TALLINNA KAUBAMAJA GRUPP AS

Consolidated Interim Report for
the Second quarter and first 6 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:	30 June 2018
Auditor:	PricewaterhouseCoopers AS
Telephone:	372 667 3200
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MANAGEMENT REPORT

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

Management

In order to manage the Tallinna Kaubamaja Group the general meeting of the shareholders, held at least once in a year, elects supervisory board, which according to the articles of association may have 3 to 6 members. Members of the Tallinna Kaubamaja Group supervisory board are Jüri 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 June 2018 at the same level with a price of 9.20 euros.

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 30.06.2018.

In euros

Company's structure

The following companies belong to the group as of June 30, 2018:

	Location	Shareholding as of 30.06.2018	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	100%	100%
TKM Auto OÜ	Estonia	100%	100%
KIA Auto AS	Estonia	100%	100%
KIA Auto UAB	Lithuania	100%	100%
Forum Auto SIA	Latvia	100%	100%
Viking Motors AS	Estonia	100%	100%
OÜ TKM Beauty	Estonia	100%	100%
OÜ TKM Beauty Eesti	Estonia	100%	100%
AS TKM King	Estonia	100%	100%
Rävala Parkla AS	Estonia	50%	50%

Economic development

In the first quarter of 2018, the gross domestic product grew by 3.6% compared to the first quarter of the previous year. Similar to earlier quarters, the main driver of economy is the construction industry; other contributors included the growing transport and warehousing industries. According to the Bank of Estonia, it is expected that the annual economic growth will be 3.5%. In the first half of the year, the consumer price index increased by 4.0%, with the prices of food and non-alcoholic beverages growing by 3.9% and the clothing and footwear prices growing by 0.8%. The steepest price increase, 11.6%, affected alcoholic beverages and tobacco due to an excise hike. According to the estimates of the Bank of Estonia, the average inflation of 2018 will be 2.8%. Compared to the first quarter of the previous year, the average gross wages increased by 7.7%, which continues to push down the profitability of enterprises. Analysts forecast a 7% wage growth for 2018. Labour force demand is still high; however, the economic activity of the population has increased and pushed the level of unemployment slightly up – it was 6.8% in the first quarter of 2018. The situation in the labour market concerning the retail sector is even more strained because large commercial spaces needing personnel will be opened in autumn in Tallinn and the demographic situation, where young people enter labour market at significantly lower numbers than the number of people leaving the market. The growth pace of individual consumption expenditures remained at the level of the second half of last year, growing by 2.8% in constant prices in the first quarter.

According to Statistics Estonia, the total sales revenue generated by the retail sector in current prices grew by 8.1% in the first five months of 2018. From the beginning of the year, the biggest growth was in the motor vehicle maintenance and repair area, which grew by 20.4% in five months. Retail sales in non-specialised stores (predominantly grocery) increased by 4.4% in the first five months of the year. Retail sales in other non-specialised stores grew by 6.4%; however, the main reason behind the growth was reclassification, because several enterprises were added to this segment and this growth does not have a comparable basis from last year. In five months, the most significant decrease, 8.7%, is visible in the used goods retail sales in stores and other retail sales outside stores. During the first six months of 2018, 14,191 new cars were sold in Estonia, which exceeds the sales numbers of the first six months of the last year by 8.1%. Consumer confidence, which had dipped due to the tax reform introduced in the beginning of the year, had risen to the same strong level as in the previous year by June.

Economic results

FINANCIAL RATIOS 2017–2018

	EUR		
	2nd quarter 2018	**2nd quarter 2017**	**Change**
Sales revenue (in millions)	174.9	164.6	6.2%
Operating profit/loss (in millions)	9.4	8.8	6.2%
Net profit/loss (in millions)	9.2	8.6	6.6%
Return on equity (ROE)	5.0%	4.7%	
Return on assets (ROA)	2.4%	2.3%	
Net profit margin	5.27%	5.25%	
Gross profit margin	24.60%	25.16%	
Quick ratio	1.02	0.93	
Debt ratio	0.48	0.48	
Sales revenue per employee (in millions)	0.041	0.039	
Inventory turnover	1.82	1.77	
SHARE			
Average number of shares (1000 pcs)	40,729	40,729	
Equity capital per share (EUR/share)	4.64	4.58	
Share’s closing price (EUR/share)	9.200	9.200	
Earnings per share (EUR/share)	0.23	0.21	
Average number of employees	4,259	4,190	

	EUR 6 month 2018	6 month 2017	Change
Sales revenue (in millions)	334.4	315.3	6.1%
Operating profit/loss (in millions)	15.6	15.1	3.4%
Net profit/loss (in millions)	9.0	8.4	7.9%
Return on equity (ROE)	4.9%	4.6%	
Return on assets (ROA)	2.4%	2.3%	
Net profit margin	2.70%	2.66%	
Gross profit margin	24.48%	24.88%	
Quick ratio	1.02	0.93	
Debt ratio	0.48	0.48	
Sales revenue per employee (in millions)	0.078	0.076	
Inventory turnover	3.49	3.40	
SHARE			
Average number of shares (1000 pcs)	40,729	40,729	
Equity capital per share (EUR/share)	4.64	4.58	
Share's closing price (EUR/share)	9.200	9.200	
Earnings per share (EUR/share)	0.22	0.21	
Average number of employees	4,261	4,149	

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 second quarter of 2018, the unaudited sales revenue of the Tallinna Kaubamaja Group was 174.9 million euros, exceeding the year-on-year result by 6.2%. The sales revenue generated in the first half of the year was 334.4 million euros, growing by 6.1% compared to the result of the first half of 2017, when the sales revenue was 315.3 million euros. In the second quarter of 2018, the unaudited consolidated net profit of the Group was 9.2 million euros, which is 6.6% higher compared to the profit of the same period of the previous year. The net profit of the Group in six months of 2018 was 9.0 million euros, which is 7.9% higher than the previous comparable result. The pre-tax profit in the first half of the year was 15.3 million euros, showing a growth of 3.6% compared to the previous year. The size of the net profit was influenced by the dividend payment, on which income tax of 6.2 million euros was accrued in the first quarter of 2018, whereas a year earlier, income tax was accrued in the amount of 6.4 million euros.

In the second quarter of 2018, the Group increased their sales revenue and profit. The car segment of the Group continued to produce the highest sales revenue and profit. Optimisation of the footwear segment selling spaces reduced the sales revenues of comparable periods, but led to profit in the second quarter. Several ongoing extensive road works in Tallinn made it harder for customers to access the Group's important retail stores of different segments, which, in turn, led to reduced visiting frequency and slowdown of the sales revenue growth in these stores. The gross profitability compared to the earlier results decreased slightly because of the growth of the proportion of the car trade segment, a segment with a lower-than-average gross profitability in the Group, and more sales campaigns in the Selver segment. In the second quarter, the growth of labour costs slowed down somewhat, because the correction of wages has not occurred at the same pace in the comparable periods. However, the introduction of more self-checkout stations and improving the workflow of the commercial processes has an important role to play in controlling labour costs. The most important current development projects are improving the convenience of use and delivery speed of e-stores as well as the developments of car showrooms in all three Baltic States, a sales building of the department store segment in Tallinn, a new production building of Kulinaaria, and one Selver store.

In the second quarter of 2018, one Selver store was closed in Tallinn in Pääsküla, but was given a larger and better-located alternative already in late 2017 in the form of the Selver store in Laagri. The area of self-checkout stations was extended in the food sections of Kaubamaja department stores in Tallinn and Tartu and in Selver stores. Selver initiated the development of the e-store picking centre for the purpose of increasing the servicing capability of the e-store to meet customer expectations.

The volume of assets of Tallinna Kaubamaja Group as at 30 June 2018 was 363.1 million euros, which is 8.6% less than the respective number at the end of 2017.

There were more than 667 thousand loyal customers at the end of the reporting period; the number of loyal customers increased by 7.0% in a year. The relative importance of regular customers in the turnover of the Group was 85.0% (the number was 82.9% in the first half year of 2017). Over 29,000 Partner Bank and Credit Cards had been issued by the end of the first half-year.

Selver supermarkets

In the first half of 2018, the consolidated sales revenue of the supermarkets business segment was 217.9 million euros – an increase of 4.5% compared to the same period of the previous year. The consolidated sales revenue was 112.3 million euros in the second quarter, growing by 3.1% year-on-year. In the first half of 2018, the monthly average sales revenue of goods per square metre of selling space was 0.37 thousand euros and in the second quarter, it was 0.38 thousand euros, remaining at the same level as the previous year. In terms of comparable stores, the monthly average sales revenue of goods per square metre of selling space was 0.37 thousand euros in the first half of the year and 0.38 thousand euros in the second quarter, also remaining at the same level as in the comparable periods. In Selver stores, 18.9 million purchases were made in the first half of 2018, which exceeded the year-on-year results by 2.7%.

In the first half of 2018, the consolidated pre-tax profit of the supermarket segment was 6.9 million euros – a growth of 0.6 million euros compared to the previous year. The net profit was 2.8 million euros in the first half of the year – a growth of 0.2 million euros compared to the previous year. The pre-tax profit earned in Estonia was 7.0 million euros and the net profit was 3.0 million euros. The difference in the net profit and pre-tax profit is due to the income tax paid on dividends: in 2018, the income tax on dividends was higher by 0.4 million euros compared to the previous year. In the second quarter, the pre-tax profit and net profit was 3.7 million euros, of which the profit earned in Estonia accounted for 3.8 million euros. The profit of the second quarter exceeded the result of the comparable period in the previous year by 0.3 million euros. In the first half of the year, the loss earned in Latvia was 0.2 million euros, of which the second quarter accounted for 0.1 million euros, being 20% of the level of the previous year in both periods.

The sales revenue growth of Selver stores retained the rate of growth in the relevant market segment in the second quarter. The sales revenue of comparable stores reduced by 0.4%. The sales revenue was influenced by several factors: active road construction works, which affected and are still affecting access to several important stores of the chain this year, slowdown of the sale of alcohol, concentration of the celebrations of Midsummer Day on a shorter period, and the closing of one Selver store. The number of purchases as well as the average purchase have grown in the second quarter. E-Selver is still doing well: its sales increased by one third in the second quarter compared to the second quarter of the previous year.

The growth of the sales revenue is the primary reason for the profit amount earned in Estonia. Gross margin on the sale is 0.1 percentage point lower due to higher inflation and a larger number of campaigns. In terms of operating costs, the cost efficiency level has improved compared to the previous year. As expected, investments have had a positive impact and allowed cutting administrative costs and managing labour costs efficiently in the context of a strong pressure to increase wages. The operating costs in the second quarter include one-time expenditure in the amount of 151,000 euros incurred in relation to closing of a store. The loss earned in Latvia decreased because some contracts within the Group ended.

The comparison basis of 2018 does not include five new supermarkets opened in Tallinn last year and a mobile store in Hiiumaa. The comparison basis of 2018 is higher because of a supermarket closed in Tallinn.

This year, Selver plans to open at least two new stores and extend the SelveEkspress service to the stores to be opened and additionally to six existing stores. There is also a plan in place to introduce electronic price tags in Selver's fruit and vegetable sections. We will continue to develop e-commerce to improve our capability to serve the growing number of customers. There is also a plan to install the first e-Selver food lockers, from where customers of our e-store can pick up their deliveries. In the second quarter, the e-Selver service was introduced in Pärnu.

As at the end of June, the supermarket segment includes the Selver chain with 51 Selver stores, a mobile store, e-Selver, and a café, with a total selling space of 94,500 square metres, and the central kitchen Kulinaaria OÜ. The segment also includes non-operational SIA Selver Latvia.

Department stores

In the first six months of 2018, the department store business segment earned a sales revenue of 46.6 million euros, which is 3.1% less than last year. Of this, the sales revenue generated in the second quarter was 23.8 million euros, which was 5.0% lower than the revenue earned in the second quarter of 2017. The sales revenue of the department store segment per square metre of selling space was 0.29 thousand euros in a month in the first half of the year, which is 3.0% less than in the same period last year. The pre-tax profit of department stores in the first half of 2018 was 0.7 million euros – 46.8% lower than the year-on-year result. The pre-tax profit was 1.1 million euros in the second quarter, which was 9.9% less than the result achieved in 2017. The repair works in Gonsiori Street, which disturbed the entire traffic in downtown Tallinn and had a negative impact on the flow of customers, influenced the sales revenue in the department store segment in the second quarter.

In the first half of 2018, the sales revenue of OÜ TKM Beauty Eesti, which operates the I.L.U. cosmetics stores, was 2.0 million euros, showing a decrease of 2.7% compared to the same period in 2017. The loss earned in the first half of 2018 was 0.2 million euros, the loss was smaller by 0.03 million euros compared to the first half of 2017. In the second quarter of 2018, the sales revenue was 1.0 million euros, decreasing by 8.4% compared to the same period in 2017. The loss in the second quarter of 2018 was 0.05 million euros, which is 0.04 million euros less than the loss earned in the comparable period in 2017. Poor access to the Rocca al Mare Centre due to construction works at the Rocca al Mare junction had a negative impact in the second quarter; construction works at Kristiine Centre had a similar effect.

Car trade

In the first half of 2018, the sales revenue of the car trade segment was 62.5 million euros. The sales revenue exceeded the year-on-year revenue by 23.0% and the sales revenue of KIAs increased by 7.2%. The sales revenue earned in the second quarter, 34.9 million euros, exceeded the year-on-year result by 31.1% and the sales revenue of KIAs increased by 19.3%. Altogether, 2,879 new vehicles were sold in the first half of the year, of which 1,650 cars were sold in the second quarter. The net profit of the segment earned in the first half of 2018 was 1.9 million euros, which is 4.4% higher than the profit earned in the same period in previous year. The pre-tax profit of the segment earned in the first half of 2018 was 2.6 million euros, exceeding the profit of the first half of 2017 by 14.7%. The pre-tax profit of the second quarter of 2018 was 1.7 million euros, which exceeded the year-on-year profit by 70.6%. The driver of the growth of the sales revenue and profit was selling and servicing Peugeot vehicles that was added to the car trade segment in the beginning of 2018 and the overall high growth trend in the car market. Selling and servicing of all car brands of the Group was successful in all Baltic States. In the second quarter, the earlier car sale transactions with car rental companies were realised, resulting in a steep jump in the sales numbers of new cars.

Footwear trade

The sales revenue of the footwear trade segment was 4.7 million euros in the first half of 2018. Compared to the previous year, the sales revenue decreased by 12.6% in the first half of the year. In the second quarter, the sales revenue generated by the segment was 2.5 million euros, showing a year-on-year decrease of 9.0%. The sales volumes have decreased because compared to the results of the previous year, as several footwear stores, belonging to the footwear trade segment, that did not meet the expectations have been closed. The loss was 0.2 million euros in the first half of the year. The loss earned in the comparable period a year earlier was 0.9 million euros. The profit in the second quarter was 0.1 million euros, which compared to the year-on-year results is higher by 0.1 million euros. This better result generated in the second quarter is the result of using better supply channels than previously and reorganisation of the volume of selling spaces. In the second half of 2018, the segment continues its work to optimise the selling spaces at ABC King stores.

Real estate

In the first half of 2018, the sales revenue earned in the real estate segment outside the Group was 2.7 million euros. The sales revenue grew by 8.6% compared to last year. The sales revenue of the segment earned outside the Group was 1.4 million euros in the second quarter. The sales revenue increased by 9.6% year-on-year. The pre-tax profit of the real estate segment in the first half of 2018 was 5.3 million euros, which is 8.3% lower than the result earned in the same period last year. The pre-tax profit of the segment in the second quarter of 2018 was 2.5 million euros, which is 16.0% lower compared to the results of the same period last year. The growth in the segment's sales revenue was positively affected by the gas station and store, completed in the beginning of this year for a partner outside the Group, which is located in Rae rural municipality, in close proximity to the Selver store in Peetri. The growth of the segment is driven significantly also by Tartu Kaubamaja Centre and Viimsi Centre that, despite strong competition, are occupied by tenants and still popular among visitors. The decrease in profit was affected by previous contracts concluded inside the Group, related to Latvian real estate, which have ended by now.

At the end of 2018, it is planned to open Kolde Selver, which is currently under construction. It is also planned to continue with the development works of the Estonian, Latvian, and Lithuanian car centres and a sales building of the department store segment in Tallinn.

Personnel

The average number of employees in the Tallinna Kaubamaja Group in the first half of 2018 was 4,261, having grown by 2.7% compared to the same period in 2017. Total labour costs (cost of wages and social tax) amounted to 32.3 million euros in the first six months of 2018, having grown by 8.1% compared to the same period in 2017. In the second quarter, the labour costs increased by 5.0% compared to the year before, while the average number of employees increased by 1.6%. The average monthly cost of wages grew by 5.2% in the first six months compared to the average wages of the six months of 2017, in the second quarter, the growth was 3.2%.

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, 12 July 2018

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 second quarter and first 6 months of 2017 as set out on pages 12 - 34.

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, 12 July 2018

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros

	Note	30.06.2018	31.12.2017
ASSETS			
Current assets			
Cash and cash equivalents	2	16,872	33,662
Trade and other receivables	3	12,949	16,127
Inventories	5	72,422	75,816
Total current assets		**102,243**	**125,605**
Non-current assets			
Long-term trade and other receivables	8	115	114
Investments in associates	7	1,700	1,724
Investment property	9	50,477	49,902
Property, plant and equipment	10	203,208	214,475
Intangible assets	11	5,398	5,675
Total non-current assets		**260,898**	**271,890**
TOTAL ASSETS		**363,141**	**397,495**
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings	12	21,682	54,818
Trade and other payables	13	78,896	85,569
Total current liabilities		**100,578**	**140,387**
Non-current liabilities			
Borrowings	12	73,184	48,732
Provisions for other liabilities and charges		420	360
Total non-current liabilities		**73,604**	**49,092**
TOTAL LIABILITIES		**174,182**	**189,479**
Equity			
Share capital	15	16,292	16,292
Statutory reserve capital		2,603	2,603
Revaluation reserve		81,220	82,124
Currency translation differences		-255	-255
Retained earnings		89,099	107,252
TOTAL EQUITY		**188,959**	**208,016**
TOTAL LIABILITIES AND EQUITY		**363,141**	**397,495**

The notes presented on pages 17 to 34 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	II quarter 2018	II quarter 2017	6 months 2018	6 months 2017
Revenue	16	174,891	164,645	334,438	315,333
Other operating income		352	259	1,065	741
Cost of sales	5	-131,873	-123,213	-252,560	-236,879
Other operating expenses	17	-13,744	-13,585	-27,581	-27,079
Staff costs	18	-16,529	-15,747	-32,317	-29,902
Depreciation, amortisation and impairment losses	10, 11	-3,390	-3,306	-6,827	-6,587
Other expenses		-335	-228	-643	-557
Operating profit		**9,372**	**8,825**	**15,575**	**15,070**
Finance income		0	0	0	0
Finance costs		-187	-200	-357	-383
Finance income on shares of associates	7	24	27	76	78
Profit before tax		**9,209**	**8,652**	**15,294**	**14,765**
Income tax expense	15	0	-15	-6,249	-6,386
NET PROFIT FOR THE FINANCIAL YEAR		**9,209**	**8,637**	**9,045**	**8,379**
Other comprehensive income: *Items that will not be subsequently reclassified to profit or loss*					
Other comprehensive income for the financial year		**0**	**0**	**0**	**0**
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		**9,209**	**8,637**	**9,045**	**8,379**
Basic and diluted earnings per share (euros)	19	0.23	0.21	0.22	0.21

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

The notes presented on pages 17 to 34 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

In thousands of euros

	Note	6 months 2018	6 months 2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit		9,045	8,379
Adjustments:			
Income tax on dividends	*15*	6,249	6,371
Interest expense		357	383
Depreciation, amortisation	*10, 11*	6,827	6,587
Loss on sale of non-current assets	*10*	2	1
Profit on sale of non-current assets	*10*	-403	-200
Profit on sale of investment property	*9*	-39	0
Effect of equity method	*7*	-76	-78
Change in inventories		3,394	608
Change in receivables and prepayments related to operating activities		3,177	3,270
Change in liabilities and prepayments related to operating activities		-6,595	-7,478
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		**21,938**	**17,843**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment (excl. finance lease)	10	-6,003	-8,388
Proceeds from sale of property, plant and equipment	10	9,916	1,246
Proceeds from sale of investment property	9	676	0
Purchase of intangible assets	11	-7	-28
Dividends received	7	100	100
TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES		**4,682**	**-7,070**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	12	60,683	30,024
Repayments of borrowings	12	-69,058	-35,343
Change in overdraft balance	12	-309	378
Dividends paid	15	-28,102	-25,659
Income tax on dividends	15	-6,249	-6,371
Interest paid		-375	-403
TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES		**-43,410**	**-37,374**
TOTAL CASH FLOWS		**-16,790**	**-26,601**
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	16,872	5,774
Net change in cash and cash equivalents		**-16,790**	**-26,601**

The notes presented on pages 17 to 34 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	8,379	8,379
Total comprehensive income for the reporting period	**0**	**0**	**0**	**0**	**8,379**	**8,379**
Reclassification of depreciation of revalued land and buildings	0	0	-904	0	904	0
Dividends paid	0	0	0	0	-25,659	-25,659
Balance as of 30.06.2017	**16,292**	**2,603**	**83,028**	**-255**	**84,896**	**186,564**
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	9,045	9,045
Total comprehensive income for the reporting period	**0**	**0**	**0**	**0**	**9,045**	**9,045**
Reclassification of depreciation of revalued land and buildings	0	0	-904	0	904	0
Dividends paid	0	0	0	0	-28,102	-28,102
Balance as of 30.06.2018	**16,292**	**2,603**	**81,220**	**-255**	**89,099**	**188,959**

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

The notes presented on pages 17 to 34 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 second quarter and first 6 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

	30.06.2018	31.12.2017
Cash on hand	949	643
Bank accounts	15,112	29,866
Cash in transit	811	3,153
Total cash and cash equivalents	**16,872**	**33,662**

Note 3. Trade and other receivables

in thousands of euros

	30.06.2018	31.12.2017
Trade receivables (Note 4)	10,427	11,761
Other receivables form related parties (Note 20)	2	0
Other short-term receivables	382	602
Total financial assets from balance sheet line ''Trade and other receivables''	**10,811**	**12,363**
Prepayment for goods	1,141	2,993
Other prepaid expenses	935	701
Prepaid rental expenses	34	34
Prepaid taxes (Note 14)	28	36
Total trade and other receivables	**12,949**	**16,127**

Note 4. Trade receivables

in thousands of euros

	30.06.2018	31.12.2017
Trade receivables	8,823	9,450
Allowance for doubtful receivables	-5	-4
Receivables from related parties (Note 20)	368	392
Credit card payments	1,241	1,923
Total trade receivables	**10,427**	**11,761**

Note 5. Inventories

in thousands of euros

	30.06.2018	31.12.2017
Goods purchased for resale	71,649	75,068
Raw materials and materials	773	748
Total inventories	**72,422**	**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

	II quarter 2018	II quarter 2017	6 months 2018	6 months 2017
Write-down and write-off of inventories	2,601	2,166	4,951	4,387
Inventory stocktaking deficit	733	657	1,055	903
Total materials and consumables used	**3,334**	**2,823**	**6,006**	**5,290**

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

Note 6. Subsidiaries

Tallinna Kaubamaja Group consists of:

Name	Location	Area of activity	Ownership 30.06.2018	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
SIA Selver Latvia	Riga Ieriku iela 3	Retail trade	100%	2006
TKM Auto OÜ	Tallinn Gonsiori 2	Commercial and finance activities	100%	2007
KIA Auto AS	Tallinn Ülemiste tee 1	Retail trade	100%	2007
Forum Auto SIA	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 Tammsaare tee 51	Retail trade	100%	2012
Viking Security AS	Tallinn 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.

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.

	30.06.2018	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	76	162
Dividends received	-100	-200
Investment in the associate at the end of the accounting period	**1,700**	**1,724**

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

	30.06.2018	31.12.2017
Current assets	52	29
Non-current assets	3,452	3,471
Current liabilities	105	53

	II quarter 2018	II quarter 2017	6 months 2018	6 months 2017
Revenue	127	127	255	252
Net profit	49	54	152	156

Note 8. Long-term trade and other receivables

in thousands of euros

	30.06.2018	31.12.2017
Prepaid rental expenses	53	52
Deferred tax asset	27	27
Other receivables	35	35
Total long-term trade and other receivables	**115**	**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)	1,212
Disposal	-637
Carrying value as at 30.06.2018	**50,477**

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 since 2016. In Latvia, Rezekne commercial building and property is classified as investment property which the Group maintains for earning rental income. Property in Rae municipal Peetri was reclassified as investment property from property, plant and equipment in 2017.

In the first half of 2018, 1,212 thousand euros investment property was added, of which the Tartu Kaubamaja Shopping Centre was renovated and gas station at Peetri Selver was completed (Note 10). In the reporting period in Harju county, in Peetri, Veesaare road 5 a property was sold. In 2017, Tartu Kaubamaja Shopping Centre renovation amounted to 157 thousand euros.

As a result, the valuation in 2017, the net fair value adjustment of investment property in Estonia in the amount of 1,081 thousand euros recorded in the income statement line “Other operating income”. No fair value change of investment property in Latvia was identified in 2018 and 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	42	315	33	5,613	6,003
Reclassification	528	691	1,288	-2,507	0
Reclassification to investment property (Note 9)	0	0	0	-1,212	-1,212
Reclassification (Note 11)	0	0	0	-97	-97
Disposals	-10	-216	-4	-9,285	-9,515
Write-offs	-39	-22	-3	0	-64
Depreciation	-2,444	-1,766	-2,172	0	-6,382
30.06.2018					
Cost or revalued amount	168,015	37,627	38,851	31,034	27,527
Accumulated depreciation and impairment	-6,630	-26,341	-27,405	-11,943	-72,319
Carrying value	**161,385**	**11,286**	**11,446**	**19,091**	**203,208**

The cost of investments for the 6 months of 2018 amounted to 6,010 thousand euros (including purchases of property, plant and equipment in the amount of 6,003 thousand euros and purchases of intangible assets amounted to 7 thousand euros).

The cost of purchases of property, plant and equipment made in 6 months of 2018 in the supermarket business segment was 2,783 thousand euros. In the reporting period, 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 900 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 383 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 5 thousand euros.

The cost of purchases of property, plant and equipment in the real estate business segment amounted to 1,932 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 works started. 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.

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

Note 11. Intangible assets

in thousands of euros

	Goodwill	Trademark	Beneficial contracts	Development expenditure	Total
31.12.2016					
Cost	6,814	5,277	1,080	1,317	14,488
Accumulated amortisation and impairment	-1,441	-3,030	-1,080	-432	-5,983
Carrying value	**5,373**	**2,247**	**0**	**885**	**8,505**
Changes occurred in 2017					
Purchases and improvements	0	0	0	69	69
Amortisation	0	-487	0	-233	-720
Impairment	-2,113	-66	0	0	-2,179
31.12.2017					
Cost	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	7	7
Reclassification (Note 10)	0	0	0	97	97
Amortisation	0	-249	0	-132	-381
30.06.2018					
Cost	3,260	5,277	0	1,472	10,009
Accumulated amortisation and impairment	0	-3,832	0	-779	-4,611
Carrying value	**3,260**	**1,445**	**0**	**693**	**5,398**

In the reporting period, the Group capitalised costs of a web page update and e-store as development expenditure in the amount of 7 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	**30.06.2018**	**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

	30.06.2018	**31.12.2017**
Short-term borrowings		
Overdraft	7,502	7,811
Bank loans	11,677	45,002
Other borrowings	2,503	2,005
Total short-term borrowings	**21,682**	**54,818**

in thousands of euros

	30.06.2018	**31.12.2017**
Long-term borrowings		
Bank loans	73,028	48,570
Other borrowings	156	162
Total long-term borrowings	**73,184**	**48,732**
Total borrowings	**94,866**	**103,550**

Borrowings received

in thousands of euros

	II quarter 2018	**II quarter 2017**	**6 months 2018**	**6 months 2017**
Overdraft	-405	120	0	378
Bank loans	44,902	16,300	58,104	28,216
Other borrowings	1,218	934	2,579	1 808
Total borrowings received	**45,715**	**17,354**	**60,683**	**30,402**

Borrowings paid

in thousands of euros

	II quarter 2018	II quarter 2017	6 months 2018	6 months 2017
Overdraft	309	0	309	0
Bank loans	51,003	18,866	66,972	33,399
Other borrowings	1,161	877	2,086	1,944
Total borrowings paid	**52,473**	**19,743**	**69,367**	**35,343**

Bank loans and other borrowings are denominated in euros.

As of 30.06.2018, the repayment dates of bank loans are between 31.07.2018 and 20.06.2023 (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 0.90% (2017: 0.93%).

Net debt reconciliation
in thousands of euros

	30.06.2018	31.12.2017
Cash and cash equivalents (Note 2)	16,872	33,662
Short-term borrowings	-21,682	-54,818
Long-term borrowings	-73,184	-48,732
Net debt	**-77,994**	**-69,888**
Cash and cash equivalents (Note 2)	16,872	33,662
Gross debt – fixed interest rates	-24,578	-25,493
Gross debt – variable interest rates	-70,288	-78,057
Net debt	**-77,994**	**-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	-16,790	309	32,827	-24,452	-8,106
Net debt 30.06.2018	**16,872**	**-7,502**	**-14,180**	**-73,184**	**-77,994**

Note 13. Trade and other payables

in thousands of euros

	30.06.2018	31.12.2017
Trade payables	58,814	61,919
Payables to related parties (Note 20)	3,490	3,750
Other accrued expenses	86	116
Prepayments by tenants	2,509	3,666
Total financial liabilities from balance sheet line ''Trade and other payables''	**64,899**	**69,451**
Taxes payable (Note 14)	6,935	7,896
Employee payables	5,552	6,461
Prepayments	1,441	1,671
Short-term provisions*	69	90
Total trade and other payables	**78,896**	**85,569**

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

Note 14. Taxes

in thousands of euros

	30.06.2018		31.12.2017	
	Prepaid taxes	Taxes payable	Prepaid taxes	Taxes payable
Prepaid taxes	28	0	36	0
Value added tax	0	3,348	0	3,949
Personal income tax	0	823	0	970
Social security taxes	0	2,459	0	2,498
Corporate income tax	0	20	0	192
Unemployment insurance	0	167	0	164
Mandatory funded pension	0	118	0	123
Total taxes	**28**	**6,935**	**36**	**7,896**

Note 15. Share capital

As of 30.06.2018 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 expense 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. 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

II quarter 2018	**Super markets**	**Depart-ment store**	**Car trade**	**Footwear trade**	**Real estate**	**Inter-segment transact -ions**	**Total seg-ments**
External revenue	**112,307**	**23,767**	**34,937**	**2,516**	**1,364**	**0**	**174,891**
Inter-segment revenue	265	1,668	16	27	3,212	-5,188	0
Total revenue	112,572	25,435	34,953	2,543	4,576	-5,188	174,891
EBITDA	**5,227**	**1,769**	**1,928**	**225**	**3,613**	**0**	**12,762**
Segment depreciation and impairment losses	-1,515	-624	-124	-100	-1,027	0	-3,390
Operating profit	**3,712**	**1,145**	**1,804**	**125**	**2,586**	**0**	**9,372**
Finance income	76	63	0	0	14	-153	0
Finance income on shares of associates	0	24	0	0	0	0	24
Finance costs	-46	-92	-57	-19	-126	153	-187
Income tax	0	0	0	0	0	0	0
Net profit	**3,742**	**1,140**	**1,747**	**106**	**2,474**	**0**	**9,209**
incl. in Estonia	3,846	1,140	1,392	106	2,697	0	9,181
incl. in Latvia	-104	0	155	0	-212	0	-161
incl. in Lithuania	0	0	200	0	-11	0	189
Segment assets	**90,081**	**70,462**	**32,749**	**5,036**	**236,292**	**-71,479**	**363,141**
Segment liabilities	**76,464**	**40,392**	**23,866**	**8,030**	**76,870**	**-51,440**	**174,182**
Segment investments in property, plant and equipment	1,986	496	216	1	1,187	0	3,886
Segment investments in intangible assets	0	5	0	0	0	0	5

in thousands of euros

II quarter 2017	Super markets	Depart-ment store	Car trade	Footwear trade	Real estate	Inter-segment transact-ions	Total seg-ments
External revenue	**108,964**	**25 025**	**26,646**	**2,765**	**1,245**	**0**	**164,645**
Inter-segment revenue	260	1,760	15	33	3,192	-5,260	0
Total revenue	109,224	26,785	26,661	2,798	4,437	-5,260	164,645
EBITDA	**4,736**	**1,931**	**1,207**	**115**	**4,142**	**0**	**12,131**
Segment depreciation and impairment losses	-1,343	-666	-131	-115	-1,051	0	-3,306
Operating profit/loss	**3,393**	**1,265**	**1,076**	**0**	**3,091**	**0**	**8,825**
Finance income	55	107	9	0	55	-226	0
Finance income on shares of associates	0	27	0	0	0	0	27
Finance costs	0	-134	-61	-30	-201	226	-200
Income tax	1	-1	-14	0	-1	0	-15
Net profit/loss	**3,449**	**1,264**	**1,010**	**-30**	**2,944**	**0**	**8,637**
incl. in Estonia	3,979	1,264	868	-30	2,710	0	8,791
incl. in Latvia	-530	0	105	0	244	0	-181
incl. in Lithuania	0	0	37	0	-10	0	27
Segment assets	**90,691**	**69,155**	**27,969**	**8,297**	**235,380**	**-72,527**	**358,965**
Segment liabilities	**74,311**	**37,919**	**19,456**	**9,988**	**84,356**	**-53,629**	**172,401**
Segment investments in property, plant and equipment	4,358	200	203	40	254	0	5,055
Segment investments in intangible assets	0	15	0	0	0	0	15

in thousands of euros

6 months 2018	Super markets	Depart-ment store	Car trade	Footwear trade	Real estate	Inter-segment transact-ions	Total seg-ments
External revenue	**217,928**	**46,575**	**62,542**	**4,708**	**2,685**	**0**	**334,438**
Inter-segment revenue	652	3,115	40	60	6,415	-10,282	0
Total revenue	218,580	49,690	62,582	4,768	9,100	-10,282	334,438
EBITDA	**9,813**	**1,979**	**2,968**	**15**	**7,627**	**0**	**22,402**
Segment depreciation and impairment losses	-3,031	-1,285	-249	-204	-2,058	0	-6,827
Operating profit/loss	**6,782**	**694**	**2,719**	**-189**	**5,569**	**0**	**15,575**
Finance income	150	102	0	0	14	-266	0
Finance income on shares of associates	0	76	0	0	0	0	76
Finance costs	-62	-171	-117	-38	-235	266	-357
Income tax	-4,049	-939	-743	0	-518	0	-6,249
Net profit/loss	**2,821**	**-238**	**1,859**	**-227**	**4,830**	**0**	**9,045**
incl. in Estonia	3,028	-238	1,323	-227	4,918	0	8,804
incl. in Latvia	-207	0	271	0	-66	0	-2
incl. in Lithuania	0	0	265	0	-22	0	243
Segment assets	**90,081**	**70,462**	**32,749**	**5,036**	**236,292**	**-71,479**	**363,141**
Segment liabilities	**76,464**	**40,392**	**23,866**	**8,030**	**76,870**	**-51,440**	**174,182**
Segment investments in property, plant and equipment (Note 10)	2,783	900	383	5	1,932	0	6,003
Segment investments in intangible assets (Note 11)	0	5	0	0	2	0	7

in thousands of euros

6 months 2017	Super markets	Depart-ment store	Car trade	Footwear trade	Real estate	Inter-segment transact -ions	Total seg-ments
External revenue	**208,549**	**48,068**	**50,854**	**5,389**	**2,473**	**0**	**315,333**
Inter-segment revenue	527	3,200	39	79	6,377	-10,222	0
Total revenue	209,076	51,268	50,893	5,468	8,850	-10,222	315,333
EBITDA	**8,751**	**2,603**	**2,645**	**-587**	**8,245**	**0**	**21,657**
Segment depreciation and impairment losses	-2,635	-1,354	-263	-236	-2,099	0	-6,587
Operating profit/loss	**6,116**	**1,249**	**2,382**	**-823**	**6,146**	**0**	**15,070**
Finance income	110	233	11	0	100	-454	0
Finance income on shares of associates	0	78	0	0	0	0	78
Finance costs	-1	-243	-125	-52	-416	454	-383
Income tax	-3,607	-888	-487	0	-1,404	0	-6,386
Net profit/loss	**2,618**	**429**	**1,781**	**-875**	**4,426**	**0**	**8,379**
incl. in Estonia	3,669	429	1,425	-875	3,964	0	8,612
incl. in Latvia	-1,051	0	208	0	476	0	-367
incl. in Lithuania	0	0	148	0	-14	0	134
Segment assets	**90,691**	**69,155**	**27,969**	**8,297**	**235,380**	**-72,527**	**358,965**
Segment liabilities	**74,311**	**37,919**	**19,456**	**9,988**	**84,356**	**-53,629**	**172,401**
Segment investments in property, plant and equipment (Note 10)	5,412	379	295	63	2,239	0	8,388
Segment investments in intangible assets (Note 11)	2	26	0	0	0	0	28

External revenue according to types of goods and services sold

in thousands of euros

	II quarter 2018	II quarter 2017	6 months 2018	6 months 2017
Retail revenue	157,545	149,759	302,197	286,912
Wholesale revenue	9,928	7,627	17,881	14,952
Rental income	2,434	2,460	4,787	4,707
Revenue for rendering services	4,984	4,799	9,573	8,762
Total revenue	**174,891**	**164 645**	**334,438**	**315,333**

External revenue by client location

in thousands of euros

	II quarter 2018	II quarter 2017	6 months 2018	6 months 2017
Estonia	161,268	153,634	308,967	293,765
Latvia	8,305	7,496	17,205	14,713
Lithuania	5,318	3,515	8,266	6,855
Total	**174,891**	**164,645**	**334,438**	**315,333**

Distribution of non-current assets* by location of assets

in thousands of euros

	30.06.2018	31.12.2017
Estonia	233,916	236,060
Latvia	23,241	33,112
Lithuania	2,041	1,994
Total	**259,198**	**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

	II quarter 2018	II quarter 2017	6 months 2018	6 months 2017
Rental expenses	4,265	4,050	8,492	8,024
Heat and electricity expenses	1,818	2,000	3,940	4,155
Operating costs	1,902	1,555	3,696	3,105
Cost of sale related services and materials	1,311	1,391	2,612	2,755
Marketing expenses	1,834	1,782	3,599	3,624
Miscellaneous other operating expenses	998	973	1,924	1,842
Computer and communication costs	959	1,035	2,063	2,027
Personnel expenses	657	799	1,255	1,547
Total other operating expenses	**13,744**	**13,585**	**27,581**	**27,079**

Note 18. Staff costs

in thousands of euros

	II quarter 2018	II quarter 2017	6 months 2018	6 months 2017
Wages and salaries	12,477	11,895	24,393	22,579
Social security taxes	4,052	3,852	7,924	7,323
Total staff costs	**16,529**	**15,747**	**32,317**	**29,902**
Average wages per employee per month (euros)	976	946	954	907
Average number of employees in the reporting period	4,259	4,190	4,261	4,149

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.

	II quarter 2018	II quarter 2017	6 months 2018	6 months 2017
Net profit (in thousands of euros)	9,209	8,637	9,045	8,379
Weighted average number of shares	40,729,200	40,729,200	40,729,200	40 ,729,200
Basic and diluted earnings per share (euros)	0.23	0.21	0.22	0.21

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 6 months 2018	Sales 6 months 2018	Purchases 6 months 2017	Sales 6 months 2017
Parent	197	2	135	29
Entities in the Parent's consolidation group	12,304	1,876	13,946	2,540
Members of management and supervisory boards	0	17	0	53
Other related parties	264	8	444	72
Total	**12,765**	**1,903**	**14,525**	**2,694**

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

Balances with related parties:

	30.06.2018	31.12.2017
Receivable from Parent (Note 4)	368	392
Members of management and supervisory boards (Note 3)	2	0
Total receivables from related parties	**370**	**392**

	30.06.2018	31.12.2017
Parent	21	19
Entities in the Parent's consolidation group	3,412	3,696
Other related parties	57	35
Total liabilities to related parties (Note 13)	**3,490**	**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 6 months of 2018 and 12 months of 2017, the Group has not earned interest income on its deposits of available funds.

As at 30 June 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 1,247 thousand euros (2017: 1,094 thousand euros). Short term benefits to supervisory boards' members of the Group in reporting period including social taxes amounted to 298 thousand euros (2017: 280 thousand euros).

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