

TALLINNA KAUBAMAJA GRUPP AS

**Consolidated Interim Report for
the Fourth quarter and 12 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 4,100 employees.

The Company is listed on the Tallinn Stock Exchange.

Registered office:	Gonsiori 2, 10143 Tallinn Republic of Estonia
Registry code:	10223439
Beginning of financial year:	1 January 2016
End of financial year:	31 December 2016
Beginning of interim report period:	1 January 2016
End of interim report period:	31 December 2016
Auditor:	PricewaterhouseCoopers AS
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MANAGEMENT REPORT

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

Management

In order to manage the Tallinna Kaubamaja 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 up to 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 December of 2016 at 8.23 euros, increased by 22.11% within 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 31.12.2016.

In euros



Company's structure

The following companies belong to the Group as of December 31, 2016:

	Location	Shareholding as of 31.12.2016	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

By the moment of publishing this report, most of the statistics concerning the fourth quarter of 2016 and the entire Estonian economy in 2016 had not been disclosed; however, the indicators of the third quarter cast light on the developments in the second half-year. The gross domestic product increased by 1.3% in the third quarter of 2016 compared to the third quarter of 2015. The added value created in the field of transport increased the most; the growth was supported also by the spheres of trade (both retail and wholesale) and energetics. At the same time, the domestic demand decreased due to deepening decline of investments (gross fixed capital formation dropped by 8.4% in the third quarter). The investments of both non-financial corporations as well as general government decreased. In real terms, the final consumption expenditure increased by 3.9%; the final consumption expenditure increased above all on groceries, transport and leisure activities. Major blockers of Estonian economy in the third quarter of 2016 were agriculture, forest management and fishing, as well as construction and real estate activities. Based on the forecast of Eesti Pank published in December 2016, Estonian economy will grow by 1% in 2016. The consumer price index in Estonia increased by 1.3% in the fourth quarter and the overall annual increase was 0.1%. At the same time, the price of food and non-alcoholic beverages increased faster in the fourth quarter than in the previous quarters and reached zero by the end of the year. However, the price increase of clothing and footwear slowed down in the fourth quarter and the entire line of goods appreciated 3.4% in a year. The prices of alcoholic beverages and tobacco rose the most (6.4%) owing to an increase in the excise duty rates. Benefits paid per employee still rose faster than productivity and the unit cost of labour increased by 5.3% compared to the third quarter of the previous year. According to Statistics Estonia, the average gross wages per month increased by 7.1% in the third quarter on a year-on-year comparison, being faster than average mainly in the areas where the wages are the lowest. In the view of the Ministry of Finance, the wages pressure is not anticipated to lose its momentum in the near term due to decreasing working-age population and low unemployment.

According to Statistics Estonia, the total volume of retail sale in current prices in Estonia grew by 6.8% in the first eleven months of 2016. The maintenance and repair of motor vehicles had the highest growth rate (17.4%). In terms of monetary volume, the biggest upsurge was in the sale of motor vehicles, parts and accessories. Retail sale in non-specialised stores (predominantly food products) went up by 3.6% in the first eleven months of the year 2016. Retail sale in other non-specialised stores increased by 1.9%. In terms of monetary volume, the biggest slowdown in retail sale as at eleven months was still in the sale of motor fuel, where the decrease was 2.6%. According to the Estonian Institute of Economic Research, the confidence indicator of consumers has shown signs of improvement in the last months of the year.

Economic results**FINANCIAL RATIOS 2015–2016**

	EUR		Change
	4 th quarter 2016	4 th quarter 2015	
Sales revenue (in millions)	162.9	152.9	6.5%
Operating profit/loss (in millions)	8.2	10.9	-25.2%
Net profit/loss (in millions)	7.9	10.6	-25.4%
Return on equity (ROE)	4.2%	6.1%	
Return on assets (ROA)	2.2%	3.2%	
Net profit margin	4.87%	6.96%	
Gross profit margin	26.47%	26.83%	
Quick ratio	1.07	0.86	
Debt ratio	0.48	0.48	
Sales revenue per employee (in millions)	0.040	0.038	
Inventory turnover	1.71	1.83	
SHARE			
Average number of shares (1000 pcs)	40,729	40,729	
Equity capital per share (EUR/share)	5.00	4.41	
Share's closing price (EUR/share)	8.230	6.740	
Earnings per share (EUR/share)	0.19	0.26	
Average number of employees	4,103	3,989	

	EUR		Change
	12 month 2016	12 month 2015	
Sales revenue (in millions)	598.4	555.4	7.7%
Operating profit/loss (in millions)	31.7	26.9	17.6%
Net profit/loss (in millions)	25.7	22.1	16.6%
Return on equity (ROE)	13.4%	12.5%	
Return on assets (ROA)	7.0%	6.4%	
Net profit margin	4.30%	3.97%	
Gross profit margin	25.57%	25.08%	
Quick ratio	1.07	0.86	
Debt ratio	0.48	0.48	
Sales revenue per employee (in millions)	0.147	0.141	
Inventory turnover	6.35	6.81	
SHARE			
Average number of shares (1000 pcs)	40,729	40,729	
Equity capital per share (EUR/share)	5.00	4.41	
Share's closing price (EUR/share)	8.230	6.740	
Earnings per share (EUR/share)	0.63	0.54	
Average number of employees	4,079	3,946	

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

Tallinna Kaubamaja Group's consolidated unaudited sales revenue for the fourth quarter of 2016 amounted to 162.9 million euros, exceeding the sales revenue of the previous year by 6.6%. The sales revenue of 12 months was 598.4 million euros, having grown by 7.7% compared to the 2015 result, when the sales revenue amounted to 555.4 million euros. The Group's consolidated unaudited net profit for the fourth quarter of 2016 was 7.9 million euros, being 25.4% less than the profit of the comparable period of the previous year. The Group's net profit for the 12 months of 2016 was 25.7 million euros, being 16.6% better than the profit of the previous year. The pre-tax profit of 12 months was 31.0 million euros, having grown by 19.4% compared to the previous year. Net profit was affected by dividend payment, on which 5.2 million euros in income tax were paid in the first quarter of 2016. A year before, income tax payment amounted to 3.9 million euros.

The fourth quarter of 2016 continued to be a successful quarter for the Group in terms of sales results and for the fifth quarter in a row, all segments of the Group managed to increase their sales revenue. Strong sales growth in the car trade segment throughout the year also continued in the fourth quarter; in addition, other segments of the Group achieved good sales growth in the tight competition. Decrease in the fourth quarter profit compared to the quarterly profit of one year ago was caused by the revaluation of the Group's assets, with a total impact on the profit being a write-down of 1.6 million euros in the last quarter of 2016 (write-up in the fourth quarter of 2015 was 0.8 million euros; more information in notes 9, 10 and 11). The profit was also affected by a lower margin primarily due to public procurements in the car segment and performance pay calculated in the last quarter to the employees for overall good annual results. The latter increased the average monthly wage costs of employees in the fourth quarter compared to the average annual growth. In addition, the number of employees and the total wage costs in the last quarter increased due to two new Selvers.

In the fourth quarter, Selver expanded its sales area by opening Arsenali Selver in Põhja-Tallinn in October and Maardu Selver in December. Previously in 2016, the new Kärberi Selver was opened in Tallinn in the Lasnamäe district and one Selver was closed in Narva. In summer, thorough renovation works were carried out in Tondi Selver in Tallinn and in the third quarter, in Veeriku Selver in Tartu. Selver's online store expanded its area of operation

and increased its functionality. In the department stores, the beauty and women's departments of the Tartu department store were revamped. In the Tallinn department store, the men's department and women's shoe department have undergone major refreshment and the Kaubamaja's e-store was opened in spring. 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 the Tartu town centre.

The volume of assets of Tallinna Kaubamaja Group as at 31 December 2016 was 388.7 million euros, which is 11.7% more than the respective number at the end of 2015.

There were more than 595 thousand loyal customers at the end of the reporting period; the number of loyal customers increased by 0.8% in a year. The proportion of loyal customers' purchases in the Group's turnover was 81.7% (the number was 80.4% in 2015). Over 25,000 Partner Bank and Credit Cards had been issued by the end of the December.

Selver supermarkets

The consolidated sales revenue of 2016 in the business segment of supermarkets was 400.0 million euros, having grown by 4.3% in a year-on-year comparison. The consolidated sales revenue of the fourth quarter was 108.9 million euros, indicating a 4.6% growth in a year-on-year comparison. The average monthly sales revenue of goods per sales area square metre was 0.37 thousand euros in 2016, surpassing the figure of the previous year by 2.8%. The average monthly sales revenue of goods per sales area square metre was 0.39 thousand euros in the fourth quarter, surpassing the figure of the previous year by 2.6%. The average sales revenue per sales area square metre of goods sold by comparable stores was 0.37 thousand euros in a year and 0.39 thousand euros in the fourth quarter, indicating a 2.8% and a 2.1% increase respectively. 36.2 million purchases were made in Selvers in 2016, surpassing the figure of the previous year by 0.4%.

The consolidated pre-tax profit of the segment of supermarkets was 14.7 million euros in 2016, net profit was 12.1 million euros, having grown by 3.9 and 3.5 million euros respectively compared to the previous year. The difference between the net profit and the profit before income tax arises from the income tax paid on dividends. The pre-tax profit earned in Estonia amounted to 16.8 million euros and the net profit to 14.1 million euros. The pre-tax profit and net profit were 4.2 million euros in the fourth quarter, indicating a decrease of 0.2 million euros, of which the profit earned in Estonia made 4.8 million euros. The loss incurred in Latvia in 2016 was 2.1 million euros, of which the share of the fourth quarter was 0.5 million euros. The loss incurred in Latvia decreased by 0.3 million euros in 2016.

In 2016, the retail trade was highly competitive. Increasingly more work has to be done to maintain the market share. The sales growth in the segment of supermarkets was supported by an increase in the average shopping basket backed by an upsurge in the real income of people and successful sales campaigns. In the tightening competition, new clients were gained and the number of purchases of the previous year was surpassed by opening new stores. Negative impact on the sales growth originated from the closure of Kerese Selver in February 2016, resulting in a higher comparison basis and lost turnover from shops temporarily closed for renovation works – Tondi Selver in Tallinn (closed for 4 weeks) and Veeriku Selver in Tartu (closed for 6 weeks). Considering the stores, the drivers of the growth of sales revenue are the Selvers that were opened and renovated in recent years.

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 purchase process of goods. With regard to operating expenses, the Group has managed to increase the level of cost efficiency of 2015. Pressure for salary increase is strongly pronounced also in the segment of supermarkets, as a result of which we can see a slight decrease in labour efficiency in 2016 compared to the previous year. The Tallinn Administrative Court satisfied the claim for the refund of sales tax from the Tallinn City Enterprise Department regarding the sales tax collected on excise goods. This non-recurrent income was reflected in the results of the second quarter. The loss in Latvia decreased, owing to the termination of a lease contract of one store.

The Selver supermarket chain with 47 Selver stores, e-Selver and cafe belong to the segment of supermarkets, the total sales space totalling 89.6 thousand m². SIA Selver Latvia, where the entire 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.

In 2016, Selver opened 3 stores: in April, Kärberi Selver at Lasnamäe; in October, Arsenali Selver in Põhja-Tallinn; and in December, Maardu Selver. One store was closed in Narva. Two stores were renovated – Tondi Selver in Tallinn and Veeriku Selver in Tartu. Starting from summer 2016, the e-Selver service covers the entire Tallinn and most of Harju County. In the second half of 2016, the capability of e-Selver to serve a bigger number of clients was notably increased. The service of SelveEkspress was expanded to 27 Selvers; in seven of them, the service was opened in 2016.

Department stores

The sales revenue of 2016 in the business segment of department stores was 98.0 million euros, having grown by 2.6% in a year. The sales revenue of the fourth quarter formed 29.9 million euros of this amount, being 3.2% higher than the revenues of the fourth quarter of 2015. The pre-tax profit earned by department stores amounted to 4.3 million euros in 2016, being 2.0% less than the result of the previous year. The pre-tax profit of the fourth quarter made 2.6 million euros, which was a 7.8% decrease in a year-on-year comparison. The department stores' average monthly sales revenue per sales area square metre was 0.3 thousand euros in 2016, being 1.7% better in a year-on-year comparison. The sales revenue of the department stores in 2016 was influenced by renovation works in both sales locations, where in the first quarter, the renovation of the beauty and women's departments of the Tartu department store was completed and at the beginning of September, the updated women's shoe department and third floor of the men's department in the Tallinn department store were opened. Starting from the second quarter, the increased competition in the Tartu town centre in the segment of groceries and fashion items has negatively affected the result of the Tartu department store. The turnover of Kaubamaja's online store, which was opened at the beginning of March, exceeded, by the end of December, the level planned for 2016 with the number of products being as high as 90,000 by the end of the fourth quarter. The profit of department stores has been positively influenced by lower utility costs compared to the previous year due to milder weather and investments made into modern lighting and technology.

The sales revenue of OÜ TKM Beauty Eesti, which operates the I.L.U. cosmetics stores, was 1.6 million euros in the fourth quarter of 2016, having decreased by 8.3% compared to the same period in 2015. The profit was 0.02 million euros in the fourth quarter, which was 0.02 million euros less than the profit of the comparable period of 2015. The sales revenue of 2016 was 4.9 million euros, having decreased by 4.0% in a year-on-year comparison. The loss was 0.3 million euros in 2016, which is 0.1 million euros more than the loss of 2015. In 2016, the location of the store in the Tartu town centre was changed. In May, the store in Tasku Centre was closed and a new store was opened in the shopping centre Kvartal. Launching the operations of the Kvartal I.L.U. store on a new sales area immediately before the summer season appeared to be a challenge. The annual sales outcome of the store remained below expectations, which also influenced the total result of the company. The Ülemiste I.L.U. store underwent a reconstruction, in the course of which another client entrance was opened through the neighbouring L'Occitane store.

Car trade

The sales revenue of 2016 in the segment of car trade was 82.6 million euros. The sales revenue was 35.9% higher in a year-on-year comparison, including an increase of 33.5% in the sales revenue of KIAs. The fourth quarter sales revenue of 19.3 million euros exceeded the previous year by 27.3%. The sales revenue of KIAs increased by 23.9%. In 2016, the total car sale of the Group was 3,893 new vehicles, including 881 vehicles in the fourth quarter. The net profit of the segment in 2016 was 3.2 million euros, surpassing the profit of the same period of the previous year by 113.1%. The pre-tax profit of 2016 of the segment was 3.7 million euros, surpassing the profit of the same period of 2015 by 83.0%. The net profit of the fourth quarter of 2016 was 0.6 million euros, which is 205.5% more than the profit of the fourth quarter of 2015.

In addition to the superb sales results, good profitability in all car sale companies of the Group was achieved in 2016. The sales growth is reinforced by the good work of the dealers themselves by achieving a high level of service quality and customer satisfaction. This has contributed to the sales growth of new cars and thanks to improved reliability, increased the workload of after-sale service. In addition, the sale of new cars in 2016 was supported by the growth in the car sale market in all three Baltic States. The driving force in car sales has continued to be the hit model of KIA – Sportage SUV – and the competitive and strong model range of OPEL in all model segments. In Latvia and Lithuania, we could also highlight winning several large public procurements in 2016. The sale of new cars was supported, in turn, by the sale of used cars by the car group dealers.

Footwear trade

The sales revenue of 2016 in the business segment of footwear trade was 12.8 million euros, having grown by 7.5% compared to the previous year. The sales revenue in the fourth quarter was 3.5 million euros, which is a 3.2% increase in a year-on-year comparison. The loss was 0.1 million euros in the fourth quarter of 2016, which is 1.4 million euros less than the loss of the fourth quarter of 2015, when 1.4 million euros of footwear segment goodwill was written down. The improvement of the fourth quarter results was supported by early winter and a more aggressive sale-oriented strategy, which has helped improve the age structure of stock and given a good starting point for margin growth. The performance of SHU footwear stores has advanced well compared to 2015. In addition to shoe sales, the sales in the line of children's goods and bags also showed a notable increase.

Real estate

The external 12-month sales revenue of 2016 in the business segment of real estate was 5.0 million euros. The sales revenue increased by 33.1%, i.e. 1.2 million euros compared to the previous year. The external sales revenue of the fourth quarter was 1.3 million euros, being 10.0%, i.e. 0.1 million euros more in a year-on-year comparison. The 12-month pre-tax profit of 2016 of the real estate segment was 9.1 million euros, which is 19.9% less in a year-on-year comparison. The pre-tax profit of the fourth quarter was 0.6 million euros, which is 4.1 million euros less compared to the same period of the previous financial year.

The growth in the sales revenue was supported by the Viimsi trade and recreation centre opened in August 2015 and renting out the Rezekne building in Latvia to an external party. In March 2016, the renovation works of the Tartu Kaubamaja centre were finalised, in the course of which the entire shopping environment was modernised. Profit in the real estate segment was affected by the revaluation of the segment's assets, resulting in a 2.2 million euro decrease in the profit of the quarter (as a result of the 2015 revaluation, the profit increased by 2.3 million euros).

Personnel

The average number of employees of Tallinna Kaubamaja Group in 2016 was 4,079, having grown by 3.4% in a year-on-year comparison. The labour costs (wage costs and social tax cost) of 2016 amounted to 56.4 million euros, having grown by 10.8% compared to the previous year. The labour costs went up by 9.7% in the fourth quarter compared to the previous year, while the average number of employees increased by 2.9%. Average monthly wage costs per employee increased by 6.8% in the fourth quarter; the overall annual increase was 7.3%, which is estimated to remain on the average wage increase level of Estonia.

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.



Rauf Puusepp
Chairman of the Management Board

Tallinn, 26 January 2017

CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT BOARD'S CONFIRMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Chairman of the Management Board confirms the correctness and completeness of Tallinna Kaubamaja Grupp AS consolidated interim financial statements (unaudited) for the period of the fourth quarter and 12 months of 2016 as set out on pages 12 - 32.

The Chairman of the Management Board confirms that:

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



Raul Puusepp
Chairman of the Management Board

Tallinn, 26 January 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros

	Note	31.12.2016	31.12.2015
ASSETS			
Current assets			
Cash and cash equivalents	2	32,375	13,911
Trade and other receivables	3	15,396	20,191
Inventories	5	70,186	61,110
Total current assets		117,957	95,212
Non-current assets			
Long-term trade and other receivables	8	264	293
Investments in associates	7	1,762	1,778
Investment property	9	48,684	44,963
Property, plant and equipment	10	211,511	196,691
Intangible assets	11	8,505	9,043
Total non-current assets		270,726	252,768
TOTAL ASSETS		388,683	347,980
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings	12	26,852	33,377
Trade and other payables	13	83,812	77,066
Total current liabilities		110,664	110,443
Non-current liabilities			
Borrowings	12	73,772	57,426
Provisions for other liabilities and charges		403	502
Total non-current liabilities		74,175	57,928
TOTAL LIABILITIES		184,839	168,371
Equity			
Share capital	15	16,292	16,292
Statutory reserve capital		2,603	2,603
Revaluation reserve		83,932	65,701
Currency translation differences		-255	-255
Retained earnings		101,272	95,268
TOTAL EQUITY		203,844	179,609
TOTAL LIABILITIES AND EQUITY		388,683	347,980

The notes presented on pages 17 to 32 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	IV quarter 2016	IV quarter 2015	12 months 2016	12 months 2015
Revenue	16	162,931	152,888	598,414	555,447
Other operating income		1,941	4,536	3,200	5,140
Cost of sales	5	-119,797	-113,072	-445,424	-416,134
Other operating expenses	17	-13,730	-11,999	-51,808	-50,776
Staff costs	18	-16,090	-14,669	-56,371	-50,890
Depreciation, amortisation and impairment losses	10, 11	-6,903	-6,614	-15,590	-15,234
Other expenses		-181	-152	-729	-609
Operating profit		8,171	10 918	31,692	26,944
Finance income	19	0	1	3	12
Finance costs	19	-227	-280	-871	-1,144
Finance income on shares of associates	7	35	9	159	142
Profit before tax		7,979	10,648	30,983	25,954
Income tax expense	15	-39	-10	-5,258	-3,883
NET PROFIT FOR THE FINANCIAL YEAR		7,940	10,638	25,725	22,071
Other comprehensive income:					
<i>Items that may be subsequently reclassified to profit or loss</i>					
Currency translation differences		0	0	0	0
Other comprehensive income for the financial year		0	0	0	0
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		7,940	10,638	25,725	22,071
Basic and diluted earnings per share (euros)	20	0.19	0.26	0,63	0.54

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

The notes presented on pages 17 to 32 form an integral part of these consolidated interim financial statements.

CONSOLIDATED CASH FLOW STATEMENT

In thousands of euros

	Note	12 months 2016	12 months 2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit		25,725	22,071
<i>Adjustments:</i>			
<i>Income tax on dividends</i>	15	5,219	3,873
<i>Interest expense</i>	19	871	1,144
<i>Interest income</i>	19	-3	-12
<i>Depreciation, amortisation</i>	10, 11	15,492	15,208
<i>Fair value adjustment to investment property</i>	19	-1,585	-4,314
<i>Loss on sale and write-off of non-current assets</i>	10	98	26
<i>Profit on sale of non-current assets</i>	10	-117	-18
<i>Effect of equity method</i>	7	-159	-142
Change in inventories		-9,074	-4,227
Change in receivables and prepayments related to operating activities		-176	-1,209
Change in liabilities and prepayments related to operating activities		6,689	6,496
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		42,980	38,896
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment (excl. finance lease)	10	-12,991	-19,982
Proceeds from sale of property, plant and equipment	10	946	389
Purchase of intangible assets	11	-157	-544
Investments in subsidiaries	6	0	-47
Dividends received	7	5,000	-1,000
Change in balance of parent company's group account	21	175	142
Interest received	19	3	12
TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES		-7,024	-21,030
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	12	63,454	49,005
Repayments of borrowings	12	-54,108	-57,214
Change in overdraft balance	12	475	943
Dividends paid	15	-21,179	-16,292
Income tax on dividends	15	-5,259	-3,873
Interest paid		-875	-1,150
TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES		-17,492	-28,581
TOTAL CASH FLOWS		18,464	-10,715
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	32,375	13,911
Net change in cash and cash equivalents		18,464	-10,715

The notes presented on pages 17 to 32 form an integral part of these consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

In thousands of euros

	Share capital	Statutory reserve capital	Revaluation on reserve	Retained earnings	Currency translation differences	Total
Balance as of 31.12.2014	16,292	2,603	67,159	88 031	-255	173,830
Net profit for the reporting period	0	0	0	22,071	0	22,071
Total comprehensive income for the reporting period	0	0	0	22,071	0	22,071
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
Balance as of 31.12.2015	16,292	2,603	65,701	95,268	-255	179,609
Net profit for the reporting period	0	0	0	25,725	0	25,725
Revaluation of land and buildings	0	0	19,689	0	0	19,689
Total comprehensive income for the reporting period	0	0	19,689	25,725	0	45,414
Reclassification of depreciation of revalued land and buildings	0	0	-1,458	1,458	0	0
Dividends paid	0	0	0	-21,179	0	-21,179
Balance as of 31.12.2016	16,292	2,603	83,932	101,272	-255	203,844

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

The notes presented on pages 17 to 32 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 fourth quarter and 12 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		
	31.12.2016	31.12.2015
Cash on hand	590	582
Bank accounts	29,178	11,488
Cash in transit	2,607	1,841
Total cash and cash equivalents	32,375	13,911

Note 3. Trade and other receivables

in thousands of euros		
	31.12.2016	31.12.2015
Trade receivables (Note 4)	10,927	10,284
Receivable from Parent (Note 21)	0	5,000
Other short-term receivables	365	2,490
Total financial assets from balance sheet line "Trade and other receivables"	11,292	17,774
Prepayment for goods	3,461	1,741
Other prepaid expenses	585	590
Prepaid rental expenses	35	77
Prepaid taxes (Note 14)	23	9
Total trade and other receivables	15,396	20,191

Note 4. Trade receivables

in thousands of euros		
	31.12.2016	31.12.2015
Trade receivables	8,036	7,211
Allowance for doubtful receivables	-6	-37
Receivables from related parties (Note 21)	918	1,027
Credit card payments	1,979	2,083
Total trade receivables	10,927	10,284

Note 5. Inventories

in thousands of euros		
	31.12.2016	31.12.2015
Goods purchased for resale	69,434	60,358
Raw materials and materials	752	752
Total inventories	70,186	61,110

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

	IV quarter 2016	IV quarter 2015	12 months 2016	12 months 2015
Write-down and write-off of inventories	2,301	2,296	8,681	7,995
Inventory stocktaking deficit	717	756	1,729	1,843
Total materials and consumables used	3,018	3,052	10,410	9,838

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

Note 6. Subsidiaries

Tallinna Kaubamaja Group consists of:

Name	Location	Area of activity	Ownership 31.12.2016	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 Perkunkiemio g.2	Retail trade	100%	2007
TKM Beauty OÜ	Tallinn Gonsiori 2	Retail trade	100%	2007
TKM Beauty Eesti OÜ	Tallinn Gonsiori 2	Retail trade	100%	2007
TKM King AS	Tallinn Betooni 14	Retail trade	100%	2008
Kaubamaja AS	Tallinn Gonsiori 2	Retail trade	100%	2012
Kulinaaria OÜ	Tallinn Taevakivi 7B	Centre kitchen activities	100%	2012
AS Viking Motors	Tallinn 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
Total identifiable assets	15
Cost of ownership interest	120
Paid for ownership interest in cash	50
Cash and cash equivalents in the acquired entity	-3
Total cash effect on the Group	-47

Goodwill at value of 104 thousand euros arose from the transaction (Note 11).

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.

	31.12.2016	31.12.2015
Investment in the associate at the beginning of the year	1,778	1,778
Profit for the reporting period under equity method	159	142
Dividends received	-175	-142
Investment in the associate at the end of the accounting period	1,762	1,778

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

	31.12.2016		31.12.2015	
Assets	3,575		3,605	
Liabilities	51		48	
	IV quarter 2016	IV quarter 2015	12 months 2016	12 months 2015
Revenue	189	115	487	460
Profit	69	17	317	284

Note 8. Long-term trade and other receivables

in thousands of euros

	31.12.2016	31.12.2015
Prepaid rental expenses	50	48
Deferred tax asset	179	210
Other receivables	35	35
Total long-term trade and other receivables	264	293

Note 9. Investment property

in thousands of euros

	EUR
Carrying value as at 31.12.2014	3,035
Reclassification (Note 10)	37,614
Net gain from fair value adjustment	4,314
Carrying value as at 31.12.2015	44,963
Reclassification (Note 10)	2,171
Disposals	-35
Net gain from fair value adjustment	1,585
Carrying value as at 31.12.2016	48,684

Investment properties comprise constructions in progress and immovable 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 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 2,153 thousand euros and Viimsi shopping centre renovation work amounted to 18 thousand euros.

In 2016, the opinion of an independent certified real estate expert was used in appraising the fair value of one facility. In 2015, the opinion of an independent certified real estate expert was used in appraising the fair value of two facilities. As a result of valuation in 2016, the item of investment property located in Estonia was adjusted upwards for 1,585 thousand euros (in 2015 adjustment upwards amounted to 3,852 thousand euros). As a result of valuation investment property located in Latvia were adjusted neither upwards nor downwards in 2016. One item of investment property located in Latvia was adjusted upwards for 462 thousand euros in 2015.

Note 10. Property, plant and equipment

in thousands of euros

	Land and buildings	Machinery and equipment	Other fixtures and fittings	Construction in progress and prepayments	Total
31.12.2014					
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
Carrying value	173,944	7,752	11,338	34,880	227,914
Changes occurred in 2015					
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
31.12.2015					
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
Carrying value	146,755	8,547	10,994	30,395	196,691
Changes occurred in 2016					
Purchases and improvements	17	442	147	12,385	12,991
Reclassification (Note 9)	3,282	4,862	5,375	-15,690	-2,171
Disposals	-645	-133	-16	0	-794
Write-offs	-21	-9	-68	0	-98
Decline/increase in value through profit or loss	0	0	0	-3,744	-3,744
Increase in value through revaluation reserve	19,689	0	0	0	19,689
Depreciation	-4,621	-2,658	-3,774	0	-11,053
31.12.2016					
Cost or revalued amount	164,456	33,797	34,978	44,315	277,546
Accumulated depreciation	0	-22,746	-22,320	-20,969	-66,035
Carrying value	164,456	11,051	12,658	23,346	211,511

The cost of investments for the 12 months of 2016 amounted to 13,148 thousand euros (including purchases of property, plant and equipment in the amount of 12,991 thousand euros and purchases of intangible assets amounted to 157 thousand euros)

The cost of investments made in 12 months of 2016 in the supermarket business segment was 7,603 thousand euros. In the reporting period new Selver stores in Lasnamäe Kärberi shopping centre, in Kalamaja Arsenali Centre and in Maardu were opened. Extensive renovation was carried out in Tondi Selver and Veeriku Selver. Additionally computing technology for SelverEkspress self-service cash registers were purchased and renewed store fittings.

The size of the investment in the business segment of Department store amounted to 3,414 thousand euros. In the reporting period was renewed beauty and women's department in Tartu, also women's and man's departments in Tallinn. Kaubamaja e-shop was launched.

The cost of investments in the accounting period was 484 thousand euros in the car trade business segment.

The cost of investments made in the reporting period in the footwear segment was 94 thousand euros.

The cost of the real estate business segment investment amounted to 1,396 thousand euros. In the reporting period

renovation of Tartu Kaubamaja centre took place.

At the year-end 2016, the fair value of "Land and buildings" and recoverable amount of "Construction in progress" was assessed. The fair values of "Land and buildings" and the recoverable amounts of buildings under construction (based on the value in use) were determined based on management's judgment, using the estimates of certified independent real estate experts for determining the inputs to be used or the fair value of the items. The discounted cash flow model and market data (comparable transactions, rental income, etc.) were both used for determining fair values as well as recoverable amounts.

The discount rates used for estimation were 8.2% -12% (2015: 8.5% - 12%) depending on the location of the property and the rental growth rates were 1% - 2.5% (2015: 1% - 2.5%). For the purpose of estimating the value of "Land and buildings", the rental agreements in force have been used for determining the input of the rental price, which management believes correspond to the market conditions. As a result of the revaluation in 2016 the value of "Land and buildings" located in Estonia increased by 19,689 thousand euros which was recognized through revaluation reserve. Decrease in value of "Construction in progress" located in Estonia was recognised through profit and loss in the amount of 502 thousand euros. As a result of the revaluation in 2015 the value of "Land and buildings" located in Estonia decreased by 239 thousand euros. Decrease in value of "Construction in progress" located in Estonia was recognised in the amount of 1,448 thousand euros in 2015.

In 2016 valuation of "Land and buildings" located in Latvia was adjusted neither upwards nor downwards. Decrease in value of "Construction in progress" located in Latvia was recognised in the amount of 3,242 thousand euros through profit and loss. In 2015 valuation of "Land and buildings" located in Latvia was adjusted neither upwards nor downwards. Decrease in value of "Construction in progress" located in Latvia was recognised in the amount of 587 thousand euros.

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

Note 11. Intangible assets

in thousands of euros

	Goodwill	Trademark	Beneficial contracts	Development expenditure	Total
31.12.2014					
Cost	7,298	5,272	1,080	621	14,271
Accumulated amortisation and impairment	-588	-2,057	-1,080	-144	-3,869
Carrying value	6,710	3,215	0	477	10,402
Changes occurred in 2015					
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
31.12.2015					
Cost	6,814	5,277	1,080	1,160	14,331
Accumulated amortisation and impairment	-1,441	-2,543	-1,080	-224	-5,288
Carrying value	5,373	2,734	0	936	9,043
Changes occurred in 2016					
Purchases and improvements	0	0	0	157	157
Amortisation	0	-487	0	-208	-695
31.12.2016					
Cost	6,814	5,277	1,080	1,317	14,488
Accumulated amortisation and impairment	-1,441	-3,030	-1,080	-432	-5,983
Carrying value	5,373	2,247	0	885	8,505

In the reporting period the Group capitalised costs of a web page update and e-shop as development expenditure in the amount of 157 thousand euros.

Impairment tests of goodwill and other intangible assets were carried out as at 31 December 2016 and 2015.

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

in thousands of euros	31.12.2016	31.12.2015
Car trade	3,156	3,156
Footwear trade	2,113	2,113
Department store	104	104
Total	5,373	5,373

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

In 2015 in footwear trade it was evident that the present value of cash flows does not cover the value of goodwill. Accordingly goodwill in footwear trade was adjusted downwards in the amount of 1,441 thousand euros.

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	31.12.2016	31.12.2015
Short-term borrowings		
Overdraft	3,017	2,542
Bank loans	21,716	28,007
Other borrowings	2,119	2,828
Total short-term borrowings	26,852	33,377

in thousands of euros	31.12.2016	31.12.2015
Long-term borrowings		
Bank loans	73,596	56,858
Other borrowings	176	568
Total long-term borrowings	73,772	57,426
Total borrowings	100,624	90,803

Borrowings received

in thousands of euros	IV quarter 2016	IV quarter 2015	12 months 2016	12 months 2015
Overdraft	153	472	475	943
Bank loans	14,108	14,126	60,055	47,224
Other borrowings	620	512	3,399	1,781
Total borrowings received	14,881	15,110	63,929	49,948

Borrowings paid

in thousands of euros

	IV quarter 2016	IV quarter 2015	12 months 2016	12 months 2015
Bank loans	10,312	13,734	49,608	53,889
Other borrowings	949	705	4,500	3,325
Total borrowings paid	11,261	14,439	54,108	57,214

Bank loans and other borrowings are denominated in euros.

As of 31.12.2016, the repayment dates of bank loans are between 15.02.2017 and 27.03.2020 (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 0.96% (2015: 1.14%).

Note 13. Trade and other payables

in thousands of euros

	31.12.2016	31.12.2015
Trade payables	63,170	57,901
Payables to related parties (Note 21)	4,409	4,579
Other accrued expenses	102	79
Prepayments by tenants	2,110	1,944
Total financial liabilities from balance sheet line "Trade and other payables"	69,791	64,503
Taxes payable (Note 14)	6,847	6,284
Employee payables	5,689	4,944
Prepayments	1,372	1,215
Short-term provisions*	113	120
Total trade and other payables	83,812	77,066

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

Note 14. Taxes

in thousands of euros

	31.12.2016		31.12.2015	
	Prepaid taxes	Taxes payable	Prepaid taxes	Taxes payable
Prepaid taxes	23	0	9	0
Value added tax	0	3,324	0	3,014
Personal income tax	0	1,026	0	943
Social security taxes	0	2,204	0	2,017
Corporate income tax	0	31	0	67
Unemployment insurance	0	147	0	137
Mandatory funded pension	0	115	0	106
Total taxes	23	6,847	9	6,284

Note 15. Share capital

As of 31.12.2016, 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	Footwear trade	Real estate	Inter- segment transact- ions	Total seg- ments
IV quarter 2016							
External revenue	108,871	29,941	19,295	3,545	1,279	0	162,931
Inter-segment revenue	278	1,691	14	53	3,202	-5,238	0
Total revenue	109,149	31,632	19,309	3,598	4,481	-5,238	162,931
EBITDA	5,408	3,204	834	138	5,490	0	15,074
Segment depreciation and impairment losses	-1,219	-653	-129	-189	-4,713	0	-6,903
Operating profit/loss	4,189	2,551	705	-51	777	0	8,171
Finance income (Note 19)	55	130	4	0	59	-248	0
Finance income on shares of associates	0	35	0	0	0	0	35
Finance costs (Note 19)	-1	-126	-60	-27	-261	248	-227
Income tax	-1	0	-38	0	0	0	-39
Net profit/loss	4,242	2,590	611	-78	575	0	7,940
incl. in Estonia	4,760	2,590	640	-78	3,593	0	11,505
incl. in Latvia	-518	0	5	0	-3,018	0	-3,531
incl. in Lithuania	0	0	-34	0	0	0	-34
Segment assets	92,585	51,477	29,980	8,331	252,739	-46,429	388,683
Segment liabilities	64,393	16,947	21,358	9,147	100,526	-27,532	184,839
Segment investment in non-current assets	2,518	508	218	9	292	0	3,544

in thousands of euros

	Super markets	Depart- ment store	Car trade	Footwear trade	Real estate	Inter- segment transact- ions	Total seg- ments
IV quarter 2015							
External revenue	104,108	29,023	15,158	3,436	1,163	0	152,888
Inter-segment revenue	275	1,525	12	54	3,154	-5,020	0
Total revenue	104,383	30,548	15,170	3,490	4,317	-5,020	152,888
EBITDA	5,387	3,283	631	160	8,071	0	17,532
Segment depreciation and impairment losses	-1,050	-505	-367	-1,587	-3,105	0	-6,614
Operating profit/loss	4,337	2,778	264	-1,427	4,966	0	10,918
Finance income (Note 19)	80	175	7	0	43	-304	1
Finance income on shares of associates	0	9	0	0	0	0	9
Finance costs (Note 19)	-5	-152	-60	-40	-327	304	-280
Income tax	1	0	-11	0	0	0	-10
Net profit/loss	4,413	2,810	200	-1,467	4,682	0	10,638
incl. in Estonia	4,920	2,810	224	-1,467	4,532	0	11,019
incl. in Latvia	-507	0	-35	0	150	0	-392
incl. in Lithuania	0	0	11	0	0	0	11
Segment assets	87,311	53,497	23,912	8,542	242,102	-67,384	347,980
Segment liabilities	60,742	17,286	16,519	10,309	98,584	-35,069	168,371
Segment investment in non-current assets	945	828	46	37	3,339	0	5,195

in thousands of euros

	Super markets	Depart- ment store	Car trade	Footwear trade	Real estate	Inter- segment transact- ions	Total seg- ments
12 months 2016							
External revenue	400,017	98,021	82,587	12,828	4,961	0	598,414
Inter-segment revenue	1,062	5,860	45	200	12,697	-19,864	0
Total revenue	401,079	103,881	82,632	13,028	17,658	-19,864	598,414
EBITDA	19,017	6,529	4,395	-141	17,482	0	47,282
Segment depreciation and impairment losses	-4,544	-2,412	-513	-608	-7,513	0	-15,590
Operating profit/loss	14,473	4,117	3,882	-749	9,969	0	31,692
Finance income (Note 19)	236	549	16	1	193	-992	3
Finance income on shares of associates	0	159	0	0	0	0	159
Finance costs (Note 19)	-10	-487	-233	-102	-1,031	992	-871
Income tax	-2,616	-1,175	-486	0	-981	0	-5,258
Net profit/loss	12,083	3,163	3,179	-850	8,150	0	25,725
incl. in Estonia	14,145	3,163	2,856	-850	10,504	0	29,818
incl. in Latvia	-2,062	0	193	0	-2,354	0	-4,223
incl. in Lithuania	0	0	130	0	0	0	130
Segment assets	92,585	51,477	29,980	8,331	252,739	-46,429	388,683
Segment liabilities	64,393	16,947	21,358	9,147	100,526	-27,532	184,839
Segment investment in non-current assets (Note 10,11)	7,696	3,479	484	94	1,396	0	13,148

in thousands of euros

	Super markets	Depart- ment store	Car trade	Footwear trade	Real estate	Inter- segment transact- ions	Total seg- ments
12 months 2015							
External revenue	383,441	95,581	60,765	11,933	3,727	0	555,447
Inter-segment revenue	1,024	5,267	29	217	12,228	-18,765	0
Total revenue	384,465	100,848	60,794	12,150	15,955	-18,765	555,447
EBITDA	14,543	6,136	2,971	-398	18,926	0	42,178
Segment depreciation and impairment losses	-4,049	-1,946	-751	-2,080	-6,408	0	-15,234
Operating profit/loss	10,494	4,190	2,220	-2,478	12,518	0	26,944
Finance income (Note 19)	297	666	33	1	150	-1,135	12
Finance income on shares of associates	0	142	0	0	0	0	142
Finance costs (Note 19)	-30	-570	-250	-160	-1,269	1,135	-1,144
Income tax	-2,222	-1,150	-511	0	0	0	-3,883
Net profit/loss	8,539	3,278	1,492	-2,637	11,399	0	22,071
incl. in Estonia	10,899	3,278	1,532	-2,637	10,510	0	23,582
incl. in Latvia	-2,360	0	-90	0	889	0	-1,561
incl. in Lithuania	0	0	50	0	0	0	50
Segment assets	87,311	53,497	23,912	8,542	242,102	-67,384	347,980
Segment liabilities	60,742	17,286	16,519	10,309	98,584	-35,069	168,371
Segment investment in non-current assets	4,886	2,468	251	84	12,837	0	20,526

External revenue according to types of goods and services sold

in thousands of euros

	IV quarter 2016	IV quarter 2015	12 months 2016	12 months 2015
Retail revenue	149,705	141,775	546,895	512,260
Wholesale revenue	5,716	4,523	25,204	20,061
Rental income	2,319	2,182	8,960	7,827
Revenue for rendering services	5,191	4,408	17,355	15,299
Total revenue	162,931	152,888	598,414	555,447

External revenue by client location

in thousands of euros

	IV quarter 2016	IV quarter 2015	12 months 2016	12 months 2015
Estonia	154,448	146,916	563,651	533,329
Latvia	5,448	3,591	24,369	14,868
Lithuania	3,035	2,381	10,394	7,250
Total	162,931	152,888	598,414	555,447

Distribution of non-current assets* by location of assets

in thousands of euros

	31.12.2016	31.12.2015
Estonia	238,189	216,439
Latvia	30,662	34,410
Lithuania	113	141
Total	268,964	250,990

* 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

	IV quarter 2016	IV quarter 2015	12 months 2016	12 months 2015
Rental expenses	3,956	3,855	15,506	15,393
Heat and electricity expenses	2,048	1,964	8,141	8,288
Operating costs	1,550	1,455	6,291	6,301
Cost of sale related services and materials	1,440	461	5,317	5,921
Marketing expenses	2,066	1,810	7,021	6,302
Miscellaneous other operating expenses	995	859	3,238	3,066
Computer and communication costs	937	926	3,428	3,397
Personnel expenses	738	669	2,866	2,108
Total other operating expenses	13,730	11,999	51,808	50,776

Note 18. Staff costs

in thousands of euros

	IV quarter 2016	IV quarter 2015	12 months 2016	12 months 2015
Wages and salaries	12,126	11,040	42,473	38,295
Social security taxes	3,964	3,629	13,898	12,595
Total staff costs	16,090	14,669	56,371	50,890
Average wages per employee per month (euros)	985	923	868	809
Average number of employees in the reporting period	4,103	3,989	4,079	3,946

Note 19. Finance income and costs

in thousands of euros

Finance income

	IV quarter 2016	IV quarter 2015	12 months 2016	12 months 2015
Interest income on NGI Group's group account (Note 21)	0	1	2	5
Other finance income	0	0	1	7
Total finance income	0	1	3	12

Finance costs

	IV quarter 2016	IV quarter 2015	12 months 2016	12 months 2015
Interest expense of bank loans	-204	-250	-787	-997
Interest expense of finance lease	-4	-7	-19	-37
Interest expense on NGI Group's group account	0	0	0	-2
Other finance costs*	-19	-23	-65	-108
Total finance costs	-227	-280	-871	-1,144

* 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.

	IV quarter 2016	IV quarter 2015	12 months 2016	12 months 2015
Net profit (in thousands of euros)	7,940	10,638	25,725	22,071
Weighted average number of shares	40,729,200	40,729,200	40,729,200	40,729,200
Basic and diluted earnings per share (euros)	0.19	0.26	0.63	0.54

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 12 months 2016	Sales 12 months 2016	Purchases 12 months 2015	Sales 12 months 2015
Parent	236	12	322	19
Entities in the Parent's consolidation group	30,023	7,609	27,365	7,495
Members of management and supervisory boards	20	6	16	5
Other related parties	998	106	943	100
Total	31,277	7,733	28,646	7,619

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

Balances with related parties:

	31.12.2016	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)	918	1,016
Other related parties (Note 4)	0	10
Total receivables from related parties	918	6,027

	31.12.2016	31.12.2015
Parent	17	0
Entities in the Parent's consolidation group	4,243	4,463
Other related parties	149	116
Total liabilities to related parties (Note 13)	4,409	4,579

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 9 months of 2016 the Group earned interest income on its deposits of available funds in the amount of 2 thousand euros (2015: 5 thousand euros).

As at 31 December 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 matured 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 1,637 thousand euros (2015: 1,412 thousand euros). Short term benefits to supervisory boards' members of the Group in reporting period including social taxes amounted to 572 thousand euros (2015: 321 thousand euros).

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