



## ABC GRUPI AS

### Consolidated Annual Report 2008

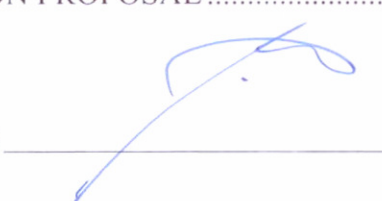
The primary areas of activity of the companies of the ABC Group include retail and wholesale trade. As of 31 December 2008, ABC Group employs 554 workers.

|   |   |
|---|---|
| Legal address:                                | Laki 25<br>12915 Tallinn<br>Republic of Estonia   |
| Commercial Register code:                     | 10419384  |
| Telephone:                                    | 6 505 505   |
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| Website:                                      | <a href="http://www.abc.ee">www.abc.ee</a>  |
| Beginning of financial year:                  | 01.01.2008  |
| End of financial year:                        | 31.12.2008  |
| Auditor:                                      | Rimess OÜ   |
| Banks:  | Swedbank AS<br>SEB Pank AS<br>Estonian Branch of AS UniCredit Bank<br>Branch of Nordea Pank   |
| Law offices:                                  | various law offices<br>Advokaadibüroo Aivar Pilv AS<br>Raidla Lejins & Norcoux Advokaadibüroo OÜ<br>Advokaadibüroo Glikman & Partnerid OÜ<br>Ülle Flaur |
| Lawyer:                                       |   |
| Subsidiaries and affiliates                   |   |
| Abestock AS                                   | Share capital: EEK 32 million<br>Ownership interest: 100%   |
| Agora Logistika AS                            | Share capital: EEK 6 million<br>Ownership interest: 100%  |
| Comarket AS                                   | Share capital: EEK 15.4 million<br>Ownership interest: 100%   |
| ABC Motors AS                                 | Share capital: EEK 7.5 million<br>Ownership interest: 100%  |
| Oma Varahalduse AS                            | Share capital: EEK 23.8 million<br>Ownership interest: 100%   |
| ABC Vara AS                                   | Share capital: EEK 10 million<br>Ownership interest: 1.8% direct and 98.2% indirect   |
| 6 PO AS (former business name ABC Telefon AS) | Share capital: EEK 400 thousand<br>Ownership interest: 100% indirect  |
| Modera Consulting OÜ                          | Share capital: EEK 400 thousand<br>Ownership interest: 100% indirect  |
| SuperSam OÜ                                   | Share capital: EEK 40 thousand<br>Ownership interest: 100%  |
| Vending Automaadid OÜ                         | Share capital: EEK 100 thousand<br>Ownership interest: 26%  |
| Modera Software AS                            | Share capital: EEK 400 thousand<br>Ownership interest: 50% indirect   |

The subsidiaries and affiliates have been registered in the Republic of Estonia.

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## MANAGEMENT REPORT

The primary areas of activity of companies belonging to ABC Grupi AS include retail and wholesale trade. The first half of 2008 was a period of stabilisation and efficiency for ABC Grupi AS.

Significant events of ABC Grupi AS in 2008 until the publication of the report were the following:

- Agora Logistika AS opened a new warehouse of 8,300 m<sup>2</sup>;
- Abestock AS started selling the Nestle desserts in Estonia;
- Comarket AS started up the first store in the Viimsi Shopping Centre with a sales area of more than 1,000 m<sup>2</sup>;
- Oma Varahalduse AS opened the first stage of the Viimsi Shopping Centre;
- Comarket AS opened a store in Tallinn at Liivalaia 7.

As of 31 December 2008, the following companies belong to the Group:

|                       | Country of location | Participation as of<br>31.12.2008 | Participation as of<br>31.12.2007 |
|-----------------------|---------------------|-----------------------------------|-----------------------------------|
| Abestock AS           | Estonia             | 100%                              | 100%                              |
| Agora Logistika AS    | Estonia             | 100%                              | 100%                              |
| Comarket AS           | Estonia             | 100%                              | 100%                              |
| ABC Motors AS         | Estonia             | 100%                              | 100%                              |
| Oma Varahalduse AS    | Estonia             | 100%                              | 100%                              |
| ABC Vara AS           | Estonia             | 1,81%<br>(98.2% indirect)         | 1,81%<br>(98.2% indirect)         |
| 6 PO AS               | Estonia             | 100% indirect                     | 100% indirect                     |
| Moder Consulting OÜ   | Estonia             | 100% indirect                     | 100% indirect                     |
| SuperSam OÜ           | Estonia             | 100%                              | 100%                              |
| Vending Automaadid OÜ | Estonia             | 26%                               | 26%                               |
| Moder Software AS     | Estonia             | 50% indirect                      | 50% indirect                      |
| ABC Rent Eesti AS     | Estonia             | 1,6 %                             | 1,6%                              |

ABC Grupi AS established ABC Rent Grupp AS in 2008.

In 2008 ABC Grupi AS sold shares of ABC Rent Grupp AS in nominal value to J. Vips.

## Economic Development

The Estonian economy is slowing down faster than forecasted by the Bank of Estonia last autumn. The domestic consumption in Estonia which has supported the economic growth within previous years has decreased in the second quarter of 2008. The growth of loans of both private persons and companies is decreasing. However, the economic growth in Estonia has been the fastest in Europe within 12 years and the price increase reflects that we are catching up with the developed countries. The most problematic gaps are found between the productivity and salary increase which, irrespective of the decrease, continue to be extensive. The actual salary increase has fallen below 10% and the increase in employees' productivity below 4%. Inflation has started to slow down but has not stabilised yet. The Estonian economy continued to cool down in the second half of the year, which was amplified by the global financial and economic crisis.



**Financial Ratios 2007–2008**

Group's consolidated indicators (millions of EEK)

|                                 | 2008  | 2007  |
|---------------------------------|---|-------|
| <b>INCOME STATEMENT</b>         |   |       |
| Net turnover                    | 1,404   | 1,146 |
| Operating profit                | 54  | 90    |
| Net profit                      | 9   | 64    |
| <b>BALANCE SHEET</b>            |   |       |
| Total current assets            | 316   | 310   |
| Total fixed assets              | 703   | 614   |
| Total assets                    | 1,019   | 924   |
| Total current liabilities       | 395   | 308   |
| Total long-term liabilities     | 302   | 302   |
| Total liabilities               | 697   | 610   |
| Owners' Equity                  | 322   | 313   |
| Equity ratio (%)                | 32%   | 34%   |
| <b>INCREASES (%)</b>            |   |       |
| Increase in turnover            | 22%   | 20%   |
| Increase in assets              | 10%   | 64%   |
| Increase in owners' equity      | 3%  | 26%   |
| <b>PROFITABILITY RATIOS (%)</b> |   |       |
| Return on equity (ROE)          | 3%  | 23%   |
| Return on assets (ROA)          | 1%  | 9%    |
| Net profit margin               | 1%  | 6%    |
| <b>LIQUIDITY RATIOS</b>         |   |       |
| Quick ratio                     | 0.80  | 1,01  |
| Debt ratio                      | 0.68  | 0.66  |
| Inventory turnover              | 7.25  | 6.07  |
| Net turnover per employee       | 2.5   | 2.1   |
| Average number of employees     | 554   | 535   |
| Equity ratio                    | = Owners' equity / Balance Sheet total * 100% |       |
| Return on equity (ROE)          | = Net profit / Average owners' equity * 100%  |       |
| Return on assets (ROA)          | = Net profit / Average total assets * 100%    |       |
| Net profit margin               | = Net profit / Net turnover * 100%            |       |
| Quick ratio                     | = Current assets / Current liabilities        |       |

Member of the Management Board \_\_\_\_\_

|                            |  |
|----------------------------|--|
| Debt ratio                 | = Total liabilities / Balance Sheet total    |
| Inventory turnover (ratio) | = Net turnover / Inventories                 |
| Net turnover per employee  | = Net turnover / Average number of employees |

### Retail Trade

By the end of 2008 the sales revenue of the Comarket stores increased by 18% to EEK 563 million in comparison with 2007. The sales area increase by 6% and productivity of sales area by 17%. The annual loss was EEK 3.9 million, which is EEK 9.0 million less than in 2007. Loss was caused due to write-downs of assets and launch of new stores in the second half of the year.

The market share of food and convenience goods, i.e. in retail turnover of non-specialised stores (predominantly food products), was 2.2%. The increase in sales decreased to 15.8% in the last quarter of 2008 and to 7% in the first quarter of 2009 in comparison with the year 2007.

### Wholesale Trade

In 2008 the sales revenue of Abestock AS increased by 17% to EEK 612 million in comparison with 2007. Agora Logistika AS – the logistics company supporting the sales of Abestock AS – commenced operations in a new warehouse of 8,300 m<sup>2</sup> and the sales revenue of Agora Logistika AS increased by 64% to EEK 46.2 million in comparison with 2007. In the first quarter of 2009, the sales revenue of Abestock AS increased 4.7% and the sales revenue of Agora Logistika AS 24% in comparison with the same period last year.

### Car Trade

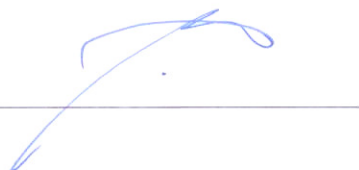
In 2008 the sales revenue of ABC Motors AS decreased by 30% to EEK 229.6 million in comparison with 2007. The reason for the downfall is the decrease in the sales of new cars in the general conditions of cooling economy. Renault Polska also has a rigid price policy and is unwilling to offer price deductions. Today Renault has changed its price policy which allows for a better competition in the “price war”. At the same time, the increase in the volume of car services has been stable. The sales of cars decreased by 40% in the last quarter, but the volume of car services increased by 10%. In the first quarter of 2009, the sales of Renault passenger cars decreased 30% in comparison with the same period of last year.

### Real Estate

The profit of real estate business segment was EEK 8.9 million in 2008, decreasing by 72% in comparison with the same period of 2007. The only significant development work was the construction and launch of the first stage of the Viimsi Shopping Centre in August. All the development work have been put on hold and the debt securities of Oma Varahalduse AS have been redeemed in a timely manner. In the first quarter of 2009, the rent income increased by 102%, reaching EEK 31.5 million based on the year, and vacancies form less than 5%.

### Personnel

In 2008 the average number of employees of the ABC Group was 554, increasing by 4% within the previous year. The staff costs (salary costs and social taxes) formed a total of EEK 132.8 million, increasing by 25% in comparison with the same period last year.



The Group companies have a total of 18 members of the Management Board and 24 members of the Supervisory Board. Some members of Management Boards and Supervisory Boards are overlapping. Remuneration was paid to six members of the Management Board. No remuneration was paid to members of the Management Boards of companies without employees. The average staff costs per employee were EEK 20,000 a month. In the first quarter of 2009, salaries were decreased by 10% in all the Group companies.

### Future Perspectives

In 2009 we intend to focus on the intensification of sales work and increase in efficiency.

In retail trade we plan to intensify sales promotion campaigns, decrease costs and open a new store in the Solaris Centre in Tallinn at the end of the year.

In wholesale trade we plan to moderately expand the product portfolio, which would guarantee the annual increase in sales revenue of 5%.

In car trade we want to retain the sales of new cars at the level of 2008, by introducing reasonably priced new models to the market. At the same time, we intend to find new sales channels for used cars abroad. The launch of the new Renault Mégané III has been successful in Europe. In the second half of 2009 we expect an increase in the sales.

In real estate business segment we plan to dispose a part of the real estate with cash flow, to decrease costs to a significant extent and to focus on ensuring the sustainability of real estate with cash flow. To support lessees, we intend to organise efficient campaigns creating added value.

In 2009 we plan to decrease costs by a minimum of EEK 30 million, the significant share of which is formed of staff costs and interest expenses.

Tallinn, 29 April 2009

  
Jüri Vips  
Member of the Management Board  
Member of the Management Board

## REPORT ON CORPORATE GOVERNANCE CODE OF THE TALLINN STOCK EXCHANGE

ABC Grupi AS follows most of the mandatory guidelines of the Corporate Governance Code (CGC). At the same time, there are some guidelines which the Company does not follow and the reasons for this are primarily the peculiarities characteristic to the Company. The following is a list of guidelines not observed by the Company:

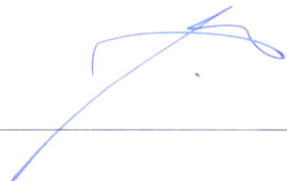
unlike clause 2.2.1 of the CGC, the Management Board of ABC Grupi AS has only one member, because it is a holding company that has no paid employees and, thus, there is no need for a Management Board consisting of several members. Each subsidiary has a Management Board of one, two or three members, depending on the number of employees.

In all the subsidiaries resolutions are adopted by the management, not the Management Board, and some members of the management are also members of the Management Board and some of them are employees. The areas of responsibility, duties and authorities have been clearly determined among the members of the Management Board. If necessary, the management shall involve consultants and experts in the decision-making process. Such allocation complies with the needs of the Group in the best manner, ensures sufficient and effective management and does not financially or administratively overburden the Group companies;

Unlike clause 2.2.3 of the CGC, the Supervisory Board discusses and regularly reviews not only the fundamentals of the remuneration paid to the Management Board, but also the fundamentals of the remuneration paid to the entire management and prepared by the chairman of the Management Board.

ABC Grupi AS considers it justified in the interests of the Company that the remuneration of each member of the Management Board is not separately disclosed (CGC 2.2.7). The Group is convinced that it is important to disclose to the investors the total of the remunerations of persons responsible for the management activities of the entire company and well-being of the shareholders (Management Boards of the Group companies) and is of the opinion that the remuneration disclosed separately for each member constitutes a business secret, and the Group does not want to disclose it to the competitors.

Pursuant to the CGC, several rules are recommended for the members of the Supervisory Board and their activities, which pertain to the persons of the members of the Supervisory Board, conflicts of interest, cooperation with the Management Board, etc. ABC Grupi AS does not comply with some of these recommended rules in detail and formally, but the Supervisory Board (members thereof) and their work is arranged in the manner that actual supervision over the activities of the Management Board is ensured and the resolutions significant for the companies are adopted by as wide circle of decision-makers as possible, and experts of the relevant fields are also involved in the decision-making process. Among other things, the principle applies that the Supervisory Boards shall form the respective development and monitoring committees to adopt resolution in substantial matters (areas).



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## DECLARATION OF THE DIRECTOR REGARDING THE MANAGEMENT REPORT

The director confirms that, to the best of his knowledge the Annual Report 2008 of ABC Grupi AS set out on pages 3 to 7 gives a true and fair view of the development of the business activities, the performance and financial status of ABC Grupi AS and the companies involved in consolidation as a whole and contains a description of the main risks and suspicions;

Tallinn, 24 July 2009



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Member of the Management Board  
Jüri Vips



ANNUAL ACCOUNTS

**DECLARATION OF THE DIRECTOR REGARDING THE CONSOLIDATED ANNUAL ACCOUNTS**

The director hereby declares the truth and completeness of the consolidated Annual Accounts of ABC Grupi AS for 2008 set out on pages 8 to 54.

The director confirms to the best of its knowledge that:

1. the accounting principles and manner of presentation used in preparing the Annual Accounts are in compliance with the International Financial Reporting Standards (IFRS) as adopted by the European Union;
2. the Annual Accounts truly and fairly reflect the financial condition, economic results and cash flow of the parent company and the Group;
3. ABC Grupi AS and its subsidiaries are going concerns.

Tallinn, 29 April 2009

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Member of the Management Board  
Jüri Vips

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Member of the Management Board

**Consolidated Balance Sheet**

| (thousands)  |          | EEK              | EEK            | EUR           | EUR           |
|--|----------|------------------|----------------|---------------|---------------|
|  | Note no. | 31.12.2008       | 31.12.2007     | 31.12.2008    | 31.12.2007    |
| <b>ASSETS</b>  |          |                  |                |               |               |
| <b>Current assets</b>  |          |                  |                |               |               |
| Cash   | 2        | 13,394           | 6,886          | 856           | 440           |
| Short-term financial investments                               | 3        | 3,751            | 155            | 240           | 10            |
| Receivables and prepayments                                    | 4        | 105,422          | 113,554        | 6,738         | 7,257         |
| Inventories  | 6        | 193,580          | 188,918        | 12,372        | 12,075        |
| <b>Total current assets</b>                                    |          | <b>316,147</b>   | <b>309,513</b> | <b>20,206</b> | <b>19,782</b> |
| <b>Fixed assets</b>  |          |                  |                |               |               |
| Long-term financial investments                                | 7        | 13,104           | 3,815          | 838           | 244           |
| Investment properties  | 10       | 463,975          | 375,237        | 29,653        | 23,982        |
| Tangible assets  | 11       | 152,021          | 159,050        | 9,716         | 10,165        |
| Intangible assets  | 12       | 73,750           | 76,279         | 4,713         | 4,875         |
| <b>Total fixed assets</b>                                      |          | <b>702,850</b>   | <b>614,381</b> | <b>44,920</b> | <b>39,266</b> |
| <b>TOTAL ASSETS</b>  |          | <b>1,018,997</b> | <b>923,894</b> | <b>65,126</b> | <b>59,048</b> |
| <b>LIABILITIES AND OWNERS' EQUITY</b>                          |          |                  |                |               |               |
| <b>Current liabilities</b>                                     |          |                  |                |               |               |
| Payables   | 13       | 242,762          | 115,873        | 15,515        | 7,406         |
| Payables and prepayments                                       | 14       | 152,212          | 191,682        | 9,730         | 12,251        |
| <b>Total current liabilities</b>                               |          | <b>394,974</b>   | <b>307,555</b> | <b>25,245</b> | <b>19,657</b> |
| <b>Long-term liabilities</b>                                   |          |                  |                |               |               |
| Long-term payables   | 13       | 300,250          | 294,158        | 19,189        | 18,800        |
| Other long-term payables                                       |          | 1,728            | 8,761          | 110           | 560           |
| <b>Total long-term liabilities</b>                             |          | <b>301,978</b>   | <b>302,919</b> | <b>19,299</b> | <b>19,360</b> |
| <b>TOTAL LIABILITIES</b>                                       |          | <b>696,952</b>   | <b>610,474</b> | <b>44,544</b> | <b>39,017</b> |
| <b>Owners' equity owned by shareholders of parent company*</b> |          |                  |                |               |               |
| Share capital  | 15       | 100,280          | 21,800         | 6,409         | 1,393         |
| Issue premium  |          | 18,575           | 18,575         | 1,187         | 1,187         |
| Legal reserve  |          | 2,180            | 2,180          | 139           | 139           |
| Retained profit (loss)   |          | 191,950          | 206,997        | 12,268        | 13,230        |
| Profit (loss) for financial year                               |          | 9,060            | 63,868         | 579           | 4,082         |
| <b>TOTAL OWNERS' EQUITY</b>                                    |          | <b>322,045</b>   | <b>313,420</b> | <b>20,582</b> | <b>20,031</b> |
| <b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>                    |          | <b>1,018,997</b> | <b>923,894</b> | <b>65,126</b> | <b>59,048</b> |

Member of the Management Board \_\_\_\_\_

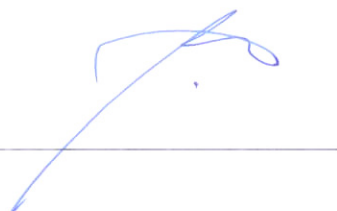
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**Consolidated Income Statement**

(thousands)

|  | Note no. | EEK<br>2008    | EEK<br>2007    | EUR<br>2008   | EUR<br>2007   |
|--|----------|----------------|----------------|---------------|---------------|
| Sales revenue  | 16       | 1,403,811      | 1,146,077      | 89,720        | 73,248        |
| Other operating revenue                                      | 17       | 57,234         | 89,396         | 3,658         | 5,713         |
| Goods, raw materials and services                            | 18       | -1,181,184     | -957,516       | -75,491       | -61,197       |
| Other operating expenses                                     | 19       | -74,345        | -69,864        | -4,752        | -4,465        |
| Staff costs  |          |                |                |               |               |
| Wages and salaries   |          | -99,625        | -79,492        | -6,367        | -5,080        |
| Social taxes   |          | -33,154        | -26,472        | -2,119        | -1,692        |
| Total staff costs  |          | -132,779       | -105,964       | -8,486        | -6,772        |
| Depreciation and impairment of fixed assets                  | 11, 12   | -14,584        | -10,243        | -932          | -655          |
| Other operating charges                                      | 17       | -3,929         | -1,598         | -251          | -102          |
| <b>Operating profit (loss)</b>                               |          | <b>54,224</b>  | <b>90,288</b>  | <b>3,466</b>  | <b>5,770</b>  |
| <b>Financial income and expenses</b>                         |          |                |                |               |               |
| Financial income and expenses from investments in affiliates | 26       | 51             | 160            | 3             | 10            |
| Interest expenses  | 26       | -40,909        | -24,949        | -2,615        | -1,595        |
| Profit (loss) on conversion of foreign currencies            | 26       | -598           | -176           | -38           | -11           |
| Other financial income and expenses                          | 26       | -3,592         | -1,455         | -230          | -93           |
| <b>Total financial income and expenses</b>                   |          | <b>-45,048</b> | <b>-26,420</b> | <b>-2,880</b> | <b>-1,689</b> |
| <b>Profit (loss) before income tax</b>                       |          | <b>9,176</b>   | <b>63,868</b>  | <b>586</b>    | <b>4,081</b>  |
| Income tax   |          | -116           | 0              | -7            | 0             |
| <b>Net profit (loss) for financial year</b>                  |          | <b>9,060</b>   | <b>63,868</b>  | <b>579</b>    | <b>4,081</b>  |

Member of the Management Board

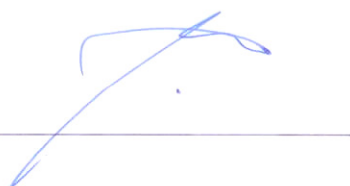


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**Consolidated Cash Flow Statement [beginning with operating profit]**  
(thousands)

|  | EEK<br>2008    | EEK<br>2007     | EUR<br>2008   | EUR<br>2007    |
|--|----------------|-----------------|---------------|----------------|
| <b>Cash flow from operating activities</b>                             |                |                 |               |                |
| Operating profit   | 54,224         | 90,288          | 3,466         | 5,770          |
| Adjustments:   |                |                 |               |                |
| Depreciation and impairment of fixed assets                            | 14,584         | 10,243          | 932           | 655            |
| Depreciation and impairment of intangible assets                       |                |                 |               |                |
| Profit (loss) from sales and write-off of fixed assets                 | -34            | -14             | -2            | -1             |
| Profit (loss) on conversion of foreign currencies                      | -598           | -176            | -38           | -11            |
| Waiving claims   | -8,152         | -12,520         | -521          | -800           |
| Gains on revaluation of investment properties                          | -20,619        | -58,988         | -1,318        | -3,770         |
| Change in receivables and prepayments relating to operating activities | 9,387          | -22,365         | 599           | -1,429         |
| Change in inventories  | -4,662         | -62,991         | -298          | -4,026         |
| Change in liabilities and prepayments relating to operating activities | -38,900        | 34,437          | -2,486        | 2,201          |
| Interest paid  | -33,352        | -24,074         | -2,132        | -1,539         |
| <b>Total cash flow from operating activities</b>                       | <b>-28,121</b> | <b>-46,160</b>  | <b>-1,794</b> | <b>-2,950</b>  |
| <b>Cash flow from investment activities</b>                            |                |                 |               |                |
| Acquisition of tangible assets   | -61,891        | -63,782         | -3,956        | -4,076         |
| Acquisition of intangible assets                                       | -7             | -831            | 0             | -53            |
| Acquisition of investment properties                                   | -13,773        | -85,930         | -880          | -5,492         |
| Sales of tangible assets   | 99             | 63              | 6             | 4              |
| Affiliate acquired   | 0              | -2,500          | 0             | -160           |
| Subsidiaries acquired  | -6,400         | -6,650          | -409          | -425           |
| Receipt of financial lease payments                                    | 245            | 90              | 16            | 6              |
| Other financial investments acquired                                   | -25,168        | 0               | -1,609        | 0              |
| Other financial investments sold                                       | 18,616         | 0               | 1,190         | 0              |
| Dividends received   | 3              | 169             | 0             | 11             |
| Interest received  | 320            | 1,428           | 20            | 91             |
| <b>Total cash flow from investment activities</b>                      | <b>-87,956</b> | <b>-157,943</b> | <b>-5,624</b> | <b>-10,094</b> |
| <b>Cash flow from financing activities</b>                             |                |                 |               |                |
| Debt securities issued   | 31,106         | 113,294         | 1,988         | 7,241          |
| Loans raised   | 281,317        | 152,339         | 17,979        | 9,736          |

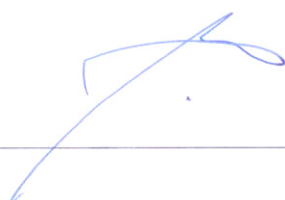
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|   |                |                |              |               |
|---|----------------|----------------|--------------|---------------|
| Repayments of loans raised                                  | -206,612       | -77,662        | -13,205      | -4,964        |
| Repayments of financial lease principal                     | -7,075         | -3,055         | -452         | -195          |
| Receipts from sales and leaseback transaction               | 24,324         | 0              | 1,555        | 0             |
| Dividends paid out  | -435           | 0              | -28          | 0             |
| <b>Total cash flow from financing activities</b>            | <b>122,625</b> | <b>184,916</b> | <b>7,837</b> | <b>11,818</b> |
| <br>  |                |                |              |               |
| <b>Total cash flow</b>                                      | <b>6,548</b>   | <b>-19,187</b> | <b>419</b>   | <b>-1,226</b> |
| <br>  |                |                |              |               |
| <b>Cash and cash equivalents at the beginning of period</b> | <b>6,886</b>   | <b>10,481</b>  | <b>440</b>   | <b>670</b>    |
| <b>Change in cash and cash equivalents</b>                  | <b>6,548</b>   | <b>-19,187</b> | <b>419</b>   | <b>-1,226</b> |
| Increase during business combination                        | 0              | 15,591         | 0            | 996           |
| Decrease during business combination                        | -40            | 0              | -3           | 0             |
| <b>Cash and cash equivalents at the end of period</b>       | <b>13,394</b>  | <b>6,886</b>   | <b>856</b>   | <b>440</b>    |

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**Consolidated Statement of Changes in Owners' Equity**

(thousands of EEK)


|                                 | Share capital  | Issue premium | Legal reserve | Retained profit/loss | Profit/loss for financial year | Total          |
|---------------------------------|----------------|---------------|---------------|----------------------|--------------------------------|----------------|
| <b>Balance as of 31.12.2006</b> | <b>21,800</b>  | <b>18,575</b> | <b>2,180</b>  | <b>40,380</b>        | <b>166,617</b>                 | <b>249,552</b> |
| Retained profit                 | 0              | 0             | 0             | 166,617              | -166,617                       | 0              |
| Profit in 2007                  | 0              | 0             | 0             | 0                    | 63,868                         | 63,868         |
|                                 | 0              | 0             | 0             | 0                    | 0                              | 0              |
| <b>Balance as of 31.12.2007</b> | <b>21,800</b>  | <b>18,575</b> | <b>2,180</b>  | <b>206,997</b>       | <b>63,868</b>                  | <b>313,420</b> |
| Increase in share capital       | 78,480         | 0             | 0             | -78,480              | 0                              | 0              |
| Retained profit                 | 0              | 0             | 0             | 63,868               | -63,868                        | 0              |
| Profit in 2008                  | 0              | 0             | 0             | 0                    | 9,060                          | 9,060          |
| Dividends paid out              | 0              | 0             | 0             | -435                 | 0                              | -435           |
| <b>Balance as of 31.12.2008</b> | <b>100,280</b> | <b>18,575</b> | <b>2,180</b>  | <b>191,950</b>       | <b>9,060</b>                   | <b>322,045</b> |

**Statement of Changes in Owners' Equity**

(thousands of EUR)

|                                 | Share capital | Issue premium | Legal reserve | Retained profit/loss | Profit/loss for financial year | Total         |
|---------------------------------|---------------|---------------|---------------|----------------------|--------------------------------|---------------|
| <b>Balance as of 31.12.2006</b> | <b>1,393</b>  | <b>1,187</b>  | <b>139</b>    | <b>2,581</b>         | <b>10,649</b>                  | <b>15,949</b> |
| Retained profit                 | 0             | 0             | 0             | 10,649               | -10,649                        | 0             |
| Profit in 2007                  | 0             | 0             | 0             | 0                    | 4,082                          | 4,082         |
| <b>Balance as of 31.12.2007</b> | <b>1,393</b>  | <b>1,187</b>  | <b>139</b>    | <b>13,230</b>        | <b>4,082</b>                   | <b>20,031</b> |
| Increase in share capital       | 5,016         | 0             | 0             | -5,016               | 0                              | 0             |
| Retained profit                 | 0             | 0             | 0             | 4,082                | -4,082                         | 0             |
| Profit in 2008                  | 0             | 0             | 0             | 0                    | 579                            | 579           |
| Dividends paid out              | 0             | 0             | 0             | -28                  | 0                              | -28           |
| <b>Balance as of 31.12.2008</b> | <b>6,409</b>  | <b>1,187</b>  | <b>139</b>    | <b>12,268</b>        | <b>579</b>                     | <b>20,582</b> |

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## Note 1 Accounting Policies and Procedures Used upon Preparing Annual Accounts

### General Information

The consolidated Annual Accounts of ABC Grupi AS and its subsidiaries and affiliates (hereinafter the Group) as of 31 December 2008 has been prepared and signed by the Management Board on 29 April 2009.

### General Fundamentals of Preparing the Annual Accounts

The consolidated Annual Accounts of ABC Grupi AS and its subsidiaries have been prepared in conformity with the requirements of the International Financial Reporting Standards (IFRS). In 2007 the Group applied the IFRS for the first time. In connection with the transition to the IFRS the manner of presentation of the Balance Sheet and Income Statement have been changed so that they would give a better overview of the revenues, assets and liabilities of the Group. Consolidated financial statements are presented in thousands of EEK, which is the book and reporting currency of the parent company, as well as in euros in compliance with the requirements of the rules of the Tallinn Stock Exchange.

### Essential Decisions and Assessments by the Management

Submission of the consolidated financial statements in conformity with the requirements of the IFRS requires assessments and decisions by the management, which affect the principles of accounting assets and liabilities and the value thereof on the Balance Sheet date, the manner of presentation arising from the probability of realisation of assets and liabilities and the revenue and expenditure attributed to the reporting period.

#### Decisions by the Management:

The decisions by the management, which have the strongest effect on the information specified in the financial statements cover the following areas of accounting:

#### Classification of Real Estate

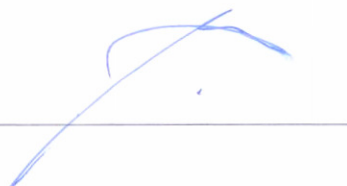
Upon classification of real estate objects as inventories, investment properties or tangible assets, it has been proceeded from the management's intentions regarding the further use of the objects after the acquisition. The accuracy of the classification of the assets is reduced by external decisions which are beyond the control of the management such as amendment of the intended purpose of land, approval of detailed plans, issuance of building permits, etc.

The Group indicates real property which is waiting to be developed or which has an undefined purpose of use as investment properties. Upon commencement of construction for development and transfer of the living environment, single residential buildings or residential plots, the investment property shall be reclassified as inventory.

#### Primary Assessment Uncertainties

The gathered and existing facts and knowledge up to the date of the Annual Accounts serves as the basis for the assessments of the management. Therefore there is a certain risk in the case of the assets and liabilities and the

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relating revenue and expenditure presented on the Balance Sheet date that the given assessments will have to be adjusted in the future. The areas most affected by the uncertainty of the assessments, which give rise to a higher risk of the needs for adjustment, have been described below:

#### Goodwill, Goodwill Impairment Test

At least once a year the Group assesses a possible decrease of the book value of the goodwill generated as a result of the acquisition of subsidiaries below the recoverable value. The assessment takes place through the fair value of the cash-generating entities, which have goodwill (less the sales expenses) or through the value in use. The management must forecast the value in use on the basis of the future net cash flow of the cash-generating entities and choose a suitable discount rate for determining the present value of cash flow. In 2007 and 2008 the net cash flow of cash-generating entities has been discounted at the discount rate of 15.5%.

#### Investment Properties – Determining the Fair Value

The investment properties have been assessed as of the Balance Sheet date at their fair value. Upon calculation of the fair value, the comparable market transactions and the possible volume and price of the building right has been taken into account. More detailed information about the fair value of the investment properties has been given in Note 10. The valuation of an independent expert is used upon assessing the investment properties.

#### **Changes in Accounting Policies and Procedures and Manner of Presentation**

Until the end of 2006 the Group drew up its Annual Accounts in accordance with the accounting principles generally accepted in Estonia. The Annual Accounts for 2007 were the first made in compliance with the IFRS as adopted by the European Union. Upon transition to the IFRS, it has been proceeded from the requirements of the First-time Adoption of IFRS, IFRS 1. The date of transition to the IFRS of the Group was 1 January 2007.

#### **New International Financial Reporting Standards, published amendments to the standards and interpretations of the International Financial Reporting Interpretations Committee (IFRIC)**

##### *Standards, amendments to the standards and interpretations which entered into force on 1 January 2008*

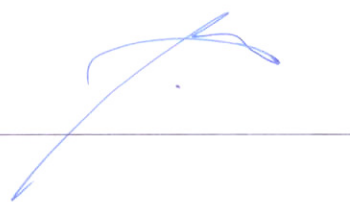
##### IFRIC 11 IFRS 2: Group and Treasury Share Transactions

Applied on 1 March 2007 or accounting periods commencing later. The interpretation concerns IFRS 2 – application of share-based payments for transactions for which payment is made in shares and which are concluded by two or more related parties; as well as if a company grants its employees the right to acquire its equity instruments that the company may or must redeem from third parties; or if a company or owner thereof grants employees the right to acquire equity instruments of the company from the owner of the company. The amendment does not influence the Annual Accounts of the Group.

##### IFRIC 12 Service Concession Arrangements

The interpretation of the Service Concession Arrangements provides guidelines in certain matters of recognition and measurement, which emerge upon considering the service concession arrangements between the public sector and private sector. The amendment does not influence the Annual Accounts of the Group.

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#### IFRIC 13 Customer Loyalty Programmes

The interpretation of the Customer Loyalty Programmes includes accounting in companies using customer loyalty programmes or participating in such programmes in any other manner. It includes customer loyalty programmes, on the basis of which customers can use collected points to purchase goods or services free of charge or at a discount. The amendment does not influence the Annual Accounts, since the Group does not apply such programmes.

#### IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The interpretation of The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction explains when the refunds or reductions of future contributions related to the defined benefit assets shall be deemed as being available and clarifies the influence of minimum funding requirements (MFR) on such defined benefit asset. It is also decided when an obligation may emerge with minimum funding requirements (MFR). The amendment does not influence the Annual Accounts of the Group.

#### IAS 39 Financial Instruments: Recognition and Measurement, and IFRS 7 Disclosures, and subsequent amendment Reclassification of Financial Assets: Effective Date and Transition

The amendments provide the Company with the following choices: - to classify the financial assets out of the category of financial assets acquired for the purpose of trading, if the assets are not held for resale or redemption in the nearest future; - to reclassify the financial assets held for resale or acquired for the purpose of trading in the category of loans and receivables, if the Company intends and is able to hold the financial assets until the redemption date and it corresponds to the definition of loans and receivables. The respective reclassifications have not been made; thus, the amendment does not influence the Annual Accounts of the Group.

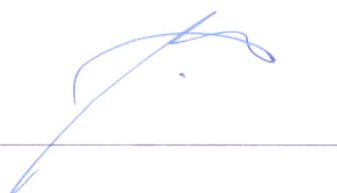
#### *Issued but ineffective standards, amendments to the standards and interpretations that the Group has not applied prematurely, but which may affect the consolidated financial statements of the Company*

Several new and amended IFRS standards and interpretations have been issued, the application of which upon preparing the financial statements of the Company is mandatory from 01 October 2008 and subsequent accounting periods. The Management Board of the Company decided not to apply the new and amended standards prematurely. The following is the evaluation of the Management Board of the Company on the influence of first-time adoption of the new or amended standards and interpretations to the financial statements.

The amended standard IAS 1 Presentation of Financial Statements is applied to the accounting period beginning on 1 January 2009 or later. The amended standard requires that information disclosed in financial statements be grouped on the basis of similar features and that the term "statement of comprehensive income" be introduced. The items of income and expenditure and income components not included in the Income Statement may be presented as a single statement of comprehensive income, along with interim amounts or as two separate statements (separate Income Statement followed by the statement of comprehensive income). The Management Board of the Company has not decided yet, which of these manners of presentation is selected. The amendment influences the manner of presentation of the basic statements, but does not affect the accounting policies and procedures.

The amended standard IAS 23 Borrowing Costs is applied to the accounting period beginning on 1 January 2009 or later. When the amendments are applied, the possibility to recognise the borrowing costs in the Income Statement directly as expenses is lost. The Company has to capitalise the borrowing costs directly related to the acquisition, construction or manufacture of the asset object complying with the conditions as a part of the acquisition cost of the asset object. The amendment influences the financial statements of the Company if the investments are financed from loan capital. New buildings are not planned within the nearest years.

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The amended standard *IAS 16 Property, Plant and Equipment* is applied to the accounting period beginning on 1 January 2009 or later. The Management Board of the Company has not made the analysis of the potential effect of the amendment to the standard yet and cannot provide an assessment thereon.

The amended standard *IAS 36 Impairment of Assets* is applied to the accounting period beginning on 1 January 2009 or later. The Management Board of the Company has not made the analysis of the potential effect of the amendment to the standard yet and cannot provide an assessment thereon.

The amended standard *IFRS 8 Operating Segments* is applied to the accounting period beginning on 1 January 2009 or later. It is a replacement for standard IAS 14 and requires from the Company disclosure of financial and descriptive information **about the operating segments**. The Group assesses the influence of the new standard on the segment reporting in the Consolidated Annual Accounts.

The amended standard *IAS 40 Investment Property* is applied to the accounting period beginning on 1 January 2009 or later. Real estate constructed or developed as an investment property for use in the future is subject to the application of the fair value method. If the fair value cannot be reliably measured, the assets are recognised in the acquisition cost until the date when the construction of the assets is finished or when the fair value can be measured (the earlier moment of the two). The Company has not made the analysis of the potential effect of the amendment to the standard and cannot provide an assessment thereon yet.

**The following ineffective standards, amendments to the standards and interpretations do not influence the financial statements of the Company:**

- Amended standard *IFRS 1 First-time Adoption of International Financial Reporting Standards and amendments to IAS 27 Consolidated and Separate Financial Statements Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* is applied to the accounting period beginning on 1 January 2009. The amendment allows that the companies adopting the IFRS for the first time consider in the unconsolidated accounts of the parent company the acquisition cost arising upon recognising investments in subsidiaries, joint ventures or associates as their fair value or book value recognised on the basis of the previous accounting principles. The amendment also requires that the division of net assets to the investor which has emerged prior to acquisition must be recognised in the Income Statement, not as the adjustment of acquisition cost of investment.
- The amended standard *IFRS 2 Share-based Payment* is applied to the accounting period beginning on 1 January 2009 or later. Conditions of Transfer of Ownership and Cancellation – the condition of the transfer of ownership shall only be the conditions of services and profitability.
- The amended standard *IFRS 3 Business Combinations* is applied to the accounting period beginning on 1 July 2009 or later. It provides the opportunity to choose whether to recognise the minority shareholdings at the fair value or in proportion to their participation in the fair value of net assets, the revaluation of shares acquired beforehand in the acquired Company into the fair value, considering that the differences shall be recognised in the Income Statement and taking into account additional guidelines on the recognition of the purchase method. The Group has no minority shareholdings.
- The amended standard *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations* is applied to the accounting period beginning on 1 July 2009 or later.

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- The amended standard *IAS 27 Consolidated and Separate Financial Statements* is applied to the accounting period beginning on 1 July 2009 or later. Direct recognition of transactions concluded with minority shareholders in the owners' equity provided that the parent company retains the control; revaluation of an investment at the fair value when the control over a subsidiary expires. The Company has no minority shareholdings.
- The amended standard *IAS 29 Financial Reporting in Hyperinflationary Economies* is applied to the accounting period beginning on 1 January 2009 or later.
- The amended standard *IAS 31 Interests in Joint Ventures* is applied to the accounting period beginning on 1 January 2009 or later.
- The amended standard *IAS 32 Financial Instruments: Presentation* – the amendment concerns the realisable financial instruments and obligations arising upon liquidation – applied to the accounting period beginning on 1 January 2009 or later.
- The amended standard *IAS 38 Intangible Assets* is applied to the accounting period beginning on 1 January 2009 or later.
- The amended standard *IAS 39 Financial Instruments: Recognition and Measurement* is applied to the accounting period beginning on 1 July 2009 or later. The amendment clarifies how to apply rules in certain situation to decide whether the hedged risk or the part of the cash flow complies with the risk hedging requirements. *The Group does not apply the recognition of risk hedging instruments.*
- The amended standard *IAS 41 Agriculture* is applied to the accounting period beginning on 1 January 2009 or later.
- The interpretation of *IFRIC 15 Agreements for the Construction of Real Estate* is applied to the accounting periods beginning on 1 January 2009 or later. The interpretation is implemented to the accounting of sales revenue and related expenses in companies constructing real estate objects. Criteria have been pointed out to decide whether the requirements of IAS 11 or IAS 18 are applied to agreements for construction.
- The interpretation of the *IFRIC 16 Hedges of a Net Investment in a Foreign Operation* is applied to the accounting periods beginning on 1 October 2008 or later. The interpretation explains which currency risks are available for the application of the risk hedging accounting and provides that the recalculation of the report from the book currency to the reporting currency does not create such a risk to which the risk hedging accounting may be applied. The interpretation clarifies that a risk hedging instrument may be in any Group company, except in such foreign business entity where risks are hedged. The exchange rate differences from revaluation recognised as a reserve shall realise as income or expenses in the Income Statement, if the foreign business entity is sold. The Group does not apply the respective risk hedging instruments. No foreign subsidiaries.
- The interpretation of the *IFRIC 17 Distribution of Non-cash Assets to Owners* is applied to the accounting periods beginning on 1 July 2009 or later. The interpretation clarifies when and how to recognise the transfer of non-cash assets to owners as dividends. The Company has to recognise the obligation to transfer non-cash assets as dividends at the fair value of the transferred assets, and the gains or losses emerged shall be recognised in the Income Statement upon setting off dividend liability.

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- *The interpretation of the IFRIC 18 Transfers of Assets from Customers is applied to the transfers made on 1 July 2009 or later. The interpretation explains the recognition of assets transferred by customers: compliance with the definition of the assets, recognition of assets and measurement of acquisition cost, establishment of services identified separately, revenue accounting.*

#### Bases of Consolidation

The consolidated Annual Accounts comprise the financial data of ABC Grupi AS and its subsidiaries aggregated line by line and the profit of the affiliates belonging to the Group using the equity method. The financial years of the Group companies coincide with the calendar year and do not differ from the reporting period of the parent company. The companies use the same accounting policies and procedures and bases of evaluation.

A subsidiary is a company where the parent company has the decisive influence or control. Control means the ability to determine the financial and operational principles of the subsidiary either through its shareholding or in another manner. The existence of control is presumed if the parent company, directly and/or indirectly through its other subsidiaries, has over a half of the voting shares of the subsidiary.

Affiliate is a company where the Group has significant influence, but doesn't control it.

Acquisition of new shareholdings in the subsidiaries has been reported in the consolidated Annual Accounts pursuant to the purchase method, i.e. in the consolidated Income Statement and consolidated Cash Flow Statement the economic results and cash flow of the new subsidiaries have been added as of the date of acquisition of the shareholding. The net assets of the subsidiaries have been consolidated at the fair value estimated at the price of the acquisition. The difference between the acquisition cost of the business combination and the fair value of the net assets of the investment object has been considered goodwill.

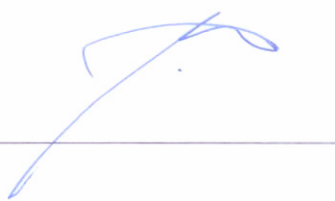
The assets, liabilities, revenue, expenditure and cash flow of the subsidiaries have been consolidated as of the date when the Group obtained dominant influence or control and consolidation has been terminated as of the date when the dominant influence or control of the Group over the investment object interrupted.

Any and all receivables and liabilities, revenue and expenditure, cash flow, unrealised profits and losses arising from the transactions between the parent company and the subsidiaries have been fully eliminated in the consolidated financial statements.

Investments in affiliates have been accounted in the consolidated Annual Accounts pursuant to the equity method. According to the equity method, an investment is first registered at the acquisition cost, which will in the subsequent periods be adjusted with the investor's participation in the changes of the owners' equity of the object of investment. Mutual unrealised profits are eliminated in accordance with the size of the Company's shareholding. Unrealised losses are eliminated as well, unless a loss results from a decrease in the value of assets. An investment in an affiliate includes the goodwill generated upon acquisition. In the case that the shareholding of the Company in the loss of an affiliate (pursuant to the equity method) is equal to or exceeds the book value of the affiliate, the book value of the investment is written down to zero and subsequent losses will be recorded off the Balance Sheet. As an exception, if the Company stands surety for or has assumed the obligation to discharge the liabilities of an affiliate, both the liabilities and the loss calculated pursuant to the equity method are reported in the Balance Sheet. If the Company has, in addition to its own capital, financed the activities of an affiliate with external capital, the respective loan claim against the affiliate will be evaluated where necessary.

Detailed information about the subsidiaries and affiliates of ABC Grupi AS has been given in Note 8.

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The part concerning minority shareholdings has been given in a separate line under the owners' equity in the consolidated Income Statement and Balance Sheet.

## Overview of Key Accounting Policies and Procedures

### Foreign Currency Transactions and Financial Assets and Liabilities Denominated in Foreign Currencies

All currencies but the Estonian kroon have been considered foreign currencies. Foreign currency transactions are recorded using the official exchange rate quoted by the Bank of Estonia on the date of the transaction. Monetary financial assets and liabilities denominated in foreign currencies are restated in Estonian kroons on the Balance Sheet date, using the official exchange rates quoted by the Bank of Estonia. Profits and losses on foreign currency transactions are recorded in the Income Statement as income and expenses for the period in question.

### Cash and Cash Equivalents

Cash in hand, call deposits in banks and term deposits of up to 3 months are reported as cash and cash equivalents in the Cash Flow Statement.

### Inventories

Inventories are initially recorded at the acquisition cost thereof, which consists of purchase costs, production costs and other costs incurred in bringing the inventories to their present location and condition.

The purchase expenses of the inventories contain, in addition to the purchase price, the customs duties related to the purchase, other non-refundable taxes and transportation costs directly related to the acquisition of inventories, which have been debited with the discounts and subsidies.

Upon reporting inventories under expenses and upon the calculation of the book value of inventories, the weighted average acquisition method is used.

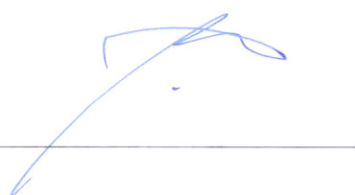
Inventories are assessed in the Balance Sheet on the basis of the lowest of either the acquisition cost or the net realisation cost. Materials and work in progress are written down if the estimated cost of the finished goods made of the materials exceeds the net realisable value of the same finished goods. Write-downs of the inventories with respect to their net realisable value are reported in the write-down period in the under "Goods, raw material and services."

### Financial Assets and Liabilities

Financial assets are cash, contractual rights to receive money or other financial assets (e.g. trade receivables) from another party, equity instruments of other companies and contractual rights to trade financial assets with other parties on potentially favourable terms and conditions. Financial liabilities are contractual obligations to pay to another party money or other financial assets or to trade financial assets with another party on potentially unfavourable terms and conditions.

Financial assets and liabilities are initially recorded at their acquisition cost, which is the fair value paid or received for the financial assets or liabilities. The initial acquisition cost comprises any and all transaction expenses directly relating to the financial assets or liabilities, except in the case of financial assets and liabilities acquired for trading purposes and in the case of derivative instruments.

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Purchases and sales of financial assets on ordinary market terms are recorded at the date of the transaction. Further accounting of financial assets and liabilities takes place depending on their type either pursuant to the method of fair value, acquisition cost or adjusted acquisition cost.

Financial instruments accounted at the fair value are re-evaluated on each Balance Sheet date at their fair value. Any changes in the fair value of the financial assets and liabilities acquired for trading purposes are reported in the Income Statement of the reporting period.

Upon application of the method of adjusted acquisition cost, the financial instrument is accounted in the Balance Sheet at its initial acquisition cost, less the principal repayments and possible write-downs arising from a decrease in the value or uncollectibility.

#### Real Estate for Resale

Real estate, which is ready for resale and construction-in-progress have been registered at the acquisition cost, which comprises the purchase price, non-refundable taxes, and direct costs related to acquisition, less discounts.

#### Investment Properties

Land and buildings held for the purpose of increasing the market value, not used in the Group's operations and not held for the purpose of resale in the course of ordinary business operations are recorded as investment properties. Investment properties have been initially registered in the Balance Sheet at the acquisition cost, which includes transaction costs directly attributable to the acquisition: notary fees, state fees, pay to advisers and other costs and expenses without incurring of which the transaction would probably not have taken place. Henceforth, investment properties have been accounted at the fair value, which is determined on the basis of a valuation of an independent expert. Gains/losses on changes in the value are reported in the Income Statement of the accounting period.

#### Loans and Receivables

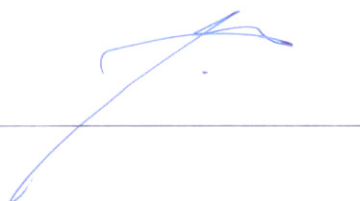
Loans and receivables are non-derivative financial assets with fixed or determinable payments, which are not quoted in an active market. After the first registration the Group accounts the loans and receivables at the adjusted acquisition cost, which has, where necessary, been adjusted with the principal repayments and write-downs arising from possible decreases of value, considering the interest income on the receivable in the following periods.

If it is likely that the Group cannot collect all the amounts receivable pursuant to the terms of the receivables, the receivables will be written down. The amount of a write-down is the difference between the book value and recoverable value. Upon assessment of receivables, the accrual of each specific receivable is evaluated separately, considering the information available on the solvency of the obligor. Possible write-downs arising from assets' impairment are recognised in the Income Statement under the expenditure for the period. Uncollectible accounts are written down in the Balance Sheet to the collectible amount. Bad debts are written off the Balance Sheet.

#### Trade Receivables

Trade receivables are initially accounted at the fair value and hereinafter at the adjusted acquisition cost, using the method of effective interest rate. A write-down caused by a decrease of value of assets is made if there is objective evidence that the Group cannot collect all the amounts receivable pursuant to the terms and conditions of the

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receivables. Such situations may include the purchasers' considerable financial difficulties, bankruptcy or failure to perform the obligations to the Company.

#### Impairment of Assets

On each Balance Sheet date the Group evaluates the circumstances referring to the need for write-down of the financial assets. The value of the financial assets has decreased and the respective write-down is only accounted if objective circumstances, which became evident after the first accounting ("harmful event"), refer to the need for a write-down and the harmful event has an impact on the future cash flow of the financial assets, which can be measured reliably. An objective circumstance, which refers to the decrease of a financial asset is information available to the Company, such as:

- ✓ considerable financial difficulties of the obligor;
- ✓ a breach of the terms and conditions of the contract, including failure to make payments by the due date;
- ✓ it is likely that the obligor is about to go bankrupt;
- ✓ the loss of an active market of the financial asset due to financial difficulties;
- ✓ known information, which refers to a significant fall of the financial asset or a group of financial assets in the future cash flow, although the fall cannot be reliably measured yet.

If necessary, the book value of the assets is reduced through the account for the write-down of receivables and the incurred loss is accounted in the Income Statement. If the decrease of the value of the assets accounted in the next reporting periods should decrease and the event can reliably be connected to the event, which took place after accounting the write-down, the initially accounted write-down will be cancelled. The cancelled write-down is recorded in the Income Statement.

#### Tangible Assets

Tangible assets are assets which are used in the economic activities of the Company and the useful life of which exceeds one year and the acquisition cost of which starts from EEK 5,000. Tangible assets are initially recorded at their acquisition cost, which consists of a purchase price (customs and other non-refundable payments) and expenses directly related to acquisition incurred in bringing the tangible assets to operating condition and location. In the Balance Sheet, tangible assets are reported at their acquisition cost less accumulated depreciation and possible write-downs resulting from impairment. If the recoverable value of fixed assets (i.e. the higher of the following two indicators: the net sales price or the usage value of the assets) is less than its residual book value, then objects of tangible assets are written down to their recoverable value. In the calculation of depreciation, the straight-line method is used. The depreciation rate is set separately for each tangible asset object as follows:

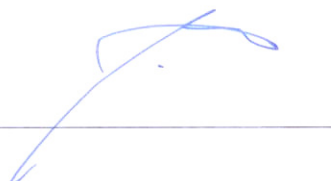
- ✓ buildings and structures – 4-8%,
- ✓ other fittings and IT equipment – 25-40%.

Land is not a depreciable asset.

#### Goodwill

The goodwill emerging from the business combination has initially been registered at the acquisition cost. The goodwill has been calculated as a positive difference between the acquisition cost of the acquired shareholding and the fair value of the net assets of the subsidiary of the acquisition date corresponding to the shareholding of the Group. The net assets of the date of acquisition of the subsidiary have been calculated on the basis of the fair value of the acquired identifiable assets.

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After the registration the goodwill has been accounted at the acquisition cost, less the decrease of the accumulated values. For the purpose of a goodwill impairment test the goodwill has been divided by the cash-generating entities or entity groups of the Group, which should receive economic benefits from the specific business combination.

The possible decreases of the value of the goodwill have been checked at least once a year as of the end of the financial year. The test has been carried out more often than required by events referring to a reduction of the book value of the goodwill or changes in evaluation. The decrease in the value has been determined by way of evaluation of the value of the cash-generating entity relating to the goodwill. Due to a decrease in the value, the goodwill has been written down if the recoverable value of the cash-generating entity is smaller than the book value.

#### Other Intangible Assets

Intangible assets are initially recorded at the acquisition cost thereof, which comprises the purchase price and expenses directly relating to the acquisition. The acquisition cost of the intangible assets acquired through a business combination is the fair value at the moment of the acquisition of the assets. Such intangible assets have been indicated separately from the goodwill if the fair value of the assets could be evaluated reliably. After the registration intangible assets are recorded at the acquisition cost, less the accumulated depreciation and any write-downs arising from decreases in the value of the assets.

Intangible assets have been divided into assets of the limited useful life for depreciation purposes. The depreciation of the intangible assets having a limited useful life is calculated using the straight-line method based on the useful life:

\*20-33% a year.

#### Financial Liabilities

All financial liabilities (trade creditors, loans raised, accrued expenses and other payables) are initially registered at the fair value of the fee to be received for the financial liability, which also contains all expenses directly relating to the acquisition. Financial liabilities are thereafter recorded using the adjusted acquisition cost method.

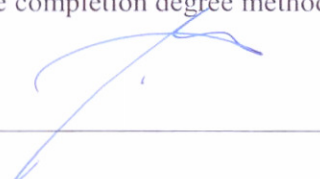
The adjusted acquisition cost of current financial liabilities is generally equal to their nominal value and therefore current financial liabilities are reported in the Balance Sheet in the amounts subject to payment. The adjusted acquisition cost of long-term financial liabilities is calculated using the internal interest rate method. A financial liability is classified as current if its payment term is within twelve months after the Balance Sheet date or if the Company does not have the unconditional right to postpone the payment of the obligation for more than twelve months after the Balance Sheet date. Loans payable with a repayment term within twelve months as of the Balance Sheet date, but which are refinanced as long-term after the Balance Sheet date but before the approval of the Annual Accounts, are reported as short-term. Loans payable that the lender was entitled to recall on the Balance Sheet date due to a breach of the terms and conditions specified in the loan contract are also reported as short-term.

#### Revenue Reporting

Revenue from sales of goods is recorded when all the essential risks relating to the ownership have passed to the purchaser, the sales revenue and the expenses relating to the transaction can be reliably established and the proceeds arising from the transaction are likely to be collected.

Revenue from the sales of a service is recorded after the provision of the service or – if the service is provided over a longer period – in compliance with the completion degree method.

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Income is reported at the fair value of the consideration received or to be received as a result of the transaction. The sales revenue has only been reported to the extent of the economic gains to be received and at a reliably measurable rate.

Interest income and dividend income are recorded when receipt of the income is likely and the amount of the income can be reliably assessed. Interest income is reported using the internal interest rate of assets, unless receipt of interest is uncertain. In the latter case, interest income is recorded on a cash basis. Dividend income is recognised when the owner has a legal right to receive it.

#### Lease Accounting

Lease contracts in the case of which all significant risks and benefits related to the ownership of the asset in question are transferred to the Company are treated as financial leases. All other lease transactions are considered operating lease.

Property acquired by way of financial lease has been accounted in the Balance Sheet at the fair value as of the moment of entry into the lease contract. Operating lease payments are recorded in the Income Statement as an expense on a straight-line basis over the lease period.

#### Employee-related Liabilities

Employee-related liabilities include remuneration specified in employment contracts as well as holiday pay calculated pursuant to the laws of the Republic of Estonia as of the Balance Sheet date. Liabilities calculated for the payment of holiday pay and bonuses are accounted in the Balance Sheet under "employee-related liabilities" along with social tax and unemployment insurance payments and in the Income Statement under "staff costs."

#### Issued Debt Securities

Debt securities issued are initially recorded at the acquisition cost. The acquisition cost is equal to the fair value of the consideration to be received for the financial liability. The initial acquisition cost has been reduced by the expenses directly relating to the acquisition. Further accounting takes place pursuant to the adjusted acquisition cost method, using the effective interest rate.

#### Provisions and Contingent Liabilities

The provisions specified in the Balance Sheet are made only if the Group had, according to the events occurring by the Balance Sheet date, a legally or constructively valid obligation the performance of which is likely to require the transfer of the assets in the future and the size of which can be evaluated reliably. Provisions are recorded in the Balance Sheet on the basis of the estimate of the management about the amount probably required for and the realisation time of the provision. In the Balance Sheet a provision is measured in the amount which is required, as estimated by the management as of the Balance Sheet date, for compliance with the provision-related liability or the transfer thereof to a third party. The expenditure of provisions is accounted under the expenses of the reporting period. No provisions are made to cover future losses.

Promises, guarantees and other commitments whose realisation is unlikely or costs occasioned by which cannot be determined reliably enough, but which under certain conditions may turn to liabilities in the future, are disclosed in the Notes to the Annual Accounts as contingent liabilities.

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Deferred Income Tax

Pursuant to the legislation effective in Estonia, the profits of a company are not subject to income tax, for which reason there exist no deferred income receivables or liabilities. Instead of profit, in Estonia tax is charged on all dividends paid out of retained profit. Corporate income tax payable upon the payment of dividends is recorded in the Income Statement as income tax expenses in the same period when dividends are declared, irrespective of the period for which dividends were declared or when the dividends will actually be paid out.

The maximum amount of the income tax liability arising upon potential disbursement of dividends has been set out in Note 15.

Legal Reserve

The legal reserve has been formed in accordance with the Commercial Code of the Republic of Estonia. The legal reserve is formed from annual net profit transfers. Each financial year, at least 1/20 of net profit must be transferred to legal reserve until the legal reserve accounts for 1/10 of the share capital. Legal reserve may be used to cover loss or increase share capital. Payments may not be made to shareholders out of legal reserve.

**Note 2 Cash**

| (thousands)                      | EEK           | EEK          | EUR        | EUR        |
|----------------------------------|---------------|--------------|------------|------------|
|                                  | 31.12.2008    | 31.12.2007   | 31.12.2008 | 31.12.2007 |
| Cash in hand                     | 719           | 398          | 46         | 25         |
| Cash at bank                     | 12,675        | 4,913        | 810        | 314        |
| Recovered cash (cash in transit) | 0             | 1,575        | 0          | 101        |
| <b>Total cash</b>                | <b>13,394</b> | <b>6,886</b> | <b>856</b> | <b>440</b> |

**Note 3 Shares and Securities**

| (thousands) | EEK        | EEK        | EUR        | EUR        |
|-------------|------------|------------|------------|------------|
|             | 31.12.2008 | 31.12.2007 | 31.12.2008 | 31.12.2007 |

Short-term shares and securities

|   |              |            |            |           |
|---|--------------|------------|------------|-----------|
| Shares  | 3,751        | 155        | 240        | 10        |
| <b>Total short-term shares and securities at fair value</b> | <b>3,751</b> | <b>155</b> | <b>240</b> | <b>10</b> |
| Short-term shares at acquisition cost                       | 5,112        | 607        | 327        | 39        |

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**Note 4 Receivables and Prepayments**  
(thousands)

|   | EEK<br>31.12.2008 | EEK<br>31.12.2007 | EUR<br>31.12.2008 | EUR<br>31.12.2007 |
|---|-------------------|-------------------|-------------------|-------------------|
| Trade receivables   | 51,181            | 86,408            | 3,271             | 5,522             |
| Factored receivables with recourse  | 30,973            | 0                 | 1,980             | 0                 |
| Doubtful accounts   | -361              | -661              | -23               | -42               |
| <b>Total trade receivables</b>  | <b>81,793</b>     | <b>85,747</b>     | <b>5,228</b>      | <b>5,480</b>      |
| Prepaid and deferred taxes (Note 5)                                       | 761               | 3,229             | 49                | 206               |
| Other short-term receivables (Note 9)<br><i>inc. other accrued income</i> | 20,066<br>3,576   | 22,382<br>0       | 1,282<br>229      | 1,430<br>0        |
| Prepaid expenses  | 2,802             | 2,196             | 179               | 141               |
| <b>Total prepayments</b>  | <b>23,629</b>     | <b>27,807</b>     | <b>1,510</b>      | <b>1,777</b>      |
| <b>Total receivables and prepayments</b>                                  | <b>105,422</b>    | <b>113,554</b>    | <b>6,738</b>      | <b>7,257</b>      |

**Note 5 Taxes**  
(thousands)

|                                   | 31.12.2008 EEK |               | 31.12.2007 EEK |               | 31.12.2008 EUR |            | 31.12.2007 EUR |              |
|-----------------------------------|----------------|---------------|----------------|---------------|----------------|------------|----------------|--------------|
|                                   | Prepaid        | Payable       | Prepaid        | Payable       | Prepaid        | Payable    | Prepaid        | Payable      |
| VAT                               | 761            | 6,739         | 3,229          | 8,405         | 49             | 431        | 206            | 537          |
| Corporate income tax              | 0              | 169           | 0              | 62            | 0              | 11         | 0              | 4            |
| Personal income tax               | 0              | 1,977         | 0              | 2,107         | 0              | 126        | 0              | 135          |
| Social tax                        | 0              | 5,050         | 0              | 5,122         | 0              | 323        | 0              | 327          |
| Mandatory funded pension          | 0              | 176           | 0              | 168           | 0              | 11         | 0              | 11           |
| Unemployment insurance<br>premium | 0              | 113           | 0              | 114           | 0              | 7          | 0              | 7            |
| Land tax                          | 0              | 0             | 0              | 0             | 0              | 0          | 0              | 0            |
| Interest payable                  | 0              | 13            | 0              | 4             | 0              | 1          | 0              | 0            |
| <b>Total</b>                      | <b>761</b>     | <b>14,237</b> | <b>3,229</b>   | <b>15,982</b> | <b>49</b>      | <b>910</b> | <b>206</b>     | <b>1,021</b> |

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**Note 6 Inventories**

| (thousands)              | EEK<br>31.12.2008 | EEK<br>31.12.2007 | EUR<br>31.12.2008 | EUR<br>31.12.2007 |
|--------------------------|-------------------|-------------------|-------------------|-------------------|
| Goods for resale         | 193,580           | 188,918           | 12,372            | 12,074            |
| <b>Total inventories</b> | <b>193,580</b>    | <b>188,918</b>    | <b>12,372</b>     | <b>12,074</b>     |

**Written down and written off:**

|                  | 2008       | 2007         | 2008      | 2007       |
|------------------|------------|--------------|-----------|------------|
| Used vehicles    | 495        | 1 200        | 32        | 77         |
| Goods for resale | 378        | 764          | 24        | 48         |
|                  | <b>873</b> | <b>1 964</b> | <b>56</b> | <b>125</b> |

**Note 7 Long-term Financial Investments**

| (thousands)                                  | EEK<br>31.12.2008 | EEK<br>31.12.2007 | EUR<br>31.12.2008 | EUR<br>31.12.2007 |
|--|-------------------|-------------------|-------------------|-------------------|
| Shares in affiliates (Note 8)                | 3,517             | 1,166             | 225               | 75                |
| Other financial investments                  | 40                |                   | 3                 |                   |
| Other long-term receivables (Note 9)         | 9,547             | 2,649             | 610               | 169               |
| <b>Total long-term financial investments</b> | <b>13,104</b>     | <b>3,815</b>      | <b>838</b>        | <b>244</b>        |

**Note 8 Subsidiaries and Affiliates**

The following companies belong to ABC Grupi AS:

(thousands of EEK)

| Name of company      | Location                      | Area of activity   | Direct holding | Indirect holding | Acquisition cost | Acquisition year |
|----------------------|-------------------------------|--|----------------|------------------|------------------|------------------|
| Abestock AS          | Tallinn, Laki 25              | Wholesale trade  | 100%           |                  | 13,066           | 1999             |
| Agora Logistika AS   | Tallinn, Laki 25              | Logistics services   | 100%           |                  | 19,150           | 2000             |
| ABC Motors AS        | Tallinn,<br>Paldiski mnt. 105 | Sales and maintenance of vehicles                            | 100%           |                  | 100,000          | 2007             |
| Comarket AS          | Tallinn, Ädala 1a             | Retail trade   | 100%           |                  | 17,990           | 2000             |
| Oma Varahalduse AS   | Tallinn, Laki 25              | Administration and lease of real estate and movable property | 100%           |                  | 57,950           | 2004             |
| ABC Vara AS          | Tallinn, Laki 25              | Real estate development                                      | 1.80%          | 98.20%           | 181              | 2004             |
| 6 PO AS              | Tallinn, Laki 25              | Management of telephone central office                       |                | 100%             |                  |                  |
| Modera Consulting OÜ | Tallinn, Laki 25              | Development and advancement of information systems           |                | 100%             |                  |                  |
| Supersam OÜ          | Tallinn, Laki 25              | Trade  | 100%           |                  | 40               | 2007             |
| ABC Rent Eesti AS    | Tallinn, Laki 25              | Lease of motor vehicles                                      | 1.6%           |                  | 40               | 2008             |

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Holding in ABC Rent Eesti OÜ as of 31.12.2007 100%.  
 In 2008 it was reorganized to ABC Rent Eesti AS. Holding in 31.12.2008 1,6%.  
 Sales price 2 460  
 Profit/ loss 0

ABC Grupi AS established ABC Rent Grupp AS in 2008.  
 In ABC Grupis AS sold ABC Rent Grupp AS shares in nominal value to J. Vips.  
 Sales price 2 500  
 Profit/ loss 0

## Affiliates of ABC Grupi AS

| Name                  | Location                 | Area of activity |
|-----------------------|--------------------------|------------------|
| Vending Automaadid OÜ | Tallinn, Suur-Sõjamäe 44 | Trade            |

## Affiliate of Modera Consulting OÜ

| Name               | Location                 | Area of activity  |
|--------------------|--------------------------|-------------------|
| Modera Software OÜ | Tallinn, Rännaku pst. 12 | Sales of software |

(thousands of EEK)

|  | Affiliate of ABC Group<br>Vending Automaadid OÜ | Affiliate of Modera Consulting OÜ<br>Modera Software OÜ |
|--|---|---|
| <b>Holding at the beginning of the year, %</b>     | <b>26</b>                                       | <b>50</b>   |
| Acquisition cost as of 31.12.2007                  | 10  | 2,500   |
| <b>Book value as of 31.12.2007</b>                 | <b>966</b>                                      | <b>200</b>  |
| <b>Holding at the end of the year, %</b>           | <b>26</b>                                       | <b>50</b>   |
| Acquisition cost as of 31.12.2007                  | 10  | 2,500   |
| <b>Profit calculated pursuant to equity method</b> | <b>-51</b>                                      | <b>102</b>  |
| <b>Book value as of 31.12.2008</b>                 | <b>915</b>                                      | <b>2,602</b>  |
| <b>Holding at the end of the year, %</b>           | <b>26</b>                                       | <b>50</b>   |
| Acquisition cost as of 31.12.2008                  | 10  | 2,500   |

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(thousands of EUR)

|  | Affiliate of ABC Group | Affiliate of Modera Consulting OÜ |
|--|------------------------|-----------------------------------|
|  | Vending Automaadid OÜ  | Modera Software OÜ                |
| <b>Holding at the beginning of the year, %</b>     | <b>26</b>              | <b>50</b>                         |
| Acquisition cost as of 31.12.2007                  | 1                      | 160                               |
| <b>Book value as of 31.12.2007</b>                 | <b>62</b>              | <b>13</b>                         |
| <b>Holding at the end of the year, %</b>           | <b>26</b>              | <b>50</b>                         |
| Acquisition cost as of 31.12.2007                  | 1                      | 160                               |
| <b>Profit calculated pursuant to equity method</b> | <b>-3</b>              | <b>7</b>                          |
| <b>Book value as of 31.12.2008</b>                 | <b>59</b>              | <b>180</b>                        |
| <b>Holding at the end of the year, %</b>           | <b>26</b>              | <b>50</b>                         |
| Acquisition cost as of 31.12.2008                  | 1                      | 39                                |

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

(thousands of EEK)

|                                    | 31.12.2008    | <i>Due date</i>         |                         |
|------------------------------------|---------------|-------------------------|-------------------------|
|                                    |               | <i>Within 12 months</i> | <i>Within 1-5 years</i> |
| Interest                           | 1             | 1                       | 0                       |
| Other accrued income               | 3,576         | 3,576                   | 0                       |
| Security deposits                  | 6,209         | 6,209                   | 0                       |
| Other receivables                  | 19,827        | 10,280                  | 9,547                   |
| <b>Total</b>                       | <b>29,613</b> | <b>20,066</b>           | <b>9,547</b>            |
| <b>incl. long-term receivables</b> | <b>9,547</b>  |                         |                         |

|                            | Balance as of 31.12.2007 | <i>Due date</i>         |                         |
|----------------------------|--------------------------|-------------------------|-------------------------|
|                            |                          | <i>Within 12 months</i> | <i>Within 1-5 years</i> |
| Receivables from affiliate | 4                        | 4                       | 0                       |
| Financial lease claim      | 265                      | 0                       | 265                     |
| Interest                   | 4                        | 4                       | 0                       |

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|                                    |               |               |              |
|------------------------------------|---------------|---------------|--------------|
| Other accrued income               | 1,599         | 1,599         | 0            |
| Security deposits                  | 1,485         | 0             | 1,485        |
| Other receivables                  | 21,674        | 20,775        | 899          |
| <b>Total</b>                       | <b>25,031</b> | <b>22,382</b> | <b>2,649</b> |
| <b>incl. long-term receivables</b> | <b>2,649</b>  |               |              |

(thousands of EUR)

|                                    | 31.12.2008    | Due date         |                  |
|------------------------------------|---------------|------------------|------------------|
|                                    |               | Within 12 months | Within 1-5 years |
| Other accrued income               | 229           | 229              | 0                |
| Security deposits                  | 397           | 397              | 0                |
| Other receivables                  | 1,266         | 656              | 610              |
| <b>Total</b>                       | <b>1,8932</b> | <b>1,282</b>     | <b>610</b>       |
| <b>incl. long-term receivables</b> | <b>610</b>    |                  |                  |

|                                    | Balance as of 31.12.2007 | Due date         |                  |
|------------------------------------|--------------------------|------------------|------------------|
|                                    |                          | Within 12 months | Within 1-5 years |
| Financial lease claim              | 17                       | 0                | 17               |
| Other accrued income               | 102                      | 102              | 0                |
| Security deposits                  | 95                       | 0                | 95               |
| Other receivables                  | 1,385                    | 1,328            | 57               |
| <b>Total</b>                       | <b>1,599</b>             | <b>1,430</b>     | <b>169</b>       |
| <b>incl. long-term receivables</b> | <b>169</b>               |                  |                  |

#### Note 10 Investment Properties

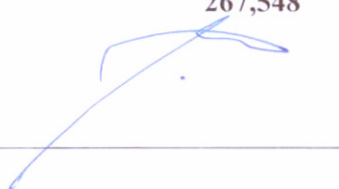
(thousands)

|                                      | EEK<br>2008 | EEK<br>2007 | EUR<br>2008 | EUR<br>2007 |
|--------------------------------------|-------------|-------------|-------------|-------------|
| Rent earned on investment properties | 14,304      | 8,725       | 914         | 558         |

Changes in investment properties: EEK EUR

Balance as of 31.12.2006 267,548 17,099

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|  |                |               |
|--|----------------|---------------|
| Acquisition and improvements                 | 79,886         | 5,106         |
| Profit/loss from revaluation                 | 58,988         | 3,770         |
| Reclassification                             | -31,185        | -1,993        |
| <b>Balance as of 31.12.2007</b>              | <b>375,237</b> | <b>23,982</b> |
| Acquisition                                  | 14,510         | 927           |
| Reclassification of construction-in-progress | 67,818         | 4,334         |
| Profit/loss from revaluation                 | 23,619         | 1,510         |
| Reclassification                             | -17,209        | -1,100        |
| <b>Balance as of 31.12.2008</b>              | <b>463,975</b> | <b>29,653</b> |

The valuation of an independent expert is used upon assessing the investment properties.

**Note 11 Tangible Assets**

(thousands of EEK)

|  | Land and buildings | Machinery and equipment | Fixtures, fittings and tools | Unfinished fixed assets | Prepayments for fixed assets | Total          |
|--|--------------------|-------------------------|------------------------------|-------------------------|------------------------------|----------------|
| <b>Acquisition cost as of 31.12.2006</b>         | <b>48,185</b>      | <b>23,514</b>           | <b>13,553</b>                | <b>2,734</b>            | <b>5</b>                     | <b>87,991</b>  |
| Acquisition                                      | 15,110             | 6,885                   | 1,920                        | 25,520                  | 17,936                       | 67,371         |
| Sales (-)  | 0                  | -526                    | -3                           | 0                       | 0                            | -529           |
| Write-off (-)                                    | 0                  | -113                    | -153                         | 0                       | 0                            | -266           |
| Increased during business combination            | 1,119              | 1,651                   | 2,741                        | 0                       | 0                            | 5,511          |
| Reclassified as investment property              | -35,284            | 0                       | 0                            | 0                       | 0                            | -35,284        |
| Reclassified as fixed assets                     | 66,000             | 0                       | 0                            | 0                       | 0                            | 66,000         |
| <b>Acquisition cost as of 31.12.2007</b>         | <b>95,130</b>      | <b>31,411</b>           | <b>18,058</b>                | <b>28,254</b>           | <b>17,942</b>                | <b>190,794</b> |
| Acquisition                                      | 2,556              | 12,707                  | 2,801                        | 43,943                  | -1,014                       | 60,993         |
| Sales (-)  | 0                  | -258                    | 0                            | 0                       | 0                            | -258           |
| Into investment property                         | 0                  | 0                       | 0                            | -67,818                 | 0                            | -67,818        |
| Write-off (-)                                    | -209               | -321                    | -774                         | 0                       | 0                            | -1,304         |
| Reclassified as fixed assets                     | 14,209             | 0                       | 0                            | 0                       | 0                            | 14,209         |
| <b>Acquisition cost as of 31.12.2008</b>         | <b>111,686</b>     | <b>43,539</b>           | <b>20,085</b>                | <b>4,379</b>            | <b>16,928</b>                | <b>196,616</b> |
| <b>Accumulated depreciation as of 31.12.2006</b> | <b>2,668</b>       | <b>9,784</b>            | <b>6,973</b>                 | <b>0</b>                | <b>0</b>                     | <b>19,425</b>  |
| Depreciation calculated for financial year (+)   | 3,685              | 3,921                   | 2,300                        | 0                       | 0                            | 9,906          |
| Depreciation of fixed assets sold (-)            | 0                  | -480                    | 0                            | 0                       | 0                            | -481           |
| Depreciation of fixed assets written off (-)     | 0                  | -84                     | -163                         | 0                       | 0                            | -247           |

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|--|---------------|---------------|---------------|---------------|---------------|----------------|
| )  |               |               |               |               |               |                |
| Increased during business combination            | 217           | 1,264         | 2,130         | 0             | 0             | 3,611          |
| Reclassified as investment property              | -470          | 0             | 0             | 0             | 0             | -470           |
| <b>Accumulated depreciation as of 31.12.2007</b> | <b>6,100</b>  | <b>14,405</b> | <b>11,240</b> | <b>0</b>      | <b>0</b>      | <b>31,744</b>  |
| Depreciation calculated for financial year (+)   | 6,197         | 5,236         | 2,630         | 0             | 0             | 14,063         |
| Depreciation of fixed assets sold (-)            | 0             | -193          | 0             | 0             | 0             | -193           |
| Depreciation of fixed assets written off (-)     | -115          | -200          | -704          | 0             | 0             | -1,019         |
| <b>Accumulated depreciation as of 31.12.2008</b> | <b>12,182</b> | <b>19,248</b> | <b>13,166</b> | <b>0</b>      | <b>0</b>      | <b>44,596</b>  |
| <b>Residual value as of 31.12.2006</b>           | <b>45,517</b> | <b>13,730</b> | <b>6,580</b>  | <b>2,734</b>  | <b>6</b>      | <b>68,566</b>  |
| <b>Residual value as of 31.12.2007</b>           | <b>89,030</b> | <b>17,006</b> | <b>6,818</b>  | <b>28,254</b> | <b>17,942</b> | <b>159,050</b> |
| <b>Residual value as of 31.12.2008</b>           | <b>99,504</b> | <b>24,291</b> | <b>6,919</b>  | <b>4,379</b>  | <b>16,928</b> | <b>152,021</b> |

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(thousands of EUR)

|  | Land and buildings | Machinery and equipment | Fixtures, fittings and tools | Unfinished fixed assets | Prepayments for fixed assets | Total         |
|--|--------------------|-------------------------|------------------------------|-------------------------|------------------------------|---------------|
| <b>Acquisition cost as of 31.12.2006</b>         | <b>3,079</b>       | <b>1,502</b>            | <b>867</b>                   | <b>174</b>              | <b>0</b>                     | <b>5,622</b>  |
| Acquisition                                      | 965                | 440                     | 122                          | 1,630                   | 1,146                        | 4,303         |
| Sales (-)  | 0                  | -33                     | 0                            | 0                       | 0                            | -33           |
| Write-off (-)                                    | 0                  | -7                      | -9                           | 0                       | 0                            | -16           |
| Increased during business combination            | 71                 | 105                     | 175                          | 0                       | 0                            | 351           |
| Reclassified as investment property              | -2,255             | 0                       | 0                            | 0                       | 0                            | -2,255        |
| Reclassified as fixed assets                     | 4,218              | 0                       | 0                            | 0                       | 0                            | 4,218         |
| <b>Acquisition cost as of 31.12.2007</b>         | <b>6,078</b>       | <b>2,007</b>            | <b>1,155</b>                 | <b>1,804</b>            | <b>1,146</b>                 | <b>12,190</b> |
| Acquisition                                      | 163                | 812                     | 178                          | 2,808                   | -64                          | 3,897         |
| Sales (-)  | 0                  | -16                     | 0                            | 0                       | 0                            | -16           |
| into property investments                        | 0                  | 0                       | 0                            | -4,334                  | 0                            | -4,334        |
| Write-off (-)                                    | -13                | -20                     | -49                          | 0                       | 0                            | -82           |
| Reclassified as fixed assets                     | 908                | 0                       | 0                            | 0                       | 0                            | 908           |
| <b>Acquisition cost as of 31.12.2008</b>         | <b>7,136</b>       | <b>2,783</b>            | <b>1,284</b>                 | <b>278</b>              | <b>1,082</b>                 | <b>12,563</b> |
| <b>Accumulated depreciation as of 31.12.2006</b> | <b>170</b>         | <b>625</b>              | <b>445</b>                   | <b>0</b>                | <b>0</b>                     | <b>1,240</b>  |
| Depreciation calculated for financial year (+)   | 235                | 250                     | 146                          | 0                       | 0                            | 631           |
| Depreciation of fixed assets sold (-)            | 0                  | -30                     | 0                            | 0                       | 0                            | -30           |
| Depreciation of fixed assets written off (-)     | 0                  | -5                      | -10                          | 0                       | 0                            | -15           |
| Increased during business combination            | 13                 | 80                      | 136                          | 0                       | 0                            | 229           |
| Reclassified as investment property              | -30                | 0                       | 0                            | 0                       | 0                            | -30           |
| <b>Accumulated depreciation as of 31.12.2007</b> | <b>388</b>         | <b>920</b>              | <b>717</b>                   | <b>0</b>                | <b>0</b>                     | <b>2,025</b>  |
| Depreciation calculated for financial year (+)   | 396                | 334                     | 168                          | 0                       | 0                            | 898           |
| Depreciation of fixed assets sold (-)            | 0                  | -12                     | 0                            | 0                       | 0                            | -12           |
| Depreciation of fixed assets written off (-)     | -7                 | -12                     | -44                          | 0                       | 0                            | -63           |
| <b>Accumulated depreciation as of 31.12.2008</b> | <b>777</b>         | <b>1,230</b>            | <b>841</b>                   | <b>0</b>                | <b>0</b>                     | <b>2,848</b>  |
| <b>Residual value as of 31.12.2006</b>           | <b>2,909</b>       | <b>877</b>              | <b>422</b>                   | <b>174</b>              | <b>0</b>                     | <b>4,382</b>  |
| <b>Residual value as of 31.12.2007</b>           | <b>5,690</b>       | <b>1,087</b>            | <b>438</b>                   | <b>1,804</b>            | <b>1,146</b>                 | <b>10,165</b> |
| <b>Residual value as of 31.12.2008</b>           | <b>6,359</b>       | <b>1,553</b>            | <b>443</b>                   | <b>278</b>              | <b>1,082</b>                 | <b>9,715</b>  |

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**Note 12 Intangible Assets**  
(thousands of EEK)

|  | Computer software | Operating fees | Goodwill      | Total         |
|--|-------------------|----------------|---------------|---------------|
| <b>Acquisition cost as of 31.12.2006</b>         | <b>8,863</b>      | <b>2,574</b>   | <b>0</b>      | <b>11,437</b> |
| Acquisition                                      | 831               | 0              | 74,423        | 75,254        |
| Write-off  | -2                | 0              | 0             | -2            |
| Increased during business combination            | 2,540             | 0              | 0             | 2,540         |
| <b>Acquisition cost as of 31.12.2007</b>         | <b>12,232</b>     | <b>2,574</b>   | <b>74,423</b> | <b>89,229</b> |
| Acquisition                                      | 7                 | 0              | 0             | 7             |
| Write-off  | -2                | 0              | 0             | -2            |
| Increased during business combination            | 0                 | 0              | -2,300        | -2,300        |
| <b>Acquisition cost as of 31.12.2008</b>         | <b>12,237</b>     | <b>2,574</b>   | <b>72,123</b> | <b>86,934</b> |
| <b>Accumulated depreciation as of 31.12.2006</b> | <b>8,048</b>      | <b>2,089</b>   | <b>0</b>      | <b>10,137</b> |
| Depreciation calculated for financial year       | 165               | 149            | 0             | 314           |
| Depreciation of fixed assets written-off         | -1                | 0              | 0             | -1            |
| Increased during business combination            | 2,500             | 0              | 0             | 2,500         |
| <b>Accumulated depreciation as of 31.12.2007</b> | <b>10,712</b>     | <b>2,238</b>   | <b>0</b>      | <b>12,950</b> |
| Depreciation calculated for financial year       | 108               | 128            | 0             | 236           |
| Depreciation of fixed assets written-off         | -2                | 0              | 0             | -2            |
| Increased during business combination            | 0                 | 0              | 0             | 0             |
| <b>Accumulated depreciation as of 31.12.2008</b> | <b>10,818</b>     | <b>2,366</b>   | <b>0</b>      | <b>13,184</b> |
| <b>Residual value as of 31.12.2006</b>           | <b>815</b>        | <b>485</b>     | <b>0</b>      | <b>1,300</b>  |
| <b>Residual value as of 31.12.2007</b>           | <b>1,520</b>      | <b>336</b>     | <b>74,423</b> | <b>76,279</b> |
| <b>Residual value as of 31.12.2008</b>           | <b>1,419</b>      | <b>208</b>     | <b>72,123</b> | <b>73,750</b> |

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(thousands of EUR)

|  | Computer software | Operating fees | Goodwill     | Total        |
|--|-------------------|----------------|--------------|--------------|
| <b>Acquisition cost as of 31.12.2006</b>         | <b>566</b>        | <b>164</b>     | <b>0</b>     | <b>730</b>   |
| Acquisition                                      | 53                | 0              | 4,756        | 4,809        |
| Write-off  | 0                 | 0              | 0            | 0            |
| Increased during business combination            | 161               | 0              | 0            | 161          |
| <b>Acquisition cost as of 31.12.2007</b>         | <b>780</b>        | <b>164</b>     | <b>4,756</b> | <b>5,700</b> |
| Acquisition                                      | 0                 | 0              | 0            | 0            |
| Write-off  | 0                 | 0              | 0            | 0            |
| Increased during business combination            | 0                 | 0              | -148         | -148         |
| <b>Acquisition cost as of 31.12.2008</b>         | <b>780</b>        | <b>164</b>     | <b>4,608</b> | <b>5,552</b> |
| <b>Accumulated depreciation as of 31.12.2006</b> | <b>514</b>        | <b>133</b>     | <b>0</b>     | <b>647</b>   |
| Depreciation calculated for financial year       | 10                | 9              | 0            | 19           |
| Depreciation of fixed assets written-off         | 0                 | 0              | 0            | 0            |
| Increased during business combination            | 159               | 0              | 0            | 159          |
| <b>Accumulated depreciation as of 31.12.2007</b> | <b>683</b>        | <b>142</b>     | <b>0</b>     | <b>825</b>   |
| Depreciation calculated for financial year       | 6                 | 8              | 0            | 14           |
| Depreciation of fixed assets written-off         | 0                 | 0              | 0            | 0            |
| Increased during business combination            | 0                 | 0              | 0            | 0            |
| <b>Accumulated depreciation as of 31.12.2008</b> | <b>689</b>        | <b>150</b>     | <b>0</b>     | <b>839</b>   |
| <b>Residual value as of 31.12.2006</b>           | <b>52</b>         | <b>31</b>      | <b>0</b>     | <b>83</b>    |
| <b>Residual value as of 31.12.2007</b>           | <b>97</b>         | <b>22</b>      | <b>4,756</b> | <b>4,875</b> |
| <b>Residual value as of 31.12.2008</b>           | <b>91</b>         | <b>14</b>      | <b>4,608</b> | <b>4,713</b> |

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**Note 13 Loans Payable**

(thousands of EEK)

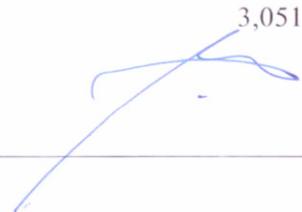
|                               | Balance as of<br>31.12.2008 | Due date            |                     |                 | Interest<br>rate |
|-------------------------------|-----------------------------|---------------------|---------------------|-----------------|------------------|
|                               |                             | Within 12<br>months | Within 1-5<br>years | Over 5<br>years |                  |
| Debt securities               | 168,908                     | 67,205              | 101,703             | 0               | EUR 12-13.5%     |
| Long-term bank loans          | 176,187                     | 9,302               | 141,379             | 25,506          | EUR 5.2-5.8%     |
| Overdrafts                    | 71,048                      | 71,048              | 0                   | 0               | EUR 3%-5.0%      |
| Financial lease liabilities   | 24,773                      | 6,436               | 18,337              | 0               | EUR 4.7-7.5%     |
| Factoring liabilities         | 27,616                      | 27,616              | 0                   | 0               | EUR 6.6%         |
| Warehouse financing           | 47,743                      | 47,743              | 0                   | 0               | EUR 3%-8%        |
| Leaseback liability           | 26,737                      | 13,412              | 13,325              | 0               | EUR 5.0-7.0%     |
| <b>Total</b>                  | <b>543,012</b>              | <b>242,762</b>      | <b>274,744</b>      | <b>25,506</b>   |                  |
| incl. long-term loans payable | 300,250                     |                     |                     |                 |                  |

|                                       | Balance as of<br>31.12.2007 | Due date            |                     |                 | Interest<br>rate |
|---------------------------------------|-----------------------------|---------------------|---------------------|-----------------|------------------|
|                                       |                             | Within 12<br>months | Within 1-5<br>years | Over 5<br>years |                  |
| Debt securities                       | 130,211                     | 28,508              | 101,703             | 0               | EUR 12-13.5%     |
| Long-term bank loans                  | 188,049                     | 10,681              | 87,839              | 89,528          | EUR 5.2-5.8%     |
| Short-term bank loans                 | 17,721                      | 17,721              | 0                   | 0               | EUR 5.2-5.8%     |
| Overdrafts                            | 21,001                      | 21,001              | 0                   | 0               | EUR 4.5-5.0%     |
| Financial lease liabilities (Note 14) | 5,879                       | 2,913               | 2,966               | 0               | EUR 4.7-7.5%     |
| Factoring liabilities                 | 25,966                      | 25,966              | 0                   | 0               | EUR 7%           |
| Leaseback liability                   | 21,205                      | 9,083               | 12,122              | 0               | EUR 5.0-7.0%     |
| <b>Total</b>                          | <b>410,032</b>              | <b>115,873</b>      | <b>204,630</b>      | <b>89,528</b>   |                  |
| incl. long-term loans payable         | 294,158                     |                     |                     |                 |                  |

(thousands of EUR)

|                             | Balance as of<br>31.12.2008 | Due date            |                     |                 | Interest<br>rate |
|-----------------------------|-----------------------------|---------------------|---------------------|-----------------|------------------|
|                             |                             | Within 12<br>months | Within 1-5<br>years | Over 5<br>years |                  |
| Debt securities             | 10,795                      | 4,295               | 6,500               | 0               | EUR 12-13.5%     |
| Long-term bank loans        | 11,260                      | 595                 | 9,036               | 1,630           | EUR 5.2-5.8%     |
| Overdrafts                  | 4,541                       | 4,541               | 0                   |                 | EUR 3%-5.0%      |
| Financial lease liabilities | 1,583                       | 411                 | 1,172               | 0               | EUR 4.7-7.5%     |
| Factoring liabilities       | 1,765                       | 1,765               | 0                   | 0               | EUR 6.6%         |
| Warehouse financing         | 3,051                       | 3,051               | 0                   | 0               | EUR 3%-8%        |

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|-------------------------------|---------------|---------------|---------------|--------------|--------------|
| Leaseback liability           | 1,709         | 857           | 852           | 0            | EUR 5.0-7.0% |
| <b>Total</b>                  | <b>34,705</b> | <b>15,515</b> | <b>17,559</b> | <b>1,630</b> |              |
| incl. long-term loans payable | 19,189        |               |               |              |              |

|                                       | Balance as of<br>31.12.2007 | Due date            |                     |                 | Interest<br>rate |
|---------------------------------------|-----------------------------|---------------------|---------------------|-----------------|------------------|
|                                       |                             | Within 12<br>months | Within 1-5<br>years | Over 5<br>years |                  |
| Debt securities                       | 8,322                       | 1,822               | 6,500               | 0               | EUR 12-13.5%     |
| Long-term bank loans                  | 12,019                      | 683                 | 5,614               | 5,722           | EUR 5.2-5.8%     |
| Short-term bank loans                 | 1,133                       | 1,133               | 0                   | 0               | EUR 5.2-5.8%     |
| Overdrafts                            | 1,342                       | 1,342               | 0                   | 0               | EUR 4.5-5.0%     |
| Financial lease liabilities (Note 14) | 376                         | 186                 | 190                 | 0               | EUR 4.7-7.5%     |
| Factoring liabilities                 | 1,660                       | 1,660               | 0                   | 0               | EUR 7%           |
| Leaseback liability                   | 1,354                       | 580                 | 774                 | 0               | EUR 5.0-7.0%     |
| <b>Total</b>                          | <b>26,206</b>               | <b>7,406</b>        | <b>13,078</b>       | <b>5,722</b>    |                  |
| incl. long-term loans payable         | 18,800                      |                     |                     |                 |                  |

**Note 14 Payables and Prepayments**

| (thousands)                           | EEK<br>31.12.2008 | EEK<br>31.12.2007 | EUR<br>31.12.2008 | EUR<br>31.12.2007 |
|---------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Trade creditors                       | 118,334           | 153,014           | 7,563             | 9,779             |
| Employee-related payables             | 13,403            | 15,278            | 857               | 976               |
| Taxes payable (Note 5)                | 14,237            | 15,982            | 910               | 1,021             |
| Other payables                        | 3,208             | 4,193             | 205               | 268               |
| Other accrued expenses                | 419               | 707               | 28                | 46                |
| Prepayments received                  | 655               | 515               | 42                | 33                |
| Interest payable                      | 1,432             | 1,466             | 92                | 94                |
| Deferred income                       | 524               | 527               | 33                | 34                |
| <b>Total payables and prepayments</b> | <b>152,212</b>    | <b>191,682</b>    | <b>9,730</b>      | <b>12,251</b>     |

**Note 15 Owners' Equity**

|                                     | EEK<br>31.12.2008 | EEK<br>31.12.2007 | EUR<br>31.12.2008 | EUR<br>31.12.2007 |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Share capital (thousands)           | 100,280           | 21,800            | 6,409             | 1,393             |
| Number of shares (pcs.)             | 1,002,800         | 218,000           | 1,002,800         | 218,000           |
| Nominal value of shares (thousands) | 0.1               | 0.1               | 0                 | 0                 |
| Available owners' equity            | 201,010           | 270,865           | 12,847            | 17,311            |
| Net dividends                       | 158,798           | 213,983           | 10,149            | 13,676            |

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|------------|--------|--------|-------|-------|
| Income tax | 42,212 | 56,882 | 2,698 | 3,635 |
|------------|--------|--------|-------|-------|

Net profit per share

To calculate the basic net profit per share, the net profit for the financial year, which is attributable to shareholders of the parent company, is divided by the weighted average number of outstanding ordinary shares of the financial year.

|   | EEK     | EEK     | EUR     | EUR     |
|---|---------|---------|---------|---------|
|   | 2008    | 2007    | 2008    | 2007    |
| Net profit (thousands)                                  | 9,060   | 63,868  | 579     | 4,082   |
| Weighted average number of shares of the financial year | 610 400 | 218,000 | 610 400 | 218,000 |
| Net profit per share (thousands)                        | 15      | 293     | 1       | 19      |

**Note 16 Sales Revenue**

By geographical regions, the sales revenue of the Group is divided as follows:

| Geographical regions | EEK<br>2008      | EEK<br>2007      | EUR<br>2008   | EUR<br>2007   |
|----------------------|------------------|------------------|---------------|---------------|
| Estonia              | 1,388,138        | 1,127,184        | 88,718        | 72,040        |
| Latvia               | 2,839            | 600              | 181           | 38            |
| Lithuania            | 5,884            | 1,931            | 376           | 123           |
| Finland              | 93               | 369              | 6             | 24            |
| Poland               | 1,578            | 4,140            | 101           | 265           |
| Switzerland          | 1                | 3,191            | 0             | 204           |
| Russia               | 3,681            | 3,499            | 235           | 224           |
| Spain                | 1,597            | 4,960            | 103           | 317           |
| Other                | 0                | 203              | 0             | 13            |
| <b>Total</b>         | <b>1,403,811</b> | <b>1,146,077</b> | <b>89,720</b> | <b>73,248</b> |

By fields of activity, the sales revenue of the Group is divided as follows:

| Fields of activity/products                 | EEK<br>2008 | EEK<br>2007 | EUR<br>2008 | EUR<br>2007 |
|---|-------------|-------------|-------------|-------------|
| Sales of food products and industrial goods | 1,154,433   | 980,457     | 73,782      | 62,663      |
| Sales of vehicles                           | 170,633     | 116,775     | 10,905      | 7,463       |
| Sales of spare parts for vehicles           | 39,093      | 23,225      | 2,499       | 1,484       |
| Maintenance and repair of vehicles          | 11,511      | 4,818       | 736         | 308         |
| Lease of real estate                        | 14,304      | 8,725       | 914         | 558         |
| Labour force mediation                      | 3,468       | 2,921       | 222         | 187         |

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|                    |                  |                  |               |               |
|--------------------|------------------|------------------|---------------|---------------|
| IT services        | 3,110            | 2,414            | 199           | 154           |
| Car rent           | 6,505            | 2,935            | 416           | 188           |
| Logistics services | 319              | 183              | 20            | 12            |
| Other              | 435              | 3,624            | 27            | 231           |
| <b>Total</b>       | <b>1,403,811</b> | <b>1,146,077</b> | <b>89,720</b> | <b>73,248</b> |

**Note 17. Other Operating Revenue and Other Operating Charges**


|  | EEK<br>2008   | EEK<br>2007   | EUR<br>2008  | EUR<br>2007  |
|--|---------------|---------------|--------------|--------------|
| <b>Other operating revenue</b>                 |               |               |              |              |
| Profit from revaluation of investment property | 23,619        | 58,988        | 1,510        | 3,770        |
| Profit from sales of fixed assets              | 0             | 14            | 0            | 1            |
| Sales support received from suppliers          | 24,176        | 16,642        | 1,545        | 1,064        |
| Damages and default interest received          | 0             | 89            | 0            | 6            |
| Other operating revenue                        | 1,287         | 1,142         | 82           | 73           |
| Waiving claims                                 | 8,152         | 12,521        | 521          | 800          |
| <b>Total other operating revenue</b>           | <b>57,234</b> | <b>89,396</b> | <b>3,658</b> | <b>5,713</b> |

|  | 2008         | 2007         | 2008       | 2007       |
|--|--------------|--------------|------------|------------|
| <b>Other operating charges</b>           |              |              |            |            |
| Loss on conversion of foreign currencies | 401          | 270          | 26         | 17         |
| Loss on sales of fixed assets            | 3,528        | 1,010        | 225        | 65         |
| Default interest and fines               | 0            | 318          | 0          | 20         |
| <b>Total other operating charges</b>     | <b>3,929</b> | <b>1,598</b> | <b>251</b> | <b>102</b> |

**Note 18. Goods, Raw Materials and Services**

|   | EEK<br>2008      | EEK<br>2007    | EUR<br>2008   | EUR<br>2007   |
|---|------------------|----------------|---------------|---------------|
| Goods for resale (food products and industrial goods) | 973,399          | 819,834        | 62,212        | 52,397        |
| Goods for resale (cars)                               | 157,514          | 104,524        | 10,067        | 6,680         |
| Goods for resale (spare parts for cars)               | 21,966           | 12,859         | 1,404         | 822           |
| Car rent and insurance                                | 10,286           | 10,192         | 657           | 651           |
| Expired and defective goods                           | 378              | 1,433          | 24            | 92            |
| Other services  | 17,641           | 8,674          | 1,127         | 555           |
| <b>Total goods, raw materials and services</b>        | <b>1,181,184</b> | <b>957,516</b> | <b>75,491</b> | <b>61,197</b> |

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**Note 19 Other Operating Expenses**  
(thousands)

|                                  | EEK<br>2008   | EEK<br>2007   | EUR<br>2008  | EUR<br>2007  |
|----------------------------------|---------------|---------------|--------------|--------------|
| Vehicle expenses                 | 2,772         | 3,735         | 177          | 239          |
| Insurance                        | 436           | 152           | 28           | 10           |
| Rent                             | 26,675        | 17,340        | 1,705        | 1,108        |
| Utilities                        | 12,359        | 13,202        | 790          | 844          |
| Legal services and consultations | 420           | 2,555         | 27           | 163          |
| Training expenses                | 1,117         | 242           | 71           | 15           |
| Logistics expenses               | 1,636         | 13,083        | 105          | 836          |
| Business trips                   | 605           | 432           | 39           | 28           |
| Management expenses              | 1,338         | 566           | 86           | 36           |
| Other operating expenses         | 13,407        | 7,075         | 857          | 452          |
| Bank expenses                    | 731           | 912           | 47           | 58           |
| Services purchased               | 1,290         | 2,400         | 82           | 153          |
| Communications expenses          | 1,737         | 574           | 111          | 37           |
| Advertising and marketing        | 9,822         | 7,596         | 627          | 486          |
|                                  | <b>74,345</b> | <b>69,864</b> | <b>4,752</b> | <b>4,465</b> |

**Note 20 Segment Reporting**  
(thousands)

The primary segment form of the Group is the segments of fields of activity.  
The second segment of the Group is a geographical segment.

**Segment of field of activity**

| 2008                         | Car trade | Wholesale trade | Retail trade | Real estate | Other  | Total     |
|------------------------------|-----------|-----------------|--------------|-------------|--------|-----------|
| <b>Total sales</b>           | 221,237   | 591,836         | 563,270      | 14,304      | 13,164 | 1,403,811 |
| Sales outside the Group      | 221,237   | 591,836         | 563,270      | 14,304      | 13,164 | 1,403,811 |
| <b>Operating profit</b>      | 4,301     | 11,967          | 3,286        | 20,817      | 13,853 | 54,224    |
|                              | 0         |                 |              |             |        |           |
| <b>Net profit</b>            | 405       | 13,324          | -3,915       | 7,575       | -8,329 | 9,060     |
| <b>Assets of the segment</b> | 148,514   | 203,234         | 103,364      | 529,881     | 34,004 | 1,018,997 |

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|                            |         |         |        |         |        |         |
|----------------------------|---------|---------|--------|---------|--------|---------|
| Liabilities of the segment | 116,627 | 107,873 | 89,527 | 346,327 | 36,598 | 696,952 |
|----------------------------|---------|---------|--------|---------|--------|---------|

### Geographical segment

EEK

2008

|                    | Food products<br>and industrial<br>goods | Vehicles<br>and spare<br>parts | Lease of<br>real estate | Labour<br>force<br>mediation | Car rent     | Other        | Total            |
|--------------------|--|--------------------------------|-------------------------|------------------------------|--------------|--------------|------------------|
| <b>Total sales</b> |  |                                |                         |                              |              |              |                  |
| Estonia            | 1,152,522                                | 211,566                        | 14,304                  | 0                            | 6,505        | 3,196        | 1,388,093        |
| Latvia             | 2,585                                    | 254                            | 0                       | 0                            | 0            | 0            | 2,839            |
| Lithuania          | 46                                       | 3,668                          | 0                       | 2,216                        | 0            | 0            | 5,930            |
| Finland            | 0  | 93                             | 0                       | 0                            | 0            | 0            | 93               |
| Poland             | 0  | 0                              | 0                       | 1,252                        | 0            | 325          | 1,577            |
| Switzerland        | 0  | 0                              | 0                       | 0                            | 0            | 1            | 1                |
| Russia             | 0  | 3,681                          | 0                       | 0                            | 0            | 0            | 3,681            |
| Spain              | 0  | 1,597                          | 0                       | 0                            | 0            | 0            | 1,597            |
| <b>Total</b>       | <b>1,155,153</b>                         | <b>220,859</b>                 | <b>14,304</b>           | <b>3,468</b>                 | <b>6,505</b> | <b>3,522</b> | <b>1,403,811</b> |

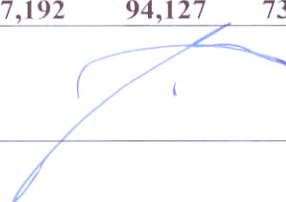
### Segment of field of activity

EEK

2007

|                                       | Car trade      | Wholesale<br>trade | Retail<br>trade | Real estate    | Other         | Total            |
|---------------------------------------|----------------|--------------------|-----------------|----------------|---------------|------------------|
| <b>Total sales</b>                    | <b>146,952</b> | <b>509,888</b>     | <b>477,914</b>  | <b>6,121</b>   | <b>5,201</b>  | <b>1,146,077</b> |
| Sales outside the Group               | 146,952        | 509,888            | 477,914         | 6,121          | 5,202         | 1,146,077        |
| <b>Operating profit</b>               | <b>4,431</b>   | <b>12,169</b>      | <b>5,200</b>    | <b>49,221</b>  | <b>19,267</b> | <b>90,288</b>    |
| <b>Net profit</b>                     | <b>3,606</b>   | <b>12,865</b>      | <b>5,127</b>    | <b>32,467</b>  | <b>9,803</b>  | <b>63,868</b>    |
| <b>Assets of the segment</b>          | <b>138,674</b> | <b>176,165</b>     | <b>91,274</b>   | <b>447,328</b> | <b>70,453</b> | <b>923,894</b>   |
| <b>Liabilities of the<br/>segment</b> | <b>107,192</b> | <b>94,127</b>      | <b>73,522</b>   | <b>270,914</b> | <b>64,718</b> | <b>610,473</b>   |

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## Geographical segment

2007

| EEK                | Food products and industrial goods | Vehicles and spare parts | Lease of real estate | Labour force mediation | Car rent     | Other        | Total            |
|--------------------|------------------------------------|--------------------------|----------------------|------------------------|--------------|--------------|------------------|
| <b>Total sales</b> |                                    |                          |                      |                        |              |              |                  |
| Estonia            | 977,685                            | 133,222                  | 4,200                | 2,921                  | 2,935        | 6,221        | 1,127,184        |
| Latvia             | 600                                | 0                        | 0                    | 0                      | 0            | 0            | 600              |
| Lithuania          | 1,931                              | 0                        | 0                    | 0                      | 0            | 0            | 1,931            |
| Finland            | 369                                | 0                        | 0                    | 0                      | 0            | 0            | 369              |
| Poland             | 1,003                              | 3,137                    | 0                    | 0                      | 0            | 0            | 4,140            |
| Switzerland        | 3,191                              | 0                        | 0                    | 0                      | 0            | 0            | 3,191            |
| Russia             | 0                                  | 3,499                    | 0                    | 0                      | 0            | 0            | 3,499            |
| Spain              | 0                                  | 4,960                    | 0                    | 0                      | 0            | 0            | 4,960            |
| Other              | 203                                | 0                        | 0                    | 0                      | 0            | 0            | 203              |
| <b>Total</b>       | <b>984,982</b>                     | <b>144,818</b>           | <b>4,200</b>         | <b>2,921</b>           | <b>2,935</b> | <b>6,221</b> | <b>1,146,077</b> |

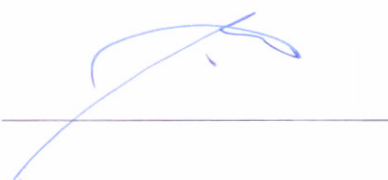
## Segment of field of activity

EUR

2008

|                                   | Car trade     | Wholesale trade | Retail trade  | Real estate   | Other        | Total         |
|-----------------------------------|---------------|-----------------|---------------|---------------|--------------|---------------|
| <b>Total sales</b>                | <b>14,140</b> | <b>37,825</b>   | <b>36,000</b> | <b>914</b>    | <b>841</b>   | <b>89,720</b> |
| Sales outside the Group           | 14,140        | 37,825          | 36,000        | 914           | 841          | 89,720        |
| <b>Operating profit</b>           | <b>275</b>    | <b>765</b>      | <b>210</b>    | <b>1,330</b>  | <b>886</b>   | <b>3,466</b>  |
|                                   | 0             |                 |               |               |              |               |
| <b>Net profit</b>                 | <b>26</b>     | <b>852</b>      | <b>-250</b>   | <b>484</b>    | <b>-533</b>  | <b>579</b>    |
|                                   | 0             |                 |               |               |              |               |
| <b>Assets of the segment</b>      | <b>9,492</b>  | <b>12,989</b>   | <b>6,606</b>  | <b>33,866</b> | <b>2,173</b> | <b>65,126</b> |
|                                   | 0             |                 |               |               |              |               |
| <b>Liabilities of the segment</b> | <b>7,454</b>  | <b>6,894</b>    | <b>5,722</b>  | <b>22,134</b> | <b>2,340</b> | <b>44,544</b> |

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**Geographical segment**

EUR

2008

|                    | Food products and industrial goods | Vehicles and spare parts | Lease of real estate | Labour force mediation | Car rent   | Other      | Total         |
|--------------------|------------------------------------|--------------------------|----------------------|------------------------|------------|------------|---------------|
| <b>Total sales</b> |                                    |                          |                      |                        |            |            |               |
| Estonia            | 73,660                             | 13,522                   | 914                  | 0                      | 416        | 204        | 88,716        |
| Latvia             | 165                                | 16                       | 0                    | 0                      | 0          | 0          | 181           |
| Lithuania          | 3                                  | 234                      | 0                    | 142                    | 0          | 0          | 379           |
| Finland            | 0                                  | 6                        | 0                    | 0                      | 0          | 0          | 6             |
| Poland             | 0                                  | 0                        | 0                    | 80                     | 0          | 21         | 101           |
| Switzerland        | 0                                  | 0                        | 0                    | 0                      | 0          | 0          | 0             |
| Russia             | 0                                  | 235                      | 0                    | 0                      | 0          | 0          | 235           |
| Spain              | 0                                  | 102                      | 0                    | 0                      | 0          | 0          | 102           |
| Other              | 0                                  | 0                        | 0                    | 0                      | 0          | 0          | 0             |
| <b>Total</b>       | <b>73,828</b>                      | <b>14,115</b>            | <b>914</b>           | <b>222</b>             | <b>416</b> | <b>225</b> | <b>89,720</b> |


**Segment of field of activity**

EUR

2007

|                                   | Car trade    | Wholesale trade | Retail trade  | Real estate   | Other        | Total         |
|-----------------------------------|--------------|-----------------|---------------|---------------|--------------|---------------|
| <b>Total sales</b>                | <b>9,392</b> | <b>32,588</b>   | <b>30,544</b> | <b>391</b>    | <b>332</b>   | <b>73,248</b> |
| Sales outside the Group           | 9,392        | 32,588          | 30,544        | 391           | 333          | 73,248        |
| <b>Operating profit</b>           | <b>283</b>   | <b>778</b>      | <b>332</b>    | <b>3,146</b>  | <b>1,231</b> | <b>5,770</b>  |
| <b>Net profit</b>                 | <b>230</b>   | <b>822</b>      | <b>328</b>    | <b>2,075</b>  | <b>626</b>   | <b>4,081</b>  |
| <b>Assets of the segment</b>      | <b>8,863</b> | <b>11,259</b>   | <b>5,833</b>  | <b>28,589</b> | <b>4,504</b> | <b>59,048</b> |
| <b>Liabilities of the segment</b> | <b>6,851</b> | <b>6,016</b>    | <b>4,699</b>  | <b>17,315</b> | <b>4,136</b> | <b>39,017</b> |

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## Geographical segment

2007

| EUR                | Food products<br>and industrial<br>goods | Vehicles<br>and spare<br>parts | Lease of<br>real estate | Labour<br>mediation<br>force | Car rent   | Other      | Total         |
|--------------------|--|--------------------------------|-------------------------|------------------------------|------------|------------|---------------|
| <b>Total sales</b> |  |                                |                         |                              |            |            |               |
| Estonia            | 62,485                                   | 8,514                          | 268                     | 187                          | 188        | 399        | 72,041        |
| Latvia             | 38                                       | 0                              | 0                       | 0                            | 0          | 0          | 38            |
| Lithuania          | 123                                      | 0                              | 0                       | 0                            | 0          | 0          | 123           |
| Finland            | 24                                       | 0                              | 0                       | 0                            | 0          | 0          | 24            |
| Poland             | 64                                       | 200                            | 0                       | 0                            | 0          | 0          | 264           |
| Switzerland        | 204                                      | 0                              | 0                       | 0                            | 0          | 0          | 204           |
| Russia             | 0  | 224                            | 0                       | 0                            | 0          | 0          | 224           |
| Spain              | 0  | 317                            | 0                       | 0                            | 0          | 0          | 317           |
| Other              | 13                                       | 0                              | 0                       | 0                            | 0          | 0          | 13            |
| <b>Total</b>       | <b>62,951</b>                            | <b>9,255</b>                   | <b>268</b>              | <b>187</b>                   | <b>188</b> | <b>399</b> | <b>73,248</b> |

## Note 21 Loan Collateral and Pledged Assets

To secure the loans raised by the Group companies and other payables, the following property has been pledged: mortgages over registered immovables valued as investment properties to the amount of EEK 466,433,419; mortgages over registered immovables recognised under entry "Tangible assets" with a book value of EEK 90,808,842.

## Note 22 Financial Lease

| (thousands)                     | EEK<br>Machinery<br>and<br>equipment | EEK<br>Other<br>tangible<br>assets | EEK<br>Intangible<br>assets | EUR<br>Machinery<br>and<br>equipment | EUR<br>Other<br>tangible<br>assets | EUR<br>Intangible<br>assets |
|---------------------------------|--------------------------------------|------------------------------------|-----------------------------|--------------------------------------|------------------------------------|-----------------------------|
| <b>Balance as of 31.12.2007</b> |                                      |                                    |                             |                                      |                                    |                             |
| Acquisition cost                | 3,041                                | 356                                | 9                           | 194                                  | 23                                 | 1                           |
| Accumulated depreciation        | -1,451                               | -354                               | -4                          | -93                                  | -23                                | 0                           |
| <b>Residual value</b>           | <b>1,590</b>                         | <b>2</b>                           | <b>5</b>                    | <b>101,</b>                          | <b>0</b>                           | <b>10</b>                   |
| <b>Balance as of 31.12.2008</b> |                                      |                                    |                             |                                      |                                    |                             |
| Acquisition cost                | 970                                  | 26,912                             | 9                           | 62                                   | 1,720                              | 1                           |
| Accumulated depreciation        | -577                                 | -4,285                             | -5                          | -37                                  | -274                               | 0                           |
| <b>Residual value</b>           | <b>393</b>                           | <b>22,627</b>                      | <b>4</b>                    | <b>25</b>                            | <b>1,446</b>                       | <b>10</b>                   |

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| Thousands                        | EEK           |              | Interest | EUR           |              | Interest |
|----------------------------------|---------------|--------------|----------|---------------|--------------|----------|
|                                  | 31.12.2008    | 31.12.2007   |          | 31.12.2008    | 31.12.2007   |          |
| <b>Financial lease payments:</b> |               |              |          |               |              |          |
| <b>up to 1 year</b>              | <b>6,436</b>  | <b>2,913</b> | 4.7-5.6% | <b>6,436</b>  | <b>2,913</b> | 4.7-5.6% |
| <b>within 1 to 5 years</b>       | <b>18,337</b> | <b>2,966</b> | 4.7-5.6% | <b>18,337</b> | <b>2,966</b> | 4.7-5.6% |

### Note 23 Transactions with Related Parties

The following were considered related parties upon preparing the Annual Accounts:

- owners (parent company and its owners) – Landcom OÜ;
- affiliates – Vending Automaadid OÜ;
- executive management and senior management – Jüri Vips;
- close relatives of the foregoing persons and companies connected therewith.

In the years 2007 and 2008, the Group has sold goods and provided services to and purchased goods and services from the related parties as follows:

| (thousands of EEK)                   | EEK 2008  |          | EEK 2007      |              | EUR 2008  |          | EUR 2007   |            |
|--------------------------------------|-----------|----------|---------------|--------------|-----------|----------|------------|------------|
|                                      | Purchases | Sales    | Purchases     | Sales        | Purchases | Sales    | Purchases  | Sales      |
| <b>Goods</b>                         |           |          |               |              |           |          |            |            |
| Landcom OÜ                           | 0         | 0        | 10,740        | 2,017        | 0         | 0        | 686        | 129        |
| Vending Automaadid OÜ                | 0         | 0        | 26            | 2            | 0         | 0        | 2          | 0          |
| <b>Total purchase-sales of goods</b> | <b>0</b>  | <b>0</b> | <b>10,766</b> | <b>2,019</b> | <b>0</b>  | <b>0</b> | <b>688</b> | <b>129</b> |

The management of the Company estimates that prices used in transactions with related parties do not differ significantly from market prices.

| Balances with related parties:     | EEK          |              | EUR        |            |
|------------------------------------|--------------|--------------|------------|------------|
|                                    | 31.12.2008   | 31.12.2007   | 31.12.2008 | 31.12.2007 |
| Landcom OÜ                         | 6,564        | 0            | 419        | 0          |
| <b>Trade receivables</b>           | <b>6,564</b> | <b>0</b>     | <b>419</b> | <b>0</b>   |
| Vending Automaadid OÜ              | 0            | 3            | 0          | 3          |
| <b>Receivables from affiliates</b> | <b>0</b>     | <b>3</b>     | <b>0</b>   | <b>3</b>   |
| Landcom OÜ                         | 0            | 1,509        | 0          | 96         |
| <b>Trade creditors</b>             | <b>0</b>     | <b>1,509</b> | <b>0</b>   | <b>96</b>  |
| Jüri Vips*                         | 321          | 8,759        | 21         | 560        |
| <b>Other long-term payables</b>    | <b>321</b>   | <b>8,759</b> | <b>21</b>  | <b>560</b> |

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**Note 24 Shareholders Holding More Than 5% of the Shares of ABC Grupi AS**

| Name of shareholder | 31.12.2008<br>Shareholding | 31.12.2007<br>Shareholding |
|---------------------|----------------------------|----------------------------|
| Jüri Vips           | 50%                        | 50%                        |
| Landcom OÜ          | 50%                        | 50%                        |

**Note 25 Financial Risks**

From the point of view of management of financial risks the business activities in the real estate market are primarily related to the adequate evaluation of the investment period and yield and systematic hedging of risks arising from possible inaccuracies. The successfulness of the management of financial risks is expressed in the actual changes of the liquidity, exchange rates, the creditworthiness of the interest rates and the positions of the fair value in comparison with the possible maximum.

The risk management of ABC Grupi AS is based on the understanding that the successfulness of the Group depends on constant monitoring, assessment and skilful handling of the risks. The main goal of risk management is to prevent losses which could threaten the continuity of the activities of ABC Grupi AS. For the purpose of hedging risks policies are developed and activities are implemented for the purpose of risk assessment and specification as well as time and geographical hedging of risks.

Liquidity Risk

The liquidity risk arises from the potential change of the financial status, which reduces the Group’s ability to produce sufficiently positive cash flow in order to pay the obligations assumed in a timely manner. Liquidity is primarily influenced by the following circumstances:


- the ability of the Group companies to personally generate positive business cash flow and the seasonal nature of cash flow;
- the due dates of receipt and payment of assets and liabilities and changes thereof;
- tempo and volume of real estate development;
- volume and tempo of acquisition of new investments;
- volume and tempo of expansion of business activities;
- proportions of financing.

The financial service of the Group proceeds from the liquidity management strategy, which is adjusted according to changes in the investment plan.

Upon management of short-term liquidity it is proceeded first and foremost from the budgets approved for the financial year of the Group companies. The purpose of the management of the short-term liquidity is to ensure the existence of sufficiently liquid funds (i.e. cash and cash equivalents and quickly realisable real estate). Liquidity management functions mainly through a group account pooling the funds of the Group companies. The money required for the continuance of the ordinary business operations of the Group companies can be estimated to be EEK 20-30 million a year.

The management of long-term liquidity is the most affected by investment decisions. It is invested pursuant to the principle that the net cash flow of the business operations of the companies along with the net cash flow from investment activities must cover all the financing expenses of the Group. Thus, the purpose of the long-term liquidity

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management is to ensure sufficient liquidity of the real estate (investment) portfolio, coordination of the time of emergence of the investment and financing cash flow and finding the suitable financing proportion. In the case of long-term projects it is observed that the terms of the cash flow from investment and the amounts would not significantly differ from the terms and amounts of the cash flow from financing. As a rule, the equity capital rate required upon financing an investment project is below 30% of the total cost of the project.

Currency Risk

Currency risk is a possible loss from unfavourable movement of exchange rates with regard to the Estonian kroon. The Bank of Estonia has fixed the exchange rate of the kroon against the euro (EUR 1 = EEK 15.6466). The Group operates in states the currencies of which have been fixed against the euro as follows:

| Country | Currency    | EUR as of<br>31.12.2008 | Status              |
|---------|-------------|-------------------------|---------------------|
| Estonia | kroon (EEK) | 15.6466                 | Fixed exchange rate |

In order to hedge the currency risk of the Group companies, most of the transactions and principal contracts are bound to the euro or a currency pegged to the euro.

The currency risk arises from purchases from states of non-euro zone, which brings along the changes in exchange rates.

Interest Risk

The interest risk lies in the fact that in connection with an increase of the interest rate the financial expenditure of the Company increases considerably. At the moment, most of the loans of ABC Grupi AS are bound to EURIBOR and, thus, the financial expenditure depends largely on the movements of the European financial markets.

Credit Risk

Credit risk means a loss which arises from the inability of the counterparties of transactions to perform their obligations before ABC Grupi AS as well as the ability of subsidiaries and joint ventures to pay their obligations before the parent company. Upon management of the credit risk, it is observed that the Group does not develop any significant concentrations of the accumulated credit risk. The activities of the companies for prevention and minimisation of the credit risk lie in the daily observation and direction of the payment behaviour of the clients, which allows for taking operative measures. The Group companies only enter into transactions with parties that have been declared creditworthy.

Fair Value

The main financial assets and liabilities of the Group companies have been indicated in the Balance Sheet, i.e. the Group does not have any significant off-Balance Sheet financial assets and liabilities which would not be mentioned in this Annual Report. Proceeding from the accounting policies and procedures used the book value of the financial assets and liabilities of the Group companies does not differ from their fair value, which has been determined by way of the discounted cash flow method in the case of almost all financial assets and liabilities. The fair value of the

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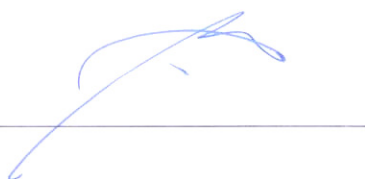


receivables and payables with a fixed interest rate is not considered to be significantly different from their book value, because the fixed interest rate does not considerably differ from the market interest rate.

**Note 26 Financial Income and Expenses**

|  | EEK<br>2008    | EEK<br>2007    | EUR<br>2008   | EUR<br>2007   |
|--|----------------|----------------|---------------|---------------|
| <b>Financial income and expenses</b>                   |                |                |               |               |
| Investments in affiliates                              | 51             | 160            | 3             | 10            |
| Interest expenses on debt securities                   | -18,983        | -9,973         | -1,213        | -637          |
| Interest expenses on bank loans                        | -21,926        | -14,976        | -1,401        | -957          |
| <b>Total interest expenses</b>                         | <b>-40,909</b> | <b>-24,949</b> | <b>-2,615</b> | <b>-1,595</b> |
| <b>Gain (loss) on conversion of foreign currencies</b> | <b>-598</b>    | <b>-176</b>    | <b>-38</b>    | <b>-11</b>    |
| Interest expenses on discounting                       | -1,111         | -3,044         | -71           | -195          |
| Interest received (overnight deposits)                 | 416            | 1,589          | 27            | 102           |
| Change in value of financial investments               | -2,897         | 0              | -185          | 0             |
| <b>Total other financial income and expenses</b>       | <b>-3,592</b>  | <b>-1,455</b>  | <b>-230</b>   | <b>-93</b>    |
| <b>Total financial income and expenses</b>             | <b>-45,048</b> | <b>-26,420</b> | <b>-2,880</b> | <b>-1,689</b> |

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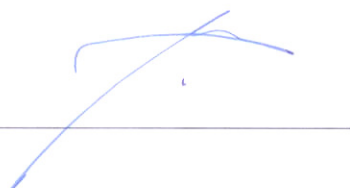


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Note 27 Balance Sheet of the Parent Company

| (thousands)                                 | EEK            | EEK            | EUR           | EUR           |
|---|----------------|----------------|---------------|---------------|
|   | 31.12.2008     | 31.12.2007     | 31.12.2008    | 31.12.2007    |
| <b>ASSETS</b>                               |                |                |               |               |
| <b>Current assets</b>                       |                |                |               |               |
| Cash at bank and in hand                    | 10,664         | 109            | 682           | 87            |
| Shares and other securities                 | 3,654          | 0              | 234           | 0             |
| Other receivables                           | 101,640        | 68,300         | 6,496         | 4,365         |
| Accrued income and prepayments              | 299            | 210            | 18            | 13            |
| <b>Total current assets</b>                 | <b>116,257</b> | <b>68,619</b>  | <b>7,430</b>  | <b>4,386</b>  |
| <b>Fixed assets</b>                         |                |                |               |               |
| Long-term financial investments             | 264,586        | 208,522        | 16,910        | 13,327        |
| Intangible assets                           | 26             | 82             | 2             | 5             |
| <b>Total fixed assets</b>                   | <b>264,612</b> | <b>208,604</b> | <b>16,912</b> | <b>13,332</b> |
| <b>TOTAL ASSETS</b>                         | <b>380,869</b> | <b>277,223</b> | <b>24,342</b> | <b>17,718</b> |
| <b>LIABILITIES AND OWNERS' EQUITY</b>       |                |                |               |               |
| <b>Current liabilities</b>                  |                |                |               |               |
| Payables                                    | 47,078         | 0              | 3,009         | 0             |
| Trade creditors                             | 4              | 137            | 0             | 9             |
| Other short-term payables                   | 94,876         | 22,962         | 6,064         | 1,468         |
| Accrued expenses and deferred income        | 337            | 401            | 21            | 25            |
| <b>Total current liabilities</b>            | <b>142,295</b> | <b>23,500</b>  | <b>9,094</b>  | <b>1,502</b>  |
| <b>Long-term liabilities</b>                |                |                |               |               |
| Long-term payables                          | 101,703        | 101,703        | 6,500         | 6,500         |
| Other long-term payables                    | 26,002         | 33,064         | 1,662         | 2,113         |
| <b>Total long-term liabilities</b>          | <b>127,705</b> | <b>134,767</b> | <b>8,162</b>  | <b>8,613</b>  |
| <b>TOTAL LIABILITIES</b>                    | <b>270,000</b> | <b>158,267</b> | <b>17,256</b> | <b>10,115</b> |
| <b>Owners' equity</b>                       |                |                |               |               |
| Share capital                               | 100,280        | 21,800         | 6,409         | 1,393         |
| Issue premium                               | 7,506          | 7,506          | 480           | 480           |
| Legal reserve                               | 2,180          | 2,180          | 139           | 139           |
| Retained profit                             | 8,555          | 87,222         | 547           | 5,575         |
| Profit (loss) for financial year            | -7,652         | 248            | -489          | 16            |
| <b>TOTAL OWNERS' EQUITY</b>                 | <b>110,869</b> | <b>118,956</b> | <b>7,086</b>  | <b>7,603</b>  |
| <b>TOTAL LIABILITIES AND OWNERS' EQUITY</b> | <b>380,869</b> | <b>277,223</b> | <b>24,342</b> | <b>17,718</b> |

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Note 28 Income Statement of the Parent Company

(thousands)

|   | EEK            | EEK            | EUR         | EUR         |
|---|----------------|----------------|-------------|-------------|
|   | 2008           | 2007           | 2008        | 2007        |
| Other operating revenue                         | 8,152          | 12,520         | 521         | 800         |
|   |                |                | 0           | 0           |
| Other operating expenses                        | -726           | -2,118         | -46         | -135        |
| Depreciation and impairment of fixed assets     | -56            | -45            | -4          | -3          |
| <b>Operating profit</b>                         | <b>7,370</b>   | <b>10,357</b>  | <b>471</b>  | <b>662</b>  |
| <b>Financial income and expenses</b>            |                |                |             |             |
| Interest expenses                               | -17,140        | -6,961         | -1,095      | -445        |
| Profit/loss on conversion of foreign currencies | -495           | -104           | -32         | -6          |
| Other financial income and expenses             | 2,613          | -3,044         | 167         | -195        |
| <b>Total financial income and expenses</b>      | <b>-15,022</b> | <b>-10,109</b> | <b>-960</b> | <b>-646</b> |
| <b>Profit before income tax</b>                 | <b>-7,652</b>  | <b>248</b>     | <b>-489</b> | <b>16</b>   |
| <b>Net profit for financial year</b>            | <b>-7,652</b>  | <b>248</b>     | <b>-489</b> | <b>16</b>   |

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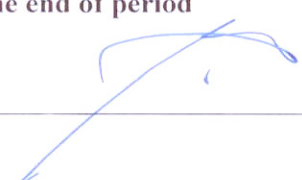
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Note 29 Cash Flow Statement of the Parent Company

(thousands)

|  | EEK<br>2008    | EEK<br>2007    | EUR<br>2008   | EUR<br>2007   |
|--|----------------|----------------|---------------|---------------|
| <b>Cash flow from operating activities</b>                             |                |                |               |               |
| Operating profit   | 7,370          | 10,358         | 471           | 662           |
| Adjustments:   |                |                |               |               |
| Depreciation and impairment of fixed assets                            | 56             | 45             | 3             | 3             |
| Profit from waiving claims   | -8,152         | -12,520        | -521          | -800          |
| Loss on conversion of foreign currencies                               | -495           | -104           | -32           | -7            |
| Change in receivables and prepayments relating to operating activities | -89            | -201           | -6            | -13           |
| Change in liabilities and prepayments relating to operating activities | -2,485         | -24,729        | -159          | -1,580        |
| Interest paid  | -16,985        | -8,973         | -1,086        | -574          |
| <b>Total cash flow from operating activities</b>                       | <b>-20,780</b> | <b>-36,124</b> | <b>-1,328</b> | <b>-2,309</b> |
| <b>Cash flow from investment activities</b>                            |                |                |               |               |
| Acquisition of tangible and intangible assets                          | 0              | -81            | 0             | -5            |
| Acquisition of subsidiaries  | 0              | -8,063         | 0             | -515          |
| Sales of subsidiaries  | 0              | 49             | 0             | 3             |
| Other financial investments acquired                                   | -25,168        | 0              | -1,609        | 0             |
| Other financial investments sold                                       | 18,616         | 2,980          | 1,190         | 190           |
| Loans granted  | -88,041        | -57,315        | -5,627        | -3,663        |
| Repayments of loans granted  | 3,100          | 0              | 198           | 0             |
| Dividends received   | 435            | 162            | 28            | 10            |
| Interest received  | 473            | 2,249          | 31            | 144           |
| <b>Total cash flow from investment activities</b>                      | <b>-90,585</b> | <b>-60,019</b> | <b>-5,789</b> | <b>-3,836</b> |
| <b>Cash flow from financing activities</b>                             |                |                |               |               |
| Loans raised, debt securities issued                                   | 122,355        | 101,703        | 7,820         | 6,500         |
| Repayments of loans raised   | 0              | -5,500         | 0             | -351          |
| Dividends paid out   | -435           | 0              | -28           | 0             |
| <b>Total cash flow from financing activities</b>                       | <b>121,920</b> | <b>96,203</b>  | <b>7,792</b>  | <b>6,149</b>  |
| <b>Total cash flow</b>   | <b>10,555</b>  | <b>60</b>      | <b>675</b>    | <b>4</b>      |
| <b>Cash and cash equivalents at the beginning of period</b>            | <b>109</b>     | <b>49</b>      | <b>7</b>      | <b>3</b>      |
| <b>Change in cash and cash equivalents</b>                             | <b>10,555</b>  | <b>60</b>      | <b>675</b>    | <b>4</b>      |
| <b>Cash and cash equivalents at the end of period</b>                  | <b>10,664</b>  | <b>109</b>     | <b>682</b>    | <b>7</b>      |

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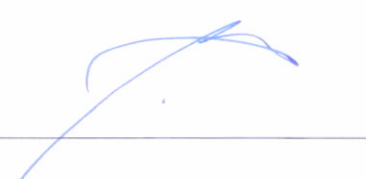
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Note 30 Adjusted Unconsolidated Owners' Equity

(thousands)  
EEK

|   | Share capital  | Issue premium | Legal reserve | Retained profit/loss for financial year | Profit/loss for financial year | Total          |
|---|----------------|---------------|---------------|---|--------------------------------|----------------|
| <b>Adjusted unconsolidated owners' equity</b>                           |                |               |               |   |                                |                |
| <b>Balance as of 31.12.2006</b>   | <b>21,800</b>  | <b>7,506</b>  | <b>2,180</b>  | <b>-6,747</b>                           | <b>93,969</b>                  | <b>249,553</b> |
| Retained profit   | 0              | 0             | 0             | 93,969                                  | -93,969                        | 0              |
| Profit in 2007  | 0              | 0             | 0             | 0                                       | 248                            | 248            |
| <b>Balance as of 31.12.2007</b>   | <b>21,800</b>  | <b>7,506</b>  | <b>2,180</b>  | <b>87,222</b>                           | <b>248</b>                     | <b>118,956</b> |
| Book value of subsidiaries and affiliates                               | 0              | 0             | 0             | 0                                       | 0                              | -208,522       |
| Adjusted value of subsidiaries and affiliates pursuant to equity method | 0              | 0             | 0             | 0                                       | 0                              | 330,863        |
| Goodwill  | 0              | 0             | 0             | 0                                       | 0                              | 72,123         |
| <b>Adjusted unconsolidated owners' equity</b>                           |                |               |               |   |                                |                |
| <b>Balance as of 31.12.2007</b>   | <b>21,800</b>  | <b>7,506</b>  | <b>2,180</b>  | <b>87,222</b>                           | <b>248</b>                     | <b>313,420</b> |
| Retained profit   | 0              | 0             | 0             | 248                                     | -248                           | 0              |
| Profit in 2008  | 0              | 0             | 0             | 0                                       | -7,652                         | -7,652         |
| Bonus issuance  | 78,480         | 0             | 0             | -78,480                                 | 0                              | 0              |
| Dividends paid out  | 0              | 0             | 0             | -435                                    | 0                              | -435           |
| <b>Balance as of 31.12.2008</b>   | <b>100,280</b> | <b>7,506</b>  | <b>2,180</b>  | <b>8,555</b>                            | <b>-7,652</b>                  | <b>110,869</b> |
| Book value of subsidiaries and affiliates                               | 0              | 0             | 0             | 0                                       | 0                              | -208,522       |
| Adjusted value of subsidiaries and affiliates pursuant to equity method | 0              | 0             | 0             | 0                                       | 0                              | 347,575        |
| Goodwill  | 0              | 0             | 0             | 0                                       | 0                              | 72,123         |
| <b>Adjusted unconsolidated owners' equity</b>                           |                |               |               |   |                                |                |
| <b>Balance as of 31.12.2008</b>   | <b>100,280</b> | <b>7,506</b>  | <b>2,180</b>  | <b>8,555</b>                            | <b>-7,652</b>                  | <b>322,045</b> |

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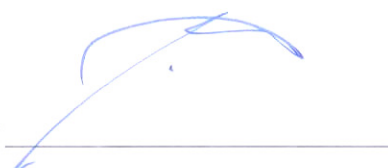
(thousands)  
EUR

|   | Share capital | Issue premium | Legal reserve | Retained profit/loss for financial year | Profit/loss for financial year | Total   |
|---|---------------|---------------|---------------|---|--------------------------------|---------|
| <b>Adjusted unconsolidated owners' equity</b>                           |               |               |               |   |                                |         |
| <b>Balance as of 31.12.2006</b>   | 1,393         | 480           | 139           | -431                                    | 6,006                          | 15,949  |
|   | 0             | 0             | 0             | 0                                       | 0                              | 0       |
| Retained profit   | 0             | 0             | 0             | 6,006                                   | -6,006                         | 0       |
| Profit in 2007  | 0             | 0             | 0             | 0                                       | 16                             | 16      |
| <b>Balance as of 31.12.2007</b>   | 1,393         | 480           | 139           | 5,575                                   | 16                             | 7,603   |
| Book value of subsidiaries and affiliates                               |               |               |               |   |                                | -13,329 |
| Adjusted value of subsidiaries and affiliates pursuant to equity method |               |               |               |   |                                | 21,146  |
| Goodwill  |               |               |               |   |                                | 4,609   |
| <b>Adjusted unconsolidated owners' equity</b>                           |               |               |               |   |                                |         |
| <b>Balance as of 31.12.2007</b>   | 1,393         | 480           | 139           | 5,575                                   | 16                             | 20,031  |
| Retained profit   | 0             | 0             | 0             | 16                                      | -16                            | 0       |
| Profit in 2008  | 0             | 0             | 0             | 0                                       | -489                           | -489    |
| Bonus issuance  | 5,016         | 0             | 0             | -5,016                                  | 0                              | 0       |
| Dividends paid out  | 0             | 0             | 0             | -28                                     | 0                              | -28     |
| <b>Balance as of 31.12.2008</b>   | 6,409         | 480           | 139           | 547                                     | -489                           | 7,086   |
| Book value of subsidiaries and affiliates                               |               |               |               |   |                                | -13,327 |
| Adjusted value of subsidiaries and affiliates pursuant to equity method |               |               |               |   |                                | 22,214  |
| Goodwill  |               |               |               |   |                                | 4,609   |
| <b>Adjusted unconsolidated owners' equity</b>                           |               |               |               |   |                                | 0       |
| <b>Balance as of 31.12.2008</b>   | 6,409         | 480           | 139           | 547                                     | -489                           | 20,582  |

**Note 31 Events after the Balance Sheet Date**

Oma Varahalduse AS redeemed debt securities on 15 January 2009 in the amount of EEK 67 million.

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**Note 32 Recognition of Comparative Data**

The consolidated Annual Accounts for 2008 of ABC Grupi AS and its subsidiaries have been prepared in conformity with the requirements of the International Financial Reporting Standards (IFRS).

The Annual Accounts for 2007 were the first made in compliance with the IFRS as adopted by the European Union. Upon transition to the IFRS, it has been proceeded from the requirements of the First-time Adoption of IFRS, IFRS 1 Presentation of Financial Statements. The date of transition to the IFRS by the Group is 1 January 2007 and the date of adoption is 1 January 2007.

Until 31 December 2006 the consolidated Annual Accounts of ABC Grupi AS were prepared in accordance with accounting principles generally accepted in Estonia, the basic requirements of which have been established in the Accounting Act of the Republic of Estonia and in the guidelines issued by the Estonian Accounting Standards Board.


Upon the first-time adoption of the IFRS, the Annual Accounts for 2006 of the Group have been analysed from the point of view of whether the adoption of the IFRS causes the necessity to change the comparative data of 2006 and/or their manner of presentation in the Balance Sheet, Income Statement or Cash Flow Statement.

The Group has recognised investment properties at fair value since 1 January 2002, which is in compliance with the principles of IAS 40. To determine the fair value, the Group uses the valuation of independent external experts. The recognition of investment properties at the fair value had a significant effect on the Annual Accounts prepared as of 31 December 2002, but did not cause a necessity to adjust the comparative data as of 31 December 2006.

Transition to the adoption of the IFRS has not had any effect on the recognition the financial assets and liabilities (incl. assets recognised at the fair value) in the comparative data of 2006, either. Further information in the Notes to the Annual Accounts has been disclosed pursuant to the requirements of the IFRS.

Based on the above, a conclusion has been reached that the first-time adoption of the IFRS does not have any effect on the financial condition, economic results and cash flow disclosed on 31 December 2006. The Management Board confirms that the comparative data of 2007 have been disclosed in the Annual Accounts for 2008 in compliance with the IFRS as adopted by the European Union.

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**Signatures of Management Board and Supervisory Board to Annual Report 2008**

The approval of the Annual Report for 2008 of ABC Grupi AS, which has been endorsed by the general meeting of shareholders on 29 April 2009.




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Member of the Management Board  
Jüri Vips



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Chairman of the Supervisory Board  
Valdo Kalm



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Member of the Supervisory Board  
Siim Vips



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Member of the Supervisory Board  
Ülle Kuum



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Member of the Management Board



## INDEPENDENT AUDITOR'S REPORT

(Translation of the Estonian original)

### To the Shareholders of ABC Grupp AS

We have audited the consolidated financial statements of ABC Grupp AS and its subsidiaries which comprise the consolidated balance sheet as of 31 December 2008 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes. The audited and identified financial statements have been accompanied to present report.

### *Management Board's Responsibility for the 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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 fair presentation of the 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 financial statements.

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

### **Basis for a qualified opinion**

ABC Grupp AS has an investment property in its balance sheet in amount of 463 975 thousand kroons measured at fair value. Fair value of investment property at the balance sheet date is estimated by management of ABC Grupp AS. In the absence of adequate reference transactions and considering the current economic environment there is a considerable uncertainty shall the estimates and presumptions used in fair value estimation realise. On that basis we were not able to obtain independent assurance during the audit for the accuracy of management estimation and therefore for the value of investment property on 31. December 2008.

### *Opinion*

In our opinion, , except for the effect on the financial statements of the matter described in the paragraph “Basis for a qualified opinion”, consolidated financial statements give a true and fair view of the financial position of ABC Grupp AS and its subsidiaries as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

### *Report on Other Legal and Regulatory Requirements*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The financial information of ABC Grupp AS as a parent company in Notes 27 - 30 is presented because the Estonian Accounting Law requires it and is not required part of the consolidated financial statements prepared under International Financial Reporting Standards as adopted by the European Union. Such financial information has been subject to the auditing procedures applied in our audit of the consolidated financial statements and, in our opinion, is prepared in all material respects in accordance with the requirements of the Estonian generally accepted accounting principles and in relation to the consolidated financial statements taken as whole.

Mati Nõmmiste  
Authorized auditor



Tallinn, April 30, 2009

## 2. PROFIT DISTRIBUTION PROPOSAL

The Management Board of ABC Grupi AS proposes to the general meeting of shareholders to distribute the net profit of 2008 in amount of EEK 9,060,106 as follows:

1. to retained profit EEK 9,060,106.

Member of the Management Board \_\_\_\_\_

