TALLINNA KAUBAMAJA GRUPP AS

Consolidated Interim Report for
the Third quarter and first 9 months 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 4,300 employees.

The Company is listed on the Tallinn Stock Exchange.

Registered office:	Kaubamaja 1
	10143 Tallinn
	Republic of Estonia
Registry code:	10223439
Beginning of financial year:	1 January 2018
End of financial year:	31 December 2018
Beginning of interim report period:	1 January 2018
End of interim report period:	30 September 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 and rental activities.

Management

In order to manage the Tallinna Kaubamaja Group the general meeting of the shareholders, held at least once in a year, elects supervisory board, which according to the articles of association may have 3 to 6 members. Members of the Tallinna Kaubamaja Group supervisory board are Jüri Käo (chairman of the supervisory board), Andres Järving, Enn Kunila, Gunnar Kraft and Meelis Milder. Members of Tallinna Kaubamaja Group supervisory board are elected for three years. The mandates of current supervisory board members Andres Järving, Jüri Käo, Enn Kunila, Meelis Milder and Gunnar Kraft will expire on 19 May 2021. During the period between the general meetings the supervisory board plans actions of the company, organises management and accomplishes supervision over management actions. Regular supervisory board meetings are held at least 10 times in a year. In order to manage daily activities the supervisory board appoints member(s) of the management board of the Tallinna Kaubamaja Group in accordance with the Commercial Code. In order to elect a member of the management board, his or her consent is required. By the articles of association a member of the management board shall be elected for a specified term of three years. Extension of the term of office of a member of the management board shall not be decided earlier than one year before the planned date of expiry of the term of office, and not for a period longer than the maximum term of office prescribed by the articles of association. Currently the management board of Tallinna Kaubamaja Group has one member. The term of office of the management board member Raul Puusepp was extended on 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 September 2018 at the level of 9.00 euros, decreased by 2.17% within the nine 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 30.09.2018.

In euros

Company's structure

The following companies belong to the group as of September 30, 2018:

	Location	Shareholding as of 30.09.2018	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 development

In the second quarter of 2018, the gross domestic product showed a growth of 3.7% compared to the second quarter of the previous year. The real growth of economy was quite broad-based; however, the largest contributor to the economic growth was the construction sector, which has been showing a strong growth for ten quarters in a row. The growth in the wholesale and retail sector slowed down in the second quarter, showing a falling growth trend for the fourth quarter in a row, although the pace of growth of private consumption retained its level at 4.0% in the second quarter. The reason of the slowdown of the growth speed in the wholesale and retail sector is partly due to the reduction of the share of goods and the increase in the share of services in the consumption expenditure of people in recent years. In addition, consumption has been hindered due to price growth and higher volume of savings. The consumer price index in Estonia grew by 3.3% in the first nine months of the year. The price growth of food and non-alcoholic beverages has gradually slowed down during the year, being 2.4% in the third quarter and 3.4% in the first nine months of the year. In terms of foodstuffs, the price of fresh vegetables has increased the most. In the first nine months of the year, prices of clothes and footwear grew by 0.5%. Alcoholic beverages and tobacco still showed the highest growth – 9.8%. According to the forecast of the Ministry of Financial Affairs, the total growth of prices will be 3.2% this year due to the implemented taxation measures as well as the growth of fuel and service prices. Compared to the second quarter of last year, the average gross monthly wages increased by 6.4%. As a result of the income tax reform, the net wages grew even faster. Unemployment has decreased in Estonia to the lowest level in the past ten years, which is why free labour resources have been exhausted in the market and recruiting employees has become increasingly complicated, all of which feeds the continued growth of wages.

According to Statistics Estonia, the total sales revenue generated by the retail sector in current prices grew by 7.1% in the first eight months of 2018. The biggest growth was in the motor vehicle maintenance and repair area, which grew by 19.9% in eight months. Retail sales in non-specialised stores (predominantly grocery) have been stable in recent months and have grown by 3.3% in the first eight months of the year. Retail sales in other non-specialised stores grew by 5.4%. In eight months, retail sales by monetary terms have grown most in car trade, the second place growth is taken by the sale of motor fuel. According to the Estonian Institute of Economic Research, consumer confidence has remained strong.

Economic results

FINANCIAL RATIOS 2017–2018

	EUR		
	3rd quarter 2018	**3rd quarter 2017**	**Change**
Sales revenue (in millions)	167.1	160.9	3.9%
Operating profit/loss (in millions)	10.0	9.7	3.2%
Net profit/loss (in millions)	9.9	9.5	3.5%
Return on equity (ROE)	5.1%	5.0%	
Return on assets (ROA)	2.7%	2.6%	
Net profit margin	5.91%	5.92%	
Gross profit margin	25.49%	25.58%	
Quick ratio	1.25	1.10	
Debt ratio	0.47	0.46	
Sales revenue per employee (in millions)	0.038	0.038	
Inventory turnover	1.74	1.67	
SHARE			
Average number of shares (1000 pcs)	40,729	40,729	
Equity capital per share (EUR/share)	4.88	4.81	
Share's closing price (EUR/share)	9.000	9.590	
Earnings per share (EUR/share)	0.24	0.23	
Average number of employees	4,343	4,239	

	EUR		
	9 month 2018	9 month 2017	Change
Sales revenue (in millions)	501.6	476.2	5.3%
Operating profit/loss (in millions)	25.5	24.7	3.3%
Net profit/loss (in millions)	18.9	17.9	5.6%
Return on equity (ROE)	9.8%	9.4%	
Return on assets (ROA)	5.1%	4.9%	
Net profit margin	3.77%	3.76%	
Gross profit margin	24.82%	25.12%	
Quick ratio	1.25	1.10	
Debt ratio	0.47	0.46	
Sales revenue per employee (in millions)	0.117	0.114	
Inventory turnover	5.28	4.97	
SHARE			
Average number of shares (1000 pcs)	40,729	40,729	
Equity capital per share (EUR/share)	4.88	4.81	
Share's closing price (EUR/share)	9.000	9.590	
Earnings per share (EUR/share)	0.46	0.44	
Average number of employees	4,288	4,179	

Return on equity (ROE)	= Net profit / Average owners' equity * 100%
Return on assets (ROA)	= Net profit / Average total assets * 100%
Sales revenue per employee	= Sales revenue / Average number of employees
Inventory turnover (multiplier)	= Cost of goods sold / inventories
Net profit margin	= Net profit / Sales revenue * 100%
Gross profit margin	= (Sales revenue - Cost of goods sold) / Sales revenue
Quick ratio	= Current assets / Current liabilities
Debt ratio	= Total liabilities / Balance sheet total

In the 3rd quarter of 2018, the unaudited consolidated sales revenue of Tallinna Kaubamaja Group was 167.1 million euros, exceeding the year-on-year result by 3.9%. The sales revenue generated in the first nine months was 501.6 million euros, showing an increase of 5.3% compared to the result of the first nine months of 2017, when the sales revenue was 476.2 million euros. In the 3rd quarter of 2018, the unaudited consolidated net profit of the Group was 9.9 million euros, which is 3.5% higher than the profit of the same period of the previous year. The net profit of the Group in the first nine months of the year was 18.9 million euros, which was 5.6% higher than in the same period of the previous year. The pre-tax profit in the first nine months of the year was 25.2 million euros, showing a growth of 3.5% compared to the previous year. The size of the net profit was influenced by the dividend payment, on which income tax of 6.3 million euros was accrued in the 1st quarter of 2018, whereas a year earlier, income tax was accrued in the amount of 6.4 million euros.

In the 3rd quarter of 2018, the Group's car trade and supermarket segment continued to produce a good sales growth. The total sales results of the department stores and footwear segment were slightly lower than the previous year. In the footwear segment, the decrease in the total sales revenue was due to closure of stores that did not meet expectations in 2017. However, the comparable footwear segment stores have shown improvement in both sales revenue and efficiency. The traffic management that complicated access to the Tallinn store and the reduction of the number of visiting tourists had a negative impact on the sales revenue generated by the Kaubamaja segment. A stronger growth of the sales revenue has come from the e-commerce channels of the Group's retail segments, the development of which is still among the priorities of the Group. In the 3rd quarter, the Group continued at the same margin level compared to the previous year, although there were fleet transactions at a more modest margin in the growing car segment. In the first nine months of the year, the labour costs of the Group have grown by 9.0% and the average wages of the Group have increased by 6.2%. A lack of labour force in the service sector has complicated the Group's choices when recruiting personnel. We are planning several technological innovations to ensure our high service culture.

In the 3rd quarter, the SelveEkspress areas were extended in Selver stores and the service was available in

44 Selver stores by the end of September. In September, a thoroughly renewed I.L.U. web store was launched. An ABC King store set up in accordance with the new concept was opened at Kristiine Centre in the 3rd quarter. The design process for the expansion of the Kulinaaria plant, which is becoming too small to meet the current customer needs, has been initiated. At the beginning of November, eighth Selver hypermarket opens at Shopping Centre T1. At the end of November, Kolde Selver will be opened in the Põhja-Tallinn city district, the construction works of which are being almost completed. The development work of Estonian, Latvian, and Lithuanian car centres and the Kaubamaja Tallinn department store is ongoing.

The volume of assets of Tallinna Kaubamaja Group as at 30 September 2018 was 374.9 million euros, which is 5.7% less than the respective number at the end of 2017.

There were more than 667 thousand loyal customers at the end of the reporting period; the number of loyal customers increased by 3.9% in a year. The relative importance of regular customers in the turnover of the Group was 84.2% (the percentage was 82.4% in the first nine months of 2017). Over 30,000 Partner Bank and Credit Cards had been issued by the end of September.

Selver supermarkets

In the first nine months of 2018, the consolidated sales revenue of the supermarkets business segment was 330.3 million euros, showing a growth of 4.2% in the year-on-year comparison. The consolidated sales revenue in the 3rd quarter was 112.4 million euros, growing by 3.6% in comparison with the same period last year. In the first nine months of 2018, the monthly average sales revenue of goods per square metre of selling space was 0.37 thousand euros, while in the 3rd quarter, it was 0.38 thousand euros, growing on the year-on-year basis by 0.4% and 1.7%, respectively. In terms of comparable stores, the monthly average sales revenue of goods per square metre of commercial space was 0.37 thousand euros in the first nine months of the year and 0.38 thousand euros in the 3rd quarter, showing a growth of 0.4% and 1.2%, respectively. In Selver stores, 28.9 million purchases were made in the first nine months of 2018, which exceeded the result of the previous year by 2.6%.

In the first nine months of 2018, the consolidated pre-tax profit of the supermarkets segment was 12.9 million euros, increasing by 1.6 million euros compared to the previous year. The net profit earned in nine months was 8.8 million euros, growing by 1.2 million euros compared to last year. The pre-tax profit earned in Estonia was 13.1 million euros and the net profit was 9.0 million euros. The difference between the net profit and profit before income tax is due to income tax paid on dividends – the income tax on dividends was 0.4 million euros higher in 2018 compared to the year earlier. In the 3rd quarter, the pre-tax profit and the net profit was 6.0 million euros, of which the profit earned in Estonia accounted for 6.0 million euros. The profit earned in the 3rd quarter exceeded the year-on-year result by 1.0 million euros. The loss earned in Latvia in nine months was 0.2 million euros and the result in the 3rd quarter was zero. A decision was adopted to terminate the activities of SIA Selver Latvia.

In the 3rd quarter, the sales revenue growth of Selver stores retained a pace of growth similar to the non-specialised stores market segment. The growth trend was visible in the number of purchases as well as the size of the average purchase in the 3rd quarter. The results were positively influenced by extremely good summer weather and the opening of new stores. The growth of sales of seasonal goods reached 40% during summer months. The results of several stores that have a significant weight in the chain were negatively impacted by road construction works that worsened the accessibility of the stores. In a situation of strong competition, the sales revenue in comparable stores has also increased. In the 3rd quarter, the sales revenue in the e-commerce sector was 38%.

The growth of sales revenue is the primary reason for the profit earned in Estonia. In terms of operating costs, the cost efficiency level has improved compared to the previous year. The main reason behind the growth of labour costs in the 3rd quarter is a strong pressure on wages and recruiting new employees to new opening stores.

The comparison basis of 2018 does not include five new supermarkets that opened in Tallinn last year or the mobile store in Hiiumaa. The comparison basis of 2018 is larger because of a supermarket that was closed in Tallinn. This year, Selver plans to open at least two new stores and extend the SelveEkspress service. By the end of the 3rd quarter, the SelveEkspress service is available at 44 Selver stores. We plan to continue to develop our e-commerce area by opening an order picking centre of the e-store in Tallinn this year to improve our capability to serve the growing number of customers. Compared to competitors, e-Selver covers the largest home delivery area and services customers in Harju, Rapla and Pärnu counties. Plans for this year include extending the service area even further and installing the first e-Selver food locker, where the orders of the e-store customers can be delivered.

As at the end of September, the supermarket segment includes the Selver chain with 51 Selver stores, e-Selver, a mobile store, and a café, with a total selling space of 94,500 square metres and the central kitchen

Kulinaaria OÜ. The segment also includes SIA Selver Latvia, which is in the process of dissolution.

Department stores

In the first nine months of 2018, the department stores business segment earned a sales revenue of 69.3 million euros, which is 2.9% less than in the same period last year. Of this, the sales revenue generated in the 3rd quarter was 22.8 million euros, which was 2.3% lower than the revenue earned in the 3rd quarter of 2017. The sales revenue of the department stores segment per square metre of selling space was 0.29 thousand euros in a month in nine months, which is 3.3% less than in the same period last year. The pre-tax profit of the department stores segment in the first nine months of 2018 was 1.0 million euros, which is 53.0% lower on the year-on year basis. The pre-tax profit was 0.3 million euros in the 3rd quarter, which was 0.5 million euros less than the year-on-year result. The sales revenue of the department stores segment in nine months was influenced by the longer and stronger summer discount campaign, because the long winter and early summer did not help with the sale of spring goods. The repair works on Gonsiori Street and the renovation of Tammsaare Park, which disturbed the traffic and movement of pedestrians in downtown Tallinn, influenced the sales revenue of the 3rd quarter and reduced the number of customers that visited the store in Tallinn. In addition, renovation works were undertaken on the first floor of the Tartu department store in July and August and a completely renewed women’s shoe department and men’s department were opened at the beginning of September. Taking into account the location of department stores next to main streets in downtown, the structural changes in the number of tourists in eight months of 2018 have had a significant impact on the result of the first nine months of 2018. The number of foreign tourists has remained at the same record-high level as in the previous year; however, the number of tourists from Finland has dropped. The changes in the excise policy have influenced the purchase behaviour of Finnish tourists, resulting not only in the decreased sales of alcoholic beverages, but also decreased sales in other groups of goods, such as perfumery products, clothes, and footwear. The number of Tax Free purchase registrations has reduced, showing an average decline of 15%.

In the 3rd quarter of 2018, the sales revenue of OÜ TKM Beauty Eesti, which operates the I.L.U. cosmetics stores, was 1.0 million euros, showing a decrease of 3.0% compared to the same period in 2017. The loss earned in the 3rd quarter was 0.04 million euros, which was 0.02 million euros better compared to last year. The sales revenue was 3.1 million euros in the first nine months of 2018, decreasing by 2.8% of the comparable period in 2017. The loss in the first nine months of 2018 was 0.2 million euros, which was 0.1 million euros less than the loss earned in the comparable period in 2017. In September, the new I.L.U. web store was opened, which launched as expected. The sales revenue was negatively influenced by the decreased number of customers that visited the store in Kristiine Centre and the drop in sales, which were caused by large-scale reorganisation and renovation works at the centre. The road construction works of the Rocca al Mare traffic junction worsened the accessibility of the Rocca al Mare shopping centre and weakened the result of I.L.U. store.

Car Trade

In the first nine months of 2018, the sales revenue of the car trade was 90.7 million euros. The sales revenue exceeded the year-on-year revenue by 19.2% and the sales revenue of KIAs increased by 5.2%. The sales revenue earned in the 3rd quarter, 28.1 million euros, exceeded the year-on-year result by 11.5% and the sales revenue of KIAs increased by 0.9%. In the Group’s car trade segment, a total of 4,101 new vehicles were sold in the first nine months of the year, of which 1,222 cars were sold in the 3rd quarter. The pre-tax profit of the segment in the first nine months of 2018 was 3.8 million euros, which is 12.9% higher than the profit earned in the same period in the previous year. The pre-tax profit of the 3rd quarter of 2018 was 1.2 million euros, which exceeded the year-on-year profit by 0.1 million euros.

A significant driver of the growth of the sales revenue of the segment was adding the Peugeot brand into the product selection of the subsidiary Viking Motors AS from the beginning of 2018. This has significantly increased the sales revenue generated by the sale of cars as well as services and spare parts. Moreover, cooperation with car rental companies has been promoted in 2018 and the share in this sector has been increased. It must also be noted that the growth in the trade volumes of the segment is supported by the general stable growth of approx. 13% of the car market in the Baltics. The bestselling KIA models were the updated crossover Sportage, which came on sale in summer, and the family hatchback Cee’d. In addition, the sale of new Opel cars has been successful, primarily the sale of the completely new large family car OPEL Insignia, which the customers have received well. Based on the results of the first nine months of the year, the business efforts of the Group’s car dealers have been satisfactory.

In the 4th quarter, it is planned to start the construction works to establish new Škoda and KIA car centres in Latvia and Lithuania to extend the car trade segment. The centres are planned to be opened in the second half of 2019.

Footwear trade

The sales revenue of the footwear trade segment was 7.2 million euros in the first nine months of 2018, decreasing by 9.9% on the year-on-year basis. In the 3rd quarter, the sales revenue was 2.5 million euros, which was 4.1% lower than in the same period in the previous year. The loss in the first nine months of 2018 was 0.4 million euros, which, compared to the year-on-year results, has improved by 0.6 million euros. The loss in the 3rd quarter remained at the same level as in the previous year – 0.2 million euros. The road construction works of the Rocca al Mare traffic junction worsened the accessibility of the Rocca al Mare shopping centre affecting negatively the results of the ABC King and SHU stores located there. The opening of the ABC King store in Kristiine Centre in accordance with the new concept fell in the 3rd quarter. Renewing this concept is one of the key factors to make the ABC King stores more efficient.

Real estate

In the first nine months of 2018, the sales revenue earned in the real estate segment outside the Group was 4.0 million euros. The sales revenue grew by 8.4% compared to last year. The sales revenue of the segment earned outside the Group was 1.3 million euros in the 3rd quarter. The sales revenue increased by 8.0% year-on-year. The pre-tax profit of the real estate segment in the first nine months of 2018 was 8.0 million euros, which is 9.0% lower than the result earned in the same period last year. The pre-tax profit of the segment in the 3rd quarter of 2018 was 2.6 million euros, which is 10.3% lower than the result of the same period last year.

Tartu Kaubamaja Centre, which, despite strong competition, is showing good results and is still popular among customers, was the primary driver of the growth of the segment's sales revenue. During the year, the gas station and store that opened in close proximity to Peetri Selver has supported the growth of sales. The decrease in profit was affected by previous contracts concluded inside the Group, related to Latvian real estate, which have ended by now.

Personnel

The average number of employees in the Tallinna Kaubamaja Group in the first nine month of 2018 was 4,288, having grown by 2.6% compared to the same period in 2017. Total labour costs (cost of wages and social tax) amounted to 48.2 million euros in the first nine months of 2018, having grown by 9.0% compared to the same period in 2017. In the 3rd quarter, the labour costs increased by 11.0% compared to the year before, while the average number of employees increased by 2.5%. The average monthly cost of wages grew by 6.2% in the first nine months compared to the average wages of the nine months of 2017, in the 3rd quarter, the growth was 8.2%.

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

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

Raul Puusepp
Chairman of the Management Board

Tallinn, 11 October 2018

CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT BOARD'S CONFIRMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Chairman of the Management Board confirms the correctness and completeness of Tallinna Kaubamaja Grupp AS consolidated interim financial statements (unaudited) for the period of the third quarter and first 9 months of 2018 as set out on pages 12 - 34.

The Chairman of the Management Board confirms that:

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

Raul Puusepp
Chairman of the Management Board

Tallinn, 11 October 2018

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros

	Note	30.09.2018	31.12.2017
ASSETS			
Current assets			
Cash and cash equivalents	2	28,132	33,662
Trade and other receivables	3	13,230	16,127
Inventories	5	71,477	75,816
Total current assets		**112,839**	**125,605**
Non-current assets			
Long-term trade and other receivables	8	115	114
Investments in associates	7	1,811	1,724
Investment property	9	50,510	49,902
Property, plant and equipment	10	204,395	214,475
Intangible assets	11	5,262	5,675
Total non-current assets		**262,093**	**271,890**
TOTAL ASSETS		**374,932**	**397,495**
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings	12	14,229	54,818
Trade and other payables	13	76,297	85,569
Total current liabilities		**90,526**	**140,387**
Non-current liabilities			
Borrowings	12	85,158	48,732
Provisions for other liabilities and charges		420	360
Total non-current liabilities		**85,578**	**49,092**
TOTAL LIABILITIES		**176,104**	**189,479**
Equity			
Share capital	15	16,292	16,292
Statutory reserve capital		2,603	2,603
Revaluation reserve		80,767	82,124
Currency translation differences		-255	-255
Retained earnings		99,421	107,252
TOTAL EQUITY		**198,828**	**208,016**
TOTAL LIABILITIES AND EQUITY		**374,932**	**397,495**

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

In thousands of euros

	Note	III quarter 2018	III quarter 2017	9 months 2018	9 months 2017
Revenue	16	167,133	160,893	501,571	476,226
Other operating income		128	159	1,193	900
Cost of sales	5	-124,534	-119,734	-377,094	-356,613
Other operating expenses	17	-13,263	-13,371	-40,844	-40,450
Staff costs	18	-15,932	-14,352	-48,249	-44,254
Depreciation, amortisation and impairment losses	10, 11	-3,372	-3,360	-10,199	-9,947
Other expenses		-186	-568	-829	-1,125
Operating profit		**9,974**	**9,667**	**25,549**	**24,737**
Finance income		1	1	1	1
Finance costs		-216	-188	-573	-571
Finance income on shares of associates	7	111	57	187	135
Profit before tax		**9,870**	**9,537**	**25,164**	**24,302**
Income tax expense	15	-1	-5	-6,250	-6,391
NET PROFIT FOR THE FINANCIAL YEAR		**9,869**	**9,532**	**18,914**	**17,911**
Other comprehensive income: *Items that will not be subsequently reclassified to profit or loss*					
Other comprehensive income for the financial year		**0**	**0**	**0**	**0**
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		**9,869**	**9,532**	**18,914**	**17,911**
Basic and diluted earnings per share (euros)	19	0.24	0.23	0.46	0.44

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

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

In thousands of euros

	Note	9 months 2018	9 months 2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit		18,914	17,911
Adjustments:			
Income tax on dividends	*15*	6,249	6,371
Interest expense		573	571
Interest income		-1	-1
Depreciation, amortisation	*10, 11*	10,199	9,947
Loss on sale of non-current assets	*10*	0	1
Profit on sale of non-current assets	*10*	-400	-201
Profit on sale of investment property	*9*	-39	0
Effect of equity method	*7*	-187	-135
Change in inventories		4,560	-1,581
Change in receivables and prepayments related to operating activities		2,897	565
Change in liabilities and prepayments related to operating activities		-9,195	-9,188
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		**33,570**	**24,260**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment (excl. finance lease)	10	-10,423	-10,147
Proceeds from sale of property, plant and equipment	10	9,709	1,271
Proceeds from sale of investment property	9	676	20
Purchase of intangible assets	11	-58	-35
Dividends received	7	100	100
Interest received		1	1
TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES		**5**	**-8,790**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	12	80,785	45,417
Repayments of borrowings	12	-85,546	-51,792
Change in overdraft balance	12	598	530
Dividends paid	15	-28,102	-25,659
Income tax on dividends	15	-6,249	-6,371
Interest paid		-591	-592
TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES		**-39,105**	**-38,467**
TOTAL CASH FLOWS		**-5,530**	**-22,997**
Effect of exchange rate changes		0	0
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	28,132	9,378
Net change in cash and cash equivalents		**-5,530**	**-22,997**

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

In thousands of euros

	Share capital	Statutory reserve capital	Revaluation reserve	Currency translation differences	Retained earnings	Total
Balance as of 31.12.2016	**16,292**	**2,603**	**83,932**	**-255**	**101,272**	**203,844**
Net profit for the reporting period	0	0	0	0	17,911	17,911
Total comprehensive income for the reporting period	**0**	**0**	**0**	**0**	**17,911**	**17,911**
Reclassification of depreciation of revalued land and buildings	0	0	-1,356	0	1,356	0
Dividends paid	0	0		0	-25,659	-25,659
Balance as of 30.09.2017	**16,292**	**2,603**	**82,576**	**-255**	**94,880**	**196,096**
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 profit for the reporting period	0	0	0	0	18,914	18,914
Total comprehensive income for the reporting period	**0**	**0**	**0**	**0**	**18,914**	**18,914**
Reclassification of depreciation of revalued land and buildings	0	0	-1,357	0	1,357	0
Dividends paid	0	0	0	0	-28,102	-28,102
Balance as of 30.09.2018	**16,292**	**2,603**	**80,767**	**-255**	**99,421**	**198,828**

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM ACCOUNTS

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

General Information

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

Basis for Preparation

The Condensed Consolidated Interim Accounts of Tallinna Kaubamaja Group has been prepared in accordance with the International Financial Reporting Standard IAS 34 Interim Financial Reporting as adopted by the European Union. The condensed consolidated interim financial statements do not contain all the information that has to be presented in the annual financial statements and they should be read in conjunction with the Group's consolidated financial statements as at and for the year ended 31 December 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 third quarter and 9 months 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	30.09.2018	31.12.2017
Cash on hand	911	643
Bank accounts	26,550	29,866
Cash in transit	671	3,153
Total cash and cash equivalents	**28,132**	**33,662**

Note 3. Trade and other receivables

in thousands of euros	30.09.2018	31.12.2017
Trade receivables (Note 4)	10,330	11,761
Other receivables form related parties (Note 20)	1	0
Other short-term receivables	429	602
Total financial assets from balance sheet line ‘‘Trade and other receivables’’	**10,760**	**12,363**
Prepayment for goods	1,725	2,993
Other prepaid expenses	695	701
Prepaid rental expenses	34	34
Prepaid taxes (Note 14)	16	36
Total trade and other receivables	**13,230**	**16,127**

Note 4. Trade receivables

in thousands of euros	30.09.2018	31.12.2017
Trade receivables	8,849	9,450
Allowance for doubtful receivables	-5	-4
Receivables from related parties (Note 20)	368	392
Credit card payments	1,118	1,923
Total trade receivables	**10,330**	**11,761**

Note 5. Inventories

in thousands of euros	30.09.2018	31.12.2017
Goods purchased for resale	70,748	75,068
Raw materials and materials	729	748
Total inventories	**71,477**	**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

	III quarter 2018	III quarter 2017	9 months 2018	9 months 2017
Write-down and write-off of inventories	2,321	2,192	7,272	6,579
Inventory stocktaking deficit	275	289	1,330	1,192
Total materials and consumables used	**2,596**	**2,481**	**8,602**	**7,771**

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

Note 6. Subsidiaries

Tallinna Kaubamaja Group consists of:

Name	Location	Area of activity	Ownership 30.09.2018	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 A.H. Tammsaare tee 51	Retail trade	100%	2012
Viking Security AS	Tallinn A.H. 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 Group has ownership of 50% (2017: 50%) interest in the entity AS Rävala Parkla which provides the services of a parking house in Tallinn.

	30.09.2018	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	187	162
Dividends received	-100	-200
Investment in the associate at the end of the accounting period	**1,811**	**1,724**

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

	30.09.2018	31.12.2017
Current assets	166	29
Non-current assets	3,530	3,471
Current liabilities	73	53

	III quarter 2018	III quarter 2017	9 months 2018	9 months 2017
Revenue	228	127	483	379
Net profit	222	114	374	270

Note 8. Long-term trade and other receivables

in thousands of euros

	30.09.2018	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

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**
Reclassification (Note 10)	1,245
Disposal	-637
Carrying value as at 30.09.2018	**50,510**

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 2018, Tartu Kaubamaja Shopping Centre renovation amounted to 275 thousand euros. Gas station at Peetri Selver was completed at value of 970 thousand euros (Note 10). In the reporting period in Harju county, in Peetri, Veesaare road 5 a property was sold. In 2017, Tartu Kaubamaja Shopping Centre renovation amounted to 157 thousand euros.

As a result, 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	42	352	95	9,934	10,423
Reclassification	1,062	1,242	1,908	-4,212	0
Reclassification (Note 11)	0	0	0	-105	-105
Reclassification to investment property (Note 9)	0	0	0	-1,245	-1,245
Reclassification to inventory	0	-221	0	0	-221
Disposals	-10	-10	-4	-9,285	-9,309
Write-offs	-39	-22	-11	0	-72
Depreciation	-3,651	-2,642	-3,258	0	-9,551
30.09.2018					
Cost or revalued amount	**168,534**	**38,192**	**39,488**	**33,609**	**279,823**
Accumulated depreciation and impairment	**-7,822**	**-27,209**	**-28,454**	**-11,943**	**-75,428**
Carrying value	**160,712**	**10,983**	**11,034**	**21,666**	**204,395**

The cost of investments for the 9 months of 2018 amounted to 10,481 thousand euros (including purchases of property, plant and equipment in the amount of 10,423 thousand euros and purchases of intangible assets amounted to 58 thousand euros).

The cost of purchases of property, plant and equipment made in 9 months of 2018 in the supermarket business segment was 4,843 thousand euros. In the reporting period, construction work begin regarding new stores that will open in the end of the current year: in T1 shopping centre T1 Selver and Kolde Selver. As well construction of e-shop storage begin. Additionally, 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 1,956 thousand euros. In the reporting period, renovation of department store in Tartu took place and store fittings and computing technology was purchased.

The cost of purchases of property, plant and equipment in the reporting period was 434 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 59 thousand euros.

The cost of purchases of property, plant and equipment in the real estate business segment amounted to 3,131 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 finished. According to the lease contract, part of the cost of the gas station was sold to the lessee. Gas station is a part of developments of Peetri Selver and was leased out to Circle K for a long term. Gas station is accordingly reclassified as investment property (Note 9). In the reporting period in Tallinn, Sõle 31, Kolde Selver store 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 expenditure	Total
31.12.2016					
Cost or revalued amount	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 or revalued amount	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	58	58
Reclassification (Note 10)	0	0	0	105	105
Amortisation	0	-373	0	-203	-576
30.09.2018					
Cost or revalued amount	3,260	5,277	0	1,531	10,068
Accumulated amortisation and impairment	0	-3,956	0	-850	-4,806
Carrying value	**3,260**	**1,321**	**0**	**681**	**5,262**

In the reporting period, the Group capitalised costs of a web page update and e-shop as development expenditure in the amount of 58 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	30.09.2018	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

	30.09.2018	31.12.2017
Short-term borrowings		
Overdraft	8,409	7,811
Bank loans	3,286	45,002
Other borrowings	2,534	2,005
Total short-term borrowings	**14,229**	**54,818**

in thousands of euros

	30.09.2018	31.12.2017
Long-term borrowings		
Bank loans	85,002	48,570
Other borrowings	156	162
Total long-term borrowings	**85,158**	**48,732**
Total borrowings	**99,387**	**103,550**

Borrowings received

in thousands of euros

	III quarter 2018	III quarter 2017	9 months 2018	9 months 2017
Overdraft	598	152	598	530
Bank loans	18,523	14,633	76,627	42,849
Other borrowings	1,579	760	4,158	2,568
Total borrowings received	**20,700**	**15,545**	**81,383**	**45,947**

Borrowings paid

in thousands of euros

	III quarter 2018	III quarter 2017	9 months 2018	9 months 2017
Overdraft	-309	0	0	0
Bank loans	14,939	15,646	81,911	49,045
Other borrowings	1,549	803	3,635	2,747
Total borrowings paid	**16,179**	**16,449**	**85,546**	**51,792**

Bank loans and other borrowings are denominated in euros.

As of 30.09.2018, the repayment dates of bank loans are between 15.11.2018 and 20.06.2023 (31.12.2017: 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 0.99% (2017: 0.93%).

Net debt reconciliation
in thousands of euros

	30.09.2018	31.12.2017
Cash and cash equivalents (Note 2)	28,132	33,662
Short-term borrowings	-14,229	-54,818
Long-term borrowings	-85,158	-48,732
Net debt	**-71,255**	**-69,888**
Cash and cash equivalents (Note 2)	28,132	33,662
Gross debt – fixed interest rates	-25,126	-25,493
Gross debt – variable interest rates	-74,261	-78,057
Net debt	**-71,255**	**-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	-5,530	-598	41,187	-36,426	-1,367
Net debt 30.09.2018	**28,132**	**-8,409**	**-5,820**	**-85,158**	**-71,255**

Note 13. Trade and other payables

in thousands of euros

	30.09.2018	31.12.2017
Trade payables	57,960	61,919
Payables to related parties (Note 20)	3,561	3,750
Other accrued expenses	78	116
Prepayments by tenants	2,537	3,666
Total financial liabilities from balance sheet line ''Trade and other payables''	**64,136**	**69,451**
Taxes payable (Note 14)	6,079	7,896
Employee payables	4,611	6,461
Prepayments	1,398	1,671
Short-term provisions*	73	90
Total trade and other payables	**76,297**	**85,569**

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

Note 14. Taxes

in thousands of euros

	30.09.2018		31.12.2017	
	Prepaid taxes	Taxes payable	Prepaid taxes	Taxes payable
Prepaid taxes	16	0	36	0
Value added tax	0	2,525	0	3,949
Personal income tax	0	814	0	970
Social security taxes	0	2,432	0	2,498
Corporate income tax	0	29	0	192
Unemployment insurance	0	163	0	164
Mandatory funded pension	0	116	0	123
Total taxes	**16**	**6,079**	**36**	**7,896**

Note 15. Share capital

As of 30.09.2018 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 and paid to the shareholders in the amount of 28,102 thousand euros, or 0.69 euros per share. Related income tax 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 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

III quarter 2018	**Super markets**	**Depart-ment store**	**Car trade**	**Footwear trade**	**Real estate**	**Inter-segment transact-ions**	**Total seg-ments**
External revenue	**112,393**	**22,751**	**28,143**	**2,501**	**1,345**	**0**	**167,133**
Inter-segment revenue	246	1,418	20	34	3,216	-4,934	0
Total revenue	112,639	24,169	28,163	2,535	4,561	-4,934	167,133
EBITDA	**7,466**	**809**	**1,377**	**-74**	**3,768**	**0**	**13,346**
Segment depreciation and impairment losses	-1,501	-634	-129	-100	-1,008	0	-3,372
Operating profit/loss	**5,965**	**175**	**1,248**	**-174**	**2,760**	**0**	**9,974**
Finance income	75	57	0	1	11	-143	1
Finance income on shares of associates	0	111	0	0	0	0	111
Finance costs	-39	-88	-50	-19	-163	143	-216
Income tax	0	0	-1	0	0	0	-1
Net profit/loss	**6,001**	**255**	**1,197**	**-192**	**2,608**	**0**	**9,869**
incl. in Estonia	6,007	255	1,053	-192	2,826	0	9,949
incl. in Latvia	-6	0	92	0	-207	0	-121
incl. in Lithuania	0	0	52	0	-11	0	41
Segment assets	**89,903**	**72,270**	**28,134**	**5,433**	**248,557**	**-69,365**	**374,932**
Segment liabilities	**70,285**	**41,946**	**18,052**	**8,617**	**86,530**	**-49,326**	**176,104**
Segment investments in property, plant and equipment	2,060	1,056	51	54	1,199	0	4,420
Segment investments in intangible assets	0	51	0	0	0	0	51

in thousands of euros

III quarter 2017	Super markets	Depart-ment store	Car trade	Footwear trade	Real estate	Inter-segment transact-ions	Total seg-ments
External revenue	**108,507**	**23,293**	**25,239**	**2,609**	**1,245**	**0**	**160,893**
Inter-segment revenue	321	1,399	12	39	3,198	-4,969	0
Total revenue	108,828	24,692	25,251	2,648	4,443	-4,969	160,893
EBITDA	**6,401**	**1,300**	**1,293**	**-39**	**4,072**	**0**	**13,027**
Segment depreciation and impairment losses	-1,420	-641	-133	-116	-1,050	0	-3,360
Operating profit/loss	**4,981**	**659**	**1,160**	**-155**	**3,022**	**0**	**9,667**
Finance income	76	113	1	1	26	-216	1
Finance income on shares of associates	0	57	0	0	0	0	57
Finance costs	-60	-110	-64	-31	-139	216	-188
Income tax	0	0	-5	0	0	0	-5
Net profit/loss	**4,997**	**719**	**1,092**	**-185**	**2,909**	**0**	**9,532**
incl. in Estonia	5,529	719	873	-185	2,699	0	9,635
incl. in Latvia	-532	0	159	0	222	0	-151
incl. in Lithuania	0	0	60	0	-12	0	48
Segment assets	**90,148**	**71,480**	**30,640**	**9,415**	**238,610**	**-74,411**	**365,882**
Segment liabilities	**68,769**	**39,524**	**21,035**	**11,291**	**84,680**	**-55,513**	**169,786**
Segment investments in property, plant and equipment	954	273	230	29	273	0	1,759
Segment investments in intangible assets	0	7	0	0	0	0	7

in thousands of euros

9 months 2018	Super markets	Depart-ment store	Car trade	Footwear trade	Real estate	Inter-segment transact-ions	Total seg-ments
External revenue	**330,321**	**69,326**	**90,685**	**7,209**	**4,030**	**0**	**501,571**
Inter-segment revenue	898	4,533	60	94	9,631	-15,216	0
Total revenue	331,219	73,859	90,745	7,303	13,661	-15,216	501,571
EBITDA	**17,279**	**2,788**	**4,345**	**-59**	**11,395**	**0**	**35,748**
Segment depreciation and impairment losses	-4,532	-1,919	-378	-304	-3,066	0	-10,199
Operating profit/loss	**12,747**	**869**	**3,967**	**-363**	**8,329**	**0**	**25,549**
Finance income	225	159	0	1	25	-409	1
Finance income on shares of associates	0	187	0	0	0	0	187
Finance costs	-101	-259	-167	-57	-398	409	-573
Income tax	-4,049	-939	-744	0	-518	0	-6,250
Net profit/loss	**8,822**	**17**	**3,056**	**-419**	**7,438**	**0**	**18,914**
incl. in Estonia	9,035	17	2,376	-419	7,744	0	18,753
incl. in Latvia	-213	0	363	0	-273	0	-123
incl. in Lithuania	0	0	317	0	-33	0	284
Segment assets	**89,903**	**72,270**	**28,134**	**5,433**	**248,557**	**-69,365**	**374,932**
Segment liabilities	**70,285**	**41,946**	**18,052**	**8,617**	**86,530**	**-49,326**	**176,104**
Segment investments in property, plant and equipment (Note 10)	4,843	1,956	434	59	3,131	0	10,423
Segment investments in intangible assets (Note 11)	0	56	0	0	2	0	58

in thousands of euros

9 months 2017	Super markets	Depart-ment store	Car trade	Footwear trade	Real estate	Inter-segment transact-ions	Total seg-ments
External revenue	**317,056**	**71,361**	**76,093**	**7,998**	**3,718**	**0**	**476,226**
Inter-segment revenue	848	4,599	51	118	9,575	-15,191	0
Total revenue	317,904	75,960	76,144	8,116	13,293	-15,191	476,226
EBITDA	**15,152**	**3,903**	**3,938**	**-626**	**12,317**	**0**	**34,684**
Segment depreciation and impairment losses	-4,055	-1,995	-396	-352	-3,149	0	-9,947
Operating profit/loss	**11,097**	**1,908**	**3,542**	**-978**	**9,168**	**0**	**24,737**
Finance income	186	346	12	1	126	-670	1
Finance income on shares of associates	0	135	0	0	0	0	135
Finance costs	-61	-353	-189	-83	-555	670	-571
Income tax	-3,607	-888	-492	0	-1,404	0	-6,391
Net profit/loss	**7,615**	**1,148**	**2,873**	**-1,060**	**7,335**	**0**	**17,911**
incl. in Estonia	9,198	1,148	2,298	-1,060	6,663	0	18,247
incl. in Latvia	-1,583	0	367	0	698	0	-518
incl. in Lithuania	0	0	208	0	-26	0	182
Segment assets	**90,148**	**71,480**	**30,640**	**9,415**	**238,610**	**-74,411**	**365,882**
Segment liabilities	**68,769**	**39,524**	**21,035**	**11,291**	**84,680**	**-55,513**	**169,786**
Segment investments in property, plant and equipment (Note 10)	6,366	652	525	92	2,512	0	10,147
Segment investments in intangible assets (Note 11)	2	33	0	0	0	0	35

External revenue according to types of goods and services sold

in thousands of euros

	III quarter 2018	III quarter 2017	9 months 2018	9 months 2017
Retail revenue	150,881	146,243	453,078	433,155
Wholesale revenue	8,130	6,755	26,011	21,707
Rental income	2,406	2,298	7,193	7,005
Revenue for rendering services	5,716	5,597	15,289	14,359
Total revenue	**167,133**	**160,893**	**501,571**	**476,226**

External revenue by client location

in thousands of euros

	III quarter 2018	III quarter 2017	9 months 2018	9 months 2017
Estonia	157,434	148,022	466,401	441,787
Latvia	5,979	9,472	23,184	24,185
Lithuania	3,720	3,399	11,986	10,254
Total	**167,133**	**160,893**	**501,571**	**476,226**

Distribution of non-current assets* by location of assets

in thousands of euros

	30.09.2018	31.12.2017
Estonia	235,072	236,060
Latvia	23,141	32,112
Lithuania	2,069	1,994
Total	**260,282**	**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

	III quarter 2018	III quarter 2017	9 months 2018	9 months 2017
Rental expenses	4,285	4,141	12,777	12,165
Heat and electricity expenses	1,656	1,682	5,596	5,837
Operating costs	1,875	1,853	5,571	4,958
Cost of sale related services and materials	1,349	1,362	3,961	4,117
Marketing expenses	1,814	1,864	5,413	5,488
Miscellaneous other operating expenses	657	755	2,581	2,597
Computer and communication costs	1,009	990	3,072	3,017
Personnel expenses	618	724	1,873	2,271
Total other operating expenses	**13,263**	**13,371**	**40,844**	**40,450**

Note 18. Staff costs

in thousands of euros

	III quarter 2018	III quarter 2017	9 months 2018	9 months 2017
Wages and salaries	12,017	10,837	36,410	33,416
Social security taxes	3,915	3,515	11,839	10,838
Total staff costs	**15,932**	**14,352**	**48,249**	**44,254**
Average wages per employee per month (euros)	922	852	943	888
Average number of employees in the reporting period	4,343	4,239	4,288	4,179

Note 19. Earnings per share

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

	III quarter 2018	III quarter 2017	9 months 2018	9 months 2017
Net profit (in thousands of euros)	9,869	9,532	18,914	17,911
Weighted average number of shares	40,729,200	40,729,200	40,729,200	40,729,200
Basic and diluted earnings per share (euros)	0.24	0.23	0.46	0.44

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 9 months 2018	Sales 9 months 2018	Purchases 9 months 2017	Sales 9 months 2017
Parent	262	3	198	31
Entities in the Parent's consolidation group	18,543	2,585	19,543	3,461
Members of management and supervisory boards	10	37	0	86
Other related parties	407	11	724	119
Total	**19,222**	**2,636**	**20,465**	**3,697**

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

Balances with related parties:

	30.09.2018	31.12.2017
Receivable from Parent (Note 4)	365	392
Members of management and supervisory boards (Note 3)	1	0
Other related parties	3	0
Total receivables from related parties	**369**	**392**

	30.09.2018	31.12.2017
Parent	19	19
Entities in the Parent's consolidation group	3,483	3,696
Other related parties	59	35
Total liabilities to related parties (Note 13)	**3,561**	**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 9 months of 2018 and 12 months of 2017, the Group has not earned interest income on its deposits of available funds.

As at 30 September 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 1,606 thousand euros (2017: 1,394 thousand euros). Short-term benefits to supervisory boards' members of the Group in reporting period including social taxes amounted to 565 thousand euros (2017: 440 thousand euros).

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