

Tallinna Kaubamaja AS

TALLINNA KAUBAMAJA AS

Consolidated Interim Report on the Fourth Quarter 2007

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COMPANY PROFILE AND CONTACT DETAILS

The primary areas of activity of the companies of the Tallinna Kaubamaja AS Group include retail and wholesale trade and rental activities. The Tallinna Kaubamaja Group employs more than 2,833 employees.

The Company is listed on the Tallinn Stock Exchange.

Registered office:	2 Gonsiori St. 10143 Tallinn Republic of Estonia
Registry code:	10223439
Beginning of financial year:	1 Jan. 2007
End of financial year:	31 Dec. 2007
Beginning of interim report period:	1 Jan. 2007
End of interim report period:	31 Dec. 2007
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MANAGEMENT REPORT

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

As of 31 December 2007, the following companies belonged to the Group:

	Country of seat	Holding 31 Dec. 2007	Holding 31 Dec. 2006
A-Selver AS	Estonia	100%	100%
AS Tartu Kaubamaja	Estonia	100%	100%
Tartu Kaubamaja Kinnisvara OÜ	Estonia	100%	100%
Tallinna Kaubamaja Kinnisvara OÜ	Estonia	100%	100%
TKM Latvija SIA	Latvia	100%	100%
Selver Latvia SIA	Latvia	100%	100%
OptiGroup Invest OÜ	Estonia	100%	0%
KIA Auto AS	Estonia	100%	0%
Ülemiste Autokeskuse OÜ	Estonia	100%	0%
KIA Auto UAB	Lithuania	100%	0%
Kia Automobile SIA	Latvia	100%	0%
TKM Beauty OÜ	Estonia	100%	0%
TKM Beauty Eesti OÜ	Estonia	100%	0%
Rävala Parkla AS	Estonia	50%	50%

Economic Development

Within 12 months 2007 the consumer price index increased 6.6% as compared to the same period in 2006. Retail sales (not including the sales of motor vehicles and fuel) increased 20.2% as compared to 2006 according to the initial information of the Statistical Office. The same indicator regarding non-specialised shops (mainly food products) was 16.8%. The proportion of non-specialised food stores formed, according to the initial information of the Statistical Office, 47% of all retail sales. In 2006 the corresponding indicator was almost 50%. The retail sale in non-specialised stores (mostly non-food products) grew 13.9% as compared to the same period last year. The retail sale of textile products, garments, footwear, and leather articles continued to grow faster than the average market level and increased 37.7%. The same applies to the retail sale of household effects, household appliances, ironware and building materials which grew 21.7%. The sale of second-hand goods and goods sold outside of stores decreased as compared to the previous year.

Notwithstanding the slowdown of economy at the end of the year the population's purchasing power continued to grow as did the number of employed persons.

Economic Results

The consolidated and unaudited sales revenue of the Tallinna Kaubamaja Group for 2007 was 5.9 billion kroons (375.4 million euros). The Group's sales revenue for 2006 amounted to 4.2 billion kroons (270.9 million euros). Increase in sales was 39%. The net profit grew 50% and reached 411.4 million kroons (26.3 million euros), which is 136.7 million kroons (8.7 million euros) more than in 2006, when the Group's net profit amounted to 274.7 million kroons (17.6 million kroons).

The consolidated and unaudited sales revenue of the Tallinna Kaubamaja Group for the 4th quarter 2007 was 1.7 billion kroons (108.2 million euros). The Group's sales revenue for the 4th quarter 2006 amounted to 1.3 billion kroons (81.7 million euros). Increase in sales in the 4th quarter was 32%. The Group's net profit for the 4th quarter amounted to 131.1 million kroons (8.4 million euros), which is 31.2 million kroons (2.0 million euros) more than in the 4th quarter 2006.

The sales and profit indicators for 2006 do not include the results of the car trade business segment.

FINANCIAL RATIOS 2006-2007			
Group's consolidated interim report			
	2007	2006	Growth %
Net sales	5,874	4,239	39%
Operating profit	436	288	51%
Net profit	411	275	50%
Return on equity (ROE)	25%	22%	
Return on assets (ROA)	14%	11%	
Net profit margin	7%	6%	
Gross profit margin	25%	26%	
Quick ratio	1.02	1.00	
Debt ratio	0.47	0.51	
Sales revenue per employee (EEK million)	2.1	1.8	
Inventory turnover	11.3	13.5	
SHARE			
Average number of shares (1,000 pcs.)	40,729	40,729	
Equity per share (EEK per share)	39.64	30.54	
Share closing price (EEK per share)	122.04	143.6	
Earnings per share	10.1	6.7	
Average number of employees	2,833	2,411	
Equity ratio	= Owners' equity / Balance sheet total * 100%		
Return on equity (ROE)	= Net profit / Average owners' equity * 100%		
Return on assets (ROA)	= Net profit / Average total assets * 100%		
Sales revenue per employee	= Sales revenue / Average number of employees		
Inventory turnover (multiplier)	= Sales revenue / inventories		
Net profit margin	= Net profit / Sales revenue * 100%		
Gross profit margin	= (Sales revenue - Cost of goods sold) / Sales revenue		
Quick ratio	= Current assets / Current liabilities		
Debt ratio	= Total liabilities / Balance sheet total		

As of 31 December 2007 the balance sheet total of the Tallinna Kaubamaja Group amounted to 3.0 billion kroons (194.5 million euros), having increased by 0.5 billion kroons (32.4 million euros) since the end of 2006. The increase in assets and owners' equity in 2007 was 20% and 30%, respectively.

As of the end of the previous year the number of loyal customers was 250,000, having increased in a year by 10%. The relative importance of loyal customers in the sales of the Group stores reached 71% last year. The number of Partner credit cards exceeded 10,000 last year.

Share Market

The shares of Tallinna Kaubamaja AS have been listed in the main list of the Tallinn Stock Exchange since 19 August 1997. A total of 40,729,200 shares have been issued with a nominal value of 10 kroons each.

Notwithstanding Kaubamaja's good performance the share price decreased by almost 15% from 143.64 kroons in the beginning of the year to 122.04 kroons because the economy was expected to slow down.

In 2007 Tallinna Kaubamaja AS acquired a 100% holding in Kia Automobile SIA.

Share price in Estonian kroons and trading statistics in the Tallinn Stock Exchange in 2007Department Stores

The sales revenue of the department stores business segment for 2007 amounted to 1.5 billion kroons (98.8 million euros) having grown 19% as compared to the previous year. The sales revenue of the department stores' business segment in the fourth quarter amounted to 490.6 million kroons (31.4 million euros), which is 12% more than in the same period last year.

The net profit of department stores in 2007 was 156.8 million kroons (10.0 million euros), which is 51.6 million kroons (3.3 million euros) more than in 2006.

In the beginning of March Tallinna Kaubamaja AS informed of their strategic decision to establish in all the Baltic States a chain of stores called *I.L.U.* which will be selling beauty products. The main sales articles of the stores will include exclusive and decorative cosmetics, men's and women's perfumes, hair care products and services and consultation related to the aforementioned. It is planned to open the first store in Estonia in 2008. Leases entered into in Estonia and Latvia allow us to begin with preparations for setting up other beauty stores.

Selver Stores

The sales revenue of the supermarkets business segment for 2007 amounted to 3.7 billion kroons (238.5 million euros) which is 28% more than last year. The sales revenue of Selver in the fourth quarter amounted to 1.0 billion kroons (66.8 million euros) having grown 25% as.

The net profit of the supermarkets business segment was 199.5 million kroons (12.8 million euros), which is 85.6 million kroons (5.5 million euros) more than in 2006.

In the beginning of the current year A-Selver AS disclosed their plans for development in Latvia. By the end of 2009 it is planned to open at least 15 stores and a central kitchen. The stores will be opened for customers in 2008 and 2009. In order to realise the development plans Uldis Priekulis, the managing director of Selver Latvia SIA, was hired as of the end of January.

In 2007 Selver opened three new supermarkets – Jaamamõisa Selver store in Tartu, and Selver stores in Jõgeva and Põltsamaa. In 2008 the expansion will continue even more rapidly. It is planned to open at least nine new stores within a year. Selver will open new stores in Kohtla-Järve, Hiiumaa, Põlva, Paide and Pärnu. Two new Selver stores will be opened in Tallinn and Narva. The opening of Maardu Selver which was initially planned to take place at the end of 2008 will be postponed to 2009.

In the beginning of 2007 the building of the central Selver Kitchen was started in Lasnamäe Tehnopark in Tallinn. The new “kitchen” started production in September 2007 as planned. In March 2007 Merimetsa Selver in Tallinn was expanded by 400 m². In 2008 sales area in Järve Selver will be expanded by 2,400 m² and it is planned to also expand the sales area in Pirita Selver by 2,700 m² and in Krooni Centre in Rakvere by 1,100 m².

Real Estate

The sales revenue of the real estate business segment for 2007 amounted to 99.3 million kroons (6.3 million euros). Due to changes in the accounting principles (the sales revenue for 2007 does not include public services rendered with regard to the Group’s premises) which took place in 2007 the sales revenue decreased 14% as compared to 2006. The sales revenue of the real estate business segment for 2007, excluding intersegment sales, amounted to 40.5 million kroons (2.6 million euros) having grown 8% as compared to the previous year. The sales revenue of the real estate business segment, excluding intersegment sales, in the fourth quarter amounted to 10.4 million kroons (0.7 million euros), which is 2% more than in the same period last year. The comparative figures for 2006 of the real estate business segment are brought into conformity with the figures for 2007.

Net profit for the accounting year was 40.8 million kroons (2.6 million euros) decreasing by 20.9 million kroons, i.e. 34% as compared to the previous year. Net profit for 2006 includes extraordinary income. The development projects launched in Latvia will have an effect on net profit for 2007.

In 2007 registered immovables were acquired in Tallinn, Suur-Sõjamäe, Saku. Construction works are under way in Hiiumaa, Kohtla-Järve, Pirita and Pärnu. The construction of Põltsamaa Selver was finished. In addition development projects in Paide, Keila, Kakumäe and Rae are in progress. Development of plots acquired in Latvia earlier, which mainly consists in design work, has also been set in motion. Plots have been acquired in Riga, Ogre, Valmiera and Kuldiga.

Car Trade

The sales revenue for 2007 of the car trade business segment, including intersegment transactions, was 748.6 million kroons (47.8 million euros). The sales revenue for 2007 of the car trade business segment, excluding intersegment transactions, was 569.3 million kroons (36.4 million euros). In 2007 2,207 new vehicles were sold, which is 76% more than in 2006. The sales revenue for the fourth quarter of the car trade business segment, excluding intersegment transactions, was 149 million kroons (9.5 million euros). In the fourth quarter 605 new vehicles were sold. The net profit for 2007 of the car trade business segment was 14.2 million kroons (0.9 million euros).

In the beginning of January the Competition Board granted permission to Tallinna Kaubamaja AS to acquire OptiGroup Invest OÜ, incl. KIA Auto AS, Ülemiste Autokeskuse OÜ and KIA Auto UAB. The acquisition cost Tallinna Kaubamaja AS a total of 79.4 million kroons. At the meeting of the supervisory board of KIA Auto AS which took place on 15 January 2007 Jüri Käo was elected chairman of the supervisory board and a long-term strategic decision was made to establish car sale and service centres corresponding to all contemporary requirements in each capital of the Baltic States. OptiGroup Invest OÜ's structure was also rearranged. As the result of that Ülemiste Autokeskuse OÜ, which was a subsidiary of OptiGroup OÜ, became a 100% subsidiary of KIA Auto AS. KIA Auto AS is a 100% subsidiary of OptiGroup Invest OÜ. In addition to Ülemiste Autokeskuse OÜ also KIA Auto UAB in Lithuania is a 100% subsidiary of KIA Auto AS, and in June a 100% subsidiary Kia Automobile SIA was founded in Latvia. In April 2008 it is planned to open a new and contemporary dealership of the Lithuanian subsidiary in Vilnius. Plans for a new Kia dealership in the vicinity of Tallinn have reached the draft design phase.

Personnel

By the end of 2007 the average number of employees at the Tallinna Kaubamaja Group was 2,833 people, increasing 18% in a year. Total staff costs (wages and salaries and social tax expenses) were 528.6 million kroons (33.8 million euros) increasing 38% as compared to the previous year.

INTERIM ACCOUNTS

Declaration of the manager regarding the consolidated Interim Accounts.

The Manager declares that the consolidated Interim Accounts of Tallinna Kaubamaja AS regarding the fourth quarter 2007 set out on pages 4 to 26 have been correctly prepared, and represents and warrants that to the best of his knowledge:

- the consolidated Interim Accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (the EU);
- the Interim Accounts truly and fairly reflect the financial condition, economic results and cash flow of the Group;
- Tallinna Kaubamaja AS and its subsidiaries operate on an ongoing basis.

Raul Puusepp
Manager

Tallinn, 25th February 2008

CONSOLIDATED BALANCE SHEET

	Note	EEK/EUR thousand			
		31 December 2007		31 December 2006	
		EEK	EUR*	EEK	EUR*
ASSETS					
Current assets					
Cash at bank and in hand	2	282,618	18,063	371,368	23,736
Trade receivables	3	50,446	3,221	50,646	3,237
Other receivables	4	50,864	3,253	39,929	2,552
Prepaid expenses	5	20,455	1,308	29,736	1,900
Inventories	6	517,994	33,106	313,009	20,005
Total current assets		922,377	58,951	804,688	51,430
Fixed assets					
Prepaid expenses	5	36,127	2,309	41,732	2,667
Shares in affiliated companies	7	14,201	908	11,425	730
Other long-term receivables	8	2,828	181	7,828	500
Tangible fixed assets	9	2,020,323	129,122	1,670,816	106,785
Intangible fixed assets					
Goodwill	10	47,313	3,024	0	0
Total intangible assets		47,313	3,024	0	0
Total fixed assets		2,120,792	135,544	1,731,801	110,682
TOTAL ASSETS		3,043,169	194,495	2,536,489	162,112
LIABILITIES AND OWNERS' EQUITY					
Current liabilities					
Debts	11	35,693	2,281	239,040	15,277
Prepayments received for goods and services		11,675	746	12,992	830
Trade payables		693,719	44,338	426,360	27,250
Other current payables	13	167,069	10,677	128,785	8,230
Total current liabilities		908,156	58,042	807,177	51,587
Long-term liabilities					
Debts	11	520,538	33,268	485,542	31,032
Total long-term liabilities		520,538	33,268	485,542	31,032
TOTAL LIABILITIES		1,428,694	91,310	1,292,719	82,619
Owners' equity					
Share capital	14	407,292	26,031	407,292	26,031
Statutory reserve		7,269	465	7,269	465
Fixed assets revaluation reserve		466,531	29,817	492,014	31,445
Retained earnings		321,969	20,578	62,549	3,998
Net profit for accounting period		411,355	26,290	274,666	17,555
Currency exchange differences		59	4	-20	-1
TOTAL OWNERS' EQUITY		1,614,475	103,185	1,243,770	79,493
TOTAL LIABILITIES AND OWNERS' EQUITY		3,043,169	194,495	2,536,489	162,112

* The accounts are reported in thousands of euros (EUR) in order to give additional information to readers.

CONSOLIDATED INCOME STATEMENT

	Note	EEK/EUR thousand			
		12 months 2007		12 months 2006	
		EEK	EUR*	EEK	EUR*
Operating revenue					
Sales revenue	15	5,874,375	375,441	4,239,130	270,930
Other operating revenue	16	121,973	7,796	83,836	5,358
Cost of goods sold		-4,389,243	-280,524	-3,136,682	-200,470
Other operating expenses	17	-523,933	-33,484	-409,336	-26,160
Staff costs	18	-528,602	-33,784	-383,574	-24,515
Depreciation and impairment of fixed assets	9	-102,416	-6,546	-94,678	-6,051
Other operating expenses		-16,079	-1,028	-10,622	-679
Operating profit		436,075	27,871	288,074	18,413
Financial expenses	19	-36,011	-2,302	-12,771	-816
Financial income		20,007	1,279	3,048	195
Financial income from shares in affiliated companies	7	2,772	177	2,397	153
Total financial income and expenses		-13,232	-846	-7,325	-468
Profit before income tax		422,843	27,025	280,749	17,945
Income tax		-11,488	-735	-6,083	-389
NET PROFIT FOR ACCOUNTING PERIOD		411,355	26,290	274,666	17,554
Earnings per share (EEK/EUR)	14	10.10	0.65	6.74	0.43
Diluted earnings per share (EEK/EUR)	14	10.10	0.65	6.74	0.43

* The accounts are reported in thousands of euros (EUR) in order to give additional information to readers.

CONSOLIDATED INCOME STATEMENT

	Note	EEK/EUR thousand			
		4th quarter 2007		4th quarter 2006	
		EEK	EUR*	EEK	EUR*
Operating revenue					
Sales revenue	15	1,693,177	108,214	1,278,368	81,703
Other operating revenue	16	31,159	1,991	19,545	1,249
Cost of goods sold		-1,252,467	-80,047	-930,792	-59,488
Other operating expenses	17	-140,833	-9,000	-106,363	-6,797
Staff costs	18	-169,862	-10,856	-131,924	-8,431
Depreciation and impairment of fixed assets	9	-27,272	-1,743	-24,181	-1,545
Other operating expenses		-1,166	-76	-4 775	-305
Operating profit		132,736	8,483	99 882	6384
Financial expenses	19	-8,938	-570	-4,598	-295
Financial income		5,861	374	1 655	106
Financial income from shares in affiliated companies	7	1,416	90	1,217	78
Total financial income and expenses		-1,661	-106	-1,726	-111
Profit before income tax		131,075	8,377	98,156	6,273
Income tax					0
NET PROFIT FOR ACCOUNTING PERIOD		131,075	8,377	98,156	6,273
Earnings per share (EEK/EUR)	14	3.22	0.21	2.41	0.15
Diluted earnings per share (EEK/EUR)	14	3.22	0.21	2.41	0.15

* The accounts are reported in thousands of euros (EUR) in order to give additional information to readers.

CONSOLIDATED CASH FLOW STATEMENT

	Note	EEK/EUR thousand			
		12 months 2007		12 months 2006	
		EEK	EUR*	EEK	EUR*
CASH FLOW FROM OPERATING ACTIVITIES					
Net profit		411,355	26,290	274,666	17,555
Adjustments:					
Interest expense	19	36,011	2,302	12,771	816
Interest income		-22,708	-1,451	-3,190	-204
Depreciation and impairment of fixed assets	9	102,416	6,546	94,678	6,051
Gains (losses) on sales and write-offs of fixed assets		442	28	698	45
Effect of equity method	7	-2,772	-177	-2,397	-153
Change in inventories		-204,987	-13,101	-22,620	-1,446
Change in receivables and prepayments related to operating activities		14 155	677	-54,198	-3,464
Change in liabilities and prepayments related to operating activities		279 286	17,849	151,251	9,667
TOTAL CASH FLOW FROM OPERATING ACTIVITIES		613 198	38,963	451,659	28,867
CASH FLOW FROM INVESTMENT ACTIVITIES					
Acquisition of tangible fixed assets (except for financial lease)	9	-422,556	-27,006	-495,992	-31,700
Tangible fixed assets sold		217	14	329	21
Goodwill		-47,313	-3,024	0	0
Repayments of loans granted to affiliated companies	8	2,000	128	2,000	128
Interest received		22,313	1,426	2,923	186
TOTAL CASH FLOW FROM INVESTMENT ACTIVITIES		-445,339	-28,462	-490,740	-31,365
CASH FLOW FROM FINANCING ACTIVITIES					
Loans raised		70,200	4,487	462,457	29,556
Repayments of loans raised		-185,252	-11,840	-25,257	-1,614
Bonds issued		0	0	48,900	3,125
Repurchase of bonds		-49,069	-3,136	-35,000	-2,237
Dividends disbursed		-40,729	-2,603	-20,365	-1,302
Income tax on dividends		-11,488	-734	-6,083	-389
Change in overdraft balance		0	0	-17,264	-1,102
Repayment of financial lease principal payments		-4,229	-270	-3,978	-254
Interest paid		-36,042	-2,304	-11,251	-719
TOTAL CASH FLOW FROM FINANCING ACTIVITIES		-256,609	-16,400	392,159	25,064
TOTAL CASH FLOW		-88 750	-5,899	353,078	22,566
Cash and equivalents of cash at beginning of period	2	371 368	23,962	18,290	1,169
Cash and equivalents of cash at end of period	2	282 618	18,063	371,368	23,735
Change in cash and equivalents of cash		-88 750	-5,899	353,078	22,566

* The accounts are reported in thousands of euros (EUR) in order to give additional information to readers.

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

	EEK thousand					
	Share capital	Revaluation reserve	Legal reserve	Retained profit	Conversion differences	Total
Balance as of 31 Dec. 2005	67,882	504,307	7,269	410,031	0	989,489
Change in fixed assets revaluation reserve	0	-12,293	0	12,293	0	0
Profit for accounting period	0	0	0	274,666	-20	274,666
<i>Total income and expense for period</i>	<i>0</i>	<i>-12,293</i>	<i>0</i>	<i>286,959</i>	<i>-20</i>	<i>274,646</i>
Bonds issue	339,410	0	0	-339,410	0	0
Dividends disbursed	0	0	0	-20,365	0	-20,365
Balance as of 31 Dec. 2006	407,292	492,014	7,269	337,215	-20	1,243,770
Dividends disbursed	0	0	0	-40,729	0	-40,729
Change in conversion difference	0	0	0	0	79	79
Change in fixed assets revaluation reserve	0	-25,483	0	25,483	0	0
Profit for accounting period	0	0	0	411,355	0	411,355
<i>Total income and expense for period</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>411,355</i>	<i>0</i>	<i>411,355</i>
Balance as of 31 Dec. 2007	407,292	466,531	7,269	733,324	59	1,614,475

	EUR thousand					
	Share capital	Revaluation reserve	Legal reserve	Retained profit	Conversion differences	Total
Balance as of 31 Dec. 2005	4,338	32,231	465	26,206	0	63,240
Change in fixed assets revaluation reserve	0	-786	0	786	0	0
Profit for accounting period	0	0	0	17,554	-1	17,554
<i>Total income and expense for period</i>	<i>0</i>	<i>-786</i>	<i>0</i>	<i>18,340</i>	<i>-1</i>	<i>17,553</i>
Bonds issue	21,692	0	0	-21,692	0	0
Dividends disbursed	0	0	0	-1,302	0	-1,302
Balance as of 31 Dec. 2006	26,031	31,445	465	21,552	-1	79,492
Dividends disbursed	0	0	0	-2,603	0	-2,603
Change in conversion difference	0	0	0	0	5	5
Change in fixed assets revaluation reserve	0	-1,629	0	1,629	0	0
Profit for accounting period	0	0	0	26,290	0	26,290
<i>Total income and expense for period</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>26,290</i>	<i>0</i>	<i>26,290</i>
Balance as of 31 Dec. 2007	26,031	29,817	465	46,868	4	103,185

* The accounts are reported in thousands of euros (EUR) in order to give additional information to readers.

For more information about owners' equity and changes therein, please refer to Note 14.

NOTES TO THE CONSOLIDATED INTERIM ACCOUNTS

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

General Information

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

Bases for Preparation

The Consolidated Interim Accounts of Tallinna Kaubamaja AS are prepared pursuant to the International Financial Reporting Standards (IFRS) as adopted by the European Union and the international financial reporting standards issued by the International Accounting Standards Board. The Interim Accounts are prepared pursuant to the same accounting principles as used in the Annual Report for the financial year which ended on 31 Dec. 2006.

The underlying currency of the consolidated Accounts is the Estonian kroon. Interim Accounts are presented in thousand in kroons, if not said differently. In order to help the readers to better understand the financial indicators and to adhere to the requirements of the rules and regulations of the Tallinn Stock Exchange the financial indicators in the Accounts are also given in euros which have been converted based on the original financial indicators given in Estonian kroons. As the exchange rate of the Estonian kroon and the euro has been fixed at 1 euro = 15.6466 kroons no spread is created upon conversion.

The Manager is of the opinion that the Interim Report of Tallinna Kaubamaja AS on the 4th quarter 2007 gives a true and fair view of the Company's performance in accordance with the going-concern concept.

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

Note 2. Cash at Bank and in Hand

	31 December 2007	31 December 2006
Cash in hand	4,966	3,610
Cash at bank	262,004	352,533
Cash in transit	15,648	15,225
Total cash at bank and in hand	282,618	371,368

Note 3. Trade Receivables

	31 December 2007	31 December 2006
Trade receivables	34,165	15,045
Card payments	16,281	35,601
Total trade receivables	50,446	50,646

Note 4. Other Receivables

	31 December 2007	31 December 2006
Bonuses to be received from suppliers	39,672	24,647
Current receivables from affiliates (see Note 8)	5,000	2,000
Current advance receivable	0	13,000
Other current receivables	6,192	282
Total other receivables	50,864	39,929

Note 5. Prepaid Expenses

	31 December 2007	31 December 2006
VAT	10,338	22,468
Total prepaid taxes	10,338	22,468
Lease expenses prepaid	5,602	5,603
Other prepaid expenses	4,515	1,665
Total current prepaid expenses	20,455	29,736
Lease expenses prepaid	36,127	41,732
Total long-term prepaid expenses	36,127	41,732

Note 6. Inventories

	31 December 2007	31 December 2006
Goods for resale	510,747	307,234
Raw materials	7,247	5,775
Total inventories	517,994	313,009

Note 7. Shares in Affiliates

Tallinna Kaubamaja AS has a holding in Rävåla Parkla AS which renders multi-storey car park services in Tallinn.

	31 December 2007	31 December 2006
Number of shares at end of year / (beginning of year)	501 / (501)	501 / (501)
Shareholding % at end of year / (beginning of year)	50 / (50)	50 / (50)
At beginning of year		
Acquisition cost	6,500	6,500
Holding in owners' equity of investment object	6,769	6,769
Equity profit for accounting period	2,772	2,397
At end of accounting period		
Acquisition cost	6,500	6,500
Holding in owners' equity of investment object	14,201	11,425

Financial information on the affiliate Rävåla Parkla AS:

	31 December 2007	31 December 2006
Assets	63,629	64,322
Liabilities	35,235	41,472
Revenue	8,590	7,717
Profit	5,545	4,794

Note 8. Other Long-term Receivables

	31 December 2007	31 December 2006
Receivables from affiliates	7,828	9,828
<i>To be repaid:</i>		
within 12 months (see Note 4)	5,000	2,000
within 1 to 5 years	2,828	7,828
Interest rate	6%	4%
Repayment term	2010	2010

Note 9. Tangible Fixed Assets

EEK thousand

	Land and buildings	Machinery and equipment	Other fittings, and fixtures equipment	Prepay- ments for tangible fixed assets	Construc- tion-in- progress	Total
31 Dec. 2005						
Acquisition cost or revaluated cost	1,047,126	174,782	224,764	83	63,312	1,510,067
Accumulated depreciation	-29,489	-86,525	-123,504	0	0	-239,518
Residual value	1,017,637	88,257	101,259	83	63,312	1,270,549
Changes in 2006						
Acquisition	12,409	12,441	18,690	9,579	442,873	495,992
Sales	-496	-195	-357	0	0	-1,048
Depreciation	-33,891	-29,535	-31,251	0	0	-94,678
31 Dec. 2006						
Acquisition cost or revaluated cost	1,058,609	184,776	230,657	9,662	506,186	1,989,890
Accumulated depreciation	-62,950	-113,809	-142,315	0	0	-319,074
Residual value	995,659	70,967	88,342	9,662	506,185	1,670,816
Adjustments:*						
Acquisition cost in 2006	30,012	3,297	1,513	0	0	34,821
Accumulated depreciation in 2006	-3,362	-1,986	-766	0	0	-6,114
Changes in 2007						
Acquisition	349,963	51,108	27,225	2,483	-8,223	422,556
Sales		-598	-61		0	-659
Depreciation	-36,631	-32,210	-33,575	0	0	-102,416
31 Dec. 2007						
Acquisition cost or revaluated cost	1,438,174	233,974	254,937	12,145	497,963	2,437,193
Accumulated depreciation	-102,533	-142,200	-172,137			-416,870
Residual value	1,335,642	91,774	82,799	12,145	497,963	2,020,323

In the accounting period the acquisition cost of registered immovables and renovation cost of objects amounted to 349,963 thousand kroons. The value of registered immovables acquired in Latvia amounted to 236,303 thousand kroons and the value of registered immovables acquired in Estonia amounted to 40,374 thousand kroons. *Selveri Köök /Selver Kitchen/* the cost of which was 68,883 thousand kroons is now ready, and the cost of renovation and repair work of different objects amounts to 4,403 thousand kroons. The value of furnishings of sales areas, refrigeration equipment and IT equipment acquired amounts to 78,333 thousand kroons, out of which equipment and fittings for *Selveri Köök* constitute 21,774 thousand kroons.

* Adjustment of fixed assets is related to the acquisition of a subsidiary, Optigrupp Invest OÜ.

Note 10. Intangible Fixed Assets

In January 2007 Tallinna Kaubamaja AS purchased a new subsidiary, Optigrupp Invest OÜ, which is mainly engaged in car trade. A 100% holding was acquired for 79,400 thousand kroons. Upon acquisition of Optigrupp Invest OÜ goodwill in the amount of 47,313 thousand kroons was created.

Goodwill is initially reported at the acquisition cost thereof, which is the positive difference between the acquisition cost of the holding acquired and the fair value of the acquired assets, liabilities and contingent liabilities on the date of acquisition. In further reporting goodwill is measured at the acquisition cost thereof less possible discounts resulting from impairment. With regard to goodwill an

impairment test is carried out at least once a year or more frequently if events or changed circumstances show that the book value of goodwill may have decreased.

Note 11. Debts

Current debts	31 December 2007	31 December 2006
Short-term bonds	0	49,069
Loans	31,165	185,734
Financial lease (see Note 12)	4,528	4,237
Total Current debts	35,693	239,040
Long-term debts	31 December 2007	31 December 2006
Loans	502,936	463,420
Financial lease (see Note 12)	17,602	22,122
Total long-term debts	520,538	485,542

Change in debts:

Initial balance, 31 December 2006	724,582
Bank loans	70,200
Other long-term debts	
Total loans raised	70,200
Loans repaid	
Bank loans	185,252
Redemption of bonds	49,070
Finance lease (see Note 12)	4,229
Total loans repaid	238,551
Remaining balance, 31 December 2007	556,231

Note 12. Financial Lease

The Group uses the following buildings under financial lease terms:

	31 December 2007	31 December 2006
Acquisition cost	43,951	43,951
Accumulated depreciation	-24,912	-20,325
Residual value	19,039	23,626
	31 December 2007	31 December 2006
Minimum financial lease payments:		
within 1 year	5,933	5,947
within 1 to 5 years	19,788	25,712
Total	25,721	31,659
Deferred interest expense	-3,591	-5,300
Present value of lease payments (Note 11)	22,130	26,359

Present value of lease payments (Note 11)

within 1 year	4,528	4,237
within 1 to 5 years	17,602	22,122
Total present value of lease payments	22,130	26,359

	12 months 2007	12 months 2006
Payments for accounting period	4,229	3,978
Interest expense for accounting period	1,711	1,998

Note 13. Other Current Payables

	31 December 2007	31 December 2006
VAT	33,061	27,273
Personal income tax	11,041	8,135
Social tax	22,696	16,374
Income tax on fringe benefits	757	617
Unemployment insurance premiums	560	411
Funded pension	935	664
<i>Total taxes payable</i>	<i>69,050</i>	<i>53,474</i>
Employee-related liabilities	87,063	70,140
Interest payable	1,140	1,171
Other accrued expenses	4,671	100
Prepayments of lessees	5,145	3,900
Total other current payables	167,069	128,785

Note 14. Share Capital

As of 31 Dec. 2007 the share capital amounted to 407,292 thousand kroons and was divided into 40,729,200 ordinary shares with a nominal value of 10 kroons. Pursuant to the Articles of Association the maximum allowed number of ordinary shares is 162,916,800.

In the 2nd quarter of 2007 dividends were disbursed to shareholders in the amount of 1 kroon per share, in total 40,729 thousand kroons (2006: 20,365 thousand kroons), and income tax on dividends in the amount of 11,488 thousand kroons was paid.

Note 15. Sales Revenue

	12 months 2007	12 months 2006	4 th quarter 2007	4 th quarter 2006
Retail sales revenue	5,759,970	4,185,076	1,657,374	1,267,095
Wholesale revenue	13,763	2,440	3,392	207
Income from service and catering	100,642	51,614	32,411	11,066
Total sales revenue	5,874,375	4,239,130	1,693,177	1,278,368

Note 16. Other Operating Revenue

	12 months 2007	12 months 2006	4 th quarter 2007	4 th quarter 2006
Rental income	40,285	37,040	9,907	9,224
Selling profit from fixed assets	45	21	16	1
Other operating revenue	81,580	46,725	21,197	10,304
Income from currency exchange	63	50	39	16
Total other operating revenue	121,973	83,836	31,159	19,545

Note 17. Other Operating Expenses

	12 months 2007	12 months 2006	4 th quarter 2007	4 th quarter 2006
Rent	144,948	132,137	39,174	33,143
Maintenance expenses	62,930	46,376	16,080	9,950
Advertising expenses	85,562	52,185	23,022	14,811
Banking charges	38,367	27,299	12,658	8,715
Security costs	24,928	23,306	6,104	5,177
Heating and power expenses	53,040	48,180	10,036	10,945
Material costs	54,492	40,724	15,148	11,836
IT and communications expenses	19,491	15,573	5,253	4,060
Travel expenses	4,908	3,114	339	652
Training expenses	5,368	4,111	2,379	945
Insurance expenses	1,603	1,068	379	246
Miscellaneous operating expenses	28,296	15,236	10,261	5,883
Total other operating expenses	523,933	409,336	140,833	106,363

Note 18. Staff Costs

	12 months 2007	12 months 2006	4 th quarter 2007	4 th quarter 2006
Wages and salaries	396,314	287,372	127,393	98,837
Social tax	132,288	96,202	42,469	33,087
Total staff costs	528,602	383,574	169,862	131,924

	12 months 2007	12 months 2006	4 th quarter 2007	4 th quarter 2006
Average monthly wages and salaries per employee (EEK) in accounting period	11,658	9,933	13,291	12,890
Average number of employees in accounting period	2,833	2,411	3,195	2,556

Note 19. Interest Expenses

	12 months 2007	12 months 2006	4 th quarter 2007	4 th quarter 2006
Bank loan interest	-27,059	-10,272	-6,813	-3,956
Financial lease interest	-1,711	-1,998	-398	-473
Bond interest	-931	-501	0	-169
Other interest	-6,310	0	-1,727	0
Total interest expenses	-36,011	-12,771	-8,938	-4,598
Interest income	22,240	3,048	6,185	1,655
Total interest expenses and income	-13,771	-9,723	-2,753	-2,943

Note 20. Operating Profit

Operating profit includes the following write-downs:

	12 months 2007	12 months 2006	4 th quarter 2007	4 th quarter 2006
Write-down and write-off of inventories	42,340	30,459	13,460	9,330
Shortage of inventories	24,018	20,389	11,759	9,000
Total	66,358	50,848	25,219	18,330

Note 21. Segment Reporting

Information on segments is disclosed according to business and geographical segments. Following the internal management structure the principal format indicates the division of business segments and the additional format the division of geographical segments. The accounting principles followed with respect of segments coincide with the Company's general accounting principles.

Income, expenses, assets and liabilities are divided between segments according to the connection thereof with the activities of the segment.

Business Segments

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

department store
supermarkets
real estate
car trade

Geographical Segments

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

Upon presentation of geographical segments sales revenue is reported according to the location of clients; assets of the segments are reported according to the location of assets.

Business Segment Report

31 December 2007	Depart- ment store	Super- markets	Real estate	Car trade	EEK thousand Inter- segment transactions	Total
Sales outside of Group	1,542,546	3,722,044	40,485	569,300	0	5,874,375
Intersegment sales	3,296	9,725	58,842	179,285	-251,148	0
Total sales	1,545,842	3,731,769	99,327	748,585	-251,148	5,874,375
Total operating profit	155,297	204,631	58,378	17,769	0	436,075
Financial income/expenses of segments	-5,602	-9,965	-26,302	-9,109	0	-50,979
Intersegment financial income/expenses	1,244	8,184	16,798	32	-26,258	26,258
Total financial income/expenses	-4,358	-1,779	-9,503	-9,077	-26,258	-24,720
Net profit	156,847	199,511	40,798	14,199	0	411,355
Assets	2,165,275	902,172	1,838,414	262,037	-2,124,731	3,043,169
Intersegment assets	1,881,149	208,157	931	34,492	-2,124,731	0
Total assets	284,126	694,015	1,837,483	227,545	0	3,043,169
Liabilities	536,351	557,909	1,057,890	232,113	-955,569	1,428,694
Intersegment liabilities	67,256	4,588	758,412	125,313	-955,569	0
Total liabilities	469,095	553,321	299,478	106,800	0	1,428,694
Acquisition of fixed assets in accounting period	13,934	137,768	275,261	1,332	0	428,296
Depreciation in accounting period	27,690	47,389	26,303	1,035	0	102,416

In the accounting period presentation principles of sales revenue reported within the Group were harmonised. Due to the joining of car trade with the Tallinna Kaubamaja Group the sales revenue gained from transactions between the car trade companies belonging to the same consolidation group has been eliminated from the car trade sales revenue.

31 December 2006	EEK thousand				
	Depart- ment store	Super- markets	Real estate	Inter- segment transactions	Total
Sales outside of Group	1,293,256	2,896,090	49,784	0	4,239,130
Intersegment sales	6	10,595	66,309	-76,911	0
Total sales	1,293,262	2,906,685	116,093	-76,911	4,239,130
Total operating profit	102,491	115,464	70,119	0	288,074
Financial income/expenses of segments	2,720	-2,530	-10,683	0	-10,493
Intersegment financial income/expenses	0	-939	4,107	3,168	3,168
Total financial income/expenses	2,720	-3,468	-6,576	3,168	-7,325
Income tax	0	0	0	0	-6,083
Net profit	105,213	113,874	61,663	0	274,666
Assets	1,758,939	581,349	1,669,566	-1,473,364	2,536,490
Intersegment assets	1,204,113	24,937	244,314	-1,473,364	0
Total assets	554,826	556,412	1,425,252	0	2,536,490
Liabilities	499,626	398,092	929,878	-534,876	1,292,720
Intersegment liabilities	7,165	3,014	524,696	-534,876	0
Total liabilities	492,461	395,078	405,182	0	1,292,720
Acquisition of fixed assets in accounting period	22,696	17,154	3,690	0	43,540
Depreciation in accounting period	24,144	44,355	26,179	0	94,678

Geographical Segment

31 December 2007	EEK thousand		
	Estonia Car trade	Latvia Car trade	Lithuania Car trade
Sales outside of segment	501,545	14,081	53,674
Assets of segment according to location	205,426	12,670	9,449
Acquisition of fixed assets of segment in accounting period	1,277	1,115	409

Note 22. Transactions with Related Parties

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

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

Within 12 months of 2007 the Group has purchased and sold goods and rendered services as follows:

	Purchases 4 th quarter 2007	Sales 4 th quarter 2007	Purchases 12 months 2007	Sales 12 months 2007
Parent company	95	1,455	745	4,082
Other related companies	36,794	2,551	129,132	5,902
Affiliates	0	119	0	468
Total	36,889	4,125	129,877	10,452

Within 12 months of 2006 the Group has purchased and sold goods and rendered services as follows:

	Purchases 4 th quarter 2006	Sales 4 th quarter 2006	Purchases 12 months 2006	Sales 12 months 2006
Parent company	0	632	693	7,567
Other related companies	29,670	1,678	106,454	3,972
Affiliates	0	101	0	420
Total	29,670	2,411	107,147	5,149

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

Balances with related parties:

	31 December 2007	31 December 2006
Parent company	665	269
Other related companies	1,340	871
Current receivables from affiliates	5,000	2,000
Total current receivables	7,005	3,140
Long-term receivables		
Long-term receivables from affiliates	2,828	7,828
Total receivables from related parties	9,833	10,968
Other related companies	26,004	16,825
Total liabilities to related parties	26,004	16,825

Tartu Kaubamaja AS, A-Selver AS, Tallinna Kaubamaja Kinnisvara AS, Tartu Kaubamaja Kinnisvara OÜ, TKM Latvija SIA, KIA Auto AS, TKM Beauty OÜ and OptiGrupp Invest OÜ have joined the Tallinna Kaubamaja AS Group account agreement. The said Group as a subgroup has joined the NG Investeeringud OÜ group (hereinafter 'the Main Group') account agreement which also includes Balbiino AS, Liviko AS, Kitman AS, Ganiger Invest OÜ, NG Kapital OÜ, Roseni Kinnisvara OÜ and Motivo Grupp OÜ. Since the autumn of 2001 the Tallinna Kaubamaja Group has placed their available funds at the disposal of the Main Group earning interest income from the investment. As of 31 Dec. 2007 the Tallinna Kaubamaja Group was not using the available funds of the Main Group. Within 12 months of 2007 the Tallinna Kaubamaja Group has paid interest on the use of the available funds of the Main Group in the amount of 0 kroons (2006: 830 thousand kroons) and earned interest income from granting the use of their own available funds to the Main Group in the amount of 3,915 thousand kroons (2006: 66 thousand kroons). The average annual interest rate payable on the use of the available funds of the NG Investeeringud OÜ group account was 3.7% (2006: 3%). According to the group account agreement the members of the group bear solidarily liability for the amounts payable to the bank.

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