

TALLINNA KAUBAMAJA AS

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NUMBER OF REGISTRATION: 10223439

SUPERVISORY BOARD: Toomas Luman
Andres Järving
Andres Eesmaa
Meelis Milder
Jüri Käo

MANAGEMENT BOARD: Peeter Tohver
Ants Vasar
Urmo Vallner

AUDITOR: KPMG Estonia

BANK Hansapank
Eesti Ühispank

LAW OFFICE: Teder & Rask

LAWYER: Helda Truusa

SUBSIDIARY AND ASSOCIATED COMPANIES:

A-Selver AS Share capital: EEK 22.0 million

Interest: 100%

AS Tartu Kaubamaja

Share capital: EEK 8.3 million

Interest: 73.96%

Tallinna Kaubamaja Suomi Oy

Share capital: FIM 0.9 million

Interest: 100%

Tallinna Kaubamaja Kinnisvara AS

Share capital: EEK 0.4 million

Interest: 100%

AS Rävåla Parkla

Share capital: EEK 10.0 million

Interest: 50%

The management board of Tallinna Kaubamaja AS has prepared the management report, the annual financial statements and the profit allocation proposal. The supervisory board has reviewed the statements prepared by the management board and approved their presentation to the general meeting of shareholders. The annual report contains the management report, the auditor's report, the annual financial statements and the profit allocation proposal.

Signature

Date

Chairman of the Supervisory Board

Toomas Luman

Member of the Supervisory Board

Andres Järving

Member of the Supervisory Board

Andres Eesmaa

Member of the Supervisory Board

Meelis Milder

Member of the Supervisory Board

Jüri Käo

Chairman of the Management Board

Peeter Tohver

Member of the Management Board

Urmo Vallner

Member of the Management Board

Ants Vasar

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Management Report on Results for 1999 and Priorities in 2000

Tallinna Kaubamaja AS's consolidated revenues for 1999 reached EEK 1 billion. Net sales equalled EEK 575.4 million.

The group's audited net profit amounted to EEK 34.3 million. The result was favourably affected by amendments to the Income Tax Act. Due to the latter, the deferred income tax liability of EEK 11.4 million did not realise but was included in net profit. In addition, estimated profits from the revaluation of a share option receivable amounted to EEK 3 million.

As at 31 December 1999, the group's total assets amounted to EEK 377.2 million reflecting an annual decrease of EEK 16.6 million. Current liabilities increased by EEK 16.2 million and long-term liabilities decreased by EEK 57.9 million. Equity grew by EEK 24.1 million to EEK 154.1 million.

Investments in tangible non-current assets totalled EEK 14.9 million.

On 15 January the management board signed documents relating to the foundation of a new subsidiary, Tallinna Kaubamaja Kinnisvara AS. The latter was entered in the Commercial Register on 5 April 1999. In making a non-monetary contribution into the subsidiary's share capital, Tallinna Kaubamaja transferred to it all pieces of real estate that belonged to Kaubamaja, and inseparably related movables. The subsidiary was established to improve the group's real estate management and structure. The financial year of Tallinna Kaubamaja Kinnisvara AS ended on 31 December 1999.

1999 was a year of preparing for the establishment of additional Selver-type supermarkets. In June, the group purchased 5,623 m² of land at Pirita to build another supermarket at 2 Rummutee. In October, a lease agreement was signed for the construction of a shopping centre at 238 Pärnu Road, Järve.

On 19 February and 2 June Tallinna Kaubamaja AS arranged two short-term issues of commercial paper to replace current liabilities, which had a higher interest rate. Volumes were EEK 13 million and EEK 15 million, and annual interest rates 13% and 7%, respectively. Both issues were repurchased during the financial year according to schedule. The broker was Hansabank Markets.

The group's average number of employees was 1,050; wages and salaries totalled EEK 68.1 million including EEK 0.4 million paid to the members of the supervisory board and EEK 1.6 million paid to the members of the management board. The parent employed 596 people and paid wages and salaries of EEK 44 million.

The highest price of Tallinna Kaubamaja AS's share at Tallinn Stock exchange was EEK 35.9 and the lowest EEK 17.2. On the last stock exchange day of the year, the closing price of Kaubamaja's share amounted to EEK 31.9 indicating an annual increase of 86.5 percent. Consequently, Tallinna Kaubamaja's market value as of the year-end was EEK 216.5 million.

Year 2000 will be centred on the development of the Selver chain of super- and hypermarkets. Two new shopping centres will be opened. In May, we are going to launch Pirita Selver, which will sell food and other consumer disposables on 1,300 m² and in October we are going to open Järve Selver, which is going to sell both consumer disposables and durables on 5,500 m². The latter will house not only a supermarket operating under the Selver trademark but also Kaubamaja's new sports goods shop. Both Selvers will provide the Drive In service. Customers, who have little time may order their goods over the Internet and pick them up on their way home.

The estate at Pirita will be owned by Tallinna Kaubamaja Kinnisvara AS. Järve Selver is going to operate on leased premises. After completion, the building will house also the group's headquarters. For that purpose, it will be added 1,500 m² of office space.

Premises at 2 Gonsiori will expand as well. In March, we are going to open a special youth department on the fifth floor of Building A. Until October 1999 the floor was used for storage and office space. In the second half of the summer, we shall open the sixth floor of Building A, which will customer catering facilities.

We shall continue sponsoring Tallinn Zoo and the Estonian Puppet Theatre. Kaubamaja has been the principal sponsor of the Puppet Theatre since 1995.

Auditor's Report to the Shareholders of Tallinna Kaubamaja AS

(Translation of the Estonian original)

We have audited the accompanying annual financial statements of Tallinna Kaubamaja AS comprising the group's and parent's balance sheets as of 31 December 1999, related statements of income and cash flows for the year then ended, and the notes to the annual financial statements. 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 Estonian Guidelines on Auditing. Those Guidelines 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 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.

Parent

In our opinion, the financial statements give a true and fair view of the financial position of Tallinna Kaubamaja AS as of 31 December 1999, and of the results of its operations for the year then ended in accordance with the Estonian Accounting Act.

Group

In our opinion, the financial statements give a true and fair view of the financial position of Tallinna Kaubamaja AS group as of 31 December 1999 and of the results of its operations for the year then ended in accordance with the Estonian Accounting Act.

Tallinn, 29 February 2000
AS KPMG Estonia

Sulev Luiga
Authorised Public Accountant

TALLINNA KAUBAMAJA AS
INCOME STATEMENT

In Estonian kroons

	<i>Note</i>	1999		1998	
		Group	Parent	Group	Parent
Revenues					
Net sales	(1)	996,079,234	575,438,367	844,202,447	568,018,105
Other revenue		7,018,279	17,750,313	11,391,057	12,984,301
Total revenues		1,003,097,513	593,188,680	855,593,504	581,002,406
Expenses					
Merchandise		(733,190,002)	(414,528,326)	(621,995,843)	(409,560,039)
Other operating expenses		(88,882,119)	(78,403,402)	(74,552,684)	(43,298,764)
Personnel expenses		(90,706,137)	(58,480,343)	(80,979,548)	(53,855,022)
<i>Wages and salaries</i>	(2)	<i>(68,143,337)</i>	<i>(43,932,793)</i>	<i>(61,293,815)</i>	<i>(40,492,498)</i>
<i>Social security costs</i>		<i>(22,562,801)</i>	<i>(14,547,550)</i>	<i>(19,685,733)</i>	<i>(13,362,524)</i>
Depreciation	(3)	(38,117,544)	(22,386,301)	(37,264,596)	(23,379,805)
<i>Depreciation and value adjustments</i>		<i>(37,978,044)</i>	<i>(22,386,301)</i>	<i>(37,148,346)</i>	<i>(23,379,805)</i>
<i>Goodwill amortisation</i>		<i>(139,500)</i>	<i>0</i>	<i>(116,250)</i>	<i>0</i>
Other expenses		(2,185,732)	(1,163,194)	(1,357,936)	(595,442)
Total expenses		(953,081,535)	(574,961,565)	(816,150,607)	(530,689,072)
Operating profit		50,015,978	18,227,114	39,442,897	50,313,334
Financial income		3,782,984	28,198,629	466,509	3,324,932
<i>Income from shares in subsidiaries</i>	(4)	<i>0</i>	<i>24,105,874</i>	<i>0</i>	<i>2,864,201</i>
<i>Interest income</i>		<i>769,023</i>	<i>1,078,793</i>	<i>466,509</i>	<i>460,731</i>
<i>Other financial income</i>		<i>3,013,961</i>	<i>3,013,961</i>	<i>0</i>	<i>0</i>
Financial expenses		(17,645,234)	(12,076,800)	(20,045,020)	(35,125,885)
<i>Expenses from investments in subsidiaries</i>	(4)	<i>0</i>	<i>(178,696)</i>	<i>0</i>	<i>(18,238,144)</i>
<i>Expenses from investments in associates</i>		<i>(1,396,932)</i>	<i>(1,396,932)</i>	<i>(1,465,077)</i>	<i>(1,465,077)</i>
<i>Interest expense</i>		<i>(16,083,580)</i>	<i>(10,399,839)</i>	<i>(13,827,326)</i>	<i>(10,749,696)</i>
<i>Other financial expenses</i>		<i>(164,722)</i>	<i>(101,333)</i>	<i>(4,752,617)</i>	<i>(4,672,967)</i>
Profit before tax		36,153,728	34,348,943	19,864,386	18,512,381
Income tax for the financial year		(12,297,204)	(10,838,255)	(7,951,655)	(7,306,922)
Change in deferred income tax liability	(5)	11,357,846	10,794,088	(2,847,344)	(3,025,844)
Net profit for the financial year		35,214,369	34,304,775	9,065,388	8,179,615
Minority interest		(909,594)	0	(885,773)	0
CONSOLIDATED NET PROFIT		34,304,775	34,304,775	8,179,615	8,179,615
Basic earnings per share	(17)	5.05		1.20	
Diluted earnings per share		5.05		1.20	

TALLINNA KAUBAMAJA AS

BALANCE SHEET

In Estonian kroons

	Note	31.12.1999		31.12.1998	
		Group	Parent	Group	Parent
ASSETS					
Current assets					
Cash and bank		27,310,090	7,249,539	22,737,409	17,838,695
Customer receivables		2,601,744	908,958	2,389,495	1,010,702
Allowance for doubtful receivables		(216,312)	0	(224,619)	0
Other receivables	(6)	3,575,193	30,317,353	6,648,817	10,076,445
<i>Receivables from the parent and the subsidiaries</i>		0	28,310,468	0	9,524,055
<i>Other receivables</i>		3,575,193	2,006,885	6,648,817	552,390
Accrued income		9,496	9,496	714,511	707,223
<i>Interest receivable</i>		9,496	9,496	714,511	707,223
Prepaid expenses	(7)	2,944,669	608,509	5,712,764	1,504,117
<i>Tax prepayments and receivables</i>		741,833	22,331	3,063,192	211,562
<i>Other prepaid expenses</i>		2,202,836	586,178	2,649,572	1,292,555
Inventories	(8)	113,381,501	67,897,030	105,910,415	64,771,471
<i>Materials and supplies</i>		1,845,423	1,516,274	1,931,202	1,826,162
<i>Work in progress</i>		11,411	11,411	14,738	14,738
<i>Merchandise purchased for resale</i>		109,025,386	64,455,961	100,811,519	61,323,053
<i>Prepayments to suppliers</i>		2,499,280	1,913,384	3,152,955	1,607,517
Total current assets		149,606,380	106,990,885	143,888,793	95,908,653
Non-current assets					
Long-term financial investments	(4)	22,625,360	128,249,823	19,644,604	38,343,906
<i>Shares in subsidiaries</i>		0	107,700,849	0	21,949,302
<i>Shares in associates</i>		1,964,938	1,964,938	3,361,870	3,361,870
<i>Long-term receivables from associates</i>		12,693,000	12,693,000	9,910,000	9,910,000
<i>Other long-term loans</i>		1,209,600	1,209,600	0	0
<i>Other long-term receivables</i>		2,076,386	0	3,250,000	0
<i>Share option receivable</i>		4,681,436	4,681,436	3,122,734	3,122,734
Tangible assets	(3)	204,542,900	31,058,821	229,713,144	187,831,678
<i>Land and buildings</i>		176,497,164	0	166,823,350	155,310,914
<i>Plant and equipment</i>		46,039,545	16,931,794	45,860,728	24,012,926
<i>Other equipment and fixtures</i>		89,371,145	67,217,997	104,242,494	76,333,503
<i>Accumulated depreciation</i>		(109,685,140)	(53,148,184)	(87,814,900)	(67,979,973)
<i>Constructions in progress</i>		2,216,890	0	441,111	0
<i>Prepayments to suppliers</i>		103,296	57,214	160,361	154,308
Intangible assets		441,750	0	581,250	0
<i>Goodwill</i>		441,750	0	581,250	0
Total non-current assets		227,610,010	159,308,644	249,938,998	226,175,584
TOTAL ASSETS		377,216,390	266,299,529	393,827,791	322,084,237

LIABILITIES AND EQUITY	Note	31.12.1999		31.12.1998	
		Group	Parent	Group	Parent
Liabilities					
Current liabilities					
Debt obligations		31,773,014	4,028,217	28,625,696	10,713,051
<i>Current portion of long-term loans</i>	(9)	26,619,743	2,631,570	14,442,449	9,500,000
<i>Short-term loans from credit institutions</i>		0	0	8,177,818	0
<i>Current portion of finance lease liabilities</i>	(10)	5,153,272	1,396,647	6,005,429	1,213,051
Advances from customers		194,812	36,965	489,000	329,716
Accounts payable to suppliers		72,816,696	38,531,056	66,782,926	34,496,106
Other payables	(6)	0	28,648,688	0	28,811,865
<i>Payables to subsidiaries and the parent</i>		0	28,648,688	0	28,811,865
Taxes payable	(11)	19,269,424	12,540,593	13,131,831	9,220,752
Accrued expenses		9,877,509	6,337,179	8,552,961	6,396,651
<i>Payables to employees</i>		9,016,113	6,238,364	7,209,863	5,096,185
<i>Interest payable</i>		783,816	98,815	1,300,466	1,300,466
<i>Other accrued expenses</i>		77,580	0	42,632	0
Other unearned revenue		107,776	107,776	215,456	215,456
<i>Advances from lessees</i>		107,776	107,776	215,456	215,456
Total current liabilities		134,039,232	90,230,474	117,797,869	90,183,597
Non-current liabilities					
Long-term liabilities		78,371,172	21,315,801	119,051,618	89,500,000
<i>Long-term bank loans</i>	(9)	78,371,172	21,315,801	119,051,618	89,500,000
Other long-term liabilities		4,519,638	648,210	10,369,989	1,623,984
<i>Long-term liabilities to suppliers</i>	(12)	628,500	628,500	681,208	629,500
<i>Long-term prepayments from lessees</i>		19,710	19,710	127,486	127,486
<i>Long-term portion of the finance lease liability</i>	(10)	3,871,428	0	9,561,295	866,998
Long-term provisions		0	0	11,357,846	10,794,088
<i>Deferred income tax liability</i>	(5)	0	0	11,357,846	10,794,088
Total non-current liabilities		82,890,810	21,964,011	140,779,453	101,918,072
Total liabilities		216,930,042	112,194,485	258,577,322	192,101,669
Minority interest		6,206,344	0	5,296,750	0
Equity (13)					
Share capital		67,882,000	67,882,000	67,882,000	67,882,000
Capital reserve		5,443,236	4,988,914	4,891,281	4,579,933
Other reserves		565,111	565,111	565,111	565,111
Retained earnings		45,909,923	46,364,244	48,464,562	48,775,910
Net profit for the financial year		34,304,775	34,304,775	8,179,615	8,179,615
Conversion differences		(25,041)	0	(28,848)	0
Total equity		154,080,004	154,105,044	129,953,719	129,982,570
TOTAL LIABILITIES AND EQUITY		377,216,390	266,299,529	393,827,791	322,084,237

TALLINNA KAUBAMAJA AS
CASH FLOW STATEMENT

In Estonian kroons

	1999		1998	
	Group	Parent	Group	Parent
CASH FLOWS FROM OPERATING ACTIVITIES				
Net profit	34,304,775	34,304,775	8,179,615	8,179,615
Depreciation and value adjustments	38,117,544	22,386,301	37,264,596	23,379,805
Profits and losses from disposal of non-current assets	1,147,515	448,655	(106,625)	(33,063)
Effect of the equity method	1,396,932	(22,530,246)	1,465,077	16,839,020
inc. recorded as liability	0	(39,196)	0	(15,870,506)
Change in the value of long-term financial investments	(3,013,961)	(3,013,961)	4,444,254	4,444,254
Change in the exchange rate of loans taken	(56,508)	0	(83,296)	0
Change in trade receivables and inventories	1,483,964	(20,216,130)	(16,384,412)	(9,313,931)
Change in trade payables	2,538,015	(4,170,153)	15,925,864	24,143,603
NET CASH FROM OPERATING ACTIVITIES:	75,918,276	32,959,522	50,705,073	51,768,797
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of shares	0	(15,500,000)	0	(7,345,888)
Sales of long-term financial investments	0	0	1,320	0
Loans given	(3,992,600)	(3,992,600)	(10,528,059)	(10,528,059)
Expenditure related to tangible non-current assets (exc. Finance lease)	(14,903,466)	(2,247,900)	(98,276,875)	(89,139,243)
Sales of tangible non-current assets	805,776	258,256	1,270,695	862,584
Acquisition of intangible assets	0	0	(697,500)	0
NET CASH USED IN INVESTING ACTIVITIES:	(18,090,289)	(21,482,244)	(108,230,419)	(106,150,606)
CASH FLOWS FROM FINANCING ACTIVITIES				
Loans taken	28,000,000	28,000,000	129,131,654	117,000,000
Loan repayments	(64,677,161)	(39,343,105)	(59,465,291)	(55,424,144)
Finance lease payments	(6,399,651)	(541,028)	(4,521,141)	(484,651)
Dividends	(10,182,300)	(10,182,300)	(6,788,200)	(6,788,200)
Interest paid	703,515	0	0	0
NET CASH USED IN/FROM FINANCING ACTIVITIES	(53,259,112)	(22,066,434)	58,357,022	54,303,005
NET CASH FLOWS:	4,568,874	(10,589,156)	831,676	(78,804)
CONVERSION DIFFERENCES	3,807	0	14,797	0
Cash and bank as at 1.1.	22,737,409	17,838,695	21,890,936	17,917,499
Cash and bank as at 31.12.	27,310,090	7,249,539	22,737,409	17,838,695
Change:	4,572,681	(10,589,156)	846,473	(78,804)

Accounting Policies and Measurement Bases

The annual accounts for the year ended 31 December 1999 have been prepared in accordance with generally accepted accounting principles of the Republic of Estonia. The requirements of generally accepted accounting principles have been set out in the Accounting Act that became effective on 1 January 1995, Regulations by the Government and Minister of Finance of the Republic of Estonia as well as the guidelines and instructions issued by the Estonian Accounting Board.

The annual financial statements have been drawn up consistent with the resolution by the Accounting Board of 12 January 2000: "Effect of the Income Tax Act on Accounting and Reporting Practice" to the extent allowed by International Accounting Standards (IAS 12). Differences from instructions by the Accounting Board lie in the following:

- Retained earnings have not been increased by the deferred income tax liability arisen in 1994-1999. Instead, the change in the deferred income tax liability (its non-realisation) has reported in the income statement as tax income (see also Note 5).

In complete adherence to instructions by the Accounting Board, financial statement disclosures would have been the following:

BALANCE SHEET

		31.12.1999		31.12.1998	
		Group	Parent	Group	Parent
Assets	<i>Shares in subsidiaries</i>	0	107,700,849	0	22,366,259
	Total long-term financial investments	22,625,360	128,249,823	19,644,604	38,760,863
	Total non-current assets	227,610,010	159,308,644	249,938,998	226,592,541
	TOTAL ASSETS	377,216,390	266,299,529	393,827,791	322,501,194
Liabilities and equity	<i>Deferred income tax liability</i>	0	0	0	0
	Total non-current liabilities	82,890,810	21,964,011	129,421,607	91,123,984
	Total liabilities	216,930,042	112,194,485	247,219,476	181,307,581
	Minority interest	6,206,344	0	5,443,552	0
	Retained earnings	57,120,967	57,575,288	56,934,704	57,246,054
	Net profit for the financial year	23,093,731	23,093,731	10,920,515	10,920,515
	Total equity	154,080,004	154,105,044	141,164,763	141,193,613
	TOTAL LIABILITIES AND EQUITY	377,216,390	266,299,529	393,827,791	322,501,194

INCOME STATEMENT

		1999		1998	
	Financial income (net effect)	3,406,266	27,079,705	466,059	5,180,059
	Profit before tax	36,153,727	33,931,986	19,864,386	20,367,508
	Change in deferred income tax liability	0	0	0	0
	Net profit for the financial year	23,856,523	23,093,731	11,912,732	10,920,515
	Minority interest	(762,792)		(992,217)	
	CONSOLIDATED NET PROFIT	23,093,731		10,920,515	

CASH FLOW STATEMENT

		1999		1998	
Cash flows from operating activities	Net profit for the financial year	23,093,731	23,093,731	10,920,515	10,920,515
	Effect of the equity method	1,396,632		1,465,077	14,983,893
	Change in liabilities			13,184,964	21,117,759

STATEMENT OF CHANGES IN EQUITY

		1999		1998	
Retained earnings	Opening balance	67,855,219	68,166,569	65,743,597	65,771,877
	Transfers to capital reserve	(551,954)	(408,981)	(2,020,693)	(1,737,623)
	Dividends	(10,182,300)	(10,182,300)	(6,788,200)	(6,788,200)
	Closing balance	57,120,967	57,575,288	56,934,704	57,246,054
Net profit for the financial year	Opening balance	0	0	0	0
	Closing balance	23,093,731	23,093,731	10,920,515	10,920,515

Items denominated in foreign currency

The reporting currency is the Estonian kroon. Foreign currency transactions have been restated using the Bank of Estonia exchange rate quoted at the date of the transaction. Foreign currency assets and liabilities have been translated using the closing exchange rate of the Bank of Estonia. Exchange gains and losses have been reported in the income statement as income and expenses.

Cash and cash equivalents

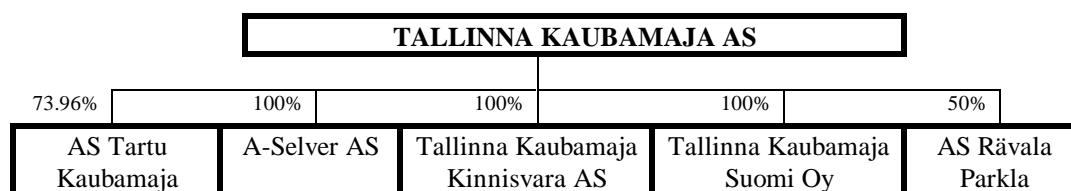
Cash comprises cash on hand and demand deposits with banks. The cash of group companies includes the balance of the group account.

Customer receivables

Receivables from customers comprise amounts paid with payment and credit cards that have not been collected as of the balance sheet date. The collectability of items is reviewed on an individual basis. Doubtful and irrecoverable receivables are expensed.

Other receivables and payables

Tallinna Kaubamaja AS is the parent of the following group:



Settlement balances with group companies are reported as other receivables and other payables.

Inventories

Inventories are carried at cost, which is assigned using the FIFO formula. Cost includes the costs of purchase and transport, as well as other acquisition-related expenses. Exceptions include balances of inventories whose acquisition costs as of the balance sheet date exceeded their estimated net realisable values. In the case of the latter, the difference between net realisable value and acquisition cost has been expensed.

Long-term financial investments

Long-term investments include investments that are expected to participate in the generation of the revenues of subsequent periods and have not been acquired for alienation at the first favourable offer. Investments in companies where Tallinna Kaubamaja holds directly or indirectly 20-50 percent of voting power (i.e. a significant influence) have been reported as investments in associates; in the case of interest that exceeds 50 percent (i.e. control), the investee has been treated as a subsidiary.

Consolidation

In the parent's separate financial statements, investments in subsidiaries and associates are accounted for using the modified equity method. Under the latter, an investment is initially recorded at cost and the carrying amount is adjusted to changes in the investor's share of the investee's net assets. Cost is considered equal to the purchase price of the investment. The investor's share in the results of the investee's operations is disclosed in the income statement considering the effect of intra-group transactions.

In preparing consolidated financial statements, the financial statements of the parent and its subsidiaries are combined on a line-by-line basis. Minority interests in the subsidiaries' equities and results of operations are identified and presented separately. The effect of intra-group transactions is eliminated.

Tangible assets

During the financial year, the bases used for measuring tangible non-current assets changed. Items, whose acquisition cost amounts to at least EEK 10,000, estimated useful life extends beyond one year, and which are expected to generate future revenue are recognised as tangible non-current assets. Items whose acquisition cost is less than EEK 10,000 are expensed as of implementation and accounted for off the balance sheet.

Depreciation is calculated on acquisition cost over the assets' estimated useful lives using the straight-line method. Annual depreciation rates are the following:

Land	0%
Buildings and constructions	3.2-8.0%
Plant and equipment	20.0%
Computer hard- and software	35.0%
Motor vehicles, other equipment and fixtures	25.0%

Tangible assets are carried at net book value. Acquisition cost and accumulated depreciation are reported separately. Acquisition cost comprises the costs of purchase and transportation, as well as other acquisition-related expenditure and improvement costs. If the estimated net realisable value of a tangible non-current asset has fallen permanently below its book value, the asset is written down to estimated realisable value.

The expenses incurred in an extensive reconstruction and renovation of buildings are included in the items' acquisition cost. Current repairs are reported as period costs.

In tax accounting, tangible non-current assets are divided into two groups: group I includes buildings and other constructions; group II comprises other depreciable assets. Tax depreciation is calculated on the adjusted carrying amount of tangible non-current assets. In 1999, the parent, AS Tartu Kaubamaja, Tallinna Kaubamaja Kinnisvara AS and A-Selver AS depreciated group I at the rate of 8%, and group II at the rate of 40%.

Intangible assets

Acquisitions of subsidiary and associated companies are accounted for using the purchase method. Under the latter, the acquisition cost of the investment is compared to the share acquired in the investee's net assets. Net assets are measured at the fair values of the investee's assets and liabilities. The difference between the acquisition cost and the acquiree's net assets is reported as goodwill. Goodwill is amortised over its estimated useful life within five years using the straight-line method. The amortisation calculated on the goodwill arisen from the acquisition of a shareholding is non-deductible.

In the parent's separate financial statements, goodwill is included in the acquisition cost of the investment and the investor's share in the result of the subsidiary or associate's operation is adjusted to its amortisation.

In the consolidated financial statements, the unamortised balance of goodwill is reported as an intangible asset, and related amortisation is reported in the income statement.

Operating and finance leases

Lease transactions are recognised as operating and finance leases consistent with the actual substance of the transaction. Transactions that are aimed at the acquisition of the leased asset at the end of the lease period or in the case of which transfer of title is likely, or the estimated useful life of the assets is limited to the lease period, are registered as finance leases. All other leases are treated as operating leases.

Items leased under the terms of a finance lease are recorded as non-current assets at acquisition cost. Assets leased under the terms of a finance lease are depreciated similarly to other non-current assets (see Tangible assets) over their estimated useful lives.

Liabilities

Liabilities, whose settlement term falls within more than a year of the balance sheet date, are recognised as non-current liabilities. Other commitments and obligations are reported as current liabilities. All contingencies and liabilities that can be measured in monetary terms are carried in the balance sheet. Contingent liabilities that can not be measured in monetary terms are disclosed in the notes to the annual accounts.

Contingencies that can be measured in monetary terms comprise the vacation pay and social security liabilities and the bonus liability for December 1999.

The vacation pay liability is calculated based on the vacation days earned by the staff and their average wages and salaries. The estimated social security liability amounts to 33% of the vacation pay liability.

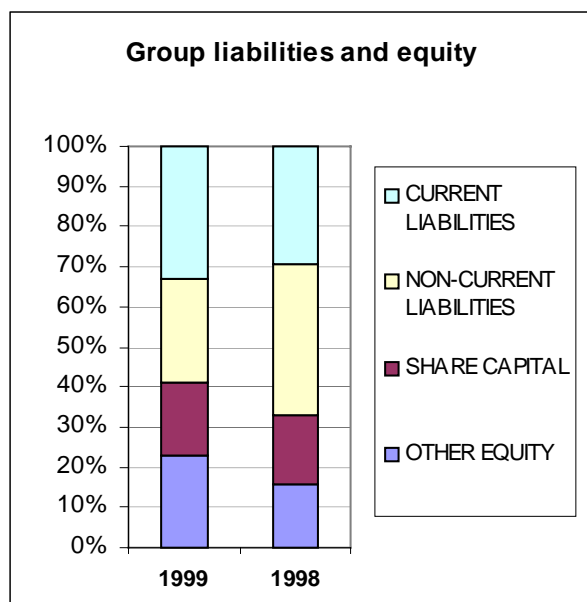
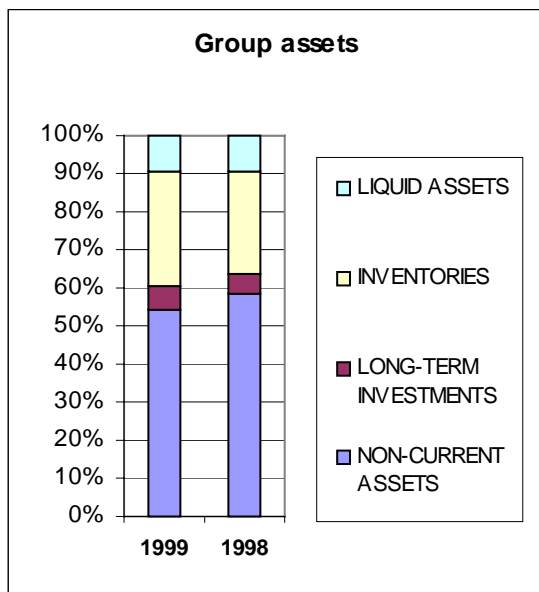
Reserves

Reserves consist of the capital reserve established consistent with the requirements of the Commercial Code and other reserves. Reserves are a part of restricted equity that cannot be distributed to shareholders. Reserves may be used for covering losses if the latter cannot be covered with unrestricted equity, and increasing the share capital. Capital reserve is established through transfers of net profit. Annual transfers have to equal at least 1/20 of the approved net profit for the financial year and are to be made until the reserve amounts to 1/10 of the share capital.

Other reserves were established on account of expenses before the enactment of the effective Accounting Act (1 January 1995).

Core and ancillary activities

The company's core activity's are retail and wholesale trade (sales of goods and services). All other activities (inc. investing and financing) are ancillary activities whose results are reported as other revenue and other expenses or financial income and financial expenses.



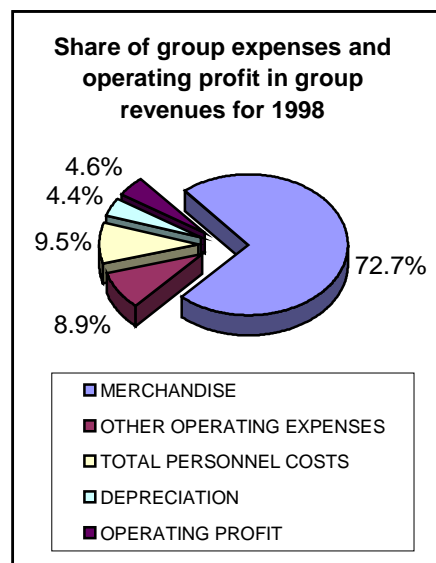
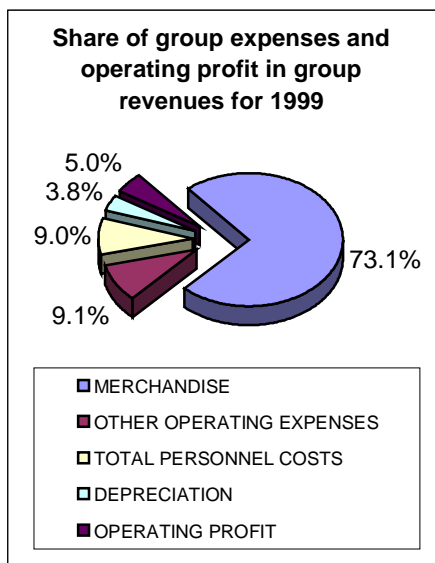
Notes to the Annual Accounts

(1) Net sales and operating expenses

	1999		1998	
	Group	Parent	Group	Parent
Retail sales	970,953,315	559,065,161	836,575,626	553,891,878
Wholesale	12,574,590	10,134,088	2,196,340	8,695,745
Services and catering	12,551,329	6,239,118	5,430,481	5,430,482
Total	996,079,234	575,438,367	844,202,447	568,018,105

Net sales are made up of the cost of goods and services sold during the financial year less value-added tax, discounts and returned items.

Intra-group transactions have been eliminated from consolidated sales. The net sales of AS Tartu Kaubamaja amounted to EEK 149,526,969, those of A-Selver AS to EEK 279,744,715, and the sales of Tallinna Kaubamaja Kinnisvara AS to EEK 28,980,200. The sales of the associate AS Rävala Parkla amounted to EEK 3,632,062.



(2) Personnel expenses

Personnel costs for 1999 have been disclosed in the income statement under “Wages and salaries”.

	1999		1998	
	Group	Parent	Group	Group
Average monthly wage per employee (in EEK)	5,595	6,143	5,502	5,587
Average number of employees	1,015	596	937	604

The parent’s social security on wages and salaries amounted to EEK 14,547,550 and the group’s social security to EEK 22,562,801. Personnel costs include also the vacation pay liability and the bonuses assigned but not paid for 1999.

(3) Tangible non-current assets and depreciation

Group:

	Land	Buildings	Equipment	Other	Accumulated depreciation
Opening balance	26,130,781	140,692,569	45,860,728	104,242,494	(87,814,899)
Re-classification		1,914,824	1,830,131	(3,744,955)	
Additions	6,500,000	179,233	1,991,478	3,434,283	
Sales and write-offs			(3,642,792)	(14,560,677)	16,107,803
Renovation		1,079,757			
Depreciation and value adjustments					(37,978,044)
Closing balance at acquisition cost	32,630,781	143,866,383	46,039,545	89,371,145	(109,685,140)

Non-current assets of EEK 1,146,735 (net book value), whose acquisition cost was smaller than EEK 10,000 were transferred into the group of immaterial items of long-term use and included in period costs. Accounting for these assets continues off the balance sheet. The change in measurement bases affected the result for 1999 as follows:

Group company	Acquisition cost	Accumulated depreciation	Expensed book value
Tallinna Kaubamaja AS	1,226,324	(771,626)	454,698
AS Tartu Kaubamaja	1,187,110	(1,034,423)	152,687
A-Selver AS	845,557	(306,207)	539,350
Total:	3,258,991	(2,112,256)	1,146,735

The expensing of immaterial items has been disclosed under "Other operating expenses".

Parent:

	Land	Buildings	Equipment	Other	Accumulated depreciation
Opening balance	26,130,781	129,180,133	24,012,926	76,333,503	(67,979,973)
Additions			335,202	2,009,792	
Sales and write-offs			(1,709,654)	(11,125,298)	11,985,669
Contribution into TKM Kinnisvara AS	(26,130,781)	(129,180,133)	(5,706,680)		25,232,421
Depreciation and value adjustments					(22,386,301)
Closing balance at acquisition cost			16,931,794	67,217,997	(53,148,184)
Closing balance at net book value			6,278,261	24,723,346	

In 1999, non-current asset sales amounted to EEK 1,244,285 and write-offs (at acquisition cost) to EEK 11,310,121. Additions to the information system equalled EEK 2,009,792 and equipment acquisitions EEK 335,202. A car of EEK 280,546 was returned to the lease company.

Movements in the parent's non-current assets have been affected by the establishment of Tallinna Kaubamaja Kinnisvara AS, a subsidiary that deals with real estate management, maintenance, development, leasing and other real estate transactions.

At foundation, the contribution into the share capital of Tallinna Kaubamaja Kinnisvara AS was made with non-current assets. Assets were transferred at their usual values. As a result, the following changes occurred:

Item	Tallinna Kaubamaja AS	Tallinna Kaubamaja Kinnisvara AS
Land	26,130,781	74,941,923
Buildings	105,491,340	215,220,000
inc. acquisition cost	129,180,133	215,220,000
inc. depreciation	23,688,793	0
Other	4,163,051	5,706,680
inc. acquisition cost	5,706,680	5,706,680
inc. depreciation	1,543,629	0

Annual depreciation breaks down between group companies as follows:

Company	Depreciation
Tallinna Kaubamaja AS	(22,386,301)
AS Tartu Kaubamaja	(4,391,895)
A-Selver AS	(7,422,499)
Tallinna Kaubamaja Kinnisvara AS	(6,842,626)
Adjustment from intra-group increase in the value of non-current assets	3,065,277
Total:	(37,978,044)

(4) Long-term financial investments and expenses related to subsidiary and associated companies

In 1999, Tallinna Kaubamaja AS had the following subsidiaries and associates:

	Location	Activity	Total interest
Subsidiary	A-Selver AS Tallinn Punane 46 and Kadaka tee 56 A	Retail sales	100%
Subsidiary	Tartu Kaubamaja AS Tartu Riia 2	Retail sales	73,96%
Subsidiary	Tallinna Kaubamaja Helsinki Kaisaniemenkatu 3	Retail sales	100%
	Suomi OY		
Subsidiary	Tallinna Kaubamaja Tallinn Gonsiori 2	Real estate management	100%
	Kinnisvara AS		
Associate	AS Rävåla Parkla Tallinn Narva mnt. 63	Parking service	50%

The number of shares held in subsidiary and associated companies:

		31.12.1999	31.12.1998
Subsidiary 100%	A-Selver AS	22,000	6,500
Subsidiary 100%	Tallinna Kaubamaja Suomi Oy	900	900
Subsidiary 73,96%	Tartu Kaubamaja AS	613,433	613,433
Subsidiary 100%	Tallinna Kaubamaja Kinnisvara AS	40,000	0
Associate 50%	AS Rävåla Parkla	500	500

Equities of subsidiary and associated companies as at 31 December 1999:

	AS Tartu Kaubamaja	A-Selver AS	TKM Suomi Oy*	AS Rävåla Parkla	TKM Kinnisvara AS
Share capital	8,294,120	22,000,000	2,368,422	10,000,000	400,000
Share premium	2,042,104	0	0	0	205,968,603
Capital reserve	505,286	111,500	0	0	0
Total restricted equity	10,841,510	22,111,500	2,368,422	10,000,000	206,368,603
Retained earnings	9,499,310	(287,520)	(22,822,848)	(3,276,259)	0
Net profit for 1999	3,493,065	3,820,041	(39,196)	(2,793,864)	14,637,085
Total unrestricted equity	12,992,375	3,532,521	(22,862,044)	(6,070,123)	14,637,085

(6) Other receivables and payables

As at 31 December 1999, intra-group transactions had resulted in the following receivables and payables:

Tallinna Kaubamaja AS had receivables of EEK 417,876 including a receivable from A-Selver AS of EEK 147,733, and another from AS Tartu Kaubamaja of EEK 270,143.

Losses of EEK 20,468,583 that exceeded the acquisition cost of the investment under the equity method have been reported as a payable of to Tallinna Kaubamaja Suomi Oy (see Note 4). Payables for goods and non-current assets amount to EEK 7,199,225. Receivables from Tallinna Kaubamaja Suomi Oy as of 31 December 1999 totalled EEK 27,892,592. Recognition of the liability gave rise to a receivable of EEK 25,789,477; in Tallinna Kaubamaja Suomi Oy's balance sheet EEK 21,521,445 of this has been reported as a subordinated loan liability (loan of equity).

AS Tartu Kaubamaja has receivables from Tallinna Kaubamaja AS of EEK 3,756.

AS A-Selver's receivables from Tallinna Kaubamaja AS total EEK 965,914.

Tallinna Kaubamaja Kinnisvara AS's receivables from Tallinna Kaubamaja AS amounted to EEK 11,210.

(7) Prepaid expenses

Prepaid expenses comprise the following items:

	31.12.1999		31.12.1998	
	Group	Parent	Group	Parent
VAT that will be offset in subsequent periods	10,298	10,298	4,060,820	198,089
Corporate income tax receivable ¹	715,147	0	2,400	0
Other prepaid expenses	323,588	114,962	867,961	660,243
Prepaid lease payments	1,387,481	134,756	115,455	115,455
Prepaid vacation pay	110,466	69,418	413,723	277,925
Prepaid insurance	397,689	279,075	252,405	252,405
Total	2,944,669	608,509	5,712,764	1,504,117

¹ The corporate income tax receivable has arisen from advance payments by AS Tartu Kaubamaja (EEK 388,747) and A-Selver AS (EEK 326,400). The amount is to be refunded or offset against other tax liabilities after 1 July 2000 (see Note 11).

(8) Inventories

Inventories as of 31 December 1999 broke down between group companies as follows:

	Tallinna Kaubamaja AS	AS Tartu Kaubamaja	A-Selver AS	Total
Materials and supplies	1,516,274	123,860	205,290	1,845,424
Work in progress	11,411	0	0	11,411
Merchandise purchased for resale	64,455,961	22,965,354	21,604,071	109,025,386
Prepayments to suppliers	1,913,384	189,444	396,452	2,499,280
Total inventories	67,897,030	23,278,658	22,205,813	113,381,501

Materials, supplies and work in progress comprise unrealised food products at the canteen and cafeteria as well as supplies that have not been acquired for resale.

Prepayments include amounts paid to suppliers for goods that have not been delivered as of the balance sheet date.

During the financial year, inventory write-downs by the group and the parent amounted to EEK 11,291,289 and EEK 6,603,616, respectively, breaking down as follows:

	Group	Parent
Spoilt foodstuffs	(667,821)	(124,455)
Other unusable goods	(1,840,918)	(316,249)
Partial seasonal discounts of other goods	(8,782,550)	(6,162,912)
Total	(11,291,289)	(6,603,616)

(9) Current and non-current debt obligations

Debtor	Interest rate	Repayment date	Liability as at 31.12.1999	Payable in 2000
HANSAPANK				
Tallinna Kaubamaja AS: ¹	8.039%	15.12.2002	23,947,371	2,631,570
AS Tartu Kaubamaja: ²	8.52%	30.5.2001	1,699,781	1,200,000
A-Selver AS: ³	8.055%	30.8.2001	3,802,406	2,281,275
TKM Kinnisvara AS ⁴	8.5%	31.12.2001	9,500,000	9,500,000
	8.055%	15.1.2003	66,041,357	11,006,898
Total			104,990,915	26,619,743

¹ The loan has been secured with a commercial pledge

² The loan has been secured with a guarantee issued by Tartu Tarbijate Kooperatiiv

³ The loan has been secured with a mortgage established on a registered property at Punane 46

⁴ The loan has been secured with a mortgage established on a registered property at Gonsiori 2 (see Note 14)

Accrual-based interest expense on long-term loans amounted to EEK 12,202,995 breaking down as follows:

	Opening balance	Accrued	Paid	Closing balance
Tallinna Kaubamaja AS	1,300,466	8,404,435	9,606,086	98,815
TKM Kinnisvara AS	0	2,974,723	2,289,722	685,001
AS Tartu Kaubamaja	0	200,630	200,630	0
A-Selver AS	0	623,207	623,207	0
Total	1,300,466	12,202,995	12,719,645	783,816

Interest expense on short-term obligations that were settled during the year equalled EEK 2,503,302, the parent's share in the figure was EEK 1,798,929.

(10) Finance and operating leases

Lessor and lessee	Leased asset	Acquisition cost	Expiry of the lease term	Liability as at 31.12.1999	Payable in 2000
Tallinna Kaubamaja AS					
Hansa Liisingu AS	Machinery	2,559,714	10.7.2000	1,396,647	1,396,647
A-Selver AS					
Tööstus Liisingu AS	Store installations	12,103,432	15.11.2001	6,580,102	3,271,632
AS Tartu Kaubamaja					
Hansa Liisingu AS	Sales system	1,628,640	30.12.2001	1,047,951	484,993
Total		16,291,786		9,024,700	5,153,272

The group's lease payments for 1999 totalled EEK 6,399,651, including those of the parent of EEK 541,028. The parent returned Hansa Liisingu AS a car. A-Selver AS purchased the assets leased from AS

Nixor. The group's interest expense on finance leases amounted to EEK 1,377,283 and that of the parent to EEK 196,475. Interest rates ranged from 8.49% to 16.0%. Accumulated depreciation on assets leased under the terms of a finance lease totalled EEK 5,621,895 including the depreciation of assets leased by the parent of EEK 1,163,067.

Operating lease payments made in 1999 totalled EEK 15,311,317. Operating lease payments by the parent amounted to EEK 1,129,215.

(11) Taxes payable

Taxes payable comprise:

	31.12.1999		31.12.1998	
	Group	Parent	Group	Parent
Personal income tax	3,181,386	2,107,150	3,027,805	1,983,527
Corporate income tax	3,307,384	2,642,255	377,675	74,522
Income tax on fringe benefits	39,461	36,189	7,753	3,025
Value-added tax	8,339,059	4,802,916	6,880,558	5,551,245
Social tax	4,402,134	2,952,083	2,838,040	1,608,433
Total	19,269,424	12,540,593	13,131,831	9,220,752

The corporate income tax liability of Tallinna Kaubamaja AS for 1999 amounted to EEK 10,838,255 and income tax payments to EEK 8,196,000.

AS Tartu Kaubamaja's income tax liability equalled EEK 793,820 and payments made EEK 1,182,567. In calculating the liability, the company applied the incentive provided by the Income Tax Act for investment in non-current assets. This reduced taxable income by EEK 2,045,639.

A-Selver AS does not have to pay income tax on the result of its operations because the losses arisen in previous periods exceed taxable income. Advance payments made over the year totalled EEK 324,000.

The income tax liability of Tallinna Kaubamaja Kinnisvara AS amounts to EEK 665,129.

(12) Long-term liabilities to suppliers

The parent's long-term liabilities to suppliers comprise an instalment payment liability to the Estonian Privatisation Agency. The liability of EEK 628,500 arose from acquisition of state property and is to be settled in 2000 - 2001.

(13) Share capital and reserves, statement of movements in equity

In 1999, the share capital of Tallinna Kaubamaja AS amounted to EEK 67,882,000. The figure was made up of 6,788,200 shares with the par value of EEK 10 each. Dividends distributed during the financial year amounted to EEK 10,182,300; EEK 408,981 of net profit was transferred into the capital reserve.

The statutory minimum of the share capital is EEK 67,882,000 and the maximum one EEK 271,528,000.

Statement of movements in equity

	1998		1998	
	Group	Parent	Group	Parent
<u>Share capital</u>				
Opening balance	67,882,000	67,882,000	67,882,000	67,882,000
Closing balance	67,882,000	67,882,000	67 882,000	67,882,000
<u>Capital reserve</u>				
Opening balance	4,891,281	4,579,933	2,870,588	2,842,310
Transfers from net profit	551,955	408,981	2,020,693	1,737,623
Closing balance	5,443,236	4,988,914	4,891,281	4,579,933
<u>Other reserves</u>				
Opening balance	565,111	565,111	565,111	565,111
Closing balance	565,111	565,111	565,111	565,111
<u>Retained earnings</u>				
Opening balance	56,644,178	56,955,526	57,273,456	57,301,734
Transfers to capital reserve	(551,955)	(408,981)	(2,020,693)	(1,737,623)
Dividend distribution	(10,182,300)	(10,182,300)	(6,788,200)	(6,788,200)
Closing balance	45,909,923	46,364,244	48,464,563	48,775,910
<u>Net profit for the financial year</u>				
Opening balance	0	0	0	0
Closing balance	34,304,775	34,304,775	8,179,615	8,179,615
<u>Conversion differences</u>				
Opening balance	(28,848)	0	(43,646)	0
Change	3,807	0	14,798	0
Rounding	1			
Closing balance	(25,041)	0	(28,848)	0
Annual change in equity	24,126,282	24,122,474	1,406,213	1,391,415
<u>Total equity at beginning of year</u>	129,953,722	129,982,570	128,547,509	128,591,155
<u>Total equity at end of year</u>	154,080,004	154,105,044	129,953,722	129,982,570

(14) Off-balance sheet liabilities

The movables of Tallinna Kaubamaja Aktsiaselts have been encumbered with a commercial pledge of EEK 58,410,000 established for the benefit of Hansapank.

Tallinna Kaubamaja AS is liable for paying a contractual penalty of EEK 30,000,000 to AS Silikaat if Tallinna Kaubamaja intentionally does not accept the leased asset (Järve Selver) under the terms and conditions agreed in the lease contract.

The registered property at 2 Gonsiori/1Kaubamaja, Tallinn (Tallinn Estate Registry unit no. 1324) has been mortgaged for the benefit of Hansapank; the monetary amount of the mortgage is EEK 89,500,000, annual interest rate is 20%, and collateral claims total EEK 8,950,000.

The registered property at 46 Punane, Tallinn (Tallinn Estate Registry unit no. 3122) has been mortgaged for the benefit of Hansapank; the monetary amount of the mortgage is EEK 5,700,000, annual interest rate is 20%, and collateral claims total EEK 570,000.

Tartu Tarbijate Kooperatiiv has guaranteed the loan of EEK 2,999,781 granted to Tartu Kaubamaja AS by Hansapank.

(15) Off-balance sheet receivables

A registered property at 238 Pärnu Road, Tallinn (Tallinn Estate Registry unit no. 1940) has been mortgaged for the benefit of Tallinna Kaubamaja AS; the amount of the mortgage is EEK 18,300,000, annual interest rate is 15%, and subsidiary claims amount to EEK 1,830,000.

(16) Restrictions on net profit distribution

The Commercial Code requires limited companies to establish a capital reserve. The minimum amount of the latter has to equal 1/10 of the company's share capital. Until the required level has been attained, the company will have to transfer 1/20 of its approved net profit for the financial year to the legal reserve.

As of 31.12.1999, the balance of mandatory transfers that had not been made broke down as follows:

	Required amount of capital reserve	Transfers made	Transfers to be made
Tallinna Kaubamaja AS	6,788,200	4,988,914	1,799,286
AS Tartu Kaubamaja	829,412	505,286	324,126
A-Selver AS	2,200,000	111,500	2,088,500
Tallinna Kaubamaja Kinnisvara AS	40,000	0	40,000
AS Rävåla Parkla	500,000	0	500,000

(17) Earnings per share

Basic earnings per share have been calculated by dividing net profit for the period by the weighted average number of ordinary shares. The company has not issued preference shares. The weighted average number of ordinary shares was the following:

1998	6,788,200
1999	6,788,200

Diluted earnings per share equal basic earnings per share.

(18) Interests of supervisory and management board members

Toomas Luman	Represents 220,000 shares in Tallinna Kaubamaja AS (EE Grupp owns 217,883 shares, E-Investeeringugrupi AS owns 3,555,770 shares).
Jüri Käo	Represents 545,000 shares in Tallinna Kaubamaja AS (AS NG Investeeringud owns 407,557 shares, AS NG Kapital owns 203,646 shares, E-Investeeringugrupi AS owns 3,555,770 shares).
Andres Järving	Owens 38,500 shares in Tallinna Kaubamaja AS, represents 545 shares in TKM (AS NG Investeeringud owns 407,557 shares, AS NG Kapital owns 203,646 shares, E-Investeeringugrupi AS owns 3,555,770 shares).
Peeter Tohver	Represents 1,000 shares in Tallinna Kaubamaja AS (owned by his wife Küllike Tohver). Number of shares receivable in subsequent periods through a share option: 50,000.
Ants Vasar	Owens 3,764 shares in Tallinna Kaubamaja AS. Number of shares receivable in subsequent periods through a share option: 30,000.
Jaan Kallas	Owens 4,900 shares in Tallinna Kaubamaja AS. Number of shares receivable in subsequent periods through a share option: 12,000.
Andrus Ossip	Number of shares receivable in subsequent periods through a share option: 21,146.
Ain Taube	Number of shares receivable in subsequent periods through a share option: 10,000.
Urmo Vallner	Number of shares receivable in subsequent periods through a share option: 30,000.

(19) Transactions with related parties

Toomas Luman	E - Inseneribüroo (owns 23%): volume of contracts EEK 1,018,000. Substance of contracts: design of the reconstruction of the department store, and Pirita Selver. EE - Trans (owns 30%): volume of contracts EEK 20,000. Substance of contracts: transportation and delivery of goods. AS ASPI (owns 17%): volume of contracts EEK 866,000. Substance of contracts: building a car park for A - Selver.
Ants Vasar	AS Mercal A (owns 33%): volume of contracts: EEK 2,500,000. Substance of contracts: purchasing.
Urmo Vallner	AS Valgusreklaam (owns 50%): volume of contracts EEK 250,000. Substance of contracts: production and maintenance of advertisements.
Indrek Koolmeister	Law office Koolmeister ja Ko (owns 100%): volume of contracts EEK 60,000. Substance of contracts: legal counselling.

(20) Shareholders, who on 31 December 1999 held more than 5% of shares in Tallinna Kaubamaja

E - Investeeringugrupi AS	52.3816%
Customers Of The Bank Of Bermuda (Guernsey) Ltd	13.0289%
AS NG Investeeringud	6.0040%
Hansapank AS	5.8115%

(21) Share option

On 25 April 1998, the ordinary general meeting of the shareholders of Tallinna Kaubamaja AS resolved to arrange a share option for the members of Kaubamaja's management board and management, as well as the members of the management boards of subsidiary companies under the following conditions:

- the list of persons entitled to the option and the number of shares sold to them shall be determined by the supervisory board;
- the term of the share option shall be 3 years;
- the maximum number of shares sold through the share option shall be 203,646;
- one person may purchase up to 50,000 shares;
- the exercise price of the option shall equal the average weighted acquisition cost of the shares;
- 15% of the option shall be realised in the first year, 30% in the second year and 55% in the third year;
- the persons entitled to the option shall have the right to buy the shares within two months of the annual general meetings of 1999, 2000, and 2001;
- the shares shall bear dividends from 1997.

To arrange the share option, Tallinna Kaubamaja AS organised the purchase of 203,646 shares at the weighted average cost of EEK 39.864 per share through NG Kapital. The shares shall be in the use and at the disposal of the arranger of the option until the option realises or the unrealised portion is sold on the market.

On 7 May 1999, the agreement on the arrangement of the share option was changed based on the decision taken by the shareholders' general meeting. Terms were amended as follows:

- the term of the option shall be 2 years;
- 30% of the option shall be realised in the first year (2000) and up to 70% in the second year (2001);
- the persons entitled to the option shall have the right to buy the shares within two months of the annual general meetings of 2000 and 2001.

On 31 December 1999, option-related receivables from AS NG Kapital amounted to EEK 6,688,321; EEK 4,681,436 of this has been reported as a long-term receivable and EEK 2,006,885 as a current one. The value of the receivable is pegged to the price of Tallinna Kaubamaja AS's share at Tallinn Stock Exchange.

Profit Allocation Proposal

Retained earnings	46,364,244
Net profit for 1999	34,304,775
<u>Total distributable profits:</u>	<u>80,669,019</u>
To be transferred into the capital reserve	1,715,239
<u>To be distributed as dividends</u>	<u>10,000,000</u>
<u>Balance of distributable profits after allocations</u>	<u>68,953,780</u>