cost of purchased passenger cars, food and industrial goods, packing material, cost of finished goods, logistics and transportation, discount and write off of goods sold.

Inventories have been pledged as part of the commercial pledge; information on pledged assets is disclosed in Note 30.

Note 10 Group structure

Tallinna Kaubamaja Group consists of:

Name	Location	Area of activity	Ownership 31.12.2011 and 31.12.2010	Year of acquisition
Selver AS	Tallinn Pärnu mnt. 238	Retail trade	100%	1996
AS Tartu Kaubamaja	Tartu Riia 2	Retail trade	100%	1996
Tallinna Kaubamaja Kinnisvara AS	Tallinn Gonsiori 2	Real estate management	100%	1999
OptiGroup Invest OÜ	Tallinn Gonsiori 2	Commercial and finance activities	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 Automobile SIA	Riga Pulkeveza Brieza 31	Retail trade	100%	2007
KIA Auto UAB	Vilnius, Perkunkiemio g.2	Retail trade	100%	2007
TKM Beauty OÜ	Tallinn Gonsiori 2	Retail trade	100%	2007
TKM Beauty Eesti OÜ	Tallinn Gonsiori 2	Retail trade	100%	2007
AS ABC King	Tallinn Pärnu mnt. 139E	Retail trade	100%	2008
ABC King SIA	Riga Ieriku iela 3	Retail trade	100%	2008
OÜ Suurtüki NK	Tallinn Ehitajate tee 110	Retail trade	100%	2008
SIA Suurtuki	Riga Ieriku iela 3	Retail trade	100%	2008
Tartu Kaubamaja Kinnisvara OÜ	Tartu Riia 1	Real estate management	100%	2004
SIA TKM Latvia	Riga Ieriku iela 3	Real estate management	100%	2006
SIA Selver Latvija	Riga Ieriku iela 3	Retail trade	100%	2006

In 2010 and 2011, there were no business combinations.

Note 11 Investments in associates

in thousands of euros

Tallinna Kaubamaja AS has ownership of 50% (2010: 50%) interest in the entity AS Rävala Parkla which provides the services of a parking house in Tallinn.

	31.12.2011	31.12.2010
Investment in the associate at the beginning of the year	**1,504**	**1,299**
Profit for the reporting period under equity method	150	205
Dividends received	-104	0
Investment in the associate at the end of the year	**1,550**	**1,504**

Financial information about the associate Rävala Parkla AS (reflecting 100% of the associate):

	31.12.2011	31.12.2010
Assets	3,706	3,750
Liabilities	606	745
Revenue	425	499
Profit	300	410

Note 12 Other long-term receivables

in thousands of euros

	31.12.2011	31.12.2010
Other long-term receivables	56	141
Total other long-term receivables	**56**	**141**

Note 13 Investment property

in thousands of euros

	EUR
Carrying value as at 31.12.2010	**3,566**
Carrying value as at 31.12.2011	**3,566**

Investment property represents construction in progress. Determination of fair value is based on the expert opinion of a real estate expert, using a comparative method. Expert opinion has been adjusted by -10% which management believes is a fairer reflection of the fact that the detailed plan has not been approved yet.

In 2011 and 2010, the value of investment properties did not change.

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Note 14 Property, plant and equipment

in thousands of euros

	Land and buildings	Machinery and equipment	Other fixtures and fittings	Construc-tion in progress	Total
31.12.2009					
Cost or revalued amount	137,907	22,460	25,048	49,788	235,203
Accumulated depreciation	-18,567	-14,021	-16,699	-14,016	-63,303
Carrying value	**119,340**	**8,439**	**8,349**	**35,772**	**171,900**
Changes occurred in 2010					
Purchases and improvements	135	205	1,558	1,866	3,764
Reclassification	111	533	652	-1 296	0
Disposals	0	-33	-38	0	-71
Write-offs	-1	-29	-685	0	-715
Increase in value through revaluation reserve	10,771	0	0	0	10,771
Decline/increase in value through profit or loss	1,106	0	0	-1,056	50
Depreciation	-3,715	-3,089	-3,247	0	-10,051
Currency translation difference	-5	0	1	-6	-10
31.12.2010					
Cost or revalued amount	138,031	21,718	20,959	50,352	231,060
Accumulated depreciation	-10,290	-15,691	-14,369	-15,072	-55,422
Carrying value	**127,741**	**6,027**	**6,590**	**35,280**	**175,638**
Changes occurred in 2011					
Purchases and improvements	88	460	586	4,696	5,830
Reclassification	1,430	1,957	2,398	-5,785	0
Disposals	0	-38	-4	0	-42
Write-offs	0	-10	-74	0	-84
Depreciation	-4,048	-2,666	-2,828	0	-9,542
Currency translation difference	211	0	0	261	472
31.12.2011					
Cost or revalued amount	139,635	22,250	23,282	49,656	234,823
Accumulated depreciation	-14,213	-16,520	-16,614	-15,204	-62,551
Carrying value	**125,422**	**5,730**	**6,668**	**34,452**	**172,272**

Investments in non-current assets

In the reporting period, purchases of items of property, plant and equipment amounted to 5,830 thousand euros.

In the reporting period six Selver supermarkets were renovated by modernizing supermarkets' furniture and machinery. In Kaubamaja department fittings of sales departments were renovated. In the footwear trade, the launching of the store departments under the new SHU concept continued.

In the supermarket segment, the purchases of items of property, plant and equipment amounted to 4,136 thousand euros in the reporting period. In the first half of 2011 three Selver supermarkets were opened after modernization of furniture and machinery, total investment amounted to 2,236 thousand euros. In 2011 November three Selver stores were renovated. New equipment and fittings were purchased in the amount of 1,900 thousand euros. In addition, fittings were written off in the amount of 89 thousand euros in the reporting period.

In the accounting period, the size of the investment in Kaubamaja department was 823 thousand euros. In April new I.L.U. store was opened in Ülemiste Centre, investment amounted to 213 thousand euros. The fittings of sales areas, machinery and equipment were purchased in the amount of 610 thousand euros.

The investments in the accounting period were 205 thousand euros in the vehicle trade business segment and 206 thousand euros in the footwear segment (furniture purchased in connection with opening of new SHU and ABC King stores).

The real estate business segment investment was 460 thousand euros. Maintenance work for the rental space were capitalised in the amount of 353 thousand euros, purchased machinery and equipment amounted to 107 thousand euros.

In 2011 and 2010 Tallinna Kaubamaja group companies had no commitments to purchase fixed assets.

At the year-end 2011, the fair value of "Land and buildings" and recoverable amount of "Construction in progress" was assessed. The fair values of "Land and buildings" and the recoverable amounts of buildings under construction (based on the value in use) were determined based on management's judgment, using the estimates of certified independent real estate experts for determining the inputs to be used or the fair value of the items. The discounted cash flow model and market data (comparable transactions, rental income, etc.) were used both for determining fair values as well as recoverable amounts.

Estimation of fair value of "Land and buildings"

For estimating the value of "Land and buildings" located in Estonia, the valuations of a certified independent real estate expert were used in respect of 3 properties. The same expert also provided an expert opinion with regard to the discount and capitalisation rates in respect of 11 properties. The estimates were prepared internally using these inputs, applying the discounted cash flow model. The discount rates used for estimation were 9.0% -12.5% (2010: 9.0% - 13.0%) depending on the location of the property and the rental growth rates were 1% - 2.5% (2010: 0% - 1.0%). For the purpose of estimating the value of "Land and buildings", the rental agreements in force have been used for determining the input of the rental price, which management believes correspond to the market conditions. Management estimated the fair value of the remaining items of "Land and buildings" on the basis of the replacement cost method and determined that their fair value approximates their carrying amount.

For the purpose of estimating the value of "Land and buildings" located in Latvia as at 31.12.2011, the valuations of a certified independent real estate expert were used in respect of 4 completed properties, but they were adjusted by up to -15%. The adjustment was a result of applying similar inputs as for the remaining buildings under construction located in Latvia. The discount rate used for valuation was 11.3% (2010: 11.3%) and the growth rates of rental income were 1.0% - 1.5% (2010: 1.0% - 1.5%).

The values of land and buildings in Estonia assessed by the external evaluators and the management have generally increased due to the decrease in discount and capitalisation rate. The values of land and buildings in Latvia assessed by the external evaluators and the management were the same as in 2010.

Given the situation in global economy and the fact that the market treads water waiting for whatever comes next, which all influence market liquidity and investors` readiness to invest, the management has reached a conclusion, using the principle of prudence, that the values of investment property, land and buildings and construction-in-progress will not be changed based on this valuation.

Carrying amounts of "Land and buildings":

in thousands of euros	**31.12.2011**	**31.12.2010**
PPE items in Estonia, for which an expert opinion was provided	11,408	79,252
PPE items in Estonia, for which estimates were provided by experts in respect of discount and capitalisation rates	92,740	27,370
Remaining PPE items in Estonia	6,857	6,540
PPE items in Latvia for which an expert opinion was provided	14,417	14,579
Total	**125,422**	**127,741**

As a result of valuation, the items of "Land and buildings" located in Estonia were not adjusted upwards (in 2010 adjusted upwards in the amount of 11,181 thousand euros, of which 10,771 thousand euros was recognised through the revaluation reserve and 410 thousand euros through profit or loss). As a result of the valuation, the items of "Land and buildings" located in Latvia were not adjusted upwards (in 2010 adjusted upwards in the amount of 696 thousand euros through profit or loss).

Determination of fair values of buildings under construction

In accounting period, for determining the value of buildings under construction located in Estonia, the valuations of a certified independent real estate expert were used in respect of 3 items. The valuation for other item was determined internally. For valuation purposes, the discount rates used were 10.5%-13% (2010: 10.5%-13%) and the growth rate was 1.0% (2010: 1.0%). The buildings under construction located in Latvia were valued internally, based on the value in use. For valuation purposes, the discount rates used were 11.3%- 12.8% (2010: 11.3%-12.8%) depending on the location of the item, and the growth rates were 1.0% - 1.5% (2010: 1.0%-1.5%). For determining the investment value, the discounted cash flow method was used. The capitalisation rates of 9.8%-11.3% (2010: 9.8%-10.8%) provided by a certified expert were used for valuation. For determining the rental price and vacancy rate inputs, the rental price of the rental agreement concluded with an independent tenant and the vacancy rate of completed items provided by certified experts were used.

Carrying amounts of buildings under construction:

In thousands of euros	31.12.2011	31.12.2010
PPE items in Estonia, for which an expert opinion was provided	5,532	5,159
PPE items in Estonia for which an internal estimate was provided	9,594	9,647
PPE items in Latvia, for which an internal estimate was provided	17,998	17,736
Total	**33,124**	**32,542**

Based on the results of valuation, the values of building under construction were not adjusted (2010: the buildings under construction were written down in the amount of 277 thousand euros in Estonia and 779 thousand euros in Latvia).

Estimation of the recoverable amount of non-current assets

As at 31.12.2011 the recoverable amount of the non-current assets of I.L.U. cosmetics stores (carrying value: 1,219 thousand euros, in 2010: 1,249 thousand euros) was estimated. The recoverable amount is based on the value in use, determined on the basis of the future cash flow forecast for the next 5 years. The average growth rate of I.L.U. is estimated to be 11.2% in 2012-2016 (2010: 2012 – 2015 is estimated to be 7.2%). I.L.U. launched its operations in 2009 and also opened a store in the end of 2011. Hence, the average sales growth estimated is relatively significant. The sales growth was forecast on the basis of purchases made at the beauty departments of Tallinna and Tartu Kaubamaja as well as the sales per square meter. The discount rate applied is 6.5% (2010: 8.0%) and the future growth rate (after year 5) is 2%. No impairment loss was identified as a result of the impairment test.

Had the non-current assets been accounted for at cost, the carrying amount of revalued items of property, plant and equipment would have been as follows:

31.12.2011 90,398 thousand euros

31.12.2010 88,798 thousand euros

As at 31.12.2011 the cost of non-current assets with a zero carrying value was 17,844 thousand euros (2010: 16,413 thousand euros).

As at 31.12.2011, property, plant and equipment with the carrying value of 105,117 thousand euros (2010: 107,399 thousand euros) was used as collateral for the borrowings. More detailed information is disclosed in Note 30.

Information about non-current assets leased under finance lease terms is disclosed in Note 17.

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Note 15 Intangible assets

in thousands of euros

	Goodwill	Trademark	Beneficial contracts	Develop-ment expendi-ture	Total
31.12.2009					
Cost	7,298	3,508	1,080	19	11,905
Accumulated amortisation and impairment	-588	-349	-294	0	-1,231
Carrying value	**6,710**	**3,159**	**786**	**19**	**10,674**
Changes occurred in 2010					
Reclassification	0	1	0	-1	0
Amortisation	0	-234	-197	0	-431
31.12.2010					
Cost	7,298	3,509	1,080	18	11,905
Accumulated amortisation and impairment	-588	-583	-491	0	-1,662
Carrying value	**6,710**	**2,926**	**589**	**18**	**10,243**
Changes occurred in 2011					
Amortisation	0	-234	-196	-4	-434
31.12.2011					
Cost	7,298	3,509	1,080	18	11,905
Accumulated amortisation and impairment	-588	-817	-687	-4	-2,096
Carrying value	**6,710**	**2,692**	**393**	**14**	**9,809**

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 31.12.2011 is 11.5 years.

Impairment tests of goodwill and other intangible assets were carried out as of 31 December 2011 and 2010.

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

in thousands of euros	31.12.2011	31.12.2010
Car trade	3,156	3,156
Footwear trade	3,554	3,554

The recoverable amount (based on value in use) was determined on the basis of future cash flows for the next five years. In all units, except for Suurtüki SIA in footwear trade segment, it was evident that the present value of cash flows covers the value of goodwill and trademark as well as beneficial lease agreements and other assets related to the unit.

The value in use calculations are based on the following assumptions:

	Car trade		Footwear trade	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Operating profit margin during next 5 years	2.6%-6.8%	1.9% - 4.8%	1.8% - 3.9%	-3.0% - 0.7%
Discount rate	7.7%	7.1%	8.0%	6.7%
Sales growth during next 5 years	9% - 24%	15% - 23%	-0.4% - 4.9%	2% - 12.4%
Future growth rate*	2%	2%	2%	2%

**Future growth rate is estimated cash flow growth after the fifth year.*

Pre-tax discount rates have been used, reflecting the risks inherent in the respective segments. The weighted average growth rates used are based on the Group's experience and the estimates of the economic environment. The key assumptions used for calculating the value in use include the growth rate of sales volumes and the operating margin. As compared to the assumptions used for estimating the value in use in 2010, the assumptions used for 2011 factor in lower volatility of sales volumes due to the expected stabilisation of the economic environment in the upcoming years. Also operating profit margin has improved in relation with Group's ability to adopt with changes in economy.

In 2011, the car business showed a significant growth (50.4%). This will not be sustainable in near future although the sales of new cars in the Baltic countries have not yet reached the pre-recession level. While we expect to see the largest growth in the following year (23.7%) due to a lower reference base, thereafter the annual sales growth will decline down to 9%. The five year average sales growth in the car business is estimated to be 14.5% (7.3% in 2010).

In the footwear segment, 2011 was marked by the full transition of Suurtüki and Stepper stores to the new and successfully launched SHU trademark. At the same time, some ABC King stores have been temporarily closed for repositioning in 2012. Given the above, the five year average sales growth in the footwear segment is planned to be 3.3%. The gross profit margin in the footwear business recoverable amount tests is 2.9% (-0.5% in 2010) on an average, whereas the plan is to earn gross profit in 2012 (it was planned to earn profit in 2014 according to the test made in 2010). The gross profit has improved due to the closedown of inefficient stores.

Management estimates that the assumptions used in the impairment test are realistic and rather conservative. If the following changes were to occur in the assumptions used in the impairment test, the recoverable amount would equal the carrying amount:

	Car trade		**Footwear trade**	
	31.12.2011	**31.12.2010**	**31.12.2011**	**31.12.2010**
Difference between the carrying amount and recoverable amount of the cash generating unit (in thousands of euros)	11,907	15,246	6,410	2,302
Reasonably possible change in the assumptions, which would cause the recoverable amount to be equal to the carrying amount:				
Decrease in the average sales growth	-52.9%	-31.9%	-41.2%	-6.7%
Decrease of the average operating profit margin	-2.08 pp	-2.88 pp	-2.45 pp	-0.66 pp

Note 16 Interest bearing borrowings

in thousands of euros

	31.12.2011	**31.12.2010**
Long-term borrowings		
Bank loans	55,399	63,610
Finance lease liability (Note 17)	3	132
Other borrowings	189	102
Total long-term borrowings	**55,591**	**63,844**

in thousands of euros

	31.12.2011	**31.12.2010**
Short-term borrowings		
Overdraft	295	145
Bank loans	10,378	16,805
Finance lease liability (Note 17)	128	407
Other borrowings	460	278
Total short-term borrowings	**11,261**	**17,635**
Total borrowings	**66,852**	**81,479**

Borrowings received

in thousands of euros

	2011	2010
Overdraft	150	0
Bank loans	16,555	7,048
Finance lease liability	0	13
Other borrowings	1,651	765
Total borrowings received	**18,356**	**7,826**

Borrowings paid

in thousands of euros

	2011	2010
Bank loans	31,193	22,377
Finance lease liability	408	400
Other borrowings	1,382	819
Total borrowings paid	**32,983**	**23,596**

Bank loans and finance lease liabilities are denominated in euros. Information on pledged assets is disclosed in Note 30.

As of 31.12.2011, the repayment dates of bank loans are between 8.03.2012 and 30.08.2018 (2010: between 7.05.2011 and 30.08.2018), interest is tied both to 3-month and 6-month EURIBOR as well as EONIA. Weighted average interest rate was 2.61% (2010: 2.29%).

Note 17 Finance and operating lease

Group as the lessee –finance lease agreements

The Group leases buildings under finance lease terms with the carrying amount of 91 thousand euros as of 31.12.2011 (2010: 364 thousand euros), machinery with the carrying amount of 6 thousand euros (2010: 12 thousand euros) and fittings with the carrying amount of 0 euros (2010: 44 thousand euros).

in thousands of euros

	31.12.2011	31.12.2010
due in less than 1 year	130	431
due between 1 and 5 years	3	134
Total	**133**	**565**
Future interest expense	-2	-26
Present value of lease payments (Note 16)	**131**	**539**
Present value of lease payments		
due in less than 1 year	128	407
due between 1 and 5 years	3	132
Total (Note 16)	**131**	**539**

The Group leases 3500 m2 commercial premises at Papiniidu 42, Pärnu under finance lease terms. The lease term is valid from the conclusion of the agreement until 2012. The agreement can be terminated prematurely by a written notice one month in advance. Upon the expiration of the agreement, the lessee has the right of renewal before other persons.

Subleases of buildings leased under finance lease terms

Future minimum lease payments under non-cancellable subleases:

in thousands of euros	31.12.2011	31.12.2010
due in less than 1 year	1	37
due between 1 and 5 years	0	1
Total	**1**	**38**

Group is the lessee – operating lease agreements

Operating lease expenses include the costs for leasing retail premises. Information about the rental expenses in the reporting period is disclosed in Note 25.

Future minimum lease payments under non-cancellable operating leases:

in thousands of euros	31.12.2011	31.12.2010
due in less than 1 year	18,699	23,051
due between 1 and 5 years	54,008	54,665
due after 5 years	63,160	60,077
Total	**135,867**	**137,793**

Future minimum lease payments under non-cancellable operating leases have been calculated taking into consideration non-cancellable periods of lease agreements and the growth of lease payments according to the terms and conditions set in agreements.

Operating lease agreements do not specify purchase options. Operating lease agreements contain a clause that rental prices are reviewed once a year according to the market situation or rental prices increase according to the percentage set in contracts.

The lease agreements of the Group as the lessee form the basis for one of its core activities – operation of stores. Therefore, the Group assumes that it will not terminate its lease agreements even if the conditions of agreements allow it under certain circumstances prior to the expiry of the agreement. Due to this, all lease agreements concluded for a specified term have been considered as non-cancellable agreements.

Subleases of buildings leased under operating lease terms:

Future minimum lease payments under non-cancellable subleases:

in thousands of euros	31.12.2011	31.12.2010
due in less than 1 year	1,129	1,002
due between 1 and 5 years	1,983	1,848
due after 5 years	566	156
Total	**3,678**	**3,006**

Group as the lessor

Operating lease

Rental income received is made up of income received for the leasing out of premises.

Future minimum lease payments under non-cancellable operating leases (other than the sublease payments mentioned above):

in thousands of euros	31.12.2011	31.12.2010
due in less than 1 year	2,540	2,251
due between 1 and 5 years	6,135	7,407
Total	**8,675**	**9,658**

Most lease agreements have concluded for the term of 7 to 10 years and the changes in lease term and conditions are renegotiated before the end of the lease term. Lease agreements with no specified term are expected to be valid for at least 5 years from the conclusion of the agreement and are cancellable with a 1-3 month advance notice.

Note 18 Trade payables

in thousands of euros

	31.12.2011	31.12.2010
Trade payables	43,957	37,246
Payables to related parties (Note 31)	2,462	3,131
Total trade payables	**46,419**	**40,377**

Note 19 Taxes payable

in thousands of euros

	31.12.2011	31.12.2010
Value added tax	2,270	2,069
Sales tax	595	547
Personal income tax	609	578
Social security taxes	1,335	1,281
Corporate income tax	21	19
Unemployment insurance	156	150
Mandatory funded pension	52	33
Total tax liabilities	**5,038**	**4,677**

Note 20 Other short-term payables

in thousands of euros

	31.12.2011	31.12.2010
Employee payables	3,124	3,524
Interest payable	37	38
Other accrued expenses	254	29
Prepayments	207	573
Prepayments by tenants	867	488
Total other short-term payables	**4,489**	**4,652**

Note 21 Provisions

in thousands of euros

	31.12.2011	31.12.2010
Short-term provisions	135	127
Long-term provisions	73	88
Total provisions	**208**	**215**

Short-term and long-term provisions represent warranty provisions related to footwear and vehicle trade.

Note 22 Share capital

As of 31.12.2011, the share capital in the amount of 24,438 thousand euros consisted of 40,729,200 ordinary shares with the nominal value of 0.60 euros per share (as of 31.12.2010, the share capital in the amount to 26,031 thousand euros consisted of 40,729,200 ordinary shares with the nominal value of 0.64 euros per share). All shares issued have been paid for. According to the articles of association, the maximum allowed number of shares is 162,916,800 shares. In 2011, dividends were paid shareholders in the amount of 11,404 thousand euros (2010: 1,693 thousand euros), or 0.28 euros per share (2010: 0.04 euros per share), and income tax on dividends totalled 3,031 thousand euros (2010: 450 thousand euros).

The general meeting decided to convert the share capital of AS Tallinna Kaubamaja and the nominal value of the shares into euros as on 1 January 2011, the Republic of Estonia joined the Euro area. In order to undertake the conversion of the share capital from kroons into euros, the general meeting decided to decrease the share capital by 1,593 thousand euros. The new amount of the share capital of AS Tallinna Kaubamaja is 24,438 thousand euros. No payments to the shareholders were made. Decrease of the share capital in the amount of 1,593 thousand euros was transferred to retained earnings. Simultaneously with the conversion of the share capital of AS Tallinna Kaubamaja into euros, the general meeting resolved to undertake the conversion of the present nominal value of 10 kroons into euros and decrease the nominal value by 0.04 euros for each share. The new nominal value of the share shall be 0.60 euro.

Information about contingent income tax liability which would arise from the distribution of retained earnings is disclosed in Note 34.

Note 23 Segment reporting

The Group has defined the business segments based on the reports used regularly by the supervisory board to make strategic decisions.

The chief operating decision maker monitors the operating activities by activities. With regard to areas of activity, the operating activities are monitored in the department store, supermarket, real estate, car trade, footwear trade, beauty products (I.L.U.) and security segments. The measures of I.L.U. and security segment are below the quantitative criteria of the reporting segment specified in IFRS 8; these segments have been aggregated with the department store segment because they have similar economic characteristics and are similar in other respects specified in IFRS 8.

The main area of activity of department stores, supermarkets, footwear trade and car trade is retail trade. Supermarkets focus on the sale of foodstuffs and convenience goods, the department stores on the sale of beauty and fashion products, the car trade on the sale of cars and spare parts to cars. In the car trade segment, cars are sold at wholesale prices to authorised car dealers. In the footwear trade segment, footwear is sold at wholesale prices to family markets. The share of wholesale trade in other segments is insignificant. The real estate segment deals with the management and maintenance of real estate owned by the Group, and with the rental of commercial premises.

The activities of the Group are carried out in Estonia, Latvia and Lithuania. The Group operates in all the five operating segments in Estonia. The Company is engaged in footwear trade, car trade and retail trade in supermarkets and real estate development in Latvia; and in car trade in Lithuania.

The disclosures of financial information correspond to the information that is periodically reported to the Supervisory Board. Measures of income statement, segment assets and liabilities have been measured in accordance with accounting policies used in the preparation of the financial statements.

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in thousands of euros

2011	Department store	Super markets	Real estate	Car trade	Footwear trade	Inter-segment transactions	Total segments
External revenue	**80,522**	**317,871**	**2,796**	**20,776**	**14,012**	**0**	**435,977**
Inter-segment revenue	1,324	834	8,086	16	468	-10,728	0
Total revenue	81,846	318,705	10,882	20,792	14,480	-10,728	435,977
Operating profit	**2,463**	**13,921**	**8,095**	**1,537**	**57**	0	**26,073**
Finance income (Note 28)	1,014	169	92	0	1	-1,029	247
Finance income on shares of associates	150	0	0	0	0	0	150
Finance costs (Note 28)	-869	-23	-1,555	-237	-242	1,029	-1,897
Corporate income tax* (Note 22)	0	-3,031	0	-4	0	0	-3,035
Net profit	**2,758**	**11,036**	**6,632**	**1,296**	**-184**	0	**21,538**
incl. in Estonia	2,758	13,371	6,077	1,368	-99	0	23,475
incl. in Latvia	0	-2,335	555	-101	-85	0	-1,966
incl. in Lithuania	0	0	0	29	0	0	29
Segment assets	**160,219**	**67,488**	**158,892**	**11,127**	**11,907**	-147,167	**262,466**
Segment liabilities	**30,790**	**43,530**	**74,849**	**10,527**	**12,485**	-49,175	**123,006**
Segment investment in non-current assets (Note 14, 15)	823	4,136	460	205	206	0	5,830
Segment depreciation (Note 14, 15)	1,433	4,728	2,906	146	763	0	9,976

in thousands of euros

2010	Department store	Super markets	Real estate	Vehicle trade	Footwear trade	Inter-segment transactions	Total segments
External revenue	**74,644**	**308,860**	**2,766**	**12,913**	**13,480**	0	**412,663**
Inter-segment revenue	663	751	7,774	15	139	-9,342	0
Total revenue	75,307	309,611	10,540	12,928	13,619	-9,342	412,663
Operating profit	**976**	**9,255**	**8,262**	**381**	**-273**	**0**	**18,601**
Finance income (Note 28)	1,275	128	70	2	1	-1,178	298
Finance income on shares of associates	205	0	0	0	0	0	205
Finance costs (Note 28)	-1,103	-46	-1,645	-167	-225	1,178	-2,008
Corporate income tax* (Note 22)	0	-450	0	0	0	0	-450
Net profit	**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 (Note 14, 15)	1,994	915	279	24	552	0	3,764
Segment depreciation (Note 14, 15)	1,412	5,432	2,773	147	718	0	10,482
Impairment of non-current assets recognised in income statement (Note 14)	0	0	-50	0	0	0	-50

*- corporate income tax is allocated based on which subsidiary bears income tax expense on distribution of dividends.

External revenue according to types of goods and services sold

in thousands of euros

	2011	2010
Retail revenue	414,200	396,092
Wholesale revenue	8,074	3,537
Rental income	5,751	5,754
Services and catering revenue	7,952	7,280
Total revenue	**435,977**	**412,663**

External revenue by client location

in thousands of euros

	2011	2010
Estonia	427,049	406,157
Latvia	3,883	3,101
Lithuania	5,045	3,405
Total	**435,977**	**412,663**

Compared to 2010 Consolidated Annual Report presentation of revenue has been changed. In 2010 revenue amounted to 402,773 thousand euros, change 9,890 thousand euros and restated 2010 revenue amounted to 412,663 thousand euros.

Distribution of non-current assets* by location of assets

in thousands of euros

	31.12.2011	31.12.2010
Estonia	154,013	158,280
Latvia	32,482	32,361
Lithuania	193	219
Total	**186,688**	**190,860**

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

In the reporting period and comparable period, the Group did not have any clients whose revenue would exceed 10% of the Group's revenue.

Note 24 Other operating income

in thousands of euros

	2011	2010
Income from foreign currency translation	22	15
Profit from disposals of non-current assets	9	35
Other operating income*	389	645
Total other operating income	**420**	**695**

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

Compared to 2010 Consolidated Annual Report presentation of other operating income has been changed. In 2010 other operating income amounted to 13,116 thousand euros, change -12,421 thousand euros and restated 2010 other operating income amounted to 695 thousand euros.

Note 25 Other operating expenses

in thousands of euros

	2011	2010
Rental expenses	13,801	13,491
Operating costs	6,142	6,020
Advertising expenses	4,686	4,824
Bank expenses	3,055	3,107
Security costs	1,478	1,817
Heat and electricity expenses	6,119	6,107
Cost of sales materials	3,110	3,047
Computer and communication costs	2,434	2,023
Business trip expenses	373	321
Training expenses	150	163
Insurance expenses	74	81
Logistics expenses	757	654
Miscellaneous other operating expenses	2,174	2,187
Total other operating expenses	**44,353**	**43,842**

Compared to 2010 Consolidated Annual Report presentation of other operating expenses has been changed. In 2010 other operating expenses amounted to 44,301 thousand euros, change 459 thousand euros and restated 2010 other operating expenses amounted to 43,842 thousand euros.

Note 26 Staff costs

in thousands of euros

	2011	2010
Wages and salaries	25,515	25,956
Social security taxes	8,630	8,808
Total staff costs	**34,145**	**34,764**
Average wages per employee per month (euros)	695	679
Average number of employees in the reporting period	3,059	3,184

Staff costs also include accrued holiday pay as well as bonuses and termination benefits for 2011 but not yet paid.

Note 27 Other expenses

in thousands of euros

	2011	2010
Loss from disposal and writeoffs of property, plant and equipment	28	325
Foreign exchange losses	17	31
State fees, fines, penalties	15	35
Other expenses	287	410
Total other expenses	**347**	**801**

Compared to 2010 Consolidated Annual Report presentation of other expenses has been changed. In 2010 other expenses amounted to 840 thousand euros, change 39 thousand euros and restated 2010 other expenses amounted to 801 thousand euros.

Note 28 Finance income and costs

in thousands of euros

Finance income

	2011	2010
Interest income on cash and cash equivalents	41	60
Interest income on Partner credit card	114	123
Interest income on NGI Group's group account (Note 31)	91	106
Interest income on associate's loan	0	7
Other finance income	1	2
Total finance income	**247**	**298**

Finance costs

	2011	2010
Interest expense of bank loans	-1,765	-1,906
Interest expense of finance lease	-24	-51
Other finance costs*	-108	-51
Total finance costs	**-1,897**	**-2,008**

* Other finance costs consist of the fees for conclusion and changing of lease agreements and factoring agreements.

Note 29 Earnings per share

For calculating the basic earnings per share, the net profit to be distributed to the Parent's shareholders is divided by the weighted average number of ordinary shares in circulation. As the Company does not have potential ordinary shares, the diluted earnings per share equal basic earnings per share.

	2011	2010
Net profit (in thousands of euros)	21,538	16,646
Weighted average number of shares	40,729,200	40,729,200
Basic and diluted earnings per share (euros)	0.53	0.41

Note 30 Loan collateral and pledged assets

The loans of group entities have the following collateral with their carrying amounts:

in thousands of euros

	Carrying amount	
	31.12.2011	**31.12.2010**
Property, plant and equipment	105,117	107,399
Inventories	17,845	17,637
Financial assets	9,529	2,043

In addition, 100% of AS ABC King shares and 1 share of Suurtüki NK OÜ have been pledged as collateral.

Note 31 Related party transactions

in thousands of euros

In preparing the consolidated annual report of AS Tallinna Kaubamaja, the following parties have been considered as related parties:

a. owners (Parent and the persons controlling or having significant influence over the Parent);

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b. associates;
c. other entities in the Parent's consolidation group.
d. management and supervisory boards of Group companies;
e. close relatives of the persons described above and the entities under their control or significant influence.

Majority shareholder of Tallinna Kaubamaja AS is OÜ NG Investeeringud. Majority shareholder of OÜ NG Investeeringud is NG Kapital OÜ. NG Kapital OÜ is the ultimate controlling party of Tallinna Kaubamaja Group.

The Group of Tallinna Kaubamaja has purchased and sold goods, services and non-current assets as follows:

	Purchases 2011	Sales 2011	Purchases 2010	Sales 2010
Parent	289	98	283	120
Entities in the Parent's consolidation group	19,111	1,366	15,546	1,105
incl. property, plant and equipment	*1,523*	*2*	*831*	*19*
Associate	0	0	0	7
Members of management and supervisory boards	0	2	0	0
Other related parties	878	4	848	3
Total	**20,278**	**1,470**	**16,677**	**1,235**

A major part of the purchases from the entities in the Parent's consolidation group is made up of goods purchased for sale. Purchases from the Parent are mostly made up of management fees. Sales to related parties are mostly made up of services provided.

Balances with related parties:

	31.12.2011	31.12.2010
Interest receivable from Parent (Note 6)	11	0
Receivable from Parent (Note 7)	9,000	1,509
Receivables from entities in the in the Parent's consolidation group (Note 6)	93	135
Loan receivable from entities in the in the Parent's consolidation group (Note 7)	277	1,028
Sales bonuses receivable from entities in the in the Parent's consolidation group (Note 6)	124	103
Short-term loans to associate (Note 6)	0	1
Members of management and supervisory boards (Note 6)	2	0
Total receivables from related parties	**9,507**	**2,776**

	31.12.2011	31.12.2010
Parent	22	4
Entities in the Parent's consolidation group	2,378	3,107
Other related parties	62	20
Total liabilities to related parties (Note 18)	**2,462**	**3,131**

Receivables from and liabilities to related parties are unsecured and carry no interest because they have regular payment terms except receivable from the group account receivable.

Group account

For proving funding for its subsidiaries, the Group uses the group account, the members of which are most of the group entities. In its turn, this group as a subgroup has joined the contract of the group account of NG Investeeringud OÜ (hereinafter head group). From autumn 2001, Tallinna Kaubamaja Group has been keeping its available funds at the head group, earning interest income on its deposits. In 2011, Tallinna Kaubamaja Group earned interest income on its deposits of available funds in the amount of 91 thousand euros (2010: 106 thousand euros). In 2011, Tallinna Kaubamaja Group did not use or pay any interest to the head group in 2011 (2010: 0 thousand euros). As at 31.12.2011 Group deposited through parent company NG Investeeringud OÜ 9,000 thousand euros (2010: 0 euros) with interest rate 1.6% and with maturity up to 21 March 2012.

The average interest rate on available funds deposited to the group account of NG Investeeringud OÜ was 0.76% in the euro account (2010: 0.58% Estonian kroon, 0.18% euro). According to the group account contract, the Group's members are jointly responsible for the unpaid amount to the bank.

Remuneration paid to the members of the Management and Supervisory Board

Short term benefits to the management boards' members of Tallinna Kaubamaja Group for the reporting year including wages, social security taxes, bonuses and car expenses, amounted to 966 thousand euros (2010: 657 thousand euros). Short term benefits to supervisory boards' members of Tallinna Kaubamaja Group in reporting year including social taxes amounted to 218 thousand euros (2010: 217 thousand euros).

Note 32 Interests of the members of the Management and Supervisory Board

As of 31.12.2011, the following members of the Management and Supervisory Board own or represent the shares of Tallinna Kaubamaja AS:

Andres Järving	Represents 4,795,909 (11.78%) shares of Tallinna Kaubamaja AS
Jüri Käo	Represents 4,768,606 (11.71%) shares of Tallinna Kaubamaja AS
Enn Kunila	Represents 4,692,346 (11.52%) shares of Tallinna Kaubamaja AS
Raul Puusepp	Owns 10,002 (0,0246%) shares of Tallinna Kaubamaja AS

As of 31.12.2010, the following members of the Management and Supervisory Board own or represent the shares of Tallinna Kaubamaja AS:

Andres Järving	Represents 4,795,909 (11.78%) shares of Tallinna Kaubamaja AS
Jüri Käo	Represents 4,768,606 (11.71%) shares of Tallinna Kaubamaja AS
Enn Kunila	Represents 4,692,346 (11.52%) shares of Tallinna Kaubamaja AS
Raul Puusepp	Owns 10,002 (0,0246%) shares of Tallinna Kaubamaja AS

Note 33 Shareholders with more than 5% of the shares of Tallinna Kaubamaja AS

Shareholders	31.12.2011 Ownership interest	31.12.2010 Ownership interest
OÜ NG Investeeringud (Parent)	67.00%	67.00%
ING Luxembourg S.A.	6.92%	6.84%
Skandinaviska Enskilda Banken Ab	4.54%	6.03%

As of 31 December 2011, 68.75% of the shares (31 December 2010: 68.75%) of NG Investeeringud OÜ are owned by NG Kapital OÜ which is the ultimate controlling party of Tallinna Kaubamaja Group.

Note 34 Contingent liabilities

Contingent liability relating to income tax on dividends

As of 31 December 2011, the retained earnings of Tallinna Kaubamaja AS Group were 60,333 thousand euros (31 December 2010: 47,495 thousand euros). Payment of dividends to owners is accompanied by income tax expense 21/79 on the amount paid as net dividends. Hence, of the retained earnings existing as of the balance sheet date, the owners can be paid 47,663 thousand euros as dividends (31 December 2010: 37,521 thousand euros) and the payment of dividends would be accompanied by income tax on dividends in the amount of 12,670 thousand euros (31 December 2010: 9,974 thousand euros).

Contingent liabilities relating to bank loans

Regarding the loan agreements in the amount of 14,950 thousand euros, the borrower is required to satisfy certain financial ratios such as debt to EBITDA (EBITDA – earnings before interest, taxes, depreciation and amortisation) or debt-service coverage ratio (DSCR) pursuant to the terms and conditions of the loan agreement. As of the balance sheet date, 31 December 2011, there may have been a conflict in the levels established for financial covenants in the loan agreements concerning the amount of 3,219 thousand euros, but before the balance sheet date an agreement was reached with the banks under which a conflict in financial covenants shall not be deemed a violation of the loan agreement.

Contingent liabilities relating to the Tax Board

The tax authorities may at any time inspect the books and records of the Group within 6 years subsequent to the reported tax year, and may as a result of their inspection impose additional tax assessments and penalties. In 2010 and 2011 the tax authority did not conduct any tax audits. The management of the Group is not aware of any circumstances which may give rise to a potential material liability in this respect.

Note 35 Events after the balance sheet date

On 3 January 2012 Group entered into assigned loan agreement with Nordea Bank Estonian Branch in order to finance construction of new trade centre Saku Selver. On 8 February 2012 Group concluded contract to purchase property at Paldiski road 56 and 58.

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Note 36 Financial information of the Parent

The Parent's separate primary statements have been prepared in accordance with the Accounting Act of Estonia which are not separate financial statements in the meaning of IAS 27 *Consolidated and Separate Financial Statements*.

BALANCE SHEET

in thousands of euros

	31.12.2011	31.12.2010
ASSETS		
Current assets		
Cash and bank	475	5,688
Trade receivables	301	348
Other receivables and prepaid expenses	46,649	49,542
Inventories	12,088	11,899
Total current assets	**59,513**	**67,477**
Non-current assets		
Shares of subsidiaries	6,050	5,380
Share of associates	415	415
Other long-term receivables	5	0
Property, plant and equipment	2,956	3,537
Total non-current assets	**9,426**	**9,332**
TOTAL ASSETS	**68,939**	**76,809**
LIABILITIES AND EQUITY		
Current liabilities		
Borrowings	3,128	12,379
Trade payables	6,854	5,881
Other short-term payables and prepayments	2,719	2,357
Total current liabilities	**12,701**	**20,617**
Non-current liabilities		
Borrowings	13,497	16,605
Total non-current liabilities	**13,497**	**16,605**
TOTAL LIABILITIES	**26,198**	**37,222**
Equity		
Share capital	24,438	26,031
Statutory reserve capital	2,603	2,603
Retained earnings	15,700	10,953
TOTAL EQUITY	**42,741**	**39,587**
TOTAL LIABILITIES AND EQUITY	**68,939**	**76,809**

STATEMENT OF COMPREHENSIVE INCOME

in thousands of euros

	2011	2010
Revenue	78,141	72,373
Other operating income	51	1,837
Materials, consumables used and services	-52,185	-50,082
Other operating expenses	-13,043	-12,967
Staff costs	-8,895	-8,424
Depreciation and impairment	-1,153	-1,255
Other expenses	-93	-224
Operating profit	**2,823**	**1,258**
Interest income and expenses	250	221
Other finance income and costs	11,501	2,209
Total finance income and costs	**11,751**	**2,430**
NET PROFIT FOR THE FINANCIAL YEAR	**14,574**	**3,688**
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR	**14,574**	**3,688**
Basic and diluted earnings per share (euros)	0.36	0.09

CASH FLOW STATEMENT

in thousands of euros

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit	14,574	3,687
Adjustments:		
Interest expense	*868*	*1,092*
Interest income	*-1,111*	*-1,307*
Depreciation and impairment	*1,153*	*1,255*
Gain (loss) from sale and write-off of non-current assets	*1*	*13*
Dividend income	*-11,404*	*-1,692*
Change in inventories	-189	650
Change in receivables and prepayments related to operating activities	7,855	439
Change in liabilities and prepayments related to operating activities	1,333	-1,563
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	**13,080**	**2,574**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	-572	-1,612
Interest received	1,111	1,331
Change in the receivable of group account	-5,594	7,605
Repayments of loans granted to associates	0	133
Proceeds from sale of property, plant and equipment	0	5
Dividends received	11,404	1,692
TOTAL CASH FLOWS FROM INVESTING ACTIVITIES	**6,349**	**9,154**
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of borrowings	-12,360	-10,366
Interest paid	-878	-1,100
Dividends paid	-11,404	-1,692
TOTAL CASH FLOWS FROM FINANCING ACTIVITIES	**-24,642**	**-13,158**
TOTAL CASH FLOWS	**-5,213**	**-1,430**
Cash and cash equivalents at beginning of the period	5,688	7,118
Cash and cash equivalents at end of the period	475	5,688
Net increase/decrease in cash and cash equivalents	**-5,213**	**-1,430**

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STATEMENT OF CHANGES IN EQUITY

in thousands of euros

	Share capital	Statutory reserve capital	Retained earnings	Total
Balance as of 31.12.2009	**26,031**	**2,603**	**8,941**	**37,575**
Dividends paid	0	0	-1,692	-1,692
Profit for the reporting period	0	0	3,688	3,688
Balance as of 31.12.2010	**26,031**	**2,603**	**10,937**	**39,571**
Dividends paid	0	0	-11,404	-11,404
Profit for the reporting period	0	0	14,574	14,574
Decrease in share capital	-1,593	0	1,593	0
Balance as of 31.12.2011	**24,438**	**2,603**	**15,700**	**42,741**

The Parent's adjusted equity as of 31 December is as follows:

in thousands of euros

	31.12.2011	31.12.2010
Parent's unconsolidated equity	42,741	39,587
Value of subsidiaries, joint ventures and associates in the Parent's unconsolidated balance sheet	-6,465	-5,795
Value of subsidiaries, joint ventures and associates under the equity method	93,044	95,657
Adjusted unconsolidated equity	**129,320**	**129,449**

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INDEPENDENT AUDITOR'S REPORT

(Translation of the Estonian original)*

To the Shareholders of Tallinna Kaubamaja AS

We have audited the accompanying consolidated financial statements of Tallinna Kaubamaja AS and its subsidiaries, which comprise the consolidated statement of financial position as of 31 December 2011 and the consolidated statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management Board's Responsibility for the Consolidated Financial Statements

Management Board is responsible for the preparation, and true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Management Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Tallinna Kaubamaja AS and its subsidiaries as of 31 December 2011, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

AS PricewaterhouseCoopers

Ago Vilu
Auditor's Certificate No.325

Eva Jansen-Diener
Auditor's Certificate No.501

15 March 2012

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* *This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.*

PROFIT ALLOCATION PROPOSAL

The retained earnings of Tallinna Kaubamaja AS are:

Total retained earnings 31 December 2011	60,333 thousand euros

The Chairman of the Management Board of Tallinna Kaubamaja AS proposes to the General Meeting of Shareholders to pay dividends in the amount of 14,255 thousand euros out of retained earnings accumulated until 31 December 2011.

Raul Puusepp
Chairman

Tallinn, 15 March 2012

SIGNATURES OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD TO THE ANNUAL REPORT 2011

The supervisory board of Tallinna Kaubamaja AS has reviewed the 2011 consolidated annual report, prepared by the management board, consisting of the management report, the consolidated financial statements, the management board's profit allocation proposal and the independent auditor's report, and has approved the annual report for presentation on the annual general meeting.

Hereby we confirm the correctness of information presented in the consolidated annual report 2011 of Tallinna Kaubamaja AS:

Raul Puusepp
Chairman of the Management Board

Jüri Käo
Chairman of the Supervisory Board

Andres Järving
Member of the Supervisory Board

Enn Kunila
Member of the Supervisory Board

Meelis Milder
Member of the Supervisory Board

Gunnar Kraft
Member of the Supervisory Board

Tallinn, 16 March 2012

REVENUE ALLOCATION ACCORDING TO THE ESTONIAN CLASSIFICATION OF ECONOMIC ACTIVITIES (EMTAK)

The revenue of the Group's Parent is allocated according to the EMTAK codes as follows:

in thousands of euros per year

EMTAK code	Title of EMTAK Group	2011
47191	Other retail sales in non-specialised stores	78,141
	Total revenue	**78,141**