

TALLINNA KAUBAMAJA AS

**Consolidated Interim Report for
the First quarter of 2014**
(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 3,750 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 2014
End of financial year:	31 December 2014
Beginning of interim report period:	1 January 2014
End of interim report period:	31 March 2014
Auditor:	PricewaterhouseCoopers AS
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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 21 February 2014 and his term of office expires on 6 March 2017.

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.

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 5.30 euros at the end of 2013 was closed in late March of 2014 at 5.60 euros, increased by 5.66% within the three months of the year.

According to the notice of regular annual general meeting of the shareholders published on 3 March 2014, the management board proposed to pay dividends 0.15 euros per share. The general meeting of shareholders approved it.

On 27 March 2014, the annual general meeting of shareholders of Tallinna Kaubamaja AS decided to amend the articles of association and to reduce the share capital by reducing the nominal value of shares by 0.20 euros, from the existing 0.60 euros to 0.40 euros. At the same time, the total number of shares was not changed. According to the Commercial Code, respective amendment of the articles of association shall take effect as of respective entry to the Commercial Registry. Respectively, also the changes in the share capital and nominal value of the shares shall be considered changed as of entry in the Commercial Registry. The abovementioned changes shall take effect as a result of the procedural deadlines of the law approximately in July 2014 and as of then the nominal value of the shares shall be 0.40 euros.

Share price and trading statistics on the Tallinn Stock Exchange from 01.01.2013 to 31.03.2014.

In euros



Company's structure

The following companies belong to the group as of March 31, 2014:

	Location	Shareholding as of 31.03.2014	Shareholding as of 31.12.2013
Selver AS	Estonia	100%	100%
Kulinaaria OÜ	Estonia	100%	100%
Kaubamaja AS	Estonia	100%	100%
Topsec Turvateenused OÜ	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%
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%
SIA Suurtuki	Latvia	0%	100%
AS TKM King	Estonia	100%	100%
SIA ABC King	Latvia	0%	100%
Rävala Parkla AS	Estonia	50%	50%

Economic development

Economic growth was significantly lower than expected in 2013: only 0.8%, including 0.3% in the last quarter. The economic growth forecasts made earlier for 2014 have been adjusted down in the recent weeks, mainly due to the reduced growth perspectives of Estonia's trade partners and the unpredictable development of the geopolitical crisis. The latter decreases the activity of tourists from the East which will have a negative impact on local trade. According to the estimations of different analysts, Estonian economic growth will remain between 0.5–2.0 percent in 2014. The growth of private consumption is forecast to be relatively fast (3.9%) regardless of the stalled growth in employment income. The real growth of consumption is supported by the unexpected slow-down of the growth of the consumer price index.

Estonian consumer price index increased only by 0.6% in the first three months, with the prices of food and non-alcoholic beverages increasing 2.0% and clothes and footwear 1.7%. The price of eating out and accommodation has increased the most – 5.4%. Analysts estimate that inflation will remain at 1% this year.

According to Statistics Estonia, the total volume of retail sales in current prices increased 6.1% in the first two months of 2014 in Estonia. The largest growth of turnover was seen in retail sales by post or via the Internet – 31.5%, although its share in the retail sales was small. Retail sales in non-specialised shops (mainly grocery) increased by 8.9% in the first two months, while the retail sales of food, beverages and tobacco products in specialised shops decreased by 21.6%, indicating a structural change in the competition of grocery stores. The March consumer barometer survey conducted by the Estonian Institute of Economic Research revealed that the certainty of consumers has improved, exceeding the long-term average for several subsequent months by now.

Economic results**FINANCIAL RATIOS 2013–2014**

	EUR		Change
	1 st quarter 2014	1 st quarter 2013	
Sales revenue (in millions)	119.7	112.0	6.8%
Operating profit/loss (in millions)	1.0	1.7	-41.6%
Net profit/loss (in millions)	-0.6	-2.3	-73.0%
Return on equity (ROE)	-0.4%	-1.7%	
Return on assets (ROA)	-0.2%	-0.8%	
Net profit margin	-0.52%	-2.04%	
Gross profit margin	23.51%	23.61%	
Quick ratio	0.99	0.74	
Debt ratio	0.51	0.55	
Sales revenue per employee (in millions)	0.032	0.033	
Inventory turnover	1.67	1.70	
SHARE			
Average number of shares (1000 pcs)	40,729	40,729	
Equity capital per share (EUR/share)	3.95	3.18	
Share's closing price (EUR/share)	5.600	6.250	
Earnings per share (EUR/share)	-0.02	-0.06	
Average number of employees	3,759	30,428	

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

In the first quarter of 2014, the consolidated unaudited sales revenue of Tallinna Kaubamaja Group was 119.7 million euros. The growth was 6.8%, compared to the sales revenue of 112.0 million euros earned in the first quarter of 2013. The sales revenue increased in all business segments of the Group, with the highest growth in the car trade and footwear segments. The amount of income tax calculated on dividends was 1.3 million euros, resulting in a net loss of 0.6 million euros in the reporting period. Loss earned in the first quarter of 2013 was 2.3 million euros, including income tax in the amount of 3.8 million euros. Profit before taxes was 0.7 million euros, which is half of the profit earned in the same period year earlier.

Although there were several adverse factors that influenced the sales compared to the situation a year earlier, we are satisfied with the Group's sales revenue earned in the first quarter of 2014. While an exceptionally warm winter enabled clients to save on heating costs and contribute to retail sales, they did not spend their extra money on winter clothes and footwear, the sales of which usually account for a large portion of the sales revenue earned by the Group in the first quarter of a year. The results of the supermarket segment by quarters deviated from the norm because the Easter holidays are in April (in March in 2013) and the Laadapäevad sales campaign was moved to the second quarter (in the first quarter in 2013). The margin was slightly lower due to larger discounts on winter goods and clearance sales of two footwear stores compared to the previous year. The growth of labour costs (15.9%) had a strong impact on the profit numbers. The number of employees increased (9.6%) due to additional selling space and the average labour cost per employee increased as well (5.7%). New commercial software was introduced in Selver stores in the beginning of the year, which will make handling of goods easier and increase the efficiency of labour force after its launch period.

In the first quarter of 2014, a new ABC King flagship store was opened in Viru Keskus in Tallinn, while the old ABC King and SHU stores that had operated in Viru Keskus were closed down.

The volume of the assets of the Tallinna Kaubamaja Group as of 31 March 2014 was 327.0 million euros, it decreased by 0.8 million euros compared to the end of 2013, i.e. 0.3%.

There were more than 575 thousand loyal customers at the end of the reporting period; the number of loyal customers increased by 0.8% in a year. The proportion of loyal customers in the Group's turnover was 82.3% (85.4% in the first quarter of 2013). By the end of 1st quarter, over 6.2 thousand Partner Bank and Credit Cards had been issued.

Selver supermarkets

The consolidated sales revenue of the supermarket business segment was 82.4 million euros in the first quarter of 2014, a growth of 3.6% compared to the same period of the previous year. The average monthly sales revenue of goods per a square metre of retail space was 0.32 thousand euros in the first quarter of 2014, a decrease of 6.2% year-over-year. The sales revenue of goods of comparable stores per square metre of selling space was 0.32 thousand euros per month in the first quarter, a decrease of 5.9%. The sales revenue of the Selver subsidiary Kulinaaria OÜ increased in the first quarter of 2014, demonstrating a growth of 19.1% year-over-year. In the first quarter of 2014, 8.2 million purchases were made in Selver stores, exceeding the year-over-year number of purchases by 4.3%.

The consolidated pre-tax loss of the supermarket segment was 0.7 million euros in the first quarter of 2014, of which the loss earned in Estonia was 0.1 million euros – an increase of 0.7 million euros year-over-year. The consolidated net loss of the supermarket segment was 1.0 million euros, an improvement of 0.7 million euros compared to last year's loss of 1.7 million euros. The net loss earned in the first quarter of 2014 in Estonia was 0.4 million euros, an improvement of 0.7 million euros year-over-year. The reason for the difference between the amount of net profit and pre-tax profit is the income tax paid on dividends: income tax of 1.7 million euros was calculated on dividends in 2013 and 0.4 million euros in 2014. The loss earned in Latvia was 0.6 million euros, remaining at the same level as in the previous year. Business activities have been frozen in Latvia.

New stores opened in 2013 supported the growth of sales revenue in the first quarter of 2014. New Selver stores have had a negative impact on the results of comparable stores, causing a constant re-allocation of clients between stores.

Profit earned in Estonia has been affected by the continuing cost-efficiency of operations, as well as changes in the labour market that have resulted in an increase in average wages. On 1 January, new commercial software was introduced in Selver, which has caused one-time uncapitalised costs. A separate gourmet store in Solaris Centre was closed down and a gourmet goods department was opened in Piritä Sever in the first quarter.

As of the end of the first quarter of 2014, the Selver stores chain includes 43 Selver stores with retail space of 82.3 thousand m². In June 2014, the number of Selver stores will increase to 44 as a new store will be opened in the Astri Centre in Narva.

Department stores

The sales revenue of the department store segment in the first three months of 2014 was 20.6 million euros, a year-over-year growth of 3.2%. The sales revenue of department stores per a square metre of retail space was 0.81 thousand euros in the first three months, 3.9% more than in the same period last year. The warmer than usual winter months had a negative impact on the sales revenue, reducing the sales of outerwear. Although the department stores earned zero pre-tax profit in the first quarter of 2014, the result was still a 0.3 million euro increase year-over-year. The reduced utility charges resulting from the softer winter and efficiently managed discount campaigns had a positive impact on the result of Kaubamaja.

The sales revenue of OÜ TKM Beauty Eesti, the company operating I.L.U. cosmetics stores, was 1.0 million euros in the first quarter of 2014, showing a year-over-year growth of 0.6%. Loss earned in the first quarter was 0.1 million euros, a decrease of 0.01 million euros compared to the same period in 2013. Internet stores that sell cosmetics at more favourable prices have become a major competition to I.L.U. stores, although they do not provide any guarantees to the quality of goods.

Car Trade

The sales revenue of the car trade segment was 12.4 million euros in the first quarter of 2014. The sales revenue exceeded the year-over-year results by 37.6%, including a growth of 11.6% in the sales revenue of KIA cars. A total of 638 vehicles were sold in the first three months of the year. The pre-tax profit earned in this segment in the first quarter of 2014 was 0.1 million euros. Profit earned in the first quarter of 2014 was 76.7% lower than the same period last year. The significantly higher share of fleet-sales influenced the margins in the first quarter of 2014. Due to supply problems of the new KIA Sportage model, the retail sales of Sportages suffered in the first quarter of 2014. The new car dealership opened in Latvia at the end of 2013 started to sell Peugeot and Cadillac cars in addition to KIAs; on the other hand, the new dealership increased rent and utility costs and also marketing costs to promote the new models compared to last year.

Footwear trade

The sales revenue of footwear was 3.4 million euros in the first quarter of 2014, a growth of 25.9% compared to the same period of 2013. The loss in the first quarter of 2014 was 0.8 million euros, an increase of 0.2 million euros compared to the loss in the first quarter of 2013. The significantly higher sales revenue compared to the previous year as well as the increased loss were primarily related to the clearance sales of ABC King and Shu stores in Viru Keskus in Tallinn. The stock of previous seasons was also reduced during the clearance sales.

In the last days of March, a so-called new generation shoes store under the ABC King trademark was successfully opened in Viru Keskus. This is also the first fashion goods store with 100% LED lighting in Estonia.

Real Estate

The sales revenue of the real estate business segment earned outside of the Group was 0.8 million euros in the first quarter of 2014, an increase of 0.1 million euros or 10.2% year-over-year. The pre-tax profit of the real estate segment was 2.1 million euros in the first quarter of 2014, an increase of 0.1 million or 3.2% compared to the same period in the previous financial year. Spaces added in 2013 that are rented to other segments of the Group account for the growth of profit. By the end of 2013, Peetri Selver in Rae rural municipality and a car dealership in Ulmana Street in Riga were completed.


The goal for 2014 is to begin the construction of a shopping centre in the centre of Viimsi and continue with the preparations for future development projects.

Personnel

In the first quarter of 2014, the average number of employees in Tallinna Kaubamaja Group was 3,759 people, a growth of 9.6% compared to the same period in 2013. Total labour costs (wages and social insurance contributions) in the first three months of 2014 were 11.3 million euros, a year-over-year growth of 15.9%. Average wage cost per employee increased 5.7% compared to the average wage in the first quarter of 2013. The reason for the increase in labour costs is the larger number of stores and adjusted wages that help to remain in competition in the labour market.

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, 16 April 2014

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 first quarter 2014 as set out on pages 10 - 27

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, 16 April 2014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros

	Note	31.03.2014	31.12.2013
ASSETS			
Current assets			
Cash and bank	2	6,901	14,766
Trade receivables and prepayments	3	20,754	15,991
Inventories	5	54,837	51,937
Total current assets		82,492	82,694
Non-current assets			
Receivables and prepayments	8	313	313
Investments in associates	7	1,757	1,711
Investment property	9	3,035	3,035
Property, plant and equipment	10	228,842	229,406
Intangible assets	11	10,515	10,636
Total non-current assets		244,462	245,101
TOTAL ASSETS		326,954	327,795
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings	12	13,742	14,300
Trade payables and other liabilities	13	69,318	67,725
Total current liabilities		83,060	82,025
Non-current liabilities			
Borrowings	12	81,941	77,104
Provisions and prepayments		889	878
Total non-current liabilities		82,830	77,982
TOTAL LIABILITIES		165,890	160,007
Equity			
Share capital	15	24,438	24,438
Statutory reserve capital		2,603	2,603
Revaluation reserve		68,253	68,617
Currency translation differences		-255	-257
Retained earnings		66,025	72,387
TOTAL EQUITY		161,064	167,788
TOTAL LIABILITIES AND EQUITY		326,954	327,795

The notes presented on pages 15 to 27 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	3 months 2014	3 months 2013
Revenue	16	119,651	112,010
Other operating income		148	214
Materials, consumables used and services	5	-91,525	-85,568
Other operating expenses	17	-13,060	-12,410
Staff costs	18	-11,251	-9,710
Depreciation, amortisation and impairment losses	10,11	-2,710	-2,751
Other expenses		-264	-91
Operating profit		989	1,694
Finance income	19	5	8
Finance costs	19	-333	-259
Finance income on shares of associates	7	46	40
Profit before tax		707	1,483
Corporate income tax	15	-1,324	-3,772
NET LOSS FOR THE FINANCIAL YEAR		-617	-2,289
Other comprehensive income:			
<i>Items that subsequently might be reclassified to profit or loss</i>			
Currency translation differences		2	-195
Other comprehensive income/loss for the financial year		2	-195
TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL YEAR		-615	-2,484
Basic and diluted earnings per share (euros)	20	-0.02	-0.06

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

The notes presented on pages 15 to 27 form an integral part of these consolidated interim financial statements.

CONSOLIDATED CASH FLOW STATEMENT

In thousands of euros

	Note	3 months 2014	3 months 2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss		-617	-2,289
<i>Adjustments:</i>			
<i>Interest expense</i>	19	333	259
<i>Interest income</i>	19	-5	-8
<i>Depreciation, amortisation</i>	10, 11	2,674	2,742
<i>Loss on sale and write-off of non-current assets</i>	10	36	18
<i>Profit on sale of non-current assets</i>		-2	0
<i>Effect of equity method</i>	7	-46	-40
Change in inventories		-2,900	-2,101
Change in receivables and prepayments related to operating activities		3,238	1,351
Change in liabilities and prepayments related to operating activities		-4,469	1,439
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		-1,758	1,371
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment (excl. finance lease)	10	-2,032	-9,936
Proceeds from sale of property, plant and equipment	10	19	0
Purchase of intangible assets	11	-10	-14
Change in balance of parent company's group account	21	-8,000	5,000
Interest received	19	5	8
TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES		-10,018	-4,942
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	12	13,291	5,059
Repayments of borrowings	12	-9,013	-8,149
Change in overdraft balance	12	0	2,608
Repayments of finance lease principal	12	0	-1
Interest paid		-368	-281
TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES		3,910	-764
TOTAL CASH FLOWS		-7,866	-4,335
Effect of exchange rate changes		1	1
Cash and cash equivalents at the beginning of the period	2	14,766	13,494
Cash and cash equivalents at the end of the period	2	6,901	9,160
Net change in cash and cash equivalents		-7,865	-4,334

The notes presented on pages 15 to 27 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 31.12.2011	24,438	2,603	51,079	68,066	-7	146,179
Net profit for the reporting period	0	0	0	-2,289	0	-2,289
Other comprehensive income for the reporting period	0	0	0	0	-195	-195
Total comprehensive income for the reporting period	0	0	0	-2,289	-195	-2,484
Reclassification of depreciation of revalued land and buildings	0	0	-280	280	0	0
Dividends paid	0	0	0	-14,255	0	-14,255
Balance as of 31.03.2013	24,438	2,603	50,799	51,802	-202	129,440
Net profit for the reporting period	0	0	0	17,464	0	17,464
Revaluation of land and buildings	0	0	18,650	0	0	18,650
Other comprehensive loss for the reporting period	0	0	0	0	-250	-250
Total comprehensive income for the reporting period	0	0	18,650	17,464	-250	35,864
Reclassification of depreciation of revalued land and buildings	0	0	-1,112	1,112	0	0
Dividends paid	0	0	0	-14,255	0	-14,255
Balance as of 31.12.2013	24,438	2,603	68,617	72,387	-257	167,788
Net profit for the reporting period	0	0	0	-617	0	-617
Other comprehensive loss for the reporting period	0	0	0	0	2	2
Total comprehensive income for the reporting period	0	0	0	-617	2	-615
Reclassification of depreciation of revalued land and buildings	0	0	-364	364	0	0
Dividends paid	0	0	0	-6,109	0	-6,109
Balance as of 31.03.2014	24,438	2,603	68,253	66,025	-255	161,064

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

The notes presented on pages 15 to 27 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 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 2013. 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 2013.

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 first quarter of 2014 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 Bank

in thousands of euros	31.03.2014	31.12.2013
Cash on hand	496	571
Bank accounts	5,580	12,427
Cash in transit	825	1,768
Total cash and bank	6,901	14,766

Note 3. Trade Receivables and prepayments

in thousands of euros	31.03.2014	31.12.2013
Trade receivables (Note 4)	10,319	13,336
Short-term receivables from related parties (Note 21)	8,000	0
Other short-term receivables	53	4
Total financial assets from balance sheet line "Trade receivables and prepayments"	18,372	13,340
Prepayment for goods	1,236	1,616
Other prepaid expenses	763	484
Prepaid rental expenses	319	412
Prepaid taxes (Note 14)	64	139
Total trade receivables and prepayments	20,754	15,991

Note 4. Trade receivables

in thousands of euros	31.03.2014	31.12.2013
Trade receivables	8,473	11,027
Allowance for doubtful receivables	-82	-79
Receivables from related parties (Note 21)	1,050	665
Credit card payments	878	1,723
Total trade receivables	10,319	13,336

Note 5. Inventories

in thousands of euros	31.03.2014	31.12.2013
Goods purchased for resale	54,144	51,216
Raw materials and materials	693	721
Total inventories	54,837	51,937

Tallinna Kaubamaja AS

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

	3 months 2014	3 months 2013
Write-down and write-off of inventories	2,202	1,395
Inventory stocktaking deficit	103	265
Total materials and consumables used	2,305	1,660

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 31.03.2014	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 Latvia	Riga Ieriku iela 3	Real estate management	100%	2006
SIA Selver Latvija	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 Pulkeva Brieza 31	Retail trade	100%	2007
KIA Auto UAB	Vilnius Perkunkiemo 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
Topsec Turvateenused OÜ	Tallinn Gonsiori 2	Security activities	100%	2012
Kulinaaria OÜ	Tallinn Taevakivi 7B	Centre kitchen activities	100%	2012
AS Viking Motors	Tallinn Tammsaare tee 51	Retail trade	100%	2012

In 2013 and 2014 there were no business combinations.

With the intention of improving the structure and making the administration of Tallinna Kaubamaja group more transparent, merger and division of its subsidiaries took place in 2013. Reorganizing the structure of the group had no impact on the consolidated financial results. Restructuring did not have substantial influence on the operations of the Tallinna Kaubamaja AS group.

The subsidiary of AS Tallinna Kaubamaja, AS TKM King, has two dormant subsidiaries in Latvia – SIA ABC King and SIA Suurtuki. In 07 August 2013 AS TKM King sold its shareholdings in the above mentioned Latvian subsidiaries to SIA TKM Latvija, which is also a part of the AS Tallinna Kaubamaja group. The reason for selling the shares is optimizing of costs of Latvian subsidiaries. In January Latvian Enterprise Register has registered the merger between SIA TKM Latvija (acquiring company), SIA ABC King (company being acquired) and SIA Suurtuki (company being acquired). In connection to registration of the merger, SIA ABC King and SIA Suurtuki were deleted from the Enterprise Register. According to the merger agreement the legal successor of SIA ABC King and SIA Suurtuki is SIA TKM Latvija. By registration of the mergers, all assets of SIA ABC King and SIA Suurtuki were given over to SIA TKM Latvija. The share capital of the acquiring company did not change.

Note 7. Investments in associates

in thousands of euros

Tallinna Kaubamaja AS has ownership of 50% (2013: 50%) interest in the entity AS Rävåla Parkla which provides the services of a parking house in Tallinn.

	31.03.2014	31.12.2013
Investment in the associate at the beginning of the year	1,711	1,628
Profit for the reporting period under equity method	46	163
Dividends received	0	-80
Investment in the associate at the end of the accounting period	1,757	1,711

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

	31.03.2014	31.12.2013
Assets	3,690	3,644
Liabilities	176	222
	3 months 2014	3 months 2013
Revenue	112	96
Profit	92	80

Note 8. Long-term prepayments and receivables

in thousands of euros

	31.03.2014	31.12.2013
Prepaid rental expenses	204	204
Deferred tax asset	74	74
Other receivables	35	35
Total long-term prepayments and receivables	313	313

Note 9. Investment property

in thousands of euros

	EUR
Carrying value as at 31.12.2012	3,756
Reclassification (Note 10)	-721
Carrying value as at 31.12.2013	3,035
Carrying value as at 31.03.2014	3,035

Investment property represents construction in progress.

In 2013, the opinion of an independent certified real estate expert was used in appraising the fair value of 3 facilities. During the realization of the 2013 detailed plan, two registered immovables were divided into five plots designated for development, three of which are reflected as investment properties. As a result, a reclassification from investment properties to the fixed assets group "Land and buildings" in the amount of 721 thousand euros was performed in the reporting year.

As a result of valuation, the items of investment property were adjusted neither upwards nor downwards in 2013. In 2014 no changes were recognised 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
31.12.2012					
Cost or revalued amount	158,633	23,810	25,970	48,377	256,790
Accumulated depreciation	-15,374	-18,042	-17,839	-15,237	-66,492
Carrying value	143,259	5,768	8,131	33,140	190,298
Changes occurred in 2013					
Purchases and improvements	87	226	602	29,228	30,143
Reclassification (Note 9)	20,565	3,785	4,011	-27,640	721
Disposals	0	-1	-1	-53	-55
Write-offs	-123	-38	-46	-11	-218
Decline/increase in value through profit or loss	614	0	0	-606	8
Increase in value through revaluation reserve	18,650	0	0	0	18,650
Depreciation	-4,708	-2,275	-2,904	0	-9,887
Currency translation difference	-119	-1	-4	-130	-254
31.12.2013					
Cost or revalued amount	181,231	27,022	28,663	49,678	293,717
Accumulated depreciation	-3,006	-19,558	-18,874	-15,750	-64,311
Carrying value	178,225	7,464	9,789	33,928	229,406
Changes occurred in 2014					
Purchases and improvements	11	45	443	1,533	2,032
Reclassification	438	332	228	-998	0
Disposals	0	-17	0	0	-17
Write-offs	-31	0	-5	0	-36
Depreciation	-1,368	-479	-696	0	-2,543
31.03.2014					
Cost or revalued amount	181,637	27,372	29,299	50,213	288,521
Accumulated depreciation	-4,362	-20,027	-19,540	-15,750	-59,679
Carrying value	177,275	7,345	9,759	34,463	228,842

The cost of investments for the three months of 2014 amounted to 2,042 thousand euros.

The cost of investments made in 3 months of 2014 in the supermarket business segment was 661 thousand euros. In the reporting period Selver renewed store fittings and purchased computing technology.

The size of the investment in the business segment of Department store amounted to 385 thousand euros. In the reporting period security service equipment for video monitoring centre was purchased and renovation works were carried out in Department store showrooms.

The cost of investments in the accounting period was 130 thousand euros in the car trade business segment.

The cost of investments made in the reporting period in the footwear segment was 399 thousand euros. In March new store under trademark ABC King was opened in Viru Centre.

The cost of the real estate business segment investment amounted to 467 thousand euros for renovation works performed.

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	Development expenditure	Total
31.12.2012					
Cost	7,298	5,097	1,080	388	13,863
Accumulated amortisation and impairment	-588	-1,127	-884	-28	-2,627
Carrying value	6,710	3,970	196	360	11,236
Changes occurred in 2013					
Purchases and improvements	0	0	0	108	108
Amortisation	0	-461	-196	-51	-708
31.12.2013					
Cost	7,298	5,097	1,080	496	13,971
Accumulated amortisation and impairment	-588	-1,588	-1,080	-79	-3,335
Carrying value	6,710	3,509	0	417	10,636
Changes occurred in 2014					
Purchases and improvements	0	0	0	10	10
Amortisation	0	-115	0	-16	-131
31.03.2014					
Cost	7,298	5,097	1,080	506	13,981
Accumulated amortisation and impairment	-588	-1,703	-1,080	-95	-3,466
Carrying value	6,710	3,394	0	411	10,515

In the reporting period Group capitalised costs of the Partner Card loyalty programme and a web page update as development expenditure in the amount of 10 thousand euros.

As a trademark, the Group has recognised the image of 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 31.03.2014 is 9.25 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.

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

in thousands of euros	31.03.2014	31.12.2013
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, 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	31.03.2014	31.12.2013
Short-term borrowings		
Overdraft	400	400
Bank loans	11,174	12,265
Other borrowings	2,168	1,635
Total short-term borrowings	13,742	14,300

in thousands of euros	31.03.2014	31.12.2013
Long-term borrowings		
Bank loans	78,368	75,283
Other borrowings	3,573	1,821
Total long-term borrowings	81,941	77,104
Total borrowings	95,683	91,404

Borrowings received

in thousands of euros	3 months 2014	3 months 2013
Overdraft	0	2,608
Bank loans	12,448	4,563
Other borrowings	843	496
Total borrowings received	13,291	7,667

Borrowings paid

in thousands of euros	3 months 2014	3 months 2013
Bank loans	8,495	7,776
Finance lease liability	0	1
Other borrowings	518	373
Total borrowings paid	9,013	8,150

Bank loans and finance lease liabilities are denominated in euros.

As of 31.03.2014, the repayment dates of bank loans are between 10.07.2014 and 07.12.2019 (2013: between 21.04.2013 and 30.08.2018), interest is tied both to 3-month and 6-month EURIBOR as well as EONIA. Weighted average interest rate was 1.43% (2013: 1.30%).

Note 13. Trade payables and other liabilities

in thousands of euros

	31.03.2014	31.12.2013
Trade payables	47,102	51,112
Payables to related parties (Note 21)	4,081	5,323
Other accrued expenses	35	69
Prepayments by tenants	1,479	1,264
Total financial liabilities from balance sheet line "Trade payables and other liabilities"	52,697	57,768
Taxes payable (Note 14)	4,339	5,388
Dividends declared (Note 15)	6,109	0
Income tax liability on dividends (Note 15)	1,324	0
Employee payables	3,765	3,521
Prepayments	942	895
Short-term provisions*	142	153
Total trade payables and other liabilities	69,318	67,725

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

Note 14. Taxes

in thousands of euros

	31.03.2014		31.12.2013	
	Prepaid taxes	Taxes payable	Prepaid taxes	Taxes payable
Prepaid taxes	64	0	139	0
Value added tax	0	1,651	0	2,459
Personal income tax	0	802	0	864
Social security taxes	0	1,654	0	1,787
Corporate income tax	0	7	0	42
Unemployment insurance	0	139	0	149
Mandatory funded pension	0	86	0	87
Total taxes	64	4,339	139	5,388

Note 15. Share capital

As of 31.03.2014, 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 31.12.2013 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 27 March 2014 decided to pay dividends to the shareholders 0.15 euros per share in total amount of 6,109 thousand euros (2013: 14,255 thousand euros, 0.35 euros per share). Related income tax on dividends amounted to 1,284 thousand euros (2013: 3,777 thousand euros).

In addition the share capital of Tallinna Kaubamaja AS will be decreased by 8,146 thousand euros from the current 24,438 thousand euros to 16,292 thousand euros. The share capital will be decreased by lowering the nominal value of shares by 0.20 euro from current 0.60 euro to 0.40 euro (the total number of shares will not be changed). After the decreasing of the share capital is registered with the commercial register, the share capital of Tallinna Kaubamaja AS will be 16,292 thousand euros, comprising of 40,729,200 shares with the nominal value of 0.40 euro each. The share capital is decreased to improve the structure of capital. The decreasing of the share capital of Tallinna Kaubamaja AS enables to balance the ratio of the group's debt capital and owner's equity, and improve the group's return on equity. Tallinna Kaubamaja AS does not require a share capital in the current amount and the requirements set by legislation on share capital are met with a smaller share capital. When the share capital is decreased, the shareholders will be made a payment of 0.20 euro per share within the term set down by legislation.

Note 16. 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 and footwear trade to sales of footwear. 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 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 and other operating income), EBITDA (earnings before interest, taxes, depreciation and amortisation) and net profit or loss.

in thousands of euros

	Super markets	Depart- ment store	Car trade	Footwear trade	Real estate	Inter- segment transact- ions	Total seg- ments
3 months 2014							
External revenue	82,387	20,604	12,423	3,406	831	0	119,651
Inter-segment revenue	234	1,038	6	76	2,983	-4,337	0
Total revenue	82,621	21,642	12,429	3,482	3,814	-4,337	119,651
EBITDA	152	322	212	-570	3,583	0	3,699
Segment depreciation and impairment losses (Note 10, 11)	-896	-462	-101	-157	-1,094	0	-2,710
Operating profit/loss	-744	-140	111	-727	2,489	0	989
Finance income (Note 19)	75	221	18	0	12	-321	5
Finance income on shares of associates	0	46	0	0	0		46
Finance costs (Note 19)	-10	-141	-68	-63	-372	321	-333
Income tax	-366	-426	-532	0	0	0	-1,324
Net profit/loss	-1,045	-440	-471	-790	2,129	0	-617
incl. in Estonia	-448	-440	-389	-790	1,919	0	-148
incl. in Latvia	-597	0	-87	0	210	0	-474
incl. in Lithuania	0	0	5	0	0	0	5
Segment assets	68,379	65,152	20,758	13,474	207,515	-48,324	326,954
Segment liabilities	48,845	27,612	13,328	13,767	96,415	-34,077	165,890
Segment investment in non-current assets (Note 10, 11)	661	385	130	399	467	0	2,042

in thousands of euros

3 months 2013	Super markets	Department store	Car trade	Footwear trade	Real estate	Inter-segment transactions	Total segments
External revenue	79,553	19,972	9,026	2,705	754	0	112,010
Inter-segment revenue	238	854	10	-16	2,505	-3,591	0
Total revenue	79,791	20,826	9,036	2,689	3,259	-3,591	112,010
EBITDA	1,080	154	400	-349	3,160	0	4,445
Segment depreciation and impairment losses	-1,085	-470	-101	-216	-879	0	-2,751
Operating profit/loss	-5	-316	299	-565	2,281	0	1,694
Finance income (Note 19)	37	129	2	0	14	-174	8
Finance income on shares of associates	0	40	0	0	0	0	40
Finance costs (Note 19)	0	-113	-41	-47	-232	174	-259
Income tax	-1,745	-1,196	5	0	-836	0	-3,772
Net profit/loss	-1,713	-1,456	265	-612	1,227	0	-2,289
incl. in Estonia	-1,128	-1,456	301	-607	1,035	0	-1,855
incl. in Latvia	-585	0	-42	-5	192	0	-440
incl. in Lithuania	0	0	6	0	0	0	6
Segment assets	68,470	73,471	15,111	15,227	181,224	-67,215	286,288
Segment liabilities	54,257	43,347	8,869	20,071	96,110	-65,806	156,848
Segment investment in non-current assets	1,390	165	40	37	8,318	0	9,950

External revenue according to types of goods and services sold

in thousands of euros

	3 months 2014	3 months 2013
Retail revenue	111,833	105,597
Wholesale revenue	3,539	2,804
Rental income	1,801	1,614
Revenue for rendering services	2,478	1,995
Total revenue	119,651	112,010

External revenue by client location

in thousands of euros

	3 months 2014	3 months 2013
Estonia	113,601	109,360
Latvia	4,656	1,051
Lithuania	1,394	1,599
Total	119,651	112,010

Distribution of non-current assets* by location of assets

in thousands of euros

	31.03.2014	31.12.2013
Estonia	207,232	207,841
Latvia	35,300	35,372
Lithuania	173	177
Total	242,705	243,390

* 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

	3 months 2014	3 months 2013
Rental expenses	3,711	3,571
Heat and electricity expenses	2,361	2,265
Operating costs	1,602	1,590
Cost of sale related services and materials	1,770	1,556
Marketing expenses	1,760	1,649
Miscellaneous other operating expenses	754	741
Computer and communication costs	642	600
Personnel related expenses	460	438
Total other operating expenses	13,060	12,410

Note 18. Staff costs

in thousands of euros

	3 months 2014	3 months 2013
Wages and salaries	8,448	7,287
Social security taxes	2,803	2,423
Total staff costs	11,251	9,710
Average wages per employee per month (euros)	749	709
Average number of employees in the reporting period	3,759	3,428

Note 19. Finance income and costs

in thousands of euros

Finance income

	3 months 2014	3 months 2013
Interest income on Partner credit card	0	3
Interest income from loans to related parties	0	1
Interest income on NGI Group's group account (Note 21)	5	4
Total finance income	5	8

Finance costs

	3 months 2014	3 months 2013
Interest expense of bank loans	-280	-240
Interest expense of finance lease	-10	-1
Other finance costs*	-43	-18
Total finance costs	-333	-259

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

Note 20. 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.

	3 months 2014	3 months 2013
Net loss (in thousands of euros)	-617	-2,289
Weighted average number of shares	40,729,200	40,729,200
Basic and diluted earnings per share (euros)	-0.02	-0.06

Note 21. Related party transactions

in thousands of euros

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

- owners (Parent and the persons controlling or having significant influence over the Parent);
- associates;
- other entities in the Parent's consolidation group.
- management and supervisory boards of Group companies;
- 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 3 months 2014	Sales 3 months 2014	Purchases 3 months 2013	Sales 3 months 2013
Parent	71	6	74	5
Entities in the Parent's consolidation group	5,785	1,710	5,463	642
Members of management and supervisory boards	0	0	0	22
Other related parties	214	43	213	43
Total	6,070	1,759	5,750	712

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:

	31.03.2014	31.12.2013
Interest receivable from Parent (Note 4)	4	1
Receivable from Parent (Note 3)	8,000	0
Receivables from entities in the in the Parent's consolidation group (Note 4)	1,023	524
Sales bonuses receivable from entities in the in the Parent's consolidation group (Note 4)	18	135
Members of management and supervisory boards (Note 4)	5	5
Total receivables from related parties	9,050	665

	31.03.2014	31.12.2013
Parent	21	25
Entities in the Parent's consolidation group	3,984	5,251
Other related parties	76	47
Total liabilities to related parties (Note 13)	4,081	5,323

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 3 months of 2014 Tallinna Kaubamaja Group earned interest income on its deposits of available funds in the amount of 5 thousand euros (2013: 4 thousand euros).

As at 31 March 2014 and 31 March 2013 the Group has not used NG Investeeringud group account available funds. As at 31.03.2014 Group deposited through parent company NG Investeeringud OÜ 8,000 euros with interest rate 0,47% and with maturity up to 1 April 2014 (31.12.13: 0 euros).

The average interest rate on available funds deposited to the group account of NG Investeeringud OÜ was 0.06% in the euro account (2013: 0.06%). 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 248 thousand euros (3 months 2013: 294 thousand euros). Short term benefits to supervisory boards' members of Tallinna Kaubamaja Group in reporting period including social taxes amounted to 80 thousand euros (3 months 2013: 69 thousand euros).