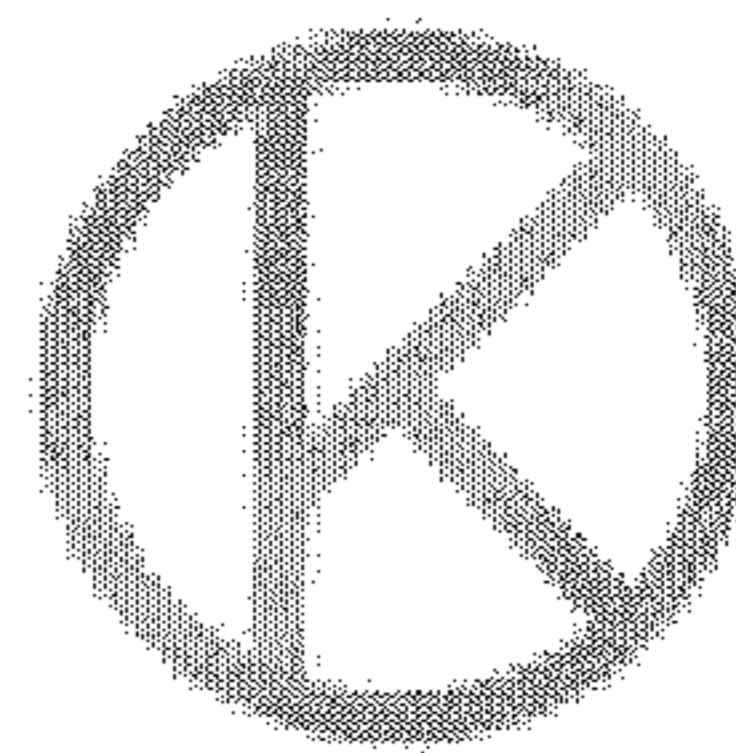


TALLINNA KAUBAMAJA AS

Consolidated Annual Report 2005



Translation of the Estonian original

The companies of the Tallinna Kaubamaja group are mostly engaged in the retail and wholesale trade. At the end of 2005, the Tallinna Kaubamaja group employed over 1 900 employees.

<i>Legal address:</i>	<i>Gonsiori 2 10143 Tallinn Republic of Estonia</i>
<i>Commercial Registry No.</i>	<i>10223439</i>
<i>Telephone:</i>	<i>+372 6673 200</i>
<i>Fax:</i>	<i>+372 6673 205</i>
<i>E-mail:</i>	<i>kaubamaja@kaubamaja.ee</i>
<i>Beginning of financial year:</i>	<i>01.01.2005</i>
<i>End of financial year:</i>	<i>31.12.2005</i>
<i>Auditor:</i>	<i>AS PricewaterhouseCoopers</i>
<i>Bank:</i>	<i>AS Hansapank AS SEB Eesti Ühispank</i>
<i>Law office:</i>	<i>Teder & Partnerid AS</i>
<i>Lawyer:</i>	<i>Helda Truusa</i>
<i>Subsidiaries and associated companies:</i>	
<i>A-Selver AS</i>	<i>Share capital: EEK 22.0 million Ownerships: 100%</i>
<i>AS Tartu Kaubamaja</i>	<i>Share capital: EEK 8.3 million Ownerships: 100%</i>
<i>Tartu Kaubamaja Kinnisvara OÜ</i>	<i>Share capital: EEK 40 thousand Ownerships: 100%</i>
<i>Tallinna Kaubamaja Kinnisvara AS</i>	<i>Share capital: EEK 0.4 million Ownerships: 100%</i>
<i>Rävala Parkla AS</i>	<i>Share capital: EEK 10.0 million Ownerships: 50%</i>

All subsidiaries and associated companies are registered in the Republic of Estonia.

The Annual Report consists of the Management Report, the Financial Statements, the Auditor's Report and the Proposal for the Distribution of Profit.

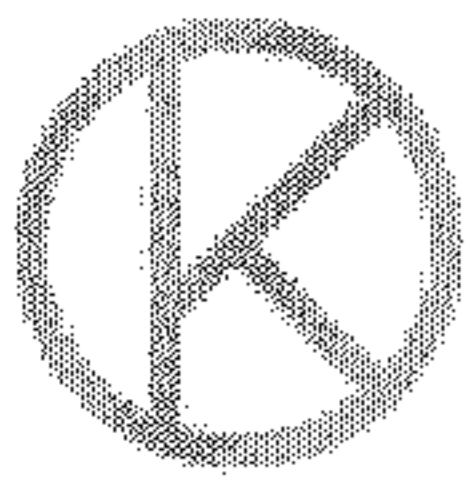
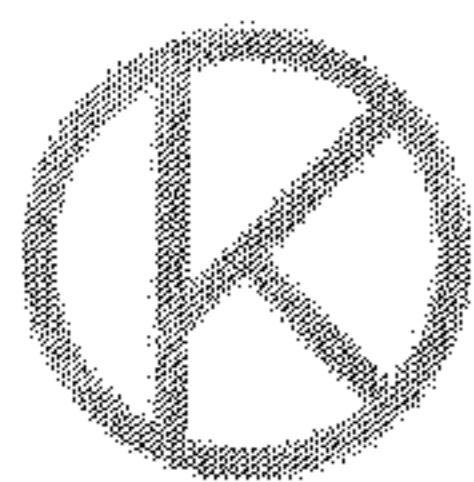


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MANAGEMENT REPORT

The main activity of the companies in the Tallinna Kaubamaja Group is retail and wholesale trade.

As at 31 December 2005, the Group consisted of the following companies:

	Participation 31.12.2005	Participation 31.12.2004
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 2005, the Estonian economy as a whole grew by 10.8%. According to the preliminary data of the Estonian Statistical Office, retail sales (excluding motor vehicles and fuel) increased by 14.3% in 2005 as compared to 2004, whereas the respective figure was 18.6% for non-specialty stores (mostly groceries). According to the preliminary data of the Estonian Statistical Office, the share of non-specialty stores was approximately 43% of total retail sales. The growth of the retail market has been propelled by higher purchasing power of consumers, low interest rates, decrease of unemployment which in turn create a more favorable environment and good development conditions for retail chains.

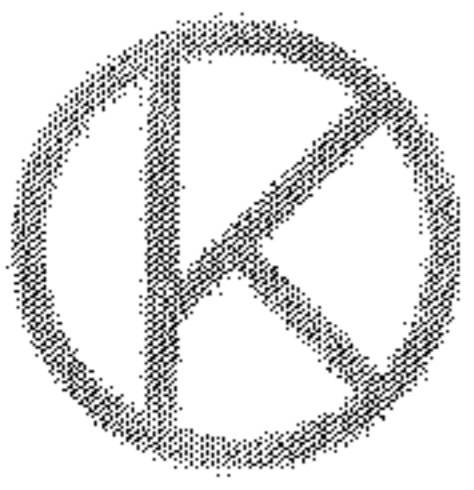
In 2005, the retail market was characterized by the concentration and expansion of retail chains into different regions of Estonia. At the beginning of 2005, ICA Baltic and Kesko Food set up a joint entity Rimi Baltic AB for operating in the grocery market of the Baltic countries, as a result of which the brand Citymarket was replaced by the brand Rimi Hüpermarket. In addition to Rimi's hypermarkets and supermarkets, the other entities belonging to the Group are the value store chain of Säästumarket, a small wholesale warehouse SuperNetto and a logistics centre. In April, Selver acquired the long-term operating rights to the retail chain of Tirsi. In 2005, competition among value store chains intensified and T-Market of the Lithuanian trade group Vilniaus Prekyba aggressively grabbed the market share. Vilniaus Prekyba increased its market share by almost four times as compared to the previous year and became the fifth largest retail chain in terms of net sales in the Estonian market.

In 2005, the activities of the companies in the Tallinna Kaubamaja Group were characterized by expansion in the region of South Estonia. Six of nine supermarkets of Selver were opened in the region of South Estonia, four in Tartu, one in Võru and one in Valga. Expansion in the sector of department stores has taken place as well. Tartu Kaubamaja has expanded to new spaces. As a result, the sales space has increased by more than threefold

The most significant change in the legislative environment affecting the operations of the Tallinna Kaubamaja Group was the Package Excise Act entered into force at 07.01.2005 and amended at 10.07.05. The Act established additional economic instruments in terms of the obligation to accept back packages and deposits.

Key events of the companies in the Tallinna Kaubamaja Group in 2005

- At the beginning of 2005, A-Selver AS announced its intention to double its existing sales space by the end of 2007;
- due to the death of a member of the Supervisory Board Indrek Vanaselja, the Supervisory Board of Tallinna Kaubamaja AS continued from 8 January 2005 with five members;
- At 10 February 2005, A-Selver AS announced its intention to acquire the operating rights to supermarkets in Tartu belonging to Tirsi Grupp OÜ. The transaction took place in April, on the basis of which A-Selver AS obtained the operating rights to supermarkets and the related assets and liabilities.
- At 3 March 2005, Vilja Selver was opened in Võru;
- At 26 May 2005, Anne Selver was opened in Tartu;
- At 2 June 2005, Ringtee Selver was opened in Tartu;



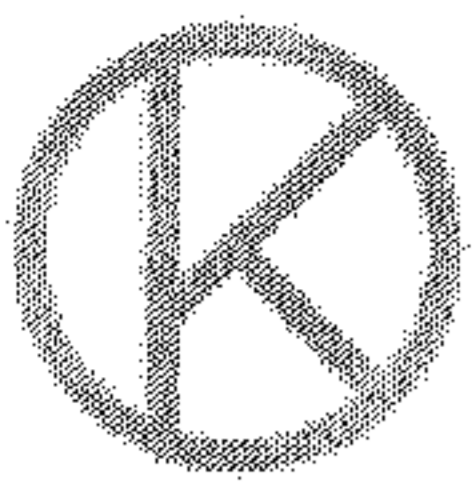
- In June, Tartu Kaubamaja Kinnisvara OÜ announced that it had found tenants for its total sales space located in the soon-to-be-opened Tartu Kaubamaja. The new Tartu Kaubamaja was opened at 12 October 2005;
- At 18 September 2005, Suurejõe Selver was opened in Pärnu;
- At 15 September 2005, Valga Selver was opened in Valga;
- At 29 September 2005, Sõle Selver was opened in Tallinn;
- At 13 October 2005, Mustakivi Selver was opened in Tallinn;
- In November, Tallinna Kaubamaja AS announced its intention to close the fashion store at Rocca al Mare shopping centre in order to develop sales spaces in the centers of Tallinn and Tartu;
- At 8 December 2005, Sõbra Selver was opened in Tartu;
- At 15 December 2005, Veeriku Selver was opened in Tartu;
- A-Selver AS announced its intention to open Selver in Jõhvi in spring of 2006 and another one in Pärnu in spring of 2007.

Results of operations

The net sales of the Tallinna Kaubamaja Group increased by 42 per cent in 2005 as compared to 2004, to almost 2.9 billion kroons which is 856 million kroons more than the year before.

Net profit was approximately 7 million kroons smaller than in 2004. However, in 2004, 41 million kroons of the 99 million net profit was extraordinary profit from the sale of registered immovables. Thus, in 2005, without considering extraordinary profit in 2004, net profit growth achieved from ordinary activities was 58% as compared to 2004.

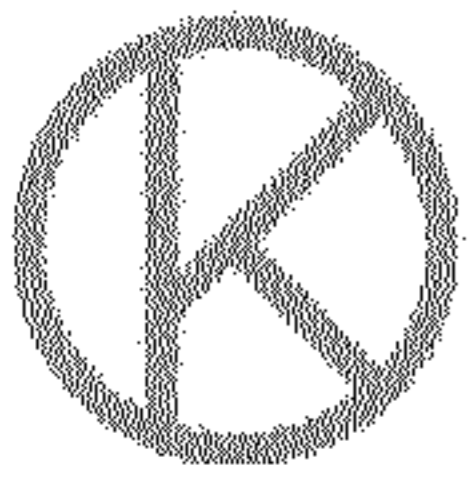
FINANCIAL DATA 2001-2005					
Group's consolidated financial statements	2005	2004	2003	2002	2001
INCOME STATEMENT (EEK million)					
Net sales	2 878	2 022	1 761	1 532	1 450
Operating profit	97	105	75	55	48
Net profit	92	99	66	45	36
BALANCE SHEET (EEK million)					
Inventories	290	224	176	171	173
Total current assets	363	340	264	219	258
Total non-current assets	1 337	694	545	557	441
Total assets	1 700	1 035	809	776	699
Current liabilities	499	286	254	257	267
Non-current liabilities	211	102	119	144	33
Total liabilities	710	388	373	400	300
Equity	989	647	435	376	399
Equity ratio (%)	58%	63%	54%	48%	57%
RATES OF GROWTH (%)					
Net sales growth	42%	15%	15%	6%	22%
Operating profit growth	-7%	41%	35%	16%	-35%
Net profit growth	-7%	49%	47%	26%	-41%
Asset growth	64%	28%	4%	11%	2%
Equity growth	53%	49%	16%	-6%	3%



PROFITABILITY RATIOS (%)					
Return on equity (ROE)	11%	18%	16%	12%	9%
Return of assets (ROA)	7%	11%	8%	6%	5%
Net profit margin	3%	5%	4%	3%	2%
LIQUIDITY RATIOS					
Quick ratio	0,73	1,19	1,04	0,85	0,97
Debt ratio	0,42	0,37	0,46	0,52	0,43
Net sales per sales space (EEK thousand)	56,4	51,4	53,8	55,5	54,8
Net sales per employee (EEK million)	1,5	1,4	1,4	1,3	1,1
Sales space per employee (m2)	26,8	27,2	25,4	22,7	19,6
Inventory turnover	9,62	8,36	10,01	8,96	8,37
Shares					
Number of shares (1000 pieces)	6 788	6 788	6 788	6 788	6 788
Earnings per share (EEK/share)	145,8	95,3	64,1	55,4	58,8
Closing price of share (EEK/share)	348,1	116,9	73,1	53,8	59,8
Net profit per share (EEK/share)	13,5	14,5	9,7	6,6	5,3
P/E ratio	25,7	8,0	7,5	8,1	11,3
Investments (EEK million)	1 903	1 445	1 289	1 215	1 346
Average number of employees	51 008	39 327	32 715	27 629	26 449
Average sales space (m2)	30%	20%	18%	4%	32%
Growth of sales space (%)	6 788	6 788	6 788	6 788	6 788
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 / earnings per share				
Quick ratio	= Current assets / Current liabilities				
Debt coefficient	= Total liabilities / Balance sheet total				

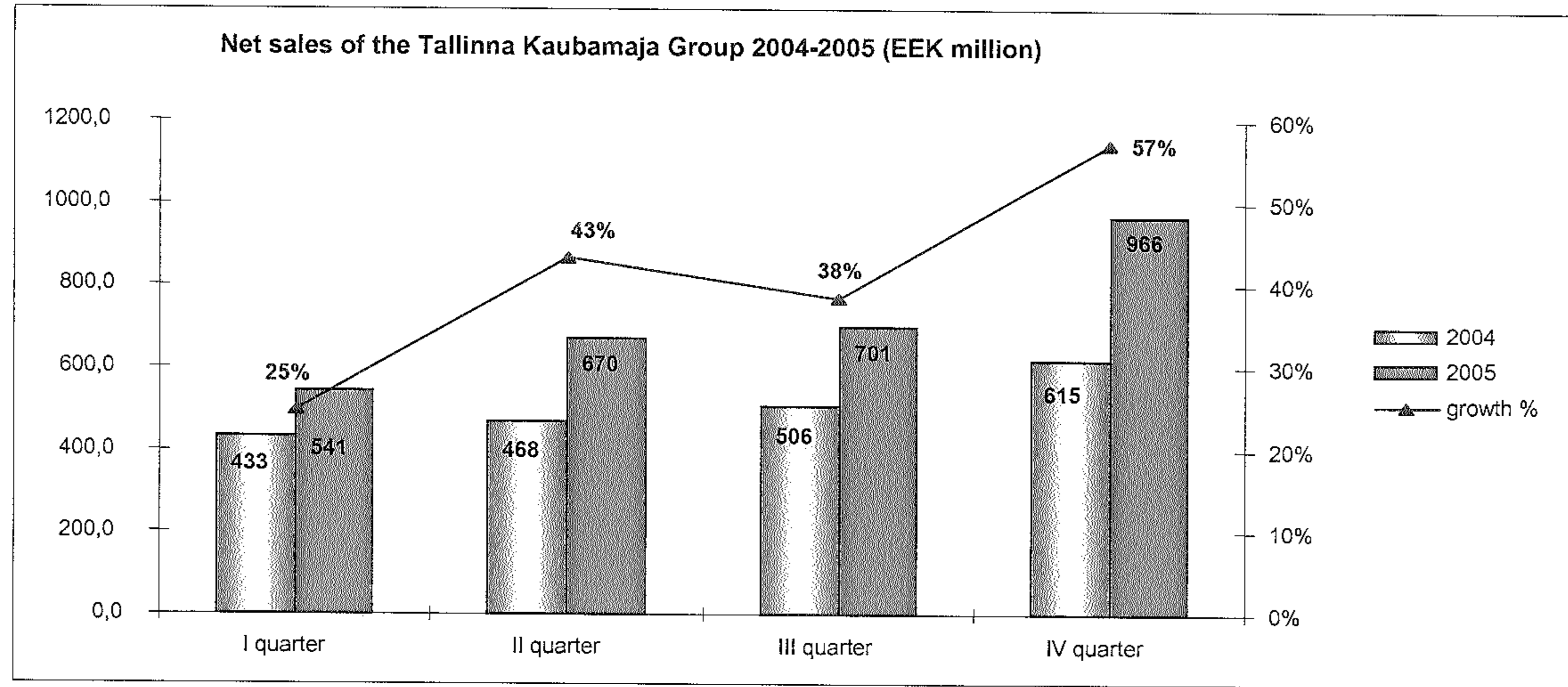
As at 31 December 2005, the balance sheet total of the Tallinna Kaubamaja Group was 1 699.6 million kroons, increasing by 665 million kroons or 63% in a year. Asset growth was 64% and equity growth 53%.

The number of loyal customers with Partner cards increased to 189 000 people by the end of 2005, growing by 35% as compared to the year before.



Seasonality of business activities

The results of operations of the Tallinna Kaubamaja Group differ from season to season. 42-45% of annual net sales are generated in the first half of the year and the rest in the second half of the year. The fourth quarter is the most effective among the Group companies, 30% and more of annual net sales are generated in the last quarter.

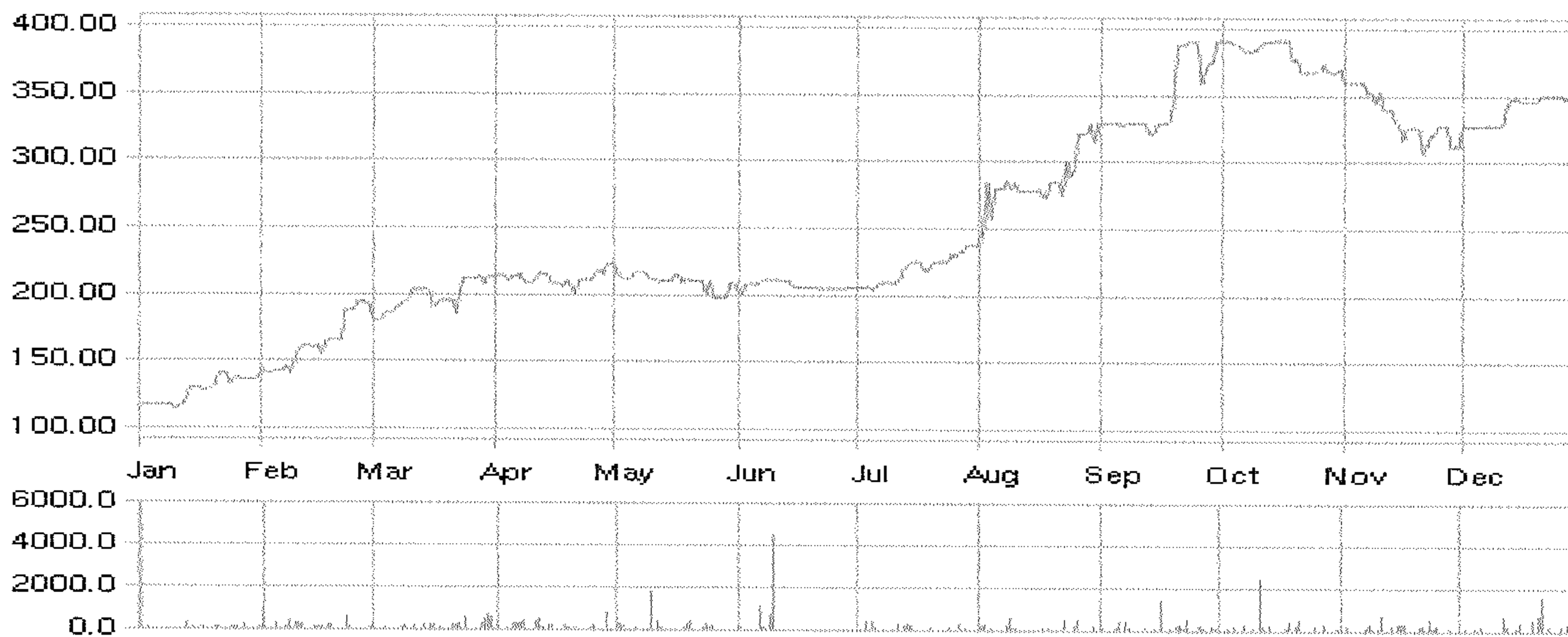


Securities market

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

In 2005, the share price increased significantly, growing by 198%. The closing price per share in 2004 was 116.9 kroons and 348.1 kroons in 2005.

Share price in Estonian kroons and trading statistics in Tallinn Stock Exchange in 2005.



Tallinna Kaubamaja AS and Tartu Kaubamaja AS

The keywords for the department stores in 2005 were increase of efficiency of Tallinna Kaubamaja, which has expanded in Viru Centre in 2004, and opening the new Tartu Kaubamaja. As a result, the sales space of Tartu Kaubamaja increased by more than threefold and new brands such as Tom Tailor, S.Oliver, Blend of America, Trek & Travel, Tintoretto, Gelco, Your Face were introduced in the market of South Estonia.

To increase efficiency and achieve cost savings, intra-group reorganizations took place: Tallinna Kaubamaja AS started to operate the department store opened in Tartu in October. At 25 August 2005, Tallinna Kaubamaja AS

