

AS TALLINNA KAUBAMAJA

Consolidated Interim Report for the first quarter of 2004

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KEY DATA

The main activities of Tallinna Kaubamaja Group are retail and wholesale. The Group employs more than 1300 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:	01.01.2004
End of the financial year:	31.12.2004
Beginning of the interim report:	01.01.2004
End of the interim report:	31.03.2004
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Signatures of the Management Board to the consolidated interim report for the first quarter of 2004.

Signatures to consolidated interim report of Tallinna Kaubamaja AS for the first quarter of 2004 as at 31 March 2004 set out on pages 3-15

Raul Puusepp
Member of the Management Board

13 April 2004

Management Report

The consolidated unaudited net sales of Tallinna Kaubamaja Group for the 1st Quarter 2004 were 433 million kroons (27.7 million euros). The net sales of the comparable period of last year were 364.7 million kroons (23.3 million euros).

The average sales area in the 1st Quarter 2004 was 34 315 sq m and within the same period last year 31 640 sq m.

The increase in net sales of the Group in the 1st quarter of 2004 was 18.7 per cent and the increase in sales area was 8.5 per cent. Thus, the increase in sales was more than twice as big as the increase in sales area.

The increase in sales of the Group was mostly influenced by the Selver Chain: the increase in sales of A-Selver was up to 26 per cent. Above average combined increase in sales per sales area – 31 per cent - was seen in five Selvers opened in 2002: Mai (in Pärnu), Krooni (in Rakvere), Männimäe (in Viljandi), Merimetsa and Torupilli Selvers (last two in Tallinn). This is an indication that the new Selvers have successfully finished the working-up-period and found their customer base. It also shows that the position of the Selver chain has considerably improved outside Tallinn.

The increase in sales of the department store sector (Tallinna Kaubamaja, Tartu Kaubamaja, Rocca al Mare Fashion Store) for the 1st Quarter was 7 per cent over the same period last year. A quarter of the growth is attributable to Rocca al Mare Fashion Store (that was opened in August 2003). A positive effect was gained from pre-opening sales of new brands of Menswear and Womenswear Departments that were introduced with the extension of Kaubamaja (opened on 15th of April) and a sharp increase in brand promotions in cooperation with suppliers of the Beauty Department prior to extension.

The consolidated net profit of the Group for the 1st Quarter of 2004 was 7.2 million kroons (0.5 million euros). The net result is an increase of 8.4 million kroons (0.5 million euros) over the comparable period when the net loss of the Group was 1.2 million kroons (0.07 million euros).

Consolidated balance sheet

thousands EEK/EUR

		31.03.2004		31.12.2003	
		Group		Group	
ASSETS	Note	EEK	EUR	EEK	EUR
Current assets					
Cash and bank	1	14 712	940	73 311	4 685
Trade receivables	2	5 164	330	8 419	538
Other receivables	3	6 322	404	4 159	266
Accrued income	4	0	0	33	2
Prepaid expenses	5	6 410	410	2 136	137
Inventories	6	185 858	11 879	175 971	11 247
Total current assets		218 467	13 963	264 029	16 875
Non-current assets					
Long-term financial assets					
<i>Investment in associated companies</i>	7	5 636	360	5 427	347
<i>Long-term receivables from associated companies</i>	8	12 028	769	12 028	769
<i>Total long-term financial assets</i>		17 664	1 129	17 455	1 116
Tangible fixed assets					
<i>Land and buildings</i>		501 344	32 042	487 343	31 147
<i>Investment in associated companies</i>	9	555 093	35 477	528 234	33 760
<i>Long-term receivables from associated companies</i>	10	-821	-52	-938	-60
<i>Total long-term financial assets</i>		571 936	36 553	544 751	34 816
Tangible fixed assets		790 403	50 516	808 779	51 690
LIABILITIES AND OWNERS' EQUITY					
Debt liabilities	11,12	46 800	2 991	50 653	3 237
Customers advances for goods and services		3 416	218	4 820	308
Suppliers payables		153 880	9 835	163 562	10 453
Other payables	13	24 727	1 580	35 384	2 261
Total current liabilities		228 823	14 624	254 419	16 260
Long term debt liabilities	11,12	119 029	7 607	119 029	7 607
Total long debt liabilities		119 029	7 607	119 029	7 607
Total liabilities		347 852	22 232	373 449	23 868
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		150 994	9 650	152 016	9 716
Retained earnings		209 185	13 369	142 088	9 081

Net profit for the financial year	7 219	461	66 075	4 223
Total owners' equity	442 550	28 284	435 331	27 823
TOTAL LIABILITES AND QWNERS' EQUITY	790 403	50 516	808 779	51 690

Consolidated income statement

thousands EEK/EUR

		2004 1 st quarter Group		2003 1 st quarter Group	
	Note	EEK	EUR	EEK	EUR
Operating income		433			
Net sales	15	054	27 677	364 718	23 310
Other operating income	16	10 478	670	11 503	735
		-333		-278	
Cost of goods sold		141	-21 292	394	-17 793
Other operating expenses	17	-49 208	-3 145	-46 329	-2 961
Personnel expenses	18	-38 767	-2 478	-32 340	-2 067
Depreciation	9	-12 800	-818	-14 812	-947
Amortisation of goodwill	10	117	7	94	6
Other expenses		-956	-61	-3 049	-195
		-434		-374	
Total operating expenses		755	-27 786	830	-23 956
Operating profit		8 777	561	1 391	89
Financial income and expenses					
Financial income and expenses on shares in associates	7	209	13	286	18
Interest income and expenses		-1 576	-101	-2 830	-181
Other financial income and expenses		-189	-12	-21	-1
Total financial income and expenses		-1 557	-100	-2 565	-164
NET PROFIT		7 219	461	-1 174	-75

Consolidated cash flow statement

		thousand EER/EUR			
		2 004		2 003	
		1 st quarter		1 st quarter	
	Note	Group		Group	
		EEK	EUR	EEK	EUR
CASH FLOW FROM OPERATING ACTIVITIES					
Adjustments for:					
Net profit		7 219	461	-1 174	-75
Interest expenses		1 980	127	3 097	198
Interest income		-403	-26	-267	-17
Depreciation	9	12 683	811	14 718	941
Profit/loss from sale and liquidation on non-current assets		-3	0	2	0
Impact of equity method	7	-209	-13	-286	-18
Change in inventories		-9 888	-632	-12 587	-804
Change in receivables		-3 183	-203	6 234	398
Change in liabilities		-22 168	-1 417	-36 003	-2 301
NET CASH FLOW FROM OPERATING ACTIVITIES:		-13 972	-893	-26 266	-1 679
CASH FLOW FROM INVESTING ACTIVITIES					
Fixed assets acquired and renovated (excl finance lease)	9	-39 659	-2 535	-5 484	-350
Interest received		436	28	279	18
Tangible fixed assets sold	9	3	0	13	1
NET CASH FLOW FROM INVESTING ACTIVITIES:		-39 220	-2 507	-5 192	-332
CASH FLOW FROM FINANCING ACTIVITIES					
Loans received and bonds issued		0	0	29 981	1 916
Repayment of loans and redemption of bonds	12	-3 011	-192	-6 668	-426
Finance lease payments	13	-842	-54	-786	-50
Interest paid		-1 554	-99	-2 671	-171
CASH FLOW FROM FINANCING ACTIVITIES:		-5 408	-346	19 857	1 269
TOTAL CASH FLOW		-58 600	-3 745	-11 601	-741
Cash and cash equivalents at the beginning of period	1	73 311	4 685	34 258	2 189
Cash and cash equivalents at the end of period	1	14 712	940	22 657	1 448
Change in cash and cash equivalents		-58 600	-3 745	-11 601	-741

Statement of changes in equity

thousand EEK							
	Share capital	Revaluation reserve	Reserves	Retained earnings	Profit for The financial year	Total	
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	0	-6 788	
Revaluation reserve of fixed assets	0	-4 474	0	4474	0		
Profit for the financial year	0	0	0	0	66 075	66 075	
31.12.2003	67 882	152 016	7 269	142 089	66 075	435 330	
Retained earnings of 2003	0	0	0	66 075	-66 075	0	
Revaluation reserve of fixed assets	0	-1 119	0	1 119	0	0	
Profit for the financial year	0	0	0	0	7 219	7 219	
31.03.2004	67 882	150 897	7 269	209 282	7 219	442 550	

thousand EUR							
	Share capital	Revaluation reserve	Reserves	Retained earnings	Profit for The financial year	Share capital	
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	0	-434	
Revaluation reserve of fixed assets	0	-286	0	286	0		
Profit for the financial year	0	0	0	0	4 223	4 223	
31.12.2003	4 338	9 716	465	9 081	4 223	27 823	
Retained earnings of 2003	0	0	0	4 223	-4 223	0	
Revaluation reserve of fixed assets	0	-71	0	71	0	0	
Profit for the financial year	0	0	0	0	461	461	
31.03.2004	4 338	9 644	465	13 376	461	28 284	

Detailed information about owners' equity and changes in equity see Note 14.

Notes for consolidated interim report

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 34) 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 2003.

In the opinion of the Management Board of AS Tallinna Kaubamaja, the consolidated Interim Report for first quarter of 2004 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

	31.03.2004	31.12.2003
Cash in hand	1 288	1 751
Bank accounts	5 048	29 905
Cash in transit	3 376	7 655
The shares of money market fund	5 000	34 000
Total cash and bank	14 712	73 311

Note 2 Trade receivables

	31.03.2004	31.12.2003
Trade receivables	5 164	9 007
Allowance for doubtful receivables	0	-588
Total trade receivables	5 164	8 419

Note 3 Other receivables

	31.03.2004	31.12.2003
Supplier bonuses	3 344	3 725
Other short-term receivables	2 978	434
Total other receivables	6 322	4 159

Note 4 Accrued income

The interest receivables in amount of 0 kroons (2003:33 thousand kroons) are recorded as accrued income as at the balance sheet date.

Note 5 Prepaid expenses

	31.03.2004	31.12.2003
Other prepaid expenses	955	524
Prepaid membership fees	298	400
Prepaid insurance fees	628	797
Maintenance of software licenses	485	117
VAT liability	4 044	238
Total prepaid expenses	6 410	2 136

Note 6 Inventories

	31.03.2004	31.12.2003
Merchandise for resale	183 572	166 922
Raw materials	2 286	2 642
Prepayment to suppliers	0	6 407
Total inventories	185 858	175 971

Note 7 Shares of associated companies

Associated companies	Location	Activity	Share
AS Rävåla Parkla	Narva mnt. 63	Parking service	50%
<hr/>			
Book value at the end of year		5 427	
Income from equity method in the reporting year		209	
Book value at the end of the period		5 636	

Owners' equity of associated company as at 31 March 2004

AS Rävåla Parkla	
Share capital	10 000
Share premium	3 000
Statutory legal reserve	120
Retained earnings	-2 266
Profit for the financial year	417
Total owners' equity	11 271
Share of Tallinna Kaubamaja in owners' equity	5 636

Note 8 Other long-term receivables

	31.03.2004	31.12.2003
Associated company AS Rävåla 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 and fittings	Fixtures for fixed assets	Prepayments for fixed assets	Unfinished buildings	Total
31.12.2003						
Acquisition cost	487 343	101 862	165 416	5 716	9858	770 195
Accumulated depreciation	-43 729	-67 511	-130 721	0	0	-241 961
Residual value	443 614	34 351	34 695	5 716	9 858	528 234
Additions	14 002	5 647	2 945	18 209	-1 144	39 659
Incl. From prepayments	848	674	262	-1 784		0
Sales and disposals at residual value		-2 260	-28 824			-31 084
Depreciation from sale and liquidation on non-current assets		2 260	28 824			31 084
Depreciation calculated	-4 499	-4 093	-4 209			-12 800
31.03.2004						
Residual value	453 117	35 905	33 431	23 925	8 714	555 093
Acquisition cost	501 344	105 249	139 537	23 925	8 714	778 770
Accumulated depreciation	-48 228	-69 344	-106 106	0	0	-223 678
Residual value 31.03.2004 as eliminated						
revaluation of fixed assets	302 123	35 905	33 431	23 925	8 714	404 099
Residual value 31.12.2003 as eliminated						
revaluation of fixed assets	291 598	34 351	34 695	5 716	9 858	376 218

During the report period improvement upgrades and repairs to group buildings was made amounting to 7 802 thousand kroons, including repairs and renovations to Kaubamaja in the amount of 4 476 th. kroons, repairs to Selveri Kõök and enlargement to Tondi Selver in the amount of 3 325 th. kroons. Real Estate in Sõle 51 with the value of 6 200 th. kroons was purchased. Additional equipment and fittings for the salesrooms were bought for 6 800 th. kroons. A new cash registering system was purchased for Tartu Kaubamaja. The total investment was 1 792 th. kroons.

Note 10 Intangible assets

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
Residual value 31.12.2003	-938
Amortisation calculated in 1 st quarter of 2004	117
Residual value 31.03.2004	-821

Note 11 Debt liabilities

Current debt liabilities	31.03.2004	31.12.2003
Short-term bonds	35 000	35 000
Loans	9 183	12 194
Finance lease (see Note 12)	2 617	3 459
Total short-term debt liabilities	46 800	50 653
Long-term debt liabilities	31.03.2004	31.12.2003
Loans	84 983	84 983
Finance lease (see Note 12)	34 046	34 046
Total long-term debt liabilities	119 029	119 029

Liabilities movements:

Opening balance 31.12.2003	169 682
Loans paid	
Bank loans	3 011
Total loans paid	3 011
Final balance 31.03.2004	166 671

Note 12 Finance lease

Company as the lessee

As of 31.03.2004 the group rents under the financial lease assets from Viiburi Kinnisvara AS with the cost of 34 564 thousand kroons (as of 31.12.2003 35 633 thousand kroons).

Finance lease liability:

31 March 2004	Loan balance	Up to 1 year	Incl. 1-5 year
A-Selver AS	36 663	2 617	34 046
Total	36 663	2 617	34 046
Minimum amount of lease payments	36 663		
	1st quarter 2004	1st quarter 2003	
Payments of reporting period	842	786	
Interest expenses of reporting period	652	708	

The group leases the following assets under the financial lease:

31 March 2004	Buildings
Acquisition cost	42 760
Accumulated depreciation	-8 196
Incl Depreciation calculated in 1 st quarter of 2004	-1 069
Residual value	34 564

Note 13 Other short-term payables

	31 March 2004	31 December 2003
VAT	802	9 143
Personal income tax	3 544	3 793
Social tax	6 067	6 514
Fringe benefit tax	37	150
Unemployment insurance	254	262
Funded pensions	213	102
Payables to employees	12 508	14 535
Interest payable	500	75
Other accrues expenses	802	810
Total	24 727	35 384

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 number of shares allowed is
271 528 th. kroons

Note 15 Net sales

	1st quarter 2004	1st quarter 2003
Retail sale	430 349	362 402
Wholesale	2 179	1 974
Sales of service and catering	526	342
Total	433 054	364 718

Note 16 Other revenue

	1st quarter 2004	1st quarter 2003
Income from lease	7 425	8 941
Income from sale of fixed assets	3	5
Other revenue	3 044	2 545
Income from currency exchange	6	12
Total	10 478	11 503

Note 17 Other operating expenses

	1st quarter 2004	1st quarter 2003
Lease expenses	14 164	14 335
Maintenance expenses	4 443	4 047
Advertising expenses	7 549	8 169
Bank fees	2 551	2 270
Security expenses	2 924	2 616
Heat and electricity	6 169	5 631
Materials	4 289	3 152
Computers and communications	2 821	2 796
Traveling expenses	1 026	800
Training expenses	1 347	608
Insurance expenses	186	128
Other operating expenses	1 739	1 777
Total	49 208	46 329

Note 18 Personnel expenses

	1st quarter 2004	1st quarter 2003
Salary expenses	29 001	24 181
Social tax	9 766	8 159
Total	38 767	32 340

	1st quarter 2004	1st quarter 2003
Average monthly salary expenses per employee (kroons)	7 198	6 125
Average number of employees in the reporting period	1 343	1316

Note 19 Interest expenses

	1st quarter 2004	1st quarter 2003
Bank loans	903	1 594
Finance lease	651	708
Bonds	425	795
Total	1 979	3 097

Note 20 Operating profit

Operating profit includes following write-down of inventories:

	1st quarter 2004	1st quarter 2003
Write-down and write-off of inventories	2 005	1 850
Shortage of stock count	1 535	461
Total	3 540	2 311

Note 21 Transactions with related parties

During 1st quarter of 2004 AS Tallinna Kaubamaja has purchased and sold its goods and rendered services from subsidiaries as following:

	Purchases 1 st quarter 2004	Sales 1 st quarter 2004	Purchases 1 st quarter 2003	Sales 1 st quarter 2003
AS A Selver	1 728	7 922	1 521	6 947
AS Tartu Kaubamaja	622	2 849	486	2 861
AS Tallinna Kaubamaja Kinnisvara AS	9 007	1 125	8 669	880
Total	11 357	11 896	10 676	10 688

Balances with related parties:

	31.03.2004	31.12.2003
Current receivables		
AS A-Selver	1 150	49 865
AS Tartu Kaubamaja	571	451
AS Tallinna Kaubamaja Kinnisvara	23	39
Total current receivables	1 744	50 355
Non-current receivable R��vala Parkla	12 028	12 028
Current liabilities		
AS A-Selver	74	290
AS Tartu Kaubamaja	353	108
Total current liabilities	427	398

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 6,95%. During the first quarter of 2004 Tallinna Kaubamaja Group's interest income from the placement of available cash resources was 192 thousand kroons (in the first quarter of 2003 0 kroons). As of 31 March 2004 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.