

AS TALLINNA KAUBAMAJA

Consolidated Interim Report for 9 months of 2004

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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 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:	30.09.2004
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Signatures to consolidated interim report of Tallinna Kaubamaja AS for the nine month of 2004 as at 30 September 2004 set out on pages 4-17.

Raul Puusepp
Member of the Management Board

30. October 2004

Management Report

The consolidated unaudited net sales of Tallinna Kaubamaja Group for the 9 months of 2004 were 1.4 billion kroons (89.9 million euros). The net sales of the comparable period last year were 1.2 billion kroons (78.8 million euros). The net sales increased by 14 per cent.

The consolidated unaudited net sales of the Group for Quarter 3 were 505.9 million kroons (32.3 million euros) that is 14 per cent higher than the net sales of the same period last year when the net sales were 443 million kroons (28.3 million euros).

The sales of A-Selver increased by 17 per cent in Q3. The main source of the good result is a work-up of Selters opened during 2002 and a successful retaining of the higher sales volumes as well as the opening of Saare Selver this June.

The sales of Tallinna Kaubamaja in Q3 amounted to 111.7 per cent of the sales last year. The main source of the increase is the expansion of the department store into Viru Centre whereby the sales area increased by 1.5 times.

The sales of Tartu Kaubamaja in Q 3 amounted to 96 per cent of the sales of the same period last year. The market situation has become much tougher in Tartu within a couple of years. During the same period the investments of Tartu Kaubamaja have remained at a low level, because a completely new Tartu Kaubamaja will be opened in autumn 2005. The construction of the building is going as scheduled.

The average sales area in the 9 months of 2004 was 38 500 sq m and within the same period last year 32 495 sq m, constituting an increase of 18.5 per cent.

The consolidated net profit of the Group for the 9 months of 2004 excluding profit from sale of fixed assets was 24.6 million kroons (1.6 million euros) that is 15 per cent less over the same period last year when the profit was 28.9 million kroons (1.9 million euros). The net profit of the Group was 64.9 million kroons (4.1 million euros) including a profit from the sale of fixed assets in the amount of 40.3 million kroons (2.6 million euros).

The consolidated net profit of the Group for Quarter 3 of 2004 excluding profit from sale of fixed assets was 10.8 million kroons (0.7 million euros), amounting to 68 per cent of the net profit last year when the respective figure was 15.8 million kroons (1 million euros).

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

Consolidated balance sheet

Thousand EEK/EUR

		30.09.2004		31.12.2003	
		Group		Group	
ASSETS	Note	EEK	EUR	EEK	EUR
Current assets					
Cash and bank	1	18 631	1 191	73 311	4 685
Trade receivables	2	158 548	10 133	8 419	538
Other receivables	3	4 602	294	4 159	266
Accrued income	4	0	0	33	2
Prepaid expenses	5	1 721	110	2 136	137
Inventories	6	230 978	14 762	175 971	11 247
Total current assets		414 481	26 490	264 029	16 875
Non-current assets					
Long-term financial assets					
<i>Investment in associated companies</i>	7	5 943	380	5 427	347
Long-term receivables from associated companies	8	12 328	788	12 028	769
Total long-term financial assets		18 271	1 168	17 455	1 116
Tangible fixed assets	9	538 038	34 387	528 234	33 760
Intangible assets	10	-586	-37	-938	-60
Total non-current assets		555 722	35 517	544 751	34 816
TOTAL ASSETS		970 203	62 007	808 779	51 690
LIABILITIES AND OWNERS' EQUITY					
Debt liabilities	11,12	127 124	8 125	50 653	3 237
Customers advances for goods and services		4 450	284	4 820	308
Suppliers payables		169 505	10 833	163 562	10 453
Other payables	13	49 834	3 185	35 384	2 261
Total current liabilities		350 914	22 428	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		469 943	30 035	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		148 951	9 520	152 016	9 716
Retained earnings		211 229	13 500	142 088	9 081
Net profit for the financial year		64 929	4 150	66 075	4 223
TOTAL OWNERS' EQUITY		500 260	31 972	435 331	27 823
TOTAL LIABILITIES AND OWNERS' EQUITY		970 203	62 007	808 779	51 690

Consolidated income statement

		Thousand EEK/EUR			
		2004		2003	
		9 month		9 month	
		Group		Group	
	Note	EEK	EUR	EEK	EUR
Operating income				1 234	
Net sales	15	1 406 572	89 896	169	78 878
Other operating income	16	76 307	4 877	33 816	2 161
Cost of goods sold		-1 067 186	-68 206	-935 580	-59 794
Other operating expenses	17	-170 894	-10 922	-140 955	-9 009
Personnel expenses	18	-126 711	-8 098	-105 749	-6 759
Depreciation	9	-42 865	-2 740	-43 461	-2 778
Amortisation of goodwill	10	352	22	329	21
Other expenses		-4 957	-317	-6 822	-436
				-1 232	
Total operating expenses		-1 412 261	-90 260	239	-78 754
Operating profit		70 618	4 513	35 746	2 285
Financial income and expenses					
Financial income and expenses on shares in associated companies	7	516	33	962	61
Interest income and expenses	19	-5 984	-382	-7 828	-500
Other financial income and expenses		-220	-14	-15	-1
Total financial income and expenses		-5 689	-364	-6 881	-440
NET PROFIT		64 929	4 150	28 864	1 845

Consolidated income statement

		Thousand EEK/EUR			
		2004		2003	
		3 rd quarter		3 rd quarter	
		Group		Group	
	Note	EEK	EUR	EEK	EUR
Operating income					
Net sales	15	505 923	32 334	442 969	28 311
Other operating income	16	53 014	3 388	11 036	705
Cost of goods sold		-383 352	-24 501	-336 192	-21 487
Other operating expenses	17	-61 064	-3 903	-47 689	-3 048
Personnel expenses	18	-43 941	-2 808	-37 635	-2 405
Depreciation	9	-15 598	-997	-14 177	-906
Amortisation of goodwill	10	117	7	117	7
Other expenses		-1 693	-108	-710	-45
Total operating expenses		-505 532	-32 309	-436 286	-27 884
Operating profit		53 405	3 413	17 719	1 132
Financial income and expenses					
Financial income and expenses on shares in associated companies	7	153	10	350	22
Interest income and expenses	19	-2 344	-150	-2 273	-145
Other financial income and expenses		-21	-1	-4	
Total financial income and expenses		-2 212	-141	-1 927	-123
NET PROFIT		51 193	3 272	15 793	1 009

Consolidated cash flow statement

		Thousand EEK/EUR			
		2 004		2 003	
		9 month		9 month	
	Note	Group		Group	
		EEK	EUR	EEK	EUR
CASH FLOW FROM OPERATING ACTIVITIES					
Adjustments for:					
Net profit		64 929	4 150	28 864	1 845
Interest expenses		6 772	433	8 767	560
Interest income		-788	-50	-938	-60
Depreciation	9	42 513	2 717	43 133	2 757
Profit/loss from sale and liquidation on non-current assets		-40 614	-2 596	-134	-9
Impact of equity method	7	-516	-33	-962	-61
Change in inventories		-55 007	-3 516	-23 982	-1 533
Change in receivables		-150 158	-9 597	7 286	466
Change in liabilities		18 748	1 198	-17 965	-1 148
NET CASH FLOW FROM OPERATING ACTIVITIES:		-114 121	-7 294	44 069	2 817
CASH FLOW FROM INVESTING ACTIVITIES					
Fixed assets acquired and renovated (excl finance lease)	9	-138 341	-8 842	-25 225	-1 612
Interest received		820	52	314	20
Tangible fixed assets sold	9	126 287	8 071	1 027	66
NET CASH FLOW FROM INVESTING ACTIVITIES:		-11 234	-718	-23 884	-1 526
CASH FLOW FROM FINANCING ACTIVITIES					
Loans received and bonds issued		88 138	5 633	39 959	2 554
Repayments of loans and redemption of bonds	12	-9 095	-581	-31 807	-2 033
Finance lease payments	13	-2 572	-164	-2 398	-153
Dividends paid		0	0	-6 788	-434
Loans for associated companies		-300	-19	0	0
Interest paid		-5 496	-351	-7 491	-479
CASH FLOW FROM FINANCING ACTIVITIES:		70 675	4 517	-8 525	-545
TOTAL CASH FLOW		-54 680	-3 495	11 659	745
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	18 631	1 191	45 917	2 935
Change in cash and cash equivalents		-54 680	-3 495	11 659	745

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	-3 065	0	3 065	0	0
Profit for the financial year	0	0	0	0	64 929	64 929
30.09.2004	67 882	148 952	7 269	211 229	64 928	500 260

Thousand 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	-196	0	196	0	0
Profit for the financial year	0	0	0	0	4 150	4 150
30.09.2004	4 338	9 520	465	13 500	4 150	31 972

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 nine 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

	30.09.2004	31.12.2003
Cash in hand	1 719	1 751
Bank accounts	11 525	29 905
Cash in transit	5 387	7 655
The shares of money market fund	0	34 000
Total cash and bank	18 631	73 311

Note 2 Trade receivables

	30.09.2004	31.12.2003
Trade receivables	9 868	9 007
Incl. Receivable from BPTS OÜ (1)	148 680	0
Allowance for doubtful receivables	0	-588
Total trade receivables	158 548	8 419

(1) BPTS OÜ has paid 18. October 2004

Note 3 Other receivables

	30.09.2004	31.12.2003
Supplier bonuses	3 634	3 725
Other short-term receivables	968	434
Total other receivables	4 602	4 159

Note 4 Accrued income

There are no interest receivables as at the balance sheet date. (2003:33 thousand kroons)

Note 5 Prepaid expenses

	30.09.2004	31.12.2003
	4	3
Other prepaid expenses	990	524
Prepaid membership fees	229	400
Prepaid insurance fees	181	797
VAT liability	110	238
Maintenance of software licenses	211	177
Total prepaid expenses	1 721	2 136

Note 6 Inventories

	30.09.2004	31.12.2003
Merchandise for resale	227 566	166 922
Raw materials	3 412	2 642
Prepayment to suppliers	0	6 407
Total inventories	230 978	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	516
Book value at the end of the period	5 943

Owners' equity of associated company as at 30.09.2004

AS Rävåla Parkla

Share capital	10 000
Share premium	3 000
Retained earnings	-2 266
Statutory legal reserve	120
Profit for the financial year	1 031
Total owners' equity	11 885
Share of Tallinna Kaubamaja in owners' equity	5 943

Note 8 Other long-term receivables

	30.09.2004	31.12.2003
Associated company AS Rävåla Parkla	12 328	12 028
Total long-term receivables	12 328	12 028

Note 9 Fixed assets

	Thousand/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	47 705	28 755	45 979	-4 238	20 141	138 341
Incl. From prepayments	848	674	262	-4 021		0
Sales and disposals at residual value	-89 845	-8 676	-35 943	0	0	-134 465
Depreciation from sale and liquidation on non-current assets	4 446	8 651	35 696	0	0	48 793
Depreciation calculated	-14 419	-13 614	-14 832	0	0	-42 865
30.09.2004						
Residual value	391 500	49 467	65 594	1 478	29 999	538 038
Acquisition cost	445 203	121 940	175 452	1 478	29 999	774 071
Accumulated depreciation	-53 702	-72 474	-109 857	0	0	-236 033
Residual value 30.09.2004 as eliminated						
revaluation of fixed assets	242 550	49 467	65 594	1 478	29 999	389 087
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 additional computers, fittings and equipment for the salesroom were bought for 74 734 thousand kroons, including investments regarding enlargement of Tallinna Kaubamaja with total value of 42 633 thousand kroons. Repairs to salesroom were made amounting 41 505 thousand kroons and real estate with the total value of 6200 thousand kroons was purchased. Two real estates have been sold. The total profit from sales of real estates was 40,3 thousand 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 nine month of 2004	352
Residual value 30.09.2004	-586

Note 11 Debt liabilities

Current debt liabilities	30.09.2004	31.12.2003
Short-term bonds	50 000	35 000
Loans	3 098	12 194
Finance lease (see Note 12)	888	3 459
Overdraft	73 138	0
Total short-term debt liabilities	127 124	50 653

Long-term debt liabilities	30.09.2004	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	15 000
Overdraft	73 138
Total loans received	88 138
Loans paid	
Bank loans	9 095
Total loans paid	9 095
Final balance 30.09.2004	248 725

Note 12 Finance lease

Company as the lessee

As of 30.09.2004 the group rents under the financial lease assets from Viiburi Kinnisvara AS with the cost of 32 426 thousand kroons (as of 31.12.2003 35 633 thousand kroons).

The group leases the following assets under the financial lease:

30.09.2004	Buildings
Acquisition cost	42 760
Accumulated depreciation	-10 334
Incl. Depreciation calculated in nine month of 2004	-3 207
Residual value	32 426

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. September 2004	Loan balance	Up to 1 year	Incl. 1-5 year	Over 5 years	Due date	Interest rate
A-Selver AS	34 934	888	16 452	17 594	08.12.2012	7%

Minimum amount of lease payments 34 934

	9 month 2004	9 month 2003
Payments of reporting period	2 572	2 398
Interest expenses of reporting period	1 910	2 083

Note 13 Other short-term payables

	30 September 2004	31 December 2003
VAT	24 453	9 143
Personal income tax	3 323	3 793
Social tax	5 954	6 514
Fringe benefit tax	84	150
Payables to employees	252	262
Unemployment insurance	192	102
Funded pensions	12 901	14 535
Interest payable	1 350	75
Other accrues expenses	1 325	810
Total	49 834	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

	9 month 2004	9 month 2003	3rd quarter 2004	3rd quarter 2003
Retail sale	1 397 426	1 227 657	501 716	441 041
Wholesale	6 052	5 484	2 084	1 535
Sales of service and catering	3 094	1 028	2 123	393
Total	1 406 572	1 234 169	505 923	442 969

Note 16 Other revenue

	9 month 2004	9 month 2003	3rd quarter 2004	3rd quarter 2003
Income from lease	22 388	24 367	4 874	6 954
Income from sale of fixed assets	40 656	148	40 643	21
Other revenue	13 234	9 268	7 486	4 057
Income from currency exchange	29	33	11	4
Total	76 307	33 816	53 014	11 036

Note 17 Other operating expenses

	9 month 2004	9 month 2003	3rd quarter 2004	3rd quarter 2003
Lease expenses	56 062	41 425	21 042	14 869
Maintenance expenses	18 199	11 837	6 537	3 690
Advertising expenses	25 229	25 919	8 960	9 105
Bank fees	8 462	7 418	3 030	2 506
Security expenses	9 738	8 597	3 661	2 910
Heat and electricity	17 197	15 653	5 372	5 179
Materials	14 964	10 977	7 208	3 734
Computers and communications	8 469	8 486	2 905	2 997
Travelling expenses	2 752	2 321	1 079	874
Training expenses	2 116	1 996	226	488
Insurance expenses	556	390	184	131
Other operating expenses	7 150	5 936	860	1 206
Total	170 894	140 955	61 064	47 689

Note 18 Personnel expenses

	9 month 2004	9 month 2003	3rd quarter 2004	3rd quarter 2003
Salary expenses	94 754	79 055	32 834	28 122
Social tax	31 957	26 694	11 107	9 513
Total	126 711	105 749	43 941	37 635

	9 month 2004	9 month 2003	3rd quarter 2004	3rd quarter 2003
Average monthly salary expenses per employee (kroons)	7 286	6 889	7 461	7 627
Average number of employees in the reporting period	1 445	1 275	1 467	1 229

Note 19 Interest expenses

	9 month 2004	9 month 2003	3rd quarter 2004	3rd quarter 2003
Bank loans	2 647	4 054	859	988
Finance lease	1 910	2 083	622	680
Bonds	1 275	2 533	425	892
Other interest expenses	42	97	42	97
Overdrafts	897	0	544	0
Interest income	787	939	148	384
Total interest income and expenses	-5 984	-7 828	-2 344	-2 273

Note 20 Operating profit

Operating profit includes following write-down of inventories:

	9 month 2004	9 month 2003	3rd quarter 2004	3rd quarter 2003
Write-down and write-off of inventories	9 389	8 879	3 852	3 828
Shortage of stock count	7 116	5 386	2 794	2 904
Total	16 505	14 265	6 646	6 732

Note 21 Transactions with related parties

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

	Purchases nine month 2004	Sales nine month 2004	Purchases 3rd quarter 2004	Sales 3rd quarter 2004
AS A Selver	4 648	24 510	1 487	8 529
AS Tartu Kaubamaja	1 548	8 441	526	2 732
AS Tallinna Kaubamaja Kinnisvara	23 622	3 704	8 109	1 484
Total	29 818	36 655	10 122	12 745

Balances with related parties:

	30.09.2004	31.12.2003
Current receivables		
AS A-Selver(1)	577	4 070
AS Tartu Kaubamaja(1)	527	391
AS Tallinna Kaubamaja Kinnisvara(1)	42	76
AS NG Investeeringud(3)	0	3
Total current receivables	1 146	4 540
Non-current receivable Rävala Parkla	12 328	12 028
Current liabilities		
AS A-Selver(1)	270	2 022
AS Tartu Kaubamaja(1)	230	161
AS Liviko(2)	448	330
AS Balbiino(2)	190	204
AS Kitman(2)	6	2
AS NG Investeeringud	49	0
Total current liabilities	1 193	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 Balbiino, 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 September 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.