

TALLINNA KAUBAMAJA GRUPP AS

Consolidated Interim Report for
the Second quarter and first 6 months of 2021
(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 4,900 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 2021
End of financial year:	31 December 2021
Beginning of interim report period:	1 January 2021
End of interim report period:	30 June 2021
Auditor:	PricewaterhouseCoopers AS
Telephone:	372 667 3300
E-mail:	tkmgroup@kaubamaja.ee

MANAGEMENT REPORT

Management

In order to manage the 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 Group supervisory board are Jüri Kào (chairman of the supervisory board), Andres Järving, Enn Kunila, Gunnar Kraft and Meelis Milder. Members of Group supervisory board are elected for three years. The mandates of current supervisory board members Andres Järving, Jüri Kào, Enn Kunila, Meelis Milder and Gunnar Kraft will expire on 20 May 2024. 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 Group has one member. The term of office of the management board member Raul Puusepp was extended on 2020 and his term of office expires on 6 March 2023.

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 Group does not possess several classes of shares.

Structure of the company

The following companies belong to the Group as of June 30, 2021:

	Location	Shareholding as of 30.06.2021	Shareholding as of 31.12.2020
Selver supermarkets			
Selver AS	Estonia	100%	100%
Kulinaaria OÜ	Estonia	100%	100%
Department stores			
Kaubamaja AS	Estonia	100%	100%
TKM Finants 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%
Car trade			
TKM Auto OÜ	Estonia	100%	100%
KIA Auto AS	Estonia	100%	100%
AS Viking Motors	Estonia	100%	100%
SIA Forum Auto	Latvia	100%	100%
Verte Auto SIA	Latvia	100%	100%
KIA Auto UAB	Lithuania	100%	100%

Security segment	Location	Shareholding as of 30.06.2021	Shareholding as of 31.12.2020
Viking Security AS	Estonia	100%	100%
Real estate			
Tallinna Kaubamaja Kinnisvara AS	Estonia	100%	100%
OÜ Tartu Kaubamaja Kinnisvara	Estonia	100%	100%
SIA TKM Latvija	Latvia	100%	100%
TKM Lietuva UAB	Lithuania	100%	100%

Change in the reporting of segments

As of the interim reports for the second quarter and the first six months of 2021, the Group has decided to make a change in the structure of the reporting of operating segments. A new security segment has been brought out and the former footwear segment is added to the segment of department stores. The respective comparative data is adjusted retrospectively and highlighted in Note 16 to the segment report.

The segment reporting of Tallinna Kaubamaja Grupp AS is drawn up based on the international financial reporting standard IFRS 8, according to which the purpose of segment reporting should highlight the information and measures that management believes are important and are used to make key decisions. The chief operating decision maker monitors the Group's operations by areas of activity, which include the supermarkets, department stores, car trade, real estate, footwear trade, beauty products, and the security segment. The figures of the footwear trade, beauty products, and security segments are lower than the quantitative criteria for a segment to be reported based on IFRS 8; thus, it is permissible and reasonable to combine them with other appropriate operating segments.

IFRS 8 does not include specific instructions on how to make changes in the reporting of operating segments. The Group changed the operating segments based on the Group's strategic directions, the importance of the specific segments for the Group's economic activities, and the similarity of the economic characteristics and other features described in IFRS 8 of the areas of activity reported under the different segments, primarily the similarity of the products and services, as well as the customer segments.

The activity of Viking Security AS, which is reported under the security segment, grew out of providing a manned security solution for the trade areas of the department stores of the Group and did not have a significant distorting effect on the financial result of the department store segment as an internal support service. In the last few years, several acquisitions and large-scale strategic developments have occurred in the security segment, which has resulted in a significant expansion of the selection of security services provided to the various different segments of the Group and outside of the Group, and the reporting of the area of activity under the department store segment is no longer compliant with the IFRS 8 criteria. On the other hand, the importance of footwear trade in the economic activities of the Group has decreased and the Group believes that it would not be practical to continue reporting the footwear trade as a separate segment. The footwear trade segment is concerned with the retail sales of fashion products and fits, along with beauty products, into the composition of the department store operating segment, which is mainly involved with the retail sales of fashion and beauty products, based on the assessment of the management of the Group.

As of this reporting period, the Group is reporting its economic activities under five operating segments as follows.

1. The operating segment of supermarkets is focused on the retail sales of food products and convenience goods.
2. The main area of activity of the department store segment is the retail sales of beauty and fashion products. The segment includes the retail sales of the department stores, as well as the beauty and footwear store chains.
3. The car trade segment is focused on the import and sale of cars and spare parts for cars.
4. The real estate segment is involved with the development, management and maintenance of the real estate owned by the Group and with renting commercial premises.
5. The principal activity of the security segment is the provision of security solutions.

Introduction of the security segment

The activity of Viking Security AS, a subsidiary of the Group, is reported under the security segment. The

activity of the security segment began from providing a manned security solution to the trade areas of the department stores of the Group, which was separated into a subsidiary, Topsec Turvateenused OÜ, in 2012. In 2014, the company acquired Viking Security AS, which had been founded in 1993. The Group merged with the company in the same year and carried on under the name of Viking Security AS. In 2015, Viking Security AS acquired Digisilm Videovalve OÜ and, in 2021, the security services segment of P. Dussmann Eesti OÜ. Today, the company has grown into the third largest security company on the Estonian market. The service portfolio includes the provision of various different security solutions, the design, construction, and maintenance of security systems, manned and technical surveillance services, cash transportation, fire safety services, and investment services, which can be read about in closer detail on the following website: vikingsecurity.ee. The company has grown successfully in all of its areas of activity and will continue to implement its development plans. The biggest of the ongoing developments involves taking into use of a new control centre software, which will enable to significantly increase efficiency and create new services for both private and business clients.

Share market

Since 19 August 1997, the shares of the Group have been listed in the main list of securities of the Nasdaq Baltic and is today the oldest listed company in the Baltics. The Group has issued 40,729,200 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.

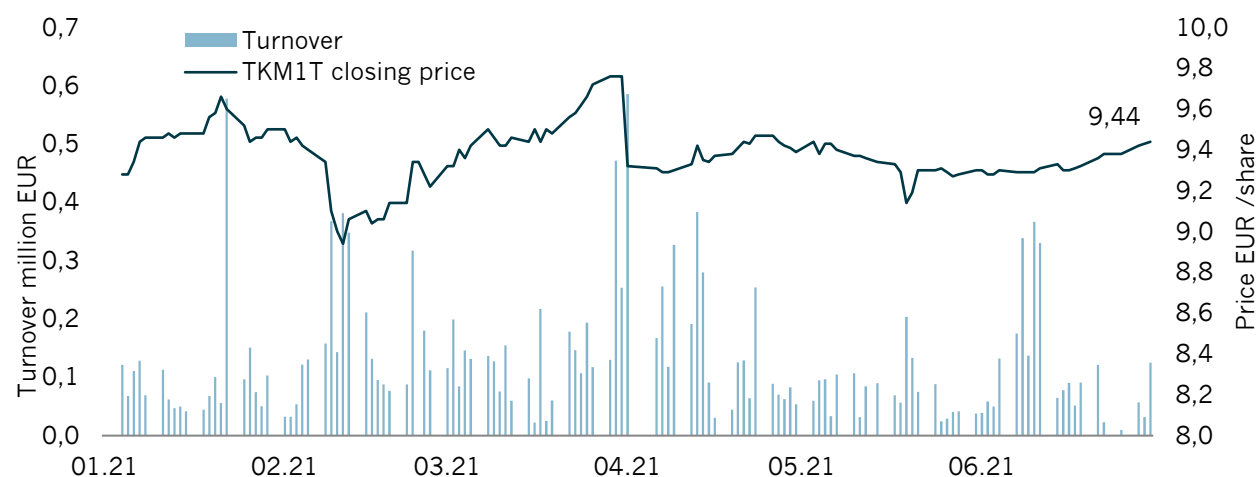
The members of the management board of the Group have no right to issue or buy back shares. In addition, there are no commitments between the company and its employees providing for compensation in mergers and acquisitions under article 19' of Stock Market Trade Act.

The share with a price of 9.16 euros at the end of 2020 was closed in the end of June 2021 at the level of 9.44 euros, increased by 3.06% in six months.

According to the notice of regular annual general meeting of the shareholders published on 22 February 2021, the management board proposed to pay dividends 0.60 euros per share. The general meeting of shareholders approved it.

Share price and trading statistics on the Nasdaq Baltic from 01.01.2021 to 30.06.2021.

In euros



SHARE	Q2/21	Q2/20	H1/21	H1/20
Average number of shares (1000 pcs)	40,729.2	40,729.2	40,729.2	40,729.2
Equity capital per share (EUR/share)	5.07	4.96	5.07	4.96
Share's closing price (EUR/share)	9.44	9.76	9.44	9.76
Earnings per share (EUR/share)	0.24	0.14	0.19	0.10

Sustainable entrepreneurship

The balance between social, natural and economic environment and the activities that promote this balance in order to ensure sustainable development are an integral part of the operations of the Group. As the goals, which support sustainable development, are being focused on at all companies of the Group, we will be including the activities undertaken in the future quarterly reports as well.

As of 1 June, the home delivery service of Selver AS expanded to Pärnu County and Viljandi County, which made Selver the only online store in Estonia, which is delivering goods to all counties of mainland Estonia, as well as to the larger islands. The expansion is a great help to the people in rural areas, who may live many kilometres away from the closest store and have no access to convenient means of transport. This year, the Selver's online store was awarded the title of the most user-friendly online store in the category of food and beverages by the Estonian E-Commerce Association, in which the availability of goods and the speed of delivery play an important part. Customers of the online store get to choose upon placing their orders, whether they would like to have the goods packed in paper or plastic bags.

It has been possible to shop paper-free, i.e. without being issued paper cheques at the self-checkouts of Kaubamaja and Selver stores, for a while; now, this option is also available at Selver ABC and Delice stores. Fruit and vegetables can be bought from all Kaubamaja, Selver, Selver ABC, and Delice stores without printing labels, but by scanning the barcodes of the products with the help of barcode scanners directly from the screen of the scales. The environment-friendly digital version of the label has earned a lot of praise from customers, and Kaubamaja and Selver have been pioneers in developing paperless solutions in Estonia.

In the first half of 2021, the construction of the new production building of Kulinaaria OÜ was completed. The new and renovated building provides better working conditions for employees due to the reduction in physical labour, and the introduction of new technology will significantly reduce food production losses. As quality increases, the shelf life of the product is extended, thereby significantly reducing food waste – disposals in stores and homes. In addition, the flexibility to produce in smaller or larger volumes, and to enter the market with new products increases. The new building was erected based on the smart house principle; the utility systems, refrigeration systems, and several other equipment required for production are controlled by system automation. The refrigeration systems work with CO₂ refrigerant, which is more environmentally friendly than previous F-gas-based refrigerants.

In April-May, Kaubamaja had a walk and train challenge for its employees, the aim of which was to reduce the number of car commutes to work and thereby promote a healthy lifestyle. A free bicycle parking lot was also opened for employees to store their bicycles safely. On 1 June, Kaubamaja launched a three-month campaign to support the Estonian Lifesaving Association.

Viking Security purchased two new CNG gas-powered cars, the use of which is more environmentally friendly and cheaper than petrol or diesel fuel. Further filling stations have been opened in Estonia in the last few years, which further promotes the use of gas-powered cars.

The product range of I.L.U. stores shows trends, where more and more brands are paying attention to the safety of products and the recycling of packaging. The packaging and bottles of products are made of already recycled or recyclable materials and environmentally friendly refill containers are becoming increasingly popular.

Recovery and the circular economy aspect of the materials are important for the Group – therefore, the bags and packaging used at all stores of the Group are largely made of recovered or recyclable materials (including the 90% recovered paper bags of I.L.U., the 90% recovered plastic bags of Kaubamaja, and Selver's reusable carrier bags).

Kaubamaja, Viking Motors, and Selver are supporting more than ten different events and theatre and concert series over the summer, helping to reinvigorate the cultural sector, which was hit hard by the coronavirus.

Economic environment

In the first quarter of 2021, the gross domestic product surprisingly increased by 5.4% in comparison with the first quarter of the previous year. According to Statistics Estonia, the main engine of the economic growth was the normalisation of the tax revenues compared to the year before, when the government decided to stop calculating interests from tax arrears to alleviate the impacts of the coronavirus, which was used extensively by commercial undertakings to postpone the payment of their taxes. The areas of activity, which contributed most to the economic growth, were trade, information and communications, and financial and insurance activities. In addition to taxes, the decline in the same period of the year before was also behind the positive impact of the trade sector. According to the Bank of Estonia, the recovery of the Estonian economy was among the fastest in Europe, already exceeding the pre-crisis level in the beginning of 2021. The Bank of Estonia is

expecting an economic growth of 5–8% this year, supported by the savings of people being used for consumption. The consumer price index in Estonia grew by 1.9% in the first six months, whereas the prices of food and non-alcoholic beverages rose by 0.2% and the prices of clothing and footwear dropped by 0.2%. The increase in prices was led by the higher accommodation and transport expenses due to an increase in the prices of engine fuel and the electricity supplied to homes. Kindergarten fees also became more expensive due to the lower impact of benefits, which resulted in an increase in prices in the education segment. According to the estimations of the Bank of Estonia, the average inflation in 2021 will be 2.5–2.7%, mainly due to delivery issues and an increase in the prices of raw materials. In comparison with the first quarter of the year before, the average monthly gross wages and salaries increased by 4.9%, reaching 1,473 euros in the first quarter. The wave of the virus in the beginning of 2021 brought along a significant drop in the number of jobs in the accommodation and catering sector, where the number of jobs should be restored rapidly with receding of the virus in the summer months. The analysts estimate that the average wages will increase by at least 5% in total in 2021, along with enlivening of the economy and an increase in the employment rate.

According to Statistics Estonia, the sales revenue generated by commercial establishments in current prices increased by a record 17.4% in the first five months of 2021. The huge growth was based on the low reference base, as the sales revenue had dropped by 8.5% in the first five months of 2020. The largest growth in sales revenue was unsurprisingly shown by retail sales via mail or the Internet (45.3%). Sales revenue in non-specialised stores (primarily foodstuffs) grew by 4.0% in total in the first five months of the year. The segment of retail, wholesale, and repairs segment of motor vehicles and motorbikes, which had suffered the greatest decline in the year before, increased by 32.9% in the first five months of 2021. According to Statistics Estonia, registering new vehicles increased even more in the first five months of 2021 – 36.4%. The consumer confidence index, that remained very low for the past twelve months, improved slightly in June.

Economic results

Financial ratios

In million EUR	Q2/21	Q2/20	Change %	H1/21	H1/20	Change %
Revenue	207.2	171.0	21.2%	398.0	346.5	14.9%
Selver supermarkets	141.2	128.2	10.1%	275.1	246.5	11.6%
Department stores	20.8	15.8	31.6%	38.8	37.4	3.7%
Car trade	41.8	24.8	68.5%	78.0	57.9	34.7%
Security	2.2	1.3	69.2%	3.7	2.5	48.0%
Real estate	1.2	0.9	33.3%	2.4	2.3	4.3%
<i>margin</i>	<i>25.20%</i>	<i>24.53%</i>	<i>2.7%</i>	<i>24.54%</i>	<i>24.07%</i>	<i>1.9%</i>
EBITDA	20.7	14.7	40.8%	33.7	27.4	23.0%
Selver supermarkets	7.6	6.3	20.6%	12.0	11.4	5.3%
Department stores	1.9	0.4	375.0%	0.2	-0.8	-125.0%
Car trade	2.4	0.7	242.9%	3.9	1.2	225.0%
Security	0.1	0.1	0.0%	0.2	0.1	100.0%
Real estate	3.7	3.2	15.6%	7.5	7.0	7.1%
IFRS 16	4.9	4.0	22.5%	9.9	8.5	16.5%
<i>margin</i>	<i>9.99%</i>	<i>8.60%</i>	<i>16.2%</i>	<i>8.47%</i>	<i>7.91%</i>	<i>7.1%</i>
Operating profit	11.0	6.8	61.8%	14.2	11.5	23.5%
<i>margin</i>	<i>5.31%</i>	<i>3.98%</i>	<i>33.5%</i>	<i>3.57%</i>	<i>3.32%</i>	<i>7.5%</i>
Net profit	9.9	5.8	70.7%	7.7	4.1	87.8%
<i>margin</i>	<i>4.78%</i>	<i>3.39%</i>	<i>40.9%</i>	<i>1.93%</i>	<i>1.18%</i>	<i>63.5%</i>
Earnings per share (EUR)	0.24	0.14	70.7%	0.19	0.10	87.8%

Key ratios	Q2/21	Q2/20	H1/21	H1/20
Return on equity (ROE)	4.9%	2.9%	3.8%	2.0%
Return on assets (ROA)	1.7%	1.0%	1.3%	0.7%
Quick ratio	0.78	0.90	0.78	0.90
Debt ratio	0.65	0.65	0.65	0.65
Inventory turnover (multiplier)	2.06	1.67	3.99	3.40
Sales revenue per employee (in million EUR)	0.042	0.038	0.081	0.080
Average number of employees	4,935	4,459	4,926	4,355

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

In the second quarter of 2021, the consolidated unaudited sales revenue of the Group was 207.2 million euros, which was 21.2% more than the sales revenue of the same period in 2020. The sales revenue in the first half of the year was 398.0 million euros, showing a growth of 14.8% compared to the result of the first half of 2020, when the sales revenue was 346.5 million euros. In the second quarter of 2021, the Group's unaudited consolidated net profit was 9.9 million euros, which was 70.3% higher than the profit of the comparable period in the previous year. The Group's net profit of the first six months of 2021 was 7.7 million euros, which was 89.9% higher than the result of the previous comparable period. The pre-tax profit earned in the first half was 12.0 million euros, showing a 21.9% increase compared to last year. Net profit was affected by the dividend payment, from which 4.3 million euros of income tax was calculated in the first quarter of 2021; 5.8 million euros of income tax was calculated a year before.

The excellent increase in the Group's sales figures in the second quarter was, on the one hand, caused by the lower sales result in the first half of 2020 due to the health crises and by the lower reference base due to the ABC Supermarkets stores, which were added from 1 June 2020 and, on the other hand, by better preparedness for fulfilling online orders during the period of restrictions arising from the crisis. The car trade segment provided a significant contribution to the increase in the sales revenue of the Group, which was based on the recovery of the car market and skilfully managed stocks, which ensured smooth car sales in the conditions of the car deficit, which negatively affected the market. The sales revenue of the department stores segment recovered well after the lifting of restrictions and an area of activity, which was acquired in 2021, helped to increase the sales result of the security segment. The profitability of all segments of the Group improved in the second quarter thanks to the better sales result and a slight increase in the gross margin. The salary expenses increased by 18.9% in the second quarter; thereat, the number of employees increased by 10.7% in connection with the expansion of the supermarkets and security segments.

Most of the stores of the department stores segment were again closed by an order of the Government of the Republic of Estonia from 11 March to 2 May to prevent the spread of the coronavirus. The fashion and industrial goods departments of the department stores segment, all I.L.U. stores, as well as the ABC King and SHU shoe stores were closed for visitors. The period during which those stores were closed was approximately a week longer compared to the period of restrictions in 2020. The Group applied for salary and operational expenditure state aid measures based on the criteria established by the state for four of the companies of the department stores segment of the Group whose economic activities were extensively disturbed due to the crisis. The state covered the operating expenditure in the extent of 1.6 million euros, in total, within the framework of the salary and entrepreneurship support package, incl. in the extent of 0.4 million euros in the first quarter and 1.2 million euros in the second quarter (year before, the government supported the operations of the Group in the extent of 1.3 million euros, incl. 0.3 million euros in the first quarter and 1.0 million euros in the second quarter), thereby helping the Group to retain almost 800 jobs in the department stores segment. As in the year before, agreements were achieved with lessors to reduce the rental costs of closed sales areas. In spite of the 3.6% increase in the sales revenue of the department stores segment, cuts of expenses, and the state aid support measures, the department stores segment accumulated a loss of 1.3 million euros in the first six months of 2021.

As of 1 June 2021, the service area of the e-Selver online store service covers all of Estonia. With this expansion, Selver became the only online grocery store in Estonia, which delivers goods to all counties of mainland Estonia in the entire extent. Selver has been contributing actively to the development of e-commerce in the

last six years to be a pioneer in the field of online shopping. One innovation allows the customers of e-Selver to track the journeys of their orders on the map, which is updated with an interval of 20 seconds.

In the department stores segment, the renovation of the Kaubamaja building in Tallinn commenced with the renovation of the beauty and food departments. The new food department is scheduled to be open in the end of August and the beauty department in full in the beginning of September.

Earlier, one of the most significant large-scale developments of the Group was completed in the first half of 2021 – completion of the new production building of the central kitchen of Kulinaaria OÜ with the renovation of the previous factory and the connection of the two production buildings. The most labour-intensive innovation was the transfer of stores operating under the Comarket brand to the Selver ABC brand and the integration of Comarket, Delice stores, and the Solaris Food Store with the Selver supply chain and IT systems. The upgrade of the e-shop software platform started in the first quarter. Selver is planning to renovate or expand five stores this year.

As at 30 June 2021, the volume of assets of Tallinna Kaubamaja Group was 592.1 million euros – a decrease of 4.9% compared to the results at the end of 2020 without the impact of IFRS 16.

At the end of the reporting period, the number of loyal customers was more than 698 thousand, which is 3.3% more than the year before. The proportion of loyal customers in the Group's turnover was 86.5% (in the first half of 2020, it was 86.9%). A new convenient financial solution, which is called 'Partner Kuukaart' has been on the market for almost a year. The card, which enables customers to pay for purchases made in the Group's retail stores within one month by a monthly invoice immediately after opening a purchase limit via the self-service environment was used actively by more than 10 thousand loyal customers as at the end of the reporting period.

Selver supermarkets

The consolidated sales revenue of the supermarkets business segment in the first half of 2021 was 275.1 million euros, increasing by 11.6% compared to the previous year. The consolidated sales revenue was 141.2 million euros in the second quarter, increasing by 10.2% in comparison with the same period of last year. The average monthly sales revenue per square metre of sales area in the first half of 2021 was 0.39 thousand euros, remaining at the level of the year before (a change of –0.5%). In the second quarter, the respective indicator was 0.40 thousand euros, which is 1.9% more than in the same period last year. In the first half of 2021, 20.3 million purchases were made from the stores, which was 11.4% more than in the reference year.

In the second quarter of 2021, the pre-tax profit and the net profit were 4.9 million euros, increasing by 0.6 million euros in comparison with the same period the year before. The consolidated pre-tax profit of the supermarkets segment was 6.3 million euros in the first six months, dropping by 1.3 million compared to the year before. The net profit in the first six months was 4.8 million euros, decreasing by 0.7 million euros compared to the year before. As of 1 June, the supermarkets segment include the results of ABC Supermarkets, which has been merged with Selver for today.

As the Estonian economy as a whole, the supermarkets segment was also impacted by the changes in the purchase behaviour and consumption habits of customers in connection with the coronavirus, which broke out in March 2020 and has resulted in challenges in operating with the goods and continuously increased the expenses on the personal protective equipment for customers and employees. Selver's result is affected by the ABC Supermarkets, which was acquired in the second quarter of last year and which increased the number of Selver stores by 19. In February 2021, the sales activities of one acquired store were terminated and at the end of the half-year, the sales activities will continue in the eighteen added stores. The comparability of the results is also affected by the new Selver store, which was opened in July 2020 and by the renovation of one Selver store in the reference period, expansion of the sales area of two stores, and the impact of a leap year. Compared to the same period the year before, which already included the significant increase in e-commerce, the number of orders received by e-Selver has increased further, doubling in the first six months. The service area of e-Selver has been expanded in several stages since the beginning of the year and since June, it covers all of Estonia. The service area of e-Selver is the largest in Estonia and it was declared the most user-friendly online store in the category of groceries in 2021.

This year, the transfer of the stores operating under the Comarket brand to the Selver ABC brand was completed and IT software upgrades were made in the Delice store and Solaris Food Store. In the Delice and Solaris stores, the Delice Express service is now offered to customers – previously, these stores had self-service checkouts, but now, customers can make their purchases conveniently by using barcode scanners. The process of bringing the stores together under one brand and the process of updating the IT software were accompanied by closing the stores for a few days for replacing the equipment, as well as by one-time expenses and investments. In the second quarter, activities have continued with the assortment of stores operating under the Selver ABC trademark, as well as the work continued on increasing the efficiency including the

entire Selver chain. Investments were made in the popular SelveEkspress service in the first six months. Additional self-checkout tills have been added to the stores where the customers' interest in the service has significantly increased and opening of the SelveEkspress service in the Selver ABC stores has begun.

The development of profit has been affected by the faster growth of labour costs, which is temporarily caused by the integration of the store processes of ABC Supermarkets into the Selver solution, higher labour needs in the e-commerce segment, where the provision of the service is more resource-intensive compared to the physical store, and higher expenses to cover the increased sick days of employees. The profit has also been impacted by the cost of depreciation of fixed assets in connection with the acquisition of ABC Supermarkets and bringing it under the Selver trademark. Selver is planning to renovate two more Selver stores this year, rebrand the smaller-format Selver stores under the Selver ABC trademark, and develop the online store service to satisfy the constant high demand for the service.

As at the end of June, the supermarkets segment includes 70 Selver stores, one Delice store, one Solaris Food Store, e-Selver, a mobile store and a café, with a total sales area of 114.8 thousand m², as well as the central kitchen Kulinaaria OÜ.

Department stores

The sales revenue of the department stores segment in the six months of 2021 was 38.8 million euros, which was 3.6% better than in the comparable period of the previous year. The sales revenue of the second quarter was 20.8 million euros, which was 31.6% better than in the comparable period of the previous year. The average sales revenue of the Kaubamaja per square metre of selling space was 0.23 thousand euros per month in the six months, which is 2.7% higher than in the same period last year. The pre-tax loss of the department stores in the six months of 2021 was 0.9 million euros, which was 1.3 million euros better than a year ago. The pre-tax profit in the second quarter was 1.3 million euros, which is 1.6 million euros better than in the comparable period last year.

The sales result of the department stores segment was impacted by the strict restrictions established by the Government of the Republic of Estonia on 11 March, as a result of which, all industrial goods stores were closed. As in the previous year, the Kaubamaja department stores closed all departments of industrial goods in Tallinn and Tartu on 11 March (in 2020, they were closed on 27 March). Only the grocery stores remained open. One of the largest campaigns of Kaubamaja department stores, Osturalli, was only organised in the online store this year and the turnovers, which had multiplied last year, doubled this year as well. The online store of Kaubamaja has grown rapidly throughout the entire crisis period and the turnover of the six months is 67% better than in the comparable period in the year before. The stores were opened one week earlier, on 3 May, in the second quarter of this year (last year, the stores were opened on 11 May), and customers' demand for summer goods has been significantly higher compared to last year. Even though the renovation of the beauty department in Tallinn commenced in June and the food department in Tallinn was closed fully for repair works on 25 June, the turnovers in June even exceeded the level of 2019.

In the second quarter of 2021, the sales revenue of OÜ TKM Beauty Eesti, which operates the I.L.U. cosmetics stores, was 1.0 million euros, increasing by 10.9% compared to the same period in 2020. The profit was 0.03 million euros in the second quarter of 2021, which is 0.01 million euros less than in the comparable period in 2020. The sales revenue in the first six months of 2021 was 2.0 million euros, which is 0.5% less than in the same period of 2020. The loss for the first six months of 2021 was 0.03 million euros, which was 0.02 million euros higher than the loss of the comparable period of 2020.

The sales revenue of the shoe stores of TKM King AS, which are being reported under the department stores segment as of 1 April 2021, was 2.6 million euros in the first six months of 2021. Compared to the year before, the sales revenue of the first six months decreased by 11.0%. The loss for the first half of 2021 was 0.6 million euros, which decreased by 0.5 million euros compared to the same period in 2020. The sales revenue of shoe stores in the second quarter was 1.6 million euros, which is 22.9% more than in the same period last year. The profit for the second quarter was 0.04 million euros, which is 0.2 million euros better than in the same period last year.

Car trade

The sales revenue of the car trade segment in the first half of 2021 was 78.0 million euros. The sales revenue was 34.8% higher than the sales revenue in the same period the year before. The 41.8-million-euro sales revenue of the second quarter was 68.6% higher than the sales revenue in the second quarter of 2020. A total of 3,306 new vehicles were sold in the first six months, with 1,734 vehicles sold in the second quarter. The net profit of the segment in the first six months of 2021 was 3.1 million euros, exceeding the profit for the same period of the year before by 2.9 million euros. The pre-tax profit of the segment for the first half of 2021 was 3.4 million euros, exceeding the profit for the first half of 2020 by 2.6 million euros. The pre-tax profit of

the second quarter of 2021 was 2.2 million euros, which is 1.7 million euros more than the profit of the same period of the year before.

The good financial results of the car trade segment in the second quarter arose from the recovery of the car market thanks to the stronger determination of customers in replacing their cars and thanks to the skilfully planned new car stocks of the car trade segment of the Group, which enabled to deliver cars to customers in a timely manner during the global deficit and prevented any loss of sales transactions due to delivery difficulties. The companies of the car trade segment of the Group have also participated successfully in public procurements and cooperated with car rental companies. The growing fleet of brands represented by the Group's car trade segment ensures the growth of after-sales service. The most modern Peugeot dealership in Estonia, opened in Tallinn in 2020, was awarded the titles of the best sales representative and the best after-sales service at the annual Baltic Peugeot Representatives Conference. Even though the manufacturers' delivery problems call for caution, a number of important new models are expected, such as the new Kia Sportage, an update of the Kia Ceed model, an updated Škoda Kodiaq, and the brand new Škoda Fabia.

Security segment

The sales revenue earned in the security segment outside the Group in the first half of 2021 was 3.7 million euros. The sales revenue of the first six months increased by 48.2% compared to the year before. The sales revenue in the second quarter was 2.2 million euros, which is 72.3% more than in the same period last year. The pre-tax loss of the security segment in the first half of 2021 was 0.01 million euros. The loss decreased by more than half compared to the first six months of 2020. The pre-tax profit of the segment in the second quarter was 0.05 million euros, which is 54.8% more than in the same period last year.

In March, post-acquisition incorporation of the security service business of P. Dussmann Eesti OÜ with Viking Security was completed successfully, which had a positive impact of 0.1 million euros per month on the sales revenue. In the same time, all areas of activity continued to grow successfully. As of June, the situation on the labour market has clearly changed and has a negative impact on the growth of the sector of manned surveillance and increases the labour costs through the conditions of labour shortage, which have occurred. Viking Security was declared the best in three of the four categories by the Estonian Security Association this year: the best security worker, the best security deed of the year, and an acknowledged security solution.

Real estate

The sales revenue earned in the real estate segment outside the Group in the first half of 2021 was 2.4 million euros. The sales revenue increased by 5.7% compared to the same period last year. The sales revenue earned in the segment outside the Group was 1.2 million euros in the second quarter. During the reference period, sales revenue increased by 24.7%. The pre-tax profit of the real estate segment in the first half of 2021 was 5.0 million euros. Compared to the reference period, the profit increased by 7.0%. The pre-tax profit earned in the segment was 2.4 million euros in the second quarter. The pre-tax profit increased by 24.1% in the reference period.

The remarkable growth in the sales revenue and the profit of the segment in the second quarter arose from improved coping in the conditions of the restrictions established to prevent the spread of COVID-19 compared to the year before. In the second quarter, the number of visits to shopping malls increased by up to a third compared to the year before. Only pharmacies, grocery stores, opticians' shops, pet stores, and sales points of telecommunications enterprises remained open in the spring of 2020. During this shutdown period, service companies could remain open, but were required to observe the 25% occupancy limit on their premises. Catering establishments remained open for selling take-out.

The restrictions have had a greater impact on the Tartu Kaubamaja shopping mall. In the last few months, the number of visits to the Viimsi Keskus shopping mall has reached a level which is close to the level of 2019.

Due to the uncertainty concerning the economic impact of the pandemic, the volume and schedule of future development works are approached cautiously.

Personnel

During the first six months of 2021, the average number of employees at the Grupp was 4,926, growing by 13.1% in comparison with the same period in 2020 due to the acquisition of the subsidiary ABC Supermarkets AS in May 2020. Total labour force expenses (salary expenses and social tax expenses) in the first six months of 2021 were 42.1 million euros, which is 16.6% more than during the same period of 2020. In the second quarter, labour force costs increased by 18.9% in comparison with the year before, while the average number of employees increased by 10.7%. The average monthly salary costs per employee increased by 3.1% in the first half of the year compared to the average salary of the first six months of 2020; in the second quarter, the increase was 7.7%.

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, 13 July 2021

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 2021 as set out on pages 14 - 37.

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, 13 July 2021

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros

	Note	30.06.2021	31.12.2020
ASSETS			
Current assets			
Cash and cash equivalents	2	9,952	32,757
Trade and other receivables	3	18,009	15,894
Inventories	5	75,238	77,334
Total current assets		103,199	125,985
Non-current assets			
Long-term receivables and prepayments	8	323	335
Investments in associates	7	1,809	1,712
Investment property	9	60,430	60,347
Property, plant and equipment	10	406,086	388,757
Intangible assets	11	20,226	20,148
Total non-current assets		488,874	471,299
TOTAL ASSETS		592,073	597,284
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings	12	38,165	49,402
Trade and other payables	13	94,128	102,841
Total current liabilities		132,293	152,243
Non-current liabilities			
Borrowings	12	248,798	217,349
Deferred tax liabilities	14	4,408	4,408
Provisions for other liabilities and charges		277	277
Total non-current liabilities		253,483	222,034
TOTAL LIABILITIES		385,776	374,277
Equity			
Share capital	15	16,292	16,292
Statutory reserve capital		2,603	2,603
Revaluation reserve		101,444	102,630
Currency translation differences		-149	-149
Retained earnings		86,107	101,631
TOTAL EQUITY		206,297	223,007
TOTAL LIABILITIES AND EQUITY		592,073	597,284

The notes presented on pages 19 to 37 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 2021	II quarter 2020	6 months 2021	6 months 2020
Revenue	16	207,187	171,008	397,953	346,504
Other operating income		1,151	417	1,356	660
Cost of merchandise	5	-154,986	-129,062	-300,302	-263,092
Service expenses	17	-11,337	-9,612	-22,863	-20,146
Staff costs	18	-21,300	-17,913	-42,137	-36,146
Depreciation, amortisation and impairment losses	10,11	-9,615	-7,871	-19,472	-15,862
Other expenses		-59	-146	-309	-377
Operating profit		11,041	6,821	14,226	11,541
Finance income		1	0	2	0
Finance costs		-1,189	-1,066	-2,265	-1,763
Finance income on shares of associates accounted for using the equity method	7	49	59	97	114
Profit before tax		9,902	5,814	12,060	9,892
Income tax expense	15	0	-1	-4,333	-5,822
NET PROFIT FOR THE FINANCIAL YEAR		9,902	5,813	7,727	4,070
Other comprehensive income:					
<i>Items that will not be subsequently reclassified to profit or loss</i>					
Other comprehensive income for the financial year		0	0	0	0
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		9,902	5,813	7,727	4,070
Basic and diluted earnings per share (euros)	19	0.24	0.14	0.19	0.10

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

The notes presented on pages 19 to 37 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

In thousands of euros

	Note	6 months 2021	6 months 2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit		7,727	4,070
<i>Adjustments:</i>			
<i>Income tax on dividends</i>	15	4,333	5,821
<i>Interest expense</i>		2,265	1,763
<i>Interest income</i>		-2	0
<i>Depreciation, amortisation</i>	10, 11	19,411	15,806
<i>Loss on write-off property, plant and equipment</i>	10	61	56
<i>Profit on sale of property, plant and equipment</i>	10	-9	-18
<i>Effect of equity method</i>	7	-97	-114
Change in inventories		1,998	3,770
Change in receivables and prepayments related to operating activities		-2,104	3,926
Change in liabilities and prepayments related to operating activities		-8,682	-10,375
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		24,901	24,705
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	10	-9,306	-14,966
Proceeds from sale of property, plant and equipment	10	10	76
Purchase of investment property	9	-83	-93
Proceeds from sale of investment property	9	0	10
Purchase of intangible assets	11	-192	-408
Business combination	6	-120	-13,962
Interest received		2	0
TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES		-9,689	-29,343
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	12	5,498	37,815
Repayments of borrowings	12	-6,321	-11,266
Change in overdraft balance	12	2,235	3,469
Payments of principal or leases	12	-8,364	-7,247
Interest paid on lease liabilities	12	-1,518	-1,215
Dividends paid	15	-24,437	-29,731
Income tax on dividends paid	15	-4,333	-5,821
Interest paid		-777	-570
TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES		-38,017	-14,566
TOTAL CASH FLOWS		-22,805	-19,204
Effect of exchange rate changes		0	0
Cash and cash equivalents at the beginning of the period	2	32,757	40,629
Cash and cash equivalents at the end of the period	2	9,952	21,425
Net change in cash and cash equivalents		-22,805	-19,204

The notes presented on pages 19 to 37 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 31.12.2019	16,292	2,603	93,496	-149	109,773	222,015
Net loss for the reporting period	0	0	0	0	4,070	4,070
Total comprehensive loss for the reporting period	0	0	0	0	4,070	4,070
Reclassification of depreciation of revalued land and buildings	0	0	-1,046	0	1,046	0
Dividends paid	0	0	0	0	-29,732	-29,732
Total transactions with owners	0	0	0	0	-29,732	-29,732
Balance as of 30.06.2020	16,292	2,603	92,450	-149	85,157	196,353
Net profit for the reporting period	0	0	0	0	19,499	19,499
Revaluation of land and buildings	0	0	11,225	0	0	11,225
Total comprehensive income for the reporting period	0	0	11,225	0	19,499	30,724
Reclassification of depreciation of revalued land and buildings	0	0	-2,091	0	2,091	0
Dividends paid	0	0	0	0	-29,732	-29,732
Total transactions with owners	0	0	0	0	-29,732	-29,732
Balance as of 31.12.2020	16,292	2,603	102,630	-149	101,631	223,007
Net profit for the reporting period	0	0	0	0	7,727	7,727
Total comprehensive income for the reporting period	0	0	0	0	7,727	7,727
Reclassification of depreciation of revalued land and buildings	0	0	-1,186	0	1,186	0
Dividends paid	0	0	0	0	-24,437	-24,437
Total transactions with owners	0	0	0	0	-24,437	-24,437
Balance as of 30.06.2021	16,292	2,603	101,444	-149	86,107	206,297

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

The notes presented on pages 19 to 37 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 Kaubamaja 1, Tallinn. The shares of Tallinna Kaubamaja Grupp AS are listed on the Nasdaq Baltic main list. The majority shareholder of Tallinna Kaubamaja Grupp AS is OÜ NG Investeeringud (Note 28), the majority owner of which is NG Kapital OÜ. NG Kapital OÜ is an entity with ultimate control over Tallinna Kaubamaja Grupp AS.

Basis for Preparation

The Condensed Consolidated Interim Accounts of the 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 2020. 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.

The presentation currency of the Group is euro. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of each of the Group's entities is euro. All amounts disclosed in the financial statements have been rounded to the nearest thousand unless referred to otherwise.

The Manager is of the opinion that the Condensed Consolidated Interim Report of the Group for the second quarter of 2021 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 presentation

The Group has defined business segments in segment reporting based on the reports used regularly by the supervisory board to make strategic decisions. In order to better meet the criteria of IFRS 8, from the second quarter of 2021, the segment of security services has been separately identified in the segment report, and the segment of footwear trade has been included in the department stores segment, where security services were previously reported. Previous periods comparatives have been restated accordingly.

Note 2. Cash and cash equivalents

in thousands of euros

	30.06.2021	31.12.2020
Cash on hand	1,053	1,034
Bank accounts	8,106	30,346
Cash in transit	793	1,377
Total cash and cash equivalents	9,952	32,757

Note 3. Trade and other receivables

in thousands of euros

	30.06.2021	31.12.2020
Trade receivables (Note 4)	15,256	14,196
Other receivables from related parties (Note 20)	16	3
Other short-term receivables	673	163
Total financial assets from balance sheet line "Trade and other receivables"	15,945	14,362
Prepayment for goods	704	598
Other prepaid expenses	1,315	893
Prepaid rental expenses	7	7
Prepaid taxes (Note 14)	38	34
Total trade and other receivables	18,009	15,894

Note 4. Trade receivables

in thousands of euros

	30.06.2021	31.12.2020
Trade receivables	13,446	11,313
Allowance for doubtful receivables	-12	-11
Receivables from related parties (Note 20)	384	319
Credit card payments	1,438	2,575
Total trade receivables	15,256	14,196

Note 5. Inventories

in thousands of euros

	30.06.2021	31.12.2020
Goods purchased for resale	74,421	76,549
Raw materials and materials	817	785
Total inventories	75,238	77,334

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

in thousands of euros

	II quarter 2021	II quarter 2020	6 months 2021	6 months 2020
Write-down and write-off of inventories	2,959	2,218	5,918	4,515
Inventory stocktaking deficit	885	975	1,446	1,561
Total materials and consumables used	3,844	3,193	7,364	6,076

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 30.06.2021	Year of acquisition or foundation
Selver AS	Estonia, Tallinn	Retail trade	100%	1995
Tallinna Kaubamaja Kinnisvara AS	Estonia, Tallinn	Real estate management	100%	1999
Tartu Kaubamaja Kinnisvara OÜ	Estonia, Tartu	Real estate management	100%	2004
SIA TKM Latvija	Latvia, Riga	Real estate management	100%	2006
TKM Auto OÜ	Estonia, Tallinn	Commercial and finance activities	100%	2007
KIA Auto AS	Estonia, Tallinn	Retail trade	100%	2007
Forum Auto SIA	Latvia, Riga	Retail trade	100%	2007
KIA Auto UAB	Lithuania, Vilnius	Retail trade	100%	2007
TKM Beauty OÜ	Estonia, Tallinn	Retail trade	100%	2007
TKM Beauty Eesti OÜ	Estonia, Tallinn	Retail trade	100%	2007
TKM King AS	Estonia, Tallinn	Retail trade	100%	2008
Kaubamaja AS	Estonia, Tallinn	Retail trade	100%	2012
Kulinaaria OÜ	Estonia, Tallinn	Centre kitchen activities	100%	2012
Viking Motors AS	Estonia, Tallinn	Retail trade	100%	2012
Viking Security AS	Estonia, Tallinn	Security activities	100%	2014
UAB TKM Lietuva	Lithuania, Vilnius	Real estate management	100%	2017
Verte Auto SIA	Latvia, Riga	Retail trade	100%	2017
TKM Finants AS	Estonia, Tallinn	Commercial and finance activities	100%	2020

Business combinations

Acquisitions in 2020:

Name	Location	Area of activity	Acquisition date	Ownership %
ABC Supermarkets AS	Estonia	Retail trade	29.05.2020	100%

On May 29, 2020, Selver AS, a subsidiary of Tallinna Kaubamaja Grupp AS, acquired a 100% stake in ABC Supermarkets AS. The chain of Selver supermarkets was established in 1995. The transaction added 16 Comarket shops in Harju, Pärnu and Tartu County, 2 Delice shops in Viimsi and the city of Pärnu and a Solaris shop in Tallinn to the Selver chain. Acquiring the shares of ABC Supermarkets AS give us unique opportunity to meet our clients’ expectations by offering more convenient and quicker purchases in new locations where we are not yet present.

The merger decisions of Selver AS (the acquiring company) and ABC Supermarkets AS (the company being acquired) were adopted on 21 August 2020 and an entry of the merger in the commercial register was made on 1 October 2020. AS Selver and ABC Supermarkets AS balance sheet merger was on 01.07.2020.

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

in thousands of euros	Fair value
Cash and cash equivalents	811
Trade receivables	6,962
Inventories	2,839
Property, plant and equipment	3,697
Goodwill (Note 11)	13,609
Trademark (Note 11)	1,911
Liabilities	-6,978
Total identifiable net assets	22,851
Consideration of ownership interest	22,851
Paid for ownership interest in cash	14,910
Cash and cash equivalents in the acquired entity	-811
Net outflow of cash – investing activities	-14,099
Payable in future for the ownership interest in cash	1,641

Goodwill at value of 13,609 thousand euros and trademark 1,911 thousand euros was acquired (Note 11). The goodwill is attributable to the reduction of costs through the centralized purchasing function and the introduction of a unified customer base.

Acquisition-related costs are included in other operating expenses in the statement of profit or loss and other comprehensive income and in operating cash flows in the statement of cash flows.

With aim to provide our customers more convenient shopping experience, in 2020, it was decided to develop financial services that support retail business. In 2020, Tallinna Kaubamaja Grupp AS established TKM Finants AS, a subsidiary with a share capital of 50,000 euros belonging completely to the Group. According to the developed plan, after the Financial Supervision Authority has issued the relevant authorisation, TKM Finants AS will commence with granting credit to private persons, the postponement of a due date for a charge, including the entry into credit agreements and performance of acts needed for this purpose in its own name and on its own account.

In order to separate the operations of OÜ TKM Beauty Eesti, which is involved in the retail trade of cosmetics, from the cosmetics wholesale function, a division was undertaken. In the course of the division of OÜ TKM Beauty (company being divided), OÜ TKM Beauty Holding, a company with a share capital of 2,500 euros and 100% ownership by Tallinna Kaubamaja Grupp AS, was established. OÜ TKM Beauty transferred the share of OÜ TKM Beauty Eesti to OÜ TKM Beauty Holding (recipient company). In November 2020 merge of OÜ TKM Beauty Holding and OÜ TKM Beauty Eesti took place, so that OÜ TKM Beauty Eesti directly become a 100% subsidiary of Tallinna Kaubamaja Grupp AS.

On 30 December 2020, Viking Security AS, a subsidiary of Tallinna Kaubamaja Grupp AS, entered into an agreement to acquire from P. DUSSMANN EESTI OÜ its security services business in Estonia together with the assets and agreements belonging to it. As of 1 March 2021, as a result of the acquisition of the business, the assets and agreements related to the provision of security services belonging to P.DUSSMANN EESTI OÜ we transferred to Viking Security AS in their entirety and unchanged.

The table below provides an overview of acquired identifiable assets and liabilities of P. Dussmann Eesti OÜ security services business at the time of acquisition.

in thousands of euros	Fair value
Fixed assets	0
Beneficial agreements (Note 11)	120
Liabilities	0
Total identifiable net assets	120
Consideration of ownership of assets	120
Cash and cash equivalents in the acquired business	120
Net outflow of cash – investing activities	-120

Beneficial agreements at value of 120 thousand euros was acquired (Note 11).

Note 7. Investments in associates

Tallinna Kaubamaja Grupp AS has ownership of 50% (2020: 50%) interest in the entity AS Rävåla Parkla which provides the services of a parking house in Tallinn. The investment has been classified as associated company because the other owner has the power to appoint the members of supervisory board.

in thousands of euros

	30.06.2021	31.12.2020
Investment in the associate at the beginning of the year	1,712	1,721
Profit for the reporting period under equity method	97	191
Dividends received	0	-200
Investment in the associate at the end of the accounting period	1,809	1,712

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

	30.06.2021	31.12.2020
Current assets	202	111
Non-current assets	3,427	3,446
Current liabilities	10	133
Owner's equity	3,619	3,424

	II quarter 2021	II quarter 2020	6 months 2021	6 months 2020
Revenue	113	87	248	264
Net profit	99	118	195	228

Note 8. Long-term trade and other receivables

in thousands of euros

	30.06.2021	31.12.2020
Prepaid rental expenses	248	269
Deferred tax asset	31	31
Other receivables	44	35
Total long-term trade and other receivables	323	335

Note 9. Investment property

in thousands of euros

Carrying value as at 31.12.2019	60,458
Purchases and improvements	210
Disposal	-10
Net loss from fair value adjustment	-311
Carrying value as at 31.12.2020	60,347
Purchases and improvements	83
Carrying value as at 30.06.2021	60,430

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

In 2021 year, renovation work was carried out for Tartu Kaubamaja in the amount of 61 thousand euros and Viimsi Keskus in the amount of 22 thousand euros (2020: for Tartu Kaubamaja in the amount of 207 thousand euros and for Viimsi Centre in the amount of 3 thousand euros).

As a result of the valuation in 2020 in Estonia, the fair values of investment property decreased in the amount of 402 thousand euros. As a result of the valuation in 2020 in Latvia, the fair values of investment property increased in the amount of 172 thousand euros and decreased in the amount of 81 thousand euros.

No fair value change of investment property was identified in 2021.

Note 10. Property, plant and equipment

in thousands of euros

	Land and buildings	Right-of use-assets: retail properties	Machinery and equipment	Other fixtures and fittings	Construction in progress	Total
31.12.2019						
Cost or revalued amount	179,243	115,574	43,321	43,541	27,940	409,619
Accumulated depreciation and impairment	-4,778	-16,448	-30,140	-29,381	-9,680	-90,427
Carrying value	174,465	99,126	13,181	14,160	18,260	319,192
Changes occurred in 2020						
Purchases and improvements	3,730	0	10,837	6,672	6,315	27,554
Acquired through business combinations (Note 6)	249	0	2,109	530	8	2,896
Addition to right-of use assets	0	62,212	0	0	0	62,212
Reclassification among property, plant and equipment groups	1,889	0	0	0	-1,889	0
Reclassification from intangible assets (Note 11)	0	0	-499	1,068	-10	559
Reclassification to inventory	0	0	-485	0	0	-485
Reclassification to property, plant and equipment from inventory	0	0	485	0	6	491
Disposals	-4	0	-54	-1	0	-59
Write-offs	-38	0	-81	-170	0	-289
Termination of right-of use-assets	0	-920	0	0	0	-920
Decrease/increase in value through profit or loss	425	0	0	0	114	539
Increase in value through revaluation reserve	11,225	0	0	0	0	11,225
Depreciation	-5,562	-18,069	-4,866	-5,661	0	-34,158
31.12.2020						
Cost or revalued amount	186,379	176,459	51,760	49,562	32,084	496,244
Accumulated depreciation and impairment	0	-34,110	-31,133	-32,964	-9,280	-107,487
Carrying value	186,379	142,349	20,627	16,598	22,804	388,757
Changes occurred in 2021						
Purchases and improvements	810	0	5,620	3,420	-544	9,306
Reclassification among property, plant and equipment groups	-2	0	2	0	0	0
Reclassification to inventory	0	0	-158	0	0	-158
Reclassification to property, plant and equipment from inventory	0	0	253	0	3	256
Disposals	0	0	-1	0	0	-1
Write-offs	0	0	-27	-34	0	-61
Adjustment to right-of use assets	0	27,164	0	0	0	27,164
Depreciation	-3,103	-10,080	-2,840	-3,154	0	-19,177
30.06.2021						
Cost or revalued amount	187,102	203,623	56,592	51,995	31,543	530,855
Accumulated depreciation and impairment	-3,018	-44,190	-33,116	-35,165	-9,280	-124,769
Carrying value	184,084	159,433	23,476	16,830	22,263	406,086

The cost of investments for the 6 months of 2021 amounted to 9,498 thousand euros (including purchases of property, plant and equipment in the amount of 9,306 thousand euros and purchases of intangible assets amounted to 192 thousand euros).

The cost of purchases of property, plant and equipment made in reporting period in the supermarkets business

segment was 6,797 thousand euros. In the reporting period, was completed transfer of Comarket stores under Selver trademark. Computing technology for SelveEkspress self-service cashers were purchased. New project of transition to digital price tags in Selver stores continued, also were renewed store fittings. New investments for Selver e-store were made in order to expand service availability in home delivery. AS Selver subsidiary's Kulinaaria OÜ opened new production building.

The cost of purchases of property, plant and equipment in the business segment of department stores amounted to 1,791 thousand euros. In the reporting period, in Kaubamaja department stores renovation work were carried out. Tallinna Kaubamaja Beauty Department and Food Department renewal was started and store fittings and computing technology was purchased.

The cost of purchases of property, plant and equipment in the reporting period was 146 thousand euros in the car trade business segment.

The cost of purchases of property, plant and equipment in the reporting period was 69 thousand euros in the security business segment.

The cost of purchases of property, plant and equipment in the real estate business segment amounted to 503 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 agreements	Capitalised development expenditure	Total
31.12.2019					
Cost	3,260	3,688	0	2,170	9,118
Accumulated amortisation and impairment	0	-2,912	0	-1,216	-4,128
Carrying value	3,260	776	0	954	4,990
Changes occurred in 2020					
Purchases and improvements	0	0	0	787	787
Acquired through business combinations (Note 6)	13,609	1,911	0	639	16,159
Reclassification to property, plant and equipment (Note 13)	0	0	0	-559	-559
Amortisation	0	-895	0	-334	-1,229
31.12.2020					
Cost	16,869	5,599	0	2,956	25,424
Accumulated amortisation and impairment	0	-3,807	0	-1,469	-5,276
Carrying value	16,869	1,792	0	1,487	20,148
Changes occurred in 2021					
Purchases and improvements	0	0	0	192	192
Acquired through business combinations (Note 6)	0	0	120	0	120
Amortisation	0	-150	-6	-78	-234
30.06.2021					
Cost	16,869	5,599	120	3,142	25,730
Accumulated amortisation and impairment	0	-3,957	-6	-1,541	-5,504
Carrying value	16,869	1,642	114	1,601	20,226

In the reporting period, the Group capitalised costs of a web page update, loyalty card web page update, loyalty card in the amount of 192 thousand euros (2020: 787 thousand euros).

As a trademark, the Group has recognised the image of ABC King at a cost value of 3,508 thousand euros; the image contains a combination of the name, symbol and design together with recognition and preference by consumers. Trademark has been fully amortised in 2020, but its use will continue.

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

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

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

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

in thousands of euros	30.06.2021	31.12.2020
Supermarkets	13,609	13,609
Car trade	3,156	3,156
Department store	104	104
Total	16,869	16,869

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

Note 12. Borrowings

in thousands of euros	30.06.2021	31.12.2020
Short-term borrowings		
Overdraft	14,906	12,650
Bank loans	12,401	17,101
Lease liabilities	8,785	17,892
Other borrowings	2,073	1,759
Total short-term borrowings	38,165	49,402
Long-term borrowings		
Bank loans	86,150	86,150
Lease liabilities	156,293	128,386
Other borrowings	6,355	2,813
Total long-term borrowings	248,798	217,349
Total borrowings	286,963	266,751

Borrowings received

in thousands of euros

	II quarter 2021	II quarter 2020	6 months 2021	6 months 2020
Overdraft	0	0	2,235	3,469
Bank loans	0	19,250	0	33,934
Other borrowings	4,873	3,344	5,498	3,881
Total borrowings received	4,873	22,594	7,733	41,284

Borrowings paid

in thousands of euros

	II quarter 2021	II quarter 2020	6 months 2021	6 months 2020
Overdraft	6,861	857	0	0
Bank loans	2,351	5,344	4,701	10,404
Lease liabilities	4,104	3,302	8,364	7,247
Other borrowings	948	381	1,620	862
Total borrowings paid	14,264	9,884	14,685	18,513

Bank loans are denominated in euros.

As of 30.06.2021, the repayment dates of bank loans are between 31.07.2021 and 15.06.2026 (2020: between 25.01.2021 and 31.07.2025), interest is tied both to 3-month and 6-month EURIBOR as well as EONIA. Group has also contracts with fixed interest rate. Weighted average interest rate was 1.39% (2020: 1.64%).

Lease agreements that form lease liabilities have been concluded for the term until 01.10.2037. Lease liability recorded in the balance sheet as at 31.12.2019 is recognised as a result of adoption of IFRS 16 on 01.01.2019. The lease payments are discounted at the Group's incremental borrowing rate. Weighted average interest rate used on recognition of lease liabilities was 1.62% (31.12.2020: 1.62%).

Net debt reconciliation

in thousands of euros

	30.06.2021	31.12.2020
Cash and cash equivalents (Note 2)	9,952	32,757
Short-term borrowings	-38,165	-49,402
Long-term borrowings	-248,798	-217,349
Net debt	-277,011	-233,994
Cash and cash equivalents (Note 2)	9,952	32,757
Gross debt – fixed interest rates	-172,103	-153,606
Gross debt – variable interest rates	-114,860	-113,145
Net debt	-277,011	-233,994

	Cash and cash equivalents	Overdraft	Borrowings	Lease liabilities	Total
Net debt 31.12.2019	40,629	-17,140	-86,554	-100,630	-163,695
Cash flow (principal and interest)	-7,872	4,490	-19,919	18,509	-4,792
Interest accrued	0	0	-1,350	-2,882	-4,232
New lease contracts	0	0	0	-62,212	-62,212
Termination of lease liabilities	0	0	0	937	937
Net debt 31.12.2020	32,757	-12,650	-107,823	-146,278	-233,994
Cash flow (principal and interest)	-22,805	-2,256	1,621	9,882	-13,558
Interest accrued	0	0	-777	-1,518	-2,295
Revaluation of lease liabilities	0	0	0	-27,164	-27,164
Net debt 30.06.2021	9,952	-14,906	-106,979	-165,078	-277,011

Note 13. Trade and other payables

in thousands of euros

	30.06.2021	31.12.2020
Trade payables	65,630	73,139
Payables to related parties (Note 20)	4,628	5,585
Other accrued expenses	1,695	1,741
Prepayments by tenants	2,834	2,951
Total financial liabilities from balance sheet line "Trade and other payables"	74,787	83,416
Taxes payable (Note 14)	8,639	8,088
Employee payables	7,889	8,185
Prepayments	2,769	3,106
Short-term provisions*	44	46
Total trade and other payables	94,128	102,841

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

Note 14. Taxes

in thousands of euros

	30.06.2021		31.12.2020	
	Prepaid taxes	Taxes payable	Prepaid taxes	Taxes payable
Prepaid taxes	38	0	34	0
Value added tax	0	3,802	0	3,167
Personal income tax	0	1,249	0	1,210
Social security taxes	0	3,199	0	3,268
Corporate income tax	0	17	0	74
Unemployment insurance	0	217	0	216
Mandatory funded pension	0	155	0	153
Total taxes	38	8,639	34	8,088

As of 30.06.2021 deferred tax liability on dividends in the amount of 4,408 thousand euros (31.12.2020: 4,408 thousand euros) is recorded in the balance sheet.

Note 15. Share capital

As of 30.06.2021 and 31.12.2020, 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 2021, dividends were paid to the shareholders in the amount of 24,437 thousand euros, or 0.6 euros per share. Related income tax expense on dividends amounted to 4,333 thousand euros.

In 2020, dividends were paid to the shareholders in the amount of 29,731 thousand euros, or 0.73 euros per share. Related income tax expense on dividends amounted to 5,821 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 stores, supermarkets, real estate, car trade, footwear trade, beauty products (I.L.U.) and security segments. The measures of I.L.U. and footwear segment are below the quantitative criteria of the reporting segment specified in IFRS 8; these segments have been aggregated with the department stores segment because they have similar economic characteristics and are similar in other respects specified in IFRS 8.

The main area of activity of department stores, supermarkets, 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 the others, in the car trade segment, cars are sold at wholesale prices to authorised car dealers. The share of wholesale trade in other segments is insignificant. The real estate segment deals with the development, management and maintenance of real estate owned by the Group, and with the rental of commercial premises.

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

The disclosures of financial information correspond to the information that is periodically reported to the Supervisory Board.

Measures of profit or loss, segment assets and liabilities have been measured in accordance with accounting policies used in the preparation of the financial statements, except for IFRS 16 measurement and recognition of right of use assets and lease liabilities. The effect of IFRS 16 measurement and recognition of right of use assets and lease liabilities are shown in a separate sector. Main measures that Supervisory Board monitors are segment revenue (external segment and inter-segment revenue), EBITDA (earnings before interest, taxes, depreciation and amortisation) and net profit or loss.

in thousands of euros

II quarter 2021	Super markets	Department store	Car trade	Security	Real estate	Inter-segment transactions	Impact of lease accounting	Total segments
External revenue	141,170	20,841	41,788	2,217	1,171	0	0	207,187
Inter-segment revenue	410	970	123	1,402	3,356	-6,261	0	0
Total revenue	141,580	21,811	41,911	3,619	4,527	-6,261	0	207,187
EBITDA	7,567	1,895	2,435	139	3,719	0	4,901	20,656
Segment depreciation and impairment losses	-2,595	-538	-166	-89	-1,150	0	-5,077	-9,615
Operating profit/loss	4,972	1,357	2,269	50	2,569	0	-176	11,041
Finance income	75	108	0	1	83	-266	0	1
Finance income on shares of associates	0	49	0	0	0	0	0	49
Finance costs	-176	-174	-86	-3	-220	266	-796	-1,189
Income tax	0	0	0	0	0	0	0	0
Net profit/loss	4,871	1,340	2,183	48	2,432	0	-972	9,902
incl. in Estonia	4,871	1,340	2,012	48	2,436	0	-972	9,735
incl. in Latvia	0	0	-17	0	8	0	0	-9
incl. in Lithuania	0	0	188	0	-12	0	0	176
Segment assets	139,474	73,631	36,129	3,500	276,057	-96,151	159,433	592,073
Segment liabilities	122,774	65,993	25,756	3,024	89,571	-86,419	165,077	385,776
Segment investments in property, plant and equipment	2,931	1,423	48	52	329	0	0	4,783
Segment investments in intangible assets	0	67	0	0	0	0	0	67

in thousands of euros

II quarter 2020	Super markets	Department store	Car trade	Security	Real estate	Inter-segment transactions	Impact of lease accounting	Total segments
External revenue	128,158	15,838	24,786	1,287	939	0	0	171,008
Inter-segment revenue	360	825	238	1,727	2,943	-6,093	0	0
Total revenue	128,518	16,663	25,024	3,014	3,882	-6,093	0	171,008
EBITDA	6,285	370	724	116	3,161	0	4,036	14,692
Segment depreciation and impairment losses	-1,984	-699	-116	-82	-1,060	0	-3,930	-7,871
Operating profit/loss	4,301	-329	608	34	2,101	0	106	6,821
Finance income	75	149	0	0	90	-314	0	0
Finance income on shares of associates	0	59	0	0	0	0	0	59
Finance costs	-125	-179	-107	-3	-232	314	-734	-1,066
Income tax	0	0	-1	0	0	0	0	-1
Net profit/loss	4,251	-300	500	31	1,959	0	-628	5,813
incl. in Estonia	4,251	-300	618	31	2,011	0	-628	5,983
incl. in Latvia	0	0	-229	0	-40	0	0	-269
incl. in Lithuania	0	0	111	0	-12	0	0	99
Segment assets	129,553	68,177	37,566	3,231	272,838	-84,640	152,172	578,897
Segment liabilities	114,552	56,834	29,625	2,550	93,453	-74,908	154,617	376,723
Segment investments in property, plant and equipment	5,532	139	816	204	224	0	0	6,915
Segment investments in intangible assets	13	238	15	0	0	0	0	266

in thousands of euros

6 months 2021	Super markets	Department store	Car trade	Security	Real estate	Inter-segment transactions	Impact of lease accounting	Total segments
External revenue	275,086	38,781	78,010	3,659	2,417	0	0	397,953
Inter-segment revenue	653	1,939	264	3,120	6,883	-12,859	0	0
Total revenue	275,739	40,720	78,274	6,779	9,300	-12,859	0	397,953
EBITDA	11,987	234	3,903	171	7,520	0	9,883	33,698
Segment depreciation and impairment losses	-5,463	-1,130	-326	-172	-2,301	0	-10,080	-19,472
Operating profit/loss	6,524	-896	3,577	-1	5,219	0	-197	14,226
Finance income	150	224	0	1	145	-518	0	2
Finance income on shares of associates (Note 7)	0	97	0	0	0	0	0	97
Finance costs	-334	-315	-195	-7	-414	518	-1,518	-2,265
Income tax	-1,542	-407	-278	-24	-2,082	0	0	-4,333
Net profit/loss	4,798	-1,297	3,104	-31	2,868	0	-1,715	7,727
incl. in Estonia	4,798	-1,297	2,971	-31	2,872	0	-1,715	7,598
incl. in Latvia	0	0	-48	0	20	0	0	-28
incl. in Lithuania	0	0	181	0	-24	0	0	157
Segment assets	139,474	73,631	36,129	3,500	276,057	-96,151	159,433	592,073
Segment liabilities	122,774	65,993	25,756	3,024	89,571	-86,419	165,077	385,776
Segment investments in property, plant and equipment (Note 10)	6,797	1,791	146	69	503	0	0	9,306
Segment investments in intangible assets (Note 11)	0	192	0	0	0	0	0	192

in thousands of euros

6 months 2020	Super markets	Department store	Car trade	Security	Real estate	Inter-segment transactions	Impact of lease accounting	Total segments
External revenue	246,455	37,441	57,852	2,469	2,287	0	0	346,504
Inter-segment revenue	663	1,637	346	2,987	6,451	-12,084	0	0
Total revenue	247,118	39,078	58,198	5,456	8,738	-12,084	0	346,504
EBITDA	11,429	-841	1,190	117	7,046	0	8,462	27,403
Segment depreciation and impairment losses	-3,792	-1,398	-215	-136	-2,117	0	-8,204	-15,862
Operating profit/loss	7,637	-2,239	975	-19	4,929	0	258	11,541
Finance income	150	260	0	0	109	-519	0	0
Finance income on shares of associates (Note 7)	0	114	0	0	0	0	0	114
Finance costs	-170	-279	-203	-5	-410	519	-1,215	-1,763
Income tax	-2,105	-592	-617	-25	-2,483	0		-5,822
Net profit/loss	5,512	-2,736	155	-49	2,145	0	-957	4,070
incl. in Estonia	5,512	-2,736	519	-49	2,210	0	-957	4,499
incl. in Latvia	0	0	-436	0	-41	0	0	-477
incl. in Lithuania	0	0	72	0	-24	0	0	48
Segment assets	129,553	68,177	37,566	3,231	272,838	-84,640	152,172	578,897
Segment liabilities	114,552	56,834	29,625	2,550	93,453	-74,908	154,617	376,723
Segment investments in property, plant and equipment	11,818	254	1,605	900	389	0	0	14,966
Segment investments in intangible assets	13	380	15	0	0	0	0	408

External revenue according to types of goods and services sold

in thousands of euros

	II quarter 2021	II quarter 2020	6 months 2021	6 months 2020
Retail revenue	186,861	158,285	360,551	319,060
Wholesale revenue	11,043	5,094	20,080	13,121
Rental income	2,145	1,858	4,497	4,231
Revenue for rendering services	7,138	5,771	12,825	10,092
Total revenue	207,187	171,008	397,953	346,504

External revenue by client location

in thousands of euros

	II quarter 2021	II quarter 2020	6 months 2021	6 months 2020
Estonia	193,156	160,913	370,413	322,940
Latvia	7,925	7,451	18,222	17,856
Lithuania	6,106	2,644	9,318	5,708
Total	207,187	171,008	397,953	346,504

Distribution of non-current assets* by location of assets

in thousands of euros

	30.06.2021	31.12.2020
Estonia	452,394	434,491
Latvia	32,554	32,981
Lithuania	2,117	2,115
Total	487,065	469,587

* 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. Services expenses

in thousands of euros

	II quarter 2021	II quarter 2020	6 months 2021	6 months 2020
Rental expenses	208	160	334	236
Heat and electricity expenses	2,067	1,887	4,548	3,911
Expenses related to premises	2,002	1,719	3,768	3,501
Cost of services and materials related to sales	1,904	1,501	3,896	3,124
Marketing expenses	2,003	1,311	3,799	3,362
Other operating expenses	884	1,119	2,074	2,221
Computer and communication costs	1,572	1,392	3,103	2,657
Expenses related to personnel	697	523	1,341	1,134
Total services expenses	11,337	9,612	22,863	20,146

Note 18. Staff costs

in thousands of euros

	II quarter 2021	II quarter 2020	6 months 2021	6 months 2020
Wages and salaries	16,177	13,582	32,001	27,426
Social security taxes	5,123	4,331	10,136	8,720
Total staff costs	21,300	17,913	42,137	36,146
Average wages per employee per month (euros)	1,093	1,015	1,083	1,050
Average number of employees in the reporting period	4,935	4,459	4,926	4,355

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 2021	II quarter 2020	6 months 2021	6 months 2020
Net profit (in thousands of euros)	9,902	5,813	7,727	4,070
Weighted average number of shares	40,729,200	40,729,200	40,729,200	40,729,200
Basic and diluted earnings per share (euros)	0.24	0.14	0.19	0.10

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:

- owners (Parent and the persons controlling or having significant influence over the Parent);
- associates;
- other entities in the Parent's consolidation group.
- management and supervisory boards of the Group companies;
- 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 2021	Sales 6 months 2021	Purchases 6 months 2020	Sales 6 months 2020
Parent	1	0	1	0
Entities in the Parent's consolidation group	14,210	1,930	13,793	1,027
Members of management and supervisory boards	0	15	0	58
Other related parties	15	3	123	7
Total	14,226	1,948	13,917	1,092

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:

	30.06.2021	31.12.2020
Receivables from entities in the in the Parent's consolidation group (Note 4)	384	319
Members of management and supervisory boards (Note 3)	15	3
Other related parties (Note 3)	1	0
Total receivables from related parties	400	322

	30.06.2021	31.12.2020
Parent	21	19
Entities in the Parent's consolidation group	4,605	5,546
Other related parties	2	20
Total liabilities to related parties (Note 13)	4,628	5,585

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

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

For arranging funding for its subsidiaries, the Group uses the group account, the members of which are most of the Group's entities. In its turn, the Group as a subgroup is a member of the group account of NG Investeeringud OÜ (hereinafter head group). From 2001, Tallinna Kaubamaja Grupp AS has been keeping its available funds at the head group account, earning interest income on its deposits. In 2021 six months, the Group has not earned interest income on its deposits of available funds. During 12 months of 2020, the Group has earned interest income on its deposits of available funds for one thousand euros, interest rate 0.01%.

As at 30 June 2021 and 31 December 2020, Tallinna Kaubamaja Grupp AS had not deposited any funds through head group and had not used available funds of head group. 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 1,237 thousand euros (2020 6 months: 1,289 thousand euros). Short-term benefits to supervisory boards' members of the Group in reporting period including social taxes amounted to 336 thousand euros (2020 6 months: 318 thousand euros).

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