

# TALLINNA KAUBAMAJA GRUPP AS

Consolidated Interim Report for  
the First quarter of 2023  
(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. The Group employs more than 4,700 employees.

The Company is listed on the Nasdaq Tallinn Stock Exchange.

Registered office:	Kaubamaja 1 10143 Tallinn Republic of Estonia
Registry code:	10223439
Beginning of financial year:	1 January 2023
End of financial year:	31 December 2023
Beginning of interim report period:	1 January 2023
End of interim report period:	31 March 2023
Auditor:	PricewaterhouseCoopers AS
Telephone:	372 667 3300
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## MANAGEMENT REPORT

### Management

In order to manage the Group the general meeting of the shareholders, held at least once in a year, elects supervisory board, which according to the articles of association may have 3 to 6 members. Members of Group supervisory board are elected for three years. Members of the Group supervisory board are Jüri Kõo (chairman of the supervisory board), Enn Kunila, Kristo Anton, Gunnar Kraft and Meelis Milder. The mandates of supervisory board members Jüri Kõo, Enn Kunila, Meelis Milder and Gunnar Kraft will expire on 20 May 2024 and the mandate of Kristo Anton will expire on 16 March 2026. During the period between the general meetings the supervisory board plans actions of the company, organises management and accomplishes supervision over management actions. Regular supervisory board meetings are held at least 10 times in a year. In order to manage daily activities the supervisory board appoints member(s) of the management board of the Tallinna Kaubamaja Group in accordance with the Commercial Code. In order to elect a member of the management board, his or her consent is required. By the articles of association, a member of the management board shall be elected for a specified term of three years. Extension of the term of office of a member of the management board shall not be decided earlier than one year before the planned date of expiry of the term of office, and not for a period longer than the maximum term of office prescribed by the articles of association. Currently the management board of Group has one member. The term of office of the management board member Raul Puusepp was extended on 17 February 2023 and his term of office expires on 6 March 2026.

The law, the articles of association, decisions and goals stated by the shareholders and supervisory board are followed for managing the company. By Commercial Code a resolution on amendment of the articles of association shall be adopted, if at least two-third of the votes represented at a general meeting is in favour. A resolution on amendment of the articles of association shall enter into force as of making of a corresponding entry in the commercial register. The Group does not possess several classes of shares.

### Structure of the company

The Group is reporting its economic activities under five operating segments as follows.

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

The following companies belong to the Group as of March 31, 2023:

	Location	Shareholding as of 31.03.2023	Shareholding as of 31.12.2022
<b>Selver supermarkets</b>			
Selver AS	Estonia	100%	100%
Kulinaaria OÜ	Estonia	100%	100%
<b>Department stores</b>			
Kaubamaja AS	Estonia	100%	100%
TKM Finants AS	Estonia	100%	100%
OÜ TKM Beauty	Estonia	100%	100%
OÜ TKM Beauty Eesti	Estonia	100%	100%
Rävala Parkla AS	Estonia	50%	50%

	Location	Shareholding as of 31.03.2023	Shareholding as of 31.12.2022
<b>Car trade</b>			
TKM Auto OÜ	Estonia	100%	100%
KIA Auto AS	Estonia	100%	100%
AS Viking Motors	Estonia	100%	100%
SIA Forum Auto	Latvia	100%	100%
Verte Auto SIA	Latvia	100%	100%
KIA Auto UAB	Lithuania	100%	100%
<b>Security segment</b>			
Viking Security AS	Estonia	100%	100%
Walde AS	Estonia	100%	0%
<b>Real estate</b>			
Tallinna Kaubamaja Kinnisvara AS	Estonia	100%	100%
OÜ Tartu Kaubamaja Kinnisvara	Estonia	100%	100%
SIA TKM Latvija	Latvia	100%	100%
TKM Lietuva UAB	Lithuania	100%	100%

### Change in structure

Viking Security AS, a subsidiary of Tallinna Kaubamaja Grupp AS, acquired 100% of the shares of AS Walde on 15 February 2023. AS Walde is a wholesaler of security systems. The public limited company is a certified distributor of 2N Telekomunikace, Honeywell, and Anixter equipment, among others. The acquisition of the shares of AS Walde enables Tallinna Kaubamaja Grupp to further strengthen its security services, which has been one of the fastest growing businesses of Tallinna Kaubamaja Grupp in recent years. The transaction will create opportunities to launch new products and develop wholesale operations of security systems.

### Share market

Since 19 August 1997, the shares of the Group have been listed in the Baltic main list of the Nasdaq Tallinn Stock Exchange and is today the oldest listed company in the Baltics. The Group has issued 40,729,200 registered shares, each with the nominal value of 0.40 euros. The shares are freely transferable, no statutory restrictions apply. There are no restrictions on transfer of securities to the company as provided by contracts between the company and its shareholders. We do not have information about contracts between the shareholders restricting the transfer of securities. NG Investeeringud OÜ has direct significant participation. Shares granting special rights to their owners have not been issued.

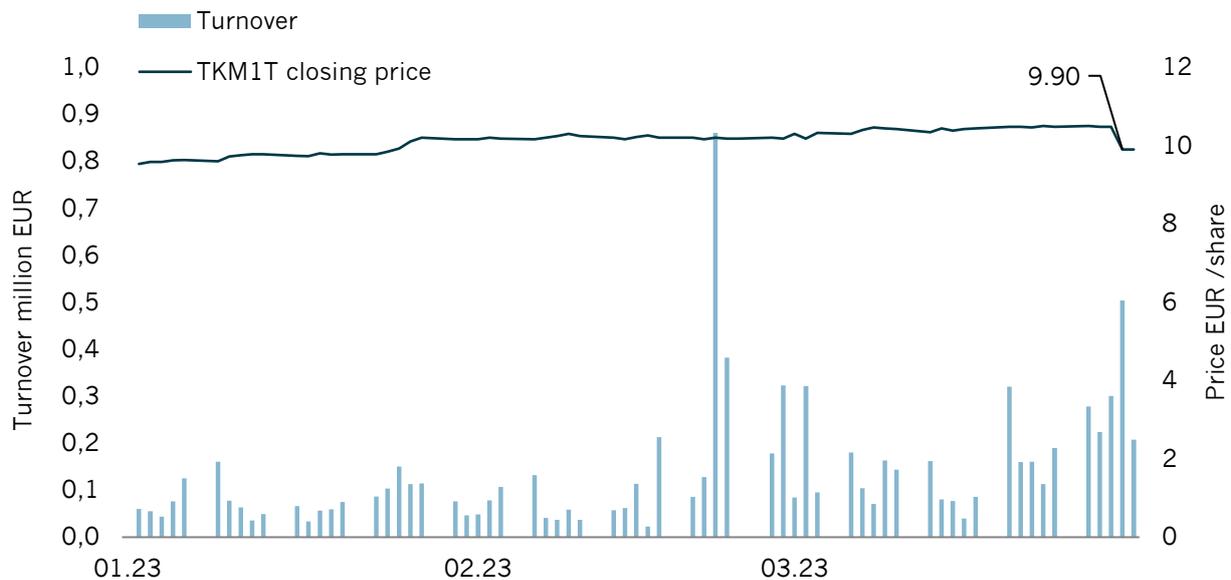
The council of the Group have no right to issue or buy back shares. In addition, there are no commitments between the company and its employees providing for compensation in mergers and acquisitions under article 19' of Stock Market Trade Act.

The share with a price of 9.37 euros at the end of 2022 was closed in the end of March 2023 at the level of 9.90 euros, increased by 5.7% over the three months.

According to the notice of regular annual general meeting of the shareholders published on 21 February 2023, the management board proposed to pay dividends 0.68 euros per share. The general meeting of shareholders approved it.

Share price and trading statistics on the Nasdaq Tallinn Stock Exchange from 01.01.2023 to 31.03.2023.

In euros



SHARE	1Q/23	1Q/22
Average number of shares (1000 pcs)	40,729.2	40,729.2
Equity capital per share (EUR/share)	5.27	5.22
Share's closing price (EUR/share)	9.90	10.94
Earnings per share (EUR/share)	0.01	0.01

Risks

The current year was affected by the multi-crisis of 2022 with geopolitical threats, high energy prices, rapid broad-based inflation, and sharply increased base interest rates. In the fourth quarter of 2022, the Group assessed as a new added risk that the economy-cooling effect of the interest rate hikes of central banks would reach Estonia with its open economy first, triggering an economic depression here. The latest economic assessments have confirmed the realisation of this risk.

At the time of preparing the report, the depth and duration of the economic depression was not yet clear, but the Group has prepared for possible consequences by raising its liquidity and increasing the flexibility of business processes. The economic depression is evident in the stores of the Group as the growing number of discounted products and promotional items in customers' shopping carts and the increasing volume of thefts of ordinary goods. The stores are monitored by the professional security company Viking Security, which has long experience in the retail trade and uses modern video surveillance technology and know-how for the prevention and early detection of thefts.

Sustainable entrepreneurship

The companies of the Group pay attention to what is put on the market and what will become of the products. I.L.U. cosmetics stores launched a packaging waste collection campaign to increase the circulation of packaging waste and reduce the disposal of valuable resources as waste or incineration. The stores are cooperating with two companies – Neular OÜ produces various plastic profiles and Gravelis OÜ produces environmentally friendly light gravel made of glass. As part of the campaign, customers can receive 50 bonus points to their Partnerkaart card in one month for returning packages to the store. The purpose of the campaign is to reward environmentally friendly behaviour and increase awareness on the possibilities of recycling beauty packaging.

In 2023, the largest and most modern central kitchen in the Baltic States, Kulinaaria, will continue to update its packaging design and change the materials it uses. Kulinaaria is moving forward with changing all cake packaging from foam plastic to PET boxes. As a material, PET is easily recyclable if the packaging is handled

correctly. For convenient sorting, a sorting label is attached to the products so that the customer knows where to throw the packaging so that it can be recycled.

Selver stores are gradually undergoing reconstruction. Ringtee Selver in Tartu was reconstructed in the first quarter of 2023. During the reconstruction, all parts of the store were modernised. The most modern and environmentally friendly technological solutions were taken into account during the construction. The entire cold park was switched to a CO<sub>2</sub>-based cooling system, which enables energy savings of nearly a fifth compared to older analogues and has a considerably smaller carbon footprint compared to systems based on fluorinated greenhouse gases.

### Economic environment

As a result of rapid inflation and a drop in export demand, the gross domestic product of Estonia shrank by 1.3% in 2022, which was an unexpectedly large drop considering the expectations of analysts. At the same time, excluding price effects, both tax receipts and added value dropped considerably. The information and communication sector slowed down the economy the most. All other major areas of activity also contributed negatively to the economy: real estate, construction, manufacturing industry, and trade. In the last quarter of 2022, private consumption continued to fall by nearly 2%, which was the weakest result since the first quarter of 2021. Expenditures related to food and healthcare showed a significant decline. Household spending on education, other goods and services, and home furnishings fell the most. According to analysts, the economic outlook should improve and the economic recession should slow down in the second half of 2023. However, according to Ministry of Finance, the economy will further shrink by 1.5% in 2023.

In the first months of 2023, consumer prices continued to rise, but the pace of growth has started to slow somewhat. In the first quarter in total, the price increase was 17.1%. Housing-related prices continued to show the biggest growth (30.5%) due to energy prices. The prices of food and non-alcoholic beverages, which grew rapidly (28.6%) in the last quarter of last year, still grew, but at a slightly lower pace (25.7%). The prices of clothing and footwear rose by 12.5% in the first quarter. According to the estimations of the Ministry of Finance, the total price increase in 2023 will be 9.2%. According to Statistics Estonia, the average gross monthly salary increased by 8.9% in 2022. This year, the Ministry of Finance estimates that wages will grow by 9.0%, which is slightly below the growth in prices.

According to Statistics Estonia, the total volume of retail turnover at current prices in Estonia increased by 13.9% in the first two months of 2023. Wholesale and retail sales and repair of motor vehicles and motorcycles increased the most (25.7%). Sales revenue in non-specialised stores (predominately groceries) increased 15.0% in the first two months of the year. However, due to high price rises, volume sales in retail have been in decline since September 2022. In January and February of this year, the volume of retail sales, i.e. sales at constant prices, decreased by 6.6%. According to the Ministry of Finance, in 2023, due to the exhaustion of financial buffers and the increase in the motivation to save, the growth of consumer spending will be lower. Therefore, the decrease in consumption that started in the second half of 2022 will continue into 2023 and it is estimated that the average annual fall in private consumption will reach 1%.

According to the Estonian Association of Car Dealers and Service Companies (AMTEL), 5,658 new passenger vehicles were sold in Estonia in the first quarter of 2023 in total, which is 9.0% more than in the same period in 2022. Although electric cars accounted for only 5% of all cars sold, interest in electric cars has increased strongly and sales of electric cars increased by 67% compared to the first quarter of last year. In the three Baltic countries, sales of new passenger cars increased by 9.7% in the first quarter.

## Economic results

## Financial ratios

In million EUR	1Q/23	1Q22	Change %
<b>Revenue</b>	218.1	198.9	9.6%
Selver supermarkets	147.2	139.5	5.5%
Department stores	24.7	21.7	14.1%
Car trade	41.7	34.0	22.7%
Security	2.9	2.3	25.6%
Real estate	1.6	1.5	6.0%
<i>Gross profit margin%</i>	<i>27.29%</i>	<i>26.45%</i>	<i>3.2%</i>
<b>EBITDA</b>	17.7	15.6	13.2%
Selver supermarkets	4.8	5.1	-5.9%
Department stores	0.1	-1.1	-
Car trade	3.4	2.4	44.5%
Security	0.2	0.1	79.8%
Real estate	4.0	4.0	1.6%
IFRS 16	5.2	5.2	0.2%
<i>margin</i>	<i>8.12%</i>	<i>7.86%</i>	<i>3.2%</i>
<b>Operating profit</b>	7.6	6.0	27.3%
<i>margin</i>	<i>3.50%</i>	<i>3.02%</i>	<i>16.1%</i>
<b>Net profit</b>	0.6	0.4	43.2%
<i>margin</i>	<i>0.28%</i>	<i>0.21%</i>	<i>30.6%</i>
<b>Earnings per share (EUR)</b>	0.01	0.01	43.2%

Key ratios	1Q/23	1Q22
Return on equity (ROE)	0.3%	0.2%
Return on assets (ROA)	0.1%	0.1%
Quick ratio	0.64	0.72
Debt ratio	0.67	0.66
Inventory turnover (multiplier)	1.75	2.06
Sales revenue per employee (in million EUR)	0.046	0.043
Average number of employees	4,710	4,675

Return on equity (ROE)

= Net profit / Average owners' equity \* 100%

Return on assets (ROA)

= Net profit / Average total assets \* 100%

Quick ratio

= Current assets / Current liabilities

Debt ratio

= Total liabilities / Balance sheet total

Inventory turnover (multiplier)

= Cost of goods sold / inventories

Sales revenue per employee

= Sales revenue / Average number of employees

Gross profit margin%

= (Sales revenue - Cost of goods sold) / Sales revenue \* 100%

In the first quarter of 2023, the consolidated unaudited sales revenue of the Group was 218.1 million euros. Compared to the first quarter of 2022, the growth was 9.6%. The net profit for the reporting period was 0.6 million euros, which increased by 43.2% compared to the first quarter of 2022, including income tax of 5.3 million euros (4.5 million euros in 2022). The pre-tax profit was 5.9 million euros, which was 1.0 million euros more than the comparable result of the year before.

In the difficult economic conditions of the first quarter of 2023, the Group was able to increase sales revenue in all segments, although the increase in the price of products has been accompanied by a decrease in consumption. The total profit of the Group also increased. The profit was improved by the department store segment and the security segment, as well as the car trade segment, despite the continuing supply chain challenges. The pre-tax profit of the supermarket segment was below the comparable profit of the previous year due to the increase in energy prices. The pre-tax profit of the real estate segment, which has been affected by interest rate increases, was slightly below the result of the previous year. As a result of the large price increase, the expectations of employees for wages increases are high. The labour costs of the Group increased by 15.7% in the first quarter of 2023, while the number of employees increased by 0.8%.

In the reporting quarter, the supermarket segment renovated Ringtee Selver in Tartu, and in March began large-scale renovations of Järve Selver, the largest store in the segment, scheduled to be completed in May. This year, the supermarket segment plans to renovate one more store in the centre of Tallinn and open a new hypermarket by the Tallinn roundabout. Selveri Kõök, the private label of the supermarket segment, continued to expand its soup portfolio and new products were also added to the bakery category. Oatmeal porridge made with plant-based milk was added to the 'Hea Päeva Algus' ('A good start to the day!') breakfast series. In the department store segment, Ülemiste I.L.U. cosmetics store was renovated: the sales area was increased by almost half to 460 square metres. The NYX make-up shop-in shop with a separate entrance was opened in the Ülemiste I.L.U. cosmetics store. In the real estate segment, the construction of a solar park on the roof of Viimsi Centre continued, the completion of which is planned for this spring. In January, WOW Selver, which did not meet expectations, was closed on Saaremaa.

As at 31 March 2023, the volume of assets of the Group was 653.0 million euros – an increase of 1.1% compared to the results at the end of 2022 without the impact of IFRS 16.

At the end of the reporting period, the number of loyal customers was more than 706,000, which is 1.8% more than the year before. The proportion of loyal customers in the Group's turnover was 85.9% (in 2022, it was 85.7%).

### Selver supermarkets

The consolidated sales revenue of the supermarket business segment in the first quarter of 2023 was 147.2 million euros, increasing by 5.5% compared to the same period of the previous year. The average monthly sales revenue per square metre of sales area in the first quarter of 2023 was 0.42 thousand euros, increasing by 7.0% compared to the previous period. In terms of comparable stores, the sales revenue of goods per square metre of sales area was 0.43 thousand euros, also growing by 7.0% compared to the reference period. In the first quarter of 2023, 9.5 million purchases were made from Selver stores, accounting for an increase of 4.4% compared to the previous year.

The consolidated pre-tax profit of the supermarkets segment in the first quarter of 2023 was 1.7 million euros, 0.6 million euros less than in the previous year. The consolidated net profit of the supermarket segment was 0.5 million euros, 0.4 million euros more than last year. The difference between the net profit and profit before income tax is due to the income tax paid on dividends – this year, the income tax on dividends was 1.0 million euros lower than in the year before.

The financial results of the first quarter of 2023 are affected by the turnover added by the opening of Selver supermarkets in Tallinn, Priisle, and Tabasalu, and the lost turnover due to the closure of WOW Selver on Saaremaa in January. Also the temporary closure and renovation of Ringtee Selver in Tartu, and the suspension of sales of Järve Selver (the largest Selver) in March due to renovation works. The turnover results of the supermarket segment continue to be affected by accelerated inflation. The almost 26% increase in the price of food products has changed the buying behaviour of customers and keeps the volume sales of goods below the level of last year. The prices of energy carriers have stabilised, but despite the implementation of savings opportunities, energy expenditures are one-third higher than the year before. High energy prices and the increase in raw material prices have increased the prices of almost all expenses, and price increases, despite the search for and implementation of savings opportunities, have a significant impact on the economic result. The increase in labour costs has been 14% in the supermarkets segment, exceeding the increase in sales revenue. As a counterweight, opportunities to increase the efficiency of work processes, reduce working hours and thereby increase employee wages have been continuously sought.

In the public survey organised by the Estonian E-Commerce Association, e-Selver earned two awards: the title of the best e-store in the category of food e-stores and the title of the people's favourite e-store in general.

In addition to Ringtee and Järve Selver, Selver plans to renovate one more store and open at least one new store this year. In the first quarter, 14 Selver stores started issuing identity documents issued by the Police and Border Guard Board. The plan is to start providing this service in additional 27 Selver stores by the end of the second quarter.

As at the end of March, the supermarket segment includes 71 Selver stores, 1 Delice store, the Solaris food store, mobile store and café, with a total sales area of 116.9 thousand m<sup>2</sup>. There is also e-Selver – the e-store with the largest service area in Estonia – as well as the central kitchen of Kulinaaria OÜ.

### Department stores

The sales revenue of the Kaubamaja department stores segment in the first three months of 2023 was 24.7 million euros, 14.1% more than in the same period of the previous year. The pre-tax loss of the Kaubamaja department store segment in the first quarter of 2023 was 0.8 million euros. The pre-tax loss decreased by 0.9 million euros.

The sales revenue of the department stores per square metre of sales area was 0.31 thousand euros per month in the first three months, which is 20.9% higher than in the same period last year. Russia's full-scale war in Ukraine, which began on February 24 last year, affected second-half sales in the first quarter of last year. This spring, however, customer interest was high and the number of visits to stores was much higher than last year. In addition, the number of customers increased both in terms of domestic customers and tourists. The discount of winter season goods was affected by a warmer than average winter, which is why the discount percentages were higher this year, but the increased sales volumes compensated the lower margin and had a positive effect on the result. The spring season started very successfully and several newly added brands in the fashion and home design were of interest to customers. The Ilu Aeg campaign once again broke the record for the highest sales numbers.

In the first quarter of 2023, the sales revenue of OÜ TKM Beauty Eesti, which operates the I.L.U. cosmetics stores, was 1.7 million euros, 25.8% more than in the same period in 2022. In the first quarter, the profit was 0.04 million euros, which compared to the loss of the comparable period in 2022, improved by 0.06 million euros. The most important event of the first quarter was the renovation of the Ülemiste I.L.U. cosmetics store, where the sales area of the store increased by 48.8% to 460 square metres. In addition, the NYX make-up shop-in shop with a separate entrance was opened. Despite the business interruption in the Ülemiste store lasting for more than a month, the sales result of the entire chain was positive thanks to the concept innovations and successful campaigns that took place last year. In March, the pilot of environmental awareness raising campaign 'Ilupakend annab boonust' was launched, encouraging customers to return empty beauty product packages to the store by rewarding them with bonus points awarded to their Partnerkaart card. The campaign is organised in cooperation with Neular and Gravels, companies which recycle plastic and glass packaging.

### Car trade

The sales revenue of the car trade segment in the first quarter of 2023 was 41.7 million euros. The sales revenue increased by 22.7% compared to the previous year. The consolidated pre-tax profit of the segment was 3.0 million euros in the first quarter, which is 0.9 million euros more than in the previous year.

In the first three months of the year, a total of 1,461 new passenger cars were sold, which is 14.4% more than in the previous year. Despite the still volatile supply of new cars, the car segment managed to achieve an excellent sales result. The problems with the availability of cars in recent years have helped to maintain a higher sales margin. In the Group's car segment, the sales volume of used cars increased by nearly a third in the first quarter. Customers have begun to increasingly value more environmentally friendly cars, which is why customers' interest in electric cars has increased. Unfortunately, the supply of electric cars in the Baltics has not yet caught up with the demand.

### Security segment

The sales revenue of the security segment outside the Group in the first quarter of 2023 was 2.9 million euros, increasing by 25.6% in comparison with the same period of last year. The pre-tax profit of the segment in the first quarter was 0.1 million euros, increasing by 0.05 million euros compared to the same period last

year.

Turnovers of all business areas increased in the first quarter and profitability also improved. Several important clients were added and the portfolio of services increased. We started offering a social security service to the elderly in the city of Tallinn in cooperation with Koduandur OÜ. Various input prices have increased and the pressure on costs is strong, but the company has been able to successfully cope with it through efficient operations and volume growth.

In February, the security segment acquired the security systems wholesale company AS Walde, which creates opportunities to bring new products to the market and develop security systems wholesale activities.

#### Real estate

The sales revenue of the real estate segment outside the Group in the first quarter of 2023 was 1.6 million euros, increasing by 6.0% in comparison with the first quarter of the last year. The pre-tax profit of the segment was 2.5 million euros in the first quarter. The profit decreased by 6.3% in the reference period.

The growth of the sales revenue of the segment is largely due to the rental market for business premises, which has revived after the coronavirus restrictions. New tenants have been added to the rental premises of both Tallinna Kaubamaja Gallery and Tartu Kaubamaja Centre. In the past year, a commercial building in Kuldīga, Latvia, was leased out. The caution that characterised the economic environment at the end of the year, which was also reflected in the number of visitors to the centres, has returned to growth since the beginning of the year and the number of visits is on the rise. Most of the loan portfolio of the Group is concentrated in the real estate segment. The increase in the cost of loan money caused by the increase in interest rates in the euro area, implemented to tighten monetary policy by the European Central Bank, led to a slight decrease in profit for the segment. The interest expense has multiplied compared to the reference base of a year ago.

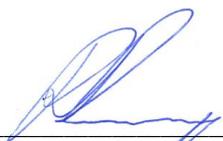
At the end of last year, the construction of a solar park on the roof of the Viimsi Centre began. The completion of the park is planned for spring. This is the second building in the row with an energy production plant installed on its roof. The produced electricity is mainly used for the building itself. It is planned to open a newly built car wash in the immediate vicinity of Peetri Selver in May, which will be operated by a party outside the Group. The Group continues to pay great attention to improving the energy efficiency of buildings.

#### Personnel

In the first quarter of 2023, the average number of employees in the Group was 4,710 people, an increase of 0.8% compared to the same period in 2022. Total labour costs (wages and social insurance contributions) in the first three months of 2023 were 25.9 million euros, a year-over-year growth of 15.7%. The monthly average salary costs per employee increased 14.7% in comparison with the average salary of the first quarter of 2022.

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

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



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Raul Puusepp  
Chairman of the Management Board

Tallinn, 12 April 2023

## 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 first quarter of 2023 as set out on pages 13-33.

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, 12 April 2023

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros

	Note	31.03.2023	31.12.2022
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	2	31,017	22,436
Trade and other receivables	3	21,641	27,200
Inventories	5	90,758	89,194
<b>Total current assets</b>		<b>143,416</b>	<b>138,830</b>
<b>Non-current assets</b>			
Long-term receivables and prepayments	8	292	299
Investments in associates	7	1,791	1,722
Investment property	9	63,635	63,623
Property, plant and equipment	10	421,760	420,600
Intangible assets	11	22,069	21,723
<b>Total non-current assets</b>		<b>509,547</b>	<b>507,967</b>
<b>TOTAL ASSETS</b>		<b>652,963</b>	<b>646,797</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Borrowings	12	94,715	97,107
Trade and other payables	13	128,693	111,449
<b>Total current liabilities</b>		<b>223,408</b>	<b>208,556</b>
<b>Non-current liabilities</b>			
Borrowings	12	209,165	190,825
Deferred tax liabilities	14	5,299	5,299
Provisions for other liabilities and charges		528	458
<b>Total non-current liabilities</b>		<b>214,992</b>	<b>196,582</b>
<b>TOTAL LIABILITIES</b>		<b>438,400</b>	<b>405,138</b>
<b>Equity</b>			
Share capital	15	16,292	16,292
Statutory reserve capital		2,603	2,603
Revaluation reserve		106,362	106,981
Retained earnings		89,306	115,783
<b>TOTAL EQUITY</b>		<b>214,563</b>	<b>241,659</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>652,963</b>	<b>646,797</b>

The notes presented on pages 18 to 33 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	3 months 2023	3 months 2022
Revenue	16	218,083	198,923
Other operating income		332	327
Cost of merchandise	5	-158,573	-146,313
Services expenses	17	-15,895	-14,637
Staff costs	18	-25,852	-22,347
Depreciation, amortisation and impairment losses	10, 11	-10,066	-9,642
Other expenses		-393	-313
<b>Operating profit</b>		<b>7,636</b>	<b>5,998</b>
Finance income		1	1
Finance costs		-1,806	-1,159
Share of net profit of associates accounted for using the equity method	7	69	58
<b>Profit before tax</b>		<b>5,900</b>	<b>4,898</b>
Income tax expense	15	-5,300	-4,479
<b>NET PROFIT FOR THE FINANCIAL YEAR</b>		<b>600</b>	<b>419</b>
<b>Other comprehensive income:</b> <i>Items that will not be subsequently reclassified to profit or loss</i>			
<b>Other comprehensive income for the financial year</b>		<b>0</b>	<b>0</b>
<b>TOTAL COMPREHENSIVE PROFIT FOR THE FINANCIAL YEAR</b>		<b>600</b>	<b>419</b>
Basic and diluted earnings per share (euros)	19	0.01	0.01

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

The notes presented on pages 18 to 33 form an integral part of these condensed consolidated interim financial statements.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

In thousands of euros

	Note	3 months 2023	3 months 2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss		600	419
Adjustments:			
Interest expense		1,806	1,159
Interest income		-1	-1
Depreciation, amortisation and impairment losses	10, 11	10,041	9,637
Loss on write-off property, plant and equipment	10	25	5
Profit on sale of property, plant and equipment	10	-10	-35
Effect of equity method	7	-69	-58
Interest paid on lease liabilities	12	-864	-850
Change in inventories		-1,608	-3,230
Change in receivables and prepayments related to operating activities		5,866	1,375
Change in liabilities and prepayments related to operating activities		-10,718	-8,290
<b>TOTAL CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>5,068</b>	<b>131</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	10	-5,080	-2,695
Proceeds from sale of property, plant and equipment	10	57	37
Purchase of investment property	9	-12	-67
Purchase of intangible assets	11	-341	-135
Business combinations	6	-596	0
Cash acquired from business combination	6	52	0
Interest received		1	1
<b>TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<b>-5,919</b>	<b>-2,859</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings	12	12,551	5,489
Repayments of borrowings	12	-8,236	-3,186
Change in overdraft balance	12	10,426	7,979
Payments of principal of leases	12	-4,331	-4,335
Proceeds from government grant	10	0	133
Interest paid		-978	-332
<b>TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES</b>		<b>9,432</b>	<b>5,748</b>
<b>TOTAL CASH FLOWS</b>		<b>8,581</b>	<b>3,020</b>
Cash and cash equivalents at the beginning of the period	2	22,436	29,981
Cash and cash equivalents at the end of the period	2	31,017	33,001
<b>Net change in cash and cash equivalents</b>		<b>8,581</b>	<b>3,020</b>

The notes presented on pages 18 to 33 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	Retained earnings	Total
<b>Balance as of 31.12.2021</b>	<b>16,292</b>	<b>2,603</b>	<b>109,543</b>	<b>111,432</b>	<b>239,870</b>
Net loss for the reporting period	0	0	0	419	419
<b>Total comprehensive loss for the reporting period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>419</b>	<b>419</b>
Reclassification of depreciation of revalued land and buildings	0	0	-656	656	0
Dividends declared	0	0	0	-27,696	-27,696
<b>Total transactions with owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-27,696</b>	<b>-27,696</b>
<b>Balance as of 31.03.2022</b>	<b>16,292</b>	<b>2,603</b>	<b>108,887</b>	<b>84,811</b>	<b>212,593</b>
Net profit for the reporting period	0	0	0	29,485	29,485
<b>Total comprehensive income for the reporting period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>29,485</b>	<b>29,485</b>
Reclassification of depreciation of revalued land and buildings	0	0	-2,562	2,562	0
Dividends paid	0	0	0	-27,696	-27,696
<b>Total transactions with owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-27,696</b>	<b>-27,696</b>
<b>Balance as of 31.12.2022</b>	<b>16,292</b>	<b>2,603</b>	<b>106,981</b>	<b>115,783</b>	<b>241,659</b>
Net profit for the reporting period	0	0	0	600	600
<b>Total comprehensive income for the reporting period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>600</b>	<b>600</b>
Reclassification of depreciation of revalued land and buildings	0	0	-413	413	0
Dividends declared	0	0	0	-27,696	-27,696
<b>Total transactions with owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-27,696</b>	<b>-27,696</b>
<b>Balance as of 31.03.2023</b>	<b>16,292</b>	<b>2,603</b>	<b>106,568</b>	<b>89,100</b>	<b>214,563</b>

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

The notes presented on pages 18 to 33 form an integral part of these consolidated interim financial statements.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM ACCOUNTS

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

#### General Information

Tallinna Kaubamaja Grupp AS ('the Company') and its subsidiaries (jointly 'Tallinna Kaubamaja Group' or 'the Group') are companies engaged in rendering services related to retail sale and rental activities in Estonia, Latvia and Lithuania. Tallinna Kaubamaja Grupp AS is a company registered on 18 October 1994 in the Republic of Estonia with the legal address of Kaubamaja 1, Tallinn. The shares of Tallinna Kaubamaja Grupp AS are listed on the Nasdaq 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 2022. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

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

The Manager is of the opinion that the Condensed Consolidated Interim Report of Tallinna Kaubamaja Group for the first quarter and 3 months of 2023 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.

**Note 2. Cash and cash equivalents**

in thousands of euros

	31.03.2023	31.12.2022
Cash on hand	1,030	1,294
Bank accounts	29,200	19,707
Cash in transit	787	1,435
<b>Total cash and cash equivalents</b>	<b>31,017</b>	<b>22,436</b>

**Note 3. Trade and other receivables**

in thousands of euros

	31.03.2023	31.12.2022
Trade receivables (Note 4)	16,833	19,822
Other short-term receivables	771	570
<b>Total financial assets from balance sheet line "Trade and other receivables"</b>	<b>17,604</b>	<b>20,392</b>
Prepayment for goods	2,663	5,250
Other prepaid expenses	1,316	1,510
Prepaid rental expenses	12	10
Prepaid taxes (Note 14)	46	38
<b>Total trade and other receivables</b>	<b>21,641</b>	<b>27,200</b>

**Note 4. Trade receivables**

in thousands of euros

	31.03.2023	31.12.2022
Trade receivables	14,438	16,509
Allowance for doubtful receivables	-13	-13
Receivables from related parties (Note 20)	462	408
Credit card payments (receivables)	1,946	2,918
<b>Total trade receivables</b>	<b>16,833</b>	<b>19,822</b>

**Note 5. Inventories**

in thousands of euros

	31.03.2023	31.12.2022
Goods purchased for resale	90,104	88,460
Tare and materials	654	734
<b>Total inventories</b>	<b>90,758</b>	<b>89,194</b>

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

in thousands of euros

	3 months 2023	3 months 2022
Write-down and write-off of inventories	2,853	2,972
Inventory stocktaking deficit	781	622
<b>Total materials and consumables used</b>	<b>3,634</b>	<b>3,594</b>

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

## Note 6. Subsidiaries

Tallinna Kaubamaja Group consists of:

Name	Location	Area of activity	Ownership 31.03.2023	Year of acquisition or foundation
Selver AS	Estonia, Tallinn	Retail trade	100%	1995
Tallinna Kaubamaja Kinnisvara AS	Estonia, Tallinn	Real estate management	100%	1999
Tartu Kaubamaja Kinnisvara OÜ	Estonia, Tartu	Real estate management	100%	2004
SIA TKM Latvija	Latvia, Riga	Real estate management	100%	2006
TKM Auto OÜ	Estonia, Tallinn	Commercial and finance activities	100%	2007
KIA Auto AS	Estonia, Tallinn	Wholesale 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
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
Walde AS	Estonia, Tallinn	Security activities	100%	2023

Tallinna Kaubamaja Grupp AS performed the intragroup restructuring of two Tallinna Kaubamaja Grupp subsidiaries Selver AS and TKM King AS. The merger decisions of Selver AS (the acquiring company) and TKM King AS (the company being acquired) were adopted on 9 August 2022 and an entry of the merger in the commercial register was made on 26 September 2022.

Pursuant to the merger agreement concluded on 7 July 2022, the legal successor of TKM King AS is Selver AS and, with the entry of the merger in the commercial register, all the assets of TKM King AS were wholly transferred to Selver AS. Due to the merger, TKM King AS was deleted from the commercial register on 26 September 2022. TKM King AS retail stores has been closed by now and TKM King AS existing wholesale business is merged with Selver AS.

Business combinations in 2023:

Name	Location	Area of activity	Acquisition date	Ownership %
Walde AS	Estonia	Security activities	15.02.2023	100%

Tallinna Kaubamaja Grupp AS acquired in 2023 year 100% of the shares of AS Walde. AS Walde is a wholesaler of security systems, which is a certified distributor of 2N Telekomunikace, Honeywell and Anixter equipment, among others.

The acquisition of the shareholding of AS Walde enables Tallinna Kaubamaja Grupp to further strengthen its field of security services, which has been one of the Group's fastest growing business lines in recent years. The transaction creates opportunities to bring new products to the market and develop security system wholesale operations. The business of Walde AS will continue in its current form, and there will be no changes in the composition of Walde AS's employees in connection with the transaction.

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

in thousands of euros	Fair value
Cash and cash equivalents	52
Trade receivables	300
Inventories	349
Property, plant and equipment	23
Trademark (Note 11)	153
Liabilities	-132
<b>Total identifiable net assets</b>	<b>745</b>
Consideration of ownership interest	745
Paid for ownership interest in cash	596
Payable in future for the ownership interest in cash	149
Cash and cash equivalents in the acquired entity	-52
<b>Net outflow of cash – investing activities</b>	<b>-544</b>
Payable in future for the ownership interest in cash	<b>149</b>

Trademark 153 thousand euros was acquired (Note 11).

#### Note 7. Investments in associates

in thousands of euros

Tallinna Kaubamaja Grupp AS has ownership of 50% (2022: 50%) interest in the entity AS Rävåla Parkla which provides the services of a parking house in Tallinn. The investment has been classified as associated company because the other owner has the power to appoint the members of supervisory board.

	31.03.2023	31.12.2022
<b>Investment in the associate at the beginning of the year</b>	<b>1,722</b>	<b>1,745</b>
Profit for the reporting period under equity method	69	197
Dividends received	0	-220
<b>Investment in the associate at the end of the accounting period</b>	<b>1,791</b>	<b>1,722</b>

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

	31.03.2023	31.12.2022
Current assets	228	76
Property, plant and equipment	3,416	3,425
Current liabilities	62	57
Owners' equity	3,582	3,444
	<b>3 months 2023</b>	<b>3 months 2022</b>
Revenue	137	135
Net profit	115	116

#### Note 8. Long-term receivables and prepayments

in thousands of euros

	31.03.2023	31.12.2022
Prepaid rental expenses	191	198
Deferred tax asset	33	33
Other long-term receivables	68	68
<b>Total long-term trade and other receivables</b>	<b>292</b>	<b>299</b>

#### Note 9. Investment property

in thousands of euros

<b>Carrying value as at 31.12.2021</b>	<b>62,690</b>
Purchases and improvements	280
Net loss from fair value adjustment	653
<b>Carrying value as at 31.12.2022</b>	<b>63,623</b>
Purchases and improvements	12
<b>Carrying value as at 31.03.2023</b>	<b>63,635</b>

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

The cost of investments for the 3 months of 2023 amounted to 12 thousand euros (2022: 280 thousand euros).

During the reporting period, renovation works, that were carried out on the Estonian real estate object in the Viimsi Centre, amounted to 12 thousand euros.

In 2022, renovation work was carried out for investment property in Estonia, in Tartu Kaubamaja 191 thousand euros and in Viimsi Centre 21 thousand euros. In 2022, renovation work was carried out for investment property in Latvia, Ogre for 68 thousand euros.

No fair value change of investment property was identified in 2023.

## 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 and projects in progress	Total
<b>31.12.2021</b>						
Cost or revalued amount	194,343	221,083	60,362	52,949	31,878	560,615
Accumulated depreciation and impairment	0	-50,464	-34,976	-34,846	-9,066	-129,352
<b>Carrying value</b>	<b>194,343</b>	<b>170,619</b>	<b>25,386</b>	<b>18,103</b>	<b>22,812</b>	<b>431,263</b>
<b>Changes occurred in 2022</b>						
Purchases and improvements	970	0	119	976	12,861	14,926
Addition to right-of use assets	0	5,959	0	0	0	5,959
Reclassification among property, plant and equipment groups	10,052	0	5,969	5,119	-21,140	0
Other reclassifications	0	0	328	0	0	328
Reclassification to intangible assets (Note 11)	0	0	0	0	-218	-218
Reclassification to inventory	0	0	-395	0	0	-395
Reclassification to property, plant and equipment from inventory	0	0	2,386	1	7	2,394
Disposals	0	0	-43	-6	0	-49
Write-offs	-6	0	-24	-25	0	-55
Decrease/increase in value through profit or loss	0	0	0	18	208	226
Adjustment to right-of use assets	0	4,942	0	0	0	4,942
Depreciation	-6,721	-19,384	-6,532	-6,084	0	-38,721
<b>31.12.2022</b>						
Cost or revalued amount	204,394	231,984	66,127	55,761	23,389	581,655
Accumulated depreciation and impairment	-5,756	-69,848	-38,933	-37,659	-8,859	-161,055
<b>Carrying value</b>	<b>198,638</b>	<b>162,136</b>	<b>27,194</b>	<b>18,102</b>	<b>14,530</b>	<b>420,600</b>
<b>Changes occurred in 2023</b>						
Purchases and improvements	622	0	1,504	1,129	1,825	5,080
Acquired through business combinations (Note 6)	0	0	4	0	0	4
Addition to right-of use assets	0	215	0	0	0	215
Other reclassifications	0	0	93	0	0	93
Reclassification to inventory	0	0	-55	0	0	-55
Reclassification to property, plant and equipment from inventory	0	0	445	0	3	448
Disposals	0	0	-47	0	0	-47
Write-offs	0	0	-21	-4	0	-25
Adjustment to right-of use assets	0	5,321	0	0	0	5,321
Depreciation	-1,724	-4,842	-1,716	-1,592	0	-9,874
<b>31.03.2023</b>						
Cost or revalued amount	205,016	237,520	67,510	56,713	25,217	591,976
Accumulated depreciation and impairment	-7,480	-74,690	-40,109	-39,078	-8,859	-170,216
<b>Carrying value</b>	<b>197,536</b>	<b>162,830</b>	<b>27,401</b>	<b>17,635</b>	<b>16,358</b>	<b>421,760</b>

The cost of investments for the 3 months of 2023 amounted to 5,421 thousand euros (including purchases of property, plant and equipment in the amount of 5,080 thousand euros and purchases of intangible assets amounted to 341 thousand euros).

The cost of purchases of property, plant and equipment made in reporting period in the supermarkets business segment was 3,259 thousand euros. In the reporting period, Ringtee Selver in Tartu was renewed. The store was transferred to Selver's new interior design concept. The renovation works of Järve Selver started, during which a store with completely new technical systems and furnishings will be built. During the reporting

period, computing equipment was acquired and Selver's store furnishings and equipment were updated.

The cost of purchases of property, plant and equipment in the business segment of department stores amounted to 741 thousand euros. During the reporting period, a completely renovated I.L.U. beauty shop in Ülemiste Centre was opened. Store furnishings and equipment were renewed during the reporting period.

The cost of purchases of property, plant and equipment in the reporting period was 267 thousand euros in the car trade business segment.

The cost of purchases of property, plant and equipment in the reporting period was 90 thousand euros in the security business segment.

The cost of purchases of property, plant and equipment in the real estate business segment amounted to 723 thousand euros. During the reporting period, real estate companies have made investments for more accurate measurement and management of the energy consumption of technical systems. Design work for the new Selver is underway in Tartu.

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

### Note 11. Intangible assets

in thousands of euros

	Goodwill	Trademark	Beneficial agreements	Capitalised development expenditure	Total
<b>31.12.2021</b>					
Cost	16,869	5,599	120	3,394	25,982
Accumulated amortisation and impairment	0	-4,098	-14	-1,586	-5,698
<b>Carrying value</b>	<b>16,869</b>	<b>1,501</b>	<b>106</b>	<b>1,808</b>	<b>20,284</b>
<b>Changes occurred in 2022</b>					
Purchases and improvements	0	0	0	1,764	1,764
Reclassification to property, plant and equipment	0	0	0	-21	-21
Reclassification from property, plant and equipment (Note 10)	0	0	0	218	218
Amortisation	0	-273	-17	-232	-522
<b>31.12.2022</b>					
Cost	16,869	2,091	120	5,355	24,435
Accumulated amortisation and impairment	0	-863	-31	-1,818	-2,712
<b>Carrying value</b>	<b>16,869</b>	<b>1,228</b>	<b>89</b>	<b>3,537</b>	<b>21,723</b>
<b>Changes occurred in 2023</b>					
Purchases and improvements	0	0	0	341	341
Acquired through business combinations (Note 6)	0	153	0	19	172
Amortisation	0	-70	-4	-93	-167
<b>31.03.2023</b>					
Cost	16,869	2,243	120	5,716	24,948
Accumulated amortisation and impairment	0	-932	-35	-1,912	-2,879
<b>Carrying value</b>	<b>16,869</b>	<b>1,311</b>	<b>85</b>	<b>3,804</b>	<b>22,069</b>

In the reporting period, the Group capitalised costs of a web page update, loyalty card web page update, loyalty card - Monthly Card, e-shop as development expenditure and development of services were in the amount of 341 thousand euros (2022: 1,764 thousand euros).

Trademark at value of 180 thousand euros was acquired in 2014 through purchase of Viking Security AS shares. Trademark will be amortised during 7 years. Trademark has been fully amortised in 2021, but its use will continue.

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

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

Trademark at value of 153 thousand euros was acquired in 2023 through purchase of AS Walde 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	31.03.2023	31.12.2022
Supermarkets	13,609	13,609
Car trade	3,156	3,156
Security	104	104
<b>Total</b>	<b>16,869</b>	<b>16,869</b>

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

## Note 12. Borrowings

in thousands of euros	31.03.2023	31.12.2022
<b>Short-term borrowings</b>		
Overdraft	25,649	15,222
Bank loans	52,293	60,747
Lease liabilities	13,053	17,433
Other borrowings	3,720	3,705
<b>Total short-term borrowings</b>	<b>94,715</b>	<b>97,107</b>

in thousands of euros	31.03.2023	31.12.2022
<b>Long-term borrowings</b>		
Bank loans	41,050	28,320
Lease liabilities	159,795	154,210
Other borrowings	8,320	8,295
<b>Total long-term borrowings</b>	<b>209,165</b>	<b>190,825</b>
<b>Total borrowings</b>	<b>303,880</b>	<b>287,932</b>

**Borrowings received**  
in thousands of euros

	3 months 2023	3 months 2022
Overdraft	10,426	7,979
Bank loans	11,378	5,000
Other borrowings	1,173	489
<b>Total borrowings received</b>	<b>22,977</b>	<b>13,468</b>

**Borrowings paid**  
in thousands of euros

	3 months 2023	3 months 2022
Bank loans	7,102	2,350
Lease liabilities	4,331	4,335
Other borrowings	1,134	836
<b>Total borrowings paid</b>	<b>12,567</b>	<b>7,521</b>

Bank loans are denominated in euros. Management estimates that the carrying amount of the Group's financial liabilities does not significantly differ from their fair value.

As of 31.03.2023, the repayment dates of bank loans are between 10.05.2023 and 20.03.2028 (2022: between 25.03.2023 and 07.12.2027), interest is tied both to 3-month and 6-month EURIBOR. Group has also contracts with fixed interest rate. Weighted average interest rate was 3.6% (2022: 2.78%).

Lease agreements that form lease liabilities have been concluded for the term until 14.04.2040. The lease obligation recognised in the balance sheet is recognised in accordance with IFRS 16, the discount uses an alternative loan interest rate at the time of the settlement or the initial application of IFRS 16. Weighted average interest rate used was 1.97% (31.12.2022: 1.97%).

**Net debt reconciliation**  
in thousands of euros

	31.03.2023	31.12.2022
Cash and cash equivalents (Note 2)	31,017	22,436
Short-term borrowings	-94,715	-97,107
Long-term borrowings	-209,165	-190,825
<b>Net debt</b>	<b>-272,863</b>	<b>-265,496</b>
Cash and cash equivalents (Note 2)	31,017	22,436
Gross debt – fixed interest rates	-178,890	-177,825
Gross debt – variable interest rates	-124,990	-110,107
<b>Net debt</b>	<b>-272,863</b>	<b>-265,496</b>

	Cash and cash equivalents	Overdraft	Borrowings	Lease liabilities	Total
<b>Net debt 31.12.2021</b>	<b>29,981</b>	<b>-7,308</b>	<b>-94,232</b>	<b>-177,811</b>	<b>-249,370</b>
Cash flow (principal and interest)	-7,545	-7,914	-5,218	20,636	-41
Interest accrued	0	0	-1,617	-3,567	-5,184
New lease contracts	0	0	0	-5,959	-5,959
Revaluation of lease liabilities	0	0	0	-4,942	-4,942
<b>Net debt 31.12.2022</b>	<b>22,436</b>	<b>-15,222</b>	<b>-101,067</b>	<b>-171,643</b>	<b>-265,496</b>
Cash flow (principal and interest)	8,581	-10,427	-3,338	5,195	11
Interest accrued	0	0	-978	-864	-1,842
New lease contracts	0	0	0	-215	-215
Revaluation of lease liabilities	0	0	0	-5,321	-5,321
<b>Net debt 31.03.2023</b>	<b>31,017</b>	<b>-25,649</b>	<b>-105,383</b>	<b>-172,848</b>	<b>-272,863</b>

**Note 13. Trade and other payables**

in thousands of euros

	31.03.2023	31.12.2022
Trade payables	66,174	79,551
Payables to related parties (Note 20)	2,555	3,132
Other accrued expenses	311	209
Prepayments by tenants	3,850	3,501
<b>Total financial liabilities from balance sheet line "Trade and other payables"</b>	<b>72,890</b>	<b>86,393</b>
Taxes payable (Note 14)	9,726	10,365
Dividends declared (Note 15)	27,696	0
Income tax liability on dividends (Note 15)	5,299	0
Employee payables	9,895	11,059
Prepayments	3,151	3,433
Short-term provisions*	36	199
<b>Total trade and other payables</b>	<b>128,693</b>	<b>111,449</b>

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

**Note 14. Taxes**

in thousands of euros

	31.03.2023		31.12.2022	
	Prepaid taxes	Taxes payable	Prepaid taxes	Taxes payable
Prepaid taxes	46	0	38	0
Value added tax	0	3,522	0	4,635
Personal income tax	0	1,722	0	1,554
Social security taxes	0	4,055	0	3,745
Corporate income tax	0	35	0	67
Unemployment insurance	0	256	0	246
Mandatory funded pension	0	136	0	118
<b>Total taxes</b>	<b>46</b>	<b>9,726</b>	<b>38</b>	<b>10,365</b>

As of 31.03.2023 deferred tax liability on dividends in the amount of 5,299 thousand euros (31.12.2022: 5,299 thousand euros) is recorded in the balance sheet.

**Note 15. Share capital**

As of 31.03.2023 and 31.12.2022, 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 2023, dividends were declared to the shareholders in the amount of 27,696 thousand euros, or 0.68 euros per share. Related income tax expense on dividends amounted to 5,299 thousand euros.

In 2022, dividends were declared and paid to the shareholders in the amount of 27,646 thousand euros, or 0.68 euros per share. Related income tax expense on dividends amounted to 4,479 thousand euros.

**Note 16. Segment reporting**

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

The chief operating decision maker monitors the Group's operations by activities. With regard to areas of activity, the operating activities are monitored in the department stores, supermarkets, real estate, car trade, beauty products (I.L.U.) and security segments. The measures of I.L.U. are below the quantitative criteria of the reporting segment specified in IFRS 8; these have been aggregated with the department stores segment because they have similar economic characteristics and are similar in other respects specified in IFRS 8.

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

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

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

in thousands of euros

<b>3 months 2023</b>	<b>Super markets</b>	<b>Department store</b>	<b>Car trade</b>	<b>Security</b>	<b>Real estate</b>	<b>Inter-segment transactions</b>	<b>Impact of lease accounting</b>	<b>Total segments</b>
<b>External revenue</b>	<b>147,228</b>	<b>24,711</b>	<b>41,725</b>	<b>2,854</b>	<b>1,565</b>	<b>0</b>	<b>0</b>	<b>218,083</b>
Inter-segment revenue	318	1,103	106	1,475	3,640	-6,642	0	0
Total revenue	147,546	25,814	41,831	4,329	5,205	-6,642	0	218,083
<b>EBITDA</b>	<b>4,797</b>	<b>84</b>	<b>3,428</b>	<b>169</b>	<b>4,029</b>	<b>0</b>	<b>5,195</b>	<b>17,702</b>
Segment depreciation and impairment losses	-2,965	-690	-288	-101	-1,180	0	-4,842	-10,066
<b>Operating profit/loss</b>	<b>1,832</b>	<b>-606</b>	<b>3,140</b>	<b>68</b>	<b>2,849</b>	<b>0</b>	<b>353</b>	<b>7,636</b>
Finance income	226	238	14	0	195	-672	0	1
Finance income on shares of associates (Note 7)	0	69	0	0	0	0	0	69
Finance costs	-382	-464	-161	-13	-594	672	-864	-1,806
Income tax	-1,139	-228	-1,157	0	-2,776	0	0	-5,300
<b>Net profit/loss</b>	<b>537</b>	<b>-991</b>	<b>1,836</b>	<b>55</b>	<b>-326</b>	<b>0</b>	<b>-511</b>	<b>600</b>
incl. in Estonia	537	-991	1,283	55	-383	0	-511	-10
incl. in Latvia	0	0	195	0	74	0	0	269
incl. in Lithuania	0	0	358	0	-17	0	0	341
<b>Segment assets</b>	<b>142,066</b>	<b>99,639</b>	<b>58,452</b>	<b>5,007</b>	<b>289,651</b>	<b>-104,682</b>	<b>162,830</b>	<b>652,963</b>
<b>Segment liabilities</b>	<b>112,486</b>	<b>101,557</b>	<b>35,689</b>	<b>4,548</b>	<b>86,191</b>	<b>-74,919</b>	<b>172,848</b>	<b>438,400</b>
Segment investments in property, plant and equipment (Note 10)	3,259	741	267	90	723	0	0	5,080
Segment investments in intangible assets (Note 11)	0	335	0	6	0	0	0	341

in thousands of euros

3 months 2022	Super markets	Department store	Car trade	Security	Real estate	Inter-segment transactions	Impact of lease accounting	Total segments
<b>External revenue</b>	<b>139,524</b>	<b>21,656</b>	<b>33,995</b>	<b>2,272</b>	<b>1,476</b>	<b>0</b>	<b>0</b>	<b>198,923</b>
Inter-segment revenue	275	1,043	158	1,168	3,627	-6,271	0	0
Total revenue	139,799	22,699	34,153	3,440	5,103	-6,271	0	198,923
<b>EBITDA</b>	<b>5,097</b>	<b>-1,073</b>	<b>2,372</b>	<b>94</b>	<b>3,965</b>	<b>0</b>	<b>5,185</b>	<b>15,640</b>
Segment depreciation and impairment losses	-2,791	-597	-192	-87	-1,217	0	-4,758	-9,642
<b>Operating profit/loss</b>	<b>2,306</b>	<b>-1,670</b>	<b>2,180</b>	<b>7</b>	<b>2,748</b>	<b>0</b>	<b>427</b>	<b>5,998</b>
Finance income	74	55	1	1	34	-164	0	1
Finance income on shares of associates (Note 7)	0	58	0	0	0	0	0	58
Finance costs	-116	-113	-75	-3	-166	164	-850	-1,159
Income tax	-2,143	-450	-428	-32	-1,426	0	0	-4,479
<b>Net profit/loss</b>	<b>121</b>	<b>-2,120</b>	<b>1,678</b>	<b>-27</b>	<b>1,190</b>	<b>0</b>	<b>-423</b>	<b>419</b>
incl. in Estonia	121	-2,120	1,423	-27	1,043	0	-423	17
incl. in Latvia	0	0	-16	0	156	0	0	140
incl. in Lithuania	0	0	271	0	-9	0	0	262
<b>Segment assets</b>	<b>140,061</b>	<b>66,072</b>	<b>42,801</b>	<b>3,781</b>	<b>288,402</b>	<b>-73,561</b>	<b>165,816</b>	<b>633,372</b>
<b>Segment liabilities</b>	<b>109,686</b>	<b>88,064</b>	<b>26,922</b>	<b>3,307</b>	<b>83,197</b>	<b>-63,828</b>	<b>173,431</b>	<b>420,779</b>
Segment investments in property, plant and equipment (Note 10)	694	1,503	98	53	214	0	0	2,562
Segment investments in intangible assets (Note 11)	0	135	0	0	0	0	0	135

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

in thousands of euros

	3 months 2023	3 months 2022
Retail revenue	196,903	179,421
Wholesale revenue	11,148	10,498
Rental income	2,562	2,394
Revenue for rendering services	7,470	6,610
<b>Total revenue</b>	<b>218,083</b>	<b>198,923</b>

## External revenue by client location

in thousands of euros

	3 months 2023	3 months 2022
Estonia	203,528	187,399
Latvia	7,879	5,954
Lithuania	6,676	5,570
<b>Total</b>	<b>218,083</b>	<b>198,923</b>

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

in thousands of euros

	31.03.2023	31.12.2022
Estonia	473,092	471,397
Latvia	32,532	32,712
Lithuania	2,132	2,136
<b>Total</b>	<b>507,756</b>	<b>506,245</b>

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

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

## Note 17. Services expenses

in thousands of euros

	3 months 2023	3 months 2022
Rental expenses	162	148
Heat and electricity expenses	4,739	3,959
Expenses related to premises	2,830	2,425
Cost of services and materials related to sales	1,898	2,003
Marketing expenses	1,988	2,098
Other operating expenses	1,349	1,082
Computer and communication costs	1,784	1,855
Expenses related to personnel	1,145	1,067
<b>Total other operating expenses</b>	<b>15,895</b>	<b>14,637</b>

**Note 18. Staff costs**

in thousands of euros

	3 months 2023	3 months 2022
Wages and salaries	19,626	16,976
Social security taxes	6,226	5,371
<b>Total staff costs</b>	<b>25,852</b>	<b>22,347</b>
Average wages per employee per month (euros)	1,389	1,210
Average number of employees in the reporting period	4,710	4,675

**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.

	3 months 2023	3 months 2022
Net profit/loss (in thousands of euros)	600	419
Weighted average number of shares	40,729,200	40,729,200
<b>Basic and diluted earnings per share (euros)</b>	<b>0.01</b>	<b>0.01</b>

**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.

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

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

	Purchases 3 months 2023	Sales 3 months 2023	Purchases 3 months 2022	Sales 3 months 2022
Parent	60	1	53	1
Entities in the Parent's consolidation group	8,384	809	6,647	934
Members of management and supervisory boards	0	0	0	1
Other related parties	7	2	0	17
<b>Total</b>	<b>8,451</b>	<b>812</b>	<b>6,700</b>	<b>953</b>

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

**Balances with related parties:**

	31.03.2023	31.12.2022
Receivables from entities in the in the Parent's consolidation group	459	401
Members of management and supervisory boards	0	7
Other related parties	3	0
<b>Total receivables from related parties (Note 4)</b>	<b>462</b>	<b>408</b>
	<b>31.03.2023</b>	<b>31.12.2022</b>
Parent	24	21
Entities in the Parent's consolidation group	2,530	3,108
Other related parties	1	3
<b>Total liabilities to related parties (Note 13)</b>	<b>2,555</b>	<b>3,132</b>

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

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

For arranging funding for its subsidiaries, the Group uses the group account, the members of which are most of the Group's entities. In its turn, the Group as a subgroup is a member of the group account of NG Investeringud 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 2023, the Group has not earned interest income on its deposits of available funds (2022: 0 euros). As at 31 March 2023 and 31 December 2022, 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 1,530 thousand euros (2022 3 months: 1 357 thousand euros). Short-term benefits to supervisory boards' members of the Group in reporting period including social taxes amounted to 208 thousand euros (2022 3 months: 216 thousand euros).

The termination benefits for the members of the Management Board are limited to 3 to 6 month's salary expense.