

# **TALLINNA KAUBAMAJA GRUPP AS**

**Consolidated Interim Report for  
the Second quarter and first 6 months of 2015  
(unaudited)**

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## COMPANY PROFILE AND CONTACT DETAILS

The primary areas of activity of the companies of the Tallinna Kaubamaja Grupp AS (hereinafter referred to as the 'Tallinna Kaubamaja Group' or 'the Group') include retail and wholesale trade and rental activities. The Tallinna Kaubamaja Group employs more than 3,900 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 2015
End of financial year:	31 December 2015
Beginning of interim report period:	1 January 2015
End of interim report period:	30 June 2015
Auditor:	PricewaterhouseCoopers AS
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## MANAGEMENT REPORT

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

### Management

In order to manage the Tallinna Kaubamaja Group the general meeting of the shareholders, held at least once in a year, elects supervisory board, which according to the articles of association may have 3 to 6 members. Members of the Tallinna Kaubamaja Group supervisory board are Jüri Kõo (chairman of the supervisory board), Andres Järving, Enn Kunila, Gunnar Kraft and Meelis Milder. Members of Tallinna Kaubamaja Group supervisory board are elected for three years. The mandates of current supervisory board members Andres Järving, Jüri Kõo, Enn Kunila, Meelis Milder and Gunnar Kraft will expire on 19 May 2018. During the period between the general meetings the supervisory board plans actions of the company, organises management and accomplishes supervision over management actions. Regular supervisory board meetings are held at least 10 times in a year. In order to manage daily activities the supervisory board appoints member(s) of the management board of the Tallinna Kaubamaja Group in accordance with the Commercial Code. In order to elect a member of the management board, his or her consent is required. By the articles of association a member of the management board shall be elected for a specified term of three years. Extension of the term of office of a member of the management board shall not be decided earlier than one year before the planned date of expiry of the term of office, and not for a period longer than the maximum term of office prescribed by the articles of association. Currently the management board of Tallinna Kaubamaja Group has one member. The term of office of the management board member Raul Puusepp was extended on 21 February 2014 and his term of office expires on 6 March 2017.

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

### Share market

Since 19 August 1997, the shares of Tallinna Kaubamaja Group have been listed in the main list of securities of the Tallinn Stock Exchange. Tallinna Kaubamaja Group has issued 40.729.2 thousand registered shares, each with the nominal value of 0.40 euros. The shares are freely transferable, no statutory restrictions apply. There are no restrictions on transfer of securities to the company as provided by contracts between the company and its shareholders. We do not have information about contracts between the shareholders restricting the transfer of securities. NG Investeeringud OÜ has direct significant participation. Shares granting special rights to their owners have not been issued.

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

The share with a price of 5.10 euros at the end of 2014 was closed in late June of 2015 at 6.02 euros, increased by 18.04% within the six months of the year.

According to the notice of regular annual general meeting of the shareholders published on 2 March 2015, the management board proposed to pay dividends 0.40 euros per share. The general meeting of shareholders approved it.

On 26 March 2015, the annual general meeting of shareholders of Tallinna Kaubamaja Group decided to amend the articles of association and approve Tallinna Kaubamaja Group as the new business name. According to the Commercial Code, respective amendment of the articles of association shall take effect as of respective entry to the Commercial Registry. The abovementioned entry was made on 9 April 2015.

Share price and trading statistics on the Tallinn Stock Exchange from 01.01.2015 to 30.06.2015.

In euros



Company's structure

The following companies belong to the group as of June 30, 2015:

	Location	Shareholding as of 30.06.2015	Shareholding as of 31.12.2014
Selver AS	Estonia	100%	100%
Kulinaaria OÜ	Estonia	100%	100%
Kaubamaja AS	Estonia	100%	100%
Viking Security AS	Estonia	100%	100%
Tartu Kaubamaja Kinnisvara OÜ	Estonia	100%	100%
Tallinna Kaubamaja Kinnisvara AS	Estonia	100%	100%
SIA TKM Latvija	Latvia	100%	100%
Selver Latvia SIA	Latvia	100%	100%
TKM Auto OÜ	Estonia	100%	100%
KIA Auto AS	Estonia	100%	100%
KIA Auto UAB	Lithuania	100%	100%
Forum Auto SIA	Latvia	100%	100%
Viking Motors AS	Estonia	100%	100%
OÜ TKM Beauty	Estonia	100%	100%
OÜ TKM Beauty Eesti	Estonia	100%	100%
AS TKM King	Estonia	100%	100%
Rävala Parkla AS	Estonia	50%	50%

Economic development

The gross domestic product increased by 1.1% in the 1<sup>st</sup> quarter of 2015 compared to the 1<sup>st</sup> quarter of 2014. The main positive influencing factor was growth in the production of electronics and timber products. The efficiency of creating gross domestic product is decreasing since the growth of working hours put in and the expenditure of labour has been faster than the growth of the volume of production. The decrease in the weight of Russia in foreign trade has been balanced by an increase in the proportion of Sweden and Eurozone countries in foreign trade. Eesti Pank forecasts that this year, the economy will grow by 2.2% in total. The consumer price index in Estonia dropped by 0.5% in the first six months of the year. The change included a drop of 0.9% in the prices of food and non-alcoholic beverages, while the prices of clothing and footwear went up by 1.7%. The prices of alcoholic beverages and tobacco advanced the most – by 4.6% – owing to an increase in the excise duty. Analysts say that the price surge will speed up in the second half of this year since food products and energy will become more expensive, and the yearly aggregate inflation will remain at 0%.

According to Statistics Estonia, the volume of retail sales in current prices in Estonia increased by 5.7% in the first five months of 2015. Since the beginning of the year, retail sales via mail order or the Internet have shown an increasingly faster expansion rate, resulting in the biggest growth rate of the first five months – 43.7% – in total. This signals a change in the consumer habits of Estonians. Retail sales in non-specialised stores (selling predominantly food products) went up by 2.5% in the first five months of the year. Retail sales in other non-specialised stores went up by 4.4%. A decrease of 0.3% in the sale of motor vehicles and vehicle parts had a negative impact on retail sales. The consumer barometer survey of the Estonian Institute of Economic Research for June showed that the confidence of consumers has started to decrease, although consumption has been on a constant rise in the recent years owing to growing household incomes.

Economic results**FINANCIAL RATIOS 2014–2015**

	EUR		Change
	2 <sup>nd</sup> quarter 2015	2 <sup>nd</sup> quarter 2014	
Sales revenue (in millions)	139.3	136.7	1.9%
Operating profit/loss (in millions)	6.2	5.7	7.6%
Net profit/loss (in millions)	5.9	5.4	9.8%
Return on equity (ROE)	3.7%	3.3%	
Return on assets (ROA)	1.8%	1.6%	
Net profit margin	4.25%	3.95%	
Gross profit margin	24.92%	24.11%	
Quick ratio	0.99	1.07	
Debt ratio	0.50	0.49	
Sales revenue per employee (in millions)	0.035	0.036	
Inventory turnover	1.87	1.93	
SHARE			
Average number of shares (1000 pcs)	40,729	40,729	
Equity capital per share (EUR/share)	3.98	4.09	
Share's closing price (EUR/share)	6.02	5.02	
Earnings per share (EUR/share)	0.15	0.13	
Average number of employees	3,941	3,804	

	EUR		Change
	6 month 2015	6 month 2014	
Sales revenue (in millions)	262.8	256.4	2.5%
Operating profit/loss (in millions)	9.1	6.7	35.4%
Net profit/loss (in millions)	4.8	4.8	-0.4%
Return on equity (ROE)	3.0%	2.9%	
Return on assets (ROA)	1.4%	1.5%	
Net profit margin	1.81%	1.86%	
Gross profit margin	24.79%	23.83%	
Quick ratio	0.99	1.07	
Debt ratio	0.50	0.49	
Sales revenue per employee (in millions)	0.068	0.068	
Inventory turnover	3.53	3.62	
<b>SHARE</b>			
Average number of shares (1000 pcs)	40,729	40,729	
Equity capital per share (EUR/share)	3.98	4.09	
Share's closing price (EUR/share)	6.02	5.02	
Earnings per share (EUR/share)	0.12	0.12	
Average number of employees	3,882	3,781	

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

The unaudited consolidated sales revenue of the 2<sup>nd</sup> quarter of 2015 of Tallinna Kaubamaja Group was 139.3 million euros, which exceeded the year-on-year sales revenue by 1.9%. The sales revenue of the first half year of 2015 increased by 2.5% to 262.8 million euros compared to the first half year of 2014, when the sales revenue was 256.4 million euros. The unaudited consolidated net profit of the 2<sup>nd</sup> quarter of 2015 of the group was 5.9 million euros, which exceeded the year-on-year profit by 9.8%. The net profit of the first six months of 2015 of the group was 4.8 million euros. Compared to the same period in the previous year, the profit has decreased by 0.4%. The pre-tax profit was 8.6 million euros in the first half-year, which is a 41.4% increase in a year-on-year comparison. The net profit was affected by a dividend payment, on which 3.9 million euros of income tax was paid in the 1<sup>st</sup> quarter of 2015. In the previous year, 1.3 million euros of income tax was paid.

In the 2<sup>nd</sup> quarter, the growth of the sales revenue of the group slightly slowed down, but this was in line with the overall retail sales statistics trend in Estonia. Selvers and the department stores, the largest retail sales segments of the group, showed a stable growth in sales. The segment of car trade was in a small decline compared to the same period of the previous year resulting from a substantially lower percentage of fleet sales in Latvia. The decrease in the sales revenue of the segment of footwear trade, which has languished in a complicated market situation for a long time, has come to a halt in the last months, demonstrating the rightness of brand and assortment innovation previously undertaken. An increase in the gross margin has contributed to the pre-tax profit of the group the most, which, in turn, was achieved through a greater efficiency of the main process of supermarkets, both by structuring the commercial activities, as well as with the support of IT systems. On the other hand, aggressive seasonal discount campaigns have started increasingly earlier on the highly competitive market of fashion items, and the pressure on the margin exerted by these has carried over to the results of the 2<sup>nd</sup> quarter of the fashion items of the group. Alike to the entire Estonian economy, increased labour costs affected the commercial profit of the group, which was 7.7% in the 2<sup>nd</sup> quarter. This was a result of an increase in the number of employees that joined at the opening of a store (3.6%), as well as an increase in the average labour cost per employee (4.2%).

No new stores were opened in the first half year of 2015, but the Torupilli Selver was closed for 2.5 weeks for renovation works in June. The largest ongoing development projects are the development of an electronic commerce platform and the construction of the Viimsi Centre. The Viimsi Centre, which covers 15,000 square metres, including a new Selver store with 3,500 square metres of sales space, is to be opened on 13 August.

The volume of assets of Tallinna Kaubamaja Group as at 30 June 2015 was 324.6 million euros, which is 5.3% less than the respective number at the end of 2014.

The number of regular customers exceeded 611,000 at the end of the accounting period, having grown by 2.9% in a year. The relative importance of regular customers in the turnover of the group was 81.1% (the number was 81.7% in the first half year of 2014). Over 16,000 Partner Bank and Credit Cards had been issued by the end of the first half-year.

### Selver supermarkets

The consolidated sales revenue of the first half-year of 2015 of the business segment of supermarkets was 182.3 million euros, having grown by 3.5% in a year-on-year comparison. The consolidated sales revenue of the 2<sup>nd</sup> quarter was 96.0 million euros, indicating a 2.5% growth in a year-on-year comparison. The monthly average sales revenue of goods per sales area square metre was 0.35 thousand euros in the first half of 2015, surpassing the figure of the previous year by 1.5%. The monthly average sales revenue of goods per sales area square metre was 0.37 thousand euros in the 2<sup>nd</sup> quarter, surpassing the figure of the previous year by 0.5%. The average sales revenue per sales area square metre of goods sold by comparable stores was 0.35 thousand euros in the first half year and 0.37 thousand euros in the 2<sup>nd</sup> quarter, indicating a 2.5% decline and a 1.5% increase, respectively. The sales revenues of Selver's subsidiaries Kulinaaria OÜ and SIA Selver remained at the level of the previous year both in the 2<sup>nd</sup> quarter of the year and the first half. 17.2 million purchases were made in Selvers in the first half of 2015, remaining at the level of the previous year. The consolidated pre-tax profit of the segment of supermarkets was 3.1 million euros in the first half of 2015 and the net profit 0.8 million euros, having grown by 2.4 and 0.6 million euros respectively compared to the previous year, whereof pre-tax profit earned in Estonia formed 4.3 million euros and net profit 2.1 million euros. The pre-tax profit and net profit were 2.0 million euros in the 2<sup>nd</sup> quarter, indicating a growth of 0.7 million euros (increase of 53.9%), of which profit earned in Estonia formed 2.6 million euros. The difference between the net profit and the profit before income tax arises from the income tax paid on dividends – in 2014, the income tax of dividends was 0.37 million euros; in 2015, it was 2.22 million euros. The pre-tax loss and net loss incurred in Latvia in the first half-year were 1.2 million euros, of which the share of the 2<sup>nd</sup> quarter was 0.6 million euros. The loss remained at the level of the previous year.

The comparison basis of the figures of 2015 does not yet include Astri Selver (opened in June 2014) in full, the addition of which has also influenced increases in the turnover. As a counterbalance, the Torupilli Selver hypermarket was closed for 2.5 weeks in June because of renovation works. It is positive that customers have remained loyal to Selver in an increasingly intensifying market situation, where new stores are constantly being opened. This is confirmed by the fact that the number of purchases has remained at the level of the previous year. The average purchase of customers has increased in size. Successful marketing campaigns have supported an increased turnover in the 2<sup>nd</sup> quarter of 2015. It has also been supported by prompt reactions to the expectations of customers as well as activities concerning the assortment of goods and management of categories. In Estonia, the greatest impact on the profit earned has been the achievement of more efficiency regarding the main process, which is the sale of goods. Stock has been managed more capably and, as a result, the need for discounting and writing off goods has decreased. The cost-effective level of the previous year has been maintained successfully regarding the operating costs.

The segment of supermarkets includes the Selver chain with 44 Selver stores and a sales area of 83.9 thousand m<sup>2</sup>; SIA Selver Latvia, where there is currently no business activity, and Kulinaaria OÜ, which includes the largest central kitchen in the Baltic States. The largest planned projects of 2015 are the opening of a new Selver in Viimsi, renovating Torupilli Selver and expanding the SelveEkspress service additionally to the five existing Selvers. In 2015, Selver celebrates its 20<sup>th</sup> year of activity.

### Department stores

The sales revenue of the first six months of 2015 of the business segment of department stores was 45.3 million euros, having increased by 4.7% in a year-on-year comparison. The sales revenue of the 2<sup>nd</sup> quarter formed 23.5 million euros of this amount, which surpasses the revenue of the 2<sup>nd</sup> quarter of 2014 by 3.6%. The pre-tax profit of the department stores in the first half of 2015 was 1.0 million euros, which is 17.4% lower than the result of the previous year. The pre-tax profit was 1.2 million euros in the 2<sup>nd</sup> quarter, which was 2.7% lower in a year-on-year comparison. The monthly sales revenue of goods per sales area square metre was 0.29 thousand euros in the first half year, which is 1.8% more in a year-on-year comparison. At the same time, the sales area of the department stores has increased by 1.1% with the expansion of the Toidumaailm (Food department) of the department store in Tallinn. The sales result of the department stores in the 2<sup>nd</sup> quarter was influenced by the weather in June, which was colder than the average. This did not contribute to the sale of seasonal items. Considering the locations of the



department stores at city centres, the record-low number of tourists had a negative impact on the sales revenue of the 1<sup>st</sup> quarter.

The sales revenue of the 2<sup>nd</sup> quarter of 2015 of OÜ TKM Beauty Eesti, which operates the I.L.U. cosmetics stores, was 1.1 million euros, having increased by 9.6% compared to the same period in 2014. The loss was 0.1 million euros in the 2<sup>nd</sup> quarter of 2015, which is 0.2 million euros less in a year-on-year comparison. The sales revenue of the first half-year of 2015 was 2.2 million euros, having grown by 9.3% in a year-on-year comparison. The loss was 0.2 million euros in the first half of 2015, which is 0.2 million euros less than the loss of the same period of 2014. The sales revenue was affected positively, primarily by a more attractive location and assortment of the I.L.U. store in the Ülemiste Centre, as well as changes made in the brand portfolio, and successful marketing campaigns.

### Car Trade

The sales revenue of the first half-year of 2015 of the segment of car trade was 28.3 million euros. The sales revenue was 0.8% lower compared to the revenue of the same period of the previous year, including an increase of 8.4% in the sales revenue of KIAs. The sales revenue of 16.0 million euros of the 2<sup>nd</sup> quarter was 0.9% lower than the figure of the same period of the previous year, including an increase of 9.9% in the sales revenue of KIAs. Altogether 1,405 new vehicles were sold in the first half year, whereof 805 vehicles were sold in the 2<sup>nd</sup> quarter. The net profit of the first half-year of 2015 of the segment was 0.6 million euros, surpassing the profit of the same period of the previous year by nearly three times. The pre-tax profit of the first half of 2015 of the segment was 1.1 million euros, surpassing the profit of the first half of 2014 by 47.3%. The net profit of the 2<sup>nd</sup> quarter of 2015 was 0.6 million euros, 6.8% less compared to the same period of the previous year. A lower percentage of fleet sales in Latvia in the first half year has hampered the turnover, but favourably impacted the profit margin.

### Footwear trade

The sales revenue of the first half-year of 2015 of the segment of footwear trade was 5.3 million euros, dropping by 22.2% in a year. The sales revenue was 3.1 million euros in the 2<sup>nd</sup> quarter, dropping by 10.1% compared to the same period in 2014. The loss incurred in the first half year was 0.9 million euros, which is a 0.4% decrease compared to the same period of the previous financial year. The loss incurred in the 2<sup>nd</sup> quarter was 0.2 million euros, surpassing the result of the 2<sup>nd</sup> quarter of 2014 by 0.1 million euros. Several unfavourable coinciding circumstances were the reason for unsatisfactory sales results. For the second year in a row, the weather conditions did not favour the sale of winter boots. Furthermore, the competitive situation has substantially intensified. The behaviour of consumers is changing as well, which is increasingly need-based. However, it is positive to see the negative trend of the segment of footwear trade coming to a halt in the 2<sup>nd</sup> quarter. At the close of the quarter, we could even see an improvement in the sales revenue, which has a positive effect on profitability as well. There is reason to believe that the applied changes in the brand portfolio are beginning to yield results in the highly intensive competitive situation.

### Real estate

The sales revenue of the first half of 2015 of the business segment of real estate outside the group was 1.6 million euros, which is 2.7% less in a year-on-year comparison. The sales revenue of the 2<sup>nd</sup> quarter outside the group was 0.8 million euros, which is 5.7% less in a year-on-year comparison. The pre-tax profit of the first half of 2015 of the segment of real estate was 4.4 million euros, which is 0.9% less compared to the same period of the previous financial year (the pre-tax profit in the first half of 2014 was 4.4 million euros). The pre-tax profit of the 2<sup>nd</sup> quarter was 2.2 million euros (the pre-tax profit of the 2<sup>nd</sup> quarter of 2014 was 2.3 million euros), which is 1.9% less compared to the same period of the previous financial year. The drop in the sales revenue and profit is due to the renovation works in the department store of Tartu, which will result in changes to the composition of the rental area and an addition of new brands to the shopping centre. The general areas of the shopping centre as well as the exterior of the building are also renovated. Construction works of the Viimsi Shopping and Entertainment Centre are currently in the final stages. The Viimsi Centre is to be opened on 13 August.

### Personnel

The average number of employees in the Tallinna Kaubamaja Group in the first half of 2015 was 3,882, which exceeds the same number of 2014 by 2.7%. Total labour costs (cost of wages and social tax) amounted to 24.5 million euros in the first six months of 2015, having grown by 5.9% compared to the same period in 2014. In the second quarter, the labour costs increased by 7.7% compared to the year before, while the average number of employees increased by 3.6%. The average monthly cost of wages grew by 3.5% in the first six months compared to the average wages of the six months of 2014, in the 2<sup>nd</sup> quarter, the growth was 4.2%.

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

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



Rauf Puusepp  
Chairman of the Management Board

Tallinn, 15 July 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 Grupp AS consolidated interim financial statements (unaudited) for the period of the second quarter and first 6 months of 2015 as set out on pages 11 - 29.

The Chairman of the Management Board confirms that:

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



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Raul Puusepp  
Chairman of the Management Board

Tallinn, 15 July 2015

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros

	Note	30.06.2015	31.12.2014
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	2	7,926	24,626
Trade and other receivables	3	13,799	17,938
Inventories	5	56,038	56,876
<b>Total current assets</b>		<b>77,763</b>	<b>99,440</b>
<b>Non-current assets</b>			
Long-term trade and other receivables	8	339	338
Investments in associates	7	1,866	1,778
Investment property	9	3,035	3,035
Property, plant and equipment	10	231,396	227,914
Intangible assets	11	10,185	10,402
<b>Total non-current assets</b>		<b>246,821</b>	<b>243,467</b>
<b>TOTAL ASSETS</b>		<b>324,584</b>	<b>342,907</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Borrowings	12	11,645	20,405
Trade and other payables	13	67,074	70,317
<b>Total current liabilities</b>		<b>78,719</b>	<b>90,722</b>
<b>Non-current liabilities</b>			
Borrowings	12	82,880	77,663
Provisions for other liabilities and charges		690	692
<b>Total non-current liabilities</b>		<b>83,570</b>	<b>78,355</b>
<b>TOTAL LIABILITIES</b>		<b>162,289</b>	<b>169,077</b>
<b>Equity</b>			
Share capital	15	16,292	16,292
Statutory reserve capital		2,603	2,603
Revaluation reserve		66,430	67,159
Currency translation differences		-255	-255
Retained earnings		77,225	88,031
<b>TOTAL EQUITY</b>		<b>162,295</b>	<b>173,830</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>324,584</b>	<b>342,907</b>

The notes presented on pages 16 to 29 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	II quarter 2015	II quarter 2014	6 months 2015	6 months 2014
Revenue	16	139,342	136,709	262,800	256,360
Other operating income		160	216	391	364
Cost of sales	5	-104,613	-103,742	-197,648	-195,267
Other operating expenses	17	-13,022	-12,758	-25,946	-25,818
Staff costs	18	-12,737	-11,830	-24,453	-23,081
Depreciation, amortisation and impairment losses	10, 11	-2,852	-2,682	-5,701	-5 392
Other expenses		-101	-173	-330	-437
<b>Operating profit</b>		<b>6,177</b>	<b>5,740</b>	<b>9,113</b>	<b>6,729</b>
Finance income	19	2	6	10	11
Finance costs	19	-298	-402	-581	-735
Finance income on shares of associates	7	41	51	88	97
<b>Profit before tax</b>		<b>5,922</b>	<b>5,395</b>	<b>8,630</b>	<b>6,102</b>
Income tax expense	15	0	0	-3,873	-1,324
<b>NET PROFIT FOR THE FINANCIAL YEAR</b>		<b>5,922</b>	<b>5,395</b>	<b>4,757</b>	<b>4,778</b>
<b>Other comprehensive income:</b>					
<i>Items that may be subsequently reclassified to profit or loss</i>					
Currency translation differences		0	0	0	2
<b>Other comprehensive income for the financial year</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR</b>		<b>5,922</b>	<b>5,395</b>	<b>4,757</b>	<b>4,780</b>
Basic and diluted earnings per share (euros)	20	0.15	0.13	0.12	0.12

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

The notes presented on pages 16 to 29 form an integral part of these consolidated interim financial statements.

**CONSOLIDATED CASH FLOW STATEMENT**

In thousands of euros

	Note	6 months 2015	6 months 2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net profit		4,757	4,778
<i>Adjustments:</i>			
<i>Income tax on dividends</i>	15	3,873	1,324
<i>Interest expense</i>	19	581	735
<i>Interest income</i>	19	-10	-11
<i>Depreciation, amortisation</i>	10, 11	5,698	5,355
<i>Loss on sale and write-off of non-current assets</i>	10	3	37
<i>Profit on sale of non-current assets</i>	10	-11	-8
<i>Effect of equity method</i>	7	-88	-97
Change in inventories		838	-1,933
Change in receivables and prepayments related to operating activities		137	1,565
Change in liabilities and prepayments related to operating activities		-3,213	-700
<b>TOTAL CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>12,565</b>	<b>11,045</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment (excl. finance lease)	10	-9,200	-4,267
Proceeds from sale of property, plant and equipment	10	315	57
Purchase of intangible assets	11	-70	-32
Change in balance of parent company's group account	21	4,000	-600
Interest received	19	10	11
<b>TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<b>-4,945</b>	<b>-4,831</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings	12	24,739	23,549
Repayments of borrowings	12	-28,680	-22,705
Change in overdraft balance	12	397	1,191
Dividends paid	15	-16,292	-6,109
Income tax on dividends	15	-3,873	-1,324
Interest paid		-611	-769
<b>TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES</b>		<b>-24,320</b>	<b>-6,167</b>
<b>TOTAL CASH FLOWS</b>		<b>-16,700</b>	<b>47</b>
Effect of exchange rate changes		0	1
Cash and cash equivalents at the beginning of the period	2	24,626	14,766
Cash and cash equivalents at the end of the period	2	7,926	14,814
<b>Net change in cash and cash equivalents</b>		<b>-16,700</b>	<b>48</b>

The notes presented on pages 16 to 29 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 31.12.2013</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	4,778	0	4,778
Other comprehensive income 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>4,778</b>	<b>2</b>	<b>4,780</b>
Reclassification of depreciation of revalued land and buildings	0	0	-729	729	0	0
Dividends paid	0	0	0	-6,109	0	-6,109
<b>Balance as of 30.06.2014</b>	<b>24,438</b>	<b>2,603</b>	<b>67,888</b>	<b>71,785</b>	<b>-255</b>	<b>166,459</b>
Net profit for the reporting period	0	0	0	20,295	0	20,295
Other comprehensive income 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>
Net profit for the reporting period	0	0	0	4,757	0	4,757
<b>Total comprehensive income for the reporting period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,757</b>	<b>0</b>	<b>4,757</b>
Reclassification of depreciation of revalued land and buildings	0	0	-729	729	0	0
Dividends paid	0	0	0	-16,292	0	-16,292
<b>Balance as of 30.06.2015</b>	<b>16,292</b>	<b>2,603</b>	<b>66,430</b>	<b>77,225</b>	<b>-255</b>	<b>162,295</b>

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

The notes presented on pages 16 to 29 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 Group AS ('the Company') and its subsidiaries (jointly 'Tallinna Kaubamaja Group' or 'the Group') are companies engaged in rendering services related to retail sale and rental activities in Estonia, Latvia and Lithuania. Tallinna Kaubamaja Group 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 Group are listed on the Tallinn Stock Exchange. The majority shareholder of Tallinna Kaubamaja Group 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 Group has been prepared in accordance with the International Financial Reporting Standard IAS 34 *Interim Financial Reporting* as adopted by the European Union. The consolidated interim financial statements do not contain all the information that has to be presented in the annual financial statements and they should be read in conjunction with the Group's consolidated financial statements as at and for the year ended 31 December 2014. 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 2014.

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

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

The Manager is of the opinion that the Interim Report of Tallinna Kaubamaja Group for the second quarter and first 6 months of 2015 gives a true and fair view of the Company's performance in accordance with the going-concern concept.

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



**Note 2. Cash and cash equivalents**

in thousands of euros	30.06.2015	31.12.2014
Cash on hand	611	550
Bank accounts	6,261	22,325
Cash in transit	1,054	1,751
<b>Total cash and cash equivalents</b>	<b>7,926</b>	<b>24,626</b>

**Note 3. Trade and other receivables**

in thousands of euros	30.06.2015	31.12.2014
Trade receivables (Note 4)	9,204	10,167
Receivable from Parent (Note 21)	0	4,000
Other short-term receivables	1,848	1,774
<b>Total financial assets from balance sheet line "Trade and other receivables"</b>	<b>11,052</b>	<b>15,941</b>
Prepayment for goods	1,818	1,154
Other prepaid expenses	847	553
Prepaid rental expenses	55	160
Prepaid taxes (Note 14)	27	130
<b>Total trade and other receivables</b>	<b>13,799</b>	<b>17,938</b>

**Note 4. Trade receivables**

in thousands of euros	30.06.2015	31.12.2014
Trade receivables	6,898	7,554
Allowance for doubtful receivables	-52	-59
Receivables from related parties (Note 21)	1,226	748
Credit card payments	1,132	1,924
<b>Total trade receivables</b>	<b>9,204</b>	<b>10,167</b>

**Note 5. Inventories**

in thousands of euros	30.06.2015	31.12.2014
Goods purchased for resale	55,282	56,133
Raw materials and materials	756	743
<b>Total inventories</b>	<b>56,038</b>	<b>56,876</b>

The income statement line "Cost of sales" includes the allowances and write-off expenses of inventories and inventory stocktaking deficit as follows:

in thousands of euros

	II quarter 2015	II quarter 2014	6 months 2015	6 months 2014
Write-down and write-off of inventories	1,825	1,996	3,636	4,198
Inventory stocktaking deficit	634	638	830	741
<b>Total materials and consumables used</b>	<b>2,459</b>	<b>2,634</b>	<b>4,466</b>	<b>4,939</b>

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

#### Note 6. Subsidiaries

Tallinna Kaubamaja Group consists of:

Name	Location	Area of activity	Ownership 30.06.2015	Year of acquisition
Selver AS	Tallinn Pärnu mnt. 238	Retail trade	100%	1996
Tallinna Kaubamaja Kinnisvara AS	Tallinn Gonsiori 2	Real estate management	100%	1999
Tartu Kaubamaja Kinnisvara OÜ	Tartu Riia 1	Real estate management	100%	2004
SIA TKM Latvija	Rīga Ieriku iela 3	Real estate management	100%	2006
SIA Selver Latvia	Rīga 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	Rīga Pulkevza Brieza 31	Retail trade	100%	2007
KIA Auto UAB	Vilnius Perkunkiemiõ g.2	Retail trade	100%	2007
TKM Beauty OÜ	Tallinn Gonsiori 2	Retail trade	100%	2007
TKM Beauty Eesti OÜ	Tallinn Gonsiori 2	Retail trade	100%	2007
TKM King AS	Tallinn Betooni 14	Retail trade	100%	2008
Kaubamaja AS	Tallinn Gonsiori 2	Retail trade	100%	2012
Kulinaaria OÜ	Tallinn Taevakivi 7B	Centre kitchen activities	100%	2012
AS Viking Motors	Tallinn Tammsaare tee 51	Retail trade	100%	2012
Viking Security AS	A. H. Tammsaare tee 62	Security activities	100%	2014

Business combinations in 2014:

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

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

In order to increase efficiency, Tallinna Kaubamaja Group merged the activities of subsidiaries in the Group that are involved in security business – Topsec Turvateenused OÜ (company acquired) merged into Viking Security AS (acquiring company). Merger resolutions of the Viking Security AS and Topsec Turvateenused OÜ were adopted on 20th of January 2015 and Commercial Register registered the abovementioned merger on 26th of February 2015. As a result of the merger, Viking Security AS will remain, the sole shareholder of which will become Tallinna Kaubamaja Group. The activities of the company will be continued under the business name of the acquiring company, Viking Security AS.

In 2015 there were no business combinations.

**Note 7. Investments in associates**

in thousands of euros

Tallinna Kaubamaja Group has ownership of 50% (2014: 50%) interest in the entity AS Rävåla Parkla which provides the services of a parking house in Tallinn.

	30.06.2015	31.12.2014
<b>Investment in the associate at the beginning of the year</b>	<b>1,778</b>	<b>1,711</b>
Profit for the reporting period under equity method	88	172
Dividends received	0	-105
<b>Investment in the associate at the end of the accounting period</b>	<b>1,866</b>	<b>1,778</b>

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

	30.06.2015		31.12.2014	
Assets	3,777		3,602	
Liabilities	44		46	
	II quarter 2015	II quarter 2014	6 months 2015	6 months 2014
Revenue	192	114	230	226
Profit	82	102	176	194

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

in thousands of euros

	30.06.2015	31.12.2014
Prepaid rental expenses	88	87
Deferred tax asset	216	216
Other receivables	35	35
<b>Total long-term trade and other receivables</b>	<b>339</b>	<b>338</b>

**Note 9. Investment property**

in thousands of euros

	EUR
<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>
<b>Carrying value as at 30.06.2015</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 one facility. In 2013, the opinion of an independent certified real estate expert was used in appraising the fair value of 3 facilities. As a result of valuation, the items of investment property were adjusted neither upwards nor downwards in 2014.

No changes were recognised in fair value of investment property in 2015.

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

in thousands of euros

	Land and buildings	Machinery and equipment	Other fixtures and fittings	Construction in progress and prepayments	Total
<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>
<b>Changes occurred in 2015</b>					
Purchases and improvements	13	143	75	8,969	9,200
Reclassification	291	1,171	1,248	-2,710	0
Disposals	0	-109	-195	0	-304
Write-offs	0	-2	-1	0	-3
Depreciation	-2,720	-1,061	-1,630	0	-5,411
<b>30.06.2015</b>					
Cost or revalued amount	182,119	29,876	30,529	56,889	299,413
Accumulated depreciation	-10,591	-21,982	-19,694	-15,750	-68,017
<b>Carrying value</b>	<b>171,528</b>	<b>7,894</b>	<b>10,835</b>	<b>41,139</b>	<b>231,396</b>

The cost of investments for the first half of year 2015 amounted to 9,270 thousand euros (including purchases of property, plant and equipment in the amount of 9,200 thousand euros and purchases of intangible assets amounted to 70 thousand euros)

The cost of investments made in 6 months of 2015 in the supermarket business segment was 2,006 thousand euros. In the reporting period in Torupilli Selver shopping environment was renewed and also other store fittings were renewed and purchased computing technology.

The size of the investment in the business segment of Department store amounted to 1,051 thousand euros. In the reporting period Kaubamaja Food Departments switched to modern cash register system.

The cost of investments in the accounting period was 172 thousand euros in the car trade business segment.

The cost of investments made in the reporting period in the footwear segment was 47 thousand euros.

The cost of the real estate business segment investment amounted to 5,924 thousand euros. In 2014 September construction works begin in new Viimsi Shopping and Entertainment Centre. Viimsi Centre is planned to be opened in August 2015.

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>31.12.2013</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>
<b>Changes occurred in 2015</b>					
Purchases and improvements	0	0	0	70	70
Amortisation	0	-248	0	-39	-287
<b>30.06.2015</b>					
Cost	7,298	5,272	1,080	691	14,341
Accumulated amortisation and impairment	-588	-2,305	-1,080	-183	-4,156
<b>Carrying value</b>	<b>6,710</b>	<b>2,967</b>	<b>0</b>	<b>508</b>	<b>10,185</b>

In the reporting period the Group capitalised costs of web page update and e-shop as development expenditure in the amount of 70 thousand euros.

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

in thousands of euros	30.06.2015	31.12.2014
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. Borrowings**

in thousands of euros

	30.06.2015	31.12.2014
<b>Short-term borrowings</b>		
Overdraft	1,997	1,599
Bank loans	8,026	15,936
Other borrowings	1,622	2,870
<b>Total short-term borrowings</b>	<b>11,645</b>	<b>20,405</b>

in thousands of euros

	30.06.2015	31.12.2014
<b>Long-term borrowings</b>		
Bank loans	80,486	75,269
Other borrowings	2,394	2,394
<b>Total long-term borrowings</b>	<b>82,880</b>	<b>77,663</b>
<b>Total borrowings</b>	<b>94,525</b>	<b>98,068</b>

**Borrowings received**

in thousands of euros

	II quarter 2015	II quarter 2014	6 months 2015	6 months 2014
Overdraft	12	1,191	397	1,191
Bank loans	8,974	9,751	23,891	22,199
Other borrowings	291	507	848	1,350
<b>Total borrowings received</b>	<b>9,277</b>	<b>11,449</b>	<b>25,136</b>	<b>24,740</b>

**Borrowings paid**

in thousands of euros

	II quarter 2015	II quarter 2014	6 months 2015	6 months 2014
Bank loans	11,976	12,989	26,908	21,484
Other borrowings	823	703	1,772	1,221
<b>Total borrowings paid</b>	<b>12,799</b>	<b>13,692</b>	<b>28,680</b>	<b>22,705</b>

Bank loans and other borrowings are denominated in euros.

As of 30.06.2015, the repayment dates of bank loans are between 31.07.2015 and 20.03.2020 (2014: between 10.07.2014 and 07.12.2019), interest is tied both to 3-month and 6-month EURIBOR as well as EONIA. Weighted average interest rate was 1.28% (2014: 1.2%).

**Note 13. Trade and other payables**

in thousands of euros

	<b>30.06.2015</b>	<b>31.12.2014</b>
Trade payables	50,156	52,982
Payables to related parties (Note 21)	5,033	4,913
Other accrued expenses	21	60
Prepayments by tenants	1,866	1,613
<b>Total financial liabilities from balance sheet line "Trade and other payables"</b>	<b>57,076</b>	<b>59,568</b>
Taxes payable (Note 14)	4,984	5,797
Employee payables	3,968	3,868
Prepayments	928	953
Short-term provisions*	118	131
<b>Total trade and other payables</b>	<b>67,074</b>	<b>70,317</b>

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

**Note 14. Taxes**

in thousands of euros

	<b>30.06.2015</b>		<b>31.12.2014</b>	
	<b>Prepaid taxes</b>	<b>Taxes payable</b>	<b>Prepaid taxes</b>	<b>Taxes payable</b>
Prepaid taxes	27	0	130	0
Value added tax	0	1,921	0	2,719
Personal income tax	0	890	0	881
Social security taxes	0	1,892	0	1,880
Corporate income tax	0	50	0	81
Unemployment insurance	0	130	0	140
Mandatory funded pension	0	101	0	96
<b>Total taxes</b>	<b>27</b>	<b>4,984</b>	<b>130</b>	<b>5,797</b>

**Note 15. Share capital**

As of 30.06.2015, 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 31.12.2014 the share capital in the amount 16,292 thousand euros consisted of 40,729,200 ordinary shares with the nominal value of 0.40 euros per share). All shares issued have been paid for. According to the articles of association, the maximum allowed number of shares is 162,916,800 shares.

In 2015, dividends were paid to the shareholders in the amount of 16,292 thousand euros, or 0.40 euros per share (2014: 6,109 thousand euros, 0.15 euros per share). Related income tax on dividends amounted to 3,873 thousand euros (2014: 1,324 thousand euros).

In July, 2014, the reduction of share capital of Tallinna Kaubamaja Group in the amount of 8,146 thousand euros was registered in the Commercial Register. The new registered share capital of Tallinna Kaubamaja Group 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 Tallinna Kaubamaja Group has defined the business segments based on the reports used regularly by the supervisory board to make strategic decisions.

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

The main area of activity of supermarkets, department stores, footwear trade and car trade is retail trade. Supermarkets focus on the sale of foodstuffs and convenience goods, the department stores on the sale of beauty and fashion products, the car trade on the sale of cars and spare parts to cars and footwear trade to sales of footwear. In the car trade segment, cars are sold at wholesale prices to authorised car dealers. 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>II quarter 2015</b>							
<b>External revenue</b>	<b>96,019</b>	<b>23,468</b>	<b>16,004</b>	<b>3,083</b>	<b>768</b>	<b>0</b>	<b>139,342</b>
Inter-segment revenue	261	1,234	8	46	3,004	-4,553	0
Total revenue	96,280	24,702	16,012	3,129	3,772	-4,553	139,342
<b>EBITDA</b>	<b>2,934</b>	<b>1,615</b>	<b>821</b>	<b>38</b>	<b>3,621</b>	<b>0</b>	<b>9,029</b>
Segment depreciation and impairment losses	-986	-474	-127	-165	-1,100	0	-2,852
<b>Operating profit/loss</b>	<b>1,948</b>	<b>1,141</b>	<b>694</b>	<b>-127</b>	<b>2,521</b>	<b>0</b>	<b>6,177</b>
Finance income (Note 19)	74	167	5	0	41	-285	2
Finance income on shares of associates	0	41	0	0	0	0	41
Finance costs (Note 19)	-9	-146	-64	-42	-322	285	-298
Income tax	0	0	0	0	0	0	0
<b>Net profit/loss</b>	<b>2,013</b>	<b>1,203</b>	<b>635</b>	<b>-169</b>	<b>2,240</b>	<b>0</b>	<b>5,922</b>
incl. in Estonia	2,635	1,203	642	-169	1,991	0	6,302
incl. in Latvia	-622	0	-23	0	249	0	-396
incl. in Lithuania	0	0	16	0	0	0	16
<b>Segment assets</b>	<b>74,354</b>	<b>47,435</b>	<b>21,951</b>	<b>10,927</b>	<b>221,950</b>	<b>-52,033</b>	<b>324,584</b>
<b>Segment liabilities</b>	<b>55,491</b>	<b>14,642</b>	<b>15,456</b>	<b>10,956</b>	<b>100,680</b>	<b>-34,936</b>	<b>162,289</b>
Segment investment in non-current assets	1,591	583	124	16	4,000	0	6,314



in thousands of euros

	Super markets	Depart- ment store	Car trade	Footwea r trade	Real estate	Inter- segment transact- ions	Total seg- ments
<b>II quarter 2014</b>							
<b>External revenue</b>	<b>93,675</b>	<b>22,645</b>	<b>16,143</b>	<b>3,431</b>	<b>815</b>	<b>0</b>	<b>136,709</b>
Inter-segment revenue	239	1,101	7	63	2,966	-4,376	0
Total revenue	93,914	23,746	16,150	3,494	3,781	-4,376	136,709
<b>EBITDA</b>	<b>2,077</b>	<b>1,605</b>	<b>871</b>	<b>133</b>	<b>3,736</b>	<b>0</b>	<b>8,422</b>
Segment depreciation and impairment losses	-833	-466	-114	-177	-1,092	0	-2,682
<b>Operating profit/loss</b>	<b>1,244</b>	<b>1,139</b>	<b>757</b>	<b>-44</b>	<b>2,644</b>	<b>0</b>	<b>5,740</b>
Finance income (Note 19)	77	182	7	0	13	-273	6
Finance income on shares of associates	0	51	0	0	0	0	51
Finance costs (Note 19)	-13	-135	-83	-70	-374	273	-402
Income tax	0	0	0	0	0	0	0
<b>Net profit/loss</b>	<b>1,308</b>	<b>1,237</b>	<b>681</b>	<b>-114</b>	<b>2,283</b>	<b>0</b>	<b>5,395</b>
incl. in Estonia	1,920	1,237	684	-114	2,065	0	5,792
incl. in Latvia	-612	0	-1	0	218	0	-395
incl. in Lithuania	0	0	-2	0	0	0	-2
<b>Segment assets</b>	<b>75,880</b>	<b>61,298</b>	<b>20,408</b>	<b>12,186</b>	<b>207,148</b>	<b>-49,154</b>	<b>327,766</b>
<b>Segment liabilities</b>	<b>56,412</b>	<b>18,096</b>	<b>14,147</b>	<b>12,593</b>	<b>93,765</b>	<b>-33,706</b>	<b>161,307</b>
Segment investment in non-current assets	1,265	441	126	43	382	0	2,257

in thousands of euros

	Super markets	Depart- ment store	Car trade	Footwea r trade	Real estate	Inter- segment transact- ions	Total seg- ments
<b>6 months 2015</b>							
<b>External revenue</b>	<b>182,283</b>	<b>45,272</b>	<b>28,325</b>	<b>5,320</b>	<b>1,600</b>	<b>0</b>	<b>262,800</b>
Inter-segment revenue	509	2,407	13	113	6,001	-9,043	0
Total revenue	182,792	47,679	28,338	5,433	7,601	-9,043	262,800
<b>EBITDA</b>	<b>4,899</b>	<b>1,814</b>	<b>1,450</b>	<b>-486</b>	<b>7,137</b>	<b>0</b>	<b>14,814</b>
Segment depreciation and impairment losses	-1,965	-945	-256	-333	-2,202	0	-5,701
<b>Operating profit/loss</b>	<b>2,934</b>	<b>869</b>	<b>1,194</b>	<b>-819</b>	<b>4,935</b>	<b>0</b>	<b>9,113</b>
Finance income (Note 19)	138	322	20	0	65	-535	10
Finance income on shares of associates	0	88	0	0	0	0	88
Finance costs (Note 19)	-18	-269	-121	-81	-627	535	-581
Income tax	-2,223	-1,150	-500	0	0	0	-3,873
<b>Net profit/loss</b>	<b>831</b>	<b>-140</b>	<b>593</b>	<b>-900</b>	<b>4,373</b>	<b>0</b>	<b>4,757</b>
incl. in Estonia	2,062	-140	628	-900	3,908	0	5,558
incl. in Latvia	-1,231	0	-50	0	465	0	-816
incl. in Lithuania	0	0	15	0	0	0	15
<b>Segment assets</b>	<b>74,354</b>	<b>47,435</b>	<b>21,951</b>	<b>10,927</b>	<b>221,950</b>	<b>-52,033</b>	<b>324,584</b>
<b>Segment liabilities</b>	<b>55,491</b>	<b>14,642</b>	<b>15,456</b>	<b>10,956</b>	<b>100,680</b>	<b>-34,936</b>	<b>162,289</b>
Segment investment in non-current assets	2,070	1,057	172	47	5,924	0	9,270

in thousands of euros

6 months 2014	Super markets	Department store	Car trade	Footwear trade	Real estate	Inter-segment transactions	Total segments
<b>External revenue</b>	<b>176,062</b>	<b>43,249</b>	<b>28,566</b>	<b>6,838</b>	<b>1,645</b>	<b>0</b>	<b>256,360</b>
Inter-segment revenue	473	2,139	13	139	5,949	-8,713	0
Total revenue	176,535	45,388	28,579	6,977	7,594	-8,713	256,360
<b>EBITDA</b>	<b>2,229</b>	<b>1,927</b>	<b>1,083</b>	<b>-437</b>	<b>7,319</b>	<b>0</b>	<b>12,121</b>
Segment depreciation and impairment losses	-1,729	-928	-215	-334	-2,186	0	-5,392
<b>Operating profit/loss</b>	<b>500</b>	<b>999</b>	<b>868</b>	<b>-771</b>	<b>5,133</b>	<b>0</b>	<b>6,729</b>
Finance income (Note 19)	152	403	25	0	25	-594	11
Finance income on shares of associates	0	97	0	0	0	0	97
Finance costs (Note 19)	-23	-276	-151	-133	-746	594	-735
Income tax	-366	-426	-532	0	0	0	-1,324
<b>Net profit/loss</b>	<b>263</b>	<b>797</b>	<b>210</b>	<b>-904</b>	<b>4,412</b>	<b>0</b>	<b>4,778</b>
incl. in Estonia	1,472	797	295	-904	3,984	0	5,644
incl. in Latvia	-1,209	0	-88	0	428	0	-869
incl. in Lithuania	0	0	3	0	0	0	3
<b>Segment assets</b>	<b>75,880</b>	<b>61,298</b>	<b>20,408</b>	<b>12,186</b>	<b>207,148</b>	<b>-49,154</b>	<b>327,766</b>
<b>Segment liabilities</b>	<b>56,412</b>	<b>18,096</b>	<b>14,147</b>	<b>12,593</b>	<b>93,765</b>	<b>-33,706</b>	<b>161,307</b>
Segment investment in non-current assets	1,926	826	256	442	849	0	4,299

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

in thousands of euros

	II quarter 2015	II quarter 2014	6 months 2015	6 months 2014
Retail revenue	127,598	126,938	242,561	238,771
Wholesale revenue	5,940	5,059	9,566	8,598
Rental income	1,833	1,804	3,667	3,605
Revenue for rendering services	3,971	2,908	7,006	5,386
<b>Total revenue</b>	<b>139,342</b>	<b>136,709</b>	<b>262,800</b>	<b>256,360</b>

## External revenue by client location

in thousands of euros

	II quarter 2015	II quarter 2014	6 months 2015	6 months 2014
Estonia	133,952	130,078	252,684	243,679
Latvia	3,662	4,942	6,955	9,598
Lithuania	1,728	1,689	3,161	3,083
<b>Total</b>	<b>139,342</b>	<b>136,709</b>	<b>262,800</b>	<b>256,360</b>

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

in thousands of euros

	<b>30.06.2015</b>	<b>31.12.2014</b>
Estonia	210,051	206,480
Latvia	34,757	35,054
Lithuania	147	155
<b>Total</b>	<b>244,955</b>	<b>241,689</b>

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

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

**Note 17. Other operating expenses**

in thousands of euros

	<b>II quarter 2015</b>	<b>II quarter 2014</b>	<b>6 months 2015</b>	<b>6 months 2014</b>
Rental expenses	3,809	3,755	7,700	7,466
Heat and electricity expenses	2,068	2,030	4,391	4,391
Operating costs	1,695	1,587	3,265	3,189
Cost of sale related services and materials	1,907	1,747	3,591	3,517
Marketing expenses	1,497	1,691	3,017	3,451
Miscellaneous other operating expenses	619	794	1,414	1,548
Computer and communication costs	938	732	1,647	1,374
Personnel expenses	489	422	921	882
<b>Total other operating expenses</b>	<b>13,022</b>	<b>12,758</b>	<b>25,946</b>	<b>25,818</b>

**Note 18. Staff costs**

in thousands of euros

	<b>II quarter 2015</b>	<b>II quarter 2014</b>	<b>6 months 2015</b>	<b>6 months 2014</b>
Wages and salaries	9,579	8,877	18,407	17,325
Social security taxes	3,158	2,953	6,046	5,756
<b>Total staff costs</b>	<b>12,737</b>	<b>11,830</b>	<b>24,453</b>	<b>23,081</b>
Average wages per employee per month (euros)	810	778	790	764
Average number of employees in the reporting period	3,941	3,804	3,882	3,781

**Note 19. Finance income and costs**

in thousands of euros

Finance income

	<b>II quarter 2015</b>	<b>II quarter 2014</b>	<b>6 months 2015</b>	<b>6 months 2014</b>
Interest income from loans to related parties	0	6	0	11
Interest income on NGI Group's group account (Note 21)	1	0	3	0
Other finance income	1	0	7	0
<b>Total finance income</b>	<b>2</b>	<b>6</b>	<b>10</b>	<b>11</b>

Finance costs

	II quarter 2015	II quarter 2014	6 months 2015	6 months 2014
Interest expense of bank loans	-259	-332	-509	-612
Interest expense of finance lease	-10	-14	-22	-24
Interest expense on NGI Group's group account	-2	0	-2	0
Other finance costs*	-27	-56	-48	-99
<b>Total finance costs</b>	<b>-298</b>	<b>-402</b>	<b>-581</b>	<b>-735</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.

	II quarter 2015	II quarter 2014	6 months 2015	6 months 2014
Net profit (in thousands of euros)	5,922	5,395	4,757	4,778
Weighted average number of shares	40,729,200	40,729,200	40,729,200	40,729,200
Basic and diluted earnings per share (euros)	0.15	0.13	0.12	0.12

**Note 21. Related party transactions**

in thousands of euros

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

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

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

	Purchases 6 months 2015	Sales 6 months 2015	Purchases 6 months 2014	Sales 6 months 2014
Parent	141	7	211	19
Entities in the Parent's consolidation group	12,684	3,620	18,672	5,111
Other related parties	467	127	317	85
<b>Total</b>	<b>13,292</b>	<b>3,754</b>	<b>19,200</b>	<b>5,215</b>

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

**Balances with related parties:**

	30.06.2015	31.12.2014
Interest receivable from Parent (Note 4)	1	9
Receivable from Parent (Note 3)	0	4,000
Receivables from entities in the in the Parent's consolidation group (Note 4)	1,208	729
Members of management and supervisory boards (Note 4)	0	10
Other related parties (Note 4)	17	0
<b>Total receivables from related parties</b>	<b>1,226</b>	<b>4,748</b>

	30.06.2015	31.12.2014
Parent	22	21
Entities in the Parent's consolidation group	4,889	4,724
Other related parties	122	168
<b>Total liabilities to related parties (Note 13)</b>	<b>5,033</b>	<b>4,913</b>

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

For proving funding for its subsidiaries, the Tallinna Kaubamaja Group uses the group account, the members of which are most of the Group entities. In its turn, this Group as a subgroup has joined the contract of the group account of NG Investeeringud OÜ (hereinafter head group). From autumn 2001, Tallinna Kaubamaja Group has been keeping its available funds at the head group, earning interest income on its deposits. During 6 months of 2015 the Group earned interest income on its deposits of available funds in the amount of 3 thousand euros (2014: 5 thousand euros).

As at 30 June 2015 the NG Investeeringud group has not used the Group's available funds and Tallinna Kaubamaja Group has not used NG Investeeringud group account available funds. As at 31.12.2014 the Group deposited through parent company NG Investeeringud OÜ 4,000 thousand euros. Out of that, the deposit in the amount of 2,000 thousand euros with interest rate 0.18% maturity up to 5 January 2015 and deposit in the amount of 2,000 thousand euros with interest rate 0.20% maturity up to 6 January 2015. The average interest rate on available funds deposited to the group account of NG Investeeringud OÜ was 0.05% in the euro account (2014: 0.07%). According to the group account contract, the Group's members are jointly responsible for the unpaid amount to the bank.

**Remuneration paid to the members of the Management and Supervisory Board**

Short term benefits to the management boards' members of the Tallinna Kaubamaja Group for the reporting period including wages, social security taxes, bonuses and car expenses, amounted to 626 thousand euros (2014: 488 thousand euros (including termination benefits in the amount of 18 thousand euros)). Short term benefits to supervisory boards' members of the Group in reporting period including social taxes amounted to 155 thousand euros (2014: 155 thousand euros).

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

**Note 22. Events after the balance sheet date**

On 8 July 2015, Viking Security AS, subsidiary of Tallinna Kaubamaja Grupp AS, concluded an agreement, acquiring 100% of shares of Digisilm Videovalve OÜ. Digisilm Videovalve OÜ was established on 6 July 2015 through division of Digisilm Pro OÜ, whereby the video surveillance business was allocated to Digisilm Videovalve OÜ.

Share capital of Digisilm Videovalve OÜ amounts to 2,500 euros, consisting of one share. Acquisition of the holding of Digisilm Videovalve OÜ enables Tallinna Kaubamaja Grupp AS to strengthen its field of security services further, which has been one of the fastest expanding business ventures of the group over the last few years. Through this transaction, Viking Security AS will enhance its services related to the design, installation and maintenance of electronic alert, surveillance and monitoring systems. In addition, the service portfolio of Viking Security AS will continue to include manned and video surveillance, and the option of participating in certified security procurements.