

**TALLINNA KAUBAMAJA AS**

**Consolidated Interim Report  
for the first six month of 2005**

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## KEY DATA

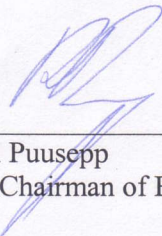
The main activities of Tallinna Kaubamaja Group are retail and wholesale. The Group employs more than 1600 employees.

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

|                                  |  |
|----------------------------------|--|
| Legal address                    | Gonsiori 2<br>10143 Tallinn<br>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:       | 30.06.2005                             |
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### Confirmations of interim report

The Chairman of Board confirms the consolidated interim report of Tallinna Kaubamaja AS for the first six month of 2005 set out on pages 4-18



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Raul Puusepp  
The Chairman of Board

2 August 2005

## Management Report

The consolidated unaudited net sales of Tallinna Kaubamaja Group for the 6 months of 2005 were 1210.9 million kroons (77.4 million euros). The net sales of the comparable period last year were 900.6 million kroons (57.6 million euros). The net sales increased by 34 per cent.

The consolidated unaudited net sales of the Group for Quarter 2 were 670.4 million kroons (42.8 million euros) that is 43 per cent higher than the net sales of the same period last year when the net sales were 467.6 million kroons (29.9 million euros).

The sales of A-Selver increased by 37 per cent in 6 months of 2005. One of the sources of the good result was the increase in number of new customers and the successful expansion of the chain in Tartu and in Võru.

In the department store sector the sales of 6 months of 2005 increased by 28 per cent of the sales last year. The reason lies in the extension of Tallinna Kaubamaja to Viru Center, thorough redesign of the shopping environment and thorough widening the range of internationally well-known brands. All this has increased the number of new customers.

The average sales area in the 6 months of 2005 was 44 149 sq m and within the same period last year 36 462 sq m, constituting an increase of 21 per cent.

The consolidated net profit of the Group for the 6 months of 2005 was 32 million kroons (2 million euros), showing an increase of 133 per cent over the same period last year when the profit was 13.7 million kroons (0.9 million euros).

The consolidated net profit of the Group for Quarter 2 of 2005 was 23.4 million kroons (1.5 million euros), amounting to 259 per cent of the net profit last year when the respective figure was 6.5 million kroons (0.4 million euros).

## Consolidated balance sheet

Thousands EEK/EUR

|   | Note  | 30.06.2005       |               | 31.12.2004       |               |
|---|-------|------------------|---------------|------------------|---------------|
|   |       | EEK              | EUR           | EEK              | EUR           |
| <b>ASSETS</b>                               |       |                  |               |                  |               |
| Current assets                              |       |                  |               |                  |               |
| Cash and bank                               | 2     | 64 580           | 4 127         | 77 967           | 4 983         |
| Trade receivables                           | 3     | 11 721           | 749           | 14 222           | 909           |
| Other receivables                           | 4     | 7 646            | 489           | 6 148            | 393           |
| Accrued income                              | 5     | 36               | 2             | 80               | 5             |
| Prepaid expenses                            | 6     | 18 056           | 1 154         | 17 439           | 1 115         |
| Inventories                                 | 7     | 265 082          | 16 942        | 224 366          | 14 340        |
| <b>Total current assets</b>                 |       | <b>367 120</b>   | <b>23 463</b> | <b>340 222</b>   | <b>21 744</b> |
| Non-current assets                          |       |                  |               |                  |               |
| Long-term financial assets                  |       |                  |               |                  |               |
| Investment in associated companies          | 8     | 7 484            | 478           | 6 769            | 433           |
| Other long-term receivables                 | 9     | 12 328           | 788           | 12 328           | 788           |
| Tangible fixed assets                       | 10    | 800 249          | 51 145        | 675 242          | 43 156        |
| Intangible assets                           | 11    | 48 752           | 3 116         | 0                | 0             |
| <b>Total non-current assets</b>             |       | <b>868 814</b>   | <b>55 527</b> | <b>694 339</b>   | <b>44 376</b> |
| <b>TOTAL ASSETS</b>                         |       | <b>1 235 934</b> | <b>78 991</b> | <b>1 034 561</b> | <b>66 121</b> |
| <b>LIABILITIES AND OWNERS' EQUITY</b>       |       |                  |               |                  |               |
| Debt liabilities                            |       |                  |               |                  |               |
| Debt liabilities                            | 12,13 | 42 454           | 2 713         | 31 457           | 2 010         |
| Customers advances for goods and services   |       | 4 788            | 306           | 5 529            | 353           |
| Suppliers payables                          |       | 225 855          | 14 435        | 191 343          | 12 229        |
| Other payables                              | 14    | 41 785           | 2 671         | 57 175           | 3 654         |
| Long term debt liabilities                  | 12,13 | 242 417          | 15 493        | 102 416          | 6 546         |
| <b>Total liabilities</b>                    |       | <b>557 300</b>   | <b>35 618</b> | <b>387 921</b>   | <b>24 793</b> |
| Owners' equity                              |       |                  |               |                  |               |
| Share capital                               | 15    | 67 882           | 4 338         | 67 882           | 4 338         |
| Statutory legal reserve                     |       | 7 269            | 465           | 7 269            | 465           |
| Revaluation reserve of fixed assets         |       | 256 870          | 16 417        | 260 506          | 16 649        |
| Retained earnings                           |       | 314 619          | 20 108        | 212 251          | 13 565        |
| Net profit for the financial year           |       | 31 994           | 2 045         | 98 733           | 6 310         |
| <b>Total owners' equity</b>                 |       | <b>678 635</b>   | <b>43 373</b> | <b>646 641</b>   | <b>41 328</b> |
| <b>TOTAL LIABILITIES AND OWNERS' EQUITY</b> |       | <b>1 235 934</b> | <b>78 991</b> | <b>1 034 561</b> | <b>66 121</b> |

## Consolidated income statement

|   |       | Thousands EEK/EUR |              |               |              |
|---|-------|-------------------|--------------|---------------|--------------|
|   |       | 2005              |              | 2004          |              |
|   |       | Six month         |              | Six month     |              |
|   |       | Group             |              | Group         |              |
|   | Note  | EEK               | EUR          | EEK           | EUR          |
| Operating income                                      |       |                   |              |               |              |
| Net sales   | 16    | 1 210 932         | 77 393       | 900 649       | 57 562       |
| Other operating income                                | 17    | 25 003            | 1 598        | 23 292        | 1 489        |
| Cost of goods sold                                    |       | -914 404          | -58 441      | -683 833      | -43 705      |
| Other operating expenses                              | 18    | -147 297          | -9 414       | -109 829      | -7 019       |
| Personnel expenses                                    | 19    | -102 783          | -6 569       | -82 770       | -5 290       |
| Depreciation  | 10,11 | -32 900           | -2 103       | -27 267       | -1 743       |
| Amortization of goodwill                              |       | 0                 | 0            | 235           | 15           |
| Other expenses  |       | -4 153            | -265         | -3 264        | -209         |
| <b>Operating profit</b>                               |       | <b>34 397</b>     | <b>2 198</b> | <b>17 213</b> | <b>1 100</b> |
| <b>Financial income and expenses</b>                  |       |                   |              |               |              |
| Financial income and expenses on shares in associates | 8     | 715               | 46           | 362           | 23           |
| Interest income and expenses                          | 20    | -2 999            | -192         | -3 640        | -233         |
| Other financial income and expenses                   |       | -120              | -8           | -199          | -13          |
| <b>Total financial income and expenses</b>            |       | <b>-2 403</b>     | <b>-154</b>  | <b>-3 477</b> | <b>-222</b>  |
| <b>NET PROFIT FOR THE FINANCIAL YEAR</b>              |       | <b>31 994</b>     | <b>2 045</b> | <b>13 736</b> | <b>878</b>   |

## Consolidated income statement

|   |       | Thousands EEK/EUR       |              |                         |             |
|---|-------|-------------------------|--------------|-------------------------|-------------|
|   |       | 2005                    |              | 2004                    |             |
|   |       | 2 <sup>nd</sup> quarter |              | 2 <sup>nd</sup> quarter |             |
|   |       | Group                   |              | Group                   |             |
|   | Note  | EEK                     | EUR          | EEK                     | EUR         |
| Operating income                                      |       |                         |              |                         |             |
| Net sales   | 16    | 670 350                 | 42 843       | 467 595                 | 29 885      |
| Other operating income                                | 17    | 12 928                  | 826          | 12 814                  | 819         |
| Cost of goods sold                                    |       | -503 798                | -32 199      | -350 692                | -22 413     |
| Other operating expenses                              | 18    | -76 941                 | -4 917       | -60 621                 | -3 874      |
| Personnel expenses                                    | 19    | -57 415                 | -3 669       | -44 003                 | -2 812      |
| Depreciation  | 10,11 | -17 583                 | -1 124       | -14 467                 | -925        |
| Amortization of goodwill                              |       | 0                       | 0            | 117                     | 7           |
| Other expenses  |       | -2 640                  | -169         | -2 308                  | -147        |
| <b>Operating profit</b>                               |       | <b>24 901</b>           | <b>1 591</b> | <b>8 436</b>            | <b>539</b>  |
| <b>Financial income and expenses</b>                  |       |                         |              |                         |             |
| Financial income and expenses on shares in associates | 8     | 365                     | 23           | 154                     | 10          |
| Interest income and expenses                          | 20    | -1 803                  | -115         | -2 063                  | -132        |
| Other financial income and expenses                   |       | -70                     | -4           | -10                     | -1          |
| <b>Total financial income and expenses</b>            |       | <b>-1 508</b>           | <b>-96</b>   | <b>-1 920</b>           | <b>-123</b> |
| <b>NET PROFIT FOR THE FINANCIAL YEAR</b>              |       | <b>23 392</b>           | <b>1 495</b> | <b>6 517</b>            | <b>416</b>  |

## Consolidated cash flow statement

|   |       | Thousands EEK/EUR |                |                 |               |
|---|-------|-------------------|----------------|-----------------|---------------|
|   |       | 2 005             |                | 2 004           |               |
|   |       | Six month         |                | Six month       |               |
|   | Note  | Group             |                | Group           |               |
|   |       | EEK               | EUR            | EEK             | EUR           |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                  |       |                   |                |                 |               |
| Net profit  |       | 31 994            | 2 045          | 13 736          | 878           |
| Adjustments:  |       |                   |                |                 |               |
| Interest expenses   |       | 3 427             | 219            | 4 279           | 273           |
| Interest income   |       | -428              | -27            | -639            | -41           |
| Depreciation  | 10,11 | 32 900            | 2 103          | 27 032          | 1 728         |
| Profit/loss from sale and liquidation on non-current assets |       | 47                | 3              | 3               | 0             |
| Impact of equity method                                     | 8     | -715              | -46            | -362            | -23           |
| Change in inventories                                       |       | -40 716           | -2 602         | -22 442         | -1 434        |
| Change in receivables                                       |       | 386               | 25             | -3 711          | -237          |
| Change in liabilities                                       |       | 18 381            | 1 175          | -24 917         | -1 592        |
| <b>NET CASH FLOW FROM OPERATING ACTIVITIES:</b>             |       | <b>45 275</b>     | <b>2 894</b>   | <b>-7 021</b>   | <b>-449</b>   |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                  |       |                   |                |                 |               |
| Fixed assets acquired and renovated (excl finance lease)    | 10    | -156 969          | -10 032        | -105 930        | -6 770        |
| Intangible assets acquired                                  | 11    | -50 000           | -3 196         | 0               | 0             |
| Interest received   |       | 473               | 30             | 666             | 43            |
| Tangible fixed assets sold                                  |       | 263               | 17             | 235             | 15            |
| <b>NET CASH FLOW FROM INVESTING ACTIVITIES:</b>             |       | <b>-206 234</b>   | <b>-13 181</b> | <b>-105 029</b> | <b>-6 713</b> |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                  |       |                   |                |                 |               |
| Loans received and bonds issued                             |       | 174 103           | 11 127         | 0               | 0             |
| Repayments of loans and redemption of bonds                 | 12    | -21 283           | -1 360         | 52 626          | 3 363         |
| Finance lease payments                                      | 13    | -1 822            | -116           | -1 699          | -109          |
| Loans to associates   |       | 0                 | 0              | -75             | -5            |
| Interest paid   |       | -3 427            | -219           | -3 429          | -219          |
| <b>CASH FLOW FROM FINANCING ACTIVITIES:</b>                 |       | <b>147 571</b>    | <b>9 432</b>   | <b>47 423</b>   | <b>3 031</b>  |
| <b>TOTAL CASH FLOW</b>                                      |       | <b>-13 388</b>    | <b>-856</b>    | <b>-64 627</b>  | <b>-4 130</b> |
| 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     | 64 580            | 4 127          | 8 684           | 555           |
| Change in cash and cash equivalents                         |       | -13 388           | -856           | -64 627         | -4 130        |



## 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                    |               | 112 577             |          |                   | 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        | 31 994            | 31 994  |
| 30.06.2005   | 67 882        | 258 688             | 7 269    | 344 796           | 678 635 |

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        | 2 045             | 2 045  |
| 30.06.2005   | 4 338         | 16 533              | 465      | 22 036            | 43 373 |

Detailed information about share capital is presented in note 15

## 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 six month 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

|                     | 30.06.2005 | 31.12.2004 |
|---------------------|------------|------------|
| Cash in hand        | 2 616      | 1 891      |
| Bank accounts       | 54 937     | 68 174     |
| Cash in transit     | 7 027      | 7 902      |
| Total cash and bank | 64 580     | 77 967     |

## Note 3 Trade receivables

|                         | 30.06.2005 | 31.12.2004 |
|-------------------------|------------|------------|
| Trade receivables       | 11 721     | 14 222     |
| Total trade receivables | 11 721     | 14 222     |

## Note 4 Other receivables

|                              | 30.06.2005 | 31.12.2004 |
|------------------------------|------------|------------|
| Supplier bonuses             | 6 931      | 5 502      |
| Other short-term receivables | 715        | 646        |
| Total other receivables      | 7 646      | 6 148      |

## Note 5 Accrued income

The interest receivables in amount of 36 thousand kroons (2004:80 thousand kroons) are recorded as accrued income as at the balance sheet date.

## Note 6 Prepaid expenses

|                                  | 30.06.2005 | 31.12.2004 |
|----------------------------------|------------|------------|
| Other prepaid expenses           | 764        | 772        |
| Prepaid membership fees          | 429        | 89         |
| Prepaid rent                     | 7 083      | 0          |
| Prepaid insurance fees           | 56         | 35         |
| Maintenance of software licenses | 383        | 227        |
| VAT liability                    | 9 341      | 16 316     |
| Total prepaid expenses           | 18 056     | 17 439     |

## Note 7 Inventories

|                        | 30.06.2005 | 31.12.2004 |
|------------------------|------------|------------|
| Merchandise for resale | 260 556    | 221 677    |
| Raw materials          | 4 526      | 2 689      |
| Total inventories      | 265 082    | 224 366    |

## Note 8 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                   | 6 770 |
| Income from equity method in the reporting year | 714   |
| Book value at the end of the period             | 7 484 |

## Owners' equity of associated company as at 30.06.2005

|   | AS Rävåla Parkla |
|---|------------------|
| Share capital                                 | 10 000           |
| Share premium                                 | 3 000            |
| Retained earnings                             | 271              |
| Statutory legal reserve                       | 269              |
| Profit for the financial year                 | 1429             |
| Total owners' equity                          | 14 969           |
| Share of Tallinna Kaubamaja in owners' equity | 7 484            |

## Note 9 Other long-term receivables

|                                     | 30.06.2005 | 31.12.2004 |
|-------------------------------------|------------|------------|
| Associated company AS Rävåla Parkla | 12 328     | 12 328     |
| Total long-term receivables         | 12 328     | 12 328     |

## Note 10 Fixed assets

Thousands 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                          | 67 582               | 876 410        |
| Accumulated depreciation  | -18 388            | -71 379             | -111 400              | 0                            | 0                    | -201 167       |
| <b>Residual value</b>   | <b>499 680</b>     | <b>46 212</b>       | <b>61 526</b>         | <b>242</b>                   | <b>67 582</b>        | <b>675 242</b> |
| Additions   | 24 535             | 19 468              | 15 153                | 12 056                       | 85 758               | 156 969        |
| Sales and disposals at residual value                               |                    | -251                | -61                   | 0                            | 0                    | -312           |
| Incl. Sales and disposals at acquisition costs                      | -1 209             | -1 979              | -1 301                | 0                            | 0                    | -4 489         |
| Depreciation from sale and liquidation on non current assets        | 1 209              | 1 728               | 1 240                 | 0                            | 0                    | 4 178          |
| Depreciation calculated   | -9 810             | -11 119             | -10 723               | 0                            | 0                    | -31 653        |
| 30.06.2005  |                    |                     |                       |                              |                      |                |
| <b>Residual value</b>   | <b>514 406</b>     | <b>54 310</b>       | <b>65 896</b>         | <b>12 298</b>                | <b>153 340</b>       | <b>800 249</b> |
| Acquisition cost  | 541 395            | 135 079             | 186 779               | 12 298                       | 153 340              | 1 028 891      |
| Accumulated depreciation  | -26 989            | -80 770             | -120 883              | 0                            | 0                    | -228 642       |
| Residual value 30.06.2005 as eliminated revaluation of fixed assets | 257 536            | 54 310              | 65 896                | 12 298                       | 153 340              | 543 379        |
| Residual value 31.12.2004 as eliminated revaluation of fixed assets | 239 174            | 46 212              | 61 526                | 242                          | 67 582               | 414 736        |

During the reporting period two real estates in amount of 15 800 thousand kroons were bought. Building were renovated and repaired in amount of 8 735 thousand kroons. Additional equipment and fittings for the salesrooms were bought for 34 621 thousand kroons, including equipment and fittings for Vilja Selver in amount of 6 812 thousand kroons, for Selver stores in Tartu in amount of 17 313 thousand kroons and for Punane Selver in amount of 3 280 thousand kroons.

## Note 11 Intangible assets

Thousands EEK

|                          | Other intangible assets | Total         |
|--------------------------|-------------------------|---------------|
| Additions                | 50 000                  | 50 000        |
| Depreciation calculated  | -1 248                  | -1 248        |
| 30.06.2005               |                         |               |
| <b>Residual value</b>    | <b>48 752</b>           | <b>48 752</b> |
| Acquisition cost         | 50 000                  | 50 000        |
| Accumulated depreciation | -1 248                  | -1 248        |

Intangible assets reflect acquired operating rights for supermarkets in Tartu during reporting period.

## Note 12 Debt liabilities

| Current debt liabilities                 | 30.06.2005     | 31.12.2004     |
|--|----------------|----------------|
| Short-term bonds                         | 34 099         | 14 859         |
| Loans                                    | 6 465          | 12 889         |
| Finance lease (see Note 13)              | 3              | 0              |
| Overdraft                                | 1 887          | 3 709          |
| <b>Total short-term debt liabilities</b> | <b>42 454</b>  | <b>31 457</b>  |
| Long-term debt liabilities               | 30.06.2005     | 31.12.2004     |
| Loans                                    | 212 080        | 72 079         |
| Finance lease                            | 30 337         | 30 337         |
| <b>Total long-term debt liabilities</b>  | <b>242 417</b> | <b>102 416</b> |

## Liabilities movements:

|                                 |                |
|---------------------------------|----------------|
| Opening balance 31.12.2004      | 133 873        |
| Loans received                  | 174 100        |
| Overdraft                       | 3              |
| <b>Total loans received</b>     | <b>174 103</b> |
| Loans paid                      |                |
| Bank loans                      | 21 283         |
| <b>Total loans paid</b>         | <b>21 283</b>  |
| <b>Final balance 30.06.2005</b> | <b>286 693</b> |

## Note 13 Finance lease

The group leases the following assets under the financial leases:

|                | 31.06.2005 | 31.12.2004 |
|----------------|------------|------------|
| Buildings      |            |            |
| Residual value | 29 220     | 31 358     |

## Finance lease liability:

| 30 June 2005 | Loan balance | Up to 1 year | Incl. 1-5 year | Over 5 years | Due date   | Interest rate |
|--------------|--------------|--------------|----------------|--------------|------------|---------------|
| A-Selver AS  | 32 224       | 1 887        | 19 056         | 11 281       | 08.02.2012 | 7%            |

Minimum amount of lease payments 40 622

| 31 December 2004 | Loan balance | Up to 1 year | Incl. 1-5 year | Over 5 years | Due date   | Interest rate |
|------------------|--------------|--------------|----------------|--------------|------------|---------------|
| A-Selver AS      | 34 046       | 3 709        | 17 598         | 12 739       | 08.02.2012 | 7%            |

Minimum amount of lease payments 43 609

|                                       | 1st six month 2005 | 1st six month 2004 |
|---------------------------------------|--------------------|--------------------|
| Payments of reporting period          | 1 822              | 1 699              |
| Interest expenses of reporting period | 1 165              | 1 288              |

## Note 14 Other short-term payables

|                                   | 30 June 2005  | 31 December 2004 |
|-----------------------------------|---------------|------------------|
| VAT                               | 4 515         | 23 301           |
| Personal income tax               | 4 501         | 4 015            |
| Social tax                        | 8 826         | 7 352            |
| Fringe benefit tax                | 217           | 376              |
| Payables to employees             | 17 518        | 19 510           |
| Unemployment insurance            | 377           | 306              |
| Funded pensions                   | 338           | 259              |
| Interest payable                  | 29            | 29               |
| Other accrues expenses            | 829           | 814              |
| Prepayments received from lessees | 4 635         | 1 213            |
| <b>Total</b>                      | <b>41 785</b> | <b>57 175</b>    |

## Note 15 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 16 Net sales

|                               | 1st six month 2005 | 1st six month 2004 | 2nd quarter 2005 | 2nd quarter 2004 |
|-------------------------------|--------------------|--------------------|------------------|------------------|
| Retail sale                   | 1 198 437          | 895 710            | 663 013          | 465 362          |
| Wholesale                     | 7 552              | 3 968              | 4 792            | 1 789            |
| Sales of service and catering | 4 943              | 971                | 2 545            | 444              |
| <b>Total</b>                  | <b>1 210 932</b>   | <b>900 649</b>     | <b>670 350</b>   | <b>467 595</b>   |

## Note 17 Other revenue

|                                  | 1st six month<br>2005 | 1st six month<br>2004 | 2nd quarter<br>2005 | 2nd quarter<br>2004 |
|----------------------------------|-----------------------|-----------------------|---------------------|---------------------|
| Income from lease                | 16 152                | 17 514                | 7 985               | 10 089              |
| Income from sale of fixed assets | 23                    | 13                    | 23                  | 10                  |
| Other revenue                    | 8 771                 | 5 748                 | 4 872               | 2 704               |
| Income from currency exchange    | 57                    | 17                    | 48                  | 11                  |
| <b>Total</b>                     | <b>25 003</b>         | <b>23 292</b>         | <b>12 928</b>       | <b>12 814</b>       |

## Note 18 Other operating expenses

|                              | 1st six<br>month 2005 | 1st six month<br>2004 | 2nd quarter<br>2005 | 2nd quarter<br>2004 |
|------------------------------|-----------------------|-----------------------|---------------------|---------------------|
| Lease expenses               | 51 950                | 35 020                | 26 990              | 20 856              |
| Maintenance expenses         | 14 724                | 11 662                | 7 086               | 7 219               |
| Advertising expenses         | 18 167                | 16 269                | 8 310               | 8 720               |
| Bank fees                    | 7 430                 | 5 432                 | 4 079               | 2 881               |
| Security expenses            | 8 078                 | 6 078                 | 4 440               | 3 154               |
| Heat and electricity         | 13 462                | 11 825                | 6 601               | 5 656               |
| Materials                    | 16 437                | 7 756                 | 9 736               | 3 467               |
| Computers and communications | 5 918                 | 5 564                 | 3 076               | 2 743               |
| Travelling expenses          | 1 751                 | 1 673                 | 541                 | 647                 |
| Training expenses            | 3 202                 | 1 890                 | 2 560               | 543                 |
| Insurance expenses           | 417                   | 371                   | 215                 | 185                 |
| Other operating expenses     | 5 761                 | 6 289                 | 3 307               | 4 550               |
| <b>Total</b>                 | <b>147 297</b>        | <b>109 829</b>        | <b>76 941</b>       | <b>60 621</b>       |



## Note 19 Personnel expenses

|                 | 1st six month<br>2005 | 1st six month<br>2004 | 2nd quarter<br>2005 | 2nd quarter<br>2004 |
|-----------------|-----------------------|-----------------------|---------------------|---------------------|
| Salary expenses | 76 897                | 61 920                | 42 963              | 32 919              |
| Social tax      | 25 886                | 20 850                | 14 452              | 11 084              |
| Total           | 102 783               | 82 770                | 57 415              | 44 003              |

|   | 1st six month<br>2005 | 1st six month<br>2004 | 2nd quarter<br>2005 | 2nd quarter<br>2004 |
|---|-----------------------|-----------------------|---------------------|---------------------|
| Average monthly salary expenses per employee (kroons) | 7 711                 | 7 083                 | 8 009               | 7 610               |
| Average number of employees in the reporting period   | 1 662                 | 1 457                 | 1 788               | 1 442               |

## Note 20 Interest expenses

|                                    | 1st six month<br>2005 | 1st six month<br>2004 | 2nd quarter<br>2005 | 2nd quarter<br>2004 |
|------------------------------------|-----------------------|-----------------------|---------------------|---------------------|
| Bank loans                         | -1670                 | -1 788                | -1 026              | -885                |
| Finance lease                      | -1165                 | -1 288                | -574                | -637                |
| Bonds                              | -563                  | -850                  | -387                | -425                |
| Other interest expenses            | -29                   | -353                  | -29                 | -353                |
| Total interest expenses            | -3 427                | -4 279                | -2 016              | - 2 300             |
| Interest income                    | 428                   | 639                   | 213                 | 237                 |
| Total interest income and expenses | -2 999                | -3 640                | -1 803              | - 2 063             |

## Note 21 Operating profit

Operating profit includes following write-down of inventories:

|   | 1st six month<br>2005 | 1st six month<br>2004 | 2nd quarter<br>2005 | 2nd quarter<br>2004 |
|---|-----------------------|-----------------------|---------------------|---------------------|
| Write-down and write-off of inventories | 7 344                 | 5 537                 | 3 878               | 3 532               |
| Shortage of stock count                 | 5 057                 | 4 322                 | 3 612               | 2 787               |
| Total                                   | 12 401                | 9 859                 | 7 490               | 6 319               |

## Note 22 Transactions with related parties

During 1<sup>st</sup> six month of 2005 AS Tallinna Kaubamaja has purchased and sold its goods and rendered services from subsidiaries as following:

|                                   | Purchases 1 <sup>st</sup><br>six month<br>2005 | Sales<br>1 <sup>st</sup> six month<br>2005 | Purchases<br>2 <sup>nd</sup> quarter<br>2005 | Sales<br>2 <sup>nd</sup> quarter<br>2005 |
|-----------------------------------|--|--|--|--|
| Liviko AS                         | 15 525   | 180  | 9 019  | 346                                      |
| Balbiino AS                       | 18 754   | 156  | 11 525                                       | 197                                      |
| Kitman AS                         | 5 406  | 31   | 8 923  | 30                                       |
| Roseni Majad OÜ                   | 2  | 23   | 1  | 0  |
| Rocca al Mare Kaubanduskeskuse AS | 840  | 0  | 836  | 0  |
| NG Investeeringud AS              | 15   | 93   | 0  | 147                                      |
| Total                             | 40 542   | 483  | 30 304                                       | 720                                      |

## Balances with related parties:

|                                      | 30.06.2005 | 31.12.2004 |
|--------------------------------------|------------|------------|
| Current receivables                  |            |            |
| Liviko AS                            | 0          | 22         |
| Balbiino AS                          | 22         | 0          |
| NG Investeeringud AS                 | 0          | 29         |
| Total current receivables            | 22         | 51         |
| Non-current receivable Rävåla Parkla | 12 328     | 12 328     |
| Current liabilities                  |            |            |
| AS Liviko                            | 5 135      | 1 944      |
| AS Balbiino                          | 3 299      | 2 171      |
| AS Kitman                            | 2 829      | 0          |
| Total current liabilities            | 11 263     | 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, AS Kitman, Ganiger Invest OÜ. Starting from the autumn of 2001 Tallinna Kaubamaja Group's available cash resources have been placed at the custody of the main group. Tallinna Kaubamaja earned interest income during 1<sup>st</sup> six month of 2005 in amount of 78 thousand kroons (2004:146 thousand kroons). As of 30 June 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.