

# **TALLINNA KAUBAMAJA AS**

**Consolidated Interim Report for  
the Third quarter and first 9 months 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 3,900 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:	30 September 2014
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 Kõo (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 Kõo, 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 0.40 euros. The shares are freely transferable, no statutory restrictions apply. There are no restrictions on transfer of securities to the company as provided by contracts between the company and its shareholders. We do not have information about contracts between the shareholders restricting the transfer of securities. NG Investeeringud OÜ has direct significant participation. Shares granting special rights to their owners have not been issued.

The members of the management board of Tallinna Kaubamaja 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<sup>1</sup> of Stock Market Trade Act.

The share with a price of 5.30 euros at the end of 2013 was closed in late September of 2014 at 5.07 euros, decreased by 4.34% within the six 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 entries to the Commercial Registry were made in 7 July 2014.

## Tallinna Kaubamaja AS

Share price and trading statistics on the Tallinn Stock Exchange from 01.01.2014 to 30.09.2014.

In euros



### Company's structure

The following companies belong to the group as of September 30, 2014:

	Location	Shareholding as of 30.09.2014	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%
Viking Security AS	Estonia	100%	0%
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

Compared to the second quarter in 2013, the gross-domestic product of the second quarter in 2014 increased by 2.4%. Statistics Estonia reviewed the time series of national accounts indicators and adjusted the accounting system, which caused a change in the earlier comparable GDP indicators. According to the Bank of Estonia, the economic downturn at the beginning of 2014 was temporary; this was supposed to be followed by accelerated growth, and economy was expected to increase by 2.1% during this year. In the first half of 2014, the economic growth of Estonia was based mainly on household consumption. This was due to the rapid rise in wage income and slower consumer price inflation, which helped boost the purchasing power of households. According to the renewed forecast, the growth of private consumption is going to slow down due to a decrease in the growth of wages in the second half of the year. In Estonia, the change in consumer price index for the first 9 months of 2014 was zero; however, the price of food and non-alcoholic beverages increased by 0.2% and that of clothes and footwear by 1.4%. The greatest increase in prices affected eating out and accommodation – the increase was 4.8%. According to the analysts' forecasts, the growth of consumer prices is going to remain close to zero.

According to the data of Statistics Estonia, the total turnover of current prices increased by 6.9% in Estonia during the first eight months of 2014. The largest growth in turnover was in the maintenance and repairs of motor vehicles; the increase was 56.9% but their share in retail sales was small – 0.2%. Retail sales in non-specialised stores (mainly food products) decreased by 5.8% during the first eight months of the year, whereas the retail sales of foodstuffs, beverages and tobacco products dropped by 39.5% in specialised stores; however, the share of the mentioned segment in retail sales is small. The September consumer barometer survey of the Estonian Institute of Economic Research revealed that the confidence has decreased in the last three months; at the same time, it remains on a higher-than-average level in the long perspective. The world economy as a whole has improved during the third quarter largely due to USA, China and India. The World Economic Climate index has been increasing for more than a year, but the threat of a downturn has also grown. According to analysts, the economic outlook of the Nordic countries that are the main trade partners of Estonia is modest due to the current geopolitical situation; therefore, their forecasts have been reduced.

Economic results**FINANCIAL RATIOS 2013–2014**

	EUR		Change
	3 <sup>rd</sup> quarter 2014	3 <sup>rd</sup> quarter 2013	
Sales revenue (in millions)	133.2	124.7	6,8%
Operating profit/loss (in millions)	6.9	6.5	6.2%
Net profit/loss (in millions)	5.6	6.2	-9.8%
Return on equity (ROE)	3.4%	4.3%	
Return on assets (ROA)	1.7%	2.1%	
Net profit margin	4.18%	4.94%	
Gross profit margin	24.48%	24.96%	
Quick ratio	1.06	0.95	
Debt ratio	0.50	0.52	
Sales revenue per employee (in millions)	0.034	0.035	
Inventory turnover	1.77	1.77	
<b>SHARE</b>			
Average number of shares (1000 pcs)	40,729	40,729	
Equity capital per share (EUR/share)	4.02	3.44	
Share's closing price (EUR/share)	5.070	5.500	
Earnings per share (EUR/share)	0.14	0.15	
Average number of employees	3,911	3,596	

	EUR		Change
	9 month 2014	9 month 2013	
Sales revenue (in millions)	389.5	360.5	8.0%
Operating profit/loss (in millions)	13.6	13.1	3.8%
Net profit/loss (in millions)	10.3	8.5	21.3%
Return on equity (ROE)	6.2%	6.0%	
Return on assets (ROA)	3.2%	2.9%	
Net profit margin	2.66%	2.37%	
Gross profit margin	24.05%	24.49%	
Quick ratio	1.06	0.95	
Debt ratio	0.50	0.52	
Sales revenue per employee (in millions)	0.102	0.103	
Inventory turnover	5.20	5.16	
SHARE			
Average number of shares (1000 pcs)	40,729	40,729	
Equity capital per share (EUR/share)	4.02	3.44	
Share's closing price (EUR/share)	5.070	5.500	
Earnings per share (EUR/share)	0.25	0.21	
Average number of employees	3,825	3,509	
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 Tallinn Kaubamaja group was 133.2 million euros during the third quarter of 2014; this exceeded the previous year's sales revenue by 6.8%. The sales revenue of the first nine months was 389.5 million euros; this result was better by 8.0% compared to the first nine months of 2013, when the sales revenue was 360.5 million euros. The consolidated unaudited net profit of the group during the third quarter of 2014 was 5.6 million euros; due to income tax paid on the share capital payment, this is 9.8% less than the profit of the same period in the previous year. In the first nine months of 2014, the net profit of the group was 10.3 million euros that is 21.3% higher than the profit of the same period of the previous year, when the profit was 8.5 million euros. Profit before taxes was 12.7 million euros during the first nine months, demonstrating a 3.1% increase as compared to the same time previous year.

The sales revenue of the group during the third quarter was as high as expected, considering the new Selver stores and renewed selection; however, this was supported by the improved real purchase power of consumers resulting from increased wages and the decreased consumer prices, similarly to the increase of retail sales in the entire Estonia. Overall, most of the group segments demonstrated an increase in sales during the first nine months. Only the turnover of footwear segment has decreased during the first nine months due to reorganisation in key stores. According to Statistics Estonia, Estonia has experienced an overall drop in the retail turnover of the retail segment of department stores starting from February. The decrease was especially fast during summer months. The turnover of the department store segment of the group started to decrease slightly during the third quarter, but still demonstrated a smaller-than-average decline in the country. Trade in the department stores of the group was rendered difficult by the traffic restrictions that were implemented because of the reconstruction of the streets in the centres of Tallinn and Tartu that made access to the department stores complicated. The net profit was higher by almost one fifth – this was achieved by optimising dividends and payments of the share capital. The group achieved a 3.1% growth of profit before taxes; despite this, the greatest challenge of the reporting period is finding opportunities to increase efficiency, in order to compensate for the increased labour expenses (the total increase was 14% in nine months). Overall, the marginal has been pressured by the renewed selection in the footwear segment during the first nine months.

On 2 September 2014, Topsec Turvateenused OÜ, a subsidiary of the Group, acquired a 100% ownership of another

subsidiary, Viking Security AS, strengthening the security services segment which has been one of the fastest-growing areas of activity of the Group during the last few years. In addition to the manned and video surveillance, the service portfolio of Topsec Turvateenus OÜ now includes services related to designing, installing and maintaining electronic warning, monitoring and surveillance systems and a possibility to participate in certified security tenders.

Sales environment was not extended during the third quarter. In August, the I.L.U. store in Ülemiste Centre was temporarily closed due to the extension work in the centre. The I.L.U. store in Ülemiste is re-opened at the end of October. Since the beginning of 2014, a new Selver and a SHU shoe store were added to Narva Astri shopping centre in June; however, the SHU store in Viru Centre at the city centre of Tallinn was closed. In September, the construction of a new shopping centre began in Viimsi, where a new Selver store should be completed in 2015.

On 30 September 2014, the volume of assets of the Tallinna Kaubamaja Group was 326.5 million euros, having decreased by 0.4% compared to the end of 2013.

At the end of the reporting period, there were over 606,000 loyal customers, an annual growth of 10.3%. The share of loyal customers in the Group's turnover was 80.5% (82.0% in the first nine months of 2013). More than 5,500 Partner bank and credit cards were issued by the end of September.

### Selver supermarkets

The consolidated sales revenue of the supermarket segment was 268.9 million euros during the first nine months of 2014, which constituted a 7.1% growth on the year-on-year basis. The consolidated sales revenue of the third quarter was 92.9 million euros, which was a 6.8% increase on the year-on-year basis. The average monthly sales revenue of goods per square metre of sales space was 0.35 thousand euros during the first nine months of 2014, which was 1.3% less on the year-on-year basis. The average monthly sales revenue of goods per square metre of sales space was 0.36 thousand euros in the third quarter, which was 0.9% less than during the previous year. The average monthly sales revenue of goods per square metre of sales space was 0.36 in comparable stores during the first nine months of 2014 and 0.36 thousand euros during the third quarter, demonstrating a 1.7% and 1.5% drop respectively. 26.7 million purchases were made in Selver stores during the first nine months of 2014, which was 5.9% more than the purchases made during the same period a year before.

The consolidated profit before taxes of the supermarket segment was 3.7 million euros during the first nine months of 2014; the net profit was 3.3 million euros. The consolidated profit before taxes and net profit were 3.1 million euros in the third quarter. The net profit of the third quarter was 0.6 million euros more than the net profit of the same period in the previous year; the net profit of the first nine months was 2.2 million euros more than the year before. The profit before taxes and the net profit earned in Estonia were 3.7 million euros during the third quarter. The profit before income tax was 5.5 million euros during the first nine months; the net profit was 5.2 million euros. The difference between the net profit and the profit before income tax is due to income tax paid on dividends. The loss before taxes and the net loss made in Latvia were 1.8 million during the first nine months; thereof, a loss of 0.6 million euros was suffered during the third quarter. The loss remained on the same level as the year before.

Opening and putting into operation new stores in 2012 and 2013, which made the basis for comparison lower during the previous year, supported the increase in the turnover during the first nine months of 2014. Low inflation, high consumer confidence and good indicators of private consumption expenditure, as well as beautiful summer weather, supported the turnover of the third quarter. The changing situation in competition had a negative impact due to which the clients were redistributed between stores, including the Selver stores. The foodstuffs segment leads the increase in the turnover of the Selver stores; in this segment, the sales of fresh food groups and gourmet products that are available in a wider assortment has increased considerably. We have paid more attention to the selection, quality and price of fruit and vegetable products; as a result, customers have included fresh and healthy food products from the Selver selection in the representative basket of products in a quantity that is higher by more than a third as compared to earlier periods. On the other hand, changes on the labour market, due to which the average wages have increased, have influenced the revenue of the entire 2014, leading to a growth in labour expenditure. The results of the first nine months also include non-capitalised costs of one-time projects. This year, bigger one-time projects have been as follows: on 1 January, Selver stores implemented new commercial software; during the first quarter, the individual Gurmeekauplus gourmet store was closed at the Solaris centre, and a gourmet product section was opened in Pirita Selver; in June, a new Selver was opened at the Astri centre in Narva.

The supermarket segment includes Selver store chain with 44 Selver stores and 83.9 square metres of sales space, SIA Selver Latvia that is currently not operating, and Kulinaaria OÜ that has the largest central kitchen in the Baltic countries.

### Department stores

The sales revenue of the department store segment was 64.2 million euros during the first nine months of 2014, which was a 2.5% growth on the year-on-year basis. Thereof, 20.9 million euros were sales revenue of the third quarter, which is 1.5% less than during the third quarter of 2013. The profit before taxes of the department stores was 1.9 million euros during the first nine months of 2014, which was 19.5% better than a year before. During the third quarter, the profit before taxes was 0.7 million euros, which was 22.5% less than the profit in 2013. The sales revenue per square metre of sales space of the department stores was 0.28 thousand euros during the first nine months of



2014, which is 2.3% more than during the same period in the previous year. The result of sales of Kaubamaja was influenced by difficult access to both stores during the third quarter – in Tallinn, the tramways were repaired; in the centre of Tartu, the streets in the city centre were closed for reconstruction. The results of department stores were influenced by the September weather that was warmer than average and enabled our customers to postpone purchasing decisions for clothes, mostly reflected in the reduced sales of coats.

The sales revenue of OÜ TKM Beauty Eesti that operates I.L.U. cosmetics stores was 1.0 million euros during the third quarter of 2014, which was a 1.6% decrease as compared to the same period in 2013. In the third quarter, the loss was 0.1 million euros, which was a little less than the loss of the same period in 2013. The sales revenue was 3.1 million euros during the first nine months of 2014, which was a 0.6% growth on the year-on-year basis. The loss of the first nine months of 2014 was 0.3 million euros, which was 0.1 million euros less than the loss of the same period in 2013. At the Ülemiste centre, construction works have been conducted since the beginning of the year due to adding an extension to the centre; because of this, the sales results of the I.L.U. store in Ülemiste were significantly worse in June and July. At the end of August, I.L.U. store at Ülemiste was closed completely. This had an overall negative effect on the sales results of the third quarter. A new and larger I.L.U. store is opened at Ülemiste on 23 October 2014.

### Car Trade

The sales revenue of car trade segment was 43.8 million euros during the first nine months of 2014. The sales revenue exceeded the revenue of the same period in the previous year by 29.0%; at that, the sales revenue of KIAs increased by 17.8%. In the third quarter, the sales revenue in the amount of 15.2 euros was 28.1% more than the sales revenue on the year-on-year basis; at that, the sales revenue of KIAs increased by 33.5%. During the first nine months, a total of 2,356 vehicles were sold, whereof 825 vehicles were sold during the third quarter. The net profit of the segment during the first nine months of 2014 was 1.1 million euros and the net profit of the third quarter was 0.9 million euros. The profit before taxes of the segment during the first nine months of 2014 was 1.6 million euros, exceeding the profit of the first nine months of 2013 by 5.5%. The net profit of the third quarter of 2014 was 0.9 million euros which is 67.9% more than the profit of the same period in the year before.

### Footwear trade

The sales revenue of footwear trade segment was 10.2 million euros during the first nine months of 2014, which is 0.4 million euros less than the sales revenue of the same period in the previous year. The sales revenue of the third quarter was 3.3 million euros, which was a 13.2% decrease as compared to the same period in 2013. The loss of the first nine months was 1.3 million euros. The loss of the same period in 2013 was 0.2 million euros. The loss of the third quarter was 0.4 million euros. A year earlier, the result in the third quarter of 2013 was 0 euros. The sales revenue was influenced by moving the flagship store of ABC King to the second floor of the Viru centre. The sales revenue was also decreased due to unfavourable weather conditions: i.e. the cold weather at the beginning of the summer. Due to this, the sales and gross marginal were lower than planned. The loss of the third quarter is related to the planned overhaul of the merchandise portfolio, which also reduces the gross marginal temporarily.

### Real Estate

The sales revenue of the real estate business segment outside the Group was 2.5 million euros in the first nine months of 2014, which is 0.1 million or 5.7% more than during the same period in the previous year. The sales revenue outside the Group was 0.8 million euros in the third quarter, which is 0.04 million or 5% more than during the same period in the previous year. The increase in sales revenue of the third quarter is due to reorganising leased spaces in 2013, when the spaces that were previously used by the Group were leased to persons outside the Group. The profit before taxes of the real estate segment was 6.7 million euros in the first nine months of 2014 (in 2013, it was 6.5 million euros), which is 0.2 million or 3.5% more than during the same period in the previous economic year. The profit before taxes of the third quarter was 2.3 million euros (in the third quarter of 2013, the profit before taxes was 2.2 million euros), which is 0.1 million or 3.9% more than during the same period in the previous economic year. The increase in profits was caused by space leased to other segments of the Group that was added in 2013. At the end of 2013, the Peetri Selver store in Rae Rural Municipality and a car dealership on the Ulmana street in Riga were completed. At the end of September, the construction of Viimsi commercial and entertainment centre began, which is due to open in the autumn of 2015.

### Personnel

The average number of employees in the Tallinna Kaubamaja Group in the first nine month of 2014 was 3,825, which exceeds the same number of 2013 by 9.0%. Total labour costs (cost of wages and social tax) amounted to 33.9 million euros in the first nine months of 2014, having grown by 14.0 % compared to the same period in 2013. In the third quarter, the labour costs increased by 11.2 % compared to the year before, while the average number of employees increased by 8.8%. The average monthly cost of wages grew by 4.7 % in the first nine months compared to the average wages of the nine months of 2013, in the 3rd quarter, the growth was 2.4%. The increase in labour costs has been boosted by the increase in the number of stores, as well as the correction of wages in order to prevent labour turnover from increasing, which otherwise would cause a decrease in efficiency due to a weaker basis for recruitment.

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.



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Raul Puusepp  
Chairman of the Management Board

Tallinn, 15 October 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 third quarter and first 9 months 2014 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.



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Raul Puusepp  
Chairman of the Management Board

Tallinn, 15 October 2014

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros

	Note	30.09.2014	31.12.2013
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank	2	5,513	14,766
Trade receivables and prepayments	3	21,239	15,991
Inventories	5	56,863	51,937
<b>Total current assets</b>		<b>83,615</b>	<b>82,694</b>
<b>Non-current assets</b>			
Receivables and prepayments	8	312	313
Investments in associates	7	1,859	1,711
Investment property	9	3,035	3,035
Property, plant and equipment	10	227,194	229,406
Intangible assets	11	10,447	10,636
<b>Total non-current assets</b>		<b>242,847</b>	<b>245,101</b>
<b>TOTAL ASSETS</b>		<b>326,462</b>	<b>327,795</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Borrowings	12	8,734	14,300
Trade payables and other liabilities	13	70,225	67,725
<b>Total current liabilities</b>		<b>78,959</b>	<b>82,025</b>
<b>Non-current liabilities</b>			
Borrowings	12	82,736	77,104
Provisions and prepayments		888	878
<b>Total non-current liabilities</b>		<b>83,624</b>	<b>77,982</b>
<b>TOTAL LIABILITIES</b>		<b>162,583</b>	<b>160,007</b>
<b>Equity</b>			
Share capital	15	16,292	24,438
Statutory reserve capital		2,603	2,603
Revaluation reserve		67,524	68,617
Currency translation differences		-255	-257
Retained earnings		77,715	72,387
<b>TOTAL EQUITY</b>		<b>163,879</b>	<b>167,788</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>326,462</b>	<b>327,795</b>

The notes presented on pages 16 to 31 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	III quarter 2014	III quarter 2013	9 months 2014	9 months 2013
Revenue	16	133,173	124,735	389,533	360,516
Other operating income		156	152	520	567
Materials, consumables used and services	5	-100,574	-93,599	-295,841	-272,208
Other operating expenses	17	-12,145	-12,231	-37,963	-37,480
Staff costs	18	-10,813	-9,720	-33,894	-29,728
Depreciation, amortisation and impairment losses	10, 11	-2,734	-2,726	-8,126	-8,221
Other expenses		-150	-148	-587	-362
<b>Operating profit</b>		<b>6,913</b>	<b>6,463</b>	<b>13,642</b>	<b>13,084</b>
Finance income	19	8	7	19	24
Finance costs	19	-392	-350	-1,127	-944
Finance income on shares of associates	7	51	48	148	134
<b>Profit before tax</b>		<b>6,580</b>	<b>6,168</b>	<b>12,682</b>	<b>12,298</b>
Income tax	15	-1,014	0	-2,338	-3,770
<b>NET PROFIT FOR THE FINANCIAL YEAR</b>		<b>5,566</b>	<b>6,168</b>	<b>10,344</b>	<b>8,528</b>
<b>Other comprehensive income:</b>					
<i>Items that will be reclassified subsequently to profit or loss</i>					
Currency translation differences		0	-15	2	-243
<b>Other comprehensive income/loss for the financial year</b>		<b>0</b>	<b>-15</b>	<b>2</b>	<b>-243</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR</b>		<b>5,566</b>	<b>6,153</b>	<b>10,346</b>	<b>8,285</b>
Basic and diluted earnings per share (euros)	20	0.14	0.15	0.25	0.21

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 2014	9 months 2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net profit		10,344	8,528
<i>Adjustments:</i>			
<i>Income tax on dividends</i>	15	1,324	3,777
<i>Interest expense</i>	19	1,127	944
<i>Interest income</i>	19	-19	-24
<i>Depreciation, amortisation</i>	10, 11	8,089	8,098
<i>Loss on sale and write-off of non-current assets</i>	10	37	107
<i>Profit on sale of non-current assets</i>		-7	0
<i>Effect of equity method</i>	7	-148	-134
Change in inventories		-4,863	-4,483
Change in receivables and prepayments related to operating activities		4,885	2,156
Change in liabilities and prepayments related to operating activities		-5,796	-5,022
<b>TOTAL CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>14,973</b>	<b>13,947</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment (excl. finance lease)	10	-5,539	-22,811
Proceeds from sale of property, plant and equipment	10	61	45
Purchase of intangible assets	11	-64	-20
Investments in subsidiaries	6	-275	0
Change in balance of parent company's group account	21	-9,900	5,000
Interest received	19	19	24
<b>TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<b>-15,698</b>	<b>-17,762</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings	12	32,586	49,624
Repayments of borrowings	12	-33,720	-43,856
Change in overdraft balance	12	1,199	9,083
Dividends paid	15	-6,109	-14,255
Income tax on dividends	15	-1,324	-3,777
Repayments of finance lease principal	12	0	-3
Interest paid		-1,161	-966
<b>TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES</b>		<b>-8,529</b>	<b>-4,150</b>
<b>TOTAL CASH FLOWS</b>		<b>-9,254</b>	<b>-7,965</b>
Effect of exchange rate changes		1	2
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	5,513	5,531
<b>Net change in cash and cash equivalents</b>		<b>-9,253</b>	<b>-7,963</b>

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	Revaluati on reserve	Retained earnings	Currency translation differences	Total
<b>Balance as of 31.12.2012</b>	<b>24,438</b>	<b>2,603</b>	<b>51,079</b>	<b>68,066</b>	<b>-7</b>	<b>146,179</b>
Net profit for the reporting period	0	0	0	8,528	0	8,528
Other comprehensive income for the reporting period	0	0	0	0	-243	-243
<b>Total comprehensive income for the reporting period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,528</b>	<b>-243</b>	<b>8,285</b>
Reclassification of depreciation of revalued land and buildings	0	0	-835	835	0	0
Dividends paid	0	0	0	-14,255	0	-14,255
<b>Balance as of 30.09.2013</b>	<b>24,438</b>	<b>2,603</b>	<b>50,244</b>	<b>63,174</b>	<b>-250</b>	<b>140,209</b>
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
<b>Total comprehensive income for the reporting period</b>	<b>0</b>	<b>0</b>	<b>18,650</b>	<b>17,464</b>	<b>-250</b>	<b>35,864</b>
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
<b>Balance as of 31.12.2013</b>	<b>24,438</b>	<b>2,603</b>	<b>68,617</b>	<b>72,387</b>	<b>-257</b>	<b>167,788</b>
Net profit for the reporting period	0	0	0	10,344	0	10,344
Other comprehensive loss for the reporting period	0	0	0	0	2	2
<b>Total comprehensive income for the reporting period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,344</b>	<b>2</b>	<b>10,346</b>
Reclassification of depreciation of revalued land and buildings	0	0	-1 093	1,093	0	0
Decrease of share capital	-8,146	0	0	0	0	-8,146
Dividends paid	0	0	0	-6,109	0	-6,109
<b>Balance as of 30.09.2014</b>	<b>16,292</b>	<b>2,603</b>	<b>67,524</b>	<b>77,715</b>	<b>-255</b>	<b>163,879</b>

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

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 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 third quarter and 9 months 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	30.09.2014	31.12.2013
Cash on hand	561	571
Bank accounts	3,949	12,427
Cash in transit	1,003	1,768
<b>Total cash and bank</b>	<b>5,513</b>	<b>14,766</b>

**Note 3. Trade Receivables and prepayments**

in thousands of euros	30.09.2014	31.12.2013
Trade receivables (Note 4)	9,711	13,336
Short-term receivables from related parties (Note 21)	9,900	0
Other short-term receivables	62	4
<b>Total financial assets from balance sheet line "Trade receivables and prepayments"</b>	<b>19,673</b>	<b>13,340</b>
Prepayment for goods	771	1,616
Other prepaid expenses	644	484
Prepaid rental expenses	137	412
Prepaid taxes (Note 14)	14	139
<b>Total trade receivables and prepayments</b>	<b>21,239</b>	<b>15,991</b>

**Note 4. Trade receivables**

in thousands of euros	30.09.2014	31.12.2013
Trade receivables	8,491	11,027
Allowance for doubtful receivables	-78	-79
Receivables from related parties (Note 21)	542	665
Credit card payments	756	1,723
<b>Total trade receivables</b>	<b>9,711</b>	<b>13,336</b>

**Note 5. Inventories**

in thousands of euros	30.09.2014	31.12.2013
Goods purchased for resale	56,181	51,216
Raw materials and materials	682	721
<b>Total inventories</b>	<b>56,863</b>	<b>51,937</b>

## 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

	III quarter 2014	III quarter 2013	9 months 2014	9 months 2013
Write-down and write-off of inventories	2,161	1,718	6,359	4,557
Inventory stocktaking deficit	242	443	983	1,421
<b>Total materials and consumables used</b>	<b>2,403</b>	<b>2,161</b>	<b>7,342</b>	<b>5,978</b>

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

### Note 6. Subsidiaries

Tallinna Kaubamaja Group consists of:

Name	Location	Area of activity	Ownership 30.09.2014	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 Pulkevza Brieza 31	Retail trade	100%	2007
KIA Auto UAB	Vilnius Perkunkiemies 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
Viking Security AS	Tallinn Mustamäe tee 4	Security activities	100%	2014

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.

## Tallinna Kaubamaja AS

Business combinations in 2014:

Name	Location	Area of activity	Acquisition date	Ownership %
Viking Security AS	Estonia	Security activities	02.09.2014	100%

Acquisition of the shareholding in Viking Security AS enables Tallinna Kaubamaja Group to further strengthen its security services, one of the most fast-growing business areas of the Group in recent years. As a result of the transaction, the service portfolio of Topsec Turvateenused OÜ will expand from manned guarding and video security to include services related to the design, installation and maintenance of electronic alarm, security and surveillance systems and the possibility of participating in certified security tenders.

The table below provides an overview of acquired identifiable assets and liabilities at the time of acquisition.

in thousands of euros	Fair value
Cash and bank	44
Other receivables and assets	294
Fixed assets (Note 10)	34
Trademark (Note 11)	142
Liabilities	-195
<b>Total identifiable assets</b>	<b>319</b>
Cost of ownership interest	319
Paid for ownership interest in cash	<b>319</b>
Cash and cash equivalents in the acquired entity	<b>-44</b>
<b>Total cash effect on the Group</b>	<b>-275</b>

Trademark at value of 142 thousand euros was acquired. Trademark will be amortised during 7 years (Note 11).

From acquisition date till 30 September Viking Security AS earned net loss of 20 thousand euros and revenues amounted to 36 thousand euros. If the acquisition of Viking Security AS by the Group had happened at the beginning of the year then group revenues would have been higher by 1,160 thousand euros and net profit less by 19 thousand euros.

In 2013 there were no business combinations.

### 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.

	30.09.2014	31.12.2013
<b>Investment in the associate at the beginning of the year</b>	<b>1,711</b>	<b>1,628</b>
Profit for the reporting period under equity method	148	163
Dividends received	0	-80
<b>Investment in the associate at the end of the accounting period</b>	<b>1,859</b>	<b>1,711</b>

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

	<b>30.09.2014</b>		<b>31.12.2013</b>	
Assets	3,796		3,644	
Liabilities	78		222	
	<b>III quarter 2014</b>	<b>III quarter 2013</b>	<b>9 months 2014</b>	<b>9 months 2013</b>
Revenue	115	112	341	315
Profit	101	96	295	268

#### Note 8. Long-term prepayments and receivables

in thousands of euros

	<b>30.09.2014</b>	<b>31.12.2013</b>
Prepaid rental expenses	203	204
Deferred tax asset	74	74
Other receivables	35	35
<b>Total long-term prepayments and receivables</b>	<b>312</b>	<b>313</b>

#### Note 9. Investment property

in thousands of euros

	<b>EUR</b>
<b>Carrying value as at 31.12.2012</b>	<b>3,756</b>
Reclassification (Note 10)	-721
<b>Carrying value as at 31.12.2013</b>	<b>3,035</b>
<b>Carrying value as at 30.09.2014</b>	<b>3,035</b>

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 immovable 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
<b>31.12.2012</b>					
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
<b>Carrying value</b>	<b>143,259</b>	<b>5,768</b>	<b>8,131</b>	<b>33,140</b>	<b>190,298</b>
<b>Changes occurred in 2013</b>					
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
<b>31.12.2013</b>					
Cost or revalued amount	181,231	27,022	28,663	49,678	286,594
Accumulated depreciation	-3,006	-19,558	-18,874	-15,750	-57,188
<b>Carrying value</b>	<b>178,225</b>	<b>7,464</b>	<b>9,789</b>	<b>33,928</b>	<b>229,406</b>
<b>Changes occurred in 2014</b>					
Purchases and improvements	11	133	598	4,797	5,539
Acquired through business combinations (Note 6)	0	33	1	0	34
Reclassification	1,011	1,647	2,795	-5,453	0
Disposals	0	-44	-10	0	-54
Write-offs	-31	0	-6	0	-37
Depreciation	-4,095	-1,440	-2,159	0	-7,694
<b>30.09.2014</b>					
Cost or revalued amount	182,210	28,600	31,994	49,022	291,826
Accumulated depreciation	-7,089	-20,807	-20,986	-15,750	-64,632
<b>Carrying value</b>	<b>175,121</b>	<b>7,793</b>	<b>11,008</b>	<b>33,272</b>	<b>227,194</b>

The cost of investments for the nine months of 2014 amounted to 5,603 thousand euros (including purchases of property, plant and equipment in the amount of 5,538 thousand euros and purchases of intangible assets amounted to 64 thousand euros).

The cost of investments made in 9 months of 2014 in the supermarket business segment was 2,175 thousand euros. In June Selver opened new store Astri in Narva, Tallinna mnt 4. 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 1,364 thousand euros. In the third quarter facelift to Kaubamaja Food Departments were given resulting in broader and modern look of the departments.

The cost of investments in the accounting period was 432 thousand euros in the car trade business segment.

The cost of investments made in the reporting period in the footwear segment was 456 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 1,112 thousand euros. In the reporting period extension of parking lot in Hiiumaa was carried out and other 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
<b>31.12.2012</b>					
Cost	7,298	5,097	1,080	388	13,863
Accumulated amortisation and impairment	-588	-1,127	-884	-28	-2,627
<b>Carrying value</b>	<b>6,710</b>	<b>3,970</b>	<b>196</b>	<b>360</b>	<b>11,236</b>
<b>Changes occurred in 2013</b>					
Purchases and improvements	0	0	0	108	108
Amortisation	0	-461	-196	-51	-708
<b>31.12.2013</b>					
Cost	7,298	5,097	1,080	496	13,971
Accumulated amortisation and impairment	-588	-1,588	-1,080	-79	-3,335
<b>Carrying value</b>	<b>6,710</b>	<b>3,509</b>	<b>0</b>	<b>417</b>	<b>10,636</b>
<b>Changes occurred in 2014</b>					
Purchases and improvements	0	0	0	64	64
Acquired through business combinations (Note 6)	0	142	0	0	142
Amortisation	0	-348	0	-47	-395
<b>30.09.2014</b>					
Cost	7,298	5,239	1,080	560	14,177
Accumulated amortisation and impairment	-588	-1,936	-1,080	-126	-3,730
<b>Carrying value</b>	<b>6,710</b>	<b>3,303</b>	<b>0</b>	<b>434</b>	<b>10,447</b>

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 64 thousand euros.

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

in thousands of euros	30.09.2014	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.

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

Trademark at value of 142 thousand euros was acquired in 2014 through purchase of Viking Security AS shares. Trademark will be amortised during 7 years (Note 6).

**Note 12. Interest bearing borrowings**

in thousands of euros

	30.09.2014	31.12.2013
<b>Short-term borrowings</b>		
Overdraft	1,599	400
Bank loans	6,064	12,265
Other borrowings	1,071	1,635
<b>Total short-term borrowings</b>	<b>8,734</b>	<b>14,300</b>

in thousands of euros

	30.09.2014	31.12.2013
<b>Long-term borrowings</b>		
Bank loans	79,960	75,283
Other borrowings	2,776	1,821
<b>Total long-term borrowings</b>	<b>82,736</b>	<b>77,104</b>
<b>Total borrowings</b>	<b>91,470</b>	<b>91,404</b>

**Borrowings received**

in thousands of euros

	III quarter 2014	III quarter 2013	9 months 2014	9 months 2013
Overdraft	8	1,429	1,199	9,083
Bank loans	5,548	6,956	29,939	47,842
Other borrowings	3,489	548	2,647	1,782
<b>Total borrowings received</b>	<b>9,045</b>	<b>8,933</b>	<b>33,785</b>	<b>58,707</b>

**Borrowings paid**

in thousands of euros

	III quarter 2014	III quarter 2013	9 months 2014	9 months 2013
Bank loans	9,980	9,420	31,464	42,382
Finance lease liability	0	1	0	3
Other borrowings	1,035	459	2,256	1,474
<b>Total borrowings paid</b>	<b>11,015</b>	<b>9,880</b>	<b>33,720</b>	<b>43,859</b>

Bank loans and finance lease liabilities are denominated in euros.

As of 30.09.2014, the repayment dates of bank loans are between 30.09.2014 and 07.12.2019 (2013: between 30.07.2013 and 30.08.2018), interest is tied both to 3-month and 6-month EURIBOR as well as EONIA. Weighted average interest rate was 1.38% (2013: 1.30%).

**Note 13. Trade payables and other liabilities**

in thousands of euros

	<b>30.09.2014</b>	<b>31.12.2013</b>
Trade payables	47,830	51,112
Payables to related parties (Note 21)	3,449	5,323
Other accrued expenses (Note 15)	8,176	69
Prepayments by tenants	1,481	1,264
<b>Total financial liabilities from balance sheet line "Trade payables and other liabilities"</b>	<b>60,936</b>	<b>57,768</b>
Taxes payable (Note 14)	5,509	5,388
Employee payables	2,942	3,521
Prepayments	699	895
Short-term provisions*	139	153
<b>Total trade payables and other liabilities</b>	<b>70,225</b>	<b>67,725</b>

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

**Note 14. Taxes**

in thousands of euros

	<b>30.09.2014</b>		<b>31.12.2013</b>	
	<b>Prepaid taxes</b>	<b>Taxes payable</b>	<b>Prepaid taxes</b>	<b>Taxes payable</b>
Prepaid taxes	14	0	139	0
Value added tax	0	1,713	0	2,459
Personal income tax	0	817	0	864
Social security taxes	0	1,689	0	1,787
Corporate income tax	0	1,059	0	42
Unemployment insurance	0	143	0	149
Mandatory funded pension	0	88	0	87
<b>Total taxes</b>	<b>14</b>	<b>5,509</b>	<b>139</b>	<b>5,388</b>

**Note 15. Share capital**

As of 30.09.2014, the share capital in the amount of 16,292 thousand euros consisted of 40,729,200 ordinary shares with the nominal value of 0.40 euros per share (as of 31.12.2013 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).

On July 7, 2014, the decrease of share capital of Tallinna Kaubamaja AS was registered in the Commercial Register based on the resolutions adopted by the General Meeting of Shareholders of the company held on March 27, 2014. The new registered share capital of Tallinna Kaubamaja AS is 16,291,680 euros, which is divided into 40,729,200 shares with nominal value of 0.40 euros per share.

According to the Commercial Code, payments may be made to the shareholders upon a reduction of share capital no earlier than three months after entry of the reduction of share capital in the Commercial Register. Subsequently, the monetary payments in the amount of 0.20 euros per share, related to the reduction of share capital shall be effected to the shareholders on October 7, 2014. Liability on reduction of share capital is recorded under other accrued expenses in the amount of 8,146 thousand euros (see Note 13), related income tax expense amounted to 1,012 thousand euros.



**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	Footwea r trade	Real estate	Inter- segment transact- ions	Total seg- ments
<b>III quarter 2014</b>							
<b>External revenue</b>	<b>92,886</b>	<b>20,911</b>	<b>15,219</b>	<b>3,331</b>	<b>826</b>	<b>0</b>	<b>133,173</b>
Inter-segment revenue	217	1,053	3	105	2,970	-4,348	0
Total revenue	93,103	21,964	15,222	3,436	3,796	-4,348	133,173
<b>EBITDA</b>	<b>3,892</b>	<b>1,060</b>	<b>1,091</b>	<b>-172</b>	<b>3,776</b>	<b>0</b>	<b>9,647</b>
Segment depreciation and impairment losses	-894	-442	-123	-175	-1,100	0	-2,734
<b>Operating profit</b>	<b>2,998</b>	<b>618</b>	<b>968</b>	<b>-347</b>	<b>2,676</b>	<b>0</b>	<b>6,913</b>
Finance income (Note 19)	80	188	10	1	14	-285	8
Finance income on shares of associates	0	51	0	0	0	0	51
Finance costs (Note 19)	-11	-137	-88	-69	-372	285	-392
Income tax	0	-1,012	-2	0	0	0	-1,014
<b>Net profit</b>	<b>3,067</b>	<b>-292</b>	<b>888</b>	<b>-415</b>	<b>2,318</b>	<b>0</b>	<b>5,566</b>
incl. in Estonia	3,678	-292	867	-415	2,111	0	5,949
incl. in Latvia	-611	0	14	0	207	0	-390
incl. in Lithuania	0	0	7	0	0	0	7
<b>Segment assets</b>	<b>71,250</b>	<b>64,123</b>	<b>19,634</b>	<b>12,316</b>	<b>206,525</b>	<b>-47,386</b>	<b>326,462</b>
<b>Segment liabilities</b>	<b>48,716</b>	<b>29,359</b>	<b>12,485</b>	<b>13,137</b>	<b>90,825</b>	<b>-31,939</b>	<b>162,583</b>
Segment investment in non-current assets	279	572	177	14	263	0	1,305

**Tallinna Kaubamaja AS**

in thousands of euros

	Super markets	Depart- ment store	Car trade	Footwea r trade	Real estate	Inter- segment transact- ions	Total seg- ments
<b>III quarter 2013</b>							
<b>External revenue</b>	<b>86,994</b>	<b>21,230</b>	<b>11,885</b>	<b>3,839</b>	<b>787</b>	<b>0</b>	<b>124,735</b>
Inter-segment revenue	214	979	3	126	2,664	-3,986	0
Total revenue	87,208	22,209	11,888	3,965	3,451	-3,986	124,735
<b>EBITDA</b>	<b>3,425</b>	<b>1,364</b>	<b>689</b>	<b>278</b>	<b>3,433</b>	<b>0</b>	<b>9,189</b>
Segment depreciation and impairment losses	-1,002	-466	-96	-214	-948	0	-2,726
<b>Operating profit</b>	<b>2,423</b>	<b>898</b>	<b>593</b>	<b>64</b>	<b>2,485</b>	<b>0</b>	<b>6,463</b>
Finance income (Note 19)	20	74	4	1	11	-103	7
Finance income on shares of associates	0	48	0	0	0	0	48
Finance costs (Note 19)	0	-91	-68	-29	-265	103	-350
Income tax	0	0	0	0	0	0	0
<b>Net profit/loss</b>	<b>2,443</b>	<b>929</b>	<b>529</b>	<b>36</b>	<b>2,231</b>	<b>0</b>	<b>6,168</b>
incl. in Estonia	3,037	929	395	40	2,022	0	6,423
incl. in Latvia	-594	0	73	-4	209	0	-316
incl. in Lithuania	0	0	61	0	0	0	61
<b>Segment assets</b>	<b>58,744</b>	<b>71,855</b>	<b>19,951</b>	<b>13,804</b>	<b>188,760</b>	<b>-61,441</b>	<b>291,673</b>
<b>Segment liabilities</b>	<b>41,709</b>	<b>30,512</b>	<b>12,421</b>	<b>14,018</b>	<b>99,252</b>	<b>-46,448</b>	<b>151,464</b>
Segment investment in non-current assets	836	527	128	22	5,409	0	6,922

in thousands of euros

	Super markets	Depart- ment store	Car trade	Footwea r trade	Real estate	Inter- segment transact- ions	Total seg- ments
<b>9 months 2014</b>							
<b>External revenue</b>	<b>268,948</b>	<b>64,160</b>	<b>43,785</b>	<b>10,169</b>	<b>2,471</b>	<b>0</b>	<b>389,533</b>
Inter-segment revenue	690	3,192	16	244	8,919	-13,061	0
Total revenue	269,638	67,352	43,801	10,413	11,390	-13,061	389,533
<b>EBITDA</b>	<b>6,121</b>	<b>2,987</b>	<b>2,174</b>	<b>-609</b>	<b>11,095</b>	<b>0</b>	<b>21,768</b>
Segment depreciation and impairment losses (Note 10, 11)	-2,623	-1,370	-338	-509	-3,286	0	-8,126
<b>Operating profit/loss</b>	<b>3,498</b>	<b>1,617</b>	<b>1,836</b>	<b>-1,118</b>	<b>7,809</b>	<b>0</b>	<b>13,642</b>
Finance income (Note 19)	232	591	35	1	39	-879	19
Finance income on shares of associates	0	148	0	0	0	0	148
Finance costs (Note 19)	-34	-413	-239	-202	-1,118	879	-1,127
Income tax	-366	-1,438	-534	0	0	0	-2,338
<b>Net profit/loss</b>	<b>3,330</b>	<b>505</b>	<b>1,098</b>	<b>-1,319</b>	<b>6,730</b>	<b>0</b>	<b>10,344</b>
incl. in Estonia	5,150	505	1,162	-1,319	6,095	0	11,593
incl. in Latvia	-1,820	0	-74	0	635	0	-1,259
incl. in Lithuania	0	0	10	0	0	0	10
<b>Segment assets</b>	<b>71,250</b>	<b>64,123</b>	<b>19,634</b>	<b>12,316</b>	<b>206,525</b>	<b>-47,386</b>	<b>326,462</b>
<b>Segment liabilities</b>	<b>48,716</b>	<b>29,359</b>	<b>12,485</b>	<b>13,137</b>	<b>90,825</b>	<b>-31,939</b>	<b>162,583</b>
Segment investment in non-current assets (Note 10, 11)	2,205	1,398	432	456	1,112	0	5,603

in thousands of euros

9 months 2013	Super markets	Department store	Car trade	Footwear trade	Real estate	Inter-segment transactions	Total segments
<b>External revenue</b>	<b>251,020</b>	<b>62,582</b>	<b>33,944</b>	<b>10,633</b>	<b>2,337</b>	0	<b>360,516</b>
Inter-segment revenue	681	2,753	19	140	7,829	-11,422	0
Total revenue	251,701	65,335	33,963	10,773	10,166	-11,422	360,516
<b>EBITDA</b>	<b>5,912</b>	<b>2,893</b>	<b>2,007</b>	<b>533</b>	<b>9,960</b>	0	<b>21,305</b>
Segment depreciation and impairment losses	-3,135	-1,407	-297	-648	-2,734	0	-8,221
<b>Operating profit/loss</b>	<b>2,777</b>	<b>1,486</b>	<b>1,710</b>	<b>-115</b>	<b>7,226</b>	0	<b>13,084</b>
Finance income (Note 19)	78	310	8	1	40	-413	24
Finance income on shares of associates	0	134	0	0	0		134
Finance costs (Note 19)	0	-305	-171	-117	-764	413	-944
Income tax	-1,745	-1,196	7	0	-836	0	-3,770
<b>Net profit/loss</b>	<b>1,110</b>	<b>429</b>	<b>1,554</b>	<b>-231</b>	<b>5,666</b>	0	<b>8,528</b>
incl. in Estonia	2,885	429	1,516	-217	5,039	0	9,652
incl. in Latvia	-1,775	0	6	-14	627	0	-1,156
incl. in Lithuania	0	0	32	0	0	0	32
<b>Segment assets</b>	<b>58,744</b>	<b>71,855</b>	<b>19,951</b>	<b>13,804</b>	<b>188,760</b>	-61,441	<b>291,673</b>
<b>Segment liabilities</b>	<b>41,709</b>	<b>30,512</b>	<b>12,421</b>	<b>14,018</b>	<b>99,252</b>	-46,448	<b>151,464</b>
Segment investment in non-current assets	4,581	1,538	164	59	16,489	0	22,831

**External revenue according to types of goods and services sold**

in thousands of euros

	III quarter 2014	III quarter 2013	9 months 2014	9 months 2013
Retail revenue	123,259	116,554	362,030	337,828
Wholesale revenue	5,118	3,988	13,716	10,980
Rental income	1,803	1,612	5,408	4,841
Revenue for rendering services	2,993	2,581	8,379	6,867
<b>Total revenue</b>	<b>133,173</b>	<b>124,735</b>	<b>389,533</b>	<b>360,516</b>

**External revenue by client location**

in thousands of euros

	III quarter 2014	III quarter 2013	9 months 2014	9 months 2013
Estonia	127,450	120,489	371,129	350,219
Latvia	3,830	2,843	13,428	5,830
Lithuania	1,893	1,403	4,976	4,467
<b>Total</b>	<b>133,173</b>	<b>124,735</b>	<b>389,533</b>	<b>360,516</b>

**Distribution of non-current assets\* by location of assets**

in thousands of euros

	<b>30.09.2014</b>	<b>31.12.2013</b>
Estonia	205,778	207,841
Latvia	35,049	35,372
Lithuania	161	177
<b>Total</b>	<b>240,988</b>	<b>243,390</b>

\* 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

	<b>III quarter 2014</b>	<b>III quarter 2013</b>	<b>9 months 2014</b>	<b>9 months 2013</b>
Rental expenses	3,849	3,651	11,315	10,753
Heat and electricity expenses	1,943	1,901	6,334	6,271
Operating costs	1,559	1,652	4,748	5,052
Cost of sale related services and materials	1,750	1,788	5,267	5,078
Marketing expenses	1,337	1,526	4,788	4,879
Miscellaneous other operating expenses	534	571	2,082	2,145
Computer and communication costs	794	732	2,168	1,976
Personnel expenses	379	410	1,261	1,326
<b>Total other operating expenses</b>	<b>12,145</b>	<b>12,231</b>	<b>37,963</b>	<b>37,480</b>

**Note 18. Staff costs**

in thousands of euros

	<b>III quarter 2014</b>	<b>III quarter 2013</b>	<b>9 months 2014</b>	<b>9 months 2013</b>
Wages and salaries	8,118	7,294	25,443	22,306
Social security taxes	2,695	2,426	8,451	7,422
<b>Total staff costs</b>	<b>10,813</b>	<b>9,720</b>	<b>33,894</b>	<b>29,728</b>
Average wages per employee per month (euros)	692	676	739	706
Average number of employees in the reporting period	3,911	3,596	3,825	3,509

**Note 19. Finance income and costs**

in thousands of euros

Finance income

	III quarter 2014	III quarter 2013	9 months 2014	9 months 2013
Interest income on Partner credit card	0	3	0	13
Interest income from loans to related parties	0	0	0	1
Interest income on NGI Group's group account (Note 21)	7	2	18	7
Other finance income	1	2	1	3
<b>Total finance income</b>	<b>8</b>	<b>7</b>	<b>19</b>	<b>24</b>

Finance costs

	III quarter 2014	III quarter 2013	9 months 2014	9 months 2013
Interest expense of bank loans	-319	-302	-931	-836
Interest expense of finance lease	-12	0	-36	0
Other finance costs*	-61	-48	-160	-108
<b>Total finance costs</b>	<b>-392</b>	<b>-350</b>	<b>-1,127</b>	<b>-944</b>

\* 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.

	III quarter 2014	III quarter 2013	9 months 2014	9 months 2013
Net profit (in thousands of euros)	5,566	6,168	10,344	8,528
Weighted average number of shares	40 729 200	40 729 200	40 729 200	40 729 200
Basic and diluted earnings per share (euros)	0.14	0.15	0.25	0.21

**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.

## Tallinna Kaubamaja AS

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

	Purchases 9 months 2014	Sales 9 months 2014	Purchases 9 months 2013	Sales 9 months 2013
Parent	232	22	221	9
Entities in the Parent's consolidation group	19,204	4,956	18,001	2,819
Members of management and supervisory boards	0	0	0	22
Other related parties	645	135	607	126
<b>Total</b>	<b>20,081</b>	<b>5,113</b>	<b>18,829</b>	<b>2,976</b>

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:

	30.09.2014	31.12.2013
Interest receivable from Parent (Note 4)	4	1
Receivable from Parent (Note 3)	9,900	0
Receivables from entities in the in the Parent's consolidation group (Note 4)	536	524
Sales bonuses receivable from entities in the in the Parent's consolidation group (Note 4)	0	135
Members of management and supervisory boards (Note 4)	2	5
<b>Total receivables from related parties</b>	<b>10,442</b>	<b>665</b>

	30.09.2014	31.12.2013
Parent	21	25
Entities in the Parent's consolidation group	3,236	5,251
Other related parties	192	47
<b>Total liabilities to related parties (Note 13)</b>	<b>3,449</b>	<b>5,323</b>

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 2014 Tallinna Kaubamaja Group earned interest income on its deposits of available funds in the amount of 18 thousand euros (2013: 7 thousand euros).

As at 30.09.2014 NG Investeeringud group has used Group's available funds in the amount of 400 thousand euros with interest rate 0.63% (31.12.13: 0 euros). As at 30 September 2014 the Group has not used NG Investeeringud group account available funds (2013: 0.04 thousand euros). As at 30.09.2014 Group deposited through parent company NG Investeeringud OÜ 9,500 euros. Deposit in the amount of 7,500 thousand euros with interest rate 0.34% and deposit in the amount of 2,000 thousand euros with interest rate 0.25%, maturity up to 7 October 2014 (31.12.13: 0 euros).

The average interest rate on available funds deposited to the group account of NG Investeeringud OÜ was 0.08% 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 710 thousand euros (9 months 2013: 638 thousand euros), including termination benefits in the amount of 18 thousand euros. Short term benefits to supervisory boards' members of Tallinna Kaubamaja Group in reporting period including social taxes amounted to 233 thousand euros (9 months 2013: 233 thousand euros).