

TALLINNA KAUBAMAJA AS

**Consolidated Interim Report for
the Fourth quarter and 12 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 3,550 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:	31 December 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 Kào (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 Kào, 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 December 31, 2013:

	Location	Shareholding as of 31.12.2013	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%
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	Estonia	100%	100%
OÜ TKM Beauty Eesti	Estonia	100%	100%
OÜ Suurtüki NK	Estonia	0%	100%
SIA Suurtüki	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 estimates of Statistics Estonia, the Estonian economy growth in the 4th quarter of 2013 stayed at the same level compared to the previous year. In 2013, the Estonian economy grew 0.7% compared to the previous year. In the last quarter of 2013, the economic growth was driven the most by the rise in manufacturing, also trade and information and communication. Economic growth is expected to increase to 3.0% in 2014 due to the accelerated growth of external demand and export and investments. The wages of workers with specific work skills are expected to increase. There is also a strong pressure to raise the wages of low-income workers, because their income was mostly spent to cover high inflation costs, such as food and housing costs. In 2013, the Estonian consumer price index increased by 2.8%, including a 4.1% increase in the prices of food and non-alcoholic beverages and 4.3% increase in the prices of clothes and footwear. The steepest rise – 8.8% – occurred in housing costs. Inflation is predicted to decrease to 2.6% in 2014.

According to Statistics Estonia, the total volume of retail turnover in Estonia in current prices increased by 6.4% in 2013. The greatest turnover growth was seen in the retail sale of used goods – 60.9% –, but the proportion thereof was small in retail sale. Retail sales in non-specialised stores (predominantly selling food products) in 2013 grew by 6.1%. According to Statistics Estonia, higher than average increases occurred in the retail sales of household items, home appliances, hardware and building materials in stores and sales via mail and the Internet. The December consumer barometer survey conducted by the Estonian Institute of Economic Research showed that consumer confidence has improved significantly in 4th quarter compared to 3rd quarter and even slightly exceeded the average of 2013.

Economic results**FINANCIAL RATIOS 2012–2013**

	EUR		Change
	4 th quarter 2013	4th quarter 2012	
Sales revenue (in millions)	138.2	127.4	8.5%
Operating profit/loss (in millions)	9.3	8.5	8.7%
Net profit/loss (in millions)	8.9	8.2	8.9%
Return on equity (ROE)	5.7%	5.7%	
Return on assets (ROA)	2.9%	3.0%	
Net profit margin	6.47%	6.44%	
Gross profit margin	27.12%	26.97%	
Quick ratio	1.01	0.99	
Debt ratio	0.49	0.49	
Sales revenue per employee (in millions)	0.04	0.04	
Inventory turnover	2.66	2.64	
SHARE			
Average number of shares (1000 pcs)	40,729	40,729	
Equity capital per share (EUR/share)	4.12	3.59	
Share's closing price (EUR/share)	5.30	5.48	
Earnings per share (EUR/share)	0.22	0.20	
Average number of employees	3,596	3,378	

	EUR		Change
	12 month 2013	12 month 2012	
Sales revenue (in millions)	498.7	467.8	6.6%
Operating profit/loss (in millions)	22.4	26.0	-14.0%
Net profit/loss (in millions)	17.5	20.9	-16.3%
Return on equity (ROE)	11.1%	14.6%	
Return on assets (ROA)	5.7%	7.6%	
Net profit margin	3.50%	4.46%	
Gross profit margin	25.22%	25.80%	
Quick ratio	1.01	0.99	
Debt ratio	0.49	0.49	
Sales revenue per employee (in millions)	0.14	0.14	
Inventory turnover	9.60	9.69	
SHARE			
Average number of shares (1000 pcs)	40,729	40,729	
Equity capital per share (EUR/share)	4.12	3.59	
Share's closing price (EUR/share)	5.30	5.48	
Earnings per share (EUR/share)	0.43	0.51	
Average number of employees	3,554	3,335	

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 2013 was 498.7 million euros, having grown by 6.6% compared to the result of 2012, when the sales revenue was 467.8 million euros. In the 4th quarter, the group's sales revenue was 138.2 million euros, which is 8.5% more than the sales revenue earned the year before. The Group's consolidated unaudited net profit of 2013 was 17.5 million euros, which is 16.3% less than the net profit of the previous year, when the net profit was 20.9 million euros. The Group's net profit earned in the 4th quarter was 8.9 million euros, having increased by 8.9% compared to the result of 2012. The pre-tax profit of 2013 was 21.2 million euros, having dropped by 13.8% in a year.

The accelerated growth in turnover in the second half of the year was satisfying and resulted in strong sales revenue numbers for the entire year. The growth of turnover was driven by the strong sales of food products and vehicles in the group. The sales of footwear and clothes were affected by the long warm autumn that lasted until the end of the year and strongly inhibited the sale of winter goods. The targeted actions of the group to improve the gross margin, especially in the supermarkets segment, increased profits by almost 9% year-on-year in 4th quarter, although labour costs and other operating costs, especially heating and electricity costs, continued to increase faster than turnover. The continued increase in competition in the Estonian retail market due to the addition of retail spaces generally dilutes the results of market participants and adds tension to price competition. The group has been actively dealing with this problem in the recent years. We have focused on increasing the ratio of direct delivery of goods and own production that gives us an opportunity to offer better prices to customers without losing our margins. For example, the sales revenue of the ready-to-eat foods produced by the group under the Selveri Kõök trademark has increased by 11.0% in 2013. Another major challenge in 2013 has been the scarcity of labour leading to the rapid growth of labour costs. The positive sides of the growth of labour costs include a decrease in employee turnover and tying the growth in pay rates to growth in efficiency.

Three new Selter stores were opened in the 4th quarter of 2013 and have been accepted well by the customers. At the end of the year, the group's Latvian car company opened a new 3,000 square metre multi-brand dealership.

The volume of the assets of the Tallinna Kaubamaja Group as of 31 December 2013 was 327.8 million euros, having grown by 40.0 million euros compared to the end of 2012, i.e. 13.9%.

There were more than 573 thousand loyal customers at the end of the reporting period; the number of loyal customers increased by 3.4% in a year. The proportion of loyal customers in the Group's turnover was 82.1% (80.3% in the end of 2012). By the end of December, approximately 7.8 thousand Partner Bank and 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 December of 2013 at 5.30 euros, decreased by 3.28% within the twelve 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 31.12.2013.

In euros



Selver supermarkets

In 2013, the consolidated sales revenue of the supermarkets business segment was 343.1 million euros, an increase of 4.0% year-on-year. The consolidated sales revenue earned in the 4th quarter was 92.1 million euros, a 6.1% increase year-on-year. Average monthly sales revenue earned per square metre of retail space was 0.36 thousand euros in 2013 and 0.37 thousand euros in the 4th quarter, decreasing by 5.3% and 4.8%, respectively, compared to the previous year. Average sales revenue per square metre of retail space in comparable stores was 0.37 thousand euros in 2013 and 0.38 thousand euros in 4th quarter, showing a decrease of 3.0% and 3.1%, respectively. In 2013, 33.8 million purchases were made in Selver stores, a result that exceeded the year-on-year number of purchases by 3.7%.

In 2013, the consolidated pre-tax profit of the supermarket segment was 6.4 million euros. Profit after taxes earned for 2013 was 4.7 million euros. Consolidated profit before taxes in the 4th quarter and net profit was 3.5 million euros. Net profit earned in the 4th quarter is up by 2.4% year-on-year; net profit earned in 2013 was down by 4.4 million euros compared to the previous period. Profit before taxes and net profit earned in Estonia in the 4th quarter was 4.1 million euros. Profit before taxes for 2013 was 8.8 million euros, with a net profit of 7.0 million euros. The difference between net profit and profit before income tax is due to the income tax paid on dividends. Pre-tax loss and net loss sustained in Latvia was 2.4 million euros in 2013, with a 0.6 million euro loss in 4th quarter. Net loss remained equal to last year's. Business activity in Latvia has been frozen.

The growth of turnover in 2013, especially in the 4th quarter, has been driven by the opening of new stores. In the 4th quarter, as well as throughout the year, positive results have been observed in the sales of food products, the share of which in total turnover and total margin has continued to increase. The competitive situation has had a significant effect on Selver's turnover and economic results. The continued scarcity of labour and difficulties in finding employees with the requisite skills has had a negative effect on profits. Profits are also influenced by the costs incurred in connection with the opening and launching of new stores and renovating the existing stores. In 2013, the Läänemere Selver in Tallinn and the Aardla Selver in Tartu were opened and the Saare Selver in Saaremaa expanded. In the 4th quarter, three new stores were opened: in the Baltic Railway Station in Tallinn, in Peetri small town, and in the centre of Viljandi. A positive result was the growth in sales revenue of Kulinaaria OÜ, an independent subsidiary operating Selveri Köök from October 2012, by 11.0% in 2013 compared to the previous year.

The SelveEkspress service has been launched in another seven stores this year. At the end of August, the gourmet store at Kaubamaja was closed and the business was relocated to Järve Selver. New retail software was introduced in Selver on 1 January 2014. A lease contract has been made to open a new Selver store in the Astri Centre in Narva in June 2014. As of the end of 2013, the Selver store chain comprises 43 Selver stores and a gourmet store with total retail space of 82.4 thousand m².

Department stores

The sales revenue of the department stores business segment was 89.6 million euros in 2013, growing 3.9% year-on-year. Sales revenue earned in the 4th quarter was 27.0 million euros, 3.9% higher than the revenue earned in the 4th quarter 2012. Average sales revenue per square metre of retail space in department stores was 0.29 thousand euros per month, remaining on par with the previous year. At the same time, average amount of retail space at department stores has grown by 6% compared to the previous period due to reorganisations carried out within the company. Renovation works undertaken in July and August in the Home department and Kidswear and Toys department in Tartu to open the largest Kidswear and Toys department in Southern Estonia in August had a negative effect on Department stores overall results in 2013. This completed the cycle of extensive renovation of all departments over the last two years. Sales revenue was also negatively affected by the unusually warm autumn and winter months that allowed the customers to postpone purchasing clothing and footwear. The profit before taxes of the department stores was 4.4 million euros in 2013, a 27.7% year-on-year increase. Profit before taxes in the 4th quarter was 2.7 million euros, a 13.8% increase over 2012. The reorganisation and renovation of retail spaces and the best ever service quality indicators have increased the average sum of purchase by 7%.

The sales revenue of OÜ TKM Beauty Eesti that operates the I.L.U. cosmetics stores was 4.6 million euros in 2013, an 11.5% increase over 2012. The 4th quarter sales revenue was 1.5 million euros, up by 5.1% year-on-year. The net loss of the I.L.U. chain in 2013 was 0.4 million euros, or 13.2% better result than last year. The profit of the I.L.U. chain earned in the 4th quarter, similarly to the fourth quarter of 2012, was nil. In August 2012, the I.L.U. chain opened its sixth store in the Tasku Centre in Tartu. Overall, sales were depressed in the accounting period compared to 2012 due to the aggressive sales campaigns and fast growth in sales by web stores, especially in the second half of the year.

Car Trade

The sales revenue of the car trade segment, excluding intra-segment transactions, was 48.0 million euros in 2013. Sales revenue exceeded year-on-year revenue by 40.3%, whereas the sales revenue of KIAs increased by 14.7%.

The sales revenue of 14.1 million euros earned in the 4th quarter marked a 44.3% increase year-on-year, including a 5.8% growth in the sales revenue from selling KIAs. A total of 2,650 vehicles were sold in 2013, with 909 sold in the 4th quarter. The net profit of the segment reached 1.9 million euros in 2013, with a 0.4 million euro net profit in the 4th quarter. This result exceeded the profit earned in the previous year by 7.7% and the profit earned in the 4th quarter 2012 by 45.6%.

The reason behind the growth of sales revenue and the significant improvement in profits earned in the 4th quarter was that the sales operations of Viking Motors AS, obtained in the middle of 2012, and Ülemiste Autokeskus OÜ were merged in Estonia in 2013 and the synergy from this reorganisation has resulted in a significant improvement in growth and investment capacity. The car trade segment was also positively influenced by the Latvian subsidiary Forum Auto SIA beginning to sell Peugeot passenger and commercial vehicles in the 3rd quarter. In addition, due to the renewed team and reorganised operational plan, the sale of KIA passenger cars in Forum Auto SIA has also increased.

At the end of the year, the Latvian subsidiary Forum Auto SIA completed a new 3,000 square metre multi-brand KIA, Peugeot and Cadillac dealership only a fifteen-minute drive from the centre of Riga.

In 2013, the legal structure of the car trade segment was reorganised, resulting in a new structure where the shareholdings of KIA Auto AS in the Latvian subsidiary Forum Auto SIA and Lithuanian subsidiary UAB KIA Auto were transferred directly to TKM Auto OÜ and the group's car trade in Estonia was consolidated under AS Viking Motors.

Footwear trade

The turnover of the footwear trade segment was 14.7 million euros in 2013, a 1.7% increase over last year. The 4th quarter turnover was 4.1 million euros and remained on par with the same period in 2012. The footwear segment made a 0.1 million euro loss in 2013, which is similar to 2012 results. The footwear segment earned a profit of 0.1 million euros in the 4th quarter, 0.04 million euros less than in the 4th quarter 2012. The turnover and profit earned in 2013 were lower than planned. The main reasons were delays in delivery of goods and the unusually late arrival of winter, which significantly slowed down the sale of winter shoes.

A Shu store was opened in Kohtla-Järve in the 3rd quarter. The group's footwear store chain comprises 29 stores with a total space of 9 thousand square meters as of the year-end.

Real Estate

The sales revenue of the business segment of real estate outside the Group totalled to 3.3 million euros in 2013 (2.9 million euros in 2012), having grown 14.0% compared to the same period of the previous year. The extra-Group sales revenue of the 4th quarter was 0.9 million euros (0.7 million euros in the 4th quarter of 2012), showing an increase of 28.3% from the same period of the previous year.

The profit before taxes of the real estate segment in 2013 was 8.6 million euros, 0.96 million euros more than in the previous financial year (7.7 million euros in 2012), a year-on-year increase of 12.5%. The net profit of the segment was 7.8 million euros in 2013, up 1.1 million euros compared to the result of the year before (6.7 million euros in 2012), a year-on-year increase of 16.1%. The profit before taxes of the real estate segment in the 4th quarter was 2.1 million euros – 0.2 million euros more than in the same period of the previous financial year (1.9 million euros in 2012), a year-on-year increase of 12.3%. The growth of profit results from the increase in the leased space belonging to the company in 2013. In the first quarter of 2013, the premises of Valga Selver in Valga and Sõbra Selver in Tartu were acquired. In the 4th quarter of 2013, the Peetri Selver was completed in Rae rural municipality and a building in Riga in Ulmana Street was reconstructed into a modern car dealership.

Personnel

The average number of employees in the Tallinna Kaubamaja Group in 2013 increased by 6.6% reaching 3,554. Labour costs (wage costs and social tax costs) increased by 14.3% and were 41.6 million euros in 2013. In the 4th quarter, labour costs increased by 15.6% compared to the same period of the previous year, while the average number of employees increased by 6.5%. The average monthly labour costs per employee in 2013 increased by 7.6% compared to the average labour costs of 2012; in the 4th quarter, the increase was 8.9%. The growth of labour costs is an inevitable consequence of the labour market situation discussed above, but we have also attempted to tie it to employee development and the growth of work efficiency.

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, 12 February 2014

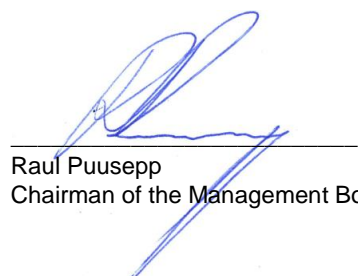
CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT BOARD'S CONFIRMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Chairman of the Management Board confirms the correctness and completeness of Tallinna Kaubamaja AS consolidated interim financial statements (unaudited) for the period of fourth quarter and 12 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, 12 February 2014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros

	Note	31.12.2013	31.12.2012
ASSETS			
Current assets			
Cash and bank	2	14,766	13,494
Trade receivables and prepayments	3	15,991	18,497
Inventories	5	51,937	48,264
Total current assets		82,694	80,255
Non-current assets			
Receivables and prepayments	8	313	667
Investments in associates	7	1,711	1,628
Investment property	9	3,035	3,756
Property, plant and equipment	10	229,406	190,298
Intangible assets	11	10,636	11,236
Total non-current assets		245,101	207,585
TOTAL ASSETS		327,795	287,840
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings	12	14,300	17,210
Trade payables and other liabilities	13	67,725	64,151
Total current liabilities		82,025	81,361
Non-current liabilities			
Borrowings	12	77,104	59,781
Provisions and prepayments		878	519
Total non-current liabilities		77,982	60,300
TOTAL LIABILITIES		160,007	141,661
Equity			
Share capital	15	24,438	24,438
Statutory reserve capital		2,603	2,603
Revaluation reserve		68,617	51,079
Currency translation differences		-257	-7
Retained earnings		72,387	68,066
TOTAL EQUITY		167,788	146,179
TOTAL LIABILITIES AND EQUITY		327,795	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	IV quarter 2013	IV quarter 2012	12 months 2013	12 months 2012
Revenue	16	138,205	127,436	498,721	467,800
Other operating income		399	187	966	820
Materials, consumables used and services	5	-100,722	-93,061	-372,930	-347,119
Other operating expenses	17	-13,885	-12,983	-51,365	-47,242
Staff costs	18	-11,843	-10,241	-41,571	-36,376
Depreciation, amortisation and impairment losses	10, 11	-2,509	-2,687	-10,730	-11,481
Other expenses		-364	-113	-726	-383
Operating profit		9,281	8,538	22,365	26,019
Finance income	19	7	24	31	133
Finance costs	19	-378	-384	-1,322	-1,647
Finance income on shares of associates	7	29	26	163	126
Profit before tax		8,939	8,204	21,237	24,631
Income tax	15	-3	2	-3,773	-3,761
NET PROFIT FOR THE FINANCIAL YEAR		8,936	8,206	17,464	20,870
Other comprehensive income:					
<i>Items that will be reclassified subsequently to profit or loss</i>					
Revaluation of land and buildings		18 650	0	18 650	0
Currency translation differences		-7	-57	-250	104
Other comprehensive income/loss for the financial year		18,643	-57	18,400	104
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		27,579	8,149	35,864	20,974
Basic and diluted earnings per share (euros)	20	0.22	0.20	0.43	0.51

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	12 months 2013	12 months 2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit		17,464	20,870
<i>Adjustments:</i>			
<i>Income tax on dividends</i>	15	3,777	3,761
<i>Interest expense</i>	19	1,322	1,647
<i>Interest income</i>	19	-31	-133
<i>Depreciation, amortisation</i>	10, 11	10,595	10,525
<i>Revaluation of property, plant and equipment</i>	10	-8	0
<i>Loss on sale and write-off of non-current assets</i>	10	202	801
<i>Effect of equity method</i>	7	-163	-126
Change in inventories		-3,673	-6,091
Change in receivables and prepayments related to operating activities		-2,140	-1,303
Change in liabilities and prepayments related to operating activities		3,921	8,090
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		31,266	38,041
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment (excl. finance lease)	10	-30,143	-29,118
Proceeds from sale of property, plant and equipment	10	71	222
Purchase of intangible assets	11	-108	-370
Investments in subsidiaries		0	-1,320
Change in balance of parent company's group account	21	5,000	4,000
Dividends received		80	48
Interest received	19	31	133
TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES		-25,069	-26,405
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	12	68,194	44,243
Repayments of borrowings	12	-53,885	-34,548
Change in overdraft balance	12	107	-1
Dividends paid	15	-14,255	-14,255
Income tax on dividends	15	-3,777	-3,761
Repayments of finance lease principal	12	-3	-128
Interest paid		-1,310	-1,662
TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES		-4,929	-10,112
TOTAL CASH FLOWS		1,268	1,524
Effect of exchange rate changes		4	22
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	14,766	13,494
Net change in cash and cash equivalents		1,272	1,546

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	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	17,464	0	17,464
Revaluation of land and buildings	0	0	18,650	0	0	18,650
Other comprehensive loss for the reporting period	0	0	0	0	-250	-250
Total comprehensive income for the reporting period	0	0	18,650	17,464	-250	35,864
Reclassification of depreciation of revalued land and buildings	0	0	-1,112	1,112	0	0
Dividends paid	0	0	0	-14,255	0	-14,255
Balance as of 31.12.2013	24,438	2,603	68,617	72,387	-257	167,788

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

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

NOTES TO THE CONSOLIDATED INTERIM ACCOUNTS

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

General Information

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

Bases for Preparation

The Consolidated Interim Accounts of Tallinna Kaubamaja AS has been prepared in accordance with the International Financial Reporting Standard IAS 34 *Interim Financial Reporting* as adopted by the European Union. The consolidated interim financial statements do not contain all the information that has to be presented in the annual financial statements and they should be read in conjunction with the Group's consolidated financial statements as at and for the year ended 31 December 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 fourth quarter and 12 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		
	31.12.2013	31.12.2012
Cash on hand	571	872
Bank accounts	12,427	11,305
Cash in transit	1,768	1,317
Total cash and bank	14,766	13,494

Note 3. Trade Receivables and prepayments

in thousands of euros		
	31.12.2013	31.12.2012
Trade receivables (Note 4)	13,336	11,662
Short-term receivables from related parties (Note 21)	0	5,096
Other short-term receivables	4	41
Total financial assets from balance sheet line "Trade receivables and prepayments"	13,340	16,799
Prepayment for goods	1,616	806
Other prepaid expenses	484	435
Prepaid rental expenses	412	399
Prepaid taxes (Note 14)	139	58
Total trade receivables and prepayments	15,991	18,497

Note 4. Trade receivables

in thousands of euros		
	31.12.2013	31.12.2012
Trade receivables	11,027	9,903
Allowance for doubtful receivables	-79	-63
Receivables from related parties (Note 21)	665	254
Credit card payments	1,723	1,568
Total trade receivables	13,336	11,662

Note 5. Inventories

in thousands of euros		
	31.12.2013	31.12.2012
Goods purchased for resale	51,216	47,410
Raw materials and materials	721	854
Total inventories	51,937	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

	IV quarter 2013	IV quarter 2012	12 months 2013	12 months 2012
Write-down and write-off of inventories	2,003	1,312	6,560	4,586
Inventory stocktaking deficit	469	674	1,890	1,864
Total materials and consumables used	2,472	1,986	8,450	6,450

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

Note 6. Subsidiaries

Tallinna Kaubamaja Group consists of:

Name	Location	Area of activity	Ownership 31.12.2013	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 Perkunkiemies 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 Suurtuki NK. In connection to registration of the merger, AS Tartu Kaubamaja and OÜ Suurtuki 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. In January Latvian Enterprise Register has registered the merger between SIA TKM Latvija (acquiring company), SIA ABC King (company being acquired) and SIA Suurtuki (company being acquired). In connection to registration of the merger, SIA ABC King and SIA Suurtuki were deleted from the Enterprise Register. According to the merger agreement the legal successor of SIA ABC King and SIA Suurtuki is SIA TKM Latvija. By registration of the mergers, all assets of SIA ABC King and SIA Suurtuki were given over to SIA TKM Latvija. The share capital of the acquiring company did not change.

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 Rävåla Parkla which provides the services of a parking house in Tallinn.

	31.12.2013	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	163	126
Dividends received	-80	-48
Investment in the associate at the end of the accounting period	1,711	1,628

Financial information about the associate R vala Parkla AS (reflecting 100% of the associate):

	31.12.2013		31.12.2012	
Assets	3,644		3,678	
Liabilities	222		423	
	IV quarter 2013	IV quarter 2012	12 months 2013	12 months 2012
Revenue	113	75	428	341
Profit	58	51	326	251

Note 8. Long-term prepayments and receivables

in thousands of euros

	31.12.2013	31.12.2012
Prepaid rental expenses	204	561
Deferred tax asset	74	71
Other receivables	35	35
Total long-term prepayments and receivables	313	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
Reclassification (Note 10)	-721
Carrying value as at 31.12.2013	3,035

Investment property represents construction in progress.

In 2013, the opinion of an independent certified real estate expert was used in appraising the fair value of 3 facilities. In 2012, the expert opinion of an independent real estate expert based on the comparative method was used as a basis. During the realization of the 2013 detailed plan, two registered immovables were divided into five plots designated for development, three of which are reflected as investment properties. As a result, a reclassification from investment properties to the fixed assets group "Land and buildings" in the amount of 721 thousand euros was performed in the reporting year. In 2012, design work of technological networks and roads was carried out in the amount of 190 thousand euros.

As a result of valuation, the items of investment property were adjusted neither upwards nor downwards in 2013. In 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	Construction in progress and prepayments	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	87	226	602	29,228	30,143
Reclassification (Note 9)	20,565	3,785	4,011	-27,640	721
Disposals	0	-1	-1	-53	-55
Write-offs	-123	-38	-46	-11	-218
Decline/increase in value through profit or loss	614	0	0	-606	8
Increase in value through revaluation reserve	18,650	0	0	0	18,650
Depreciation	-4,708	-2,275	-2,904	0	-9,887
Currency translation difference	-119	-1	-4	-130	-254
31.12.2013					
Cost or revalued amount	188,354	27,022	28,663	49,678	293,717
Accumulated depreciation	-10,129	-19,558	-18,874	-15,750	-64,311
Carrying value	178,225	7,464	9,789	33,928	229,406

The cost of investments for the twelve months of 2013 amounted to 30,143 thousand euros.

The cost of investments made in 12 months of 2013 in the supermarket business segment was 8,188 thousand euros. In March new Selver store in Lasnamäe at Läänemere tee 28 was opened and in June Selver store in Tartu, Võru Street 77 was opened. In November three new Selver stores were opened. On 1 November the second store in Viljandi at Tallinna mnt. 22 was opened together with renovated Centrum centre. On 14 November new store was opened in Peetri at Veesaare street 2 and on 28 November in Tallinn, Balti Jaam at Toompuiestee 37. In the reporting period Selver also renewed store fittings and purchased computing technology.

In 2013 the size of the investment in the business segment of Department store amounted to 1,789 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 in the accounting period was 532 thousand euros in the car trade business segment. The cost of investments made in the reporting period in the footwear segment was 152 thousand euros.

The cost of the real estate business segment investment was 19,482 thousand euros. In March Sõbra Selver property in Tartu, Sõbra street 56a, was purchased and in Valga, Raja street 5, Valga Selver property. In July Keskuse property in Harjumaa at Viimsi parish, Haabneeme was purchased. Major renovation works were performed in Kuressaare, Saare Selver and in Veesaare, Peetri property. Construction in progress in Latvia amounted to 1,647 thousand euros.

The fair value of "Land and buildings" and the recoverable amount of "Unfinished buildings" were appraised as of 31.12.2013. The fair values of "Land and buildings" and the recoverable amounts of unfinished buildings (based on their value in use) were established with a decision by the management using the opinions of independent certified real estate experts and internally using the expert opinions on discount and capitalisation rates. The discounted cash flow method, market-based data (comparable transactions, revenue from lettings, etc.) and the declining-balance depreciation method was used for appraising the fair value as well as the recoverable amounts.

Discount rates of 8.5–12.0% (2012: 8.5%–12.5%) and growth rates of 1.0% to 1.25% (2012: 1.0% to 2.0%) were used in the appraisal. As a result on the appraisal, in the financial year, the value of registered immovables in Estonia increased by 18,650 thousand euros in the revaluation reserve and by 614 thousand euros in the income statement. The decrease in the value of unfinished buildings in Estonia reflected in the income statement was in the amount of 605 thousand euros. In 2012, the objects under "Land and buildings" and "Unfinished buildings" in Estonia did not undergo any write-ups or write-downs.

The appraisal did not result in any write-ups or write-downs of "Land and buildings" and "Unfinished buildings" in Latvia in 2013 or in 2012.

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

Note 11. Intangible assets

in thousands of euros

	Goodwill	Trademark	Beneficial contracts	Development expenditure	Total
31.12.2011					
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	108	108
Amortisation	0	-461	-196	-51	-708
31.12.2013					
Cost	7,298	5,097	1,080	496	13,971
Accumulated amortisation and impairment	-588	-1,588	-1,080	-79	-3,335
Carrying value	6,710	3,509	0	417	10,636

In the reporting period Group capitalised costs of the Partner Card loyalty programme as development expenditure in the amount of 108 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 31.12.2013 is 9.5 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	31.12.2013	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	31.12.2013	31.12.2012
Short-term borrowings		
Overdraft	400	294
Bank loans	12,265	16,310
Finance lease liability	0	3
Other borrowings	1,635	603
Total short-term borrowings	14,300	17,210

in thousands of euros	31.12.2013	31.12.2012
Long-term borrowings		
Bank loans	75,283	59,570
Other borrowings	1,821	211
Total long-term borrowings	77,104	59,781
Total borrowings	91,404	76,991

Borrowings received

in thousands of euros	IV quarter 2013	IV quarter 2012	12 months 2013	12 months 2012
Overdraft	0	0	106	0
Bank loans	15,634	6,927	63,476	42,581
Other borrowings	2,936	617	4,718	1,662
Total borrowings received	18,570	7,544	68,300	44,243

Borrowings paid

in thousands of euros	IV quarter 2013	IV quarter 2012	12 months 2013	12 months 2012
Overdraft	8,977	6	0	1
Bank loans	9,426	9,013	51,808	32,478
Finance lease liability	0	0	3	128
Other borrowings	603	576	2,077	1,497
Total borrowings paid	19,006	9,595	53,888	34,104

Bank loans and finance lease liabilities are denominated in euros.

As of 31.12.2013, the repayment dates of bank loans are between 28.01.2014 and 4.12.2019 (2012: between 28.01.2013 and 30.08.2018), interest is tied both to 3-month and 6-month EURIBOR as well as EONIA. Weighted average interest rate was 1.4% (2012: 1.41%).

Note 13. Trade payables and other liabilities

in thousands of euros

	31.12.2013	31.12.2012
Trade payables	51,112	49,113
Payables to related parties (Note 21)	5,323	4,965
Other accrued expenses	69	268
Prepayments by tenants	1,264	1,247
Total financial liabilities from balance sheet line "Trade payables and other liabilities"	57,768	55,593
Taxes payable (Note 14)	5,388	4,740
Employee payables	3,521	3,220
Prepayments	895	445
Short-term provisions*	153	153
Total trade payables and other liabilities	67,725	64,151

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

Note 14. Taxes

in thousands of euros

	31.12.2013		31.12.2012	
	Prepaid taxes	Taxes payable	Prepaid taxes	Taxes payable
Prepaid taxes	139	0	58	0
Value added tax	0	2,459	0	2,325
Personal income tax	0	864	0	677
Social security taxes	0	1,787	0	1,482
Corporate income tax	0	42	0	41
Unemployment insurance	0	149	0	147
Mandatory funded pension	0	87	0	68
Total taxes	139	5,388	58	4,740

Note 15. Share capital

As of 31.12.2013, 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 3,777 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

	Super markets	Depart- ment store	Car trade	Footwea r trade	Real estate	Inter- segment transact- ions	Total seg- ments
IV quarter 2013							
External revenue	92,127	27,010	14,079	4,051	938	0	138,205
Inter-segment revenue	253	987	12	70	2,755	-4,077	0
Total revenue	92,380	27,997	14,091	4,121	3,693	-4,077	138,205
EBITDA	4,368	3,161	535	387	3,339	0	11,790
Segment depreciation and impairment losses	-848	-441	-93	-209	-918	0	-2,509
Operating profit/	3,520	2,720	442	178	2,421	0	9,281
Finance income (Note 19)	25	93	5	0	9	-125	7
Finance income on shares of associates	0	29	0	0	0	0	29
Finance costs (Note 19)	0	-96	-73	-35	-299	125	-378
Income tax	0	0	-3	0	0	0	-3
Net profit	3,545	2,746	371	143	2,131	0	8,936
incl. in Estonia	4,137	2,746	414	144	2,024	0	9,465
incl. in Latvia	-592	0	-39	-1	107	0	-525
incl. in Lithuania	0	0	-4	0	0	0	-4
Segment assets	74,334	65,211	19,958	13,211	207,808	-52,727	327,795
Segment liabilities	53,757	21,122	12,056	13,283	97,524	-37,735	160,007
Segment investment in non-current assets	3,607	359	368	93	2,993	0	7,420

in thousands of euros

	Super markets	Depart- ment store	Car trade	Footwea r trade	Real estate	Inter- segment transact- ions	Total seg- ments
IV quarter 2012							
External revenue	86,867	26,000	9,755	4,083	731	0	127,436
Inter-segment revenue	240	897	7	75	2,499	-3,718	0
Total revenue	87,107	26,897	9,762	4,158	3,230	-3,718	127,436
EBITDA	4,480	2,815	397	437	3,096	0	11,225
Segment depreciation and impairment losses	-1,062	-455	-102	-199	-869	0	-2,687
Operating profit	3,418	2,360	295	238	2,227	0	8,538
Finance income (Note 19)	44	168	1	0	19	-208	24
Finance income on shares of associates	0	26	0	0	0	0	26
Finance costs (Note 19)	0	-141	-43	-60	-348	208	-384
Income tax	0	0	2	0	0	0	2
Net profit/loss	3,462	2,413	255	178	1,898	0	8,206
incl. in Estonia	4,050	2,413	341	178	1,754	0	8,736
incl. in Latvia	-588	0	-46	0	144	0	-490
incl. in Lithuania	0	0	-40	0	0	0	-40
Segment assets	72,452	72,402	15,726	13,802	176,836	-63,378	287,840
Segment liabilities	49,968	26,566	9,773	18,035	89,069	-51,750	141,661
Segment investment in non-current assets	2,073	281	130	366	2,185	0	5,035

in thousands of euros

	Super markets	Depart- ment store	Car trade	Footwea r trade	Real estate	Inter- segment transact- ions	Total seg- ments
12 months 2013							
External revenue	343,147	89,592	48,023	14,684	3,275	0	498,721
Inter-segment revenue	934	3,740	31	210	10,584	-15,499	0
Total revenue	344,081	93,332	48,054	14,894	13,859	-15,499	498,721
EBITDA	10,280	6,054	2,542	920	13,299	0	33,095
Segment depreciation and impairment losses (Note 10, 11)	-3,983	-1,848	-390	-857	-3,652	0	-10,730
Operating profit/loss	6,297	4,206	2,152	63	9,647	0	22,365
Finance income (Note 19)	103	403	13	1	49	-538	31
Finance income on shares of associates	0	163	0	0	0	0	163
Finance costs (Note 19)	0	-401	-244	-152	-1,063	538	-1,322
Income tax	-1,745	-1,196	4	0	-836	0	-3,773
Net profit/loss	4,655	3,175	1,925	-88	7,797	0	17,464
incl. in Estonia	7,022	3,175	1,930	-73	7,063	0	19,117
incl. in Latvia	-2,367	0	-33	-15	734	0	-1,681
incl. in Lithuania	0	0	28	0	0	0	28
Segment assets	74,334	65,211	19,958	13,211	207,808	-52,727	327,795
Segment liabilities	53,757	21,122	12,056	13,283	97,524	-37,735	160,007
Segment investment in non-current assets (Note 10, 11)	8,188	1,897	532	152	19,482	0	30,251

in thousands of euros

12 months 2012	Super markets	Department store	Car trade	Footwear trade	Real estate	Inter-segment transactions	Total segments
External revenue	329,989	86,257	34,237	14,445	2,872	0	467,800
Inter-segment revenue	906	2,281	23	375	9,323	-12,908	0
Total revenue	330,895	88,538	34,260	14,820	12,195	-12,908	467,800
EBITDA	17,098	4,869	2,234	922	12,377	0	37,500
Segment depreciation and impairment losses	-5,473	-1,748	-235	-782	-3,243	0	-11,481
Operating profit/loss	11,625	3,121	1,999	140	9,134	0	26,019
Finance income (Note 19)	225	886	1	1	84	-1,064	133
Finance income on shares of associates	0	126	0	0	0	0	126
Finance costs (Note 19)	-3	-710	-213	-240	-1,545	1,064	-1,647
Income tax	-2,801	0	0	0	-960	0	-3,761
Net profit/loss	9,046	3,423	1,787	-99	6,713	0	20,870
incl. in Estonia	11,395	3,423	1,907	-31	6,228	0	22,922
incl. in Latvia	-2,349	0	-80	-68	485	0	-2,012
incl. in Lithuania	0	0	-40	0	0	0	-40
Segment assets	72,452	72,402	15,726	13,802	176,836	-63,378	287,840
Segment liabilities	49,968	26,566	9,773	18,035	89,069	-51,750	141,661
Segment investment in non-current assets	4,487	3,409	1,863	521	20,796	0	31,076

External revenue according to types of goods and services sold

in thousands of euros

	IV quarter 2013	IV quarter 2012	12 months 2013	12 months 2012
Retail revenue	129,847	119,191	467,675	437,331
Wholesale revenue	3,738	4,033	14,718	15,515
Rental income	1,853	1,550	6,694	6,053
Revenue for rendering services	2,767	2,662	9,634	8,901
Total revenue	138,205	127,436	498,721	467,800

External revenue by client location

in thousands of euros

	IV quarter 2013	IV quarter 2012	12 months 2013	12 months 2012
Estonia	131,226	125,281	481,445	458,427
Latvia	5,201	1,143	11,031	3,886
Lithuania	1,778	1,012	6,245	5,487
Total	138,205	127,436	498,721	467,800

Distribution of non-current assets* by location of assets

in thousands of euros

	31.12.2013	31.12.2012
Estonia	207,840	171,572
Latvia	35,372	34,193
Lithuania	177	192
Total	243,389	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

	IV quarter 2013	IV quarter 2012	12 months 2013	12 months 2012
Rental expenses	3,700	3,422	14,453	13,403
Heat and electricity expenses	2,127	1,833	8,398	6,988
Operating costs	1,658	1,720	6,710	6,765
Cost of sale related services and materials	2,035	1,879	7,113	6,561
Marketing expenses	1,824	1,909	6,703	6,340
Miscellaneous other operating expenses	1,243	1,018	3,388	3,198
Computer and communication costs	787	732	2,763	2,398
Personnel expenses	511	470	1,837	1,589
Total other operating expenses	13,885	12,983	51,365	47,242

Note 18. Staff costs

in thousands of euros

	IV quarter 2013	IV quarter 2012	12 months 2013	12 months 2012
Wages and salaries	8,893	7,669	31,199	27,232
Social security taxes	2,950	2,572	10,372	9,144
Total staff costs	11,843	10,241	41,571	36,376
Average wages per employee per month (euros)	824	757	732	680
Average number of employees in the reporting period	3,596	3,378	3,554	3,335

Note 19. Finance income and costs

in thousands of euros

Finance income

	IV quarter 2013	IV quarter 2012	12 months 2013	12 months 2012
Interest income on cash and cash equivalents	0	0	0	1
Interest income on Partner credit card	6	18	19	78
Interest income from loans to related parties	1	4	8	45
Interest income on NGI Group's group account (Note 21)	0	1	2	8
Other finance income	0	1	2	1
Total finance income	7	24	31	133

Finance costs

	IV quarter 2013	IV quarter 2012	12 months 2013	12 months 2012
Interest expense of bank loans	-327	-363	-1,163	-1,569
Interest expense of finance lease	0	-1	0	-4
Other finance costs*	-51	-20	-159	-74
Total finance costs	-378	-384	-1,322	-1,647

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

Note 20. Earnings per share

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

	IV quarter 2013	IV quarter 2012	12 months 2013	12 months 2012
Net profit (in thousands of euros)	8,936	8,206	17,464	20,870
Weighted average number of shares	40 729 200	40 729 200	40 729 200	40 729 200
Basic and diluted earnings per share (euros)	0.22	0.20	0.43	0.51

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:

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

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

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

	Purchases 12 months 2013	Sales 12 months 2013	Purchases 12 months 2012	Sales 12 months 2012
Parent	290	17	411	82
Entities in the Parent's consolidation group	26,560	4,542	21,346	1,888
Members of management and supervisory boards	0	24	0	4
Other related parties	741	167	744	174
Total	27,591	4,750	22,501	2,148

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

Balances with related parties:

	31.12.2013	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)	524	127
Loan receivable from entities in the in the Parent's consolidation group (Note 3)	0	96
Sales bonuses receivable from entities in the in the Parent's consolidation group (Note 4)	135	121
Members of management and supervisory boards (Note 4)	5	4
Total receivables from related parties	665	5,350
	31.12.2013	31.12.2012
Parent	25	21
Entities in the Parent's consolidation group	5,251	4,895
Other related parties	47	49
Total liabilities to related parties (Note 13)	5,323	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 12 months of 2013 Tallinna Kaubamaja Group earned interest income on its deposits of available funds in the amount of 8 thousand euros (2012: 45 thousand euros). As at 31 December 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 31.12.2013 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: 0.14%). 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 1,065 thousand euros (12 months 2012: 841 thousand euros). Short term benefits to supervisory boards' members of Tallinna Kaubamaja Group in reporting period including social taxes amounted to 268 thousand euros (12 months 2012: 240 thousand euros).