

Tallinna Kaubamaja AS

TALLINNA KAUBAMAJA AS

Consolidated Interim Report on the First Quarter 2008

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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 2,990 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. 2008
End of financial year:	31 Dec. 2008
Beginning of interim report period:	1 Jan. 2008
End of interim report period:	31 Mar. 2008
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MANAGEMENT REPORT

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

Management

Members of Tallinna Kaubamaja AS management board shall be elected as said in section 309 of the Commercial Code "Election and removal of members of management board": members of the management board shall be elected and removed by the supervisory board. In order to elect a member of the management board, his or her consent is required. By the articles of association a member of the management board shall be elected for a specified term of three years. Extension of the term of office of a member of the management board shall not be decided earlier than one year before the planned date of expiry of the term of office, and not for a period longer than the maximum term of office prescribed by the articles of association. The supervisory board may remove a member of the management board regardless of the reason, but the rights and obligations arising from a contract concluded with him or her shall terminate pursuant to the contract. A member of the management board may resign from the management board with good reason if he or she gives notice of his or her resignation to the supervisory board and, if this is impossible, submits a relevant application to the registrar of the commercial register. With good reason, a court may appoint a new member of the management board to replace a withdrawn member of the management board on the petition of the supervisory board, a shareholder or other interested person. The authority of the court-appointed member of the management board shall continue until appointment of a new member of the management board by the supervisory board. A member of the management board appointed by a court has the right, at the expense of the public limited company, to be compensated for his or her costs to a reasonable extent and to receive a reasonable fee, the amount of which shall be established, in the case of dispute, by a court ruling. According to the articles of association of the Tallinna Kaubamaja AS, members of the management board are elected for three years and the supervisory board appoints the chairman of the management board from among the members of the management board.

By Commercial Code a resolution on amendment of the articles of association shall be adopted, if at least two-thirds of the votes represented at a general meeting are in favour. A resolution on amendment of the articles of association shall enter into force as of the making of a corresponding entry in the commercial register. The articles of association of the Tallinna Kaubamaja AS prescribe no greater majority requirement and the public limited company possesses no several classes of shares.

The members of the management board of Tallinna Kaubamaja AS have no right to issue or buy back shares. Also there is no commitment between the company and its employees, what states compensation in mergers and acquisitions in terms of article 19' of Stock Market Trade Act.

Legal structure

As of 31 March 2008, the following companies belonged to the Group:

	Country of location	Holding as of 31.03.2008	Holding as of 31.12.2007
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 %
SIA TKM Latvija	Latvia	100 %	100 %
Selver Latvia SIA	Latvia	100 %	100 %
OptiGroup Invest OÜ	Estonia	100 %	100 %
KIA Auto AS	Estonia	100 %	100 %
Ülemiste Autokeskuse OÜ	Estonia	100 %	100 %
KIA Auto UAB	Lithuania	100 %	100 %
Kia Automobile SIA	Latvia	100 %	100 %
TKM Beauty OÜ	Estonia	100 %	100 %
TKM Beauty Eesti OÜ	Estonia	100 %	100 %
Rävala Parkla AS	Estonia	50 %	50 %

Economic Development

The overall cooling of the Estonian economy has also had an impact on retail sales. In Q1 2008, the consumer price index increased by 11.1 %, compared to the same period of 2007. According to the initial data of the Statistical Office, increase in retail turnover (without the sale of motor vehicles and fuel) constituted 9.5 %, compared to Q1 2007; the same indicator was 27.3 % in Q1 2007.

Retail sale in non-specialised shops (food products prevailing) increased by 15.7 % during first three months. Retail sale in non-specialised shops (industrial goods prevailing) increased by 5.8 % compared to the equivalent period of last year. The same indicators for 2007 were 18.5 and 20.9 %, respectively. Therefore, the slowdown of economic growth has also reached retail business. This trend has been most acutely expressed in the sector of textile products, footwear and leather clothing, where according to the data provided by the Statistical office, retail sale has increased by 1.7 %, compared to the same period of 2007. The retail sale of household effects, household appliances, iron ware and building materials has also decreased by 1.2 %.

Economic performance

The consolidated non-audited revenue of Tallinna Kaubamaja for the three first months of 2008 was 1.5 billion kroons (94.0 million euros). The return on sales the Group of Q1 2007 was 1.3 billion kroons (82.2 million euro). The growth in turnover was 14 %. Net profit was 11 % less than that of the 1st quarter of the last year, i.e. 67.5 million kroons (4.3 million euros), which is 8.3 million kroons (0.5 million euros) less than in Q1 2007 when net profit constituted 75.8 million kroons (4.8 million euros). The main factors for decrease in net profit were developing projects for opening new supermarkets and I.L.U shops – there are 8,3 million kroons non-capitalized development costs in Q1 operating expenses (in Q1 2007 were corresponding costs 0,9 million kroons). Comparable profit in Q1 would be 74,9 million kroons. Other main factors for decrease in profit were rapid growth of labor costs and increase in depreciation by 1,4 million kroons resulting from the revaluation of fixed assets, undertaken at the end of 2007.

As of 31 March 2008, the balance sheet total of the Tallinna Kaubamaja Group was EEK 3.4 billion kroons (217.1 million euros), which means an increase by 0.1 billion kroons (4.4 million euros), compared to the end of Q1 2007. In Q1 2008, assets and shareholders' equity increased by 2 % and 4 % respectively.

As of the end of first quarter, the number of loyal customers amounted to 286,000, increasing by 14% within three month. The percentage of loyal customers in the turnover of the shops of the Group increased to 88% in first quarter. At the end of March the number of Partner Credit Cards exceeded the limit of 11 000.

FINANCIAL RATIOS 2007-2008			
Group's consolidated interim report			
	1Q 2008	1Q 2007	Growth %
Net sales	1,470	1,287	14%
Operating profit	70	80	-13%
Net profit	68	76	-11%
Return on equity (ROE)	3.5%	5.9%	
Return on assets (ROA)	2.0%	2.9%	
Net profit margin	4.6%	5.9%	
Gross profit margin	24.2%	24.5%	
Quick ratio	1.00	1.01	
Debt ratio	0.63	0.63	
Sales revenue per employee (EEK million)	0.49	0.49	
Inventory turnover	2.49	2.48	
SHARE			
Average number of shares (1,000 pcs.)	40,729	40,729	
Equity per share (EEK per share)	48.16	46.50	
Share closing price (EEK per share)	105.6	123.3	
Earnings per share	1.7	1.9	
Average number of employees	2,990	2,610	
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		

Share Market

Since 19 August 1997, the share of AS Tallinna Kaubamaja has been listed in the main list of securities of the Tallinn Stock Exchange. 40,729.2 thousand registered shares, with the nominal value of 10 kroons, have been issued. The shares are freely transferable; no statutory restrictions apply. There are not restrictions on transfer of securities to the company as provided by contracts between the company and its shareholders. We do not have information about contracts between the shareholders restricting the transfer of securities. NG Investeeringute AS has direct significant participation. Shares with special rights have not been issued.

Despite the strong economic performance of Kaubamaja, in the wait for the slowdown of economic growth and in the context of the global falling share markets, the price of a share, the value of which was 123.3 kroons at the end of Q1 2007, decreased over the year to 105.61 kroons by the end of Q1 2008, thus experiencing a fall of approximately 17 %. As recently as at the beginning of 2008, a share of Tallinna Kaubamaja cost 122.04 kroons.

Price of a share in Estonian kroons and trading statistics on the Tallinn Stock Exchange during 01.02.2007-31.03.2008



Kaubamaja department stores

The sales revenue of the first three months of 2008 of the business segment of the Kaubamaja department stores was 351.0 million kroons (22.4 million euros), showing a growth of 7 % in comparison with the same period of the previous year. The net sales revenue of the Kaubamaja department stores in Q1 2008 was 24.1 million kroons (1.5 billion euros), achieving a small increase in revenue of 0.7 million kroons.

In the first quarter, the segment of Kaubamaja department stores was actively seeking perspective areas of development, and in May, shoe stores operating under the brands of Suurtüki and ABC King were acquired. Kaubamaja also continued planning the I.L.U. shops, aiming at opening the first shops in Estonia at the end of 2008 and in Latvia in 2009.

Selver supermarkets

The net turnover of Q1 2008 of A-Selver 973 million kroons, which exceeds that of the same period of last year by 19 %. The turnover of the comparable period of last year of A-Selver was 819.5 million kroons.

Retail sale in the sector of non-specialised shops in Estonia (food products prevailing) increased by 15.7 %. The market share in this sector constituted 15 % in the first quarter.

The increase in the turnover of Selver was most influenced by the addition of new customers, increase in prices, primarily in the sector of food products, and the overall cooling of consumption.

In February this year, a shop was opened in Narva, and in March another shop was opened in Kohtla-Järve. A total of 2492 m² of selling space was added in the first quarter.

The profit for the reporting period was 38.6 million kroons, decreasing by 2.3 million kroons, compared to the previous year. The pre-opening costs of the shops and costs related to the start-up of a subsidiary, Selver Latvia SIA, had a negative impact on the increase of profit.

Real property

The sales revenue of Q1 2008 of the segment of real property was 27.1 million kroons (1.7 million euros), and in comparison with Q1 2007, the sales revenue increased by 11 %. The sales revenue of Q1 2008 of the segment of real property without inter-segmental sales was 10.3 million kroons (0.7 million euros), increasing

by 5% in comparison with last year. The reference data of the Q1 2007 of the business segment of real property have been brought into conformity with the data for the same period of 2008.

The net profit for the first quarter was 6.1 million kroons (0.4 million euros), decreasing by 4.7 million kroons or 43 %, compared to the previous year. The decrease in net profit is caused by the increase in financial costs and the depreciation of fixed assets.

In March, the Kohtla-Järve Selver was opened in a building developed by Tallinna Kaubamaja Kinnisvara AS. Additionally, the construction of the Ülejõe Selver commenced in Pärnu; the work will be completed in July and the shop will be opened at the end of July. The construction of the Paide Selver has commenced; the work will be completed in August and the shop will be opened at the end of August.

Car trade

The sales revenue of Q1 2008 of the segment of car trade without inter-segmental transactions was 136.1 million kroons (8.7 million euros). In the first quarter, 517 vehicles were sold, which exceeds the number of vehicles sold during the same period a year ago by 212.

The car markets of Estonia, Latvia and Lithuania moved in very different directions in Q1 2008. For the first time, one could perceive a decrease in Estonia's market of passenger cars, which went down by 5%, compared to the same time last year (-10% in March). Despite that, the sale of KIA vehicles increased, even reaching a growth of 66 % in comparison to the first quarter of last year.

Within of first three month the Latvian market experienced the biggest fall of even 24%. The growth rate of the sale of KIA vehicles remained at the level of 3 %.

The car market of Lithuania made a growth swing of 68 % during Q1 2008. During the first quarter, the swing of KIA was even higher, reaching even a 200 per cent growth. It is possible to take better advantage of this growth in the representative building of the Lithuanian subsidiary, which will be opened in June in Vilnius.

Good sales performance for the KIA cee'd and cee'd SW model of the C-segment was the main reason for the big sales growth in the first quarter. In Lithuania, KIA cee'd was chosen as the car of the year in 2007, while in Estonia and Latvia, it claimed the high runner-up place.

Personnel

In Q1 2008, the average number of employees of the Group of Tallinna Kaubamaja was 2,990, increasing by 15 % over three months. The total labour cost (wages and salaries and social tax cost) amounted to 135.9 million kroons (8.7 million euros), increasing by 29 % in comparison with the same period of last year.

INTERIM ACCOUNTS

The manager's approval for the consolidated interim financial statement.

In preparing the abbreviated financial statement as of 31 March 2008, the accounting policies and data presentation methods in conformity with the International Financial Reporting Standards (IFRS) as adopted by the European Union, were used. The abbreviated financial statement provides a true and fair overview of the assets, liabilities, financial position, and the profit of the economic operator.

The interim management report provides a true and fair overview of the important events, which have taken place within the first three months of the financial year, and their impact on the abbreviated financial statement, and includes the description of main risks and ambiguities, which may, according to the estimation by the management board, have an impact on the financial year of the economic operator during the remaining nine months.

The interim report reflects important transactions with related parties.

In the course of the preparation of the report, all the important facts, which became evident until the date of the preparation of the report (19 May 2008), were assessed.

The economic operator is continuously operating.

Raul Puusepp
Manager

Tallinn, 19th May 2008

CONSOLIDATED BALANCE SHEET

		EEK/EUR thousand			
		31 March 2008		31 December 2007	
	Note	EEK	EUR*	EEK	EUR*
ASSETS					
Current assets					
Cash at bank and in hand	2	220,034	14,063	282,635	18,064
Trade receivables	3	47,583	3,038	50,966	3,257
Other receivables	4	29,429	1,883	50,755	3,244
Prepaid expenses	5	24,133	1,543	20,133	1,287
Inventories	6	590,621	37,747	519,630	33,209
Total current assets		911,800	58,274	924,119	59,061
Fixed assets					
Prepaid expenses	5	37,289	2,383	37,291	2,383
Shares in affiliated companies	7	15,019	960	14,201	908
Other long-term receivables	8	2,828	181	2,828	181
Tangible fixed assets	9	2,380,906	152,168	2,300,878	147,053
Intangible fixed assets					
Goodwill	10	49,388	3,156	49,388	3,156
Total intangible assets		49,388	3,156	49,388	3,156
Total fixed assets		2,485,430	158,848	2,404,586	153,681
TOTAL ASSETS		3,397,230	217,122	3,328,705	212,742
LIABILITIES AND OWNERS' EQUITY					
Current liabilities					
Debts					
Debts	11	150,876	9,643	120,626	7,709
Prepayments received for goods and services		10,612	677	11,673	745
Trade payables		598,644	38,261	611,454	39,080
Other current payables	13	151,335	9,671	166,756	10,657
Total current liabilities		911,467	58,252	910,509	58,191
Long-term liabilities					
Debts					
Debts	11,12	522,214	33,375	522,214	33,375
Long term reserve		2,005	128	2,075	132
Total long-term liabilities		524,219	33,503	524,289	33,507
TOTAL LIABILITIES		1,435,686	91,755	1,434,798	91,698
Owners' equity					
Share capital					
Share capital	14	407,292	26,031	407,292	26,031
Statutory reserve		40,729	2,603	40,729	2,603
Fixed assets revaluation reserve		751,546	48,033	759,721	48,555
Retained earnings		761,833	48,691	686,155	43,854
Currency exchange differences		144	9	10	1
TOTAL OWNERS' EQUITY		1,961,544	125,367	1,893,907	121,044
TOTAL LIABILITIES AND OWNERS' EQUITY		3,397,230	217,122	3,328,705	212,742

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

CONSOLIDATED INCOME STATEMENT

	Note	EEK/EUR thousand			
		3 months 2008		3 months 2007	
		EEK	EUR*	EEK	EUR*
Operating revenue					
Sales revenue	15	1,470,276	93,968	1,286,898	82,248
Other operating revenue	16	33,308	2,128	23,775	1,519
Cost of goods sold		-1,114,371	-71,222	-972,024	-62,124
Other operating expenses	17	-150,975	-9,649	-126,003	-8,052
Staff costs	18	-135,856	-8,683	-105,358	-6,734
Depreciation and impairment of fixed assets		-28,913	-1,848	-24,565	-1,570
Other operating expenses		-3,025	-192	-2,888	-185
Operating profit		70,444	4,502	79,835	5,102
Financial expenses	19	-5,607	-358	-9,082	-580
Financial income		1,848	118	4,563	292
Financial income from shares in affiliated companies	7	818	52	438	28
Total financial income and expenses		-2,941	-188	-4,081	-260
Profit before income tax		67,503	4,314	75,754	4,842
Income tax					
NET PROFIT FOR ACCOUNTING PERIOD		67,503	4,314	75,754	4,842
Earnings per share (EEK/EUR)	14	1,66	0,11	1,86	0,12
Diluted earnings per share (EEK/EUR)	14	1,66	0,11	1,86	0,12

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

CONSOLIDATED CASH FLOW STATEMENT

		EEK/EUR thousand			
		3 months 2008		3 months 2007	
	Note	EEK	EUR*	EEK	EUR*
CASH FLOW FROM OPERATING ACTIVITIES					
Net profit		67,503	4,314	75,754	4,843
Adjustments:					
Interest expense	19	5,212	333	9,082	580
Interest income		-1,848	-118	-5,335	-341
Depreciation and impairment of fixed assets	9	28,913	1,848	24,565	1,570
Gains (losses) on sales and write-offs of fixed assets		47	3	-11	-1
Effect of equity method	7	-818	-52	-438	-28
Change in inventories		-70,991	-4,537	-182,683	-11,676
Change in receivables and prepayments related to operating activities		23,270	1,488	33,983	2,172
Change in liabilities and prepayments related to operating activities		-33,759	-2,158	55,377	3,539
TOTAL CASH FLOW FROM OPERATING ACTIVITIES		17,529	1,121	10,294	658
CASH FLOW FROM INVESTMENT ACTIVITIES					
Acquisition of tangible fixed assets (except for financial lease)	9	-109,257	-6,983	-80,931	-5,172
Tangible fixed assets sold		269	17	96	6
Goodwill		0	0	47,313	3,024
Repayments of loans granted to affiliated companies	8	1,250	80	1,000	64
Interest received		2,513	161	5,443	347
TOTAL CASH FLOW FROM INVESTMENT ACTIVITIES		-105,225	-6,725	-27,078	-1,731
CASH FLOW FROM FINANCING ACTIVITIES					
Loans raised		117,766	7,527	0	0
Repayments of loans raised		-86,413	-5,523	-31,714	-2,027
Repayment of financial lease principal payments		-1,102	-70	-1,035	-66
Interest paid		-5,292	-339	-8,917	-570
TOTAL CASH FLOW FROM FINANCING ACTIVITIES		24,959	1,595	-41,666	-2,663
TOTAL CASH FLOW		-62,737	-4,009	-58,450	-3,736
Cash and equivalents of cash at beginning of period	2	282,771	18,072	371,368	23,735
Cash and equivalents of cash at end of period	2	220,034	14,063	312,918	19,999
Change in cash and equivalents of cash		-62,737	-4,009	-58,450	-3,736

* 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. 2006	407,292	492,014	7,269	337,215	-20	1,243,770
Revaluation of land and buildings	0	280,000	0	0	0	280,000
Reclassification of amortisation of revalued land and buildings	0	-12,293	0	12,293	0	0
Change in conversion difference	0	0	0	0	30	30
Total income and expenses for period shown directly in owners' equity	0	267,707	0	12,293	30	280,030
Profit for accounting period	0	0	0	410,836	0	410,836
Total income and expense for period	0	267,707	0	423,129	30	690,866
Change in statutory reserve	0	0	33,460	-33,460	0	0
Dividends disbursed	0	0	0	-40,729	0	-40,729
Balance as of 31 Dec. 2007	407,292	759,721	40,729	686,155	10	1,893,907
Reclassification of amortisation of revalued land and buildings	0	-8,175	0	8,175	0	0
Change in conversion difference	0	0	0	0	144	144
Total income and expenses for period shown directly in owners' equity	407,292	-8,175	40,729	8,175	144	448,165
Profit for accounting period	0	0	0	67,503	0	67,503
<i>Total income and expense for period</i>	<i>407,292</i>	<i>-8,175</i>	<i>40,729</i>	<i>75,678</i>	<i>144</i>	<i>515,668</i>
Balance as of 31 Dec. 2008	407,292	751,546	40,729	761,833	144	1,961,544

	EUR thousand					
	Share capital	Revaluation reserve	Legal reserve	Retained profit	Conversion differences	Total
Balance as of 31 Dec. 2006	26,031	31,445	465	21,552	-1	79,491
Revaluation of land and buildings	0	17,895	0	0	0	17,895
Reclassification of amortisation of revalued land and buildings	0	-786	0	786	0	0
Change in conversion difference	0	0	0	0	2	2
Total income and expenses for period shown directly in owners' equity	0	17,110	0	786	2	17,897
Profit for accounting period	0	0	0	26,257	0	26,257
Total income and expense for period	0	17,110	0	27,043	2	44,154
Change in statutory reserve	0	0	2,138	-2,138	0	0
Dividends disbursed	0	0	0	-2,603	0	-2,603
Balance as of 31 Dec. 2007	26,031	48,555	2,603	43,853	1	121,044
Reclassification of amortisation of revalued land and buildings	0	-522	0	522	0	0
Change in conversion difference	0	0	0	0	9	9
Total income and expenses for period shown directly in owners' equity	26,031	-522	2,603	522	9	28,643
Profit for accounting period	0	0	0	4,314	0	4,314
<i>Total income and expense for period</i>	<i>26,031</i>	<i>-522</i>	<i>2,603</i>	<i>4,837</i>	<i>9</i>	<i>32,957</i>
Balance as of 31 Dec. 2008	26,031	48,033	2,603	48,691	9	125,367

* 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. 2007.

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 1st quarter 2008 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 March 2008	31 December 2007
Cash in hand	3,897	4,966
Cash at bank	209,096	262,021
Cash in transit	7,041	15,648
Total cash at bank and in hand	220,034	282,635

Note 3. Trade Receivables

	31 March 2008	31 December 2007
Trade receivables	39,300	16,281
Card payments	8,283	34,685
Total trade receivables	47,583	50,966

Note 4. Other Short Term Receivables

	31 March 2008	31 December 2007
Bonuses to be received from suppliers	20,164	39,672
Current receivables from affiliates (see Note 8)	3,750	5,000
Other short term receivables	5,515	6,083
Total other short term receivables	29,429	50,755

Note 5. Prepaid Expenses

	31 March 2008	31 December 2007
VAT	12,256	10,610
Fringe benefits income tax	145	0
Total prepaid taxes	12,401	10,610
Lease expenses prepaid	4,202	5,603
Other prepaid expenses	7,530	3,920
Total current prepaid expenses	24,133	20,133
Long term lease expenses prepaid	37,289	37,291
Total long-term prepaid expenses	37,289	37,291

Note 6. Inventories

	31 March 2008	31 December 2007
Goods for resale	581,194	509,065
Raw materials	7,152	7,620
Prepayments for goods	2,275	2,945
Total inventories	590,621	519,630

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 March 2008	31 December 2007
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	14,201	11,429
Equity profit for accounting period	818	2,772
At end of accounting period		
Acquisition cost	6,500	6,500
Holding in owners' equity of investment object	15,019	14,201

Financial information on the affiliate Rävåla Parkla AS:

	31 March 2008	31 December 2007
Assets	62,092	63,629
Liabilities	32,063	35,235
Revenue	2,268	8,590
Profit	1,635	5,545

Note 8. Other Long-term Receivables

	31 March 2008	31 December 2007
Receivables from affiliates	6,578	7,828
<i>To be repaid:</i>		
within 12 months (see Note 4)	3,750	5,000
within 1 to 5 years	2,828	2,828
Interest rate	6%	6%
Repayment term	2010	2010

The fair value of receivables does not differ significantly from book value.

Note 9. Tangible Fixed Assets

	EEK thousand					
	Land and buildings	Machinery and equipment	Other fittings, fixtures and equipment	Prepayments for tangible fixed assets	Construction-in-progress	Total
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	88,341	9,662	506,186	1,670,816
Adjustments:*						
Acquisition cost in 2006	30,012	3,342	2,763	0	0	36,116,000
Accumulated depreciation in 2006	-3,362	-1,986	-1,869	0	0	-7,217,000
Changes in 2007						
Acquisition	110,604	49,141	27,490	12,146	224,874	424,255
Sales		-556	-120	0	0	-676
Depreciation	-36,598	-32,193	-33,626	0	0	-102,416
Revaluation of fixed assets	280,000	0	0	0	0	280,000
Revaluation of depreciation	-49,995	0	0	0	0	-49,995
Reclassification	240,468	2,271	574	-9,662	-233,650	0
31 Dec. 2007						
Acquisition cost or revaluated cost	1,769,278	232,359	256,812	12,146	497,410	2,768,004
Accumulated depreciation	-152,495	-141,374	-173,258	0	0	-467,126
Residual value	1,616,783	90,985	83,554	12,146	497,410	2,300,878
Changes in 2008						
Acquisition	15,423	6,699	7,611	22,820	56,704	109,258
Reclassification	132,479	6,478	2,475	-6,765	-134,667	0
Sales	0	-69	-247	0	0	-317
Depreciation	-11,545	-8,630	-8,738	0	0	-28,913
31 Mar. 2008						
Acquisition cost or revaluated cost	1,917,180	244,754	266,243	28,201	419,447	2,875,825
Accumulated depreciation	-164,040	-149,291	-181,587	0	0	-494,918
Residual value	1,753,140	95,463	84,655	28,201	419,447	2,380,906

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

During the accounting period, registered immovables have been purchased and renovation works have been performed in the amount of 72 128 thousand kroons. An advance payment in the amount of 22 820 thousand kroons has made for uncompleted buildings. Furnishing for sales rooms, coolers, computing equipment in the amount of 14 310 thousand kroons have been purchased.

Note 10. Intangible Fixed Assets

Under intangible assets is stated the goodwill related to acquisition of Optigrupp Invest OÜ in the amount of 49,388 thousand kroons.

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

2007	Balance 31. Mar. 2008	Repayment			Due date	Interest rate
		Within 12 months	Within 1 year	After 5 years		
SEB Eesti Ühispank	111,669	11,063	47,470	53,136	28.09.2014	6 month EURIBOR +0,6%
SEB Eesti Ühispank	149,095	11,464	137,631		19.04.2012	6 month EURIBOR +0,4%
Nordea Pank	265,992	0	265,992		07.12.2011	6 month EURIBOR +0,36%
AS Hansa Liising Eesti	75,256	75,256			14.07.2008	12 month EURIBOR +0,65%
Hansa Lizings	1,572	1,572			15.07.2008	5,60%
Hansa Lizings	440	57	383		01.10.2009	5,60%
Nordea Finance SIA	407	407			15.07.2008	5,60%
UAB Hansa Lizingas	1,103	1,103			28.06.2008	5,30%
UAB Hansa Lizinga/faktooring AB bankas	2,896	2,896			05.07.2008	5,75% VILIBOR +
Hansabankas/credit line	2,172	2,172			15.05.2008	0,97%
NG Investeeringud AS	41,461	41,461			31.12.2008	5,0%
Long term loans	652,063	147,451	451,476	53,136		
Financial lease (Note 12)	21,027	3,425	17,602		07.04.2012	7%
Total long-term debts	673,090	150,876	469,078	53,136		

2007	Balance 31. Mar. 2008	Repayment			Due date	Interest rate
		Within 12 months	Within 1 year	After 5 years		
SEB Eesti Ühispank	115,278	14,672	47,470	53,136	28.09.2014	6 kuu EURIBOR +0,6%
SEB Eesti Ühispank	152,831	15,200	137,631		19.04.2012	6 kuu EURIBOR +0,4%
Nordea Pank	265,992	0	265,992		07.12.2011	6 kuu EURIBOR +0,36%
AS Hansa Liising Eesti	79,168	79,168			14.03.2008	12 kuu EURIBOR +0,65%
Hansa Lizings	790	790			15.04.2008	5,60%
Hansa Lizings	458	75	383		01.10.2009	5,60%
Nordea Finance SIA	410	410			15.04.2008	5,60%
UAB Hansa Lizingas	1,472	1,472			28.06.2008	5,30%
UAB Hansa Lizinga/faktooring AB bankas	3,041	3,041			05.07.2008	5,75% VILIBOR +
Hansabankas/credit line	1,270	1,270			15.05.2008	0,97%
Long term loans	620,710	116,098	451,476	53,136		
Financial lease (Note 12)	22,130	4,528	17,602		07.04.2012	7%
Total long-term debts	642,840	120,626	469,078	53,136		

Bank loans are fixed in the euro. Financial lease payables are fixed in Estonian kroons.

Note 12. Financial Lease

The Group uses the following buildings under financial lease terms:

	31 March 2008	31 December 2007
Acquisition cost	43,951	43,951
Accumulated depreciation	-25,819	-24,912
Residual value	18,132	19,039
	31 March 2008	31 December 2007
Minimum financial lease payments:		
within 1 year	5,933	5,933
within 1 to 5 years	18,295	19,788
Total	24,228	25,721
Deferred interest expense	-3,201	-3,591
Present value of lease payments (Note 11)	21,027	22,130

Present value of lease payments (Note 11)		
within 1 year	3,425	4,528
within 1 to 5 years	17,602	17,602
Total present value of lease payments	21,027	22,130

Note 13. Other Current Payables

	31 March 2008	31 December 2007
VAT	22,981	31,669
Personal income tax	10,058	11,041
Social tax	21,538	22,696
Income tax on fringe benefits	306	757
Unemployment insurance premiums	544	560
Funded pension	924	935
Total taxes payable	56,351	67,658
Employee-related liabilities	83,935	87,498
Interest payable	1,059	1,140
Other accrued expenses	3,929	5,315
Prepayments of lessees	6,061	5,145
Total other current payables	151,335	166,756

Note 14. Share Capital

As of 31 Mar. 2008 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.

Note 15. Sales Revenue

	3 months 2008	3 months 2007
Retail sales revenue	10,397	1,145,655
Wholesale revenue	1,389,111	3,500
Income from service and catering	70,768	137,743
Total sales revenue	1,470,276	1,286,898

Note 16. Other Operating Revenue

	3 months 2008	3 months 2007
Rental income	11,882	10,581
Selling profit from fixed assets	6	29
Car park services income	314	286
Empties handling	772	284
Expedition revenue	3,323	746
Advertising revenue	11,581	7,866
Other operating revenue	5,388	3,973
Income from currency exchange	42	10
Total other operating revenue	33,308	23,775

Note 17. Other Operating Expenses

	3 months 2008	3 months 2007
Rent	37,529	33,940
Maintenance expenses	19,341	14,611
Advertising expenses	25,475	19,829
Banking charges	9,551	7,753
Security costs	6,454	6,191
Heating and power expenses	18,957	15,916
Material costs	15,599	11,967
IT and communications expenses	6,558	4,487
Travel expenses	2,408	1,752
Training expenses	1,378	1,145
Insurance expenses	454	432
Miscellaneous operating expenses	7,271	7,980
Total other operating expenses	150,975	126,003

Note 18. Staff Costs

	3 months 2008	3 months 2007
Wages and salaries	101,965	79,050
Social tax	33,891	26,308
Total staff costs	135,856	105,358

	3 months 2008	3 months 2007
Average monthly wages and salaries per employee (EEK) in accounting period	11,368	10,096
Average number of employees in accounting period	2,990	2,610

Note 19. Interest Income and Expenses

Interest Income		
	3 months 2008	3 months 2007
Interest income from SEB	800	1,809
Interest income from Hansapank	310	1,936
Other interest income	738	818
Total interest income	1,848	4,563
Interest Expenses		
	3 months 2008	3 months 2007
Bank loan interest	-4,831	-7,296
Financial lease interest	-381	-455
Bond interest	0	-559
Other interest*	-395	-772
Total interest expenses	-5,607	-9,082

*Other interest expenses comprise fees for concluding and amending loan contracts, lease agreements and factoring contracts.

Note 20. Operating Profit

Operating profit includes the following write-downs:

	3 months 2008	3 months 2007
Write-down and write-off of inventories	13,167	8,036
Shortage of inventories	2,400	1,507
Total	15,567	9,543

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 March 2008	EEK thousand					Total
	Depart- ment store	Super- markets	Real estate	Car trade	Inter- segment tran- sactions	
Sales outside of Group	351,002	972,806	10,330	136,139	0	1,470,276
Intersegment sales	3,520	2,652	16,774	47,957	-70,903	0
Total sales	354,522	975,457	27,104	184,096	-70,903	1,470,276
Intersegment other revenue						33,308
Intersegment operating expenses						-1,433,140
Total operating profit	19,755	34,783	14,208	1,698	0	70,444
Financial income/expenses						-2,941
Net profit	24,052	38,599	6,114	-1,262	0	67,503
Total assets	2,254,535	915,543	2,491,188	276,058	0	3,397,230
Total liabilities	668,518	532,681	1,314,476	249,952	0	1,435,686
Acquisition of fixed assets in accounting period	1,233	22,045	85,279	701	0	109,257
Depreciation in accounting period	7,104	13,027	8,393	388	0	28,913

31 March 2007	EEK thousand					Total
	Depart- ment store	Super- markets	Real estate	Car trade	Inter- segment tran- sactions	
Sales outside of Group	327,421	819,463	9,867	130,147	0	1,286,898
Intersegment sales	0	2,761	14,474		-17,234	0
Total sales	327,421	822,223	24,341	130,147	-17,234	1,286,898
Intersegment other revenue						23,775
Intersegment operating expenses						-1,230,838
Total operating profit	22,497	39,697	14,524	3,117	0	79,835
Financial income/expenses						-4,081
Net profit	23,329	40,862	10,767	796	0	75,754
Total assets	1,833,126	637,996	1,689,988	183,278	0	2,759,884
Total liabilities	498,245	413,898	939,529	150,269	0	1,440,341
Acquisition of fixed assets in accounting period	3,985	9,330		151	0	13,467
Depreciation in accounting period	6,725	11,165	6,539	135	0	24,565

Geographical Segment

31. March 2008	EEK thousand			
	Estonia	Lithuania	Latvia	Total
Sales outside of segment	1,435,510	20,650	14,116	1,470,276
Assets of segment according to location	5,347,329	16,512	573,482	5,937,324
Acquisition of fixed assets of segment in accounting period	66,838	33	42,385	109,257

31. March 2007	EEK thousand
	Lithuania
Sales outside of segment	8,518
Assets of segment according to location	9,051

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 first 3 months of 2008 the Group has purchased and sold goods and rendered services as follows:

	Purchases	Sales
	1st quarter 2008	1st quarter 2008
Parent company	0	633
Other related companies	34,059	457
Affiliates	0	111
Total	34,059	1,201

Within first 3 months of 2008 the Group has purchased and sold goods and rendered services as follows:

	Purchases	Sales
	1st quarter 2007	1st quarter 2007
Parent company	0	705
Other related companies	27,139	445
Affiliates	0	113
Total	27,139	1,263

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 March 2008	31 December 2007
Parent company	98	665
Other related companies	106	1,340
Current receivables from affiliates	3,881	5,000
Total current receivables	4,085	7,005
Long-term receivables		
Long-term receivables from affiliates	2,828	2,828
Total receivables from related parties	6,913	9,833
Other related companies	23,518	26,004
Total liabilities to related parties	23,518	26,004

AS Tartu Kaubamaja, A-Selver AS, Tallinna Kaubamaja Kinnisvara AS, OÜ Tartu Kaubamaja Kinnisvara, SIA TKM Latvija, 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, OÜ NG Kapital, 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. During first 3 month of 2008 the Tallinna Kaubamaja Group was earning 627 thousand kroons (during 3 month of 2007 3 915 thousand kroons) of interest revenue from keeping available funds in the group account and has paid interest on the use of the available funds of the Main Group in the amount of 210 thousand kroons (during 3 month of 2007: 0 kroons). The average annual interest rate payable on the use of the available funds of the NG Investeeringud OÜ group account was 5,0% (2007: 3,7%). According to the group account agreement the members of the group bear solitarily liability for the amounts payable to the bank.

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