

AS TALLINNA KAUBAMAJA

Consolidated Interim Report for the first six month of 2004

TABLE OF CONTENTS

TABLE OF CONTENTS	2
KEY DATA	3
Management Report	4
Consolidated balance sheet	5
Consolidated income statement	5
Consolidated income statement	7
Consolidated cash flow statement	8
Statement of changes in equity	9
Notes for consolidated interim report	10
Accounting methods and principles used in preparing the consolidated interim report	10
Note 1 Cash and bank	11
Note 2 Trade receivables	11
Note 3 Other receivables	11
Note 4 Accrued income	11
Note 5 Prepaid expenses	11
Note 6 Inventories	12
Note 7 Shares of associated companies	12
Note 8 Other long-term receivables	12
Note 9 Fixed assets	13
Note 10 Intangible assets	13
Note 11 Debt liabilities	13
Note 12 Finance lease	14
Note 13 Other short-term payables	15
Note 14 Share capital	15
Note 15 Net sales	15
Note 16 Other revenue	15
Note 17 Other operating expenses	16
Note 18 Personnel expenses	16
Note 19 Interest expenses	16
Note 20 Operating profit	17
Note 21 Transactions with related parties	17

KEY DATA

The main activities of Tallinna Kaubamaja Group are retail and wholesale. The Group employs more than 1400 employees.

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

Legal address:	Gonsiori t. 2 10143 Tallinn Eesti Vabariik
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:	30.06.2004
Phone:	37 26 673 200
Fax:	37 26 673 205
E-mail:	kaubamaja@kaubamaja.ee

Signatures to consolidated interim report of Tallinna Kaubamaja AS for the first six months of 2004 as at 30 June 2004 set out on pages 3-17

Raul Puusepp
Member of the Management Board

30 June 2004

Management Report

The consolidated unaudited net sales of Tallinna Kaubamaja Group for the 6 months of 2004 were 900.7 million kroons (57.6 million euros). The net sales of the comparable period last year were 791.2 million kroons (50.6 million euros). The net sales increased by 14 per cent.

The consolidated unaudited net sales of the Group for Quarter 2 were 467.6 million kroons (29.9 million euros) that is 10 per cent higher than the net sales of the same period last year when the net sales were 426.5 million kroons (27.3 million euros).

The sales of A-Selver increased by 18 per cent in Q2. One of the sources of the good result is a successful launch of Selvers opened during 2002. The biggest growth in sales was shown by Merimetsa Selver and Krooni Selver and Selver Cuisine with the respective growth figures of 62, 34 and 22 per cent.

In the department store sector the sales of Q2 amounted to 97 per cent of the sales last year. The reason lies in the thorough redesign of the shopping environment and the extension of Tallinna Kaubamaja to Viru Center. The departments moved and were closed during various periods. The opening of the renewed Tallinna Kaubamaja was held on 15th of April, the Home Department was opened 3 months later, i.e. on 15th of July. As a result the sales area of the department store increased by 1,5 times. The proportion of internationally well-known brands was considerably increased – as an example let us mention clothing brands S.Oliver, Tom Tailor, Marc Aurel and Mexx and beauty brands Chanel and Make Up Store – and the shopping environment was turned more entertaining and family-oriented. As a new service Kaubamaja offers personal shopping.

The average sales area in the 6 months of 2004 was 36 733 sq m and within the same period last year 32 035 sq m, constituting an increase of 15 per cent.

The consolidated net profit of the Group for the 6 months of 2004 was 13.7 million kroons (0.9 million euros), showing an increase of 5 per cent over the same period last year when the profit was 13.1 million kroons (0.8 million euros).

The consolidated net profit of the Group for Quarter 2 of 2004 was 6.5 million kroons (0.4 million euros), amounting to 46 per cent of the net profit last year when the respective figure was 14.2 million kroons (0.9 million euros).

One of the reasons of the decrease in profit was a sharp increase in the maintenance and personnel costs (increase by 1.5 and 1.3 times respectively) resulting from the extension of Tallinna Kaubamaja.

Consolidated balance sheet

		Thousand EEK/EUR			
		30.06.2004		31.12.2003	
		Group		Group	
ASSETS	Note	EEK	EUR	EEK	EUR
Current assets					
Cash and bank	1	8 684	555	73 311	4 685
Trade receivables	2	6 707	429	8 419	538
Other receivables	3	4 044	258	4 159	266
Accrued income	4	6	0	33	2
Prepaid expenses	5	7 674	490	2 136	137
Inventories	6	198 413	12 681	175 971	11 247
Total current assets		225 527	14 414	264 029	16 875
Non-current assets					
Long-term financial assets					
<i>Investment in associated companies</i>	7	5 789	370	5 427	347
Long-term receivables from associated companies	8	12 103	774	12 028	769
Total long-term financial assets		17 892	1 144	17 455	1 116
Tangible fixed assets	9	606 660	38 773	528 234	33 760
Intangible assets	10	-704	-45	-938	-60
Total non-current assets		623 849	39 871	544 751	34 816
TOTAL ASSETS		849 376	54 285	808 779	51 690
LIABILITIES AND OWNERS' EQUITY					
Debt liabilities					
Debt liabilities	11,12	101 580	6 492	50 653	3 237
Customers advances for goods and services		4 325	276	4 820	308
Suppliers payables		145 731	9 314	163 562	10 453
Other payables	13	29 643	1 895	35 384	2 261
Total current liabilities		281 280	17 977	254 419	16 260
Long term debt liabilities	11,12	119 029	7 607	119 029	7 607
Total long term debt liabilities		119 029	7 607	119 029	7 607
TOTAL LIABILITIES		400 309	25 584	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		149 973	9 585	152 016	9 716
Retained earnings		210 207	13 435	142 088	9 081
Net profit for the financial year		13 736	878	66 075	4 223
TOTAL OWNERS' EQUITY		449 067	28 701	435 331	27 823
TOTAL LIABILITIES AND OWNERS' EQUITY		849 376	54 285	808 779	51 690

Consolidated income statement

Thousand EEK/EUR

	Note	2004		2003	
		1 st six month Group		1 st six month Group	
		EEK	EUR	EEK	EUR
Operating income					
Net sales	15	900 649	57 562	791 199	50 567
Other operating income	16	23 292	1 489	22 780	1 456
Cost of goods sold		-683 833	-43 705	-599 388	-38 308
Other operating expenses	17	-109 829	-7 019	-93 266	-5 961
Personnel expenses	18	-82 770	-5 290	-68 114	-4 353
Depreciation	9	-27 267	-1 743	-29 284	-1 872
Amortisation of goodwill	10	235	15	211	14
Other expenses		-3 264	-209	-6 112	-391
Total operating expenses		-906 729	-57 951	-795 953	-50 871
Operating profit		17 213	1 100	18 027	1 152
Financial income and expenses					
Financial income and expenses on shares in associated companies	7	362	23	612	39
Interest income and expenses	19	-3 640	-233	-5 555	-355
Other financial income and expenses		-199	-13	-12	-1
Total financial income and expenses		-3 477	-222	-4 955	-317
NET PROFIT		13 736	878	13 072	835

Consolidated income statement

Thousand EEK/EUR					
	Note	2004 2 nd quarter Group		2003 2 nd quarter Group	
		EEK	EUR	EEK	EUR
Operating income					
Net sales	15	467 595	29 885	426 482	27 257
Other operating income	16	12 814	819	11 277	721
Cost of goods sold		-350 692	-22 413	-320 995	-20 515
Other operating expenses	17	-60 621	-3 874	-46 937	-3 000
Personnel expenses	18	-44 003	-2 812	-35 774	-2 286
Depreciation	9	-14 467	-925	-14 472	-925
Amortisation of goodwill	10	117	7	117	7
Other expenses		-2 308	-147	-3 063	-196
Total operating expenses		-471 974	-30 165	-421 123	-26 915
Operating profit		8 436	539	16 636	1 063
Financial income and expenses					
Financial income and expenses on shares in associated companies	7	154	10	326	21
Interest income and expenses	19	-2 063	-132	-2 725	-174
Other financial income and expenses		-10	-1	9	1
Total financial income and expenses		-1 920	-123	-2 390	-153
NET PROFIT		6 517	416	14 246	910

Consolidated cash flow statement

Thousand EEK/EUR

	Note	2 004		2 003	
		1 st six month		1 st six month	
		Group		Group	
		EEK	EUR	EEK	EUR
CASH FLOW FROM OPERATING ACTIVITIES					
Adjustments for:					
Net profit		13 736	878	13 072	835
Interest expenses		4 279	273	6 109	390
Interest income		-639	-41	-555	-35
Depreciation	9	27 032	1 728	29 073	1 858
Profit/loss from sale and liquidation on non-current assets		3	0	-115	-7
Impact of equity method	7	-362	-23	-612	-39
Change in inventories		-22 442	-1 434	1 577	101
Change in receivables		-3 711	-237	11 853	758
Change in liabilities		-24 917	-1 592	-43 026	-2 750
NET CASH FLOW FROM OPERATING ACTIVITIES:		-7 021	-449	17 377	1 111
CASH FLOW FROM INVESTING ACTIVITIES					
Fixed assets acquired and renovated (excl finance lease)	9	-105 930	-6 770	-17 358	-1 109
Interest received		666	43	559	36
Tangible fixed assets sold	9	235	15	246	16
NET CASH FLOW FROM INVESTING ACTIVITIES:		-105 029	-6 713	-16 553	-1 058
CASH FLOW FROM FINANCING ACTIVITIES					
Loans received and bonds issued		0	0	39 959	2 554
Repayments of loans and redemption of bonds	12	52 626	3 363	-29 326	-1 874
Finance lease payments	13	-1 699	-109	-1 585	-101
Dividends paid		0	0	-6 788	-434
Loans for associated companies		-75	-5	0	0
Interest paid		-3 429	-219	-5 259	-336
CASH FLOW FROM FINANCING ACTIVITIES:		47 423	3 031	-2 999	-192
TOTAL CASH FLOW		-64 627	-4 130	-2 175	-139
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	8 684	555	32 083	2 050
Change in cash and cash equivalents		-64 627	-4 130	-2 175	-139

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		45 012	-45 012	0
Dividends					-6 788		-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 earning of 2003		0	0	0	66 075	-66 075	0
		0	0	0			
Revaluation reserve of fixed assets		0	-2 044	0	2 044	0	0
Profit for the financial year		0	0	0	0	13 736	13 736
	30.06.2004	67 882	149 973	7 269	210 207	13 736	449 067

Thousands EUR

		Share capital	Revaluation reserve	Reserves	Retained earnings	Profit for the financial year	Total
	31.12.2002	4 338	10 002	465	6 352	2 877	24 034
Retained earnings of 2002		0	0		2 877	-2 877	0
Dividends					-434		-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
		0	0	0			
Revaluation reserve of fixed assets		0	-131	0	131	0	0
Profit for the financial year		0	0	0	0	878	878
	30.06.2004	4 338	9 585	465	13 435	878	28 701

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 six month 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

	30.06.2004	31.12.2003
Cash in hand	1 602	1 751
Bank accounts	3 066	29 905
Cash in transit	4 016	7 655
The shares of money market fund	0	34 000
Total cash and bank	8 684	73 311

Note 2 Trade receivables

	30.06.2004	31.12.2003
Trade receivables	6 707	9 007
Allowance for doubtful receivables	0	588
Total trade receivables	6 707	8 419

Note 3 Other receivables

	30.06.2004	31.12.2003
Supplier bonuses	3 268	3 725
Other short-term receivables	776	434
Total other receivables	4 044	4 159

Note 4 Accrued income

The interest receivables in amount of 6 thousand kroons (2003:33 thousand kroons) are recorded as accrued income as at the balance sheet date.

Note 5 Prepaid expenses

	30.06.2004	31.12.2003
Other prepaid expenses	770	524
Prepaid membership fees	371	400
Prepaid insurance fees	635	797
Maintenance of software licenses	332	177
VAT liability	5 566	238
Total prepaid expenses	7 674	2 136

Note 6 Inventories

	30.06.2006	31.12.2003
Merchandise for resale	195 252	166 922
Raw materials	3 161	2 642
Prepayment to suppliers	0	6 407
Total inventories	198 413	175 971

Note 7 Shares of associated companies

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

Book value at the end of year	5 427
Income from equity method in the reporting year	362
Book value at the end of the period	5 789

Owners' equity of associated company as at 30.06.2004

	AS Rävåla Parkla
Share capital	10 000
Share premium	3 000
Retained earnings	- 2 266
Statutory legal reserve	120
Profit for the financial year	724
Total owners' equity	11 578
Share of Tallinna Kaubamaja in owners' equity	5 789

Note 8 Other long-term receivables

	30.06.2004	31.12.2003
Associated company AS Rävåla Parkla	12 103	12 028
Total long-term receivables	12 103	12 028

Note 9 Fixed assets

	Thousands EEK					
	Land and buildings	Plant and equipment	Fixtures and fittings	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	24 101	23 957	38 959	2 678	16 236	105 930
Incl. From prepayments	848	674	262	-1 784		0
Sales and disposals at residual value	-6	-6 967	-35 805			-42 778
Depreciation from sale and liquidation on non-current assets		6 946	35 595			42 541
Depreciation calculated	-9 308	-8 630	-9 329			-27 267
31.03.2004						
Residual value	458 400	49 657	64 115	8 394	26 094	606 660
Acquisition cost	511 438	118 852	168 570	8 394	26 094	833 347
Accumulated depreciation	-53 037	-69 195	-104 455	0	0	-226 687
Residual value 30.06.2004 as eliminated revaluation of fixed assets	308 428	49 657	64 115	8 394	26 094	456 688
Residual value 31.12.2003 as eliminated revaluation of fixed assets	291 598	34 351	34 695	5 716	9 858	376 218
Residual value						

During the report period repairs to salesrooms was made amounting to 17 901 thousand kroons and real estate with the total value of 6 200 thousand kroons was purchased. Additional equipment and fittings for the salesrooms were bought for 63 215 thousand kroons. The main investments during the report period were, the enlargement of Tallinna Kaubamaja including additional equipment and fittings for salerooms with total value of 42 663 thousand kroons, equipment and fittings for Saare Selver in amount of 8 440 thousand kroons and enlargement of Selveri Köök with total value of 7944.

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 six month of 2004	234
Residual value 30.06.2004	704

Note 11 Debt liabilities

Current debt liabilities	30.06.2004	31.12.2003
Short-term bonds	35 000	35 000
Loans	6 154	12 194
Finance lease (see Note 12)	1 760	3 459
Overdraft	58 666	0
Total short-term debt liabilities	101 580	50 653

Long-term debt liabilities	30.06.2004	31.12.2003
Loans	84 983	84 983
Finance lease	34 046	34 046
Total long-term debt liabilities	119 029	119 029

Liabilities movements:

Opening balance 31.12.2003	169 682
Loans received	
Overdraft	58 666
Total loans received	58 666
Loans paid	
Bank loans	6 040
Total loans paid	6 040
Final balance 30.06.2004	222 308

Note 12 Finance lease

Company as the lessee

As of 30.06.2004 the group rents under the financial lease assets from Viiburi Kinnisvara AS with the cost of 35 633 thousand kroons (as of 31.12.2003 35 633 thousand kroons).

The group leases the following assets under the financial lease:

30.06.2004	Buildings
Acquisition cost	42 760
Accumulated depreciation	-9 265
Incl. Depreciation calculated in 1 st six month of 2004	-2 138
Residual value	33 495

Finance lease liability:

31 December 2003	Loan balance	Up to 1 year	Incl. 1-5 year	Over 5 years	Due date	Interest rate
A-Selver AS	37 505	3 459	16 452	17 594	08.02.2012	7%
Minimum amount of lease payments 37 505						

30 June 2004	Loan balance	Up to 1 year	Incl. 1-5 year	Over 5 years	Due date	Interest rate
A-Selver AS	35 806	1 760	16 452	17 594	08.02.2012	7%
Minimum amount of lease payments 35 806						

	1st six month 2004	1st six month 2003
Payments of reporting period	1 699	1 585
Interest expenses of reporting period	1 288	1 403

Note 13 Other short-term payables

	30 June 2004	31 December 2003
VAT	4 371	9 143
Personal income tax	3 829	3 793
Social tax	6 476	6 514
Fringe benefit tax	211	150
Payables to employees	12 440	14 535
Unemployment insurance	278	262
Funded pensions	210	102
Interest payable	925	75
Other accrues expenses	903	810
Total	29 643	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 six month 2004	1st six month 2003	2nd quarter 2004	2nd quarter 2003
Retail sale	895 710	786 616	465 362	424 215
Wholesale	3 968	3 949	1 789	1 914
Sales of service and catering	971	634	444	353
Total	900 649	791 199	467 595	426 482

Note 16 Other revenue

	1st six month 2004	1st six month 2003	2nd quarter 2004	2nd quarter 2003
Income from lease	17 514	17 413	10 089	8 472
Income from sale of fixed assets	13	127	10	122
Other revenue	5 748	5 211	2 704	2 666
Income from currency exchange	17	29	11	17
Total	23 292	22 780	12 814	11 277

Note 17 Other operating expenses

	1st six month 2004	1st six month 2003	2nd quarter 2004	2nd quarter 2003
Lease expenses	35 020	26 556	20 856	12 221
Maintenance expenses	11 662	8 147	7 219	4 100
Advertising expenses	16 269	16 814	8 720	8 645
Bank fees	5 432	4 912	2 881	2 642
Security expenses	6 078	5 687	3 154	3 071
Heat and electricity	11 825	10 474	5 656	4 843
Materials	7 756	7 243	3 467	4 091
Computers and communications	5 564	5 489	2 743	2 693
Travelling expenses	1 673	1 447	647	647
Training expenses	1 890	1 508	543	900
Insurance expenses	371	259	185	131
Other operating expenses	6 289	4 730	4 550	2 953
Total	109 829	93 266	60 621	46 937

Note 18 Personnel expenses

	1st six month 2004	1st six month 2003	2nd quarter 2004	2nd quarter 2003
Salary expenses	61 920	50 933	32 919	26 752
Social tax	20 850	17 181	11 084	9 022
Total	82 770	68 114	44 003	35 774

	1st six month 2004	1st six month 2003	2nd quarter 2004	2nd quarter 2003
Average monthly salary expenses per employee (kroons)	7 083	6 674	7 610	7 128
Average number of employees in the reporting period	1 457	1272	1 442	1 251

Note 19 Interest expenses

	1st six month 2004	1st six month 2003	2nd quarter 2004	2nd quarter 2003
--	-----------------------	-----------------------	---------------------	---------------------

Bank loans	1 788	3 066	885	1 473
Finance lease	1 288	1 403	637	695
Bonds	850	1 640	425	845
Other interest expenses	353	0	353	0
Interest income	639	555	237	288
Total interest income and expenses	-3 640	-5 554	- 2 063	- 2 725

Note 20 Operating profit

Operating profit includes following write-down of inventories:

	1st six month 2004	1st six month 2003	2nd quarter 2004	2nd quarter 2003
Write-down and write-off of inventories	5 537	5 051	3 532	3 201
Shortage of stock count	4 322	2 482	2 787	2 021
Total	9 859	7 533	6 319	5 222

Note 21 Transactions with related parties

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

	Purchases 1 st six month 2004	Sales 1 st six month 2004	Purchases 2 nd quarter 2004	Sales 2 nd quarter 2004
AS A Selver	3 161	15 981	1 426	8 112
AS Tartu Kaubamaja	1 022	5 709	400	2 743
AS Tallinna Kaubamaja Kinnisvara AS	15 513	2 220	6 557	1 095
Total	19 696	23 910	8 383	11 950

Balances with related parties:

	30.06.2004	31.12.2003
Current receivables		
AS A-Selver(1)	498	4 070
AS Tartu Kaubamaja(1)	192	391
AS Tallinna Kaubamaja Kinnisvara(1)	16	76
AS NG Investeeringud(3)	6	3
Total current receivables	712	4 540
Non-current receivable Rävälä Parkla	12 103	12 028
Current liabilities		
AS A-Selver(1)	229	2 022
AS Tartu Kaubamaja(1)	149	161
AS Liviko(2)	483	330
AS Balbiino(2)	226	204
AS Kitman(2)	76	2
Total current liabilities	1 163	2 719

- (1) Subsidiary
- (2) Related through joint owner
- (3) Parent company

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 Balbino, AS Liviko, Liviko Kaubanduse AS, AS Kitman, AS NG Kapital, AS Ühendatud 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%. As of 30 June 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.