

Tallinna Kaubamaja AS

TALLINNA KAUBAMAJA AS

**Consolidated Interim Report for
the period of 12 months of 2008**

Contents

COMPANY PROFILE AND CONTACT DETAILS	3
MANAGEMENT REPORT	4
CONSOLIDATED FINANCIAL STATEMENTS	10
CONSOLIDATED BALANCE SHEET	11
CONSOLIDATED INCOME STATEMENT	12
CONSOLIDATED INCOME STATEMENT	13
CONSOLIDATED CASH FLOW STATEMENT	14
CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY	15
CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY	16
NOTES TO THE CONSOLIDATED INTERIM ACCOUNTS.....	17
Note 1. Accounting Principles Followed upon Preparation of the Consolidated Interim Accounts	17
Note 2. Cash at Bank and in Hand.....	18
Note 3. Trade Receivables.....	18
Note 4. Other Short Term Receivables.....	18
Note 5. Prepaid Expenses	18
Note 6. Inventories	18
Note 7. Shares in subsidiaries.....	19
Note 8. Shares in Affiliates	22
Note 9. Other Long-term Receivables	22
Note 10. Tangible Fixed Assets.....	23
Note 11. Intangible Fixed Assets.....	24
Note 12. Debts	25
Note 13. Financial Lease	26
Note 14. Other Current Payables.....	27
Note 15. Share Capital.....	27
Note 16. Sales Revenue	27
Note 17. Other Operating Revenue	27
Note 18. Other Operating Expenses	28
Note 19. Staff Costs.....	28
Note 20. Interest Income and Expenses.....	28
Note 21. Operating Profit	29
Note 22. Segment Reporting	29
Note 23. Transactions with Related Parties.....	31

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 3,900 employees.

The Company is listed on the Tallinn Stock Exchange.

Registered office:	2 Gonsiori St. 10143 Tallinn Republic of Estonia
Registry code:	10223439
Beginning of financial year:	1 Jan. 2008
End of financial year:	31 Dec. 2008
Beginning of interim report period:	1 Jan. 2008
End of interim report period:	31 Dec. 2008
Auditor	Ernst&Young Baltic AS
Telephone:	37 26 673 200
Fax:	37 26 673 205
E-mail:	kaubamaja@kaubamaja.ee

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-third 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 31 December 2008, the following companies belonged to the Group:

	Country of location	Holding as of 31.12.08	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 2007, the consumer price index changed by 10.4% in 2008, being the lowest in December (7.0%) 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 3.7% in 2008. In 2007, the same indicator was 20%. In the fourth quarter, total retail turnover was 3% less than the respective figure in 2007.

Retail sales in non-specialised shops (food products prevailing) increased by 11.1% during the year (6.1% in the 4th quarter). Compared to last year, retail sales in non-specialised shops (industrial goods prevailing) decreased by 6.1% (-14.3% in the 4th quarter). The same indicators in 2007 grew by 16.6% and 13.8% respectively. Thus, the slowdown of economic growth is especially remarkable in retail business.

During the year, this trend was most acutely expressed in the sector of second-hand goods (-18.8%), falling also most dramatically in the fourth quarter. Other sectors whose sales figures have dropped remarkably in the fourth quarter were the sector of household goods (-17.6%) and the sector of textile (-17.5%).

Economic performance**FINANCIAL RATIOS 2007-2008***in EEK, thousand*

Group's consolidated interim report	12 months			4th quarter		
	2008	2007	Change %	2008	2007	Change %
Net sales	6,557	5,892	11%	1,841	1,711	8%
Operating profit	136	436	-69%	-55	133	-142%
Net profit	83	411	-80%	-69	131	-153%
Return on equity (ROE)	4,0%	26,2%		-3,7%	7,7%	
Return on assets (ROA)	2,0%	14,0%		-1,8%	4,2%	
Net profit margin	1,3%	7,0%		-3,7%	7,6%	
Gross profit margin	24,3%	25,1%		23,7%	25,3%	
Quick ratio	0,86	1,01		0,86	1,01	
Debt ratio	0,57	0,4		0,57	0,4	
Sales revenue per employee (EEK, million)	1,77	2,08		0,47	0,54	
Inventory turnover	8,29	11,34		2,36	3,29	
SHARE						
Average number of shares (1,000 pcs.)	40,729	40,729		40,729	40,729	
Equity per share (EEK per share)	45,06	46,50		45,06	46,50	
Share closing price (EEK per share)	32,54	122,04		32,54	122,04	
Earnings per share	2,0	10,1		-1,7	3,2	
Average number of employees	3,703	2,833		3,900	3,195	
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 in 2008 was 6.6 billion kroons (419.1 million euros). The net sales of the Group in 2007 were 5.9 billion kroons (376.6 million euros). The growth in turnover was 11%. Net profit was 80% less than that of the last year, totaling 83 million kroons (5.3 million euros), which is 327.8 million kroons (20.9 million euros) less compared to 2007 when net profit amounted to 410.8 million kroons (26.3 million euros).

In the fourth quarter retail sales volumes decreased, which had a strong impact on profit. Growth in retail sales volumes slowed down in the first nine months of 2008. In the fourth quarter the respective volumes fell remarkably. There are 23.7 million kroons (1.5 million euros) non-capitalized development costs in the operating expenses for the financial year. In 2007 the corresponding costs were 12.2 million kroons (0.8 million euros). This was mostly caused by Selver stores that were fully or partially closed for reconstruction works (bearing operating costs) and by pre-opening costs of new Selver stores. Based on the current economic situation the write down of Group's fixed assets was carried out at the end of the year in the amount of 146.6 million kroons (9.4 million euros), of which 59.8 million kroons (3.8 million euros) write down was made using the fixed assets revaluation reserve in equity. As a result of goodwill tests the footwear trade goodwill write down was 4.7 million kroons (0.3 million euros). 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 31 December 2008, the balance sheet total of the Tallinna Kaubamaja Group was 4.3 billion kroons (274.2 million euros), which means an increase by 0.96 billion kroons (61.5 million euros) compared to the end of 2007. In 2008, assets increased by 34%.

As of the end of the financial year, the number of loyal customers was over 345 thousand, increasing by 38% within the year. The percentage of loyal customers in the turnover of the department stores segment of the Group increased to 74% in 2008. At the end of December, the number of Partner Credit Cards was over 10000.

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 122.04 kroons at the end of 2007, decreased to 32.54 kroons by the end of 2008, thus experiencing a fall of approximately 73%. In March 2008, a share of Tallinna Kaubamaja cost 125.64 kroons. It attained the lowest price level of 23.31 kroons during the first half of December in 2008.

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 31 December 2008



Kaubamaja department stores

Sales revenue for 2008 of the business segment of the Kaubamaja department stores was 1 549.7 million kroons (99.0 million euros), decreasing by 0.7% compared to previous year. According to the Statistical Office of Estonia, retail sales of manufactured goods in Estonia as a whole decreased by approximately 10 times more. Net profit of the Kaubamaja department stores in 2008 was 119.2 million kroons (7.6 million euros), which fell behind the result achieved a year ago by 37.7 million kroons (2.4 million euros). The decrease in sales revenue in the fourth quarter (-11%) had the most negative impact on the profit of Kaubamaja department stores. In the fourth quarter, retail sales in stores selling mostly manufactured goods decreased by 14.3% in Estonia as a whole. In addition, growth of maintenance costs has had their 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 stores operating under the trademark I.L.U. Opening of the stores depends on the opening times of shopping centres. The company planned to open the first store in Pärnu in late autumn of 2008, but the project was late owing to delays by shopping centre developers and will therefore be opened in March 2009.

In the last quarter of 2009 stores will be opened in Tallinn (in Rocca al Mare centre) and in Tartu. The store in Kristiine trade centre and the first store in Latvia will be opened in 2010.

Selver supermarkets

The consolidated net turnover of Selver supermarkets in 2008 was 4.3 billion kroons (274.5 million euros), which exceeds that of the same period last year by 15%. The consolidated net turnover in the 4th quarter of 2008 was 1.2 billion kroons (79.8 million euros), which represents a growth by 20% compared to the same period last year.

In 2008, net turnover of Selver in the sector of non-specialised stores in Estonia (food products prevailing) constituted 15.2% of their total retail sales, increasing by 0.5% during the year.

Net turnover per a square meter of selling space was 6.7 thousand kroons per month, which is 11% less than the respective figure last year. The decrease in the turnover was most influenced by lower sales efficiency than expected in the start-up phase. In similar stores, turnover per a square meter of selling space was 7.2 thousand kroons per month, representing a decline of only 5%.

In 2008 Selver opened 8 new stores in Estonia and 2 in Latvia. In addition, new selling space in five existing stores was obtained through reconstructions. A total of 24.3 thousand m² selling space was added in 2008. The total growth in selling space was 56%, including both Estonia and Latvia.

The consolidated pre-tax profit of Selver in 2008 was 85.4 million kroons (5.5 million euros), decreasing by 125.6 million kroons (8.0 million euros) compared to the same period in 2007. The pre-tax profit for the 4th quarter in 2008 was 11.7 million kroons (0.7 million euros), decreasing by 78.7% compared to the same period last year.

Extensive reconstructions in five stores in Estonia, pre-opening costs of ten new stores and costs related to the start-up of the Latvian subsidiary had negative impact on net profit. In addition, the general economic recession and decrease in consumption had their impact on net profit.

In 2009 Selver plans to open 2 stores in Estonia and 4 in Latvia. At the beginning of 2007 the objective was to open 15 stores in Latvia, but this plan has been modified, taking into account economic situation in Latvia.

Real estate

Sales revenue for 2008 of the real estate segment was 127.0 million kroons (8.1 million euros), and in comparison with the same period of 2007, sales revenue increased by 28%. Sales revenue for 2008 of the real estate segment without inter-segmental sales was 41.1 million kroons (2.6 million euros), increasing by 1.5% in comparison with last year.

Net loss for 2008 was 58.4 million kroons (3.7 million euros), decreasing by 99.2 million kroons or 243% over the year. The loss is attributable to the property write down at the end of the year, financial expenses and the rise in depreciation.

In March, the Kohtla-Järve Selver was opened in a building developed by Tallinna Kaubamaja Kinnisvara AS. In May the Hiiumaa Selver was completed as planned. In June the reconstruction of Piritä Selver was also completed in time. In July construction of the Ülejõe Selver in Pärnu was completed and the store was opened at the end of July. The construction of the Paide Selver was completed in August and the store was opened at the end of August. In October Keila Selver was completed as planned and the store was opened in November. In July a subcontracting agreement was made with KMG Ehitus for construction of the Selver store in Kakumäe, which completing is planned to the end of the first quarter 2009.

In Latvia the first Selver stores were completed in Ogre and Rezekne. They were opened in December. Kuldiga Selver was also completed in December and it was opened in January 2009. Construction of Salaspils Selver has also commenced and the works will be completed by the end of the first quarter of 2009.

Car trade

The sales revenue of the car trade segment for 2008 was 520.5 million kroons (33.3 million euros), which is 11% less than in 2007. In 2008, 2,056 new vehicles were sold, which is 151 vehicles less than a year ago. KIA has a 3.3% market share in the Baltic countries (growth by 24% compared to the same period last year).

During 2008 the Estonian car market dropped 22%. Despite that KIA sales in Estonia increased by 1%, achieving with that 3.8% from the market by year-end. In 2008 Latvian market experienced the most significant decrease of 40%. The sales of KIA vehicles fell a bit less - 38%. In 2008, KIA's market share in Latvia was 2.9%, which is 4% more than in 2007. The car market of Lithuania achieved a growth rate of 3% in 2008. Sales of KIA vehicles in Lithuania grew by 48% during the period, attaining 3.2% market share in Lithuania.

In June a new flagship 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 in the future 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 2008. 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 in 2008 amounted to 24 million kroons (1.5 million euros). The net profit for the same period in 2007 was 13.7 million kroons (0.9 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 at the end of 2007, which along with growth in costs had negative impact on profit for 2008.

Footwear trade

The sales revenue of Suurtüki NK OÜ and Suurtüki SIA, acquired on 1 April 2008, made up 79.3 million kroons (5.1 million euros) of the sales for 2008 in group total.

Today Suurtüki owns 17 footwear stores in Estonia and 2 in Latvia. As a group company, Suurtüki has opened 2 new stores in Estonia. In the fourth quarter Väike-Karja store in Tallinn was closed. Loss of the group companies OÜ Suurtüki NK and Suurtüki NK SIA amounted to 13 million kroons (0.8 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 2008, Tallinna Kaubamaja group had 11 footwear stores in Estonia and 5 in Latvia. Sales of ABC King companies in group's total amounted to 98.3 million kroons (6.3 million euros) and loss to 4.6 million kroons (-0.3 million euros). The result was influenced by costs for opening new stores in Tasku Keskus in Tartu, Põhjakeskus in Rakvere and Auriga Keskus in Saaremaa.

Work on new concepts for footwear stores and brand innovation has begun. In addition, on February 2009 the group has opened a 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 improve management performance, offer synergies for the efficiency of footwear stores, minimise costs and contribute to better results in the future.

Personnel

In 2008, the average number of employees of the Group of Tallinna Kaubamaja was 3 703, increasing by 31% when compared to 2007. Total labour costs (wages and salaries and social tax tax cost) amounted to 669.2 million kroons (42.8 million euros), increasing by 27% in comparison with the same period last year. Average monthly expenses on wages and salaries per employee decreased by 3% compared to 2007. In the fourth quarter the respective decrease was 6% when compared to the same period in 2007.

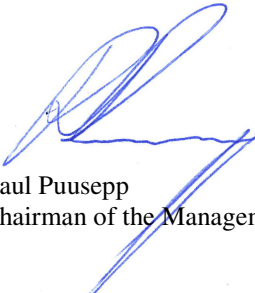
CONSOLIDATED FINANCIAL STATEMENTS

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 twelve 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, 26th February 2009

CONSOLIDATED BALANCE SHEET

thousand kroons/euros

	Note	31 December 2008		31 December 2007	
		EEK	EUR*	EEK	EUR*
ASSETS					
Current assets					
Cash at bank and in hand	2	58,836	3,760	282,635	18,064
Trade receivables	3	138,745	8,867	50,966	3,257
Other receivables	4	36,718	2,348	50,755	3,244
Prepaid expenses	5	47,068	3,009	20,133	1,287
Inventories	6	781,170	49,927	519,630	33,209
Total current assets		1,062,537	67,910	924,119	59,061
Fixed assets					
Prepaid expenses	5	31,075	1,986	37,291	2,383
Shares in affiliated companies	8	17,505	1,119	14,201	908
Other long-term receivables	9	3,801	243	2,828	181
Tangible fixed assets	10	2,997,540	191,578	2,300,878	147,053
Intangible fixed assets		68,431	4,374	0	0
Goodwill		109,499	6,998	49,388	3,156
Total intangible assets	11,7	177,930	11,372	49,388	3,156
Total fixed assets		3,227,851	206,298	2,404,586	153,681
TOTAL ASSETS		4,290,388	274,208	3,328,705	212,742
LIABILITIES AND OWNERS' EQUITY					
Current liabilities					
Debts	12	275,799	17,627	120,626	7,709
Prepayments received for goods and services		5,236	334	11,673	745
Trade payables		803,336	51,344	611,454	39,080
Other current payables	14	153,894	9,835	166,756	10,657
Total current liabilities		1,238,265	79,140	910,509	58,191
Long-term liabilities					
Debts	12,13	1,215,409	77,679	522,214	33,375
Long term reserve		1,462	93	2,075	132
Total long-term liabilities		1,216,871	77,772	524,289	33,507
TOTAL LIABILITIES		2,455,136	156,912	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		663,695	42,418	759,721	48,555
Retained earnings		723,916	46,268	686,155	43,854
Currency exchange differences		-380	-24	10	1
TOTAL OWNERS' EQUITY		1,835,252	117,296	1,893,907	121,044
TOTAL LIABILITIES AND OWNERS' EQUITY		4,290,388	274,208	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

	Note	12 months 2008		12 months 2007	
		EEK	EUR*	EEK	EUR*
Operating revenue					
Sales revenue	16	6,556,766	419,054	5,892,423	376,594
Other operating revenue	17	166,164	10,620	117,781	7,527
Cost of goods sold		-4,964,340	-317,259	-4,414,842	-282,160
Other operating expenses	18	-705,287	-45,076	-516,846	-33,032
Staff costs	19	-669,179	-42,768	-528,638	-33,786
Depreciation and impairment of fixed assets	10	-232,766	-14,876	-102,416	-6,546
Other operating expenses		-15,709	-1,004	-11,536	-736
Operating profit		135,649	8,669	435,926	27,861
Financial expenses	20	-42,363	-2,707	-27,446	-1,754
Financial income	20	8,056	515	11,072	708
Financial income from shares in affiliated companies	8	3,304	211	2,772	177
Total financial income and expenses		-31,003	-1,981	-13,602	-869
Profit before income tax		104,646	6,688	422,324	26,992
Income tax	15	-21,653	-1,384	-11,487	-735
NET PROFIT FOR ACCOUNTING PERIOD		82,993	5,304	410,836	26,257
Earnings per share (EEK/EUR)	20	2.04	0.13	10.09	0.64
Diluted earnings per share (EEK/EUR)	20	2.04	0.13	10.09	0.64

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

CONSOLIDATED INCOME STATEMENT

thousand kroons/euros

	Note	4 th quarter 2008		4 th quarter 2007	
		EEK	EUR*	EEK	EUR*
Operating revenue					
Sales revenue	16	1,840,520	117,631	1,693,177	108,214
Other operating revenue	17	48,661	3,110	31,159	1,990
Cost of goods sold		-1,405,242	-89,811	-1,252,467	-80,047
Other operating expenses	18	-203,409	-13,000	-140,833	-9,000
Staff costs	19	-194,947	-12,459	-169,862	-10,856
Depreciation and impairment of fixed assets		-133,131	-8,509	-27,272	-1,743
Other operating expenses		-7,149	-457	-1,166	-75
Operating profit		-54,697	-3,495	132,736	8,483
Financial expenses	20	-19,051	-1,218	-8,938	-571
Financial income	20	4,000	256	5,861	375
Financial income from shares in affiliated companies		1,036	66	1,416	90
Total financial income and expenses		-14,015	-896	-1,661	-106
Profit before income tax		-68,712	-4,391	131,075	8,377
NET PROFIT FOR ACCOUNTING PERIOD		-68,712	-4,391	131,075	8,377
Earnings per share (EEK/EUR)	20	-1.69	-0.11	3.22	0.21
Diluted earnings per share (EEK/EUR)	20	-1.69	-0.11	3.22	0.21

* 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	12 month 2008		12 month 2007	
		EEK	EUR*	EEK	EUR*
CASH FLOW FROM OPERATING ACTIVITIES					
Net profit		82,993	5,304	410,836	26,257
Adjustments:					
Dividends disbursed	15	21,653	1,384	11,488	734
Interest expense	20	42,248	2,700	27,446	1,754
Interest income	20	-8,023	-513	-11,072	-708
Depreciation and impairment of fixed assets	10,11	232,766	14,876	102,416	6,546
Gains (losses) on sales and write-offs of fixed assets	10	1,079	69	459	29
Effect of equity method	8	-3,304	-211	-2,772	-177
Change in inventories		-156,424	-9,999	-100,233	-6,406
Change in receivables and prepayments related to operating activities		-90,140	-5,763	19,543	1,249
Change in liabilities and prepayments related to operating activities		164,037	10,486	183,242	11,711
TOTAL CASH FLOW FROM OPERATING ACTIVITIES		286,885	18,333	641,353	40,990
CASH FLOW FROM INVESTMENT ACTIVITIES					
Acquisition of tangible fixed assets (except for financial lease)	10	-977,502	-62,474	-424,255	-27,115
Tangible fixed assets sold	10	650	42	217	14
Acquisition of subsidiaries	7	-224,457	-14,345	-72,804	-4,653
Repayments of loans granted to affiliated companies		3,250	208	2,000	128
Interest received		8,586	549	10,678	682
TOTAL CASH FLOW FROM INVESTMENT ACTIVITIES		-1,189,473	-76,020	-484,164	-30,944
CASH FLOW FROM FINANCING ACTIVITIES					
Loans raised	12	1,308,632	83,637	684,764	43,765
Repayments of loans raised	12	-526,471	-33,648	-797,303	-50,957
Redemption of bonds		0	0	-50,000	-3,196
Dividends paid	15	-81,458	-5,206	-40,729	-2,603
Income tax on dividends	15	-21,653	-1,384	-11,488	-734
Change in open credit line		42,298	2,703	-682	-44
Repayment of financial lease principal payments		-4,670	-298	-4,229	-270
Interest paid		-37,509	-2,397	-26,265	-1,679
TOTAL CASH FLOW FROM FINANCING ACTIVITIES		679,169	43,407	-245,932	-15,719
Currency exchange differences		-380	-25	10	1
TOTAL CASH FLOW		-223,799	-14,304	-88,733	-5,671
Cash and equivalents of cash at beginning of period	2	282,635	18,064	371,368	23,735
Cash and equivalents of cash at end of period	2	58,836	3,760	282,635	18,065
Change in cash and equivalents of cash		-223,799	-14,304	-88,733	-5,671

* 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	Revaluation reserve	Legal reserve	Retained profit	Conversion differences	Total
Balance as of 31 12. 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 12. 2007	407,292	759,721	40,729	686,155	10	1,893,907
Revaluation of land and buildings		-59,800				-59,800
Reclassification of amortisation of revalued land and buildings	0	-36,226	0	36,226	0	0
Change in conversion difference	0	0	0	0	-390	-390
Total income and expenses for period shown directly in owners' equity	0	-96,026	0	36,226	-390	-60,190
Profit for accounting period	0	0	0	82,993	0	82,993
Total income and expense for period	0	-96,026	0	119,219	-390	22,803
Dividends disbursed				-81,458		-81,458
Balance as of 31 12. 2008	407,292	663,695	40,729	723,916	-380	1,835,252

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

thousand euros

	Share capital	Revaluation reserve	Legal reserve	Retained profit	Conversion differences	Total
Balance as of 31 Dec. 2006	26,031	31,445	465	21,552	-1	79,491
Revaluation of land and buildings	0	17,895	0	0	0	17,895
Reclassification of amortisation of revalued land and buildings	0	-786	0	786	0	0
Change in conversion difference	0	0	0	0	2	2
Total income and expenses for period shown directly in owners' equity	0	17,110	0	786	2	17,897
Profit for accounting period	0	0	0	26,257	0	26,257
Total income and expense for period	0	17,110	0	27,043	2	44,154
Change in statutory reserve	0	0	2,138	-2,138	0	0
Dividends disbursed	0	0	0	-2,603	0	-2,603
Balance as of 31 Dec. 2007	26,031	48,555	2,603	43,853	1	121,044
Revaluation of land and buildings		-3,822				
Reclassification of amortisation of revalued land and buildings	0	-2,315	0	2,315	0	0
Change in conversion difference	0	0	0	0	-25	-25
Total income and expenses for period shown directly in owners' equity	0	-6,137	0	2,315	-25	-3,847
Profit for accounting period	0	0	0	5,304	0	5,304
<i>Total income and expense for period</i>	0	-6,137	0	7,619	-25	1,457
Dividends disbursed				-5,206		-5,206
Balance as of 31 Dec. 2008	26,031	42,418	2,603	46,268	-24	117,296

* 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 12 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

	31 December 2008	31 December 2007
Cash in hand	5,597	4,966
Cash at bank	35,911	262,021
Cash in transit	17,328	15,648
Total cash at bank and in hand	58,836	282,635

Note 3. Trade Receivables

thousand kroons

	31 December 2008	31 December 2007
Trade receivables	109,362	16,281
Card payments	29,383	34,685
Total trade receivables	138,745	50,966

Note 4. Other Short Term Receivables

thousand kroons

	31 December 2008	31 December 2007
Bonuses to be received from suppliers	348	39,672
Current receivables from affiliates (see Note 9)	2,750	5,000
Other short term receivables	33,620	6,083
Total other short term receivables	36,718	50,755

Note 5. Prepaid Expenses

thousand kroons

	31 December 2008	31 December 2007
VAT	34,799	10,610
Income tax	29	
Customs duty	89	
Total prepaid taxes	34,917	10,610
Lease expenses prepaid	6,021	5,603
Other prepaid expenses	6,130	3,920
Total current prepaid expenses	47,068	20,133
Long term lease expenses prepaid	31,075	37,291
Total long-term prepaid expenses	31,075	37,291

Note 6. Inventories

thousand kroons

	31 December 2008	31 December 2007
Goods for resale	764,781	509,065
Raw materials	10,332	7,620
Prepayments for goods	6,057	2,945
Total inventories	781,170	519,630

Note 7. Shares in subsidiaries

Tallinna Kaubamaja group as of 31 December 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	100%	46,285	1999
OptiGroup Invest OÜ	Tallinn Gonsiori 2	Retail and financial activities	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 subsidiary</i>					
Ülemiste Autokeskus OÜ	Tallinn Ülemiste rd 1	Retail	100%		2007
KIA Automobiles SIA	Rīga Pulkeveža Brieža 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%	170,678	2008
<i>AS ABC King subsidiary:</i>					
ABC King SIA	Rīga Ieriku iela 3	Retail	100%		2008
OÜ Suurtüki NK	Tallinn Ehitajate rd 110	Retail	100%	55,017	2008
SIA Suurtüki	Rīga 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 31 December 2008				403,332	

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	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	30.06.2008	100%
ABC King SIA	Läti	Retail	30.06.2008	100%

At the moment of acquisition (1 of 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	39,357	39,357
Liabilities	-39,785	0	-39,785
Cost of acquisition	24,943	39,357	64,330

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 (Note11)	0	20,754	20,754
Trademark (Note 11)	0	54,601	54,601
Useful rental contracts	0	16,900	16,900
Development cost	0	286	286
OÜ ABC Saare liabilities	-215	0	-215
Liabilities	-12,669	0	-12,669
Soetusmaksumus	78,137	92,541	170,678

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

On 1st April 2008 we acquired full participation in OÜ Suurtüki NK and in its subsidiary Suurtüki 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 20,754 thousand kroons arose, which relates to the future cash flows of AS ABC King and ABC King SIA. Intangible assets amounted to 71,787 thousand kroons; useful lease contracts comprised 16,900 thousand kroons, trademark 54,601 thousand kroons and development costs 286 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 12-14% 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 Suurtüki). 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 Suurtüki. Upon acquisition, OÜ Suurtüki NK and SIA Suurtüki 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 170,678 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 3,356 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 Rävåla Parkla AS which renders multi-storey car park services in Tallinn.

thousand kroons

	31 December 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	3,304	2,772
At end of accounting period		
Acquisition cost	6,500	6,500
Holding in owners' equity of investment object	17,505	14,201

Financial information on the affiliate Rävåla Parkla AS:

	31 December 2008	31 December 2007
Assets	61,422	63,629
Liabilities	24,436	35,235
Revenue	9,390	8,590
Profit	6,608	5,545

Note 9. Other Long-term Receivables

thousand kroons

	31 December 2008	31 December 2007
Receivables from affiliates (see Note 4)	4,578	7,828
<i>To be repaid:</i>		
within 12 months	2,750	5,000
within 1 to 5 years	1,828	2,828
Interest rate	6%	6%
Repayment term	2010	2010
Other long-term receivables	1,973	0
Total other long-term receivables	3,801	2,828

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 12. 2006						
Acquisition cost or revaluated cost	1,058,609	184,776	230,657	9,662	506,186	1,989,890
Accumulated depreciation	-62,950	-113,809	-142,315	0	0	-319,074
Residual value	995,659	70,967	88,342	9,662	506,186	1,670,816
Changes in 2007						
Additions from subsidiaries	26,650	1,356	893	0	0	28,900
Acquisition	110,604	49,141	27,490	12,145	224,874	424,254
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 12. 2007						
Acquisition cost or revaluated cost	1,656,657	232,359	256,811	12,145	497,410	2,655,383
Accumulated depreciation	-39,874	-141,374	-173,257	0	0	-354,505
Residual value	1,616,783	90,985	83,555	12,145	497,410	2,300,878
Changes in 2008						
Additions from subsidiaries	714	843	5,489	0	0	7,046
Adjustment of acquisition cost or revaluated cost	-1,185	0	-8,444	0	0	-9,629
Adjustment of revaluated depreciation cost	0	0	7,997	0	0	7,997
Acquisition	477,549	109,749	105,702	46,551	237,951	977,502
Reclassification	138,781	7,357	3,868	-24,613	-125,393	0
Discount of fixed assets	-59,800					-59,800
Sales	-351	-391	-987	0	0	-1,729
Depreciation	-137,756	-42,738	-44,228	0	0	-224,722
31 12 2008						
Acquisition cost or revaluated cost	2,272,165	349,916	362,439	34,083	609,968	3,628,570
Accumulated depreciation	-237,430	-184,112	-209,488	0	0	-631,030
Residual value	2,034,734	165,804	152,951	34,083	609,968	2,997,540

During the accounting period, registered immovables have been purchased and renovation works have been performed in the amount of 616,330 thousand kroons. An advance payment in the amount of 34,083 thousand kroons has been made for uncompleted buildings. During the reporting period new buildings have been built in Põltsamaa, Paide, Pärnu, Hiiumaa, Keila and in Kohtla-Järve. Additional investments for widening of the sales area have been made in Pirita Selver. Ground lots have been bought in Tallin and in Kuressaare. The total investment has been 317,402 thousand kroons. New buildings have been constructed in Latvia during the accounting period in the total amount of 298,928 thousand kroons .

In the period of 12 months of 2008 ten new Selver stores were opened: in Narva, in Kohtla-Järve, in Hiiumaa in Tallinn, in Põlva, in Pärnu, in Paide and in Keila. Reconstruction works for widening the sales area took place in Järve Selver and in Pirita Selver, in Tartu Anne Selver and in Rakvere Krooni Selver. New Selver stores were opened in Latvia in Rezekne in Ogre in December of 2008. The total sum of investment for new Selver stores is 209,864 thousand kroons.

Furnishing for sales rooms, coolers, computing equipment in the amount 226,676 thousand kroons have been purchased.

Considering the market situation of 2008 the write down of Kaubamaja Group's fixed assets was carried out. The write down of Pirita Selver was 59,800 thousand kroons, for Põltsamaa Selver and Kohtla-Järve Selver the write down was worth 11,800 thousand kroons. The write down for the assets in Latvia was 75,000 thousand kroons.

Note 11. Intangible Fixed Assets

thousand kroons, 31 December 2008

	Goodwill	Trademark	Useful contracts	Total
Acquisition cost	121,783	54,887	16,900	193,570
Accumulated depreciation	-4,688	-1,820	-1,536	-8,044
Accumulated depreciation 31.Dec.2008	-7,596	0	0	-7,596
Residual value	109,499	53,067	15,364	177,930

Under intangible assets is stated the goodwill related to acquisition of OptiGroup Invest OÜ, OÜ Suurtüki NK, Suurtüki SIA, ABC King and ABC King SIA in the amount of 109,499 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.

The company fair value test of assets carried out at the end of 2008 showed the book value of goodwill of SIA Suurtüki to be fallen in view of the present market situation and the goodwill write down was 4,688 thousand kroons.

The goodwill of AS ABC King was adjusted by 7,596 thousand kroons. Deposit of 7,596 thousand kroons was released from Hansapank's escrow account and as at 31 December 2008 it is recorded in the balance sheet as a receivable from Hansapank. The deposit amount of 7,596 thousand kroons was paid to the bank account of AS ABC King on 28 January 2009.

Note 12. Debts

thousand kroons,

2008	Balance 30.Dec 2008	Repayment			Due date	Interest rate
		Within 12 months	Within 1-5 year	After 5 years		
SEB Pank AS	100,702	16,127	70,422	14,153	28.09.2014	6 month EURIBOR +0,4%
SEB Pank AS	137,693	15,695	121,998		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	73,666	8,109	65,557		20.06.2013	3 month EURIBOR+0,98%
Nordea Bank Finland Plc Eesti Filiaal	56,932	1,686	7,745	47,501	13.05.2018	6 month EURIBOR+0,6%
Nordea Bank Finland Plc Eesti Filiaal	183,490	5,249	24,308	153,933	20.06.2018	6 month EURIBOR+0,6%
Nordea Bank Finland Plc Eesti Filiaal	81,853	2,341	68,668	10,844	20.06.2018	6 month EURIBOR+0,6%
Nordea Finance Latvia SIA	2,059	2,059			1.04.2009	3 month EURIBOR+1,60%
Nordea Bank Finland Plc Eesti Filiaal	103,615	2,429	11,157	90,029	15.04.2018	6 month EURIBOR+0,6%
Nordea Bank Finland Plc Eesti Filiaal	123,867	4,106	19,025	100,736	30.08.2018	6 month EURIBOR+1%
AS Hansapank	59,763	8,103	51,660		21.04.2013	6 month EURIBOR+0,67%
AB bankas Hansabankas	1,580	1,580			15.05.2009	6 month VILIBOR+0,97%
AS Hansa Liising Eesti	114,071	114,071			7.03.2009	12 month EURIBOR+0,65%
Hansa Lizings SIA	378	378			1.10.2009	5,60%
SEB Liising AS	5,139	5,139			1.10.2009	6 month EURIBOR+0,8%
UAB Hansa Lizingas	1,477	1,477			30.05.2009	6 month EURIBOR+1,2%
UAB Hansa Lizingas	2,445	813	1,632		30.07.2010	6 month EURIBOR+1,1%
UAB Hansa Lizingas	207	191	16		30.01.2010	6 month EURIBOR+1,3%
AS Hansapank	47,200	47,200			18.06.2009	12 month EURIBOR+0,72%
AS Hansa Liising Eesti	1,716	1,716			10.04.2009	6 month EURIBOR+0,65%
AS Hansapank	20,000	20,000			30.03.2009	6 month EURIBOR+0,75%
Nordea Bank Finland Plc Eesti Filiaal	87,269	11,638	75,631		30.07.2013	6 month EURIBOR+0,98%
Long term loans	1,471,114	270,106	783,811	417,196		
Financial lease	20,094	5,692	14,402		7.04.2012	7%
(Note 13)						
Total long-term debts	1,491,208	275,799	798,213	417,196		

thousand kroons

	<i>Repayment</i>				Due date	Interest rate
	Balance 30.Dec 2007	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	451,476	53,136		
Financial lease (Note 13)	22,130	4,528	17,602		7.04.2012	7%
Total long-term debts	642,840	120,626	469,078	53,136		

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

Note 13. Financial Lease

The Group uses the following buildings under financial lease terms:

thousand kroons

	31 Dec.2008	31 December 2007
Acquisition cost	46,585	43,951
Accumulated depreciation	-32,473	24,912
Residual value	14,112	19,039

thousand kroons

	31 Dec.2008	31 December 2007
Minimum financial lease payments:		
within 1 year	6,786	5,933
within 1 to 5 years	15,612	19,788
Total	22,398	25,721
Deferred interest expense	-2,304	-3,591
Present value of lease payments (Note 12)	20,094	22,130
Present value of lease payments		
within 1 year	5,692	4,528
within 1 to 5 years	14,402	17,602
Total present value of lease payments	20,094	22,130

Note 14. Other Current Payables

thousand kroons

	31 Dec.2008	31 December 2007
VAT	28,048	31,669
Personal income tax	14,509	11,041
Social tax	31,311	22,696
Income tax on fringe benefits	562	757
Unemployment insurance premiums	750	560
Funded pension	1,280	935
Total taxes payable	76,460	67,658
Employee-related liabilities	66,679	87,498
Interest payable	3,507	1,140
Other accrued expenses	51	5,315
Prepayments of lessees	7,197	5,145
Total other current payables	153,894	166,756

Note 15. Share Capital

As of 31 December 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

	12 months 2008	12 months 2007	4th quarter 2008	4th quarter 2007
Retail sales revenue	6,229,207	5,778,018	1,778,553	1,657,374
Wholesale revenue	273,923	100,642	47,669	32,411
Income from service and catering	53,635	13,763	14,298	3,392
Total sales revenue	6,556,766	5,892,423	1,840,520	1,693,177

Note 17. Other Operating Revenue

thousand kroons

	12 months 2008	12 months 2007	4th quarter 2008	4th quarter 2007
Rental income	47,352	40,285	12,883	9,907
Selling profit from fixed assets	82	45	65	16
Car park services income	1,389	1,391	363	0
Empties handling	3,893	3,029	1,256	1,256
Expedition revenue	15,757	9,980	4,741	1,770
Advertising revenue	75,494	50,132	23,280	15,200
Gain on currency conversions	1,280	63	1,161	39
Other operating revenue	20,917	12,856	4,912	2,971
Total other operating revenue	166,164	117,781	48,661	31,159

Note 18. Other Operating Expenses

thousand kroones

	12 months 2008	12 months 2007	4 th quarter 2008	4 th quarter 2007
Rent	186,308	144,948	51,160	39,174
Maintenance expenses	90,459	62,930	24,430	16,080
Advertising expenses	99,121	84,576	26,307	23,022
Banking charges	43,327	38,367	12,832	12,658
Security costs	30,057	24,928	8,671	6,104
Heating and power expenses	79,454	53,040	24,144	10,036
Material costs	75,698	54,492	20,827	15,148
IT and communications expenses	29,736	19,491	9,364	5,253
Travel expenses	7,986	4,908	1,634	339
Training expenses	5,507	5,368	1,697	2,379
Insurance expenses	1,959	1,603	922	379
Logistics service costs	13,511	5,296	5,255	1,546
Miscellaneous operating expenses	42,164	16,899	16,166	8,715
Total other operating expenses	705,287	516,846	203,409	140,833

Note 19. Staff Costs

thousand kroons

	12 months 2008	12 months 2007	4 th quarter 2008	4 th quarter 2007
Wages and salaries	502,870	396,334	146,379	127,393
Social tax	166,309	132,304	48,568	42,469
Total staff costs	669,179	528,638	194,947	169,862

	12 months 2008	12 months 2007	4 th quarter 2008	4 th quarter 2007
Average monthly wages and salaries per employee (EEK) in accounting period	11,317	11,658	12,511	13,291
Average number of employees in accounting period	3,703	2,833	3,900	3,195

Note 20. Interest Income and Expenses

thousand kroones

Interest Income

	12 months 2008	12 months 2007	4 th quarter 2008	4 th quarter 2007
Interest income from SEB	613	4,881	0	1,623
Interest income from Hansapank	302	3,441	0	1,872
Interest income from Nordea	750	0	393	0
Other interest income	6,391	2,750	3,607	2,366
Total interest income	8,056	11,072	4,000	5,861

Interest Expenses

	12 months 2008	12 months 2007	4 th quarter 2008	4 th quarter 2007
Bank loan interest	-38,440	-22,054	-18,389	-6,813
Financial lease interest	-1,411	-1,711	-327	-398
Bond interest	0	-931	0	0
Other interest*	-2,512	-2,750	-335	-1,727
Total interest expenses	-42,363	-27,446	-19,051	-8,938

*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

	12 months 2008	12 months 2007	4 th quarter 2008	4 th quarter 2007
Write-down and write-off of inventories	82,472	42,340	36,677	13,460
Shortage of inventories	27,706	24,018	12,719	11,759
Total	110,178	66,358	49,396	25,219

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
31.12.08							
Sales outside of Group	1,534,725	4,294,857	41,077	520,549	165,558	0	6,556,766
Intersegment sales	14,941	10,167	85,972	202,763	11,954	-325,797	0
Total sales	1,549,666	4,305,025	127,048	723,312	177,512	-325,797	6,556,766
Intersegment other revenue	0	0	0	0	0	0	166,164
Intersegment operating expenses	0	0	0	0	0	0	-6,587,181
Total operating profit	103,013	75,860	-21,118	-10,281	-11,825	0	135,749
Financial income/expenses	0	0	0	0	0	0	-31,003
Income tax	0	0	0	0	0	0	-21,653
Net profit	119,189	63,752	-58,396	-23,972	-17,580	0	83,093
Segment assets	350,929	908,463	2,566,960	254,829	209,207	0	4,290,488
Liabilities	757,275	725,859	1,947,254	282,199	234,566	0	3,945,793
Segment liabilities	619,542	699,143	862,271	148,924	125,256	0	2,455,136
Acquisition of fixed assets in accounting period	8,493	222,848	601,178	5,556	4,931	0	843,006
Depreciation in accounting period	28,202	68,211	123,928	2,063	10,362	0	232,766

thousand kroons

	Depart- ment store	Super- markets	Real estate	Car trade	Inter- segment tran- sactions	Total
31.12.07						
Sales outside of Group	1,545,755	3,722,044	40,485	584,139	0	5,892,423
Intersegment sales	3,296	9,725	58,842	162,583	-234,446	0
Total sales	1,549,051	3,731,769	99,327	746,722	-234,446	5 892 424
Intersegment other revenue	0	0	0	0	0	117,781
Intersegment operating expenses	0	0	0	0	0	-5,574,278
Total operating profit	155,297	204,631	58,381	17,617	0	435,926
Financial income/expenses	0	0	0	0	0	-13,602
Income tax	0	0	0	0	0	-11,488
Net profit	156,839	199,511	40,800	13,686	0	410,836
Segment assets	566,201	694,015	1,838,823	229,666		3,328,705
Liabilities	451,116	425,002	967,284	242,109	0	2,085,511
Segment liabilities	469,095	553,321	300,815	111,567	0	1,434,798
Acquisition of fixed assets in accounting period	11,842	120,896	234,645	1,379	0	368,762
Depreciation in accounting period	20,561	34,553	19,631	400	0	75,145

Geographical Segment

thousand kroons

31 12 2008	Estonia	Lithuania	Latvia	Total
Sales outside of segment	6,390,270	92,785	73,711	6,556,766
Assets of segment according to location	6,076,700	13,216	766,188	6,856,104
Acquisition of fixed assets of segment in accounting period	514,085	3,608	325,313	843,006

thousand kroons

31 12 2007	Estonia	Lithuania	Latvia	Total
Sales outside of segment	5,824,169	54,260	13,995	5,892,424
Assets of segment according to location	3,022,441	11,519	12,670	3,046,630
Acquisition of fixed assets of segment in accounting period	709,384	53	2	709,439

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:

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

Within 12 months of 2008 the Group has purchased and sold goods and rendered services as follows:

thousand kroons

	Purchases	Sales	Purchases	Sales
	12month 2008	12month 2008	4th quarter 2008	4th quarter 2008
Parent company	1,752	1,749	0	1,749
Other related companies	241,278	8,250	88,388	4,020
Affiliates	0	288	0	0
Total	243,030	10,287	88,388	5,769

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

thousand kroons

	Purchases	Sales	Purchases	Sales
	12month 2007	12month 2007	4th quarter 2007	4th quarter 2007
Parent company	779	4,290	95	1,455
Other related companies	129,138	5,903	36,794	2,551
Affiliates	0	468	0	119
Total	129,917	10,661	36,889	4,125

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	3 December 2008	31 December 2007
Parent company	194	665
Other related companies	1,845	1,304
Current receivables from affiliates	1,828	5,000
Total current receivables	3,867	6,969
Long-term receivables		
Long-term receivables from affiliates	2,750	2,828
Total receivables from related parties	6,617	9,797
Parent company	164	0
Other related companies	53,301	26,004
Total liabilities to related parties	53,465	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 12 month of 2008 the Tallinna Kaubamaja Group was earning 1,605 thousand kroons (2007: 3,915 thousand kroons) of interest revenue from keeping available funds in the group account. As of 31 December 2008 the group has paid interest on the use of the available funds of the Main Group in the amount of 1,692 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% EEK and 4.3% EUR (2007: 3.0% EEK). 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.