

TALLINNA KAUBAMAJA AS

**Consolidated Interim Report
for the first quarter of 2005**

Table of Contents

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

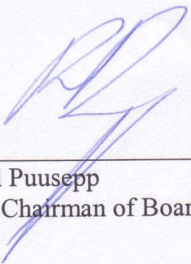
KEY DATA

The main activities of Tallinna Kaubamaja Group are retail and wholesale. The Group employs more than 1500 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:	01.01.2005
End of the financial year:	31.12.2005
Beginning of the interim report	01.01.2005
End of the interim report:	31.03.2005
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 quarter of 2005 as at 31 March 2005 set out on pages 4-16



Raul Puusepp
The Chairman of Board

5 May 2005

Management Report

The consolidated unaudited net sales of Tallinna Kaubamaja Group for the 1st Quarter 2005 were 541 million kroons (34.5 million euros). The net sales of the comparable period of last year were 433 million kroons (27.7 million euros). The increases in net sales were 25 per cent.

The increases in sales of the Tallinna Kaubamaja in the 1st quarter of 2005 were 27 per cent. The main increases of sales were regarding extension of Kaubamaja, by the extension the sales area was increased by 1.5 times.

The increases in sales of the A-Selver in the 1st quarter of 2005 were 25 per cent and the increase in sales area was 11 per cent. Good results were mostly influenced by additional customers and successful expansion: in June 2004 Saare Selver and in March 2005 Vilja Selver were opened. In the 1st quarter of 2005 the greatest increases of net sales per square meter in Selver Chain were: Merimetsa Selver in Tallinn 33 per cent, Krooni Selver in Rakvere 33 per cent and Männimäe Selver in Viljandi 18 per cent. This shows that Selver is increasing its notoriety outside Tallinn.

The increases in sales in Tartu Kaubamaja were 8 per cent. The main sources were additional brands, which were brought to Tartu, regarding new Tartu Kaubamaja, which will be opened in autumn 2005.

The consolidated net profit of the Group for the 1st Quarter of 2005 as 8.6 million kroons (550 thousand euros). The increase is 19 per cent over the comparable period when the net profit was 7.2 million kroons (461 thousand euros).

Consolidated balance sheet

thousands EEK/EUR

		31.03.2005		31.12.2004	
		Group		Group	
ASSETS	Note	EEK	EUR	EEK	EUR
Current assets					
Cash and bank	2	23 896	1 527	77 967	4 983
Trade receivables	3	9 274	593	14 222	909
Other receivables	4	5 413	346	6 148	393
Accrued income	5	0	0	80	5
Prepaid expenses	6	13 240	846	17 439	1 115
Inventories	7	247 039	15 789	224 366	14 340
Total current assets		298 862	19 101	340 222	21 744
Non-current assets					
Long-term financial assets					
Investment in associated companies	8	7 120	455	6 769	433
Other long-term receivables	9	12 328	788	12 328	788
Tangible fixed assets	10	729 872	46 647	675 242	43 156
Total non-current assets		749 320	47 890	694 339	44 376
TOTAL ASSETS		1 048 182	66 991	1 034 561	66 121
LIABILITIES AND OWNERS' EQUITY					
Debt liabilities	11,12	42 421	2 711	31 457	2 010
Customers advances for goods and services		4 301	275	5 529	353
Suppliers payables		205 706	13 147	191 343	12 229
Other payables	13	38 095	2 435	57 175	3 654
Long term debt liabilities	11,12	102 416	6 546	102 416	6 546
Total liabilities		392 940	25 113	387 921	24 793
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		258 688	16 533	260 506	16 649
Retained earnings		312 802	19 992	212 251	13 565
Net profit for the financial year		8 602	550	98 733	6 310
Total owners' equity		655 243	41 878	646 641	41 328
TOTAL LIABILITIES AND OWNERS' EQUITY		1 048 182	66 991	1 034 561	66 121

Consolidated income statement

		<i>thousands EEK/EUR</i>			
		2005		2004	
		1 st quarter		1 st quarter	
		Group		Group	
	Note	EEK	EUR	EEK	EUR
Operating income					
Net sales	15	540 581	34 549	433 054	27 677
Other operating income	16	12 076	772	10 478	670
Cost of goods sold		-410 606	-26 243	-333 141	-21 292
Other operating expenses	17	-70 356	-4 497	-49 208	-3 145
Personnel expenses	18	-45 368	-2 900	-38 767	-2 478
Depreciation	10	-15 317	-979	-12 800	-818
Amortization of goodwill		0	0	117	7
Other expenses		-1 513	-97	-956	-61
<u>Operating profit</u>		<u>9 497</u>	<u>607</u>	<u>8 777</u>	<u>561</u>
Financial income and expenses					
	8	350	22	209	13
Financial income and expenses on shares in associates	19	-1 196	-76	-1 576	-101
Interest income and expenses		-49	-3	-189	-12
Other financial income and expenses		-895	-57	-1 557	-100
<u>Total financial income and expenses</u>		<u>8 602</u>	<u>550</u>	<u>7 219</u>	<u>461</u>
Basic earnings per share (EEK/EUR)		1,27	0,08	1,06	0,07
Diluted earnings per share (EEK/EUR)		1,27	0,08	1,06	0,07

Consolidated cash flow statement

		thousand EER/EUR			
		2 005		2 004	
		1 st quarter		1 st quarter	
	Note	Group		Group	
		EEK	EUR	EEK	EUR
CASH FLOW FROM OPERATING ACTIVITIES					
Net profit		8 602	550	7 219	461
Adjustments:					
Interest expenses		1 411	90	1 980	127
Interest income		-216	-14	-403	-26
Depreciation	10	15 317	979	12 683	811
Profit/loss from sale and liquidation on non-current assets		4	0	-3	0
Impact of equity method	8	-350	-22	-209	-13
Change in inventories		-22 674	-1 449	-9 888	-632
Change in receivables		9 882	632	-3 183	-203
Change in liabilities		-5 945	-380	-22 168	-1 417
NET CASH FLOW FROM OPERATING ACTIVITIES:		6 031	385	-13 972	-893
CASH FLOW FROM INVESTING ACTIVITIES					
Fixed assets acquired and renovated (excl finance lease)	10	-70 040	-4 476	-39 659	-2 535
Interest received		296	19	436	28
Tangible fixed assets sold		89	6	2	0
NET CASH FLOW FROM INVESTING ACTIVITIES:		-69 655	-4 452	-39 220	-2 507
CASH FLOW FROM FINANCING ACTIVITIES					
Loans received and bonds issued		29 920	1 912	0	0
Repayments of loans and redemption of bonds	11	-18 052	-1 154	-3 011	-192
Finance lease payments	12	-903	-58	-842	-54
Interest paid		-1 411	-90	-1 554	-99
CASH FLOW FROM FINANCING ACTIVITIES:		9 553	611	-5 408	-346
TOTAL CASH FLOW		-54 071	-3 456	-58 600	-3 745
Cash and cash equivalents at the beginning of period	2	77 967	4 983	73 311	4 685
Cash and cash equivalents at the end of period	2	23 896	1 527	14 712	940
Change in cash and cash equivalents		-54 071	-3 456	-58 600	-3 745

Statement of changes in equity

		Thousand EEK				
		Share capital	Revaluation reserve	Reserves	Retained earnings	Total
	31.12.2003	67 882	152 016	7 269	208 164	435 331
Revaluation of non-current assets		0	112 577	0	0	112 577
Changes in revaluation reserve of non-current assets		0	-4 087	0	4087	0
Profit for the financial year		0	0	0	98 733	98 733
	31.12.2004	67 882	260 506	7 269	310 984	646 641
Changes in revaluation reserve of non-current assets		0	-1 818	0	1 818	0
Profit for the financial year		0	0	0	8 602	8 602
	31.03.2005	67 882	258 688	7 269	321 404	655 243
		Thousand EUR				
		Share capital	Revaluation reserve	Reserves	Retained earnings	Total
	31.12.2003	4 338	9 716	465	13 304	27 823
Revaluation of non-current assets		0	7 195	0	0	7 195
Changes in revaluation reserve of non-current assets		0	-261	0	261	0
Profit for the financial year		0	0	0	6 310	6 310
	31.12.2004	4 338	16 649	465	19 876	41 328
Changes in revaluation reserve of non-current assets		0	-116	0	116	0
Profit for the financial year		0	0	0	550	550
	31.03.2005	4 338	16 533	465	20 541	41 878

Detailed information about share capital is presented in note 14

Notes for consolidated interim report

Note 1 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 2004.

In the opinion of the Management Board of AS Tallinna Kaubamaja, the consolidated Interim Report for first quarter of 2005 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 2 Cash and bank

	31.03.2005	31.12.2004
Cash in hand	1 811	1 891
Bank accounts	18 266	68 174
Cash in transit	3 819	7 902
Total cash and bank	23 896	77 967

Note 3 Trade receivables

	31.03.2005	31.12.2004
Trade receivables	9 274	14 222
Total trade receivables	9 274	14 222

Note 4 Other receivables

	31.03.2005	31.12.2004
Supplier bonuses	5 187	5 502
Other short-term receivables	226	646
Total other receivables	5 413	6 148

Note 5 Accrued income

The interest receivables in amount of 0 kroons (2004:80 thousand kroons) are recorded as accrued income as at the balance sheet date.

Note 6 Prepaid expenses

	31.03.2005	31.12.2004
Other prepaid expenses	781	772
Prepaid membership fees	571	89
Prepaid insurance fees	240	35
Maintenance of software licenses	561	227
VAT liability	3 851	16 316
Prepaid rent	7 236	0
Total prepaid expenses	13 240	17 439

Note 7 Inventories

	31.03.2005	31.12.2004
Merchandise for resale	244 114	221 677
Raw materials	2 925	2 689
Total inventories	247 039	224 366

Note 8 Shares of associated companies

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

Book value at the end of year	6 770
Income from equity method in the reporting year	350
Book value at the end of the period	7 120

Owners' equity of associated company as at 31.03.2005

	AS Rävala Parkla
Share capital	10 000
Share premium	3 000
Statutory legal reserve	269
Retained earnings	271
Profit for the financial year	700
Total owners' equity	14 240
Share of Tallinna Kaubamaja in owners' equity	7 120

Note 9 Other long-term receivables

	31.03.2005	31.12.2004
Associated company AS Rävala Parkla	12 328	12 328
Total long-term receivables	12 328	12 328

Note 10 Fixed assets

	Thousand EEK					
	Land and buildings	Plant and equipment	Fixtures and fittings	Prepayments for fixed assets	Unfinished buildings	Total
31.12.2004						
Acquisition cost	518 068	117 591	172 927	242	67582	876 410
Accumulated depreciation	-18 388	-71 379	-111 400	0	0	-201 167
Residual value	499 680	46 212	61 526	242	67 582	675 242
Additions	17 366	4 807	5 733	26	42 351	70 282
Incl. From prepayments	30	26	186	-242	0	0
Sales and write-offs at residual value		-52	-41	0	0	-93
Incl. Sale and write-offs at cost		-146	-141	0	0	-287
Depreciation of non-current assets sold and written off		94	100	0	0	194
Depreciation calculated	-4 733	-5 225	-5 359	0	0	-15 317
31.12.2004						
Residual value	512 315	45 742	61 858	26	109 933	729 872
Acquisition cost	535 435	122 252	178 560	26	109 933	946 205
Accumulated depreciation	-23 121	-76 510	-116 702	0	0	-216 333
Residual value 31.03.2005 as eliminated revaluation of fixed assets	253 627	45 742	61 858	26	109 933	471 185
Residual value 31.12.2004 as eliminated revaluation of fixed assets	239 174	46 212	61 526	242	67 582	414 736

During the report period two real estates in amount of 15 800 thousand kroons has been bought. Repairs and renovations to buildings were made amounting 1566 thousand kroons. New equipments and fittings, refrigerators and computers, in amount of 10 540 thousand kroons were bought, 6 812 thousand kroons from this were invested to Vilja Selver.

Note 11 Debt liabilities

Current debt liabilities	31.03.2005	31.12.2004
Short-term bonds	0	14 859
Loans	39 615	12 889
Finance lease (see Note 12)	2 806	3 709
Short-term bonds	42 421	31 457
Long-term debt liabilities		
	31.03.2005	31.12.2004
Loans	72 079	72 079
Finance lease (see Note 12)	30 337	30 337
Total long-term debt liabilities	102 416	102 416

Liabilities movements:

Opening balance 31.12.2004	133 873
Loans received	
Overdraft	29 920
Total loans received	29 920
Loans paid	
Bank loans	18 052
Total loans paid	18 052
Final balance 31.03.2005	145 741

Note 12 Finance lease

The group leases the following assets under the financial lease:

	31.03.2005	31.12.2004
Buildings		
The total residual value of assets rented under finance lease	30 289	31 358

Finance lease liability

31 March 2005	Loan balance	Up to 1 year	Incl. 1-5 year	Over 5 years
A-Selver AS (see Note 11)	33 143	2 806	19 056	11 281
Minimum amount of lease payments	42 115			
31 December 2004	Loan balance	Up to 1 year	Incl. 1-5 year	Over 5 years
A-Selver AS	34 046	3 709	17 598	12 739
Minimum amount of lease payments	43 609			
	1st quarter 2005	1st quarter 2004		
Payments of reporting period	903	842		
Interest expenses of reporting period	591	652		

Note 13 Other short-term payables

	31 March 2005	31 December 2004
VAT	3 284	23 301
Personal income tax	3 537	4 015
Social tax	6 971	7 352
Fringe benefit tax	79	376
Unemployment insurance	297	306
Funded pensions	260	259
Payables to employees	19 798	19 510
Interest payable	29	29
Other accrues expenses	940	814
Prepayments received from lessees	2 900	1 213
Total	38 095	57 175

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 2005	1st quarter 2004
Retail sale	535 424	430 349
Wholesale	2 760	2 179
Sales of service and catering	2 397	526
Total	540 581	433 054

Note 16 Other revenue

	1st quarter 2005	1st quarter 2004
Income from lease	8 167	7 425
Income from sale of fixed assets	0	3
Other revenue	3 900	3 044
Income from currency exchange	9	6
Income from currency exchange	12 076	10 478
Total		

Note 17 Other operating expenses

	1st quarter 2005	1st quarter 2004
Lease expenses	24 960	14 164
Maintenance expenses	7 638	4 443
Advertising expenses	9 857	7 549
Bank fees	3 351	2 551
Security expenses	3 638	2 924
Heat and electricity	6 861	6 169
Materials	6 701	4 289
Computers and communications	2 842	2 821
Traveling expenses	1 210	1 026
Training expenses	642	1 347
Insurance expenses	202	186
Other operating expenses	2 454	1 739
Total	70 356	49 208

Note 18 Personnel expenses

	1st quarter 2005	1st quarter 2004
Salary expenses	33 934	29 001
Social tax	11 434	9 766
Total	45 368	38 767

	1st quarter 2005	1st quarter 2004
Average monthly salary expenses per employee (kroons)	7 340	7 198
Average number of employees in the reporting period	1 541	1 343

Note 19 Interest expenses

	1st quarter 2005	1st quarter 2004
Bank loans	-644	-903
Finance lease	-591	-651
Bonds	-176	-425
Other interest expenses	-1 411	-1 979
Interest income	215	403
Total interest income and expenses	- 1196	-1 576

Note 20 Operating profit

Operating profit includes following write-down of inventories:

	1st quarter 2005	1st quarter 2004
Write-down and write-off of inventories	3 466	2 005
Shortage of stock count	1 445	1 535
Total	4 911	3 540

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 2005	Sales 1 st quarter 2005	Purchases 1 st quarter 2004	Sales 1 st quarter 2004
Liviko AS	4 469	66	3 411	166
Balbiino AS	7 454	22	8 590	22
Kitman AS	788	26	2 995	0
Roseni Majad OÜ	0	8	0	0
Rocca al Mare Kaubanduskeskuse AS	422	0	0	0
NG Investeeringud AS	0	53	122	0
Total	13 133	175	15 118	188

Balances with related parties:

	31.03.2005	31.12.2004
Current receivables		
Liviko AS	32	22
Balbiino AS	21	0
NG Investeeringud AS	10	29
Total current receivables	63	51
Non-current receivable Rävala Parkla AS	12 328	12 328
Current liabilities		
Liviko AS	3 001	1 944
Balbiino AS	3 634	2 171
Kitman AS	47	0
Total current liabilities	6 682	4 115

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. In 1st quarter of 2005 Tallinna Kaubamaja group earned interest income in the amount of 53 thousand kroons (2004: 192 thousand kroons in 1st quarter). As of 31 March 2005 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.