TALLINNA KAUBAMAJA GRUPP AS

Consolidated Interim Report for
the Second quarter and first 6 months of 2017
(unaudited)

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COMPANY PROFILE AND CONTACT DETAILS

The primary areas of activity of the companies of the Tallinna Kaubamaja Grupp AS (hereinafter referred to as the ‘Tallinna Kaubamaja Group’ or ‘the Group’) include retail and wholesale trade and rental activities. The Tallinna Kaubamaja Group employs more than 4,100 employees.

The Company is listed on the Tallinn Stock Exchange.

Registered office:	Gonsiori 2,
	10143 Tallinn
	Republic of Estonia
Registry code:	10223439
Beginning of financial year:	1 January 2017
End of financial year:	31 December 2017
Beginning of interim report period:	1 January 2017
End of interim report period:	30 June 2017
Auditor:	PricewaterhouseCoopers AS
Telephone:	372 667 3200
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MANAGEMENT REPORT

The primary areas of activity of the companies of the Tallinna Kaubamaja Group include retail and wholesale trade and rental activities.

Management

In order to manage the Tallinna Kaubamaja Group the general meeting of the shareholders, held at least once in a year, elects supervisory board, which according to the articles of association may have 3 to 6 members. Members of the Tallinna Kaubamaja Group supervisory board are Jüri Käo (chairman of the supervisory board), Andres Järving, Enn Kunila, Gunnar Kraft and Meelis Milder. Members of Tallinna Kaubamaja Group supervisory board are elected for three years. The mandates of current supervisory board members Andres Järving, Jüri Käo, Enn Kunila, Meelis Milder and Gunnar Kraft will expire on 19 May 2018. During the period between the general meetings the supervisory board plans actions of the company, organises management and accomplishes supervision over management actions. Regular supervisory board meetings are held at least 10 times in a year. In order to manage daily activities the supervisory board appoints member(s) of the management board of the Tallinna Kaubamaja Group in accordance with the Commercial Code. In order to elect a member of the management board, his or her consent is required. By the articles of association a member of the management board shall be elected for a specified term of three years. Extension of the term of office of a member of the management board shall not be decided earlier than one year before the planned date of expiry of the term of office, and not for a period longer than the maximum term of office prescribed by the articles of association. Currently the management board of Tallinna Kaubamaja Group has one member. The term of office of the management board member Raul Puusepp was extended on 17 February 2017 and his term of office expires on 6 March 2020.

The law, the articles of association, decisions and goals stated by the shareholders and supervisory board are followed for managing the company. By Commercial Code a resolution on amendment of the articles of association shall be adopted, if at least two-third of the votes represented at a general meeting is in favour. A resolution on amendment of the articles of association shall enter into force as of making of a corresponding entry in the commercial register. The articles of association of the Tallinna Kaubamaja Group prescribe no greater majority requirement and the public limited company does not possess several classes of shares.

Share market

Since 19 August 1997, the shares of Tallinna Kaubamaja Group have been listed in the main list of securities of the Tallinn Stock Exchange. Tallinna Kaubamaja Group has issued 40.729.2 thousand registered shares, each with the nominal value of 0.40 euros. The shares are freely transferable, no statutory restrictions apply. There are no restrictions on transfer of securities to the company as provided by contracts between the company and its shareholders. We do not have information about contracts between the shareholders restricting the transfer of securities. NG Investeeringud OÜ has direct significant participation. Shares granting special rights to their owners have not been issued.

The members of the management board of Tallinna Kaubamaja Group have no right to issue or buy back shares. In addition, there are no commitments between the company and its employees providing for compensation in mergers and acquisitions under article 19’ of Stock Market Trade Act.

The share with a price of 8.23 euros at the end of 2016 was closed in late June of 2017 at 9.20 euros, increased by 11.79% within the six months of the year.

According to the notice of regular annual general meeting of the shareholders published on 27 February 2017, the management board proposed to pay dividends 0.63 euros per share. The general meeting of shareholders approved it.

Share price and trading statistics on the Tallinn Stock Exchange from 01.01.2017 to 30.06.2017.

In euros

Company's structure

The following companies belong to the group as of June 30, 2017:

	Location	Shareholding as of 30.06.2017	Shareholding as of 31.12.2016
Selver AS	Estonia	100%	100%
Kulinaaria OÜ	Estonia	100%	100%
Kaubamaja AS	Estonia	100%	100%
Viking Security AS	Estonia	100%	100%
Tartu Kaubamaja Kinnisvara OÜ	Estonia	100%	100%
Tallinna Kaubamaja Kinnisvara AS	Estonia	100%	100%
TKM Lietuva UAB	Lithuania	100%	0%
SIA TKM Latvija	Latvia	100%	100%
Selver Latvia SIA	Latvia	100%	100%
TKM Auto OÜ	Estonia	100%	100%
KIA Auto AS	Estonia	100%	100%
KIA Auto UAB	Lithuania	100%	100%
Forum Auto SIA	Latvia	100%	100%
Viking Motors AS	Estonia	100%	100%
OÜ TKM Beauty	Estonia	100%	100%
OÜ TKM Beauty Eesti	Estonia	100%	100%
AS TKM King	Estonia	100%	100%
Rävala Parkla AS	Estonia	50%	50%

Economic development

In the 1st quarter of 2017, gross domestic product reached the fastest growth of the last five years, increasing by 4.4% compared to the 1st quarter of the year prior. Thereby, Estonian economy was among the fastest growers in the European Union in this period. The growth was based on the improvement of foreign demand and an increase in export. The economic growth was also accelerated by an increase in investments, mainly in the timber industry. A wide increase in investments has been held back by the undertakings' uncertainty about the future. In June, several changes were implemented in the taxation system, which, according to undertakings, have a negative impact on the Estonian economic environment in the long run. According to Eesti Pank, the final annual economic growth is expected to be 3.5%. The consumer price index increased by 3.1% in Estonia in the first six months, thereat, the prices of foodstuffs and non-alcoholic beverages grew by 4.8%, clothing and footwear by 2.0%. Due to the increased excise duty, the prices of alcoholic beverages and tobacco increased the most – by 6.1%. The prices of fuel, which were declining for a longer period, have begun to increase again, raising the prices of transportation by 5.9%. According to the forecasts of Eesti Pank, the average annual inflation of 2017 will be 3.2%. Compared to the 1st quarter of the year prior, the average gross monthly wages increased by 5.7%, while the productivity of the workforce also increased. Analysts are forecasting a 5–6% increase in wages for the entire 2017. The demand for labour force remains high and, as a result of a rapid increase in the employment rate, the unemployment rate dropped to 5.6% in the 1st quarter of 2017. In spite of the improved confidence of the population of Estonia, the increase in individual consumption expenditure at constant prices halted at 0.6% in the 1st quarter as a result of inflation. According to analysts, the rapid growth of nominal wages will, in spite of the rapid increase in prices, support the continuous rise in the individual consumption expenditure and will result in a total annual growth of 2.1%.

According to Statistics Estonia, the total volume of retail revenue at current prices increased by 8.3% in Estonia in the first five months of 2017. From the beginning of the year, mail order or online retail sales have gathered the most pace, increasing by the total of 35.5% in the five months. Retail sales at unspecialised stores (largely groceries) increased by 3.2% in the first five months of the year. Retail sales at other unspecialised stores increased by 1.2%. The retail sales of pharmaceutical and medical products, cosmetics, and toiletries have decreased by 1.9% in the five months. A total of 13,332 new cars were sold in Estonia in the 1st half of 2017, increasing by 13.4% compared to the 1st half of the year prior.

Economic results

FINANCIAL RATIOS 2016–2017

	EUR		
	2nd quarter 2017	**2nd quarter 2016**	**Change**
Sales revenue (in millions)	164.6	150.5	9.4%
Operating profit/loss (in millions)	8.8	8.8	0.6%
Net profit/loss (in millions)	8.6	8.6	0.4%
Return on equity (ROE)	4.7%	5.0%	
Return on assets (ROA)	2.3%	2.5%	
Net profit margin	5.25%	5.72%	
Gross profit margin	25.16%	25.17%	
Quick ratio	0.93	0.99	
Debt ratio	0.48	0.51	
Sales revenue per employee (in millions)	0.039	0.037	
Inventory turnover	1.77	1.89	
SHARE			
Average number of shares (1000 pcs)	40,729	40,729	
Equity capital per share (EUR/share)	4.58	4.10	
Share's closing price (EUR/share)	9.20	6.79	
Earnings per share (EUR/share)	0.21	0.21	
Average number of employees	4,190	4,060	

	6 month 2017 (EUR)	6 month 2016 (EUR)	Change
Sales revenue (in millions)	315.3	287.4	9.7%
Operating profit/loss (in millions)	15.1	13.9	8.1%
Net profit/loss (in millions)	8.4	8.4	-0.1%
Return on equity (ROE)	4.6%	4.8%	
Return on assets (ROA)	2.3%	2.5%	
Net profit margin	2.66%	2.92%	
Gross profit margin	24.88%	25.01%	
Quick ratio	0.93	0.99	
Debt ratio	0.48	0.51	
Sales revenue per employee (in millions)	0.076	0.071	
Inventory turnover	3.40	3.62	
SHARE			
Average number of shares (1000 pcs)	40,729	40,729	
Equity capital per share (EUR/share)	4.58	4.10	
Share's closing price (EUR/share)	9.20	6.79	
Earnings per share (EUR/share)	0.21	0.21	
Average number of employees	4,149	4,036	

Return on equity (ROE)	= Net profit / Average owners' equity * 100%
Return on assets (ROA)	= Net profit / Average total assets * 100%
Sales revenue per employee	= Sales revenue / Average number of employees
Inventory turnover (multiplier)	= Cost of goods sold / inventories
Net profit margin	= Net profit / Sales revenue * 100%
Gross profit margin	= (Sales revenue - Cost of goods sold) / Sales revenue
Quick ratio	= Current assets / Current liabilities
Debt ratio	= Total liabilities / Balance sheet total

The unaudited consolidated sales revenue of the 2nd quarter of 2017 of Tallinna Kaubamaja Group was 164.6 million euros, indicating an increase of 9.4% in a year-on-year basis. The sales revenue of the first six months was 315.3 million euros, having increased by 9.7% compared to the results of the first six months of 2016, when the sales revenue was 287.4 million euros. The unaudited consolidated net profit of the Group in the 2nd quarter of 2017 was 8.6 million euros, which is 0.4% higher on a year-on-year basis. The net profit of the Group in the first six months of 2017 was 8.4 million euros, remaining at the same level as in the year prior. The profit before taxes in the first six months was 14.8 million euros, having increased by 8.5% compared to the year prior. The net profit was impacted by a dividend payment, from which 6.4 million euros of income tax was paid in the 1st quarter of 2017; in the year prior, 5.2 million euros of income tax was paid.

The 9.4% increase in the sales revenue of the Group in the 2nd quarter was supported by the confidence of the consumers and the increase in wages, as well as the development activities of the Group, which is why the growth of the sales revenue was able to exceed the overall trend of retail statistics in Estonia. In the 2nd quarter, the car trade segment achieved the highest growth in sales, with several large-scale procurements won. Selver also had an important role in the increase of the sales revenue, with three new stores opened in the 2nd quarter, but also with excellent growth at comparable stores. The strong development of the Group in the sector of e-commerce was pleasing, with the sales revenue of the sector doubling in a year-on-year basis. On the other hand, the global growth of e-commerce has further increased the tough competition in the market of footwear and beauty products. Furthermore, the sales revenue of the footwear segment of the Group was placed under pressure by the absence of weather appropriate to the season, as well as operating with a composition, which includes 4 stores less compared to the year prior. The Group managed to increase profit in the 2nd quarter, but the increase was lower than the growth in the sales revenue in connection with the one-time expenditure on opening new Selver stores. The volume of labour costs also increased, impacted by both the increased number of employees due to the new stores as well as by the adjustment of the wages based on the situation of the labour market.

In the 2nd quarter of 2017, Baltic Station Market, Tähesaju, and Sepapaja Selvers were opened and one SHU footwear store was closed in Tartu. In connection with the renovation of Lõunakeskus in Tartu, the stores of I.L.U. and SHU were refurbished and relocated. The development operations of the new sales building of the car show room in Lithuania were launched. In June, the project of refurbishing the Department store sales building in Tallinn progressed and an architectural competition for the construction of new buildings of Kaubamaja Quarter, i.e. on the registered immovables of 2 Gonsiori Street / 6 Rävala pst was announced in cooperation with the Urban Planning Department of Tallinn and the Union of Estonian Architects. The closing date for the submission of entries is 21 September 2017.

The volume of assets of Tallinna Kaubamaja Group as at 30 June 2017 was 359.0 million euros, which is 7.6% less than the respective number at the end of 2016.

There were more than 623 thousand loyal customers at the end of the reporting period; the number of loyal customers increased by 6.5% in a year. The relative importance of regular customers in the turnover of the Group was 82.9% (the number was 81.6% in the first half year of 2016). Over 27,000 Partner Bank and Credit Cards had been issued by the end of the first half-year.

Selver supermarkets

The consolidated sales revenue of the supermarket segment in the first six months of 2017 was 208.5 million euros, increasing by 8.8% in a year-on-year basis. The consolidated sales revenue of the 2nd quarter was 109.0 million euros, increasing by 10.1% in a year-on-year basis. The average monthly sales revenue per sales space square metre was 0.37 thousand euros in the first six months of 2017, exceeding the result of the year prior by 2.5%. In the 2nd quarter, the monthly sales revenue per sales space square metre was 0.38 thousand euros, which is 2.3% higher in a year-on-year basis. The average sales revenue from the sales of goods per sales space square metre of comparable stores was 0.37 thousand euros in the first six months of 2017 and 0.38 thousand euros in the 2nd quarter, indicating an increase of 3.4% and 3.3%, respectively. 18.4 million purchases were made from Selvers in the first six months of 2017, which exceeded the result of the year prior by 4.5%.

The consolidated profit before taxes of the supermarket segment in the first six months of 2017 was 6.2 million euros, having increased by 0.2 million euros compared to the year prior. The net profit in the first six months amounted to 2.6 million euros, decreasing by 0.8 million euros compared to the year prior. The domestic profit before taxes was 7.3 million euros and the net profit 3.7 million euros. The difference between the net profit and the profit before taxes arises from the income tax paid on the dividends: in 2017, the income tax on the dividends was 1.0 million euros higher compared to the year prior. The profit before taxes and the net profit in the 2nd quarter were 3.4 million euros, with the domestic profit amounting to 4.0 million euros. The profit of the 2nd quarter remained at the level of the year before. The loss earned in Latvia in the first six months was 1.1 million euros, of which the share of the 2nd quarter amounted to 0.5 million euros. The loss remained at the level of the year prior.

The sales revenue of Selver remained above the average increase in turnover of the market segment in the 2nd quarter as well. The growth in sales revenue was supported by the new stores opened and the stores renovated in the last few years and successful marketing campaigns. The reference base of the 2nd quarter of 2017 was lower by the two stores opened in Tallinn and Maardu in the last quarter of 2016 and the three stores opened in 2017 and by one store, which was temporarily closed for renovation works for one month. The reference base is higher by the store closed in Narva in the 1st quarter of 2016 and by the additional day arising from the leap year. The segment of e-commerce remained successful, with the sales revenue more than doubling in the 2nd quarter compared to the year prior. The operations performed with the selection of goods and the higher confidence of the consumers, which was supported by continuing growth in income, has increased the cost of the average purchases of the customers from the perspective of comparable stores.

The amount of profit earned in Estonia was, above all, influenced by the increase in gross profit arising from the sale of goods. Optimisation of trade processes has also had a positive impact. With respect to operational expenditure, the level of cost-efficiency has improved compared to the year prior. As expected, investments have had a positive impact, which enabled saving on administrative costs and maintain labour efficiency at the level of the year prior in the conditions of pressure for higher wages. The expenditure and investments of 2017 include the costs of opening three new stores; in the reference period, the costs included the costs of opening one store and renovating one store. The profit of the reference period was also influenced by a one-time income as a result of a court judgment regarding a sales tax from the sale of excise goods.

As at the end of June, the supermarkets' segment comprises the Selver store chain with 50 Selver stores, e-Selver and a café with a total sales space of 92.8 thousand m². The segment also includes SIA Selver Latvia, where the commercial activity has stopped for now, and the central kitchen Kulinaaria OÜ.

This year, it is planned to open at least two more stores in Tallinn and expand the SelveEkspress service in the stores to be opened as well as two existing stores. We are developing the e-Selver service in order to increase our ability to service the demand quicker and more conveniently.

Department stores

The sales revenue of the business segment of department stores in the first 6 months of 2017 was 48.1 million euros, increasing by 4.5% in a year-on-year basis. Thereof, the sales revenue in the 2nd quarter amounted to 25.0 million euros, which is 5.0% higher compared to the revenues of the 2nd quarter of 2016. The department stores' monthly sales revenue per sales space square metre was 0.30 thousand euros, which is 3.5% higher in a year-on-year basis. The profit before taxes of the department stores was 1.3 million euros in the first six months of 2017, which was 19.9% higher than in the year prior. The profit before taxes in the 2nd quarter was 1.3 million euros, which was 1.4% better compared to the result of 2016. The sales revenue of the department stores in the first six months was influenced by successful sales campaigns, with the discount campaigns of the season getting off to a good start in January as well as in June. In the 2nd quarter, the profits were impacted by the unusually cold spring, which hindered the sales of summer season goods. The sales of the successfully launched online store reached the base of the year prior from March, which also has a positive impact on the result of the first six months.

The sales revenue of OÜ TKM Beauty Eesti, operating the cosmetics stores of I.L.U., in the 2nd quarter of 2017 was 1.1 million euros, indicating a drop of 3.0% compared to the same period in 2016. In the 2nd quarter of 2017, the loss was 0.1 million euros, which is 0.05 million euros lower than the reference period's loss in 2016. The sales revenue of the first six months of 2017 amounted to 2.1 million euros, decreasing by 6.7% compared to the same period in the year prior. The loss of the first six months of 2017 amounted to 0.2 million euros, which is 0.04 million euros lower in a year-on-year basis. The sales revenue of the 2nd quarter was negatively impacted by the weak results of Tartu stores, incl. the reconstruction works at the store in Lõunakeskus and the break in the business activities resulting from relocation in the shopping centre.

Car Trade

The sales revenue of the car trade segment in the first six months of 2017 was 50.9 million euros. The sales revenue exceeded the revenue of the same period in the year prior by 22.9%, thereat, the sales revenue of KIAs increased by 33.9%. The sales revenue of 26.6 million euros of the 2nd quarter was 15.0% higher in a year-on-year comparison, thereat, the sales revenue of KIAs grew by 18.2%. A total of 2,433 new vehicles were sold in the first six months, of which 1,318 vehicles in the 2nd quarter. The net profit of the segment in the first six months of 2017 amounted to 1.8 million euros, which is 84.9% higher in a year-on-year comparison. The profit before taxes of the segment in the first six months of 2017 was 2.3 million euros, exceeding the profit before taxes of the first six months of 2016 by 60.7%. The profit before taxes of the 2nd quarter of 2017 amounted to 1.0 million euros, which is 7.2% higher in a year-on-year comparison. All car dealers included in the Group fared well in the first six months. Several large-scale public procurement procedures were won in Estonia, Latvia, and Lithuania. The sales of Opels remain at the good level achieved in 2016.

Footwear trade

The sales revenue of the footwear trade segment was 5.4 million euros in the first six months of 2017. The sales revenue dropped by 7.1% compared to the first six months of the year prior. Four stores of the footwear trade segment have been closed compared to the year prior, which has in turn decreased the comparable sales volumes. In the 2nd quarter, the sales revenue of the segment was 2.8 million euros, having decreased by 17.9% year-on-year. The modest result was due to the later arrival of the summer season. The profit of the first six months amounted to 0.9 million euros, having increased by 0.4 million euros compared to the year prior. In the 2nd quarter, the business outcome of the footwear trade segment remained at the level of the year prior. Improvement of the sales margin of the segment may be deemed a positive factor. The segment continues to work in the name of shaping a competitive selection of goods and optimum designing of the sales premises in order to find a sustainable business model in today's competition situation.

Real estate

The external sales revenue of the real estate segment was 2.5 million euros in the first six months of 2017. The sales revenue increased by 1.1% compared to the year prior. The external sales revenue in the 2nd quarter was 1.2 million euros, which is 2.7% more in a year-on-year comparison. The profit before taxes of the real estate segment in the first six months was 5.8 million euros, which is 4.0% more in a year-on-year comparison. The profit before taxes in the 2nd quarter was 2.9 million euros, which is 3.7% more in a year-on-year comparison. The increase in the sales revenue and profit were supported by new lease contracts concluded. Viimsi Center and Tartu Kaubamaja Center, managed by Group's real estate business segment, stayed covered by tenants and popular among the visitors, in spite of the significant increase in competition.

Preparation of development projects will continue in 2017. In connection with the plans to refurbish the commercial building of Tallinn department store, an architectural competition was announced to find the best solution for new buildings of the Kaubamaja Quarter in central Tallinn. The surface area of the flagship department store in Tallinn will increase by up to 2.5 times compared to the current surface area.

Personnel

The average number of employees in the Tallinna Kaubamaja Group in the first half of 2017 was 4,149, having grown by 2.8% compared to the same period in 2016. Total labour costs (cost of wages and social tax) amounted to 29.9 million euros in the first six months of 2017, having grown by 9.7% compared to the same period in 2016. In the second quarter, the labour costs increased by 12.8% compared to the year before, while the average number of employees increased by 3.2%. The average monthly cost of wages grew by 7.0% in the first six months compared to the average wages of the six months of 2016, in the 2nd quarter, the growth was 9.5%.

Approval of the chairman of the management board and signature to the report

The chairman of the management board confirms that the management report gives a true and fair overview of the most important events during the reporting period and their effects on the accounting report; it includes a description of the main risks and uncertainties during the remaining financial year and reflects transactions with related parties.

Raul Puusepp
Chairman of the Management Board

Tallinn, 13 July 2017

CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT BOARD'S CONFIRMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Chairman of the Management Board confirms the correctness and completeness of Tallinna Kaubamaja Grupp AS consolidated interim financial statements (unaudited) for the period of the second quarter and first 6 months of 2017 as set out on pages 12 - 30.

The Chairman of the Management Board confirms that:

1. the accounting policies used in preparing the interim financial statements are in compliance with International Financial Reporting Standard as adopted in the European Union;
2. the interim financial statements give a true and fair view of the financial position. the results of the operations and the cash flows of the Parent and the Group;
3. Tallinna Kaubamaja Grupp AS and its subsidiaries are going concerns.

Raul Puusepp
Chairman of the Management Board

Tallinn, 13 July 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros

	Note	30.06.2017	31.12.2016
ASSETS			
Current assets			
Cash and cash equivalents	2	5,774	32,375
Trade and other receivables	3	12,139	15,396
Inventories	5	69,579	70,186
Total current assets		**87,492**	**117,957**
Non-current assets			
Long-term trade and other receivables	8	250	264
Investments in associates	7	1,740	1,762
Investment property	9	48,726	48,684
Property, plant and equipment	10	212,583	211,511
Intangible assets	11	8,174	8,505
Total non-current assets		**271,473**	**270,726**
TOTAL ASSETS		**358,965**	**388,683**
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings	12	17,884	26,852
Trade and other payables	13	76,315	83,812
Total current liabilities		**94,199**	**110,664**
Non-current liabilities			
Borrowings	12	77,799	73,772
Provisions for other liabilities and charges		403	403
Total non-current liabilities		**78,202**	**74,175**
TOTAL LIABILITIES		**172,401**	**184,839**
Equity			
Share capital	15	16,292	16,292
Statutory reserve capital		2,603	2,603
Revaluation reserve		83,028	83,932
Currency translation differences		-255	-255
Retained earnings		84,896	101,272
TOTAL EQUITY		**186,564**	**203,844**
TOTAL LIABILITIES AND EQUITY		**358,965**	**388,683**

The notes presented on pages 17 to 30 form an integral part of these consolidated interim financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

In thousands of euros

	Note	II quarter 2017	II quarter 2016	6 months 2017	6 months 2016
Revenue	16	164,645	150,534	315,333	287,384
Other operating income		259	684	741	951
Cost of sales	5	-123,213	-112,648	-236,879	-215,496
Other operating expenses	17	-13,585	-12,807	-27,079	-25,566
Staff costs	18	-15,747	-13,964	-29,902	-27,262
Depreciation, amortisation and impairment losses	10, 11	-3,306	-2,875	-6,587	-5,681
Other expenses		-228	-148	-557	-389
Operating profit		**8,825**	**8,776**	**15,070**	**13,941**
Finance income		0	0	0	2
Finance costs		-200	-223	-383	-431
Finance income on shares of associates	7	27	51	78	97
Profit before tax		**8,652**	**8,604**	**14,765**	**13,609**
Income tax expense	15	-15	0	-6,386	-5,219
NET PROFIT FOR THE FINANCIAL YEAR		**8,637**	**8,604**	**8,379**	**8,390**
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss					
Currency translation differences		0	0	0	0
Other comprehensive income for the financial year		**0**	**0**	**0**	**0**
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		**8,637**	**8,604**	**8,379**	**8,390**
Basic and diluted earnings per share (euros)	19	0.21	0.21	0.21	0.21

Net profit and total comprehensive income are attributable to the owners of the parent.

The notes presented on pages 17 to 30 form an integral part of these consolidated interim financial statements.

CONSOLIDATED CASH FLOW STATEMENT

In thousands of euros

	Note	6 months 2017	6 months 2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit		8,379	8,390
Adjustments:			
Income tax on dividends	*15*	6,371	5,219
Interest expense		383	431
Interest income		0	-2
Depreciation, amortisation	*10, 11*	6,587	5,668
Loss on sale and write-off of non-current assets	*10*	1	13
Profit on sale of non-current assets	*10*	-200	-9
Effect of equity method	*7*	-78	-97
Change in inventories		608	1,559
Change in receivables and prepayments related to operating activities		3,270	3,839
Change in liabilities and prepayments related to operating activities		-7,478	-8,056
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		**17,843**	**16,955**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment (excl. finance lease)	10	-8,388	-6,660
Proceeds from sale of property, plant and equipment	10	1,246	841
Purchase of intangible assets	11	-28	-81
Change in balance of parent company's group account	20	0	5,000
Dividends received	7	100	0
Interest received		0	2
TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES		**-7,070**	**-898**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	12	30,024	39,870
Repayments of borrowings	12	-35,343	-29,407
Change in overdraft balance	12	378	104
Dividends paid	15	-25,659	-21,179
Income tax on dividends	15	-6,371	-5,259
Interest paid		-403	-454
TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES		**-37,374**	**-16,325**
TOTAL CASH FLOWS		**-26,601**	**-268**
Effect of exchange rate changes		0	0
Cash and cash equivalents at the beginning of the period	2	32,375	13,911
Cash and cash equivalents at the end of the period	2	5,774	13,643
Net change in cash and cash equivalents		**-26,601**	**-268**

The notes presented on pages 17 to 30 form an integral part of these consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

In thousands of euros

	Share capital	Statutory reserve capital	Revaluation reserve	Retained earnings	Currency translation differences	Total
Balance as of 31.12.2015	**16,292**	**2,603**	**65,701**	**95,268**	**-255**	**179,609**
Net profit for the reporting period	0	0	0	8,390	0	8,390
Total comprehensive income for the reporting period	**0**	**0**	**0**	**8,390**	**0**	**8,390**
Reclassification of depreciation of revalued land and buildings	0	0	-729	729	0	0
Dividends paid	0	0	0	-21,179	0	-21,179
Balance as of 30.06.2016	**16,292**	**2,603**	**64,972**	**83,208**	**-255**	**166,820**
Net profit for the reporting period	0	0	0	25,725	0	25,725
Revaluation of land and buildings	0	0	19,689	0	0	19,689
Total comprehensive income for the reporting period	**0**	**0**	**19,689**	**25,725**	**0**	**45,414**
Reclassification of depreciation of revalued land and buildings	0	0	-1,458	1,458	0	0
Dividends paid	0	0	0	-21,179	0	-21,179
Balance as of 31.12.2016	**16,292**	**2,603**	**83,932**	**101,272**	**-255**	**203,844**
Net profit for the reporting period	0	0	0	8,379	0	8,379
Total comprehensive income for the reporting period	**0**	**0**	**0**	**8,379**	**0**	**8,379**
Reclassification of depreciation of revalued land and buildings	0	0	-904	904	0	0
Dividends paid	0	0	0	-25,659	0	-25,659
Balance as of 30.06.2017	**16,292**	**2,603**	**83,028**	**84,896**	**-255**	**186,564**

Additional information on share capital and changes in equity is provided in Note 15.

The notes presented on pages 17 to 30 form an integral part of these consolidated interim financial statements.

NOTES TO THE CONSOLIDATED INTERIM ACCOUNTS

Note 1. Accounting Principles Followed upon Preparation of the Consolidated Interim Accounts

General Information

Tallinna Kaubamaja Grupp AS (‘the Company’) and its subsidiaries (jointly ‘Tallinna Kaubamaja Group’ or ‘the Group’) are companies engaged in rendering services related to retail sale and rental activities in Estonia, Latvia and Lithuania. Tallinna Kaubamaja Grupp AS is a company registered on 18 October 1994 in the Republic of Estonia with the legal address of Gonsiori 2, Tallinn. The shares of Tallinna Kaubamaja Grupp AS are listed on the NASDAQ OMX Tallinn Stock Exchange. The majority shareholder of Tallinna Kaubamaja Grupp AS is OÜ NG Investeeringud, the majority owner of which is NG Kapital OÜ. NG Kapital OÜ is an entity with ultimate control over Tallinna Kaubamaja Grupp AS.

Bases for Preparation

The Consolidated Interim Accounts of Tallinna Kaubamaja Group has been prepared in accordance with the International Financial Reporting Standard IAS 34 Interim Financial Reporting as adopted by the European Union. The consolidated interim financial statements do not contain all the information that has to be presented in the annual financial statements and they should be read in conjunction with the Group’s consolidated financial statements as at and for the year ended 31 December 2016. The interim report has been prepared in accordance with the principal accounting policies applied in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2016.

The accounting policies and presentation used in preparing these financial statements are the same as those used in preparing the last year’s financial statements.

The functional and presentation currency of Tallinna Kaubamaja Group is euro. All amounts disclosed in the financial statements have been rounded to the nearest thousand unless referred to otherwise.

The Manager is of the opinion that the Interim Report of Tallinna Kaubamaja Group for the second quarter and first 6 months of 2017 gives a true and fair view of the Company’s performance in accordance with the going-concern concept.

This Interim Report has not been audited or otherwise reviewed by auditors.

Note 2. Cash and cash equivalents

in thousands of euros

	30.06.2017	31.12.2016
Cash on hand	959	590
Bank accounts	3,987	29,178
Cash in transit	828	2,607
Total cash and cash equivalents	**5,774**	**32,375**

Note 3. Trade and other receivables

in thousands of euros

	30.06.2017	31.12.2016
Trade receivables (Note 4)	9,471	10,927
Other short-term receivables	418	365
Total financial assets from balance sheet line ‘‘Trade and other receivables’’	**9,889**	**11,292**
Prepayment for goods	1,308	3,461
Other prepaid expenses	887	585
Prepaid rental expenses	32	35
Prepaid taxes (Note 14)	23	23
Total trade and other receivables	**12,139**	**15,396**

Note 4. Trade receivables

in thousands of euros

	30.06.2017	31.12.2016
Trade receivables	7,390	8,036
Allowance for doubtful receivables	-6	-6
Receivables from related parties (Note 20)	540	918
Credit card payments	1,547	1,979
Total trade receivables	**9,471**	**10,927**

Note 5. Inventories

in thousands of euros

	30.06.2017	31.12.2016
Goods purchased for resale	68,774	69,434
Raw materials and materials	805	752
Total inventories	**69,579**	**70,186**

The income statement line “Cost of sales” includes the allowances and write-off expenses of inventories and inventory stocktaking deficit as follows:

in thousands of euros

	II quarter 2017	II quarter 2016	6 months 2017	6 months 2016
Write-down and write-off of inventories	2,166	2,139	4,387	4,250
Inventory stocktaking deficit	657	677	903	816
Total materials and consumables used	**2,823**	**2,816**	**5,290**	**5,066**

Aging of inventory and seasonal nature of fashion items is used as basis for write down of inventories.

Note 6. Subsidiaries

Tallinna Kaubamaja Group consists of:

Name	Location	Area of activity	Ownership 30.06.2017	Year of acquisition
Selver AS	Tallinn Pärnu mnt. 238	Retail trade	100%	1996
Tallinna Kaubamaja Kinnisvara AS	Tallinn Gonsiori 2	Real estate management	100%	1999
Tartu Kaubamaja Kinnisvara OÜ	Tartu Riia 1	Real estate management	100%	2004
SIA TKM Latvija	Riga Ieriku iela 3	Real estate management	100%	2006
SIA Selver Latvia	Riga Ieriku iela 3	Retail trade	100%	2006
TKM Auto OÜ	Tallinn Gonsiori 2	Commercial and finance activities	100%	2007
KIA Auto AS	Tallinn Ülemiste tee 1	Retail trade	100%	2007
Forum Auto SIA	Riga Pulkevza Brieza 31	Retail trade	100%	2007
KIA Auto UAB	Vilnius Perkunkiemio g.2	Retail trade	100%	2007
TKM Beauty OÜ	Tallinn Gonsiori 2	Retail trade	100%	2007
TKM Beauty Eesti OÜ	Tallinn Gonsiori 2	Retail trade	100%	2007
TKM King AS	Tallinn Betooni 14	Retail trade	100%	2008
Kaubamaja AS	Tallinn Gonsiori 2	Retail trade	100%	2012
Kulinaaria OÜ	Tallinn Taevakivi 7B	Centre kitchen activities	100%	2012
AS Viking Motors	Tallinn A.H. Tammsaare tee 51	Retail trade	100%	2012
Viking Security AS	Tallinna A. H. Tammsaare tee 62	Security activities	100%	2014
UAB TKM Lietuva	Vilnius Lvovo G 25	Real estate management	100%	2017

In 2017 and 2016 there were no business combinations.

Note 7. Investments in associates
in thousands of euros

Tallinna Kaubamaja Group has ownership of 50% (2016: 50%) interest in the entity AS Rävala Parkla which provides the services of a parking house in Tallinn.

	30.06.2017	31.12.2016
Investment in the associate at the beginning of the year	**1,762**	**1,778**
Profit for the reporting period under equity method	78	159
Dividends received	-100	-175
Investment in the associate at the end of the accounting period	**1,740**	**1,762**

Financial information about the associate Rävala Parkla AS (reflecting 100% of the associate):

	30.06.2017	31.12.2016
Current assets	92	66
Non-current assets	3,490	3,509
Current liabilities	102	51

	II quarter 2017	II quarter 2016	6 months 2017	6 months 2016
Revenue	127	122	252	237
Net profit	54	102	156	193

Note 8. Long-term trade and other receivables

in thousands of euros

	30.06.2017	31.12.2016
Prepaid rental expenses	51	50
Deferred tax asset	164	179
Other receivables	35	35
Total long-term trade and other receivables	**250**	**264**

Note 9. Investment property

in thousands of euros

	EUR
Carrying value as at 31.12.2015	**44,963**
Reclassification (Note 10)	2,171
Disposal	-35
Net gain from fair value adjustment	1,585
Carrying value as at 31.12.2016	**48,684**
Reclassification (Note 10)	44
Disposal	-2
Carrying value as at 30.06.2017	**48,726**

Investment properties comprise constructions in progress and immovables improved with commercial buildings, which the Group maintains predominantly for earning rental income.

In the reporting period Tartu Kaubamaja Shopping Centre renovation amounted to 44 thousand euros.

As a result of the valuation in 2016, the net fair value adjustment of investment property was recorded in the amount of 1,585 thousand euros. In 2017, there have not been changes in fair value of investment property.

Note 10. Property, plant and equipment

in thousands of euros

	Land and buildings	Machinery and equipment	Other fixtures and fittings	Construction in progress and prepayments	Total
31.12.2015					
Cost or revalued amount	156,799	30,688	30,577	48,180	266,244
Accumulated depreciation and impairment	-10,044	-22,141	-19,583	-17,785	-69,553
Carrying value	**146,755**	**8,547**	**10,994**	**30,395**	**196,691**
Changes occurred in 2016					
Purchases and improvements	17	442	147	12,385	12,991
Reclassification	5,453	4,862	5,375	-15,690	0
Reclassification to investment property (Note 9)	-2,171	0	0	0	-2,171
Disposals	-645	-133	-16	0	-794
Write-offs	-21	-9	-68	0	-98
Decrease/increase in value through profit or loss	0	0	0	-3,744	-3,744
Increase in value through revaluation reserve	19,689	0	0	0	19,689
Depreciation	-4,621	-2,658	-3,774	0	-11,053
31.12.2016					
Cost or revalued amount	164,456	33,797	34,978	44,315	277,546
Accumulated depreciation and impairment	0	-22,746	-22,320	-20,969	-66,035
Carrying value	**164,456**	**11,051**	**12,658**	**23,346**	**211,511**
Changes occurred in 2017					
Purchases and improvements	1,908	223	72	6,185	8,388
Reclassification (Note 9)	1,448	2,459	1,649	-5,600	-44
Disposals	-1	-231	-16	-796	-1,044
Write-offs	0	0	-3	0	-3
Depreciation	-2,542	-1,551	-2,132	0	-6,225
30.06.2017					
Cost or revalued amount	167,774	35,887	36,491	43,285	283,437
Accumulated depreciation and impairment	-2,505	-23,936	-24,263	-20,150	-70,854
Carrying value	**165,269**	**11,951**	**12,228**	**23,135**	**212,583**

The cost of investments for the 6 months of 2017 amounted to 8,416 thousand euros (including purchases of property, plant and equipment in the amount of 8,388 thousand euros and purchases of intangible assets amounted to 28 thousand euros).

The cost of investments made in 6 months of 2017 in the supermarket business segment was 5,412 thousand euros. In the reporting period, new supermarkets were opened in Tähesaju Selver in Tallinn Lasnamäe, Turu Selver in Balti Jaam and in Ülemiste City, near airport, was opened Sepapaja Selver, which is at the same time the 50th Selver store in Estonia. Additionally was purchased computing technology for SelverExpress self-service cashers and store fittings were renewed.

The size of the investment in the business segment of Department store amounted to 379 thousand euros.

The cost of investments in the accounting period was 295 thousand euros in the car trade business segment.

The cost of investments made in the reporting period in the footwear segment was 63 thousand euros.

The cost of the real estate business segment investment amounted to 2,239 thousand euros. With aim to develop car trade business in Lietuva Group purchased an immovable in Vilnius, Lietuva. In the reporting period, renovation of Tartu Kaubamaja centre took place.

The companies in the consolidated Tallinna Kaubamaja Group did not have any binding obligations for the purchase of tangible assets.

Note 11. Intangible assets

in thousands of euros

	Goodwill	Trademark	Beneficial contracts	Develop-ment expendi-ture	Total
31.12.2015					
Cost	6,814	5,277	1,080	1,160	14,331
Accumulated amortisation and impairment	-1,441	-2,543	-1,080	-224	-5,288
Carrying value	**5,373**	**2,734**	**0**	**936**	**9,043**
Changes occurred in 2016					
Purchases and improvements	0	0	0	157	157
Amortisation	0	-487	0	-208	-695
31.12.2016					
Cost	6,814	5,277	1,080	1,317	14,488
Accumulated amortisation and impairment	-1,441	-3,030	-1,080	-432	-5,983
Carrying value	**5,373**	**2,247**	**0**	**885**	**8,505**
Changes occurred in 2017					
Purchases and improvements	0	0	0	28	28
Amortisation	0	-243	0	-116	-359
30.06.2017					
Cost	6,814	5,277	1,080	1,345	14,516
Accumulated amortisation and impairment	-1,441	-3,273	-1,080	-548	-6,342
Carrying value	**5,373**	**2,004**	**0**	**797**	**8,174**

In the reporting period, the Group capitalised costs a web page update as development expenditure in the amount of 28 thousand euros.

Goodwill is allocated to cash generating units of the Group by the following segments:

in thousands of euros	30.06.2017	31.12.2016
Car trade	3,156	3,156
Footwear trade	2,113	2,113
Department store	104	104
Total	**5,373**	**5,373**

The recoverable amount (based on value in use) was determined on the basis of future cash flows for the next five years. In all units, it was evident that the present value of cash flows covers the value of goodwill and trademark as well as beneficial lease agreements and other assets related to the unit.

As a trademark, the Group has recognised the image of ABC King in the amount of 3,509 thousand euros; the image contains a combination of the name, symbol and design together with recognition and preference by consumers. Trademark will be amortised during 15 years. Trademark at value of 1,588 thousand euros was acquired in 2012 through purchase of AS Viking Motors shares. Trademark will be amortised during 7 years.

Trademark at value of 180 thousand euros was acquired in 2014 through purchase of Viking Security AS shares. Trademark will be amortised during 7 years.

Note 12. Borrowings

in thousands of euros

	30.06.2017	31.12.2016
Short-term borrowings		
Overdraft	3,395	3,017
Bank loans	12,498	21,716
Other borrowings	1,991	2,119
Total short-term borrowings	**17,884**	**26,852**

in thousands of euros

	30.06.2017	31.12.2016
Long-term borrowings		
Bank loans	77,632	73,596
Other borrowings	167	176
Total long-term borrowings	**77,799**	**73,772**
Total borrowings	**95,683**	**100,624**

Borrowings received

in thousands of euros

	II quarter 2017	II quarter 2016	6 months 2017	6 months 2016
Overdraft	120	92	378	104
Bank loans	16,300	26,846	28,216	38,092
Other borrowings	934	710	1 808	1,778
Total borrowings received	**17,354**	**27,648**	**30,402**	**39,974**

Borrowings paid

in thousands of euros

	II quarter 2017	II quarter 2016	6 months 2017	6 months 2016
Bank loans	18,866	16,927	33,399	27,212
Other borrowings	877	1,136	1,944	2,195
Total borrowings paid	**19,743**	**18,063**	**35,343**	**29,407**

Bank loans and other borrowings are denominated in euros.

As of 30.06.2017, the repayment dates of bank loans are between 22.08.2017 and 15.12.2021 (2016: between 15.02.2017 and 27.03.2020), interest is tied both to 3-month and 6-month EURIBOR as well as EONIA. Weighted average interest rate was 0.97% (2016: 0.96%).

Note 13. Trade and other payables

in thousands of euros

	30.06.2017	**31.12.2016**
Trade payables	57,471	63,170
Payables to related parties (Note 20)	3,681	4,409
Other accrued expenses	77	102
Prepayments by tenants	2,108	2,110
Total financial liabilities from balance sheet line ‘‘Trade and other payables’’	**63,337**	**69,791**
Taxes payable (Note 14)	6,586	6,847
Employee payables	5,102	5,689
Prepayments	1,193	1,372
Short-term provisions*	97	113
Total trade and other payables	**76,315**	**83,812**

*Short-term provisions represent warranty provisions related to footwear trade.

Note 14. Taxes

in thousands of euros

	30.06.2017		**31.12.2016**	
	Prepaid taxes	**Taxes payable**	**Prepaid taxes**	**Taxes payable**
Prepaid taxes	23	0	23	0
Value added tax	0	2,893	0	3,324
Personal income tax	0	1,091	0	1,026
Social security taxes	0	2,299	0	2,204
Corporate income tax	0	25	0	31
Unemployment insurance	0	155	0	147
Mandatory funded pension	0	123	0	115
Total taxes	**23**	**6,586**	**23**	**6,847**

Note 15. Share capital

As of 30.06.2017, the share capital in the amount of 16,292 thousand euros consisted of 40,729,200 ordinary shares with the nominal value of 0.40 euros per share (as of 31.12.2016 the share capital in the amount 16,292 thousand euros consisted of 40,729,200 ordinary shares with the nominal value of 0.40 euros per share). All shares issued have been paid for. According to the articles of association, the maximum allowed number of shares is 162,916,800 shares.

In 2017, dividends were declared and paid to the shareholders in the amount of 25,659 thousand euros, or 0.63 euros per share (2016: 21,179 thousand euros, or 0.52 euros per share). Related income tax expense on dividends amounted to 6,371 thousand euros (2016: 5,219 thousand euros.

Note 16. Segment reporting

The Tallinna Kaubamaja Group has defined the business segments based on the reports used regularly by the supervisory board to make strategic decisions.

The chief operating decision maker monitors the operating activities by activities. With regard to areas of activity, the operating activities are monitored in the supermarket, department store, car trade, footwear trade, real estate, beauty products (I.L.U.) and security segments. The measures of I.L.U. and security segment are below the quantitative criteria of the reporting segment specified in IFRS 8; these segments have been aggregated with the department store segment because they have similar economic characteristics and are similar in other respects specified in IFRS 8.

The main area of activity of supermarkets, department stores, footwear trade and car trade is retail trade. Supermarkets focus on the sale of foodstuffs and convenience goods, the department stores on the sale of beauty and fashion products, the car trade on the sale of cars and spare parts to cars and footwear trade to sales of footwear. In the car trade segment, cars are sold at wholesale prices to authorised car dealers. The share of wholesale trade in other segments is insignificant. The real estate segment deals with the management and maintenance of real estate owned by the Group, and with the rental of commercial premises.

The activities of the Group are carried out in Estonia, Latvia and Lithuania. The Group operates in all the five operating segments in Estonia. The Company is engaged in car trade and real estate development in Latvia; and in car trade in Lithuania.

The disclosures of financial information correspond to the information that is periodically reported to the Supervisory Board. Measures of income statement, segment assets and liabilities have been measured in accordance with accounting policies used in the preparation of the financial statements. Main measures that Supervisory Board monitors are segment revenue (external segment and inter-segment revenue), EBITDA (earnings before interest, taxes, depreciation and amortisation) and net profit or loss.

in thousands of euros

II quarter 2017	**Super markets**	**Depart-ment store**	**Car trade**	**Footwear trade**	**Real estate**	**Inter-segment transact -ions**	**Total seg-ments**
External revenue	**108,964**	**25 025**	**26,646**	**2,765**	**1,245**	**0**	**164,645**
Inter-segment revenue	260	1,760	15	33	3,192	-5,260	0
Total revenue	109,224	26,785	26,661	2,798	4,437	-5,260	164,645
EBITDA	**4,736**	**1,931**	**1,207**	**115**	**4,142**	**0**	**12,131**
Segment depreciation and impairment losses	-1,343	-666	-131	-115	-1,051	0	-3,306
Operating profit	**3,393**	**1,265**	**1,076**	**0**	**3,091**	**0**	**8,825**
Finance income	55	107	9	0	55	-226	0
Finance income on shares of associates	0	27	0	0	0	0	27
Finance costs	0	-134	-61	-30	-201	226	-200
Income tax	1	-1	-14	0	-1	0	-15
Net profit	**3,449**	**1,264**	**1,010**	**-30**	**2,944**	**0**	**8,637**
incl. in Estonia	3,979	1,264	868	-30	2,710	0	8,791
incl. in Latvia	-530	0	105	0	244	0	-181
incl. in Lithuania	0	0	37	0	-10	0	27
Segment assets	**90,691**	**69,155**	**27,969**	**8,297**	**235,380**	**-72,527**	**358,965**
Segment liabilities	**74,311**	**37,919**	**19,456**	**9,988**	**84,356**	**-53,629**	**172,401**
Segment investment in non-current assets	4,358	215	203	40	254	0	5,070

in thousands of euros

II quarter 2016	Super markets	Depart-ment store	Car trade	Footwear trade	Real estate	Inter-segment transact-ions	Total seg-ments
External revenue	**98,957**	**23,831**	**23,167**	**3,367**	**1,212**	**0**	**150,534**
Inter-segment revenue	287	1,535	19	44	3,159	-5,044	0
Total revenue	99,244	25,366	23,186	3,411	4,371	-5,044	150,534
EBITDA	**4,567**	**1,779**	**1,139**	**190**	**3,976**	**0**	**11,651**
Segment depreciation and impairment losses	-1,079	-600	-129	-145	-922	0	-2,875
Operating profit/loss	**3,488**	**1,179**	**1,010**	**45**	**3,054**	**0**	**8,776**
Finance income	54	135	4	0	46	-239	0
Finance income on shares of associates	0	51	0	0	0	0	51
Finance costs	-2	-117	-59	-25	-259	239	-223
Income tax	0	0	0	0	0	0	0
Net profit/loss	**3,540**	**1,248**	**955**	**20**	**2,841**	**0**	**8,604**
incl. in Estonia	4,057	1,248	799	20	2,598	0	8,722
incl. in Latvia	-517	0	77	0	243	0	-197
incl. in Lithuania	0	0	79	0	0	0	79
Segment assets	**73,981**	**45,094**	**23,225**	**8,630**	**231,939**	**-45,229**	**337,640**
Segment liabilities	**54,475**	**13,803**	**16,819**	**9,113**	**102,942**	**-26,332**	**170,820**
Segment investment in non-current assets	2,997	719	80	3	170	0	3,969

in thousands of euros

6 months 2017	Super markets	Depart-ment store	Car trade	Footwear trade	Real estate	Inter-segment transact-ions	Total seg-ments
External revenue	**208,549**	**48,068**	**50,854**	**5,389**	**2,473**	**0**	**315,333**
Inter-segment revenue	527	3,200	39	79	6,377	-10,222	0
Total revenue	209,076	51,268	50,893	5,468	8,850	-10,222	315,333
EBITDA	**8,751**	**2,603**	**2,645**	**-587**	**8,245**	**0**	**21,657**
Segment depreciation and impairment losses	-2,635	-1,354	-263	-236	-2,099	0	-6,587
Operating profit/loss	**6,116**	**1,249**	**2,382**	**-823**	**6,146**	**0**	**15,070**
Finance income	110	233	11	0	100	-454	0
Finance income on shares of associates	0	78	0	0	0	0	78
Finance costs	-1	-243	-125	-52	-416	454	-383
Income tax	-3,607	-888	-487	0	-1,404	0	-6,386
Net profit/loss	**2,618**	**429**	**1,781**	**-875**	**4,426**	**0**	**8,379**
incl. in Estonia	3,669	429	1,425	-875	3,964	0	8,612
incl. in Latvia	-1,051	0	208	0	476	0	-367
incl. in Lithuania	0	0	148	0	-14	0	134
Segment assets	**90,691**	**69,155**	**27,969**	**8,297**	**235,380**	**-72,527**	**358,965**
Segment liabilities	**74,311**	**37,919**	**19,456**	**9,988**	**84,356**	**-53,629**	**172,401**
Segment investment in non-current assets	5,414	405	295	63	2,239	0	8,416

in thousands of euros

6 months 2016	Super markets	Depart-ment store	Car trade	Footwear trade	Real estate	Inter-segment transact-ions	Total seg-ments
External revenue	**191,761**	**45,989**	**41,389**	**5,800**	**2,445**	**0**	**287,384**
Inter-segment revenue	554	2,875	25	89	6,328	-9,871	0
Total revenue	192,315	48,864	41,414	5,889	8,773	-9,871	287,384
EBITDA	**8,053**	**2,078**	**1,773**	**-177**	**7,895**	**0**	**19,622**
Segment depreciation and impairment losses	-2,161	-1,131	-255	-288	-1,846	0	-5,681
Operating profit/loss	**5,892**	**947**	**1,518**	**-465**	**6,049**	**0**	**13,941**
Finance income	127	291	7	0	77	-500	2
Finance income on shares of associates	0	97	0	0	0	0	97
Finance costs	-7	-237	-114	-51	-522	500	-431
Income tax	-2,615	-1,175	-448	0	-981	0	-5,219
Net profit/loss	**3,397**	**-77**	**963**	**-516**	**4,623**	**0**	**8,390**
incl. in Estonia	4,423	-77	747	-516	4,191	0	8,768
incl. in Latvia	-1,026	0	107	0	432	0	-487
incl. in Lithuania	0	0	109	0	0	0	109
Segment assets	**73,981**	**45,094**	**23,225**	**8,630**	**231,939**	**-45,229**	**337,640**
Segment liabilities	**54,475**	**13,803**	**16,819**	**9,113**	**102,942**	**-26,332**	**170,820**
Segment investment in non-current assets	3,564	2,027	220	11	919	0	6,741

External revenue according to types of goods and services sold

in thousands of euros

	II quarter 2017	II quarter 2016	6 months 2017	6 months 2016
Retail revenue	149,759	137,578	286,912	263,004
Wholesale revenue	7,627	6,737	14,952	12,592
Rental income	2,460	2,234	4,707	4,390
Revenue for rendering services	4,799	3,985	8,762	7,398
Total revenue	**164 645**	**150,534**	**315,333**	**287,384**

External revenue by client location

in thousands of euros

	II quarter 2017	II quarter 2016	6 months 2017	6 months 2016
Estonia	153,634	140,966	293,765	270,019
Latvia	7,496	6,962	14,713	12,723
Lithuania	3,515	2,606	6,855	4,642
Total	**164,645**	**150,534**	**315,333**	**287,384**

Distribution of non-current assets* by location of assets

in thousands of euros

	30.06.2017	31.12.2016
Estonia	237,398	238,189
Latvia	30,362	30,662
Lithuania	1,973	113
Total	**269,733**	**268,964**

* Non-current assets, other than financial assets and investment in associate.

In the reporting period and comparable period, the Group did not have any clients whose revenue would exceed 10% of the Group's revenue.

Note 17. Other operating expenses

in thousands of euros

	II quarter 2017	II quarter 2016	6 months 2017	6 months 2016
Rental expenses	4,050	3,850	8,024	7,677
Heat and electricity expenses	2,000	1,957	4,155	4,229
Operating costs	1,555	1,700	3,105	3,158
Cost of sale related services and materials	1,391	1,297	2,755	2,539
Marketing expenses	1,782	1,636	3,624	3,315
Miscellaneous other operating expenses	973	801	1,842	1,580
Computer and communication costs	1,035	826	2,027	1,637
Personnel expenses	799	740	1,547	1,431
Total other operating expenses	**13,585**	**12,807**	**27,079**	**25,566**

Note 18. Staff costs

in thousands of euros

	II quarter 2017	II quarter 2016	6 months 2017	6 months 2016
Wages and salaries	11,895	10,521	22,579	20,536
Social security taxes	3,852	3,443	7,323	6,726
Total staff costs	**15,747**	**13,964**	**29,902**	**27,262**
Average wages per employee per month (euros)	946	864	907	848
Average number of employees in the reporting period	4,190	4,060	4,149	4,036

Note 19. Earnings per share

For calculating the basic earnings per share, the net profit to be distributed to the Parent's shareholders is divided by the weighted average number of ordinary shares in circulation. As the Company does not have potential ordinary shares, the diluted earnings per share equal basic earnings per share.

	II quarter 2017	II quarter 2016	6 months 2017	6 months 2016
Net profit (in thousands of euros)	8,637	8,604	8,379	8,390
Weighted average number of shares	40,729,200	40,729,200	40 ,729,200	40,729,200
Basic and diluted earnings per share (euros)	0.21	0.21	0.21	0.21

Note 20. Related party transactions

in thousands of euros

In preparing the consolidated interim report of Tallinna Kaubamaja Grupp AS, the following parties have been considered as related parties:

a. owners (Parent and the persons controlling or having significant influence over the Parent);
b. associates;
c. other entities in the Parent's consolidation group.
d. management and supervisory boards of the Group companies;
e. close relatives of the persons described above and the entities under their control or significant influence.

Majority shareholder of Tallinna Kaubamaja Grupp AS is OÜ NG Investeeringud. Majority shareholder of OÜ NG Investeeringud is NG Kapital OÜ. NG Kapital OÜ is the ultimate controlling party of Tallinna Kaubamaja Grupp AS.

The Tallinna Kaubamaja Group has purchased and sold goods, services and non-current assets as follows:

	Purchases 6 months 2017	Sales 6 months 2017	Purchases 6 months 2016	Sales 6 months 2016
Parent	135	29	116	3
Entities in the Parent's consolidation group	13,946	2,540	15,588	4,346
Members of management and supervisory boards	0	53	0	2
Other related parties	444	72	403	51
Total	**14,525**	**2,694**	**16,107**	**4,402**

A major part of the purchases from the entities in the Parent's consolidation group is made up of goods purchased for sale. Purchases from the Parent are mostly made up of management fees. Sales to related parties are mostly made up of services provided.

Balances with related parties:

	30.06.2017	31.12.2016
Receivable from Parent (Note 4)	1	0
Receivables from entities in the in the Parent's consolidation group (Note 4)	539	918
Total receivables from related parties	**540**	**918**

	30.06.2017	31.12.2016
Parent	19	17
Entities in the Parent's consolidation group	3,512	4,243
Other related parties	150	149
Total liabilities to related parties (Note 13)	**3,681**	**4,409**

Receivables from and liabilities to related parties are unsecured and carry no interest because they have regular payment terms except receivable from the group account receivable.

For proving funding for its subsidiaries, the Tallinna Kaubamaja Group uses the group account, the members of which are most of the Group entities. In its turn, this Group as a subgroup has joined the contract of the group account of NG Investeeringud OÜ (hereinafter head group). From autumn 2001, Tallinna Kaubamaja Group has been keeping its available funds at the head group, earning interest income on its deposits. During 6 months of 2017, the Group has not earned interest income on its deposits of available funds (2016: 2 thousand euros).

As at 30 June 2017, the NG Investeeringud group has not used the Group's available funds and Tallinna Kaubamaja Group has not used NG Investeeringud group account available funds. As at 30 June 2016, the NG Investeeringud group has not used the Group's available funds and Tallinna Kaubamaja Group has not used NG Investeeringud group account available funds. In 2017 and 2016, the group has not neither deposited used available funds of NG Investeeringud OÜ nor paid any interest for using available funds of NG Investeeringud OÜ. According to the group account contract, the Group's members are jointly responsible for the unpaid amount to the bank.

Remuneration paid to the members of the Management and Supervisory Board

Short term benefits to the management boards' members of the Tallinna Kaubamaja Group for the reporting period including wages, social security taxes, bonuses and car expenses, amounted to 1,094 thousand euros (2016: 884 thousand euros). Short term benefits to supervisory boards' members of the Group in reporting period including social taxes amounted to 293 thousand euros (2016: 289 thousand euros).

The termination benefits for the members of the Management Board are limited to 3- month's salary expense.