

Tallinna Kaubamaja AS

TALLINNA KAUBAMAJA AS

**Consolidated Interim Report for
the period of 9 months of 2008**

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COMPANY PROFILE AND CONTACT DETAILS

The primary areas of activity of the companies of the Tallinna Kaubamaja Group include retail and wholesale trade and rental activities. The Tallinna Kaubamaja Group employs more than 3300 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:	30 Sept. 2008
Auditor	Ernst&Young Baltic AS
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MANAGEMENT REPORT

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

Management

In order to manage the Tallinna Kaubamaja AS the general meeting of the shareholders, held at least once in a year, elects supervisory board, which according to the articles of association may have 3 to 6 members. Members of the Tallinna Kaubamaja AS supervisory board are Andres Järving (chairman of the supervisory board), Jüri Kõo, Enn Kunila, Gunnar Kraft and Meelis Milder. Members of Tallinna Kaubamaja AS supervisory board are elected for three years. The mandates of current supervisory board members will expire: Andres Järving 29 May 2009, Jüri Kõo 29 May 2009, Enn Kunila 29 May 2009, Meelis Milder 29 May 2009 and Gunnar Kraft 16 May 2010. During the period between the general meetings the supervisory board plans actions of the company, organises management and accomplishes supervision over management actions. Regular supervisory board meetings are held at least 11 times in a year. In order to manage daily activities the supervisory board appoints member(s) of the management board of the Tallinna Kaubamaja AS in accordance with the Commercial Code. 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. Currently the management board of Tallinna Kaubamaja AS has one member. The term of office of the management board member Raul Puusepp was extended on 6 March 2008 and his term of office expires on 6 March 2011.

The law, the articles of association, decisions and goals stated by the shareholders and supervisory board are followed for managing the company. 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 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 does not possess several classes of shares.

Legal structure

As of 30 September 2008, the following companies belonged to the Group:

	Country of location	Holding as of 30.09.08	Holding as of 31.12.07
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 Autokeskus OÜ	Estonia	100%	100%
KIA Auto UAB	Lithuania	100%	100%
Kia Automobiles SIA	Latvia	100%	100%
OÜ TKM Beauty	Estonia	100%	100%
OÜ TKM Beauty Eesti	Estonia	100%	100%
OÜ Suurtüki NK	Estonia	100%	0%
SIA Suurtüki	Latvia	100%	0%
AS ABC King	Estonia	100%	0%
SIA ABC King	Latvia	100%	0%
Rävala Parkla AS	Estonia	50%	50%

Economic Development

Compared to the same period of 2007, the consumer price index increased by 11% during the first nine months of 2008, being the lowest in September (10.5%) and the highest in April (11.4%). According to the Statistical Office, increase in retail turnover (without the sales of motor vehicles and fuel) constituted 6.3% during the nine months of 2008. The same indicator for the first nine months in 2007 was 22.1%.

Retail sales in non-specialised shops (food products prevailing) increased by 13.0% during the first nine months of 2008 (10.9% in the 3rd quarter). Compared to the same period last year, retail sales in non-specialised shops (industrial goods prevailing) decreased by 2.3% (-6.4% in the 3rd quarter). The same indicators for the first three quarters in 2007 grew by 16.8% and 16.0% respectively. Thus, the slowdown of economic growth is especially remarkable in retail business. During the nine months, this trend has been most acutely expressed in the sector of second-hand goods (-17.9%), falling also most dramatically in the 3rd quarter. Other sectors whose sales figures decreased remarkably in the third quarter were the sector of household goods (-10.1%) and the sector of textile (-8.7%).

Economic performance

FINANCIAL RATIOS 2007-2008						
Group's consolidated interim report	9 months			3^d quarter		
	2008	2007	<i>Change</i> %	2008	2007	<i>Change</i> %
Net sales	4,716	4,181	13%	1,670	1,377	21%
Operating profit	190	303	-37%	66	114	-42%
Net profit	152	280	-46%	53	111	-52%
Return on equity (ROE)	7.8%	19.6%		2.8%	7.8%	
Return on assets (ROA)	3.6%	10.1%		1.3%	4.0%	
Net profit margin	3.2%	6.7%		3.2%	8.1%	
Gross profit margin	24.5%	25.0%		24.7%	26.7%	
Quick ratio	1.02	0.95		1.02	0.95	
Debt ratio	0.54	0.48		0.54	0.48	
Sales revenue per employee (EEK million)	1.46	1.54		0.50	0.49	
Inventory turnover	5.4	7.67		1.91	2.53	
SHARE						
Average number of shares (1,000 pcs.)	40,729	40,729		40,729	40,729	
Equity per share (EEK per share)	48.22	36.42		48.22	36.42	
Share closing price (EEK per share)	77.76	138.63		77.76	138.63	
Earnings per share	3,7	6,9		1,3	2,7	
Average number of employees	3,228	2,712		3,324	2,794	
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					

The consolidated non-audited revenue of Tallinna Kaubamaja for the first nine months of 2008 was 4.7 billion kroons (301.4 million euros). The return on sales of the Group of the first nine months in 2007 was 4.2 billion kroons (267.2 million euros). The growth in turnover was 13%. Net profit was 46% less than that of the first three quarters last year, totalling 151.7 million kroons (9.7 million euros), which is 128.6 million kroons (8.2 million euros) less compared to the same period in 2007 when net profit amounted to 280.3 million kroons (17.9 million euros).

The influence of factors that slowed down net profit in the first half of the year continued to have their impact in the third quarter as well. There are 19.0 million kroons (1.2 million euros) non-capitalized development costs in the operating expenses for the first nine months in 2008. In the same period in 2007, the corresponding costs were 11.6 million kroons (0.7 million euros). The decrease in net profit was mostly caused by shops that were fully or partially closed for reconstruction works (bearing operating costs) and by pre-opening costs of new Selter shops. In the third quarter retail sales volumes ceased to increase, which also had an impact on profit. Other factors for decrease in profit were expected growth of maintenance and labour costs, increase in depreciation resulting from the revaluation of fixed assets, undertaken at the end of 2007, also the income tax 21.7 million kroons (1.4 million euros, 2007: 11.5 million kroons, 0.7 million euros) expense on the dividends distributed for the prior financial years.

As of 30 September 2008, the balance sheet total of the Tallinna Kaubamaja Group was 4.3 billion kroons (271.6 million euros), which means an increase by 1.4 billion kroons (88.6 million euros) compared to the end of the third quarter of 2007. In the first nine months of 2008, assets and shareholders' equity increased by 28% and 4% respectively.

As of the end of the first nine months of the year, the number of loyal customers was over 327 thousand, increasing by 30% within nine months. The percentage of loyal customers in the turnover of the shops of the Group increased to 73% during the first nine months of 2008. At the end of the period, the number of Partner Credit Cards was over 12 100.

Share Market

Since 19 August 1997, the shares of AS Tallinna Kaubamaja have been listed in the main list of securities of the Tallinn Stock Exchange. Tallinna Kaubamaja AS has issued 40 729.2 thousand registered shares, each with the nominal value of 10 kroons. The shares are freely transferable, no statutory restrictions apply. There are no 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 Investeeringud OÜ has direct significant participation. Shares granting special rights to their owners have not been issued.

The members of the management board of Tallinna Kaubamaja AS have no right to issue or buy back shares. In addition, there are no commitments between the company and its employees providing for compensation in mergers and acquisitions under article 19' of Stock Market Trade Act.

The price of a share, the value of which was 138.63 kroons at the end of September of 2007, decreased over the year to 77.76 kroons by the end of the third quarter of 2008, thus experiencing a fall of approximately 44%. At the beginning of 2008, a share of Tallinna Kaubamaja cost 122.04 kroons.

According to the notice of regular annual general meeting of the shareholders published on 14 April 2008, the management board proposed to pay dividends 2.00 kroons per share. The general meeting of shareholders approved it.

Price of a share in Estonian kroons and trading statistics on the Tallinn Stock Exchange from 1 January 2008 to 30 September 2008



Kaubamaja department stores

Sales revenue of the first nine months of 2008 of the business segment of the Kaubamaja department stores was 1 098.6 million kroons (70.2 million euros), showing a growth of 4% in comparison with the same period of the previous year, regardless of decrease in retail sales in stores selling manufactured goods in whole Estonia. Net profit of the Kaubamaja department stores during the first nine months in 2008 was 85.9 million kroons (5.5 million euros), which fell behind the result achieved a year ago by 10.1 million kroons (0.6 million euros). Financing cost used for acquisitions and growth of maintenance costs have had the most negative impact on the profit of Kaubamaja department stores.

OÜ TKM Beauty, the subsidiary founded in autumn 2007, continued preparing for the launch of the chain of beauty shops operating under the trademark I.L.U. Opening of the shops depends on the opening times of shopping centres. The company planned to open the first shop in Pärnu in late autumn of 2008, but the project will be late owing to delays by shopping centre developers and will therefore be opened in spring 2009. Lease contracts have also been signed with shopping centre developers in Tartu. In Tallinn the shops will be opened in Rocca al Mare and Kristiine shopping centres in the second half of 2009. The first shop in Latvia will be opened in 2010.

Selver supermarkets

Net turnover of Selver for the first nine months in 2008 was 3.0 billion kroons (194.7 million euros), which exceeds that of the same period of last year by 14%. The turnover for the same period last year was 2.7 billion kroons (171.2 million euros).

During the first nine months of 2008, retail sale in the sector of non-specialised shops in Estonia (food products prevailing) increased by 13.0%. The market share of Selver in this sector constituted 14.6%, the market share for the same period last year was 14.5%.

Net turnover per a square meter of selling space was 6.8 thousand kroons per month, which is 8% less than the respective figure for the first nine months last year. The decrease in the turnover was most influenced by lower sales efficiency than expected in the start-up phase and by reconstruction works in several shops, which affected sales.

In 2008 seven new shops were opened: in February a shop in Narva was opened, in March in Kohtla-Järve, in May in Hiiumaa, in June in Tallinn Mustamäe, in July in Põlva and Pärnu and in August in Paide. A total of 10,856 m² selling space was added. Extensive reconstructions were carried out and additional selling space was obtained in four shops: Järve and Pirita Selver in Tallinn, Krooni Selver in Rakvere and Anne Selver in Tartu. A total of 18,437 m² selling space was added through opening of new shops and reconstruction.

The pre-tax profit of A-Selver for the first nine months in 2008 was 73.7 million kroons (4.7 million euros), decreasing by 82.5 million kroons (5.3 million euros) compared to the same period in 2007. Because of reconstruction works Pirita and Anne Selver were closed for customers for one and a half months and Krooni Selver for two weeks, which had a negative impact on net profit. In Järve Selver the reconstruction works were carried out during four months, which affected sales. In addition, pre-opening costs of the seven new shops opened in 2008 and costs related to the start-up of the subsidiary Selver Latvia SIA had an impact on net profit.

Real estate

Sales revenue for the first nine months of 2008 of the real estate segment was 89.9 million kroons (5.7 million euros), and in comparison with the same period of 2007, sales revenue increased by 23%. Sales revenue for the first nine months of 2008 of the real estate segment without inter-segmental sales was 30.3 million kroons (1.9 million euros), increasing by 1% in comparison with last year.

Net profit for the first nine months of 2008 was 22.3 million kroons (1.4 million euros), decreasing by 8.7 million kroons or 28% compared to the previous year. The decrease in net profit was 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. In April a subcontracting agreement was made with AS Eesti Ehitus for construction of the Selver store in Keila. The work is planned to be completed in the end of October. In May the Hiiumaa Selver shop was completed as planned. In June the reconstruction of Pirita Selver was also completed in time. In July construction of the Ülejõe Selver in Pärnu was completed and the shop was opened at the end of July. The construction of the Paide Selver was completed in August and the shop was opened at the end of August. In July a subcontracting agreement was made with KMG Ehitus for construction of the Selver shop in Kakumäe, which completing is planned to February 2009.

In Latvia the construction of the shopping centre commenced in Ogre. A subcontracting agreement was made with SIA „Orions Celtniecības kompānija”. The work will be completed in December. The construction of the Selver shop also commenced in Rezekne. A subcontracting agreement was made with SIA „Būvuzņēmums STATS”. The construction works will be completed in November. The main tenant for both shops will be Selver.

Car trade

The sales revenue of the car trade segment for the first nine months of 2008 was 437.0 million kroons (27.9 million euros). In the first nine months, 1 719 new vehicles were sold, which exceeds the number of vehicles sold during the same period a year ago by 113. KIA has a 3.3% market share in the Baltic countries (growth by 23% compared to the same period last year).

During the first nine months of 2008 the Estonian car market dropped 16%, in the 3rd quarter the falloff was 25%. Despite that KIA sales increased 19% and 4% respectively, achieving with that 3.3% from the market. Within the first nine months the Latvian market experienced the most significant decrease of 34%. The sales of KIA vehicles fell a bit less – 26%. By the end of the first nine months of 2008, KIA's market share in Latvia was 3.1%. The car market of Lithuania, which made a growth swing in the first quarter of 2008, slowed down in the second and started to decline in the third quarter, achieved a 14% growth rate for the first nine months. The swing of KIA was even higher, reaching even a 74% growth for the period. KIA holds a 3.8% market share in Lithuania. In June a new representative car salon was opened in Vilnius, which on the one hand caused opening costs and fall in profit but enables to raise client base and profit on the other.

In the Baltic countries, 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 nine months of the year. In Lithuania, KIA cee'd was chosen the car of the year in 2007, while in Estonia and Latvia, it claimed the high runner-up place.

The net loss of the car trade segment of the first nine months of 2008 amounted to 2.4 million kroons (0.2 million euros). The net profit of the first nine months of 2007 was 8.5 million kroons (0.54 million euros). The market share growth took its toll on declining margins and growing advertising costs. Establishing the Latvian subsidiary SIA KIA Automobiles and entering the Latvian market fell in the same period with rapidly diminishing car market of Latvia in 2007 and had its negative impact on profit in the first nine months of the year. Gained market share allows to expect better results in the future.

Footwear trade

The sales revenue of Suurtüki NK AS and Suurtüki SIA, acquired on 1 April 2008, made up 51.9 million kroons (3.3 million euros) of the sales for the nine months in group total. In addition to 20 already existing stores in Estonia and Latvia, two new stores were opened. In the fourth quarter Väike-Karja store in Tallinn will be closed. Reporting period ended with a loss of 6.3 million kroons (0.4 million euros). The result was influenced by costs for opening new stores and accumulated goods in stock that were sold at final sale at the end of summer and at closing down sale in Väike-Karja store.

On 30 June 2008 Tallinna Kaubamaja group acquired ABC King AS with its subsidiary ABC King SIA and OÜ ABC Saare footwear stores. At the end of the third quarter, Tallinna Kaubamaja group had 16 footwear stores in Estonia and Latvia. Sales of ABC King companies in group's total amounted to 50.5 million kroons (3.2 million euros). Their profit was 1.0 million kroons (0.6 million euros). The result was influenced by costs for opening new stores in Tasku Keskus in Tartu, Põhjakeskus in Rakvere and Auriga Keskus (will be opened in October) in Saaremaa .

Work on new concepts for footwear stores and brand innovation has begun, which according to plans will be finalised in the second half of 2009. In addition, the group has taken preparatory steps to open new office and warehouse premises for footwear business in Tallinn and has made respective investments. The premises should accommodate the group's whole footwear business and should improve management performance, offer synergies for the efficiency of footwear stores, minimise costs and contribute to better results in the future.

Personnel

In the nine months of 2008, the average number of employees of the Group of Tallinna Kaubamaja was 3 228, increasing by 14 % over nine months and 19% in comparison the nine months in last year. The total labour cost (wages and salaries and social tax cost) amounted to 474.2 million kroons (30.3 million euros), increasing by 32% in comparison with the same period last year.

CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT BOARD'S CONFIRMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Chairman of the Management Board confirms the correctness and completeness of Tallinna Kaubamaja AS consolidated financial statements for the period of nine months of 2008 as presented on pages 10-32.

The Chairman of the Management Board confirms that:

1. the accounting principles used in preparing the financial statements are in compliance with the International Financial Reporting Standards;
2. the financial statements give a true and fair view of the financial position of the parent company and the group, as well as the results of their operations and cash flows;
3. Tallinna Kaubamaja AS and its subsidiaries are able to continue as a going concern.



Raul Puusepp
Chairman of the Management Board

Tallinn, 17th November 2008

CONSOLIDATED BALANCE SHEET

thousand kroons/euros

	Note	30 September 2008		31 December 2007	
		EEK	EUR*	EEK	EUR*
ASSETS					
Current assets					
Cash at bank and in hand	2	45,201	2,889	282,635	18,064
Trade receivables	3	77,342	4,943	50,966	3,257
Other receivables	4	27,900	1,784	50,755	3,244
Prepaid expenses	5	46,259	2,956	20,133	1,287
Inventories	6	873,986	55,858	519,630	33,209
Total current assets		1,070,688	68,430	924,119	59,061
Fixed assets					
Prepaid expenses	5	36,931	2,360	37,291	2,383
Shares in affiliated companies	8	16,469	1,053	14,201	908
Other long-term receivables	9	2,828	181	2,828	181
Tangible fixed assets	10	2,930,797	187,312	2,300,878	147,053
Intangible fixed assets		69,852	4,464	0	0
Goodwill		121,783	7,783	49,388	3,156
Total intangible assets	11,7	191,635	7,783	49,388	3,156
Total fixed assets		3,178,660	203,153	2,404,586	153,681
TOTAL ASSETS		4,249,348	271,583	3,328,705	212,742
LIABILITIES AND OWNERS' EQUITY					
Current liabilities					
Debts	12	225,513	14,413	120,626	7,709
Prepayments received for goods and services		7,926	507	11,673	745
Trade payables		698,814	44,663	611,454	39,080
Other current payables	14	116,703	7,458	166,756	10,657
Total current liabilities		1,048,956	67,041	910,509	58,191
Long-term liabilities					
Debts	12,13	1,234,848	78,921	522,214	33,375
Long term reserve		1,647	105	2,075	132
Total long-term liabilities		1,236,495	79,026	524,289	33,507
TOTAL LIABILITIES		2,285,451	146,066	1,434,798	91,698
Owners' equity					
Share capital	15	407,292	26,031	407,292	26,031
Statutory reserve		40,729	2,603	40,729	2,603
Fixed assets revaluation reserve		733,306	46,867	759,721	48,555
Retained earnings		782,817	50,032	686,155	43,854
Currency exchange differences		-247	-16	10	1
TOTAL OWNERS' EQUITY		1,963,897	125,517	1,893,907	121,044
TOTAL LIABILITIES AND OWNERS' EQUITY		4,249,348	271,583	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

thousand kroons/euros

		9 months 2008		9 months 2007	
	Note	EEK	EUR*	EEK	EUR*
Operating revenue					
Sales revenue	16	4,716,246	301,423	4,181,198	267,227
Other operating revenue	17	117,503	7,509	90,814	5,803
Cost of goods sold		-3,559,099	-227,468	-3,136,776	-200,477
Other operating expenses	18	-501,878	-32,076	-383,100	-24,484
Staff costs	19	-474,232	-30,309	-358,740	-22,928
Depreciation and impairment of fixed assets	10	-99,635	-6,368	-75,145	-4,803
Other operating expenses		-8,558	-546	-14,913	-953
Operating profit		190,347	12,165	303,338	19,385
Financial expenses	20	-23 312	-1490	-27 073	-1730
Financial income	20	4 056	259	14 146	904
Financial income from shares in affiliated companies	8	2 268	145	1 356	87
Total financial income and expenses		-16,988	-1,086	-11,571	-739
Profit before income tax		173,359	11,079	291,767	18,646
Income tax	15	-21,653	-1,384	-11,487	-734
NET PROFIT FOR ACCOUNTING PERIOD		151,706	9,695	280,280	17,912

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

CONSOLIDATED INCOME STATEMENT

thousand kroons/euros

	Note	3 ^d quarter 2008		3 ^d quarter 2007	
		EEK	EUR*	EEK	EUR*
Operating revenue					
Sales revenue	16	1,670,083	106,738	1,377,214	88,020
Other operating revenue	17	41,566	2,656	33,218	2,122
Cost of goods sold		-1,256,958	-80,334	-1,009,880	-64,543
Other operating expenses	18	-173,975	-11,119	-124,141	-7,933
Staff costs	19	-173,992	-11,120	-130,679	-8,352
Depreciation and impairment of fixed assets		-38,634	-2,469	-25,435	-1,626
Other operating expenses		-1,711	-108	-5,819	-372
Operating profit		66,379	4,244	114,478	7,316
Financial expenses	20	-13,643	-872	-8,709	-557
Financial income	20	0	0	4,712	301
Financial income from shares in affiliated companies		715	46	440	28
Total financial income and expenses		-12,928	-826	-3,557	-228
Profit before income tax		53,451	3,418	110,921	7,088
NET PROFIT FOR ACCOUNTING PERIOD		53,451	3,418	110,921	7,088

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

CONSOLIDATED CASH FLOW STATEMENT

thousand kroons/euros

	Note	9 month 2008		9 month 2007	
		EEK	EUR*	EEK	EUR*
CASH FLOW FROM OPERATING ACTIVITIES					
Net profit		151,706	9,696	280,280	17,913
Adjustments:					
Dividends disbursed	15	21,653	1,384	11,487	734
Interest expense	20	23,312	1,490	27,073	1,730
Interest income	20	-4,056	-259	-14,146	-904
Depreciation and impairment of fixed assets	10,11	99,635	6,368	75,145	4,803
Gains (losses) on sales and write-offs of fixed assets	10	94	6	46	3
Effect of equity method	8	-2,268	-145	-1,356	-87
Change in inventories		-312,036	-19,945	-231,993	-14,827
Change in receivables and prepayments related to operating activities		-18,237	-1,166	15,863	1,014
Change in liabilities and prepayments related to operating activities		21,811	1,396	150,646	9,628
TOTAL CASH FLOW FROM OPERATING ACTIVITIES		-18,386	-1,175	313,046	20,007
CASH FLOW FROM INVESTMENT ACTIVITIES					
Acquisition of tangible fixed assets (except for financial lease)	10	-718,530	-45,922	-288,108	-18,413
Tangible fixed assets sold	10	1,318	84	99	6
Acquisition of subsidiaries	7	-53,980	-3,450	-47,313	-3,023
Acquisition of long term investments	7	-177,987	-11,375	0	0
Repayments of loans granted to affiliated companies		2,250	144	1,500	96
Interest received		4,722	302	16,325	1,042
TOTAL CASH FLOW FROM INVESTMENT ACTIVITIES		-942,207	-60,217	-317,497	-20,292
CASH FLOW FROM FINANCING ACTIVITIES					
Loans raised	12	1,233,741	78,850	0	0
Repayments of loans raised	12	-432,747	-27,658	-46,451	-2,969
Redemption of bonds		0	0	-49,069	-3,136
Dividends paid	15	-81,458	-5,206	-40,729	-2,603
Income tax on dividends	15	-21,653	-1,384	-11,487	-734
Change in open credit line		49,671	3,175	0	0
Repayment of financial lease principal payments		-3,366	-215	-3,144	-201
Interest paid		-20,772	-1,328	-26,747	-1,709
TOTAL CASH FLOW FROM FINANCING ACTIVITIES		723,416	46,234	-177,627	-11,352
Currency exchange differences		-257	-17	0	0
TOTAL CASH FLOW		-237,434	-15,175	-182,079	-11,637
Cash and equivalents of cash at beginning of period		282,635	18,064	374,931	23,962
Cash and equivalents of cash at end of period	2	45,201	2,889	192,852	12,325
Change in cash and equivalents of cash		-237,434	-15,175	-182,079	-11,637

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

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

thousand kroons

	Share capital	Revalua- tion 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	-26,415	0	26,415	0	0
Change in conversion difference	0	0	0	0	-257	-257
Total income and expenses for period shown directly in owners' equity	0	-26,415	0	26,415	-257	-257
Profit for accounting period	0	0	0	151,706	0	151,706
Total income and expense for period	0	-26,415	0	178,121	-257	151,449
Dividends disbursed				-81,459		-81,459
Balance as of 30 Sept. 2008	407,292	733,306	40,729	782,817	-247	1,963,897

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

thousand kroons

	Share capital	Revalua- tion 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	-1,688	0	1,688	0	0
Change in conversion difference	0	0	0	0	-16	-16
Total income and expenses for period shown directly in owners' equity	0	-1,688	0	1,688	-16	-16
Profit for accounting period	0	0	0	9,696	0	9,696
<i>Total income and expense for period</i>	0	-1,688	0	11,384	-16	9,679
Dividends disbursed				-5,206		-5,206
Balance as of 30 Sept. 2008	26,031	46,867	2,603	50,032	-16	125,517

* 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 15.

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 9 months of 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

thousand kroons

	30 September 2008	31 December 2007
Cash in hand	4,601	4,966
Cash at bank	33,054	262,021
Cash in transit	7,546	15,648
Total cash at bank and in hand	45,201	282,635

Note 3. Trade Receivables

thousand kroons

	30 September 2008	31 December 2007
Trade receivables	64,168	16,281
Card payments	13,174	34,685
Total trade receivables	77,342	50,966

Note 4. Other Short Term Receivables

thousand kroons

	30 September 2008	31 December 2007
Bonuses to be received from suppliers	2,450	39,672
Current receivables from affiliates (see Note 9)	2,750	5,000
Other short term receivables	22,700	6,083
Total other short term receivables	27,900	50,755

Note 5. Prepaid Expenses

thousand kroons

	30 September 2008	31 December 2007
VAT	33,583	10,610
Total prepaid taxes	33,583	10,610
Lease expenses prepaid	2,355	5,603
Other prepaid expenses	10,321	3,920
Total current prepaid expenses	46,259	20,133
Long term lease expenses prepaid	36,931	37,291
Total long-term prepaid expenses	36,931	37,291

Note 6. Inventories

thousand kroons

	30 September 2008	31 December 2007
Goods for resale	861,946	509,065
Raw materials	9,418	7,620
Prepayments for goods	2,622	2,945
Total inventories	873,986	519,630

Note 7. Shares in subsidiaries

Tallinna Kaubamaja group as of 30 September 2008:

thousand kroons

Company	Location	Principal activity	Ownership interests	Cost of acquisition	Time of acquisition
A-Selver AS	Tallinn Pärnu rd 238	Retail	100%	22,000	1996
AS Tartu Kaubamaja	Tartu Riia 2	Retail	100%	15,849	1996
Tallinna Kaubamaja Kinnisvara AS	Tallinn, Gonsiori 2	Real Estate management Retail and financial activities	100%	46,285	1999
OptiGroup Invest OÜ	Tallinn Gonsiori 2		100%	40	2007
<i>OptiGroup Invest OÜ subsidiary:</i>					
KIA Auto AS	Tallinn Ülemiste rd 1	Retail	100%	79,400	2007
<i>KIA Auto AS subsidiaries:</i>					
Ülemiste Autokeskus OÜ	Tallinn Ülemiste rd 1	Retail	100%		2007
KIA Automobiles SIA	Riga Pulkeveza Brieza 31	Retail	100%	90	2007
KIA Auto UAB	Vilnius Jasinskoe 14	Retail	100%		2007
<i>AS Tartu Kaubamaja subsidiaries:</i>					
TKM Beauty OÜ	Tallinn Gonsiori 2	Retail	100%		2007
<i>TKM Beauty OÜ subsidiary:</i>					
TKM Beauty Eesti OÜ	Tallinn Gonsiori 2	Retail	100%		2007
AS ABC King	Tallinn Pärnu rd 139E	Retail	100%	177,987	2008
<i>AS ABC King subsidiary:</i>					
ABC King SIA	Riga Ieriku ila 3	Retail	100%		2008
OÜ Suurtüki NK	Tallinn Ehitajate rd 110	Retail	100%	55,017	2008
<i>OÜ Suurtüki NK subsidiary:</i>					
SIA Suurtuki	Riga Tomsona iela 30-86	Retail	100%	13,973	2008
<i>Tallinna Kaubamaja Kinnisvara AS subsidiaries:</i>					
Tartu Kaubamaja Kinnisvara OÜ		Real Estate management	100%		2004
SIA TKM Latvija		Real Estate management	100%		2006
<i>A-Selver AS subsidiary:</i>					
Selver Latvia SIA		Retail	100%		2006
Total costs of subsidiaries as of 30 September 2008				410,641	

Business combinations in 2007:

Acquisitions made in 2007.

Company	Country of incorporation	Principal activity	Time of acquisition	Ownership interest
Ülemiste Autokeskus OÜ	Estonia	Retail	31.03.2007	100%
KIA Auto UAB	Lithuania	Retail	31.03.2007	100%
KIA Auto AS	Estonia	Retail	31.03.2007	100%

At the moment of acquisition (31 March 2007) the acquisition price is divided Kia Auto AS between assets and liabilities accordingly:

	Assets and liabilities of KIA Auto AS before the adjustment	Adjustment to the fair value	Assets and liabilities of KIA Auto AS after the adjustment
Cash	1,306	0	1,306
Other current assets	125,933	0	125,933
Fixed assets (Note 10)	21,320	7,580	28,900
Goodwill	0	49,388	49,388
Liabilities	-126,127	0	-126,127
Cost of acquisition	22,432	56,968	79,400

Business combinations in 2008:

Acquisitions made in 2008.

Company	Country of incorporation	Principal activity	Time of acquisition	Ownership interest
Suurtüki NK AS	Estonia	Retail	01.04.2008	100%
Suurtüki SIA	Latvia	Retail	01.04.2008	100%
AS ABC King	Eesti	Retail	01.07.2008	100%
ABC King SIA	Läti	Retail	01.07.2008	100%

At the moment of acquisition (1 April 2008) the acquisition price is divided OÜ Suurtüki NK and Suurtüki SIA between assets and liabilities accordingly:

	Assets and liabilities of Suurtüki NK OÜ and Suurtüki SIA before the adjustment	Adjustment to the fair value	Assets and liabilities of Suurtüki NK OÜ and Suurtüki SIA after the adjustment
Cash	4,873	0	4,873
Other current assets	56,945	0	56,945
Fixed assets	2,910	0	2,910
Goodwill	0	44,047	44,047
Liabilities	-39,785	0	-39,785
Cost of acquisition	24,943	44,047	68,990

At the moment of acquisition (30 June 2008) the acquisition price is divided AS ABC King and ABC King SIA between assets and liabilities accordingly:

	Assets and liabilities of AS ABC King and ABC King SIA before the adjustment	Adjustment to the fair value	Assets and liabilities of AS ABC King and ABC King SIA after the adjustment
Cash	10,496	0	10,496
Other current assets	60,468	0	60,468
Fixed assets	4,136	0	4,136
OÜ ABC Saare assets	15,921	0	15,921
Goodwill (Note 11)	0	28,348	28,348
Trademark (Note 11)	0	54,601	54,601
Useful rental contracts	0	16,900	16,900
OÜ ABC Saare liabilities	-215	0	-215
Liabilities	-12,669	0	-12,669
Soetusmaksumus	78,138	99,849	177,987

During the reporting period 45 thousand kroons were added to the share capital of KIA Automobiles SIA. of 30 June 2008 the share capital of Kia Automobiles SIA amounted to 90 thousand kroons.

On 1 April 2008 we acquired full participation in OÜ Suurtüki NK and in its subsidiary Suurtuki SIA in Latvia. Goodwill from the transaction was recognised in the amount of 44,047 thousand kroons, which relates to the future cash flows of the companies.

On 30 June Tallinna Kaubamaja Group acquired full participation in AS ABC King and in its 100% subsidiary SIA ABC King. The transaction also involved the acquisition of the footwear business and stores of ABC Saare OÜ. As a result, goodwill in the amount of 28,348 thousand kroons arose, which relates to the future cash flows of AS ABC King and ABC King SIA. Intangible assets amounted to 71 501 thousand kroons; useful lease contracts comprised 16,900 thousand kroons and trademark 54 601 thousand of the amount.

Goodwill and trademark were evaluated as of the balance sheet date. The recoverable amount was found based on the companies' useful lives by using the future cash flows over five years as a basis. Goodwill was discounted at the rate of 16% and trademark at the rate of 12%. It was found that the present value of cash flows covers both the goodwill and trademark as well as the value of useful lease contracts and that of the net assets of the subsidiaries (OÜ Suurtüki NK, SIA Suurtuki). The analysis was based on the group's previous experience.

The Tallinna Kaubamaja Group group paid 67,084 thousand kroons in cash for the acquisition of OÜ Suurtüki NK and SIA Suurtuki. Upon acquisition, OÜ Suurtüki NK and SIA Suurtuki had 4,873 thousand kroons on their bank accounts. Upon acquisition, The Tallinna Kaubamaja Group also paid 1 906 thousand kroons, which comprised the costs of preparing the transaction.

The Tallinna Kaubamaja Group paid 177,987 thousand kroons in cash for the acquisition of AS ABC King and ABC King SIA. At the time of their acquisition, AS ABC King and ABC King SIA had 10 496 thousand on their bank accounts. During the financial period, the depreciation of intangible assets upon the acquisition of AS ABC King and ABC King SIA amounted to 1,649 thousand kroons (Note 11).

The subsidiary of AS Tartu Kaubamaja, TKM Shoes OÜ with share capital of 40 thousand kroons, was established on 28 April 2008. According to the agreement signed on 11 July 2008, TKM Shoes OÜ and ABC King merged. They were 100% subsidiaries of Tallinna Kaubamaja AS. The transaction aimed at improving the legal structure of the companies and at bringing the activities of the footwear trade segment in Estonia under one commercial undertaking.

Note 8. Shares in Affiliates

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

thousand kroons

	30 September 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	2,268	2,772
At end of accounting period		
Acquisition cost	6,500	6,500
Holding in owners' equity of investment object	16,469	14,201

Financial information on the affiliate R vala Parkla AS:

	30 September 2008	31 December 2007
Assets	61,794	63,629
Liabilities	28,881	35,235
Revenue	6,602	8,590
Profit	4,536	5,545

Note 9. Other Long-term Receivables

thousand kroons

	30 September 2008	31 December 2007
Receivables from affiliates (see Note 4)	5,578	7,828
<i>To be repaid:</i>		
within 12 months	2,750	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 10. Tangible Fixed Assets

thousand kroons

	Land and buildings	Machi- nery and equip- ment	Other fittings, fixtures and equip- ment	Prepay- ments for tangible fixed assets	Construc- tion-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
Additions from subsidiaries						
Acquisition cost in 2006	30,012	3,342	2,763	0	0	36,116
Accumulated depreciation in 2006	-3,362	-1,986	-1,869	0	0	-7,217,
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						
Additions from subsidiaries	6,825	843	3,119	0	0	10,787
Acquisition	349,571	80,303	59,649	23,637	205,370	718,530
Reclassification	126,027	0	9,305	-9,938	-125,394	0
Sales	-1,166	-177	-69	0	0	-1,412
Depreciation	-37,019	-29,990	-30,977	0	0	-97,986
30 September 2008						
Acquisition cost or revaluated cost	2,250,535	313,328	328,816	25,845	577,386	3,495,910
Accumulated depreciation	-189,514	-171,364	-204,235	0	0	-565,113
Residual value	2,061,021	141,964	124,581	25,845	577,386	2,930,797

During the accounting period, registered immovables have been purchased and renovation works have been performed in the amount of 475,598 thousand kroons. An advance payment in the amount of 25,845 thousand kroons has been made for uncompleted buildings. During the reporting period four new buildings have been built in Põltsamaa, Paide, Pärnu and in Hiiumaa. Reconstruction works for widening the sales area took place in Pirita Selver. The total investment has been 267,450 thousand kroons. New buildings have been constructed in Latvia during the accounting period in the total amount of 208,148 thousand kroons .

In this year, seven new shops was opened: in February in Narva , in March in Kohtla-Järve, in May in Hiiumaa, in June in Mustamäe in Tallinn, in July in Põlva and in Pärnu and another shop was opened in August in Paide. Reconstruction works for widening the sales area took place in Järve Selver and in Pirita Selver in 2008. The total sum of investment for new Selver stores is 139,165 thousand kroons.

Furnishing for sales rooms, coolers, computing equipment in the amount 149,257 thousand kroons have been purchased.

Note 11. Intangible Fixed Assets

thousand kroons, 30 September 2008

	Trademark	Useful contracts	Total
Acquisition cost (Lisa 7)	54 601	16 900	71 501
Accumulated depreciation 30.Sept.2008	-881	-768	-1 649
Residual value	53 720	16 132	69 852

Under intangible assets is stated the goodwill related to acquisition of OptiGroup Invest OÜ, OÜ Suurtüki NK, Suurtuki SIA , ABC King and ABC King SIA in the amount of 121,783 thousand kroons (Note 7).

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 12. Debts

thousand kroons,

	Balance 30.Sept 2008	Repayment			Due date	Interest rate
		Within 12 months	Within 1-5 year	After 5 years		
2008						
SEB Pank AS	104,399	8,338	42,925	53,136	28.09.2014	6 month EURIBOR +0,6%
SEB Pank AS	141,511	5,017	136,494		19.04.2012	6 month EURIBOR +0,4%
Nordea Bank Finland Plc Eesti Filiaal	265,992		265,992		7.12.2011	6 month EURIBOR+0,36%
Nordea Bank Finland Plc Eesti Filiaal	89,100	13,964	75,136		20.06.2012	3 month EURIBOR+0,98%
Nordea Bank Finland Plc Eesti Filiaal	57,342		7,944	49,398	13.06.2018	6 month EURIBOR+0,6%
Nordea Bank Finland Plc Eesti Filiaal	184,764		23,317	161,447	20.06.2018	6 month EURIBOR+0,6%
Nordea Bank Finland Plc Eesti Filiaal	82,421		12,236	70,185	20.06.2018	6 month EURIBOR+0,6%
Nordea Bank Finland Plc Eesti Filiaal	75,211		75,211		21.04.2013	3 month EURIBOR+0,98%
Nordea Bank Finland Plc Eesti Filiaal	104,203		104,203		15.05.2018	6 month EURIBOR+0,6%
Nordea Bank Finland Plc Eesti Filiaal	72,115		72,115		30.08.2018	6 month EURIBOR+0,6%
AS Hansapank	61,722		61,722		21.04.2013	6 month EURIBOR+0,67%
AS Hansapank	7,510	7,510			9.01.2009	12 month EURIBOR+0,75%
AS Hansa Liising Eesti	103,662	103,662			14.12.2008	12 month EURIBOR+0,65%

Hansa Lizings SIA				15.12.2008	5,60%
Hansa Lizings SIA	411	28	383	1.10.2009	5,60%
Nordea Finance Latvia SIA	2,616	832	1,784	15.10.2008	5,60%
UAB Hansa Lizingas	4,930	1,312	3,618	28.12.2008	5,30%
UAB Hansa Lizingas/ faktooring	1,351	1,351		5.10.2008	5,75%
NG Investeeringud OÜ	18,444	18,444		31.12.2008	5,00%
Hansapank AS	62,847	62,847		18.06.2009	12 month EURIBOR+0,72%
Hansapank AS	1,046	1,046		31.12.2008	12 month EURIBOR+0,65%
Long term loans	1,441,597	224,351	883,080	334,166	
Financial lease					
(Note 13)	18,764	1,162	17,602	7.04.2012	7%
Total long-term debts	1,460,361	225,513	900 682	334,166	

thousand kroons

	Balance 30.Sept 2008	Repayment			Due date	Interest rate
		Within 12 months	Within 1-5 year	After 5 years		
2007						
SEB Pank AS	115,278	14,672	47,470	53,136	28.09.2014	6 month EURIBOR +0,6%
SEB Pank AS	152,831	15,200	137,631		19.04.2012	6 month EURIBOR +0,4%
Nordea Bank Finland Plc Eesti Filiaal	265,992		265, 992		7.12.2011	6 month EURIBOR+0,36%
AS Hansa Liising Eesti	79,168	79,168			14.03.2008	12 month EURIBOR+0,65%
Hansa Lizings SIA	790	790			15.04.2008	5,60%
Hansa Lizings SIA	458	75	383		1.10.2009	5,60%
Nordea Finance Latvia SIA	410	410			15.04.2008	5,60%
UAB Hansa Lizingas	1,472	1,472			28.06.2008	5,30%
UAB Hansa Lizingas/ faktooring	3,041	3,041			5.07.2008	5,75%
AB Bankas Hansabankas	1,270	1,270			15.05.2008	VILIBOR +0,97%
Long term loans	620,710	116,098	45, 476	334,166		
Financial lease						
(Note 13)	22,130	4,528	17,602		7.04.2012	7%
Total long-term debts	642,840	120,626	469,078	334,166		

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

Note 13. Financial Lease

The Group uses the following buildings under financial lease terms:

thousand kroons

	30.sept.08	31December 2007
Acquisition cost	43,951	43,951
Accumulated depreciation	28,017	24,912
Residual value	15,934	19,039

thousand kroons

	30 Sept 2008	31December 2007
Minimum financial lease payments:		
within 1 year	5,933	5,933
within 1 to 5 years	15,338	19,788
Total	21,271	25,721
Deferred interest expense	-2,507	-3,591
Present value of lease payments (Note 12)	18,764	22,130
Present value of lease payments		
within 1 year	1,162	4,528
within 1 to 5 years	17,602	17,602
Total present value of lease payments	18,764	22,130

Note 14. Other Current Payables

thousand kroons

	30 Sept 2008	31December 2007
VAT	13,209	31,669
Personal income tax	10,876	11,041
Social tax	23,511	22,696
Income tax on fringe benefits	407	757
Unemployment insurance premiums	591	560
Funded pension	1,003	935
Total taxes payable	49,597	67,658
Employee-related liabilities	55,000	87,498
Interest payable	1,265	1,140
Other accrued expenses	3,304	5,315
Prepayments of lessees	7,537	5,145
Total other current payables	116,703	166,756

Note 15. Share Capital

As of 30 September 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. In the 2nd quarter of 2008 the dividends were announced and paid to the shareholders. 2 kroons per share, in the total amount of 81,458 thousand kroons (2007: 40,729 thousand kroons) and income tax in amount of 21,653 thousand kroons (2007: 11,487 thousand kroons) was paid.

Note 16. Sales Revenue

thousand kroons

	9 months 2008	9 months 2007	3 ^d quarter 2008	3 ^d quarter 2007
Retail sales revenue	4,656,104	4,102,596	1,645,126	1,688,560
Wholesale revenue	20,805	10,371	6,506	2,740
Income from service and catering	39,337	68,231	18,451	-314,086
Total sales revenue	4,716,246	4,181,198	1,670,083	1,377,214

Note 17. Other Operating Revenue

thousand kroons

	9 months 2008	9 months 2007	3 ^d quarter 2008	3 ^d quarter 2007
Rental income	34,469	30,378	12,407	10,297
Selling profit from fixed assets	17	29	-3,741	0
Car park services income	1,026	974	375	355
Empties handling	2,637	2,373	1,083	1,186
Expedition revenue	11,016	17,952	3,114	5,966
Advertising revenue	52,214	33,856	24,777	13,663
Other operating revenue	16,124	5,252	3,551	1,751
Total other operating revenue	117,503	90,814	41,566	33,218

* In 3^d quarter of 2008 retail profit of asstes have been reduced to the amount of 3 741 thousand kroons. Sale proceeds of SIA building have been included before purchasing of SIA.

Note 18. Other Operating Expenses

thousand kroones

	9 months 2008	9 months 2007	3 ^d quarter 2008	3 ^d quarter 2007
Rent	135,148	105,774	49,286	36,597
Maintenance expenses	66,029	46,850	24,163	15,866
Advertising expenses	72,814	62,540	21,872	16,791
Banking charges	30,495	25,709	10,467	9,042
Security costs	21,386	18,824	8,028	6,212
Heating and power expenses	55,310	43,004	18,809	13,963
Material costs	54,871	39,344	18,385	13,497
IT and communications expenses	20,372	14,238	7,241	4,878
Travel expenses	6,352	4,569	2,027	1,280
Training expenses	3,494	2,989	858	1,028
Insurance expenses	1,323	1,224	647	457
Miscellaneous operating expenses	34,284	18,035	12,192	4,530
Total other operating expenses	501,878	383,100	173,975	124,141

Note 19. Staff Costs

thousand kroons

	9 months 2008	9 months 2007	3 ^d quarter 2008	3 ^d quarter 2007
Wages and salaries	356,491	268,921	131,013	97,821
Social tax	117,741	89,819	42,979	32,858
Total staff costs	474,232	358,740	173,992	130,679

	9 months 2008	9 months 2007	3 ^d quarter 2008	3 ^d quarter 2007
Average monthly wages and salaries per employee (EEK) in accounting period	12,271	11,018	13,138	11,670
Average number of employees in accounting period	3,228	2,712	3,324	2,794

Note 20. Interest Income and Expenses

thousand kroones

Interest Income

	9 months 2008	9 months 2007	3 ^d quarter 2008	3 ^d quarter 2007
Interest income from SEB	613	4,258	0	973
Interest income from Hansapank	302	0	0	0
Interest income from Nordea	357	0	0	0
Other interest income	2,784	9,888	0	0
Total interest income	4,056	14,146	0	4,712

Interest Expenses

	9 months 2008	9 months 2007	3 ^d quarter 2008	3 ^d quarter 2007
Bank loan interest	-19,381	-20,246	-12,253	-6,986
Financial lease interest	-1,084	-1,313	-342	-419
Bond interest	0	-931	0	0
Other interest*	-2,847	-4,583	-1,048	-1,304
Total interest expenses	-23,312	-27,073	-13,643	-8,709

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

Note 21. Operating Profit

Operating profit includes the following write-downs:

thousand kroons

	9 months 2008	9 months 2007	3 ^d quarter 2008	3 ^d quarter 2007
Write-down and write-off of inventories	45,795	28,880	15,654	11,274
Shortage of inventories	14,987	12,259	5,568	4,262
Total	60,782	41,139	21,222	15,536

Note 22. 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
footwear 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

thousand kroons

	Depart- ment store	Super- markets	Real estate	Car trade	Footwear trade	Inter- segment tran- sactions	Total
30.sept.08							
Sales outside of Group	1,098,620	3,046,537	30,327	437,037	103,724	0	4,716,246
Intersegment sales	11,080	7,433	59,545	161,221	7,382	-246,660	0
Total sales	1,109,700	3,053,970	89,872	598,258	111,106	-246,660	4,716,246
Intersegment other revenue							117,503
Intersegment operating expenses							-4,643,402
Total operating profit	74,114	65,450	46,118	8,023	-3,358	0	190,347
Financial income/expenses							-16,988
Income tax							-21,653
Net profit	85,925	52,055	22,276	-2,357	-6,193	0	151,706
Segment assets	2,452,830	875,327	2,910,861	301,582	273,524		6,814,124
Shared assets							-2,564,776
Total assets	2,452,830	875,327	2,910,861	301,582	273,524	0	4,249,348
Segment liabilities	865,695	560,467	1,717,989	273,438	251,138		3,668,727
Shared liabilities							-1,383,276
Total liabilities	865,695	560,467	1,717,989	273,438	251,138	0	2,285,451
Acquisition of fixed assets in accounting period	7,050	150,802	463,845	1,445	1,714	0	624,856
Depreciation in accounting period	21,286	47,069	27,093	1,236	2,951	0	99,635

thousand kroons

	Depart- ment store	Super- markets	Real estate	Car trade	Inter- segment tran- sactions	Total
30.sept.07						
Sales outside of Group	1,055,185	2,678,903	30,043	417,067		4,181,198
Intersegment sales	11	7,429	43,203	117,186	-167,829	0
Total sales	1,055,196	2,686,332	73,246	534,253	-167,829	4,181,198
Intersegment other revenue						90,815
Intersegment operating expenses						-3,968,675
Total operating profit	91,224	151,917	43,579	16,618		303,338
Financial income/expenses						-11,571
Income tax						-11,487
Net profit	96,050	144,679	31,009	8,542		280,280
Segment assets	1,949,778	714,434	1,737,983	282,519		4,684,714
Shared assets						-1,822,119
Total assets	1,949,778	714,434	1,737,983	282,518		2,862,595
Segment liabilities	451,116	425,002	967,284	242,109		2,085,511
Shared liabilities						-706,255
Total liabilities	451,116	425,002	967,284	242,109		1,379,256
Acquisition of fixed assets in accounting period	11,842	120,896	234,645	1,379		368,762
Depreciation in accounting period	20,561	34,553	19,631	400		75,145

Geographical Segment

thousand kroons

30 Sept 2008	Estonia	Lithuania	Latvia	Total
Sales outside of segment	4,584,476	71,868	59,902	4,716,246
Assets of segment according to location	6,142,292	17,323	654,510	6,814,125
Acquisition of fixed assets of segment in accounting period	407,146	0	217,710	624,856
thousand kroons				
30 June 2007	Estonia	Lithuania	Latvia	Total
Sales outside of segment	4,138,120	43,078	0	4,181,198
Assets of segment according to location	2,520,920	12,043	329,633	2,862,596
Acquisition of fixed assets of segment in accounting period	46,761	0	322,001	368,762

Note 23. Transactions with Related Parties

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

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

Within first 9 months of 2008 the Group has purchased and sold goods and rendered services as follows:

thousand kroons

	Purchases 9month 2008	Sales 9month 2008
Parent company	1,752	0
Other related companies	152,980	4,230
Affiliates	0	288
Total	154,732	4,518

Within first 9 months of 2007 the Group has purchased and sold goods and rendered services as follows:

thousand kroons

	Purchases 9 month 2007	Sales 9 month 2007
Parent company	650	2,627
Other related companies	92,338	3,351
Affiliates	0	349
Total	92,988	6,327

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:

thousand kroons	30 September 2008	31 December 2007
Parent company	0	665
Other related companies	258	1,340
Current receivables from affiliates	2,750	5,000
Total current receivables	3,008	7,005
Long-term receivables		
Long-term receivables from affiliates	2,828	2,828
Total receivables from related parties	5,836	9,833
Parent company	1,809	
Other related companies	27,874	26,004
Total liabilities to related parties	29,683	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, OptiGroup Invest OÜ, SIA Selver Latvia, OÜ Suurtüki NK, AS ABC King 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 9 month of 2008 the Tallinna Kaubamaja Group was earning 630 thousand kroons (2007: 1,402 thousand kroons) of interest revenue from keeping available funds in the group account. As of 30 September 2008 the group has paid interest on the use of the available funds of the Main Group in the amount of 1,684 thousand kroons (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: 3.0%). 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.