

# **TALLINNA KAUBAMAJA AS**

**Consolidated Interim Report for  
the Fourth quarter and 12 months of 2014**  
(unaudited)

## Table of contents

MANAGEMENT REPORT .....	4
CONSOLIDATED FINANCIAL STATEMENTS .....	11
MANAGEMENT BOARD'S CONFIRMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS .....	11
CONSOLIDATED STATEMENT OF FINANCIAL POSITION .....	12
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME .....	13
CONSOLIDATED CASH FLOW STATEMENT .....	14
NOTES TO THE CONSOLIDATED INTERIM ACCOUNTS .....	16
<b>Note 1. Accounting Principles Followed upon Preparation of the Consolidated Interim Accounts .....</b>	<b>16</b>
<b>Note 2. Cash and Bank .....</b>	<b>17</b>
<b>Note 3. Trade Receivables and prepayments .....</b>	<b>17</b>
<b>Note 4. Trade receivables .....</b>	<b>17</b>
<b>Note 5. Inventories .....</b>	<b>17</b>
<b>Note 6. Subsidiaries .....</b>	<b>18</b>
<b>Note 7. Investments in associates .....</b>	<b>19</b>
<b>Note 8. Long-term prepayments and receivables .....</b>	<b>20</b>
<b>Note 9. Investment property .....</b>	<b>20</b>
<b>Note 10. Property, plant and equipment .....</b>	<b>21</b>
<b>Note 11. Intangible assets .....</b>	<b>22</b>
<b>Note 12. Interest bearing borrowings .....</b>	<b>23</b>
<b>Note 13. Trade payables and other liabilities .....</b>	<b>24</b>
<b>Note 14. Taxes .....</b>	<b>24</b>
<b>Note 15. Share capital .....</b>	<b>25</b>
<b>Note 16. Segment reporting .....</b>	<b>25</b>
<b>Note 17. Other operating expenses .....</b>	<b>28</b>
<b>Note 18. Staff costs .....</b>	<b>29</b>
<b>Note 19. Finance income and costs .....</b>	<b>29</b>
<b>Note 20. Earnings per share .....</b>	<b>29</b>
<b>Note 21. Related party transactions .....</b>	<b>30</b>
<b>Note 22. Contingent liabilities .....</b>	<b>31</b>
<b>Note 23. Events after the balance sheet date .....</b>	<b>31</b>

## 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 3,800 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 2014
End of financial year:	31 December 2014
Beginning of interim report period:	1 January 2014
End of interim report period:	31 December 2014
Auditor:	PricewaterhouseCoopers AS
Telephone:	372 667 3200
Fax:	372 667 3205
E-mail:	kaubamaja@kaubamaja.ee

## MANAGEMENT REPORT

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

### 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 Kõo (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 Kõo, 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 21 February 2014 and his term of office expires on 6 March 2017.

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

### Share market

Since 19 August 1997, the shares of 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 0.40 euros. The shares are freely transferable, no statutory restrictions apply. There are no restrictions on transfer of securities to the company as provided by contracts between the company and its shareholders. We do not have information about contracts between the shareholders restricting the transfer of securities. NG Investeeringud OÜ has direct significant participation. Shares granting special rights to their owners have not been issued.

The members of the management board of Tallinna Kaubamaja 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<sup>1</sup> of Stock Market Trade Act.

The share with a price of 5.30 euros at the end of 2013 was closed in late December of 2014 at 5.10 euros, decreased by 3.77% within the twelve months of the year.

According to the notice of regular annual general meeting of the shareholders published on 3 March 2014, the management board proposed to pay dividends 0.15 euros per share. The general meeting of shareholders approved it.

On 27 March 2014, the annual general meeting of shareholders of Tallinna Kaubamaja AS decided to amend the articles of association and to reduce the share capital by reducing the nominal value of shares by 0.20 euros, from the existing 0.60 euros to 0.40 euros. At the same time, the total number of shares was not changed. According to the Commercial Code, respective amendment of the articles of association shall take effect as of respective entry to the Commercial Registry. Respectively, also the changes in the share capital and nominal value of the shares shall be considered changed as of entry in the Commercial Registry. The abovementioned entries to the Commercial Registry were made in 7 July 2014.

## Tallinna Kaubamaja AS

Share price and trading statistics on the Tallinn Stock Exchange from 01.01.2014 to 31.12.2014.

In euros



### Company's structure

The following companies belong to the group as of December 31, 2014:

	Location	Shareholding as of 31.12.2014	Shareholding as of 31.12.2013
Selver AS	Estonia	100%	100%
Kulinaaria OÜ	Estonia	100%	100%
Kaubamaja AS	Estonia	100%	100%
Topsec Turvateenused OÜ	Estonia	100%	100%
Viking Security AS	Estonia	100%	0%
Tartu Kaubamaja Kinnisvara OÜ	Estonia	100%	100%
Tallinna Kaubamaja Kinnisvara AS	Estonia	100%	100%
SIA TKM Latvija	Latvia	100%	100%
Selver Latvia SIA	Latvia	100%	100%
TKM Auto OÜ	Estonia	100%	100%
KIA Auto AS	Estonia	100%	100%
KIA Auto UAB	Lithuania	100%	100%
Forum Auto SIA	Latvia	100%	100%
Viking Motors AS	Estonia	100%	100%
OÜ TKM Beauty	Estonia	100%	100%
OÜ TKM Beauty Eesti	Estonia	100%	100%
SIA Suurtuki	Latvia	0%	100%
AS TKM King	Estonia	100%	100%
SIA ABC King	Latvia	0%	100%
Rävala Parkla AS	Estonia	50%	50%

Economic development

The gross domestic product of the fourth quarter of 2014 increased by 2.7% in comparison with fourth quarter of the previous year. The Statistical Office revised the time series of the indicators of national accounting and corrected the system of national accounts, which brought about the changes in the preceding comparable GDP indicators. According to the preliminary data of the Statistical Office, the growth of GDP for the year 2014 is 1.8%. In 2014, the weakening of the external environment and deterioration of economic and political situation in Russia resulted in smaller volumes of export and investments. The analysts estimate that in 2015, the foreign demand should start increasing once again, as the economic growth of our main trading partners will pick up. According to the Bank of Estonia, the growth of the Estonian economy in 2014 was mainly supported by the domestic market; however, the market share of Estonian goods and services in the trade of our partner countries has also increased. The accelerated growth of the industrial production and somewhat more optimistic expectations for production indicate the further increase of economic activity. Wage growth has somewhat decelerated but the pressure on the wage growth resulting from the shortage of labour supply will persist. Analysts estimate that in 2015, the wage growth will be faster than 5%. The decrease of the Estonian consumer price index in the fourth quarter of 2014 was 0.5%; the total decrease for the year 2014 was 0.1%, whereas the prices of food and non-alcoholic beverages increased 0.02% and the prices of apparel and footwear increased 1.15%. The largest increase in prices was seen in eating out and accommodation – an increase of 4.5%. The prices fell in education (-16.7%), communication (-5.3%) and transportation (-2.6%).

According to the Statistical Office, the increase of the total volume of retail turnover in current prices in Estonia in the fourth quarter of 2014 was 5.4%; the total increase in the year 2014 was 6.4%. The largest increase in turnover in 2014 was in the sales and repair of motor vehicles – 64.4%, but its proportion in the retail sales was small, merely 0.2%. Retail sales in unspecialised stores (mostly groceries) increased by 6.5% in the fourth quarter and the total growth for the year was 8.5%. In current prices, the growth was sluggish in the retail sales of motor fuel (1.4%), the so-called department stores segment, i.e. retail sales in other unspecialised stores, was also diminishing (-4.6%). According to the consumer survey conducted in December 2014 by the Estonian Institute of Economic Research, the level of consumer confidence is higher than the long-term average; the expectations for the economic development of both the family and the state have increased. The economies of our neighbouring Baltic states are still supported by consumption, which increases hand in hand with the increase in purchase power of households in real terms.

Economic results**FINANCIAL RATIOS 2013–2014**

	EUR		Change
	4 <sup>th</sup> quarter 2014	4 <sup>th</sup> quarter 2013	
Sales revenue (in millions)	145.5	138.2	5.3%
Operating profit/loss (in millions)	10.1	9.3	9.3%
Net profit/loss (in millions)	10.0	8.9	11.4%
Return on equity (ROE)	5.9%	5.8%	
Return on assets (ROA)	3.0%	2.9%	
Net profit margin	6.84%	6.47%	
Gross profit margin	26.88%	27.12%	
Quick ratio	1.10	1.01	
Debt ratio	0.49	0.49	
Sales revenue per employee (in millions)	0.038	0.038	
Inventory turnover	1.87	1.94	
<b>SHARE</b>			
Average number of shares (1000 pcs)	40,729	40,729	
Equity capital per share (EUR/share)	4.27	4.12	
Share's closing price (EUR/share)	5.100	5.300	
Earnings per share (EUR/share)	0.24	0.22	
Average number of employees	3,824	3,596	

	EUR		Change
	12 month 2014	12 month 2013	
Sales revenue (in millions)	535.0	498.7	7.3%
Operating profit/loss (in millions)	23.8	22.4	6.4%
Net profit/loss (in millions)	20.3	17.5	16.2%
Return on equity (ROE)	11.9%	11.1%	
Return on assets (ROA)	6.1%	5.7%	
Net profit margin	3.79%	3.50%	
Gross profit margin	24.82%	25.22%	
Quick ratio	1.10	1.01	
Debt ratio	0.49	0.49	
Sales revenue per employee (in millions)	0.140	0.140	
Inventory turnover	7.07	7.18	
SHARE			
Average number of shares (1000 pcs)	40,729	40,729	
Equity capital per share (EUR/share)	4.27	4.12	
Share's closing price (EUR/share)	5.100	5.300	
Earnings per share (EUR/share)	0.50	0.43	
Average number of employees	3,824	3,554	
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 fourth quarter of 2014 was 145.5 million euros, which is 5.3% higher than the sales revenue in the previous year. The sales revenue of 12 months was 535.0 million euros, which is an increase of 7.3% from the result of 498.7 million euros in 2013. The consolidated unaudited net profit in the fourth quarter of 2014 was 10.0 million euros, which was an 11.4% increase from the profits for the comparable period of the previous year. The net profit for the group for the 12 months of 2014 was 20.3 million euros, which was 16.2% higher than the profit for the previous year (the profit for 2013 was 17.5 million euros). The profit before tax in 2014 was 22.5 million euros, which is an increase of 5.9% compared to the year before.

In the fourth quarter, there was the continuous positive tendency of sales growth in the group's main retail segments, which was higher than in the Estonian retail market on the average. The only retail segments with sales lower than the sales results from the preceding year were footwear and car segments. In the fourth quarter, the increased effect of several negative factors influencing the market could be felt. The year 2014 on the whole, but especially the 4<sup>th</sup> quarter, was affected by the expansion of the Estonian retail market with the emergence of new commercial premises and market participants. This is good news for consumers, but it has watered down the economic results of numerous market participants. The anticipated flow of tourists at the end of the year, especially from the East, was significantly lower than expected and diminished the sales of exclusive goods. All segments of the group were profitable in the fourth quarter. The only segment that ended the year with a loss was the footwear segment, which was affected by the changes in sales premises and product range. The group managed to achieve a 16.2% annual growth of the net profit for the year 2014. The increase of staff costs slowed down at the end of the year (the growth of the fourth quarter was 6.4%, the total for the year was 11.8%), which resulted from the slowdown of the increase of the number of employees; in the last quarter of 2014, the number of employees increased by 6.3% in comparison with the preceding year. The lower growth of profits in 2014 was due to lower sales margins in car and footwear segments. The influence was most felt in the footwear segment, where the margin decreased due to changes in product ranges.

In the fourth quarter, we reopened the I.L.U store at the Ülemiste shopping centre, which had been closed in August in the course of reconstruction works. Now, the store has a new and more attractive location and a larger sales area. In November, we opened the new website for I.L.U. at [www.ilu.eu](http://www.ilu.eu) with the additional option of e-sales. Kaubamaja continued its online business with campaign stores: in October, we opened the online shop for the sales campaign *Osturalli*, and at the end of the year, we launched the gift shop *Kingituste e-pood*. As from the beginning of 2014, we

have opened a new Selver supermarket and SHU shoe store in the Astri shopping centre in Narva; however, we have closed the SHU shoe store at the Viru shopping centre in Tallinn city centre. In September 2014, the construction works of a new shopping centre in Viimsi began, where a new Selver supermarket will be opened in 2015.

The amount of assets of the Tallinna Kaubamaja group as at 31 December 2014 was 342.9 million euros, which is an increase of 4.6% or 15.1 million euros in comparison with the end of 2013.

At the end of the reporting period, there were over 614 thousand customers in our customer loyalty programme, which is an annual increase of 7.1%. The proportion of loyal customers in the group's turnover was 80.9% (82.1% in 2013). There were over 5.3 thousand Partner Bank and Credit cards issued in Estonia by the end of December.

### Selver supermarkets

The consolidated sales revenue of the supermarket business segment in 2014 was 368.2 million euros, which in an increase of 7.3% in comparison with the preceding year. The consolidated sales revenue of the fourth quarter was 99.2 million euros, increasing by 7.7% in comparison with the same period in the preceding year. The average monthly sales revenue of goods per square metre of commercial space in 2014 was 0.36 thousand euros, which is a 0.2% decrease in comparison with the preceding year. In the fourth quarter, the average monthly sales revenue of goods per square metre of commercial space was 0.38 thousand euros, which is a 2.9% increase compared to the same period in the preceding year. The sales revenue of goods per square metre of commercial space for comparable stores in 2014 was 0.36 thousand euros, which represents a 0.6% fall in comparison with 2013, and in the fourth quarter of 2014 an average of 0.38 thousand euros, which is a 2.5% increase compared to the same period in 2013. Throughout 2014, 35.6 million purchases were made in Selver supermarkets, which is 5.2% more than in the previous year.

The consolidated profit before tax for 2014 in the supermarket segment was 8.1 million euros and the net profit was 7.7 million euros. The consolidated profit before tax and net profit for the fourth quarter was 4.4 million euros. The net profit for the fourth quarter was an increase of 0.8 million euros in comparison with the same period in the preceding year. The net profit for the year 2014 was an increase of more than 3.0 million euros in comparison with the year 2013. The profit before tax and the net profit earned in Estonia in the fourth quarter were 5.0 million euros and the annual profit before tax was 10.5 million euros and net profit 10.1 million euros. The difference between net profit and profit before tax emerges from the income tax paid on dividends. The loss before tax and net loss earned in Latvia in 2014 was 2.4 million euros, whereof 0.6 million euros is the share of the fourth quarter. The loss remained on the same level as in the previous year.

The increase in turnover in 2014 was supported by new stores that had been opened in 2012 and 2013. The increase of turnover was also supported by low inflation rate, good consumer confidence, and private consumption spending indicators. In the second half of the year especially, the turnover was affected by successful marketing campaigns and also the category management project and the changes in product range that take clients' needs into account to a larger extent. There was negative influence proceeding from changing competitive environment, as a result of which, there is a redistribution of clients between stores, including Selver supermarkets. Looking by segments, the increase of turnover is led by the food segment, where there was an increase in the sales of fresh groceries and the increased range of gourmet products. The profits for 2014 were positively affected by the continuous improvement of the efficiency of activities. In addition to that, changes in the labour market had an effect on the profits throughout the year 2014, as a result of which, the average wages have increased and the staff expenses have also risen. The annual results also include the non-capitalized costs related to one-off projects. Larger one-off projects in the reported year were as follows: on 1 January, new commerce software was implemented in Selver supermarkets; in the first quarter, the Gurmeekauplus store selling gourmet food items in Solaris centre was closed, and a new section of gourmet goods was opened in Pirita Selver; in June, a new Selver supermarket was opened at the Astri shopping centre in Narva. In 2014, the content of the SelveEkspress service was improved and the webpage of Selver was updated.

The supermarket segment includes the chain of Selver supermarkets with 44 Selver supermarkets and sales area of 83.9 thousand m<sup>2</sup>, SIA Selver Latvia, where there is no current business operation, and Kulinaaria OÜ, which includes the largest central kitchen in the Baltic States. In 2015, we plan to open a Selver supermarket in Viimsi and expand the SelveEkspress service to five existing Selver supermarkets.

### Department stores

The sales revenue of the department store business segment in 2014 was 92.5 million euros, which is a 3.3% increase in comparison with the same period last year. The sales revenue of the fourth quarter was 28.4 million euros, which is 5.0% more than the revenue of the fourth quarter in 2013. The average monthly sales revenue of department stores per square metre of sales premises was 0.3 thousand euros, which is 2.2% higher than in the preceding year. The profit before tax of department stores in 2014 was 4.8 million euros, which was 10.2% higher than the profit for the preceding year. The profit before tax for the fourth quarter was 2.9 million euros, which was 4.6% more in comparison with the preceding period. In conclusion of 2014, it should also be said that the results of Kaubamaja department stores were affected by difficult access to both department store buildings, as tramways were renovated in Tallinn and the streets in the centre of Tartu were closed for extensive reconstruction works. The results were also affected by autumn and winter months that were warmer than usual, which allowed clients to postpone the purchase decision of clothing items and had the most profound effect on the sales of outdoor clothing. In the fourth



quarter, the results of Kaubamaja were affected by aggressive and large-scale campaigns of the competitors and also the altered competitive environment in the Tallinn retail market, as the renovated Ülemiste shopping centre reopened in October. However, taking all this into consideration, Kaubamaja department stores have managed to be profitable and hold their market share.

The sales revenue of OÜ TKM Beauty, which operates the I.L.U. cosmetic stores in Estonia, in the fourth quarter of 2014 was 1.6 million euros, which is an increase of 3.7% in comparison with the same period in 2013. The sales revenue for the year 2014 was 4.7 million euros, representing a growth of 1.6% in comparison with the year 2013. The profit in the fourth quarter was 0.01 million euros; in the comparable period in 2013, the loss was 0.01 million euros. The total loss for the year 2014 was 0.3 million euros, which was 0.07 million euros lower in comparison with 2013. In the summer of 2014, there was a development carried out in the I.L.U. store in Pärnu, where sales area was decreased and the available product range was optimized, proceeding from the expectations of the local consumers. The I.L.U. store in Ülemiste shopping centre was closed in August for the renovation works of the centre, and reopened in October, in a more attractive location and with a larger sales area. In November, the new website of I.L.U. at [www.ilu.eu](http://www.ilu.eu) was opened with the added online sales function. In November, Anne-Liis Ostov, who was previously the Marketing Director of Kaubamaja AS, became the Member of the Management Board and the CEO.

### Car Trade

The sales revenue of the car trade segment in 2014 was 57.7 million euros. The sales revenue was 20.1% higher than the same revenue for the previous year; including the sales revenue of KIAs increasing by 16.9%. The sales revenue for the fourth quarter of 13.9 million euros was 1.2% lower than in the same period of the previous year, whereas the sales revenue of KIAs grew by 14.2%. The decrease of the sales revenue in the fourth quarter was mostly due to the weaker result of the Latvian company of the car trade segment. At the end of 2013, a new car show room was opened in Latvia, and at the same time, the consumption increased in anticipation of the conversion to euro, so the reference base was higher. In 2014, altogether 3,050 new vehicles were sold, out of which 624 vehicles were sold in the fourth quarter. The net profit of the segment for 2014 was 1.7 million euros. The profit before tax for the segment in 2014 was 2.0 million euros, which is an increase of 6.1% in comparison with the profit for 2013. The net profit for the fourth quarter of 2014 was 0.6 million euros, which is an increase of 48.8% in comparison with the same period in the previous year.

### Footwear trade

The sales revenue of the footwear segment in 2014 was 13.4 million euros, which was a decrease of 9.0% in comparison with the preceding year. The turnover for the fourth quarter was 3.2 million euros, which is a decrease of 21.3% in comparison with the same period for the previous year. The loss for 2014 was 1.3 million euros, whereas the loss for 2013 was 0.1 million euros. The profit for the fourth quarter of 2014 was 0.04 million euros. The profit for the fourth quarter in 2013 was 0.1 million euros. The annual sales revenue was affected strongly by the relocation of ABC flagship store to the first floor of the Viru shopping centre and the termination of rent lease of the SHU store in the same shopping centre. In addition, there was a long and warm autumn in the fourth quarter, which did not favour the sales of warm winter boots, thereby negatively affecting both sales revenues and sales margin. In the fourth quarter, we continued making changes in the planned product range and brand portfolio, and in relation to that, reorganizing store supplies, which resulted in temporary diminishing of the gross margin. In comparison with the previous period, the level of store supplies by the end of 2014 was optimized down by 1.95 million euros.

### Real estate

The extra-group sales revenue of the real estate business segment for 2014 was 3.3 million euros. The sales revenue increased by 1.1% in comparison with the previous year. The extra-group sales revenue for the fourth quarter of 2014 was 0.8 million euros, which was a decrease of 10.4% in comparison with the previous year. The decrease of turnover was a result of higher reference base of 2013, which was due to rearrangements with the changes of lessees at the end of 2013. The profit before tax for real estate segment in 2014 was 8.8 million euros, which was 0.2 million euros or 2.3% more than in the previous fiscal year (in 2013 it was 8.6 million euros). The profit before tax for the fourth quarter of 2014 was 2.1 million euros (in the fourth quarter of 2013, it was 2.1 million euros). The annual profit increase in 2014 resulted from the increase of the rentable areas belonging to the Company in 2013, as at the end of the year, the Peetri Selver supermarket in Rae rural municipality and a car show room in Ulmana Street in Riga were completed. At the end of September 2014, the construction works of shopping and entertainment centre in Viimsi were started. The centre is planned to be opened in the autumn of 2015.

### Personnel

The average number of employees in the Tallinna Kaubamaja Group in 2014 was 3,824, which exceeds the same number of 2013 by 7.6%. Total labour costs (cost of wages and social tax) amounted to 46.5 million euros in 2014, having grown by 11.8 % in comparison with the previous year. In the fourth quarter, the labour costs increased by 6.4% compared to the year before, while the average number of employees increased by 6.3%. The average monthly cost of wages grew by 4.0% in 2014 compared to the average wages of the 2013. In the fourth quarter of 2014 the average wages was same as in the previous year. The number of employees has grown as a result of opening the new Selver supermarket and extension of security services. The salaries have been corrected to the extent that allows preventing the increase of employee turnover and decrease in efficiency in relation to narrowed recruitment choices.

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, 11 February 2015


## 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 2014 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, 11 February 2015

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros

	Note	31.12.2014	31.12.2013
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank	2	24,626	14,766
Trade receivables and prepayments	3	17,938	15,991
Inventories	5	56,876	51,937
<b>Total current assets</b>		<b>99,440</b>	<b>82,694</b>
<b>Non-current assets</b>			
Receivables and prepayments	8	338	313
Investments in associates	7	1,778	1,711
Investment property	9	3,035	3,035
Property, plant and equipment	10	227,914	229,406
Intangible assets	11	10,402	10,636
<b>Total non-current assets</b>		<b>243,467</b>	<b>245,101</b>
<b>TOTAL ASSETS</b>		<b>342,907</b>	<b>327,795</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Borrowings	12	20,405	14,300
Trade payables and other liabilities	13	70,317	67,725
<b>Total current liabilities</b>		<b>90,722</b>	<b>82,025</b>
<b>Non-current liabilities</b>			
Borrowings	12	77,663	77,104
Provisions and prepayments		692	878
<b>Total non-current liabilities</b>		<b>78,355</b>	<b>77,982</b>
<b>TOTAL LIABILITIES</b>		<b>169,077</b>	<b>160,007</b>
<b>Equity</b>			
Share capital	15	16,292	24,438
Statutory reserve capital		2,603	2,603
Revaluation reserve		67,159	68,617
Currency translation differences		-255	-257
Retained earnings		88,031	72,387
<b>TOTAL EQUITY</b>		<b>173,830</b>	<b>167,788</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>342,907</b>	<b>327,795</b>

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

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

In thousands of euros

	Note	IV quarter 2014	IV quarter 2013	12 months 2014	12 months 2013
Revenue	16	145,512	138,205	535,045	498,721
Other operating income		195	399	715	966
Materials, consumables used and services	5	-106,392	-100,722	-402,233	-372,930
Other operating expenses	17	-13,547	-13,885	-51,510	-51,365
Staff costs	18	-12,599	-11,843	-46,493	-41,571
Depreciation, amortisation and impairment losses	10, 11	-2,844	-2,509	-10,970	-10,730
Other expenses		-180	-364	-767	-726
<b>Operating profit</b>		<b>10,145</b>	<b>9,281</b>	<b>23,787</b>	<b>22,365</b>
Finance income	19	5	7	24	31
Finance costs	19	-367	-378	-1,494	-1,322
Finance income on shares of associates	7	24	29	172	163
<b>Profit before tax</b>		<b>9,807</b>	<b>8,939</b>	<b>22,489</b>	<b>21,237</b>
Income tax	15	144	-3	-2,194	-3,773
<b>NET PROFIT FOR THE FINANCIAL YEAR</b>		<b>9,951</b>	<b>8,936</b>	<b>20,295</b>	<b>17,464</b>
<b>Other comprehensive income:</b>					
<i>Items that will be reclassified subsequently to profit or loss</i>					
Revaluation of land and buildings		0	18 650	0	18 650
Currency translation differences		0	-7	2	-250
<b>Other comprehensive income for the financial year</b>		<b>0</b>	<b>18,643</b>	<b>2</b>	<b>18,400</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR</b>		<b>9,951</b>	<b>27,579</b>	<b>20,297</b>	<b>35,864</b>
Basic and diluted earnings per share (euros)	20	0.24	0.22	0.50	0.43

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 2014	12 months 2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net profit		20,295	17,464
<i>Adjustments:</i>			
Income tax on dividends	15	1,324	3,777
Income tax expense	15	1,012	0
Interest expense	19	1,494	1,322
Interest income	19	-24	-31
Depreciation, amortisation	10, 11	10,929	10,595
Revaluation of property, plant and equipment	10	0	-8
Loss on sale and write-off of non-current assets	10	41	202
Profit on sale of non-current assets		-11	0
Effect of equity method	7	-172	-163
Change in inventories		-4,879	-3,673
Change in receivables and prepayments related to operating activities		2,261	-2,140
Change in liabilities and prepayments related to operating activities		2,216	3,921
<b>TOTAL CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>34,486</b>	<b>31,266</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment (excl. finance lease)	10	-8,982	-30,143
Proceeds from sale of property, plant and equipment	10	83	71
Purchase of intangible assets	11	-125	-108
Investments in subsidiaries	6	-308	0
Change in balance of parent company's group account	21	-4,000	5,000
Dividends received	7	105	80
Interest received	19	24	31
<b>TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<b>-13,203</b>	<b>-25,069</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings	12	52,508	68,194
Repayments of borrowings	12	-47,042	-53,885
Change in overdraft balance	12	1,199	107
Dividends paid	15	-6,109	-14,255
Income tax on dividends	15	-1,324	-3,777
Reduction of share capital	15	-8,146	0
Income tax paid	15	-1,012	0
Repayments of finance lease principal	12	0	-3
Interest paid		-1,498	-1,310
<b>TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES</b>		<b>-11,424</b>	<b>-4,929</b>
<b>TOTAL CASH FLOWS</b>		<b>9,859</b>	<b>1,268</b>
Effect of exchange rate changes		1	4
Cash and cash equivalents at the beginning of the period	2	14,766	13,494
Cash and cash equivalents at the end of the period	2	24,626	14,766
<b>Net change in cash and cash equivalents</b>		<b>9,860</b>	<b>1,272</b>

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	Revaluati on reserve	Retained earnings	Currency translation differences	Total
<b>Balance as of 31.12.2012</b>	<b>24,438</b>	<b>2,603</b>	<b>51,079</b>	<b>68,066</b>	<b>-7</b>	<b>146,179</b>
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
<b>Total comprehensive income for the reporting period</b>	<b>0</b>	<b>0</b>	<b>18,650</b>	<b>17,464</b>	<b>-250</b>	<b>35,864</b>
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
<b>Balance as of 31.12.2013</b>	<b>24,438</b>	<b>2,603</b>	<b>68,617</b>	<b>72,387</b>	<b>-257</b>	<b>167,788</b>
Net profit for the reporting period	0	0	0	20,295	0	20,295
Other comprehensive loss for the reporting period	0	0	0	0	2	2
<b>Total comprehensive income for the reporting period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>20,295</b>	<b>2</b>	<b>20,297</b>
Reclassification of depreciation of revalued land and buildings	0	0	-1,458	1,458	0	0
Reduction of share capital	-8,146	0	0	0	0	-8,146
Dividends paid	0	0	0	-6,109	0	-6,109
<b>Balance as of 31.12.2014</b>	<b>16,292</b>	<b>2,603</b>	<b>67,159</b>	<b>88 031</b>	<b>-255</b>	<b>173,830</b>

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 2013. 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 2013.

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 2014 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

	31.12.2014	31.12.2013
Cash on hand	550	571
Bank accounts	22,325	12,427
Cash in transit	1,751	1,768
<b>Total cash and bank</b>	<b>24,626</b>	<b>14,766</b>

**Note 3. Trade Receivables and prepayments**

in thousands of euros

	31.12.2014	31.12.2013
Trade receivables (Note 4)	10,167	13,336
Short-term receivables from related parties (Note 21)	4,000	0
Other short-term receivables	1,774	4
<b>Total financial assets from balance sheet line "Trade receivables and prepayments"</b>	<b>15,941</b>	<b>13,340</b>
Prepayment for goods	1,154	1,616
Other prepaid expenses	553	484
Prepaid rental expenses	160	412
Prepaid taxes (Note 14)	130	139
<b>Total trade receivables and prepayments</b>	<b>17,938</b>	<b>15,991</b>

**Note 4. Trade receivables**

in thousands of euros

	31.12.2014	31.12.2013
Trade receivables	7,554	11,027
Allowance for doubtful receivables	-59	-79
Receivables from related parties (Note 21)	748	665
Credit card payments	1,924	1,723
<b>Total trade receivables</b>	<b>10,167</b>	<b>13,336</b>

**Note 5. Inventories**

in thousands of euros

	31.12.2014	31.12.2013
Goods purchased for resale	56,133	51,216
Raw materials and materials	743	721
<b>Total inventories</b>	<b>56,876</b>	<b>51,937</b>

## Tallinna Kaubamaja AS

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 2014	IV quarter 2013	12 months 2014	12 months 2013
Write-down and write-off of inventories	1,906	2,003	8,265	6,560
Inventory stocktaking deficit	781	469	1,764	1,890
<b>Total materials and consumables used</b>	<b>2,687</b>	<b>2,472</b>	<b>10,029</b>	<b>8,450</b>

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

### Note 6. Subsidiaries

Tallinna Kaubamaja Group consists of:

Name	Location	Area of activity	Ownership 31.12.2014	Year of acquisition
Selver AS	Tallinn Pärnu mnt. 238	Retail trade	100%	1996
Tallinna Kaubamaja Kinnisvara AS	Tallinn Gonsiori 2	Real estate management	100%	1999
Tartu Kaubamaja Kinnisvara OÜ	Tartu Riia 1	Real estate management	100%	2004
SIA TKM Latvia	Riga Ieriku iela 3	Real estate management	100%	2006
SIA Selver Latvija	Riga Ieriku iela 3	Retail trade	100%	2006
TKM Auto OÜ	Tallinn Gonsiori 2	Commercial and finance activities	100%	2007
KIA Auto AS	Tallinn Ülemiste tee 1	Retail trade	100%	2007
Forum Auto SIA	Riga Pulkevza Brieza 31	Retail trade	100%	2007
KIA Auto UAB	Vilnius Perkunkiemio g.2	Retail trade	100%	2007
TKM Beauty OÜ	Tallinn Gonsiori 2	Retail trade	100%	2007
TKM Beauty Eesti OÜ	Tallinn Gonsiori 2	Retail trade	100%	2007
TKM King AS	Tallinn Betooni 14	Retail trade	100%	2008
Kaubamaja AS	Tallinn Gonsiori 2	Retail trade	100%	2012
Topsec Turvateenused OÜ	Tallinn Gonsiori 2	Security activities	100%	2012
Kulinaaria OÜ	Tallinn Taevakivi 7B	Centre kitchen activities	100%	2012
AS Viking Motors	Tallinn Tammsaare tee 51	Retail trade	100%	2012
Viking Security AS	Tallinn Mustamäe tee 4	Security activities	100%	2014

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. Reorganizing the structure of the group had no impact on the consolidated financial results. Restructuring did not have substantial influence on the operations of the Tallinna Kaubamaja AS group.

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.

## Tallinna Kaubamaja AS

Business combinations in 2014:

Name	Location	Area of activity	Acquisition date	Ownership %
Viking Security AS	Estonia	Security activities	02.09.2014	100%

Acquisition of the shareholding in Viking Security AS enables Tallinna Kaubamaja Group to further strengthen its security services, one of the most fast-growing business areas of the Group in recent years. As a result of the transaction, the service portfolio of Topsec Turvateenused OÜ will expand from manned guarding and video security to include services related to the design, installation and maintenance of electronic alarm, security and surveillance systems and the possibility of participating in certified security tenders.

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

in thousands of euros	Fair value
Cash and bank	44
Other receivables and assets	294
Fixed assets (Note 10)	34
Trademark (Note 11)	175
Liabilities	-195
<b>Total identifiable assets</b>	<b>352</b>
Cost of ownership interest	352
Paid for ownership interest in cash	<b>352</b>
Cash and cash equivalents in the acquired entity	<b>-44</b>
<b>Total cash effect on the Group</b>	<b>-308</b>

Trademark at value of 175 thousand euros was acquired. Trademark will be amortised during 7 years (Note 11).

From acquisition date till 31 December Viking Security AS earned net profit of 5 thousand euros and revenues amounted to 408 thousand euros. If the acquisition of Viking Security AS by the Group had happened at the beginning of the year then group revenues would have been higher by 1,160 thousand euros and net profit less by 19 thousand euros.

In order to increase efficiency, Tallinna Kaubamaja AS plans to merge the activities of subsidiaries in the group that are involved in security business – Topsec Turvateenused OÜ (company to be acquired) will be merged into Viking Security AS (acquiring company). As a result of the merger, Viking Security AS will remain, the sole shareholder of which will become Tallinna Kaubamaja AS. The activities of the company will be continued under the business name of the acquiring company, Viking Security AS. The merger agreement related to the above-mentioned merger was signed in December 2014. The merger will most likely be registered in the Commercial Registry in the spring of 2015.

In 2013 there were no business combinations.

### Note 7. Investments in associates

in thousands of euros

Tallinna Kaubamaja AS has ownership of 50% (2013: 50%) interest in the entity AS Rävala Parkla which provides the services of a parking house in Tallinn.

	31.12.2014	31.12.2013
<b>Investment in the associate at the beginning of the year</b>	<b>1,711</b>	<b>1,628</b>
Profit for the reporting period under equity method	172	163
Dividends received	-105	-80
<b>Investment in the associate at the end of the accounting period</b>	<b>1,778</b>	<b>1,711</b>

## Tallinna Kaubamaja AS

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

	31.12.2014	31.12.2013
Assets	3,602	3,644
Liabilities	46	222

	IV quarter 2014	IV quarter 2013	12 months 2014	12 months 2013
Revenue	115	113	456	428
Profit	48	58	344	326

### Note 8. Long-term prepayments and receivables

in thousands of euros

	31.12.2014	31.12.2013
Prepaid rental expenses	87	204
Deferred tax asset	216	74
Other receivables	35	35
<b>Total long-term prepayments and receivables</b>	<b>338</b>	<b>313</b>

### Note 9. Investment property

in thousands of euros

	EUR
<b>Carrying value as at 31.12.2012</b>	<b>3,756</b>
Reclassification (Note 10)	-721
<b>Carrying value as at 31.12.2013</b>	<b>3,035</b>
<b>Carrying value as at 31.12.2014</b>	<b>3,035</b>

Investment property represents construction in progress.

In 2014, the opinion of an independent certified real estate expert was used in appraising the fair value of 1 facility. In 2013, the opinion of an independent certified real estate expert was used in appraising the fair value of 3 facilities. During the realization of the 2013 detailed plan, two registered immovable 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.

As a result of valuation, the items of investment property were adjusted neither upwards nor downwards in 2014. In 2013 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
<b>31.12.2012</b>					
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
<b>Carrying value</b>	<b>143,259</b>	<b>5,768</b>	<b>8,131</b>	<b>33,140</b>	<b>190,298</b>
<b>Changes occurred in 2013</b>					
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
<b>31.12.2013</b>					
Cost or revalued amount	181,231	27,022	28,663	49,678	286,594
Accumulated depreciation	-3,006	-19,558	-18,874	-15,750	-57,188
<b>Carrying value</b>	<b>178,225</b>	<b>7,464</b>	<b>9,789</b>	<b>33,928</b>	<b>229,406</b>
<b>Changes occurred in 2014</b>					
Purchases and improvements	11	385	758	7,828	8,982
Acquired through business combinations (Note 6)	0	33	1	0	34
Reclassification	1,193	1,906	3,777	-6,876	0
Disposals	0	-61	-11	0	-72
Write-offs	-30	-4	-7	0	-41
Depreciation	-5,455	-1,971	-2,969	0	-10,395
<b>31.12.2014</b>					
Cost or revalued amount	181,815	28,728	29,527	50,630	290,700
Accumulated depreciation	-7,871	-20,976	-18,189	-15,750	-62,786
<b>Carrying value</b>	<b>173,944</b>	<b>7,752</b>	<b>11,338</b>	<b>34,880</b>	<b>227,914</b>

The cost of investments for the 12 months of 2014 amounted to 9,107 thousand euros (including purchases of property, plant and equipment in the amount of 8,982 thousand euros and purchases of intangible assets amounted to 125 thousand euros)

The cost of investments made in 12 months of 2014 in the supermarket business segment was 2,900 thousand euros. In June Selver opened new store Astri in Narva, Tallinna mnt 4. In the reporting period Selver renewed store fittings and purchased computing technology.

The size of the investment in the business segment of Department store amounted to 1,911 thousand euros. In the reporting period a facelift to Kaubamaja Food Department's was given resulting in broader and modern look of the department.

The cost of investments in the accounting period was 608 thousand euros in the car trade business segment.

The cost of investments made in the reporting period in the footwear segment was 590 thousand euros. In March new store under trademark ABC King was opened in Viru Centre.

The cost of the real estate business segment investment amounted to 2,973 thousand euros. In 2014 September construction works begin in new Viimsi trade and entertainment centre. In the reporting period extension of parking lot in Hiiumaa was carried out and other renovation works performed.

## Tallinna Kaubamaja AS

The fair value of "Land and buildings" and the recoverable amount of "Unfinished buildings" were appraised as of 31.12.2014. 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% (2013: 8.5%–12.0%) and growth rates of 1.0% to 2.25% (2013: 1.0% to 2.25%) were used in the appraisal. The appraisal, in the financial year, did not result in any write-ups or write-downs of the value of registered immovables in Estonia. In 2013, as a result on the appraisal 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.

The appraisal did not result in any write-ups or write-downs of "Land and buildings" and "Unfinished buildings" in Latvia in 2014 or in 2013.

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

### Note 11. Intangible assets

in thousands of euros

	Goodwill	Trademark	Beneficial contracts	Development expenditure	Total
<b>31.12.2012</b>					
Cost	7,298	5,097	1,080	388	13,863
Accumulated amortisation and impairment	-588	-1,127	-884	-28	-2,627
<b>Carrying value</b>	<b>6,710</b>	<b>3,970</b>	<b>196</b>	<b>360</b>	<b>11,236</b>
<b>Changes occurred in 2013</b>					
Purchases and improvements	0	0	0	108	108
Amortisation	0	-461	-196	-51	-708
<b>31.12.2013</b>					
Cost	7,298	5,097	1,080	496	13,971
Accumulated amortisation and impairment	-588	-1,588	-1,080	-79	-3,335
<b>Carrying value</b>	<b>6,710</b>	<b>3,509</b>	<b>0</b>	<b>417</b>	<b>10,636</b>
<b>Changes occurred in 2014</b>					
Purchases and improvements	0	0	0	125	125
Acquired through business combinations (Note 6)	0	175	0	0	175
Amortisation	0	-469	0	-65	-534
<b>31.12.2014</b>					
Cost	7,298	5,272	1,080	621	14,271
Accumulated amortisation and impairment	-588	-2,057	-1,080	-144	-3,869
<b>Carrying value</b>	<b>6,710</b>	<b>3,215</b>	<b>0</b>	<b>477</b>	<b>10,402</b>

In the reporting period Group capitalised costs of the Partner Card loyalty programme and a web page update as development expenditure in the amount of 125 thousand euros.

## Tallinna Kaubamaja AS

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

in thousands of euros	31.12.2014	31.12.2013
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.

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

Trademark at value of 175 thousand euros was acquired in 2014 through purchase of Viking Security AS shares. Trademark will be amortised during 7 years (Note 6).

### Note 12. Interest bearing borrowings

in thousands of euros	31.12.2014	31.12.2013
<b>Short-term borrowings</b>		
Overdraft	1,599	400
Bank loans	15,936	12,265
Other borrowings	2,870	1,635
<b>Total short-term borrowings</b>	<b>20,405</b>	<b>14,300</b>

in thousands of euros	31.12.2014	31.12.2013
<b>Long-term borrowings</b>		
Bank loans	75,269	75,283
Other borrowings	2,394	1,821
<b>Total long-term borrowings</b>	<b>77,663</b>	<b>77,104</b>
<b>Total borrowings</b>	<b>98,068</b>	<b>91,404</b>

### Borrowings received

in thousands of euros	IV quarter 2014	IV quarter 2013	12 months 2014	12 months 2013
Overdraft	0	0	1,199	106
Bank loans	17,879	15,634	47,818	63,476
Other borrowings	2,043	2,936	4,690	4,718
<b>Total borrowings received</b>	<b>19,922</b>	<b>18,570</b>	<b>53,707</b>	<b>68,300</b>

**Borrowings paid**

in thousands of euros

	IV quarter 2014	IV quarter 2013	12 months 2014	12 months 2013
Overdraft	0	8,977	0	0
Bank loans	12,743	9,426	44,207	51,808
Finance lease liability	0	0	0	3
Other borrowings	579	603	2,835	2,077
<b>Total borrowings paid</b>	<b>13,322</b>	<b>19,006</b>	<b>47,042</b>	<b>53,888</b>

Bank loans and finance lease liabilities are denominated in euros.

As of 31.12.2014, the repayment dates of bank loans are between 15.04.2015 and 07.02.2020 (2013: between 28.01.2014 and 4.12.2019), interest is tied both to 3-month and 6-month EURIBOR as well as EONIA. Weighted average interest rate was 1.11% (2013: 1.4%).

**Note 13. Trade payables and other liabilities**

in thousands of euros

	31.12.2014	31.12.2013
Trade payables	52,982	51,112
Payables to related parties (Note 21)	4,913	5,323
Other accrued expenses	60	69
Prepayments by tenants	1,613	1,264
<b>Total financial liabilities from balance sheet line "Trade payables and other liabilities"</b>	<b>59,568</b>	<b>57,768</b>
Taxes payable (Note 14)	5,797	5,388
Employee payables	3,868	3,521
Prepayments	953	895
Short-term provisions*	131	153
<b>Total trade payables and other liabilities</b>	<b>70,317</b>	<b>67,725</b>

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

**Note 14. Taxes**

in thousands of euros

	31.12.2014		31.12.2013	
	Prepaid taxes	Taxes payable	Prepaid taxes	Taxes payable
Prepaid taxes	130	0	139	0
Value added tax	0	2,719	0	2,459
Personal income tax	0	881	0	864
Social security taxes	0	1,880	0	1,787
Corporate income tax	0	81	0	42
Unemployment insurance	0	140	0	149
Mandatory funded pension	0	96	0	87
<b>Total taxes</b>	<b>130</b>	<b>5,797</b>	<b>139</b>	<b>5,388</b>



**Note 15. Share capital**

As of 31.12.2014, the share capital in the amount of 16,292 thousand euros consisted of 40,729,200 ordinary shares with the nominal value of 0.40 euros per share (as of 31.12.2013 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 27 March 2014 decided to pay dividends to the shareholders 0.15 euros per share in total amount of 6,109 thousand euros (2013: 14,255 thousand euros, 0.35 euros per share). Related income tax on dividends amounted to 1,324 thousand euros (2013: 3,777 thousand euros).

In July, 2014, the decrease of share capital of Tallinna Kaubamaja AS in the amount of 8,146 thousand euros was registered in the Commercial Register. The new registered share capital of Tallinna Kaubamaja AS is 16,291,680 euros, which is divided into 40,729,200 shares with nominal value of 0.40 euros per share.

In October, 2014 payments to the shareholders upon a reduction of share capital were made in the amount of 8,146 thousand euros, 0.20 euros per share. Related income tax expense amounted to 1,012 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 and footwear trade to sales of footwear. 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
<b>IV quarter 2014</b>							
<b>External revenue</b>	<b>99,211</b>	<b>28,365</b>	<b>13,907</b>	<b>3,189</b>	<b>840</b>	<b>0</b>	<b>145,512</b>
Inter-segment revenue	257	1,069	10	189	3,005	-4,530	0
Total revenue	99,468	29,434	13,917	3,378	3,845	-4,530	145,512
<b>EBITDA</b>	<b>5,278</b>	<b>3,296</b>	<b>579</b>	<b>281</b>	<b>3,555</b>	<b>0</b>	<b>12,989</b>
Segment depreciation and impairment losses	-987	-466	-126	-169	-1,096	0	-2,844
<b>Operating profit</b>	<b>4,291</b>	<b>2,830</b>	<b>453</b>	<b>112</b>	<b>2,459</b>	<b>0</b>	<b>10,145</b>
Finance income (Note 19)	106	186	13	0	18	-318	5
Finance income on shares of associates	0	24	0	0	0	0	24
Finance costs (Note 19)	-11	-168	-59	-69	-378	318	-367
Income tax	0	-1	145	0	0	0	144
<b>Net profit</b>	<b>4,386</b>	<b>2,871</b>	<b>552</b>	<b>43</b>	<b>2,099</b>	<b>0</b>	<b>9,951</b>
incl. in Estonia	4,995	2,871	464	43	1,896	0	10,269
incl. in Latvia	-609	0	76	0	203	0	-330
incl. in Lithuania	0	0	12	0	0	0	12
<b>Segment assets</b>	<b>85,027</b>	<b>59,476</b>	<b>20,357</b>	<b>11,300</b>	<b>214,015</b>	<b>-47,268</b>	<b>342,907</b>
<b>Segment liabilities</b>	<b>58,107</b>	<b>21,841</b>	<b>12,656</b>	<b>12,080</b>	<b>96,213</b>	<b>-31,820</b>	<b>169,077</b>
Segment investment in non-current assets	739	594	176	134	1,861	0	3,504

in thousands of euros

	Super markets	Depart- ment store	Car trade	Footwea r trade	Real estate	Inter- segment transact- ions	Total seg- ments
<b>IV quarter 2013</b>							
<b>External revenue</b>	<b>92,127</b>	<b>27,010</b>	<b>14,079</b>	<b>4,051</b>	<b>938</b>	<b>0</b>	<b>138,205</b>
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
<b>EBITDA</b>	<b>4,368</b>	<b>3,161</b>	<b>535</b>	<b>387</b>	<b>3,339</b>	<b>0</b>	<b>11,790</b>
Segment depreciation and impairment losses	-848	-441	-93	-209	-918	0	-2,509
<b>Operating profit</b>	<b>3,520</b>	<b>2,720</b>	<b>442</b>	<b>178</b>	<b>2,421</b>	<b>0</b>	<b>9,281</b>
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
<b>Net profit/loss</b>	<b>3,545</b>	<b>2,746</b>	<b>371</b>	<b>143</b>	<b>2,131</b>	<b>0</b>	<b>8,936</b>
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
<b>Segment assets</b>	<b>74,334</b>	<b>65,211</b>	<b>19,958</b>	<b>13,211</b>	<b>207,808</b>	<b>-52,727</b>	<b>327,795</b>
<b>Segment liabilities</b>	<b>53,757</b>	<b>21,122</b>	<b>12,056</b>	<b>13,283</b>	<b>97,524</b>	<b>-37,735</b>	<b>160,007</b>
Segment investment in non-current assets	3,607	359	368	93	2,993	0	7,420

**Tallinna Kaubamaja AS**

in thousands of euros

	Super markets	Depart- ment store	Car trade	Footwea r trade	Real estate	Inter- segment transact- ions	Total seg- ments
<b>12 months 2014</b>							
<b>External revenue</b>	<b>368,159</b>	<b>92,525</b>	<b>57,692</b>	<b>13,358</b>	<b>3,311</b>	<b>0</b>	<b>535,045</b>
Inter-segment revenue	947	4,261	26	433	11,924	-17,591	0
Total revenue	369,106	96,786	57,718	13,791	15,235	-17,591	535,045
<b>EBITDA</b>	<b>11,399</b>	<b>6,283</b>	<b>2,753</b>	<b>-328</b>	<b>14,650</b>	<b>0</b>	<b>34,757</b>
Segment depreciation and impairment losses (Note 10, 11)	-3,610	-1,836	-464	-678	-4,382	0	-10,970
<b>Operating profit/loss</b>	<b>7,789</b>	<b>4,447</b>	<b>2,289</b>	<b>-1,006</b>	<b>10,268</b>	<b>0</b>	<b>23,787</b>
Finance income (Note 19)	338	777	48	1	57	-1,197	24
Finance income on shares of associates	0	172	0	0	0	0	172
Finance costs (Note 19)	-45	-581	-298	-271	-1,496	1,197	-1,494
Income tax	-366	-1,439	-389	0	0	0	-2,194
<b>Net profit/loss</b>	<b>7,716</b>	<b>3,376</b>	<b>1,650</b>	<b>-1,276</b>	<b>8,829</b>	<b>0</b>	<b>20,295</b>
incl. in Estonia	10,145	3,376	1,626	-1,276	7,991	0	21,862
incl. in Latvia	-2,429	0	2	0	838	0	-1,589
incl. in Lithuania	0	0	22	0	0	0	22
<b>Segment assets</b>	<b>85,027</b>	<b>59,476</b>	<b>20,357</b>	<b>11,300</b>	<b>214,015</b>	<b>-47,268</b>	<b>342,907</b>
<b>Segment liabilities</b>	<b>58,107</b>	<b>21,841</b>	<b>12,656</b>	<b>12,080</b>	<b>96,213</b>	<b>-31,820</b>	<b>169,077</b>
Segment investment in non-current assets (Note 10, 11)	2,944	1,992	608	590	2,973	0	9,107

in thousands of euros

	Super markets	Depart- ment store	Car trade	Footwea r trade	Real estate	Inter- segment transact- ions	Total seg- ments
<b>12 months 2013</b>							
<b>External revenue</b>	<b>343,147</b>	<b>89,592</b>	<b>48,023</b>	<b>14,684</b>	<b>3,275</b>	<b>0</b>	<b>498,721</b>
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
<b>EBITDA</b>	<b>10,280</b>	<b>6,054</b>	<b>2,542</b>	<b>920</b>	<b>13,299</b>	<b>0</b>	<b>33,095</b>
Segment depreciation and impairment losses	-3,983	-1,848	-390	-857	-3,652	0	-10,730
<b>Operating profit/loss</b>	<b>6,297</b>	<b>4,206</b>	<b>2,152</b>	<b>63</b>	<b>9,647</b>	<b>0</b>	<b>22,365</b>
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
<b>Net profit/loss</b>	<b>4,655</b>	<b>3,175</b>	<b>1,925</b>	<b>-88</b>	<b>7,797</b>	<b>0</b>	<b>17,464</b>
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
<b>Segment assets</b>	<b>74,334</b>	<b>65,211</b>	<b>19,958</b>	<b>13,211</b>	<b>207,808</b>	<b>-52,727</b>	<b>327,795</b>
<b>Segment liabilities</b>	<b>53,757</b>	<b>21,122</b>	<b>12,056</b>	<b>13,283</b>	<b>97,524</b>	<b>-37,735</b>	<b>160,007</b>
Segment investment in non-current assets	8,188	1,897	532	152	19,482	0	30,251

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

in thousands of euros

	IV quarter 2014	IV quarter 2013	12 months 2014	12 months 2013
Retail revenue	135,748	129,847	497,778	467,675
Wholesale revenue	4,266	3,738	17,982	14,718
Rental income	1,850	1,853	7,258	6,694
Revenue for rendering services	3,648	2,767	12,027	9,634
<b>Total revenue</b>	<b>145,512</b>	<b>138,205</b>	<b>535,045</b>	<b>498,721</b>

## External revenue by client location

in thousands of euros

	IV quarter 2014	IV quarter 2013	12 months 2014	12 months 2013
Estonia	140,980	131,226	512,109	481,445
Latvia	2,879	5,201	16,307	11,031
Lithuania	1,653	1,778	6,629	6,245
<b>Total</b>	<b>145,512</b>	<b>138,205</b>	<b>535,045</b>	<b>498,721</b>

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

in thousands of euros

	31.12.2014	31.12.2013
Estonia	206,480	207,841
Latvia	35,054	35,372
Lithuania	155	177
<b>Total</b>	<b>241,689</b>	<b>243,390</b>

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

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

## Note 17. Other operating expenses

in thousands of euros

	IV quarter 2014	IV quarter 2013	12 months 2014	12 months 2013
Rental expenses	3,872	3,700	15,187	14,453
Heat and electricity expenses	2,091	2,127	8,425	8,398
Operating costs	1,563	1,658	6,311	6,710
Cost of sale related services and materials	1,984	2,035	7,251	7,113
Marketing expenses	1,962	1,824	6,750	6,703
Miscellaneous other operating expenses	800	1,243	2,882	3,388
Computer and communication costs	847	787	3,015	2,763
Personnel expenses	428	511	1,689	1,837
<b>Total other operating expenses</b>	<b>13,547</b>	<b>13,885</b>	<b>51,510</b>	<b>51,365</b>

**Note 18. Staff costs**

in thousands of euros

	IV quarter 2014	IV quarter 2013	12 months 2014	12 months 2013
Wages and salaries	9,464	8,893	34,907	31,199
Social security taxes	3,135	2,950	11,586	10,372
<b>Total staff costs</b>	<b>12,599</b>	<b>11,843</b>	<b>46,493</b>	<b>41,571</b>
Average wages per employee per month (euros)	825	824	761	732
Average number of employees in the reporting period	3,824	3,596	3,824	3,554

**Note 19. Finance income and costs**

in thousands of euros

Finance income

	IV quarter 2014	IV quarter 2013	12 months 2014	12 months 2013
Interest income on Partner credit card	0	6	0	19
Interest income from loans to related parties	0	1	0	2
Interest income on NGI Group's group account (Note 21)	5	0	23	8
Other finance income	0	0	1	2
<b>Total finance income</b>	<b>5</b>	<b>7</b>	<b>24</b>	<b>31</b>

Finance costs

	IV quarter 2014	IV quarter 2013	12 months 2014	12 months 2013
Interest expense of bank loans	-311	-327	-1,242	-1,163
Interest expense of other loans	-23	0	-59	0
Other finance costs*	-33	-51	-193	-159
<b>Total finance costs</b>	<b>-367</b>	<b>-378</b>	<b>-1,494</b>	<b>-1,322</b>

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

**Note 20. Earnings per share**

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

	IV quarter 2014	IV quarter 2013	12 months 2014	12 months 2013
Net profit (in thousands of euros)	9,951	8,936	20,295	17,464
Weighted average number of shares	40,729,200	40,729,200	40,729,200	40,729,200
Basic and diluted earnings per share (euros)	0.24	0.22	0.50	0.43

**Note 21. Related party transactions**

in thousands of euros

In preparing the consolidated interim 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:

	<b>Purchases 12 months 2014</b>	<b>Sales 12 months 2014</b>	<b>Purchases 12 months 2013</b>	<b>Sales 12 months 2013</b>
Parent	328	34	290	17
Entities in the Parent's consolidation group	26,420	6,614	26,560	4,542
Members of management and supervisory boards	0	0	0	24
Other related parties	923	190	741	167
<b>Total</b>	<b>27,671</b>	<b>6,838</b>	<b>27,591</b>	<b>4,750</b>

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

**Balances with related parties:**

	<b>31.12.2014</b>	<b>31.12.2013</b>
Interest receivable from Parent (Note 4)	9	1
Receivable from Parent (Note 3)	4,000	0
Receivables from entities in the in the Parent's consolidation group (Note 4)	729	524
Sales bonuses receivable from entities in the in the Parent's consolidation group (Note 4)	0	135
Members of management and supervisory boards (Note 4)	10	5
<b>Total receivables from related parties</b>	<b>4,748</b>	<b>665</b>
	<b>31.12.2014</b>	<b>31.12.2013</b>
Parent	21	25
Entities in the Parent's consolidation group	4,724	5,251
Other related parties	168	47
<b>Total liabilities to related parties (Note 13)</b>	<b>4,913</b>	<b>5,323</b>

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

**Group account**

For providing 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 2014 Tallinna Kaubamaja Group earned interest income on its deposits of available funds in the amount of 23 thousand euros (2013: 8 thousand euros).

As at 31 December 2014 the Group has not used NG Investeeringud group account available funds (2013: 0 euros). As at 31.12.2014 Group deposited through parent company NG Investeeringud OÜ 4,000 thousand euros. Deposit in the amount of 2,000 thousand euros with interest rate 0.18%, maturity up to 5 January 2015 and 2,000 thousand euros with interest rate 0.20%, maturity up to 6 January 2015 (31.12.13: 0 euros).

The average interest rate on available funds deposited to the group account of NG Investeeringud OÜ was 0.07% in the euro account (2013: 0.06%). 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 1,208 thousand euros (2013: 1,065 thousand euros), including termination benefits in the amount of 50 thousand euros. Short term benefits to supervisory boards' members of Tallinna Kaubamaja Group in reporting period including social taxes amounted to 310 thousand euros (2013: 310 thousand euros).

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

**Note 22. Contingent liabilities**

In 2014, the prosecuting authority brought charges to Selver AS, subsidiary of Tallinna Kaubamaja AS, for concluding an anticompetitive agreement. The prosecutor applied for a penalty for Selver AS in connection with concluding an alleged anticompetitive agreement in the amount of 1,300 thousand euros, applying for immediate payment of 325 thousand euros and wished to order payment of the remaining part or 975 thousand euros on a probation of three years. Harju County Court's judgement will be communicated on 26 March 2015. Since the company deems the brought charges and suspicion unfounded, the penalty sum is disclosed as a conditional obligation the realisation of which depends on the future court judgements.

**Note 23. Events after the balance sheet date**

**Conversion to euro**

Lithuania joined the euro zone on 1st of January 2015 and Lithuanian lit (LTL) was replaced with euro (EUR). In connection, the company converted its accounting into euro as of this date and the 2015 financial statements and all the proceeding financial statements will be compiled in euro. Comparative data will be converted into euro with its official rate 3.4528 LTL/EUR.