

AS TALLINNA KAUBAMAJA

**Consolidated Interim Report
for the 4th quarter of 2004**

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KEY DATA

The main activities of Tallinna Kaubamaja Group are retail and wholesale. The Group employs more than 1400 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:	01.01.2004
End of the financial year:	31.12.2004
Beginning of the interim report:	01.01.2004
End of the interim report:	31.12.2004
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Signatures to consolidated interim report of Tallinna Kaubamaja AS for the fourth quarter of 2004 as at 31 December 2004 set out on pages 2-15.

Raul Puusepp
Member of the Management Board

28 February 2005

Management Report

The consolidated unaudited net sales of Tallinna Kaubamaja Group for the 12 months of 2004 were 2 billion kroons (129.2 million euros). The net sales of the comparable period last year were 1.8 billion kroons (112.5 million euros). The net sales increased by 15 per cent.

The consolidated unaudited net sales of the Group for Quarter 4 were 615.3 million kroons (39.2 million euros) that is 17 per cent higher than the net sales of the same period last year when the net sales were 526.6 million kroons (33.7 million euros).

The sales of A-Selver increased by 20 per cent in Q4. The main source of the good result is a work-up of Selvers opened during 2002 and a successful retaining of the higher sales volumes as well as the opening of Saare Selver this June.

The sales of Tallinna Kaubamaja of Q 4 increased by 16 per cent over the same period last year. The main source of the increase is the expansion of the department store into Viru Centre. The sales of Tartu Kaubamaja in Q 4 increased 2 per cent over period last year.

The average sales area in the 12 months of 2004 was 39 327 sq m and within the same period last year 32 845 sq m, constituting an increase of 20 per cent (including the increase of the sales area of the Selver chain of 11 per cent).

The consolidated net profit of the Group for the 12 months of 2004 excluding profit from sale of fixed assets was 58.1 million kroons (3.7 million euros) that is 12 per cent less over the same period last year when the profit was 66.1 million kroons (4.2 million euros). The decrease in profit is an effect of the vast expansion of Tallinna Kaubamaja last April whereby the sales area was increased by 1.5 times.

The net profit of the Group for 12 months was 98.7 million kroons (6.3 million euros) including a profit from the sale of fixed assets in the amount of 40.6 million kroons (2.6 million euros).

The consolidated net profit of the Group for Quarter 4 of 2004 was 33.8 million kroons (2.1 million euros), amounting to 91 per cent of the net profit last year when the respective figure was 37.2 million kroons (2.4 million euros).

Since the year 2000 the fixed asset group "Land and buildings" of Tallinna Kaubamaja AS is recorded based on the revaluation method. 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 31.12.2004. As a result of the expert revaluation the value of land and buildings and equity increased by 110 million kroons (7 million euros), including the increased value of Gonsiori 2, Tallinn of 102 million kroons (6.5 million euros).

Consolidated balance sheet

Thousand EEK/EUR

		31.12.2004		31.12.2003	
		Group		Group	
ASSETS	Note	EEK	EUR	EEK	EUR
Current assets					
Cash and bank	1	77 967	4 983	73 311	4 685
Trade receivables	2	14 211	908	8 419	538
Other receivables	3	6 148	393	4 159	266
Accrued income	4	80	5	33	2
Prepaid expenses	5	1 123	72	2 136	137
Inventories	6	235 336	15 041	175 971	11 247
Total current assets		334 865	21 402	264 029	16 875
Non-current assets					
Long-term financial assets					
<i>Investment in associated companies</i>	7	6 769	433	5 427	347
Long-term receivables from associated companies	8	12 328	788	12 028	769
Total long-term financial assets		19 097	1 221	17 455	1 116
Tangible fixed assets	9	672 692	34 387	528 234	33 760
Intangible assets	10	0	0	-938	-60
Total non-current assets		691 789	35 607	544 751	34 816
TOTAL ASSETS		1 026 655	57 009	808 779	51 690
LIABILITIES AND OWNERS' EQUITY					
Debt liabilities	11,12	31 248	1 997	50 653	3 237
Customers advances for goods and services		5 529	353	4 820	308
Suppliers payables		202 313	12 930	163 562	10 453
Other payables	13	40 849	2 611	35 384	2 261
Total current liabilities		279 939	17 891	254 419	16 260
Long term debt liabilities	11,12	102 625	6 559	119 029	7 607
Total long term debt liabilities		102 625	6 559	119 029	7 607
TOTAL LIABILITIES		382 564	24 450	373 449	23 868
Owners' equity					
Share capital	14	67 882	4 338	67 882	4 338
Statutory legal reserve		7 269	465	7 269	465
Revaluation reserve of fixed assets		257 956	16 486	152 016	9 716
Retained earnings		212 251	13 565	142 088	9 081
Net profit for the financial year		98 733	6 310	66 075	4 223
TOTAL OWNERS' EQUITY		644 091	41 165	435 331	27 823
TOTAL LIABILITIES AND OWNERS' EQUITY		1 026 655	65 615	808 779	51 690

Consolidated income statement

		Thousand EEK/EUR			
		2004		2003	
		12 month		12 month	
		Group		Group	
	Note	EEK	EUR	EEK	EUR
Operating income					
Net sales	15	2 021 830	129 218	1 760 768	112 534
Other operating income	16	91 165	5 827	43 815	2 800
Cost of goods sold		-1 524 271	-97 419	-1 330 289	-85 021
Other operating expenses	17	-242 808	-15 518	-193 087	-12 341
Personnel expenses	18	-177 800	-11 364	-148 049	-9 462
Depreciation	9	-58 898	-3 764	-52 376	-3 347
Amortisation of goodwill	10	938	60	446	28
Other expenses		-5 106	-326	-6 604	-422
Total operating expenses		-2 007 945	-128 331	-1 729 959	-110 565
Operating profit		105 050	6 714	74 624	4 769
Financial income and expenses					
Financial income and expenses on shares in associated companies	7	1 342	86	1 484	95
Interest income and expenses	19	-7 386	-472	-9 923	-634
Other financial income and expenses		-273	-17	-109	-7
Total financial income and expenses		-6 317	-404	-8 548	-546
NET PROFIT		98 733	6 310	66 075	4 223

		2004		2003	
		4 th quarter		4 th quarter	
		Group		Group	
	Note	EEK	EUR	EEK	EUR
Operating income					
Net sales	15	615 258	39 322	526 599	33 656
Other operating income	16	14 858	950	9 999	639
Cost of goods sold		-457 086	-29 213	-394 709	-25 227
Other operating expenses	17	-71 914	-4 596	-52 132	-3 332
Personnel expenses	18	-51 089	-3 265	-42 300	-2 703
Depreciation	9	-16 033	-1 025	-8 915	-570
Amortisation of goodwill	10	586	37	117	7
Other expenses		-148	-9	218	0
Total operating expenses		-595 684	-38 071	-497 721	-31 824
Operating profit		34 432	2 201	38 878	2 471
Financial income and expenses					
Financial income and expenses on shares in associated companies	7	827	53	522	33
Interest income and expenses	19	-1 402	-90	-2 095	-134
Other financial income and expenses		-53	-3	-94	-6
Total financial income and expenses		-628	-40	-1 667	-107
NET PROFIT		33 804	2 160	37 211	2 364

Consolidated cash flow statement

		Thousand EEK/EUR			
		2 004		2 003	
	Note	Group		Group	
		EEK	EUR	EEK	EUR
CASH FLOW FROM OPERATING ACTIVITIES					
Adjustments for:					
Net profit		98 733	6 310	66 075	4 223
Interest expenses		8 861	566	11 258	720
Interest income		-1 474	-94	-1 335	-85
Depreciation	9,10	57 960	3 704	51 931	3 319
Profit/loss from sale and liquidation on non-current assets		-40 469	-2 586	-139	-9
Impact of equity method	7	-1 342	-86	-1 484	-95
Change in inventories		-59 365	-3 794	-12 529	-801
Change in receivables		-6 768	-433	6 601	422
Change in liabilities		44 971	2 874	23 216	1 484
NET CASH FLOW FROM OPERATING ACTIVITIES:		101 105	6 462	143 595	9 177
CASH FLOW FROM INVESTING ACTIVITIES					
Fixed assets acquired and renovated (excl finance lease)	9	-179 907	-11 498	-38 155	-2 439
Interest received		1 427	91	1 400	89
Tangible fixed assets sold		127 047	8 120	427	27
NET CASH FLOW FROM INVESTING ACTIVITIES:		-51 433	-3 287	-36 328	-2 322
CASH FLOW FROM FINANCING ACTIVITIES					
Loans received and bonds issued		14 717	941	40 000	2 556
Repayments of loans and redemption of bonds	11	-47 067	-3 008	-86 946	-5 557
Finance lease payments	12	-3 459	-221	-3 226	-206
Dividends paid		0	0	-6 788	-434
Loans for associated companies		-300	-19	0	0
Interest paid		-8 906	-569	-11 253	-719
CASH FLOW FROM FINANCING ACTIVITIES:		-45 016	-2 877	-68 214	-4 360
TOTAL CASH FLOW		4 656	298	39 053	2 496
Cash and cash equivalents at the beginning of period	1	73 311	4 685	34 258	2 189
Cash and cash equivalents at the end of period	1	77 967	4 983	73 311	4 685
Change in cash and cash equivalents		4 656	298	39 053	2 496

Statement of changes in equity

Thousand EEK						
	Share capital	Revaluation reserve	Reserves	Retained earnings	Profit for the financial year	Share capital
31.12.2002	67 882	156 490	7 269	99 390	45 012	376 044
Retained earnings of 2002	0	0		45 012	-45 012	0
Dividends				-6 788		-6 788
Revaluation reserve of fixed assets	0	-4 474	0	4474	0	
Profit for the financial year	0	0	0	0	66 075	66 075
31.12.2003	67 882	152 016	7 269	142 089	66 075	435 330
Retained earning of 2003	0	0	0	66 075	-66 075	0
	0	0	0			
Revaluation reserve of fixed assets	0	105 940	0	4 087	0	110 027
Profit for the financial year	0	0	0	0	98 733	98 733
31.12.2004	67 882	257 957	7 269	212 251	98 733	644 091

Thousand EUR						
	Share capital	Revaluation reserve	Reserves	Retained earnings	Profit for the financial year	Total
31.12.2002	4 338	10 002	465	6 352	2 877	24 034
Retained earnings of 2002	0	0		2 877	-2 877	0
Dividends				-434		-434
Revaluation reserve of fixed assets	0	-286	0	286	0	
Profit for the financial year	0	0	0	0	4 223	4 223
31.12.2003	4 338	9 716	465	9 081	4 223	27 823
Retained earnings of 2003	0	0	0	4 223	-4 223	0
	0	0	0			
Revaluation reserve of fixed assets	0	6 771	0	261	0	7 032
Profit for the financial year	0	0	0	0	6 310	6 310
31.12.2004	4 338	16 486	465	13 565	6 310	41 165

Notes for consolidated interim report

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 2003.

In the opinion of the Management Board of AS Tallinna Kaubamaja, the consolidated Interim Report for the fourth of 2004 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 1 Cash and bank

	31.12.2004	31.12.2003
Cash in hand	1 891	1 751
Bank accounts	68 174	29 905
Cash in transit	7 902	7 655
The shares of money market fund	0	34 000
Total cash and bank	77 967	73 311

Note 2 Trade receivables

	31.12.2004	31.12.2003
Trade receivables	14 211	9 007
Allowance for doubtful receivables	0	-588
Total trade receivables	14 211	8 419

Note 3 Other receivables

	31.12.2004	31.12.2003
Supplier bonuses	5 502	3 725
Other short-term receivables	646	434
Total other receivables	6 148	4 159

Note 4 Accrued income

The interest receivables in amount of 80 thousand kroons (2003:33 thousand kroons) are recorded as accrued income as at the balance sheet date.

Note 5 Prepaid expenses

	31.12.2004	31.12.2003
Other prepaid expenses	772	524
Prepaid membership fees	89	400
Prepaid insurance fees	35	797
VAT liability	0	238
Maintenance of software licenses	227	177
Total prepaid expenses	1 123	2 136

Note 6 Inventories

	31.12.2004	31.12.2003
Merchandise for resale	221 677	166 922
Raw materials	2 689	2 642
Prepayment to suppliers	10 970	6 407
Total inventories	235 336	175 971

Note 7 Shares of associated companies

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

AS Rävala Parkla

Book value at the end of year	5 427
Income from equity method in the reporting year	1 342
Book value at the end of the period	6 769

Owners' equity of associated company as at 31.12.2004

AS Rävala Parkla	
Share capital	10 000
Share premium	3 000
Retained earnings	-2 414
Statutory legal reserve	269
Profit for the financial year	2 684
Total owners' equity	13 539
Share of Tallinna Kaubamaja in owners' equity	6 769

Note 8 Other long-term receivables

	31.12.2004	31.12.2003
Associated company AS Rävala Parkla	12 328	12 028
Total long-term receivables	12 328	12 028

Note 9 Fixed assets

	Tuhandetes/EEK					
	Land and buildings	Plant and equipment	Fixtures and fittings	Prepayments for fixed assets	Unfinished buildings	Total
31.12.2003						
Acquisition cost	487 343	101 862	165 416	5 716	9858 770	195 -241
Accumulated depreciation	-43 729	-67 511	-130 721	0	0	961
Residual value	443 614	34 351	34 695	5 716	9 858	528 234
Additions	48 975	31 403	47 280	-5 474	57 724	179 907
Incl. From prepayments	848	674	262			0
						-140
Sales and disposals at residual value	-89 845	-11 188	-39 769	0	0	802
Depreciation from sale and liquidation on non-current assets	4 446	10 275	39 503	0	0	54 224
Revaluation of fixed assets	110 027	0	0	0	0	110 027
Write-down of fixed assets	-1 038	0	0	0	0	-1 038
Depreciation calculated	-19 048	-18 629	-20 182	0	0	-57 860
31.12.2004						
Residual value	497 130	46 212	61 526	242	67 582	672 692
Acquisition cost	515 518	117 591	172 927	242	67 582	873 860
						-201
Accumulated depreciation	-18 388	-71 379	-111 400	0	0	168
Residual value 31.12.2004 as eliminated revaluation of fixed assets	239 174	46 212	61 526	242	67 582	414 737
Residual value 31.12.2003 as eliminated revaluation of fixed assets	291 598	34 351	34 695	5 716	9 858	376 218

In 2004 the fixed asset group "Land and buildings" revaluation were performed. The revaluation was carried out by independent real estate experts. Valuation to fixed asset groups was given by their market value.

During the report period additional computers, fittings and equipment for the salesroom were bought for 78 683 thousand kroons, including investments regarding enlargement of Tallinna Kaubamaja with total value of 55 052 thousand kroons, enlargement of A-Selveri Köök amounting 2 766 thousand kroons and investments regarding opening Saare Selver in amount of 8 336 thousand kroons. Repairs to salesroom were made amounting 42 775 thousand kroons and real estate with the total value of 6200 thousand kroons was purchased. Two real estates have been sold. The total profit from sales of real estates was 40 607 thousand kroons.

Note 10 Intangible assets

Negative goodwill in the amount of 2 228 Th. kroons was incurred in the additional purchase of shares of AS Tartu Kaubamaja in 2001.

Negative goodwill	
Residual value 31.12.2003	- 938
Amortisation calculated in nine month of 2004	938
Residual value 31.12.2004	0

Note 11 Debt liabilities

Current debt liabilities	31.12.2004	31.12.2003
Short-term bonds	14 859	35 000
Loans	12 680	12 194
Finance lease (see Note 12)	3 709	3 459
Overdraft	0	0
Total short-term debt liabilities	31 248	50 653

Long-term debt liabilities	31.12.2004	31.12.2003
Loans	72 288	84 983
Finance lease	30 337	34 046
Total long-term debt liabilities	102 625	119 029

Liabilities movements:

Opening balance 31.12.2003	169 682
Loans received	14 717
Total loans received	14 717
Loans paid	
Finance lease	3 459
Bank loans	47 067
Total loans paid	50 526
Final balance 31.12.2004	133 873

Note 12 Finance lease

Company as the lessee

As of 31.12.2004 the group rents under the financial lease assets from Viiburi Kinnisvara AS with the cost of 31 358 thousand kroons (as of 31.12.2003 35 633 thousand kroons).

The group leases the following assets under the financial lease:

31.12.2004	Buildings
Acquisition cost	42 760
Accumulated depreciation	-11 403
Residual value	31 358

Finance lease liability

30.12.2004	Loan balance	Up to 1 year	Incl. 1-5 year	Over 5 years	Due date	Interest rate
A-Selver AS	34 046	3 709	12 743	17 594	08.12.2012	7%

Minimum amount of lease payments 34 046

31.12.2003	Loan balance	Up to 1 year	Incl. 1-5 year	Over 5 years	Due date	Interest rate
A-Selver AS	37 505	3 459	16 452	17 594	08.12.2012	7%

Minimum amount of lease payments 37 505

	31.12. 2004	31.12. 2003
Payments of reporting period	3 459	3 226
Interest expenses of reporting period	2 516	2 749

Note 13 Other short-term payables

	31.12.2004	31.12.2003
VAT	7 121	9 143
Personal income tax	5 081	3 793
Social tax	7 352	6 514
Fringe benefit tax	375	150
Unemployment insurance	306	262
Funded pensions	259	102
Payables to employees	19 510	14 535
Interest payable	29	75
Other accrues expenses	816	810
Total	40 849	35 384

Note 14 Share capital

The share capital of 67 882 Th. kroons was divided into 6 788 200 common shares with a nominal value of 10 kroons. According the Articles of Association the maximum number of shares allowed is 271 528 Th. kroons

Note 15 Net sales

	4th quarter 2004	4th quarter 2003	Year 2004	Year 2003
Retail sale	609 547	521 538	2 006 972	1 749 195
Wholesale	3 133	2 340	9 185	7 824
Sales of service and catering	2 578	2 721	5 673	3 749
Total	615 258	526 599	2 021 830	1 760 768

Note 16 Other revenue

	4th quarter 2004	4th quarter 2003	Year 2004	Year 2003
Income from lease	7 867	6 800	30 255	25 793
Income from sale of fixed assets	43	36	40 699	184
Other revenue	6 923	3 150	20 157	17 792
Income from currency exchange	25	13	54	46
Total	14 858	9 999	91 165	43 815

Note 17 Other operating expenses

	4th quarter 2004	4th quarter 2003	Year 2004	Year 2003
Lease expenses	27 884	14 257	83 946	55 682
Maintenance expenses	4 990	4 998	23 189	16 835
Advertising expenses	13 205	12 777	38 434	38 696
Bank fees	3 881	3 050	12 343	10 468
Security expenses	3 728	2 963	13 466	11 560
Heat and electricity	6 116	5 393	23 313	21 046
Materials	5 430	4 298	20 394	15 275
Computers and communications	2 980	2 981	11 449	11 467
Travelling expenses	589	366	3 341	1 955
Training expenses	815	687	2 931	3 415
Insurance expenses	188	130	744	520
Other operating expenses	2 108	232	9 258	6 168
Total	71 914	52 132	242 808	193 087

Note 18 Personnel expenses

	4th quarter 2004	4th quarter 2003	Year 2004	Year 2003
Salary expenses	38 188	31 603	132 942	110 658
Social tax	12 901	10 697	44 858	37 391
Total	51 089	42 300	177 800	148 049

	4th quarter 2004	4th quarter 2003	Year 2004	Year 2003
Average monthly salary expenses per employee (kroons)	8 436	7 879	7 667	7 148
Average number of employees in the reporting period	1 509	1 337	1 445	1 290

Note 19 Interest expenses

	4th quarter 2004	4th quarter 2003	Year 2004	Year 2003
Bank loans	-778	-992	-3 425	-5 046
Finance lease	-606	-666	-2 516	-2 749
Bonds	-523	-833	-1 798	-3 366
Other interest expenses	0	0	-42	- 97
Overdrafts	-182	0	-1 080	0
Interest income	687	396	1 475	1 335
Total interest income and expenses	- 1 402	-2 095	-7 386	- 9 923

Note 20 Operating profit

Operating profit includes following write-down of inventories:

	4th quarter 2004	4th quarter 2003	Year 2004	Year 2003
Write-down and write-off of inventories	5 790	5 198	15 179	14 077
Shortage of stock count	6 128	4 392	13 244	9 778
Total	11 918	9 590	28 423	23 855

Note 21 Transactions with related parties

During twelve month of 2004 AS Tallinna Kaubamaja has purchased and sold its goods and rendered services from subsidiaries as following:

	Purchases 2004	Sales 2004	Purchases 4 th quarter 2004	Sales 4 th quarter 2004
AS A Selver	1 607	9 011	6 255	33 521
AS Tartu Kaubamaja	596	4 669	2 144	13 110
AS Tallinna Kaubamaja Kinnisvara	7 143	1 404	30 765	5 108
Total	9 346	15 084	39 164	51 739

Balances with related parties:

	31.12.2004	31.12.2003
Current receivables		
AS A-Selver(1)	1 316	4 070
AS Tartu Kaubamaja(1)	961	391
AS Tallinna Kaubamaja Kinnisvara(1)	72	76
AS NG Investeeringud(3)	21	3
AS Balbiino(2)	111	0
AS Liviko(2)	180	0
Total current receivables	2 661	4 540
Non-current receivable Rävala Parkla	12 328	12 028
Current liabilities		
AS A-Selver(1)	267	2 022
AS Tartu Kaubamaja(1)	229	161
AS Liviko(2)	4 773	330
AS Balbiino(2)	2 926	204
AS Kitman(2)	0	2
AS Rocca al Mare Kaubanduskeskus(2)	30	0
Total current liabilities	8 225	2 719

(1) Subsidiary

(2) Related through joint owner

(3) Parent company

Tartu Kaubamaja AS, AS A-Selver and Tallinna Kaubamaja Kinnisvara AS have become the members of a joint bank account of Tallinna Kaubamaja AS. This group of companies have subsequently as a subgroup joined the joint bank account of AS NG Investeeringud (hereafter the main group), which also includes the following companies as members: AS Balbiino, AS Liviko, Liviko Kaubanduse AS, AS Kitman, AS NG Kapital, AS Ühendatud Kapital and Rocca al Mare Kaubanduskeskuse AS. Starting from the autumn of 2001 Tallinna Kaubamaja Group's available cash resources have been placed at the custody of the main group at a maximum level of 10 million kroons, earning yearly interest of 6,95%. As of 31 December 2004 Tallinna Kaubamaja Group had no receivables or payables to the main group at the balance sheet. 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.