

TALLINNA KAUBAMAJA AS

Consolidated Interim Report for year 2005

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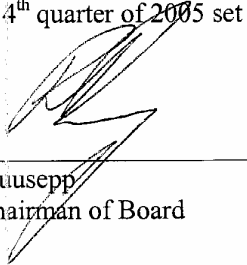
KEY DATA

The main activities of Tallinna Kaubamaja Group are retail and wholesale. The Group employs more than 1900 employees.

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

Legal address:	Gonsiori t. 2 10143 Tallinn Eesti Vabariik
Commercial Registry No.:	10223439
Beginning of the financial year:	01.01.2005
End of the financial year:	31.12.2005
Beginning of the interim report:	01.01.2005
End of the interim report:	31.12.2005
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The Chairman of Board confirms the consolidated interim report of Tallinna Kaubamaja AS for the 4th quarter of 2005 set out on pages 2-18.



Raul Puusepp
The Chairman of Board

15th February 2006

Management Report

The consolidated unaudited net sales of Tallinna Kaubamaja Group for the 12 months of 2005 were 2.9 billion kroons (183.9 million euros). The net sales of the comparable period last year were 2 billion kroons (129.2 million euros). The net sales increased by 42 per cent.

The consolidated unaudited net sales of the Group for Quarter 4 were 966.3 million kroons (61.8 million euros) that is 57 per cent higher than the net sales of the same period last year when the net sales were 615.3 million kroons (39.3 million euros).

The sales of A-Selver increased by 70 per cent in Q4. The main source for growth was the aggressive expansion of Selver chain among this concentration with Tirsi chain. Selver supermarkets opened before 2004 also showed good result; the growth of sales amounted to 16 per cent.

The sales of department stores of Q 4 increased by 29 per cent over the same period last year. The main source of the increase is the expansion of the Tartu Kaubamaja, the sale area increased more than three times and Tallinna Kaubamaja expansion into Viru Centre year 2004

The average sales area in the 12 months of 2005 was 51 008 sq m and within the same period last year 39 327sq m, constituting an increase of 30 per cent.

The consolidated net profit of the Group for the 12 months of 2005 was 91.8 million kroons (5.9 million euros). The excluding profit from sale of fixed assets of the comparable period last year was 58.1 million kroons (3.7 million euros), profit from the sale of fixed assets was 40.6 million kroons (2,6 million euros). The profit from main activities increased by 58%. The main sources of the increase were the expansion of Selver chain and Tartu Kaubamaja.

The consolidated net profit of the Group for Quarter 4 of 2004 was 48.8 million kroons (3.1 million euros), which is 44 per cent higher than the profit of the same period last year when the profit was 33.8 million kroons (2.2 million euros).

The assets purchased to the fixed asset group "Land and buildings" of Tallinna Kaubamaja AS during year has been revaluated. According to international accounting standards a revaluation of land and buildings was carried out by an independent real estate expert and the result is recorded in the balance sheet of Tallinna Kaubamaja AS as of 31.12.2005. As a result of the expert revaluation the value of land and buildings and equity increased by 251 million kroons (16 million euros).

Consolidated balance sheet

Thousands EEK/EUR

	Note	31.12.2005		31.12.2004	
		EEK	EUR	EEK	EUR
Group					
ASSETS					
Current assets					
Cash and bank	2	1 027	66	77 967	4 983
Trade receivables	3	28 565	1 826	14 222	909
Other receivables	4	16 072	1 027	6 148	393
Accrued income	5	0	0	80	5
Prepaid expenses	6	8 694	556	17 439	1 115
Inventories	7	290 390	18 559	224 366	14 340
Total current assets		344 748	22 033	340 222	21 744
Non-current assets					
Long-term financial assets					
Investment in associated companies	8	9 032	577	6 769	433
Other long-term receivables	9	11 828	756	12 328	788
Tangible fixed assets	10	1 270 549	81 203	675 242	43 156
Intangible assets	11	46 157	2 950	0	0
Total non-current assets		1 337 566	85 486	694 339	44 376
TOTAL ASSETS		1 682 315	107 519	1 034 561	66 121
LIABILITIES AND OWNERS' EQUITY					
Debt liabilities	12,13	51 943	3 320	31 457	2 010
Customers advances for goods and services		7 592	485	5 529	353
Suppliers payables		338 013	21 603	191 343	12 229
Other payables	14	70 262	4 491	57 175	3 654
Long term debt liabilities	12,13	225 015	14 381	102 416	6 546
Total liabilities		692 825	44 280	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		504 307	32 231	260 506	16 649
Retained earnings		318 255	20 340	212 251	13 565
Net profit for the financial year		91 776	5 866	98 733	6 310
Total owners' equity		989 489	63 240	646 641	41 328
TOTAL LIABILITIES AND OWNERS' EQUITY		1 682 315	107 519	1 034 561	66 121

Consolidated income statement

Thousands EEK/EUR

	Note	2005 12 months Group		2004 12 months Group	
		EEK	EUR	EEK	EUR
Operating income					
Net sales	16	2 877 784	183 924	2 021 830	129 218
Other operating income	17	58 391	3 732	89 041	5 691
Cost of goods sold		-2 165 612	-138 408	-1 524 271	-97 419
Other operating expenses	18	-335 542	-21 445	-240 683	-15 382
Personnel expenses	19	-253 207	-16 183	-177 800	-11 364
Depreciation	10,11	-73 830	-4 719	-58 898	-3 764
Amortization of goodwill		0	0	938	60
Other expenses		-10 485	-670	-5 106	-326
Operating profit		97 500	6 231	105 050	6 714
Financial income and expenses					
Financial income and expenses on shares in associates	8	2 263	145	1 342	86
Interest income and expenses	20	-7 768	-496	-7 386	-472
Other financial income and expenses		-218	-14	-273	-17
Total financial income and expenses		-5 724	-366	-6 317	-404
NET PROFIT FOR THE FINANCIAL YEAR		91 776	5 866	98 733	6 310
Basic earnings per share (EEK/EUR)		13,52	0,86	14,54	0,93
Diluted earnings per share (EEK/EUR)		13,52	0,86	14,54	0,93

Thousands EEK/EUR

	Note	2005 4 th quarter Group		2004 4 th quarter Group	
		EEK	EUR	EEK	EUR
Operating income					
Net sales	16	966 300	61 758	615 258	39 322
Other operating income	17	18 890	1 207	12 734	814
Cost of goods sold		-714 637	-45 674	-457 086	-29 213
Other operating expenses	18	-105 825	-6 763	-69 790	-4 460
Personnel expenses	19	-86 940	-5 556	-51 089	-3 265
Depreciation		-22 637	-1 447	-16 033	-1 025
Amortization of goodwill		0	0	586	37
Other expenses		-4 642	-297	-148	-9
Operating profit		50 508	3 228	34 432	2 201
Financial income and expenses					
Financial income and expenses on shares in associates		1 191	76	827	53
Interest income and expenses	20	-2 816	-180	-1 402	-90
Other financial income and expenses		-96	-6	-53	-3
Total financial income and expenses		-1 721	-110	-628	-40
NET PROFIT FOR THE FINANCIAL YEAR		48 787	3 118	33 804	2 160
Basic earnings per share (EEK/EUR)		7,19	0,46	4,98	0,32
Diluted earnings per share (EEK/EUR)		7,19	0,46	4,98	0,32

Consolidated cash flow statement

		Thousands EEK/EUR			
		2 005		2 004	
		12 months		12 months	
	Note	Group		Group	
		EEK	EUR	EEK	EUR
CASH FLOW FROM OPERATING ACTIVITIES					
Net profit		91 776	5 866	98 733	6 310
Adjustments:					
Interest expenses	20	8 731	558	8 861	566
Interest income	20	-963	-62	-1 474	-94
Depreciation	10,11	73 830	4 719	57 960	3 704
Profit/loss from sale and liquidation on non-current assets		212	14	-40 469	-2 586
Impact of equity method	8	-2 263	-145	-1 342	-86
Change in inventories		-66 024	-4 220	-48 395	-3 093
Change in receivables		-15 523	-992	-23 095	-1 476
Change in liabilities		161 696	10 334	50 328	3 217
NET CASH FLOW FROM OPERATING ACTIVITIES:		251 472	16 072	101 105	6 462
CASH FLOW FROM INVESTING ACTIVITIES					
Fixed assets acquired and renovated (excl finance lease)	10	-417 283	-26 669	-179 907	-11 498
Intangible assets acquired	11	-49 900	-3 189	0	0
Interest received	5,20	1 043	67	1 427	91
Tangible fixed assets sold		2 750	176	127 047	8 120
NET CASH FLOW FROM INVESTING ACTIVITIES:		-463 390	-29 616	-51 433	-3 287
CASH FLOW FROM FINANCING ACTIVITIES					
Loans received and bonds issued	12	174 669	11 163	14 717	941
Repayments of loans and redemption of bonds	12	-27 875	-1 782	-47 067	-3 008
Finance lease payments	13	-3 709	-237	-3 459	-221
Loans to associates		0	0	-300	-19
Loans received from associates	9	500	0	0	0
Interest paid	14,20	-8 608	-550	-8 906	-569
CASH FLOW FROM FINANCING ACTIVITIES:		134 977	8 595	-45 016	-2 877
TOTAL CASH FLOW		-76 940	-4 949	4 656	298
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	1 027	66	77 967	4 983
Change in cash and cash equivalents		-76 940	-4 917	4 656	298

Statement of changes in equity

							Thousand EEK					
							Share	Revaluation	Reserves	Retained	Total	
							capital	reserve		earnings		
							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
Revaluation of non-current assets							0	251 073	0	0	251 073	
Changes in revaluation reserve of non-current assets							0	-7 271	0	7 271	0	
Profit for the financial year							0	0	0	91 776	91 776	
							31.12.2005	67 882	504 307	7 269	410 031	989 489
							Thousand EUR					
							Share	Revaluation	Reserves	Retained	Total	
							capital	reserve		earnings		
							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
Revaluation of non-current assets							0	16 046	0	0	16 046	
Changes in revaluation reserve of non-current assets							0	-465	0	465	0	
Profit for the financial year							0	0	0	5 866	5 866	
							31.12.2005	4 338	32 231	465	26 206	63 240

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 the 4th 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

	31.12. 2005	31.12.2004
Cash in hand	2 773	1 891
Bank accounts	- 15 183	68 174
Cash in transit	13 437	7 902
Total cash and bank	1 027	77 967

Note 3 Trade receivables

	31.12.2005	31.12.2004
Trade receivables	28 565	14 222
Total trade receivables	28 565	14 222

Note 4 Other receivables

	31.12.2005	31.12.2004
Supplier bonuses	14 116	5 502
Other short-term receivables	1 956	646
Total other receivables	16 072	6 148

Note 5 Accrued income

There are no interest receivables at the balance sheet date (2004:80 thousand kroons).

Note 6 Prepaid expenses

	31.12.2005	31.12.2004
Other prepaid expenses	253	772
Prepaid membership fees	402	89
Prepaid insurance fees	275	35
VAT liability	173	16 316
Prepayments received from lessees	7 322	0
Personal income tax	2	0
Social tax	2	0
Maintenance of software licenses	265	227
Total prepaid expenses	8 694	17 439

Note 7 Inventories

	31.12.2005	31.12.2004
Merchandise for resale	284 913	221 677
Raw materials	5 477	2 689
Total inventories	290 390	224 366

Note 8 Shares of associated companies

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

AS Rävåla Parkla

Book value at the beginning of year	6 769
Income from equity method in the reporting year	2 263
Book value at the end of the year	9 032

Owners' equity of associated company as at 31.12.2005

AS Rävåla Parkla

Share capital	10 000
Share premium	3 000
Retained earnings	135
Statutory legal reserve	403
Profit for the financial year	4 525
Total owners' equity	18 063
Share of Tallinna Kaubamaja in owners' equity	9 032

Note 9 Other long-term receivables

	31.12.2005	31.12.2004
Associated company AS Rävåla Parkla	11 828	12 328
Total long-term receivables	11 828	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	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	288 779	69 252	63 681	-159	-4 270	417 283
Sales and disposals at residual value	0	-2 622	-341	0	0	-2 964
Incl. Sales and disposals at acquisition costs	-10 793	-12 062	-11 844	0	0	-34 700
Depreciation from sale and liquidation						
on non current assets	10 793	9 440	11 503	0	0	31 736
Revaluation of non-current assets	251 073	0	0	0	0	251 073
Depreciation calculated	-21 894	-24 586	-23 607	0	0	-70 087
31.12.2005						
Residual value	1 017 638	88 255	101 261	83	63 312	1 270 549
Acquisition cost	1 047 127	174 780	224 764	83	63 312	1 510 066
Accumulated depreciation	-29 489	-86 525	-123 504	0	0	-239 518
Residual value 31.12.2005 as eliminated revaluation of fixed assets	513 331	88 255	101 261	83	63 312	766 241
Residual value 31.12.2004 as eliminated revaluation of fixed assets	239 174	46 212	61 526	242	67 582	414 736

The assets purchased to the fixed asset group "Land and buildings" of Tallinna Kaubamaja AS during year has been revaluated. Revaluation of land and buildings was carried out by an independent real estate expert. The appraisal of fix assets true value was found using discounted cash flow and comparing market price methods. The discount rate for finding true value is between 10 and 10,2 per cent and the market growth rate is between 0,7 and 1,5%.

During the reporting period equipment and fittings for salesrooms and computers were bought for 132 933 thousand kroons, including equipment and fittings for Tallinna Kaubamaja AS in amount of 38 874 thousand kroons, for A-Selver AS in amount of 94 059 thousand kroons. Buildings were renovated and repaired in amount of 18 087 kroons. Two building were finished, new department store building in Tartu and Selver in Sõle Street, Tallinn. The investment to new building were in amount of 270 692 thousand kroons.

Note 11 Intangible assets

	Thousand/ EEK	
	Other intangible assets	Total
Additions	50 000	50 000
Write-down	-100	-100
Depreciation calculated	-3 743	-3 743
31.12.2005		
Residual value	46 157	46 157
Acquisition cost	50 000	50 000
Accumulated depreciation	-3 743	-3 743

The intangible assets are operating rights for supermarkets in Tartu.

Note 12 Debt liabilities

Current debt liabilities	31.12.2005	31.12.2004
Short-term bonds	34 668	14 859
Loans	13 297	12 889
Overdraft (see note 13)	3 978	3 709
Total short-term debt liabilities	51 943	31 457

Long-term debt liabilities	31.12.2005	31.12.2004
Loans	198 656	72 079
Finance lease (see note 13)	26 359	30 337
Total long-term debt liabilities	225 015	102 416

Liabilities movements:

Opening balance 31.12.2004	133 873
Loans received	174 669
Total loans received	174 669
Loans paid	
Overdraft	3 709
Bank loans	27 875
Total loans paid	31 584
Final balance 31.12.2005	276 958

Note 13 Finance lease

The group leases the following assets under the financial lease:

	31.12.2005	31.12.2004
Buildings		
Residual value	26 725	31 358

Finance lease liability:

30.12.2005	Loan balance	Up to 1 year	Incl. 1-5 year	Over 5 years	Due date	Interest rate
A-Selver AS	30 337	3 978	18 827	7 532	08.12.2012	7%

Minimum amount of lease payments 37 135

31.12.2004	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	08.12.2012	7%

Minimum amount of lease payment 43 609

Note 14 Other short-term payables

	31.12.2005	31.12.2004
VAT	13 271	23 301
Personal income tax	5 617	4 015
Social tax	11 512	7 352
Fringe benefit tax	540	376
Unemployment insurance	398	306
Funded pensions	443	259
Payables to employees	37 138	19 510
Interest payable	152	29
Other accrues expenses	70	814
Prepayments received from lessees	1 121	1 213
Total	70 262	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 271 528 000 kroons

Note 16 Net sales

	4th quarter 2005	4th quarter 2004	Year 2005	Year 2004
Retail sale	951 139	609 547	2 846 007	2 006 972
Wholesale	2 833	3 133	11 656	9 185
Sales of service and catering	12 328	2 578	20 121	5 673
Total	966 300	615 258	2 877 784	2 021 830

The whole net sales of Tallinna Kaubamaja Group has been received from Estonia.

Note 17 Other revenue

	4th quarter 2005	4th quarter 2004	Year 2005	Year 2004
Income from lease	8 308	7 867	32 803	30 255
Income from sale of fixed assets	348	43	359	40 699

Other revenue	10 180	4 799	25 108	18 033
Income from currency exchange	54	25	121	54
Total	18 890	12 734	58 391	89 041

Note 18 Other operating expenses

	4th quarter 2005	4th quarter 2004	Year 2005	Year 2004
Lease expenses	30 589	25 901	113 851	81 963
Maintenance expenses	9 389	4 990	34 014	23 189
Advertising expenses	6 667	13 205	34 940	38 434
Bank fees	5 941	3 881	17 514	12 343
Security expenses	7 434	3 728	19 939	13 466
Heat and electricity	11 845	6 116	32 250	23 313
Materials	12 014	5 430	39 545	20 394
Computers and communications	3 759	2 980	13 112	11 449
Travelling expenses	569	589	3 257	3 341
Training expenses	184	815	3 591	2 931
Insurance expenses	286	188	924	744
Other operating expenses	17 148	1 967	22 605	9 116
Total	105 825	69 790	335 542	240 683

Note 19 Personnel expenses

	4th quarter 2005	4th quarter 2004	Year 2005	Year 2004
Salary expenses	65 066	38 188	189 416	132 942
Social tax	21 874	12 901	63 791	44 858
Total	86 940	51 089	253 207	177 800

	4th quarter 2005	4th quarter 2004	Year 2005	Year 2004
Average monthly salary expenses per employee (kroons)	9 365	8 436	8 295	7 667
Average number of employees in the reporting period	2 316	1 509	1 903	1 445

Note 20 Interest expenses

	4th quarter 2005	4th quarter 2004	Year 2005	Year 2004
Bank loans	-1 508	-778	-4 584	-3 425
Finance lease	-542	-606	-2 266	-2 516
Bonds	-284	-523	-947	-1 798
Other interest expenses	-667	0	-805	-42
Overdraft	-5	-182	-129	-1 080
Interest income	190	687	963	1 475
Total interest income and expenses	-2 816	-1 402	-7 768	-7 386

Note 21 Operating profit

Operating profit includes following write-down of inventories:

	4th quarter 2005	4th quarter 2004	Year 2005	Year 2004
Write-down and write-off of inventories	6 880	5 790	27 561	15 179
Shortage of stock count	6 936	6 128	15 991	13 244
Total	13 816	11 918	43 552	28 423

Note 22 Transactions with related parties

During 4th quarter of 2005 and year 2005 the Group has purchased and sold its goods and rendered services from as following:

	Sales 4 th quarter 2005	Purchases 4 th quarter 2005	Purchases 2005	Sales 2005
Other companies of group	1 124	48 634	84 289	1 998
Parent company	24	0	730	180
Total	1 148	48 634	85 019	2 178

During 4th quarter of 2004 and year 2004 the Group has purchased and sold its goods and rendered services from as following:

	Sales 4 th quarter 2004	Purchases 4 th quarter 2004	Purchases 2004	Sales 2004
Other companies of group	456	15 656	58 589	1 231
Parent company	116		42	289
Total	572	15 656	58 631	1 520

Balances with related parties:

	31.12.2005	31.12.2004
Current receivables		
Other companies of group	364	291
Parent company	24	21
Total current receivables	388	312
Non-current receivables	11 828	12 328
Current liabilities		
Other companies of group	11 515	7 729
Parent company	303	0
Total current liabilities	11 818	7 729

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: Balbiino AS, Liviko AS, Kitman AS, NG Kapital OÜ 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 income rate per year is 3,6% and interest expenses rate per year is 3%.. As of 31 Decemberr 2005 Tallinna Kaubamaja Group had no receivables to the main group at the balance sheet. As of 31 December 2005 Tallinna Kaubamaja Group has used the available cash resources from the main group in amount of 17 264 thousand Kroons (31.12.2004: 0 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.