

Tallinna Kaubamaja AS

TALLINNA KAUBAMAJA AS

**Consolidated Interim Report for
the first half-year of 2006**

Table of Contents

| | |
|--|----|
| KEY DATA..... | 3 |
| MANAGEMENT REPORT..... | 4 |
| CONSOLIDATED FINANCIAL STATEMENT..... | 8 |
| CONSOLIDATED BALANCE SHEET..... | 9 |
| CONSOLIDATED STATEMENT OF CHANGES IN EQUITY | 13 |
| NOTES TO CONSOLIDATED INTERIM REPORT..... | 14 |
| Note 1 Accounting methods and principles used in preparing the consolidated interim report..... | 14 |
| Note 2 Cash and bank..... | 15 |
| Note 3 Trade receivables..... | 15 |
| Note 4 Other receivables | 15 |
| Note 5 Prepaid expenses | 15 |
| Note 6 Inventories | 15 |
| Note 7 Shares of associated companies..... | 16 |
| Note 8 Other long-term receivables | 16 |
| Note 9 Property, plant and equipment..... | 17 |
| Note 10 Debt liabilities | 17 |
| Note 11 Finance lease | 18 |
| Note 12 Other short-term payables | 19 |
| Note 13 Share capital | 19 |
| Note 14 Sales..... | 19 |
| Note 15 Other income | 19 |
| Note 16 Other expenses..... | 20 |
| Note 17 Personnel expenses..... | 20 |
| Note 18 Interest expenses..... | 20 |
| Note 19 Operating profit | 21 |
| Note 20 Segment reporting | 21 |
| Note 21 Related party transactions..... | 22 |

KEY DATA

The main activities of Tallinna Kaubamaja Group are retail and wholesale. The group employs more than 2000 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: | 01.01.2006 |
| End of the financial year: | 31.12.2006 |
| Beginning of the interim report: | 01.01.2006 |
| End of the interim report: | 30.06.2006 |
| Phone: | 37 26 673 200 |
| Fax: | 37 26 673 205 |
| Web: | www.kaubamaja.ee |
| E-mail: | kaubamaja@kaubamaja.ee |

MANAGEMENT REPORT

The main activities of the companies in the Tallinna Kaubamaja Group are retail and wholesale trade.

As at 30 June 2006, the Group consisted of the following companies:

| | Participation 30.06.06 | Participation 30.06.05 |
|----------------------------------|------------------------|------------------------|
| A-Selver AS | 100% | 100% |
| AS Tartu Kaubamaja | 100% | 100% |
| Tartu Kaubamaja Kinnisvara OÜ | 100% | 100% |
| Tallinna Kaubamaja Kinnisvara OÜ | 100% | 100% |
| Rävala Parkla AS | 50% | 50% |

All subsidiaries and associates of the group have been registered in the Republic of Estonia.

Economic development and its impact

In 1st half-year 2006 the prices grew 4,3% compared to the 1st half-year 2005. According the preliminary data of the Estonian Statistical Offices, retail (excluding motor vehicle and fuel) increased 24%. Whereas the respective figure was 8% for non-specialty stores (mostly groceries). According to the preliminary data of the Estonian Statistical Office, the share of non-specialty stores was approximately 47% of total retail sales. The retail sales in non-specialty stores (with industrial goods predominating) were 12,4%. Mail order sale made through the most rapid growth, increased by 73%.

The growth of the retail market has been propelled by higher purchasing power of customer, low interest rate, decreasing of unemployment which in turn creates a more favorable environment and good development conditions of retail chains.

Results of operations

The net sales of the Tallinna Kaubamaja Group increased by 56% in 2006 as compared to 2005, to almost 1895 million kroons which is 684 million kroons more than the year before.

Net profit increased to 101.1 million kroons which is 69.1 million kroons more than year before. In 1st half-year of 2005 the net profit was 32 million kroons.

| FINANCIAL DATA 2005-2006 | | | |
|--|---|---------|---------|
| Group's consolidated financial statements | | 6 month | |
| | 2006 | 2005 | changes |
| INCOME STATEMENT (EEK million) | | | |
| Net sales | 1895 | 1211 | 56% |
| Operating profit | 112 | 34 | 225% |
| Net profit | 101 | 32 | 216% |
| BALANCE SHEET (EEK million) | | | |
| Total current assets | 426 | 367 | 59 |
| Total non-current assets | 1365 | 869 | 496 |
| Total assets | 1791 | 1236 | 555 |
| Current liabilities | 721 | 557 | 164 |
| Equity | 1070 | 679 | 392 |
| Equity ratio (%) | 60% | 55% | 0 |
| RATES OF GROWTH (%) | | | |
| Net sales growth | 56% | | |
| Assets growth | 45% | | |
| Equity growth | 58% | | |
| PROFITABILITY RATIOS (%) | | | |
| Return on equity (ROE) | 9% | 5% | |
| Return on assets (ROA) | 7% | 4% | |
| Net profit margin | 5% | 3% | |
| LIQUIDITY RATIOS | | | |
| Quick ratio | 0,91 | 1,17 | |
| Debt ratio | 0,40 | 0,45 | |
| Net sales per sales space (EEK thousand) | 31,6 | 27,4 | |
| Net sales per employee (EEK million) | 0,9 | 0,7 | |
| Sales space per employee (m ²) | 28,9 | 26,6 | |
| Inventory turnover | 5,80 | 4,57 | |
| SHARES | | | |
| Number of shares (1000 pieces) | 40729 | 6788 | |
| Earnings per share (EEK/share) | 26,3 | 100,0 | |
| Closing price of share (EEK/share) | 59,0 | 205,8 | |
| Net profit of share (EEK/share) | 2,5 | 4,7 | |
| P/E ratio | 23,8 | 43,7 | |
| Average number of employees | 2078 | 1662 | |
| Average sales space (m ²) | 60036 | 44149 | |
| Growth of sales space (%) | 36% | | |
| Share of equity | = Equity / Balance sheet total * 100% | | |
| Return on equity (ROE) | = Net profit / Average equity * 100% | | |
| Return on assets (ROA) | = Net profit / Average volume of assets * 100% | | |
| Net sales per sales space | = Net sales / Average sales space | | |
| Net sales per employee | = Net sales / Average number of employees | | |
| Sales space per employee | = Average sales space / Average number of employees | | |
| Inventory turnover (ratio) | = Net sales / inventories | | |
| Net profit margin | = Net profit / Net sales * 100% | | |
| P/E ratio | = Closing price of share / earning per share | | |
| Quick ratio | = Current assets / current liabilities | | |
| Debt coefficient | = Total liabilities / Balance sheet total | | |

As at 30 June 2006, the balance sheet total of the Tallinna Kaubamaja Group was 1791.3 million kroons, increasing by 555 million kroons in year. Asset growth was 45% and equity growth 53%.

Compared to the end of year 2005 (as at 31 December 2005), the balance sheet total of the Tallinna Kaubamaja Group was increased by 60.1 million kroons in a year. Asset growth was 5,4% and equity growth 8,2%.

The number of loyal customers with Partner cards increased to 226 000 people by the end of 1st half-year 2006, growing by 29% as compared to the end of year 2005.

Securities market

The shares of Tallinna Kaubamaja AS have been listed in the main list of Tallinna Stock Exchange since 19 August 1997. A total of 6788.2 thousand shares have been issued with the nominal value of 10 kroons each.

According to the notice of regular annual general meeting of the shareholders published on 4th May 2006, the Management Board proposed to pay dividends 3.00 kroons per share. The supervisory board approved it. Additionally, the supervisory board has proposed to shareholders to increase the share capital in the account of "retained earnings" line in the balance sheet without making additional cash payments, by issuing five new shares per each existing share.

The shareholders registered in the share register of Tallinna Kaubamaja AS on 13th June 2006 at 8 a.m. had entitled to dividend and bonus issue. The dividends had been transferred to the bank accounts of the shareholders and the bonus issue took place on same day.

During the bonus issue the share capital was increased by 339 410 000 kroons from 67 882 000 kroons to 407 292 000 kroons, by issuing five new shares per each existing share, totaling 33 941 000 new shares

On 27th of May 2006, came into force transaction made in Commercial registration to increase the share capital on Tallinna Kaubamaja AS.

Share price in Estonian kroons and trading statistic in Tallinna Stock Exchange in 1st half-year of 2006



Department store

In 1st half-year 2006, the net sales in department store business increased by 31% as compared to the year before by 132 million kroons. The net profit increased by 157% to 26,4 million kroons.

At the end of August the newly renovated men's department in Tallinna department store will be opened. The renovation started on second week of July. Men's department will be situated on same place as before; there will be additional brands like HUGO, Strellson, Replay, Desigual, Pepe Jeans, Guess by Marciano and Biasia bags for men. The enlargement on technical department will also open on same time.

In technical department the sales space will grow one-third times, there will be a HI-FI salon.

Supermarkets

In 1st half-year 2006, the net sales in supermarket business segment increased by 67% as compared to the year before by 525 million kroons. The net profit increased by 286% to 45,5 million kroons.

At 04 May 2006 the 21st Selver in A-Selver chain in Jõhvi was opened.

At 09 May 2006 the lease agreement for opening fifth Selver store in Tartu was concluded, the opening will be on December 2006 and the sales area will be 1400 sq m.

At 09 May 2006 the lease agreement for opening a Selver store in Jõhvi was concluded, the opening will be on February 2007 and the sales area will be 800 sq m.

At 09 May 2006 the lease agreement for a new production unit Selver Kitchen was concluded. The existing production units that are located in Tallinn and in Tartu will be moved together to the new building. The establishment of new central kitchen gives the opportunity to increase the capacity of production and to change the process of production more effective.

Real estate

In 1st half-year 2006, the net sales in real estate business segment increased by 76% as compared to the year before by 24 million kroons. The net profit increased by 255%, to 35,4 million kroons.

Tartu Kaubamaja shopping center was opened in October 2005, during eight month more than 3 million people have visited the center, each day visits the center around 14 000 people.

Staff

In 1st half-year 2006, the average number of employees at the Tallinna Kaubamaja Group was 2078 people, increasing by 25% in a year. Total staff costs (wages and salaries with social security cost) were 162,0 million kroons, increasing by 58% as compared to the year before.

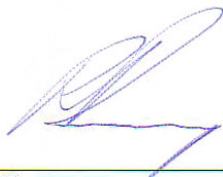
CONSOLIDATED FINANCIAL STATEMENT

MANAGEMENT BOARD'S CONFIRMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Management Board confirms the correctness and completeness of Tallinna Kaubamaja AS's consolidated interim report for the first half-year of 2006 as presented on pages 4-23.

The Management Board confirms that:

- the accounting principles used in preparing the interim report are in compliance with International Financial Reporting Standards as adopted by the European Union;
- the interim report presents a true and fair view of the financial position, the results of the operations and the cash flows of the parent and the group;
- Tallinna Kaubamaja AS and its subsidiaries are going concern.



Raul Puusepp
Chairman of the Management Board

Tallinn, July 31 2006

CONSOLIDATED BALANCE SHEET

Thousands EEK/EUR

| | | 30.06 2006 | | 31.12 2005 | |
|---|------|------------------|----------------|------------------|----------------|
| ASSETS | Lisa | EEK | EUR* | EEK | EUR* |
| Current assets | | | | | |
| Cash and bank | 2 | 57 057 | 3 647 | 18 290 | 1 169 |
| Trade receivables | 3 | 22 634 | 1 447 | 28 565 | 1 826 |
| Other receivables | 4 | 13 949 | 891 | 18 072 | 1 155 |
| Prepaid expenses | 5 | 5 439 | 348 | 7 520 | 481 |
| Inventories | 6 | 326 891 | 20 892 | 290 390 | 18 559 |
| Total Current Assets | | 425 970 | 27 224 | 362 838 | 23 190 |
| Non-current assets | | | | | |
| Prepaid expenses | 5 | 47 331 | 3 025 | 47 331 | 3 025 |
| Investment in associated companies | 7 | 9 824 | 628 | 9 032 | 577 |
| Other long-term receivables | 8 | 9 828 | 628 | 9 828 | 628 |
| Property, plant and equipment | 9 | 1 298 322 | 82 978 | 1 270 549 | 81 203 |
| Total non-current assets | | 1 365 305 | 87 258 | 1 336 740 | 85 433 |
| TOTAL ASSETS | | 1 791 275 | 114 482 | 1 699 577 | 108 623 |
| LIABILITIES AND OWNERS' EQUITY | | | | | |
| Current liabilities | | | | | |
| Borrowings | 10 | 36 506 | 2 333 | 83 571 | 5 341 |
| Customer prepayments for goods and services | | 8 297 | 530 | 7 592 | 485 |
| Trade payables | | 357 515 | 22 849 | 338 012 | 21 603 |
| Other short-term payables | 12 | 68 076 | 4 350 | 70 262 | 4 491 |
| Total current liabilities | | 470 394 | 30 063 | 499 437 | 31 920 |
| Non-current liabilities | | | | | |
| Borrowings | 10 | 250 651 | 16 020 | 210 651 | 13 463 |
| Total non-current | | 250 651 | 16 020 | 210 651 | 13 463 |
| TOTAL LIABILITIES | | 721 045 | 46 082 | 710 088 | 45 383 |
| Owners' equity | | | | | |
| Share capital | 13 | 407 292 | 26 031 | 67 882 | 4 338 |
| Statutory legal reserve | | 7 269 | 465 | 7 269 | 465 |
| Revaluation reserve of fixed assets | | 498 161 | 31 838 | 504 307 | 32 231 |
| Retained earnings | | 56 403 | 3 605 | 318 255 | 20 340 |
| Net profit for the period | | 101 105 | 6 462 | 91 776 | 5 866 |
| TOTAL OWNERS' EQUITY | | 1 070 230 | 68 400 | 989 489 | 63 240 |
| TOTAL LIABILITIES AND OWNERS' EQUITY | | 1 791 275 | 114 482 | 1 699 577 | 108 623 |

* For readers convenience, the financial statements are also presented in thousands of euros (EUR)

CONSOLIDATED INCOME STATEMENT

Thousands EEK/EUR

| | Note | 1st half-year 2006 | | 1st half-year 2005 | |
|---|------|--------------------|--------------|--------------------|--------------|
| | | EEK | EUR* | EEK | EUR* |
| Operating income | | | | | |
| Net sales | 14 | 1 894 783 | 121 099 | 1 210 932 | 77 393 |
| Other operating income | 15 | 44 975 | 2 874 | 25 003 | 1 598 |
| | | -1 413 | | | |
| Cost of goods sold | | 770 | -90 356 | -914 404 | -58 441 |
| Other operating expenses | 16 | -201 356 | -12 868 | -147 297 | -9 414 |
| Personnel expenses | 17 | -162 044 | -10 357 | -102 783 | -6 569 |
| Depreciation and amortization | 9 | -46 722 | -2 986 | -32 900 | -2 103 |
| Other expenses | | -4 205 | -269 | -4 153 | -265 |
| Operating Profit | | 111 659 | 7 137 | 34 397 | 2 196 |
| Finance cost | 18 | -5 541 | -354 | -3 427 | -219 |
| Financial income | | 278 | 18 | 308 | 20 |
| Share of profit of associates | 7 | 792 | 51 | 715 | 46 |
| Total financial income and expenses | | -4 471 | -285 | -2 403 | -153 |
| Total net profit without income tax on dividends | | 107 188 | 6 852 | 31 994 | 2 044 |
| Income tax on dividends | | -6 083 | -389 | 0 | 0 |
| NET PROFIT FOR THE PERIOD | | 101 105 | 6 463 | 31 994 | 2 044 |
| Basic earnings per share (EEK/EUR) | | 2,48 | 0,16 | 0,79 | 0,05 |
| Diluted earnings per share (EEK/EUR) | | 2,48 | 0,16 | 0,79 | 0,05 |

* For readers convenience, the financial statements are presented in thousands of euros (EUR)

CONSOLIDATED INCOME STATEMENT

Thousands EEK/EUR

| | Note | 2nd quarter 2006 | | 2nd quarter 2005 | |
|---|------|------------------|--------------|------------------|--------------|
| | | EEK | EUR* | EEK | EUR* |
| Revenue | | | | | |
| Sales | 14 | 1 025 807 | 65 561 | 670 350 | 42 843 |
| Other income | 15 | 29 789 | 1 904 | 12 928 | 826 |
| Cost of goods sold | | -760 946 | -48 633 | -503 798 | -32 199 |
| Operating expenses | 16 | -102 436 | -6 546 | -76 941 | -4 917 |
| Personnel expenses | 17 | -87 368 | -5 584 | -57 415 | -3 669 |
| Depreciation | | -23 425 | -1 497 | -17 583 | -1 124 |
| Other expenses | | -1 606 | -103 | -2 640 | -169 |
| Operating profit | | 79 815 | 5 102 | 24 901 | 1 591 |
| Finance cost | 18 | -2 938 | -188 | -2 136 | -137 |
| Financial income | | 126 | 8 | 263 | 17 |
| Share of profit of associates | | 420 | 27 | 365 | 23 |
| Total financial income and expenses | | -2 391 | -153 | -1 508 | -95 |
| Net profit without income tax on dividends | | 77 424 | 4 949 | 23 392 | 1 496 |
| Income tax on dividends | | -6 083 | -389 | 0 | 0 |
| NET PROFIT FOR THE PERIOD | | 71 341 | 4 560 | 23 392 | 1 496 |
| Basic earnings per share (EEK/EUR) | | 1,75 | 0,11 | 0,57 | 0,04 |
| Diluted earnings per share (EEK/EUR) | | 1,75 | 0,11 | 0,57 | 0,04 |

* For readers convenience, the financial statements are presented in thousands of euros (EUR)

CONSOLIDATED CASH FLOW STATEMENT

| | | Thousands EEK/EUR | | | |
|---|------|-------------------|---------------|------------------|----------------|
| | Note | 1st quarter 2006 | | 1st quarter 2005 | |
| | | EEK | EUR* | EEK | EUR* |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Net profit | | 101 105 | 6 462 | 31 994 | 2 045 |
| Adjustments for: | | | | | |
| Interest expense | 18 | 5 541 | 354 | 3 427 | 219 |
| Interest income | | -402 | -26 | -428 | -27 |
| Depreciation and amortization | 9 | 46 722 | 2 986 | 32 900 | 2 103 |
| Profit (loss) from disposals of non-current assets | | 436 | 28 | 47 | 3 |
| Impact of equity method | 7 | -792 | -51 | -715 | -46 |
| Change in inventories | | -36 501 | -2 333 | -40 716 | -2 602 |
| Change in receivables and prepayments related to operating activities | | 11 136 | 712 | 386 | 25 |
| Change in liabilities and prepayments related to operating activities | | 18 155 | 1 160 | 18 381 | 1 175 |
| NET CASH GENERATED FROM OPERATING ACTIVITIES | | 145 401 | 9 292 | 45 275 | 2 894 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Fixed assets acquired and renovated (excl finance lease) | 9 | -75 100 | -4 800 | -156 969 | -10 032 |
| Intangible assets acquired | | 0 | 0 | -50 000 | -3 196 |
| Tangible fixed assets sold | | 169 | 11 | 263 | 17 |
| Loan repayments received from associates | | 1 000 | 64 | 0 | 0 |
| Interest received | | 402 | 26 | 473 | 30 |
| NET CASH FLOW FROM INVESTING ACTIVITIES | | -73 531 | -4 698 | -206 234 | -13 180 |
| CASH FLOW FROM FINANCING ACTIVITIES | | | | | |
| Loans received | | 39 999 | 2 556 | 174 103 | 11 127 |
| Repayments of loans | | -45 366 | -2 899 | -21 283 | -1 360 |
| Redemption of bonds | | -20 365 | 0 | 0 | 0 |
| Change in overdraft balance | | 256 | 17 | 0 | 0 |
| Finance lease payments | | -1 954 | -125 | -1 822 | -116 |
| Interest paid | | -5 673 | -363 | -3 427 | -219 |
| CASH FLOW FROM FINANCING ACTIVITIES | | -33 103 | -814 | 147 570 | 9 432 |
| TOTAL CASH FLOW | | 38 767 | 3 779 | -13 388 | -855 |
| Cash and cash equivalents at the beginning of period | 2 | 18 290 | 1 169 | 77 967 | 4 983 |
| Cash and cash equivalents at the end of period | 2 | 57 057 | 3 647 | 64 580 | 4 127 |
| Change in cash and cash equivalents | | 38 767 | 2 478 | -13 388 | -856 |

* For readers convenience, the financial statements are presented in thousands of euros (EUR)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Thousands EEK | | | | |
|---------------------------------|----------------|---------------------|-------------------------|-------------------|------------------|
| | Share capital | Revaluation reserve | Statutory legal reserve | Retained earnings | Total |
| Balance as of 31.12.2004 | 67 882 | 260 506 | 7 269 | 310 984 | 646 641 |
| Revaluation, land and building | 0 | -1 818 | 0 | 1 818 | 0 |
| Net profit for the period | 0 | 0 | 0 | 31 994 | 31 994 |
| Balance as of 30.06.2005 | 67 882 | 258 688 | 7 269 | 344 796 | 678 635 |
| Balance as of 31.12.2005 | 67 882 | 504 307 | 7 269 | 410 031 | 989 489 |
| Revaluation, land and building | 0 | -6 146 | 0 | 6 146 | 0 |
| Bonus issue | 339 410 | 0 | 0 | -339 410 | 0 |
| Dividends paid | 0 | 0 | 0 | -20 365 | -20 365 |
| Net profit for the period | 0 | 0 | 0 | 101 105 | 101 105 |
| Balance as of 30.06.2006 | 407 292 | 498 161 | 7 269 | 157 508 | 1 070 230 |

| | Thousands EUR | | | | |
|--|---------------|---------------------|-------------------------|-------------------|---------------|
| | Share capital | Revaluation reserve | Statutory legal reserve | Retained earnings | Total |
| Balance as of 31.12.2004 | 4 338 | 16 649 | 465 | 19 876 | 41 328 |
| Changes in revaluation reserve of fixed assets | 0 | -116 | 0 | 116 | 0 |
| Net profit for the period | 0 | 0 | 0 | 2 045 | 2 045 |
| Balance as of 30.06.2005 | 4 338 | 16 533 | 465 | 22 036 | 43 372 |
| Balance as of 31.12.2005 | 4 338 | 32 231 | 465 | 26 206 | 63 240 |
| Changes in revaluation reserve of fixed assets | 0 | -393 | 0 | 393 | 0 |
| Bonus issue | 21 692 | 0 | 0 | -21 692 | 0 |
| Dividends paid | 0 | 0 | 0 | -1 302 | -1302 |
| Net profit for the period | 0 | 0 | 0 | 6 462 | 6 462 |
| Balance as of 30.06.2006 | 26 031 | 31 838 | 465 | 10 067 | 68 400 |

* For readers convenience, the financial statements are presented in thousands of euros (EUR)

Additional information about share capital is presented in Note 13.

NOTES TO CONSOLIDATED INTERIM REPORT

Note 1 Accounting methods and principles used in preparing the consolidated interim report

General information

Tallinna Kaubamaja AS ('the Company') and its subsidiaries (together 'the Group') are active in retail distribution of goods through its chain of retail stores in Estonia. Tallinna Kaubamaja AS in its current form has been registered on 18 October 1994 and the shares of Tallinna Kaubamaja AS are listed on Tallinn Stock Exchange.

Basis of preparation

The consolidated financial statements of AS Tallinna Kaubamaja have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The Interim Report has been prepared based on the same accounting principles applied in the Annual Report for the year ended on 31 December 2005

The Estonian kroon is the underlying currency of the consolidated financial statements. For comparison purposes and pursuant to the requirements of the Tallinn Stock Exchange Rules, the financial indicators of this report have also been denominated in euros, translated from the original indicators denominated in Estonian kroons. Because Estonian kroon is pegged with Euro with the fixed exchange rate (1EUR=15.6466 kroons), no translation differences occurs.

In the opinion of the Management Board of AS Tallinna Kaubamaja, the consolidated Interim Report for first quarter of 2006 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 Group has expanded and its property investment activities and rental income has become a separate segment. Therefore Tallinna Kaubamaja AS has started segment reporting from 1st quarter 2006.

Note 2 Cash and bank

| | 30 June 2006 | 31 December 2005 |
|---------------------|--------------|------------------|
| Cash in hand | 4 009 | 2 773 |
| Bank accounts | 42 331 | 2 080 |
| Cash in transit | 10 717 | 13 437 |
| Total cash and bank | 57 057 | 18 290 |

Note 3 Trade receivables

| | 30 June 2006 | 31 December 2005 |
|-------------------------|--------------|------------------|
| Trade receivables | 12 249 | 10 551 |
| Credit card receivables | 10 385 | 18 014 |
| Total trade receivables | 22 634 | 28 565 |

Note 4 Other receivables

| | 30 June 2006 | 31 December 2005 |
|----------------------------------|--------------|------------------|
| Bonuses received from suppliers | 11 318 | 14 116 |
| Receivables from related parties | 1 000 | 2 429 |
| Other short-term receivables | 1 631 | 1 527 |
| Total other receivables | 13 949 | 18 072 |

Note 5 Prepaid expenses

| | 30 June 2006 | 31 December 2005 |
|---|--------------|------------------|
| Social security tax | | 2 |
| Corporate income tax payable on fringe benefits | 7 | 2 |
| Value added tax | 0 | 173 |
| Total prepaid expenses | 7 | 177 |
| Prepaid rental expenses | 2 801 | 6 148 |
| Other prepaid expenses | 2 631 | 1 195 |
| Total short-term prepaid expenses | 5 439 | 7 520 |
| Prepaid rent | 47 331 | 47 331 |
| Total long-term prepaid expenses | 47 331 | 47 331 |

Note 6 Inventories

| | 30 June 2006 | 31 December 2005 |
|-----------------------|--------------|------------------|
| Goods hold for resale | 320 068 | 284 913 |
| Raw materials | 6 823 | 5 477 |
| Total inventories | 326 891 | 290 390 |

Note 7 Shares of associated companies

Tallinna Kaubamaja AS has an ownership in Rävala Parkla AS, which is rendering parking house services in Tallinn.

| | 30 June 2006 | 31 December 2005 |
|--|--------------|------------------|
| Number of shares at the end / (at the beginning) of year | 501 / (501) | 501 / (501) |
| Ownership % at the end / (at the beginning) of year | 50 / (50) | 50 / (50) |
| Beginning of the year | | |
| Acquisition cost | 6 500 | 6 500 |
| Participation in associate's equity | 9 032 | 6 769 |
| Profit from the equity method | 792 | 2 263 |
| End of the period | | |
| Acquisition cost | 6 500 | 6 500 |
| Participation in associate's equity | 9 824 | 9 032 |

Financial information of the associate:

| | 30 June 2006 | 31 December 2005 |
|-------------|--------------|------------------|
| Assets | 63 931 | 65 764 |
| Liabilities | 44 293 | 47 702 |
| Revenues | 3 018 | 7 594 |
| Profit | 1 584 | 4 525 |

Note 8 Other long-term receivables

| | 30 June 2006 | 31 December 2005 |
|--|--------------|------------------|
| Associated company AS Rävala Parkla | 9 828 | 9 828 |
| Total other long-term receivables | 9 828 | 9 828 |

Note 9 Property, plant and equipment

| | Thousands EEK | | | | | |
|---|-------------------|------------------------|-----------------|---------------------------|--------------------------|------------------|
| | Land and building | Vehicles and machinery | Other equipment | Prepayments for suppliers | Construction in progress | 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 |
| Revaluation surplus | 251 073 | 0 | 0 | 0 | 0 | 251 073 |
| Accumulated depreciation | -21 894 | -24 586 | -23 607 | 0 | 0 | -70 087 |
| 31.12.2005 | | | | | | |
| Acquisition cost | 1 017 638 | 88 255 | 101 261 | 83 | 63 312 | 1 270 549 |
| Accumulated depreciation | 1 047 127 | 174 780 | 224 764 | 83 | 63 312 | 1 510 066 |
| Residual value | -29 489 | -86 525 | -123 504 | 0 | 0 | -239 518 |
| Additions | 702 | 8 635 | 8 240 | 2 655 | 54 868 | 75 100 |
| Sales and disposals at residual value | -496 | -87 | -23 | 0 | 0 | -605 |
| Revaluation surplus | -16 709 | -14 784 | -15 229 | 0 | 0 | -46 722 |
| 30.06.2006 | | | | | | |
| Residual value | 1 001 135 | 82 019 | 94 248 | 2 738 | 118 180 | 1 298 322 |
| Acquisition cost | 1 046 903 | 183 054 | 231 705 | 2 738 | 118 180 | 1 582 580 |
| Accumulated depreciation | -45 768 | -101 035 | -137 457 | 0 | 0 | -284 258 |
| Residual value 31.12.2005 as | 513 331 | 88 255 | 101 261 | 83 | 63 312 | 766 241 |
| Eliminated revaluation of fixed assets | | | | | | |
| Residual value 30.06.2006 as eliminated revaluation of fixed assets | 548 742 | 183 054 | 231 705 | 2 738 | 118 180 | 1 582 580 |

During the report period two real estates in amount of 54 868 thousand kroons has been bought. Repairs and renovations to buildings were made amounting 702 thousand kroons. New equipment and fittings, refrigerators and computers, in amount of 16 872 thousand kroons were bought.

Note 10 Debt liabilities

| Short-term liabilities | 30 June 2006 | 31 December 2005 |
|-------------------------------|---------------|------------------|
| Short-term bonds | | 34 668 |
| Overdraft | 17 520 | 17 264 |
| Loans | 16 962 | 27 661 |
| Finance lease (see Note 12) | 2 024 | 3 978 |
| Total short-term bonds | 36 506 | 83 571 |

| | 30 June 2006 | 31 December 2005 |
|-----------------------------|--------------|------------------|
| Long-term debt liabilities | | |
| Loans | 224 292 | 184 292 |
| Finance lease (see Note 11) | 26 359 | 26 359 |
| Total long-term liabilities | 250 651 | 210 651 |

Liabilities movements:

| | |
|-----------------------------|----------|
| Opening balance 31.12. 2005 | 294 222 |
| Loans received | 39 999 |
| Overdraft | 256 |
| Total loans received | 40 255 |
| Loans paid | |
| Bank loans | - 45 366 |
| Finance lease | -1 954 |
| Total loans paid | -47 320 |
| Final balance 30.06. 2006 | 287 157 |

Note 11 Finance lease

The group leases the following assets under the financial lease:

| | 30 June 2006 | 31 December 2005 |
|-----------------------------------|--------------|------------------|
| Cost – capitalized finance leases | 43 951 | 43 951 |
| Accumulated depreciation | -18 128 | -15 930 |
| Net book amount | 25 823 | 28 021 |

| | 30 June 2006 | 31 December 2005 |
|--|--------------|------------------|
| Minimum lease payments: | | |
| No later than 1 year | 2 988 | 5 976 |
| Between 1 and 5 years | 23 747 | 23 747 |
| Later than 5 years | 7 911 | 7 911 |
| Total | 34 646 | 37 634 |
| Future interest expense | -6 263 | -7 297 |
| Present value of future minimum lease payments (see Note 10) | 28 383 | 30 337 |

Present value of future minimum lease payments

| | | |
|-----------------------|--------|--------|
| No later than 1 year | 2 024 | 3 978 |
| Between 1 and 5 years | 18 827 | 18 827 |
| Later than 5 years | 7 532 | 7 532 |
| Total (see Note 10) | 28 383 | 30 337 |

| | 1st half-year 2006 | 1st half-year 2005 |
|---------------------------------------|--------------------|--------------------|
| Payments of reporting period | 1 954 | 1 822 |
| Interest expenses of reporting period | 1 034 | 1 165 |

Note 12 Other short-term payables

| | 30 June 2006 | 31 December 2005 |
|---|---------------|------------------|
| Value added tax | 9 749 | 13 271 |
| Personal income tax | 6 413 | 5 617 |
| Social security tax | 13 035 | 11 512 |
| Corporate income tax payable on fringe benefits | 75 | 540 |
| Unemployment insurance premium | 335 | 398 |
| Mandatory pension funds | 531 | 443 |
| Total indirect tax payables | 30 138 | 31 781 |
| Payables to employees | 33 287 | 37 138 |
| Interest payable | 20 | 152 |
| Other accrued expenses | 31 | 70 |
| Prepayments received from lessees | 4 600 | 1 121 |
| Total other short-term payables | 68 076 | 70 262 |

Note 13 Share capital

In 1st half-year of 2006 the increase of the share capital of the company in the account of „retained earnings” line in the balance sheet without making additional cash payments by the bonus issue took place.

Equity capital was enlarged by 339 410 thousand kroons, from 67 882 thousand kroons to 407 292 thousand kroons. For every existing share 5 new shares were issued, which makes 33 941 000 new shares in total with a nominal value of 10 kroons. According to the articles of association the maximum number of shares allowed is 1 629 168 thousand kroons.

In 2006 dividends were announced and paid to the shareholders in the amount of 20 365 thousand kroons (2005: 0 kroons). The process included paying income tax on dividends in the amount of 6 083 thousand kroons (2005: 0 kroons).

Note 14 Sales

| | 1st half-year 2006 | 1st half-year 2005 | 2nd quarter 2006 | 2nd quarter 2005 |
|-----------------------|-----------------------|-----------------------|---------------------|---------------------|
| Retail | 1 866 834 | 1 198 437 | 1 012 266 | 663 013 |
| Wholesale | 958 | 7 552 | 269 | 4 792 |
| Services and catering | 26 991 | 4 943 | 13 272 | 2 545 |
| Total sales | 1 894 783 | 1 210 932 | 1 025 807 | 670 350 |

Note 15 Other income

| | 1st half-year 2006 | 1st half-year 2005 | 2nd quarter 2006 | 2nd quarter 2005 |
|---|-----------------------|--------------------|---------------------|---------------------|
| Rental income | 18 506 | 16 152 | 9 684 | 7 985 |
| Profit from the sale of tangible assets | 10 | 23 | 7 | 23 |
| Other income | 26 442 | 8 771 | 20 081 | 4 872 |
| Foreign exchange gains | 17 | 57 | 17 | 48 |
| Total other income | 44 975 | 25 003 | 29 789 | 12 928 |

Note 16 Other expenses

| | 1st half-year 2006 | 1st half-year 2005 | 2nd quarter 2006 | 2nd quarter 2005 |
|--------------------------------------|-----------------------|-----------------------|---------------------|---------------------|
| Rental expenses | 65 514 | 51 950 | 33 039 | 26 990 |
| Utilities | 23 152 | 14 724 | 11 983 | 7 086 |
| Advertising costs | 25 068 | 18 167 | 12 739 | 8 310 |
| Bank fees | 12 020 | 7 430 | 6 556 | 4 079 |
| Security costs | 12 205 | 8 078 | 6 123 | 4 440 |
| Heating and electricity costs | 25 576 | 13 462 | 11 640 | 6 601 |
| Cost of materials | 19 790 | 16 437 | 11 533 | 9 736 |
| Computer and communications expenses | 7 648 | 5 918 | 3 894 | 3 076 |
| Business trip expenses | 1 632 | 1 751 | 611 | 541 |
| Training expenses | 2 217 | 3 202 | 1 159 | 2 560 |
| Insurance costs | 576 | 417 | 304 | 215 |
| Other expenses | 5 958 | 5 761 | 2 855 | 3 307 |
| Total operating expenses | 201 356 | 147 297 | 102 436 | 76 941 |

Note 17 Personnel expenses

| | 1st half-year 2006 | 1st half-year 2005 | 2nd quarter 2006 | 2nd quarter 2005 |
|--------------------------|--------------------|--------------------|------------------|------------------|
| Wage and salary | 121 438 | 76 897 | 65 483 | 42 963 |
| Social security tax | 40 606 | 25 886 | 21 885 | 14 452 |
| Total personnel expenses | 162 044 | 102 783 | 87 368 | 57 415 |

| | 1st half-year 2006 | 1st half-year 2005 | 2nd quarter 2006 | 2nd quarter 2005 |
|---|-----------------------|-----------------------|---------------------|---------------------|
| Average monthly wage and salary per employee (kroons) | 9 740 | 7 711 | 10 214 | 8 009 |
| Average number of employees during the period | 2 078 | 1 662 | 2 137 | 1 788 |

Note 18 Interest expenses

| | 1st half-year 2006 | 1st half-year 2005 | 2nd quarter 2006 | 2nd quarter 2005 |
|---------------------------|-----------------------|-----------------------|---------------------|---------------------|
| Interest on bank loans | -4 176 | -1 670 | -2 382 | -1 026 |
| Interest on finance lease | -1 034 | -1 165 | -508 | -574 |
| Interest on bonds | -332 | -563 | -48 | -387 |
| Other interest expenses | 0 | -29 | 0 | -149 |
| Total interest expenses | -5 541 | -3 427 | -2 938 | -2 136 |

Note 19 Operating profit

Operating profit includes following write-down on inventories:

| | 1st half-year 2006 | 1st half-year 2005 | 2nd quarter 2006 | 2nd quarter 2005 |
|---|-----------------------|-----------------------|---------------------|---------------------|
| Write-down and write-off of inventories | 13 413 | 7 344 | 6 829 | 3 878 |
| Shortage of stock count | 7 581 | 5 057 | 5 081 | 3 612 |
| Total | 20 994 | 12 401 | 11 910 | 7 490 |

Note 20 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and return that are different from those of other business segments.

The Group has expanded and its property investment activities and rental income has become a separate segment.

Business segment

| 30 June 2006 | Thousands EEK | | | | Total |
|--|---------------------|----------------|----------------|-----------------------------------|------------------|
| | Department Store | Supermarkets | Real Estate | Inter- segment transactions | |
| Non-group sales revenue | 561 778 | 1 306 863 | 26 302 | | 1 894 943 |
| Inter-segment sales revenue | 6 | 5 482 | 28 513 | -34 001 | |
| Total revenue from sales | 561 784 | 1 312 345 | 54 815 | -34 001 | 1 894 943 |
| Operating profit of segment | 25 550 | 47 013 | 39 096 | 0 | 111 659 |
| Financial cost and income segment | 803 | -1 052 | -2 622 | 0 | -2 871 |
| Inner-segment financial cost and income of the Group | 0 | -488 | -1 112 | -1 600 | -1 600 |
| Total financial cost and income | 803 | -1 540 | -3 734 | -1 600 | -4 471 |
| Income tax on dividends | 0 | 0 | 0 | 0 | -6 083 |
| Net profit | 26 353 | 45 473 | 35 362 | 0 | 101 105 |
| Assets | 1 241 852 | 509 240 | 1 032 111 | -991 928 | 1 791 275 |
| Inter-segment assets of the Group | 908 476 | 39 662 | 43 789 | -991 928 | 0 |
| Total assets | 333 376 | 469 578 | 988 321 | 0 | 1 791 275 |
| Liabilities | 155 786 | 396 612 | 336 285 | -167 637 | 721 046 |
| Inter-segment liabilities of the Group | 45 270 | 54 947 | 67 421 | -167 637 | 0 |
| Total liabilities | 110 516 | 341 665 | 268 864 | 0 | 721 045 |
| Fixed assets acquired in reporting period | 2 766 | 17 466 | 54869 | 0 | 75 100 |
| Depreciation of fixed assets in reporting period | 11 411 | 22 223 | 13 088 | 0 | 46 722 |

Thousands EEK

| 30 June 2005 | Department Store | Supermarkets | Real estate | Inter- segment transactions | Total |
|--|---------------------|----------------|----------------|-----------------------------------|------------------|
| Non-group revenue | 423 475 | 783 232 | 4 224 | 0 | 1 210 932 |
| Inter-segment revenue | 4 089 | 3 106 | 18 016 | -25 211 | 0 |
| Total revenue from sales | 427 565 | 786 338 | 22 240 | -25 211 | 1 210 932 |
| Operating profit of segment | 10 246 | 13 377 | 10 774 | 0 | 34 397 |
| Financial cost and income of segment | 553 | -1 227 | -1 730 | -2 403 | -2 403 |
| Inter-segment financial cost and income of the Group | -541 | -379 | 920 | -2 403 | 0 |
| Total financial cost and income | 12 | -1 605 | -810 | 0 | -2 403 |
| Net profit | 10 258 | 11 772 | 9 964 | 0 | 31 994 |
| Assets | 880 256 | 335 177 | 675 769 | -655 268 | 1 235 934 |
| Inter-segment liabilities of the group | 565 316 | 213 | 89 739 | -655 268 | 0 |
| Total assets | 314 940 | 334 964 | 586 030 | 0 | 1 235 934 |
| Liabilities | 151 401 | 284 260 | 263 445 | -141 806 | 557 300 |
| Inter-segment liabilities of the Group | 36 740 | 64 717 | 40 349 | -141 806 | 0 |
| Total liabilities | 114 661 | 219 543 | 223 096 | 0 | 557 300 |
| Fixed assets acquired in reporting period | 1 823 | 38 735 | 116 411 | 0 | 156 969 |
| Depreciation of fixed assets in reporting period | 8 989 | 17 972 | 5 939 | 0 | 32 900 |

Note 21 Related party transactions

In preparing the consolidated financial statements of Tallinna Kaubamaja AS, the following entities have been considered as related parties:

- Owners (parent company and parties having control or significant influence over parent company);
- associates;
- other entities in the consolidation group (including fellow subsidiaries);
- management and supervisory boards;
- close relatives of the persons mentioned above and the companies over which they have control of significant influence.

During the first 6 months of 2006 Tallinna Kaubamaja group has purchased and sold goods and rendered services as follows:

| | 1st half- year 2006 Purchases | 1st half-year 2006 Sales | 1st half-year 2005 Purchases | 1st half-year 2005 Sales |
|-----------------------|-------------------------------------|--------------------------------|------------------------------------|--------------------------------|
| Parent company | 786 | 38 | 15 | 93 |
| Other related parties | 47 038 | 1 365 | 40 527 | 390 |
| Associates | 0 | 218 | 0 | 0 |
| Total | 47 824 | 1 621 | 40 542 | 483 |

Purchases from other related parties constitutes mostly from goods purchased for resale. Purchases from parent company consist mostly from management services provided by parent company. Sale to related parties is mostly service rendered.

Balances with related parties:

| | 30 June 2006 | 31 December 2005 |
|---|--------------|------------------|
| Parent company | 0 | 24 |
| Other related parties | 215 | 405 |
| Short-term portion of loans granted to associates | 1 000 | 2 000 |
| Total short-term receivables | 1 215 | 2 429 |
| Long-term receivables | | |
| Loans granted to associates | 9 828 | 9 828 |
| Total receivables from related parties | 11 043 | 12 257 |
| Parent company | 156 | 303 |
| Other related parties | 14 349 | 11 591 |
| Group account payable (overdraft) | 17 520 | 17 264 |
| Total liabilities to related parties | 32 025 | 29 158 |

AS Tartu Kaubamaja, A-Selver and Tallinna Kaubamaja Kinnisvara AS, as well as Tartu Kaubamaja Kinnisvara OÜ have a joint group account with Tallinna Kaubamaja AS. This group as a subgroup has in turn joined the group account of NG Investeeringud AS (hereafter main group), which also includes Balbiino AS, Liviko AS, Kitman AS, OÜ NG Kapital, Ganiger Invest OÜ and Roseni Majad OÜ. Since autumn 2001, the Tallinna Kaubamaja group free funds at the main group account, earning interest income on the deposits. In the first quarter of 2006 Tallinna Kaubamaja group has not earned interest income (2005: 78 thousand kroons). As of 30 June 2006 Tallinna Kaubamaja group has used 17 520 thousand kroons (2005: 0 kroons) of the funds available on the main group account and the interest paid on the use of the funds available on the main group account amounted to 786 thousand kroons

(2005: 0 kroons). The average annual interest rate on the funds used in the NG Investeeringud OÜ group account 3,0 % (2005: 3,0%). According to the group account contact, the group members are jointly responsible for 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.