

# **TALLINNA KAUBAMAJA GRUPP AS**

**Consolidated Interim Report for  
the Second quarter and first 6 months of 2016  
(unaudited)**

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## COMPANY PROFILE AND CONTACT DETAILS

The primary areas of activity of the companies of the Tallinna Kaubamaja Grupp AS (hereinafter referred to as the 'Tallinna Kaubamaja Group' or 'the Group') include retail and wholesale trade and rental activities. The Tallinna Kaubamaja Group employs more than 4,000 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 2016
End of financial year:	31 December 2016
Beginning of interim report period:	1 January 2016
End of interim report period:	30 June 2016
Auditor:	PricewaterhouseCoopers AS
Telephone:	372 667 3200
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## MANAGEMENT REPORT

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

### Management

In order to manage the Tallinna Kaubamaja Group the general meeting of the shareholders, held at least once in a year, elects supervisory board, which according to the articles of association may have 3 to 6 members. Members of the Tallinna Kaubamaja Group supervisory board are Jüri Kõo (chairman of the supervisory board), Andres Järving, Enn Kunila, Gunnar Kraft and Meelis Milder. Members of Tallinna Kaubamaja Group supervisory board are elected for three years. The mandates of current supervisory board members Andres Järving, Jüri Kõo, Enn Kunila, Meelis Milder and Gunnar Kraft will expire on 19 May 2018. During the period between the general meetings the supervisory board plans actions of the company, organises management and accomplishes supervision over management actions. Regular supervisory board meetings are held at least 10 times in a year. In order to manage daily activities the supervisory board appoints member(s) of the management board of the Tallinna Kaubamaja Group in accordance with the Commercial Code. In order to elect a member of the management board, his or her consent is required. By the articles of association a member of the management board shall be elected for a specified term of three years. Extension of the term of office of a member of the management board shall not be decided earlier than one year before the planned date of expiry of the term of office, and not for a period longer than the maximum term of office prescribed by the articles of association. Currently the management board of Tallinna Kaubamaja Group has one member. The term of office of the management board member Raul Puusepp was extended on 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 Group prescribe no greater majority requirement and the public limited company does not possess several classes of shares.

### Share market

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

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

The share with a price of 6.74 euros at the end of 2015 was closed in late June of 2016 at 6.79 euros, increased by 0.74% within the six months of the year.

According to the notice of regular annual general meeting of the shareholders published on 1 March 2016, the management board proposed to pay dividends 0.52 euros per share. The general meeting of shareholders approved it.

Share price and trading statistics on the Tallinn Stock Exchange from 01.01.2016 to 30.06.2016.

In euros



#### Company's structure

The following companies belong to the group as of June 30, 2016:

	Location	Shareholding as of 30.06.2016	Shareholding as of 31.12.2015
Selver AS	Estonia	100%	100%
Kulinaaria OÜ	Estonia	100%	100%
Kaubamaja AS	Estonia	100%	100%
Viking Security AS	Estonia	100%	100%
Tartu Kaubamaja Kinnisvara OÜ	Estonia	100%	100%
Tallinna Kaubamaja Kinnisvara AS	Estonia	100%	100%
SIA TKM Latvija	Latvia	100%	100%
Selver Latvia SIA	Latvia	100%	100%
TKM Auto OÜ	Estonia	100%	100%
KIA Auto AS	Estonia	100%	100%
KIA Auto UAB	Lithuania	100%	100%
Forum Auto SIA	Latvia	100%	100%
Viking Motors AS	Estonia	100%	100%
OÜ TKM Beauty	Estonia	100%	100%
OÜ TKM Beauty Eesti	Estonia	100%	100%
AS TKM King	Estonia	100%	100%
Rävala Parkla AS	Estonia	50%	50%

Economic development

The gross domestic product increased by 1.7% in the 1<sup>st</sup> quarter of 2016 compared to the 1<sup>st</sup> quarter of 2015. The foundation of this growth was rather limited – a larger amount was received as net taxes on products, which resulted from the storage of excise goods due to increases in excise duty rates, and the other factor was domestic trade. The biggest suppressor of economic growth was the decline in the added value of the sphere of energetics. The export of goods and services continued to decline for the fourth consecutive quarter mainly due to a decrease in the export of electronic goods and mineral products. The consumer price index in Estonia dropped by 0.6% in the first half-year, incl. a decrease of 0.8% in the prices of food and non-alcoholic beverages, and an increase of 3.7% in the prices of clothing and footwear. The prices of alcoholic beverages and tobacco rose the most (5.4%) owing to an increase in the excise duty rates. The prices of both heat energy and motor fuel, which have been lower by nearly a tenth compared to what they were a year ago, have been affecting the prices the most for some time. According to an Eesti Pank forecast, the level of prices will remain the same on average this year and inflation will be 0%. Compared to the 1<sup>st</sup> quarter of the previous year, the average gross monthly salary increased by 8.1% and the annual growth of the gross monthly salary was slightly faster than in the previous quarter. The decline in prices and growth in salaries have significantly improved the financial situation and consumption possibilities of consumers, but a long-term increase in labour costs puts pressure on economic growth. In the estimation of Eesti Pank, this year's economic growth will be 1.8% in aggregate.

According to Statistics Estonia, the total volume of retail sales in current prices in Estonia grew by 6.7% in the first five months of 2016. Since the beginning of the year, maintenance and repairs of motor vehicles have expanded the most, growing by 27.2% in aggregate in the first five months. Retail sales in non-specialised stores (selling predominantly food products) went up by 6.1% in the first five months of the year. Retail sales in other non-specialised stores increased by 2.4%. A 4.6% decrease in the sale of motor fuel continued to have a negative effect on retail sales. Compared to the beginning of the year, the financial confidence of households has greatly improved and is again at the level seen in the second half of the previous year.

Economic results**FINANCIAL RATIOS 2015–2016**

	EUR		Change
	2 <sup>nd</sup> quarter 2016	2 <sup>nd</sup> quarter 2015	
Sales revenue (in millions)	150.5	139.3	8.0%
Operating profit/loss (in millions)	8.8	6.2	42.1%
Net profit/loss (in millions)	8.6	5.9	45.3%
Return on equity (ROE)	5.0%	3.7%	
Return on assets (ROA)	2.5%	1.8%	
Net profit margin	5.72%	4.25%	
Gross profit margin	25.17%	24.63%	
Quick ratio	0.99	0.99	
Debt ratio	0.51	0.50	
Sales revenue per employee (in millions)	0.037	0.035	
Inventory turnover	1.89	1.87	
<b>SHARE</b>			
Average number of shares (1000 pcs)	40,729	40,729	
Equity capital per share (EUR/share)	4.10	3.98	
Share's closing price (EUR/share)	6.790	6.02	
Earnings per share (EUR/share)	0.21	0.15	
Average number of employees	4,060	3,941	

	EUR		Change
	6 month 2016	6 month 2015	
Sales revenue (in millions)	287.4	262.8	9.4%
Operating profit/loss (in millions)	13.9	9.1	53.0%
Net profit/loss (in millions)	8.4	4.8	76.4%
Return on equity (ROE)	4.8%	3.0%	
Return on assets (ROA)	2.5%	1.4%	
Net profit margin	2.92%	1.81%	
Gross profit margin	25.01%	24.49%	
Quick ratio	0.99	0.99	
Debt ratio	0.51	0.50	
Sales revenue per employee (in millions)	0.071	0.068	
Inventory turnover	3.62	3.54	
SHARE			
Average number of shares (1000 pcs)	40,729	40,729	
Equity capital per share (EUR/share)	4.10	3.98	
Share's closing price (EUR/share)	6.790	6.02	
Earnings per share (EUR/share)	0.21	0.12	
Average number of employees	4,036	3,882	

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

The unaudited consolidated sales revenue of the 2<sup>nd</sup> quarter of 2016 of Tallinna Kaubamaja Group was 150.5 million euros, which exceeded the year-on-year sales revenue by 8.0%. The sales revenue of the first half year of 2016 increased by 9.4% to 287.4 million euros compared to the first half year of 2015, when the sales revenue was 262.8 million euros. The unaudited consolidated net profit of the 2<sup>nd</sup> quarter of 2016 of the Group was 8.6 million euros, which exceeded the year-on-year profit by 45.3%. The net profit of the first six months of 2016 of the Group was 8.4 million euros. Compared to the same period in the previous year, the profit has increased by 76.4%. The pre-tax profit was 13.6 million euros in the first half-year, which is a 57.7% increase in a year-on-year comparison. The net profit was affected by a dividend payment, on which 5.2 million euros of income tax was paid in the 1<sup>st</sup> quarter of 2016. In the previous year, 3.9 million euros of income tax was paid.

In the 2<sup>nd</sup> quarter, the 8% increase in the sales revenue of the Group exceeded the overall trend in Estonian retail sales statistics. All in all, the sales revenue and the financial results of all segments of the Group improved in the quarter. The largest growth was achieved by the segment of car trade where new models by KIA received a warm welcome and several fleet sale deals were won. The largest retail sales segments of the Group, i.e. Selvers and department stores, showed a stable increase in sales and an improvement in profits. The footwear trade segment, which operates in a demanding market situation, continued to implement the chosen strategy. The sales revenue of the footwear segment grew and the loss decreased. The continued optimisation of trade processes and thought-out marketing activities have helped increase the gross profitability. The addition of new stores has increased the number of employees. The wage costs of the new employees as well as increases in the wage level to further increase the Group's position on the labour market have raised the overall cost of wages. This has helped to maintain professionalism and trained personnel, which is essential to ensure a good level of service, thereby allowing the Group to better service its customers. At the same time, the earnings before interest, taxes, depreciation, and amortisation (EBITDA) per employee and every labour input euro have grown, giving proof of the efficiency of the Group's labour force and an increase in the sustainability of earning profits.

In the first half-year of 2016, a new Selver was opened in Tallinn on Kärberi Street in the Lasnamäe district and one

Selver was closed in Narva. Extensive renovation works have been performed in the Tondi Selver in Tallinn. Selver's online store expanded its area of operation and increased its functionality. In the department stores, the dedicated beauty and women's departments of the Tartu store were revamped, and the Kaubamaja e-store was opened. The I.L.U. store in Tartu was moved as a result of reorganisation from the Tasku centre to the new Kvartal centre opened in central Tartu.

The volume of assets of Tallinna Kaubamaja Group as at 30 June 2016 was 337.6 million euros, which is 3.0% less than the respective number at the end of 2015.

There were more than 585 thousand loyal customers at the end of the reporting period; the number of loyal customers decreased by 4.3% in a year. The relative importance of regular customers in the turnover of the Group was 81.6% (the number was 81.1% in the first half year of 2015). Over 22,000 Partner Bank and Credit Cards had been issued by the end of the first half-year.

### Selver supermarkets

The consolidated sales revenue of the first half-year of 2016 of the business segment of supermarkets was 191.8 million euros, having grown by 5.2% in a year-on-year comparison. The consolidated sales revenue of the 2<sup>nd</sup> quarter was 99.0 million euros, indicating a 3.1% growth in a year-on-year comparison. The monthly average sales revenue of goods per sales area square metre was 0.36 thousand euros in the first half-year of 2016, surpassing the figure of the previous year by 3.5%. The monthly average sales revenue of goods per sales area square metre was 0.37 thousand euros in the 2<sup>nd</sup> quarter, surpassing the figure of the previous year by 1.3%. The average sales revenue per sales area square metre of goods sold by comparable stores was 0.36 thousand euros in the first half-year and 0.37 thousand euros in the 2<sup>nd</sup> quarter, indicating a 3.6% increase and a 2.2% increase respectively. 17.6 million purchases were made in Selvers in the 1<sup>st</sup> half-year of 2016, surpassing the figure of the previous year by 1.6%. The consolidated pre-tax profit of the segment of supermarkets was 6.0 million euros in the 1<sup>st</sup> half-year of 2016 and the net profit 3.4 million euros, having grown by 3.0 and 2.6 million euros respectively compared to the previous year, whereof the pre-tax profit earned in Estonia formed 7.0 million euros and the net profit 4.4 million euros. The difference between the net profit and the profit before income tax arises from the income tax paid on dividends – in 2016, the income tax on dividends surpassed the figure of the previous year by 0.39 million euros. The pre-tax profit and net profit were 3.5 million euros in the 2<sup>nd</sup> quarter, indicating a growth of 1.5 million euros, of which the profit earned in Estonia formed 4.0 million euros. The loss incurred in Latvia in the first half-year was 1.0 million euros, of which the share of the 2<sup>nd</sup> quarter was 0.5 million euros. In a year-on-year comparison, the loss in the first half-year decreased by 0.2 million euros.

The increase in revenue from sales of goods in the 2<sup>nd</sup> quarter was supported by successful campaign and holiday sales. Consumers' increased confidence, increases in the real income of people, and activities to offer a better product mix for customers have raised the price of an average shopping basket. The comparison basis of the 2<sup>nd</sup> quarter of 2016 does not include the Viimsi Selver (the seventh hypermarket of the chain was opened in August 2015) or the online store of Selver (e-Selver), which was opened at the end of 2015. The Kärberi Selver in Lasnamäe, which was opened in April, has a positive effect on the growth of sales revenue. As a counterbalance, the Tondi Selver, a hypermarket, was closed for a month due to renovation works. The Selvers that have been opened in the last five years, which are still in a phase of higher-than-average growth, are driving the increase in the sales revenue as far as Selvers are concerned, winning over new customers in a tight competitive situation. The formation of the profit earned in Estonia has primarily been affected by increases in the gross profit earned from the sale of goods, which has been accomplished chiefly by changes in the operating principles of the sale of goods and through optimising the procurement process of goods. With regard to operating expenses, the Group has managed to improve the level of cost effectiveness of the previous year. Tallinn Administrative Court satisfied the claim for refund of sales tax from the Tallinn City Enterprise Department regarding the sales tax collected on excise goods. This non-recurrent income in the amount of 0.4 million is reflected in the results of the 2<sup>nd</sup> quarter. The loss in Latvia decreased owing to the termination of a lease contract of one store.

In the first half-year, Selver has opened a store in the Lasnamäe district of Tallinn and closed one store in Narva. Renovation works have been carried out in one store. There are plans to open two new Selvers and renovate one in the second half-year. Tallinn as a whole and a large part of Harju County, incl. the traditional summer resort areas from Tallinn to Klooga, are covered by the e-Selver service opened in the last quarter of 2015. We will continue to expand the SelverEkspress service. As at the end of June, the service is available in 22 Selvers. In the second half of the year, the service will be implemented in four more Selvers.

The Selver supermarket chain with 45 Selver stores, e-Selver and cafe belong to the segment of supermarkets, the total sales space amounting 86,300 m<sup>2</sup>. SIA Selver Latvia, where all commercial activity has stopped for now, and Kulinaaria OÜ, which includes the largest central kitchen in the Baltic States, are also part of the segment.

### Department stores

The sales revenue of the first six months of 2016 of the business segment of department stores was 46.0 million



euros, having increased by 1.6% in a year-over-year comparison. The sales revenue of the 2<sup>nd</sup> quarter formed 23.8 million euros of this amount, which is 1.5% higher than the revenue of the 2<sup>nd</sup> quarter of 2015. The department stores' monthly sales revenue per sales area square metre was 0.29 thousand euros in the first half-year, remaining at the same level in a year-on-year comparison. The pre-tax profit of the department stores in the first half-year of 2016 was 1.1 million euros, which is 8.7% higher than the result of the previous year. The pre-tax profit was 1.2 million euros in the 2<sup>nd</sup> quarter, which was a 3.7% increase in a year-on-year comparison. The sales revenue of the first half-year of the department stores was affected by renovation works in the dedicated beauty and women's departments of the Tartu store. The sales revenue of the 2<sup>nd</sup> quarter of the department stores was negatively affected by increased competition in central Tartu in the segment of groceries and fashion items. At the same time, well-planned campaigns and favourable weather, which helped to boost the sale of thicker clothes, had a positive effect on the department stores' results of the first half-year. In addition, the changes in the brand portfolio and the interior decoration have been well accepted. The number of products available in Kaubamaja's online store, which was opened at the beginning of March, was as high as 28,000 by the end of the 2<sup>nd</sup> quarter, and an average of 4,000 products are waiting in ongoing queue to be photographed by photorobots.

The sales revenue of the 2<sup>nd</sup> quarter of 2016 of OÜ TKM Beauty Eesti, which operates the I.L.U. cosmetics stores, was 1.1 million euros, having decreased by 2.2% compared to the same period in 2015. The loss was 0.1 million euros in the 2<sup>nd</sup> quarter, which remained at the same level compared to the same period in 2015. The sales revenue of the first half-year of 2016 was 2.3 million euros, having grown by 0.4% in a year-on-year comparison. The loss was 0.2 million euros in the first half-year of 2016, which also overlapped compared to the results of the same period in 2015. The sales revenue of the 2<sup>nd</sup> quarter was negatively affected by a business disruption in May in one of the I.L.U. stores in Tartu, when the store was moved from the Tasku centre to the new Kvartal centre in Tartu in the process of reorganisation.

### Car Trade

The sales revenue of the first half-year of 2016 of the segment of car trade was 41.4 million euros. The sales revenue was 46.1% higher in a year-on-year comparison, incl. an increase of 39.7% in the sales revenue of KIAs. The sales revenue of 23.2 million euros in the 2<sup>nd</sup> quarter exceeded the figure of the previous year by 44.8%. The sales revenue of KIAs increased by 37.6%. A total of 2,009 vehicles were sold in the first half-year, of which 1,123 vehicles were sold in the 2<sup>nd</sup> quarter. The net profit of the first half-year of 2016 of the segment was 1.0 million euros, surpassing the profit of the same period of the previous year by 62.4%. The pre-tax profit of the first half-year of 2016 of the segment was 1.4 million euros, surpassing the profit of the first half-year of 2015 by 29.1%. The net profit of the 2<sup>nd</sup> quarter of 2016 was 1.0 million euros, surpassing the profit of the same period of the previous year by 50.4%. In the first half-year, all car dealers that are part of the Group have done well. The biggest contribution to the sales revenue was by Forum Auto SIA through the sale of KIAs. Forum Auto SIA won many large public procurements in both the 1<sup>st</sup> and the 2<sup>nd</sup> quarter. The sales performance of the company that sells Opels in Estonia was also solid in the car trade segment owing to their outstanding marketing campaign.

The strong growth numbers are primarily supported by the modest sales volume of the previous year but also by a favourable market growth – the overall market of passenger cars and consumer vehicles in the Baltics grew by 19% in the first half-year, incl. by 12% in Estonia. The sales market of KIAs has also grown at the same pace in Estonia (+12.6%) thanks to the expectedly warm welcome of the new KIA Sportage SUV by customers. Other KIA models like the compact car KIA Cee'd have also met the expected sales targets.

### Footwear trade

The sales revenue of the first half-year of 2016 of the segment of footwear trade was 5.8 million euros, increasing by 9.0% year-on-year. The sales revenue of the 2<sup>nd</sup> quarter was 3.4 million euros, which is a 9.2% increase in a year-on-year comparison. The profit resulting from the 2<sup>nd</sup> quarter was 0.02 million euros. The loss incurred in the same period of the previous financial year was 0.2 million euros. The loss incurred in the first half-year of 2016 was 0.5 million euros, which is a 42.7% decrease compared to the same period of the previous financial year. The decline in loss is a result of an improved procurement process and, above all, a result of a better positioning of the goods of the SHU concept to better fit the expectations of customers. Improvements in the age structure of the stocks have allowed the segment to activate discounts at a later stage and in a more moderate fashion than before.

### Real estate

The sales revenue of the first half of 2016 of the business segment of real estate outside the Group was 2.4 million euros, which is 52.8% higher in a year-on-year comparison. The sales revenue of the 2<sup>nd</sup> quarter outside the Group was 1.2 million euros, which is 57.8% more in a year-on-year comparison. The pre-tax profit of the first half of 2016 of the segment of real estate was 5.6 million euros, which is 28.2% more compared to the same period of the previous financial year. The pre-tax profit of the 2<sup>nd</sup> quarter was 2.8 million euros, which exceeded the results of the same period of the previous financial year by 26.8%. The increase in the sales revenue was supported by the 14,000-square metre Viimsi Center opened in August 2015 and by renting the building in Rezekne Latvia to an

external party. In March 2016, the renovation works in the department store of Tartu were completed. In the course of an exhaustive renovation project, entire shopping environment was modernised.

Personnel

The average number of employees in the Tallinna Kaubamaja Group in the first half of 2016 was 4,036, having grown by 4.0% compared to the same period in 2015. Total labour costs (cost of wages and social tax) amounted to 27.3 million euros in the first six months of 2016, having grown by 11.5% compared to the same period in 2015. In the second quarter, the labour costs increased by 9.6% compared to the year before, while the average number of employees increased by 3.0%. The average monthly cost of wages grew by 7.3% in the first six months compared to the average wages of the six months of 2015, in the 2<sup>nd</sup> quarter, the growth was 6.6%.

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

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



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Raul Puusepp  
Chairman of the Management Board

Tallinn, 14 July 2016


## CONSOLIDATED FINANCIAL STATEMENTS

### MANAGEMENT BOARD'S CONFIRMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Chairman of the Management Board confirms the correctness and completeness of Tallinna Kaubamaja Grupp AS consolidated interim financial statements (unaudited) for the period of the second quarter and first 6 months of 2016 as set out on pages 12 - 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 Grupp AS and its subsidiaries are going concerns.



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Raul Puusepp  
Chairman of the Management Board

Tallinn, 14 July 2016

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros

	Note	30.06.2016	31.12.2015
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	2	13,643	13,911
Trade and other receivables	3	11,351	20,191
Inventories	5	59,553	61,110
<b>Total current assets</b>		<b>84,547</b>	<b>95,212</b>
<b>Non-current assets</b>			
Long-term trade and other receivables	8	293	293
Investments in associates	7	1,875	1,778
Investment property	9	46,956	44,963
Property, plant and equipment	10	195,187	196,691
Intangible assets	11	8,782	9,043
<b>Total non-current assets</b>		<b>253,093</b>	<b>252,768</b>
<b>TOTAL ASSETS</b>		<b>337,640</b>	<b>347,980</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Borrowings	12	16,660	33,377
Trade and other payables	13	68,948	77,066
<b>Total current liabilities</b>		<b>85,608</b>	<b>110,443</b>
<b>Non-current liabilities</b>			
Borrowings	12	84,710	57,426
Provisions for other liabilities and charges		502	502
<b>Total non-current liabilities</b>		<b>85,212</b>	<b>57,928</b>
<b>TOTAL LIABILITIES</b>		<b>170,820</b>	<b>168,371</b>
<b>Equity</b>			
Share capital	15	16,292	16,292
Statutory reserve capital		2,603	2,603
Revaluation reserve		64,972	65,701
Currency translation differences		-255	-255
Retained earnings		83,208	95,268
<b>TOTAL EQUITY</b>		<b>166,820</b>	<b>179,609</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>337,640</b>	<b>347,980</b>

The notes presented on pages 17 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	II quarter 2016	II quarter 2015	6 months 2016	6 months 2015
Revenue	16	150,534	139,342	287,384	262,800
Other operating income		684	160	951	391
Cost of sales	5	-112,648	-104,613	-215,496	-197,648
Other operating expenses	17	-12,807	-13,022	-25,566	-25,946
Staff costs	18	-13,964	-12,737	-27,262	-24,453
Depreciation, amortisation and impairment losses	10, 11	-2,875	-2,852	-5,681	-5,701
Other expenses		-148	-101	-389	-330
<b>Operating profit</b>		<b>8,776</b>	<b>6,177</b>	<b>13,941</b>	<b>9,113</b>
Finance income	19	0	2	2	10
Finance costs	19	-223	-298	-431	-581
Finance income on shares of associates	7	51	41	97	88
<b>Profit before tax</b>		<b>8,604</b>	<b>5,922</b>	<b>13,609</b>	<b>8,630</b>
Income tax expense	15	0	0	-5,219	-3,873
<b>NET PROFIT FOR THE FINANCIAL YEAR</b>		<b>8,604</b>	<b>5,922</b>	<b>8,390</b>	<b>4,757</b>
<b>Other comprehensive income:</b>					
<i>Items that may be subsequently reclassified to profit or loss</i>					
Currency translation differences		0	0	0	0
<b>Other comprehensive income for the financial year</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR</b>		<b>8,604</b>	<b>5,922</b>	<b>8,390</b>	<b>4,757</b>
Basic and diluted earnings per share (euros)	20	0.21	0.15	0.21	0.12

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

The notes presented on pages 17 to 31 form an integral part of these consolidated interim financial statements.

**CONSOLIDATED CASH FLOW STATEMENT**

In thousands of euros

	Note	6 months 2016	6 months 2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net profit		8,390	4,757
<i>Adjustments:</i>			
<i>Income tax on dividends</i>	15	5,219	3,873
<i>Interest expense</i>	19	431	581
<i>Interest income</i>	19	-2	-10
<i>Depreciation, amortisation</i>	10, 11	5,668	5,698
<i>Loss on sale and write-off of non-current assets</i>	10	13	3
<i>Profit on sale of non-current assets</i>	10	-9	-11
<i>Effect of equity method</i>	7	-97	-88
Change in inventories		1,559	838
Change in receivables and prepayments related to operating activities		3,839	137
Change in liabilities and prepayments related to operating activities		-8,056	-3,213
<b>TOTAL CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>16,955</b>	<b>12,565</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment (excl. finance lease)	10	-6,660	-9,200
Proceeds from sale of property, plant and equipment	10	841	315
Purchase of intangible assets	11	-81	-70
Change in balance of parent company's group account	21	5,000	4,000
Interest received	19	2	10
<b>TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<b>-898</b>	<b>-4,945</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings	12	39,870	24,739
Repayments of borrowings	12	-29,407	-28,680
Change in overdraft balance	12	104	397
Dividends paid	15	-21,179	-16,292
Income tax on dividends	15	-5,259	-3,873
Interest paid		-454	-611
<b>TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES</b>		<b>-16,325</b>	<b>-24,320</b>
<b>TOTAL CASH FLOWS</b>		<b>-268</b>	<b>-16,700</b>
Effect of exchange rate changes		0	0
Cash and cash equivalents at the beginning of the period	2	13,911	24,626
Cash and cash equivalents at the end of the period	2	13,643	7,926
<b>Net change in cash and cash equivalents</b>		<b>-268</b>	<b>-16,700</b>

The notes presented on pages 17 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 31.12.2014</b>	<b>16,292</b>	<b>2,603</b>	<b>67,159</b>	<b>88 031</b>	<b>-255</b>	<b>173,830</b>
Net profit for the reporting period	0	0	0	4,757	0	4,757
<b>Total comprehensive income for the reporting period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,757</b>	<b>0</b>	<b>4,757</b>
Reclassification of depreciation of revalued land and buildings	0	0	-729	729	0	0
Dividends paid	0	0	0	-16,292	0	-16,292
<b>Balance as of 30.06.2015</b>	<b>16,292</b>	<b>2,603</b>	<b>66,430</b>	<b>77,225</b>	<b>-255</b>	<b>162,295</b>
Net profit for the reporting period	0	0	0	22,071	0	22,071
<b>Total comprehensive income for the reporting period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>22,071</b>	<b>0</b>	<b>22,071</b>
Reclassification of depreciation of revalued land and buildings	0	0	-1,458	1,458	0	0
Dividends paid	0	0	0	-16,292	0	-16,292
<b>Balance as of 31.12.2015</b>	<b>16,292</b>	<b>2,603</b>	<b>65,701</b>	<b>95,268</b>	<b>-255</b>	<b>179,609</b>
Net profit for the reporting period	0	0	0	8,390	0	8,390
<b>Total comprehensive income for the reporting period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,390</b>	<b>0</b>	<b>8,390</b>
Reclassification of depreciation of revalued land and buildings	0	0	-729	729	0	0
Dividends paid	0	0	0	-21,179	0	-21,179
<b>Balance as of 30.06.2016</b>	<b>16,292</b>	<b>2,603</b>	<b>64,972</b>	<b>83,208</b>	<b>-255</b>	<b>166,820</b>

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

The notes presented on pages 17 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 Grupp AS ('the Company') and its subsidiaries (jointly 'Tallinna Kaubamaja Group' or 'the Group') are companies engaged in rendering services related to retail sale and rental activities in Estonia, Latvia and Lithuania. Tallinna Kaubamaja Grupp AS is a company registered on 18 October 1994 in the Republic of Estonia with the legal address of Gonsiori 2, Tallinn. The shares of Tallinna Kaubamaja Grupp AS are listed on the NASDAQ OMX Tallinn Stock Exchange. The majority shareholder of Tallinna Kaubamaja Grupp AS is OÜ NG Investeeringud, the majority owner of which is NG Kapital OÜ. NG Kapital OÜ is an entity with ultimate control over Tallinna Kaubamaja Grupp AS.

#### Bases for Preparation

The Consolidated Interim Accounts of Tallinna Kaubamaja Group has been prepared in accordance with the International Financial Reporting Standard IAS 34 Interim Financial Reporting as adopted by the European Union. The consolidated interim financial statements do not contain all the information that has to be presented in the annual financial statements and they should be read in conjunction with the Group's consolidated financial statements as at and for the year ended 31 December 2015. 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 2015.

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

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

The Manager is of the opinion that the Interim Report of Tallinna Kaubamaja Group for the second quarter and first 6 months of 2016 gives a true and fair view of the Company's performance in accordance with the going-concern concept.

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

**Note 2. Cash and cash equivalents**

in thousands of euros	30.06.2016	31.12.2015
Cash on hand	633	582
Bank accounts	12,002	11,488
Cash in transit	1,008	1,841
<b>Total cash and cash equivalents</b>	<b>13,643</b>	<b>13,911</b>

**Note 3. Trade and other receivables**

in thousands of euros	30.06.2016	31.12.2015
Trade receivables (Note 4)	8,982	10,284
Receivable from Parent (Note 21)	0	5,000
Other short-term receivables	367	2,490
<b>Total financial assets from balance sheet line "Trade and other receivables"</b>	<b>9,349</b>	<b>17,774</b>
Prepayment for goods	1,063	1,741
Other prepaid expenses	874	590
Prepaid rental expenses	55	77
Prepaid taxes (Note 14)	10	9
<b>Total trade and other receivables</b>	<b>11,351</b>	<b>20,191</b>

**Note 4. Trade receivables**

in thousands of euros	30.06.2016	31.12.2015
Trade receivables	6,640	7,211
Allowance for doubtful receivables	-22	-37
Receivables from related parties (Note 21)	1,299	1,027
Credit card payments	1,065	2,083
<b>Total trade receivables</b>	<b>8,982</b>	<b>10,284</b>

**Note 5. Inventories**

in thousands of euros	30.06.2016	31.12.2015
Goods purchased for resale	58,803	60,358
Raw materials and materials	750	752
<b>Total inventories</b>	<b>59,553</b>	<b>61,110</b>

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

in thousands of euros

	II quarter 2016	II quarter 2015	6 months 2016	6 months 2015
Write-down and write-off of inventories	2,139	1,825	4,250	3,636
Inventory stocktaking deficit	677	634	816	830
<b>Total materials and consumables used</b>	<b>2,816</b>	<b>2,459</b>	<b>5,066</b>	<b>4,466</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 30.06.2016	Year of acquisition
Selver AS	Tallinn Pärnu mnt. 238	Retail trade	100%	1996
Tallinna Kaubamaja Kinnisvara AS	Tallinn Gonsiori 2	Real estate management	100%	1999
Tartu Kaubamaja Kinnisvara OÜ	Tartu Riia 1	Real estate management	100%	2004
SIA TKM Latvija	Riga Ieriku iela 3	Real estate management	100%	2006
SIA Selver Latvia	Riga Ieriku iela 3	Retail trade	100%	2006
TKM Auto OÜ	Tallinn Gonsiori 2	Commercial and finance activities	100%	2007
KIA Auto AS	Tallinn Ülemiste tee 1	Retail trade	100%	2007
Forum Auto SIA	Riga Pulkevza Brieza 31	Retail trade	100%	2007
KIA Auto UAB	Vilnius 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
Kulinaaria OÜ	Tallinn Taevakivi 7B	Centre kitchen activities	100%	2012
AS Viking Motors	Tallinn Tammsaare tee 51	Retail trade	100%	2012
Viking Security AS	A. H. Tammsaare tee 62	Security activities	100%	2014

Business combinations in 2015:

Name	Location	Area of activity	Acquisition date	Ownership %
Digisilm Videovalve OÜ	Estonia	Security activities	08.07.2015	100%

On 8 July 2015, Viking Security AS, subsidiary of Tallinna Kaubamaja Grupp AS, concluded an agreement, acquiring 100% of shares of Digisilm Videovalve OÜ. Digisilm Videovalve OÜ was established on 6 July 2015 through division of Digisilm Pro OÜ, whereby the video surveillance business was allocated to Digisilm Videovalve OÜ.

Acquisition of the holding of Digisilm Videovalve OÜ enables Tallinna Kaubamaja Grupp AS to strengthen its field of security services further, which has been one of the fastest expanding business ventures of the Group over the last few years. Through this transaction, Viking Security AS will enhance its services related to the design, installation and maintenance of electronic alert, surveillance and monitoring systems. In addition, the service portfolio of Viking Security AS will continue to include manned and video surveillance, and the option of participating in certified security procurements.

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

in thousands of euros	Fair value
Cash and bank	3
Inventory	5
Fixed assets (Note 10)	7
<b>Total identifiable assets</b>	<b>15</b>
Cost of ownership interest	120
Paid for ownership interest in cash	<b>50</b>
Cash and cash equivalents in the acquired entity	<b>-3</b>
<b>Total cash effect on the Group</b>	<b>-47</b>

Goodwill at value of 104 thousand euros arose from the transaction (Note 11). Group has paid in 2015 from the cost of ownership interest 50 thousand euros. Remaining amount 70 thousand euros will be paid according to the contract by the end of 2016.

Merger resolutions of Viking Security AS and Digisilm Videovalve OÜ were adopted on 17th of November 2015 and Commercial Register registered the abovementioned merger on 23rd of December 2015. According to the merger agreement signed on 16th of November 2015 the legal successor of Digisilm Videovalve OÜ is Viking Security AS. By registration of the merger, all assets of Digisilm Videovalve OÜ were given over to Viking Security AS. In connection to the registration of the merger, Digisilm Videovalve OÜ was deleted from the Commercial Register. The share capital of the acquiring company did not change.

In 2016 there were no business combinations.

#### Note 7. Investments in associates

in thousands of euros

Tallinna Kaubamaja Group has ownership of 50% (2015: 50%) interest in the entity AS Rävåla Parkla which provides the services of a parking house in Tallinn.

	30.06.2016	31.12.2015
<b>Investment in the associate at the beginning of the year</b>	<b>1,778</b>	<b>1,778</b>
Profit for the reporting period under equity method	97	142
Dividends received	0	-142
<b>Investment in the associate at the end of the accounting period</b>	<b>1,875</b>	<b>1,778</b>

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

	30.06.2016		31.12.2015	
Assets	3,802		3,605	
Liabilities	51		48	
	II quarter 2016	II quarter 2015	6 months 2016	6 months 2015
Revenue	122	192	237	230
Profit	102	82	193	176

**Note 8. Long-term trade and other receivables**

in thousands of euros

	<b>30.06.2016</b>	<b>31.12.2015</b>
Prepaid rental expenses	48	48
Deferred tax asset	210	210
Other receivables	35	35
<b>Total long-term trade and other receivables</b>	<b>293</b>	<b>293</b>

**Note 9. Investment property**

in thousands of euros

	<b>EUR</b>
<b>Carrying value as at 31.12.2014</b>	<b>3,035</b>
Reclassification (Note 10)	37,614
Net gain from fair value adjustment	4,314
<b>Carrying value as at 31.12.2015</b>	<b>44,963</b>
Reclassification (Note 10)	1,993
<b>Carrying value as at 30.06.2016</b>	<b>46,956</b>

Investment properties comprise constructions in progress and immovables improved with commercial buildings.

In 2015, immovables improved with commercial buildings (Viimsi shopping centre and Tartu Kaubamaja in Estonia and Rēzekne in Latvia), which the Group maintains predominantly for earning rental income, were classified as investment properties and property, plant and equipment. In Latvia, Rezekne commercial building with the property was reclassified as investment property from property, plant and equipment. Also property in Rae municipal Peetri was reclassified as investment property from property, plant and equipment. Therefore in 2015, reclassification from the property, plant and equipment group "Land and buildings" to investment properties was made in the amount of 37,614 thousand euros. At the moment of reclassification there were no differences between the carrying value and fair value of the properties.

In the reporting period Tartu Kaubamaja renovation amounted to 1,975 thousand euros and Viimsi shopping centre renovation work amounted to 18 thousand euros.

No changes were recognised in fair value of investment property in 2016.

**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>31.12.2014</b>					
Cost or revalued amount	181,815	28,728	29,527	50,630	290,700
Accumulated depreciation	-7,871	-20,976	-18,189	-15,750	-62,786
<b>Carrying value</b>	<b>173,944</b>	<b>7,752</b>	<b>11,338</b>	<b>34,880</b>	<b>227,914</b>
<b>Changes occurred in 2015</b>					
Purchases and improvements	20	187	132	19,643	19,982
Acquired through business combinations (Note 6)	0	0	7	0	7
Reclassification	4,650	3,047	3,076	-10,773	0
Reclassification to investment property (Note 9)	-26,294	0	0	-11,320	-37,614
Disposals	0	-174	-197	0	-371
Write-offs	0	-9	-17	0	-26
Decrease in value	-239	0	0	-2,035	-2,274
Depreciation	-5,326	-2,256	-3,345	0	-10,927
<b>31.12.2015</b>					
Cost or revalued amount	156,799	30,688	30,577	48,180	266,244
Accumulated depreciation	-10,044	-22,141	-19,583	-17,785	-69,553
<b>Carrying value</b>	<b>146,755</b>	<b>8,547</b>	<b>10,994</b>	<b>30,395</b>	<b>196,691</b>
<b>Changes occurred in 2016</b>					
Purchases and improvements	0	211	20	6,429	6,660
Reclassification (Note 9)	2,100	2,101	2,436	-8,630	-1,993
Disposals	-5	-77	-9	-741	-832
Write-offs	-6	-4	-3	0	-13
Depreciation	-2,268	-1,248	-1,810	0	-5,326
<b>30.06.2016</b>					
Cost or revalued amount	158,862	31,888	32,635	45,238	268,623
Accumulated depreciation	-12,286	-22,358	-21,007	-17,785	-73,436
<b>Carrying value</b>	<b>146,576</b>	<b>9,530</b>	<b>11,628</b>	<b>27,453</b>	<b>195,187</b>

The cost of investments for the 6 months of 2016 amounted to 6,741 thousand euros (including purchases of property, plant and equipment in the amount of 6,660 thousand euros and purchases of intangible assets amounted to 81 thousand euros)

The cost of investments made in 6 months of 2016 in the supermarket business segment was 3,529 thousand euros. In the reporting period new Selver in Lasnamäe Kärberi shopping centre was opened. Extensive renovation was carried out in Tondi Selver. Additionally were purchased computing technology for SelverEkspress self-service cash registers and renewed store fittings.

The size of the investment in the business segment of Department store amounted to 1,981 thousand euros. In the reporting period was renewed beauty and women's department in Tartu and Kaubamaja e-store was launched.

The cost of investments in the accounting period was 220 thousand euros in the car trade business segment.

The cost of investments made in the reporting period in the footwear segment was 11 thousand euros.

The cost of the real estate business segment investment amounted to 919 thousand euros. In the reporting period renovation of Tartu Kaubamaja centre took place.

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

**Note 11. Intangible assets**

in thousands of euros

	Goodwill	Trademark	Beneficial contracts	Development expenditure	Total
<b>31.12.2014</b>					
Cost	7,298	5,272	1,080	621	14,271
Accumulated amortisation and impairment	-588	-2,057	-1,080	-144	-3,869
<b>Carrying value</b>	<b>6,710</b>	<b>3,215</b>	<b>0</b>	<b>477</b>	<b>10,402</b>
<b>Changes occurred in 2015</b>					
Purchases and improvements	0	5	0	539	544
Acquired through business combinations (Note 6)	104	0	0	0	104
Amortisation	0	-486	0	-80	-566
Impairment	-1,441	0	0	0	-1,441
<b>31.12.2015</b>					
Cost	6,814	5,277	1,080	1,160	14,331
Accumulated amortisation and impairment	-1,441	-2,543	-1,080	-224	-5,288
<b>Carrying value</b>	<b>5,373</b>	<b>2,734</b>	<b>0</b>	<b>936</b>	<b>9,043</b>
<b>Changes occurred in 2016</b>					
Purchases and improvements	0	0	0	81	81
Amortisation	0	-243	0	-99	-342
<b>30.06.2016</b>					
Cost	6,814	5,277	1,080	1,241	14,412
Accumulated amortisation and impairment	-1,441	-2,786	-1,080	-323	-5,630
<b>Carrying value</b>	<b>5,373</b>	<b>2,491</b>	<b>0</b>	<b>918</b>	<b>8,782</b>

In the reporting period the Group capitalised costs a web page update as development expenditure in the amount of 21 thousand euros.

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

in thousands of euros	30.06.2016	31.12.2015
Car trade	3,156	3,156
Footwear trade	2,113	2,113
Department store	104	104
<b>Total</b>	<b>5,373</b>	<b>5,373</b>

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

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

Trademark at value of 180 thousand euros was acquired in 2014 through purchase of Viking Security AS shares. Trademark will be amortised during 7 years (Note 6).

**Note 12. Borrowings**

in thousands of euros

	30.06.2016	31.12.2015
<b>Short-term borrowings</b>		
Overdraft	2,646	2,542
Bank loans	11,603	28,007
Other borrowings	2,411	2,828
<b>Total short-term borrowings</b>	<b>16,660</b>	<b>33,377</b>

in thousands of euros

	30.06.2016	31.12.2015
<b>Long-term borrowings</b>		
Bank loans	84,142	56,858
Other borrowings	568	568
<b>Total long-term borrowings</b>	<b>84,710</b>	<b>57,426</b>
<b>Total borrowings</b>	<b>101,370</b>	<b>90,803</b>

**Borrowings received**

in thousands of euros

	II quarter 2016	II quarter 2015	6 months 2016	6 months 2015
Overdraft	92	12	104	397
Bank loans	26,846	8,974	38,092	23,891
Other borrowings	710	291	1,778	848
<b>Total borrowings received</b>	<b>27,648</b>	<b>9,277</b>	<b>39,974</b>	<b>25,136</b>

**Borrowings paid**

in thousands of euros

	II quarter 2016	II quarter 2015	6 months 2016	6 months 2015
Bank loans	16,927	11,976	27,212	26,908
Other borrowings	1,136	823	2,195	1,772
<b>Total borrowings paid</b>	<b>18,063</b>	<b>12,799</b>	<b>29,407</b>	<b>28,680</b>

Bank loans and other borrowings are denominated in euros.

As of 30.06.2016, the repayment dates of bank loans are between 31.07.2016 and 30.04.2021 (2015: between 28.01.2016 and 27.03.2020), interest is tied both to 3-month and 6-month EURIBOR as well as EONIA. Weighted average interest rate was 1.05% (2015: 1.14%).



**Note 13. Trade and other payables**

in thousands of euros

	<b>30.06.2016</b>	<b>31.12.2015</b>
Trade payables	50,390	57,901
Payables to related parties (Note 21)	5,343	4,579
Other accrued expenses	69	79
Prepayments by tenants	1,975	1,944
<b>Total financial liabilities from balance sheet line "Trade and other payables"</b>	<b>57,777</b>	<b>64,503</b>
Taxes payable (Note 14)	5,556	6,284
Employee payables	4,495	4,944
Prepayments	1,010	1,215
Short-term provisions*	110	120
<b>Total trade and other payables</b>	<b>68,948</b>	<b>77,066</b>

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

**Note 14. Taxes**

in thousands of euros

	<b>30.06.2016</b>		<b>31.12.2015</b>	
	<b>Prepaid taxes</b>	<b>Taxes payable</b>	<b>Prepaid taxes</b>	<b>Taxes payable</b>
Prepaid taxes	10	0	9	0
Value added tax	0	1,426	0	3,014
Personal income tax	0	1,213	0	943
Social security taxes	0	2,589	0	2,017
Corporate income tax	0	9	0	67
Unemployment insurance	0	180	0	137
Mandatory funded pension	0	139	0	106
<b>Total taxes</b>	<b>10</b>	<b>5,556</b>	<b>9</b>	<b>6,284</b>

**Note 15. Share capital**

As of 30.06.2016, 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 31.12.2015 the share capital in the amount 16,292 thousand euros consisted of 40,729,200 ordinary shares with the nominal value of 0.40 euros per share). All shares issued have been paid for. According to the articles of association, the maximum allowed number of shares is 162,916,800 shares.

In 2016, dividends were declared and paid to the shareholders in the amount of 21,179 thousand euros, or 0.52 euros per share (2015: 16,292 thousand euros, 0.40 euros per share). Related income tax expense on dividends amounted to 5,219 thousand euros (2015: 3,873 thousand euros).

**Note 16. Segment reporting**

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

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

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

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

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

in thousands of euros

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

in thousands of euros

	Super markets	Depart- ment store	Car trade	Footwea r trade	Real estate	Inter- segment transact- ions	Total seg- ments
<b>II quarter 2015</b>							
<b>External revenue</b>	<b>96,019</b>	<b>23,468</b>	<b>16,004</b>	<b>3,083</b>	<b>768</b>	<b>0</b>	<b>139,342</b>
Inter-segment revenue	261	1,234	8	46	3,004	-4,553	0
Total revenue	96,280	24,702	16,012	3,129	3,772	-4,553	139,342
<b>EBITDA</b>	<b>2,934</b>	<b>1,615</b>	<b>821</b>	<b>38</b>	<b>3,621</b>	<b>0</b>	<b>9,029</b>
Segment depreciation and impairment losses	-986	-474	-127	-165	-1,100	0	-2,852
<b>Operating profit/loss</b>	<b>1,948</b>	<b>1,141</b>	<b>694</b>	<b>-127</b>	<b>2,521</b>	<b>0</b>	<b>6,177</b>
Finance income (Note 19)	74	167	5	0	41	-285	2
Finance income on shares of associates	0	41	0	0	0	0	41
Finance costs (Note 19)	-9	-146	-64	-42	-322	285	-298
Income tax	0	0	0	0	0	0	0
<b>Net profit/loss</b>	<b>2,013</b>	<b>1,203</b>	<b>635</b>	<b>-169</b>	<b>2,240</b>	<b>0</b>	<b>5,922</b>
incl. in Estonia	2,635	1,203	642	-169	1,991	0	6,302
incl. in Latvia	-622	0	-23	0	249	0	-396
incl. in Lithuania	0	0	16	0	0	0	16
<b>Segment assets</b>	<b>74,354</b>	<b>47,435</b>	<b>21,951</b>	<b>10,927</b>	<b>221,950</b>	<b>-52,033</b>	<b>324,584</b>
<b>Segment liabilities</b>	<b>55,491</b>	<b>14,642</b>	<b>15,456</b>	<b>10,956</b>	<b>100,680</b>	<b>-34,936</b>	<b>162,289</b>
Segment investment in non-current assets	1,591	583	124	16	4,000	0	6,314

in thousands of euros

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

in thousands of euros

6 months 2015	Super markets	Department store	Car trade	Footwear trade	Real estate	Inter-segment transactions	Total segments
<b>External revenue</b>	<b>182,283</b>	<b>45,272</b>	<b>28,325</b>	<b>5,320</b>	<b>1,600</b>	<b>0</b>	<b>262,800</b>
Inter-segment revenue	509	2,407	13	113	6,001	-9,043	0
Total revenue	182,792	47,679	28,338	5,433	7,601	-9,043	262,800
<b>EBITDA</b>	<b>4,899</b>	<b>1,814</b>	<b>1,450</b>	<b>-486</b>	<b>7,137</b>	<b>0</b>	<b>14,814</b>
Segment depreciation and impairment losses	-1,965	-945	-256	-333	-2,202	0	-5,701
<b>Operating profit/loss</b>	<b>2,934</b>	<b>869</b>	<b>1,194</b>	<b>-819</b>	<b>4,935</b>	<b>0</b>	<b>9,113</b>
Finance income (Note 19)	138	322	20	0	65	-535	10
Finance income on shares of associates	0	88	0	0	0	0	88
Finance costs (Note 19)	-18	-269	-121	-81	-627	535	-581
Income tax	-2,223	-1,150	-500	0	0	0	-3,873
<b>Net profit/loss</b>	<b>831</b>	<b>-140</b>	<b>593</b>	<b>-900</b>	<b>4,373</b>	<b>0</b>	<b>4,757</b>
incl. in Estonia	2,062	-140	628	-900	3,908	0	5,558
incl. in Latvia	-1,231	0	-50	0	465	0	-816
incl. in Lithuania	0	0	15	0	0	0	15
<b>Segment assets</b>	<b>74,354</b>	<b>47,435</b>	<b>21,951</b>	<b>10,927</b>	<b>221,950</b>	<b>-52,033</b>	<b>324,584</b>
<b>Segment liabilities</b>	<b>55,491</b>	<b>14,642</b>	<b>15,456</b>	<b>10,956</b>	<b>100,680</b>	<b>-34,936</b>	<b>162,289</b>
Segment investment in non-current assets	2,070	1,057	172	47	5,924	0	9,270

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

in thousands of euros

	II quarter 2016	II quarter 2015	6 months 2016	6 months 2015
Retail revenue	137,578	127,598	263,004	242,561
Wholesale revenue	6,737	5,940	12,592	9,566
Rental income	2,234	1,833	4,390	3,667
Revenue for rendering services	3,985	3,971	7,398	7,006
<b>Total revenue</b>	<b>150,534</b>	<b>139,342</b>	<b>287,384</b>	<b>262,800</b>

**External revenue by client location**

in thousands of euros

	II quarter 2016	II quarter 2015	6 months 2016	6 months 2015
Estonia	140,966	133,952	270,019	252,684
Latvia	6,962	3,662	12,723	6,955
Lithuania	2,606	1,728	4,642	3,161
<b>Total</b>	<b>150,534</b>	<b>139,342</b>	<b>287,384</b>	<b>262,800</b>

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

in thousands of euros

	<b>30.06.2016</b>	<b>31.12.2015</b>
Estonia	216,946	216,439
Latvia	34,140	34,410
Lithuania	132	141
<b>Total</b>	<b>251,218</b>	<b>250,990</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>II quarter 2016</b>	<b>II quarter 2015</b>	<b>6 months 2016</b>	<b>6 months 2015</b>
Rental expenses	3,850	3,809	7,677	7,700
Heat and electricity expenses	1,957	2,068	4,229	4,391
Operating costs	1,700	1,695	3,158	3,265
Cost of sale related services and materials	1,297	1,907	2,539	3,591
Marketing expenses	1,636	1,497	3,315	3,017
Miscellaneous other operating expenses	801	619	1,580	1,414
Computer and communication costs	826	938	1,637	1,647
Personnel expenses	740	489	1,431	921
<b>Total other operating expenses</b>	<b>12,807</b>	<b>13,022</b>	<b>25,566</b>	<b>25,946</b>

**Note 18. Staff costs**

in thousands of euros

	<b>II quarter 2016</b>	<b>II quarter 2015</b>	<b>6 months 2016</b>	<b>6 months 2015</b>
Wages and salaries	10,521	9,579	20,536	18,407
Social security taxes	3,443	3,158	6,726	6,046
<b>Total staff costs</b>	<b>13,964</b>	<b>12,737</b>	<b>27,262</b>	<b>24,453</b>
Average wages per employee per month (euros)	864	810	848	790
Average number of employees in the reporting period	4,060	3,941	4,036	3,882

**Note 19. Finance income and costs**

in thousands of euros

Finance income

	<b>II quarter 2016</b>	<b>II quarter 2015</b>	<b>6 months 2016</b>	<b>6 months 2015</b>
Interest income on NGI Group's group account (Note 21)	0	1	2	3
Other finance income	0	1	0	7
<b>Total finance income</b>	<b>0</b>	<b>2</b>	<b>2</b>	<b>10</b>

Finance costs

	II quarter 2016	II quarter 2015	6 months 2016	6 months 2015
Interest expense of bank loans	-204	-259	-392	-509
Interest expense of finance lease	-6	-10	-11	-22
Interest expense on NGI Group's group account	0	-2	0	-2
Other finance costs*	-13	-27	-28	-48
<b>Total finance costs</b>	<b>-223</b>	<b>-298</b>	<b>-431</b>	<b>-581</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.

	II quarter 2016	II quarter 2015	6 months 2016	6 months 2015
Net profit (in thousands of euros)	8,604	5,922	8,390	4,757
Weighted average number of shares	40,729,200	40,729,200	40,729,200	40,729,200
Basic and diluted earnings per share (euros)	0.21	0.15	0.21	0.12

**Note 21. Related party transactions**

in thousands of euros

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

- 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 the Group companies;
- close relatives of the persons described above and the entities under their control or significant influence.

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

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

	Purchases 6 months 2016	Sales 6 months 2016	Purchases 6 months 2015	Sales 6 months 2015
Parent	116	3	141	7
Entities in the Parent's consolidation group	15,588	4,346	12,684	3,620
Members of management and supervisory boards	0	2	0	0
Other related parties	403	51	467	127
<b>Total</b>	<b>16,107</b>	<b>4,402</b>	<b>13,292</b>	<b>3,754</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:**

	30.06.2016	31.12.2015
Interest receivable from Parent (Note 4)	0	1
Receivable from Parent (Note 3)	0	5,000
Receivables from entities in the in the Parent's consolidation group (Note 4)	1,299	1,016
Other related parties (Note 4)	0	10
<b>Total receivables from related parties</b>	<b>1,299</b>	<b>6,027</b>

	30.06.2016	31.12.2015
Parent	17	0
Entities in the Parent's consolidation group	5,240	4,463
Other related parties	86	116
<b>Total liabilities to related parties (Note 13)</b>	<b>5,343</b>	<b>4,579</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.

For proving funding for its subsidiaries, the Tallinna Kaubamaja Group uses the group account, the members of which are most of the Group entities. In its turn, this Group as a subgroup has joined the contract of the group account of NG Investeeringud OÜ (hereinafter head group). From autumn 2001, Tallinna Kaubamaja Group has been keeping its available funds at the head group, earning interest income on its deposits. During 6 months of 2016 the Group earned interest income on its deposits of available funds in the amount of 2 thousand euros (2015: 2 thousand euros).

As at 30 June 2016 the NG Investeeringud group has not used the Group's available funds and Tallinna Kaubamaja Group has not used NG Investeeringud group account available funds. As at 31 December 2015 Tallinna Kaubamaja Grupp AS deposited through parent company NG Investeeringud OÜ 5,000 thousand euros. Deposit matures on 26.01.2016 with interest rate of 0.4%.

In 2016 and 2015 the group has not deposited neither used available funds of NG Investeeringud OÜ nor paid any interest for using available funds of NG Investeeringud OÜ. According to the group account contract, the Group's members are jointly responsible for the unpaid amount to the bank.

**Remuneration paid to the members of the Management and Supervisory Board**

Short term benefits to the management boards' members of the Tallinna Kaubamaja Group for the reporting period including wages, social security taxes, bonuses and car expenses, amounted to 884 thousand euros (2015: 626 thousand euros). Short term benefits to supervisory boards' members of the Group in reporting period including social taxes amounted to 289 thousand euros (2015: 155 thousand euros).

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