TKM GRUPP

TKM Grupp AS

Annual Report

2024

TKM Grupp AS
Consolidated Annual Report 2024

The main fields of activity of TKM Grupp AS (hereinafter referred to as the 'TKM Group' or 'the Group') are retail and wholesale trade. At the year-end 2024, 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 company
Telephone:	372 667 3300
E-mail:	info@tkmgrupp.ee
Beginning of financial year:	1.01.2024
End of financial year:	31.12.2024
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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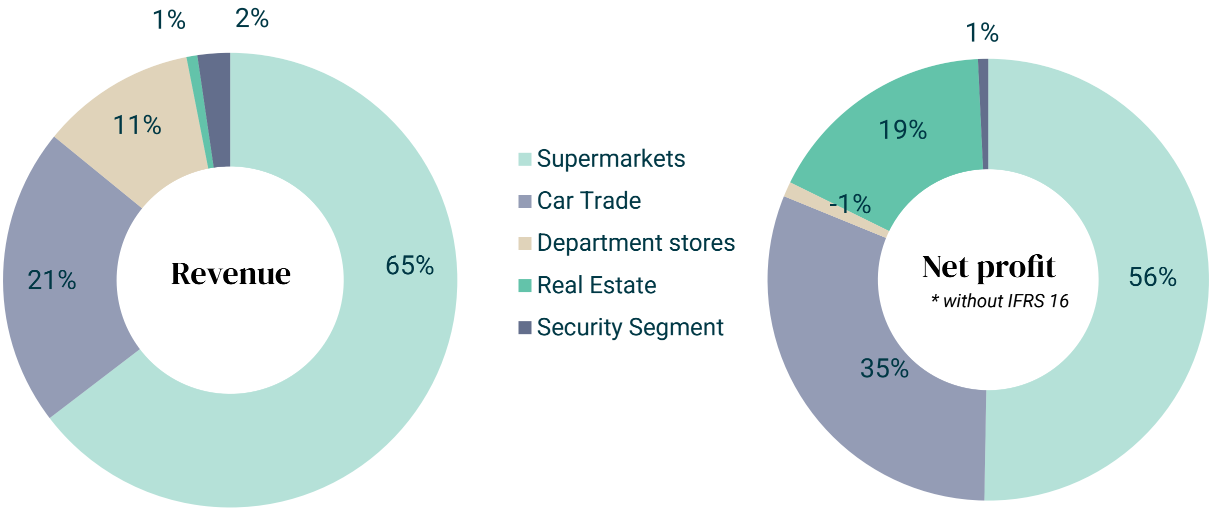
Management Report

TKM Group is one of the biggest retail companies in Estonia. Our **4,700** employees serve customers in **93** stores, where **744,000** loyal customers make **48** million purchases a year.

944,6
Million euros
Revenue
(2023: 947,3 million euros)

27,5
Million euros
Net profit
(2023: 37,4 million euros)



67
Cents
Net profit per share
(2023: 92 cents)

4 785
Yearly average number of
Employees
(2023: 4 724)

Chairman of the Management Board's statement

2024 has been challenging for Estonian retailers. Due to the tense geopolitical situation and the expectation of various domestic tax increases, consumer confidence remains low. A prolonged crisis lasting several years continues to hinder consumption, forcing customers to carefully consider their purchasing decisions and postpone them whenever possible. Despite this, TKM Group can look back on the year with moderate satisfaction: sales revenue exceeded 944 million euros, and the net profit for the year amounted to 27,5 million euros. We continued with our planned activities based on our long-term strategy and invested a total of 36.6 million euros with a forward-looking approach.

Last year, we opened two new Selver supermarkets – one at the Rocca al Mare shopping centre in Tallinn and another in Raadi, Tartu. The Kaubamaja Food Department (Toidumaailm) in Tartu underwent a complete transformation and can now proudly be called the flagship of the entire food retail sector in Southern Estonia. We completed the renovation of I.L.U. stores, expanding and upgrading the store in Tartu Lõunakeskus. Our car business expanded with the opening of a new modern Viking Motors dealership in Peetri, near Tallinn, where we relocated from our long-outgrown Ülemiste auto centre. We also commenced the construction of a new multi-brand auto centre in Lithuania. It was a successful year for both our security businesses and the large-scale culinary production unit.

A key highlight of the year was undoubtedly the completion of the Group's new state-of-the-art logistics centre in Estonia. Located on the outskirts of Tallinn in Maardu, the centre represents one of our most significant strategic investments in recent years. The new logistics centre enables better planning of procurement and optimal stock levels, ensuring that high-quality, controlled goods reach stores in the right quantity and at the right time. Streamlining and centralising core processes significantly reduce our logistics, procurement, and labour costs, ultimately allowing us to offer even more competitive prices in stores. Sustainability was a key consideration in the construction of the logistics centre, as with all our other investments. Our goal was to create an energy-efficient building, and therefore, the installation of a solar park was a natural part of the process. The BREEAM certification, currently in application, assures both us and our partners of our commitment to sustainability. One notable example of reducing environmental impact and costs is our target to cut the total mileage of our delivery trucks by 1 million kilometres per year.

We remain deeply grateful for the trust of our loyal customers – especially in challenging times, it is crucial to know for whom we strive every day with our people and businesses. The number of Partner Cards grew to 744 thousand last year. For our loyal customers, we expanded the Partner Monthly Card (Partner Kuukaart) services offered by TKM Finants AS. In addition to the increasingly popular purchase limit, we now also offer the option to pay for goods at Kaubamaja in interest-free instalments over 3 or 6 months, as well as long-term instalment plans of up to 3 years. Through the "My Better Estonia" initiative, Partner Card holders had the opportunity to voice their opinions on Estonia's most pressing issues today. This project, launched together with other major Estonian companies, provided significant support for improving access to mental health professionals based on the opinions of our customers. As always, our companies continued to support cultural, sports, and healthcare initiatives.

We remain deeply grateful for the trust of our loyal customers – especially in challenging times, it is crucial to know for whom we strive every day with our people and businesses.

The upcoming year, 2025, will be affected by tax increases and a decline in purchasing power caused by inflation, which will reduce the feeling of certainty of all Estonians. Despite these challenges, we continue to seek opportunities for long-term business growth. I sincerely thank all our employees, whose daily efforts have ensured stable and progressive development for TKM Group. A heartfelt thank you also goes to all our customers and more than 26,000 shareholders for their trust and support. We will continue to operate sustainably and thoughtfully to create lasting value for all of you.

Raul Puusepp

Chairman of the Management Board

TKM 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 field 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 compliance

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 information as confidential or as a business secret, which is not, as whole 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 in-formation, 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

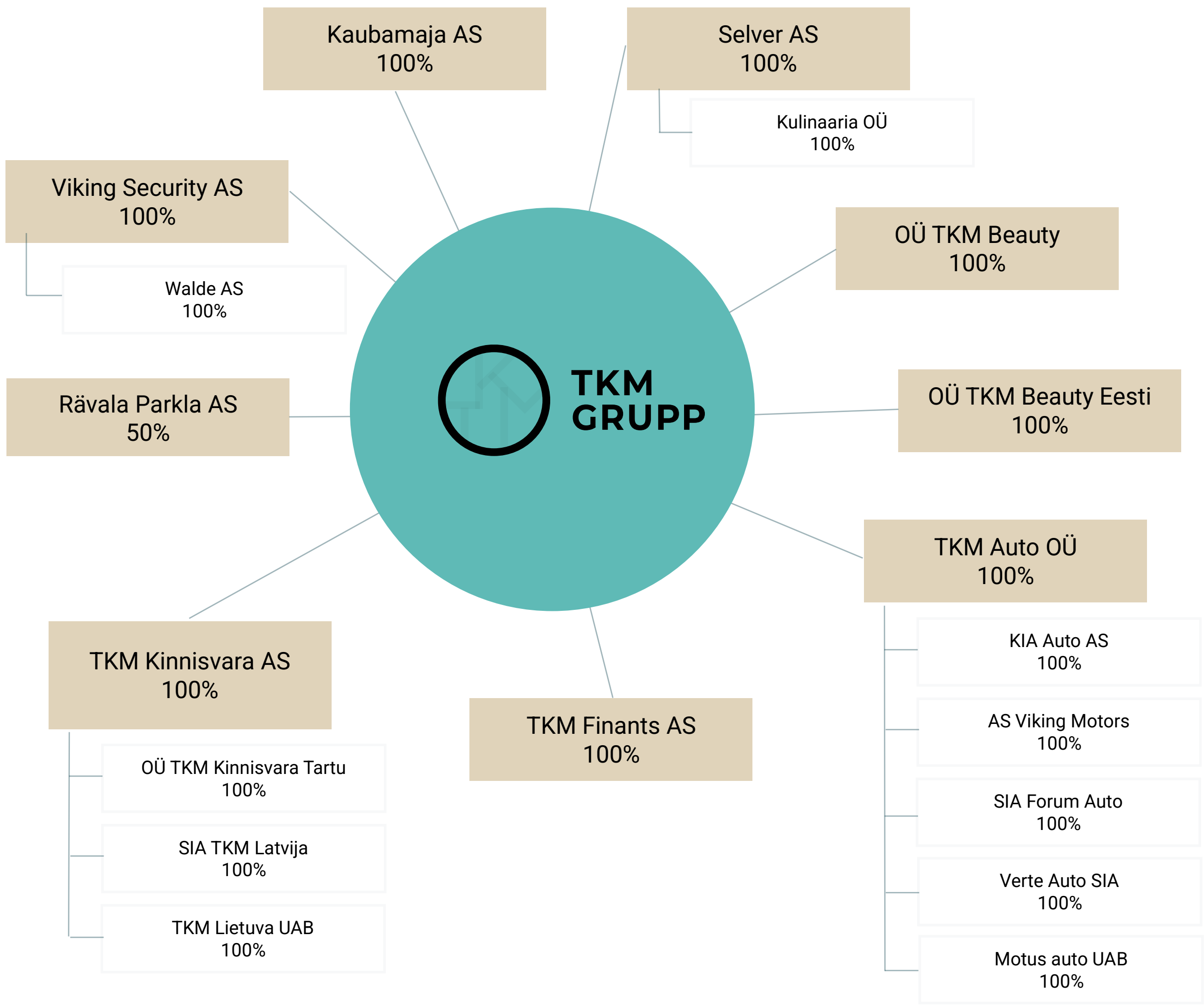
in conflict with those of the Group or where the employee cannot act in the interests of the Group.

- 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 fields of activity of the entities of the Group include retail and wholesale trade.

The structure of TKM Group as of 31.12.2024:



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 73 Selver stores, 2 Delice stores, the mobile store, and a café, with a total selling space of 124,800 m², as well as the online store e-Selver and the central kitchen Kulinaaria OÜ, whose product portfolio includes over 400 products.

Kaubamaja operates two department stores, one in Tallinn and the other in Tartu city centre, as well as an online store, offering a large selection of beauty and fashion products. The department store segment also includes the reporting of beauty retail (I.L.U. and L'Occitane) with 7 stores and an online shop, as well as the performance of TKM Finants AS.

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

The main field 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 of real estate that belongs to the Group and renting out commercial space. 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

Business name change

In March 2024, the Group completed a significant change that reflects its development and ambitions. As of 26 March, the official business name of Tallinna Kaubamaja Grupp AS has been changed to TKM Grupp AS. This change has been registered in the Commercial Register, and a new version of the Articles of Association has come into effect accordingly.

The primary objective of the business name change is to provide greater clarity for shareholders and the public by emphasising that TKM Grupp encompasses multiple business directions and fields. This change better reflects the Group's diversity and long-term strategy across various sectors.

In addition to the name change, the Group announced the adoption of a new visual identity – TKM Grupp – on the stock exchange in May 2023. The new name and logo have been incorporated into the Group's corporate communications, symbolising a unified and strong brand. This change is not merely cosmetic; it represents the Group's commitment to sustainability, innovation, and strong relationships with shareholders, employees, and partners. TKM Grupp remains focused and determined in its operations, striving to create lasting value for all stakeholders.

2024 overview

In the context of a prolonged economic downturn and weak consumer confidence, the Group had to adapt to a challenging business environment in 2024. As a result, revenue declined by 0.3%, and net profit decreased to 27.5 million euros. Despite these challenges, the Group achieved the second-highest operating profit in its history, demonstrating its ability to maintain stability and efficiency even in demanding market conditions. To enhance customer service, investments were made in the development of both physical and digital sales channels, as well as in process efficiency improvements, all while maintaining a strong focus on environmental responsibility. The largest investment of the reporting year was a new logistics centre, built to meet BREEAM certification (currently in application) standards and EU taxonomy requirements, with an A-class energy rating. The total investment volume for 2024 amounted to 36.6 million euros. The Group continued to foster a sustainable and responsible business culture, contributing to the advancement of diversity, equality, and inclusion. Since 2016, the Group has reported its sustainability initiatives in the subsection “Ethical Business Practices and Responsible Entrepreneurship” of its annual reports. From 2024 onwards, the Group’s annual report includes a “Consolidated Sustainability Statement” compliant with CSRD and EU taxonomy requirements. The Group has always prioritised offering customers high-quality products and top-tier services. In the reporting year, a new record was set for the number of loyal customers, reflecting the strong appreciation for the Group’s Partner Card loyalty programme.

The key events for TKM Group in 2024 and up until the publication of this annual report were as follows:

- In autumn 2024, the Group's central logistics centre was completed in Maardu. The facility will primarily serve Selver’s logistics needs while opening up new business opportunities for the Group and improving operational efficiency.
- The Group’s car segment saw expansion as its Lithuanian dealership, Motus auto UAB, began selling Škoda vehicles in Lithuania.
- At the beginning of the reporting year, Kaubamaja launched a new e-store platform, enhancing user convenience. In the final quarter of the year, customers were also given the option to use the Partner Kuukaart installment plan and hire purchase for online shopping, offering more flexible payment solutions. The financial services are provided by TKM Group’s subsidiary, TKM Finants AS.
- In June, TKM Group’s subsidiary Kaubamaja AS extended its lease agreement at Viru Keskus, securing 8,700 m² of retail space until 2032.
- In August, following a two-month renovation, the completely redesigned Food Department (Toidumaailm) opened in Kaubamaja Tartu, offering the best food selection in Southern Estonia.
- Also in August, the supermarket segment opened a new Selver supermarket in Rocca al Mare shopping centre, the largest retail complex in Tallinn’s Haabersti district. The opening of this store in one of Estonia’s largest shopping centres strengthens the chain’s market position in local retail.
- In September, the supermarket segment opened a modern and environmentally friendly supermarket in Raadi, near Tartu. The new store offers a diverse product range, smart technological solutions, and an improved shopping experience.
- Also in September, the supermarket segment launched a pilot project by opening a fully autonomous 24/7 store in Ülemiste City. This innovative store aims to test new solutions for reducing labour costs and enhancing customer convenience while providing valuable insights into the market readiness and future potential of autonomous retail.
- In October, TKM Group, together with its partners, contributed 100,000 euros to a youth mental health initiative as part of the “Minu parem Eesti” pilot project.
- In November, TKM Beauty Eesti OÜ opened a redesigned I.L.U. store in Lõunakeskus, Tartu, introducing a new concept for the beauty retail experience.
- At the end of the reporting year, the Group’s Estonian car dealership Viking Motors closed its Ülemiste showroom, reopening in early 2025 with a new KIA flagship dealership on the outskirts of Tallinn, in Peetri.
- Through the Selver charity campaign “Koos on kergem,” which supports children's and maternity wards in Estonia, 109.7 thousand euros were raised for Estonian children's hospitals in the final months of the reporting year.
- The number of customers in the Group’s loyalty programme, Partnerkaart, surpassed 740 thousand.

Acknowledgements

The World's Best Advertising Campaign

In September 2024, Kaubamaja was awarded the title of the world's best advertising campaign. At the IGDS World Department Store Organization conference in Berlin, Kaubamaja's 2023 spring campaign "Uues kuues" ("In a New Look") was recognised as the best advertising campaign among department stores worldwide.

Kaubamaja's 2023 spring campaign "Uues kuues" was the first large-scale fashion campaign in Estonia created in collaboration with AI. The goal was to integrate artificial intelligence into the traditional creative process, combining human-made photographic art with a fresh and intriguing AI-generated interpretation of an imaginary world. The campaign was developed in partnership with Fotografiska Tallinn and the advertising agency TBWA/Imagine.

Kaubamaja's use of AI in the campaign visuals secured the win, as the real-life model was placed side by side with an AI-generated model. According to the jury, the campaign stood out for its uniqueness and innovation, as well as its bold approach in embracing digital transformation early on. Additionally, the jury highlighted how the campaign successfully expanded the AI concept beyond just photography, incorporating it into other advertising materials, store window displays, sales areas, and even events.

IGDS, the World Department Store Organization, is the largest and oldest global department store network, founded in 1946. It connects over 40 leading department stores and department store chains across 38 countries, with members spanning Europe, Asia, North and South America, and Oceania. IGDS members often represent the most prestigious department stores in their respective countries or regions, including KaDeWe in Germany, Isetan Mitsukoshi in Japan, and Selfridges in the United Kingdom.

IGDS awards gala in Berlin. The jury with Kaubamaja AS Marketing Director Britta Ratas (third from the right) and CEO Erkki Laugus (second from the right).

Recognition for Business Segments

- In a public survey organised by the Estonian E-Commerce Association, e-Selver was awarded the title of Best Online Store in the food e-commerce category.
- At the "Estonia's Best Food Product 2024" competition, two ready-made products from Kulinaaria OÜ's Selveri Köök selection received recognition: Selveri Köögi zephyr cake with blueberry yoghurt cream and whole grain oatmeal. The competition jury highlighted the authentic ingredients used in Kulinaaria's products. Additionally, the oatmeal is made with oat milk, making it suitable for those who are lactose or casein intolerant. Kulinaaria OÜ, the producer of Selveri Köök products, has maintained a high standard of food safety culture, as evidenced by five consecutive years of ISO 22000:2018 audits without non-conformities.
- In the 2024 Top Employer survey conducted by CV.ee, Selver AS ranked as the second most valued employer in the retail sector, while Kaubamaja AS secured third place.
- Kaubamaja AS received the "We Respect Differences" diversity employer label. This recognition highlights and encourages businesses that actively promote diversity and inclusion in the workplace. Kaubamaja and Selver have been signatories of the Diversity Agreement since 2012.
- Kaubamaja AS was awarded the Family-Friendly Employer silver-level recognition. This certification acknowledges organisations that prioritise employee well-being and actively support a work-life balance. The award is issued annually by the Ministry of Social Affairs.
- At the Viru Keskus Annual Gala in May, the Food Department of Kaubamaja in Tallinn was named the Best Shopping Environment.

Business risks

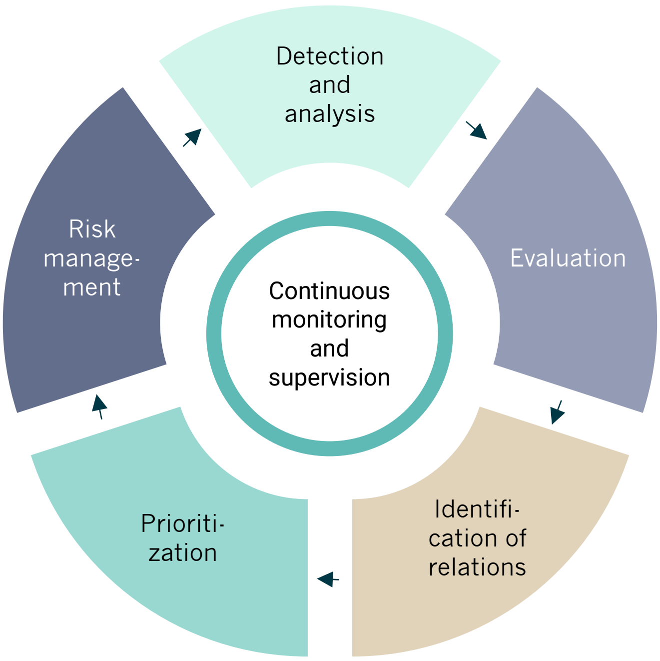
The effective management of risks associated with the Group's business strategy, operations, and structure is crucial and an integral part of the Group's management process. Risk is defined as a possible future event or scenario that may impact the achievement of the Group's and/or its subsidiaries' 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 overreacting 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 conditions, as well as changes in macroeconomic factors and trends. In 2024, the most significant risk factors were the ongoing complex geopolitical situation and economic uncertainty.

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 2024, 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 significant risks are described in detail below.

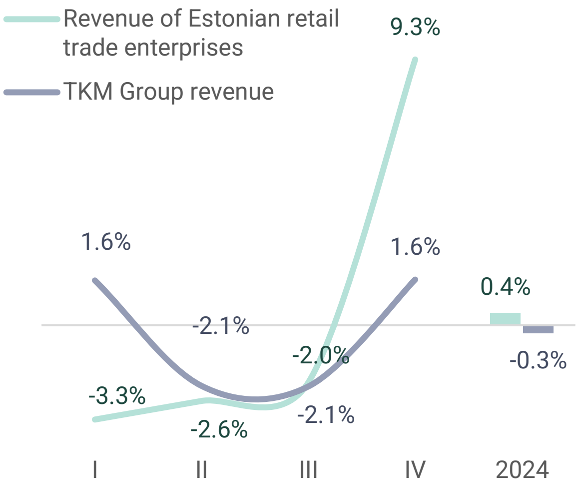
Economic environment

The development of the retail sector is closely linked to overall economic growth and conditions. The prolonged economic downturn has increasingly influenced consumer behaviour. The Group has prepared for potential impacts by increasing liquidity and enhancing the flexibility of business processes. Daily signs of the economic slowdown in the Group's stores include a growing share of discounted and promotional items in customer baskets, as well as a rise in shoplifting. The stores are monitored by the Group's professional security subsidiary, Viking Security, which has extensive experience in retail security, employing modern video surveillance technology and expertise to prevent and detect theft at an early stage. The announcement in autumn 2023 of Estonia's plan to introduce a car tax from 2025 affected the Group's car segment in Estonia. As the details of the tax were only clarified in the second half of the reporting year, consumer uncertainty persisted, and the anticipated car-buying surge in Estonia for 2024 remained weaker than expected, materialising only towards the very end of the year. The car tax is expected to continue impacting the Estonian car market in 2025, with a forecasted decline in demand, in contrast to the reporting year.

According to Statistics Estonia, Estonia's gross domestic product (GDP) in the third quarter of 2024 declined by 0.7% compared to the same period in the previous year. The largest positive contribution came from the information and communication sector, followed by real estate activities, agriculture, forestry, and fishing. The construction and manufacturing sectors had a strong negative impact on the economy. The retail sector's contribution was moderate but still positive. Analysts suggest that Estonia is gradually emerging from the recession. However, efforts to balance the state budget, including tax increases, are expected to slow economic growth in 2025 and 2026. On the other hand, declining interest rates and increasing foreign demand are expected to improve growth prospects. According to the latest forecast from Eesti Pank, Estonia's economy is expected to grow by 1.6% in 2025 and by approximately 3% in 2026-2027. The recovery of exports will play a key role in this. Household confidence remains low, significantly affecting private consumption. While the average real wage has been rising for over a year, retail sales volumes are still declining. According to Statistics Estonia, the country's consumer price index (CPI) increased by 3.5% in 2024 compared to the 2023 average. The largest contributor to the overall increase was the rise in food and non-alcoholic beverage prices, which accounted for 23.7% of the total inflation. Over the year, food and non-alcoholic beverages became 3.2% more expensive, with price increases accelerating in the final months. Clothing and footwear prices rose by 0.9% over the year, but inflation in this category slowed towards the end of the year. The pace of inflation is not expected to ease in 2025-2026 due to the introduction of VAT and motor vehicle tax increases, as well as higher excise duties. According to Eesti Pank's forecast, consumer prices are expected to rise by 4.3% in 2025 and by 3.6% in 2026, with approximately one-third of the increase attributed to tax changes. According to Statistics Estonia, the average gross monthly salary in the third quarter of 2024 was 1,959 euros, an increase of 8.1% compared to the same period in the previous year. Eesti Pank forecasts wage growth of 5.9% in 2025, slightly exceeding the expected inflation rate.

The total retail sales revenue in Estonia at current prices increased by 0.4% in 2024, according to Statistics Estonia. Growth continued in motor vehicle maintenance and repair (11.0%), while sales of motor vehicles, parts, and accessories increased by 2.7%. Revenue from non-specialised stores (mainly grocery retailers) grew by 0.8% in 2024. However, retail sales volumes (excluding motor vehicles and motorcycles) declined by 3%.

In 2024, new passenger car sales volumes in the Baltic region grew by 5.7%. According to AMTEL, 25,386 new passenger cars were sold in Estonia in 2024, an increase of 11.2% compared to the previous year. In Latvia, car sales fell by 7.1%, while in Lithuania, the market rebounded with 9.0% growth. The sales volumes of the Group's represented car brands, KIA and Škoda, increased in the Lithuanian market.



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 6% lower and the sales revenue of the fourth quarter is about 9% 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 safe management of the business risk caused by seasonality.

Competition

The Estonian retail market is highly competitive. In 2022, the German discount chain Lidl entered the Group's supermarket segment as a new player. Among the Baltic countries, Estonia has the most intense competition and the lowest mark-ups in the supermarket sector. As expected, the arrival of a new competitor impacted many market participants, as Lidl could only gain market share at the expense of others. By the end of 2024, Lidl had opened 14 stores in Estonia, with plans to open four more in 2025. By the end of 2023, Lidl had achieved a market share of approximately 4% in Estonia. In recent years, Estonia's declining economy and rising prices have increased consumer uncertainty about the future, making shoppers more cautious and budget conscious. Despite a slowdown in price growth in 2024, prices remained high, leading consumers to seek savings through discounts and basket optimisation. This, in turn, has contributed to the success of discount chains. The supermarket segment expanded its store network by two new locations in the second half of 2024, though this did not significantly impact its market share. In comparison, in 2023, two stores were closed, and one new store was opened. As of the end of 2024, Selver AS held a market share of 16.6% in non-specialised stores (primarily food, tobacco, and alcohol), maintaining its position as the second-largest player in the segment.

The key to maintaining market share is meeting customer expectations in terms of product selection, pricing, and shopping convenience. The Group aims to guide customers towards a more affordable shopping basket without compromising on product quality through initiatives such as "Consistently Low Regular Prices", "Best Price of the Week", "Golden Wednesday", and various Partner Card special offers. Significant focus is also placed on the development of Selveri Köök private-label products, with the goal of offering high-quality, healthy ready-made meals at affordable prices. The launch of the new logistics centre allows for more flexible assortment management, better alignment with customer needs, and improved product availability. In 2025, plans include renovating one store and enhancing the functionality of the Partner App to further improve the customer shopping experience.

Personal Data Protection

The correct and lawful processing of personal data is of utmost importance to the Group and is regarded as a priority in both organisational management and daily operations. The Group aims to ensure a high level of protection for the personal data of customers, partners, and employees while maintaining compliance with applicable regulations and best practices. To achieve this, the Group continuously works to ensure the accuracy and security of personal data processing by reviewing and improving existing systems and processes, implementing additional control mechanisms when necessary, and adhering to best data protection practices.

The Group applies a comprehensive and effective set of technical and organisational measures for the collection, use, storage, and deletion of personal data. These measures are designed to guarantee the continuous, secure, and legally compliant processing of data throughout its entire lifecycle—from collection to proper deletion or destruction. In addition, the Group regularly analyses and updates its data protection measures to ensure compliance with both existing and evolving regulations and technological advancements.

The Group has a dedicated Data Protection Officer (DPO) responsible for advising and informing the Group and its subsidiaries about data protection rights and obligations. The DPO actively participates in addressing data protection issues and ensures that employees have the necessary knowledge and skills to handle personal data correctly. To support this, the DPO organises various training sessions and awareness campaigns while also providing ongoing guidance on the adoption of new technologies and the development of new business areas.

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.

To ensure the efficient availability of liquidity—sufficient financial resources to meet the company's obligations—the parent company, TKM Grupp AS, and its subsidiaries operate a unified group cash pool. This system allows participating companies to access the group's funds within agreed limits. As of the end of the financial year, the company had available cash and bank deposits amounting to 45,454 thousand euros (2023: 42,064 thousand euros). As of 31 December 2024, working capital was positive at 17,422 thousand euros (2023: positive at 2,493 thousand euros). The company continues to maintain strong daily cash flows from business operations to cover its short-term obligations. According to management, the company does not face liquidity issues.

Credit risk refers to the risk of financial loss due to a counterparty's failure to meet its contractual obligations related to financial instruments. The company is exposed to credit risks arising from its business activities (mainly trade receivables) and investment activities, including deposits in banks and financial institutions. Due to the nature of retail, the Group is not significantly exposed to credit risk. As of 31 December 2024, the maximum credit risk exposure was represented by receivables amounting to 25,641 thousand euros (2023: 22,743 thousand euros).

Foreign exchange risk refers to the potential impact of exchange rate fluctuations on the fair value of financial instruments or cash flows. At the end of the reporting period, the company had no significant financial assets or liabilities denominated in currencies other than the euro.

Interest rate risk arises when an increase in interest rates significantly impacts the company's financial performance by raising interest expenses on obligations. The company's interest rate risk mainly stems from long-term floating-rate loans linked to EURIBOR. The 6-month EURIBOR, which started the financial year at 3.861%, had decreased to 2.568% by year-end. According to economic analysts, a gradual decline in the 6-month EURIBOR is expected to continue in 2025, reaching 2% by the end of the year. If floating interest rates on financial liabilities had been 1 percentage point higher as of 31 December 2024, the company's financial costs would have increased by 1.45 million euros.

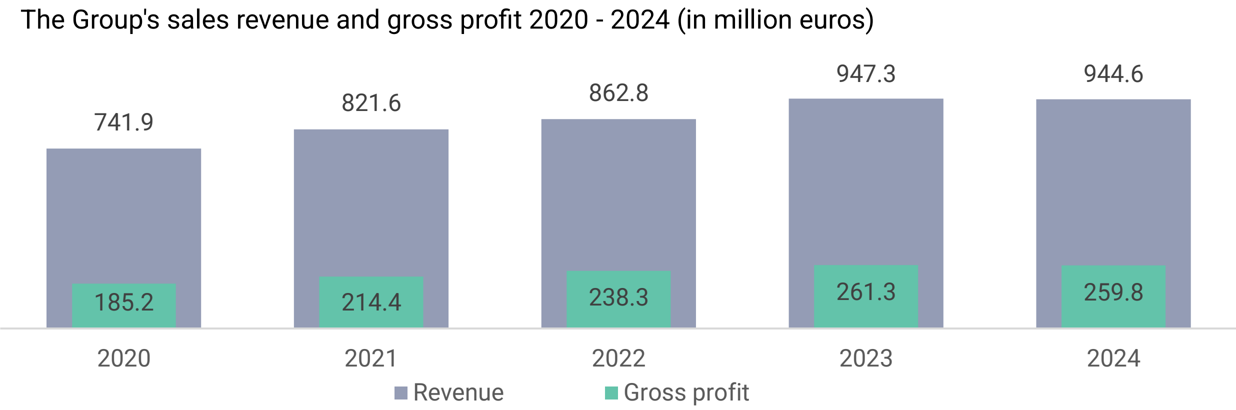
A more detailed description and explanation of the Group's main financial risks can be found in Note 4 of the financial statements.

Financial performance

FINANCIAL RATIOS 2020-2024

In millions, EUR	2020	2021	2022	2023	2024
Revenue	742	822	863	947	945
Change in revenue	*3%*	11%	5%	10%	0%
Gross profit	185	214	238	261	260
EBITDA	63	80	79	93	91
Operating profit	28	41	40	52	48
Profit before tax	24	36	35	43	35
Net profit	19	32	29	37	27
Change in net profit	*-39%*	*64%*	*-8%*	*27%*	*-27%*
Sales revenue per employee	0.163	0.169	0.184	0.201	0.197
Gross margin	25%	26%	28%	28%	27.5%
EBITDA margin	9%	10%	9%	10%	9.6%
Operating margin	4%	5%	5%	6%	5%
Profit before tax margin	3%	4%	4%	5%	4%
Net margin	3%	4%	3%	4%	3%
Equity ratio	37%	38%	37%	38%	37%
Return on equity (ROE)	9%	14%	12%	15%	10%
Return on assets (ROA)	3%	5%	5%	6%	4%
Return on capital employed (ROCE)	7%*	9%	9%	11%	9%
Current ratio	0.8	0.8	0.7	1.0	1.1
Debt ratio	0.6	0.6	0.6	0.6	0.6
Inventory turnover	7.2	8.3	7.9	7.3	7.0
Average number of employees	4,558	4,864	4,697	4,724	4,785

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*



The Group's audited consolidated revenue for 2024 was 944.6 million euros, a decrease of 0.3% compared to 947.3 million euros in 2023. The Group's pre-tax profit for 2024 amounted to 35.5 million euros, down 17.5% from the previous year. Net profit totalled 27.5 million euros, representing a 26.6% decline compared to 2023.

The year 2024 proved to be more challenging for TKM Group than the previous year, but several of the Group's business segments demonstrated positive development despite the demanding economic environment. The security segment continued its strong growth, supported by both organic expansion and the integration of companies acquired in 2023. The performance of the car segment in Estonia was impacted by the upcoming motor vehicle tax set to take effect in 2025. In the first nine months of the year, demand was restrained due to consumer uncertainty, as the details of the new tax were only clarified in the second half of the year. Sales picked up significantly in the final quarter, but overall sales volumes in Estonia remained modest. Unlike some competitors, the Group did not engage in deep discounting, which helped to maintain profitability in the car segment even in the last quarter of the year. The prolonged cooling of the Estonian economy has led consumers to increasingly prefer discounted products, putting pressure on revenue and margins in both the supermarket and department store segments. As a result, sales and profitability in these segments declined slightly compared to the previous year. The Group's operating expenses remained largely stable, with notable increases in marketing costs due to expanded promotional activities and IT expenses related to automation. Labour costs grew moderately by 3.3% over the year, with the number of employees increasing by 1.3%, reflecting the Group's ability to optimise processes and improve efficiency. Net profit was negatively affected by the gradual impact of rising interest rates on the Group's loans and an adjustment in deferred income tax calculations in line with international accounting standards. However, profitability was supported by the sale of non-core real estate assets within the Group's property segment, generating an extraordinary profit of 1.9 million euros. The annual revaluation of real estate investments resulted in a 1.1 million euro increase in asset values compared to the previous year, positively impacting the Group's operating profit. The Group's 2024 profit was reduced by an IFRS 16-related accounting loss of 2.6 million euros from lease liabilities (compared to 2.2 million euros in 2023).

At the end of the reporting period, the number of loyal customers exceeded 744,000, growing by 3.3% over the year. Loyal customers accounted for 86.0% of the supermarket and department store segment's total sales revenue (compared to 85.2% in 2023). The "Pay Later" instalment and hire purchase solutions, introduced to Kaubamaja's online store at the end of September, received a warm welcome and positive customer feedback. The instalment plan allows customers to split payments into three or six equal parts without additional costs, while hire purchase offers payment terms of up to 36 months.

As of 31 December 2024, the Group's total assets amounted to 706.7 million euros, reflecting a 2.7% increase compared to the end of 2023, excluding the impact of IFRS 16.

Investments

The Group's total investments in 2024 amounted to 36.6 million euros (2023: 29.7 million euros). This included 34.1 million euros invested in tangible fixed assets, 2.0 million euros in intangible assets, and an additional 0.5 million euros in real estate investments.

In the supermarket business segment, investments totalled 6.7 million euros in 2024 (2023: 17.8 million euros). During the reporting period, two new supermarkets were opened—one in Rocca al Mare shopping centre in Tallinn and another in Raadi, Tartu. The new stores feature CO_2-based refrigeration systems, LED lighting, and efficient air circulation with fan technology, reducing energy consumption by up to 20%. Investments were also made in IT equipment and the modernisation of Selver store interiors and equipment.

The department store segment invested 4.3 million euros (2023: 2.1 million euros). During the reporting period, Kaubamaja reopened its extensively renovated Food Department (Toidumaailm) in Tartu and upgraded its e-commerce platform with advanced technical solutions to enhance the customer shopping journey. The development of the Group's retail loyalty programme, Partnerkaart, continued, expanding the modern and convenient Partner Kuukaart "buy now, pay later" payment solutions. In addition to the physical stores in Tallinn and Tartu, the Instalment and Hire Purchase options were introduced to Kaubamaja's online store. The Instalment plan allows customers to split payments into three or six equal parts without extra costs, while Hire Purchase enables payments to be spread over up to 36 months. The fully redesigned I.L.U. beauty store was also opened in Lõunakeskus, Tartu, during the reporting period.

Investments in the car segment totalled 1.5 million euros (2023: 1.3 million euros). By the end of the year, the Group's Estonian dealer, Viking Motors, had completed the furnishing of the new KIA flagship dealership on the outskirts of Tallinn in Peetri, which opened to customers on 2 January 2025. Adjacent to the Peetri dealership, planning of the construction of a new body repair workshop began. In Riga, a new KIA dealership was opened in the Bikernieku area to better serve customers in that part of the city.

In the security services segment, 0.4 million euros (2023: 0.4 million euros) was invested in upgrading technical security solutions.

The real estate segment saw the highest investment, totalling 21.2 million euros (2023: 2.3 million euros). A key development during the reporting period was the completion of the Group's large-scale logistics centre near Tallinn, in Maardu. This facility will primarily support the logistics needs of TKM Group, particularly its subsidiary Selver AS. Additional investments were made in energy efficiency solutions, including more precise measurement and management of energy consumption in technical systems. Extensive renovations took place at Tartu Kaubamaja Centre during the summer, with the complete overhaul of the ground floor and selected areas on the third floor. In total, nearly one-third of the leasable net area was modernised. The Food Department (Toidumaailm) and general areas on the ground floor were fully renovated, introducing a new concept, upgraded interior design, and an expanded product range. As a result, Food Department (Toidumaailm) has become the most diverse and distinctive grocery store in the region. In collaboration with Enefit Volt, TKM Kinnisvara AS installed public electric vehicle chargers in Selver car parks. The Group's Lithuanian real estate company began constructing a new KIA and Škoda dealership and service centre in Vilnius. In Estonia, preparations started for the construction of a body repair workshop next to the Peetri auto dealership.

Business segments

in millions, EUR	2023	2024	%
Revenue	**947.3**	**944.6**	**-0.3%**
Supermarkets	620.2	610.4	-1.6%
Department stores	110.5	104.2	-5.7%
Car Trade	194.4	200.8	3.3%
Security segment	15.7	21.9	39.6%
Real Estate	6.6	7.3	10.8%
EBITDA	**93.0**	**90.7**	**-2.4%**
Supermarkets	33.4	29.3	-12.3%
Department stores	5.8	3.7	-35.6%
Car Trade	15.4	13.6	-11.7%
Security segment	0.5	1.0	96.9%
Real Estate	16.7	20.1	20.4%
IFRS 16	21.2	22.9	8.4%
Net profit/-loss	**37.4**	**27.5**	**-26.6%**
Supermarkets	18.4	15.5	-15.8%
Department stores	1.5	-0.3	-123.0%
Car Trade	11.2	9.5	-15.1%
Security segment	-0.1	0.2	-423.9%
Real Estate	8.7	5.2	-39.8%
IFRS 16	-2.2	-2.6	16.8%

Supermarkets

The consolidated revenue of the supermarket business segment in 2024 was 610.4 million euros, a decrease of 1.6% compared to the previous year. The average monthly revenue per square metre of sales area was 0.41 thousand euros in 2024 (compared to 0.43 thousand euros in 2023). In comparable stores, the average monthly revenue per square metre was 0.41 thousand euros in 2024 (compared to 0.44 thousand euros in 2023). A total of 44.4 million purchases were made in stores in 2024, with the number of transactions remaining stable compared to the previous year (an increase of 0.4%). The consolidated pre-tax profit of the supermarket segment in 2024 was 16.0 million euros, a decrease of 4.0 million euros compared to the previous year. Net profit totalled 15.5 million euros, down 2.9 million euros from the previous year. The difference between net profit and pre-tax profit is due to the reallocation of deferred income tax across the Group’s business segments.

The 2023 comparison base was impacted by the temporary closure of the segment’s largest store, Järve Selver, for renovation in March, along with the preceding clearance sale. Järve Selver reopened in May after renovations. The opening of Kurna Selver in August 2023 and the closures of WOW Selver ABC in January and Punane Selver in May also influenced the comparison figures. In 2024, two new Selver stores were opened—one at Rocca al Mare shopping centre in Tallinn at the end of August and another in Raadi, Tartu, at the end of September. The one-off costs associated with these openings impacted the segment’s profit for 2024.

Selver’s sales performance has been influenced by the overall state of the Estonian retail market, where sales volumes have been declining for the third consecutive year, and consumer confidence remains weak. Low purchasing power and financial uncertainty are particularly evident in the food and essential goods segment. In 2024, revenue in the non-specialised store segment, where food, tobacco, and alcohol dominate, increased by 0.8%, while sales volume declined by approximately 2.8%. A cautious expansion of retail space, the closure of two stores, and strategic price positioning resulted in slower revenue growth compared to the market average but helped maintain better-than-average sales volume figures. On a positive note, the production volume of Keskusköök, part of the supermarket segment, showed growth. Despite a temporary decline in summer, the annual production volume increased by over 2.5%.

To stimulate customer activity, discount offers were expanded, and the “Consistently Low Regular Prices” programme was launched, offering around 650 products at highly competitive prices. In spring, the targeted campaign Golden Wednesday, aimed at pension-age customers, was introduced and received highly positive feedback from the target group. The main factors impacting profit in 2024 were lower sales volumes and a decrease in gross profit from product sales, driven by pricing strategies and a higher proportion of promotional items in shopping baskets. The prices of nearly all services and materials increased during the reporting period, but through cost-saving measures, operating expenses were kept at a 3% growth rate despite the challenging economic environment. Continuous efforts to improve efficiency helped maintain labour costs at the same level as the previous year.

Product assortment and process optimisation remain key focus areas, with a strong emphasis on achieving sustainability goals. Kulinaaria has transitioned to recyclable mono-material packaging across almost all product categories, moving closer to the goal of 100% recyclable packaging. In addition to product packaging, transport packaging has been addressed, with a full transition to reusable plastic pallets.

At the end of 2024, the supermarket segment included 73 Selver stores, 2 Delice stores, a Rändpood (mobile store), and a café, with a total sales area of 124.8 thousand m². The segment also includes e-Selver, Estonia’s largest e-commerce service area for groceries, and Kulinaaria OÜ, a central kitchen with a product portfolio of over 400 items.

Department stores

The department store segment reported revenue of 104.2 million euros in 2024, a decline of 5.7% from the previous year. The segment’s pre-tax loss for 2024 was 0.3 million euros, which was 2.0 million euros lower compared to the previous year.

The average monthly revenue per square metre of sales area in department stores was 0.32 thousand euros in 2024, down 6.6% from the previous year. The economic slowdown that began in 2023 continued into the reporting year, leading to more aggressive discount campaigns in the first half of the year compared to 2023, which also impacted the performance of department stores. The results of the Tallinn store were negatively affected by the ongoing construction of the Vanasadama tramway in central Tallinn and the closure of the Viru Centre bus terminal, which significantly reduced foot traffic. In Tartu, the Food Department (Toidumaailm) underwent a full renovation starting in late June, resulting in a two-month closure during the summer. On 29 August, the completely redesigned grocery store, featuring the best selection in Southern Estonia, was reopened, leading to a notable increase in visitor numbers. The autumn season in 2024 was unusually warm, with winter weather arriving only at the end of the year, which had a significant impact on year-end fashion sales.

In the first quarter, Kaubamaja launched a new e-commerce platform, significantly improving customer experience. AI-powered recommendations were introduced to enhance sales potential. In the final months of the year, financial services were also made available in the online store.

OÜ TKM Beauty Eesti, which operates I.L.U. beauty stores, recorded revenue of 8.7 million euros in 2024, a 3.0% increase from 2023. The segment's pre-tax profit was 0.2 million euros, down 0.2 million euros from the previous year. The most significant development was the expansion and conceptual renewal of the I.L.U. store in Lõunakeskus.

Car segment

The revenue of the car business segment in 2024 was 200.8 million euros, an increase of 3.3% compared to the previous year. A total of 6,619 new vehicles were sold. The segment's pre-tax profit for 2024 amounted to 11.1 million euros, a decrease of 16.1% from the previous year.

The Baltic car market, which experienced a decline in the first half of the year, achieved an overall growth of 5.7% by year-end. A key contributing factor was the pre-tax car-buying surge in Estonia at the end of 2024 ahead of the motor vehicle tax taking effect in 2025. The Group's car sales volumes grew more modestly. The taxes on the Group's car models are relatively competitive, and the Group did not engage in deep price discounting, helping to maintain profitability. In the final months of the year, the all-new KIA EV3 electric vehicle and the refreshed EV6 model were introduced. Since the motor vehicle tax had little impact on these models, customers were in no rush to make purchases. In 2025, the lineup will expand to include the KIA EV4 and, by year-end, the first electric vans. Other significant additions will include the all-new KIA Ceed family and the updated KIA Sportage SUV.

By the end of the year, the Group's Estonian dealership, Viking Motors, had completed the furnishing of the new KIA flagship showroom in Peetri, on the outskirts of Tallinn, which opened to customers on 2 January 2025. Construction of a body repair workshop next to the Peetri dealership is ongoing. At the end of the reporting year, a new KIA dealership was opened in the Bikernieku district of Riga to better serve customers in that area. In Lithuania, construction continued on the new KIA-Škoda multi-brand dealership in Vilnius in cooperation with TKM Lietuva UAB.

Security Services

The external revenue of the security services segment in 2024 was 21.9 million euros, a 39.6% increase compared to the previous year. The segment's pre-tax profit for 2024 was 0.2 million euros, an improvement of 0.3 million euros from the previous year.

The key challenge for the security segment in 2024 was the integration of companies acquired in 2023 and the creation of operational synergies. The segment performed successfully across all business areas, with both revenue and profit increasing. The strongest growth was recorded in security control centre services and technical security projects. There was a continued increase in customer payment difficulties and price sensitivity. Despite the challenging economic environment, the security segment managed to grow both revenue and profit and is on track for continued positive development.

Real Estate

The external revenue of the real estate segment in 2024 was 7.3 million euros, reflecting a 10.8% increase compared to the previous year. The segment's pre-tax profit for 2024 was 11.1 million euros, an increase of 6.0%.

The growth in real estate revenue was supported by rental income from the logistics centre, which started operations at the end of September. To focus on core activities and improve efficiency, the Group's logistics centre is operated by an external professional partner with whom the Group has a long-standing cooperation. Additional revenue growth was driven by the launch of an expanded car wash facility at the Peetri Selver service station, which was leased to an external operator, as well as an increase in occupancy rates for retail spaces. Despite weak economic activity, visitor numbers at the shopping centres owned by the real estate segment remained only slightly lower than the previous year, with the decline staying below 1%. The drop in visitor numbers at Tartu Kaubamaja Centre was linked to extensive renovation works on the ground floor during the summer, which resulted in temporary store closures in that area. The final months of the year showed signs of stabilisation in shopping centre footfall, with some months even recording an increase.

The segment's profit was positively impacted by an extraordinary gain from the sale of commercial properties in Ogre and Rezekne, Latvia, as well as the annual revaluation of real estate investments, which contributed a total of 4.0 million euros to profit (2023: 1.1 million euros). However, the segment continues to face a significant negative impact from rising eurozone interest rates, which have increased the cost of borrowing. The gradual decline in Euribor in the second half of the reporting year started to reduce interest expenses for the real estate segment, with a more substantial cost reduction expected in 2025.

The segment holds the majority of the Group's loan portfolio, which grew during the reporting year due to the construction of the logistics centre, leading to an increase in interest expenses. The logistics centre investment was the Group's largest in recent years, with total construction costs amounting to approximately 20 million euros.

Strategy

TKM Group strategy 2025 – 2029

TKM Group's strategy is focused on achieving the company's vision—to be the most diverse and profitable retail group in Estonia, offering high-quality products and services. The Group is committed to meeting customer needs and driving continuous innovation while striving for sustained profitability and market share growth. The strategy includes a flexible approach to customer demands and process optimisation. Increasing emphasis is also placed on environmental awareness and sustainability, reducing the ecological footprint to support long-term success and responsible business practices.

- We focus on developing our stores and services to meet customer expectations, enhance the shopping experience and customer service, and create synergies across different segments.
- We invest in technology, e-commerce, self-service, and smart security solutions to provide convenience for customers and improve efficiency.
- We work towards reducing our ecological footprint.
- We offer our employees training and development opportunities, supporting continuous growth.
- We manage our real estate portfolio with a future-oriented approach, ensuring it creates added value for the Group's core business.

Segments strategy and directions for the coming years

In the supermarket segment, the priority is profitable business operations and maintaining the second-largest market share. Continuous attention is given to maintaining a reputation as a good employer and improving the pricing image while strengthening the premium product selection. The product assortment is adjusted in response to shifts in customer purchasing preferences. The focus is on successfully operating all store formats while optimising costs. The strategic goal of Keskusköök Kulinaaria remains enriching the product selection of Selver and Kaubamaja with both existing and new products while establishing strong external partnerships and sales channels. In 2025, at least one Selver store is planned for renovation and expansion, while the Maardu store is scheduled for closure. E-commerce development and expanding activity on the Bolt Market and Wolt platforms remain a priority. To optimise the supermarket supply chain, the full-scale implementation of the logistics centre, built in Maardu in 2024 as part of TKM Group, is planned for 2025.

The key strategic objective in the department store segment is maintaining and growing market share in its product categories while sustaining its position as Estonia's leading retail innovator. Plans for constructing a new department store in Tallinn remain in place. In 2025, efforts will focus on developing the e-commerce channel, enhancing the customer experience, diversifying delivery options, and integrating online and physical stores more effectively. In the spring of 2025, Children's Department (Lastemaailm) in Kaubamaja Tallinn will undergo renovation to introduce a new concept. Additionally, the launch of the ERP system upgrade is also planned for 2025, with its implementation already initiated during the reporting year. The beauty retail business within the department store segment will focus on the sustainable and profitable expansion of market share in the premium and mid-price beauty categories, strengthening the brand and expanding the customer base. The I.L.U. store chain plans to modernise its online store in 2025, making it more user-friendly—an expected continuation of the in-store concept updates completed during the reporting year.

The car segment will continue focusing on the import of KIA passenger vehicles in the Baltics and the retail sale of vehicles in Tallinn, Riga, and Vilnius, while maintaining partnerships with other key brands such as Škoda and Peugeot. The priority remains building on the importer's successful operations while maintaining profitability, as well as sustaining and expanding a competitive and strong dealer network. In 2025, expansion efforts will continue, particularly in Vilnius, where a new multi-brand Škoda and KIA sales and service centre is planned to open within a year. Additionally, the new KIA showroom in Peetri, near Tallinn, is set to open at the beginning of 2025, alongside a newly established start-up KIA dealership in the Bikernieku district of Riga. In the coming years, a key strategic focus will be introducing and marketing KIA electric vehicles and commercial vans.

The security segment's strategic goal is to grow market share and profitability by offering high-quality security solutions and services while maintaining a strong reputation as an employer. Opportunities are being explored for entering new profitable business areas and developing new services. Investments are being made in technology, and efficient digital solutions are being implemented. Focus is also placed on developing the service and control centre, which, alongside customer management efforts, will improve the customer experience. To support revenue growth, sales and marketing activities will be expanded.

The real estate segment will continue managing and developing key properties that support the Group's core business. While priority is given to developments for internal Group use, projects will also be undertaken for external tenants to enhance the value of existing properties. In the coming years, key activities will include constructing new commercial buildings based on the needs of the Group's core businesses, expanding existing properties where possible, and managing the real estate portfolio as efficiently as possible. Energy efficiency and reducing the ecological footprint remain key priorities. In 2025, the Lithuanian real estate company will continue the construction of a new KIA and Škoda showroom and service centre in Vilnius, which began during the reporting year. In Estonia, development work will continue on a body repair workshop next to the Peetri car dealership. Additionally, several retail building renovation projects will continue in 2025 to improve energy efficiency and upgrade the energy rating of the properties. Preparations have been made for the expansion of Laulasmaa Selver and Keila Selver.

A key focus remains the development of the Group-wide Partnerkaart loyalty programme for retail customers. Efforts will be directed towards an even more personalised and interactive loyalty management approach, offering solutions that enhance the shopping experience. In 2025, attention will be given to improving the usability of the Partnerkaart app and developing new features to make the customer experience even more personalised.

The Group continues to work on reducing its ecological footprint. Investments are being made in implementing and developing a sustainability platform. To better measure the environmental impact of business operations, internal monitoring and accounting software will be utilised more effectively, with the collected data integrated into the evolving sustainability platform.

The Group's operations and strategy execution are most influenced by economic and competitive risks, as well as IT and climate risks, which are described in more detail in the Business Risks section.

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 TKM Group are listed on the Nasdaq Tallinn Stock Exchange from 6 September 1996 and in the Main List, from 19 August 1997. TKM Group 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 TKM Group. 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 TKM Group have no right to issue and buy back shares of TKM Group. 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.

By the end of 2024, TKM Group AS had 26,316 (25,798 in 2023) shareholders. The investor base grew by 518 new investors or 2,0% during the year.

Shareholders as of 31.12.2024	
Number of shareholders	26,316
Number of countries represented	30
Proportion of Estonian residents	98.8%
Proportion of legal entities	7.5%
Proportion of private entities	92.5%
Proportion of representative accounts	0.2%

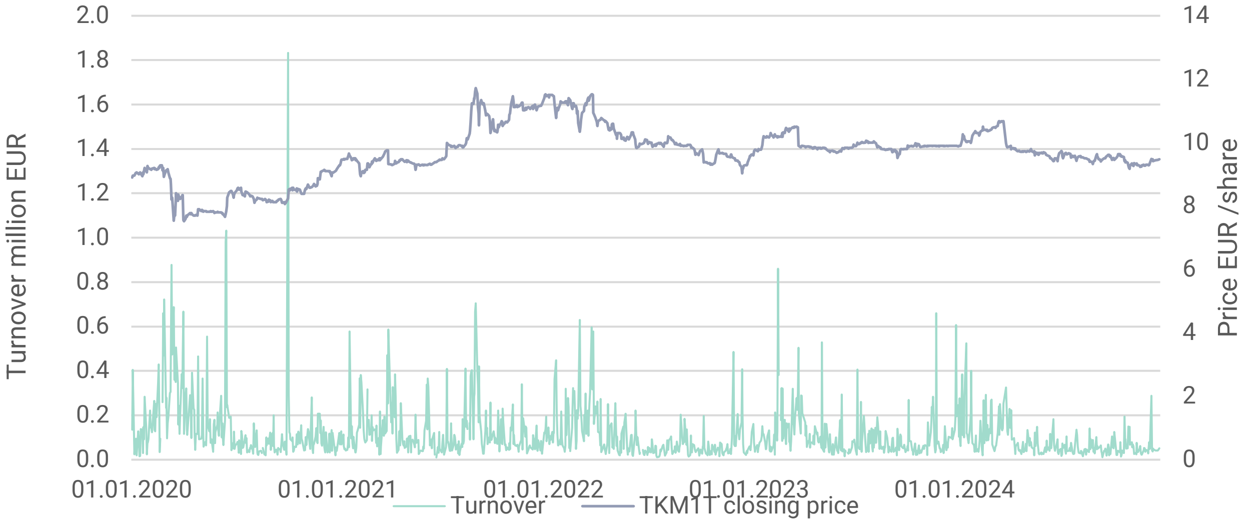
Of the Group's shareholders, 92.5% were private individuals and 7.5% were legal entities. The majority of shareholders are clearly Estonian residents and companies associated with them.

TKM Grupp is primarily based on Estonian capital. The majority of shares and voting rights belong to NG Investeeringud OÜ, which holds 27,328,136 ordinary shares, accounting for 67.10% of the listed securities.

Major shareholders as of 31.12.2024	Number of shares	Proportion
OÜ NG INVESTEERINGUD	27 328 136	67,1%
MARIE VAINO	899 769	2,2%
SWEDBANKI PENSIONIFOND 1970-79 SÜNDINUTELE	433 689	1,1%
SWEDBANKI PENSIONIFOND 1980-89 SÜNDINUTELE	285 919	0,7%
LUKSUSJAHT AS	202 186	0,5%
HANS PALLA	170 000	0,4%
SWEDBANK AS/PENSION PLAN 1980+	157 640	0,4%
SWEDBANK AS/PENSION PLAN 1970+	126 474	0,3%
STATE STREET BANK AND TRUST OMNIBUS ACCOUNT A FUND NO OM01	122 130	0,3%
SWEDBANK AS/PENSION PLAN DYNAMICS	111 603	0,3%

The following charts provide an overview of the movement of the share price of TKM Group, the Tallinn Nasdaq 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 01.01.2020 to 31.12.2024.



The Group's shares have been traded on the Nasdaq Tallinn Main List since 19 August 1997 under the trading code TKM1T and ISIN EE0000001105. The shares are freely transferable with no restrictions outlined in the Articles of Association. During the 2024 financial year, the share price fluctuated by approximately 17%. The highest price of 10.72 euros was reached just before the ex-dividend date. The lowest price was recorded in November, when the share fell to 9.17 euros. The weighted average share price in 2024 was 9.73 euros. A total of 2,147,189 trades were executed, with a total turnover of 21,135,876.31 euros, making the company the fourth most traded on Nasdaq Tallinn and demonstrating strong investor interest in the stock. Based on the share price, the market capitalisation of TKM Group at the end of the reporting year was 385.7 million euros (2023: 403.2 million euros), reflecting a 4.34% decrease over the year.

Price change of TKM Group share and OMX Tallinn index from 01.01.2024 to 31.12.2024.

Index/share	Opening price, EUR	Closing price, EUR	Change %
OMX Tallinn_GI	1,768.56	1,733.00	-2.01%
TKM1T - TKM Group	9.90	9.47	-4.34%

At the end of 2024, the closing price of TKM Group's share was 9.47 euros (2023: 9.90 euros), reflecting a 4.34% decline over the year. The Nasdaq Tallinn stock index fell by 2.01% during the same period, making the decline in TKM Group's share price slightly more pronounced. There is no direct benchmark index or comparable company on the Baltic stock exchange that could be equivalently compared to the Group.

Share trading history

In euros	2020	2021	2022	2023	2024
Average number of shares (1000 pcs)	40 729	40 729	40 729	40 729	40 729
Traded shares (1 000 pcs)	4 655	3 166	2 447	2 532	2 147
Dividend / net profit	125%	87%	94%	78%	96%*
P/E	19.1	14.3	12.9	10.8	14.0
P/BV	1.67	1.91	1.58	1.53	1.47
Opening price	8.98	9.18	11.26	9.38	9.9
Share price, highest	9.34	11.96	11.62	10.52	10.72
Share price, lowest	7.46	8.86	8.99	9.38	9.17
Share price, at the year-end	9.16	11.22	9.37	9.90	9.47
Share price, yearly average	8.44	10.02	10.24	9.92	9.73
Turnover (million)	38.71	31.68	25.55	25.3	21.1
Capitalisation (million)	373.08	456.98	381.63	403.2	385.7
Earnings per share	0.48	0.79	0.72	0.92	0.67
Dividend per share	0.60	0.68	0.68	0.72	0.65*
Equity per share	5.5	5.9	5.9	6.5	6.4

** 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

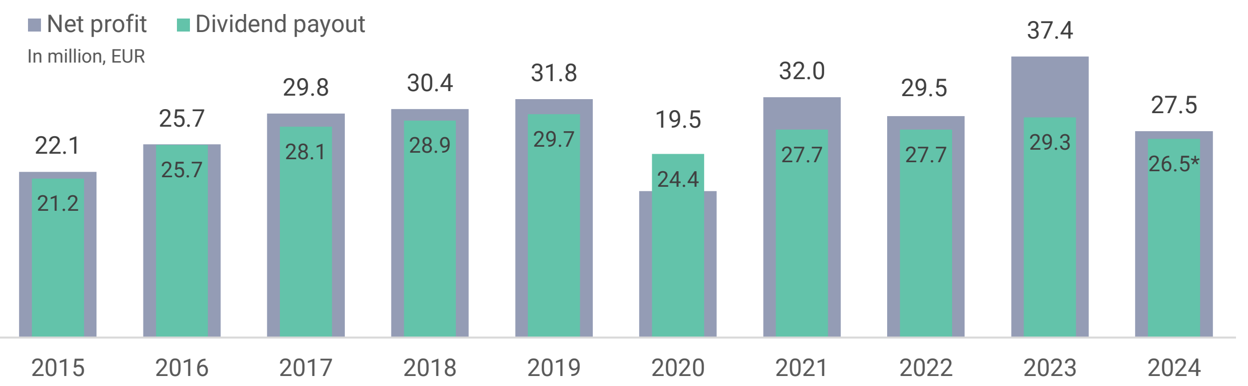
Price to Earnings ratio was 14.0 at the end of 2024 (2023: 10.8).
Earnings per share was 0.67 euros, decreasing by 26.6% over the year. The dividend yield (based on the average share price in 2024 and the proposed dividend) would be 6.7% for 2024, while the Group's five-year average dividend yield would be 6.9%.

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 2024, the Management Board proposed to pay 29.3 million euros as dividends that is 0.72 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 18 March 2024, and the amount of the dividend payment of 0.72 euros per share from the net profit was approved.

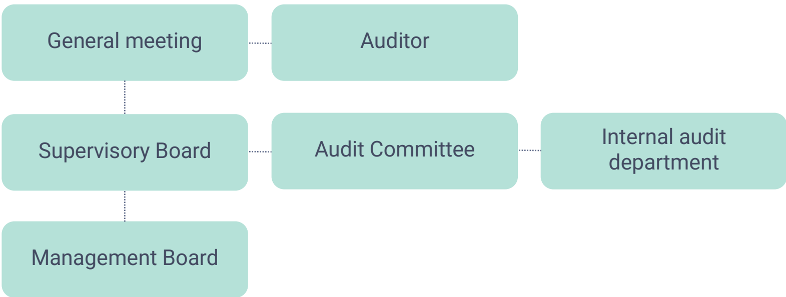
The TKM Group has no ongoing litigation that could significantly adversely affect net profit in the future and, as a result, reduce dividend payments.

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. TKM Group follows largely the Corporate Governance Code despite their indicative nature. Below is a description of the management principles of TKM Group and general meetings held in 2024, 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 TKM 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

TKM 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 2024 and through a daily newspaper Eesti Päevaleht on 22nd of February 2024. 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 report of the Supervisory Board, draft amendment to the Articles of Association, the introduction of the Supervisory Board member candidates, and the drafts of resolutions on its website and in its office at Kaubamaja 1, Tallinn, starting from 22nd of February 2024.

The general meeting of shareholders of TKM Group was held in the Viking Motors dealership at Tammsaare tee 51, Tallinn, on 18th of March 2024 beginning at 12pm. The resolutions made at the general meeting are published in the information system of NASDAQ Tallinn Stock Exchange and on the website of TKM 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 TKM 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 18th of March 2024, 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 official language of the 2024 annual general meeting was Estonian, and the meeting was chaired by TKM Group's Legal Director, Helen Tulve. The meeting could also be followed via a webinar. Participants included TKM Group AS Chairman of the Supervisory Board Jüri Käo, Supervisory Board members Enn Kunila, Gunnar Kraft, and Kristo Anton, Management Board member Raul Puusepp, Chief Financial Officer Marit Vooremäe, IT Director Andreas Leznevsky, Chief Accountant Reet Põldaas, and Partner Card Development Manager Rene Paats. Also present were the Management Board members of TKM Group AS subsidiaries: Erkki Laugus (Kaubamaja AS), Anne-Liis Ostov (TKM Beauty OÜ, TKM Beauty Eesti OÜ), Jüri Kuusk (TKM Auto OÜ), Raimo Koppel (AS Viking Motors), Kristi Lomp (Selver AS), Andres Heinver (Kulinaaria OÜ), and Sander Sasi (AS Walde). Notary Robert Kimmel also attended the meeting. Via the webinar, the meeting was joined by TKM Group AS Audit Committee member Kaia Salumets and auditor Rando Rand. A total of 71.86% of the votes represented by shares were present at the meeting. The distribution of profit was discussed as a separate agenda item, and a specific decision was made on this matter. In addition to approving the annual report and profit distribution, the entire Supervisory Board was recalled to align board members' terms of office. A new Supervisory Board was elected for a three-year term, comprising Jüri Käo, Enn Kunila, Gunnar Kraft, Meelis Milder, and Kristo Anton. It was decided that the Chairman of the Supervisory Board would receive a monthly fee of 4,200 euros and Supervisory Board members 3,500 euros each. Additionally, a decision was made to change the company's business name, and as a result, a new version of the Articles of Association was approved, confirming the company's new name as TKM Group AS.

Considering the aforementioned descriptions of general meetings held in 2024, 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 the governing body of TKM Group, responsible for representing and managing the Group's daily operations. According to the Articles of Association, the Management Board may consist of one to six members. In accordance with the Commercial Code, the members of TKM Group's Management Board are elected by the Supervisory Board. The selection process is gender-neutral and based on the actual competence of the candidates. A candidate must provide their consent to be appointed as a member of the Management Board. Under the Articles of Association, a Management Board member is elected for a fixed term of up to three years. The extension of a member's term cannot be decided earlier than one year before the planned expiration of the current term, nor for a period exceeding the maximum term specified by law or the Articles of Association. Currently, TKM Group has a single-member Management Board.

The Management Board member of TKM 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 TKM Group AS and the supervisory boards of Verte Auto SIA, SIA FORUM AUTO, Motus Auto UAB, SIA TKM Latvija and UAB TKM Lietuva, including Selver AS, Viking Security AS, TKM Finants AS, AS Walde, OÜ TKM Beauty and OÜ TKM Beauty Eesti 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 2024, the total remuneration of the Chairman of the Board (gross fee, on accrual basis) amounted to 279.5 thousand euros (in 2023 333.2 thousand euros), including calculated performance fees (gross fee, on accrual basis) of 135.5 thousand euros (in 2023 195.6 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 the recommendation in point 2.2.1. of the Corporate Governance Code, TKM Group has a single-member Management Board. This structure follows a long-standing tradition. In addition to the Management Board member, the Group's leadership team includes the Chief Financial Officer, Legal Director, IT Director, and Marketing Director. All key decisions are made jointly by TKM Group's Management Board and leadership team in cooperation with the Supervisory Board. The Group also works closely with the management of its subsidiaries and the heads of relevant business areas. The Group believes that this governance structure best protects shareholder interests and ensures the company's long-term sustainability.

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 2024 or 2023. There were also no conflicts of interest during these periods.

As of 31.12.2024, Raul Puusepp owns 17,000 TKM Grupp AS shares (0,0417%).

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 2024, 12 scheduled meetings and 1 extraordinary meeting of the Supervisory Board were held and in 2023, 12 scheduled meetings and 1 extraordinary meeting was held. In 2024, all members of the Supervisory Board attended all meetings of the Supervisory Board, except for Gunnar Kraft, who was absent from one of the council meetings in May 2024.

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 18th of March 2024, Jüri Käo, Enn Kunila, Kristo Anton, Meelis Milder (an independent Supervisory Board Member) and Gunnar Kraft (an independent Supervisory Board Member) were elected as the members of the Supervisory Board. The mandates of the Supervisory Board will expire on 20th of May 2027.

Jüri Käo continued as the Chairman of the Supervisory Board, he has been a member of the Supervisory Board of TKM 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 TKM 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 TKM 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.

Jüri Käo has been elected to the governing body of the Estonian Employers' Confederation since 1996 and has been the Deputy Chairman of the Council of the Union since 2016. From 1995 to 2015, Jüri Käo was the Deputy Chairman of the Board of the Estonian Chamber of Commerce and Industry. In 2015, the Estonian Chamber of Commerce and Industry recognized him for his services with the 1st class award in the long-term promotion of the Estonian economy and business environment, and in increasing business motivation. Jüri Käo has been awarded the Order of the White Star of the 2nd and 4th class of the Republic of Estonia.

As of 31.12.2024, Jüri Käo represents 4,775,508 shares (11,73%) of TKM Grupp AS through the Group's parent company NG Investeeringud OÜ.

Enn Kunila has been elected by the shareholders as a member of the Supervisory Board of TKM 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 of TKM 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.

Enn Kunila has been the Chairman of the Council of the Estonian Food Industry Association and a Member of the Council of the Estonian Cultural Endowment for many years, as well as a member of the management bodies of several public organizations related to entrepreneurship. Enn Kunila has been the Chairman of the Board of the Estonian Friends of the Art Association since its establishment in 2007. In addition, he is the founder of the group of Society of Friends of Art – patrons providing significant financial support to the Estonian Museum of Art. He has also been a member of the council of the Estonian Art Museum since its establishment in 2016. The Estonian Chamber of Commerce and Industry has recognized Enn Kunila for his contribution to shaping the Estonian business environment and the Ernst & Young Estonian Entrepreneur's Lifetime Achievement Award. Enn Kunila's work in introducing Estonian classical painting has been recognized with the title of Friend of Culture of the Year, the Order of Tallinn, the Order of Merit of the Ministry of Foreign Affairs of Estonia, and the Order of Merit of the Italian Republic. In 2006, Enn Kunila was awarded the 4th Class Order of the White Star of the Republic of Estonia.

As of 31.12.2024, Enn Kunila represents 4,699,138 shares (11,54%) of TKM Grupp AS through the Group's parent company NG Investeeringud OÜ.

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 TKM 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 TKM Grupp AS, SIA Verte Auto, SIA TKM Latvija, UAB TKM Lietuva. Outside the Group, Kristo Anton belongs to the Management Board of Mansum OÜ.

Kristo Anton does not own shares of TKM Grupp AS. Kristo Anton holds a 0.11% stake in NG Investeeringud OÜ, which is a shareholder of the Group. However, this is not considered an indirect holding under stock exchange rules or IFRS, as it does not constitute a controlling interest.

Meelis Milder has been elected by the shareholders as a Member of the Supervisory Board of TKM 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.

Meelis Milder is a Member of the Board of the Estonian Chamber of Commerce and Industry. He is also a founding member of the Merchants 'Association, the Estonian Clothing Manufacturers' Association and the Estonian Business Association, as well as a visiting lecturer at the University of Tartu and an honorary member of the Estonian Academy of Arts. Meelis Milder has been awarded the Order of the White Star of the 4th Class of the Republic of Estonia, as well as the decorations of the Ministry of Foreign Affairs and EOK.

Meelis Milder does not own shares of TKM Grupp AS.

Gunnar Kraft has been elected by the shareholders as a Member of the Supervisory Board of TKM Grupp AS since 2004 and participates in the work of the Supervisory Board of Kaubamaja AS and TKM Finants AS and the Audit Committee of TKM 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.

Gunnar Kraft has been elected a Member of the Board of the Estonian Chamber of Commerce and Industry since 2003 and a Member of the Council of the Estonian Employers' Confederation in 2005-2013. Since 1995, Gunnar Kraft has been the President of MTÜ Sport Visi and since 2002 the Honorary Consul of Costa Rica in Estonia. Gunnar Kraft has been awarded the Order of the White Star of the 4th class of the Republic of Estonia.

As of 31.12.2024, Gunnar Kraft owns 15,654 TKM Grupp AS shares (0,038%) and represents 31,644 shares (0,078%) of TKM Grupp AS through the company OÜ Viromeena.

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 18th of March 2024, the monthly remuneration of the Supervisory Board member of TKM Grupp AS is 3,500 euros; the Chairman of the Supervisory Board receives 4,200 euros monthly. In 2024, the remuneration of the members of the Supervisory Board of TKM Group in the total amount of 195 thousand euros has been calculated, including 48 thousand euros for the Chairman of the Supervisory Board (120 thousand euros in 2023, 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 TKM 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 TKM 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 TKM 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. To create greater clarity for shareholders and the public that TKM Grupp encompasses several different business lines, new articles of association were introduced at the annual general meeting held on the 18th of March 2024, and the business name was changed to TKM Grupp AS, and a new version of the articles of association was approved in this regard. 100% of the votes represented at the meeting voted in favour of the adoption of the said resolution.

Shareholders with a significant shareholding

As of 31.12.2024 the share capital of TKM 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 67.1% 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 TKM 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 Baltic 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 2024 was AS PricewaterhouseCoopers (PwC). The agreement entered into with the auditor complies with the requirements of the CGR. In 2024, 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 2024 is 84 thousand euros, including 33 thousand euros for the consolidated financial statement. In addition, the Group has purchased a training service from the parent company.

In 2024, the auditor participated in the ordinary general meeting of shareholders, where the 2023 consolidated annual report was approved.

In our opinion, the financial audit conducted in 2024 has been in conformity with regulatory provisions, international standards and the set expectations. In 2024, 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 141-149.

Audit Committee

The Audit Committee of TKM Grupp AS is a body established by the Supervisory Board, whose task is to advise the Supervisory Board in matters related to the exercise of supervision, including accounting, auditing, risk management, internal control and audit, supervision, the budget preparation process, and the legality of activities.

To fulfil this task, the Audit Committee monitors and analyses the processing of financial information and the auditing process of the annual report and the consolidated report, supervises risk management, and evaluates the effectiveness of the internal control system. The Audit Committee makes proposals for the appointment and removal of the audit firm and assesses its independence and compliance with requirements.

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

During the reporting year, the Audit Committee consisted of four members: Kristo Anton, Gunnar Kraft, Jüri Käo, and Kaia Salumets. The Audit Committee is chaired by Kaia Salumets.

The Audit Committee prepares an annual summary report for the Supervisory Board on the fulfilment of the objectives set out in its statutes, providing an overview of its activities.

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

During the reporting period, the Audit Committee held 10 regularly scheduled meetings, and 2 meetings conducted under a written procedure.

Consolidated Sustainability Statement

General information

Basis for preparing the year 2024 statement

The Consolidated Sustainability Statement of TKM Group (hereinafter also referred to as the Group) has been prepared in accordance with the European Sustainability Reporting Standards (ESRS). The sustainability reporting obligation arises from § 31(4) of the Accounting Act. The report includes consolidated data from TKM Group's subsidiaries for the year 2024, and the scope of consolidation is the same as in the Consolidated Financial Statements. As the TKM Group does not exercise financial or operational control over Rävala Parkla, the Consolidated Sustainability Statement does not include data from Rävala Parkla AS, in which the Group holds a 50% stake.

The subchapter "Taxonomy Regulation" in the Environmental Information section of the Consolidated Sustainability Statement also includes disclosures in accordance with Article 8 of the Taxonomy Regulation.

In the double materiality assessment of the TKM Group, the significant impacts, risks, and opportunities associated with the preceding and subsequent stages of key value chains (see page 38 for details) have been considered.

With the adoption of ESRS, the reporting process has changed compared to 2023, and key performance indicators have been selected based on the double materiality assessment conducted in September 2024. The double materiality principle consists of two dimensions: impact materiality and financial materiality. A sustainability aspect is considered material under the double materiality criterion if it is significant from the perspective of impacts, financial aspects, or both. The double materiality review will be conducted at least once a year, and the results will be reflected in the Consolidated Sustainability Statement. Since this is a new standard, TKM Group will start presenting comparative data from 2025, except for GHG emission scopes 1 and 2, where the base year is 2018.

TKM Group has not used the exemption provided in ESRS-2, Chapter BP-1, Data Point 5, sub-sections (d)* and (e)**:

**(d) Whether the company has used the option to omit specific information related to intellectual property, trade secrets, or innovation results (see ESRS 1, Chapter 7.7 "Confidential and sensitive information, and information on intellectual property, trade secrets, or innovation results").*

***(e) In the case of companies located in an EU Member State that allows omitting information about expected developments or ongoing negotiations as provided in Directive 2013/34/EU, Article 19a(3) and Article 29a(3), a statement on whether the company has used this exemption.*

Significant Estimates

The Consolidated Sustainability Statement includes estimates. In the environmental information section, Scope 3 categories are classified as material or immaterial based on assessments. The extent of estimations permitted by *The Greenhouse Gas Protocol Corporate Standard* (hereinafter GHG Protocol) has been applied. Operational control was used in the assessment of greenhouse gas emissions. According to the ESRS, financial control must also be applied (ESRS E1.46, AR40, ESRS 1.62), but according to market practice, operational control is used, and the Group will continue to use the current practice. The GHG Protocol also allows a company to choose whether to use financial control or operational control.

The assessment of Scope 3 was based on the report prepared by McKinsey, *"Retailers' Climate Road Map: Charting Paths to Decarbonized Value Chains"*, which provided guidelines on the amount of emissions generated in different Scope categories. The report was compiled on 31.07.2024, and in the Group's assessment, McKinsey's review is sufficiently comprehensive to be used for evaluating the Group's emissions. In retail, product assortments are often similar, and goods originate globally, which enables the application of this report to the Group as the best available overview to date. McKinsey & Company is a global management consulting firm, and their report helps to understand and manage Scope 3 emissions while offering specific strategies for reducing the carbon footprint. The report is adaptable to the European market. A key assumption in the McKinsey report is that 98% of emissions fall under Scope 3, while the remaining 2% belong to Scope 1 and 2. The Group is working on obtaining supplier data; however, until the capability to use supplier-specific data is established, public analyses and reports will be utilized. Therefore, there may be differences in Scope 3 assessments compared to supplier-based data, but we estimate that these differences are not significant enough to prevent data from being reported on emissions.

For water consumption, an estimate has been used to distinguish between water withdrawal and water discharge volumes. The Group's companies Kulinaaria, Selver, and Kaubamaja use water in their production, but the volume of consumption has been assessed as immaterial. Therefore, the amount of water used for product manufacturing is not reported separately.

Regarding collective agreements, there is no legal basis to inquire about employees' union membership. Due to this limitation, all employees of Kaubamaja AS have been included in the estimated proportion of employees covered by a collective agreement.

The Group has no legal basis to inquire about employees' disabilities; therefore, this information is not included in the

Consolidated Sustainability Statement.

Governance

The Good Corporate Governance Code (GCGC) is a set of guidelines and recommended rules compiled by the Finantsinspektsioon (Estonian Financial Supervision Authority), primarily intended for publicly traded companies. TKM Group largely adheres to the GCGC guidelines, despite their recommendatory nature. The following describes the management principles of TKM Group.

The General Meeting of Shareholders is the highest governing body of TKM Group. The annual general meeting is held once a year, while extraordinary meetings may be convened by the Management Board in cases stipulated by law. The general meeting has the authority to amend the articles of association, change share capital, elect and determine remuneration for Supervisory Board members, appoint auditors, approve the annual report, distribute profits, and decide on other matters specified in the articles of association and applicable laws.

The management, executive, and supervisory bodies of TKM Group consist of the Management Board, the Supervisory Board, and the Audit Committee. There are no employee representatives among their members. The Management Board is the executive body of TKM Group, responsible for its daily management and representation. According to the articles of association, the board may have one to six members. In accordance with the Commercial Code, the Supervisory Board appoints the members of the Management Board. The selection process follows gender neutrality, with competence being the primary criterion. TKM Grupp AS has a single-member Management Board. The current CEO, Raul Puusepp, has been in office since 2002, and his term expires on March 5, 2026. The Supervisory Board consists of Jüri Käo, Enn Kunila, Kristo Anton, Meelis Milder, and Gunnar Kraft. All members of the Management Board and the Supervisory Board are men. The current terms of the Supervisory Board members end on May 20, 2027. The Chairman of the Supervisory Board is Jüri Käo, who has been a member of the Supervisory Board of TKM Group since 1997 and has previously served as Chairman in 2000-2001 and 2009-2024. Raul Puusepp, a member of the Group's Management Board, is also part of the executive management team.

The Supervisory Board plans the Group's activities between shareholder meetings, oversees management, and monitors the activities of the Management Board. The results of this oversight are reported to the General Meeting. The Supervisory Board provides instructions to the Management Board regarding governance, determines the Group's development strategy and investment policy, and decides on real estate transactions, investment plans, and the approval of budgets prepared by the Management Board. The Supervisory Board convenes regularly once a month and, if necessary, holds additional extraordinary meetings.

The Management Board and the Supervisory Board work closely together to protect the best interests of TKM Group. The Management Board, executives, and the Supervisory Board collaborate on developing the Group's strategy, and management decisions are made based on the strategic directions provided by the Supervisory Board.

Amendments to the articles of association are made in accordance with the Commercial Code, under which a decision to amend the articles of association is adopted if at least two-thirds of the votes represented at the General Meeting are in favour, unless the articles of association specify a higher majority requirement.

TKM Group treats all shareholders equally and informs all shareholders of important matters on an equal basis, using both its own website and the Nasdaq Baltic stock exchange information system.

The Group's Supervisory Board members Jüri Käo and Enn Kunila are also members of the Management Board of OÜ NG Investeeringud, a shareholder with a significant stake in the Group. Meelis Milder and Gunnar Kraft are considered independent members of the Supervisory Board, as they have no business, family, or other ties with the Group, its controlled entities, the Group's controlling shareholder, its group companies, or the management bodies of these entities that could affect their decision-making due to a conflict of interest. Meelis Milder has been a member of the Supervisory Board since 1997, and Gunnar Kraft since 2004. Therefore, they do not fully meet the independence criteria set out in the guidelines of the Estonian Financial Supervision Authority. However, the Group highly values their contributions and industry expertise. In the Group's view, their long tenure on the Supervisory Board does not compromise their independence but rather enhances their competence.

The Audit Committee of TKM Grupp AS is an advisory body established by the Supervisory Board, whose task is to advise the Supervisory Board on oversight-related issues concerning accounting, auditing, risk management, internal controls and internal auditing, regulatory compliance, the budget preparation process, and the legality of operations. The Audit Committee consisted of four members during the reporting year: Kristo Anton, Gunnar Kraft, Jüri Käo, and Kaia Salumets. The Audit Committee is chaired by Kaia Salumets. The committee comprises three men and one woman. There are no members of the executive management in the Audit Committee.

Sustainability management within the Group is integrated into the overall governance model and is part of daily business operations. The Supervisory Board of TKM Group has approved the Group's Sustainability Strategy for 2023-2030, which, based on ESG requirements, provides companies with key directions for establishing a responsible business culture. The implementation of the strategy is overseen by the Internal Audit Department of TKM Group.

The management of significant impacts is supported by the Group's Sustainability Strategy 2023-2030. The Group collects sustainability-related data from its subsidiaries once a year and monitors the achievement of sustainability goals.

Summaries are sent to subsidiaries, allowing them to assess whether their current activities have been sufficient or whether their action plans need to be revised. In the second half of 2025, the Group will launch an ESG platform, which all Group subsidiaries will be able to use to upload data, compare results with previous years, and plan actions.

Based on the Sustainability Strategy, ESRS, and the Corporate Sustainability Due Diligence Directive (CSDDD), the Legal Department of TKM Group has conducted a review to identify shortcomings, and updates to internal regulations, policies, and procedural rules are currently underway. The internal regulations of the Group are mandatory for all Group companies, and compliance is monitored by the Internal Audit Department of TKM Group.

The Legal Department of TKM Group continuously monitors European Union (EU) and national legislation, case law, industry practices, regulatory guidelines, and other relevant factors that may affect TKM Group's activities and implements the necessary changes in the Group's internal regulations as required. In addition, Selver AS has an internal controller to ensure that the company's activities comply with established requirements.

To report potential violations, the Group has implemented a whistleblower hotline, which is managed by the Internal Audit Department of TKM Group.

Sustainability management structure:

The Sustainability Working Group of TKM Group consists of six members:

- Chairman of the Management Board of TKM Group
- Member of the Supervisory Board of TKM Group and Group Investment Manager
- Chief Financial Officer of TKM Group
- Marketing Director of TKM Group and Management Board Member of TKM Beauty / TKM Beauty Estonia
- Management Board Member of TKM Kinnisvara AS
- Sustainability Coordinator of TKM Group

The members of the group have been selected from management and administrative bodies to ensure representation across the companies. Within the working group, knowledge is consolidated and shared, and experiences are exchanged as needed. The primary task of the working group is Group-wide sustainability management, based on the Group's Sustainability Strategy. The Consolidated Sustainability Statement is monitored by both an external auditor and the Internal Audit Department of TKM Group. TKM Group does not have a separate sustainability related incentive scheme for its management, governance, or supervisory bodies.

TKM Group operates in Estonia, Latvia, and Lithuania, adapting its strategy to the specific requirements and opportunities of each market. The Group is active in multiple sectors—supermarkets, department stores, automotive trade, security services, and real estate—each requiring distinct sustainability approaches. In the supermarket segment, the focus is on enhancing customer shopping experiences, optimizing the product assortment, and developing e-commerce. Additionally, emphasis is placed on energy efficiency and reducing the ecological footprint. In the automotive trade sector, the Group is committed to the marketing of electric vehicles and the establishment of new service centres, supporting lower-emission transportation solutions. In the security sector, the focus is on technological and digital security solutions that improve efficiency and reduce resource consumption. In the real estate sector, efforts are directed towards energy efficiency and building renovations to lower the carbon footprint and improve energy class ratings. More information on the segments can be found in the Management Report under the business segments subsection on pages 20-22.

Strategy and business model

TKM Group's business model is based on diversified operations, enabling the company to offer a wide range of products and services while achieving synergies between different business sectors. This diversity helps the Group better withstand market fluctuations and ensures stable growth. The Group's activities can be divided into the following segments:

- Supermarkets
- Department stores and beauty retail
- Automotive trade
- Security services
- Real estate

The supermarket segment includes, as of the end of the year, 73 Selver stores across Estonia, 2 Delice stores, a mobile store (Rändpood), and a café, with a total sales area of 124.8 thousand m². Additionally, it includes e-Selver and Kulinaaria OÜ, a central kitchen offering over 400 products. One of TKM Group's most well-known subsidiaries is Kaubamaja AS, which provides a selection of food, fashion, home, beauty, and luxury goods at Tallinna Kaubamaja and Tartu Kaubamaja. In the beauty retail segment, the Group operates the I.L.U. beauty chain, which includes 7 stores and an e-store, as well as the L'Occitane brand. The automotive trade segment includes the independent KIA dealership network in the Baltics, with additional retail sales of passenger cars in two showrooms in Tallinn, two in Riga, and two in Vilnius. Alongside KIA, the portfolio includes other brands such as Peugeot and Škoda. The security services segment focuses on offering security and surveillance solutions, ranging from basic manned and technical security services to the design, installation, and maintenance of advanced alarm and video systems. It also provides high-quality, fast, and independent inventory services for various businesses and handles cash transport. The real estate segment is responsible for managing, maintaining, and leasing commercial properties owned by the Group. The real estate portfolio includes Tallinna Kaubamaja department store, Tartu Kaubamaja shopping Centre, Viimsi Shopping Centre, 3 car dealerships and 19 Selver store properties, in addition to various other real estate holdings. More information on the segments can be found in the Management Report under the business segments subsection on pages 20-22.

A significant new service introduced in 2024 is the Partner Kuukaart instalment payment option, offered by TKM Finants AS. This allows customers to purchase clothing, footwear, jewellery, cosmetics, and home appliances from Kaubamaja with instalment payments. The minimum purchase amount is 50 euros, and the maximum is 3,000 euros, with an option to pay in 3 or 6 equal monthly instalments without any additional fees, while the Hire Purchase option allows payments to be spread over up to 36 months.

TKM Group's strategy focuses on realizing its vision of becoming the most diverse and profitable retail group in Estonia, offering high-quality products and services. The company prioritizes customer needs and continuous innovation, aiming to increase profitability and market share. The strategy emphasizes flexibility in responding to customer demands and process optimization. Increasingly, the company also focuses on environmental awareness and sustainability, reducing its ecological footprint to support long-term success and responsible business practices. Additionally, the Group has developed the TKM Group Sustainability Strategy 2023-2030, which defines focus areas for environmental responsibility, social well-being, and corporate governance until 2030. This strategy aligns with the Group's vision and mission to be the flagship of Estonian retail and one of the leading publicly traded companies in the Baltic region across all its business areas.

The two main objectives of TKM Group's Sustainability Strategy 2023-2030 are:

1. Contributing to reducing the negative effects of global climate change and supporting the EU's climate goals.
2. Ensuring the long-term profitability and responsible operations of TKM Group.

In 2025, the Group will update its Sustainability Strategy, incorporating the results of the 2024 double materiality assessment and introducing short-term (one year), medium-term (one to five years), and long-term (more than five years) perspectives. To improve the tracking of key sustainability metrics, the Group is developing an ESG platform, which will be integrated with various systems to enable automatic data collection. The platform's development began in autumn 2023 and will be completed in summer 2025.

To ensure long-term sustainability, the Group aims to comply with the Paris Agreement and achieve climate neutrality by 2050. Estonia is preparing a Climate-Resilient Economy Act, and once enacted, TKM Group will adhere to the legislated emission reduction targets and update its Sustainability Strategy accordingly.

To increase transparency, it is essential to enhance control over supply chain operations, ensuring better oversight of the current value chain. The food retail subsidiaries—Kulinaaria, Selver, and Kaubamaja—are partners for Estonian companies, helping them reach more consumers across the country. These three subsidiaries prioritize local Estonian products in their portfolios and will continue to offer a strong selection of domestic goods, thereby contributing to the development of the Estonian economy.

TKM Group recognizes its role and responsibility as a business and is aware of the impact of its activities on society. The Group's shopping centres and stores serve as important community hubs, bringing together a variety of essential public services. The Group's HR policy aims to value, develop, and retain employees based on unified principles, including personnel management and planning, structured recruitment, and selection processes, and purposeful, motivating professional development. The company operates on the principle that success is built on loyal, dedicated, ethical, and results-oriented employees, and it places great importance on creating a supportive work environment. Most of the Group's employees are based in Estonia, with a smaller number in Latvia and Lithuania.

TKM Group follows the Good Corporate Governance Code issued by the Finantsinspektsioon (Financial Supervision Authority), the OECD Guidelines for Multinational Enterprises, and the UN Guiding Principles on Business and Human Rights. The Group's contracts incorporate the Code of Conduct (CoC), also known as Good Business Practice, which serves as a crucial tool for meeting corporate sustainability due diligence obligations.

Sustainability targets related to key products, services, customer categories, geographic regions, and stakeholder relations:

Products and Services:

- Maintain and increase the share of Estonian products in the assortment.
- Expand the selection of health-promoting products.
- Increase automation in operations.
- Participate in pilot projects and develop innovative solutions for customers.
- Increase the share of certified products.
- Offer climate-neutral services and enhance resource efficiency and cost-effectiveness.

Customers:

- Promote environmentally responsible behaviour.
- Ensure customer safety and data protection.

Geographic Regions:

- Assess and reduce the impact of the value chain, with a special focus on the supply chain.
- Support local (Estonian) production and provide small businesses with opportunities to sell their products in the Group's stores.
- Support communities in Estonia, Latvia, and Lithuania.

Stakeholder Relations:

- Maintain openness and transparency in communication.
- Increase engagement and inform stakeholders about ongoing sustainability initiatives.

The achievement level of sustainability goals is in line with expectations, but due to ESRS-based reporting requirements, the Group must reassess its goals, as the 2024 audited data will serve as the new baseline. As a result, the 2024 report will present measurement results without quantitative targets, except for GHG emissions Scopes 1 and 2, where the baseline year is 2018. The Group has not developed separate action plans in accordance with ESRS, as it already has a Sustainable Development Strategy, which will be adjusted in 2025 based on the results of the ESRS double materiality assessment. The Consolidated Sustainability Statement describes the existing activities related to the respective thematic areas.

The Consolidated Financial Statements "Note 20" contains details on TKM Group's total turnover by segment (page 129).

Value chain

TKM Group operates in various business segments in Estonia, Latvia, and Lithuania, which are considered low ESG risk and low supply chain risk countries according to the CountryRisk.io model. The value chain assessment considered the core business areas and the sectors with the greatest impact.

Upstream			Downstream	
Production and procurement	Logistics	Providing service, sales, and marketing	Consumers and end-users	Waste management

Core business	Supermarkets, Car Trade, Department Stores, Cosmetics Trade, Security, Real Estate	
Support functions	Management	Ensuring compliance with legal, ethical, and regulatory requirements
	Strategic and financial planning	Financial planning, resource allocation, expansion, capital distribution
	Shared services	Legal assistance, financial services, accounting
	Brand management	Partnerkaart, reputation building, communication plan

According to the established practice at TKM Group, support services are provided to subsidiaries by the parent company. These support services include accounting and financial planning; IT services, including administration and management activities, as well as, if necessary, organizing the planning and development of software and information systems through external providers; legal assistance, including daily legal counselling on various issues and ensuring regulatory compliance through Group-wide guidelines, instructions, internal regulations, etc.; and internal audit and risk management.

The Group-wide customer loyalty program Partnerkaart, used in TKM Group's retail companies (Selver AS, Kaubamaja AS, TKM Beauty Eesti OÜ), offers customers various discounts and benefits and is the largest of its kind in Estonia, with over 740,000 customers. Marketing activities and general brand management related to the Partner Program are also organized uniformly across the Group.

Stakeholders

A broad-based responsible and environmentally conscious mindset is integrated into the Group's companies and business processes. This approach primarily includes caring for the environment and natural resources, respecting human rights, combating corruption, and maintaining honest and open dialogue with employees, customers, suppliers, and other stakeholders.

It is important for the Group to demonstrate its social and environmental responsibility by maintaining open and comprehensive communication. The Group is prepared to provide competent, non-competitive information about all its companies, their strategies, and objectives, as well as to discuss less significant day-to-day issues. Only honest and open dialogue and cooperation with stakeholders can ensure long-term successful operations.

Dialogue with various stakeholders:

OWNERS, SHAREHOLDERS	EMPLOYEES	BANKS, INVESTORS, CREDITORS, FINANCIAL INSTITUTIONS	STATE, LOCAL AUTHORITIES	CUSTOMERS, CONSUMERS, COMMUNITIES, MEDIA, NGOs	PARTNERS, PROFESSIONAL ASSOCIATIONS, SOCIETIES
Profitability, maintaining a good reputation, security for the future.	Clear communication and involvement, ethics, and good reputation.	Intergration of the principles of sustainability, security of payments, high-quality management.	Transparent operations, considerate and ethical business, open communication, cooperation.	Services and products considering trends, transparency, cooperation.	Cooperation, shared values, open communication.
Why is it important?					
The expectations of owners/shareholders provide guidelines that company management must follow, and based on feedback from company leaders, internal audit, and the board, decisions can be made on key topics such as investments, expansion, innovation, and other critical business matters.	Remaining competitive in the labour market. Any violation of the law is intolerable, and employees must feel that they have the freedom to speak openly. TKM Group's responsibility is to provide its employees with a safe working environment.	Existing collaboration projects, customer relationships, loan terms, and long-term partnerships.	Compliance with current legislation, gaining a long-term perspective, contributing to the achievement of national goals, and mitigating regulatory risks.	To achieve strategic objectives, such as raising environmental awareness. To ensure the safety of clients in relation to the products and services offered by the Group, as well as the surrounding environment. Considering customer behaviour habits allows for trend forecasting. The aim is to provide clients not only with a service or product but also to support their lifestyle and living environment.	Engaging with partners allows for identifying potential risks and opportunities for the future, assessing whether they operate based on the same values, and evaluating the transparency of the Group's partners' activities. Supporting the Group's partners in their sustainability journey strengthens collaboration, ensuring the long-term resilience of both companies. Industry associations provide support in participating in legislative processes and in introducing key topics relevant to the Group.
How is engagement conducted?					
Annual shareholder meeting, press releases, monthly supervisory board meetings.	Internal whistleblower reporting channels, satisfaction surveys, internal regulations that govern activities and define the boundaries of responsible and ethical behaviour. Performance reviews, internal career development, and training programs.	Client engagement, information sessions, workshops.	Participation in information sessions organized by various ministries and local governments, monitoring European Union legislation before it is enacted in Estonia to mitigate future risks, and ongoing communication with local governments.	Social media, in-store signs and screens, emails (newsletters), and Partnerkaart loyalty program. We monitor purchasing behaviour and trends.	Initiating cooperation and negotiating terms. Implementation of Good Business Practice, ESG supplier assessment. Industry association meetings, information sessions, newsletters.

Key topics					
Profitability, revenue, innovations, ongoing operations, strategy implementation, new laws.	Engagement, suggestions, workforce development, occupational safety and work environment, ethical behaviour, innovations, and the introduction of both new and existing policies.	Sustainability plan for the coming years. Taxonomy regulation compliance for real estate. Overall business management and consideration of sustainability principles and ESRS. Green loans.	New regulations. Waste management. Applications for new projects. Charity.	New products, new opportunities for product or service usage. Product recall (if necessary) and product safety. Charity. Health and environmental protection.	Sustainability activities. Human rights protection. Employee safety. Ethical business practices. Long-term collaboration. Innovation opportunities. Legislation.

The information related to stakeholders is analysed by the Group's Sustainability Working Group, which, based on the feedback received, proposes amendments to the Group's Sustainability Strategy. These amendments are then approved by the Group's Supervisory Board.

Double materiality (impacts, risks, and opportunities) assessment

In 2024, TKM Group conducted an updated double materiality assessment (impacts, risks, and opportunities) in accordance with ESRS. The Group used input gathered for the preparation of the TKM Group Sustainability Strategy document to identify strategically important topics. Both direct and indirect stakeholder engagement was used to determine the Group's most significant areas of impact. Information was collected from public sources and standards, subsidiaries, and meetings with external stakeholders. Additionally, an analysis of market best practices was conducted to better understand the priorities of competitors and key considerations within various sectors.

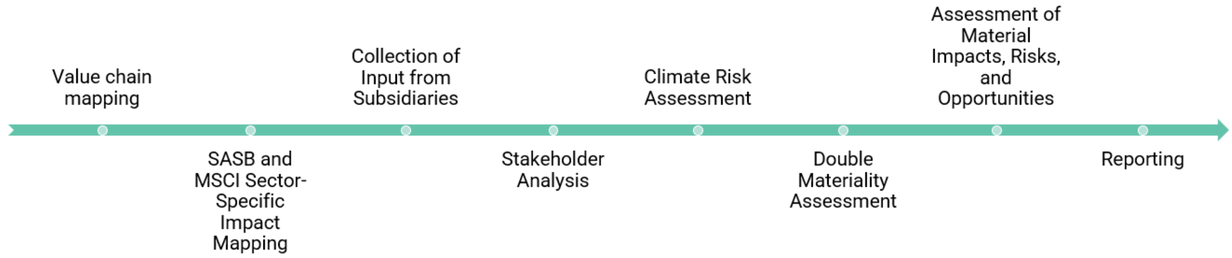
For sector-specific impact mapping, the Group relied on the Sustainability Accounting Standards Board (SASB) standard, as well as analysis from MSCI Inc., a provider of global equity, fixed income, real estate indices, multi-asset portfolio analysis tools, ESG and climate products. Additional references included the EU Sustainable Finance Taxonomy Regulation and stakeholder feedback.

When assessing geographical risk, it was considered that, in addition to Estonia, the Group operates in Latvia and Lithuania, none of which are classified as high-risk countries.

TKM Group's subsidiaries maintain close business relationships with one another, making intercompany relations a key consideration in the assessment. For example, Selver's largest private-label producer is Kulinaaria, security services for all Group companies are provided by Viking Security, company vehicles are purchased from the Group's automotive businesses, and a significant portion of rental spaces is leased from the Group's real estate companies.

A key source of input for the assessment was various EU strategies, legislative proposals, and regulatory guidelines. For instance, although companies are currently not required to maintain full oversight of their supply chains, the implementation of the Corporate Sustainability Due Diligence Directive (CSDDD) makes it essential to also monitor risks associated with potential negative supply chain impacts.

The final double materiality assessment was conducted by the Group's Sustainability Working Group. Topics that fall into both the impact materiality and financial materiality categories are given the highest priority. However, TKM Group also considers strategically important those topics that appear in either the financial materiality or the impact materiality category. Topics with low significance in both categories are not included in the report. Thresholds were established to distinguish materiality levels for both impact materiality and financial materiality, with the higher result determining the topic's classification as material.



The results of double materiality analysis:

Topical ESRS			**Impact Materiality**	**Financial Materiality**	**Double Materiality**
E1	Climate change	Climate change adaptation	o	o	o
		Climate change mitigation	o	o	o
		Energy	o	o	o
E3	Water and marine resources	Water consumption	o		

Topical ESRS			Impact Materiality	Financial Materiality	Double Materiality
E5	Circular economy	Resource outflows related to products and services	o	o	o
		Waste	o	o	o
S1	Own workforce	Working conditions	o	o	o
		Equal treatment and opportunities for all	o	o	o
S2	Workers in the value chain	Working conditions	o		
		Other work-related rights	o		
S4	Consumers and end-users	Information-related impacts for consumers and/or end-users	o	o	o
		Personal safety of consumers and/or end-users	o	o	o
		Social inclusion of consumers and/or end-users	o		
G1	Business conduct	Corporate culture, Protection of whistle-blowers, Animal welfare, Management of relationships with suppliers including payment practices	o	o	o
		Political engagement and lobbying activities	o	o	o
		Corruption and bribery	o	o	o

o - material topic

In mapping significant impacts, risks, and opportunities, both financial risk assessment and climate risk assessment results were used. The climate risk assessment was conducted using the Task Force on Climate-related Financial Disclosures (TCFD) framework. The ESRS requirement to assess impacts, risks, and opportunities in short-, medium-, and long-term perspectives is reflected in the Group's climate risk assessment.

In 2023, TKM Group implemented an updated version a Risk Management Framework, which defines key principles for risk management across Group companies. Risks are categorized into five main classes: financial, operational, compliance, strategic, and external risks. Each individual risk is assessed based on its potential financial loss, meaning the probable financial impact if the risk materializes. The loss is defined as lost profit.

Since the realization of a risk does not always result solely in financial loss, additional factors such as reputation, safety, employees, and sustainability are also considered, including the duration of impact. Each risk is assigned a risk level: low, medium, or high. A high sustainability risk is considered equally important as a high financial risk. The allocation of financial resources follows the risk mitigation measures. The results of the risk assessment are integrated into the company's financial management and decision-making processes, where they help shape the company's strategy and investment decisions. The key identified risks are described in the Consolidated Sustainability Statement on page 42. A risk overview is regularly presented to the Management Board and the Supervisory Board, ensuring transparent reporting and the continuous improvement of the risk management system.

Risk management is an integral part of business processes at TKM Group. Risks are managed proactively for the next financial year and, if necessary, for a longer-term perspective. The full risk management cycle is completed once a year. Typically, risk assessment is conducted in parallel with the budgeting process to ensure that additional financial resources can be allocated for risk mitigation if needed.

Risk management involves the entire organization:

1. The Supervisory Board oversees strategic risk management and provides guidance to the management team on mitigating critical risks.
2. The Audit Committee of TKM Group receives regular reports on risk management and advises the Supervisory Board.
3. The Management Board identifies and assesses company-related risks at least once a year and incorporates the necessary resources in the budget process to achieve acceptable risk levels.
4. The Management Board, together with the Internal Audit Department of TKM Group, promotes risk awareness among employees.
5. The Internal Audit Department of TKM Group organizes and coordinates the risk management process, including training. Each department or unit manager implements risk management measures within their area and raises employee awareness of the process.

TKM Group significant impacts, risks, and opportunities of TKM Group by ESRS topic areas:

ESRS		Positive impact	Potential Negative Impact	Risks	Opportunities
E1	**Climate change**	A company's contribution to climate change mitigation supports its future resilience.	Use of fossil fuels and use of freon in cooling systems.	Operational risk due to shortages of components/raw materials and slow delivery.	Deployment of charging stations at Selver locations.
		Transition to renewable or low-emission energy.	Buildings with an energy class below D.	Failure to comply with climate-related regulations imposed on manufacturers affects production, creating a supply chain risk.	Automation of building management for energy control.
		Use of low-emission products.	High impact of supply chain emissions.	Operational risk due to material property damage caused by storms and limited access.	To enhance cooperation with supply chain partners to reduce impacts and develop new solutions.
				Risk of sales revenue decrease due to changes in stakeholder expectations.	To access financial resources on preferential terms.
				Profit risk due to the increase in energy prices.	
E3	**Water and marine resources**	-	Exacerbation of crises in areas at water risk High water withdrawal and discharge on own premises and in the supply chain.	-	Install water-saving systems in new buildings and major renovations (in accordance with the Taxonomy Regulation) to reduce water costs.
E5	**Circular economy**	Use of reusable packaging (including transport packaging).	For several products used by the company itself and/or sold, it is not possible to reintroduce them into circulation, or suitable solutions for product recycling are not yet available, leading to an increase in waste generation.	Profit risk due to the increase in taxes or the introduction of new taxes, especially environmental taxes related to pollution.	To develop cooperation with external partners.
		Use and market placement of packaging made from recycled materials.	The Group's operations generate hazardous waste such as batteries, tires, and other materials.	Risk of non-compliance with new regulations due to limited circular economy solutions.	To prioritize circular economy production solutions.
S1	**Own workforce**	Job creation.	Work-related injuries.	Risk of shortage of skilled labour.	To promote innovation to reduce workload.
		Providing development opportunities.	Occupational diseases	Risk of work-related injuries.	To enhance attractiveness as an employer.
		Promoting work-life balance.	Widening of the gender pay gap.	Risk of breach of Good Business Conduct due to the violation of group rules by employees/managers.	To diversify the workforce.
		Promoting health.		Risk of increasing pay gap.	
S2	**Workers in the value chain**	-	Human rights incidents.	Risks related to the undertaking's impacts on value chain workers.	To enhance attractiveness as an employer.
			Work-related injuries.	Risk of appearance of negative impacts.	

ESRS		Positive impact	Potential Negative Impact	Risks	Opportunities
			Inadequate wages and unfair employment practices.	Reputational risk.	
			Failure to consider affected communities.		
S4	**Consumers and end-users**	Charity and sponsorship.	Failure to ensure product safety.	Reputational or legal exposure where poorly designed or defective products result in injuries or deaths.	To be attractive to customers by increasing positive impact in the industry and maintaining credibility in their eyes.
		Courier services.	Risk of GDPR non-compliance.	Risk of providing a service to financially vulnerable individuals, leading to business losses and worsening the consumer's financial situation.	
		Health-promoting products.			
		Fair marketing practices and communication.			
		Providing flexible payment solutions (Partner Kuukaart and interest-free instalment payments).			
G1	**Business conduct**	Good payment practices.	Information leaks.	Risk of losing market share due to changing stakeholder preferences.	To be an attractive business partner and achieve more favourable supply conditions.
		Transparent operations and proper business culture (including tax compliance and adherence to legislation).	Errors in conclusion of transactions.	Risk of legal violations and reputational damage due to lack of transparency in the value chain and inadequate anti-corruption and anti-money laundering procedures.	To increase collaboration with companies, universities, and startups that share similar values.
		Proper corporate culture and transparent operations. Compliance with taxonomy. Security services can play a first responder role in crisis situations (e.g., during disasters)		Risk of non-compliance and financial losses due to changes in regulatory requirements.	Implementation of the ESG Platform
				The risk of cyberattacks and data breaches, the risk of GDPR violations.	

In 2024, the focus areas were related to climate change and, due to the implementation of sustainability reporting standards, also business conduct. In terms of business conduct, the Group reviewed internal regulations, data collection processes, and conducted a double materiality assessment.

Environmental Information

Taxonomy Regulation

Accounting policy

The taxonomy is based on Article of Regulation (EU) 2020/852 (Taxonomy Regulation). The data collection methodology used to calculate and disclose the key performance indicators required by the EU Taxonomy Regulation is based on the Group's best interpretation of European Commission Delegated Regulation 2021/2178.

Determination and allocation of turnover, capital expenditures (CapEx), and operating expenditures (OpEx):

- Revenue

Determination: TKM Group determines revenue in accordance with Directive 2013/34/EU and the Group's financial statements. Revenue includes income earned during the reporting period, including sales revenue, rental income, and other income related to the real estate segment, such as building rentals, property development, and electricity sold to the grid from the Group's solar parks.

Allocation: revenue related to taxonomy aligned activities, such as rental income from buildings constructed or renovated in accordance with technical screening criteria, is reported as taxonomy aligned revenue in taxonomy table A1. Revenue from taxonomy eligible but non-aligned activities (i.e., activities covered by the taxonomy but not meeting technical criteria) is reported separately in taxonomy regulation table A2.

Turnover figures are presented in financial statement, page 97.

- Capital Expenditures (CapEx)

Determination: The Group's total capital expenditures include expenses incurred for the acquisition of tangible fixed assets, investment properties, and intangible assets. CapEx includes both taxonomy eligible and taxonomy aligned activities, as well as activities that are taxonomy eligible but do not meet technical screening criteria.

Allocation: Taxonomy aligned capital expenditures include new building construction and renovation projects that comply with the technical criteria of the EU Taxonomy Regulation. Taxonomy eligible but non-aligned CapEx includes projects where the Group lacks sufficient information to verify compliance with the technical screening criteria. CapEx is allocated according to its association with specific activities.

TKM Group does not have a separate capital expenditure plan. The Group's total capital expenditures are presented in financial statement note 13, Property, plant and equipment chapter, Investments in non-current assets subchapter, page 120.

- Operating Expenditures (OpEx)

Determination: TKM Group's operating expenditures include daily maintenance, repairs, and upgrades to technical systems in the real estate segment, as well as costs associated with implementing renewable energy and energy efficiency solutions.

Allocation: Taxonomy aligned OpEx includes costs related to energy efficiency projects, such as LED lighting installations and HVAC system upgrades that comply with technical criteria. Taxonomy eligible but non-aligned OpEx includes energy efficient technology upgrades that do not fully meet the taxonomy's technical screening criteria.

The allocation of taxonomy related costs and turnover is based on technical analysis and available data. To avoid double counting, a clear distinction is made between different activities. If new guidelines or best practices emerge, accounting methods will be adjusted accordingly. According to the Taxonomy Regulation, operating expenses exclude costs associated with servicing fixed assets related to raw materials, project management, or the wages of employees operating the equipment.

In EU taxonomy figures, consolidation adjustments are made in accordance with the principles used in the consolidated financial statements. Starting from 2024, the taxonomy report will no longer classify capital and operating expenditures related to buildings under "building acquisition and ownership". Instead, activities will be categorized more precisely to provide a clearer breakdown. Unlike the 2024 taxonomy data, the 2023 taxonomy data was subject to an assurance engagement.

Assessment of compliance with Regulation (EU) 2020/852

The economic activities of TKM Group related to taxonomy objectives primarily include the construction of new buildings and the renovation of existing buildings, with a focus on energy optimization and improving energy efficiency. These activities have been assessed in accordance with Article 10(3), Article 11(3), Article 12(2), Article 13(2), Article 14(2), and Article 15(2) of Regulation (EU) 2020/852. The technical screening criteria set forth in European Commission Delegated Regulations (EU) 2021/2139 and (EU) 2023/2486. The compliance assessment is based on the criteria established in Article 3 of Regulation (EU) 2020/852, covering substantial contribution, do no significant harm (DNSH), and minimum safeguards.

For new buildings and renovations, compliance is demonstrated through minimum energy efficiency requirements, such as energy class requirements and building environmental impact assessments. All activities undergo evaluation to ensure that they do not cause significant harm to other environmental objectives (e.g., pollution prevention and control).

TKM Group ensures compliance with minimum safeguards under the EU Taxonomy Regulation to uphold human rights, labour rights, and corporate responsibility standards. This includes the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, the International Labour Organization (ILO) Core Conventions. TKM Group implements these principles through its Code of Conduct, ensuring that all activities comply with the highest international standards.

The Group's taxonomy aligned turnover, capital expenditures, and operating expenditures are clearly allocated to different economic activities to avoid double counting. The turnover, capital expenditures, and operating expenditures of activities are presented and allocated based on their contribution to achieving environmental objectives. When distributing key performance indicators, TKM Group considers the technical specifics of production and service processes. For example, in the case of a building, costs are allocated based on the nature of the work, such as improving energy efficiency, upgrading technical systems, or implementing renewable energy solutions. TKM Group relies on the data available during the reporting period and applies a conservative approach when necessary to avoid misclassification.

The climate risk assessment has been conducted in accordance with the sustainability reporting standard and the European Commission Delegated Regulation (EU) 2021/2139. The assessment of climate risks considers the activities covered by the taxonomy regulation. The methodology and results of the climate risk assessment are presented in the Consolidated Sustainability Statement on page 52. For the construction of new buildings and major renovations that comply with the taxonomy, an external consultant has been commissioned to conduct a climate risk assessment.

The Group does not have a climate change adaptation plan, which is why none of the Group's activities are classified as taxonomy eligible from the perspective of climate adaptation. All covered activities are related to climate change mitigation and circular economy targets.

TKM Group will continue to assess taxonomy compliance and enhance its reporting processes to ensure accuracy and alignment with EU requirements. In future reporting periods, additional metrics and best practices will be implemented to improve the assessment and reporting of progress toward environmental objectives.

Group activities covered by the Taxonomy Regulation

- **Installation and operation of electric heat pumps (CCM 4.16)**

This activity does not comply with the technical screening criteria for climate change mitigation "substantial contribution" criteria, therefor the alignment to "do no significant harm" criteria has not been assessed.

- **Transport using motorcycles, passenger cars, and light commercial vehicles (CCM 6.5)**

This activity does not comply with the technical screening criteria for climate change mitigation "substantial contribution" criteria, therefor the alignment to "do no significant harm" criteria has not been assessed.

- **Construction of new buildings (CCM 7.1, CE 3.1)**

The logistics centre completed in the Group's real estate segment has been built in accordance with the technical screening criteria of the Taxonomy Regulation; therefore, all related capital expenditures are considered compliant with the Taxonomy Regulation. The logistics centre was designed in accordance with the technical criteria for climate change mitigation and the "do no significant harm" principle. Due to the lack of necessary data for assessing compliance with the "substantial contribution" criteria of the circular economy objective, this activity is considered under the circular economy objective but not as compliant. The assessment of compliance with the technical criteria for climate change mitigation was conducted by an external consultant, and the analysis also included a climate risk assessment.

The project's vulnerability was analysed as a combination of the significance of related climate factors and the project's exposure (significance × exposure = vulnerability). The summary results indicated that the logistics centre does not face high-level climate change-related vulnerabilities; however, four categories were rated as having "potential vulnerability": extreme air temperature, extreme precipitation levels, humidity, and solar radiation. The impact of these climate factors was used for project risk assessment, and adaptation solutions were implemented to mitigate the risks.

The logistics centre underwent additional auditing for the BREEAM certification process, which is still ongoing. BREEAM (Building Research Establishment Environmental Assessment Method) is the world's leading environmental assessment method, with its trademark owned by the British Research Institute. The goal of the logistics centre is to achieve a BREEAM rating of "Excellent" over the course of the year 2025.

- **Renovation of existing buildings (CCM 7.2, CE 3.2)**

In 2024, the reconstruction of Peetri and Keila Selver was initiated, with activities meeting the technical screening criteria of the Taxonomy Regulation, meaning that the associated capital expenditures are considered taxonomy aligned. The assessment of compliance with technical criteria was conducted by an external consultant, and the analysis included a climate risk assessment. Compliance with the technical criteria was evaluated in two areas: climate change mitigation and circular economy. In buildings where major renovations were carried out but the "substantial contribution" technical criterion was not met, the activity was considered as eligible but not aligned.

- **Installation, maintenance and repair of energy efficiency equipment (CCM 7.3)**

The Group has installed various energy efficiency-enhancing elements, including lighting upgrades, CO_2-based refrigeration systems, fans, wall panels, roller doors, upgraded heating pipelines, and replaced air curtains.

Although the Group assumes that all products sold within the European Union comply with EU regulations, it does not maintain a registry containing the technical specifications of each product to verify compliance with the "do no significant harm" (DNSH) criteria regarding pollution. Therefore, this activity is not considered taxonomy aligned.

- **Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings (CCM 7.5)**

The Group has installed heat substation control automation, internal electricity, water, and gas meters, remote-controlled building automation servers with software, replaced heat exchangers, and installed blinds.

This activity complies with the technical screening criteria of the Taxonomy Regulation related to climate change mitigation and adaptation. Compliance with the technical criteria is ensured when the installed equipment is listed in the technical screening criteria, and a climate risk assessment has been conducted considering climate change impacts on TKM Group's buildings.

- **Installation, maintenance and repair of renewable energy technologies (CCM 7.6)**

TKM Group operates three solar parks. The taxonomy covered activity includes the installation, repair, and maintenance of solar panel systems and associated technical equipment. Installation involves the physical placement of solar panels and related components (e.g., inverters, cabling, mounting systems) on the Group's buildings. Regular maintenance ensures the system's efficient and safe operation, including cleaning, diagnostics, software updates, and equipment condition assessments. Repairs involve fixing or replacing defective or damaged components to maintain continuous system operation. The technical criteria for climate change mitigation are met, as the Group installs, maintains, and repairs solar parks and has conducted a climate risk assessment.

- **Acquisition and ownership of buildings (CCM 7.7)**

TKM Group owns several real estate properties in Estonia and Latvia. In 2024, no new buildings were acquired, but real estate activities were carried out with existing properties, primarily leasing. The logistics centre owned by TKM Group, described in detail under "Construction of New Buildings (CCM 7.1, CE 3.1)," complies with the "substantial contribution" technical screening criteria for climate change mitigation and the "do no significant harm" (DNSH) criteria. Other buildings do not meet technical screening criteria for climate change mitigation and are therefore not considered taxonomy aligned.

Contextual information
Revenue

TKM Group determines the key performance indicator (KPI) for turnover allocation based on taxonomy aligned activities, such as building rentals and other real estate-related income. During the reporting period, taxonomy related turnover accounted for 1% of the Group's total turnover. TKM Group does not include intra-group consumption amounts related to the taxonomy. Compared to 2023, additional taxonomy aligned turnover has been recorded, primarily from electricity sold to the grid and logistics centre leasing income.

Capital Expenditures (CapEx)

Capital expenditures are primarily related to real estate development and renovation projects. For example, investments in the logistics centre, which comply with the taxonomy, make up a significant portion of capital expenditures. TKM Group does not include business combinations in taxonomy related capital expenditures during the reporting period. The Group aims to align all major real estate investments with the taxonomy requirements. Compared to 2023, the Group has conducted a more detailed analysis of taxonomy covered activities and has added new categories, which were previously classified under building acquisition and ownership.

Operating Expenditures (OpEx)

Taxonomy related operating expenses primarily include building maintenance and upgrades to technical systems, but their proportion remains marginal. The Group's operating expense indicators do not reflect significant taxonomy aligned costs, as data differentiation is currently limited by the accounting system's capabilities. Repair and maintenance costs that cannot be clearly allocated between taxonomy related and other activities have been excluded to avoid inaccuracies. Total operational expenditures do not match the Consolidated Financial Statements, as operating expenses in the context of the Taxonomy Regulation are not the same as those in the financial statements.

Compared to 2023, the Group has conducted a more detailed analysis of taxonomy covered activities and added categories that were previously classified under building acquisition and ownership.

Row	Nuclear energy related activities	
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
	Fossil gas related activities	
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels	NO

	Proportion of revenue / Total revenue	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	0%	1%
CCA	-	-
WTR	-	-
CE	-	-
PPC	-	-
BIO	-	-

	Proportion of CapEx / Total CapEx	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	52%	11%
CCA	-	-
WTR	-	-
CE	-	-
PPC	-	-
BIO	-	-

	Proportion of OpEx / Total OpEx	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	0%	0%
CCA	-	-
WTR	-	-
CE	-	-
PPC	-	-
BIO	-	-

Financial year 2024	**2024**			**Substantial Contribution Criteria**						**DNSH criteria ('Does Not Significantly Harm')**									
Economic Activities (1)	**Code (2)**	**Revenue (3)**	**Proportion of Revenue, year 2024 (4)**	**Climate Change Mitigation (5)***	**Climate Change Adaptation (6)**	**Water (7)**	**Pollution (8)**	**Circular Economy (9)**	**Biodiversity (10)**	**Climate Change Mitigation (11)**	**Climate Change Adaptation (12)**	**Water (13)**	**Pollution (14)**	**Circular Economy (15)**	**Biodiversity (16)**	**Minimum Safeguards (17)**	**Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) Revenue, year 2023 (18)**	**Category enabling activity (19)**	**Category transitional activity (20)**
		THOUSANDS, EUR	*%*	***Y; N; N/ EL***	*Y; N; N/ EL*	*Y; N; N/ EL*	*Y; N; N/ EL*	*Y; N; N/ EL*	*Y; N; N/ EL*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*%*	*E*	*T*
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Installation, maintenance, and repair of renewable energy equipment	CCM 7.6	12	0%	**Y**	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0%	E	
Acquisition and ownership of buildings	CCM 7.7	502	0%	**Y**	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0%		
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		514	0%	**%**	**%**	**%**	**%**	**%**	**%**	Y	Y	Y	Y	Y	Y	Y	0%		
Of which enabling		12	0%	-	-	-	-	-	-	Y	Y	Y	Y	Y	Y	Y	-	E	
Of which transitional		-	-							-	-	-	-	-	-	-	-		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/ EL	EL; N/ EL	EL; N/ EL	EL; N/ EL	EL; N/ EL	EL; N/ EL										
Acquisition and ownership of buildings	CCM 7.7	6 797	1%	**EL**	N/EL	N/EL	N/EL	N/EL	N/EL								2%		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**6 797**	**1%**	**1%**	-	-	-	-	-								2%		
Turnover of Taxonomy eligible activities (A.1+A.2)		**7 311**	**1%**	**1%**	-	-	-	-	-										
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities		**937 257**	**99%**																
Total		**944 568**	**100%**																

Financial year 2024	2024			Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities (1)	Code (2)	CapEx (3)	Proportion of CapEx, year 2024 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) CapEx, year 2023 (18)	Category enabling activity (19)	Category transitional activity (20)
		THOUSANDS, EUR	%	***Y; N; N/ EL***	*Y; N; N/ EL*	*Y; N; N/ EL*	*Y; N; N/ EL*	*Y; N; N/ EL*	*Y; N; N/ EL*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	%	*E*	*T*
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Construction of new buildings	CCM 7.1	18 890	52%	**Y**	N/EL	N/EL	N/EL	N	N/EL	Y	Y	Y	Y	Y	Y	Y	6%		
Renovation of existing buildings	CCM 7.2	172	0%	**Y**	N/EL	N/EL	N/EL	N	N/EL	Y	Y	Y	Y	Y	Y	Y	0%		T
Installation, maintenance, and repair of tools and equipment used for measuring, regulating, and controlling the energy efficiency of buildings	CCM 7.5	70	0%	**Y**	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0%	E	
Installation, maintenance, and repair of renewable energy equipment	CCM 7.6	1	0%	**Y**	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	1%	E	
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		19 132	52%	**52%**	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	7%		
Of which enabling		71	0%	**0%**	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0%	E	
Of which transitional		172	0%	**0%**	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0%		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/ EL	EL; N/ EL	EL; N/ EL	EL; N/ EL	EL; N/ EL	EL; N/ EL										
Installation and operation of electric heat pumps	CCM 4.16	3	0%	**EL**	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
Transport with motorcycles, passenger cars, and light commercial vehicles	CCM 6.5	400	1%	**EL**	N/EL	N/EL	N/EL	N/EL	N/EL								0%		T
Renovation of existing buildings	CCM 7.2	3 438	9%	**EL**	N/EL	N/EL	N/EL	N/EL	N/EL								17%		T
Installation, maintenance, and repair of elements that enhance energy efficiency	CCM 7.3	269	1%	**EL**	N/EL	N/EL	N/EL	N/EL	N/EL								1%		T
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**4 107**	**11%**	**11%**	-	-	-	-	-								18%		
CapEx of Taxonomy eligible activities (A.1+A.2)		**23 240**	**64%**	**64%**	-	-	-	-	-								25%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities		**13 333**	**36%**																
Total		**36 573**	**100%**																

Financial year 2024	2024			Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities (1)	Code (2)	OpEx (3)	Proportion of OpEx, year 2024 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) OpEx, year 2023 (18)	Category enabling activity (19)	Category transitional activity (20)
		THOUSANDS, EUR	**%**	***Y; N; N/ EL***	*Y; N; N/ EL*	*Y; N; N/ EL*	*Y; N; N/ EL*	*Y; N; N/ EL*	*Y; N; N/ EL*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*%*	*E*	*T*
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Installation, maintenance, and repair of tools and equipment used for measuring, regulating, and controlling the energy efficiency of buildings	CCM 7.5	7	0%	**Y**	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0%	E	
Installation, maintenance, and repair of renewable energy equipment	CCM 7.6	3	0%	**Y**	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0%		T
OpEx of environmentally sustainable activities		10	0%	**0%**	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0%		
Of which enabling		7	0%	**0%**	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0%	E	
Of which transitional		3	0%	**0%**	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0%		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/ EL	EL; N/ EL	EL; N/ EL	EL; N/ EL	EL; N/ EL	EL; N/ EL										
Transport with motorcycles, passenger cars, and light commercial vehicles	CCM 6.5	911	0%	**EL**	N/EL	N/EL	N/EL	N/EL	N/EL								0%		T
Installation, maintenance, and repair of elements that enhance energy efficiency	CCM 7.3	1 065	0%	**EL**	N/EL	N/EL	N/EL	N/EL	N/EL								0%	E	
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**1 976**	**0%**	**0%**	-	-	-	-	-								0%		
OpEx of Taxonomy eligible activities (A.1+A.2)		**1 986**	**0%**	**0%**	-	-	-	-	-										
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities		**620 058**	**100%**																
Total		**622 044**	**100%**																

ESRS E1 Climate Change

Transition plan for climate change mitigation

To mitigate the negative impacts of climate change and support climate change mitigation, the Group has adopted the Sustainability Strategy 2023-2030, which facilitates the Group's transition to a climate-neutral economy. This strategy is integrated into financial and key strategic decision-making. The Group's largest turnover-generating segment operates in retail trade, a sector not covered by the UN Science-Based Targets (SBT) framework for transition planning in line with the 1.5°C global warming target. Estonia is currently developing a Climate-Resilient Economy Act, and upon its enforcement, TKM Group will align with the emission reduction targets set by the law and update its Sustainability Strategy accordingly if necessary. In 2025, the Group will develop an Environmental Policy that will apply to all subsidiaries.

In 2025, the Group will establish a gradual emissions calculation schedule, based on data availability and quality. Detailed measures and mechanisms for reducing greenhouse gas (GHG) emissions are described in the Consolidated Sustainability Statement sections covering Scope 1, Scope 2, and Scope 3 total emissions (page 58)

Material impacts, risks and opportunities and their interaction with strategy and business model

The significant impacts, risks, and opportunities associated with climate change for the Group include:

ESRS		Positive impact	Potential Negative Impact	Risks	Opportunities
E1	**Climate change**	A company's contribution to climate change mitigation supports its future resilience.	Use of fossil fuels and use of freon in cooling systems.	Operational risk due to shortages of components/raw materials and slow delivery.	Deployment of charging stations at Selver locations.
		Transition to renewable or low-emission energy.	Buildings with an energy class below D.	Failure to comply with climate-related regulations imposed on manufacturers affects production, creating a supply chain risk.	Automation of building management for energy control.
		Use of low-emission products.	High impact of supply chain emissions.	Operational risk due to material property damage caused by storms and limited access.	To enhance cooperation with supply chain partners to reduce impacts and develop new solutions.
				Risk of sales revenue decrease due to changes in stakeholder expectations.	To access financial resources on preferential terms.
				Profit risk due to the increase in energy prices.	

As a positive impact, the Group highlights its efforts in mitigating climate change, which contribute to ensuring the company's long-term sustainability. Climate change mitigation and adaptation help maintain competitiveness and create a more stable economic environment. TKM Group uses low-emission electricity in all Group-owned premises and develops solar parks. In addition to using low-emission energy, it is essential to implement systems with a low emission factor. For example, Kaubamaja uses freon-free refrigeration systems, and a gradual transition is also underway in Selver stores. In automotive trade, the supply chain focuses on the development of electric and hydrogen technologies, as well as investments in energy-efficient solutions, which further increase the positive impact.

A potential negative impact is the use of fossil fuels in Selver delivery vehicles, although the Group has partially switched to low-emission, renewable non-fossil fuel (Hydrotreated Vegetable Oil, HVO). Another negative impact is the high energy consumption of buildings. As the energy efficiency class of a building often depends on the lessor, energy consumption in retail stores is high due to refrigeration systems, making it difficult to improve energy efficiency ratings.

Future trends indicate that low-energy-efficiency buildings will be harder to lease or sell. A more unpredictable negative impact may arise in the supply chain, where emission transparency is lacking—either emissions have not been assessed, or there is no explanation for the basis of assessment.

Risks include shortages of various components or raw materials and slow delivery times, which primarily affect the Group's supermarkets and automotive trade segment. These sectors may also be impacted if manufacturers fail to meet climate-related targets or regulatory requirements, or if a manufacturer implements an inadequate transition strategy, leading to products no longer meeting stakeholder expectations or regulatory standards. The need to reduce emissions is increasing, leading to a decline in the use of cheap fossil fuels and rising energy costs, while the prices of alternative energy sources remain unpredictable. Assessing emissions, mitigating climate change, and adapting to new regulations require additional investments, which could place the Group at a competitive disadvantage if market conditions do not support cost increases or stakeholder expectations shift. Additionally, extreme weather events are causing increased damage to building structures and outdoor inventory, and the rising frequency of heavy rainfall is leading to more flooding, restricting access to stores and negatively impacting turnover.

Installing electric vehicle charging stations in store parking lots offers added convenience for customers and enhances the store's attractiveness to new customer segments. Automated building management systems reduce energy costs, improving efficiency and competitiveness while also enhancing the shopping environment, leading to higher customer satisfaction and loyalty. Retail services can be made more flexible, including fast deliveries, expanded online orders, and personalized product recommendations, adapting to evolving consumer preferences. Stores can provide information and products that support sustainable and environmentally friendly choices. For example, dedicated displays for eco-friendly products raise awareness and encourage responsible purchasing decisions, strengthening the brand's reputation. Carbon emissions can be offset through reforestation, but as tree plantations may have negative effects on biodiversity, the Group prefers to invest in alternative projects for emission reduction.

The Taxonomy Regulation (page 48) outlines climate change mitigation-related capital expenditures for real estate, vehicles, and renewable energy equipment.

Description of the processes to identify and assess material climate-related impacts,

To assess climate-related significant impacts, risks, and opportunities, the Group used the Task Force on Climate-related Financial Disclosures (TCFD) climate risk framework.

Climate change affects the Group in two ways:

- Physical changes: storms, floods, rising average temperatures, increased precipitation, and other climate-related shifts.
- Transition to a climate-neutral economy: new regulations, changing stakeholder interests and values, evolving needs, and reporting obligations.

The analysis was conducted at both subsidiary and parent company levels. This report presents consolidated results.

Physical risks were assessed primarily in the context of Estonia, Latvia, and Lithuania. The analysis utilized data from IPCC WGI Interactive Atlas, Copernicus Climate Pulse, and The Estonian Climate Scenarios Report for 2100. However, broader impacts were also considered, particularly supply chain disruptions and certain product categories. Transition risks were evaluated in the Baltic and EU context, primarily considering the EU's plan to achieve a climate-neutral economy by 2050.

Risks with a significant financial impact were defined as those resulting in losses of at least €100,000 within one year. Over the long term, financial impact may increase if the likelihood of a given scenario rises, which is why the Group also accounts for risks with lower short-term financial losses.

Climate-Related Risks		Probable annual loss (eur)	Time Period (Risk Possibility & Realization)			Scenarios (Sensitivity, Probability)		
			1 year	1-5 years	5+ years	1,5˚C	Up to 2˚C	Over 2˚C
Physical risks	Power outage	31,000			●	●	●	●●
	Shortage of components/raw materials, slow delivery	322,000	●			●	●●	●●●
	Decline in the quality of purchased goods	25,000		●		●	●●	●●●
	Storm damage, restricted access, and material asset damages	135,000	●			●●	●●	●●●
	Inadequate indoor climate due to extreme weather conditions and its impact on employees, tenants	24,000		●		●	●	●●
	Implementation of new efficient cooling systems affects store indoor climate	56,000	●			●	●	●

Climate-Related Risks		Probable annual loss (eur)	Time Period (Risk Possibility & Realization)			Scenarios (Sensitivity, Probability)		
			1 year	1-5 years	5+ years	1,5˚C	Up to 2˚C	Over 2˚C
Transitional Risks	Changing stakeholder expectations	180,000		●		●	●	●
	Raising additional financial resources requires compliance with certain ESG conditions	38,000	●			●	●●	●●●
	Non-compliance with climate regulations for manufacturers affects production (wrong manufacturer strategy)	275,000		●		●	●	●●
	Pollution taxes	3,000			●	●	●	●●
Total Climate-Related Risks		**2,589,000**						

—— Risk possibility over time
● Possible risk realization moment
● Low probability
●● Medium to high probability
●●● Very high probability

Climate-Related Opportunities		Time Period (Potential Opportunity Timing & Realization)			Scenarios (Sensitivity, Probability)		
		1 year	1-5 years	5+ years	1,5˚C	Up to 2˚C	Over 2˚C
Transitional opportunities	Establishing charging stations near Selver stores	●			●●●	●●	●
	Automation of building management		●		●●	●	●
	Providing solutions for changing consumption patterns			●	●●	●	●
	Raising awareness	●			●●	●●	●
	Contributing to biodiversity conservation			●	●●	●	●

—— Opportunity timing over time
● Potential opportunity realization moment
● Low probability
●● Medium to high probability
●●● Very high probability

Scenarios:

- 1.5˚C – Early Transition (IPCC RCP 1.9), a gradual but rapid transition to a climate-neutral economy, keeping global average temperature rise within 1.5˚C by 2100.
- Up to 2˚C – Gradual Slow Transition (IPCC RCP 2.6), a gradual and slower transition to a climate-neutral economy, limiting global temperature rise to 2˚C by 2100.
- 2˚C – 4.3˚C – No Transition to a Climate-Neutral Economy (IPCC RCP 8.5), rapid global warming, where the average temperature increase exceeds 2˚C and could reach 4.3˚C (by year 2100).

Climate Risk Analysis indicates that the impact of both physical and transition risks on the Group's resilience is low in the short-, medium-, and long-term periods. This is primarily due to the Group's risk mitigation strategies and proactive measures. In 2025, the Group will review its Sustainability Strategy and assess potential opportunities for inclusion in the strategy.

The financial impact of opportunities was not quantified, as such disclosure does not meet the qualitative characteristics of useful information.

The climate risk and opportunity analysis is conducted annually in the fourth quarter. During this process, the Group reviews planned actions for preventing and mitigating risks, evaluates the effectiveness of previous year's measures.

Policies related to climate change mitigation and adaptation, actions, resources and targets in relation to climate change policies

TKM Group has set a target to achieve climate neutrality by 2050. Due to the Group's direct footprint, most financial resources allocated to climate change mitigation are focused on reducing Scope 1 and Scope 2 emissions. Scope 3 categories are being further refined as data becomes available. The Group is currently developing an Environmental Policy, which will include climate change mitigation and adaptation measures. This policy will be finalized in 2025 and will apply to all subsidiaries.

Companies with a high environmental impact, such as Kaubamaja, Selver, and Kulinaaria, monitor the amount of single-use plastic placed on the market and plan measures to reduce it. They also aim to increase the share of recyclable and recycled mono material packaging in private label products.

Real estate services focus on improving portfolio energy efficiency and designing new buildings in accordance with climate adaptation principles. All major renovations of existing buildings comply with EU Taxonomy Regulation requirements. Whenever possible, new buildings are also designed to meet these criteria.

Store renovations incorporate energy-efficient technologies and low-emission refrigerants.

Automotive businesses are influenced by manufacturers' decisions, which in turn are driven by EU climate goals and market conditions. The vehicle portfolio is gradually shifting from internal combustion engine vehicles to electric vehicles.

The main obstacles to achieving climate neutrality are limited availability or high cost of low-emission alternatives and low-quality supply chain data.

In the long term, the Group aims to reduce its footprint in line with the Paris Climate Agreement, with the use of low-emission energy supporting this objective.

Greenhouse gases: method and emission factors

In calculating the Group's carbon footprint, the methodology follows the internationally recognized and widely used greenhouse gas (GHG) measurement standard – The Greenhouse Gas Protocol Corporate Standard (from here on GHG Protocol). This standard covers seven greenhouse gases defined by the Kyoto Protocol: Carbon dioxide (CO_2), Methane (CH_4), Nitrous oxide (N_2O), Hydrofluorocarbons (HFCs), Perfluorocarbons (PFCs), Sulphur hexafluoride (SF_6), Nitrogen trifluoride (NF_3). Under the GHG Protocol, emissions are categorized into three scopes:

- Scope 1: Direct emissions from on-site sources, including energy production and fuel consumption in company-owned vehicles.
- Scope 2: Indirect emissions from purchased electricity, heating, cooling, and steam consumption.
- Scope 3: All other indirect emissions from the company's value chain.

For the assessment of greenhouse gas (GHG) emissions, operational control was used. Under ESRS, financial control must also be applied (ESRS E1.46, AR40, ESRS 1.62), but according to market practice, operational control is commonly used, and the Group will continue following its existing practice. Furthermore, the GHG Protocol allows companies to choose between financial control and operational control. The calculations have not been verified by a third party, except for the assurance provider (the Consolidated Sustainability Statement auditor).

The Group focuses on developing and implementing energy-saving solutions for energy-intensive processes and reducing the direct negative impact of its operations, as a result, most Scope 3 emissions are currently excluded from calculations. Each year, additional Scope 3 emission sources are gradually included in the assessment, based on data availability and quality, with the goal of achieving a comprehensive overview by 2030. In the calculations for assessing scope 1, 2, and 3, the Estonian Ministry of Climate's Greenhouse Gas Footprint Calculation Model 2024 (hereinafter referred to as "the model") is used. The model is designed for calculating Estonia's emissions and includes emission factors for Estonia's electricity and heat production, which are more accurate than the European averages. For Latvia and Lithuania, either the model's emission factors or, where possible, supplier-specific emission factors are being used. For Scope 3, significant estimates are used (page 34) due to the current lack of availability of supplier data.

The combustion of biomass for heat energy production in impact area 2 results in 3,054 tonnes of biogenic CO_2 emissions (market-based).

Where market-based assessment is applied, emissions calculations consider electricity data from Elering 2024 and Latvenergo 2020 for electricity that would otherwise be assigned a zero-emission factor (nuclear and renewable energy purchased with certificates). Lithuania's heat energy consumption accounted for 1% of the Group's total consumption; therefore, the model's emission factor was used, as it does not significantly impact the Group's overall results. All emission factors are, as of 31 December 2024, the best available publicly accessible information.

Scope and Source	Emission Factor Source
Scope 1 All refrigerants (Estonia, Latvia)	IPCC AR5
Scope 1 Vehicle fuels (Estonia, Latvia, Lithuania)	GHG Inventory Report 2024
Scope 1 Fuels used in boilers (Estonia, Latvia)	GHG Inventory Report 2024
Scope 2 Purchased electricity, grid electricity (Estonia)	Elering 2024, Residual mix emission intensity 2023
Scope 2 Purchased electricity, renewable energy (Estonia)	CoM 2017
Scope 2 Purchased electricity, nuclear energy (Estonia)	JEC WTT v5
Scope 2 Purchased electricity, grid electricity (Latvia, Lithuania)	Latvenergo 2020
Scope 2 Purchased heat energy (Estonia)	Utilitas Tallinn, 2023. Utilitas Estonia 2023
Scope 2 Purchased heat energy (Estonia)	Gren Tartu, 2023. Gren Estonia, 2023
Scope 2 Purchased heat energy (Estonia, Lithuania)	GHG Inventory Report 2024, Estonian average
Scope 2 Purchased heat energy (Latvia)	GHG Inventory Report 2024
Scope 2 Purchased heat energy (Latvia)	Latvenergo, 2023

Scope 3 capital goods emission factors were calculated using the OneClick LCA tool.

Scope 3 resold electricity and heat energy are the rental property emissions of the Group's companies (Selver, Kia Auto, TKM Kinnisvara, TKM Kinnisvara Tartu, TKM Latvija) in subsequent stages. The quantities of resold energy have been calculated based on tenant invoices.

For waste generated from company operations, the value chain stakeholder (waste handler) has been consulted to determine the final waste treatment method, but the emission factors are derived from the model. Waste quantities are sourced from waste handler reports and partially from invoices. The waste consists of general and hazardous waste generated during company activities. For recyclable waste (mixed packaging, glass, wood, plastic, and other mono-material packaging), the emission factor used is based on the expected emissions from waste transportation. The following assumptions were applied: waste truck fuel consumption of 0.39 L/km, an average collection route length of 250 km, an average load weight of 9 tonnes, and a heavy truck (diesel) specific emission factor from the GHG Inventory Report 2022. For landfilled and incinerated waste, the model-specific emission factors were used, based on the assessment conducted by TalTech and SEI in 2019. All emission factors are, as of 31 December 2024, the best available publicly accessible information.

Primary emissions data from suppliers have not been used in the assessment of Scope 3 emissions. For Scope 3 emissions assessment, primary emissions data from suppliers have not been used. Scope 3 was calculated based on the assumption that Scope 1 and 2 account for 2%, with the remaining emissions attributed to Scope 3, which, according to McKinsey, should constitute 98%. The assessment of following Scope 3 categories was conducted based on estimates from the McKinsey report (p. 34): Purchased goods and services (were calculated as 98% minus all other Scope 3 emissions), Fuel- and energy-related activities (were calculated with the assumption that they account for 22.6% of emissions), Upstream and downstream transportation and distribution emissions (were estimated based on the assumption that transportation accounts for 14.8% of total emissions, of which 80% are upstream and 20% are downstream). Emissions in these categories were calculated using the percentage distribution provided in the McKinsey report, based on the Group's Scope 1, Scope 2. In Scope 3 assessments where Scope 2 emissions were also considered, a location-based approach was applied for estimations.

Scope and Source	Emission Factor Source	% of Supplier Data Used
Scope 3 Capital goods	One Click LCA tool	0%
Scope 3 Waste generated in operations	Life Cycle Assessment Model WAMPS; TalTech, SEI Tallinn 2019; Estimated Driving Cycle Emissions	0%
Scope 3 Downstream leased assets (sold electricity, grid electricity, Estonia)	Elering 2024, Residual mix emission intensity 2023	0%
Scope 3 Downstream leased assets (sold electricity, renewable energy, Estonia)	CoM 2017	

Scope and Source	Emission Factor Source	% of Supplier Data Used
Scope 3 Downstream leased assets (sold electricity, nuclear energy, Estonia)	JEC WTT v5	0%
Scope 3 Downstream leased assets (sold electricity, grid electricity, Latvia, Lithuania)	Latvenergo 2020	
Scope 3 Downstream leased assets (sold heat energy, Estonia)	Utilitas Tallinn, 2023. Utilitas Eesti 2023	0%
Scope 3 Downstream leased assets (sold heat energy, Estonia)	Gren Eesti, 2023	
Scope 3 Downstream leased assets (sold heat energy, Estonia)	GHG inventory report 2024, Eesti average	
Scope 3 Downstream leased assets (sold heat energy, Latvia)	Latvenergo, 2023	

Energy consumption and mix

The calculation of reported energy consumption follows the same scope as applied in the Scope 1 and Scope 2 GHG emissions calculations. TKM Group's subsidiaries operate in the following high-climate-impact sectors as defined by ESRS: wholesale and retail trade, real estate activities, manufacturing. High-climate-impact sectors are listed under NACE divisions A-H and L, as specified in Commission Delegated Regulation (EU) 2022/1288.

For the assessment of energy consumption and the distribution of energy sources, operational control was used in accordance with the GHG Protocol. Under ESRS, financial control must also be applied, but according to market practice, operational control is commonly used, and the Group will continue following its existing practice. The calculations have not been verified by a third party, except for the assurance provider (the Consolidated Sustainability Statement auditor).

The targets and action plan related to energy consumption will be included in the TKM Group's sustainable development strategy in 2025. The Group has assessed its energy use and the effectiveness of existing measures through the evaluation and reduction of greenhouse gas emissions.

Energy Consumption of the Group	**2024 (MWh)**
Total Energy Consumption from Fossil Fuel Sources	**60,642**
of which fuel consumption: coal and coal products	0
of which fuel consumption: crude oil and petroleum products	8,838
of which fuel consumption: natural gas	148
of which fuel consumption from other fossil sources	0
of which purchased or acquired electricity, heat, steam, or cooling energy produced from fossil fuel sources	51,655

Energy Consumption of the Group	**2024 (MWh)**
Total Energy Consumption from Nuclear Energy Sources	**26,327**
Total Energy Consumption from Renewable Energy Sources	**16,373**
of which fuel consumption from renewable energy sources	336
of which purchased or acquired electricity, heat, steam, or cooling energy produced from renewable sources	15,543
of which consumption of self-produced renewable energy for non-fuel purposes	494
Total Energy Consumption	**103,342**
Total Energy Consumption from High-Impact Climate Sectors	**98,494**
Group's Self-Produced Renewable Energy	**778**

Energy Intensity Based on Net Revenue	2024
Net revenue from activities in high climate impact sectors used to calculate energy intensity (thousand €)	912,847
Of which net revenue (other)*	912,847
Of which net revenue (financial statement)	0
Total energy consumption from activities in high climate impact sectors per net revenue from activities in high climate impact sectors (MWh/€)	0

*Includes the activities of all companies, except TKM Finants AS, TKM Grupp AS (parent company operations), and Viking Security AS, as these are not high climate impact sectors.

TKM Group does not participate in the carbon market and does not use carbon offsetting or sequestration to reduce emissions.

Gross Scopes 1, 2, 3 and Total GHG emissions

The 2024 analysis identified the following Scope 3 categories as significant for the Group:

- Purchased goods and services
- Capital goods
- Fuel and energy-related activities (not included in Scope 1 or 2)
- Upstream transportation and distribution
- Waste generated in operations
- Downstream transportation
- Downstream leased assets

The following categories were deemed insignificant:

- Business travel
  The Group operates in Estonia, Latvia, and Lithuania, with its main focus on the same markets, minimizing the need for business travel.
- Employee commuting
  An emissions calculation for this category was conducted, and the results showed insignificant impact under Scope 3.
- Upstream leased assets
  Most of the Group's assets are recorded on the balance sheet, meaning there are no high-impact leased assets in this category.
- Processing of sold products
  The Group does not resell raw materials or semi-finished goods, making the impact of sold product processing negligible.
- Use of sold products
  Since the Group's core activity is retail, the emissions impact from the use of sold products is marginal.
- End-of-life treatment of sold products
  To avoid double counting, the Group has set a boundary at private-label products' lifecycle, making this category insignificant.
- Franchises
  The Group does not operate in this category.
- Investments
  Subsidiary emissions are already accounted for within the Group's total emissions. The Group does not provide loans to high-emission industries and does not engage in large-scale real estate development. As the Group does not exercise financial or operational control over Rävala Parkla, the Consolidated Sustainability Statement does not include data from Rävala Parkla AS, in which the Group holds a 50% stake. The energy consumption of Rävala Parkla is comparable to the smallest companies within the TKM Group, and therefore, its exclusion has no significant impact on the Group's emissions.

Among significant emissions categories, calculations were conducted for waste generated in operations and leased assets in the downstream value chain, as high-quality data was available in the reporting year, allowing the Group to implement specific emission reduction measures. Scope 3 categories with low risk, deemed insignificant according to CDP sector guidelines, or where the Group has low control over emissions reduction, were excluded. Additionally, important categories were excluded due to a lack of sufficiently high-quality data. TKM Group monitors and reassesses accurate emission factors and data quality to determine whether it is possible to include new categories.

In line with the Group's Sustainability Strategy, the base year for comparison is 2018.

	Retrospective				Milestones and target years			
	Base year (2018)	Com-parative period	2024	% (2024 /2018)	2025	2030	-2050	Annual target (%) / Base year
Scope 1 GHG Emissions								
Gross Scope 1 GHG emissions (tCO2eq)	11,600	-	13,052	-	-	-60%	-	-
Percentage of Scope 1 GHG emissions from regulated emission trading schemes (%)	-	-	-	-	-	-	-	-
Scope 2 GHG Emissions								
Gross location-based Scope 2 GHG emissions (tCO2eq)	-	-	43,371	-	-	-	-	-
Gross market-based Scope 2 GHG emissions (tCO2eq)	83,200	-	26,071	-	-	-75%	-	-
Significant Scope 3 GHG Emissions								
Total Gross indirect (Scope 3) GHG emissions (tCO2eq)	-	-	2,764,727	-	-	-	-	-
1. Purchased goods and services	-	-	1,455,475	-	-	-	-	-
2. Capital goods	-	-	272,433	-	-	-	-	-
3. Fuel and energy-related Activities (not included in Scope1 or Scope 2)	-	-	624,828	-	-	-	-	-
4. Upstream transportation and distribution	-	-	327,344	-	-	-	-	-
5. Waste generated in operations	-	-	1,539	-	-	-7%	-	-
6. Business travelling	-	-	-	-	-	-	-	-
7. Employee commuting	-	-	-	-	-	-	-	-
8. Upstream leased assets	-	-	-	-	-	-	-	-
9. Downstream transportation	-	-	81,836	-	-	-	-	-
10. Processing of sold products	-	-	-	-	-	-	-	-
11. Use of sold products	-	-	-	-	-	-	-	-
12. End-of-life treatment of sold products	-	-	-	-	-	-	-	-
13. Downstream leased assets	-	-	1,272	-	-	-	-	-
14. Franchises	-	-	0	-	-	-	-	-
15. Investments	-	-	0	-	-	-	-	-
Total GHG emissions								
Total GHG emissions (location-based) (tCO2eq)	-	-	2,821,150	-	-	-	-	-
Total GHG emissions (market-based) (tCO2eq)	-	-	2,803,850	-	-	-73%	-	-

GHG intensity per net revenue	Comparative period	2024	% 2024/2023
Total GHG emissions (location-based) per net revenue (tCO2eq/thousand €)	-	2.99	-
Total GHG emissions (market-based) per net revenue (tCO2eq/thousand €)	-	2.97	-
Net Revenue (thousand €)*	-	944,568	-

*Net revenue can be found in the consolidated annual report under the section "Consolidated Statement of Profit and Other Comprehensive Income" on page 97.

TKM Group does not use natural CO_2 sinks or implement technical solutions for carbon sequestration in its operations, data on its upstream and downstream value chains in unavailable, therefore, it cannot be stated that no natural CO_2 sinks are used or that other technical solutions are not implemented. The Group does not participate in regulated emission trading systems and does not apply internal carbon pricing schemes.

A significant environmental impact in **Scope 1** comes from the refrigeration and cooling systems used in the Group's department stores and supermarkets. To reduce the impact from refrigeration systems, the Group is gradually replacing older freon-based equipment with new CO_2-based refrigeration and cooling systems. In addition to significantly lower energy consumption, the use of these systems poses a considerably lower risk to the external environment. When replacing systems, glass doors and covers are installed on store refrigeration shelves, counters, and freezers, further increasing energy savings.

Further actions:

- Vehicle fleet replacement depends on the national action plan and available alternatives. In November 2022, Selver launched a pilot project testing low-emission Neste My diesel. Additionally, the Group continuously monitors technological advancements and changes in the transportation sector to determine whether and at what pace changes should be made.
- Wider adoption of electric vehicles in company operations. Expected greenhouse gas reduction of up to 1%.
- Encouraging fuel-efficient driving (eco-driving) for Selver couriers. Expected greenhouse gas reduction of up to 5%.
- Replacing F-gases in Selver's refrigeration systems with CO_2. Expected greenhouse gas reduction of 55%.

In **Scope 2**, the largest share of the Group's energy consumption comes from cooling and technological refrigeration systems used in department stores and Selver supermarkets (~50-60% of a store's energy consumption). A key element in energy efficiency is energy-saving lighting solutions. When designing lighting solutions in department stores and supermarkets, factors such as room layout, furnishings, and product placement are considered to reduce energy consumption while ensuring adequate lighting throughout the store. Significant energy savings have already been achieved through these efforts, and this process will actively continue in the coming years. Among other energy efficiency measures, the automation and operational control of heating and ventilation systems via remote management systems has a major impact.

Further actions:

- Increasing the share of low-emission electricity. Expected greenhouse gas reduction of up to 10%.
- Building solar parks on the roofs of Group-owned properties. Expected location-based greenhouse gas reduction of up to 5%.
- All new buildings will be constructed in compliance with the EU Taxonomy Regulation, where possible.
- Gradual renovation of buildings, with all major renovations aligned with the EU Taxonomy Regulation where possible. Expected location-based greenhouse gas reduction of up to 5%.
- Prioritizing low-energy consumption technology in new acquisitions. Expected location-based greenhouse gas reduction of up to 15%.

The Group's **Scope 3** has been partially assessed, currently covering categories where the Group has direct control over impact reduction and data quality is sufficient for evaluation.

Future actions:

- Private label product packaging design will enable recycling.
- Reduction and avoidance of packaging.
- Awareness efforts on waste sorting and prevention opportunities.
- Enhancing the completeness of Scope 3 data, additional category analysis of the availability of high-quality data for important categories and improving data collection.

The potential future GHG emissions arising from the Group's key assets and products, which may hinder the achievement of emission reduction targets and cause transition risks, are related to the Group's building energy consumption, particularly the lack of low-emission alternatives for heating energy. The Group's goal achievement may also be hindered by higher costs of low-emission fuels and electric vans, limiting their widespread adoption. Since goods transport is a crucial part of the Group's operations, logistics may pose a transition risk.

The Group has not set science-based GHG reduction targets (SBTi), but after the full calculation of Scope 3 emissions, the Group will conduct the relevant analysis. The greenhouse gas assessment method is described in the Greenhouse Gases subsection of the Consolidated Sustainability Statement on page 54.

ESRS E3 Water and Marine Resources

Description of the processes to identify and assess material water and marine resources-related impacts, risks and opportunities

Significant water-related impacts, risks, and opportunities were assessed as part of the climate risk and opportunity analysis. Additionally, water risks were analysed at the company's own operational sites.

Material impacts, risks, and opportunities and their connection to strategy and business model

ESRS		Positive impact	Potential Negative Impact	Risks	Opportunities
E3	**Water and marine resources**	-	Exacerbation of crises in areas at water risk.	-	Install water-saving systems in new buildings and major renovations (in accordance with the Taxonomy Regulation) to reduce water costs.
			High water consumption and discharge on own premises and within the supply chain.		

The Group has identified ESRS disclosure requirement E3-4, which covers water consumption, as significant. A key potential negative impact arises from the large number of buildings owned by the Group, as water consumption is an integral part of daily store operations. Additionally, the food retail sector is highly dependent on water availability. Although the Group's companies are not located in high-water-risk areas, water indirectly affects two climate-related physical risks, which are component/raw material shortages, leading to slow deliveries and declining quality of purchased goods. These risks are particularly relevant to the Group's retail segment, as food availability and quality in the supply chain directly depend on water resources. In the reporting year, both risks were assessed as low. However, in the long term, the probability of worsening water shortages due to physical climate changes is high. Potential negative impacts can be managed through supply chain management.

Opportunities arise to install water-saving systems in new buildings and major renovations (in accordance with the Taxonomy Regulation), thereby also reducing water consumption costs.

The assessment of significant impacts, risks, and opportunities did not involve consultations with affected communities. The analysis used the WRI Aqueduct platform.

Policies, actions, resources, and targets related to water and marine resources

The Group is developing an environmental policy in 2025, which will also include principles for water resource use, however, the policy will not cover product and service design to address water-related issues and marine resource conservation, commitments to significantly reduce water consumption in high-water-risk areas in the upstream value chain, water treatment and water pollution management.

As part of ESRS-based reporting, 2024 will be set as the baseline year for water consumption, and water-related targets (both internal and in the upstream value chain) will be established in 2025. The Group has no additional water- or marine resource-related targets. Since TKM Group has no significant impact on oceans or seas, the Group does not plan to develop policies or targets for this area.

Water Consumption

The Group does not reuse or store water. Total water consumption is recorded as zero, as the Group's companies are connected to municipal centralized water systems, where it is not possible to easily distinguish how much water leaves the system as part of food products versus as wastewater. We have assessed that the amount of water used in products is minimal compared to the water consumed for equipment washing and utility water. Differentiating the estimated amount of water used in products would not result in significant changes to total water consumption. As a result, billed wastewater volumes match water intake volumes Since total water consumption is calculated as water intake minus wastewater, the final amount is zero.

Water Consumption of the Group	**2024**
Total water consumption (m^3)	0
Of which water withdrawal	122,443
Of which water discharge	122,443
Total water consumption in areas with high water risk (m^3)	0
Water intensity (m^3/net revenue in million EUR)	0

Water consumption includes the total amount of water used by TKM Group's subsidiaries.

Anticipated financial effects from material water and marine resources-related risks and opportunities

The anticipated financial impact may become noticeable in the long term, but in the short and medium term, it remains low.

ESRS E5 Resource Use and Circular Economy

Description of the processes to identify and assess material resource use and circular economy-related impacts, risks and opportunities

For the analysis, the Group used climate risk assessment results and determined that, in the long term, the Group may be affected by pollution taxes. These could include new taxes on plastics or waste within the context of the circular economy, as well as increases in existing pollution taxes. The Group has not conducted consultations with affected communities.

Material impacts, risks, and opportunities and their connection to strategy and business model

The Group is a major consumer and distributor of packaging, with supermarkets segment packaging having the greatest impact. Most of the single-use plastic released into the market by TKM Group comes from this sector. Plastic is a critical material in the food industry. Special attention is given to single-use plastics, as a significant portion is not recycled, often ending up in mixed waste or, in worse cases, in nature, posing a particular threat to marine ecosystems. For this reason, it is essential to consider the end-of-life management of packaging at the design stage, avoid composite materials, and ensure that packaging is suitable for recycling. Although landfilling mixed municipal waste is prohibited in Estonia, incineration is also not the best solution, as recycling helps reduce the need for virgin raw materials, while incineration removes valuable resources from circulation. The EU has set waste recycling targets ((EU) 2018/851, (EU) 2018/852), which also affect Estonia and companies operating there, requiring businesses to contribute to meeting recycling rate targets.

ESRS		Positive impact	Potential Negative Impact	Risks	Opportunities
E5	**Circular economy**	Use of reusable packaging (including transport packaging).	For several products used by the company itself and/or sold, it is not possible to reintroduce them into circulation, or suitable solutions for product recycling are not yet available, leading to an increase in waste generation.	Profit risk due to the increase in taxes or the introduction of new taxes, especially environmental taxes related to pollution.	To develop cooperation with external partners.
		Use and market placement of packaging made from recycled materials.	The Group's operations generate hazardous waste such as batteries, tires, and other materials.	Risk of non-compliance with new regulations due to limited circular economy solutions.	To prioritize circular economy production solutions.

A positive impact is the transition to reusable packaging, both in e-commerce and physical stores. Another positive impact is replacing composite material packaging with mono-material packaging, making recycling easier.

A negative impact is the prevalence of composite material packaging. For example, cake boxes often have a plastic window to display the product. Companies launching private label products are focusing on simplifying packaging recycling, as packaging made from a single material is easier to return to circulation.

A major risk in the circular economy comes from regulatory obligations. For example, taxation on composite materials requires quick adaptation and investment in new production lines tailored to alternative packaging. Additionally, it is possible that tax increases cannot be avoided if suitable market alternatives are unavailable.

A key opportunity lies in collaboration with startups, universities, and other companies to develop solutions that align with both business interests and customer experience.

Policies related to resource use and circular economy

The Group is developing an environmental policy in 2025, which will address the use of secondary (recycled) resources in private label product packaging, the promotion of the circular economy, waste recycling.

Actions and resources in relation to resource use and circular economy

The use of secondary raw materials (recycled materials) can be increased in private label product packaging as well as in e-commerce. In addition to using secondary raw materials, the retail segment is exploring packaging reuse and recycling systems to help reduce waste in downstream value chain stages.

Additional actions to promote circular economy:

- Since 2020, Kaubamaja e-store has replaced bubble mailers with wool waste-based envelopes, which can be recycled. E-store cardboard boxes have a minimalist design to reduce ink usage, and reusable boxes made from textile waste have also been introduced.

- Collaboration with Uuskasutuskeskus (Reuse Centre): Permanent collection points for used clothing and shoes have been established in Kaubamaja stores. Promotional campaign materials have been donated for reuse in children's institutions and crafts projects for people with special needs.
- To prevent hazardous waste from entering nature, collection containers have been installed in department stores and shops. Customers can dispose of used batteries, small electronics, and packaging waste (paper, glass, and plastic). All grocery stores are equipped with reverse vending machines for deposit-marked beverage containers.
- Partner Card customers can opt out of paper receipts, as all purchases are stored in the self-service system. The Group has adopted digital, paper-free solutions in marketing, logistics, and payment systems, reducing environmental and operational burdens. Selver has implemented electronic price tags in all stores.
- The Partner Gift Card and Partner Card are available in digital format, with the mobile app encouraging customers to switch from physical cards, reducing PVC waste.
- Selver home deliveries offer reusable deposit bags. In 2023, a customer survey at Torupilli Selver revealed that customers prefer reusable alternatives both for environmental reasons and convenience (to avoid clutter from disposable bags).
- I.L.U. stores accept empty packaging from purchased products to encourage separate packaging waste sorting. To motivate participation, customers earn Partner Card bonus points when returning empty packaging.

Targets related to resource use and circular economy

In accordance with Section 5(5) of the Packaging Act, measures must be implemented to achieve a measurable reduction in the consumption of single-use plastic products (as specified in Section 3(7) points 3 and 4) by 2026, compared to 2023. Under Section 5(7) of the Packaging Act, packaging companies are required to develop an action plan to ensure the reduction of single-use plastic consumption.

Kaubamaja's Goals for 2026:

- Explore the possibility of implementing a deposit packaging system for the e-store.
- Introduce a fee for thin plastic bags in Toidumaailm, with a plan to reduce plastic bag consumption by 25%.
- Increase the purchase rate of reusable bags by 10% per year.
- Implement a reusable packaging system in Toidumaailm (in collaboration with a trusted partner that complies with the Agricultural and Food Board's regulations).
- Find solutions to ensure that all packaging is recyclable and can be directed into the recycling system.
- Engage more with customers on environmental sustainability topics.

Selver's Goals for 2026:

- Sustainable Packaging Use: store-made food will be packaged in recyclable materials. Expand the product portfolio of mono-material packaging, ensuring food safety and quality. Eliminate polystyrene foam packaging for hot and cold food at service counters and replace composite material bags in bakery sections (where possible by 2026).
- Encouraging Customers to Use Sustainable Packaging: customers can bring their own packaging for food and drinks purchased in-store. Conditions for this practice will be clearly displayed in stores. Marketing campaigns will encourage customers to shop with their own packaging (since 2023). The company is open to collaboration and pilot projects to test fast, convenient, and safe reusable packaging systems (since 2023). In-store and e-store options for purchasing products in recycled, renewable, and reusable packaging (e.g., shopping bags, cardboard boxes) have been available since 2023. Customers will have the option to pack fruits and vegetables in reusable packaging (e.g., their own packaging, reusable mesh bags sold in-store) or a paid thin plastic bag (starting in 2025).
- Encouraging Employees to Use Sustainable Packaging: project "Selver Employees Lead by Example". Employees are encouraged to use their own containers for takeaway food from service counters and their own cups for beverages from vending machines (since 2023).

Kaubamaja and Selver are actively seeking alternatives to single-use packaging for takeaway food. Since fall 2023, both Selver and Kaubamaja have allowed customers to purchase ready-to-eat food using their own containers.

Kulinaaria and Selver are increasingly replacing composite packaging with mono-material packaging. Most Selver Köök products now include sorting instructions to make waste separation easier for customers. 42% of production is already packaged in recycled material packaging, significantly reducing environmental impact. Year by year, the share of mono-material packaging is increasing, with the goal of achieving 100% recyclable packaging.

More detailed circular economy goals will be established in 2025, using 2024 as the baseline year.

Resource inflows

The Group considers private label product packaging to be significant, with input flows being the same as output flows. The largest portion of packaging waste comes from Selver Köök products (e.g., soups, salads, desserts, etc.). An overview of private label product packaging types can be found in the table "Private Label Product Packaging." The data is sourced from company packaging reports.

Resource outflows

TKM Group has only one production company - Kulinaaria OÜ. Kulinaaria is engaged in food production, making it unreasonable to assess product durability or reparability. However, Kulinaaria measures the proportion of recyclable materials in product packaging. Kulinaaria's data is consolidated with other retail companies in the table "Private Label Product Packaging."

The Group's supermarkets, department stores and beauty retail place carrier bags, single-use plastic utensils, and private label products on the market. For these products, the material composition is crucial to contributing to increased recycling rates of packaging waste.

Sales of Shopping Bags	2024 (thousand pcs)	%
Total bag sales	**27,681**	**100%**
of which regular plastic bags	6,679	24%
of which biodegradable plastic bags	171	1%
of which paper bags	3,625	13%
of which sales of reusable shopping bags	98	0%
of which sales of reusable vegetable bags	1	0%
of which distribution/sales of small plastic bags	17,107	62%

Single-Use Plastic Tableware Placed on the Market, 2024	2024 (thousand pcs)	%	2024 (t)	%
Total	**17,019**	**100%**	**227**	**100%**
Drinking cups and lids*	**3,032**	**18%**	**74**	**33%**
of which drinking cups	2,429	80%	72	98%
of which cup lids	603	20%	2	2%
Food containers	**13,980**	**82%**	**152**	**67%**
Reusable alternatives	**7**	**0%**	**1**	**0%**

Private Label Product Packaging	2024 (t)	%
Total packaging*	**399**	**73%**
Recyclable packaging	**255**	**64%**
of which packaging made from recycled materials, e.g., rPET	107	42%
Composite material packaging	**37**	**9%**

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

A large portion of the Group's waste is recycled, with only 4% directed for disposal. The Group's companies separately collect packaging waste such as different-coloured plastic film, paper and cardboard, bio-waste, etc. A significant part of general waste is recycled, and some of it is also converted into energy. Hazardous waste includes, for example, tires generated in the automotive trade, oil-contaminated materials, batteries, and other such materials.

Waste Generation of the Group, 2024	2024(t)	%
Total waste	**7,789**	**100%**
Total amount by weight diverted from disposal	**7,498**	**96%**
Non-hazardous waste	7,491	100%
Preparation for reuse	0	0%
Recycling	4,982	67%
Other disposal operations	2,509	33%

Waste Generation of the Group, 2024	2024 (t)	%
Hazardous waste	**7**	**0%**
Preparation for reuse	0	0%
Recycling	7	100%
Other disposal operations	0	0%
Total amount by weight directed from disposal	**291**	**4%**
Non-hazardous waste	**0**	**0%**
Incineration	0	0%
Landfill	0	0%
Other disposal operations	0	0%
Hazardous waste	**291**	**100%**
Incineration	78	26%
Landfill	213	74%
Other disposal operations	0	0%
Total amount and percentage of non-recycled waste	**2,807**	**36%**

The data is consolidated based on input from subsidiaries and does not include obligations transferred to the producer responsibility organization.

Anticipated financial effects from resource use and circular economy-related risks and opportunities

The expected financial impact of €3,000 arises from pollution taxes. This is a residual risk that remains after risk mitigation. The impact is assessed as low; however, it is a long-term risk, with no anticipated realization in the short or medium term. The expected financial impact of the opportunity is not disclosed due to non-compliance with qualitative information characteristics.

Social Information

ESRS S1 Own Workforce

Material impacts, risks, and opportunities and their relation to strategy and business model

ESRS		Positive impact	Potential Negative Impact	Risks	Opportunities
S1	**Own workforce**	Job creation.	Work-related injuries.	Risk of shortage of skilled labour.	To promote innovation to reduce workload.
		Providing development opportunities.	Occupational diseases.	Risk of work-related injuries.	To enhance attractiveness as an employer.
		Promoting work-life balance.	Widening of the gender pay gap.	Risk of breach of Good Business Conduct due to the violation of group rules by employees/managers.	To diversify the workforce.
		Promoting health.		Risk of increasing pay gap.	

A positive social impact of TKM Group is its role as a large employer. Considering that Selver AS operates in various regions of Estonia, the company creates jobs in every Estonian county, being the largest employer within the Group with 2,906 employees. The Group's second-largest employer is Viking Security AS, which operates across Estonia and employs 626 people. Kaubamaja has repeatedly been recognized with the Top Employer badge, highlighting that the company fosters a positive organizational culture that supports cooperation, innovation, and employee well-being. The Top Employer badge is awarded by Estonia's largest job portal, cv.ee, which conducts an annual survey allowing people to vote for the company they would most like to work for. Kaubamaja has also repeatedly received the Family-Friendly Employer label issued by the Ministry of Social Affairs, affirming that the organization values the well-being of its employees and strives to enable them to balance work and family life. Kaubamaja joined the Diversity Charter issued by the Estonian Human Rights Centre in 2012, followed by Selver in 2013, thereby ensuring employee inclusion regardless of gender or background.

The Group offers its employees various self-development and career advancement opportunities both within the companies and between subsidiaries (internal and external training, individual growth programs, etc.). The Group's companies operate in different segments, and employees seeking new challenges do not have to look outside the Group but can transition to another subsidiary. Internal rotation opportunities are highly valued as they ensure long-term relationships with employees who understand the Group's specificities and dynamics while also allowing employees to contribute to entirely new fields within a familiar environment.

Occupational health and wellness initiatives are important for both efficiency and employee satisfaction, as well as for maintaining competitiveness in the labour market. In addition to ensuring general occupational safety and health, which includes regular medical check-ups, annual flu vaccinations, and the provision of protective work equipment, employees can also enhance their well-being through activities offered by the Sports Club MTÜ. Depending on the subsidiary, employees can participate in step challenges, attend health-related lectures, and access discounted massage services.

A potential negative social impact includes workplace accidents, occupational diseases, and the gender pay gap. The nature and severity of workplace accidents vary by segment. For example, in security services, the risk of serious injury is higher due to the potential escalation of conflicts, but this risk is mitigated through continuous employee training and high-quality work equipment. Viking Security provides its employees with additional health insurance, covering incidents that occur outside of work as well, offering greater security for dealing with health-related issues. In retail, which employs the most staff, most workplace accidents and occupational illnesses occur in this segment. Most workplace accidents result from distractions leading to slips and falls, while service counter workers more frequently suffer cuts from knives or slicers due to rushing. Less commonly, injuries result from lifting heavy objects improperly. Occupational diseases are primarily caused by prolonged static postures and repetitive movements. To ensure workplace safety, the Group adheres to legal requirements, including thorough employee training on proper work techniques and postures, regular health check-ups, and compliance with work and rest time regulations.

There is also a risk of widening gender pay gaps, as the Group includes very different segments in the comparison. The average salary in one segment may be higher due to the nature of the business and market conditions, while another segment may be lower, with gender balance skewed in one direction (e.g., automotive sales versus retail). In this case, the Group's diversity and breadth work against it. However, the Group can somewhat limit the widening of pay gaps, and the companies' wage policies support equal pay for equal positions and responsibilities.

The main risk is competition in the labour market, where demand may exceed supply, and a lack of skilled employees can negatively impact business success. Special attention is given to the retail and security service segments, which require a large workforce for operations. A lack of skilled labour may result in an increased workload for existing employees, leading to fatigue, burnout, or management errors, which, in turn, increase workplace accidents and occupational illnesses.

Another significant risk is employees failing to adhere to internal work regulations and procedural guidelines, which can lead to various problems ranging from declining work quality to serious workplace accidents.

One opportunity the Group sees is the automation of processes, which reduces employee workload while increasing efficiency and work quality. Another significant aspect is standing out in the labour market as an employer that prioritizes sustainability-related topics. Although the Group's workforce already represents a cross-section of society, there is potential to further include those who might otherwise be excluded from the labour market, such as people with disabilities or the elderly.

The Group's sustainable development strategy includes two key workforce-related focus areas:

1. Supporting equal opportunities for men and women and fostering a diverse workforce.
2. Ensuring employee well-being and providing development opportunities.

Happy employees are one of the Group's greatest assets. The Group's business activities are labour-intensive, making it essential to retain employees and maintain attractiveness in the labour market. Store closures impact the workforce through job losses, while new store openings create new job opportunities. The goal is to offer employees competitive salaries, health-supporting working conditions, and development opportunities while maintaining open communication and considering employee preferences. To understand employee perspectives, satisfaction surveys are conducted, and based on the results, the company assesses whether adjustments to its strategy and goals are necessary. The protection of human rights in Estonia and the EU is based on a strong legal framework that includes international treaties, laws, and other regulations, as well as national institutions. The Group ensures that its business strategy and objectives do not conflict with these.

Policies related to own workforce and risk management related to own workforce

TKM Group has implemented measures and policies aimed at protecting, developing, and ensuring the well-being of its workforce. It also seeks to prevent negative impacts and risks through a comprehensive code of ethics, occupational safety guidelines, and employee satisfaction surveys.

Since 2017, the Group has applied a group-wide Code of Conduct, which has been developed following national and international guidelines and principles, including the Financial Supervision Authority's Good Corporate Governance practices, OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, and ILO standards. The Code of Conduct reflects TKM Group's values and goals in ensuring an ethical, transparent, and sustainable business environment and is mandatory for the entire Group and its partners, generally forming an obligatory element of all external contracts. The Code of Conduct is publicly available on both the TKM Group's and its subsidiaries' websites. It addresses human trafficking, forced labour, compulsory labour, and child labour through international regulations. As a pillar of social responsibility, the Code of Conduct and internal work-related guidelines, work organization rules, and recruitment policies emphasize the prohibition of discrimination. The Group highlights the critical role of company leadership in ensuring that every employee feels happy and accepted just as they are. The Code of Conduct states that the Group and its partners treat all individuals equally and respect internationally recognized human rights. No group or individual is discriminated against for any reason, including gender, age, race, sexual orientation, nationality, ethnic origin, disability, political beliefs, association membership, or religious beliefs. The Group and its partners fully support employees' personal and professional development, ensuring compliance with local labour laws and providing a safe and healthy working environment.

Workplace accidents are registered in the national Work Life Information System (TEIS). To prevent workplace accidents, the Group has established Work Organization Rules, which include the following provisions:

- To prevent workplace accidents and safeguard employees' health, the employer ensures safe and healthy working conditions in accordance with occupational health and safety regulations.
- Familiarization with general occupational health, safety, and fire safety requirements upon starting employment and compliance with these rules is mandatory for all employees, regardless of their profession, qualifications, or position.
- Upon employment, the worker undergoes an introductory occupational health and safety training session conducted by the employer.

The employers within TKM Group, Selver AS and Kaubamaja AS, joined the Diversity Charter initiated by the Estonian Human Rights Centre in 2013. They have also received the "Respecting Differences" label multiple times, recognizing their continuous efforts in fostering a diverse and inclusive work environment. To acknowledge and celebrate the uniqueness of every employee, Kaubamaja designated May as Diversity Month, during which employees participate in training sessions, workshops, cultural cafés featuring international cuisines, and tasting competitions.

In Kaubamaja and Selver, HR and employee well-being specialists are responsible for monitoring and coordinating workforce-related activities in collaboration with company leadership. Their tasks include developing career programs, identifying training needs, organizing additional training, conducting employee satisfaction surveys, assessing the work environment, and making improvement proposals. HR specialists also serve as the first point of contact for employees facing any concerns.

TKM Group has established a risk management framework, which includes assessing workforce-related impacts and dependencies as part of operational risk management. Key workforce-related risks include loss of skilled workforce, particularly at the executive level, high employee turnover, and general dissatisfaction among employees. To mitigate these risks, the company conducts regular satisfaction surveys. Depending on the company, individual development discussions are held once or twice a year with employees. Employees are encouraged to bring up concerns with HR staff, workplace safety representatives, direct supervisors, or, if necessary, via the Group-wide confidential whistleblowing hotline.

To enhance positive workplace experiences, the Group has developed bonus and performance-based pay systems, individual career development programs, additional training opportunities, company-wide traditions, such as Christmas parties, summer retreats, team lunches, etc. While work-life balance is legally protected, the Group also actively supports employees and their families through family-oriented events, "Bring Your Child to Work" days, Christmas gifts for employees' children, flexible work schedules and manageable workloads.

TKM Group has not identified any negative effects on its workforce due to the transition toward a more sustainable and climate-neutral economy.

When making strategic decisions, the Group considers workforce dynamics and labour market trends. For example, employee feedback analysis helps improve management processes and working conditions. Investments in occupational safety and protective measures have reduced workplace accidents and increased employee satisfaction.

Processes for engaging with own workforce and workers' representatives about impacts

At TKM Group, workplace safety specialists and representatives are elected by employees and serve as the primary point of contact for creating and maintaining a safe working environment. In collaboration with these representatives, regular workplace risk assessments are conducted, allowing employees to participate in shaping their work environment. The guidelines for electing and managing representatives are currently being developed and will be implemented by 2025.

In 2024, employee satisfaction surveys regarding the work environment were conducted in collaboration with Estonian Palgainfo Agentuur across several companies within the Group, including TKM Grupp AS, Kaubamaja AS, TKM Kinnisvara AS and TKM Kinnisvara Tartu OÜ, TKM Beauty OÜ and TKM Beauty Eesti OÜ, Viking Security AS. Key Findings show that 50% of employees reported that they were "somewhat satisfied" with their jobs, while 31% stated they were "completely satisfied." Employees expressed the highest satisfaction with their relationships with direct managers and colleagues. Areas for improvement are career advancement opportunities within the company, salary-related concerns, improving internal communication to ensure employees are well-informed about company developments. Workload satisfaction has improved compared to previous years. Employees whose positions allow it are highly satisfied with remote work options and flexibility. Work-life balance is highly valued, with employees appreciating a work structure that allows sufficient time for rest, hobbies, and family life.

The survey results have been shared with company leadership, where they serve as valuable input for improving workplace conditions, motivation, and overall management culture. The results were thoroughly analysed, and action plans were established for the coming years. Employees were informed about the findings during departmental, unit, and team meetings.

Selver AS conducted its own satisfaction survey separately in 2024 in collaboration with Kantar Emor. The goal was to assess employee commitment, satisfaction with key motivational factors, and gather feedback on company changes implemented over the past year. The survey covered both stores and units, with an impressively high participation rate of 74%, indicating strong trust in both the survey process and upper management. Employees view Selver as a developing and innovative company with clear and understandable goals. The survey highlighted high-quality leadership, a positive work atmosphere, fair treatment, and a strong sense of security. Areas for improvement included enhancing internal communication, increasing opportunities for personal and career development, ensuring fairer recognition and compensation for performance, strengthening work-life balance initiatives.

Processes to remediate negative impacts and channels for own workforce to raise concerns

In addition to HR and workplace well-being specialists and workplace safety representatives, TKM Group is developing internal regulations and established communication channels that allow employees to confidentially report workplace misconduct, conflicts, or other work-related concerns. Employees can submit reports via email or phone. These reporting channels are managed by TKM Group's internal audit department, which ensures independent investigation of reported issues and safeguards employees' rights.

All relevant contacts for these representatives and committees have been shared with employees through intranet platforms and email. Where possible, the information has also been posted on notice boards in break rooms.

TKM Group's confidential whistleblowing hotline was launched in spring 2023, but according to the internal audit department, only a few reports have been made. Employees tend to prefer approaching HR personnel or their direct supervisors when facing concerns, which further confirms the 2024 employee satisfaction survey results regarding positive workplace relationships. The effectiveness of different reporting channels or mechanisms has not yet been separately evaluated by the Group.

Metrics

As 2024 marks the first ESRS-compliant report, TKM Group has designated 2024 as the baseline year. Based on 2024 results, the Group will establish future targets aimed at enhancing positive impacts on employees, mitigating negative effects, and managing key risks and opportunities. The target-setting process will be disclosed in the 2025 Consolidated Sustainability Statement.

Total number of employees converted to full-time equivalents	**4,805**
of which Women	3,361
of which Men	1,444

Total number of employees by country converted to full-time equivalents	**4,805**
of which Estonia	4,646
of which Latvia	109
of which Lithuania	49

Information on Employee by Contract Type	
Number of permanent employees	4,739
of which Women	3,320
of which Men	1,419
Number of temporary employees	63
of which Women	41
of which Men	22
Number of full-time employees	5,371
of which Women	3,567
of which Men	1,804
Number of part-time employees	1,687
of which Women	1,207
of which Men	480
Number of non-guaranteed hours employees	0
of which Women	0
of which Men	0

* the data is presented as 2024 average, adjusted to full-time equivalent (FTE)

In 2024, a total of 1,543 employees left the Group, resulting in an employee turnover rate of 22%. Employee turnover calculation includes the total number of all the employees.

Characteristics of non-employees in the undertaking’s own workforce

The total number of non-salaried employees in TKM Group during the reporting period was 867 people (total number of employees). These non-salaried employees work under service contracts. Their proportion is significant in the Kaubamaja and Security Services segments, where workforce needs fluctuate, for example Kaubamaja employs service contracts to hire additional staff during promotional campaigns, Viking Security utilizes service contracts for conducting inventory checks. Contracts are signed directly with workers or through the GoWorkaBit platform, which offers short-term employment opportunities where individuals can choose temporary work assignments based on their preferences. The Group’s companies do not use leased labour or self-employed workers.

Collective bargaining coverage and social dialogue

The proportion of salaried employees covered by a collective agreement is 12%. Within the European Economic Area (EEA), there is one collective agreement, which applies to the Estonian company Kaubamaja AS. Outside the EEA, there are no collective agreements.

The collective agreement applicable to TKM Grupp AS and Kaubamaja AS employees (Tallinna Kaubamaja Trade Union) has been in effect indefinitely since 2012, following the legal division of the companies. This agreement regulates employee benefits, information exchange procedures, training and working conditions for trade union members. The Group has no data on the extent to which trade union members have engaged in social dialogue within the EEA. According to

Estonian law, trade union members remain anonymous, and the employer is only informed about trustees. Tallinna Kaubamaja Trade Union is a member of the Estonian Service and Commerce Workers' Trade Union.

Diversity metrics

Women make up 29% of TKM Group's top management, with 7 women and 17 men. Top management refers to members of the management boards of TKM Group and its subsidiaries.

Distribution of employees by age group, 2024*	**4,805**
Under 30 years old	721
30–50 years old	1,696
Over 50 years old	2,388

* the data is presented as 2024 average, adjusted to full-time equivalent (FTE)

Adequate wages

All TKM Grupp employees receive adequate compensation in accordance with EU Directive (EU) 2022/2041 on adequate minimum wages.

Social protection

All TKM Grupp employees are covered by national programs for income loss protection in case of illness, unemployment that begins while employed by the company, acquired disability or work-related injury, parental leave, and retirement.

Persons with disabilities

Based on the legal prohibition against asking employees about their disability status, the quality of data depends on whether an individual has voluntarily informed the employer about their disability. As a result, TKM Grupp is unable to provide reliable data on this matter for the year 2024.

Training and skills development metrics

TKM Grupp does not yet have a unified data collection system in place to provide a sufficiently high-quality overview of the employees who regularly participate in performance and career development reviews. However, such a system will be implemented in 2025.

Employee training hours in total and by gender distribution

Training hours include paid events that have an accounting record. Free training sessions, conference participation, and information days have not been recorded. However, the Group aims to enhance its data collection system in 2025 to include all training activities. Whether such a system can be implemented with reasonable effort will be determined during 2025. A training hour is defined as a full hour, i.e., 60 minutes.

The average number of training hours per employee and by gender	**2024**
Total training hours (h)	8.6
of which women	7.8
of which men	10.5

Health and safety metrics

6% of TKM Group employees are covered by the health and safety management system, meaning they have been designated as first aid responders, workplace safety representatives, or occupational safety specialists. There have been no fatalities resulting from work-related injuries or occupational illnesses in the Group. During the reporting period, there were 38 registered workplace accidents, leading to a total loss of 549 calendar days. The number of lost workdays has been calculated based on incapacity and sick leave records.

Work-Life Balance Metrics

All salaried employees of TKM Group are entitled to parental leave in accordance with the social policies and labour laws of all the countries in which the Group operates.

Remuneration metrics (pay gap and total remuneration)

The gender pay gap, defined as the difference between the average pay levels of female and male employees expressed as a percentage of the average male pay level, is 71%. The ratio of the highest-paid individual's annual total compensation to the annual median compensation of all employees (excluding the highest-paid employee) is 20.

Incidents, complaints and severe human rights impacts

During the reporting period, there were no reported cases of discrimination, including harassment, employee complaints, or serious human rights violations that were resolved by labour or other legal authorities to the detriment of TKM Group or its subsidiaries.

ESRS S2 Workers in the Value Chain

Material impacts, risks, and opportunities and their connection to strategy and business model

ESRS		Positive impact	Potential Negative Impact	Risks	Opportunities
S2	**Workers in the value chain**	-	Human rights incidents.	Risks related to the undertaking's impacts on value chain workers.	To enhance attractiveness as an employer.
			Work-related injuries.	Risk of appearance of negative impacts.	
			Inadequate wages and unfair employment practices.	Reputational risk.	
			Failure to consider affected communities.		

Significant impacts, risks, and opportunities related to employees in the value chain primarily concern TKM Group's supermarket segment. Selver AS's assortment includes tens of thousands of product items sourced from various locations.

The Group has not identified any significant positive impact areas among the companies in the value chain based on the data available today. Potential negative impacts in the value chain, particularly at the supply chain level, may include low wages and unfair labour practices such as excessive workload and lack of break times. Poor working conditions can increase the likelihood of workplace accidents. In certain stages of the value chain, employees may not have access to information about their labour and human rights. As a result, workers may lack knowledge of their rights and the ability to advocate for themselves, making them more vulnerable to rights violations. Retail value chain activities can also impact local communities, for example, through the effects of production or transportation when residents and stakeholders are not included in decision-making processes.

Risks include the realization of potential negative impacts, incidents, and reputational damage. In the retail sector, incident risk is high, as the value chain often involves complex and multi-tiered production and logistics processes. Workplace accidents, product safety violations, labour-related issues, and supply chain disruptions can lead to direct financial losses and require compensation or legal expenses. As the risk of incidents increases, so does the risk to reputation, as the sector operates in constant public view and is directly consumer-facing.

An opportunity exists to enhance attractiveness as an employer among individuals who value responsible value chain management. The public is increasingly focused not only on a company's direct impact but also on its operations within the supply chain.

TKM Group's strategy and business model focus on responsible business conduct. The strategic principles—such as respect for workers' rights, creating an inclusive work environment, and offering competitive wages and development opportunities—directly affect employees in the value chain. TKM Group's business model ensures strong social and occupational safety guarantees and fosters collaboration with suppliers and partners to ensure compliance with labour and human rights standards. The Group's commitment to fair payment practices ensures that suppliers and partners can meet their obligations toward their employees.

Policies related to value chain workers

TKM Group has made the inclusion of CoC mandatory in all external contracts. CoC consolidates key principles that partners are required to follow in their activities. The Group expects all its partners to act honestly, ethically, and in compliance with the law in all circumstances. CoC stipulates that:

- Partners must treat all individuals equally in their activities and adhere to internationally recognized human rights. No group or individual may be discriminated against based on gender, age, race, sexual orientation, nationality, ethnic origin, disability, political beliefs, union membership, or religious convictions.
- Partners must fully support the personal and professional development of employees by ensuring that working conditions comply with local laws and providing a safe and healthy working environment.

The Group adheres to global framework agreements such as the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, and ILO Core Conventions, which establish corporate responsibilities for respecting human rights, labour rights, and environmental standards, and expects the same compliance in its value chain.

The human rights of employees in the value chain are protected in the EU through a multi-layered legal and regulatory system, which includes fundamental rights, labour laws, human rights standards, and corporate responsibility for the well-being of workers.

The Group is developing a value chain assessment framework, which will include measures and processes related to employees in the value chain. The final document will be adopted no later than one year after the CSDDD (Corporate Sustainability Due Diligence Directive) comes into effect.

Processes for engaging with value chain workers about impacts

The Group does not have a general process for direct communication with employees in the value chain. The Group expects all contractual partners to comply with the Code of Conduct. Employees in the value chain have the right to submit a complaint through the Group's whistleblowing channel if they believe their human rights have been violated by their employer.

Processes to remediate negative impacts and channels for value chain workers to raise concerns

To manage negative impacts, the Group has established a whistleblowing channel. The whistleblowing channel is intended for anyone who wishes to report violations occurring within TKM Grupp AS companies or at the workplace of a Group partner. Investigating reports helps to reduce damages and improve the overall corporate culture and work environment. Reports are received and cases are investigated by the Group's internal audit department, which handles complaints confidentially and with respect for privacy and data protection rights. Reports can be submitted via email at vihje@kaubamaja.ee or by calling +372 667 3152, with communication available in Estonian, English, and Russian. The internal audit department ensures that investigations are conducted objectively. The internal audit team may contact the whistleblower to clarify details in the report. When submitting a report, the whistleblower has the right to indicate that they do not wish to be contacted, though this may affect the further investigation of the complaint. Information about the whistleblowing channel is available on the TKM Group website, but not all employees in the value chain may be aware of it.
In 2024, the Group did not receive any reports related to human rights violations in the value chain.

Taking actions on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those actions

In 2024, Selver and Kulinaaria conducted a private-label supply chain assessment to map out suppliers' existing sustainability efforts, including social responsibility topics. The primary goal was to initiate a dialogue with partners on sustainability issues and, through the assessment, gain a better understanding of where potential risks may arise. Companies that responded to the questionnaire received a score and recommendations for further actions. In the long term, the goal is to continue supply chain assessments, expanding the pool of partners receiving the questionnaire and enabling comparisons of companies' progress over the years. In 2023 and 2024, TKM Group used the Esgrid platform for supply chain assessments.
The Group does not have processes or measures in place for remedying actual significant impacts on value chain employees or for utilizing opportunities. To prevent negative impacts, the retail segment of the Group prefers sourcing goods from countries with low sustainability-related risks.

Metrics and targets

The target is to prevent negative impacts in the Group's supply chain by maintaining the share of domestically sourced food (originating from Estonia) and purchasing goods from countries with low sustainability-related risks. The metric used is the country of origin of suppliers and total procurement by country of origin, distinguishing high supply chain risk countries. Private label products are also categorized separately, as the Group has the greatest direct control over impact reduction in this category.

Total Number of Suppliers, 2024	100%
of which country of origin is Estonia	69%
of which country of origin is Other Countries	31%
of which from high supply chain risk areas	0%

Total Number of Private Label Product Suppliers, 2024	100%
of which country of origin is Estonia	67%
of which country of origin is Other Countries	33%
of which from high supply chain risk areas	0%

Total Purchases, 2024	100%
of which country of origin is Estonia	45%
of which food products	71%
of which industrial goods	29%
of which country of origin is Other Countries	51%
of which food products	44%
of which industrial goods	56%
of which from high supply chain risk areas	4%

Total Purchases of Private Label Products, 2024	100%
of which country of origin is Estonia	72%
of which country of origin is Other Countries	28%
of which from high supply chain risk areas	0%

ESRS S4 Consumers and End-Users

Material impacts, risks, and opportunities and their connection to strategy and business model

ESRS		Positive impact	Potential Negative Impact	Risks	Opportunities
S4	**Consumers and end-users**	Charity and sponsorship.	Failure to ensure product safety.	Reputational or legal exposure where poorly designed or defective products result in injuries or deaths.	To be attractive to customers by increasing positive impact in the industry and maintaining credibility in their eyes.
		Courier services.	Risk of GDPR non-compliance.	Risk of providing a service to financially vulnerable individuals, leading to business losses and worsening the consumer's financial situation.	
		Health-promoting products.			
		Fair marketing practices and communication.			
		Providing flexible payment solutions (Partner Kuukaart and interest-free instalment payments).			

Positive impact is TKM Group´s contribution to charity and sponsorship projects. In 2024, charity and sponsorship projects accounted for 2% of the profit (€576,479). Customers expect the Group to be socially responsible and to invest in community well-being. Through charitable initiatives, the Group supports vulnerable groups in society and enhances the customer experience, creating additional value for clients. The company adheres to transparency by informing customers about how their purchases contribute to social projects.

TKM Group follows principles of fair marketing, avoiding misleading advertisements and providing customers with well-structured and accurate information about its products and services. Clear communication fosters trust between the company and consumers, respecting their right to truthful information.

Selver's courier service offers convenience and time savings, allowing people to order groceries and household goods to their homes. This service is especially beneficial for the elderly and people with mobility difficulties, providing them with greater independence and reducing the need for in-store shopping. In collaboration with scientists from the Centre of Food and Fermentation Technologies (TFTAK) and Kulinaaria technologists, a series of functional soups was introduced to the Estonian market, containing health-supporting components. The broccoli soup derives its colour from broccoli and spinach, rich in antioxidants, and combined with added vitamin D, it supports the immune system. The Spanish-style cold tomato soup gazpacho, enriched with zinc, vitamin B6, and vitamin D, also contributes to immune support. The functional sauerkraut soup contains fibre, manganese, and vitamin K. Fiber supports digestion, manganese contributes to normal energy metabolism, helps prevent fatigue, and, together with vitamin K, supports bone health. The pumpkin puree soup includes added magnesium, which supports the nervous system and regulates energy production. All soups are hot filled, eliminating the need for preservatives. The Group's companies adhere to fair marketing practices and maintain transparency in their communications.

Offering flexible payment solutions (Partner monthly card and interest-free instalment payments) enables those who may not have immediate financial flexibility to purchase high-quality and durable products from Kaubamaja. The consumer-oriented flexible instalment solution allows customers to buy clothing, footwear, jewellery, cosmetics, and home appliances from Kaubamaja in three or six equal monthly payments without any additional fees.

The potential negative impact is primarily related to trade, specifically products introduced to the market without awareness of possible negative effects at the time of release. The Partner Card has over 740,000 customers, which represents a significant responsibility for a single company. TKM Group takes data security very seriously, and any data breach would have a major impact. The Group aims to provide customers with products that meet the highest safety and quality standards and pose no risk to their health. TKM Group is obligated to ensure that all marketed products comply with EU and international safety standards. Regular product testing and quality control uphold consumers' right to safe and high-quality goods.

The main risks for the Group include personal data leaks or the introduction of a hazardous product to the market, both of which could lead to reputational damage. As a company with a high level of public interest, TKM Group understands that a data breach or safety violation would cause immediate harm to its reputation, which in turn could affect turnover and potentially result in fines. Consumers expect fast and reliable delivery services as well as protection of their personal data in compliance with GDPR requirements. Customer data protection is a fundamental aspect of corporate responsibility, directly linked to consumers' right to privacy. TKM Group ensures that its courier partners comply with data protection regulations and implements technical measures to process data securely. Regarding the Group's financial services offerings, there is a risk that services may be extended to individuals whose financial situation does not support them, potentially leading to financial losses for the company and worsening the customer's economic condition. To mitigate this risk, TKM Finants adheres to all Financial Supervision Authority regulations and actively works to minimize such risks.

There is an opportunity to attract customers by increasing positive impact and enhancing trust. Improving the customer experience through health-supporting products and transparent communication boosts customer satisfaction and loyalty. Charitable initiatives and social contributions strengthen TKM Group's reputation as a responsible company. Avoiding product safety risks protects the company's reputation and ensures sustained consumer trust.

TKM Group's consumers and end-users come from various customer segments, reflecting the company's diversified business model. Consumers and end-users include both private individuals and business clients. The Group operates retail chains such as Selver, Kaubamaja, and I.L.U. stores, primarily serving private consumers. These include daily shoppers at Selver purchasing essential goods, fashion and beauty product buyers at Kaubamaja and I.L.U., and families seeking convenient shopping environments and promotional deals. Customers of Selver's e-store and other online sales channels prefer fast and convenient e-commerce options. TKM Group also engages in the sale and servicing of automotive brands such as KIA. Its consumers and end-users include individuals seeking reliable, high-quality vehicles and businesses purchasing vehicles for corporate use. The real estate segment serves business clients and tenants operating in the Group's commercial and business properties. TKM Group's primary target market is Estonia but also includes customers from other Baltic countries, particularly in the real estate and automotive sectors. The most affected consumer and end-user groups include families with children and consumers with low awareness, who are influenced by product safety and reliability, marketing transparency, and e-commerce security. E-store users are particularly vulnerable to risks associated with personal data security and privacy.

Policies related to consumers and end-users

TKM Group operates in accordance with the Good Corporate Governance Code of the Financial Supervision Authority, the OECD Guidelines for Multinational Enterprises, and the UN Guiding Principles on Business and Human Rights. The Group implements Code of Conduct, which serves as a key tool for fulfilling its duty of care towards both consumers and end users. In 2024, no instances of non-compliance with the UN Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, or the OECD Guidelines for Multinational Enterprises were identified within the Group.

Processes for engaging with consumers and end-users about impacts, processes to remediate negative impacts and channels for consumers and end-users to raise concerns

There is no general process for engaging with consumers and/or end users on impacts, as each subsidiary has its own processes for consumer and end-user interactions. The approach to remedying negative impacts depends on the specific case and the legal rights and obligations established by national regulations.

Consumers and end users can contact the respective subsidiary directly through in-person visits to physical stores or via the email addresses available on the subsidiary's website. Users of the Group's customer loyalty program, Partner Card, have the option to provide feedback, raise issues, or share positive experiences via the feedback form in the Partner app. In larger subsidiaries, customer service departments follow detailed guidelines for handling consumer inquiries, including response deadlines and the designated personnel involved in resolving the issue.

When a concern is directed to TKM Group, the Group's legal department first reviews the inquiry and then forwards it to the relevant department based on the subject matter. If a consumer or end user feels that their rights have not been adequately protected, they have the legal right to escalate the issue to the relevant national authority.

The Group operates an CoC violation reporting channel, which includes a whistleblowing hotline under the Group's management. Further details about the whistleblowing channel can be found in the Consolidated Sustainability Statement on page 72.

TKM Group and its subsidiaries provide multiple channels for consumers and end users to report issues and communicate their needs, including the whistleblowing hotline, physical stores, company websites, and the Partner Card application. Customer service teams follow established procedures for handling consumer inquiries, ensuring that consumer rights are respected and that issues are addressed in compliance with legal requirements. The Group currently lacks a system to assess consumer awareness of their available reporting channels. A methodology for evaluating consumer awareness—such as through satisfaction surveys and monitoring channel usage—is planned for development in 2025-2026.

Taking actions on material impacts on consumers and end-users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions

The Group has strong control and responsibility for the impacts and safety of its private-label products. The Group's food industry company, Kulinaaria, is the largest producer of Selver's private-label products. To ensure product safety, Kulinaaria and Selver's procurement processes include:

- Identifying manufacturers with the capability to produce products suitable for the Group's companies.

- Analysing risks related to the location of product manufacturing, including the raw materials used.
- Verifying that manufacturers have the necessary certifications and compliance with regulations.
- Establishing procurement contracts that define specific requirements for both the products and raw materials.

The quality and safety of the Group's private-label products are subject to continuous monitoring through control analyses and customer feedback. Products already in the selection are tested according to an annual risk control plan. For example, meat and fish products are tested multiple times per year, while non-food items are tested less frequently. When possible, production facilities are visited to review manufacturing conditions and discuss expectations with suppliers.

The Group ensures that supplier-agreed alarm systems and actions to halt the delivery of damaged products or initiate rapid recalls before products reach the market are effective and operational. Additionally, the Group's retail food departments implement daily monitoring measures to ensure product freshness and quality. If a product is found to be damaged for any reason, it is immediately removed from sale. TKM Group's goal is to ensure the protection of personal data for its customers, shareholders, and employees, as well as compliance with applicable regulations. The Group employs appropriate technical and organizational measures for the collection, use, storage, and deletion of personal data, ensuring continuous lawful and secure processing throughout the data lifecycle. A Group-wide data protection guideline sets the primary directions for subsidiaries. Each subsidiary is generally responsible for data processing within its business activities, establishing processing objectives and ensuring compliance with data protection requirements. A Group-wide data protection officer regularly informs and advises the Group and its subsidiaries on their rights and obligations under data protection laws, coordinates data processing agreements, and organizes regular data protection training for employees. The data protection officer is also the primary contact point for handling data breaches, coordinating internal investigations, determining facts, and notifying supervisory authorities and data subjects if necessary. The Group's internal audit department conducts annual audits to verify compliance with the data protection guidelines and legal requirements. In 2024, no serious consumer or end-user-related human rights issues or incidents were reported to the Group. The Group considers its measures for managing significant impacts to be effective, as no major potential or actual negative impacts have materialized.

Remediation of significant negative impacts depends on the specific case, and no Group-wide policy exists in this area. Instead, subsidiaries regulate such issues independently, considering the characteristics of their respective segments.

The Group follows applicable legislation when selecting measures to address actual or potential negative impacts on consumers and end users. While the Group does not operate in an industry requiring extensive measures to mitigate negative impacts, collaboration with relevant stakeholders is necessary.

Consumer protection within the EU is ensured through a comprehensive legal framework aimed at safeguarding consumer rights and promoting their interests. The EU's consumer protection policy aims to ensure a high level of consumer protection, facilitate cross-border trade, and increase consumer confidence in the internal market. If a consumer or end user has a complaint regarding the Group's activities related to a significant negative impact and disagrees with the solution offered by the Group, they have the right to contact a consumer protection authority.

To manage significant negative impacts, TKM Group employs a data protection officer. The officer implements improvements to internal policies in response to regulatory changes and monitors compliance. Kulinaaria and Selver employ quality managers responsible for evaluating suppliers and training employees on various product safety and quality topics.

Metrics and targets

The Group monitors the number of recalled products on an annual basis.

Number of Product Recall Cases, All Products, 2024	149	Number of Cases of Recalled Products, Private Label Products, 2024	0
of which before reaching the market	120	of which before reaching the market	0
of which recalls from customers	4	of which recalls from customers	0

TKM Group participated in the "My Better Estonia" project in 2024, where four major Estonian companies (TKM Group, Bolt, LHV, Tele2) collaborated to identify the issues most important to Estonian people and determine where corporate donations should be directed. In the spring, people were invited to complete a survey highlighting societal pain points and suggesting where companies should donate €100,000 for charitable causes. To gain deeper insight into the themes that emerged from the survey, anthropologists conducted 10 in-depth interviews with consenting respondents. The most voted topics were mental health, professional development of teachers, and schoolchildren's mental well-being, followed by elderly care and livelihood, animal protection and rescue, and the promotion of entrepreneurship and financial literacy within communities. Although respondents could select multiple areas, nearly 41% of them chose to focus on a single issue, with in-depth interviews further revealing a preference for concentrating resources in one area to achieve greater impact. A selection of projects based on the most voted themes was created in the fall, followed by another survey with 11,942 participants. The winning cause, securing 6,261 votes, was youth mental health support, to which the €100,000 donation was allocated. The collaboration partner for mental health initiatives is Peaasi. TKM Group gained valuable insights into what matters most to its customers, and in 2025, it will consider the survey results when reviewing its goals.

Governance information

ESRS G1 Governance information

Material impacts, risks, and opportunities and their relation to strategy and business model

ESRS		Positive impact	Potential Negative Impact	Risks	Opportunities
G1	**Business conduct**	Good payment practices.	Information leaks.	Risk of losing market share due to changing stakeholder preferences.	To be an attractive business partner and achieve more favourable supply conditions.
		Transparent operations and proper business culture (including tax compliance and adherence to legislation).	Errors in conclusion of transactions.	Risk of legal violations and reputational damage due to lack of transparency in the value chain and inadequate anti-corruption and anti-money laundering procedures.	To increase collaboration with companies, universities, and startups that share similar values.
		Proper corporate culture and transparent operations. Compliance with taxonomy. Security services can play a first responder role in crisis situations (e.g., during disasters).		Risk of non-compliance and financial losses due to changes in regulatory requirements.	Implementation of the ESG Platform
				Risk of cyberattacks, data breaches, and non-compliance with data protection regulations, including GDPR violations.	

A positive impact has been assessed in terms of good payment practices. Timely payments to suppliers and partners strengthen partnerships, ensuring supply chain stability and preventing disruptions. The Group's retail sector has a significant impact on small and medium-sized enterprises, providing them with a platform to sell their products through Selver and Kaubamaja, fostering their business growth. Transparent and responsible operations help maintain the company's reputation among stakeholders, customers, and regulatory bodies. Additionally, this supports long-term sustainable growth strategies and fosters a strong corporate culture, enhancing customer and employee loyalty.

A negative impact has been identified in terms of information leaks. Leaks of sensitive business or customer data can damage the company's reputation and erode customer trust. Strategically, it is crucial for the Group to raise awareness about the importance of data protection and invest in IT security to mitigate potential damage and reputational risks. Errors in contract execution may lead to disputes or financial losses, directly affecting financial performance.

Transaction risks, such as misrepresentation of data or unreliable business partners, can impact the Group's financial standing and supply chain efficiency. Limited access to and oversight of supply chain activities may result in non-compliance with the ethical business standards outlined in the Group's Code of Conduct. Strategically, the Group must invest in developing trustworthy partnerships and strengthening risk management processes.

The opportunity to be an attractive business partner and achieve more favourable supply terms can be realized through a strong reputation and responsible business conduct, enhancing the Group's appeal to business partners. Long-term collaborations help secure competitive advantages in the supply chain. Expanding cooperation with companies that share similar values, universities, and startups facilitates innovation and the adoption of new solutions, increasing the Group's competitiveness and supporting its strategic goal of promoting innovation and strengthening its market position. The ESG platform implementation facilitates faster data sorting and provides an overview of the company's operations, aiding in sustainability management.

Business conduct policies and corporate culture

Ethical business conduct is an integral part of TKM Group's business philosophy and a key success factor for the Group. By adhering to high ethical standards, profitable growth is promoted, stakeholder trust is earned, and fair competition and equal treatment are supported. TKM Group takes the implementation of responsible business principles in its daily operations very seriously.
The Group follows ethical principles in its operations and ensures that employees are familiar with these principles and adhere to them in their daily work:

- It acts responsibly, considering the impact of the Group's activities on the surrounding natural environment, public health, and quality of life, as well as alignment with the interests of various stakeholders.
- It values the natural environment in which it operates, uses resources sustainably, and continuously seeks new solutions for more efficient consumption.

- It respects human rights and ensures their fulfilment within the Group and in all activities associated with the Group, including its supply chain.
- It combats corruption based on honest and transparent business practices.
- It ensures transparent processes by establishing internal procedures, rules, and guidelines covering, among other aspects, the declaration of financial interests, handling of insider information, securities transactions, investment management, procurement, personnel recruitment, risk management, administration, and document management.
- It creates value for shareholders and contributes to the economy.
- It makes a social contribution to society, offering opportunities and support to those in greater need.
- It strives to be a good neighbour in the community, supporting and encouraging activities related to environmental protection and a healthy lifestyle.

The goal is to develop an environmentally friendly, responsible, and sustainable approach in every activity, from the simplest daily tasks to larger investment projects.

Within TKM Group, administrative, management, and supervisory bodies play a crucial role in monitoring business conduct and ensuring compliance with both the Group's internal rules and legal and ethical standards. Their responsibilities and expertise are essential for ensuring that the company's business operations are carried out responsibly and sustainably. These bodies ensure that the Group's activities adhere to the principles of the Code of Conduct which is based on both international standards and local regulations. They oversee that the Group's and its subsidiaries' activities comply with business ethics, human rights, environmental, and social responsibility standards. The administrative and management bodies approve policies and procedures related to business conduct. They are responsible for assessing and mitigating business risks, including corruption, discrimination, product safety, and other business conduct-related risks. They also review reports submitted via the whistleblowing line regarding business conduct violations and take corrective actions if necessary.

TKM Group follows the Estonian Anti-Corruption Act, and since Estonia has joined the United Nations Convention Against Corruption and aligns its legislation accordingly, the Group does not have a separate anti-corruption policy nor sees a need to create one. However, the Group has specific policies addressing various aspects of corruption. For example, it has regulations for collecting financial interest and loyalty declarations from responsible employees, guidelines for preventing money laundering and terrorist financing, as well as managing international sanctions, procedures for mitigating and preventing conflicts of interest, and a whistleblowing policy.

Management of relationships with suppliers

The Group has established minimum requirements for procurement procedures, which are mandatory for all employees and board members of TKM Grupp AS and its subsidiaries. Compliance with these principles within the Group's companies is monitored by the Group's internal audit department. For procurements where the bidder gains access to the Group's data carriers or information systems containing employee and/or customer personal data during the project, the technical and organizational measures implemented by the bidder for data protection are always evaluated in collaboration with the Group's data protection officer before announcing the winner. The mitigation of risks related to the bidder is the responsibility of the procurement organizer. To manage risks, it is necessary to assess the bidder's financial situation and sustainability, market reputation, references or portfolio, and the company's ability to handle the complexity and scope of the project, including the adequacy of its workforce.

To assess sustainability impacts in the supply chain, the Group's subsidiaries Selver and Kulinaaria conducted an evaluation of private-label product suppliers to enable more informed and responsible business decisions. The assessment was carried out using the Esgrid platform, which facilitates the collection and analysis of sustainability-related data, considering both general and specific company needs as well as EU standards. The CSDDD will introduce even stricter due diligence requirements in the future, including monitoring human rights and environmental impacts throughout the value chain. The Group's legal department has mapped out existing internal regulations and their compliance with the CSDDD directive. In 2025, necessary amendments will be implemented, and the Group's subsidiaries will integrate the updated regulations into their internal procedures.

Prevention and detection of corruption and bribery

The Group defines corruption as the misuse of official power for personal gain and acknowledges that corruption endangers democracy and human rights, undermines good governance and social justice, weakens national competitiveness and economic development, threatens democratic institutions, and erodes the moral foundations of society.

The primary goal of the Group is the prevention of corruption, but significant attention is also given to monitoring activities. The key measures include avoiding conflicts of interest, ensuring transparency, and raising awareness within the Group.

The main forms of corruption that the Group focuses on preventing include:

- bribery and the giving or receiving of gratuities;
- abuse of official position and influence;
- conflicts of interest;
- nepotism;
- embezzlement; and
- trading or using privileged and insider information for private interests.

In combating corruption, the Group follows the following principles:

- During interactions with employees, the leaders of the Group's companies regularly emphasize that no form of corruption is acceptable within the Group and that it contradicts the Group's ethical values.
- If cases of corruption arise, the relevant information is forwarded to the police or the prosecutor's office.

The functions within the Group where the risk of corruption and bribery is the highest are related to the Group's supply chain, as it involves multiple transactions and interactions with external partners, including suppliers, subcontractors, and service providers. To ensure transparency, the Group has established procedures and guidelines covering the use of company vehicles, the declaration of economic interests, the handling of insider information, securities transactions, investment management, procurement procedures, personnel recruitment, risk management, document management, and administrative procedures.

The Group's internal audit department is responsible for monitoring compliance with transparency measures and regulations. To raise awareness, the Group conducts internal and external training sessions to increase awareness among board members, executives, and employees on corruption prevention and avoidance. These training sessions are conducted by the internal audit department as needed. No training was conducted in 2024.

To report cases of corruption or bribery, the Group has established a whistleblower line, and all complaints are handled by the Group's internal audit department.

The Group's financial services company, TKM Finants, has created a separate internal conflict-of-interest regulation aimed at establishing rules for preventing and mitigating conflicts of interest in the provision of financial services. If potential conflicts of interest are identified, TKM Finants' board members and employees follow the Group's whistleblowing policy or report the issue to the internal auditor. If the information is reported to the internal auditor, the auditor must immediately investigate the circumstances and causes of the conflict of interest and prepare a report, which is then presented to TKM Finants' management body. If necessary—particularly when the conflict of interest cannot be eliminated or involves the management level—the internal auditor will also notify the relevant supervisory authority. A similar Group-wide policy will be developed in 2025.

The retail companies Selver AS and Kaubamaja AS have established internal regulations governing the acceptance of material benefits from business partners.

During the reporting period, no cases of corruption or bribery occurred within TKM Grupp.

Political influence and lobbying activities

TKM Group and its subsidiaries have not made any political donations in any form during the reporting period. The Group primarily participates in policymaking through industry associations, where it contributes mainly to legislative matters and development plans related to the core business areas of its companies.

The Group's companies are members of the following industry associations and organizations:

- Estonian Traders Association (Kaubamaja AS, Selver AS, Tartu Kaubamaja OÜ, TKM Beauty Eesti OÜ)
- Green Tiger (TKM Grupp AS)
- Estonian E-Commerce Association (Kaubamaja AS, Selver AS)
- Estonian Security Companies Association (Viking Security AS)
- Estonian Defence and Aerospace Industry Association (Viking Security AS)
- GS1 Estonia MTÜ (Selver AS, TKM Beauty OÜ, TKM Beauty Eesti OÜ)
- IGDS (Kaubamaja AS)
- Estonian Chamber of Commerce and Industry (Selver AS, KIA Auto AS, Viking Motors AS)
- Estonian Employers' Confederation (TKM Grupp AS)
- Estonian Quality Association (Selver AS)

- Estonian Fishery Association (Kulinaaria OÜ)
- Association of Auto Dismantlers (KIA Auto AS)
- Estonian Association of Car Dealers and Service Companies (KIA Auto AS, Viking Motors AS)
- Latvian Authorized Automobile Dealers Association (Forum Auto SIA,)
- Lithuanian Autoentrepreneurs Association (Motus Auto UAB)
- BNI Morbergs (Verte Auto SIA)

The most active participation is through the Estonian Traders Association, which works to protect retailers' interests in the legislative process, develop entrepreneurship, and strengthen the principles of good trade practices, as well as through the Estonian Chamber of Commerce and Industry, which aims to contribute to creating a business-friendly economic environment.

Neither TKM Grupp AS nor its subsidiaries are registered in the EU Transparency Register or any equivalent national transparency register.

None of the members of the Group’s administrative, management, and supervisory bodies have held a comparable position in public administration (including regulatory authorities) within two years prior to their appointment.

Payment practices

On average, it takes the Group’s subsidiaries 28 days to settle an invoice, with 98% of payments following standard terms. To assess payments in accordance with standard terms, the Group conducted an analysis of payments made to key suppliers. In the calculation, TKM Group and its subsidiaries’ suppliers were ranked based on purchase invoice turnover. The sample for the analysis includes the 10 largest suppliers by turnover for each company that met the definition of SMEs (small and medium-sized enterprises). Internal transactions between Group companies were not included in the sample. There are no ongoing legal proceedings related to overdue payments.

Invoices are considered paid on time if they are settled on the first banking day following a due date that falls on a weekend or a public holiday.

The description of payment terms in days by supplier categories (segment suppliers) is as follows:

Real estate 14–21 days, supermarkets 14–60 days, beauty product trade 30 days, department stores 30–60 days, automotive trade 14–30 days, and security services 10–21 days.

Consolidated Sustainability Statement Annexes

Annex 1. The list of disclosure requirements fulfilled in the preparation of the Consolidated Sustainability Statement

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1	ESRS 2 GENERAL DISCLOSURES	34-43
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3	BP-2 – Disclosures in relation to specific circumstances	34-43
4	GOV-1 – The role of the administrative, management and supervisory bodies	35-37
5	GOV-2 – Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies	35-37
6	GOV-3 – Integration of sustainability-related performance in incentive schemes	36
7	GOV-4 – Statement on due diligence	38
8	GOV-5– Risk management and internal controls over sustainability reporting	35-37
9	SBM-1 – Strategy, business model and value chain	37-38
10	SBM-2 – Interests and views of stakeholders	39
11	SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model	51, 61, 62, 66, 71, 73, 77
12	IRO-1 – Description of the process to identify and assess material impacts, risks and opportunities	40-43, 52, 61, 62, 67, 71, 73, 77
13	IRO-2 – Disclosure Requirements in ESRS covered by the undertaking's sustainability statement	40-43
14	MDR-P - Policies adopted to manage material sustainability matters	54, 61, 62, 67, 71, 74, 77
15	MDR-A - Actions and resources in relation to material sustainability matters	54, 61, 62, 67, 72, 74, 77
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17	MDR-T - Tracking effectiveness of policies and actions through targets	54, 61, 63, 69, 72, 75
18	E1 CLIMATE CHANGE	51-60
19	E1-1 – Transition plan for climate change mitigation	51
20	E1-2 – Policies related to climate change mitigation and adaptation	54
21	E1-3 – Actions and resources in relation to climate change policies	54
22	E1-4 – Targets related to climate change mitigation and adaptation	54
23	E1-5 – Energy consumption and mix	56
24	E1-6 – Gross Scopes 1, 2, 3 and Total GHG emissions	57-60
25	E1-7– GHG removals and GHG mitigation projects financed through carbon credits	59
26	E1-8 – Internal carbon pricing	-
27	E1-9 – Anticipated financial effects from material physical and transition risks and potential climate-related opportunities	application of transitional provisions
28	E2 - POLLUTION	not significant
29	E2-1 – Policies related to pollution	not significant
30	E2-2 – Actions and resources related to pollution	not significant
31	E2-3 – Targets related to pollution	not significant
32	E2-4 – Pollution of air, water and soil	not significant
33	E2-5 – Substances of concern and substances of very high concern	not significant

No	Disclosure requirement	Sustainability Statement page
34	E2-6 – Anticipated financial effects from material pollution-related risks and opportunities	not significant
35	E3 WATER AND MARINE RESOURCES	61
36	E3-1 – Policies related to water and marine resources	61
37	E3-2 – Actions and resources related to water and marine resources	61
38	E3-3 – Targets related to water and marine resources	61
39	E3-4 – Water consumption	61
40	E3-5 – Anticipated financial effects from material water and marine resources-related risks and opportunities	application of transitional provisions
41	E4 BIODIVERSITY AND ECOSYSTEMS	not significant
42	E4-1 – Transition plan and consideration of biodiversity and ecosystems in strategy and business model	not significant
43	E4-2 – Policies related to biodiversity and ecosystems	not significant
44	E4-3 – Actions and resources related to biodiversity and ecosystems	not significant
45	E4-4 – Targets related to biodiversity and ecosystems	not significant
46	E4-5 – Impact metrics related to biodiversity and ecosystems change	not significant
47	E4-6 – Anticipated financial effects from material biodiversity and ecosystem-related risks and opportunities	not significant
48	E5 RESOUCE USE AND CIRCULAR ECONOMY	62-65
49	E5-1 – Policies related to resource use and circular economy	62
50	E5-2 – Actions and resources related to resource use and circular economy	62
51	E5-3– Targets related to resource use and circular economy	63
52	E5-4 – Resource inflows	64
53	E5-5 – Resource outflows	64
54	E5-6 – Anticipated financial effects from material resource use and circular economy-related risks and opportunities	application of transitional provisions
55	S1 OWN WORKFORCE	66-70
56	S1-1 – Policies related to own workforce	67
57	S1-2 – Processes for engaging with own workforce and workers' representatives about impacts	68
58	S1-3 – Processes to remediate negative impacts and channels for own workforce to raise concerns	68
59	S1-4 – Taking action on material impacts on own workforce, and approaches to managing material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions	68
60	S1-5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	69
61	S1-6 – Characteristics of the undertaking's employees	69
62	S1-7 – Characteristics of non-employees in the undertaking's own workforce	69
63	S1-8 – Collective bargaining coverage and social dialogue	69
64	S1-9 – Diversity metrics	70
65	S1-10 – Adequate wages	70
66	S1-11 – Social protection	70
67	S1-12 – Persons with disabilities	application of transitional provisions

No	Disclosure requirement	Sustainability Statement page
68	S1-13 – Training and skills development metrics	70
69	S1-14 – Health and safety metrics	application of transitional provisions
70	S1-15 – Work-life balance metrics	application of transitional provisions
71	S1-16 – Remuneration metrics (pay gap and total remuneration)	70
72	S1-17 – Incidents, complaints and severe human rights impacts	70
73	S2 WORKERS IN THE VALUE CHAIN	71-72
74	S2-1 – Policies related to value chain workers	71
75	S2-2 – Processes for engaging with value chain workers about impacts	72
76	S2-3 – Processes to remediate negative impacts and channels for value chain workers to raise concerns	72
77	S2-4 – Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those actions	72
78	S2-5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	72
79	S3 AFFECTED COMMUNITIES	not significant
80	S3-1 – Policies related to affected communities	not significant
81	S3-2 – Processes for engaging with affected communities about impacts	not significant
82	S3-3 – Processes to remediate negative impacts and channels for affected communities to raise concerns	not significant
83	S3-4 – Taking action on material impacts on affected communities, and approaches to managing material risks and pursuing material opportunities related to affected communities, and effectiveness of those actions	not significant
84	S3-5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	not significant
85	S4 CONSUMERS AND END-USERS	73-76
86	S4-1 – Policies related to consumers and end-users	74
87	S4-2 – Processes for engaging with consumers and end-users about impacts	74
88	S4-3 – Processes to remediate negative impacts and channels for consumers and end-users to raise concerns	74
89	S4-4 – Taking action on material impacts on consumers and end- users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions	74
90	S4-5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	75-76
91	G1 BUSINESS CONDUCT	77-80
92	G1-1 – Business conduct policies and corporate culture	77
93	G1-2 – Management of relationships with suppliers	78
94	G1-3 – Prevention and detection of corruption and bribery	78
95	G1–4 – Incidents of corruption or bribery	78-79
96	G1-5 – Political influence and lobbying activities	79
97	G1-6 – Payment practices	80

Annex 2. List of data points from cross-sectoral and topic-specific standards derived from other EU legislation

Disclosure Requirement and related datapoint	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference	Material (yes, no)	Page in the Statement
ESRS 2 GOV-1 Board's gender diversity paragraph 21 (d)	Indicator number 13 of Table #1 of Annex 1		Commission Delegated Regulation (EU) 2020/1816 (5), Annex II		yes	70
ESRS 2 GOV-1 Percentage of board members who are independent paragraph 21 (e)			Delegated Regulation (EU) 2020/1816, Annex II		yes	34
ESRS 2 GOV-4 Statement on due diligence paragraph 30	Indicator number 10 Table #3 of Annex 1				yes	38
ESRS 2 SBM-1 Involvement in activities related to fossil fuel activities paragraph 40 (d) i	Indicators number 4 Table #1 of Annex 1	Article 449a Regulation (EU) No 575/ 2013; Commission Implementing Regulation (EU) 2022/2453 (6) Table 1: Qualitative information on Environmental risk and Table 2: Qualitative information on social risk	Delegated Regulation (EU) 2020/1816, Annex II		no	
ESRS 2 SBM-1 Involvement in activities related to chemical production paragraph 40 (d) ii	Indicator number 9 Table #2 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II		no	
ESRS 2 SBM-1 Involvement in activities related to controversial weapons paragraph 40 (d) iii	Indicator number 14 Table #1 of Annex 1		Delegated Regulation (EU) 2020/1818 (7), Article 12(1) Delegated Regulation (EU) 2020/1816, Annex II		no	
ESRS 2 SBM-1 Involvement in activities related to cultivation and production of tobacco paragraph 40 (d) iv			Delegated Regulation (EU) 2020/1818, Article 12(1) Delegated Regulation (EU) 2020/1816, Annex II		no	
ESRS E1-1 Transition plan to reach climate neutrality by 2050 paragraph 14				Regulation (EU) 2021/1119, Article 2(1)	yes	51
ESRS E1-1 Undertakings excluded from Paris-aligned Benchmarks paragraph 16 (g)		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 1: Banking book-Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity	Delegated Regulation (EU) 2020/1818, Article12.1 (d) to (g), and Article 12.2		yes	54

Disclosure Requirement and related datapoint	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference	Material (yes, no)	Page in the Statement
ESRS E1-4 GHG emission reduction targets paragraph 34	Indicator number 4 Table #2 of Annex 1	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 3: Banking book – Climate change transition risk: alignment metrics	Delegated Regulation (EU) 2020/1818, Article 6		yes	58
ESRS E1-5 Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors) paragraph 38	Indicator number 5 Table #1 and Indicator n. 5 Table #2 of Annex 1				yes	56
ESRS E1-5 Energy consumption and mix paragraph 37	Indicator number 5 Table #1 of Annex 1				yes	56
ESRS E1-5 Energy intensity associated with activities in high climate impact sectors paragraphs 40 to 43	Indicator number 6 Table #1 of Annex 1				yes	57
ESRS E1-6 Gross Scope 1, 2, 3 and Total GHG emissions paragraph 44	Indicators number 1 and 2 Table #1 of Annex 1	Article 449a; Regulation (EU) No 575/ 2013; Commission Implementing Regulation (EU) 2022/ 2453 Template 1: Banking book – Climate change transition risk: Credit quality of exposures by sector, emissions and residual maturity	Delegated Regulation (EU) 2020/1818, Article 5(1), 6 and 8 (1)		yes	58
ESRS E1-6 Gross GHG emissions intensity paragraphs 53 to 55	Indicators number 3 Table #1 of Annex 1	Article 449a Regulation (EU) No 575/ 2013; Commission Implementing Regulation (EU) 2022/ 2453 Template 3: Banking book – Climate change transition risk: alignment metrics	Delegated Regulation (EU) 2020/1818, Article 8(1)		yes	58
ESRS E1-7 GHG removals and carbon credits paragraph 56				Regulation (EU) 2021/1119, Article 2(1)	yes	59
ESRS E1-9 Exposure of the benchmark portfolio to climate-related physical risks paragraph 66			Delegated Regulation (EU) 2020/1818, Annex II Delegated Regulation (EU) 2020/1816, Annex II		no	

Disclosure Requirement and related datapoint	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference	Material (yes, no)	Page in the Statement
ESRS E1-9 Disaggregation of monetary amounts by acute and chronic physical risk paragraph 66 (a) ESRS E1-9 Location of significant assets at material physical risk paragraph 66 (c).		Article 449a Regulation (EU) No 575/ 2013; Commission Implementing Regulation (EU) 2022/ 2453 paragraphs 46 and 47; Template 5: Banking book - Climate change physical risk: Exposures subject to physical risk.			no	
ESRS E1-9 Breakdown of the carrying value of its real estate assets by energy-efficiency classes paragraph 67 (c).		Article 449a Regulation (EU) No 575/ 2013; Commission Implementing Regulation (EU) 2022/ 2453 paragraph 34; Template 2:Banking book -Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral			no	
ESRS E1-9 Degree of exposure of the portfolio to climate- related opportunities paragraph 69			Delegated Regulation (EU) 2020/1818, Annex II		no	
ESRS E2-4 Amount of each pollutant listed in Annex II of the EPRTR Regulation (European Pollutant Release and Transfer Register) emitted to air, water and soil, paragraph 28	Indicator number 8 Table #1 of Annex 1 Indicator number 2 Table #2 of Annex 1 Indicator number 1 Table #2 of Annex 1 Indicator number 3 Table #2 of Annex 1				no	
ESRS E3-1 Water and marine resources paragraph 9	Indicator number 7 Table #2 of Annex 1				yes	61
ESRS E3-1 Dedicated policy paragraph 13	Indicator number 8 Table 2 of Annex 1				no	
ESRS E3-1 Sustainable oceans and seas paragraph 14	Indicator number 12 Table #2 of Annex 1				yes	61
ESRS E3-4 Total water recycled and reused paragraph 28 (c)	Indicator number 6.2 Table #2 of Annex 1				yes	61
ESRS E3-4 Total water consumption in m3 per net revenue on own operations paragraph 29	Indicator number 6.1 Table #2 of Annex 1				yes	61

Disclosure Requirement and related datapoint	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference	Material (yes, no)	Page in the Statement
ESRS 2- SBM 3 - E4 paragraph 16 (a) i	Indicator number 7 Table #1 of Annex 1				no	
ESRS 2- SBM 3 - E4 paragraph 16 (b)	Indicator number 10 Table #2 of Annex 1				no	
1 ESRS 2- SBM 3 - E4 paragraph 16 (c)	Indicator number 14 Table #2 of Annex 1				no	
ESRS E4-2 Sustainable land / agriculture practices or policies paragraph 24 (b)	Indicator number 11 Table #2 of Annex 1				no	
ESRS E4-2 Sustainable oceans / seas practices or policies paragraph 24 (c)	Indicator number 12 Table #2 of Annex 1				no	
ESRS E4-2 Policies to address deforestation paragraph 24 (d)	Indicator number 15 Table #2 of Annex 1				no	
ESRS E5-5 Non-recycled waste paragraph 37 (d)	Indicator number 13 Table #2 of Annex 1				yes	64
ESRS E5-5 Hazardous waste and radioactive waste paragraph 39	Indicator number 9 Table #1 of Annex 1				yes	64
ESRS 2- SBM3 - S1 Risk of incidents of forced labour paragraph 14 (f)	Indicator number 13 Table #3 of Annex I				yes	67
ESRS 2- SBM3 - S1 Risk of incidents of child labour paragraph 14 (g)	Indicator number 12 Table #3 of Annex I				yes	67
ESRS S1-1 Human rights policy commitments paragraph 20	Indicator number 9 Table #3 and Indicator number 11 Table #1 of Annex I				yes	67
ESRS S1-1 Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8, paragraph 21			Delegated Regulation (EU) 2020/1816, Annex II		yes	67
ESRS S1-1 processes and measures for preventing trafficking in human bnongs paragraph 22	Indicator number 11 Table #3 of Annex I				yes	67

Disclosure Requirement and related datapoint	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference	Material (yes, no)	Page in the Statement
ESRS S1-1 workplace accident prevention policy or management system paragraph 23	Indicator number 1 Table #3 of Annex I				yes	67
ESRS S1-3 grievance/complaints handling mechanisms paragraph 32 (c)	Indicator number 5 Table #3 of Annex I				yes	68
ESRS S1-14 Number of fatalities and number and rate of work-related accidents paragraph 88 (b) and (c)	Indicator number 2 Table #3 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II		yes	70
ESRS S1-14 Number of days lost to injuries, accidents, fatalities or illness paragraph 88 (e)	Indicator number 3 Table #3 of Annex I				yes	70
ESRS S1-16 Unadjusted gender pay gap paragraph 97 (a)	Indicator number 12 Table #1 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II		yes	70
ESRS S1-16 Excessive CEO pay ratio paragraph 97 (b)	Indicator number 8 Table #3 of Annex I				yes	70
ESRS S1-17 Incidents of discrimination paragraph 103 (a)	Indicator number 7 Table #3 of Annex I				yes	70
1 ESRS S1-17 Non-respect of UNGPs on Business and Human Rights and OECD Guidelines paragraph 104 (a)	Indicator number 10 Table #1 and Indicator n. 14 Table #3 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818 Art 12 (1)		yes	70
ESRS 2- SBM3 – S2 Significant risk of child labour or forced labour in the value chain paragraph 11 (b)	Indicators number 12 and n. 13 Table #3 of Annex I				yes	71
ESRS S2-1 Human rights policy commitments paragraph 17	Indicator number 9 Table #3 and Indicator n. 11 Table #1 of Annex 1				yes	71
ESRS S2-1 Policies related to value chain workers paragraph 18	Indicator number 11 and n. 4 Table #3 of Annex 1				yes	71
ESRS S2-1Non-respect of UNGPs on Business and Human Rights principles and OECD guidelines paragraph 19	Indicator number 10 Table #1 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)		yes	71

Disclosure Requirement and related datapoint	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference	Material (yes, no)	Page in the Statement
ESRS S2-1 Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8, paragraph 19			Delegated Regulation (EU) 2020/1816, Annex II		yes	71
ESRS S2-4 Human rights issues and incidents connected to its upstream and downstream value chain paragraph 36	Indicator number 14 Table #3 of Annex 1				yes	72
ESRS S3-1 Human rights policy commitments paragraph 16	Indicator number 9 Table #3 of Annex 1 and Indicator number 11 Table #1 of Annex 1				no	
ESRS S3-1 nonrespect of UNGPs on Business and Human Rights, ILO principles or OECD guidelines paragraph 17	Indicator number 10 Table #1 Annex 1		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)		no	
ESRS S3-4 Human rights issues and incidents paragraph 36	Indicator number 14 Table #3 of Annex 1				no	
ESRS S4-1 Policies related to consumers and end-users paragraph 16	Indicator number 9 Table #3 and Indicator number 11 Table #1 of Annex 1				yes	74
ESRS S4-1 Non-respect of UNGPs on Business and Human Rights and OECD guidelines paragraph 17	Indicator number 10 Table #1 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)		yes	74
ESRS S4-4 Human rights issues and incidents paragraph 35	Indicator number 14 Table #3 of Annex 1				yes	74
ESRS G1-1 United Nations Convention against Corruption paragraph 10 (b)	Indicator number 15 Table #3 of Annex 1				yes	77
ESRS G1-1 Protection of whistleblowers paragraph 10 (d)	Indicator number 6 Table #3 of Annex 1				yes	72
ESRS G1-4 Fines for violation of anti-corruption and anti-bribery laws paragraph 24 (a)	Indicator number 17 Table #3 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II)		yes	79

Disclosure Requirement and related datapoint	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference	Material (yes, no)	Page in the Statement
ESRS G1-4 Standards of anticorruption and antibribery paragraph 24 (b)	Indicator number 16 Table #3 of Annex 1				yes	79

Annex 3. Due Diligence table

Core elements of due diligence	Paragraphs in the sustainability statement
a) Embedding due diligence in governance, strategy and business model	„Strategy and business model“, page 37
b) Engaging with affected stakeholders in all key steps of the due diligence	„Stakeholders“, page 39
c) Identifying and assessing adverse impacts	„Double materiality (impacts, risks, and opportunities) assessment“, page 40
d) Taking actions to address those adverse impacts	„Double materiality (impacts, risks, and opportunities) assessment“, page 40
e) Tracking the effectiveness of these efforts and communicating	„Governance“, page 35

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 2024. 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 2024, 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.

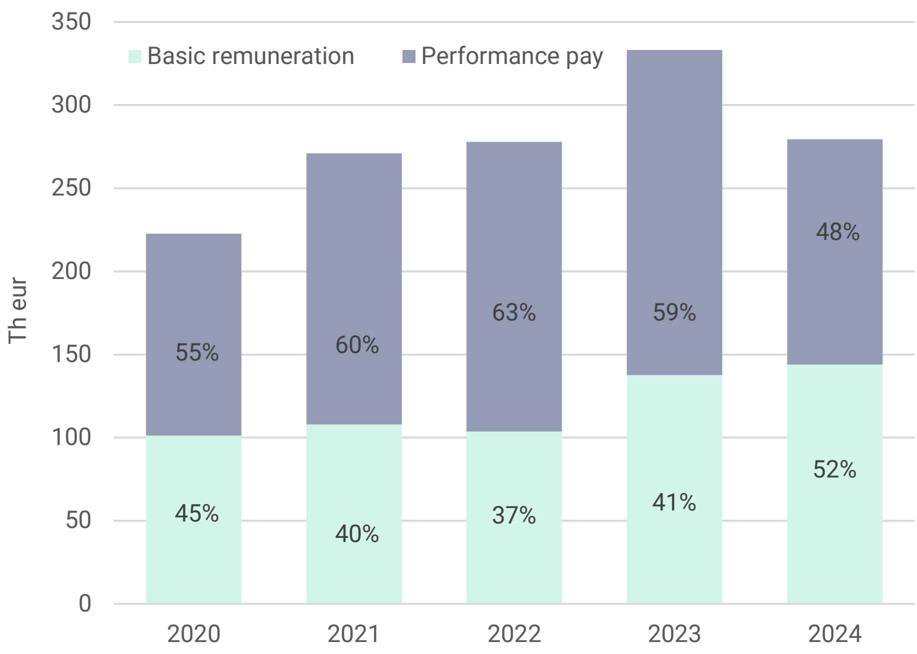
Remuneration of member of the Executive Board

In thousands, EUR	2020	2021	2022	2023	2024
Total remuneration	222.6	271.0	278.0	333.2	279.5
Incl. basic remuneration[1]	101.1	108.0	103.7	137.6	144.0
Incl. performance pay[2]	121.5	163.0	174.3	195.6	135.5

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

[2] The performance pay reserve for 2024 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 2024 by the general meeting.

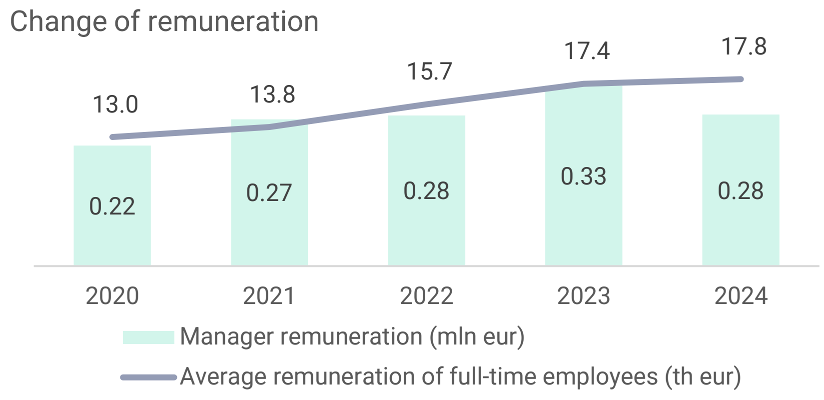
Proportion of the basic remuneration and performance pay of a member of the Executive Board



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:

	2020	2021	2022	2023	2024
Net profit growth	-38.6%	64.2%	-7.9%	26.9%	-26.6%
Increase in manager remuneration	8.4%	21.7%	2.6%	19.9%	-16.1%
including an increase in basic remuneration[1]	11.9%	6.8%	-4.0%	32.8%	4.6%
including an increase in performance pay	5.6%	34.2%	7.0%	12.2%	-30.7%
Increase in the average remuneration of full-time employees[2]	0.4%	6.3%	13.8%	10.8%	2.1%



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 2024
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 partially met the financial targets set for the Group for 2024 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 99.7 thousand euros in 2024.

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" 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 2025

CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT BOARD'S CONFIRMATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Chairman of the Management Board confirms the correctness and completeness of TKM Grupp AS consolidated financial statements for the year 2024 as set out on pages 95-140.

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. TKM Grupp AS and its subsidiaries are going concerns.

Raul Puusepp
Chairman of the Management Board

signed digitally

Tallinn, 19 February 2025

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in thousands of euros

	Note	31.12.2024	31.12.2023
ASSETS			
Current assets			
Cash and cash equivalents	5	45,454	42,064
Trade and other receivables	6	30,310	25,568
Inventories	8	97,091	98,254
Total current assets		**172,855**	**165,886**
Non-current assets			
Long-term trade and other receivables	11	235	243
Investments in associates	10	1,733	1,732
Investment property	12	81,284	64,971
Property, plant and equipment	13	424,794	433,306
Intangible assets	14	25,785	25,370
Total non-current assets		**533,831**	**525,622**
TOTAL ASSETS		**706,686**	**691,508**
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings	15	44,436	48,820
Trade and other payables	17	110,997	114,573
Total current liabilities		**155,433**	**163,393**
Non-current liabilities			
Borrowings	15	279,958	258,857
Trade and other payables	17	1,285	0
Deferred tax liabilities	18	7,939	5,356
Provisions for other liabilities and charges		543	526
Total non-current liabilities		**289,725**	**264,739**
TOTAL LIABILITIES		**445,158**	**428,132**
Equity			
Share capital	19	16,292	16,292
Statutory reserve capital		2,603	2,603
Revaluation reserve		112,167	116,521
Retained earnings		130,466	127,960
TOTAL EQUITY		**261,528**	**263,376**
TOTAL LIABILITIES AND EQUITY		**706,686**	**691,508**

The notes presented on pages 100-140 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

in thousands of euros

	Note	2024	2023
Revenue	20	944,568	947,257
Other operating income		5,971	2,016
Cost of merchandise	8	-684,797	-686,000
Services expenses	21	-61,503	-60,685
Staff costs	22	-112,241	-108,668
Depreciation, amortisation and impairment losses	13,14	-43,174	-40,770
Other expenses		-1,250	-894
Operating profit		**47,574**	**52,256**
Finance income	23	514	86
Finance costs	23	-12,889	-9,576
Share of net profit of associates accounted for using the equity method	10	281	240
Profit before income tax		**35,480**	**43,006**
Income tax expense	18	-8,003	-5,582
Net profit for the financial year		**27,477**	**37,424**
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss			
Revaluation of land and buildings	13	0	11,989
Other comprehensive income for the financial year		**0**	**11,989**
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		**27,477**	**49,413**
Basic earnings per share (euros)	24	0.67	0.92
Diluted earnings per share (euros)	24	0.67	0.92

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

The notes presented on pages 100-140 form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

in thousands of euros

	Note	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit		27,477	37,424
Adjustments:			
Interest expense	23	12,889	9,576
Interest income	23	-514	-86
Income tax expense	18	8,003	5,582
Depreciation, amortisation and impairment losses	13,14	42,963	40,538
Loss/(gain) from fair value adjustment of investment property	12	-2,429	-452
Loss on write-off property, plant and equipment	13	211	232
Profit/loss on sale of property, plant and equipment	13	229	-44
Profit on sale of investment property	12	-2,107	0
Profit from the shares of an associated company using the equity method	10	-281	-240
Interest on lease liabilities	16	-5,170	-3,720
Corporate income tax paid		-271	-224
Change in inventories	8	-879	-10,196
Change in receivables and prepayments related to operating activities	6	-4,731	2,316
Change in liabilities and prepayments related to operating activities	17	-2,326	1,315
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		**73,064**	**82,021**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment	13	-34,063	-24,041
Proceeds from sale of property, plant and equipment	13	2,435	512
Purchase of investment property	12	-510	-896
Proceeds from sale of investment property	12	10,532	0
Purchases of intangible assets	14	-2,000	-1,905
Business combination	9	0	-2,328
Cash acquired from business combination	9	0	71
Dividends received	10	280	230
Interest received	23	514	86
TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES		**-22,812**	**-28,271**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	15	38,153	47,793
Repayments of borrowings	15	-22,313	-17,927
Change in overdraft balance	15	-2,564	-7,862
Payments of principal or leases	15	-17,754	-17,435
Dividends paid	19	-29,324	-27,695
Income tax on dividends paid	18,19	-5,312	-5,299
Interest paid	23	-7,748	-5,697
TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES		**-46,862**	**-34,122**
TOTAL CASH FLOWS		**3,390**	**19,628**
Cash and cash equivalents at the beginning of the period	5	42,064	22,436
Cash and cash equivalents at the end of the period	5	45,454	42,064
Net change in cash and cash equivalents		**3,390**	**19,628**

The notes presented on pages 100-140 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in thousands of euros

	Share capital	Statutory reserve capital	Revaluation reserve	Retained earnings	Total
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 reporting 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**
Net profit for the reporting period	0	0	0	27,477	27,477
Total comprehensive income for the reporting period	**0**	**0**	**0**	**27,477**	**27,477**
Reclassification of depreciation of revalued land and buildings	0	0	-4,354	4,354	0
Dividends declared	0	0	0	-29,325	-29,325
Total transactions with owners	**0**	**0**	**0**	**-29,325**	**-29,325**
Balance as of 31.12.2024	**16,292**	**2,603**	**112,167**	**130,466**	**261,528**

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

The notes presented on pages 100-140 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 General information

TKM Grupp AS (the Company) and its subsidiaries (together as the TKM Group or the Group) are entities engaged in retail trade and provision of related services. TKM 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 TKM Grupp AS are listed on the NASDAQ Tallinn Stock Exchange. The majority shareholder of TKM 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 TKM Grupp AS. There have been no changes in the Group's name or other identifying information compared to the end of the previous reporting period.

These consolidated financial statements have been authorised by the Management Board on 19th of February 2025 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 TKM Group for the year 2024 has been prepared in accordance with international financial reporting standards and the interpretations of the International Financial Reporting Standards Interpretation Committee, as adopted by 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 TKM 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 2023.

New Accounting Pronouncements

The following new or revised standards and interpretations became effective for the Group from 01.01.2024.

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

(effective for annual periods beginning on or after 1 January 2024)

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)

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 effective for the first time for the financial year beginning on or after 01.01.2024 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 2025, and which the Group has not early adopted.

Annual Improvements to IFRS Accounting Standards

(effective date to be determined, not yet adopted by the EU)

IFRS 1 was clarified that a hedge should be discontinued upon transition to IFRS Accounting Standards if it does not meet the 'qualifying criteria', rather than 'conditions' for hedge accounting, in order to resolve a potential confusion arising from an inconsistency between the wording in IFRS 1 and the requirements for hedge accounting in IFRS 9. IFRS 7 requires disclosures about a gain or loss on derecognition relating to financial assets in which the entity has a continuing involvement, including whether fair value measurements included 'significant unobservable inputs'. This new phrase replaced reference to 'significant inputs that were not based on observable market data'. The amendment makes the wording consistent with IFRS 13. In addition, certain IFRS 7 implementation guidance examples were clarified and text added that the examples do not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7. IFRS 16 was amended to clarify that when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply IFRS 9 guidance to recognise any resulting gain or loss in profit or loss. This clarification applies to lease liabilities that are extinguished on or after the beginning of the annual reporting period in which the entity first applies that amendment. In order to resolve an inconsistency between IFRS 9 and IFRS 15, trade receivables are now required to be initially recognised at 'the amount determined by applying IFRS 15' instead of at 'their transaction price (as defined in IFRS 15)'. IFRS 10 was amended to use less conclusive language when an entity is a 'de-facto agent' and to clarify that the relationship described in paragraph B74 of IFRS 10 is just one example of a circumstance in which judgement is required to determine whether a party is acting as a de-facto agent. IAS 7 was corrected to delete references to 'cost method' that was removed from IFRS Accounting Standards in May 2008 when the IASB issued amendment 'Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'. The Group assesses that there is no material impact of application of the amendments to its financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements

(effective date to be determined, not yet adopted by the EU)

In April 2024, the IASB has issued IFRS 18, the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:

- the structure of the statement of profit or loss;
- required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

IFRS 18 will replace IAS 1; many of the other existing principles in IAS 1 are retained, with limited changes. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its 'operating profit or loss'. IFRS 18 will apply for reporting periods beginning on or after 1 January 2027 and also applies to comparative information. The Group's management is engaged in impact assessment of application of the amendments to its financial statements.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28

(effective date to be determined by the IASB; not yet adopted by the EU)

These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. In 2015, the IASB decided to postpone the effective date of these amendments indefinitely. 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. From 01.01.2025, the tax rate is 22/78 on net dividends paid out. Under certain conditions, it is possible to redistribute received dividends without additional income tax expense. The condition for tax exemption is that the company that received the dividend and paid it forward had a stake of at least 10% in the respective company when the dividends were received. The lower tax rate of 14% or 14/86 of the net amount of dividends that previously applied to regular dividends is no longer applicable from January 1, 2025. It is possible to apply a transitional provision for redistribution of dividends taxed at a lower tax rate received before this date.

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.

From January 1, 2026, a security tax of 2% will be applied to the company's annual profit before income tax. In the case of a consolidated annual report, the profit of the parent company's unconsolidated profit and loss statement is used as a basis.

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 31.12.2024 and 31.12.2023, 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 31.12.2024 and 31.12.2023, 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: 190,035 thousand euros as at 31.12.2024) was adjusted neither upwards nor downwards. As a result of the valuation performed in 2023, 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 the reporting period, the value of land and buildings located in Latvia (carrying value: 12,824 thousand euros as at 31.12.2024) was adjusted neither upwards nor downwards. 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. For the land and buildings located in Lithuania with carrying value of 1,877 thousand euros as at 31.12.2024 (31.12.2023: 1,877 thousand euros) the valuation did not reveal any significant differences between fair value and carrying value. As at 31.12.2024 the carrying value of land and buildings using revaluation method was 204,736 thousand euros (31.12.2023: 211,550 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 6,625 thousand euros as at 31.12.2024, the impairment loss of one object was identified in the amount of 50 thousand euros. The carrying value of the buildings under construction located in Latvia (carrying value: 6,012 thousand euros as at 31.12.2024) the need for reversal of an impairment loss recognized in previous years in the amount of 119 thousand euros of three objects was identified. As regards of two objects, the impairment loss was recognised in the amount of 362 thousand euros. As a result of the impairment test performed in 2023, 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. Buildings under construction located in Lithuania with carrying value of 633 thousand euros as at 31.12.2024 (carrying value: 167 thousand euros as at 31.12.2023) showed no significant differences between value in use and carrying value in current period and 2023. 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 31.12.2024, the carrying value of goodwill was 19,049 thousand euros (31.12.2023: 19,049 thousand euros). In 2024 and 2023, 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 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 floating interest rate 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.

After a significant rise in interest rates in 2023, when the 6-month EURIBOR peaked at 4.143% in October, rates began to gradually decline in 2024. At the start of 2024, the 6-month EURIBOR stood at 3.861% and had dropped significantly to 2.675% by early December. By the beginning of 2025, the 6-month EURIBOR had fallen further to 2.562%, but during the reporting period, it showed a slight increase, indicating a stabilisation of interest rates. According to economic analysts, the gradual downward trend of the 6-month EURIBOR is expected to continue in 2025, bringing the rate down to 2% by year-end. The adjustment of interest rates on the Group's loans occurs throughout the year in accordance with the loan agreement dates, with the base interest rate being updated mid-year for approximately one-third of the portfolio.

If the interest rates on floating-rate financial liabilities had been 1 percentage point higher as of 31 December 2024 (31 December 2023: 1 percentage point), the Group's financial costs would have increased by 1,450 thousand euros (2023: 1,242 thousand euros). Conversely, if interest rates had been 0.1 percentage points lower as of 31 December 2024, the Group's financial costs would have decreased by 145 thousand euros (31 December 2023: change of 0.1 percentage points and 124 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

	31.12.2024	**31.12.2023**
Interest rates in 3 months	9,426	14,201
Interest rates in 3 - 6 months	142,192	124,141
Total borrowings at floating interest rate	**151,618**	**138,342**
Total borrowings	**324,394**	**307,677**

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:

	31.12.2024	**31.12.2023**
Aa2	2,621	933
Aa3	41,587	39,869
A3	3	1
Total	**44,211**	**40,803**

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 2024, the maximum credit risk arising from receivables is in the amount of 25,641 thousand euros (2023: 22,743 thousand euros).

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

	31.12.2024	31.12.2023
Not due	21,357	19,375
Incl. receivables from card payments	3,255	*2,710*
Incl. trade receivables	17,700	*16,378*
Incl. other receivables	402	*287*
Overdue < 3 months	4,006	3,097
Overdue 3 - 6 months	60	114
Overdue 6 - 12 months	82	100
Overdue > 12 months	136	57
Total receivables	**25,641**	**22,743**

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 2024 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 TKM 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 31.12.2024
Borrowings	4,959	26,275	84,502	38,702	12,283	166,721
Lease liabilities	6,019	18,034	48,085	42,848	87,394	202,380
Financial liabilities (Note 17)	81,481	0	0	0	0	81,481
Total	**92,459**	**44,309**	**132,587**	**81,550**	**99,677**	**450,582**
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**

For calculating future cash flows, the floating interest rates prevailing at the balance sheet date of 31.12.2024 and 31.12.2023, 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 45,454 thousand euros (2023: 42,064 thousand euros). As of 31.12.2024, the Group had undrawn borrowing facilities in the amount of 15,000 thousand euros (2023: 15,000 thousand euros). The Group follows its established credit risk management strategy when investing its cash flow surplus. As of 31.12.2024, the Group had placed no deposits into the joint group account through its parent company NG Investeeringud OÜ (31.12.2023: 0 euros).

As of 31 December 2024, the Group's working capital was positive at 17,422 thousand euros (2023: positive at 2,493 thousand euros). The improvement in working capital was driven by a slight increase in the Group's current assets and a reduction in receivables compared to the previous year. The Group's liquidity ratio (current assets excluding inventories / short-term liabilities) was 0.49 in 2024, improving from 0.41 in 2023.

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 2024, the ratio was 52% and compared to 31 December 2023 when the ratio was 50%, 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

	31.12.2024	31.12.2023
Interest-bearing liabilities (Note 15)	324,394	307,677
Cash and cash equivalents (Note 5)	-45,454	-42,064
Net debt	**278,940**	**265,613**
Equity	261,528	263,376
Total equity and net debt	**540,468**	**528,989**
Debt to equity ratio*	52%	50%

**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

	31.12.2024	31.12.2023
Cash on hand	1,243	1,261
Bank accounts	5,065	3,252
Overnight deposit	37,967	36,088
Cash in transit	1,179	1,463
Total cash and cash equivalents (Note 4)	**45,454**	**42,064**

Note 6 Trade and other receivables

in thousands of euros

	31.12.2024	31.12.2023
Trade receivables (Note 7)	25,239	22,456
Other short-term receivables	397	286
Total financial assets from balance sheet line "Trade and other receivables"	**25,636**	**22,742**
Prepayment for inventories	3,353	1,619
Other prepaid expenses	1,236	1,150
Prepaid rental expenses	12	17
Prepaid taxes (Note 18)	73	40
Total trade and other receivables	**30,310**	**25,568**

Note 7 Trade receivables

in thousands of euros

	31.12.2024	31.12.2023
Trade receivables	21,320	19,355
Provision for impairment of trade receivables	-128	-151
Receivables from related parties (Note 26)	792	542
Credit card payments (receivables)	3,255	2,710
Total trade receivables (Note 6)	**25,239**	**22,456**

Note 8 Inventories

in thousands of euros

	31.12.2024	31.12.2023
Goods purchased for resale	96,291	97,478
Tare and materials	800	776
Total inventories	**97,091**	**98,254**

The profit or loss line "Cost of merchandise" includes the allowances and write-off expenses of inventories and inventory stocktaking deficit which in 2024 amounted to 16,993 thousand euros (2023: 16,361 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 2024, the allowance account amounted to 798 thousand euros (31.12.2023: 931 thousand euros) and amount of these asset recognised at net realisable value amounted to 18,133 thousand euros (31.12.2023: 19,871 thousand euros).

The Group's "Cost of merchandise" in 2024 amounted 684,797 thousand euros (2023: 686,000 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

TKM Grupp AS as at 31.12.2024 consists of:

Name	Location	Area of activity	Ownership 31.12.2024	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

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%

TKM Grupp AS acquired on 15.02.2023 100% of the shares of AS Walde. AS Walde was 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 enabled TKM Grupp to further strengthen its field of security services, which has been one of the TKM Grupp's fastest growing business lines in recent years. The transaction created opportunities to bring new products to the market and develop security system wholesale operations. The business of AS Walde continues in its current form, and there were 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).

TKM Grupp AS subsidiary Viking Security AS acquired on 13.07.2023 100% of the shares of Skarabeus Julgestusteenistus OÜ. Skarabeus Julgestusteenistus OÜ was a nationwide security company with departments in Tallinn, Tartu, Pärnu and Central Estonia that provided manned guarding, patrol and technical surveillance services. The acquisition of Skarabeus Julgestusteenistus OÜ enabled Viking Security AS to strengthen its business in all areas of activity. The merging of the two companies give positive synergy through the fusion of strong industry know-how, the growth of operational capability and cost-effectiveness. The transaction created 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).

TKM Grupp AS subsidiary Viking Security AS acquired 100% of the shares of Caesari Turvateenistuse Aktsiaselts. Caesari Turvateenistuse Aktsiaselts was one of the oldest security companies established in Estonia, which has provided security services since 1994. The company provided 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 activities of Skarabeus Julgestusteenistus OÜ and Caesari Turvateenistuse AS were merged 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 31.12.2024 has remained the same as at 31.12.2023.

No business combinations took place in 2024.

Note 10 Investments in associates

TKM Grupp AS has ownership of 50% (2023: 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

	31.12.2024	31.12.2023
Investment in the associate at the beginning of the year	**1,732**	**1,722**
Profit for the reporting period under equity method	281	240
Dividends received	-280	-230
Investment in the associate at the end of the year	**1,733**	**1,732**

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

	31.12.2024	31.12.2023
Current assets	227	156
Property, plant and equipment	3,350	3,388
Current liabilities	115	59
Owners' equity	3,462	3,485
Revenue	726	638
Net profit	538	478

Note 11 Long-term trade and other receivables

in thousands of euros

	31.12.2024	31.12.2023
Prepaid rental expenses	206	205
Deferred tax asset	24	37
Other long-term receivables	5	1
Total long-term trade and other receivables	**235**	**243**

Note 12 Investment property

in thousands of euros

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**
Purchases and improvements	510
Reclassification from property, plant and equipment (Note 13)	21,799
Proceeds from sale	-8,425
Net loss from fair value adjustment	2,429
Carrying value as at 31.12.2024	**81,284**

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 2024 amounted to 510 thousand euros (2023: 896 thousand euros).

During the reporting period, construction work was carried out on the Estonian real estate object in the Viimsi Centre in the amount of 7 thousand euros and in Tartu Kaubamaja Centre renovation works were carried out to update the commercial spaces on the 0th floor and the third floor in the amount of 490 thousand euros. In 2024, Latvian real estate objects were renovated in the amount of 5 thousand euros in Kuldiga and in the amount of 8 thousand euros in Salaspils.

In 2023, 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.

During the reporting period, the logistics centre completed in the fall, located at Paemurru tn 1, Maardu city, in the amount of 21,799 thousand euros, was classified from property, plant and equipment to investment property. The logistics centre serves the cargo volumes of TKM Group, especially its subsidiary Selver AS. The logistics centre is operated by OÜ NG Logistics, which is a logistics company based on 100% Estonian capital and belonging to the NG Investeeringud group.

During the reporting period, SIA TKM Latvija sold its investment properties in Ogre and Rezekne for a total amount of 8,425 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 four objects (2023: 5 object). During the reporting period, an expert opinion was received from a real estate expert regarding discount and rental growth rates for one Estonian real estate investment property and one object was not assessed. Discount rates 8.5%-9.9% (2023: 9.1%-9.3%) depending on the location of the property and rental income growth rate 0.0%-9.0% (2023: 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.

In the reporting period, the valuation of investment property located in Latvia was based on letters of intent, sales transactions took place in January 2025.

For estimating the value of investment properties located in Latvia, the valuations of a certified independent real estate expert was used regarding two objects in 2023. The real estate expert provided an expert opinion with regard to the discount and capitalisation rates for two objects in 2023. The discount rate 9.0%-10.0% and rental income growth rates 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 2024 in Estonia, the fair values of investment property increased in the amount of 2,105 thousand euros (2023: 1,129 thousand euros) and decreased in the amount of 378 thousand euros (2023: 664 thousand 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 711 thousand euros (2023: 418 thousand euros) and decrease amounted to 0 euros (2023: 431 thousand euros).

Net fair value adjustment of investment property is recorded in profit or loss line “Other operating income” in the amount of 2,429 thousand euros in 2024 (2023: 452 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 +8,055/-8,055 thousand euros (2023: +5,955/-5,955 thousand euros). If the discount rates used for determining fair value would change +/-0.5pp then the fair value of investment properties would change -1,515/+1,555 thousand euros (2023: -1,123/+1,153 thousand euros).

The Group’s investment properties carried at fair value as at 31.12.2024 and 31.12.2023 are measured at level 3.

In 2024, the Group’s rental income on investment properties amounted to 5,264 thousand euros (2023: 4,455 thousand euros). Direct property management expenses in 2024 amounted to 2,105 thousand euros (2023: 2,037 thousand euros).

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

In thousands of euros	**31.12.2024**	**31.12.2023**
due in less than 1 year	5,956	4,449
due between 1 and 5 years	20,590	11,831
due after 5 years	18,071	5,272
Total	**44,617**	**21,552**

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 equipment	Other fixtures and fittings	Construction and projects in progress	Total
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**
Changes occurred in 2024						
Purchases and improvements	2,613	0	3,994	6,513	20,943	34,063
Addition to right-of use assets	0	10,510	0	0	0	10,510
Other reclassifications	0	0	284	-45	0	239
Reclassification to investment property (Note 12)	0	0	0	0	-21,799	-21,799
Reclassification from intangible assets (Note 14)	0	0	864	0	0	864
Reclassification to inventory	0	0	-504	0	0	-504
Reclassification to property, plant and equipment from inventory	0	0	2,575	1	-29	2,547
Disposals	-1,887	0	-771	-6	0	-2,664
Write-offs	0	0	-24	-35	-152	-211
Decrease/increase in value through profit or loss	0	0	0	0	-293	-293
Adjustment to right-of use assets	0	10,685	0	0	0	10,685
Depreciation	-7,540	-20,376	-7,621	-6,412	0	-41,949
31.12.2024						
Cost or revalued amount	211,854	268,307	78,660	65,007	23,137	646,965
Accumulated depreciation and impairment	-7,118	-109,903	-49,404	-46,483	-9,263	-222,171
Carrying value	**204,736**	**158,404**	**29,256**	**18,524**	**13,874**	**424,794**

Investments in non-current assets

The cost of fixed asset investments for the 12 months of 2024 amounted to 36,063 thousand euros (including purchases of property, plant and equipment in the amount of 34,063 thousand euros and purchases of intangible assets amounted to 2,000 thousand euros).

The cost of purchases of property, plant and equipment made in reporting period in the supermarkets business segment was 6,680 thousand euros. During the reporting period, new Selver supermarkets opened their doors in the largest Rocca al Mare shopping centre in Tallinn's Haabersti district and in Raadi, in Tartu municipality. During the reporting period, computing equipment was acquired and the furnishings and security devices of Selver stores were updated.

The cost of purchases of property, plant and equipment in the business segment of department stores amounted to 4,338 thousand euros. During the reporting period, Kaubamaja in Tartu opened a food world that underwent a thorough renovation and a new e-store with the latest technical solutions to improve the customer's shopping journey.

The cost of purchases of property, plant and equipment in the reporting period was 1,460 thousand euros in the car trade business segment.

The cost of purchases of property, plant and equipment in the reporting period was 409 thousand euros in the security business segment.

The cost of purchases of property, plant and equipment in the real estate business segment amounted to 21,176 thousand euros. During the reporting period, construction works has been made of the logistics centre in Paemurru tn.1, Maardu. The logistics centre will serve the cargo volumes of TKM Group, especially its subsidiary Selver AS. At the end of the reporting period, the logistics center was reclassified as a real estate investment. In addition, real estate companies have made investments for more accurate measurement and management of the energy consumption of technical systems.

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

At the year-end 2024, 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 conservative conclusion that the values of "Land and Buildings" have not changed significantly by the end of the reporting year, and the management has decided not to carry out a revaluation of "Land and buildings".

As a result of the 2023 revaluation 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 revaluation 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 2024 and 2023.

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 10 properties in 2024 (2023: 14 properties) and for 13 properties (2023: 9 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 13 properties (2023: 9 properties). The discount rates used for estimation were 8.0%-11.0% (2023: 8.0%-12.9%) depending on the location of the property and the rental growth rates were 1.0%-2.5% (2023: 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 were used in in respect of five properties in 2024 (in 2023 the valuation of a certified independent real estate expert was not used). 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. The discount rate used for valuation was 7.5%-9.0%% (2023: 9.0%) and the rental growth rates were 2.0%-2.5% (2023: 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 2024 and 2023.

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 2024	Valuation method	Unobservable inputs	Range of unobservable inputs (eur)	Relationship of unobservable inputs to fair value
PPE items in Estonia, for which an expert opinion was provided	53,380	Discounted cash flow method	Lease price per month per square metre	8.12-13.62	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	111,934	Discounted cash flow method	Lease price per month per square metre	9.84-19.66	The higher the price per square metre, the higher the fair value
Remaining PPE items in Estonia	24,721	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 items in Latvia, for which an expert opinion was provided	12,805	Discounted cash flow method	Lease price per month per square metre	3.1-11.9	The higher the price per square metre, the higher the fair value
Remaining PPE items in Latvia	19	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	**204,736**				

In thousands of euros	Fair value at 31 December 2023	Valuation method	Unobservable 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**				

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:

31.12.2024	89,694 thousand euros
31.12.2023	91,781 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 13 objects (2023: 8 objects) and 11 objects (2023: 2 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 5 objects (2023: 3 objects), 0 objects (2023: 3 objects) were valued internally based on the value in use and three objects (2023: 6 objects) were not valued in reporting period.

For valuation purposes, the discount rates used were 8.0%-11.0% (2023: 8.0%-9.9%) depending on the location of the item, and the rental growth rates were 1.0%-3.0% (2023: 1.0%-2.0%). 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 2024, the book value of Estonian "Buildings under construction" in respect of one object an impairment loss was recognized in the amount of 50 thousand euros (2023: 163 thousand euros).

Based on the results of valuation in 2024, the book value of Latvian "Buildings under construction" in respect of three objects reversal of an impairment loss recognized in previous years in the amount of 119 thousand euros (2023: 88 thousand euros). As regards of two objects, impairment loss was recognised in the amount of 362 thousand euros (2023: three objects with impairment loss in the amount of 37 thousand euros). "Buildings under construction" located in Lithuania with carrying value of 633 thousand euros as at 31.12.2024 (carrying value: 167 thousand euros as at 31.12.2023) were neither revalued upward nor downward during the reporting period and in 2023

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

In thousands of euros	Number of items 31.12.2024	31.12.2024	Number of items 31.12.2023	31.12.2023
PPE items in Estonia, for which an expert opinion was provided	13	575	8	3,944
PPE items in Estonia, for which an internal estimate was provided	11	384	2	197
Remaining PPE items in Estonia	10	5,666	14	4,269
PPE items in Latvia, for which an expert opinion was provided	5	3,558	3	2,211
PPE items in Latvia, for which an internal estimate was provided	0	0	3	16
Remaining PPE items in Latvia	3	2,454	6	4,046
PPE item in Lithuania	1	633	1	167
Total	**43**	**13,270**	**37**	**14,850**

As at 31.12.2024 the cost of fully amortized non-current assets (machinery, equipment and other fittings) in use was 56,251 thousand euros (2023: 48,877 thousand euros).

As at 31.12.2024 property, plant and equipment with the carrying value of 152,598 thousand euros (2023: 154,873 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
31.12.2022					
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**
Changes occurred in 2024					
Purchases and improvements	0	0	0	2,000	2,000
Reclassification to property, plant and equipment (Note 13)	0	0	0	-864	-864
Amortisation	0	-295	-17	-409	-721
31.12.2024					
Cost	19,049	2,243	120	7,984	29,396
Accumulated amortisation and impairment	0	-1,448	-66	-2,097	-3,611
Carrying value	**19,049**	**795**	**54**	**5,887**	**25,785**

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 2,000 thousand euros (2023: 1,905 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 2024 and 2023. Goodwill is allocated to cash generating units of the Group by the following segments:

in thousands of euros	31.12.2024	31.12.2023
Supermarkets	13,609	13,609
Car trade	3,156	3,156
Security	2,284	2,284
Total	**19,049**	**19,049**

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:

31.12.2024	Car trade	Supermarkets	Security
Operating profit margin during next 5 years	4.92%-5.95%	0.28% - 3.06%	2.63% -4.27%
Discount rate	9.24%	8.07%	12.38%
Sales growth during next 5 years	2.6% - 9.8%	3.0%	1.8% - 12.9%
Future growth rate*	2.5%	2.5%	2.0%

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

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.*

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.

31.12.2024	Car trade	Supermarkets	Security
Difference between the carrying amount and recoverable amount of the cash generating unit (in thousands of euros)	108,710	29,493	5,968
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	0.55%	1.03%	0.83%
Decrease of the average operating profit margin	3.79 pp	3.19 pp	2.41 pp

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

Note 15 Interest bearing borrowings

in thousands of euros

	31.12.2024	31.12.2023
Short-term borrowings		
Overdraft	4,797	7,361
Bank loans	12,157	16,126
Lease liabilities (Note 16)	18,852	18,722
Other borrowings	8,630	6,611
Total short-term borrowings	**44,436**	**48,820**

	31.12.2024	31.12.2023
Long-term borrowings		
Bank loans	111,298	92,712
Lease liabilities (Note 16)	153,925	150,614
Other borrowings	14,735	15,531
Total long-term borrowings	**279,958**	**258,857**
Total borrowings	**324,394**	**307,677**

Borrowings received

	2024	2023
Overdraft	0	0
Bank loans	27,690	32,278
Other borrowings	10,463	15,515
Total borrowings received	**38,153**	**47,793**

Borrowings repaid

	2024	2023
Overdraft	2,564	7,862
Bank loans	13,073	12,554
Lease liabilities	17,754	17,435
Other borrowings	9,240	5,373
Total borrowings repaid	**42,631**	**43,224**

Bank loan agreements are concluded 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 31.12.2024, the repayment dates of bank loans are between 02.01.2025 and 07.05.2039 (2023: between 26.03.2024 and 26.12.2028), interest is tied both to 3-month and 6-month EURIBOR. Weighted average interest rate was 4,60% (2023: 5.22%).

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 2.79% (31.12.2023: 2.21%).

Net debt reconciliation
in thousands of euros

	31.12.2024	31.12.2023
Cash and cash equivalents (Note 5)	45,454	42,064
Short-term borrowings	-44,436	-48,820
Long-term borrowings	-279,958	-258,857
Net debt	**-278,940**	**-265,613**
Cash and cash equivalents (Note 5)	45,454	42,064
Gross debt – fixed interest rates	-172,777	-169,336
Gross debt – variable interest rates	-151,617	-138,341
Net debt	**-278,940**	**-265,613**

	Cash and cash equivalents	Overdraft	Borrowings	Lease liabilities	Total
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**
Cash flow (principal and interest)	3,390	2,564	-8,092	22,924	20,786
Interest accrued	0	0	-7,748	-5,170	-12,918
New lease contracts	0	0	0	-10,510	-10,510
Revaluation of lease liabilities	0	0	0	-10,685	-10,685
Net debt 31.12.2024	**45,454**	**-4,797**	**-146,820**	**-172,777**	**-278,940**

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	31.12.2024	31.12.2023
Lease liability recognised in the statement of financial position	**172,777**	**169,336**
- short-term lease liabilities (Note 15)	18,852	18,722
- long-term lease liabilities (Note 15)	153,925	150,614

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

in thousands of euros	2024	2023
Interest expense (included in finance cost)	5,170	3,720
Expense relating to leases of low-value assets that are not short-term leases	902	737
Expense relating to short-term leases (included in operating expenses)	839	780
Depreciation charge for right of use assets (Note 13)	20,376	19,679
Income on subleases	4,432	4,331
The total cash outflow for leases	22,924	21,154

Subleases of buildings leased under operating lease terms:

Future minimum lease payments under non-cancellable subleases:

in thousands of euros	31.12.2024	31.12.2023
within 1 year	2,355	2,102
between 1 and 5 years	6,663	6,527
after 5 years	754	1,697
Total	**9,772**	**10,326**

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	31.12.2024	31.12.2023
within 1 year	7,378	5,818
between 1 and 5 years	22,647	14,335
after 5 years	18,117	9,077
Total	**48,142**	**29,230**

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

	31.12.2024	31.12.2023
Trade payables	74,639	77,544
Payables to related parties (Note 26)	3,549	4,091
Other accrued expenses	629	997
Tenant security deposits	2,664	4,092
Total financial liabilities from balance sheet line "Trade and other payables" (Note 4)	**81,481**	**86,724**
Taxes payable (Note 18)	13,883	12,151
Employee payables	11,399	12,242
Prepayments	4,065	3,456
Short-term provisions	169	0
Total trade and other payables	**110,997**	**114,573**
Long term tenant security deposits	1,285	0
Total long term trade and other payables	**1,285**	**0**

Note 18 Taxes

in thousands of euros

	31.12.2024		31.12.2023	
	Prepaid taxes	Taxes payable	Prepaid taxes	Taxes payable
Prepaid taxes (Note 6)	73	0	40	0
Value added tax	0	7,030	0	5,810
Personal income tax	0	1,943	0	1,711
Social security taxes	0	4,383	0	4,132
Corporate income tax	0	104	0	110
Unemployment insurance	0	278	0	266
Mandatory funded pension	0	145	0	122
Total taxes (Note 17)	**73**	**13,883**	**40**	**12,151**

Group's deferred income tax asset as at 31 December 2024 and 31 December 2023 is recorded in the balance sheet in the amount of 24 thousand euros and 37 thousand euros respectively. As of 31.12.2024 deferred tax liability on dividends in the amount of 7,939 thousand euros (31.12.2023: 5,356 thousand euros) is recorded in the balance sheet. See also Note 20.

in thousands of euros

	2024	2023
Corporate income tax from payments to owners:		
- Income tax on dividends paid (Note 19)	5,312	5,299
Corporate income tax expense arising from foreign subsidiaries:		
- Corporate income tax payable	108	226
Deferred income tax liability on dividends:		
- Deferred income tax liability	7,939	5,356

Note 19 Share capital

As of 31.12.2024 and 31.12.2023, 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 100,000,000 shares.

In 2024, dividends were paid to the shareholders in the amount of 29,324 thousand euros, or 0.72 euros per share. Related income tax expense on dividends amounted to 5,312 thousand euros.

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.

The Chairman of the Management Board of TKM Grupp AS proposes to the General Meeting of Shareholders to pay dividends in the amount of 26,474 thousand euros, or 0.65 euros per share out of retained earnings accumulated until 31 December 2024.

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

2024	Super-markets	Depart-ment stores	Car trade	Security	Real es-tate	Interseg-ment transac-tions	Impact of lease ac-count-ting	Total seg-ments
External revenue	**610,390**	**104,175**	**200,833**	**21,859**	**7,311**	**0**	**0**	**944,568**
Inter-segment revenue	1,144	4,861	395	6,580	14,640	-27,620	0	0
Total revenue	611,534	109,036	201,228	28,439	21,951	-27,620	0	944,568
EBITDA	**29,342**	**3,730**	**13,603**	**1,008**	**20,141**	**0**	**22,924**	**90,748**
Segment depreciation and impairment losses (Note 13,14)	-12,341	-2,903	-1,631	-641	-5,282	0	-20,376	-43,174
Operating profit/loss	**17,001**	**827**	**11,972**	**367**	**14,859**	**0**	**2,548**	**47,574**
Finance income (Note 23)	1,119	1,651	58	2	1,693	-4,009	0	514
Finance income on shares of associates (Note 10)	0	281	0	0	0	0	0	281
Finance costs (Note 23)	-2,080	-3,099	-909	-139	-5,501	4,009	-5,170	-12,889
Income tax* (Note 18)	-564	0	-1,615	0	-5,824	0	0	-8,003
Net profit/loss	**15,476**	**-340**	**9,506**	**230**	**5,227**	**0**	**-2,622**	**27,477**
incl. in Estonia	15,476	-340	8,563	230	2,082	0	-2,622	23,389
incl. in Latvia	0	0	376	0	3,272	0	0	3,648
incl. in Lithuania	0	0	567	0	-127	0	0	440
Segment assets	**161,352**	**87,057**	**54,592**	**10,211**	**321,962**	**-86,892**	**158,404**	**706,686**
Segment liabilities	**115,317**	**59,988**	**23,958**	**7,647**	**120,601**	**-55,130**	**172,777**	**445,158**
Segment investments in property, plant and equip-ment (Note 13)	6,680	4,338	1,460	409	21,176	0	0	34,063
Segment investments in in-tangible assets (Note 14)	0	1,987	2	10	1	0	0	2,000
Impairment of property, plant and equipment through profit or loss (Note 13)	0	0	0	0	-293	0	0	-293
Fair value adjustment of in-vestment property (Note 12)	0	0	0	0	2,429	0	0	2,429

In thousands of euros

2023	Super-markets	Depart-ment stores	Car trade	Security	Real es-tate	Interseg-ment transac-tions	Impact of lease ac-count-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 equip-ment (Note 13)	17,808	2,170	1,339	388	2,336	0	0	24,041
Segment investments in in-tangible assets (Note 14)	316	1,563	6	19	1	0	0	1,905
Reversal of the impairment from previous years of prop-erty, plant and equipment through profit or loss (Note 13)	0	0	0	0	606	0	0	606
Increase in value through re-valuation reserve of prop-erty, plant and equipment (Note 13)	0	0	0	0	11,989	0	0	11,989
Fair value adjustment of in-vestment property (Note 12)	0	0	0	0	452	0	0	452

*- 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 5,802 thousand euros (2023: 3,564 thousand euros), loans granted in the amount of 49,328 thousand euros (2023: 34,727 thousand euros) and investments in subsidiaries in the amount of 31,762 thousand euros (2023: 31,762 thousand euros).

Inter-segment transactions in line segment liabilities comprise inter-segment short-term liabilities in the amount of 5,802 thousand euros (2023: 3,564 thousand euros) and inter-segment borrowings in the amount of 49,328 thousand euros (2023: 34,727 thousand euros).

External revenue according to types of goods and services sold

in thousands of euros

	2024	2023
Retail revenue	828,905	844,757
Wholesale revenue	58,387	53,405
Rental income	11,385	10,605
Revenue from rendering services	45,891	38,490
Total revenue	**944,568**	**947,257**

External revenue by client location

in thousands of euros

	2024	2023
Estonia	847,095	854,455
Latvia	59,360	60,750
Lithuania	38,113	32,052
Total	**944,568**	**947,257**

Distribution of non-current assets* by location of assets

in thousands of euros

	31.12.2024	31.12.2023
Estonia	503,953	488,285
Latvia	25,239	33,307
Lithuania	2,906	2,298
Total	**532,098**	**523,890**

* 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

	2024	2023
Rental expenses	839	780
Heat and electricity expenses	12,845	13,975
Expenses related to premises	11,322	11,133
Cost of services and materials related to sales	7,369	7,569
Marketing expenses	10,292	9,247
Other operating expenses	5,466	5,414
Computer and communication costs	8,340	7,516
Expenses related to personnel	5,030	5,051
Total services expenses	**61,503**	**60,685**

Note 22 Staff costs

in thousands of euros

	2024	2023
Wages and salaries	85,327	82,532
Social security taxes	26,914	26,136
Total staff costs	**112,241**	**108,668**
Average wages per employee per month (euros)	1,486	1,456
Average number of employees in the reporting period	4,785	4,724

Staff costs also include accrued holiday pay as well as bonuses for 2024 but not yet paid.

Note 23 Finance income and costs

in thousands of euros

Finance income

	2024	2023
Interest income from cash and cash equivalents	99	3
Interest income from group account	412	81
Other finance income	3	2
Total finance income	**514**	**86**

Finance costs

	2024	2023
Interest expense of bank loans	-6,436	-4,947
Interest expense of lease liabilities	-5,170	-3,720
Interest expense of other loans	-1,128	-732
Other finance costs	-155	-177
Total finance costs	**-12,889**	**-9,576**

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.

	2024	2023
Net profit (in thousands of euros)	27,477	37,424
Weighted average number of shares	40,729,200	40,729,200
Basic and diluted earnings per share (euros)	0.67	0.92

Note 25 Loan collateral and pledged assets

in thousands of euros

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

	31.12.2024	31.12.2023
Land and buildings (Note 13)	130,197	134,525
Machinery and equipment (Note 13)	21,873	20,348
Building under construction (Note 13)	528	0
Investment property (Note 12)	68,799	45,042
Inventories (Note 8)	66	216

Note 26 Related party transactions

in thousands of euros

In preparing the consolidated annual report of TKM 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 TKM 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 TKM Grupp AS.

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

	Purchases 2024	Sales 2024	Purchases 2023	Sales 2023
Parent company	254	420	252	88
Entities in the Parent company consolidation group	32,486	4,887	36,799	3,590
Members of management and supervisory boards	0	88	0	40
Other related parties	98	24	51	18
Total	**32,838**	**5,419**	**37,102**	**3,736**

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:

	31.12.2024	31.12.2023
Receivables from entities in the Parent company consolidation group	792	540
Members of management and supervisory boards	0	2
Total receivables from related parties (Note 7)	**792**	**542**

	31.12.2024	31.12.2023
Parent company	26	24
Entities in the Parent company consolidation group	3,520	4,065
Other related parties	3	2
Total liabilities to related parties (Note 17)	**3,549**	**4,091**

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, TKM Grupp AS has been keeping its available funds at the head group account, earning interest income on its deposits. In 2024, the Group earned interest income on its deposits of available funds in the amount of 412 thousand euros, average interest rate 2.58% (2023: in the amount of 81 thousand euros, average interest rate 1.27%). As at 31 December 2024 and 31 December 2023, the Group had not deposited any funds through head group. In 2024 and 2023, 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 TKM Group for the reporting year including wages, social security taxes, bonuses and car expenses, amounted to 3,248 thousand euros (2023: 3,225 thousand euros). Short term benefits to supervisory boards' members of the companies belonging to TKM Grupp AS in reporting year including social taxes amounted to 949 thousand euros (2023: 861 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 31.12.2024, the following members of the Management and Supervisory Board own or represent the shares of TKM Grupp AS (either through parent company of the Group NG Investeeringud OÜ or individually):

Jüri Käo	Represents 4,77,508 (11.73%) shares of TKM Grupp AS
Enn Kunila	Represents 4,699,138 (11.54%) shares of TKM Grupp AS
Raul Puusepp	Owns 17,000 (0.0417%) shares of TKM Grupp AS
Gunnar Kraft	Owns 15,654 (0.0384%) shares of TKM Grupp AS and represents 31,644 (0.078%) shares of TKM Grupp AS

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

Jüri Käo	Represents 4,772,100 (11.72%) shares of TKM Grupp AS
Enn Kunila	Represents 4,695,785 (11.53%) shares of TKM Grupp AS
Raul Puusepp	Owns 17,000 (0.0417%) shares of TKM Grupp AS
Gunnar Kraft	Owns 15,654 (0.0384%) shares of TKM Grupp AS and represents 31,644 (0.078%) shares of TKM Grupp AS

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

Shareholders	31.12.2024 Ownership interest	31.12.2023 Ownership interest
OÜ NG Investeeringud (Parent)	67.10%	67.05%

As at 31 December 2024, 68.75% of the shares (31 December 2023: 68.75%) of NG Investeeringud OÜ are owned by NG Kapital OÜ, which is the ultimate controlling party of TKM Grupp AS.

Note 29 Contingent liabilities

Contingent liability relating to income tax on dividends

As of 31 December 2024, the retained earnings of TKM Grupp AS were 130,466 thousand euros (31 December 2023: 127,960 thousand euros). Payment of dividends to owners is accompanied by income tax expense 22/78 on the amount paid as net dividends. Hence, of the retained earnings existing as of the balance sheet date, the owners can be paid 101,764 thousand euros as dividends (31 December 2023: 102,368 thousand euros) and the payment of dividends would be accompanied by income tax on dividends in the amount of 28,702 thousand euros (31 December 2023: 25,592 thousand euros).

Contingent liabilities relating to bank loans

Regarding the loan agreements in the amount of 128,565 thousand euros (2023: 115,209 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 2024, 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 2024 and 2023 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 22,669 thousand euros (21,996 thousand euros at the end of 2023). 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 2024 and 2023, 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

	31.12.2024	31.12.2023
ASSETS		
Current assets		
Cash and cash equivalents	1	1
Trade and other receivables	20,886	9,995
Total current assets	**20,887**	**9,996**
Non-current assets		
Investments in subsidiaries	287,256	286,169
Investments in associates	1,733	1,732
Property, plant and equipment	117	126
Intangible assets	1,637	2,754
Total non-current assets	**290,743**	**290,781**
TOTAL ASSETS	**311,630**	**300,777**

LIABILITIES AND EQUITY		
Current liabilities		
Borrowings	20,243	8,881
Trade and other payables	2,753	2,332
Total current liabilities	**22,996**	**11,213**
Non-current liabilities		
Borrowings	19,167	20,833
Total non-current liabilities	**19,167**	**20,833**
TOTAL LIABILITIES	**42,163**	**32,046**
Equity		
Share capital	16,292	16,292
Statutory reserve capital	2,603	2,603
Retained earnings	250,572	249,836
TOTAL EQUITY	**269,467**	**268,731**
TOTAL LIABILITIES AND EQUITY	**311,630**	**300,777**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

in thousands of euros

	2024	2023
Revenue	5,792	5,348
Other income	4	2
Other operating expenses	-1012	-1,011
Staff costs	-5,123	-4,931
Depreciation, amortisation and impairment	-259	-288
Other expenses	-63	-35
Operating loss	**-661**	**-915**
Interest income and expenses	-750	-1,000
Profit from investments accounted for using the equity method	31,471	51,383
Total finance income and costs	**30,721**	**50,383**
Profit before income tax	**30,060**	**49,468**
NET PROFIT FOR THE FINANCIAL YEAR	**30,060**	**49,468**
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR	**30,060**	**49,468**
Basic and diluted earnings per share (euros)	0.74	1.21

CASH FLOW STATEMENT

in thousands of euros

	2024	2023
CASH FLOWS FROM/USED IN OPERATING ACTIVITIES		
Net profit	30,060	49,468
Adjustments:		
Interest expense	*2,961*	*2,726*
Interest income	*-2,210*	*-1,727*
Profit from investments under equity method	*-31,471*	*-51,383*
Depreciation, amortisation	*259*	*288*
Change in receivables and prepayments related to operating activities	-2,063	-60
Change in liabilities and prepayments related to operating activities	420	386
TOTAL CASH FLOWS FROM/USED IN OPERATING ACTIVITIES	**-2,044**	**-302**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	-56	-43
Purchases of intangible assets	-1,001	-1,106
Proceeds from sale of intangible assets	1,923	0
Interest received	2,210	1,727
Change in the receivable of group account	2,535	5,105
Investments in subsidiaries	0	-2,000
Dividends received	30,385	28,706
TOTAL CASH FLOWS FROM INVESTING ACTIVITIES	**35,996**	**32,389**
CASH FLOWS USED IN FINANCING ACTIVITIES		
Repayments of borrowings	-1,667	-1,667
Interest paid	-2,961	-2,726
Dividends paid	-29,324	-27,695
TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES	**-33,952**	**-32,088**
TOTAL CASH FLOWS	**0**	**-1**
Cash and cash equivalents at beginning of the period	1	2
Cash and cash equivalents at end of the period	1	1
Net increase/decrease in cash and cash equivalents	**0**	**-1**

STATEMENT OF CHANGES IN EQUITY

in thousands of euros

	Share capital	Statutory reserve capital	Retained earnings	Total
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**
Dividends paid	0	0	-29,324	-29,324
Profit for the reporting period	0	0	30,060	30,060
Balance as of 31.12.2024	**16,292**	**2,603**	**250,572**	**269,467**

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.

Adjusted unconsolidated equity

in thousands of euros	31.12.2024	31.12.2023
Unconsolidated equity of the Parent company	269,467	268,731
Value of subsidiaries and associated companies in the unconsolidated statement of financial position of the parent company (-)	-288,989	-287,901
The value of subsidiaries and associated companies calculated using the equity method (+)	288,989	287,901
Adjusted unconsolidated equity of the parent company	**269,467**	**268,731**

Independent auditor's report

To the Shareholders of TKM 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 TKM Grupp AS (the "Company") and its subsidiaries (together – the "Group") as at 31 December 2024, 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 2025.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2024;
- 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.

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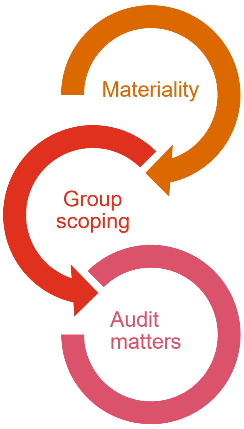
To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Company and its parent and subsidiaries are in accordance with the applicable law and regulations in the Republic of Estonia and that we have not provided non-audit services that are prohibited under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

During the period from 1 January 2024 to 31 December 2024 we have not provided any non-audit services to the Company and its parent and subsidiaries.

Our audit approach

Overview



- Overall Group audit materiality is EUR 9.35 million, which represents approximately 1% of the Group's consolidated revenues.
- Specific materiality applied to property, plant and equipment and investment properties is EUR 7 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.

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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, if any, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group audit materiality	The overall Group audit materiality is EUR 9.35 million. Specific materiality of EUR 7 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 7 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".	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 to ensure that

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The Group's property portfolio includes:

- Property, plant and equipment, which include land and buildings in the carrying amount of EUR 204.7 million as at 31 December 2024 (accounted for using the revaluation method). No revaluation was made in respect of these assets in 2024.
- Investment properties in the carrying amount of EUR 81.3 million (carried at fair value). The gain from fair value adjustments recorded in 2024 profit or loss statement was EUR 2.4 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.

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 verified the compliance of the methods used to measure the fair value of real estate objects with the IFRS fair value measurement principles.

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.

As a result from our interaction with Group management and the valuers, and from our procedures in respect of the valuation reports we verified whether the valuation of each property took into account its individual characteristics, such as considering the overall quality, geographic location and cash flow potential. We examined whether the assumptions used in the valuation of the properties, given the unique characteristics of the properties, appropriately took into account the impact of recent significant market transactions and market conditions, and whether Group's management and the external valuers have considered and evaluated alternative assumptions 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.

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, TKM 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 the Management report (including the Consolidated Sustainability Statement), 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 (excluding the Consolidated Sustainability Statement on which a separate assurance report is issued by us) 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.

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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 (excluding the Consolidated Sustainability Statement) 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.

If, based on the work we have performed on the Management report and other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement in the Management report or in this other information, we are required to report that fact. Our separate assurance report dated 19 February 2025 on the Consolidated Sustainability Statement, which forms part of the other information, includes a qualified conclusion relating to certain information disclosed within the Consolidated Sustainability Statement.

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.
- 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose 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 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 TKM Grupp AS for the year ended 31 December 2024 (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.

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.

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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 and professional ethics

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 TKM 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 TKM Grupp AS, as a public interest entity, of 16 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 TKM Grupp AS can be extended for up to the financial year ending 31 December 2028.

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Original report is signed in Estonian language

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

19 February 2025
Tallinn, Estonia

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Independent Practitioner's Limited Assurance Report on TKM Grupp AS's Consolidated Sustainability Statement

To the shareholders of TKM Grupp AS

Qualified limited assurance conclusion

We have conducted a limited assurance engagement on the consolidated sustainability statement of TKM Grupp AS (the "Company"), included in Consolidated Sustainability Statement of the Management report (the "Consolidated Sustainability Statement"), as at 31 December 2024 and for the year then ended.

Based on the procedures we have performed and the evidence we have obtained, except for the effects and the possible effects of the matter described in the Basis for qualified conclusion section, nothing has come to our attention that causes us to believe that the Consolidated Sustainability Statement is not prepared, in all material respects, in accordance with Section 31, subsection 4 of the Accounting Act implementing Article 29(a) of EU Directive 2013/34/EU, including:

- compliance with the European Sustainability Reporting Standards (ESRS), including that the process carried out by the Company to identify the information reported in the Consolidated Sustainability Statement (the "Process") is in accordance with the description set out in note Double materiality (impacts, risks, and opportunities) assessment; and
- compliance of the disclosures in Taxonomy Regulation within the Environmental Information of the Consolidated Sustainability Statement with Article 8 of EU Regulation 2020/852 (the "Taxonomy Regulation").

Basis for qualified conclusion

The Company has disclosed in subsection Gross Scopes 1, 2, 3 and Total GHG emissions of the Consolidated Sustainability Statement total gross Scope 3 GHG emissions in the amount of 2 764 727 tCO2eq. These emissions include five categories (category 1: purchased goods and services, category 2: capital goods, category 3: fuel and energy-related activities, category 4: upstream transportation and distribution, category 9: downstream transportation). As described in subsection Significant Estimates, when estimating the Scope 3 GHG emissions, the Company used average data for the retail sector obtained from a third-party industry report, but Company specific data was not used in calculating the estimates. In our view, the methodology applied for the estimation of the total gross Scope 3 GHG emissions and the five GHG emissions category amounts is not in compliance with the requirements of ESRS E1, paragraph AR46. Consequently, the respective emission amounts as disclosed may be materially misstated, however, we were unable to quantify the amount of the misstatement.
In addition, the narrative disclosure states that Scope 3 emission categories were excluded from the disclosure due to a lack of sufficiently high-quality data which is inconsistent with the fact that the Company has disclosed amounts as noted above.

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance engagements other than audits or reviews of historical financial information ("ISAE 3000 (Revised)"), issued by the International Auditing and Assurance Standards Board.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our qualified conclusion. Our responsibilities under this standard are further described in the Practitioner's responsibilities section of our report.

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Our independence and quality management

We have complied 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 (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies International Standard on Quality Management (Estonia) 1 (revised), which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Responsibilities for the Consolidated Sustainability Statement

Management of the Company is responsible for designing and implementing a process to identify the information reported in the Consolidated Sustainability Statement in accordance with the ESRS and for disclosing this Process in note Double materiality (impacts, risks, and opportunities) assessment of the Consolidated Sustainability Statement. This responsibility includes:

- understanding the context in which the Company's activities and business relationships take place and developing an understanding of its affected stakeholders;
- the identification of the actual and potential impacts (both negative and positive) related to sustainability matters, as well as risks and opportunities that affect, or could reasonably be expected to affect, the Company's financial position, financial performance, cash flows, access to finance or cost of capital over the short-, medium-, or long-term;
- the assessment of the materiality of the identified impacts, risks and opportunities related to sustainability matters by selecting and applying appropriate thresholds; and
- making assumptions that are reasonable in the circumstances.

Management of the Company is further responsible for the preparation of the Consolidated Sustainability Statement, in accordance with Section 31, subsection 4 of the Accounting Act implementing Article 29(a) of EU Directive 2013/34/EU, including:

- compliance with the ESRS;
- preparing the disclosures in Taxonomy Regulation within the Environmental Information of the Consolidated Sustainability Statement, in compliance with Article 8 of EU Regulation 2020/852 (the "Taxonomy Regulation");
- designing, implementing and maintaining such internal control that management determines is necessary to enable the preparation of the Consolidated Sustainability Statement that is free from material misstatement, whether due to fraud or error; and
- the selection and application of appropriate sustainability reporting methods and making assumptions and estimates that are reasonable in the circumstances.

Those charged with governance are responsible for overseeing the Company's sustainability reporting process.

Inherent limitations in preparing the Consolidated Sustainability Statement

In reporting forward-looking information in accordance with ESRS, management of the Company is required to prepare the forward-looking information on the basis of disclosed assumptions about events that may occur in the future and possible future actions by the Company. Actual outcomes are likely to be different since anticipated events frequently do not occur as expected.

Practitioner's responsibilities

Our responsibility is to plan and perform the assurance engagement to obtain limited assurance about whether the Consolidated Sustainability Statement is free from material misstatement, whether due to fraud or error, and to issue a limited assurance report that includes our conclusion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence decisions of users taken on the basis of the Consolidated Sustainability Statement as a whole.

As part of a limited assurance engagement in accordance with ISAE 3000 (Revised) we exercise professional judgement and maintain professional scepticism throughout the engagement.

Our responsibilities in respect of the Consolidated Sustainability Statement, in relation to the Process, include:

- Obtaining an understanding of the Process, but not for the purpose of providing a conclusion on the effectiveness of the Process, including the outcome of the Process;
- Considering whether the information identified addresses the applicable disclosure requirements of the ESRS; and
- Designing and performing procedures to evaluate whether the Process is consistent with the Company's description of its Process set out in note Double materiality (impacts, risks, and opportunities) assessment.

Our other responsibilities in respect of the Consolidated Sustainability Statement include:

- Identifying where material misstatements are likely to arise, whether due to fraud or error; and
- Designing and performing procedures responsive to where material misstatements are likely to arise in the Consolidated Sustainability Statement. 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.

Summary of the work performed

A limited assurance engagement involves performing procedures to obtain evidence about the Consolidated Sustainability Statement. The procedures in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

The nature, timing and extent of procedures selected depend on professional judgement, including the identification of disclosures where material misstatements are likely to arise in the Consolidated Sustainability Statement, whether due to fraud or error.

In conducting our limited assurance engagement, with respect to the Process, we:

- Obtained an understanding of the Process by:
    - performing inquiries to understand the sources of the information used by management (e.g., stakeholder engagement, business plans and strategy documents); and
    - reviewing the Company's internal documentation of its Process; and
- Evaluated whether the evidence obtained from our procedures with respect to the Process implemented by the Company was consistent with the description of the Process set out in note Double materiality (impacts, risks, and opportunities) assessment.

In conducting our limited assurance engagement, with respect to the Consolidated Sustainability Statement, we:

- Obtained an understanding of the Company's reporting processes relevant to the preparation of its Consolidated Sustainability Statement by:
    - Obtaining an understanding of the Company's control environment, processes and information system relevant to the preparation of the Consolidated Sustainability Statement, but not for the purpose of providing a conclusion on the effectiveness of the Company's internal control.
    - Obtaining an understanding of the roles and responsibilities in the preparation of the Consolidated Sustainability Statement, including communication within the Company and between management and those charged with governance.
- Evaluated whether the information identified by the Process is included in the Consolidated Sustainability Statement;
- Evaluated whether the structure and the presentation of the Consolidated Sustainability Statement is in accordance with the ESRS;
- Performed inquiries of relevant personnel and analytical procedures on selected information in the Consolidated Sustainability Statement;
- Performed substantive assurance procedures on selected information in the Consolidated Sustainability Statement;
- Where applicable, compared disclosures in the Consolidated Sustainability Statement with the corresponding disclosures in the consolidated financial statements and Management Report;
- Evaluated the methods, assumptions and data for developing estimates and forward-looking information;
- Obtained an understanding of the Company's process to identify taxonomy-eligible and taxonomy-aligned economic activities and the corresponding disclosures in the Consolidated Sustainability Statement.

Other matter

The comparative information included in the Taxonomy Regulation within the Environmental Information of the Consolidated Sustainability Statement of the Company as at 31 December 2023 and for the year then ended was not subject to an assurance engagement. Our conclusion is not modified in respect of this matter.

AS PricewaterhouseCoopers

Original report is signed in Estonian language

Janno Hermanson
Certified auditor in charge, auditor's certificate no.570

19 February 2025
Tallinn, Estonia

Translation note:

This version of the report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

PROFIT ALLOCATION PROPOSAL

The retained earnings of TKM Grupp AS are:

Total retained earnings 31 December 2024	130,466 thousand euros

The Chairman of the Management Board of TKM Grupp AS proposes to the General Meeting of Shareholders to pay dividends in the amount of 26,474 thousand euros out of retained earnings accumulated until 31 December 2024.

Raul Puusepp

Chairman of the Management Board

Signed digitally

Tallinn, 20 February 2025

SIGNATURES OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD TO THE ANNUAL REPORT 2024

The supervisory board of TKM Grupp AS has reviewed the 2024 consolidated annual report, prepared by the management board, consisting of the management 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 2024 of TKM Grupp 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, 20 February 2025

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	2024
64201	Holding company's activities	5,792
	Total revenue	**5,792**