

TALLINNA KAUBAMAJA GRUPP AS

Consolidated Interim Report for
the Third quarter and first 9 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 4,300 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 September 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 and rental activities.

Management

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

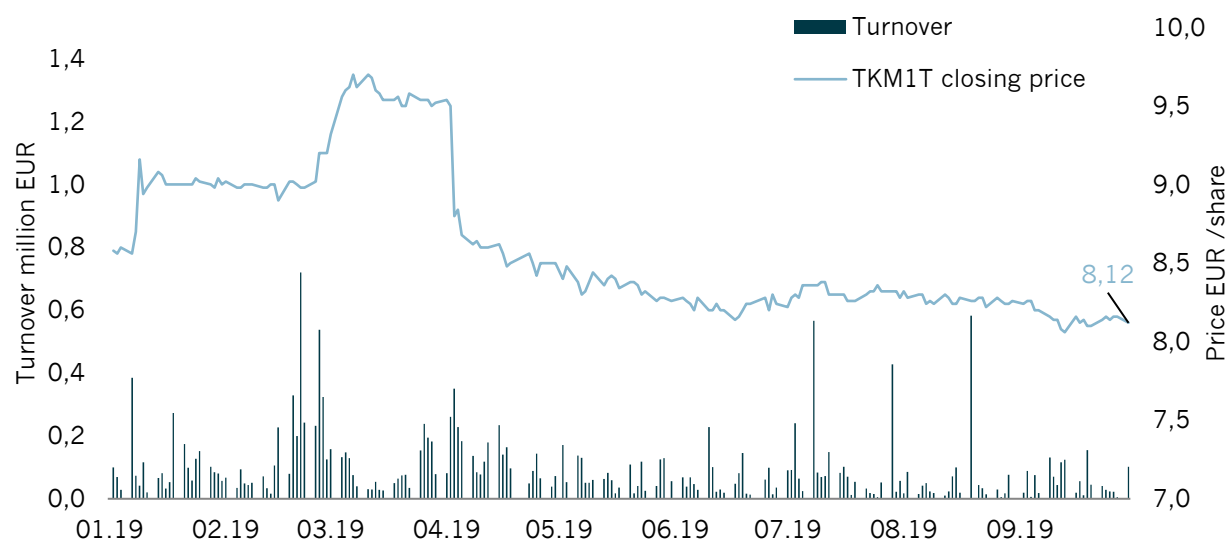
The members of the management board of Tallinna Kaubamaja Group have no right to issue or buy back shares. In addition, there are no commitments between the company and its employees providing for compensation in mergers and acquisitions under article 19' of Stock Market Trade Act.

The share with a price of 8.42 euros at the end of 2018 was closed in the end of September 2019 at the level of 8.12 euros, decreasing by 3.56% in a nine month.

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 30.09.2019.

In euros



Company's structure

The following companies belong to the group as of September 30, 2019:

	Location	Shareholding as of 30.09.2019	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 development

In the second quarter of 2019, the gross domestic product grew by 3.6% compared to the second quarter of the previous year. The main driver of the economic growth was the information and communication industry, showing the strongest added value in the last 15 years. The retail and wholesale trade sector was also a significant growth contributor. Similar to the information and communication sector, the contribution of professional, scientific, and technical activities was the largest in recent years. For several quarters in a row, the only sector that has been notably hindering economic growth was the sector of electricity, gas, steam, and conditioned air supply. A slight economic cooldown is ultimately expected as the outcome of the year. According to the estimates of the Bank of Estonia, the annual economic growth is expected to be 3.0% in 2019. The consumer price index grew by 2.5% in the first nine months of the year in Estonia. The price increase of foodstuffs and non-alcoholic beverages has slowly accelerated throughout the year, showing a growth of 4.1% in the third quarter. The prices increased by 3.1% in nine months. While the prices of vegetables and milled products grew the most, the price of alcohol lowered. Clothing and footwear prices grew by 0.6% in nine months. According to the forecast of the Ministry of Finance, price increase will decelerate due to smaller effect of energy prices and price increase will be 2.2% this year. Compared to the second quarter of last year, the monthly gross wage increased by 7.4%. In the event of economic cooldown, wage growth may decelerate, as the capability of enterprises to increase wages at the current rate will be limited. However, due to the shortage of labour, the growth of wages will continue to remain quite high in future.

According to Statistics Estonia, the total sales revenue in current prices increased by 6.3% in the first eight months of 2019 in Estonia. The steepest jump was observed in the maintenance and repair of motor vehicles, growing by 14.5% in eight months. Retail sales in non-specialised stores (primarily foodstuffs) grew by 6.0% in total in the first eight months of the year. Retail sales in other specialised stores grew by 7.9%. According to the data of the Estonian Institute of Economic Research, consumer security has slightly diminished in the third quarter. According to the Estonian Association of Car Sale and Service Enterprises (Autode Müügi- ja Teenindustevõtete Eesti Liit), a total of 20,618 new passenger cars were sold in nine months in Estonia, i.e. 0.5% more compared to the same period in the previous year.

Economic results**FINANCIAL RATIOS 2018–2019**

	EUR		Change
	3 rd quarter 2019	3 rd quarter 2018	
Sales revenue (in millions)	179.9	166.2	8.3%
Operating profit/loss (in millions)	11.6	10.0	16.2%
Net profit/loss (in millions)	10.9	9.9	10.4%
Return on equity (ROE)	5.2%	5.1%	
Return on assets (ROA)	2.2%	2.7%	
Net profit margin	6.06%	5.94%	
Gross profit margin	25.50%	25.63%	
Quick ratio	1.08	1.25	
Debt ratio	0.57	0.47	
Sales revenue per employee (in millions)	0.042	0.038	
Inventory turnover	1.80	1.73	
SHARE			
Average number of shares (1000 pcs)	40,729	40,729	
Equity capital per share (EUR/share)	5.25	4.88	
Share's closing price (EUR/share)	8.120	9.000	
Earnings per share (EUR/share)	0.27	0.24	
Average number of employees	4,308	4,343	

	EUR		Change
	9 month 2019	9 month 2018	
Sales revenue (in millions)	525.4	498.8	5.3%
Operating profit/loss (in millions)	25.6	25.5	0.1%
Net profit/loss (in millions)	17.1	18.9	-9.7%
Return on equity (ROE)	8.2%	9.8%	
Return on assets (ROA)	3.5%	5.1%	
Net profit margin	3.25%	3.79%	
Gross profit margin	25.04%	24.95%	
Quick ratio	1.08	1.25	
Debt ratio	0.57	0.47	
Sales revenue per employee (in millions)	0.122	0.116	
Inventory turnover	5.29	5.24	
SHARE			
Average number of shares (1000 pcs)	40,729	40,729	
Equity capital per share (EUR/share)	5.25	4.88	
Share's closing price (EUR/share)	8.120	9.000	
Earnings per share (EUR/share)	0.42	0.46	
Average number of employees	4,296	4,288	

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 third quarter of 2019, the unaudited consolidated sales revenue of Tallinna Kaubamaja Group was 179.9 million euros, exceeding the result of the previous year by 8.3%. The sales revenue generated in nine months was 525.4 million euros, showing a growth of 5.3% compared to the first nine months of 2018, when the sales revenue was 498.8 million euros. In the third quarter of 2019, the Group's unaudited consolidated net profit was 10.9 million euros, which is 10.4% higher of the profit earned in the comparable period last year. The Group's net profit was 17.1 million euros in the first nine months of 2019, showing a 9.7% decrease year on year, which was influenced by a higher tax cost and calculated interest expense of IFRS 16. The pre-tax profit was 23.5 million euros in the first nine months of 2019.

The Group's car segment showed a record high sales growth in the third quarter of 2019 as a result of extensive fleet sales. Although fleet sales put some pressure on the margin, the third quarter of 2019 became more profitable for the Group's car segment than the year before. The sales revenue and the growth of profit of other retail segments important for the Group, such as supermarkets and Kaubamaja department stores, were also satisfactory. The growth in these segments was supported by successful sales promotion campaigns, the growth of sales revenue in e-commerce channels, and more efficient management of goods. A decrease in the sales revenue earned in the Group's footwear trade segment, a market with growing competition, slightly decelerated compared to the previous quarter. The Group's labour costs have increased 9.2% in nine months and the average wage in the Group has increased by 9.4%. The activities undertaken by the Group with the intent to automate processes has enabled reducing slightly the number of employees in the third quarter.

As an important development of the reporting period, the construction works of the Kulinaaria central kitchen production building in Tallinn are in progress. Plans are in place to complete the new production plant of Kulinaaria in the first half of 2020. An additional plan is to renovate the older production building after the completion of the new building and the entire refurbished production complex should be finished by the end

of 2020. With the extension of the production area, new products in the ready-to-eat food category are expected to be launched under the Estonians' beloved Selveri Kõök trademark and new interesting pastry products under the Van Kook trademark.

The construction works of the Škoda car centre and the used cars showroom in Riga are also underway. The business software of real estate management, the footwear segment, and the central kitchen are being renewed and the focus is still on the improvement of user convenience of e-stores and speed of delivery. Earlier this year, rearrangement of all the Group's food stores was undertaken to bring them into compliance with the amendment of law that restricted the visibility of displayed alcohol in stores. 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 at 30 September 2019, the assets leased in accordance with IFRS 16 were recognised in the balance sheet of the Group in the present value of lease payments of 98,809 thousand euros and corresponding calculated liabilities of 99,936 thousand euros. The impact of IFRS 16 on the income statement is as follows:

in thousands of euros	3 rd quarter 2019	9 month 2019
Decrease in other operating expenses	4,243	12,740
Increase in depreciation	-4,109	-12,344
Increase in operating profit	134	396
Calculated interest expense on lease liabilities	-512	-1 523
Total decrease in the net profit	-378	-1 127

As at 30 September 2019, the volume of assets of Tallinna Kaubamaja Group was 493.9 million euros, a decrease by 16.0 million euros (3.9%) compared to the end of 2018, not considering the impact of IFRS 16.

At the end of the reporting period, the number of loyal customers exceeded 680,000, showing an annual growth of 2.0%. The share of purchases made by loyal customers accounted for 84.8% of the turnover of the Group (the indicator was 84.2% in the first nine months of 2018). Over 33,000 Partner bank and credit cards had been issued by the end of September.

Selver supermarkets

The consolidated sales revenue of the supermarkets business segment was 346.4 million euros in the first nine months of 2019, increasing by 5.7% in comparison with the same period last year. The consolidated sales revenue of the third quarter was 117.6 million euros, growing by 5.5% in comparison with the same period last year. In the first nine months of 2019 as well as in the third quarter, the monthly average sales revenue per one square metre of selling space was 0.39 thousand euros, remaining at last year's level. The sales revenue per one square metre of selling space in comparable stores was 0.38 thousand euros in the first nine months and in the third quarter, growing by 1.3% and 0.9%, respectively. At Selver stores, 30.3 million purchases were made in the first nine months of 2019, exceeding the year-on-year result by 4.7%.

In the third quarter of 2019, both pre-tax profit and net profit of the supermarkets segment were 6.5 million euros, exceeding last year's result by 7.9%. The consolidated pre-tax profit of the supermarkets segment was 12.5 million euros in the first nine months, which is 0.4 million euros lower than the result of the previous year. The net profit was 8.5 million euros, decreasing by 3.2% compared to the previous year. The difference between net profit and pre-tax profit is due to income tax paid on dividends, i.e. income tax paid on dividends was 0.1 million euros lower in 2019 compared to the previous year.

The comparison basis of the third quarter is lower by two stores that were added in the second half of 2018 and higher due to exceptionally good summer weather last year and a store closed for renovation in September. E-commerce shows good results – the sales revenue grew by 39% in the third quarter. Profit earning is influenced by the growth of sales revenue and more efficient management of goods. Investments have a positive impact, allowing cutting administrative costs and 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.

It is planned to renovate the Selver store in Jõhvi and Pelgulinna Selver store in Tallinn in the fourth quarter. The SelveEkspress service will also be introduced to 52 Selver stores by the end of the year. As at the end of

the third quarter of 2019, the SelveEkspress service is available in 51 stores and over 400,000 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 September, the supermarkets segment includes the Selver store chain with 53 Selver stores, the e-Selver, mobile store, and the café with a total sales area of 100,000 m², as well as the central kitchen Kulinaaria OÜ.

Selver was a sponsor of the 27th Song Celebration and the 20th Dance Celebration 'My Fatherland is My Love'.

Department stores

In the first nine months of 2019, the department stores business segment earned a sales revenue of 71.6 million euros, which is 3.2% more than last year in the same period. The average sales revenue of department stores per one square metre of selling space was 0.3 thousand euros in a month in nine months, which is 3% higher in the year-on-year comparison. In the third quarter, the sales revenue of the Kaubamaja department stores was 23.8 million euros, which is 4.7% higher than the comparable result achieved last year. The e-store of Kaubamaja grew 37% in nine months compared to the same period in the previous year. The pre-tax profit of the Kaubamaja department stores was 1.2 million euros in the first nine months, showing an increase of 22.1% year on year. The pre-tax profit of the department stores was 0.7 million euros in the third quarter and the result was higher by 0.5 million euros of the comparable period. The sales results of the department stores in the first nine months were influenced by successful sales campaigns organised in all three quarters. The result of the third quarter of the department stores was influenced by a successful autumn sales campaign and the first day of the autumnal Osturalli sales campaign, which was launched in September. The Ilu Aeg sales campaign organised in the beginning of September was the most successful of all time. The profit of the department stores was affected by the summer discount campaign with a higher margin compared to the same period last year, when traffic in the city centre was disturbed.

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, in addition to plastic bags made from recycled materials and paper bags, reusable bags fully manufactured from recycled plastic bottles were added.

In the third 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 8.1% compared to the same period in 2018. The loss was 0.02 million euros in the third quarter of 2019, which was 48.7% lower than in the comparable period of 2018. The sales revenue was 3.3 million euros in the first nine months of 2019, which was 6.5% higher than the same period in 2018. The loss earned in the first nine months of 2019 was 0.2 million euros, which was 8.7% lower than in the comparable period of 2018. The result of the third quarter was positively influenced by booming e-store sales and successful changes in marketing campaigns.

Car trade

The sales revenue of the car trade segment was 96.9 million euros in the first nine months of 2019. The sales revenue exceeded the revenue earned in the same period last year by 6.8%; the sales revenue of KIAs grew by 6.9%. The sales revenue of 34.9 million euros earned in the third quarter exceeded the result of the previous year by 23.8%; the sales revenue of KIAs grew by 31.8%. In the first nine months of the year, a total of 4,351 new vehicles were sold in the car trade segment of the Group, of which 1,578 vehicles in the third quarter. The pre-tax profit of the segment was 3.8 million euros in the first nine months of 2019, which is 0.2% higher than the profit earned in the same period last year. The pre-tax profit earned in the third quarter of 2019 was 1.6 million euros, exceeding the profit earned in the third quarter of 2018 by 0.4 million euros, or 35.3%.

The sales revenue growth in 2019 was caused by the successful and increased fleet sales of KIAs. In addition to KIAs, the sale of Peugeot vehicles and spare parts has continued to give good results at the group's subsidiaries. In October, there is a plan in place to open a completely new Škoda sales and service centre and a used cars showroom, unique in Latvia, on the Bikernieku lot in Riga.

Footwear trade

The sales revenue of the footwear trade segment was 6.3 million euros in the first nine months of 2019. The sales revenue dropped by 13.2% in the first nine months of the year compared to the same period last year. The sales revenue of the segment was 2.2 million euros in the third quarter, decreasing by 12.1% year on

year. The loss was 0.9 million euros in the first nine months of 2019. The year-on-year loss was 0.4 million euros. In the third quarter, the loss was 0.3 million euros, which is a weaker result by 0.1 million euros compared to the same period last year.

The sales revenue of the third quarter was influenced by tight competition on the footwear market and aggressive discount campaigns of seasonal goods due to the planned changes in the assortment to be effected in following seasons. Moving to new premises disrupted business for short periods at SHU stores in Tartu Kaubamaja and Võru Kagukeskus. At the end of September, the visual identity and assortment principle were refreshed at the SHU store in Võru Kagukeskus, which, if successful, will become the standard to be followed in other SHU stores in future.

Real estate

The sales revenue earned in the real estate segment outside the Group was 4.3 million euros in the first nine months of 2019. The sales revenue grew by 6.4% compared to last year. The sales revenue of the segment outside the Group was 1.5 million euros. The sales revenue increased by 8.0% year on year. The pre-tax profit of the real estate segment was 8.1 million euros in the first nine months of 2019. The profit grew 2.2% compared to the same period last year. The pre-tax profit of the segment earned in the third quarter of 2019 was 2.7 million euros, which is 4.7% higher than the result achieved in the same period last year.

The sales revenue growth of the segment is still driven by the Latvian real estate company that leased commercial space in the Ogre building to a party outside of the group. Other companies involved in the segment showed stable growth – the rental spaces in shopping centres are covered by rental agreements and despite tight competition, the daily marketing activity has helped to maintain the number of visitors of the shopping centres. The completion of Kolde Selver at the end of last year, the growth of the sales revenue outside of the Group, and cost cuts in the Latvian real estate company all contributed to the profit growth. At the end of the year, the Škoda car centre and the used cars showroom will be completed as planned.

Personnel

In the Tallinna Kaubamaja Group, the average number of employees was 4,296 in the first nine months of 2019, showing a growth of 0.2% compared to the same period in 2018. In the first nine months of 2019, the total labour costs (wages and social tax cost) were 52.7 million euros, growing by 9.2% year on year. In the third quarter, labour costs grew by 7.5% compared to the same period last year, while the average number of employees decreased by 0.8%. The monthly average wage expense per employee increased by 9.4% in the first nine months of the year compared to the first nine months of 2018 and the relevant growth was 9.0% in the third quarter.

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

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



Raul Puusepp
Chairman of the Management Board

Tallinn, 10 October 2019

CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT BOARD'S CONFIRMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Chairman of the Management Board confirms the correctness and completeness of Tallinna Kaubamaja Grupp AS consolidated interim financial statements (unaudited) for the period of the third quarter and first 9 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, 10 October 2019

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros

	Note	30.09.2019	31.12.2018
ASSETS			
Current assets			
Cash and cash equivalents	2	24,003	37,235
Trade and other receivables	3	14,887	16,093
Inventories	5	74,380	78,212
Total current assets		113,270	131,540
Non-current assets			
Long-term trade and other receivables	8	113	113
Investments in associates	7	1,802	1,738
Investment property	9	59,930	59,866
Property, plant and equipment	10	313,966	212,687
Intangible assets	11	4,799	5,133
Total non-current assets		380,610	279,537
TOTAL ASSETS		493,880	411,077
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings	12	27,006	26,002
Trade and other payables	13	77,590	90,775
Total current liabilities		104,596	116,777
Non-current liabilities			
Borrowings	12	175,142	68,313
Provisions for other liabilities and charges		370	370
Total non-current liabilities		175,512	68,683
TOTAL LIABILITIES		280,108	185,460
Equity			
Share capital	15	16,292	16,292
Statutory reserve capital		2,603	2,603
Revaluation reserve		94,019	95,587
Currency translation differences		-149	-149
Retained earnings		101,007	111,284
TOTAL EQUITY		213,772	225,617
TOTAL LIABILITIES AND EQUITY		493,880	411,077

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	III quarter 2019	III quarter 2018	9 months 2019	9 months 2018
Revenue	16	179,933	166,219	525,359	498,829
Other operating income		285	128	682	1,193
Cost of sales	5	-134,054	-123,620	-393,788	-374,352
Other operating expenses	17	-9,657	-13,263	-30,482	-40,844
Staff costs	18	-17,120	-15,932	-52,665	-48,249
Depreciation, amortisation and impairment losses	10, 11	-7,728	-3,372	-23,058	-10,199
Other expenses		-71	-186	-482	-829
Operating profit		11,588	9,974	25,566	25,549
Finance income		1	1	1	1
Finance costs		-749	-216	-2,215	-573
Finance income on shares of associates	7	60	111	174	187
Profit before tax		10,900	9,870	23,526	25,164
Income tax expense	15	0	-1	-6,453	-6,250
NET PROFIT FOR THE FINANCIAL YEAR		10,900	9,869	17,073	18,914
Other comprehensive income:					
<i>Items that will not be subsequently reclassified to profit or loss</i>					
Other comprehensive income for the financial year		0	0	0	0
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		10,900	9,869	17,073	18,914
Basic and diluted earnings per share (euros)	19	0.27	0.24	0.42	0.46

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	9 months 2019	9 months 2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit		17,073	18,914
<i>Adjustments:</i>			
<i>Income tax on dividends</i>	15	6,452	6,249
<i>Income tax</i>		1	0
<i>Interest income</i>		2,215	573
<i>Interest expense</i>		-1	-1
<i>Depreciation, amortisation</i>	10, 11	23,005	10,199
<i>Loss on write-offs of non-current assets</i>	10	53	0
<i>Profit on sale of non-current assets</i>	10	-69	-400
<i>Profit on sale of investment property</i>	9	0	-39
<i>Effect of equity method</i>	7	-174	-187
Change in inventories		3,632	4,560
Change in receivables and prepayments related to operating activities		1,206	2,897
Change in liabilities and prepayments related to operating activities		-13,170	-9,195
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		40,223	33,570
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment (excl. finance lease)	10	-12,420	-10,423
Proceeds from sale of property, plant and equipment	10	106	9,709
Purchase of investment property	9	-64	0
Proceeds from sale of investment property	9	0	676
Purchase of intangible assets	11	-267	-58
Dividends received	7	110	100
Interest received		1	1
TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES		-12,534	5
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	12	21,022	80,785
Repayments of borrowings	12	-19,259	-85,546
Change in overdraft balance	12	6,134	598
Repayments of lease liabilities	12	-11,217	0
Interest paid on lease liabilities	12	-1,523	0
Dividends paid	15	-28,917	-28,102
Income tax on dividends	15	-6,452	-6,249
Interest paid		-709	-591
TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES		-40,921	-39,105
TOTAL CASH FLOWS		-13,232	-5,530
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	24,003	28,132
Net change in cash and cash equivalents		-13,232	-5,530

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

In thousands of euros

	Share capital	Statutory reserve capital	Revaluation reserve	Currency translation differences	Retained earnings	Total
Balance as of 31.12.2017	16,292	2,603	82,124	-255	107,252	208,016
Net profit for the reporting period	0	0	0	0	18,914	18,914
Total comprehensive income for the reporting period	0	0	0	0	18,914	18,914
Reclassification of depreciation of revalued land and buildings	0	0	-1,357	0	1,357	0
Dividends paid	0	0	0	0	-28,102	-28,102
Balance as of 30.09.2018	16,292	2,603	80,767	-255	99,421	198,828
Net profit for the reporting period	0	0	0	0	30,438	30,438
Revaluation of land and buildings	0	0	15,266	0	0	15,266
Currency translation differences	0	0	0	106	-106	0
Total comprehensive income for the reporting period	0	0	15,266	106	30,332	45,704
Reclassification of depreciation of revalued land and buildings	0	0	-1,803	0	1,803	0
Dividends paid	0	0	0	0	-28,103	-28,103
Balance as of 31.12.2018	16,292	2,603	95,587	-149	111,284	225,617
Net profit for the reporting period	0	0	0	0	17,073	17,073
Total comprehensive income for the reporting period	0	0	0	0	17,073	17,073
Reclassification of depreciation of revalued land and buildings	0	0	-1,568	0	1,568	0
Dividends paid	0	0	0	0	-28,918	-28,918
Balance as of 30.09.2019	16,292	2,603	94,019	-149	101,007	213,772

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 third quarter and first 9 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 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

	30.09.2019	31.12.2018
Cash on hand	910	1,216
Bank accounts	22,047	35,006
Cash in transit	1,046	1,013
Total cash and cash equivalents	24,003	37,235

Note 3. Trade and other receivables

in thousands of euros

	30.09.2019	31.12.2018
Trade receivables (Note 4)	11,598	12,782
Other receivables from related parties (Note 20)	1	1
Other short-term receivables	337	614
Total financial assets from balance sheet line "Trade and other receivables"	11,936	13,397
Prepayment for goods	1,957	2,008
Other prepaid expenses	939	633
Prepaid rental expenses	37	39
Prepaid taxes (Note 14)	18	16
Total trade and other receivables	14,887	16,093

Note 4. Trade receivables

in thousands of euros

	30.09.2019	31.12.2018
Trade receivables	9,600	10,157
Allowance for doubtful receivables	-53	-7
Receivables from related parties (Note 20)	385	290
Credit card payments	1,666	2,342
Total trade receivables	11,598	12,782

Note 5. Inventories

in thousands of euros

	30.09.2019	31.12.2018
Goods purchased for resale	73,606	77,418
Raw materials and materials	774	794
Total inventories	74,380	78,212

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

	III quarter 2019	III quarter 2018	9 months 2019	9 months 2018
Write-down and write-off of inventories	2,287	2,321	6,898	7,272
Inventory stocktaking deficit	566	275	1,733	1,330
Total materials and consumables used	2,853	2,596	8,631	8,602

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 30.09.2019	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.

	30.09.2019	31.12.2018
Investment in the associate at the beginning of the year	1,738	1,724
Profit for the reporting period under equity method	174	214
Dividends received	-110	-200
Investment in the associate at the end of the accounting period	1,802	1,738

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

	30.09.2019	31.12.2018		
Current assets	166	58		
Non-current assets	3,492	3,521		
Current liabilities	54	104		
	III quarter 2019	III quarter 2018	9 months 2019	9 months 2018
Revenue	133	228	443	483
Net profit	120	222	348	374

Note 8. Long-term trade and other receivables

in thousands of euros

	30.09.2019	31.12.2018
Prepaid rental expenses	53	53
Deferred tax asset	25	25
Other receivables	35	35
Total long-term trade and other receivables	113	113

Note 9. Investment property

in thousands of euros

Carrying value as at 31.12.2017	49,902
Reclassification (Note 10)	10,559
Disposal	-637
Net gain from fair value adjustment	42
Carrying value as at 31.12.2018	59,866
Purchases and improvements	64
Carrying value as at 30.09.2019	59,930

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 64 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
31.12.2017						
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
Carrying value	163,308	0	12,284	12,304	26,579	214,475
Changes occurred in 2018						
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
31.12.2018						
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
Carrying value	170,576	0	12,759	13,001	16,351	212,687
IFRS 16 initial application (Note 1)	0	109,282	0	0	0	109,282
Adjusted carrying value as at 01.01.2019	170,576	109,282	12,759	13,001	16,351	321,969
Changes occurred in 2019						
Purchases and improvements	942	0	1,938	3,574	5,966	12,420
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	-229	0	0	-229
Reclassification to property, plant and equipment from inventory	0	0	429	0	0	429
Disposals	-4	0	-20	-13	0	-37
Write-offs	0	0	-18	-35	0	-53
Termination of right-of use-assets	0	-391	0	0	0	-391
Depreciation	-3,777	-12,344	-2,817	-3,466	0	-22,404
30.09.2019						
Cost or revalued amount	171,501	111,127	42,315	43,183	33,545	401,671
Accumulated depreciation and impairment	-3,765	-12,318	-30,273	-30,121	-11,228	-87,705
Carrying value	167,736	98,809	12,042	13,062	22,317	313,966

The cost of investments for the 9 months of 2019 amounted to 12,687 thousand euros (including purchases of property, plant and equipment in the amount of 12,420 thousand euros and purchases of intangible assets amounted to 267 thousand euros).

The cost of purchases of property, plant and equipment made in reporting period in the supermarkets business segment was 4,764 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 1,214 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 445 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 297 thousand euros.

The cost of purchases of property, plant and equipment in the real estate business segment amounted to 5,700 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
31.12.2017				
Cost	3,260	5,277	1,386	9,923
Accumulated amortisation and impairment	0	-3,583	-665	-4,248
Carrying value	3,260	1,694	721	5,675
Changes occurred in 2018				
Purchases and improvements	0	0	95	95
Reclassification (Note 10)	0	0	140	140
Amortisation	0	-497	-280	-777
31.12.2018				
Cost	3,260	5,277	1,602	10,139
Accumulated amortisation and impairment	0	-4,080	-926	-5,006
Carrying value	3,260	1,197	676	5,133
Changes occurred in 2019				
Purchases and improvements	0	0	267	267
Amortisation	0	-354	-247	-601
30.09.2019				
Cost	3,260	3,689	1,869	8,818
Accumulated amortisation and impairment	0	-2,846	-1,173	-4,019
Carrying value	3,260	843	696	4,799

In the reporting period, the Group capitalised costs of a web page update and e-shop as development expenditure in the amount of 267 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 was amortised during 2019 year and removed from balance sheet.

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	30.09.2019	31.12.2018
Car trade	3,156	3,156
Department store	104	104
Total	3,260	3,260

The recoverable amount (based on value in use) was determined on the basis of future cash flows for the next five years. In all units, 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	30.09.2019	31.12.2018
Short-term borrowings		
Overdraft	13,488	7,354
Bank loans	8,462	16,424
Lease liabilities	3,753	0
Other borrowings	1,303	2,224
Total short-term borrowings	27,006	26,002

in thousands of euros	30.09.2019	31.12.2018
Long-term borrowings		
Bank loans	78,848	68,202
Lease liabilities	96,183	0
Other borrowings	111	111
Total long-term borrowings	175,142	68,313
Total borrowings	202,148	94,315

Borrowings received

in thousands of euros	III quarter 2019	III quarter 2018	9 months 2019	9 months 2018
Overdraft	-501	598	6,134	598
Bank loans	3,864	18,523	18,839	76,627
Other borrowings	518	1,579	2,183	4,158
Total borrowings received	3,881	20,700	27,156	81,383

Borrowings paid

in thousands of euros

	III quarter 2019	III quarter 2018	9 months 2019	9 months 2018
Overdraft	0	-309	0	0
Bank loans	5,449	14,939	16,154	81,911
Lease liabilities	3,754	0	11,217	0
Other borrowings	517	1,549	3,105	3,635
Total borrowings paid	9,720	16,179	30,476	85,546

Bank loans and other borrowings are denominated in euros.

As of 30.09.2019, the repayment dates of bank loans are between 15.10.2019 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

	30.09.2019	31.12.2018
Cash and cash equivalents (Note 2)	24,003	37,235
Short-term borrowings	-27,006	-26,002
Long-term borrowings	-175,142	-68,313
Net debt	-178,145	-57,080
Cash and cash equivalents (Note 2)	24,003	37,235
Gross debt – fixed interest rates	-111,491	-11,537
Gross debt – variable interest rates	-90,657	-82,778
Net debt	-178,145	-57,080

	Cash and cash equivalents	Overdraft	Borrowings due within 1 year	Borrowings due after 1 year	Total
Net debt 31.12.2017	33,662	-7,811	-47,007	-48,732	-69,888
Cash flows	3,573	457	28,359	-19,581	12,808
Net debt 31.12.2018	37,235	-7,354	-18,648	-68,313	-57,080
IFRS 16 initial application (Note 1)	0	0	-14,928	-94,354	-109,282
Adjusted net debt 01.01.2019	37,235	-7,354	-33,576	-162,667	-166,362
Cash flows	-13,232	-6,134	18,535	-12,475	-13,306
Interest expense	0	0	1,523	0	1,523
Net debt 30.09.2019	24,003	-13,488	-13,518	-175,142	-178,145

Note 13. Trade and other payables

in thousands of euros

	30.09.2019	31.12.2018
Trade payables	57,640	67,266
Payables to related parties (Note 20)	3,502	3,965
Other accrued expenses	88	145
Prepayments by tenants	2,932	2,682
Total financial liabilities from balance sheet line "Trade and other payables"	64,162	74,058
Taxes payable (Note 14)	6,944	8,089
Employee payables	4,859	6,916
Prepayments	1,558	1,630
Short-term provisions*	67	82
Total trade and other payables	77,590	90,775

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

Note 14. Taxes

in thousands of euros

	30.09.2019		31.12.2018	
	Prepaid taxes	Taxes payable	Prepaid taxes	Taxes payable
Prepaid taxes	18	0	16	0
Value added tax	0	3,024	0	4,022
Personal income tax	0	963	0	948
Social security taxes	0	2,616	0	2,737
Corporate income tax	0	44	0	74
Unemployment insurance	0	174	0	180
Mandatory funded pension	0	123	0	128
Total taxes	18	6,944	16	8,089

Note 15. Share capital

As of 30.09.2019 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

III quarter 2019	Super markets	Depart- ment store	Car trade	Foot- wear trade	Real estate	Inter- segment transact- ions	Impact of lease accounting	Total seg- ments
External revenue	117,615	23,813	34,854	2,199	1,452	0	0	179,933
Inter-segment revenue	413	1,587	38	2	3,352	-5,392	0	0
Total revenue	118,028	25,400	34,892	2,201	4,804	-5,392	0	179,933
EBITDA	8,151	1,253	1,869	-131	3,912	0	4,262	19,316
Segment depreciation and impairment losses	-1,699	-650	-116	-119	-1,014	0	-4,130	-7,728
Operating profit/loss	6,452	603	1,753	-250	2,898	0	132	11,588
Finance income	76	188	0	1	29	-293	0	1
Finance income on shares of associates	0	60	0	0	0	0	0	60
Finance costs	-51	-106	-132	-49	-196	293	-508	-749
Income tax	0	0	0	0	0	0	0	0
Net profit/loss	6,477	745	1,621	-298	2,731	0	-376	10,900
incl. in Estonia	6,477	745	1,343	-298	2,849	0	-376	10,740
incl. in Latvia	0	0	113	0	-108	0	0	5
incl. in Lithuania	0	0	165	0	-10	0	0	155
Segment assets	92,368	83,333	33,658	6,174	271,796	-92,258	98,809	493,880
Segment liabilities	76,113	52,812	22,866	10,268	90,331	-72,218	99,936	280,108
Segment investments in property, plant and equipment	1,516	466	346	26	3,074	0	0	5,428
Segment investments in intangible assets	0	67	0	0	0	0	0	67

in thousands of euros

III quarter 2018	Super markets	Department store	Car trade	Footwear trade	Real estate	Inter-segment transactions	Total segments
External revenue	111,479	22,751	28,143	2,501	1,345	0	166,219
Inter-segment revenue	246	1,418	20	34	3,216	-4,934	0
Total revenue	111,725	24,169	28,163	2,535	4,561	-4,934	166,219
EBITDA	7,466	809	1,377	-74	3,768	0	13,346
Segment depreciation and impairment losses	-1,501	-634	-129	-100	-1,008	0	-3,372
Operating profit/loss	5,965	175	1,248	-174	2,760	0	9,974
Finance income	75	57	0	1	11	-143	1
Finance income on shares of associates	0	111	0	0	0	0	111
Finance costs	-39	-88	-50	-19	-163	143	-216
Income tax	0	0	-1	0	0	0	-1
Net profit/loss	6,001	255	1,197	-192	2,608	0	9,869
incl. in Estonia	6,007	255	1,053	-192	2,826	0	9,949
incl. in Latvia	-6	0	92	0	-207	0	-121
incl. in Lithuania	0	0	52	0	-11	0	41
Segment assets	89,903	72,270	28,134	5,433	248,557	-69,365	374,932
Segment liabilities	70,285	41,946	18,052	8,617	86,530	-49,326	176,104
Segment investments in property, plant and equipment	2,060	1,056	51	54	1,199	0	4,420
Segment investments in intangible assets	0	51	0	0	0	0	51

in thousands of euros

9 months 2019	Super markets	Department store	Car trade	Foot-wear trade	Real estate	Inter-segment transactions	Impact of lease accounting	Total segments
External revenue	346,359	71,568	96,883	6,261	4,288	0	0	525,359
Inter-segment revenue	1,020	5,319	141	6	10,008	-16,494	0	0
Total revenue	347,379	76,887	97,024	6,267	14,296	-16,494	0	525,359
EBITDA	17,363	2,961	4,409	-506	11,657	0	12,740	48,624
Segment depreciation and impairment losses	-4,971	-1,984	-366	-355	-3,038	0	-12,344	-23,058
Operating profit/loss	12,392	977	4,043	-861	8,619	0	396	25,566
Finance income	226	303	0	1	60	-589	0	1
Finance income on shares of associates (Note 7)	0	174	0	0	0	0	0	174
Finance costs	-128	-287	-235	-85	-546	589	-1,523	-2,215
Income tax	-3,947	-635	-669	0	-1,202	0	0	-6,453
Net profit/loss	8,543	532	3,139	-945	6,931	0	-1,127	17,073
incl. in Estonia	8,543	532	2,368	-945	7,332	0	-1,127	16,703
incl. in Latvia	0	0	318	0	-368	0	0	-50
incl. in Lithuania	0	0	453	0	-33	0	0	420
Segment assets	92,368	83,333	33,658	6,174	271,796	-92,258	98,809	493,880
Segment liabilities	76,113	52,812	22,866	10,268	90,331	-72,218	99,936	280,108
Segment investments in property, plant and equipment (Note 10)	4,764	1,214	445	297	5,700	0	0	12,420
Segment investments in intangible assets (Note 11)	0	267	0	0	0	0	0	267

in thousands of euros

9 months 2018	Super markets	Department store	Car trade	Footwear trade	Real estate	Inter-segment transactions	Total segments
External revenue	327,579	69,326	90,685	7,209	4,030	0	498,829
Inter-segment revenue	898	4,533	60	94	9,631	-15,216	0
Total revenue	328,477	73,859	90,745	7,303	13,661	-15,216	498,829
EBITDA	17,279	2,788	4,345	-59	11,395	0	35,748
Segment depreciation and impairment losses	-4,532	-1,919	-378	-304	-3,066	0	-10,199
Operating profit/loss	12,747	869	3,967	-363	8,329	0	25,549
Finance income	225	159	0	1	25	-409	1
Finance income on shares of associates (Note 7)	0	187	0	0	0	0	187
Finance costs	-101	-259	-167	-57	-398	409	-573
Income tax	-4,049	-939	-744	0	-518	0	-6,250
Net profit/loss	8,822	17	3,056	-419	7,438	0	18,914
incl. in Estonia	9,035	17	2,376	-419	7,744	0	18,753
incl. in Latvia	-213	0	363	0	-273	0	-123
incl. in Lithuania	0	0	317	0	-33	0	284
Segment assets	89,903	72,270	28,134	5,433	248,557	-69,365	374,932
Segment liabilities	70,285	41,946	18,052	8,617	86,530	-49,326	176,104
Segment investments in property, plant and equipment	4,843	1,956	434	59	3,131	0	10,423
Segment investments in intangible assets	0	56	0	0	2	0	58

External revenue according to types of goods and services sold

in thousands of euros

	III quarter 2019	III quarter 2018	9 months 2019	9 months 2018
Retail revenue	161,462	150,881	476,938	453,078
Wholesale revenue	10,517	8,130	27,585	26,011
Rental income	2,575	2,406	7,647	7,193
Revenue for rendering services	5,379	4,802	13,189	12,547
Total revenue	179,933	166,219	525,359	498,829

External revenue by client location

in thousands of euros

	III quarter 2019	III quarter 2018	9 months 2019	9 months 2018
Estonia	165,352	156,520	486,323	463,659
Latvia	8,969	5,979	24,327	23,184
Lithuania	5,612	3,720	14,709	11,986
Total	179,933	166,219	525,359	498,829

Distribution of non-current assets* by location of assets

in thousands of euros

	30.09.2019	31.12.2018
Estonia	349,739	253,506
Latvia	26,969	22,218
Lithuania	2,100	2,075
Total	378,808	277,799

* 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

	III quarter 2019	III quarter 2018	9 months 2019	9 months 2018
Rental expenses*	212	4,285	663	12,777
Heat and electricity expenses	1,772	1,656	5,795	5,596
Operating costs	1,937	1,875	5,539	5,571
Cost of sale related services and materials	1,703	1,349	4,637	3,961
Marketing expenses	1,805	1,814	5,834	5,413
Miscellaneous other operating expenses	568	657	2,681	2,581
Computer and communication costs	1,142	1,009	3,436	3,072
Personnel expenses	518	618	1,897	1,873
Total other operating expenses	9,657	13,263	30,482	40,844

*Due to application of IFRS 16 from 01.01.2019, Group's rental expenses in the amount of 12,740 thousand euros have been reclassified as repayment of lease liabilities (Note 1 and Note 12).

Note 18. Staff costs

in thousands of euros

	III quarter 2019	III quarter 2018	9 months 2019	9 months 2018
Wages and salaries	12,990	12,017	39,919	36,410
Social security taxes	4,130	3,915	12,746	11,839
Total staff costs	17,120	15,932	52,665	48,249
Average wages per employee per month (euros)	1,005	922	1,032	943
Average number of employees in the reporting period	4,308	4,343	4,296	4,288

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.

	III quarter 2019	III quarter 2018	9 months 2019	9 months 2018
Net profit (in thousands of euros)	10,900	9,869	17,073	18,914
Weighted average number of shares	40,729,200	40,729,200	40,729,200	40,729,200
Basic and diluted earnings per share (euros)	0.27	0.24	0.42	0.46

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 9 months 2019	Sales 9 months 2019	Purchases 9 months 2018	Sales 9 months 2018
Parent	209	42	262	3
Entities in the Parent's consolidation group	18,368	2,348	18,543	2,585
Members of management and supervisory boards	0	20	10	37
Other related parties	398	8	407	11
Total	18,975	2,418	19,222	2,636

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:

	30.09.2019	31.12.2018
Receivables from entities in the in the Parent's consolidation group (Note 4)	384	290
Members of management and supervisory boards (Note 3)	1	1
Other related parties (Note 4)	1	0
Total receivables from related parties	386	291
	30.09.2019	31.12.2018
Parent	19	19
Entities in the Parent's consolidation group	3,455	3,934
Other related parties	28	12
Total liabilities to related parties (Note 13)	3,502	3,965

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 nine months, the Group has not earned interest income on its deposits of available funds (2018: 0 euros).

As at 30 September 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 1,686 thousand euros (2018: 1,606 thousand euros). Short term benefits to supervisory boards' members of the Group in reporting period including social taxes amounted to 495 thousand euros (2018: 463 thousand euros).

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