2021

Annual Report

TALLINNA KAUBAMAJA GRUPP AS

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

Tallinna Kaubamaja Grupp AS
Consolidated Annual Report 2021

The main areas of activity of Tallinna Kaubamaja Grupp AS (hereinafter referred to as the 'Tallinna Kaubamaja Group' or 'the Group') are retail and wholesale trade. At the year-end 2021, the Group employed more than 4,800 employees.

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Commercial Register no.:	*10223439*
Legal form of entity	*Public limited liability company*
Telephone:	*372 667 3300*
E-mail:	*tkmgroup@kaubamaja.ee*
Beginning of financial year:	*1.01.2021*
End of financial year:	*31.12.2021*
Auditor:	*PricewaterhouseCoopers AS*
Name of parent entity	*OÜ NG Investeeringud*
Name of ultimate parent of group	*NG Kapital OÜ*

Table of contents

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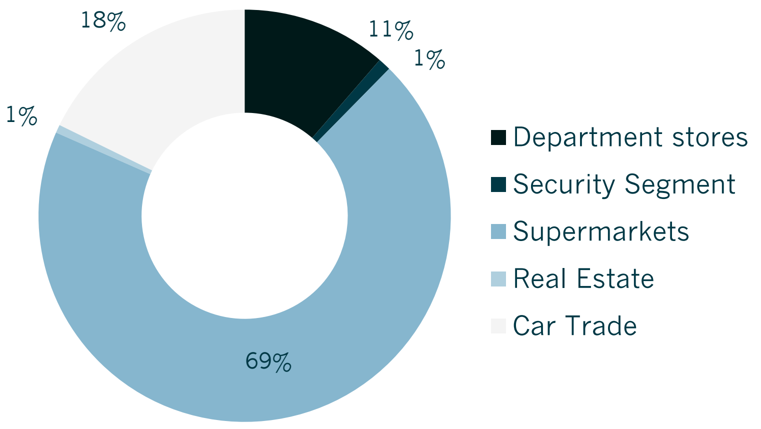
Management Report

Tallinna Kaubamaja Group is one of the biggest retail companies in Estonia. Our **4,800** employees serve customers in **106** stores, where **697,000** loyal customers make **46** million purchases a year.

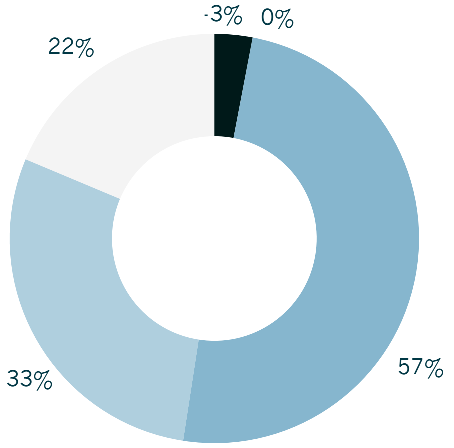
821.6
Million euros
Revenue
(2020: 741.9 million euros)

32.0
Million euros
Net profit
(2020: 19.5 million euros)

Revenue 2021



Net profit 2021
** without IFRS 16*



79
Cents
Net profit per share
(2020: 48 cents)

4,864
Yearly average number
Employees
(2020: 4,558)

Group's vision

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

Group's mission

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

Group's core values

Integrity

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

Concern

We are friendly and helpful and open to solutions.

Reliability

We keep our promises and follow applicable regulations.

Innovation

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

Environmental awareness

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

Morality and legality

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

Confidentiality and handling of inside information

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

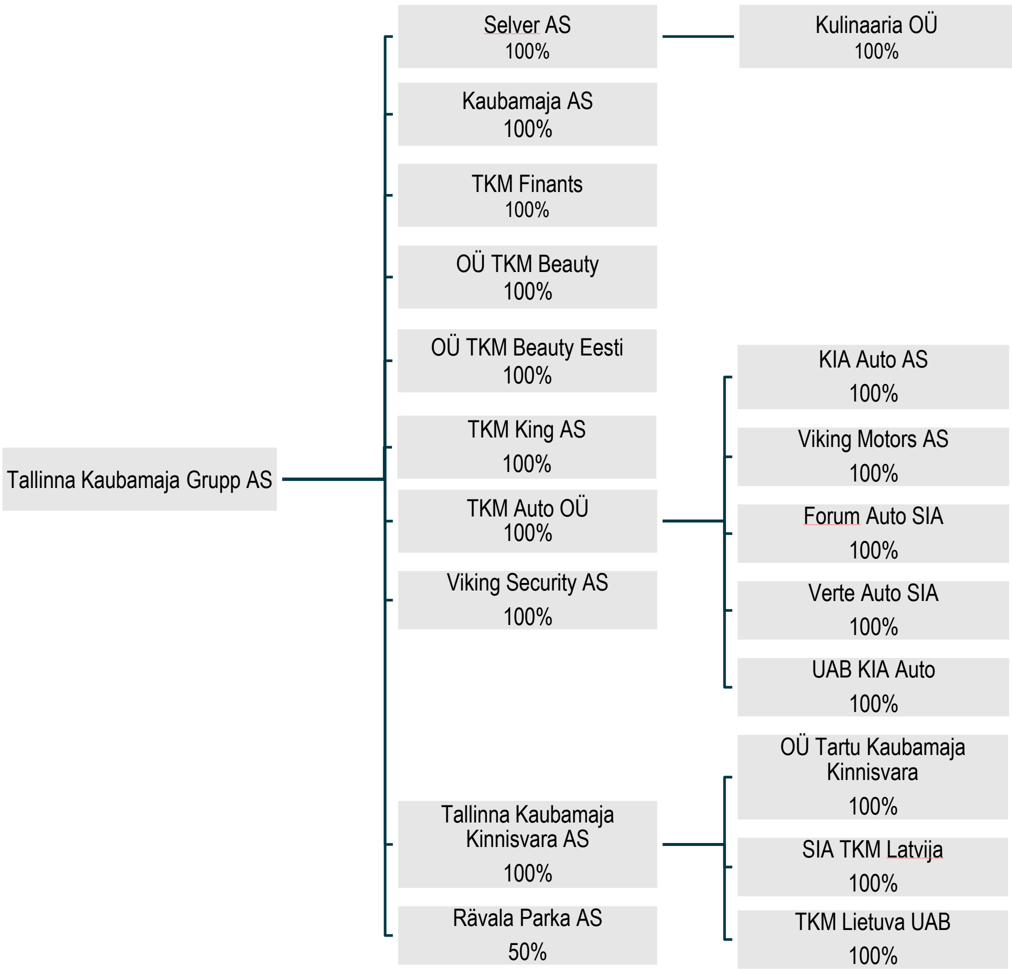
thereof.

- The Group's activity is transparent and corresponds to the understanding of openness and integrity established in the society.
- The Group's employees and partners inform the Group whenever they suspect a violation of exemplary business principles in the Group's operations. The Group's employees shall notify of suspected violations their line manager, the Group's management, or a person or body with a compliance function.

Structure of the Group

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

Legal structure of Tallinna Kaubamaja Group as of 31.12.2021:



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

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

The supermarkets segment includes the Selver store chain with 69 Selver stores, 1 Delice store, the Solaris grocery store, e-Selver, the mobile store, and a café, with a total selling space of 114,600 m², as well as the central kitchen Kulinaaria OÜ.

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

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

The main area of activity of the security segment is the provision of security solutions, which can be found in more detail on the website vikingsecurity.ee.

The real estate segment is involved in the management, maintenance and renting out of commercial space of real estate that belongs to the Group. The Group's real estate segment owns the sales premises of Kaubamaja in Tallinn, Tartu Kaubamaja centre, Viimsi shopping centre, 3 car showrooms and 20 Selver buildings, and several other land plots.

Changes during the financial year

As of 2021, the Group 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 20 to the segment report.

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

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

2021 overview

The business operations of the Group adjusted quickly to the restrictions which lasted several weeks during yet another high tide of the coronavirus pandemic in spring 2021, carrying on successfully through the online channels when the physical stores were closed. In the same period, the grocery stores of ABC Supermarkets AS that had been previously acquired as a significant strategic step were successfully integrated to the delivery chain and IT systems of Selver, which allowed achieving a well-functioning synergy in the supermarkets segment in the second half of the year. The supermarkets segment also completed another considerable large-scale project in 2021- renovation of the factory of the central kitchen of Kulinaaria OÜ, which provides an opportunity to produce innovative and healthy ready-made dishes significantly more cost-efficiently and with a lower environmental impact. The summer was significant for e-Selver, which expanded into the first nationwide online grocery store, providing the people living in rural areas an opportunity to choose from a wider selection of groceries than ever before. The successful selection of partners and a good stock management policy of the car trade segment contributed considerably to the successful financial result of the Group in 2021, resulting in a record-breaking sales revenue for the segment and increasing its market share in the Baltic states. Development of the security segment and the I.L.U. stores continued and the purchasing environment was renovated significantly and the concepts were updated in the Ilumaailm and Toidumaailm departments of the Kaubamaja in Tallinn. Development of the environment-friendly and responsible business culture in the activities of the Group was prioritised even more than before. Measurement of the CO_2 footprint was launched and the sales premises owned by the Group were fully switched over to green electricity. The total volume of investments in 2021 amounted to 23.2 million euros.

The most important events of Tallinna Kaubamaja Group in 2021 and up to the publication of this annual report were the following:

- Transfer of the stores of the ABC Supermarkets chain, which had been operating under the trademark of Comarket, under the trademark of Selver ABC was finalised in the first months of 2021.
- In spring, construction of the new production building of the Kulinaaria central kitchen was fully completed as a large-scale development of the supermarkets segment, while renovation of the old factory building and connection of those buildings were also completed.
- As of 1 June 2021, the service area of the e-Selver online store service covers all of Estonia. By this expansion, Selver became the only online grocery store in Estonia which delivers goods to all counties of mainland Estonia in the entire extent, as well as to the larger islands.
- In August, Kaubamaja opened a fully renovated Toidumaailm and in September, a fully renovated Ilumaailm with a new concept in the Tallinn department store.
- Selver fully renovated the Tartu Jaamamõisa and Valga Selver stores and expanded the sales area of the Arsenal Selver store in Tallinn. The stores renovated were equipped with new furniture and fittings as well as technical building systems in the course of the thorough reconstruction works, which reduced the energy consumption of the stores and allowed achieving maximum environment-friendliness.
- The number of customers of the Group's loyalty programme Partnerkaart exceeded 697,000, covering more than half of the Estonian population.
- As of 1 September, the trade premises owned by the Group fully switched over to green energy and the electricity consumed on those premises is 100% based on renewable energy sources.
- In September, the Group decided to close the footwear stores operated by TKM King AS over 2022.
- In December, the Financial Supervision Authority issued a creditor's activity licence to TKM Finants AS, subsidiary of the Group, which allows the company to provide consumer credit to customers.
- Selver AS was recognized with the title of the Most Competitive Retail Company in Estonia in 2021.
- E-Selver was declared the most user-friendly online store in the category of groceries in 2021 and the nationwide home delivery service of e-Selver was recognized with the title of the 'Logistics Act of the Year' in 2021.
- Viking Security AS, the security segment undertaking, was acknowledged by the Estonian Association of Security Companies for the best security worker of the year, the security act of the year, and the security solution of the year.

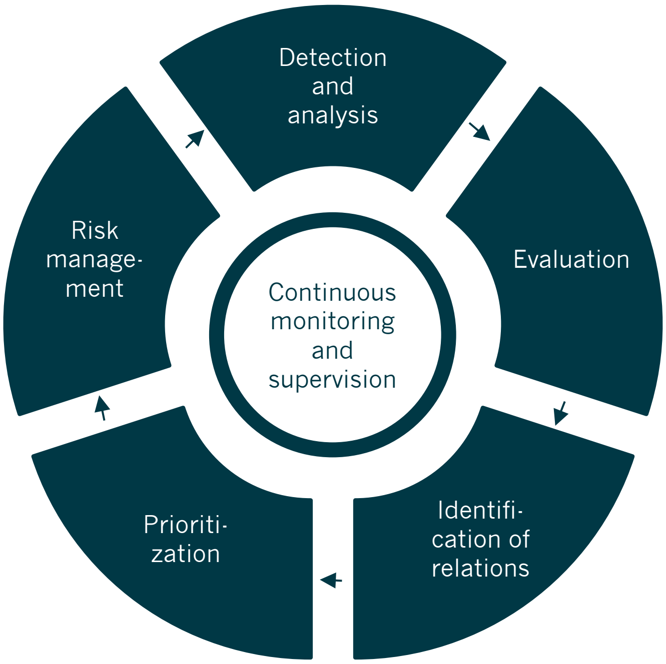
Business risks

Risk management related to the Group's business is an important and integral part of the Group's management.

The purpose of risk management is to find the optimal balance between potential losses or lost profits and the resources required to reduce risks. As a general principle, risk prevention is generally preferred to retrospective response to a risk event.

'Risk' is defined as a possible future event or scenario that may affect the achievement of the objectives of the Group and/or its companies. The Group's ability to identify, measure, and control various risks has a significant impact on the Group's profitability. Risk management in the Group is based on a common methodology that regulates the identification, assessment, prioritisation, and treatment of risks.

Risk management process:



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

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

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

We have classified the following risks as the main risks: economic environment, competition, climate risks, risks arising from the company's operations, and IT risks. In the case of risks in the economic environment, we assess the market situation, as well as changes in macroeconomic factors and trends. The biggest risk factor in 2021 was the continued spread of COVID-19, with the resulting supply difficulties.

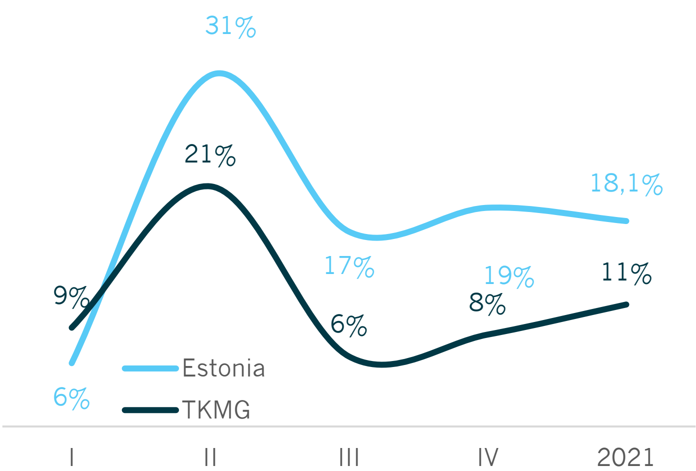
The main risks of the Group include climate risks, which are divided into risks related to the transition to a climate-neutral economy (e.g. legislation, regulations, investments) and the risks related to the direct effects of climate change (e.g. natural disasters, power outages, unstable situation in the country). In 2021, the changes arising from legislation and regulations and the impact of climate change on the supply chain were deemed the most significant climate risks. The risks related to competition include changes in the market, such as the entry of new competing companies, changes in market preferences, and low investment in development. The risks arising from the company's operations include risks arising in connection with work processes, management, and forecasts. It is also important to pay attention to the risks related to safety, quality, and the supply chain. The focus of IT risks is on cybersecurity, the protection of personal data and the prevention of leaks, and smooth operation of systems.

The most important risks are described in detail below.

Economic environment

The development of retail trade is closely connected to the general economic growth and environment. The Estonian economy has managed to cope with the effects of the coronavirus relatively well and shows a strong recovery. According to Statistics Estonia, the Estonian economy grew by 8.6% in the third quarter of 2021, continuing the quick recovery. According to Statistics Estonia, the growth remains broad-based. The economic growth was steered by construction, information and communications, real estate activities, and transport and warehousing. Accommodation and catering, however, were 15% behind the level of two years ago. Analysts believe that Estonia will be among the euro area countries with the highest economic growth in 2021. According to the Bank of Estonia, the economic growth in 2021 will reach 8.0%, but will decelerate to 2.8% in 2022. In the end of 2021, the consumer prices increased rapidly in Estonia, with the most rapid growth the euro area experienced here as well. The prices of electricity, gas, and heating reached record levels, multiplying several times at the end of the 2021. Over the 2021 in total, the price of electricity grew by 44.5%, the price of gas by 27.5%, the price of petrol by 14.1%, and the price of diesel fuel by 12.8%. Of food products, the prices of potato (23.5%) and fresh vegetables (12.7%) increased most. In total, the consumer price index grew by 4.7% in Estonia in 2021, whereas the prices of food and non-alcoholic beverages rose by 1.8% and the prices of clothing and footwear by 0.4%. The analysts believe that the price increase mainly arises from the high demand, which the supply has not been able to cover due to coronavirus restrictions and quarantine requirements. The price growth is expected to continue in the first half of 2022, gradually expanding to services as well as goods. According to the estimations of the Bank of Estonia, the price increase in 2022 will be 6.9%. According to the latest published data of Statistics Estonia, the average gross wage basis grew by 7.8% in the third quarter of 2021 in the year-on-year comparison. The rapid increase in the number of vacant positions indicates the great labour force shortage causing problems for commercial undertakings, which also points to an aggressive increase in wages in the future. According to the Bank of Estonia, the average wages are expected to have increased by 6.8% in total in 2021, but will grow by 8.3% in 2022.

The growth of the turnover of retail trade enterprises (Estonia) and sales revenue of the Group



According to Statistics Estonia, the total volume of retail turnover in Estonia in current prices increased by 18.1% in 2021. Retail sales via mail or the Internet (37.9%), the sales of engine fuel (29.5%), motor vehicles, parts and accessories thereof (25.0%), and household goods (24.6%) increased most. Sales revenue in non-specialised stores (primarily foodstuffs) grew by 6.1% in total in 2021, thus being one of the slowest-growing sectors. According to the Estonian Vehicle Dealers and Services Association (AMTEL), 22,336 new passenger vehicles were sold in Estonia in 2021, which is 19.1% more than in 2020. At the end of the reporting year the confidence of Estonian consumers still remained below the pre-pandemic level, but families have optimistically assessed that their financial situation is the best in recent years.

Impact of coronavirus

The great faith placed at the beginning of the financial year in the efficiency of the vaccination programme in quickly halting the spread of the virus and restoring the normal life turned out to be too optimistic. An extensive outbreak of the virus arrived in Estonia in the spring of 2021 when the vaccination process had only just begun. Strict restrictions were imposed to prevent the spread of the virus, which had an effect on the economic result of 2021. The restrictions mainly concerned the stores of the department stores segment, with most of those stores closed for seven weeks (in 2020, the same stores remained closed for six weeks). The fashion and industrial goods departments of the Kaubamaja, all I.L.U. stores, as well as the ABC King and SHU shoe stores were closed for visitors. The Group implemented several measures to ensure the safety of its customers as well as employees. Almost 1 million euros were spent on disinfection and personal protective equipment, as in the year before. Based on an application submitted by the Group, the state covered the remuneration of the employees of the units which were closed due to the restrictions and, within the framework of the entrepreneurship support package, the Group's operating expenditure in the extent of 1.6 million euros in total (a year before, the amount of national aid for the operations amounted to 1.3 million euros). Despite of the aid received, the negative impact of Covid-19 on the business results cannot be underestimated. Taking into consideration, among other things, the Group's decision to close the footwear business in the competition situation, which had become even more complicated in the pandemic situation, the department stores segment earned a loss over the year, in total.

By the time of publishing the report, there was a new variant of coronavirus spreading rapidly in Estonia, which was causing less severe cases compared to the previous variants and gave hope that COVID-19 was becoming a regular seasonal virus. The European Medicines Agency has also authorised marketing of the first medicinal product for Covid-19.

Even though the new financial year will come with a lot of uncertainty, the Group is capable of adjusting quickly to the situation and responding flexibly. The Group is constantly monitoring its changing risk assessments and analysing the effects of the virus on an ongoing basis. We estimate that the economic changes caused by the virus will not affect the sustainability of the Group.

Seasonality of business

There are minor seasonal fluctuations in the business operations of the Group. Characteristically for retail trade, the sales revenue of the first quarter is about 8% lower and the sales revenue of the fourth quarter is about 6% higher than the average sales revenue of the quarters. Historically, seasonality has some effect on sales revenue in the fourth quarter, when sales revenue accounts for approximately 27% of the annual sales revenue.

Traditionally, the first quarter of the year is weaker due to the seasonal discount in the fashion trade.

Competition

The Estonian retail market is highly competitive. The German discount store chain Lidl is entering the Selver supermarkets segment as a new competitor. In the supermarkets market segment, Estonia has the most intense competition and the lowest mark-ups of all the Baltic countries. This suggests that the entry of a new competitor will affect many market participants, as Lidl can only gain market share at the expense of other market participants. At the same time, there is a continuing increase in customers' preferences and awareness of domestic clean food, which creates the potential to maintain and grow Selver's competitiveness.

In the last few years, the restrictions imposed due to coronavirus have pressurised large as well as small merchants to develop or expand their online store sales capabilities. The turnovers of the online stores have increased explosively, which has added a number of new market participants. The online grocery store market has been complemented with the stores of Bolt and Wolt as a new concept by new market participants offering the home delivery service for a limited selection of groceries in the largest cities in Estonia. e-Selver, the online grocery store of the Group, is providing nationwide delivery service, with a wide selection, and competitive prices. The online fashion stores of the Group compete with the global market, having advantages for the local consumer in terms of assortment, delivery speed, service quality, and reliability.

Personal Data Protection

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

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

Financial risks

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

In order to efficiently ensure liquidity or the availability of sufficient financial means to fulfil the obligations arising from the operations of the company, a joint group account of the bank accounts of Tallinna Kaubamaja Grupp AS and the subsidiaries thereof has been created, which allows the members of the group account to use the financial means on the group account within the agreed limits. As at the end of the financial year, the Group has 30.0 million euros of free financial means in the form of cash and funds on bank accounts (32.8 million euros in 2020). As of 31 December 2021, the working capital was negative, amounting to 33.0 million euros (negative, amounting to 26.3 million euros in 2020). Negative working capital is common for a retail company with a high stock turnover rate. The Group's cash flow from daily business operations that is used for covering current liabilities remains strong. Based on the assessments of the management board, the Group does not have problems with liquidity.

Credit risk is a risk of the company suffering a financial loss arising from the other party to the financial instrument, as the latter is incapable of fulfilling its obligations. The Group is exposed to the credit risks arising from business operations (primarily claims) and investment activities, incl. from deposits in banks and financial institutions. Due to the specific nature of the retail business, the Group is not exposed to significant credit risks. As of 31 December 2021, the maximum credit risk is expressed as the total amount of claims, amounting to 18.6 million euros (15.3 million euros in 2020).

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

Interest risk is the risk an increase in the interest rate result in an increase in the interest expenses paid on the liabilities having a significant effect on the profitability of the Group's activity. The interest risk of the Group mainly arises from long-term loan liabilities with a floating interest rate connected to the EURIBOR. According to economic analysts, no significant increase in the EURIBOR interest rates can be foreseen in 2022. If the interest rates of the financial liabilities with a floating interest rate had been 1 percentage point higher as at 31 December 2021, the financial cost of the Group would have been 1.1 million euros higher.

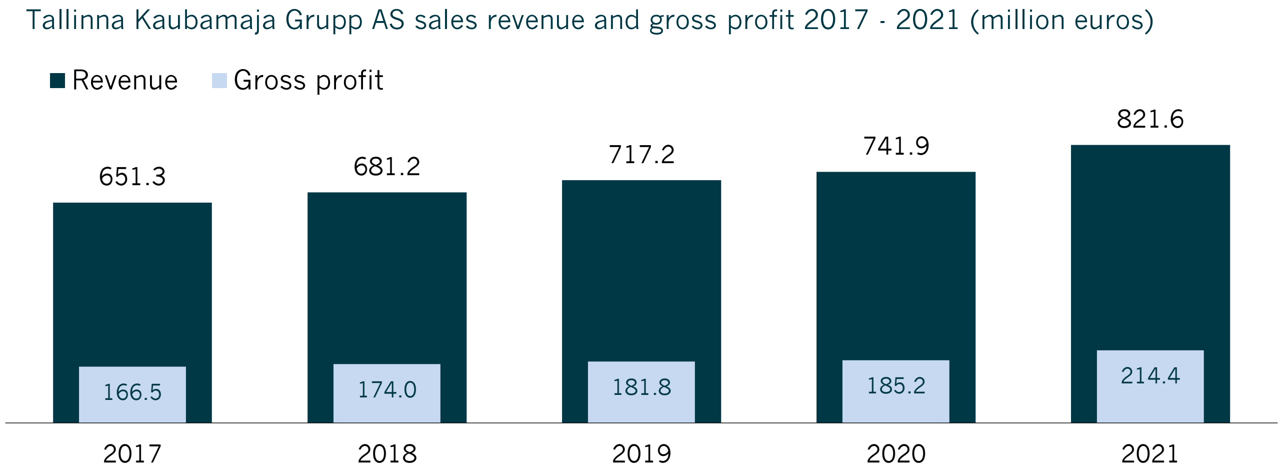
Detailed description of The Group's financial risks and risk financial management principles is provided in Note 4 of the financial statements.

Financial performance

FINANCIAL RATIOS 2017-2021

In millions, EUR	2017	2018	2019	2020	2021
Revenue	651	681	717	742	822
Change in revenue	*9%*	*5%*	*5%*	*3%*	11%
Gross profit	166	174	182	185	214
EBITDA	50	51	71	63	80
Operating profit	37	37	40	28	41
Profit before tax	36	37	38	24	36
Net profit	30	30	32	19	32
Change in net profit	*16%*	2%	*4%*	*-39%*	*64%*
Sales revenue per employee	0.156	0.159	0.168	0.163	0.169
Gross margin	26%	26%	25%	25%	26%
EBITDA margin	8%	7%	10%	9%	10%
Operating margin	6%	5%	6%	4%	5%
Profit before tax margin	6%	5%	5%	3%	4%
Net margin	5%	4%	4%	3%	4%
Equity ratio	52%	55%	43%	37%	38%
Return on equity (ROE)	14%	14%	14%	9%	14%
Return on assets (ROA)	8%	8%	7%	3%	5%
Current ratio	0.9	1.1	1.0	0.8	0.8
Debt ratio	0.5	0.5	0.6	0.6	0.6
Inventory turnover	6.6	6.6	6.8	7.2	8.3
Average number of employees	4,182	4,283	4,273	4,558	4,864

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



In 2021, the consolidated audited sales revenue of Tallinna Kaubamaja Group was 821.6 million euros, showing a growth of 10.7% compared to the result of 2020, when the sales revenue was 741.9 million euros. The Group's net profit in 2021 was 32.0 million euros, which exceeded the previous year's result by 64.2%. The pre-tax profit earned in 2021 was 36.5 million euros, increasing by 52.3% compared to the previous year.

As the coping with the coronary pandemic improved, the increased confidence to consume of customers increased the sales revenue generated by commercial establishments in Estonia by a record 18.1% in 2021. Although the sales revenue was increased most by the fuel and electronics retail segments, which the Group is not involved in, the consumers' confidence also boosted the sales of the Group, increasing the sales figures in all segments of the Group. The consumers accustomed to visit online stores safely during the period of restrictions continued to visit the online stores of the Group. The growth of the profit and profitability was supported by the integration of the stores, which were added to the supermarkets segment in 2020 and modernising the production equipment in the central kitchen, as well as the successful sales operations of the car trade segment. In the last months of 2021, the Group's profit was put under pressure by the significantly faster growth of energy prices compared to the previous levels and the continued growth of labour costs due to the labour shortage. In the real estate segment, the business profit of the 2021 was influenced by the increase in the fair values of investment property in the amount of 2.2 million euros. The net profit of the Group decreased by 2.9 million euros due to calculated loss on lease agreements in accordance with IFRS 16 (in 2020, the respective figure was 2.4 million euros).

As at 31 December 2021, the volume of the assets of Tallinna Kaubamaja Group was 635.3 million euros – an increase of 2.1% compared to the results at the end of 2020 without the impact of IFRS 16. The balance sheet of the Group was impacted by a revaluation of the land and buildings, as a result of which the value of the fixed assets of the Group increased by 9.3 million euros. The same amount was added to the equity revaluation reserve.

At the end of the reporting period, the number of loyal customers was more than 697,000, which is 0.4% more than the year before. The proportion of loyal customers in the Group's turnover was 85.5% (in 2020, it was 86.7%).

Investments

The Group invested 23.2 million euros in the acquisition of fixed assets in 2021 (28.3 million euros in 2020). Of this, 22.7 million euros were invested in tangible assets and 0.5 million euros in intangible assets.

Investments in the supermarkets business segment amounted to 13.6 million euros in 2021 (22.1 million euros in 2020). At the end of the reporting period, the transfer of the stores of the ABC Supermarkets chain (which had been operating under the trademark of Comarket) under the trademark of Selver ABC was finalised. The Tartu Jaamamõisa and Valga Selver stores were thoroughly renovated and the sales area of the Arsenal Selver store in Tallinn was expanded. Computer equipment was purchased for the self-service cash registers of SelveEkspress, the transfer in the stores to digital price tags continued, and the fittings and equipment of the Selver stores were updated. Further investments were made in the updates of the software platform of the online store of Selver. The construction of the new central kitchen of Kulinaaria was completed, as well as the renovation of the old factory building and the connection of the production premises.

Investments in the department stores business segment amounted to 6.8 million euros (2.6 million euros in 2020). In the Tallinn department store of Kaubamaja, extensive renovation works were performed in the section of Toidumaailm and the Ilumaailm section in Tallinn was given a new appearance. Within the framework of the Partnerkaart loyal customer card programme reported under the department stores segment, investments were made in the software development for the 'buy now, pay later' solution.

The cost of investments in the cars segment in 2021 was 0.3 million euros (1.8 million euros in 2020), which was used to complement the furniture and fittings of the showrooms and repair department.

In the business segment of security, 0.1 million euros was invested in 2021 (1.0 million euros in 2020) in purchasing the technology required for the cash-in-transit service and for providing surveillance services.

The cost of investments in the real estate business segment was 2.4 million euros (0.8 million euros in 2020). The immovable property of the Laulasmaa Selver and commercial land in Harju County were acquired in 2021.

Business segments

In millions, EUR	2020	2021	%
Revenue	**741.9**	**821.6**	**10.7%**
Supermarkets	524.4	569.0	8.5%
Department stores	88.8	93.4	5.2%
Car Trade	117.6	145.8	24.0%
Security	6.0	8.2	35.9%
Real Estate	5.1	5.3	3.1%
EBITDA	**63.1**	**80.2**	**27.0%**
Supermarkets	25.1	31.8	26.9%
Department stores	1.7	1.8	5.6%
Car Trade	3.1	8.4	174.3%
Security	0.3	0.4	24.0%
Real Estate	14.5	17.4	20.1%
IFRS 16	18.5	20.4	10.1%
Net profit/-loss	**19.5**	**32.0**	**64.2%**
Supermarkets	14.0	18.4	31.2%
Department stores	-1.9	-1.1	-40.0%
Car Trade	1.8	6.9	283.8%
Security	0.0	0.0	-87.2%
Real Estate	8.0	10.7	33.4%
IFRS 16	-2.4	-2.9	17.8%

Supermarkets

The consolidated sales revenue of the supermarkets business segment in 2021 was 569.0 million euros, increasing by 8.5% compared to the previous year. The average monthly sales revenue per square metre of sales area in 2021 was 0.40 thousand euros, exceeding the respective indicator in the year before by 2.6%. The average sales revenue per square metre of selling space of comparable stores was 0.42 thousand euros in 2021, growing by 3.0% compared to the year before. The pre-tax profit of the supermarkets segment in 2021 was 20.5 million euros, increasing by 5.0 million euros in comparison with the previous year. The net profit of the year was 18.4 million euros, which is an increase of 4.4 million euros in comparison with the previous year. As of 1 June 2020, the results of the supermarkets segment include the results of ABC Supermarkets. In 2021, 42.8 million purchases were made from the stores, which was 6.2% higher than in the reference year.

Like Estonian economy as a whole, the supermarkets segment was also impacted by the changes in the purchase behaviour and consumption habits of the customers in connection with the coronavirus, which broke out in March 2020. These have led to in challenges in operating with the goods and continuously increased the expenses on the personal protective equipment for the customers and employees.

Selver's result was affected by the acquisition of ABC Supermarkets AS in the second quarter of 2020, which increased the number of Selver stores by 19. In February 2021, the sales activities of one of the stores were terminated and at the end of the reporting year, the sales activities will continue in the eighteen added stores. Selver expanded the sales area of one of its stores in 2021 and renovated two stores, including one in the fourth quarter when it was closed to customers for six weeks. The comparability of the results is also affected by the new Selver store, which was opened in July 2020, and the renovation of three Selver stores in the reference period, the expansion of the sales area of two of the stores, closing one store, and the impact of the leap year. In 2021, 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 updating the IT software was accompanied by closing the stores for a few days for replacing the equipment, as well as by one-time expenses and investments. The work on the selection of the stores operating under the Selver

ABC trademark as well as on increasing the efficiency of the work processes including the entire Selver chain has continued. In the third quarter, four smaller Selver stores were rebranded under the Selver ABC trademark. Investments were made in the popular SelveEkspress service in 2021. The technological platform of SelveEkspress was updated, additional self-checkout tills were added to the stores where the customers' interest in the service has significantly increased, and the opening of the SelveEkspress service in the Selver ABC stores began. Kulinaaria OÜ, which belongs to the supermarkets segment and is known to the customers under the Selveri Köök trademark, completed the construction of an extension of its factory in 2021, which doubled the size of the production area to over 6,000 square metres. The new production building is the most modern in the Baltic States in its sector. The turnover of Selveri Köök increased by 13% in 2021. The new production equipment has allowed to optimise the production processes and reduce the amount of manual labour, which has, in turn, enabled to lower the production costs.

Compared to the 2020, which already included the significant increase in e-commerce, the number of orders received by e-Selver has increased by almost half over the year. Since the beginning of 2021, the service area of e-Selver has been expanded in stages and, since June, it covers all of mainland Estonia, as well as the largest islands.

The formation of the profit for the year was positively impacted by the good turnover results, especially in the warm summer period and in the product groups, which were affected by the spread of COVID-19 the year before. The faster increase in the labour costs and purchasing ABC Supermarkets and transferring it under the trademark of Selver had a negative impact. The lack of manpower in the labour market has resulted in wage pressure. A temporary increase in labour costs was also caused by the integration of the processes of ABC Supermarket stores 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 affected by the energy prices, which have occasionally risen several times above the normal levels.

Department stores

In 2021, the Kaubamaja department stores business segment earned a sales revenue of 93.4 million euros, which is 5.2% more than last year. The pre-tax loss of the segment in 2021 was 0.7 million euros. The loss decreased by 0.7 million euros over the year.

The 2021 sales results of the Kaubamaja was affected by the state of emergency situation declared due to the pandemic in the spring period, as a result of which Kaubamaja closed all its industrial goods departments in Tallinn and Tartu for seven weeks. Only the grocery stores remained open. The department stores reopened on 2 May. In 2020, shopping centres were closed for six weeks. The demand for summer goods was high in the reopened department stores and the discount campaigns in the summer were successful. The renovation of the beauty and food sections of the Tallinn department store in the summer months had a negative impact on the operating profit of the Kaubamaja, with the food segment in Tallinn closed for the renovation works on 25 June and reopened in a fully renovated form on 26 August. Customers' interest for the renovated sections was high. The autumn season campaigns, which started with 'Beauty Time' in September, 'Shopping Rally' in October and finally the Christmas sales, were the most successful ever. The average sales revenue of the Kaubamaja department stores per square metre of selling space was 0.3 thousand euros per month in the twelve months, which is 4.4% higher than in the same period last year.

In the 2021, the sales revenue of OÜ TKM Beauty Eesti, which operates I.L.U. cosmetics stores, was 5.5 million euros, which is 11.5% more than in 2020. The profit in 2021 was 0.2 million euros, which was 0.1 million euros more than in 2020. The sales revenue of the I.L.U. stores in 2021 were positively affected by successful assortment expansions to new product groups and successful Christmas sales at the end of the year.

The sales revenue of the shoe stores of TKM King AS, which is being reported under the department stores segment as of 1 April 2021, was 6.1 million euros in 2021. The sales revenue decreased by 11.0% compared to the year before. The loss in 2021 amounted to 2.8 million euros. Compared to the year before, the loss increased by 1.1 million euros. Based on the strategic decision made by the Group in September in the reporting year to close the footwear business over 2022, the gradual realisation of the inventories began in the last months of the reporting year and preparations were made for closing the stores. The operating loss was increased due to forming reserves in connection with future costs of closing the stores.

Car trade

The sales revenue of the car trade segment was 145.8 million euros in 2021, which exceeded the sales revenue of the previous year by 24.0%. During the 2021, a total of 5,885 new vehicles were sold. The net profit of the segment in 2021 was 6.9 million euros, exceeding the profit of the year before by 5.1 million euros. The pre-tax profit of the segment in 2021 was 7.4 million euros, which is 5.3 million euros more than the pre-tax profit in 2020.

Sales results of the segment was affected by the deficit and availability of new vehicles arising from the deficit of car parts. Forward-looking planning of the stocks allowed the car trade segment of the Group to stand out and Kia to become the most-sold passenger car in Estonia in October. The sales margin and the profitability of the entire segment also grew in the conditions of increased demand.

Security segment

The sales revenue of the security segment in 2021 was 8.2 million euros, increasing by 35.9% compared to the previous year. The section of cash transport continued to grow fastest. The pre-tax profit in 2021 remained at zero, which is similar to the previous result.

2021 as a whole was an intensive year of rapid changes for the security segment. All sections of the company increased their business volumes and adjusted successfully in the unstable conditions. The increase in energy prices and the labour shortage, which significantly increased the labour costs in the last few months of the year, had the greatest negative impact on profitability.

Real estate

The sales revenue earned in the real estate segment outside the Group was 5.3 million euros in 2021. Sales revenue increased by 3.1% compared to the previous year. The pre-tax profit earned in the real estate segment was 12.1 million euros in 2021. The profit increased by 19.9% compared to the year before. The profit of the segment was affected by the annual evaluation of the fair value of the investment property, as a result of which the profit increased by 2.2 million euros.

The coronavirus pandemic affected the sales revenue of the segment throughout 2021. The restrictions had the greatest impact on the rental premises and catering and entertainment establishments in central Tallinn. The Tartu Kaubamaja centre has recovered quickly from the restrictions, which were implemented to prevent the spread of the virus, compared to the year before. The growth in the sales revenue and profit in the segment in the second half of the year were supported by the commercial premises rented to external parties by the Latvian real estate undertaking. In the third quarter, the immovable property in Saare County was sold.

Directions for 2022

The key to the company's success is flexibility and keeping up with the wishes of customers. In 2022, it is planned to carry on with several developments which are seen as part of the Group's long-term strategy, where in addition to meeting customer expectations and streamlining processes, increasingly more attention is being paid to responsibility and reducing the ecological footprint.

The volumes of orders from the online stores of the Group have multiplied in recent years and timely and accurate fulfilling of the orders has called for radical changes in the picking and packing processes, as well as in delivering the goods to the customer. The service area of the online orders of the supermarkets segment selling groceries expanded all over Estonia in 2021, with e-Selver now delivering to the homes of all residents of Estonia. In order to make ordering more convenient for the customers, it is planned to integrate the Selveri Köök ordering environment beloved by the customers to the updated online trade software platform in 2022, which would allow the customers to conveniently order ready-made party dishes along with their groceries. It is also planned to transfer the online store of Kaubamaja to a new software solution, which will improve the convenience for the customer and add various additional functionalities. Unlike a regular store, the customers cannot touch or try the products from the selection of an online store before buying and hence, it is essential to provide thorough product information, as well as sharp, clear, colourful, and bright images of the products in the online store. In order to improve the quality of the images and provide a better overview of the products to the customers, Kaubamaja is planning to update the technology of the photography studio of the online store.

The supermarkets business segment is planning to renovate up to four and open at least three new stores in carefully considered locations in 2022, which would allow Selver to maintain its strong position in the retail market. At the end of 2022, it is planned to open a hypermarket of the total area of 6,000 m2 next to the IKEA store to be opened in Kurna Village. In addition to the hypermarket in Kurna, supermarkets will also be opened in the Tabasalu Centre and in the Priisle Kodu development in Lasnamäe. While the supermarkets in Tabasalu and Priisle will primarily be serving the local residents, the Selver hypermarket to be built in Kurna, together with the IKEA store, will be part of the trade synergy of the Tallinn roundabout, which will be serving the entire Estonia in addition to the local residents of Jüri, Kiili, Assaku, and Luige.

Kulinaaria OÜ of the supermarkets segment, which is mainly known to the customers through the products of the Selveri Köök trademark, completed the construction of an extension of its factory in 2021, which doubled the size of its production area. The new production building is the most modern in the Baltic states in its sector, enabling the production of fresh products without adding artificial preservatives and leaving a smaller ecological footprint. The challenges for 2022 include expanding the product portfolio and increasing the production volumes.

It has been more than four years since the successful architectural competition of the new building of the Tallinna Kaubamaja department store, but it will only be possible to start the construction works after the city of Tallinn has issued the necessary design conditions, so the start of the construction works of the new Kaubamaja building is still unclear. There are plans to fully renovate the Naistemaailm section in Kaubamaja Tallinn at the beginning of 2022; the section is expected to be reopened in the renovated form on 8 March. The development and planning of the concept for the Toidumaailm section in Kaubamaja Tartu department store will also begin in 2022.

The goal of the I.L.U. cosmetics stores for 2022 is to launch updates of the concept of the I.L.U. stores and to renovate two stores. It is also planned to increase the capacity of the online store by expanding the warehouse of the online store.

The car trade segment of the Group coped well with the decline in the sector caused by delivery issues in the reporting year. In 2022, the focus is on continuously raising the level of customer service and promoting responsible business.

The goals of the security segment for 2022 are to expand operations in all of today's business lines. Growth potential is seen in both technical and manned security, as well as in the cash-in-transit and inventory services business lines. The design, construction, and maintenance of security, access, and video surveillance systems will continue.

The loyalty programme Partnerkaart, which unites the companies of the Group, will focus on the development of financial services supporting retail and the creation of a digital solutions to replace the physical card in 2022. In 2021, TKM Finants AS, subsidiary of the Group, acquired a creditor's operating licence, which will allow the company to offer consumer credit to customers. Various different payment options provided by merchants are unavoidable in trade today and provide to the consumer the advantages of speed and convenience, also option to enter into a contract directly with the merchant. Over a year ago, the Group started to issue purchase limits for the Kuukaart (Monthly Card) loyalty card, which allows the customers to pay for their purchases once a month based on an invoice. The loyalty card has been well-received and the Group intends to offer opportunities for paying in instalments to the customers as the next step. The Partnerkaart app will be ready for launching in the spring of 2022 and will enable the customers to transfer their phones into digital wallets, smart purchase scanners, and virtual gates to the online stores of Kaubamaja, I.L.U., and Selver in a few minutes. The digital security of the customers in using the Partner app has been thoroughly focussed on. All payments and data uploaded in the app will be protected by a password selected by the customer, the fingerprints of the customer, or facial recognition. All purchases will be accompanied by mobile receipts, which will be available from the menu of the Partner app. The app will make entering the online stores of the Group even more convenient as well as more secure, while allowing access by just one touch of a button.

Tallinna Kaubamaja Grupp continued working on a comprehensive sustainability strategy in 2021. An impact analysis of the Group was carried out, the United Nations Sustainable Development Goals were analysed with issues to be focussed on selected. The carbon footprint of the Group was calculated retrospectively in cooperation with an external partner (measurement of Scopes 1–2 in 2015–2021), and an energy audit of the Group was conducted, which involved mapping of the energy consumption and saving potential. Based on the results of the afore-mentioned activities, specific short- and long-term goals can be added to the sustainability strategy, which will support the climate goals of the European Union and the Republic of Estonia and ensure the long-term sustainability of the Group, among other things. In order to assess the efficiency of the goals described in the strategy, special key indicators will be identified, with the most significant of those indicators also added to the 2022 annual report.

The share

Security information

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

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

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

Dividend policy

In recent years the Group has consistently paid dividends to shareholders. According to the notice of the general meeting of the shareholders published on 22 February 2021, the Management Board proposed to pay 24.4 million euros as dividends that is 0.60 euros per share. The general meeting of shareholders approved the proposal. The amount of a dividend distribution has been determined by reference to:

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

At the end of the 2021, the Group had 18,604 shareholders and division of shares is following:

Ownership structure	Number of shareholders	Number of shares	Shareholders%	Votes%
Private persons	17,139	6,374,656	92.1%	15.7%
Companies (Estonian)	1,391	2,067,500	7.5%	5.1%
Financial institutions (Estonian)	21	1,886,666	0.1%	4.6%
Companies (other countries)	1	6,018	0.0%	0.0%
Financial institutions (other countries)	50	2,205,955	0.3%	5.4%
Marie Vaino	1	899,769	0.0%	2.2%
OÜ NG INVESTEERINGUD	1	27,288,636	0.0%	67.0%
Total	**18,604**	**40,729,200**	**100.0%**	**100.0%**

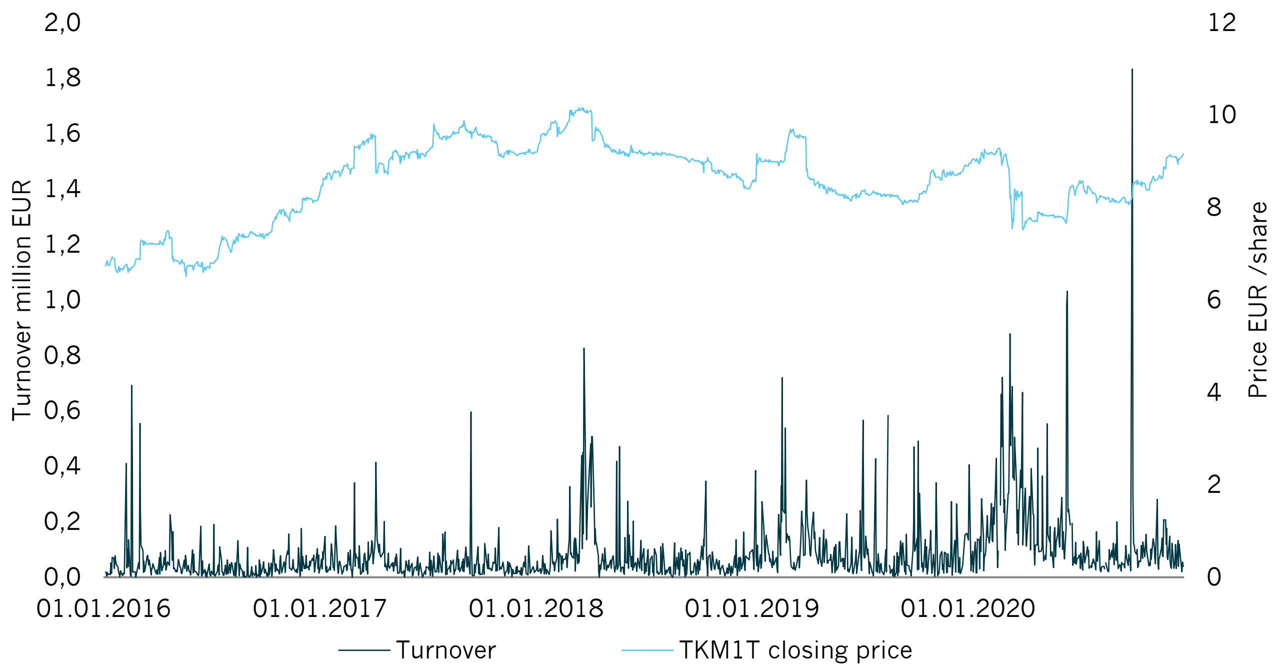
Number of shares	Number of shareholders	Number of shares	Shareholders%	Votes%
1–100	11,254	356,814	60.5%	0.9%
101–1,000	5,739	2,013,800	30.8%	4.9%
1,001–10,000	1,479	3,883,516	7.9%	9.5%
10,001–100,000	116	3,060,996	0.6%	7.5%
100,001–1,000,000	15	4,125,438	0.1%	10.1%
1,000,001– ...	1	27,288,636	0.0%	67.0%
Total	**18,604**	**40,729,200**	**100.0%**	**100.0%**

As at the end of 2021, Tallinna Kaubamaja Grupp AS had 18,604 shareholders (12,992 in 2020), the number of shareholders increased by 5,612 or 43.2% during the year. In 2021, the interest of small investors in investing in Estonia increased due to the rise of stock exchanges and the fact that due to long-term travel restrictions arising from Covid-19, general wage growth and the pension reform that has entered into force in Estonia, households have more free money. In addition, the depreciation of money has made retail investors increasingly thinking about investing. One of the important aspects small investors consider important is that the Estonian media is increasingly talking about investing, as a result of which awareness of investing activities has increased.

Of the shareholders of Tallinna Kaubamaja Group, 92.1% were private individuals, 7.5% Estonian companies, 0.3% foreign financial institutions, and 0.1% Estonian financial institutions. Estonian shareholders and related companies clearly dominate among the shareholders. Tallinna Kaubamaja Group is mainly based on Estonian capital. The majority share of shares and votes belongs to the company NG Investeeringud OÜ, which owns 27,288,636 ordinary shares or 67.0% of the listed securities. The company is followed in terms of the number of shares and votes by private individuals (15.7%), foreign financial institutions (5.1%), Estonian financial institutions (4.6%), Estonian companies (5.4%), and Marie Vaino (2.2%).

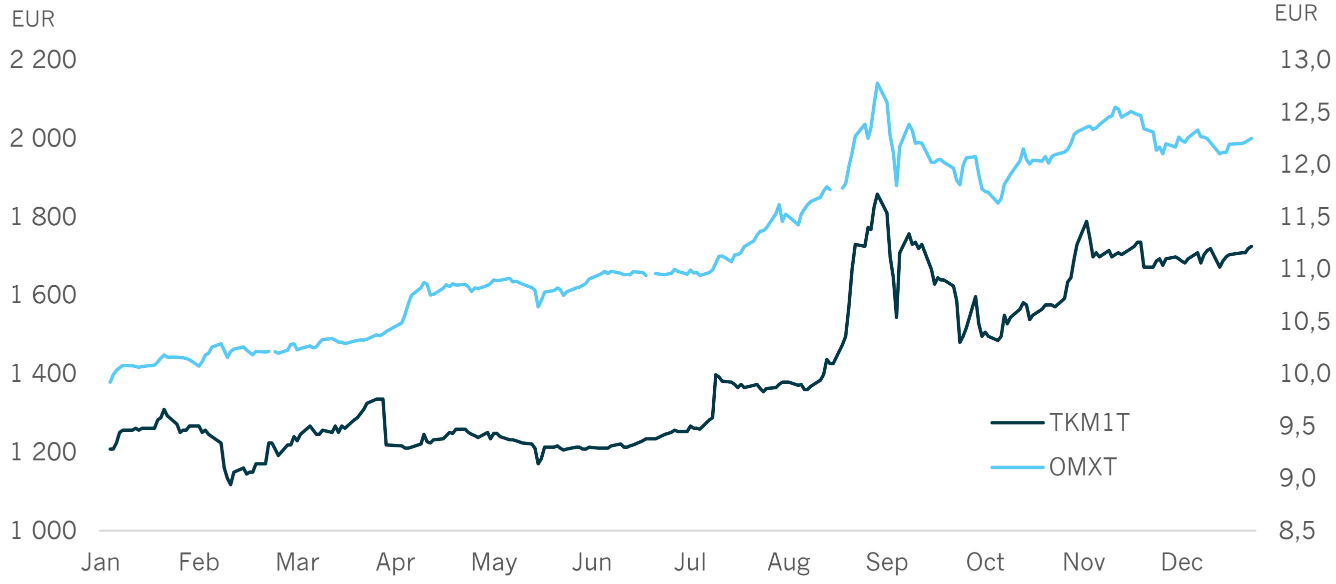
The following charts provide an overview of the movement of the share price of Tallinna Kaubamaja Group, the Tallinn Stock Exchange index, daily turnover, as well as the market value based on market data, and the price-to-earnings ratio as at the end of 2021.

Share price and trading statistics in Tallinn Stock Exchange during 01.01.2017 – 31.12.2021



Tallinna Kaubamaja Group has been listed on the Nasdaq Tallinn Main List since 19 August 1997 under the trading code TKM1T and ISIN EE0000001105. The shares are freely transferable and there are no restrictions under the Articles of Association. The highest share price in the financial year 2021 was 11.96 euros and the lowest 8.86 euros.

Price change of Tallinna Kaubamaja Group share and OMX Tallinn index from 01.01.2021 to 31.12.2021.



Index/share	Opening price	Closing price	Change %
OMX Tallinn_GI	1,343.72	2,001.03	48.92%
TKM1T - Tallinna Kaubamaja Grupp	9.16	11.22	22.49%

The most traded Nasdaq Tallinn Main List share in 2021 was LHV Pank. The Group's share was ranked sixth in terms of trading on the Nasdaq Tallinn Stock Exchange. At the end of the year, the share price of Tallinna Kaubamaja Group closed at 11.22 euros (9.16 euros in 2020), gaining 22.49% year-on-year. In 2021, the OMX Tallinn Stock Exchange index rose more than the shares of Tallinna Kaubamaja Group (48.92%). The volatility was similar. There is no benchmark or company on the Nasdaq Baltic stock market that can be compared to the Group on an equivalent basis.

Share trading history

In euros	2017	2018	2019	2020	2021
Average number of shares (1000 pcs)	40,729	40,729	40,729	40,729	40,729
Traded shares (pcs)	1,452,599	2,017,514	2,763,674	4,654,856	3,165,945
Dividend / net profit	94%	95%	94%	125%	87%*
P/E	12.6	11.3	11.4	19.1	14.3
P/BV	1.80	1.52	1.63	1.67	1.91
Opening price	8.29	9.28	8.46	8.98	9.18
Share price, highest	9.90	10.25	9.72	9.34	11.96
Share price, lowest	8.27	8.32	8.06	7.46	8.86
Share price, at the year-end	9.2	8.42	8.9	9.16	11.22
Share price, yearly average	9.23	9.26	8.60	8.44	10.02
Turnover (million)	13.38	19.03	23.89	38.71	31.68
Capitalisation (million)	374.71	342.94	362.49	373.08	456.98
Earnings per share	0.73	0.75	0.78	0.48	0.79
Dividend per share	0.69	0.71	0.73	0.60	0.68*
Equity per share	5.1	5.5	5.5	5.5	5.9

** according to profit allocation proposal*

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

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

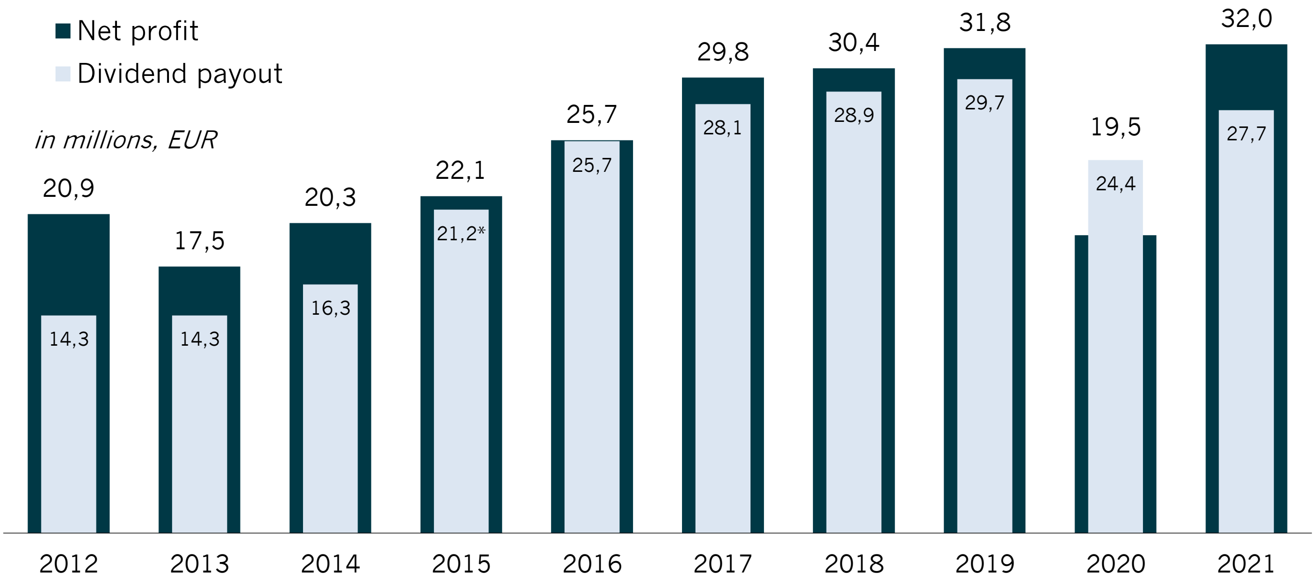
The volume of share transactions in 2021 totalled 31.7 million euros (38.7 million euros in 2020). The total number of traded shares was 3,165,945 (4,654,856 in 2020), meaning a decrease of 32.0%, compared to 2020.

Based on the share price, the market value of Tallinna Kaubamaja Group was 457.0 million euros (373.1 million euros in 2020). In 2021, the Group's investments in business areas in recent years paid off, and in the improved economic environment, the Group managed to increase sales revenue and restore profitability, which increased both the market value of the share and earnings per share.

The price-to-earnings ratio was 14.3 at the end of 2021 (19.1 in 2020), which has improved by a quarter compared to 2020 and is closer to the historical average.

Earnings per share were 0.79 euros, an increase of 64.6% during the-year. The dividend yield (considering the year-end closing price of the share) was 6.1% in 2021 and the Group's average dividend yield for the last three years was 7.5%, which has been higher than inflation.

Dividend payout history



Dividend obligation to shareholders is recognised in the financial statements from the moment the payment of dividends and the distribution of profits are approved by the general meeting of shareholders. The general meeting of shareholders was held on 19 March 2021 and the amount of the dividend payment of 0.60 euros per share from the net profit was approved.

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

Ethical business practices and corporate responsibility

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

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

Group's six pillars for sustainability are:

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

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

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

Concurrent with the objective to achieve the best possible efficiency, in the daily business the focus is on environmental protection and minimizing the negative environmental impact of the operations.

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

Our response to prevent COVID-19

Safety measures to prevent the spread of coronavirus continued in 2021, and many innovative solutions will remain in place even after the restrictions caused by coronavirus have ended.

Health and safety of workers and customers:

- Joint events were replaced with either a year-end award or a gift package.
- Employees were informed about the health risks associated with vaccination and non-vaccination.
- Vaccination was supported by all major companies. In Kulinaaria, a vaccination bus visited the manufacturing facility and 10% of the employees used the opportunity to vaccinate themselves at work. Selver offered gift cards in Lasnamäe, Narva and Southern Estonia to thank the people who came to vaccinate for their contribution. Those were the region with lower vaccination rates in Estonia.
- Cleaning schedules were tightened, with special attention paid to staff premises and checkout areas (including self-service checkouts).
- Checkouts and customer service points have plexiglass to ensure maximum separation between the customers and employees.
- Customer service representatives wear masks, signs with the appropriate information were installed near entrances and cash desks to remind customers of the obligation to wear a mask.
- Disinfectants, safety information and signage are available at the entrances to shops and offices, and at checkouts.
- Home office option and dispersal of people working in the office.
- Several companies temporarily banned visitors from the office.
- In gratitude to the health care workers for their contribution, Kaubamaja sent juice and Christmas goodies collected from the employees on a voluntary basis to the ambulance workers in Tartu and Tallinn. Selver sent bananas, apples, mandarins and smoothies to the 2,500 employees of the emergency medicine and COVID departments of 17 hospitals in Estonia.

Quick adaptation to the changes:

- Encouraging customers to actively use the e-shop.
- Contactless solutions, such as Viking Motors 24/7 service, allows the customer to pick up the car from maintenance or repair, contactless at a time convenient to the customer. The system was created in 2020 to limit the spread of the coronavirus and was also a very popular solution in 2021 and Viking Motors will continue offering this option even after the coronavirus restrictions end.
- The Microsoft Teams platform is widely used to hold meetings.

Code of Conduct

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

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

The Code of Conduct have been published on the website of Tallinna Kaubamaja Group at www.tkmgroup.ee.

Social responsibility

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

These are reflected in the social responsibility principles accepted throughout the Group:

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

In 2021, Tallinna Kaubamaja Group companies paid to the state and local authorities a total of 72.8 million euros in taxes, an increase of 17% over a year.

Tallinna Kaubamaja Group taxes paid in 2019, 2020 and 2021
(in million euros)

Some examples of the activities of the Group companies:

- Over the time, Kaubamaja has supported a wide variety of social projects that help to improve the general well-being of the local people. It doesn't matter if the business or project is small or large - its idea, high-quality implementation and suitability for the main areas of support are important. The ways of supporting are very different: helping to spread information about the activities launched with Kaubamaja´s support or initiative in Kaubamaja's sales hall, internal radio, e-channels, and podcast or in the customer magazine Hooaeg, organise charity sales or help cover the costs of other projects. Traditionally, charity cooperation is an integral part of Kaubamaja's Christmas campaign. At the end of 2021, Kaubamaja conducted a Christmas sale of charity products, the proceeds of which were donated to the non-profit association Igale Lapsele Pere. The goal of MTÜ Igale Lapsele Pere is to ensure safe and permanent family care for a child left without parental care.

- In collaboration with Uuskasutuskeskus (Re-use Centre), stationary collection points for second-hand clothes and footwear have been opened in Kaubamaja. Kaubamaja is donating materials used during promotional campaigns for re-use to childcare institutions and as material for handicraft to people with special needs. Cooperation with the re-use e-store Emmy, that commenced in 2018, has been successful and will continue to support re-using fashion goods and donating to charity.
- Kaubamaja values Estonian fashion and promotes the work of Estonian designers in every way. There is a separate area allocated for the work of Estonian fashion designers in the women's fashion department of Kaubamaja Tallinn store and several window and in-store displays introducing Estonian design were organised during the year. Future fashion designers are also important to Kaubamaja – they encourage schools to organise fashion shows and help them with awards. For example, they support young people´s fashion events Estonian Fashion Festival and Roosad Käärid. Kaubamaja is also the main sponsor of Kuldnõel, the most prestigious fashion design award in Estonia and Tallinn fashion Week.
- Kaubamaja held a campaign „Kooli Aeg“, which main goal is to collect school supplies and financial aid to Estonian families with many children.
- For many years, Kaubamaja has been actively cooperating with the NGO Minu Unistuste Päev, to offer joy to the children who miss it the most.
- Kaubamaja and Selver joined with the Diverse Workplace label in 2012, thereby undertaking to adhere to the principle of equal treatment and opportunities. In a company where employee diversity is valued, be it different age, race, ethnicity, religious beliefs or employees with special needs, there is more knowledge, skills, experience, perspectives and a more tolerant working environment. This also helps companies offer better service to its clients. In 2018, Kaubamaja was one of the first companies in Estonia to win the Diverse Workplace label.
- In 2020, Kaubamaja became the owner of the Family-Friendly Employer label and joined the corresponding development program. The program lasts a total of 2.5 years and then goes through a company evaluation process to earn a recognition mark - gold, silver or bronze.
- For the 19th time, Selver organised the charity project "Koos on kergem" (It Is Easier Together), the goal is to donate money to the children's and maternity departments of hospitals. In 2021 the support money went to purchase new innovative high-tech hand orthoses for the Department of Neurology and Rehabilitation of the University of Tartu, which helps children who have survived a stroke to get their hands to work well again.
- In recent years, Selver has cooperated with various charity organisations, such as Shalom, Food Bank, SAK Fond and congregations to donate food to families in need. Presently, almost 30 Selver stores participate in these projects. Selver is piloting a new system for freezing the food, so more food could reach those in need. In 2021, Kulinaaria also joined the Food Bank, and already in a few months 1,350 kg of food has been donated.
- Selver is a long-time supporter of animal parks at Elistvere and Alaveski, as well as the Tartu animal shelter.
- Selver continues to support youth sports and is a title sponsor of the volleyball club Selver Tallinn. The objective of the club is to promote volleyball in Estonia, but also to work with young people and promote professional sports. The club's activities include:
  - First team: Selver Tallinn;
  - Youth club to raise the next generation of players: Selver/Audentes;
  - Promotion of youth sports: Audentes Volleyball School;
  - Playing Beach volleyball: Caparoli Beach Volleyball Center.
- Selver continues to support the football club FC Flora.
- Selver supports freestyle skier Kelly Sildaru.
- Selver supports smaller and larger cultural projects, mainly outside of larger cities.
- Viking Motors supports Estonian biathletes Kalev Ermits and Regina Oja and tennis player Maria Lotta Kaul.
- Kia Auto cooperates with Viljandi Kutseõppekeskus (Viljandi Vocational Training Centre), offering various units of automotive equipment for training and studying purposes.
- Kia Auto supports the sports and leisure activities of the Haapsalu Hoolekandekeskus through NGO Spord-iselts.

Wellbeing and motivation of personnel

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

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

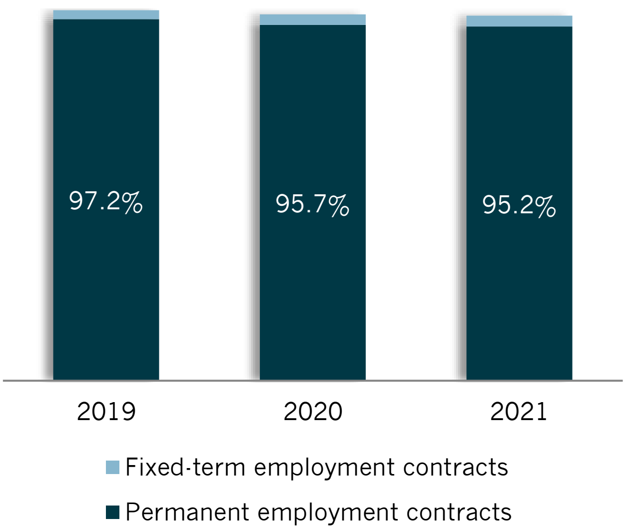
- Value development of the employees and teamwork.
- Open, honest and encouraging multilateral communication.
- Encourage self-management and the individual performance of employees.
- In decision making rely on consensus and collaboration.
- To be an organization that learns from the experience and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

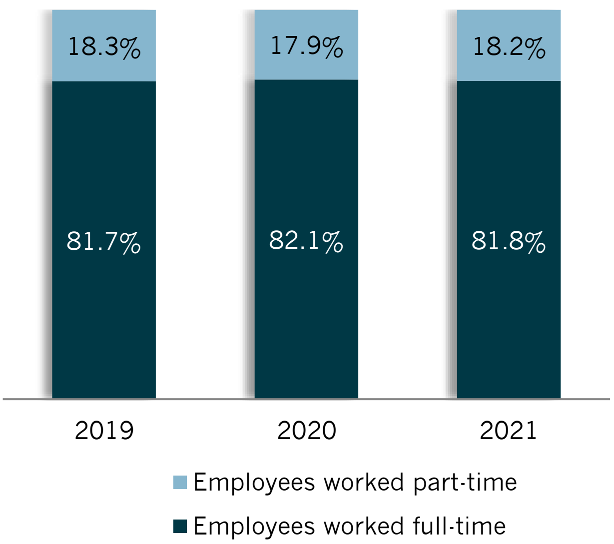
Tallinna Kaubamaja Group is one of the biggest employers in Estonia. In 2021, the Group employed an average of 4,864 people and compared to 2020, the number of employees increased by 6.7% (2020: 4,558).

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

As at the end of 2021, over 95.2% of the employees were employed under permanent employment contracts and almost 4.8% under fixed-term employment contracts. Tallinna Kaubamaja Group also offers an option to work part-time in response to employees' wishes and opportunities. As at the end of 2021, 18.2% of the employees worked part-time (2020: 17.9%). The popularity of part-time working has grown over the years, except minor drop in 2020.

4,864	95.2%	18.2%
Yearly average number employees	Employees with permanent contracts	Part-time employees
(2020: 4,558)	(2020: 95.7%)	(2020: 17.9%)





Valuing development opportunities

The Group highly values the experiences of its employees, supporting a long-term stable career (both vertical and horizontal) within the company. Various training and evaluation programmes and other incentives support employees' readiness to serve, increases their focus on results and commitment to the company where they work.

Employees are offered specialised refresher trainings in Estonia as well as abroad. The Group's total number of training hours reached 10.2 thousand, an average 2.1 hours per employee in 2021 (2020: 1.7). Internal trainings carried out by specialists, play an important role in the development of employees, and the Group has been continuously increasing their volume and selection to meet employees' needs and expectations.

10.2 th	2.1 hs	84
Training hours in total	Training hours per employee	Practice opportunities for young interns
(2020: ca 7.9 th)	(2020: 1.7)	(2020: 77)

Kaubamaja's internal training offers high-level service and teamwork training. Systematic management of service, where training, evaluation and feedback form an integral whole, enabled Kaubamaja to maintain and improve the level of service in 2021. Experienced managers, specialists and Service Club members that share their experiences act as internal trainers.

Activities were undertaken in Selver to increase the volume of internal training and service training conducted by Selver internal trainers with the aim of improving service quality further and offer employees an opportunity to learn and develop. Selver´s mentoring system, which was introduced two years ago, functions well and helps to reduce the turnover of employees, ensure a good training of new employees and facilitate their induction to the company. At Selver, internal training is carried out by store managers and specialists of various areas. The internal trainers contribute to the induction process of new employees as well as refresh the knowledge of experienced employees.

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

To ensure a new generation of employees, Tallinna Kaubamaja Group has offered students various practical training opportunities. In 2021, the Group offered practical training opportunities to a total of 84 young interns. The Group's companies cooperate closely with vocational institutions and other educational institutions all over Estonia by offering them a place of apprenticeship and being a cooperation partner in training. They have also helped its employees that are still studying in writing their course and final papers by offering them the opportunity to use the Group's companies as their object of research. This approach helps the Group's companies to raise the next generation of forward-looking people that appreciate development.

In 2021 the active cooperation continued with Eesti Töötukassa (the Estonian unemployment office) to offer practical training and free positions for job seekers. Selver and Kaubamaja have signed an employment and cooperation agreement with the office with the aim of finding various additional cooperation opportunities for recruiting employees and holding refresher trainings. Together with the unemployment office, Tallinna Kaubamaja Group has contributed to improving the employment of disabled persons and offered positions to people that are at a disadvantage in competing on the labour market.

Kulinaaria works closely with the Astangu Toimetulekukeskus to increase the employment of people with special needs, and in the summer of 2021, six people from Astangu completed their work experience in the Kulinaaria.

Valued working environment

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

Tallinna Kaubamaja Grupp has created a system of measures to ensure a safe working environment and occupational health, which includes medical examinations, regular trainings on safety requirements (including fire safety and first aid), conducting risk analyses and supplying employees with protective equipment. A system was built up in the Group to involve working environment representatives in maintaining a healthy working environment. In 2021, there were 52 occupational accidents in the Group (2020: 52).

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

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

Labour costs

Tallinna Kaubamaja Group's labour costs increased altogether 13.4% (wage costs and social tax cost), in total 88.8 million euros in 2021. The average labour cost per employee was 1,521 euros in 2021, growing by 6.2% compared to 2020. Labour costs have been adjusted to the extent that helps to prevent the increased rotation of labour and decreased efficiency resulting from narrower recruitment choices.

Tallinna Kaubamaja Group labor cost in 2019, 2020 and 2021
(in millions euros)

Complying with human rights and responsible procurement

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

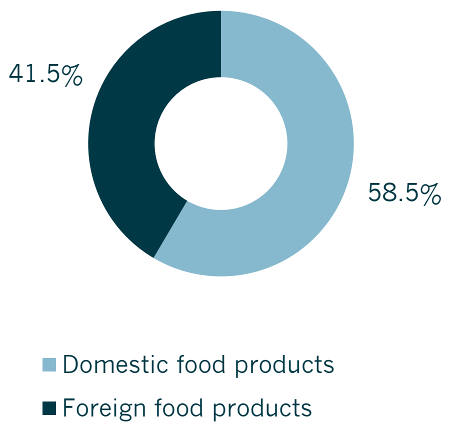
The Group has analysed its activities and assessed as a possible risk in the protection of human rights and fundamental freedoms the supply chain of the Group. As a result, The Group has committed to continuously develop the responsibility and sustainability of its procurements. Responsibility is an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

In 2021, ca 3,100 suppliers provided products to Tallinna Kaubamaja Group. 77% of suppliers of Tallinna Kaubamaja Group are local businesses. 41% of the goods are of domestic origin, the corresponding figure is 59% for food products. In terms of social responsibility, Tallinna Kaubamaja Group has suppliers also from high social risk countries, such as some countries in Africa, Asia, South America and Central America. Purchase amounts from these countries were very small and accounted for about 1.6% of all purchases in 2021.

3,100	77%	41.1%
Suppliers in total	Purchases via domestic suppliers	Goods of local origin
(2020: ca 3,200)	(2020: 75%)	(2020: 40.0%)

Tallinna Kaubamaja Group origin of products in 2021

Tallinna Kaubamaja Group origin of food products in 2021



Private label products

0.88% of products purchased by Tallinna Kaubamaja Group are private label products, of which 0.04% (56% less than in 2020) had been purchased from high social risk countries. The volume of high-risk products varies depending on product category; it is higher for textile products and consumer goods and lower for food products.

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

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

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

Traceability and origin of products

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

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

The Group is aware of clients' growing preference to consume primarily domestic products and groceries. To meet this expectation, the selection of domestic goods is increasing in the department stores and stores every year. In 2021, goods of local origin accounted for 41.1% of all goods, the corresponding figure is 58.5% for food products. The aim is to continue adding and increasing the selection of domestic goods in the following years.

The objective of Tallinna Kaubamaja Group is to know its supply chain and ensure its transparency, which helps to identify product-related risks and opportunities, and develop a responsible production process. Companies have worked hard through the years to improve the working conditions in the supply chain.

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

In Tallinna Kaubamaja Group, consistent care is taken to ensure that the security systems agreed with and used by the suppliers, and actions to be taken to stop the delivery of damaged products or to initiate their immediate recall before they are sold are efficient and function well. In 2021, there were in total 150 product recall incidents in the Group's companies, (2020: 82 incidents), out of which 85% before the product were put on sale.

If there is any reason to doubt that a product sold to clients is damaged and may be a risk to their health, product recall will be immediately initiated and coordinated. This principle is applied similarly in all EU countries. In 2021, there was 22 such incidents (2020: 11 incidents).

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

Environment

The Group acknowledges that environmentally friendly activity serves as a basis for the creation of an efficiently functioning environment and sustainable society.

Concurrent with the objective to achieve the best possible efficiency, the Group focuses on environmental protection in all its daily activities and tries to minimise the impact of the operations on the environment. People and the environment are set as a priority in the everyday business. Accordingly, the principles of responsible work and environmental protection are followed in developing the values of the employees as well as in everyday activities.

In its activities, Tallinna Kaubamaja Group proceeds from environmental principles, which are binding to all its employees:

- Improve the resource efficiency of Group´s businesses and implement energy saving methods.
- Reduce waste generation and encourage waste sorting by type.
- Avoid and reduce the use of paper and promote paperless document management and the use of digital signatures.
- When buying goods and services, follow the principles of environmentally friendly procurement and prefer Estonian products, where possible.
- Include all the employees (and partners, as far as possible) in the implementation of the principles of the environmental policy.
- Ensure a healthy and socially responsible work environment for the employees, and support their sporting habits.
- Regularly monitor and assess Group´s environmental performance.
- In order to raise the environmental awareness of the employees, provide them with comprehensive information.

Due to the extensive network of stores in Tallinna Kaubamaja Group, the energy consumption as well as waste generation is very high. Accordingly, the Group has set a goal to proceed in all its activities from responsible resource consumption to contributing to sustainable development, paying special attention to the energy efficiency of the businesses, reduction of waste and its efficient reuse.

To ensure awareness and sustainability, Tallinna Kaubamaja Group companies have committed themselves to the continuous collection of environmental information. The obtained data serves as a basis for preparing the Group's eco-balance, which gives us a more detailed overview of both the consumed energy and resources as well as the generated waste. The table below highlights the energy and water consumption figures of the sales premises of the Group.

Tallinna Kaubamaja Group Ecobalance Consumption and costs per square meter of selling space	**2018**	**2 019**	**2 020**	**2 021**
Electricity consumption (kWh/m^2)	340	319	288	235
Renewable electricity consumption (kWh/m^2)	0	7	42*	106
Consumption of heating energy (kWh/m^2)	193	146	119	129
Water consumption (m^3/m^2)	0.50	0.43	0.39	0.60
Waste (kg/m^2)	50.1	39.4	44.5	49.3

** Average grid mix*

As of September 1st, 2021, the Tallinna Kaubamaja Group switched to certified green energy. This means that the Group's retail, storage and production spaces, which has a total of 183,243 square meters in Estonia and Latvia, purchases 100% of its electricity from renewable energy sources.

The long-term goal is to make sure Group's activities and targets are aligned with the Paris Climate Agreement and the use of renewable energy will support the fulfilment of that goal. The group-wide energy audit completed in August provided an overview of the current situation and offered an input for future projects to further reduce energy consumption and the carbon footprint through energy-efficient solutions.

When calculating the carbon footprint, Tallinna Kaubamaja Group followed the internationally recognized and most used standard for reporting greenhouse gases - The Greenhouse Gas Protocol Corporate Standard. The standard covers seven greenhouse gases covered by the Kyoto Protocol: carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PCFs), sulphur hexafluoride (SF_6), nitrogen trifluoride (NF_3). The GHG Protocol divides emissions between three scopes:

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

The Group's focus is on developing and implementing energy-saving solutions for energy-intensive processes and reducing the direct negative impact of its operations, and therefore have excluded scope 3 emissions from the current calculation.

Scopes were calculated using market-based method and for scope 2 the 2020 emission factors were used due to absence of public data from 2021 at the time this report was written.

The Group's carbon footprint	**2018**	**2019**	**2020**	**2021**
Scope 1, t CO_2e*	11,600	9,800	11,500	19,900
Scope 2, t CO_2e*	83,200	62,000	43,000	35,700
Total, t CO_2e*	94,800	71,800	54,500	55,600

** CO_2 equivalent*

The Group's carbon footprint intensity	2018	2019	2020	2021
t CO_2e*/ per employee	21.73	16.26	11.97	11.34
t CO_2e*/ m2	0.41	0.30	0.21	0.22

** CO_2 equivalent*

Over the last three years, there has been a large decline in the Group's absolute emission and also in the intensity of the carbon footprint, ie t CO2e per square meter and per employee. The year 2020 was heavily affected by coronavirus constraints, whether directly for a period of time due to lockdown or more indirect effects such as redeployment, additional leave of absents, reduced working hours, home offices, etc; even though the carbon footprint per square meter decreased in 2021 compared to year 2020. Scope 1 increased in 2021 due to the growing popularity of courier services and the use of fixed heating systems based on natural gas.

Tallinn Kaubamaja Group is working continuously to improve the efficiency of energy use in Group's companies, thereby saving energy resources. More important measures in this process include monitoring energy consumption and costs, as well as the establishment of specific targets. Overwhelming majority of the Group's energy consumption originates from the department stores and grocery stores – cooling and technological refrigerating systems (~50-60% of stores electricity consumption), lighting, ventilation and heating. Energy efficiency is an important factor both in everyday business as well as in larger investment projects, such as the renovation of the existing stores or opening new ones.

An important factor in more sustainable energy consumption is the energy-efficient lighting. When designing the lighting solutions for department stores and stores, the placement of the room, interior fittings, as well as the goods to reduce the lighting while still ensuring sufficient light throughout the store are taken into account. Based on the above, notable energy efficiency has already been achieved and the process continues in the coming years.

The cooling and refrigerating systems in the Group's department stores and stores have a notable effect on the environment. To decrease the negative effect, CO2-based cooling and refrigerating systems replace the older freon-based equipment. In addition to notably smaller energy consumption, using these devices also pose a significantly lower risk to our environment. Furthermore, installing glass doors and covers on the stores' cooling shelves, showcases and chest refrigerators helps to ensure energy efficiency.

Other energy-efficiency methods, tested setting and controlling of heating and ventilation equipment through distant management systems also have a significant impact.

For a company that is innovative and looks into the future, it is very important to switch to solutions that put less burden on the environment. Paper-free digital alternatives have become a standard in the Group in marketing, logistics, and payment solutions. Within the Group's paper-free mission, Selver was the first retail chain in Estonia to introduce electronic price tags in all stores.

100% of the paper and plastic packaging waste generated in Selver is recycled. In order to significantly reduce the volume of transportation and storage of goods transport packaging, Selver uses easily packable and durable Bepco transport boxes. Kulinaaria has also in 2021 made preparations for the introduction of the Bepco transport system in its production, the system is planned to be introduced in the spring of this year.

In addition to reducing the amount of packaging, emphasis is also placed on ensuring that existing packaging is environmentally friendly and preferably made from recycled materials. The department stores and shops sell both paper bags and reusable bags, the reusable bags sold approximately 156,000 pieces in 2021, 25% more than in 2020. The purchase of paper bags has grown significantly, with a total of more than 4,383,000 units sold last year, 20% more than a year earlier. In addition to the usual small plastic bags, eco-friendly reusable fabric bags are also available for packaging the fruits and vegetables in Selver chain stores, and biodegradable plastic bags are also available at checkouts as an alternative to the traditional plastic bag. I.L.U. shop paper bags are made from 90% recycled paper. Kaubamaja, Selver and Kulinaaria are looking for alternatives to single use packaging for take-away packaging.

All plastic bags used in the physical and e-shop of Kaubamaja AS are made of 90-100% recycled material. The e-shop's padded envelopes (so-called bubble envelopes), were replaced with envelopes filled with wool waste in 2020; 2021 the customers were given the opportunity to return the wool envelopes to the store for re-circulation. The cardboard boxes used in the e-shop are minimalist in design to reduce the use of ink.

To prevent the release of hazardous waste into the nature, collection containers have been installed at Tallinna Kaubamaja Group department stores and other stores. This way, clients have an easy way to dispose of their used batteries, small electronic devices, as well as paper, glass and plastic packaging. Stores have installed bottle-recycling machines near all the grocery stores that collect beverage bottles carrying an appropriate package deposit marking.

The use of paper in both documentation and stores was minimized. Kaubamaja Toidumaailm allows to not take a paper sticker when weighing fruits and vegetables and use a self-service remote control for storing information. All purchases of Partnerkaart customers are stored in a self-service system, which allows customers to not use paper receipts.

Fighting corruption

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

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

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

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

In combating corruption, we proceed from the following principles:

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

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

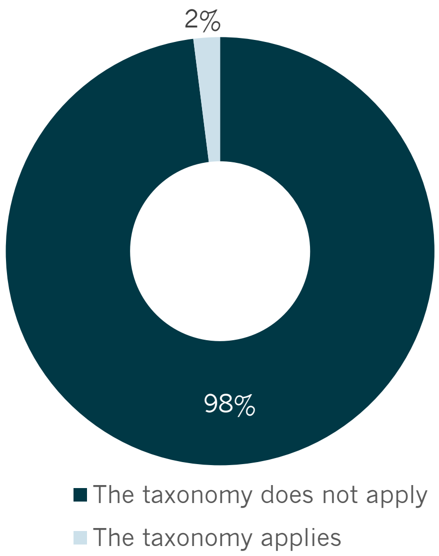
The Group's internal audit department handles the transparency and compliance issues of business. The Group organises regular internal and external training aimed at increasing the awareness of the board and members of the management as well as the employees in preventing and avoiding corruption.

Taxonomy

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

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

1. Forestry
2. Environmental protection and restoration activities
3. Production
4. Energy
5. Water supply, sewerage, waste management and remediation
6. Transport
7. Construction and real estate activities
8. Information and communication
9. Professional, scientific, and technical activities



In order to determine the application of the taxonomy to the Group's companies, EMTAK codes were used and found, that compliance with the screening criteria can be assessed in the case of Tallinna Kaubamaja Kinnisvara AS and its subsidiaries. The real estate segment accounted for 2% of the sales turnover of the Group in 2021, i.e. it was possible to assess compliance with the taxonomy screening criteria to a maximum of 2%.

At present, the sales turnover, capital, and operating expenses of the Group's real estate segment are considered as non-compliant with the taxonomy screening criteria. The Group has started to establish an action plan for real estate related activities to assess the possibility of bringing the existing and future buildings of the Group into line with the taxonomy, supplement the key metrics of the real estate segment, and to set short- and long-term sustainability goals to support the achievement of the objectives of the European Green Deal.

Corporate Governance Report

The Corporate Governance (CG) is a set of guidelines and recommended rules prepared by Estonian Financial Supervision and Resolution Authority, which is intended to be observed mainly by publicly traded companies. Tallinna Kaubamaja Group follows largely the Corporate Governance Code despite their indicative nature. Below is a description of the management principles of Tallinna Kaubamaja Group and general meetings held in 2021 and justification is given in the events when some clauses of the Code are not followed.

General meeting

Exercise of shareholders' rights

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

Convening the general meeting and disclosures

Tallinna Kaubamaja Group published a notice convening the general meeting through information system of the Nasdaq Tallinn Stock Exchange as well as on its website on 22 February 2021 and through a daily newspaper Eesti Päevaleht on 23 February 2021. The Group enabled its shareholders to ask questions on the topics specified in the agenda by using the e-mail address and phone specified in the notice, and examines the annual report on its website and in its office at Kaubamaja 1, Tallinn, starting from 23 February 2021.

The general meeting of shareholders of Tallinna Kaubamaja Group was held in the conference centre of Radisson Blu Hotel Olümpia, Liivalaia tänav 33, Tallinn, on 19 March 2021 beginning at 11am. The resolutions made at the general meeting are published in the press releases on the website of NASDAQ Tallinn Stock Exchange and on the website of Tallinna Kaubamaja Group.

Holding of the general meeting

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

The general meeting of Tallinna Kaubamaja Group must take part in person and, in accordance with the articles of association, the general meeting may adopt resolutions if the general meeting is attended by shareholders who hold more than half of the votes represented by shares. At the general meeting held on 19 March 2021, shareholders were able, in order to exercise their shareholder's rights, to forward their vote to the public limited company before the general meeting, at least in a format which could be reproduced in writing or with a digitally signed ballot delivered by e-mail.

The language of the general meeting held in 2021 was Estonian and the meeting was chaired by the general counsel of the Tallinna Kaubamaja Group Helen Tulve. The meeting could also be heard through a webinar. The meeting was attended by Management Board member Raul Puusepp and all members of the Supervisory Board took part in the meeting through the webinar (Jüri Käo, Enn Kunila, Andres Järving, Gunnar Kraft and Meelis Milder). Annemar Neiland and Rando Rand, auditors of the AS PricewaterhouseCoopers, also participated. 72.53% of the votes represented by shares were present at the general meeting. At the general meeting, allocation of profit was discussed as a separate topic and a separate resolution was adopted with regard to it.

Considering the aforementioned descriptions of general meetings held in 2021, the Group has largely complied with the Corporate Governance Code in informing the shareholders, convening and holding the general meeting.

Management Board

The Management Board is a governing body of Tallinna Kaubamaja Group that represents and directs the Group on a daily basis. In accordance with the articles of association, the Management Board may have one to six members. In accordance with the Commercial Code, members of the Management Board of Tallinna Kaubamaja Grupp AS are elected by the Supervisory Board. The member of the Management Board of Tallinna Kaubamaja Group is selected on the basis of gender neutrality and evaluating the actual competence of the persons. In order to elect a member of the Management Board, his or her consent is required. According to the articles of association, a member of the Management Board shall be elected for a specified term of up to three years. Extension of the term of office of a member of the Management Board shall not be decided earlier than one year before the planned date of expiry of the term of office, and not for a period longer than the maximum term of office prescribed by the articles of association. Currently, the Management Board of Tallinna Kaubamaja Grupp AS has one member. The term of office of the

Management Board member Raul Puusepp was extended on 21 February 2020 and his term of office will expire on 6 March 2023.

The duties and remuneration of the Chairman of the Management Board Raul Puusepp are specified in the board member contract concluded with the Chairman. In accordance with the contract, the Chairman of the Management Board is paid a membership fee and he may receive performance pay once in a year accordance with the specific, comparable and predefined objectives of the Group's economic results for the previous year. The Management Board member of the Group has no additional bonuses or benefits. In 2021, the total remuneration of the Chairman of the Board (gross fee, on accrual basis) amounted to 271 thousand euros (in 2020 223 thousand euros), including calculated performance fees (gross fee, on accrual basis) of 163 thousand euros (in 2020 122 thousand euros). The issuer's costs include, in addition to accrual-based charges, the social tax costs according to the rate established by law. A more detailed overview of the remuneration paid in accordance with the remuneration principles of the issuer's manager is available in the remuneration report.

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

Significant transactions with the Group that are concluded with a member of the Management Board, or a person close to or related to him or her are decided and determined by the Group's Supervisory Board. No such transactions occurred in 2021 and 2020. There were also no conflicts of interest during these periods.

Supervisory Board

The Supervisory Board plans the activities of Group, organises its management and supervises the activities of the Management Board in the period between the meetings of shareholders. The Supervisory Board notifies the general meeting of the result of such supervision. The Supervisory Board decides on the development strategy and investment policy of the Group, conclusion of real estate transactions, adoption of the investment budget and annual budget prepared by the Management Board. The meetings of the Supervisory Board are regularly held and additionally extraordinary if necessary, but not less than once every three months.

In 2021, 12 scheduled meetings and 2 extraordinary meetings of the Supervisory Board were held and in 2020, 12 scheduled meetings and 1 extraordinary meeting was held. In 2021, all members of the Supervisory Board attended all meetings of the Supervisory Board.

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

By the resolution of the general meeting held on 19 March 2021, Andres Järving, Jüri Käo, Enn Kunila, Meelis Milder (an independent Supervisory Board Member) and Gunnar Kraft (an independent Supervisory Board Member) were elected as the members of the Supervisory Board. Authorities of the current members of the Supervisory Board will expire on 19 May 2024. By the decision of the Supervisory Board, Jüri Käo continued as the Chairman of the Supervisory Board, he has been a member of the Supervisory Board of Tallinna Kaubamaja Group from 1997 and has been a Chairman of the Supervisory Board continuously since 2009. He has also been a Chairman of the Supervisory Board in 2000-2001.

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

According to the decision of the annual general meeting held on 19 March 2021, the monthly remuneration of the Supervisory Board member of Tallinna Kaubamaja Grupp AS is 2,000 euros; the Chairman of the Supervisory Board receives 2,400 euros monthly. In 2021, the remuneration of the members of the Supervisory Board of Tallinna Kaubamaja Group in the total amount of 125 thousand euros has been calculated, including 29 thousand euros for the Chairman of the Supervisory Board (121 thousand euros in 2020, including 28 thousand euros for the Chairman of the

Supervisory Board). The issuer's costs include, in addition to accrual-based charges, the social tax costs according to the rate established by law.

Cooperation between the Management Board and Supervisory Board

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

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

As far as the Group is aware, there are no shareholder arrangements for the coordinated accomplishment of shareholder rights.

Changes in Articles of Association

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

Shareholders with a significant shareholding

As of 31.12.2021 the share capital of Tallinna Kaubamaja Group in amount of 16,292 thousand euros consists of 40,729,200 registered shares, each with the nominal value of 0.40 euros. All issued shares have been paid.

The shareholder with a significant shareholding is OÜ NG Investeeringud owning 67.0% of the Group's shares.

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

Disclosure of information

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

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

Financial reporting and auditing

It is the duty of the Executive Board of Tallinna Kaubamaja Grupp to organise the internal control and risk management of the Group in a manner that ensures the accuracy of the published financial reports. Each year, the Group publishes the consolidated audited annual reports and quarterly interim reports consolidated during the financial year, which have been disclosed through the NASDAQ Tallinn Stock Exchange information system and are publicly available on the Group's website. In addition to the disclosed financial reports, management information is gathered in symbiosis with high-quality and accurate financial indicators, and management reports are prepared to ensure adequate governance of the Group's companies.

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

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

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

The Group's financial processes and reports are subject to an annual financial audit, conducted generally by an auditor selected by the Supervisory Board as a result of a competition and approved by the general meeting. Auditors are appointed to perform a single audit or for a specific term. The procedure for remuneration of auditors shall be determined by the Management Board. Along with the resolution of the general meeting from 2019, the financial auditor of the financial year 2021 was AS PricewaterhouseCoopers (PwC). The agreement entered into with the auditor complies with the requirements of the CGR. The total amount of fees paid or payable for auditing services performed by the auditor in 2021 is 83 thousand euros.

During 2021, the auditor of the Group has provided to the Group a limited assurance engagement in respect of packaging report, tax advice. In our opinion, the financial audit conducted in 2021 has been in conformity with the regulatory provisions, international standards and the set expectations. PwC has introduced the results of the work during the interim audit and for the final audit before issuing the auditor's report. The independent auditor's report is presented on pages 96-105.

Audit Committee

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

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

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

The Audit Committee has five members, who are appointed by the Supervisory Board for three years. In 2021, the members of the audit committee were Andres Järving (the Chairman), Gunnar Kraft, Jüri Käo, Kaia Salumets and Kristo Anton.

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

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

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

Remuneration report

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

The purpose of the remuneration report is to provide a comprehensive and clear overview of the remuneration paid to managers in accordance with the remuneration policy. The remuneration report reflects information on salaries and other benefits paid to the Executive Board of the Group in 2021. The remuneration paid to the Executive Board of the Group individually, the total amount of remuneration, and other benefits are in accordance with the remuneration policy of the Group.

Remuneration of the Executive Board

In 2021, the Executive Board of the Group had one member.

The duties and remuneration of Raul Puusepp, Member of the Executive Board, are further specified in the employment contract concluded with him, in which the Chairman of the Board of Directors represented the Group. The term of office of Raul Puusepp, Member of the Executive Board, was extended on 21 February 2020, and his term of office expires on 6 March 2023.

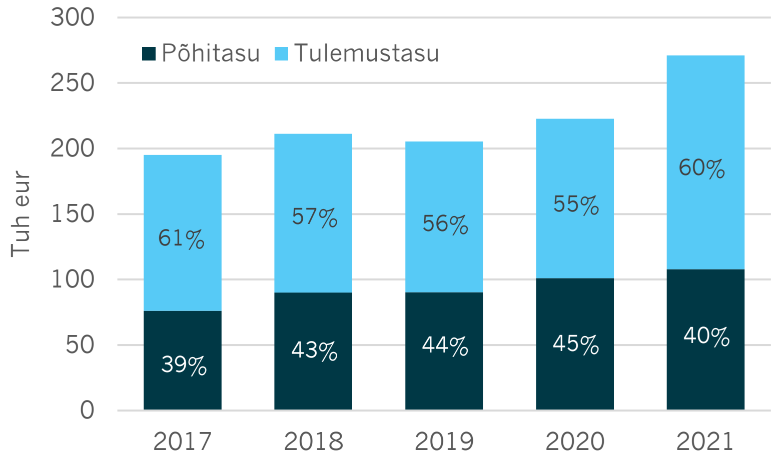
Remuneration of Raul Puusepp, Member of the Executive Board

In thousands, EUR	2017	2018	2019	2020	2021
Total remuneration	195.2	211.2	205.4	222.6	271.0
Incl. basic remuneration[1]	76.0	90.0	90.4	101.1	108.0
Incl. performance pay[2]	119.2	121.2	115.0	121.5	163.0

[1] *Basic remuneration is calculated as gross remuneration.*

[2] *The performance pay has been calculated on an accrual basis as a gross fee for 2021 and may differ from the amount actually paid. The assessment of the work and fulfilment of the objectives of the member of the Executive Board and the amount of the actual performance fee will be determined by the Board of Directors of the Group after the approval of the annual report of the Group for 2021 by the general meeting.*

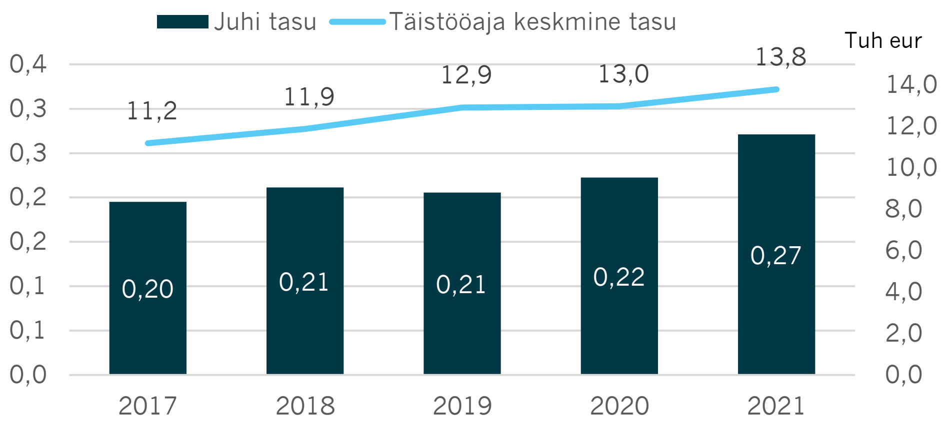
Proportion of the basic remuneration and performance pay of a member of the Executive Board



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

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

	2017	2018	2019	2020	2021
Net profit growth	16.0%	2.0%	4.4%	-38.6%	64.2%
Increase in manager remuneration	-2.3%	8.2%	-2.7%	8.4%	21.7%
including an increase in basic remuneration[1]	-2.5%	18.4%	0.4%	11.9%	6.8%
including an increase in performance pay	-2.1%	1.7%	-5.1%	5.6%	34.2%
Increase in the average remuneration of full-time employees[2]	8.0%	6.1%	8.8%	0.4%	6.3%



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

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

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

Remuneration element and summary of its implementation principles	Implementation in 2021
Basic remuneration	
▪ corresponds to at least the average remuneration paid to managers of companies belonging to the same economic sector ▪ takes into account the competencies of the manager ▪ sufficiently motivating to make the manager act in the best interests of the company	The manager's contract of the member of the Executive Board was extended on 21 February 2020, when the basic remuneration of the manager was adjusted. In 2021, there has been no adjustment to the basic remuneration of the manager.
Performance pay	
▪ an element of financial performance that depends on the financial performance of the Group ▪ an element of the strategy that depends on the fulfilment of the strategic goals of the Group previously agreed with the manager	It is estimated that the manager met the financial targets set for the Group for 2021 and the long-term strategic goals.
Additional benefits	
▪ additional benefits, including additional paid holiday, company car, telephone compensation, the right to read management magazines or other publications, membership of associations and unions for managers, training, etc.	The Group covered the company car and telephone expenses of the manager
Stock options	
▪ the right to a stock option	Was not exercised
Termination-of-contract compensation	
▪ termination-of-contract compensation equal to a maximum of 6 months' average remuneration of the manager	Was not applied

In addition to his role as a member of the Executive Board, Raul Puusepp participates in the work of the supervisory boards of several companies belonging to the Group, for which he received a total gross remuneration of 68.2 thousand euros in 2021.

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

Chairman's confirmation of and signature to the management report

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

Raul Puusepp
Chairman of the Management Board

signed digitally

Tallinn, 18 February 2022

CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT BOARD'S CONFIRMATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Chairman of the Management Board confirms the correctness and completeness of Tallinna Kaubamaja Grupp AS consolidated financial statements for the year 2021 as set out on pages 44-95.

The Chairman of the Management Board confirms that:

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

Raul Puusepp
Chairman of the Management Board

signed digitally

Tallinn, 18 February 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
in thousands of euros

	Note	31.12.2021	31.12.2020
ASSETS			
Current assets			
Cash and cash equivalents	5	29,981	32,757
Trade and other receivables	6	20,673	15,894
Inventories	8	68,369	77,334
Total current assets		**119,023**	**125,985**
Non-current assets			
Long-term trade and other receivables	11	304	335
Investments in associates	10	1,745	1,712
Investment property	12	62,690	60,347
Property, plant and equipment	13	431,263	388,757
Intangible assets	14	20,284	20,148
Total non-current assets		**516,286**	**471,299**
TOTAL ASSETS		**635,309**	**597,284**
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings	15	40,646	49,402
Trade and other payables	17	111,345	102,841
Total current liabilities		**151,991**	**152,243**
Non-current liabilities			
Borrowings	15	238,705	217,349
Deferred tax liabilities	18	4,476	4,408
Provisions for other liabilities and charges		267	277
Total non-current liabilities		**243,448**	**222,034**
TOTAL LIABILITIES		**395,439**	**374,277**
Equity			
Share capital	19	16,292	16,292
Statutory reserve capital		2,603	2,603
Revaluation reserve		109,543	102,630
Currency translation differences		0	-149
Retained earnings		111,432	101,631
TOTAL EQUITY		**239,870**	**223,007**
TOTAL LIABILITIES AND EQUITY		**635,309**	**597,284**

The notes presented on pages 49-95 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

in thousands of euros

	Note	2021	2020
Revenue	20	821,648	741,938
Other operating income		4,332	1,285
Cost of merchandise	8	-607,239	-556,712
Services expenses	21	-48,874	-44,009
Staff costs	22	-88,755	-78,301
Depreciation, amortisation and impairment losses	13,14	-38,963	-35,137
Other expenses		-931	-1,057
Operating profit		**41,218**	**28,007**
Finance income	23	4	2
Finance costs	23	-4,909	-4,239
Share of net profit of associates accounted for using the equity method	10	183	191
Profit before income tax		**36,496**	**23,961**
Income tax expense	18	-4,480	-4,462
Net profit for the financial year		**32,016**	**19,499**
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss			
Revaluation of land and buildings	13	9,284	11,225
Other comprehensive income for the financial year		**9,284**	**11,225**
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		**41,300**	**30,724**
Basic and diluted earnings per share (euros)	24	0.79	0.48

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

The notes presented on pages 49- 95 form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT
in thousands of euros

	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit		32,016	19,499
Adjustments:			
Interest expense	23	4,909	4,239
Interest income	23	-4	-2
Income tax expense	18	4,480	4,463
Depreciation, amortisation and impairment losses	13,14	38,116	34,848
Loss/(gain) from fair value adjustment of investment property	12	-1,842	311
Loss on write-off property, plant and equipment	13	847	289
Profit on sale of property, plant and equipment	13	-262	-26
Effect of equity method	10	-183	-191
Interest on lease liabilities	15	-3,416	-2,882
Corporate income tax paid		-64	-102
Change in inventories	8	8,495	3,805
Change in receivables and prepayments related to operating activities	6	-4,747	1,611
Change in liabilities and prepayments related to operating activities	17	10,055	4,503
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		88,400	70,365
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment	13	-22,721	-27,554
Proceeds from sale of property, plant and equipment	13	347	85
Purchase of investment property	12	-501	-210
Proceeds from sale of investment property	12	0	10
Purchases of intangible assets	14	-526	-787
Business combination	9	-1,771	-14,910
Cash acquired from business combination	9	0	811
Dividends received	10	150	200
Interest received	23	4	2
TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES		-25,018	-42,353
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	15	7,109	39,292
Repayments of borrowings	15	-20,702	-18,156
Change in overdraft balance	15	-5,342	-4,490
Payments of principal or leases	15	-16,955	-15,628
Dividends paid	19	-24,437	-29,731
Income tax on dividends paid	18,19	-4,333	-5,821
Interest paid	23	-1,498	-1,350
TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES		-66,158	-35,884
TOTAL CASH FLOWS		-2,776	-7,872
Cash and cash equivalents at the beginning of the period	5	32,757	40,629
Cash and cash equivalents at the end of the period	5	29,981	32,757
Net change in cash and cash equivalents		-2,776	-7,872

The notes presented on pages 49- 95 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in thousands of euros

	Share capital	Statutory reserve capital	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 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 declared	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	32,016	32,016
Revaluation of land and buildings	0	0	9,284	0	0	9,284
Currency translation differences	0	0	0	149	-149	0
Total comprehensive income for the reporting period	**0**	**0**	**9,284**	**149**	**31,867**	**41,300**
Reclassification of depreciation of revalued land and buildings	0	0	-2,371	0	2,371	0
Dividends declared	0	0	0	0	-24,437	-24,437
Total transactions with owners	**0**	**0**	**0**	**0**	**-24,437**	**-24,437**
Balance as of 31.12.2021	**16,292**	**2,603**	**109,543**	**0**	**111,432**	**239,870**

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

The notes presented on pages 49- 95 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 General information

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

These consolidated financial statements have been authorised by the Management Board on 18th of February 2022 for issue. In accordance with the Commercial Code of the Republic of Estonia, the Annual Report shall be approved by the Company's Supervisory Board and approved by the General Meeting of Shareholders.

Note 2 Accounting policies adopted in the preparation of the financial statements

Bases of preparation

The consolidated financial statements of Tallinna Kaubamaja Group for the year 2021 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union.

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

The presentation currency of Tallinna Kaubamaja Group is euro. 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.

In preparing the consolidated financial statements, the following accounting policies applied to all periods presented in the financial statements have been used, unless referred to otherwise.

In accordance with International Financial Reporting Standards, management needs to make accounting estimates in certain areas. They also need to make decisions in respect of the adoption of the Group's accounting policies. The areas in which the importance and complexity of management's decisions have a greater impact or in which the consolidated financial statements largely depend on assumptions and estimates, are disclosed in Note 3.

Changes in presentation

The Group has defined in segment reporting the business segments based on the reports used regularly by the supervisory board to make strategic decisions. In 2021, the supervisory board started to monitor, as separate segment, security segment. Footwear segment is included in department store segment, where previously was presented also security services. Previous periods comparatives have been restated accordingly.

Adoption of New or Revised Standards and Interpretations

Changes in significant accounting policies

Except as described below, the accounting policies applied in these financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2020.

Effective Standards and Interpretations

The following new or revised standards and interpretations became effective for the Group from 1 January 2021.

Covid-19-Related Rent Concessions – Amendments to IFRS 16

(effective for annual periods beginning on or after 1 June 2020)

The amendments provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; any reduction in lease payments affects only payments due on or before 30 June 2021; and there is no substantive change to other terms and conditions of the lease. If a lessee chooses to apply the practical expedient to a lease, it would apply the practical expedient consistently to all lease contracts with similar characteristics and in similar circumstances. The amendment is to be applied retrospectively in accordance with IAS 8, but lessees are not required to restate prior period figures or to provide the disclosure under paragraph 28(f) of IAS 8. The Group assesses that there is no material impact of application of the amendments to its financial statements.

Covid-19-Related Rent Concessions – Amendments to IFRS 16

(effective for annual periods beginning on or after 1 April 2021)

In May 2020 an amendment to IFRS 16 was issued that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19, resulting in a reduction in lease payments due on or before 30 June 2021, was a lease modification. An amendment issued on 31 March 2021 extended the date of the practical expedient from 30 June 2021 to 30 June 2022. The Group assesses that there is no material impact of application of the amendments to its financial statements.

There are no other new or revised standards or interpretations that are effective for the first time for the financial year beginning on or after 1 January 2021 that would be expected to have a material impact to the Group.

New Accounting Pronouncements

Certain new or revised standards and interpretations have been issued that are mandatory for the Group's annual periods beginning on or after 01 January 2022, and which the Group has not early adopted.

Classification of liabilities as current or non-current – Amendments to IAS 1

(effective for annual periods beginning on or after 1 January 2022; not yet adopted by the EU)

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

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41

(effective for annual periods beginning on or after 1 January 2022)

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.

The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.

Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.

IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis. The Group assesses that there is no material impact of application of the amendments to its financial statements.

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

(effective for annual periods beginning on or after 1 January 2023; not yet adopted by the EU)

The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance. The Group assesses that there is no material impact of application of the amendments to its financial statements.

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

(effective for annual periods beginning on or after 1 January 2023; not yet adopted by the EU)

IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The Group assesses that there is no material impact of application of the amendments to its financial statements.

Amendments to IAS 8: Definition of Accounting Estimates

(effective for annual periods beginning on or after 1 January 2023; not yet adopted by the EU)

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

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

Disclosures about the primary statements of the Parent

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

Under the equity method, on initial recognition the investment in a subsidiary, associate or a joint venture is recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the investee's profit or loss is recognised in the investor's profit or loss. Distributions received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the investor's proportionate interest in the investee arising from changes in the investee's other comprehensive income. Such changes include those arising from the revaluation of property, plant and equipment and from foreign exchange translation differences. The investor's share of those changes is recognised in the investor's other comprehensive income.

Foreign currency transactions

Functional and presentation currency

The financial statements of Group entities have been prepared in the currency of the primary economic environment of each entity (functional currency), that being the local currency. The functional currency of the Parent and its subsidiaries registered in Estonia is euro. The consolidated financial statements have been prepared in euros.

Accounting for foreign currency transactions

Foreign currency transactions are recorded based on the foreign currency exchange rates of the central bank prevailing on the dates of the transactions. Monetary assets and liabilities denominated in a foreign currency have been translated using the foreign currency exchange rates of the central bank prevailing on the balance sheet date. Profits and losses from foreign currency transactions are recognised in the profit or loss as income or expenses of that period.

Financial statements of foreign entities

The exchange rate differences that have arised from the time when subsidiaries had different functional currency, are reported in the equity item "currency translation differences". Upon the disposal of foreign subsidiaries, the amounts reported in the equity item "currency translation differences" are recognised in profit or loss of the financial year.

Principles of consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of acquisition is measured as the fair value of consideration paid upon acquisition (i.e. assets transferred, liabilities incurred and equity instruments issued by the acquirer for the purpose of acquisition) plus fair value of assets and liabilities of contingent consideration. Costs directly attributable to the acquisition are recorded as expenses. Acquired and separately identifiable assets, liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values on the date of acquisition The Group chooses for each business combination whether to account for non-controlling interest at fair value or proportionally to net assets.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss.

In preparing consolidated financial statements, the financial statements of all the subsidiaries under the control of the Parent are combined on a line-by-line basis. The receivables, liabilities, income, expenses and unrealised profits which arise as a result of transactions between the Parent and its subsidiaries are eliminated. Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

Associates

Associate is an entity in which the Group has significant influence, but which it does not control. Significant influence is generally presumed to exist when the Group holds between 20% and 50% of the voting power of the investee.

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

Unrealised gains on transactions between the investor and its associates are eliminated to the extent of the Company's interest in the investment. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

When the Group's share of losses in an associate equals or exceeds the book value of the associate, the investment is reduced to zero and further losses are recognised as off-balance-sheet items. When the Group has incurred obligations or made payments on behalf of the associates, the respective liability is recorded in the balance sheet, and loss under the equity method is recognised. Where necessary, the accounting policies of associates have been changed to correspond to the accounting policies of the Group.

Segment reporting

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

Cash and cash equivalents

For the purposes of the balance sheet and the cash flow statement, cash and cash equivalents include cash on hand, bank account balances (excl. overdraft) and term deposits with maturities of 3 months or less. Overdraft is included within short-term borrowings in the balance sheet. Cash collected, but not yet deposited in the bank account is recognised as cash in transit. Cash and cash equivalents are carried at amortised cost.

Financial assets

Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured at amortised cost.

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

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset, except for trade receivables, at its fair value plus (unless it is trade receivable that does not have a material financing component and is initially measured at transaction price), in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Trade receivables are initially measured at transaction price determined under IFRS 15.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost using the effective interest rate method. Impairment losses are deducted from amortised cost. Foreign exchange gains and losses and impairment losses are presented as separate line items in the statement of profit or loss. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income/(expenses).

As at 31 December 2020 and 31 December 2021 and during 2021, all the Group's financial assets were classified in this category.

Equity instruments

The Group has no investments in equity instruments.

Impairment of financial assets

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

Expected credit losses 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 measurement of expected credit losses shall take into account: (i) an unbiased and probability-weighted amount, the determination of which shall assess a number of possible different outcomes, (ii) the time value of the money and (iii) reasonable and justified information available at the end of the reporting period, without excessive cost or effort, on past events, current conditions and forecasts of future economic conditions.

The Group measures loss allowances as follows:

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

Inventories

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

Investment property

The property (land or a building) held by the Group for earning long-term rental yields or for capital appreciation, rather than using it in its own operations, is recorded as investment property. Investment property is initially recognised in the balance sheet at cost, including any directly attributable expenditure (e.g. notary fees, property transfer taxes, professional fees for legal services, and other transaction costs without which the transaction would have not taken place). Investment property is subsequently measured at fair value, based on the market price determined annually, based on the prices of recent transactions involving similar items (adjusting the estimate for the differences) or using the discounted cash flow method. Changes in fair value are recorded under profit or loss items "Other operating expenses"/"Other operating income". No depreciation is calculated on investment property recognised at fair value.

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

Property, plant and equipment

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

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

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

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

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

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

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

▪ Land and buildings	
- Land is not amortised	
- Buildings and facilities	10-50 years
incl. improvements of buildings	*12-23 years*
- Right of use assets – properties	rental period, 2-16 years
▪ Machinery and equipment	3-7 years
▪ Other fixtures and fittings	
- IT equipment and software	3-7 years
- Vehicles and fixtures	5 years
- Capitalised improvements on rental premises	4-10 years

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

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

Profits and losses from the sale of non-current assets, determined by subtracting the carrying amount from the sales price, are recognised within other operating income or other operating expenses in the statement of profit or loss.

Intangible assets

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

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

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

The amortisation charge of intangible assets with a finite useful life is recognised in the profit or loss according to the allocation of intangible assets. The amortisation period and method of intangible assets with definite useful lives are reviewed at least once at the end of the financial year. Changes in the expected useful lives or the expected use of economic benefits related to the asset are recognised as changes in the amortisation period or method. Such changes are treated as changes in accounting estimates.

Intangible assets with finite useful lives are tested for impairment whenever there is any indication that the carrying amount of the asset may not be recoverable. If necessary, the asset is written down to its recoverable amount.

Impairment of assets

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

Goodwill

Goodwill is subsequently measured at cost less any accumulated impairment losses. Goodwill is not amortised. Instead, an impairment test is performed annually (or more frequently if an event or change in circumstances indicates that the value of goodwill may be impaired).

For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating units or groups of units which are expected to generate economic benefits from a specific business combination. An independent cash-generating unit (group of units) is the smallest identifiable group of assets which is not larger than an operating segment used for segment reporting. Impairment is determined by estimating the recoverable amount of the cash-generating unit.

When the recoverable amount of the cash-generating unit is lower than its carrying amount (incl. goodwill), an impairment loss for goodwill and proportionally other assets is recognised. Impairment losses of goodwill are not reversed.

Financial liabilities

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

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

A financial liability is classified as current when it is due to be settled within 12 months after the balance sheet date or the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Borrowings due to be settled within 12 months after the balance sheet date but that are refinanced as long-term after the balance sheet date but before the financial statements are authorised for issue are presented as current liabilities. Borrowings that the lender has the right to recall on the balance sheet date as a consequence of a breach of contractual terms are also recognised as current liabilities.

Borrowings costs (e.g. interest) related to construction of assets are capitalised during the period which is necessary to prepare the asset for the purpose intended by management. Other borrowing costs are expensed in the period in which they are incurred.

Leases

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

The Group as the lessee

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

The Group determines the lease term as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. A lessee reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee; and affects whether the lessee is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term. The Group revises the lease term if there is a change in the non-cancellable period of a lease.

Initial measurement

At the commencement date, a lessee shall recognise a right-of-use asset and a lease liability.

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

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee;
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with the average interest margin of the industry adjusted with the credit risk of the Group;
- makes adjustments specific to the lease, e.g. lease term, country, currency and security.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments, less any lease incentives receivable;

(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date. Variable lease payments that depend on an index or a rate include, for example, payments linked to a consumer price index, payments linked to a benchmark interest rate or payments that vary to reflect changes in market rental rates;

(c) amounts expected to be payable by the lessee under residual value guarantees;

(d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and

(e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent measurement

After the commencement date, a lessee measures the right-of-use asset applying a cost model. To apply a cost model, a lessee measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the lessee shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the lessee shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

After the commencement date, a lessee shall measure the lease liability by:

a) increasing the carrying amount to reflect interest on the lease liability;

b) reducing the carrying amount to reflect the lease payments made; and

c) remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. After the commencement date, a lessee recognises in profit or loss interest on the lease liability and variable lease payments not included in the measurement of the lease liability in the period in which the event or condition that triggers those payments occurs.

If there are changes in lease payments, there may be need to remeasure the lease liability. A lessee shall recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, a lessee shall recognise any remaining amount of the remeasurement in profit or loss.

A lessee shall remeasure the lease liability by discounting the revised lease payments using a revised discount rate, if either:

(a) there is a change in the lease term. A lessee shall determine the revised lease payments on the basis of the revised lease term; or

(b) there is a change in the assessment of an option to purchase the underlying asset. A lessee shall determine the revised lease payments to reflect the change in amounts payable under the purchase option.

A lessee shall remeasure the lease liability by discounting the revised lease payments, if either:

a) there is a change in the amounts expected to be payable under a residual value guarantee. A lessee shall determine the revised lease payments to reflect the change in amounts expected to be payable under the residual value guarantee.

b) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments, including for example a change to reflect changes in market rental rates following a market rent review. The lessee shall remeasure the lease liability to reflect those revised lease payments only when there is a change in the cash flows (i.e. when the adjustment to the lease payments takes effect). A lessee shall determine the revised lease payments for the remainder of the lease term based on the revised contractual payments. The lessee shall use an unchanged discount rate, unless the change in lease payments results from a change in floating interest rates.

A lessee shall account for a lease modification as a separate lease if both: (a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and (b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

The Group as the lessor

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

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

Sublease

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

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

Provisions and contingent liabilities

Provisions are recognised in the balance sheet when the company has a (legal or contractual) commitment arising from the events occurred before the balance sheet date; it is probable that an outflow of resources will be required to settle the obligation; but the final amount of the liability or date of payment are not known.

Provisions are recognised based on management's estimates regarding the amount and timing of the expected outflows. The amount recognised as a provision is the best estimate of the management regarding the expenditure required to settle the present obligation on the balance sheet date or to transfer it to a third party. Provisions are recognised at the discounted value (in the amount of the present value of payments relating to the provision), unless the effect of discounting is insignificant. The cost relating to the provision is recognised in the profit or loss for the period. Future operating losses are not recognised as provisions.

Other obligations whose settlement is not probable or the amount of accompanying expenditure of which cannot be measured with sufficient reliability, but that in certain circumstances may become obligations, are disclosed as contingent liabilities in the notes to the financial statements.

Corporate income tax and deferred corporate income tax

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

Group's Estonian entities

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

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

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

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

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

Corporate income tax in Lithuania

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

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

Corporate income tax in Latvia

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

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

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

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

Revenue recognition

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

Sale of goods – retail

Revenue from the sale of goods is recognised at the time when a sales transaction is completed for the client in a retail store. The client generally pays in cash, by credit card or with bank transfer. The probability of returning goods is estimated at specific commodity group level according to the historical volume of returns (expected value method), and returns are recognised in the period of the sales transaction as a reduction of revenue, by recognising a contract liability (refund liability) and a right to the returned goods. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date. Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur.
The Group's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision. As at 31.12.2021 and 31.12.2020, there is no material guarantee provision.

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

Sale of goods – wholesale

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

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. The Group uses its accumulated historical experience to estimate the number of returns on a specific commodity group level using the expected value method. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date. Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur.

The Group's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision. As at 31.12.2021 and 31.12.2020, there is no material guarantee provision.

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

Sale of services

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

Accounting for customer loyalty programme

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

Government grants

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

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

Financing component

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

Statutory reserve capital

The Company has formed statutory reserve capital in accordance with the Commercial Code of the Republic of Estonia. During each financial year, at least 5% of the net profit shall be entered in reserve capital, until reserve capital is at least 10% of share capital. Reserve capital may be used to cover a loss, or to increase share capital. Payments shall not be made to shareholders from reserve capital.

Earnings per share

Basic earnings per share are determined by dividing the net profit for the financial year by the weighted average number of shares issued during the period. The diluted earnings per share are calculated by adjusting both the net profit as well as the average number of shares with potential shares that have a dilutive effect on earnings per share. As the Group does not have financial instruments with a dilutive effect on earnings per share, the basic earnings per share equal the diluted earnings per share.

Payables to employees

Payables to employees contain the contractual obligation arising from employment contracts with regard to performance-based pay which is calculated on the basis of the Group's financial results and meeting of objectives set for the employees. Performance-based pay is included in period expenses and as a liability if it is paid in the next financial year.

In addition to the performance-based pay, this liability also includes accrued social and unemployment taxes calculated on it. Pursuant to employment contracts and current legislation, payables to employees also include vacation pay accrual as of the balance sheet date. In addition to the vacation pay accrual, this liability also includes accrued social and unemployment taxes.

Note 3 Critical accounting estimates and judgements

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

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

- *Determination of the revalued value of land and buildings:* the Group accounts for land and buildings using the revaluation method. For this purpose, management regularly evaluates whether the fair value of revalued non-current assets does not significantly differ from their carrying amount. Management uses internal and external expert opinions to determine the fair value of revalued non-current assets.
- As a result of the valuation performed in the reporting period the land and buildings located in Estonia (carrying value: 178,718 thousand euros as at 31.12.2021) increased by 8,433 thousand euros, which was identified through other comprehensive income. As a result of the valuation performed in the 2020 the value of land and buildings located in Estonia (carrying value: 171,351 thousand euros as at 31.12.2020) increased by 10,175 thousand euros, which was identified through other comprehensive income. As a result of the valuation performed in 2021, the value of land and buildings located in Latvia (carrying value: 13,748 thousand euros as at 31.12.2021) increased by 851 thousand euros, which was identified through other comprehensive income and through profit and loss by 139 thousand euros. As a result of the valuation performed in 2020, the value of land and buildings located in Latvia (carrying value: 13,151 thousand euros as at 31.12.2020) increased by 1,050 thousand euros, which was identified through other comprehensive income and through profit and loss by 425 thousand euros. For the land and buildings located in Lithuania with carrying value of 1,877 thousand euros as at 31.12.2021 (31.12.2020: 1,877 thousand euros) the valuation did not reveal any significant differences between fair value and carrying value. As at 31.12.2021 the carrying value of land and buildings using revaluation method was 194,343 thousand euros (31.12.2020: 186,379 thousand euros). More detailed information is disclosed in Note 13.
- *Assessment of impairment of buildings under construction:* at each balance sheet date, the Group assesses whether any indications exist of possible impairment of buildings under construction. If such indications exist, an impairment test is also performed at each balance sheet date on assets that have been previously impaired. For estimation of the value, the items' value in use is determined. For determining the value in use, the discounted cash flow method is used. Internal and external valuers were used for determining the value in use.
- As a result of the impairment test performed in the reporting period, buildings under construction located in Estonia, with carrying value of 14,230 thousand euros as at 31.12.2021, the need for reversal of an impairment loss recognized in previous years in the amount of 37 thousand euros of one object was identified and as regards of one object impairment loss was recognised in the amount of 5 thousand euros. As a result of the impairment test performed in 2020 year, buildings under construction located in Estonia, with carrying value of 12,474 thousand euros as at 31.12.2020 showed no significant differences between value in use and carrying value. The carrying value of the buildings under construction located in Latvia (carrying value: 6,126 thousand euros as at

31.12.2021) the need for reversal of an impairment loss recognized in previous years in the amount of 258 thousand euros of three objects was identified. As regards of one object, decrease in value in use was identified in the amount of 77 thousand euros. The carrying value of the buildings under construction located in Latvia (carrying value: 5,810 thousand euros as at 31.12.2020) the need for reversal of an impairment loss recognized in previous years in the amount of 93 thousand euros of two objects was identified, as regards of one object increase in value of use was identified in the amount of 41 thousand euros and as regards of two objects impairment loss was recognised in the amount of 20 thousand euros. Buildings under construction located in Lithuania with carrying value of 131 thousand euros as at 31.12.2021 (carrying value: 131 thousand euros as at 31.12.2020) showed no significant differences between value in use and carrying value in current period and 2020. See more detailed information in Note 13.

- *Assessment of impairment of goodwill:* at least annually, the Group evaluates possible impairment of goodwill which arose in the acquisition of subsidiaries. For determining the value in use, management has forecasted future cash flows of cash-generating units and selected an appropriate discount rate for determining the present value of cash flows. As at 31.12.2021, the carrying value of goodwill was 16,869 thousand euros (31.12.2020: 16,869 thousand euros). In 2021 and 2020, no recognition of impairment of goodwill was necessary. More detailed information is disclosed in Note 9 and 14.

Note 4 Management of financial risks

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

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

Market risk

Foreign currency risk

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

The Group operates through its subsidiaries both in Latvia and Lithuania. Latvia joined the euro zone on 1st of January 2014 and Lithuania joined the euro zone of 1st of January 2015. Accordingly the Group has no foreign exchange risk related to Latvian and Lithuanian subsidiaries.

Cash flow and fair value change interest rate risk

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

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

In 2021, the 6-month EURIBOR decreased from -0.526% at the beginning of the year to the year-end -0.546%. In the beginning of 2022, the EURIBOR has fluctuated within -0.5%. Business analysts estimate that EURIBOR will not rise in 2022 significantly.

Had the interest rates for financial liabilities with a floating interest rate been 1 percentage point higher as at 31 December 2021 (31 December 2020: 1 percentage point), the Group's financial cost would have increased by 1,110 thousand euros (2020: 1,120 thousand euros). Had the interest rates been 0.1 percentage point lower as at 31 December 2021, the Group's financial cost would have decreased by 111 thousand euros (as at 31 December 2020 changed by 0.1 percentage point and by 112 thousand euros).

During the interest rate analysis, different options to hedge risks are considered. Such options include refinancing, renewal of existing positions, fixed interest loans and alternative financing. During the financial year and the previous financial year, the management evaluated and recognised the extent of the interest-rate risk. However, the Group has not entered into transactions to hedge the interest-rate risk with financial instruments, as it finds the extent of the interest-rate risk to be insignificant.

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

in thousands of euros

	31.12.2021	31.12.2020
Interest rates in 3 months	5,622	10,126
Interest rates in 3 - 6 months	89,174	103,020
Total borrowings at floating interest rate	**94,796**	**113,146**
Total borrowings	**279,351**	**266,751**

Credit risk

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

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

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

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

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

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

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

	31.12.2021	31.12.2020
Aa2	5,656	31,679
Aa3	23,153	41
A3	5	3
Total	**28,814**	**31,723**

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

Due to the specific nature of retail sales, the Group is not exposed to any major credit risk. Possible credit risk related to receivables is primarily attributable to non-collection of rental income, but this risk does not represent a major risk for the Group. As at 31 December 2021, the maximum credit risk arising from receivables is in the amount of 17,649 thousand euros (2020: 14,397 thousand euros).

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

	31.12.2021	31.12.2020
Not due	17,394	13,320
Incl. receivables from card payments	*2,996*	*2,575*
Incl. trade receivables	*13,855*	*10,547*
Incl. other receivables	*543*	*198*
Overdue < 3 months	97	865
Overdue 3 - 6 months	47	92
Overdue 6 - 12 months	47	63
Overdue > 12 months	64	57
Total receivables	**17,649**	**14,397**

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

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

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

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

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

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

The discount on cash and bank accounts and receivables at 31 December 2021 on the basis of the principles described above was insignificant.

Liquidity risk

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

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

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

Tallinna Kaubamaja Group has solid support from the financial sector to secure the liquidity and development process of the Group. According to the Group's experience, it is possible to obtain additional sources of funding with favourable interest rates, and also to refinance or extend existing loans if necessary.

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

In thousands of euros	< 3 months	3-12 months	1-3 years	3-5 years	after 5 years	Total 31.12.2021
Borrowings	6,042	18,866	68,299	10,470	0	103,677
Lease liabilities	5,183	15,051	40,084	39,126	100,397	199,841
Financial liabilities (Note 17)	86,742	0	0	0	0	86,742
Total	**97,967**	**33,917**	**108,383**	**49,596**	**100,397**	**390,260**
In thousands of euros	**< 3 months**	**3-12 months**	**1-3 years**	**3-5 years**	**after 5 years**	**Total 31.12.2020**
Borrowings	6,378	26,404	71,854	19,012	0	123,648
Lease liabilities	5,137	15,597	39,154	34,715	67,346	161,949
Financial liabilities (Note 17)	83,416	0	0	0	0	83,416
Total	**94,931**	**42,001**	**111,008**	**53,727**	**67,346**	**369,013**

For calculating future cash flows, the floating interest rates prevailing at the balance sheet date of 31.12.2021 and 31.12.2020, have been used.

As at the end of the financial year, the Group had available funds in cash and cash equivalents in the amount of 29,981 thousand euros (2020: 32,757 thousand euros). As at 31 December 2021, the Group had undrawn borrowing facilities in the amount of 13,493 thousand euros (2019: 8,901 thousand euros). The Group follows its established credit risk management strategy when investing its cash flow surplus. As at 31 December 2021, the Group had placed no deposits into the joint group account through its parent company NG Investeeringud OÜ (0 euros as at 31.12.2020 was deposited).

Working capital was negative by 32,968 thousand euros on 31 December 2021 (2020: negative 26,258 thousand euros). Negative working capital is common in retail companies with high inventory turnover rates. In 2021, the Group's inventory turnover increased further due to the high demand in the car segment, the second business segment from the Group's sales volume, and the decrease in inventories in the conditions of car deficits. Working capital was also reduced by a slight decrease in the volume of cash and cash equivalents, partly due to investments made at the expense of own funds. Successful year-end sales increased trade payables, temporarily increasing current liabilities. Current liabilities are inflated by the short-term portion of the accrued loan liabilities arising from the implementation of IFRS 16 "Leases" in the amount of 16.8 million euros as of 31 December 2021 (31.12.2020: 17.9 million euros). The quick ratio of the Group (current assets minus inventories / current liabilities) was 0.33 in 2021, down slightly from 0.32 in 2020. The Group has strong daily operating cash flows as a source of covering short-term liabilities. In the assessment of the management, the Group does not have liquidity issues and there are no difficulties in fulfilling its financial obligations.

Capital management

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

Following a common practice in retail business, the Group uses the debt to equity ratio, which is calculated as net debt to total capital (which is equity plus net debt), to monitor its proportion of capital. As at 31 December 2021, the ratio was 51% and compared to 31 December 2020 when the ratio was also 51%, the ratio has remained unchanged. According to the management estimation, the capital structure is optimal and does not need to be adjusted.

in thousands of euros

	31.12.2021	31.12.2020
Interest-bearing liabilities (Note 15)	279,351	266,751
Cash and cash equivalents (Note 5)	-29,981	-32,757
Net debt	**249,370**	**233,994**
Equity	239,870	223,007
Total equity and net debt	**489,240**	**457,001**
Debt to equity ratio*	51%	51%

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

Effects of the coronavirus

The rapid recovery of coronavirus expected during the availability of vaccines did not occur during the reporting year. In the spring of 2021, strict restrictions were imposed in Estonia to prevent the spread of another corona wave. In the Group's business, this mainly affected the stores in the Department Store segment, most of which were closed for seven weeks from March to May (in 2020, the same stores were closed for six weeks also in the spring period). The departments of fashion and industrial goods of Kaubamaja and all I.L.U. cosmetics stores, ABC Shoe and SHU shoe stores were closed. At the request of the Group, the Estonian state covered the salaries of employees and operating expenses in the amount of 1.6 million euros within the framework of the business support package (a year earlier, state operating support was received in the amount of 1.3 million euros).

In the reporting year, the Estonian economy recovered surprisingly fast from the larger spring corona wave. Unlike in 2020, where the Group's sales revenue from department stores, footwear, real estate and the automotive segment decreased by 30.3 million euros and EBITDA by 10.0 million euros compared to 2019, in 2021, the negative impact was more on the Department Store segment. Despite the good results of the Group's other business segments and the state support received for the Department Store segment, the negative impact of Covid-19 on the operating result cannot be underestimated. As in the previous year, almost 1 million euros were spent on ensuring the security of customers and employees during the coronavirus, similarly to various disinfectants. In the summer of 2021, the Group made a strategic decision to end the footwear business in an even more difficult competitive situation in a pandemic situation.

The effects of the spread of the virus on the economic environment can lead to a number of different financial risks. Market risk may increase if an increase in the general level of risk leads to an increase in interest rates. Credit risk may also increase if, in the changed business environment, the Group's economic partners are unable to pay claims to the Group or the deteriorating economic situation adversely affects the Group's partner banks and financial institutions related to investment activities. Liquidity risk and capital risk may increase significantly if the cash flow from operating activities decreases as the economic environment deteriorates and other instruments need to be found to ensure liquidity. The Group manages financial risks on a daily basis in accordance with the above-mentioned monitoring and hedging methods, therefore, in the opinion of the management, the financial risks arising from the coronavirus do not have a significant impact on the Group.

Fair value of financial instruments

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

Note 5 Cash and cash equivalents

in thousands of euros

	31.12.2021	31.12.2020
Cash on hand	1,167	1,034
Bank accounts	27,586	30,346
Cash in transit	1,228	1,377
Total cash and cash equivalents (Note 4)	**29,981**	**32,757**

Note 6 Trade and other receivables

in thousands of euros

	31.12.2021	31.12.2020
Trade receivables (Note 7)	17,106	14,196
Other receivables from related parties (Note 26)	0	3
Other short-term receivables	461	163
Total financial assets from balance sheet line "Trade and other receivables"	**17,567**	**14,362**
Prepayment for inventories	2,029	598
Other prepaid expenses	998	893
Prepaid rental expenses	9	7
Prepaid taxes (Note 18)	70	34
Total trade and other receivables	**20,673**	**15,894**

Note 7 Trade receivables

in thousands of euros

	31.12.2021	31.12.2020
Trade receivables	13,766	11,313
Provision for impairment of trade receivables	-53	-11
Receivables from related parties (Note 26)	397	319
Credit card payments (receivables)	2,996	2,575
Total trade receivables (Note 6)	**17,106**	**14,196**

Note 8 Inventories

in thousands of euros

	31.12.2021	31.12.2020
Goods purchased for resale	67,722	76,549
Tare and materials	647	785
Total inventories	**68,369**	**77,334**

The profit or loss line "Cost of merchandise" includes the allowances and write-off expenses of inventories and inventory stocktaking deficit which in 2021 amounted to 15,488 thousand euros (2020: 12,827 thousand euros).

The basis for inventory write-down is their aging structure and in case of fashion goods, the seasonality. The carrying amount of inventories is adjusted through the allowance account. As at 31 December 2021, the allowance account amounted to 1,774 thousand euros (31.12.2020: 1,094 thousand euros) and amount of these asset recognised at net realisable value amounted to 16,456 thousand euros (31.12.2020: 15,508 thousand euros).

The Group's "Cost of merchandise" in 2021 amounted 607,239 thousand euros (2020: 556,712 thousand euros). The Group recognises as the "Cost of merchandise" the cost of purchased passenger cars, food and industrial goods, packing material, cost of finished goods, logistics and transportation, and write off of inventories.

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

Note 9 Subsidiaries

Tallinna Kaubamaja Grupp AS as at 31.12.2021 consists of:

Name	Location	Area of activity	Ownership 31.12.2021	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 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. Selver AS 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 14)	13,609
Trademark (Note 14)	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 14). 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 in 2020 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.

In 2021 last payment for the ownership was paid in the amount of 1,641 thousand euros.

From acquisition date till 31 December 2020 ABC Supermarkets AS earned net profit of 350 thousand euros and revenues amounted to 31 320 thousand euros. If the acquisition of ABC Supermarkets AS by the Group had happened at the beginning of the year, then Group revenues would have been higher by 21,875 thousand euros and net profit higher by 54 thousand euros.

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. Financial Supervision Authority has issued the relevant authorisation in 2021 December to TKM Finants AS. 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 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. Security services will continue to be provided under the business name Viking Security AS.

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 14)	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 14).

Ownership as at 31.12.2021 has remained the same as at 31.12.2020.

Note 10 Investments in associates

Tallinna Kaubamaja Grupp AS has ownership of 50% (2020: 50%) interest in the entity AS Rävala Parkla which provides the services of a parking house in Tallinn. The investment has been classified as associated company because the other owner has the power to appoint the members of supervisory board. See also Note 20.

in thousands of euros

	31.12.2021	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	183	191
Dividends received	-150	-200
Investment in the associate at the end of the year	**1,745**	**1,712**

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

	31.12.2021	31.12.2020
Current assets	141	111
Property, plant and equipment	3,409	3,446
Current liabilities	60	133
Non-current liabilities	0	0
Owners' equity	3,489	3,424
Revenue	518	534
Net profit	365	388

Note 11 Long-term trade and other receivables

in thousands of euros

	31.12.2021	31.12.2020
Prepaid rental expenses	196	269
Deferred tax asset	26	31
Other long-term receivables	82	35
Total long-term trade and other receivables	**304**	**335**

Note 12 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	501
Net loss from fair value adjustment	1,842
Carrying value as at 31.12.2021	**62,690**

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

The cost of renovation work for the 12 months of 2021 amounted to 501 thousand euros (2020: 210 thousand euros).

In 2021 year, renovation work was carried out for Tartu Kaubamaja in the amount of 243 thousand euros and Viimsi Centre in the amount of 23 thousand euros (2020: for Tartu Kaubamaja in the amount of 207 thousand euros and for Viimsi Centre in the amount of 3 thousand euros).

In 2021 year, renovation work was carried out for investment property in Latvia: Salaspils shopping centre in the amount of 172 thousand euros and Kuldiga shopping centre in the amount of 63 thousand euros (2020: 0 euros).

Assessment of fair value of the item Investment properties

Management assesses the fair value of Investment properties every year. Fair values were determined based on the management's judgement, using the assessments of real estate experts for determining the inputs. To determine fair values, income approach (the discounted cash flow method) and market data (comparable transactions, rental income etc.) were used. In 2021, for "Investment properties" in Estonia, for one objects (in 2020 four objects), the opinion of a real estate expert was used for the discount and capitalisation rates and for one object comparable transactions method was used for valuation. Discount rates 8.0%–9.0% (2020: 8.5%-10.0%) depending on the location of the property and rental income growth rates 2.0% (2020: 1.5%-2.0%) were used for valuation. When determining the rental price input in the assessment of Investment properties, the current rental agreements were used, which in the estimation of the management correspond to the market conditions.

For estimating the value of Investment properties located in Latvia, the valuations of a certified independent real estate expert was used regarding two objects (2020: 2 objects). The real estate expert provided an expert opinion with regard to the discount and capitalisation rates for two objects in 2021 (2020: for two objects). The discount rate 8.0%-9.0% (2020: 8.5%-10.0%) and rental income growth rates 1.0%–2.5% (2020: 1.0%-2.5%) were used in valuation. When determining the rental price input in valuation, the current rental agreement has been taken into account, which in the estimation of the management corresponds to the market conditions.

As a result of the valuation in 2021 in Estonia, the fair values of investment property increased in the amount of 1,943 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 reporting period in Latvia, the fair values of investment property increased in the in the amount of 203 thousand euros (2020: 172 thousand euros) and decreased in the amount of 304 thousand euros (2020: 81 thousand euros).

Net fair value adjustment of investment property is recorded in profit or loss line "Other operating income" in the amount of 1,842 thousand euros in 2021 (2020: in line "Other operating expense" in the amount of 311 thousand euros).

Group management has prepared fair value sensitivity analysis for investment properties. Accordingly if rental income would change +/-10% then the fair value of investment properties would change +6,108/-6,108 thousand euros (2020: +5,938/-5,938 thousand euros). If the discount rates used for determing fair value would change +/-0.5% then the fair value of investment properties would change -1,128/+1,158 thousand euros (2020: -

1,093/+1,122 thousand euros).

The Group's investment properties carried at fair value as at 31.12.2021 and 31.12.2020 are measured at level 3.

In 2021, the Group's rental income on investment properties amounted to 3,592 thousand euros (2020: 3,397 thousand euros). Direct property management expenses in 2021 amounted to 1,409 thousand euros (2020: 1,222 thousand euros).

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

In thousands of euros	31.12.2021	31.12.2020
due in less than 1 year	3,993	3,426
due between 1 and 5 years	13,748	12,990
due after 5 years	1,129	717
Total	**18,870**	**17,133**

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

Note 13 Property, plant and equipment

in thousands of euros

	Land and buildings	Right-of use-assets: retail properties	Machinery and equip-ment	Other fixtures and fittings	Construc-tion and projects 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 9)	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 14)	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	4,791	0	10,248	7,813	-131	22,721
Addition to right-of use-assets	0	66	0	0	0	66
Reclassification among property, plant and equipment groups	-2	0	2	0	0	0
Other reclassification	0	0	49	0	0	49
Reclassification to inventory	0	0	-202	0	0	-202
Reclassification to property, plant and equipment from inventory	0	0	670	0	4	674
Disposals	0	0	-6	-1	-78	-85
Write-offs	0	-416	-94	-285	0	-795
Termination of right-of use-assets	0	-920	0	0	0	-920
Decrease/increase in value through profit or loss	139	0	0	0	213	352
Increase in value through revaluation reserve	9,284	0	0	0	0	9,284
Adjustment to right-of use assets	0	49,372	0	0	0	49,372
Depreciation	-6,248	-19,832	-5,908	-6,022	0	-38,010
31.12.2021						
Cost or revalued amount	194,343	221,083	60,362	52,949	31,878	560,615
Accumulated depreciation and impairment	0	-50,464	-34,976	-34,846	-9,066	-129,352
Carrying value	**194,343**	**170,619**	**25,386**	**18,103**	**22,812**	**431,263**

Investments in non-current assets

The cost of investments for the 12 months of 2021 amounted to 23,247 thousand euros (including purchases of property, plant and equipment in the amount of 22,721 thousand euros and purchases of intangible assets amounted to 526 thousand euros). See also Note 20.

The cost of purchases of property, plant and equipment made in reporting period in the supermarkets business segment was 13,613 thousand euros. In the reporting period, was completed transfer of Comarket stores under Selver trademark. Tartu Jaamamõisa Selver and Valga Selver was renovated. 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. Selver AS subsidiary's Kulinaaria OÜ opened new production building with an upgraded equipment fleet.

The cost of purchases of property, plant and equipment in the business segment of department stores amounted to 6,255 thousand euros. In the reporting period, Kaubamaja opened renewed Tallinna Kaubamaja Beauty Department and Food Department.

The cost of purchases of property, plant and equipment in the reporting period was 274 thousand euros in the car trade business segment.

The cost of purchases of property, plant and equipment in the reporting period was 136 thousand euros in the security business segment.

The cost of purchases of property, plant and equipment in the real estate business segment amounted to 2,443 thousand euros. In the reporting period was purchased Kloogaranna tee 26, property and building in Harju County and in property in Maardu, Harju County.

As of 31.12.2021 and 31.12.2020, Tallinna Kaubamaja Grupp AS companies had no commitments to purchase fixed assets.

At the year-end 2021, the fair value of "Land and buildings" and recoverable amount of "Buildings under construction" was assessed. The fair values of "Land and buildings" and the recoverable amounts of "Buildings under construction" (based on the value in use and fair value less selling expenses) were determined based on management's judgment, using the estimates of real estate experts for determining the inputs to be used or the fair value of the items. The discounted cash flow model with market information (transactions, rental income, etc.) and/or market approach were both used for determining fair values as well as recoverable amounts.

Estimation of fair value of "Land and buildings"

The evaluation of "Land and buildings" has been performed every year end. In a view of changes in the economy, the management of the Group reached to a point that the fair value of "Land and buildings" have changed significantly.

As a result of the evaluation of the property under "Land and buildings" located in Estonia the fair value increased by 8,433 thousand euros in 2021, which was recognized through revaluation reserve (the fair value increased by 10,175 thousand euros in 2020, which was recognized through revaluation reserve). As a result of the evaluation of the property under "Land and buildings" located in Latvia the fair value increased by 851 thousand euros in 2021, which was recognized through revaluation reserve and 139 thousand euros was recognized through profit and loss (the fair value increased by 1,050 thousand euros in 2020, which was recognized through revaluation reserve and 425 thousand euros was recognized through profit and loss).. As a result of valuation, the change in the fair value of "Land and buildings" located in Lithuania was not identified in 2021 and 2020.

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

- Quoted prices (unadjusted) in active markets for identical assets (Level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset, either directly or indirectly (Level 2);
- Inputs for the asset that are based on observable market data (Level 3).

The fair value of "Land and building" is determined using valuation techniques. The valuation technique uses observable inputs as much as they are available and uses as little as possible Group Management's assessments. The "Land and buildings" are classified as level 2 if all significant inputs which are basis for determining the fair value are observable. To determine the value of "Land and buildings" located in Estonia, the valuations of a certified independent real estate expert were used in respect of 5 properties in 2021 (2020: 3 properties). The same expert also provided an expert opinion with regard to the discount and capitalisation rates or was used comparable transactions method in respect of 18 properties (2020: 20 properties). In the reporting period one property was purchased at fair value. The discount rates used for estimation were 7.2%-11.5% (2020: 8.0%-11.5%) depending on the location of the property and the rental growth rates were 1.0%-2.5% (2020: 1.0%-2.5%). For the purpose of estimating the value of "Land and buildings", the rental agreements in force have been used for determining the input of the rental price, which management believes correspond to the market conditions.

For estimating the value of "Land and buildings" located in Latvia, the valuation of a certified independent real estate expert was not used in 2021 and 2020. For determining the value of five properties of "Land and buildings" located in Latvia as at 31.12.2021 (2020: 5 objects), valuation of a certified independent real estate expert was used with regard to the discount and capitalisation rates used and valuation was performed internally. The discount rate used for valuation was 8.5% (2020: 8.5%-9.0%) and the growth rates of rental income were 2.0%-2.5% (2020: 2%-2.5%). "Land and buildings" in Lithuania were purchased in 2017 at fair value. Therefore, no valuation was made to this object in 2021 and 2020.

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

In thousands of euros	Fair value at 31 December 2021	Valuation method	Unobser-vable inputs	Range of unobservable inputs (eur)	Relationship of unobservable inputs to fair value
PPE items in Estonia, for which an expert opinion was provided	21,316	Discounted cash flow method	Lease price per month per square metre	10.5-12.4	The higher the price per square metre, the higher the fair value
PPE items in Estonia, for which estimates were provided by experts in respect of discount and capitalisation rates	142,971	Discounted cash flow method	Lease price per month per square metre	8.5-18.9	The higher the price per square metre, the higher the fair value
Remaining PPE items in Estonia	14,431	Discounted cash flow method	Lease price per month per square metre	8.9	The higher the price per square metre, the higher the fair value
PPE item in Latvia, for which estimates were provided by experts in respect of discount and capitalisation rates	13,736	Discounted cash flow method	Lease price per month per square metre	3.0-11.4	The higher the price per square metre, the higher the fair value
Remaining PPE items in Latvia	12	Purchased at fair value on 2020			
Item in Lithuania, for which an expert opinion was not provided	1,877	Purchased at fair value on 2017			
Total	**194,343**				

In thousands of euros	Fair value at 31 December 2020	Valuation method	Unobser-vable inputs	Range of unobservable inputs (eur)	Relationship of unobservable inputs to fair value
PPE items in Estonia, for which an expert opinion was provided	41,317	Discounted cash flow method	Lease price per month per square metre	9.9-14.1	The higher the price per square metre, the higher the fair value
PPE items in Estonia, for which estimates were provided by experts in respect of discount and capitalisation rates	118,159	Discounted cash flow method	Lease price per month per square metre	8.7-18.9	The higher the price per square metre, the higher the fair value
Remaining PPE items in Estonia	11,876	Discounted cash flow method	Lease price per month per square metre	8.9	The higher the price per square metre, the higher the fair value
PPE items in Estonia, for which estimates were provided by experts in respect of discount and capitalisation rates	13,134	Discounted cash flow method	Lease price per month per square metre	2.5-11.2	The higher the price per square metre, the higher the fair value
Remaining PPE items in Latvia	16	Purchased at fair value on 2020			
Item in Lithuania	1,877	Purchased at fair value on 2017			
Total	**186,379**				

Had the non-current assets been accounted for at cost, the carrying amount of revalued items of property, plant and equipment would have been as follows:
31.12.2021 86,937 thousand euros

31.12.2020 88,091 thousand euros

Determination of recoverable amounts of "Buildings under construction"

The "Buildings under construction" located in Estonia, the valuations of a certified independent real estate expert was used in respect of three objects (2020: 2 objects) and eight objects (2020: 6 objects) were valued internally based on the value in use.

The "Buildings under construction" located in Latvia, the valuations of a certified independent real estate expert was used in respect of 2 objects (2020: 3 objects) and 6 objects were not valued in reporting period. The same expert also provided an expert opinion with regard to the discount and capitalisation rates in respect of 2 objects in 2020. The rest 4 objects were valued internally based on the value in use in 2020. For valuation purposes, the discount rates used were 8.0%-10.0% (2020: 8.0%-11.5%) depending on the location of the item, and the growth of rental income rates were 1.0%-2.5% (2020: 1.0%-2.5%). For determining the fair value, the discounted cash flow method was used. For determining the rental price and vacancy rate inputs, the rental price of the rental agreement concluded with an independent tenant and the vacancy rate of completed items provided by certified experts were used.

Based on the results of valuation in 2021, the book value of Estonian "Buildings under construction" in respect of one object reversal of an impairment loss recognized in previous years in the amount of 37 thousand euros and an impairment loss was recognized in respect of one object in the amount of 5 thousand euros. Based on the results of valuation in 2020, the book value of Estonian "Buildings under construction" was not adjusted.

Based on the results of valuation in 2021, the book value of Latvian "Buildings under construction" in respect of three objects reversal of an impairment loss recognized in previous years in the amount of 258 thousand euros. As regards of one object, impairment loss was recognised in the amount of 77 thousand euros. Based on the results of valuation in 2020, the book value of Latvian "Buildings under construction" in respect of two objects reversal of an impairment loss was recognized in previous years in the amount of 93 thousand euros. As regards of one object, increase in fair value was identified in the amount of 41 thousand euros and as regards of two objects impairment loss was recognised in the amount of 20 thousand euros.

"Buildings under construction" located in Lithuania with carrying value of 131 thousand euros as at 31.12.2021 (carrying value: 131 thousand euros as at 31.12.2020) showed no significant differences between fair values and carrying value. Carrying amounts of "Buildings under construction" (Level 3):

In thousands of euros	Number of items 31.12.2021	31.12.2021	Number of items 31.12.2020	31.12.2020
PPE items in Estonia, for which an expert opinion was provided	3	3,755	2	158
PPE items in Estonia, for which an internal estimate was provided	8	356	6	676
Remaining PPE items in Estonia	9	10,119	11	11,639
PPE items in Latvia, for which an expert opinion was provided	2	1,760	3	3,022
PPE items in Latvia, for which an internal estimate was provided	1	67	4	1,973
Remaining PPE items in Latvia	6	4,299	2	816
PPE item in Lithuania	1	131	1	131
Total	30	20,487	29	18,415

As at 31.12.2021 the cost of fully amortized non-current assets (machinery, equipment and other fittings) in use was 43,099 thousand euros (2020: 35,381 thousand euros).

As at 31.12.2021 property, plant and equipment with the carrying value of 124,087 thousand euros (2020: 144,767 thousand euros) was used as collateral for the borrowings. More detailed information is disclosed in Note 25.

Estimation of the recoverable amount of non-current assets

As at 31.12.2021 the recoverable amount of the non-current assets of I.L.U. beauty stores (carrying value: 60 thousand euros, in 2020: 54 thousand euros) was estimated. The recoverable amount is based on the value in use, determined on the basis of the future cash flow forecast for the next 5 years. The average growth rate of I.L.U. is estimated to be 1.8% in 2022-2026 (2020: 2021 – 2025 is estimated to be 1.8%). In the end of 2021 I.L.U chain owned five stores. The sales growth was forecast on the basis of Group's long-term sales experience of beauty products. The discount rate applied is 9.24% (2020: 9.24%) and the future growth rate (after year 5) is 2.5% (2020: 2.6%). No impairment loss was identified as a result of the impairment test.

Note 14 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 9)	13,609	1,911	0	639	16,159
Reclassification to property, plant and equipment (Note 13)	0	0	0	-559	-559
Write off	0	-509	0	0	-509
Amortisation	0	-386	0	-334	-720
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	526	526
Acquired through business combinations (Note 9)	0	0	120	0	120
Write off	0	0	0	-52	-52
Amortisation	0	-291	-14	-153	-458
31.12.2021					
Cost	16,869	5,599	120	3,394	25,982
Accumulated amortisation and impairment	0	-4,098	-14	-1,586	-5,698
Carrying value	**16,869**	**1,501**	**106**	**1,808**	**20,284**

In the reporting period, the Group capitalised costs of a web page update, loyalty card web page update, loyalty card - Monthly Card and e-shop as development expenditure in the amount of 526 thousand euros (2020: 787 thousand euros). See also Note 20.

As a trademark, the Group has recognised the image of ABC King in the department store segment 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 has been fully amortised in 2021, but its use will continue.

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

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

Impairment tests of goodwill and other intangible assets were carried out as at 31 December 2021 and 2020.

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

in thousands of euros	31.12.2021	31.12.2020
Supermarkets	13,609	13,609
Car trade	3,156	3,156
Security	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.

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

	Car trade		Supermarkets	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Operating profit margin during next 5 years	4.06%-4.18%	1.67%-1.79%	1.64% -2.49%	0.47%-2.65%
Discount rate	6.32%	6.32%	6.02%	6.02%
Sales growth during next 5 years	3%-3.9%	3%-8.3%	3%-10.2%	3%-4%
Future growth rate*	2.5%	2.5%	2.5%	2%

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

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

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

	Car trade		Supermarkets	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Difference between the carrying amount and recoverable amount of the cash generating unit (in thousands of euros)	87,892	13,817	35,906	11,815
Reasonably possible change in the assumptions, which would cause the recoverable amount to be equal to the carrying amount:				
Decrease in the average sales growth	4.70%	0.65%	1.40%	0.38%
Decrease of the average operating profit margin	2.73 pp	0.51 pp	2.57 pp	0.91 pp

Note 15 Interest bearing borrowings

in thousands of euros

	31.12.2021	31.12.2020
Short-term borrowings		
Overdraft	7,308	12,650
Bank loans	13,662	17,101
Lease liabilities	16,838	17,892
Other borrowings	2,838	1,759
Total short-term borrowings	**40,646**	**49,402**

	31.12.2021	31.12.2020
Long-term borrowings		
Bank loans	72,489	86,150
Lease liabilities	160,973	128,386
Other borrowings	5,243	2,813
Total long-term borrowings	**238,705**	**217,349**
Total borrowings	**279,351**	**266,751**

Borrowings received

	2021	2020
Bank loans	0	33,934
Other borrowings	7,109	5,358
Total borrowings received	**7,109**	**39,292**

Borrowings repaid

	2021	2020
Overdraft	5,342	4,490
Bank loans	17,101	15,711
Lease liabilities	16,955	15,628
Other borrowings	3,601	2,445
Total borrowings repaid	**42,999**	**38,274**

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

As of 31.12.2021, the repayment dates of bank loans are between 25.01.2022 and 15.06.2026 (2020: between 25.01.2021 and 31.07.2025), interest is tied both to 3-month and 6-month EURIBOR. 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 14.04.2040. 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 was 1.57% (31.12.2020: 1.62%).

Net debt reconciliation
in thousands of euros

	31.12.2021	31.12.2020
Cash and cash equivalents (Note 5)	29,981	32,757
Short-term borrowings	-40,646	-49,402
Long-term borrowings	-238,705	-217,349
Net debt	**-249,370**	**-233,994**
Cash and cash equivalents (Note 5)	29,981	32,757
Gross debt – fixed interest rates	-184,555	-153,606
Gross debt – variable interest rates	-94,796	-113,145
Net debt	**-249,370**	**-233,994**

	Cash and cash equivalents	Overdraft	Borrowings	Lease liabilities	Total
	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)	-2,776	5,342	14,733	20,371	37,670
Interest accrued	0	0	-1,142	-3,416	-4,558
New lease contracts	0	0	0	-66	-66
Termination of lease liabilities	0	0	0	950	950
Revaluation of lease liabilities	0	0	0	-49,372	-49,372
Net debt 31.12.2021	**29,981**	**-7,308**	**-94,232**	**-177,811**	**-249,370**

Note 16 Lease agreements

Group is the lessee

The Group has adopted IFRS 16 Leases retrospectively from 1 January 2019. On adoption of IFRS 16, the Group recognized right-of-use of asset and lease liabilities in relation to leases, which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. Lease liabilities recorded in the Group's consolidated financial reports are presented below.

in thousands of euros	31.12.2021	31.12.2020
Lease liability recognised in the statement of financial position	**177,811**	**146,278**
- short-term lease liabilities	16,838	17,892
- long-term lease liabilities	160,973	128,386

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

in thousands of euros	2021	2020
Interest expense (included in finance cost)	3,416	2,882
Expense relating to leases of low-value assets that are not short-term leases	567	456
Expense relating to short-term leases (included in operating expenses)	737	690
Depreciation charge for right of use assets	19,832	18,069
Income on subleases	4,062	2,632
The total cash outflow for leases	20,371	18,509

Subleases of buildings leased under operating lease terms:

Future minimum lease payments under non-cancellable subleases:

in thousands of euros	31.12.2021	31.12.2020
within 1 year	2,741	2,491
between 1 and 5 years	3,518	6,577
after 5 years	99	92
Total	**6,358**	**9,160**

Group as the lessor – operating lease agreements

Rental income received consists of income received for the leasing out of premises recorded under investment property, as well premises that are recorded under Group's property, plant and equipment (see also Note 12). Future minimum lease payments under non-cancellable operating leases (other than the sublease payments mentioned above):

in thousands of euros	31.12.2021	31.12.2020
within 1 year	4,682	3,977
between 1 and 5 years	15,111	13,941
after 5 years	3,754	3,042
Total	**23,547**	**20,960**

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

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

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

Extension and termination options

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

Note 17 Trade and other payables

in thousands of euros

	31.12.2021	31.12.2020
Trade payables	77,955	73,139
Payables to related parties (Note 26)	5,263	5,585
Other accrued expenses	96	1,741
Tenant security deposits	3,428	2,951
Total financial liabilities from balance sheet line "Trade and other payables" (Note 4)	**86,742**	**83,416**
Taxes payable (Note 18)	9,729	8,088
Employee payables	10,123	8,185
Prepayments	4,026	3,106
Short-term provisions*	725	46
Total trade and other payables	**111,345**	**102,841**

* Short-term provisions in year 2020 represent warranty provisions related to footwear trade. In 2021, short-term provisions represent restructuring provisions related to footwear trade.

Note 18 Taxes

in thousands of euros

	31.12.2021		31.12.2020	
	Prepaid taxes	Taxes payable	Prepaid taxes	Taxes payable
Prepaid taxes (Note 6)	70	0	34	0
Value added tax	0	4,356	0	3,167
Personal income tax	0	1,409	0	1,210
Social security taxes	0	3,525	0	3,268
Corporate income tax	0	87	0	74
Unemployment insurance	0	229	0	216
Mandatory funded pension	0	123	0	153
Total taxes	**70**	**9,729**	**34**	**8,088**

Group's deferred income tax asset as at 31 December 2021 and 31 December 2020 is recorded in the balance sheet in the amount of 26 thousand euros and 31 thousand euros respectively. As of 31.12.2021 deferred tax liability on dividends in the amount of 4,476 thousand euros (31.12.2020: 4,408 thousand euros) is recorded in the balance sheet. See also Note 20.

in thousands of euros

	2021	2020
Corporate income tax from payments to owners:		
- Income tax on dividends paid (Note 19)	4,333	5,821
Corporate income tax expense arising from foreign subsidiaries:		
- Corporate income tax payable	78	55
Deferred income tax liability on dividends:		
- Deferred income tax liability	4,476	4,408

Note 19 Share capital

As of 31.12.2021 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 0.60 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.

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

Note 20 Segment reporting

The Group has defined the business segments based on the reports used regularly by the supervisory board to make strategic decisions.
The chief operating decision maker monitors the Group's operations by activities. With regard to areas of activity, the operating activities are monitored in the department stores, supermarkets, real estate, car trade, 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 security segment main activity is providing security services solutions. The real estate segment deals with the development, management and maintenance of real estate owned by the Group, and with the rental of commercial premises.
The activities of the Group are carried out in Estonia, Latvia and Lithuania. The Group operates in all the five operating segments in Estonia. The Group is engaged in car trade and real estate development in Latvia and in Lithuania.
The disclosures of financial information correspond to the information that is periodically reported to the Supervisory Board. Measures of profit or loss, segment assets and liabilities have been measured in accordance with accounting policies used in the preparation of the financial statements, except for IFRS 16 measurement and recognition of right of use assets and lease liabilities. 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

2021	Super markets	Depart-ment store	Car trade	Securi-ty	Real estate	Inter-seg-ment transac-tions	Impact of lease account-ting	Total seg-ments
External revenue	**568,979**	**93,408**	**145,818**	**8,177**	**5,266**	**0**	**0**	**821,648**
Inter-segment revenue	1,146	3,887	501	5,596	14,099	-25,229	0	0
Total revenue	570,125	97,295	146,319	13,773	19,365	-25,229	0	821,648
EBITDA	**31,827**	**1,780**	**8,406**	**377**	**17,420**	**0**	**20,371**	**80,181**
Segment depreciation and impairment losses (Note 13,14)	-11,009	-2,428	-674	-345	-4,675	0	-19,832	-38,963
Operating profit/loss	**20,818**	**-648**	**7,732**	**32**	**12,745**	**0**	**539**	**41,218**
Finance income (Note 23)	302	379	21	2	230	-930	0	4
Finance income on shares of associates (Note 10)	0	183	0	0	0	0	0	183
Finance costs (Note 23)	-628	-612	-336	-14	-833	930	-3,416	-4,909
Income tax* (Note 18)	-2,141	-413	-482	-26	-1,418	0	0	-4,480
Net profit/loss	**18,351**	**-1,111**	**6,935**	**-6**	**10,724**	**0**	**-2,877**	**32,016**
incl. in Estonia	18,351	-1,111	6,584	-6	10,150	0	-2,877	31,091
incl. in Latvia	0	0	-75	0	620	0	0	545
incl. in Lithuania	0	0	426	0	-46	0	0	380
Segment assets	**145,794**	**58,366**	**32,970**	**3,647**	**282,266**	**-58,353**	**170,619**	**635,309**
Segment liabilities	**115,539**	**50,542**	**18,768**	**3,146**	**78,254**	**-48,621**	**177,811**	**395,439**
Segment investments in property, plant and equipment (Note 13)	13,613	6,255	274	136	2,443	0	0,	22,721
Segment investments in intangible assets (Note 14)	8	517	1	0	0	0	0	526
Reversal of the impairment from previous years of property, plant and equipment through profit or loss (Note 14)	0	0	0	0	352	0	0	352
Increase in value through revaluation reserve of property, plant and equipment (Note 14)	0	0	0	0	9,284	0	0	9,284
Fair value adjustment of investment property (Note 12)	0	0	0	0	1,842	0	0	1,842

in thousands of euros

2020	Super markets	Depart-ment store	Car trade	Securi-ty	Real estate	Inter-seg-ment transac-tions	Impact of lease account-ting	Total seg-ments
External revenue	**524,390**	**88,811**	**117,612**	**6,018**	**5,107**	**0**	**0**	**741,938**
Inter-segment revenue	1,195	3,318	478	6,317	13,541	-24,849	0	0
Total revenue	525,585	92,129	118,090	12,335	18,648	-24,849	0	741,938
EBITDA	**25,079**	**1,686**	**3,064**	**304**	**14,502**	**0**	**18,509**	**63,144**
Segment depreciation and impairment losses (Note 13,14)	-9,308	-3,203	-521	-308	-3,728	0	-18,069	-35,137
Operating profit/loss	**15,771**	**-1,517**	**2,543**	**-4**	**10,774**	**0**	**440**	**28,007**
Finance income (Note 23)	303	515	0	0	260	-1,076	0	2
Finance income on shares of associates (Note 10)	0	191	0	0	0	0	0	191
Finance costs (Note 23)	-537	-597	-379	-13	-907	1,076	-2,882	-4,239
Income tax* (Note 18)	-1,545	-444	-357	-30	-2,086	0	0	-4,462
Net profit/loss	**13,992**	**-1,852**	**1,807**	**-47**	**8,041**	**0**	**-2,442**	**19,499**
incl. in Estonia	13,992	-1,852	2,260	-47	6,527	0	-2,442	18,438
incl. in Latvia	0	0	-736	0	1,563	0	0	827
incl. in Lithuania	0	0	283	0	-49	0	0	234
Segment assets	**139,838**	**63,554**	**32,484**	**3,706**	**286,397**	**-71,044**	**142,349**	**597,284**
Segment liabilities	**118,462**	**51,919**	**23,507**	**3,049**	**92,374**	**-61,312**	**146,278**	**374,277**
Segment investments in property, plant and equipment (Note 13)	22,057	1,853	1,822	1,054	768	0	0	27,554
Segment investments in intangible assets (Note 14)	21	751	15	0	0	0	0	787
Reversal of the impairment from previous years of property, plant and equipment through profit or loss (Note 14)	0	0	0	0	539	0	0	539
Increase in value through revaluation reserve of property, plant and equipment (Note 14)	0	0	0	0	11,225	0	0	11,225
Fair value adjustment of investment property (Note 12)	0	0	0	0	311	0	0	311

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

Inter-segment transactions in line segment assets comprise inter-segment receivables in the amount of 2,838 thousand euros (2020: 2,486 thousand euros), loans granted in the amount of 45,783 thousand euros (2020: 58,826 thousand euros) and investments in subsidiaries in the amount of 9,732 thousand euros (2020: 9,732 thousand euros).

Inter-segment transactions in line segment liabilities comprise inter-segment short-term liabilities in the amount of 2,838 thousand euros (2020: 2,486 thousand euros) and inter-segment borrowings in the amount of 45,783 thousand euros (2020: 58,826 thousand euros).

External revenue according to types of goods and services sold

in thousands of euros

	2021	2020
Retail revenue	748,862	685,148
Wholesale revenue	36,767	24,740
Rental income	9,238	9,499
Revenue from rendering services	26,781	22,551
Total revenue	**821,648**	**741,938**

External revenue by client location

in thousands of euros

	2021	2020
Estonia	753,562	683,601
Latvia	48,584	44,075
Lithuania	19,502	14,262
Total	**821,648**	**741,938**

Distribution of non-current assets* by location of assets

in thousands of euros

	31.12.2021	31.12.2020
Estonia	478,568	434,491
Latvia	33,849	32,981
Lithuania	2,124	2,115
Total	**514,541**	**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 revenue.

Note 21 Services expenses

in thousands of euros

	2021	2020
Rental expenses	737	690
Heat and electricity expenses	9,340	8,049
Expenses related to premises	8,866	7,261
Cost of services and materials related to sales	7,761	6,899
Marketing expenses	7,983	7,809
Computer and communication costs	6,560	5,800
Expenses related to personnel	3,265	2,658
Other operating expenses	4,362	4,843
Total services expenses	**48,874**	**44,009**

Note 22 Staff costs

in thousands of euros

	2021	2020
Wages and salaries	67,351	59,338
Social security taxes	21,404	18,963
Total staff costs	**88,755**	**78,301**
Average wages per employee per month (euros)	1,154	1,085
Average number of employees in the reporting period	4,864	4,558

Staff costs also include accrued holiday pay as well as bonuses for 2021 but not yet paid.

Note 23 Finance income and costs

in thousands of euros

Finance income

	2021	2020
Other finance income	4	2
Total finance income	**4**	**2**

Finance costs

	2021	2020
Interest expense of bank loans	-1,269	-1,237
Interest expense of lease liabilities	-3,416	-2,882
Interest expense of other loans	-119	-58
Other finance costs	-105	-62
Total finance costs	**-4,909**	**-4,239**

See also Note 20.

Note 24 Earnings per share

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

	2021	2020
Net profit (in thousands of euros)	32,016	19,499
Weighted average number of shares	40,729,200	40,729,200
Basic and diluted earnings per share (euros)	0.79	0.48

Note 25 Loan collateral and pledged assets

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

in thousands of euros

	31.12.2021	31.12.2020
Land and buildings	116,646	141,471
Machinery and equipment	7,441	3,773
Investment property	43,454	42,265
Inventories	1,515	4,139
Financial assets	75	146

Note 26 Related party transactions

in thousands of euros

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

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

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

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

	Purchases 2021	Sales 2021	Purchases 2020	Sales 2020
Parent company	309	10	590	20
Entities in the Parent company consolidation group	31,013	3,617	29,332	2,178
Members of management and supervisory boards	0	23	0	80
Other related parties	42	7	154	13
Total	**31,364**	**3,657**	**30,076**	**2,291**

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

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

Balances with related parties:

	31.12.2021	31.12.2020
Receivables from entities in the Parent company consolidation group (Note 7)	396	319
Members of management and supervisory boards (Note 6)	0	3
Other related parties (Note 7)	1	
Total receivables from related parties	**397**	**322**

	31.12.2021	31.12.2020
Parent company	21	19
Entities in the Parent company consolidation group	5,226	5,546
Other related parties	16	20
Total liabilities to related parties (Note 17)	**5,263**	**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.

Group account

For arranging funding for its subsidiaries, the Group uses the group account, the members of which are most of the Group's entities. In its turn, the Group as a subgroup is a member of the group account of NG Investeeringud OÜ (hereinafter head group). From 2001, Tallinna Kaubamaja Grupp AS has been keeping its available funds at the head group account, earning interest income on its deposits. In 2021, the Group has not earned interest income on its deposits of available funds. In 2020 Group has earned interest income on its deposits of available funds for one thousand euros, interest rate 0.01%.
As at 31 December 2021 and 31 December 2020, Tallinna Kaubamaja Grupp AS had not deposited any funds through head group. In 2021 Group has used available funds of head group in the amount of 5,000 thousand euros (2020: 0 euros) and paid interest 1 thousand euros (2020: 0 euros). According to the group account contract, the Group's members are jointly responsible for the unpaid amount to the bank.

Remuneration paid to the members of the Management and Supervisory Board

Short term benefits to the management boards' members of the companies belonging to Tallinna Kaubamaja Group for the reporting year including wages, social security taxes, bonuses and car expenses, amounted to 2,405 thousand euros (2020: 1,803 thousand euros). Short term benefits to supervisory boards' members of the companies belonging to Tallinna Kaubamaja Grupp AS in reporting year including social taxes amounted to 693 thousand euros (2020: 686 thousand euros).

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

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

As at 31.12.2021, the following members of the Management and Supervisory Board own or represent the shares of Tallinna Kaubamaja Grupp AS (either through parent company of the Group NG Investeeringud OÜ or individually):

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

As at 31.12.2020, the following members of the Management and Supervisory Board own or represent the shares of Tallinna Kaubamaja Grupp AS:

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

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

Shareholders	31.12.2021 Ownership interest	31.12.2020 Ownership interest
OÜ NG Investeeringud (Parent)	67.00%	67.00%

As at 31 December 2021, 68.75% of the shares (31 December 2020: 68.75%) of NG Investeeringud OÜ are owned by NG Kapital OÜ, which is the ultimate controlling party of Tallinna Kaubamaja Grupp AS.

Note 29 Contingent liabilities

Contingent liability relating to income tax on dividends

As of 31 December 2021, the retained earnings of Tallinna Kaubamaja Grupp AS were 111,432 thousand euros (31 December 2020: 101,631 thousand euros). Payment of dividends to owners is accompanied by income tax expense 20/80 on the amount paid as net dividends. From 2019, it is possible to use more beneficial tax rate, 14/86, for the dividends regularly paid out. Hence, of the retained earnings existing as of the balance sheet date, the owners can be paid 91,063 thousand euros as dividends (31 December 2020: 83,241 thousand euros) and the payment of dividends would be accompanied by income tax on dividends in the amount of 20,369 thousand euros (31 December 2020: 18,390 thousand euros), taking into account possibility to use more beneficial tax rate.

Contingent liabilities relating to bank loans

Regarding the loan agreements in the amount of 89,713 thousand euros (2020: 89,669 thousand euros), the borrower is required to satisfy certain financial ratios such as debt to EBITDA ratio (EBITDA – earnings before interest, taxes, depreciation and amortisation) or debt-service coverage ratio (DSCR or EBITDA for the reporting period divided by borrowings payable in the reporting period) pursuant to the terms and conditions of the loan agreement. As of the balance sheet date, 31 December 2021, there was no breach in the financial covenants.

Contingent liabilities relating to the Tax Board

The tax authorities may at any time inspect the books and records of the Group within 5 years subsequent to the reported tax year, and may as a result of their inspection impose additional tax assessments and penalties. In 2021 and 2020 the tax authority did not conduct any inspections. The management of the Group is not aware of any circumstances which may give rise to a potential material liability in this respect.

Contingent liabilities relating to lease company

AS Viking Motors, a subsidiary of the Group, has potential liabilities for the repurchase of vehicles from leasing companies at the end of the leasing period for an amount of 20,020 thousand euros (19,538 thousand euros at the end of 2020). AS Viking Motors is obliged to buy the vehicle back if the lessee and the leasing company do not wish to realise the preferential purchasing rights arising from their contract. The book value of the asset (repurchase price) is agreed according to the forecast mileage and the car brand. The Group management estimates that the probability of realisation of the obligation to buy back vehicles is low and the market price of vehicles is higher than the repurchase consideration, so the obligation to buy back does not have a negative impact on the Group. In 2021 and 2020, the Group has not made any loss-making repurchases.

Note 30 Financial information of the Parent company

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

STATEMENT OF FINANCIAL POSITION

in thousands of euros

	31.12.2021	31.12.2020
ASSETS		
Current assets		
Cash and cash equivalents	40	5
Trade and other receivables	17,703	26,127
Total current assets	**17,743**	**26,132**
Non-current assets		
Investments in subsidiaries	256,651	236,419
Investments in associates	1,745	1,712
Property, plant and equipment	312	124
Intangible assets	1,666	1,246
Total non-current assets	**260,374**	**239,501**
TOTAL ASSETS	**278,117**	**265,633**

LIABILITIES AND EQUITY		
Current liabilities		
Borrowings	30,797	11,189
Trade and other payables	2,975	2,029
Total current liabilities	**33,772**	**13,218**
Non-current liabilities		
Borrowings	0	25,000
Total non-current liabilities	**0**	**25,000**
TOTAL LIABILITIES	**33,772**	**38,218**
Equity		
Share capital	16,292	16,292
Statutory reserve capital	2,603	2,603
Retained earnings	225,450	208,520
TOTAL EQUITY	**244,345**	**227,415**
TOTAL LIABILITIES AND EQUITY	**278,117**	**265,633**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

in thousands of euros

	2021	2020
Revenue	4,585	3,984
Other income	21	0
Other operating expenses	-925	-840
Staff costs	-4,104	-3,321
Depreciation, amortisation and impairment	-148	-119
Other expenses	-32	-32
Operating loss	**-603**	**-328**
Interest income and expenses	-60	128
Profit from investments accounted for using the equity method	42,030	29,511
Total finance income and costs	**41,970**	**29,639**
Profit before income tax	**41,367**	**29,311**
NET PROFIT FOR THE FINANCIAL YEAR	**41,367**	**29,311**
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR	**41,367**	**29,311**
Basic and diluted earnings per share (euros)	1.02	0.72

CASH FLOW STATEMENT

in thousands of euros

	2021	2020
CASH FLOWS FROM/USED IN OPERATING ACTIVITIES		
Net profit	41,367	29,311
Adjustments:		
Interest expense	*565*	*570*
Interest income	*-505*	*-698*
Profit from investments under equity method	*-42,030*	*-29,511*
Depreciation, amortisation	*148*	*119*
Change in receivables and prepayments related to operating activities	78	-127
Change in liabilities and prepayments related to operating activities	945	880
TOTAL CASH FLOWS FROM/USED IN OPERATING ACTIVITIES	568	543
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	-246	-89
Interest received	505	698
Change in the receivable of group account	4,611	7,265
Investments in subsidiaries	-4,280	-7,226
Purchases of intangible assets	-509	-614
Dividends received	24,388	29,730
TOTAL CASH FLOWS FROM INVESTING ACTIVITIES	24,469	29,764
CASH FLOWS USED IN FINANCING ACTIVITIES		
Repayments of borrowings	0	0
Interest paid	-565	-570
Dividends paid	-24,437	-29,732
TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES	-25,002	-30,302
TOTAL CASH FLOWS	35	5
Cash and cash equivalents at beginning of the period	5	0
Cash and cash equivalents at end of the period	40	5
Net increase/decrease in cash and cash equivalents	35	5

STATEMENT OF CHANGES IN EQUITY

in thousands of euros

	Share capital	Statutory reserve capital	Retained earnings	Total
Balance as of 31.12.2019	**16,292**	**2,603**	**208,941**	**227,836**
Dividends paid	0	0	-29,732	-29,732
Profit for the reporting period	0	0	29,311	29,311
Balance as of 31.12.2020	**16,292**	**2,603**	**208,520**	**227,415**
Dividends paid	0	0	-24,437	-24,437
Profit for the reporting period	0	0	41,367	41,367
Balance as of 31.12.2021	**16,292**	**2,603**	**225,450**	**244,345**

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

Independent auditor's report

To the Shareholders of Tallinna Kaubamaja Grupp AS

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Tallinna Kaubamaja Grupp AS ("the Company") and its subsidiaries (together – "the Group") as at 31 December 2021, and the Group´s consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee dated 18 February 2022.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated cash flow statement for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

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Translation note:

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

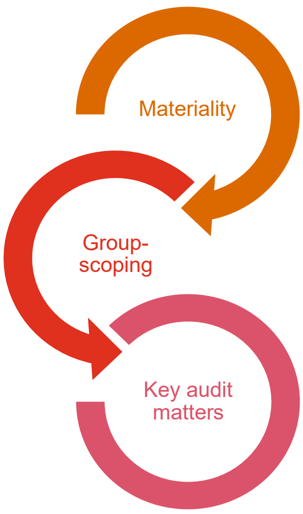
This independent auditor's report (translation of the Estonian original) should only be used with the original document submitted in machine-readable .xhtml format that is submitted to the Tallinn Stock Exchange (Link: https://nasdaqbaltic.com/statistics/et/instrument/EE0000001105/reports).

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

The non-audit services that we have provided to the Company and its parent and subsidiaries in the period from 1 January 2021 to 31 December 2021 are disclosed in the Corporate Governance Report.

Our audit approach

Overview



- Overall Group audit materiality is EUR 8.1 million, which represents approximately 1% of the Group's consolidated revenues.
- Specific materiality applied to property, plant and equipment and investment properties is EUR 6.4 million, which represents approximately 1% of the Group's consolidated total assets.

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

- Valuation of property, plant and equipment and investment properties

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

Materiality

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

Translation note:

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

Overall Group audit materiality	The overall Group audit materiality is EUR 8.1 million. Specific materiality of EUR 6.4 million is applied to property, plant and equipment and investment properties.
How we determined it	Overall Group materiality represents approximately 1% of the Group's consolidated revenues. Specific materiality represents approximately 1% of the Group's consolidated total assets.
Rationale for the materiality benchmark applied	We have applied this benchmark, as we consider revenue and revenue-based market share to be a key performance indicator that determines the Group's value and is monitored by the Group's management, investors, analysts and creditors. In addition, we set a specific materiality level of 6.4 million euros for property, plant and equipment and investment properties. This represents approximately 1% of the Group's consolidated total assets. Specific materiality was set considering the significance of the valuation of property, plant and equipment and investment properties to the Group's financial statements and also to the scope of audit.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Valuation of property, plant and equipment and investment properties (refer to Note 2 “Accounting policies adopted in the preparation of the financial statements”, Note 3 “Critical accounting estimates and judgements”, Note 12 “Investment property” and Note 13 “Property, plant and equipment”. The Group's property portfolio includes:	Given the inherent subjectivity involved in the valuation of the Group's property portfolio and the need for deep market knowledge and valuation expertise, we engaged our internal valuation specialists to assist us in our audit of this area. We assessed the qualifications, expertise and objectivity of the external valuers. We found that

· Property, plant and equipment, including land and buildings in the carrying amount of EUR 194.3 million (accounted for using the revaluation method) as at 31 December 2021. Total increase in value through revaluation reserve from these assets in 2021 was 9.3 million euros and the impairment from previous years was reversed through profit or loss statement by 0.1 million euros. · Investment properties in the carrying amount of EUR 62.7 million (carried at fair value). The gain from fair value adjustments recorded in 2021 profit or loss statement was EUR 1.8 million. The group measures the fair value of the above-mentioned assets using the discounted cash flow method or comparable market transactions. The valuation of the Group's property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental rates for that particular property. The Group's management engages certified third party independent real estate valuers to determine the fair values on a systematic basis for each property and key inputs for valuations in the intervening years. In determining a property's fair value, the external valuers and the Group's management take into account property-specific information such as the current tenancy agreements and rental income. They apply assumptions for yields and estimated market rent, which are influenced by prevailing market yields and comparable market transactions. The existence of significant estimation uncertainty, coupled with the fact that only a small percentage difference in individual property valuations, when aggregated, could result in a material impact, warranted specific audit focus in this area.	the valuers performed their work in accordance with the respective professional valuation standards. We focused our work on the largest properties by value and those where the assumptions used could have a higher risk of differing from the market data. We assessed whether the valuation approach for each property was in accordance with the principles of measuring fair value under IFRS. We found the methods to be consistent with the guidance in IFRS. We compared the major assumptions and estimates such as rental rates, discount rates, capitalisation rates and vacancy rates used by the external valuers and the Group's management to determine the fair value of the property with our internally developed estimated ranges, determined via reference to published benchmarks when applicable. Where assumptions were outside the expected range or otherwise deemed unusual, or valuations showed unexpected movements not consistent with general trends in the market, we undertook further investigations and challenged the external valuers and Group management by requesting additional information and explanations on inputs and assumptions used. We concluded that the data and assumptions used by the Group's management were reasonable. It was evident from our interaction with management and the valuers, and from our procedures in respect of the valuation reports that close attention had been paid to each property's individual characteristics, such as considering the overall quality, geographic location and cash flow potential of the property as a whole. We also found that the impact of recent significant market transactions on each individual property's valuation, given its unique characteristics were appropriately considered when determining the assumptions used in the valuation and that alternative assumptions have been considered and evaluated by the Group's management and the external valuers before determining the final fair value.

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

How we tailored our Group audit scope

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

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

Reporting on other information including the Management report

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

We have been engaged by the Management Board of the Company to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the presentation of the consolidated financial statements of Tallinna Kaubamaja Grupp AS for the year ended 31 December 2021 (the "Presentation of the Consolidated Financial Statements").

Description of a subject matter and applicable criteria

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

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

Responsibility of the Management Board and the Supervisory Board

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

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

Members of the Supervisory Board are responsible for overseeing the financial reporting process, which should also be understood as the preparation of financial statements in accordance with the format resulting from the ESEF Regulation.

Our responsibility

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

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

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

Quality control requirements

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

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

Summary of the work performed

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

- obtaining an understanding of the internal control system and processes relevant to the application of the Electronic Reporting Format of the Consolidated Financial Statements, including the preparation of the XHTML format and marking up the consolidated financial statements;
- verification whether the XHTML format was applied properly;
- evaluating the completeness of marking up the consolidated financial statements using the iXBRL markup language according to the requirements of the implementation of electronic format as described in the ESEF Regulation;
- evaluating the appropriateness of the Group's' use of XBRL markups selected from the ESEF taxonomy and the creation of extension markups where no suitable element in the ESEF taxonomy has been identified; and
- evaluating the appropriateness of anchoring of the extension elements to the ESEF taxonomy.

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

Conclusion

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

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Appointment and period of our audit engagement

We were first appointed as auditors of Tallinna Kaubamaja Grupp AS, as a public interest entity, on 20 May 2009 for the financial year ended 31 December 2009. Our appointment has been renewed by tenders and shareholder resolutions in the intermediate years, representing the total period of our uninterrupted engagement appointment for Tallinna Kaubamaja Grupp AS, as a public interest entity, of 13 years. In accordance with the Auditors Activities Act of the Republic of Estonia and the Regulation (EU) No 537/2014, our appointment as the auditor of Tallinna Kaubamaja Grupp AS can be extended for up to the financial year ending 31 December 2028.

AS PricewaterhouseCoopers

/signed/

Lauri Past
Certified auditor in charge, auditor's certificate no.567

/signed/

Rando Rand
Auditor's certificate no.617

18 February 2022
Tallinn, Estonia

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PROFIT ALLOCATION PROPOSAL

The retained earnings of Tallinna Kaubamaja Group AS are:

Total retained earnings 31 December 2021	111,432 thousand euros

The Chairman of the Management Board of Tallinna Kaubamaja Group AS proposes to the General Meeting of Shareholders to pay dividends in the amount of 27,696 thousand euros out of retained earnings accumulated until 31 December 2021.

Raul Puusepp

Chairman of the Management Board

Signed digitally

Tallinn, 22 February 2022

SIGNATURES OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD TO THE ANNUAL REPORT 2021

The supervisory board of Tallinna Kaubamaja Group AS has reviewed the 2021 consolidated annual report, prepared by the management board, consisting of the management report, ethical business practices and corporate responsibility report, corporate governance report, remuneration report, the consolidated financial statements, the independent auditor's report and the profit allocation proposal, and has approved the annual report for presentation on the shareholders' annual general meeting.

Hereby we confirm the correctness of information presented in the consolidated annual report 2021 of Tallinna Kaubamaja Group AS.

Management Board

Raul Puusepp

Chairman of the Management Board

Signed digitally

Supervisory board

Jüri Käo	Andres Järving	Enn Kunila
Chairman of the Supervisory Board	Member of the Supervisory Board	Member of the Supervisory Board
Signed digitally	*Signed digitally*	*Signed digitally*
Meelis Milder	Gunnar Kraft	
Member of the Supervisory Board	Member of the Supervisory Board	
Signed digitally	*Signed digitally*	

Tallinn, 22 February 2022

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

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

in thousands of euros per year

EMTAK code	Title of EMTAK Group	2021
64201	Holding company's activities	4,585
	Total revenue	**4,585**