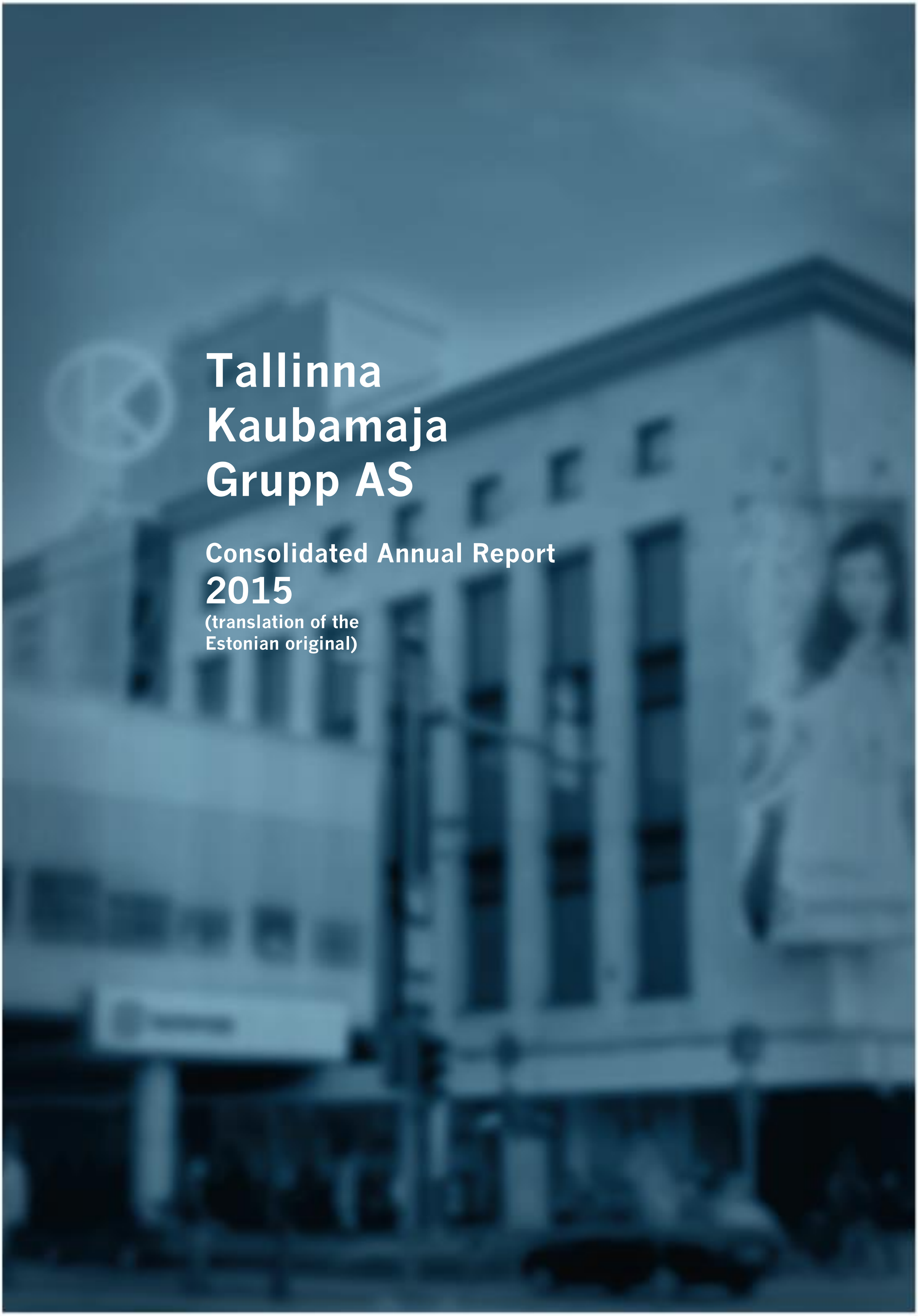

Tallinna Kaubamaja Grupp AS

Consolidated Annual Report 2015

(translation of the Estonian original)

TALLINNA KAUBAMAJA GRUPP AS
CONSOLIDATED ANNUAL REPORT 2015

The main areas of activity of Tallinna Kaubamaja Grupp AS are retail and wholesale trade. At the year-end 2015, Tallinna Kaubamaja Grupp AS employed more than 4,000 employees.

Legal address:	*Gonsiori 2*
	10143 Tallinn
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Commercial Register no.:	*10223439*
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Beginning of financial year:	*1.01.2015*
End of financial year:	*31.12.2015*
Auditor:	*PricewaterhouseCoopers AS*
Bank:	*Swedbank AS*
	SEB Pank AS
	Nordea Bank AB Estonian branch
Lawyer:	*Helen Tulve*

Subsidiaries and associates:	*Share capital*	*Equity as at 31.12.2015*	*Ownership interest*
Kaubamaja AS	*25 TEUR*	*15,525 TEUR*	*100%*
Selver AS	*1,406 TEUR*	*26,496 TEUR*	*100%*
Kulinaaria OÜ	*3 TEUR*	*4,815 TEUR*	*100%*
Selver Latvia SIA	*285 TEUR*	*-11,104 TEUR*	*100%*
Viking Security AS	*134 TEUR*	*701 TEUR*	*100%*
TKM Beauty OÜ	*3 TEUR*	*-106 TEUR*	*100%*
TKM Beauty Eesti OÜ	*3 TEUR*	*-245 TEUR*	*100%*
TKM Auto OÜ	*3 TEUR*	*6,115 TEUR*	*100%*
KIA Auto AS	*114 TEUR*	*4,539 TEUR*	*100%*
Viking Motors AS	*223 TEUR*	*184 TEUR*	*100%*
Forum Auto SIA	*14 TEUR*	*-182 TEUR*	*100%*
KIA Auto UAB	*3 TEUR*	*168 TEUR*	*100%*
TKM King AS	*32 TEUR*	*-1,766 TEUR*	*100%*
Tallinna Kaubamaja Kinnisvara AS	*28 TEUR*	*143,517 TEUR*	*100%*
Tartu Kaubamaja Kinnisvara OÜ	*3 TEUR*	*42,236 TEUR*	*100%*
SIA TKM Latvija	*3 TEUR*	*5,100 TEUR*	*100%*
Rävala Parkla AS	*600 TEUR*	*3,557 TEUR*	*50%*

The subsidiaries and associates Kaubamaja AS, Selver AS, Kulinaaria OÜ, Viking Security AS, Tartu Kaubamaja Kinnisvara OÜ, Tallinna Kaubamaja Kinnisvara AS, TKM Auto OÜ, TKM Beauty OÜ, TKM Beauty Eesti OÜ, KIA Auto AS, Viking Motors AS, AS TKM King and Rävala Parkla AS are registered in the Republic of Estonia. Selver Latvia SIA, SIA TKM Latvija and Auto Forum SIA are registered in the Republic of Latvia and KIA Auto UAB, in the Republic of Lithuania.

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

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MANAGEMENT REPORT

2015 was the year of anniversary for Tallinna Kaubamaja Grupp AS (hereinafter: the Group). The company that was established 55 years ago has grown into one of the strongest retail groups in Estonia. The reporting year can be considered a financially successful year of stable growth and good internal developments that yielded satisfactory sales revenue and profit growth. In the reporting year, many planned and important developments were realised: a shopping and entertainment centre was completed in Viimsi, Selver e-shop was launched, our security business grew significantly and the construction plans of a new department store building in Tallinn were initiated. A new Selver store in Viimsi added sales space and a shop of L'Occitane quality natural cosmetics was opened in the Rocca al Mare centre. Optimisation of trade processes and improving of product selection continued. The Group invested altogether 20.5 million euros in 2015, whereas a year earlier, 9.1 million euros were invested. Besides the construction of the Viimsi centre, other important development projects of the financial year were the development of the Group's e-commerce and renovation of Tartu Kaubamaja centre, which is now 10 years old.

The objective of 2016 is to increase market share and profit. The key question in the retail market, where the competition has become intense in recent years, is good knowledge of customers and offering customers the best goods in their preferred way. It is necessary to provide an inspiring buying environment that satisfies the customer's various needs and moves into various channels and provides a challenge with the construction of new sales premises and development of e-commerce. The situation of Estonian labour force puts a pressure on staff cost, which is why it is important to continue optimising operations and further digital development.

The most important events for the Group in 2015 until the publication of this annual report were:

- In February, the subsidiary of the Group offering manned guard service, Topsec Turvateenused OÜ, was merged with Viking Security AS, a company acquired in 2014 designing, installing and maintaining electronic alarm, guard and surveillance systems. The business name of the merged company is Viking Security AS.
- In March, at the annual general meeting of the shareholders, the decision was made to adopt Tallinna Kaubamaja Grupp AS as the new business name of the Group.
- Kaubamaja reached its 55th year in business – Tallinna Kaubamaja established in 1960 was the foundation for Tallinna Kaubamaja Group. The 55th anniversary of Kaubamaja was emphasised in the internal and external communication with special attention to the history of Kaubamaja and fashion of different eras.
- Kaubamaja refurbished the women's beauty department in Tallinn sales premises showing now sparkling displays of exclusive quality brands and giving a facelift to the jewellery and watches area.
- In June, Torupilli Selver was renovated, and a SelveEkspress self-scan service and a larger selection of gourmet products were added.
- In July, Viking Security AS concluded an acquisition agreement of Digisilm Videovalve OÜ in order to expand video surveillance services.
- In August, the Group opened an entertainment and shopping centre in Viimsi on 14,000 square metres and with about 40 tenants.
- Selver also opened a new store with sales space of 3,500 square metres in the Viimsi shopping centre, which has been accepted very well by customers despite very tight competition in this region.
- In September, the Group opened the second L'Occitane store in Estonia next to the I.L.U. store in the Rocca al Mare centre.
- Selver's self-scan solution SelveEkspress expanded further and now customers can use the SelveEkspress service already in 19 Selver stores. Self-service checkout systems in the grocery departments in Tallinn and Tartu department stores were also installed.
- Selver celebrated its 20th year in business.
- In 2015, Tallinna Kaubamaja Grupp AS was named the most competitive retail company in Estonia for the fourth year in a row and Selver was awarded the title of the best service and competitive retail chain.
- E-Selver was launched in November. The customers had been waiting for it for a long time, and it has now been warmly welcomed.
- In December, the Group's security companies Viking Security AS and Digisilm Videovalve OÜ were merged with the aim of improving efficiency. The business name of the merged company is Viking Security AS.

Structure of the Group and its changes

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

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

The Supermarkets' segment comprises the Selver store chain with 45 Selver stores, e-Selver and a café with a total sales space of 86,500 m². The segment includes also non-operational SIA Selver Latvia and Kulinaaria OÜ, which has the largest central kitchen in the Baltic countries.

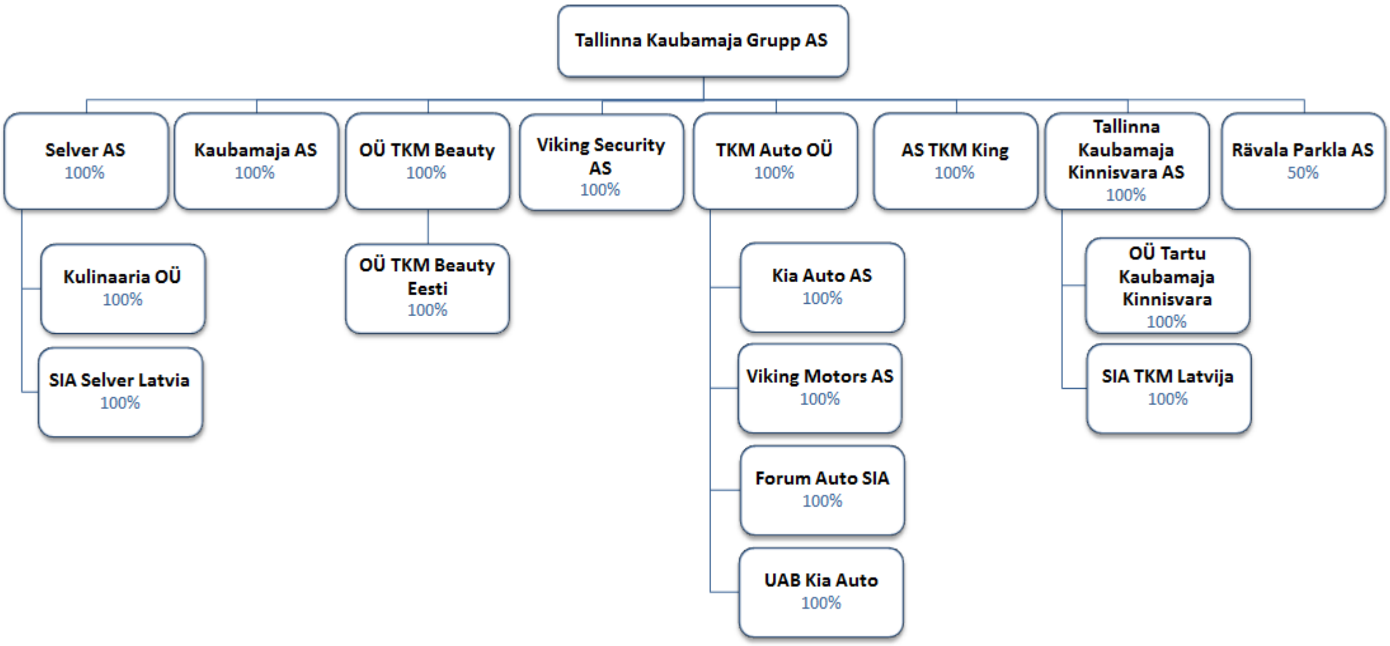
Kaubamaja operates two department stores, one in Tallinn and the other in Tartu city centre, offering a large selection of beauty and fashion products. The results of beauty product (I.L.U. and L'Occitane) sales, which includes eight stores, and the security segment are presented in the report of the department store segment.

The footwear segment includes 28 ABC King and SHU shoe shops.

The car trade segment is the importer of KIAs in the Baltic countries and is involved in the sales of passenger cars in two showrooms in Tallinn, one showroom in Riga and one in Vilnius. In addition to KIAs, there are several car brands, such as OPEL and Cadillac in Estonia and Peugeot in Latvia, in the selection.

The real estate segment is involved in the management, maintenance and renting out of commercial space of real estate that belongs to the Group. The Group's real estate segment owns the sales premises of Kaubamaja in Tallinn, Tartu Kaubamaja centre, Viimsi shopping centre, two car showrooms and 18 Selver buildings, and several land plots awaiting for development.

Legal structure of Tallinna Kaubamaja Grupp AS as of 31.12.2015:



On 2 September 2014, Topsec Turvateenused OÜ, a subsidiary of Tallinna Kaubamaja Grupp AS, acquired a 100% share in Viking Security AS. Acquisition of the shareholding in Viking Security AS enables Tallinna Kaubamaja Grupp AS to further strengthen its security services, one of the most fast-growing business areas of the Group in recent years. As a result of the transaction, the service portfolio of Topsec Turvateenused OÜ will expand from manned guarding and video security to include services related to the design, installation and maintenance of electronic alarm, security and surveillance systems and the possibility of participating in certified security tenders. Merger resolutions of the Viking Security AS and Topsec Turvateenused OÜ were adopted on 20th of January 2015 and Commercial Register registered the merger on 26th of February 2015.

On 8 July 2015, Viking Security AS acquired 100% of shares of Digisilm Videovalve OÜ. Through this transaction, Viking Security AS will enhance its services related to the design, installation and maintenance of electronic alert, surveillance and monitoring systems. In order to increase efficiency, the Group merged its security business under Viking Security AS. Merger resolutions were adopted on 17th of November 2015 and Commercial Register registered the merger on 23th of December 2015.

Economic development

According to the initial calculations of Statistics Estonia, the gross domestic production of Estonia increased by 1.2 per cent in 2015. Several unfavourable external factors had a negative impact on economic growth at the end of the year. The warm weather of the last quarter of the year kept prices as well as added value in the energy sector low. Demand for electronics was on a decline during the second half of last year due to the high level of the comparison base. Low price of oil on the world market hindered both production volumes and the sales prices of oil shale. The logistics sector was affected by low volumes of external trade, and production in the construction sector was limited by a decrease in construction as well as the continuing decline in reconstruction works. According to Statistics Estonia, the labour market of Estonia stabilised in the fourth quarter of 2015, and the rate of unemployment extended to 6.2 per cent for the year. While the increase of employment continued to grow slowly, labour productivity decreased due to the slowed economic growth. The simultaneous fast increase in wages decreased the ability of companies to compete with the prices of its products or services. According to the assessment of different analysts, the growth of gross domestic product supported by foreign demand will extend up to 2.6% in 2016. According to Statistics Estonia, the consumer price index decreased 0.5% in 2015 compared to the average in 2014. The factor that mostly influenced the annual change in the consumer price index was motor fuel price, which cheapened 13.9%. Other major factors that influenced the index were cheaper electricity and heat energy for households, respectively 4.3% and 3.9%, and prices of alcoholic beverages that went up 6.1%. According to analysts, the price growth will be quite moderate in 2016 remaining at the level of 0.3%.

According to Statistics Estonia, the total retail business turnover in current prices grew 6.6% in Estonia in 2015. Retail sales grew most in specialised stores that sell mainly computers and their accessories, books, sports equipment, games, toys etc. (39.9%). Sales by post or internet (38.3%), sales in second hand goods shops and sales other than in stores (i.e. kiosks, markets, direct sale) grew more than average (27.5%). Retail sales in non-specialised stores (mainly foodstuff) increased on an average at a slower pace, showing a growth of 3.0% during the year. Retail sales in other unspecialised stores grew 6.7%. Sales of motor fuels at specialised stores, where the sales declined 7.0%, had a negative impact on retail sales. The consumer confidence index has been stable, supported by low unemployment rate, increased income, and no inflation.

Financial performance

FINANCIAL RATIOS 2011-2015

In millions of euros	**2011**	**2012**	**2013**	**2014**	**2015**
Revenue	436	468	499	535	555
Change in revenue	*6%*	*7%*	*7%*	*7%*	*4%*
Gross profit	115	121	126	133	139
EBITDA	36	38	33	35	42
Operating profit	26	26	22	24	27
Profit before tax	25	25	21	22	26
Net profit	22	21	18	20	22
Change in net profit	*29%*	*-3%*	*-16%*	*16%*	*9%*
Sales revenue per employee	0.143	0.140	0.140	0.140	0.141
Gross margin	26%	26%	25%	25%	25%
EBITDA margin	8%	8%	7%	6%	8%
Operating margin	6%	6%	5%	4%	5%
Profit before tax margin	6%	5%	4%	4%	5%
Net margin	5%	5%	4%	4%	4%
Equity ratio	53%	51%	51%	51%	52%
Return on equity (ROE)	16%	14%	11%	12%	13%
Return on assets (ROA)	8%	8%	6%	6%	6%
Current ratio	1.1	1.0	1.0	1.1	0.9
Debt ratio	0.5	0.5	0.5	0.5	0.5
Inventory turnover	7.9	7.7	7.4	7.4	7.1
Average number of employees	3,059	3,335	3,554	3,824	3,946

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

The consolidated sales revenue of the Group was 555.4 million euros in 2015, a growth of 3.8% compared to the results of 2014 when the sales revenue was 535.0 million euros. The net profit of the Group was 22.1 million euros in 2015, which was better by 8.8% of the profit earned in the previous year. The year`s pre-tax profit was 26.0 million euros, showing a year-on-year growth of 15.4%. The net profit was influenced by the dividend payment, on which an income tax of 3.9 million euros was paid in 2015, whereas the year earlier, 2.2 million euros was paid as income tax.

The year 2015 that offered stability and a strong growth in retail business was not equally generous to all retailing segments, leaving the fashion and foodstuff sellers with a smaller growth than average. Compared to Estonian statistics, we can still be satisfied with the Group`s sales revenue growth. We experienced a seasonal shift at the end of the year, a usual occurrence in recent years, resulting in a long warm autumn that lasted by the end of December. The latter reduced the expected revenue from the sale of fashion goods. The supermarket segment showed a continued strong sales growth with the help of the new Viimsi store and e-shop. The footwear trade segment that faces fierce competition achieved a significant sales growth despite unfavourable weather conditions at the end of the year. The car trade segment achieved a superb sales result, primarily with the help of sales campaigns; however, they resulted in a slight decrease in the margin compared to the reference base. The Group`s profit increased by 2.3 million euros on account of change in value of the assets of the real estate segment.

In August, the Group opened a 14,000-square-metre Viimsi centre along with a new Selver store that has 3,500 square metres of sales space. In September, the Group opened a second Loccitane trademark shop in Estonia next to the I.L.U. store at the Rocca al Mare centre. In November, the Selver`s e-shop started it sales activity, which is the fourth e-shop of the Group in addition to Selveri Köök, Kaubamaja gift shop and I.L.U. e-shops. Currently, the most important ongoing development project is the further development of the Group`s e-trade platform. By the end of the year, the renovation of Kaubamaja`s Tallinn sales premises of the beauty department was completed; the renovation work had lasted for the last half-year and the department is now furnished with more sophisticated displays for exclusive cosmetics and has a more sparkly jewellery area.

As of 31 December 2015, the amount of assets of the Group was 348.0 million euros, which is 1.5% higher compared to the end of 2014.

The number of loyal customers exceeded 590,000 at the end of the accounting period, showing an annual decrease of 3.9%. The proportion of purchases by loyal customers in the turnover of the Group was 80.4% (the indicator was 80.9% in the 2014). Over 19,000 Partner bank and credit cards had been issued as of the end of December.

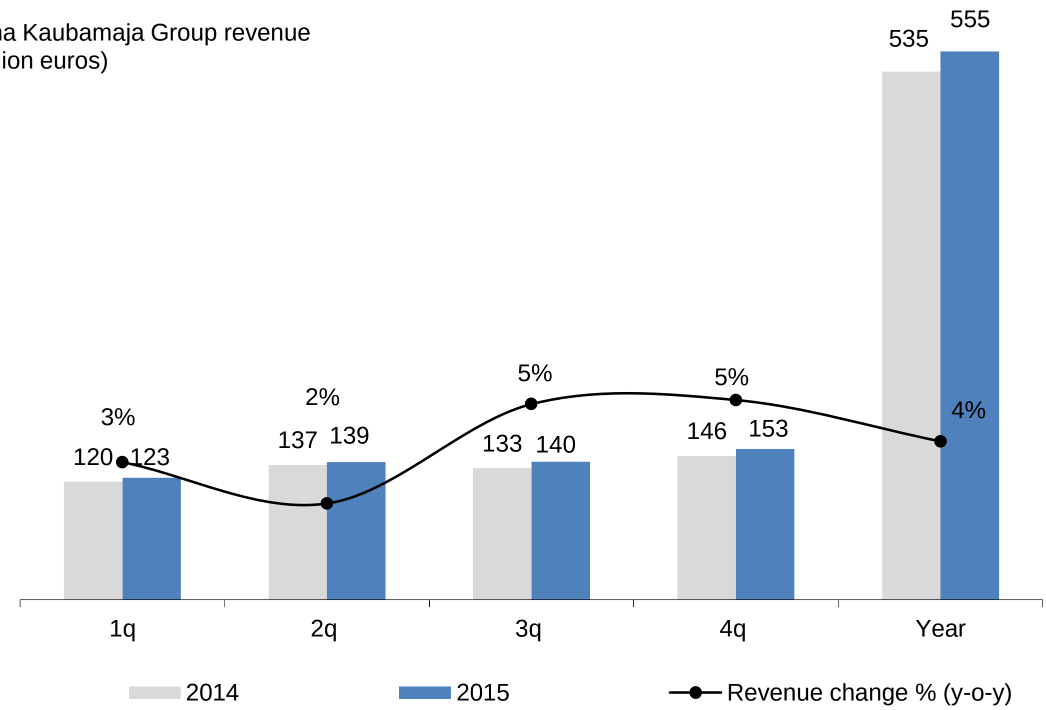
Investments

The Group's investments in 2015 amounted to 20.5 million euros (9.1 million euros in 2014), with 20.0 million euros invested in property, plant and equipment and investment property. 0.5 million euros were invested in intangible assets. In the supermarket segment, 4.4 million euros worth of investments were made (in 2014, 2.9 million euros). Investments were made to open a new supermarket in Viimsi centre and to expand Torupilli Selver and renew its sales environment. Additionally, repair and refurbishing works were conducted in the stores, and fittings and computing equipment were purchased. In addition, the SelveEkspress SelfScan systems were added into several shops. The investments of the department stores segment amounted to 2.4 million euros (1.9 million euros in 2014), which were used to give the beauty departments of Kaubamaja a new fresh look and add the SelfScan systems to the grocery departments. In the car trade segment, 0.2 million euros worth of investments were made (in 2014, 0.6 million euros). In the footwear trade segment, the Group invested 0.1 million euros to improve the sales environment and check-out systems of the stores (0.6 million euros in 2014). Investments made in the real estate business segment amounted to 12.9 million euros (3.0 million euros in 2014). A shopping and leisure centre was built to Viimsi during the reporting period, and the renovation works of Tartu Kaubamaja centre were initiated. During the course of these works, both the interior and exterior look of the building will be changed. A registered immovable was also purchased in the small town of Peetri in Harju County.

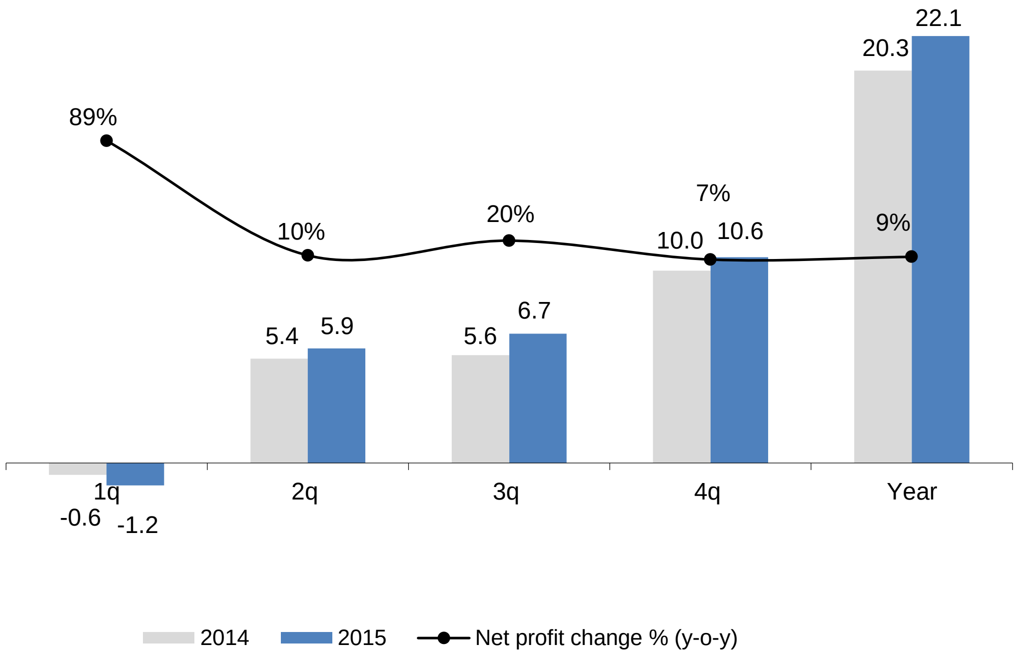
Seasonality of business and risks

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

Tallinna Kaubamaja Group revenue
(in million euros)

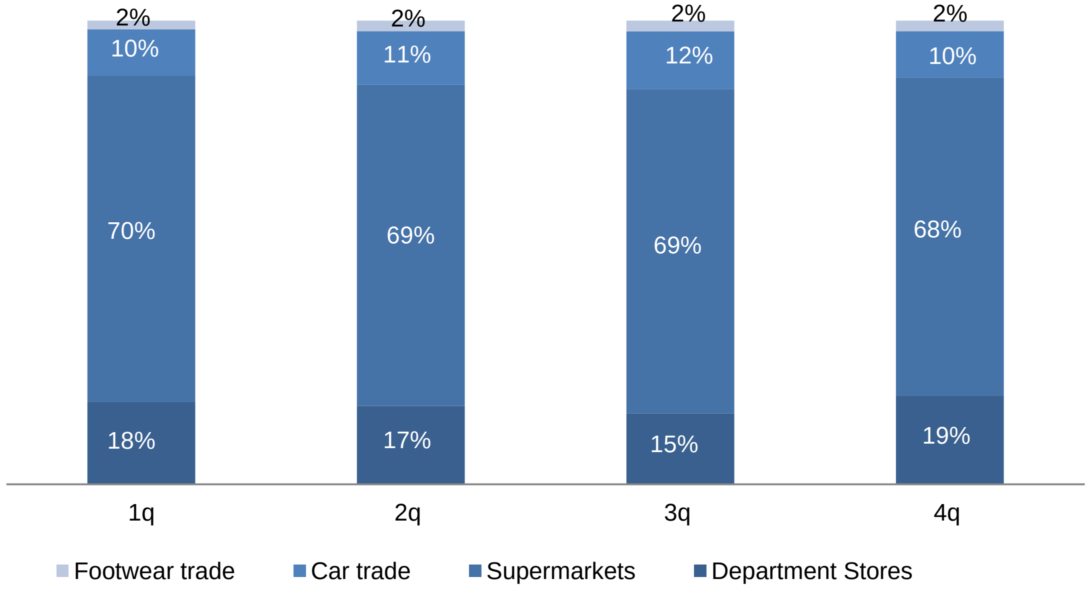


Tallinna Kaubamaja Group net profit
(in million euros)



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

Tallinna Kaubamaja Group revenue distribution for 2015



The share of the real estate business segment is around 1% in all quarters and is not shown separately in the chart. Detailed description of The Group's risks and risk management principles is provided in Note 4 of the financial statements.

Business segments

	Supermarkets			Department stores			Car Trade			Footwear Trade			Real Estate			Group total		
In million euros	**2015**	**2014**	**%**	**2015**	**2014**	**%**	**2015**	**2014**	**%**	**2015**	**2014**	**%**	**2015**	**2014**	**%**	**2015**	**2014**	**%**
External revenue	383.4	368.2	*4.2%*	95.6	92.5	*3.3%*	60.8	57.7	***5.3%***	11.9	13.4	*-10.7%*	3.7	3.3	*12.6%*	555.4	535.0	*3.8%*
EBITDA	**14.5**	**11.4**	*27.6%*	**6.1**	**6.3**	*-2.3%*	**3.0**	**2.8**	***7.9%***	**-0.4**	**-0.3**	*21.3%*	**18.9**	**14.7**	*29.2%*	**42.2**	**34.8**	*21.4%*
EBITDA margin%	*3.8%*	*3.1%*		*6.4%*	*6.8%*		*4.9%*	*4.8%*		*-3.3%*	*-2.5%*		*508%*	*443%*		*7.6%*	*6.5%*	
Operating profit/ loss	**10.5**	**7.8**	*34.7%*	**4.2**	**4.4**	*-5.8%*	**2.2**	**2.3**	***-3.0%***	**-2.5**	**-1.0**	*146%*	**12.5**	**10.3**	*21.9%*	**26.9**	**23.8**	*13.3%*
Operating profit margin %	***2.7%***	***2.1%***		***4.4%***	***4.8%***		***3.7%***	***4.0%***		***-21%***	***-7.5%***		***336%***	***310%***		***4.9%***	***4.4%***	
Finance income and costs	*0.3*	*0.3*		*0.2*	*0.4*		*-0.2*	*-0.3*		*-0.2*	*-0.3*		*-1.1*	*-1.4*		*-1.0*	*-1.3*	
Corporate income tax	*-2.2*	*-0.4*		*-1.2*	*-1.4*		*-0.5*	*-0.4*		*0.0*	*0.0*		*0.0*	*0.0*		*-3.9*	*-2.2*	
Net profit/loss	**8.5**	**7.7**	*10.7%*	**3.3**	**3.4**	*-2.9%*	**1.5**	**1.7**	***-9.6%***	**-2.6**	**-1.3**	*107%*	**11.4**	**8.8**	*29.1%*	**22.1**	**20.3**	*8.8%*
Net profit margin%	***2.2%***	***2.1%***		***3.4%***	***3.6%***		***2.5%***	***2.9%***		***-22%***	***-9.6%***		***306%***	***267%***		***4.0%***	***3.8%***	

Supermarkets

The consolidated sales revenue of 2015 of the supermarkets segment was 383.4 million euros, growing 4.2% compared to 2014. The monthly average sales revenue of goods per one square metre of sales space was 0.36 thousand euros in 2015, exceeding the previous year`s result by 1.6%. The sales revenue of goods per a square metre of comparable stores was 0.37 thousand euros as an average, showing a growth of 2.2%. The turnover of Selver subsidiary Kulinaaria OÜ outside the Group, especially that of catering service, which does not account for a significant portion of the total turnover of the segment, has grown 35.9% in a year.

In 2015, 36.1 million purchases were made in Selver stores and this result exceeds the number of purchases 1.4% year-on-year. The consolidated pre-tax profit of the supermarket segment was 10.8 million euros in 2015 and the net profit was 8.5 million euros, showing a respective growth of 2.7 million euros and 0.8 million euros compared to the previous year. The pre-tax profit earned in Estonia was 13.1 million euros and the net profit was 10.9 million euros. The difference in the net profit and the profit before income tax is due to the income tax paid on dividends: in 2015, the income tax on dividends was 2.22 million euros; in 2014, 0.37 million euros. The pre-tax loss and net loss earned in Latvia were 2.4 million euros.

The year 2015 was influenced by Viimsi Selver, the seventh hypermarket opened in August. The added store not only strengthens competition outside the chain, but also within the chain. However, the number of purchases on year-on-year basis has increased. The average consumer basket has grown compared to previous year. Successful marketing campaigns and very good year-end sales during the holiday season have supported the growth of turnover in 2015. The profit earned in Estonia has been primarily influenced by the greater efficiency achieved in the main process, i.e. selling goods. Stocks have been managed more efficiently, which has resulted in fewer discounts and smaller write-off costs. The cost efficiency has been improved compared to the previous year in terms of operational costs. Regardless of the fact, that the base year includes the opening costs of one store and this year`s operational costs include the opening costs of one store and renovation costs of one store.

The largest projects in 2015 were renovation of Torupilli Selver in June and opening of a new Selver in Viimsi centre in August. From November, Tallinn clients can also make their purchases using e-Selver. In addition, SelveEkspress has strongly expanded into additional five existing Selver stores. Clients can use SelveEkspress service already in 19 Selver stores. 2015 was a year of anniversary for Selver – the chain has been active in the market for 20 years.

Increasing the number of Selver stores by four stores and renovation of two Selver stores is planned for 2016. The expansion of SelveEkspress self-scan service and the development of e-Selver service will continue.

Department stores

The sales revenue of 2015 of the department stores' business segment was 95.6 million euros, growing 3.3% in a year. The pre-tax profit of department stores was 4.4 million euros in 2015, showing a decrease of 8.0% compared to the previous year. The average sales revenue per a square metre of sales space of department stores was 0.3 thousand euros in a month in 2015, remaining at the same level as the previous year. However, the sales space of department stores has grown 1.1% from the last summer on account of the gourmet department at Tallinn sales premises. At the end of the year, warmer autumn months that enabled customers to postpone outerwear purchase decisions had an effect on the sales result of Kaubamaja. The total sales in 2015 was influenced by the renovation of Viru centre bus terminal during summer months and the renovation of Tartu Kaubamaja centre in the fourth quarter. Although the department stores are in the centre of the city at locations attractive to tourists, the low number of tourists throughout the year had a negative impact on the sales revenue in 2015. At the same time, the warmer autumn months had a positive effect on the profit earned by the department stores due to lower administrative expenditure. Kaubamaja refurbished the beauty department in Tallinn sales premises showing now sparkling displays of exclusive quality brands and giving a facelift to the jewellery and watches area. Many world-renowned brands like MAC, La Prairie, Sisley and Lancome received a larger and more exclusive display.

One of the biggest e-developments in the history of Kaubamaja, Kaubamaja permanent e-store, will be completed in 2016. There are several changes intended regarding Kaubamaja sales spaces. The beauty and women's department of Tartu Kaubamaja and the men's department of Tallinna Kaubamaja will have a new image and their trademark selection will be supplemented. In addition, there are plans to give a facelift to the women's shoe department of Tallinna Kaubamaja.

The sales revenue of 2015 of OÜ TKM Beauty Eesti that operates I.L.U. beauty stores was 5.1 million euros, growing 9.1% year-on-year. The loss of 2015 was 0.2 million euros, showing a year-on-year decrease of 0.1 million euros. In 2015, the assortment of I.L.U. stores was optimised and restructured to meet the expectations of the target customer. Service quality and introduction of proactive customer service by consultants were under focus in the daily business of the stores. Relocation of the store in Tartu city centre to the new shopping centre at 2 Riia is planned for 2016. The analysis of assortment will continue and the focus will be on increasing the retail margin and growing the store's profitability. Preparations will be initiated to move the store currently in Lõunakeskus to a more attractive location in 2017.

Car Trade

The sales revenue of 2015 of the car trade segment was 60.8 million euros. The sales revenue exceeded the revenue earned in the previous year by 5.3%, whereas the sales revenue of KIAs grew 7.1%. In 2015, altogether 3,011 new vehicles were sold. The net profit of the segment of 2015 was 1.5 million euros, showing a smaller profit by 9.6% compared to the year before. The pre-tax profit of the segment in 2015 was 2.0 million euros, remaining at the same level as the previous year`s result. The result was influenced by the sales campaign of Opel cars in stock and there were also several successful public procurements for cars that increased the sales. The stable car trade of the Group in Lithuania and achieving profitability in 2015 are also worth mentioning. The profit was negatively influenced by the write down of value of Ülemiste car showroom by 0.2 million euro.

In 2016, KIA assortment will be extended by several important completely new models, such as SUV KIA Sportage, which is very popular in our region, and KIA Optima and the wagon version of the latter in the middle of the year. KIA will add to its European selection of models a brand new model KIA Niro that KIA has not offered in Europe so far. This is a small hybrid SUV that is offered only with the front-wheel drive. The new OPEL Astra is worth mentioning, as it is being sold from the end of 2015. Regarding Cadillac, the focus is on the new Cadillac Escalade, which arrived at the end of 2015.

Footwear trade

The sales revenue of the footwear trade segment in 2015 was 11.9 million euros, which decreased 10.7% in a year. Though in 2015 the sales revenue in total did not grow, in the fourth quarter, despite especially unfavourable weather conditions, a growth of sales revenue was achieved. December became the most complicated of months because it was exceptionally warm. The loss for the year was 2.6 million euros. The loss increased compared to the previous year by 1.4 million, by which amount the goodwill of the footwear trade segment was written down to 2.1 million euro. The more successful year end allows to believe that the strategic changes introduced in the Group`s footwear segment, such as normalised level of stock, changes in brand portfolio and sales management with the focus on the results, will bear fruit regardless of the continued severe competition situation. By the end of the year, there were 28 footwear stores in the Group with total retail space of 8.8 thousand m².

The biggest challenges for 2016 are the management of brand portfolio at product level, optimising the network of stores and continued improvement of sales efficiency.

Real estate

The external revenue of the real estate segment was 3.7 million euros in 2015. The year-on-year sales revenue increased 12.6%. The pre-tax profit of the real estate segment was 11.4 million euros in 2015, which is 2.6 million or 29.1% better than in the previous financial year. The growth of the sales revenue in 2015 was supported by the successful opening of Viimsi centre in August 2015 and renting out of Rezekne building to a party outside of the Group in Latvia. The profit of the real estate segment was influenced by the change in value of the assets of the segment, which increased the profit by 2.3 million euros.

In addition to Viimsi centre, an important development project in 2015 was the renovation of Tartu Kaubamaja centre, which is intended to be completed in the first quarter of 2016.

The share

Security information

ISIN	EE0000001105
Ticker	TKM1T
Nominal value	0.40 EUR
Total number of securities	40,729,200
Number of listed securities	40,729,200
Listing date	06.09.1996

The shares of Tallinna Kaubamaja Grupp AS are listed on the Tallinn Stock Exchange from 6 September 1996 and in the Main List, from 19 August 1997. Tallinna Kaubamaja Grupp AS has issued 40,729.2 thousand registered shares of the same class, each with the nominal value of 0.40 euros. Common shareholders are entitled to receive dividends when the company distributes them. Each ordinary share gives one vote at the general meeting of shareholders of Tallinna Kaubamaja Grupp AS. The shares are freely transferable, there are no restrictions imposed on them by the articles of association, likewise, there are no restrictions imposed on the transfer of securities concluded between the company and its shareholders. There are no known restrictions imposed on the transfer of securities laid down in the contracts between the shareholders. NG Investeeringud OÜ has direct majority ownership. Shares granting special rights to their owners have not been issued.

The members of the Management Board of Tallinna Kaubamaja Grupp AS have no right to issue or buy back shares of Tallinna Kaubamaja Grupp AS. In addition, there are no commitments between the company and its employees providing for compensation in case of mergers and acquisitions under section 19’ of Securities Market Trade Act.

Dividend policy

In recent years the Group has consistently paid dividends to shareholders. According to the notice of the general meeting of the shareholders published on 2 March 2015, the Management Board proposed to pay 16.3 million euros as dividends that is 0.4 euros per share. The general meeting of shareholders approved the proposal. The amount of a dividend distribution has been determined by reference to:

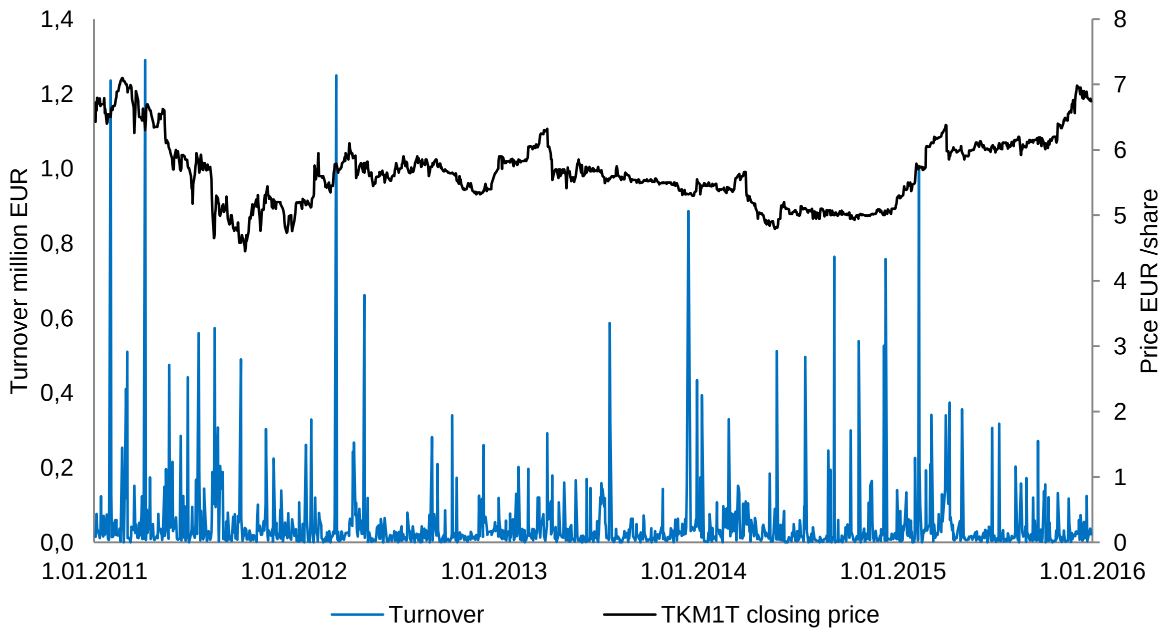
- The dividend expectations of the majority shareholders;
- The overall rate of return on the local securities market;
- The optimal structure capital that is required for the Group’s sustainable development.

At the end of the 2015 the Group had 3,615 shareholders and division of shares is following:

Ownership structure	Number of shareholders	Shareholders%	Shares%	Votes%
Private persons	3,104	85.9%	9.2%	9.2%
Companies (Estonian)	459	12.7%	3.6%	3.6%
Financial institutions (other countries)	12	0.3%	3.3%	3.3%
Companies (other countries)	3	0.1%	0.0%	0.0%
Financial institutions (Estonian)	35	1.0%	10.0%	10.0%
ING LUXEMBOURG S.A.	1	0.0%	6.9%	6.9%
OÜ NG INVESTEERINGUD	1	0.0%	67.0%	67.0%
Total	**3,615**	**100.0%**	**100.0%**	**100.0%**

Number of shares	Number of shareholders	Shareholders%	Shares%	Votes%
1–100	803	22.2%	0.1%	0.1%
101–1,000	1,840	50.9%	2.0%	2.0%
1,001–10,000	888	24.6%	5.6%	5.6%
10,001–100,000	64	1.8%	4.1%	4.1%
100,001–1,000,000	18	0.5%	14.2%	14.2%
1,000,001– …	2	0.1%	73.9%	73.9%
Total	**3,615**	**100.0%**	**100.0%**	**100.0%**

Share price and trading statistics in Tallinn Stock Exchange during 01.01.2011 - 31.12.2015



Share trading history

In euros

	2011	2012	2013	2014	2015
Average number of shares (1000 pcs)	40,729	40,729	40,729	40,729	40,729
Traded shares (pcs)	3,136,128	1,907,270	1,757,026	2,368,070	1,933,408
Dividend / net profit	66%	68%	35%	80%	96%*
P/E	9.1	10.7	12.4	10.2	12.4
P/BV	1.4	1.5	1.3	1.2	1.5
Opening price	6.37	4.845	5.5	5.35	5.1
Share price, highest	7.19	6.13	6.37	5.69	7.0
Share price, lowest	4.35	4.845	5.3	4.79	5.03
Share price, at the year-end	4.813	5.48	5.3	5.1	6.74
Share price, yearly average	5.77	5.59	5.67	5.15	6.07
Turnover (million)	17.96	10.70	9.95	12.19	11.6
Capitalisation (million)	196.03	223.20	215.86	207.72	274.51
Earnings per share	0.5	0.5	0.4	0.5	0.5
Dividend per share	0.35	0.35	0.15	0.40	0.52*
Equity per share	3.4	3.6	4.1	4.3	4.4

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

Corporate responsibility

Tallinna Kaubamaja Group feels very strongly about the implementation of principles of corporate responsibility in daily business. Our objective is to develop an environmentally friendly, responsible and sustainable approach in every activity, starting from the simplest daily tasks to extensive investment projects.

For Tallinna Kaubamaja Group, responsibility and sustainability is much more than merely compliance with external requirements, because it is an integral part of our business.

- We act responsibly, taking into account the impact of our activity on the ambient natural environment, the health and quality of life of residents and interlinkage with the interests of various stakeholders.
- We fulfil the requirements that govern our activity; however, we are committed to go beyond what is required of us.
- We value the natural environment in which we operate; therefore, we use resources sustainably and constantly seek new solutions for more sustainable consumption. To build environmental awareness in society, we encourage and support others in developing such awareness.
- We wish to contribute and offer success experience to those that require more help and attention in society.
- We wish to support our clients, create value for our shareholders and contribute to the economy.
- We wish to be a good neighbour in our community; consequently, we support and encourage activities related to environmental care and healthy lifestyle.

An encompassing responsible and environmentally sustainable thinking, which is one of our success factors, is integrated into all businesses and processes of Tallinna Kaubamaja Group. This approach is not solely care for natural resources, but includes honest and open dialogue with employees, clients, suppliers and all other stakeholders.

Concurrent with the objective to achieve the best possible efficiency, we focus on environmental protection in our daily business and try to minimise the impact of our operations on the environment.

It is important for us to prove our social and environmental responsibility by being open in communication. We are ready to give competent information about all Group companies, their strategies and objectives, as well as talk about less important daily issues. With the level of development of technology in present world, a long-term success can be achieved only with an honest and open dialogue and collaboration with all stakeholders.

Social responsibility

Tallinna Kaubamaja Group is aware of its role and responsibility in society, which are reflected in the social responsibility principles accepted throughout the organisation:

- We consider Selver chain stores as regional centres where we have assembled several public services important for society.
- We prefer local products and we have been working with Estonian small producers for years.
- We hold events that promote local design and producers at our department stores and stores.
- We are active in sponsoring activities and programmes and organise several charitable campaigns.
- We have helped create jobs and we contribute to the nation’s tax revenues.

In 2015, Tallinna Kaubamaja Group companies paid altogether 48.2 million euros as taxes to the state and local authorities, a growth of 4.5% in a year (2014: 46.1).

Some examples of activities of Tallinna Kaubamaja Grupp AS companies:

- From 1994, Tallinna Kaubamaja has been a godparent for white-tailed eagles at Tallinn Zoo.
- Tallinna Kaubamaja has supported the Male Choir of Tallinn University of Technology for over 11 years.
- In collaboration with Uuskasutuskeskus (Re-use Centre), stationary collection points for second-hand clothes and footwear have been opened in Kaubamaja. We have donated materials used during promotional campaigns for re-use to childcare institutions and as material for handicraft to special needs people.
- During last eight years, Kaubamaja has conducted campaigns in cooperation with several charity organisations and collected money for an animal shelter, big families etc. In our charitable activity, we have primarily focused on projects related to children. There have been many smaller scale undertakings related to children and childcare institutions, such as singing competitions, sports days, school parties, where Kaubamaja has awarded the best with mementos. In 2015, in cooperation with our clients and employees, we donated corporate and Christmas presents’

money and revenue from the Christmas sale of charitable products to Eesti Vähihaigete Laste Vanemate Liit (Estonian Association of Parents of Children with Cancer).

- Within the framework of 2014–2015 project “Jõulusoovide puu” (Christmas wish tree), Kaubamaja employees in co-operation with SEB Heategevusfond gave presents to children of shelters and substitute homes.
- Kaubamaja values Estonian fashion and promotes the work of Estonian designers in every way. Estonian products are specially labelled in Kaubamaja to introduce local design also to tourists. There is a separate area allocated for the work of Estonian fashion designers in the women’s fashion department of Tallinna Kaubamaja and several displays as window and in-store displays introducing Estonian design were organised during the year. Future fashion designers are also important for Kaubamaja – we encourage schools to organise fashion shows and help them with awards. For example, we support the organisation of young people’s fashion events “MoeP.A.R.K.” and “NoorMood”.
- Kaubamaja and Selver joined with the Diversity Charter in 2012 thereby committing to adhere to the principle of equal treatment and opportunities. We focus on developing diversity in our Group. In a company where employee diversity is valued, be it different age or ethnicity, or employees with special needs, there is more knowledge, skills, experience, perspectives and a more tolerant working environment. We believe that this helps us offer better service to our clients.
- For the thirteenth year in a row, Selver has organised a charitable project “Koos on kergem” (It Is Easier Together), the aim of which is to donate money to children’s and maternity departments of hospitals. In every store, money is gathered for the local county hospital. 113,500 euros was collected in 2015 (in 2014 104,000 euros).
- In recent years, Selver had cooperated with various charitable organisations, such as Shalom, Food Bank, SAK Fond and congregations to donate foodstuff nearing the best before end date to needy families. Presently, almost 30 Selver stores participate in these projects.
- Selver consistently supports animal parks at Elistvere and Alaveski and Tartu animal shelter.
- Selver continues to support youth sports and is a title sponsor of the volleyball club Selver Tallinn. The objective of the club is to promote volleyball in Estonia, but also to work with young people and promote professional sports. The club activity includes:
    - First team: Selver Tallinn;
    - Club for young to raise the next generation of players: Selver/Audentes;
    - Promotion of youth sports: Audentes Volleyball School;
    - Playing beach volleyball: Caparol Beach Volleyball Centre.
    - In 2015, Selver continued to support the football club FC Flora.
- Selver is the title sponsor of Linnajooks (City Runs). The series include altogether seven runs organised all over Estonia: Tartu Spring Run, Rapla Selver Great Run, Narva Energy Run, Estonian Night Run in Rakvere, Jüri Jaanson’s Two Bridge Run in Pärnu, SEB Tallinn Marathon, Paide-Türi Run. Selver is also a sponsor of The Moonsund Regatta.
- Selver supports smaller and larger cultural projects, mainly outside larger cities. Saaremaa Opera Festival, Hiiumaa church concerts, Viljandi Folk Festival, Järvi Festival, Hiiu Folk and Pärnu Grillfest were supported in 2015. In addition, several smaller cultural projects were supported.

Wellbeing and motivation of personnel

Tallinna Kaubamaja Group is one of the biggest employers in Estonia. In 2015, our Group employed on an average 3,946 people and the number of employees grew 3.2% compared to 2014 (2014: 3,824).

As of the end of 2015, almost 97% of our employees were employed under permanent employment contracts and 3% under fixed-term employment contracts. Tallinna Kaubamaja Group offers also an option to work part-time in response to employees’ wishes and opportunities. As of the end of 2015, almost 13% of our employees worked part-time.

The success of companies belonging to Tallinna Kaubamaja Group is based on loyal, committed and results-oriented employees. We value long-term and lasting work relationships that provide our employees with stability in their everyday life and develop their competence over years, thereby improving the Group’s competitiveness.

The main objective of personnel management is to maintain a sophisticated recruiting and selection process and following targeted development of employees and creation of a working environment supporting it. Various training and evaluation programmes and other incentives support employees’ readiness to serve, their focus on results and commitment in our companies.

The Group values highly the experience of its employees, supporting a long-term stable career of employees (both vertical and horizontal) within the company. Employees are offered specialised refresher trainings in Estonia as well as abroad. The Group's total number of training hours exceeded 11,000 in 2015, which is 35% more than the year before. The number of training hours per employee, which was on an average 2.8 hours in 2015 (2014: 2.2), also increased. Internal trainings carried out by specialists in companies play an important role in the development of employees, and we have been continuously increasing their volume and selection to meet the employees` expectations.

Kaubamaja internal training offers high-level service and teamwork training. Systematic management of service, where training, evaluation and feedback form an integral whole, enabled Kaubamaja to maintain and improve the level of service in 2015. Experienced managers, specialists and Service Club members that share their experience act as internal trainers.

Activities were undertaken in Selver to increase the volume of internal training and service training conducted by Selver internal trainers with the aim of improving further the service quality and offer employees an opportunity to learn and develop. While in 2014 1,375 employees participated in Selver's internal training programmes, the number of employees grew to 2,510 in 2015. Our mentoring system, which was introduced last year, functions well and helps to reduce the turnover of employees, ensure a good training of new employees and facilitate their induction to the company. At Selver, internal training is carried out by store managers and specialists of various areas. The internal trainers contribute to the induction process of new employees as well as refresh the knowledge of experienced employees.

In companies, the focus is still on the development of managerial competences. In 2015, several interesting lecturers made presentations to Kaubamaja managers to share their remarkable practical managerial experience.

To prepare new employees and improve the efficiency of the induction period, training programmes have been drawn up in the Group. The programmes are carried out by several specialists, whose experience gained during their long-term service ensures high quality of training and good learning results. New managers are appointed a mentor for their induction period and a sophisticated instructional system functions also to support induction of new employees. The continued development and motivation of employees are ensured by a system of evaluation and competence levels, which corresponds to the main values of companies and job positions competence models.

To ensure a new generation of employees, Tallinna Kaubamaja Group has offered students various practical training opportunities. In 2015, we offered practical training opportunities altogether to 99 young people. Our Group companies cooperate closely with vocational institutions and other educational institutions all over Estonia by offering them a place of apprenticeship and being a cooperation partner in training. We have also helped our employees that are students in their writing of their course and final papers offering them the opportunity to use the Group companies as their object of research. This approach helps the Group companies to raise a next generation of forward-looking people that appreciate development. In 2015, we continued our active cooperation with the Estonian Unemployment Insurance Fund to offer practical training and free positions for job seekers. In 2013, Selver made an employment and cooperation agreement with the Unemployment Insurance Fund with the aim of finding various additional cooperation opportunities for recruiting of employees and refresher trainings. Tallinna Kaubamaja Group has contributed together with the Unemployment Fund to improving employment of disabled persons and has offered positions to people that are at a disadvantage to compete in the labour market.

In its operations, Tallinna Kaubamaja Group is guided by the principle that a safe working environment is one of the fundamental rights of our employees. We have created a system of measures to ensure safe working environment and occupational health that includes medical examination, regular training in safety requirements (including fire safety and first aid), conducting risk analyses and supplying employees with protective equipment. We have built up a system in the Group to involve working environment representatives in maintaining a healthy working environment. In 2015, there were altogether 60 occupational accidents in the Group, which is 20% less than a year before.

We organise joint events that build a foundation for a good atmosphere and cooperation in teams. We celebrate most important holidays together with our employees. A big birthday party for the employees and their companions was organised at Kaubamaja to celebrate the 55th anniversary of Kaubamaja. Selver celebrated its 20th anniversary with a big party where all employees of the company were invited. The Group supports healthy lifestyle among employees by increasing employees' knowledge of how to care for their health and creating a safe and healthy working environment, providing opportunities to be involved in sports, for recreational activities and healthy lunch and rest breaks in a comfortable environment (rest areas), using the family physician service and blood pressure measuring devices, massage stools and massage services. The Group's employees can use individual and team sports opportunities. Our teams participate in various non-professional sports events.

In our Group, we pay attention to maintaining employees' motivation using monetary and non-monetary incentives. The objective of Kaubamaja's incentives system is to ensure coherence of objectives in a way that, in addition to meeting business objectives, ensures client satisfaction and efficiency and development of work processes. In our incentives system, we consider it important to acknowledge a behaviour that is in agreement with the main values. Kaubamaja best service persons and employees are an example for others with their commitment and honouring main values. Employee benefits are related to caring for family and health. A health week for employees was organised, where many health specialists and experts presented their suggestions and shared their knowledge.

Tallinna Kaubamaja Group's labour costs increased altogether 9.5% (wages and salaries cost and social tax cost), which was 50.9 million euros in 2015. The average labour cost per an employee grew 6.3% in 2015 compared to 2014. Wages and salaries have been adjusted to prevent growth of turnover of employees and reduction of efficiency in a situation of diminishing recruitment options.

Responsible products and services

Tallinna Kaubamaja Group has worked many years to develop sustainability of its products and services and procurement. Responsibility is an important part of our procurement process and includes non-discrimination principles, product-specific quality requirements as well as honouring labour and human rights when buying from high social risk countries.

In 2015, over 2,000 suppliers delivered products to Tallinna Kaubamaja Group. 81% of purchases of Tallinna Kaubamaja Group have been made via local suppliers.

In term of social responsibility, Tallinna Kaubamaja Group has suppliers also from high social risk countries, such as some countries in Africa, Asia, South America and Central America. Purchase amounts from these countries are very small and accounted for about 0.15% of all purchases in 2015.

Private label products

1.5% of products purchased by Tallinna Kaubamaja Group are private label products of which 4.7% have been purchased from high social risk countries. The volume of high-risk products varies depending on product category – it is higher for textile products and industrial goods and lower for foodstuff.

Tallinna Kaubamaja Group is responsible for own products and their safety. In order to ensure product safety in our private label procurements we have:

- Identified producers that have the capability to produce products that meet our requirements;
- Identified the location of manufacture of products, including raw materials used therein;
- Checked that producers have required certificates and are compliant;
- Made supply agreements that set down specific requirements on production and raw materials used therein.

The quality and safety of our private label products are constantly monitored. We conduct tests and analyses and listen to client feedback. Products that have already been included in our product selection are tested in accordance with our annual risk control plan. For example, meat and fish products are examined several times in a year, other products less frequently.

Traceability and origin of products

Traceability and identification of origin of products being sold at Tallinna Kaubamaja Group department stores and stores is important for our clients. Because of that we:

- Value local food and offer it to our clients as much as possible;
- Prefer local producers, including small producers;
- Disclose the place of origin of products and raw materials used therein to clients as clearly and simply as possible;
- Monitor working conditions and honouring of human rights in our supply chain.

We are aware of our clients' growing preference to consume primarily local production and foodstuff. To meet this expectation, we have been increasing the selection of local goods in our department stores and stores every year. In Selver chain stores, goods of local origin account for almost 56% of all goods. Our aim is to continue adding and increasing the selection of domestic goods in the following years.

The objective of Tallinna Kaubamaja Group is to know our supply chain very well and ensure its transparency, which helps us identify product related risks and opportunities, and develop a responsible production process. For many years now, we have been making efforts to improve working conditions in our supply chain.

We have disclosed the origin of products and raw materials used therein that are being sold at our Group's department stores and stores as clearly as possible. We have supplied packaging of private label products and foodstuff with information about the origin of the product. In Selver chain stores there are products on sale marked with Fair Trade label that ensure our clients that no child labour has been used to produce these products and the employees have been paid fair wages and salaries.

To implement responsibility in the supply chain, we conduct regular internal audits; we also visit producers' plants to see their production conditions and discuss with them our expectations and their capability to satisfy these expectations.

In Tallinna Kaubamaja Group, consistent care is taken to ensure that the alerting systems agreed with and practiced by the suppliers, and actions to be taken to stop delivery of damaged products or to initiate their immediate recall before they are sold are efficient and function well. In 2015, there were 30 product recall incidents in the Group, which is 12% less than a year before.

If we have any reason to doubt that a product sold to clients is damaged and may be a risk to their health, product recall will be immediately initiated and coordinated. This principle is applied similarly in all EU countries. There were five such incidents in our department stores and stores in 2015 (2014: 1).

Furthermore, daily monitoring measures are in place in grocery departments of our department stores and stores to ensure freshness and quality of products. If a product is damaged for any reason, it will be removed immediately.

Packaging

Tallinna Kaubamaja Group prefers environmentally friendly packaging and offers an alternative to plastic material. Paper and textile bags are available at our department stores and stores. We sold altogether 82,671 textile bags in 2015 (2014: 71,497), which is 16% more compared to the previous year. In addition to common small-size plastic bags, Selver chain stores offer environmentally friendly and reusable mesh bags for packing fruits and vegetables.

100% of paper and plastic packaging waste generated in Selver chain stores is recycled. In order to reduce the volume of transport and storage of transport packaging, Selver uses Bepco easily assembled and resistant transport packaging in its logistics process.

To prevent release of hazardous waste to the nature, waste containers have been installed to Tallinna Kaubamaja Group department stores and stores. This way, our clients have an easy way to dispose of their used batteries, small electronic devices, and paper, glass and plastic packaging. We have installed bottle-recycling machines near all grocery stores that collect beverage bottles carrying an appropriate package deposit marking.

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. Tallinna Kaubamaja Group follows largely the Corporate Governance Code despite their indicative nature. Below is a description of the management principles of Tallinna Kaubamaja Group and general meetings held in 2015 and justification is given in the events when some clauses of the Code are not followed.

General meeting

Exercise of shareholders' rights

The general meeting of shareholders is the highest governing body of Tallinna Kaubamaja Group. 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 Group published a notice convening the general meeting through information system of the NASDAQ OMX Tallinn Stock Exchange as well as on its website on 2 March 2015 and through a daily newspaper Eesti Päevaleht on 3 March 2015. The Group 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 examines the annual report on its website and in its office at Gonsiori 2, Tallinn, starting from 2 March 2015.

The general meeting of shareholders of Tallinna Kaubamaja Group was held in the conference centre of Nordic Hotel Forum, Viru väljak 3, Tallinn, on 26 March 2015 beginning at 16.00 p.m. The resolutions made at the general meeting are published in the press releases on the website of NASDAQ OMX Tallinn Stock Exchange and on the website of Tallinna Kaubamaja Group.

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 2015 was Estonian and the meeting was chaired by the general lawyer of the Tallinna Kaubamaja Group Helen Tulve. The meeting was also attended by the chairman of the Supervisory Board Jüri Käo, members Andres Järving and Gunnar Kraft, member of the Management Board Raul Puusepp and auditor Ago Vilu from PricewaterhouseCoopers AS. 78.35% of the votes represented by shares were present at 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.

Tallinna Kaubamaja Group did not consider it expedient to use the internet to organise its monitoring and participation in the general meeting due to the lack of the necessary technical resources.

Considering the aforementioned descriptions of general meetings held in 2015, the Group has largely 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 Group that represents and directs the Group on a daily basis. In accordance with the articles of association, the Management Board may have one to six members. In accordance with the Commercial Code, members of the Management Board of Tallinna Kaubamaja Grupp AS are elected by the Supervisory Board. 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 Grupp AS has one member. The term of office of the Management Board member Raul Puusepp was extended on 21 February 2014 and his term of office will expire on 6 March 2017.

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 is paid a membership fee and he may receive performance pay according to the results of operations of the Group. The remuneration, including social security taxes, paid for 2015 to the Chairman of the Management Board amounted to 161 thousand euros (in 2014, 121 thousand euros) and the calculated fees, including social security taxes, amounted to 130.7 thousand euros (for 2014 the performance pay in amount of 47.5 thousand euros was paid).

Unlike clause 2.2.1 of the Corporate Governance Code, the Management Board of Tallinna Kaubamaja Grupp AS consists of one member. It is a historical tradition, but at the same time the management team of the parent company has three members.

All resolutions are adopted by the Management Board in collaboration with the parent's company management Supervisory Board. Under the direction of the parent company, close cooperation is carried out with the leaders of subsidiaries and the people responsible for respective areas. The Group believes that such a division protects the best the interests of all shareholders and ensures sustainability of the Group.

Supervisory Board

The Supervisory Board plans the activities of Tallinna Kaubamaja Group, 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 Group, conclusion of real estate transactions, adoption of the investment budget and annual budget prepared by the Management Board. The meetings of the Supervisory Board are regularly held. In 2015, 12 scheduled meetings and 1 extraordinary meeting of the Supervisory Board were held and in 2014, 12 scheduled meetings and 1 extraordinary meeting was 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 26 March 2015, Andres Järving, Jüri Käo, Enn Kunila, Meelis Milder and Gunnar Kraft were elected as the members of the Supervisory Board. Authorities of the current members of the Supervisory Board: Andres Järving, Jüri Käo, Enn Kunila, Meelis Milder and Gunnar Kraft will expire on 19 May 2018. By the decision of the Supervisory Board, Jüri Käo continued as the Chairman of the Supervisory Board, he has been a member of the Supervisory Board of Tallinna Kaubamaja Group from 1997 and has been a Chairman of the Supervisory Board in 2000-2001 and 2009-2015.

According to the decision of the annual general meeting on 26 March 2015, the monthly remuneration of the Supervisory Board member of Tallinna Kaubamaja Grupp AS is 1,000 euros; the Chairman of the Supervisory Board receives 1,200 euros monthly. In the year 2015, the remuneration for the members of the Supervisory Board, payroll tax included, was 83 thousand euros, of which the remuneration of the Chairman of the Supervisory Board was 19 thousand euros (in 2014, 83 thousand euros, of which the remuneration of the Chairman of the Supervisory Board was 19 thousand euros). Additionally, the members of the Supervisory Board received remuneration for participating in the work of the audit committee in the total sum of 17 thousand euros, payroll tax included, of which the Chairman of the Supervisory Board received 5 thousand euros (in 2014, 17 thousand euros, of which the Chairman of the Supervisory Board received 5 thousand euros).

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 Group. The Management Board, management and the Supervisory Board jointly participate in development of the strategy of the Group. 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 Group's activities, and separately draws attention to any important changes in the business activities of Tallinna Kaubamaja Group. 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 Group 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 Grupp AS do not provide for a larger majority requirement.

Disclosure of information

Tallinna Kaubamaja Group 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 Group's website www.tkmgroup.ee contains general introduction of the Group and key employees, press releases and reports. The annual and interim reports include information on the strategy and financial results of the Group 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 Group publishes the annual report once each year and interim reports during the financial year. The Audit Committee members contribute to the process of preparing the annual report primarily for surveillance purposes. A meeting of the Supervisory Board, where the annual report is reviewed, is also attended by the auditor of the Group at the invitation of the Supervisory Board. The annual report, which is signed by the members of the Management Board and Supervisory Board, is submitted to shareholders for examination.

Audit Committee

The Audit Committee of Tallinna Kaubamaja Grupp AS was established in March 2010, its statutes were approved at the meeting of the Supervisory Board of Tallinna Kaubamaja Grupp AS held on 21 May 2010.

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

- adherence to accounting principles;
- preparation and approval of the financial budget and reporting;
- sufficiency and effectiveness of performing an external audit;
- development and functioning of an internal control system (incl. risk management);
- monitoring of the legality of the Group's operations. The Audit Committee separately participates in guaranteeing the independence of the process and activities of an external audit, and planning and assessment of an internal audit.

In performing its tasks, the Audit Committee collaborates with the Supervisory Board, the Management Board, internal and external auditors and if necessary, external experts.

The Audit Committee has 5 members, at least half of whom are appointed from among the members of the Supervisory Board. The members are appointed by the Supervisory Board for three years. The Supervisory Board of Tallinna Kaubamaja Grupp AS appointed Andres Järving, Gunnar Kraft, Jüri Käo, Kaia Salumets and Kristo Anton as the members of the Audit Committee.

The Audit Committee prepares an annual summary report about meeting the goals sets in the statutes and presents it to the Supervisory Board.

Based on its duties, the Audit Committee provides ongoing evaluations and makes proposals to the Supervisory Board, the Management Board, the internal audit and/or an external audit provider.

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

Plans for 2016

The most important development plans and objectives of Tallinna Kaubamaja Group for 2016 are:

- Continued growth of the Group's market share
- Improving profitability
- Increasing the number of Selver stores by four stores and renovation of two Selver stores
- Expanding e-Selver in terms of geography and volume and improving the process
- Expanding the SelveEkspress self-scan service
- Opening of a Kaubamaja permanent e-store
- Initiating the designing of a new Kaubamaja Tallinn building
- Improving the profitability of the footwear segment
- Developing the technology and product base of the Kulinaaria's central kitchen
- Expanding import of beauty brands fitting the Group's different formats
- Developing the marketing capability of the Partner programme
- Increasing the market share of security business
- Expanding the car trade businesses
- Finding business expansion opportunities

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 financial year and provides an overview of important transactions with the related parties.

Raul Puusepp
Chairman of the Management Board

Tallinn, 25 February 2016

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 Grupp AS consolidated financial statements for the year 2015 as set out on pages 24-65.

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 Grupp AS and its subsidiaries are going concerns.

Raul Puusepp
Chairman of the Management Board

Tallinn, 25 February 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in thousands of euros

	Note	31.12.2015	31.12.2014
ASSETS			
Current assets			
Cash and cash equivalents	5	13,911	24,626
Trade and other receivables	6	20,191	17,938
Inventories	8	61,110	56,876
Total current assets		**95,212**	**99,440**
Non-current assets			
Long-term trade and other receivables	11	293	338
Investments in associates	10	1,778	1,778
Investment property	12	44,963	3,035
Property, plant and equipment	13	196,691	227,914
Intangible assets	14	9,043	10,402
Total non-current assets		**252,768**	**243,467**
TOTAL ASSETS		**347,980**	**342,907**
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings	15	33,377	20,405
Trade and other payables	17	77,066	70,317
Total current liabilities		**110,443**	**90,722**
Non-current liabilities			
Borrowings	15	57,426	77,663
Provisions for other liabilities and charges		502	692
Total non-current liabilities		**57,928**	**78,355**
TOTAL LIABILITIES		**168,371**	**169,077**
Equity			
Share capital	19	16,292	16,292
Statutory reserve capital		2,603	2,603
Revaluation reserve		65,701	67,159
Currency translation differences		-255	-255
Retained earnings		95,268	88,031
TOTAL EQUITY		**179,609**	**173,830**
TOTAL LIABILITIES AND EQUITY		**347,980**	**342,907**

The notes presented on pages 29 - 65 form an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

in thousands of euros

	Note	2015	2014
Revenue	20	555,447	535,045
Other operating income	12	5,140	715
Cost of sales	8	-416,134	-403,716
Other operating expenses	21	-50,776	-50,027
Staff costs	22	-50,890	-46,493
Depreciation, amortisation and impairment losses	13,14	-15,234	-10,970
Other expenses		-609	-767
Operating profit		**26,944**	**23,787**
Finance income	23	12	24
Finance costs	23	-1,144	-1,494
Finance income on shares of associates	10	142	172
Profit before income tax		**25,954**	**22,489**
Income tax expense	18	-3,883	-2,194
NET PROFIT FOR THE FINANCIAL YEAR		**22,071**	**20,295**
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		0	2
Other comprehensive income for the financial year		**0**	**2**
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		**22,071**	**20,297**
Basic and diluted earnings per share (euros)	24	0.54	0.50

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

The notes presented on pages 29 - 65 form an integral part of these consolidated financial statements.

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CONSOLIDATED CASH FLOW STATEMENT

in thousands of euros

	Note	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit		22,071	20,295
Adjustments:			
Interest expense	*23*	*1,144*	*1,494*
Interest income	*23*	*-12*	*-24*
Depreciation, amortisation and impairment losses	*13,14*	*15,208*	*10,929*
Gain from fair value adjustment of investment property	*12*	*-4,314*	*0*
Loss on sale and write-off of non-current assets	*13*	*26*	*41*
Profit on sale of non-current assets	*13*	*-18*	*-11*
Effect of equity method	*10*	*-142*	*-172*
Income tax on dividends paid	*19*	*3,873*	*1,324*
Corporate income tax paid	*19*	*10*	*1,012*
Change in inventories		-4,227	-4,879
Change in receivables and prepayments related to operating activities		-1,209	2,261
Change in liabilities and prepayments related to operating activities		6,496	2,216
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		**38,906**	**34,486**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment (excl. finance lease)	13	-19,982	-8,982
Proceeds from sale of property, plant and equipment	13	389	83
Purchases of intangible assets	14	-544	-125
Investments in subsidiaries	9	-47	-308
Change in balance of parent company's group account	26	-1,000	-4,000
Dividends received	10	142	105
Interest received	23	12	24
TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES		**-21,030**	**-13,203**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	15	49,005	52,508
Repayments of borrowings	15	-57,214	-47,042
Change in overdraft balance	15	943	1,199
Dividends paid	19	-16,292	-6,109
Income tax on dividends paid	19	-3,873	-1,324
Reduction of share capital	19	0	-8,146
Corporate income tax paid	19	-10	-1,012
Interest paid	23	-1,150	-1,498
TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES		**-28,591**	**-11,424**
TOTAL CASH FLOWS		**-10,715**	**9,859**
Effect of exchange rate changes		0	1
Cash and cash equivalents at the beginning of the period	5	24,626	14,766
Cash and cash equivalents at the end of the period	5	13,911	24,626
Net change in cash and cash equivalents		**-10,715**	**9,860**

The notes presented on pages 29 - 65 form an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in thousands of euros

	Share capital	Statutory reserve capital	Revaluation reserve	Currency translation differences	Retained earnings	Total
Balance as of 31.12.2013	**24,438**	**2,603**	**68,617**	**-257**	**72,387**	**167,788**
Net profit for the reporting period	0	0	0	0	20,295	20,295
Other comprehensive income for the reporting period	0	0	0	2	0	2
Total comprehensive income for the reporting period	**0**	**0**	**0**	**2**	**20,295**	**20,297**
Reclassification of depreciation of revalued land and buildings	0	0	-1,458	0	1,458	0
Reduction of share capital	-8,146	0	0	0	0	-8,146
Dividends paid	0	0	0	0	-6,109	-6,109
Balance as of 31.12.2014	**16,292**	**2,603**	**67,159**	**-255**	**88,031**	**173,830**
Net profit for the reporting period	0	0	0	0	22,071	22,071
Total comprehensive income for the reporting period	**0**	**0**	**0**	**0**	**22,071**	**22,071**
Reclassification of depreciation of revalued land and buildings	0	0	-1,458	0	1,458	0
Dividends paid	0	0	0	0	-16,292	-16,292
Balance as of 31.12.2015	**16,292**	**2,603**	**65,701**	**-255**	**95,268**	**179,609**

Additional information on share capital and changes in equity is provided in Note 19.

The notes presented on pages 29 - 65 form an integral part of these consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 General information

Tallinna Kaubamaja Grupp AS (the Company) and its subsidiaries (together as the Group) are entities engaged in retail trade and provision of related services. Tallinna Kaubamaja Grupp 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 Grupp AS are listed on the NASDAQ OMX Tallinn Stock Exchange. The majority shareholder of Tallinna Kaubamaja Grupp AS is OÜ NG Investeeringud (Note 28), the majority owner of which is NG Kapital OÜ. NG Kapital OÜ is an entity with ultimate control over Tallinna Kaubamaja Grupp AS.

These consolidated financial statements have been authorised by the Management Board on 25 February 2016 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 Tallinna Kaubamaja Grupp AS for the year 2015 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 as investment property which is reported at fair value.

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

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

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

Changes in accounting policies and presentation

In 2015 consolidated annual report the presentation of Statement of profit or loss and other comprehensive income lines has been adjusted to give a better overview of group's financial position. Accordingly 2014 comparatives have been adjusted as following. In 2014 consolidated annual report Statement of profit or loss and other comprehensive income line "Cost of sales" was shown in the amount of 402,233 thousand euros and "Other operating expenses" in the amount of 51,510 thousand euros. In 2015 consolidated annual report in line "Cost of sales" is recorded 403,716 thousand euros and in line "Other operating expenses" is recorded 50,027 thousand euros. Packaging cost of the goods is reclassified in the amount of 1,483 thousand euros. Abovementioned change has no impact to the Group financial results.

Adoption of New or Revised Standards and Interpretations

The following new or revised standards and interpretations became effective for the Group from 01.01.2015. There are no other new or revised standards or interpretations that are effective for the first time for the financial year beginning on or after 01.01.2015 that would be expected to have a material impact to the Group.

Annual Improvements to IFRSs 2012

(effective for annual periods beginning on or after 1 February 2015).

IFRS 8 was amended to require (1) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (2) a reconciliation of segment assets to the entity's assets when segment assets are reported.

The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial.

IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

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IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided.

The Group assesses that there is no impact of application of the amendments to its financial statements.

Annual Improvements to IFRSs 2013
(effective for annual periods beginning on or after 1 January 2015).

IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination. The Group assesses that there is no impact of application of the amendments to its financial statements.

IFRS 15, Revenue from Contracts with Customers
(effective for annual periods beginning on or after 1 January 2018; not yet adopted by the EU).

The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Group is currently assessing the impact of the new standard on its financial statements.

Annual Improvements to IFRSs 2014
(effective for annual periods beginning on or after 1 January 2016).

IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report".

Disclosure Initiative – Amendments to IAS 1
(effective for annual periods beginning on or after 1 January 2016).

The amendments clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The Group assesses that there is no impact of application of the amendments to its financial statements.

IFRS 16, Leases
(effective for annual periods beginning on or after 1 January 2019; not yet adopted by the EU).

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group is currently assessing the impact of the new standard on its financial statements.

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

Disclosures about the primary statements of the Parent

In accordance with the Accounting Act of Estonia, the separate primary statements of the consolidating entity (Parent) are to be disclosed in the notes to the consolidated financial statements. The Parent's primary statements, disclosed in Note 30, have been prepared using the same accounting methods and measurement bases as those that have been used for preparing the consolidated financial statements.

Investments into subsidiaries and associates are reported in the separate primary statements using the equity method starting from this reporting year. The parent company has elected to apply IAS 27 before the effective date, the amendment of which allows companies to use the equity method when reporting investments in subsidiaries, jointly controlled companies and associates in non-consolidated statements.

The parent company changed the principle of reporting subsidiaries and associates as of 1 January 2014 and started to apply the equity method instead of the acquisition cost method, which resulted in an increase of investment into the shares of subsidiaries by 126,248,000 euros and the value of shares of associates by 1,296,000 euros, whereas loans given to

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subsidiaries were written down in the amount of 2,190,000 euros and the retained profit increased in the sum of 125,354,000 euros as at 1 January 2014.

Due to the changed accounting principle, the comparable data of 2014 have been changed as follows:

- The shares of subsidiaries were reported in the sum of 28,327,000 euros, a change of 146,355,000 euros, and the adjusted value of shares of subsidiaries is 174,682,000 euros.
- The shares of associates were reported in the sum of 415,000 euros, a change of 1,363,000 euros, and the adjusted value of shares of associates is 1,778,000 euros.
- Receivables and prepayments were reported in the sum of 10,753,000 euros, a change of 3,314,000 euros, and the adjusted value of receivables and prepayments is 7,439,000 euros.
- The profit for the 2014 financial year was 5,170,000 euros, a change of 19,053,000 euros, and the adjusted profit for the financial year is 24,223,000 euros.

Foreign currency transactions

Functional and presentation currency

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

Accounting for foreign currency transactions

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

Financial statements of foreign entities

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

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

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

Principles of consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

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

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

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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. 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

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volume rebates. The FIFO method is used to account for the cost of industrial goods inventories and the cost of food products. In the car trade segment, the cost of spare parts is recognised by means of the weighted average acquisition cost method and that of cars is recorded on individual cost basis. Inventories are measured in the balance sheet at the lower of acquisition/production cost and net realisable value. The net realisable value is the estimated sales price less estimated expenditures for completion and sale of the product.

Investment property

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

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

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

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

Property, plant and equipment

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

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

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

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

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

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

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

- Land and buildings
  - Land is not amortised.
  - Buildings and facilities 10-50 years

    incl. Renovation of buildings 12-23 years

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▪ Machinery and equipment	3-7 years
▪ Other fixtures and fittings	
- IT equipment and software	3-7 years
- Vehicles and fixtures	5 years
- Capitalised improvements on rental premises	4-10 years

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

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

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

Intangible assets

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

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

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

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

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

Impairment of assets

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

Goodwill

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

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

Finance and operating leases

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

The Group as the lessee

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

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

The Group as the lessor

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

Financial liabilities

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

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

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

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

Provisions and contingent liabilities

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

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

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

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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. As of 01 January 2015 the current tax rate is 20/80 on the amount paid out as net dividends (until 31 December 2014 tax rate was 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 15% in Lithuania on taxable income. Taxable income is calculated by adjusting profit before tax for permanent and temporary differences as permitted by local tax laws.

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

Revenue recognition

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

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

Revenue from the sale of goods – retail sales

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

Revenue from the sale of goods – wholesale

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

Revenue from provision of services

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

Income from joint advertising

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

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Interest income

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

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

Loyalty program

In 2012, the Group implemented a new loyalty programme for customers, which allows Partner Card holders to earn points for purchases and use these points to pay for their future purchases in the Group's six companies. When paying for the purchases, one bonus point equals one euro cent. Points earned during a calendar year will expire at the end of January of the following calendar year. In the first sales transaction, the Group will recognise revenue in the amount paid by the customer, which has been reduced by the value of the bonus points used for future purchases. For the bonus points used in the future, the balance sheet will recognise a liability in the amount of the number of unused bonus points multiplied by one euro cent. Bonus points accumulated during the financial year that will expire by the end of January of the following financial year are determined by the time of preparing the annual report and recognised in the sales revenue, and the liability of bonus points has been derecognised from the balance sheet.

Statutory reserve capital

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

Earnings per share

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

Payables to employees

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

Note 3 Critical accounting estimates and judgements

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

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

- *Determination of the revalued value of land and buildings:* the Group accounts for land and buildings using the revaluation method. For this purpose, management regularly evaluates whether the fair value of revalued non-current assets does not significantly differ from their carrying amount. Management uses expert opinions to determine the fair value of revalued non-current assets, whereby the estimates of external experts for every object are used at least every 4 years. As a result of the impairment test performed in 2015 the carrying value of land and buildings located in Estonia

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was reduced by 239 thousand euros. The valuation performed in 2014 did not reveal significant differences between fair values and carrying value of land and buildings located in Estonia. No significant differences were recognised between fair values and carrying value of land and buildings located in Latvia, carrying value: 13,075 thousand euros as at 31.12.2015 (31.12.2014: 16,210 thousand euros). As at 31.12.2015 the carrying value of land and buildings using revaluation method was 146,755 thousand euros (31.12.2014: 173,944 thousand euros). More detailed information is disclosed in Note 13.

- *Assessment of impairment of buildings under construction:* at each balance sheet date, the Group assesses whether any indications exist of possible impairment of buildings under construction. If such indications exist, an impairment test is performed at each balance sheet date on assets that have been previously impaired. For estimation of the value, the items' value in use is determined. For determining the value in use, the discounted cash flow method is used and the investment value is found. Internal and external valuers were used for determining the value in use. As a result of the impairment test performed in the end of 2015 buildings under construction located in Estonia (carrying value: 12,142 thousand euros as at 31.12.2015) was reduced by 1,448 thousand euros. Buildings under construction located in Latvia were reduced by 587 thousand euros as impairment. Valuation performed in the end of 2014 financial year did not reveal significant differences between value in use and carrying value buildings under construction located in Estonia. Also no significant differences were recognised between fair values and carrying value of buildings under construction located in Latvia (carrying value: 18,316 thousand euros as at 31.12.2014). See more detailed information in Note 13.

- *Assessment of impairment of goodwill:* at least annually, the Group evaluates possible impairment of goodwill which arose in the acquisition of subsidiaries. For the purpose of determining the value, the fair value is determined for cash-generating units which goodwill has been allocated to. For determining the value in use, management has forecast future cash flows of cash-generating units and selected an appropriate discount rate for determining the present value of cash flows. As at 31.12.2015, the carrying value of goodwill was 5,373 thousand euros (2014: 6,710 thousand euros). The results of the impairment tests performed in the financial year showed that recognition of impairment of goodwill was necessary in footwear segment in the amount of 1,441 thousand euros. In 2014 no recognition of impairment of goodwill was necessary. More detailed information is disclosed in Note 14.

- *Estimation of the useful lives of property, plant and equipment:* the Group owns several in the recent past completed sales areas, the useful lives of significant components of which have been estimated using the data of technical project documentation and historical data. Actual useful lives may differ from those initially estimated by management. Had the useful lives of buildings been extended by 10%, the Group's depreciation cost for 2015 would have decreased by 356 thousand euros (323 thousand euros for 2014).

Note 4 Risk management and description of key risks

Managing risks associated with the Group's business is an important and integral part of the Group's management. The supervisory boards of companies in cooperation with the managements and audit committee of the Group regularly analyse the risks of companies and the risk mitigation. The audit committee analyses the management plans of identified risks and the assessed risk levels. The executive managements identify and assess risks, prepare risk management plans and make proposals for the allocation of resources to deal with the most important risks, if necessary. The internal audit department together with managements promote risk awareness and introduction of risk management into the processes and to the employees.

The Group's ability to identify, measure and manage various risks has a significant effect on the profitability of the Group. In the Group, risk management is arranged by applying a common method that governs identification, assessment, prioritising and handling of risks. A risk is defined as a possible future event or scenario that may influence the achievement of objects of the Group and/or its companies. Every year, risks are identified and assessed in all Group companies. Risk management involves assessing the effect and likelihood of realisation of risks, and classifying and categorising risks. Risk management is coordinated by the head of the internal audit department that reports regularly to the audit committee. The tasks of the audit committee include risk-related monitoring and preparing a risk report.

Management of financial risks

The Group's activity may be associated with exposure to several financial risks, of which liquidity risk, credit risk and market risk (including foreign exchange rate risk, interest rate risk and price risk) have the most significant impact. Managing financial risks falls within the competence of the management board of the parent company, and it involves identification, measurement and management of risks. The objective of financial risk management is the mitigation of financial risks and reducing the volatility of financial performance results. The supervisory board of the parent company oversees that measures are taken by the management board to manage risks. The Group systematically analyses and manages risks through the financial unit, which is involved in financing the parent company and its subsidiaries, and consequently, in managing liquidity risk and interest rate risk. Managements and financial units of subsidiaries also analyse and manage risks. Assistance of the specialists of the principle shareholder NG Investeeringud OÜ is used in risk management.

All the financial assets of the Group are included in the category "Loans and receivables" and they comprise cash and cash equivalents (Note 5), trade receivables (Note 7), other short-term receivables (Note 6) and other long-term receivables (Note

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11). All financial liabilities of the Group are gathered under the category “Other financial liabilities” and they include loan liabilities (Note 15), trade creditors (Note 17), interest payable, other accrued expenses and rental prepayments of tenants (Note 17).

Market risk

Foreign currency risk

Foreign exchange risk is a risk that the fair value of financial instruments or cash flows will fluctuate in the future due to changes in foreign exchange rates. The financial assets and liabilities denominated in euros are deemed to be financial assets and liabilities free of foreign exchange risk. To manage the foreign exchange risk of the Group, most of the contracts are concluded in euros. As of the end of the accounting period, the Group did not have any major financial assets and liabilities fixed in some other currency than the euro. The Group has assessed its foreign-exchange risks in current financial year and does not see any reason to use additional measures to manage the foreign exchange risk.

The Group operates through its subsidiaries both in Latvia and Lithuania. Latvia joined the euro zone on 1st of January 2014 and Lithuania joined the euro zone of 1st of January 2015. Accordingly the Group has no foreign exchange risk related to Latvian and Lithuanian subsidiaries.

Cash flow and fair value change interest rate risk

Interest rate risk is such risk whereby an increase in interest expenses due to higher interest rates may significantly impact the profitability of the Group’s operations. The Group’s interest-rate risk mainly arises from long-term loan commitments.

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

In 2015, the 6-month EURIBOR decreased from 0.169% at the beginning of the year to the year-end -0.04%. In the beginning of 2016, EURIBOR has been stable at average level of -0.04%. Business analysts estimate that EURIBOR will not rise in 2016 enough to significantly affect the Group’s financial performance results.

Had the interest rates for financial liabilities with a floating interest rate been 1 percentage point higher as at 31 December 2015 (31 December 2014: 1 percentage point), the Group’s financial cost would have increased by 944 thousand euros (2014: 947 thousand euros). Had the interest rates been 0.1 percentage point lower as at 31 December 2015, the Group’s financial cost would have decreased by 94 thousand euros (2014: as at 31 December 2014 changed by 0.1 percentage point and by 95 thousand euros).

During the interest rate analysis, different options to hedge risks are considered. Such options include refinancing, renewal of existing positions and alternative financing. During the financial year and the previous financial year, the management evaluated and recognised the extent of the interest-rate risk. However, the Group has not entered into transactions to hedge the interest-rate risk with financial instruments, as it finds the extent of the interest-rate risk to be insignificant.

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

in thousands of euros

	31.12.2015	31.12.2014
Rates changing during 3 months	16,399	16,383
Rates changing during 3 – 6 months	74,404	81,685
Total borrowings at floating interest rate	**90,803**	**98,068**
Total borrowings	**90,803**	**98,068**

Credit risk

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

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

- Deposits and cash in bank accounts in domestic credit institutions – the domestic credit institution has an activity licence as required by the Credit Institutions Act and the credit rating of its parent bank by Moody’s rating agency is at least A2 and the rating perspective is set at least as stable or equivalent;

- Deposits and cash in bank accounts in foreign credit institutions– the credit rating of the foreign credit institution as provided by Moody's rating agency is at least A2 and the rating perspective is set at least as stable or equivalent;
- Interest and money market funds – the management company has an activity licence as prescribed by the Investment Funds Act and the weighted average of the investments (enterprises) comprising the fund has been given Moody's credit rating Baa3 at the least.

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

- Assuring liquidity;
- capital retention;
- earning income.

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

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

	31.12.2015	31.12.2014
Aa3	13,329	5,631
A1	0	18,445
Total	**13,329**	**24,076**

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

As at 31 December 2015, the maximum credit risk arising from receivables is in the amount of 17,809 thousand euros (2014: 15,976 thousand euros).

Due to the specific nature of retail sales, the Group is not exposed to any major credit risk. Possible credit risk related to receivables is primarily attributable to non-collection of rental income, but this risk does not represent a major risk for the Group.

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

	31.12.2015	31.12.2014
Not due	16,862	14,839
Incl. receivables from the group account	5,000	4,000
Incl. receivables from card payments	2,083	1,924
Incl. trade receivables	7,254	7,107
Incl. other receivables	2,525	1,808
Overdue < 3 months	878	980
Overdue 3 - 6 months	36	111
Overdue 6 - 12 months	28	29
Overdue > 12 months	5	17
Total receivables	**17,809**	**15,976**

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

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

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Liquidity risk

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

Liquidity, i.e. the existence of adequate financial resources to settle the liabilities arising from the activities of the Group is one of the priorities of Tallinna Kaubamaja Grupp AS. For more efficient management of the Group's cash flows, joint group accounts of the Parent and its subsidiaries have been set up at the banks which enable the members of the group accounts to use the monetary funds of the Group within the limit established by the Parent. In its turn, this group as a subgroup has joined the contract of the group account of NG Investeeringud OÜ. The group accounts have been opened in Estonia. To manage liquidity risk, the Group uses different sources of financing, including bank loans, overdraft, regular monitoring of trade receivables and delivery contracts.

Cash flow forecasting is performed in the operating entities of the Group in and aggregated by group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, at all times so that the Group does not breach borrowing limits or covenants.

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

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

In thousands of euros	< 3 months	3-12 months	1-3 years	3-5 years	after 5 years	Total 31.12.2015
Borrowings	6,530	25,473	41,795	18,606	0	92,404
Financial liabilities (Note 17)	64,503	0	0	0	0	64,503
Total	**71,033**	**25,473**	**41,795**	**18,606**	**0**	**156,907**

In thousands of euros	< 3 months	3-12 months	1-3 years	3-5 years	after 5 years	Total 31.12.2014
Borrowings	3,009	18,515	35,979	40,957	2,374	100,834
Financial liabilities (Note 17)	59,568	0	0	0	0	59,568
Total	**62,577**	**18,515**	**35,979**	**40,957**	**2,374**	**160,402**

For calculating future cash flows, the floating interest rates prevailing at the balance sheet date of 31.12.2015 and 31.12.2014, have been used.

As at the end of the financial year, the Group had available funds in the amount of 13,911 thousand euros (2014: 24,626 thousand euros). The Group follows its established credit risk management strategy when investing its cash flow surplus. As at 31 December 2015, the Group had deposits in the amount of 5,000 thousand euros into the joint group account through its parent company NG Investeeringud OÜ (4,000 euros as at 31.12.2014 was deposited).

Working capital was negative by 15,231 thousand euros (2014: positive by 8,718 thousand euros) as at 31 December 2015. On the one hand, the negative change in working capital was due to the decrease in monetary resources in 2015 mainly because of investments made on account of own resources; on the other hand, the amount of short-term debt increased significantly because of several long-term bullet loan repayments at the end of their term in 2016 in the sum of 19,343 thousand euros, which were reported under current liabilities. Therefore, the quick ratio of the Group (current assets minus inventories / current liabilities) decreased to 0.31 in 2015, whereas the ratio was 0.47 in 2014. In January 2016, the Group extended the term of one bullet loan repayment in the sum of 4,542 thousand euros to 2019 on more favourable terms and conditions. The other loans that will expire in 2016 are intended to be refinanced in the first half of 2016. In the estimate of the management, the Group does not have liquidity issues and there is no difficulty in the performance of duties.

Capital management

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

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Following a common practice in retail business, the Group uses the debt to equity ratio, which is calculated as net debt to total equity, to monitor its proportion of capital. As at 31 December 2015, the ratio was 30% and compared to 31 December 2014 when the ratio was 30%, it has not changed.

in thousands of euros

	31.12.2015	31.12.2014
Interest-bearing liabilities (Note 15)	90,803	98,068
Cash and cash equivalents (Note 5)	-13,911	-24,626
Net debt	**76,892**	**73,442**
Equity	179,609	173,830
Total equity and interest-bearing borrowings	**256,501**	**247,272**
Debt to equity ratio*	30%	30%

**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. 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. Fair value of financial instruments is level 3.

Note 5 Cash and cash equivalents

in thousands of euros

	31.12.2015	31.12.2014
Cash on hand	582	550
Bank accounts	11,488	22,325
Cash in transit	1,841	1,751
Total cash and cash equivalents	**13,911**	**24,626**

Note 6 Trade and other receivables

in thousands of euros

	31.12.2015	31.12.2014
Trade receivables (Note 7)	10,284	10,167
Receivables from Parent (Note 26)	5,000	4,000
Other short-term receivables	2,490	1,774
Total financial assets from balance sheet line "Trade and other receivables"	**17,774**	**15,941**
Prepayment for inventories	1,741	1,154
Other prepaid expenses	590	553
Prepaid rental expenses	77	160
Prepaid taxes (Note 18)	9	130
Total trade and other receivables	**20,191**	**17,938**

Note 7 Trade receivables

in thousands of euros

	31.12.2015	31.12.2014
Trade receivables	7,211	7,554
Provision for impairment of trade receivables	-37	-59
Receivables from related parties (Note 26)	1,027	748
Credit card payments (receivables)	2,083	1,924
Total trade receivables	**10,284**	**10,167**

Note 8 Inventories

in thousands of euros

	31.12.2015	31.12.2014
Goods purchased for resale	60,358	56,133
Raw materials and materials	752	743
Total inventories	**61,110**	**56,876**

The income statement line "Cost of sales" includes the allowances and write-off expenses of inventories and inventory stocktaking deficit as follows:

in thousands of euros

	2015	2014
Write-down and write-off of inventories	7,995	8,265
Inventory stocktaking deficit	1,843	1,764
Total materials and consumables used	**9,838**	**10,029**

The basis for inventory write-down is their aging structure and in case of fashion goods, the seasonality. The carrying amount of inventories is adjusted through the allowance account. As at 31 December 2015, the allowance account amounted to 815 thousand euros (31.12.2014: 819 thousand euros).

The Group's cost of goods sold in 2015 amounted 416,134 thousand euros (2014: 403,716 thousand euros). The Group recognises as the "Cost of goods sold" the cost of purchased passenger cars, food and industrial goods, packing material, cost of finished goods, logistics and transportation, discount and write off of inventories.

Inventories have been partially pledged as part of the commercial pledge; information on pledged assets is disclosed in Note 25.

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Note 9 Subsidiaries

Tallinna Kaubamaja Grupp AS as at 31.12.2015 consists of:

Name	Location	Area of activity	Ownership 31.12.2015	Year of acquisition
Selver AS	Tallinn Pärnu mnt. 238	Retail trade	100%	1996
Tallinna Kaubamaja Kinnisvara AS	Tallinn Gonsiori 2	Real estate management	100%	1999
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
TKM Auto OÜ	Tallinn Gonsiori 2	Commercial and finance activities	100%	2007
KIA Auto AS	Tallinn Ülemiste tee 1	Retail trade	100%	2007
Forum Auto SIA	Marupe K.Ulmana gatve 101	Retail trade	100%	2007
KIA Auto UAB	Vilnius, Perkunkiemio g.2	Retail trade	100%	2007
TKM Beauty OÜ	Tallinn Gonsiori 2	Retail trade	100%	2007
TKM Beauty Eesti OÜ	Tallinn Gonsiori 2	Retail trade	100%	2007
TKM King AS	Tallinn Betooni 14	Retail trade	100%	2008
Kaubamaja AS	Tallinn Gonsiori 2	Retail trade	100%	2012
Kulinaaria OÜ	Tallinn Taevakivi 7B	Centre kitchen activities	100%	2012
Viking Motors AS	Tallinn Tammsaare tee 51	Retail trade	100%	2012
Viking Security AS	Tallinn Tammsaare tee 62	Security activities	100%	2014

Business combinations in 2015:

Name	Location	Area of activity	Acquisition date	Ownership %
Digisilm Videovalve OÜ	Estonia	Security activities	08.07.2015	100%

On 8 July 2015, Viking Security AS, subsidiary of Tallinna Kaubamaja Grupp AS, concluded an agreement, acquiring 100% of shares of Digisilm Videovalve OÜ. Digisilm Videovalve OÜ was established on 6 July 2015 through division of Digisilm Pro OÜ, whereby the video surveillance business was allocated to Digisilm Videovalve OÜ.

Acquisition of the holding of Digisilm Videovalve OÜ enables Tallinna Kaubamaja Grupp AS to strengthen its field of security services further, which has been one of the fastest expanding business ventures of the Group over the last few years. Through this transaction, Viking Security AS will enhance its services related to the design, installation and maintenance of electronic alert, surveillance and monitoring systems.

The table below provides an overview of acquired identifiable assets and liabilities of Digisilm Videovalve OÜ at the time of acquisition.

in thousands of euros	Fair value
Cash and bank	3
Inventory	5
Fixed assets (Note 13)	7
Total identifiable assets	**15**
Cost of ownership interest	120
Paid for ownership interest in cash	**50**
Cash and cash equivalents in the acquired entity	**-3**
Total cash effect on the Group	**-47**

Goodwill at value of 104 thousand euros arose from the transaction (Note 14). Group has paid in the reporting period from the cost of ownership interest 50 thousand euros. Remaining amount 70 thousand euros will be paid according to the contract by the end of 2016.

Merger resolutions of Viking Security AS and Digisilm Videovalve OÜ were adopted on 17th of November 2015 and Commercial Register registered the abovementioned merger on 23rd of December 2015. According to the merger agreement signed on 16th of November 2015 the legal successor of Digisilm Videovalve OÜ is Viking Security AS. By registration of the merger, all assets of Digisilm Videovalve OÜ were given over to Viking Security AS. In connection to the registration of the merger, Digisilm Videovalve OÜ was deleted from the Commercial Register. The share capital of the acquiring company did not change.

Business combinations in 2014:

Name	Location	Area of activity	Acquisition date	Ownership %
Viking Security AS	Estonia	Security activities	02.09.2014	100%

Acquisition of the shareholding in Viking Security AS enables Tallinna Kaubamaja Grupp AS to further strengthen its security services, one of the most fast-growing business areas of the Group in recent years. As a result of the transaction, the service portfolio of Topsec Turvateenused OÜ will expand from manned guarding and video security to include services related to the design, installation and maintenance of electronic alarm, security and surveillance systems and the possibility of participating in certified security tenders.

Trademark at value of 180 thousand euros was acquired. Trademark will be amortised within 7 years (Note 14).

Note 10 Investments in associates

in thousands of euros

Tallinna Kaubamaja Grupp AS has ownership of 50% (2014: 50%) interest in the entity AS Rävala Parkla which provides the services of a parking house in Tallinn.

	31.12.2015	31.12.2014
Investment in the associate at the beginning of the year	**1,778**	**1,711**
Profit for the reporting period under equity method	142	172
Dividends received	-142	-105
Investment in the associate at the end of the year	**1,778**	**1,778**

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

	31.12.2015	31.12.2014
Assets	3,605	3,602
Liabilities	48	46
Revenue	460	456
Profit	284	344

Note 11 Long-term trade and other receivables

in thousands of euros

	31.12.2015	31.12.2014
Prepaid rental expenses	48	87
Deferred tax asset	210	216
Other long-term receivables	35	35
Total long-term trade and other receivables	**293**	**338**

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Note 12 Investment property

in thousands of euros

Carrying value as at 31.12.2013	**3,035**
Carrying value as at 31.12.2014	**3,035**
Reclassification (Note 13)	37,614
Net gain from fair value adjustment	4,314
Carrying value as at 31.12.2015	**44,963**

Investment properties comprise constructions in progress and immovables improved with commercial buildings.

In 2015, immovables improved with commercial buildings (Viimsi shopping centre and Tartu Kaubamaja), which the Group maintains predominantly for earning rental income, were partially classified as investment properties and partially as property, plant and equipment. In Latvia, Rezekne commercial building and property was reclassified as investment property from property, plant and equipment. Also property in Rae municipal Peetri was reclassified as investment property from property, plant and equipment. Therefore in 2015, reclassification from the property, plant and equipment group "Land and buildings" to investment properties was made in the amount of 37,614 thousand euros. At the moment of reclassification there were no differences between the carrying value and fair value of the properties.

Assessment of fair value of the item "Investment properties"

At the end of 2015, the fair value of "Investment properties" was assessed. Fair values were determined based on the management's judgement, using the assessments of certified independent real estate experts for determining the inputs. To determine fair values, the discounted cash flow method and market data (comparable transactions, rental income etc.) were used.

The acquisition cost of the object acquired in 2015 was according to management assessment equal to its fair value. Discount rates 8.5–10.0% depending on the location of the property and rental income growth rates 2.0–2.4% were used for valuation. When determining the rental price input in the assessment of "Investment properties", the current rental agreements have been used, which in the estimation of the management correspond to the market conditions.

An opinion of a certified independent real estate expert was used as basis for the valuation of one completed object of "Investment properties" in Latvia as at 31 December 2015. The discount rate 10.0% and rental income growth rates 1.5–2.5% were used in valuation. When determining the rental price input in valuation, the current rental agreement has been taken into account, which in the estimation of the management corresponds to the market conditions.

As a result of the valuation, the net fair value adjustment of investment property in Estonia was 3,852,000 euros and the net fair value adjustment of investment property in Latvia was 462,000 euros. As a result of the valuation, no fair value change of investment property was identified in 2014.

Group management has prepared fair value sensitivity analysis for investment properties. Accordingly if rental income would change +/- 10% then the fair value of investment properties would change +4,700/-4,699 thousand euros. If the discount rates used for determing fair value would change +/-0.5% then the fair value of investment properties would change +860/-884 thousand euros.

The Group's investment properties carried at fair value as at 31.12.2014 and 31.12.2015 are classified as level 3.

In 2015, the Group's rental income on investment properties amounted to 548 thousand euros. Direct property management expenses amounted to 419 thousand euros.

Future operating lease rentals receivable under non-cancellable contracts break down as follows

In thousand of euros	**31.12.2015**
due in less than 1 year	1,435
due between 1 and 5 years	5,194
due after 5 years	1,224
Total	**7,853**

Investment property was partially used as collateral for the borrowings. More detailed information is disclosed in Note 25.

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Note 13 Property, plant and equipment

in thousands of euros

	Land and buildings	Machinery and equipment	Other fixtures and fittings	Construc-tion in progress and prepayments	Total
31.12.2013					
Cost or revalued amount	181,231	27,022	28,663	49,678	286,594
Accumulated depreciation and decrease in value	-3,006	-19,558	-18,874	-15,750	-57,188
Carrying value	**178,225**	**7,464**	**9,789**	**33,928**	**229,406**
Changes occurred in 2014					
Purchases and improvements	11	385	758	7,828	8,982
Acquired through business combinations (Note 9)	0	33	1	0	34
Reclassification	1,193	1,906	3,777	-6,876	0
Disposals	0	-61	-11	0	-72
Write-offs	-30	-4	-7	0	-41
Depreciation	-5,455	-1,971	-2,969	0	-10,395
31.12.2014					
Cost or revalued amount	181,815	28,728	29,527	50,630	290,700
Accumulated depreciation and decrease in value	-7,871	-20,976	-18,189	-15,750	-62,786
Carrying value	**173,944**	**7,752**	**11,338**	**34,880**	**227,914**
Changes occurred in 2015					
Purchases and improvements	20	187	132	19,643	19,982
Acquired through business combinations (Note 9)	0	0	7	0	7
Reclassification	4,650	3,047	3,076	-10,773	0
Reclassification to investment property (Note 12)	-26,294	0	0	-11,320	-37,614
Disposals	0	-174	-197	0	-371
Write-offs	0	-9	-17	0	-26
Decrease in value	-239	0	0	-2,035	-2,274
Depreciation	-5,326	-2,256	-3,345	0	-10,927
31.12.2015					
Cost or revalued amount	156,799	30,688	30,577	48,180	266,244
Accumulated depreciation and decrease in value	-10,044	-22,141	-19,583	-17,785	-69,553
Carrying value	**146,755**	**8,547**	**10,994**	**30,395**	**196,691**

Investments in non-current assets

The cost of investments of 2015 amounted to 20,526 thousand euros (including purchases of property, plant and equipment in the amount of 19,982 thousand euros and purchases of intangible assets amounted to 544 thousand euros).

The cost of investments made in 12 months of 2015 in the supermarket business segment was 4,398 thousand euros. In the reporting period in Torupilli Selver shopping environment was renewed and Viimsi Selver was opened. Also other store fittings were renewed and purchased computing technology.

The size of the investment in the business segment of Department store amounted to 2,412 thousand euros. In the reporting period Kaubamaja Food Departments switched to modern cash register system and Kaubamaja Beauty Department fittings were renewed.

The cost of investments in the accounting period was 251 thousand euros in the car trade business segment.

The cost of investments made in the reporting period in the footwear segment was 84 thousand euros.

The cost of the real estate business segment investment amounted to 12,837 thousand euros. In August 2015 new Viimsi Shopping and Entertainment Centre was opened. In the reporting period renovation works in Tartu Kaubamaja were started during which the building's exterior and interior look will be changed. In December property in Rae municipal Peetri was purchased and reclassified as investment property.

In the end of 2015 and 2014 Tallinna Kaubamaja Grupp AS companies had no commitments to purchase fixed assets.

At the year-end 2015, the fair value of "Land and buildings" and recoverable amount of "Construction in progress" was assessed. The fair values of "Land and buildings" and the recoverable amounts of buildings under construction (based on the value in use) were determined based on management's judgment, using the estimates of certified independent real estate experts for determining the inputs to be used or the fair value of the items. The discounted cash flow model and market data (comparable transactions, rental income, etc.) were both used for determining fair values as well as recoverable amounts.

Estimation of fair value of "Land and buildings"

For estimating the value of "Land and buildings" located in Estonia, the valuations of a certified independent real estate expert were used in respect of 6 properties in 2015 (2014: 6 properties). The same expert also provided an expert opinion with regard to the discount and capitalisation rates in respect of 16 properties (2014: 16 properties). The discount rates used for estimation were 8.5% -12% (2014: 8.5% - 12%) depending on the location of the property and the rental growth rates were 1% - 2.5% (2014: 1% - 2.5%). For the purpose of estimating the value of "Land and buildings", the rental agreements in force have been used for determining the input of the rental price, which management believes correspond to the market conditions.

For estimating the value of "Land and buildings" located in Latvia, the valuation of a certified independent real estate expert was used in respect of one property in 2015. For determining the value of three properties of "Land and buildings" located in Latvia as at 31.12.2015, valuation of a certified independent real estate expert was used with regard to the discount and capitalisation rates used. The discount and capitalisation rates compared to 2014 remained unchanged. The valuation was carried out by applying similar inputs as for the valuation of the other remaining buildings under construction located in Latvia. The discount rate used for valuation was 10.0% - 12% (2014: 10% - 11.25%) and the growth rates of rental income were 1.0% - 2.5% (2014: 1.0% - 2.5%).

Revaluation of „Land and buildings" was previously performed in 2013. The evaluation of non-current assets has been performed every year. Although, given the situation in global economy and the wait-and-see attitude of the market which both influenced market liquidity and investors` readiness to invest, the management estimated that the values of investment property, land and buildings and construction-in-progress have not changed and therefore no revaluation has been recorded.

As a result of valuation, the book value of "Land and buildings" located in Estonia was not adjusted upwards. The adjustment downwards in 2015 amounted to 239 thousand euros of "Land and buildings" located in Estonia (in 2014 adjustments were not made). As a result of valuation, the book value of "Land and buildings" located in Latvia was adjusted neither upwards nor downwards in 2015 and 2014.

The following table analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The fair value of land and building is determined using valuation techniques. The valuation technique uses observable inputs as much as they are available and uses as little as possible Group Management's assessments. The land and buildings are classified as level 2 if all significant inputs which are basis for determining the fair value are observable. If one or more significant inputs are not based on observable market data, lands and buildings are classified as level 3.

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The Group's non-financial assets carried at fair value as at 31.12.2015 are classified as level 3.

In thousands of euros	Fair value at 31 December 2015	Valuation method	Unobser-vable inputs	Range of unobservable inputs (eur)	Relationship of unobservable inputs to fair value
PPE items in Estonia, for which an expert opinion was provided	18,752	Discounted cash flow method	Price per square metre	6.3-12.5	The higher the price per square metre, the higher the fair value
PPE items in Estonia, for which estimates were provided by experts in respect of discount and capitalisation rates	109,293	Discounted cash flow method	Price per square metre	7.8-17.7	The higher the price per square metre, the higher the fair value
Remaining PPE items in Estonia	5,635	Discounted cash flow method	Price per square metre	9.0	The higher the price per square metre, the higher the fair value
PPE items in Latvia, for which an expert opinion was provided	5,199	Comparable transactions method, discounted cash flow method	Price per square metre	12.6	The higher the price per square metre, the higher the fair value
PPE items in Latvia	7,876	Discounted cash flow method	Price per square metre	7.1 -13.0	The higher the price per square metre, the higher the fair value
Total	**146,755**				

The Group's non-financial assets carried at fair value as at 31.12.2014 are classified as level 3.

In thousands of euros	Fair value at 31 December 2014	Valuation method	Unobser-vable inputs	Range of unobservable inputs (eur)	Relationship of unobservable inputs to fair value
PPE items in Estonia, for which an expert opinion was provided	53,584	Discounted cash flow method	Price per square metre	7.8 – 13.5	The higher the price per square metre, the higher the fair value
PPE items in Estonia, for which estimates were provided by experts in respect of discount and capitalisation rates	98,206	Discounted cash flow method	Price per square metre	7.0 – 18.1	The higher the price per square metre, the higher the fair value
Remaining PPE items in Estonia	5,944	Discounted cash flow method	Price per square metre	9.0	The higher the price per square metre, the higher the fair value
PPE items in Latvia	16,210	Discounted cash flow method	Price per square metre	6.9 – 9.5	The higher the price per square metre, the higher the fair value
Total	**173,944**				

Determination of recoverable amounts of buildings under construction

In accounting period, for determining the value of buildings under construction located in Estonia, the valuations of a certified independent real estate expert were used in respect of 3 items and in 2014 in respect of one item. For valuation purposes, the discount rates used were 10.6% (2014: 10.4%) and the growth rate was 2.0% (2014: 1.5%).

The buildings under construction located in Latvia, the valuations of a certified independent real estate expert was used in respect of 3 items and the rest objects were valued internally, based on the investment value. In 2014 the valuations were made internally, based on the investment value. For valuation purposes, the discount rates used were 9.0%- 12.5% (2014: 11.3%-12.8%) depending on the location of the item, and the growth rates were 1.0% - 1.5% (2014: 1.0%-1.5%). For determining the investment value, the discounted cash flow method was used. For determining the rental price and vacancy rate inputs, the rental price of the rental agreement concluded with an independent tenant and the vacancy rate of completed items provided by certified experts were used.

Carrying amounts of buildings under construction:

In thousands of euros	**31.12.2015**	**31.12.2014**
PPE items in Estonia, for which an expert opinion was provided	4,248	1,308
Remaining PPE items in Estonia	7,894	14,845
PPE items in Latvia, for which an expert opinion was provided	8,571	0
PPE items in Latvia, for which an internal estimate was provided	7,473	18,316
Remaining PPE items in Latvia	1,688	0
Total	**29,874**	**34,469**

Based on the results of valuation in 2015, impairment in the amount of 1,448 thousand euros was recognised in respect of Estonian buildings under construction and in the amount of 587 thousand euros in respect of Latvian buildings under construction.

In 2014, no impairment was recognised and no previous impairment was reversed on buildings under construction in Estonia and in Latvia.

Estimation of the recoverable amount of non-current assets

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

31.12.2015 90,010 thousand euros

31.12.2014 109,173 thousand euros

As at 31.12.2015 the cost of non-current assets in use with a zero carrying value was 26,638 thousand euros (2014: 28,081 thousand euros).

As at 31.12.2015, property, plant and equipment with the carrying value of 127,303 thousand euros (2014: 159,912 thousand euros) was used as collateral for the borrowings. More detailed information is disclosed in Note 25.

Information about non-current assets leased under finance lease terms is disclosed in Note 16.

As at 31.12.2015 the recoverable amount of the non-current assets of I.L.U. beauty stores (carrying value: 470 thousand euros, in 2014: 699 thousand euros) was estimated. The recoverable amount is based on the value in use, determined on the basis of the future cash flow forecast for the next 5 years. The average growth rate of I.L.U. is estimated to be 2.5% in 2016-2020 (2014: 2015 – 2019 is estimated to be 5.0%). In the end of 2015 I.L.U chain owned six stores. The sales growth was forecast on the basis of Group’s long-term sales experience. The discount rate applied is 8.6% (2014: 6.72%) and the future growth rate (after year 5) is 2.5%. No impairment loss was identified as a result of the impairment test.

As at 31.12.2015 the recoverable amount of the non-current assets in footwear segment was estimated. No impairment loss was identified as a result of the impairment test of non-current assets in the carrying value of 710 thousand euros. More detailed data about inputs used see Note 14.

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Note 14 Intangible assets

in thousands of euros

	Goodwill	Trademark	Beneficial contracts	Development expenditure	Total
31.12.2013					
Cost	7,298	5,097	1,080	496	13,971
Accumulated amortisation and impairment	-588	-1,588	-1,080	-79	-3,335
Carrying value	**6,710**	**3,509**	**0**	**417**	**10,636**
Changes occurred in 2014					
Purchases and improvements	0	0	0	125	125
Acquired through business combinations (Note 9)	0	175	0	0	175
Amortisation	0	-469	0	-65	-534
31.12.2014					
Cost	7,298	5,272	1,080	621	14,271
Accumulated amortisation and impairment	-588	-2,057	-1,080	-144	-3,869
Carrying value	**6,710**	**3,215**	**0**	**477**	**10,402**
Changes occurred in 2015					
Purchases and improvements	0	5	0	539	544
Acquired through business combinations (Note 9)	104	0	0	0	104
Amortisation	0	-486	0	-80	-566
Impairment	-1,441	0	0	0	-1,441
31.12.2015					
Cost	6,814	5,277	1,080	1,160	14,331
Accumulated amortisation and impairment	-1,441	-2,543	-1,080	-224	-5,288
Carrying value	**5,373**	**2,734**	**0**	**936**	**9,043**

As a trademark, the Group has recognised the image of ABC King in the amount of 3,509 thousand euros; the image contains a combination of the name, symbol and design together with recognition and preference by consumers. Trademark will be amortised during 15 years. Trademark at value of 1,588 thousand euros was acquired in 2012 through purchase of AS Viking Motors shares. Trademark will be amortised during 7 years.

Trademark at value of 180 thousand euros was acquired in 2014 through purchase of Viking Security AS shares. Trademark will be amortised during 7 years (Note 9).

Impairment tests of goodwill and other intangible assets were carried out as at 31 December 2015 and 2014.

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

in thousands of euros	31.12.2015	31.12.2014
Car trade	3,156	3,156
Footwear trade	2,113	3,554
Department store	104	0
Total	**5,373**	**6,710**

The recoverable amount (based on value in use) was determined on the basis of future cash flows for the next five years. In car trade and department store units 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.

In footwear trade unit it was evident that the present value of cash flows does not cover the value of goodwill. Accordingly goodwill in footwear trade was adjusted downwards in the amount of 1,441 thousand euros.

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

	Car trade		Footwear trade	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Operating profit margin during next 5 years	4.33% - 4.37%	4.14% - 4.26%	-4.6% - 1.1%	-1.19% - 5.54%
Discount rate	7.1%	7.4%	8.6%	6.7%
Sales growth during next 5 years	3% - 19,2%	-4.9% - 5%	3% - 14%	3% -6%
Future growth rate*	2.5%	2.5%	2.5%	2.5%

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

Pre-tax discount rates reflecting the risks associated with the relevant business segment have been used. The used weighted average growth rates are based on the experience of the Group and assessment of the economic environment. The most important premises used when calculating the value in use are the growth rate of sales volumes and gross profit margin. Compared to the premises used to evaluate the recoverable amount in 2014, the growth and margin expectations have been revised upwards because of the good outlook of the car trade segment. In the footwear trade segment, the sales growth expectations have been increased for near future; however, taking into account the market situation, the gross profit margin is still under a stronger pressure.

In 2015, the car business showed a growth of 5.3% (2014: 22.7%). While we expect to see an increase in sales in 2016 (17.6%), the annual sales growth will stabilise at 3% to 5% per year after that. The five year average sales growth in the car business is estimated to be 7% (2.2% in 2014).

In the footwear segment, the five year average sales growth is planned to be 5.8% (2014:3.7%). The gross profit margin used in the footwear business recoverable amount tests is -0.7% (0.3% in 2014).

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

	Car trade		Footwear trade	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Difference between the carrying amount and recoverable amount of the cash generating unit (in thousands of euros)	38,437	23,793	0	5,792
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	-2.0%	-1.4%	0%	-0.8%
Decrease of the average operating profit margin	-2.91 pp	-2.48 pp	0 pp	-1.94 pp

Note 15 Interest bearing borrowings

in thousands of euros

	31.12.2015	31.12.2014
Short-term borrowings		
Overdraft	2,542	1,599
Bank loans	28,007	15,936
Other borrowings	2,828	2,870
Total short-term borrowings	**33,377**	**20,405**

	31.12.2015	31.12.2014
Long-term borrowings		
Bank loans	56,858	75,269
Other borrowings	568	2,394
Total long-term borrowings	**57,426**	**77,663**
Total borrowings	**90,803**	**98,068**

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Borrowings received

	2015	2014
Overdraft	943	1,199
Bank loans	47,224	47,818
Other borrowings	1,781	4,690
Total borrowings received	**49,948**	**53,707**

Borrowings repaid

	2015	2014
Bank loans	53,889	44,207
Other borrowings	3,325	2,835
Total borrowings repaid	**57,214**	**47,042**

Bank loans and finance lease liabilities are denominated in euros. Information on pledged assets is disclosed in Note 25. Management estimates that the carrying amount of the Group's financial liabilities does not significantly differ from their fair value (Note 4).

As of 31.12.2015, the repayment dates of bank loans are between 28.01.2016 and 27.03.2020 (2014: between 05.04.2015 and 07.02.2020), interest is tied both to 3-month and 6-month EURIBOR as well as EONIA. Weighted average interest rate was 1.14% (2014: 1.2%).

Note 16 Finance and operating lease

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 21.

Future minimum lease payments under non-cancellable operating leases:

in thousands of euros	31.12.2015	31.12.2014
due in less than 1 year	22,164	22,155
due between 1 and 5 years	79,291	81,879
due after 5 years	85,716	91,348
Total	**187,171**	**195,382**

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

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

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

Subleases of buildings leased under operating lease terms:

Future minimum lease payments under non-cancellable subleases:

in thousands of euros	31.12.2015	31.12.2014
due in less than 1 year	2,175	1,996
due between 1 and 5 years	6,158	6,189
due after 5 years	5,169	5,026
Total	**13,502**	**13,211**

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Group as the lessor

Operating lease

Rental income received consists of income received for the leasing out of premises.

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

in thousands of euros	31.12.2015	31.12.2014
due in less than 1 year	2,142	2,422
due between 1 and 5 years	7,733	5,009
Total	**9,875**	**7,431**

Most lease agreements have been 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 17 Trade and other payables

in thousands of euros

	31.12.2015	31.12.2014
Trade payables	57,901	52,982
Payables to related parties (Note 26)	4,579	4,913
Other accrued expenses	79	60
Prepayments by tenants	1,944	1,613
Total financial liabilities from balance sheet line “Trade and other payables”	**64,503**	**59,568**
Taxes payable (Note 18)	6,284	5,797
Employee payables	4,944	3,868
Prepayments	1,215	953
Short-term provisions*	120	131
Total trade and other payables	**77,066**	**70,317**

*Short-term provisions represent warranty provisions related to footwear trade.

Note 18 Taxes

in thousands of euros

	31.12.2015		31.12.2014	
	Prepaid taxes	Taxes payable	Prepaid taxes	Taxes payable
Prepaid taxes (Note 6)	9	0	130	0
Value added tax	0	3,014	0	2,719
Personal income tax	0	943	0	881
Social security taxes	0	2,017	0	1,880
Corporate income tax	0	67	0	81
Unemployment insurance	0	137	0	140
Mandatory funded pension	0	106	0	96
Total taxes	**9**	**6,284**	**130**	**5,797**

Group’s deferred income tax asset as at 31 December 2015 and 31 December 2014 is disclosed in note 11. As at 31 December 2015 and 31 December 2014 the Group did not have deferred income tax liabilities.

in thousands of euros

	2015	2014
Corporate income tax expense from payments to owners:		
- Dividends declared (Note 19)	3,873	1 324
- Reduction of share capital (Note 19)	0	1 012
Corporate income tax expense arising from foreign subsidiaries:		
- Deferred tax income	0	-147
- Corporate income tax payable	10	5
Total corporate income tax	**3,883**	**2 194**

Note 19 Share capital

As at 31.12.2015, the share capital in the amount of 16,292 thousand euros consisted of 40,729,200 ordinary shares with the nominal value of 0.40 euros per share (as at 31.12.2014 the share capital in the amount of 16,292 thousand euros consisted of 40,729,200 ordinary shares with the nominal value of 0.40 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 2015, dividends were declared and paid to the shareholders in the amount of 16,292 thousand euros, or 0.40 euros per share (2014: 6,109 thousand euros, 0.15 euros per share). Related income tax on dividends amounted to 3,873 thousand euros (2014: 1,324 thousand euros).

In July, 2014, the reduction of share capital of Tallinna Kaubamaja Grupp AS in the amount of 8,146 thousand euros was registered in the Commercial Register. The new registered share capital of Tallinna Kaubamaja Grupp AS is 16,291,680 euros, which is divided into 40,729,200 shares with nominal value of 0.40 euros per share. In October, 2014 payments to the shareholders upon a reduction of share capital were made in the amount of 8,146 thousand euros, 0.20 euros per share. Related income tax expense amounted to 1,012 thousand euros.

Information about contingent income tax liability which would arise from the distribution of profit is disclosed in Note 29.

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

The main area of activity of department stores, supermarkets, footwear trade and car trade is retail trade. Supermarkets focus on the sale of food products 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. 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 supermarkets. 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 car trade 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. Main measures that Supervisory Board monitors are segment revenue (external segment and inter-segment revenue), EBITDA (earnings before interest, taxes, depreciation and amortisation) and net profit or loss.

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in thousands of euros

2015	Super markets	Depart-ment store	Car trade	Footwear trade	Real estate	Inter-segment transact-ions	Total seg-ments
External revenue	**383,441**	**95,581**	**60,765**	**11,933**	**3,727**	**0**	**555,447**
Inter-segment revenue	1,024	5,267	29	217	12,228	-18,765	0
Total revenue	384,465	100,848	60,794	12,150	15,955	-18,765	555,447
EBITDA	**14,543**	**6,136**	**2,971**	**-398**	**18,926**	**0**	**42,178**
Depreciation and amortisation (Note 13, 14)	-4,049	-1,946	-751	-2,080	-6,408	0	-15,234
Operating profit/loss	**10,494**	**4,190**	**2,220**	**-2,478**	**12,518**	**0**	**26,944**
Finance income (Note 23)	297	666	33	1	150	-1,135	12
Finance income on shares of associates	0	142	0	0	0	0	142
Finance costs (Note 23)	-30	-570	-250	-160	-1,269	1,135	-1,144
Corporate income tax* (Note 19)	-2,222	-1,150	-511	0	0	0	-3,883
Net profit/loss	**8,539**	**3,278**	**1,492**	**-2,637**	**11,399**	**0**	**22,071**
incl. in Estonia	10,899	3,278	1,532	-2,637	10,510	0	23,582
incl. in Latvia	-2,360	0	-90	0	889	0	-1,561
incl. in Lithuania	0	0	50	0	0	0	50
Segment assets	**87,311**	**53,497**	**23,912**	**8,542**	**226,884**	-52,166	**347,980**
Segment liabilities	**60,742**	**17,286**	**16,519**	**10,309**	**98,584**	**-35,069**	**168,371**
Segment investment in non-current assets (Note 13, 14)	4,886	2,468	251	84	12,837	0	20,526

in thousands of euros

2014	Super markets	Depart-ment store	Car trade	Footwear trade	Real estate	Inter-segment transact-ions	Total seg-ments
External revenue	**368,159**	**92,525**	**57,692**	**13,358**	**3,311**	0	**535,045**
Inter-segment revenue	947	4,261	26	433	11,924	-17,591	0
Total revenue	369,106	96,786	57,718	13,791	15,235	-17,591	535,045
EBITDA	11,399	6,283	2,753	-328	14,650	0	34,757
Depreciation and amortisation (Note 13, 14)	-3,610	-1,836	-464	-678	-4,382	0	-10,970
Operating profit/loss	**7,789**	**4,447**	**2,289**	**-1,006**	**10,268**	0	**23,787**
Finance income (Note 23)	338	777	48	1	57	-1,197	24
Finance income on shares of associates	0	172	0	0	0	0	172
Finance costs (Note 23)	-45	-581	-298	-271	-1,496	1,197	-1,494
Corporate income tax* (Note 19)	-366	-1,439	-389	0	0	0	-2,194
Net profit/loss	**7,716**	**3,376**	**1,650**	**-1,276**	**8,829**	0	**20,295**
incl. in Estonia	10,145	3,376	1,626	-1,276	7,991	0	21,862
incl. in Latvia	-2,429	0	2	0	838	0	-1,589
incl. in Lithuania	0	0	22	0	0	0	22
Segment assets	**85,027**	**59,476**	**20,357**	**11,300**	**214,015**	-47,268	**342,907**
Segment liabilities	**58,107**	**21,841**	**12,656**	**12,080**	**96,213**	-31,820	**169,077**
Segment investment in non-current assets (Note 13, 14)	2,944	1,992	608	590	2,973	0	9,107

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

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Inter-segment transactions in line segment assets comprise inter-segment receivables in the amount of 3,526 thousand euros (2014: 3,413 thousand euros), loans granted in the amount of 31,543 thousand euros (2014: 28,407 thousand euros) and investments in subsidiaries in the amount of 17,098 thousand euros (2014: 15,448 thousand euros).

Inter-segment transactions in line segment liabilities comprise inter-segment short-term liabilities in the amount of 3,526 thousand euros (2014: 3,413 thousand euros) and inter-segment borrowings in the amount of 31,543 thousand euros (2014: 28,407 thousand euros).

External revenue according to types of goods and services sold

in thousands of euros

	2015	2014
Retail revenue	512,260	497,778
Wholesale revenue	20,061	17,982
Rental income	7,827	7,258
Revenue for rendering services	15,299	12,027
Total revenue	**555,447**	**535,045**

External revenue by client location

in thousands of euros

	2015	2014
Estonia	533,329	512,109
Latvia	14,868	16,307
Lithuania	7,250	6,629
Total	**555,447**	**535,045**

Distribution of non-current assets* by location of assets

in thousands of euros

	31.12.2015	31.12.2014
Estonia	216,439	206,480
Latvia	34,410	35,054
Lithuania	141	155
Total	**250,990**	**241,689**

* 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 share of Group's revenue would exceed 10%.

Note 21 Other operating expenses

in thousands of euros

	2015	2014
Rental expenses	15,393	15,187
Heat and electricity expenses	8,288	8,425
Operating costs	6,301	6,311
Cost of services and materials related to sales	5,921	5,768
Marketing expenses	6,302	6,750
Miscellaneous operating expenses	3,066	2,882
Computer and communication costs	3,397	3,015
Personnel expenses	2,108	1,689
Total other operating expenses	**50,776**	**50,027**

Note 22 Staff costs

in thousands of euros

	2015	2014
Wages and salaries	38,295	34,907
Social security taxes	12,595	11,586
Total staff costs	**50,890**	**46,493**
Average wages per employee per month (euros)	809	761
Average number of employees in the reporting period	3,946	3,824

Staff costs also include accrued holiday pay as well as bonuses and termination benefits for 2015 but not yet paid.

Note 23 Finance income and costs

in thousands of euros

Finance income

	2015	2014
Interest income on NGI Group's group account (Note 26)	5	23
Other finance income	7	1
Total finance income	**12**	**24**

Finance costs

	2015	2014
Interest expense of bank loans	-997	-1,242
Interest expense of other loans	-39	-59
Other finance costs*	-108	-193
Total finance costs	**-1,144**	**-1,494**

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

Note 24 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.

	2015	2014
Net profit (in thousands of euros)	22,071	20,295
Weighted average number of shares	40,729,200	40,729,200
Basic and diluted earnings per share (euros)	0.54	0.50

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Note 25 Loan collateral and pledged assets

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

in thousands of euros

	31.12.2015	31.12.2014
Land and buildings	123,534	155,247
Other non-current assets	3,769	4,665
Investment property	26,756	0
Inventories	3,703	4,376
Financial assets	211	189

As at 31 December 2015 land and buildings in carrying value of 127,303 thousand euros (as at 31.12.2014 carrying value of 159,912 thousand euros) and investment property in carrying value of 26,756 thousand euros (31.12.2014: zero euros) was mortgaged. Inventories at balance sheet value of 3,703 thousand euros (as at 31.12.2014 at balance sheet value of 4,376 thousand euros) and financial assets at balance sheet value of 211 thousand euros (as at 31.12.2014 at balance sheet value of 189 thousand euros) were set under commercial pledge.

Note 26 Related party transactions

in thousands of euros

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

a. owners (Parent and the persons controlling or having significant influence over the Parent);
b. associates;
c. other entities in the Parent's consolidation group.
d. management and supervisory boards of Group companies;
e. immediate family member of the persons described above and the entities under their control or significant influence.

Parent company of Tallinna Kaubamaja Grupp AS is OÜ NG Investeeringud (Parent). Majority shareholder of OÜ NG Investeeringud is NG Kapital OÜ. NG Kapital OÜ is the ultimate controlling party of Tallinna Kaubamaja Grupp AS.

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

	Purchases 2015	Sales 2015	Purchases 2014	Sales 2014
Parent	322	19	328	34
Entities in the Parent's consolidation group	27,365	7,495	26,420	6,614
Members of management and supervisory boards	16	5	0	0
Other related parties	943	100	923	190
Total	**28,646**	**7,619**	**27,671**	**6,838**

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

Balances with related parties:

	31.12.2015	31.12.2014
Interest receivable from Parent (Note 7)	1	9
Receivable from Parent (Note 6)	5,000	4,000
Receivables from entities in the Parent's consolidation group (Note 7)	1,016	729
Members of management and supervisory boards (Note 7)	10	10
Total receivables from related parties	**6,027**	**4,748**

	31.12.2015	31.12.2014
Parent	0	21
Entities in the Parent's consolidation group	4,463	4,724
Other related parties	116	168
Total liabilities to related parties (Note 17)	**4,579**	**4,913**

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

Group account

For arranging funding for its subsidiaries, the Group uses the group account, the members of which are most of the Group's entities. In its turn, this group as a subgroup is a member of the group account of NG Investeeringud OÜ (hereinafter head group). From autumn 2001, Tallinna Kaubamaja Grupp AS has been keeping its available funds at the head group account, earning interest income on its deposits. In 2015, the Group earned interest income on its deposits of available funds in the amount of 5 thousand euros (2014: 23 thousand euros).

As at 31 December 2015 Tallinna Kaubamaja Grupp AS deposited through parent company NG Investeeringud OÜ 5,000 thousand euros (31.12.2014: 4,000 thousand euros). Deposit matures on 26.01.2016 with interest rate of 0,4%. As at 31.2.2014 the deposit in the amount of 2,000 thousand euros with interest rate 0.18% maturity up to 5 January 2015 and deposit in the amount of 2,000 thousand euros with interest rate 0.20% maturity up to 6 January 2015. In 2015 the group has not deposited neither used available funds of NG Investeeringud OÜ nor paid any interest for using available funds of NG Investeeringud OÜ. In 2014 the average interest rate on available funds deposited to the group account of NG Investeeringud OÜ was 0.07% in the euro account.
According to the group account contract, the Group's members are jointly responsible for the unpaid amount to the bank.

Remuneration paid to the members of the Management and Supervisory Board

Short term benefits to the management boards' members of the companies belonging to Tallinna Kaubamaja Grupp AS for the reporting year including wages, social security taxes, bonuses and car expenses, amounted to 1,412 thousand euros (2014: 1,208 thousand euros, including termination benefits in the amount of 50 thousand euros). Short term benefits to supervisory boards' members of the companies belonging to Tallinna Kaubamaja Grupp AS in reporting year including social taxes amounted to 321 thousand euros (2014: 310 thousand euros).

The termination benefits for the members of the Management Board are limited to 3- month's salary expense.

Note 27 Interests of the members of the Management and Supervisory Board

As at 31.12.2015, the following members of the Management and Supervisory Board own or represent the shares of Tallinna Kaubamaja Grupp AS:

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

As at 31.12.2014, the following members of the Management and Supervisory Board own or represent the shares of Tallinna Kaubamaja Grupp AS:

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

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Note 28 Shareholders with more than 5% of the shares of Tallinna Kaubamaja AS

	31.12.2015	31.12.2014
Shareholders	**Ownership interest**	**Ownership interest**
OÜ NG Investeeringud (Parent)	67.00%	67.00%
ING Luxembourg S.A.	6.92%	6.92%

As at 31 December 2015, 68.75% of the shares (31 December 2014: 68.75%) of NG Investeeringud OÜ are owned by NG Kapital OÜ which is the ultimate controlling party of Tallinna Kaubamaja Grupp AS.

Note 29 Contingent liabilities

Contingent liability relating to income tax on dividends

As of 31 December 2015, the retained earnings of Tallinna Kaubamaja Grupp AS were 95,268 thousand euros (31 December 2014: 88,031 thousand euros). Payment of dividends to owners is accompanied by income tax expense 20/80 on the amount paid as net dividends (until 31.12.2014 income tax expense was 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 76,214 thousand euros as dividends (31 December 2014: 70,425 thousand euros) and the payment of dividends would be accompanied by income tax on dividends in the amount of 19,054 thousand euros (31 December 2014: 17,606 thousand euros).

Contingent liabilities relating to bank loans

Regarding the loan agreements in the amount of 46,604 thousand euros, the borrower is required to satisfy certain financial ratios such as debt to EBITDA (EBITDA – earnings before interest, taxes, depreciation and amortisation) or debt-service coverage ratio (DSCR or EBITDA for the reporting period divided by borrowings payable in the reporting period) pursuant to the terms and conditions of the loan agreement. As of the balance sheet date, 31 December 2015, there was a breach in the levels established for financial covenants in the one loan agreement, thus repayment of named loan falls into 2016 and therefore has recorded as current liability in the balance sheet.

Contingent liabilities relating to the Tax Board

The tax authorities may at any time inspect the books and records of the Group within 5 years subsequent to the reported tax year, and may as a result of their inspection impose additional tax assessments and penalties. In 2014 and 2015 the tax authority did not conduct any tax audits. The management of the Group is not aware of any circumstances which may give rise to a potential material liability in this respect.

Contingent liabilities relating to the court-hearings

With judgement dated 20 January 2016 in case no. 1-14-3730 Tallinn Circuit Court acquitted Selver AS and its former employee Tiiu Valk on all charges and earlier conviction by the court of first instance. Selver AS was awarded costs for legal assistance. Office of the Prosecutor General has on 3 February 2016 filed an appeal against court ruling to the Supreme Court and thus the judgement of Tallinn Circuit Court has not yet entered into force. Subsequently the Supreme Court shall decide whether to accept or to reject the appeal of the Prosecutor General against court ruling.

On 29 April 2014, Tallinna Kaubamaja Grupp AS released a stock exchange notification regards the prosecution of its subsidiary, Selver AS and on 29 April 2015 a stock exchange notification regarding judgement of conviction by Harju County Court. Selver AS challenged the judgement of Harju County Court in full at the circuit court. According to the charge, Selver AS, Rimi Eesti Food AS, Maxima Eesti OÜ, Prisma Peremarket AS, AS Helter-R and AS Liviko agreed on raising the retail price on certain vodkas in 2009, and the companies were accused of committing a crime specified in Subsection 400 (4) of the Penal Code. Selver AS has regarded the prosecutor's accusation unfounded and unreasonable during the entire course of the proceedings, because Selver AS has never made any price agreements with the competing companies.

Note 30 Financial information of the Parent

In accordance with the Accounting Act of Estonia, the separate primary statements of the consolidating entity (Parent's statement of financial position, statement of profit or loss and other comprehensive income, cash flow statement and statement of changes in equity). The Parent's primary statements are prepared using the same accounting methods and measurement bases as those that have been used for preparing the consolidated financial statements except for investment in subsidiaries and associates that are carried at equity method.

STATEMENT OF FINANCIAL POSITION

in thousands of euros

	31.12.2015	31.12.2014 adjusted	01.01.2014 adjusted
ASSETS			
Current assets			
Cash and cash equivalents	201	1,211	3,873
Trade and other receivables	7,933	7,439	17,207
Total current assets	**8,134**	**8,650**	**21,080**
Non-current assets			
Shares of subsidiaries	193,563	174,682	154,120
Share of associates	1,778	1,778	1,711
Long-term trade and other receivables	9,000	0	0
Property, plant and equipment	131	354	333
Intangible assets	392	411	410
Total non-current assets	**204,864**	**177,225**	**156,574**
TOTAL ASSETS	**212,998**	**185,875**	**177,654**
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings	17,283	1,821	1,788
Trade and other payables	997	770	728
Total current liabilities	**18,280**	**2,591**	**2,516**
Non-current liabilities			
Borrowings	0	4,541	6,363
Total non-current liabilities	**0**	**4,541**	**6,363**
TOTAL LIABILITIES	**18,280**	**7,132**	**8,879**
Equity			
Share capital	16,292	16,292	24,438
Statutory reserve capital	2,603	2,603	2,603
Retained earnings	175,823	159,848	141,734
TOTAL EQUITY	**194,718**	**178,743**	**168,775**
TOTAL LIABILITIES AND EQUITY	**212,998**	**185,875**	**177,654**

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

in thousands of euros

	2015	2014 adjusted
Revenue	2,809	2,506
Other operating income	55	14
Other operating expenses	-484	-515
Staff costs	-2,336	-1,960
Depreciation, amortisation and impairment	-140	-136
Other expenses	-17	-44
Operating loss	**-113**	**-135**
Interest income and expenses	163	183
Other finance income and costs	32,217	25,187
Total finance income and costs	**32,380**	**25,370**
Profit before income tax	**32,267**	**25,235**
Income tax expense	**0**	**-1,012**
NET PROFIT FOR THE FINANCIAL YEAR	**32,267**	**24,223**
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR	**32,267**	**24,223**
Basic and diluted earnings per share (euros)	0.79	0.59

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CASH FLOW STATEMENT

in thousands of euros

	2015	2014 adjusted
CASH FLOWS FROM/USED IN OPERATING ACTIVITIES		
Net profit	32,267	24,223
Adjustments:		
Interest expense	*587*	*623*
Interest income	*-750*	*-807*
Effect of equity method	*-32,217*	*-25,187*
Corporate income tax	*0*	*1,012*
Dividend received	*140*	*136*
Change in receivables and prepayments related to operating activities	-460	-491
Change in liabilities and prepayments related to operating activities	226	42
TOTAL CASH FLOWS FROM/USED IN OPERATING ACTIVITIES	**-207**	**-449**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	-27	-98
Interest received	750	807
Change in the receivable of group account	11,393	10,636
Investments in subsidiaries	-1,680	-455
Loans granted to subsidiaries	-9,000	-1,500
Purchases of intangible assets	-51	-62
Proceeds from sale of property, plant and equipment	180	3
Dividends received	16,332	6,134
TOTAL CASH FLOWS FROM INVESTING ACTIVITIES	**17,897**	**15,465**
CASH FLOWS USED IN FINANCING ACTIVITIES		
Repayments of borrowings	-1,821	-1,788
Interest paid	-587	-623
Dividends paid	-16,292	-6,109
Reduction of share capital	0	-8,146
Corporate income tax paid	0	-1,012
TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES	**-18,700**	**-17,678**
TOTAL CASH FLOWS	**-1,010**	**-2,662**
Cash and cash equivalents at beginning of the period	1,211	3,873
Cash and cash equivalents at end of the period	201	1,211
Net increase/decrease in cash and cash equivalents	**-1,010**	**-2,662**

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STATEMENT OF CHANGES IN EQUITY

in thousands of euros

	Share capital	Statutory reserve capital	Retained earnings	Total
Balance as of 31.12.2013	**24,438**	**2,603**	**16,381**	**43,422**
Adjustment	0	0	125,353	125,353
Adjusted balance as of 31.12.2013	**24,438**	**2,603**	**141,734**	**168,775**
Dividends paid	0	0	-6,109	-6,109
Profit for the reporting period	0	0	24,223	24,223
Reduction of share capital	-8,146	0	0	-8,146
Adjusted balance as of 31.12.2014	**16,292**	**2,603**	**159,848**	**178,743**
Dividends paid	0	0	-16,292	-16,292
Profit for the reporting period	0	0	32,267	32,267
Balance as of 31.12.2015	**16,292**	**2,603**	**175,823**	**194,718**

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INDEPENDENT AUDITOR'S REPORT

(Translation of the Estonian original)*

To the Shareholders of Tallinna Kaubamaja Grupp AS

We have audited the accompanying consolidated financial statements of Tallinna Kaubamaja Grupp AS and its subsidiaries, which comprise the consolidated statement of financial position as of 31 December 2015 and the consolidated statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management Board's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Tallinna Kaubamaja Grupp AS and its subsidiaries as of 31 December 2015, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

AS PricewaterhouseCoopers

Ago Vilu	Eva Jansen-Diener
Auditor's Certificate No. 325	Auditor's Certificate No. 501

25 February 2016

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

This independent auditor's report (translation of the Estonian original) should only be used with an annual report initialled for identification purposes by AS PricewaterhouseCoopers.

PROFIT ALLOCATION PROPOSAL

The retained earnings of Tallinna Kaubamaja Group AS are:

Total retained earnings 31 December 2015 95,268 thousand euros

The Chairman of the Management Board of Tallinna Kaubamaja Group AS proposes to the General Meeting of Shareholders to pay dividends in the amount of 21,179 thousand euros out of retained earnings accumulated until 31 December 2015.

Raul Puusepp
Chairman of the Management Board

Tallinn,1. March 2016

SIGNATURES OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD TO THE ANNUAL REPORT 2015

The supervisory board of Tallinna Kaubamaja Group AS has reviewed the 2015 consolidated annual report, prepared by the management board, consisting of the management report, the consolidated financial statements, the management board's profit allocation proposal and the independent auditor's report, and has approved the annual report for presentation on the annual general meeting.

Hereby we confirm the correctness of information presented in the consolidated annual report 2015 of Tallinna Kaubamaja Group AS:

Raul Puusepp
Chairman of the Management Board

Jüri Käo
Chairman of the Supervisory Board

Andres Järving
Member of the Supervisory Board

Enn Kunila
Member of the Supervisory Board

Meelis Milder
Member of the Supervisory Board

Gunnar Kraft
Member of the Supervisory Board

Tallinn, 1 March 2016

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

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

in thousands of euros per year

EMTAK code	Title of EMTAK Group	2015
64201	Holding company's activities	2,809
	Total revenue	**2,809**