

TALLINNA KAUBAMAJA GRUPP AS

Consolidated Interim Report for
the Fourth quarter and 12 months of 2020
(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 4,700 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 2020
End of financial year:	31 December 2020
Beginning of interim report period:	1 January 2020
End of interim report period:	31 December 2020
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 Käo (chairman of the supervisory board), Andres Järving, Enn Kunila, Gunnar Kraft and Meelis Milder. Members of Tallinna Kaubamaja Group supervisory board are elected for three years. The mandates of current supervisory board members Andres Järving, Jüri Käo, Enn Kunila, Meelis Milder and Gunnar Kraft will expire on 19 May 2021. During the period between the general meetings, the supervisory board plans actions of the company, organises management and accomplishes supervision over management actions. Regular supervisory board meetings are held at least 10 times in a year. In order to manage daily activities the supervisory board appoints member(s) of the management board of the Tallinna Kaubamaja Group in accordance with the Commercial Code. In order to elect a member of the management board, his or her consent is required. By the articles of association, a member of the management board shall be elected for a specified term of three years. Extension of the term of office of a member of the management board shall not be decided earlier than one year before the planned date of expiry of the term of office, and not for a period longer than the maximum term of office prescribed by the articles of association. Currently the management board of Tallinna Kaubamaja Group has one member. The term of office of the management board member Raul Puusepp was extended on 21 February 2020 and his term of office expires on 6 March 2023.

The law, the articles of association, decisions and goals stated by the shareholders and supervisory board are followed for managing the company. By Commercial Code, a resolution on amendment of the articles of association shall be adopted, if at least two-third of the votes represented at a general meeting is in favour. A resolution on amendment of the articles of association shall enter into force as of making of a corresponding entry in the commercial register. The 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.

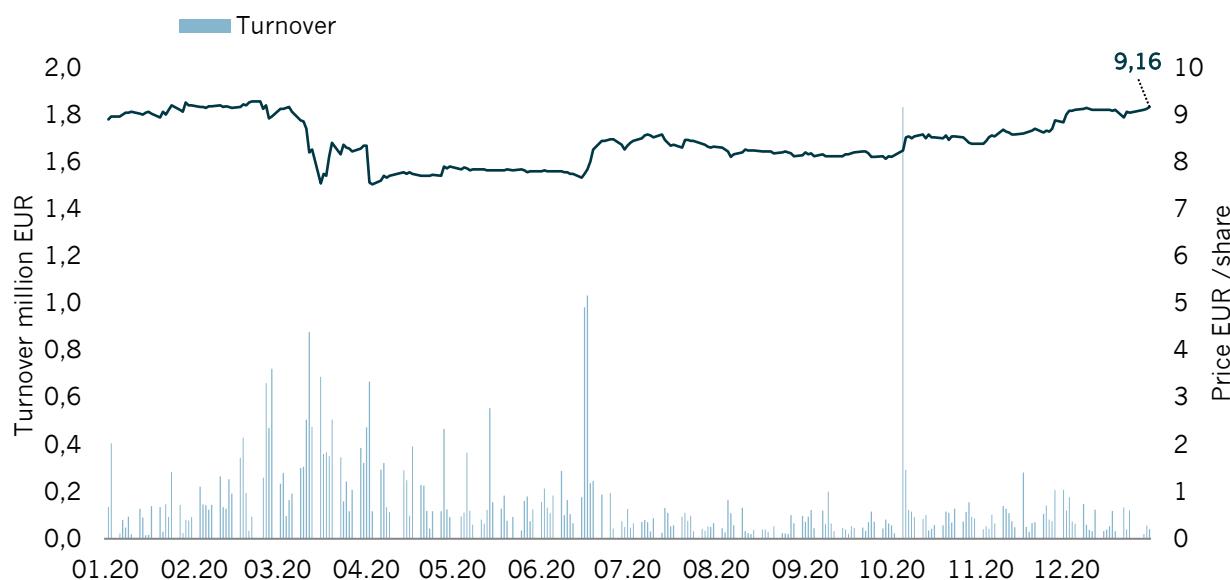
The share with a price of 8.90 euros at the end of 2019 was closed in the end of December 2020 at the level of 9.16 euros, increased by 2.92% in 12 months.

According to the notice of regular annual general meeting of the shareholders published on 25 February 2020, the management board proposed to pay dividends 0.73 euros per share. The general meeting of shareholders approved it.

Tallinna Kaubamaja Grupp AS

Share price and trading statistics on the Tallinn Stock Exchange from 01.01.2020 to 31.12.2020.

In euros



Company's structure

The following companies belong to the group as of December 31, 2020:

	Location	Shareholding as of 31.12.2020	Shareholding as of 31.12.2019
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%
TKM Finants AS	Estonia	100%	0%
Rävala Parkla AS	Estonia	50%	50%

Economic development

The Estonian economy has managed to cope with the effects of the coronavirus relatively well. In the third quarter of 2020, the gross domestic product decreased by 1.9% in comparison with the third quarter of the previous year, while the GDP of the entire euro area decreased by 4.3%. The greatest positive contribution to the Estonian economy in the third quarter came from financial and insurance activities, with the energy and agriculture sectors also doing well. Expectedly, the economy was impacted negatively by the accommodation and catering sectors, with real estate activities also decreasing. Expenses on groceries, home furnishings, and leisure goods increased in private consumption, as well as expenses on communications and health care. On the other hand, expenses on clothing, footwear, and transport decreased. According to the Bank of Estonia, an economic downturn of a total of 2.5% is expected in 2020. The consumer price index in Estonia declined by 1.1% in the fourth quarter. The prices of services and goods started to decrease in April and continued to drop until the end of the year. On average, prices dropped by 0.4% in 2020. One of the most important drivers of the decline in the consumer price index in Estonia was the drop in fuel prices, where the decrease in oil prices caused by global travel restrictions was accelerated further by a drop in the excise duty for diesel fuel in Estonia. The prices of food and non-alcoholic beverages rose, however. This segment saw a price increase of 0.8% in the fourth quarter and an increase of 2.1% in the year in total. The prices of food products have been increasing rapidly in the global market in the last few months, which may result in an accelerated price growth of food products in Estonia as well. The drop in the prices of clothing and footwear gathered pace in the second half of the year, reaching 1.1% in the fourth quarter; in total, however, the prices in this goods category increased by 0.1% over the year. In 2020, the prices related to leisure time increased most rapidly (3.4%). According to Statistics Estonia, the average gross salary grew by 3.2% in the third quarter of 2020 in a year-on-year comparison. According to the estimates of the Bank of Estonia, the growth of the average salary is expected to be 2.1% in 2020.

According to Statistics Estonia, the total sales revenue in current prices decreased by 5.2% in the first eleven months of 2020 in Estonia. Sales of motor vehicles and spare parts and accessories of motor vehicles showed the greatest decline, dropping throughout 2020 and decreasing by a remarkable 21.7% in eleven months. According to the Estonian Association of Car Dealers and Service Companies (AMTEL), 18,750 new passenger vehicles were sold in Estonia in 2020, which is 29.5% less than in 2019. The entire Baltic car market decreased by 21%. Retail sales in non-specialised stores (primarily foodstuffs) grew by 4.4% in eleven months of the year. Retail sales in other non-specialised stores decreased by 8.5%. The situation in the labour market, which has been deteriorating since April due to the restrictions, has significantly weakened consumer confidence.

Economic results

FINANCIAL RATIOS 2019–2020

	EUR		
	4 th quarter 2020	4 th quarter 2019	Change
Sales revenue (in millions)	201,3	192,6	4,5%
Operating profit/loss (in millions)	7,9	14,9	-47,0%
Net profit/loss (in millions)	8,0	14,7	-45,6%
Return on equity (ROE)	3,7%	6,7%	
Return on assets (ROA)	1,4%	2,9%	
Net profit margin	3,97%	7,63%	
Gross profit margin	26,66%	26,08%	
Quick ratio	0,80	0,96	
Debt ratio	0,63	0,57	
Sales revenue per employee (in millions)	0,042	0,046	
Inventory turnover	1,91	1,82	
SHARE			
Average number of shares (1000 pcs)	40,729,	40,729,	
Equity capital per share (EUR/share)	5,48	5,45	
Share's closing price (EUR/share)	9,160	8,900	
Earnings per share (EUR/share)	0,20	0,36	
Average number of employees	4,795,	4,204,	

	EUR		
	12 month 2020	12 month 2019	Change
Sales revenue (in millions)	741.9	717.2	3.4%
Operating profit/loss (in millions)	28.0	40.4	-30.7%
Net profit/loss (in millions)	19.5	31.8	-38.6%
Return on equity (ROE)	8.8%	14.2%	
Return on assets (ROA)	3.5%	6.8%	
Net profit margin	2.63%	4.43%	
Gross profit margin	24.97%	25.35%	
Quick ratio	0.80	0.96	
Debt ratio	0.63	0.57	
Sales revenue per employee (in millions)	0.163	0.168	
Inventory turnover	7.20	6.84	
SHARE			
Average number of shares (1000 pcs)	40,729	40,729	
Equity capital per share (EUR/share)	5.48	5.45	
Share's closing price (EUR/share)	9.160	8.900	
Earnings per share (EUR/share)	0.48	0.78	
Average number of employees	4,558	4,273	
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 fourth quarter of 2020, the consolidated unaudited sales revenue of Tallinna Kaubamaja Grupp was 201.3 million euros, which was 4.5% more than the sales revenue of the same period in 2019. The sales revenue in the twelve months was 741.9 million euros, showing a growth of 3.4% compared to the result of 2019, when the sales revenue was 717.2 million euros. In the fourth quarter of 2020, the Group's unaudited consolidated net profit was 8.0 million euros, which was 45.6% weaker than the profit of the comparable period in the previous year. The Group's net profit in 2020 was 19.5 million euros, which is 38.6% lower than the previous year. The pre-tax profit earned in twelve months was 24.0 million euros, showing a 36.4% decrease compared to last year.

The fourth quarter began in a relatively positive economic environment, but returned to caution due to a steep rise in the number of coronavirus cases in November. Stores have remained open, but the customers' purchasing behaviour has changed significantly compared to the year before. People visit stores less frequently, buy more during one visit, and their shopping carts are dominated by essential household goods. For the retail segments of the Group, this has meant a decline in the number of visits to the city centre stores, as well as a significant decrease in the sale of fashion goods, which is evident from the weaker results of the Kaubamaja department store and the footwear segment. On the other hand, the popularity of the Group's online stores has increased, with the sales volumes multiplied in 2020. The supermarket segment showed great growth, supported by the stores which were added by the acquisition of ABC Supermarkets AS in spring. In spite of the declined revenues, the car trade segment optimised its operations and was able to improve its profitability in the fourth quarter. The financial year has called for unexpected and rapid changes in the business operations, and the annual profit has been influenced by several one-time events or extraordinary expenses. Roughly, 1 million euros was spent to ensure the safety of customers and employees during the spread of the coronavirus. In the footwear segment, the value of the ABC King trademark acquired during the acquisition of stores, was written down by 0.5 million euros. In the real estate segment, the profit in the fourth quarter of 2020 was weaker in comparison with the previous year due to the sales revenue of 3.8

million euros earned from one sales transaction involving an immovable property in the end of 2019. Net profit decreased by 2.4 million euros because of the calculated loss from lease contracts in accordance with IFRS 16 (in 2019, the respective figure was 1.5 million euros). Net profit increased due to an income tax adjustment of 1.4 million euros in 2020, as well as 0.6 million euros retrospectively for 2019, which were brought about by changes in the calculation principles arising from the IFRS standards that entered into force in the financial year. Based on the standards, the income statement will now feature a calculated amount of income tax (see Note 1) instead of the actual amount of income tax paid from distributed profits, which was the standard in Estonia previously.

The most important development activities in the financial quarter included the transfer of the stores which had been operating under the Comarket trademark under the Selver ABC trademark, and developments in the picking and packing solutions of online stores. The production plant of Kulinaaria is being set up and the existing production plant is being renovated; renovations are expected to be completed in the beginning of 2021. Several developments have already been completed in the financial year. The Selver store in Võru was successfully moved to the new location in the Kagukeskus shopping mall in March. Selver fully renovated the Suurejõe Selver store in Pärnu and the Mustakivi Selver store in Tallinn. In Haapsalu, the sales area of the Rannarootsi Selver was expanded. In July, Selver opened a new store at the WOW mall in Saaremaa. In the third quarter, the footwear segment opened online stores of ABC KING and SHU. E-Selver expanded its home delivery services to Ida-Viru County, Jõgeva County, and Põlva County. By the end of the year, the service area of e-Selver covered twelve of the fifteen Estonian counties. In the car trade segment, the showroom in Tallinn was renovated into a modern Peugeot showroom and service centre and a separate bodyworks building was opened with the most modern equipment in the Baltic region.

As at 31 December 2020, the volume of the assets of Tallinna Kaubamaja Group was 597.3 million euros – an increase of 31.7 million euros or 7.5% compared to the results at the end of 2019 without the impact of IFRS 16. The balance sheet of the Group was impacted by a revaluation of the land and buildings, as a result of which the value of the fixed assets of the Group increased by 11.2 million euros. The same amount was added to the equity revaluation reserve.

At the end of the reporting period, the number of loyal customers was more than 694,000, which is 1.8% more than the year before. The proportion of loyal customers in the Group's turnover was 86.7% (in 2019, it was 85.0%). In July, the Group launched a new functionality of the Partnerkaart loyalty card called 'Kuukaart' or 'Monthly Card', which enables the customers to pay for purchases made in the Group's retail stores within one month by a monthly invoice. The Monthly Card is especially convenient for making purchases from the online stores of the Group where the customer can skip several bothersome authorisation stages in paying for their purchases.

Selver supermarkets

The consolidated sales revenue of the supermarkets business segment was 524.4 million euros in 2020, increasing by 11.7% in comparison with last year. The consolidated sales revenue was 143.4 million euros in the fourth quarter of 2020, increasing by 16.6% in comparison with the same period of last year. Disregarding the ABC Supermarket stores which were added, the growth of fourth quarter of the segment amounted to 7.0%. In 2020, the monthly average sales revenue of goods per square metre of selling space was 0.39 thousand euros, increasing by 3.2% compared to last year. In the fourth quarter, same indicator per square metre was 0.41 thousand euros, increasing by 2.0% compared to the same period last year. The average sales revenue per square metre of selling space of comparable stores was 0.40 thousand euros in 2020 and 0.42 thousand euros, on average, in the fourth quarter of 2020, growing by 5.2% and 4.2% respectively, compared to the year before. In 2020, 40.8 million purchases were made from the stores, which was 1.1% higher than in the reference year.

In the fourth quarter of 2020, the pre-tax profit was 3.5 million euros, dropping by 2.1 million euros in comparison with the same period the year before. The consolidated pre-tax profit of the segment was 15.5 million euros in 2020, decreasing by 2.5 million euros in comparison with the year before; the net profit was 14.0 million euros, decreasing by 2.0 million euros compared to the year before. As of 1 June, the results of the supermarket segment include the results of ABC Supermarkets, which was acquired by a purchase transaction in spring. The profit was earned thanks to the increased sales revenue, the investments made in increasing the efficiency of daily processes, and the warmer beginning to the winter, which enabled saving on administrative expenses. In the first quarter, the SelveEkspress service was expanded to all Selver stores which had been opened by that point, which had a positive effect on the labour efficiency. The economic results have been significantly impacted by the emergency situation which was established due to COVID-19 in spring, which considerably increased the company's expenses on personal protective equipment and reshaped the customers' purchase behaviour and consumption habits. The spread of the virus has steeply increased the demand in the area of e-commerce. The results of 2020 were also influenced by the one-time expenses which were related to the purchase transactions of ABC Supermarkets, as well as by the one-time expenses on the renovation of the stores.

In the financial year, Selver thoroughly renovated the Suurejõe Selver store in Pärnu and the Merimetsa and Mustakivi Selver stores in Tallinn. The stores were closed to customers during the renovation works. The sales area of the Rannarootsi Selver in Haapsalu was expanded. In Võru, Selver moved to new premises at the Kagukeskus shopping mall. In July, Selver opened a new store at the WOW mall in Saaremaa. Due to the emergency situation, the Sepapaja Selver and the Puhvet café at the Kadaka Selver were temporarily closed. The assembly and delivery volumes of e-Selver have been growing rapidly. The e-Selver service area includes all of Harju and Tartu County, Hiiu County, Saare County, Järva County, Rapla County, Lääne County, Jõgeva County, Põlva County, Lääne-Viru County, Ida-Viru County, and a large part of Pärnu County and Lääne County. The e-commerce volume of Selver increased 2.5 times in the year. In the second quarter, Selver acquired the shares of ABC Supermarkets. By the acquisition, Selver improved the availability of its service via a wider network of stores, and thereby increased its market share. The process of transferring Comarket stores under the trademark of Selver ABC was launched in October, which was accompanied by one-time expenses on equipment and inventory, as well as by closing the stores for customers for a few days. Selver ABC is a new format of small stores which was created by Selver in 2020. Nine former Comarket stores were opened as Selver ABC stores in the fourth quarter.

In the first quarter of 2021, Selver will complete the process of transferring the stores which are operating under the trademark of Comarket under the Selver ABC trademark. Development of the field of e-commerce remains in focus.

As at the end of the year, the supermarkets segment includes the Selver store chain with 54 Selver stores, 9 Selver ABC stores, 7 Comarket stores, 2 Delice stores, the Solaris grocery store, e-Selver, the mobile store, and a café, with a total selling space of 114,500 m², as well as the central kitchen of Kulinaaria OÜ.

Department stores

In 2020, the Kaubamaja department stores business segment earned a sales revenue of 88.1 million euros, which is 14.3% less than previous year. The average sales revenue of the Kaubamaja department stores per square metre of selling space was 0.3 thousand euros per month in the twelve months, which is 17.3% lower than in the same period last year. In the fourth quarter, the sales revenue of the Kaubamaja department stores was 29.5 million euros, which is 7.7% lower in comparison with the same result of the year before. The pre-tax profit of the Kaubamaja department stores in 2020 was 1.0 million euros, showing a decrease of 70.9% in the year-on-year comparison. In the fourth quarter, the pre-tax profit of the Kaubamaja department stores was 1.7 million euros, which is 26.7% lower in comparison with the same result of the year before.

The sales result of the Kaubamaja department stores in 2020 was influenced by the emergency situation declared by the Government of the Republic of Estonia due to the pandemic in the first quarter, which resulted in a decrease in the number of visitors to the Kaubamaja department stores from the middle of March. On 27 March, the Government of the Republic of Estonia ordered the closing of all shopping malls and Kaubamaja also closed all selling spaces of manufactured goods in Tallinn and Tartu. Only the grocery stores remained open. The department stores were fully reopened on 11 May. In the fourth quarter, when Estonia was hit by the second wave of the coronavirus, shopping centres remained open, but the number of visitors decreased considerably.

The spread of the virus has significantly changed customers' purchase behaviour. Even more value is placed on quality and such products are sought and purchased. Customers have remained more modest in purchasing fashion goods, but household goods have been very popular. Redesigned Kodumaailm with a new concept was opened in the department store in Tallinn in autumn, which had a positive impact on the sales results. Kodumaailm achieved its best result in the last ten years in 2020. Ilumaailm's 'Ilu Aeg' campaign in autumn was the most successful in recent years. On the other hand, due to its central location, Tallinna Kaubamaja has been strongly affected by the significantly lower number of tourists, the lower number of people working in the offices in the city centre, as well as the general decline in the visitation of the city centre, especially in the summer period, which has had a negative impact on the sales result of the 2020. The online store of Kaubamaja grew by 123% in the year, but this has failed to compensate for the decline in the sales of the physical department stores.

In the fourth quarter of 2020, the sales revenue of OÜ TKM Beauty Eesti, which operates I.L.U. cosmetics stores, was 1.7 million euros, which is 4.2% more than in the same period of 2019. The profit in the fourth quarter was 0.1 million euros, which was 33.0% higher than the profit in the comparable period in 2019. The sales revenue of 2020 was 5.0 million euros, which is 0.8% more than 2019. The profit of 2020 was 0.1 million euros, which is 0.2 million euros more than in the 2019. Key activities of 2020 were updating the product selection, development of the sales and service processes of the online store, and active digital marketing. The COVID-19 crisis had a negative impact on the customer flows and sales results of the stores in shopping malls, but the remarkable growth of the online store enabled to finish the year with expected results.

Car trade

The sales revenue of the car trade segment was 117.6 million euros in 2020, which was 9.8% less than the sales revenue of 2019. The sales revenue for KIAs decreased by 31.1%. The sales revenue of 25.1 million euros of the fourthly quarter of 2020 was 25.2% less than the sales revenue of the same period in the year before, whereas the sales revenue for KIAs decreased by 39.7%. Throughout twelve months, a total of 4,846 new vehicles were sold, 952 of them in the fourth quarter. The net profit of the segment in 2020 was 1.8 million euros, which was 1.5 million euros less than the profit of the year before. The pre-tax profit of the segment in 2020 was 2.2 million euros, which is 1.9 million euros less than the profit of 2019. The pre-tax profit of the fourth quarter of 2020 was 0.4 million euros, which is 0.1 million euros more than the profit of the same period of the year before.

Car supply chain disruptions have hampered the delivery of new vehicles, resulting in a decline in the Group's automotive sales in the fourth quarter. Sales were possible to some extent thanks to the stock in trade, which had, however, been below the normal level throughout all of 2020. The result of the car trade segment was improved by follow-up services, i.e. by vehicle maintenance and repair services, where the turnover increased. The investments and changes made in the course of 2020 were finalised and launched. The showroom at 51 Tammsaare tee in Tallinn was reorganised into a new, modern showroom and service centre and a new separate bodyworks department was opened. Another success which can be highlighted is the fact that the Škoda business in Riga had been launched as planned by the end of the year, in spite of the complicated year. The factories and importers are hoping to resume the deliveries of new vehicles in 2021.

Footwear trade

The sales revenue of the footwear segment was 6.7 million euros in 2020, which is 24.4% less than in 2019. The loss of 2020 was 2.5 million euros, which is 1.3 million euros more than in the year before. Writing down of the value of the ABC King brand influenced the result in the extent of 0.5 million euros. In the fourth quarter, the sales revenue was 1.9 million euros, which is 28.4% less than during the same period in 2019. The loss in the fourth quarter was 0.8 million euros.

The results of 2020 were significantly affected by the coronavirus crisis and the modest customer flows in the shopping centres resulting from said crisis, as well as by a general lower interest in fashion goods. The SHU store in Haapsalu was closed in September, while the SHU store in Jõhvi was moved to another location, which has more perspective. Taking into consideration the changes in consumer behaviour and the development of e-commerce, online stores of ABC KING and SHU were developed and opened to customers in the middle of September.

Real estate

The sales revenue earned in the real estate segment outside the Group was 5.1 million euros in 2020. Sales revenue decreased by 11.2% in comparison with the previous year. The sales revenue earned in the segment outside the Group was 1.4 million euros in the fourth quarter. During the reference period, sales revenue decreased by 5.6%. The pre-tax profit earned in the real estate segment was 10.1 million euros in 2020. Compared to the reference period, profit decreased by 31.0%. The pre-tax profit of the segment in the fourth quarter was 2.6 million euros, which is 60.2% less than during the same period in 2019. The main reason for the decline in profit was the one-time sales revenue from the sale of an immovable property with residential property development potential in Tallinn in the end of 2019 reported in the reference data.

The sales revenue earned in the segment outside the Group decreased by 19% in the first six months due to the emergency situation declared by the Government of the Republic of Estonia and due to the 1.5-month compulsory closure of department stores. In the second half of the year, however, the sales revenue recovered and the sales revenue earned in the segment outside the Group only dropped by 3%. As a responsible and caring lessor, the segment has been flexible in its rental relationships. The lockdown period had a greater effect on the Tartu Kaubamaja shopping centre, where the attendance of the mall decreased by 27% over the year. The emergency situation only had a short-term effect on the Viimsi shopping centre and the attendance of the centre decreased by less than 10% over the year. The success of the centres arises from rapid implementation of the measures to stop the spread of the virus. Measures were immediately taken to ensure the safety of both customers and employees. Within the segment, the Latvian real estate company improved its results. The company is renting a new, fully functional Škoda showroom, which is the most modern in Eastern Europe, and a used vehicle showroom to the car trade segment of the Group in Riga. The annual evaluation of the fair value of the real estate investments which was conducted at the end of year did not have a significant impact on the profit of the segment.

The coronavirus epidemic will continue to affect the results of the lessees of the shopping centres in the first half of 2021. As the economic impact of the epidemic is not yet clear, the volumes of and schedule for future developments will be adjusted as and when needed.

Personnel

The average number of employees in the Tallinna Kaubamaja Group in 2020 was 4,558, showing an increase of 6.7% compared to the same period in 2019. Total labour costs (cost of wages and social tax) amounted to 78.3 million euros in 2020, having grown by 7.1% compared to the same period in 2019. In the fourth quarter, the labour costs increased by 12.6% compared to the year before, while the average number of employees increased by 14.0%. The average monthly wage costs per employee decreased by 1.6% in the fourth quarter; the overall annual increase was 0.4%.

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.



Raul Puusepp
Chairman of the Management Board

Tallinn, 21 January 2021

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT BOARD'S CONFIRMATION TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Chairman of the Management Board confirms the correctness and completeness of Tallinna Kaubamaja Grupp AS condensed consolidated interim financial statements (unaudited) for the period of the Fourth quarter and 12 months of 2020 as set out on pages 13 - 37.

The Chairman of the Management Board confirms that:

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



Raul Puusepp
Chairman of the Management Board

Tallinn, 21 January 2021

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros

	Note	31.12.2020	31.12.2019 adjusted	01.01.2019 adjusted
ASSETS				
Current assets				
Cash and cash equivalents	2	32,757	40,629	37,235
Trade and other receivables	3	15,894	16,904	16,093
Inventories	5	77,334	78,305	78,212
Total current assets		125,985	135,838	131,540
Non-current assets				
Long-term trade and other receivables	8	335	114	113
Investments in associates	7	1,712	1,721	1,738
Investment property	9	60,347	60,458	59,866
Property, plant and equipment	10	388,757	319,192	212,687
Intangible assets	11	20,148	4,990	5,133
Total non-current assets		471,299	386,475	279,537
TOTAL ASSETS		597,284	522,313	411,077
LIABILITIES AND EQUITY				
Current liabilities				
Borrowings	12	49,402	46,448	26,002
Trade and other payables	13	102,841	89,831	90,775
Deferred tax liabilities	1,15	4,408	5,821	6,452
Total current liabilities		156,651	142,100	123,229
Non-current liabilities				
Borrowings	12	217,349	157,876	68,313
Provisions for other liabilities and charges		277	322	370
Total non-current liabilities		217,626	158,198	68,683
TOTAL LIABILITIES		374,277	300,298	191,912
Equity				
Share capital	15	16,292	16,292	16,292
Statutory reserve capital		2,603	2,603	2,603
Revaluation reserve		102,630	93,496	95,587
Currency translation differences		-149	-149	-149
Retained earnings		101,631	109,773	104,832
TOTAL EQUITY		223,007	222,015	219,165
TOTAL LIABILITIES AND EQUITY		597,284	522,313	411,077

The notes presented on pages 18 to 37 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

In thousands of euros

	Note	IV quarter 2020	IV quarter 2019 adjusted	12 months 2020	12 months 2019 adjusted
Revenue	16	201,253	192,614	741,938	717,223
Other operating income		309	4,431	1,285	5,113
Cost of sales	5	-147,608	-142,372	-556,712	-535,410
Other operating expenses	17	-12,647	-11,435	-44,009	-41,917
Staff costs	18	-23,016	-20,448	-78,301	-73,113
Depreciation, amortisation and impairment losses	10, 11	-9,888	-7,685	-35,137	-30,743
Other expenses		-523	-233	-1,057	-715
Operating profit		7,880	14,872	28,007	40,438
Finance income		1	0	2	1
Finance costs		-1,272	-767	-4,239	-2,982
Finance income on shares of associates	7	20	29	191	203
Profit before tax		6,629	14,134	23,961	37,660
Income tax expense	1,15	1,361	561	-4,462	-5,892
NET PROFIT FOR THE FINANCIAL YEAR		7,990	14,695	19,499	31,768
Other comprehensive income:					
<i>Items that will not be subsequently reclassified to profit or loss</i>					
Revaluation of land and buildings	10	11,225	0	11,225	0
Other comprehensive income for the financial year		11,225	0	11,225	0
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		19,215	14,695	30,724	31,768
Basic and diluted earnings per share (euros)	19	0.20	0.36	0.48	0.78

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

The notes presented on pages 18 to 37 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

In thousands of euros

	Note	12 months 2020	12 months 2019 adjusted
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit		19,499	31,768
<i>Adjustments:</i>			
Interest expense		4,239	2,982
Interest income		-2	-1
Deferred tax liabilities	1,15	4,408	5,821
Depreciation, amortisation	10, 11	34,848	30,632
Gain from fair value adjustment of investment property	9	311	-359
Loss on write-off of non-current assets	10	289	111
Profit on sale of non-current assets	10	-26	-3,849
Effect of equity method	7	-191	-203
Change in inventories		3,805	-287
Change in receivables and prepayments related to operating activities		1,611	-812
Change in liabilities and prepayments related to operating activities		4,456	-997
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		73,247	64,806
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment (excl. finance lease)	10	-27,554	-22,598
Proceeds from sale of property, plant and equipment	10	85	5,597
Purchase of investment property	9	-210	-111
Proceeds from sale of investment property	9	10	0
Purchase of intangible assets	11	-787	-585
Purchase of shares of subsidiary	6	-14,099	0
Dividends received	7	200	220
Interest received		2	1
TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES		-42,353	-17,476
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	12	39,292	25,246
Repayments of borrowings	12	-18,156	-25,652
Change in overdraft balance	12	-4,490	9,785
Repayments of lease liabilities	12	-15,628	-14,970
Interest paid on lease liabilities	12	-2,882	-2,031
Dividends paid	15	-29,731	-28,917
Income tax on dividends	15	-5,821	-6,452
Interest paid		-1,350	-945
TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES		-38,766	-43,936
TOTAL CASH FLOWS		-7,872	3,394
Cash and cash equivalents at the beginning of the period	2	40,629	37,235
Cash and cash equivalents at the end of the period	2	32,757	40,629
Net change in cash and cash equivalents		-7,872	3,394

The notes presented on pages 18 to 37 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

In thousands of euros

	Share capital	Statutory reserve capital	Revaluation reserve	Currency translation differences	Retained earnings	Total
Balance as of 31.12.2018	16,292	2,603	95,587	-149	111,284	225,617
Balance as of 01.01.2019	16,292	2,603	95,587	-149	111,284	225,617
Adjustment on the adoption of IFRS 16	0	0	0	0	0	0
Adjustment on adoption deferred tax liabilities					-6,452	-6,452
Balance as of 01.01.2019 restated	16,292	2,603	95,587	-149	104,832	219,165
Net profit for the reporting period	0	0	0	0	31,768	31,768
Total comprehensive income for the reporting period	0	0	0	0	31,768	31,768
Reclassification of depreciation of revalued land and buildings	0	0	-2,091	0	2,091	0
Dividends paid	0	0	0	0	-28,918	-28,918
Balance as of 31.12.2019	16,292	2,603	93,496	-149	109,773	222,015
Net profit for the reporting period	0	0	0	0	19,499	19,499
Revaluation of land and buildings	0	0	11,225	0	0	11,225
Total comprehensive income for the reporting period	0	0	11,225	0	19,499	30,724
Reclassification of depreciation of revalued land and buildings	0	0	-2,091	0	2,091	0
Dividends paid	0	0	0	0	-29,732	-29,732
Balance as of 31.12.2020	16,292	2,603	102,630	-149	101,631	223,007

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

The notes presented on pages 18 to 37 form an integral part of these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM ACCOUNTS

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

General Information

Tallinna Kaubamaja Grupp AS ('the Company') and its subsidiaries (jointly 'Tallinna Kaubamaja Group' or 'the Group') are companies engaged in rendering services related to retail sale and rental activities in Estonia, Latvia and Lithuania. Tallinna Kaubamaja Grupp AS is a company registered on 18 October 1994 in the Republic of Estonia with the legal address of Kaubamaja 1, Tallinn. The shares of Tallinna Kaubamaja Grupp AS have been listed on the NASDAQ OMX Tallinn Stock Exchange since 1996. 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 2019. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

The 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 fourth quarter and 12 months of 2020 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 IAS 12, Income tax for the first time starting from 01.01.2019. The effect from application of IAS 12 on the Group's financial statements as at 01.01.2019 is described below.

Company income tax and deferred income tax

Deferred income tax is recognised in case of temporary differences between the group's carrying amounts of assets and liabilities and their tax bases (the tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes).

Pursuant to the laws of the Republic of Estonia, an enterprise's profit of the accounting year is not taxable in Estonia. The obligation to pay company income tax arises upon distribution of profit and it is recognised as an expense (in the profit or loss for the period) when dividends are declared. Due to the nature of the taxation system, no deferred income tax assets or liabilities arise in enterprises registered in Estonia, except for possible deferred income tax liabilities related to an enterprise's investments in subsidiaries, associate and joint undertaking, and branches.

Deferred income tax liability arises for the group in countries where the enterprise's reporting year profit is taxable. For the group, deferred income tax liability also arises in respect to investments in an Estonian and Latvian subsidiary and associate undertaking, except for if the group is able to control the timing of the reversal of the taxable temporary differences and it is probable that the reversal will not occur in the foreseeable future. Examples of taxable temporary reversals are the payment of dividends, the sale or liquidation of an investment, and other transactions.

The group has control over the dividend policy of subsidiaries and is able to control the timing of the reversal of the temporary differences in respect to the relevant investment. If the parent company has decided not to divide the subsidiary's profit in the foreseeable future, it does not recognise the deferred income tax liability. If the parent company assesses that the dividend will be paid in the foreseeable future, the deferred income tax liability is measured to the extent of the planned dividend payment provided that as at the reporting date, there are sufficient funds to pay the dividend and owner's equity on account of which to divide profit in

foreseeable future.

The group measures deferred income tax liability using the tax rates valid on the reporting date that are expected to apply to the taxable temporary differences of the period in which the temporary differences are expected to reverse.

In Estonia, the valid company income tax rate is 20 per cent (the payable tax amount is 20/80 of the net payment). From 2019, a lower tax rate is applied to regularly payable dividends – 14% (14/86 of the net payment). The lower tax rate can be applied every calendar year on dividend payments and other profit distributions to the extent that does not exceed the average amount of taxable paid dividends and other profit distributions of the previous three calendar years and taxable payments from the owner's equity.

The group has recognised the change in the accounting policy retroactively.

Effect of the adjustment on the financial statements

in thousands of euros

	31.12.2020	01.01.2019
Effect of deferred tax adjustment on retained earnings	+631	-6,452
Effect of deferred tax adjustment on liabilities in the balance sheet	+5,821	+6,452
Total impact on retained earnings as at 31.12.2019	-5,821	0

Note 2. Cash and cash equivalents

in thousands of euros

	31.12.2020	31.12.2019
Cash on hand	1,034	1,155
Bank accounts	30,346	38,257
Cash in transit	1,377	1,217
Total cash and cash equivalents	32,757	40,629

Note 3. Trade and other receivables

in thousands of euros

	31.12.2020	31.12.2019
Trade receivables (Note 4)	14,196	13,455
Other receivables from related parties (Note 20)	3	0
Other short-term receivables	163	385
Total financial assets from balance sheet line “Trade and other receivables”	14,362	13,840
Prepayment for goods	598	2,190
Other prepaid expenses	893	837
Prepaid rental expenses	7	6
Prepaid taxes (Note 14)	34	31
Total trade and other receivables	15,894	16,904

Note 4. Trade receivables

in thousands of euros

	31.12.2020	31.12.2019
Trade receivables	11,313	10,629
Allowance for doubtful receivables	-11	-10
Receivables from related parties (Note 20)	319	361
Credit card payments	2,575	2,475
Total trade receivables	14,196	13,455

Note 5. Inventories

in thousands of euros

	31.12.2020	31.12.2019
Goods purchased for resale	76,549	77,156
Raw materials and materials	785	1,149
Total inventories	77,334	78,305

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

	IV quarter 2020	IV quarter 2019	12 months 2020	12 months 2019
Write-down and write-off of inventories	2,911	2,460	9,884	9,358
Inventory stocktaking deficit	868	805	2,943	2,538
Total materials and consumables used	3,779	3,265	12,827	11,896

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 31.12.2020	Year of acquisition or foundation
Selver AS	Estonia, Tallinn	Retail trade	100%	1996
Tallinna Kaubamaja Kinnisvara AS	Estonia, Tallinn	Real estate management	100%	1999
Tartu Kaubamaja Kinnisvara OÜ	Estonia, Tartu	Real estate management	100%	2004
SIA TKM Latvija	Latvia, Riga	Real estate management	100%	2006
TKM Auto OÜ	Estonia, Tallinn	Commercial and finance activities	100%	2007
KIA Auto AS	Estonia, Tallinn	Retail trade	100%	2007
Forum Auto SIA	Latvia, Riga	Retail trade	100%	2007
KIA Auto UAB	Lithuania, Vilnius	Retail trade	100%	2007
TKM Beauty OÜ	Estonia, Tallinn	Retail trade	100%	2007
TKM Beauty Eesti OÜ	Estonia, Tallinn	Retail trade	100%	2007
TKM King AS	Estonia, Tallinn	Retail trade	100%	2008
Kaubamaja AS	Estonia, Tallinn	Retail trade	100%	2012
Kulinaaria OÜ	Estonia, Tallinn	Centre kitchen activities	100%	2012
Viking Motors AS	Estonia, Tallinn	Retail trade	100%	2012
Viking Security AS	Estonia, Tallinn	Security activities	100%	2014
UAB TKM Lietuva	Lithuania, Vilnius	Real estate management	100%	2017
Verte Auto SIA	Latvia, Riga	Retail trade	100%	2017
TKM Finants AS	Estonia, Tallinn	Commercial and finance activities	100%	2020

Business combinations in 2020:

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

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

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

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

in thousands of euros	Fair value
Cash and cash equivalents	811
Other receivables and assets	9,801
Non-current assets	3,697
Goodwill (Note 11)	13,609
Trademark (Note 11)	1,911
Liabilities	-6,978
Total identifiable assets	22,851
Cost of ownership interest	22,851
Paid for ownership interest in cash	14,910
Payable in future for the ownership interest in cash	1,641
Cash and cash equivalents in the acquired entity	-811
Total cash effect on the Group	-15,740

Goodwill at value of 13,609 thousand euros and trademark 1,911 thousand euros was acquired (Note 11).

From acquisition date till merger on 31 September 2020 ABC Supermarkets AS earned net profit of 661 thousand euros and revenues amounted to 17,920 thousand euros. If the acquisition of ABC Supermarkets AS by the Group had happened at the beginning of the year then group revenues would have been higher by 21,875 thousand euros and net profit higher by 54 thousand euros.

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

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

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

In 2019, there were no business combinations.

Note 7. Investments in associates
in thousands of euros

Tallinna Kaubamaja Group has ownership of 50% (2019: 50%) interest in the entity AS Rävala Parkla which provides the services of a parking house in Tallinn.

	31.12.2020	31.12.2019
Investment in the associate at the beginning of the year	1,721	1,738
Profit for the reporting period under equity method	191	203
Dividends received	-200	-220
Investment in the associate at the end of the accounting period	1,712	1,721

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

	31.12.2020	31.12.2019
Current assets	111	68
Non-current assets	3,446	3,483
Current liabilities	133	109
	IV quarter 2020	IV quarter 2019
Revenue	135	132
Net profit	41	58
	12 months 2020	12 months 2019
	534	575
	388	406

Note 8. Long-term trade and other receivables

in thousands of euros

	31.12.2020	31.12.2019
Prepaid rental expenses	269	53
Deferred tax asset	31	26
Other receivables	35	35
Total long-term trade and other receivables	335	114

Note 9. Investment property

in thousands of euros

Carrying value as at 31.12.2018	59,866
Reclassification (Note 10)	111
Disposal	122
Net gain from fair value adjustment	359
Carrying value as at 31.12.2019	60,458
Purchases and improvements	210
Disposal	-10
Net gain from fair value adjustment	-311
Carrying value as at 31.12.2020	60,347

Investment properties comprise immovables improved with retail property and constructions in progress.

Retail property (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 the retail property is classified as investment property, as the Group maintains it for earning rental income. In 2018, three objects in Latvia were reclassified as investment property, these are properties with commercial buildings, which the Group maintains predominantly for earning rental income.

In 2020 year, renovation work was carried out for Tartu Kaubamaja in the amount of 207 thousand euros (2019: 105 thousand euros) and renovation work carried out for Viimsi Centre amounted to 3 thousand euros (2019: 6 thousand euros).

In 2019 year, renovation in the amount of 122 thousand euros was reclassified from property, plant and equipment to investment property.

As a result of the valuation in 2020 in Estonia, the fair values of investment property decreased in the amount of 402 thousand euros. As a result of the valuation in 2019 in Estonia, the fair values of investment property increased in the amount of 456 thousand euros. As a result of the valuation in 2020 in Latvia, the fair values of investment property increased in the amount of 91 thousand euros. As a result of the valuation in 2019 in Latvia, the fair values of investment property decreased in the amount of 97 thousand euros.

Net fair value adjustment of investment property is recorded in the income statement line "Other operating expenses" in the amount of 311 thousand euros in 2020. Net fair value adjustment of investment property is recorded in the income statement line "Other operating income" in the amount of 359 thousand euros in 2019.

Note 10. Property, plant and equipment

in thousands of euros

	Land and buildings	Right-of use-assets: retail properties	Machinery and equipment	Other fixtures and fittings	Construction in progress and prepayments	Total
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	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	2,274	0	4,054	5,844	10,426	22,598
Addition to right-of use-assets	0	6,709	0	0	0	6,709
Reclassification among property, plant and equipment groups	6,676	0	0	1	-6,677	0
Reclassification to investment property (Note 9)	0	0	0	0	-122	-122
Reclassification to inventory	0	0	-351	0	0	-351
Reclassification to property, plant and equipment from inventory	0	0	541	0	2	543
Disposals	-4	0	-20	-4	-1,720	-1,748
Write-offs	-18	0	-25	-68	0	-111
Termination of right-of use-assets	0	-391	0	0	0	-391
Depreciation	-5,039	-16,474	-3,777	-4,614	0	-29,904
31.12.2019						
Cost or revalued amount	179,243	115,574	43,321	43,541	27,940	409,619
Accumulated depreciation and impairment	-4,778	-16,448	-30,140	-29,381	-9,680	-90,427
Carrying value	174,465	99,126	13,181	14,160	18,260	319,192
Changes occurred in 2020						
Purchases and improvements	3,730	0	10,837	6,672	6,315	27,554
Acquired through business combinations (Note 6)	249	0	2,109	530	8	2,896
Addition to right-of use-assets	0	62,212	0	0	0	62,212
Reclassification among property, plant and equipment groups	1,889	0	0	0	-1,889	0
Reclassification from intangible assets (Note 11)	0	0	-499	1,068	-10	559
Reclassification to inventory	0	0	-485	0	0	-485
Reclassification to property, plant and equipment from inventory	0	0	485	0	6	491
Disposals	-4	0	-54	-1	0	-59
Write-offs	-38	0	-81	-170	0	-289
Termination of right-of use-assets	0	-920	0	0	0	-920
Decrease/increase in value through profit or loss	425	0	0	0	114	539
Increase in value through revaluation reserve	11,225	0	0	0	0	11,225
Depreciation	-5,562	-18,069	-4,866	-5,661	0	-34,158
31.12.2020						
Cost or revalued amount	186,379	176,459	51,760	49,562	32,084	496,244
Accumulated depreciation and impairment	0	-34,110	-31,133	-32,964	-9,280	-107,487
Carrying value	186,379	142,349	20,627	16,598	22,804	388,757

The cost of investments for the 2020 year amounted to 28,341 thousand euros (including purchases of property, plant and equipment in the amount of 27,554 thousand euros and purchases of intangible assets amounted to 787 thousand euros).

The cost of purchases of property, plant and equipment made in reporting period in the supermarkets business segment was 22,057 thousand euros. In the reporting period, computing technology for SelveEkspress self-service cashers were purchased. New project of transition to digital price tags in Selver stores started, also were renewed store fittings. Suurejõe Selver, Rannarootsi Selver and Mustakivi Selver were renovated. In Võru was opened south-eastern Estonia the most modern supermarket, Vilja Selver that also moved to new location. In Saaremaa was opened second store of Selver, WOW Selver. In the current period, transfer of Comarket stores under Selver trademark started and new investments for Selver e-store were made in order to expand service availability in home delivery. Continued construction of AS Selver subsidiary's Kulinaaria OÜ new production building and renovation of current production building. As a result, the production capacity will grow twice and machinery will be completely renewed.

The cost of purchases of property, plant and equipment in the business segment of department stores amounted to 2,864 thousand euros. Tallinna Kaubamaja Grupp AS subsidiary Viking Security AS is entering into money collection market and for this purpose armoured cash vehicles and computer technology was purchased. In the reporting period, in Kaubamaja department stores renovation work were carried out. Tallinna Kaubamaja Home Department was renewed and store fittings and computing technology was purchased.

The cost of purchases of property, plant and equipment in the car trade business segment was 1,822 thousand euros in the car trade business segment. In the reporting period, reconstruction work for car showroom were carried out, garage equipment was renewed and equipment for the most modern East Europe Škoda resale centre were purchased.

The cost of purchases of property, plant and equipment in the reporting period in the footwear segment was 43 thousand euros.

The cost of purchases of property, plant and equipment in the real estate business segment amounted to 768 thousand euros. In the reporting period the renovation work were carried out for shopping centres.

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

At the year-end 2020, the fair value of "Land and buildings" and recoverable amount of "Construction in progress" was assessed. The fair values of "Land and buildings" and the recoverable amounts of buildings under construction (based on the value in use) were determined based on management's judgment, using the estimates of certified independent real estate experts for determining the inputs to be used or the fair value of the items. The discounted cash flow model and market data (comparable transactions, rental income, etc.) were both used for determining fair values as well as recoverable amounts.

The discount rates used for estimation of "Land and Buildings" located in Estonia were 8.0% - 11.5% (2019: 8.0% - 11.5%) depending on the location of the property and the rental growth rates were 1.0% - 2.0% (2019: 1.0% - 2.5%). For the purpose of estimating the value of "Land and buildings", the rental agreements in force have been used for determining the input of the rental price, which management believes correspond to the market conditions. As a result of the revaluation in 2020 the value of "Land and buildings" located in Estonia increased by 10,175 thousand euros which was recognized through revaluation reserve. As a result of the revaluation in 2019 the value of "Land and buildings" located in Estonia was adjusted neither upwards nor downwards.

The discount rates used for estimation of "Land and Buildings" located in Latvia were 8.5% - 10% (2019: 8.5% - 10.0%) and the rental growth rates were 2.5% (2019: 1.0% - 2.5%). As a result of the revaluation in 2020 the value of "Land and buildings" located in Latvia increased by 1,050 thousand euros which was recognized through revaluation reserve and increase in value was recognized through profit and loss in the amount of 425 thousand euros. As a result of the revaluation in 2019 the value of "Land and buildings" located in Latvia was adjusted neither upwards nor downwards.

As a result of the revaluation in 2020 and 2019 the value of "Land and buildings" located in Lithuania was adjusted neither upwards nor downwards.

The value of "Construction in progress" located in Estonia was adjusted neither upwards nor downwards in 2020 and 2019.

The value of "Construction in progress" located in Latvia increased by 114 thousand euros and was recognized through profit and loss. In 2019 the value of "Construction in progress" located in Latvia was adjusted neither upwards nor downwards.

The value of "Construction in progress" located in Lithuania was adjusted neither upwards nor downwards in 2020 and 2019.

Note 11. Intangible assets

in thousands of euros

	Goodwill	Trademark	Development expenditure	Total
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	585	585
Amortisation	0	-421	-307	-728
31.12.2019				
Cost	3,260	3,688	2,170	9,118
Accumulated amortisation and impairment	0	-2,912	-1,216	-4,128
Carrying value	3,260	776	954	4,990
Changes occurred in 2020				
Purchases and improvements	0	0	787	787
Acquired through business combinations (Note 6)	13,609	1,911	639	16,159
Reclassification to property, plant and equipment (Note 10)	0	0	-559	-559
Write off	0	-509	0	-509
Amortisation	0	-386	-334	-720
31.12.2020				
Cost	16,869	2,090	2,956	21,915
Accumulated amortisation and impairment	0	-298	-1,469	-1,767
Carrying value	16,869	1,792	1,487	20,148

In the reporting period, the Group capitalised costs of a web page update, loyalty card web page update, loyalty card - Monthly Card and e-shop as development expenditure in the amount of 787 thousand euros (2019: 585 thousand euros).

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

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

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

in thousands of euros	31.12.2020	31.12.2019
Retail trade	13,609	0
Car trade	3,156	3,156
Department store	104	104
Total	16,869	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

	31.12.2020	31.12.2019
Short-term borrowings		
Overdraft	12,650	17,140
Bank loans	17,101	12,480
Lease liabilities	17,892	15,371
Other borrowings	1,759	1,457
Total short-term borrowings	49,402	46,448

in thousands of euros

	31.12.2020	31.12.2019
Long-term borrowings		
Bank loans	86,150	72,549
Lease liabilities	128,386	85,259
Other borrowings	2,813	68
Total long-term borrowings	217,349	157,876
Total borrowings	266,751	204,324

Borrowings received

in thousands of euros

	IV quarter 2020	IV quarter 2019	12 months 2020	12 months 2019
Overdraft	0	3,651	0	9,785
Bank loans	0	3,609	33,934	22,448
Other borrowings	329	615	5,358	2,798
Total borrowings received	329	7,875	39,292	35,031

Borrowings paid

in thousands of euros

	IV quarter 2020	IV quarter 2019	12 months 2020	12 months 2019
Overdraft	4,490	9,785	4,490	0
Bank loans	2,924	5,892	15,711	22,046
Lease liabilities	4,187	3,753	15,628	14,970
Other borrowings	606	501	2,445	3,606
Total borrowings paid	12,207	19,931	38,274	40,622

Bank loans and other borrowings are denominated in euros.

As of 31.12.2020, the repayment dates of bank loans are between 25.01.2021 and 31.07.2025 (2019: between 27.03.2020 and 05.12.2024), 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 1.64% (2019: 1.19%).

Lease agreements that form lease liabilities have been concluded for the term until 01.10.2037. Lease liability recorded in the balance sheet as at 31.12.2019 is recognised as a result of adoption of IFRS 16 on 01.01.2019. The lease payments are discounted at the Group's incremental borrowing rate. Weighted average interest rate used on recognition of lease liabilities was 1.62% (31.12.2019: 1.49%).

Net debt reconciliation
in thousands of euros

	31.12.2020	31.12.2019			
Cash and cash equivalents (Note 2)	32,757	40,629			
Short-term borrowings	-49,402	-46,448			
Long-term borrowings	-217,349	-157,876			
Net debt	-233,994	-163,695			
Cash and cash equivalents (Note 2)	32,757	40,629			
Gross debt – fixed interest rates	-153,606	-111,975			
Gross debt – variable interest rates	-113,145	-92,349			
Net debt	-233,994	-163,695			
	Cash and cash equivalents	Overdraft	Borrowings	Lease liabilities	Total
Net debt 31.12.2018	37,235	-7,354	-86,961	0	-57,080
IFRS 16 initial application (Note 1)	0	0	0	-109,282	-109,282
Net debt 01.01.2019	37,235	-7,354	-86,961	-109,282	-166,362
Cash flow (principal and interest)	3,394	-9,786	1,352	17,001	11,961
Interest accrued	0	0	-945	-2,031	-2,976
New lease contracts	0	0	0	-6,709	-6,709
Termination of lease liabilities	0	0	0	391	391
Net debt 31.12.2019	40,629	-17,140	-86,554	-100,630	-163,695
Cash flow (principal and interest)	-7,872	4,490	-19,919	18,509	-4,792
Interest accrued	0	0	-1,350	-2,882	-4,232
New lease contracts	0	0	0	-62,212	-62,212
Termination of lease liabilities	0	0	0	937	937
Net debt 31.12.2020	32,757	-12,650	-107,823	-146,278	-233,994

Note 13. Trade and other payables

in thousands of euros

	31.12.2020	31.12.2019
Trade payables	73,139	65,010
Payables to related parties (Note 20)	5,585	5,043
Other accrued expenses	1,741	183
Prepayments by tenants	2,951	2,956
Total financial liabilities from balance sheet line “Trade and other payables”	83,416	73,192
Taxes payable (Note 14)	8,088	7,226
Employee payables	8,185	7,293
Prepayments	3,106	2,113
Short-term provisions*	46	7
Total trade and other payables	102,841	89,831

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

Note 14. Taxes

in thousands of euros

	31.12.2020	31.12.2019		
	Prepaid taxes	Taxes payable	Prepaid taxes	Taxes payable
Prepaid taxes	34	0	31	0
Value added tax	0	3,167	0	2,941
Personal income tax	0	1,210	0	1,051
Social security taxes	0	3,268	0	2,840
Corporate income tax	0	74	0	79
Unemployment insurance	0	216	0	184
Mandatory funded pension	0	153	0	131
Total taxes	34	8,088	31	7,226

Note 15. Share capital

As of 31.12.2020 and 31.12.2019, 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 2020, dividends were paid to the shareholders in the amount of 29,731 thousand euros, or 0.73 euros per share. Related income tax expense on dividends amounted to 5,821 thousand euros.

In 2019, dividends were paid to the shareholders in the amount of 28,917 thousand euros, or 0.71 euros per share. Related income tax expense on dividends amounted to 6,452 thousand euros.

As of 31.12.2020 deferred tax liability on dividends in the amount of 4,408 thousand euros (31.12.2019: 5,821 thousand euros) is recorded in the balance sheet.

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

	Super markets	Depart- ment store	Car trade	Foot- wear trade	Real estate	Inter- segment transact- ions	Impact of lease accounting	Total seg- ments
IV quarter 2020								
External revenue	143,401	29,522	25,074	1,876	1,380	0	0	201,253
Inter-segment revenue	280	2,403	88	4	3,556	-6,331	0	0
Total revenue	143,681	31,925	25,162	1,880	4,936	-6,331	0	201,253
EBITDA	6,645	2,335	589	-175	3,330	0	5,044	17,768
Segment depreciation and impairment losses	-3,020	-605	-159	-619	-538	0	-4,947	-9,888
Operating profit/loss	3,625	1,730	430	-794	2,792	0	97	7,880
Finance income	76	127	0	0	75	-277	0	1
Finance income on shares of associates	0	20	0	0	0	0	0	20
Finance costs	-183	-151	-70	-29	-258	277	-858	-1,272
Income tax	560	143	261	0	397	0	0	1,361
Net profit/loss	4,078	1,869	621	-823	3,006	0	-761	7,990
incl. in Estonia	4,078	1,869	737	-823	1,448	0	-761	6,548
incl. in Latvia	0	0	-176	0	1,571	0	0	1,395
incl. in Lithuania	0	0	60	0	-13	0	0	47
Segment assets	139,838	81,029	32,484	4,765	286,396	-89,577	142,349	597,284
Segment liabilities	118,462	51,671	23,507	6,423	92,373	-64,437	146,278	374,277
Segment investments in property, plant and equipment	4,853	890	90	11	321	0	0	6,165
Segment investments in intangible assets	0	147	1	16	0	0	0	164
Reversal of the impairment from previous years of property, plant and equipment through profit or loss (Note 10)	0	0	0	0	539	0	0	539
Increase in value through revaluation reserve of property, plant and equipment (Note 10)	0	0	0	0	11,225	0	0	11,225
Fair value adjustment of investment property (Note 9)	0	0	0	0	311	0	0	311

in thousands of euros

	Super markets	Depart- ment store	Car trade	Foot- wear trade	Real estate	Inter- segment transact- ions	Impact of lease accounting	Total seg- ments
IV quarter 2019								
External revenue	123,027	31,998	33,506	2,621	1,462	0	0	192,614
Inter-segment revenue	328	1,871	82	6	3,446	-5,733	0	0
Total revenue	123,355	33,869	33,588	2,627	4,908	-5,733	0	192,614
EBITDA	7,282	2,916	374	-60	7,784	0	4,261	22,557
Segment depreciation and impairment losses	-1,724	-609	-65	-123	-1,034	0	-4,130	-7,685
Operating profit/loss	5,558	2,307	309	-183	6,750	0	131	14,872
Finance income	76	116	0	0	21	-213	0	0
Finance income on shares of associates	0	29	0	0	0	0	0	29
Finance costs	-41	.98	-84	-31	-218	213	-508	-767
Income tax	1,842	18	-18	0	-1,281	0	0	561
Net profit/loss	7,435	2,372	207	-214	5,272	0	-377	14,695
incl. in Estonia	7,435	2,372	516	-214	5,329	0	-377	15,061
incl. in Latvia	0	0	-231	0	-44	0	0	-275
incl. in Lithuania	0	0	-78	0	-13	0	0	-91
Segment assets	101,170	76,685	39,071	4,940	275,342	-74,021	99,126	522,313
Segment liabilities	81,425	44,426	28,741	9,248	89,809	-53,981	100,630	300,298
Segment investments in property, plant and equipment	7,243	429	1,039	193	1,274	0	0	10,178
Segment investments in intangible assets	0	288	30	0	0	0	0	318
Fair value adjustment of investment property (Note 9)	0	0	0	0	359	0	0	359

in thousands of euros

	Super markets	Depart- ment store	Car trade	Foot- wear trade	Real estate	Inter- segment transact- ions	Impact of lease accounting	Total seg- ments
12 months 2020								
External revenue	524,391	88,109	117,612	6,719	5,107	0	0	741,938
Inter-segment revenue	1,195	8,925	478	43	13,541	-24,182	0	0
Total revenue	525,586	97,034	118,090	6,762	18,648	-24,182	0	741,938
EBITDA	25,079	3,316	3,064	-1,326	14,502	0	18,509	63,144
Segment depreciation and impairment losses	-9,308	-2,510	-521	-1,001	-3,728	0	-18,069	-35,137
Operating profit/loss	15,771	806	2,543	-2,327	10,774	0	440	28,007
Finance income	303	602	0	0	260	-1,163	0	2
Finance income on shares of associates (Note 7)	0	191	0	0	0	0	0	191
Finance costs	-537	-574	-379	-123	-907	1,163	-2,882	-4,239
Income tax	-1,545	-474	-357	0	-2,086	0	0	-4,462
Net profit/loss	13,992	551	1,807	-2,450	8,041	0	-2,442	19,499
incl. in Estonia	13,992	551	2,260	-2,450	6,527	0	-2,442	18,438
incl. in Latvia	0	0	-736	0	1,563	0	0	827
incl. in Lithuania	0	0	283	0	-49	0	0	234
Segment assets	139,838	81,029	32,484	4,765	286,396	-89,577	142,349	597,284
Segment liabilities	118,462	51,671	23,507	6,423	92,373	-64,437	146,278	374,277
Segment investments in property, plant and equipment (Note 10)	22,057	2,864	1,822	43	768	0	0	27,554
Segment investments in intangible assets (Note 11)	21	670	15	81	0	0	0	787
Reversal of the impairment from previous years of property, plant and equipment through profit or loss (Note 10)	0	0	0	0	539	0	0	539
Increase in value through revaluation reserve of property, plant and equipment (Note 10)	0	0	0	0	11,225	0	0	11,225
Fair value adjustment of investment property (Note 9)	0	0	0	0	311	0	0	311

in thousands of euros

	Super markets	Depart- ment store	Car trade	Foot- wear trade	Real estate	Inter- segment transact- ions	Impact of lease accounting	Total seg- ments
12 months 2019								
External revenue	469,386	102,816	130,389	8,882	5,750	0	0	717,223
Inter-segment revenue	1,348	7,190	223	12	13,454	-22,227	0	0
Total revenue	470,734	110,006	130,612	8,894	19,204	-22,227	0	717,223
EBITDA	24,645	5,877	4,783	-566	19,441	0	17,001	71,181
Segment depreciation and impairment losses	-6,695	-2,593	-431	-478	-4,072	0	-16,474	-30,743
Operating profit/loss	17,950	3,284	4,352	-1,044	15,369	0	527	40,438
Finance income	302	419	0	1	81	-802	0	1
Finance income on shares of associates (Note 7)	0	203	0	0	0	0	0	203
Finance costs	-169	-385	-319	-116	-764	802	-2,031	-2,982
Income tax	-2,105	-617	-687	0	-2,483	0		-5,892
Net profit/loss	15,978	2,904	3,346	-1,159	12,203	0	-1,504	31,768
incl. in Estonia	15,978	2,904	2,884	-1,159	12,661	0	-1,504	31,764
incl. in Latvia	0	0	87	0	-412	0	0	-325
incl. in Lithuania	0	0	375	0	-46	0	0	329
Segment assets	101,170	76,685	39,071	4,940	275,342	-74,021	99,126	522,313
Segment liabilities	81,425	44,426	28,741	9,248	89,809	-53,981	100,630	300,298
Segment investments in property, plant and equipment (Note 10)	12,007	1,643	1,484	490	6,974	0	0	22,598
Segment investments in intangible assets (Note 11)	0	555	30	0	0	0	0	585
Fair value adjustment of investment property (Note 9)	0	0	0	0	359	0	0	359

External revenue according to types of goods and services sold

in thousands of euros

	IV quarter 2020	IV quarter 2019	12 months 2020	12 months 2019
Retail revenue	188,697	175,410	685,148	651,598
Wholesale revenue	3,773	8,724	24,740	36,309
Rental income	2,555	2,613	9,499	10,260
Revenue for rendering services	6,228	5,867	22,551	19,056
Total revenue	201,253	192,614	741,938	717,223

External revenue by client location

in thousands of euros

	IV quarter 2020	IV quarter 2019	12 months 2020	12 months 2019
Estonia	186,945	177,404	683,601	662,977
Latvia	10,637	11,008	44,075	35,335
Lithuania	3,671	4,202	14,262	18,911
Total	201,253	192,614	741,938	717,223

Distribution of non-current assets* by location of assets

in thousands of euros

	31.12.2020	31.12.2019
Estonia	434,491	354,275
Latvia	32,981	28,366
Lithuania	2,115	2,113
Total	469,587	384,754

* 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

	IV quarter 2020	IV quarter 2019	12 months 2020	12 months 2019
Rental expenses*	187	219	690	882
Heat and electricity expenses	2,184	1,855	8,049	7,650
Operating costs	1,869	1,939	7,261	7,478
Cost of sale related services and materials	1,924	1,680	6,899	6,317
Marketing expenses	2,266	2,392	7,809	8,226
Miscellaneous other operating expenses	1,519	1,315	4,843	3,996
Computer and communication costs	1,820	1,356	5,800	4,792
Personnel expenses	878	679	2,658	2,576
Total other operating expenses	12,647	11,435	44,009	41,917

*Due to application of IFRS 16 from 01.01.2019, Group's rental expenses in 2020 in the amount of 18,509 thousand euros (in 2019 17,001 thousand euros) have been reclassified as repayment of lease liabilities.

Note 18. Staff costs

in thousands of euros

	IV quarter 2020	IV quarter 2019	12 months 2020	12 months 2019
Wages and salaries	17,380	15,486	59,338	55,405
Social security taxes	5,636	4,962	18,963	17,708
Total staff costs	23,016	20,448	78,301	73,113
Average wages per employee per month (euros)	1,208	1,228	1,085	1,080
Average number of employees in the reporting period	4,795	4,204	4,558	4,273

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.

	IV quarter 2020	IV quarter 2019	12 months 2020	12 months 2019
Net profit (in thousands of euros)	7,990	14,695	19,499	31,768
Weighted average number of shares	40,729,200	40,729,200	40,729,200	40,729,200
Basic and diluted earnings per share (euros)	0.20	0.36	0.48	0.78

Note 20. Related party transactions

in thousands of euros

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

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

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

Tallinna Kaubamaja Grupp AS

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

	Purchases 12 months 2020	Sales 12 months 2020	Purchases 12 months 2019	Sales 12 months 2019
Parent	590	20	280	50
Entities in the Parent's consolidation group	29,332	2,178	27,098	3,114
Members of management and supervisory boards	0	80	0	24
Other related parties	154	13	448	10
Total	30,076	2,291	27,826	3,198

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:

	31.12.2020	31.12.2019
Receivables from entities in the Parent's consolidation group (Note 4)	319	361
Members of management and supervisory boards (Note 3)	3	0
Total receivables from related parties	322	361
	31.12.2020	31.12.2019
Parent	19	19
Entities in the Parent's consolidation group	5,546	5,017
Other related parties	20	7
Total liabilities to related parties (Note 13)	5,585	5,043

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 2020, the Group has not earned interest income on its deposits of available funds (2019: 0 euros). As at 31 December 2020 and 31 December 2019 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 1,886 thousand euros (2019: 2,045 thousand euros). Short-term benefits to supervisory boards' members of the Group in reporting period including social taxes amounted to 653 thousand euros (2019: 659 thousand euros).

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