TALLINNA KAUBAMAJA GRUPP AS

Consolidated Interim Report for
the First quarter of 2018
(unaudited)

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COMPANY PROFILE AND CONTACT DETAILS

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

The Company is listed on the Tallinn Stock Exchange.

Registered office:	Gonsiori 2,
	10143 Tallinn
	Republic of Estonia
Registry code:	10223439
Beginning of financial year:	1 January 2018
End of financial year:	31 December 2018
Beginning of interim report period:	1 January 2018
End of interim report period:	31 March 2018
Auditor:	PricewaterhouseCoopers AS
Telephone:	372 667 3200
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MANAGEMENT REPORT

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

Management

In order to manage the Tallinna Kaubamaja Group the general meeting of the shareholders, held at least once in a year, elects supervisory board, which according to the articles of association may have 3 to 6 members. Members of the Tallinna Kaubamaja Group supervisory board are Jüri 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 2018. During the period between the general meetings the supervisory board plans actions of the company, organises management and accomplishes supervision over management actions. Regular supervisory board meetings are held at least 10 times in a year. In order to manage daily activities the supervisory board appoints member(s) of the management board of the Tallinna Kaubamaja Group in accordance with the Commercial Code. In order to elect a member of the management board, his or her consent is required. By the articles of association a member of the management board shall be elected for a specified term of three years. Extension of the term of office of a member of the management board shall not be decided earlier than one year before the planned date of expiry of the term of office, and not for a period longer than the maximum term of office prescribed by the articles of association. Currently the management board of Tallinna Kaubamaja Group has one member. The term of office of the management board member Raul Puusepp was extended on 17 February 2017 and his term of office expires on 6 March 2020.

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

Share market

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

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

The share with a price of 9.20 euros at the end of 2017 was closed in the end of March 2018 at 10.05 euros being increased by 9.24% within the three months of the year.

According to the notice of regular annual general meeting of the shareholders published on 26 February 2018, the management board proposed to pay dividends 0.69 euros per share. The general meeting of shareholders approved it.

Share price and trading statistics on the Tallinn Stock Exchange from 01.01.2018 to 31.03.2018.

In euros

Company's structure

The following companies belong to the Group as of March 31, 2018:

	Location	Shareholding as of 31.03.2018	Shareholding as of 31.12.2017
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%
Selver Latvia SIA	Latvia	100%	100%
TKM Auto OÜ	Estonia	100%	100%
KIA Auto AS	Estonia	100%	100%
KIA Auto UAB	Lithuania	100%	100%
Forum Auto SIA	Latvia	100%	100%
Verte Auto SIA	Latvia	100%	100%
Viking Motors AS	Estonia	100%	100%
OÜ TKM Beauty	Estonia	100%	100%
OÜ TKM Beauty Eesti	Estonia	100%	100%
AS TKM King	Estonia	100%	100%
Rävala Parkla AS	Estonia	50%	50%

Economic environment

In 2017, the Estonian economy grew by 4.9%, which is the fastest growth in recent years. The broad-based growth, which involved the majority of areas, can largely be contributed to construction, information, and communication, as well as professional, scientific, and technical activities. Both domestic and foreign demand grew rapidly. Macro-analysts have noted with concern that the primary statistics about the financial results of non-financial corporations in 2017 showed a deterioration of the turnover/profit ratio despite the increase in the gross profit of the business sector. Analysts also warn that inflation will weaken the increase in income, while labour shortages and rising wage pressure will put a strain on the profits of entrepreneurs and slow down competitiveness. According to various analysts, the increase in gross domestic product will account for 3.9% in 2018 thanks to the European subsidy provided for Estonia and the government investments. In the first three months of 2018, prices increased by 3.1% in Estonia, including a 4.8% increase in food and non-alcoholic beverages and a 0.5% increase in clothing and footwear. The highest price increase was observed in alcoholic beverages and tobacco products, where the price increased by 11.0%. Compared to the previous year, housing costs increased by 4.4% with an increase of 10.9% in electricity prices and an increase of 8.5% in rent prices. According to analysts, the consumer price index will increase by up to 3.0% in Estonia in 2018.

According to the data of Statistics Estonia, the sales revenue of trading companies at current prices grew by 8.7% in the first two months of 2018 in Estonia. The biggest sales revenue growth was in the motor vehicle maintenance and repair area (17.7%). Although the sales revenue growth of the car segment was very strong in 2017 (an increase of 15.5% in the first two months), the segment was able to grow even more in the two first months of 2018 (15.7%). According to the statistics of AMTEL, 15.5% more cars were sold in Estonia in the first three months of 2018. Revenue in non-specialised stores (predominantly grocery) grew by 4.0% in the first two months of the year. Revenue in other non-specialised stores increased by 11.8% during the period. According to the data of Statistics Estonia, more than 10% more companies were included in this segment compared to last year due to reporting methodology, which could have been one of the reasons for the rapid growth.

Economic results

FINANCIAL RATIOS 2017–2018

	EUR		
	1st quarter 2018	**1st quarter 2017**	**Change**
Sales revenue (in millions)	159.5	150.7	5.9%
Operating profit (in millions)	6.2	6.2	-0.7%
Net loss (in millions)	-0.2	-0.3	-36.4%
Return on equity (ROE)	-0.1%	-0.1%	
Return on assets (ROA)	0.0%	-0.1%	
Net profit margin	-0.10%	-0.17%	
Gross profit margin	24.36%	24.57%	
Quick ratio	0.80	0.86	
Debt ratio	0.55	0.53	
Sales revenue per employee (in millions)	0.037	0.037	
Inventory turnover	1.51	1.62	
SHARE			
Average number of shares (1000 pcs)	40,729	40,729	
Equity capital per share (EUR/share)	4.41	4.37	
Share's closing price (EUR/share)	10.05	9.57	
Earnings per share (EUR/share)	0.00	-0.01	
Average number of employees	4,262	4,107	

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
Quick ratio	= Current assets / Current liabilities
Debt ratio	= Total liabilities / Balance sheet total

In the first quarter of 2018, the unaudited consolidated sales revenue of the Tallinn Kaubamaja Group was 159.5 million euros. Compared to the first quarter of 2017, when its sales revenue was 150.7 million euros, the growth accounted for 5.9%. The net loss for the period amounted to 0.2 million euros due to the income tax expense on dividends (6.2 million euros). The loss in the first quarter of 2017 was 0.3 million euros, including income tax of 6.4 million euros. The pre-tax profit – 6.1 million euros – remained at the same level as in the previous year.

The beginning of 2018 was positive for the Group – there was a growth in sales revenue. The pre-tax profit remained at a solid level, comparable to that of the previous year. In terms of the important retail segments of the Group, a strong sales revenue growth was seen in supermarkets and car trade segments. In spite of the intensification of the competitive situation, the department stores managed to maintain the same level of sales revenue in essence. In estimated comparison with its direct competitors, based on the statistics published by the Tax and Customs Board, the sales revenue of the Group's segment of Kaubamaja stores can be considered good under certain market situation. The sales of the footwear segment decreased mainly due to reduced selling space. In the first quarter of 2018, the largest, nearly 1.5 times sales growth was recorded in the Group e-stores. The key to growth of Kaubamaja and Selver's e-stores is the fact that the e-shopping experience offered is of an equivalent quality with which the regular customers of the Group are accustomed to in physical stores. Investments in the user-friendliness, service and logistics development of e-stores as well as organizational changes in process reorganization have been successful and according to plan. Labour costs increased by 11.5% in the first quarter, including a 3.8% increase in the number of employees. Growth of 7.5% of the average wage per employee remained at the same pace with the trends of the wholesale and retail trade statistics of the Republic.

In the first quarter of 2018, an increase in selling space only occurred in the car segment. Viking Motors AS opened a Peugeot showroom in Tallinn in January. Until then, our Latvian car company –Forum Auto SIA – has successfully sold Peugeot cars. Compared to the first quarter of 2017, selling space has increased by five new Selver stores and the mobile store in Hiiumaa. It has decreased by five smaller footwear stores. In March, another important step was taken in the construction of a new sales building of Kaubamaja in Tallinn: an application was submitted to the Tallinn City Government for receiving specifying design specifications for the valid detailed plan.

The volume of the assets of the Tallinna Kaubamaja Group as of 31 March 2018 was 396.3 million euros, it decreased by 1.2 million euros compared to the end of 2017, i.e. 0.3%.

There were more than 665 thousand loyal customers at the end of the reporting period; the number of loyal customers increased by 9.1% in a year. The proportion of loyal customers in the Group's turnover was 85.2% (83.1% in the first quarter of 2017). By the end of the first quarter, over 30.0 thousand Partner Bank and Credit Cards had been issued.

Selver supermarkets

In the first quarter of 2018, the consolidated sales revenue of the supermarket business segment was 105.6 million euros, being increased by 6.1% compared to the previous period. In the first quarter of 2018, the monthly average sales revenue of goods per square meter of selling space was 0.36 thousand euros. In terms of comparable stores, it was also 0.36 thousand euros, which means that it remained at a level comparable to the same period of the previous year. 9.1 million purchases were made in Selver stores in the first quarter of 2018, which accounted for an increase of 2.3%.

In the first quarter of 2018, the consolidated pre-tax profit of the supermarket segment was 3.1 million euros. The profit earned in Estonia amounted to 3.2 million euros of it, remaining at the level of the previous year (a decline of 0.1 million euros). The consolidated net loss of the supermarket segment was 0.9 million euros, which accounted for an increase of 0.1 million euros compared the first quarter of the previous year. The net loss in Estonia in the first quarter of 2018 was 0.8 million euros. The difference between net profit and pre-tax profit is a result of income tax expense on dividends – in 2018, the income tax on dividends was 0.4 million euros less than in the previous year. The pre-tax loss in Latvia in the first quarter of 2018 was 0.1 million euros. The loss was reduced due to the expiration of intra-group contracts. The business in Latvia is frozen.

The sales revenue growth of Selver stores in the first quarter, which was somewhat faster than the market segment, has been achieved with the support of new stores. In terms of comparable stores, Selver stores have managed to keep the sales revenue at the level of last year, despite the constantly increasing number of competitors' stores and the re-distribution of loyal customers between the stores of Selver. In the first quarter, both the number of purchases and the average purchase has increased. E-Selver is still doing well: its sales in the first quarter, compared to the first quarter of last year, grew by 1.5 times. The comparison basis of the year 2018 does not include the five new supermarkets opened in Tallinn and the mobile store of Hiiumaa.

The profits earned in Estonia were mostly affected by revenue growth. In terms of operating expenses, the level of cost-efficiency was better than last year. As expected, investments have had a positive effect: they have enabled to save on administrative costs and efficiently manage labour costs in the pressurising wage situation.

This year, Selver plans to open at least two stores and extend the SelveEkspress service to these two stores, as well as fourteen existing stores. It is also planned to introduce electronic price tags in Selver's fruit and vegetable sections. We will continue to develop e-commerce to increase our capability to serve the rapidly increasing number of customers: it is also planned to install the first e-Selver food lockers, where customers of our e-store can pick up their deliveries. On 1 April, the e-Selver service expanded to Pärnu.

As of the end of March, the supermarket segment includes the Selver chain with 52 stores, a mobile store, e-Selver and café, with a total selling space of 95,100 square meters, and the central kitchen Kulinaaria OÜ. The segment also includes non-operational SIA Selver Latvia.

Department stores

In the first three months of 2018, the department store business segment earned a sales revenue of 22.8 million euros, which is 1.0% less than last year. In the first three months, the sales revenue of the department store segment per square metre of selling space was 0.86 thousand euros per month, which is 0.9% lower than in the same period last year. The pre-tax loss of the department stores in the first quarter of 2018 was 0.4 million euros, which is 0.5 million euros less than last year. In the first quarter, the sales results of the department store segment were affected by the long and cloudy winter, which had a negative impact on the sale of spring goods at the beginning of the new season. The sale of discounted goods in the winter weather conditions also negatively affected the marginal.

In the first quarter of 2018, the sales revenue of OÜ TKM Beauty Eesti, which operates the I.L.U. cosmetics stores, was 1.1 million euros, which was 3.2% more than in the same period last year. The loss in the first quarter of 2018 was 0.1 million euros, which is 12.5% more than last year. In February, the Kvartal store in Tartu was closed due to unsatisfactory results. The final sale and costs related to the closing the store influenced the profitability of the I.L.U. chain.

Car Trade

In the first quarter of 2018, the sales revenue of the car trade segment was 27.6 million euros. Sales revenue increased by 14.0% compared to last year and the sales revenue of KIAs decreased by 5.9%. A total of 1,229 new vehicles were sold in the first three months of the year. The sales revenue and the increase in the number of cars sold was supported by the rapid growth of the Estonian car market, which continued in the first quarter of 2018. The pre-tax profit of the segment in the first quarter of 2018 was 0.9 million euros, which is 0.4 million euros less than in the same period last year. In January, Viking Motors AS, the Estonian retail seller in car trade segment, started selling and servicing Peugeot cars in Tallinn by opening a new showroom. Until now, the Group's Latvian car company –Forum Auto SIA – has successfully sold Peugeot cars. This new business direction has shown better results than expected. The Latvian subsidiary Forum Auto SIA has also shown great results, winning several public procurements. The decrease in the car trade segment's profit has, on the one hand, been a result of the launch of the new showroom in Tallinn. On the other hand, compared to the first quarter of 2017, the higher volume of fleet sales has lowered the sales margin of cars.

Footwear trade

In the first quarter of 2018, the sales revenue of the footwear business segment was 2.2 million euros, which accounted for a decrease of 16.5% compared to the same period of the previous year. Reason for the decrease compared to last year, five footwear stores have been closed during the selling space optimization. The loss in the first quarter decreased by 0.5 million euros compared to the previous year, staying at a level of 0.3 million euros. The goal of the segment in 2018 is to increase profitability through new procurement channels and an increase in margins. In 2018, it is planned to re-open the ABC King store in Kristiine shopping centre, which was closed in 2017, and to continue with the activities to increase the profitability of selling space. We have started working with the store concept innovations of ABC King.

Real estate

In the first quarter of 2018, the sales revenue in the real estate segment outside the Group was 1.3 million euros. Sales revenue increased by 7.6% compared to last year. The pre-tax profit of the real estate segment in the first quarter of 2018 was 2.9 million euros, which is 0.4% less than last year. The growth in the segment's sales revenue was positively affected by the gas station and store, completed in January 2018 for a partner outside the Group, which is located in Rae municipality, in the immediate vicinity of the Selver store in Peetri. Tartu Kaubamaja Centre and Viimsi Centre are showing good results and contributing to the segment's sales growth. The decrease in profit was affected by previous contracts concluded inside the Group, related to Latvian real estate, which have ended by now.

At the end of 2018, it is planned to open Kolde Selver, which is currently under construction. It is also planned to continue with the development works of the Estonian, Latvian and Lithuanian car centres, a new sales building of department store in Tallinn and the central kitchen of Kulinaaria.

Personnel

In the first quarter of 2018, the average number of employees in Tallinna Kaubamaja Group was 4,262 people, a growth of 3.8% compared to the same period in 2017. Total labour costs (wages and social insurance contributions) in the first three months of 2018 were 15.8 million euros, a year-over-year growth of 11.5%. The number of employees mainly grew in supermarkets as a result of expansion. The monthly average salary costs per employee increased 7.5% in comparison with the average salary of the first quarter of 2017.

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 expresses the relevant contracts with partners.

Raul Puusepp
Chairman of the Management Board

Tallinn, 12 April 2018

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 2018 as set out on pages 11-31.

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 2018

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros

	Note	31.03.2018	31.12.2017
ASSETS			
Current assets			
Cash and cash equivalents	2	40,529	33,662
Trade and other receivables	3	14,101	16,127
Inventories	5	79,760	75,816
Total current assets		**134,390**	**125,605**
Non-current assets			
Long-term receivables and prepayments	8	115	114
Investments in associates	7	1,776	1,724
Investment property	9	49,889	49,902
Property, plant and equipment	10	204,573	214,475
Intangible assets	11	5,543	5,675
Total non-current assets		**261,896**	**271,890**
TOTAL ASSETS		**396,286**	**397,495**
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings	12	52,895	54,818
Trade and other payables	13	114,493	85,569
Total current liabilities		**167,388**	**140,387**
Non-current liabilities			
Borrowings	12	48,729	48,732
Provisions for other liabilities and charges		420	360
Total non-current liabilities		**49,149**	**49,092**
TOTAL LIABILITIES		**216,537**	**189,479**
Equity			
Share capital	15	16,292	16,292
Statutory reserve capital		2,603	2,603
Revaluation reserve		81,672	82,124
Currency translation differences		-255	-255
Retained earnings		79,437	107,252
TOTAL EQUITY		**179,749**	**208,016**
TOTAL LIABILITIES AND EQUITY		**396,286**	**397,495**

The notes presented on pages 16 to 31 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 2018	3 months 2017
Revenue	16	159,547	150,688
Other operating income		713	482
Cost of sales	5	-120,687	-113,666
Other operating expenses	17	-13,837	-13,494
Staff costs	18	-15,788	-14,155
Depreciation, amortisation and impairment losses	10, 11	-3,437	-3,281
Other expenses		-308	-329
Operating profit		**6,203**	**6,245**
Finance income		0	0
Finance costs		-170	-183
Finance income on shares of associates	7	52	51
Profit before tax		**6,085**	**6,113**
Income tax expense	15	-6,249	-6,371
NET LOSS FOR THE FINANCIAL YEAR		**-164**	**-258**
Other comprehensive income: *Items that will not be subsequently reclassified to profit or loss*			
Other comprehensive income for the financial year		**0**	**0**
TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL YEAR		**-164**	**-258**
Basic and diluted earnings per share (euros)	19	0.00	-0.01

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

The notes presented on pages 16 to 31 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

In thousands of euros

	Note	3 months 2018	3 months 2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss		-164	-258
Adjustments:			
Interest expense		170	183
Depreciation, amortisation and impairment	*10, 11*	3,437	3,281
Loss on sale of non-current assets	*10*	1	0
Profit on sale of non-current assets	*9,10*	-400	-193
Effect of equity method	*7*	-52	-51
Change in inventories		-3,946	-16
Change in receivables and prepayments related to operating activities		2,026	1,759
Change in liabilities and prepayments related to operating activities		899	-4,279
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		**1,971**	**426**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment (excl. finance lease)	10	-2,117	-3,332
Proceeds from sale of property, plant and equipment	10	9,115	1,110
Purchase of intangible assets	11	13	-13
Change in balance of parent company's group account		-2	0
TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES		**7,009**	**-2,235**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	12	14,563	12,790
Repayments of borrowings	12	-16,894	-15,600
Change in overdraft balance	12	405	258
Interest paid		-187	-204
TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES		**-2,113**	**-2,756**
TOTAL CASH FLOWS		**6,867**	**-4,565**
Cash and cash equivalents at the beginning of the period	2	33,662	32,375
Cash and cash equivalents at the end of the period	2	40,529	27,810
Net change in cash and cash equivalents		**6,867**	**-4,565**

The notes presented on pages 16 to 31 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 31.12.2016	**16,292**	**2,603**	**83,932**	**-255**	**101,272**	**203,844**
Net loss for the reporting period	0	0	0	0	-258	-258
Total comprehensive loss for the reporting period	**0**	**0**	**0**	**0**	**-258**	**-258**
Reclassification of depreciation of revalued land and buildings	0	0	-452	0	452	0
Dividends declared	0	0		0	-25,659	-25,659
Balance as of 31.03.2017	**16,292**	**2,603**	**83,480**	**-255**	**75,807**	**177,927**
Net profit for the reporting period	0	0	0	0	29,831	29,831
Total comprehensive income for the reporting period	**0**	**0**	**0**	**0**	**29,831**	**29,831**
Reclassification of depreciation of revalued land and buildings	0	0	-1,808	0	1,808	0
Dividends paid	0	0	0	0	-25,659	-25,659
Balance as of 31.12.2017	**16,292**	**2,603**	**82,124**	**-255**	**107,252**	**208,016**
Net loss for the reporting period	0	0	0	0	-164	-164
Total comprehensive loss for the reporting period	**0**	**0**	**0**	**0**	**-164**	**-164**
Reclassification of depreciation of revalued land and buildings	0	0	-452	0	452	0
Dividends declared	0	0		0	-28,103	-28,103
Balance as of 31.03.2018	**16,292**	**2,603**	**81,672**	**-255**	**79,437**	**179,749**

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

The notes presented on pages 16 to 31 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 Gonsiori 2, Tallinn. The shares of Tallinna Kaubamaja Grupp AS are listed on the NASDAQ OMX Tallinn Stock Exchange. The majority shareholder of Tallinna Kaubamaja Grupp AS is OÜ NG Investeeringud, the majority owner of which is NG Kapital OÜ. NG Kapital OÜ is an entity with ultimate control over Tallinna Kaubamaja Grupp AS.

Basis for Preparation

The Condensed Consolidated Interim Accounts of Tallinna Kaubamaja Group has been prepared in accordance with the International Financial Reporting Standard IAS 34 Interim Financial Reporting as adopted by the European Union. The condensed consolidated interim financial statements do not contain all the information that has to be presented in the annual financial statements and they should be read in conjunction with the Group's consolidated financial statements as at and for the year ended 31 December 2017. 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. This is the first set of the Group's financial statements where IFRS 15 and IFRS 9 have been applied. Changes to significant accounting policies are described below.

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

The Manager is of the opinion that the Condensed Consolidated Interim Report of Tallinna Kaubamaja Group for the first quarter of 2018 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

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2017. The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2018. The Group has initially adopted IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments from 1 January 2018. A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Group's financial statements. The application of IFRS 15 and IFRS 9 did not have any material effect on the Group's financial statements as at 01.01.2018 and no adjustments to the equity have been made as of that date.

IFRS 15, Revenue from Contracts with Customers
IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The Group has adopted IFRS 15 using modified retrospective approach which requires that the cumulative effect of initially applying this standard is recognised in retained earnings at the date of initial application (i.e. 1 January 2018) and the information presented for 2017 is restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. As disclosed above, there were no adjustments as the impact of IFRS 15 to the retained earnings as at 1 January 2018 was not material, therefore no adjustments to the equity have been made.

The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various goods and services are set out below. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services.

Sale of goods – retail
Revenue from the sale of goods is recognised at the time when a sales transaction is completed for the client in a retail store. The client generally pays in cash or by credit card. The probability of returning goods is estimated at a portfolio level (expected value method), based on prior experience, and returns are recognised in the period of the sales transaction as a reduction of revenue, by recognising a contract liability (refund liability) and a right to the returned goods. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date. Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur.

Accounting for customer loyalty programme
In previous reporting periods, the consideration received from the sale of goods was allocated to the points and the goods sold using the residual method. Under this method, a part of the consideration equalling the fair value of the points was allocated to the points. The residual part of the consideration was allocated to the goods sold.
Under IFRS 15, the total consideration must be allocated to the points and goods based on the relative stand-alone selling prices. Using this new method, the amounts allocated to the goods sold are, on average, higher than the amounts allocated under the residual value method, although the impact as of 1 January 2018 was not material.

IFRS 9, Financial Instruments
IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.
IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale. Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value with changes recognised in other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value with changes recognised in profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
— it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
— its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.
These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018.

in thousands of euro	**Original classification under IAS 39**	**New classification under IFRS 9**	**Carrying amount under IAS 39**	**Carrying amount under IFRS 9**
Trade and other receivables	Loans and receivables	Amortised cost	12,363	12,363
Cash and cash equivalents	Loans and receivables	Amortised cost	33,662	33,662
Total financial assets			**46,025**	**46,025**

Impairment of financial assets
IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39. The financial assets at amortised cost consist of trade receivables, cash, and cash equivalents.

Under IFRS 9, loss allowances are measured from initial recognition of the financial assets, on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

ECLs are a probability-weighted estimate of credit losses. A credit loss is the difference between the cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive discounted at the original effective interest rate. .

The Group measures loss allowances as follows:

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

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

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

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

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. However, the Group has determined that the application of IFRS 9's impairment requirements at 01.01.2018 results in no material impact on Group's financial statements.

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below. Changes in accounting policies did not have a material impact on the Group's financial statements on the adoption at 1 January 2018. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated, but continue to be accounted for in accordance with IAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.
- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

Note 2. Cash and cash equivalents

in thousands of euros

	31.03.2018	31.12.2017
Cash on hand	843	643
Bank accounts	38,799	29,866
Cash in transit	887	3,153
Total cash and cash equivalents	**40,529**	**33,662**

Note 3. Trade and other receivables

in thousands of euros

	31.03.2018	31.12.2017
Trade receivables (Note 4)	10,738	11,761
Other short-term receivables	395	602
Total financial assets from balance sheet line ''Trade and other receivables''	**11,133**	**12,363**
Prepayment for goods	1,668	2,993
Other prepaid expenses	1,245	701
Prepaid rental expenses	34	34
Prepaid taxes (Note 14)	21	36
Total trade and other receivables	**14,101**	**16,127**

Note 4. Trade receivables

in thousands of euros

	31.03.2018	31.12.2017
Trade receivables	8,919	9,450
Allowance for doubtful receivables	-3	-4
Receivables from related parties (Note 20)	582	392
Credit card payments	1,240	1,923
Total trade receivables	**10,738**	**11,761**

Note 5. Inventories

in thousands of euros

	31.03.2018	31.12.2017
Goods purchased for resale	79,023	75,068
Raw materials and materials	737	748
Total inventories	**79,760**	**75,816**

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

	3 months 2018	3 months 2017
Write-down and write-off of inventories	2,350	2,221
Inventory stocktaking deficit	322	246
Total materials and consumables used	**2,672**	**2,467**

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 31.03.2018	Year of acquisition or foundation
Selver AS	Tallinn Pärnu mnt. 238	Retail trade	100%	1996
Tallinna Kaubamaja Kinnisvara AS	Tallinn Gonsiori 2	Real estate management	100%	1999
Tartu Kaubamaja Kinnisvara OÜ	Tartu Riia 1	Real estate management	100%	2004
SIA TKM Latvija	Riga Ieriku iela 3	Real estate management	100%	2006
SIA Selver Latvia	Riga Ieriku iela 3	Retail trade	100%	2006
TKM Auto OÜ	Tallinn Gonsiori 2	Commercial and finance activities	100%	2007
KIA Auto AS	Tallinn Ülemiste tee 1	Retail trade	100%	2007
Forum Auto SIA	Marupe K.Ulmana gatve 101	Retail trade	100%	2007
KIA Auto UAB	Vilnius, Perkunkiemio g.2	Retail trade	100%	2007
TKM Beauty OÜ	Tallinn Gonsiori 2	Retail trade	100%	2007
TKM Beauty Eesti OÜ	Tallinn Gonsiori 2	Retail trade	100%	2007
TKM King AS	Tallinn Betooni 14	Retail trade	100%	2008
Kaubamaja AS	Tallinn Gonsiori 2	Retail trade	100%	2012
Kulinaaria OÜ	Tallinn Taevakivi 7B	Centre kitchen activities	100%	2012
Viking Motors AS	Tallinn Tammsaare tee 51	Retail trade	100%	2012
Viking Security AS	Tallinn Tammsaare tee 62	Security activities	100%	2014
UAB TKM Lietuva	Vilnius Lvovo G. 25	Real estate management	100%	2017
Verte Auto SIA	Marupes nov., Marupe, Karla Ulmana gatve 101	Retail trade	100%	2017

In 2018 and 2017, there were no business combinations.

Note 7. Investments in associates
in thousands of euros

Tallinna Kaubamaja Grupp AS has ownership of 50% (2017: 50%) interest in the entity AS Rävala Parkla which provides the services of a parking house in Tallinn.

	31.03.2018	31.12.2017
Investment in the associate at the beginning of the year	**1,724**	**1,762**
Profit for the reporting period under equity method	52	162
Dividends received	0	-200
Investment in the associate at the end of the accounting period	**1,776**	**1,724**

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

	31.03.2018	31.12.2017
Current assets	140	29
Non-current assets	3,462	3,471
Current liabilities	51	53
	3 months 2018	**3 months 2017**
Revenue	128	125
Net profit	103	102

Note 8. Long-term receivables and prepayments

in thousands of euros

	31.03.2018	31.12.2017
Prepaid rental expenses	53	52
Deferred tax asset	27	27
Other receivables	35	35
Total long-term trade and other receivables	**115**	**114**

Note 9. Investment property

in thousands of euros

	EUR
Carrying value as at 31.12.2016	**48,684**
Reclassification (Note 10)	157
Disposal	-20
Net gain from fair value adjustment	1,081
Carrying value as at 31.12.2017	**49,902**
Disposal	-13
Carrying value as at 31.03.2018	**49,889**

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

Property with commercial buildings (Viimsi shopping centre and Tartu Kaubamaja Shopping Centre), which the Group maintains predominantly for earning rental income in Estonia, are partially classified as investment properties and partially as property, plant and equipment since 2016. In Latvia, Rezekne commercial building and property is classified as investment property which the Group maintains for earning rental income. Property in Rae municipal Peetri was reclassified as investment property from property, plant and equipment in 2017.

In 2017 Tartu Kaubamaja Shopping Centre renovation amounted to 157 thousand euros.

As a result of the valuation in 2017, the net fair value adjustment of investment property in Estonia in the amount of 1,081 thousand euros recorded in the income statement line “Other operating income”. No fair value change of investment property in Latvia was identified in 2018 and 2017.

Note 10. Property, plant and equipment

in thousands of euros

	Land and buildings	Machinery and equipment	Other fixtures and fittings	Construction in progress and prepayments	Total
31.12.2016					
Cost or revalued amount	164,456	33,797	34,978	44,315	277,546
Accumulated depreciation and impairment	0	-22,746	-22,320	-20,969	-66,035
Carrying value	**164,456**	**11,051**	**12,658**	**23,346**	**211,511**
Changes occurred in 2017					
Purchases and improvements	1,893	356	134	12,395	14,778
Reclassification	2,173	4,500	3,838	-10,511	0
Reclassification to investment property (Note 9)	-157	0	0	0	-157
Disposals	-8	-379	-18	-795	-1,200
Write-offs	0	-1	-38	0	-39
Decrease/increase in value through profit or loss	0	0	0	2,144	2,144
Depreciation	-5,049	-3,243	-4,270	0	-12,562
31.12.2017					
Cost or revalued amount	167,890	37,114	37,634	44,584	287,222
Accumulated depreciation and impairment	-4,582	-24,830	-25,330	-18,005	-72,747
Carrying value	**163,308**	**12,284**	**12,304**	**26,579**	**214,475**
Changes occurred in 2018					
Purchases and improvements	0	118	22	1,977	2,117
Reclassification (Note 11)	278	430	456	-1,218	-54
Disposals	-5	-102	-4	-8,605	-8,716
Write-offs	-35	0	-1	0	-36
Depreciation	-1,228	-891	-1,094	0	-3,213
31.03.2018					
Cost or revalued amount	168,080	37,444	38,079	30,675	274,278
Accumulated depreciation and impairment	-5,762	-25,605	-26,396	-11,942	-69,705
Carrying value	**162,318**	**11,839**	**11,683**	**18,733**	**204,573**

The cost of investments for the 3 months of 2018 amounted to 2,119 thousand euros (including purchases of property, plant and equipment in the amount of 2,117 thousand euros and purchases of intangible assets amounted to 2 thousand euros).

The cost of purchases of property, plant and equipment made in 3 months of 2018 in the supermarket business segment was 797 thousand euros. In the reporting period, computing technology for SelveEkspress self-service cashers and renewed store fittings were purchased.

The cost of purchases of property, plant and equipment in the business segment of department store amounted to 404 thousand euros. In the reporting period, store fittings and computing technology were purchased.

The cost of purchases of property, plant and equipment in the accounting period was 167 thousand euros in the car trade business segment.

The cost of purchases of property, plant and equipment in the reporting period in the footwear segment was 4 thousand euros.

The cost of purchases of property, plant and equipment in the real estate business segment amounted to 745 thousand euros. In the reporting period the construction work of the gas station in Rae municipality, Raudkivi road and at the intersection of the Tartu road, next to Selver store in Peetri municipality were carried out. Gas station is a part of developments of Peetri Selver and is planned to rent out to Circle K for a long term. In the reporting period in Tallinn, Sõle 31, Kolde Selver construction works started. Additionally renovation of Tartu Kaubamaja centre took place.

In the reporting period, seven items of the buildings under construction located in Latvia were sold at selling price of 9,000 thousand euros, profit on sale amounted to 395 thousand euros.

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 contracts	Develop-ment expendi-ture	Total
31.12.2016					
Cost	6,814	5,277	1,080	1,317	14,488
Accumulated amortisation and impairment	-1,441	-3,030	-1,080	-432	-5,983
Carrying value	**5,373**	**2,247**	**0**	**885**	**8,505**
Changes occurred in 2017					
Purchases and improvements	0	0	0	69	69
Amortisation	0	-487	0	-233	-720
Impairment	-2,113	-66	0	0	-2,179
31.12.2017					
Cost	3,260	5,277	1,080	1,386	11,003
Accumulated amortisation and impairment	0	-3,583	-1,080	-665	-5,328
Carrying value	**3,260**	**1,694**	**0**	**721**	**5,675**
Changes occurred in 2018					
Purchases and improvements	0	0	0	2	2
Reclassification (Note 10)	0	0	0	54	54
Amortisation	0	-124	0	-64	-188
31.03.2018					
Cost	3,260	5,277	0	1,424	9,961
Accumulated amortisation and impairment	0	-3,707	0	-711	-4,418
Carrying value	**3,260**	**1,570**	**0**	**713**	**5,543**

In the reporting period, the Group capitalised costs of a web page update and e-shop as development expenditure in the amount of 2 thousand euros (2017: 69 thousand euros).

As a trademark, the Group has recognised the image of ABC King at cost value of 3,509 thousand euros; the image contains a combination of the name, symbol and design together with recognition and preference by consumers. Trademark will be amortised during 15 years. In 2017, a trademark of ABC King as adjusted downwards in the amount of 66 thousand euros.

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

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

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

in thousands of euros	31.03.2018	31.12.2017
Car trade	3,156	3,156
Department store	104	104
Total	**3,260**	**3,260**

The recoverable amount (based on value in use) was determined on the basis of future cash flows for the next five years. In all units, except in footwear trade, 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.

In 2017 in footwear trade, it was evident that the present value of cash flows does not cover the value of goodwill. Accordingly goodwill in footwear trade was adjusted downwards in the amount of 2,113 thousand euros.

Note 12. Borrowings

in thousands of euros

	31.03.2018	31.12.2017
Short-term borrowings		
Overdraft	8,216	7,811
Bank loans	42,235	45,002
Other borrowings	2,444	2,005
Total short-term borrowings	**52,895**	**54,818**

in thousands of euros

	31.03.2018	31.12.2017
Long-term borrowings		
Bank loans	48,570	48,570
Other borrowings	159	162
Total long-term borrowings	**48,729**	**48,732**
Total borrowings	**101,624**	**103,550**

Borrowings received
in thousands of euros

	3 months 2018	3 months 2017
Overdraft	405	258
Bank loans	13,202	11,916
Other borrowings	1,361	874
Total borrowings received	**14,968**	**13,048**

Borrowings paid
in thousands of euros

	3 months 2018	3 months 2017
Bank loans	15,969	14,533
Other borrowings	925	1,067
Total borrowings paid	**16,894**	**15,600**

Bank loans and other borrowings are denominated in euros.

As of 31.03.2018, the repayment dates of bank loans are between 30.04.2018 and 15.11.2022 (2017: between 30.04.2018 and 15.11.2022), interest is tied both to 3-month and 6-month EURIBOR as well as EONIA. Weighted average interest rate was 0.90% (2017: 0.93%).

Net debt reconciliation
in thousands of euros

	31.12.2018	31.12.2017
Cash and cash equivalents (Note 2)	40,529	33,662
Short-term borrowings	-52,895	-54,818
Long-term borrowings	-48,729	-48,732
Net debt	**-61,095**	**-69,888**
Cash and cash equivalents (Note 2)	40,529	33,662
Gross debt – fixed interest rates	-25,038	-25,493
Gross debt – variable interest rates	-76,586	-78,057
Net debt	**-61,095**	**-69,888**

	Cash and cash equivalents	Overdraft	Borrowings due within 1 year	Borrowings due after 1 year	Total
Net debt 31.12.2016	**32,375**	**-3,017**	**-23,835**	**-73,772**	**-68,249**
Cash flows	1,287	-4,794	-23,172	25,040	-1,639
Net debt 31.12.2017	**33,662**	**-7,811**	**-47,007**	**-48,732**	**-69,888**
Cash flows	6,867	-405	2,328	3	8,793
Net debt 31.03.2018	**40,529**	**-8,216**	**-44,679**	**-48,729**	**-61,095**

Note 13. Trade and other payables

in thousands of euros

	31.03.2018	31.12.2017
Trade payables	60,003	61,919
Payables to related parties (Note 20)	3,410	3,750
Other accrued expenses	78	116
Prepayments by tenants	3,140	3,666
Total financial liabilities from balance sheet line ‘‘Trade and other payables’’	**66,631**	**69,451**
Taxes payable (Note 14)	6,515	7,896
Dividends declared (Note 15)	28,103	0
Income tax liability on dividends (Note 15)	6,249	0
Employee payables	5,565	6,461
Prepayments	1,350	1,671
Short-term provisions*	80	90
Total trade and other payables	**114,493**	**85,569**

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

Note 14. Taxes

in thousands of euros

	31.03.2018		31.12.2017	
	Prepaid taxes	Taxes payable	Prepaid taxes	Taxes payable
Prepaid taxes	21	0	36	0
Value added tax	0	2,617	0	3,949
Personal income tax	0	896	0	970
Social security taxes	0	2,582	0	2,498
Corporate income tax	0	127	0	192
Unemployment insurance	0	168	0	164
Mandatory funded pension	0	125	0	123
Total taxes	**21**	**6,515**	**36**	**7,896**

Note 15. Share capital

As of 31.03.2017 and 31.12.2017, 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 2018, dividends were declared to the shareholders in the amount of 28,103 thousand euros, or 0.69 euros per share. Related income tax expense on dividends amounted to 6,249 thousand euros. In 2017, dividends were paid to the shareholders in the amount of 25,659 thousand euros, or 0.63 euros per share. Related income tax expense on dividends amounted to 6,371 thousand euros.

Note 16. Segment reporting

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

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

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

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

The disclosures of financial information correspond to the information that is periodically reported to the Supervisory Board. Measures of income statement, segment assets and liabilities have been measured in accordance with accounting policies used in the preparation of the financial statements. 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

3 months 2018	Super markets	Depart-ment store	Car trade	Footwear trade	Real estate	Inter-segment transact-ions	Total seg-ments
External revenue	**105,621**	**22,808**	**27,605**	**2,192**	**1,321**	0	**159,547**
Inter-segment revenue	387	1,447	24	33	3,203	-5,094	0
Total revenue	106,008	24,255	27,629	2,225	4,524	-5,094	159,547
EBITDA	**4,586**	**210**	**1,040**	**-210**	**4,014**	**0**	**9,640**
Segment depreciation and impairment losses	-1,516	-661	-125	-104	-1,031	0	-3,437
Operating profit/loss	**3,070**	**-451**	**915**	**-314**	**2,983**	0	**6,203**
Finance income	74	39	0	0	0	-113	0
Finance income on shares of associates (Note 7)	0	52	0	0	0	0	52
Finance costs	-16	-79	-60	-19	-109	113	-170
Income tax	-4,049	-939	-743	0	-518	0	-6,249
Net profit/loss	**-921**	**-1,378**	**112**	**-333**	**2,356**	0	**-164**
incl. in Estonia	-818	-1,378	-69	-333	2,221	0	-377
incl. in Latvia	-103	0	116	0	146	0	159
incl. in Lithuania	0	0	65	0	-11	0	54
Segment assets	**93,075**	**73,565**	**38,586**	**5,978**	**241,958**	-56,876	**396,286**
Segment liabilities	**67,000**	**68,800**	**28,479**	**9,077**	**80,018**	-36,837	**216,537**
Segment investments in property, plant and equipment (Note 10)	798	404	167	4	745	0	2,117
Segment investments in intangible assets (Note 11)	0	0	0	0	2	0	2

in thousands of euros

3 months 2017	Super markets	Depart-ment store	Car trade	Footwear trade	Real estate	Inter-segment transact-ions	Total seg-ments
External revenue	**99,585**	**23,043**	**24,208**	**2,624**	**1,228**	0	**150,688**
Inter-segment revenue	267	1,440	24	46	3,185	-4,962	0
Total revenue	99,852	24,483	24,232	2,670	4,413	-4,962	150,688
EBITDA	**4,015**	**672**	**1,438**	**-702**	**4,103**	**0**	**9,526**
Segment depreciation and impairment losses	-1,292	-688	-132	-121	-1,048	0	-3,281
Operating profit/loss	**2,723**	**-16**	**1,306**	**-823**	**3,055**	0	**6,245**
Finance income	55	126	2	0	45	-228	0
Finance income on shares of associates (Note 7)	0	51	0	0	0	0	51
Finance costs	-1	-109	-64	-22	-215	228	-183
Income tax	-3,608	-887	-473	0	-1,403	0	-6,371
Net profit/loss	**-831**	**-835**	**771**	**-845**	**1,482**	0	**-258**
incl. in Estonia	-310	-835	557	-845	1,254	0	-179
incl. in Latvia	-521	0	103	0	232	0	-186
incl. in Lithuania	0	0	111	0	-4	0	107
Segment assets	**84,006**	**50,614**	**30,757**	**9,076**	**255,852**	-48,733	**381,572**
Segment liabilities	**56,645**	**42,578**	**21,364**	**10,737**	**102,156**	-29,835	**203,645**
Segment investments in property, plant and equipment	1,054	179	91	23	1,985	0	3,332
Segment investments in intangible assets	2	11	0	0	0	0	13

External revenue according to types of goods and services sold

in thousands of euros

	3 months 2018	3 months 2017
Retail revenue	144,652	137,153
Wholesale revenue	7,953	7,325
Rental income	2,353	2,247
Revenue for rendering services	4,589	3,963
Total revenue	**159,547**	**150,688**

External revenue by client location

in thousands of euros

	3 months 2018	3 months 2017
Estonia	147,699	140,131
Latvia	8,900	7,217
Lithuania	2,948	3,340
Total	**159,547**	**150,688**

Distribution of non-current assets* by location of assets

in thousands of euros

	31.03.2018	31.12.2017
Estonia	234,732	236,060
Latvia	23,385	33,112
Lithuania	2,003	1,994
Total	**260,120**	**270,166**

* 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

	3 months 2018	3 months 2017
Rental expenses	4,227	3,974
Heat and electricity expenses	2,122	2,155
Operating costs	1,794	1,550
Cost of sale related services and materials	1,301	1,364
Marketing expenses	1,765	1,842
Miscellaneous other operating expenses	926	869
Computer and communication costs	1,104	992
Personnel expenses	598	748
Total other operating expenses	**13,837**	**13,494**

Note 18. Staff costs

in thousands of euros

	3 months 2018	3 months 2017
Wages and salaries	11,916	10,684
Social security taxes	3,872	3,471
Total staff costs	**15,788**	**14,155**
Average wages per employee per month (euros)	932	867
Average number of employees in the reporting period	4,262	4,107

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 2018	3 months 2017
Net profit/loss (in thousands of euros)	-164	-258
Weighted average number of shares	40,729,200	40,729,200
Basic and diluted earnings per share (euros)	**0.00**	**-0.01**

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.

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

	Purchases 3 months 2018	**Sales 3 months 2018**	**Purchases 3 months 2017**	**Sales 3 months 2017**
Parent	127	1	73	28
Entities in the Parent's consolidation group	6,314	1,013	6,264	1,305
Members of management and supervisory boards	0	1	0	17
Other related parties	162	2	263	45
Total	**6,603**	**1,017**	**6,600**	**1,395**

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:

	31.03.2018	**31.12.2017**
Receivables from entities in the in the Parent's consolidation group (Note 4)	580	392
Other related parties	2	0
Total receivables from related parties	**582**	**392**

	31.03.2018	**31.12.2017**
Parent	19	19
Entities in the Parent's consolidation group	3,329	3,696
Other related parties	62	35
Total liabilities to related parties (Note 13)	**3,410**	**3,750**

Receivables from and liabilities to related parties 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, this group as a subgroup is a member of the group account of NG Investeeringud OÜ (hereinafter head group). From autumn 2001, Tallinna Kaubamaja Grupp AS has been keeping its available funds at the head group account, earning interest income on its deposits. During 3 months of 2018 and 12 months of 2017, the Group has not earned interest income on its deposits of available funds.

As at 31 March 2018 and 31 December 2017 Tallinna Kaubamaja Grupp AS had not deposited any funds through parent company NG Investeeringud OÜ and had not used available funds of parent. 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 958 thousand euros (2017 3 months: 808 thousand euros). Short-term benefits to supervisory boards' members of the Group in reporting period including social taxes amounted to 144 thousand euros (2017 3 months: 140 thousand euros).

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