

**TALLINNA KAUBAMAJA AS**

**Consolidated Interim Report for  
9 months of 2007**

## Table of Contents

KEY DATA .....	3
MANAGEMENT REPORT .....	4
CONSOLIDATED FINANCIAL STATEMENT .....	8
CONSOLIDATED BALANCE SHEET .....	9
CONSOLIDATED INCOME STATEMENT .....	10
CONSOLIDATED INCOME STATEMENT .....	11
CONSOLIDATED CASH FLOW STATEMENT .....	12
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY .....	13
NOTES TO CONSOLIDATED INTERIM REPORT .....	14
Note 1 Accounting methods and principles used in preparing the consolidated interim report	14
Note 2 Cash and bank .....	15
Note 3 Trade receivables.....	15
Note 4 Other receivables.....	15
Note 5 Prepaid expenses .....	15
Note 6 Inventories .....	16
Note 7 Shares of associated companies .....	16
Note 8 Other long-term receivables .....	16
Note 9 Property, plant and equipment .....	17
Note 10 Intangible assets .....	17
Note 11 Debt liabilities .....	18
Note 12 Finance lease .....	19
Note 13 Other short-term payables .....	19
Note 14 Share capital .....	20
Note 15 Sales .....	20
Note 16 Other income .....	20
Note 17 Other expenses .....	20
Note 18 Personnel expenses.....	21
Note 19 Interest expenses .....	21
Note 20 Operating profit .....	21
Note 21 Segment reporting .....	22
Note 22 Related part transactions .....	24

## KEY DATA

The main activities of Tallinna Kaubamaja Group are retail, wholesale and rent-out-service. The group employs more than 2700 employees.

The shares of AS Tallinna Kaubamaja are quoted on Tallinn Stock Exchange.

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Commercial Registry No:	10223439
Beginning of the financial year:	01.01.2007
End of the financial year:	31.12.2007
Beginning of the interim report:	01.01.2007
End of the interim report:	30.09.2007
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**MANAGEMENT REPORT**

The main activities of the companies in the Tallinna Kaubamaja Group are retail, wholesale trade and rent-out-service.

As of 30 September 2007, the Group consisted of the following companies:

	Country	Participation 30.09.2007	Participation 31.12.2006
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%	
Selver Latvia SIA	Latvia	100%	
OptiGroup Invest OÜ	Estonia	100%	
KIA Auto AS	Estonia	100%	
Ülemise Autokeskuse OÜ	Estonia	100%	
KIA Auto UAB	Lithuania	100%	
Kia Automobile SIA	Latvia	100%	
Rävala Parkla AS	Estonia	50%	50%

Economic development and its impact

For 9 months of 2007 the prices grew 6.4% compared to the same period 2006. According the preliminary data of the Estonian Statistical Offices, retail (excluding motor vehicle and fuel) increased 22.3%. Whereas the respective figure was 17.1% for non-specialty stores (mostly groceries). According to the preliminary data of the Estonian Statistical Office, the share of non-specialty stores was approximately 48% of total retail sales. The comparable figure in 2006 was 50%. The retail sales in non-specialty stores (with industrial goods predominating) were 15.8%. The sales in textiles, clothing, footwear, leather goods and in household goods and appliances, hardware and building material grew faster than the average retail sales. The growth in textiles, clothing, footwear and leather goods were 44.8% and in household goods and appliances, hardware and building material were 27.9%. The sales in second-hand goods in stores and retail sales not in stores were less than year ago.

The growth in retail is caused by rising purchasing power and consumer confidence, higher salaries and low unemployment rate.

Results of operations

The consolidated net sales of Tallinna Kaubamaja Group for 9 months 2007 increased 41% yoy and totalled 4.2 billion kroons, which is 1.2 billion kroons more than the year before. Net profit increased 60% yoy and reached 280 million kroons, which is 105 million kroons more than the year before. Net profit for 9 months 2006 was 175 million kroons. The financial results for 9 months 2006 do not include the sales and net profit from car selling business segment.

<b>FINANCIAL DATA 2006-2007</b>			
Group's consolidated financial statements	9 months		
	2007	2006	Change
<b>INCOME STATEMENT (EEK million)</b>			
Net sales	4 181	2 961	41%
Operating profit	303	187	62%
Net profit	280	175	60%
Return on equity (ROE)	19%	15%	
Return on assets (ROA)	10%	9%	
Net profit margin	7%	6%	
Gross profit margin	25%	25%	
Quick ratio	0,95	1,05	
Debt ratio	0,48	0,38	
Net sales per sales space (EEK thousand)	1,5	1,3	
Inventory turnover	7,67	8,46	
<b>SHARES</b>			
Number of shares (1000 pieces)	40 729	40 729	
Earnings per share (EEK/share)	36,4	28,1	
Closing price of share (EEK/share)	138,63	79,8	
Net profit of share (EEK/share)	6,88	4,3	
Average number of employees	2 712	2 364	
Share of equity	= Equity / Balance sheet total * 100%		
Return on equity (ROE)	= Net profit / Average equity * 100%		
Return on assets (ROA)	= Net profit / Average volume of assets * 100%		
Net sales per employee	= Net sales / Average number of employees		
Inventory turnover (ratio)	= Net sales / inventories		
Net profit margin	= Net profit / Net sales * 100%		
Gross profit margin	= (Net sales - Cost of goods sold) / Net sales		
Quick ratio	= Current assets / current liabilities		
Debt coefficient	= Total liabilities / Balance sheet total		

As of 30 September 2007, the balance sheet of Tallinna Kaubamaja Group amounted to 2.9 billion kroons. Asset growth was 54% and equity growth 30% yoy. Compared to 31 December 2006 the balance sheet total of Tallinna Kaubamaja Group grew by 0.4 billion kroons with a 13% asset and 19% equity growth during the 9 months.

Securities market

The shares of Tallinna Kaubamaja AS have been listed in the main list of Tallinna Stock Exchange since 19 August 1997. A total of 40 729.2 thousand shares have been issued with the nominal value of 10 kroons each.

In 9 months of 2007 the share price decreased by 4% from 143.64 kroons at the beginning of year to 138.63 kroons.

**Share price in Estonian kroons and trading statistic in Tallinna Stock Exchange in 1st six months of 2007**Department store

Net sales in department store business segment for 9 months totalled 1.1 billion kroons increasing 23% yoy by 199 million kroons. Net profit more than doubled and reached 96.1 million kroons, which is 49.9 million kroons more than in the same period in 2006.

The retail sales in non-specialty stores (with industrial goods predominating) grew by 15.8% in Estonia. Department store sales also belong to this category.

At the beginning of March Tallinna Kaubamaja Group published a strategic decision to create a beauty store chain in Baltic States. The main sale articles in stores will be selective and semi-selective cosmetics, fragrances, hair care products and services related to these products.

### Supermarkets

Net sales of A-Selver for 9 months were 2.7 billion kroons increasing 30% yoy by 614 million kroons. Net profit increased 64% yoy and reached 144.7 million kroons, which is 56.6 million kroons more than the year before.

The overall sales in non-specialty stores (mostly groceries) grew by 17.1%.

At the beginning of this year A-Selver published its strategic plans to expand to Latvia. The plan is to open at least 15 Selver stores and central kitchen since the end of 2009. The opening of stores will take effect in 2008-2009. To realise the development plans in Latvia, the managing director of Selver Latvia SIA Uldis Priekulis was appointed. A-Selver has also made an overview about home market. Since the end of 2008 33-35 stores will be opened. Additional stores will be in Narva, Põltsamaa, Paide, Põlva, Haapsalu, Keila and Kohtla-Järve. At the beginning of year 2007 building of new central kitchen to Lasnamäe Tehnopark was started. According to plans the kitchen started production in September 2007. In 2008 Järve Selver will have 1840 sq m additional sales area. At March 2007 Merimetsa Selver in Tallinn expanded by 400 sq m and at the beginning of April new store in Tartu Jaamamõisa was opened. This was the fifth store in Tartu and 22 stores in chain. Also there will be additional sales area in Krooni centre in Rakvere.

### Real estate

Net sales in real estates business segment including the sales between business segments during 9 months amounted to 73.2 million kroons. Due to the change in accounting principles used in 2007 (2007 sales do not include utility services) sales fell 11% by 9.1 million kroons yoy. Comparable numbers would have shown an 8% yoy increase for the sale in real estate business segment outside the group and 1% yoy increase for the sales between business segments. Net profit fell 33% to 31 million kroons, which is 15.6 million kroons less than the year before. 2006 profit reflects extraordinary income and 2007 profit includes development costs in Latvia.

### Car selling

Net sales in car selling business segment during 9 months were 417.1 million kroons. During 9 months 1 602 new cars were sold, this is 698 new cars more than year ago. Net profit for 9 months was 8.5 million kroons.

At the beginning of January 2007 the Competition Board issued permission for Tallinna Kaubamaja AS acquiring OptiGroup Invest OÜ (incl. KIA Auto AS and Ülemiste Autokeskuse OÜ). The acquiring price was 79.4 million kroons. On January 15, 2007 the supervisory board of KIA Auto AS has elected a new Chairman of Supervisory Board Jüri Kõo. Also the long term strategic decision has been made, to build new car selling and service centres in Tallinn, Riga and Vilnius. The centres are according modern demands. Systematization of structure of OptiGroup Invest OÜ has been carried out. After the systemization Ülemiste Autokeskuse OÜ, former 100% subsidiary of OptiGroup AS, will be 100% subsidiary of Kia Auto AS.

### Staff

For 9 months of year 2007, the average number of employees reduced to full-time working hours at the Tallinna Kaubamaja Group was 2 712 people, increasing by 15% in a year. Total staff costs (wages and salaries with social security cost) were 358 million kroons, increasing by 42.6% as compared to the year before.

**CONSOLIDATED FINANCIAL STATEMENT**

**MANAGEMENT BOARD'S CONFIRMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS**

The Management Board confirms the correctness and completeness of Tallinna Kaubamaja AS's consolidated interim report for 9 months of 2007 as presented on pages 4-25.

The Management Board confirms that:

- the accounting principles used in preparing the interim report are in compliance with International Financial Reporting Standards as adopted by the European Union;
- the interim report presents a true and fair view of the financial position, the results of the operations and the cash flows of the parent and the group;
- Tallinna Kaubamaja AS and its subsidiaries are going concern.

Raul Puusepp  
Juhataja

Tallinn, 09<sup>th</sup> November 2007



## CONSOLIDATED BALANCE SHEET

Thousands EEK/EUR

		30.09.2007		31.12.2006	
ASSETS	Lisa	EEK	EUR*	EEK	EUR*
<b>ASSETS</b>					
Current assets					
Cash and bank	2	192852	12328	371 369	23 736
Trade receivables	3	60196	3844	50 646	3 237
Other receivables	4	23011	1473	39 929	2 552
Prepaid expenses	5	20969	1341	29 736	1900
Inventories	6	545005	34832	313 009	20 005
<b>Total Current Assets</b>		<b>842 033</b>	<b>53 818</b>	<b>804 689</b>	<b>51 430</b>
Non-current assets					
Prepaid expenses	5	41732	2667	41 732	2 667
Investment in associated companies	7	12781	817	11 425	730
Other long-term receivables	8	7828	500	7 828	500
Property, plant and equipment	9	1910909	122129	1 670 816	106 785
Intangible assets					
Goodwill	10	47313	3024	0	0
Total intangible assets		47313	3024	0	0
<b>Total non-current assets</b>		<b>2 020 563</b>	<b>129 137</b>	<b>1 731 801</b>	<b>110 681</b>
<b>TOTAL ASSETS</b>		<b>2 862 596</b>	<b>182 955</b>	<b>2 536 490</b>	<b>162 111</b>
<b>LIABILITIES AND OWNERS' EQUITY</b>					
Current liabilities					
Borrowings	11	140377	8972	239 040	15277
Customer prepayments for goods and services		10206	652	12 992	830
Trade payables		636485	40680	426 361	27 250
Other short-term payables	13	102798	6569	128 785	8 230
<b>Total current liabilities</b>		<b>889 866</b>	<b>56 873</b>	<b>807 178</b>	<b>51 587</b>
Non-current liabilities					
Borrowings	11	489389	31277	485 542	31 032
<b>Total non-current</b>		<b>489 389</b>	<b>31 277</b>	<b>485 542</b>	<b>31 032</b>
<b>TOTAL LIABILITIES</b>		<b>1 379 255</b>	<b>88 150</b>	<b>1 292 720</b>	<b>82 619</b>
Owners' equity					
Share capital	14	407292	26031	407 292	26 031
Statutory legal reserve		7269	465	7 269	465
Revaluation reserve of fixed assets		472992	30230	492 014	31 445
Retained earnings		315508	20166	62 549	3 998
Net profit for the period		280280	17913	274 666	17 554
Converting differences		0	0	-20	-1
<b>TOTAL OWNERS' EQUITY</b>		<b>1 483 341</b>	<b>94 805</b>	<b>1 243 770</b>	<b>79 492</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>2 862 596</b>	<b>182 955</b>	<b>2 536 489</b>	<b>162 111</b>

\* For readers convenience, the financial statements are presented in thousands of euros (EUR)

## CONSOLIDATED INCOME STATEMENT

Thousands EEK/EUR

	Note	9 months of 2007		9 months of 2006	
		EEK	EUR*	EEK	EUR*
Operating income					
Net sales	15	4181198	267227	2960762	189227
Other operating income	16	90814	5804	64291	4109
Cost of goods sold		-3136776	-200477	-2205890	-140982
Other operating expenses	17	-383100	-24484	-303008	-19365
Personnel expenses	18	-358740	-22928	-251650	-16083
Depreciation and amortization	9	-75145	-4803	-70497	-4506
Other expenses		-14913	-953	-6809	-435
<b>Operating Profit</b>		<b>303 338</b>	<b>19 386</b>	<b>187 199</b>	<b>11 965</b>
Finance cost	19	-27073	-1730	-8173	-522
Financial income		14146	904	681	44
Share of profit of associates	8	1356	87	1180	75
<b>Total financial income and expenses</b>		<b>-11 571</b>	<b>-739</b>	<b>-6 312</b>	<b>-402</b>
<b>Total net profit without income tax on dividends</b>		<b>291 767</b>	<b>18 647</b>	<b>180 887</b>	<b>11 562</b>
Income Tax		-11487	-734	-6083	-389
<b>NET PROFIT FOR THE PERIOD</b>		<b>280 280</b>	<b>17 913</b>	<b>174 804</b>	<b>11 173</b>
Basic earnings per share (EEK/EUR)	14	6,88	0,44	4,29	0,27
Diluted earnings per share (EEK/EUR)	14	6,88	0,44	4,29	0,27

\* For readers convenience, the financial statements are presented in thousands of euros (EUR)

**CONSOLIDATED INCOME STATEMENT**

Thousands EEK/EUR					
		3 <sup>rd</sup> quarter of 2007		3 <sup>rd</sup> quarter of 2006	
	Note	EEK	EUR*	EEK	EUR*
<b>Operating income</b>					
Net sales	15	1 377 214	88 020	1 065 979	68 128
Other operating income	16	33 218	2 123	19 316	1 235
<b>Cost of goods sold</b>					
Cost of goods sold		-1009880	-64543	-792 119	-50 626
Other operating expenses	17	-124141	-7 933	-101 652	-6 496
Personnel expenses	18	-130679	-8 352	-89 606	-5 727
Depreciation and amortization	9	-25435	-1 626	-23 774	-1 519
Other expenses		-5819	-372	-2 605	-166
<b>Operating Profit</b>		<b>114 478</b>	<b>7 317</b>	<b>75 539</b>	<b>4 829</b>
Finance cost	19	-8 709	-556	-2632	-198
Financial income		4 712	300	402	56
Share of profit of associates	8	440	28	389	25
<b>Total financial income and expenses</b>		<b>-3557</b>	<b>-228</b>	<b>-1841</b>	<b>-117</b>
<b>Total net profit without income tax on dividends</b>		<b>110 921</b>	<b>7 089</b>	<b>73 698</b>	<b>4 712</b>
Income Tax					0
<b>NET PROFIT FOR THE PERIOD</b>		<b>110 921</b>	<b>7 089</b>	<b>73 698</b>	<b>4712</b>
<b>Basic earnings per share</b>					
(EEK/EUR)	14	2,72	0,17	1,81	0,12
<b>Diluted earnings per share</b>					
(EEK/EUR)	14	2,72	0,17	1,81	0,12

\* For readers' convenience, the financial statements are presented in thousands of euros (EUR)

## CONSOLIDATED CASH FLOW STATEMENT

Thousands EEK/EUR

	Note	9 months of 2007		9 months of 2006	
		EEK	EUR*	EEK	EUR*
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Net profit		280 280	17 913	174 804	11 172
Adjustments for:					
Interest expense	19	27 073	1 730	8 173	522
Interest income		-16 055	-1 026	-824	-53
Depreciation and amortization	9	75 145	4 802	70 497	4 506
Profit (loss) from disposals of non-current assets		46	3	522	33
Impact of equity method	7	-1 356	-87	-1 180	-75
Change in inventories		-231 991	-14 827	-59 727	-3 817
Change in receivables and prepayments related to operating activities		15 863	1 014	-35 520	-2 270
Change in liabilities and prepayments related to operating activities		164 040	10 484	42 271	2 700
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>		<b>313 045</b>	<b>20 006</b>	<b>199 016</b>	<b>12 718</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Fixed assets acquired and renovated (excl finance lease)	9	-288 108	-18 413	-103 258	-6 599
Tangible fixed assets sold		99	6	0	0
Goodwill	10	-47 313	-3 024	228	15
Loan repayments received from associates	8	1 500	96	1 800	115
Interest received		16 325	1 044	824	53
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>-317 497</b>	<b>-20 291</b>	<b>-100 406</b>	<b>-6 416</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
Loans received		0	0	39 999	2 556
Repayments of loans		-46 451	-2 969	-52 713	-3 369
Change in overdraft balance		0	0	-17 264	-1 103
Redemption of bonds		-49 068	-3 136	0	0
Dividends paid		-40 729	-2 603	-20 365	-1 302
Income tax on dividends		-11 488	-734	-6 083	-389
Finance lease payments		-3 144	-201	-2 957	-189
Interest paid		-26 747	-1 708	-8 304	-530
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>-177 627</b>	<b>-11 351</b>	<b>-67 687</b>	<b>-4 326</b>
<b>TOTAL CASH FLOW</b>		<b>-182 079</b>	<b>-11 637</b>	<b>30 923</b>	<b>1 976</b>
Cash and cash equivalents at the beginning of period	2	374 931	23 962	18 290	1 169
Cash and cash equivalents at the end of period	2	192 852	12 325	49 213	3 145
<b>Change in cash and cash equivalents</b>		<b>-182 079</b>	<b>-11 637</b>	<b>30 923</b>	<b>1 976</b>

\* For readers convenience, the financial statements are presented in thousands of euros (EUR)

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Thousands EEK						
	Share capital	Revaluation reserve	Statutory legal reserve	Retained earnings	Converting differences	Total
<b>Balance as of 31.12.2005</b>	<b>67 882</b>	<b>504 307</b>	<b>7 269</b>	<b>410 031</b>	<b>0</b>	<b>989 489</b>
Revaluation, non-current assets	0	-12 293	0	12 293	0	0
Net profit for the period	0	0	0	274 666	-20	274 666
<i>Total income and expense</i>	<i>0</i>	<i>-12293</i>	<i>0</i>	<i>286 959</i>	<i>-20</i>	<i>274 666</i>
Bonus issue	339410	0	0	-339 410	0	0
Dividends paid	0	0	0	-20 365	0	-20365
<b>Balance as of 31.12.2006</b>	<b>407 292</b>	<b>492 014</b>	<b>7 269</b>	<b>337 215</b>	<b>-20</b>	<b>1 243 770</b>
Announcement of dividends	0	0	0	-40 729	0	-40 729
Change in converting differences	0	0	0	0	20	20
Revaluation, non-current assets	0	-19 022	0	19 022	0	0
Net profit for the period	0	0	0	280 280	0	280 280
<i>Total income and expense</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>280 280</i>	<i>0</i>	<i>280 280</i>
<b>Balance as of 30.09.2007</b>	<b>407 292</b>	<b>472 992</b>	<b>7 269</b>	<b>595 788</b>	<b>0</b>	<b>1 483 341</b>

Thousands EUR						
	Share capital	Revaluation reserve	Statutory legal reserve	Retained earnings	Converting differences	Total
<b>Balance as of 31.12.2005</b>	<b>4 338</b>	<b>32 231</b>	<b>465</b>	<b>26 206</b>	<b>0</b>	<b>63 240</b>
Revaluation, non-current assets	0	-786	0	786	0	0
Net profit for the period	0	0	0	17 554	-1	17554
<i>Total income and expense</i>	<i>0</i>	<i>-786</i>	<i>0</i>	<i>18340</i>	<i>-1</i>	<i>17554</i>
Bonus issue	21 692	0	0	-21 692	0	0
Dividends paid	0	0	0	-1 302	0	-1302
<b>Balance as of 31.12.2006</b>	<b>26 031</b>	<b>31 445</b>	<b>465</b>	<b>21 552</b>	<b>-1</b>	<b>79 492</b>
Announcement of dividends	0	0	0	-2 601	0	-2 601
Change in converting differences	0	0	0	0	1	1
Revaluation, non-current assets	0	-1 216	0	1 216	0	0
Net profit for the period	0	0	0	17 913	0	17 913
<i>Total income and expense</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>17 913</i>	<i>0</i>	<i>17 913</i>
<b>Balance as of 30.09.2007</b>	<b>26 031</b>	<b>30 230</b>	<b>465</b>	<b>38 079</b>	<b>0</b>	<b>94 805</b>

\* For readers' convenience, the financial statements are presented in thousands of euros (EUR)

Additional information about share capital is presented in Note 14.

## NOTES TO CONSOLIDATED INTERIM REPORT

### **Note 1 Accounting methods and principles used in preparing the consolidated interim report**

#### General information

Tallinna Kaubamaja AS ('the Company') and its subsidiaries (together 'the Group') are active in retail distribution of goods and rent-out service through its chain of retail stores in Estonia, Latvia and Lithuania. Tallinna Kaubamaja AS in its current form has been registered on 18 October 1994 and the shares of Tallinna Kaubamaja AS are listed on Tallinn Stock Exchange.

#### Basis of preparation

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

The Interim Report has been prepared based on the same accounting principles applied in the Annual Report for the year ended on 31 December 2006.

The Estonian kroon is the underlying currency of the consolidated financial statements. For comparison purposes and pursuant to the requirements of the Tallinn Stock Exchange Rules, the financial indicators of this report have also been denominated in euros, translated from the original indicators denominated in Estonian kroons. Because Estonian kroon is pegged with Euro with the fixed exchange rate (1EUR=15.6466 kroons), no translation differences occurs.

In the opinion of the Management Board of AS Tallinna Kaubamaja, the consolidated Interim Report for 9 months of 2007 gives a true and fair view of results of the company's operations in accordance with the principle of going concern. This Interim Report has not been audited or otherwise checked by auditors.

**Note 2 Cash and bank**

	30 September 2007	31 December 2006
Cash in hand	3 295	3 610
Bank accounts	180 546	352 533
Cash in transit	9 011	15 225
<b>Total cash and bank</b>	<b>192 852</b>	<b>371 368</b>

**Note 3 Trade receivables**

	30 September 2007	31 December 2006
Trade receivables	31 516	15 045
Credit card receivables	28 680	35 601
<b>Total trade receivables</b>	<b>60 196</b>	<b>50 646</b>

**Note 4 Other receivables**

	30 September 2007	31 December 2006
Bonuses received from suppliers	16 764	24 647
Receivables from related parties	500	2 000
Overdraft	0	13000
Other short-term receivables	5 747	282
<b>Total other receivables</b>	<b>23 011</b>	<b>39 929</b>

**Note 5 Prepaid expenses**

	30 September 2007	31 December 2006
Value added tax	10 919	22468
<b>Total prepaid expenses</b>	<b>10 919</b>	<b>22468</b>
Prepaid rental expenses	1 400	5 603
Other prepaid expenses	8 650	1 665
<b>Total short-term prepaid expenses</b>	<b>20 969</b>	<b>29 736</b>
Prepaid rent	41 732	41 732
<b>Total long-term prepaid expenses</b>	<b>41 732</b>	<b>41 732</b>

**Note 6 Inventories**

	30 September 2007	31 December 2006
Goods hold for resale	538 596	307 234
Raw materials	6 409	5 776
<b>Total inventories</b>	<b>545 005</b>	<b>313 010</b>

**Note 7 Shares of associated companies**

Tallinna Kaubamaja AS has an ownership in Rävåla Parkla AS, which is rendering parking house services in Tallinn.

	30 September 2007	31 December 2006
Number of shares at the end / (at the beginning) of year	501 / (501)	501 / (501)
Ownership % at the end / (at the beginning) of year	50 / (50)	50 / (50)

**Beginning of the year**

Acquisition cost	6 500	6 500
<b>Participation in associate's equity</b>	<b>6 769</b>	<b>6 769</b>

## Profit from the equity method

	1 356	2 397
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**End of the period**

Acquisition cost	6 500	6 500
<b>Participation in associate's equity</b>	<b>12 781</b>	<b>11 425</b>

## Financial information of the associate:

	30 September 2007	31 December 2006
Assets	62 239	64 322
Liabilities	36 678	41 472
Revenues	5 032	7 717
Profit	2 713	4 794

**Note 8 Other long-term receivables**

	30 September 2007	31 December 2006
Associated companies receivables	7 828	9 828
Refund:		
up to 12 months	500	2000
between 1 and 5 years	7 328	7828
Interest	6%	4%
Due date	2010	2010



**Note 9 Property, plant and equipment**

	Thousands EEK					
	Land and building	Vehicles and machinery	Other equipment	Prepayments for suppliers	Construction in progress	Total
<b>31.12.2005</b>						
Acquisition 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
<b>Residual value</b>	<b>1 017 637</b>	<b>88 257</b>	<b>101 259</b>	<b>83</b>	<b>63 312</b>	<b>1 270 549</b>
Additions	12 409	12 441	18 690	9 579	442 873	495 992
Sales	-496	-195	-357	0	0	-1 048
Accumulated depreciation	-33 891	-29 535	-31 251	0	0	-94 678
<b>31.12.2006</b>						
Acquisition 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
<b>Residual value</b>	<b>995 659</b>	<b>70 967</b>	<b>88 342</b>	<b>9 662</b>	<b>506 185</b>	<b>1 670 816</b>
<b>Correct:*</b>						
Acquisition cost 2006	30 012	3 297	1 515	0	0	34 823
Accumulated depreciation	-3 362	-3 478	-707	0	0	-7 547
Changes 2007						0
Additions	308 346	39 865	20 551	-2 863	-77 792	288 108
Sales		-95	-50	0	0	-145
Accumulated depreciation	-26 593	-23 507	-25 045	0	0	-75 145
<b>30.09.2007</b>						0
Acquisition cost	1 393 856	227 195	250 970	6 799	428 394	2 307 214
Accumulated depreciation	-89 794	-140 146	-166 365	0	0	-396 305
<b>Residual value</b>	<b>1 304 062</b>	<b>87 049</b>	<b>84 604</b>	<b>6 799</b>	<b>428 394</b>	<b>1 910 909</b>

During the report period real estates in amount of 308 346 thousand kroons has been bought. Real estate in amount of 234 335 thousand kroons were bought in Latvia. Selveri Kõök in value of 68 453 thousand kroons is completed. Repairs and renovations to buildings were made amounting 5 558 thousand kroons. New equipment and fittings, refrigerators and computers, in amount of 60 416 thousand kroons were bought, including equipment and inventory of Selveri Kõök in amount of 21 774 thousand kroons.

\*Changes in fixed assets come from acquiring a subsidiary OptiGroup Invest OÜ.

**Note 10 Intangible assets**

In January 2007 Tallinna Kaubamaja AS bought the new subsidiary OptiGroup Invest OÜ, which main activity is car retail and wholesale. The price of 100% shares were 79 400 thousand kroons.. During the acquiring the goodwill in amount of 47 313 thousand kroons has arisen.

At first the value will be reflected in its acquisition costs, which is the change between acquired participation acquisition costs and acquired assets, liabilities and true value of acquisition date. In further reflection the value will be measured in its acquisition costs, the write-down regarding value downfalls will be subtracted. The valuation test will be carry out once a year or often then the balance sheet value has fallen.

**Note 11 Debt liabilities**

Short-term liabilities	30 September 2007	31 December 2006
Short-term bonds	0	49 069
Overdraft	0	0
Loans	131 433	185 734
Finance lease (see Note 12)	1 093	4 237
<b>Total short-term bonds</b>	<b>140 377</b>	<b>239 040</b>

Long-term debt liabilities	30 September 2007	31 December 2006
Loans	463 420	463 420
Finance lease (see Note 12)	22 122	22 122
Other long-term liabilities	3 847	0
Total long-term liabilities	489 389	485 542

## Liabilities movements:

Opening balance 31.12. 2006	724 582
Other long-term liabilities	3 847
Total loans received	3 847
Loans paid	
Bank loans	46 451
Outbuying bonds	49 068
Finance lease	3 144
Total loans paid	98 663
Final balance 30.09.2007	629 766

**Note 12 Finance lease**

The group leases the following assets under the financial lease:

	30 September 2007	31 December 2006
Cost – capitalized finance leases	43951	43 951
Accumulated depreciation	-23 622	-20 325
Net book amount	20 329	23 626

	30 September 2007	31 December 2006
Minimum lease payments:		
No later than 1 year	2 803	5 947
Between 1 and 5 years	25 712	25 712
Total	28 515	31 659
Future interest expense	-5 300	-5 300
Present value of future minimum lease payments (see Note 11)	23 215	26 359

Present value of future minimum lease payments

No later than 1 year	1 093	4 237
Between 1 and 5 years	22 122	22 122
Total (see Note 10)	23 215	26 359

	9 months 2007	12 months 2006
Payments of reporting period	3 144	3 978
Interest expenses of reporting period	1 313	1 998

**Note 13 Other short-term payables**

	30 September 2007	31 December 2006
Value added tax	17 082	27 273
Personal income tax	8 021	8 135
Social security tax	16 638	16 374
Corporate income tax payable on fringe benefits	214	617
Unemployment insurance premium	416	411
Mandatory pension funds	689	664
Total indirect tax payables	43 060	53 474
Payables to employees	51 408	70 140
Interest payable	1 499	1 171
Other accrued expenses	997	100
Prepayments received from lessees	5 834	3 900
Total other short-term payables	102 798	128 785

**Note 14 Share capital**

The share-capital in amount of 407 292 contains 40 729 200 new shares in total with a nominal value of 10 kroons.

According to the articles of association the maximum number of shares allowed is 162 916 800 shares.

In the 2<sup>nd</sup> quarter of 2007 dividends were announced and paid to the shareholders in amount of 40 729 thousand kroons (2006: 20 365 thousand kroons), 1 kroon per share. Income tax on dividends was paid in amount of 11 487 thousand kroons.

**Note 15 Sales**

	9 months 2007	9 months 2006	3rd quarter 2007	3rd quarter 2006
Retail	4 102 596	2 917 981	1 688 560	1 051 146
Wholesale	10 371	2 233	2 740	1 275
Services and catering	68 231	40 548	-314 086	13 558
<b>Total sales</b>	<b>4 181 198</b>	<b>2 960 762</b>	<b>1 377 214</b>	<b>1 065 979</b>

In the accounting period the retail sale- and service benefit is corrected. (Note 21).

**Note 16 Other income**

	9 months 2007	9 months 2006	3rd quarter 2007	3rd quarter 2006
Rental income	30 378	27 815	10 747	9 309
Profit from the sale of tangible assets	29	21	0	11
Other income	60 383	36 421	22 463	9 979
Foreign exchange gains	24	34	8	17
<b>Total other income</b>	<b>90 814</b>	<b>64 291</b>	<b>33 218</b>	<b>19 316</b>

**Note 17 Other expenses**

	9 months 2007	9 months 2006	3rd quarter 2007	3rd quarter 2006
Rental expenses	105 774	98 993	36 597	33 479
Utilities	46 850	36 426	15 866	13 274
Advertising costs	62 540	37 374	16 791	12 306
Bank fees	25 709	18 583	9 042	6 564
Security costs	18 824	18 129	6 212	5 924
Heating and electricity costs	43 004	37 235	13 963	11 659
Cost of materials	39 344	28 888	13 497	9 098
Computer and communications expenses	14 238	11 513	4 878	3 865
Business trip expenses	4 569	2 463	1 280	831
Training expenses	2 989	3 167	1 028	950
Insurance costs	1 224	822	457	246
Other expenses	18 035	9 415	4 530	3 456
<b>Total operating expenses</b>	<b>383 100</b>	<b>303 008</b>	<b>124 141</b>	<b>101 652</b>

**Note 18 Personnel expenses**

	9 months 2007	9 months 2006	3rd quarter 2007	3rd quarter 2006
Wage and salary	268 921	188 535	97 821	67 097
Social security tax	89 819	63 115	32 858	22 509
<b>Total personnel expenses</b>	<b>358 740</b>	<b>251 650</b>	<b>130 679</b>	<b>89 606</b>
	9 months 2007	9 months 2006	3rd quarter 2007	3rd quarter 2006
Average monthly wage and salary per employee (kroons)	11 018	8 861	11 670	8 320
Average number of employees during the period	2 712	2 364	2 794	2 688

**Note 19 Interest expenses**

	9 months 2007	9 months 2006	3rd quarter 2007	3rd quarter 2006
Interest on bank loans	-20 246	-6 317	-6 986	-2 141
Interest on finance lease	-1 313	-1 524	-419	-491
Interest on bonds	-931	-332		0
Other interests	-4 583	0	-1 304	0
<b>Total interest expenses</b>	<b>-27 073</b>	<b>-8 173</b>	<b>-8 709</b>	<b>-2 632</b>
Interest income	16 055	824	6 620	423
<b>Total interest expenses and -income</b>	<b>-11 018</b>	<b>-7 349</b>	<b>-2 089</b>	<b>-2 209</b>

**Note 20 Operating profit**

Operating profit includes following write-down on inventories:

	9 months 2007	9 months 2006	3rd quarter 2007	3rd quarter 2006
Write-down and write-off of inventories	28 880	21 129	11 274	7 716
Shortage of stock count	12 259	11 389	4 262	3 808
<b>Total</b>	<b>41 139</b>	<b>32 518</b>	<b>15 536</b>	<b>11 524</b>

**Note 21 Segment reporting**

The segmentation is published according business and geographic segmentation. Based on internal management structure the business segment is represented in main format and geographic segment in additional format. The accounting principles in segmentations are same as groups overall accounting principles. Income, costs, assets and liabilities are divided by segment according their relation to segment activities.

*Business segments*

The internal management structure of Group has divided in following business segments:

Department store  
Supermarkets  
Real Estate  
Car selling

*Geographic segment*

Geographical segments of group are Estonia and Lithuania.

In publishing geographical segments, the sales are represented according to customer's location. The assets of segments are represented according to location.

Business segment

Thousands kroons

30 September 2007	Department Store	Super markets	Real Estate	Car selling	Inter-segment transactions	Total
Non-group sales revenue	1 055 185	2 678 903	30 0483	417 067	0	4 181 198
Inter-segment sales revenue	11	7 429	43 203	117 186	-167 829	0
Total revenue from sales	1 055 196	1 686 333	73 246	534 253	-167 829	4 181 198
<b>Operating profit of segment</b>	<b>91 224</b>	<b>151 917</b>	<b>43 579</b>	<b>16 618</b>	<b>0</b>	<b>303 338</b>
Financial cost and income segment	1 684	-7053	-24 826	-11 209	0	-41 405
Inner-segment financial cost and income of the Group	-2 287	5671	12 469	2 522	-18 375	18 375
Total financial cost and income	<b>-603</b>	<b>-1 381</b>	<b>-12 356</b>	<b>-8 687</b>	<b>-18 375</b>	<b>-23 030</b>
<b>Net profit</b>	<b>96 050</b>	<b>144 679</b>	<b>31 009</b>	<b>8 542</b>	<b>0</b>	<b>280 280</b>
Assets	1 949 778	714 434	1 737 983	282 520	-1 822 119	2 862 596
Inter-segment assets of the Group	1 716 436	82 254	762	22 665	-1 822 119	0
<b>Total assets</b>	<b>233 342</b>	<b>632 180</b>	<b>1 737 220</b>	<b>259 854</b>	<b>0</b>	<b>2 862 596</b>
Liabilities	451 116	425 002	967 283	242 109	-706 255	1 379 35
Inter-segment liabilities of the Group	3 749	504	582 130	119 872	-706 255	0
<b>Total liabilities</b>	<b>447 366</b>	<b>424 498</b>	<b>385 153</b>	<b>122 237</b>	<b>0</b>	<b>1 379 255</b>
Fixed assets acquired in reporting period	11 842	120 896	234 645	1 379	0	368 762
Depreciation of fixed assets in reporting period	20 561	34 553	19 631	400	0	75 145

Thousands kroons

30 September 2006	Department Store	Super markets	Real Estate	Inter-segment transactions	Total
Non-group revenue	856 127	2 065 370	39 265	0	2 960 762
Inter-segment revenue	6	7 708	43 048	-50 762	0
Total revenue from sales	856 133	2 073 078	82 313	-50 762	2 960 762
Operating profit of segment	44 598	89 976	52 625	0	187 199
Financial cost and income of segment	1 571	-1 361	-4 496	0	-4 287
Inter-segment financial cost and income of the Group	0	-487	-1 538	-2 025	-2 025
Total financial cost and income	1 571	-1 848	-6 034	-2 025	-6 312
Income tax					-6 083
Net profit	46 169	88 127	46 591	0	174 804
Assets	1 397 548	537 785	1 033 839	-1 112 033	1 857 139
Inter-segment liabilities of the group	1 085 093	477	26 464	-1 112 033	0
Total assets	312 455	537 308	1 007 375	0	1 857 139
Liabilities	237 942	382 503	309 263	-216 497	713 211
Inter-segment liabilities of the Group	90 500	62 014	63 983	-216 497	0
Total liabilities	147 442	320 489	245 280	0	713 211
Fixed assets acquired in reporting period	17 637	18 496	67 124	0	103 258
Depreciation of fixed assets in reporting period	17 514	33 351	19 633	0	70 497

The principles of reflecting sales revenue in the group were harmonized in the accounting period. As an automotive business joined Tallinna Kaubamaja group, the sales revenue between automotive businesses in the same consolidation group have been eliminated from the sales revenue of the automotive business.

#### *Geographic segment*

30 September 2007	Lithuanian Car selling
Non-segment revenue	43 078
Segment assets according to location	12 043
Segment fixed assets acquired in reporting period	1 238

**Note 22 Related part transactions**

In preparing the consolidated financial statements of Tallinna Kaubamaja AS, the following entities have been considered as related parties:

- a. Owners (parent company and parties having control or significant influence over parent company);
- b. associates;
- c. other entities in the consolidation group (including fellow subsidiaries);
- d. management and supervisory boards;
- e. close relatives of the persons mentioned above and the companies over which they have control of significant influence.

During the 9 months of 2007 Tallinna Kaubamaja group has purchased and sold goods and rendered services as follows:

	Purchases 9 months 2007	Sales 9 months 2007
Parent company	650	2 627
Other related parties	92 338	3 351
Associates	0	349
<b>Total</b>	<b>62 988</b>	<b>6 327</b>

During the 9 months of 2007 Tallinna Kaubamaja group has purchased and sold goods and rendered services as follows:

	Purchases 9 months 2006	Sales 9 months 2006
Parent company	693	126
Other related parties	85 617	34 612
Associates	0	319
<b>Total</b>	<b>86 310</b>	<b>35 057</b>

Purchases from other related parties constitutes mostly from goods purchased for resale. Purchases from parent company consist mostly from management services provided by parent company. Sale to related parties is mostly service rendered.



Balances with related parties:

	30 September 2007	31 December 2006
Parent company	1 020	269
Other related parties	226	871
Short-term portion of loans granted to associates	520	2 000
<b>Total short-term receivables</b>	<b>1 766</b>	<b>3 140</b>
Long-term receivables		
Loans granted to associates	7 828	7 828
<b>Total receivables from related parties</b>	<b>9 794</b>	<b>10 968</b>
Parent company	112	0
Other related parties	17 982	16 825
<b>Total liabilities to related parties</b>	<b>18 094</b>	<b>16 825</b>

AS Tartu Kaubamaja, A-Selver and Tallinna Kaubamaja Kinnisvara AS, Tartu Kaubamaja Kinnisvara OÜ, SIA TKM Latvija as well as KIA Auto AS have a joint group account with Tallinna Kaubamaja AS. This group as a subgroup has in turn joined the group account of NG Investeeringud AS (hereafter main group), which also includes Balbiino AS, Liviko AS, Kitman AS, OÜ NG Kapital, Ganiger Invest OÜ, Roseni Kinnisvara OÜ and Motivo Grupp OÜ. Since autumn 2001, the Tallinna Kaubamaja group has hold free funds at the main group account, earning interest income on the deposits. In 9 months of 2007 the main group has not used the funds available of the Tallinna Kaubamaja group. In 9 months of 2007 Tallinna Kaubamaja group has paid the interest for the use of the funds available on the main group account amounted to 0 thousand kroons (2006 : 786 thousand kroons) and earned interest income from main group 2 500 thousand kroons (2006 : 66 thousand kroons). The average annual interest rate on the funds used in the NG Investeeringud OÜ group account 3.0 % (2006: 3%). According to the group account contract, the group members are jointly responsible for the unpaid balances to the bank. The management of Tallinna Kaubamaja estimate the prices used in related party transactions do not materially differ from the market prices.