

AS TALLINNA KAUBAMAJA
Annual Report for the year 2000

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BACKGROUND TO THE COMPANY AND CONTACT DATA

Main operations of AS Tallinna Kaubamaja Group are retail and wholesale. At the end of 2000 Tallinna Kaubamaja Group employed in excess of 1400 employees.

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<i>Lawyer</i>	<i>Helde Truusa</i>
<i>Subsidiaries and associated companies</i>	
<i>AS A-Selver</i>	<i>Share capital: 22,0 MEEK</i> <i>Ownership: 100%</i>
<i>Tartu Kaubamaja AS</i>	<i>Share capital: 8,3 MEEK</i> <i>Ownership: 73,96%</i>
<i>Tallinna Kaubamaja Suomi OY</i>	<i>Share capital: 0,9 MFIM</i> <i>Ownership: 100%</i>
<i>Tallinna Kaubamaja Kinnisvara AS</i>	<i>Share capital: 0,4 MEEK</i> <i>Ownership: 100%</i>
<i>AS Rävåla Parkla</i>	<i>Share capital: 10,0 MEEK</i> <i>Ownership: 50,0%</i>

Signatures of the Management Board and Supervisory Board to the 2000 Annual Report

2000 Annual Report of AS Tallinna Kaubamaja, approved by the General Meeting of Shareholders on 12 April 2001, signed on

Toomas Tamsar

Chairman of the Management Board

Jüri Kào

Chairman of the Supervisory Board

Urmo Vallner

Member of the Management Board

Andres Järving

Member of the Supervisory Board

Ants Vasar

Member of the Management Board

Meelis Milder

Member of the Supervisory Board

Enn Kunila

Member of the Supervisory Board

Toomas Luman

Member of the Supervisory Board

Indrek Vanaselja

Member of the Supervisory Board

MANAGEMENT REPORT

Tallinna Kaubamaja AS's consolidated net sales in 2000 were 1,19 billion kroons. The parent company's net sales were 590,6 million kroons. The audited net profit of the Group was 60,4 million kroons.

As at 31 December 2000 the total assets of Tallinna Kaubamaja Group were 686,1 million kroons, increasing by 308,9 million kroons during the year. Out of the total increase in total assets the effect of fixed asset revaluation amounted to 169,7 million kroons. Current liabilities increased by 72,4 million kroons and noncurrent liabilities by 11 million kroons. Owners' equity increased by 223,3 million kroons, up to 377,4 million kroons.

In 2000 Kaubamaja Group invested 90,7 million kroons in tangible fixed assets.

On 3 February Tallinna Kaubamaja AS organised an issue of short-term commercial papers. The volume of the issue was 20 million kroons, the weighted average duration 270 days, annual interest rate 5,85%. The issue was repurchased during the current financial year according to the schedule. The intermediary for the issue was Hansabank Markets.

On 9 February Mr Peeter Tohver, the Chairman of the Management Board of Tallinna Kaubamaja AS submitted a resignation application in connection with an agreement to accept the position of the Chairman of the Management Board of AS ESS. The Supervisory Board elected Mr Toomas Tamsar to be the new Chairman of the Management Board and he started his work on 4 March. Mr Toomas Tamsar has previously held the positions of the General Director of Estonian Chamber of Commerce and Trade, Chairman of the Management Board of Norma Grupp AS and AS NG Investeeringud.

On 28 February the ID [ide:] floor (Youth world) was opened in Tallinna Kaubamaja, Gonsiori 2, the main attraction of which is the Internet café. This required the expansion of the sales space by 1100 m² on the account of storage space. Simultaneously also the department store's youth card (ID [ide:] card) program was launched. Approx. 5000 youth cards have been issued by today.

The General Meeting held on 20 April elected the new Supervisory Board for the company, consisting of Mr Jüri Käo, Mr Andres Järving, Mr Enn Kunila, Mr Indrek Vanaselja, Mr Toomas Luman and Mr Meelis Milder.

The meeting of the Supervisory Board held on 26 April elected Mr Jüri Käo to be the new Chairman of the Supervisory Board.

On 23 May Pirita Selver was opened for visitors. Selver operates 1300m² of sales space that belongs to Tallinna Kaubamaja Kinnisvara AS. During the first months of operation Pirita Selver's sales were adversely affected by a series of bomb threats. Thanks to the operative co-operation with the police forces the persons who made the threats have been detained by now.

In the 2nd quarter a change took place in the principles of accounting and preparing of the financial statements of Tallinna Kaubamaja AS. Based on that change the company began to record the land and buildings belonging to the Group in market value at the balance sheet. The requirements of IAS 16 §35 have been followed in the revaluation.

On 7 July Tallinna Kaubamaja AS issued discount bonds for 14,3 million kroons. Return on the bonds is 7,18% and redemption date is 7 December 2001. The issue was organised by Hansabank Markets.

On 21 August A-Selver AS concluded a rent agreement with Sermo Kaubandus regarding the establishment of the new Selver at Tammsaare street 60-64. The store will be opened in May 2001.

On 27 September Järve Selver and the store of sports and casual goods Hype were opened. Hype is the Group's third strategic product next to Kaubamaja and Selver. The stores operate on rented premises that belong to AS Silikaat.

On 6 November Tallinna Kaubamaja AS issued discount bonds for 22,7 million kroons. Return on the bonds is 6,9 % and redemption date is 7 December 2001. The issue was organised by Hansabank Markets.

On 22 December Tallinna Kaubamaja AS signed the rent agreement with Emajõe Ärikeskus regarding the establishment of the trade centre to Tartu City centre. In the new trade centre the sales space is 7600m², majority of that will be operated by A-Selver AS. It is planned to open the store in Tartu in November 2001.

On 22 December Tartu City Government organised an auction for the sale of the real estates in Tartu, at Vanemuise 2 and Riia 1. By the current moment Tallinna Kaubamaja Kinnisvara AS has purchased both the real estates for the

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establishment of a new department store in Tartu. The projected time of completion of the department store is autumn 2002.

As at the end of the year the department store had over 41 thousand loyal customers.

The average number of employees in the Group was 1 135 employees and the salary expense was 86,7 million kroons, of which 0,6 million kroons were the fees paid to Tallinna Kaubamaja's Supervisory Board and 2,4 million kroons were the Management Board's fees. The average number of employees in the Group in the financial year was 602 and the salary expense was 52,5 million kroons.

The highest price of Tallinna Kaubamaja AS's share on Tallinn Stock Exchange in 2000 was 60 kroons and the lowest 34,10 kroons. The closing price of Kaubamaja's share on the year's last trading day was 55 kroons, having increased 72,4% during the year. That accounted for the market value of Tallinna Kaubamaja to be 373,4 million kroons at the turn of the year.

As the year 2000 was first of all the year of developing of Selver, the chain of super- and hypermarkets, the year 2001 will be characterised by the development of Kaubamaja in Tartu besides the development of Selver. Two stores belonging to the Selver chain will be opened in Tartu in 2001. In May Tondi Selver will be opened, selling food and convenience goods on 1500m². Emajõe Selver will be opened in Tartu in November, having 4600 m² of sales space where also durable goods will be represented besides food and convenience goods. Also Hype will be opened next to the Selver trademark. In both Selvers also the Drive In service will be present. The customer who lacks time can order the goods via Internet and pick them up quickly on his way home. Both Selvers will be operating on rented premises. In 2001 also the preliminary work for the construction of the new department store in Tartu will commence. The first priority is to conduct archaeological excavations on the purchased real estates and complete the design process of the new Kaubamaja building.

It is intended to continue sponsorship activities by supporting the Tallinn Zoo and Eesti Nukuteater who are long-term co-operation partners. Kaubamaja is the main sponsor of Nukuteater since 1995.

FINANCIAL STATEMENTS
Management Board's Confirmation of the Financial Statements

The Management Board confirms the completeness and correctness of AS's Tallinna Kaubamaja financial statements and Tallinna Kaubamaja Group's consolidated financial statements for the year 2000 set out on pages 8-28:

Toomas Tamsar

Chairman of the Management Board

Urmo Vallner

Member of the Management Board

Ants Vasar

Member of the Management Board

Tallinn, 28 February 2001

In thousand kroons

BALANCE SHEET	Note No.	31 Dec 2000		31 Dec 1999	
		Group	Parent company	Group	Parent company
ASSETS					
<u>Current assets</u>					
Cash and bank	1	29 701	19 251	27 310	7 250
Customer receivables	2	7 132	3 341	2 386	909
Other receivables	3	28 239	34 293	3 575	30 317
Accrued income	4	172	172	9	9
Prepaid expenses	5	4 539	3 074	2 945	609
Inventories	6	175 661	89 578	113 382	67 897
Total current assets		245 444	149 709	149 606	106 991
<u>Noncurrent assets</u>					
Long-term financial assets					
Shares of subsidiaries	7	0	313 976	0	107 701
Shares of associated companies	8	2 742	2 742	1 965	1 965
Long-term receivables from associated companies	9	12 028	12 028	12 693	12 693
Other long-term receivables	9	993	0	3 286	1 210
Other shares and securities	10	0	0	4 681	4 681
Total long-term financial assets		15 763	328 746	22 625	128 250
Tangible fixed assets					
Land and buildings		339 205	0	176 497	0
Plant and equipment		65 197	18 439	46 040	16 932
Other equipment and fixtures		129 957	78 454	89 371	67 218
Accumulated depreciation		-110 327	-68 877	-109 685	-53 148
Construction in progress		0	0	2 217	0
Prepayments for fixed assets		584	0	103	57
Total tangible fixed assets	11	424 615	28 016	204 543	31 059
Intangible assets	12	302	0	442	0
Total noncurrent assets		440 680	356 762	227 610	159 309
TOTAL ASSETS		686 124	506 471	377 216	266 300
LIABILITIES AND OWNERS' EQUITY					
Short-term loans and notes payable	13,14	86 523	51 617	31 773	4 028
Customer advances for goods and services		1 196	670	195	37
Accounts payable		90 198	37 128	72 817	38 531
Other payables	15	28 515	21 736	29 255	47 634
Total current liabilities		206 433	111 152	134 039	90 230
<u>Noncurrent liabilities</u>					
Long-term liabilities	13	93 930	17 895	82 891	21 964
Total noncurrent liabilities		93 930	17 895	82 891	21 964
Total liabilities		300 362	129 046	216 930	112 194
Minority share	7	8 337	0	6 206	0
Owners' equity					
Share capital	16	67 882	67 882	67 882	67 882
Statutory legal reserve		8 321	6 704	5 443	4 989
Other reserves		565	565	565	565
Revaluation reserve	11	169 719	169 719	0	0
Retained earnings		70 549	72 166	45 910	46 364
Net profit for the financial year		60 389	60 389	34 305	34 305
Currency translation difference		0	0	-25	0
Total owners' equity		377 425	377 425	154 080	154 105
TOTAL LIABILITIES AND OWNERS' EQUITY		686 124	506 471	377 216	266 300

Accounting principles set out on pages 13-15 and notes to the financial statements set out on pages 16-28 form an integral part of these consolidated financial statements.

In thousand kroons

INCOME STATEMENT	Note No.	2000		1999	
		Group	Parent company	Group	Parent company
Revenue					
Net sales	17	1 189 770	590 558	996 079	575 438
Other revenue	18	10 077	37 767	7 019	17 751
Total revenue		1 199 847	628 325	1 003 098	593 189
Expenses					
Materials, consumables and supplies		-859 392	-416 593	-733 190	-414 528
Other operating expenses	19	-109 266	-94 951	-88 882	-78 403
Personnel expenses	20	-115 408	-69 950	-90 706	-58 480
Depreciation, amortisation and value adjustments	11	-39 599	-18 320	-37 978	-22 386
Amortisation of goodwill	12	-140	0	-140	0
Other expenses		-2 109	-1 093	-2 186	-1 163
Total expenses		-1 125 912	-600 907	-953 082	-574 962
Operating profit		73 935	27 418	50 016	18 227
Financial income					
Income from subsidiaries	7	0	35 699	0	24 106
Interest income		1 086	2 088	769	1 079
Other financial income	10	1 459	1 459	3 014	3 014
Total financial income		2 545	39 246	3 783	28 199
Financial expenses					
Interest expense	21	-13 004	-5 076	-16 084	-10 400
Financial expenses related to subsidiaries	7	0	-264	0	-179
Financial expenses related to associated companies	8	-723	-723	-1 397	-1 397
Other financial expenses		-234	-213	-165	-101
Total financial expenses		-13 960	-6 274	-17 645	-12 077
Profit before taxes		62 520	60 389	36 154	34 349
Corporate income tax		0	0	-12 297	-10 838
Deferred tax		0	0	11 358	10 794
Profit before minority interest		62 520	60 389	35 214	34 305
Minority interest	7	-2 131	0	-910	0
NET PROFIT FOR THE FINANCIAL YEAR		60 389	60 389	34 305	34 305

Basic earnings per share (in kroons)	28	8,90	5,05
Diluted earnings per share (in kroons)	28	8,90	5,05

CASH FLOW STATEMENT

		2000		1999	
	Note No.	Group	Parent company	Group	Parent company
CASH FLOW FROM OPERATING ACTIVITIES					
Net profit		60 389	60 389	34 305	34 305
Profit of the minority interest		2 131	0	910	0
Interest expense		13 004	5 076	16 084	10 400
Interest income		-1 086	-2 088	-769	-1079
Depreciation and value adjustment to noncurrent assets	11	39 739	18 320	38 118	22 386
Profit (loss) from sales and write-down of noncurrent assets		-271	-202	1 148	449
Equity method adjustment	7,8	723	-34 712	1 397	-22 530
Sales of long-term financial assets	3	-1 459	-1 459	-3 014	-3 014
Income tax paid		-3 307	-2 642	-10 081	-8 196
Change in receivables and inventories related to operating activities		-67 962	-8 649	1 475	-20 207
Change in liabilities related to operating activities		21 243	-24 772	10 872	29 676
TOTAL CASH FLOW FROM OPERATING ACTIVITIES:		63 144	9 260	90 444	42 190
CASH FLOW FROM INVESTING ACTIVITIES					
Purchase of shares	23	0	0	0	-15 500
Disposal of short-term financial assets	3	2 536	2 536	0	0
Loans granted to associated companies	9	-835	-835	0	0
Other loans granted	9	-17 090	-17 090	-3 993	-3 993
Purchases and improvements of noncurrent assets (excl. finance lease)	11	-90 739	-15 825	-14 903	-2 248
Interest received		923	1 925	778	1070
Disposals of tangible fixed assets	11	1 032	310	806	258
TOTAL CASH FLOW FROM INVESTING ACTIVITIES:		-104 173	-28 979	-17 312	-20 412
CASH FLOW FROM FINANCING ACTIVITIES					
Loans received	24	167 230	119 500	28 000	28 000
Loan repayment	25	-99 120	-75 132	-64 677	-39 343
Repayments of finance lease liability	14	-4 584	-389	-6 400	-541
Dividends paid	16	-6 788	-6 788	-10 182	-10 182
Interest paid	26	-13 318	-5 471	-15 300	-10 301
TOTAL CASH FLOW FROM FINANCING ACTIVITIES:		43 420	31 720	-68 559	-32 357
TOTAL CASH FLOW		2 391	12 001	4 573	-10 589
Cash and cash equivalents at the beginning of period	1	27 310	7 250	22 737	17 839
Cash and cash equivalents at the end of period	1	29 701	19 251	27 310	7 250
Change in cash and cash equivalents		2 391	12 001	4 573	-10 589

STATEMENT OF CHANGES IN EQUITY

In thousand kroons

Group	Share capital	Revaluation reserve	Reserves	Retained earnings	Profit for the financial year	Currency translation differences	Total
31/12/98	67 882	0	5 456	48 465	8 180	-29	129 954
1998 net profit	0	0	0	8 180	-8 180	0	0
Appropriation of 1998 net profit	0	0	552	-552	0	0	0
Dividends	0	0	0	-10 182	0	0	-10,182
1999 net profit	0	0	0	0	34 305	4	34 309
31/12/99	67 882	0	6 008	45 910	34 305	-25	154 080
1999 net profit	0	0	0	34 305	-34 305	0	0
Appropriation of 1999 net profit	0	0	2 878	-2 878	0	0	0
Dividends	0	0	0	-6 788	0	0	-6 788
Revaluation reserve of fixed assets	0	169 719	0	0	0	0	169 719
Adjustment	0	0	0	0	0	25	25
Profit for the financial year	0	0	0	0	60 389	0	60 389
31/12/00	67 882	169 719	8 886	70 549	60 389	0	377 425

Parent company

	Share capital	Revaluation reserve	Reserves	Retained earnings	Profit for the financial year	Currency translation differences	Total
31/12/98	67 882	0	5 145	48 776	8 180	0	129 983
1998 net profit	0	0	0	8 180	-8 180	0	0
Appropriation of 1998 net profit	0	0	409	-409	0	0	0
Dividends	0	0	0	-10 182	0	0	-10 182
1999 net profit	0	0	0	0	34 305	0	34 305
31/12/99	67 882	0	5 554	46 364	34 305	0	154 105
1999 net profit	0	0	0	34 305	-34 305	0	0
Appropriation of 1999 net profit	0	0	1 715	-1 715	0	0	0
Dividends	0	0	0	-6 788	0	0	-6 788
Revaluation reserve of fixed assets	0	169 719	0	0	0	0	169 719
Profit for the financial year	0	0	0	0	60 389	0	60 389
31/12/00	67 882	169 719	7 269	72 166	60 389	0	377 425

More detailed information on share capital is provided in Note 16.

Accounting methods and principles used in preparing the financial statements

Accounting principles

AS Tallinna Kaubamaja (hereinafter Tallinna Kaubamaja) is a company registered in the Republic of Estonia on 18 October 1994. The shares of AS Tallinna Kaubamaja are quoted on Tallinn Stock Exchange.

The company's consolidated financial statements for the financial year ended 31 December 2000 include the parent company and its subsidiaries (hereinafter the Group) and the Group's holding in an associated company.

The Group's consolidated financial statements and Tallinna Kaubamaja's financial statements are prepared in accordance with International Accounting Standards (IAS).

In preparing the financial statements the requirements of IAS have been followed that are valid for the financial year started on 1 January 2000. Standards valid for the financial years with later beginning date have not been applied.

Preparation principles

The financial statements are prepared in Estonian kroons rounded to the closest thousand. Figures in the financial statements are provided under the historical cost convention, except for the group "Land and buildings" under tangible fixed assets that is recorded in market value since 2000.

Consolidation

Subsidiaries are companies controlled by the parent company. Control exists when the parent company directly or indirectly has the influence to determine the financial and operating principles and receive profit from the investment object's operations. Existence of control is assumed if the parent company directly or indirectly has over 50% shareholding. The subsidiary's operations are recorded in the financial statements from the date on which effective control is transferred to the Group and are no longer consolidated from the date of disposal.

The financial statements of the parent company and subsidiaries have been consolidated line by line in the Group's financial statements. In the Group's financial statements the receivables, liabilities, income, expenses and unrealised profits from the transactions between the parent company and subsidiaries are eliminated.

In the financial statements of Tallinna Kaubamaja investments in subsidiaries are accounted for by the equity method of accounting.

Associated companies

Associated companies are undertakings over which the Group directly or indirectly exercises significant influence but which it does not control. Significant influence exists at 20-50% shareholding in the associated company. The share of Tallinna Kaubamaja and the Group in the associated company's profits and losses is recorded from the date on which the significant influence is transferred to the Group and are no longer recorded from the date of disposal. In the financial statements of Tallinna Kaubamaja and the Group investments in associated companies are accounted for by the equity method accounting.

Cash and cash equivalents

Cash in hand, bank account balances (excl. overdraft), term deposits up to 3-month and securities that can be sold immediately are recorded as cash and cash equivalents in the cash flow statement.

Customer receivables

Accounts receivable are included in the balance sheet according to the probability of the receipt of the receivables assessed on an individual basis, considering the information available regarding the client's solvency. Doubtful receivables have been written down in the balance sheet to the amount that will probably be received and uncollectible receivables have been written off from the balance sheet

Inventories

Inventories of goods are recorded at acquisition cost consisting of the purchase price, transportation costs and other costs directly related to acquisition. Inventories are accounted for by using the FIFO method.

Inventories are recorded in the balance sheet at the lower of acquisition cost or net realisable value. Write-down is recorded in the income statement among the cost of goods sold.

Unrealised amounts of food in the canteen and unused accessories that have not been purchased with the intention to resell are recorded as raw materials and work in progress.

Amounts that are paid to suppliers to purchase inventories of goods but for which the goods have not been received by the balance sheet date are recorded as prepayments.

Other long-term investments into shares and securities

Investments where the parent company does not have control or significant influence, where the control or significant influence is terminated or temporary are considered to be other long-term investments. Other financial assets have been divided into short-term and long-term assets based on whether the presumed possession of the investment will last for one year or longer starting from the balance sheet date. Such investments are recorded at the lower of acquisition cost or presumable net realisable value. Dividends and interest received are recorded in the income statements as financial income.

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Fixed assets

Assets with a useful life of over 1 year and an cost of over 10,000 kroons are considered to be fixed assets. Assets with a useful life of over 1 year but acquisition cost less than 10,000 kroons are expensed immediately. Low-value items that have been expensed are accounted for off-balance sheet.

Fixed assets are recorded in the balance sheet at residual value, indicating the acquisition cost and accumulated depreciation separately. Besides the purchase price the acquisition cost of purchased assets includes transportation and installation expenses and other expenses related to acquisition and taking of the asset into use.

Depreciation is calculated based on the straight-line method. The depreciation rates are determined for each fixed asset item individually depending on its useful life.

The annual depreciation rates for the groups of fixed assets are as follows:

- Buildings and facilities 3-8 %
- Plant and equipment 20%
- Computer hardware and software 35 %
- Transport vehicles and fixtures 25 %

Land is not depreciated.

Since 2000 the tangible fixed asset group "Land and buildings" is recorded by using the revaluation method. The evaluation is performed by independent real estate agents. The increase in the carrying amount arising on revaluation is credited to revaluation reserve and the decreases that offset previous increases of the same asset are charged against the revaluation reserve; all other decreases are charged to the income statement. During the revaluation the earlier accumulated depreciation is eliminated and the revalued carrying amount of the asset is considered a new acquisition cost.

Intangible assets

The straight-line method is used for calculating the depreciation of intangible assets. Annual depreciation rates for intangible assets are the following:

Goodwill 20%

Organisation costs are not capitalised.

In general the research and development costs are expensed. The exception here are the development costs that are identifiable and that are probably involved in generating profit in the future periods.

Amortisation of the positive goodwill from the merger of the companies is recorded as a separate line in the income statement.

Finance and operating lease

The leases of assets where the Group assumes substantially all the benefits and risks of ownership have been classified as finance leases. Other lease agreements have been recorded as operating leases. Noncurrent assets leased in terms of finance lease are depreciated according to the depreciation principles mentioned above, therefore the assumed useful life of the assets is considered to be the depreciation period. Interest expense from the lease agreement is recorded in the income statement as financial expense.

Operating lease repayments are recorded in the income statement as expenses over the lease period in equal portions.

Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made, but the date of final cost or payment is not clearly fixed. The management's estimates, experience and, if necessary, the evaluations of independent experts are taken as the basis for evaluating the provisions.

Promises, guarantees and other commitments that in certain circumstances may become liabilities are disclosed in the Notes to the financial statements as contingent liabilities

Corporate income tax

According to the Income Tax Law that took effect on 1 January 2000 dividends paid by the company to resident natural persons and non-residents are subject to income tax (26/74 of net dividend paid). Thus all temporary differences between the tax bases and carrying values of assets and liabilities ceased to exist.

The company's potential tax liability related to the distribution of its retained earnings as dividends is not recorded in the balance sheet. The amount of potential tax liability related to the distribution of dividends depends on whether and when the company pays out the dividends, and in which proportion the shares are owned by resident entities, resident natural persons and non-residents.

Since 1 January 2001 income tax from the payment of dividends is generally recorded in the income statement as expense at the moment of paying out the dividends.

Foreign currency transactions

Foreign currency transactions are recorded based on the foreign currency exchange rates of the Bank of Estonia effective on the transaction date. Assets and liabilities denominated in foreign currency as at the balance sheet date have been translated into Estonian kroons based on the foreign currency exchange rates of the Bank of Estonia effective on the balance sheet date. Profits and losses from foreign currency transactions are recorded in the income statement as income or expenses of the period.

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Revenue recognition

Revenue from the sales of goods is recognised upon selling the goods and revenue from the sales of services is recorded upon rendering of the service. Net sales include the cost of goods and services sold within the financial year less VAT, discounts and returned goods.

Fines receivable are recorded based on cash principle. Dividend income is recorded when the shareholder's right to receive payment is established.

Main and secondary activities

In preparing the financial statements the Group's main activities are considered to be retail, wholesale and catering. All other activities are regarded as secondary activities, the results of which are recorded either as other revenue or expenses, or financial income and financial expenses. Retail sales are over 95% of total sales and all sales revenue is earned in Estonia, therefore the reporting by segments is not presented in the Notes to the financial statements.

Loan and interest expenses

Expenses related to the receipt of loan are recorded as expenses at the moment of receiving the loan. Interest expenses are recorded in the income statement as expenses of the period when they occurred. Loan and interest expenses are not capitalised in the acquisition cost of tangible fixed assets.

Basic earnings per share

Basic earnings per share are calculated by dividing the net profit for the financial year by the average number of shares issued in the period. As the company does not have potential common shares the diluted earnings per share are equal to the basic earnings per share.

Subsequent events

Material matters that have an effect on the evaluation of assets and liabilities and that became evident between the balance sheet date and the date of preparing the financial statements, but are related to transactions that took place in the reporting period or earlier periods, are recorded in the financial statements.

Subsequent events that have not been taken into consideration when evaluating the assets and liabilities but have material effect on the result of the next financial year are disclosed in the Notes to the financial statements

Statutory legal reserve

The Commercial Code of the Republic of Estonia requires that stock companies form the statutory legal reserve with the minimum size of 1/10 of the share capital. The annual mandatory allocation (until the fulfilment of the reserve) is 1/20 of the company's confirmed net profit for the financial year.

Revaluation reserve and other reserves

Revaluation reserve and other reserves are part of the restricted equity and are not divided between the shareholders.

Notes to the financial statements

In thousand kroons

Note 1 Cash and bank

	31 December 2000		31 December 1999	
	Group	Parent company	Group	Parent company
Cash in hand	1 640	123	980	393
Bank accounts	10 581	5 404	20 421	4 151
Cash in transit	5 480	1 724	5 909	2 706
Short-time deposits in banks (1)	12 000	12 000	0	0
Total cash and banks	29 701	19 251	27 310	7 250

(1) Interest rate of short-term deposit is 3,5%, repayment term 4 January 2001.

Note 2 Customer receivables

	31 December 2000		31 December 1999	
	Group	Parent company	Group	Parent company
Customer receivables	7 348	3 341	2 602	909
Allowance for doubtful receivables	-216	0	-216	0
Total customer receivables	7 132	3 341	2 386	909

Note 3 Other receivables

	31 December 2000		31 December 1999	
	Group	Parent company	Group	Parent company
Receivables from subsidiaries and parent company (1)	0	1 080	0	28 310
Option-related receivables (2)	5 611	5 611	2 007	2 007
Deposit in Group joint account	0	6 301	0	0
Supplier's bonuses	2 974	2 974	1 568	0
Receivable from AS Silikaat (See Note 9)	18 300	18 300	0	0
Other receivables	1 354	27	0	0
Total other receivables	28 239	34 293	3 575	30 317

(1) See Note 25 Transactions with related parties

(2) The Group has granted a loan with share option as collateral (specifics in Note 10).

Note 4 Accrued income

Interest receivable of 172 thousand (1999: 9 thousand) kroons as at the balance sheet date is recorded as accrued expenses.

Note 5 Prepaid expenses

	31 December 2000		31 December 1999	
	Group	Parent company	Group	Parent company
Future period interest (1)	2 284	2 284	0	0
Lease prepayments (2)	1 083	0	1 387	135
Other prepaid expenses	438	163	418	185
Prepaid membership fees	334	334	0	0
Insurance prepayments	63	21	398	279
Prepayments for electricity	54	54	0	0
Corporate income tax receivable	0	0	742	10
VAT receivable	218	218	0	0
Income tax receivable of fringe benefits	65	0	0	0
Total	4 539	3 074	2 945	609

(1) Tallinna Kaubamaja AS has two bond issues with redemption date on 7 December 2001. Interest on bonds is expensed periodically over the year 2001 in total amount of 2 284 thousand kroons.

(2) The lease prepayment of 1 083 thousand kroons by Kadaka Selver for 2001 is recorded as lease prepayments.

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Note 6 Inventories

	31 December 2000		31 December 1999	
	Group	Parent company	Group	Parent company
Merchandise for resale	169 670	85 526	109 025	64 456
Raw material	2 511	1 780	1 846	1 516
Work in progress	12	12	12	12
Prepayments to suppliers	3 468	2 260	2 499	1 913
Total inventories	175 661	89 578	113 382	67 897

As at 31 December 2000 the balance of inventories is divided between the group companies as follows:

	Tallinna Kaubamaja AS	Tartu Kaubamaja AS	A-Selver AS Total	Total
Merchandise for resale	85 526	27 290	56 854	169 670
Raw material	1 780	182	549	2 511
Work in progress	12	0	0	12
Prepayments to suppliers	2 260	139	1 069	3 468
Total inventories	89 578	27 611	58 472	175 661

As at 31 December 1999 the balance of inventories is divided between the group companies as follows:

	Tallinna Kaubamaja AS	Tartu Kaubamaja AS	A-Selver AS Total	Total
Merchandise for resale	64 456	22 965	21 604	109 025
Raw material	1 516	124	205	1 846
Work in progress	12	0	0	12
Prepayments to suppliers	1 913	190	397	2 499
Total inventories	67 897	23 279	22 206	113 382

Year 2000	Tallinna Kaubamaja	Tartu Kaubamaja	A-Selver	Total
Write-down of inventories	2 373	722	1 434	4 529
Write-off of inventories	421	210	621	1 252
Stock count deficit	3 080	988	3 864	7 932
Total	5 874	1 920	5 919	13 713

Year 1999	Tallinna Kaubamaja	Tartu Kaubamaja	A-Selver	Total
Write-down of inventories	6 163	1 399	1 231	8 973
Write-off of inventories	441	1 076	1 058	2 575
Stock count deficit	3 230	682	2 058	5 970
Total	9 834	3 157	4 347	17 338

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Note 7 Shares of subsidiaries

Subsidiaries belonging to Tallinna Kaubamaja Group:

Subsidiary	Location	Operations	Shareholding percentage
AS A-Selver	Tallinn Pärnu mnt.238	Retail sale	100%
Tartu Kaubamaja AS	Tartu Riia tn.2	Retail sale	73,96%
Tallinna Kaubamaja Suomi OY	Helsinki Kaisaniemenkatu 3	Retail sale	100%
Tallinna Kaubamaja Kinnisvara AS	Tallinn Gonsiori tn.2	Real estate management	100%

	AS Tartu Kaubamaja	AS A-Selver	AS Tallinna Kaubamaja Kinnisvara	Tallinna Kaubamaja Suomi OY
Number of shares 31 Dec 1999	613 433	22 000	40 000	900
Shares acquired and disposed in the reporting year (pcs)	0	0	0	0
Number of shares 31 Dec 2000	613 433	22 000	40 000	900
Percentage shareholding 31 Dec 2000 / (31 Dec 1999)	73,96 / (73,96)	100/ (100)	100 / (100)	100 / (100)

	AS Tartu Kaubamaja	AS A-Selver	AS Tallinna Kaubamaja Kinnisvara	Tallinna Kaubamaja Suomi OY	Total
Acquisition cost at the beginning of year	9 849	22 000	46 285	2 420	80 554
Market value 31 December 1999			Not quoted on stock exchange		
Book value 31 December 1999	18 069	25 644	63 988	0	107 701
Adjustments to book value	0	0	169 719	1 120	170 839
Profit from equity method in the financial year	6 052	6 427	23 220	0	35 699
Amortisation of goodwill	-140	0	0	0	-140
Loss from equity method in the financial year	0	0	0	-124	-124
Book value 31 December 2000	23 981	32 071	256 927	996	313 976
Market value 31 December 2000			Not quoted on stock exchange		
Acquisition cost at the end of year	9 849	22 000	46 285	2 420	81 550

Owners' equity of subsidiaries as at 31 December 2000

	AS Tartu Kaubamaja	AS A-Selver	AS Tallinna Kaubamaja Kinnisvara	Tallinna Kaubamaja Suomi OY
Share capital	8 294	22 000	400	2 368
Paid-in capital	2 042	0	205 969	0
Subordinated loan	0	0	0	21 614
Statutory legal reserve	829	303	732	0
Revaluation reserve of noncurrent assets	0	0	12 701	0
Retained earnings	12 668	3 341	13 905	-22 862
Profit (loss) for the financial year	8 182	6 427	19 133	-124
Total owners' equity	32 016	32 071	252 840	996
Tallinna Kaubamaja interest in owners' equity	23 679	32 071	252 840	996
Minority interest in owners' equity	8 337	0	0	0

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Note 8 Shares of associated companies

Associated company	Location	Operations	Shareholding percentage
AS Rävåla Parkla	Narva mnt. 63	Parking service	50%

AS Rävåla Parkla

Number of shares at the beginning of year	500
Number of shares at the end of year	500
Percentage shareholding at the end / (beginning) of year	50 / (50)
Acquisition cost at the beginning of year	5 000

Book value at the beginning of year	1 965
Shares at acquisition cost acquired in the reporting year	1 500
Loss from equity method in the financial year	-723
Book value at the end of year	2 742

Acquisition cost at the end of year	6 500
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The shares of associated companies are not quoted on the stock exchange.
The shareholding percentage has not changed after the acquisition of shares.

Owners' equity of associated companies as at 31 December 2000

AS Rävåla Parkla

Share capital	10 000
Paid-in capital	3 000
Retained loss from previous periods	- 6 070
Loss for the financial year	- 1 445
Total owners' equity	5 485
Tallinna Kaubamaja interest in owner's equity	2 742

Note 9 Miscellaneous long-term receivables

Group

31 Dec 2000

	Receivable	incl. long-term part	Interest rate	Repayment due date
Associated company AS Rävåla Parkla	12 028	12 028	8%	Year 2010
AS Silikaat (1)	18 300	0	11,202%	20 Sept 2009
Lease prepayment to AS Pintaro	993	993	No interest	30 Nov 2002
Total long-term receivables	31 321	13 021		

31 Dec 1999

	Receivable	incl. long-term part	Interest rate	Repayment due date
Associated company AS Rävåla Parkla	12 693	12 693	8%	Year 2010
AS Silikaat (1)	1 210	1 210	11,202%	20 Sept 2009
Lease prepayment to AS Pintaro	2 076	2 076	No interest	30 Nov 2002
Total long-term receivables	15 979	15 979		

(1) In January 2001 AS Silikaat repaid to Tallinna Kaubamaja AS its long-term loan of 18 300 thousand kroons and therefore the mentioned receivable has been classified as a current receivable.

Parent company

31 Dec 2000

	Loan balance	incl. long-term part	Interest rate	Repayment due date
Associated company AS Rävåla Parkla	12 028	12 028	8%	Year 2010
AS Silikaat (1)	18 300	0	11,202%	20 Sept 2009
Total long-term receivables	30 328	12 028		

31.12.1999

	Loan balance	incl. long-term part	Interest rate	Repayment due date
Associated company AS Rävåla Parkla	12 693	12 693	8%	Year 2010
AS Silikaat (1)	1 210	1 210	11,202%	20 Sept 2009
Total long-term receivables	13 903	13 903		

(1) Non-monetary payment of 1 500 thousand kroons was made into the share capital of AS Rävåla Parkla by converting the receivable. During 2000 additional 835 thousand kroons of loan was granted.

Note 10 Share option

The regular General Meeting of Shareholders of Tallinna Kaubamaja AS on 25 April 1998 decided to organise a share option to the members of Kaubamaja's Management Board and management and the members of the Management Board of subsidiaries on the following terms:

- the Supervisory Board determines the list of entitled subjects of the share option and the number of shares to be sold to them;
- the length of the share option is 3 years;
- the maximum number of shares set by the share option is 203 646;
- one person is entitled to receive up to 50 000 shares;
- the price of using the share option is the weighted average acquisition cost of the shares;
- 15% of the share option is realised in the first year, 30% in the second year and 55% in the third year;
- the entitled subjects have the right to purchase the shares within two months after the annual General Meetings of 1999, 2000, 2001 have taken place;
- the shares bear dividends since the 1997 financial year.

For carrying out the share option Tallinna Kaubamaja AS organised the purchase of 203 646 shares via AS NG Kapital. The shares are administered and managed by the organiser of the share option (AS NG Kapital) until the option is realised or the unrealised part is alienated on the market. AS Tallinna Kaubamaja granted a loan of 6 688 thousand kroons for organising the share option.

Based on the decision of the regular General Meeting of Shareholders changes were made into share option agreement on 7 May 1999. The terms were specified as follows:

- the length of the share option is 2 years;
- up to 30% of the share option is realised in the first year (year 2000) and up to 70% in the second year (year 2001);
- the entitled subjects have the right to purchase the shares within two months after the annual General Meetings of 2000 and 2001 have taken place.

The option-related receivable from AS NG Kapital was 5 611 thousand kroons as at 31 December 2000 (6 688 thousand kroons as at 31 December 1999). As at 31 December 2000 the mentioned receivable is recorded as current receivable on the balance sheet line Other receivables (see Note 3). The value of the receivable is related to the price of Tallinna Kaubamaja AS's share on Tallinn Stock Exchange.

Opening balance 31 Dec 1999	6 688
Returned during the year 2000	-1 077
Final balance 31 Dec 2000	5 611

Note 11 Tangible fixed assets

Group	Land and buildings	Plant and equipment	Other equipment and fixtures	Construction in progress	Prepayments for tangible fixed assets	TOTAL
Acquisition cost 31 Dec 1999	176 497	46 040	89 371	2 217	103	314 228
Accumulated depreciation 31 Dec 1999	-33 116	-22 659	-53 910	0	0	-109 685
Residual value 31 Dec 1999	143 381	23 381	35 461	2 217	103	204 543
Additions	21 741	25 214	41 021	0	584	89 456
incl. from construction in progress and prepayments	2 217	46				
				-2 217	-103	-2 320
Sales and disposal	-10	-933	-4 509	0	0	-5 452
Depreciation of assets sold and disposed	0	679	4 012	0	0	4 691
Sales and disposal in residual value	-11	-254	-497	0	0	-761
Revaluation of noncurrent assets	175 426	-5 707	0	0	0	169 719
Discount	-315	0	0	0	0	-315
Improvements	3 891	0	0	0	0	3 891
Calculated depreciation	-5 476	-10 956	-23 307	0	0	-39 738
Residual value 31 Dec 2000	335 019	31 365	56 752	0	584	424 616
Acquisition cost 31 Dec 2000	339 205	64 301	129 957	0	584	534 943
Accumulated depreciation 31 Dec 2000	-4 186	-32 936	-73 205	0	0	-110 327

As at 31 December 2000 the book residual value of the group "Land and buildings" would have been 165 300 thousand kroons if the revaluation had not been made.

Parent company

	Plant and equipment	Other equipment and fixtures	Prepayments for tangible fixed assets	TOTAL
Acquisition cost 31 Dec 1999	16 932	67 218	57	84 207
Accumulated depreciation 31 Dec 1999	-10 653	-42 495	0	-53 148
Residual value 31 Dec 1999	6 279	24 723	57	31 059
Additions	1 630	14 252	0	15 882
incl. from construction in progress and prepayments		57	-57	-57
Sales and disposal	-123	-3 016	0	-3 139
Depreciation of assets sold and disposed	122	2 469		2 591
Sales and disposal in residual value	-1	-547	0	-548
Calculated depreciation	-3 415	-14 905	0	-18 320
Residual value 31 Dec 2000	4 492	23 524	0	28 016
Acquisition cost 31 Dec 2000	18 439	78 454	0	96 893
Accumulated depreciation 31 Dec 2000	-13 947	-54 930	0	-68 877

In 2000 the revaluation of Tallinna Kaubamaja Group's "Land and buildings" group was performed. The revaluation was based upon the assessment of an independent real estate expert. Fixed asset groups were evaluated based on their market value.

In 2000 89 456 thousand kroons were invested in fixed assets. In May Pirita Selver was opened, in which construction 21 013 thousand kroons and in equipment 6 554 thousand kroons were invested, and 5 204 thousand kroons of furnishings were purchased. In the equipment of Järve Selver that was opened in September this year 13 677 thousand kroons were invested and 16 143 thousand kroons of furnishings were purchased. In Tartu Kaubamaja the department of cultural goods was renewed by investing 1 533 thousand kroons in the furnishings of the sales hall. In the food department the freezing and heating equipment were replaced, requiring the investment of 1 400 thousand kroons. The Group's sales facilities were renovated for 3 891 thousand kroons.

This year additional investment of 10 834 thousand kroons has been made in Tallinna Kaubamaja's information system. For Kaubamaja ID [ide:] the sales hall furnishings have been purchased for 3 418 thousand kroons and equipment for 1 630 thousand kroons. Fixed assets have been disposed at acquisition cost of 1 726 thousand kroons and three passenger vehicles have been returned to Hansa Liisingu AS at acquisition cost of 1 180 thousand kroons. Proceeds from the sales of fixed assets were 202 thousand kroons. As at 31 December 2000 the residual value of noncurrent assets pledged as collateral was 278 205 thousand kroons. As at 31 December 2000 the acquisition cost of fixed assets that have been fully depreciated but are in use was 344 thousand kroons (31 Dec 1999: 12 775 thousand kroons).

Note 12 Intangible assets

Goodwill of 698 thousand kroons was created upon the purchase of the shares of Tartu Kaubamaja AS in 1998.

Goodwill	
Acquisition cost 31 Dec 1999	698
Accumulated depreciation 1 Dec 1999	(256)
Residual value 31 Dec 1999	442
Depreciation calculated in 2000	(140)
Acquisition cost 31 Dec 2000	698
Accumulated depreciation 1 Dec 2000	(396)
Residual value 31 Dec 2000	302

Note 13 Short-term loans and notes payable

Current liability	31 December 2000		31 December 1999	
	Group	Parent company	Group	Parent company
Short-term bonds	37 000	37 000	0	0
Loans	44 455	13 421	26 620	2 631
Finance lease	4 440	568	5 153	1 397
Other payables (1)	628	628	0	0
Total current liability	86 523	51 617	31 773	4 028

Noncurrent liability	31 December 2000		31 December 1999	
	Group	Parent company	Group	Parent company
Loans	93 930	17 895	78 371	21 316
Finance lease	0	0	3 871	0
Other payables (1)	0	0	648	648
Total noncurrent liability	93 930	17 895	82 891	21 964

(1) The instalment payment liability of 628 thousand kroons to the Privatisation Agency is payable on 1 March 2001 for purchasing the state property.

Short-term bonds

31 Dec 2000

	Loan balance	Payment due date	Interest rate
Tallinna Kaubamaja			
Bond issue	22 700	07.12.2001	6,90%
Bond issue	14 300	07.12.2001	7,18%
Total	37 000		

In 2000 the interest of 1 591 thousand kroons on bond issues was paid and in 1999 1 065 thousand kroons.

Loans

31 Dec 2000	Loan balance	incl. long-term part	incl. short-term part	Payment due date	Next change of the variable part of interest rate	Interest rate
Tallinna KM						
Hansapank (EUR)	10 000	0	10 000	22.01.2001	16.05.2001	2,75%+Euribor
Hansapank (EUR)	21 316	17 895	3 420	15.12.2002	01.05.2001	2,75%+Euribor
Tartu KM (DEM)	500	0	500	31.05.2001	24.04.2001	2,75%+Libor
A-Selver						
Hansapank (EUR)	33 014	26 014	7 000	30.12.2003	27.06.2001	2,75%+Euribor
Hansapank (EUR)	1 521	0	1 521	30.08.2001	01.05. 2001	2,75%+Euribor
TKM Kinnisvara (EUR)	72 035	50 021	22 014	15.01.2003	01.05.2001	2,75%+Euribor
Total	138 386	93 930	44 455			

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<u>31 Dec 1999</u>	Loan balance	incl. long-term part	incl. short-term part	Payment due date	Interest rate
Tallinna Kaubamaja	23 947	21 316	2 631	15.12.2002	4,5%+Euribor
Tartu kaubamaja	1 699	499	1 200	30.05.2001	5%+Libor
A-Selver	3 802	1 521	2 281	30.08.2001	4,5%+Euribor
TKM Kinnisvara	75 542	55 034	20 507	31.12.2003	4,5%+Euribor
Total	104 990	78 371	26 619		

Loan collateral see Note 27.

Note 14 Finance lease

Finance lease liability

<u>31 Dec 2000</u>	Balance	incl. long-term part	incl. short-term part	Payment due date	Interest rate
Tallinna Kaubamaja					
Hansa Liising	274	0	274	31.05.2001	11%
Hansa Liising	294	0	294	31.07.2001	9,9%
Tartu Kaubamaja	563	0	563	30.12.2001	8,49%
A-Selver	3 309	0	3 309	15.11.2001	9,75%-11,25%
Total	4 440	0	4 440		
Minimum amount of lease payments	4 687	0	4 687		

<u>31 Dec 1999</u>	Balance	incl. long-term part	incl. short-term part	Payment due date	Interest rate
Tallinna Kaubamaja	1 397	0	1 397	10.07.2000	11,2%-11,8%
Tartu Kaubamaja	1 048	563	485	30.12.2001	8,49%
A-Selver	6 580	3 309	3 271	15.11.2001	9,75%-11,25%
Total	9 025	3 872	5 153		
Minimum amount of lease payments	10 042	4 091	5 951		

The Group leases the following assets in terms of finance lease:

<u>31 Dec 2000</u>	Plant and equipment	Other equipment and fixtures	TOTAL
Acquisition cost	8 921	6 190	15 111
Accumulated depreciation	4 949	2 701	7 650
Depreciation charge in the year 2000	2 116	479	2 595
31 Dec 1999			
Acquisition cost	11 481	4 811	16 292
Accumulated depreciation	3 670	1 059	4 729
Depreciation charge in the year 1999	3 395	901	4 296
		31 Dec 2000	31 Dec 1999
Finance lease liability		4 440	9 025
incl. payments due			
up to 1 year		4 440	5 153
1-5 years		0	3 872
		Year 2000	Year 1999
Payments in the reporting period		4 584	6 400
Interest expense in the reporting period		692	1 377

The parent company returned three passenger vehicles to AS Hansa Liising for 1 180 thousand kroons.

Finance lease interest expense in the Group in 2000 was 692 (1999: 1 377) thousand kroons, of which the parent company's share was 110 (1999: 196) thousand kroons.

Note 15 Other payables

	31 December 2000		31 December 1999	
	Group	Parent company	Group	Parent company
Corporate income tax	0	0	3 307	2 642
VAT	6 462	3 982	8 339	4 803
Personal income tax	3 523	2 301	3 181	2 107
Social tax	5 491	3 312	4 402	2 952
Income tax on fringe benefits	24	19	40	36
Payables to employees	12 526	8 191	9 016	6 238
Interest payable	470	75	784	99
Other accrued expenses	19	19	186	108
Payables to subsidiaries	0	3 837	0	28 649
Total	28 515	21 736	29 255	47 634

In 2000 the Group companies together paid 3 307 thousand kroons of corporate income tax on income declared in 1999 tax return. In 2000 the parent company paid 2 642 thousand kroons and Tallinna Kaubamaja Kinnisvara AS 665 thousand kroons of income tax to the state on income declared in 1999 tax return.

In 1999 the Group companies together paid 378 thousand kroons of corporate income tax on income declared in 1998 tax return. In 1999 the parent company paid 74 thousand kroons and Tartu Kaubamaja AS 303 thousand kroons of income tax to the state on income declared in 1998 tax return. Income tax prepayments of 9 703 thousand kroons were made in 1999.

Note 16 Share capital

Both on 31 December 1999 and on 31 December 2000 the share capital in total amount of 67 882 thousand kroons was divided into 6 788 200 common shares with nominal value 10,0 kroons. According to the Articles of Association the maximum share capital is 271 528 000 thousand kroons.

In 2000 dividends for 6 788 thousand kroons and in 1999 for 10 182 thousand kroons have been announced and paid to shareholders.

Note 17 Net sales

	2000		1999	
	Group	Parent company	Group	Parent company
Retail sales	1 170 308	571 519	970 953	559 065
Wholesale	10 168	12 335	12 575	10 134
Sales of services and catering	9 294	6 704	12 551	6 239
Total	1 189 770	590 558	996 079	575 438

Transactions between the companies belonging to the Group have been eliminated from the Group's consolidated financial statements.

Note 18 Other revenue

	2000		1999	
	Group	Parent company	Group	Parent company
Group management service fees	0	31 370	0	13 184
Rental income	5 589	1 884	3 939	272
Proceeds from sales of fixed assets	262	202	39	22
Other revenue	4 053	4 201	3 034	4 189
Foreign exchange gain	174	111	96	83
Total	10 077	37 767	7 109	17 751

Note 19 Other operating expenses

	2000		1999	
	Group	Parent company	Group	Parent company
Rental expenses	26 475	42 425	16 520	29 461
Operational expenses	12 427	7 050	10 205	6 672
Advertising expenses	14 603	13 540	9 315	8 787
Banking expenses	9 633	5 222	10 544	4 576
Expenses on security	9 071	4 386	7 281	4 373
Expenses on heat and electricity	8 770	3 578	6 841	3 361
Expenses on materials	11 026	5 653	8 726	4 697
Computer and communication expenses	6 720	4 279	10 140	8 147
Business trip expenses	2 620	2 463	2 012	1 892
Training expenses	1 612	1 612	1 448	1 378
Insurance expenses	947	731	458	301
Miscellaneous other operating expenses	5 362	4 012	5 392	4 758
Total	109 266	94 951	88 882	78 403

Operating lease payments in total of 26 475 thousand kroons (16 520 thousand kroons in 1999), of which parent company 7 044 thousand kroons (1 141 thousand kroons in 1999) have been paid to outside the Group.

Note 20 Personnel expenses

	2000		1999	
	Group	Parent company	Group	Parent company
Wages and salaries	86 710	52 519	68 143	43 933
Social tax	28 698	17 431	22 563	14 548
Total	115 408	69 950	90 706	58 480

	2000		1999	
	Group	Parent company	Group	Parent company
Average monthly salary expense in the reporting year per employee (kroons)	7 225	7 270	5 595	6 143
Average number of employees in the reporting year	1135	602	1015	596

In evaluating the personnel expenses recorded in the income statement the company's liability to employees including the earned vacation pay and bonuses assigned but not paid for 2000 has been considered.

Note 21 Interest expense

	2000		1999	
	Group	Parent company	Group	Parent company
Bank loan interest	10 245	2 249	12 203	8 404
Finance lease interest	770	110	1 377	196
Bond interest	1 591	1 591	1 065	1 065
Other interest	398	1 126	1 439	735
Total	13 004	5 076	16 084	10 400

Note 22 Loans received

	2000		1999	
	Group	Parent company	Group	Parent company
Balance at the beginning of year	104 991	23 947	141 668	35 290
Loans received				
Bank loans	60 014	10 000	0	0
Other loans	52 500	52 500	0	0
Issue of commercial papers	57 000	57 000	28 000	28 000
Total loans received	169 514	119 500	28 000	28 000

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Loan repayments				
Bank loans	26 620	2 632	36 677	11 343
Other loans	52 500	52 500	0	0
Issue of commercial papers	20 000	20 000	28 000	28 000
Total loan repayments	99 120	75 132	64 677	39 343
Balance at the end of year	175 385	68 315	104 991	23 947

Note 23 Loan collateral and pledged assets

AS Tallinna Kaubamaja has given collateral to the investment loans received by the Group's companies as follows:

1. Commercial pledge of 58 410 thousand kroons has been established over Tallinna Kaubamaja AS's movable property in favour of Hansapank.
2. Mortgage of 89 500 thousand kroons has been established over the real estate at Gonsiori2/Kaubamaja 1, in Tallinn (Tallinn Land Registry Division registry part No. 1324) in favour of Hansapank, annual interest rate 20%, with collateral claims of 8 950 thousand kroons.
3. Mortgage of 5 700 thousand kroons has been established over the real estate at Punane tn. 46, in Tallinn (Tallinn Land Registry Division registry part No. 3122) in favour of Hansapank, annual interest rate 20%, with collateral claims of 570 thousand kroons.
4. Tallinna Kaubamaja has provided a warranty to Järve Selver's investment loan of 33 014 thousand kroons from Hansapank, warranty agreement No.00-059425 KÄ.

Tartu Tarbijate Kooperatiiv has provided warranty to Tartu Kaubamaja AS's loan of 3 000 thousand kroons from Hansapank

Note 24 Off-balance sheet assets and liabilities

Warranty agreement has been concluded between Tallinna Kaubamaja AS and AS Hansapank regarding the prolongation of the usage term of the overdraft limit granted based on the overdraft agreement of Estonian Central Federation of Employers and Industry until 28 November 2001.

Tallinna Kaubamaja AS has provided warranty of 1 625 thousand kroons to the lease agreement concluded between OÜ Adelone and AS Hansa Liising Eesti.

Note 25 Transactions with related parties

In 2000 AS Tallinna Kaubamaja has purchased and sold its goods and rendered services to the following subsidiaries and associated companies:

	Purchases	Sales
AS A-Selver	5 741	5 363
AS Tartu Kaubamaja	0	5 980
Total	5 741	11 343

Balances with related parties:

	31Dec 2000	31 Dec 1999
Current receivables		
AS Tartu Kaubamaja	342	270
A-Selver AS	737	148
Tallinna Kaubamaja Suomi OY	0	27 892
Total current receivables	1 079	28 310
Noncurrent receivable from Rävåla Parkla	12 028	12 693
Current liabilities		
AS Tartu Kaubamaja	259	4
A-Selver AS	2 656	966
AS Tallinna Kaubamaja Kinnisvara	0	11
Tallinna Kaubamaja Suomi OY	921	27 668
Total current liabilities	3 836	28 649

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The Group's transactions with related parties in 2000:

Toomas Luman	E-Inseneribüroo (owns 28%) contractual volume 363 thousand kroons. Contracts concern design work. Eesti Ehitus (owns 40%) contractual volume 18,816 million kroons. Contracts concern the construction work of Pirita Selver. AS ASPI (owns 21%) contractual volume 953 thousand kroons. Contracts concern the construction of the parking lot for A-Selver.
Toomas Tamsar	OÜ Balti Juhtimiskonverents (owns 25%) contractual volume 62 thousand kroons. Contracts concern training.
Ants Vasar	AS Mercal A (owns 33%) contractual volume 2,787 million kroons. Contracts concern purchase of goods.
Urmo Vallner	AS Valgusreklaam (owns 50%) contractual volume 1,244 million kroons. Contracts concern the production and maintenance of advertisements.
Indrek Koolmeister	Law Office Koolmeister ja Ko (owns 100%). Contractual volume 70,8 thousand kroons. Contract concerns legal consulting.

The management of Tallinna Kaubamaja estimate that the prices used in related party transactions do not materially differ from the market prices.

Note 26 Interests of the members of the Management Board and Supervisory Board

Jüri Käo	Represents 593,5 thousand shares of Tallinna Kaubamaja AS (NG Investeeringud owns 2 382 500 shares, NG Kapital owns 142 552 shares, E-Investeeringugrupi AS owns 2 012 304 shares)
Andres Järving	Represents 593,5 thousand shares of Tallinna Kaubamaja AS (NG Investeeringud owns 2 382 500 shares, NG Kapital owns 142 552 shares, E-Investeeringugrupi AS owns 2 012 304 shares)
Indrek Vanaselja	Represents 593,5 thousand shares of Tallinna Kaubamaja AS (NG Investeeringud owns 2 382 500 shares, NG Kapital owns 142 552 shares, E-Investeeringugrupi AS owns 2 012 304 shares)
Enn Kunila	Represents 593,5 thousand shares of Tallinna Kaubamaja AS (NG Investeeringud owns 2 382 500 shares, NG Kapital owns 142 552 shares, E-Investeeringugrupi AS owns 2 012 304 shares)
Toomas Tamsar	Shares obtainable by share option in the future periods - 20 000.
Ants Vasar	Owens 3 764 shares of Tallinna Kaubamaja AS. Shares obtainable by share option in the future periods - 21 000.
Urmo Vallner	Shares obtainable by share option in the future periods - 21 000.
Ain Taube	Shares obtainable by share option in the future periods – 7 000.

Note 27 Shareholders who owned over 5% of Tallinna Kaubamaja AS's shares as at 31 December 2000

E – Investeeringugrupi AS	29,64%
Customers Of The Bank Of Bermuda (Guernsey) Ltd	13,03%
AS NG Investeeringud	35,10%
Merita Pank AS	5,07%

Note 28 Basic earnings per share

Only common shares have been issued in AS Tallinna Kaubamaja. Basic earnings per share have been calculated as follows (net profit / number of shares):

	2000	1999
Net profit	60 389	34 305
Weighted average number of shares in the year	6 788 200	6 788 200
Basic earnings per share (in kroons)	8,90	5,05

Note 29 Credit, interest and currency risk management

In managing the interest and currency risks the potential losses from the changes of interest and currency rates are compared with expenses that would occur if the risks were managed by financial instruments. In 1999 and 2000 the Group has not used financial instruments for managing the interest and currency risks as according to the management's estimate the expenses related to the management of risks have exceeded the potential losses from the changes of interest and currency rates. Due to the nature of the Group's operations Tallinna Kaubamaja is not exposed to material credit risks.

Note 30 Limitations to dividing the net profit

As at 31 December 2000 the balance of mandatory reserves not yet made was the following:

	Required size of reserve capital	Allocations made	Allocations not made
Tallinna Kaubamaja AS	6 788	6 703	85
AS Tartu Kaubamaja	829	829	0
A-Selver AS	2 200	303	1 897
Tallinna Kaubamaja Kinnisvara AS	40	0	40
AS Rävåla Parkla	1 000	0	1 000

The profit earned by 31 December 2000 that is recorded in the financial statements as retained earnings can be fully paid out as dividends, as the profit earned in previous periods is fully taxed with income tax. In paying out the profit of 2000 the potential income tax must be considered, which is 26/74 of the amount to be paid out.

Note 31 Open market value

As at 31 December 2000 the book value of the company's assets and liabilities does not materially differ from their market value.

AUDITOR'S REPORT

(Translation of the Estonian original)

To the shareholders of AS Tallinna Kaubamaja

We have audited the financial statements of AS Tallinna Kaubamaja (the Company) for the year ended 31 December 2000 and the consolidated financial statements of AS Tallinna Kaubamaja and its subsidiaries (the Group) for the year ended 31 December 2000 as set out on pages 8 to 28. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements give a true and fair view of the financial position of the Company and the Group as at 31 December 2000 and of the results of their operations and their cash flows for the year then ended in accordance with International Accounting Standards.

Urmas Kaarlep
AS PricewaterhouseCoopers

Hanno Lindpere
Authorised auditor

28 February 2001

PROFIT ALLOCATION REPORT

The Management Board of AS Tallinna Kaubamaja makes the following recommendations to the General Meeting of Shareholders:

- 1) not to divide the net profit of 2000;
- 2) to pay dividends to the shareholders of _____ thousand kroons (1,5 kroons per share) from the profit of 1999;
- 3) increase the statutory legal reserve by 565 thousand kroons from other reserves.