

TALLINNA KAUBAMAJA GRUPP AS

**Consolidated Interim Report for
the Fourth quarter and 12 months of 2017**
(unaudited)

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COMPANY PROFILE AND CONTACT DETAILS

The primary areas of activity of the companies of the Tallinna Kaubamaja Grupp AS (hereinafter referred to as the 'Tallinna Kaubamaja Group' or 'the Group') include retail and wholesale trade and rental activities. The Tallinna Kaubamaja Group employs more than 4,100 employees.

The Company is listed on the Tallinn Stock Exchange.

Registered office:	Gonsiori 2, 10143 Tallinn Republic of Estonia
Registry code:	10223439
Beginning of financial year:	1 January 2017
End of financial year:	31 December 2017
Beginning of interim report period:	1 January 2017
End of interim report period:	31 December 2017
Auditor:	PricewaterhouseCoopers AS
Telephone:	372 667 3200
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MANAGEMENT REPORT

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

Management

In order to manage the Tallinna Kaubamaja Group the general meeting of the shareholders, held at least once in a year, elects supervisory board, which according to the articles of association may have 3 to 6 members. Members of the Tallinna Kaubamaja Group supervisory board are Jüri Kõo (chairman of the supervisory board), Andres Järving, Enn Kunila, Gunnar Kraft and Meelis Milder. Members of Tallinna Kaubamaja Group supervisory board are elected for three years. The mandates of current supervisory board members Andres Järving, Jüri Kõo, Enn Kunila, Meelis Milder and Gunnar Kraft will expire on 19 May 2018. During the period between the general meetings the supervisory board plans actions of the company, organises management and accomplishes supervision over management actions. Regular supervisory board meetings are held at least 10 times in a year. In order to manage daily activities the supervisory board appoints member(s) of the management board of the Tallinna Kaubamaja Group in accordance with the Commercial Code. In order to elect a member of the management board, his or her consent is required. By the articles of association a member of the management board shall be elected for a specified term of three years. Extension of the term of office of a member of the management board shall not be decided earlier than one year before the planned date of expiry of the term of office, and not for a period longer than the maximum term of office prescribed by the articles of association. Currently the management board of Tallinna Kaubamaja Group has one member. The term of office of the management board member Raul Puusepp was extended on 17 February 2017 and his term of office expires on 6 March 2020.

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

Share market

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

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

The share with a price of 8.23 euros at the end of 2016 was closed in late December of 2017 at 9.20 euros, increased by 11.79% within the twelve months of the year.

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

Share price and trading statistics on the Tallinn Stock Exchange from 01.01.2017 to 31.12.2017.

In euros



Company's structure

The following companies belong to the Group as of December 31, 2017:

	Location	Shareholding as of 31.12.2017	Shareholding as of 31.12.2016
Selver AS	Estonia	100%	100%
Kulinaaria OÜ	Estonia	100%	100%
Kaubamaja AS	Estonia	100%	100%
Viking Security AS	Estonia	100%	100%
Tartu Kaubamaja Kinnisvara OÜ	Estonia	100%	100%
Tallinna Kaubamaja Kinnisvara AS	Estonia	100%	100%
TKM Lietuva UAB	Lithuania	100%	0%
SIA TKM Latvija	Latvia	100%	100%
Selver Latvia SIA	Latvia	100%	100%
TKM Auto OÜ	Estonia	100%	100%
KIA Auto AS	Estonia	100%	100%
KIA Auto UAB	Lithuania	100%	100%
Forum Auto SIA	Latvia	100%	100%
Verte Auto SIA	Latvia	100%	0%
Viking Motors AS	Estonia	100%	100%
OÜ TKM Beauty	Estonia	100%	100%
OÜ TKM Beauty Eesti	Estonia	100%	100%
AS TKM King	Estonia	100%	100%
Rävala Parkla AS	Estonia	50%	50%

Economic development

In the third quarter of 2017, the gross domestic product of Estonia increased by 4.2% year-on-year. In the first three quarters of 2017, Estonia's economy grew by 4.8%. Similar to previous quarters, the construction sector contributed the most to the GDP growth. Economic growth decelerated mostly due to a decrease in added value in the energy sector. Added value decreased also in the retail and wholesale sector; one of the reasons could be increased consumption of services (accounts for 40% of all private consumption). According to leading economic analysts, the economy will probably grow 4.2% in whole 2017. Analysts forecast the economic growth to be 3.5% in 2018 supported by strong domestic and foreign demand. The consumer price index increased by 3.9% in the fourth quarter and 3.4% in a year in Estonia. The price growth of food products and non-alcoholic beverages accelerated from one quarter to the next and was 7.3% in the fourth quarter; however, it remained at 5.7% for the year. The prices of clothing and footwear increased by 2.7% in the fourth quarter, where the price of the group of goods increased by 1.7% yearly. For the entire 2017, the prices of alcoholic beverages and tobacco rose the fastest (8.7%). According to Statistics Estonia, the average gross salary increased year-on-year by 7.4% in the third quarter compared to the previous year. Salaries in retail and wholesale sector rose faster than average (8.0%) forcing merchants to search for new less labour intensive service models by offering more self-service and e-commerce options.

According to Statistics Estonia, the total volume of retail sale in current prices in Estonia grew by 8.4% in the first eleven months of 2017. The fastest growth during eleven months was observed in the retail sale by post or on the Internet (36.0%). The greatest growth of retail sale in terms of monetary value still came from, the sale of motor vehicles, their parts and auxiliary equipment. The growth of retail sale in non-specialised stores (predominantly food products) grew in total 3.4% during the first eleven months of 2017. Retail sale in other non-specialised stores increased 1.6%. According to the Estonian Institute of Economic Research, the confidence indicator of consumers has continued to improve, exceeding largely the historic average. Due to accelerated inflation, the real growth of net salary of Estonian people is decreasing, which has caused a slow-down in the growth rate of the retail sector. According to analysts, the basic exemption that was increased drastically at the beginning of 2018 may improve the purchasing power of a significant number of employees and increase their consumption volume in 2018.

Economic results**FINANCIAL RATIOS 2016–2017**

	EUR		Change
	4 th quarter 2017	4 th quarter 2016	
Sales revenue (in millions)	175.0	162.9	7.4%
Operating profit/loss (in millions)	12.4	8.2	51.4%
Net profit/loss (in millions)	11.9	7.9	50.1%
Return on equity (ROE)	5.9%	4.2%	
Return on assets (ROA)	3.1%	2.2%	
Net profit margin	6.81%	4.87%	
Gross profit margin	26.79%	26.47%	
Quick ratio	0.89	1.07	
Debt ratio	0.48	0.48	
Sales revenue per employee (in millions)	0.042	0.040	
Inventory turnover	1.69	1.71	
SHARE			
Average number of shares (1000 pcs)	40,729	40,729	
Equity capital per share (EUR/share)	5.11	5.00	
Share's closing price (EUR/share)	9.200	8.230	
Earnings per share (EUR/share)	0.29	0.19	
Average number of employees	4,193	4,103	

	EUR		Change
	12 month 2017	12 month 2016	
Sales revenue (in millions)	651.3	598.4	8.8%
Operating profit/loss (in millions)	37.1	31.7	17.1%
Net profit/loss (in millions)	29.8	25.7	16.0%
Return on equity (ROE)	14.5%	13.4%	
Return on assets (ROA)	7.6%	7.0%	
Net profit margin	4.58%	4.30%	
Gross profit margin	25.57%	25.57%	
Quick ratio	0.89	1.07	
Debt ratio	0.48	0.48	
Sales revenue per employee (in millions)	0.156	0.147	
Inventory turnover	6.39	6.35	
SHARE			
Average number of shares (1000 pcs)	40 729	40 729	
Equity capital per share (EUR/share)	5.11	5.00	
Share's closing price (EUR/share)	9.200	8.230	
Earnings per share (EUR/share)	0.73	0.63	
Average number of employees	4 182	4 079	
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 Tallinna Kaubamaja Group was 175.0 million euros in the fourth quarter of 2017, exceeding the year-on-year result by 7.4%. The sales revenue earned in twelve months was 651.3 million euros, having grown by 8.8% compared to the result of 2016, when the sales revenue amounted to 598.4 million euros. The unaudited consolidated net profit of the Group in the fourth quarter of 2017 was 11.9 million euros, which is 50.1% higher compared to the same period of the previous year. The Group's net profit was 29.8 million euros in 2017, which is 16.0% better than the profit for the previous year. Profit before tax was 36.5 million euros in twelve months, showing a growth of 17.8% compared to the previous year. Net profit was influenced by a dividend payment, on which 6.7 million euros in income tax was calculated in the first quarter of 2017. A year before, income tax was calculated in the sum of 5.3 million euros.

The result of the Group in the fourth quarter as well as for the entire year of 2017 was very positive. The growth in the sales revenue of the Group's main areas of activity increased faster than that of the respective market segment. The car segment showed an extremely strong sales revenue growth. The sales results of the Group's e-store doubled in a year and exceeded the respective e-commerce sales statistics in Estonia. As there has not been a proper winter in recent years, it has taught better management of inventories of seasonal goods, which has resulted in an improved sales margin in the fourth quarter. More efficient electricity solutions implemented in the financial year have helped save other operating expenses. The Group's labour costs have grown by 10.5% in a year with the average salary growth being 7.9%, which corresponds to the recent average salary growth in retail and wholesale sectors published by Statistics Estonia. The addition of two new Selver stores has caused an increase in the number of employees in the last quarter of the year and the total salary expenses. The profit of the fourth quarter was influenced by the revaluation of investment properties. The value of investment properties grew in 2017; however, the growth was slightly lower than in 2016, which had an unfavourable effect on other revenue, affecting it by 0.5 million euros.

Selver expanded commercial space by opening two new Selver stores in the fourth quarter in Tallinn: Kotka Selver in November and Laagri Selver in December. In 2017, Baltic Station's Turu, Tähesaju and Sepapaja Selver stores were opened. Selver opened altogether five new stores in 2017. In addition, a mobile shop was opened in Hiiu County in December. 15 projects were submitted to the architecture competition announced in June for the construction of new buildings on the registered immovable in the Tallinna Kaubamaja quarter located at Gonsiori 2 / Rävala 6. The winner of the competition was a project called "CITY BREAK", which was submitted by the architecture bureau DAGOpen OÜ.

The volume of assets of Tallinna Kaubamaja Group as at 31 December 2017 was 397.5 million euros, which is 2.3% more than the respective number at the end of 2016.

There were more than 654 thousand loyal customers at the end of the reporting period; the number of loyal customers increased by 10.0% in a year. The proportion of loyal customers' purchases in the Group's turnover was 83.0% (the number was 81.7% in 2016). Over 28,000 Partner Bank and Credit Cards had been issued by the end of the December.

Selver supermarkets

In 2017, the consolidated sales revenue in the business segment of supermarkets was 433.1 million euros, having grown by 8.3% on a year-on-year basis. The consolidated sales revenue of the fourth quarter was 116.1 million euros, having grown by 6.6% compared to the same period of the previous year. The monthly average sales revenue of goods per sales area square metre was 0.40 thousand euros in 2017, a year-on-year growth of 1.7%. In the last quarter of the year, the average sales revenue per one square metre of sales area was 0.41 thousand euros, exceeding the previous year's result by 0.6%. The sales revenue of goods per one square metre of comparable stores was 0.37 thousand euros in 2017 and 0.39 thousand euros in the fourth quarter, showing a growth of 2.3% and 0.9%, respectively. 37.7 million purchases were made at Selver stores in 2017, exceeding the result of the previous year by 4.0%.

The consolidated profit before tax of the supermarket segment was 16.8 million euros in 2017, showing a year-on-year growth of 2.1 million euros. The net profit for the same period was 13.2 million euros, having grown by 1.2 million euros year-on-year. The profit before tax earned in Estonia was 19.8 million euros and net profit was 16.2 million euros. The difference between the net profit and profit before tax arises from the income tax paid on dividends: in 2017, the income tax on dividends was higher by 1.0 million euros compared to the previous year. The profit before tax and net profit was 5.6 million euros in the fourth quarter, of which the profit earned in Estonia accounted for 6.2 million euros. The profit earned in the fourth quarter exceeded that of the previous year by 1.4 million euros. The loss incurred in Latvia in twelve months was 2.1 million euros, of which the share of the fourth quarter was 0.5 million euros. Loss remained at the same level as the previous year.

The growth of Selters' sales revenue continued in the fourth quarter at a faster rate than the average of the market segment. The growth of the sales revenue was primarily supported by new stores opened in 2016 and 2017. Seven new stores were opened from October 2016 to the end of 2017, by which the reference base of the fourth quarter of 2017 is lower. The reference base of 2017 is higher by a store closed in Narva in the first quarter of 2016 and one additional day because of the leap year. E-commerce has shown good results with the sales revenue doubled in twelve months. Although competition is tight, new stores have helped increase the number of purchases. The growth of the average shopping basket is influenced by successful assortment and campaign activities and accelerated inflation in the second half of the year.

The generation of profit earned in Estonia has above all been influenced by the increased sales revenue. As for operating expenses, cost-effectiveness has improved compared to the previous year. As expected, investments have had a positive impact, enabling saving on operating expenses. Although salary pressure is strong, labour efficiency has remained at the level of previous year. Salary expenses increased because the over-the-counter service contract and cooperation with the partner of the e-store courier service were terminated. This enables better control of the processes, quality and expenses. The expenses incurred and investments made in 2017 include the opening expenses of five new stores and a mobile shop in Hiiu County. The reference period includes the opening expenses of three stores and renovation expenses of two stores. The profit of the reference period is influenced by a one-time positive income of 0.4 million euros as a result of a judicial decision of the sales tax on products subject to excise duty. The net profit of the financial year is influenced by a one-time judicial decision that required Selver to pay a penalty and influenced the profit along with taxes in the amount of 0.4 million euros.

As at the end of the year, the supermarket segment includes the Selver chain with 52 stores, a mobile shop, e-Selver and cafe with total sales space of 95.1 thousand m² and the central kitchen Kulinaaria OÜ. The segment also includes non-operational SIA Selver Latvia.

Department stores

The sales revenue in the business segment of department stores was 102.4 million euros in 2017, having grown by 4.4% year-on-year. The sales revenue earned in the fourth quarter was 31.0 million euros, which was 3.6% higher than the revenue of the fourth quarter in 2016. The monthly sales revenue of the department store segment per sales area square meter was 0.32 thousand euros in twelve months, being 4.1% higher than during the same period of the previous year. The profit before tax of the department stores segment was 4.3 million euros in 2017, which was 0.2% lower compared to the previous year's result. The profit before tax was 2.3 million euros in the fourth quarter, which was lower by 11.5% than in the same period of 2016. The sales revenue of the department stores segment of twelve months was influenced by successful sales campaigns organised throughout the year. Although the beginning of the autumn season in September was very positive, winter weather expected in the last quarter did not arrive. Regardless, good inventory management helped increase the margin in the last quarter. The sales of the e-store launched in March 2016 have doubled in reporting year and influenced the 12-month result positively. The utility cost savings compared to the previous year have positively influenced the profit of department stores in 2017, which is primarily thanks to the investments made into LED lighting in Tallinn as well as Tartu stores over recent years. However, depreciation on investments made in previous years and labour costs increased faster and slowed down profit growth.

The sales revenue in the fourth quarter of 2017 of OÜ TKM Beauty Eesti, which operates the I.L.U. cosmetics stores, was 1.5 million euros, a 3.0% decrease compared to the same period of 2016. In the fourth quarter, as in the previous period, the company broke even. The sales revenue was 4.7 million euros in 2017, having decreased by 5.3% compared to the 2016. Loss earned in 2017 was 0.3 million euros, which is 0.05 million euros less than the loss of the 2016. In April 2017, the store in Tartu Lõunakeskus moved to a new section of the shopping centre. This brought about optimisation of the store's assortment, renovation of its interior design and termination of the provision of beauty services in the sales area.

Car trade

The sales revenue in the car trade segment was 99.7 million euros in 2017. The sales revenue exceeded the year-on-year revenue by 20.7%; whereas, the annual sales revenue earned from the sale of KIAs increased by 24.1%. The sales revenue of 23.6 million euros earned in the fourth quarter exceeded the year-on-year result by 22.2%. The sales revenue of KIAs grew by 18.8% and the strongest sales results were achieved in the sale of OPEL and Peugeot vehicles. In 2017, the Group's car segment sold altogether 4,706 new vehicles, from which 1,043 vehicles were sold in the fourth quarter. The net profit of the segment was 3.3 million euros in 2017, which is 2.6% higher than the profit earned for the same period the year before. The profit before tax of the segment was 3.9 million euros in 2017, exceeding the profit earned in the 2016 by 6.8%. Operating profit of the fourth quarter of 2017 was 0.7 million euros, surpassing the operating profit of the fourth quarter of 2016 by 6.1%. Good economic results in the car trade segment in Latvian and Lithuanian sales centres caused a reduction of 36.3% in the net profit earned in the fourth quarter due to a tax system that is different from the one in Estonia compared to the earlier period because of income tax calculated there.

Footwear trade

The sales revenue in the business segment of footwear was 11.1 million euros in 2017, having decreased by 13.7% on a year-on-year basis. The sales revenue was 3.1 million euros in the fourth quarter, which is lower by 13.4% compared to the same period of the previous year. The loss of the segment incurred in the fourth quarter increased by 1.9 million euros year-on-year, mainly due to the final reduction of goodwill in amount of 2.1 million euros. EBITDA of the fourth quarter of the segment was positive and exceeded the year-on-year result by 0.2 million euros. In 2017, attention was paid to optimising the sales space and lowering the cost base of a square meter and increasing the revenue base. At the end of 2017, the sales space used was 18.2% smaller compared to the situation the year before. During the year, the focus was on finding more appropriate procurement channels to improve the margin. The first results were realised in the fourth quarter.

Real estate

The external sales revenue of the real estate segment was 5.0 million euros in 2017. The sales revenue increased by 1.4% on a year-on-year basis. The external sales revenue was 1.3 million euros in the fourth quarter, showing a growth of 2.6% compared to the same period of the previous year. The profit before tax of the real estate segment was 14.5 million euros in 2017, surpassing the year-on-year result by 58.9%. The profit before tax was 5.8 million euros in the fourth quarter, being almost 10 times higher than the profit of

the same period in the previous year. The sales revenue increased in all real estate companies during the financial year. The sales revenue growth was driven by Viimsi shopping centre that customers have received well. Tartu Kaubamaja Centre has been successful in keeping up with the sales revenue growth although competition has increased in the centre of Tartu. The profit of the real estate segment was influenced by the revaluation of assets in the segment which resulted in a growth of the result of the quarter by 3.2 million euros (revaluation made in 2016 resulted in profit lower by 2.2 million euros).

The winners of the architecture competition for constructing new buildings on the registered immovable located at Gonsiori 2 / Rävala 6 were chosen from among 15 competition projects on 15 November 2017. The winner of the competition was a project called "CITY BREAK", which was submitted by the architecture bureau DAGOpen OÜ.

Personnel

The average number of employees of Tallinna Kaubamaja Group in 2017 was 4,182, having grown by 2.5% in a year-on-year comparison. The labour costs (wage costs and social tax cost) of 2017 amounted to 62.3 million euros, having grown by 10.5% compared to the previous year. The labour costs went up by 12.1% in the fourth quarter compared to the previous year, while the average number of employees increased by 2.2%. Average monthly wage costs per employee increased by 9.5% in the fourth quarter; the overall annual increase was 7.9%.

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

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



Raul Puusepp
Chairman of the Management Board

Tallinn, 25 January 2018


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 fourth quarter and 12 months of 2017 as set out on pages 12 - 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 Grupp AS and its subsidiaries are going concerns.



Raul Puusepp
Chairman of the Management Board

Tallinn, 25 January 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros

	Note	31.12.2017	31.12.2016
ASSETS			
Current assets			
Cash and cash equivalents	2	33,662	32,375
Trade and other receivables	3	16,127	15,396
Inventories	5	75,816	70,186
Total current assets		125,605	117,957
Non-current assets			
Long-term trade and other receivables	8	114	264
Investments in associates	7	1,724	1,762
Investment property	9	49,902	48,684
Property, plant and equipment	10	214,475	211,511
Intangible assets	11	5,675	8,505
Total non-current assets		271,890	270,726
TOTAL ASSETS		397,495	388,683
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings	12	54,818	26,852
Trade and other payables	13	85,569	83,812
Total current liabilities		140,387	110,664
Non-current liabilities			
Borrowings	12	48,732	73,772
Provisions for other liabilities and charges		360	403
Total non-current liabilities		49,092	74,175
TOTAL LIABILITIES		189,479	184,839
Equity			
Share capital	15	16,292	16,292
Statutory reserve capital		2,603	2,603
Revaluation reserve		82,124	83,932
Currency translation differences		-255	-255
Retained earnings		107,252	101,272
TOTAL EQUITY		208,016	203,844
TOTAL LIABILITIES AND EQUITY		397,495	388,683

The notes presented on pages 17 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 2017	IV quarter 2016	12 months 2017	12 months 2016
Revenue	16	175,031	162,931	651,257	598,414
Other operating income		1,339	1,941	2,239	3,200
Cost of sales	5	-128,147	-119,797	-484,760	-445,424
Other operating expenses	17	-14,161	-13,730	-54,611	-51,808
Staff costs	18	-18,035	-16,090	-62,289	-56,371
Depreciation, amortisation and impairment losses	10, 11	-3,409	-6,903	-13,356	-15,590
Other expenses		-248	-181	-1,373	-729
Operating profit		12,370	8,171	37,107	31,692
Finance income		0	0	1	3
Finance costs		-202	-227	-773	-871
Finance income on shares of associates	7	27	35	162	159
Profit before tax		12,195	7,979	36,497	30,983
Income tax expense	15	-275	-39	-6,666	-5,258
NET PROFIT FOR THE FINANCIAL YEAR		11,920	7,940	29,831	25,725
Other comprehensive income:					
<i>Items that may be subsequently reclassified to profit or loss</i>					
Revaluation of land and buildings		0	19 689	0	19,689
Other comprehensive income for the financial year		0	19 689	0	19,689
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		11,920	27 629	29,831	45,414
Basic and diluted earnings per share (euros)	19	0.29	0.19	0.73	0,63

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

The notes presented on pages 17 to 31 form an integral part of these consolidated interim financial statements.

CONSOLIDATED CASH FLOW STATEMENT

In thousands of euros

	Note	12 months 2017	12 months 2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit		29,831	25,725
<i>Adjustments:</i>			
<i>Income tax on dividends</i>	15	6,372	5,219
<i>Interest expense</i>		773	871
<i>Interest income</i>		-1	-3
<i>Depreciation, amortisation</i>	10, 11	13,356	15,492
<i>Fair value adjustment to investment property</i>	9	-1,081	-1,585
<i>Loss on sale and write-off of non-current assets</i>	10	2	98
<i>Profit on sale of non-current assets</i>	10	-205	-117
<i>Effect of equity method</i>	7	-162	-159
Change in inventories		-5,630	-9,074
Change in receivables and prepayments related to operating activities		-582	-176
Change in liabilities and prepayments related to operating activities		1,717	6,689
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		44,390	42,980
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment (excl. finance lease)	10	-14,778	-12,991
Proceeds from sale of property, plant and equipment	10	1,403	911
Proceeds from sale of investment property	9	20	35
Purchase of intangible assets	11	-69	-157
Change in balance of parent company's group account	20	0	5,000
Dividends received	7	200	175
Interest received		1	3
TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES		-13,223	-7,024
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	12	63,719	63,454
Repayments of borrowings	12	-65,587	-54,108
Change in overdraft balance	12	4,794	475
Dividends paid	15	-25,659	-21,179
Income tax on dividends	15	-6,371	-5,259
Interest paid		-776	-875
TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES		-29,880	-17,492
TOTAL CASH FLOWS		1,287	18,464
Effect of exchange rate changes		0	0
Cash and cash equivalents at the beginning of the period	2	32,375	13,911
Cash and cash equivalents at the end of the period	2	33,662	32,375
Net change in cash and cash equivalents		1,287	18,464

The notes presented on pages 17 to 31 form an integral part of these consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

In thousands of euros

	Share capital	Statutory reserve capital	Revaluation reserve	Retained earnings	Currency translation differences	Total
Balance as of 31.12.2015	16,292	2,603	65,701	95,268	-255	179,609
Net profit for the reporting period	0	0	0	25,725	0	25,725
Revaluation of land and buildings	0	0	19,689	0	0	19,689
Total comprehensive income for the reporting period	0	0	19,689	25,725	0	45,414
Reclassification of depreciation of revalued land and buildings	0	0	-1,458	1,458	0	0
Dividends paid	0	0	0	-21,179	0	-21,179
Balance as of 31.12.2016	16,292	2,603	83,932	101,272	-255	203,844
Net profit for the reporting period	0	0	0	29,831	0	29,831
Total comprehensive income for the reporting period	0	0	0	29,831	0	29,831
Reclassification of depreciation of revalued land and buildings	0	0	-1,808	1,808	0	0
Dividends paid	0	0	0	-25,659	0	-25,659
Balance as of 31.12.2017	16,292	2,603	82,124	107,252	-255	208,016

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

The notes presented on pages 17 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 Grupp AS ('the Company') and its subsidiaries (jointly 'Tallinna Kaubamaja Group' or 'the Group') are companies engaged in rendering services related to retail sale and rental activities in Estonia, Latvia and Lithuania. Tallinna Kaubamaja Grupp AS is a company registered on 18 October 1994 in the Republic of Estonia with the legal address of Gonsiori 2, Tallinn. The shares of Tallinna Kaubamaja Grupp AS are listed on the NASDAQ OMX Tallinn Stock Exchange. The majority shareholder of Tallinna Kaubamaja Grupp AS is OÜ NG Investeeringud, the majority owner of which is NG Kapital OÜ. NG Kapital OÜ is an entity with ultimate control over Tallinna Kaubamaja Grupp AS.

Bases for Preparation

The Consolidated Interim Accounts of Tallinna Kaubamaja Group has been prepared in accordance with the International Financial Reporting Standard IAS 34 Interim Financial Reporting as adopted by the European Union. The consolidated interim financial statements do not contain all the information that has to be presented in the annual financial statements and they should be read in conjunction with the Group's consolidated financial statements as at and for the year ended 31 December 2016. The interim report has been prepared in accordance with the principal accounting policies applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2016.

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

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

The Manager is of the opinion that the Interim Report of Tallinna Kaubamaja Group for the fourth quarter and 12 months of 2017 gives a true and fair view of the Company's performance in accordance with the going-concern concept.

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

Note 2. Cash and cash equivalents

in thousands of euros

	31.12.2017	31.12.2016
Cash on hand	643	590
Bank accounts	29,866	29,178
Cash in transit	3,153	2,607
Total cash and cash equivalents	33,662	32,375

Note 3. Trade and other receivables

in thousands of euros

	31.12.2017	31.12.2016
Trade receivables (Note 4)	11,761	10,927
Other short-term receivables	602	365
Total financial assets from balance sheet line "Trade and other receivables"	12,363	11,292
Prepayment for goods	2,993	3,461
Other prepaid expenses	701	585
Prepaid rental expenses	34	35
Prepaid taxes (Note 14)	36	23
Total trade and other receivables	16,127	15,396

Note 4. Trade receivables

in thousands of euros

	31.12.2017	31.12.2016
Trade receivables	9,450	8,036
Allowance for doubtful receivables	-4	-6
Receivables from related parties (Note 20)	392	918
Credit card payments	1,923	1,979
Total trade receivables	11,761	10,927

Note 5. Inventories

in thousands of euros

	31.12.2017	31.12.2016
Goods purchased for resale	75,068	69,434
Raw materials and materials	748	752
Total inventories	75,816	70,186

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

	IV quarter 2017	IV quarter 2016	12 months 2017	12 months 2016
Write-down and write-off of inventories	2,405	2,301	8,984	8,681
Inventory stocktaking deficit	742	717	1,934	1,729
Total materials and consumables used	3,147	3,018	10,918	10,410

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 31.12.2017	Year of acquisition
Selver AS	Tallinn Pärnu mnt. 238	Retail trade	100%	1996
Tallinna Kaubamaja Kinnisvara AS	Tallinn Gonsiori 2	Real estate management	100%	1999
Tartu Kaubamaja Kinnisvara OÜ	Tartu Riia 1	Real estate management	100%	2004
SIA TKM Latvija	Riga Ieriku iela 3	Real estate management	100%	2006
SIA Selver Latvia	Riga Ieriku iela 3	Retail trade	100%	2006
TKM Auto OÜ	Tallinn Gonsiori 2	Commercial and finance activities	100%	2007
KIA Auto AS	Tallinn Ülemiste tee 1	Retail trade	100%	2007
Forum Auto SIA	Riga Pulkevza Brieza 31	Retail trade	100%	2007
KIA Auto UAB	Vilnius Perkunkiemiog.2	Retail trade	100%	2007
TKM Beauty OÜ	Tallinn Gonsiori 2	Retail trade	100%	2007
TKM Beauty Eesti OÜ	Tallinn Gonsiori 2	Retail trade	100%	2007
TKM King AS	Tallinn Betooni 14	Retail trade	100%	2008
Kaubamaja AS	Tallinn Gonsiori 2	Retail trade	100%	2012
Kulinaaria OÜ	Tallinn Taevakivi 7B	Centre kitchen activities	100%	2012
AS Viking Motors	Tallinn A.H. Tammsaare tee 51	Retail trade	100%	2012
Viking Security AS	Tallinna A. H. Tammsaare tee 62	Security activities	100%	2014
UAB TKM Lietuva	Vilnius Lvovo G 25	Real estate management	100%	2017
Verte Auto SIA	Marupes nov., Marupe, Karla Ulmana gatve 101	Retail trade	100%	2017

In 2017 and 2016, there were no business combinations.

Note 7. Investments in associates

in thousands of euros

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

	31.12.2017	31.12.2016
Investment in the associate at the beginning of the year	1,762	1,778
Profit for the reporting period under equity method	162	159
Dividends received	-200	-175
Investment in the associate at the end of the accounting period	1,724	1,762

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

	31.12.2017		31.12.2016	
Current assets	29		66	
Non-current assets	3,471		3,509	
Current liabilities	53		51	
	IV quarter 2017	IV quarter 2016	12 months 2017	12 months 2016
Revenue	128	189	507	487
Net profit	53	69	323	317

Note 8. Long-term trade and other receivables

in thousands of euros

	31.12.2017	31.12.2016
Prepaid rental expenses	52	50
Deferred tax asset	27	179
Other receivables	35	35
Total long-term trade and other receivables	114	264

Note 9. Investment property

in thousands of euros

	EUR
Carrying value as at 31.12.2015	44,963
Reclassification (Note 10)	2,171
Disposal	-35
Net gain from fair value adjustment	1,585
Carrying value as at 31.12.2016	48,684
Reclassification (Note 10)	157
Disposal	-20
Net gain from fair value adjustment	1,081
Carrying value as at 31.12.2017	49,902

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

In the reporting period, Tartu Kaubamaja Shopping Centre renovation amounted to 157 thousand euros (2016: 2,171 thousand euros).

As a result of the valuation in 2017, the net fair value adjustment of investment property was recorded in the amount of 1,081 thousand euros (2016: 1,585 thousand euros).

Note 10. Property, plant and equipment

in thousands of euros

	Land and buildings	Machinery and equipment	Other fixtures and fittings	Construction in progress and prepayments	Total
31.12.2015					
Cost or revalued amount	156,799	30,688	30,577	48,180	266,244
Accumulated depreciation and impairment	-10,044	-22,141	-19,583	-17,785	-69,553
Carrying value	146,755	8,547	10,994	30,395	196,691
Changes occurred in 2016					
Purchases and improvements	17	442	147	12,385	12,991
Reclassification	5,453	4,862	5,375	-15,690	0
Reclassification to investment property (Note 9)	-2,171	0	0	0	-2,171
Disposals	-645	-133	-16	0	-794
Write-offs	-21	-9	-68	0	-98
Decrease/increase in value through profit or loss	0	0	0	-3,744	-3,744
Increase in value through revaluation reserve	19,689	0	0	0	19,689
Depreciation	-4,621	-2,658	-3,774	0	-11,053
31.12.2016					
Cost or revalued amount	164,456	33,797	34,978	44,315	277,546
Accumulated depreciation and impairment	0	-22,746	-22,320	-20,969	-66,035
Carrying value	164,456	11,051	12,658	23,346	211,511
Changes occurred in 2017					
Purchases and improvements	1,893	356	134	12,395	14,778
Reclassification (Note 9)	2,016	4,500	3,838	-10,511	-157
Disposals	-8	-379	-18	-795	-1,200
Write-offs	0	-1	-38	0	-39
Decrease/increase in value through profit or loss	0	0	0	2,144	2,144
Depreciation	-5,049	-3,243	-4,270	0	-12,562
31.12.2017					
Cost or revalued amount	167,890	37,114	37,634	44,584	287,222
Accumulated depreciation and impairment	-4,582	-24,830	-25,330	-18,005	-72,747
Carrying value	163,308	12,284	12,304	26,579	214,475

The cost of investments for the 12 months of 2017 amounted to 14,847 thousand euros (including purchases of property, plant and equipment in the amount of 14,778 thousand euros and purchases of intangible assets amounted to 69 thousand euros).

The cost of purchases of property, plant and equipment made in 12 months of 2017 in the supermarket business segment was 8,662 thousand euros. In the reporting period, new supermarkets were opened in Tähesaju Selver in Tallinn Lasnamäe, Turu Selver in Balti Jaam and in Ülemiste City, near airport, was opened Sepapaja Selver. In Kristiine district was opened the 52nd Selver store in Estonia, Kotka Selver in Kotka Tervisemaja, which is considered the most modern private medicine centre in Baltics. Additionally was purchased computing technology for SelverExpress self-service cashiers and renewed store fittings.

The cost of purchases of property, plant and equipment in the business segment of department store amounted to 1,257 thousand euros. In the reporting period, store fittings and computing technology were purchased and new video displays introduced.

The cost of purchases of property, plant and equipment in the accounting period was 728 thousand euros in the car trade business segment.

The cost of purchases of property, plant and equipment in the reporting period in the footwear segment was 94 thousand euros.

The cost of purchases of property, plant and equipment in the real estate business segment amounted to 4,037 thousand euros. With aim to develop car trade business in Lietuva Group purchased an immovable in Vilnius, Lietuva. In the reporting period the construction of the gas station started in Rae vald, Raudkivi tee and at the intersection of the Tartu road, next to Peetri selver. Gas station is a part of developments of Peetri selver and is planned to rent out to Circle K for a long period. In the reporting period, renovation of Tartu Kaubamaja centre took place.

At the year-end 2017, the fair value of "Land and buildings" and recoverable amount of "Construction in progress" was assessed. The fair values of "Land and buildings" and the recoverable amounts of buildings under construction (based on the value in use) were determined based on management's judgment, using the estimates of certified independent real estate experts for determining the inputs to be used or the fair value of the items. The discounted cash flow model and market data (comparable transactions, rental income, etc.) were both used for determining fair values as well as recoverable amounts.

The discount rates used for estimation were 8.5% -11.5% (2016: 8.2% - 12%) depending on the location of the property and the rental growth rates were 1% - 2.5% (2016: 1% - 2.5%). For the purpose of estimating the value of "Land and buildings", the rental agreements in force have been used for determining the input of the rental price, which management believes correspond to the market conditions. As a result of the revaluation in the reporting period the value of "Land and buildings" located in Estonia and the value of "Construction in progress" located in Estonia was adjusted neither upwards nor downwards. As a result of the revaluation in 2016 the value of "Land and buildings" located in Estonia increased by 19,689 thousand euros which was recognized through revaluation reserve. Decrease in value of "Construction in progress" located in Estonia was recognised through profit and loss in the amount of 502 thousand euros.

The discount rates used for estimation of "Land and Buildings" located in Latvia were 10.0% -13.0% (2016: 10.0% - 12.0%) and the rental growth rates were 1.1% -2.5% (2016: 1.0% -2.5%). In the reporting period valuation of "Land and buildings" located in Latvia was adjusted neither upwards nor downwards. The value of "Construction in progress" located in Latvia increased by 2,144 thousand euros which was recognized through profit and loss. In 2016 valuation of "Land and buildings" located in Latvia was adjusted neither upwards nor downwards. Decrease in value of "Construction in progress" located in Latvia was recognised in the amount of 3,242 thousand euros through profit and loss.

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

Note 11. Intangible assets

in thousands of euros

	Goodwill	Trademark	Beneficial contracts	Development expenditure	Total
31.12.2015					
Cost	6,814	5,277	1,080	1,160	14,331
Accumulated amortisation and impairment	-1,441	-2,543	-1,080	-224	-5,288
Carrying value	5,373	2,734	0	936	9,043
Changes occurred in 2016					
Purchases and improvements	0	0	0	157	157
Amortisation	0	-487	0	-208	-695
31.12.2016					
Cost	6,814	5,277	1,080	1,317	14,488
Accumulated amortisation and impairment	-1,441	-3,030	-1,080	-432	-5,983
Carrying value	5,373	2,247	0	885	8,505
Changes occurred in 2017					
Purchases and improvements	0	0	0	69	69
Amortisation	0	-487	0	-233	-720
Impairment	-2,113	-66	0	0	-2,179
31.12.2017					
Cost	6,814	5,277	1,080	1,386	14,557
Accumulated amortisation and impairment	-3,554	-3,583	-1,080	-665	-8,882
Carrying value	3,260	1,694	0	721	5,675

In the reporting period the Group capitalised costs of a web page update and e-shop as development expenditure in the amount of 69 thousand euros (2016: 157 thousand euros).

Impairment tests of goodwill and other intangible assets were carried out as at 31 December 2017 and 2016.

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

in thousands of euros	31.12.2017	31.12.2016
Car trade	3,156	3,156
Footwear trade	0	2,113
Department store	104	104
Total	3,260	5,373

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, except in footwear trade, 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.

In 2017 in footwear trade, it was evident that the present value of cash flows does not cover the value of goodwill. Accordingly goodwill in footwear trade was adjusted downwards in the amount of 2,113 thousand euros (2016: 0 euros).

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. In the reporting period, the image of ABC King as adjusted downwards in the amount of 66 thousand euros.

Trademark at value of 1,588 thousand euros was acquired in 2012 through purchase of AS Viking Motors shares. Trademark will be amortised during 7 years.

Trademark at value of 180 thousand euros was acquired in 2014 through purchase of Viking Security AS shares. Trademark will be amortised during 7 years.

Note 12. Borrowings

in thousands of euros

	31.12.2017	31.12.2016
Short-term borrowings		
Overdraft	7,811	3,017
Bank loans	45,002	21,716
Other borrowings	2,005	2,119
Total short-term borrowings	54,818	26,852

in thousands of euros

	31.12.2017	31.12.2016
Long-term borrowings		
Bank loans	48,570	73,596
Other borrowings	162	176
Total long-term borrowings	48,732	73,772
Total borrowings	103,550	100,624

Borrowings received

in thousands of euros

	IV quarter 2017	IV quarter 2016	12 months 2017	12 months 2016
Overdraft	4,264	153	4,794	475
Bank loans	17,543	14,108	60,392	60,055
Other borrowings	759	620	3,327	3,399
Total borrowings received	22,566	14,881	68,513	63,929

Borrowings paid

in thousands of euros

	IV quarter 2017	IV quarter 2016	12 months 2017	12 months 2016
Bank loans	13,088	10,312	62,132	49,608
Other borrowings	708	949	3,455	4,500
Total borrowings paid	13,796	11,261	65,587	54,108

Bank loans and other borrowings are denominated in euros.

As of 31.12.2017, the repayment dates of bank loans are between 30.04.2018 and 15.11.2022 (2016: between 15.02.2017 and 27.03.2020), interest is tied both to 3-month and 6-month EURIBOR as well as EONIA. Weighted average interest rate was 0.93% (2016: 0.96%).

Note 13. Trade and other payables

in thousands of euros

	31.12.2017	31.12.2016
Trade payables	61,919	63,170
Payables to related parties (Note 20)	3,750	4,409
Other accrued expenses	116	102
Prepayments by tenants	3,666	2,110
Total financial liabilities from balance sheet line "Trade and other payables"	69,451	69,791
Taxes payable (Note 14)	7,896	6,847
Employee payables	6,461	5,689
Prepayments	1,671	1,372
Short-term provisions*	90	113
Total trade and other payables	85,569	83,812

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

Note 14. Taxes

in thousands of euros

	31.12.2017		31.12.2016	
	Prepaid taxes	Taxes payable	Prepaid taxes	Taxes payable
Prepaid taxes	36	0	23	0
Value added tax	0	3,949	0	3,324
Personal income tax	0	970	0	1,026
Social security taxes	0	2,498	0	2,204
Corporate income tax	0	192	0	31
Unemployment insurance	0	164	0	147
Mandatory funded pension	0	123	0	115
Total taxes	36	7,896	23	6,847

Note 15. Share capital

As of 31.12.2017, the share capital in the amount of 16,292 thousand euros consisted of 40,729,200 ordinary shares with the nominal value of 0.40 euros per share (as of 31.12.2016 the share capital in the amount 16,292 thousand euros consisted of 40,729,200 ordinary shares with the nominal value of 0.40 euros per share). All shares issued have been paid for. According to the articles of association, the maximum allowed number of shares is 162,916,800 shares.

In 2017, dividends were declared and paid to the shareholders in the amount of 25,659 thousand euros, or 0.63 euros per share (2016: 21,179 thousand euros, or 0.52 euros per share). Related income tax expense on dividends amounted to 6,371 thousand euros (2016: 5,219 thousand euros).

Note 16. Segment reporting

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

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

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

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

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

in thousands of euros

IV quarter 2017	Super markets	Depart- ment store	Car trade	Footwear trade	Real estate	Inter- segment transactions	Total seg- ments
External revenue	116,055	31,014	23,580	3,070	1,312	0	175,031
Inter-segment revenue	279	1,706	22	29	3,223	-5,259	0
Total revenue	116,334	32,720	23,602	3,099	4,535	-5,259	175,031
EBITDA	7,074	2,663	877	360	4,805	0	15,779
Segment depreciation and impairment losses	-1,479	-617	-129	-2,287	1,103	0	-3,409
Operating profit/loss	5,595	2,046	748	-1,927	5,908	0	12,370
Finance income	76	306	0	0	8	-390	0
Finance income on shares of associates	0	27	0	0	0	0	27
Finance costs	-52	-87	-197	-106	-150	390	-202
Income tax	0	0	-162	0	-113	0	-275
Net profit/loss	5,619	2,292	389	-2,033	5,653	0	11,920
incl. in Estonia	6,150	2,292	570	-2,033	3,437	0	10,416
incl. in Latvia	-531	0	-163	0	2,227	0	1,533
incl. in Lithuania	0	0	-18	0	-11	0	-29
Segment assets	94,473	74,658	38,682	6,275	242,700	-59,293	397,495
Segment liabilities	67,476	40,413	28,687	10,184	83,114	-40,395	189,479
Segment investment in non-current assets	2,295	624	203	1	1,541	0	4,664

in thousands of euros

	Super markets	Depart- ment store	Car trade	Footwear trade	Real estate	Inter- segment transact- ions	Total seg- ments
IV quarter 2016							
External revenue	108,871	29,941	19,295	3,545	1,279	0	162,931
Inter-segment revenue	278	1,691	14	53	3,202	-5,238	0
Total revenue	109,149	31,632	19,309	3,598	4,481	-5,238	162,931
EBITDA	5,408	3,204	834	138	5,490	0	15,074
Segment depreciation and impairment losses	-1,219	-653	-129	-189	-4,713	0	-6,903
Operating profit/loss	4,189	2,551	705	-51	777	0	8,171
Finance income	55	130	4	0	59	-248	0
Finance income on shares of associates	0	35	0	0	0	0	35
Finance costs	-1	-126	-60	-27	-261	248	-227
Income tax	-1	0	-38	0	0	0	-39
Net profit/loss	4,242	2,590	611	-78	575	0	7,940
incl. in Estonia	4,760	2,590	640	-78	3,593	0	11,505
incl. in Latvia	-518	0	5	0	-3,018	0	-3,531
incl. in Lithuania	0	0	-34	0	0	0	-34
Segment assets	92,585	51,477	29,980	8,331	252,739	-46,429	388,683
Segment liabilities	64,393	16,947	21,358	9,147	100,526	-27,532	184,839
Segment investment in non-current assets	2,518	508	218	9	292	0	3,544

in thousands of euros

	Super markets	Depart- ment store	Car trade	Footwear trade	Real estate	Inter- segment transactions	Total seg- ments
12 months 2017							
External revenue	433,111	102,375	99,673	11,068	5,030	0	651,257
Inter-segment revenue	1,127	6,305	73	147	12,798	-20,450	0
Total revenue	434,238	108,680	99,746	11,215	17,828	-20,450	651,257
EBITDA	22,226	6,566	4,815	-266	17,122	0	50,463
Segment depreciation and impairment losses	-5,534	-2,612	-525	-2,639	-2,046	0	-13,356
Operating profit/loss	16,692	3,954	4,290	-2,905	15,076	0	37,107
Finance income	262	652	12	1	134	-1,060	1
Finance income on shares of associates	0	162	0	0	0	0	162
Finance costs	-113	-440	-386	-189	-705	1,060	-773
Income tax	-3,607	-888	-654	0	-1,517	0	-6,666
Net profit/loss	13,234	3,440	3,262	-3,093	12,988	0	29,831
incl. in Estonia	15,348	3,440	2,868	-3,093	10,100	0	28,663
incl. in Latvia	-2,114	0	204	0	2,925	0	1,015
incl. in Lithuania	0	0	190	0	-37	0	153
Segment assets	94,473	74,658	38,682	6,275	242,700	-59,293	397,495
Segment liabilities	67,476	40,413	28,687	10,184	83,114	-40,395	189,479
Segment investment in non-current assets (Note	8,663	1,309	728	94	4,053	0	14,847

10,11)							
in thousands of euros							
12 months 2016	Super markets	Department store	Car trade	Footwear trade	Real estate	Inter-segment transactions	Total segments
External revenue	400,017	98,021	82,587	12,828	4,961	0	598,414
Inter-segment revenue	1,062	5,860	45	200	12,697	-19,864	0
Total revenue	401,079	103,881	82,632	13,028	17,658	-19,864	598,414
EBITDA	19,017	6,529	4,395	-141	17,482	0	47,282
Segment depreciation and impairment losses	-4,544	-2,412	-513	-608	-7,513	0	-15,590
Operating profit/loss	14,473	4,117	3,882	-749	9,969	0	31,692
Finance income	236	549	16	1	193	-992	3
Finance income on shares of associates	0	159	0	0	0	0	159
Finance costs	-10	-487	-233	-102	-1,031	992	-871
Income tax	-2,616	-1,175	-486	0	-981	0	-5,258
Net profit/loss	12,083	3,163	3,179	-850	8,150	0	25,725
incl. in Estonia	14,145	3,163	2,856	-850	10,504	0	29,818
incl. in Latvia	-2,062	0	193	0	-2,354	0	-4,223
incl. in Lithuania	0	0	130	0	0	0	130
Segment assets	92,585	51,477	29,980	8,331	252,739	-46,429	388,683
Segment liabilities	64,393	16,947	21,358	9,147	100,526	-27,532	184,839
Segment investment in non-current assets (Note 10,11)	7,696	3,479	484	94	1,396	0	13,148

External revenue according to types of goods and services sold

in thousands of euros

	IV quarter 2017	IV quarter 2016	12 months 2017	12 months 2016
Retail revenue	159,613	149,705	592,768	546,895
Wholesale revenue	7,024	5,716	28,731	25,204
Rental income	2,312	2,319	9,317	8,960
Revenue for rendering services	6,082	5,191	20,441	17,355
Total revenue	175,031	162,931	651,257	598,414

External revenue by client location

in thousands of euros

	IV quarter 2017	IV quarter 2016	12 months 2017	12 months 2016
Estonia	164,936	154,448	606,723	563,651
Latvia	7,236	5,448	31,421	24,369
Lithuania	2,859	3,035	13,113	10,394
Total	175,031	162,931	651,257	598,414

Distribution of non-current assets* by location of assets

in thousands of euros

	31.12.2017	31.12.2016
Estonia	236,060	238,189
Latvia	32,112	30,662
Lithuania	1,994	113
Total	270,166	268,964

* 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 2017	IV quarter 2016	12 months 2017	12 months 2016
Rental expenses	4,123	3,956	16,288	15,506
Heat and electricity expenses	1,807	2,048	7,644	8,141
Operating costs	1,772	1,550	6,730	6,291
Cost of sale related services and materials	1,425	1,440	5,542	5,317
Marketing expenses	2,024	2,066	7,512	7,021
Miscellaneous other operating expenses	1,302	995	3,899	3,238
Computer and communication costs	1,054	937	4,071	3,428
Personnel expenses	654	738	2,925	2,866
Total other operating expenses	14,161	13,730	54,611	51,808

Note 18. Staff costs

in thousands of euros

	IV quarter 2017	IV quarter 2016	12 months 2017	12 months 2016
Wages and salaries	13,572	12,126	46,988	42,473
Social security taxes	4,463	3,964	15,301	13,898
Total staff costs	18,035	16,090	62,289	56,371
Average wages per employee per month (euros)	1,079	985	936	868
Average number of employees in the reporting period	4,193	4,103	4,182	4,079

Note 19. Earnings per share

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

	IV quarter 2017	IV quarter 2016	12 months 2017	12 months 2016
Net profit (in thousands of euros)	11,920	7,940	29,831	25,725
Weighted average number of shares	40,729,200	40,729,200	40,729,200	40,729,200
Basic and diluted earnings per share (euros)	0.29	0.19	0.73	0.63

Note 20. Related party transactions

in thousands of euros

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

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

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

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

	Purchases 12 months 2017	Sales 12 months 2017	Purchases 12 months 2016	Sales 12 months 2016
Parent	501	38	236	12
Entities in the Parent's consolidation group	25,918	4,214	30,023	7,609
Members of management and supervisory boards	0	87	20	6
Other related parties	811	133	998	106
Total	27,230	4,472	31,277	7,733

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

Balances with related parties:

	31.12.2017	31.12.2016
Receivables from entities in the Parent's consolidation group (Note 4)	392	918
Total receivables from related parties	392	918
	31.12.2017	31.12.2016
Parent	19	17
Entities in the Parent's consolidation group	3,696	4,243
Other related parties	35	149
Total liabilities to related parties (Note 13)	3,750	4,409

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 or payable to the group account.

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 12 months of 2017, the Group has not earned interest income on its deposits of available funds (2016: 2 thousand euros).

As at 31 December 2017, the NG Investeeringud group has not used the Group's available funds and Tallinna Kaubamaja Group has not used NG Investeeringud group account available funds. As at 31 December 2016, the NG Investeeringud group has not used the Group's available funds and Tallinna Kaubamaja Group has not used NG Investeeringud group account available funds. According to the group account contract, the Group's members are jointly responsible for the unpaid amount to the bank.

Remuneration paid to the members of the Management and Supervisory Board

Short term benefits to the management boards' members of the Tallinna Kaubamaja Group for the reporting period including wages, social security taxes, bonuses and car expenses, amounted to 1,815 thousand euros (2016: 1,637 thousand euros). Short term benefits to supervisory boards' members of the Group in reporting period including social taxes amounted to 591 thousand euros (2016: 572 thousand euros).

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