

**TALLINNA KAUBAMAJA AS**

**Consolidated Interim Report for  
the 1st quarter of 2007**

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**KEY DATA**

The main activities of Tallinna Kaubamaja Group are retail, wholesale and rent service. The group employs more than 2600 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:	31.03.2007
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**MANAGEMENT REPORT**

The main activities of the companies in the Tallinna Kaubamaja Group are retail and wholesale trade.

As at 31 March 2007, the Group consisted of the following companies:

	Country	Participation 31.03.07	Participation 31.12.06
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 OÜ	Estonia	100%	
KIA Auto AS	Estonia	100%	
Ülemise Autokeskuse OÜ	Estonia	100%	
KIA Auto UAB	Lithuania	100%	
Rävala Parkla AS	Estonia	50%	50%

Economic development and its impact

In 1st quarter 2007 the prices grew 5.2% compared to the 1st quarter 2006. According the preliminary data of the Estonian Statistical Offices, retail (excluding motor vehicle and fuel) increased 27.8%. Whereas the respective figure was 18.2% for non-specialty stores (mostly groceries). According to the preliminary data of the Estonian Statistical Office, the share of non-specialty stores was approximately 50% of total retail sales. The retail sales in non-specialty stores (with industrial goods predominating) were 21.2%.

Results of operations

The net sales of the Tallinna Kaubamaja Group increased by 48% in 2007 as compared to 2006, to almost 1287 million kroons which is 418 million kroons more than the year before.

Net profit increased to 76 million kroons which is 46 million kroons more than year before. In 1<sup>st</sup> quarter of 2006 the net profit was 29.8 million kroons.

<b>FINANCIAL DATA 2006-2007</b>			
Group's consolidated financial statements		1st quarter	
	2007	2006	Change
<b>INCOME STATEMENT (EEK million)</b>			
Net sales	1287	869	48%
Operating profit	80	32	151%
Net profit	76	30	155%
Return on equity (ROE)	5,7%	2,9%	
Return on assets (ROA)	3,3%	1,7%	
Net profit margin	5,9%	3,4%	
Gross profit margin	24,5%	24,9%	
Quick ratio	0,94	0,77	
Debt ratio	0,52	0,42	
Net sales per sales space (EEK thousand)	0,5	0,4	
Inventory turnover	2,60	2,65	
<b>SHARES</b>			
Number of shares (1000 pieces)	40729	6788	
Earnings per share (EEK/share)	32,4	150,2	
Closing price of share (EEK/share)	123,3	305,1	
Net profit of share (EEK/share)	1,9	4,4	
Average number of employees	2610	2267	
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 at 31 March 2007, the balance sheet total of the Tallinna Kaubamaja Group was 2764.9 million kroons, increasing by 1005.2 million kroons in year. Asset growth was 57% and equity growth 29%.

Compared to the end of year 2006 (as at 31 December 2006), the balance sheet total of the Tallinna Kaubamaja Group was increased by 228.4 million kroons in a year. Asset growth was 9% and equity growth 6%.

#### 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 40729.2 thousand shares have been issued with the nominal value of 10 kroons each.

In 1<sup>st</sup> quarter of 2007 the share price decreased by 16% from 143.64 kroons at the beginning of year to 123.3 kroons. The main reason for the downfall was overall downtrend in share market, which was caused by several investors who have decided to take cash from last year win in share markets.

According to the notice of regular annual general meeting of the shareholders published on 23<sup>rd</sup> April 2007, the Management Board proposed to pay dividends 1.00 kroons per share. The supervisory board approved it.

## Share price in Estonian kroons and trading statistic in Tallinna Stock Exchange in 1st quarter of 2007

Department store

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 regarding these products.

In 1<sup>st</sup> quarter of 2007, the net sales in department store business was 327.4 million kroons, increasing by 30.5% as compared to the year before by 76.5 million kroons. The retail sales in non-specialty stores (with industrial goods predominating) were 21.2%. Department store sales belong also to non-specialty store sales. The net profit increased by 21.7 million kroons.

Supermarkets

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 will start production in autumn 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.

In 1<sup>st</sup> quarter of 2007, the net sales in supermarket business segment was 822.2 million kroons, increased by 35% as compared to the year before by 214.7 million kroons. The overall sales in non-specialty stores (mostly groceries) grew by 18.2%.

The net profit increased more than two times by 24.2 million kroons.

Real estate

In 1st quarter 2007, the net sales in real estate business segment increased by 76% as compared to the year before by 24 million kroons. Compared to last year the net profit decreased by 1.9 million kroons.

Car selling

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.

The net sales from car selling segment in 1<sup>st</sup> quarter of 2007 were 130.1 million kroons. During first quarter 326 new cars were sold, this is 91 new cars more than year ago. The results were mainly influenced by new car cee. The net profit in 1<sup>st</sup> quarter of 2007 was 796 thousand kroons.

#### Staff

In 1st quarter 2007, the average number of employees reduced to full-time working hours at the Tallinna Kaubamaja Group was 2610 people, increasing by 15% in a year. Total staff costs (wages and salaries with social security cost) were 105.4 million kroons, increasing by 41% as compared to the year before. Presently Tallinna Kaubamaja Group employees 3195 people.

**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 the 1<sup>st</sup> quarter of 2007 as presented on pages 4-21.

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

Chairman of the Management Board

Tallinn, 14<sup>th</sup> May 2007



**CONSOLIDATED BALANCE SHEET**

Thousands EEK/EUR

	31.03.2007			31.12.2006	
ASSETS	Lisa	EEK	EUR*	EEK	EUR*
<b>Current assets</b>					
Cash and bank	2	317918	20319	371 369	23 736
Trade receivables	3	43558	2784	50 646	3 237
Other receivables	4	24731	1581	39 929	2 552
Prepaid expenses	5	18276	1168	29 736	1900
Inventories	6	495693	31681	313 009	20 005
<b>Total Current Assets</b>		<b>900 176</b>	<b>57 533</b>	<b>804 689</b>	<b>51 430</b>
<b>Non-current assets</b>					
Prepaid expenses	5	41732	2667	41 732	2 667
Investment in associated companies	7	11863	758	11 425	730
Other long-term receivables	8	7828	500	7 828	500
Property, plant and equipment	9	1755972	112227	1 670 816	106 785
<b>Intangible assets</b>					
Goodwill	10	47313	3024	0	0
Total intangible assets		47313	3024	0	0
<b>Total non-current assets</b>		<b>1 864 708</b>	<b>119 176</b>	<b>1 731 801</b>	<b>110 682</b>
<b>TOTAL ASSETS</b>		<b>2 764 884</b>	<b>176 709</b>	<b>2 536 490</b>	<b>162 112</b>
<b>LIABILITIES AND OWNERS' EQUITY</b>					
<b>Current liabilities</b>					
Borrowings	11	309320	19769	239 040	15277
Customer prepayments for goods and services		11114	710	12 992	830
Trade payables		519321	33192	426 360	27 250
Other short-term payables	13	116196	7425	128 785	8 230
<b>Total current liabilities</b>		<b>955 951</b>	<b>61 096</b>	<b>807 177</b>	<b>51 587</b>
<b>Non-current liabilities</b>					
Borrowings	11	489389	31278	485 542	31 032
<b>Total non-current</b>		<b>489 389</b>	<b>31 278</b>	<b>485 542</b>	<b>31 032</b>
<b>TOTAL LIABILITIES</b>		<b>1 445 340</b>	<b>92 374</b>	<b>1 292 719</b>	<b>82 619</b>
<b>Owners' equity</b>					
Share capital	14	407292	26031	407 292	26 031
Statutory legal reserve		7269	465	7 269	465
Revaluation reserve of fixed assets		488940	31249	492 014	31 445
Retained earnings		340289	21748	62 549	3 998
Net profit for the period		75754	4842	274 666	17 554
Converting differences		0	0	-20	-1
<b>TOTAL OWNERS' EQUITY</b>		<b>1 319 544</b>	<b>84 335</b>	<b>1 243 770</b>	<b>79 492</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>2 764 884</b>	<b>176 709</b>	<b>2 536 489</b>	<b>162 111</b>

**CONSOLIDATED INCOME STATEMENT**  
Thousands EEK/EUR

	Note	1st quarter 2007		1st quarter 2006	
		EEK	EUR*	EEK	EUR*
Operating income					
Net sales	15	1 286 898	82 248	868 976	55 538
Other operating income	16	23 775	1 520	15 186	971
Cost of goods sold		-972 024	-62 124	-652 826	-41 723
Other operating expenses	17	-126 003	-8 052	-98 919	-6 323
Personnel expenses	18	-105 358	-6 734	-74 676	-4 773
Depreciation and amortization	9	-24 565	-1 570	-23 297	-1 489
Other expenses		-2 888	-185	-2 600	-166
<b>Operating Profit</b>		<b>79 835</b>	<b>5 103</b>	<b>31 844</b>	<b>2 035</b>
Finance cost	19	-9 082	-580	-2 603	-196
Financial income		4563	292	151	40
Share of profit of associates	8	438	28	372	24
<b>Total financial income and expenses</b>		<b>-4081</b>	<b>-260</b>	<b>-2080</b>	<b>-132</b>
<b>Total net profit without income tax on dividends</b>		<b>75 754</b>	<b>4 843</b>	<b>29 764</b>	<b>1 903</b>
<b>NET PROFIT FOR THE PERIOD</b>		<b>75 754</b>	<b>4 843</b>	<b>29 764</b>	<b>1 903</b>
Basic earnings per share (EEK/EUR)	14	1,86	0,12	4,38	0,28
Diluted earnings per share (EEK/EUR)	14	1,86	0,12	4,38	0,28

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

## CONSOLIDATED CASH FLOW STATEMENT

		Thousands EEK/EUR			
		1st quarter 2007		1st quarter 2006	
	Note	EEK	EUR*	EEK	EUR*
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Net profit		75754	4842	29 764	1 902
Adjustments for:					
Interest expense	19	9082	580	2 603	166
Interest income		-5335	-341	-180	-11
Depreciation and amortization	9	24565	1570	23 297	1 489
Profit (loss) from disposals of non-current assets		-11	-1	437	29
Impact of equity method	7	-438	-28	-372	-24
Change in inventories		-182683	-11676	-37 314	-2 385
Change in receivables and prepayments related to operating activities		38984	2492	12 221	779
Change in liabilities and prepayments related to operating activities		55376	3539	-3 725	-238
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>		<b>15 294</b>	<b>977</b>	<b>26 731</b>	<b>1 707</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Fixed assets acquired and renovated (excl finance lease)	9	-80931	-5172	-59 844	-3 825
Tangible fixed assets sold		97	6	152	10
Goodwill		47313	3024	0	0
Loan repayments received from associates	8	1000	64	1 000	64
Interest received		5443	348	180	12
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>-27 078</b>	<b>-1 730</b>	<b>-58 512</b>	<b>-3 739</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
Loans received		0	0	25 000	1 598
Repayments of loans		-31714	-2027	-3 012	-192
Change in overdraft balance		0	0	13 247	847
Finance lease payments		-1035	-66	-969	-62
Interest paid		-8917	-570	-2 736	-175
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>-41666</b>	<b>-2663</b>	<b>31530</b>	<b>2016</b>
<b>TOTAL CASH FLOW</b>		<b>-53 450</b>	<b>-3 416</b>	<b>-251</b>	<b>-16</b>
Cash and cash equivalents at the beginning of period	2	371368	23735	18 290	1 169
Cash and cash equivalents at the end of period	2	317918	20319	18 039	1 153
<b>Change in cash and cash equivalents</b>		<b>-53 450</b>	<b>-3 416</b>	<b>-251</b>	<b>-16</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>1 243 790</b>
Change in converting differences	0	0	0	0	20	20
Revaluation, non-current assets	0	-3 074	0	3 074	0	0
Net profit for the period	0	0	0	75 754	0	75754
<i>Total income and expense</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>75 754</i>	<i>0</i>	<i>75754</i>
<b>Balance as of 31.03.2007</b>	<b>407 292</b>	<b>488 940</b>	<b>7 269</b>	<b>416 043</b>	<b>0</b>	<b>1 319 564</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>26 030</b>	<b>31 445</b>	<b>465</b>	<b>21 552</b>	<b>-1</b>	<b>79 492</b>
Change in converting differences	0	0	0	0	1	1
Revaluation, non-current assets	0	-196	0	196	0	0
Net profit for the period	0	0	0	4 842	0	4842
<i>Total income and expense</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>4 842</i>	<i>0</i>	<i>4842</i>
<b>Balance as of 31.03.2007</b>	<b>26 030</b>	<b>31 249</b>	<b>465</b>	<b>26 590</b>	<b>0</b>	<b>84 335</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 the 1st quarter 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**

	31 March 2007	31 December 2006
Cash in hand	3 173	3 610
Bank accounts	304 573	352 534
Cash in transit	10 172	15 225
<b>Total cash and bank</b>	<b>317 918</b>	<b>371 369</b>

**Note 3 Trade receivables**

	31 March 2007	31 December 2006
Trade receivables	23 271	15 045
Credit card receivables	20 287	35 601
<b>Total trade receivables</b>	<b>43 558</b>	<b>50 646</b>

**Note 4 Other receivables**

	31 March 2007	31 December 2006
Bonuses received from suppliers	14 295	24 647
Receivables from related parties	1000	2 000
Overdraft	0	13000
Other short-term receivables	9 436	282
<b>Total other receivables</b>	<b>24 731</b>	<b>39 929</b>

**Note 5 Prepaid expenses**

	31 March 2007	31 December 2006
Value added tax	9697	22468
Total prepaid expenses	9697	22468
Prepaid rental expenses	4 202	5 603
Other prepaid expenses	4 377	1 665
Total short-term prepaid expenses	18 276	29 736
Prepaid rent	41 732	41 732
Total long-term prepaid expenses	41 732	41 732

**Note 6 Inventories**

	31 March 2007	31 December 2006
Goods hold for resale	490 405	307 234
Raw materials	5 288	5 775
Total inventories	495 693	313 009

**Note 7 Shares of associated companies**

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

	31 March 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>9 032</b>	<b>6 769</b>

Profit from the equity method	438	2 397
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**End of the period**

Acquisition cost	6 500	6 500
<b>Participation in associate's equity</b>	<b>11 863</b>	<b>11 425</b>

**Financial information of the associate:**

	31 March 2007	31 December 2006
Assets	62 630	64 322
Liabilities	38 905	41 472
Revenues	1 639	7 717
Profit	877	4 794

**Note 8 Other long-term receivables**

	31 March 2007	31 December 2006
Associated companies receivables	7 828	9 828
Refund:		
up to 12 months	1000	2000
between 1 and 5 years	6828	7828
Interest	4%	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	9579	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	9662	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>9662</b>	<b>506185</b>	<b>1 670 816</b>
<b>Correct:*</b>						
Acquisition cost 2006	30 012	3 160	2 348	0	0	35 520
Accumulated depreciation	-3 362	-3 017	-707	0	0	-7 086
Changes 2007						
Additions	2 972	5 640	4 855	26 105	41 360	80 931
Sales		99	-2	0	0	97
Accumulated depreciation	-8 734	-7 650	-8 181	0	0	-24565
<b>31.03.2007</b>						
Acquisition cost	1088482	193203	237643	35767	547546	2102640
Accumulated depreciation	-71935	-123745	-150988	0	0	-346668
<b>Residual value</b>	<b>1 016 547</b>	<b>69 458</b>	<b>86 655</b>	<b>35 767</b>	<b>547 546</b>	<b>1 755 972</b>

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

During the report period real estates in amount of 41360 thousand kroons has been bought. Repairs and renovations to buildings were made amounting 2 972 thousand kroons. New equipment and fittings, refrigerators and computers, in amount of 10 495 thousand kroons were bought.

**Note 10 Intangible assets**

In January 2007 Tallinna Kaubamaja AS bought the new subsidiary Optigrupp 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	31 March 2007	31 December 2006
Short-term bonds	49628	49 069
Overdraft	0	0
Loans	256 490	185 734
Finance lease (see Note 12)	3 202	4 237
<b>Total short-term bonds</b>	<b>309 320</b>	<b>239 040</b>
Long-term debt liabilities	31 March 2007	31 December 2006
Loans	463 519	463 420
Finance lease (see Note 12)	22 123	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
Loans taken over*	103 029
Other long-term liabilities	3 847
Total loans received	106 876
Loans paid	
Bank loans	31 714
Finance lease	1 035
Total loans paid	32 749
Final balance 31.03.2007	798 709

\* Loans taken over regarding buying a subsidiary Optigrupp Invest OÜ.

**Note 12 Finance lease**

The group leases the following assets under the financial lease:

	31 March 2007	31 December 2006
Cost – capitalized finance leases	43 951	43 951
Accumulated depreciation	-21 424	-20 325
Net book amount	22 527	23 626



	31 March 2007	31 December 2006
Minimum lease payments:		
No later than 1 year	4 912	5 947
Between 1 and 5 years	25 712	25 712
Total	30 624	31 659
Future interest expense	-4 844	-5 300
Present value of future minimum lease payments (see Note 11)	25 780	26 359

Present value of future minimum lease payments		
No later than 1 year	3 658	4 237
Between 1 and 5 years	22 122	22 122
Total (see Note 10)	25 780	26 359

	3 months 2007	12 months 2006
Payments of reporting period	1 035	3 978
Interest expenses of reporting period	455	1 998

**Note 13 Other short-term payables**

	31 March 2007	31 December 2006
Value added tax	17 238	27 273
Personal income tax	9 053	8 135
Social security tax	18 199	16 374
Corporate income tax payable on fringe benefits	138	617
Unemployment insurance premium	438	411
Mandatory pension funds	782	664
Total indirect tax payables	45 848	53 474
Payables to employees	64 018	70 140
Interest payable	1335	1171
Other accrued expenses	603	100
Prepayments received from lessees	4 392	3 900
Total other short-term payables	116 196	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 1 629 168 thousand kroons.

**Note 15 Sales**

	3 months 2007	3 months 2006
Retail	1 145 655	854 569
Wholesale	3 500	689
Services and catering	137 743	13 718
Total sales	1 286 898	868 976

**Lisa 16 Other income**

	3 months 2007	3 months 2006
Rental income	10 581	8 822
Profit from the sale of tangible assets	29	3
Other income	13 155	6 351
Foreign exchange gains	10	10
<b>Total other income</b>	<b>23 775</b>	<b>15 186</b>

**Note 17 Other expenses**

	3 months 2007	3 months 2006
Rental expenses	33 940	32 475
Utilities	14 611	11 168
Advertising costs	19 829	12 329
Bank fees	7 753	5 464
Security costs	6 191	6 082
Heating and electricity costs	15 916	13 936
Cost of materials	11 967	8 257
Computer and communications expenses	4 487	3 754
Business trip expenses	1 752	1 021
Training expenses	1 145	1 058
Insurance costs	432	272
Other expenses	7 980	3 103
<b>Total operating expenses</b>	<b>126 003</b>	<b>98 919</b>

**Note 18 Personnel expenses**

	3 months 2007	3 months 2006
Wage and salary	79 050	55 955
Social security tax	26 308	18 721
<b>Total personnel expenses</b>	<b>105 358</b>	<b>74 676</b>

	3 months 2007	3 months 2006
Average monthly wage and salary per employee (kroons)	10 096	8 227
Average number of employees during the period	2 610	2 267

**Note 19 Interest expenses**

	3 months 2007	3 months 2006
Interest on bank loans	-8 068	-1 794
Interest on finance lease	-455	-525
Interest on bonds	-559	-284
<b>Total interest expenses</b>	<b>-9 082</b>	<b>-2 603</b>
Interest income	4563	151
<b>Total interest expenses and -income</b>	<b>-4 519</b>	<b>-2 452</b>

**Note 20 Operating profit**

Operating profit includes following write-down on inventories:

	3 months 2007	3 months 2006
Write-down and write-off of inventories	8 036	6 584
Shortage of stock count	1 507	2 500
<b>Total</b>	<b>9 543</b>	<b>9 084</b>

**Lisa 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 segment*

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 EEK

31 March 2007	Department Store	Super markets	Real Estate	Car selling	Inter-segment transactions	Total
Non-group sales revenue	327 421	819 463	9 867	130 147	0	1 286 898
Inter-segment sales revenue	0	2 761	14 474	0	-17 235	0
Total revenue from sales	327 421	822 224	24 341	130 147	-17 235	1 286 898
<b>Operating profit of segment</b>	<b>22 497</b>	<b>39 697</b>	<b>14 524</b>	<b>3 117</b>	<b>0</b>	<b>79 835</b>
Financial cost and income segment	3 501	1 165	-3 686	-27	0	953
Inner-segment financial cost and income of the Group	-2670	-1649	-603	-112	5 034	-5 034
Total financial cost and income	<b>831</b>	<b>-484</b>	<b>-4 289</b>	<b>-139</b>	<b>5 034</b>	<b>-4 081</b>
<b>Net profit</b>	<b>23 329</b>	<b>40 862</b>	<b>10 767</b>	<b>796</b>	<b>0</b>	<b>75 754</b>
Assets	1 838 126	637 996	1 689 987	188 277	-1 589 502	2 764 884
Inter-segment assets of the Group	1 547 351	35396	1 630	5 125	-1 589 502	0
<b>Total assets</b>	<b>290 775</b>	<b>602 600</b>	<b>357</b>	<b>183 152</b>	<b>0</b>	<b>2 764 884</b>
Liabilities	503 245	413 898	939 529	155 269	-566 601	1 445 340
Inter-segment liabilities of the Group	7 996	596	524 696	33 313	-566 601	0
<b>Total liabilities</b>	<b>495 249</b>	<b>413 302</b>	<b>414 833</b>	<b>121 956</b>	<b>0</b>	<b>1 445 340</b>
Fixed assets acquired in reporting period	3 985	9 330	0	151	0	13 467
Depreciation of fixed assets in reporting period	6 725	11 165	6 539	135	0	24 565

Thousands EEK

31 March 2007	Department Store	Super markets	Real Estate	Inter-segment transactions	Total
Non-group revenue	250 934	604 760	13 282	0	868 976
Inter-segment revenue	2	2 792	14 303	-17 097	0
Total revenue from sales	250 936	607 552	27 585	-17 097	868 976
<b>Operating profit of segment</b>	<b>1 303</b>	<b>16 420</b>	<b>14 121</b>	<b>0</b>	<b>31844</b>
Financial cost and income of segment	306	-551	-911	0	-1 156
Inter-segment financial cost and income of the Group	0	-336	-588	-924	-924
<b>Total financial cost and income</b>	<b>306</b>	<b>-887</b>	<b>-1499</b>	<b>-924</b>	<b>-2 080</b>
<b>Net profit</b>	<b>1 609</b>	<b>15 533</b>	<b>12 622</b>	<b>0</b>	<b>29 764</b>
Assets	1 259 103	388 232	1 034 576	-922 162	1 759 749
Inter-segment liabilities of the group	884 842	554	36 766	-922 162	0
<b>Total assets</b>	<b>374 261</b>	<b>387 678</b>	<b>997 810</b>	<b>0</b>	<b>1 759 749</b>
Liabilities	203 505	329 479	344 450	-136 939	740 495
Inter-segment liabilities of the Group	32 660	24 598	79 681	-136 939	0
<b>Total liabilities</b>	<b>170 845</b>	<b>304 881</b>	<b>264 769</b>	<b>0</b>	<b>740 495</b>
Fixed assets acquired in reporting period	911	4 134	54 799	0	59 844
Depreciation of fixed assets in reporting period	5 708	11 045	6 544	0	23 297

Geographic segment

31 March 2007	Lithuanian Car selling
Non-segment revenue	8 518
Segment assets according to location	9 051
Segment fixed assets acquired in reporting period	0

**Note 22 Related party transactions**

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

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

During the 3 months of 2006 Tallinna Kaubamaja group has purchased and sold goods and rendered services as follows:

	Purchases 3 months 2006	Sales 3 months 2006
Parent company	399	38
Other related parties	20 175	352
Associates	0	110
<b>Total</b>	<b>20 574</b>	<b>500</b>

During the 3 months of 2007 Tallinna Kaubamaja group has purchased and sold goods and rendered services as follows:

	Purchases 3 months 2007	Sales 3 months 2007
Parent company	0	705
Other related parties	27 139	445
Associates	0	113
<b>Total</b>	<b>27 139</b>	<b>1 263</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:

	31 March 2007	31 December 2006
Parent company	347	269
Other related parties	275	871
Short-term portion of loans granted to associates	1 133	2 000
<b>Total short-term receivables</b>	<b>1 755</b>	<b>3 140</b>
<b>Long-term receivables</b>		
Loans granted to associates	7 828	7 828
<b>Total receivables from related parties</b>	<b>9 583</b>	<b>10 968</b>
Parent company	94	0
Other related parties	17 238	16 825
<b>Total liabilities to related parties</b>	<b>17 332</b>	<b>16 825</b>

AS Tartu Kaubamaja, A-Salver 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 3 months of 2007 the main group has not used the funds available of the Tallinna Kaubamaja group. In 3 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 : 830 thousand kroons) and earned interest income from main group 705 thousand kroons (2006 : 636 thousand kroons). The average annual interest rate on the funds used in the NG Investeeringud OÜ group account 3.0 % (2006: 2.6%). 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.