Tallinna Kaubamaja Grupp AS

Annual Report

2023

Tallinna Kaubamaja Grupp AS

Consolidated Annual Report 2023

The main areas of activity of Tallinna Kaubamaja Grupp AS (hereinafter referred to as the 'Tallinna Kaubamaja Group' or 'the TKM Group' or 'the Group') are retail and wholesale trade. At the year-end 2023, the Group employed more than 4,700 employees.

Legal address:	Kaubamaja 1, 10143 Tallinn
Country of Incorporation	Republic of Estonia
Commercial Register no.:	10223439
Legal form of entity	Public limited liability company
Telephone:	372 667 3300
E-mail:	info@tkmgrupp.ee
Beginning of financial year:	1.01.2023
End of financial year:	31.12.2023
Auditor:	PricewaterhouseCoopers AS
Name of parent entity	OÜ NG Investeeringud
Name of ultimate parent of group	NG Kapital OÜ

Translation of the company's consolidated financial statements in pdf-format without European Single Electronic Format (ESEF) markups. The original document is submitted in machine-readable .xhtml format to the Nasdaq Tallinn Stock Exchange and digitally signed (Link: https://nasdaqbaltic.com/statistics/et/instrument/EE0000001105/reports).

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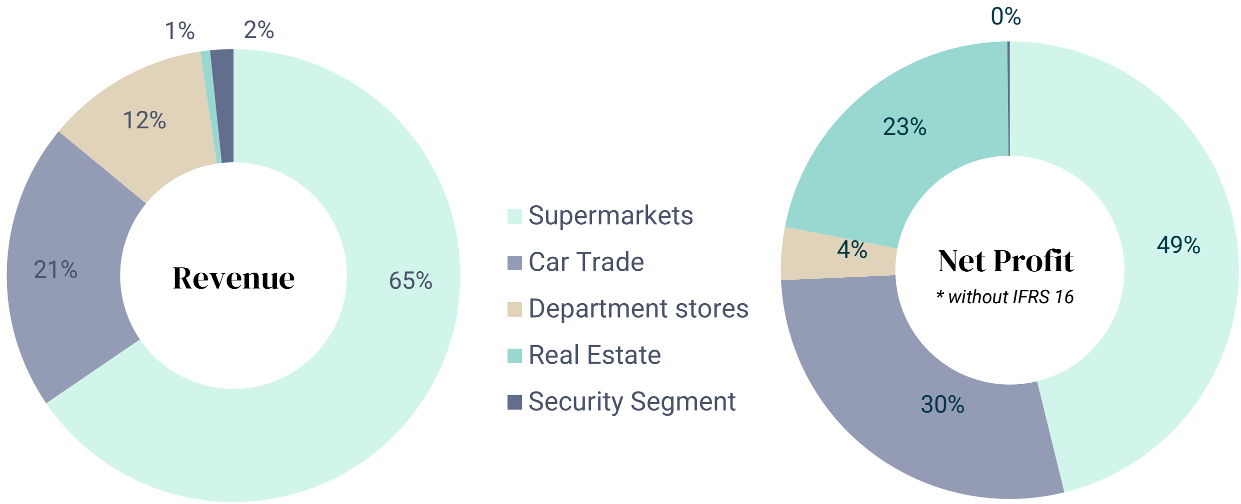
Management Report

Tallinna Kaubamaja Group is one of the biggest retail companies in Estonia. Our **4,700** employees serve customers in **90** stores, where **720,000** loyal customers make **49** million purchases a year.

947.3
Million euros
Revenue
(2022: 862.8 million euros)

37.4
Million euros
Net profit
(2022: 29.5 million euros)



92
Cents
Net profit per share
(2022: 72 cents)

4,724
Yearly average number of
Employees
(2022: 4,697)

Chairman's statement

2023, was a successful year for Tallinna Kaubamaja Group despite difficult economic conditions. The sales revenue of the Group exceeded 947 million euros and the net income recovered after mitigating the increase in energy prices, to 37.4 million euros, demonstrated the success of our strategies.

Originated in 1960 with a single department store named Kaubamaja, the Group has since expanded into a group of companies with diverse business directions. Selver Supermarkets, operating across Estonia, are the second-largest food and consumer goods retailers in the country. Approximately one-tenth of a customer's shopping basket consists of high-quality food freshly prepared in our central kitchen under the Selveri Köök brand or baked goods from Selveri Pagarid. Nearly one in every ten cars sold in the Baltics is brought to customers by our car trade companies. In the department store segment Kaubamaja and I.L.U. stores are the preferred destinations for fashion and cosmetics shopping. In the security segment, we are the third-largest provider of security solutions in Estonia. Our real estate companies are operating successfully, and active business and development activities are taking place on all our properties. To emphasize this diversity and clarity our identity to target groups, we unveiled a new visual identity in 2023 - TKM Grupp. We will also propose changing our corporate name to TKM Grupp AS at the upcoming annual general meeting of shareholders. However, we continue on the same course, with the aim of being the most versatile and profitable retail group in Estonia, offering high-quality products and services. We will continue striving to enhance shareholder and customer value and to expand our market share.

Last year's biggest success in the supermarket segment was related to several store renovations and the opening of a new store. The most modern environmentally friendly solutions were used in renovation of Järve and Tartu Ringtee Selver and Delice Solaris supermarket, and building the new Kurna Selver. Supermarket segment continued the development of the popular own-brand product series of Selveri Köök in an environmentally conscious manner. Despite recent years' supply challenges, our car trade segment had a successful year. The gradual improvement in the availability across the car market allowed for more flexible pricing in sales offers. However, thanks to strategic inventory management, we were able to sustain profitability and enhance sales performance. The brand portfolio of the car segment was expanded with Škoda in Lithuania, with resale starting in January 2024. In the department store segment, development work on the e-commerce platform continued. Customers welcomed the refreshed concept of the I.L.U. stores, which are also part of the department store segment. In the security segment, we expanded significantly by acquiring three notable companies during the year. The acquisition of the wholesale security systems company AS Walde provides us with opportunities to introduce new products to the market and develop the wholesale distribution of security systems. The merger at the end of the year with Viking Security AS of Skarabeus Julgestusteenistus OÜ and Caesari Turvateenuste AS, allows us to accelerate the successful growth of the security segment, expand the operating area, and offer even higher-quality services to our customers.

TKM Grupp belongs to the people of Estonia. By creating sustainable value for our customers, we also create value for our shareholders.

A strategic decision made in 2023 to develop a logistics centre marked a significant move forward. Our real estate segment started with the construction of a logistics centre in Maardu, which will primarily serve the volume of goods of supermarkets and, in addition opens up new business opportunities for the Group's companies, and enhances work process efficiency.

We are immensely grateful to our loyal customers. Over 720 thousand customers have shown their trust by joining our Partnerkaart loyalty program. In recent years, we have consistently focused on enhancing the shopping experience for our customers by launching the Partnerkaart mobile app and introducing flexible "buy now, pay later" payment solutions. Currently, 200 thousand customers use the Partnerkaart app, and tens of thousands benefit from our flexible payment solutions.

TKM Grupp belongs to the people of Estonia. Ninety-nine percent of the nearly 26,000 shareholders of TKM Grupp are Estonian residents. We have continually created value for our shareholders since 1996, when TKM Grupp was listed on the Nasdaq Tallinn main list.

Looking forward to 2024, we are confident and strong. The team at TKM Grupp is committed, experienced in navigating crises, and focused on achieving the best outcomes. I sincerely thank all the employees of the Group for their dedication and the investors for their trust.

Raul Puusepp

Chairman of the Management Board

Tallinna Kaubamaja Group in brief

Group's vision

The objective of The Group is to be the flagship of Estonian trade and one of the most successful listed companies in the Baltic region in every area of its business.

Group's mission

Group's mission is to be the first choice for its customers, valued employer to its employees and trustworthy investment option for its shareholders.

Group's core values

Integrity

We are open and sincere and do not distort the truth.

Concern

We are friendly and helpful and open to solutions.

Reliability

We keep our promises and follow applicable regulations.

Innovation

We are open to new and progressive ideas, so that we always try to be a step ahead.

Environmental awareness

We care about the surrounding environment and we use our resources sustainably.

Morality and legality

The underlying principle of the Group's business activity is to ensure, that all lines of businesses comply with the code of ethics. The Group has established a Code of Ethics, which summarizes and describes the most important principles that guide their activities. The Group bases its activities on laws and other legislations and practices, applicable to the respective field of activity. In case there is any distinctness between applicable legislations and other agreements, the more rigid requirements will prevail. The Group supports ethical, fair-minded and professional way of conduct within all its activities. The Group always supports free and fair competition, excluding limitation, restraining and damaging of the free competition. The Group follows the rules of competition and does not enter into illegal agreements or act in concert with anyone in a manner that would restrict competition.

Confidentiality and handling of inside information

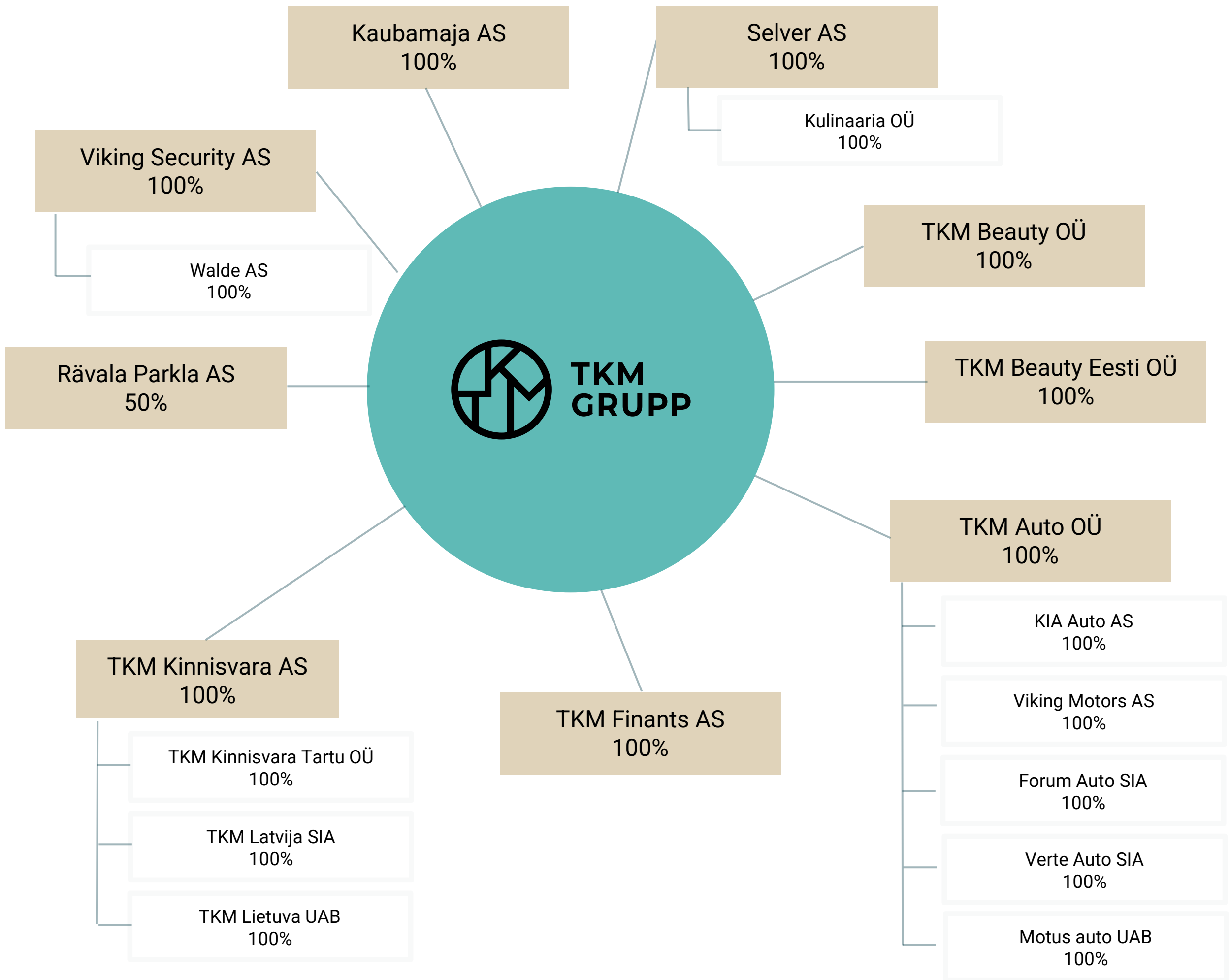
- The Group's employees and partners shall maintain confidential information in a secure and secret manner and abstain from misusing the inside information they have become aware of. The Group considers as confidential or as a business secret an information which is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question; has commercial value because it is secret; and has been subject to reasonable measures under the circumstances, by the person lawfully in control of the information, to keep it secret.
- When communicating with competitors, the Group will refrain from discussing confidential information and will not use any unauthorized means or methods to obtain business secrets or other confidential information of the competitors.
- The Group disapproves corruption in all of its forms.
- A Group employee may not make use of their official position for receiving personal gain on the account of the Group, its partners, customers, or other employees. Receiving personal gain also means any benefit obtained by the employee's close relative or a legal person closely related to the employee.
- The Group, its employees, and partners do not offer or agree to accept bribe or inducement in any form.

- A Group employee behaves in a reliable manner and avoids situations where their personal interests would be in conflict with those of the Group or where the employee cannot act in the interests of the Group.
- A Group employee shall immediately inform their line manager or a responsible body, who performs supervision in any form over their activity, of a situation where a conflict of interests has occurred or where there is a risk of the occurrence thereof.
- The Group's activity is transparent and corresponds to the understanding of openness and integrity established in the society.
- The Group's employees and partners inform the Group whenever they suspect a violation of exemplary business principles in the Group's operations. The Group's employees shall notify of the suspected violations their line manager, the Group's management, or a person or body with a compliance function.

Structure of the Group

The main areas of activity of the entities of the Group include retail and wholesale trade.

The structure of Tallinna Kaubamaja Group as of 31.12.2023:



The following segments may be differentiated in the activities of the Group:

- Supermarkets
- Department stores
- Car trade
- Security
- Real estate

The supermarkets segment includes the Selver store chain with 71 Selver stores, 2 Delice stores, the mobile store, and a café, with a total selling space of 120,400 m², as well as the online store e-Selver and the central kitchen Kulinaaria OÜ.

Kaubamaja operates two department stores, one in Tallinn and the other in Tartu city centre, as well as an e-store, offering a large selection of beauty and fashion products. The results of beauty product (I.L.U. and L'Occitane) sales, which includes 7 stores and an e-store, are presented in the report of the department stores segment.

The car trade segment with an independent dealers' network is the importer of KIA's in the Baltic countries and is in addition selling passenger cars in two showrooms in Tallinn, two showrooms in Riga and one in Vilnius. In addition to KIAs, there are several car brands in the selection, such as Peugeot, Škoda, and Cadillac.

The main area of activity of the security segment is the provision of security services and surveillance solutions, from simpler manned and technical security services to the design, installation, and maintenance of more complex surveillance and video systems. High-quality, fast, and independent inventory is also carried out in various companies. The segment also offers the cash transportation service.

The real estate segment is involved in the management, maintenance and renting out of commercial space of real estate that belongs to the Group. The Group's real estate segment owns the sales premises of Kaubamaja in Tallinn, Tartu Kaubamaja centre, Viimsi shopping centre, 3 car showrooms and 19 Selver buildings, and several other land plots.

In the Group's segment reporting, the Group's companies are reported in the following segments:

Supermarkets	Location
Selver AS	Estonia
Kulinaaria OÜ	Estonia
Department stores	
Kaubamaja AS	Estonia
TKM Finants AS	Estonia
OÜ TKM Beauty	Estonia
OÜ TKM Beauty Eesti	Estonia
Rävala Parkla AS	Estonia
Car trade	
TKM Auto OÜ	Estonia
KIA Auto AS	Estonia
AS Viking Motors	Estonia
SIA Forum Auto	Latvia
Verte Auto SIA	Latvia
Motus auto UAB	Lithuania
Security	
Viking Security AS	Estonia
Walde AS	Estonia
Real estate	
TKM Kinnisvara AS	Estonia
OÜ TKM Kinnisvara Tartu	Estonia
SIA TKM Latvija	Latvia
TKM Lietuva UAB	Lithuania

Changes in the structure during the financial year

The expanding of the Security segment

In late 2022, Tallinna Kaubamaja Group announced plans for expansion in the security services sector to the stock exchange. On February 15th, 2023, the subsidiary of Tallinna Kaubamaja Group, Viking Security AS, acquired 100% of the shares in the security systems wholesale company AS Walde. On July 13th, 2023, Viking Security AS acquired 100% of the shares of Skarabeus Julgestusteenistus OÜ, and on August 16th, 2023, it acquired 100% of the shares of Caesari Turvateenistuse Aktsiaselts. Acquiring these shares allows Viking Security to strengthen its business activities in all sectors. The acquisition of security companies provides positive synergy through the combination of strong industry expertise, increased operational capabilities, and cost-effectiveness. These acquisitions create opportunities to continue the successful growth of the Group's security segment and develop new services. In pursuit of efficiency, the security service-providing companies owned by the Group have been consolidated. Walde AS, a subsidiary engaged in the wholesale of security equipment, acquired by Viking Security AS at the beginning of the reporting year, continues its operations as a separate entity.

Business name changes

In April, the Group informed the Nasdaq Baltic stock exchange that on April 17th, 2023, its subsidiary Tallinna Kaubamaja Kinnisvara AS was officially registered with a new business name, TKM Kinnisvara AS. The change in the business name also involved the confirmation of a new version of the articles of association. Additionally, the business name and articles of association of the subsidiary in the real estate segment, Tartu Kaubamaja Kinnisvara OÜ, were modified, and its new business name is TKM Kinnisvara Tartu OÜ. The changes in the business names of Tallinna Kaubamaja Kinnisvara AS and Tartu Kaubamaja Kinnisvara OÜ aimed to align the Tallinna Kaubamaja Group real estate segment companies by introducing a common element in the business names (TKM). This provides more clarity to partners and clients about the affiliation of the four real estate companies to the same group.

At the beginning of the year, the Group also announced to the Nasdaq Baltic stock exchange that its subsidiary, TKM Auto OÜ, had signed a protocol of intent with Aktsiaselts Auto 100. According to the protocol, the Group's subsidiary KIA Auto UAB, in addition to dealing with KIA vehicles, would also become the distributor of Škoda vehicles in Lithuania. In this regard, the business name of KIA Auto UAB was amended to Motus auto UAB in August 2023.

New visual identity of the Group

In May, the Group announced to the Nasdaq Baltics stock exchange about the commissioning of the new visual identity – TKM Grupp. New name and logo are being used in the corporate communication of the Group. A possible change of the business name and, consequently, of the articles of association can be decided on the next general meeting.

2023 overview

In a business environment with crumbling consumer confidence and continued economic recession, the Group had to work hard to find flexible and innovative solutions, in order to continue to be successful by increasing the Group's sales revenue by a significant 9.8% and restoring profitability. For a more high-level customer service, investments were made in developing the both physical and digital sales channels, while also focusing on environmental protection. The total volume of investments in 2023 amounted to 29.7 million euros. Security segment expanded rapidly, when the subsidiary of the Group Viking Security AS acquired three strong Estonian security companies. The Group continued to develop an environmentally sustainable and responsible business culture with its activities, thereby contributing to the growth of diversity, equality and inclusion. The Group's priority has always been to provide customers with high-quality goods and high-level service. A new record number of loyal customers was achieved in the reporting year, which shows that our customers value our loyalty program Partnerkaart highly.

The most important events of Tallinna Kaubamaja Group in 2023 and up to the publication of this annual report were the following:

- In January 2023, Selver started issuing identity documents from Selver stores. By the end of the reporting year the number of Selver stores issuing identity documents has increased to 41.
- In February, TKM Auto OÜ and AS Auto 100 signed the protocol of intent, according to which Kia Auto UAB (starting from August 2023 with a new business name Motus auto UAB) received Škoda dealer rights in Lithuania.
- In February, Viking Security AS acquired a 100% share in the company AS Walde.
- In February, Tartu Ringtee Selver was reopened after renovation. In addition to the new concept of the store and updated interior design, the warehouse, office and utility rooms were also renovated. Among other things, the most modern and environmentally friendly technological solutions were considered in the store's concept renewal.
- In February, TKM Beauty Eesti OÜ opened Ülemiste I.L.U. store with a renewed concept. In addition, NYX makeup shop-in-shop with a separate entrance was also built inside the I.L.U store. In August, the completely renovated I.L.U. store, with a renewed concept, was opened in Kristiine Keskus Centre.
- The Selver charity campaign "Together It's Easier," initiated to support Estonian children's and maternity departments, raised 101.5 thousand euros for Estonian children's hospitals in the last two months of the year.
- In mid-May, Estonia's largest grocery store, Järve Selver, reopened with a renewed concept. The expansion of the sales floor to 7,500 square metres widened the range of food products available. The construction considered the most modern and environmentally sustainable technological solutions. The entire refrigeration system was converted to a CO_2-based system, allowing for an energy saving of almost a fifth compared to older analogues.
- In May, the supermarket segment company Kulinaaria OÜ, which produces ready-to-eat meals under the own-brand product category Selveri Köök, fully transitioned to salad boxes made from 100% recycled materials. As a result, packaging will henceforth use 50 tonnes less virgin plastic per year in the future.
- In June, Viking Security AS acquired 100% of the shares of Skarabeus Julgestusteenistus OÜ and in August 100% of the shares of Caesari Turvateenistuse Aktsiaselts. The acquisition of security companies provides positive synergy through the combination of strong industry know-how, operational capability growth and cost efficiency. The acquisition creates an opportunity to continue the successful growth of the Group's security segment and develop new services. Guided by the goal of increasing efficiency, the mentioned companies were merged with Viking Security AS at the end of the reporting year.
- In August, the Selver hypermarket Kurna Selver was opened in the newly built Kurna Park. The store is the largest grocery store in the region, which the rapidly developing Kurna had been eagerly waiting for.
- In August, Group's subsidiary TKM Kinnisvara AS and AS Merko Ehitus Eesti signed a contract for the construction of a logistics centre in Maardu. The future logistics centre will serve TKM Group companies. The establishment of a logistics centre opens up new business opportunities for TKM Group companies and increases the efficiency of work processes.
- In September, the Solaris Delice supermarket was reopened with a renewed visual identity and concept. Among other things, the most modern and environmentally friendly technological solutions were considered in the store's concept renewal.
- The extension of the Saku Selver parking lot was completed in September, which increases the convenience of customers visiting the store.

- In September, the Group’s loyalty program Partnerkaart added new functionalities to its mobile application Partnerkaart. Customers have now the ability to create and share shopping lists and see the personal special offers by Selver directly from their phone.
- From October, the Group started offering the Partner Kuukaart instalment payments solution in Kaubamaja. New Partner Kuukaart financial service is available only to the owners of loyalty card Partnerkaart. The financial service is provided by TKM Finants AS, a subsidiary of the Group.
- In November, Enefit Volt and TKM Kinnisvara joined forces to install electric car chargers to the parking lots of Selver, during which a total of 49 new public electric car chargers will be installed in 17 Selver parking lots. Almost half of them, i.e. 25, are ultra-fast chargers, which allow charging the amount of energy needed to travel 100 kilometres in just a few minutes.
- The number of customers in the Group's loyalty program, Partnerkaart, exceeded the 720 thousand mark.

Acknowledgements:

- The Baltic Corporate Excellence Award ranked the Group as the best in Estonia and the third most successful listed company in the Baltics.
- In a public survey organised by the Estonian E-commerce Association, e-Selver earned two recognitions: the title of the best online store in the food e-commerce category and the title of the public's favourite e-store overall.
- A collaboration project between the Police and Border Guard Board, Selver, Hansab, and Viking Security - the issuance of ID cards and passports - won the title of the Best Retail Deed for the best collaboration project of 2023.
- Seafood risotto and strawberry-pistachio curd cake from the own-brand products of Selveri Köök, manufactured by Kulinaaria OÜ were recognised by Oma Maitse food magazine.
- Selver AS was awarded the Equal Pay Employer laureate title in the large organisations category (250+ employees) in the 2023 salary survey conducted by Figure Baltic Advisory, indicating that women and men in the same positions are equally compensated.
- In the contest "Estonia's best food product 2023", two ready-made products from the own-brand of Selveri Köök, were highly rated: strawberry-pistachio curd cake triumphed in the category "Estonia's Best Pastry Product in 2023", and the seafood risotto, was recognized as "Estonia's best ready-made product in 2023".
- Kaubamaja AS was awarded the ‘Diverse Workplace’ label. This is a recognition and development opportunity for companies that promote diversity and inclusion in the workplace. Kaubamaja and Selver joined the Diversity Agreement in 2012.
- Kaubamaja AS achieved high recognition in the International Group of Department Stores (IGDS) competition, being selected among the top 10 best teams. The IGDS recognition is a significant achievement, assessing company management, employee commitment, and overall team work quality in the retail sector. Kaubamaja stood out from its competitors thanks to its innovative approach, continuous development and high customer satisfaction, all of which is possible thanks to the company's dedicated team.
- According to the results of the 2024 Top Employer survey organized by CV.ee, Kaubamaja AS was among the most valued employers in the retail sector. Selver AS was recognised as the 4th most valued employer in the sector.
- Kaubamaja AS achieved the silver level of family-friendly employers. The award is a recognition that shows that the organization values the well-being of its members and has made a conscious effort to enable them to successfully balance their work and family lives.
- The Estonian Security Association (ETEL) recognised an employee of Viking Security AS - Vladimir Dvornik. The senior technician was recognised as the Security technician of the year and awarded the cross of merit of the Estonian Security Association.

Business risks

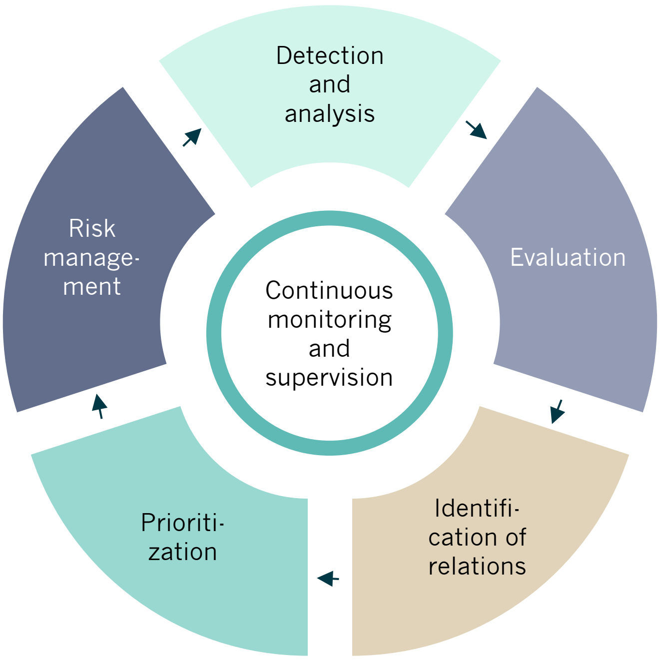
The effective management of risks associated with the Group's business strategy, operations, and structure is crucial and an integral part of the Group's management process. Risk is defined as a possible future event or scenario that may impact the achievement of the Group's and/or its subsidiaries' objectives. As the largest retail company in Estonia, the Group and its subsidiaries encounter potential risks in their daily operations, and the goal is to successfully identify, assess, measure, report, manage, and mitigate these risks.

The broader aim of risk management is to find an optimal balance between potential damage or forgone profit and the resources spent on reducing risks. As a general principle, risk prevention is typically preferred over reacting to a risk event after it has occurred.

Risk management within the Group is guided by a unified methodology that regulates the identification, assessment, reporting, prioritization, and handling of risks. This methodology is described in more detail under the risk management process. The Group's ability to identify, measure, and control various risks has a significant impact on its profitability.

The basis for identifying risks lies in the analysis of the Group's business activities, strategy, management, internal processes, the surrounding economic environment, and regulations. Identified risks are categorized into the following risk categories: strategic risks, operational risks, legal and compliance risks, and financial risks. The executive management consistently engages in the identification and assessment of risks, taking into account the risks related to the Group's and subsidiaries' strategy, workforce, and business processes.

Risk management process:



Risk identification and assessment is performed annually in all companies of the Group. The Supervisory Board and the Audit Committee supervise the risk management process as a whole. The Audit Committee advises the Supervisory Board on supervision and makes proposals on the risk management process as necessary. Both the Audit Committee and the Supervisory Board receive regular reports on, among other things, the content, assessments, and mitigation measures of risks.

Executive management identifies and analyses risks, prepares mitigation plans, and, if necessary, makes proposals for allocating resources to address significant risks. The Internal Audit Department, together with the executive management, promotes risk awareness and the transfer of risk management to processes and employees. The Head of the Internal Audit Department coordinates risk management activities and regularly reports the results to the Audit Committee.

We consider the main risks to be those that may have a negative short-term and/or long-term impact on the Group's financial results, reputation, business model, and strategy. When assessing key risks, it is important for us that the Group's risks are identified as early as possible and included in the existing risk management assessment, measurement, and monitoring.

We have classified the following risks as the main risks: economic environment, competition, climate risks, risks arising from the company's operations, and IT risks. In the case of risks in the economic environment, we assess the market situation, as well as changes in macroeconomic factors and trends. The biggest risk factors in 2023 were complicated geopolitical situation and fluctuating economic environment.

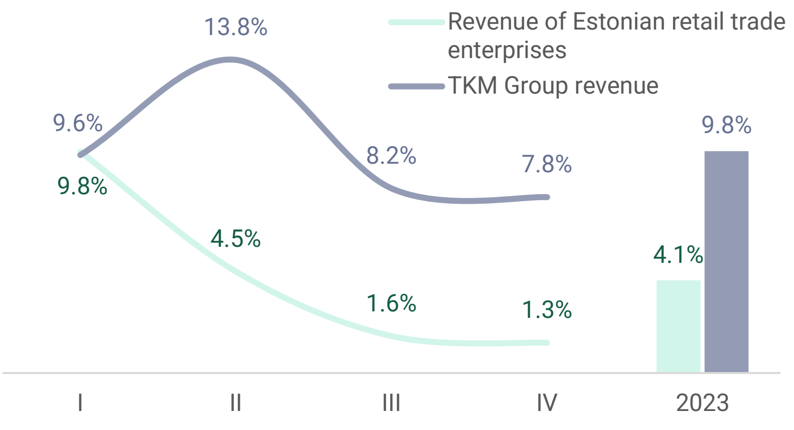
The main risks of the Group include climate risks, which are divided into risks related to the transition to a climate-neutral economy (e.g. legislation, regulations, investments) and the risks related to the direct effects of climate change (e.g. natural disasters, power outages, unstable situation in the country). In 2023, the changes arising from legislation and regulations and the impact of climate change on the supply chain were deemed the most significant climate risks. The risks related to competition include changes in the market, such as the entry of new competing companies, changes in market preferences, and low investment in development. The risks arising from the company's operations include risks arising in connection with work processes, management, and forecasts. It is also important to pay attention to the risks related to safety, quality, and the supply chain. The focus of IT risks is on cybersecurity, the protection of personal data and the prevention of leaks, and smooth operation of systems.

The most important risks are described in detail below.

Economic environment

The development of the retail trade is closely related to the general economic growth and environment. The reporting year passed in a multi-crisis with geopolitical threats, rapid broad-based inflation and sharply increased base interest rates. The economic depression that lasted for several years began to have an increasingly strong influence on the behaviour of the retail consumer. The Group has prepared for possible consequences by increasing the Group's liquidity and increasing the flexibility of business processes. Daily signs of the economic depression in the Group's stores are the growing number of discounted products and promotional items in customers' shopping carts and the increasing volume of thefts of ordinary goods. The stores are monitored by the Group's professional security segment company Viking Security, which has long experience in the retail trade using modern video surveillance technology and know-how for the prevention and early detection of thefts. In the fall of 2023, the plan of the Government of the Republic of Estonia to introduce a car tax in Estonia from 2025 became known. The planned tax will affect the economic activity of Estonian companies in the Group's car trade segment. The Group will begin to assess the scope of the impact more precisely when the more precise implementation plan of the car tax has become clear.

According to Statistics Estonia, despite the slowdown in price increases, the Estonian economy fell by 3.9% in the third quarter of 2023. According to Statistics Estonia, the biggest drag on the economy in the third quarter was transportation and warehousing, which was caused by difficulties in foreign trade; there was also a weak situation in the processing industry and information and communication activities. Real estate activity had the strongest positive contribution to the economy. According to Statistics Estonia's quick estimate, the economy fell by 3.0% in the fourth quarter of 2023. Eesti Pank estimated that the economy will fall by 3.5% in 2023 mainly due to the slowdown in foreign trade. In 2023, the consumer price index increased by 9.2% compared to the average of 2022. Compared to the year, the price of food products increased the most (15.8%), while the prices of sugar (42.2%), cocoa (29.9%) and olive oil (26.6%) increased the most. At the same time, gasoline (7.4%) and diesel fuel (10.7%) became cheaper during the year. According to Eesti Pank, inflation is expected to reach close to 5% at the beginning of 2024 and slow down to 3% by the end of the year. Eesti Pank predicts a total price increase of 3.4% for the year 2024. Based on the latest data published by Statistics Estonia, the average gross monthly salary increased by 10.4% in the third quarter of 2023 compared to a year ago. According to Eesti Pank, the wage increase will reach 11.1% in 2023. By 2024, the average salary is expected to increase by 6.6% in the conditions of economic recession.



According to Statistics Estonia, the total volume of retail sales in Estonia in 2023 grew by 4.1% in current prices. The largest increase was made by the sale of motor vehicles, their parts and accessories (17.1%), followed by the maintenance and repair of motor vehicles with 9.2%. The growth of sales revenue in non-specialized stores (predominantly food products) slowed down in the last half of the year, but the large increases at the beginning of the year resulted in a total growth of 8.9%. According to Statistics Estonia, nearly 23 thousand new passenger cars were sold in Estonia in 2023, or 11.8% more than in 2022. The confidence of Estonian consumers has decreased in the second half of 2023 compared to the first half. According to Eesti Pank, household consumption spending is held back by people's uncertainty about the future and the increased fear of losing their jobs, which is why the volume of private consumption will not increase significantly in 2024.

Seasonality of business

There are minor seasonal fluctuations in the business operations of the Group. Characteristically for retail trade, the sales revenue of the first quarter is about 8% lower and the sales revenue of the fourth quarter is about 7% higher than the average sales revenue of the quarters. Historically, seasonality has some effect on sales revenue in the fourth quarter, when sales revenue accounts for approximately 27% of the annual sales revenue. Traditionally, the first quarter of the year is weaker due to the seasonal discount in the fashion trade. The long-term business experience of the Group allows safely manage the business risk caused by seasonality.

Competition

The Estonian retail market is highly competitive. The German discount store chain Lidl entered the Selver supermarket segment as a new competitor in 2022. In the market segment of supermarkets, Estonia has the tightest competition and the lowest mark-ups of all the Baltic countries. As expected, the arrival of a new competitor affected many market participants, because Lidl could only gain market share at the expense of other market participants. In 2022, all major market players lost market share, a similar trend continued in 2023. In the year of entry, Lidl opened 11 stores in Estonia, and two more stores were added in 2023. In the year 2022, Lidl achieved a market share of 4% in Estonia. Estonia's business environment with high inflation and a declining economy in the last two years has led to consumers' growing uncertainty about the future and has made them more cautious and economical. Despite the slowdown in price growth at the end of 2023, commodity prices were high and consumers were looking for savings through discounted prices and shopping cart optimization. This, in turn, has increased the success of discount store chains. The store network of the supermarket segment did not expand in 2023, and at the same time, three important stores were temporarily closed for renovations, so the market share of the supermarket segment decreased slightly. As of the end of 2023, the market share of Selver AS for non-specialized stores (predominantly grocery stores, tobacco, and alcohol) was 16.9%, with which it continues to be in the second largest position.

The key to maintaining market share is to meet customer expectations in terms of product selection, pricing, and shopping convenience. Through "Permanently good standard prices", "Best price of the week" and other promotional offers of the Partner Card, we aim to lead customers to a more affordable shopping basket without losing in the quality of the products. Great emphasis is placed on the development of Selveri Köök's own brand products with the aim of offering high-quality and healthy ready-to-eat meals at the most affordable price. The launch of the new logistics centre allows to manage the assortment more flexibly to better meet customer needs and improve the availability of goods. In 2024, it is planned to expand the store network by two stores and to supplement the functionalities of Partner Äpp, which help to increase the shopping convenience of customers.

Personal Data Protection

The Group considers correct and lawful processing of personal data very important in all aspects of its operations and ensures the correctness of personal data every day through constantly monitoring and improving existing systems and processes and creating additional control mechanisms, if necessary. The Group’s objective is to ensure efficient and maximum protection of the customers and employees personal data, and to ensure the compliance of the personal data processing with valid legislation. In collecting, processing, storing, and deleting personal data, the Group uses appropriate and sufficient technical and organisational security measures that ensure consistently lawful and secure processing of personal data throughout the entire life cycle of the data.

The Group’s data protection specialist regularly notifies and advises the Group and its subsidiaries in relation to the rights and obligations arising from data protection legislation. In addition, the data protection specialist solves matters related to personal data protection and carries out regular data protection trainings along with thorough supervision to increase the awareness of the personnel of the Group’s companies.

Financial risks

The operations of the company may be accompanied by several financial risks with liquidity risk, credit risk, and market risk (incl. exchange rate risk and interest rate risk) having the most significant impact. Financial risk management falls within the sphere of competence of the company’s management board and includes the identification and measurement of the risks and checking the efficiency of the alleviation measures. The purposes of financial risk management are the alleviation of financial risks and the reduction of the volatility of the financial results. The financial risk management of the company is guided by the risk management strategy established in the Group. The supervisory board of the company is in charge for supervision of the measures taken by the management board to alleviate the risks.

In order to efficiently ensure liquidity or the availability of sufficient financial means to fulfil the obligations arising from the operations of the company, a joint group account of the bank accounts of Tallinna Kaubamaja Grupp AS and the subsidiaries thereof has been created, which allows the members of the group account to use the financial means on the group account within the agreed limits. As at the end of the financial year, the Group has 42.1 million euros of free financial means in the form of cash and funds on bank accounts (22.4 million euros in 2022). As of 31 December 2023, the working capital was positive, amounting to 2.5 million euros (negative, amounting to 69.7 million euros in 2022). The Group’s cash flow from daily business operations that is used for covering current liabilities remains strong. Based on the assessments of the management board, the Group does not have problems with liquidity.

Credit risk is a risk of the company suffering a financial loss arising from the other party to the financial instrument, as the latter is incapable of fulfilling its obligations. The Group is exposed to the credit risks arising from business operations (primarily claims) and investment activities, including deposits in banks and financial institutions. Due to the specific nature of the retail business, the Group is not exposed to significant credit risks. As of 31 December 2023, the maximum credit risk is expressed as the total amount of claims, amounting to 22.7 million euros (20.4 million euros in 2022).

Foreign exchange risk is the risk of the fair value of financial instruments or cash flows fluctuating in the future due to changes in the exchange rate. As at the end of the reporting period, the Group did not have significant fixed financial assets or liabilities in any currencies which are not connected to the euro.

Interest risk is the risk when an increase in the interest rate result in an increase in the interest expenses paid on the liabilities having a significant effect on the profitability of the Group's activity. The interest risk of the Group mainly arises from long-term loan liabilities with a floating interest rate connected to the EURIBOR. 6-month EURIBOR rose to 3.861% by the end of the reporting year. According to economic analysts, EURIBOR may fall to 3% in 2024. The volume of loan obligations exposed to interest risk of the Group as at 31 December 2023 was 138.3 million euros. However, the mentioned interest rate increases did not have a significant impact on the Group's financial results for 2023. If the interest rates of the financial liabilities with a floating interest rate had been 1 percentage point higher as at 31 December 2023, the financial cost of the Group would have been 1.2 million euros higher.

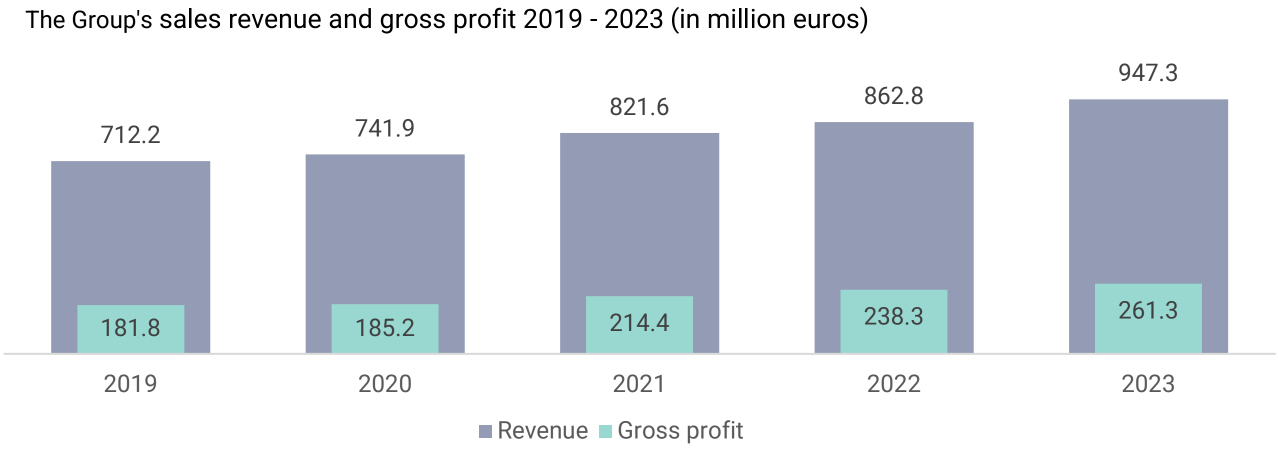
A more detailed description of The Group's financial risks and risk financial management principles is provided in Note 4 of the financial statements.

Financial performance

FINANCIAL RATIOS 2019-2023

In millions, EUR	2019	2020	2021	2022	2023
Revenue	717	742	822	863	947
Change in revenue	*5%*	*3%*	11%	5%	10%
Gross profit	182	185	214	238	261
EBITDA	71	63	80	79	93
Operating profit	40	28	41	40	52
Profit before tax	38	24	36	35	43
Net profit	32	19	32	29	37
Change in net profit	*4%*	*-39%*	*64%*	*-8%*	*27%*
Sales revenue per employee	0.168	0.163	0.169	0.184	0.201
Gross margin	25%	25%	26%	28%	28%
EBITDA margin	10%	9%	10%	9%	10%
Operating margin	6%	4%	5%	5%	6%
Profit before tax margin	5%	3%	4%	4%	5%
Net margin	4%	3%	4%	3%	4%
Equity ratio	43%	37%	38%	37%	38%
Return on equity (ROE)	14%	9%	14%	12%	15%
Return on assets (ROA)	7%	3%	5%	5%	6%
Return on capital employed (ROCE)	12%	7%*	9%	9%	11%
Current ratio	1.0	0.8	0.8	0.7	1.0
Debt ratio	0.6	0.6	0.6	0.6	0.6
Inventory turnover	6.8	7.2	8.3	7.9	7.3
Average number of employees	4,273	4,558	4,864	4,697	4,724

Gross profit	*= revenue – cost of sales*
Gross margin	*= gross profit / revenue* 100%*
EBITDA	*= profit before finance income/costs and depreciation*
EBITDA margin	*= EBITDA / revenue * 100%*
Operating margin	*= operating profit / revenue * 100%*
Profit before tax margin	*= profit before tax / revenue * 100%*
Net margin	*= net profit / revenue * 100%*
Revenue per employee	*= revenue / average number of employees*
Equity ratio	*= equity/ balance sheet total * 100%*
Return on equity (ROE)	*= net profit / average equity * 100%*
Return on assets (ROA)	*= net profit / average assets * 100%*
Return on capital employed (ROCE)	*= operating profit / (average assets - average current liabilities)*
Inventory turnover (ratio)	*= cost of sales / average inventories*
Current ratio	*= current assets / current liabilities*
Debt ratio	*= total liabilities / balance sheet total*



In 2023, the consolidated audited sales revenue of the Group was 947.3 million euros, showing a growth of 9.8% compared to the result of 2022, when the sales revenue was 862.8 million euros. The Group's audited net profit in 2023 was 37.4 million euros, which increased compared to the previous year's result by 26.9%. The pre-tax profit earned in 2023 was 43.0 million euros, increasing by 23.1%.

With a significant increase in sales volume of nearly 50 million euros, the Group's car segment contributed to the increase in sales revenue in 2023, which was supported by the good results of all companies in the car segment of the Group. The security segment also contributed to the high sales volume growth rate, where two security companies acquired by the segment in the third quarter were combined with Viking Security, which added synergy and turnover growth. In the Supermarkets and Department Stores segments, sales growth was more modest, affected by changes in consumer behaviour. The growing uncertainty of customers about the future has made them more cautious and economical. Despite the slowdown in price growth, the prices of goods are high and customers are looking for savings through discounted prices and shopping cart optimization. The latter affects the sales growth of the supermarket segment the most. Preference for discounted prices in the retail segments and price pressure in the automotive segment have to a small extent negatively affected the gross margin of the entire Group. On the other hand, the decrease in energy prices compared to 2022 has provided an opportunity to restore the Group's profitability to its previous level. In the real estate segment, the annual revaluation of real estate investments took place, where the increase in the value of assets affecting the Group's operating profit was EUR 0.2 million lower than the year before. The net profit of the Group in 2023 was reduced by 2.2 million euros due to the calculated loss from lease contracts based on the application of IFRS 16 (in 2022, the respective figure was 2.3 million euros). As a result of high inflation, the expectations of employee salary growth continued to be high. The Group's labour costs increased by 11.5% year-on-year, while the number of employees increased by 0.6%. In order to support the Group's continued development, the loan portfolio for investments increased by nearly a fifth, which, combined with increased interest rates, led to an increase in financial costs of 4.4 million euros.

As at 31 December 2023, the volume of the assets of Tallinna Kaubamaja Group was 691.5 million euros – an increase of 10.2% compared to the results at the end of 2022 without the impact of IFRS 16. As of the end of 2023, the volume of assets was impacted by a revaluation of the land and buildings, as a result of which the value of the fixed assets of the Group increased by 12.0 million euros (the Group's fixed assets were not revalued in 2022). The same amount was added to the equity revaluation reserve.

At the end of the reporting year, the number of loyal customers was more than 720 thousand, which is 2.3% more than the year before. 6 thousand customers preferred only the digital customer card. The proportion of loyal customers in the Group's supermarkets and department stores segments turnover was 85.2% (in 2022, it was 84.4%).

Investments

The volume of the Group's investments in 2023 was 29.7 million euros (17.0 million euros in 2022). Of this, 24.0 million euros were invested in tangible fixed assets and 1.9 million euros in intangible fixed assets.

Investments in the supermarkets business segment amounted to 17.8 million euros in 2023 (9.7 million euros in 2022). During the reporting period, Ringtee Selver in Tartu and Järve Selver in Tallinn, which offers the largest selection of food products in Estonia, underwent a thorough renovation. During the renovations, Selver stores were transferred to new energy-saving technical systems and a unified interior design concept. Further, a fully renovated Solaris Delice store with a completely new premium brand and concept was opened in Tallinn. Additionally, during the reporting period, a new Selver store was opened next to the IKEA department store in Kurna village. During the reporting period, computing equipment was purchased and the interior and equipment of Selver stores were updated. The central kitchen of Kulinaaria OÜ continued with daily consistent product development during the reporting period, as a result of which the product selection in all categories was expanded. In addition, during the year 2023, Kulinaaria OÜ switched its packaging to salad containers made from 100% recycled material, ensuring food safety and hygiene while using less plastic in production.

Investments in the department stores business segment amounted to 2.1 million euros (3.3 million euros in 2022). During the reporting period, a completely renewed I.L.U. beauty shops were opened in Ülemiste and Kristiine centres. Store furnishings and equipment were renewed. In the department stores segment, development work on the e-store platform continued. The development of the functionalities of the Partner card, the loyalty program of the Group's retail segments, was continued, where the modern and convenient "Buy now, pay later" payment solutions of the Partner Kuukaart, offered as part of Partner Card loyalty programme, received an update. The services 'Osamakse' (Partial Payment) and 'Järelmaks' (Payment in Instalments) were added to the payment solutions in addition to Ostulimiit (Purchase Limit). Ostulimiit has been on the market for three years, allowing customers to pay for their purchases of the whole month with a single aggregate invoice in the following month. The Osamakse service enables to pay for purchases in 3 or 6 equal instalments without any additional fees. The Järelmaks service offers an instalment plan for up to 36 months. The new payment solutions were first launched in the Kaubamaja department stores. In the first half of 2024, the new payment solutions will also be adopted by the online store of Kaubamaja, and in the future, by the e-Selver online store.

The cost of investments in the car trade business segment was 1.3 million euros in the reporting period (0.5 million euros in 2022). During the reporting period, investments were made in the development of (after-service) services of car segment and intangible fixed assets.

In the security business segment, 0.4 million euros were invested in tangible fixed assets in 2023 (0.2 million euros in 2022). In addition, investments were made in the acquisition of business associations. In the reporting year, the security segment acquired three strong security companies operating in the Estonian market.

The cost of investments in the real estate business segment was 2.3 million euros (1.1 million euros in 2022). In 2023, investments were made for more accurate measurement of the energy consumption of technical systems of buildings and more efficient management of resources. TKM Kinnisvara AS started with the development of a large-scale logistics centre in Maardu to cover the Group's needs. During the reporting period, the extension of the Saku Selver parking lot was completed, which increases the convenience of customers visiting the store. In Tartu, the design work of the new Selver was started, and construction work was carried out in Viimsi centre and Selver in Põltsamaa for the establishment of a solar energy production park on the roofs of buildings, renovation work was carried out in the Tartu Kaubamaja centre, and a car wash was opened at Raudkivi tee 1 in Rae municipality. In November, TKM Kinnisvara AS and Enefit Volt started working together to build a total of 49 new public electric car chargers in 17 Selver parking lots.

Business segments

In millions, EUR	2022	2023	%
Revenue	**862.8**	**947.3**	**9.8%**
Supermarkets	594.9	620.2	4.3%
Department stores	105.2	110.5	5.0%
Car Trade	146.8	194.4	32.4%
Security	9.8	15.7	59.5%
Real Estate	6.2	6.6	6.9%
EBITDA	**79.0**	**93.0**	**17.7%**
Supermarkets	24.5	33.4	36.6%
Department stores	5.0	5.8	15.6%
Car Trade	11.8	15.4	30.2%
Security	0.5	0.5	7.3%
Real Estate	16.6	16.7	0.8%
IFRS 16	20.6	21.2	2.5%
Net profit	**29.5**	**37.4**	**26.9%**
Supermarkets	11.7	18.4	56.5%
Department stores	2.1	1.5	-28.6%
Car Trade	9.4	11.2	19.7%
Security	0.1	-0.1	-173.2%
Real Estate	8.5	8.7	1.8%
IFRS 16	-2.3	-2.2	-3.0%

Supermarkets

The consolidated sales revenue of the supermarket business segment in 2023 was 620.2 million euros, increasing by 4.3% year on year. The average monthly sales revenue per square metre of sales area in 2023 was 0.43 thousand euros, increasing by 3.7% year on year. The sales revenue from goods per square metre of sales area was 0.44 thousand euros in reference stores, which was an increase of 4.8% year on year. In 2023, 44.2 million purchases were made at the stores, which was 1.1% higher than in the reference year. The consolidated pre-tax profit of the supermarket segment in 2023 was 20.0 million euros, increasing by 7.1 million euros in comparison with the previous year. The net profit of the year was 18.4 million euros – an increase of 6.6 million euros compared to the previous year. The difference between the net profit and pre-tax profit arises from the income tax paid from dividends.

The financial outcome of 2023 was affected by the increased turnover from the opening of the Priisle and Tabasalu Selver stores in Tallinn in 2022 and the Kurna Selver in August 2023, and the lost turnover from the closure of the WOW Selver in Saaremaa in 2022 and Punane Selver in Tallinn in 2023. The sales turnover was mostly affected by the temporary closure of Ringtee Selver in Tartu, Delice Solaris in Tallinn, as well as Järve Selver in Tallinn, the largest store in the chain, due to renovations which halted their sales. All the projects listed above have also involved one-time costs and investments. In 2023, the results of the supermarket segment were impacted by the exceptionally high and broad level of inflation and a decline in consumer confidence. During 2023, the price hike slowed down, but the price level of products and services remained high. The significant increase in the prices of food products has changed the purchase habits of customers and increased their interest in discounted products. The volume of sales of goods throughout the year fell short of those in 2022. The sales outcome of the fourth quarter was additionally affected by a lower demand for non-essential food and industrial products and the increasing demand for discounted products. The proportion of discounted products in the shopping cart reached a historic high – about 55%. The increase of sales revenue of online commerce slowed down in the fourth quarter, but the online turnover grew at the same pace as retail turnover during the year. The remarkable improvement in the profits has been significantly supported by the decreased cost of energy. In the second quarter of the financial year, energy costs declined compared to the previous year, and during the year as a whole, remained a quarter below the 2022 level. The growth of labour costs has been faster than the growth of sales revenue in the supermarket segment. The faster increase in wage costs is due to the general pressure to increase wages and partly due to the temporary closure of stores for renovation, where sales were suspended. At the same time, the chain has reorganised its work processes and completed successful changes in the structure, which has led to a decrease in working hours and thereby to an increase in the wages of employees.

The decline of production volumes of Kulinaaria OÜ, part of the supermarket segment, which started in the second half of 2023, slowed down during the second half of the financial year. In the last months of the year, after leaving a fast and widespread increase in raw material prices behind, the consumption of Selveri Köök products showed signs of stabilisation. The central kitchen continued with daily consistent product development as the expectations of customers for new flavours have increased. Sustainable development has been important in production, packaging, the well-being of staff, and the delivery chain of the central kitchen. Thanks to environmentally friendly solutions and more resource-efficient production, the footprint of Selveri Köök has decreased by approximately 80% in the last 6 years. During the financial year, the use of plastic was reduced considerably. Over 80% of all boxes and containers used by Kulinaaria became recyclable. Due to top-of-the-line food production technology and the technical systems of the production building, well-planned to the tiniest detail, the products have a longer shelf life without using any additives in them. The production of Selveri Köök complies with the highest requirements set to food industry.

Selver opened one new store in 2023 – Kurna Selver in Harju County in August. Three stores have been renovated: Ringtee Selver in Tartu, which was reopened in February; in May, the largest store of the Selver chain – Järve Selver – was reopened in Tallinn; and in September, the Delice Solaris store was opened with a renewed concept. The issuance of identity documents issued by the Estonian Police and Border Guard Board, which started in January, expanded to 41 stores across Estonia by the end of the year. Issuing ID-cards and passports earned the title of the best cooperation project of the 2023 Trade Act of the Year.

As at the end of the reporting year, the supermarket segment includes 71 Selver stores, 2 Delice stores, and a mobile grocery store and a café, with a total sales area of 120.4 thousand m^2. In addition e-Selver, which is the e-shop with the largest service area in Estonia, and the central kitchen Kulinaaria OÜ.

Department stores

The sales revenue of the business segment of the department stores in 2023 was 110.5 million euros, exceeding the sales of the same period last year by 5.0%. The pre-tax profit of the Kaubamaja department stores in 2023 was 1.6 million euros, showing a decrease of 0.7 million euros compared to the results from last year.

The average sales revenue of Kaubamaja department store per square metre of sales area was 0.3 thousand euros per month, which is 6% higher than in the same period last year. The first half of the financial year is characterised by a strong growth in sales, because the full-scale war that Russia launched against Ukraine in 2022 had a negative impact on the sales of the second half of the first quarter of the reference year. Interest among customers was intense in the beginning of the spring sales in 2023, and the number of customers visiting our shops was significantly higher compared to the previous year.

The discount of winter season goods was affected by a warmer-than-average winter, which is why the discount percentages were higher in 2023, but the increased sales volumes compensated for the lower margin and had a positive effect on the result. Construction works of the Old City Harbour tram line in the centre of Tallinn started in the summer, and as a result, most of the intersections surrounding the Kaubamaja department store were closed by the beginning of July in 2023. Pedestrian traffic was also affected. This had a considerable impact on the sales of the second half of the year, and in addition, a warmer-than-average September affected the sales of autumn goods negatively. Towards the end of the year, the number of visitors of the department stores indicated a slight decline in the economic situation; however, the largest promotional campaign of Kaubamaja, Osturalli, achieved the best result of all time. During the Christmas season, the Kaubamaja department store sold a record number of hand-made chocolate truffles for a charity project and the proceeds from the sales were donated to the charity fund Minu Unistuste Päev, which helps children with serious illnesses to cope emotionally.

The sales revenue of OÜ TKM Beauty Eesti, which operates I.L.U. cosmetics stores, was 8.4 million euros in 2023, which is 26.4% more than in 2022. The profit in 2023 was 0.4 million euros, which was 0.2 million euros more than the result of 2022. The most important event of the year was the implementation of the updated concept and selection of goods at I.L.U. stores at the Ülemiste and Kristiine shopping centres. The overhauled stores led to a 25% increase in the number of regular customers of I.L.U. stores compared to the previous year, whereas the number of young customers under age of 25 showed a particularly strong growth.

Car trade

The sales revenue of the car trade segment in 2023 was 194.4 million euros, which was 32.4% higher than the result of the previous year. The net profit of the segment in 2023 was 11.2 million euros, exceeding the profit of the year before by 1.8 million euros. The pre-tax profit of the segment in 2023 was 13.3 million euros, which is 2.6 million euros more than the pre-tax profit in 2022. Throughout the year, a total of 6,264 new vehicles were sold.

Overall, 2023 was a successful year for the car trade segment of the Group. The sales results of all companies in the car trade segment exceeded the results of 2022, and in total, the year ended with a new profit record. A car part crisis that impacted the supply at the beginning of the year, eased during the second half of the year. The normalised supply situation and the skilful planning of inventory allowed to increase sales; on the other hand, more promotional campaigns were organised due to fierce competition, affecting the sales margin. Price increases of new vehicles and the growing interest rates of loans made private customers careful when making purchase decisions, but it also increased interest in used vehicles among customers. There was some increase in interest in hybrid and electric vehicles, but the sales of electric cars did not show marked improvement. The volume of cars sold by the Group ensures that the follow-up service and body repair departments work at full capacity.

With KIA vehicles and a 6.9% market share, the segment has secured a position among the four best companies on the Baltic car market. Similarly to the previous year, the Kia Sportage urban SUV and the KIA Ceed remained popular. At the end of 2023, the new models that were launched on the market included the KIA EV9 electric SUV, which is currently the only vehicle of its kind on the market.

The most important event of 2023 is, without a doubt, being granted the sales rights for Škoda in Lithuania, and finding the suitable rental premises for a start-up showroom in Vilnius by the end of the year. This allows us to start selling new Škoda vehicles in Vilnius soon. Middle class sedan Škoda Superb and the Škoda Kodiaq are going to be added to the selection.

Security segment

The external sales revenue of the security segment in 2023 was 15.7 million euros, increasing by 59.5% compared to the year before. The pre-tax loss in 2023 was 0.1 million euros. The pre-tax loss increased by 0.2 million euros compared to last year.

The operation of the security segment was successful in terms of all business areas. All business areas grew and demand for services remains strong. The results of 2023 were affected by the activities and expenses related to the companies acquired in the summer. Provisioning of receivables in connection with the bankruptcy of a cooperation partner had a significant negative impact on profit. In December, Skarabeus Julgestusteenistus OÜ and Caesari Turvateenuste AS were merged with Viking Security AS, which creates a strong foundation for future growth.

Real estate

The sales revenue earned in the real estate segment outside the Group was 6.6 million euros in 2023. Sales revenue increased by 6.9% compared to the previous year. The pre-tax profit of the real estate segment in 2023 was 10.4 million euros, with the profit decreasing by 7.8%.

The increase in the sales profit of the segment has been supported by the successful operation of the department stores and the permanent occupation of retail premises. Although the economic environment is generally uncertain, the department stores of the segment have managed to increase their visitor numbers throughout the year, including in the final months of the year where the economic outlook deteriorated. The volatile economic conditions of the last few years have put the catering sector in a very complicated situation. The number of visitors of the retail premises in the city centre of Tallinn was significantly impacted by the road reconstruction works in the area. Traffic restrictions due to partially closed streets continue to have a big impact on the activity of the tenants. Carefully positioned marketing campaigns have supported the success of shopping centres. In the second half of 2023, the Tartu Kaubamaja department store launched a new updated image campaign that focuses on excessive consumption and carries the message 'Choose rarely, but choose well'. The following Christmas campaign continued and endorsed the same message.

The sales revenue of the segment was further increased by a car wash, opened in May, which was completed as an extension of the gas station at Raudkivi tee 1, located in the immediate vicinity of Peetri Selver, and is leased to an external party. In June, the solar park of the Viimsi Shopping Centre, and in November, the solar park of Põltsamaa Selver were ready to be taken into use. The power produced by all solar parks of the company is primarily used to cover the local power consumption needs of the buildings. In 2023, the segment invested 0.5 million euros in increasing energy efficiency as part of its sustainability strategy. The drop in the profits of the segment is largely due to the increased interest rates in the euro area, leading to the skyrocketing of loan interest. Most of the loan portfolio of the Group is concentrated in the real estate segment, where the interest expense has multiplied during the reference period. The annual fair value assessment of real estate investments affected the profit of the segment. The profit of 2023 also reflects a financial compensation (0.5 million) paid due to a premature termination of a lease agreement.

Real estate companies focus on the implementation of the sustainability strategy and pay constant close attention to improving the energy efficiency of buildings and developing environmentally friendly solutions. For the purposes of energy efficiency, they continue to improve the automated heating and ventilation systems of buildings and the instalment of remote meters. In November, TKM Kinnisvara AS and Enefit Volt partnered to build a total of 31 new public electric vehicle charging stations to the parking lots of 11 Selver stores. Approximately half of stations (15 pcs) are super-fast charging stations where it is possible to charge the necessary amount of energy for driving 100 km in only a few minutes. During the second half of the year, TKM Kinnisvara AS started the development of the logistics centre in Maardu to cover the needs of the Group. The centre will have a total area of 17,200 m² and it will cost around 20 million euros to build. The construction of the logistics centre is financed from the Group's own funds and a bank loan. A solar park will be built on the roof of the centre, which will cover a significant part of the electricity consumption of the building. The completion of the logistics centre is scheduled for autumn 2024.

Strategy 2024 – 2028 and directions for the coming years

The focus of TKM Group's strategy is the realization of its vision - to be the most versatile and profitable retail group in Estonia, offering high-quality products and services. We focus on our customers' needs and continuous innovation, striving for continued growth of profit and market share. The strategy includes flexible response to customer requests and optimization of processes. We also increasingly emphasize environmental awareness and sustainability, reducing our ecological footprint to support long-term success and responsible business.

- We focus on the development of our stores and services to meet customer expectations, to improve the shopping experience and customer service, and to find synergies between different business segments.
- We invest in technology, e-commerce, self-service and smart security solutions to provide customers with convenience and increase efficiency.
- We work to reduce our ecological footprint.
- We offer our employees training and development opportunities and support continuous development.
- We use and manage our real estate portfolio in a forward-looking way and creating added value for the Group's core business.

In the supermarket segment, the priority is to maintain a profitable market share in second place. We want to maintain the image of a good employer and improve the price image while strengthening the premium product range. As for the assortment, we respond to changes in customers' purchasing preferences. We invest in the successful operation of all formats and emphasize cost optimization. The construction of a logistics centre has begun, which increases the efficiency of the segment's work processes and helps to better organize the management of goods stocks. Central kitchen Kulinaaria's strategic goal is to continue enriching the assortment of Selver and Kaubamaja with existing and new products and finding strong partners and sales channels outside the group. In 2024, it is planned to open two new Selver stores - in Tallinn's Rocca al Mare centre and in Raadi, Tartu. Both stores will be opened in the second half of the year.

The main strategic goal of the department stores segment is to maintain and grow the market share in traded product groups and maintain the status of the development leader in the Estonian trade sector. We continue to plan the construction of a new sales building in Tallinn. In the Kaubamaja Tartu sales building, Toidumaailm is being renovated in 2024. The focus of the beauty products trade reported in the department store segment is sustainable and profitable market share growth in the segment of premium and mid-price glass beauty products; strengthening the brand and expanding the customer base. In the I.L.U. store network, the Lõunakeskus I.L.U store in Tartu is planned to be renovated in 2024.

In the car trade segment, we focus on the import of KIA passenger cars in the Baltics and the retail business of passenger cars in Tallinn, Riga and Vilnius. Cooperation with other main brands such as Škoda and Peugeot will also continue. The focus of the activity is the continuation of the importer's good work and maintaining profitability, also the continued maintenance and development of a competitive and strong dealer network in resale. The Group plans to continue expanding the car business in 2024. Especially in Vilnius, where a new multi-brand Škoda and KIA car sales and service centre is being planned within the next three years. We are also launching the construction of a new KIA representative office in Riga, which is planned to be completed within two years.

The strategic goal of the security segment is to offer high-quality security solutions and services, to be a good employer and to increase profitability. We see our security companies as growth companies, the goal of which in the coming years is to integrate the security companies acquired in the reporting year and realize synergies by enhancing sales activities, developing the control centre and services aimed at private customers. As a strong security brand, we want to enter new profitable areas of activity, develop new services and products and reach the export of inventory services.

In the real estate segment, we continue to manage real estate objects important to the Group's core business and prepare new development projects. Developments made for the Group's own use are preferred, as well as developments necessary for the use of non-group tenants to value our existing properties. The most important activity of the next year is the development of the logistics centre. In 2024, a large-scale renovation of the Tartu Kaubamaja Toidumaailm is planned. The development of the additional floor of the Tartu Kaubamaja centre, the concept of the 4th floor and the involvement of partners will also continue. At the same time, the development of car centres in Riga and Vilnius continues to increase the competitiveness of the car segment. Great attention continues to be paid to energy efficiency and reducing the ecological footprint.

Developing the group-wide retail loyalty program, Partnerkaart, is of great importance. We aim to offer an even more personalised and two-way customer loyalty management. We strive for solutions that would make the shopping experience even more convenient for our customers.

We continue to work towards reducing our ecological footprint. We will fully align our sustainability strategy with European sustainability reporting standards, starting with the timely fulfilment of reporting obligations. We are committed to the implementation and development of a sustainability platform. With the aim of measuring our business activities' ecological footprint even more accurately, we plan to make better use of internal monitoring and accounting software, integrating the data obtained with the developing sustainability platform.

The Group's operations and the implementation of its business strategy are most affected by risks arising from the economic environment and competitive situation, as well as IT and climate risks, which are described in more detail in the Business risks chapter.

The share

Security information

ISIN	EE0000001105
Ticker	TKM1T
Nominal value	0.40 EUR
Total number of securities	40,729,200
Number of listed securities	40,729,200
Listing date	06.09.1996

The shares of Tallinna Kaubamaja Grupp are listed on the Tallinn Stock Exchange from 6 September 1996 and in the Main List, from 19 August 1997. Tallinna Kaubamaja Grupp AS has issued 40,729.2 thousand registered shares of the same class, each with the nominal value of 0.40 euros. Common shareholders are entitled to participate in the distribution of profits. Each ordinary share gives one vote at the general meeting of shareholders of Tallinna Kaubamaja Grupp. The shares are freely transferable, there are no restrictions imposed on them by the articles of association, and likewise, there are no restrictions imposed on the transfer of securities concluded between the company and its shareholders. There are no known restrictions imposed on the transfer of securities laid down in the contracts between the shareholders. NG Investeeringud OÜ has direct majority ownership. Shares granting special rights to their owners have not been issued.

The Supervisory Board of Tallinna Kaubamaja Grupp have no right to issue and buy back shares of Tallinna Kaubamaja Grupp. In addition, there are no commitments between the company and the management or employees providing for compensation in case of mergers and acquisitions under section 19' of Securities Market Trade Act.

Baltic Corporate Excellence Award nominated Tallinna Kaubamaja Group as the best listed company in Estonia and the third most successful listed company in the Baltic States.

By the end of 2023, Tallinna Kaubamaja Grupp AS had 25,798 (21,978 in 2022) shareholders. The investor base grew by 3,820 new investors or 17.4% during the year.

Shareholders as of 31.12.2023	
Number of shareholders	25,798
Number of countries represented	30
Proportion of Estonian residents	98.8%
Proportion of legal entities	7.7%
Proportion of private entities	92.3%
Proportion of representative accounts	0.2%
Proportion of Partnerkaart customers	84.9%

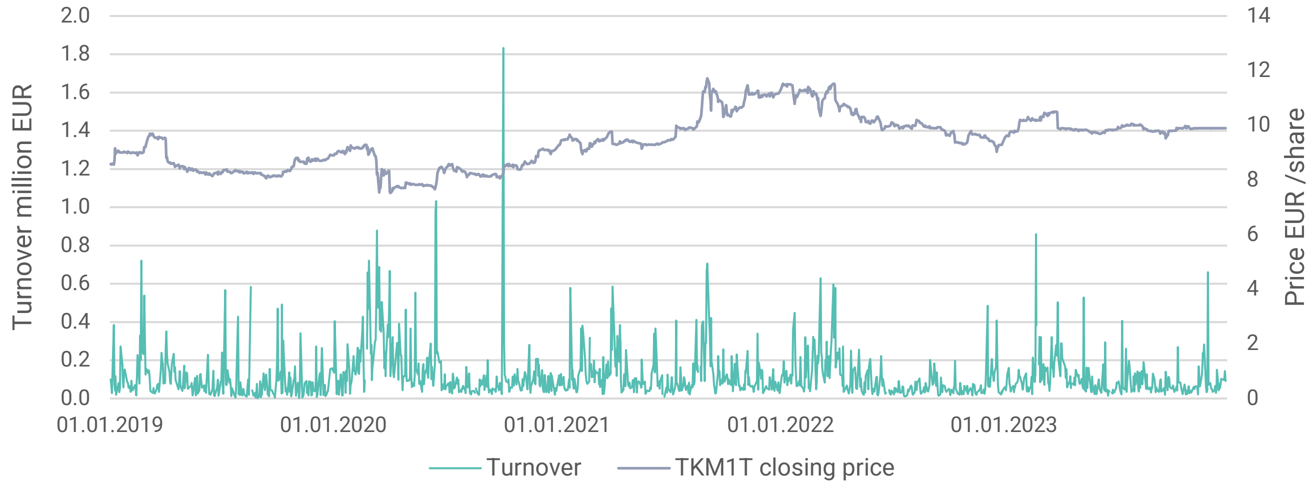
Of the shareholders of Tallinna Kaubamaja Group, 92.3% were private individuals, and 7.7% were legal entities. Estonian shareholders and related companies clearly dominate among the shareholders. There are equal number of men and women among the private shareholders, but men have more shares.

Tallinna Kaubamaja Grupp is mainly based on Estonian capital. The majority of the shares and votes belong to the company NG Investeeringud OÜ, which owns 27,308,636 ordinary shares or 67.05% of the listed securities.

Major shareholders as of 31.12.2023	Number of shares	Proportion
OÜ NG INVESTEERINGUD	27,308,636	67.0%
MARIE VAINO	899,769	2.2%
SWEDBANK PENSION FUND GENERATION 1970-79	425,389	1.0%
SWEDBANK PENSION FUND GENERATION 1980-89	271,218	0.7%
LUKSUSJAHT AS	202,186	0.5%
HANS PALLA	170,000	0.4%
PENSION FUND LHV XL	168,184	0.4%
SWEDBANK AS/PENSION PLAN 1970+	139,430	0.3%
AB SEB BANKAS	137,358	0.3%
STATE STREET BANK AND TRUST OMNIBUS ACCOUNT A FUND NO OM01	135,128	0.3%

The following charts provide an overview of the movement of the share price of Tallinna Kaubamaja Group, the Tallinn Stock Exchange index, daily turnover, as well as the market value based on market data, and the price-to-earnings ratio.

Share price and trading statistics on the Nasdaq Tallinn stock exchange from 01.01.2019 to 31.12.2023.



Tallinna Kaubamaja Group has been listed on the Nasdaq Tallinn Main List since 19 August 1997 under the trading code TKM1T and ISIN EE0000001105. The shares are freely transferable and there are no restrictions under the Articles of Association. During the 2023 financial year, the share price fluctuated by about one-tenth of the share price, with the lowest traded price being 9.38 euros, the starting price at the beginning of the year, and rising to 10.52 euros just before the ex-dividend date. The Group's weighted average share price in 2023 was 9.92 euros. The shares were traded a total of 2,531,654 times, with a total transaction turnover of 25,246,253.40 euros, making it the fourth company on the Nasdaq Tallinn in terms of trading volume and indicating strong interest in the company's shares. Based on the share price, the Group's market value at the end of the reporting year was 403.2 million euros (2022: 381.6 million euros), showing a year-on-year growth of 5.7%.

Price change of Tallinna Kaubamaja Group share and OMX Tallinn index from 01.01.2023 to 31.12.2023.

Index/share	Opening price, EUR	Closing price, EUR	Change %
OMX Tallinn_GI	1,766.73	1,768.56	0.10%
TKM1T - Tallinna Kaubamaja Grupp	9.37	9.9	5.66%

At the end of the year, the share price of Tallinna Kaubamaja Group closed at 9.90 euros (2022: 9.37 euros) increasing 5.66% year-on-year. In 2023, the Nasdaq Tallinn stock exchange index increased by 0.1%, which is significantly less than the share price of Tallinna Kaubamaja Group. In an uncertain and inflationary environment, the volatility of the Group's share was similar to the domestic market. There is no benchmark index or company on the Nasdaq Baltic stock market that can be compared to the Group on an equivalent basis.

Share trading history

In euros	2019	2020	2021	2022	2023
Average number of shares (1000 pcs)	40,729	40,729	40,729	40,729	40,729
Traded shares (1 000 pcs)	2,764	4,655	3,166	2,447	2,532
Dividend / net profit	94%	125%	87%	94%	78%*
P/E	11.4	19.1	14.3	12.9	10.8
P/BV	1.63	1.67	1.91	1.58	1.53
Opening price	8.46	8.98	9.18	11.26	9.38
Share price, highest	9.72	9.34	11.96	11.62	10.52
Share price, lowest	8.06	7.46	8.86	8.99	9.38
Share price, at the year-end	8.9	9.16	11.22	9.37	9.90
Share price, yearly average	8.60	8.44	10.02	10.24	9.92
Turnover (million)	23.89	38.71	31.68	25.55	25.3
Capitalisation (million)	362.49	373.08	456.98	381.63	403.2
Earnings per share	0.78	0.48	0.79	0.72	0.92
Dividend per share	0.73	0.60	0.68	0.68	0.72*
Equity per share	5.5	5.5	5.9	5.9	6.5

** according to profit allocation proposal*

P/E = share price at the year-end / earnings per share

P/BV = share price at the year-end / equity per share

Price to Earnings ratio was 10.8 at the end of 2023 (2022: 12.9).

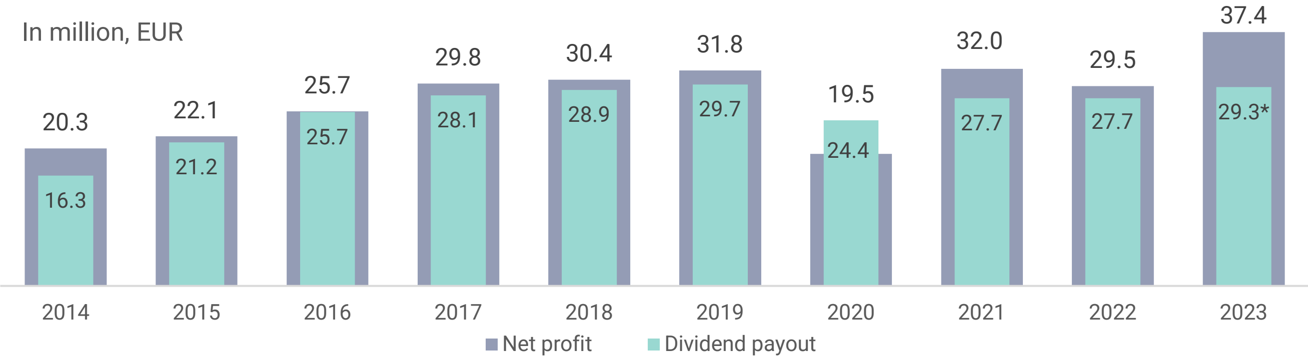
Earnings per share were 0.92 euros, which improved by 26.9% over the year. The dividend yield (considering the year-end closing price of the share and the dividend proposal) would be 7.3% in 2023, and the Group's average dividend yield of the last five years would be 7.0%.

Dividend policy

In recent years the Group has consistently paid dividends to shareholders. According to the notice of the general meeting of the shareholders published on 21 February 2023, the Management Board proposed to pay 27.7 million euros as dividends that is 0.68 euros per share. The general meeting of shareholders approved the proposal. The amount of a dividend distribution has been determined by reference to:

- The optimal structure of capital that is required for the Group's sustainable development;
- The overall rate of return on the local securities market;
- The dividend expectations of the majority shareholders.

Dividend pay-out history



Dividend obligation to shareholders is recognised in the financial statements from the moment the payment of dividends and the distribution of profits are approved by the general meeting of shareholders. The general meeting of shareholders was held on 17 March 2023, and the amount of the dividend payment of 0.68 euros per share from the net profit was approved.

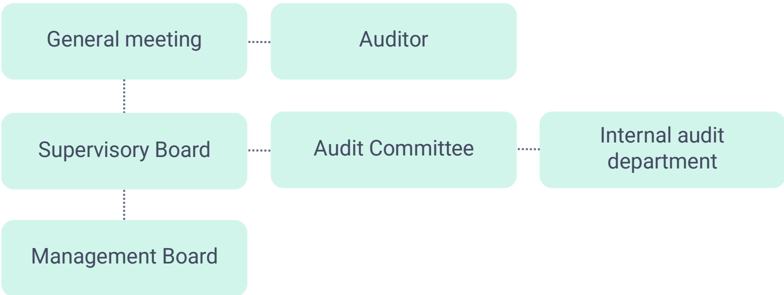
The TKM Group has no ongoing litigation that could significantly adversely affect net profit in the future and, as a result, reduce dividend payments.

Corporate Governance Report

The Corporate Governance (CG) is a set of guidelines and recommended rules prepared by Estonian Financial Supervision and Resolution Authority, which is intended to be observed mainly by publicly traded companies. Tallinna Kaubamaja Group follows largely the Corporate Governance Code despite their indicative nature. Below is a description of the management principles of Tallinna Kaubamaja Group and general meetings held in 2023, and justification is given in the events when some clauses of the Code are not followed.

General meeting

Exercise of shareholders' rights



The general meeting of shareholders is the highest governing body of Tallinna Kaubamaja Group. The annual general meeting is held once a year and extraordinary general meetings may be convened by the Management Board in the events prescribed by law. The general meeting is competent to change the articles of association and share capital, elect members of the Supervisory Board and decide on their remuneration, appoint an auditor, approve the annual report and allocate profit, as well as decide on other matters stipulated by the articles of association and laws.

As far as the Group is aware, no agreements have been concluded between shareholders regarding the coordinated exercise of shareholder rights.

Convening the general meeting and disclosures

Tallinna Kaubamaja Group published a notice convening the general meeting through information system of the Nasdaq Tallinn Stock Exchange as well as on its website on 21st of February 2023 and through a daily newspaper Eesti Päevaleht on 22nd of February 2023. The Group enabled its shareholders to ask questions on the topics specified in the agenda by using the e-mail address and phone specified in the notice, and to get acquainted with the annual report, the sworn auditor's report, the profit distribution proposal, the supervisory board's report, the introduction of the new supervisory board member candidate and the draft decisions on its website and in its office at Kaubamaja 1, Tallinn, starting from 22nd of February 2023.

The general meeting of shareholders of Tallinna Kaubamaja Group was held in the Viking Motors dealership at Tammsaare tee 51, Tallinn, on 17th of March 2023 beginning at 2pm. The resolutions made at the general meeting are published in the information system of NASDAQ Tallinn Stock Exchange and on the website of Tallinna Kaubamaja Group.

Holding of the general meeting

A general meeting can adopt resolutions if over one-half of the votes represented by shares are present. A resolution of general meeting is adopted if over one-half of the votes represented at the meeting are in favour unless a larger majority is required by law.

The general meeting of Tallinna Kaubamaja Group must take part in person or on the basis of authorization and, in accordance with the articles of association, the general meeting may adopt resolutions if the general meeting is attended by shareholders who hold more than half of the votes represented by shares. At the general meeting held on 17th of March 2023, shareholders were able, in order to exercise their shareholder's rights, to forward their vote to the public limited company before the general meeting, at least in a format which could be reproduced in writing or with a digitally signed ballot delivered by e-mail.

The language of the general meeting held in 2023 was Estonian and the meeting was chaired by the general counsel of the Tallinna Kaubamaja Group Helen Tulve. The meeting could also be heard through a webinar. The meeting was attended by Chairman of Supervisory Board Jüri Käo, Management Board member Raul Puusepp, candidate for member of the Supervisory Board Kristo Anton, board members of subsidiaries Erkki Laugus (Kaubamaja AS), Anne-Liis Ostov (TKM Beauty OÜ, TKM Beauty Eesti OÜ), Jüri Kuusk (Viking Motors AS, TKM Auto OÜ); members of the Supervisory Board and auditors took part in the meeting through the webinar. 71.44% of the votes represented by shares were present at the general meeting. At the general meeting, allocation of profit was discussed as a separate topic and a separate resolution was adopted with regard to it.

In addition to the approval of the annual report and distribution of profits, Supervisory Board member Andres Järving was recalled and Kristo Anton was elected as a new member of the Supervisory Board. It was decided to pay the new member of the Supervisory Board 2,000 euros per month, similarly to the other members of the Supervisory Board (Enn Kunila, Gunnar Kraft, Meelis Milder).

Considering the aforementioned descriptions of general meetings held in 2023, the Group has complied with the Corporate Governance Code in informing the shareholders, convening and holding the general meeting.

Management Board

The Management Board is a governing body of Tallinna Kaubamaja Group that represents and directs the Group on a daily basis. In accordance with the articles of association, the Management Board may have one to six members. In accordance with the Commercial Code, members of the Management Board of Tallinna Kaubamaja Grupp AS are elected by the Supervisory Board. The member of the Management Board of Tallinna Kaubamaja Group is selected on the basis of gender neutrality and evaluating the actual competence of the persons. In order to elect a member of the Management Board, his or her consent is required. According to the articles of association, a member of the Management Board shall be elected for a specified term of up to 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 Grupp AS has one member.

The Management Board member of Tallinna Kaubamaja Group is Raul Puusepp, whose term of office was extended on 17th of February 2023, and his mandate will expire on 5th of March 2026. Raul Puusepp graduated from the University of Tartu in 1993 with a degree in applied mathematics. In 2000-2002, Raul Puusepp was the Chairman of the Management Board of AS Tartu Kaubamaja. He has previously worked as the head of the Southern Region of AS Leks Kindlustus and as the project manager of AS Eesti Post. Raul Puusepp participates in the work of all Estonian subsidiaries of Tallinna Kaubamaja Grupp AS and the supervisory boards of Verte Auto SIA, SIA TKM Latvija and UAB TKM Lietuva, including Selver AS, Viking Security AS, TKM Finants AS, AS Walde and OÜ TKM Beauty as the Chairman of the Supervisory Board.

The duties and remuneration of the Chairman of the Management Board are specified in the board member contract concluded with the Chairman, in which the Group was represented by the Chairman of the Supervisory Board. In accordance with the contract and in accordance with the remuneration principles of the Board Members approved at the General Meeting, the Chairman of the Management Board is paid a membership fee and he may receive performance pay once in a year accordance with the specific, comparable and predefined objectives of the Group's economic results for the previous year. The Management Board member of the Group has no additional bonuses or benefits. In 2023, the total remuneration of the Chairman of the Board (gross fee, on accrual basis) amounted to 333.2 thousand euros (in 2022 278 thousand euros), including calculated performance fees (gross fee, on accrual basis) of 195.6 thousand euros (in 2022 174.3 thousand euros). The issuer's costs include, in addition to accrual-based charges, the social tax costs according to the rate established by law. A more detailed overview of the remuneration paid in accordance with the remuneration principles of the issuer's manager is available in the remuneration report.

Unlike clause 2.2.1 of the Corporate Governance Code, the Management Board of Group consists of one member. It is a historical tradition, but besides to the member of the Management board, the management team of the Group includes, a CFO, Legal Director, IT Director and Marketing Director. All the important resolutions are adopted by the Management Board and the management team in collaboration with the Supervisory Board of the company. Under the direction of the Tallinna Kaubamaja Grupp, close cooperation is carried out with the leaders of subsidiaries and the people responsible for respective areas. The Group believes that such a division protects the best the interests of all shareholders and ensures sustainability of the Group.

Significant transactions with the Group that are concluded with a member of the Management Board, or a person close to or related to him or her are decided and determined by the Group's Supervisory Board. No such transactions occurred in 2023 or 2022. There were also no conflicts of interest during these periods.

Supervisory Board

The Supervisory Board plans the activities of Group, organises its management and supervises the activities of the Management Board in the period between the meetings of shareholders. The Supervisory Board notifies the general meeting of the result of such supervision. The Supervisory Board decides on the development strategy and investment policy of the Group, conclusion of real estate transactions, adoption of the investment budget and annual budget prepared by the Management Board. The meetings of the Supervisory Board are regularly held once a month and additionally extraordinary if necessary.

In 2023, 12 scheduled meetings and 1 extraordinary meeting of the Supervisory Board were held and in 2022, 12 scheduled meetings and 1 extraordinary meeting was held. In 2023, all members of the Supervisory Board attended all meetings of the Supervisory Board.

The Supervisory Board has three to six members according to the resolution of the general meeting and the member is elected for up to three years. The work of the Supervisory Board is organised by the Chairman of the Supervisory Board.

By the resolution of the general meeting held on 19th of March 2021, Andres Järving, Jüri Käo, Enn Kunila, Meelis Milder (an independent Supervisory Board Member) and Gunnar Kraft (an independent Supervisory Board Member) were elected as the members of the Supervisory Board. By the resolution of the general meeting held on 17th of March 2023, Supervisory Board member Andres Järving was recalled and Kristo Anton was elected as a new Supervisory Board member, whose powers are valid until 16th of March 2026. The mandates of the remaining members of the Supervisory Board will expire on 20th of May 2024. Changes in the composition or the extension of the powers of the Supervisory Board of Tallinna Kaubamaja Grupp AS will be decided by the next ordinary general meeting of shareholders (in the first quarter of 2024).

Jüri Käo continued as the Chairman of the Supervisory Board, he has been a member of the Supervisory Board of Tallinna Kaubamaja Group from 1997 and has been a Chairman of the Supervisory Board continuously since 2009. He has also been a Chairman of the Supervisory Board in 2000-2001. Jüri Käo works as the Chairman of the Management Board of OÜ NG Investeeringud and participates in the work of all Estonian subsidiaries of Tallinna Kaubamaja Grupp AS and the supervisory boards of UAB TKM Lietuva and SIA TKM Latvija. He is the Chairman of the Supervisory Board of Kaubamaja AS and a member of the Audit Committee of Tallinna Kaubamaja Grupp AS. He is also the Chairman of the Supervisory Board of Kitman Thulema AS, a member of the NG Investeeringud group of companies, and a Member of the Supervisory Board of AS Liviko, AS Balbiino, OÜ Roseni Kinnisvara, Roseni Majad OÜ, OÜ Kitman Coldtech, OÜ NG Logistics and Kuulsaal OÜ.

Enn Kunila has been elected by the shareholders as a member of the Supervisory Board of Tallinna Kaubamaja Grupp AS since 2000. Enn Kunila works as a member of the Management Board of OÜ NG Investeeringud and participates in the supervisory boards of all Estonian subsidiaries and affiliates of Tallinna Kaubamaja Grupp AS, UAB TKM Lietuva and SIA TKM Latvija, including being the Chairman of the Supervisory Board of TKM Kinnisvara AS, TKM Kinnisvara Tartu OÜ, SIA TKM Latvija and UAB TKM Lietuva. He is the Chairman of the Supervisory Board of members of the NG Investeeringud group of companies AS Liviko, AS Balbiino, OÜ Roseni Kinnisvara, Roseni Majad OÜ, Kuulsaal OÜ and a member of the Supervisory Board of Kitman Thulema AS, OÜ Kitman Coldtech, OÜ NG Logistics.

Kristo Anton holds a master's degree (MBA) from Concordia International University Estonia since 2001 and a master's degree (MScEng) from Tallinn University of Technology since 2022. Kristo Anton has been working as the Investment Manager of NG Investeeringud OÜ since 2006. Kristo Anton is also a member of the sustainable development working group of Tallinna Kaubamaja Grupp AS and a member of the Audit Committee. As of 1st of January 2023, Kristo Anton participates in the work of the Supervisory Boards of Estonian subsidiaries of Tallinna Kaubamaja Grupp AS and SIA Forum Auto, SIA Verte Auto, UAB Motus auto, SIA TKM Latvija, UAB TKM Lietuva.

Meelis Milder has been elected by the shareholders as a Member of the Supervisory Board of Tallinna Kaubamaja Grupp AS since 1997 and participates in the work of the Supervisory Board of Kaubamaja AS. Meelis Milder graduated from the Faculty of Economics of the University of Tartu, worked as a management consultant in Mainor and was a long-term Chairman of the Board of AS Baltika. In the years 2021-2023, Meelis Milder managed the AS Wendre.

Gunnar Kraft has been elected by the shareholders as a Member of the Supervisory Board of Tallinna Kaubamaja Grupp AS since 2004 and participates in the work of the Supervisory Board of Kaubamaja AS and the Audit Committee of Tallinna Kaubamaja Grupp AS. Gunnar Kraft graduated from the Tallinn Polytechnic Institute as an economic engineer and obtained a master's degree in international business management from the University of Helsinki. From 1992 to 2002, he worked as the Vice President of AS Eesti Investeerimispank, as the Chairman of the Supervisory Board of AS Optiva Pank and as the Director of Baltic Banking at Sampo Pank PLC. From 2002 to 2014, he was the Chairman of the Management Board of AS Sangar, and from 2015 to 2022 Chairman of the Supervisory Board. He is also a member of the Supervisory Board of AS Mivar-Viva.

Members of the Group's Supervisory Board Jüri Käo and Enn Kunila are members of the Management Board of the shareholder OÜ NG Investeeringud, which holds a significant stake in the Group. The independent members of the Supervisory Board are

Meelis Milder and Gunnar Kraft, who do not have any commercial, family or other links with the Group, the company controlled by it, the controlling shareholder of the Group, the company belonging to its Group or the members of the management bodies of those companies which could influence their decisions due to a conflict of interest. Meelis Milder is a member of the Group's Supervisory Board since 1997 and Gunnar Kraft since 2004, so these persons do not fully meet the independence characteristics set out in the Estonian Financial Supervision and Resolution Authority's guide, but the Group highly values the contribution and knowledge of both Supervisory Board members. According to the Group, the long-term participation of the members of the Supervisory Board as a member of the Supervisory Board does not affect their independence but, on the contrary, their competence is enhanced.

According to the decision of the annual general meeting held on 19 March 2021, the monthly remuneration of the Supervisory Board member of Tallinna Kaubamaja Grupp AS is 2,000 euros; the Chairman of the Supervisory Board receives 2,400 euros monthly. In 2023, the remuneration of the members of the Supervisory Board of Tallinna Kaubamaja Group in the total amount of 120 thousand euros has been calculated, including 29 thousand euros for the Chairman of the Supervisory Board (125 thousand euros in 2022, including 29 thousand euros for the Chairman of the Supervisory Board). The issuer's costs include, in addition to accrual-based charges, the social tax costs according to the rate established by law.

Cooperation between the Management Board and Supervisory Board

The Management Board and Supervisory Board closely collaborate to achieve the purpose of better protection of the interests of Tallinna Kaubamaja Group. The Management Board, the management team and the Supervisory Board jointly participate in development of the strategy of the Group. In making management decisions, the Management Board and the management team are guided by the strategic instructions supplied by the Supervisory Board.

The Management Board regularly notifies the Supervisory Board of any important circumstances concerning the planning and business activities of the Group's activities, and separately draws attention to any important changes in the business activities of Tallinna Kaubamaja Group. The Management Board submits the information, including financial statements to the Supervisory Board, in advance before the holding of a meeting of the Supervisory Board. Management of the Group shall be based on the legislation, articles of association, resolutions of meetings of shareholders and Supervisory Board, and the set objectives.

Changes in Articles of Association

Amendments to the articles of association shall be made in accordance with the Commercial Code, under which a resolution on amending the articles of association is adopted if at least 2/3 of the votes represented at a general meeting of shareholders are in favour, unless a larger majority is required by articles of association. The articles of association of Tallinna Kaubamaja Grupp AS do not provide for a larger majority requirement. A resolution on amending the articles of association shall enter into force as of the making of a respective entry in the commercial register.

Shareholders with a significant shareholding

As of 31.12.2023 the share capital of Tallinna Kaubamaja Group in amount of 16,291,680 euros consists of 40,729,200 registered shares, each with the nominal value of 0.40 euros. All issued shares have been paid.

The shareholder with a significant shareholding is OÜ NG Investeeringud owning 67.05% of the Group's shares.

Shares granting special rights to their owners and would lead to unequal treatment of shareholders in voting, have not been issued.

Disclosure of information

Group treats all shareholders equally and notifies all shareholders of important circumstances equally, by using its own website as well as the information system of the Nasdaq Baltic Stock Exchange.

Group's website www.tkmgrupp.ee contains contact information of the Group and key employees, press releases and reports. The annual and interim reports include information on the strategy and financial results of the Group as well as the Corporate Governance Report. Along with the annual report, the Supervisory Board's written report on the annual report referred to in § 333 (1) of the Commercial Code shall be made available to shareholders on the Group's website. In the subsection of Market News, information is disclosed with regard to the membership of the Supervisory Board and auditor, resolutions of the general meeting, and other important information.

Financial reporting and auditing

It is the duty of the Executive Board of Tallinna Kaubamaja Group to organise the internal control and risk management of the Group in a manner that ensures the accuracy of the published financial reports. Each year, the Group publishes the consolidated audited annual reports and quarterly interim reports consolidated during the financial year, which have been disclosed through the NASDAQ Tallinn Stock Exchange information system and are publicly available on the Group's website.

In addition to the disclosed financial reports, management information is gathered in symbiosis with high-quality and accurate financial indicators, and management reports are prepared to ensure adequate governance of the Group's companies.

The purpose of the internal control and risk management systems connected with the financial reporting process is to ensure harmonised and trustworthy reporting of the Group's financial performance in conformity with the applicable laws, regulations, adopted accounting policies and the reporting principles approved by the Group. The principles of risk management have been defined in the Group's risk management framework, which describes the more important activities for risk management relating to identification, assessment, prioritisation and mitigation of risks and the definitions, roles and areas of responsibility related to the field. In addition, the risk management and internal control activities are organised with the work organisation rules of the Group and its subsidiaries, which describe the functioning of various processes.

The Group's financial area together with accounting and management reporting is the area of responsibility of the Group's chief financial officer (CFO) being responsible for the identification and assessment of risks in financial reporting, arranging the principles in relation to financial reporting, organises the tools that are required for accounting and reporting and prepares the officially published financial reports of the Group. The financial reporting processes and systems are developed on a continuous basis. Risk analysis is conducted annually. This risk analysis serves as a basis for the further development of supervision and control measures and checkpoints in reporting to prevent the realisation of risks. The Group's internal audit supervises the operation of the internal control system, including, among other things, financial reporting processes. The Group's accounting, funding, IT administration and insuring have been centralised.

On 18 June 2019, the European Commission Delegated Regulation (EU) 2018/8151 entered into force, in accordance with which issuers whose securities are admitted to trading on a regulated market in a Member State of the European Union, shall publish consolidated financial statements in the European Single Electronic Format (ESEF) as from 1 January 2021.

The Group's financial processes and reports are subject to an annual financial audit, conducted generally by an auditor selected by the Supervisory Board as a result of a competition and approved by the general meeting. Auditors are appointed to perform a single audit or for a specific term. The procedure for remuneration of auditors shall be determined by the Management Board. Along with the resolution of the general meeting from 2022, the financial auditor of the financial year 2023 was AS PricewaterhouseCoopers (PwC). The agreement entered into with the auditor complies with the requirements of the CGR. In 2023, the Group's contractual auditor, AS PricewaterhouseCoopers, did not provide any other services in addition to auditing the consolidated annual report and the audit of the subsidiary companies' annual reports. The total amount of fees paid or payable for audit services provided by the Group's contractual auditor in 2023 is 81 thousand euros, including 32 thousand euros for the consolidated financial statement. In addition, the Group has purchased a training service from the parent company.

In 2023, the auditor participated in the ordinary general meeting of shareholders, where the 2022 consolidated annual report was approved.

In our opinion, the financial audit conducted in 2023 has been in conformity with regulatory provisions, international standards and the set expectations. In 2023, there have been no circumstances of which the auditor would have informed the Supervisory Board, which, in the auditor's opinion, could affect the work of the council or the management of the Group. In addition, the auditor has not reported a threat to the auditor's independence or the professionalism of his work.

PwC has introduced the results of the work during the interim audit and for the final audit before issuing the auditor's report. The independent auditor's report is presented on pages 96-104.

Audit Committee

The Audit Committee is an advisory body established by the Supervisory Board. Task of the Audit Committee is to counsel the Supervisory Board in matters involving accounting, auditing, risk management, internal control and audit, exercising an oversight and budgeting process and legality of the activities.

In order to perform these tasks, the audit committee monitors and analyses the processing of financial information and the process of auditing of annual accounts or consolidated accounts, supervises risk management and evaluates the effectiveness of the internal control system. The audit committee shall make proposals for the appointment and removal of the financial auditors and assess their independence and compliance.

In performing its tasks, the Audit Committee collaborates with the Supervisory Board, the Management Board, internal and external auditors and if necessary, external experts.

In the reporting year, the audit committee consisted of four members, who were Kristo Anton, Gunnar Kraft, Jüri Käo and Kaia Salumets. The chairman of the audit committee is Kaia Salumets.

The Audit Committee prepares an annual summary report about meeting the goals sets in the statutes and presents it to the Supervisory Board.

Based on its duties, the Audit Committee provides ongoing evaluations and makes proposals to the Supervisory Board, the Management Board, the internal audit and/or an external audit provider.

Ten planned Audit Committee meetings were held during the accounting period.

Ethical business practices and corporate responsibility

Ethical business belongs to the core values of Tallinna Kaubamaja Group and is an important success factor. Following high ethical principles endorses profitable growth, wins the trust of stakeholders, and supports fair competition and equal treatment.

TKM Group feels very strongly about the implementation of the principles of corporate responsibility in daily business. The objective is to develop an environmentally friendly, responsible and sustainable approach in every activity, from the simplest daily tasks to extensive investment projects.

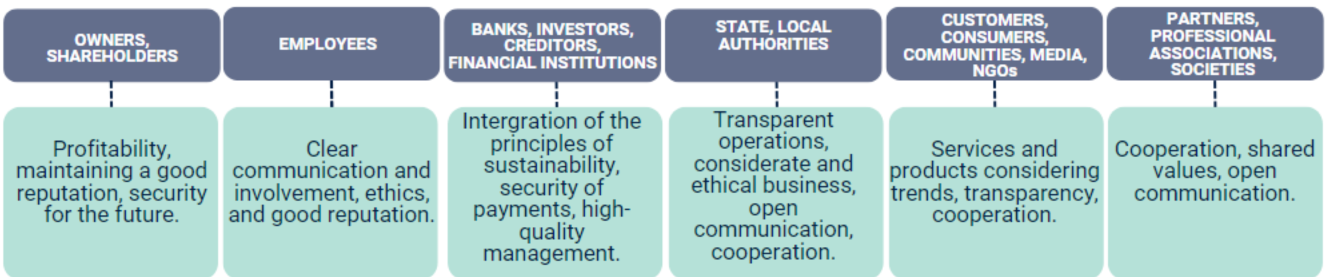
For the Group, integrity, responsibility, and sustainability is much more than merely compliance with external requirements – it is an integral part of the business.

- In its activities, the Group is guided by ethical principles and ensures that the employees know these principles and follow them in their everyday work.
- Acts responsibly, taking into account the impact of the Group's activity on the natural environment, the health and quality of life of residents, and interlinkage with the interests of different stakeholders.
- Values the ecological environment in which they operate and therefore, using resources sustainably and constantly seeking new solutions for more sustainable consumption.
- Values human rights and complies with them within the Group and in all company-related activities, including in the Group's supply chain.
- Tackles corruption, proceeding from honest and transparent business conduct.
- Ensures transparent procedures. To this end, the Group has organized its internal procedures and established policies and instructions concerning, among other things, declaration of financial interests, insider dealing, securities transactions, investment management, procurement, personnel recruitment, risk management, administration, and document management.
- Creates shareholder value and contribute to the economy as a whole.
- Gives social contribution to the society and offers possibilities and support also to those, who need more assistance and attention.
- Is a good neighbor in the community; supports and encourages activities related to environmental care and healthy lifestyle.

The Group operates in Estonia, Latvia, and Lithuania, which are considered low ESG (Environmental, Social, Governance) risk countries according to the CountryRisk.io model. However, the Group is aware of its impact throughout the value chain and takes measures to mitigate various risks.

Comprehensive, responsible, and environmentally sustainable thinking is integrated into all the companies and business processes of Group. This approach includes above all caring for the environment and natural resources, complying with human rights, tackling corruption, having an honest and open dialogue with employees, clients, suppliers, and all other stakeholders.

The important stakeholders for the Group and their expectations:



By default, a separate stakeholder group is the ecological environment. The group considers IPCC reports, international frameworks, and legislation in its planning and relies on various research and publicly available information from organizations. In 2024-2025, the Group plans to adopt The Taskforce on Nature-related Financial Disclosures framework to better understand how the organization affects the environment and what risks and opportunities arise from it.

It is important to show Group´s social and environmental responsibility by being open in the communication. Being ready to give competent information about all the Group’s companies, their strategies, and objectives, as well as talk about less important daily issues. Long-term success can be achieved only with an honest and open dialogue and collaboration with all stakeholders.

Group´s significant sustainability impacts

Tallinna Kaubamaja Group conducted a comprehensive impact analysis in 2022 and 2023, which included:

- sector-specific impact analyses according to MSCI, SASB, and GRI standards;
- market best practices analysis by sector;
- real climate impact assessment - completion of the CDP questionnaire and emission mapping;
- mapping of market expectations and trends;
- analysis of significant voluntary frameworks and standards;
- engagement with important stakeholders;
- analysis of ESRS drafts published by EFRAG and bilateral impact analysis.

As a result of the analysis, significant topics for the Group were identified:

ECOLOGICAL ENVIRONMENT

- Mitigation and adaptation to climate change.
- Implementation of the principles of a circular economy (sustainable use of resources and cost-effectiveness).
- Sustainable supply chain to ensure environmental conservation, responsible business practices, and ethical treatment of employees.
- Ensuring the preservation of habitats and biodiversity.
- Supporting environmentally friendly habits.
- Supporting local production and entrepreneurship through creating opportunities.

SOCIAL ENVIRONMENT

- Equal opportunities and a diverse workforce.
- Employee health, safety, well-being, and development opportunities.
- Healthy and accessible food for everyone.
- Supporting communities.

GOVERNANCE

- Integrating sustainable development into general management model.
- Assessment of climate risks and opportunities according to TCFD (Task Force on Climate-related Financial Disclosures) guidelines.
- Operating in accordance with a current code of ethics and internationally recognized agreements, and using best practices.
- High-quality and up-to-date automated data.
- Contribution to sustainable development goals.

PRODUCT AND SERVICE DEVELOPMENT

- Automation.
- Supporting innovation.
- Certifications.
- New buildings in compliance with the taxonomy regulation.

As a result of the impact analysis, Tallinna Kaubamaja Group developed a sustainable development strategy for the period 2023-2030. The objectives of the sustainable development strategy are:

1. Contribute to reducing the negative impact of global climate change and achieving the climate goals of the European Union with the companies of TKM Group.
2. Ensure TKM Group's long-term profitable and responsible operational capability.

To support the strategy, specific key indicators have been established, and a data collection platform is being created for better monitoring. This platform can be integrated with various systems for automatic data collection, and its development began in the fall of 2023 and is scheduled to be completed by the summer of 2025.

2015, the global sustainable development goals (SDGs) and the action plan until 2030 were adopted at the UN summit. Contributing to the fulfilment of these goals is also important for the Group. A thorough impact analysis revealed the biggest areas of influence of the Group where it can significantly reduce its negative impact and increase its positive impact thanks to smart investments. The most important SDGs and sub-goals for the Group:

- SDG 7: Affordable and clean energy (7.2, 7.3)
- SDG 8: Decent work and economic growth (8.2, 8.3, 8.4, 8.5, 8.8)
- SDG 9: Industry, innovation, and infrastructure (9.4, 9.5)
- SDG 12: Responsible consumption and production (12.1, 12.2, 12.3, 12.4, 12.5, 12.6)
- SDG 13: Climate action (13.3)
- SDG 15: Biodiversity and terrestrial ecosystems (15.9)
- SDG 16: Peace, justice, and strong institutions (16.5, 16.6, 16.b)
- SDG 18: Culture: Preservation and support of Estonian culture

The Group uses sustainable development goals both in its key metrics and in general communication.

Environment

Due to the extensive network of stores in the Group, the energy consumption as well as waste generation is very high. Accordingly, the Group has set a goal to proceed in all its activities from responsible resource consumption to contributing to sustainable development, paying special attention to the energy efficiency of the businesses, water usage, reduction of waste and its efficient reuse and reduction of carbon footprint. The Group acknowledges that environmentally friendly activity serves as a basis for the creation of an efficiently functioning environment and sustainable society. Therefore, both in shaping the values of its employees and in its everyday activities, responsible work and environmental conservation principles are followed.

The Group's water consumption has decreased compared to the consumption of recent years. To reduce water consumption, aerators have been installed on faucets, which do not alter the user experience but contribute to noticeable water savings.

Water consumption of the Group	2018 base year	2022	2023	Goal for 2030*
Water consumption (m^3/m^2)	0.43	0.53	0.46	0.44

** compared to the base year*

The electricity consumed on the commercial, warehouse and production premises belonging to the Group, which totals over 183,000 square meters in Estonia and Latvia, comes from 100% low emission energy sources. The aim is to gradually switch over to electricity from low emission sources in the rental premises as well.

Share of energy of the Group	2018 base year	2022	2023	Goal for 2030**
Share of electricity from renewable and low-emission sources (%)*	0%	44%	50.55%*	55%
Total electricity consumption (GWh)	77	73	67.7	
Electricity consumption per m^2 (kWh/m^2)	332	292	269	

**2022 electricity from renewable sources, 2023 nuclear energy*

*** compared to the base year*

The long-term goal is to make sure the Group's activities, targets are aligned with the Paris Climate Agreement, and the use of renewable energy will support the fulfilment of that goal. When calculating the carbon footprint, the Group followed the internationally recognized and most used standard for reporting greenhouse gases - The Greenhouse Gas Protocol Corporate Standard. The standard covers the accounting and reporting of seven greenhouse gases covered by the Kyoto Protocol: carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PCFs), sulphur hexafluoride (SF_6), nitrogen trifluoride (NF_3). The GHG Protocol divides emissions between three scopes:

- Scope 1: all emissions produced locally, on-site energy production and company-owned transportation.
- Scope 2: emissions from the use of electricity and heat and cooling.
- Scope 3: all other indirect emissions.

The Group's focus is on developing and implementing energy-saving solutions for energy-intensive processes and reducing the direct negative impact of its operations, and therefore has excluded most of the scope 3 emissions from the current calculation. Each year, different scope 3 emission sources are added to the calculation, depending on the availability and quality of the data, to reach a complete overview.

Carbon footprint of the Group, absolute emission	2018 base year	2022	2023	Goal for 2030**
Scope 1, t CO_2e*	11,600	15,800	17,600	-60%
Scope 2, t CO_2e*	83,200	29,100	24,700	-75%
Total, t CO_2e*	94,800	44,900	42,300	-73%

** CO_2 equivalent*
*** compared to the base year*

Carbon footprint intensity of the Group: Scope 1, 2	2018 base year	2022	2023	Goal for 2030**
t CO_2e*/ per number of employees	21.73	9.56	8.95	6.00
t CO_2e*/ m^2	0.41	0.18	0.17	0.11

** CO_2 equivalent*
*** compared to the base year*

Carbon footprint of the Group (Waste)	2022	2023	Goal for 2030**
Scope 3 waste, t CO_2e*	2,300	1,965	-7%

** CO_2 equivalent*
*** base year 2022*

In 2023, a follow-up assessment was conducted during the summer, revisiting the calculations from the year 2022, resulting in the correction of emissions for that year.

Scope 1 emissions increase can be attributed largely to the growth of fuel consumption. However, noticeable environmental effects also stem from the cooling and refrigeration systems used in Group's department stores and supermarkets. To mitigate the impact of these systems, older freon-based equipment is gradually being replaced with new ones based on CO_2 systems. Apart from significantly lower energy consumption, the use of these systems also comes with a considerably lower risk to the external environment. As part of the system replacement, glass doors and covers are installed on the refrigerated shelves, counters, and freezer chests in the stores, further enhancing energy savings. In terms of transportation, both employees and customers use bicycles, with a total of over 1100 bicycle parking spaces available across the Group's establishments. For electric vehicles, there are 104 charging stations throughout Estonia, with 76 of them located at Selver stores.

Subsequent actions:

- The replacement of vehicle fleet is based on the national action plan and from available alternatives. Selver launched a pilot project (November 2023), in which the low emission diesel of NesteMy is tested. Additionally, the Group is constantly monitoring the development of technology and changes in the transport sector and will decide based on the monitoring whether and at which pace to make the changes.
- Wider use of electric cars as company vehicles.
- Motivating Selver delivery drivers to use fuel saving driving style (ecodrive).
- Replacement of refrigerants from F-gases to CO_2 in Selver stores and Tartu Kaubamaja.

Scope 2 emissions decreased compared to 2022 because The Group's electricity consumption decreased by 5.3 GWh, and heat energy consumption decreased by 10.9 GWh. Most of the Group's energy usage comes from the department stores and Selver supermarkets, with cooling systems and technological refrigeration systems constituting approximately 50-60% of the store's energy consumption.

A crucial focal point for more sustainable energy consumption is energy-efficient lighting solutions. When designing lighting solutions for department stores and shops, factors such as space, interior design, and product placement, aiming to reduce energy consumption while ensuring adequate lighting throughout the store are taken into account. As a result of these efforts, we have already achieved significant cost savings in energy consumption and will continue actively pursuing this process in the coming years. Among other energy efficiency measures, the proper adjustment and operational control of heating and ventilation equipment through remote management systems have a significant impact.

Subsequent actions:

- Increasing the share of low-emission electricity.
- Adding solar panels to the buildings owned by the Group.
- All new buildings, whenever possible will be built according to EU Taxonomy.
- Continuous renovation of buildings.

- Low energy technology is preferred when purchasing new technology.

Scope 3 emissions have significantly decreased due to a reduction in waste (2022: 12,200 tons; 2023: 8,100 tons).

Subsequent actions:

- Providing on-site sorting facilities for both customers and employees. In 2023, the coverage was 79%, with the goal of achieving 100% coverage for household, organic, paper-cardboard, and mixed packaging waste in all buildings under the Group's control by the year 2030.
- Private label packaging design will allow its recycling.
- Reduction and avoidance of unnecessary packaging.
- Raising awareness on waste sorting and waste avoidance possibilities.

Risks caused by climate change

Climate change affects the Group in two ways:

- Physical changes: storms, floods, rising average temperature, increased precipitation, and other climate-related changes.
- Changes related to the transition to a climate-neutral economy: regulations, changes in interests, changes in values, changes in needs, reporting obligations, etc.

To understand how the changing world affects the Group, the Group's subsidiaries conducted climate risk analyses using the TCFD (Task Force on Climate-related Financial Disclosures) climate risk assessment framework. Climate risks will continue to be assessed once a year to receive input on what to focus on and to prepare an action plan for mitigating risks as well as implementing opportunities. Climate risk assessment is done in parallel with financial risk assessment.

Risk management is the responsibility of the Internal Audit Department of the Group, and the results are submitted to the Audit Committee of the Group, whose task is to advise the Supervisory Board on issues related to supervision. The Audit Committee prepares an annual consolidated report for the Supervisory Board, in which it evaluates its activities. In performing its duties, the Audit Committee cooperates with the Supervisory Board, the Management Board, internal and external auditors, and external experts, if necessary.

As a result of the risk assessment conducted in 2023, short-term climate risks are identified as:

Risks	The probability of the residual risk materializing	Probable financial loss (EUR)	Supervision
Significantly increased reporting obligations due to new regulations.	High	200,000	Monitoring changes in legislation and mitigating risks.
Sharp increase in electricity prices due to climate change.	Medium	1,500,000	Cost control, investments in energy efficiency and solar panels.
Supply difficulties, rising costs, shortages, and a decrease in quality of raw materials and components.	Medium	230,000	Procurement control and planning.
Decrease in employee satisfaction due to deteriorating working conditions, as the building's technological solution was designed for a different external temperature.	Medium	100,000	Equipment maintenance and repair.
Storms, floods, and other weather-related conditions damage the building and/or its contents or restrict access.	Medium	51,400	Insurance.
Changes in expectations of stake-holders (banks, investors, NGOs, clients). Bank conditions are becoming stricter.	Low	125,000	Communication with stake-holders.

Circular economy

100% of the paper and plastic packaging waste generated in the Selver supermarket chain is directed for recycling. To significantly reduce the volume of transporting and storing product transport packaging, Selver uses Bepco's easily collapsible and durable transport crates in its logistics process. The Bepco transport system was also adopted by Kulinaaria in 2022.

In addition to reducing the quantity of packaging, emphasis is placed on ensuring that the in-use packages are environmentally friendly and preferably made from recycled materials. Both paper bags and reusable bags are available in the stores, with approximately 165 thousand reusable bags sold in 2023, a 5.1% increase compared to 2022. Demand for paper bags decreased; in 2023, 3,517 thousand bags were sold, which is 18% less than in 2022. In addition to the usual small plastic bags, eco-friendly reusable bags are available for packaging fruits and vegetables in Selver stores, with a total of 2 thousand bags sold in 2023. Sales of both regular and particularly thin plastic bags have been declining for several years, and customers are increasingly opting for reusable alternatives. The paper bags in I.L.U. stores are made from 90% recycled paper. All plastic bags used in Kaubamaja's physical and online stores are made from 90-100% of recycled materials.

Sale of shopping bags (thousand qty)	2022	2023
Total sale of shopping bags	29,488	27,062
incl. plastic bags	6,430	5,965
incl. biodegradable plastic bags	71	43
incl. paper bags	4,273	3,517
incl. the sale of reusable shopping bags	157	165
incl. the sale of reusable vegetable bags	0	2
incl. distribution/sale of small plastic bags	18,557	17,370

Kaubamaja and Selver are actively exploring alternatives to single-use packaging for selling food. Starting from the fall of 2023, both in Selver and Kaubamaja, customers have the option to purchase takeaway food using their own containers.

Single-use plastic dishes placed on the market 2023	Quantity (thousand qty)	Weight (t)
Drinking cups and lids*	1,130	15.4
Food containers	12,585	117.8
Reusable alternatives	5	1

** including bottles*

Selver and Kaubamaja have developed a single-use plastic reduction plan to decrease the environmental impact of plastic disposables. The plans can be found accordingly:

Kaubamaja: https://www.kaubamaja.ee/maailm-uks-ja-ainus/okoloogiline-keskkond
Selver: https://www.selver.ee/media/pdf/Tegevuskava-uhekordselt-kasutatavate-plasttoodete-vahendamiseks-2023-2026.pdf

Packaging of private label products	Quantity (t)	%
Packaging in total*	275.5	100.0
Recyclable packaging (private label)	230.8	83.8
incl. recycled material packaging, i.e. rPET (private label)	91.2	33.1
Mixed material packaging (difficult to recycle)	44.7	16.2

** Includes private label products of Kaubamaja, Kulinaaria, Selver (Selveri Köök)*

Kulinaaria and Selver have gradually switched from mixed-material packaging to mono-material packaging. In addition, most packaging of Selveri Köök has sorting instructions to make sorting easier for customers. 33% of the packages are made from recycled material, which significantly reduces its environmental impact. The longer goal is to switch from mono-material packaging to 100% recyclable packaging.

Additional activities to promote the circular economy:

- Already in 2020, Kaubamaja online store changes its packaging from the cushioned bubble envelopes to envelopes made from wool scraps, which can be returned to circulation. The cardboard boxes used for packaging in the online store are minimalistic in design to reduce the use of printing ink. In addition, Kaubamaja online store also introduced reusable boxes made from textile scraps.
- Stationary collection points for used clothing and shoes have been opened in Kaubamaja in cooperation with Uuskasutuskeskus. Materials used during advertising campaigns have been donated for reuse to educational institutions and handicrafts for people with special needs.
- To prevent hazardous waste from being disposed to nature, collection containers have been installed in the Group's department stores and stores. This gives the customer the opportunity to easily get rid of their used batteries, used small electronics, paper, glass and plastic packaging. Special machines are installed at all food stores, which collect used bottles with a deposit token.
- All Group’s loyalty program Partnerkaart customers' purchases are recorded in the self-service system, which allows customers to refuse from paper checks. As an innovative and forward-looking Group, it is very important to switch to solutions that are less burdensome on both the environment and work processes. Paperless digital alternatives have become a standard in the Group both in marketing, logistics and payment solutions. As part of the Group's paperless mission, Selver was the first Estonian retail chain to introduce electronic price tags in all its stores.
- The Partner gift card can now be purchased also in digital form, and Partnerkaart loyalty card is available in digital form. The mobile application of Partnerkaart makes it easier to give up on the loyalty card in physical form and helps to reduce the PVC waste.
- With the Selver courier, it is possible to order goods with a returnable deposit bag. In 2023, a short customer survey was conducted in Torupilli Selver, it was revealed that customers want to use reuse alternatives both for the sake of environmental protection and convenience, so that used paper and plastic bags do not occupy drawer space at home.
- In I.L.U. stores it is possible to return empty packaging of products bought from the stores. The aim of the campaign is to create the habit of sorting packages separately. To create additional motivation, it is possible to collect bonus points on their Partnerkaart when returning the package.

Taxonomy

On 4 June 2021, the European Commission adopted technical screening criteria to determine the conditions under which an economic activity can be considered to significantly contribute to climate change mitigation or adaptation and to determine whether it significantly undermines the other environmental objectives set out in the European Green Deal.

The taxonomy regulation does not apply to all sectors of the economy but focuses on the activities with the greatest environmental impact, which are currently the following:

1. forestry,
2. environmental protection and restoration activities,
3. production,
4. energy,
5. water supply, sewerage, waste management and remediation,
6. transport,
7. construction and real estate activities,
8. information and communication,
9. professional, scientific, and technical activities.

To determine the applicability of the taxonomy to the companies of the Group, the NACE codes were used, and it was found that compliance with the screening criteria can be assessed in the case of Tallinna Kaubamaja Kinnisvara AS and its subsidiaries.

The Group's total operating costs include the expenses related to repairs and technical maintenance, as well as their reductions. Repair and maintenance costs reflect the ongoing expenses for the company's own buildings, equipment, and other assets.

In the calculation of the Group's total capital costs, the expenses arising from the acquisition of tangible fixed assets, real estate investments, and intangible fixed assets are considered.

The figures below are presented in accordance with the requirements of the Taxonomy Regulation.

				Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')								
Economic Activities (1)	**Code (2)**	**Absolute turnover (3)**	**Proportion of Turnover (4)**	**Climate Change Mitigation (5)***	**Climate Change Adaptation (6)**	**Water (7)**	**Pollution (8)**	**Circular Economy (9)**	**Biodiversity and ecosystems (10)**	**Climate Change Mitigation (11)**	**Climate Change Adaptation (12)**	**Water (13)**	**Pollution (14)**	**Circular Economy (15)**	**Biodiversity (16)**	**Minimum Safeguards (17)**	**Taxo-nomy aligned proportion of total turnover, year 2023 (18)****	**Taxo-nomy aligned proportion of turnover, year 2023-1 (19)**
		THOUSANDS, EUR	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%
A. TAXONOMY-ELIGIBLE ACTIVITIES			**2%**															
A.1. Environmentally sustainable																		
Acquisition and ownership of buildings	L68.2		0%	0%	0%	0%	0%	0%	0%								0%	-
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0,00**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**								**0%**	-
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**21 150**	**2%**															
Total (A.1+A.2)		**21 150**	**2%**															
B. TAXONOMY-NON-ELIGIBLE																		
Turnover of Taxonomy-non-eligible activities		**926 107**	**98%**															
Total (A+B)		**947 257**	**100%**															

				Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')								
Economic Activities (1)	**Code (2)**	**Absolute CapEx (3)**	**Proportion of CapEx (4)**	**Climate Change Mitigation (5)***	**Climate Change Adaptation (6)**	**Water (7)**	**Pollution (8)**	**Circular Economy (9)**	**Biodiversity and ecosystems (10)**	**Climate Change Mitigation (11)**	**Climate Change Adaptation (12)**	**Water (13)**	**Pollution (14)**	**Circular Economy (15)**	**Biodiversity (16)**	**Minimum Safeguards (17)**	**Taxo-nomy aligned proportion of total CapEx, year 2023 (18)****	**Taxo-nomy aligned proportion of turnover, year 2023 -1 (19)**
		THOUSANDS, EUR	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%
A. TAXONOMY-ELIGIBLE ACTIVITIES			**8%**															
A.1. CapEx of environmentally sustainable activities (Taxonomy-aligned)																		
Acquisition and ownership of buildings (CapEx A)	L68.2	1 627	6%	100%	0%	0%	0%	0%	0%		Y	Y	Y	Y	Y	Y	6%	-
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**1 627**	**6%**	**6%**	**0%**	**0%**	**0%**	**0%**	**0%**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**6%**	-
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned)																		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**465**	**2%**															
Total (A.1+A.2)		**2 092**	**8%**															
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																		
Capex of Taxonomy-non-eligible activities		**24 750**	**92%**															
Total (A+B)		**26 842**	**100%**															

				Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')								
Economic Activities (1)	Code (2)	Absolute OpEx (3)	Proportion of OpEx (4)	Climate Change Mitigation (5)*	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity and ecosystems (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Taxo-nomy aligned proportion of total OpEx, year 2023 (18)**	Taxo-nomy aligned proportion of turnover, year 2023-1 (19)
Text		*THOUSANDS, EUR*	%	%	%	%	%	%	%	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	%	%
A. TAXONOMY-ELIGIBLE ACTIVITIES			0%															
A.1. Environmentally sustainable activities (Taxonomy-aligned)																		
			0%	0%	0%	0%	0%	0%	0%								0%	-
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**								**0%**	-
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																		
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**0**	**0%**															
Total (A.1+A.2)		**0**	**0%**															
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																		
OpEx of Taxonomy-non-eligible activities		**3 534**	**100%**															
Total (A+B)		**3 534**	**100%**															

Social responsibility

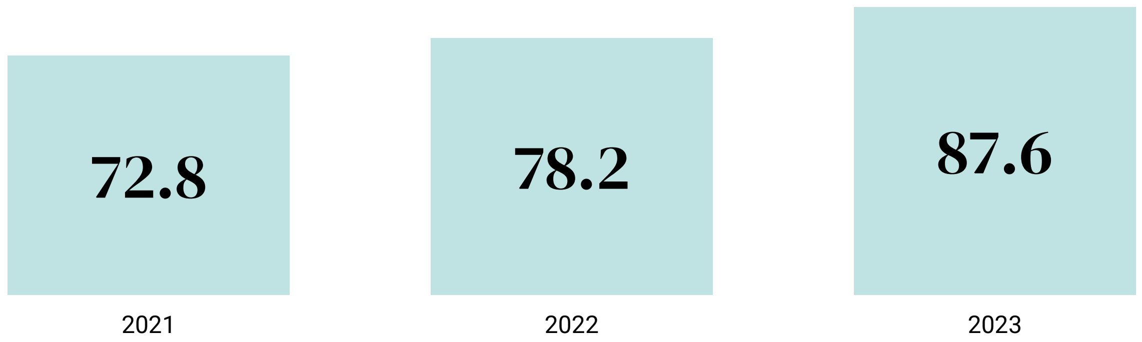
Group feels its role and responsibility in the society and is aware that through its activities, the Group also influences the society around it.

The social responsibility principles accepted throughout the Group are:

- Group's Selver chain stores are considered regional centers where several public services, that are important for the society, are offered.
- If possible, especially in grocery items, domestic products and small Estonian manufacturers are a preferred option.
- Organizing events to promote local design and manufacturers at the Group's department stores and stores.
- Sponsor activities and programs and organizing various charity campaigns.
- Support the popularization of sports through promoting youth work and professional sports.
- Support several smaller and larger cultural projects, mainly outside the largest cities.
- Contribute to improving the employment of people with disabilities and offer jobs to those who are at a disadvantage in competing on the current labor market.
- Helping the state in creating jobs and contributing to its tax revenues.
- We support Estonian art, design and culture through various cooperation projects.

In 2023, Group companies paid to the state and local authorities a total of 87.6 million euros in taxes, an increase of 12% in a year.

Taxes paid in 2021, 2022 and 2023 (in million euros)



Some examples of the activities of the Group and its subsidiaries:

- Over time, Kaubamaja has supported a wide variety of social projects that help to improve the general well-being of the local people. It does not matter if the business or project is small or large - its idea, high-quality implementation, and suitability for the main areas of support are important. The ways of supporting are very different: helping to spread information about the activities launched with Kaubamaja´s support or initiative in Kaubamaja's sales hall, internal radio, e-channels, and podcast or in the customer magazine Hooaeg, organise charity sales or help cover the costs of those in need. Traditionally, charity cooperation is an integral part of Kaubamaja's Christmas campaign. At the end of 2023, Kaubamaja conducted a charity sale for Christmas, and the revenue was donated to the charity fund 'Minu Unistuste Päev' (My Dream Day). The fund sends cheerful characters to Tallinn Children's Hospital and Tartu University Clinic´s children's clinic to bring joy to the children staying in the hospital. Thanks to the donations, in 2024, it will be possible to organise at least 35 fun-filled days with characters like Pippi Longstocking or the puppy girl Lotte or some other great characters to make children happy.
- Kaubamaja values Estonian fashion and promotes the work of Estonian designers in every way. There is a separate area allocated for the work of Estonian fashion designers in the women's fashion department of Tallinna Kaubamaja and several window and in-store displays introducing Estonian design were organised during the year. Future fashion designers are also important to Kaubamaja – they encourage schools to organise fashion shows and help them with awards. Kaubamaja is the main supporter of Tallinn Fashion Week, and Estonia's most prestigious fashion design award, the Golden Pin (Kuldnõel).
- Kaubamaja held a campaign „Kooli Aeg", which main goal is to collect school supplies and financial aid to Estonian families with many children.
- Kaubamaja and Selver joined with the Diverse Workplace label in 2012, thereby undertaking to adhere to the principle of equal treatment and opportunities. The Group contributes to the development of diversity. In a company where employee diversity is valued, be it different age, race, ethnicity, religious beliefs or employees with special needs, there is more knowledge, skills, experience, perspectives, and a more tolerant working environment. This also helps companies offer better service to their clients. In 2018, Kaubamaja was one of the first companies in Estonia to receive the Diverse Workplace label "Austame erinevusi" (We respect the differences).
- Kaubamaja has the Family-friendly employer label and participates in the development program of the label. Kaubamaja passed the evaluation and received silver level recognition.
- For the 21st time, Selver organised the charity project "Koos on kergem" (It Is Easier Together), the goal is to donate money to the children's and maternity departments of hospitals. In 2023, donations were collected for 16 children's hospital and for the children's department of the hospitals across Estonia.
- In recent years, Selver has cooperated with various charity organisations, such as Food Bank, SAK Fond and congregations to donate food items nearing to the end of the sale period to families in need. Selver consistently supports Alaveski animal parks and the Tartu animal shelter. In total, Selver donated more than 708 tons of food in 2023.
- Selver continues to support youth sports and is a title sponsor of the volleyball club Selver TalTech. The objective of the club is to promote volleyball in Estonia, but also to work with young people and promote professional sports. The club's activities include:
    - First team: Selver TalTech;
    - Youth club to raise the next generation of players: Selver/Audentes;
    - Promotion of youth sports: Audentes Volleyball School.
- Selver continues to support the football club FC Flora.
- Selver supports the Estonian Ice Hockey Association and the ice hockey club Tornaado.

- Selver is a supporter of the Farmer of the Year competition.
- Selver supports smaller and larger cultural projects, mainly outside of larger cities.
- In 2023, Viking Motors supported US Tennis Academy, shot putter Jander Heili and disc golf player Rasmus Metsmaa.
- In 2023, Kia Auto supported ski jumper Artti Aigro, disc golfer Kristo Raik, rower Liisa Marie Lääne, triathlete Johannes Sikk and decathlete Janek Õiglane. In addition, support was provided for Tartu City Day cultural events, the Freedom Festival in Narva, the Simple Session competition and ramp construction, and the Brigitta Festival.

In total, the companies of the Group supported more than 105 charity and sponsorship projects in the total amount of more than 400 thousand euros.

Wellbeing and motivation of personnel

The objective of the HR policy of the Group is to value, develop and keep its employees based on common principles, involving HR management and planning, well thought out recruitment and selection processes, followed by purposeful and motivational development and the establishment of supporting environment. The Group is guided by the principle that success is based on loyal, committed, ethical and result-oriented employees.

An important part of the Group's HR policy is human resources management, which is an important task for every manager and the performance of which ensures smooth collaboration and good work performance. The main principles of the Group's human resources management are:

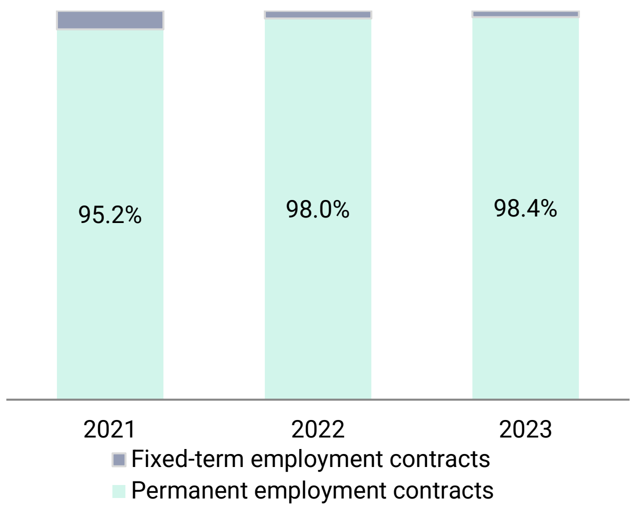
- Value development of the employees and teamwork.
- Open, honest and encouraging multilateral communication.
- Encourage self-management and the individual performance of employees.
- Rely on consensus and collaboration.
- To be an organization that learns from the experience and knowledge of every employee.

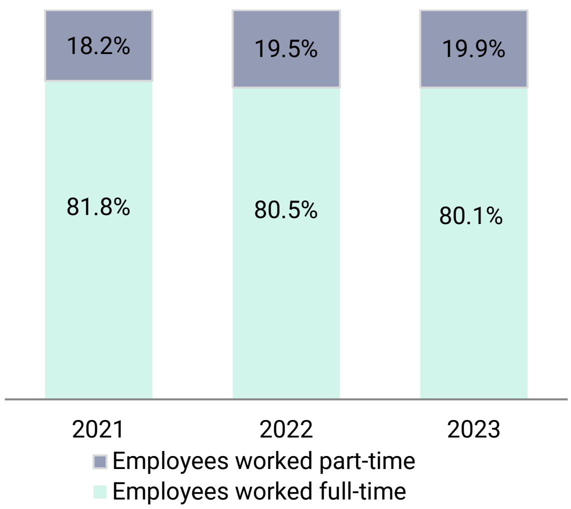
The Group is one of the biggest employers in Estonia. In 2023, the Group employed an average of 4,724 people and compared to 2022, the number of employees increased by 0.6% (2022: 4,697).

The Group values long-term and lasting work relationships that provide the employees with stability in their everyday life and develop their competence over the years, thereby improving the Group's competitiveness.

As at the end of 2023, approximately 98.4% of the Group's employees were under permanent employment contracts and 1.6% under fixed-term employment contracts. The Group also offers an option to work part-time in response to employees' wishes and opportunities. As at the end of 2023, 19.9% of the Group's employees worked part-time (2022: 19.5%).

4,724	98.4%	19.9%
Yearly average number employees (2022: 4, 697)	Employees with permanent contracts (2022: 98.0%)	Part-time employees (2022: 19.5%)





Valuing development opportunities

The Group highly values the experiences of its employees, supporting a long-term stable career (both vertical and horizontal) within the company. Various training and evaluation programs and other incentives support employees' readiness to serve, results orientation and commitment to the Group's companies.

Employees are offered specialised refresher trainings in Estonia as well as abroad. The Group's total number of training hours reached 16.4 thousand, an average 3.51 hours per employee in 2023 (2022: 2.36). Internal trainings carried out by specialists, play an important role in the development of employees, the volume and selection of which has been adjusted to meet employees' needs and expectations.

16.4 th	3.51 hs	38
Training hours in total (2022: ca 11,1 th)	Training hours per employee (2022: 2.36)	Practice opportunities for young interns (2022: 71)

Kaubamaja's internal training offers high-level service and teamwork training. Systematic management of service, where training, evaluation and feedback form an integral whole, enabled Kaubamaja to maintain and improve the level of service in 2023. Experienced managers, specialists and Service Club members that share their experiences contribute as internal trainers.

Activities were undertaken in Selver to increase the volume of internal training and service training conducted by Selver internal trainers. The aim is to improve service quality further and offer employees an opportunity to learn and develop. The mentoring system works well, it helps to reduce staff turnover, ensures high-quality training for a new employees, and eases integration into the company. In Selver, store managers and specialists in various fields conduct internal training. Internal trainers contribute both to the on boarding process of new employees and to updating the knowledge of already experienced employees. Trainings are also held for the employees, which help them cope with everyday life.

To train new employees and improve the efficiency of the on boarding period, training programs have been drawn up within the Group. The programs are carried out by several specialists, whose experience gained during their long-term service ensures the high quality of training and good learning results. New managers are assigned a mentor for the induction period, and a well-thought-out guidance system works to support the on boarding of new employees. The continued development and motivation of employees is ensured by an evaluation system for assessing levels of competence, which corresponds to the main values of companies and position competence models.

To ensure a new generation of employees, the Group has offered students various practical training opportunities. In 2023, practical training opportunities to a total of 38 young interns were offered. The Group's companies cooperate closely with vocational institutions and other educational institutions all over Estonia by offering them a place of apprenticeship and being a cooperation partner in training. The Group has also helped its employees that are still studying in writing their course and final papers by offering them the opportunity to use the Group's companies as their object of research. This approach helps the Group's companies to raise the next generation of forward-looking people with a desire to develop.

Valued working environment

In its operations, the Group is guided by the principle that a safe working environment is one of the fundamental rights of its employees.

The Group has created a system of measures to ensure a safe working environment and occupational health, which includes medical examinations, regular trainings on safety requirements (including fire safety and first aid), conducting risk analyses and supplying employees with protective equipment. A system was built up in the Group to involve working environment representatives in maintaining a healthy working environment. In 2023, there were 48 occupational accidents in the Group (2022: 33). Efforts continue to be made to prevent accidents, and the goal by 2030 is 0 accidents at work per year.

The Group promotes healthy lifestyle among its employees by increasing their knowledge of how to care of their health and creating a safe and healthy working environment, providing opportunities to be involved in sports, recreational activities and healthy lunch and rest breaks in a comfortable environment (rest areas), using blood pressure measuring devices, massage stools and massage services. The Group's employees can use individual and team sports opportunities. Teams participate in various non-professional sports events. The Group supports healthy lifestyle among employees and offers the employees benefits related to taking care of their families and health. Health weeks for employees take place, where many health specialists and experts give their suggestions and share their knowledge.

The Group also contributes to developing diversity within the Group by valuing a tolerant working environment and diversity of employees, be it different age, race or ethnicity, religious beliefs, or employees with special needs.

Labour costs

The Group's labour costs increased altogether 11.5% (wage costs and social tax costs), in total 108.7 million euros in 2023. The average labour cost per employee was 1918 euros in 2023, growing by 10.9% compared to 2022. Labour costs have been adjusted to the extent that helps to prevent the increased rotation of labour and decreased efficiency resulting from narrower recruitment choices.

Group's labour cost in 2021, 2022 and 2023 (in millions euros)

Complying with human rights and responsible procurement

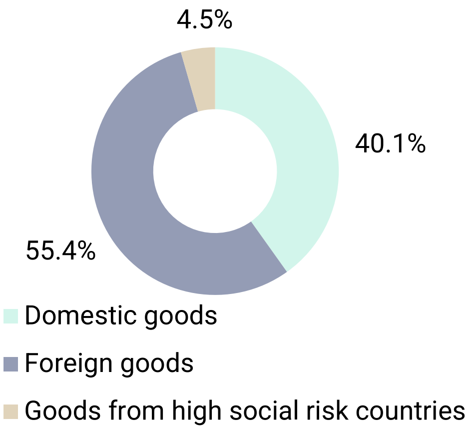
The Group confirms its continuing commitment to honour the UN Convention for the Protection of Human Rights and Fundamental Freedoms and contributes to ensuring the objectives of the declaration through complying with human rights and fundamental freedoms in all its activities.

The Group has analysed its activities and assessed as a possible risk in the protection of human rights and fundamental freedoms in the supply chain of the Group. As a result, the Group has committed to continuously develop the responsibility and sustainability of its procurements. Responsibility is an important part of the procurement process and in addition to product-specific quality requirements, also includes non-discrimination principles and the honouring of labour and human rights, paying more attention when buying from high social risk countries (such as African, Asian, South and Central American countries).

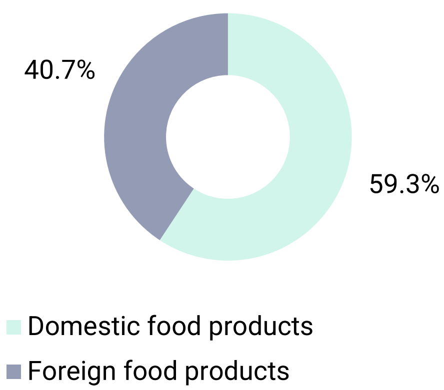
In 2023, ca 2818 suppliers provided products to the Group. 78% of suppliers in the Group are local businesses. 40% of the goods are of domestic origin, the corresponding figure is 59% for food products. In terms of social responsibility, the Group has suppliers also from high social risk countries, such as some countries in Africa, Asia, South America, and Central America. Purchase amounts from these countries were very small and accounted for about 4.5% of all purchases in 2023.

2,818	78%	40%
Suppliers in total (2022: ca 2,808)	Purchases via domestic suppliers (2022: 79%)	Goods of local origin (2022: 42%)

Tallinna Kaubamaja Group origin of products in 2023



Tallinna Kaubamaja Group origin of food products in 2023



Private label products

0.99% of products purchased by the Group in 2023 are private label products, of which 0.01% (same as in 2022) was purchased from high social risk countries. The volume of high-risk products varies depending on product category; it is higher for textile products and consumer goods and lower for food products.

The Group's principle is to be responsible for the private label products and their safety. To ensure this in the procurements, the following steps have been taken:

- Found suppliers who have the capability to manufacture products that meet Group´s requirements.
- Analysed the risks related to the location of manufacture of products, including raw materials used therein.
- Checked that suppliers have the required certificates and are compliant with them.
- Concluded procurement contracts that set down specific requirements on production and the raw materials used therein.

The quality and safety of private label products are constantly monitored. Tests and analyses are made, and customer feedback is taken into account. Products that have already been included in the product selection are tested in accordance with the annual risk control plan. For example, meat and fish products are examined several times a year, other products less frequently.

Traceability and origin of products

The traceability and identification of the origin of products sold at Group's department stores and stores is important for the Group as well as for its clients. Because of that, the Group:

- Values domestic high-quality food and offer it to its clients as much as possible.
- If possible, prefer local manufactures, including small manufactures.
- Discloses the place of origin of products and the raw materials used therein to clients as clearly and simply as possible.
- Monitors working conditions and the honouring of human rights in our supply chain.

The Group is aware of clients' growing preference to consume primarily domestic products and groceries. To meet this expectation, the selection of domestic goods is carefully looked over in the department stores and supermarkets every year.

In 2023, goods of local origin accounted for 40.1% of all goods; the corresponding figure is 59.3% (Kulinaaria 93.1%, Kaubamaja 76.3%, Selver 57.4%). for food products. Selver's goal for the year 2030 is to achieve a 60% share of Estonian food products in its assortment.

The objective of the Group is to know its supply chain and ensure its transparency, which helps to identify product-related risks and opportunities and develop a responsible production process.

To implement responsibility in the supply chain, companies conduct special training for the purpose of raising awareness of the employees. If possible, visits are organised to producers’ plants to see their production conditions and discuss Group´s expectations and partner’s capability to satisfy these expectations.

In the Group, consistent care is taken to ensure that the security systems agreed with and used by the suppliers, and actions to be taken to stop the delivery of damaged products or to initiate their immediate recall before they are sold are efficient and function well. In 2023, there were in total 154 product recall incidents in the Group’s companies, (2022: 1774 incidents), out of which 85.7% before the products were put on sale. Private label products had zero recall incidents.

If there is any reason to doubt that a product sold to clients is damaged and may be a risk to their health, product recall will be immediately initiated and coordinated. This principle is applied similarly in all EU countries. In 2023, there was 1 such incident (2022: 3 incidents).

Furthermore, daily monitoring measures are in place in the grocery stores to ensure the freshness and quality of products. If a product is damaged for any reason, it will be removed immediately.

Sustainability management

Group´s sustainability management is integrated into the overall management model and is an integral part of daily business operations. Management occurs both top-down and bottom-up to ensure engagement. The Group´s strategy for sustainable development is a guiding document for both short- and long-term decision-making. In the development of the strategy, feedback from the Group's subsidiaries, the sustainability working group, and the Chairman of the TKMG Board has been taken into account. Monitoring of the sustainable development strategy is carried out in various forms by the Group's internal audit department. Key performance indicators from the strategy are reported in the annual report as per the agreed-upon terms. The Group's board discusses sustainable development topics quarterly.

Management structure:

The Group operates by the internationally recognized guidelines and standards. Business is conducted in a transparent, forward-thinking, and progressive way. Work processes and employees are effectively managed with a focus on quality. Sustainability-related risks are mitigated, negative impacts are assessed and reduced, and sustainability is integrated into the company's business operations, enhancing the company's positive impact.

Code of Conduct

The Group has implemented the Code of Conduct, which consolidates and describes the values and main principles that the Group expects the employees, members of the Executive Board and Board of Directors, and partners to follow in their activities.

The Code of Conduct (established in 2017) has been prepared in accordance with national and international guidelines and principles, including the Corporate Governance Code of the Financial Supervision Authority and OECD Guidelines for Multinational Enterprises, as well as the United Nations Guiding Principles on Business and Human Rights.

The Code of Conduct have been published on the website of the Group at www.tkmgrupp.ee.

The tip line is intended for anyone who wishes to report breaches in Tallinna Kaubamaja Group AS, its affiliates or in their business partners. Investigating the reports helps to prevent damage and improves company culture and work environment in general. Reports are being received and investigated by the Internal Audit Department of Tallinna Kaubamaja Group (IAD), who ensure the full confidentiality of the reporter.

Email: vihje@kaubamaja.ee
Phone: +372 667 3152
Languages: Estonian, English, Russian

What to report:

If someone´s behaviour is in contradiction of the Good Business Practice of Tallinna Kaubamaja Group or if someone breaks the law.
If someone´s behaviour or act may cause financial or reputational damage to Tallinna Kaubamaja Group or its affiliates.

After reporting:

IAD ensures that the investigation of the report is objective.
IAD may contact the reporter to clarify the information provided in the notice. When submitting a report, the reporter has the right to say that they do not want to be contacted, but this may affect whether the complaint can be investigated further.
IAD shall not disclose any details about the case.

Fighting corruption

The Group considers as corruption the abuse of power resulting from the official position for personal gain and admits that corruption jeopardises democracy and human rights, undermines good governance, social justice, damages the competitiveness and economic development of states, and endangers democratic institutions and the moral foundations of the society.

Main goal is to prevent corruption, however, it is important to also pay considerable attention to the control of Group´s activities. Main prevention methods include avoiding conflict of interests, ensuring transparency, and increasing awareness within the Group.

Main forms of corruption, the prevention of which is also in the focus of the Group, are:

- granting and accepting gratuities or bribes;
- abuse of official position or power;
- conflict of interests;
- nepotism;
- embezzlement;
- trading with know-how and inside information or using it for personal interests.

In combating corruption, following principles are set in place:

- When communicating with the employees, the heads of the Group's companies draw their attention to the fact that no form of corruption is accepted in the Group and is in conflict with the ethical beliefs of the Group.
- Group proceeds from ethical, fair and transparent business and implements measures that contribute to it (such as rules, instructions, contracts, declarations, etc.).
- In every way the principles of preventing corruption are followed together with partners.
- Upon the emergence of incidents of corruption, the Group forwards the respective information to the police or prosecuting authority.

To ensure transparency in the business, the Group has established rules and instructions, regulating also the use of company cars, declaration of economic interests, handling of inside information, dealing with securities, management of investments, organising procurements, recruitment of staff, risk management, business administration and document management.

The Group's internal audit department handles the transparency and compliance issues of business. The Group organises regular internal and external training aimed at increasing the awareness of the board and members of the management as well as the employees in preventing and avoiding corruption.

Remuneration report

This remuneration report has been prepared in accordance with the remuneration policy of the Group, which is primarily based on the long-term objectives of the Group, taking into account the financial results of the company and the legitimate interests of investors and creditors, and can be found on the website of the Group at tkmgrupp.ee.

The purpose of the remuneration report is to provide a comprehensive and clear overview of the remuneration paid to managers in accordance with the remuneration policy. The remuneration report reflects information on salaries and other benefits paid to the Executive Board of the Group in 2023. The remuneration paid to the Executive Board of the Group individually, the total amount of remuneration, and other benefits are in accordance with the remuneration policy of the Group.

Remuneration of the Executive Board

In 2023, the Executive Board of the Group had one member.

The duties and remuneration of Raul Puusepp, member of the Executive Board, are further specified in the employment contract concluded with him, in which the Chairman of the Supervisory Board represented the Group. The term of office of Raul Puusepp, member of the Executive Board, was extended on 17 February 2023, and his term of office expires on 6 March 2026.

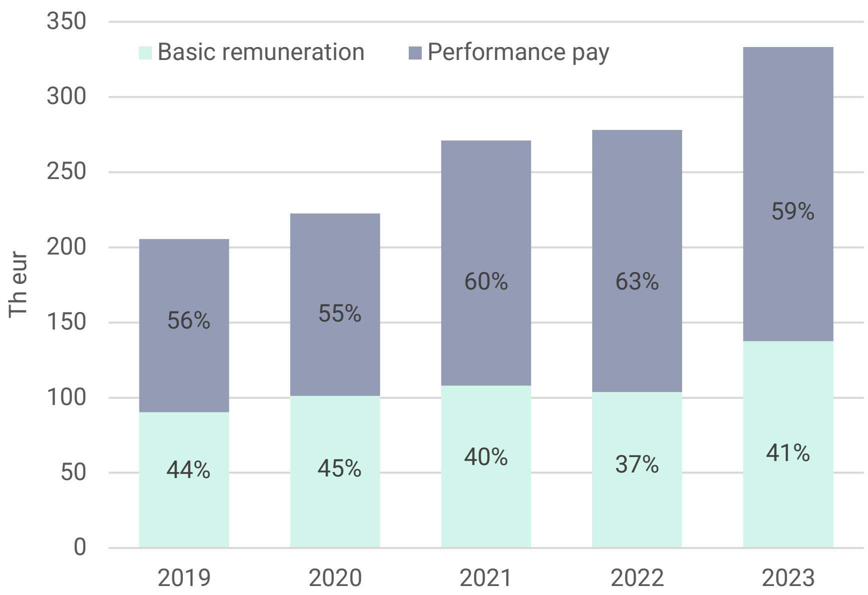
Remuneration of member of the Executive Board

In thousands, EUR	**2019**	**2020**	**2021**	**2022**	**2023**
Total remuneration	205.4	222.6	271.0	278.0	333.2
Incl. basic remuneration[1]	90.4	101.1	108.0	103.7	137.6
Incl. performance pay[2]	115.0	121.5	163.0	174.3	195.6

[1] *Basic remuneration is calculated on an accrual basis as a gross remuneration.*

[2] *The performance pay reserve for 2023 has been calculated as the maximum possible gross salary and may differ from the actual pay-out. The assessment of the work and fulfilment of the objectives of the member of the Executive Board and the amount of the actual performance fee will be determined by the Supervisory Board of the Group after the approval of the annual report of the Group for 2023 by the general meeting.*

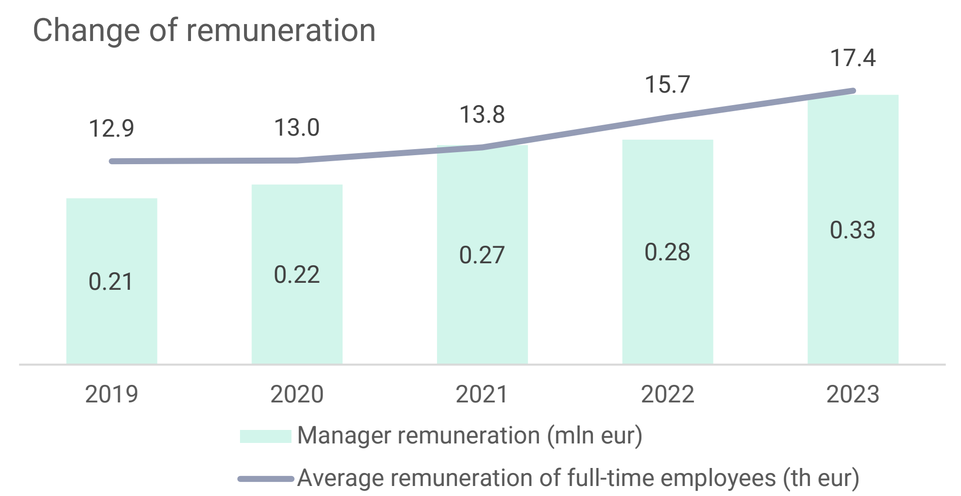
Proportion of the basic remuneration and performance pay of a member of the Executive Board



In accordance with the contract, the Chairman of the Executive Board is paid remuneration of a member of the Executive Board and they have the opportunity to receive a performance pay once a year in accordance with the fulfilment of specific, comparable, and pre-determined financial performance targets of the Group for the previous year and compliance with long-term strategic objectives. The member of the Executive Board of the Group does not have any additional bonuses, discounts, shares received or offered, or stock options.

Annual change in the remuneration of member of the Executive Board, performance of the Group, and average remuneration of full-time employees of the Group:

	2019	2020	2021	2022	2023
Net profit growth	4.4%	-38.6%	64.2%	-7.9%	26.9%
Increase in manager remuneration	-2.7%	8.4%	21.7%	2.6%	19.9%
including an increase in basic remuneration[1]	0.4%	11.9%	6.8%	-4.0%	32.8%
including an increase in performance pay	-5.1%	5.6%	34.2%	7.0%	12.2%
Increase in the average remuneration of full-time employees[2]	8.8%	0.4%	6.3%	13.8%	10.8%



[1] The amount of the basic remuneration is affected by the adjustments to the remuneration of the member of the Executive Board upon the renewal of the contract, possible periods of illness, and temporary reductions in the remuneration in solidarity with employees in 2020 due to the coronavirus pandemic.

[2] The average remuneration of full-time employees is calculated by dividing the remuneration costs specified in Annex 22 'Labour costs', from which the remuneration of the member of the Executive Board is deducted, by the average number of full-time employees during the reporting period, excluding the member of the Executive Board.

The table below describes the principles of formation of the remuneration of member of the Executive Board, and the criteria for its application.

Remuneration element and summary of its implementation principles	Implementation in 2023
Basic remuneration	
• corresponds to at least the average remuneration paid to managers of companies belonging to the same economic sector • takes into account the competencies of the manager • sufficiently motivating to make the manager act in the best interests of the company	The manager's contract of the member of the Executive Board was extended on 17 February 2023, when the basic remuneration of the manager was adjusted.
Performance pay	
• an element of financial performance that depends on the financial performance of the Group • an element of the strategy that depends on the fulfilment of the strategic goals of the Group previously agreed with the manager	It is estimated that the manager met the financial targets set for the Group for 2023 and the long-term strategic goals.
Additional benefits	
• additional benefits, including additional paid holiday, company car, telephone compensation, the right to read management magazines or other publications, membership of associations and unions for managers, training, etc.	The Group covered the company car and telephone expenses of the manager.
Stock options	
• the right to a stock option	Was not applied
Termination-of-contract compensation	
• termination-of-contract compensation equal to a maximum of 6 months' average remuneration of the manager	Was not applied

In addition to his role as a member of the Executive Board, Raul Puusepp participates in the work of the supervisory boards of several companies belonging to the Group, for which he received a total gross remuneration of 90.7 thousand euros in 2023.

During the reporting year, the Supervisory Board of the Group did not deviate from the remuneration principles when determining the performance pay. The Supervisory Board of the Group also did not use the option to recover previously determined performance pays.

Chairman's confirmation of and signature to the management report

The Chairman of the Management Board confirms that management report which consists of "Management report", "Ethical business practices and corporate responsibility" and "Remuneration report" is an integral part of the annual report and gives a true and fair view of the key events occurred in the reporting period and their impact on the financial statements, contains a description of key risks and uncertainties and provides an overview of important transactions with the related parties.

Raul Puusepp
Chairman of the Management Board

signed digitally

Tallinn, 19 February 2024

CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT BOARD'S CONFIRMATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Chairman of the Management Board confirms the correctness and completeness of Tallinna Kaubamaja Grupp AS consolidated financial statements for the year 2023 as set out on pages 51-95.

The Chairman of the Management Board confirms that:

1. the accounting policies used in preparing the consolidated financial statements are in compliance with International Financial Reporting Standard as adopted in the European Union;
2. the consolidated 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

signed digitally

Tallinn, 19 February 2024

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in thousands of euros

	Note	31.12.2023	31.12.2022
ASSETS			
Current assets			
Cash and cash equivalents	5	42,064	22,436
Trade and other receivables	6	25,568	27,200
Inventories	8	98,254	89,194
Total current assets		**165,886**	**138,830**
Non-current assets			
Long-term trade and other receivables	11	243	299
Investments in associates	10	1,732	1,722
Investment property	12	64,971	63,623
Property, plant and equipment	13	433,306	420,600
Intangible assets	14	25,370	21,723
Total non-current assets		**525,622**	**507,967**
TOTAL ASSETS		**691,508**	**646,797**
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings	15	48,820	97,107
Trade and other payables	17	114,573	111,449
Total current liabilities		**163,393**	**208,556**
Non-current liabilities			
Borrowings	15	258,857	190,825
Deferred tax liabilities	18	5,356	5,299
Provisions for other liabilities and charges		526	458
Total non-current liabilities		**264,739**	**196,582**
TOTAL LIABILITIES		**428,132**	**405,138**
Equity			
Share capital	19	16,292	16,292
Statutory reserve capital		2,603	2,603
Revaluation reserve		116,521	106,981
Retained earnings		127,960	115,783
TOTAL EQUITY		**263,376**	**241,659**
TOTAL LIABILITIES AND EQUITY		**691,508**	**646,797**

The notes presented on pages 56-95 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

in thousands of euros

	Note	2023	2022
Revenue	20	947,257	862,763
Other operating income		2,016	2,199
Cost of merchandise	8	-686,000	-624,435
Services expenses	21	-60,685	-63,268
Staff costs	22	-108,668	-97,458
Depreciation, amortisation and impairment losses	13,14	-40,770	-39,072
Other expenses		-894	-786
Operating profit		**52,256**	**39,943**
Finance income	23	86	4
Finance costs	23	-9,576	-5,197
Share of net profit of associates accounted for using the equity method	10	240	197
Profit before income tax		**43,006**	**34,947**
Income tax expense	18	-5,582	-5,462
Net profit for the financial year		**37,424**	**29,485**
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss			
Revaluation of land and buildings	13	11,989	0
Other comprehensive income for the financial year		**11,989**	**0**
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		**49,413**	**29,485**
Basic earnings per share (euros)	24	0.92	0.72
Diluted earnings per share (euros)	24	0.92	0.72

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

The notes presented on pages 56- 95 form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT
in thousands of euros

	Note	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit		37,424	29,485
Adjustments:			
Interest expense	23	9,576	5,197
Interest income	23	-86	-4
Income tax expense	18	5,582	5,462
Depreciation, amortisation and impairment losses	13,14	40,538	39,017
Loss/(gain) from fair value adjustment of investment property	12	-452	-653
Loss on write-off property, plant and equipment	13	232	55
Profit on sale of property, plant and equipment	13	-44	-42
Profit from the shares of an associated company using the equity method	10	-240	-197
Interest on lease liabilities	16	-3,720	-3,567
Corporate income tax paid		-224	-73
Change in inventories	8	-10,196	-22,801
Change in receivables and prepayments related to operating activities	6	2,316	-6,522
Change in liabilities and prepayments related to operating activities	17	1,315	-135
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		**82,021**	**45,222**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment	13	-24,041	-15,059
Proceeds from sale of property, plant and equipment	13	512	91
Purchase of investment property	12	-896	-280
Purchases of intangible assets	14	-1,905	-1,764
Business combination	9	-2,328	0
Cash acquired from business combination	9	71	0
Proceeds from government grant	13	0	133
Dividends received	10	230	220
Interest received	23	86	4
TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES		**-28,271**	**-16,655**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	15	47,793	24,567
Repayments of borrowings	15	-17,927	-17,732
Change in overdraft balance	15	-7,862	7,914
Payments of principal or leases	15	-17,435	-17,070
Dividends paid	19	-27,695	-27,695
Income tax on dividends paid	18,19	-5,299	-4,479
Interest paid	23	-5,697	-1,617
TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES		**-34,122**	**-36,112**
TOTAL CASH FLOWS		**19,628**	**-7,545**
Cash and cash equivalents at the beginning of the period	5	22,436	29,981
Cash and cash equivalents at the end of the period	5	42,064	22,436
Net change in cash and cash equivalents		**19,628**	**-7,545**

The notes presented on pages 56 - 95 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in thousands of euros

	Share capital	Statutory reserve capital	Revalua-tion re-serve	Retained earnings	Total
Balance as of 31.12.2021	**16,292**	**2,603**	**109,543**	**111,432**	**239,870**
Net profit for the reporting period	0	0	0	29,485	29,485
Total comprehensive income for the report-ing period	**0**	**0**	**0**	**29,485**	**29,485**
Reclassification of depreciation of revalued land and buildings	0	0	-2,562	2,562	0
Dividends declared	0	0	0	-27,696	-27,696
Total transactions with owners	**0**	**0**	**0**	**-27,696**	**-27,696**
Balance as of 31.12.2022	**16,292**	**2,603**	**106,981**	**115,783**	**241,659**
Net profit for the reporting period	0	0	0	37,424	37,424
Revaluation of land and buildings	0	0	11,989	0	11,989
Total comprehensive income for the report-ing period	**0**	**0**	**11,989**	**37,424**	**49,413**
Reclassification of depreciation of revalued land and buildings	0	0	-2,449	2,449	0
Dividends declared	0	0	0	-27,696	-27,696
Total transactions with owners	**0**	**0**	**0**	**-27,696**	**-27,696**
Balance as of 31.12.2023	**16,292**	**2,603**	**116,521**	**127,960**	**263,376**

Additional information on share capital and changes in equity is provided in Note 19.

The notes presented on pages 56 - 95 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 General information

Tallinna Kaubamaja Grupp AS (the Company) and its subsidiaries (together as the Tallinna Kaubamaja Group or the Group) are entities engaged in retail trade and provision of related services. Tallinna Kaubamaja Grupp AS is a company registered on 18 October 1994 in the Republic of Estonia with the legal address of Kaubamaja 1, Tallinn. The shares of Tallinna Kaubamaja Grupp AS are listed on the NASDAQ Tallinn Stock Exchange. The majority shareholder of Tallinna Kaubamaja Grupp AS is OÜ NG Investeeringud (Note 28), the majority owner of which is NG Kapital OÜ. NG Kapital OÜ is an entity with ultimate control over Tallinna Kaubamaja Grupp AS.

These consolidated financial statements have been authorised by the Management Board on 19th of February 2024 for issue. In accordance with the Commercial Code of the Republic of Estonia, the Annual Report shall be approved by the Company's Supervisory Board and approved by the General Meeting of Shareholders.

Note 2 Significant accounting policies adopted in the preparation of the financial statements

Bases of preparation

The consolidated financial statements of Tallinna Kaubamaja Group for the year 2023 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union.

The consolidated financial statements have been prepared under the historical cost convention, except for land and buildings that have been revalued and are reported under the revaluation method as described in the respective accounting policies, as well as investment property, which is reported at fair value.

The presentation currency of Tallinna Kaubamaja Group is euro. The functional currency of each of the Group's entities is euro.

All amounts disclosed in the financial statements have been rounded to the nearest thousand unless referred to otherwise.

Adoption of New or Revised Standards and Interpretations

Changes in significant accounting policies

Except as described below, the accounting policies applied in these financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2022.

New Accounting Pronouncements

The following new or revised standards and interpretations became effective for the Group from 01.01.2023.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies

(effective for annual periods beginning on or after 1 January 2023)

IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The Group assesses that the implementation of changes to the disclosure of accounting principles was carried out without significant findings.

Amendments to IAS 8: Definition of Accounting Estimates

(effective for annual periods beginning on or after 1 January 2023)

The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates. The Group assesses that there is no material impact of application of the amendments to its financial statements.

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12

(effective for annual periods beginning on or after 1 January 2023)

The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognised. The amendments clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The Group assesses that there is no material impact of application of the amendments to its financial statements.

There are no other new or revised standards or interpretations that are effective for the first time for the financial year beginning on or after 01.01.2023 that would be expected to have a material impact to the Group.

Certain new or revised standards and interpretations have been issued that are mandatory for the Group's annual periods beginning on or after 01 January 2024, and which the Group has not early adopted.

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback

(effective for annual periods beginning on or after 1 January 2024; not yet adopted by the EU)

The amendments relate to the sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to subsequently measure liabilities arising from the transaction and in a way that it does not recognise any gain or loss related to the right of use that it retained. This means deferral of such a gain even if the obligation is to make variable payments that do not depend on an index or a rate. The Group assesses that there is no material impact of application of the amendments to its financial statements.

Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1

(effective for annual periods beginning on or after 1 January 2024; not yet adopted by the EU)

These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. The October 2022 amendment established that loan covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument. The Group assesses that there is no material impact of application of the amendments to its financial statements.

There are no other new or revised standards or interpretations that are not yet effective that would be expected to have a material impact on the Group.

Disclosures about the primary statements of the Parent

In accordance with the Accounting Act of Estonia, the separate primary statements of the consolidating entity (Parent) are to be disclosed in the notes to the consolidated financial statements. The Parent's primary statements, disclosed in Note 30, have been prepared using the same accounting methods and measurement bases as those that have been used for preparing the consolidated financial statements except for investments into subsidiaries that are reported in the separate primary statements using the equity method.

Principles of consolidation

Associates

In the consolidated financial statements, investments in associated are carried using the equity method; under this method, the initial investment is adjusted with the investor´s share of profit/loss and other comprehensive income of the entity and the dividends collected.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Supervisory Board of the Parent that makes strategic decisions. Supervisory Board of the Parent meets at least once in a month.

Financial assets

Classification

The Group classifies its financial assets at initial recognition and measures subsequently assets at amortised cost.

The classification depends on the Group’s business model for managing the financial assets and the contractual terms of the cash flows.

Impairment of financial assets

Impairment loss model is used for financial assets measured at amortised cost. Financial assets measured at amortised cost include receivables, cash and cash equivalents.

The Group measures loss allowances as follows:

- for trade receivables at an amount equal to lifetime expected credit losses (ECLs);
- for cash and cash equivalents that are determined to have low credit risk at the reporting date (the management considers ‘low credit risk’ to be an investment grade credit rating with at least one major rating agency) at an amount equal to 12-month ECLs;
- for all other financial assets at an amount of 12-month ECLs, if the credit risk (i.e. the risk of default occurring over the expected life of the financial asset) has not increased significantly since initial recognition; if the risk has increased significantly, the loss allowance is measured at an amount equal to lifetime ECLs.

Inventories

Inventories are initially recognised at cost which includes the purchase price, the related customs duties and other non-refundable taxes and costs of transportation directly attributable to the acquisition of inventories, less any discounts and volume rebates. The FIFO method is used to account for the cost of industrial goods inventories and the cost of food products. In the car trade segment, the cost of spare parts is recognised by means of the weighted average acquisition cost method and that of cars is recorded on individual cost basis. Inventories are measured in the balance sheet at the lower of acquisition/production cost and net realisable value. The net realisable value is the estimated sales price less estimated expenditures for completion and sale of the product.

Investment property

The property (land or a building) held by the Group for earning long-term rental yields or for capital appreciation, rather than using it in its own operations, is recorded as investment property. Investment property is initially recognised in the balance sheet at cost, including any directly attributable expenditure (e.g. notary fees, property transfer taxes, professional fees for legal services, and other transaction costs without which the transaction would have not taken place). Investment property is subsequently measured at fair value, based on the market price determined annually, based on the prices of recent transactions involving similar items (adjusting the estimate for the differences) or using the discounted cash flow method. Changes in fair value are recorded under profit or loss items “Other operating expenses”/“Other operating income”.

Investment property is derecognised on disposal or when the asset is withdrawn from use and no future economic benefits are expected. Gains or losses from the derecognition of investment property are included within other operating income or other operating expenses in the profit or loss in the period in which derecognition occurs. When the purpose of use of an investment property changes, the asset is reclassified in the balance sheet. From the date of the change, the accounting policies of the Group into which the asset has been transferred are applied to the asset. The Group is not capitalising borrowing costs to investment properties.

Property, plant and equipment

Property, plant and equipment are assets used in the operations of the Group with a useful life of over one year when it is probable that future economic benefits attributable to them will flow to the Group.

Land and buildings are carried using the revaluation method: after initial recognition, land and buildings are carried at the revalued amount, being the fair value of the assets at the date of revaluation less any accumulated depreciation and any impairment losses. Valuations are performed regularly by real estate experts at least once every four years. Earlier accumulated depreciation is eliminated on the date of revaluation and the former cost of the asset is replaced by its fair value on the date of revaluation.

The increase in the carrying amount of land and buildings as a result of revaluation is recognised in the statement of comprehensive income and accumulated in the equity item “Revaluation reserve“. The recoveries of value of such assets that have been written down through profit or loss are recognised in the profit or loss. Impairment of an asset is recognised in the statement of comprehensive income to the extent of the accumulated revaluation reserve of the same asset. The remaining amount is charged to the profit or loss. Each year, the difference in depreciation arising from the difference in historical cost and revalued amounts of assets is transferred from "Revaluation reserve" to "Retained earnings".

Items of property, plant and equipment are recognised at cost less any accumulated depreciation and any impairment losses. Other items of property, plant and equipment are initially recognised at cost which consists of the purchase price and any directly attributable expenditure.

For items of property, plant and equipment that necessarily take a substantial period of time to get ready for its intended use, the borrowing costs are capitalised in the cost of the asset. Capitalisation of borrowing costs is terminated when the asset is substantially ready to be used or its active development has been suspended for a longer period of time.

Subsequent expenditure incurred for items of property, plant and equipment are recognised as property, plant and equipment when it is probable that future economic benefits associated with the asset will flow to the company and the cost of the asset can be measured reliably. Other repair and maintenance costs are recognised as expenses at the time they are incurred.

The straight-line method is used for determining depreciation. The depreciation rates are set separately for each item of property, plant and equipment depending on its useful life. The ranges of useful lives for the groups of property, plant and equipment are as follows:

· Land and buildings	
- Land is not amortised	
- Buildings and facilities	10-50 years
incl. improvements of buildings	*12-23 years*
· Right of use assets – properties	rental period, 2-18 years
· Machinery and equipment	3-7 years
· Other fixtures and fittings	
- IT equipment and software	3-7 years
- Vehicles and fixtures	5 years
- Capitalised improvements on rental premises	4-10 years

Depreciation is started when the asset is available for use for the purpose intended by management and is ceased when the residual value exceeds the carrying amount, when the asset is permanently withdrawn from use or upon its reclassification as held for sale. On each balance sheet date, the appropriateness of the depreciation rates, the depreciation method and the residual value are reviewed.

Management assesses on each balance date whether there is any known indication of the impairment of non-current assets. When indications of impairment exist, management determines the recoverable amount of non-current assets (i.e. higher of the fair value of the asset less costs to sell and its value in use). When the recoverable amount is lower than the carrying amount, the items of property, plant and equipment are written down to their recoverable amount. An impairment loss recognised in previous period is reversed when there has been a change in the estimates that form the basis for determining recoverable value.

Intangible assets

Purchased intangible assets are initially recognised at cost which includes the purchase price and any directly attributable expenditure. The cost of intangible assets acquired in a business combination is their fair value at the time of the business combination. After initial recognition, intangible assets are recognised at cost less any accumulated amortisation and any impairment losses.

The straight-line method is used for amortising intangible assets with finite useful lives. The useful lives are as follows:

· Trademark	7 years
· Beneficial agreements	7 years
· Capitalised development expenditure	5 years

Impairment of assets

Assets that are subject to depreciation and land are assessed for possible impairment when there is any indication that the carrying amount of the asset may not be recoverable. Whenever such indication exists, the recoverable amount of the asset is assessed and compared with the carrying amount. An impairment loss is recognised in the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of the asset is the higher of its fair value less costs to sell and its value in use. An impairment test is performed for the smallest identifiable group of assets for which cash flows can be determined (cash-generating unit). On each following balance sheet date, the test is repeated for the assets that have been written down to determine whether their recoverable amount has increased.

Financial liabilities

Financial liabilities (trade payables, other current and non-current liabilities) are initially recognised at cost, less transaction costs. They are subsequently measured at amortised cost, using the effective interest rate method.

The amortised cost of current financial liabilities generally equals their nominal value, therefore current financial liabilities are carried in the balance sheet in their redemption value. For determining the amortised cost of non-current financial liabilities, they are initially recognised at the fair value of the consideration received (less any transaction costs), calculating interest expense on the liability in subsequent periods using the effective interest rate method.

Leases

The Group is as lessee or as lessor in lease agreements. The Group leases offices, machinery and equipment, vehicles.

The Group as the lessee

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At the commencement date, a lessee shall measure the right-of-use asset at cost.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

After the commencement date, a lessee measures the right-of-use asset applying a cost model.

To apply a cost model, a lessee measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The lessee shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group has elected not to apply the requirements of IFRS 16 to short-term leases and leases for which the underlying asset is of low value. Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise of IT equipment.

The Group as the lessor

Assets leased out under operating lease terms are recognised in the balance sheet analogously to property, plant and equipment. They are depreciated over their expected useful lives on a basis consistent with similar assets. Operating lease payments are recognised as income on a straight-line basis over the lease term.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of comprehensive income.

Sublease

When the Group is an intermediate lessor, it accounts the head lease and the sublease separately. It assesses the classification of a sublease as a finance lease or an operating lease with reference to the right-of-use asset arising from the head lease. When subleases are classified as finance leases the Group derecognises the right-of-use asset relating to the head lease that it transfers to the sublessee and presents the net investment in the sublease under non-current receivables and prepayments in the statement of financial position. During the term of the sublease the Group recognises finance income on sublease based on pattern reflecting a constant period rate of return on the net investment in the lease.

For subleases classified as operating lease, the Group recognises the lease income on a straight-line basis over the lease term and includes them in revenue in the statement of comprehensive income.

Corporate income tax and deferred corporate income tax

Corporate income tax assets and liabilities, and income tax expenses and income include current (payable) income tax and deferred income tax. Income tax payable is classified as a current asset or a current liability, and deferred income tax as a non-current asset or a non-current liability.

Group's Estonian entities

In accordance with applicable laws of the Republic of Estonia, the Estonian entities do not pay income tax on profits. Instead of the income tax payable on profits, the Estonian entities pay corporate income tax on dividends, fringe benefits, gifts, donations, costs of entertaining guests, non-business related disbursements and adjustments of the transfer price. As of 01 January 2015 the current tax rate is 20/80 on the amount paid out as net dividends. From 2019, tax rate of 14/86 can be applied to dividend payments. The more beneficial tax rate can be used for dividend payments in the amount of up to the average dividend payment during the three preceding years that were taxed with the tax rate of 20/80. When calculating the average dividend payment of three preceding years, 2018 will be the first year to be taken into account.

Corporate income tax paid on dividends is recognized in the statement of comprehensive income as an income tax expense and in the statement of financial position as a deferred income tax liability to the extent of the planned dividend payment. An income tax liability is due on the 10th day of the month following the payment of dividends.

Deferred income tax is provided on post-acquisition retained earnings and other post acquisition movements in reserves of subsidiaries, except where the Group controls the subsidiary's dividend policy and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

The Group controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their disposal. The Group does not recognise deferred tax liabilities on such temporary differences except to the extent that management expects the temporary differences to reverse in the foreseeable future.

The maximum income tax liability which would accompany the distribution of Company's retained earnings is disclosed in Note 29 to the consolidated financial statements.

Corporate income tax in Lithuania

In Lithuania, corporate profits are subject to income tax. The corporate income tax rate is 15% in Lithuania on taxable income. Taxable income is calculated by adjusting profit before tax for permanent and temporary differences as permitted by local tax laws.

For Lithuanian subsidiaries, the deferred income tax assets and liabilities are determined for all temporary differences between the tax bases of assets and liabilities and their carrying amounts on the balance sheet date. Deferred corporate income tax is calculated on the basis of tax rates applicable on the balance sheet date and current legislation, expected to prevail when the deferred tax assets are settled. Deferred tax assets are recognised in the balance sheet only when it is probable that future taxable profit will be available against which the deductions can be made.

Corporate income tax in Latvia

In accordance with the tax law effective until 2017, profits of entities in Latvia were taxable with income tax. Therefore, until that, deferred tax was provided for on all temporary differences arising between the tax bases of assets and liabilities of Latvian subsidiaries and their carrying amounts in the consolidated financial statements. In accordance with the new Corporate Income Tax Law, starting from 1 January 2018, corporate income tax with a rate of 20/80 is levied on profits arisen after 2017 only upon their distribution. Transitional provisions of the law allow for reductions in the income tax payable on dividends, if the entity has unused tax losses or certain provisions recognised by 31 December 2017.

Due to the new tax law, there is no longer differences between the tax bases and carrying amounts of assets and liabilities, and hence, deferred income tax assets and liabilities no longer arise in respect of subsidiaries in Latvia. All deferred tax assets and liabilities recognised in previous periods were derecognised in 2017 and related income tax expense/income was recorded in the statement of profit or loss or in other comprehensive income/equity in respect of deferred income tax assets/liabilities recognised through other comprehensive income/equity.

Deferred income tax is provided on post-acquisition retained earnings and other post acquisition movements in reserves of subsidiaries, except where the Group controls the subsidiary's dividend policy and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

The Group controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their disposal. The Group does not recognise deferred tax liabilities on such temporary differences except to the extent that management expects the temporary differences to reverse in the foreseeable future.

Minimum Corporate Tax

The European Union disclosed a directive enforcing the minimum corporate tax requirement in December 2021, and in May 2022, the European Parliament approved new rules for establishing a general minimum corporate tax rate. Based on the currently available information, Estonia has the right to postpone the implementation of this regulation until 2030.

Revenue recognition

Revenue is income arising in the course of the Group's ordinary activities. Revenue is measured in the amount of transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange of transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a good or service to a customer.

Sale of goods – retail

Revenue from the sale of goods is recognised at the time when a sales transaction is completed for the client in a retail store. The client generally pays in cash, by credit card or with bank transfer. The probability of returning goods is estimated at specific commodity group level according to the historical volume of returns (expected value method), and returns are recognised in the period of the sales transaction as a reduction of revenue, by recognising a contract liability (refund liability) and a right to the returned goods. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date. Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur.

The Group's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision. As at 31.12.2023 and 31.12.2022, there is no material guarantee provision.

If the Group provides any additional services to the customer after control over the goods has passed, revenue from such services is considered to be a separate performance obligation and is recognised over the time of the service rendering.

Sale of goods – wholesale

The Group's wholesale mainly consist of car sales to the dealers and other wholesale. Sales are recognised when control of the products has transferred, being when the products are delivered to the dealers, the dealer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the dealer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the dealer, and the dealer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The probability of returning goods is estimated at specific commodity group level according to the historical volume of returns (expected value method), and returns are recognised in the period of the sales transaction as a reduction of revenue, by recognising a contract liability (refund liability) and a right to the returned goods. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date. Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur.

The Group's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision. As at 31.12.2023 and 31.12.2022, there is no material guarantee provision.

If the Group provides any additional services to the customer after control over the goods has passed, revenue from such services is considered to be a separate performance obligation and is recognised over the time of the service rendering.

Sale of services

The Group provides security and car services under fixed-price and variable price contracts. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the contract includes an hourly fee, revenue is recognised in the amount to which the company has a right to invoice. Customers are invoiced on a monthly basis or at the completion of works and consideration is payable when invoiced. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

Accounting for customer loyalty programme

The Group implemented a loyalty programme for customers, which allows Partner Card holders to earn points for purchases and use these points to pay for their future purchases in the Group's four companies. When paying for the purchases, one bonus point equals one euro cent. Points earned during a calendar year will expire at the end of January of the following calendar year. A contract liability for the award points is recognised at the time of the sale. Revenue is recognised and contract liability derecognised when the points are redeemed or when they expire. The transaction price is allocated to the goods sold and the award points on the basis of their relative stand-alone selling prices.

Government grants

Government grants are aid given by governments in the form of making certain resources available to entities. To obtain it, the business operations of an entity need to comply with certain predetermined criteria. Government grants do not include government aid the value of which cannot be reliably estimated (e.g. state guarantees and free government consultations) and economic transactions concluded with the public sector on an arm's length basis.

A government grant is recognised at fair value, when there is reasonable assurance that the grant will be received, and the Group will comply with all attached conditions. Grants related to income are recognised as income over the periods necessary to match them with the costs which they are intended to compensate.

Financing component

The Group does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Consequently, the Group does not adjust any of the transaction prices for the time value of money.

Note 3 Critical accounting estimates and judgements

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates and judgments by management, which impact the amounts reported in the financial statements. It also requires management to exercise its judgment and make estimates in the process of applying the Group's accounting policies and measurement bases. Although these estimates have been made to the best knowledge of management, they may not coincide with subsequent actual results. Changes in management estimates are included in the profit or loss of the period in which the change occurred.

The areas requiring key management judgments and estimates which have a direct impact on the amount reported in the financial statements are as follows:

- *Determination of the revalued value of land and buildings:* the Group accounts for land and buildings using the revaluation method. For this purpose, management regularly evaluates whether the fair value of revalued non-current assets does not significantly differ from their carrying amount. Management uses internal and external expert opinions to determine the fair value of revalued non-current assets.
- As a result of the valuation performed in the reporting period, the value of land and buildings located in Estonia (carrying value: 196,442 thousand euros as at 31.12.2023) increased by 12,416 thousand euros, which was identified through other comprehensive income. As a result of the valuation performed in 2023, the value of land and buildings located in Latvia (carrying value: 13,231 thousand euros as at 31.12.2023) decreased by 427 thousand euros, which was identified through other comprehensive income and increase through profit and loss by 718 thousand euros. As a result of the valuation performed in 2022 the land and buildings located in Estonia (carrying value: 183,418 thousand euros as at 31.12.2022) was adjusted neither upwards nor downwards. As a result of the valuation performed in 2022, the value of land and buildings located in Latvia (carrying value: 13,343 thousand euros as at 31.12.2022) was adjusted neither upwards nor downwards. For the land and buildings located in Lithuania with carrying value of 1,877 thousand euros as at 31.12.2023 (31.12.2022: 1,877 thousand euros) the valuation did not reveal any significant differences between fair value and carrying value. As at 31.12.2023 the carrying value of land and buildings using revaluation method was 211,550 thousand euros (31.12.2022: 198,638 thousand euros). More detailed information is disclosed in Note 13.
- *Assessment of impairment of buildings under construction:* at each balance sheet date, the Group assesses whether any indications exist of possible impairment of buildings under construction. If such indications exist, an impairment test is also performed at each balance sheet date on assets that have been previously impaired. For estimation of the value, the items' value in use is determined. For determining the value in use, the discounted cash flow method is used. Internal and external valuers were used for determining the value in use.
- As a result of the impairment test performed in the reporting period, buildings under construction located in Estonia, with carrying value of 8,410 thousand euros as at 31.12.2023, the impairment loss of one object was identified in the amount of 163 thousand euros. The carrying value of the buildings under construction located in Latvia (carrying value: 6,273 thousand euros as at 31.12.2023) the need for reversal of an impairment loss recognized in previous years in the amount of 88 thousand euros of two objects was identified. As regards of three objects, the impairment loss was recognised in the amount of 37 thousand euros. As a result of the impairment test performed in 2022, buildings under construction located in Estonia, with carrying value of 7,257 thousand euros as at 31.12.2022, the need for reversal of an impairment loss recognized in previous years in the amount of 130 thousand euros of one object was identified and as regards of one object impairment loss was recognised in the amount of 8 thousand euros. The carrying value of the buildings under construction located in Latvia (carrying value: 6,173 thousand euros as at 31.12.2022) the need for reversal of an impairment loss recognized in previous years in the amount of 91 thousand euros of two objects was identified. As regards of two objects, decrease in value in use was identified in the amount of 5 thousand euros. Buildings under construction located in Lithuania with carrying value of 167 thousand euros as at 31.12.2023 (carrying value: 131 thousand euros as at 31.12.2022) showed no significant differences between value in use and carrying value in current period and 2022. See more detailed information in Note 13.

- *Assessment of impairment of goodwill:* at least annually, the Group evaluates possible impairment of goodwill which arose in the acquisition of subsidiaries. For determining the value in use, management has forecasted future cash flows of cash-generating units and selected an appropriate discount rate for determining the present value of cash flows. As at 31.12.2023, the carrying value of goodwill was 19, 049 thousand euros (31.12.2022: 16,869 thousand euros). In 2023 and 2022, no recognition of impairment of goodwill was necessary. More detailed information is disclosed in Note 9 and 14.

Note 4 Management of financial risks

The Group's activity may be associated with exposure to several financial risks, of which liquidity risk, credit risk and market risk (including foreign exchange rate risk, interest rate risk and price risk) have the most significant impact. Managing financial risks falls within the competence of the management board of the parent company, and it involves identification, measurement and management of risks. The objective of financial risk management is the mitigation of financial risks and reducing the volatility of financial performance results. The supervisory board of the parent company oversees that measures are taken by the management board to manage risks. The Group systematically analyses and manages risks through the financial unit, which is involved in financing the parent company and its subsidiaries, and consequently, in managing liquidity risk and interest rate risk. Managements and financial units of subsidiaries also analyse and manage risks. Assistance of specialists of the principle shareholder NG Investeeringud OÜ is used in risk management.

Financial assets of the Group comprise cash and cash equivalents (Note 5), trade receivables (Note 7), other short-term receivables (Note 6) and other long-term receivables (Note 11). All financial liabilities of the Group are gathered under the category "Other financial liabilities" and they include loan liabilities (Note 15), trade creditors (Note 17), interest payable, other accrued expenses and tenant security deposits (Note 17).

Market risk

Foreign currency risk

Foreign exchange risk is a risk that the fair value of financial instruments or cash flows will fluctuate in the future due to changes in foreign exchange rates. The financial assets and liabilities denominated in euros are deemed to be financial assets and liabilities free of foreign exchange risk. To manage the foreign exchange risk of the Group, most of the contracts are concluded in euros. Also, all loan agreements are denominated in euro and are therefore considered to be free of foreign exchange risk. As of the end of the accounting period, the Group did not have any major financial assets and liabilities fixed in some other currency than the euro. The Group has assessed its foreign-exchange risks in current financial year and does not see any reason to use additional measures to manage the foreign exchange risk.

Cash flow and fair value change interest rate risk

Interest rate risk is such risk whereby an increase in interest expenses due to higher interest rates may significantly impact the profitability of the Group's operations. The Group's interest-rate risk mainly arises from long-term loan commitments.

The Group's long-term loans are primarily tied to EURIBOR, therefore, the Group is dependent on the developments in international financial markets. In managing the Group's interest rate risk, it is important to monitor the changes in the money market interest rate curve, which reflects the expectations of market participants in respect of market interest rates and enables to evaluate the trend of formation of EUR interest rates.

In 2023, the 6-month EURIBOR continued growth from 2.732% at the beginning of the year to the year-end 3.861%. The 6-month EURIBOR, which reached a maximum of 4.143% in October 2023, has since then begun to decline slowly and has continued to decline gradually in early 2024. Business analysts estimate that 6-month EURIBOR may fall to the 3% limit in 2024.

Had the interest rates for financial liabilities with a floating interest rate been 1 percentage point higher as at 31 December 2023 (31 December 2022: 1 percentage point), the Group's financial cost would have increased by 1,242 thousand euros (2022: 1,025 thousand euros). Had the interest rates been 0.1 percentage point lower as at 31 December 2023, the Group's financial cost would have decreased by 124 thousand euros (as at 31 December 2022 changed by 0.1 percentage point and by 102 thousand euros).

During the interest rate analysis, different options to hedge risks are considered. Such options include refinancing, renewal of existing positions, fixed interest loans and alternative financing. During the financial year and the previous financial year, the management evaluated and recognised the extent of the interest-rate risk. However, the Group has found that the mentioned interest rate changes do not have a significant impact on the Group's financial results.

The borrowings of the Group are exposed to changes in interest rate risks as follows:

in thousands of euros

	31.12.2023	31.12.2022
Interest rates in 3 months	14,201	12,785
Interest rates in 3 - 6 months	124,141	97,322
Total borrowings at floating interest rate	**138,342**	**110,107**
Total borrowings	**307,677**	**287,932**

Credit risk

Credit risk is defined as the risk that the Group will suffer as financial loss caused by the other party of a financial instrument who is unable to meet its liabilities.

The Group is exposed to credit risk arising from its operating (mainly receivables) and investing activities, including deposits in banks and financial institutions. The management of the Group manages the credit risk arising from deposits in banks and financial institutions in compliance with the Group's strategy, according to which the Group may invest available funds only into financial instruments that meet the following criteria:

- deposits and cash in bank accounts in domestic credit institutions – the domestic credit institution has an activity licence as required by the Credit Institutions Act and the credit rating of its parent bank by Moody's rating agency is at least A2 and the rating perspective is set at least as stable or equivalent;
- deposits and cash in bank accounts in foreign credit institutions– the credit rating of the foreign credit institution as provided by Moody's rating agency is at least A2 and the rating perspective is set at least as stable or equivalent.

In the allocation of short term liquid funds the following principles are followed in the order of priority:

- assuring liquidity;
- capital retention;
- earning income.

The Group does not keep more than 70% of its assets (including money in the bank account, deposits and investments in the bonds of the relevant bank) in one bank to manage the credit risk.

Cash and cash equivalents by the credit rating of the depositing bank in thousands of euros:

	31.12.2023	31.12.2022
Aa2	933	3,004
Aa3	39,869	18,136
A3	1	2
Total	**40,803**	**21,142**

Credit rating is given to deposits. The data is from the website of Moody's Investor Service.

Due to the specific nature of retail sales, the Group is not exposed to any major credit risk. Possible credit risk related to receivables is primarily attributable to non-collection of rental income, but this risk does not represent a major risk for the Group. As at 31 December 2023, the maximum credit risk arising from receivables is in the amount of 22,743 thousand euros (2023: 20,460 thousand euros).

The aging structure of receivables is as follows, in thousands of euros:

	31.12.2023	31.12.2022
Not due	19,375	19,083
Incl. receivables from card payments	*2,710*	*2,918*
Incl. trade receivables	*16,378*	*15,527*
Incl. other receivables	*287*	*638*
Overdue < 3 months	3,097	1,293
Overdue 3 - 6 months	114	30
Overdue 6 - 12 months	100	32
Overdue > 12 months	57	22
Total receivables	**22,743**	**20,460**

The receivables arising from card payments are secured by the card payment agreement of Swedbank AS, ensuring the receipt of card payments during two banking days. Other receivables are secured by merchandise contracts and they do not carry credit risk because the Group's liabilities to the same contractual partners exceed the receivables due from them.

Customers with overdue receivables are also the Group's suppliers whose liabilities exceed the amount of receivables. See also Note 6 and 11.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses (ECLs), the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking (including macroeconomic) information. The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

The discount on cash and bank accounts and receivables at 31 December 2022 on the basis of the principles described above was insignificant.

Liquidity risk

Liquidity risk is risk that the Group is unable to meet its financial liabilities due to cash flow shortages.

Liquidity, i.e. the existence of adequate financial resources to settle the liabilities arising from the activities of the Group is one of the priorities of Tallinna Kaubamaja Grupp AS. For more efficient management of the Group's cash flows, joint group accounts of the Parent and its subsidiaries have been set up at the banks which enable the members of the group accounts to use the monetary funds of the Group within the limit established by the Parent. In its turn, this group as a subgroup has joined the group account of NG Investeeringud OÜ. To manage liquidity risk, the Group uses different sources of financing, including bank loans, overdraft, regular monitoring of trade receivables and delivery contracts.

The Group's operating units forecast their cash flows on an ongoing basis and they are added to the cash flow forecasts of the Group's parent company in the Group's financial unit. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, at all times so that the Group does not breach borrowing limits or covenants.

Analysis of the Group's undiscounted financial liabilities by maturity dates:

In thousands of euros	**< 3 months**	**3-12 months**	**1-3 years**	**3-5 years**	**after 5 years**	**Total 31.12.2023**
Borrowings	8,089	29,170	75,624	42,804	0	155,687
Lease liabilities	5,631	17,031	45,092	39,804	86,266	193,824
Financial liabilities (Note 17)	86,724	0	0	0	0	86,724
Total	**100,444**	**46,201**	**120,716**	**82,608**	**86,266**	**436,235**
In thousands of euros	**< 3 months**	**3-12 months**	**1-3 years**	**3-5 years**	**after 5 years**	**Total 31.12.2022**
Borrowings	8,877	73,804	25,286	14,189	0	122,156
Lease liabilities	5,183	15,638	42,194	41,568	87,389	191,972
Financial liabilities (Note 17)	86,393	0	0	0	0	86,393
Total	**100,453**	**89,442**	**67,480**	**55,757**	**87,389**	**400,521**

For calculating future cash flows, the floating interest rates prevailing at the balance sheet date of 31.12.2023 and 31.12.2022, have been used.

As at the end of the financial year, the Group had available funds in cash and cash equivalents in the amount of 42,064 thousand euros (2022: 22,436 thousand euros). As of 31.12.2023, the Group had undrawn borrowing facilities in the amount of 15,000 thousand euros (2022: 9,478 thousand euros). The Group follows its established credit risk management strategy when investing its cash flow surplus. As of 31.12.2023, the Group had placed no deposits into the joint group account through its parent company NG Investeeringud OÜ (31.12.2022: 0 euros).

As of December 31, 2023, the working capital was positive 2,493 thousand euros (2022: negative 69,726 thousand euros). The improvement in the working capital position was based on the Group's positive cash flow and the refinancing of the loans that negatively affected the working capital position at the end of 2022. The group's liquidity ratio (current assets less inventories/current liabilities) was 0.42 in 2023, a significant improvement from 2022's figure of 0.24. The coverage of short-term liabilities has significantly improved due to the normalization of the level of short-term liabilities in accordance with normal business activities. In 2022, the liquidity ratio was low due to the calculated final payments of loans refinanced in the reporting year.

Capital management

The Group's primary goal of capital (both debt and equity) management is to ensure a strong capital structure, which would support the stability of the Group's business operations and continuity of its operations, and would optimise the capital structure, lower the cost of capital and thereby protect the interests of shareholders. To preserve and adjust the capital structure, the Group may regulate the dividends payable to the shareholders, resell shares, issue new shares or sell assets to cover liabilities.

Following a common practice in retail business, the Group uses the debt to equity ratio, which is calculated as net debt to total capital (which is equity plus net debt), to monitor its proportion of capital. As at 31 December 2023, the ratio was 50% and compared to 31 December 2022 when the ratio was also 52%, the ratio has remained largely unchanged. According to the management estimation, the capital structure is optimal and does not need to be adjusted.

in thousands of euros

	31.12.2023	**31.12.2022**
Interest-bearing liabilities (Note 15)	307,677	287,932
Cash and cash equivalents (Note 5)	-42,064	-22,436
Net debt	**265,613**	**265,496**
Equity	263,376	241,659
Total equity and net debt	**528,989**	**507,155**
Debt to equity ratio*	50%	52%

**Debt to equity ratio = Net debt / Total equity and interest-bearing borrowings*

Fair value of financial instruments

Management estimates that the carrying amount of the Group’s financial assets and liabilities does not significantly differ from their fair value. Trade receivables and payables are short-term and therefore the management estimates that their carrying amount is close to their fair value. Most of the Group’s long-term borrowings are based on floating interest rates, which change according to the market interest rate. According to management's opinion, the Group's risk margins have not significantly changed compared to the time when the loans were received and the Group's interest rates on borrowings correspond to market conditions. Based on the above, the management estimates that the fair values of long-term payables and receivables are an approximation of their carrying amount. To determine the fair value, a discounted cash flow analysis has been used, by discounting contractual future cash flows with current market interest rates that are available to the Group for using similar financial instruments. Fair value of financial instruments is level 2.

Note 5 Cash and cash equivalents

in thousands of euros

	31.12.2023	31.12.2022
Cash on hand	1,261	1,294
Bank accounts	3,252	19,707
Overnight deposit	36,088	0
Cash in transit	1,463	1,435
Total cash and cash equivalents (Note 4)	**42,064**	**22,436**

Note 6 Trade and other receivables

in thousands of euros

	31.12.2023	31.12.2022
Trade receivables (Note 7)	22,456	19,822
Other short-term receivables	286	570
Total financial assets from balance sheet line “Trade and other receivables”	**22,742**	**20,392**
Prepayment for inventories	1,619	5,250
Other prepaid expenses	1,150	1,510
Prepaid rental expenses	17	10
Prepaid taxes (Note 18)	40	38
Total trade and other receivables	**25,568**	**27,200**

Note 7 Trade receivables

in thousands of euros

	31.12.2023	31.12.2022
Trade receivables	19,355	16,509
Provision for impairment of trade receivables	-151	-13
Receivables from related parties (Note 26)	542	408
Credit card payments (receivables)	2,710	2,918
Total trade receivables (Note 6)	**22,456**	**19,822**

Note 8 Inventories

in thousands of euros

	31.12.2023	31.12.2022
Goods purchased for resale	97,478	88,460
Tare and materials	776	734
Total inventories	**98,254**	**89,194**

The profit or loss line "Cost of merchandise" includes the allowances and write-off expenses of inventories and inventory stocktaking deficit which in 2023 amounted to 16,361 thousand euros (2022: 14,877 thousand euros).

The basis for inventory write-down is their aging structure and in case of fashion goods, the seasonality. The carrying amount of inventories is adjusted through the allowance account. As at 31 December 2023, the allowance account amounted to 931 thousand euros (31.12.2022: 1,002 thousand euros) and amount of these asset recognised at net realisable value amounted to 19,871 thousand euros (31.12.2022: 16,965 thousand euros).

The Group's "Cost of merchandise" in 2023 amounted 686,000 thousand euros (2022: 624,435 thousand euros). The Group recognises as the "Cost of merchandise" the cost of purchased passenger cars, food and industrial goods, packing material, cost of finished goods, logistics and transportation, and write off of inventories.

Inventories have been partially pledged as part of the commercial pledge and a security deposit of inventories was set as a pledge for the financing agreements; information on pledged assets is disclosed in Note 25.

Note 9 Subsidiaries

Tallinna Kaubamaja Grupp AS as at 31.12.2023 consists of:

Name	Location	Area of activity	Ownership 31.12.2023	Year of acquisition or foundation
Selver AS	Estonia, Tallinn	Retail trade	100%	1995
TKM Kinnisvara AS	Estonia, Tallinn	Real estate management	100%	1999
TKM Kinnisvara Tartu OÜ	Estonia, Tartu	Real estate management	100%	2004
SIA TKM Latvija	Latvia, Riga	Real estate management	100%	2006
TKM Auto OÜ	Estonia, Tallinn	Commercial and finance activities	100%	2007
KIA Auto AS	Estonia, Tallinn	Wholesale trade	100%	2007
Forum Auto SIA	Latvia, Riga	Retail trade	100%	2007
Motus auto UAB	Lithuania, Vilnius	Retail trade	100%	2007
TKM Beauty OÜ	Estonia, Tallinn	Retail trade	100%	2007
TKM Beauty Eesti OÜ	Estonia, Tallinn	Retail trade	100%	2007
Kaubamaja AS	Estonia, Tallinn	Retail trade	100%	2012
Kulinaaria OÜ	Estonia, Tallinn	Centre kitchen activities	100%	2012
Viking Motors AS	Estonia, Tallinn	Retail trade	100%	2012
Viking Security AS	Estonia, Tallinn	Security activities	100%	2014
UAB TKM Lietuva	Lithuania, Vilnius	Real estate management	100%	2017
Verte Auto SIA	Latvia, Riga	Retail trade	100%	2017
TKM Finants AS	Estonia, Tallinn	Commercial and finance activities	100%	2020
Walde AS	Estonia, Tallinn	Security activities	100%	2023

Business combinations

Tallinna Kaubamaja Grupp AS performed the intragroup restructuring of two Tallinna Kaubamaja Grupp subsidiaries Selver AS and TKM King AS. The merger decisions of Selver AS (the acquiring company) and TKM King AS (the company being acquired) were adopted on 9 August 2022 and an entry of the merger in the commercial register was made on 26 September 2022.

Pursuant to the merger agreement concluded on 7 July 2022, the legal successor of TKM King AS is Selver AS and, with the entry of the merger in the commercial register, all the assets of TKM King AS were wholly transferred to Selver AS. Due to the merger, TKM King AS was deleted from the commercial register on 26 September 2022. TKM King AS retail stores were closed and TKM King AS existing wholesale business was merged with Selver AS.

Business combinations in 2023:

Name	Location	Area of activity	Acquisition date	Ownership %
AS Walde	Estonia	Security activities	15.02.2023	100%
Skarabeus Julgestusteenistus OÜ	Estonia	Security activities	13.07.2023	100%
Caesar Turvateenistuse AS	Estonia	Security activities	16.08.2023	100%

Tallinna Kaubamaja Grupp AS acquired on 15.02.2023 year 100% of the shares of AS Walde. AS Walde is a wholesaler of security systems, which is a certified distributor of 2N Telekomunikace, Honeywell and Anixter equipment, among others.

The acquisition of the shareholding of AS Walde enables Tallinna Kaubamaja Grupp to further strengthen its field of security services, which has been one of the Tallinna Kaubamaja Grupp's fastest growing business lines in recent years. The transaction creates opportunities to bring new products to the market and develop security system wholesale operations. The business of AS Walde will continue in its current form, and there will be no changes in the composition of AS Walde employees in connection with the transaction.

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

in thousands of euros	**Fair value 28.02.2023**
Cash and cash equivalents	52
Trade receivables	300
Inventories	349
Property, plant and equipment	23
Trademark (Note 14)	153
Liabilities	-132
Total identifiable net assets	**745**
Consideration of ownership interest	745
Paid for ownership interest in cash	**596**
Payable in future for the ownership interest in cash	149
Cash and cash equivalents in the acquired entity	-52
Net outflow of cash – investing activities	**-544**
Payable in future for the ownership interest in cash	149

Trademark 153 thousand euros was acquired (Note 14).

Tallinna Kaubamaja Grupp AS subsidiary Viking Security AS acquired on 13.07.2023 100% of the shares of Skarabeus Julgestusteenistus OÜ. Skarabeus Julgestusteenistus OÜ is a nationwide security company with departments in Tallinn, Tartu, Pärnu and Central Estonia that provides manned guarding, patrol and technical surveillance services. The acquisition of Skarabeus Julgestusteenistus OÜ enables Viking Security AS to strengthen its business in all areas of activity. The merging of the two companies gives positive synergy through the fusion of strong industry know-how, the growth of operational capability and cost-effectiveness. The transaction creates an opportunity to continue successful growth and develop new services.

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

in thousands of euros	**Fair value 30.06.2023**
Cash and cash equivalents	6
Trade receivables	275
Other receivables	15
Inventories	25
Property, plant and equipment	371
Liabilities	-697
Total identifiable net assets	**-5**
Consideration of ownership interest	1,622
Goodwill (Note 14)	1,627
Paid for ownership interest in cash	**1,316**
Payable in future for the ownership interest in cash	306
Cash and cash equivalents in the acquired entity	-6
Net outflow of cash – investing activities	**-1,310**
Payable in future for the ownership interest in cash	306

Goodwill 1,627 thousand euros was acquired (Note 14).

Tallinna Kaubamaja Grupp AS (hereinafter TKM Group) subsidiary Viking Security AS acquires 100% of the shares of Caesari Turvateenistuse Aktsiaselts. Caesari Turvateenistuse Aktsiaselts is one of the oldest security companies established in Estonia, which has provided security services since 1994. The company provides manned guarding, patrol and technical surveillance services as well as construction and maintenance of security systems in Harju County. The acquisition of Caesari Turvateenistuse Aktsiaselts further strengthens Viking Security AS' business in different areas of activity.

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

in thousands of euros	**Fair value 31.08.2023**
Cash and cash equivalents	13
Trade receivables	34
Inventories	17
Property, plant and equipment	5
Liabilities	-140
Total identifiable net assets	**-71**
Consideration of ownership interest	482
Goodwill (Note 14)	553
Paid for ownership interest in cash	**416**
Payable in future for the ownership interest in cash	66
Cash and cash equivalents in the acquired entity	-13
Net outflow of cash – investing activities	**-403**
Payable in future for the ownership interest in cash	66

Goodwill 553 thousand euros was acquired (Note 14).

To increase efficiency, the plan is to merge the activities of Skarabeus Julgestusteenistus OÜ and Caesari Turvateenistuse AS in the group that are involved in security business. Both Skarabeus Julgestusteenistus OÜ and Caesari Turvateenistuse AS (companies to be acquired) merged into Viking Security AS (acquiring company). The merger agreement related to the above-mentioned merger was signed on 26.09.2023. The merger registered in the Commercial Registry 13 December 2023.

The merged company will continue providing high-quality security services. The resulting synergy will allow us to provide our clients with increasingly better and perfected solutions and continue the successful growth of the company thus far.

Ownership of subsidiaries as at 31.12.2023 has remained the same as at 31.12.2022.

Note 10 Investments in associates

Tallinna Kaubamaja Grupp AS has ownership of 50% (2022: 50%) interest in the entity AS Rävala Parkla which provides the services of a parking house in Tallinn. The investment has been classified as associated company because the other owner has the power to appoint the members of supervisory board. See also Note 20.

in thousands of euros

	31.12.2023	31.12.2022
Investment in the associate at the beginning of the year	**1,722**	**1,745**
Profit for the reporting period under equity method	240	197
Dividends received	-230	-220
Investment in the associate at the end of the year	**1,732**	**1,722**

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

	31.12.2023	31.12.2022
Current assets	156	76
Property, plant and equipment	3,388	3,425
Current liabilities	59	57
Owners' equity	3,485	3,444
Revenue	638	540
Net profit	478	395

Note 11 Long-term trade and other receivables

in thousands of euros

	31.12.2023	31.12.2022
Prepaid rental expenses	205	198
Deferred tax asset	37	33
Other long-term receivables	1	68
Total long-term trade and other receivables	**243**	**299**

Note 12 Investment property

in thousands of euros

Carrying value as at 31.12.2021	**62,690**
Purchases and improvements	280
Net loss from fair value adjustment	653
Carrying value as at 31.12.2022	**63,623**
Purchases and improvements	896
Net loss from fair value adjustment	452

Carrying value as at 31.12.2023	**64,971**

Investment properties comprise with commercial buildings and constructions in progress in Estonia and Latvia, which the Group maintains predominantly for earning rental income and which are partially classified as investment properties and partially as property, plant and equipment. See also Note 20.

The cost of investments for the 12 months of 2023 amounted to 896 thousand euros (2022: 280 thousand euros).

During the reporting period, construction works on the roof of the building for the establishment of a solar energy production park and renovation of sports club of the Estonian real estate object in the Viimsi Centre amounted to 341 thousand euros. Renovation works were carried out in Tartu Kaubamaja centre in the amount of 161 thousand euros. In Rae County, Raudkivi tee 1, opening of car wash amounted to 394 thousand euros.

In 2022, renovation work was carried out for investment property in Estonia, in Tartu Kaubamaja 191 thousand euros and in Viimsi Centre 21 thousand euros. In 2022, renovation work was carried out for investment property in Latvia, Ogre for 68 thousand euros.

Assessment of fair value of the item Investment properties

Management assesses the fair value of investment properties every year. Fair values were determined based on the management's judgement, using the assessments of real estate experts for determining the inputs. To determine fair values, income approach (the discounted cash flow method) and market data (comparable transactions, rental income etc.) were used.

For estimating the value of investment properties located in Estonia, the valuations of a certified independent real estate expert was used regarding five objects (2022: 1 object). In 2022, for investment properties in Estonia, for two objects, the opinion of a real estate expert was used for the discount and capitalisation rates and for two objects in 2022 comparable transactions method was used for valuation. Discount rates 9.1%–9.3% (2022: 8.0%-8.5%) depending on the location of the property and rental income growth rate 0.0%-2.0% (2022: 0.0%-2.0%) were used for valuation. When determining the rental price input in the assessment of investment properties, the current rental agreements were used, which in the estimation of the management correspond to the market conditions.

For estimating the value of investment properties located in Latvia, the valuations of a certified independent real estate expert was used regarding two objects (2022: the valuations of a certified independent real estate expert was not used). The real estate expert provided an expert opinion with regard to the discount and capitalisation rates for two objects in 2023 (2022: for four objects). The discount rate 9.0%-10.0% (2022: 8.0%-9.0%) and rental income growth rates 1.5%–2.5% (2022: 1.5%-2.5%) were used in valuation. When determining the rental price input in valuation, the current rental agreement has been taken into account, which in the estimation of the management corresponds to the market conditions.

As a result of the valuation in 2023 in Estonia, the fair values of investment property increased in the amount of 1,129 thousand euros (2022: 694 thousand euros) and decreased in the amount of 664 thousand euros (2022: 0 euros).

As a result of the valuation in reporting period in Latvia, the fair values of investment property increased in the in the amount of 418 thousand euros (2022: 187 thousand euros) and decreased in the amount of 431 thousand euros (2022: 228 thousand euros).

Net fair value adjustment of investment property is recorded in profit or loss line "Other operating income" in the amount of 452 thousand euros in 2023 (2022: 653 thousand euros).

Group management has prepared fair value sensitivity analysis for investment properties. Accordingly if rental income would change +/-10% then the fair value of investment properties would change +5,955/-5,955 thousand euros (2022: +6,033/-6,033 thousand euros). If the discount rates used for determing fair value would change +/-0.5pp then the fair value of investment properties would change -1,123/+1,153 thousand euros (2022: -1,142/+1,173 thousand euros).

The Group's investment properties carried at fair value as at 31.12.2023 and 31.12.2022 are measured at level 3.

In 2023, the Group's rental income on investment properties amounted to 4,455 thousand euros (2022: 4,259 thousand euros). Direct property management expenses in 2023 amounted to 2,037 thousand euros (2022: 2,917 thousand euros).

Future operating lease rentals receivable under non-cancellable contracts break down as follows:

In thousands of euros	31.12.2023	31.12.2022
due in less than 1 year	4,449	4,400
due between 1 and 5 years	11,831	9,733
due after 5 years	5,272	1,794
Total	**21,552**	**15,927**

Investment property was partially used as collateral for the borrowings. More detailed information is disclosed in Note 25.

Note 13 Property, plant and equipment

in thousands of euros

	Land and buildings	Right-of use-assets: retail properties	Machinery and equip-ment	Other fixtures and fittings	Construction and projects in progress	Total
31.12.2021						
Cost or revalued amount	194,343	221,083	60,362	52,949	31,878	560,615
Accumulated depreciation and impairment	0	-50,464	-34,976	-34,846	-9,066	-129,352
Carrying value	**194,343**	**170,619**	**25,386**	**18,103**	**22,812**	**431,263**
Changes occurred in 2022						
Purchases and improvements	970	0	119	976	12,861	14,926
Addition to right-of use assets	0	5,959	0	0	0	5,959
Reclassification among property, plant and equipment groups	10,052	0	5,969	5,119	-21,140	0
Other reclassifications	0	0	328	0	0	328
Reclassification to intangible assets (Note 14)	0	0	0	0	-218	-218
Reclassification to inventory	0	0	-395	0	0	-395
Reclassification to property, plant and equipment from inventory	0	0	2,386	1	7	2,394
Disposals	0	0	-43	-6	0	-49
Write-offs	-6	0	-24	-25	0	-55
Decrease/increase in value through profit or loss	0	0	0	18	208	226
Adjustment to right-of use assets	0	4,942	0	0	0	4,942
Depreciation	-6,721	-19,384	-6,532	-6,084	0	-38,721
31.12.2022						
Cost or revalued amount	204,394	231,984	66,127	55,761	23,389	581,655
Accumulated depreciation and impairment	-5,756	-69,848	-38,933	-37,659	-8,859	-161,055
Carrying value	**198,638**	**162,136**	**27,194**	**18,102**	**14,530**	**420,600**
Changes occurred in 2023						
Purchases and improvements	7,264	0	8,904	7,101	772	24,041
Acquired through business combinations (Note 9)	0	0	270	16	0	286
Addition to right-of use assets	0	10,307	0	0	0	10,307
Other reclassifications	0	0	273	0	0	273
Reclassification to intangible assets (Note 14)	0	0	0	0	-1	-1
Reclassification to inventory	0	0	-360	0	0	-360
Reclassification to property, plant and equipment from inventory	0	0	1,871	1	15	1,887
Disposals	-30	0	-432	-6	0	-468
Write-offs	-87	0	-75	-70	0	-232
Decrease/increase in value through profit or loss	718	0	0	0	-112	606
Increase in value through revaluation reserve	11,989	0	0	0	0	11,989
Adjustment to right-of use assets	0	4,821	0	0	0	4,821
Depreciation	-6,942	-19,679	-7,186	-6,636	0	-40,443
31.12.2023						
Cost or revalued amount	211,550	247,112	73,723	59,922	24,175	616,482
Accumulated depreciation and impairment	0	-89,527	-43,264	-41,414	-8,971	-183,176
Carrying value	**211,550**	**157,585**	**30,459**	**18,508**	**15,204**	**433,306**

Investments in non-current assets

The cost of investments for the 12 months of 2023 amounted to 25,946 thousand euros (including purchases of property, plant and equipment in the amount of 24,041 thousand euros and purchases of intangible assets amounted to 1,905 thousand euros).

The cost of purchases of property, plant and equipment made in reporting period in the supermarkets business segment was 17,808 thousand euros. During the reporting period, Ringtee Selver in Tartu, Järve Selver in Tallinn, which offers the largest selection of food products in Estonia, and Delice, a food store in the Solaris Centre, underwent a thorough renovation. The stores were transferred to Selver's new energy-saving technical systems and interior design concept. Additionally, during the reporting period, Selver opened a hypermarket next to the IKEA department store in Kurna village. During the reporting period, computing equipment was purchased and the store fittings were renewed.

The cost of purchases of property, plant and equipment in the business segment of department stores amounted to 2,170 thousand euros. During the reporting period, a completely renovated I.L.U. beauty shop in Ülemiste Centre and in Kristiine centre was opened. Store furnishings and equipment were renewed during the reporting period.

The cost of purchases of property, plant and equipment in the reporting period was 1,339 thousand euros in the car trade business segment.

The cost of purchases of property, plant and equipment in the reporting period was 388 thousand euros in the security business segment.

The cost of purchases of property, plant and equipment in the real estate business segment amounted to 2,336 thousand euros. During the reporting period, real estate companies have made investments for more accurate measurement and management of the energy consumption of technical systems. Viimsi Centre and Pirita Selver solar park have been completed. The design work of the new Selver is underway in Tartu. TKM Kinnisvara AS started the development works of the logistics centre in Maardu for the needs of the Group.

In 2022 the Group received government grant for assets in the amount of 133 thousand euros. Government grants are recognized on a net basis.

TKM Kinnisvara AS, a subsidiary of Tallinna Kaubamaja Grupp AS, is planning to build a logistics centre with a gross area of 17,200 m2 on its immovable property located at 1 Paemurru Street in the city of Maardu. On 2023 August TKM Kinnisvara AS and AS Merko Ehitus Eesti signed a contract for the construction of the logistics centre. The value of the contract is approximately 20 million euros plus VAT. The logistics centre is built to serve the volumes of goods of the companies of TKM Group, primarily those of Selver AS, its subsidiary. The building is scheduled to be completed in autumn 2024.

At the year-end 2023, the fair value of “Land and buildings” and recoverable amount of “Buildings under construction” was assessed. The fair values of “Land and buildings” and the recoverable amounts of “Buildings under construction” (based on the value in use and fair value less selling expenses) were determined based on management’s judgment, using the estimates of real estate experts for determining the inputs to be used or the fair value of the items. The discounted cash flow model with market information (transactions, rental income, etc.) and/or market approach were both used for determining fair values as well as recoverable amounts.

Estimation of fair value of “Land and buildings”

The evaluation of “Land and buildings” has been performed every year end.

In the event that the value of "Land and buildings" is greater than the balance sheet value, "Land and buildings" are revalued through the revaluation reserve at least once every four years, or more often if there are significant changes in the value of "Land and buildings". Considering the changes in the economic environment during the last two years, the management has come to the conclusion that the values of "Land and Buildings" have changed significantly by the end of the reporting year, and the management has decided to carry out a revaluation of "Land and buildings". In 2022, management assessed the differences in value as immaterial and no revaluation was performed. As a result of the 2023 evaluation of the property under “Land and buildings” located in Estonia the fair value increased by 12,416 thousand euros in 2023, which was recognized through revaluation reserve. As a result of the evaluation of the property under “Land and buildings” located in Latvia the fair value decreased by 427 thousand euros in 2023, which was recognized through revaluation reserve and 718 thousand euros was recognized increase through profit and loss. As a result of valuation, the change in the fair value of “Land and buildings” located in Lithuania was not identified in 2023 and 2022.

As a result of valuation, the change in the fair value of “Land and buildings” located in Estonia, Latvia and Lithuania was not identified in 2022.

The following table analyses the non-financial assets (property) carried at fair value, by valuation method. The different levels have been defined as follows:

- quoted prices (unadjusted) in active markets for identical assets (Level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset, either directly or indirectly (Level 2);

- inputs for the asset that are based on observable market data (Level 3).

The fair value of "Land and building" is determined using valuation techniques. The valuation technique uses observable inputs as much as they are available and uses as little as possible Group Management's assessments. The "Land and buildings" are classified as level 2 if all significant inputs which are basis for determining the fair value are observable.

To determine the value of "Land and buildings" located in Estonia, the valuations of a certified independent real estate expert were used in respect of 14 properties in 2023 (2022: 5 properties). The same expert also provided an expert opinion with regard to the discount and capitalisation rates or was used comparable transactions method in respect of 9 properties (2022: 20 properties). The discount rates used for estimation were 8.0%-12.9% (2022: 8.0%-11.5%) depending on the location of the property and the rental growth rates were 1.0%-2.5% (2022: 1.0%-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.

For estimating the value of "Land and buildings" located in Latvia, the valuation of a certified independent real estate expert was not used in 2023. For determining the value of five properties of "Land and buildings" located in Latvia as at 31.12.2023, valuation of a certified independent real estate expert was used with regard to the discount and capitalisation rates used and valuation was performed internally. For estimating the value of "Land and buildings" located in Latvia, the valuation of a certified independent real estate expert was used for all 5 objects in 2022.

The discount rate used for valuation was 9.0% (2022: 8.5%) and the rental growth rates were 2.0%-2.5% (2022: 2.0%-2.5%). As a result of valuation, the change in the fair value of "Land and buildings" located in Lithuania was not identified in 2023 and 2022.

The Group's non-financial assets (properties) carried at fair value are classified as level 3.

In thousands of euros	**Fair value at 31 December 2023**	**Valuation method**	**Unobser-vable inputs**	**Range of unobservable inputs (eur)**	**Relationship of unobservable inputs to fair value**
PPE items in Estonia, for which an expert opinion was provided	89,001	Discounted cash flow method	Lease price per month per square metre	10.7-18.9	The higher the price per square metre, the higher the fair value
PPE items in Estonia, for which estimates were provided by experts in respect of discount and capitalisation rates	79,425	Discounted cash flow method	Lease price per month per square metre	8.6-13.9	The higher the price per square metre, the higher the fair value
Remaining PPE items in Estonia	28,016	Discounted cash flow method	Lease price per month per square metre	7.7-9.2	The higher the price per square metre, the higher the fair value
PPE item in Latvia, for which estimates were provided by experts in respect of discount and capitalisation rates	13,204	Discounted cash flow method	Lease price per month per square metre	3.0-11.7	The higher the price per square metre, the higher the fair value
Remaining PPE items in Latvia	27	Comparable transactions method	Comparison of the property with similar sold properties		
Item in Lithuania, for which an expert opinion was not provided	1,877	Comparable transactions method	Comparison of the property with similar sold properties		
Total	**211,550**				

In thousands of euros	Fair value at 31 December 2022	Valuation method	Unobser-vable inputs	Range of unobservable inputs (eur)	Relationship of unobservable inputs to fair value
PPE items in Estonia, for which an expert opinion was provided	52,764	Discounted cash flow method	Lease price per month per square metre	9.1-18.9	The higher the price per square metre, the higher the fair value
PPE items in Estonia, for which estimates were provided by experts in respect of discount and capitalisation rates	120,025	Discounted cash flow method	Lease price per month per square metre	8.5-16.4	The higher the price per square metre, the higher the fair value
Remaining PPE items in Estonia	10,629	Discounted cash flow method	Lease price per month per square metre	8.9	The higher the price per square metre, the higher the fair value
PPE item in Latvia, for which estimates were provided by experts in respect of discount and capitalisation rates	13,308	Discounted cash flow method	Lease price per month per square metre	3.0-11.4	The higher the price per square metre, the higher the fair value
Remaining PPE items in Latvia	35	Comparable transactions method	Comparison of the property with similar sold properties		
Item in Lithuania, for which an expert opinion was not provided	1,877	Comparable transactions method	Comparison of the property with similar sold properties		
Total	**198,638**				

Had the non-current assets been accounted for at cost, the carrying amount of revalued items of property, plant and equipment would have been as follows:

31.12.2023 91,781 thousand euros

31.12.2022 92,379 thousand euros

Determination of recoverable amounts of "Buildings under construction"

The "Buildings under construction" located in Estonia, the valuations of a certified independent real estate expert was used in respect of eight objects (2022: 3 objects) and two objects (2022: 10 objects) were valued internally based on the value in use.

The "Buildings under construction" located in Latvia, the valuations of a certified independent real estate expert was used in respect of 3 objects (2022: 5 objects), three objects (2022: 0 objects) were valued internally based on the value in use and 6 objects (2022: 4 objects) were not valued in reporting period.

For valuation purposes, the discount rates used were 8.0%-9.9% (2022: 8.0%-9.9%) depending on the location of the item, and the rental growth rates were 1.0%-2.0% (2022: 1.0%-2.5%). For determining the fair value, the discounted cash flow method was used. For determining the rental price and vacancy rate inputs, the rental price of the rental agreement concluded with an independent tenant and the vacancy rate of completed items provided by certified experts were used. For determining fair value of Latvian "Buildings under construction" the comparable transactions method was used in current year.

Based on the results of valuation in 2023, the book value of Estonian "Buildings under construction" in respect of one object an impairment loss was recognized in the amount of 163 thousand euros (2022: 8 thousand euros). Based on the results of valuation in 2022 reversal of an impairment loss recognized in previous years in the amount of 130 thousand euros.

Based on the results of valuation in 2023, the book value of Latvian "Buildings under construction" in respect of two objects reversal of an impairment loss recognized in previous years in the amount of 88 thousand euros (2022: 91 thousand euros). As regards of three objects, impairment loss was recognised in the amount of 37 thousand euros (2022: one object with impairment loss in the amount of 5 thousand euros).

"Buildings under construction" located in Lithuania with carrying value of 167 thousand euros as at 31.12.2023 (carrying value: 131 thousand euros as at 31.12.2022) showed no significant differences between fair values and carrying value in reporting period nor 2022.

Carrying amounts of "Buildings under construction" (Level 3):

In thousands of euros	Number of items 31.12.2023	31.12.2023	Number of items 31.12.2022	31.12.2022
PPE items in Estonia, for which an expert opinion was provided	8	3,944	3	620
PPE items in Estonia, for which an internal estimate was provided	2	197	10	306
Remaining PPE items in Estonia	14	4,269	12	6,331
PPE items in Latvia, for which an expert opinion was provided	3	2,211	5	2,297
PPE items in Latvia, for which an internal estimate was provided	3	16	0	0
Remaining PPE items in Latvia	6	4,046	4	3,876
PPE item in Lithuania	1	167	1	131
Total	**37**	**14,850**	**35**	**13,561**

As at 31.12.2023 the cost of fully amortized non-current assets (machinery, equipment and other fittings) in use was 48,877 thousand euros (2022: 44,091 thousand euros).

As at 31.12.2023 property, plant and equipment with the carrying value of 154,873 thousand euros (2022: 131,834 thousand euros) was used as collateral for the borrowings. More detailed information is disclosed in Note 25.

Note 14 Intangible assets

in thousands of euros

	Goodwill	Trademark	Beneficial agreements	Capitalised development expenditure	Total
31.12.2021					
Cost	16,869	5,599	120	3,394	25,982
Accumulated amortisation and impairment	0	-4,098	-14	-1,586	-5,698
Carrying value	**16,869**	**1,501**	**106**	**1,808**	**20,284**
Changes occurred in 2022					
Purchases and improvements	0	0	0	1,764	1,764
Reclassification to property, plant and equipment	0	0	0	-21	-21
Reclassification from property, plant and equipment (Note 10)	0	0	0	218	218
Amortisation	0	-273	-17	-232	-522
31.12.2022					
Cost	16,869	2,091	120	5,355	24,435
Accumulated amortisation and impairment	0	-863	-31	-1,818	-2,712
Carrying value	**16,869**	**1,228**	**89**	**3,537**	**21,723**
Changes occurred in 2023					
Purchases and improvements	0	0	0	1,905	1,905
Acquired through business combinations (Note 6)	2,180	153	0	111	2,444
Reclassification to property, plant and equipment	0	0	0	-2	-2
Reclassification from property, plant and equipment (Note 10)	0	0	0	1	1
Amortisation	0	-291	-18	-392	-701
31.12.2023					
Cost	19,049	2,243	120	7,430	28,842
Accumulated amortisation and impairment	0	-1,153	-49	-2,270	-3,472
Carrying value	**19,049**	**1,090**	**71**	**5,160**	**25,370**

In the reporting period, the Group capitalised costs of a web page update, loyalty card web page update, loyalty card - Monthly Card, e-shop as development expenditure and development of services were in the amount of 1,905 thousand euros (2022: 1,764 thousand euros).

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. Trademark has been fully amortised in 2021, but its use will continue.

Trademark at value of 1,911 thousand euros was acquired in 2020 through purchase of ABC Supermarkets AS shares. Trademark will be amortised during 7 years.

In 2021, Viking Security AS acquired from P.Dussmann Eesti OÜ its security services business in Estonia together with the assets and agreements belonging to it. Beneficial agreements at value of 120 thousand euros was acquired together with security services business. Beneficial agreements will be amortised during 7 years.

Trademark at value of 153 thousand euros was acquired in 2023 through purchase of AS Walde shares. Trademark will be amortised during 7 years.

Impairment tests of goodwill and other intangible assets were carried out as at 31 December 2023 and 2022. Goodwill is allocated to cash generating units of the Group by the following segments:

in thousands of euros	**31.12.2023**	**31.12.2022**
Supermarkets	13,609	13,609
Car trade	3,156	3,156
Security	2,284	104
Total	**19,049**	**16,869**

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.

The value in use calculations are based on the following assumptions:

31.12.2023	**Car trade**	**Supermarkets**	**Security**
Operating profit margin during next 5 years	10.7%-11,5%	-1.13% -0.95%	0.45%-3.90%
Discount rate	10.39%	7.84%	13.21%
Sales growth during next 5 years	2.6%-52.8%	3.0%-5.0%	4.0%-11.9%
Future growth rate*	2.5%	2.5%	2.0%

**Future growth rate is estimated cash flow growth after the fifth year.*

31.12.2022	**Car trade**	**Supermarkets**	**Security**
Operating profit margin during next 5 years	1.3%-1.6%	-0.5%-1.7%	-
Discount rate	11.29%	7.04%	-
Sales growth during next 5 years	3%-26.1%	3%-9.9%	-
Future growth rate*	2.5%	2.5%	-

**Future growth rate is estimated cash flow growth after the fifth year.*

Pre-tax discount rates reflecting the risks associated with the relevant business segment have been used. The used weighted average growth rates are based on the experience of the Group and assessment of the economic environment.

Management estimates that the assumptions used in the impairment test are realistic and rather conservative. Management estimates that any reasonable change in assumptions does not materially affect the results of value in use calculations.

31.12.2023	**Car trade**	**Supermarkets**	**Security**
Difference between the carrying amount and recoverable amount of the cash generating unit (in thousands of euros)	292,742	26,859	3,473
Reasonably possible change in the assumptions, which would cause the recoverable amount to be equal to the carrying amount:			
Decrease in the average sales growth	1.35%	0.73%	0.47%
Decrease of the average operating profit margin	9.09 pp	2.51 pp	1.80 pp

31.12.2022	Car trade	Supermarkets	Security
Difference between the carrying amount and recoverable amount of the cash generating unit (in thousands of euros)	1,898	12,357	-
Reasonably possible change in the assumptions, which would cause the recoverable amount to be equal to the carrying amount:			
Decrease in the average sales growth	2.13%	0.65%	-
Decrease of the average operating profit margin	0.76 pp	1.04 pp	-

Note 15 Interest bearing borrowings

in thousands of euros

	31.12.2023	31.12.2022
Short-term borrowings		
Overdraft	7,361	15,222
Bank loans	16,126	60,747
Lease liabilities (Note 16)	18,722	17,433
Other borrowings	6,611	3,705
Total short-term borrowings	**48,820**	**97,107**
	31.12.2023	**31.12.2022**
Long-term borrowings		
Bank loans	92,712	28,320
Lease liabilities (Note 16)	150,614	154,210
Other borrowings	15,531	8,295
Total long-term borrowings	**258,857**	**190,825**
Total borrowings	**307,677**	**287,932**

Borrowings received

	2023	2022
Overdraft	0	7,914
Bank loans	32,278	17,219
Other borrowings	15,515	7,348
Total borrowings received	**47,793**	**32,481**

Borrowings repaid

	2023	2022
Overdraft	7,862	0
Bank loans	12,554	14,302
Lease liabilities	17,435	17,070
Other borrowings	5,373	3,430
Total borrowings repaid	**43,224**	**34,802**

Bank loans are denominated in euros. Information on pledged assets is disclosed in Note 25. Management estimates that the carrying amount of the Group's financial liabilities does not significantly differ from their fair value (Note 4).

As of 31.12.2023, the repayment dates of bank loans are between 26.03.2024 and 26.12.2028 (2022: between 25.03.2023 and 07.12.2027), interest is tied both to 3-month and 6-month EURIBOR. Group has also contracts with fixed interest rate. Weighted average interest rate was 5.22% (2022: 2.78%).

Lease agreements that form lease liabilities have been concluded for the term until 14.04.2040. The lease obligation recognised in the balance sheet is recognised in accordance with IFRS 16, the discount uses an alternative loan interest rate at the time of the settlement or the initial application of IFRS 16. Weighted average interest rate used was 2.21% (31.12.2022: 1.97%).

Net debt reconciliation
in thousands of euros

	31.12.2023	31.12.2022
Cash and cash equivalents (Note 5)	42,064	22,436
Short-term borrowings	-48,820	-97,107
Long-term borrowings	-258,857	-190,825
Net debt	**-265,613**	**-265,496**
Cash and cash equivalents (Note 5)	42,064	22,436
Gross debt – fixed interest rates	-169,336	-177,825
Gross debt – variable interest rates	-138,341	-110,107
Net debt	**-265,613**	**-265,496**

	Cash and cash equivalents	Overdraft	Borrowings	Lease liabilities	Total
Net debt 31.12.2021	**29,981**	**-7,308**	**-94,232**	**-177,811**	**-249,370**
Cash flow (principal and interest)	-7,545	-7,914	-5,218	20,636	-41
Interest accrued	0	0	-1,617	-3,567	-5,184
New lease contracts	0	0	0	-5,959	-5,959
Revaluation of lease liabilities	0	0	0	-4,942	-4,942
Net debt 31.12.2022	**22,436**	**-15,222**	**-101,067**	**-171,643**	**-265,496**
Cash flow (principal and interest)	19,628	7,861	-24,216	21,155	24,428
Interest accrued	0	0	-5,697	-3,720	-9,417
New lease contracts	0	0	0	-10,307	-10,307
Revaluation of lease liabilities	0	0	0	-4,821	-4,821
Net debt 31.12.2023	**42,064**	**-7,361**	**-130,980**	**-169,336**	**-265,613**

Note 16 Lease agreements

Group is the lessee

Lease liabilities (according to IFRS 16 'Leases') recorded in the Group's consolidated financial reports are presented below.

in thousands of euros	31.12.2023	31.12.2022
Lease liability recognised in the statement of financial position	**169,336**	**171,643**
- short-term lease liabilities (Note 15)	18,722	17,433
- long-term lease liabilities (Note 15)	150,614	154,210

The Group's consolidated statement of profit or loss and other comprehensive income includes the following amounts relating to leases:

in thousands of euros	2023	2022
Interest expense (included in finance cost)	3,720	3,567
Expense relating to leases of low-value assets that are not short-term leases	737	637
Expense relating to short-term leases (included in operating expenses)	780	630
Depreciation charge for right of use assets (Note 13)	19,679	19,384
Income on subleases	4,331	4,348
The total cash outflow for leases	21,154	20,637

Subleases of buildings leased under operating lease terms:

Future minimum lease payments under non-cancellable subleases:

in thousands of euros	31.12.2023	31.12.2022
within 1 year	2,102	1,851
between 1 and 5 years	6,527	4,322
after 5 years	1,697	2,696
Total	**10,326**	**8,869**

Group as the lessor – operating lease agreements

Rental income received consists of income received for the leasing out of premises recorded under investment property, as well premises that are recorded under Group's property, plant and equipment (see also Note 12).

Future minimum lease payments under non-cancellable operating leases (other than the sublease payments mentioned above):

in thousands of euros	31.12.2023	31.12.2022
within 1 year	5,818	5,622
between 1 and 5 years	14,335	12,065
after 5 years	9,077	4,919
Total	**29,230**	**22,606**

Most lease agreements have been concluded for the term of 7 to 10 years and the changes in lease term and conditions are renegotiated before the end of the lease term. Lease agreements with no specified term are expected to be valid for at least 5 years from the conclusion of the agreement and are cancellable with a 1-3 month advance notice.

The Group's leasing activities and how these are accounted for

The group leases various offices, retail stores, equipment and vehicles. Rental contracts are typically made for fixed periods of 6 months to 8 years but may have extension options as described below. Contracts do not include non-lease components. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

Note 17 Trade and other payables

in thousands of euros

	31.12.2023	31.12.2022
Trade payables	77,544	79,551
Payables to related parties (Note 26)	4,091	3,132
Other accrued expenses	997	209
Tenant security deposits	4,092	3,501
Total financial liabilities from balance sheet line "Trade and other payables" (Note 4)	**86,724**	**86,393**
Taxes payable (Note 18)	12,151	10,365
Employee payables	12,242	11,059
Prepayments	3,456	3,433
Short-term provisions*	0	199
Total trade and other payables	**114,573**	**111,449**

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

Note 18 Taxes

in thousands of euros

	31.12.2023		31.12.2022	
	Prepaid taxes	Taxes payable	Prepaid taxes	Taxes payable
Prepaid taxes (Note 6)	40	0	38	0
Value added tax	0	5,810	0	4,635
Personal income tax	0	1,711	0	1,554
Social security taxes	0	4,132	0	3,745
Corporate income tax	0	110	0	67
Unemployment insurance	0	266	0	246
Mandatory funded pension	0	122	0	118
Total taxes (Note 17)	**40**	**12,151**	**38**	**10,365**

Group's deferred income tax asset as at 31 December 2023 and 31 December 2022 is recorded in the balance sheet in the amount of 37 thousand euros and 33 thousand euros respectively. As of 31.12.2023 deferred tax liability on dividends in the amount of 5,356 thousand euros (31.12.2022: 5,299 thousand euros) is recorded in the balance sheet. See also Note 20.

in thousands of euros

	2023	2022
Corporate income tax from payments to owners:		
- Income tax on dividends paid (Note 19)	5,299	4,479
Corporate income tax expense arising from foreign subsidiaries:		
- Corporate income tax payable	226	159
Deferred income tax liability on dividends:		
- Deferred income tax liability	5,356	5,299

Note 19 Share capital

As of 31.12.2023 and 31.12.2022, 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. 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 2023, dividends were paid to the shareholders in the amount of 27,695 thousand euros, or 0.68 euros per share. Related income tax expense on dividends amounted to 5,299 thousand euros.

In 2022, dividends were paid to the shareholders in the amount of 27,695 thousand euros, or 0.68 euros per share. Related income tax expense on dividends amounted to 4,479 thousand euros.

The Chairman of the Management Board of Tallinna Kaubamaja Group AS proposes to the General Meeting of Shareholders to pay dividends in the amount of 29,325 thousand euros, or 0.72 euros per share out of retained earnings accumulated until 31 December 2023.

Information about contingent income tax liability, which would arise from the distribution of profit is disclosed in Note 29.

Note 20 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 Group's operations by activities. With regard to areas of activity, the operating activities are monitored in the department stores, supermarkets, real estate, car trade, beauty products (I.L.U.) and security segments. The measures of I.L.U. are below the quantitative criteria of the reporting segment specified in IFRS 8; these have been aggregated with the department stores segment because they have similar economic characteristics and are similar in other respects specified in IFRS 8.

The main area of activity of department stores, supermarkets and car trade is retail trade. Supermarkets focus on the sale of food products 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. Among the others, 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 security segment main activity is providing security services solutions. The real estate segment deals with the development, 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 Group 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 profit or loss, segment assets and liabilities have been measured in accordance with accounting policies used in the preparation of the financial statements, except for IFRS 16 measurement and recognition of right of use assets and lease liabilities which are shown in a separate sector. 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

2023	Super markets	Depart-ment stores	Car trade	Security	Real estate	Inter-seg-ment transac-tions	Impact of lease account-ting	Total seg-ments
External revenue	**620,160**	**110,457**	**194,384**	**15,656**	**6,600**	**0**	**0**	**947,257**
Inter-segment revenue	1,396	4,469	372	6,440	14,550	-27,227	0	0
Total revenue	621,556	114,926	194,756	22,096	21,150	-27,227	0	947,257
EBITDA	**33,447**	**5,790**	**15,399**	**512**	**16,724**	**0**	**21,154**	**93,026**
Segment depreciation and impairment losses (Note 13,14)	-12,431	-2,826	-1,313	-487	-4,034	0	-19,679	-40,770
Operating profit/loss	**21,016**	**2,964**	**14,086**	**25**	**12,690**	**0**	**1,475**	**52,256**
Finance income (Note 23)	1,084	1,309	151	3	1,319	-3,780	0	86
Finance income on shares of associates (Note 10)	0	240	0	0	0	0	0	240
Finance costs (Note 23)	-2,109	-2,869	-975	-99	-3,584	3,780	-3,720	-9,576
Income tax* (Note 18)	-1,607	-163	-2,064	0	-1,748	0	0	-5,582
Net profit/loss	**18,384**	**1,481**	**11,198**	**-71**	**8,677**	**0**	**-2,245**	**37,424**
incl. in Estonia	18,384	1,481	9,116	-71	7,418	0	-2,245	34,083
incl. in Latvia	0	0	846	0	1,355	0	0	2,201
incl. in Lithuania	0	0	1,236	0	-96	0	0	1,140
Segment assets	**156,977**	**79,049**	**51,868**	**9,125**	**306,956**	**-70,052**	**157,585**	**691,508**
Segment liabilities	**116,549**	**51,420**	**25,240**	**6,792**	**97,085**	**-38,290**	**169,336**	**428,132**
Segment investments in property, plant and equipment (Note 13)	17,808	2,170	1,339	388	2,336	0	0	24,041
Segment investments in intangible assets (Note 14)	316	1,563	6	19	1	0	0	1,905
Reversal of the impairment from previous years of property, plant and equipment through profit or loss (Note 13)	0	0	0	0	606	0	0	606
Increase in value through revaluation reserve of property, plant and equipment (Note 13)	0	0	0	0	11,989	0	0	11,989
Fair value adjustment of investment property (Note 12)	0	0	0	0	452	0	0	452

In thousands of euros

2022	Super markets	Depart-ment stores	Car trade	Security	Real estate	Inter-seg-ment transac-tions	Impact of lease account-ting	Total seg-ments
External revenue	**594,853**	**105,152**	**146,767**	**9,817**	**6,174**	**0**	**0**	**862,763**
Inter-segment revenue	1,341	4,194	533	5,349	14,514	-25,931	0	0
Total revenue	596,194	109,346	147,300	15,166	20,688	-25,931	0	862,763
EBITDA	**24,482**	**5,008**	**11,827**	**477**	**16,584**	**0**	**20,637**	**79,015**
Segment depreciation and impairment losses (Note 13,14)	-11,263	-2,586	-894	-364	-4,581	0	-19,384	-39,072
Operating profit/loss	**13,219**	**2,422**	**10,933**	**113**	**12,003**	**0**	**1,253**	**39,943**
Finance income (Note 23)	332	401	75	2	270	-1,076	0	4
Finance income on shares of associates (Note 10)	0	197	0	0	0	0	0	197
Finance costs (Note 23)	-662	-719	-339	-18	-968	1,076	-3,567	-5,197
Income tax* (Note 18)	-1,140	-228	-1,315	0	-2,779	0	0	-5,462
Net profit/loss	**11,749**	**2,073**	**9,354**	**97**	**8,526**	**0**	**-2,314**	**29,485**
incl. in Estonia	11,749	2,073	7,929	97	7,885	0	-2,314	27,419
incl. in Latvia	0	0	544	0	680	0	0	1,224
incl. in Lithuania	0	0	881	0	-39	0	0	842
Segment assets	**148,441**	**93,787**	**58,291**	**4,554**	**288,605**	**-109,017**	**162,136**	**646,797**
Segment liabilities	**119,396**	**67,020**	**37,364**	**4,151**	**84,819**	**-79,255**	**171,643**	**405,138**
Segment investments in property, plant and equipment (Note 13)	9,680	3,345	536	242	1,123	0	0	14,926
Segment investments in intangible assets (Note 14)	13	1,739	6	6	0	0	0	1,764
Reversal of the impairment from previous years of property, plant and equipment through profit or loss (Note 13)	18	0	0	0	208	0	0	226
Fair value adjustment of investment property (Note 12)	0	0	0	0	653	0	0	653

*- deferred income tax is allocated based on which subsidiary bears income tax expense on distribution of dividends.

Inter-segment transactions in line segment assets comprise inter-segment receivables in the amount of 3,564 thousand euros (2022: 2,558 thousand euros), loans granted in the amount of 34,727 thousand euros (2022: 76,697 thousand euros) and investments in subsidiaries in the amount of 31,762 thousand euros (2022: 29,762 thousand euros).

Inter-segment transactions in line segment liabilities comprise inter-segment short-term liabilities in the amount of 3,564 thousand euros (2022: 2,558 thousand euros) and inter-segment borrowings in the amount of 34,727 thousand euros (2022: 76,697 thousand euros).

External revenue according to types of goods and services sold

in thousands of euros

	2023	2022
Retail revenue	844,757	783,266
Wholesale revenue	53,405	39,480
Rental income	10,605	10,172
Revenue from rendering services	38,490	29,845
Total revenue	**947,257**	**862,763**

External revenue by client location

in thousands of euros

	2023	2022
Estonia	854,455	791,157
Latvia	60,750	48,499
Lithuania	32,052	23,107
Total	**947,257**	**862,763**

Distribution of non-current assets* by location of assets

in thousands of euros

	31.12.2023	31.12.2022
Estonia	488,285	471,397
Latvia	33,307	32,712
Lithuania	2,298	2,136
Total	**523,890**	**506,245**

* 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 revenue.

Note 21 Services expenses

in thousands of euros

	2023	2022
Rental expenses	780	630
Heat and electricity expenses	13,975	19,313
Expenses related to premises	11,133	10,145
Cost of services and materials related to sales	7,569	8,096
Marketing expenses	9,247	8,715
Other operating expenses	5,414	4,701
Computer and communication costs	7,516	7,194
Expenses related to personnel	5,051	4,474
Total services expenses	**60,685**	**63,268**

Note 22 Staff costs

in thousands of euros

	2023	2022
Wages and salaries	82,532	74,016
Social security taxes	26,136	23,442
Total staff costs	**108,668**	**97,458**
Average wages per employee per month (euros)	1,456	1,313
Average number of employees in the reporting period	4,724	4,697

Staff costs also include accrued holiday pay as well as bonuses for 2023 but not yet paid.

Note 23 Finance income and costs

in thousands of euros

Finance income

	2023	2022
Interest income from cash and cash equivalents	3	0
Interest income from group account	81	0
Other finance income	2	4
Total finance income	**86**	**4**

Finance costs

	2023	2022
Interest expense of bank loans	-4,947	-1,406
Interest expense of lease liabilities	-3,720	-3,567
Interest expense of other loans	-732	-144
Other finance costs	-177	-80
Total finance costs	**-9,576**	**-5,197**

See also Note 20.

Note 24 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 during the year. As the Company does not have potential ordinary shares, the diluted earnings per share equal basic earnings per share.

	2023	2022
Net profit (in thousands of euros)	37,424	29,485
Weighted average number of shares	40,729,200	40,729,200
Basic and diluted earnings per share (euros)	0.92	0.72

Note 25 Loan collateral and pledged assets

The loans of Group entities have the following collateral with their carrying amounts:

in thousands of euros

	31.12.2023	31.12.2022
Land and buildings (Note 13)	134,525	121,060
Machinery and equipment (Note 13)	20,348	10,774
Investment property (Note 12)	45,042	44,262
Inventories (Note 8)	216	0

Note 26 Related party transactions

in thousands of euros

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

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

Parent company of Tallinna Kaubamaja Grupp AS is OÜ NG Investeeringud (Parent company), operating in Estonia. Majority shareholder of OÜ NG Investeeringud is NG Kapital OÜ, operating in Estonia. NG Kapital OÜ is the ultimate controlling party of Tallinna Kaubamaja Grupp AS.

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

	Purchases 2023	Sales 2023	Purchases 2022	Sales 2022
Parent company	252	88	213	10
Entities in the Parent company consolidation group	36,799	3,590	32,211	3,617
Members of management and supervisory boards	0	40	17	30
Other related parties	51	18	18	50
Total	**37,102**	**3,736**	**32,459**	**3,707**

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

Other related parties in the table above are companies that are related with members of management and supervisory board.

Balances with related parties:

	31.12.2023	31.12.2022
Receivables from entities in the Parent company consolidation group	540	401
Members of management and supervisory boards	2	7
Total receivables from related parties (Note 7)	**542**	**408**

	31.12.2023	31.12.2022
Parent company	24	21
Entities in the Parent company consolidation group	4,065	3,108
Other related parties	2	3
Total liabilities to related parties (Note 17)	**4,091**	**3,132**

Receivables from and liabilities to related parties, arisen in the normal course of business, are unsecured and carry no interest because they have regular payment terms.

Entities in the Parent company consolidation group are important suppliers for the Group.

Group account

For arranging funding for its subsidiaries, the Group uses the group account, the members of which are most of the Group's entities. In its turn, the Group as a subgroup is a member of the group account of NG Investeeringud OÜ (hereinafter head group). From 2001, Tallinna Kaubamaja Grupp AS has been keeping its available funds at the head group account, earning interest income on its deposits. In 2023, the Group earned interest income on its deposits of available funds in the amount of 81 thousand euros, average interest rate 1.27% (2022: 0 euros). As at 31 December 2023 and 31 December 2022, the Group had not deposited any funds through head group. In 2023 and 2022, the group did not used available funds of head group and did not pay interest. 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 companies belonging to Tallinna Kaubamaja Group for the reporting year including wages, social security taxes, bonuses and car expenses, amounted to 3,225 thousand euros (2022: 2,511 thousand euros). Short term benefits to supervisory boards' members of the companies belonging to Tallinna Kaubamaja Grupp AS in reporting year including social taxes amounted to 861 thousand euros (2022: 862 thousand euros).

The termination benefits for the members of the Management Board are limited to 3-to 6 month's salary expense.

Note 27 Interests of the members of the Management and Supervisory Board

As at 31.12.2023, the following members of the Management and Supervisory Board own or represent the shares of Tallinna Kaubamaja Grupp AS (either through parent company of the Group NG Investeeringud OÜ or individually):

Jüri Käo	Represents 4,772,100 (11.72%) shares of Tallinna Kaubamaja Grupp AS
Enn Kunila	Represents 4,695,785 (11.53%) shares of Tallinna Kaubamaja Grupp AS
Raul Puusepp	Owns 17,000 (0.0417%) shares of Tallinna Kaubamaja Grupp AS

As at 31.12.2022, the following members of the Management and Supervisory Board own or represent the shares of Tallinna Kaubamaja Grupp AS (either through parent company of the Group NG Investeeringud OÜ or individually):

Andres Järving	Represents 4,795,909 (11.78%) shares of Tallinna Kaubamaja Grupp AS
Jüri Käo	Represents 4,768,606 (11.71%) shares of Tallinna Kaubamaja Grupp AS
Enn Kunila	Represents 4,692,346 (11.52%) shares of Tallinna Kaubamaja Grupp AS
Raul Puusepp	Owns 17,000 (0.0417%) shares of Tallinna Kaubamaja Grupp AS

Note 28 Shareholders with more than 5% of the shares of Tallinna Kaubamaja Grupp AS

Shareholders	31.12.2023 Ownership interest	31.12.2022 Ownership interest
OÜ NG Investeeringud (Parent)	67.05%	67.00%

As at 31 December 2023, 68.75% of the shares (31 December 2022: 68.75%) of NG Investeeringud OÜ are owned by NG Kapital OÜ, which is the ultimate controlling party of Tallinna Kaubamaja Grupp AS.

Note 29 Contingent liabilities

Contingent liability relating to income tax on dividends

As of 31 December 2023, the retained earnings of Tallinna Kaubamaja Grupp AS were 127,960 thousand euros (31 December 2022: 115,783 thousand euros). Payment of dividends to owners is accompanied by income tax expense 20/80 on the amount paid as net dividends. From 2019, it is possible to use more beneficial tax rate, 14/86, for the dividends regularly paid out. Hence, of the retained earnings existing as of the balance sheet date, the owners can be paid 102,368 thousand euros as dividends (31 December 2022: 92,626 thousand euros) and the payment of dividends would be accompanied by income tax on dividends in the amount of 25,592 thousand euros (31 December 2022: 23,157 thousand euros), taking into account possibility to use more beneficial tax rate.

Contingent liabilities relating to bank loans

Regarding the loan agreements in the amount of 115,209 thousand euros (2022: 93,694 thousand euros), the borrower is required to satisfy certain financial ratios such as debt to EBITDA ratio (EBITDA – earnings before interest, taxes, depreciation and amortisation) or debt-service coverage ratio (DSCR or EBITDA for the reporting period divided by borrowings payable in the reporting period) pursuant to the terms and conditions of the loan agreement. As of the balance sheet date, 31 December 2023, there was no breach in the financial covenants.

Contingent liabilities relating to the Tax Board

The tax authorities may at any time inspect the books and records of the Group within 5 years subsequent to the reported tax year, and may as a result of their inspection impose additional tax assessments and penalties. In 2023 and 2022 the tax authority did not conduct any inspections. The management of the Group is not aware of any circumstances which may give rise to a potential material liability in this respect.

Contingent liabilities relating to lease company

AS Viking Motors, a subsidiary of the Group, has potential liabilities for the repurchase of vehicles from leasing companies at the end of the leasing period for an amount of 21,996 thousand euros (21,464 thousand euros at the end of 2022). AS Viking Motors is obliged to buy the vehicle back if the lessee and the leasing company do not wish to realise the preferential purchasing rights arising from their contract. The book value of the asset (repurchase price) is agreed according to the forecast mileage and the car brand. The Group management estimates that the probability of realisation of the obligation to buy back vehicles is low and the market price of vehicles is higher than the repurchase consideration, so the obligation to buy back does not have a negative impact on the Group. In 2023 and 2022, the Group has not made any loss-making repurchases.

Note 30 Financial information of the Parent company

In accordance with the Accounting Act of Estonia, the separate primary statements of the consolidating entity (Parent company statement of financial position, statement of profit or loss and other comprehensive income, cash flow statement and statement of changes in equity). The Parent company primary statements are prepared using the same accounting methods and measurement bases as those that have been used for preparing the consolidated financial statements except for investment in subsidiaries and associates that are accounted for using equity method.

STATEMENT OF FINANCIAL POSITION

in thousands of euros

	31.12.2023	31.12.2022
ASSETS		
Current assets		
Cash and cash equivalents	1	2
Trade and other receivables	9,995	33,648
Total current assets	**9,996**	**33,650**
Non-current assets		
Investments in subsidiaries	286,169	261,499
Investments in associates	1,732	1,722
Property, plant and equipment	126	161
Intangible assets	2,754	1,860
Total non-current assets	**290,781**	**265,242**
TOTAL ASSETS	**300,777**	**298,892**

LIABILITIES AND EQUITY		
Current liabilities		
Borrowings	8,881	27,488
Trade and other payables	2,332	1,946
Total current liabilities	**11,213**	**29,434**
Non-current liabilities		
Borrowings	20,833	22,500
Total non-current liabilities	**20,833**	**22,500**
TOTAL LIABILITIES	**32,046**	**51,934**
Equity		
Share capital	16,292	16,292
Statutory reserve capital	2,603	2,603
Retained earnings	249,836	228,063
TOTAL EQUITY	**268,731**	**246,958**
TOTAL LIABILITIES AND EQUITY	**300,777**	**298,892**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

in thousands of euros

	2023	**2022**
Revenue	5,348	4,833
Other income	2	20
Other operating expenses	-1,011	-945
Staff costs	-4,931	-4,342
Depreciation, amortisation and impairment	-288	-262
Other expenses	-35	-38
Operating loss	**-915**	**-734**
Interest income and expenses	-1,000	-212
Profit from investments accounted for using the equity method	51,383	31,254
Total finance income and costs	**50,383**	**31,042**
Profit before income tax	**49,468**	**30,308**
NET PROFIT FOR THE FINANCIAL YEAR	**49,468**	**30,308**
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR	**49,468**	**30,308**
Basic and diluted earnings per share (euros)	1.21	0.74

CASH FLOW STATEMENT

in thousands of euros

	2023	2022
CASH FLOWS FROM/USED IN OPERATING ACTIVITIES		
Net profit	49,468	30,308
Adjustments:		
Interest expense	*2,726*	*714*
Interest income	*-1,727*	*-502*
Profit from investments under equity method	*-51,383*	*-31,254*
Depreciation, amortisation	*288*	*262*
Change in receivables and prepayments related to operating activities	-60	-108
Change in liabilities and prepayments related to operating activities	386	-1,030
TOTAL CASH FLOWS FROM/USED IN OPERATING ACTIVITIES	**-302**	**-1,610**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	-43	-107
Purchases of intangible assets	-1,106	-198
Interest received	1,727	502
Change in the receivable of group account	5,105	4,188
Investments in subsidiaries	-2,000	-1,300
Dividends received	28,706	27,729
TOTAL CASH FLOWS FROM INVESTING ACTIVITIES	**32,389**	**30,814**
CASH FLOWS USED IN FINANCING ACTIVITIES		
Repayments of borrowings	-1,667	-833
Interest paid	-2,726	-714
Dividends paid	-27,695	-27,695
TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES	**-32,088**	**-29,242**
TOTAL CASH FLOWS	**-1**	**-38**
Cash and cash equivalents at beginning of the period	2	40
Cash and cash equivalents at end of the period	1	2
Net increase/decrease in cash and cash equivalents	**-1**	**-38**

STATEMENT OF CHANGES IN EQUITY

in thousands of euros

	Share capital	Statutory reserve capital	Retained earnings	Total
Balance as of 31.12.2021	**16,292**	**2,603**	**225,450**	**244,345**
Dividends paid	0	0	-27,695	-27,695
Profit for the reporting period	0	0	30,308	30,308
Balance as of 31.12.2022	**16,292**	**2,603**	**228,063**	**246,958**
Dividends paid	0	0	-27,695	-27,695
Profit for the reporting period	0	0	49,468	49,468
Balance as of 31.12.2023	**16,292**	**2,603**	**249,836**	**268,731**

Adjusted unconsolidated equity is used as the basis for verifying compliance with equity requirements set forth in the Commercial Code. The parent company has met the requirements.

Independent auditor's report

To the Shareholders of Tallinna Kaubamaja Grupp AS

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Tallinna Kaubamaja Grupp AS (the "Company") and its subsidiaries (together – the "Group") as at 31 December 2023, and the Group´s consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee dated 19 February 2024.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated cash flow statement for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements section of our report".

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Company and its parent and subsidiaries are in accordance with the applicable law and regulations in the Republic of Estonia and that we have not provided non-audit services that are prohibited under § 59^1 of the Auditors Activities Act of the Republic of Estonia.

The non-audit services that we have provided to the Company and its subsidiaries in the period from 1 January 2023 to 31 December 2023 are disclosed in the Management Report.

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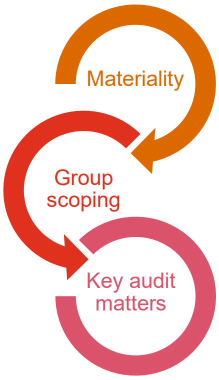
Our audit approach

Overview



- Overall Group audit materiality is EUR 9.4 million, which represents approximately 1% of the Group's consolidated revenues.
- Specific materiality applied to property, plant and equipment and investment properties is EUR 6.9 million, which represents approximately 1% of the Group's consolidated total assets.

- For six important Group entities, a full scope audit was performed by the Group audit team. Statutory audits for remaining entities were performed by the non-PwC component auditors under our instructions. We performed specific audit procedures in components where statutory audits were conducted by the non-PwC component auditors.

- Valuation of property, plant and equipment and investment properties.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Management Board made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

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Overall Group audit materiality	The overall Group audit materiality is EUR 9.4 million. Specific materiality of EUR 6.9 million is applied to property, plant and equipment and investment properties.
How we determined it	Overall Group materiality represents approximately 1% of the Group's consolidated revenues. Specific materiality represents approximately 1% of the Group's consolidated total assets.
Rationale for the materiality benchmark applied	We have applied this benchmark, as we consider revenue and revenue-based market share to be a key performance indicator that determines the Group's value and is monitored by the Group's management, investors, analysts and creditors. In addition, we set a specific materiality level of 6.9 million euros for property, plant and equipment and investment properties. This represents approximately 1% of the Group's consolidated total assets. Specific materiality was set considering the significance of the valuation of property, plant and equipment and investment properties to the Group's financial statements and also to the scope of audit.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of property, plant and equipment and investment properties (refer to Note 2 "Significant accounting policies adopted in the preparation of the financial statements", Note 3 "Critical accounting estimates and judgements", Note 12 "Investment property" and Note 13 "Property, plant and equipment". The Group's property portfolio includes: · Property, plant and equipment, including land and buildings in the carrying amount of EUR 211.6 million (accounted for using the revaluation method) as at 31 December 2023. Total increase in value through revaluation reserve from these assets in 2023 was 12 million euros and the impairment from previous years was	Given the inherent subjectivity involved in the valuation of the Group's property portfolio and the need for deep market knowledge and valuation expertise, we engaged our internal valuation specialists to assist us in our audit of this area. We assessed the qualifications, expertise and objectivity of the external valuers. We found that the valuers performed their work in accordance with the respective professional valuation standards. We focused our work on the largest properties by value and those where the assumptions used could have a higher risk of differing from the market data. We assessed whether the valuation approach for each property was in accordance with the

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reversed through profit or loss statement by 0.7 million euros.

- Investment properties in the carrying amount of EUR 65 million (carried at fair value). The gain from fair value adjustments recorded in 2023 profit or loss statement was EUR 0.5 million.

The group measures the fair value of the above-mentioned assets using the discounted cash flow method or comparable market transactions.

The valuation of the Group's property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental rates for that particular property. The Group's management engages certified third party independent real estate valuers to determine the fair values on a systematic basis for each property and key inputs for valuations in the intervening years.

In determining a property's fair value, the external valuers and the Group's management take into account property-specific information such as the current tenancy agreements and rental income. They apply assumptions for yields and estimated market rent, which are influenced by prevailing market yields and comparable market transactions.

The existence of significant estimation uncertainty, coupled with the fact that only a small percentage difference in individual property valuations, when aggregated, could result in a material impact, warranted specific audit focus in this area.

principles of measuring fair value under IFRS. We found the methods to be consistent with the guidance in IFRS.

We compared the major assumptions and estimates such as rental rates, discount rates, capitalisation rates and vacancy rates used by the external valuers and the Group's management to determine the fair value of the property with our internally developed estimated ranges, determined via reference to published benchmarks when applicable.

Where assumptions were outside the expected range or otherwise deemed unusual, or valuations showed unexpected movements not consistent with general trends in the market, we undertook further investigations and challenged the external valuers and Group management by requesting additional information and explanations on inputs and assumptions used. We concluded that the data and assumptions used by the Group's management were reasonable.

It was evident from our interaction with management and the valuers, and from our procedures in respect of the valuation reports that close attention had been paid to each property's individual characteristics, such as considering the overall quality, geographic location and cash flow potential of the property as a whole. We also found that the impact of recent significant market transactions on each individual property's valuation, given its unique characteristics were appropriately considered when determining the assumptions used in the valuation and that alternative assumptions have been considered and evaluated by the Group's management and the external valuers before determining the final fair value.

In addition, we assessed whether the disclosures related to the valuation of the property, plant and equipment and the investment property met the requirements set out in IFRS and noted no issues.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group's consolidated financial statements comprise the financial information of 19 entities. Based on our risk and materiality assessments, we determined which entities were required to be audited at full scope considering the relative significance of each entity to the Group and the overall coverage obtained over each material line item in the consolidated financial statements. For six of these entities, Tallinna Kaubamaja Grupp AS, Selver AS, Kulinaaria OÜ, Kaubamaja AS, TKM Finants AS and Viking Motors AS, full scope statutory audits were performed by the Group audit team. Statutory audits for the remaining entities were performed by the external component auditors under our instructions. In respect of these entities, we performed additional audit procedures on selected areas (relating primarily to valuation of investment properties, and land and buildings, and testing of material cash and cash equivalents and borrowings balances) giving us the evidence we needed for our opinion on the Group financial statements as a whole. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

Reporting on other information including the Management report

The Management Board is responsible for the other information. The other information comprises Management report, Chairman's statement, Ethical business practices and corporate responsibility, Remuneration Report and Revenue allocation according to the Estonian classification of the economic activities (EMTAK) (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information, including the Management report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Management report, we also performed the procedures required by the Auditors Activities Act of the Republic of Estonia. Those procedures include considering whether the Management report is consistent, in all material respects, with the consolidated financial statements and is prepared in accordance with the requirements of the Accounting Act of the Republic of Estonia.

In accordance with the Securities Market Act of the Republic of Estonia with respect to the Remuneration Report, our responsibility is to consider whether the Remuneration Report includes the information in accordance with the requirements of Article 135^3 (3) of the Securities Market Act of the Republic of Estonia.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the Management report for the financial year for which the consolidated financial statements are prepared is consistent, in all material respects, with the consolidated financial statements;
- the Management report has been prepared in accordance with the requirements of the Accounting Act of the Republic of Estonia; and
- the Remuneration Report has been prepared in accordance with Article 135^3 (3) of the Securities Market Act of the Republic of Estonia.

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In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Management report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of the Management Board and those charged with governance for the consolidated financial statements

The Management Board is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Management Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Report on the compliance of the presentation of consolidated financial statements with the requirements of the European Single Electronic Format ("ESEF")

We have been engaged based our agreement by the Management Board of the Company to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the presentation of the consolidated financial statements of Tallinna Kaubamaja Grupp AS for the year ended 31 December 2023 (the "Presentation of the Consolidated Financial Statements").

Description of a subject matter and applicable criteria

The Presentation of the Consolidated Financial Statements has been applied by the Management Board of the Company to comply with the requirements of art. 3 and 4 of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation"). The applicable requirements regarding the Presentation of the Consolidated Financial Statements are contained in the ESEF Regulation.

The requirements described in the preceding sentence determine the basis for application of the Presentation of the Consolidated Financial Statements and, in our view, constitute appropriate criteria to form a reasonable assurance conclusion.

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Responsibility of the Management Board and those charged with governance

The Management Board of the Company is responsible for the Presentation of the Consolidated Financial Statements that complies with the requirements of the ESEF Regulation.

This responsibility includes the selection and application of appropriate markups in iXBRL using ESEF taxonomy and designing, implementing and maintaining internal controls relevant for the preparation of the Presentation of the Consolidated Financial Statements which is free from material non-compliance with the requirements of the ESEF Regulation.

Those charged with governance are responsible for overseeing the financial reporting process, which should also be understood as the preparation of consolidated financial statements in accordance with the format resulting from the ESEF Regulation.

Our responsibility

Our responsibility was to express a reasonable assurance conclusion whether the Presentation of the Consolidated Financial Statements complies, in all material respects, with the ESEF Regulation.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (Estonia) 3000 (revised) “Assurance Engagements other than Audits and Reviews of Historical Financial Information" (ISAE (EE) 3000 (revised)). This standard requires that we comply with ethical requirements, plan and perform procedures to obtain reasonable assurance whether the Presentation of the Consolidated Financial Statements complies, in all material aspects, with the applicable requirements.

Reasonable assurance is a high level of assurance, but it does not guarantee that the service performed in accordance with ISAE (EE) 3000 (revised) will always detect the existing material misstatement (significant non-compliance with the requirements).

Quality management requirements

We apply the provisions of the International Standard on Quality Management (Estonia) 1 (revised) and accordingly maintain a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We comply with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Summary of the work performed

Our planned and performed procedures were aimed at obtaining reasonable assurance that the Presentation of the Consolidated Financial Statements complies, in all material aspects, with the applicable requirements and such compliance is free from material errors or omissions. Our procedures included in particular:

- obtaining an understanding of the internal control system and processes relevant to the application of the Electronic Reporting Format of the Consolidated Financial Statements, including the preparation of the XHTML format and marking up the consolidated financial statements;
- verification whether the XHTML format was applied properly;
- evaluating the completeness of marking up the consolidated financial statements using the iXBRL markup language according to the requirements of the implementation of electronic format as described in the ESEF Regulation;

- evaluating the appropriateness of the Group’s' use of XBRL markups selected from the ESEF taxonomy and the creation of extension markups where no suitable element in the ESEF taxonomy has been identified; and
- evaluating the appropriateness of anchoring of the extension elements to the ESEF taxonomy.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

In our opinion, based on the procedures performed, the Presentation of the Consolidated Financial Statements complies, in all material respects, with the ESEF Regulation.

Appointment and period of our audit engagement

We were first appointed as auditors of Tallinna Kaubamaja Grupp AS, as a public interest entity, on 20 May 2009 for the financial year ended 31 December 2009. Our appointment has been renewed by tenders and shareholder resolutions in the intermediate years, representing the total period of our uninterrupted engagement appointment for Tallinna Kaubamaja Grupp AS, as a public interest entity, of 15 years. In accordance with the Auditors Activities Act of the Republic of Estonia and the Regulation (EU) No 537/2014, our appointment as the auditor of Tallinna Kaubamaja Grupp AS can be extended for up to the financial year ending 31 December 2028.

AS PricewaterhouseCoopers

Eva Jansen-Diener
Certified auditor in charge, auditor’s certificate no.501

Rando Rand
Auditor’s certificate no.617

19 February 2024
Tallinn, Estonia

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PROFIT ALLOCATION PROPOSAL

The retained earnings of Tallinna Kaubamaja Group AS are:

Total retained earnings 31 December 2023	127,960 thousand euros

The Chairman of the Management Board of Tallinna Kaubamaja Group AS proposes to the General Meeting of Shareholders to pay dividends in the amount of 29,325 thousand euros out of retained earnings accumulated until 31 December 2023.

Raul Puusepp

Chairman of the Management Board

Signed digitally

Tallinn, 21 February 2024

SIGNATURES OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD TO THE ANNUAL REPORT 2023

The supervisory board of Tallinna Kaubamaja Group AS has reviewed the 2023 consolidated annual report, prepared by the management board, consisting of the management report, chairman's statement, ethical business practices and corporate responsibility report, remuneration report, the consolidated financial statements, the independent auditor's report and the profit allocation proposal, and has approved the annual report for presentation on the shareholders' annual general meeting.

Hereby we confirm the correctness of information presented in the consolidated annual report 2023 of Tallinna Kaubamaja Group AS.

Management Board

Raul Puusepp

Chairman of the Management Board

Signed digitally

Supervisory board

Jüri Käo

Chairman of the Supervisory Board
Signed digitally

Enn Kunila

Member of the Supervisory Board

Signed digitally

Kristo Anton

Member of the Supervisory Board

Signed digitally

Meelis Milder

Member of the Supervisory Board

Signed digitally

Gunnar Kraft

Member of the Supervisory Board

Signed digitally

Tallinn, 21 February 2024

REVENUE ALLOCATION ACCORDING TO THE ESTONIAN CLASSIFICATION OF ECONOMIC ACTIVITIES (EMTAK)

The revenue of the Group's Parent company is allocated according to the EMTAK codes as follows:

in thousands of euros per year

EMTAK code	**Title of EMTAK Group**	**2023**
64201	Holding company's activities	5,348
	Total revenue	**5,348**