

**TALLINNA KAUBAMAJA AS**

**Consolidated Interim Report for  
the 4th quarter of 2006**

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**KEY DATA**

The main activities of Tallinna Kaubamaja Group are retail and wholesale. The group employs more than 2400 employees.

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

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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:	31.12.2006
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**MANAGEMENT REPORT**

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

As at 31 December 2006, the Group consisted of the following companies:

	Participation 31.12.06	Participation 31.12.05
A-Selver AS	100%	100%
AS Tartu Kaubamaja	100%	100%
Tartu Kaubamaja Kinnisvara OÜ	100%	100%
Tallinna Kaubamaja Kinnisvara OÜ	100%	100%
TKM Latvija SIA	100%	
Selver Latvia SIA	100%	
OptiGroup Invest OÜ	100%	
KIA Auto AS	100%	
Ülemiste Autokeskuse OÜ	100%	
KIA Auto UAB	100%	
Rävala Parkla AS	50%	50%

Economic development and its impact

In 12 months of 2006 the prices grew 4.4% compared to the 12 months of 2005. According the preliminary data of the Estonian Statistical Offices, retail (excluding motor vehicle and fuel) increased 23%. Whereas the respective figure was 14% for non-specialty stores (mostly groceries). According to the preliminary data of the Estonian Statistical Office, the share of non-specialty stores was approximately 49%

The fastest growth in 2006 made through retail sale of household goods and appliances, hardware and building materials, growing 57% in year.

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 favourable environment and good development conditions of retail chains.

Results of operations

The net sales of the Tallinna Kaubamaja Group increased by 47% in 2006 as compared to 2005, to 4239 million kroons which is 1361 million kroons more than the year before.

Net profit increased to 273 million kroons which is 181 million kroons more than year before. In 12 months of 2005 the net profit was 92 million kroons.

<b>FINANCIAL DATA 2005-2006</b>			
Group's consolidated financial statements		12 month	
	2006	2005	changes
<b>INCOME STATEMENT (EEK million)</b>			
Net sales	4239	2878	47%
Operating profit	287	97	194%
Net profit	273	92	197%
<b>BALANCE SHEET (EEK million)</b>			
Total current assets	1039	363	676
Total non-current assets	1719	1337	382
Total assets	2758	1700	1058
Current liabilities	1516	710	806
Equity	1242	989	253
Equity ratio (%)	45%	58%	0
<b>RATES OF GROWTH (%)</b>			
Net sales growth	47%		
Assets growth	62%		
Equity growth	26%		
<b>PROFITABILITY RATIOS (%)</b>			
Return on equity (ROE)	22%	9%	
Return on assets (ROA)	12%	7%	
Net profit margin	6%	3%	
<b>LIQUIDITY RATIOS</b>			
Quick ratio	1,01	0,73	
Debt ratio	0,55	0,42	
Net sales per sales space (EEK thousand)	68,2	47,4	
Net sales per employee (EEK million)	1,8	1,5	
Sales space per employee (m <sup>2</sup> )	25,8	31,9	
Inventory turnover	13,54	9,91	
<b>SHARES</b>			
Number of shares (1000 pieces)	40729	6788	
Earnings per share (EEK/share)	30,5	145,8	
Closing price of share (EEK/share)	143,6	348,1	
Net profit of share (EEK/share)	6,7	13,5	
P/E ratio	21,4	25,7	
Average number of employees	2411	1903	
Average sales space (m <sup>2</sup> )	62185	60764	
Growth of sales space (%)	2%		
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 pace 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 31 December 2006, the balance sheet total of the Tallinna Kaubamaja Group was 2758 million kroons, increasing by 1058 million kroons in year. Asset growth was 62% and equity growth 26%.

The number of loyal customers with Partner cards increased to 240 000 people by the end of year 2006, growing by 26% 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 40729.2 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 13<sup>th</sup> 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, totalling 33 941 000 new shares

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

On December 4th Tallinna Kaubamaja AS issued commercial papers in the amount of 50 million with the term of 6 months and maturity date on June 4th 2007. Five thousand commercial papers with face value of 10 000 EEK were issued. The commercial papers are discounted and the interest rate is 4.45 per cent per annum.

On December 15th, Tallinna Kaubamaja AS acquire 100 per cent share in OptiGroup OÜ, with this acquirement were accompanied acquiring 100% per cent share of Kia Auto AS, Ülemiste Autokeskuse OÜ and Kia Auto UAB. On January 4<sup>th</sup>, The Competition Board has permit acquirement and on January 15<sup>th</sup> the new supervisory board of Kia Auto AS were chosen.

#### **Share price in Estonian kroons and trading statistic in Tallinna Stock Exchange in 12 months of 2006**



Department store

In year 2006, the net sales in department store business increased by 29% as compared to the year before by 289 million kroons. The net profit increased almost three times to 105 million kroons.

At the end of August the newly renovated men's department in Tallinna department store was opened. The renovation started on second week of July. At same time the enlarged technical department was opened and in young department became new trendy fashion brands and the variety of jeans was increased.

In November Tallinna Kaubamaja AS has brought to market Partner Credit Card, the card was made in cooperation with Hansapank. The Partner Credit Card can be used in Tallinna and Tartu department stores and in Selver chain supermarkets. The minimum limit of card is 5000 kroons. Almost five thousand Partner Credit Cards were issued by the end of year 2006.

Supermarkets

In 12 months 2006, the net sales in supermarket business segment increased by 56% as compared to the year before by 1041 million kroons. The net profit increased more than four times to 114 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.

At 25 October 2006 A-Selver founded in Latvia a full subsidiary Selver Latvia SIA for the purpose to develop and operate the supermarkets of Selver chain in Latvia retail market.

At 21 December 2006 AS A-Selver concluded a lease agreement with a real estate developer Rending OÜ for operating a hypermarket in Raadimõisa shopping and business centre which will be built in Tartu rural municipality. The planned sales area for the new Selver is ca 5100 sq m and the shopping centre will be opened in November 2008.

At 9 January 2007 A-Selver published its expansion plans in Latvia, according this A-Selver is planning to open at least 15 Selver stores and central kitchen in Latvia by the end on 2009. The Managing Director of Selver Latvia SIA, Uldis Priekulis was appointed by the end of January 2007. He has to accomplish these plans.

Another supermarket in Tallinn will be in Mustamäe 16 with sales area 2100 sq m will be opened in spring 2008.

Real estate

In 12 months 2006, the net sales in real estate business segment increased by 170% as compared to the year before by 31 million kroons. The net profit increased more than two times to 60 million kroons.

Tartu Kaubamaja shopping centre was opened in October 2005 and it has started successfully. In October year 2006 a full subsidiary called TKM Latvija SIA of Tallinna Kaubamaja Kinnisvara AS was founded. The purpose of the founded company is finding and developing suitable properties in Latvia for A-Selver AS.

At 26 October 2006 Tallinna Kaubamaja Kinnisvara AS and Lidl Latvija SIA signed a declaration of intent for buying twenty-two properties in Latvia. The transaction was concluded on December 12, the price without VAT was 256 million kroons and the purchase was financed by loan with term of five years. The properties are in Cecis, Jelgava, Jurmala, Liepaja, Rezenke, Riia, Salaspils and Tukum, the total size of properties is 80 609 sq m.

At 10 November 2006, Tallinna Kaubamaja Kinnisvara AS purchased ten properties in six locations from Lidl Eesti UÜ with total size of 59 372 sq m. The price without VAT was 138 million kroons and it was financed by loan with term of one year. The properties are in Narva, Tartu, Tallinn, Kohtla-Järve, Paide and Viljandi.

Staff

In 12 months 2006, the average number of employees at the Tallinna Kaubamaja Group was 2411 people, increasing by 27% in a year. Total staff costs (wages and salaries with social security cost) were 384 million kroons, increasing by 51% 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 4th quarter 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, 19<sup>th</sup> February 2007



**CONSOLIDATED BALANCE SHEET**

Thousands EEK/EUR

		31.12 2006		31.12 2005	
ASSETS	Lisa	EEK	EUR*	EEK	EUR*
Current assets					
Cash and bank	2	371 367	23 736	18 290	1 169
Trade receivables	3	284 595	18 189	28 565	1 826
Other receivables	4	39 929	2 552	18 072	1 155
Prepaid expenses	5	29 736	1900	7 520	481
Inventories	6	313 009	20 005	290 390	18 559
<b>Total Current Assets</b>		<b>1 038 636</b>	<b>66 382</b>	<b>362 838</b>	<b>23 190</b>
Non-current assets					
Prepaid expenses	5	41 728	2 667	47 331	3 025
Investment in associated companies	7	11 429	730	9 032	577
Other long-term receivables	8	7 828	500	9 828	628
Property, plant and equipment	9	1 658 135	105 974	1 270 549	81 203
<b>Total non-current assets</b>		<b>1 719 120</b>	<b>109 871</b>	<b>1 336 740</b>	<b>85 433</b>
<b>TOTAL ASSETS</b>		<b>2 757 756</b>	<b>176 253</b>	<b>1 699 577</b>	<b>108 623</b>
<b>LIABILITIES AND OWNERS' EQUITY</b>					
Current liabilities					
Borrowings	10	239 040	15277	83 571	5 341
Customer prepayments for goods and services		12 992	830	7 592	485
Trade payables		649 335	41 500	338 012	21 603
Other short-term payables	12	128 784	8 230	70 262	4 491
<b>Total current liabilities</b>		<b>1 030 151</b>	<b>65 838</b>	<b>499 437</b>	<b>31 920</b>
Non-current liabilities					
Borrowings	10	485 542	31 032	210 651	13 463
<b>Total non-current</b>		<b>485 542</b>	<b>31 032</b>	<b>210 651</b>	<b>13 463</b>
<b>TOTAL LIABILITIES</b>		<b>1 515 693</b>	<b>96 870</b>	<b>710 088</b>	<b>45 383</b>
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		492 014	31 445	504 307	32 231
Retained earnings		62 550	3 998	318 255	20 340
Net profit for the period		272 960	17 445	91 776	5 866
Converting differences		-20	-1	0	0
<b>TOTAL OWNERS' EQUITY</b>		<b>1 242 064</b>	<b>79 383</b>	<b>989 489</b>	<b>63 240</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>2 757 757</b>	<b>176 253</b>	<b>1 699 577</b>	<b>108 623</b>

\*For reader's convenience, the financial statements are also presented in thousands of euros (EUR)

**CONSOLIDATED INCOME STATEMENT**

Thousands EEK/EUR

	Note	12 months 2006		12months 2005	
		EEK	EUR*	EEK	EUR*
Operating income					
Net sales	14	4 239 130	270 930	2 877 784	183 924
Other operating income	15	83 836	5 358	58 391	3 732
Cost of goods sold		-3 136 682	-200 470	-2 165 612	-138 408
Other operating expenses	16	-409 370	-26 163	-339 285	-21 685
Personnel expenses	17	-383 574	-24 515	-253 207	-16 183
Depreciation and amortization	9	-94 678	-6 051	-70 087	-4 479
Other expenses		-11 581	-740	-10 485	-670
<b>Operating Profit</b>		<b>287 081</b>	<b>18 349</b>	<b>97 499</b>	<b>6 231</b>
Finance cost	18	-12 771	-816	-8 731	-558
Financial income		2335	149	745	48
Share of profit of associates	7	2 397	153	2 263	145
<b>Total financial income and expenses</b>		<b>-8039</b>	<b>-514</b>	<b>-5723</b>	<b>-365</b>
<b>Total net profit without income tax on dividends</b>		<b>279 043</b>	<b>17 835</b>	<b>91 776</b>	<b>5 866</b>
Income tax on dividends		-6 083	-389	0	0
<b>NET PROFIT FOR THE PERIOD</b>		<b>272 960</b>	<b>17 446</b>	<b>91 776</b>	<b>5 866</b>
Basic earnings per share (EEK/EUR)		6,7	0,43	13,52	0,86
Diluted earnings per share (EEK/EUR)		6,7	0,43	13,52	0,86

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

**CONSOLIDATED INCOME STATEMENT**

Thousands EEK/EUR

	Note	4th quarter 2006		4th quarter 2005	
		EEK	EUR*	EEK	EUR*
Revenue					
Sales	14	1 278 368	81 703	966 300	61 758
Other income	15	19 545	1 249	18 890	1207
Cost of goods sold		-930 792	-59 488	-714 637	-45 674
Operating expenses	16	-106 363	-6 797	-105 825	-6 763
Personnel expenses	17	-131 924	-8 431	-86 940	-5 556
Depreciation		-24 181	-1 545	-22 637	-1 447
Other expenses		-4 775	-305	-4 642	-297
<b>Operating profit</b>		<b>99 882</b>	<b>6 384</b>	<b>50 508</b>	<b>3 228</b>
Finance cost	18	-4 598	-295	-2 912	-186
Financial income		1655	106		0
Share of profit of associates		1217	78	1191	76
<b>Total financial income and expenses</b>		<b>-1 726</b>	<b>-111</b>	<b>-1 721</b>	<b>-110</b>
<b>Net profit without income tax on dividends</b>		<b>98 156</b>	<b>6 273</b>	<b>48 787</b>	<b>3 118</b>
Income tax on dividends		0	0	0	0
<b>NET PROFIT FOR THE PERIOD</b>		<b>98 156</b>	<b>6 273</b>	<b>48 787</b>	<b>3 118</b>
Basic earnings per share (EEK/EUR)		2,41	0,15	7,19	0,46
Diluted earnings per share (EEK/EUR)		2,41	0,15	7,19	0,46

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

**CONSOLIDATED CASH FLOW STATEMENT**

		Thousands EEK/EUR			
	Note	12 months 2006		12 months 2005	
		EEK	EUR*	EEK	EUR*
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Net profit		272 960	17 445	91 776	5 866
Adjustments for:					
Interest expense	18	12 771	816	8 731	558
Interest income		-1479	-158	-963	-62
Depreciation and amortization	9	94 678	6 051	70 087	4 479
Profit (loss) from disposals of non-current assets		698	45	211	14
Impact of equity method	7	-2 397	-153	-2 263	-145
Change in inventories		-22 619	-1 446	-66 024	-4 220
Change in receivables and prepayments related to operating activities		-294 231	-18 805	-61 679	-3942
Change in liabilities and prepayments related to operating activities		374 228	23 918	161 696	10 334
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>		<b>433 607</b>	<b>27 712</b>	<b>201 572</b>	<b>12 882</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Fixed assets acquired and renovated (excl finance lease)	9	-483 312	-30 889	-417 283	-26 669
Tangible fixed assets sold		329	21	2750	176
Loan repayments received from associates		2 000	128	500	32
Interest received		2210	141	1043	67
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>-478 773</b>	<b>-30 598</b>	<b>-412 990</b>	<b>-26 394</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
Loans received		462 457	29 556	140 001	8 948
Repayments of loans		-25 257	-1 614	-13 016	-832
Issued bonds		48 900	3 125	33 862	2 164
Buy back of bonds		-35 000	-2 237	-15 000	-959
Redemption of bonds		-20 365	-1302	0	0
Change in overdraft balance		-17 264	-1 102	17264	1104
Finance lease payments		-3 978	-254	-3 709	-237
Interest paid		-11 251	-719	-7 661	-490
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>398 243</b>	<b>25 452</b>	<b>151 741</b>	<b>9 698</b>
<b>TOTAL CASH FLOW</b>		<b>353 077</b>	<b>22 566</b>	<b>-59 677</b>	<b>-3 814</b>
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	371 367	23 735	18 290	1169
Change in cash and cash equivalents		353 077	22 566	-59 677	-3 814

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

# **CONSOLIDATED STATEMENT CHANGES IN EQUITY**

	Thousands EEK					
	Share capital	Revaluation reserve	Statutory legal reserve	Retained earnings	Converting differences	Total
<b>Balance as of 31.12.2004</b>	<b>67 882</b>	<b>260 506</b>	<b>7 269</b>	<b>310 984</b>	<b>0</b>	<b>646 641</b>
Revaluation, land and building	0	251 072	0		0	251 072
Circum classification of deprecation	0	-7 271	0	7 271	0	0
Net profit for the period	0	0	0	91 776	0	91 776
<b>Balance as of 31.12.2005</b>	<b>67 882</b>	<b>504 307</b>	<b>7 269</b>	<b>410 031</b>	<b>0</b>	<b>989 489</b>
Revaluation, land and building	0	-12 293	0	12 293	0	0
Bonus issue	339 410	0	0	410	0	0
Dividends paid	0	0	0	-20 365	0	-20 365
Net profit for the period	0	0	0	272 960	-20	272 940
<b>Balance as of 31.12.2006</b>	<b>407 292</b>	<b>492 014</b>	<b>7 269</b>	<b>335 509</b>	<b>-20</b>	<b>1 242 064</b>

	Thousands EUR					
	Share capital	Revaluation reserve	Statutory legal reserve	Retained earnings	Converting differences	Total
<b>Balance as of 31.12.2004</b>	<b>4 338</b>	<b>16 649</b>	<b>465</b>	<b>19 876</b>		<b>41 328</b>
Revaluation, land and building	0	16 046	0	0	0	16 046
Circum classification of deprecation	0	-465	0	465	0	0
Net profit for the period	0	0	0	5 866	0	5 866
<b>Balance as of 31.12.2005</b>	<b>4 338</b>	<b>32 231</b>	<b>465</b>	<b>26 206</b>	<b>0</b>	<b>63 240</b>
Changes in revaluation reserve of fixed assets	0	-786	0	786	0	0
Bonus issue	21 693	0	0	-21 693	0	0
Dividends paid	0	0	0	-1 302	0	-1 302
Net profit for the period	0	0	0	17 445	0	17 445
<b>Balance as of 31.12.2006</b>	<b>26 031</b>	<b>31 445</b>	<b>465</b>	<b>21 442</b>	<b>0</b>	<b>79 383</b>

\* 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 the 4th 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**

	31 December 2006	31 December 2005
Cash in hand	3 610	2 773
Bank accounts	352 532	2 080
Cash in transit	15 225	13 437
Total cash and bank	371 367	18 290

**Note 3 Trade receivables**

	31 December 2006	31 December 2005
Trade receivables	250 003	10 551
Credit card receivables	34 592	18 014
Total trade receivables	284 595	28 565

**Note 4 Other receivables**

	31 December 2006	31 December 2005
Bonuses received from suppliers	24 647	14 116
Receivables from related parties	2000	2 429
Overdraft	13 000	0
Other short-term receivables	282	1 527
Total other receivables	39 929	18 072

**Note 5 Prepaid expenses**

	31 December 2006	31 December 2005
Social security tax	0	2
Corporate income tax payable on fringe benefits	0	2
Value added tax	22468	173
Total prepaid expenses	22468	177
Prepaid rental expenses	5 603	6 148
Other prepaid expenses	1 665	1 195
Total short-term prepaid expenses	29 736	7 520
Prepaid rent	41 728	47 331
Total long-term prepaid expenses	41 728	47 331

**Note 6 Inventories**

	31 December 2006	31 December 2005
Goods hold for resale	307 234	284 913
Raw materials	5 775	5 477
<b>Total inventories</b>	<b>313 009</b>	<b>290 390</b>

**Note 7 Shares of associated companies**

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

	31 December 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
<b>Participation in associate's equity</b>	<b>9 032</b>	<b>6 769</b>

Profit from the equity method	1 180	2 263
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**End of the period**

Acquisition cost	6 500	6 500
<b>Participation in associate's equity</b>	<b>11 429</b>	<b>9 032</b>

Financial information of the associate:

	31 December 2006	31 December 2005
Assets	64 322	65 764
Liabilities	41 472	47 702
Revenues	7 717	7 594
Profit	4 794	4 525

**Note 8 Other long-term receivables**

	31 December 2006	31 December 2005
Associated company AS R�vala Parkla	7 828	9 828
<b>Total other long-term receivables</b>	<b>7 828</b>	<b>9 828</b>



## 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
<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	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
<b>Residual value</b>	<b>-29 489</b>	<b>-86 525</b>	<b>-123 504</b>	<b>0</b>	<b>0</b>	<b>-239 518</b>
Additions	12 409	12 441	18 690	9 579	430 193	483 311
Sales and disposals at residual value	-496	-195	-357	0	0	-1048
Revaluation surplus	-33 891	-29 535	-31 251	0	0	-94678
31.12.2006						
<b>Residual value</b>	<b>995 660</b>	<b>70 965</b>	<b>88 342</b>	<b>9 662</b>	<b>493 506</b>	<b>1 658 135</b>
Acquisition cost	1 058 610	184 774	230 657	9 662	493 505	1 977 208
Accumulated depreciation	-62 950	-113 809	-142 315	0	0	-319 073
Residual value 31.12.2005 as Eliminated revaluation of fixed assets	513 331	88 255	101 261	83	63 312	766 241
Residual value 31.12.2006 as eliminated revaluation of fixed assets	563 522	184 774	230 657	9 662	493 505	1 977 208

During the report period real estates in amount of 430 100 thousand kroons has been bought. Repairs and renovations to buildings were made amounting 12 441 thousand kroons. New equipment and fittings, refrigerators and computers, in amount of 31 191 thousand kroons were bought.

**Note 10 Debt liabilities**

Short-term liabilities	31 December 2006	31 December 2005
Short-term bonds	49069	34 668
Overdraft	0	17 264
Loans	185 734	27 661
Finance lease (see Note 12)	4 237	3 978
<b>Total short-term bonds</b>	<b>239 040</b>	<b>83 571</b>
Long-term debt liabilities	31 December 2006	31 December 2005
Loans	463 420	184 292
Finance lease (see Note 11)	22 122	26 359
Total long-term liabilities	485 542	210 651

## Liabilities movements:

Opening balance 31.12. 2005	294 222
Loans received	462 457
Bonds	49070
Total loans received	511 527
Loans paid	
Bank loans	-25 257
Bonds	-34 668
Overdraft	-17 264
Finance lease	-3 978
Total loans paid	-81 167
Final balance 31.12. 2006	724 582

**Note 11 Finance lease**

The group leases the following assets under the financial lease:

	31 December 2006	31 December 2005
Cost – capitalized finance leases	43 951	43 951
Accumulated depreciation	-20 325	-15 930
Net book amount	23 626	28 021

	31 December 2006	31 December 2005
Minimum lease payments:		
No later than 1 year	5 947	5 976
Between 1 and 5 years	25 711	23 747
Later than 5 years	0	7 911
Total	31 658	37 634
Future interest expense	-5 299	-7 297
Present value of future minimum lease payments (see Note 10)	26 359	30 337

Present value of future minimum lease payments		
No later than 1 year	4 237	3 978
Between 1 and 5 years	22 122	18 827
Later than 5 years	0	7 532
Total (see Note 10)	26 359	30 337

	12 months 2006	12 months 2005
Payments of reporting period	3 978	3 709
Interest expenses of reporting period	1 998	2 226

**Note 12 Other short-term payables**

	31 December 2006	31 December 2005
Value added tax	27 273	13 271
Personal income tax	8 135	5 617
Social security tax	16 374	11 512
Corporate income tax payable on fringe benefits	617	540
Unemployment insurance premium	411	398
Mandatory pension funds	664	443
Total indirect tax payables	53 474	31 781
Payables to employees	70 140	37 138
Interest payable	1170	152
Other accrued expenses	100	70
Prepayments received from lessees	3 900	1 121
Total other short-term payables	128 784	70 262

**Note 13 Share capital**

In first half of year 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

	12 months 2006	12 months 2005	4th quarter 2006	4th quarter 2005
Retail	4 185 076	2 846 007	1 267 095	951 139
Wholesale	2 440	11 656	207	2 833
Services and catering	51 614	20 121	11 066	12 328
Total sales	4 239 130	2 877 784	1 278 368	966 300

#### Lisa 15 Other income

	12 months 2006	12 months 2005	4th quarter 2006	4th quarter 2005
Rental income	37 040	32 803	9 224	8 308
Profit from the sale of tangible assets	21	359	1	348
Other income	46 725	25 108	10 304	10 180
Foreign exchange gains	50	121	16	54
Total other income	83 836	58 391	19 545	18 890

#### Note 16 Other expenses

	12 months 2006	12 months 2005	4th quarter 2006	4th quarter 2005
Rental expenses	132 137	117 594	33 143	30 589
Utilities	46 376	34 014	9 950	9 389
Advertising costs	52 185	43 940	14 811	6 667
Bank fees	27 299	17 514	8 715	5 941
Security costs	23 306	19 939	5 177	7 434
Heating and electricity costs	48 180	32 250	10 945	11 845
Cost of materials	40 724	39 545	11 836	12 014
Computer and communications expenses	15 573	13 112	4 060	3 759
Business trip expenses	3 114	3 257	652	569
Training expenses	4 111	3 591	945	184
Insurance costs	1068	924	246	286
Other expenses	15 297	13 605	5 883	17148
Total operating expenses	409 370	339 285	106 363	105 825

**Note 17 Personnel expenses**

	12 months 2006	12 months 2005	4th quarter 2006	4th quarter 2005
Wage and salary	287 372	189 416	98 837	65 066
Social security tax	96 202	63 791	33 087	21 874
Total personnel expenses	383 574	253 207	131 924	86 940

	12 months 2006	12 months 2005	4th quarter 2006	4th quarter 2005
Average monthly wage and salary per employee (kroons)	9 933	8 295	12 890	9 365
Average number of employees during the period	2 411	1 903	2 556	2 316

**Note 18 Interest expenses**

	12 months 2006	12 months 2005	4th quarter 2006	4th quarter 2005
Interest on bank loans	-10 272	-4 584	-3 956	-1 508
Interest on finance lease	-1 998	-2 266	-473	-542
Interest on bonds	-501	-947	-169	-284
Other interest expenses	0	-805	0	-573
Interest on overdraft	0	-129	0	-5
Total interest expenses	-12 771	-8 731	-4 598	-2 912
Interest income	2335	745	1655	0
Total interest expenses and -income	-10 436	-7 986	-2 943	-2 912

**Note 19 Operating profit**

Operating profit includes following write-down on inventories:

	12 months 2006	12 months 2005	4th quarter 2006	4th quarter 2005
Write-down and write-off of inventories	30 459	19 785	9 330	6 880
Shortage of stock count	20 389	15 683	9 000	6 936
Total	50 848	35 468	18 330	13 816

**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

Thousands EEK

31 December 2006	Department Store	Super markets	Real Estate	Inter- segment transactions	Total
Non-group sales revenue	1 293 256	2 896 090	49 784	0	4 239 130
Inter-segment sales revenue	6	10 595	66 309	-76 911	0
Total revenue from sales	1 293 262	2 906 685	116 093	-76 911	4 239 130
<b>Operating profit of segment</b>	<b>102 491</b>	<b>115 464</b>	<b>69 125</b>	<b>0</b>	<b>287 081</b>
Financial cost and income segment	2 720	-2 530	-9 937	0	-9 747
Inner-segment financial cost and income of the Group	0	-939	2 648	1 709	1 709
Total financial cost and income	<b>2 720</b>	<b>-3 468</b>	<b>-7 289</b>	<b>1 709</b>	<b>-8 038</b>
Income tax on dividends	0	0	0	0	-6 083
<b>Net profit</b>	<b>105 213</b>	<b>113 874</b>	<b>59 956</b>	<b>0</b>	<b>272 960</b>
Assets	1 757 232	581 349	1 656 885	-1 237 709	2 757 757
Inter-segment assets of the Group	1 201 803	24933	10 972	-1 237 709	0
<b>Total assets</b>	<b>555 429</b>	<b>556 415</b>	<b>1 645 913</b>	<b>0</b>	<b>2 757 757</b>
Liabilities	499 626	398 092	918 902	-300 926	1 515 694
Inter-segment liabilities of the Group	6 514	2 993	291 419	-300 926	0
<b>Total liabilities</b>	<b>493 112</b>	<b>395 099</b>	<b>627 482</b>	<b>0</b>	<b>1 515 694</b>
Fixed assets acquired in reporting period	22 696	17 154	3690	0	43 540
Depreciation of fixed assets in reporting period	24 144	44 355	26 179	0	94 678

Thousands EEK

31 December 2005	Department Store	Super markets	Real Estate	Inter- segment transactions	Total
Non-group revenue	1 004 037	1 855 291	18 456	0	2 877 784
Inter-segment revenue	8 236	7 977	41 105	-57 317	0
Total revenue from sales	1 012 273	1 863 268	59 561	-57 317	2 877 784
<b>Operating profit of segment</b>	<b>37 505</b>	<b>31 741</b>	<b>28 253</b>	<b>0</b>	<b>97499</b>
Financial cost and income of segment	2382	-2 327	-151	0	-97
Inter-segment financial cost and income of the Group	-1710	-1405	-2512	5 627	-5 627
<b>Total financial cost and income</b>	<b>672</b>	<b>-3732</b>	<b>-2663</b>	<b>5 627</b>	<b>-5 724</b>
<b>Net profit</b>	<b>38 178</b>	<b>28 009</b>	<b>25 590</b>	<b>5 627</b>	<b>91 775</b>
Assets	1 223 983	407 067	519 206	-450 679	1 699 577

Inter-segment liabilities of the group	339 040	449	111 190	-450 679	0
<b>Total assets</b>	<b>884 943</b>	<b>406 618</b>	<b>408 016</b>	<b>0</b>	<b>1 699 577</b>
Liabilities	191 894	339 912	354 027	-175 746	710 088
Inter-segment liabilities of the Group	26 690	57 811	91 244	-175 746	0
<b>Total liabilities</b>	<b>165 204</b>	<b>282 101</b>	<b>262 783</b>	<b>0</b>	<b>710 088</b>
Fixed assets acquired in reporting period	39 301	101 553	280 858	0	421 712
Depreciation of fixed assets in reporting period	19 158	36 884	14 045	0	70 087

**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 12 months of 2005 Tallinna Kaubamaja group has purchased and sold goods and rendered services as follows:

	Purchases 4th quarter 2005	Sales 4th quarter 2005	Purchases 12 months 2005	Sales 12 months 2005
Parent company	0	24	745	180
Other related parties	48 634	1 124	84 575	1998
Associates	0	0	0	1 119
<b>Total</b>	<b>48 634</b>	<b>1 148</b>	<b>85 320</b>	<b>3 297</b>

During the 12 months of 2006 Tallinna Kaubamaja group has purchased and sold goods and rendered services as follows:

	Purchases 4th quarter 2006	Sales 4th quarter 2006	Purchases 12 months 2006	Sales 12 months 2006
Parent company	0	632	693	757
Other related parties	29 670	1 678	106 454	3972
Associates	0	101	0	420
<b>Total</b>	<b>29 670</b>	<b>2 411</b>	<b>107 147</b>	<b>5 149</b>

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:

	31 December 2006	31 December 2005
Parent company	269	24
Other related parties	669	405
Short-term portion of loans granted to associates	2000	2 000
Total short-term receivables	2 938	2 429
Long-term receivables	231 631	
Loans granted to associates	7828	9 828
Total receivables from related parties	242 397	12 257
Parent company	263	303
Other related parties	11 691	11 591
Group account payable (overdraft)	0	17 264
Total liabilities to related parties	11 954	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 has hold free funds at the main group account, earning interest income on the deposits. In 12 months of 2006 the main group has not used the funds available of the Tallinna Kaubamaja group. In 12 months of 2006 Tallinna Kaubamaja group has paid the interest for the use of the funds available on the main group account amounted to 830 thousand kroons (2005 : 0 kroons) and earned interest income from main group 354 thousand kroons (2005 : 121 thousand 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 contract, 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.