TALLINNA KAUBAMAJA AS

Consolidated Interim Report for
the Third quarter and first 9 months of 2013
(unaudited)

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COMPANY PROFILE AND CONTACT DETAILS

The primary areas of activity of the companies of the Tallinna Kaubamaja AS Group include retail and wholesale trade and rental activities. The Tallinna Kaubamaja Group employs more than 3,500 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 2013
End of financial year:	31 December 2013
Beginning of interim report period:	1 January 2013
End of interim report period:	30 September 2013
Auditor:	PricewaterhouseCoopers AS
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MANAGEMENT REPORT

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

Management

In order to manage the Tallinna Kaubamaja AS the general meeting of the shareholders, held at least once in a year, elects supervisory board, which according to the articles of association may have 3 to 6 members. Members of the Tallinna Kaubamaja AS supervisory board are Jüri Käo (chairman of the supervisory board), Andres Järving, Enn Kunila, Gunnar Kraft and Meelis Milder. Members of Tallinna Kaubamaja AS supervisory board are elected for three years. The mandates of current supervisory board members Andres Järving, Jüri Käo, Enn Kunila, Meelis Milder and Gunnar Kraft will expire on 19 May 2015. During the period between the general meetings the supervisory board plans actions of the company, organises management and accomplishes supervision over management actions. Regular supervisory board meetings are held at least 10 times in a year. In order to manage daily activities the supervisory board appoints member(s) of the management board of the Tallinna Kaubamaja AS in accordance with the Commercial Code. In order to elect a member of the management board, his or her consent is required. By the articles of association a member of the management board shall be elected for a specified term of three years. Extension of the term of office of a member of the management board shall not be decided earlier than one year before the planned date of expiry of the term of office, and not for a period longer than the maximum term of office prescribed by the articles of association. Currently the management board of Tallinna Kaubamaja AS has one member. The term of office of the management board member Raul Puusepp was extended on 23 February 2011 and his term of office expires on 6 March 2014.

The law, the articles of association, decisions and goals stated by the shareholders and supervisory board are followed for managing the company. By Commercial Code a resolution on amendment of the articles of association shall be adopted, if at least two-third of the votes represented at a general meeting is in favour. A resolution on amendment of the articles of association shall enter into force as of making of a corresponding entry in the commercial register. The articles of association of the Tallinna Kaubamaja AS prescribe no greater majority requirement and the public limited company does not possess several classes of shares.

Company's structure

The following companies belong to the group as of September 30, 2013:

	Location	Shareholding as of 30.09.2013	Shareholding as of 31.12.2012
Selver AS	Estonia	100%	100%
Kulinaaria OÜ	Estonia	100%	100%
Kaubamaja AS	Estonia	100%	100%
Topsec Turvateenused OÜ	Estonia	100%	100%
AS Tartu Kaubamaja	Estonia	0%	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%
OÜ Opti Auto	Estonia	0%	0%
TKM Auto OÜ	Estonia	100%	100%
KIA Auto AS	Estonia	100%	100%
Ülemiste Autokeskus OÜ	Estonia	0%	100%
KIA Auto UAB	Lithuania	100%	100%
Forum Auto SIA	Latvia	100%	100%
Viking Motors AS	Estonia	100%	100%
OÜ TKM Beauty Holding	Estonia	0%	0%
OÜ TKM Beauty	Estonia	100%	100%
OÜ TKM Beauty Eesti	Estonia	100%	100%
OÜ Suurtüki NK	Estonia	0%	100%
SIA Suurtuki	Latvia	100%	100%
AS TKM King	Estonia	100%	100%
SIA ABC King	Latvia	100%	100%
Rävala Parkla AS	Estonia	50%	50%

Economic development

According to the adjusted data from Statistics Estonia, in the 2nd quarter 2013 the gross domestic product of Estonia grew 1.0% compared to the same quarter of the previous year. Economic growth was most influenced by the increase of added value in activities related to wholesale and real estate activities. The assessment of this year's economic situation has become more pessimistic over the past few months and economic growth estimates have been adjusted to a lower level. According to analysts, the total economic growth of 2013 is expected to remain around 1.3% in connection with a decrease in investments and the weak growth of export. Along with slowing economic activity, wages have increased; however, the deceleration of economic growth was narrow. Unemployment has fallen – according to estimates, even below the natural rate of unemployment, which in turn indicates an increase in wage pressure. The consumer price index in Estonia increased by 3.2% during the first nine months; of that, the price of food and non-alcoholic beverages increased by 5.0% and the price of clothing and footwear by 4.9%. Housing expenses increased the most – by 9.5%. In 2013 overall, the increase of the consumer price index is expected to remain in the range of 3.0%.

Based on data from Statistics Estonia, total retail turnover increased by 7.0% in the first eight months of 2013 (in current prices). The largest and ever-increasing turnover was seen in the retail sale of used goods – 60.7% –, but the percentage thereof in retail sale was small. Retail sale in non-specialised stores (predominantly food products) grew by 6.1% in the first eight months of the year. According to Statistics Estonia, the retail sale of household products, household appliances, hardware goods and construction material stores and other specialised stores mainly trading in computers and the accessories thereof increased more than average. The consumer barometer survey of the Estonian Institute of Economic Research conducted in September indicated that the consumers' sense of security in the 3rd quarter dropped faster than in the first half of this year.

Economic results

FINANCIAL RATIOS 2012–2013

	EUR		
	3rd quarter 2013	**3rd quarter 2012**	**Change**
Sales revenue (in millions)	124.7	115.5	8.0%
Operating profit/loss (in millions)	6.5	7.4	-12.1%
Net profit/loss (in millions)	6.2	7.1	-13.4%
Return on equity (ROE)	4.3%	5.1%	
Return on assets (ROA)	2.1%	2.7%	
Net profit margin	4.94%	6.17%	
Gross profit margin	24.96%	25.38%	
Quick ratio	0.95	1.10	
Debt ratio	0.52	0.49	
Sales revenue per employee (in millions)	0.03	0.03	
Inventory turnover	2.36	2.37	
SHARE			
Average number of shares (1000 pcs)	40,729	40,729	
Equity capital per share (EUR/share)	3.44	3.39	
Share's closing price (EUR/share)	5.50	5.74	
Earnings per share (EUR/share)	0.15	0.17	
Average number of employees	3,596	3,423	

	EUR		
	9 month 2013	**9 month 2012**	**Change**
Sales revenue (in millions)	360.5	340.4	5.9%
Operating profit/loss (in millions)	13.1	17.5	-25.2%
Net profit/loss (in millions)	8.5	12.7	-32.7%
Return on equity (ROE)	6.0%	9.1%	
Return on assets (ROA)	2.9%	4.7%	
Net profit margin	2.37%	3.72%	
Gross profit margin	24.49%	25.36%	
Quick ratio	0.95	1.10	
Debt ratio	0.52	0.49	
Sales revenue per employee (in millions)	0.10	0.10	
Inventory turnover	6.83	6.98	
SHARE			
Average number of shares (1000 pcs)	40,729	40,729	
Equity capital per share (EUR/share)	3.44	3.39	
Share's closing price (EUR/share)	5.50	5.74	
Earnings per share (EUR/share)	0.21	0.31	
Average number of employees	3,509	3,340	

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

The consolidated unaudited sales revenue of the Tallinna Kaubamaja Group in the first nine months of 2013 was 360.5 million euros – an increase of 5.9% compared to the result of the first nine months of 2012, when the sales revenue was 340.4 million euros. In the 3rd quarter, the sales revenue of the Group was 124.7 million euros, exceeding the sales revenue of the year before by 8.0%. The Group's consolidated unaudited net profit of the first nine months of 2013 was 8.5 million euros, a third less than the profit of the same period of the year before, which was 12.7 million euros. The Group's net profit for the third quarter was 6.2 million euros, 13.4% lower than the result of the comparable period of the previous year. The pre-tax profit for 9 months was 12.3 million euros, a decrease of 25.1% over last year.

The turnover growth increased in the 3rd quarter. This was supported by end-of-the-season discount campaigns, as well as the stores added to the Group after the comparable period. At the same time, new stores and new retail spaces have been emerging fast in the entire retail sale market, which on the one hand increases price competition and decreases the traders' revenue per a square metre, and on the other hand gives more choice to customers. Sharp price pressure can be observed in the decrease of the gross margin of the Group, partly also caused in the nine month perspective by the new system of bonus points awarded to customers (bonus points were not awarded before May 2012). Profit indicators met the expectations, but were not pleasing in terms of growth. Similarly to the general trends, the Group has experienced an increase in labour costs and other operating costs, which has been faster than turnover growth. In 2013, the Group gradually adopted a wage system depending on efficiency indicators, which has caused an increase in wages due to the situation on the labour market. EBITDA was also shaken by the increase of various operational costs, incl. the growth of rent expenses, but the largest leap was seen in heating and electricity costs – by 25.7% in the 3rd quarter.

The Gourmet Store in the Tallinn department store was closed in the 3rd quarter 2013, since its business activities were transferred to the Järve Selver. Preparations began for the opening of three new Selver stores in Q4 2013.

The volume of the assets of the Tallinna Kaubamaja Group as of 30 September 2013 was 291.7 million euros, having grown by 3.8 million euros compared to the end of 2012, i.e. 1.3%.

There were more than 550 thousand loyal customers at the end of the reporting period; the number of loyal customers increased by 2.2% in a year. The proportion of loyal customers in the Group's turnover was 80.3% (80.3% in the first nine months of 2012). By the end of September of 2013, more than 7.4 thousand Partner Credit Cards had been issued.

Share market

Since 19 August 1997, the shares of AS Tallinna Kaubamaja have been listed in the main list of securities of the Tallinn Stock Exchange. Tallinna Kaubamaja AS has issued 40.729.2 thousand registered shares, each with the nominal value of 0.60 euros. The shares are freely transferable, no statutory restrictions apply. There are no restrictions on transfer of securities to the company as provided by contracts between the company and its shareholders. We do not have information about contracts between the shareholders restricting the transfer of securities. NG Investeeringud OÜ has direct significant participation. Shares granting special rights to their owners have not been issued.

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

The share with a price of 5.48 euros at the end of 2012 was closed in late September of 2013 at 5.50 euros, increased by 0.36% within the nine months of the year.

According to the notice of regular annual general meeting of the shareholders published on 4 March 2013, the management board proposed to pay dividends 0.35 euros per share. The general meeting of shareholders approved it.

Share price and trading statistics on the Tallinn Stock Exchange from 01.01.2013 to 30.09.2013.

In euros

Selver supermarkets

The consolidated sales revenue of the supermarket segment in the first nine months of 2013 was 251.0 million euros, a growth of 3.2% compared to last year. The consolidated sales revenue of the 3rd quarter was 87.0 million euros, 6.4% more than last year. The average monthly sales revenue per one square metre of retail space was 0.35 thousand euros for the first nine months of 2013 and 0.36 thousand euros in the 3rd quarter, 5.5% and 3.2% less than last year, respectively. The sales revenue of goods in comparable stores per one square metre of selling space for the nine months and the 3rd quarter of 2013 was an average of 0.37 thousand euros, indicating a decrease of 2.9% and 0.9%, respectively. A total of 25.2 million purchases were made from Selver stores in the first nine months of 2013, exceeding the number of purchases made during the period of a year before by 2.8%.

The consolidated pre-tax profit of the supermarket segment for the first nine months of 2013 was 2.9 million euros. Post-tax, the nine months ended in a profit of 1.1 million. The consolidated pre-tax profit and net profit of the 3rd quarter was 2.4 million euros. The profit of the 3rd quarter was 1.4 million euros and the net profit of nine months was 4.5 million euros lower than the year before. The pre-tax profit and net profit generated in Estonia in the 3rd quarter was 3.0 million euros. The pre-income tax profit of nine months was 4.6 million euros, the net profit 2.9 million euros. The difference of net profit and the profit before income tax was caused by the income tax paid on dividends. The pre-tax loss and net loss generated in Latvia in nine months was 1.8 million euros; of that, the share of the 3rd quarter was 0.6 million euros. The loss remained at a level equal to the year before. Business activities in Latvia have been frozen.

The growth of sales revenue in the 3rd quarter has been the greatest of the current year – this has been supported by more successful marketing campaigns and the opening of new stores. Food products have indicated more positive sales results for the 3rd quarter and nine months; the share of food products in the total turnover has increased. The increase of the sales revenue of industrial goods was the greatest of the current year in the 3rd quarter. The turnover and economic results of Selver were greatly influenced by the competitive situation. Economic results were additionally influenced by the costs of opening and activating new stores and renovating existing ones. In 2013, the Läänemere Selver in Tallinn and the Aardla Selver in Tartu were opened and the Saare Selver in Saaremaa was expanded. The SelveEkspress self-service system has been introduced to seven stores this year. At the end of August, the business activities of the Gourmet Store, which had been operating in the Tallinn department store, were transferred to the Järve Selver, and the Gourmet Store in the Tallinn department store was closed. There are plans to open three new stores in Q4 2013: in the Baltic Station in Tallinn and Peetri small borough, and in downtown Viljandi. At the end of September 2013, the chain of Selver stores included 40 Selver stores and one gourmet store with a total selling space of 77.9 thousand square metres.

Department stores

The sales revenue of the department store business segment for the first nine months of 2013 was 62.6 million euros, having grown by 3.9% compared to the same period of the previous year. Of that, the sales revenue of the 3rd quarter was 21.2 million euros, 5.0% more than the revenue of the 3rd quarter 2012. The pre-tax profit of department stores for the first nine months of 2013 was 1.6 million euros, 60.9% higher than the result of the year before. The pre-tax profit of the 3rd quarter was 0.9 million euros, 84.7% more than the profit of 2012. The average sales revenue of department stores in the first nine months per one square metre of selling space was 0.27 thousand euros per month, 4% less than the comparable period of the previous year. At the same time, the average sales space of department stores for the first nine months increased by 7.7% compared to the same period of last year. The sales results of department stores in the 3rd quarter were influenced by the renovation works done in the Tartu Home and Children Departments in July and August; as a result, the renewed Children's Department opened in August was the largest in Southern Estonia. The operating profit of department stores for the first nine months of 2013 was 1.5 million euros, almost twice as good, i.e. 0.7 million euros higher than the result of a year before. During summer months, the sales results were influenced by the behaviour of tourists, which was different compared to last year. The tourists who visited the Capital of Culture 2012 spent a longer time in Tallinn and showed keener interest in local trade than cruise tourists. Sales results suffered negatively in September, which was warmer than usual and enabled customers to postpone purchasing clothes and footwear.

The sales revenue of OÜ TKM Beauty Eesti, which operates the I.L.U. beauty stores, was 3.1 million euros in the first nine months of 2013, 15.0% higher than in the same period of the previous year. Of that, the sales revenue of the 3rd quarter was 1.1 million euros, 11.4% more compared to the comparable period of 2012. The nine-month net loss of the I.L.U. chain was 0.37 million euros, 12.7% or 0.05 million euros smaller than last year. In the 3rd quarter, the loss was 0.09 million euros – 0.04 million euros smaller than the loss of 2012. Compared to the first nine months of last year, the I.L.U. chain opened a sixth store in the Tasku Centre in Tartu in August 2012.

Car Trade

The sales revenue of the vehicle trade segment for the first nine months of 2013 without inter-segment transactions was 33.9 million euros. The sales revenue exceeded the revenue of the same period of the last year by 38.6%; the

sales revenue of KIAs increased by 18.1%. The sales revenue of 11.9 million euros generated in the 3rd quarter exceeded the sales revenue of the year before by 32.1%; the sales revenue of KIAs increased by 16.0%. A total of 1,741 vehicles were sold in the first nine months of the year; of that, 641 vehicles in the 3rd quarter. The segment's net profit for the nine months of 2013 reached 1.6 million euros and the net profit of the 3rd quarter was 0.5 million euros. This was 1.4% higher than the result of the first nine months of the previous year, while the profit of the 3rd quarter was 9.6% lower than the year before.

One significant change worth noting is that in the beginning of the 3rd quarter, Forum Auto SIA entered into a representation contract concerning Peugeot passenger cars and commercial vehicles in Latvia with KW Bruun Baltic, which is the importer of Peugeot vehicles in the Baltics. Thanks to that, the brand portfolio of the vehicle segment increased to four brands: in addition to KIA, Opel and Cadillac, it now represents the Peugeot brand as well. In addition, the construction of a new multi-brand vehicle centre began in Latvia. The centre is to be completed and opened at the end of the year. The new 3,000 m2 showroom will be located in the fast-developing business area at K. Ulmana gatve 101, a 15-minute car ride from downtown Riga. TKM Auto's subsidiary Forum Auto SIA (formerly KIA Automobiles SIA), which has been KIA's sales representative in Latvia since 2008, is opening a new showroom.

The reorganisation of the legal structure of the vehicle trade segment, initiated in the first half of 2013, was completed in the 3rd quarter. As a result, the holdings of KIA Auto AS in the Latvian subsidiary Forum Auto SIA and the Lithuanian subsidiary UAB KIA Auto were consolidated directly under TKM Auto OÜ. In addition, as a result of that change, the Group's sales activities in vehicle trade in Estonia have been consolidated under AS Viking Motors.

Footwear trade

The turnover of the footwear segment in the first nine months of 2013 was 10.6 million euros, having grown by 2.6% in a year. In the 3rd quarter, the turnover was 3.8 million euros, also showing an increase of 0.9% compared to the same period of 2012.

The loss of the first nine months was 0.2 million euros, which was 16.6% better compared to the same period of the last year. In the 3rd quarter, the footwear segment broke even – similarly to the 3rd quarter 2012. There are plans to open a Shu store in Kohtla-Järve in December 2013. At the end of the 3rd quarter 2013, the footwear chain of the Group included 28 stores with a total area of 8.8 thousand square metres.

Real Estate

The sales revenue of the business segment of real estate outside the Group totalled to 2.3 million euros in the first nine months of 2013 (2.1 million euros in the first nine months of 2012), having increased 9.2% compared to the same period of the previous year. The extra-Group sales revenue of the 3rd quarter was 0.8 million euros (0.7 million euros in 2012), having increased by 12.1% compared to the same period of the previous year. The increase in sales revenue mostly arose from the rental spaces added in 2012 and 2013.

The pre-tax profit of the real estate segment in the 3rd quarter 2013 was 2.2 million euros (2.2 million euros in 2012), an increase of 1.5% compared to the same period of the last year. The pre-tax profit of the first nine months of 2013 generated in the real estate segment was 6.5 million euros, 0.7 million euros or 12.6% more than in the same period of the previous financial year (5.8 million euros in 2012). The net profit of the segment earned in the first nine months was 5.7 million euros, 0.8 million euros or 17.7% more than the sum earned in the same period of the previous year.

The Peetri Selver building in Rae Parish and the reconstructed car showroom on Ulmana Street, Riga will be completed in 2013.

Personnel

The average number of employees in the Tallinna Kaubamaja Group in the first nine months of 2013 was 3,509, which exceeds the same number of 2012 by 5.1%. Total labour costs (cost of wages and social tax) amounted to 29.7 million euros in the first nine months of 2013, having grown by 13.7% compared to the same period in 2012. In the third quarter, the labour costs increased by 14.7% compared to the year before, while the average number of employees increased by 5.1%. The average monthly cost of wages grew by 8.4% in the first nine months compared to the average wages of the nine months of 2012, in the 3rd quarter, the growth was 9.4%. The increase in wages was caused by the adjustment of service staff salaries depending on the situation of the labour market, as well as the closer connection between the contribution and performance of each employee. Higher wages have enabled the introduction of a more efficient organisation of work and the improvement of support processes related to sales.

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

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

Raul Puusepp
Chairman of the Management Board

Tallinn, 16 October 2013

CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT BOARD'S CONFIRMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Chairman of the Management Board confirms the correctness and completeness of Tallinna Kaubamaja AS consolidated interim financial statements (unaudited) for the period of third quarter and first 9 months 2013 as set out on pages 11-31.

The Chairman of the Management Board confirms that:

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

Raul Puusepp
Chairman of the Management Board

Tallinn, 16 October 2013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros

	Note	30.09.2013	31.12.2012
ASSETS			
Current assets			
Cash and bank	2	5,531	13,494
Trade receivables and prepayments	3	11,333	18,497
Inventories	5	52,747	48,264
Total current assets		**69,611**	**80,255**
Non-current assets			
Receivables and prepayments	8	674	667
Investments in associates	7	1,762	1,628
Investment property	9	3,756	3,756
Property, plant and equipment	10	205,145	190,298
Intangible assets	11	10,725	11,236
Total non-current assets		**222,062**	**207,585**
TOTAL ASSETS		**291,673**	**287,840**
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings	12	14,430	17,210
Trade payables and other liabilities	13	58,553	64,151
Total current liabilities		**72,983**	**81,361**
Non-current liabilities			
Borrowings	12	77,409	59,781
Provisions and prepayments		1,072	519
Total non-current liabilities		**78,481**	**60,300**
TOTAL LIABILITIES		**151,464**	**141,661**
Equity			
Share capital	15	24,438	24,438
Statutory reserve capital		2,603	2,603
Revaluation reserve		50,244	51,079
Currency translation differences		-250	-7
Retained earnings		63,174	68,066
TOTAL EQUITY		**140,209**	**146,179**
TOTAL LIABILITIES AND EQUITY		**291,673**	**287,840**

The notes presented on pages 16 to 31 form an integral part of these consolidated interim financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of euros

	Note	III quarter 2013	III quarter 2012	9 months 2013	9 months 2012
Revenue	16	124,735	115,497	360,516	340,364
Other operating income		152	383	567	633
Materials, consumables used and services	5	-93,599	-86,179	-272,208	-254,058
Other operating expenses	17	-12,231	-11,126	-37,480	-34,259
Staff costs	18	-9,720	-8,472	-29,728	-26,135
Depreciation, amortisation and impairment losses	10, 11	-2,726	-2,685	-8,221	-8,794
Other expenses		-148	-65	-362	-270
Operating profit		**6,463**	**7,353**	**13,084**	**17,481**
Finance income	19	7	21	24	109
Finance costs	19	-350	-275	-944	-1,263
Finance income on shares of associates	7	48	21	134	100
Profit before tax		**6,168**	**7,120**	**12,298**	**16,427**
Income tax	15	0	3	-3,770	-3,763
NET PROFIT FOR THE FINANCIAL YEAR		**6,168**	**7,123**	**8,528**	**12,664**
Other comprehensive income: *Items that will be reclassified subsequently to profit or loss*					
Currency translation differences		-15	23	-243	161
Other comprehensive income/loss for the financial year		**-15**	**23**	**-243**	**161**
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		**6,153**	**7,146**	**8,285**	**12,825**
Basic and diluted earnings per share (euros)	20	0.15	0.17	0.21	0.31

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

The notes presented on pages 16 to 31 form an integral part of these consolidated interim financial statements.

CONSOLIDATED CASH FLOW STATEMENT

In thousands of euros

	Note	9 months 2013	9 months 2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit		8,528	12,664
Adjustments:			
Income tax on dividends	*15*	3,776	3,761
Interest expense	*19*	944	1,263
Interest income	*19*	-24	-109
Depreciation, amortisation	*10, 11*	8,098	7,837
Loss on sale and write-off of non-current assets	*10*	107	793
Effect of equity method	*7*	-134	-100
Change in inventories		-4,483	-6,171
Change in receivables and prepayments related to operating activities		2,156	1,926
Change in liabilities and prepayments related to operating activities		-5,022	-1,618
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		**13,946**	**20,246**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment (excl. finance lease)	10	-22,811	-24,085
Proceeds from sale of property, plant and equipment	10	45	216
Purchase of intangible assets	11	-20	-368
Investments in subsidiaries		0	-1,320
Change in balance of parent company's group account	21	5,000	9,000
Dividends received		0	30
Interest received	19	24	109
TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES		**-17,762**	**-16,418**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	12	49,624	36,699
Repayments of borrowings	12	-43,856	-24,958
Change in overdraft balance	12	9,083	5
Dividends paid	15	-14,255	-14,255
Income tax on dividends	15	-3,776	-3,761
Repayments of finance lease principal	12	-3	-128
Interest paid		-966	-1,296
TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES		**-4,149**	**-7,694**
TOTAL CASH FLOWS		**-7,965**	**-3,866**
Effect of exchange rate changes		2	9
Cash and cash equivalents at the beginning of the period	2	13,494	11,948
Cash and cash equivalents at the end of the period	2	5,531	8,091
Net change in cash and cash equivalents		**-7,963**	**-3,857**

The notes presented on pages 16 to 31 form an integral part of these consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

In thousands of euros

	Share capital	Statutory reserve capital	Revaluation reserve	Retained earnings	Currency translation differences	Total
Balance as of 31.12.2011	**24,438**	**2,603**	**52,197**	**60,333**	**-111**	**139,460**
Net profit for the reporting period	0	0	0	12,664	0	12,664
Other comprehensive income for the reporting period	0	0	0	0	161	161
Total comprehensive income for the reporting period	**0**	**0**	**0**	**12,664**	**161**	**12,825**
Reclassification of depreciation of revalued land and buildings	0	0	-839	839	0	0
Dividends paid	0	0	0	-14,255	0	-14,255
Balance as of 30.09.2012	**24,438**	**2,603**	**51,358**	**59,581**	**50**	**138,030**
Net profit for the reporting period	0	0	0	20,870	0	20,870
Other comprehensive income for the reporting period	0	0	0	0	104	104
Total comprehensive income for the reporting period	**0**	**0**	**0**	**20,870**	**104**	**20,974**
Reclassification of depreciation of revalued land and buildings	0	0	-1,118	1,118	0	0
Dividends paid	0	0	0	-14,255	0	-14,255
Balance as of 31.12.2012	**24,438**	**2,603**	**51,079**	**68,066**	**-7**	**146,179**
Net profit for the reporting period	0	0	0	8,528	0	8,528
Other comprehensive loss for the reporting period	0	0	0	0	-243	-243
Total comprehensive income for the reporting period	**0**	**0**	**0**	**8,528**	**-243**	**8,285**
Reclassification of depreciation of revalued land and buildings	0	0	-835	835	0	0
Dividends paid	0	0	0	-14,255	0	-14,255
Balance as of 30.09.2013	**24,438**	**2,603**	**50,244**	**63,174**	**-250**	**140,209**

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

The notes presented on pages 16 to 31 form an integral part of these consolidated interim financial statements.

NOTES TO THE CONSOLIDATED INTERIM ACCOUNTS

Note 1. Accounting Principles Followed upon Preparation of the Consolidated Interim Accounts

General Information

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

Bases for Preparation

The Consolidated Interim Accounts of Tallinna Kaubamaja AS has been prepared in accordance with the International Financial Reporting Standard IAS 34 *Interim Financial Repor*ting 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 2012. 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 2012.

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

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

The Manager is of the opinion that the Interim Report of Tallinna Kaubamaja AS for the third quarter and 9 months of 2013 gives a true and fair view of the Company's performance in accordance with the going-concern concept.

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

Note 2. Cash and Bank

in thousands of euros

	30.09.2013	31.12.2012
Cash on hand	570	872
Bank accounts	4,150	11,305
Cash in transit	811	1,317
Total cash and bank	**5,531**	**13,494**

Note 3. Trade Receivables and prepayments

in thousands of euros

	30.09.2013	31.12.2012
Trade receivables (Note 4)	9,078	11,662
Short-term receivables from related parties (Note 21)	2	5,096
Other short-term receivables	65	41
Total financial assets from balance sheet line "Trade receivables and prepayments"	**9,145**	**16,799**
Prepayment for goods	1,392	806
Other prepaid expenses	619	435
Prepaid rental expenses	143	399
Prepaid taxes (Note 14)	34	58
Total trade receivables and prepayments	**11,333**	**18,497**

Note 4. Trade receivables

in thousands of euros

	30.09.2013	31.12.2012
Trade receivables	8,269	9,903
Allowance for doubtful receivables	-71	-63
Receivables from related parties (Note 21)	147	254
Credit card payments	733	1,568
Total trade receivables	**9,078**	**11,662**

Note 5. Inventories

in thousands of euros

	30.09.2013	31.12.2012
Goods purchased for resale	51,934	47,410
Raw materials and materials	813	854
Total inventories	**52,747**	**48,264**

The income statement line "Materials, consumables used and services" includes the allowances and write-off expenses of inventories and inventory stocktaking deficit as follows:

in thousands of euros

	III quarter 2013	III quarter 2012	9 months 2013	9 months 2012
Write-down and write-off of inventories	1,718	1,217	4,557	3,274
Inventory stocktaking deficit	443	448	1,421	1,190
Total materials and consumables used	**2,161**	**1,665**	**5,978**	**4,464**

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 30.09.2013	Ownership 31.12.2012	Year of acquisition
Selver AS	Tallinn Pärnu mnt. 238	Retail trade	100%	100%	1996
Tallinna Kaubamaja Kinnisvara AS	Tallinn Gonsiori 2	Real estate management	100%	100%	1999
Tartu Kaubamaja Kinnisvara OÜ	Tartu Riia 1	Real estate management	100%	100%	2004
SIA TKM Latvia	Riga Ieriku iela 3	Real estate management	100%	100%	2006
SIA Selver Latvija	Riga Ieriku iela 3	Retail trade	100%	100%	2006
TKM Auto OÜ	Tallinn Gonsiori 2	Commercial and finance activities	100%	100%	2007
KIA Auto AS	Tallinn Ülemiste tee 1	Retail trade	100%	100%	2007
Auto Forum SIA	Riga Pulkevza Brieza 31	Retail trade	100%	100%	2007
KIA Auto UAB	Vilnius Perkunkiemio g.2	Retail trade	100%	100%	2007
TKM Beauty OÜ	Tallinn Gonsiori 2	Retail trade	100%	100%	2007
TKM Beauty Eesti OÜ	Tallinn Gonsiori 2	Retail trade	100%	100%	2007
TKM King AS	Tallinn Betooni 14	Retail trade	100%	100%	2008
ABC King SIA	Riga Ieriku iela 3	Retail trade	100%	100%	2008
SIA Suurtuki	Riga Ieriku iela 3	Retail trade	100%	100%	2008
Kaubamaja AS	Tallinn Gonsiori 2	Retail trade	100%	100%	2012
Topsec Turvateenused OÜ	Tallinn Gonsiori 2	Security activities	100%	100%	2012
Kulinaaria OÜ	Tallinn Taevakivi 7B	Centre kitchen activities	100%	100%	2012
AS Viking Motors	Tallinn Tammsaare tee 51	Retail trade	100%	100%	2012

With the intention of improving the structure and making the administration of Tallinna Kaubamaja group more transparent, merger and division of its subsidiaries took place in 2013.

On 30 April 2013 the Commercial Register registered division of the subsidiary of Tallinna Kaubamaja AS, AS Tartu Kaubamaja. According to the division plan signed on 12 March 2013 AS Tartu Kaubamaja transferred by division the share of OÜ TKM Beauty (registry code 11431051) to the recipient company, OÜ TKM Beauty Holding (registry code 12466011). OÜ TKM Beauty Holding was entered to the Commercial register also on 30 April 2013. OÜ TKM Beauty Holding is a 100% subsidiary of Tallinna Kaubamaja AS. A division resolution was adopted on 15 March 2013. The share capital of the company being divided does not change.

On 17 May 2013 the Commercial Register registered the merger of AS ABC King, AS Tartu Kaubamaja and OÜ Suurtüki NK. In connection to registration of the merger, AS Tartu Kaubamaja and OÜ Suurtüki NK were deleted from the Commercial Register. The business name of AS ABC King is as of 17 May 2013 AS TKM King. The merger resolutions were adopted on 12 April 2013. The share capital of the acquiring company does not change.

On 16 May 2013 the Commercial Register registered the divisions of KIA Auto AS. According to the division agreement signed on 27 March 2013 KIA Auto AS transferred by division the share of OÜ Ülemiste Autokeskus to the recipient company, AS Viking Motors. According to the division plan signed on 27 March 2013 KIA Auto AS transferred by division the shares of Forum Auto SIA (former SIA KIA Automobiles) and UAB KIA Auto to the

recipient company, OÜ Opti Auto. OÜ Opti Auto was entered to the Commercial register also on 16 May 2013. OÜ Opti Auto is a 100% subsidiary of OÜ TKM Auto, which in turn is a 100% subsidiary of Tallinna Kaubamaja AS. The division resolutions were adopted on 5 April 2013. The share capital of the company being divided does not change.

Next, merger of Estonian car sales businesses of the group took place, whereof AS Viking Motors (acquiring company) merged into itself OÜ Ülemiste Autokeskus (company acquired).

Secondly, OÜ Opti Auto (company acquired), that was the shareholder of Latvian subsidiary Forum Auto SIA and Lithuanian subsidiary UAB KIA Auto, merged with TKM Auto OÜ (acquiring company). Consequently, TKM Auto OÜ has after the merger four subsidiaries - AS Viking Motors, KIA Auto AS, Forum Auto SIA and UAB KIA Auto. TKM Auto OÜ has 100% shareholding in all of the abovementioned subsidiaries. The sole shareholder of TKM Auto OÜ is Tallinna Kaubamaja AS.

Thirdly, OÜ TKM Beauty (acquiring company) merged into itself OÜ TKM Beauty Holding (company acquired). OÜ TKM Beauty Holding was the sole shareholder of OÜ TKM Beauty. As a result of the merger, OÜ TKM Beauty remained and Tallinna Kaubamaja AS is its sole shareholder.

The merger agreements connected to the above mentioned mergers were concluded on 3 June 2013. The above mentioned mergers were registered with the Commercial Registry in 12 July 2013. Reorganizing the structure of the group has no impact on the consolidated financial results. The abovementioned restructuring does not have substantial influence on the operations of the Tallinna Kaubamaja AS group.

From 2 July 2013 Company KIA Automobiles SIA has a new name Forum Auto SIA, related to new business development plans.

The subsidiary of AS Tallinna Kaubamaja, AS TKM King, has two dormant subsidiaries in Latvia – SIA ABC King and SIA Suurtuki. In 07 August 2013 AS TKM King sold its shareholdings in the above mentioned Latvian subsidiaries to SIA TKM Latvija, which is also a part of the AS Tallinna Kaubamaja group. The reason for selling the shares is optimizing of costs of Latvian subsidiaries. As a next step a merger shall take place between SIA TKM Latvija (acquiring company), SIA ABC King (company being acquired) and SIA Suurtuki (company being acquired).

In 2012 June three new subsidiaries (Kaubamaja AS, Topsec Turvateenused OÜ and Kulinaaria OÜ) have been established for the purpose of improving the structure and making the administration of Tallinna Kaubamaja group more transparent.

Tallinna Kaubamaja AS as the group's parent company concentrates on managing the subsidiaries and investments and on arranging the group's support services.

Purchases in 2012:

Name	Location	Area of activity	Acquisition date	Ownership %
AS Viking Motors	Estonia	Retail trade	01.07.2012	100%

Trademark at value of 1,588 thousand euros was acquired. Trademark will be amortised during 7 years, amortisation started in September 2012 (Note 11).

Note 7. Investments in associates
in thousands of euros

Tallinna Kaubamaja AS has ownership of 50% (2012: 50%) interest in the entity AS Rävala Parkla which provides the services of a parking house in Tallinn.

	30.09.2013	31.12.2012
Investment in the associate at the beginning of the year	**1,628**	**1,550**
Profit for the reporting period under equity method	134	126
Dividends received	0	-48
Investment in the associate at the end of the accounting period	**1,762**	**1,628**

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

	30.09.2013	31.12.2012
Assets	3,794	3,678
Liabilities	270	423

	III quarter 2013	III quarter 2012	9 months 2013	9 months 2012
Revenue	112	74	315	266
Profit	96	42	268	200

Note 8. Long-term prepayments and receivables

in thousands of euros

	30.09.2013	31.12.2012
Prepaid rental expenses	562	561
Deferred tax asset	77	71
Other receivables	35	35
Total long-term prepayments and receivables	**674**	**667**

Note 9. Investment property

in thousands of euros

	EUR
Carrying value as at 31.12.2011	**3,566**
Changes occurred in 2012	
Reclassification (Note 10)	190
Carrying value as at 31.12.2012	**3,756**
Carrying value as at 30.09.2013	**3,756**

Investment property represents construction in progress. Determination of fair value is based on the expert opinion of a real estate expert, using a comparative method. Expert opinion has been adjusted by -10% which management believes is a fairer reflection of the fact that the detailed plan has not been approved yet.

In 2013 and 2012 no changes were recognised in fair value of investment property.

Note 10. Property, plant and equipment

in thousands of euros

	Land and buildings	Machinery and equipment	Other fixtures and fittings	Construc-tion in progress	Total
31.12.2011					
Cost or revalued amount	139,635	22,250	23,282	49,656	234,823
Accumulated depreciation	-14,213	-16,520	-16,614	-15,204	-62,551
Carrying value	**125,422**	**5,730**	**6,668**	**34,452**	**172,272**
Changes occurred in 2012					
Purchases and improvements	2,091	312	1,387	25,328	29,118
Acquired through business combinations	0	20	13	0	33
Reclassification (Note 9)	20,065	2,401	4,030	-26,686	-190
Disposals	0	-12	-27	0	-39
Write-offs	0	-6	-978	0	-984
Depreciation	-4,356	-2,677	-2,961	0	-9,994
Currency translation difference	37	0	-1	46	82
31.12.2012					
Cost or revalued amount	158,633	23,810	25,970	48,377	256,790
Accumulated depreciation	-15,374	-18,042	-17,839	-15,237	-66,492
Carrying value	**143,259**	**5,768**	**8,131**	**33,140**	**190,298**
Changes occurred in 2013					
Purchases and improvements	7,654	195	383	14,579	22,811
Reclassification	3,097	1,942	2,593	-7,632	0
Disposals	0	-1	0	-28	-29
Write-offs	-47	-32	-33	-11	-123
Depreciation	-3,516	-1,791	-2,260	0	-7,567
Currency translation difference	-114	0	-6	-125	-245
30.09.2013					
Cost or revalued amount	168,731	25,492	28,398	55,069	277,690
Accumulated depreciation	-18,398	-19,411	-19,590	-15,146	-72,545
Carrying value	**150,333**	**6,081**	**8,808**	**39,923**	**205,145**

The cost of investments for the nine months of 2013 amounted to 22,811 thousand euros.

The size of the investment in the business segment of Department store amounted to 1,518 thousand euros. In the reporting period renovation works were carried out in Department store showrooms and exchange of point of sale software and hardware in the stores was finalised.

The cost of investments made in 9 months of 2013 in the supermarket business segment was 4,581 thousand euros. In March Selver store in Lasnamäe at Läänemere tee 28 was opened and in June Selver store in Tartu, Võru Street 77 was opened. In the reporting period Selver renewed store fittings and purchased computing technology.

The cost of the real estate business segment investment was 16,489 thousand euros. In March Sõbra Selver property in Tartu, Sõbra street 56a, was purchased and in Valga, Raja street 5, Valga Selver property. Major renovation works were performed in Kuressaare, Saare Selver and in Veesaare, Peetri property.

The cost of investments in the accounting period was 164 thousand euros in the vehicle trade business segment. The cost of investments made in the reporting period in the footwear segment was 59 thousand euros.

Note 11. Intangible assets

in thousands of euros

	Goodwill	Trademark	Beneficial contracts	Develop-ment expendi-ture	Total
31.12.2011					
Cost	7,298	3,509	1,080	18	11,905
Accumulated amortisation and impairment	-588	-817	-687	-4	-2,096
Carrying value	**6,710**	**2,692**	**393**	**14**	**9,809**
Changes occurred in 2012					
Purchases and improvements	0	0	0	370	370
Acquired through business combinations	0	1,588	0	0	1,588
Amortisation	0	-310	-197	-24	-531
31.12.2012					
Cost	7,298	5,097	1,080	388	13,863
Accumulated amortisation and impairment	-588	-1,127	-884	-28	-2,627
Carrying value	**6,710**	**3,970**	**196**	**360**	**11,236**
Changes occurred in 2013					
Purchases and improvements	0	0	0	20	20
Amortisation	0	-346	-147	-38	-531
30.09.2013					
Cost	7,298	5,097	1,080	408	13,883
Accumulated amortisation and impairment	-588	-1,473	-1,031	-66	-3,158
Carrying value	**6,710**	**3,624**	**49**	**342**	**10,725**

In the reporting period Group capitalised costs of the Partner Card loyalty programme as development expenditure in the amount of 20 thousand euros.

As a trademark, the Group has recognised the image of ABC King acquired in acquisition of footwear trade segment companies AS ABC King and SIA ABC King; the image contains a combination of the name, symbol and design together with recognition and preference by consumers. The remaining useful life of the trademark as at 30.09.2013 is 9.75 years.

In 2012 was recognised the image of Viking Motors AS acquired in acquisition of car trade segment company in the amount of 1,588 thousand euros. Trademark will be amortised during 7 years.

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

in thousands of euros	30.09.2013	31.12.2012
Car trade	3,156	3,156
Footwear trade	3,554	3,554

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

Note 12. Interest bearing borrowings

in thousands of euros

	30.09.2013	31.12.2012
Short-term borrowings		
Overdraft	9,376	294
Bank loans	4,208	16,310
Finance lease liability	0	3
Other borrowings	846	603
Total short-term borrowings	**14,430**	**17,210**

in thousands of euros

	30.09.2013	31.12.2012
Long-term borrowings		
Bank loans	77,133	59,570
Other borrowings	276	211
Total long-term borrowings	**77,409**	**59,781**
Total borrowings	**91,839**	**76,991**

Borrowings received

in thousands of euros

	III quarter 2013	III quarter 2012	9 months 2013	9 months 2012
Overdraft	1,429	0	9,083	5
Bank loans	6,956	11,183	47,842	35,654
Other borrowings	548	311	1,782	1,045
Total borrowings received	**8,933**	**11,494**	**58,707**	**36,704**

Borrowings paid

in thousands of euros

	III quarter 2013	III quarter 2012	9 months 2013	9 months 2012
Bank loans	9,420	8,250	42,382	23,464
Finance lease liability	1	2	3	128
Other borrowings	459	253	1,474	921
Total borrowings paid	**9,880**	**8,505**	**43,859**	**24,513**

Bank loans and finance lease liabilities are denominated in euros.

As of 30.09.2013, the repayment dates of bank loans are between 31.10.2013 and 30.08.2018 (2012: between 31.10.2012 and 30.08.2018), interest is tied both to 3-month and 6-month EURIBOR as well as EONIA. Weighted average interest rate was 1.29% (2012: 1.80%).

Note 13. Trade payables and other liabilities

in thousands of euros

	30.09.2013	31.12.2012
Trade payables	47,085	49,113
Payables to related parties (Note 21)	3,479	4,965
Other accrued expenses	227	268
Prepayments by tenants	1,266	1,247
Total financial liabilities from balance sheet line "Trade payables and other liabilities"	**52,057**	**55,593**
Taxes payable (Note 14)	3,522	4,740
Employee payables	2,493	3,220
Prepayments	343	445
Short-term provisions*	138	153
Total trade payables and other liabilities	**58,553**	**64,151**

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

Note 14. Taxes

in thousands of euros

	30.09.2013		31.12.2012	
	Prepaid taxes	Taxes payable	Prepaid taxes	Taxes payable
Prepaid taxes	34	0	58	0
Value added tax	0	1,066	0	2,325
Personal income tax	0	741	0	677
Social security taxes	0	1,499	0	1,482
Corporate income tax	0	11	0	41
Unemployment insurance	0	131	0	147
Mandatory funded pension	0	74	0	68
Total taxes	**34**	**3,522**	**58**	**4,740**

Note 15. Share capital

As of 30.09.2013, the share capital in the amount of 24,438 thousand euros consisted of 40,729,200 ordinary shares with the nominal value of 0.60 euros per share (as of 31.12.2012 the share capital in the amount to 24,438 thousand euros consisted of 40,729,200 ordinary shares with the nominal value of 0.60 euros per share). All shares issued have been paid for. According to the articles of association, the maximum allowed number of shares is 162,916,800 shares. The general meeting of shareholders that took place on 28 March 2013 decided to pay dividends to the shareholders 0.35 euros per share in total amount of 14,255 thousand euros (2012: 14,255 thousand euros, 0.35 euros per share). Related income tax on dividends amounted to 3,776 thousand euros (2012: 3,761 thousand euros).

Note 16. Segment reporting

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

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

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

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

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

in thousands of euros

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

in thousands of euros

III quarter 2012	Super markets	Depart-ment store	Car trade	Footwear trade	Real estate	Inter-segment transact-ions	Total seg-ments
External revenue	**81,774**	**20,219**	**8,998**	**3,804**	**702**	0	**115,497**
Inter-segment revenue	214	479	5	128	2,463	-3,289	0
Total revenue	81,988	20,698	9,003	3,932	3,165	-3,289	115,497
EBITDA	4,890	810	693	253	3,392	0	10,038
Segment depreciation and impairment losses	-1,116	-466	-65	-196	-842	0	-2,685
Operating profit	**3,774**	**344**	**628**	**57**	**2,550**	0	**7,353**
Finance income (Note 19)	50	174	0	0	13	-216	21
Finance income on shares of associates	0	21	0	0	0	0	21
Finance costs (Note 19)	-1	-36	-45	-45	-364	216	-275
Income tax	0	0	2	0	1	0	3
Net profit/loss	**3,823**	**503**	**585**	**12**	**2,200**	**0**	**7,123**
incl. in Estonia	4,414	503	618	17	2,045	0	7,597
incl. in Latvia	-591	0	-5	-5	155	0	-446
incl. in Lithuania	0	0	-28	0	0	0	-28
Segment assets	**59,695**	**69,818**	**13,549**	**12,012**	**176,042**	-59,099	**272,017**
Segment liabilities	**40,675**	**28,936**	**7,867**	**12,391**	**89,471**	-45,353	**133,987**
Segment investment in non-current assets	479	540	1,659	19	4,551	0	7,248

in thousands of euros

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

in thousands of euros

9 months 2012	Super markets	Depart-ment store	Car trade	Footwear trade	Real estate	Inter-segment transact-ions	Total seg-ments
External revenue	**243,122**	**60,257**	**24,482**	**10,362**	**2,141**	0	**340,364**
Inter-segment revenue	666	1,384	16	300	6,824	-9,190	0
Total revenue	243,788	61,641	24,498	10,662	8,965	-9,190	340,364
EBITDA	12,618	2,054	1,837	485	9,281	0	26,275
Segment depreciation and impairment losses	-4,411	-1,293	-133	-583	-2,374	0	-8,794
Operating profit/loss	**8,207**	**761**	**1,704**	**-98**	**6,907**	0	**17,481**
Finance income (Note 19)	181	718	0	1	65	-856	109
Finance income on shares of associates	0	100	0	0	0	0	100
Finance costs (Note 19)	-3	-569	-170	-180	-1,197	856	-1,263
Income tax	-2,801	0	-2	0	-960	0	-3,763
Net profit/loss	**5,584**	**1,010**	**1,532**	**-277**	**4,815**	0	**12,664**
incl. in Estonia	7,345	1,010	1,566	-209	4,474	0	14,186
incl. in Latvia	-1,761	0	-34	-68	341	0	-1,522
incl. in Lithuania	0	0	0	0	0	0	0
Segment assets	**59,695**	**69,818**	**13,549**	**12,012**	**176,042**	-59,099	**272,017**
Segment liabilities	**40,675**	**28,936**	**7,867**	**12,391**	**89,471**	-45,353	**133,987**
Segment investment in non-current assets	2,414	3,128	1,733	155	18,611	0	26,041

External revenue according to types of goods and services sold

in thousands of euros

	III quarter 2013	III quarter 2012	9 months 2013	9 months 2012
Retail revenue	116,554	108,086	337,828	318,140
Wholesale revenue	3,988	3,751	10,980	11,482
Rental income	1,612	1,495	4,841	4,503
Revenue for rendering services	2,581	2,165	6,867	6,239
Total revenue	**124,735**	**115,497**	**360,516**	**340,364**

External revenue by client location

in thousands of euros

	III quarter 2013	III quarter 2012	9 months 2013	9 months 2012
Estonia	120,489	113,200	350,219	333,146
Latvia	2,843	1,016	5,830	2,743
Lithuania	1,403	1,281	4,467	4,475
Total	**124,735**	**115,497**	**360,516**	**340,364**

Distribution of non-current assets* by location of assets

in thousands of euros

	30.09.2013	31.12.2012
Estonia	186,140	171,572
Latvia	33,989	34,193
Lithuania	171	192
Total	**220,300**	**205,957**

* 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

	III quarter 2013	III quarter 2012	9 months 2013	9 months 2012
Rental expenses	3,651	3,333	10,753	9,981
Heat and electricity expenses	1,901	1,512	6,271	5,155
Operating costs	1,652	1,662	5,052	5,045
Cost of sale related services and materials	1,788	1,614	5,078	4,682
Marketing expenses	1,526	1,382	4,879	4,431
Miscellaneous other operating expenses	571	576	2,145	2,180
Computer and communication costs	732	669	1,976	1,666
Personnel expenses	410	378	1,326	1,119
Total other operating expenses	**12,231**	**11,126**	**37,480**	**34,259**

Note 18. Staff costs

in thousands of euros

	III quarter 2013	III quarter 2012	9 months 2013	9 months 2012
Wages and salaries	7,294	6,344	22,306	19,563
Social security taxes	2,426	2,128	7,422	6,572
Total staff costs	**9,720**	**8,472**	**29,728**	**26,135**
Average wages per employee per month (euros)	676	618	706	651
Average number of employees in the reporting period	3,596	3,423	3,509	3,340

Note 19. Finance income and costs

in thousands of euros

Finance income

	III quarter 2013	III quarter 2012	9 months 2013	9 months 2012
Interest income on cash and cash equivalents	1	0	1	0
Interest income on Partner credit card	3	17	13	60
Interest income from loans to related parties	2	2	7	41
Interest income on NGI Group's group account (Note 21)	0	2	1	8
Other finance income	1	0	2	0
Total finance income	**7**	**21**	**24**	**109**

Finance costs

	III quarter 2013	III quarter 2012	9 months 2013	9 months 2012
Interest expense of bank loans	-302	-259	-836	-1,206
Interest expense of finance lease	0	-1	0	-3
Other finance costs*	-48	-15	-108	-54
Total finance costs	**-350**	**-275**	**-944**	**-1,263**

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

Note 20. Earnings per share

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

	III quarter 2013	III quarter 2012	9 months 2013	9 months 2012
Net profit (in thousands of euros)	6,168	7,123	8,528	12,664
Weighted average number of shares	40 729 200	40 729 200	40 729 200	40 729 200
Basic and diluted earnings per share (euros)	0.15	0.17	0.21	0.31

Note 21. Related party transactions

in thousands of euros

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

a. owners (Parent and the persons controlling or having significant influence over the Parent);
b. associates;
c. other entities in the Parent's consolidation group.
d. management and supervisory boards of Group companies;
e. close relatives of the persons described above and the entities under their control or significant influence.

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

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

	Purchases 9 months 2013	Sales 9 months 2013	Purchases 9 months 2012	Sales 9 months 2012
Parent	221	9	312	72
Entities in the Parent's consolidation group	18,001	2,819	14,684	1,138
Members of management and supervisory boards	0	22	0	3
Other related parties	607	126	876	14
Total	**18,829**	**2,976**	**15,872**	**1,227**

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:

	30.09.2013	31.12.2012
Interest receivable from Parent (Note 4)	1	2
Receivable from Parent (Note 3)	0	5,000
Receivables from entities in the in the Parent's consolidation group (Note 4)	117	127
Loan receivable from entities in the in the Parent's consolidation group (Note 3)	2	96
Sales bonuses receivable from entities in the in the Parent's consolidation group (Note 4)	12	121
Members of management and supervisory boards (Note 4)	17	4
Total receivables from related parties	**149**	**5,350**

	30.09.2013	31.12.2012
Parent	22	21
Entities in the Parent's consolidation group	3,308	4,895
Other related parties	149	49
Total liabilities to related parties (Note 13)	**3,479**	**4,965**

Receivables from and liabilities to related parties are unsecured and carry no interest because they have regular payment terms except receivable from the group account receivable.

Group account

For proving funding for its subsidiaries, the Group uses the group account, the members of which are most of the group entities. In its turn, this group as a subgroup has joined the contract of the group account of NG Investeeringud OÜ (hereinafter head group). From autumn 2001, Tallinna Kaubamaja Group has been keeping its available funds at the head group, earning interest income on its deposits. During 9 months of 2013 Tallinna Kaubamaja Group earned interest income on its deposits of available funds in the amount of 7 thousand euros (2012: 41 thousand euros). As at 30 September 2013 Group has paid interest in the amount of 0.04 thousand euros (2012: 0 euros) for using NG Investeeringud group account available. As at 30.09.2013 Group deposited through parent company NG Investeeringud OÜ 0 euros (31.12.12: 5,000 thousand euros with interest rate 0.55% and with maturity up to 21 January 2013).

The average interest rate on available funds deposited to the group account of NG Investeeringud OÜ was 0.06% in the euro account (2012: 0.16%). According to the group account contract, the Group's members are jointly responsible for the unpaid amount to the bank.

Remuneration paid to the members of the Management and Supervisory Board

Short term benefits to the management boards' members of Tallinna Kaubamaja Group for the reporting period including wages, social security taxes, bonuses and car expenses, amounted to 638 thousand euros (9 months 2012: 488 thousand euros). Short term benefits to supervisory boards' members of Tallinna Kaubamaja Group in reporting period including social taxes amounted to 202 thousand euros (9 months 2012: 165 thousand euros).