

AS TALLINNA KAUBAMAJA

**Consolidated Interim Report
for the period 1 January – 30 September 2003**

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KEY DATA

The main activities of Tallinna Kaubamaja Group are retail and wholesale. The Group employs more than 1200 employees.

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

Legal address:	Gonsiori 2 10143 Tallinn Estonia
Commercial Registry No.:	10223439
Beginning of the financial year:	01.01.2003
End of the financial year:	31.12.2003
Beginning of the interim report:	01.01.2003
End of the interim report:	30.09.2003
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Signatures of the Management Board to the consolidated interim report for 9 months.

Signatures to consolidated interim report of Tallinna Kaubamaja AS for 9 months 2003 as at 30 September 2003 set out on pages 2-16.

Raul Puusepp
Member of the Management Board

30 October 2003

Management Report

The consolidated unaudited net sales of Tallinna Kaubamaja Group for the 9 months of 2003 were 1.23 billion kroons (78.9 million euros). The net sales of the comparable period last year was 1 billion kroons (68.6 million euros). The net sales increased by 15 per cent.

The consolidated unaudited net sales of the Group for Quarter 3 were 443 million kroons (28.3 million euros) that is 23 per cent higher than the net sales of the same period last year when the net sales were 361.3 million kroons (23 million euros).

The average sales area in the 9 months of 2003 was 31 960 sq m and within the same period last year 27 141 sq m, constituting an increase of 18 per cent.

The consolidated net profit of the Group for the 9 months of 2003 was 28.9 million kroons (1.9 million euros), amounting to 90 per cent of the net profit last year when the respective figure was 31.9 million kroons (2 million euros).

The consolidated net profit of the Group for Quarter 3 of 2003 was 15.8 million kroons (1 million euros) that is by 1.8 times higher than the net profit of the same period last year of 8.7 million kroons (0.6 million euros).

The biggest contribution to the increase of profit over Quarter 3 last year was made by Selver (40 per cent of the increase). The repositioning of the supermarket chain already initiated in 2002 whereby the price level was considerably reduced has been successfully communicated to customers via powerful marketing. Fair Days campaign of Selver has also proved popular. The increase in sales of Selver Cuisine has outperformed the overall increase of sales of the chain by 4 per cent due to wider assortment and advance ordering system. The number of purchases of the chain has increased by 1.6 times over the period.

The share of the increase in the Group profit of Tallinn and Tartu Department Stores was 31 per cent. Key elements to good results were good choice of autumn collections and early deliveries of goods by the beginning of the season. Launch of the Fashion Store in the Rocca al Mare Shopping Centre was a success.

Consolidated balance sheet

thousands EEK/EUR

		30.09.2003		31.12.2002	
		Group		Group	
ASSETS	Note	EEK	EUR	EEK	EUR
Current assets					
Cash and bank	1	45 917	2 935	34 258	2 189
Trade receivables	2	6 347	406	10 250	655
Other receivables	3	4 793	306	3 454	221
Accrued income	4	9	1	98	6
Prepaid expenses	5	2 889	185	7 611	486
Inventories	6	187 424	11 979	163 442	10 446
Total current assets		247 379	15 810	219 112	14 004
Non-current assets					
Long-term financial assets					
Investment in associated companies	7	4 905	314	3 943	252
Long-term receivables from associated companies	8	12 028	769	12 028	769
Total long-term financial assets		16 933	1 082	15 971	1 021
Tangible fixed assets					
Land and buildings		486 163	31 072	478 758	30 598
Plant and equipment		103 533	6 617	96 400	6 161
Fixtures and fittings		165 355	10 568	160 724	10 272
Accumulated depreciation		-236 629	-15 123	-197 662	-12 633
Unfinished buildings		4 612	295	2 936	188
Prepayment for fixed assets		1 293	83	1 588	101
Tangible fixed assets	9	524 328	33 511	542 744	34 688
Intangible assets	10	-1 055	-67	-1 384	-88
Total non-current assets		540 206	34 525	557 331	35 620
TOTAL ASSETS		787 584	50 336	776 443	49 624
LIABILITIES AND OWNERS' EQUITY					
Debt liabilities					
Customers advances for goods and services		2 956	189	3 648	233
Suppliers payables		138 874	8 876	148 158	9 469
Other payables	13	22 026	1 408	28 739	1 837
Total current liabilities		219 632	14 037	256 737	16 408
Long term debt liabilities	11	169 833	10 854	143 663	9 182
Total long debt liabilities		169 833	10 854	143 663	9 182
Total liabilities		389 464	24 891	400 400	25 590
Owners' equity					
Share capital	14	67 882	4 338	67 882	4 338
Statutory legal reserve		7 269	465	7 269	465
Revaluation reserve of fixed assets		153 425	9 806	156 490	10 002
Retained earnings		140 679	8 991	99 390	6 352
Net profit for the financial year		28 864	1 845	45 012	2 877
Total owners' equity		398 120	25 445	376 044	24 034
TOTAL LIABILITIES AND OWNERS' EQUITY		787 584	50 336	776 443	49 624

Consolidated income statement*thousands* EEK/EUR

	Note	2 003	2 003	2 002	2 002
		9 month	9 month	9 month	9 month
		EEK	EUR	EEK	EUR
Operating income					
Net sales	15	1 234 169	78 878	1 073 381	68 602
Other operating income	16	33 816	2 161	27 604	1 764
Total operating income		1 267 985	81 039	1 100 985	70 366
Operating expenses					
Cost of goods sold		-935 580	-59 794	-801 759	-51 242
Other operating expenses	17	-140 955	-9 009	-118 190	-7 554
Personnel expenses	18	-105 749	-6 759	-96 002	-6 136
Depreciation		-43 133	-2 757	-40 686	-2 600
Depreciation		-43 461	-2 778	-40 933	-2 616
Amortisation of goodwill		329	21	247	16
Other expenses		-6 822	-436	-5 071	-324
Total operating expenses		-1 232 239	-78 754	-1 061 708	-67 855
Operating profit	20	35 746	2 285	39 277	2 510
Financial income		1 900	121	2 396	153
Financial income on shares in associates	7	962	61	734	47
Interest income		938	60	1 662	106
Financial expenses		-8 782	-561	-9 743	-623
Interest expenses	19	-8 767	-560	-9 634	-616
Other financial expenses		-15	-1	-109	-7
NET PROFIT		28 864	1 845	31 930	2 041

Consolidated cash flow statement

		thousand EER/EUR			
	Note	2 003	2 003	2 002	2 002
		9 months	9 months	9 months	9 months
		EEK	EUR	EEK	EUR
CASH FLOW FROM OPERATING ACTIVITIES					
Net profit		28 864	1 845	31 930	2 041
Depreciation		43 133	2 757	40 686	2 600
Profit/loss from sale and liquidation on non-current assets		-134	-9	-1 434	-92
Impact of equity method	7	-962	-61	-734	-47
Interest expenses		-938	-60	9 634	616
Interest income	19	8 767	560	-1 662	-106
Change in inventories		-23 982	-1 533	-1 453	-93
Change in receivables		7 286	466	1 389	89
Change in liabilities		-17 965	-1 148	-6 100	-390
NET CASH FLOW FROM OPERATING ACTIVITIES:		44 069	2 817	72 256	4 618
CASH FLOW FROM INVESTING ACTIVITIES					
Fixed assets acquired and renovated (excl finance lease)	9	-25 225	-1 612	-91 179	-5 827
Tangible fixed assets sold	9	314	20	8 993	575
Interest received		1 027	66	1 687	108
NET CASH FLOW FROM INVESTING ACTIVITIES:		-23 884	-1 526	-80 500	-5 145
CASH FLOW FROM FINANCING ACTIVITIES					
Loans received and bonds issued	11	39 959	2 554	89 982	5 751
Repayment of loans and redemption of bonds	11	-31 807	-2 033	-37 017	-2 366
Finance lease payments	12	-2 398	-153	-1 257	-80
Dividends paid		-6 788	-434	-67 882	-4 338
Interest paid		-7 491	-479	-8 585	-549
CASH FLOW FROM FINANCING ACTIVITIES:		-8 525	-545	-24 758	-1 582
TOTAL CASH FLOW		11 659	745	-33 003	-2 109
Cash and cash equivalents at the beginning of period	1	34 258	2 189	76 199	4 870
Cash and cash equivalents at the end of period	1	45 917	2 935	43 196	2 761
Change in cash and cash equivalents		11 659	745	-33 003	-2 109

Statement of changes in equity

thousand EEK							
		Share capital	Revaluation reserve	Reserves	Retained earnings	Profit for The financial year	Total
31.12.2001		67 882	160 964	7 269	127 040	35 758	398 913
Retained earnings of 2001		0	0		35 758	-35 758	0
Dividends					-67 882		-67 882
Revaluation reserve of fixed assets		0	-4 474	0	4474	0	
Profit for the financial year		0	0	0	0	45 012	45 012
31.12.2002		67 882	156 490	7 269	99 390	45 012	376 044
Retained earnings of 2002		0	0	0	45 012	-45 012	0
Dividends		0	0	0	-6 788		-6 788
Revaluation reserve of fixed assets		0	-3 065	0	3 065	0	0
Profit for the financial year		0	0	0	0	28 864	28 864
30.09.2003		67 882	153 425	7 269	140 679	28 864	398 120

thousand EUR							
		Share capital	Revaluation reserve	Reserves Revaluation	Retained earnings Retained earnings	Profit for The financial year	Total
31.12.2001		4 338	10 287	465	8 119	2 285	25 495
Retained earnings of 2001		0	0		2 285	-2 285	0
Dividends					-4 338		-4 338
Revaluation reserve of fixed assets		0	-286	0	286	0	
Profit for the financial year		0	0	0	0	2 877	2 877
31.12.2002		4 338	10 002	465	6 352	2 877	24 034
Retained earnings of 2002		0	0	0	2 877	-2 877	0
Dividends		0	0	0	-434		-434
Revaluation reserve of fixed assets		0	-196	0	196	0	0
Profit for the financial year		0	0	0	0	1 845	1 845
30.09.2003		4 338	9 806	465	8 991	1 845	25 445

Accounting methods and principles used in preparing the consolidated interim report

The consolidated Interim Report has been prepared in accordance with the Accounting Act of the Republic of Estonia, the “Guidelines for Preparing and Submitting Interim Reports” of the Accounting Board as well as the requirements of the International Accounting Standards (IAS) on abbreviated interim report. The Interim Report has been prepared based on the same accounting principles applied in the Annual Report for the year ended on 31 December 2002.

In the opinion of the Management Board of AS Tallinna Kaubamaja, the consolidated Interim Report for 9 months of 2003 gives a true and fair view of results of the company’s operations in accordance with the principle of going concern. This Interim Report has not been audited or otherwise checked by auditors.

The Interim Report has been prepared in thousands of kroons.

Note 1 Cash and bank

	30.09.2003	31.12.2002
Cash in hand	1 286	1 378
Bank accounts	6 834	8 590
Cash in transit	3 297	7 290
The shares of money market fund	34 500	17 000
Total cash and bank	45 917	34 258

Note 2 Trade receivables

	30.09.2003	31.12.2002
Trade receivables	6 347	10 250
Total trade receivables	6 347	10 250

Note 3 Other receivables

	30.09.2003	31.12.2002
Supplier bonuses	3 185	2 826
Other short-term receivables	1 608	628
Total other receivables	4 793	3 454

Note 4 Accrued income

The interest receivables in amount of 9 thousand kroons (2002:98 thousand kroons) are recorded as accrued income as at the balance sheet date.

Note 5 Prepaid expenses

	30.09.2003	31.12.2002
Other prepaid expenses	705	387
Prepaid membership fees	214	351
Prepaid insurance fees	171	25
VAT liability	1 669	6 733
Maintenance of software licenses	130	115
Total prepaid expenses	2 889	7 611

Note 6 Inventories

	30.09.2003	31.12.2002
Merchandise for resale	185 519	155 101
Raw materials	1 905	2 955
Prepayment to suppliers	0	5 386
Total inventories	187 424	163 442

Note 7 Shares of associated companies

Associated companies	Location	Activity	Share
AS Rävala Parkla	Narva mnt. 63	Parking service	50%

AS Rävala Parkla

Book value at the end of year 2002	3 943
Income from equity method in the reporting year	962
Book value at the end of the period	4 905

Owners' equity of associated company as at 30 September 2003

AS Rävala Parkla

Share capital	10 000
Share premium	3 000
Retained earnings	-5 123
Statutory legal reserve	10
Profit for the financial year	1 924
Total owners' equity	9 811
Share of Tallinna Kaubamaja in owners' equity	4 905

Note 8 Other long-term receivables

	30.09.2003	31.12.2002
Associated company AS Rävala Parkla	12 028	12 028
Total long-term receivables	12 028	12 028

Note 9 Fixed assets

thousand EEK

	Land and buildings	Plant and equipment	Fixtures and fittings	Prepayments for fixed assets	Unfinished buildings	Total
Acquisition cost 31 December 2002	478 758	96 400	160 724	1 588	2936	740 406
Accumulated depreciation 31 December 2002	-26 089	-53 286	-118 287	0	0	-197 662
Residual value 31 December 2002	452 669	43 114	42 437	1 588	2 936	542 744
Additions	7 405	7 958	8 564	1 593	1 676	27 196
Incl. From prepayments				-1 887		-1 887
Sales and disposals at residual value		-132	-132			-264
Depreciation calculated	-13 258	-13 428	-16 775			-43 461
Residual value 30 September 2003	446 816	37 513	34 094	1 293	4 612	524 328
Acquisition cost 30 September 2003	486 163	103 533	165 355	1 293	4 612	760 956
Accumulated depreciation 30 September 2003	-39 347	-66 020	-131 262	0	0	-236 629
Residual value 31 December 2002 as eliminated revaluation of fixed assets	296 179	43 114	42 437	2 936	1 588	386 254
Residual value 30 September 2003 as eliminated revaluation of fixed assets	293 391	37 513	34 094	1 293	4 612	370 903

During the report period additional equipment and fittings for the salesroom were bought for 16 522 th. kroons, including investment into fashion store in Rocca al Mare shopping center in the amount of 4 400 th. kroons and investment into cash register system in the amount of 4 585 th. kroons. The Group buildings and salesrooms were renovated for 7 405 th. kroons.

Note 10 Intangible assets

Goodwill in the amount of 698 th. kroons was incurred in the purchase of shares of AS Tartu Kaubamaja in 1998.

Negative goodwill in the amount of 2 228 th. kroons was incurred in the additional purchase of shares of AS Tartu Kaubamaja in 2001. Negative goodwill will be depreciated to the income during the 5 year period.

Goodwill	
Acquisition cost 31 December 2002	23
Amortisation calculated in 9 month	-23
Acquisition cost 30 September 2003	0

Negative goodwill	
Acquisition cost 31 December 2002	- 1 407
Amortisation calculated in 9 month	352
Acquisition cost 30 September 2003	-1 055
Total goodwill as at 31 December 2002	-1 384
Total goodwill as at 30 September 2003	-1 055

Note 11 Debt liabilities

Current debt liabilities	30.09.2003	31.12.2002
Short-term bonds	41 092	30 068
Loans	13 856	42 857
Finance lease (see Note 12)	828	3 226
Overdraft	0	41
Total short-term debt liabilities	55 776	76 192
Long-term debt liabilities	30.09.2003	31.12.2002
Loans	97 327	71 157
Finance lease	37 506	37 506
Long-term bonds	35 000	35 000
Total long-term debt liabilities	169 833	143 663

Liabilities movements:

Opening balance 31 December 2002	179 123
Loans received	
Bank loans	39 959
Total loans received	39 959
Loans paid	
Bank loans	31 807
Total loans paid	31 807
Final balance 30 September 2003	187 275

Note 12 Finance lease

Company as the lessee

As of 30.09.2003 the group rents under the financial lease assets from Viiburi Kinnisvara AS with the cost of 36 702 thousand kroons (as of 31.12.2002 39 909 thousand kroons).

The group leases the following assets under the financial lease:

30 September 2003	Buildings	Total
Acquisition cost	42 760	42 760
Accumulated depreciation	2 851	6 058
Depreciation calculated in 30 September 2003	3 207	3 207

Finance lease liability:

30 September 2003	Loan balance	Up to 1 year	Incl. 1-5 year
A-Selver AS	38 334	828	37 506
Total	38 334	828	37 506

Minimum amount of lease payments 38 334

	9 months in 2003	9 months in 2002
Payments of reporting period	2 398	1 257
Interest expenses of reporting period	2 083	353

Note 13 Other short-term payables

	30.09.2003	31.12.2002
VAT	1 548	6 962
Personal income tax	3 210	3 012
Social tax	5 192	4 863
Fringe benefit tax	60	293
Unemployment insurance	220	206
Funded pensions	128	108
Payables to employees	10 301	10 425
Interest payable	1 345	70
Other accrues expenses	22	2 800
Total	22 026	28 739

Note 14 Share capital

The share capital of 67 882 th.kroons was divided into 6 788 200 common shares with a nominal value of 10 kroons. According the Articles of Association the maximum amount of share capital allowed is 271 528 th. kroons

In 27 June 2003 dividends in the amount of 6 788 th. kroons have been paid.

Note 15 Net sales

	9 months 2003	9 months 2002	Q3 2003	Q3 2002
Retail sale	1 227 657	1 063 243	441 041	358 086
Wholesale	5 484	8 393	1 535	2 583
Sales of service and catering	1 028	1 745	393	668
Total	1 234 169	1 073 381	442 969	361 337

Note 16 Other revenue

	9 months 2003	9 months 2002	Q3 2003	Q3 2002
Income from lease	24 367	18 448	6 954	7 149
Income from sale of fixed assets	148	1 533	21	3
Other revenue	9 268	7 567	4 057	2 477
Income from currency exchange	33	56	4	8
Total	33 816	27 604	11 036	9 637

Note 17 Other operating expenses

	9 months 2003	9 months 2002	Q3 2003	Q3 2002
Lease expenses	41 425	34 822	14 869	11 708
Maintenance expenses	11 837	11 204	3 690	3 977
Advertising expenses	25 919	15 985	9 105	5 297
Bank fees	7 418	7 290	2 506	2 454
Security expenses	8 597	7 163	2 910	2 471
Heat and electricity	15 653	11 121	5 179	3 998
Materials	10 977	11 479	3 734	3 947
Computers and communications	8 486	6 763	2 997	2 344
Traveling expenses	2 321	2 238	874	700
Training expenses	1 996	2 176	488	1 247
Insurance expenses	390	293	131	65
Other operating expenses	5 936	7 656	1 206	1 319
Total	140 955	118 190	47 689	39 527

Note 18 Personnel expenses

	9 months 2003	9 months 2002	Q3 2003	Q3 2002
Salary expenses	79 055	71 815	28 122	23 730
Social tax	26 694	24 187	9 513	8 016
Total	105 749	96 002	37 635	31 746

	9 months 2003	9 months 2002	Q3 2003	Q3 2002
Average monthly salary expenses per employee (kroons)	6 889	6 694	7 627	6 575
Average number of employees in the reporting period	1 275	1 192	1 229	1 203

Note 19 Interest expenses

	9 months 2003	9 months 2002	Q3 2003	Q3 2002
Bank loans	4 054	5 430	988	2 337
Finance lease	2 083	1 088	680	735
Bonds	2 533	3 059	892	1 020
Other interests	97	57	97	30
Total	8 767	9 634	2 657	4 122

Note 20 Operating profit

Operating profit includes following write-down of inventories:

	9 months 2003	9 months 2002	Q3 2003	Q3 2002
Write-down and write-off of inventories	8 879	8 773	3 828	4 632
Shortage of stock count	5 386	4 608	2 904	2 426
Total	14 265	13 381	6 732	7 058

Note 21 Transactions with related parties

During 9 months of 2003 AS Tallinna Kaubamaja has purchased and sold its goods and rendered services from subsidiaries as following:

	Purchases 9 months 2003	Sales 9 months 2003	Purchases Q3 2003	Sales Q3 2003
AS A Selver	4 232	20 326	1 288	6 584
AS Tartu Kaubamaja	1 389	8 448	329	2 963
AS Tallinna Kaubamaja Kinnisvara AS	26 007	2 201	8 669	661
Total	31 628	30 975	10 226	10 208

Balances with related parties:

	30.09.2003	31.12.2002
Current receivables		
AS A-Selver	587	37 173
AS Tartu Kaubamaja	451	346
AS Tallinna Kaubamaja Kinnisvara	12	29 006
Total current receivables	1 050	66 525
Non-current receivable R�vala Parkla	12 028	12 028
Current liabilities		
AS A-Selver	345	341
AS Tartu Kaubamaja	57	222
Total current liabilities	402	563

Tartu Kaubamaja AS, AS A-Selver and Tallinna Kaubamaja Kinnisvara AS have become the members of a joint bank account of Tallinna Kaubamaja AS. This group of companies have subsequently as a subgroup joined the joint bank account of AS NG Investeeringud (hereafter the main group), which also includes the following companies as members: AS Albino, AS Liviko, Liviko Kaubanduse AS, AS Kitman, AS NG Kapital, AS  hendatud Kapital and Rocca al Mare Kaubanduskeskuse AS. Starting from the autumn of 2001 Tallinna Kaubamaja Group's available cash resources have been placed at the custody of the main group at a maximum level of 10 million kroons, earning yearly interest of 5,75%. During the 9 months of year 2003 Tallinna Kaubamaja Group's interest income from the placement of available cash resources was 99 thousand kroons (in 9 months of 2002 638 kroons). As of 30 September 2003 Tallinna Kaubamaja Group had no receivables or payables to the main group at the balance sheet. According to the agreement of joint bank account the members of the group have a joint liability over the unpaid balances to the bank.

The management of Tallinna Kaubamaja estimate the prices used in related party transactions do not materially differ from the market prices.