

TALLINNA KAUBAMAJA AS

**Consolidated Interim Report
for the nine 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 1700 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:	30.09.2005
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Confirmations of interim report

The Chairman of Board confirms the consolidated interim report of Tallinna Kaubamaja AS for the nine month of 2005 set out on pages 4-16



Raul Puusepp
The Chairman of Board

8 November 2005

Management Report

The consolidated unaudited net sales of Tallinna Kaubamaja Group for the 9 months of 2005 were 1.9 billion kroons (122.2 million euros). The net sales of the comparable period last year were 1.4 billion kroons (89.9 million euros). The net sales increased by 36 per cent.

The consolidated unaudited net sales of the Group for Quarter 3 were 700.6 million kroons (44.8 million euros) that is 38 per cent higher than the net sales of the same period last year when the net sales were 505.9 million kroons (32.3 million euros).

The sales of A-Selver increased by 41 per cent in 9 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 the department store sector the sales of 9 months of 2005 increased by 26 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 9 months of 2005 was 45 192 sq m and within the same period last year 38 313 sq m, constituting an increase of 18 per cent.

The consolidated net profit of the Group for the 9 months of 2005 was 43 million kroons (2.7 million euros), showing an increase of 75 per cent over the same period last year when the profit excluding profit from sale of fixed assets was 24.6 million kroons (1.6 million euros). The net profit of the Group for 9 months of 2004 was 64.9 million kroons (4.1 million euros) including a profit from the sale of fixed assets.

The consolidated net profit of the Group for Quarter 3 of 2005 was 11 million kroons (0.7 million euros), the net profit last year when the profit excluding profit from sale of fixed assets was 10.8 million kroons (0.7 million euros).

Extension of Tartu Kaubamaja and opening three new Selver stores influenced the results of Quarter 3.

Consolidated balance sheet

Thousands EEK/EUR

		30.09.2005		31.12.2004	
		Group		Group	
ASSETS	Note	EEK	EUR	EEK	EUR
Current assets					
Cash and bank	2	12 154	777	77 967	4 983
Trade receivables	3	16 611	1 062	14 222	909
Other receivables	4	7 950	508	6 148	393
Accrued income	5	140	9	80	5
Prepaid expenses	6	23 125	1 478	17 439	1 115
Inventories	7	306 547	19 592	224 366	14 340
Total current assets		366 528	23 425	340 222	21 744
Non-current assets					
Long-term financial assets					
Investment in associated companies	8	7 841	501	6 769	433
Other long-term receivables	9	11 828	756	12 328	788
Tangible fixed assets	10	906 970	57 966	675 242	43 156
Intangible assets	11	47 505	3 036	0	0
Total non-current assets		974 144	62 259	694 339	44 376
TOTAL ASSETS		1 340 672	85 685	1 034 561	66 121
LIABILITIES AND OWNERS' EQUITY					
Debt liabilities	12,13	38 518	2 462	31 457	2 010
Customers advances for goods and services		3 435	220	5 529	353
Suppliers payables		324 704	20 752	191 343	12 229
Other payables	14	41 968	2 682	57 175	3 654
Long term debt liabilities	12,13	242 417	15 493	102 416	6 546
Total liabilities		651 042	41 609	387 921	24 793
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		255 052	16 301	260 506	16 649
Retained earnings		316 437	20 224	212 251	13 565
Net profit for the financial year		42 989	2 748	98 733	6 310
Total owners' equity		689 630	44 075	646 641	41 328
TOTAL LIABILITIES AND OWNERS' EQUITY		1 340 672	85 685	1 034 561	66 121

Consolidated income statement

Thousands EEK/EUR					
	Note	2005		2004	
		Nine month Group		Nine month Group	
		EEK	EUR	EEK	EUR
Operating income					
Net sales	16	1 911 485	122 166	1 406 572	89 896
Other operating income	17	39 501	2 525	76 307	4 877
Cost of goods sold		-1 450 975	-92 734	-1 067 186	-68 206
Other operating expenses	18	-229 717	-14 682	-170 894	-10 922
Personnel expenses	19	-166 267	-10 626	-126 711	-8 098
Depreciation	10,11	-51 193	-3 272	-42 865	-2 740
Amortization of goodwill		0	0	352	22
Other expenses		-5 843	-373	-4 957	-317
Operating profit		46 992	3 003	70 618	4 513
Financial income and expenses					
Financial income and expenses on shares in associates	8	1 072	69	516	33
Interest income and expenses	20	-4 952	-317	-5 984	-382
Other financial income and expenses		-122	-8	-220	-14
Total financial income and expenses		-4 002	-256	-5 689	-364
NET PROFIT FOR THE FINANCIAL YEAR		42 989	2 748	64 929	4 150

Consolidated income statement

Thousands EEK/EUR					
	Note	2005		2004	
		3 rd quarter Group		3 rd quarter Group	
		EEK	EUR	EEK	EUR
Operating income					
Net sales	16	700 553	44 774	505 923	32 334
Other operating income	17	14 498	927	53 014	3 388
Cost of goods sold		-536 571	-34 293	-383 352	-24 501
Other operating expenses	18	-82 420	-5 268	-61 064	-3 903
Personnel expenses	19	-63 483	-4 057	-43 941	-2 808
Depreciation	10,11	-18 293	-1 169	-15 598	-997
Amortization of goodwill		0	0	117	7
Other expenses		-1 690	-108	-1 693	-108
Operating profit		12 594	805	53 405	3 413
Financial income and expenses					
Financial income and expenses on shares in associates	8	357	23	153	10
Interest income and expenses	20	-1 954	-125	-2 344	-150
Other financial income and expenses		-2		-21	-1
Total financial income and expenses		-1 599	-102	-2 212	-141
NET PROFIT FOR THE FINANCIAL YEAR		10 995	703	51 193	3 272

Consolidated cash flow statement

		Thousands EEK/EUR			
		2 005		2 004	
		Nine month		Nine month	
	Note	Group		Group	
		EEK	EUR	EEK	EUR
CASH FLOW FROM OPERATING ACTIVITIES					
Net profit		42 989	2 748	64 929	4 150
Adjustments:					
Interest expenses		5 726	366	6 772	433
Interest income		-773	-49	-788	-50
Depreciation	10,11	51 193	3 272	42 513	2 717
Profit/loss from sale and liquidation on non-current assets		50	3	-40 614	-2 596
Impact of equity method	8	-1 072	-69	-516	-33
Change in inventories		-82 182	-5 252	-55 007	-3 516
Change in receivables		-9 877	-631	-150 158	-9 597
Change in liabilities		116 002	7 414	18 748	1 198
NET CASH FLOW FROM OPERATING ACTIVITIES:		122 055	7 801	-114 121	-7 294
CASH FLOW FROM INVESTING ACTIVITIES					
Fixed assets acquired and renovated (excl finance lease)	10	-280 813	-17 947	-138 341	-8 842
Intangible assets acquired	11	-50 000	-3 196	0	0
Interest received		714	46	820	52
Tangible fixed assets sold		338	22	126 287	8 071
NET CASH FLOW FROM INVESTING ACTIVITIES:		-329 762	-21 076	-11 234	-718
CASH FLOW FROM FINANCING ACTIVITIES					
Loans received and bonds issued		174 385	11 145	88 138	5 633
Repayments of loans and redemption of bonds	12	-24 566	-1 570	-9 095	-581
Finance lease payments	13	-2 758	-176	-2 572	-164
Loans to associates		0	0	-300	-19
Loans received from associates		500	0	0	0
Interest paid		-5 668	-362	-5 496	-351
CASH FLOW FROM FINANCING ACTIVITIES:		141 894	9 037	70 675	4 517
TOTAL CASH FLOW		-65 813	-4 238	-54 680	-3 495
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	12 154	777	18 631	1 191
Change in cash and cash equivalents		-65 813	-4 206	-54 680	-3 495

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	-5 454	0	5 454	0	
Profit for the financial year	0	0	0	42 989	42 989	
30.09.2005	67 882	255 052	7 269	359 427	689 630	

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	-349	0	349	0	
Profit for the financial year	0	0	0	2 748	2 748	
30.09.2005	4 338	16 301	465	22 972	44 075	

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 nine 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

	30.09.2005	31.12.2004
Cash in hand	2 760	1 891
Bank accounts	2 461	68 174
Cash in transit	6 933	7 902
Total cash and bank	12 154	77 967

Note 3 Trade receivables

	30.09.2005	31.12.2004
Trade receivables	16 611	14 222
Total trade receivables	16 611	14 222

Note 4 Other receivables

	30.09.2005	31.12.2004
Supplier bonuses	6 808	5 502
Other short-term receivables	1 142	646
Total other receivables	7 950	6 148

Note 5 Accrued income

The interest receivables in amount of 140 thousand kroons (2004:80 thousand kroons) are recorded as accrued income as at the balance sheet date.

Note 6 Prepaid expenses

	30.09.2005	31.12.2004
Other prepaid expenses	599	772
Prepaid membership fees	216	89
Prepaid rent	6 930	0
Prepaid insurance fees	69	35
Maintenance of software licenses	15 060	227
VAT liability	251	16 316
Total prepaid expenses	23 125	17 439

Note 7 Inventories

	30.09.2005	31.12.2004
Merchandise for resale	302 316	221 677
Raw materials	4 231	2 689
Total inventories	306 547	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	714
Book value at the end of the period	7 842

Owners' equity of associated company as at 30.06.2005

	AS Rävala Parkla
Share capital	10 000
Share premium	3 000
Retained earnings	271
Statutory legal reserve	269
Profit for the financial year	2144
Total owners' equity	15 684
Share of Tallinna Kaubamaja in owners' equity	7 842

Note 9 Other long-term receivables

	30.09.2005	31.12.2004
Associated company AS Rävala Parkla	11 828	12 328
Total long-term receivables	11 828	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
Residual value	499 680	46 212	61 526	242	67 582	675 242
Additions	20 380	35 092	26 281	9 742	189 319	280 812
Sales and disposals at residual value		-317	-73	0	0	-390
Incl. Sales and disposals at acquisition costs	-1 209	-2 691	-1 547	0	0	-5 447
Depreciation from sale and liquidation on non current assets	1 209	2 374	1 474	0	0	5 057
Depreciation calculated	-14 966	-17 490	-16 241	0	0	-48 698
30.09.2005						
Residual value	505 095	63 496	71 494	9 984	256 901	906 970
Acquisition cost	537 239	149 992	197 661	9 984	256 901	1 151 777
Accumulated depreciation	-32 145	-86 496	-126 167	0	0	-244 808
Residual value 30.09.2005 as eliminated revaluation of fixed assets	250 042	63 496	71 494	9 984	256 901	651 918
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 equipment and fittings for salesrooms and computers were bought for 61 373 thousand kroons, including equipment and fittings for Vilja Selver, Punane Selver, Suurejõe Selver, Valga Selver and Selver stores in Tartu in amount of 59 309 thousand kroons. Buildings were renovated and repaired in amount of 11 580 kroons and two real estates in amount of 8 800 were brought.

Note 11 Intangible assets

Thousands EEK

	Other intangible assets	Total
30.09.2005		
Additions	50 000	50 000
Depreciation calculated	-2 495	-2 495
Residual value	47 505	47 505
Acquisition cost	50 000	50 000
Accumulated depreciation	-2 495	-2 495

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

Note 12 Debt liabilities

Current debt liabilities	30.09.2005	31.12.2004
Short-term bonds	34 384	14 859
Loans	3 182	12 889
Overdraft	952	3 709
Total short-term debt liabilities	38 518	31 457
Long-term debt liabilities	30.09.2005	31.12.2004
Loans	212 080	72 079
Finance lease	30 337	30 337
Total long-term debt liabilities	242 417	102 416

Liabilities movements:

Opening balance 31.12.2004	133 873
Loans received	174 385
Overdraft	0
Total loans received	174 385
Loans paid	
Bank loans	24 566
Total loans paid	24 566
Final balance 30.06.2005	283 692

Note 13 Finance lease

The group leases the following assets under the financial lease:

	30.06.2005	31.12.2004
Buildings		
Residual value	28 150	31 358

Finance lease liability:

30 September 2005	Loan balance	Up to 1 year	Incl. 1-5 year	Over 5 years	Due date	Interest rate
A-Selver AS	31 288	952	21 468	8 868	08.02.2012	7%

Minimum amount of lease payments 39 128

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

	nine month 2005	nine month 2004
Payments of reporting period	2 757	2 572
Interest expenses of reporting period	1 724	1 910

Note 14 Other short-term payables

	30 September 2005	31 December 2004
VAT	3 067	23 301
Personal income tax	4 121	4 015
Social tax	8 456	7 352
Fringe benefit tax	64	376
Payables to employees	19 296	19 510
Unemployment insurance	362	306
Funded pensions	324	259
Interest payable	86	29
Other accrues expenses	537	814
Prepayments received from lessees	5 655	1 213
Total	41 968	57 175

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

	nine month 2005	Nine month 2004	3 rd quarter 2005	3 rd quarter 2004
Retail sale	1 894 869	1 397 426	696 432	501 716
Wholesale	8 823	6 052	1 271	2 084
Sales of service and catering	7 793	3 094	2 850	2 123
Total	1 911 485	1 406 572	700 553	505 923

Note 17 Other revenue

	nine month 2005	Nine month 2004	3 rd quarter 2005	3 rd quarter 2004
Income from lease	24 495	22 388	8 343	4 874
Income from sale of fixed assets	11	40 656	-12	40 643
Other revenue	14 928	13 234	6 157	7 486
Income from currency exchange	67	29	10	11
Total	39 501	76 307	14 498	53 014

Note 18 Other operating expenses

	nine month 2005	nine month 2004	3 rd quarter 2005	3 rd quarter 2004
Lease expenses	82 519	56 062	30 569	21 042
Maintenance expenses	24 625	18 199	9 901	6 537
Advertising expenses	28 273	25 229	10 106	8 960
Bank fees	11 573	8 462	4 143	3 030
Security expenses	12 505	9 738	4 427	3 661
Heat and electricity	20 405	17 197	6 943	5 372
Materials	27 531	14 964	11 094	7 208
Computers and communications	9 353	8 469	3 435	2 905
Travelling expenses	2 688	2 752	937	1 079
Training expenses	3 407	2 116	205	226
Insurance expenses	638	556	221	184
Other operating expenses	6 200	7 150	439	860
Total	229 717	170 894	82 420	61 064

Note 19 Personnel expenses

	nine month 2005	nine month 2004	3 rd quarter 2005	3 rd quarter 2004
Salary expenses	124 350	94 754	47 453	32 834
Social tax	41 917	31 957	16 030	11 107
Total	166 267	126 711	63 483	43 941

	nine month 2005	nine month 2004	3 rd quarter 2005	3 rd quarter 2004
Average monthly salary expenses per employee (kroons)	7 824	7 286	8 013	7 461
Average number of employees in the reporting period	1766	1 445	1974	1 467

Note 20 Interest expenses

	nine month 2005	nine month 2004	3 rd quarter 2005	3 rd quarter 2004
Bank loans	-3 076	-2 647	-1406	-859
Finance lease	-1 724	-1 910	-559	-622
Bonds	-663	-1 275	-100	-425
Other interest expenses	-138	-42	-109	-42
Overdraft	-124	-897	-124	-544
Interest income	773	787	345	148
Total interest income and expenses	-4 952	-5 984	-1 953	-2 344

Note 21 Operating profit

Operating profit includes following write-down of inventories:

	nine month 2005	nine month 2004	3 rd quarter 2005	3 rd quarter 2004
Write-down and write-off of inventories	20 681	9 389	13 337	3 852
Shortage of stock count	9 055	7 116	3 998	2 794
Total	29 736	16 505	17 335	6 646

Note 22 Transactions with related parties

During nine month of 2005 AS Tallinna Kaubamaja has purchased and sold its goods and rendered services from subsidiaries as following:

	Purchases nine month 2005	Sales nine month 2005	Purchases 3 rd quarter 2005	Sales 3 rd quarter 2005
Liviko AS	22 839	502	15 029	552
Balbiino AS	2 364	295	17 839	193
Kitman AS	10 086	26	8 814	30
Roseni Majad OÜ	2	51	14	0
Rocca al Mare Kaubanduskeskuse AS	840	0	1 237	0
NG Investeeringud AS	254	156	42	173
Total	36 385	1 030	42 975	948

Balances with related parties:

	30.09.2005	31.12.2004
Current receivables		
Liviko AS	73	22
Balbiino AS	0	0
NG Investeeringud AS	0	29
Total current receivables	73	51
Non-current receivable Rävala Parkla	11 828	12 328
Current liabilities		
AS Liviko	5 179	1 944
AS Balbiino	2 917	2 171
NG Investeeringud AS	76	0
AS Kitman	3 830	0
Total current liabilities	12 002	4 115

Tartu Kaubamaja AS, AS A-Selver, Tallinna Kaubamaja Kinnisvara AS and Tartu Kaubamaja Kinnisvara OÜ 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, OÜ NG Kapital and 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. The average interest rate per year is 3,6%. As of 30 September 2005 Tallinna Kaubamaja Group had no receivables to the main group at the balance sheet. As of 30 September 2005 Tallinna Kaubamaja Group has used the available cash resources from the main group in amount of 42 000 thousand Kroons. 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.