

Tallinna Kaubamaja AS
Consolidated Annual Report
2009
(translation of the Estonian original)

TALLINNA KAUBAMAJA AS CONSOLIDATED ANNUAL REPORT 2009

The main areas of activity of Tallinna Kaubamaja Group are retail and wholesale trade. At the year-end 2009, Tallinna Kaubamaja Group employed almost 3,690 employees.

<i>Legal address:</i>	Gonsiori 2 10143 Tallinn Republic of Estonia
<i>Commercial Register no.:</i>	10223439
<i>Telephone:</i>	372 667 3200
<i>Fax:</i>	372 667 3205
<i>E-mail:</i>	kaubamaja@kaubamaja.ee
<i>Beginning of financial year:</i>	1.01.2009
<i>End of financial year:</i>	31.12.2009
<i>Auditor:</i>	PricewaterhouseCoopers AS
<i>Bank:</i>	AS Swedbank AS SEB Pank Nordea Pank Finland Plc Estonia
<i>Law office:</i>	Tamme&Otsmann OÜ
<i>Lawyer:</i>	Helda Truusa

<i>Subsidiaries and associates:</i>	<i>Share capital</i>	<i>Ownership interest</i>
A-Selver AS	22.0 MEEK	100%
Selver Latvia SIA	200.0 TLVL	100%
AS Tartu Kaubamaja	8.3 MEEK	100%
Tartu Kaubamaja Kinnisvara OÜ	40.0 TEEK	100%
OptiGroup Invest OÜ	40.0 TEEK	100%
TKM Beauty OÜ	40.0 TEEK	100%
TKM Beauty Eesti OÜ	40.0 TEEK	100%
KIA Auto AS	1.8 MEEK	100%
Ülemiste Autokeskus OÜ	645.0 TEEK	100%
KIA Automobile SIA	8.0 TLVL	100%
KIA Auto UAB	465.0 TLTL	100%
Tallinna Kaubamaja Kinnisvara AS	400.0 TEEK	100%
SIA TKM Latvija	2.0 TLVL	100%
OÜ Suurtüki NK	40.0 TEEK	100%
SIA Suurtuki	2.0 TLVL	100%
AS ABC King	3.2 MEEK	100%
SIA ABC King	200.0 TLVL	100%
Rävala Parkla AS	10.0 MEEK	50%

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

These consolidated financial statements consist of the management report, the consolidated financial statements, the auditor's report and the profit allocation proposal.

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MANAGEMENT REPORT

The main areas of activity of the companies of Tallinna Kaubamaja Group are retail and wholesale trade.

The year 2009 was a year full of responsibility, difficult decisions and significant optimisation for Tallinna Kaubamaja Group, as a result of which the Group is in a strong position to face the new financial year. The year of large declines in the whole retail trade translated into lower sales and profit for the Group. The changed economic situation forced the Group to look for solutions for sustainable development. The Group has reduced fixed costs, closed unprofitable units, revaluated assets according their market value, while still retaining a strong market position and increasing the market share to 11% (9% in 2008). The investments made in 2008 and 2009 in the amount of 1.2 and 0.2 billion kroons (76.7 and 12.0 million euros), respectively, have provided a solid base for further development.

The most important events for Tallinna Kaubamaja Group in 2009 and until publication of this annual report were as follows:

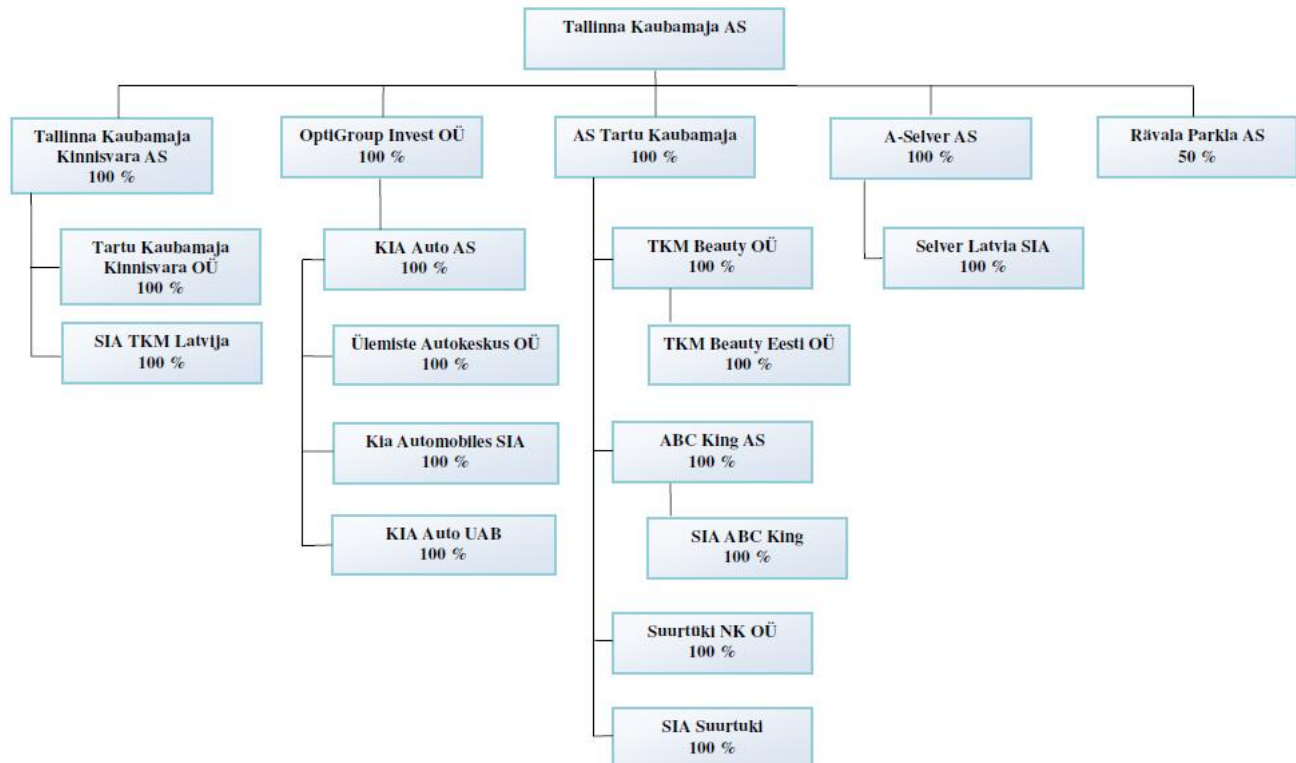
- In January 2009, Selver opened its second store in Narva – Soldino Selver.
- Selver Latvia SIA, the wholly-owned subsidiary of A-Selver AS, opened four more stores in Latvia in addition to the current two stores in the following locations: Kuldiga, Daugavpils, Salaspils, Aizkraukle.
- In January 2009, Kaubamaja opened its outlet store in larger sales space in Lasnamäe.
- In February 2009, Kaubamaja moved its Tallinn's Noortemaailm (Youth Fashion Department) into the basement in order to enable a better display of merchandise for the youth, with different opening hours than those at the centre and special events.
- In March 2009, the first beauty store was opened under the trademark of I.L.U. in Pärnu.
- In March 2009, the new Naiste Kingamaailm (Women's Shoe Department) was opened in Tallinn.
- In May 2009, the thoroughly renovated and expanded Ilumaailm (Beauty Department) was opened in Tallinn.
- In October, it was decided to halt the operations of Selver in Latvia due to the sharp deterioration in the economic environment in Latvia, which caused a significantly larger loss for Selver Latvia SIA as compared to the expectations it had at the time the decision to expand to the Latvian market was made. A-Selver AS halted the operations of its subsidiary Selver Latvia SIA, by closing 5 stores in 2009. The last operating store in Latvia was closed in March 2010. All of the 220 employees were laid off due to halting.
- In November, the first footwear store SHU with a completely new concept was opened in Tallinn and another was opened in Tartu Lõunakeskus in December.
- In November, two new stores in I.L.U. chain were opened, one in Tartu Lõunakeskus and another at Rocca al Mare shopping centre in Tallinn.
- In February 2010, the member of the Management Board of AS A-Selver and Selver Latvia SIA, Iivi Saar, was recalled due to the halting of the operations of the Latvian subsidiary and the accompanying simplification of the management structure of the Company. Andres Heinver continued as a member of the Management Board of the entities.

Structure of the Group and its changes

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

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

Legal structure of Tallinna Kaubamaja Group:



In 2010, the plan calls for merging two footwear trade companies in Estonia, ABC King AS and Suurtüki NK OÜ and two footwear trade companies in Latvia, SIA ABC King and SIA Suurtüki.

Economic development

The economic recession that worsened considerably during 2009 slowed down at the year-end. According to the estimates of the Statistics Estonia, in 2009, Estonia's gross domestic product (GDP) dropped by 14.1% as compared to the previous year, recession slowed down to 9,5% in fourth quarter of 2009. Economic developments improved in almost all areas of activities, except for trade, where the very low consumer demand contributed to the decrease. In 2009, the price growth also slowed down, and since May, the prices have dropped as compared to the previous year. The consumer price index peaked in January (4.1%) and was the lowest in November (-2.1%). All in all, the prices dropped by 0.1% during the year. Above-the-average, the group entities have been influenced by the slowdown in the price decline of foodstuffs. In the fourth quarter, the food products were nearly 7% cheaper as compared to the last quarter of 2008; however, clothes were up to 1% more expensive. According to the data of the Statistics Estonia, the total retail volumes in current prices decreased by 16.0% (excl. the sales of motor vehicles and motorcycles) in 2009, whereby the decrease in the fourth quarter was 16.7%. In 2008, the volume grew by 5.8%. According to the latest estimates by analysts, developments in the global economy have improved and the forecast is somewhat more optimistic albeit the persistently rising unemployment rates are not likely to boost the sense of security in local consumers or lead to an increase in trade volumes in the short term.

The retail sales in non-specialised stores (predominantly foodstuffs) decreased by 8% as compared to the previous year, whereas the decrease in the fourth quarter was 12.8%. Retail sales in non-specialised stores (predominantly industrial products) decreased by 30.6% in the fourth quarter, the total decrease during the year in comparison with the previous year was 28.3%.

Financial performance

FINANCIAL RATIOS 2006-2009

	EEK				EUR			
	2009	2008	2007	2006	2009	2008	2007	2006
Revenue (million kroons/euros)	6,388	6,531	5,892	4,239	408	417	377	271
Sales growth	-2%	11%	39%	47%	-2%	11%	39%	47%
Gross profit (million kroons/euros)	1,422	1,593	1,478	1,102	91	102	94	70
Operating profit (million kroons/euros)	-154	136	436	288	-10	9	28	18
EBITDA (million kroons/euros)	264	368	538	383	17	24	34	24
Net profit (million kroons/euros)	-197	83	411	275	-13	5	26	18
Change in net profit	-337%	-80%	50%	199%	-337%	-80%	50%	199%
Gross margin	22%	24%	25%	26%	22%	24%	25%	26%
Net margin	-3%	1%	7%	6%	-3%	1%	7%	6%
Return on equity (ROE)	-11%	4%	26%	25%	-11%	4%	26%	25%
Return on assets (ROA)	-5%	2%	14%	13%	-5%	2%	14%	13%
Current ratio	0.9	0.9	1.0	1.0	0.9	0.9	1.0	1.0
Debt ratio	0.6	0.6	0.4	0.5	0.6	0.6	0.4	0.5
Sales revenue per employee (million kroons/euros)	1.7	1.7	2.1	1.8	0.1	0.1	0.1	0.1
Inventory turnover	10.4	8.4	11.3	13.5	10.4	8.4	11.3	13.5
Average number of employees	3,695	3,703	2,833	2,411	3,695	3,703	2,833	2,411
EBITDA	= profit before finance income/costs and depreciation							
Share of equity	= equity / balance sheet total * 100%							
Return on equity (ROE)	= net profit / average equity * 100%							
Return on assets (ROA)	= net profit / average assets * 100%							
Revenue per employee	= revenue / average number of employees							
Inventory turnover (ratio)	= revenue / inventories							
Net margin	= net profit / revenue * 100%							
Gross margin	= (revenue – cost of goods sold) / revenue							
Current ratio	= current assets / current liabilities							
Debt ratio	= total liabilities / balance sheet total							

In 2009, the consolidated unaudited revenue of Tallinna Kaubamaja Group amounted to 6.4 billion kroons (408.3 million euros). The sales revenue of the Group in the same period of 2008 was 6.5 billion kroons (417.4 million euros), which amounts to a decrease of 2% as compared to the previous year. The year ended with a loss of 204.9 million kroons (13.1 million euros) due to the write-down of non-current assets disposed at the year-end, which included the revaluation of the land and buildings in Latvia in the amount of 175.0 million kroons (11.2 million euros) and the write-down of construction in progress in Estonia in the amount of 36.0 million kroons (2.3 million euros). The net profit for 2008 was 83.1 million kroons (5.3 million euros), which included a write-down of non-current assets of 86.8 million kroons (5.5 million euros).

In 2009, Tallinna Kaubamaja Group, like the whole retail sector, has faced the challenge of operating with considerable lower sales volume and under an enormous price pressure. At the same time, the expenses of the Group have increased due to the expansion of the premises in use. Compared to the same period of the previous year, the depreciation of non-current assets (extra 37.8 million kroons, 2.4 million euros) due to the large volume of investments in 2008, and finance costs (extra 7.6 million kroons, 0.5 million euros) have grown. In comparison with the last year's third and fourth quarters, the finance costs have declined due to the decline in EURIBOR. The Group has reached an agreement with its partners and suppliers in respect of more favourable service prices in order to reduce operating expenses. In larger business segments, the Group reached an agreement with office employees to cut their salaries by 10% at the beginning of the second quarter.

As a result of the lower sales volumes, the size of the sales staff has been regulated by way of a natural rotation and part-time work. Footwear stores have been closed in unprofitable and unpromising locations. In October, Tallinna Kaubamaja decided to halt the operations of Selver in Latvia due to the poor economic situation in Latvia. Other business segments of Tallinna Kaubamaja in Latvia are smaller in size and have reached stability over their longer period of operations.

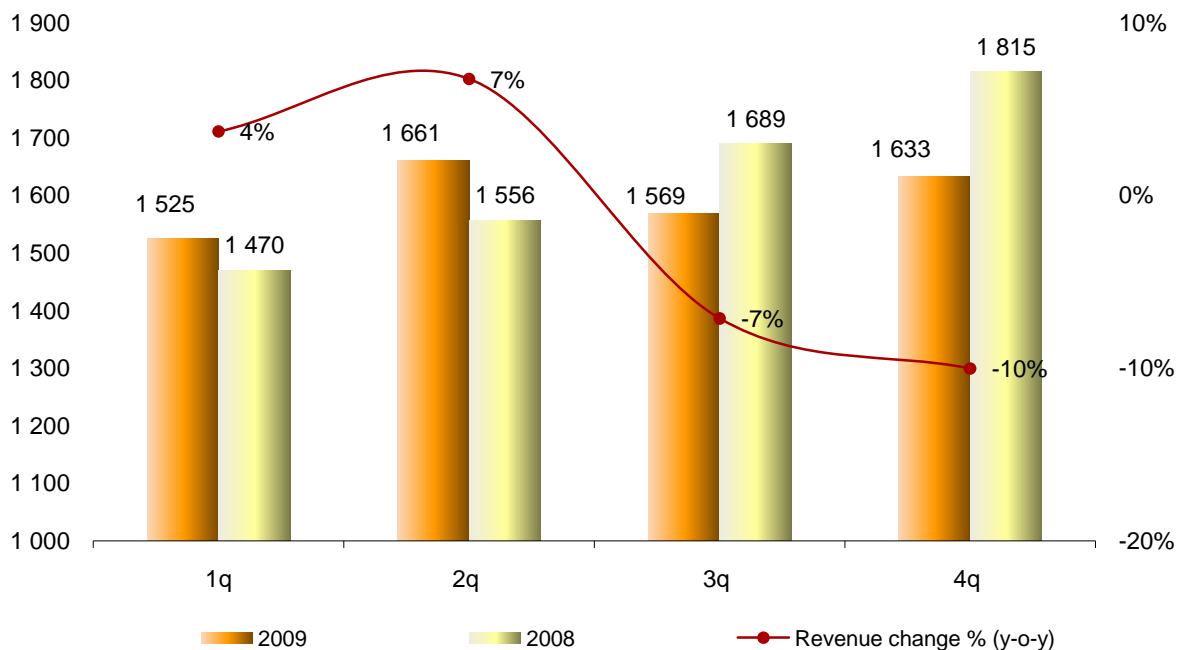
The development of Tallinna Kaubamaja Group has continued in 2009. Kaubamaja opened a new outlet store in Lasnamäe, moved Noortemaailm (Youth Fashion Department) to a new location with wider opportunities, opened the new Naiste Kingamaailm (Women's Shoe Department) and the renovated Ilumaailm (Beauty Department) and Naistemaailm (Women's Fashion Department). In late March, a beauty store operating under the trademark I.L.U. was opened in Pärnu and two more I.L.U. beauty stores were opened in November, one in Tallinn and another one in Tartu. Eight footwear stores have been renovated. In November, a footwear store with a completely new concept, SHU, was opened in Tallinn and another one in Tartu Lõunakeskus in December.

As of 31 December 2009, the balance sheet total of Tallinna Kaubamaja Group was 4.0 billion kroons (254.4 million euros), decreasing by 353.2 million kroons (22.6 million euros) as compared to the end of 2008. The volume of assets decreased by 8%.

At the end of the reporting period, there were more than 394 thousand loyal customers, increasing by 14% in a year. The share of loyal customers in the sales of the department store segment continues to be high, i.e. 74%. Approximately 10,000 Partner credit cards had been issued by the year-end.

Seasonality of business

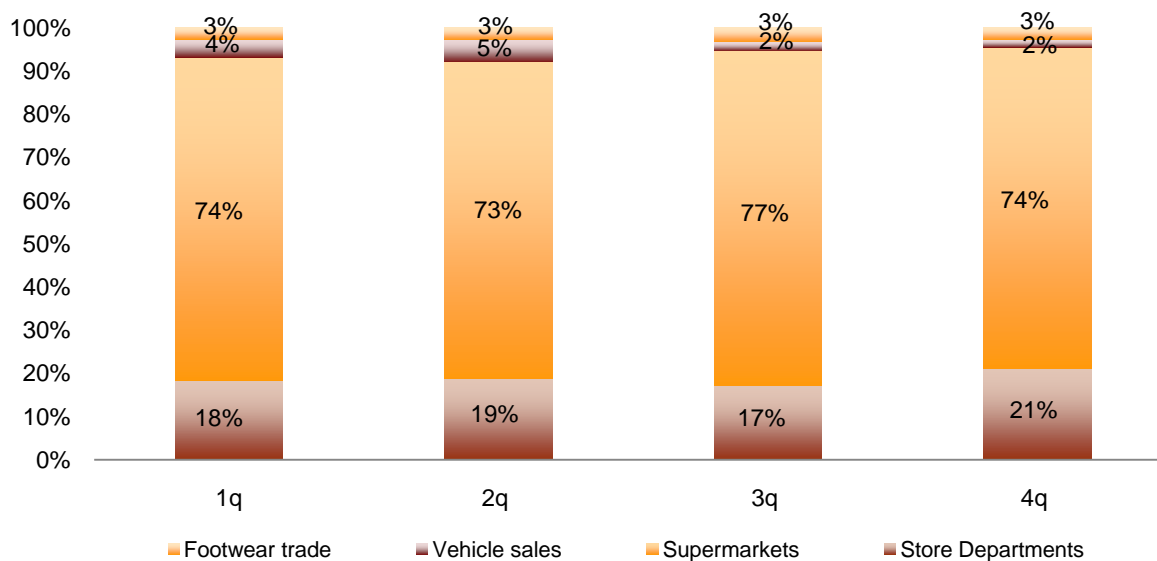
Tallinna Kaubamaja Group revenue for 2009 and 2008
(in million of kroons)



The results of operations of the entities in Tallinna Kaubamaja AS Group differ slightly from quarter to quarter because of the usual seasonality of the retail trade, being a little lower in the first and third quarter than in the second and fourth quarter.

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

Tallinna Kaubamaja Group revenue distribution for 2009



Department stores

In 2009, the revenue of the department store segment was 1,196.5 million kroons (76.5 million euros), i.e. 22% less than in the same period of the previous year. According to the data of Statistics Estonia, the turnover of the retail companies comparable with Kaubamaja department stores fell by a total of 28.3% in a year. In 2009, the department stores finally earned a profit of 28.0 million kroons (1.8 million euros), falling short of the result of the previous year by 95.9 million kroons (6.1 million euros). In addition to the ongoing economic recession, the profit of 2009 was also adversely affected by substantial renovations performed in the first and third quarter in beauty, footwear, children's and women's departments. In the second quarter, the negative effect stemmed from the discount campaigns that were more vigorous and extensive in 2009 than in the same period of the previous year. At the same time, the purchase rally and Christmas campaigns in the fourth quarter were successful and had a positive effect on the profit. From the second quarter on, the cost saving measures, adopted by the Company's management in the first quarter, have contributed to the profit. In the twelve months of 2009 a saving of 16.5% on all staff-related expenses as compared to the same period of the previous year was attained. Agreements with partners have enabled to reduce administrative and logistics expenses as well as other operating expenses.

The first store of the I.L.U. cosmetics store chain was opened in the new Pärnu Centre in the second half of March. In 2009, the sales revenue of OÜ TKM Beauty Eesti that operates the I.L.U. stores totalled 12.2 million kroons (0.8 million euros). In light of the overall decline of 16.0% in the retail trade in 2009, the sector of beauty products, toiletries and pharmaceutical products experienced a smaller drop in the sales, decreasing by 4.0%. Due to the launching activities of the chain with a novel concept, the company incurred a loss of 6.6 million kroons (0.4 million euros) in 2009. On 6 November, the biggest beauty products store in Southern Estonia with 330 m² was opened at Lõunakeskus in Tartu and on 12 November, the flagship of the chain was opened at Rocca al Mare shopping centre in Tallinn. The total area of Rocca al Mare I.L.U. is 477m². The cosmetics line of our own trademark "I.L.U." was launched. The total volume of investments in 2009 was 15.4 million kroons (1.0 million euros). In 2010, the goal is to secure the market share of I.L.U. cosmetics chain and to open a store in Kristiine Centre in Tallinn.

Selver supermarkets

The consolidated revenue of the supermarkets segment amounted to 4.8 billion kroons (304.3 million euros) in 2009, which is 11% more than in the same period of the previous year. In 2009, the consolidated pre-tax loss of Selver was 30.6 million kroons (2.0 million euros). The consolidated net loss in 2009 was 34.9 million kroons (2.2 million euros), showing a decrease of 98.7 million kroons (6.3 million euros) as compared to the same period of 2008, when the consolidated net profit was 63.7 million kroons (4.1 million euros).

In 2009, the revenue in Estonia was 4.6 billion kroons (294.7 million euros), increasing by 8% as compared to 2008. In comparable stores, the turnover per square metre of the sales area was 6.2 thousand kroons a month, showing a decrease of 10%. In 2009, the pre-tax profit earned in Estonia was 115.7 million kroons (7.4 million euros) and the net profit was 111.3 million kroons (7.1 million euros), growing by 12% and 36%, respectively, as compared to the same period of the previous year. The economic results of 2009 in Estonia were influenced by the overall economic recession, changes of the competitive situation in the retail market, an overall decline in sales prices and changes in the structure of the shopping basket of customers. The costs related to the launching of new stores and lower sales efficiency in the launching period also had their effect. The reduction of operating expenses had a positive effect on profit. New contracts have been concluded to reduce fixed costs, the basic salaries of employees have been cut and the staff has been optimised according to the economic situation. In 2009, Selver opened two new stores in Estonia.

In 2009, the revenue in Latvia was 0.2 billion kroons (9.6 million euros). Pre-tax and also, the net loss amounted to 146.3 million kroons (9.3 million euros). Selver opened 4 new stores in Latvia during the first half of 2009. Due to the drastic deterioration of the economic environment in Latvia, it was decided in autumn to halt the business activities of the subsidiary Selver Latvia SIA and lay off employees. As of the year-end of 2009, 5 out of 6 Selver stores in Latvia were closed. In conjunction with the halting of the business activities in Latvia, extraordinary expenditures were recognised in the amount of 51.7 million kroons (3.3 million euros). One-time extraordinary expenses were related mainly to premature termination of contracts, provision of redundancy payments of employees and the sale of the assets of the stores.

In 2009, a total of 34.8 million purchases were made in Selver chain, which is 21% more than in 2008. The total sales area of the supermarkets segment increased by 2.4 thousand square metres. The annual increment of the sales area in Estonia and Latvia together was 4%. The proportion of the domestic (in Estonia) revenue in the retail sales of the country's non-specialised food stores was 17.8% in the financial year, increasing by 2.6 percentage points during the year. In 2010, Selver plans to open a new store in Rannarootsi Centre, Haapsalu.

Real estate

In 2009, the revenue of the real estate segment was 42.6 million kroons (2.7 million euros), increasing by 4% as compared to 2008. The annual loss amounted to 115.6 million kroons (7.4 million euros). The loss was related to the impairment loss of the land and buildings and construction in progress in Latvia in the amount of 174.7 million kroons (11.2 million euros) and a write-down of construction in progress in Estonia in the amount of 36.0 million kroons (2.3 million euros), recorded at the end of the year.

In Latvia, Kuldiga Selver was opened in January and Salaspils Selver in May; the developer was SIA TKM Latvija, the subsidiary of Tallinna Kaubamaja AS; and Kakumäe Selver in March in the building developed by Tallinna Kaubamaja Kinnisvara AS.

Car trade

The revenue of the car trade segment in 2009 was 207.9 million kroons (13.3 million euros), which is 58% less than in the previous year. In 2009, 853 new vehicles were sold. In the same period of 2008, the revenue from the sales of 2,056 cars totalled 494.9 million kroons (31.6 million euros). A continuing steep decline in the car trading market was seen in the fourth quarter. In Estonia, 1,938 motor-cars were sold in the fourth quarter, which is 44% less than a year ago. In Latvia, 566 new cars were registered in the fourth quarter which is 82% less than a year ago. In Lithuania, 1,560 cars were sold, which is 55% less than a year ago. In Estonia and Latvia, the market shares increased as compared to the third quarter. The market share increased from 2.1% to 2.2% in Estonia and from 3.6% to 3.8% in Latvia. In Lithuania, the market share dropped from 2.8% to 1.5%. The fall of the car market in the Baltic States in 2009 was 70%. i.e. 19,731 cars were sold. A total of 64,600 passenger cars were registered a year ago.

Due to the overall economic recession and a drastic decrease in consumption (especially in the car trade), the loss in the car trade amounted to 23.0 million kroons in 2009. The keywords of 2009 were aggressive reductions of inventories and cost-cutting. The inventories decreased by 85% during the year. Bringing the inventories into accordance with the market situation had also a negative effect on the car sales margins. In 2010, the goal is to become profitable in the car trade, as a result of cost-cutting, optimization of inventories and the launch of various new strategic models in 2009.

Footwear trade

In 2009, the revenue of the footwear trade was 179.7 million kroons (11.5 million euros). In 2009, the loss totalled 51.2 million kroons (3.3 million euros), including a loss of 11.5 million kroons (0.7 million euro) of Latvian entities. The main reasons for the loss are lower revenue, the costs relating to the closing of unprofitable stores, and major write-downs to sell old inventories as well as write-downs of receivables of Latvian entities.

In the fourth quarter, three new footwear stores were opened at Rocca al Mare shopping centre instead of the previous temporary sales premises, including a brand new SHU concept store. Another footwear store of the successfully launched SHU concept was opened at Lõunakeskus in Tartu in December. The footwear store Stepper in Domina centre in Riga was

closed. In the first quarter of 2010, a SHU concept store will be opened in Viru centre, Tallinn. Of the 31 stores of the Group's two footwear store chains, 28 are currently located in Estonia and 3 in Latvia.

Personnel

The employees of the entities of Tallinna Kaubamaja Group are the foundation for success of the Group, therefore the main objective of the human resources management is the ongoing and targeted development of employees. Different training and evaluation programmes as well as various other incentive programmes ensure that the employees in our companies are willing to provide services, are eager and creative. The Group promotes a healthy lifestyle among the employees, creating possibilities for sports and recreation as well as for healthy lunches.

Tallinna Kaubamaja highly values the experience of its employees and has created a work environment that facilitates development of a stable career in the team. The employees are provided professional in-service training in Estonia and abroad.

To ensure successors for the employees, Tallinna Kaubamaja has offered different practical training possibilities to students. Tallinna Kaubamaja has prepared a training programme for new employees, which is carried out by different specialists whose long-term experience ensures a high quality of training. Continuous development of employees is ensured by the evaluation programme, which is in conformity with the main values and a devised competence model of Tallinna Kaubamaja.

To ensure occupational safety and health of the work environment, Tallinna Kaubamaja has created a system of measures, which includes regular training in respect of occupational safety requirements, performance of risk analyses and availability of protective gear.

In 2009, the average number of employees in Tallinna Kaubamaja Group was 3,695, which remained at the same level as compared to 2008. The total staff costs (wages and salaries, and social security taxes) in 2009 were 614.1 million kroons (39.2 million euros), decreasing by 8% as compared to the previous year. In the financial year, the average monthly wages per employee decreased by 8% as compared to 2008.

On 26 February 2010, Manager of A-Selver AS Ivi Saar left the office, her authority as a member of the Management Board of the wholly-owned subsidiary Selver Latvia SIA of A-Selver AS also expired. Andres Heinver will continue as a member of the Management Board of both companies.

Social responsibility

Tallinna Kaubamaja understands its role and responsibility in society, and in order to fulfil it, it follows the principles of social responsibility prevailing in the organisation:

1. To offer the clients high-quality organic products and goods of Estonian small-scale producers. The goal of Kaubamaja is to differentiate itself with the help of the product range that has become possible as a result of long-term cooperation with Estonian small-scale producers.
2. To promote a healthy life style among the employees of Tallinna Kaubamaja, supporting sports and offering healthy lunches, providing a possibility to use the family physician's services, blood pressure equipment and massage chairs.
3. To participate in society through several charity projects throughout decades:
 - From 1994, Tallinna Kaubamaja has been a godparent for white-tailed eagles in Tallinn Zoo.
 - Tallinna Kaubamaja has supported the Male Choir of Tallinn University of Technology for the last seven years.
 - Nõmme Private Education Foundation, which represents Nõmme Private School, has been sponsored for several years.
 - Through cooperation with Uuskasutuskeskus (Reuse Centre) and the campaign "An Act of Kindness Gives Warmth", 54,360 items of clothes and footwear were collected for charity in the autumn 2009, which were delivered to shelters and large families. It is intended to continue the cooperation, organising the campaign also in the spring 2010, by which we will help SOS Children's Village.
 - Over the last five years, we have carried out charity campaigns in February in collaboration with several charity organisations, collecting money for animal shelters, multi-children families and for other noble purposes
 - On the occasion of the 50th anniversary, through SA Dharma we will donate 3 kroons to multi-children (i.e. seven and more children) families from the price of each anniversary product sold in all departments of Kaubamaja.

Investments

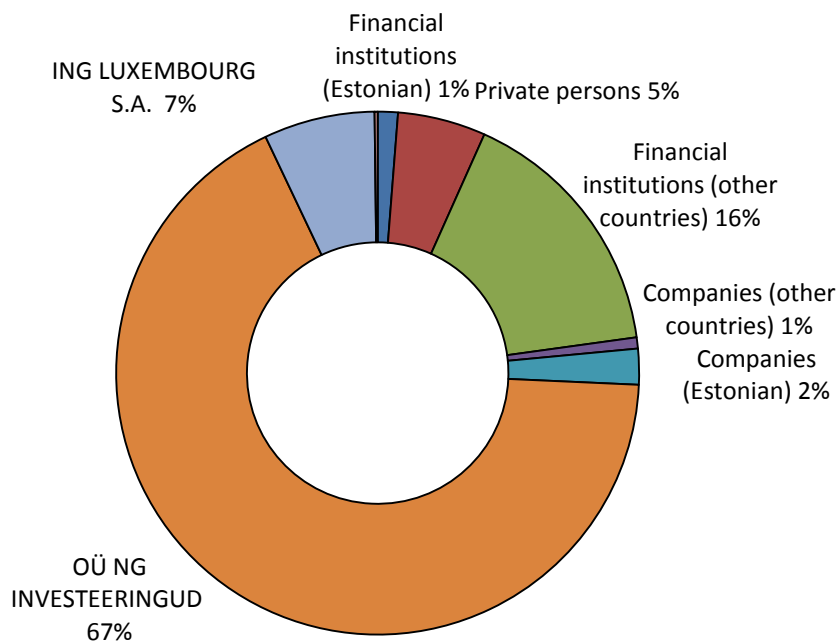
The investments recognized in the reporting period amounted to 188.5 million kroons (12.0 million euros). In 2009, Selver opened 6 new stores, 2 of them in Estonia and 4 in Latvia. In the financial year, a total of 94.2 million kroons (6.0 million euros) was invested in the fixtures and equipment of the supermarkets. In the reporting period, the investments in the department store segment totalled 38.9 million kroons (2.5 million euros). At Kaubamaja, the new and modern floor of footwear and accessories was reconstructed, and new I.L.U. stores were launched in Pärnu, Tartu and Tallinn. To open the stores, 14.7 million kroons (0.9 million euros) were invested. In 2009, the investments made in the footwear trade amounted to 7.8 million kroons (0.5 million euros). New footwear stores were opened in Rocca al Mare and Tartu Lõunakeskus. The investments made in the real estate segment totalled 47.5 million kroons (3.0 million euros), related to the opening of new Selver supermarkets.

Stock market

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

The members of the Management Board of Tallinna Kaubamaja AS have no right to issue or buy back shares. In addition, there are no commitments between the Company and its employees providing for compensation in case of mergers and acquisitions under section 19¹ of Securities Market Trade Act.

The Group has approximately 2 700 shareholders and division of shares is following:



In recent years the Group has consistently paid dividends to shareholders. According to the notice of the general meeting of the shareholders published on 27 April 2009, the Management Board proposed to pay 16.292 million kroons as dividends or 0.4 kroons (0.03 euros) per share. The general meeting of shareholders approved the proposal. The amount of a dividend distribution has been determined by reference to:

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

The price of the share of Tallinna Kaubamaja has followed the general trends in the Baltic equity market. The share with a price of 32.54 kroons (2.08 euros) at the end of 2008 was closed in late December at 56.48 kroons (3.61 euros), increased by 74% as compared to the previous year.

	EEK				EUR			
	2009	2008	2007	2006	2009	2008	2007	2006
Average number of shares (1000 pcs)	40,729	40,729	40,729	40,729	40,729	40,729	40,729	40,729
Opening price	32.54	122.36	143.64	350.48	2,08	7,82	9,18	22,40
Share price, highest	92.00	125.64	161.47	350.48	5,88	8,03	10,32	22,40
Share price, lowest	23.47	23.31	107.18	53.20	1,50	1,49	6,85	3,40
Share price, at the year-end	56.48	32.54	122.04	143.64	3,61	2,08	7,80	9,18
Traded shares (1000 pcs)	5,558.8	9,888.9	7,960.6	3,234.1	5,558.8	9,888.9	7,960.6	3,234.1
Sales (million)	290.7	880.5	1,060.7	385.4	18,58	56,27	67,79	24,63
Market value (million)	2,300.6	1,325.5	4,970.7	5,850.2	147,04	84,71	317,69	373,89
Earnings per share	-4.8	2.0	10.1	6.8	-0,31	0,13	0,64	0,43
Dividend per share	0.65*	0.4	2	1	0.04*	0,03	0,13	0,06
Dividend / net profit	-13%	20%	20%	15%	-13%	20%	20%	15%
Dividend / EBITDA	10%	4%	15%	11%	10%	4%	15%	11%
Equity per share (EEK/EUR/share)	39.6	45.1	46.5	30.5	2,53	2,88	2,97	1,95
P/E	-11.7	16.0	12.1	21.3	-11,65	16,00	12,19	21,35
P/BV	1.4	0.7	2.6	4.7	1,43	0,72	2,63	4,71

* according to profit allocation proposal

P/E = share price at the year-end / earnings per share

P/BV = share price at the year-end / equity per share

Share price and trading statistics on the Tallinn Stock Exchange during 01.01.2009-31.12.2009.

In Estonian kroons



In euros



Corporate Governance Report

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

General meeting

Exercise of shareholders' rights

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

Convening the general meeting and disclosures

Tallinna Kaubamaja published a notice convening the general meeting through a daily newspaper and information system of the Tallinn Stock Exchange as well as on its website on 27 April 2009. The company enabled its shareholders to ask questions on the topics specified in the agenda by using the e-mail address and phone specified in the notice, and examine the annual report on its website and in its office at Gonsiori 2, Tallinn, starting from 5 May 2009.

The general meeting of shareholders of Tallinna Kaubamaja was held in the conference hall of Tallinna Kaubamaja at Gonsiori 2, Tallinn, on 20 May 2009 beginning at 15.00 p.m.. The resolutions made at the general meeting are published in the press releases on the website of Tallinn Stock Exchange and on the website of Tallinna Kaubamaja.

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

Holding of the general meeting

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

The language of the general meeting held in 2009 was Estonian and the meeting was chaired by the Sales and Marketing Director Enn Parel. The meeting was also attended by the chairman of the Supervisory Board Andres Järving and member of the Management Board Raul Puusepp. 68.28% of the votes represented by shares were present at the general meeting. Tallinna Kaubamaja did not consider it expedient to use the Internet to organise its monitoring and participation in the general meeting. At the general meeting, allocation of profit was discussed as a separate theme and a separate resolution was adopted with regard to it.

Considering the aforementioned principles in the management of Tallinna Kaubamaja, in 2009, the Company has complied with the Corporate Governance Code in informing the shareholders, convening and holding the general meeting.

Management Board

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

Unlike clause 2.2.1 of the Corporate Governance Code, the Management Board of Tallinna Kaubamaja AS consists of one member. It is a historical tradition, but at the same time the management of the Parent has four members who are the managers of the main areas. All resolutions are adopted by the Management Board in collaboration with the management. In 2009, 26 meetings of the management were held. Areas of responsibility, duties and authorities are exactly specified between the members of the Management Board; the same also applies to all the subsidiaries. The Group believes that such a division protects the best interests of all shareholders and ensures sustainability of the company.

For the daily management of the Company, the Supervisory Board appoints member(s) of the Management Board of the Tallinna Kaubamaja AS in accordance with the Commercial Code. In order to elect a member of the Management Board, his or her consent is required. According to the articles of association, a member of the Management Board shall be elected for a specified term of up to three years. Extension of the term of office of a member of the Management Board shall not be decided earlier than one year before the planned date of expiry of the term of office, and not for a period longer than the maximum term of office prescribed by the articles of association. Currently, the Management Board of Tallinna Kaubamaja AS has one member. The term of office of the Management Board member Raul Puusepp was extended on 6 March 2008 and his term of office will expire on 6 March 2011.

The duties and remuneration of the Chairman of the Management Board Raul Puusepp are specified in the board member contract concluded with the Chairman. In accordance with the contract, the Chairman of the Management Board may receive performance pay according to the results of operations of the Group. In 2009, the remuneration and benefits (including social security taxes) calculated and paid to the Chairman of the Management Board amounted to 1,019 thousand kroons (65 thousand euros).

Supervisory Board

The Supervisory Board plans the activities of Tallinna Kaubamaja, organises its management and supervises the activities of the Management Board in the period between the meetings of shareholders. The Supervisory Board notifies the general meeting of the result of such supervision. The Supervisory Board decides on the development strategy and investment policy of the Company, conclusion of real estate transactions, adoption of the investment budget and annual budget prepared by the Management Board. The meetings of the Supervisory Board are regularly held at least 11 times a year. In 2009, 13 meetings of the Supervisory Board were held and in 2008, 12 meetings were held.

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

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

In accordance with the resolution of the annual general meeting held on 17.05.2007, the remuneration of a member of the Supervisory Board of Tallinna Kaubamaja AS is 15,000 kroons (959 euros) a month, the remuneration of the Chairman of the Supervisory Board is 18,000 kroons (1,150 euros) a month. In 2009, the total remuneration calculated for the members of the Supervisory Board of Tallinna Kaubamaja totalled 1,513 thousand kroons (80 thousand euros), including 269 thousand kroons (17 thousand euros) for the Chairman of the Supervisory Board.

Cooperation between the Management Board and Supervisory Board

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

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

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

Disclosure of information

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

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

Financial reporting and auditing

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

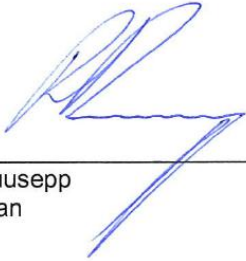
Goals for 2010

The most important targets of the Tallinna Kaubamaja Group in 2010 in achieving the synergy between the different parts of the Group, are:

- to continue to develop and improve the efficiency of Selver chain. Better use of the competitive advantage of Selver Kitchen and an increase of private label products.
- To merge and strengthen the footwear business, to achieve profitability.
- To consolidate the market position of the beauty store chain I.L.U. and to open a new store.
- To improve the efficiency of Kaubamaja's activities, continue the optimisation of operating costs, achieve better supply conditions and minimise logistics costs.
- To adjust the car trade segment to the low sale volumes, raise the quality and sale of follow-up services. To continue negotiations about adding new promising car brands to our sales portfolio.

Chairman's confirmation of and signature to the management report

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



Raul Puusepp
Chairman

Tallinn, 5 April 2010

CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT BOARD'S CONFIRMATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Chairman of the Management Board confirms the correctness and completeness of Tallinna Kaubamaja AS consolidated financial statements for the year 2009 as set out on pages 17 - 68.

The Chairman of the Management Board confirms that:

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



Raul Puusepp
Chairman of the Management Board

Tallinn, 5 April 2010

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in thousands of

	Note	EEK		EUR	
		31.12.2009	31.12.2008	31.12.2009	31.12.2008
ASSETS					
Current assets					
Cash and bank	5	223,691	101,353	14,296	6,478
Trade receivables	6	75,655	96,538	4,835	6,170
Other short-term receivables	7	82,032	73,019	5,242	4,668
Prepaid taxes	8	8,820	41,475	564	2,651
Other prepayments	8	12,404	12,161	793	777
Inventories	9	616,554	781,304	39,405	49,933
Total current assets		1,019,156	1,105,850	65,135	70,677
Non-current assets					
Prepayments	8	25,499	31,074	1,630	1,985
Investments in associates	11	20,323	17,505	1,299	1,119
Other long-term receivables	12	3,613	3,801	231	243
Investment property	13	55,800	0	3,566	0
Property, plant and equipment	14	2,689,639	2,998,073	171,900	191,612
Intangible assets	15	62,018	68,431	3,964	4,374
Goodwill	15	104,993	109,499	6,710	6,998
Total non-current assets		2,961,885	3,228,383	189,300	206,331
TOTAL ASSETS		3,981,041	4,334,233	254,435	277,008
LIABILITIES AND EQUITY					
Current liabilities					
Borrowings	16,17	254,524	318,098	16,267	20,330
Prepayments received		2,983	5,237	190	333
Trade payables		713,855	800,467	45,623	51,161
Tax liabilities	18	63,490	76,460	4,058	4,887
Other current liabilities	18	62,720	78,213	4,009	4,997
Provisions	18	445	3,534	28	226
Total current liabilities		1,098,017	1,282,009	70,175	81,934
Non-current liabilities					
Borrowings	16,17	1,267,096	1,215,409	80,982	77,679
Provisions	18	1,736	1,462	111	93
Total non-current liabilities		1,268,832	1,216,871	81,093	77,772
TOTAL LIABILITIES		2,366,849	2,498,880	151,268	159,706
Equity					
Share capital	19	407,292	407,292	26,031	26,031
Statutory reserve capital	19	40,729	40,729	2,603	2,603
Revaluation reserve		673,976	682,028	43,075	43,590
Retained earnings		500,730	705,719	32,004	45,105
Currency translation differences		-8,535	-415	-546	-27
TOTAL EQUITY		1,614,192	1,835,353	103,167	117,302
TOTAL LIABILITIES AND EQUITY		3,981,041	4,334,233	254,435	277,008

The notes presented on pages 22-68 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in thousands of

	Note	EEK		EUR	
		2009	2008	2009	2008
Revenue	20	6,388,127	6,531,420	408,276	417,434
Other operating income	21	217,898	166,164	13,926	10,619
Materials and consumables used	9	-4,966,417	-4,937,923	-317,412	-315,592
Other operating expenses	22	-727,064	-706,908	-46,468	-45,180
Staff costs	23	-614,084	-669,319	-39,247	-42,777
Depreciation and amortisation	14,15	-179,055	-141,278	-11,444	-9,028
Impairment losses	14,15	-239,461	-91,488	-15,304	-5,848
Other expenses	24	-34,339	-15,429	-2,195	-983
Operating profit (loss)		-154,395	135,239	-9,868	8,645
Finance income	25	5,565	8,825	356	564
Finance costs	25	-46,406	-42,586	-2,966	-2,722
Finance income on shares of associates	11	2,818	3,304	180	211
Profit (loss) before tax		-192,418	104,782	-12,298	6,698
Corporate income tax	19	-4,331	-21,653	-277	-1,385
NET PROFIT (LOSS) FOR THE FINANCIAL YEAR		-196,749	83,129	-12,575	5,313
Other comprehensive income/loss:					
Revaluation of land and buildings (Note 14)		0	-59,800	0	-3,822
Currency translation differences		-8,120	-425	-519	-27
Other comprehensive income/loss for the financial year		-8,120	-60,225	-519	-3,849
TOTAL COMPREHENSIVE INCOME/LOSS FOR THE FINANCIAL YEAR		-204,869	22,904	-13,094	1,464
Basic and diluted earnings per share (EEK/EUR)	26	-4.83	2.04	-0.31	0.13

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

The notes presented on pages 22-68 form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

in thousands of

	Note	EEK		EUR	
		2009	2008	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES					
Net profit		-196,749	83,129	-12,575	5,313
Adjustments:					
Income tax on dividends paid	19	4,331	21,653	277	1,385
Interest expense	25	46,406	39,851	2,966	2,547
Interest income	25	-5,565	-8,825	-356	-564
Depreciation and amortisation	14,15	179,055	141,278	11,444	9,029
Impairment losses	14,15,24	244,047	91,488	15,597	5,847
Gain from the change in fair value of investment property	13	-20,400	0	-1,304	0
Loss on sale and write-off of non-current assets		2,344	1,079	150	69
Effect of equity method	11	-2,818	-3,304	-180	-211
Change in inventories		164,750	-141,264	10,529	-9,028
Change in receivables and prepayments related to operating activities		47,228	-62,755	3,019	-4,012
Change in liabilities and prepayments related to operating activities		-117,391	133,409	-7,503	8,526
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		345,238	295,739	22,064	18,901
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment (excl. finance lease)	14	-188,499	-976,335	-12,049	-62,399
incl. purchase of property, plant and equipment with a lease		0	2,354	0	150
Proceeds from sale of property, plant and equipment		39,987	644	2,556	41
Purchase of intangible assets	15	-300	0	-19	0
Loan to group account		624	-16,831	40	-1,076
Business combinations	10	0	-231,895	0	-14,821
Repayments of loans to associates		2,500	3,250	160	209
Interest received		5,388	9,297	344	594
TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES		-140,300	-1,209,516	-8,968	-77,302
CASH FLOWS FROM FINANCING ACTIVITIES					
Loans received	16	360,604	1,344,388	23,047	85,922
Repayments of loans received	16	-324,575	-508,475	-20,744	-32,497
Change in overdraft balance	16	-42,298	42,298	-2,703	2,703
Dividends paid	19	-16,292	-81,458	-1,041	-5,206
Income tax on dividends paid	19	-4,331	-21,653	-277	-1,384
Repayments of finance lease principal	16	-5,617	-4,671	-359	-299
Interest paid		-49,161	-37,509	-3,142	-2,397
TOTAL CASH FLOWS USED IN(-)/FROM FINANCING ACTIVITIES		-81,670	732,920	-5,219	46,842
TOTAL CASH FLOWS		123,268	-180,857	7,877	-11,559
Effect of exchange rate changes		-930	-425	-59	-27
Cash and cash equivalents at the beginning of the period	5	101,353	282,635	6,478	18,064
Cash and cash equivalents at the end of the period	5	223,691	101,353	14,296	6,478
Net change in cash and cash equivalents		122,338	-181,282	7,818	-11,586

The notes presented on pages 22-68 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 in thousands of EEK

	Share capital	Statutory reserve capital	Revaluation reserve	Retained earnings	Currency translation differences	Total
Balance as of 31.12.2007	407,292	40,729	759,721	686,155	10	1,893,907
Total comprehensive income for the reporting period	0	0	-59,800	83,129	-425	22,904
Reclassification of depreciation of revalued land and buildings	0	0	-17,893	17,893	0	0
Dividends paid	0	0	0	-81,458	0	-81,458
Balance as of 31.12.2008	407,292	40,729	682,028	705,719	-415	1,835,353
Total comprehensive loss for the reporting period	0	0	0	-196,749	-8,120	-204,869
Reclassification of depreciation of revalued land and buildings	0	0	-8,052	8,052	0	0
Dividends paid	0	0	0	-16,292	0	-16,292
Balance as of 31.12.2009	407,292	40,729	673,976	500,730	-8,535	1,614,192

in thousands of EUR

	Share capital	Statutory reserve capital	Revaluation reserve	Retained earnings	Currency translation differences	Total
Balance as of 31.12.2007	26,031	2,603	48,556	43,854	0	121,044
Total comprehensive income for the reporting period	0	0	-3,822	5,313	-27	1,464
Reclassification of depreciation of revalued land and buildings	0	0	-1,144	1,144	0	0
Dividends paid	0	0	0	-5,206	0	-5,206
Balance as of 31.12.2008	26,031	2,603	43,590	45,105	-27	117,302
Total comprehensive loss for the reporting period	0	0	0	-12,575	-519	-13,094
Reclassification of depreciation of revalued land and buildings	0	0	-515	515	0	0
Dividends paid	0	0	0	-1,041	0	-1,041
Balance as of 31.12.2009	26,031	2,603	43,075	32,004	-546	103,167

Additional information on share capital is set out in Note 19.

The notes presented on pages 22-68 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 General information

Tallinna Kaubamaja AS (the Company) and its subsidiaries (together as the Group) are entities engaged in retail trade and provision of related services. Tallinna Kaubamaja AS is a company registered on 18 October 1994 in the Republic of Estonia with the legal address of Gonsiori 2, Tallinn. The shares of Tallinna Kaubamaja AS are listed on the Tallinn Stock Exchange. The majority shareholder of Tallinna Kaubamaja AS is OÜ NG Investeeringud (see Note 31), the majority owner of which is NG Kapital OÜ. NG Kapital OÜ is an entity with ultimate control over Tallinna Kaubamaja Group.

These consolidated financial statements have been authorised by the Management Board on 23 April 2010 for issue. In accordance with the Commercial Code of the Republic of Estonia, the Annual Report shall be approved by the Company's Supervisory Board and approved by the General Meeting of Shareholders.

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

Bases of preparation

The consolidated financial statements of AS Tallinna Kaubamaja for the year 2009 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union.

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

The functional and presentation currency of AS Tallinna Kaubamaja is the Estonian kroon (EEK). In accordance with the requirements of the rules and regulation of the Tallinn Stock Exchange, all amounts are also simultaneously disclosed in euros (EUR). The Estonian kroon is pegged to the euro at the exchange rate of EEK 15.6466 per EUR 1. Therefore, no translation differences arise when presenting the financials in euros. All amounts disclosed in the financial statements have been rounded to the nearest thousand unless referred to otherwise.

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

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

Changes in accounting policies and presentation

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

- IFRIC 11 *IFRS 2 - Group and Treasury Share Transactions* - The interpretation contains guidelines on the following issues: an entity grants its employees rights to its equity instruments that may or must be repurchased from a third party in order to settle obligations towards the employees; or an entity or its owner grants the entity's employees rights to the entity's equity instruments. The adoption of the interpretation did not have a significant impact on the Group's financial statements.
- IFRIC 14 *IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. The interpretation contains guidance on when refunds or reductions in future contributions may be regarded as available for the purposes of the asset ceiling test in IAS 19, Employee Benefits. The adoption of the interpretation did not have a significant impact on the Group's financial statements.
- IFRS 8 *Operating Segments*. The standards applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a securities commission or another regulatory agency for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments, with segment information presented on a similar basis to that used for internal reporting purposes. Due to the adoption of IFRS 8, management allocated OÜ

Suurtüki NK and SIA Suurtuki goodwill in the amount of 39,828 thousand kroons (2,545 thousand euros) (2008: 44,334 thousand kroons, 2,833 thousand euros) from the department store segment to the footwear trade segment as in the reports provided to chief operating decision maker the respective amounts of goodwill have been presented within footwear trade segment since 2009. Reallocation did not result in recognition of an additional impairment loss for goodwill.

- IAS 23 *Borrowing Costs*, revised in March 2007. The main change to the standard is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets not in fair value that take a substantial period of time to get ready for use or sale. Such borrowing costs form part of the cost of that asset, if the commencement date of capitalisation is on or after 1 January 2009. The Group's accounting policy before the revision of the Standard was to capitalise borrowing costs and therefore, the revision did not impact the Group's financial statements.
- IAS 1 *Presentation of Financial Statements*, revised in September 2007. The main change in IAS 1 is the replacement of the income statement by the statement of comprehensive income which also includes all non-owner changes in equity, such as revaluation of available-for-sale financial assets. Alternatively, entities are allowed to present two statements: a separate income statement and a statement of comprehensive income. The Group has elected to present a single statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The revised IAS 1 had an impact on the presentation of the Group's financial statements but had no impact on the recognition or measurement of specific transactions and balances.
- *Improvements to International Financial Reporting Standards*, issued in May 2008. The amendments consist of a mixture of substantive changes, clarifications, and changes in terminology in various standards. The substantive changes relate to the following areas: classification as held for sale under IFRS 5 in case of a loss of control over a subsidiary (effective for annual periods beginning on or after 1 July 2009); possibility of presentation of financial instruments held for trading as non-current under IAS 1; accounting for sale of IAS 16 assets which were previously held for rental and classification of the related cash flows under IAS 7 as cash flows from operating activities; clarification of definition of a curtailment under IAS 19; accounting for below market interest rate government loans in accordance with IAS 20; making the definition of borrowing costs in IAS 23 consistent with the effective interest method; clarification of accounting for subsidiaries held for sale under IAS 27 and IFRS 5; reduction in the disclosure requirements relating to associates and joint ventures under IAS 28 and IAS 31; enhancement of disclosures required by IAS 36; clarification of accounting for advertising costs under IAS 38; amending the definition of the fair value through profit or loss category to be consistent with hedge accounting under IAS 39; introduction of accounting for investment properties under construction in accordance with IAS 40; and reduction in restrictions over manner of determining fair value of biological assets under IAS 41. Further amendments made to IAS 8, 10, 18, 20, 29, 34, 40, 41 and to IFRS 7 represent terminology or editorial changes only, which the IASB believes have no or minimal effect on accounting. The amendments did not have a significant impact on the financial statements, except of the amendment to IAS 40:
 - IAS 40 *Investment Property* (and consequential amendments in IAS 16). Property that is under construction or development for future use as investment property is brought within the scope of the revised IAS 40. Where the fair value model is applied, such property is measured at fair value. Where the fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed or the date at which the fair value becomes reliably measurable. The Group has amended its accounting policies accordingly and has applied the amendment prospectively from 1 January 2009. As a result, the Group has reclassified properties under construction in the amount of 35,400 thousand kroons (2,262 thousand euros) from property, plant and equipment to investment property as of 1.1.2009, see Note 13. At the time of reclassification, a gain from the change in fair value totalled 20,400 thousand kroons (1,304 thousand euros), the total impact of which on basic and diluted earnings per share was EEK 0.14 (EUR 0.009).
- Amendment to IAS 32 and IAS 1 - *Puttable Financial Instruments and Obligations Arising on Liquidation*. The amendment requires classification as equity of some financial instruments that meet the definition of financial liabilities. The amendment did not have an impact on the financial statements.
- Amendment to IFRS 2 - *Vesting Conditions and Cancellations*. The amendment clarified that only service conditions and performance conditions are vesting conditions. Other features of a share-based payment are not vesting conditions. The amendment specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amendment did not have an impact on the financial statements.
- IFRIC 13 *Customer Loyalty Programmes*. IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. The amendment did not have any significant impact on the financial statements as the customer loyalty programmes of the Group generally offer straight discount on purchases. Programmes that include loyalty points or free products are rare and have been accounted for in accordance with IFRIC 13.

- Amendments to IFRS 1 and IAS 27 - *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*. The amendment allows first-time adopters of IFRS to measure investments in subsidiaries, jointly controlled entities or associates at fair value or at previous GAAP carrying amount as deemed cost in the separate financial statements. The amendment also requires distributions from pre-acquisition net assets of investees to be recognised in profit or loss rather than as a recovery of the investment. The amendment did not have an impact on the financial statements.
- Amendment to IFRS 7 - *Improving Disclosures about Financial Instruments*. The amendment requires enhanced disclosures about fair value measurements and liquidity risk. The entity is required to disclose an analysis of financial instruments using a three-level fair value measurement hierarchy. The amendment (a) clarifies that the maturity analysis of liabilities should include issued financial guarantee contracts at the maximum amount of the guarantee in the earliest period in which the guarantee could be called; and (b) requires disclosure of remaining contractual maturities of financial derivatives if the contractual maturities are essential for an understanding of the timing of the cash flows. An entity will further have to disclose a maturity analysis of financial assets it holds for managing liquidity risk, if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk. The enhanced disclosures are included in these financial statements.

New International Financial Reporting Standards (IFRS) and their interpretation

The Group will adopt the following new and amended standards or interpretations which have been issued but are not yet effective for the reporting period when they will become mandatory:

- IFRIC 12 - *Service Concession Arrangements* – (IFRIC 12 as adopted by the EU is effective for annual periods beginning on or after 30 March 2009, early adoption permitted) The interpretation contains guidance on applying the existing standards by service providers in public-to-private service concession arrangements. The adoption of the interpretation did not have a significant impact on the Group's financial statements, because the Group does not have any service concession arrangements.
- IFRIC 15 *Agreements for the Construction of Real Estate* (effective for annual periods beginning on or after 1 January 2009; IFRIC 15 as adopted by the EU is effective for annual periods beginning after 31 December 2009, early adoption permitted) The interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors, and provides guidance for determining whether agreements for the construction of real estate are within the scope of IAS 11 or IAS 18. It also provides criteria for determining when entities should recognise revenue on such transactions. The amendment did not have a significant impact on the financial statements.
- Amendments to IFRIC 9 and IAS 39 - *Embedded Derivatives* (effective for annual periods beginning on or after 30 June 2009; IFRIC 9 and IAS 39 as adopted by the EU is effective for annual periods beginning after 31 December 2009, early adoption permitted). The amendments clarify that on reclassification of a financial asset out of the 'at fair value through profit or loss' category, all embedded derivatives have to be assessed and, if necessary, separately accounted for. The amendment did not have an impact on the financial statements.
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* (effective for annual periods beginning on or after 1 October 2008; IFRIC 16 as adopted by the EU is effective for annual periods beginning after 30 June 2009, early adoption permitted). The interpretation explains which currency risk exposures are eligible for hedge accounting and states that translation from the functional currency to the presentation currency does not create an exposure to which hedge accounting could be applied. The IFRIC allows the hedging instrument to be held by any entity or entities within a group except the foreign operation that itself is being hedged. The interpretation also clarifies how the currency translation gain or loss reclassified from other comprehensive income to profit or loss is calculated on disposal of the hedged foreign operation. Reporting entities apply IAS 39 to discontinue hedge accounting prospectively when their hedges do not meet the criteria for hedge accounting in IFRIC 16. IFRIC 16 did not have an impact on the financial statements.
- IFRIC 17 *Distribution of Non-cash Assets to Owners* (effective for annual periods beginning on or after 1 July 2009; IFRIC 17 as adopted by the EU is effective for annual periods beginning after 31 October 2009, early adoption permitted). The interpretation clarifies when and how distribution of non-cash assets as dividends to the owners should be recognised. An entity should measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. A gain or loss on disposal of the distributed non-cash assets will be recognised in profit or loss for the year when the entity settles the dividend payable. IFRIC 17 will not have an impact on the Group's financial statements because the Group does not distribute non-cash assets to owners.
- IFRIC 18 *Transfers of Assets from Customers* (effective prospectively to transfers of assets from customers received on

or after 1 July 2009, earlier adoption permitted; IFRIC 18 as adopted by the EU is effective for annual periods beginning after 31 October 2009, early adoption permitted). The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers. IFRIC 18 will not have an impact on the Group's financial statements.

- IAS 27 *Consolidated and Separate Financial Statements* (effective for annual reports beginning on or after 1 July 2009). The revised standard requires an entity to attribute total comprehensive income to the owners of the parent and to minority interests even if this results in the non-controlling interests having a deficit balance (in most cases, the current standard requires the excess losses to be allocated to the owners of the parent). The revised standard specifies that changes in the parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary will have to be measured at its fair value. The Group estimates that the revision to the standard will not have a significant impact on the financial statements.
- IFRS 3 *Business Combinations* (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised IFRS 3 allows entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer will have to premeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss. Acquisition-related costs will be accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer will have to recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. IFRS 3 will not have an impact on the Group's financial statements because there are currently no business combinations underway at the Group.
- Amendment to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (and consequential amendments in IFRS 1) (effective for annual reports beginning on or after 1 July 2009). This amendment to IFRS 5 has been made during the annual improvement project of the IASB, issued in May 2008. The amendment explains that when an entity is involved in a sales plan resulting in a loss of control over the subsidiary, the assets and liabilities of the subsidiary shall be reclassified as assets or liabilities held for sale. The revised guidance shall be applied prospectively from the date on which the Company first applied IFRS 5. The amendment will not have an impact on the Group's financial statements.
- Amendment to IAS 39 *Eligible Hedged Items* (effective retrospectively for annual reports beginning on or after 1 July 2009). The amendment explains how to apply rules in certain situations to decide whether hedged risk or part of cash flows meet the hedging requirements. The amendment will not have an impact on the Group's financial statements, because the Group does not use hedge accounting.
- IFRS 1 *First-time Adoption of International Financial Reporting Standards*, revised in December 2008 (effective for the first IFRS financial statements for a period beginning on or after 1 July 2009; restructured IFRS 1 as adopted by the EU is effective for annual periods beginning after 31 December 2009, early adoption permitted). The revised IFRS 1 retains the substance of its previous version but within a changed structure in order to make it easier for the reader to understand and to better accommodate future changes. The revised standard will not have an impact on the Group's financial statements.
- *Improvements to IFRS*, issued in April 2009 (changes in IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual reports beginning on or after 1 July 2009; changes in IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual reports beginning on or after 1 January 2010; the changes have not been yet adopted by EU). The revisions include substantive changes and clarifications in the following standards and interpretations: clarification that IFRS 2 will not apply to a transfer of a business unit in transactions under common control and formation of joint ventures; specifying the disclosure requirements laid down in IFRS 5 and other standards in respect of non-current assets (or disposal groups) classified as held for sale; requirement that the segment's total assets and liabilities shall be disclosed only if such amounts are regularly provided to the chief operating decision maker; revision of IAS 1 to allow an entity to classify certain liabilities as non-current that are settled by issue of an entity's own equity instruments; revision of IAS 7 so that such expenditures that are capitalised as assets shall be eligible for classification as investing activities;

permission in IAS 17 to classify certain long-term land lease agreements as a finance lease when the title is not transferred at the end of the lease term; additional guidance in IAS 18 to determine whether an entity operates as a primary service provider or an agent; clarification in IAS 36 that a cash generating unit shall not be larger than an operating segment before aggregation; improvement of IAS 38 in respect of measurement of fair value of intangible assets acquired in a business combination; revision of IAS 39 to (i) add option contracts to the scope of the standard the result of which may be a business combination, (ii) clarify a period during which gains or losses on cash flow hedges are reclassified from equity to profit or loss and (iii) determine that the early exercise of an option is closely related to the host contract when the borrower reimburses the economic loss incurred to the lender upon the exercise of the option; revision to IFRIC 9 to clarify that the embedded derivatives in contracts acquired in a business combination under common control or the formation of a joint venture are not within the scope of the interpretation; elimination of a restriction in IFRIC 16 that a hedging instrument shall not be in such a foreign operation the risks of which are being hedged. The Group estimates that the revisions will not have a significant impact on the Group's financial statements.

- Amendment to IAS 32 *Classification of Rights Issues*, issued in October 2009 (effective for annual reports beginning on or after 1 February 2010). The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives. The Group estimates that the amendment will not have a major impact on the financial statements.
- Amendments to IFRS 2 *Group Cash-settled Share-based Payment Transactions* – effective for annual periods beginning on or after 1 January 2010; not yet adopted by the EU. The amendments provide a clear basis to determine the classification of share-based payment awards in both consolidated and separate financial statements. The amendments incorporate into the standard the guidance in IFRIC 8 and IFRIC 11, which are withdrawn. The amendments expand on the guidance given in IFRIC 11 to address plans that were previously not considered in the interpretation. The amendments also clarify the defined terms in the Appendix to the standard. The Group estimates that the amendments will not have a significant on the financial statements.
- Amendments to IFRS 1 - *Additional Exemptions to First-time Adopters* - effective for annual periods beginning on or after 1 January 2010; not yet adopted by the EU. The amendments exempt entities using the full cost method from retrospective application of IFRSs for oil and gas assets and also exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4, 'Determining Whether an Arrangement Contains a Lease' when the application of their national accounting requirements produced the same result. The amendments will not have an impact on the financial statements.
- Amendment to IAS 24 *Related Party Disclosures*, issued in November 2009 - effective for annual periods beginning on or after 1 January 2011; not yet adopted by the EU. The amended standard simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. The Group is currently assessing the impact of the amended standard on the disclosures in the financial statements.
- IFRS 9 *Financial Instruments* part 1: Classification and Measurement, issued in November 2009 - effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU. IFRS 9 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:
 - Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
 - An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
 - All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

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

- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* - effective for annual periods beginning on or after 1 July 2010; not yet adopted by the EU. This interpretation clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments as compared to the carrying amount of the debt. The Group is currently assessing the impact of the interpretation on its

financial statements.

- Amendment to IFRIC 14 *Prepayments of a Minimum Funding Requirement* - effective for annual periods beginning on or after 1 January 2011; not yet adopted by the EU. This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement. The Group is currently assessing the impact of the amended interpretation on its financial statements.
- Amendment to IFRS 1 *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* - effective for annual periods beginning on or after 1 July 2010; not yet adopted by the EU. Existing IFRS preparers were granted relief from presenting comparative information for the new disclosures required by the March 2009 amendments to IFRS 7 'Financial Instruments: Disclosures'. This amendment to IFRS 1 provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7. The amendment will not have an impact on the Group's financial statements.

Disclosures about the primary statements of the Parent

In accordance with the Accounting Act of Estonia, the separate primary statements of the consolidating entity (Parent) are to be disclosed in the notes to the consolidated financial statements. The Parent's primary statements, disclosed in Note 31, have been prepared using the same accounting methods and measurement bases as those that have been used for preparing the consolidated financial statements. In the separate primary statements, investment in subsidiaries and associates are carried at historical cost. According to the cost method, the investment is initially recognised at cost which is the fair value of the consideration paid upon acquisition which is subsequently adjusted by any impairment losses.

Foreign currency transactions

Functional and presentation currency

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

Accounting for foreign currency transactions

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

Financial statements of foreign entities

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

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

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

Principles of consolidation

Subsidiaries

A subsidiary is an entity controlled by the Parent. Control is presumed to exist when the Parent owns, directly or indirectly through subsidiaries, more than 50% of the voting power of an subsidiary or otherwise has power to govern its financial and

operating policies. Subsidiaries are consolidated from the date of their acquisition (obtaining of control) until the date of sale (loss of control).

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of acquisition is measured as the fair value of consideration paid upon acquisition (i.e. assets transferred, liabilities incurred and equity instruments issued by the acquirer for the purpose of acquisition), plus costs directly attributable to the acquisition. Acquired and separately identifiable assets, liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values on the date of acquisition, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement

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

Associates

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

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

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

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

Segment reporting

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

Cash and cash equivalents

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

Financial assets

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

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

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

Such assets are classified as non-current assets. Loans and receivables are reported as trade receivables and other receivables in the balance sheet.

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

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

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

Inventories

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

Investment property

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

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

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

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

Property, plant and equipment

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

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

The increase in the carrying amount of land and buildings as a result of revaluation is recognised in the statement of comprehensive income and accumulated in the equity item "Revaluation reserve". The recoveries of value of such assets that have been written down through profit or loss are recognised in the income statement. Impairment of an asset is recognised in the statement of comprehensive income to the extent of the accumulated revaluation reserve of the same

asset. The remaining amount is charged to the profit or loss. Each year, the difference in depreciation arising from the difference in historical cost and revalued amounts of assets is transferred from "Revaluation reserve" to "Retained earnings".

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

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

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

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

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

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

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

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

Intangible assets

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

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

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

For determining the useful lives of beneficial lease agreements, the length of lease agreements has been used as the basis,

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

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

Impairment of assets

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

Goodwill

Goodwill represents the excess of the cost of a business combination over the fair value of the net assets acquired, reflecting that portion of the payment made for such assets of the investee which cannot be individually identified and separately recognised. Goodwill is initially recognised at cost.

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

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

Finance and operating leases

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

The Company is the lessee

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

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

The Company is the lessor

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

Financial liabilities

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

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

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

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

Provisions and contingent liabilities

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

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

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

Corporate income tax and deferred corporate income tax

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

Group's Estonian entities

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

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

The maximum income tax liability which would accompany the distribution of Company's retained earnings is disclosed in Note 29 to the consolidated financial statements.

Group's Latvian and Lithuanian entities

In Latvia and in Lithuania, corporate profits are subject to income tax. The corporate income tax rate is 15% in Latvia and 20% in Lithuania (2008: 15%) on taxable income. Taxable income is calculated by adjusting profit before tax for permanent

and temporary differences as permitted by local tax laws.

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

Revenue recognition

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

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

Revenue from the sale of goods – retail sales

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

Revenue from the sale of goods – wholesale

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

Revenue from provision of services

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

Income from joint advertising

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

Interest income

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

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

Dividend income

Dividend income is recognised when the right to receive payment is established.

Statutory reserve capital

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

Earnings per share

Basic earnings per share are determined by dividing the net profit for the financial year by the weighted average number of

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

Payables to employees

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

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

Note 3 Critical accounting estimates and judgements

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

The areas involving a higher degree of judgement or complexity which impact the financials reported in the financial statements are as follows:

- *Estimation of the useful lives of property, plant and equipment:* the Group owns several recently completed shopping centres, the useful lives of significant components of which have been estimated using the data of technical project documentation and historical data. Actual useful lives may differ from those initially estimated by management.
- *Determining the value of revalued land and buildings:* The Group carries land and building using the revaluation method. For this purpose, management evaluates regularly whether the fair value of revalued non-current assets does not significantly differ from their carrying amount. Management uses expert opinions to determine the fair value of revalued non-current assets, whereby the estimates of external experts are used at least every 4 years. As a result of the valuation performed as of 31.12.2009, the impairment loss of land and buildings located in Latvia (with carrying amount of 222,778 thousand kroons, 14,238 thousand euros as at 31.12.2009) amounted to 66,444 thousand kroons (4,247 thousand euros), which was recognised in profit or loss. In 2008, the impairment loss of land and buildings in Estonia (with carrying amount of 1,780,212 thousand kroons, 113,776 thousand euros as at 31.12.2008) amounted to 71,600 thousand kroons (4,576 thousand euros), incl. 59,800 thousand kroons (3,822 thousand euros) through revaluation reserve and 11,800 thousand kroons (754 thousand euros) through profit or loss. Management estimates that the fair value of the remaining objects of land and buildings did not significantly differ from their carrying amounts as at 31.12.2009 and 31.12.2008. As of 31.12.2009, the carrying amount of revalued land and building was 2,116,096 thousand kroons (135,243 thousand euros) (2008: 1,815,128 thousand kroons, 116,008 thousand euros). More detailed information is disclosed in Note 14.
- *Estimation of impairment of constructions in progress:* The group assesses at each balance sheet date whether any indications exist for possible impairment of construction in progress. If such indications exist, impairment test is performed. To determine the recoverable value of the assets, the discounted cash flow method was used to determine their value in use, taking into consideration the necessary capital expenditures and timing to complete the properties for their intended use. Internal and external valuers were used for determining value in use. As a result of the impairment test performed as at 31.12.2009, the impairment loss of construction in progress in Estonia (with carrying amount of 235,811 thousand kroons, 15,071 thousand euros as at 31.12.2009) amounted to 36,000 thousand kroons (2,301 thousand euros). As a result of the impairment test performed as at 31.12.2009, the impairment loss of construction in progress located in Latvia (carrying value 286,937 thousand kroons, 18,339 thousand euros as at 31.12.2009) amounted to 108,303 thousand kroons (6,922 thousand euros). In 2008 impairment loss of constructions in progress in Latvia (with carrying amount of 476,253 thousand kroons, 30,438 thousand euros as at 31.12.2008) was recognised in the amount of 75,000 thousand kroons (4,793 thousand euros). No impairment was identified for the remaining objects of construction in progress, see more detailed information in Note 14.
- *Estimation of impairment of goodwill:* At least annually, the Group evaluates the possible impairment of goodwill which has arisen on acquisition of subsidiaries. The fair value less costs to sell or value in use of those cash-generating units which goodwill has been allocated to is determined. For determining the value in use, management has forecasted future net cash flows of cash-generating units and selected an appropriate discount rate for determining the present value of cash flows. As of 31.12.2009, the carrying amount of goodwill was 104,993 thousand kroons (6,710 thousand euros) (2008: 109,499 thousand kroons, 6,998 thousand euros). In the financial year, impairment of goodwill was recognised in the amount of 4,506 thousand kroons (288 thousand euros) (2008: 4,688 thousand kroons, 300 thousand euros). More detailed information is disclosed in Note 15.
- *Classification of lease agreements:* The Group has concluded lease agreements whose classification into operating or finance lease depends on the fair value of the leased asset at the time of conclusion of the lease agreement. In such cases, external appraisers have been involved in determining fair value.
- *Effects of the economic crisis* The ongoing global financial and economic crisis which commenced as a result of a significant decline in global liquidity in 2007 (often also referred to as the "Credit Crunch"), has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and, at times, higher interbank lending rates and very high volatility in stock markets. The uncertainties in the global financial markets have also led to bank failures and bank rescues in the United States of America, Western Europe, Russia and elsewhere.

The full extent of the impact of the ongoing financial crisis is proving to be impossible to anticipate or completely guard against. Management is unable to reliably estimate the effects on the Group's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and development of the Group in the current circumstances. The volume of wholesale financing has been significantly reduced since 2007. The real estate market has been severely affected by recent volatility in global financial markets resulting in lower liquidity for certain type of assets. As a result, actual realisable value on foreclosure may differ from their carrying value. Such circumstances may affect the ability of the Group to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier.

Note 4 Financial risks

The management of financial risks related to the operating activities of the Company is an important and integral part in managing the Group's business processes. The ability of the Group to identify, measure and control different risks has a substantial impact on the profitability of the Group. Risk is defined by the management of the Group as a possible negative deviation from the expected financial performance. The risk management system created in Tallinna Kaubamaja ensures effectiveness of assessment and management of the main risks. The risk management of the Group is based on the requirements established by the Tallinn Stock Exchange, the Financial Supervision Authority and other regulatory bodies, generally accepted accounting standards and good practice, and the internal regulations and policies of the Group and its subsidiaries.

Several financial risks may accompany the activities of the Group, of which the most important ones are liquidity risk, credit risk, market risk (incl. foreign currency risk, interest rate risk and price risk), operating risk and capital risk. The risk management is in the competence of the management of the Parent and includes the definition, measurement and control of risks. Supervision over the measures applied by the management to hedge risks is exercised by the Supervisory Board of the Parent. The Group analyses and controls risks on a systematic basis through the financial unit that deals with the financing of the Parent as well as its subsidiaries and, as a direct result thereof, with the management of liquidity risk and interest rate risk; the managements and financial units of subsidiaries are also involved in that process. The help of specialists of the core shareholder NG Investeeringud is also used to manage risks

All the financial assets of the Group are categorised as "loans and receivables" and include cash and cash equivalents (Note 5), trade receivables (Note 6), other short-term receivables (Note 7) and other long-term receivables (Note 12). All financial liabilities of the Group are categorized as "other financial liabilities" and consist of borrowings (Note 16), trade payables, interest payable, other accrued expenses and prepayments by tenants (Note 18).

Liquidity risk

Preservation of liquidity, i.e. the existence of sufficient financial resources to fulfil the liabilities arising from the activities of the Group has been one of the main priorities of Tallinna Kaubamaja Group in 2009. To manage the cash flows of the Group as efficiently as possible, joint group accounts of the bank accounts of the Parent and its subsidiaries have been formed which enable members of the group accounts to use monetary funds of the Group within the limit established by the Parent. The group accounts are used in Estonia. According to the policy of the Group, the subsidiaries that have joined the group accounts prepare cash flow forecasts on a weekly basis for a current calendar year by banking days. To manage the liquidity risk, the Group uses different financing sources which include bank loans, overdraft, regular monitoring of trade receivables and delivery contracts.

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

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

In thousands of EEK	< 3 months	3-12 months	2-3 years	4-5 years	after 5 years	Total 31.12.2009
Borrowings	64,911	226,892	513,716	359,102	527,914	1,692,535
Trade payables	713,855	0	0	0	0	713,855
Current financial liabilities*	9,399	0	0	0	0	9,399

In thousands of EUR	< 3 months	3-12 months	2-3 years	4-5 years	after 5 years	Total 31.12.2009
Borrowings	4,149	14,501	32,832	22,951	33,740	108,173
Trade payables	45,624	0	0	0	0	45,624
Current financial liabilities*	601	0	0	0	0	601

In thousands of EEK	< 3 months	3-12 months	2-3 years	4-5 years	after 5 years	Total 31.12.2008
Borrowings	128,530	243,939	543,333	444,982	501,065	1,861,849
Trade payables	800,467	0	0	0	0	800,467
Current financial liabilities*	10,855	0	0	0	0	10,855

In thousands of EUR	< 3 months	3-12 months	2-3 years	4-5 years	after 5 years	Total 31.12.2008
Borrowings	8,215	15,591	34,725	28,440	32,024	118,994
Trade payables	51,161	0	0	0	0	51,161
Current financial liabilities*	694	0	0	0	0	694

* Current financial liabilities include interest payables, other accrued expenses and prepayments by tenants (Note 18).

In calculating the future cash flows, the floating interest rates applicable as of the balance sheet date 31.12.2009 and 31.12.2008, respectively, have been used.

As of the end of the financial year, the Group had available funds in the amount of 158,702 thousand kroons (10,143 thousand euros) (2008: 101,353 thousand kroons or 6,478 thousand euros). The allocation of the cash flow surplus in the Group is strictly regulated by a respective procedure that sets the placement of available cash in a deposit as its objective. As of 31.12.2009, 81,196 thousand kroons (5,189 thousand euros) was placed in a deposit (2008: 16,831 thousand kroons or 1,076 thousand euros).

As of 31 December 2009, the working capital was negative by 78,861 thousand kroons (5,040 thousand euros) (2008: negative 176,159 thousand kroons or 11,231 thousand euros). The negative working capital was caused by raising additional debt in 2008 and at the beginning of 2009 for investments that were completed to a large extent in the first half of 2009. A decline of 2% in the sales and a decrease in the margin due to a general decrease in consumption led to a decline in EBITDA (net profit before finance income and costs, corporate income tax, impairment of property, plant and equipment and intangible assets and amortisation/depreciation charges) by 103,884 thousand kroons (6,639 thousand euros) as compared to the previous financial year (in 2008, the decline was 170,337 thousand kroons or 10,887 thousand euros). In 2009, Tallinna Kaubamaja Group paid great attention to the management of inventories, as a result of which the liquidity ratio (current assets less inventories/short-term liabilities) rose to 0.37 in 2009 (in 2008, the ratio was 0.25). Management estimates that Tallinna Kaubamaja Group does not have any problems with liquidity.

Credit risk

The Group is exposed to credit risks, which arise from its operating activities (mainly receivables) and investment activities, including deposits in banks and financial institutions. The management of the Group manages the credit risk arising from deposits in banks and financial institutions according to the strategy of the Group:

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

	EEK		EUR	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Baa3	160,719	83,755	10,272	5,353
A1	10,389	0	664	0
Aa2	47,495	11,277	3,035	721
Total	218,603	95,032	13,971	6,074

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

Because of the specific nature of retail trade, the Group is not exposed to any significant credit risks. Potential credit risks related to receivables mainly arise from non-collection of rental income, but the size of the risk is immaterial for the Group. The amount of receivables from clients was 55,895 thousand kroons (3,572 thousand euros) (2008: 67,155 thousand kroons or 4,292 thousand euros) and receivables from card payments of retail clients amounted to 19,760 thousand kroons (1,263 thousand euros) (as of 31.12.2008: 29,383 thousand kroons or 1,878 thousand euros). As of 31 December 2009, the maximum credit risk is expressed by the total amount of receivables 226,289 thousand kroons (14,463 thousand euros) (2008: 173,358 thousand euros or 11,077 thousand euros).

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

	EEK		EUR	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Not due	119,295	101,105	7,624	6,462
<i>Incl. receivables from the group account</i>	<i>16,207</i>	<i>16,831</i>	<i>1,036</i>	<i>1,076</i>
<i>Incl. receivables from card payments</i>	<i>19,760</i>	<i>29,383</i>	<i>1,263</i>	<i>1,878</i>
<i>Incl. receivables from bonuses</i>	<i>41,807</i>	<i>42,422</i>	<i>2,672</i>	<i>2,711</i>
<i>Incl. trade receivables</i>	<i>41,521</i>	<i>12,469</i>	<i>2,653</i>	<i>797</i>
Overdue < 3 months	35,524	68,646	2,270	4,387
Overdue 3 - 6 months	6,026	533	385	34
Overdue 6 - 12 months	264	101	17	6
Overdue > 12 months	191	2,973	12	190
Total receivables	161,300	173,358	10,308	11,081

Concerning receivables not due, the receivables from the group account are secured by the group account contract of the head group (NG Investeeringud OÜ), according to the contract the group members are solidarily liable for unpaid amounts. Receivables from card payments are secured by the card payment contract of the Estonian branch of Nordea Bank Finland Plc, which ensures the receipt of credit payments within two banking days. Bonuses and other receivables are secured by merchandise contracts and there is no credit risk with regard to them, as the liabilities of the Group to the same contractual partners exceed the amount of receivables of the Group.

The Company does not see any need to write down overdue receivables, because clients with overdue receivables are also the suppliers of the Group and their liabilities exceed the amount of receivables.

Foreign currency risk

To manage foreign currency risk of the Group, most of the contracts are denominated in Estonian kroons or euros. The Group does not have any financial assets and liabilities in currencies that are not tied to the euro. All important long-term loan agreements have been concluded in euros, therefore they are treated as liabilities free of foreign currency risk. As a result of

this, the Group estimates that the risks arising from changes in the foreign currency risk and the need to manage foreign currency risks to be minimal.

Currencies of all the countries where the Group is operating are strictly tied to the euro (Estonia and Lithuania) or are within the prescribed corridor with the euro (Latvia), thus decreasing the foreign currency risk arising from in-group transactions, investments and other similar transactions.

Interest rate risk

Interest rate risk is risk that a rise in interest rates increase the interest expense to the extent that may have a significant impact on the Group's profitability. The Group's cash and cash equivalents are deposited at a fixed interest rate as a result of which a change in the market interest rates does not have an impact on the Group's performance and cash flows of operating activities.

The Group's long-term borrowings are mainly tied to EURIBOR and therefore, the Group is dependent on developments on the international financial markets. In managing the interest rate risk of the Group, it is important to monitor the movements of the interest rate curve of the money market, which reflects the expectations of the market participants for market interest rates and allows estimating a trend for Euro interest rates.

In 2009, the 6-month EURIBOR fell from 3.0% at the beginning of the year to 0.994% at the end of the year. At the beginning of 2010, EURIBOR fell even further. The Group estimates that EURIBOR will not increase in 2010 to such an extent that would significantly influence the profit of the Group.

If the interest rates of financial liabilities with floating interest rates had been larger by 1 percentage point as of 31.12.2009 (31.12.2008: 1 percentage point), it would have increased the finance cost of the Group by 14,641 thousand kroons (936 thousand euros) (2008: 14,158 thousand kroons or 905 thousand euros). If the interest rates had been lower by 1 percentage point as of 31.12.2009 (31.12.2008: 1 percentage point), it would have increased the financial expense of the Group by 1,308 thousand kroons (84 thousand euros) (2008: 14,158 thousand kroons or 905 thousand euros).

In the course of interest rate risk analysis, different possibilities are considered to manage the risks. Such possibilities include refinancing, renewal of current positions and alternative financing. No transactions to hedge interest rate risks with financial instruments were concluded in the current and previous financial year, because the management estimates that the expenses related to hedging of risks would have exceeded losses that might arise from the change in interest rates.

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

in thousands

	EEK		EUR	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Up to 3 months	697	0	44	0
3 – 6 months	1,505,960	1,351,764	96,248	86,393
6-12 months	0	161,271	0	10,308
Total borrowings at floating interest rate	1,506,657	1,513,035	96,292	96,701
Borrowings with fixed interest rate	14,963	20,472	956	1,308
Total borrowings	1,521,620	1,533,507	97,248	98,009

Capital management

The primary objective of Kaubamaja Group's capital management (both external capital and equity) is to ensure a strong capital structure which would support profitability of the operating activities of the Company and secure the interests of shareholders. To preserve or adjust the capital structure, the Group may regulate dividends to be paid to shareholders, resell shares, issue new shares or sell assets to cover liabilities.

According to the practice prevailing in retail trade, the Group uses the debt to capital ratio to monitor capital. The debt to capital ratio is calculated as a ratio of net debt to total capital. As of 31.12.2009, the ratio was 45% and it has increased compared to 31.12.2008 (44%) due to impairment of non-current assets.

in thousands of

	EEK		EUR	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Interest-bearing liabilities	1,521,620	1,533,507	97,249	98,009
Cash and bank	-223,691	-101,353	-14,296	-6,478
Net debt	1,297,929	1,432,154	82,953	91,531
Equity	1,614,192	1,835,353	103,166	117,300
Total equity and borrowings	2,912,121	3,267,507	186,119	208,831
Debt to equity ratio*	45%	44%	45%	44%

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

Fair value of financial instruments

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

Note 5 Cash and bank

in thousands of

	EEK		EUR	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Cash on hand	5,987	5,825	383	373
Bank accounts	202,396	78,201	12,935	4,998
Cash in transit	15,308	17,327	978	1,107
Total cash and bank	223,691	101,353	14,296	6,478

Note 6 Trade receivables

in thousands of

	EEK		EUR	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Trade receivables	55,895	67,155	3,572	4,292
Credit card payments	19,760	29,383	1,263	1,878
Total trade receivables	75,655	96,538	4,835	6,170

Note 7 Other short-term receivables

in thousands of

	EEK		EUR	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Bonuses receivable from suppliers	41,807	42,422	2,672	2,711
Short-term receivables from associate (Note 28)	250	2,750	16	176
Other short-term receivables from related parties (Note 28)	38,674	18,676	2,472	1,194
Interest receivable from related parties (Note 28)	372	194	24	12
Other short-term receivables	929	8,977	58	575
Total other short-term receivables	82,032	73,019	5,242	4,668

Note 8 Prepayments

in thousands of

	EEK		EUR	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Prepaid taxes	8,820	41,475	564	2,651
Total prepaid taxes	8,820	41,475	564	2,651
Prepaid rental expenses	6,372	5,714	407	365
Other prepaid expenses	6,032	6,447	386	412
Total other short-term prepayments	12,404	12,161	793	777
Prepaid rental expenses	25,499	31,074	1,630	1,985
Total long-term prepayments	25,499	31,074	1,630	1,985

Note 9 Inventories

in thousands of

	EEK		EUR	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Goods purchased for resale	569,906	619,576	36,424	39,597
Passenger cars purchased for resale	34,313	145,341	2,193	9,289
Raw materials and materials	9,599	10,332	613	660
Prepayment for goods	2,736	6,055	175	387
Total inventories	616,554	781,304	39,405	49,933

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

in thousands of

	EEK		EUR	
	2009	2008	2009	2008
Write-down and write-off of inventories	59,806	82,472	3,822	5,271
Shortages of inventory stocktaking	29,259	27,706	1,870	1,771
Total materials and consumables used	89,065	110,178	5,692	7,042

The basis for writing down inventories is their aging structure and in case of fashion goods, the seasonality of inventories. The carrying amount of inventories is adjusted through the allowance account. As of 31 December 2009, the allowance account amounted to 23,147 thousand kroons (1,479 thousand euros) (31.12.2008: 11,767 thousand kroons, 752 thousand euros).

As of 31.12.2009, the inventories carried at net realisable value in the balance sheet amounted to 2,288 thousand kroons (146 thousand euros) (31.12.2008: 6,397 thousand kroons, 409 thousand euros).

Inventories have been pledged as part of the commercial pledge, information on pledged assets is disclosed in Note 27.

Note 10 Group structure and business combinations

in thousands of

Tallinna Kaubamaja Group consists of:

Name	Location	Area of activity	Ownership interest 31.12.2009 and 31.12.2008	Year of acquisition
A-Selver AS	Tallinn Pärnu mnt.238	Retail trade	100%	1996
AS Tartu Kaubamaja	Tartu Riia 2	Retail trade	100%	1996
Tallinna Kaubamaja Kinnisvara AS	Tallinn Gonsiori 2	Real estate management	100%	1999
OptiGroup Invest OÜ	Tallinn Gonsiori 2	Commercial and finance activities	100%	2007
KIA Auto AS	Tallinn Ülemiste tee 1	Retail trade	100%	2007
Ülemiste Autokeskus OÜ	Tallinn Ülemiste tee 1	Retail trade	100%	2007
KIA Automobile SIA	Riga Pulkeveza Brieza 31	Retail trade	100%	2007
KIA Auto UAB	Vilnius, Perkunkiemo g.2	Retail trade	100%	2007
TKM Beauty OÜ	Tallinn Gonsiori 2	Retail trade	100%	2007
TKM Beauty Eesti OÜ	Tallinn Gonsiori 2	Retail trade	100%	2007
AS ABC King	Tallinn Pärnu mnt. 139E	Retail trade	100%	2008
ABC King SIA	Riga Ieriku iela 3	Retail trade	100%	2008
OÜ Suurtüki NK	Tallinn Ehitajate tee 110	Retail trade	100%	2008
SIA Suurtuki	Riga Ieriku iela 3	Retail trade	100%	2008
Tartu Kaubamaja Kinnisvara OÜ	Tartu Riia 1	Real estate management	100%	2004
SIA TKM Latvia	Riga Ieriku iela 3	Real estate management	100%	2006
SIA Selver Latvija	Riga Ieriku iela 3	Retail trade	100%	2006

In 2009, there were no business combinations.

Business combinations in 2008:

Entity	Location	Main activity	Date of acquisition	Participation %
Suurtüki NK AS	Estonia	Retail trade	01.04.2008	100%
Suurtuki SIA	Latvia	Retail trade	01.04.2008	100%
AS ABC King	Estonia	Retail trade	30.06.2008	100%
ABC King SIA	Latvia	Retail trade	30.06.2008	100%

The fair value of identifiable assets and liabilities of OÜ Suurtüki NK and Suurtüki SIA upon acquisition (1 April 2008) and the respective carrying amount immediately prior to the acquisition:

in thousands of

	EEK		EUR	
	Carrying amount in acquired entity	Fair value	Carrying amount in acquired entity	Fair value
Cash	4,873	4,873	311	311
Other current assets	56,945	56,945	3,639	3,639
Property, plant and equipment	2,910	2,910	186	186
Liabilities	-39,785	-39,785	-2,543	-2,543
Fair value of net assets		24,943		1,594
Goodwill arising on acquisition (Note 15)		44,334		2,833
Total cost		69,277		4,428

In the transaction, goodwill arose in the amount of 44,334 thousand kroons (2,833 thousand euros), related to the customer base, location of sales venues and synergy potential to be derived from integration into the Group. Tallinna Kaubamaja Group made a cash payment of 67,371 thousand kroons (4,306 thousand euros) for the acquisition of OÜ Suurtüki NK and SIA Suurtüki. Upon acquisition, cash in the bank accounts of OÜ Suurtüki NK and SIA Suurtüki totalled 4,873 thousand kroons (311 thousand euros). Tallinna Kaubamaja Group also paid 1,906 thousand kroons (122 thousand euros) as the transactions costs.

The fair value of identifiable assets and liabilities of AS ABC King and ABC King SIA on acquisition and the respective carrying amounts immediately prior to the acquisition:

in thousands of

	EEK		EUR	
	Carrying amount in acquired entity	Fair value	Carrying amount in acquired entity	Fair value
Cash	10,496	10,496	671	671
Other current assets	60,468	76,332	3,865	4,879
Property, plant and equipment	4,136	4,196	264	268
Trademark (Note 15)	0	54,601	0	3,490
Beneficial lease agreements (Note 15)	0	16,900	0	1,080
Development expenditure (Note 15)	0	286	0	18
Liabilities	-12,885	-12,885	-824	-824
Total net assets		149,926		9,582
Goodwill arising on acquisition (Note 15)		28,061		1,793
Total cost		177,987		11,375

In the transaction, the Company also acquired the footwear business and stores of ABC Saare OÜ. As a result, goodwill arose in the amount of 28,061 thousand kroons (1,793 thousand euros), related to the customer bases and sales venues of AS ABC King and ABC King SIA, as well as potential synergies to be derived from integration into the Group.

Goodwill was tested as of the balance sheet date (Note 15).

Tallinna Kaubamaja Group made a cash payment of 177,987 thousand kroons (11,375 thousand euros) for the acquisition of AS ABC King and ABC King SIA. Upon acquisition, AS ABC King and ABC King SIA had cash in their bank accounts in the amount of 10,496 thousand kroons (671 thousand euros).

From the date of acquisition until 31 December 2008, OÜ Suurtüki NK, Suurtüki SIA, ANC Kinga AS and ABC King SIA incurred a loss in the amount of 17,580 thousand kroons (1,124 thousand euros) for the Group. Had the business combinations been formed at the beginning of 2008, the loss incurred by the aforementioned entities would have been in the amount of 16,066 thousand kroons (1,027 thousand euros) and revenue would have been in the amount of 296,615 thousand kroons (18,957 thousand euros).

Note 11 Shares of associates

in thousands of

Tallinna Kaubamaja AS has ownership interest in the entity AS Rävalla Parkla which provides the services of a parking house in Tallinn.

	EEK		EUR	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Number of shares at the year-end/ (beginning)	501 / (501)	501 / (501)	501 / (501)	501 / (501)
Ownership interest % at the year-end/ (beginning)	50 / (50)	50 / (50)	50 / (50)	50 / (50)
Investment in the associate at beginning of the year	17,505	14,201	1,119	908
Profit for the reporting period under equity method	2,818	3,304	180	211
Investment in the associate at end of the year	20,323	17,505	1,299	1,119

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

	EEK		EUR	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Assets	59,174	61,422	3,782	3,926
Liabilities	18,554	24,436	1,186	1,562
Revenue	7,900	9,390	505	600
Profit	5,635	6,608	360	422

Note 12 Other long-term receivables

in thousands of

	EEK		EUR	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Receivables from associate (Note 28)	1,828	1,828	117	117
Other long-term receivables	1,785	1,973	114	126
Total other long-term receivables	3,613	3,801	231	243

Note 13 Investment property

in thousands of

	EEK	EUR
Changes occurred in 2009		
Reclassification (Note 14)	35,400	2,262
Gain from change in fair value upon reclassification (Note 21)	20,400	1,304
Carrying value as at 31.12.2009	55,800	3,566

The assessment made by an independent real estate expert (using the sales comparison method) was used as a basis when determining the fair value of investment property. The expert's opinion has been adjusted by -10% because in the estimate of the management, it more fairly reflects the circumstances that the detailed plan is yet in approval process.

Note 14 Property, plant and equipment

in thousands of EEK

	Land and buildings	Machinery and equipment	Other fixtures and fittings	Prepay- ments for property, plant and equipment	Construc- tion in progress	Total
31.12.2007						
Cost or revalued amount	1,656,657	232,359	256,811	12,145	497,410	2,655,383
Accumulated depreciation and impairment losses	-39,874	-141,374	-173,257	0	0	-354,505
Carrying amount	1,616,783	90,985	83,555	12,145	497,410	2,300,878
Changes occurred in 2008						
Additions through business combinations (Note 10)	714	740	5,652	0	0	7,106
Purchases and improvements	205,168	121,413	86,020	33,250	530,484	976,335
Reclassification	115,275	-4,149	14,943	-10,861	-115,208	0
Impairment losses	-71,600	0	0	0	-75,000	-146,600
Sales	-290	-445	-988	0	0	-1,723
Depreciation	-50,922	-42,893	-44,108	0	0	-137,923
31.12.2008						
Cost or revalued amount	1,969,527	355,830	362,439	34,534	912,686	3,635,016
Accumulated depreciation and impairment losses	-154,399	-190,179	-217,365	0	-75,000	-636,943
Carrying amount	1,815,128	165,651	145,074	34,534	837,686	2,998,073
Changes occurred in 2009						
Purchases and improvements	22,611	64,872	37,814	24,909	38,293	188,499
Reclassification	158,063	26,600	3,240	-17,897	-205,406	-35,400
Sales	-1,057	-40,866	-1,182	0	0	-43,105
Impairment loss	-66,444	-24,208	0	-4,586	-144,303	-239,541
Depreciation	-58,005	-60,023	-54,313	0	0	-172,341
Currency difference	-3,024	0	0	0	-3,522	-6,546
31.12.2009						
Cost or revalued amount	2,157,776	351,411	391,885	36,960	742,051	3,680,083
Accumulated depreciation and impairment losses	-290,504	-219,385	-261,252	0	-219,303	-990,444
Carrying amount	1,867,272	132,026	130,633	36,960	522,748	2,689,639

in thousands of EUR

	Land and buildings	Machinery and equipment	Other fixtures and fittings	Prepay- ments for property, plant and equipment	Construction in progress	Total
31.12.2007						
Cost or revalued amount	105,880	14,850	16,413	776	31,790	169,709
Accumulated depreciation and impairment losses	-2,548	-9,035	-11,073	0	0	-22,656
Carrying amount	103,332	5,815	5,340	776	31,790	147,053
Changes occurred in 2008						
Additions through business combinations (Note 10)	46	47	361	0	0	454
Purchases and improvements	13,113	7,760	5,498	2,125	33,904	62,400
Reclassification	7,367	-265	955	-694	-7,363	0
Impairment loss	-4,576	0	0	0	-4,793	-9,369
Sales	-19	-28	-63	0	0	-110
Depreciation	-3,255	-2,741	-2,819	0	0	-8,815
31.12.2008						
Cost or revalued amount	125,876	22,742	23,164	2,207	58,331	232,320
Accumulated depreciation and impairment losses	-9,868	-12,155	-13,892	0	-4,793	-40,708
Carrying amount	116,008	10,587	9,272	2,207	53,538	191,612
Changes occurred in 12 months of 2009						
Purchases and improvements	1,445	4,147	2,418	1,592	2,447	12,049
Reclassification	10,102	1,700	207	-1,144	-13,128	-2,263
Sales	-68	-2,612	-76	0	0	-2,756
Impairment loss	-4,247	-1,547	0	-293	-9,223	-15,310
Depreciation	-3,707	-3,836	-3,472	0	0	-11,015
Currency difference	-193	0	0	0	-224	-417
31.12.2009						
Cost or revalued amount	137,907	22,460	25,048	2,362	47,426	235,203
Accumulated depreciation and impairment losses	-18,567	-14,021	-16,699	0	-14,016	-63,303
Carrying amount	119,340	8,439	8,349	2,362	33,410	171,900

The value of capital expenditures in the reporting period totalled 188,499 thousand kroons (12,049 thousand euros).

In 2009, Selver opened 6 new stores, 2 in Estonia and 4 in Latvia. Expenditures in non-current assets at supermarkets totalled 94,214 thousand kroons (6,021 thousand euros), including equipment in the amount of 59,745 thousand kroons (3,818 thousand euros). A-Selver AS closed five stores of its subsidiary Selver Latvia SIA in Latvia, and as a result, Selver Latvia SIA sold equipment to other related parties in the carrying amount of 64,609 thousand kroons (4,129 thousand euros), for sales price of 40,401 thousand kroons (2,582 thousand euros), and as a consequence, an impairment loss was recognised in the amount of 24,208 thousand kroons (1,547 thousand euros). An impairment loss in real estate segment followed the closing of Selver supermarkets (Note 20). Software G.O.L.D was also written down from prepayments for property, plant and equipment in the amount of 4,586 thousand kroons (293 thousand euros).

In the department store segment, the capital expenditures totalled 38,864 thousand kroons (2,484 thousand euros). In the department store, a new and modern floor for footwear and accessories was reconstructed; wide-scale renovations were carried out in the beauty, children's and women departments. The first I.L.U. stores launched their operations in Pärnu, Tartu, and Tallinn.

In 2009, the capital expenditures in footwear trade totalled 7,821 thousand kroons (500 thousand euros). New footwear stores were opened in Rocca al Mare Centre in Tallinn and in Tartu.

Considering the ongoing deterioration of the economic environment in 2009, the fair value of "Land and Buildings" and the recoverable amount of "Construction in progress" were estimated as of 31.12.2009. The fair value of "Land and buildings" and recoverable amount of construction in progress (based on value in use) were estimated at the decision of management

using the estimates of independent certified real estate experts either for the assumptions used or the determination of fair value of some objects. For determining both the fair value and recoverable values, the discounted cash flow method and market data (comparable transactions, rental income, etc.) were used. For estimating the value of "Land and buildings" in Estonia, the estimates of certified independent real estate expert were used for 4 properties (carrying amount 1,089,150 thousand kroons, 69,609 thousand euros as at 31.12.2009). With regard to the properties with carrying amount 430,061 thousand kroons, 27,486 thousand euros as at 31.12.2009, the same expert provided inputs with regard to discount and capitalisation rates. The valuations were prepared internally based on these inputs and by using discounted cash flow method. The discount rates used for estimates were 9.0%- 13.5% (2008: 9.0%-13.5%) subject to the location of the property, and the growth rates were 0% - 1.0% (2008: 0.5% - 1.5%). The input of rental payment used in determining the value of "Land and buildings" has been estimated on the basis of the current lease agreements which correspond to market conditions according to the estimates of the management. For the remaining properties, (carrying amount 125,283 thousand kroons, 8,007 thousand euros as at 31.12.2009) the management assessed their fair value using the depreciated replacement cost method and determined that their fair value was an approximation of their carrying amounts.

For estimating the value of "Construction in progress" in Estonia, the estimates of certified independent real estate experts were used for 2 properties (carrying amount 52,834 thousand kroons, 3,377 thousand euros as at 31.12.2009). The expert estimation was adjusted for vacancy rate, timing and discount rate by -16%. As a result of the valuation the value of "Construction in progress" decreased by 26,000 thousand kroons (1,662 thousand euros). The estimates of certified independent real estate experts were also used for estimating the value of 2 additional properties (carrying amount 58,897 thousand kroons, 3,764 thousand euros as at 31.12.2009). Those estimations did not indicate any impairment. For estimating the value in use of remaining properties of "Construction in progress" in Estonia (carrying amount 124,080 thousand kroons, 7,930 thousand euros as at 31.12.2009) the estimates of the internal experts were used. Discount rates of 10.5% to 13% and growth rate of 1.0% were used. As a result of valuation, properties were written down in the amount of 10,000 thousand kroons (639 thousand euros).

For evaluating the land and buildings in Latvia, inputs provided by an independent certified real estate expert were used for 4 properties (carrying amount 222,778 thousand kroons, 14,238 thousand euros as at 31.12.2009), these estimates were adjusted by management by -13%. The adjustments were based on the same inputs as were used for evaluation of the value of "Construction in progress" in Latvia. There was no write downs made for finished objects in 2008.

"Construction in progress" in Latvia (carrying amount 286,937 thousand kroons, 18,339 thousand euros as at 31.12.2009) were evaluated internally, based on the value in use. The discount rates used for valuation were 11.5%- 13.0% (2008: 9%-13.5%) subject to the location of the property, and growth rates 1.0% - 1.5% (2008: 0.5%-1.5%). For determining the value in use, the discounted cash flow method was used. The capitalisation rates in the range of 9% to 10.5% provided by the certified expert were used for valuation. In determining the inputs of rental price and vacancy rates, rental prices of the rental agreements with independent parties and the vacancy rates for finished objects provided by the certified expert were used.

As a result of valuation, properties in Latvia were written down in the amount of 174,746 thousand kroons (11,163 thousand euros) (2008: 75,000 thousand kroons, 4,793 thousand euros).

As a result of further deterioration of the economic environment, the property, plant and equipment of I.L.U stores belonging to the department store segment, in the carrying amount of 16,787 thousand kroons (1,073 thousand euros) were tested for impairment (2008:4,952 thousand kroons, 316 thousand euros). The recoverable value is based on value in use, of which future cash flows were estimated for 5 years. The average sales growth of I.L.U. in 2011 to 2014 is estimated to be 12.2%. I.L.U. commenced its activities in 2009 and this is the reason for triple growth in sales as compared to 2009, which is significantly different from the average. Sales growth forecast is based on the number of purchases in the Beauty Departments of Tallinna and Tartu Department Stores and on sales per square metre. The discount rate used was 9.3% and future growth rate (growth after 5th year) was 2%. As a result of the impairment test, no impairment was identified.

In the financial year, borrowing costs for finished objects in Latvia were capitalised in the amount of 8,138 thousand kroons (520 thousand euros) (2008: 12,829 thousand kroons, 820 thousand euros) with the capitalisation rate of 3.5% (2008: 5.3%). In the financial year, the borrowing costs for construction in progress were no longer capitalised because active development of those properties in Latvia was terminated.

As of 31.12.2009, the acquisition cost of fully depreciated non-current assets was 244,625 thousand kroons (15,634 thousand euros) (2008: 164,103 thousand kroons, 10,488 thousand euros).

If land and buildings carried at revalued amounts were stated on the historical cost basis, the amounts would be as follows:

31.12.2009 1,442,119 thousand kroons (92,168 thousand euros)

31.12.2008 1,133,100 thousand kroons (72,418 thousand euros)

As of 31 December 2009, property, plant and equipment with the carrying amount 973,000 thousand kroons (62,186 thousand euros) (2008: 921,307 thousand kroons, 58,882 thousand euros) were used as collateral for borrowing. More detailed information is disclosed in Note 27.

Information on property, plant and equipment leased under finance lease terms is disclosed in Note 17.

Note 15 Intangible assets

in thousands of EEK

	Goodwill	Trademark	Beneficial contracts	Development expenditure	Total
31.12.2007					
Cost	49,388	0	0	0	49,388
Accumulated amortisation and impairment	0	0	0	0	0
Carrying amount	49,388	0	0	0	49,388
Changes occurred in 2008					
Addition through business combination (Note 10)	72,395	54,887	16,900	0	144,182
Amortisation	0	-1,820	-1,536	0	-3,356
Impairment losses	-4,688	0	0	0	-4,688
Other adjustment	-7,596	0	0	0	-7,596
31.12.2008					
Cost	114,187	54,887	16,900	0	185,974
Accumulated amortisation and impairment	-4,688	-1,820	-1,536	0	-8,044
Carrying amount	109,499	53,067	15,364	0	177,930
Changes occurred in 2009					
Purchases	0	0	0	300	300
Amortisation	0	-3,640	-3,073	0	-6,713
Impairment losses	-4,506	0	0	0	-4,506
31.12.2009					
Cost	114,187	54,887	16,900	300	186,274
Accumulated amortisation and impairment	-9,194	-5,460	-4,609	0	-19,263
Carrying amount	104,993	49,427	12,291	300	167,011

in thousands of EUR

	Goodwill	Trademark	Beneficial contracts	Development expenditure	Total
31.12.2007					
Cost	3,156	0	0	0	3,156
Accumulated amortisation and impairment	0	0	0	0	0
Carrying amount	3,156	0	0	0	3,156
Changes occurred in 2008					
Addition through business combination (Note 10)	4,627	3,508	1,080	0	9,215
Amortisation	0	-116	-98	0	-214
Impairment losses	-300	0	0	0	-300
Other adjustment	-485	0	0	0	-485
31.12.2008					
Cost	7,298	3,508	1,080	0	11,886
Accumulated amortisation and impairment	-300	-116	-98	0	-514
Carrying amount	6,998	3,392	982	0	11,372
Changes occurred in 2009					
Purchases	0	0	0	19	19
Amortisation	0	-233	-196	0	-429
Impairment losses	-288	0	0	0	-288
31.12.2009					
Cost	7,298	3,508	1,080	19	11,905
Accumulated amortisation and impairment	-588	-349	-294	0	-1,231
Carrying amount	6,710	3,159	786	19	10,674

As a trademark, the Group has recognised the image of ABC King acquired in acquisition of footwear trade segment companies AS ABC King and SIA ABC King; the image contains a combination of the name, symbol and design together with recognition and preference by consumers. The remaining useful life of the trademark as at 31.12.2009 is 13.5 years.

Impairment tests of goodwill and other intangible assets were carried out as of 31 December 2009 and 2008.

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

In thousands of	EEK		EUR	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Car trade	49,388	49,388	3,156	3,156
Footwear trade	55,605	60,111	3,554	3,842

The recoverable amount (based on value in use) was determined on the basis of future cash flows for the next five years. In all units, except for Suurtüki SIA in footwear trade segment, it was evident that the present value of cash flows covers the value of goodwill and trademark as well as beneficial lease agreements and other assets related to the unit. Suurtüki SIA's value in use had fallen due to the prevailing economic situation, therefore impairment of goodwill in the footwear trade segment was recognised in the amount of 4,506 thousand euros (288 thousand euros) (2008: 4,688 thousand euros or 300 thousand euros).

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

	Car trade		Footwear trade	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Operating profit margin	-1.2 – 3.0%	2.0 – 3.8%	-4.6 – 5.6	-3.8 – 7.7%
Discount rate	10.9%	14.0%	10.7 – 12.0%	12-14%
Sales growth	-2% - 40%	-22 – 23%	-18 - 42%	6-14%
Future growth rate	2%	0%	2%	0%

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

Pre-tax discount rates were used, which reflect risks related to relevant operating segments. The weighted average growth rates used are based on the Group's experience. The sales growth and operating profit margin are the most important assumptions used for calculation of value in use. The market situation has remarkably changed since 2008.

The average sales growth of the car trade over the next five years is estimated to be 19.7% (18.6% in 2008), considering that the sale of cars in 2009 almost stopped and the sales volumes achieved in 2008 will be restored by 2014. The planned sales growth in 2010 differs from the average more, it is expected to be negative up to 2.4% considering the clearance sale in warehouses in 2009, at the same time growth is expected to be more vigorous in 2012 when the sales may increase 40% as compared to the previous period. In management's estimate, operating profit will be achieved in 2012 (was expected to be achieved in 2009 according to estimates made in 2008).

A large spread of sales growth in the footwear trade is caused by characteristic circumstances of three cash generating units. In most of the years assessed, the sales growth rate of 5% (8% in 2008) has been used, but account has been taken of deviations in supplies of merchandise, impact of stores closed for renovation and other similar factors. In 2010 and 2011, the calculation of the recoverable amount of Suurtüki NK OÜ is based on the sales growth rates of 41.8% and 20.0% (8% accordingly in 2008 in both periods), respectively, which differ from the average due to transition to the new successfully launched trademark SHU. In impairment test of ABC King, sales growth in 2010 is estimated to be 15% (9% in 2008), resulting from the renovation and concept change of ABC King stores and improvement of supply logistics. The Latvian footwear company SIA Suurtüki is expected to have the largest decline in sales, where a decline of 17.8% (in 2008 1.7 times growth was planned) is planned for 2010, but a growth rate of 10% (8% in 2008) in sales volumes is expected in the next years. Operating profit margin estimated in ABC King's impairment test is -0.1% (3.8% in 2008) on the average and operating profit will be achieved in 2012 (was expected to be achieved in 2009 according to estimates made in 2008); the operating profit margin in Suurtüki NK OÜ test is 2.2% (-0.3% in 2008) on the average, and the operating profit will be achieved in 2011 (was expected to be achieved also in 2011 according to estimates made in 2008).

Management estimates that assumptions made in the impairment tests are realistic and prudent. If the following changes would occur in the assumptions, the recoverable amount would be equal to the carrying amount:

	Car trade		Footwear trade*	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Difference between the carrying amount and recoverable amount of the cash generating unit, th. EEK	25,629	128,591	36,582	19,218
Difference between the carrying amount and recoverable amount of the cash generating unit, th. EUR	1,638	8,218	2,338	1,228
Reasonably possible change in the assumptions, which would cause the recoverable amount to be equal to the carrying amount:				
Decrease in the average sales growth:	-6%	-6%	-7.5%	-6.6%
Decrease of the average operating profit margin	-60 bp	-285 bp	- 110 bp	-66 bp

* excluding cash generating unit Suurtüki SIA, where impairment loss of goodwill has been recognised in 2009 and 2008.

Note 16 Interest bearing borrowings

in thousands of

	EEK		EUR	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Long-term borrowings				
Bank loans	1,255,630	1,199,359	80,250	76,653
Finance lease liability (Note 17)	8,363	14,402	534	920
Other borrowings	3,103	1,648	198	106
Total long-term borrowings	1,267,096	1,215,409	80,982	77,679

in thousands of

	EEK		EUR	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Short-term borrowings				
Overdraft	2,266	43,878	145	2,804
Bank loans	242,463	258,471	15,496	16,519
Finance lease liability (Note 17)	6,114	5,692	391	364
Other borrowings	3,681	10,057	235	643
Total short-term borrowings	254,524	318,098	16,267	20,330
Total borrowings	1,521,620	1,533,507	97,249	98,009

Borrowings received

in thousands of

	EEK		EUR	
	2009	2008	2009	2008
Overdraft	0	42,298	0	2,703
Bank loans	353,520	1,316,870	22,594	84,163
Other borrowings	7,084	27,518	453	1,759
Total borrowings received	360,604	1,386,686	23,047	88,625

Borrowings paid

in thousands of

	EEK		EUR	
	2009	2008	2009	2008
Overdraft	42,298	0	2,703	0
Bank loans	312,570	482,816	19,977	30,858
Finance lease liability	5,617	4,671	359	299
Other borrowings	12,005	25,659	767	1,639
Total Borrowings paid	372,490	513,146	23,806	32,796

Bank loans are denominated in euros and finance lease liabilities are denominated in Estonian kroons. Information on pledged assets is disclosed in Note 27.

As of 31.12.2009, the repayment dates of bank loans are between 1.03.2010 and 20.06.2018 (2008: between 1.03.2010 and 20.06.2018), interest is tied both to 1-month, 3-month and 6-month EURIBOR as well as EONIA. Weighted average interest rate was 3.20% (2008: 5.08%).

Note 17 Finance and operating lease

in thousands of

Group is the lessee –finance lease agreements

The Group leases buildings under finance lease terms with the carrying amount of 9,997 thousand kroons (639 thousand euros) as of 31.12.2009 (2008: 14,112 thousand kroons; 902 thousand euros).

	EEK		EUR	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
due in less than 1 year	6,914	6,786	442	434
due between 1 and 5 years	8,763	15,612	560	998
Total	15,677	22,398	1,002	1,432
Future interest expense	-1,200	-2,304	-77	-148
Present value of lease payments (Note 16)	14,477	20,094	925	1,284
Present value of lease payments				
due in less than 1 year	6,115	5,692	392	364
due between 1 and 5 years	8,362	14,402	533	920
Total (Note 16)	14,477	20,094	925	1,284

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

Subleases of buildings leased under finance lease terms

Information on rental income for the reporting period is disclosed in Note 21.

Future minimum lease payments under non-cancellable subleases:

	EEK		EUR	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
due in less than 1 year	5,933	1,149	379	73
due between 1 and 5 years	6,534	1,121	418	72
Total	12,467	2,270	797	145

Group is the lessee – operating lease agreements

Operating lease expenses include the costs for leasing retail premises. Information about the rental expenses in the reporting period is disclosed in Note 22.

Future minimum lease payments under non-cancellable operating leases:

	EEK		EUR	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
due in less than 1 year	204,292	193,712	13,057	12,380
due between 1 and 5 years	748,147	773,412	47,815	49,430
due after 5 years	134,081	486,068	8,569	31,065
Total	1,086,520	1,453,192	69,441	92,875

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

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

Subleases of buildings leased under operating lease terms:

Information about lease income in the reporting period is disclosed in Note 20.

Future minimum lease payments under non-cancellable subleases:

	EEK		EUR	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
due in less than 1 year	14,663	15,537	937	993
due between 1 and 5 years	42,284	12,713	2,702	813
Total	56,947	28,250	3,639	1,806

Group as the lessor
Operating lease

Rental income received is made up of income received for the leasing out of premises. Information about the rental income from leases and subleases is disclosed in Note 20.

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

	EEK		EUR	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
due in less than 1 year	41,162	66,854	2,631	4,273
due between 1 and 5 years	119,817	304,128	7,658	19,437
due after 5 years	28,001	85,741	1,790	5,480
Total	188,980	456,723	12,079	29,190

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

Note 18 Taxes, other short- and long-term payables, and provisions

in thousands of

	EEK		EUR	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Value added tax	28,311	28,049	1,809	1,793
Corporate income tax	3	0	0	0
Personal income tax	10,201	14,509	652	927
Social security taxes	21,945	31,310	1,403	2,001
Corporate income tax on fringe benefits	278	562	18	36
Unemployment insurance	2,543	750	163	48
Mandatory funded pension	209	1,280	13	82
Total tax liabilities	63,490	76,460	4,058	4,887
Employee payables	53,321	67,358	3,408	4,305
Interest payable	727	3,482	46	223
Other accrued expenses	1,188	176	77	9
Prepayments by tenants	7,484	7,197	478	460
Total other short-term payables	62,720	78,213	4,009	4,997
Short-term provisions	445	3,534	28	226
Long-term provisions	1,736	1,462	111	93
Total provisions	2,181	4,996	139	319

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

Note 19 Share capital

As of 31.12.2009, the share capital in the amount of 407,292 thousand kroons (26,031 thousand euros) consisted of 40,729,200 ordinary shares with the nominal value of 10 kroons (0.64 euros) per share. All shares issued have been paid for. According to the articles of association, the maximum allowed number of shares is 162,916,800 shares. In 2009, dividends were paid shareholders in the amount of 16,162 thousand kroons (1,033 thousand euros) (2008: 81,458 thousand kroons, 5,206 thousand euros), or 0.4 kroons (0.03 euros) per share (2008: 2.0 kroons, 0.13 euros per share), and income tax on dividends totalled 4,331 thousand kroons (277 thousand euros) (2008: 21,653 thousand kroons, 1,384 thousand euros).

Information about contingent income tax liability which would arise from the distribution of retained earnings is disclosed in Note 32.

Note 20 Segment reporting

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

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

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

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

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

in thousands of EEK

	Department store	Super markets	Real estate	Vehicle trade	Footwear trade	Inter-segment transactions	Total segments
2009							
External revenue	1,196,505	4,761,355	42,639	207,921	179,707	0	6,388,127
Inter-segment revenue	1,610	7,971	142,837	177	3,636	-156,231	0
Total revenue	1,210,744	4,775,353	185,476	355,786	186,367	-325,599	6,388,127
Operating profit	5,707	-32,690	-67,895	-15,793	-43,724	0	-154,395
Interest income (Note 25)	5,225	296	0	2	1	0	5,524
Finance income on shares of associates	2,818	0	0	0	0	0	2,818
Interest expense (Note 25)	-16,048	-1,084	-23,003	-2,469	-3,251	0	-45,856
Corporate income tax	0	-4,331	0	0	0	0	-4,331
Net profit	27,997	-34,942	-115,619	-22,979	-51,206	0	-196,749
incl. in Estonia	27,997	111,333	67,399	-15,380	-40,308	0	151,041
incl. in Latvia	0	-146,275*	-183,018*	-4,358	-10,898	0	-344,549
incl. in Lithuania	0	0	0	-3,241	0	0	-3,241
Segment assets	456,395	828,629	2,357,441	152,226	186,350	0	3,981,041
Segment liabilities	763,910	669,284	803,060	37,513	93,082	0	2,366,849
Gain from change in fair value of investment property ((Note 13)	0	0	20,400	0	0	0	20,400
Segment investment in non-current assets (Note 14,15)	38,864	94,214	47,454	146	7,821	0	188,499
Segment depreciation (Note 14,15)	24,279	98,948	42,873	2,540	10,415	0	179,055
Impairment of non-current assets recognised in income statement (Note 14,15,24)	0	28,794	210,747	0	4,506	0	244,047

*includes costs related to the termination of operations of Selver supermarkets in Latvia, which is clarified in Notes 14 and 24.

in thousands of EUR

2009	Depart- ment store	Super markets	Real estate	Vehicle trade	Footwear trade	Inter- segment transacti ons	Total seg- ments
External revenue	76,471	304,306	2,725	13,289	11,485	0	408,276
Inter-segment revenue	103	509	9,129	11	232	-9,984	0
Total revenue	77,381	305,201	11,854	22,739	11,911	-20,810	408,276
Operating profit	365	-2,089	-4,339	-1,009	-2,796	0	-9,868
Interest income (Note 25)	334	19	0	0	0	0	353
Finance income on shares of associates	180	0	0	0	0	0	180
Interest expense (Note 25)	-1,026	-69	-1,470	-158	-208	0	-2,931
Corporate income tax	0	-277	0	0	0	0	-277
Net profit	1,789	-2,233	-7,389	-1,469	-3,273	0	-12,575
incl. in Estonia	1,789	7,115	4,308	-983	-2,576	0	9,653
incl. in Latvia	0	-9,348*	-11,697*	-279	-697	0	-22,021
incl. in Lithuania	0	0	0	-207	0	0	-207
Segment assets	29,169	52,959	150,668	9,729	11,910	0	254,435
Segment liabilities	48,821	42,775	51,325	2,398	5,949	0	151,268
Gain from change in fair value of investment property (Note 13)	0	0	1,304	0	0	0	1,304
Segment investment in non-current assets (Note 14, 15)	2,484	6,021	3,035	9	500	0	12,049
Segment depreciation (Note 14,15)	1,552	6,324	2,740	162	666	0	11,444
Impairment of non-current assets recognised in income statement (Note 14,15,24)	0	1,840	13,469	0	288	0	15,597

* includes costs related to the termination of operations of Selver supermarkets in Latvia, which is clarified in Notes 14 and 24.

In the reporting period, impairment losses were recognised in the total amount of 244,047 thousand kroons (15,597 thousand euros) (2008: 151,288 thousand kroons, 9,669 thousand euros) in all operating segments, including:

- impairment of land and buildings, and construction in progress in the real estate segment in the amount of 210,747 thousand kroons (13,469 thousand euros) (2008: 86,800 thousand kroons, 5,548 thousand euros), reported in the income statement line "Depreciation and impairment";

- impairment of machinery and equipment in the super markets segment in the amount of 24,208 thousand kroons (1,547 thousand euros) (2008: 0 thousand kroons, 0 thousand euros), reported in the income statement line "Depreciation and impairment" and impairment of prepayments of software in the amount of 4,586 thousand kroons (293 thousand euros) (2008: 0 thousand kroons, 0 thousand euros), reported in the income statement line "Other expenses";

- impairment of goodwill in the footwear trade segment in the amount of 4,506 thousand kroons (288 thousand euros) (2008: 4,688 thousand kroons, 300 thousand euros), which is recognised in the income statement line "Depreciation and impairment";

- impairment of land and buildings in the real estate segment in the amount of 0 kroons (0 euros) (2008: 59,800 thousand kroons, 3,822 thousand euros), which is recognised in the equity item "Revaluation reserve".

in thousands of EEK

2008	Department store	Super markets	Real estate	Vehicle trade	Footwear trade	Inter-segment transactions	Total segments
External revenue	1,534,725	4,295,176	41,077	494,884	165,558	0	6,531,420
Inter-segment revenue	2,052	9,529	85,972	366	380	-98,299	0
Total revenue	1,549,666	4,305,024	127,049	720,455	177,512	-348,286	6,531,420
Operating profit	107,741	75,797	-21,841	-9,461	-16,997	0	135,239
Interest income (Note 25)	4,595	0	710	0	422	0	5,727
Finance income on shares of associates	3,304	0	0	0	0	0	3,304
Interest expense (Note 25)	-1,692	-1,406	-28,408	-6,549	-3,488	0	-41,543
Corporate income tax	0	-21,653	0	0	0	0	-21,653
Net profit	123,917	63,747	-58,408	-23,374	-22,753	0	83,129
incl. in Estonia	123,917	81,748	26,198	-12,905	-18,298	0	200,660
incl. in Latvia	0	-18,001	-84,606	-8,161	-4,455	0	-115,223
incl. in Lithuania	0	0	0	-2,308	0	0	-2,308
Segment assets	348,893	909,689	2,567,163	255,431	253,057	0	4,334,233
Segment liabilities	661,840	700,374	862,485	148,925	125,256	0	2,498,880
Segment investment in non-current assets (Note 14,15)	8,493	222,848	734,507	5,556	4,931	0	976,335
Segment depreciation (Note 14,15)	23,514	68,211	37,128	2,063	10,362	0	141,278
Impairment of non-current assets recognised in income statement (Note 14,15)	0	0	86,800	0	4,688	0	91,488
Impairment of non-current assets recognised in other comprehensive income (Note 14)	0	0	59,800	0	0	0	59,800

in thousands of EUR

2008	Department store	Super markets	Real estate	Vehicle trade	Footwear trade	Inter-segment transactions	Total segments
External revenue	98,088	274,512	2,625	31,628	10,581	0	417,434
Inter-segment revenue	131	609	5,495	23	24	-6,282	0
Total revenue	99,043	275,141	8,120	46,045	11,345	-22,260	417,434
Operating profit	6,886	4,846	-1,396	-605	-1,086	0	8,645
Interest income (Note 25)	294	0	45	0	27	0	366
Finance income on shares of associates	211	0	0	0	0	0	211
Interest expense (Note 25)	-108	-90	-1,816	-418	-223	0	-2,655
Corporate income tax	0	-1,385	0	0	0	0	-1,385
Net profit	7,920	4,074	-3,733	-1,494	-1,454	0	5,313
incl. in Estonia	7,920	5,225	1,674	-825	-1,169	0	12,825
incl. in Latvia	0	-1,151	-5,407	-521	-285	0	-7,364
incl. in Lithuania	0	0	0	-148	0	0	-148
Segment assets	22,298	58,140	164,072	16,325	16,173	0	277,008

Segment liabilities	42,298	44,762	55,123	9,518	8,005	0	159,706
Segment investment in non-current assets (Note 14,15)	543	14,243	46,944	355	315	0	62,400
Segment depreciation (Note 14,15)	1,503	4,359	2,372	132	662	0	9,028
Impairment of non-current assets recognised in income statement (Note 14,15)	0	0	5,548	0	300	0	5,848
Impairment of non-current assets recognised in other comprehensive income (Note 14)	0	0	3,822	0	0	0	3,822

External revenue according to types of goods and services sold

in thousands of

	EEK		EUR	
	2009	2008	2009	2008
Retail revenue	6,298,903	6,229,207	402,574	398,119
Wholesale revenue	37,728	248,578	2,411	15,887
Rental income	42,638	41,077	2,725	2,625
Services and catering revenue	8,858	12,558	566	803
Total revenue	6,388,127	6,531,420	408,276	417,434

External revenue by client location

in thousands of

	EEK		EUR	
	2009	2008	2009	2008
Estonia	6,115,004	6,367,780	390,820	406,975
Latvia	243,611	70,855	15,570	4,529
Lithuania	29,512	92,785	1,886	5,930
Total	6,388,127	6,531,420	408,276	417,434

Distribution of non-current assets* by location of assets

in thousands of

	EEK		EUR	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Estonia	2,425,948	2,510,661	155,046	160,460
Latvia	511,332	695,420	32,680	44,445
Lithuania	3,744	4,261	239	272
Total	2,941,024	3,210,342	187,965	205,177

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

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

Note 21 Other operating income

in thousands of

	EEK		EUR	
	2009	2008	2009	2008
Joint advertising income*	94,830	76,024	6,061	4,859
Rental income**	57,115	47,352	3,650	3,026
Change in fair value of investment property (Note 13)	20,400	0	1,304	0
Income from foreign currency translation	775	735	50	47
Revenue from non-current assets	135	82	9	5
Income from parking services	719	1,389	46	89
Empty bottle handling income	4,598	3,892	294	249
Expedition income	14,984	15,757	958	1,007
Other operating income***	24,342	20,933	1,554	1,337
Total other operating income	217,898	166,164	13,926	10,619

*Joint advertising income includes income received from sublessees and income received from suppliers for arrangement of joint advertising campaigns.

**Rental income comprises income from subleases.

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

Note 22 Other operating expenses

in thousands of

	EEK		EUR	
	2009	2008	2009	2008
Rental expenses	217,246	187,592	13,885	11,989
Operating costs	100,305	90,464	6,411	5,782
Advertising expenses	75,654	100,156	4,835	6,401
Bank expenses	47,208	43,334	3,017	2,770
Security costs	33,783	30,057	2,159	1,921
Heat and electricity expenses	100,407	79,454	6,417	5,078
Cost of materials	56,776	76,174	3,629	4,868
Computer and postage costs	34,058	29,744	2,177	1,901
Business trip expenses	5,437	7,986	347	510
Training expenses	2,458	5,191	157	332
Insurance expenses	1,760	1,959	112	125
Logistics expenses	14,022	13,511	896	864
Miscellaneous other operating expenses	37,950	41,286	2,426	2,639
Total other operating expenses	727,064	706,908	46,468	45,180

Note 23 Staff costs

in thousands of

	EEK		EUR	
	2009	2008	2009	2008
Wages and salaries	461,197	502,998	29,476	32,147
Social security taxes	152,887	166,321	9,771	10,630
Total staff costs	614,084	669,319	39,247	42,777
Average wages per employee per month (kroons/euros)	10,401	11,320	665	723
Average number of employees in the reporting period	3,695	3,703	3,695	3,703

Staff costs also include accrued holiday pay as well as bonuses and termination benefits for 2010 but not yet paid.

Note 24 Other expenses

in thousands of

	EEK		EUR	
	2009	2008	2009	2008
Loss from sale and liquidation of property, plant and equipment	2,479	1,156	158	74
Impairment of property, plant and equipment	4,586	0	293	0
Foreign exchange losses	773	1,465	49	94
State fees, fines, penalties*	18,373	800	1,174	51
Costs of entertaining guests	384	782	25	50
Other expenses	7,744	11,226	496	714
Total other expenses	34,339	15,429	2,195	983

*in conjunction with the termination of operations of Latvia's Selveer supermarkets, potential contractual penalties have been calculated in the amount of 17,231 thousand kroons (1,101 thousand euros).

Note 25 Finance income and costs

in thousands of

Finance income

	EEK		EUR	
	2009	2008	2009	2008
Interest income on cash and cash equivalents	1,187	1,665	75	106
Interest income on Partner card	2,215	2,092	142	134
Interest income on NGI Group's group account	1,810	1,605	116	103
Interest income on owner's loan	312	365	20	23
Other finance income	41	3,098	3	198
Total finance income	5,565	8,825	356	564

Finance costs

	EEK		EUR	
	2009	2008	2009	2008
Interest expense of bank loans	-44,431	-38,440	-2,840	-2,457
Interest expense of finance lease	-1,236	-1,411	-79	-90
Interest expense NGI Group's group accounts	-189	-1,692	-12	-108
Other finance costs*	-550	-1,043	-35	-67
Total finance costs	-46,406	-42,586	-2,966	-2,722

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

Note 26 Earnings per share

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

	EEK		EUR	
	2009	2008	2009	2008
Net profit/loss	-196,749	83,129	-12,575	5,313
Weighted average number of shares	40,729,200	40,729,200	40,729,200	40,729,200
Basic and diluted earnings per share	-4.83	2.04	-0.31	0.13

Note 27 Loan collateral and pledged assets

The loans assumed by group entities have the following collateral with their carrying amounts:
in thousands of

	Amount		Carrying amount EEK		Carrying amount EUR	
	EEK	EUR	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Commercial pledge 1	58,410	3,733	218,004	268,144	13,933	17,138
Commercial pledge 2	395,550	25,280	428,000	427,860	27,354	27,345
Commercial pledge 3	458,000	29,272	545,000	501,275	34,832	32,037
Commercial pledge 4	24,600	1,572	31,843	30,447	2,035	1,946
Mortgage	449,900	28,754	399,756	331,535	25,549	21,189

The carrying amount of collateral and pledged assets is divided by assets as follows:

in thousands of

	Carrying amount EEK		Carrying amount EUR	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Property, plant and equipment	1,372,756	1,260,670	87,735	80,571
Inventories	227,528	266,120	14,542	17,008
Financial assets	22,319	32,471	1,426	2,075

In addition, 350,000 shares of Tallinna Kaubamaja AS, 500 shares of AS ABC and 1 share of Suurtüki NK OÜ have been pledged as collateral.

Note 28 Related party transactions

in thousands of

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

- owners (Parent and the persons controlling or having significant influence over the Parent);
- associates;
- other entities in the Parent's consolidation group.
- management and supervisory boards;
- close relatives of the persons described above and the entities under their control or significant influence.

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

	EEK		EUR	
	Purchases 2009	Sales 2009	Purchases 2009	Sales 2009
Parent	376	1,885	24	120
Entities in the Parent's consolidation group	254,133	49,650	16,242	3,173
incl. property, plant and equipment	65,576	37,815	4,191	2,417
Associate	0	389	0	25
Total	254,509	51,924	16,266	3,318

	EEK		EUR	
	Purchases 2008	Sales 2008	Purchases 2008	Sales 2008
Parent	1,752	1,749	112	112
Entities in the Parent's consolidation group (goods and services)	241,278	8,250	15,420	527
incl. property, plant and equipment	82,326	0	5,262	0
Associate	0	288	0	18
Total	243,030	10,287	15,532	657

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

Balances with related parties:

	EEK		EUR	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Parent's interest payable	253	194	16	12
Parent's group account payable	16,207	16,831	1,036	1,076
Payables of entities in the in the Parent's consolidation group	21,060	517	1,346	33
Sales bonuses payable of entities in the in the Parent's consolidation group	1,526	1,328	98	85
Short-term loans to associate	250	2,750	16	176
Total short-term receivables (Note 7)	39,296	21,620	2,512	1,382
Long-term loans to associate (Note 12)	1,828	1,828	117	117
Total receivables from related parties	41,124	23,448	2,629	1,499

	EEK		EUR	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Parent	164	164	10	10
Entities in the Parent's consolidation group	45,571	53,301	2,913	3,407
Total liabilities to related parties	45,735	53,465	2,923	3,417

Receivables from and liabilities to related parties are unsecured and carry no interest because they have regular payment terms.

Loans granted to associate:

	EEK		EUR	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Balance at beginning of the year	4,578	7,828	293	500
Repayments of loans received	-2,500	-3,250	-160	-208
Balance at end of period	2,078	4,578	133	292

The interest rate on the loan granted to the associates is 6%; the repayment date is in 2010. The loan is unsecured.

Group account

For proving funding for its subsidiaries, the Group uses the group account, the members of which are most of the group entities. In its turn, this group as a subgroup has joined the contract of the group account of NG Investeeringud OÜ (hereinafter head group). From autumn 2001, Tallinna Kaubamaja Group has been keeping its available funds at the head group, earning interest income on its deposits. In 2009, Tallinna Kaubamaja Group earned interest income on its deposits of available funds in the amount of 1,810 thousand kroons (116 thousand euros) (2008: 1,605 thousand kroons, 103 thousand euros). In 2009, Tallinna Kaubamaja Group paid interest to the head group in the amount of 189 thousand kroons (12 thousand euros) (2008: 1,692 thousand kroons, 108 thousand euros). The average interest rate on available funds deposited to the group account of NG Investeeringud OÜ was 4.48% in the Estonian kroon account and 0.84% in the euro account (2008: 5.0%, 4.3%). As of 31.12.2009, the balance of the receivable of the group account from the head group was 16,207 thousand kroons (1,036 thousand euros) (2008: 16,831 thousand kroons, 1,076 thousand euros). According to the group account contract, the Group's members are jointly responsible for the unpaid amount to the bank.

Remuneration paid to the members of the Management and Supervisory Board

The remuneration of the entities of Tallinna Kaubamaja Group for the reporting year including social security taxes in the amount 9,457 thousand kroons (604 thousand euros), in 2008, 24,306 thousand kroons (1,553 thousand euros) and the remuneration of the members of the Supervisory Board including social security taxes totalled 3,939 thousand kroons (252

thousand euros), in 2008, the remuneration of the members of the Supervisory Board including social security taxes totalled 4,312 thousand kroons (276 thousand euros).

Note 29 Interests of the members of the Supervisory Board

As of 31.12.2009, the following members of the Supervisory Board own the shares of Tallinna Kaubamaja AS:

Andres Järving	Represents 4,795,730 (11.8%) shares of Tallinna Kaubamaja AS
Jüri Kõo	Represents 4,768,614 (11.7%) shares of Tallinna Kaubamaja AS
Enn Kunila	Represents 4,692,370 (11.5%) shares of Tallinna Kaubamaja AS

Note 30 Shareholders with more than 5% of the shares of Tallinna Kaubamaja AS

Shareholders	31.12.2009	31.12.2008
	Ownership interest	Ownership interest
OÜ NG Investeeringud (Parent)	67.00%	67.00%
ING Luxembourg S.A.	6.84%	6.84%
Skandinaviska Enskilda Banken Ab	5.69%	4.81%

As of 31 December 2009, 68.75% of the shares of NG Investeeringud OÜ are owned by NG Kapital OÜ which is the ultimate controlling party of Tallinna Kaubamaja Group.

Note 31 Contingent liabilities

Contingent liability relating to income tax on dividends

As of 31 December 2009, the retained earnings of Tallinna Kaubamaja AS Group were 500,730 thousand kroons (32,004 thousand euros) (31 December 2008: 705,719 thousand kroons or 45,104 thousand euros). Payment of dividends to owners from 1 January 2008 is accompanied by income tax expense 21/79 on the amount paid as net dividends. Hence, of the retained earnings existing as of the balance sheet date, the owners can be paid 395,577 thousand kroons (25,283 thousand euros) as dividends (31 December 2008: 557,518 thousand kroons or 35,633 thousand euros) and the payment of dividends would be accompanied by income tax on dividends in the amount of 105,153 thousand kroons (6,721 thousand euros) (31 December 2008: 148,201 thousand euros or 9,472 thousand euros).

Contingent liabilities relating to bank loans

In the loan agreements in the amount of 138,388 thousand kroons (8,845 thousand euros), the borrower is required under the conditions of the loan agreement to comply with the levels established for certain financial ratios such as the debt to EBITDA ratio (net profit before financial income and expenses, corporate income tax, impairment of property, plant and equipment and intangible assets and amortisation/depreciation charges). As of the balance sheet date 31.12.2009, there may have been a non-conformity with regard to the levels established for financial covenants, but an agreement with banks was achieved before the balance sheet date, on the basis of which the non-conformity of financial covenants was not deemed to be violation of the loan agreement.

Contingent liabilities relating to the Tax Board

The tax authority has the right to review the tax accounting of the Company within a period of up to 6 years after the term for submission of tax returns and, in case of identification of any mistakes, to impose additional taxes, interest and penalty. In 2008 and 2009, no tax audit was conducted. The Company's management estimates that no circumstances exist as a result of which the tax authority might impose a significant additional tax amount.

Note 32 Events after the balance sheet date

In February 2010, the member of the Management Board of AS A-Selver and Selver Latvia SIA, Iivi Saar, was recalled due to the halting of the operations of the Latvian subsidiary and the accompanying simplification of the management structure of the Company. Andres Heinver continued as a member of the Management Board of the entities

Note 33 Financial information of the Parent

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

BALANCE SHEET

in thousands of

	EEK		EUR	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
ASSETS				
Current assets				
Cash and bank	111,380	29,206	7,118	1,867
Trade receivables	3,934	8,267	251	528
Other receivables	901,843	803,726	57,638	51,367
Accrued income	372	102	24	7
Prepaid expenses	898	899	57	57
Inventories	196,341	239,406	12,548	15,301
Total current assets	1,214,768	1,081,606	77,636	69,127
Non-current assets				
Shares of subsidiaries	84,174	84,174	5,380	5,380
Share of associates	6,500	6,500	415	415
Other long-term receivables	2,078	4,578	133	293
Property, plant and equipment	50,029	48,826	3,197	3,121
Total non-current assets	142,781	144,078	9,125	9,209
TOTAL ASSETS	1,357,549	1,225,684	86,761	78,336
LIABILITIES AND EQUITY				
Current liabilities				
Borrowings	162,191	105,709	10,366	6,756
Customer prepayments for goods and services	1,325	3,681	85	235
Trade payables	109,994	121,861	7,028	7,788
Other short-term payables	34,171	47,862	2,184	3,060
Total current liabilities	307,681	279,113	19,663	17,839
Non-current liabilities				
Borrowings	461,680	383,208	29,507	24,491
Total non-current liabilities	461,680	383,208	29,507	24,491
TOTAL LIABILITIES	769,361	662,321	49,170	42,330
Equity				
Share capital	407,292	407,292	26,031	26,031
Statutory reserve capital	40,729	40,729	2,603	2,603
Retained earnings	140,167	115,342	8,957	7,372
TOTAL EQUITY	588,188	563,363	37,591	36,006
TOTAL LIABILITIES AND EQUITY	1,357,549	1,225,684	86,761	78,336

INCOME STATEMENT

in thousands of

	EEK		EUR	
	2009	2008	2009	2008
Revenue	1,183,915	1,534,970	75,666	98,102
Other operating income	29,606	55,340	1,892	3,537
Goods	-842,303	-1,056,198	-53,831	-67,503
Other operating expenses	-196,861	-230,548	-12,582	-14,735
Staff costs	-135,514	-161,290	-8,661	-10,308
Depreciation and impairment	-23,010	-28,191	-1,471	-1,802
Other expenses	-3,432	-5,413	-219	-346
Operating profit	12,402	108,670	793	6,945
Interest income and expenses	20,797	14,773	1,329	944
Other finance income and costs	7,879	81,365	504	5,200
Total finance income and costs	28,676	96,138	1,833	6,144
NET PROFIT FOR THE FINANCIAL YEAR	41,077	204,808	2,626	13,089
Basic and diluted earnings per share (EEK/EUR)	1.01	5.03	0.06	0.32

CASH FLOW STATEMENT

in thousands of

	EEK		EUR	
	2009	2008	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES				
Net profit	41,077	204,808	2,626	13,089
Adjustments:				
Interest expense	26,625	26,744	1,702	1,709
Interest income	-39,009	-41,330	-2,493	-2,642
Depreciation and impairment	23,010	28,191	1,471	1,802
Gain (loss) from sale and write-off of non-current assets	22	647	1	41
Dividend income	-16,292	-81,458	-1,041	-5,206
Change in inventories	42,920	-15,021	2,743	-960
Change in receivables and prepayments related to operating activities	18,459	-759	1,178	-46
Change in liabilities and prepayments related to operating activities	-18,613	-32,922	-1,190	-2,104
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	78,200	88,900	4,997	5,683
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment (excl. finance leases)	-25,330	-10,604	-1,619	-678
Interest received	38,739	41,893	2,476	2,677
Change in group account receivable	-112,057	-428,895	-7,162	-27,411
Loans to subsidiaries	0	-76,335	0	-4,879
Repayments of loans granted to subsidiaries	0	3,091	0	198
Repayments of loans granted to associates	2,500	3,250	160	208
Proceeds from sale of property, plant and equipment	1,096	68	70	4
Dividends received	16,292	81,458	1,041	5,206
TOTAL CASH FLOWS FROM INVESTING ACTIVITIES	-78,759	-386,074	-5,034	-24,675
CASH FLOWS FROM FINANCING ACTIVITIES				
Change in overdraft balance	-42,298	42,298	-2,703	2,703
Loans received	234,699	203,376	15,000	12,998
Repayments of loans received	-65,623	-22,748	-4,194	-1,454
Interest paid	-27,753	-25,891	-1,774	-1,655
Dividends paid	-16,292	-81,458	-1,041	-5,206
Changes in group account liabilities	0	13,942	0	891
TOTAL CASH FLOWS FROM FINANCING ACTIVITIES	82,733	129,519	5,288	8,277
TOTAL CASH FLOWS	82,174	-167,655	5,251	-10,715
Cash and cash equivalents at beginning of the period	29,206	196,861	1,867	12,582
Cash and cash equivalents at end of the period	111,380	29,206	7,118	1,867
Net increase/decrease in cash and cash equivalents	82,174	-167,655	5,251	-10,715

STATEMENT OF CHANGES IN EQUITY

in thousands of EEK

	Share capital	Statutory reserve capital	Retained earnings	Total
Balance as of 31.12.2007	407,292	40,729	-8,008	440,013
Dividends paid	0	0	-81,458	-81,458
Profit for the reporting period	0	0	204,808	204,808
Balance as of 31.12.2008	407,292	40,729	115,342	563,363
Dividends paid	0	0	-16,252	-16,252
Profit for the reporting period	0	0	41,077	41,077
Balance as of 31.12.2009	407,292	40,729	140,167	588,188

in thousands of EUR

	Share capital	Statutory reserve capital	Retained earnings	Total
Balance as of 31.12.2007	26,031	2,603	-511	28,123
Dividends paid	0	0	-5,206	-5,206
Profit for the reporting period	0	0	13,090	13,090
Balance as of 31.12.2008	26,031	2,603	7,373	36,007
Dividends paid	0	0	-1,041	-1,041
Profit for the reporting period	0	0	2,626	2,626
Balance as of 31.12.2009	26,031	2,603	8,957	37,591

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

in thousands of

	EEK		EUR	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Parent's unconsolidated equity	588,188	563,363	37,592	36,005
Value of subsidiaries, joint ventures and associates in the Parent's separate balance sheet	-90,674	-90,674	-5,795	-5,795
Value of subsidiaries, joint ventures and associates under the equity method	1,117,226	1,363,226	71,404	87,126
Adjusted unconsolidated equity	1,614,740	1,835,915	103,201	117,336

INDEPENDENT AUDITOR'S REPORT

(Translation of the Estonian original)*

To the Shareholders of Tallinna Kaubamaja AS

We have audited the accompanying consolidated financial statements of Tallinna Kaubamaja AS and its subsidiaries (the Group) which comprise the consolidated statement of financial position as of 31 December 2009 and the consolidated statement of comprehensive income, 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.

Management Board's Responsibility for the Financial Statements

Management Board is responsible for the preparation 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.

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2009, 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.



Ago Vilu
AS PricewaterhouseCoopers



Eva Jansen
Authorised Auditor

5 April 2010

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

PROFIT ALLOCATION PROPOSAL

The retained earnings of Tallinna Kaubamaja AS are:

Total retained earnings 31 December 2009

500,730 thousand kroons (32,004 thousand euros)

The Chairman of the Management Board of Tallinna Kaubamaja AS proposes to the General Meeting of Shareholders to pay dividends in the amount of 26,474 thousand kroons (1,692 thousand euros) out of retained earnings accumulated until 31 December 2009.



Raul Puusepp
Chairman

Tallinn, 5 April 2010

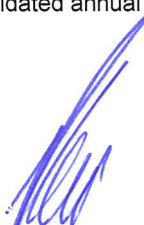
SIGNATURES OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD TO THE ANNUAL REPORT 2009

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

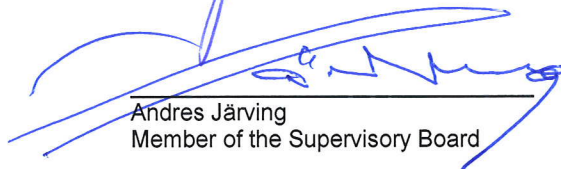
Hereby we confirm the correctness of information presented in the consolidated annual report 2009 of Tallinna Kaubamaja AS:



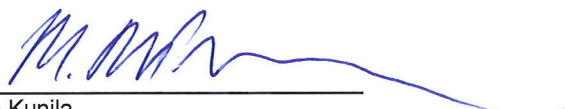
Raul Puusepp
Chairman of the Management Board



Jüri Kõo
Chairman of the Supervisory Board



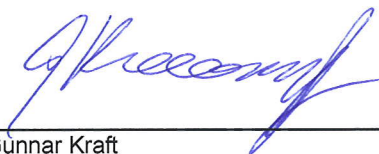
Andres Järving
Member of the Supervisory Board



Enn Kunila
Member of the Supervisory Board



Meelis Milder
Member of the Supervisory Board



Gunnar Kraft
Member of the Supervisory Board

Tallinn, 23 April 2010

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

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

in thousands of EEK per year

EMTAK code	Title of EMTAK Group	EEK	EUR
		2009	
47191	Other retail sales in non-specialised stores	1,183,915	75,666
	Total revenue	1,183,915	75,666