TALLINNA KAUBAMAJA AS

Consolidated Interim Report for
the Third quarter and first 9 months of 2012
(unaudited)

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COMPANY PROFILE AND CONTACT DETAILS

The primary areas of activity of the companies of the Tallinna Kaubamaja AS Group include retail and wholesale trade and rental activities. The Tallinna Kaubamaja Group employs more than 3,340 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 2012
End of financial year:	31 December 2012
Beginning of interim report period:	1 January 2012
End of interim report period:	30 September 2012
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 AS 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 AS supervisory board are Jüri Käo (chairman of the supervisory board), Andres Järving, Enn Kunila, Gunnar Kraft and Meelis Milder. Members of Tallinna Kaubamaja AS 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 2015. 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 AS 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 AS has one member. The term of office of the management board member Raul Puusepp was extended on 23 February 2011 and his term of office expires on 6 March 2014.

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 AS prescribe no greater majority requirement and the public limited company does not possess several classes of shares.

Company's structure

The following companies belong to the group as of September 30, 2012 (Note 7):

	Location	Shareholding as of 30.09.2012	Shareholding as of 31.12.2011
Selver AS	Estonia	100%	100%
Kulinaaria OÜ	Estonia	100%	0%
Kaubamaja AS	Estonia	100%	0%
Topsec Turvateenused OÜ	Estonia	100%	0%
AS Tartu Kaubamaja	Estonia	100%	100%
Tartu Kaubamaja Kinnisvara OÜ	Estonia	100%	100%
Tallinna Kaubamaja Kinnisvara AS	Estonia	100%	100%
SIA TKM Latvija	Latvia	100%	100%
Selver Latvia SIA	Latvia	100%	100%
TKM Auto OÜ	Estonia	100%	100%
KIA Auto AS	Estonia	100%	100%
Ülemiste Autokeskus OÜ	Estonia	100%	100%
KIA Auto UAB	Lithuania	100%	100%
KIA Automobiles SIA	Latvia	100%	100%
Viking Motors AS	Estonia	100%	0%
OÜ TKM Beauty	Estonia	100%	100%
OÜ TKM Beauty Eesti	Estonia	100%	100%
OÜ Suurtüki NK	Estonia	100%	100%
SIA Suurtuki	Latvia	100%	100%
AS ABC King	Estonia	100%	100%
SIA ABC King	Latvia	100%	100%
Rävala Parkla AS	Estonia	50%	50%

Economic development

The economic growth in Estonia is slowing down and pursuant to specified data, the gross domestic product of Estonia increased in the 2nd quarter of 2012 by 2.2% compared to the same quarter of the previous year. In the 2nd quarter the economic growth was most influenced by the fast increase of the added value created in the fields of construction, retail business, and information and communication. At the same time, the increase in the export of goods and services decelerated. According to analysts the global economic situation has worsened over the past half a year. In Estonia, economic growth is based on consumer confidence, which has so far remained at a higher level than in Western Europe. However, as the euro zone crisis progresses, that confidence can be undermined and the longer the duration of the crises the more of an impact will the weakness of export have on domestic consumption. During the first 9 months, the consumer price index increased by 4.0%, whereas the price of food and non-alcoholic beverages went up by 3.2% and the price of clothes and footwear by 4.8%. Housing expenses grew most rapidly – by 9.8%. In September, the greatest increase in the price of various fruits was seen in case of food products (32%). The growth of the retail sales of stores selling industrial goods slowed down somewhat compared to previous months.

According to data from Statistics Estonia, the total volume of the turnover of Estonian retail trade in current prices grew by 14.1% in the first 8 months. In July and August, the increase in the turnover of retail trade in current prices was ca. 12% compared to the previous year, indicating a growth during the entire 3rd quarter. In the first 8 months of 2012, the retail sales of textile products, clothes and footwear showed a significant increase (18.9%). In the first 8 months of the year, retail sales in non-specialised stores (predominantly selling food products) grew by 11.3%.

Economic results

FINANCIAL RATIOS 2011–2012

	EUR		
	3rd quarter 2012	**3rd quarter 2011**	**Change**
Sales revenue (in millions)	115.5	110.3	*4.7%*
Operating profit/loss (in millions)	7.4	8.1	*-9.4%*
Net profit/loss (in millions)	7.1	7.7	*-7.3%*
Return on equity (ROE)	5.1%	5.9%	
Return on assets (ROA)	2.7%	3.0%	
Net profit margin	6.17%	6.97%	
Gross profit margin	25.38%	26.47%	
Quick ratio	1.10	1.10	
Debt ratio	0.49	0.49	
Sales revenue per employee (in millions)	0.03	0.03	
Inventory turnover	2.37	2.38	
SHARE			
Average number of shares (1000 pcs)	40,729	40,729	
Equity capital per share (EUR/share)	3.39	3.20	
Share's closing price (EUR/share)	5.71	4.65	
Earnings per share (EUR/share)	0.17	0.19	
Average number of employees	3,412	3,363	

	EUR		
	9 months 2012	**9 months 2011**	**Change**
Sales revenue (in millions)	340.4	316.5	*7.6%*
Operating profit/loss (in millions)	17.5	16.9	*3.3%*
Net profit/loss (in millions)	12.7	12.8	*-1.3%*
Return on equity (ROE)	9.1%	9.9%	
Return on assets (ROA)	4.7%	5.0%	
Net profit margin	3.72%	4.06%	
Gross profit margin	25.36%	25.89%	
Quick ratio	1.10	1.10	
Debt ratio	0.49	0.49	
Sales revenue per employee (in millions)	0.10	0.10	
Inventory turnover	6.98	6.84	
SHARE			
Average number of shares (1000 pcs)	40,729	40,729	
Equity capital per share (EUR/share)	3.39	3.20	
Share's closing price (EUR/share)	5.71	4.65	
Earnings per share (EUR/share)	0.31	0.32	
Average number of employees	3,340	3,318	

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 consolidated unaudited sales revenue of the Tallinna Kaubamaja Group in the first nine months of 2012 was 340.4 million euros, having increased by 7.6% compared to the nine months of 2011. In the third quarter, the Group's sales revenue reached 115.5 million euros, exceeding the sales revenue of a year earlier by 4.7%. The Group's consolidated unaudited net profit of the first 9 months of 2012 was 12.7 million euros, which is 1.3% less than the net profit of the same period of the previous year (12.8 million euros). The Group's net profit earned in the 3rd quarter was 7.1 million euros, having decreased by 7.3% compared to the corresponding result of 2011, which was 7.7 million euros. The pre-tax profit of the first 9 months was 16.4 million euros, having grown by 3.5% in a year. The net profit of the first 9 months was influenced by the write-off of commercial software that had lost its usefulness – in the sum of 0.9 million euros, which was recorded in the depreciation of fixed assets.

For this year, the Tallinna Kaubamaja Group has planned and partially already executed the modification and expansion of its sales spaces. In March, the Department store opened an extensively renovated women's department and children's department in Tallinn, whilst Saku Selver was opened and a renewed partner loyalty program Partner card was launched in May. An ABC footwear store was reopened in Pärnu in July, a new I.L.U. beauty store was opened in Tartu in August, and in September, Selver opened a new gourmet store in downtown Tallinn. There are plans to open several Selver and footwear stores at the end of the year. The division of the department stores, the central kitchen and the security functions into new subsidiaries to make the management structure of the Group more transparent and competitive was the most significant internal reorganisation for the Group undertaken in the 3rd quarter. The divisions were approved at the extraordinary general meeting of shareholders held on August 21, 2012, and were completed on 1 October 2012. The development activities resulted in the increase of investments and one-time operational expenditure, which in turn influenced the results of the Group in the 3rd quarter. The renewed loyalty programme, warmly welcomed by our customers, gives them additional bonus points for their Partner card purchases in the amount of 1% of the purchase sum. During the period when the customers collect such bonus points, the turnover and margin of the Group decrease to the same extent. The expected positive impact on the economic results of the Group becomes apparent once the bonus points are put to use. The growing popularity of the Partner card allows the realization of the program's positive impact in the form of increased sales revenue, and the best time for that is probably the end of the year.

The volume of the assets of the Tallinna Kaubamaja Group as of 30 September 2012 was 272.0 million euros, having grown by 9.6 million euros compared to the end of 2011, i.e. 3.6%.

At the end of the accounting period, the Group had more than 538.6 thousand loyal customers – a figure that had increased by 8.5% in a year. The share of purchases made by loyal customers from the sales revenue of the Group was 80.3%.

Share market

Since 19 August 1997, the shares of AS Tallinna Kaubamaja have been listed in the main list of securities of the Tallinn Stock Exchange. Tallinna Kaubamaja AS has issued 40.729.2 thousand registered shares, each with the nominal value of 0.60 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 AS 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 4.813 euros at the end of 2011 was closed in late September of 2012 at 5.710 euros, increased by 18.64% within the nine months of the year.

According to the notice of regular annual general meeting of the shareholders published on 16 March 2012, the management board proposed to pay dividends 0.35 euros per share. The general meeting of shareholders approved it.

Share price and trading statistics on the Tallinn Stock Exchange from 01.01.2012 to 30.09.2012.

In euros

Selver supermarkets

The consolidated sales revenue of the business segment of supermarkets and the segment's sales revenue earned in Estonia in the nine months of 2012 were 243.1 million euros, having grown by 3.5% compared to the year before. The consolidated sales revenue and the sales revenue earned in Estonia in the 3rd quarter were 81.8 million euros, which is 0.2% higher than the result of the same period of the previous year. The average monthly sales revenue of goods per one square metre of selling space both in the consolidated view and in relation to the Estonian market was 0.37 thousand euros in the nine months of 2012, thus having grown by 1.7% compared to the previous year; in the 3rd quarter, this figure was also 0.37 thousand euros, thus having decreased by 2.3%. The sales revenue of the goods of comparable stores per one square metre of selling space was 0.38 thousand euros in the first 9 months and 0.37 thousand euros in the 3rd quarter of 2012, indicating an increase of 2.1% and a decrease of 2.3%, respectively. 24.5 million purchases were made from Selver stores in the first nine months of 2012, remaining 1.3% lower than the number of purchases made a year earlier.

The consolidated pre-tax profit of the supermarket segment earned in the first 9 months of 2012 was 8.4 million euros, which is 13.2% smaller than the profit of the previous comparable period. Net profit was earned in the sum of 5.6 million euros, which is 15.8% smaller than the net profit of the previous comparable period. The consolidated pre-tax profit and net profit of the 3rd quarter was 3.8 million euros, having decreased by 25.0% compared to the period of a year before in both respects. The pre-tax profit earned in Estonia during the first 9 months was 10.1 million euros, 4.4 million euros of which was earned in the 3rd quarter. The profit deviations compared to the period of a year earlier were -11.1% and -22.3% respectively. The Estonian net profit of the supermarket segment earned in the first 9 months was 7.3 million euros, having decreased by 12.4% compared to the corresponding reference period. The net profit of 4.4 million euros earned in the 3rd quarter made up 77.7% of the profit earned a year earlier. The pre-tax loss and net loss earned in Latvia in the first 9 months was 1.8 million euros, of which the share of the 3rd quarter was 0.6 million euros. The loss remained at the same level as the previous year, changing by +0.3% and +2.1% respectively. Business activities in Latvia have been frozen.

The profit earned in Selvers in Estonia was positively influenced by cost-effective activities. In addition, the income tax paid on dividends was 7.6% lower than the year before. Compared to last year, the shaping of the profit of the first 9 months of this year was influenced by greater depreciation costs and operational expenditure caused by renovation works undertaken in four stores during the previous year, the introduction of the SelveEkspress purchasing system (which is new in Estonia) in four stores during the previous and current year, the creation of the Selveri Pagarid bakery concept completed in the 1st quarter of this year, and the opening of the Saku Selver and Selver gourmet stores. As a result of the above, 2011 and 2012 have seen a larger volume of investments and operational expenditure than the previous years. In June of this year the decision was made to replace commercial software – as a result, software investments in the sum of 0.9 million euros were written off.

A Selver store in Narva was closed in July 2011. In May this year, Selver opened one new supermarket-type store in Saku, and in September, a new store for gourmet goods in downtown Tallinn. In the end of this year, Selver will open another 4 stores: supermarkets in Rapla and in the Vahi quarter of Tartu, a home store in Pääsküla, Tallinn and a second store for gourmet goods in Solaris Keskus, Tallinn. Selver plans to continue active expansion in 2013. Lease contracts, according to which, Selver is going to open at least 3 additional supermarkets, have been entered into. As of the end of September 2012, the Selver chain includes 36 stores with a sales space of 71.2 thousand square metres.

Department stores

The sales revenue of the business segment of department stores in the first 9 months of 2012 was 60.3 million euros, having grown by 9.1% compared to the same period of the previous year. Of that sum, 20.2 million euros of sales revenue was earned in the third quarter; the sales revenue was 6.8% higher than the revenue of the 3rd quarter of 2011. The profit of department stores in the first nine months of 2012 was 1.0 million euros, exceeding the result of the year before by 0.5 million euros. The profit of the 3rd quarter was 0.5 million euros, which exceeded the profit of 2011 by 7.7%. In the 3rd quarter, the results of Department stores segment were affected by the temporary adjustment of traffic management on the street in front of the Tallinn department store in summer 2012. The average monthly sales revenue of department stores per one square metre of selling space was 0.26 thousand euros in the nine months of 2012, which is 8.7% more than during the same period of a year before. The sales revenue in the 3rd quarter was influenced by renovation works in the Tartu department store – in August, a new Women's footwear department was opened instead of the former Sports department, and the Beauty and Women's department was expanded in September. The sales revenue of the first 9 months was affected by the extensive renovation works in the Women's and Children's World of Tallinna Kaubamaja, which lasted from mid-January to March.

The sales revenue of OÜ TKM Beauty Eesti, which operates the I.L.U. beauty stores, was 2.7 million euros in the first nine months of 2012, having grown by 33.3% compared to the same period of the year before. Of that sum, the sales revenue of the 3rd quarter was 1.0 million euros, which was 23.9% higher than the sum earned in the respective period of 2011. The net loss of the I.L.U. chain in the first nine months was 0.4 million euros, which is 0.05 million euros less than in the same period the year before. The loss of the 3rd quarter was 0.5 million euros, which was 9 thousand euros smaller than the loss suffered in 2011. Compared to the first 9 months of the previous year, the I.L.U. chain opened a fifth store in the Ülemiste Centre in Tallinn in April 2011 and in August of this year, the sixth store of the I.L.U. chain was opened in the Tasku Centre in Tartu.

Car Trade

The sales revenue of the car trade segment earned in the first nine months of 2012 without inter-segment transactions was 24.5 million euros, thus exceeding the revenue of the same period of the year before by 72.1%. The sales revenue of the third quarter in the sum of 9.0 million euros was greater than the revenue of the year before by 70.5%. The segment earned a profit 1.5 million euros in nine months, of that, 0.6 million was generated in the 3rd quarter. The respective profits of 2011 were 1.0 million euros and 0.4 million euros. The turnover growth is rooted in the successful sales of new KIA models such as the Cee'd, Rio and Optima, and the continuing great demand for the crossover SUV KIA Sportage. The sales of KIA in the Baltics have been remarkable, increasing in a year by more than 120% in Estonia, 90% in Latvia and 53% in Lithuania, thus effortlessly winning the first place among other brands. In the first 9 months of 2012, a total of 1,386 vehicles were sold in the vehicle segment, i.e. 628 vehicles more than the year before during the same period. In the 4th quarter, the sales volume should once again increase thanks to the arrival of the new Sorento. In addition, the vehicle segment of Tallinna Kaubamaja was supplemented by obtaining the sales of the Opel and Cadillac models sold by Viking Motors AS in the beginning of July this year. 34 Opel and Cadillac models were sold in the 3rd quarter. The volume of the sales of spare parts and services provided by Viking Motors AS in the Tallinn and Harju County market is also important. In addition, the purchase of Viking Motors AS gave us an opportunity to offer car body repair work for KIA clients, for whom the services had previously been outsourced. In addition, the sales of used KIA passenger cars increased thanks to the modern sales area for used cars located at Tammsaare tee 51. The sales revenue of Viking Motors in the 3rd quarter of this year was 1.2 million euros.

Footwear trade

The turnover of the footwear trade segment in the first nine months of 2012 was 10.4 million euros, having grown by 3.3% in a year. In the 3rd quarter, the turnover was 3.8 million euros, which is 0.1% less compared to the same period of 2011. The decrease in sales revenue in the 3rd quarter was caused by a drop in the number of stores – compared to the 3rd quarter of 2011, business activities in Latvia had been terminated by the 3rd quarter of this year and the 3 stores operating in Latvia had been closed. The increase in the turnover of comparable stores was 10% per 9 months and 3% in the 3rd quarter. The loss of the first nine months was 0.3 million euros, which has decreased by approximately 0.1 million euros compared to the same period of the previous accounting year. In the 3rd quarter of year 2012 as well as in the 3rd quarter in 2011, the Footwear trade segment loss remained at zero. On July 5, an ABC King store was reopened in the Pärnu Kaubamajakas. The opening of the Viljandi Shu and the second Shu store in Pärnu is planned to take place in November 2012; the opening of a new ABC King store in Tartu Lõunakeskus is planned for December.

Real Estate

The extra-group sales revenue of the real estate business segment earned in the first 9 months of 2012 was 2.1 million euros, having grown by 4.0% compared to the same period of the previous year. The extra-group sales revenue of the real estate business segment earned in the 3rd quarter of 2012 was 0.7 million euros, having increased by 1.7% compared to the same period of the previous year. The increase was mainly due to the rearrangement of the lessees and rented spaces of Tartu Kaubamaja Kinnisvara OÜ during the first half of the year 2012.

The pre-tax profit of the segment of real estate of the first nine months was 5.8 million euros and the pre-tax profit of the 3rd quarter was 2.2 million euros. This result exceeded the pre-tax profit of the first nine months of the year before by 0.7 million euros and the pre-tax profit of the 3rd quarter by 0.5 million euros, which is based on an increase in sales revenues. The segment's net profit of the nine months was 4.8 million euros, which is 0.3 million euros less than the net profit earned year earlier due to the income tax paid on dividends. The net profit of the 3rd quarter was 2.2 million euros, which is 0.5 million euros higher than the net profit of the 3rd quarter of 2011.

In the 3rd quarter of 2012 Tallinna Kaubamaja Kinnisvara AS acquired a registered immovable at the address A. H. Tammsaare tee 51, Tallinn, the location of an AS Viking Motors showroom.

Personnel

The average number of employees at the Tallinna Kaubamaja Group was 3.340 in the first nine months of 2012, showing a 0.7% increase year-on-year. The total labour costs (wages and social tax costs) were 26.1 million euros in the first nine months of 2012, increasing by 5.2% compared to the same period of the previous year. In the third quarter, the labour costs increased by 7.7% compared to the year before, while the average number of employees increased by 1.5%. The average wages by employee increased by 4.7% in the first nine months compared to the average wages of the first nine months of 2011. In the 3rd quarter the growth was 6.3%. The size of the average monthly wages was, in addition to the introduction of performance pay, also influenced by changes in the remuneration system of the stores, applied with the aim of ensuring competent employees and high-quality work.

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 expresses the relevant contracts with partners.

Raul Puusepp
Chairman of the Management Board

Tallinn, 24 October 2012

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 AS consolidated interim financial statements (unaudited) for the period of third quarter and first 9 months 2012 as set out on pages 11-31.

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 AS and its subsidiaries are going concerns.

Raul Puusepp
Chairman of the Management Board

Tallinn, 24 October 2012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros

	Note	30.09.2012	31.12.2011
ASSETS			
Current assets			
Cash and bank	2	8,091	11,948
Trade receivables	3	8,387	9,976
Other short-term receivables	4	254	9,372
Prepaid taxes and other prepayments	5	874	959
Inventories	6	48,739	41,973
Total current assets		**66,345**	**74,228**
Non-current assets			
Receivables and prepayments	5	1,025	1,041
Investments in associates	8	1,620	1,550
Investment property	9	3,728	3,566
Property. plant and equipment	10	187,888	172,272
Intangible assets	11	11,411	9,809
Total non-current assets		**205,672**	**188,238**
TOTAL ASSETS		**272,017**	**262,466**
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings	12	5,977	11,261
Trade payables	13	46,760	46,419
Tax liabilities	14	3,877	5,038
Other current liabilities	15	3,592	4,489
Provisions	16	106	135
Total current liabilities		**60,312**	**67,342**
Non-current liabilities			
Borrowings	12	73,066	55,591
Provisions and prepayments	16	609	73
Total non-current liabilities		**73,675**	**55,664**
TOTAL LIABILITIES		**133,987**	**123,006**
Equity			
Share capital	17	24,438	24,438
Statutory reserve capital		2,603	2,603
Revaluation reserve		51,358	52,197
Retained earnings		59,581	60,333
Currency translation differences		50	-111
TOTAL EQUITY		**138,030**	**139,460**
TOTAL LIABILITIES AND EQUITY		**272,017**	**262,466**

The notes presented on pages 16 to 31 form an integral part of these consolidated interim financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of euros

	Note	III quarter 2012	III quarter 2011	9 months 2012	9 months 2011
Revenue	18	115,497	110,287	340,364	316,467
Other operating income		383	162	633	282
Materials, consumables used and services	6	-86,179	-81,090	-254,058	-234,526
Other operating expenses	19	-11,126	-10,823	-34,259	-32,809
Staff costs	20	-8,472	-7,867	-26,135	-24,843
Depreciation, amortisation and impairment losses	10. 11	-2,685	-2,496	-8,794	-7,432
Other expenses		-65	-54	-270	-220
Operating profit		**7,353**	**8,119**	**17,481**	**16,919**
Finance income	21	21	50	109	181
Finance costs	21	-275	-514	-1,263	-1,366
Finance income on shares of associates	8	21	32	100	133
Profit before tax		**7,120**	**7,687**	**16,427**	**15,867**
Income tax	17	3	0	-3,763	-3,031
NET PROFIT FOR THE FINANCIAL YEAR		**7,123**	**7,687**	**12,664**	**12,836**
Other comprehensive income:					
Currency translation differences		23	-3	161	73
Other comprehensive income for the financial year		23	-3	161	73
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		**7,146**	**7,684**	**12,825**	**12,909**
Basic and diluted earnings per share (euros)	22	0.17	0.19	0.31	0.32

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

The notes presented on pages 16 to 31 form an integral part of these consolidated interim financial statements.

CONSOLIDATED CASH FLOW STATEMENT

In thousands of euros

	Note	9 months 2012	9 months 2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit		12,664	12,836
Adjustments:			
Income tax on dividends		3,762	3,031
Interest expense	*21*	1,263	1,366
Interest income	*21*	-109	-181
Depreciation, amortisation	*10, 11*	7,837	7,432
Loss on sale and write-off of non-current assets		793	56
Effect of equity method	*8*	-100	-133
Change in inventories		-6,171	-6,862
Change in receivables and prepayments related to operating activities		1,926	1,584
Change in liabilities and prepayments related to operating activities		-1,619	3,350
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		**20,246**	**22,479**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment (excl. finance lease)	10, 11	-24,085	-3,438
Proceeds from sale of property, plant and equipment		216	28
Purchase of intangible assets	11	-368	0
Investments in subsidiaries	7	-1,320	0
Change in balance of parent company's group account	23	9,000	778
Dividends received		30	79
Interest received		109	181
TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES		**-16,418**	**-2,372**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	12	36,699	11,329
Repayments of borrowings	12	-24,958	-22,523
Change in overdraft balance	12	5	0
Dividends paid	17	-14,255	-11,404
Income tax on dividends	17	-3,762	-3,031
Repayments of finance lease principal	12	-128	-309
Interest paid		-1,295	-1,402
TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES		**-7,694**	**-27,340**
TOTAL CASH FLOWS		**-3,866**	**-7,233**
Effect of exchange rate changes		9	73
Cash and cash equivalents at the beginning of the period	2	11,948	15,734
Cash and cash equivalents at the end of the period	2	8,091	8,574
Net change in cash and cash equivalents		**-3,857**	**-7,160**

The notes presented on pages 16 to 31 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 31.12.2010	**26,031**	**2,603**	**53,308**	**47,495**	**-626**	**128,811**
Total comprehensive income for the period	0	0	0	12,836	73	12,909
Reclassification of depreciation of revalued land and buildings	0	0	-834	834	0	0
Dividends paid	0	0	0	-11,404	0	-11,404
Decrease of share capital	-1,593	0	0	1,593	0	0
Balance as of 30.09.2011	**24,438**	**2,603**	**52,474**	**51,354**	**-553**	**130,316**
Net profit for the reporting period	0	0	0	21,538	0	21,538
Other comprehensive income for the reporting period	0	0	0	0	515	515
Total comprehensive income for the reporting period	**0**	**0**	**0**	**21,538**	**515**	**22,053**
Reclassification of depreciation of revalued land and buildings	0	0	-1,111	1,111	0	0
Dividends paid	0	0	0	-11,404	0	-11,404
Decrease in share capital	-1,593	0	0	1,593	0	0
Balance as of 31.12.2011	**24,438**	**2,603**	**52,197**	**60,333**	**-111**	**139,460**
Net profit for the reporting period	0	0	0	12,664	0	12,664
Other comprehensive income for the reporting period	0	0	0	0	161	161
Total comprehensive income for the reporting period	**0**	**0**	**0**	**12,664**	**161**	**12,825**
Reclassification of depreciation of revalued land and buildings	0	0	-839	839	0	0
Dividends paid	0	0	0	-14,255	0	-14,255
Balance as of 30.09.2012	**24,438**	**2,603**	**51,358**	**59,581**	**50**	**138,030**

Additional information on share capital and changes in equity is provided in Note 17.

The notes presented on pages 16 to 31 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 AS ('the Company') and its subsidiaries (jointly 'the Group') are companies engaged in rendering services related to retail sale and rental activities in Estonia, Latvia and Lithuania. Tallinna Kaubamaja 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 AS are listed on the Tallinn Stock Exchange. The majority shareholder of Tallinna Kaubamaja 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 Group.

Bases for Preparation

The Consolidated Interim Accounts of Tallinna Kaubamaja AS has been prepared in accordance with the International Financial Reporting Standard IAS 34 *Interim Financial Repor*ting 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 2011. 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 2011.

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 AS Tallinna Kaubamaja 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 AS for the third quarter and nine months of 2012 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.

Changes in presentation

Starting from 1 January 2012 Selver AS changed presentation principles of the average number of employees. Consequently average number of employees is presented as reduced to full-time equivalent. Previously Selver AS presented as a number of employees estimated number of employees (working hours/ monthly standard hours). The comparative data of 2011 is adjusted in compliance with the changed presentation. Other Group companies have not changed presentation and are showing average number of employees as reduced to full-time equivalent.

Note 2. Cash and Bank

in thousands of euros	30.09.2012	31.12.2011
Cash on hand	497	1,358
Bank accounts	5,561	8,917
Cash in transit	2,033	1,673
Total cash and bank	**8,091**	**11,948**

Note 3. Trade Receivables

in thousands of euros	30.09.2012	31.12.2011
Trade receivables	7,636	8,423
Allowance for doubtful receivables	-80	-35
Receivables from related parties (Note 23)	67	230
Credit card payments	764	1,358
Total trade receivables	**8,387**	**9,976**

Note 4. Other Short Term Receivables

in thousands of euros	30.09.2012	31.12.2011
Short-term receivables from related parties (Note 23)	190	9,277
Other short-term receivables	64	95
Total other short-term receivables	**254**	**9,372**

Note 5. Prepayments

in thousands of euros	30.09.2012	31.12.2011
Prepaid taxes	66	79
Total prepaid taxes	**66**	**79**
Prepaid rental expenses	131	398
Other prepaid expenses	677	482
Total other short-term prepayments	**808**	**880**
Prepaid rental expenses	916	916
Other receivables	40	56
Deferred tax asset	69	69
Total long-term prepayments and receivables	**1,025**	**1,041**

Note 6. Inventories

in thousands of euros

	30.09.2012	31.12.2011
Goods purchased for resale	42,453	37,233
Passenger cars purchased for resale	4,651	3,561
Raw materials and materials	740	784
Prepayment for goods	895	395
Total inventories	**48,739**	**41,973**

The income statement line "Materials, consumables used and services" includes the allowances and write-off expenses of inventories and inventory stocktaking deficit as follows:

in thousands of euros

	III quarter 2012	III quarter 2011	9 months 2012	9 months 2011
Write-down and write-off of inventories	1,217	996	3,274	2,629
Inventory stocktaking deficit	448	361	1,190	1,121
Total materials and consumables used	**1,665**	**1,357**	**4,464**	**3,750**

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

Note 7. Group structure

Tallinna Kaubamaja Group consists of:

Name	Location	Area of activity	Ownership 30.09.2012	Ownership 31.12.2011	Year of acquisition
Selver AS	Tallinn Pärnu mnt. 238	Retail trade	100%	100%	1996
AS Tartu Kaubamaja	Tartu Riia 2	Retail trade	100%	100%	1996
Tallinna Kaubamaja Kinnisvara AS	Tallinn Gonsiori 2	Real estate management	100%	100%	1999
Tartu Kaubamaja Kinnisvara OÜ	Tartu Riia 1	Real estate management	100%	100%	2004
SIA TKM Latvia	Riga Ieriku iela 3	Real estate management	100%	100%	2006
SIA Selver Latvija	Riga Ieriku iela 3	Retail trade	100%	100%	2006
TKM Auto OÜ	Tallinn Gonsiori 2	Commercial and finance activities	100%	100%	2007
KIA Auto AS	Tallinn Ülemiste tee 1	Retail trade	100%	100%	2007
Ülemiste Autokeskus OÜ	Tallinn Ülemiste tee 1	Retail trade	100%	100%	2007
KIA Automobile SIA	Riga Pulkeveza Brieza 31	Retail trade	100%	100%	2007
KIA Auto UAB	Vilnius. Perkunkiemio g.2	Retail trade	100%	100%	2007
TKM Beauty OÜ	Tallinn Gonsiori 2	Retail trade	100%	100%	2007
TKM Beauty Eesti OÜ	Tallinn Gonsiori 2	Retail trade	100%	100%	2007
AS ABC King	Tallinn Pärnu mnt. 139E	Retail trade	100%	100%	2008
ABC King SIA	Riga Ieriku iela 3	Retail trade	100%	100%	2008
OÜ Suurtüki NK	Tallinn Ehitajate tee 110	Retail trade	100%	100%	2008
SIA Suurtuki	Riga Ieriku iela 3	Retail trade	100%	100%	2008
Kaubamaja AS	Tallinn Gonsiori 2	Retail trade	100%	0%	2012
Topsec Turvateenused OÜ	Tallinn Gonsiori 2	Security activities	100%	0%	2012
Kulinaaria OÜ	Tallinn Taevakivi 7B	Centre kitchen activities	100%	0%	2012
AS Viking Motors	Tallinn Tammsaare tee 51	Retail trade	100%	0%	2012

In 2011 there were no new business combinations.

Three new subsidiaries (Kaubamaja AS, Topsec Turvateenused OÜ and Kulinaaria OÜ) have been established in June 2012 for the purpose of improving the structure and making the administration of the group of Tallinna Kaubamaja more transparent.

Tallinna Kaubamaja AS as the group's parent company will hereafter concentrate on managing the subsidiaries and investments and on arranging the group's support services.

Purchases in 2012:

Name	Location	Area of activity	Acquisition date	Ownership %
AS Viking Motors	Estonia	Retail trade	01.07.2012	100%

The table below provides an overview of acquired identifiable assets and liabilities at the time of acquisition. The balance sheet as of 30.06.2012 has been used as the basis for preparing the purchase analysis.

in thousands of euros	Fair value	Carrying amount
Cash and bank	6	6
Other receivables and assets	714	714
Fixed assets	33	33
Trademark (Note 11)	1,588	0
Liabilities	-1,015	-1,015
Total identifiable assets	**1,326**	**-262**
Cost of ownership interest	1,326	0
Paid for ownership interest in cash	1,326	0
Cash and cash equivalents in the acquired entity	-6	0
Total cash effect on the Group	**-1,320**	

Trademark at value of 1,588 thousand euros was acquired. Trademark will be amortised during 7 years, amortisation started in September 2012 (Note 11).

From acquisition date till 30 September Viking Motors AS earned net profit of 22 thousand euros. If the acquisition of Viking Motors AS by the Group had happened at the beginning of the year then group revenues would have been higher by 4,175 thousand euros and net profit smaller by 397 thousand euros.

Note 8. Investments in associates
in thousands of euros

Tallinna Kaubamaja AS has ownership of 50% (2011: 50%) interest in the entity AS Rävala Parkla which provides the services of a parking house in Tallinn.

	30.09.2012	31.12.2011
Investment in the associate at the beginning of the year	**1,550**	**1,504**
Profit for the reporting period under equity method	100	150
Dividends received	-30	-104
Investment in the associate at the end of the accounting period	**1,620**	**1,550**

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

	30.09.2012	31.12.2011
Assets	3,716	3,706
Liabilities	476	606

	III quarter 2012	III quarter 2011	9 months 2012	9 months 2011
Revenue	74	96	266	360
Profit	42	63	200	266

Note 9. Investment property

in thousands of euros

	EUR
Carrying value as at 31.12.2011	**3,566**
Changes occurred in 2012	
Reclassification (Note 10)	162
Carrying value as at 30.09.2012	**3,728**

Investment property represents construction in progress. Determination of fair value is based on the expert opinion of a real estate expert, using a comparative method. Expert opinion has been adjusted by -10% which management believes is a fairer reflection of the fact that the detailed plan has not been approved yet. In 2012 network engineering and road engineering works were made for the properties in the amount of 162 thousand euros.

Note 10. Property, plant and equipment

in thousands of euros

	Land and buildings	Machinery and equipment	Other fixtures and fittings	Construc-tion in progress	Total
31.12.2010					
Cost or revalued amount	138,031	21,718	20,959	50,352	231,060
Accumulated depreciation	-10,290	-15,691	-14,369	-15,072	-55,422
Carrying value	**127,741**	**6,027**	**6,590**	**35,280**	**175,638**
Changes occurred in 2011					
Purchases and improvements	88	460	586	4,696	5,830
Reclassification	1,430	1,957	2,398	-5,785	0
Disposals	0	-38	-4	0	-42
Write-offs	0	-10	-74	0	-84
Depreciation	-4,048	-2,666	-2,828	0	-9,542
Currency translation difference	211	0	0	261	472
31.12.2011					
Cost or revalued amount	139,635	22,250	23,282	49,656	234,823
Accumulated depreciation	-14,213	-16,520	-16,614	-15,204	-62,551
Carrying value	**125,422**	**5,730**	**6,668**	**34,452**	**172,272**
Changes occurred in 2012					
Purchases and improvements	85	189	755	23,056	24,085
Acquired through business combinations	0	20	13	0	33
Reclassification	19,435	1,118	3,148	-23,863	-162
Disposals	-15	-9	-9	0	-33
Write-offs	0	-1	-975	0	-976
Depreciation	-3,219	-2,048	-2,216	0	-7,483
Currency translation difference	68	-1	1	84	152
30.09.2012					
Cost or revalued amount	158,898	22,411	25,027	48,992	255,328
Accumulated depreciation	-17,122	-17,413	-17,642	-15,263	-67,440
Carrying value	**141,776**	**4,998**	**7,385**	**33,729**	**187,888**

The cost of investments for the 9 months of 2012 amounted to 24,085 thousand euros.

The size of the investment in the business segment of Department store amounted to 2,760 thousand euros. In the reporting period extensive renovation was performed in Department store showrooms. Department store Women's department in Tallinn was expanded by 1000 square metres and was reopened as renewed to the clients on 8 March. The cost of the investment amounted to 1,223 thousand euros. On 22 March Estonian biggest Children's department was opened, total investment amounted to 791 thousand euros. Computing purchases amounted to 170 thousand euros, machinery purchases amounted to 258 thousand euros were made in reporting period. Showrooms were renewed for 318 thousand euros.

The cost of investments made in 9 months of 2012 in the supermarket business segment was 2,414 thousand euros. Advance payments in the amount of 1,010 thousand euros was made for the new software. In May new store in Saku was opened, investment amounted to 733 thousand euros. First store that was named as Selver Gurmee was opened in Tallinn at Kaubamaja first floor in B gallery, in the beginning of September. Total investment for the store amounted to 214 thousand euros. From 2012 Selver started to cook bake-off products (pre-cooked and deep-frozen products that need after baking) and new SELFSCAN cash register were introduced. For that purposes new machines were purchased in the amount of 368 thousand euros and computing technology in the amount of 89 thousand euros.

The cost of the real estate business segment investment was 18,611 thousand euros. On 8 February Männimäe

Selver property at Tallinn, Paldiski road 56 was purchased. On 30 May Torupilli Selver property at Vesivärava street 37. Tallinn was purchased. On 1 July property at Piiri 14, Keila was purchased and on 3 July AS Viking Motors property at Tammsaare road 51. Tallinn was purchased. During the reporting period there was finished Selver in Saku, which was opened on 17 May 2012.

The cost of investments in the accounting period was 145 thousand euros in the vehicle trade business segment. Machinery and equipment in the net amount of 33 thousand euros was acquired through business combinations (acquisition of Viking Motors AS shares) (Note 7).

Showrooms were renovated for 155 thousand euros in the footwear segment.

Note 11. Intangible assets

in thousands of euros

	Goodwill	Trademark	Beneficial contracts	Develop-ment expendi-ture	Total
31.12.2010					
Cost	7,298	3,509	1,080	18	11,905
Accumulated amortisation and impairment	-588	-583	-491	0	-1,662
Carrying value	**6,710**	**2,926**	**589**	**18**	**10,243**
Changes occurred in 2011					
Amortisation	0	-234	-196	-4	-434
31.12.2011					
Cost	7,298	3,509	1,080	18	11,905
Accumulated amortisation and impairment	-588	-817	-687	-4	-2,096
Carrying value	**6,710**	**2,692**	**393**	**14**	**9,809**
Changes occurred in 2012					
Purchases and improvements	0	1,588	0	368	1,956
Amortisation	0	-194	-148	-12	-354
30.09.2012					
Cost	7,298	5,097	1,080	386	13,861
Accumulated amortisation and impairment	-588	-1,011	-835	-16	-2,450
Carrying value	**6,710**	**4,086**	**245**	**370**	**11,411**

In June 2012 Group capitalised costs of the renewed Partner Card loyalty programme as development expenditure in the amount of 368 thousand euros.

A joint purchase bonus valid in all stores of the Group while using Partner card was added to the discounts valid so far – this will improve cross-group synergy, offering greater and greater discounts to the customers who make all their everyday purchases in the Group's various stores. Within the renewed programme, a joint international credit card was also introduced to the market in cooperation with LHV Bank.

As a trademark, the Group has recognised the image of ABC King acquired in acquisition of footwear trade segment companies AS ABC King and SIA ABC King; the image contains a combination of the name, symbol and design together with recognition and preference by consumers. The remaining useful life of the trademark as at 30.09.2012 is 10.75 years.

In the reporting period, as a trademark, the Group has additionally recognised the image of Viking Motors AS acquired in acquisition of car trade segment company in the amount of 1,588 thousand euros (Note 7). Trademark contains a combination of the name of Opel models, symbol and design together with recognition and preference by consumers. The remaining useful life of the trademark as at 30.09.2012 is 6.9 years.

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

in thousands of euros	**30.09.2012**	**31.12.2011**
Car trade	3,156	3,156
Footwear trade	3,554	3,554

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, except for Suurtüki SIA in footwear trade segment, 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.

Note 12. Interest bearing borrowings

in thousands of euros

	30.09.2012	**31.12.2011**
Long-term borrowings		
Bank loans	72,827	55,399
Finance lease liability	3	3
Other borrowings	236	189
Total long-term borrowings	**73,066**	**55,591**

in thousands of euros

	30.09.2012	**31.12.2011**
Short-term borrowings		
Overdraft	300	295
Bank loans	5,139	10,378
Finance lease liability	1	128
Other borrowings	537	460
Total short-term borrowings	**5,977**	**11,261**
Total borrowings	**79,043**	**66,852**

Borrowings received

in thousands of euros

	III quarter 2012	**III quarter 2011**	**9 months 2012**	**9 months 2011**
Overdraft	0	0	5	0
Bank loans	11,183	4,837	35,654	10,025
Other borrowings	311	564	1,045	1,304
Total borrowings received	**11,494**	**5,401**	**36,704**	**11,329**

Borrowings paid

in thousands of euros

	III quarter 2012	**III quarter 2011**	**9 months 2012**	**9 months 2011**
Bank loans	8,251	7,843	23,465	21,426
Finance lease liability	1	104	127	309
Other borrowings	253	395	921	1,097
Total borrowings paid	**8,505**	**8,342**	**24,513**	**22,832**

Bank loans and finance lease liabilities are denominated in euros.

As of 30.09.2012., the repayment dates of bank loans are between 31.10.2012 and 30.08.2018 (2011: between 30.09.2011 and 30.08.2018), interest is tied both to 3-month and 6-month EURIBOR as well as EONIA. Weighted average interest rate was 1.80% (2011: 2.61%).

Note 13. Trade payables

in thousands of euros

	30.09.2012	31.12.2011
Trade payables	43,897	43,957
Payables to related parties (Note 23)	2,863	2,462
Total trade payables	**46,760**	**46,419**

Note 14. Taxes payable

in thousands of euros

	30.09.2012	31.12.2011
Value added tax	1,784	2,270
Sales tax	0	595
Personal income tax	590	609
Social security taxes	1,283	1,335
Corporate income tax	5	21
Unemployment insurance	154	156
Mandatory funded pension	61	52
Total tax liabilities	**3,877**	**5,038**

Note 15. Other short-term payables

in thousands of euros

	30.09.2012	31.12.2011
Employee payables	2,218	3,124
Interest payable	5	37
Other accrued expenses	244	254
Prepayments	68	207
Prepayments by tenants	1,057	867
Total other short-term payables	**3,592**	**4,489**

Note 16. Provisions and prepayments

in thousands of euros

	30.09.2012	31.12.2011
Short-term provisions	106	135
Long-term provisions	53	73
Long-term prepaid income	556	0
Total provisions and prepayments	**715**	**208**

Short-term and long-term provisions represent warranty provisions related to footwear and vehicle trade.

Note 17. Share capital

As of 30.09.2012, the share capital in the amount of 24,438 thousand euros consisted of 40,729,200 ordinary shares with the nominal value of 0.60 euros per share (as of 31.12.2011. the share capital in the amount to 24,438 thousand euros consisted of 40,729,200 ordinary shares with the nominal value of 0.60 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. The general meeting of shareholders that took place on 12 April 2012 decided to pay dividends to the shareholders 0.35 euros per share in total amount of 14,255 thousand euros (2011: 11,404 thousand euros. 0.28 euros per share. Related income tax on dividends amounted to 3,762 thousand euros (2011: 3,031 thousand euros).

Note 18. Segment reporting

The 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. In the car trade segment, cars are sold at wholesale prices to authorised car dealers. In the footwear trade segment, footwear is sold at wholesale prices to family markets. 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 footwear trade. car trade and retail trade in supermarkets 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.

in thousands of euros

III quarter 2012	**Super markets**	**Depart-ment store**	**Car trade**	**Footwear trade**	**Real estate**	**Inter-segment transact-ions**	**Total seg-ments**
External revenue	**81,774**	**20,219**	**8,998**	**3,804**	**702**	**0**	**115,497**
Inter-segment revenue	214	479	5	128	2,463	-3,289	0
Total revenue	81,988	20,698	9,003	3,932	3,165	-3,289	115,497
Operating profit	**3,774**	**344**	**628**	**57**	**2,550**	0	**7,353**
Finance income (Note 21)	50	174	0	0	13	-216	21
Finance income on shares of associates	0	21	0	0	0	0	21
Finance costs (Note 21)	-1	-36	-45	-45	-364	216	-275
Income tax	0	0	2	0	1	0	3
Net profit	**3,823**	**503**	**585**	**12**	**2,200**	**0**	**7,123**
incl. in Estonia	4,414	503	618	17	2,045	0	7,597
incl. in Latvia	-591	0	-5	-5	155	0	-446
incl. in Lithuania	0	0	-28	0	0	0	-28
Segment assets	**59,695**	**156,426**	**13,897**	**12,012**	**176,042**	-146,055	**272,017**
Segment liabilities	**40,675**	**28,942**	**7,867**	**12,391**	**89,471**	-45,359	**133,987**
Segment investment in non-current assets	479	540	1,659	19	4,551	0	7,248
Segment depreciation and impairment losses	1,116	466	65	196	842	0	2,685

in thousands of euros

III quarter 2011	Super markets	Department store	Car trade	Footwear trade	Real estate	Inter-segment transactions	Total segments
External revenue	**81,575**	**18,937**	**5,277**	**3,807**	**691**	**0**	**110,287**
Inter-segment revenue	188	309	3	115	2,107	-2,722	0
Total revenue	81,763	19,246	5,280	3,922	2,798	-2,722	110,287
Operating profit	**5,048**	**394**	**473**	**66**	**2,138**	**0**	**8,119**
Finance income (Note 21)	56	292	0	0	37	-335	50
Finance income on shares of associates	0	32	0	0	0	0	32
Finance costs (Note 21)	-4	-251	-80	-70	-444	335	-514
Income tax	0	0	0	0	0	0	0
Net profit	**5,100**	**467**	**393**	**-4**	**1,731**	**0**	**7,687**
incl. in Estonia	5,679	467	374	11	1,634	0	8,165
incl. in Latvia	-579	0	-18	-15	97	0	-515
incl. in Lithuania	0	0	37	0	0	0	37
Segment assets	**57,885**	**154,738**	**9,807**	**13,107**	**159,082**	-141,089	**253,530**
Segment liabilities	**38,338**	**33,980**	**9,452**	**13,861**	**77,052**	-49,469	**123,214**
Segment investment in non-current assets	195	135	9	6	51	0	396
Segment depreciation and impairment losses	1,166	384	36	189	721	0	2,496

in thousands of euros

9 months 2012	Super markets	Department store	Car trade	Footwear trade	Real estate	Inter-segment transactions	Total segments
External revenue	**243,122**	**60,257**	**24,482**	**10,362**	**2,141**	0	**340,364**
Inter-segment revenue	666	1,384	16	300	6,824	-9,190	0
Total revenue	243,788	61,641	24,498	10,662	8,965	-9,190	340,364
Operating profit/(-loss)	**8,207**	**761**	**1,704**	**-98**	**6,907**	0	**17,481**
Finance income (Note 21)	181	718	0	1	65	-856	109
Finance income on shares of associates	0	100	0	0	0		100
Finance costs (Note 21)	-3	-569	-170	-180	-1,197	856	-1,263
Income tax	-2,801	0	-2	0	-960	0	-3,763
Net profit/(-loss)	**5,584**	**1,010**	**1,532**	**-277**	**4,815**	0	**12,664**
incl. in Estonia	7,345	1,010	1,566	-209	4,474	0	14,186
incl. in Latvia	-1,761	0	-34	-68	341	0	-1,522
incl. in Lithuania	0	0	0	0	0	0	0
Segment assets	**59,695**	**156,426**	**13,897**	**12,012**	**176,042**	-146,055	**272,017**
Segment liabilities	**40,675**	**28,942**	**7,867**	**12,391**	**89,471**	-45,359	**133,987**
Segment investment in non-current assets (Note 10, 11)	2,414	3,128	1,733	155	18,611	0	26,041
Segment depreciation and impairment losses (Note 10, 11)	4,411	1,293	133	583	2,374	0	8,794

in thousands of euros

9 months 2011	Super markets	Depart-ment store	Car trade	Footwear trade	Real estate	Inter-segment transact-ions	Total seg-ments
External revenue	**234,903**	**55,249**	**14,224**	**10,032**	**2,059**	0	**316,467**
Inter-segment revenue	619	862	10	337	6,134	-7,962	0
Total revenue	235,522	56,111	14,234	10,369	8,193	-7,962	316,467
Operating profit	**9,570**	**224**	**1,178**	**-185**	**6,132**	0	**16,919**
Finance income (Note 21)	110	725	0	1	61	-716	181
Finance income on shares of associates	0	133	0	0	0	0	133
Finance costs (Note 21)	-19	-622	-165	-172	-1,104	716	-1,366
Income tax	-3,031	0	0	0	0	0	-3,031
Net profit	**6,630**	**460**	**1,013**	**-356**	**5,089**	0	**12,836**
incl. in Estonia	8,385	460	1,003	-278	4,569	0	14,139
incl. in Latvia	-1,755	0	-58	-78	520	0	-1,371
incl. in Lithuania	0	0	68	0	0	0	68
Segment assets	**57,885**	**154,738**	**9,807**	**13,107**	**159,082**	-141,089	**253,530**
Segment liabilities	**38,338**	**33,980**	**9,452**	**13,861**	**77,052**	-49,469	**123,214**
Segment investment in non-current assets	2,508	611	50	98	171	0	3,438
Segment depreciation and impairment losses	3,518	1,072	111	573	2,158	0	7,432

External revenue according to types of goods and services sold

in thousands of euros

	III quarter 2012	III quarter 2011	9 months 2012	9 months 2011
Retail revenue	108,086	104,550	318,140	301,335
Wholesale revenue	3,751	2,281	11,482	5,072
Rental income	1,495	1,409	4,503	4,246
Services and catering revenue	2,165	2,047	6,239	5,814
Total revenue	**115,497**	**110,287**	**340,364**	**316,467**

External revenue by client location

in thousands of euros

	III quarter 2012	III quarter 2011	9 months 2012	9 months 2011
Estonia	113,200	107,978	333,146	309,829
Latvia	1,016	1,060	2,743	2,892
Lithuania	1,281	1,249	4,475	3,746
Total	**115,497**	**110,287**	**340,364**	**316,467**

Distribution of non-current assets* by location of assets

in thousands of euros

	30.09.2012	31.12.2011
Estonia	171,481	154,013
Latvia	32,371	32,482
Lithuania	200	193
Total	**204,052**	**186,688**

* 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 19. Other operating expenses

in thousands of euros

	III quarter 2012	III quarter 2011	9 months 2012	9 months 2011
Rental expenses	3,370	3,466	10,085	10,360
Operating costs	1,530	1,543	4,595	4,604
Advertising expenses	1,382	1,087	4,431	3,296
Bank expenses	624	756	1,841	2,296
Security costs	228	367	715	1,191
Heat and electricity expenses	1,512	1,464	5,155	4,519
Cost of sales materials	755	695	2,547	2,198
Computer and communication costs	741	598	1,879	1,832
Business trip expenses	109	103	333	282
Training expenses	32	20	123	97
Insurance expenses	24	19	73	53
Logistics expenses	256	211	660	577
Miscellaneous other operating expenses	563	494	1,822	1,504
Total other operating expenses	**11,126**	**10,823**	**34,259**	**32,809**

Note 20. Staff costs

in thousands of euros

	III quarter 2012	III quarter 2011	9 months 2012	9 months 2011
Wages and salaries	6,344	5,880	19,563	18,559
Social security taxes	2,128	1,987	6,572	6,284
Total staff costs	**8,472**	**7,867**	**26,135**	**24,843**
Average wages per employee per month (euros)	620	583	651	622
Average number of employees in the reporting period	3,412	3,363	3,340	3,318

Note 21. Finance income and costs

in thousands of euros

Finance income

	III quarter 2012	III quarter 2011	9 months 2012	9 months 2011
Interest income on cash and cash equivalents	2	11	8	36
Interest income on Partner credit card	17	20	60	78
Interest income on NGI Group's group account (Note 23)	2	19	41	66
Other finance income	0	0	0	1
Total finance income	**21**	**50**	**109**	**181**

Finance costs

	III quarter 2012	III quarter 2011	9 months 2012	9 months 2011
Interest expense of bank loans	-259	-478	-1,206	-1,269
Interest expense of finance lease	-1	-5	-3	-21
Other finance costs*	-15	-31	-54	-76
Total finance costs	**-275**	**-514**	**-1,263**	**-1,366**

* Other finance costs consist of the fees for conclusion and changing of lease agreements and factoring agreements.

Note 22. 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.

	III quarter 2012	III quarter 2011	9 months 2012	9 months 2011
Net profit (in thousands of euros)	7,123	7,687	12,664	12,836
Weighted average number of shares	40,729,200	40,729,200	40,729,200	40,729,200
Basic and diluted earnings per share (euros)	0.17	0.19	0.31	0.32

Note 23. Related party transactions

in thousands of euros

In preparing the consolidated annual report of AS Tallinna Kaubamaja, 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 Group companies;
e. close relatives of the persons described above and the entities under their control or significant influence.

Majority shareholder of Tallinna Kaubamaja 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 Group.

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

	Purchases 9 months 2012	Sales 9 months 2012	Purchases 9 months 2011	Sales 9 months 2011
Parent	312	72	221	67
Entities in the Parent’s consolidation group	14,684	1,138	13,724	923
Members of management and supervisory boards	0	3	0	0
Other related parties	876	14	982	4
Total	**15,872**	**1,227**	**14,927**	**994**

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:

	30.09.2012	31.12.2011
Interest receivable from Parent (Note 3)	1	11
Receivable from Parent (Note 4)	0	9,000
Receivables from entities in the in the Parent’s consolidation group (Note 3)	58	93
Loan receivable from entities in the in the Parent’s consolidation group (Note 4)	190	277
Sales bonuses receivable from entities in the in the Parent’s consolidation group (Note 3)	6	124
Members of management and supervisory boards (Note 3)	2	2
Total receivables from related parties	**257**	**9,507**

	30.09.2012	31.12.2011
Parent	21	22
Entities in the Parent’s consolidation group	2,684	2,378
Other related parties	158	62
Total liabilities to related parties (Note 13)	**2,863**	**2,462**

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.

Group account

For proving funding for its subsidiaries, the 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 9 months of 2012. Tallinna Kaubamaja Group earned interest income on its deposits of available funds in the amount of 41 thousand euros (2011: 66 thousand euros). In 2012, Tallinna Kaubamaja Group did not use or pay any interest to the head group. As at 31.12.2011 Group deposited through parent company NG Investeeringud OÜ 9,000 thousand euros with interest rate 1.6% and with maturity up to 21 March 2012.

The average interest rate on available funds deposited to the group account of NG Investeeringud OÜ was 0.16% in the euro account (2011: 0.76%). 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 Tallinna Kaubamaja Group for the reporting period including wages, social security taxes, bonuses and car expenses, amounted to 488 thousand euros (9 months 2011: 321 thousand euros). Short term benefits to supervisory boards' members of Tallinna Kaubamaja Group in reporting period including social taxes amounted to 165 thousand euros (9 months 2011: 163 thousand euros).