

TALLINNA KAUBAMAJA AS

**Consolidated Interim Report
for the second quarter and first half-year 2009**

Table of contents

MANAGEMENT REPORT	4
CONSOLIDATED FINANCIAL STATEMENTS	10
MANAGEMENT BOARD'S CONFIRMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS	10
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	11
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	12
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	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	19
Note 3. Trade Receivables	19
Note 4 Other short term receivables	19
Note 5. Prepaid Expenses	19
Note 6. Inventories	20
Note 7. Shares in subsidiaries	20
Note 8. Shares in Affiliates	21
Note 9. Other Long-term Receivables	21
Note 10. Tangible Fixed Assets	22
Note 11. Intangible Fixed Assets	23
Note 12 Interest bearing loans and borrowings	24
Note 13. Financial Lease	26
Note 14. Other Current Payables	26
Note 15. Share Capital	27
Note 16. Sales Revenue	27
Note 17. Other Operating Revenue	27
Note 18. Other Operating Expenses	27
Note 19. Staff Costs	28
Note 20. Net financial items	28
Note 21. Earnings per share	28
Note 22. Segment Reporting	29
Note 23. Transactions with Related Parties	32

COMPANY PROFILE AND CONTACT DETAILS

The primary areas of activity of the companies of the Tallinna Kaubamaja AS Group include retail and wholesale trade and rental activities. The Tallinna Kaubamaja Group employs more than 3,700 employees.

The Company is listed on the Tallinn Stock Exchange.

Registered office:	Gonsiori 2, 10143 Tallinn Republic of Estonia
Registry code:	10223439
Beginning of financial year:	1 Jan. 2009
End of financial year:	31 Dec. 2009
Beginning of interim report period:	1 Jan. 2009
End of interim report period:	30 June 2009
Auditor:	PricewaterhouseCoopers AS
Telephone:	372 667 3200
Fax:	372 667 3205
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.

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 Jüri Kõo (chairman of the supervisory board), Andres Järving, 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 20 May 2012, Jüri Kõo 20 May 2012, Enn Kunila 20 May 2012, Meelis Milder 20 May 2012 and Gunnar Kraft 20 May 2012. 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 is 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 June 2009, the following companies belonged to the Group:

	Country	Holding as of 30.06.09	Holding as of 31.12.08
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%	100%
SIA Suurtüki	Latvia	100%	100%
AS ABC King	Estonia	100%	100%
SIA ABC King	Latvia	100%	100%
Rävala Parkla AS	Estonia	50%	50%

Economic Development

Decline in the economy continued in the second quarter. According to the preliminary estimates of the Estonian Statistical Office, in the second quarter Estonia's gross domestic product (GDP) dropped by 16.6 % compared to the same quarter of the past year, thus, slightly more than in the first quarter. In the first half-year of 2009, the price rise slowed down while in May and June prices even dropped relative to the previous year. The consumer price index peaked in January (4.1%) and was the lowest in June (-0.9%). As a factor that affects the companies within the Group, the slowdown of the price rise of foods as well as of clothes and footwear has been above average. According to the data of the Estonian Statistical Office, in the first half-year the total retail volumes in current prices decreased by 14.2% (the sales of motor vehicles and fuel not included). In 2008 the volume grew by 10.3%. According to the latest estimates, the global economy has survived the toughest period albeit the persistently rising unemployment rates in the Baltic States have not boosted the sense of security in local consumers.

The retail sales in non-specialised stores (predominantly food) decreased compared with the first half of the past year by 4.0%. Retail sales in non-specialised stores (predominantly industrial products) decreased in comparison with the first 6 months by 24.6%. Repair and maintenance of motor vehicles has experienced the steepest fall in the first half-year (-38.5%).

Economic performance

FINANCIAL RATIOS 2008-2009

In thousand kroons

Group's consolidated interim report	6 months			2 nd quarter		
	2009	2008	Growth %	2009	2008	Growth %
Net sales	3,186	3,046	5%	1,661	1,576	5%
Operating profit	-20	124	-116%	24	54	-55%
Net profit	-38	98	-139%	14	31	-55%
Return on equity (ROE)	-2.1%	5.1%		0.8%	1.6%	
Return on assets (ROA)	-0.9%	2.6%		0.3%	0.8%	
Net profit margin	-1.2%	3.2%		0.8%	2.0%	
Gross profit margin	21.5%	24.4%		22.1%	24.6%	
Quick ratio	1.01	1.08		1.01	1.08	
Debt ratio	0.58	0.53		0.58	0.53	
Sales revenue per employee (EEK million)	0.85	0.96		0.44	0.47	
Inventory turnover	4.46	4.24		2.33	2.19	
SHARE						
Average number of shares (1,000 pcs.)	40,729	40,729		40,729	40,729	
Equity per share (EEK per share)	43.73	46.92		43.73	46.92	
Share closing price (EEK per share)	38.02	98.73		38.02	98.73	
Earnings per share	-0.9	2.4		0.3	0.8	
Average number of employees	3,746	3,180		3,752	3,370	
<hr/>						
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					

Tallinna Kaubamaja AS

In the first half-year of 2009, the consolidated non-audited sales revenue of Tallinna Kaubamaja Group amounted to 3.2 billion kroons (203.6 million euros). The sales revenue of the group in the same period of 2008 was 3.0 billion kroons (194.7 million euros), that made semi-annual growth in the turnover by 5%. In the second quarter the sales revenue amounted to 1.7 billion kroons (106.2 million euros), that was also 5% higher compared with the same period of the previous year. In the second quarter, the Group earned a profit of 13.9 million kroons (0.9 million euros), whereas in the six months' perspective it incurred a loss of 38.4 million kroons (2.5 million euros). Compared to the profit of the respective periods of 2008, the profit was below 55% in the second quarter and 139% in the half-year that yielded a profit of 30.8 (2.0 million euros) and 98.3 (6.3 million euros) million kroons respectively.

In 2009, Tallinna Kaubamaja Group, like the whole retail sector, has faced the challenge of operating with a substantially reduced turnover and under enormous price pressure. At the same time, the expenditure of the Group has increased due to the expansion of the operable premises and growth in the number of employees. Large investments in 2008 caused the increase of the depreciation of the fixed assets (34. million kroons, 2.2 million euros added) and financial expenses (14.4 million kroons, 0.9 million euros) compared to the same period of the previous year. The Group has agreed with partners and suppliers for more favourable service prices in order to reduce operating expenses. In larger business segments, the Group managed to agree upon a wage reduction of 10% for the office employees since the beginning of the second quarter. As a result of the dropped sales volumes, the size of the sales personnel has been regulated by way of natural rotation and part-time work. One footwear store has been closed.

The planned expansion and investments were carried out during the first half-year. The Group opened four new Selver stores, two in Estonia and two in Latvia. Kaubamaja opened a new outlet in Lasnamäe, moved Youth Fashion Department to a new and more advantageous location, opened the new Women's Shoe Department and the renovated Beauty Department. In late March, a beauty store operating under the trademark I.L.U was opened in Pärnu. Two more I.L.U beauty stores are planned to be opened in 2009. In 2009, the Group will focus, first and foremost, on the upgrading of the existing business sectors.

As of 30 June 2009, the balance sheet total of the Tallinna Kaubamaja Group was 4.2 billion kroons (268.7 million euros), which means a decrease by 130 million kroons (8.3 million euros) compared to the end of 2008. Assets decreased by 3%.

As of the end of the reporting period, the number of loyal customers was over 375 thousand, increasing by 9% within the 6 months. The percentage of loyal customers in the turnover of the department stores segment of the Group was continually high 75% in 6 months of 2009. At the end of June, 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 19¹ of Stock Market Trade Act.

According to the notice of regular annual general meeting of the shareholders published on 28 April 2009, the management board proposed to pay dividends 0.4 kroons per share. The general meeting of shareholders approved it.

The price of the share of Tallinna Kaubamaja has followed the general trends in the Baltic equity market. The share with a price of 32.54 kroons at the end of 2008 was closed in late June at 38.02 kroons, recovering by nearly 17% over the period of 6 months.

Tallinna Kaubamaja AS

Share price in Estonian kroons and trading statistics on the Tallinn Stock Exchange during 01.01.2008-30.06.2009.



Kaubamaja Department stores

In the first half-year of 2009, the sales revenue of the business segment of department stores was 586.2 million kroons (37.5 million euros), i.e. 20% less than in the same period of the previous year. According to the data of the Estonian Statistical Office, the turnover of the retail companies comparable with Kaubamaja department stores fell by 25% in the second quarter and by a total of 25% in the first half-year. The profit of department stores in the first half-year of 2009 totalled to 0.3 million kroons (0.02 million euros), falling short of the respective figure of the previous year by 62.4 million kroons (4.0 million euros). Aside from the renovations performed in the first quarter and the ongoing economic crisis, the profit of department stores was adversely affected also by discounts that were more substantial and offered earlier in the season compared to the same period of the past year. Since the second quarter, the cost saving measures adopted by the management of the company in the first quarter have contributed to the profit. In the first half-year, the department stores managed to attain a saving of 11% on all personnel related expenses relative to the same period of the previous year. Agreements with partners have enabled to reduce the administrative and logistics expenses as well as other operating expenses.

The first store of the chain of I.L.U. beauty stores was opened in the new Pärnu Centre in the second half of March. In the first half-year of 2009, the sales revenue of OÜ TKM Beauty Eesti that operates the I.L.U. stores totalled to 2.5 million kroons (0.2 million euros). In the light of the overall decline of 14.2% in the retail trade in the first half-year of 2009, the sector of beauty products, toiletries and pharmaceutical products experienced a smaller drop in the sales, decreasing by 5.3%. Due to the launching activities of the chain with a new concept, the company incurred a loss of 2.7 million kroons (0.2 million euros) in the first half-year. The next stores of the I.L.U. chain will be opened in November at Rocca al Mare shopping centre in Tallinn and at Lõunakeskus in Tartu. In 2010, I.L.U. stores are planned to be opened at Kristiine Keskus in Tallinn and in Latvia.

Selver supermarkets

In the first half-year of 2009, the consolidated sales revenue of the business segments of supermarkets amounted to 2.35 billion kroons (149.9 million euros) that exceeded the indicator of the previous year by 21%. Selver's consolidated sales revenue in the second quarter of 2009 was 1.2 billion kroons (77.5 million euros), exhibiting a growth of 26% compared to the same period of the previous year. The proportion of Selver's Estonian-based net turnover in the retail sales of non-specialised food stores was 17.3% in the first half-year of 2009 and 17.1% in the second quarter. In the same periods of the previous year, Selver's proportion in the aforementioned sector constituted 14.1% and 13.2% respectively. In the first half-year, Selver's consolidated sales revenue per square metre of the sales space was 5.4 thousand kroons per month, dropped by 23% compared to the same period of the previous year. In the comparable stores, the turnover per square metre of the sales premises was 6.0 thousand kroons per month, indicating a decline of 18% compared to the same period of the previous year. The sales effectiveness of the Selver chain was adversely affected by the overall economic recession, the increased proportion of marked-down products in the consumer basket as well as Selver's marketing campaigns, a lower sales effectiveness of new shops during the start-up period and the decline in the sales effectiveness in the stores

Tallinna Kaubamaja AS

whose sales space was enlarged in 2008. In the first half-year of 2009, Selver opened two new stores in Estonia, in Narva and Kakumäe, Tallinn, and four new stores in Latvia: in Kuldiga, Daugavpils, Salaspils and Aizkraukle. All in all, the sales space of the business segments of supermarkets grew by 7,944 square metres in the first half-year of 2009.

In the first half-year of 2009, Selver's pre-tax net loss amounted to 26.5 million kroons (1.7 million euros), indicating a loss of 51.3 million kroons (3.3 million euros) compared to the same period of 2008 when the pre-tax net profit was 24.8 million kroons (1.6 million euros). Selver's consolidated pre-tax net profit in the second quarter of 2009 was 2.8 million kroons (0.2 million euros). The results of the first half-year of 2009 were impacted primarily by the overall economic recession, increase of unemployment rates and decrease of incomes, leading to a decline in consumption. The pre-opening costs of new stores and the costs related to the launch of the subsidiary in Latvia also had their effect on the aforementioned results. In the first half-year of 2009, the average gross margin dropped substantially compared to the previous year. The gross margin was influenced by the increased proportion of marked-down products in the consumer basket as well as Selver's marketing campaigns, and a lower demand for industrial products and high-priced products.

This year Selver focuses upon upgrading their business processes and optimising the inventory level as well as operating and labour costs. By way of optimising the labour costs, the following activities have been carried out to date: the wages of the office employees and the managerial personnel of the department stores have been reduced by 10%; the underlying principles of the remuneration system for the personnel of the department stores were adjusted; due to the curtailed production, partial working time was established for certain positions in the production unit of Selveri Kõök; the central office of the subsidiary Selver Latvia SIA was restructured, resulting in a reduced number of employees and subordination of the management of business segments to the respective areas of the parent company. The reduction process of operating costs is oriented to cutting down the general administrative and operating costs of the department stores. Negotiations with lessors for lower lease prices and with cooperation partners providing administrative services for more favourable conditions are currently underway.

Real estate

In the second quarter of 2009, the sales revenue of the real estate segment was 10.5 million kroons (0.7 million euros) that was 3% larger than the sales revenue in the second quarter of 2008. The sales revenue of the first half-year totalled to 21.8 million kroons (1.4 million euros), growing by 7% compared to the same period of the previous year when the sales revenue was 20.5 million kroons (1.3 million euros). The profit of the first half-year of 2009 amounted to 32.9 million kroons (2.1 million euros) of which 16.9 million kroons (1.1 million euros) was earned in the second quarter. The semi-annual profit grew twice compared to the same period of the previous year, reaching 64% in the second quarter. All main cost categories grew in line with the increase of the administered real estate portfolio, yet the retention of the operating costs below the growth of revenue led to a substantial growth of the net profit.

In January, the Group opened Kuldiga Selver and Salaspils Selver in Latvia, developed by Tallinna Kaubamaja's subsidiary SIA TKM Latvija, and in January Kakumäe Selver in a building developed by Tallinna Kaubamaja Kinnisvara AS.

Car trade

The sales revenue of the car trade segment for the 6 months of 2009 was 147.6 million kroons (9.4 million euros). Over the six months, 671 new vehicles were sold (including 357 vehicles in the second quarter), that is 654 vehicles less than in the same period of the previous year. By the end of the half-year, the market share of KIA passenger cars in the Baltic States was 2.1%, indicating a decrease of 35% compared to the same period of the previous year. During the first half-year of 2009, the Estonian car market dropped by 66%. The sales of KIA declined 81%, retaining a market share of 2.2 % by the end of the period. The Latvian market experienced the largest fall during the first half-year – as large as 77%, and the sales of KIA vehicles dropped by 86%. At the end of the first half-year, the market share of KIA in Latvia was 1.9%. The Lithuanian car market dropped 70%. KIA holds 2.3% of the Lithuanian car market. The statistics of the car trade segment are distorted substantially by the number of the vehicles that have been sold out of the market as long as there is no uniform method for registration thereof. The best-selling model in the first half-year is still KIA cee'd and cee'd SW model of the C-segment whose market shares in their respective segments are the following by countries - Estonia 3.3%, Latvia 4.2% and Lithuania 4.7%.

The main keyword of the car trade in the domestic market was realisation of the inventory at abnormally big discounts. In the first half-year of 2009, the loss of the car trade segment amounted to 16.4 million kroons (1.0 million euros). The main reason of the low performance was the market situation that has also led to a considerable decrease of the car sales margins compared to the previous year. In the second quarter KIA continued the aggressive realisation process of the inventories to bring the inventory of cars into conformity with the new market

situation. From the beginning of the year, the inventory of cars has diminished by 85% and at the end of the half-year the inventory consisted of a two month sales reserve. By now, the companies of the segment have overhauled the personnel structure to match it to the current requirements and market situation, and substantially cut down on other fixed costs. A major saving is attained by reducing inventory storage costs and financing. In autumn, four new models will be arriving in the market, of which two models cover the product areas where KIA is not represented at the moment.

Footwear trade

The consolidated sales revenue of the footwear trade segment was 45.1 million kroons (2.9 million euros) in the second quarter of 2009 and totalled to 85.4 million kroons (5.5 million euros) in the first half-year. The loss for the second quarter of 2009 amounted to 6.9 million kroons (0.4 million euros). The loss for the first half-year of 2009 was a total of 28.7 million kroons (1.8 million euros).

The sales results of the footwear trade were affected by the overall recession of retail trade and the continuing financial instability in the Baltic States. The sales results of the second quarter were influenced also by the discounts that started considerably earlier in the season compared to the previous years.

As of late June, Suurtüki NK OÜ had 16 stores in Estonia and 2 stores in Latvia. In June, a store was closed at Vaala Centre in Rakvere. ABC King AS has 11 stores in Estonia and 4 stores in Latvia. In early June, the ABC King store with a new concept was re-opened after thorough reconstructions at Port Artur 2 shopping centre in Pärnu.

The store in Pärnu is the first ABC King store with the new concept, the development process of which yielded a new vision for ABC King and an updated visual identity that had been the same for 15 years. It is a brand store centred on specific trademarks, complete with an up-to-date sales environment. During the second half-year, all ABC footwear stores in Estonia are planned to be brought under the new concept.

Personnel

In the 1st half of 2009, the average number of employees of the Group of Tallinna Kaubamaja was 3,746, increasing by 18 % compared to the same period of 2008. In the 1st half of 2009 the total labour cost (wages and salaries and social tax cost) amounted to 323.5 million kroons (20.7 million euros), increasing by 8 % in comparison with the same period of 2008. In the 2nd quarter of 2009 the total labour cost decreased by 3% and average number of employees increased by 11% in comparison with the same period of 2008. Average monthly expenses on wages and salaries per employee decreased by 8% compared to first six months of 2008.

Management confirmation and signatures

The board confirms that the Management report presents fairly all significant events that occurred during the reporting period as well as their impact on the consolidated interim financial statements; contains a description of the main risks and uncertainties influencing the remainder of the financial year; and provides an overview of all significant transaction with related parties.



Raul Puusepp
Chairman of the Management Board

Tallinn, 27th August 2009

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 interim financial statements (unaudited) as at and for the period of second quarter and first six months 2009, presented on pages 10-33.

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, 27th August 2009

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

thousand kroons/euros

	Note	30 June 2009		31 December 2008	
		EEK	EUR*	EEK	EUR*
ASSETS					
Current assets					
Cash at bank and in hand	2	45,323	2,897	101,353	6,478
Trade receivables	3	64,343	4,112	96,538	6,170
Other receivables	4	33,373	2,133	73,019	4,668
Prepaid and refundable taxes	5	53,817	3,440	41,475	2,651
Prepaid expenses	5	13,314	851	12,161	777
Inventories	6	714,264	45,649	781,304	49,933
Total current assets		924,434	59,082	1,105,850	70,677
Fixed assets					
Prepaid expenses	5	31,074	1,985	31,074	1,985
Shares in affiliated companies	8	19,022	1,216	17,505	1,119
Other long-term receivables	9	3,801	243	3,801	243
Tangible fixed assets	10	3,051,532	195,028	2,998,073	191,612
Intangible fixed assets	11	65,319	4,175	68,431	4,374
Goodwill	11	109,499	6,998	109,499	6,998
Total fixed assets		3,280,247	209,645	3,228,383	206,331
TOTAL ASSETS		4,204,681	268,727	4,334,233	277,008
LIABILITIES AND OWNERS' EQUITY					
Current liabilities					
Interest bearing loans and borrowings	12	122,168	7,808	318,098	20,330
Prepayments received for goods and services		3,540	226	5,237	333
Accounts payable		674,055	43,079	800,467	51,161
Taxes payable	14	51,163	3,270	76,460	4,887
Other short-term liabilities	14	66,918	4,277	78,213	4,997
Provisions	14	1,715	110	3,534	226
Total current liabilities		919,559	58,770	1,282,009	81,934
Long-term liabilities					
Interest bearing loans and borrowings	12	1,502,933	96,055	1,215,409	77,679
Provisions	14	1,210	77	1,462	93
Total long-term liabilities		1,504,143	96,132	1,216,871	77,772
TOTAL LIABILITIES		2,423,702	154,902	2,498,880	159,706
Owners' equity					
Share capital	15	407,292	26,031	407,292	26,031
Mandatory reserve	15	40,729	2,603	40,729	2,603
Revaluation reserve		673,004	43,012	682,028	43,590
Retained earnings		660,049	42,186	705,719	45,105
Foreign currency translation		-95	-7	-415	-27
TOTAL OWNER'S EQUITY		1,780,979	113,825	1,835,353	117,302
TOTAL LIABILITIES AND OWNER'S EQUITY		4,204,681	268,727	4,334,233	277,008

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

thousand kroons/euros

	Note	6 months 2009		6 months 2008	
		EEK	EUR*	EEK	EUR*
Revenue	16, 22	3,185,997	203,622	3,046,163	194,685
Other income	17	89,255	5,704	75,937	4,853
Materials and consumables used	6	-2,500,712	-159,825	-2,302,141	-147,134
Other operating expenses	18	-371,201	-23,724	-327,903	-20,957
Personnel expenses	19	-323,547	-20,678	-300,240	-19,189
Depreciation, amortisation and impairments		-94,956	-6,069	-61,001	-3,899
Other expenses		-4,822	-308	-6,847	-438
Operating profit		-19,986	-1,278	123,968	7,921
Financial expenses	20	-22,987	-1,469	-10,221	-653
Financial income	20	3,054	195	4,608	295
Financial income from shares of associated companies		1,517	97	1,553	99
Total net financial items		-18,416	-1,177	-4,060	-259
Profit before income tax		-38,402	-2,455	119,908	7,662
Income tax		0	0	-21,653	-1,383
Other comprehensive income		-38,402	-2,455	98,255	6,279
Exchange differences on translating foreign operations		320	20	168	11
TOTAL COMPREHENSIVE INCOME		-38,082	-2,435	98,423	6,290
Basic and diluted earnings per share (EEK/EUR)	21	-0.94	-0.06	2.41	0.15

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

thousand kroons/euros

	Note	2 nd quarter 2009		2 nd quarter 2008	
		EEK	EUR*	EEK	EUR*
Revenue	16, 22	1,661,394	106,182	1,575,887	100,718
Other income	17	51,301	3,279	42,629	2,724
Materials and consumables used	6	-1,293,709	-82,683	-1,187,770	-75,912
Other operating expenses	18	-184,517	-11,793	-176,928	-11,308
Personnel expenses	19	-159,355	-10,185	-164,384	-10,506
Depreciation, amortisation and impairments		-48,554	-3,103	-32,088	-2,051
Other expenses		-2,526	-161	-3,822	-244
Operating profit		24,034	1,536	53,524	3,421
Financial expenses	20	-12,827	-820	-4,611	-295
Financial income	20	1,974	126	2,757	176
Financial income from shares of associated companies		692	44	735	47
Total net financial items		-10,161	-650	-1,119	-72
Profit before income tax		13,873	886	52,405	3,349
Income tax		0	0	-21,653	-1,384
Other comprehensive income		13,873	886	30,752	1,965
Exchange differences on translating foreign operations		-3	0	23	1
TOTAL COMPREHENSIVE INCOME		13,870	886	30,775	1,966
Basic and diluted earnings per share (EEK/EUR)	21	0.34	0.02	0.76	0.05

* 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	6 months 2009		6 months 2008	
		EEK	EUR*	EEK	EUR*
CASH FLOW FROM OPERATING ACTIVITIES					
Net profit		-38,402	-2,454	98,255	6,280
Adjustments:					
Dividends disbursed		0	0	21,653	1,384
Interest expense		22,644	1,447	8,299	530
Interest income		-3,044	-195	-4,605	-294
Depreciation, amortisations and impairment		94,956	6,069	61,001	3,899
Loss from disposals and write-off of non-current assets		156	10	-3,808	-243
Effect of the equity method		-1,517	-97	-1,553	-99
Change in inventories		67,040	4,285	-156,479	-10,004
Change in receivables and prepayments related to operating activities		50,717	3,241	4,176	267
Change in liabilities and prepayments related to operating activities		-164,818	-10,533	-46,956	-3,001
TOTAL CASH FLOW FROM OPERATING ACTIVITIES		27,732	1,773	-20,017	-1,281
CASH FLOW FROM INVESTMENT ACTIVITIES					
Purchase of property, plant and equipment (except for financial lease)		-146,510	-9,364	-440,738	-28,168
Purchase of property, plant and equipment		1,295	83	6,099	390
Acquisition of intangible fixed assets		-244	-16	0	0
Loan to group account		8,977	574	0	0
Acquisition of associates		0	0	-230,322	-14,720
Loan repayments received from associates		0	0	2,250	144
Interest received		3,116	199	5,271	337
TOTAL CASH FLOW FROM INVESTMENT ACTIVITIES		-133,366	-8,524	-657,440	-42,017
CASH FLOW FROM FINANCING ACTIVITIES					
Loans received		322,124	20,587	1,000,884	63,968
Repayments of loans received		-231,250	-14,780	-229,228	-14,650
Change in overdraft balance		3,733	239	0	0
Dividends paid	15	-16,292	-1,041	-81,458	-5,206
Income tax on dividends		0	0	-21,653	-1,384
Repayment of financial lease principal		-3,013	-193	-2,224	-142
Interest paid		-26,018	-1,663	-8,249	-527
KOKKU RAHAVOOD FINANTSEERIMISTEGEVUSEST		49,284	3,149	658,072	42,059
Currency exchange differences		320	21	0	0
TOTAL CASH FLOW		-56,030	-3,581	-19,385	-1,239
Cash and cash equivalents at the beginning of the period		101,353	6,478	283,207	18,100
Cash and cash equivalents at the end of the period		45,323	2,897	263,822	16,861
Change in cash and cash equivalents		-56,030	-3,581	-19,385	-1,239

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

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

in thousands of kroons, 6 months of 2009

	Share capital	Mandatory reserve	Revaluation reserve	Retained earnings	Foreign currency translation	Total
Balance as of 31.12.2007	407,292	40,729	759,721	686,155	10	1,893,907
Revaluation of land and buildings	0	0	-59,800	0	0	-59,800
Depreciation transfer for revaluated land and buildings	0	0	-17,893	17,893	0	0
Change in conversion difference	0	0	0	0	-425	-425
Total income and expenses for the year recognized directly in equity	0	0	-77,693	17,893	-425	-60,225
Total comprehensive income or loss for the year	0	0	0	83,129	0	83,129
Total income and expenses for the year	0	0	-77,693	101,022	-425	22,904
Dividends paid	0	0	0	-81,458	0	-81,458
Balance as of 31.12.2008	407,292	40,729	682,028	705,719	-415	1,835,353
Depreciation transfer for revaluated land and buildings	0	0	-9,024	9,024	0	0
Change in conversion difference					320	320
Total income and expenses for the year recognized directly in equity	0	0	-9,024	9,024	320	320
Total comprehensive income or loss for the period	0	0	0	-38,402	0	-38,402
Total income and expenses for the period	0	0	-9,024	-29,378	320	-38,082
Dividends paid (Note 15)	0	0	0	-16,292	0	-16,292
Balance as of 30.06.2009	407,292	40,729	673,004	660,049	-95	1,780,979

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

in thousands of euros, 6 months of 2009

	Share capital	Mandatory reserve	Revaluation reserve	Retained earnings	Foreign currency translation	Total
Balance as of 31.12.2007	26,031	2,603	48,555	43,853	0	121,042
Revaluation of land and buildings	0	0	-3,822	0	0	-3,822
Depreciation transfer for revaluated land and buildings	0	0	-1,144	1,144	0	0
Change in conversion difference	0	0	0	0	-27	-27
Total income and expenses for the year recognized directly in equity	0	0	-4,966	1,144	-27	-3,849
Total comprehensive income or loss for the year	0	0	0	5,313	0	5,313
Total income and expenses for the year	0	0	-4,966	6,457	-27	1,464
Dividends paid	0	0	0	-5,206	0	-5,206
Balance as of 31.12.2008	26,031	2,603	43,589	45,104	-27	117,300
Depreciation transfer for revaluated land and buildings	0	0	-577	577	0	0
Change in conversion difference					20	20
Total income and expenses for the year recognized directly in equity	0	0	-577	577	20	20
Total comprehensive income or loss for the period	0	0	0	-2,454	0	-2,454
Total income and expenses for the period	0	0	-577	-1,877	20	-2,434
Dividends paid	0	0	0	-1,041	0	-1,041
Balance as of 30.06.2009	26,031	2,603	43,012	42,186	-7	113,825

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

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 as at and for the three months ended 31 March 2009 have been prepared in accordance with the International Financial Reporting Standard IAS 34 *Interim Financial Reporting* as adopted by the European Union. The consolidated interim financial statements do not contain all the information that has to be presented in the annual financial statements and they should be read in conjunction with the Group's consolidated financial statements as at and for the year ended 31 December 2008.

The underlying currency of the consolidated Accounts is the Estonian kroon. Interim Accounts are presented in thousand in kroons, if not said differently. In order to help the readers to better understand the financial indicators and to adhere to the requirements of the rules and regulations of the Tallinn Stock Exchange the financial indicators in the Accounts are also given in euros which have been converted based on the original financial indicators given in Estonian kroons. As the exchange rate of the Estonian kroon and the euro has been fixed at 1 euro = 15.6466 kroons no spread is created upon conversion.

The Manager is of the opinion that the Interim Report of Tallinna Kaubamaja AS on the 1st half-year of 2009 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.

New and revised standards effective as at 1 January 2009 and their impact on the Group's financial statements:

- IAS 1 (revised) – Presentation of Financial Statements
The revised Standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. Items of income and expense and components of other comprehensive income may be presented either in a single statement of comprehensive income (effectively combining the income statement and all non-owner changes in equity in a single statement), or in two separate statements (a separate income statement followed by a statement of comprehensive income). The Group has decided to present a single statement of comprehensive income that combines the income statement and non-owner changes in equity.
- IFRS 8 – Operating Segments
The Standard introduces the "management approach" to segment reporting and requires segment disclosure based on the components of the entity that management monitors in making decisions about operating matters. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the Group's management in deciding how to allocate resources and in assessing performance. The application of the Standard has increased the number of reportable segments. In place of the previously reported two segments (Buildings and Infrastructure) the Group now discloses segment information in respect of Buildings (European Union), Buildings (Ukraine), Infrastructure (European Union) and other segments. IFRS 8 is effective for the annual financial statements. In the interim financial statements information on operating segments has been presented in accordance with IAS 34 Interim Financial Reporting.

Reportable operating segments are identified on the basis of how the internally generated financial information is used by the Group's chief operating decision maker. The chief operating decision maker is the group of persons that allocates resources to and assesses the performance of the operating segments. The Group's chief operating decision maker is the board of the parent Tallinna Kaubamaja AS along with the director of the infrastructure department. The new segment reporting approach does not change the principles of allocating goodwill to the Group's cash-generating units.

Tallinna Kaubamaja AS

New and revised standards and interpretations effective as of 1 January 2009 that are not relevant for the Group on the preparation of the interim financial statements:

- IFRS 2 (amended) – Share-based Payment
- IAS 23 (revised) – Borrowing Costs
- IAS 27 (revised) – Consolidated and Separate Financial Statements
- IAS 32 (amended) – Financial Instruments: Presentation
- IAS 39 (amended) – Financial Instruments: Recognition and Measurement
- IFRIC 13 – Customer Loyalty Programmes
- IFRIC 15 – Agreements for the Construction of Real Estate

Standards and interpretations issued as at 1 January 2009 but not yet effective:

- IFRS 3 (revised) – Business Combinations (effective for annual periods beginning on or after 1 July 2009)
- IFRIC 17 – Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 15 July 2009)

Note 2. Cash at Bank and in Hand

In thousands of kroons

	30 June 2009	31 December 2008
Cash in hand	5,289	5,825
Cash at bank	31,232	78,201
Cash in transit	8,802	17,327
Total cash at bank and in hand	45,323	101,353

Note 3. Trade Receivables

In thousands of kroons

	30 June 2009	31 December 2008
Trade receivables	53,351	67,155
Card payments	10,992	29,383
Total trade receivables	64,343	96,538

Note 4 Other short term receivables

In thousands of kroons

	30 June 2009	31 December 2008
Bonuses to be received from suppliers	20,499	42,422
Current receivables from affiliates (see Note 9)	2,750	2,750
Other short term receivables	10,124	27,847
Total other short term receivables	33,373	73,019

Note 5. Prepaid Expenses

In thousands of kroons

	30 June 2009	31 December 2008
VAT	53,817	41,475
Total prepaid taxes	53,817	41,475
Lease expenses prepaid	3,628	5,714
Other prepaid expenses	9,686	6,447
Total current prepaid expenses	13,314	12,161
Long term lease expenses prepaid	31,074	31,074
Total long-term prepaid expenses	31,074	31,074

The Group has concluded rent agreements in the same arrangement with acquiring operating rights for stores in Tartu. The fee paid for operating rights is recorded as prepaid rent, because it is considered to be a payment made under a lease contract for acquiring leasehold.

Tallinna Kaubamaja AS

Note 6. Inventories

In thousands of kroons

	30 June 2009	31 December 2008
Goods for resale	664,630	619,576
Cars purchased for resale	37,347	145,341
Raw materials	10,439	10,332
Prepayments for goods	1,848	6,055
Total inventories	714,264	781,304

The write-down and write-off of inventories and the inventory shortages are recorded in the income statement under "Materials and consumables used" as follows:

	6 months 2009	6 months 2008	2 nd quarter 2009	2 nd quarter 2008
Materials and consumables used	-2,465,817	-2,262,581	-1,273,817	-1,163,777
Write-down and write-off of inventories	-24,672	-30,141	-12,149	-16,974
Inventory shortages	-10,223	-9,419	-7,743	-7,019
Total	-2,500,712	-2,302,141	-1,293,709	-1,187,770

Aging of inventory and seasonal nature of fashion items is used as basis for write down of inventories.

Note 7. Shares in subsidiaries

In thousands of kroons

The Tallinna Kaubamaja Group incorporates:

Name of company	Location	Field of activity	Share	Acquisition cost	Year of acquisition
A-Selver AS	Tallinn, Pärnu mnt.238	Retail trade	100%	22,000	1996
<i>A-Selver AS subsidiary:</i>					
SIA Selver Latvia	Riga, Ieriku 3	Retail trade	100%		2006
AS Tartu Kaubamaja	Tartu, Riga 2	Retail trade	100%	15,849	1996
<i>AS Tartu Kaubamaja subsidiaries:</i>					
TKM Beauty OÜ	Tallinn, Gonsiori 2	Retail trade	100%		2007
<i>TKM Beauty OÜ subsidiary:</i>					
TKM Beauty Eesti OÜ	Tallinn, Gonsiori 2	Retail trade	100%		2007
OÜ Suurtüki NK	Tallinn, Ehitajate tee 110	Retail trade	100%	55,017	2008
SIA Suurtüki	Riga, Tomsona 30-86	Retail trade	100%	13,973	2008
AS ABC King	Tallinn, Pärnu rd 139E	Retail trade	100%	170,678	2008
<i>AS ABC King subsidiary:</i>					
ABC King SIA	Riga, Ieriku 3	Retail trade	100%		2008
OptiGroup Invest OÜ	Tallinn, Gonsiori 2	Trade and financing	100%	40	2007
<i>OptiGroup Invest OÜ subsidiary:</i>					
KIA Auto AS	Tallinn, Ülemiste tee 1	Retail trade	100%	79,400	2007
<i>KIA Auto AS subsidiary:</i>					
Ülemiste Autokeskus OÜ	Tallinn, Ülemiste tee 1	Retail trade	100%		2007
KIA Automobiles SIA	Riga, Pulkeveza Brieza 31	Retail trade	100%	90	2007
KIA Auto UAB	Vilnius, Jasinskoe 14	Retail trade	100%		2007
Tallinna Kaubamaja Kinnisvara AS	Tallinn, Gonsiori 2	Real estate management	100%	46,285	1999
<i>Tallinna Kaubamaja Kinnisvara AS subsidiaries:</i>					
Tartu Kaubamaja Kinnisvara OÜ	Tartu, Riga 1	Real estate management	100%		2004
SIA TKM Latvija	Riga, Ieriku 3	Real estate management	100%		2006
Acquisition cost of subsidiaries as of 30.06.2009				403,332	

Note 8. Shares in Affiliates

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

In thousands of kroons

	30 June 2009	31 December 2008
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	17,505	14,201
Equity profit for accounting period	1,517	3,304
At end of accounting period		
Acquisition cost	6,500	6,500
Holding in owners' equity of investment object	19,022	17,505

Financial information on the affiliate Rävåla Parkla AS (reflecting 100% of the associate):

	30 June 2009	31 December 2008
Assets	63,006	61,422
Liabilities	24,986	24,436
Revenue	4,285	9,390
Profit	3,034	6,608

Note 9. Other Long-term Receivables

In thousands of kroons

	30 June 2009	31 December 2008
Receivables from affiliates (Note 23)	4,578	4,578
<i>To be repaid:</i>		
within 12 months	2,750	2,750
within 1 to 5 years t	1,828	1,828
Interest rate	6%	6%
Term of payment	2010	2010
Other long term receivables	1,973	1,973
Total other long term receivables	3,801	3,801

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

Note 10. Tangible Fixed Assets

In thousands of kroons

	Land and buildings	Machinery and equipment	Other equipment, fixtures and fittings	Prepay- ments for property, plant and equipment	Cons- truction 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
Net book value	995,659	70,967	88,342	9,662	506,186	1,670,816
Additions from business combinations						
-Acquisition cost 2006	30,012	3,342	2,763	0	0	36,116
-Accumulated depreciation 2006	-3,362	-1,986	-1,869	0	0	-7,217
Changes in 2007						
Additions from business combinations	26,650	1,356	893	0	0	28,900
Purchases and additions	110,604	49,141	27,490	12,145	224,874	424,254
Disposals		-556	-120	0	0	-676
Depreciation	-36,598	-32,193	-33,626	0	0	-102,416
Revaluations of fixed assets	280,000	0	0	0	0	280,000
Revaluations of depreciation	-49,995	0	0	0	0	-49,995
Transfer	240,468	2,271	574	-9,662	-233,650	0
31.12.2007						
Acquisition or revaluated cost	1,656,657	232,359	256,812	12,145	497,410	2,655,383
Accumulated depreciation	-39,874	-141,374	-173,257	0	0	-354,505
Net book value	1,616,783	90,985	83,555	12,145	497,410	2,300,878
Changes in 2008						
Additions from business combinations	714	740	5,652	0	0	7,106
Purchases and additions	205,168	121,413	86,020	33,250	530,484	976,335
Transfer	115,275	-4,149	14,943	-10,861	-115,208	0
Revaluations of fixed assets	-71,600	0	0	0	-75,000	-146,600
Disposals	-290	-445	-988	0	0	-1,723
Depreciation	-50,922	-42,893	-44,108	0	0	-137,923
31.12.2008						
Acquisition or revaluated cost	1,969,527	355,830	362,439	34,534	912,686	3,635,016
Accumulated depreciation	-154,399	-190,179	-217,365	0	-75,000	-636,943
Net book value	1,815,128	165,651	145,074	34,534	837,686	2,998,073
Changes in 6 months of 2009						
Purchases and additions	18,492	52,005	30,747	3,933	41,333	146,510
Transfer	606,063	624	4,566	-6,854	-604,399	0
Disposals	-1,096	-372	17	0	0	-1,451
Depreciation	-33,873	-29,492	-28,229	0	-6	-91,600
30.06.2009						
Acquisition or revaluated cost	2,592,974	405,871	393,542	31,613	349,620	3,773,620
Accumulated depreciation	-188,260	-217,455	-241,367	0	-75,006	-722,088
Net book value	2,404,714	188,416	152,175	31,613	274,614	3,051,532

Two new Selvers in Kakumäe and Narva branched out during the reporting period. Four new Selvers were opened in Latvia. New fashionable footwear and accessories floor has been reconstructed in Kaubamaja and the first I.L.U. store was opened in Pärnu.

Tallinna Kaubamaja AS

Total investment volume during reporting period has been performed in the amount of 624,555 thousands of kroons. The cost of equipment placed to the new areas is 87,942 thousands of kroons. Additional prepayment in the total sum of 45,266 thousands of kroons is required for the new projects.

Note 11. Intangible Fixed Assets

In thousands of kroons

	Goodwill	Trademark	Beneficial contracts	Developing-cost	Total
31.12.2007					
Acquisition cost or revaluated cost	49,388	0	0	0	49,388
Accumulated depreciation and impairment loss	0	0	0	0	0
Net book value	49,388	0	0	0	49,388
Changes in 2008					
Additions from business combinations	72,395	54,887	16,900	0	144,182
Depreciation	0	-1,820	-1,536	0	-3,356
Write down due to impairment	-4,688	0	0	0	-4,688
Other adjustments	-7,596	0	0	0	-7,596
31.12.2008					
Acquisition cost or valuation	114,187	54,887	16,900	0	185,974
Accumulated depreciation and impairment loss	-4,688	-1,820	-1,536	0	-8,044
Net book value	109,499	53,067	15,364		177,930
Changes in 6 months of 2009					
Acquisition	0	0	0	244	244
Depreciation	0	-1,820	-1,536	0	-3,356
30.06.2009					
Acquisition cost or revaluated cost	114,187	54,887	16,900	244	186,218
Accumulated amortisation and impairment loss	-4,688	-3,640	-3,072	0	-11,400
Net book value	109,499	51,247	13,828	244	174,818

Under intangible assets is stated the goodwill related to acquisition of OptiGroup Invest OÜ, Suurtüki NK, SIA Suurtüki, AS ABC King and ABC King SIA in the amount of 109,499 thousand kroons. Goodwill is initially reported at the acquisition cost thereof, which is the positive difference between the acquisition cost of the holding acquired and the fair value of the acquired assets, liabilities and contingent liabilities on the date of acquisition. In further reporting goodwill is measured at the acquisition cost thereof less possible discounts resulting from impairment. With regard to goodwill an impairment test is carried out at least once a year or more frequently if events or changed circumstances show that the book value of goodwill may have decreased.

Note 12 Interest bearing loans and borrowings

In thousands of kroons

2009	Balance 30.06.2009	Repayment			Due date	Interest rate
		Within 12months	Within 1-5 years	After 5 years		
SEB Pank AS	92,715	8,139	70,422	14,154	28.09.2014	6 month EURIBOR+0,4%
SEB Pank AS	129,558	7,560	121,998		19.04.2012	6 month EURIBOR+0,4%
Nordea Bank Finland Plc Eesti Filiaal	265,992		265,992		07.12.2011	6 month EURIBOR+0,36%
Nordea Bank Finland Plc Eesti Filiaal	68,257	2,700	65,557		20.06.2013	6 month EURIBOR+0,98%
Nordea Bank Finland Plc Eesti Filiaal	56,112	866	7,745	47,501	13.06.2018	6 month EURIBOR+0,6%
Nordea Bank Finland Plc Eesti Filiaal	180,941	2,700	24,308	153,933	20.06.2018	6 month EURIBOR+0,6%
Nordea Bank Finland Plc Eesti Filiaal	80,716	1,204	68,668	10,844	20.06.2018	6 month EURIBOR+0,6%
Nordea Finance Latvia SIA	2,038	2,038			30.11.2009	EONIA+3,1%
Nordea bank Finland Plc Eesti Filiaal	102,428	1,242	11,157	90,029	15.05.2018	6 month EURIBOR+0,6%
Nordea Bank Finland Plc Eesti Filiaal	174,861	2,105	52,020	120,736	30.08.2018	6 month EURIBOR+1,0%
AS Swedbank	55,763	4,103	51,660		21.04.2013	6 month EURIBOR+0,67%
AS Swedbank	234,699		190,813	43,886	28.01.2014	6 month EURIBOR+2,99%
AS Swedbank	2,109	2,109			15.05.2009	6 month EURIBOR+2,75%
AS Swedbank Liising Eesti	15,775	15,775			16.10.2009	6 month EURIBOR+2,75%
Swedbank Lizings SIA	340	340			15.10.2009	5,60%
SEB Liising AS	1,699	1,699			07.01.2010	6 month EURIBOR+1,35%
UAB Swedbank Lizingas	530	530			31.10.2009	6 month EURIBOR+2,7%
UAB Swedbank Lizingas	113	97	16		30.01.2010	6 month EURIBOR+3,13%
UAB Swedbank Lizingas	1,970	338	1,632		30.06.2013	6 month EURIBOR+2,72%
SEB Pank AS	46,031	46,031			31.12.2009	1 month EURIBOR+2,0%
AS Swedbank	14,512	14,512			05.10.2009	6 month EURIBOR+3,1%
Nordea Bank Finland Plc Eesti Filiaal	80,861	5,230	75,631		20.06.2013	6 month EURIBOR+0,98%
Loans	1,608,020	119,318	1,007,619	481,083		
Financial lease (Note 13)	17,081	2,850	14,231		07.04.2012	7%
Total interest bearing loans and borrowings	1,625,101	122,168	1,021,850	481,083		

Tallinna Kaubamaja AS

In thousands of kroons

2008	Repayment				Due date	Interest rate
	Balance 31.12.2008	Within 12 months	Within 1- 5 years	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		07.12.2011	6 month EURIBOR+0,36%
Nordea Bank Finland Plc Eesti Filiaal	73,666	8,109	65,557		20.06.2013	6 month EURIBOR+0,98%
Nordea Bank Finland Plc Eesti Filiaal	56,932	1,686	7,745	47,501	13.06.2018	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			01.04.2009	6 month EURIBOR+1,60%
Nordea Bank Finland Plc Eesti Filiaal	103,615	2,429	11,157	90,029	15.05.2018	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 Swedbank	59,763	8,103	51,660		21.04.2013	6 month EURIBOR+0,67%
AB Swedbank	1,580	1,580			15.05.2009	6 month VILIBOR+0.97%
AS Swedbank Liising Eesti	114,071	114,071			07.03.2009	12 month EURIBOR +0,65%
Swedbank Lizings SIA	378	378			01.10.2009	5,60%
SEB Liising AS	5,139	5,139			01.10.2009	6 month EURIBOR+0,8%
UAB Swedbank Lizingas	1,477	1,477			30.05.2009	6 month EURIBOR+1,20%
UAB Swedbank Lizingas	2,445	813	1,632		30.07.2010	6 month EURIBOR+1,10%
UAB Swedbank Lizingas	207	191	16		30.01.2010	6 month EURIBOR+1,30%
AS Swedbank	47,200	47,200			18.06.2009	12 month EURIBOR+0,72%
AS Swedbank Liising Eesti	1,716	1,716			10.04.2009	6month EURIBOR+0,65%
AS Swedbank	20,000	20,000			30.03.2009	6 month EURIBOR+0,75%
Nordea Bank Finland Plc Eesti Filiaal	87,270	11,639	75,631		20.06.2013	6 month EURIBOR+0,98%
SEB Pank AS	42,298	42,298			06.02.2009	7%
Loans	1,513,413	312,406	783,811	417,196		
Financial lease (Note 13)	20,094	5,692	14,402		07.04.2012	7%
Total interest bearing loans and borrowings	1,533,507	318,098	798,213	417,196		

Bank loans are denoted in euros. Bonds issued and finance lease liabilities are denoted in Estonian kroons.

Note 13. Financial Lease**Group as the lessee**

The group leases buildings under finance lease terms:

In thousands of kroons

	30 June 2009	31 December 2008
Acquisition cost	43,951	43,951
Accumulated depreciation	-31,313	-29,116
Net book value	12,638	14,835

In thousands of kroons

Minimum finance lease payments	30 June 2009	31 December 2008
up to 1 year.	3,495	6,786
1-5 years	15,521	15,612
Total	19,016	22,398
Future interest expense	-1,935	-2,304
Net present value of lease payments (Note 12)	17,081	20,094

Net present value of lease payments

up to 1 year	2,850	5,692
1-5 years	14,231	14,402
Total (Note 12)	17,081	20,094

The Group leases on capital lease conditions premises at Papiniidu 42, Pärnu, with the operating area 3,500 m². The agreement will end in 2012. The agreement can be prematurely terminated by notifying the other party thereof in writing one month in advance. The Group has the right of the renewal of agreement at the end of the term of validity of the agreement.

Note 14. Other Current Payables

In thousands of kroons

	30 June 2009	31 December 2008
Value added tax	14,221	28,049
Personal income tax	10,871	14,509
Social tax	23,786	31,310
Income tax on fringe benefits	71	562
Unemployment insurance	1,962	750
Funded pension	252	1,280
Total taxes payable	51,163	76,460
Employee-related liabilities	58,331	67,358
Interest payable	108	3,482
Other accrued expenses	129	176
Prepayments received from lessees	8,350	7,197
Total other short-term liabilities	66,918	78,213

Short-term provision in the amount of 1,715 thousand kroons (2008: 3,534 kroons) and long term provision in the amount of 1,210 thousand kroons (2008: 1,462 thousand kroons) stand for guarantee provisions related with footwear and vehicle business.

Note 15. Share Capital

As of 30 June. 2009 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 2009 the dividends were announced and paid to the shareholders. 0.4 kroons per share, in the total amount of 16,292 thousand kroons (2008:81,458 thousand kroons).

Note 16. Sales Revenue

In thousands of kroons, 6 months and 2nd quarter of 2009

	6 months 2009	6 months 2008	2 nd quarter 2009	2 nd quarter 2008
Retail sales revenue	3,139,025	3,010,978	1,640,217	1,555,789
Wholesale revenue	20,610	14,299	8,445	9,609
Income from service and catering	26,362	20,886	12,732	10,489
Total sales revenue	3,185,997	3,046,163	1,661,394	1,575,887

Additional information on revenue has been provided in Note 22

Note 17. Other Operating Revenue

In thousands of kroons, 6 months and 2nd quarter of 2009

	6 months 2009	6 months 2008	2 nd quarter 2009	2 nd quarter 2008
Rental income	29,918	22,062	15,403	10,180
Selling profit from fixed assets	853	3,967	853	3,961
Car park service's income	275	651	54	337
Empties handling	2,278	1,554	1,232	782
Expedition revenue	10,218	7,902	6,903	4,579
Advertising revenue	32,769	27,437	19,954	15,867
Other operating revenue*	12,648	12,364	6,851	6,923
Income from currency exchange	296	0	51	0
Total other operating revenue	89,255	75,937	51,301	42,629

*Other income consists of income from the sale of lottery and theatre tickets, invoice handling charges, claims and other income related to business activity.

Note 18. Other Operating Expenses

In thousands of kroons, 6 months and 2nd quarter of 2009

	6 months 2009	6 months 2008	2 nd quarter 2009	2 nd quarter 2008
Rental expenses	107,140	85,862	52,563	48,333
Utilities	52,266	41,866	29,841	22,525
Advertising expenses	35,378	50,942	17,344	25,467
Bank charges	22,841	20,028	11,886	10,477
Security expenses	17,847	13,358	8,722	6,904
Heat and electricity	55,242	36,501	23,993	17,544
Materials	33,245	36,486	15,303	20,887
IT and communication expenses	17,405	13,131	8,481	6,573
Business trips	3,096	4,325	958	1,917
Training expenses	1,208	2,636	525	1,258
Insurance	994	676	524	222
Logistic service	7,486	3,904	3,623	2,214
Other operating expenses	17,053	18,188	10,754	12,607
Total other operating expenses	371,201	327,903	184,517	176,928

Note 19. Staff CostsIn thousands of kroons, 6 months and 2nd quarter of 2009

	6 months 2009	6 months 2008	2 nd quarter 2009	2 nd quarter 2008
Wages and salaries	243,673	225,478	119,913	123,513
Social tax	79,874	74,762	39,442	40,871
Total staff costs	323,547	300,240	159,355	164,384
	6 months 2009	6 months 2008	2 nd quarter 2009	2 nd quarter 2008
Average monthly wages and salaries per employee (EEK) in accounting period	10,841	11,818	10,653	12,217
Average number of employees in accounting period	3,746	3,180	3,752	3,370

Note 20. Net financial itemsIn thousands of kroons, 6 months and 2nd quarter of 2009Financial income

	6 months 2009	6 months 2008	2 nd quarter 2009	2 nd quarter 2008
Interest income from SEB Pank AS	1	616	0	0
Interest income from AS Swedbank	0	2,539	0	2,202
Interest income from Nordea Bank Finland Plc Eesti Filiaal	1,249	129	1,059	129
Interest income from Partner Card	969	694	603	423
Interest income from NGI Group	643	630	188	3
Interest income from associated loan	182	0	114	0
Other interest income	10	0	10	0
Total interest income	3,054	4,608	1,974	2,757

Financial expenses

	6 months 2009	6 months 2008	2 nd quarter 2009	2 nd quarter 2008
Bank loan interest	-21,999	-7,557	-12,340	-2,727
Financial lease interest	-645	-742	-310	-361
NGI Group interest	-189	-168	-15	0
Other financial expenses*	-154	-1,754	-162	-1,523
Total interest expenses	-22,987	-10,221	-12,827	-4,611

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

Note 21. Earnings per shareIn thousands of kroons, 6 months and 2nd quarter of 2009

In order to calculate basic EPS, the net profit distributable to the Parent's shareholders is divided with the weighted average number of common shares in the period. Since the company has no contingently issuable common shares, diluted EPS equals to basic EPS.

	6 months 2009	6 months 2008	2 nd quarter 2009	2 nd quarter 2008
Net profit	-38,402	98,255	13,873	30,752
Weighted average number of shares	40,729,200	40,729,200	40,729,200	40,729,200
Net earnings per share	-0.94	2.41	0.34	0.76

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.

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

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

In thousands of kroons

6 months of 2009	Department stores	Super-markets	Real estate	Car trade	Footwear-retail	Transactions between segments	Total
Sales to third parties	586,182	2,345,075	21,811	147,564	85,365	0	3,185,997
Sales between segments	7,235	8,255	69,236	108,172	3,713	-196,611	0
Total sales	593,417	2,353,330	91,047	255,736	89,078	-196,611	3,185,997
Intersegment income	0	0	0	0	0	0	89,255
Intersegment operating expenses	0	0	0	0	0	0	-3,295,238
Segment operating profit	-8,494	-27,159	53,241	-11,333	-26,241	0	-19,986
Intersegment financial income /expenses	0	0	0	0	0	0	-18,416
Segment profit	286	-26,462	32,903	-16,396	-28,733	0	-38,402
Segment assets	353,463	922,171	2,576,341	149,975	202,731	0	4,204,681
Segment liabilities	787,569	634,669	848,159	39,112	114,193	0	2,423,702
Additions of non-current assets in the period	21,514	72,632	616,156	277	1,920	0	712,499
Depreciation charge	12,976	49,239	26,182	1,274	5,285	0	94,956

Tallinna Kaubamaja AS

In thousands of kroons

6 months of 2008	Department stores	Super-markets	Real estate	Car trade	Footwear retail	Transactions between segments	Total
Sales to third parties	733,044	1,932,092	20,470	315,443	45,114	0	3,046,163
Sales between segments	7,346	5,172	35,549	111,642	855	-160,564	0
Total sales	740,390	1,937,264	56,019	427,085	45,969	-160,564	3,046,163
Intersegment revenue	0	0	0	0	0	0	75,937
Intersegment operating expenses	0	0	0	0	0	0	-2,998,132
Segment operating profit	54,670	39,521	28,770	4,173	-3,166	0	123,968
Intersegment financial income/expenses	0	0	0		0	0	-4,060
Income tax	0	0	0	0	0	0	-21,653
Segment profit	62,712	24,807	16,411	-2,372	-3,303	0	98,255
Segment assets	712,620	708,408	2,431,510	211,174	44,616	0	4,108,328
Segment liabilities	621,336	578,633	717,171	167,212	113,115	0	2,197,467
Additions of non-current assets in the period	5,619	87,162	273,275	1,621	727	0	368,404
Depreciation charge	14,296	27,966	17,247	733	759	0	61,001
<hr/>							
2nd quarter 2009	Department stores	Super-markets	Real estate	Car trade	Footwear retail	Transactions between segments	Total
Sales to third parties	309,058	1,211,988	10,462	84,749	45,137	0	1,661,394
Sales between segments	3,682	4,209	41,341	64,790	1,393	-115,415	0
Total sales	312,740	1,216,197	51,803	149,539	46,530	-115,415	1,661,394
Intersegment revenue	0	0	0	0	0	0	51,301
Intersegment operating expenses	0	0	0	0	0	0	-1,688,661
Segment operating profit	8,451	2,710	27,110	-8,708	-5,529	0	24,034
Intersegment financial income/expenses	0	0	0	0	0	0	-10,161
Segment profit	11,682	2,750	16,889	-10,544	-6,904	0	13,873
Segment assets	353,463	922,171	2,576,341	149,975	202,731	0	4,204,681
Segment liabilities	787,569	634,669	848,159	39,112	114,193	0	2,423,702
Additions of non-current assets in the period	10,232	37,198	546,881	277	1,299	0	595,887
Depreciation charge	6,006	25,181	14,109	634	2,624	0	48,554

Tallinna Kaubamaja AS

In thousands of kroons

2nd quarter 2008	Department stores	Super-markets	Real estate	Car trade	Footwear retail	Transactions between segments	Total
Sales to third parties	382,043	959,286	10,140	179,304	45,114	0	1,575,887
Sales between segments	3,826	2,520	18,775	63,685	855	-89,661	0
Total sales	385,869	961,806	28,915	242,989	45,969	-89,661	1,575,887
Intersegment revenue	0	0	0	0	0	0	42,629
Intersegment operating expenses	0	0	0	0	0	0	-1,564,992
Segment operating profit	34,915	4,738	14,562	2,475	-3,166	0	53,524
Intersegment financial income/expenses	0	0	0	0	0	0	-1,119
Income tax	0	0	0	0	0	0	-21,653
Segment profit	38,660	-13,792	10,297	-1,110	-3,303	0	30,752
Segment assets	712,620	708,408	2,431,510	211,174	44,616	0	4,108,328
Segment liabilities	621,336	578,633	717,171	167,212	113,115	0	2,197,467
Additions of non-current assets in the period	4,386	65,117	187,996	920	728	0	259,147
Depreciation charge	7,193	14,939	8,851	346	759	0	32,088

Geographical Segment

In thousands of kroons

6 months 2009	Estonia	Lithuania	Latvia	Total
Sales outside of segment	3,102,031	17,970	65,996	3,185,997
Assets of segment according to location	6,051,084	10,190	884,251	6,945,525
Acquisition of fixed assets of segment in accounting period	21,191	0	591,308	612,499
2nd quarter 2009	Estonia	Lithuania	Latvia	Total
Sales outside of segment	1,608,030	10,079	43,285	1,661,394
Assets of segment according to location	6,051,084	10,190	884,251	6,945,525
Acquisition of fixed assets of segment in accounting period	21,278	0	574,609	595,887
6 months 2008	Estonia	Lithuania	Latvia	Total
Sales outside of segment	2,958,626	48,940	38,597	3,046,163
Assets of segment according to location	3,499,624	13,884	594,820	4,108,328
Acquisition of fixed assets of segment in accounting period	257,478	315	110,611	368,404
2nd quarter 2008	Estonia	Lithuania	Latvia	Total
Sales outside of segment	1,523,115	28,291	24,481	1,575,887
Assets of segment according to location	3,499,624	13,884	594,820	4,108,328
Acquisition of fixed assets of segment in accounting period	190,640	282	68,226	259,148

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 6 months of 2009 the Group has purchased and sold goods and rendered services as follows:

In thousands of kroons 6 months of 2009

	Purchases 6 months of 2009	Sales 6 months of 2009
Parent company	204	652
Other related companies	119,898	3,318
Affiliates	0	229
Total	120,102	4,199

Within first 6 months of 2008 the Group has purchased and sold goods and rendered services as follows:

In thousands of kroons, 6 months of 2008

	Purchases 6 months of 2008	Sales 6 months of 2008
Parent company	1,829	636
Other related companies	94,736	2,195
Affiliates	0	203
Total	96,565	3,034

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.

Loans granted to associates:

In thousands of kroons

	30 June 2009	31 December 2008
Balance at the beginning of the period (Note 9)	4,578	7,828
Repayments of loans received	0	-3,250
Balance at the end of the period (Note 9)	4,578	4,578

Tallinna Kaubamaja AS

Balances with related parties:

In thousands of kroons

	30 June 2009	31 December 2008
Parent company	74	194
Other related companies	233	1,845
Current receivables from affiliates	1,828	1,828
Total current receivables	2,135	3,867
Long-term receivables		
Long-term receivables from affiliates	2,750	2,750
Total receivables from related parties	4,885	6,617
Parent company	279	164
Other related companies	37,438	53,301
Total liabilities to related parties	37,717	53,465

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 6 months of 2009 the Tallinna Kaubamaja Group was earning 643 thousand kroons (2008: 630 thousand kroons) of interest revenue from keeping available funds in the group account. As of 30 June 2009 the group has paid interest on the use of the available funds of the Main Group in the amount of 189 thousand kroons (2008: 168 thousand kroons). The average 6 months of 2009 interest rate payable on the use of the available funds of the NG Investeeringud OÜ group account was 4.9% EEK and 0.71% EUR (2008: 5.0% 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.