TALLINNA KAUBAMAJA GRUPP AS

Consolidated Interim Report for
the Fourth quarter and 12 months of 2018
(unaudited)

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COMPANY PROFILE AND CONTACT DETAILS

The primary areas of activity of the companies of the Tallinna Kaubamaja Grupp AS (hereinafter referred to as the 'Tallinna Kaubamaja Group' or 'the Group') include retail and wholesale trade and rental activities. The Tallinna Kaubamaja Group employs more than 4,200 employees.

The Company is listed on the Tallinn Stock Exchange.

Registered office:	Kaubamaja 1
	10143 Tallinn
	Republic of Estonia
Registry code:	10223439
Beginning of financial year:	1 January 2018
End of financial year:	31 December 2018
Beginning of interim report period:	1 January 2018
End of interim report period:	31 December 2018
Auditor:	PricewaterhouseCoopers AS
Telephone:	372 667 3200
Fax:	372 667 3205
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MANAGEMENT REPORT

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

Management

In order to manage the Tallinna Kaubamaja Group the general meeting of the shareholders, held at least once in a year, elects supervisory board, which according to the articles of association may have 3 to 6 members. Members of the Tallinna Kaubamaja Group supervisory board are Jüri Käo (chairman of the supervisory board), Andres Järving, Enn Kunila, Gunnar Kraft and Meelis Milder. Members of Tallinna Kaubamaja Group supervisory board are elected for three years. The mandates of current supervisory board members Andres Järving, Jüri Käo, Enn Kunila, Meelis Milder and Gunnar Kraft will expire on 19 May 2021. During the period between the general meetings the supervisory board plans actions of the company, organises management and accomplishes supervision over management actions. Regular supervisory board meetings are held at least 10 times in a year. In order to manage daily activities the supervisory board appoints member(s) of the management board of the Tallinna Kaubamaja Group in accordance with the Commercial Code. In order to elect a member of the management board, his or her consent is required. By the articles of association a member of the management board shall be elected for a specified term of three years. Extension of the term of office of a member of the management board shall not be decided earlier than one year before the planned date of expiry of the term of office, and not for a period longer than the maximum term of office prescribed by the articles of association. Currently the management board of Tallinna Kaubamaja Group has one member. The term of office of the management board member Raul Puusepp was extended on 17 February 2017 and his term of office expires on 6 March 2020.

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

Share market

Since 19 August 1997, the shares of Tallinna Kaubamaja Group have been listed in the main list of securities of the Tallinn Stock Exchange. Tallinna Kaubamaja Group has issued 40,729.2 thousand registered shares, each with the nominal value of 0.40 euros. The shares are freely transferable, no statutory restrictions apply. There are no restrictions on transfer of securities to the company as provided by contracts between the company and its shareholders. We do not have information about contracts between the shareholders restricting the transfer of securities. NG Investeeringud OÜ has direct significant participation. Shares granting special rights to their owners have not been issued.

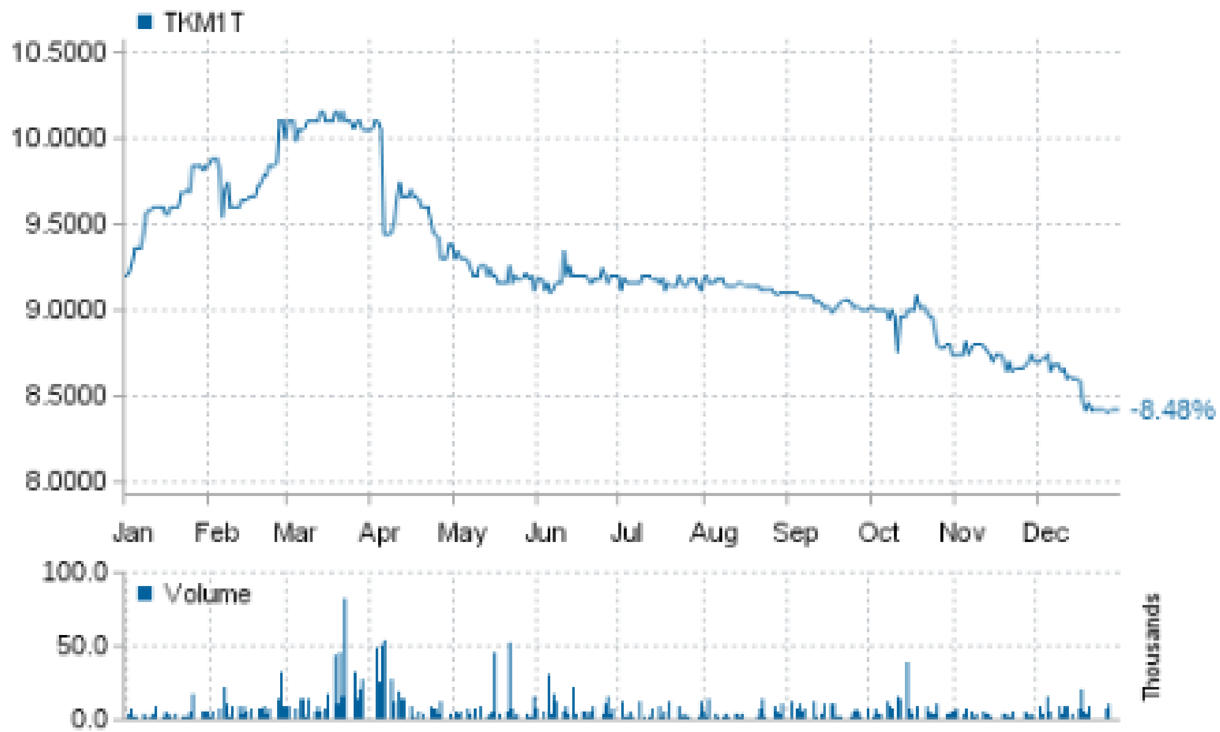
The members of the management board of Tallinna Kaubamaja Group have no right to issue or buy back shares. In addition, there are no commitments between the company and its employees providing for compensation in mergers and acquisitions under article 19' of Stock Market Trade Act.

The share with a price of 9.20 euros at the end of 2017 was closed in the end of December 2018 at the level of 8.42 euros, fell by 8.48% a year-end following the pace of global stock markets.

According to the notice of regular annual general meeting of the shareholders published on 26 February 2018, the management board proposed to pay dividends 0.69 euros per share. The general meeting of shareholders approved it.

Share price and trading statistics on the Tallinn Stock Exchange from 01.01.2018 to 31.12.2018.

In euros



Company's structure

The following companies belong to the group as of December 31, 2018:

	Location	Shareholding as of 31.12.2018	Shareholding as of 31.12.2017
Selver AS	Estonia	100%	100%
Kulinaaria OÜ	Estonia	100%	100%
Kaubamaja AS	Estonia	100%	100%
Viking Security AS	Estonia	100%	100%
Tartu Kaubamaja Kinnisvara OÜ	Estonia	100%	100%
Tallinna Kaubamaja Kinnisvara AS	Estonia	100%	100%
TKM Lietuva UAB	Lithuania	100%	100%
SIA TKM Latvija	Latvia	100%	100%
Selver Latvia SIA	Latvia	0%	100%
TKM Auto OÜ	Estonia	100%	100%
KIA Auto AS	Estonia	100%	100%
KIA Auto UAB	Lithuania	100%	100%
Forum Auto SIA	Latvia	100%	100%
Verte Auto SIA	Latvia	100%	100%
Viking Motors AS	Estonia	100%	100%
OÜ TKM Beauty	Estonia	100%	100%
OÜ TKM Beauty Eesti	Estonia	100%	100%
AS TKM King	Estonia	100%	100%
Rävala Parkla AS	Estonia	50%	50%

Economic development

In the third quarter of 2018, the gross domestic product grew by 4.2% in Estonia compared to the same quarter of the previous year. As in previous quarters, the main contributor to the growth of the GDP was the construction sector. The economic growth was primarily decelerated due to the decrease of added value in agriculture, forest management, and fisheries. The growth in consumption attributed to the growth of wages and changes in the income tax regulation was lower than expected in 2018. Savings of private persons, however, grew by around 10%. Macroeconomic analysts have forecast economic growth to be 3.5% in 2018. For 2019, analysts forecast the deceleration of economic growth down to 2.0% because of a labour deficit and growing wages that will result in the loss of competitive edge of companies, especially in export. The consumer price index grew 3.7% in the fourth quarter of 2018 and 3.4% annually. The price growth of food and non-alcoholic beverages decelerated down to 2.1% in the fourth quarter; however, the annual result was 3.1%. The price growth of clothes and footwear accelerated at the end of the year, showing 1.8% in the fourth quarter, and the prices of this group of goods increased by 0.8% in a year. The prices of alcoholic beverages and tobacco increased the fastest (8.6%) in 2018. It is expected that the growth of prices will stop at 2.6% as a result of stabilisation of energy prices in 2019. According to the data of Statistics Estonia, average gross wages grew by 7.5% in the third quarter of the 2018 compared to the previous year. Macroeconomic analysts forecast a wage increase of 7.1% for the reporting year. In 2019, the expected growth of wages, according to the Bank of Estonia, is 6.2%.

According to Statistics Estonia, the total sales revenue generated by the retail sector in current prices in Estonia grew by 7.1% in the first eleven months of 2018. The car sales that have shown great growth for a long time have accelerated the activity of the motor vehicle maintenance and repair segment, which grew by 20.3% (over one fifth) in eleven months compared to the previous year. The sales revenue of commercial companies grew by 631 million euros in current prices during the first eleven months of 2018, where the largest share, 261 million euros, was attributed to the sales of motor vehicles as well as their parts and accessories, although the sales of new cars grew only by 3.6% in the first eleven months of 2018. Retail sales in non-specialised stores (predominantly grocery) grew altogether by 3.6% during the first eleven months of 2018. Retail sales in other specialised stores grew by 6.4%. According to the Estonian Institute of Economic Research, consumer confidence has weakened in the fourth quarter of 2018. According to analysts, the sales growth in car sales and real estate is decelerating; however, the growth of domestic consumption will continue on account of growing wages and tax returns resulting from the income tax reform.

Economic results

FINANCIAL RATIOS 2017–2018

	EUR		
	4th quarter 2018	4th quarter 2017	Change
Sales revenue (in millions)	182.4	175.0	4.2%
Operating profit/loss (in millions)	11.8	12.4	-4.7%
Net profit/loss (in millions)	11.5	11.9	-3.3%
Return on equity (ROE)	5.4%	5.9%	
Return on assets (ROA)	2.9%	3.1%	
Net profit margin	6.32%	6.81%	
Gross profit margin	27.16%	26.79%	
Quick ratio	1.13	0.89	
Debt ratio	0.45	0.48	
Sales revenue per employee (in millions)	0.043	0.042	
Inventory turnover	1.70	1.69	
SHARE			
Average number of shares (1000 pcs)	40,729	40,729	
Equity capital per share (EUR/share)	5.54	5.11	
Share's closing price (EUR/share)	8.420	9.200	
Earnings per share (EUR/share)	0.28	0.29	
Average number of employees	4,270	4,193	

	EUR		
	12 month 2018	12 month 2017	Change
Sales revenue (in millions)	681.2	651.3	4.6%
Operating profit/loss (in millions)	37.3	37.1	0.6%
Net profit/loss (in millions)	30.4	29.8	2.0%
Return on equity (ROE)	14.0%	14.5%	
Return on assets (ROA)	7.5%	7.6%	
Net profit margin	4.47%	4.58%	
Gross profit margin	25.54%	25.57%	
Quick ratio	1.13	0.89	
Debt ratio	0.45	0.48	
Sales revenue per employee (in millions)	0.159	0.156	
Inventory turnover	6.48	6.39	
SHARE			
Average number of shares (1000 pcs)	40,729	40,729	
Equity capital per share (EUR/share)	5.54	5.11	
Share's closing price (EUR/share)	8.420	9.200	
Earnings per share (EUR/share)	0.75	0.73	
Average number of employees	4,283	4,182	

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

In the fourth quarter of 2018, the unaudited consolidated sales revenue of Tallinna Kaubamaja Group was 182.4 million euros, exceeding the year-on-year result by 4.2%. The sales revenue generated in 12 months was 681.2 million euros, showing an increase of 4.6% compared to the result of 2017, when the sales revenue was 651.3 million euros. In the fourth quarter of 2018, the unaudited consolidated net profit of the Group was 11.5 million euros, which is 3.3% lower than the profit of the same period of the previous year. The net profit of the group was 30.4 million euros in 2018, which is 2.0% better compared to the previous year. The pre-tax profit of twelve months was 36.7 million euros, showing a growth of 0.7% compared to the previous year. The size of the net profit was influenced by the dividend payment, on which income tax of 6.3 million euros was accrued in the first quarter of 2018, whereas a year earlier, income tax was accrued in the amount of 6.7 million euros.

In the fourth quarter of 2018, the Group continued to produce strong sales results. The supermarkets segment showed the largest growth in sales, supported by two new Selver stores opened in Tallinn in November. The successful sales campaigns of Kaubamaja and the launch of the new I.L.U. e-store increased the sales revenue and profit of the department stores segment compared to the last quarter of 2017. The car trade and supermarket segments had a very good year and were able to increase the sales and improve the profit numbers. The sales results of the Group's e-stores grew strongly in 2018, showing a growth in numbers that still exceed the sales statistics of Estonian e-commerce sector. The labour costs of the Group increased by 8.7% in a year and the average salary of the Group's employees grew by 6.1%. The profit earned in the fourth quarter was influenced by the re-evaluation of investment property. The value of investment property grew in 2018; however, the growth was smaller compared to the growth in 2017, as a result of which positive impact on earnings before interest, taxes, depreciation, and amortisation (EBITDA) was 1.0 million euros lower in 2018.

During 2018, SelveEkspress areas were extended in Selver stores and the service was available already in 48 Selver stores by the end of the reporting year. In September, a thoroughly renewed I.L.U. web store was launched successfully. An ABC King store set up in accordance with the new concept was opened at Kristiine Centre in the third quarter. The designing of the extension of the Kulinaaria plant, which is becoming too small to meet the current customer needs, was initiated. The new plant is planned to be built on the plot adjacent to the current plant. At the beginning of November, Selver opened its eight hypermarket in the T1 shopping centre and Kolde Selver was opened in the Põhja-Tallinn city district. The development work of Estonian, Latvian, and Lithuanian car centres and the Kaubamaja Tallinn department store is ongoing.

The volume of assets of Tallinna Kaubamaja Group as at 31 December 2018 was 411.1 million euros, which is 3.4% more than the respective number at the end of 2017. The balance sheet of the Group was influenced by the re-evaluation of land and buildings in 2018, which resulted in a growth of the value of land and buildings by 15.3 million euros. The same amount was added to the revaluation reserve of equity.

There were more than 674 thousand loyal customers at the end of the reporting period; the number of loyal customers increased by 3.0% in a year. The relative importance of regular customers in the turnover of the Group was 84.6% (the percentage was 83.0% in the 2017). Over 30,000 Partner Bank and Credit Cards had been issued by the end of December.

<u>Selver supermarkets</u>

The annual consolidated sales revenue of the supermarkets business segment was 450.1 million euros in 2018, showing a growth of 3.9% in the year-on-year comparison. The consolidated sales revenue in the fourth quarter was 122.5 million euros, increasing by 5.6% in comparison with the same period last year. In 2018, the monthly average sales revenue of goods per square metre of selling space was 0.38 thousand euros and 0.40 thousand euros in the fourth quarter, growing by 0.8% and 2.1%, respectively, in the year-on-year comparison. In terms of comparable stores, the average sales revenue of goods per square metre of selling space was 0.37 thousand euros in 2018 and 0.40 thousand euros in the fourth quarter, showing a growth of 0.2% and 2.1%, respectively. In 2018, 38.8 million purchases were made in Selver supermarkets, which exceeded the result of last year by 3.1%.

In 2018, the consolidated pre-tax profit of the supermarkets segment was 18.6 million euros, increasing by 1.8 million euros compared to the previous year. The net profit earned in 2018 was 14.6 million euros, increasing by 1.4 million euros compared to the previous year. The difference between the net profit and profit before income tax is due to income tax paid on dividends – the income tax paid on dividends was by 0.4 million euros higher in 2018 compared to the year earlier. The pre-tax profit and net profit was 5.8 million euros in the fourth quarter, exceeding the result of the previous year of the comparable period by 0.1 million euros. In the second half-year of 2018, SIA Selver Latvia was liquidated and as at the end of the year, the company has been deleted from the commercial register.

The growth of the sales revenue in Selver supermarkets continued in the fourth quarter at a higher pace than in the non-specialised stores market segment. The growth trend was visible in the number of purchases as well as the amount of an average purchase. The growth of sales revenue of comparable stores was more rapid in the last quarter of the year. In the fourth quarter, the growth of sales revenue in e-commerce was 28.0%.

The profit earned in the supermarkets segment was primarily influenced by the growth of the sales revenue. In terms of operating costs, the cost efficiency level was improved compared to the previous year. The main reason behind the growth of labour costs in the second half of the year is a strong pressure on wages and recruitment new employees to new opening stores.

The comparison basis of 2018 does not include five new supermarkets opened in Tallinn last year and a mobile store in Hiiumaa; however, the comparison basis is larger on account of a supermarket closed in Tallinn.

As at the end of December, the supermarket segment includes the Selver chain with 53 Selver stores, e-Selver, a mobile store, and a café with a total selling space of 99,900 m², as well as Kulinaaria OÜ, the largest central kitchen in the Baltic States.

<u>Department stores</u>

In 2018, the department stores business segment earned a sales revenue of 100.9 million euros, which is 1.5% less than last year in the same period. Of this, the sales revenue generated in the fourth quarter was 31.6 million euros, which was 1.8% better than the revenue earned in the fourth quarter of 2017. The sales revenue of the department stores segment per square metre of selling space was 0.31 thousand euros in 12 months, which was 1.2% less than in the same period last year. In 2018, the pre-tax profit of the department stores segment was 3.8 million euros, which is 12.2% lower on the year-on-year basis. The pre-tax profit was 2.8 million euros in the fourth quarter, which was better by 24.0% compared to the result a year earlier. The sales revenue of 12 months of the Kaubamaja department stores segment was influenced by a longer and stronger summer discount campaign, because the long winter and early summer did not help with the sale of spring goods. The repair works on Gonsiori Street and the renovation of Tammsaare Park, which disturbed the traffic and movement of pedestrians in downtown Tallinn, influenced the summer sales, restricted access to and reduced the number of customers that visited the store in Tallinn. In addition, renovation works were undertaken on the first floor of the Tartu department store in July and August and the completely renewed women's shoe department and men's department were opened at the beginning of September. The sales revenue of the fourth quarter was greatly influenced by the best Osturalli campaign throughout the years and a strong Christmas campaign. Taking into account the location of the department store in downtown Tallinn, the structural changes in the number of tourists in 2018, showing a lower number of Finnish tourists, had a significant impact on the result of 2018. The changes in the excise policy have influenced the purchase behaviour of Finnish tourists, resulting in not only in the decrease of sales of alcoholic beverages, but also decreased sales in other groups of goods, such as perfumery products, clothes, footwear, and children's goods.

In the fourth quarter of 2018, the sales revenue of OÜ TKM Beauty Eesti, which operates the I.L.U. cosmetics stores, was 1.6 million euros, showing a growth of 3.8% compared to the same period in 2017. The profit earned in the fourth quarter was 0.1 million euros, which was 0.1 million euros better compared to the same period in 2017. The sales revenue was 4.6 million euros in 2018, decreasing by 0.7% compared to the sales revenue earned in 2017. The loss was 0.2 million euros in 2018, which was 0.1 million euros less than the loss earned in the comparable period in 2017. In February of the reporting year, the store in Kvartal shopping centre in Tartu was closed because of unsatisfactory business results. During the year, attention was paid to the assortment analyses by stores for the purpose of offering customers new attractive goods as well as ensuring an optimal balance of inventories. In September, completely renewed I.L.U. e-store was opened, which was well accepted by the customers.

Car Trade

In 2018, the sales revenue of the car trade segment was 114.9 million euros. The sales revenue exceeded the year-on-year revenue by 15.3%, whereas the annual increase in the sales revenue of KIAs was 1.7%. The sales revenue earned in the fourth quarter, 24.2 million euros, exceeded the year-on-year result by 2.8%. The sales revenue of KIAs decreased by 11.1% compared to the same time of the previous year. Peugeots made a strong sales result. In the Group's car trade segment, a total of 5,050 new vehicles were sold in 2018, of which 949 vehicles were sold in the fourth quarter. In 2018, the net profit of the car trade segment was 3.7 million euros, which is 11.9% higher than the profit earned in the previous year. The pre-tax profit of the segment was 4.4 million euros in 2018, exceeding the profit of 2017 by 13.4%. The pre-tax profit of the fourth quarter of 2018 was 0.6 million euros, which exceeded the year-on-year pre-tax profit by 16.5%.

The success of the car trade segment in 2018 is primarily due to a very successful year of subsidiaries that operate as resellers. All three retail sellers – Viking Motors AS in Tallinn, Forum Auto SIA in Riga, and KIA Auto UAB in Vilnius – fulfilled the profit expectations. The economic results of KIA Auto AS, the company that imports KIAs, were as expected, although the very high results of the previous year were not exceeded. In summary, it can be said that 2018 was a year of records for the car trade segment in terms of turnover, profit, and the number of new cars sold.

A significant driver of the sales growth of new cars is the general growth of the car trade market in the Baltics, especially in Latvia and Lithuania. In Latvia, several large procurements where KIAs were offered were won, which significantly increased the market share of KIAs in Latvia. Active marketing and effectively directed media campaigns by the importer of KIAs supported the growth of sales of KIAs. Still, the best-selling KIA models are crossover SUV Sportage and the family hatchback Ceed. In addition, the sale of new Opel cars has been successful. The bestselling OPEL models that customers have well accepted are the completely new mid-size passenger car OPEL Insignia, the crossover SUV Mokka X, and the small compact car Astra. Turnover was significantly influenced by achieving the status of a Peugeot reseller at the end of 2017 and the resulting added business to the car trade segment. It can be said that the launch of the Peugeot business exceeded expectations in both the visits to the service and turnover generated by the sale of new cars. The bestselling models of Peugeot are crossover SUVs 2008, 3008, and 5008 as well as commercial vans Peugeot Traveller/Expert and Partner.

Footwear trade

The sales revenue of the footwear trade segment was 9.8 million euros in 2018, decreasing by 11.2% on the year-on-year basis. The pre-tax loss was significantly lower in 2018 compared to 2017. Altogether, the result improved by 2.7 million euros, of which 2.2 million euros accounted for the decrease in goodwill in 2017. The sales revenue was 2.6 million euros in the fourth quarter, which is 14.7% less than the year-on-year sales revenue. The profit earned in the fourth quarter was 0.04 million euros. In 2018, the footwear trade segment launched a new visual concept in ABC King stores. Two new ABC King stores with the renewed concept, which has been well accepted by customers, were opened in Ülemiste and Kristiine Shopping Centres in the second half of the reporting year. Along with the changed concept, more attention was paid to the training of personnel, which resulted in a lower turnover of employees and improved service. New supply channels supported the improvement of the margin compared to 2017.

Real estate

The sales revenue earned in the real estate segment outside the Group was 5.4 million euros in 2018. The sales revenue grew by 8.1% compared to 2017. The sales revenue of the segment earned outside the Group was 1.4 million euros in the fourth quarter, growing by 7.3% compared to the same period in 2017. The pre-tax profit of the real estate segment was 10.2 million euros in 2018, which is 29.4% lower than the result earned in the same period last year. The pre-tax profit of the segment earned in the fourth quarter of 2018 was 2.3 million euros, which was 60% less than the year-on-year result. Tartu Kaubamaja Centre, which is showing good results despite strong competition, was the primary driver of the growth of the segment's sales revenue. During the year, the gas station and store that opened in close proximity to Peetri Selver has supported the growth of sales. At the end of the year, Ogre building in Latvia was partially rented to parties outside of the Group. The decrease in profit of the real estate segment was affected by previous contracts concluded inside the Group, related to Latvian real estate, which have ended by now. The revaluation of investment property played a role in the decrease of the profit earned in the fourth quarter, which remained below extent the revaluations in 2017.

In the last months of the reporting year, the construction works of Kolde Selver in the Põhja-Tallinn city district were completed. In 2019, the development works of Estonian, Latvian and Lithuanian car centres and the department store of Kaubamaja in Tallinn will be continued.

Personnel

The average number of employees in the Tallinna Kaubamaja Group in 2018 was 4,283, having grown by 2.4% compared to the same period in 2017. Total labour costs (cost of wages and social tax) amounted to 67.7 million euros in 2018, having grown by 8.7% compared to the same period in 2017. In the fourth quarter, the labour costs increased by 7.9% compared to the year before, while the average number of employees increased by 1.8%. The average monthly wage costs per employee increased by 6.0% in the fourth quarter; the overall annual increase was 6.1%.

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

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

Raul Puusepp
Chairman of the Management Board

Tallinn, 24 January 2019

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT BOARD'S CONFIRMATION TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Chairman of the Management Board confirms the correctness and completeness of Tallinna Kaubamaja Grupp AS condensed consolidated interim financial statements (unaudited) for the period of the Fourth quarter and 12 months of 2018 as set out on pages 12 - 36.

The Chairman of the Management Board confirms that:

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

Raul Puusepp
Chairman of the Management Board

Tallinn, 24 January 2019

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros

	Note	31.12.2018	31.12.2017
ASSETS			
Current assets			
Cash and cash equivalents	2	37,235	33,662
Trade and other receivables	3	16,093	16,127
Inventories	5	78,212	75,816
Total current assets		**131,540**	**125,605**
Non-current assets			
Long-term trade and other receivables	8	113	114
Investments in associates	7	1,738	1,724
Investment property	9	59,866	49,902
Property, plant and equipment	10	212,687	214,475
Intangible assets	11	5,133	5,675
Total non-current assets		**279,537**	**271,890**
TOTAL ASSETS		**411,077**	**397,495**
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings	12	26,002	54,818
Trade and other payables	13	90,775	85,569
Total current liabilities		**116,777**	**140,387**
Non-current liabilities			
Borrowings	12	68,313	48,732
Provisions for other liabilities and charges		370	360
Total non-current liabilities		**68,683**	**49,092**
TOTAL LIABILITIES		**185,460**	**189,479**
Equity			
Share capital	15	16,292	16,292
Statutory reserve capital		2,603	2,603
Revaluation reserve		95,587	82,124
Currency translation differences		-149	-255
Retained earnings		111,284	107,252
TOTAL EQUITY		**225,617**	**208,016**
TOTAL LIABILITIES AND EQUITY		**411,077**	**397,495**

The notes presented on pages 17 to 36 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

In thousands of euros

	Note	IV quarter 2018	IV quarter 2017	12 months 2018	12 months 2017
Revenue	16	182,352	175,031	681,181	651,257
Other operating income		982	1,339	2,175	2,239
Cost of sales	5	-132,830	-128,147	-507,182	-484,760
Other operating expenses	17	-15,189	-14,161	-56,033	-54,611
Staff costs	18	-19,461	-18,035	-67,710	-62,289
Depreciation, amortisation and impairment losses	10, 11	-3,227	-3,409	-13,426	-13,356
Other expenses		-844	-248	-1,673	-1,373
Operating profit		**11,783**	**12,370**	**37,332**	**37,107**
Finance income		0	0	1	1
Finance costs		-237	-202	-810	-773
Finance income on shares of associates	7	27	27	214	162
Profit before tax		**11,573**	**12,195**	**36,737**	**36,497**
Income tax expense	15	-49	-275	-6,299	-6,666
NET PROFIT FOR THE FINANCIAL YEAR		11,524	11,920	30,438	29,831
Other comprehensive income:					
Items that will not be subsequently reclassified to profit or loss					
Revaluation of land and buildings		15,266	0	15,266	0
Other comprehensive income for the financial year		**15,266**	**0**	**15,266**	**0**
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		26,790	11,920	45,704	29,831
Basic and diluted earnings per share (euros)	19	0.28	0.29	0.75	0.73

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

The notes presented on pages 17 to 36 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

In thousands of euros

	Note	12 months 2018	12 months 2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit		30,438	29,831
Adjustments:			
Income tax on dividends	15	6,249	6,372
Interest expense		810	773
Interest income		-1	-1
Depreciation, amortisation	10, 11	13,329	13,317
Gain from fair value adjustment of investment property	9	-42	-1,081
Loss on sale and write-off of non-current assets	10	97	39
Profit on sale of non-current assets	10	-398	-203
Profit on sale of investment property	9	-39	0
Effect of equity method	7	-214	-162
Change in inventories		-2,026	-5,630
Change in receivables and prepayments related to operating activities		36	-582
Change in liabilities and prepayments related to operating activities		5,216	1,718
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		53,455	44,390
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment (excl. finance lease)	10	-15,991	-14,778
Proceeds from sale of property, plant and equipment	10	9,723	1,403
Proceeds from sale of investment property	9	676	20
Purchase of intangible assets	11	-95	-69
Dividends received	7	200	200
Interest received		1	1
TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES		-5,486	-13,223
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	12	84,060	63,719
Repayments of borrowings	12	-92,838	-65,587
Change in overdraft balance	12	-457	4,794
Dividends paid	15	-28,102	-25,659
Income tax on dividends	15	-6,249	-6,371
Interest paid		-810	-776
TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES		-44,396	-29,880
TOTAL CASH FLOWS		3,573	1,287
Effect of exchange rate changes		0	0
Cash and cash equivalents at the beginning of the period	2	33,662	32,375
Cash and cash equivalents at the end of the period	2	37,235	33,662
Net change in cash and cash equivalents		3,573	1,287

The notes presented on pages 17 to 36 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

In thousands of euros

	Share capital	Statutory reserve capital	Revaluation reserve	Currency translation differences	Retained earnings	Total
Balance as of 31.12.2016	16,292	2,603	83,932	-255	101,272	203,844
Net profit for the reporting period	0	0	0	0	29,831	29,831
Total comprehensive income for the reporting period	**0**	**0**	**0**	**0**	**29,831**	**29,831**
Reclassification of depreciation of revalued land and buildings	0	0	-1,808	0	1,808	0
Dividends paid	0	0	0	0	-25,659	-25,659
Balance as of 31.12.2017	16,292	2,603	82,124	-255	107,252	208,016
Net profit for the reporting period	0	0	0	0	30,438	30,438
Revaluation of land and buildings	0	0	15,266	0	0	15,266
Currency translation differences	0	0	0	106	-106	0
Total comprehensive income for the reporting period	**0**	**0**	**15,266**	**106**	**30,332**	**45,704**
Reclassification of depreciation of revalued land and buildings	0	0	-1,803	0	1,803	0
Dividends paid	0	0	0	0	-28,103	-28,103
Balance as of 31.12.2018	16,292	2,603	95,587	-149	111,284	225,617

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

The notes presented on pages 17 to 36 form an integral part of these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM ACCOUNTS

Note 1. Accounting Principles Followed upon Preparation of the Condensed Consolidated Interim Accounts

General Information

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

Basis for Preparation

The Condensed Consolidated Interim Accounts of Tallinna Kaubamaja Group has been prepared in accordance with the International Financial Reporting Standard IAS 34 Interim Financial Reporting as adopted by the European Union. The condensed consolidated interim financial statements do not contain all the information that has to be presented in the annual financial statements and they should be read in conjunction with the Group's consolidated financial statements as at and for the year ended 31 December 2017. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements. This is the first set of the Group's financial statements where IFRS 15 and IFRS 9 have been applied. Changes to significant accounting policies are described below.

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

The Manager is of the opinion that the Condensed Consolidated Interim Report of Tallinna Kaubamaja Group for the Fourth quarter and 12 months of 2018 gives a true and fair view of the Company's performance in accordance with the going-concern concept.

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

Changes in significant accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2017.
The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2018. The Group has initially adopted IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments from 1 January 2018. A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Group's financial statements. The application of IFRS 15 and IFRS 9 did not have any material effect on the Group's financial statements as at 01.01.2018 and no adjustments to the equity have been made as of that date.

IFRS 15, Revenue from Contracts with Customers
IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The Group has adopted IFRS 15 using modified retrospective approach which requires that the cumulative effect of initially applying this standard is recognised in retained earnings at the date of initial application (i.e. 1 January 2018) and the information presented for 2017 is restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. As disclosed above, there were no adjustments as the impact of IFRS 15 to the retained earnings as at 1 January 2018 was not material, therefore no adjustments to the equity have been made.

The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various goods and services are set out below. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services.

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 or by credit card. The probability of returning goods is estimated at a portfolio level (expected value method), based on prior experience, 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.

Accounting for customer loyalty programme

In previous reporting periods, the consideration received from the sale of goods was allocated to the points and the goods sold using the residual method. Under this method, a part of the consideration equalling the fair value of the points was allocated to the points. The residual part of the consideration was allocated to the goods sold.

Under IFRS 15, the total consideration must be allocated to the points and goods based on the relative stand-alone selling prices. Using this new method, the amounts allocated to the goods sold are, on average, higher than the amounts allocated under the residual value method, although the impact as of 1 January 2018 was not material.

IFRS 9, Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale. Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value with changes recognised in other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value with changes recognised in profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group’s financial assets as at 1 January 2018.

in thousands of euro	Original classification under IAS 39	New classification under IFRS 9	Carrying amount under IAS 39	Carrying amount under IFRS 9
Trade and other receivables	Loans and receivables	Amortised cost	12,363	12,363
Cash and cash equivalents	Loans and receivables	Amortised cost	33,662	33,662
Total financial assets			**46,025**	**46,025**

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39. The financial assets at amortised cost consist of trade receivables, cash, and cash equivalents.

Under IFRS 9, loss allowances are measured from initial recognition of the financial assets, on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

ECLs are a probability-weighted estimate of credit losses. A credit loss is the difference between the cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive discounted at the original effective interest rate. .

The Group measures loss allowances as follows:

- for trade receivables at an amount equal to lifetime 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.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating 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.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. However, the Group has determined that the application of IFRS 9's impairment requirements at 01.01.2018 results in no material impact on Group's financial statements.

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below. Changes in accounting policies did not have a material impact on the Group's financial statements on the adoption at 1 January 2018. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated, but continue to be accounted for in accordance with IAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.
- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

Note 2. Cash and cash equivalents

in thousands of euros	31.12.2018	31.12.2017
Cash on hand	1,216	643
Bank accounts	35,006	29,866
Cash in transit	1,013	3,153
Total cash and cash equivalents	**37,235**	**33,662**

Note 3. Trade and other receivables

in thousands of euros	31.12.2018	31.12.2017
Trade receivables (Note 4)	12,782	11,761
Other receivables form related parties (Note 20)	1	0
Other short-term receivables	614	602
Total financial assets from balance sheet line “Trade and other receivables”	**13,397**	**12,363**
Prepayment for goods	2,008	2,993
Other prepaid expenses	633	701
Prepaid rental expenses	39	34
Prepaid taxes (Note 14)	16	36
Total trade and other receivables	**16,093**	**16,127**

Note 4. Trade receivables

in thousands of euros	31.12.2018	31.12.2017
Trade receivables	10,157	9,450
Allowance for doubtful receivables	-7	-4
Receivables from related parties (Note 20)	290	392
Credit card payments	2,342	1,923
Total trade receivables	**12,782**	**11,761**

Note 5. Inventories

in thousands of euros	31.12.2018	31.12.2017
Goods purchased for resale	77,418	75,068
Raw materials and materials	794	748
Total inventories	**78,212**	**75,816**

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

in thousands of euros

	IV quarter 2018	IV quarter 2017	12 months 2018	12 months 2017
Write-down and write-off of inventories	2,373	2,405	9,645	8,984
Inventory stocktaking deficit	823	742	2,153	1,934
Total materials and consumables used	**3,196**	**3,147**	**11,798**	**10,918**

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

Note 6. Subsidiaries

Tallinna Kaubamaja Group consists of:

Name	Location	Area of activity	Ownership 31.12.2018	Year of acquisition or foundation
Selver AS	Tallinn Pärnu mnt. 238	Retail trade	100%	1996
Tallinna Kaubamaja Kinnisvara AS	Tallinn Gonsiori 2	Real estate management	100%	1999
Tartu Kaubamaja Kinnisvara OÜ	Tartu Riia 1	Real estate management	100%	2004
SIA TKM Latvija	Riga Ieriku iela 3	Real estate management	100%	2006
TKM Auto OÜ	Tallinn Gonsiori 2	Commercial and finance activities	100%	2007
KIA Auto AS	Tallinn Ülemiste tee 1	Retail trade	100%	2007
Forum Auto SIA	Marupe K.Ulmana gatve 101	Retail trade	100%	2007
KIA Auto UAB	Vilnius, Perkunkiemio g.2	Retail trade	100%	2007
TKM Beauty OÜ	Tallinn Gonsiori 2	Retail trade	100%	2007
TKM Beauty Eesti OÜ	Tallinn Gonsiori 2	Retail trade	100%	2007
TKM King AS	Tallinn Betooni 14	Retail trade	100%	2008
Kaubamaja AS	Tallinn Gonsiori 2	Retail trade	100%	2012
Kulinaaria OÜ	Tallinn Taevakivi 7B	Centre kitchen activities	100%	2012
Viking Motors AS	Tallinn A.H. Tammsaare tee 51	Retail trade	100%	2012
Viking Security AS	Tallinn A.H. Tammsaare tee 62	Security activities	100%	2014
UAB TKM Lietuva	Vilnius Lvovo G. 25	Real estate management	100%	2017
Verte Auto SIA	Marupes nov., Marupe, Karla Ulmana gatve 101	Retail trade	100%	2017

In 2018 and 2017, there were no business combinations. In 2018, SIA Selver Latvia was liquidated.

Note 7. Investments in associates

in thousands of euros

Tallinna Kaubamaja Group has ownership of 50% (2017: 50%) interest in the entity AS Rävala Parkla which provides the services of a parking house in Tallinn.

	31.12.2018	31.12.2017
Investment in the associate at the beginning of the year	**1,724**	**1,762**
Profit for the reporting period under equity method	214	162
Dividends received	-200	-200
Investment in the associate at the end of the accounting period	**1,738**	**1,724**

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

	31.12.2018	31.12.2017
Current assets	58	29
Non-current assets	3,521	3,471
Current liabilities	104	53

	IV quarter 2018	IV quarter 2017	12 months 2018	12 months 2017
Revenue	122	128	605	507
Net profit	54	53	428	323

Note 8. Long-term trade and other receivables

in thousands of euros

	31.12.2018	31.12.2017
Prepaid rental expenses	53	52
Deferred tax asset	25	27
Other receivables	35	35
Total long-term trade and other receivables	**113**	**114**

Note 9. Investment property

in thousands of euros

Carrying value as at 31.12.2016	**48,684**
Reclassification (Note 10)	157
Disposal	-20
Net gain from fair value adjustment	1,081
Carrying value as at 31.12.2017	**49,902**
Reclassification (Note 10)	10,559
Disposal	-637
Net gain from fair value adjustment	42
Carrying value as at 31.12.2018	**59,866**

Investment properties comprise immovables improved with commercial buildings and constructions in progress. Property with commercial buildings (Viimsi shopping centre and Tartu Kaubamaja Shopping Centre), which the Group maintains predominantly for earning rental income in Estonia, are partially classified as investment properties and partially as property, plant and equipment as at 31.12.2018 and 31.12.2017. Property in Rae municipal Peetri was reclassified as investment property from property, plant and equipment in 2017. In Latvia, Rezekne commercial building and property is classified as investment property which the Group maintains for earning rental income.

In current year, three objects in Latvia were reclassified as investment property in the amount of 9,388 thousand euros. Properties with commercial buildings, which the Group maintains predominantly for earning rental income.

In 2018, Tartu Kaubamaja Shopping Centre renovation amounted to 201 thousand euros (2017: 157 thousand euros). Gas station at Peetri Selver was completed at value of 970 thousand euros (Note 10). In the reporting period in Harju county, in Peetri, Veesaare road 5 a property was sold.

As a result, the valuation in 2018, the net fair value adjustment of investment property in Estonia in the amount of 85 thousand euros recorded in the income statement line “Other operating income” (2017: 1,081 thousand euros). As a result, the valuation in 2018, the net fair value adjustment of investment property in Latvia in the amount of 43 thousand euros recorded in the income statement line “Other operating expenses”. No fair value change of investment property in Latvia was identified in 2017.

Note 10. Property, plant and equipment

in thousands of euros

	Land and buildings	Machinery and equipment	Other fixtures and fittings	Construction in progress and prepayments	Total
31.12.2016					
Cost or revalued amount	164,456	33,797	34,978	44,315	277,546
Accumulated depreciation and impairment	0	-22,746	-22,320	-20,969	-66,035
Carrying value	**164,456**	**11,051**	**12,658**	**23,346**	**211,511**
Changes occurred in 2017					
Purchases and improvements	1,893	356	134	12,395	14,778
Reclassification	2,173	4,500	3,838	-10,511	0
Reclassification to investment property (Note 9)	-157	0	0	0	-157
Disposals	-8	-379	-18	-795	-1,200
Write-offs	0	-1	-38	0	-39
Decrease/increase in value through profit or loss	0	0	0	2,144	2,144
Depreciation	-5,049	-3,243	-4,270	0	-12,562
31.12.2017					
Cost or revalued amount	167,890	37,114	37,634	44,584	287,222
Accumulated depreciation and impairment	-4,582	-24,830	-25,330	-18,005	-72,747
Carrying value	**163,308**	**12,284**	**12,304**	**26,579**	**214,475**
Changes occurred in 2018					
Purchases and improvements	700	1,277	1,459	12,555	15,991
Reclassification	5,379	3,146	3,638	-12,163	0
Reclassification (Note 11)	0	0	0	-140	-140
Reclassification to investment property (Note 9)	-9,388	0	0	-1,171	-10,559
Reclassification to inventory	0	-372	0	0	-372
Disposals	-10	-25	-5	-9,285	-9,325
Write-offs	-40	-22	-34	-1	-97
Decrease/increase in value through profit or loss	171	0	0	-23	148
Increase in value through revaluation reserve	15,266	0	0	0	15,266
Depreciation	-4,810	-3,529	-4,361	0	-12,700
31.12.2018					
Cost or revalued amount	170,576	40,456	41,235	27,579	279,846
Accumulated depreciation and impairment	0	-27,697	-28,234	-11,228	-67,159
Carrying value	**170,576**	**12,759**	**13,001**	**16,351**	**212,687**

The cost of investments for the 2018 amounted to 16,086 thousand euros (including purchases of property, plant and equipment in the amount of 15,991 thousand euros and purchases of intangible assets amounted to 95 thousand euros).

The cost of purchases of property, plant and equipment made in 2018 in the supermarket business segment was 8,842 thousand euros. In the reporting period, in Tallinn T1 shopping centre T1 Selver and in Põhja-Tallinn Kolde Selver opened. As well construction of e-shop storage begin. Additionally, construction of e-shop storage continued, computing technology for SelveEkspress self-service cashers and renewed store fittings were purchased.

The cost of purchases of property, plant and equipment in the business segment of department store amounted to 2,415 thousand euros. In the reporting period, renovation of department store in Tartu took place and store fittings and computing technology was purchased.

The cost of purchases of property, plant and equipment in the reporting period was 659 thousand euros in the car trade business segment.

The cost of purchases of property, plant and equipment in the reporting period in the footwear segment was 242 thousand euros.

The cost of purchases of property, plant and equipment in the real estate business segment amounted to 3,833 thousand euros. In the reporting period the construction work of the gas station in Rae municipality, Raudkivi road and at the intersection of the Tartu road, next to Selver store in Peetri municipality were finished. According to the lease contract, part of the cost of the gas station was sold to the lessee. Gas station is a part of developments of Peetri Selver and was leased out to Circle K for a long term. Gas station is accordingly reclassified as investment property (Note 9). In the reporting period in Tallinn, Sõle 31, Kolde Selver construction work were carried out. Additionally renovation of Tartu Kaubamaja centre took place.

In the reporting period, seven items of the buildings under construction located in Latvia were sold at selling price of 9,000 thousand euros, profit on sale amounted to 395 thousand euros.

In the end of 2018 and 2017, Tallinna Kaubamaja Grupp AS companies had no commitments to purchase fixed assets.

At the year-end 2018, the fair value of “Land and buildings” and recoverable amount of “Construction in progress” was assessed. The fair values of “Land and buildings” and the recoverable amounts of buildings under construction (based on the value in use) were determined based on management’s judgment, using the estimates of certified independent real estate experts for determining the inputs to be used or the fair value of the items. The discounted cash flow model and market data (comparable transactions, rental income, etc.) were both used for determining fair values as well as recoverable amounts.

The discount rates used for estimation were 8.0% -11.5% (2017: 8.5% - 11.5%) depending on the location of the property and the rental growth rates were 1% - 2.5% (2017: 1% - 2.5%). For the purpose of estimating the value of “Land and buildings”, the rental agreements in force have been used for determining the input of the rental price, which management believes correspond to the market conditions. As a result of the revaluation in 2018 the value of “Land and buildings” located in Estonia increased by 14,280 thousand euros which was recognized through revaluation reserve and increase in value was recognized through profit and loss in the amount of 171 thousand euros. As a result of the revaluation in 2017 the value of “Land and buildings” located in Estonia was adjusted neither upwards nor downwards.

The discount rates used for estimation of “Land and Buildings” located in Latvia were 9.5% (2017: 10.0% - 13.0%) and the rental growth rates were 2.5% (2017: 1.1% -2.5%). As a result of the revaluation in 2018 the value of “Land and buildings” located in Latvia increased by 986 thousand euros which was recognized through revaluation reserve. As a result of the revaluation in 2017 the value of “Land and buildings” located in Latvia was adjusted neither upwards nor downwards.

As a result of the revaluation in 2018 and 2017 the value of “Land and buildings” located in Lithuania was adjusted neither upwards nor downwards.

The value of “Construction in progress” located in Estonia was adjusted neither upwards nor downwards in 2018 and 2017.

The value of “Construction in progress” located in Latvia decreased by 23 thousand euros and was recognized through profit and loss. In 2017 the value of “Construction in progress” located in Latvia increased by 2,144 thousand euros which was recognized through profit and loss. The value of “Construction in progress” located in Lithuania was adjusted neither upwards nor downwards in 2018 and 2017.

Note 11. Intangible assets

in thousands of euros

	Goodwill	Trademark	Beneficial contracts	Development expenditure	Total
31.12.2016					
Cost or revalued amount	6,814	5,277	1,080	1,317	14,488
Accumulated amortisation and impairment	-1,441	-3,030	-1,080	-432	-5,983
Carrying value	**5,373**	**2,247**	**0**	**885**	**8,505**
Changes occurred in 2017					
Purchases and improvements	0	0	0	69	69
Amortisation	0	-487	0	-233	-720
Impairment	-2,113	-66	0	0	-2,179
31.12.2017					
Cost or revalued amount	3,260	5,277	1,080	1,386	11,003
Accumulated amortisation and impairment	0	-3,583	-1,080	-665	-5,328
Carrying value	**3,260**	**1,694**	**0**	**721**	**5,675**
Changes occurred in 2018					
Purchases and improvements	0	0	0	95	95
Reclassification (Note 10)	0	0	0	140	140
Amortisation	0	-497	0	-280	-777
31.12.2018					
Cost or revalued amount	3,260	5,277	0	1,602	10,139
Accumulated amortisation and impairment	0	-4,080	0	-926	-5,006
Carrying value	**3,260**	**1,197**	**0**	**676**	**5,133**

In the reporting period, the Group capitalised costs of a web page update and e-shop as development expenditure in the amount of 95 thousand euros (2017: 69 thousand euros).

As a trademark, the Group has recognised the image of ABC King at cost value of 3,509 thousand euros; the image contains a combination of the name, symbol and design together with recognition and preference by consumers. Trademark will be amortised during 15 years. In 2017, a trademark of ABC King as adjusted downwards in the amount of 66 thousand euros.

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

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

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

in thousands of euros	31.12.2018	31.12.2017
Car trade	3,156	3,156
Department store	104	104
Total	**3,260**	**3,260**

The recoverable amount (based on value in use) was determined on the basis of future cash flows for the next five years. In all units, except in footwear trade, it was evident that the present value of cash flows covers the value of goodwill and trademark as well as beneficial lease agreements and other assets related to the unit. In 2017 in footwear trade, it was evident that the present value of cash flows does not cover the value of goodwill. Accordingly goodwill in footwear trade was adjusted downwards in the amount of 2,113 thousand euros.

Note 12. Borrowings

in thousands of euros

	31.12.2018	31.12.2017
Short-term borrowings		
Overdraft	7,354	7,811
Bank loans	16,424	45,002
Other borrowings	2,224	2,005
Total short-term borrowings	**26,002**	**54,818**

in thousands of euros

	31.12.2018	31.12.2017
Long-term borrowings		
Bank loans	68,202	48,570
Other borrowings	111	162
Total long-term borrowings	**68,313**	**48,732**
Total borrowings	**94,315**	**103,550**

Borrowings received

in thousands of euros

	IV quarter 2018	IV quarter 2017	12 months 2018	12 months 2017
Overdraft	0	4,264	0	4,794
Bank loans	2,393	17,543	79,020	60,392
Other borrowings	882	759	5,040	3,327
Total borrowings received	**3 275**	**22,566**	**84,060**	**68,513**

Borrowings paid

in thousands of euros

	IV quarter 2018	IV quarter 2017	12 months 2018	12 months 2017
Overdraft	141	0	457	0
Bank loans	6,054	13,088	87,965	62,132
Other borrowings	1,238	708	4,873	3,455
Total borrowings paid	**7,433**	**13,796**	**93,295**	**65,587**

Bank loans and other borrowings are denominated in euros.

As of 31.12.2018, the repayment dates of bank loans are between 28.01.2019 and 12.12.2023 (31.12.2017: between 30.04.2018 and 15.11.2022), interest is tied both to 3-month and 6-month EURIBOR as well as EONIA. Weighted average interest rate was 1.06% (2017: 0.93%).

Net debt reconciliation
in thousands of euros

	31.12.2018	31.12.2017
Cash and cash equivalents (Note 2)	37,235	33,662
Short-term borrowings	-26,002	-54,818
Long-term borrowings	-68,313	-48,732
Net debt	**-57,080**	**-69,888**
Cash and cash equivalents (Note 2)	37,235	33,662
Gross debt – fixed interest rates	-11,537	-25,493
Gross debt – variable interest rates	-82,778	-78,057
Net debt	**-57,080**	**-69,888**

	Cash and cash equivalents	Overdraft	Borrowings due within 1 year	Borrowings due after 1 year	Total
Net debt 31.12.2016	**32,375**	**-3,017**	**-23,835**	**-73,772**	**-68,249**
Cash flows	1,287	-4,794	-23,172	25,040	-1,639
Net debt 31.12.2017	**33,662**	**-7,811**	**-47,007**	**-48,732**	**-69,888**
Cash flows	3,573	457	28,359	-19,581	12,808
Net debt 31.12.2018	**37,235**	**-7,354**	**-18,648**	**-68,313**	**-57,080**

Note 13. Trade and other payables

in thousands of euros

	31.12.2018	31.12.2017
Trade payables	67,266	61,919
Payables to related parties (Note 20)	3,965	3,750
Other accrued expenses	145	116
Prepayments by tenants	2,682	3,666
Total financial liabilities from balance sheet line “Trade and other payables”	74,058	69,451
Taxes payable (Note 14)	8,089	7,896
Employee payables	6,916	6,461
Prepayments	1,630	1,671
Short-term provisions*	82	90
Total trade and other payables	90,775	85,569

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

Note 14. Taxes

in thousands of euros

	31.12.2018		31.12.2017	
	Prepaid taxes	Taxes payable	Prepaid taxes	Taxes payable
Prepaid taxes	16	0	36	0
Value added tax	0	4,022	0	3,949
Personal income tax	0	948	0	970
Social security taxes	0	2,737	0	2,498
Corporate income tax	0	74	0	192
Unemployment insurance	0	180	0	164
Mandatory funded pension	0	128	0	123
Total taxes	**16**	**8,089**	**36**	**7,896**

Note 15. Share capital

As of 31.12.2018 and 31.12.2017, the share capital in the amount of 16,292 thousand euros consisted of 40,729,200 ordinary shares with the nominal value of 0.40 euros per share. All shares issued have been paid for. According to the articles of association, the maximum allowed number of shares is 162,916,800 shares.

In 2018, dividends were declared and paid to the shareholders in the amount of 28,102 thousand euros, or 0.69 euros per share. Related income tax on dividends amounted to 6,249 thousand euros. In 2017, dividends were paid to the shareholders in the amount of 25,659 thousand euros, or 0.63 euros per share. Related income tax on dividends amounted to 6,371 thousand euros.

Note 16. Segment reporting

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

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

The main area of activity of department stores, supermarkets, footwear trade 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 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 real estate segment deals with the management and maintenance of real estate owned by the Group, and with the rental of commercial premises.

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

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

in thousands of euros

IV quarter 2018	Super markets	Depart-ment store	Car trade	Footwear trade	Real estate	Inter-segment transact-ions	Total seg-ments
External revenue	**122,519**	**31,557**	**24,249**	**2,619**	**1,408**	**0**	**182,352**
Inter-segment revenue	229	1,772	13	53	3,167	-5,234	0
Total revenue	122,748	33,329	24,262	2,672	4,575	-5,234	182,352
EBITDA	**7,283**	**3,307**	**780**	**218**	**3,422**	**0**	**15,010**
Segment depreciation and impairment losses	-1,557	-647	42	-111	-954	0	-3,227
Operating profit	**5,726**	**2,660**	**822**	**107**	**2,468**	**0**	**11,783**
Finance income	77	237	0	0	3	-317	0
Finance income on shares of associates	0	27	0	0	0	0	27
Finance costs	-39	-82	-180	-71	-182	317	-237
Income tax	-1	0	-48	0	0	0	-49
Net profit	**5,763**	**2,842**	**594**	**36**	**2,289**	**0**	**11,524**
incl. in Estonia	5,568	2,842	633	36	3,559	0	12,638
incl. in Latvia	195	0	14	0	-1,259	0	-1,050
incl. in Lithuania	0	0	-53	0	-11	0	-64
Segment assets	**99,816**	**72,081**	**33,432**	**5,069**	**263,158**	**-62,479**	**411,077**
Segment liabilities	**74,434**	**38,914**	**22,758**	**8,218**	**83,575**	**-42,439**	**185,460**
Segment investments in property, plant and equipment	3,999	459	225	183	702	0	5,568
Segment investments in intangible assets	93	-56	2	0	-2	0	37
Increase in value of property, plant and equipment through profit or loss (Note 10)	0	0	171	0	0	0	171
Impairment of property, plant and equipment through profit or loss (Note 10)	0	0	0	0	-23	0	-23
Increase in value through revaluation reserve (Note 10)	81	0	0	0	15,185	0	15,266
Fair value adjustment of investment property (Note 9)	0	0	0	0	42	0	42

in thousands of euros

IV quarter 2017	Super markets	Depart-ment store	Car trade	Footwear trade	Real estate	Inter-segment transact-ions	Total seg-ments
External revenue	**116,055**	**31,014**	**23,580**	**3,070**	**1,312**	**0**	**175,031**
Inter-segment revenue	279	1,706	22	29	3,223	-5,259	0
Total revenue	116,334	32,720	23,602	3,099	4,535	-5,259	175,031
EBITDA	**7,074**	**2,663**	**877**	**360**	**4,805**	**0**	**15,779**
Segment depreciation and impairment losses	-1,479	-617	-129	-2,287	1,103	0	-3,409
Operating profit/loss	**5,595**	**2,046**	**748**	**-1,927**	**5,908**	**0**	**12,370**
Finance income	76	306	0	0	8	-390	0
Finance income on shares of associates	0	27	0	0	0	0	27
Finance costs	-52	-87	-197	-106	-150	390	-202
Income tax	0	0	-162	0	-113	0	-275
Net profit/loss	**5,619**	**2,292**	**389**	**-2,033**	**5,653**	**0**	**11,920**
incl. in Estonia	6,150	2,292	570	-2,033	3,437	0	10,416
incl. in Latvia	-531	0	-163	0	2,227	0	1,533
incl. in Lithuania	0	0	-18	0	-11	0	-29
Segment assets	**94,473**	**74,658**	**38,682**	**6,275**	**242,700**	**-59,293**	**397,495**
Segment liabilities	**67,476**	**40,413**	**28,687**	**10,184**	**83,114**	**-40,395**	**189,479**
Segment investments in property, plant and equipment	2,295	605	203	1	1,526	0	4,630
Segment investments in intangible assets	0	19	0	0	15	0	34
Increase in value of property, plant and equipment through profit or loss (Note 10)	0	0	0	0	2,388	0	2,388
Impairment of property, plant and equipment through profit or loss (Note 10)	0	0	0	0	-244	0	-244
Impairment of intangible assets (Note 11)	0	0	0	-2,179	0	0	-2,179
Fair value adjustment of investment property (Note 9)	0	0	0	0	1,081	0	1,081

in thousands of euros

12 months 2018	Super markets	Depart-ment store	Car trade	Footwear trade	Real estate	Inter-segment transact-ions	Total seg-ments
External revenue	**450,098**	**100,883**	**114,934**	**9,828**	**5,438**	**0**	**681,181**
Inter-segment revenue	1,127	6,305	73	147	12,798	-20,450	0
Total revenue	451,225	107,188	115,007	9,975	18,236	-20,450	681,181
EBITDA	**24,562**	**6,095**	**5,125**	**159**	**14,817**	**0**	**50,758**
Segment depreciation and impairment losses	-6,089	-2,566	-336	-415	-4,020	0	-13,426
Operating profit/loss	**18,473**	**3,529**	**4,789**	**-256**	**10,797**	**0**	**37,332**
Finance income	302	396	0	1	28	-726	1
Finance income on shares of associates	0	214	0	0	0	0	214
Finance costs	-140	-341	-347	-128	-580	726	-810
Income tax	-4,050	-939	-792	0	-518	0	-6,299
Net profit/loss	**14,585**	**2,859**	**3,650**	**-383**	**9,727**	**0**	**30,438**
incl. in Estonia	14,603	2,859	3,009	-383	11,303	0	31,391
incl. in Latvia	-18	0	377	0	-1,532	0	-1,173
incl. in Lithuania	0	0	264	0	-44	0	220
Segment assets	**99,816**	**72,081**	**33,432**	**5,069**	**263,158**	**-62,479**	**411,077**
Segment liabilities	**74,434**	**38,914**	**22,758**	**8,218**	**83,575**	**-42,439**	**185,460**
Segment investments in property, plant and equipment (Note 10)	8,842	2,415	659	242	3,833	0	15,991
Segment investments in intangible assets (Note 11)	93	0	2	0	0	0	95
Increase in value of property, plant and equipment through profit or loss (Note 10)	0	0	171	0	0	0	171
Impairment of property, plant and equipment through profit or loss (Note 10)	0	0	0	0	-23	0	-23
Increase in value through revaluation reserve (Note 10)	81	0	0	0	15,185	0	15,266
Fair value adjustment of investment property (Note 9)	0	0	0	0	42	0	42

in thousands of euros

12 months 2017	Super markets	Depart-ment store	Car trade	Footwear trade	Real estate	Inter-segment transact-ions	Total seg-ments
External revenue	**433,111**	**102,375**	**99,673**	**11,068**	**5,030**	**0**	**651,257**
Inter-segment revenue	1,127	6,305	73	147	12,798	-20,450	0
Total revenue	434,238	108,680	99,746	11,215	17,828	-20,450	651,257
EBITDA	**22,226**	**6,566**	**4,815**	**-266**	**17,122**	**0**	**50,463**
Segment depreciation and impairment losses	-5,534	-2,612	-525	-2,639	-2,046	0	-13,356
Operating profit/loss	**16,692**	**3,954**	**4,290**	**-2,905**	**15,076**	**0**	**37,107**
Finance income	262	652	12	1	134	-1,060	1
Finance income on shares of associates	0	162	0	0	0	0	162
Finance costs	-113	-440	-386	-189	-705	1,060	-773
Income tax	-3,607	-888	-654	0	-1,517	0	-6,666
Net profit/loss	**13,234**	**3,440**	**3,262**	**-3,093**	**12,988**	**0**	**29,831**
incl. in Estonia	15,348	3,440	2,868	-3,093	10,100	0	28,663
incl. in Latvia	-2,114	0	204	0	2,925	0	1,015
incl. in Lithuania	0	0	190	0	-37	0	153
Segment assets	**94,473**	**74,658**	**38,682**	**6,275**	**242,700**	**-59,293**	**397,495**
Segment liabilities	**67,476**	**40,413**	**28,687**	**10,184**	**83,114**	**-40,395**	**189,479**
Segment investments in property, plant and equipment (Note 10)	8,662	1,257	728	94	4,037	0	14,778
Segment investments in intangible assets (Note 11)	1	52	0	0	16	0	69
Increase in value of property, plant and equipment through profit or loss (Note 10)	0	0	0	0	2,388	0	2,388
Impairment of property, plant and equipment through profit or loss (Note 10)	0	0	0	0	-244	0	-244
Impairment of intangible assets (Note 11)	0	0	0	-2,179	0	0	-2,179
Fair value adjustment of investment property (Note 9)	0	0	0	0	1,081	0	1,081

External revenue according to types of goods and services sold

in thousands of euros

	IV quarter 2018	IV quarter 2017	12 months 2018	12 months 2017
Retail revenue	166,970	159,613	620,048	592,768
Wholesale revenue	6,725	7,024	32,736	28,731
Rental income	2,544	2,312	9,737	9,317
Revenue for rendering services	6,113	6,082	18,660	20,441
Total revenue	**182,352**	**175,031**	**681,181**	**651,257**

External revenue by client location

in thousands of euros

	IV quarter 2018	IV quarter 2017	12 months 2018	12 months 2017
Estonia	173,673	164,936	637,332	606,723
Latvia	5,519	7,236	28,703	31,421
Lithuania	3,160	2,859	15,146	13,113
Total	182,352	175,031	681,181	651,257

Distribution of non-current assets* by location of assets

in thousands of euros

	31.12.2018	31.12.2017
Estonia	253,506	236,060
Latvia	22,218	32,112
Lithuania	2,075	1,994
Total	277,799	270,166

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

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

Note 17. Other operating expenses

in thousands of euros

	IV quarter 2018	IV quarter 2017	12 months 2018	12 months 2017
Rental expenses	4,459	4,123	17,236	16,288
Heat and electricity expenses	1,980	1,807	7,576	7,644
Operating costs	1,823	1,772	7,394	6,730
Cost of sale related services and materials	1,505	1,425	5,466	5,542
Marketing expenses	2,307	2,024	7,720	7,512
Miscellaneous other operating expenses	1,189	1,302	3,770	3,899
Computer and communication costs	1,137	1,054	4,209	4,071
Personnel expenses	789	654	2,662	2,925
Total other operating expenses	15,189	14,161	56,033	54,611

Note 18. Staff costs

in thousands of euros

	IV quarter 2018	IV quarter 2017	12 months 2018	12 months 2017
Wages and salaries	14,647	13,572	51,057	46,988
Social security taxes	4,814	4,463	16,653	15,301
Total staff costs	19,461	18,035	67,710	62,289
Average wages per employee per month (euros)	1,144	1,079	993	936
Average number of employees in the reporting period	4,270	4,193	4,283	4,182

Note 19. Earnings per share

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

	IV quarter 2018	IV quarter 2017	12 months 2018	12 months 2017
Net profit (in thousands of euros)	11,524	11,920	30,438	29,831
Weighted average number of shares	40,729,200	40,729,200	40,729,200	40,729,200
Basic and diluted earnings per share (euros)	0.28	0.29	0.75	0.73

Note 20. Related party transactions

in thousands of euros

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

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

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

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

	Purchases 12 months 2018	Sales 12 months 2018	Purchases 12 months 2017	Sales 12 months 2017
Parent	325	16	501	38
Entities in the Parent's consolidation group	26,135	3,298	25,918	4,214
Members of management and supervisory boards	10	40	0	87
Other related parties	498	16	811	133
Total	**26,968**	**3,370**	**27,230**	**4,472**

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

Balances with related parties:

	31.12.2018	31.12.2017
Receivable from Parent (Note 4)	290	392
Members of management and supervisory boards (Note 3)	1	0
Total receivables from related parties	291	392

	31.12.2018	31.12.2017
Parent	19	19
Entities in the Parent's consolidation group	3,934	3,696
Other related parties	12	35
Total liabilities to related parties (Note 13)	3,965	3,750

Receivables from and liabilities to related parties are unsecured and carry no interest because they have regular payment terms.

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, this group as a subgroup is a member of the group account of NG Investeeringud OÜ (hereinafter head group). From autumn 2001, Tallinna Kaubamaja Grupp AS has been keeping its available funds at the head group account, earning interest income on its deposits. During 12 months of 2018 and 12 months of 2017, the Group has not earned interest income on its deposits of available funds.

As at 31 December 2018 and 31 December 2017, Tallinna Kaubamaja Grupp AS had not deposited any funds through parent company NG Investeeringud OÜ and had not used available funds of parent. According to the group account contract, the Group's members are jointly responsible for the unpaid amount to the bank.

Remuneration paid to the members of the Management and Supervisory Board

Short term benefits to the management boards' members of the Tallinna Kaubamaja Group for the reporting period including wages, social security taxes, bonuses and car expenses, amounted to 1,990 thousand euros (2017: 1,815 thousand euros). Short-term benefits to supervisory boards' members of the Group in reporting period including social taxes amounted to 628 thousand euros (2017: 565 thousand euros).

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