TALLINNA KAUBAMAJA AS

Consolidated Interim Report for
the Second quarter and first 6 months of 2014
(unaudited)

Table of contents

COMPANY PROFILE AND CONTACT DETAILS

The primary areas of activity of the companies of the Tallinna Kaubamaja AS Group include retail and wholesale trade and rental activities. The Tallinna Kaubamaja Group employs more than 3,800 employees.

The Company is listed on the Tallinn Stock Exchange.

Registered office:	Gonsiori 2,
	10143 Tallinn
	Republic of Estonia
Registry code:	10223439
Beginning of financial year:	1 January 2014
End of financial year:	31 December 2014
Beginning of interim report period:	1 January 2014
End of interim report period:	30 June 2014
Auditor:	PricewaterhouseCoopers AS
Telephone:	372 667 3200
Fax:	372 667 3205
E-mail:	kaubamaja@kaubamaja.ee

MANAGEMENT REPORT

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

Management

In order to manage the Tallinna Kaubamaja AS the general meeting of the shareholders, held at least once in a year, elects supervisory board, which according to the articles of association may have 3 to 6 members. Members of the Tallinna Kaubamaja AS supervisory board are Jüri Käo (chairman of the supervisory board), Andres Järving, Enn Kunila, Gunnar Kraft and Meelis Milder. Members of Tallinna Kaubamaja AS supervisory board are elected for three years. The mandates of current supervisory board members Andres Järving, Jüri Käo, Enn Kunila, Meelis Milder and Gunnar Kraft will expire on 19 May 2015. During the period between the general meetings the supervisory board plans actions of the company, organises management and accomplishes supervision over management actions. Regular supervisory board meetings are held at least 10 times in a year. In order to manage daily activities the supervisory board appoints member(s) of the management board of the Tallinna Kaubamaja AS in accordance with the Commercial Code. In order to elect a member of the management board, his or her consent is required. By the articles of association a member of the management board shall be elected for a specified term of three years. Extension of the term of office of a member of the management board shall not be decided earlier than one year before the planned date of expiry of the term of office, and not for a period longer than the maximum term of office prescribed by the articles of association. Currently the management board of Tallinna Kaubamaja AS has one member. The term of office of the management board member Raul Puusepp was extended on 21 February 2014 and his term of office expires on 6 March 2017.

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

Share market

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

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

The share with a price of 5.30 euros at the end of 2013 was closed in late June of 2014 at 5.02 euros, decreased by 5.28% within the six months of the year.

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

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

Share price and trading statistics on the Tallinn Stock Exchange from 01.01.2014 to 30.06.2014.

In euros

Company's structure

The following companies belong to the group as of June 30, 2014:

	Location	Shareholding as of 30.06.2014	Shareholding as of 31.12.2013
Selver AS	Estonia	100%	100%
Kulinaaria OÜ	Estonia	100%	100%
Kaubamaja AS	Estonia	100%	100%
Topsec Turvateenused OÜ	Estonia	100%	100%
Tartu Kaubamaja Kinnisvara OÜ	Estonia	100%	100%
Tallinna Kaubamaja Kinnisvara AS	Estonia	100%	100%
SIA TKM Latvija	Latvia	100%	100%
Selver Latvia SIA	Latvia	100%	100%
TKM Auto OÜ	Estonia	100%	100%
KIA Auto AS	Estonia	100%	100%
KIA Auto UAB	Lithuania	100%	100%
Forum Auto SIA	Latvia	100%	100%
Viking Motors AS	Estonia	100%	100%
OÜ TKM Beauty	Estonia	100%	100%
OÜ TKM Beauty Eesti	Estonia	100%	100%
SIA Suurtuki	Latvia	0%	100%
AS TKM King	Estonia	100%	100%
SIA ABC King	Latvia	0%	100%
Rävala Parkla AS	Estonia	50%	50%

Economic development

On the year-on-year basis, the gross domestic product decreased by 1.4% in the first quarter of 2014. According to the Bank of Estonia, the economic recession experienced in the beginning of the year will be temporary and an annual growth of 0.7% is expected to be achieved. A growth in private consumption is forecast to be quite rapid (3.9%) caused by a rapid growth in wages and salaries in previous periods. A slower growth in consumer prices supports a real growth of consumption. The consumer price index increased by only 0.3% in the first six months of the year in Estonia, including food and non-alcoholic beverages by 1.0% and clothing and footwear by 1.6%. Eating out and accommodation prices showed the largest growth – 5.3%. Analytics estimate that prices will increase at the second half of the year and inflation will remain at the level of 1% this year.

According to Statistics Estonia, the total retail turnover in current prices increased by 6.9% in the first five months of 2014 in Estonia. Although motor vehicle maintenance and repairs experienced the largest growth in turnover – 47.1%, their share in retail sales was small. Retail sales in non-specialised stores (mainly foodstuff) increased by 9.8% in the first five months of the year, whereas retail sales of foodstuff, beverages and tobacco products in specialised stores decreased by 35.7%, but the share of the mentioned segment is also very small in retail sales. The June consumer barometer survey of the Estonian Institute of Economic Research revealed that the confidence of consumers has been stable and has improved over the previous year's average. The recent quarters have shown that Estonian consumers use Internet shops more intensively. According to analytics, the rate of growth in retail sales is expected to slow down in the following months. The global economic situation has remained quite stable in the recent months. However, the economies of the main trade partners of Estonia, such as Finland and Sweden, have not shown an acceleration of growth, which is why analytics are optimistic but careful about the future growth of internal trade in Estonia.

Economic results

FINANCIAL RATIOS 2013–2014

	EUR		
	2nd quarter 2014	**2nd quarter 2013**	**Change**
Sales revenue (in millions)	136.7	123.8	10.5%
Operating profit/loss (in millions)	5.7	4.9	16.5%
Net profit/loss (in millions)	5.4	4.6	16.0%
Return on equity (ROE)	3.2%	3.3%	
Return on assets (ROA)	1.6%	1.6%	
Net profit margin	3.95%	3.76%	
Gross profit margin	24.11%	24.83%	
Quick ratio	1.07	0.93	
Debt ratio	0.49	0.54	
Sales revenue per employee (in millions)	0.036	0.035	
Inventory turnover	1.93	1.91	
SHARE			
Average number of shares (1000 pcs)	40,729	40,729	
Equity capital per share (EUR/share)	4.09	3.29	
Share's closing price (EUR/share)	5.020	5.670	
Earnings per share (EUR/share)	0.13	0.11	
Average number of employees	3,804	3,504	

	EUR		
	6 month 2014	6 month 2013	Change
Sales revenue (in millions)	256.4	235.8	8.7%
Operating profit/loss (in millions)	6.7	6.6	1.6%
Net profit/loss (in millions)	4.8	2.4	102.5%
Return on equity (ROE)	2,9%	1.7%	
Return on assets (ROA)	1,5%	0,8%	
Net profit margin	1,86%	1,00%	
Gross profit margin	23,83%	24,25%	
Quick ratio	1.07	0.93	
Debt ratio	0.49	0.54	
Sales revenue per employee (in millions)	0.068	0.068	
Inventory turnover	3.62	3.67	
SHARE			
Average number of shares (1000 pcs)	40,729	40,729	
Equity capital per share (EUR/share)	4.09	3.29	
Share's closing price (EUR/share)	5.020	5.670	
Earnings per share (EUR/share)	0.12	0.06	
Average number of employees	3,781	3,466	

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

The consolidated unaudited sales revenue of Tallinna Kaubamaja Group was 136.7 million euros in the second quarter of 2014, exceeding the previous year's sales revenue by 10.5%. The sales revenue was 256.4 million euros in the first half-year, showing a growth of 8.7% compared to the first half-year of 2013 when the sales revenue was 235.8 million euros. The Group`s consolidated unaudited net profit was 5.4 million euros in the second quarter of 2014, which is 16.0% higher on the year-on-year basis. The Group`s net profit for the first six months of 2014 was 4.8 million euros, which is twice as large as the profit of the same period in the previous year, when the profit was 2.4 million euros. The profit before taxes was 6.1 million euros in the first six months, remaining at the same level as the year before. The net profit improved due to a tax efficient dividend payment, on which an income tax in the amount of 1.3 million euros was paid in the first quarter of 2014, whereas a sum of 3.8 million euros was paid as income tax in the previous year.

The reasons behind the strong growth in the sales revenue are new Selver stores opened in 2013, a marketing campaign postponed to the second quarter, and national holidays, as well as improved assortment and successful marketing campaigns. All Group`s segments showed a growth in the sales revenue in the first half-year. In the second quarter, the footwear segment experienced a steep decrease. The SHU store in Viru Keskus was closed, because of expiration of lease contract and the ABC King store was relocated to a new site with less traffic, a move that returned the flagship store of the footwear segment to a start-up phase. The growth of labour costs of almost 15% caused by the increased number of employees (9%), because of a larger number of stores, as well as the growth in the average labour costs per an employee (5.8%), have had the strongest impact on the gross profit in the second quarter and in the first half-year. The Group`s gross margin decreased slightly due to an adjustment of the footwear segment assortment, caused by the termination of unsuitable inventory. Due to a larger share of fleet sales, the gross margin in the car trade segment has been slightly weaker in the first half-year. At the same time, introduction of the new commercial software introduced at the Selver stores in the beginning of the year has undergone as expected, and the margin has slightly improved in the supermarket and department store segments due to the assortment of products supported by appropriate pricing and successful marketing.

In June 2014, a new Selver store and a SHU footwear store were opened at the Narva Astri shopping centre. There is a plan to start the construction of a shopping centre in Viimsi at the end of 2014, where a new Selver store should be completed in 2015. Previously moderate Internet sales have recently become more popular and are growing, which is why the Group has initiated development projects of Internet sales channels.

On 30 June 2014, the volume of assets of the Tallinna Kaubamaja Group was 327.8 million euros, remaining at the same level as in the end of 2013.

At the end of the reporting period, there were over 594,000 loyal customers, an annual growth of 1.5%. The share of loyal customers in the Group`s turnover was 81.7% (85.4% in the first half-year of 2013). More than 5,900 Partner bank and credit cards were issued by the end of the first half-year.

<u>Selver supermarkets</u>

The consolidated sales revenue of the supermarket business segment in the first half-year of 2014 was 176.1 million euros, a year-on-year growth of 7.3%. The consolidated sales revenue in the second quarter was 93.7 million euros, a year-on-year growth of 10.9%. The average monthly sales revenue of goods per square metre of sales space in the first half-year of 2014 was 0.34 thousand euros, lower by 1.5% compared to the year before. In the second quarter, the sales revenue of goods per square metre of sales space was 0.37 thousand euros, exceeding the results of the previous year by 3.2%. The average monthly sales revenue per square metre of sales space of comparable stores was 0.35 thousand euros in the first half-year of 2014 and 0.37 thousand euros in the second quarter, showing a decrease of 1.8% and an increase of 2.1%, respectively. In the first half-year of 2014, 17.3 million purchases were made at the Selver stores, exceeding the number of purchases made in the previous period by 5.4%.

The consolidated profit before taxes of the supermarket segment in the first half-year of 2014 was 0.6 million euros, the net profit was 0.3 million euros. The consolidated profit before taxes in the second quarter and the net profit were 1.3 million euros. The net profit of the second quarter exceeded the net profit earned a year before by 0.9 million euros; the net profit of the first half-year exceeded the net profit of the previous year by 1.6 million euros. The profit before taxes and the net profit earned in Estonia were 1.9 million euros in the second quarter. The profit before taxes was 1.8 million euros in first half-year, the net profit was 1.5 million euros. The difference between the net profit and the profit before income tax is due to the income tax paid on dividends. The loss before taxes and the net loss earned in Latvia were 1.2 million euros in the first half-year, of which 0.6 million euros were earned in the second quarter. The amount of loss remained at the same level as in the year before.

The growth of turnover in the first half-year of 2014 was supported by the opening of new stores in 2012 and 2013, because the start-up phase of the first stores is almost over and the stores opened in 2013 give an additional volume compared to the basis. The constantly changing competition situation, including recently opened Selver stores that have caused a constant redistribution of clients between stores, as well as Selver stores, has had a negative effect on the results of comparable stores. The marketing campaign affecting the growth of turnover in the first quarter that was year earlier carried out in March was postponed to April this year, causing an expected growth of turnover in the second quarter. On the one hand, the continued cost-efficient operations have positively affected the amount of the profit earned in Estonia; on the other hand, the changes in the labour market have had their impact, causing a growth in the average salary. The data of the first half-year also include non-capitalised costs associated with one-time projects. The largest one-time projects in the current year have been following: new commercial software introduced in Selver on 1 January, a separate gourmet store was closed in the Solaris Centre in the first quarter and a gourmet store department was opened at the Pirita Selver, a new Selver at the Astri centre in Narva was opened in June.

The supermarket segment comprises the Selver store chain with its 44 Selver stores and sales area of 83.9 thousand m², Sia Selver Latvia, currently inactive, and Kulinaaria OÜ that has the largest central kitchen in the Baltic States.

<u>Department stores</u>

The sales revenue of the department store business segment was 43.2 million euros in the first 6 months of 2014, a year-on-year growth of 4.6%. 22.6 million euros of the sales revenue was earned in the second quarter, which exceeded the revenue in the second quarter of 2013 by 5.9%. The profit before taxes of department stores in the first half-year of 2014 was 1.2 million euros, a result that exceeds the result of the previous year by 75.7%. The profit before taxes was 1.2 million euros in the second quarter, which exceeded the profit earned in 2013 by 29.4% or 0.3 million euros. The sales revenue of department stores per square metre of sales space was 0.29 thousand euros per month in the first half-year, which is 5.0% more than in the same period last year. Successful marketing campaigns affected the sales results earned by the department stores in the second quarter in spite of cool weather in June. In spite of a warmer-than-average winter and cooler weather in early summer that discouraged consumers to buy seasonal goods, efficiently managed pricing and timely campaign offers had a positive impact on the result of the department stores.

The sales revenue in the second quarter of 2014, earned by OÜ TKM Beauty Eesti that operates I.L.U. cosmetics stores, was 1.0 million euros, showing a year-on-year growth of 2.8%. In the second quarter, the loss was 0.1 million euros, which was 0.04 million euros lower than the loss in 2013. The sales revenue in the first half-year of 2014 was 2.1 million euros, which had increased by 1.7% compared to the same period in 2013. The loss in the first half-year of 2014 was 0.2 million euros, which was 0.1 million euros lower than the loss earned in the same period in 2013.

Car Trade

The sales revenue of the car trade segment was 28.6 million euros in first half-year of 2014. The sales revenue exceeded the revenue earned in the same period in the previous year by 29.5%, whereas the sales revenue from the sales of KIAs increased by 10.1%. The sales revenue of 16.1 million euros earned in the second quarter, exceeded the year-on-year sales revenue by 23.9%, including the sales revenue of KIAs by 9.1%. Altogether 1,517 vehicles were sold in the first half-year, of which 879 vehicles were sold in the second quarter. The net profit of the segment in the first half-year of 2014 was 0.2 million euros and the net profit for the second quarter was 0.7 million euros. In the first half-year of 2014, the profit before taxes of the segment was 0.7 million euros, being lower of the profit earned in the first half-year of 2013 by 27.1%. The net profit for the second quarter of 2014 was 0.7 million euros, which was by 10.4% lower of the profit earned in the same period in the previous year. In addition to the specific structure of sales of the first half-year causing the slight margin decline, the profit has been negatively affected by the start-up costs of a new car show room in Latvia opened at the end of 2013.

Footwear trade

The sales revenue of the footwear segment was 6.8 million euros in the first half-year of 2014, showing an annual growth of 0.6%. In the second quarter, the sales revenue was 3.4 million euros, a decrease of 16.1% compared to the same period in 2013. The loss of the first half-year was 0.9 million euros, which tripled, compared to the same period in the previous reporting year. The loss earned in the second quarter was 0.1 million euros and it was 0.4 million euros worse compared to the result of the second quarter in 2013. The decrease in the sales revenue is related to the reorganisation undertaken in the stores at the Viru Keskus. The SHU store at the Viru Keskus closed its doors due to expiry of the lease contract. The ABC King store was completely renovated, but due to the reorganisation at the centre, it was moved to a new location. This brought about a new start-up period to our flagship store of the footwear segment together with associated one-time expenses. The footwear segment is renewing its assortment portfolio, and this is why large sales of inventory goods from previous seasons were organised at the Tallinn Saku Suurhall (arena) and Tartu Lõunakeskus (shopping centre) that translated into a decrease in the gross margin.

In June, a new SHU store was opened at the Astri shopping centre in Narva. The Group`s footwear chain comprises of 28 stores with a total area of 8.8 thousand m² as of the end of the first half-year.

Real Estate

In the first half-year of 2014, the sales revenue of the real estate business segment outside the Group was 1.6 million euros, which is 0.1 million euros or 6,1% more than in the same period last year. The sales revenue outside the Group in the second quarter was 0.8 million euros, which is higher by 0.02 million euros or 2.4% compared to the same period last year. The growth in the sales revenue in the second quarter is related to the reorganisation of leased spaces in 2013, when the spaces formerly used by the group itself were leased to persons outside the Group. The profit before taxes of the real estate segment in the first half-year of 2014 was 4.4 million euros, which is higher by 0.14 million euro or 3,3% compared to the same period in the previous economic year, when the profit before taxes was 4.3 million euros. The profit before taxes for the second quarter was 2.3 million euros (the profit before taxes was 2.2 million euros in the second quarter of 2013), which has increased by 0.08 million euros or 3.4% compared to the same period of the previous economic year. The growth in the profit is caused by added space leased to other segments of the group in 2013. At the end of 2013, Peetri Selver in the Rae rural municipality and a car salon in Ulmana Street in Riga were completed.

Personnel

The average number of employees in the Tallinna Kaubamaja Group in the first half of 2014 was 3,781, which exceeds the same number of 2013 by 9.1%. Total labour costs (cost of wages and social tax) amounted to 23.1 million euros in the first six months of 2014, having grown by 15.4% compared to the same period in 2013. In the second quarter, the labour costs increased by 14.9% compared to the year before, while the average number of employees increased by 8.6%. The average monthly cost of wages grew by 5.8% in the first six months compared to the average wages of the six months of 2013, in the 2nd quarter, the growth was 5.9%. The reason for the increase in labour costs is the larger number of stores and adjusted wages that help to remain in competition in the labour market.

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

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

Raul Puusepp
Chairman of the Management Board

Tallinn, 16 July 2014

CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT BOARD'S CONFIRMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Chairman of the Management Board confirms the correctness and completeness of Tallinna Kaubamaja AS consolidated interim financial statements (unaudited) for the period of second quarter and first 6 months 2014 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 AS and its subsidiaries are going concerns.

____

Raul Puusepp
Chairman of the Management Board

Tallinn, 16 July 2014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros

	Note	30.06.2014	31.12.2013
ASSETS			
Current assets			
Cash and bank	2	14,814	14,766
Trade receivables and prepayments	3	15,024	15,991
Inventories	5	53,871	51,937
Total current assets		**83,709**	**82,694**
Non-current assets			
Receivables and prepayments	8	314	313
Investments in associates	7	1,808	1,711
Investment property	9	3,035	3,035
Property, plant and equipment	10	228,494	229,406
Intangible assets	11	10,406	10,636
Total non-current assets		**244,057**	**245,101**
TOTAL ASSETS		**327,766**	**327,795**
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings	12	11,464	14,300
Trade payables and other liabilities	13	66,979	67,725
Total current liabilities		**78,443**	**82,025**
Non-current liabilities			
Borrowings	12	81,975	77,104
Provisions and prepayments		889	878
Total non-current liabilities		**82,864**	**77,982**
TOTAL LIABILITIES		**161,307**	**160,007**
Equity			
Share capital	15	24,438	24,438
Statutory reserve capital		2,603	2,603
Revaluation reserve		67,888	68,617
Currency translation differences		-255	-257
Retained earnings		71,785	72,387
TOTAL EQUITY		**166,459**	**167,788**
TOTAL LIABILITIES AND EQUITY		**327,766**	**327,795**

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 2014	II quarter 2013	6 months 2014	6 months 2013
Revenue	16	136,709	123,771	256,360	235,781
Other operating income		216	201	364	415
Materials, consumables used and services	5	-103,742	-93,041	-195,267	-178,609
Other operating expenses	17	-12,758	-12,839	-25,818	-25,249
Staff costs	18	-11,830	-10,298	-23,081	-20,008
Depreciation, amortisation and impairment losses	10, 11	-2,682	-2,744	-5 392	-5,495
Other expenses		-173	-123	-437	-214
Operating profit		**5,740**	**4,927**	**6,729**	**6,621**
Finance income	19	6	9	11	17
Finance costs	19	-402	-335	-735	-594
Finance income on shares of associates	7	51	46	97	86
Profit before tax		**5,395**	**4,647**	**6,102**	**6,130**
Income tax	15	0	2	-1,324	-3,770
NET PROFIT FOR THE FINANCIAL YEAR		**5,395**	**4,649**	**4,778**	**2,360**
Other comprehensive income: *Items that will be reclassified subsequently to profit or loss*					
Currency translation differences		0	-33	2	-228
Other comprehensive income/loss for the financial year		**0**	**-33**	**2**	**-228**
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		**5,395**	**4,616**	**4,780**	**2,132**
Basic and diluted earnings per share (euros)	20	0.13	0.11	0.12	0.06

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 2014	6 months 2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit		4,778	2,360
Adjustments:			
Income tax on dividends	15	1,324	3,776
Interest expense	19	735	594
Interest income	19	-11	-17
Depreciation, amortisation	10, 11	5,355	5,486
Loss on sale and write-off of non-current assets	10	37	9
Profit on sale of non-current assets	10	-8	0
Effect of equity method	7	-97	-86
Change in inventories		-1,933	-463
Change in receivables and prepayments related to operating activities		1,565	1,814
Change in liabilities and prepayments related to operating activities		-700	-1,227
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		**11,045**	**12,246**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment (excl. finance lease)	10	-4,267	-15,891
Proceeds from sale of property, plant and equipment	10	57	1
Purchase of intangible assets	11	-32	-18
Change in balance of parent company's group account	21	-600	5,000
Interest received	19	11	17
TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES		**-4,831**	**-10,891**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	12	23,549	42,120
Repayments of borrowings	12	-22,705	-33,977
Change in overdraft balance	12	1,191	7,654
Dividends paid	15	-6,109	-14,255
Income tax on dividends	15	-1,324	-3,776
Repayments of finance lease principal	12	0	-2
Interest paid		-769	-616
TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES		**-6,167**	**-2,852**
TOTAL CASH FLOWS		**47**	**-1,497**
Effect of exchange rate changes		1	3
Cash and cash equivalents at the beginning of the period	2	14,766	13,494
Cash and cash equivalents at the end of the period	2	14,814	12,000
Net change in cash and cash equivalents		**48**	**-1,494**

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	Revaluation reserve	Retained earnings	Currency translation differences	Total
Balance as of 31.12.2012	**24,438**	**2,603**	**51,079**	**68,066**	**-7**	**146,179**
Net profit for the reporting period	0	0	0	2,360	0	2,360
Other comprehensive income for the reporting period	0	0	0	0	-228	-228
Total comprehensive income for the reporting period	0	0	0	2,360	-228	2,132
Reclassification of depreciation of revalued land and buildings	0	0	-558	558	0	0
Dividends paid	0	0	0	-14,255	0	-14,255
Balance as of 30.06.2013	**24,438**	**2,603**	**50,521**	**56,729**	**-235**	**134,056**
Net profit for the reporting period	0	0	0	17,464	0	17,464
Revaluation of land and buildings	0	0	18,650	0	0	18,650
Other comprehensive loss for the reporting period	0	0	0	0	-250	-250
Total comprehensive income for the reporting period	0	0	18,650	17,464	-250	35,864
Reclassification of depreciation of revalued land and buildings	0	0	-1,112	1,112	0	0
Dividends paid	0	0	0	-14,255	0	-14,255
Balance as of 31.12.2013	**24,438**	**2,603**	**68,617**	**72,387**	**-257**	**167,788**
Net profit for the reporting period	0	0	0	4,778	0	4,778
Other comprehensive loss for the reporting period	0	0	0	0	2	2
Total comprehensive income for the reporting period	0	0	0	4,778	2	4,780
Reclassification of depreciation of revalued land and buildings	0	0	-729	729	0	0
Dividends paid	0	0	0	-6,109	0	-6,109
Balance as of 30.06.2014	**24,438**	**2,603**	**67,888**	**71,785**	**-255**	**166,459**

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

Bases for Preparation

The Consolidated Interim Accounts of Tallinna Kaubamaja AS has been prepared in accordance with the International Financial Reporting Standard IAS 34 *Interim Financial Repor*ting as adopted by the European Union. The consolidated interim financial statements do not contain all the information that has to be presented in the annual financial statements and they should be read in conjunction with the Group's consolidated financial statements as at and for the year ended 31 December 2013. The interim report has been prepared in accordance with the principal accounting policies applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2013.

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

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

The Manager is of the opinion that the Interim Report of Tallinna Kaubamaja AS for the second quarter and 6 months of 2014 gives a true and fair view of the Company's performance in accordance with the going-concern concept.

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

Note 2. Cash and Bank

in thousands of euros

	30.06.2014	31.12.2013
Cash on hand	580	571
Bank accounts	13,267	12,427
Cash in transit	967	1,768
Total cash and bank	**14,814**	**14,766**

Note 3. Trade Receivables and prepayments

in thousands of euros

	30.06.2014	31.12.2013
Trade receivables (Note 4)	11,989	13,336
Short-term receivables from related parties (Note 21)	600	0
Other short-term receivables	51	4
Total financial assets from balance sheet line “Trade receivables and prepayments”	**12,640**	**13,340**
Prepayment for goods	1,266	1,616
Other prepaid expenses	819	484
Prepaid rental expenses	229	412
Prepaid taxes (Note 14)	70	139
Total trade receivables and prepayments	**15,024**	**15,991**

Note 4. Trade receivables

in thousands of euros

	30.06.2014	31.12.2013
Trade receivables	10,085	11,027
Allowance for doubtful receivables	-83	-79
Receivables from related parties (Note 21)	1,019	665
Credit card payments	968	1,723
Total trade receivables	**11,989**	**13,336**

Note 5. Inventories

in thousands of euros

	30.06.2014	31.12.2013
Goods purchased for resale	53,090	51,216
Raw materials and materials	781	721
Total inventories	**53,871**	**51,937**

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

in thousands of euros

	II quarter 2014	II quarter 2013	6 months 2014	6 months 2013
Write-down and write-off of inventories	1,996	1,444	4,198	2,839
Inventory stocktaking deficit	638	713	741	978
Total materials and consumables used	**2,634**	**2,157**	**4,939**	**3,817**

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 30.06.2014	Year of acquisition
Selver AS	Tallinn Pärnu mnt. 238	Retail trade	100%	1996
Tallinna Kaubamaja Kinnisvara AS	Tallinn Gonsiori 2	Real estate management	100%	1999
Tartu Kaubamaja Kinnisvara OÜ	Tartu Riia 1	Real estate management	100%	2004
SIA TKM Latvia	Riga Ieriku iela 3	Real estate management	100%	2006
SIA Selver Latvija	Riga Ieriku iela 3	Retail trade	100%	2006
TKM Auto OÜ	Tallinn Gonsiori 2	Commercial and finance activities	100%	2007
KIA Auto AS	Tallinn Ülemiste tee 1	Retail trade	100%	2007
Forum Auto SIA	Riga Pulkevza Brieza 31	Retail trade	100%	2007
KIA Auto UAB	Vilnius Perkunkiemio g.2	Retail trade	100%	2007
TKM Beauty OÜ	Tallinn Gonsiori 2	Retail trade	100%	2007
TKM Beauty Eesti OÜ	Tallinn Gonsiori 2	Retail trade	100%	2007
TKM King AS	Tallinn Betooni 14	Retail trade	100%	2008
Kaubamaja AS	Tallinn Gonsiori 2	Retail trade	100%	2012
Topsec Turvateenused OÜ	Tallinn Gonsiori 2	Security activities	100%	2012
Kulinaaria OÜ	Tallinn Taevakivi 7B	Centre kitchen activities	100%	2012
AS Viking Motors	Tallinn Tammsaare tee 51	Retail trade	100%	2012

In 2013 and 2014 there were no business combinations.

With the intention of improving the structure and making the administration of Tallinna Kaubamaja group more transparent, merger and division of its subsidiaries took place in 2013. Reorganizing the structure of the group had no impact on the consolidated financial results. Restructuring did not have substantial influence on the operations of the Tallinna Kaubamaja AS group.

The subsidiary of AS Tallinna Kaubamaja, AS TKM King, had two dormant subsidiaries in Latvia – SIA ABC King and SIA Suurtuki. In 7 August 2013 AS TKM King sold its shareholdings in the above mentioned Latvian subsidiaries to SIA TKM Latvija, which is also a part of the AS Tallinna Kaubamaja group. The reason for selling the shares is optimizing of costs of Latvian subsidiaries. In January Latvian Enterprise Register has registered the merger between SIA TKM Latvija (acquiring company), SIA ABC King (company being acquired) and SIA Suurtuki (company being acquired). In connection to registration of the merger, SIA ABC King and SIA Suurtuki were deleted from the Enterprise Register. According to the merger agreement the legal successor of SIA ABC King and SIA Suurtuki is SIA TKM Latvija. By registration of the mergers, all assets of SIA ABC King and SIA Suurtuki were given over to SIA TKM Latvija. The share capital of the acquiring company did not change.

Note 7. Investments in associates
in thousands of euros

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

	30.06.2014	31.12.2013
Investment in the associate at the beginning of the year	**1,711**	**1,628**
Profit for the reporting period under equity method	97	163
Dividends received	0	-80
Investment in the associate at the end of the accounting period	**1,808**	**1,711**

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

	30.06.2014	31.12.2013
Assets	3,744	3,644
Liabilities	127	222

	II quarter 2014	II quarter 2013	6 months 2014	6 months 2013
Revenue	114	107	226	203
Profit	102	92	194	172

Note 8. Long-term prepayments and receivables

in thousands of euros

	30.06.2014	31.12.2013
Prepaid rental expenses	205	204
Deferred tax asset	74	74
Other receivables	35	35
Total long-term prepayments and receivables	**314**	**313**

Note 9. Investment property

in thousands of euros

	EUR
Carrying value as at 31.12.2012	**3,756**
Reclassification (Note 10)	-721
Carrying value as at 31.12.2013	**3,035**
Carrying value as at 30.06.2014	**3,035**

Investment property represents construction in progress.

In 2013, the opinion of an independent certified real estate expert was used in appraising the fair value of 3 facilities. During the realization of the 2013 detailed plan, two registered immovable were divided into five plots designated for development, three of which are reflected as investment properties. As a result, a reclassification from investment properties to the fixed assets group “Land and buildings” in the amount of 721 thousand euros was performed in the reporting year.

As a result of valuation, the items of investment property were adjusted neither upwards nor downwards in 2013. In 2014 no changes were recognised in fair value of investment property.

Note 10. Property, plant and equipment

in thousands of euros

	Land and buildings	Machinery and equipment	Other fixtures and fittings	Construction in progress and prepayments	Total
31.12.2012					
Cost or revalued amount	158,633	23,810	25,970	48,377	256,790
Accumulated depreciation	-15,374	-18,042	-17,839	-15,237	-66,492
Carrying value	**143,259**	**5,768**	**8,131**	**33,140**	**190,298**
Changes occurred in 2013					
Purchases and improvements	87	226	602	29,228	30,143
Reclassification (Note 9)	20,565	3,785	4,011	-27,640	721
Disposals	0	-1	-1	-53	-55
Write-offs	-123	-38	-46	-11	-218
Decline/increase in value through profit or loss	614	0	0	-606	8
Increase in value through revaluation reserve	18,650	0	0	0	18,650
Depreciation	-4,708	-2,275	-2,904	0	-9,887
Currency translation difference	-119	-1	-4	-130	-254
31.12.2013					
Cost or revalued amount	181,231	27,022	28,663	49,678	286,594
Accumulated depreciation	-3,006	-19,558	-18,874	-15,750	-57,188
Carrying value	**178,225**	**7,464**	**9,789**	**33,928**	**229,406**
Changes occurred in 2014					
Purchases and improvements	11	93	566	3,597	4,267
Reclassification	748	1,297	892	-2,937	0
Disposals	0	-43	-6	0	-49
Write-offs	-31	0	-6	0	-37
Depreciation	-2,736	-944	-1,413	0	-5,093
30.06.2014					
Cost or revalued amount	181,947	28,188	30,064	50,338	290,537
Accumulated depreciation	-5,730	-20,321	-20,242	-15,750	-62,043
Carrying value	**176,217**	**7,867**	**9,822**	**34,588**	**228,494**

The cost of investments for the six months of 2014 amounted to 4,299 thousand euros.

The cost of investments made in 6 months of 2014 in the supermarket business segment was 1,926 thousand euros. In June Selver opened new store Astri in Narva, Tallinna mnt 4. In the reporting period Selver renewed store fittings and purchased computing technology.

The size of the investment in the business segment of Department store amounted to 826 thousand euros. In the reporting period security service equipment for video monitoring centre was purchased and renovation works were carried out in Department store showrooms.

The cost of investments in the accounting period was 256 thousand euros in the car trade business segment.

The cost of investments made in the reporting period in the footwear segment was 442 thousand euros. In March new store under trademark ABC King was opened in Viru Centre and a SHU store was opened in Narva in Astri centre.

The cost of the real estate business segment investment amounted to 849 thousand euros. In the reporting period extension of parking lot in Hiiumaa Selver was carried out and other renovation works performed.

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	Develop-ment expendi-ture	Total
31.12.2012					
Cost	7,298	5,097	1,080	388	13,863
Accumulated amortisation and impairment	-588	-1,127	-884	-28	-2,627
Carrying value	**6,710**	**3,970**	**196**	**360**	**11,236**
Changes occurred in 2013					
Purchases and improvements	0	0	0	108	108
Amortisation	0	-461	-196	-51	-708
31.12.2013					
Cost	7,298	5,097	1,080	496	13,971
Accumulated amortisation and impairment	-588	-1,588	-1,080	-79	-3,335
Carrying value	**6,710**	**3,509**	**0**	**417**	**10,636**
Changes occurred in 2014					
Purchases and improvements	0	0	0	32	32
Amortisation	0	-230	0	-31	-262
30.06.2014					
Cost	7,298	5,097	1,080	528	14,003
Accumulated amortisation and impairment	-588	-1,818	-1,080	-110	-3,597
Carrying value	**6,710**	**3,279**	**0**	**418**	**10,406**

In the reporting period Group capitalised costs of the Partner Card loyalty programme and a web page update as development expenditure in the amount of 32 thousand euros.

As a trademark, the Group has recognised the image of ABC King; the image contains a combination of the name, symbol and design together with recognition and preference by consumers. The remaining useful life of the trademark as at 30.06.2014 was 9 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.

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

in thousands of euros	30.06.2014	31.12.2013
Car trade	3,156	3,156
Footwear trade	3,554	3,554

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

Note 12. Interest bearing borrowings

in thousands of euros

	30.06.2014	31.12.2013
Short-term borrowings		
Overdraft	1,591	400
Bank loans	8,700	12,265
Other borrowings	1,173	1,635
Total short-term borrowings	**11,464**	**14,300**

in thousands of euros

	30.06.2014	31.12.2013
Long-term borrowings		
Bank loans	79,960	75,283
Other borrowings	2,015	1,821
Total long-term borrowings	**81,975**	**77,104**
Total borrowings	**93,439**	**91,404**

Borrowings received

in thousands of euros

	II quarter 2014	II quarter 2013	6 months 2014	6 months 2013
Overdraft	1,191	5,046	1,191	7,654
Bank loans	9,751	36,323	22,199	40,886
Other borrowings	507	738	1,350	1,234
Total borrowings received	**11,449**	**42,107**	**24,740**	**49,774**

Borrowings paid

in thousands of euros

	II quarter 2014	II quarter 2013	6 months 2014	6 months 2013
Bank loans	12,989	25,186	21,484	32,962
Finance lease liability	0	1	0	2
Other borrowings	703	642	1,221	1,015
Total borrowings paid	**13,692**	**25,829**	**22,705**	**33,979**

Bank loans and finance lease liabilities are denominated in euros.

As of 30.06.2014, the repayment dates of bank loans are between 10.07.2014 and 07.12.2019 (2013: between 30.07.2013 and 30.08.2018), interest is tied both to 3-month and 6-month EURIBOR as well as EONIA. Weighted average interest rate was 1.42% (2013: 1.30%).

Note 13. Trade payables and other liabilities

in thousands of euros

	30.06.2014	31.12.2013
Trade payables	50,725	51,112
Payables to related parties (Note 21)	4,830	5,323
Other accrued expenses	24	69
Prepayments by tenants	1,515	1,264
Total financial liabilities from balance sheet line "Trade payables and other liabilities"	**57,094**	**57,768**
Taxes payable (Note 14)	4,894	5,388
Employee payables	3,815	3,521
Prepayments	1,037	895
Short-term provisions*	139	153
Total trade payables and other liabilities	**66,979**	**67,725**

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

Note 14. Taxes

in thousands of euros

	30.06.2014		31.12.2013	
	Prepaid taxes	Taxes payable	Prepaid taxes	Taxes payable
Prepaid taxes	70	0	139	0
Value added tax	0	1,959	0	2,459
Personal income tax	0	867	0	864
Social security taxes	0	1,774	0	1,787
Corporate income tax	0	51	0	42
Unemployment insurance	0	150	0	149
Mandatory funded pension	0	93	0	87
Total taxes	**70**	**4,894**	**139**	**5,388**

Note 15. Share capital

As of 30.06.2014, the share capital in the amount of 24,438 thousand euros consisted of 40,729,200 ordinary shares with the nominal value of 0.60 euros per share (as of 31.12.2013 the share capital in the amount to 24,438 thousand euros consisted of 40,729,200 ordinary shares with the nominal value of 0.60 euros per share). All shares issued have been paid for. According to the articles of association, the maximum allowed number of shares is 162,916,800 shares.

The general meeting of shareholders that took place on 27 March 2014 decided to pay dividends to the shareholders 0.15 euros per share in total amount of 6,109 thousand euros (2013: 14,255 thousand euros, 0.35 euros per share). Related income tax on dividends amounted to 1,284 thousand euros (2013: 3,777 thousand euros).

On July 7, 2014, the decrease of share capital of Tallinna Kaubamaja AS was registered in the Commercial Register based on the resolutions adopted by the General Meeting of Shareholders of the company held on March 27, 2014. The new registered share capital of Tallinna Kaubamaja AS is 16,291,680 euros, which is divided into 40,729,200 shares with nominal value of 0.40 euros per share.

According to the Commercial Code, payments may be made to the shareholders upon a reduction of share capital no earlier than three months after entry of the reduction of share capital in the Commercial Register. Subsequently, the monetary payments in the amount of 0.20 euros per share, related to the reduction of share capital shall be effected to the shareholders on October 7, 2014.

Note 16. Segment reporting

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

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

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

II quarter 2014	**Super markets**	**Depart-ment store**	**Car trade**	**Footwea r trade**	**Real estate**	**Inter-segment transact-ions**	**Total seg-ments**
External revenue	**93,675**	**22,645**	**16,143**	**3,431**	**815**	**0**	**136,709**
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
EBITDA	**2,077**	**1,605**	**871**	**133**	**3,736**	**0**	**8,422**
Segment depreciation and impairment losses	-833	-466	-114	-177	-1,092	0	-2,682
Operating profit/loss	**1,244**	**1,139**	**757**	**-44**	**2,644**	**0**	**5,740**
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
Net profit/loss	**1,308**	**1,237**	**681**	**-114**	**2,283**	**0**	**5,395**
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
Segment assets	**75,880**	**61,298**	**20,408**	**12,186**	**207,148**	**-49,154**	**327,766**
Segment liabilities	**56,412**	**18,096**	**14,147**	**12,593**	**93,765**	**-33,706**	**161,307**
Segment investment in non-current assets	1,265	441	126	43	382	0	2,257

in thousands of euros

II quarter 2013	Super markets	Depart-ment store	Car trade	Footwear trade	Real estate	Inter-segment transact-ions	Total seg-ments
External revenue	**84,473**	**21,380**	**13,033**	**4,089**	**796**	**0**	**123,771**
Inter-segment revenue	229	920	6	30	2,660	-3,845	0
Total revenue	84,702	22,300	13,039	4,119	3,456	-3,845	123,771
EBITDA	**1,407**	**1,375**	**918**	**604**	**3,367**	**0**	**7,671**
Segment depreciation and impairment losses	-1,048	-471	-100	-218	-907	0	-2,744
Operating profit	**359**	**904**	**818**	**386**	**2,460**	**0**	**4,927**
Finance income (Note 19)	21	107	2	0	15	-136	9
Finance income on shares of associates	0	46	0	0	0	0	46
Finance costs (Note 19)	0	-101	-62	-41	-267	136	-335
Income tax	0	0	2	0	0	0	2
Net profit	**380**	**956**	**760**	**345**	**2,208**	**0**	**4,649**
incl. in Estonia	976	956	820	350	1,982	0	5,084
incl. in Latvia	-596	0	-25	-5	226	0	-400
incl. in Lithuania	0	0	-35	0	0	0	-35
Segment assets	**64,347**	**67,338**	**16,949**	**13,426**	**187,557**	**-59,354**	**290,263**
Segment liabilities	**49,755**	**26,924**	**9,947**	**17,926**	**100,267**	**-48,612**	**156,207**
Segment investment in non-current assets	2,355	846	-4	0	2,763	0	5,960

in thousands of euros

6 months 2014	Super markets	Depart-ment store	Car trade	Footwear trade	Real estate	Inter-segment transact-ions	Total seg-ments
External revenue	**176,062**	**43,249**	**28,566**	**6,838**	**1,645**	**0**	**256,360**
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
EBITDA	**2,229**	**1,927**	**1,083**	**-437**	**7,319**	**0**	**12,121**
Segment depreciation and impairment losses (Note 10, 11)	-1,729	-928	-215	-334	-2,186	0	-5,392
Operating profit/loss	**500**	**999**	**868**	**-771**	**5,133**	**0**	**6,729**
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
Net profit/loss	**263**	**797**	**210**	**-904**	**4,412**	**0**	**4,778**
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
Segment assets	**75,880**	**61,298**	**20,408**	**12,186**	**207,148**	**-49,154**	**327,766**
Segment liabilities	**56,412**	**18,096**	**14,147**	**12,593**	**93,765**	**-33,706**	**161,307**
Segment investment in non-current assets (Note 10, 11)	1,926	826	256	442	849	0	4,299

in thousands of euros

6 months 2013	Super markets	Depart-ment store	Car trade	Footwear trade	Real estate	Inter-segment transact-ions	Total seg-ments
External revenue	**164,026**	**41,352**	**22,059**	**6,794**	**1,550**	**0**	**235,781**
Inter-segment revenue	467	1,774	16	14	5,165	-7,436	0
Total revenue	164,493	43,126	22,075	6,808	6,715	-7,436	235,781
EBITDA	**2,487**	**1,529**	**1,318**	**255**	**6,527**	**0**	**12,116**
Segment depreciation and impairment losses	-2,133	-941	-201	-434	-1,786	0	-5,495
Operating profit/loss	**354**	**588**	**1,117**	**-179**	**4,741**	**0**	**6,621**
Finance income (Note 19)	58	236	4	0	29	-310	17
Finance income on shares of associates	0	86	0	0	0		86
Finance costs (Note 19)	0	-214	-103	-88	-499	310	-594
Income tax	-1,745	-1,196	7	0	-836	0	-3,770
Net profit/loss	**-1,333**	**-500**	**1,025**	**-267**	**3,435**	**0**	**2,360**
incl. in Estonia	-152	-500	1,121	-257	3,017	0	3,229
incl. in Latvia	-1,181	0	-67	-10	418	0	-840
incl. in Lithuania	0	0	-29	0	0	0	-29
Segment assets	**64,347**	**67,338**	**16,949**	**13,426**	**187,557**	**-59,354**	**290,263**
Segment liabilities	**49,755**	**26,924**	**9,947**	**17,926**	**100,267**	**-48,612**	**156,207**
Segment investment in non-current assets	3,745	1,011	36	37	11,080	0	15,909

External revenue according to types of goods and services sold

in thousands of euros

	II quarter 2014	II quarter 2013	6 months 2014	6 months 2013
Retail revenue	126,938	115,677	238,771	221,274
Wholesale revenue	5,059	4,188	8,598	6,992
Rental income	1,804	1,615	3,605	3,229
Revenue for rendering services	2,908	2,291	5,386	4,286
Total revenue	**136,709**	**123,771**	**256,360**	**235,781**

External revenue by client location

in thousands of euros

	II quarter 2014	II quarter 2013	6 months 2014	6 months 2013
Estonia	130,078	120,370	243,679	229,730
Latvia	4,942	1,936	9,598	2,987
Lithuania	1,689	1,465	3,083	3,064
Total	**136,709**	**123,771**	**256,360**	**235,781**

Distribution of non-current assets* by location of assets

in thousands of euros

	30.06.2014	31.12.2013
Estonia	206,895	207,841
Latvia	35,185	35,372
Lithuania	169	177
Total	**242,249**	**243,390**

* 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

	II quarter 2014	II quarter 2013	6 months 2014	6 months 2013
Rental expenses	3,755	3,531	7,466	7,102
Heat and electricity expenses	2,030	2,105	4,391	4,370
Operating costs	1,587	1,810	3,189	3,400
Cost of sale related services and materials	1,747	1,734	3,517	3,290
Marketing expenses	1,691	1,704	3,451	3,353
Miscellaneous other operating expenses	794	833	1,548	1,574
Computer and communication costs	732	644	1,374	1,244
Personnel expenses	422	478	882	916
Total other operating expenses	**12,758**	**12,839**	**25,818**	**25,249**

Note 18. Staff costs

in thousands of euros

	II quarter 2014	II quarter 2013	6 months 2014	6 months 2013
Wages and salaries	8,877	7,725	17,325	15,012
Social security taxes	2,953	2,573	5,756	4,996
Total staff costs	**11,830**	**10,298**	**23,081**	**20,008**
Average wages per employee per month (euros)	778	735	764	722
Average number of employees in the reporting period	3,804	3,504	3,781	3,466

Note 19. Finance income and costs

in thousands of euros

Finance income

	II quarter 2014	II quarter 2013	6 months 2014	6 months 2013
Interest income on Partner credit card	0	7	0	10
Interest income from loans to related parties	6	1	11	5
Interest income on NGI Group's group account (Note 21)	0	0	0	1
Other finance income	0	1	0	1
Total finance income	**6**	**9**	**11**	**17**

Finance costs

	II quarter 2014	II quarter 2013	6 months 2014	6 months 2013
Interest expense of bank loans	-332	-294	-612	-534
Interest expense of finance lease	-14	-2	-24	-3
Other finance costs*	-56	-39	-99	-57
Total finance costs	**-402**	**-335**	**-735**	**-594**

* 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 2014	II quarter 2013	6 months 2014	6 months 2013
Net profit (in thousands of euros)	5,395	4,649	4,778	2,360
Weighted average number of shares	40 729 200	40 729 200	40 729 200	40 729 200
Basic and diluted earnings per share (euros)	0.13	0.11	0.12	0.06

Note 21. Related party transactions

in thousands of euros

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

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

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

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

	Purchases 6 months 2014	Sales 6 months 2014	Purchases 6 months 2013	Sales 6 months 2013
Parent	211	19	147	7
Entities in the Parent's consolidation group	18,672	5,111	11,909	1,429
Members of management and supervisory boards	0	0	0	22
Other related parties	317	85	331	83
Total	**19,200**	**5,215**	**12,387**	**1,541**

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:

	30.06.2014	31.12.2013
Interest receivable from Parent (Note 4)	1	1
Receivable from Parent (Note 3)	600	0
Receivables from entities in the in the Parent's consolidation group (Note 4)	1,002	524
Sales bonuses receivable from entities in the in the Parent's consolidation group (Note 4)	0	135
Members of management and supervisory boards (Note 4)	16	5
Total receivables from related parties	**1,619**	**665**

	30.06.2014	31.12.2013
Parent	21	25
Entities in the Parent's consolidation group	4,775	5,251
Other related parties	34	47
Total liabilities to related parties (Note 13)	**4,830**	**5,323**

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

Group account

For proving funding for its subsidiaries, the Group uses the group account, the members of which are most of the group entities. In its turn, this group as a subgroup has joined the contract of the group account of NG Investeeringud OÜ (hereinafter head group). From autumn 2001, Tallinna Kaubamaja Group has been keeping its available funds at the head group, earning interest income on its deposits. During 6 months of 2014 Tallinna Kaubamaja Group earned interest income on its deposits of available funds in the amount of 11 thousand euros (2013: 5 thousand euros).

As at 30.06.2014 NG Investeeringud group has used Group's available funds in the amount of 600 thousand euros with interest rate 0.69% (31.12.2013: 0 euros). As at 30 June 2014 the Group has not used NG Investeeringud group account available funds (2013: 0.04 thousand euros) and has not deposited through parent company NG Investeeringud OÜ (31.12.2013: 0 euros).

The average interest rate on available funds deposited to the group account of NG Investeeringud OÜ was 0.06% in the euro account (2013: 0.06%). According to the group account contract, the Group's members are jointly responsible for the unpaid amount to the bank.

Remuneration paid to the members of the Management and Supervisory Board

Short term benefits to the management boards' members of Tallinna Kaubamaja Group for the reporting period including wages, social security taxes, bonuses and car expenses, amounted to 488 thousand euros (including termination benefits in the amount of 18 thousand euros), in 6 months of the 2013 the comparable number was 444 thousand euros. Short term benefits to supervisory boards' members of Tallinna Kaubamaja Group in reporting period including social taxes amounted to 155 thousand euros, in 6 months of the 2013 the short term benefits to supervisory boards' members including social taxes was also 155 thousand euros.