

# **TALLINNA KAUBAMAJA GRUPP AS**

**Consolidated Interim Report for  
the Third quarter and first 9 months of 2017**  
(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 4,200 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 2017
End of financial year:	31 December 2017
Beginning of interim report period:	1 January 2017
End of interim report period:	30 September 2017
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 17 February 2017 and his term of office expires on 6 March 2020.

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 8.23 euros at the end of 2016 was closed in late September of 2017 at 9.59 euros, increased by 16.52% within the nine months of the year.

According to the notice of regular annual general meeting of the shareholders published on 27 February 2017, the management board proposed to pay dividends 0.63 euros per share. The general meeting of shareholders approved it.

Share price and trading statistics on the Tallinn Stock Exchange from 01.01.2017 to 30.09.2017.

In euros



#### Company's structure

The following companies belong to the group as of September 30, 2017:

	Location	Shareholding as of 30.09.2017	Shareholding as of 31.12.2016
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%
TKM Lietuva UAB	Lithuania	100%	0%
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%
Verte Auto SIA	Latvia	100%	0%
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 surprisingly by 5.7% in the second quarter of 2017 compared to the second quarter of 2017. Greatest momentum to Estonia's economic growth arises from export, where the economies of our main export partners in the euro zone are mainly in a growth phase and their import demand is rising. The previously concerning decline in productivity has slowed down. The number of the employed and the hours worked have not changed notably and this has increased the growth rate of productivity and improved profits of companies. Significant contribution to the economic growth comes from government sector investments, which facilitate above all the increase of building works and the related areas of activity. According to the Ministry of Finance, the economic growth will be 4.3% by the end of the year. The consumer price index of the first nine months increased 3.3% in Estonia. The price of food and non-alcoholic beverages increased throughout the year, being 5.8% higher in the third quarter than in the previous year. Dairy products have appreciated the most among food products. Clothing and footwear appreciated 1.4% in nine months. The prices of alcoholic beverages and tobacco rose the most (7.6%) owing to an increase in the excise duty rates. According to the forecast of the Ministry of Finance, the total price increase this year will be 3.4% due to the price increase of food, fuel, and services. Rapid salary growth did not have the effect of mitigating labour shortage. Employment rate is at the highest level of the past 20 years and we have increasingly less unemployed labour resources in the Estonian labour market. The average monthly gross salary increased by 6.8% compared to the 2<sup>nd</sup> quarter of the previous year. According to the analysts, rapid salary growth will continue, as labour supply is not able to keep up with labour demand.

According to Statistics Estonia, the total volume of retail sale in current prices in Estonia grew by 8.6% in the first eight months of 2017. The greatest growth was witnessed in retail sale by post or on the Internet, having increased altogether 37.1% in eight months. Retail sale in non-specialised stores (predominantly food products) has been stable over the past months and has gone up by 3.3% in the first eight months of the year. Retail sales in other unspecialised stores grew 1.4%. The greatest growth of retail sale in terms of volume still came from car sale as at eight months, second place in growth in monetary value is held by the sale of motor fuel, influenced by price increase. According to Estonian Institute of Economic Research, the confidence indicator of consumers peaked at a nine-year high.

Economic results

**FINANCIAL RATIOS 2016–2017**

	EUR		Change
	3 <sup>rd</sup> quarter 2017	3 <sup>rd</sup> quarter 2016	
Sales revenue (in millions)	160.9	148.1	8.6%
Operating profit/loss (in millions)	9.7	9.6	0.9%
Net profit/loss (in millions)	9.5	9.4	1.5%
Return on equity (ROE)	5.0%	5.5%	
Return on assets (ROA)	2.6%	2.8%	
Net profit margin	5.92%	6.34%	
Gross profit margin	25.58%	25.64%	
Quick ratio	1.10	1.10	
Debt ratio	0.46	0.49	
Sales revenue per employee (in millions)	0.038	0.036	
Inventory turnover	1.67	1.65	
SHARE			
Average number of shares (1000 pcs)	40,729	40,729	
Equity capital per share (EUR/share)	4.81	4.33	
Share's closing price (EUR/share)	9.590	7.430	
Earnings per share (EUR/share)	0.23	0.23	
Average number of employees	4,239	4,143	

	EUR		Change
	9 month 2017	9 month 2016	
Sales revenue (in millions)	476.2	435.5	9.4%
Operating profit/loss (in millions)	24.7	23.5	5.2%
Net profit/loss (in millions)	17.9	17.8	0.7%
Return on equity (ROE)	9.4%	10.4%	
Return on assets (ROA)	4.9%	5.2%	
Net profit margin	3.76%	4.08%	
Gross profit margin	25.12%	25.23%	
Quick ratio	1.10	1.10	
Debt ratio	0.46	0.49	
Sales revenue per employee (in millions)	0.114	0.107	
Inventory turnover	4.97	4.87	
SHARE			
Average number of shares (1000 pcs)	40,729	40,729	
Equity capital per share (EUR/share)	4.81	4.33	
Share's closing price (EUR/share)	9.590	7.430	
Earnings per share (EUR/share)	0.44	0.44	
Average number of employees	4,179	4,071	
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 3<sup>rd</sup> quarter of 2017 of Tallinna Kaubamaja Group was 160.9 million euros, exceeding the sales revenue of the previous year 8.6%. The sales revenue of nine months was 476.2 million euros, having grown by 9.4% compared to the first nine months of 2016, when the sales revenue amounted to 435.5 million euros. The unaudited consolidated net profit of the Group in the 3<sup>rd</sup> quarter of 2017 was 9.5 million euros, which is 1.5% higher on a year-on-year basis. The net profit of the Group in the first nine months of 2017 was 17.9 million euros being by 0.7% better than the profit for the previous year. The pre-tax profit in the first nine months was 24.3 million euros, showing a year-on-year growth of 5.6%. Net profit was affected by dividend payment, on which 6.4 million euros in income tax were paid in the 1<sup>st</sup> quarter of 2017. A year before, income tax payment amounted to 5.2 million euros.

The growth in sales revenue of the Group's basic areas of activity has on a current basis exceeded the average of the respective market segment, confirming thereby the right choice in the course of action in terms of the more important areas. Similarly to previous quarters, the car segment achieved the strongest sales growth. E-stores demonstrated really good results, although the total sales potential has not been implemented yet. This can be achieved through significant improvements in pick-up and delivery solutions, being one of the Group's priorities. In the 3<sup>rd</sup> quarter, the Group continued at the same margin level in a year-on-year comparison, although the car segment with increasing share contained fleet transactions with more modest margins. Investments in modern lighting technology have given a worthwhile contribution to reducing energy costs while the rest of the administrative expenses are increasing owing to labour costs. Group's labour costs have gone up by 9.9% in nine months, while the average salary has increased 7.3%. Despite the faster than average market growth of salary, it is even more difficult to find and motivate employees for the Group's service-intensive retail trade operations. To alleviate the labour problem, the Group cooperates closely with state authorities and has increased the share of employees with special needs.

In the 3<sup>rd</sup> quarter, the self-service areas were expanded in Selver stores. A new SHU store was opened in Rakvere Põhjakeskus; however the previously operating SHU and ABC King stores in Rakvere were closed. A renewed SHU store was opened in the renovated Auriga centre in Kuressaare. For the time of renovation of the Kristiine centre, the ABC King and SHU stores were closed there. Previously in 2017, Balti Jaama Turu (Baltic station market), Tähesaju and Sepapaja Selvers were opened and one SHU footwear store was closed in Tartu. Due to the renovation of Tartu Lõunakeskus, the I.L.U. and SHU stores of the centre were renewed and relocated. The development activity of the new salesroom of the Lithuanian car store was launched. The architectural competition for reconstructing the Tallinna Kaubamaja quarter, i.e. the registered immovable in Gonsiori 2/Rävala 6, received 15 competition projects.

The volume of assets of Tallinna Kaubamaja Group as at 30 September 2017 was 365.9 million euros, which is 5.9% less than the respective number at the end of 2016.

There were more than 642 thousand loyal customers at the end of the reporting period; the number of loyal customers increased by 7.8% in a year. The relative importance of regular customers in the turnover of the Group was 82.4% (the number was 79.5% in the first nine month of 2016). Over 27,000 Partner Bank and Credit Cards had been issued by the end of September.

### Selver supermarkets

The consolidated sales revenue for the first nine months of 2017 in the business segment of supermarkets was 317.1 million euros, having grown by 8.9% in a year-on-year comparison. The consolidated sales revenue of the 3<sup>rd</sup> quarter was 108.5 million euros, indicating a 9.2% growth in a year-on-year comparison. The monthly average sales revenue of goods per sales area square metre was 0.39 thousand euros year-to-date and also in the last three months, surpassing the figure of the previous year by 2.2% and 1.1%, respectively. The sales revenue of goods per a square metre of comparable stores was 0.37 thousand euros as an average for 9 months as well as in the 3<sup>rd</sup> quarter, showing a growth of 2.8% and 1.9%, respectively. 28.2 million purchases were made in Selvers in the first nine months of 2017, surpassing the figure of the previous year by 4.3%.

The consolidated pre-tax profit of the supermarket segment was 11.2 million euros in the first nine months of 2017, showing a respective growth of 0.8 million euros compared to the previous year. The net profit for the same period amounted to 7.6 million euros, having decreased 0.2 million euros compared to the year before. The pre-tax profit earned in Estonia was 12.8 million euros and net profit 9.2 million euros. The difference between the net profit and profit before income tax arises from the income tax paid on dividends: In 2017, the income tax on dividends surpassed the figure of the previous year by 1.0 million euros. The pre-tax profit and net profit were 5.0 million euros in the 3<sup>rd</sup> quarter, of which the profit earned in Estonia amounted to 5.5 million euros. The profit for the 3<sup>rd</sup> quarter exceeded that of the previous year by 0.6 million euros. The loss incurred in Latvia in 9 months was 1.6 million euros, of which the share of the 3<sup>rd</sup> quarter was 0.5 million euros. Loss remained at the same level with the previous year.

The growth of Selver's sales revenue continued in the 3<sup>rd</sup> quarter at a higher speed than the average of the market segment. The sales revenue growth was supported by stores opened and renovated in the past few years. The sale of seasonal goods was adversely affected by cool summer. The reference base of the 3<sup>rd</sup> quarter of 2017 is lower by two stores opened in 2016 and three stores in 2017 and by two stores temporarily closed in 2016 for one month due to renovations. The reference base is higher by a store closed in Narva in the 1<sup>st</sup> quarter of 2016 and an additional day due to the leap year. A successful area has been e-commerce with more than doubled sales revenue for 9 months. In a tight competition, we have managed to increase the number of purchases with the support of new stores. Continued strong position of consumer confidence and successful assortment and campaign activities have had a positive impact on the average shopping basket.

The development of profit earned in Estonia has above all been influenced by increased sales revenue. The optimisation of trade processes has also had a positive effect. With regard to operating expenses, the segment has managed to improve the level of cost effectiveness of the previous year. As expected, the positive effect has come from investments, enabling saving on administrative costs and under the strong salary pressure maintain the labour efficiency at the level of previous year. The costs and investments of 2017 include the expenses of opening three new stores. The reference period includes the opening costs of one store and renovation costs of another store. The profit of the reference period is positively influenced by extraordinary income of 0.4 million euros as a result of a judicial decision of the sales tax of excise goods. A one-off effect to the net profit of the current year arises from the judicial decision, according to which Selver had to pay a penalty of 0.4 million euros.

As at the end of September, the supermarket segment includes the Selver chain with 50 Selver stores, e-Selver and cafe with total sales space of 92.8 thousand m<sup>2</sup> and the central kitchen Kulinaaria OÜ. The segment also includes non-operational SIA Selver Latvia.



In the 4<sup>th</sup> quarter of this year, the plans foresee the opening of two new stores in Tallinn, expansion of SelveEkspress in the stores to be opened and in two existing stores and development of the e-Selver service to increase the ability of faster and more convenient catering to the higher demand.

### Department stores

The sales revenue for the first nine months of 2017 in the business segment of department stores was 71.4 million euros, having increased by 4.8% in a year-over-year comparison. The sales revenue of the 3<sup>rd</sup> quarter made 23.3 million euros of this amount, being by 5.4% higher than the revenues of the 3<sup>rd</sup> quarter of 2016. The department stores' monthly sales revenue per sales area square metre was 0.30 thousand euros in the first nine months, being 4.0% higher in a year-on-year comparison. The pre-tax profit of the department stores in the first nine months of 2017 was 2.0 million euros, which is by 16.5% higher than the result of the previous year. The pre-tax profit was 0.7 million euros in the 3<sup>rd</sup> quarter, showing a 10.6% increase in a year-on-year comparison. The 9-month sales revenue of the department store segment was influenced by successful all-the-year-round sales campaigns. In July, the discount campaign of summer goods was successful and the beginning of the autumn season in September has also been really positive, which is why the result of the 3<sup>rd</sup> quarter was better than expected and surpassed the previous year. The 9-month profit of department stores has been positively influenced also by utility savings compared to the year prior and this above all thanks to the investments made into LED lighting in Tallinn as well as in the Tartu store over the last years. The sales of e-store launched last March have also doubled in the 3<sup>rd</sup> quarter and had a positive effect on the 9-month result.

The sales revenue in the 3<sup>rd</sup> quarter of 2017 of OÜ TKM Beauty Eesti, which operates the I.L.U. cosmetics stores, was 1.1 million euros, having decreased by 5.6% compared to the same period in 2016. The loss of the 3<sup>rd</sup> quarter was 0.1 million euros, being by 0.03 million euros less than the loss for the comparable period of the last year. The sales revenue of the first nine months of 2017 was 3.2 million euros, having decreased by 6.4% in a year-over-year comparison. The 9-month loss was 0.3 million euros in 2017, which is 0.1 million euros less than the loss for the same period of the previous year. Negative impact on the sales revenue originated from the number of people entering the Rocca al Mare store and decrease in sales caused by extensive building works around the centre.

### Car Trade

The sales revenue of nine months of 2017 in the car trade segment amounted to 76.1 million euros. The sales revenue exceeded that of the previous year by 20.2%, whereas the sales revenue of KIAs increased by 25.6%. The 3<sup>rd</sup> quarter sales revenue of 25.2 million euros exceeded that of the previous year by 15.2%. Whereas the sales revenue of KIAs increased by 11.0%. In the first nine months of the year, the total car sale of the Group was 3,663 new vehicles, including 1,230 vehicles in the 3<sup>rd</sup> quarter. The pre-tax profit of the segment in 9 months of 2017 was 3.4 million euros, surpassing the profit of the same period in the previous year by 11.6%. The pre-tax profit of the 3<sup>rd</sup> quarter of 2017 was 1.1 million euros, showing a smaller profit by 0.5 million compared to the 3<sup>rd</sup> quarter of 2016.

The new car sale is backed by an overall increase of the car market in the Baltics and especially in Lithuania and Latvia. In Latvia, KIA won a significant public procurement, which notably increased the market share of KIA. The sales growth of KIA has been boosted by active marketing and effectively targeted media campaigns organised by the importer of KIA. The SUV Sportage and the middle-class model Cee'd are still the main hit models of KIA. In addition, the sale of new Opels has continued well and the sale of Cadillac passenger cars has improved. The sales hits of Opel are the SUV Mokka X and the middle-class model Astra. The brand-new Opel Insignia has also been accepted well by customers. Based on the 9-month sales results, we can be satisfied with all car dealers belonging to the Group. The drop in profit in the 3<sup>rd</sup> quarter can be attributed to a slight decline in the margins of KIA passenger cars, caused by consolidation of the sale from retail sale rather to whole-sale and fleet sale, with a purpose of securing and increasing the market share of KIA. Furthermore, the margin of the popular KIA Cee'd was lower due to the last production year of the model of this generation. In 2018, a completely new KIA Cee'd will be introduced to the market.

In Latvia, a new subsidiary – VERTE AUTO SIA – was established for further development of the car business, which will become the dealer of Škoda in Latvia. Opening of the new dealership is planned into the first half of 2019.

### Footwear trade

The sales revenue of the first nine months of 2017 in the business segment of footwear trade amounted to 8.0 million euros, having decreased by 13.8% in a year-over-year comparison. The sales revenue in the 3<sup>rd</sup> quarter was 2.6 million euros, which is a quarter lowed in a year-on-year comparison. The net loss of the segment in the 3<sup>rd</sup> quarter decreased 27.7% compared to the year prior, remaining at the level of 0.2

million euros. In the course of optimising the sales spaces, the SHU store in the Krooni centre and the existing old ABC King store in Põhjakeskus, Rakvere were closed. Instead, a completely new SHU store was opened on a more compact space in Rakvere Põhjakeskus. To replace the ABC King store closed in the Auriga centre, Kuressaare this spring, a renewed SHU store was opened in the updated centre in August. The biggest decline in sales revenue of the 3<sup>rd</sup> quarter came from the closure of ABC King and SHU stores during the renovation of the Kristiine centre and the flood in the Rocca al Mare shopping centre in August, when the damages to the ABC King and SHU stores in the centre turned out to be great, bringing along an almost one-month business interruption for the stores.

### Real estate

The external sales revenue of the real estate segment amounted to 3.7 million euros in 9 months of 2017. The year-on-year sales revenue increased 1.0%. The external sales revenue of the 3<sup>rd</sup> quarter was 1.2 million euros, indicating a 0.6% growth in a year-on-year comparison. The pre-tax profit of 9 months of the real estate segment was 8.7 million euros, surpassing the result of the same period last year by 2.1%. The pre-tax profit of the 3<sup>rd</sup> quarter was 2.9 million euros, being by 1.5% lower than the profit for the same period last year. The increase in value of assets in the segment, performed at the end of 2016, increased the depreciation cost in 2017, causing a slight decline in the profit of the segment. Rental income is driven by Tartu Kaubamaja Shopping Centre, where despite the tougher competition in the city centre, the occupancy rate of the centre is still good.

In September, 15 competition projects were received by the architectural competition for reconstructing the Tallinna Kaubamaja quarter, i.e. the registered immovable at Gonsiori 2/Rävala 6. Among the projects we hope to find sufficiently high-quality works to select the best solution for Kaubamaja in November. Building works of a gas station and a store started at the request of partner on the registered immovable belonging to a Group in Rae rural municipality, next to Peetri Selver. The building works are to be completed in December 2017. From among the most important ongoing real estate developments of the Group we could mention also commencing the establishment of a car salesroom in Lithuania.

### Personnel

The average number of employees in the Tallinna Kaubamaja Group in the first nine month of 2017 was 4,179, having grown by 2.7% compared to the same period in 2016. Total labour costs (cost of wages and social tax) amounted to 44.3 million euros in the first nine months of 2017, having grown by 9.9% compared to the same period in 2016. In the third quarter, the labour costs increased by 10.2% compared to the year before, while the average number of employees increased by 2.3%. The average monthly cost of wages grew by 7.3% in the first nine months compared to the average wages of the nine months of 2016, in the 3<sup>rd</sup> quarter, the growth was 7.9%.

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, 12 October 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 third quarter and first 9 months of 2017 as set out on pages 12 - 30.

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, 12 October 2017

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

In thousands of euros

	Note	30.09.2017	31.12.2016
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	2	9,378	32,375
Trade and other receivables	3	14,850	15,396
Inventories	5	71,766	70,186
<b>Total current assets</b>		<b>95,994</b>	<b>117,957</b>
<b>Non-current assets</b>			
Long-term trade and other receivables	8	246	264
Investments in associates	7	1,797	1,762
Investment property	9	48,722	48,684
Property, plant and equipment	10	211,123	211,511
Intangible assets	11	8,000	8,505
<b>Total non-current assets</b>		<b>269,888</b>	<b>270,726</b>
<b>TOTAL ASSETS</b>		<b>365,882</b>	<b>388,683</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Borrowings	12	12,873	26,852
Trade and other payables	13	74,604	83,812
<b>Total current liabilities</b>		<b>87,477</b>	<b>110,664</b>
<b>Non-current liabilities</b>			
Borrowings	12	81,906	73,772
Provisions for other liabilities and charges		403	403
<b>Total non-current liabilities</b>		<b>82,309</b>	<b>74,175</b>
<b>TOTAL LIABILITIES</b>		<b>169,786</b>	<b>184,839</b>
<b>Equity</b>			
Share capital	15	16,292	16,292
Statutory reserve capital		2,603	2,603
Revaluation reserve		82,576	83,932
Currency translation differences		-255	-255
Retained earnings		94,880	101,272
<b>TOTAL EQUITY</b>		<b>196,096</b>	<b>203,844</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>365,882</b>	<b>388,683</b>

The notes presented on pages 17 to 30 form an integral part of these consolidated interim financial statements.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

In thousands of euros

	Note	III quarter 2017	III quarter 2016	9 months 2017	9 months 2016
Revenue	16	160,893	148,099	476,226	435,483
Other operating income		159	308	900	1,259
Cost of sales	5	-119,734	-110,131	-356,613	-325,627
Other operating expenses	17	-13,371	-12,512	-40,450	-38,078
Staff costs	18	-14,352	-13,019	-44,254	-40,281
Depreciation, amortisation and impairment losses	10, 11	-3,360	-3,006	-9,947	-8,687
Other expenses		-568	-159	-1,125	-548
<b>Operating profit</b>		<b>9,667</b>	<b>9,580</b>	<b>24,737</b>	<b>23,521</b>
Finance income		1	1	1	3
Finance costs		-188	-213	-571	-644
Finance income on shares of associates	7	57	27	135	124
<b>Profit before tax</b>		<b>9,537</b>	<b>9,395</b>	<b>24,302</b>	<b>23,004</b>
Income tax expense	15	-5	0	-6,391	-5,219
<b>NET PROFIT FOR THE FINANCIAL YEAR</b>		<b>9,532</b>	<b>9,395</b>	<b>17,911</b>	<b>17,785</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>9,532</b>	<b>9,395</b>	<b>17,911</b>	<b>17,785</b>
Basic and diluted earnings per share (euros)	19	0.23	0.23	0.44	0.44

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

The notes presented on pages 17 to 30 form an integral part of these consolidated interim financial statements.

**CONSOLIDATED CASH FLOW STATEMENT**

In thousands of euros

	Note	9 months 2017	9 months 2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net profit		17,911	17,785
Adjustments:			
Income tax on dividends	15	6,371	5,219
Interest expense		571	644
Interest income		-1	-3
Depreciation, amortisation	10, 11	9,947	8,668
Loss on sale and write-off of non-current assets	10	1	19
Profit on sale of non-current assets	10	-201	-10
Effect of equity method	7	-135	-124
Change in inventories		-1,581	-5,704
Change in receivables and prepayments related to operating activities		565	4,737
Change in liabilities and prepayments related to operating activities		-9,188	-6,983
<b>TOTAL CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>24,260</b>	<b>24,248</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment (excl. finance lease)	10	-10,147	-9,469
Proceeds from sale of property, plant and equipment	10	1,271	849
Proceeds from sale of investment property	9	20	0
Purchase of intangible assets	11	-35	-135
Change in balance of parent company's group account	20	0	5,000
Dividends received	7	100	100
Interest received		1	3
<b>TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<b>-8,790</b>	<b>-3,652</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings	12	45,417	48,726
Repayments of borrowings	12	-51,792	-42,847
Change in overdraft balance	12	530	322
Dividends paid	15	-25,659	-21,179
Income tax on dividends	15	-6,371	-5,259
Interest paid		-592	-668
<b>TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES</b>		<b>-38,467</b>	<b>-20,905</b>
<b>TOTAL CASH FLOWS</b>		<b>-22,997</b>	<b>-309</b>
Effect of exchange rate changes		0	0
Cash and cash equivalents at the beginning of the period	2	32,375	13,911
Cash and cash equivalents at the end of the period	2	9,378	13,602
<b>Net change in cash and cash equivalents</b>		<b>-22,997</b>	<b>-309</b>

The notes presented on pages 17 to 30 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 31.12.2015</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	17,785	0	17,785
<b>Total comprehensive income for the reporting period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>17,785</b>	<b>0</b>	<b>17,785</b>
Reclassification of depreciation of revalued land and buildings	0	0	-1,093	1,093	0	0
Dividends paid	0	0	0	-21,179	0	-21,179
<b>Balance as of 30.09.2016</b>	<b>16,292</b>	<b>2,603</b>	<b>64,608</b>	<b>92,967</b>	<b>-255</b>	<b>176,215</b>
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
<b>Total comprehensive income for the reporting period</b>	<b>0</b>	<b>0</b>	<b>19,689</b>	<b>25,725</b>	<b>0</b>	<b>45,414</b>
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
<b>Balance as of 31.12.2016</b>	<b>16,292</b>	<b>2,603</b>	<b>83,932</b>	<b>101,272</b>	<b>-255</b>	<b>203,844</b>
Net profit for the reporting period	0	0	0	17,911	0	17,911
<b>Total comprehensive income for the reporting period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>17,911</b>	<b>0</b>	<b>17,911</b>
Reclassification of depreciation of revalued land and buildings	0	0	-1,356	1,356	0	0
Dividends paid	0	0	0	-25,659	0	-25,659
<b>Balance as of 30.09.2017</b>	<b>16,292</b>	<b>2,603</b>	<b>82,576</b>	<b>94,880</b>	<b>-255</b>	<b>196,096</b>

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

The notes presented on pages 17 to 30 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 2016. 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 2016.

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 third quarter and first 9 months of 2017 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	30.09.2017	31.12.2016
Cash on hand	910	590
Bank accounts	7,039	29,178
Cash in transit	1,429	2,607
<b>Total cash and cash equivalents</b>	<b>9,378</b>	<b>32,375</b>

**Note 3. Trade and other receivables**

in thousands of euros	30.09.2017	31.12.2016
Trade receivables (Note 4)	10,632	10,927
Other short-term receivables	442	365
<b>Total financial assets from balance sheet line "Trade and other receivables"</b>	<b>11,074</b>	<b>11,292</b>
Prepayment for goods	2,905	3,461
Other prepaid expenses	815	585
Prepaid rental expenses	32	35
Prepaid taxes (Note 14)	24	23
<b>Total trade and other receivables</b>	<b>14,850</b>	<b>15,396</b>

**Note 4. Trade receivables**

in thousands of euros	30.09.2017	31.12.2016
Trade receivables	8,902	8,036
Allowance for doubtful receivables	-4	-6
Receivables from related parties (Note 20)	432	918
Credit card payments	1,302	1,979
<b>Total trade receivables</b>	<b>10,632</b>	<b>10,927</b>

**Note 5. Inventories**

in thousands of euros	30.09.2017	31.12.2016
Goods purchased for resale	71,035	69,434
Raw materials and materials	731	752
<b>Total inventories</b>	<b>71,766</b>	<b>70,186</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

	III quarter 2017	III quarter 2016	9 months 2017	9 months 2016
Write-down and write-off of inventories	2,192	2,130	6,579	6,380
Inventory stocktaking deficit	289	196	1,192	1,012
<b>Total materials and consumables used</b>	<b>2,481</b>	<b>2,326</b>	<b>7,771</b>	<b>7,392</b>

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

## Note 6. Subsidiaries

Tallinna Kaubamaja Group consists of:

Name	Location	Area of activity	Ownership 30.09.2017	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 Perkunkiemiog.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 A.H. Tammsaare tee 51	Retail trade	100%	2012
Viking Security AS	Tallinna A. H. Tammsaare tee 62	Security activities	100%	2014
UAB TKM Lietuva	Vilnius Lvovo G 25	Real estate management	100%	2017
Verte Auto SIA	Marupes nov., Marupe, Karla Ulmana gatve 101	Retail trade	100%	2017

In 2017 and 2016, there were no business combinations.

**Note 7. Investments in associates**

in thousands of euros

Tallinna Kaubamaja Group has ownership of 50% (2016: 50%) interest in the entity AS Rävåla Parkla which provides the services of a parking house in Tallinn.

	30.09.2017	31.12.2016
<b>Investment in the associate at the beginning of the year</b>	<b>1,762</b>	<b>1,778</b>
Profit for the reporting period under equity method	135	159
Dividends received	-100	-175
<b>Investment in the associate at the end of the accounting period</b>	<b>1,797</b>	<b>1,762</b>

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

	30.09.2017		31.12.2016	
Current assets	166		66	
Non-current assets	3,481		3,509	
Current liabilities	52		51	
	III quarter 2017	III quarter 2016	9 months 2017	9 months 2016
Revenue	127	61	379	298
Net profit	114	55	270	248

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

in thousands of euros

	30.09.2017	31.12.2016
Prepaid rental expenses	52	50
Deferred tax asset	159	179
Other receivables	35	35
<b>Total long-term trade and other receivables</b>	<b>246</b>	<b>264</b>

**Note 9. Investment property**

in thousands of euros

	EUR
<b>Carrying value as at 31.12.2015</b>	<b>44,963</b>
Reclassification (Note 10)	2,171
Disposal	-35
Net gain from fair value adjustment	1,585
<b>Carrying value as at 31.12.2016</b>	<b>48,684</b>
Reclassification (Note 10)	58
Disposal	-20
<b>Carrying value as at 30.09.2017</b>	<b>48,722</b>

Investment properties comprise constructions in progress and immovables improved with commercial buildings, which the Group maintains predominantly for earning rental income.

In the reporting period, Tartu Kaubamaja Shopping Centre renovation amounted to 58 thousand euros.

As a result of the valuation in 2016, the net fair value adjustment of investment property was recorded in the amount of 1,585 thousand euros. In 2017, there have not been changes in fair value of investment property.

#### Note 10. Property, plant and equipment

in thousands of euros

	Land and buildings	Machinery and equipment	Other fixtures and fittings	Construction in progress and prepayments	Total
<b>31.12.2015</b>					
Cost or revalued amount	156,799	30,688	30,577	48,180	266,244
Accumulated depreciation and impairment	-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	17	442	147	12,385	12,991
Reclassification	5,453	4,862	5,375	-15,690	0
Reclassification to investment property (Note 9)	-2,171	0	0	0	-2,171
Disposals	-645	-133	-16	0	-794
Write-offs	-21	-9	-68	0	-98
Decrease/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
<b>31.12.2016</b>					
Cost or revalued amount	164,456	33,797	34,978	44,315	277,546
Accumulated depreciation and impairment	0	-22,746	-22,320	-20,969	-66,035
<b>Carrying value</b>	<b>164,456</b>	<b>11,051</b>	<b>12,658</b>	<b>23,346</b>	<b>211,511</b>
<b>Changes occurred in 2017</b>					
Purchases and improvements	2,157	225	112	7,653	10,147
Reclassification (Note 9)	1,491	2,803	2,102	-6,454	-58
Disposals	-8	-250	-16	-796	-1,070
Write-offs	0	0	-8	0	-8
Depreciation	-3,805	-2,382	-3,212	0	-9,399
<b>30.09.2017</b>					
Cost or revalued amount	168,047	35,686	36,951	43,899	284,583
Accumulated depreciation and impairment	-3,756	-24,239	-25,315	-20,150	-73,460
<b>Carrying value</b>	<b>164,291</b>	<b>11,447</b>	<b>11,636</b>	<b>23,749</b>	<b>211,123</b>

The cost of investments for the 9 months of 2017 amounted to 10,182 thousand euros (including purchases of property, plant and equipment in the amount of 10,147 thousand euros and purchases of intangible assets amounted to 35 thousand euros).

The cost of investments made in 9 months of 2017 in the supermarket business segment was 6,366 thousand euros. In the reporting period, new supermarkets were opened in Tähesaju Selver in Tallinn Lasnamäe, Turu Selver in Balti Jaam and in Ülemiste City, near airport, was opened Sepapaja Selver, which is at the same time the 50<sup>th</sup> Selver store in Estonia. Additionally was purchased computing technology for SelveEkspress self-service cashers and were renewed store fittings.

The size of the investment in the business segment of department store amounted to 652 thousand euros.

The cost of investments in the accounting period was 525 thousand euros in the car trade business segment.

The cost of investments made in the reporting period in the footwear segment was 92 thousand euros.

The cost of the real estate business segment investment amounted to 2,512 thousand euros. With aim to develop car trade business in Lithuania Group purchased an immovable in Vilnius, Lithuania. In the reporting period, renovation of Tartu Kaubamaja Shopping 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	Beneficia I contracts	Develop- ment expendi- ture	Total
<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	157	157
Amortisation	0	-487	0	-208	-695
<b>31.12.2016</b>					
Cost	6,814	5,277	1,080	1,317	14,488
Accumulated amortisation and impairment	-1,441	-3,030	-1,080	-432	-5,983
<b>Carrying value</b>	<b>5,373</b>	<b>2,247</b>	<b>0</b>	<b>885</b>	<b>8,505</b>
<b>Changes occurred in 2017</b>					
Purchases and improvements	0	0	0	35	35
Amortisation	0	-365	0	-175	-540
<b>30.09.2017</b>					
Cost	6,814	5,277	1,080	1,352	14,523
Accumulated amortisation and impairment	-1,441	-3,395	-1,080	-607	-6,523
<b>Carrying value</b>	<b>5,373</b>	<b>1,882</b>	<b>0</b>	<b>745</b>	<b>8,000</b>

In the reporting period, the Group capitalised costs of a web page and e-store updates as development expenditure for 35 thousand euros (the size of the investment in the business segment of department store amounted to 33 thousand euros and in supermarkets segment amounted to 2 thousand euros).

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

in thousands of euros	30.09.2017	31.12.2016
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 12. Borrowings

in thousands of euros

	30.09.2017	31.12.2016
<b>Short-term borrowings</b>		
Overdraft	3,547	3,017
Bank loans	7,377	21,716
Other borrowings	1,949	2,119
<b>Total short-term borrowings</b>	<b>12,873</b>	<b>26,852</b>

in thousands of euros

	30.09.2017	31.12.2016
<b>Long-term borrowings</b>		
Bank loans	81,739	73,596
Other borrowings	167	176
<b>Total long-term borrowings</b>	<b>81,906</b>	<b>73,772</b>
<b>Total borrowings</b>	<b>94,779</b>	<b>100,624</b>

## Borrowings received

in thousands of euros

	III quarter 2017	III quarter 2016	9 months 2017	9 months 2016
Overdraft	152	218	530	322
Bank loans	14,633	7,855	42,849	45,947
Other borrowings	760	1,001	2,568	2,779
<b>Total borrowings received</b>	<b>15,545</b>	<b>9,074</b>	<b>45,947</b>	<b>49,048</b>

## Borrowings paid

in thousands of euros

	III quarter 2017	III quarter 2016	9 months 2017	9 months 2016
Bank loans	15,646	12,084	49,045	39,296
Other borrowings	803	1,356	2,747	3,551
<b>Total borrowings paid</b>	<b>16,449</b>	<b>13,440</b>	<b>51,792</b>	<b>42,847</b>

Bank loans and other borrowings are denominated in euros.

As of 30.09.2017, the repayment dates of bank loans are between 15.10.2017 and 21.08.2022 (2016: between 15.02.2017 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% (2016: 0.96%).

### Note 13. Trade and other payables

in thousands of euros

	30.09.2017	31.12.2016
Trade payables	57,475	63,170
Payables to related parties (Note 20)	3,316	4,409
Other accrued expenses	70	102
Prepayments by tenants	2,794	2,110
<b>Total financial liabilities from balance sheet line "Trade and other payables"</b>	<b>63,655</b>	<b>69,791</b>
Taxes payable (Note 14)	5,846	6,847
Employee payables	3,833	5,689
Prepayments	1,163	1,372
Short-term provisions*	107	113
<b>Total trade and other payables</b>	<b>74,604</b>	<b>83,812</b>

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

### Note 14. Taxes

in thousands of euros

	30.09.2017		31.12.2016	
	Prepaid taxes	Taxes payable	Prepaid taxes	Taxes payable
Prepaid taxes	24	0	23	0
Value added tax	0	2,434	0	3,324
Personal income tax	0	1,001	0	1,026
Social security taxes	0	2,136	0	2,204
Corporate income tax	0	16	0	31
Unemployment insurance	0	145	0	147
Mandatory funded pension	0	114	0	115
<b>Total taxes</b>	<b>24</b>	<b>5,846</b>	<b>23</b>	<b>6,847</b>

### Note 15. Share capital

As of 30.09.2017, 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 31.12.2016 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 2017, dividends were declared and paid to the shareholders in the amount of 25,659 thousand euros, or 0.63 euros per share (2016: 21,179 thousand euros, or 0.52 euros per share). Related income tax expense on dividends amounted to 6,371 thousand euros (2016: 5,219 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
<b>III quarter 2017</b>							
<b>External revenue</b>	<b>108,507</b>	<b>23,293</b>	<b>25,239</b>	<b>2,609</b>	<b>1,245</b>	<b>0</b>	<b>160,893</b>
Inter-segment revenue	321	1,399	12	39	3,198	-4,969	0
Total revenue	108,828	24,692	25,251	2,648	4,443	-4,969	160,893
<b>EBITDA</b>	<b>6,401</b>	<b>1,300</b>	<b>1,293</b>	<b>-39</b>	<b>4,072</b>	<b>0</b>	<b>13,027</b>
Segment depreciation and impairment losses	-1,420	-641	-133	-116	-1,050	0	-3,360
<b>Operating profit/loss</b>	<b>4,981</b>	<b>659</b>	<b>1,160</b>	<b>-155</b>	<b>3,022</b>	<b>0</b>	<b>9,667</b>
Finance income	76	113	1	1	26	-216	1
Finance income on shares of associates	0	57	0	0	0	0	57
Finance costs	-60	-110	-64	-31	-139	216	-188
Income tax	0	0	-5	0	0	0	-5
<b>Net profit/loss</b>	<b>4,997</b>	<b>719</b>	<b>1,092</b>	<b>-185</b>	<b>2,909</b>	<b>0</b>	<b>9,532</b>
incl. in Estonia	5,529	719	873	-185	2,699	0	9,635
incl. in Latvia	-532	0	159	0	222	0	-151
incl. in Lithuania	0	0	60	0	-12	0	48
<b>Segment assets</b>	<b>90,148</b>	<b>71,480</b>	<b>30,640</b>	<b>9,415</b>	<b>238,610</b>	<b>-74,411</b>	<b>365,882</b>
<b>Segment liabilities</b>	<b>68,769</b>	<b>39,524</b>	<b>21,035</b>	<b>11,291</b>	<b>84,680</b>	<b>-55,513</b>	<b>169,786</b>
Segment investment in non-current assets	954	280	230	29	273	0	1,766

in thousands of euros

	Super markets	Depart- ment store	Car trade	Footwear trade	Real estate	Inter- segment transact- ions	Total seg- ments
<b>III quarter 2016</b>							
<b>External revenue</b>	<b>99,385</b>	<b>22,091</b>	<b>21,903</b>	<b>3,483</b>	<b>1,237</b>	<b>0</b>	<b>148,099</b>
Inter-segment revenue	230	1,294	6	58	3,167	-4,755	0
Total revenue	99,615	23,385	21,909	3,541	4,404	-4,755	148,099
<b>EBITDA</b>	<b>5,556</b>	<b>1,247</b>	<b>1,788</b>	<b>-102</b>	<b>4,097</b>	<b>0</b>	<b>12,586</b>
Segment depreciation and impairment losses	-1,164	-628	-129	-131	-954	0	-3,006
<b>Operating profit/loss</b>	<b>4,392</b>	<b>619</b>	<b>1,659</b>	<b>-233</b>	<b>3,143</b>	<b>0</b>	<b>9,580</b>
Finance income	54	128	5	1	57	-244	1
Finance income on shares of associates	0	27	0	0	0	0	27
Finance costs	-2	-124	-59	-24	-248	244	-213
Income tax	0	0	0	0	0	0	0
<b>Net profit/loss</b>	<b>4,444</b>	<b>650</b>	<b>1,605</b>	<b>-256</b>	<b>2,952</b>	<b>0</b>	<b>9,395</b>
incl. in Estonia	4,962	650	1,469	-256	2,720	0	9,545
incl. in Latvia	-518	0	81	0	232	0	-205
incl. in Lithuania	0	0	55	0	0	0	55
<b>Segment assets</b>	<b>75,200</b>	<b>47,885</b>	<b>24,358</b>	<b>9,178</b>	<b>234,033</b>	<b>-46,912</b>	<b>343,742</b>
<b>Segment liabilities</b>	<b>51,249</b>	<b>15,945</b>	<b>16,346</b>	<b>9,916</b>	<b>102,085</b>	<b>-28,014</b>	<b>167,527</b>
Segment investment in non-current assets	1,614	944	46	73	186	0	2,863

in thousands of euros

	Super markets	Depart- ment store	Car trade	Footwear trade	Real estate	Inter- segment transact- ions	Total seg- ments
<b>9 months 2017</b>							
<b>External revenue</b>	<b>317,056</b>	<b>71,361</b>	<b>76,093</b>	<b>7,998</b>	<b>3,718</b>	<b>0</b>	<b>476,226</b>
Inter-segment revenue	848	4,599	51	118	9,575	-15,191	0
Total revenue	317,904	75,960	76,144	8,116	13,293	-15,191	476,226
<b>EBITDA</b>	<b>15,152</b>	<b>3,903</b>	<b>3,938</b>	<b>-626</b>	<b>12,317</b>	<b>0</b>	<b>34,684</b>
Segment depreciation and impairment losses	-4,055	-1,995	-396	-352	-3,149	0	-9,947
<b>Operating profit/loss</b>	<b>11,097</b>	<b>1,908</b>	<b>3,542</b>	<b>-978</b>	<b>9,168</b>	<b>0</b>	<b>24,737</b>
Finance income	186	346	12	1	126	-670	1
Finance income on shares of associates	0	135	0	0	0	0	135
Finance costs	-61	-353	-189	-83	-555	670	-571
Income tax	-3,607	-888	-492	0	-1,404	0	-6,391
<b>Net profit/loss</b>	<b>7,615</b>	<b>1,148</b>	<b>2,873</b>	<b>-1,060</b>	<b>7,335</b>	<b>0</b>	<b>17,911</b>
incl. in Estonia	9,198	1,148	2,298	-1,060	6,663	0	18,247
incl. in Latvia	-1,583	0	367	0	698	0	-518
incl. in Lithuania	0	0	208	0	-26	0	182
<b>Segment assets</b>	<b>90,148</b>	<b>71,480</b>	<b>30,640</b>	<b>9,415</b>	<b>238,610</b>	<b>-74,411</b>	<b>365,882</b>
<b>Segment liabilities</b>	<b>68,769</b>	<b>39,524</b>	<b>21,035</b>	<b>11,291</b>	<b>84,680</b>	<b>-55,513</b>	<b>169,786</b>
Segment investment in	6,368	685	525	92	2,512	0	10,182

non-current assets

in thousands of euros

9 months 2016	Super markets	Department store	Car trade	Footwear trade	Real estate	Inter-segment transactions	Total segments
<b>External revenue</b>	<b>291,146</b>	<b>68,080</b>	<b>63,292</b>	<b>9,283</b>	<b>3,682</b>	<b>0</b>	<b>435,483</b>
Inter-segment revenue	784	4,169	31	147	9,495	-14,626	0
Total revenue	291,930	72,249	63,323	9,430	13,177	-14,626	435,483
<b>EBITDA</b>	<b>13,609</b>	<b>3,325</b>	<b>3,561</b>	<b>-279</b>	<b>11,992</b>	<b>0</b>	<b>32,208</b>
Segment depreciation and impairment losses	-3,325	-1,759	-384	-419	-2,800	0	-8,687
<b>Operating profit/loss</b>	<b>10,284</b>	<b>1,566</b>	<b>3,177</b>	<b>-698</b>	<b>9,192</b>	<b>0</b>	<b>23,521</b>
Finance income	181	419	12	1	134	-744	3
Finance income on shares of associates	0	124	0	0	0	0	124
Finance costs	-9	-361	-173	-75	-770	744	-644
Income tax	-2,615	-1,175	-448	0	-981	0	-5,219
<b>Net profit/loss</b>	<b>7,841</b>	<b>573</b>	<b>2,568</b>	<b>-772</b>	<b>7,575</b>	<b>0</b>	<b>17,785</b>
incl. in Estonia	9,385	573	2,216	-772	6,911	0	18,313
incl. in Latvia	-1,544	0	188	0	664	0	-692
incl. in Lithuania	0	0	164	0	0	0	164
<b>Segment assets</b>	<b>75,200</b>	<b>47,885</b>	<b>24,358</b>	<b>9,178</b>	<b>234,033</b>	<b>-46,912</b>	<b>343,742</b>
<b>Segment liabilities</b>	<b>51,249</b>	<b>15,945</b>	<b>16,346</b>	<b>9,916</b>	<b>102,085</b>	<b>-28,014</b>	<b>167,527</b>
Segment investment in non-current assets	5,178	2,971	266	84	1,105	0	9,604

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

in thousands of euros

	III quarter 2017	III quarter 2016	9 months 2017	9 months 2016
Retail revenue	146,243	134,186	433,155	397,190
Wholesale revenue	6,755	6,896	21,707	19,488
Rental income	2,298	2,251	7,005	6,641
Revenue for rendering services	5,597	4,766	14,359	12,164
<b>Total revenue</b>	<b>160,893</b>	<b>148,099</b>	<b>476,226</b>	<b>435,483</b>

**External revenue by client location**

in thousands of euros

	III quarter 2017	III quarter 2016	9 months 2017	9 months 2016
Estonia	148,022	139,184	441,787	409,203
Latvia	9,472	6,198	24,185	18,921
Lithuania	3,399	2,717	10,254	7,359
<b>Total</b>	<b>160,893</b>	<b>148,099</b>	<b>476,226</b>	<b>435,483</b>

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

in thousands of euros

	<b>30.09.2017</b>	<b>31.12.2016</b>
Estonia	235,903	238,189
Latvia	30,220	30,662
Lithuania	1,968	113
<b>Total</b>	<b>268,091</b>	<b>268,964</b>

\* Non-current assets, other than financial assets and investment in associate.

In the reporting period and comparable period, the Group did not have any clients whose revenue would exceed 10% of the Group's revenue.

**Note 17. Other operating expenses**

in thousands of euros

	<b>III quarter 2017</b>	<b>III quarter 2016</b>	<b>9 months 2017</b>	<b>9 months 2016</b>
Rental expenses	4,141	3,873	12,165	11,550
Heat and electricity expenses	1,682	1,864	5,837	6,093
Operating costs	1,853	1,583	4,958	4,741
Cost of sale related services and materials	1,362	1,338	4,117	3,877
Marketing expenses	1,864	1,640	5,488	4,955
Miscellaneous other operating expenses	755	663	2,597	2,243
Computer and communication costs	990	854	3,017	2,491
Personnel expenses	724	697	2,271	2,128
<b>Total other operating expenses</b>	<b>13,371</b>	<b>12,512</b>	<b>40,450</b>	<b>38,078</b>

**Note 18. Staff costs**

in thousands of euros

	<b>III quarter 2017</b>	<b>III quarter 2016</b>	<b>9 months 2017</b>	<b>9 months 2016</b>
Wages and salaries	10,837	9,811	33,416	30,347
Social security taxes	3,515	3,208	10,838	9,934
<b>Total staff costs</b>	<b>14,352</b>	<b>13,019</b>	<b>44,254</b>	<b>40,281</b>
Average wages per employee per month (euros)	852	789	888	828
Average number of employees in the reporting period	4,239	4,143	4,179	4,071

**Note 19. Earnings per share**

For calculating the basic earnings per share, the net profit to be distributed to the Parent's shareholders is divided by the weighted average number of ordinary shares in circulation. As the Company does not have potential ordinary shares, the diluted earnings per share equal basic earnings per share.

	III quarter 2017	III quarter 2016	9 months 2017	9 months 2016
Net profit (in thousands of euros)	9,532	9,395	17,911	17,785
Weighted average number of shares	40,729,200	40,729,200	40,729,200	40,729,200
Basic and diluted earnings per share (euros)	0.23	0.23	0.44	0.44

**Note 20. 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 9 months 2017	Sales 9 months 2017	Purchases 9 months 2016	Sales 9 months 2016
Parent	198	31	173	6
Entities in the Parent's consolidation group	19,543	3,461	22,653	6,066
Members of management and supervisory boards	0	86	0	3
Other related parties	724	119	768	85
<b>Total</b>	<b>20,465</b>	<b>3,697</b>	<b>23,594</b>	<b>6,160</b>

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

**Balances with related parties:**

	30.09.2017	31.12.2016
Receivables from entities in the in the Parent's consolidation group (Note 4)	431	918
Other related parties (Note 4)	1	0
<b>Total receivables from related parties</b>	<b>432</b>	<b>918</b>

	30.09.2017	31.12.2016
Parent	19	17
Entities in the Parent's consolidation group	3,108	4,243
Other related parties	189	149
<b>Total liabilities to related parties (Note 13)</b>	<b>3,316</b>	<b>4,409</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 9 months of 2017, the Group has not earned interest income on its deposits of available funds (2016: 2 thousand euros).

As at 30 September 2017, 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 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. 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 1,394 thousand euros (2016: 1,185 thousand euros). Short-term benefits to supervisory boards' members of the Group in reporting period including social taxes amounted to 440 thousand euros (2016: 433 thousand euros).

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