

# TALLINNA KAUBAMAJA GRUPP AS

Consolidated Interim Report for  
the Second quarter and first 6 months of 2019  
(unaudited)

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## COMPANY PROFILE AND CONTACT DETAILS

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

The Company is listed on the Tallinn Stock Exchange.

Registered office:	Kaubamaja 1 10143 Tallinn Republic of Estonia
Registry code:	10223439
Beginning of financial year:	1 January 2019
End of financial year:	31 December 2019
Beginning of interim report period:	1 January 2019
End of interim report period:	30 June 2019
Auditor:	PricewaterhouseCoopers AS
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## MANAGEMENT REPORT

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

### Management

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

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

### Share market

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

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

The share with a price of 8.42 euros at the end of 2018 was closed in the end of June 2019 at the level of 8.24 euros, decreasing by 2.14% in a half year.

According to the notice of regular annual general meeting of the shareholders published on 25 February 2019, the management board proposed to pay dividends 0.71 euros per share. The general meeting of shareholders approved it.

Share price and trading statistics on the Tallinn Stock Exchange from 01.01.2019 to 30.06.2019.

In euros



Company's structure

The following companies belong to the Group as of June 30, 2019:

	Location	Shareholding as of 30.06.2019	Shareholding as of 31.12.2018
Selver AS	Estonia	100%	100%
Kulinaaria OÜ	Estonia	100%	100%
Kaubamaja AS	Estonia	100%	100%
Viking Security AS	Estonia	100%	100%
Tartu Kaubamaja Kinnisvara OÜ	Estonia	100%	100%
Tallinna Kaubamaja Kinnisvara AS	Estonia	100%	100%
TKM Lietuva UAB	Lithuania	100%	100%
SIA TKM Latvija	Latvia	100%	100%
TKM Auto OÜ	Estonia	100%	100%
KIA Auto AS	Estonia	100%	100%
KIA Auto UAB	Lithuania	100%	100%
Forum Auto SIA	Latvia	100%	100%
Verte Auto SIA	Latvia	100%	100%
Viking Motors AS	Estonia	100%	100%
OÜ TKM Beauty	Estonia	100%	100%
OÜ TKM Beauty Eesti	Estonia	100%	100%
AS TKM King	Estonia	100%	100%
Rävala Parkla AS	Estonia	50%	50%

Economic environment

In the first quarter of 2019, the gross domestic product grew by 4.5% year-on-year. The main contributor to the economic growth was the processing industry, accounting for almost one third of the growth. The economic growth was broad-based in the first quarter, wherein other significant players were information and communication activities, professional, scientific, and technical activities, and wholesale and retail trade. According to the estimates of the Bank of Estonia, the annual economic growth is expected to be 3.9%. The consumer price index grew by 2.6% in the first half of the year in Estonia, including foodstuffs and non-alcoholic beverages by 2.6%, which was mostly driven by the price growth of vegetables, and footwear and clothing by 0.2%. The Bank of Estonia projects the average inflation of 2019 to be 3.4%. Compared to the first quarter of last year, the monthly average gross wage increased by 8.0%, reaching 1,341 euros in the first quarter. In wholesale and retail trade, the average gross wage grew to 1,266 euros, showing a growth of 10.1% compared to last year. The analytics forecast a 7.6% growth of wages in 2019.

According to Statistics Estonia, the total sales revenue increased by 6.6% in current prices in the first five months of 2019 in Estonia. Retail sales have mostly accelerated in other specialised stores, showing a growth of 10.9% in five months. Retail sales in non-specialised stores (primarily foodstuffs) grew in total by 5.6% in the first five months of the year. Retail sales of household effects, household appliances, hardware, and building materials made a steep jump (9.6%), which is assumed to indicate the acquisition of furnishings for the homes purchased during the growth period of real estate sales. Surprisingly, the only total sales that decreased in five months was retail trade by mail or internet (-2.1%). According to the estimates made based on the payment transaction statistics of the Bank of Estonia, e-purchases were made for 268.1 million euros during the first five months of 2019, which is 36.6% more year-on-year. The difference in the trends can be explained by the assumption that retailers use various sales channels concurrently and sales revenues from different sources are classified differently in the reports of Statistics Estonia. According to AMTEL, 13,933 new passenger cars were sold in the first six months of 2019 in Estonia, decreasing by 1.8% compared to the sales of the first six months of the previous year. Consumer confidence has remained at the same level as the previous year, which is the average level of the few recent years.

Economic results**FINANCIAL RATIOS 2018 - 2019**

	EUR		Change
	2 <sup>nd</sup> quarter 2019	2 <sup>nd</sup> quarter 2018	
Sales revenue (in millions)	181.7	174.0	4.5%
Operating profit/loss (in millions)	9.1	9.4	-3.4%
Net profit/loss (in millions)	8.4	9.2	-9.2%
Return on equity (ROE)	4.2%	5.0%	
Return on assets (ROA)	1.7%	2.4%	
Net profit margin	4.60%	5.29%	
Gross profit margin	24.94%	24.73%	
Quick ratio	0.96	1.02	
Debt ratio	0.59	0.48	
Sales revenue per employee (in millions)	0.042	0.041	
Inventory turnover	1.93	1.81	
<b>SHARE</b>			
Average number of shares (1000 pcs)	40,729	40,729	
Equity capital per share (EUR/share)	4.98	4.64	
Share's closing price (EUR/share)	8.240	9.200	
Earnings per share (EUR/share)	0.21	0.23	
Average number of employees	4,287	4,259	

	EUR		Change
	6 month 2019	6 month 2018	
Sales revenue (in millions)	345.4	332.6	3.9%
Operating profit/loss (in millions)	14.0	15.6	-10.3%
Net profit/loss (in millions)	6.2	9.0	-31.8%
Return on equity (ROE)	3.1%	4.9%	
Return on assets (ROA)	1.2%	2.4%	
Net profit margin	1.79%	2.72%	
Gross profit margin	24.81%	24.62%	
Quick ratio	0.96	1.02	
Debt ratio	0.59	0.48	
Sales revenue per employee (in millions)	0.081	0.078	
Inventory turnover	3.68	3.46	
SHARE			
Average number of shares (1000 pcs)	40,729	40,729	
Equity capital per share (EUR/share)	4.98	4.64	
Share's closing price (EUR/share)	8.240	9.200	
Earnings per share (EUR/share)	0.15	0.22	
Average number of employees	4,290	4,261	
Return on equity (ROE)	= Net profit / Average owners' equity * 100%		
Return on assets (ROA)	= Net profit / Average total assets * 100%		
Sales revenue per employee	= Sales revenue / Average number of employees		
Inventory turnover (multiplier)	= Cost of goods sold / inventories		
Net profit margin	= Net profit / Sales revenue * 100%		
Gross profit margin	= (Sales revenue - Cost of goods sold) / Sales revenue		
Quick ratio	= Current assets / Current liabilities		
Debt ratio	= Total liabilities / Balance sheet total		

In the second quarter of 2019, the unaudited consolidated sales revenue of the Tallinna Kaubamaja Group was 181.7 million euros, exceeding the results of the previous year by 4.5%. The sales revenue of the first half-year was 345.4 million euros, showing a growth of 3.9% compared to the first half-year of 2018, when the comparable sales revenue was 332.6 million euros. In the second quarter of 2019, the Group's unaudited consolidated net profit was 8.4 million euros, which was 9.2% lower than the profit of the comparable period. The Group's net profit was 6.2 million euros in the first six months of 2019, which is nearly one third lower year-on-year. The pre-tax profit was 12.6 million euros in the first half-year, showing a decrease of 17.4% compared to the previous year. The net profit was influenced by a dividend payment, on which income tax in the amount of 6.5 million euros was calculated in the first quarter of 2019, compared to the income tax of 6.2 million euros calculated a year earlier.

The sales revenue of the Group grew in all important retail sales segments in the second quarter of 2019. The sales revenue growth of 2.1% in the car segment is also satisfactory compared to the multi-digit growth numbers of the previous year. Efficient work with the assortment of goods and the management of mercantile processes has resulted in an improved sales margin, which balances out the strong pressure on the labour costs growth. In a year, the labour costs of the Group increased at the same rate as the respective average in Estonia, i.e. by one tenth. However, the reasons why the profit was lower compared to the result of the previous year are also the influences of the IFRS 16 and the growth of other operating expenses, such as computer and communication costs, that support more extensive process automation. In order to manage the wage pressure, market participants are reviewing free services offered in retail trade market to price them, which resulted in many market participants, including Selver e-stores, increasing the threshold of free-of-charge delivery of packages in the second half-year.

The most important development projects of the Group are improvement of the user convenience and speed of delivery of e-stores, implementing of business software in the central kitchen, real estate segment, and

footwear segment, the development of car showrooms in Latvia and Lithuania, and the new production plant of Kulinaaria. The alcohol display limit, which entered into force in June, obligated store chains to place alcohol apart from other goods and limit its visibility, which required undertaking the labour-intensive and expensive reconstruction of stores. In the supermarkets segment, there is a plan to renovate two stores this year and expand the SelveEkspress service to 52 Selver stores by the end of the year. More attention is paid to responsible and sustainable behaviour and promotion thereof.

From 1 January 2019, the Group applies the new mandatory financial reporting standard IFRS 16 (Leases) in lease cost accounting. Pursuant to the standard, leased assets and liabilities are recognised in the balance sheet at the present value of lease payments and the depreciation on the leased assets and estimated interest costs on lease liabilities in the income statement. As of 30.06.2019, the assets leased in accordance with IFRS 16 were recognised in the balance sheet of the Group in the net present value of lease payments of 102,939 thousand euros and corresponding calculated liabilities of 103,690 thousand euros. The impact of IFRS 16 on the income statement is as follows:

in thousands of euros	II quarter 2019	6 months 2019
Decrease in other operating expenses	4 243	8 478
Increase in depreciation	-4 109	-8 214
Increase in operating profit	134	264
Calculated interest expense on lease liabilities	-512	-1015
<b>Decrease in the net profit</b>	<b>-378</b>	<b>-751</b>

As at 30 June 2019, the volume of assets of Tallinna Kaubamaja Group was 492.8 million euros – a decrease of 21.1 million euros or 5.2% compared to the results at the end of 2018 without the impact of IFRS 16.

There were more than 679 thousand loyal customers at the end of the reporting period; the number of loyal customers increased by 1.8% in a year. The proportion of loyal customers in the Group's turnover was 85.8% (85.0% in the first half of 2018). By the end of the first six months, over 32.0 thousand Partner Bank and Credit Cards had been issued.

#### Selver supermarkets

The consolidated sales revenue of the supermarkets business segment was 228.7 million euros in the first half-year of 2019, increasing by 5.9% in comparison with the same period last year. The consolidated sales revenue of the second quarter was 117.8 million euros, growing by 5.8% in comparison with the same period last year. In the first half-year of 2019, the monthly average sales revenue per one square metre of selling space was 0.39 thousand euros and, in the second quarter, 0.4 thousand euros, remaining at last year's level. The sales revenue per one square metre of selling space in comparable stores was 0.37 thousand euros in the first half-year and 0.38 thousand euros in the second quarter, growing by 1.6% and 1.4%, respectively. At Selver stores, 19.8 million purchases were made in the first half of 2019, exceeding the year-on-year result by 4.5%.

In the second quarter of 2019, both pre-tax profit and net profit were 3.7 million euros, remaining at the same level of the comparable period of last year. The consolidated pre-tax profit of the supermarkets segment was 6.0 million euros in the first half-year, which is 0.9 million euros lower compared to the result of the previous year. The net profit earned in the first half-year was 2.1 million euros, decreasing by 0.8 million euros compared to last year. The difference between the net profit and profit before income tax is due to income tax paid on dividends – income tax paid on dividends was 0.1 million euros lower in 2019 compared to the year earlier. The lower tax load due to dividends is caused by the changes in the taxation principles of dividends that allow applying a lower tax rate on one third of the previous year's dividends.

The growth of the sales revenue of the second quarter in Selver supermarkets was at the same pace as in the relevant market segment. The comparison basis of the second quarter is lower by two stores that were added in the second half of 2018 and partly higher by the specific goods sales due to exceptionally good summer weather last year. E-commerce shows good results, where the sales revenue grew 39% in the second quarter. Profit earning is influenced by the growth of sales revenue and more efficient management of goods. Investments have continued to have a positive impact, allowing cutting administrative and management costs as well as employees' working hours. To balance the decrease in the employees' working hours, their wages were adjusted, which translated into a slight decrease in the efficiency regarding labour costs. The results are also influenced by the amendment of the Alcohol Act, due to which significant one-time expenses were incurred during the rearrangement of sales floors.



This year, Selver plans to renovate up to two stores and introduce the SelveEkspress service to 52 Selver stores by the end of the year. As at the end of the second quarter of 2019, the SelveEkspress service is available in 49 stores and over 300,000 loyal customers have used the service. The work with the development of e-commerce will continue to improve the capacity to service the rapidly growing number of customers.

As at the end of June 2019, the supermarkets segment includes the Selver store chain with 53 Selver stores, e-Selver, the mobile store, and the café with a total sales area of 100,000 m<sup>2</sup>, and the central kitchen Kulinaaria OÜ.

Selver is a sponsor of the 27<sup>th</sup> Song Celebration and the 20<sup>th</sup> Dance Celebration 'My Fatherland is My Love'.

### Department stores

In the first six months of 2019, the department stores business segment earned a sales revenue of 47.8 million euros, which is 2.5% more than last year in the same period. The monthly average sales revenue per one square metre of selling space of the department stores was 0.3 thousand euros in six months, which is 2.1% higher year-on-year. In the second quarter, the sales revenue of the department stores was 24.6 million euros, which is 3.6% higher than the comparable result achieved last year. Kaubamaja e-store grew by 38% in the first half-year of 2019 compared to the same period last year. The pre-tax profit of the department stores was 0.4 million euros in the first six months of 2019, which was 39.8% lower year-on-year. The pre-tax profit of the department stores was 0.9 million euros in the second quarter, which was 23.4% lower than the comparable period. The sales results of the department stores in the first half-year were influenced by very successful campaigns organised in the first and second quarter. The 42<sup>nd</sup> Osturalli sales campaign organised in spring was the most successful of all time. Good weather in the beginning of spring was favourable for the sales of seasonal goods. In the second quarter, the result of the department stores was influenced by the reconstruction of the alcoholic beverages departments in both sales houses, which disturbed the sales process in Toidumaailm (Food Department). The labour costs that increased in the second quarter also influenced the profit of the department stores.

This year, Kaubamaja pays special attention to sustainability and especially how packages are used in the sales houses. Starting from the beginning of 2019, all plastic bags have to be paid for in the department stores and the goal is to gradually replace all packages with packages manufactured from recycled materials. At the end of June, reusable bags fully manufactured from recycled plastic bottles were added to plastic bags made from recycled materials and paper bags.

In the second quarter of 2019, the sales revenue of OÜ TKM Beauty Eesti, which operates I.L.U. cosmetics stores, was 1.1 million euros, showing a growth of 8.4% compared to the same period in 2018. The loss was 0.1 million euros in the second quarter of 2019, which remained at the same level as in the comparable period of 2018. The sales revenue was 2.2 million euros in the first half-year of 2019, growing by 5.7% year-on-year. The loss earned in the first six months of 2019 was 0.2 million euros, which was at the same level as the loss earned in the comparable period of 2018. The sales revenue of the second quarter was positively influenced by the continued growth of popularity of the e-store and successful marketing campaigns.

### Car trade

The sales revenue of the car trade segment was 62.0 million euros in the first half-year of 2019. The sales revenue decreased by 0.8% year-on-year, wherein the sales revenue generated by the sales of KIAs dropped by 4.0%. The sales revenue of 35.7 million euros earned in the second quarter exceeded the result of the previous year by 2.1%, including the growth of the sales revenue of KIAs by 1.6%. In the first half-year, 2,773 new vehicles were sold altogether, of which 1,630 vehicles in the second quarter. The net profit of the segment earned in the first half-year of 2019 was 1.5 million euros, which was 18.3% lower than the profit earned in the previous year. The pre-tax profit of the segment was 2.2 million euros in the first half-year, which is 15.9% lower than the profit earned in the first half-year of 2018. The pre-tax profit earned in the second quarter of 2019 was 1.6 million euros, which is 6.8% lower year-on-year. In the beginning of the second quarter, the KIA plant had some issues with the delivery of cars. This caused most of the sales and divestments to be effected in May and some in June. The majority of divested cars were vehicles of short term lease companies. Due to the exchange of importers and coordination of action strategy, the margins earned on Opel and Peugeot vehicles were temporarily smaller than planned.

### Footwear trade

The sales revenue of the footwear trade segment was 4.1 million euros in the first half-year of 2019. The sales revenue dropped by 13.7% in the first half-year compared to last year. The sales revenue of the segment was 2.2 million euros in the second quarter, decreasing by 13.6% year-on-year. The loss was 0.6 million euros in the first half-year. The year-on-year loss was 0.2 million euros. In the second quarter, the loss was 0.2 million euros, which is a weaker result by 0.3 million euros compared to the same period last year. The sales revenue earned in the second quarter was unfavourably influenced by the partial delay in the spring season goods and the assortment of goods. From 1 May, TKM Group merged the chain's commercial activities under joint management and Anne-Liis Ostov, who took on the position of a member of board of TKM King, continues also as manager of TKM Beauty Eesti.

### Real estate

The sales revenue earned in the real estate segment outside the Group was 2.8 million euros in the first six months of 2019. The sales revenue grew by 5.6% compared to last year. The sales revenue outside of the Group of the segment was 1.4 million euros in the second quarter. The sales revenue increased by 4.0% year-on-year. The pre-tax profit of the real estate segment was 5.4 million euros in the first half-year of 2019. The profit grew 1.0% compared to last year. The pre-tax profit of the segment earned in the second quarter of 2019 was 2.8 million euros, which is 11.3% higher than the result earned in the same period last year. The sales revenue grew in all real estate segment companies in the first half-year. The Latvian real estate company that leased the commercial space in the Ogre building to a party outside of the Group achieved the highest sales growth in the segment. The growth of the sales revenue outside of the Group as well as the completion of Kolde Selver at the end of last year increased the profit of the segment in the reporting period. This year, the development of the Latvian and Lithuanian car centres will continue.

### Personnel

The average number of employees in the Tallinna Kaubamaja Group in the first half of 2019 was 4,290, having grown by 0.7% compared to the same period in 2018. Total labour costs (cost of wages and social tax) amounted to 35.5 million euros in the first six months of 2019, having grown by 10.0% compared to the same period in 2018. In the second quarter, the labour costs increased by 10.7% compared to the year before, while the average number of employees increased by 0.7%. The average monthly cost of wages grew by 9.6% in the first six months compared to the average wages of the six months of 2018, in the second quarter, the growth was 10.4%.

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

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



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Raul Puusepp  
Chairman of the Management Board

Tallinn, 11 July 2019

## CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### MANAGEMENT BOARD'S CONFIRMATION TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Chairman of the Management Board confirms the correctness and completeness of Tallinna Kaubamaja Grupp AS condensed consolidated interim financial statements (unaudited) for the period of the second quarter and first 6 months of 2019 as set out on pages 12 - 34.

The Chairman of the Management Board confirms that:

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



Raul Puusepp  
Chairman of the Management Board

Tallinn, 11 July 2019

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros

	Note	30.06.2019	31.12.2018
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	2	25,386	37,235
Trade and other receivables	3	14,201	16,093
Inventories	5	70,625	78,212
<b>Total current assets</b>		<b>110,212</b>	<b>131,540</b>
<b>Non-current assets</b>			
Long-term trade and other receivables	8	113	113
Investments in associates	7	1,742	1,738
Investment property	9	59,873	59,866
Property, plant and equipment	10	315,976	212,687
Intangible assets	11	4,914	5,133
<b>Total non-current assets</b>		<b>382,618</b>	<b>279,537</b>
<b>TOTAL ASSETS</b>		<b>492,830</b>	<b>411,077</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Borrowings	12	32,845	26,002
Trade and other payables	13	81,601	90,775
<b>Total current liabilities</b>		<b>114,446</b>	<b>116,777</b>
<b>Non-current liabilities</b>			
Borrowings	12	175,142	68,313
Provisions for other liabilities and charges		370	370
<b>Total non-current liabilities</b>		<b>175,512</b>	<b>68,683</b>
<b>TOTAL LIABILITIES</b>		<b>289,958</b>	<b>185,460</b>
<b>Equity</b>			
Share capital	15	16,292	16,292
Statutory reserve capital		2,603	2,603
Revaluation reserve		94,541	95,587
Currency translation differences		-149	-149
Retained earnings		89,585	111,284
<b>TOTAL EQUITY</b>		<b>202,872</b>	<b>225,617</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>492,830</b>	<b>411,077</b>

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

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

In thousands of euros

	Note	II quarter 2019	II quarter 2018	6 months 2019	6 months 2018
Revenue	16	181,731	173,977	345,426	332,610
Other operating income		157	352	397	1,065
Cost of sales	5	-136,408	-130,959	-259,734	-250,732
Other operating expenses	17	-10,273	-13,744	-20,825	-27,581
Staff costs	18	-18,299	-16,529	-35,545	-32,317
Depreciation, amortisation and impairment losses	10, 11	-7,693	-3,390	-15,330	-6,827
Other expenses		-160	-335	-411	-643
<b>Operating profit</b>		<b>9,055</b>	<b>9,372</b>	<b>13,978</b>	<b>15,575</b>
Finance costs		-752	-187	-1,466	-357
Finance income on shares of associates	7	58	24	114	76
<b>Profit before tax</b>		<b>8,361</b>	<b>9,209</b>	<b>12,626</b>	<b>15,294</b>
Income tax expense	15	0	0	-6,453	-6,249
<b>NET PROFIT FOR THE FINANCIAL YEAR</b>		<b>8,361</b>	<b>9,209</b>	<b>6,173</b>	<b>9,045</b>
<b>Other comprehensive income:</b>					
<i>Items that will not be subsequently reclassified to profit or loss</i>					
<b>Other comprehensive income for the financial year</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR</b>		<b>8,361</b>	<b>9,209</b>	<b>6,173</b>	<b>9,045</b>
Basic and diluted earnings per share (euros)	19	0.21	0.23	0.15	0.22

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

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

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

In thousands of euros

	Note	6 months 2019	6 months 2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net profit		6,173	9,045
<i>Adjustments:</i>			
<i>Income tax on dividends</i>	15	6,452	6,249
<i>Interest expense</i>		1,466	357
<i>Depreciation, amortisation</i>	10, 11	15,330	6,827
<i>Loss on sale of non-current assets</i>	10	0	2
<i>Profit on sale of non-current assets</i>	10	-69	-403
<i>Profit on sale of investment property</i>	9	0	-39
<i>Effect of equity method</i>	7	-114	-76
Change in inventories		7,506	3,394
Change in receivables and prepayments related to operating activities		1,892	3,177
Change in liabilities and prepayments related to operating activities		-9,157	-6,595
<b>TOTAL CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>29,479</b>	<b>21,938</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment (excl. finance lease)	10	-6,992	-6,003
Proceeds from sale of property, plant and equipment	10	94	9,916
Purchase of investment property	9	-7	0
Proceeds from sale of investment property	9	0	676
Purchase of intangible assets	11	-200	-7
Dividends received	7	110	100
<b>TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<b>-6,995</b>	<b>4,682</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings	12	16,640	60,683
Repayments of borrowings	12	-13,293	-69,058
Change in overdraft balance	12	6,635	-309
Repayments of lease liabilities	12	-7,463	0
Interest paid on lease liabilities	12	-1,015	0
Dividends paid	15	-28,917	-28,102
Income tax on dividends	15	-6,452	-6,249
Interest paid		-468	-375
<b>TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES</b>		<b>-34,333</b>	<b>-43,410</b>
<b>TOTAL CASH FLOWS</b>		<b>-11,849</b>	<b>-16,790</b>
Effect of exchange rate changes		0	0
Cash and cash equivalents at the beginning of the period	2	37,235	33,662
Cash and cash equivalents at the end of the period	2	25,386	16,872
<b>Net change in cash and cash equivalents</b>		<b>-11,849</b>	<b>-16,790</b>

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

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

In thousands of euros

	Share capital	Statutory reserve capital	Revaluation reserve	Currency translation differences	Retained earnings	Total
<b>Balance as of 31.12.2017</b>	<b>16,292</b>	<b>2,603</b>	<b>82,124</b>	<b>-255</b>	<b>107,252</b>	<b>208,016</b>
Net profit for the reporting period	0	0	0	0	9,045	9,045
<b>Total comprehensive income for the reporting period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,045</b>	<b>9,045</b>
Reclassification of depreciation of revalued land and buildings	0	0	-904	0	904	0
Dividends paid	0	0	0	0	-28,102	-28,102
<b>Balance as of 30.06.2018</b>	<b>16,292</b>	<b>2,603</b>	<b>81,220</b>	<b>-255</b>	<b>89,099</b>	<b>188,959</b>
Net profit for the reporting period	0	0	0	0	30,438	30,438
Revaluation of land and buildings	0	0	15,266	0	0	15,266
Currency translation differences	0	0	0	106	-106	0
<b>Total comprehensive income for the reporting period</b>	<b>0</b>	<b>0</b>	<b>15,266</b>	<b>106</b>	<b>30,332</b>	<b>45,704</b>
Reclassification of depreciation of revalued land and buildings	0	0	-1,803	0	1,803	0
Dividends paid	0	0	0	0	-28,103	-28,103
<b>Balance as of 31.12.2018</b>	<b>16,292</b>	<b>2,603</b>	<b>95,587</b>	<b>-149</b>	<b>111,284</b>	<b>225,617</b>
Net profit for the reporting period	0	0	0	0	6,173	6,173
<b>Total comprehensive income for the reporting period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,173</b>	<b>6,173</b>
Reclassification of depreciation of revalued land and buildings	0	0	1,046	0	1,046	0
Dividends paid	0	0	0	0	-28,918	-28,918
<b>Balance as of 30.06.2019</b>	<b>16,292</b>	<b>2,603</b>	<b>94,541</b>	<b>-149</b>	<b>89,585</b>	<b>202,872</b>

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

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



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM ACCOUNTS

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

#### General Information

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

#### Basis for Preparation

The Condensed Consolidated Interim Accounts of Tallinna Kaubamaja Group has been prepared in accordance with the International Financial Reporting Standard IAS 34 Interim Financial Reporting as adopted by the European Union. The condensed consolidated interim financial statements do not contain all the information that has to be presented in the annual financial statements and they should be read in conjunction with the Group's consolidated financial statements as at and for the year ended 31 December 2018. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements. As described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2018, except accounting for leases, which is accounted under IFRS 16 principles starting from 1 January 2019. Changes in lease accounting are described below.

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

The Manager is of the opinion that the Condensed Consolidated Interim Report of Tallinna Kaubamaja Group for the second quarter and first 6 months of 2019 gives a true and fair view of the Company's performance in accordance with the going-concern concept.

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

#### Changes in significant accounting policies

The Group has adopted IFRS 16, Leases for the first time starting from 01.01.2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group's financial statements. The effect from application of IFRS 16 on the Group's financial statements as at 01.01.2019 is described below.

#### **IFRS 16, Leases**

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The group has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period as permitted under the specific transition provisions in the standard.

On adoption of IFRS 16, the group recognized fixed assets and lease liabilities in relation to leases, which had previously been classified as 'operating leases' under the principles of IAS 17 Leases.

The Group leases various properties. Rental contracts are typically made for fixed periods of up to 13 years but include, as a rule extension and termination options. Lease terms are negotiated on an individual basis and may contain a wide range of different terms and conditions.

The Group recognises leases as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use.

Assets and liabilities were recognised in the balance sheet at net present value of lease payments. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life or the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis (except for exceptions). Lease liabilities include the net present value of the following lease payments:

- fixed payments, less any lease incentives receivable;
- variable lease payment that are based on some kind an index (for example inflation, Euribor);
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease or the Group's incremental borrowing rate. The alternative interest rate is the interest rate that the Group would have to pay if it financed the purchase of a similar right to use the asset with a loan.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- if rental agreement requires, then restoration costs.

Payments associated with short-term leases and 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 IT-equipment and small items of office furniture.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The management reviews the assessment if a significant event or a significant change in circumstances occurs which affects the probability of using options and that is within the control of the management. Alternatively, the extension period of the contract has changed (for example, Group has exercised an option, which initially was considered reasonably uncertain or has not exercised an option, which was initially considered reasonably certain).

According to the contracts, Group has not granted any carrying value of the rental assets in the end of the contract.

On applying the standard as at 01.01.2019, the lease payments were discounted at the Group's incremental borrowing rate of 1.49% on average. The Group has used a single discount rate to a portfolio of leases with reasonably similar characteristics as practical expedient permitted by the standard. The Group has used the following practical expedients permitted by the standard:

- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The group has also elected not to apply IFRS 16 to contracts that were not identified as containing a lease under IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

As the result of application, the Group's total assets in the balance sheet as at 01.01.2019 increased 109,282 thousand euros and liabilities increased 109,282 thousand euros.

**Note 2. Cash and cash equivalents**

in thousands of euros

	30.06.2019	31.12.2018
Cash on hand	991	1,216
Bank accounts	23,578	35,006
Cash in transit	817	1,013
<b>Total cash and cash equivalents</b>	<b>25,386</b>	<b>37,235</b>

**Note 3. Trade and other receivables**

in thousands of euros

	30.06.2019	31.12.2018
Trade receivables (Note 4)	11,172	12,782
Other receivables from related parties (Note 20)	1	1
Other short-term receivables	324	614
<b>Total financial assets from balance sheet line "Trade and other receivables"</b>	<b>11,497</b>	<b>13,397</b>
Prepayment for goods	1,577	2,008
Other prepaid expenses	1,070	633
Prepaid rental expenses	37	39
Prepaid taxes (Note 14)	20	16
<b>Total trade and other receivables</b>	<b>14,201</b>	<b>16,093</b>

**Note 4. Trade receivables**

in thousands of euros

	30.06.2019	31.12.2018
Trade receivables	9,716	10,157
Allowance for doubtful receivables	-53	-7
Receivables from related parties (Note 20)	395	290
Credit card payments	1,114	2,342
<b>Total trade receivables</b>	<b>11,172</b>	<b>12,782</b>

**Note 5. Inventories**

in thousands of euros

	30.06.2019	31.12.2018
Goods purchased for resale	69,821	77,418
Raw materials and materials	804	794
<b>Total inventories</b>	<b>70,625</b>	<b>78,212</b>

## Tallinna Kaubamaja Grupp AS

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

in thousands of euros

	II quarter 2019	II quarter 2018	6 months 2019	6 months 2018
Write-down and write-off of inventories	2,351	2,601	4,611	4,951
Inventory stocktaking deficit	685	733	1,167	1,055
<b>Total materials and consumables used</b>	<b>3,036</b>	<b>3,334</b>	<b>5,778</b>	<b>6,006</b>

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

### Note 6. Subsidiaries

Tallinna Kaubamaja Group consists of:

Name	Location	Area of activity	Ownership 30.06.2019	Year of acquisition or foundation
Selver AS	Tallinn Pärnu mnt. 238	Retail trade	100%	1996
Tallinna Kaubamaja Kinnisvara AS	Tallinn Gonsiori 2	Real estate management	100%	1999
Tartu Kaubamaja Kinnisvara OÜ	Tartu Riia 1	Real estate management	100%	2004
SIA TKM Latvija	Riga Ieriku iela 3	Real estate management	100%	2006
TKM Auto OÜ	Tallinn Gonsiori 2	Commercial and finance activities	100%	2007
KIA Auto AS	Tallinn Ülemiste tee 1	Retail trade	100%	2007
Forum Auto SIA	Marupe K.Ulmana gatve 101	Retail trade	100%	2007
KIA Auto UAB	Vilnius, Perkunkiemiõ g.2	Retail trade	100%	2007
TKM Beauty OÜ	Tallinn Gonsiori 2	Retail trade	100%	2007
TKM Beauty Eesti OÜ	Tallinn Gonsiori 2	Retail trade	100%	2007
TKM King AS	Tallinn Betooni 14	Retail trade	100%	2008
Kaubamaja AS	Tallinn Gonsiori 2	Retail trade	100%	2012
Kulinaaria OÜ	Tallinn Taevakivi 7B	Centre kitchen activities	100%	2012
Viking Motors AS	Tallinn Tammsaare tee 51	Retail trade	100%	2012
Viking Security AS	Tallinn Tammsaare tee 62	Security activities	100%	2014
UAB TKM Lietuva	Vilnius Lvovo G. 25	Real estate management	100%	2017
Verte Auto SIA	Marupes nov., Marupe, Karla Ulmana gatve 101	Retail trade	100%	2017

In 2019 and 2018, there were no business combinations.

**Note 7. Investments in associates**

in thousands of euros

Tallinna Kaubamaja Group has ownership of 50% (2018: 50%) interest in the entity AS Rävåla Parkla which provides the services of a parking house in Tallinn.

	30.06.2019	31.12.2018
<b>Investment in the associate at the beginning of the year</b>	<b>1,738</b>	<b>1,724</b>
Profit for the reporting period under equity method	114	214
Dividends received	-110	-200
<b>Investment in the associate at the end of the accounting period</b>	<b>1,742</b>	<b>1,738</b>

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

	30.06.2019	31.12.2018		
Current assets	80	58		
Non-current assets	3,502	3,521		
Current liabilities	97	104		
	II quarter 2019	II quarter 2018	6 months 2019	6 months 2018
Revenue	180	127	310	255
Net profit	116	49	228	152

**Note 8. Long-term trade and other receivables**

in thousands of euros

	30.06.2019	31.12.2018
Prepaid rental expenses	53	53
Deferred tax asset	25	25
Other receivables	35	35
<b>Total long-term trade and other receivables</b>	<b>113</b>	<b>113</b>

**Note 9. Investment property**

in thousands of euros

<b>Carrying value as at 31.12.2017</b>	<b>49,902</b>
Reclassification (Note 10)	10,559
Disposal	-637
Net gain from fair value adjustment	42
<b>Carrying value as at 31.12.2018</b>	<b>59,866</b>
Purchases and improvements	7
<b>Carrying value as at 30.06.2019</b>	<b>59 873</b>

Investment properties comprise immovables improved with commercial buildings and constructions in progress.

Property with commercial buildings (Viimsi shopping centre and Tartu Kaubamaja Shopping Centre), which the Group maintains predominantly for earning rental income in Estonia, are partially classified as investment

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

In 2018, three objects in Latvia were reclassified as investment property in the amount of 9,388 thousand euros. Properties with commercial buildings, which the Group maintains predominantly for earning rental income.

In 2019, Tartu Kaubamaja Shopping Centre renovation amounted to 7 thousand euros (2018: 201 thousand euros). Gas station at Peetri Selver was completed and classified as investment property at value of 970 thousand euros (Note 10). In 2018 in Harju county, in Peetri, Veesaare road 5 a property was sold.

No fair value change of investment property was identified in 2019.

## Note 10. Property, plant and equipment

in thousands of euros

	Land and buildings	Right-of use-assets: properties	Machinery and equipment	Other fixtures and fittings	Construction in progress and prepayments	Total
<b>31.12.2017</b>						
Cost or revalued amount	167,890	0	37,114	37,634	44,584	287,222
Accumulated depreciation and impairment	-4,582	0	-24,830	-25,330	-18,005	-72,747
<b>Carrying value</b>	<b>163,308</b>	<b>0</b>	<b>12,284</b>	<b>12,304</b>	<b>26,579</b>	<b>214,475</b>
<b>Changes occurred in 2018</b>						
Purchases and improvements	700	0	1,277	1,459	12,555	15,991
Reclassification among property, plant and equipment groups	5,379	0	3,146	3,638	-12,163	0
Reclassification to intangible assets (Note 11)	0	0	0	0	-140	-140
Reclassification to investment property (Note 9)	-9,388	0	0	0	-1,171	-10,559
Reclassification to inventory	0	0	-372	0	0	-372
Disposals	-10	0	-25	-5	-9,285	-9,325
Write-offs	-40	0	-22	-34	-1	-97
Decrease/increase in value through profit or loss	171	0	0	0	-23	148
Increase in value through revaluation reserve	15,266	0	0	0	0	15,266
Depreciation	-4,810	0	-3,529	-4,361	0	-12,700
<b>31.12.2018</b>						
Cost or revalued amount	170,576	0	40,456	41,235	27,579	279,846
Accumulated depreciation and impairment	0	0	-27,697	-28,234	-11,228	-67,159
<b>Carrying value</b>	<b>170,576</b>	<b>0</b>	<b>12,759</b>	<b>13,001</b>	<b>16,351</b>	<b>212,687</b>
IFRS 16 initial application (Note 1)	0	109,282	0	0	0	109,282
<b>Adjusted carrying value as at 01.01.2019</b>	<b>170,576</b>	<b>109,282</b>	<b>12,759</b>	<b>13,001</b>	<b>16,351</b>	<b>321,969</b>
<b>Changes occurred in 2019</b>						
Purchases and improvements	775	0	1,383	2,899	1,935	6,992
Addition to right-of use-assets	0	2,262	0	0	0	2,262
Reclassification among property, plant and equipment groups	-1	0	0	1	0	0
Reclassification to inventory	0	0	-187	0	0	-187
Reclassification to property, plant and equipment from inventory	0	0	267	0	0	267
Disposals	-4	0	-20	-1	0	-25
Write-offs	0	0	0	-6	0	-6
Termination of right-of use-assets	0	-391	0	0	0	-391
Depreciation	-2,509	-8,214	-1,866	-2,316	0	-14,905
<b>30.06.2019</b>						
Cost or revalued amount	171,333	111,127	41,728	43,631	29,514	397,333
Accumulated depreciation and impairment	-2,496	-8,188	-29,392	-30,053	-11,228	-81,357
<b>Carrying value</b>	<b>168,837</b>	<b>102,939</b>	<b>12,336</b>	<b>13,578</b>	<b>18,286</b>	<b>315,976</b>

The cost of investments for the 6 months of 2019 amounted to 7,192 thousand euros (including purchases of property, plant and equipment in the amount of 6,992 thousand euros and purchases of intangible assets amounted to 200 thousand euros).

The cost of purchases of property, plant and equipment made in reporting period in the supermarkets business segment was 3,248 thousand euros. In the reporting period, computing technology for SelveEkspress self-service cashiers and renewed store fittings were purchased.

The cost of purchases of property, plant and equipment in the business segment of department stores amounted to 748 thousand euros. In the reporting period renovation work carried out and store fittings and computing technology was purchased.

The cost of purchases of property, plant and equipment in the reporting period was 99 thousand euros in the car trade business segment.

The cost of purchases of property, plant and equipment in the reporting period in the footwear segment was 271 thousand euros.

The cost of purchases of property, plant and equipment in the real estate business segment amounted to 2,626 thousand euros. In the reporting period the construction work of Peugeot sales office in Riga started. Additionally in Tallinn, Sõle 31, Kolde Selver construction work were carried out.

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

### Note 11. Intangible assets

in thousands of euros

	Goodwill	Trademark	Development expenditure	Total
<b>31.12.2017</b>				
Cost	3,260	5,277	1,386	9,923
Accumulated amortisation and impairment	0	-3,583	-665	-4,248
<b>Carrying value</b>	<b>3,260</b>	<b>1,694</b>	<b>721</b>	<b>5,675</b>
<b>Changes occurred in 2018</b>				
Purchases and improvements	0	0	95	95
Reclassification (Note 10)	0	0	140	140
Amortisation	0	-497	-280	-777
<b>31.12.2018</b>				
Cost	3,260	5,277	1,602	10,139
Accumulated amortisation and impairment	0	-4,080	-926	-5,006
<b>Carrying value</b>	<b>3,260</b>	<b>1,197</b>	<b>676</b>	<b>5,133</b>
<b>Changes occurred in 2019</b>				
Purchases and improvements	0	0	200	200
Amortisation	0	-248	-171	-419
<b>30.06.2019</b>				
Cost	3,260	5,277	1,802	10,339
Accumulated amortisation and impairment	0	-4,328	-1,097	-5,425
<b>Carrying value</b>	<b>3,260</b>	<b>949</b>	<b>705</b>	<b>4,914</b>

In the reporting period, the Group capitalised costs of a web page update and e-shop as development expenditure in the amount of 200 thousand euros (2018: 95 thousand euros).

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



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

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

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

in thousands of euros	30.06.2019	31.12.2018
Car trade	3,156	3,156
Department store	104	104
<b>Total</b>	<b>3,260</b>	<b>3,260</b>

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

## Note 12. Borrowings

in thousands of euros	30.06.2019	31.12.2018
<b>Short-term borrowings</b>		
Overdraft	13,989	7,354
Bank loans	10,047	16,424
Lease liabilities	7,507	0
Other borrowings	1,302	2,224
<b>Total short-term borrowings</b>	<b>32,845</b>	<b>26,002</b>

in thousands of euros	30.06.2019	31.12.2018
<b>Long-term borrowings</b>		
Bank loans	78,848	68,202
Lease liabilities	96,183	0
Other borrowings	111	111
<b>Total long-term borrowings</b>	<b>175,142</b>	<b>68,313</b>
<b>Total borrowings</b>	<b>207,987</b>	<b>94,315</b>

### Borrowings received

in thousands of euros	II quarter 2019	II quarter 2018	6 months 2019	6 months 2018
Overdraft	1,188	-405	6,635	0
Bank loans	14,323	44,902	14,975	58,104
Other borrowings	729	1,218	1,665	2,579
<b>Total borrowings received</b>	<b>16,240</b>	<b>45,715</b>	<b>23,275</b>	<b>60,683</b>

## Borrowings paid

in thousands of euros

	II quarter 2019	II quarter 2018	6 months 2019	6 months 2018
Overdraft	0	309	0	309
Bank loans	7,497	51,003	10,705	66,972
Lease liabilities	3,731	0	7,463	0
Other borrowings	588	1,161	2,588	2,086
<b>Total borrowings paid</b>	<b>11,816</b>	<b>52,473</b>	<b>20,756</b>	<b>69,367</b>

Bank loans and other borrowings are denominated in euros.

As of 30.06.2019, the repayment dates of bank loans are between 31.07.2019 and 26.12.2023 (2018: between 28.01.2019 and 12.12.2023), interest is tied both to 3-month and 6-month EURIBOR as well as EONIA. Group has also contracts with fixed interest rate. Weighted average interest rate was 1.19% (2018: 1.06%).

Lease agreements that form lease liabilities have been concluded for the term of 28.02.2020 until 06.10.2031. Lease liability recorded in the balance sheet as at 30.06.2019 is recognised as a result of adoption of IFRS 16 on 01.01.2019.

The lease payments are discounted at the Group's incremental borrowing rate. Weighted average interest rate used on recognition of lease liabilities was 1.49%.

## Net debt reconciliation

in thousands of euros

	30.06.2019	31.12.2018
Cash and cash equivalents (Note 2)	25,386	37,235
Short-term borrowings	-32,845	-26,002
Long-term borrowings	-175,142	-68,313
<b>Net debt</b>	<b>-182,601</b>	<b>-57,080</b>
Cash and cash equivalents (Note 2)	25,386	37,235
Gross debt – fixed interest rates	-115,457	-11,537
Gross debt – variable interest rates	-92,530	-82,778
<b>Net debt</b>	<b>-182,601</b>	<b>-57,080</b>

	Cash and cash equivalents	Overdraft	Borrowings due within 1 year	Borrowings due after 1 year	Total
<b>Net debt 31.12.2017</b>	<b>33,662</b>	<b>-7,811</b>	<b>-47,007</b>	<b>-48,732</b>	<b>-69,888</b>
Cash flows	3,573	457	28,359	-19,581	12,808
<b>Net debt 31.12.2018</b>	<b>37,235</b>	<b>-7,354</b>	<b>-18,648</b>	<b>-68,313</b>	<b>-57,080</b>
IFRS 16 initial application (Note 1)	0	0	-14,928	-94,354	-109,282
<b>Adjusted net debt 01.01.2019</b>	<b>37,235</b>	<b>-7,354</b>	<b>-33,576</b>	<b>-162,667</b>	<b>-166,362</b>
Cash flows	-11,849	-6,635	13,705	-12,475	-17,254
Interest expense	0	0	1,015	0	1,015
<b>Net debt 30.06.2019</b>	<b>25,386</b>	<b>-13,989</b>	<b>-18,856</b>	<b>-175,142</b>	<b>-182,601</b>

**Note 13. Trade and other payables**

in thousands of euros

	30.06.2019	31.12.2018
Trade payables	58,955	67,266
Payables to related parties (Note 20)	3,665	3,965
Other accrued expenses	93	145
Prepayments by tenants	3,009	2,682
<b>Total financial liabilities from balance sheet line "Trade and other payables"</b>	<b>65,722</b>	<b>74,058</b>
Taxes payable (Note 14)	7,973	8,089
Employee payables	6,270	6,916
Prepayments	1,572	1,630
Short-term provisions*	64	82
<b>Total trade and other payables</b>	<b>81,601</b>	<b>90,775</b>

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

**Note 14. Taxes**

in thousands of euros

	30.06.2019		31.12.2018	
	Prepaid taxes	Taxes payable	Prepaid taxes	Taxes payable
Prepaid taxes	20	0	16	0
Value added tax	0	3,987	0	4,022
Personal income tax	0	989	0	948
Social security taxes	0	2,671	0	2,737
Corporate income tax	0	19	0	74
Unemployment insurance	0	180	0	180
Mandatory funded pension	0	127	0	128
<b>Total taxes</b>	<b>20</b>	<b>7,973</b>	<b>16</b>	<b>8,089</b>

**Note 15. Share capital**

As of 30.06.2019 and 31.12.2018, 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 2019, dividends were declared to the shareholders in the amount of 28,918 thousand euros, or 0.71 euros per share. Related income tax expense on dividends amounted to 6,452 thousand euros.

In 2018, dividends were declared to the shareholders in the amount of 28,103 thousand euros, or 0.69 euros per share. Related income tax expense on dividends amounted to 6,249 thousand euros.

**Note 16. Segment reporting**

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

The chief operating decision maker monitors the Group's operations by activities. With regard to areas of activity, the operating activities are monitored in the department store, supermarket, real estate, car trade, footwear trade, beauty products (I.L.U.) and security segments. The measures of I.L.U. and security segment

are below the quantitative criteria of the reporting segment specified in IFRS 8; these segments have been aggregated with the department store segment because they have similar economic characteristics and are similar in other respects specified in IFRS 8.

The main area of activity of department stores, supermarkets, footwear trade and car trade is retail trade. Supermarkets focus on the sale of food products and convenience goods, the department stores on the sale of beauty and fashion products, the car trade on the sale of cars and spare parts. In the car trade segment, cars are sold at wholesale prices to authorised car dealers. The share of wholesale trade in other segments is insignificant. The real estate segment deals with the management and maintenance of real estate owned by the Group, and with the rental of commercial premises.

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

The disclosures of financial information correspond to the information that is periodically reported to the Supervisory Board. Measures of income statement, segment assets and liabilities have been measured in accordance with accounting policies used in the preparation of the financial statements except for accounting for lease that is presented in reports to Supervisory Board according to IAS 17. Main measures that Supervisory Board monitors are segment revenue (external segment and inter-segment revenue), EBITDA (earnings before interest, taxes, depreciation and amortisation) and net profit or loss.

in thousands of euros

II quarter 2019	Super markets	Department store	Car trade	Foot-wear trade	Real estate	Inter-segment transactions	Impact of lease accounting	Total segments
<b>External revenue</b>	<b>117,834</b>	<b>24,627</b>	<b>35,679</b>	<b>2,173</b>	<b>1,418</b>	<b>0</b>	<b>0</b>	<b>181,731</b>
Inter-segment revenue	288	1,876	63	0	3,334	-5,561	0	0
Total revenue	118,122	26,503	35,742	2,173	4,752	-5,561	0	181,731
<b>EBITDA</b>	<b>5,290</b>	<b>1,520</b>	<b>1,801</b>	<b>-30</b>	<b>3,924</b>	<b>0</b>	<b>4,243</b>	<b>16,748</b>
Segment depreciation and impairment losses	-1,659	-670	-122	-119	-1,014	0	-4,109	-7,693
<b>Operating profit/loss</b>	<b>3,631</b>	<b>850</b>	<b>1,679</b>	<b>-149</b>	<b>2,910</b>	<b>0</b>	<b>134</b>	<b>9,055</b>
Finance income	76	71	0	0	31	-178	0	0
Finance income on shares of associates	0	58	0	0	0	0	0	58
Finance costs	-54	-106	-50	-20	-188	178	-512	-752
Income tax	0	0	0	0	0	0	0	0
<b>Net profit/loss</b>	<b>3,653</b>	<b>873</b>	<b>1,629</b>	<b>-169</b>	<b>2,753</b>	<b>0</b>	<b>-378</b>	<b>8,361</b>
incl. in Estonia	3,653	873	1,320	-169	2,870	0	-378	8,169
incl. in Latvia	0	0	151	0	-105	0	0	46
incl. in Lithuania	0	0	158	0	-12	0	0	146
<b>Segment assets</b>	<b>92,256</b>	<b>76,341</b>	<b>33,233</b>	<b>5,153</b>	<b>267,564</b>	<b>-84,656</b>	<b>102,939</b>	<b>492,830</b>
<b>Segment liabilities</b>	<b>82,478</b>	<b>46,563</b>	<b>24,061</b>	<b>8,950</b>	<b>88,832</b>	<b>-64,616</b>	<b>103,690</b>	<b>289,958</b>
Segment investments in property, plant and equipment	1,723	443	40	64	1,484	0	0	3,754
Segment investments in intangible assets	0	170	0	0	0	0	0	170

in thousands of euros

II quarter 2018	Super markets	Department store	Car trade	Footwear trade	Real estate	Inter-segment transactions	Total segments
<b>External revenue</b>	<b>111,393</b>	<b>23,767</b>	<b>34,937</b>	<b>2,516</b>	<b>1,364</b>	<b>0</b>	<b>173,977</b>
Inter-segment revenue	265	1,668	16	27	3,212	-5,188	0
Total revenue	111,658	25,435	34,953	2,543	4,576	-5,188	173,977
<b>EBITDA</b>	<b>5,227</b>	<b>1,769</b>	<b>1,928</b>	<b>225</b>	<b>3,613</b>	<b>0</b>	<b>12,762</b>
Segment depreciation and impairment losses	-1,515	-624	-124	-100	-1,027	0	-3,390
<b>Operating profit/loss</b>	<b>3,712</b>	<b>1,145</b>	<b>1,804</b>	<b>125</b>	<b>2,586</b>	<b>0</b>	<b>9,372</b>
Finance income	76	63	0	0	14	-153	0
Finance income on shares of associates	0	24	0	0	0	0	24
Finance costs	-46	-92	-57	-19	-126	153	-187
Income tax	0	0	0	0	0	0	0
<b>Net profit/loss</b>	<b>3,742</b>	<b>1,140</b>	<b>1,747</b>	<b>106</b>	<b>2,474</b>	<b>0</b>	<b>9,209</b>
incl. in Estonia	3,846	1,140	1,392	106	2,697	0	9,181
incl. in Latvia	-104	0	155	0	-212	0	-161
incl. in Lithuania	0	0	200	0	-11	0	189
<b>Segment assets</b>	<b>90,081</b>	<b>70,462</b>	<b>32,749</b>	<b>5,036</b>	<b>236,292</b>	<b>-71,479</b>	<b>363,141</b>
<b>Segment liabilities</b>	<b>76,464</b>	<b>40,392</b>	<b>23,866</b>	<b>8,030</b>	<b>76,870</b>	<b>-51,440</b>	<b>174,182</b>
Segment investments in property, plant and equipment	1,986	496	216	1	1,187	0	3,886
Segment investments in intangible assets	0	5	0	0	0	0	5

in thousands of euros

<b>6 months 2019</b>	<b>Super markets</b>	<b>Department store</b>	<b>Car trade</b>	<b>Foot-wear trade</b>	<b>Real estate</b>	<b>Inter-segment transactions</b>	<b>Impact of lease accounting</b>	<b>Total segments</b>
<b>External revenue</b>	<b>228,744</b>	<b>47,755</b>	<b>62,029</b>	<b>4,062</b>	<b>2,836</b>	<b>0</b>	<b>0</b>	<b>345,426</b>
Inter-segment revenue	607	3,732	103	4	6,656	-11,102	0	0
Total revenue	229,351	51,487	62,132	4,066	9,492	-11,102	0	345,426
<b>EBITDA</b>	<b>9,212</b>	<b>1,708</b>	<b>2,540</b>	<b>-375</b>	<b>7,745</b>	<b>0</b>	<b>8,478</b>	<b>29,308</b>
Segment depreciation and impairment losses	-3,272	-1,334	-250	-236	-2,024	0	-8,214	-15,330
<b>Operating profit/loss</b>	<b>5,940</b>	<b>374</b>	<b>2,290</b>	<b>-611</b>	<b>5,721</b>	<b>0</b>	<b>264</b>	<b>13,978</b>
Finance income	150	115	0	0	31	-296	0	0
Finance income on shares of associates (Note 7)	0	114	0	0	0	0	0	114
Finance costs	-77	-181	-103	-36	-350	296	-1,015	-1,466
Income tax	-3,947	-635	-669	0	-1,202	0	0	-6,453
<b>Net profit/loss</b>	<b>2,066</b>	<b>-213</b>	<b>1,518</b>	<b>-647</b>	<b>4,200</b>	<b>0</b>	<b>-751</b>	<b>6,173</b>
incl. in Estonia	2,066	-213	1,025	-647	4,483	0	-751	5,963
incl. in Latvia	0	0	205	0	-260	0	0	-55
incl. in Lithuania	0	0	288	0	-23	0	0	265
<b>Segment assets</b>	<b>92,256</b>	<b>76,341</b>	<b>33,233</b>	<b>5,153</b>	<b>267,564</b>	<b>-84,656</b>	<b>102,939</b>	<b>492,830</b>
<b>Segment liabilities</b>	<b>82,478</b>	<b>46,563</b>	<b>24,061</b>	<b>8,950</b>	<b>88,832</b>	<b>-64,616</b>	<b>103,690</b>	<b>289,958</b>
Segment investments in property, plant and equipment (Note 10)	3,248	748	99	271	2,626	0	0	6,992
Segment investments in intangible assets (Note 11)	0	200	0	0	0	0	0	200

in thousands of euros

	Super markets	Depart- ment store	Car trade	Footwear trade	Real estate	Inter- segment transact- ions	Total seg- ments
<b>6 months 2018</b>							
<b>External revenue</b>	<b>216,100</b>	<b>46,575</b>	<b>62,542</b>	<b>4,708</b>	<b>2,685</b>	<b>0</b>	<b>332,610</b>
Inter-segment revenue	652	3,115	40	60	6,415	-10,282	0
Total revenue	216,752	49,690	62,582	4,768	9,100	-10,282	332,610
<b>EBITDA</b>	<b>9,813</b>	<b>1,979</b>	<b>2,968</b>	<b>15</b>	<b>7,627</b>	<b>0</b>	<b>22,402</b>
Segment depreciation and impairment losses	-3,031	-1,285	-249	-204	-2,058	0	-6,827
<b>Operating profit/loss</b>	<b>6,782</b>	<b>694</b>	<b>2,719</b>	<b>-189</b>	<b>5,569</b>	<b>0</b>	<b>15,575</b>
Finance income	150	102	0	0	14	-266	0
Finance income on shares of associates (Note 7)	0	76	0	0	0	0	76
Finance costs	-62	-171	-117	-38	-235	266	-357
Income tax	-4,049	-939	-743	0	-518	0	-6,249
<b>Net profit/loss</b>	<b>2,821</b>	<b>-238</b>	<b>1,859</b>	<b>-227</b>	<b>4,830</b>	<b>0</b>	<b>9,045</b>
incl. in Estonia	3,028	-238	1,323	-227	4,918	0	8,804
incl. in Latvia	-207	0	271	0	-66	0	-2
incl. in Lithuania	0	0	265	0	-22	0	243
<b>Segment assets</b>	<b>90,081</b>	<b>70,462</b>	<b>32,749</b>	<b>5,036</b>	<b>236,292</b>	<b>-71,479</b>	<b>363,141</b>
<b>Segment liabilities</b>	<b>76,464</b>	<b>40,392</b>	<b>23,866</b>	<b>8,030</b>	<b>76,870</b>	<b>-51,440</b>	<b>174,182</b>
Segment investments in property, plant and equipment	2,783	900	383	5	1,932	0	6,003
Segment investments in intangible assets	0	5	0	0	2	0	7

**External revenue according to types of goods and services sold**

in thousands of euros

	II quarter 2019	II quarter 2018	6 months 2019	6 months 2018
Retail revenue	165,044	157,545	315,476	302,197
Wholesale revenue	9,853	9,928	17,068	17,881
Rental income	2,575	2,434	5,072	4,787
Revenue for rendering services	4,259	4,070	7,810	7,745
<b>Total revenue</b>	<b>181,731</b>	<b>173,977</b>	<b>345,426</b>	<b>332,610</b>

**External revenue by client location**

in thousands of euros

	II quarter 2019	II quarter 2018	6 months 2019	6 months 2018
Estonia	168,093	160,354	320,971	307,139
Latvia	8,419	8,305	15,358	17,205
Lithuania	5,219	5,318	9,097	8,266
<b>Total</b>	<b>181,731</b>	<b>173,977</b>	<b>345,426</b>	<b>332,610</b>

## Distribution of non-current assets\* by location of assets

in thousands of euros

	30.06.2019	31.12.2018
Estonia	354,756	253,506
Latvia	24,019	22,218
Lithuania	2,101	2,075
<b>Total</b>	<b>380,876</b>	<b>277,799</b>

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

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

## Note 17. Other operating expenses

in thousands of euros

	II quarter 2019	II quarter 2018	6 months 2019	6 months 2018
Rental expenses*	197	4,265	451	8,492
Heat and electricity expenses	1,837	1,818	4,023	3,940
Operating costs	1,859	1,902	3,602	3,696
Cost of sale related services and materials	1,444	1,311	2,934	2,612
Marketing expenses	2,019	1,834	4,029	3,599
Miscellaneous other operating expenses	1,105	998	2,113	1,924
Computer and communication costs	1,148	959	2,294	2,063
Personnel expenses	664	657	1,379	1,255
<b>Total other operating expenses</b>	<b>10,273</b>	<b>13,744</b>	<b>20,825</b>	<b>27,581</b>

\*Due to application of IFRS 16 from 01.01.2019, Group's rental expenses in the amount of 8,478 thousand euros have been reclassified as repayment of lease liabilities (Note 1 and Note 12).

## Note 18. Staff costs

in thousands of euros

	II quarter 2019	II quarter 2018	6 months 2019	6 months 2018
Wages and salaries	13,869	12,477	26,929	24,393
Social security taxes	4,430	4,052	8,616	7,924
<b>Total staff costs</b>	<b>18,299</b>	<b>16,529</b>	<b>35,545</b>	<b>32,317</b>
Average wages per employee per month (euros)	1,078	976	1,046	954
Average number of employees in the reporting period	4,287	4,259	4,290	4,261

## Note 19. Earnings per share

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



	II quarter 2019	II quarter 2018	6 months 2019	6 months 2018
Net profit (in thousands of euros)	8,361	9,209	6,173	9,045
Weighted average number of shares	40,729,200	40,729,200	40,729,200	40,729,200
Basic and diluted earnings per share (euros)	0.21	0.23	0.15	0.22

#### Note 20. Related party transactions

in thousands of euros

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

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

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

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

	Purchases 6 months 2019	Sales 6 months 2019	Purchases 6 months 2018	Sales 6 months 2018
Parent	138	4	197	2
Entities in the Parent's consolidation group	12,100	1,552	12,304	1,876
Members of management and supervisory boards	0	19	0	17
Other related parties	272	6	264	8
<b>Total</b>	<b>12,510</b>	<b>1,581</b>	<b>12,765</b>	<b>1,903</b>

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

#### Balances with related parties:

	30.06.2019	31.12.2018
Receivables from entities in the in the Parent's consolidation group (Note 4)	393	290
Members of management and supervisory boards (Note 3)	1	1
Other related parties (Note 4)	2	0
<b>Total receivables from related parties</b>	<b>396</b>	<b>291</b>
	<b>30.06.2019</b>	<b>31.12.2018</b>
Parent	19	19
Entities in the Parent's consolidation group	3,605	3,934
Other related parties	41	12
<b>Total liabilities to related parties (Note 13)</b>	<b>3,665</b>	<b>3,965</b>

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.

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 2019 six months, the Group has not earned interest income on its deposits of available funds (2018: 0 euros). As at 30 June 2019 and 31 December 2018 Tallinna Kaubamaja Grupp AS had not deposited any funds through head group and had not used available funds of head group. According to the group account contract, the Group's members are jointly responsible for the unpaid amount to the bank.

### **Remuneration paid to the members of the Management and Supervisory Board**

Short term benefits to the management boards' members of the Tallinna Kaubamaja Group for the reporting period including wages, social security taxes, bonuses and car expenses, amounted to 1,364 thousand euros (2018: 1,247 thousand euros). Short term benefits to supervisory boards' members of the Group in reporting period including social taxes amounted to 330 thousand euros (2018: 298 thousand euros).

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