

# **TALLINNA KAUBAMAJA AS**

**Consolidated Interim Report  
of the First 3 months of 2011  
(unaudited)**

## Table of contents

MANAGEMENT REPORT .....	4
CONSOLIDATED FINANCIAL STATEMENTS .....	10
MANAGEMENT BOARD'S CONFIRMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS .....	10
CONSOLIDATED STATEMENT OF FINANCIAL POSITION .....	11
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME .....	12
CONSOLIDATED CASH FLOW STATEMENT .....	13
CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY .....	14
NOTES TO THE CONSOLIDATED INTERIM ACCOUNTS .....	15
<b>Note 1. Accounting Principles Followed upon Preparation of the Consolidated Interim Accounts</b> .....	15
<b>Note 2. Cash and Bank</b> .....	18
<b>Note 3. Trade Receivables</b> .....	18
<b>Note 4. Other Short Term Receivables</b> .....	18
<b>Note 5. Prepayments</b> .....	18
<b>Note 7. Shares in Subsidiaries</b> .....	19
<b>Note 8. Shares in Affiliates</b> .....	20
<b>Note 9. Other Long-term Receivables</b> .....	20
<b>Note 10. Investment property</b> .....	20
<b>Note 11. Tangible Fixed Assets</b> .....	21
<b>Note 12. Intangible Fixed Assets</b> .....	22
<b>Note 13. Interest bearing borrowings</b> .....	23
<b>Note 14. Financial Lease</b> .....	24
<b>Note 15. Taxes, other short- and long-term payables, and provisions</b> .....	24
<b>Note 16. Share Capital</b> .....	25
<b>Note 17. Segment Reporting</b> .....	25
<b>Note 18. Other operating income</b> .....	27
<b>Note 19. Other operating expenses</b> .....	27
<b>Note 20. Staff Costs</b> .....	27
<b>Note 21. Other expenses</b> .....	27
<b>Note 22. Finance income and costs</b> .....	28
<b>Note 23. Earnings per share</b> .....	28
<b>Note 24. Transactions with Related Parties</b> .....	28
<b>Note 25 Events after the balance sheet date</b> .....	30

## COMPANY PROFILE AND CONTACT DETAILS

The primary areas of activity of the companies of the Tallinna Kaubamaja AS Group include retail and wholesale trade and rental activities. The Tallinna Kaubamaja Group employs more than 3,250 employees.

The Company is listed on the Tallinn Stock Exchange.

Registered office:	Gonsiori 2, 10143 Tallinn Republic of Estonia
Registry code:	10223439
Beginning of financial year:	1 January 2011
End of financial year:	31 December 2011
Beginning of interim report period:	1 January 2011
End of interim report period:	31 March 2011
Auditor:	PricewaterhouseCoopers AS
Telephone:	372 667 3200
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## MANAGEMENT REPORT

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

### Management

In order to manage the Tallinna Kaubamaja AS the general meeting of the shareholders, held at least once in a year, elects supervisory board, which according to the articles of association may have 3 to 6 members. Members of the Tallinna Kaubamaja AS supervisory board are Jüri Kõo (chairman of the supervisory board), Andres Järving, Enn Kunila, Gunnar Kraft and Meelis Milder. Members of Tallinna Kaubamaja AS supervisory board are elected for three years. The mandates of current supervisory board members will expire: Andres Järving 20 May 2012, Jüri Kõo 20 May 2012, Enn Kunila 20 May 2012, Meelis Milder 20 May 2012 and Gunnar Kraft 20 May 2012. During the period between the general meetings the supervisory board plans actions of the company, organises management and accomplishes supervision over management actions. Regular supervisory board meetings are held at least 10 times in a year. In order to manage daily activities the supervisory board appoints member(s) of the management board of the Tallinna Kaubamaja AS in accordance with the Commercial Code. In order to elect a member of the management board, his or her consent is required. By the articles of association a member of the management board shall be elected for a specified term of three years. Extension of the term of office of a member of the management board shall not be decided earlier than one year before the planned date of expiry of the term of office, and not for a period longer than the maximum term of office prescribed by the articles of association. Currently the management board of Tallinna Kaubamaja AS has one member. The term of office of the management board member Raul Puusepp was extended on 23 February 2011 and his term of office expires on 6 March 2014.

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

### Company's structure

The following companies belong to the group as of March 31, 2011:

	Location	Shareholding as of 31.03.2011	Shareholding as of 31.12.2010
Selver AS	Estonia	100%	100%
AS Tartu Kaubamaja	Estonia	100%	100%
Tartu Kaubamaja Kinnisvara OÜ	Estonia	100%	100%
Tallinna Kaubamaja Kinnisvara AS	Estonia	100%	100%
SIA TKM Latvija	Latvia	100%	100%
Selver Latvia SIA	Latvia	100%	100%
OptiGroup Invest OÜ	Estonia	100%	100%
KIA Auto AS	Estonia	100%	100%
Ülemiste Autokeskus OÜ	Estonia	100%	100%
KIA Auto UAB	Lithuania	100%	100%
KIA Automobiles SIA	Latvia	100%	100%
OÜ TKM Beauty	Estonia	100%	100%
OÜ TKM Beauty Eesti	Estonia	100%	100%
OÜ Suurtüki NK	Estonia	100%	100%
SIA Suurtüki	Latvia	100%	100%
AS ABC King	Estonia	100%	100%
SIA ABC King	Latvia	100%	100%
Rävala Parkla AS	Estonia	50%	50%

Economic development

In the first quarter of 2011, the economy grew at the fastest pace of the past four years. According to the preliminary estimates of Statistics Estonia, the gross domestic product (GDP) of Estonia grew 8% year-on-year in the first quarter of 2011. In addition to the low reference base that affected the growth of GDP, the increased added value in the processing industry such as manufacturing radio, TV, communications equipment and devices and metal products also contributed to the growth. The added value mainly increased because of export. The unemployment rate that started to decrease quickly in the previous year, showed some growth in the first quarter, i.e. the unemployment rate had dropped to 13.6% by the end of 2010 but grew to 14.4% at the beginning of current year. The Consumer Prices Index showed a growth of 5.4% in the first three months. Food prices have spiked both globally and in Estonia, where food prices grew very steeply, 12.0% on average.

According to Statistics Estonia, the growth of the total volume of retail sales in current prices was 10.6% in the first quarter of 2011 in Estonia. The largest contribution to the growth in sales came from sales of vehicles and used goods. The retail sales in non-specialised stores (predominantly foodstuffs) increased 5.3% in the first three months of the year. According to the Estonian Institute of Economic Research, the Consumer Confidence Index did not grow in the first quarter of 2011 due to the pressures of price increase, and the sales forecast for durable goods still remains modest.

Economic results**FINANCIAL RATIOS 2010–2011**

	EUR		Change
	3 months 2011	3 months 2010	
Sales revenue (in millions)	96.1	93.9	2.4%
Operating profit/loss (in millions)	1.9	0.0	
Net profit/loss (in millions)	1.6	-0.4	
Return on equity (ROE)	1.2%	-0.4%	
Return on assets (ROA)	0.6%	-0.2%	
Net profit margin	1.65%	-0.40%	
Gross profit margin	24.58%	24.07%	
Quick ratio	1.06	0.94	
Debt ratio	0.50	0.59	
Sales revenue per employee (in millions)	0.03	0.03	
Inventory turnover	2.34	2.24	
<b>SHARE</b>			
Average number of shares (1000 pcs)	40,729	40,729	
Equity capital per share (EUR/share)	3.20	2.52	
Share's closing price (EUR/share)	6.63	5.18	
Earnings per share (EUR/share)	0.04	-0.01	
Average number of employees	3,251	3,308	
Return on equity (ROE)	= Net profit / Average owners' equity * 100%		
Return on assets (ROA)	= Net profit / Average total assets * 100%		
Sales revenue per employee	= Sales revenue / Average number of employees		
Inventory turnover (multiplier)	= Cost of goods sold / inventories		
Net profit margin	= Net profit / Sales revenue * 100%		
Gross profit margin	= (Sales revenue - Cost of goods sold) / Sales revenue		
Quick ratio	= Current assets / Current liabilities		
Debt ratio	= Total liabilities / Balance sheet total		

The consolidated unaudited sales revenue of the Tallinna Kaubamaja Group, generated in the first quarter of 2011, was 96.1 million euros. The sales revenue of the Group was 93.9 million euros in the reference period of 2010, up by 2.4% year-on-year. The profit earned in the reporting period was 1.6 million euros. The loss sustained in the first quarter of 2010 was 0.4 million euros.

The first quarter was stable for the Group. The sales revenue grew in all the Group's retail trade segments. Decrease in the volume of consumption due to fears for euro was smaller than was presumed in the beginning of the year, whereas a growth in prices due to the growth in raw material prices has put pressure on the purchase prices of goods. One of the Group's focuses has been on efforts made to improve the assortment of goods so as to offer customers food and consumer goods at competitive prices and to make favourable offers in all groups of goods. More attention has been paid to developing the Group's own products that both SHU and Selver customers have accepted well, making it possible to offer products with a better price and quality ratio to customers. In the first quarter, the Group's own products accounted for 6% and 4% of the sales revenue in the footwear chain and in the Selver stores respectively. Continued attention is paid to the Group's operating expenses. The reorganisation of work processes completed in the second half of 2010 has enabled saving 5.8% in labour expenses in the first quarter year-on-year.

Starting from 01.01.2011, the Group changed its principles of sales revenue accounting according to which all regular revenues will be recognised as sales revenue. Before, certain regular revenues directly not related to main business operations were reported under the item of other operating income. The comparative data of 2010 are adjusted in compliance with the changed accounting principles. According to the changed accounting principles, the sales revenue of the first quarter in 2010 would have included additional 2.4 million euros.

On January 1st, the Group successfully started functioning with the new currency and coped with the challenging two-currency period without difficulties. In addition, the Group launched a new management accounting system on 1st January. The system covers the accounting of 8 Estonian companies of the Group and the main processes of the Kaubamaja business segment. The Stepper store in the Foorum centre was closed and the last Suurtüki store in the Ülemiste centre was replaced by another SHU store (already the 12th in Estonia) in April. In April, the fifth store of the I.L.U chain was opened in the Ülemiste centre in Tallinn.

On 31 of March 2011, the volume of assets of the Tallinna Kaubamaja Group was 295.7 million euros, a decline of 0.5 million euros or 0.2% compared to the end of 2010.

By the end of the reporting period, there were more than 435 thousand loyal customers, showing a yearly increase of 6.2%. The share of loyal customers in the business segment of department stores in the turnover was continuously high – 76%. More than 8,800 Partner Credit Cards had been issued by the end of the first quarter of 2011.

### Share market

Since 19 August 1997, the shares of AS Tallinna Kaubamaja have been listed in the main list of securities of the Tallinn Stock Exchange. Tallinna Kaubamaja AS has issued 40,729.2 thousand registered shares, each with the nominal value of 0.64 euros. Due to the norm stipulated by §223 (1) of the Commercial Code and by the norm stated in §223 (2) of the Commercial Code, and according to the resolution adopted by the annual General Meeting of shareholders of Tallinna Kaubamaja AS held on 28 April 2011 the share capital of the public limited company was reduced by 1,593 thousand euros to 24,438 thousand euro by reducing the nominal value of shares, and the nominal value of share was reduced by 4 cents to 60 cents (see Note 25). The shares are freely transferable, no statutory restrictions apply. There are no restrictions on transfer of securities to the company as provided by contracts between the company and its shareholders. We do not have information about contracts between the shareholders restricting the transfer of securities. NG Investeeringud OÜ has direct significant participation. Shares granting special rights to their owners have not been issued.

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

The share with a price of 6.21 euros at the end of 2010 was closed in late March at 6.63 euros, increased by 6.8% within the three months of the year.

According to the notice of regular annual general meeting of the shareholders published on 5 April 2011, the management board proposed to pay dividends 0.28 euros per share. The general meeting of shareholders approved it.

Share price and trading statistics on the Tallinn Stock Exchange from 01.01.2010 to 31.03.2011.

In euros



#### Department stores

The sales revenue of the department store business segment was 16.9 million euros in the first three months, an increase of 2.0% year-on-year. In the first three months, the sales revenue of department stores per one square metre of selling space was 0.66 thousand euros in a month, higher by 1.6% compared to the same period a year ago. The 2=3 campaign held in February had a positive effect on the sales revenue. The loss sustained by the department stores in the first quarter of 2011 was 0.7 million euros, an improvement of 0.05 million euros compared to the figures of the previous year. Kaubamaja was closed on 1 January 2011 due to the introduction of a new management accounting system; therefore, the seasonal discount campaign in January commenced a week later. Department store segment resulted in a smaller operating loss, improved by 0.07 million euros year-on-year.

In the first quarter of 2011, the sales revenue of OÜ TKM Beauty Eesti, which operates the I.L.U. cosmetics stores and is disclosed under Kaubamaja segment, was 0.6 million euros, increasing 27.2% year-on-year. Compared to the first quarter of the previous year, the I.L.U. chain opened a fourth store, located in the Kristiine centre in Tallinn, in September 2010. In April 2011, a fifth store belonging to the I.L.U. chain was opened in the Ülemiste centre in Tallinn. The net loss of the I.L.U. chain in the first quarter was 0.2 million euros, 0.05 million euros higher due to the expenses incurred in connection with the launch of a new store compared to the same period a year ago.

#### Selver supermarkets

The consolidated sales revenue of the supermarket business segment generated in the first quarter of 2011 was 72.2 million euros, growing 1.3% year-on-year. The average monthly consolidated sales revenue earned in the first quarter of 2011 per a square metre of selling space was 0.34 thousand euros in a month, which translates into a growth of 1.6% year-on-year. The sales revenue earned in the first three months of 2011 for comparable stores per a square metre of selling space in one month was 0.34 thousand euros, which means a growth of 0.9% year-on-year. In the first quarter of 2011, 7.7 million purchases were made in the Selver stores in Estonia, exceeding the figure of purchases made a year ago by 0.4%. The drivers behind the Selver stores' sales revenue earned in the first quarter are successful sales campaigns and continued work with the assortment of goods. The setback in consumption was more modest after the changeover to the euro than expected. A significant growth in food prices

in the country has had a great impact on the sales results bringing along a decrease in the volume of food sold. Compared to the previous year, the continued tightening of competition in retailing and the sales tax imposed in Tallinn has negatively affected the growth of the sales revenue. Selver did not generate any sales revenue from the sale of goods in Latvia due to the closing of stores in Latvia. The sales revenue earned in Latvia in 2010 was 10 thousand euros.

The consolidated net profit of the supermarket segment was 1.0 million euros in the first quarter of 2011, showing a growth of 1.7 million euros year-on-year. In the first quarter of 2011, the net profit earned in Estonia was 1.6 million euros, growing by 1.0 million euros from the profit of 0.6 million euro in the previous year. The net loss in Latvia was 0.6 million euros in the first quarter, decreasing by 0.7 million compared to the reference period. The economic activities in Latvia have been frozen. The profit growth in Estonia is the result of the introduction of multi-functional work organisation in the first half of 2010 and a decrease in depreciation cost.

Kadaka Selver, which had undergone a concept renewal and thorough repairs, was reopened on 21 April. The store was closed for trade for a month. The new store has altogether 4,592 m<sup>2</sup> of selling space. The new supermarket concept is more focused on fresh food and convenient and innovative solutions that save the customers' time. As the first in the Baltic region, Selver introduced a self-scanning technology as a new solution, enabling the customers to register the goods themselves and pay without a regular paying procedure at a manned cash register.

The chain of Selver stores comprises 35 stores and a central kitchen.

### Real Estate

The non-Group sales revenue of the real estate business segment was 0.7 million euros in the first quarter of 2011, growing 0.7% year-on-year. The segment earned a profit of 1.6 million euros in the reporting period, an improvement of 2.9% when compared to the figures of the period a year ago.

### Car Trade

The sales revenue of the vehicle trade segment without the intra-segment transactions was 3.8 million euros in the first quarter of 2011, exceeding the revenue generated in the same period last year by 31.4%. In the first quarter of 2011, altogether 4,258 passenger cars were sold in Estonia, which is 71% more than a year ago. Car sales grew strongly in all the Baltic States. In the first three months of the reporting year, a total of 202 cars were sold, which is 61 cars more than a year ago in the Group's car trade segment.

The net profit of the vehicle group was 0.2 million euros in the first quarter. A year ago, the car group sustained a loss of 0.02 million euros in the first three months of 2010. It is planned to launch three new models in the second half of the year: mini cars Picanto and Rio and the mid-range sedan Optima.

### Footwear trade

The sales revenue of the footwear business segment earned in the first quarter of 2011 was 2.6 million euros, growing by 3.0% compared to the same period of 2010. The loss earned in the first quarter was 0.6 million euros. The total loss in the footwear trade was 0.6 million euros in the first quarter of 2010. The main reasons for the loss were the seasonal discounts of winter goods and the final sales held in relation to the closing of the Suurtüki and Stepper stores.

Repositioning of footwear stores belonging to the Tallinna Kaubamaja AS was completed in the first quarter. During the repositioning, the Stepper store in the Foorum centre and the last Suurtüki store in the Ülemiste centre were closed. Instead of the Suurtüki store, the twelfth SHU store in Estonia was opened on 7th April. The Ülemiste SHU store is the largest store in the SHU footwear store chain.

The expansion of the SHU footwear store chain continued outside Tallinn in the second quarter with the opening of a store in the Rannarootsi shopping centre in Haapsalu. Of 26 stores belonging to the Group's two footwear store chains, 23 are located in Estonia and 3 in Latvia.

### Personnel

The average number of employees working for the Tallinna Kaubamaja Group was 3,251 in the first quarter of 2011, a decline of 1.7% year-on-year. The total personnel costs (cost of wages and social security taxes) were 8.1 million euros in the first three months of the year, decreasing 5.8% year-on-year. The average wage cost per employee in the first quarter declined 4.2% compared to the average wages in the first quarter of 2010.



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

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



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Raul Puusepp  
Chairman of the Management Board

Tallinn, 26<sup>th</sup> May 2011

## CONSOLIDATED FINANCIAL STATEMENTS

### MANAGEMENT BOARD'S CONFIRMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Chairman of the Management Board confirms the correctness and completeness of Tallinna Kaubamaja AS consolidated interim financial statements (unaudited) as at and for the period of first quarter 2011, presented on pages 10 to 30.

The Chairman of the Management Board confirms that:

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



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Raul Puusepp  
Chairman of the Management Board

Tallinn, 26<sup>th</sup> May 2011

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros

	Note	31.03.2011	31.12.2010
<b>ASSETS</b>			
Current assets			
Cash and bank	2	18,061	15,734
Trade receivables	3	4,842	6,082
Other short-term receivables	4	3,675	5,549
Prepaid and refundable taxes	5	105	349
Other prepayments	5	1,168	748
Inventories	6	41,005	39,385
<b>Total current assets</b>		<b>68,856</b>	<b>67,847</b>
Fixed assets			
Prepaid expenses	5	1,346	1,272
Shares in affiliated companies	8	1,559	1,504
Other long-term receivables	9	68	141
Investment property	10	3,566	3,566
Tangible fixed assets	11	174,177	175,638
Intangible fixed assets	12	3,425	3,533
Goodwill	12	6,710	6,710
<b>Total fixed assets</b>		<b>190,851</b>	<b>192,364</b>
<b>TOTAL ASSETS</b>		<b>259,707</b>	<b>260,211</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Borrowings	13,14	13,108	17,635
Prepayments received		612	573
Trade payables		43,635	40,377
Tax liabilities	15	3,599	4,677
Other current liabilities	15	4,194	4,079
Provisions	15	115	127
<b>Total current liabilities</b>		<b>65,263</b>	<b>67,468</b>
<b>Long-term liabilities</b>			
Borrowings	13,14	63,889	63,844
Provisions	15	82	88
<b>Total long-term liabilities</b>		<b>63,971</b>	<b>63,932</b>
<b>TOTAL LIABILITIES</b>		<b>129,234</b>	<b>131,400</b>
<b>Equity</b>			
Share capital	16	26,031	26,031
Statutory reserve capital		2,603	2,603
Revaluation reserve		53,030	53,308
Retained earnings		49,364	47,495
Currency translation differences		-555	-626
<b>TOTAL EQUITY</b>		<b>130,473</b>	<b>128,811</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>259,707</b>	<b>260,211</b>

The notes presented on pages 15 to 30 form an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

In thousands of euros

	<b>Note</b>	<b>3 months 2011</b>	<b>3 months 2010</b>
Revenue	17	96,140	93,888
Other operating income	18	83	155
Materials and consumables used	6	-72,505	-71,290
Other operating expenses	19	-11,197	-11,230
Staff costs	20	-8,120	-8,621
Depreciation and amortisation		-2,432	-2,705
Other expenses	21	-103	-222
<b>Operating profit/(-loss)</b>		<b>1,866</b>	<b>-25</b>
Financial income	22	76	83
Financial costs	22	-406	-476
Financial income on shares of associates		55	42
<b>Profit/(loss) before income tax</b>		<b>1,591</b>	<b>-376</b>
<b>Net profit (loss) for the reporting period</b>		<b>1,591</b>	<b>-376</b>
<b>Other comprehensive income/(loss)</b>			
Exchange differences		71	-17
<b>Other comprehensive income for the reporting period</b>		<b>71</b>	<b>-17</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE REPORTING PERIOD</b>		<b>1,662</b>	<b>-393</b>
Basic and diluted earnings per share	23	0.04	-0.01

The notes presented on pages 15 to 30 form an integral part of these consolidated financial statements.

**CONSOLIDATED CASH FLOW STATEMENT**

In thousands of euros

	Note	3 months 2011	3 months 2010
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net profit (loss)		1,591	-376
Adjustments:			
Interest expense	22	406	468
Interest income	22	-76	-83
Depreciation and amortisation	11,12	2,432	2,705
Profit/loss on sale and write-off of non-current assets		31	19
Effect of equity method	8	-55	-42
Change in inventories		-1,620	-2,528
Change in receivables and prepayments related to operating activities		2,647	2,776
Change in liabilities and prepayments related to operating activities		2,354	-274
<b>TOTAL CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>7,710</b>	<b>2,665</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>			
Purchase of property, plant and equipment (excl. finance lease)		-916	-948
Proceeds from sale of property, plant and equipment		23	23
Loan to group account		289	-55
Interest received		76	98
<b>TOTAL CASH FLOW FROM INVESTMENT ACTIVITIES</b>		<b>-528</b>	<b>-882</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Loans received	13	2,755	807
Repayments of loans received	13	-7,135	-4,564
Repayment of financial lease principal	13	-102	-104
Interest paid		-444	-520
<b>TOTAL CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>-4,926</b>	<b>-4,381</b>
<b>TOTAL CASH FLOW</b>		<b>2,256</b>	<b>-2,598</b>
Effect of exchange rate changes		71	-55
Cash and cash equivalents at the beginning of the period	2	15,734	14,296
Cash and cash equivalents at the end of the period	2	18,061	11,643
<b>Net change in cash and cash equivalents</b>		<b>2,327</b>	<b>-2,653</b>

The notes presented on pages 15 to 30 form an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

In thousands of euros

	Share capital	Mandatory reserve	Revaluation reserve	Retained earnings	Foreign currency translation	Total
<b>Balance as of 31.12.2009</b>	<b>26,031</b>	<b>2,603</b>	<b>43,075</b>	<b>32,004</b>	<b>-546</b>	<b>103,167</b>
Total comprehensive loss for the period	0	0	0	-376	-17	-393
Reclassification of depreciation of revalued land and buildings	0	0	-216	216	0	0
<b>Balance as of 31.03.2010</b>	<b>26,031</b>	<b>2,603</b>	<b>42,859</b>	<b>31,844</b>	<b>-563</b>	<b>102,774</b>
Total comprehensive income or loss for the 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
<b>Balance as of 31.12.2010</b>	<b>26,031</b>	<b>2,603</b>	<b>53,308</b>	<b>47,495</b>	<b>-626</b>	<b>128,811</b>
Total comprehensive income for the period	0	0	0	1,591	71	1,662
Reclassification of depreciation of revalued land and buildings	0	0	-278	278	0	0
<b>Balance as of 31.03.2011</b>	<b>26,031</b>	<b>2,603</b>	<b>53,030</b>	<b>49,364</b>	<b>-555</b>	<b>130,473</b>

The notes presented on pages 15 to 30 form an integral part of these consolidated financial statements.

## NOTES TO THE CONSOLIDATED INTERIM ACCOUNTS

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

#### General Information

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

#### Bases for Preparation

The Consolidated Interim Accounts of Tallinna Kaubamaja AS have been prepared in accordance with the International Financial Reporting Standard IAS 34 *Interim Financial Reporting* as adopted by the European Union. The consolidated interim financial statements do not contain all the information that has to be presented in the annual financial statements and they should be read in conjunction with the Group's consolidated financial statements as at and for the year ended 31 December 2010. The interim report has been prepared in accordance with the principal accounting policies applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2010 (excl. principles of sales revenue accounting).

The underlying currency of the consolidated Accounts is the European currency EUR. The Manager is of the opinion that the Interim Report of Tallinna Kaubamaja AS for the first quarter of 2011 gives a true and fair view of the Company's performance in accordance with the going-concern concept.

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

#### Changes in accounting policies and presentation

The accounting policies and presentation used in preparing these financial statements are the same as those used in preparing the last year's financial statements. In addition, the following new or amended standards or interpretations have been used:

- IAS 27, Consolidated and Separate Financial Statements. The revised IAS 27 requires an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (the previous standard required the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary has to be measured at its fair value. The implementation of amended standard has had no material impact on these financial statements.
- IFRS 3, Business Combinations. The revised IFRS 3 allows entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer has to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss for the year. Acquisition-related costs are accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer has to recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date are recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. The amended standard has had no impact on the Group's financial statements as no business combinations occurred in the current period.
- Improvements to International Financial Reporting Standards, issued in April 2009. The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: clarification that contributions of businesses in common control transactions and formation of joint ventures are not within the scope of IFRS 2; clarification of disclosure requirements set by IFRS 5 and other standards for non-current

assets (or disposal groups) classified as held for sale or discontinued operations; requiring to report a measure of total assets and liabilities for each reportable segment under IFRS 8 only if such amounts are regularly provided to the chief operating decision maker; amending IAS 1 to allow classification of certain liabilities settled by entity's own equity instruments as non-current; changing IAS 7 such that only expenditures that result in a recognised asset are eligible for classification as investing activities; allowing classification of certain long-term land leases as finance leases under IAS 17 even without transfer of ownership of the land at the end of the lease; providing additional guidance in IAS 18 for determining whether an entity acts as a principal or an agent; clarification in IAS 36 that a cash generating unit shall not be larger than an operating segment before aggregation; supplementing IAS 38 regarding measurement of fair value of intangible assets acquired in a business combination; amending IAS 39 (i) to include in its scope option contracts that could result in business combinations, (ii) to clarify the period of reclassifying gains or losses on cash flow hedging instruments from equity to profit or loss for the year and (iii) to state that a prepayment option is closely related to the host contract if upon exercise the borrower reimburses economic loss of the lender; amending IFRIC 9 to state that embedded derivatives in contracts acquired in common control transactions and formation of joint ventures are not within its scope; and removing the restriction in IFRIC 16 that hedging instruments may not be held by the foreign operation that itself is being hedged. The amendments did not have a material impact on these financial statements.

#### New accounting pronouncements and their interpretation

Following new or amended standards and interpretations that are not yet effective will be adopted by the Group after their commencement:

- IFRS 9, Financial Instruments Part 1: Classification and Measurement (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU). IFRS 9 issued in November 2009 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2009 to address the classification and measurement of financial liabilities. Key features are as follows:
  - Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
  - An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
  - All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
  - Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated as at fair value through profit or loss in other comprehensive income.

The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

- Amendment to IAS 24, Related Party Disclosures, issued in November 2009 (effective for annual periods beginning on or after 1 January 2011). The amended standard simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. The Group is currently assessing the impact of the amended standard on disclosures in its financial statements.
- Improvements to International Financial Reporting Standards, issued in May 2010 (effective dates vary standard by standard, most improvements are effective for annual periods beginning on or after 1 January 2011; the improvements have not yet been adopted by the EU). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IFRS 1 was amended (i) to allow previous GAAP carrying value to be used as deemed cost of an item of property, plant and equipment or an



intangible asset if that item was used in operations subject to rate regulation, (ii) to allow an event driven revaluation to be used as deemed cost of property, plant and equipment even if the revaluation occurs during a period covered by the first IFRS financial statements and (iii) to require a first-time adopter to explain changes in accounting policies or in the IFRS 1 exemptions between its first IFRS interim report and its first IFRS financial statements; IFRS 3 was amended (i) to require measurement at fair value (unless another measurement basis is required by other IFRS standards) of non-controlling interests that are not present ownership interest or do not entitle the holder to a proportionate share of net assets in the event of liquidation, (ii) to provide guidance on acquiree's share-based payment arrangements that were not replaced or were voluntarily replaced as a result of a business combination and (iii) to clarify that the contingent considerations from business combinations that occurred before the effective date of revised IFRS 3 (issued in January 2008) will be accounted for in accordance with the guidance in the previous version of IFRS 3; IFRS 7 was amended to clarify certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose carrying amount of renegotiated financial assets that would otherwise be past due or impaired, (iii) by replacing the requirement to disclose fair value of collateral by a more general requirement to disclose its financial effect, and (iv) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date and not the amount obtained during the reporting period; IAS 1 was amended to clarify that the components of the statement of changes in equity include profit or loss, other comprehensive income, total comprehensive income and transactions with owners and that an analysis of other comprehensive income by item may be presented in the notes; IAS 27 was amended by clarifying the transition rules for amendments to IAS 21, 28 and 31 made by the revised IAS 27 (as amended in January 2008); IAS 34 was amended to add additional examples of significant events and transactions requiring disclosure in a condensed interim financial report, including transfers between the levels of fair value hierarchy, changes in classification of financial assets or changes in business or economic environment that affect the fair values of the entity's financial instruments; and IFRIC 13 was amended to clarify measurement of fair value of award credits. The Group does not expect the amendments to have any material effect on its financial statements.

New or amended standards and interpretations that are not yet effective and not early adopted by the Group, and not expected to have a significant effect on the Group's financial statements:

- Classification of Rights Issues - Amendment to IAS 32, issued in October 2009, effective for annual periods beginning on or after 1 February 2010
- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments, effective for annual periods beginning on or after 1 July 2010
- Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14, effective for annual periods beginning on or after 1 January 2011
- Limited exemption from comparative IFRS 7 disclosures for first-time adopters - Amendment to IFRS 1, effective for annual periods beginning on or after 1 July 2010
- Disclosures—Transfers of Financial Assets – Amendments to IFRS 7, effective for annual periods beginning on or after 1 July 2011; not yet adopted by the EU
- Deferred Tax: Recovery of Underlying Assets – Amendment to IAS 12, effective for annual periods beginning on or after 1 January 2012; not yet adopted by the EU
- Severe hyperinflation and removal of fixed dates for first-time adopters – Amendment to IFRS 1, effective for annual periods beginning on or after 1 July 2011; not yet adopted by the EU.

Starting from 01.01.2011, the Group changed its principles of sales revenue accounting according to which all regular revenues will be recognised as sales revenue. Before, certain regular revenues directly not related to main business operations were reported under the item of other business revenues. The comparative data of 2010 are adjusted in compliance with the changed accounting principles. According to the changed accounting principles, the sales revenue of the first quarter in 2010 would have included additional 2,372 thousand euros.

**Note 2. Cash and Bank**

In thousands of euros

	31.03.2011	31.12.2010
Cash on hand	908	200
Bank accounts	16,708	14,000
Cash in transit	445	1,534
<b>Total cash and bank</b>	<b>18,061</b>	<b>15,734</b>

**Note 3. Trade Receivables**

In thousands of euros

	31.03.2011	31.12.2010
Trade receivables	4,160	4,849
Card payments	682	1,233
<b>Total trade receivables</b>	<b>4,842</b>	<b>6,082</b>

**Note 4. Other Short Term Receivables**

In thousands of euros

	31.03.2011	31.12.2010
Bonuses receivable from suppliers	1,217	2,666
Other short-term receivables from related parties (Note 24)	2,383	2,776
Other short-term receivables	75	107
<b>Total other short-term receivables</b>	<b>3,675</b>	<b>5,549</b>

**Note 5. Prepayments**

In thousands of euros

	31.03.2011	31.12.2010
Prepayment account of taxable entity	105	349
<b>Total tax prepayments and claims</b>	<b>105</b>	<b>349</b>
Prepaid rental expenses	38	399
Other prepaid expenses	1,130	349
<b>Total other short-term prepayments</b>	<b>1,168</b>	<b>748</b>
Prepaid rental expenses	1,346	1,272
<b>Total long-term prepayments</b>	<b>1,346</b>	<b>1,272</b>

**Note 6. Inventories**

In thousands of euros

	31.03.2011	31.12.2010
Goods purchased for resale	30,718	37,251
Passenger cars purchased for resale	9,421	1,100
Raw materials and materials	458	664
Prepayment for goods	408	370
<b>Total inventories</b>	<b>41,005</b>	<b>39,385</b>

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

	3 months 2011	3 months 2010
Write-down and write-off of inventories	558	749
Shortages of inventory stocktaking	239	160
<b>Total materials and consumables used</b>	<b>797</b>	<b>909</b>

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

#### Note 7. Shares in Subsidiaries

The Tallinna Kaubamaja Group incorporates:

Name of company	Location	Field of activity	Ownership 31 March 2011 and 31.12.2010	Year of acquisition
Selver AS	Tallinn, Pärnu mnt.238	Retail trade	100%	1996
SIA Selver Latvia	Riga, Ieriku 3	Retail trade	100%	2006
AS Tartu Kaubamaja	Tartu, Riga 2	Retail trade	100%	1996
TKM Beauty OÜ	Tallinn, Gonsiori 2	Retail trade	100%	2007
TKM Beauty Eesti OÜ	Tallinn, Gonsiori 2	Retail trade	100%	2007
OÜ Suurtüki NK	Tallinn, Ehitajate tee 110	Retail trade	100%	2008
SIA Suurtüki	Riga, Tomsona 30-86	Retail trade	100%	2008
AS ABC King	Tallinn, Pärnu rd 139E	Retail trade	100%	2008
ABC King SIA	Riga, Ieriku 3	Retail trade	100%	2008
OptiGroup Invest OÜ	Tallinn, Gonsiori 2	Trade and financing	100%	2007
KIA Auto AS	Tallinn, Ülemiste tee 1	Retail trade	100%	2007
Ülemiste Autokeskus OÜ	Tallinn, Ülemiste tee 1	Retail trade	100%	2007
KIA Automobiles SIA	Riga, Pulkeveza Brieza 31	Retail trade	100%	2007
KIA Auto UAB	Vilnius, Perkunkiemo g.2	Retail trade	100%	2007
Tallinna Kaubamaja Kinnisvara AS	Tallinn, Gonsiori 2	Real estate management	100%	1999
Tartu Kaubamaja Kinnisvara OÜ	Tartu, Riga 1	Real estate management	100%	2004
SIA TKM Latvija	Riga, Ieriku 3	Real estate management	100%	2006

**Note 8. Shares in Affiliates**

Tallinna Kaubamaja AS has a 50% (2010: 50%) holding in Rävåla Parkla AS which renders multi-storey car park services in Tallinn.

In thousands of euros

	31.03.2011	31.12.2010
<b>Investment in the associate at beginning of the year</b>	<b>1,504</b>	<b>1,299</b>
Profit for the reporting period under equity method	55	205
<b>Investment in the associate at end of the year</b>	<b>1,559</b>	<b>1,504</b>

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

	31.03.2011	31.12.2010
Assets	3,813	3,750
Liabilities	699	745
	<b>3 months 2011</b>	<b>3 months 2010</b>
Revenue	126	112
Profit	109	84

**Note 9. Other Long-term Receivables**

In thousands of euros

	31.03.2011	31.12.2010
Other long term receivables	68	141
<b>Total other long term receivables</b>	<b>68</b>	<b>141</b>

**Note 10. Investment property**

In thousands of euros

<b>Carrying value as at 01.01.2009</b>	
<b>Changes occurred in 2009</b>	
Reclassification	2,263
Gain from change in fair value upon reclassification	1,303
<b>Carrying value as at 31.12.2009</b>	<b>3,566</b>
<b>Carrying value as at 31.12.2010</b>	<b>3,566</b>
<b>Carrying value as at 31.03.2011</b>	<b>3,566</b>

**Note 11. Tangible Fixed Assets**

In thousands of euros

	Land and buildings	Machinery and equipment	Other equipment, fixtures and fittings	Prepayments for property, plant and equipment	Construction in progress	Total
<b>Changes in 2009</b>						
Purchases and improvements	1,445	4,147	2,418	1,592	2,447	12,049
Reclassification	10,102	1,700	207	-1,144	-13,128	-2,265
Sales	0	-18	-30	0	0	-48
Write-offs	-68	-2,593	-45	0	0	-2,708
Impairment loss	-4,247	-1,547	0	-293	-9,223	-15,310
Depreciation	-3,707	-3,836	-3,472	0	0	-11,015
Currency difference	-193	0	0	0	-224	-417
<b>31.12.2009</b>						
Acquisition or revaluated cost	137,907	22,460	25,048	2,362	47,426	235,203
Accumulated depreciation	-18,567	-14,021	-16,699	0	-14,016	-63,303
<b>Carrying amount</b>	<b>119,340</b>	<b>8,439</b>	<b>8,349</b>	<b>2,362</b>	<b>33,410</b>	<b>171,900</b>
<b>Changes occurred in 2010</b>						
Purchases and improvements	135	205	1,558	1,639	227	3,764
Reclassification	111	533	652	-1,263	-33	0
Sales	0	-33	-38	0	0	-71
Write-offs	-1	-29	-685	0	0	-715
Increase in value through revaluation reserve	10,771	0	0	0	0	10,771
Increase/ decrease in value through profit or loss	1,106	0	0	0	-1,056	50
Depreciation	-3,715	-3,089	-3,247	0	0	-10,051
Currency difference	-5	0	1	0	-6	-10
<b>31.12.2010</b>						
Cost or revalued amount	138,031	21,718	20,959	2,738	47,614	231,060
Accumulated depreciation and impairment losses	-10,290	-15,691	-14,369	0	-15,072	-55,422
<b>Carrying amount</b>	<b>127,741</b>	<b>6,027</b>	<b>6,590</b>	<b>2,738</b>	<b>32,542</b>	<b>175,638</b>
<b>Changes occurred in 2011</b>						
Purchases and improvements	4	150	52	674	36	916
Reclassification	0	131	193	-324	0	0
Sales	0	-29	-1	0	0	-30
Write downs	0	0	-24	0	0	-24
Depreciation	-968	-641	-715	0	0	-2,324
Currency difference	0	1	0	0	0	1
<b>31.03.2011</b>						
Cost or revalued amount	138,033	21,548	21,533	3,088	47,650	231,852
Accumulated depreciation and impairment losses	-11,256	-15,909	-15,438	0	-15,072	-57,675
<b>Carrying amount</b>	<b>126,777</b>	<b>5,639</b>	<b>6,095</b>	<b>3,088</b>	<b>32,578</b>	<b>174,177</b>

The cost of investments in the first quarter of 2011 was 916,000 euros.

In the accounting period, the size of the investment in the business segment of Kaubamaja was 226,000 euros. Advance payments in the sum of 118,000 euros had been made to obtain new software. The fittings of sales areas were renewed in the sum of 108,000 euros.

The cost of investments made in the first quarter of 2011 in the supermarket business segment was 576,000 euros. The Kadaka Selver with renewed fittings and a new solution was opened in April. In the accounting period, advance payments for the investments of Kadaka Selver had been made in the sum of 378,000 euros. Machines and devices were purchased for the Selver stores in the sum of 198,000 euros.

The cost of the real estate business segment investment was 56,000 euros. Among others, a new parking system costing 52,000 euros was employed in Tartu.

The cost of investments in the accounting period was 30,000 euros in the vehicle trade business segment and 28,000 euros in the footwear segment.

## Note 12. Intangible Fixed Assets

In thousands of euros

	Goodwill	Trademark	Beneficial contracts	Developing cost	Total
<b>31.12.2008</b>					
Cost	7,298	3,508	1,080	0	11,886
Accumulated depreciation and impairment losses	-300	-116	-98	0	-514
<b>Carrying amount</b>	<b>6,998</b>	<b>3,392</b>	<b>982</b>	<b>0</b>	<b>11,372</b>
<b>Changes occurred in 2009</b>					
Purchases and improvements	0	0	0	19	19
Depreciation	0	-233	-196	0	-429
Impairment losses	-288	0	0	0	-288
<b>31.12.2009</b>					
Cost	7,298	3,508	1,080	19	11,905
Accumulated depreciation and impairment losses	-588	-349	-294	0	-1,231
<b>Carrying amount</b>	<b>6,710</b>	<b>3,159</b>	<b>786</b>	<b>19</b>	<b>10,674</b>
<b>Changes occurred in 2010</b>					
Reclassification	0	1	0	-1	0
Depreciation	0	-234	-197	0	-431
<b>31.12.2010</b>					
Cost or revalued amount	7,298	3,509	1,080	18	11,905
Accumulated depreciation and impairment losses	-588	-583	-491	0	-1,662
<b>Carrying amount</b>	<b>6,710</b>	<b>2,926</b>	<b>589</b>	<b>18</b>	<b>10,243</b>
<b>Changes occurred in 2011</b>					
Depreciation	0	-58	-49	-1	-108
<b>31.03.2011</b>					
Cost or revalued amount	7,298	3,509	1,080	18	11,905
Accumulated depreciation and impairment losses	-588	-641	-540	-1	-1,770
<b>Carrying amount</b>	<b>6,710</b>	<b>2,868</b>	<b>540</b>	<b>17</b>	<b>10,135</b>

Under intangible assets is stated the goodwill related to acquisition of OptiGroup Invest OÜ, OÜ Suurtüki NK, SIA Suurtüki, AS ABC King and ABC King SIA as on 31.03.2011 in the amount of 6,710 thousand euros (2010: 6,710 thousand euros). Goodwill is initially reported at the acquisition cost thereof, which is the positive difference between the acquisition cost of the holding acquired and the fair value of the acquired assets, liabilities and contingent liabilities on the date of acquisition. In further reporting goodwill is measured at the acquisition cost thereof less possible discounts resulting from impairment. With regard to goodwill an impairment test is carried out at least once a year or more frequently if events or changed circumstances show that the book value of goodwill may have decreased.

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

	31.03.2011	31.12.2010
Car trade	3,156	3,156
Footwear trade	3,554	3,554

As a trademark, the Group has recognised the image of ABC King acquired in acquisition of footwear trade segment companies AS ABC King and SIA ABC King; the image contains a combination of the name, symbol and design together with recognition and preference by consumers. The remaining useful life of the trademark as at 31.03.2011 is 12.2 years.

### Note 13. Interest bearing borrowings

In thousands of euros

Group	31.03.2011	31.12.2010
<b>Long-term loans</b>		
Bank loans	63,610	63,610
Financial lease liability (Note 14)	132	132
Operational lease	147	102
	<b>63,889</b>	<b>63,844</b>
<b>Short-term loans</b>		
Overdraft	145	145
Bank loans	12,282	16,805
Financial lease liability (Note 14)	305	407
Operational lease	376	278
	<b>13,108</b>	<b>17,635</b>
<b>Total</b>	<b>76,997</b>	<b>81,479</b>

Borrowings received

in thousands of euros

	3 months 2011	3 months 2010
Bank loans	2,361	637
Other borrowings	394	170
<b>Total borrowings received</b>	<b>2,755</b>	<b>807</b>

Borrowings paid

in thousands of euros

	3 months 2011	3 months 2010
Bank loans	6,853	4,449
Finance lease liability	102	104
Other borrowings	282	115
<b>Total Borrowings paid</b>	<b>7,237</b>	<b>4,668</b>

As of 31.03.2011, the repayment dates of bank loans are between 7.05.2011 and 20.06.2018 (2010: between 31.03.2010 and 20.06.2018), the interest is linked to EURIBOR of 3 months and 6 months as well as EONIA. The weighted average interest rate was 2.382% (2010: 2.294%).

**Note 14. Financial Lease****Group as the lessee**

The Group leases buildings under finance lease terms:

In thousands of euros

	31.03.2011	31.12.2010
Acquisition cost	2,903	2,903
Accumulated depreciation	-2,456	-2,439
<b>Carrying amount</b>	<b>447</b>	<b>464</b>
	<b>31.03.2011</b>	<b>31.12.2010</b>
up to 1 year.	408	431
1-5 years	134	134
<b>Total</b>	<b>542</b>	<b>565</b>
Future interest expense	-105	-26
<b>Present value of lease payments (Note 13)</b>	<b>437</b>	<b>539</b>
	<b>31.03.2011</b>	<b>31.12.2010</b>
<b>Present value of lease payments</b>		
up to 1 year.	305	407
1-5 years	132	132
<b>Total (Note13)</b>	<b>437</b>	<b>539</b>

The Group leases on capital lease conditions premises at Papiniidu 42, Pärnu, with the operating area 3,500 m<sup>2</sup>. The agreement will end in 2012. The agreement can be prematurely terminated by notifying the other party thereof in writing one month in advance. The Group has the right of the renewal of agreement at the end of the term of validity of the agreement.

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

In thousands of euros

	31.03.2011	31.12.2010
Value added tax	1,162	2,589
Sales tax	464	27
Personal income tax	559	578
Social security taxes	1,223	1,281
Corporate Income tax on fringe benefits	4	19
Unemployment insurance	99	150
Mandatory funded pension	88	33
<b>Total tax liabilities</b>	<b>3,599</b>	<b>4,677</b>
Employee-payables	3,378	3,524
Interest payable	1	38
Other accrued expenses	20	29
Prepayments by tenants	795	488
<b>Total other short-term payables</b>	<b>4,194</b>	<b>4,079</b>
Short-term provisions	115	127
Long-term provisions	82	88
<b>Total provisions</b>	<b>197</b>	<b>215</b>

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



**Note 16. Share Capital**

As of 31 March, 2011 the share capital amounted to 26,031 thousand euros and was divided into 40,729,200 ordinary shares with a nominal value of 0.64 euros. Pursuant to the Articles of Association the maximum allowed number of ordinary shares is 162,916,800. The regular stockholders' meeting on 28.04.2011 decided to pay a dividend of 0.28 euros per stock totalling to 11,404 thousand euros (in 2010 0.04 euros totalling to 1,692 thousand euros).

**Note 17. Segment Reporting**

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

*Business Segments*

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

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

*Geographical Segments*

The Company's geographical segments are Estonia Latvia and Lithuania.

Upon presentation of geographical segments sales revenue is reported according to the location of clients; assets of the segments are reported according to the physical location of the assets and the liabilities are allocated based on the operations of the segment.

**Business Segment Report**

In thousands of euros

3 months 2011	Depart- ment stores	Super markets	Real estate	Car trade	Footwear retail	Transac- tions between segments	Total
<b>External revenue</b>	<b>16,863</b>	<b>72,161</b>	<b>706</b>	<b>3,839</b>	<b>2,571</b>	<b>0</b>	<b>96,140</b>
Inter-segment revenue	259	217	2,079	3	112	-2,670	0
Total revenue	17,122	72,378	2,785	3,842	2,683	-2,670	96,140
<b>Operating profit (loss)</b>	<b>-781</b>	<b>1,026</b>	<b>1,974</b>	<b>231</b>	<b>-584</b>	<b>0</b>	<b>1,866</b>
Financial income (Note 22)	65	11	0	0	0	0	76
Finance income on shares of associates	55	0	0	0	0	0	55
Financial expense (Note 22)	-150	-8	-199	-25	-24	0	-406
<b>Net profit (loss)</b>	<b>-656</b>	<b>1,050</b>	<b>1,641</b>	<b>192</b>	<b>-636</b>	<b>0</b>	<b>1,591</b>
incl. in Estonia	-656	1,636	1,430	248	-590	0	2,068
incl. in Latvia	0	-586	211	-33	-46	0	-454
incl. in Lithuania	0	0	0	-23	0	0	-23
<b>Segment assets</b>	<b>160,402</b>	<b>63,491</b>	<b>161,586</b>	<b>8,653</b>	<b>13,193</b>	<b>-147,618</b>	<b>259,707</b>
<b>Segment liabilities</b>	<b>39,209</b>	<b>38,120</b>	<b>83,016</b>	<b>9,779</b>	<b>14,770</b>	<b>-55,660</b>	<b>129,234</b>
Segment investment in non-current assets (Note 11, 12)	226	576	56	30	28	0	916
Depreciation (Note 11, 12)	332	1,153	717	38	192	0	2,432

In thousands of euros

3 months 2010	Department stores	Super markets	Real estate	Car trade	Footwear retail	Transactions between segments	Total
<b>External revenue</b>	<b>16,527</b>	<b>71,244</b>	<b>701</b>	<b>2,921</b>	<b>2,495</b>	0	<b>93,888</b>
Inter-segment revenue	223	187	1,923	5	27	-2,365	0
Total revenue	16,750	71,431	2,624	2,926	2,522	-2,365	93,888
<b>Operating profit (loss)</b>	<b>-855</b>	<b>-657</b>	<b>2,007</b>	<b>27</b>	<b>-547</b>	<b>0</b>	<b>-25</b>
Financial income (Note 22)	70	13	0	0	0	0	83
Finance income on shares of associates	42	0	0	0	0	0	42
Financial expense (Note 22)	-231	-14	-189	-17	-25	0	-476
<b>Net profit (loss)</b>	<b>-710</b>	<b>-625</b>	<b>1,594</b>	<b>-23</b>	<b>-612</b>	0	<b>-376</b>
incl. in Estonia	-710	632	1,524	30	-571	0	905
incl. in Latvia	0	-1,257	70	-37	-41	0	-1,265
incl. in Lithuania	0	0	0	-16	0	0	-16
<b>Segment assets</b>	<b>131,888</b>	<b>59,640</b>	<b>154,805</b>	<b>8,176</b>	<b>13,668</b>	<b>-118,315</b>	<b>249,862</b>
<b>Segment liabilities</b>	<b>49,352</b>	<b>43,106</b>	<b>93,732</b>	<b>9,786</b>	<b>16,520</b>	<b>-65,408</b>	<b>147,088</b>
Segment investment in non-current assets	516	114	178	5	135	0	948
Depreciation	379	1,437	681	37	171	0	2,705

**External revenue according to types of goods and services sold**

In thousands of euros

	3 months 2011	3 months 2010
Retail revenue	91,960	90,067
Wholesale revenue	1,148	671
Rental income	2,306	1,390
Services and catering revenue	726	1,760
<b>Total revenue</b>	<b>96,140</b>	<b>93,888</b>

**External revenue by client location**

In thousands of euros

	3 months 2011	3 months 2010
Estonia	94,278	91,762
Latvia	724	580
Lithuania	1,138	1,546
<b>Total</b>	<b>96,140</b>	<b>93,888</b>

**Distribution of non-current assets\* by location of assets**

In thousands of euros

	31.03.2011	31.12.2010
Estonia	156,778	158,246
Latvia	32,274	32,361
Lithuania	206	219
<b>Total</b>	<b>189,258</b>	<b>190,826</b>

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

**Note 18. Other operating income**

In thousands of euros

	3 months 2011	3 months 2010
Income from foreign currency translation	3	1
Revenue from non-current assets	0	11
Other operating income	80	143
<b>Total other operating income</b>	<b>83</b>	<b>155</b>

**Note 19. Other operating expenses**

In thousands of euros

	3 months 2011	3 months 2010
Rental expenses	3,434	3,618
Operating cost	1,527	1,378
Advertising expenses	1,138	1,259
Bank expenses	747	702
Security costs	414	460
Heat and electricity expenses	1,711	1,776
Costs of materials	692	645
Computer and postage costs	595	474
Business trip expenses	96	95
Training expenses	40	43
Insurance expenses	13	22
Logistics expenses	191	178
Miscellaneous other operating expenses	599	580
<b>Total other operating expenses</b>	<b>11,197</b>	<b>11,230</b>

**Note 20. Staff Costs**

In thousands of euros

	3 months 2011	3 months 2010
Wages and salaries	6,063	6,443
Social security tax	2,057	2,178
<b>Total staff costs</b>	<b>8,120</b>	<b>8,621</b>
Average wages per employee per month	622	649
Average number of employees in the reporting period	3,251	3,308

**Note 21. Other expenses**

In thousands of euros

	3 months 2011	3 months 2010
Loss from sale and liquidation of property plant and equipment	8	30
Foreign exchange losses	5	5
State fees fines penalties	2	38
Costs of entertaining guests	0	11
Other expenses	88	138
<b>Total other expenses</b>	<b>103</b>	<b>222</b>

**Note 22. Finance income and costs**

In thousands of euros

**Finance income**

	<b>3 months 2011</b>	<b>3 months 2010</b>
Interest income on cash and cash equivalents	13	18
Interest income on Partner Card	30	15
Interest income on NGI Group's account (Note 24)	32	47
Interest income on associate's loan	0	3
Other finance income	1	0
<b>Total finance income</b>	<b>76</b>	<b>83</b>

**Finance costs**

	<b>3 months 2011</b>	<b>3 months 2010</b>
Interest expense of bank loans	-381	-453
Interest expense of finance lease	-9	-15
Other finance costs*	-16	-8
<b>Total finance costs</b>	<b>-406</b>	<b>-476</b>

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

**Note 23. Earnings per share**

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

In thousands of euros

	<b>3 months 2011</b>	<b>3 months 2010</b>
Net profit (loss)	1,591	-376
Weighted average number of shares	40,729,200	40,729,200
Basic and diluted net profit (loss) per share	0.04	-0.01

**Note 24. Transactions with Related Parties**

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

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

Group has purchased and sold goods and rendered services as follows:

In thousands of euros

	<b>Purchases</b> <b>3 months of</b> <b>2011</b>	<b>Sales</b> <b>3 months of</b> <b>2011</b>	<b>Purchases</b> <b>3 months of</b> <b>2010</b>	<b>Sales</b> <b>3 months of</b> <b>2010</b>
Parent	68	32	47	47
Entities in the Parent's consolidation group	3,943	230	2,839	67
Associate	70	0	34	0
<b>Total</b>	<b>4,081</b>	<b>262</b>	<b>2,920</b>	<b>114</b>

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

#### Loans granted to associates:

In thousands of euros

	<b>31.03.2011</b>	<b>31.12.2010</b>
<b>Balance at beginning of the year</b>	<b>0</b>	<b>133</b>
Repayments of loans received	0	-133
<b>Balance at end of period</b>	<b>0</b>	<b>0</b>

#### Balances with related parties:

In thousands of euros

	<b>31.03.2011</b>	<b>31.12.2010</b>
Parent's interest payable (Note 4)	15	0
Parent's group account payable (Note 4)	1,220	1,509
Payables of entities in the in the Parent's consolidation group (Note 4)	1,148	1,163
Sales bonuses payable of entities in the in the Parent's consolidation group (Note 4)	0	103
Short-term loans to associate (Note 4)	0	1
<b>Total short-term receivables</b>	<b>2,383</b>	<b>2,776</b>
<b>Total receivables from related parties</b>	<b>2,383</b>	<b>2,776</b>

	<b>31.03.2011</b>	<b>31.12.2010</b>
Parent	29	4
Entities in the Parent's consolidation group	2,367	3,107
Other related parties	32	20
<b>Total liabilities to related parties</b>	<b>2,428</b>	<b>3,131</b>

A Group account agreement is in use enabling Group companies to use the Group's resources up to the limit established by the Parent company. The said Group as a subgroup has joined the NG Investeeringud OÜ group (hereinafter 'the Main Group') account agreement. Since the autumn of 2001 the Tallinna Kaubamaja Group has placed their available funds at the disposal of the Main Group earning interest income from the investment. During 3 months of 2011 the Tallinna Kaubamaja Group was earning 32 thousand euros (2010: 47 thousand euros) of interest revenue from keeping available funds in the group account. As of 31.03.2011 the Tallinna Kaubamaja Group has not used the main group's financial instruments nor has paid an interest for using the spare financial instruments. The average 3 months of 2011 interest rate payable on the use of the available funds of the NG Investeeringud OÜ group account was 0.3% (2010: 0.25). According to the group account agreement the members of the group bear solitarily liability for the amounts payable to the bank.

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

### **Remuneration paid to the members of the management and supervisory boards**

The remuneration paid to the members of the management boards of the entities of Tallinna Kaubamaja Group, including social security taxes, totalled 156 thousand euros in three months of 2011, (2010: 145 thousand euros) and the remuneration paid to the members of the supervisory boards totalled 54 thousand euros (2010: 50 thousand euros).

### **Note 25 Events after the balance sheet date**

Due to the norm stipulated by §223 (1) of the Commercial Code, the lowest nominal value of a share is 10 cents, and by the norm stated in §223 (2) of the Commercial Code, that if the nominal value of a share is higher than 10 cents, it shall be in multiples of 10 cents, and according to the resolution adopted by the annual General Meeting of shareholders of Tallinna Kaubamaja AS held on 28 April 2011 the share capital of the public limited company was reduced by 1,593 thousand EUR to 24,438 thousand EUR by reducing the nominal value of shares, and the nominal value of share was reduced by 4 cents to 60 cents.

In relation to reduction of the share capital, no payments were made to shareholders. The sum 1,593 thousand EUR formed in reduction of share capital, shall be added to the retained profits of the previous periods.