

TALLINNA KAUBAMAJA GRUPP AS

Consolidated Interim Report for
the Third quarter and first 9 months of 2020
(unaudited)

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COMPANY PROFILE AND CONTACT DETAILS

The primary areas of activity of the companies of the Tallinna Kaubamaja Grupp AS (hereinafter referred to as the 'Tallinna Kaubamaja Group' or 'the Group') include retail and wholesale trade and rental activities. The Tallinna Kaubamaja Group employs more than 4,700 employees.

The Company is listed on the Tallinn Stock Exchange.

Registered office:	Kaubamaja 1 10143 Tallinn Republic of Estonia
Registry code:	10223439
Beginning of financial year:	1 January 2020
End of financial year:	31 December 2020
Beginning of interim report period:	1 January 2020
End of interim report period:	30 September 2020
Auditor:	PricewaterhouseCoopers AS
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MANAGEMENT REPORT

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

Management

In order to manage the Tallinna Kaubamaja Group the general meeting of the shareholders, held at least once in a year, elects supervisory board, which according to the articles of association may have 3 to 6 members. Members of the Tallinna Kaubamaja Group supervisory board are Jüri Kõo (chairman of the supervisory board), Andres Järving, Enn Kunila, Gunnar Kraft and Meelis Milder. Members of Tallinna Kaubamaja Group supervisory board are elected for three years. The mandates of current supervisory board members Andres Järving, Jüri Kõo, Enn Kunila, Meelis Milder and Gunnar Kraft will expire on 19 May 2021. During the period between the general meetings, the supervisory board plans actions of the company, organises management and accomplishes supervision over management actions. Regular supervisory board meetings are held at least 10 times in a year. In order to manage daily activities the supervisory board appoints member(s) of the management board of the Tallinna Kaubamaja Group in accordance with the Commercial Code. In order to elect a member of the management board, his or her consent is required. By the articles of association, a member of the management board shall be elected for a specified term of three years. Extension of the term of office of a member of the management board shall not be decided earlier than one year before the planned date of expiry of the term of office, and not for a period longer than the maximum term of office prescribed by the articles of association. Currently the management board of Tallinna Kaubamaja Group has one member. The term of office of the management board member Raul Puusepp was extended on 21 February 2020 and his term of office expires on 6 March 2023.

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

Share market

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

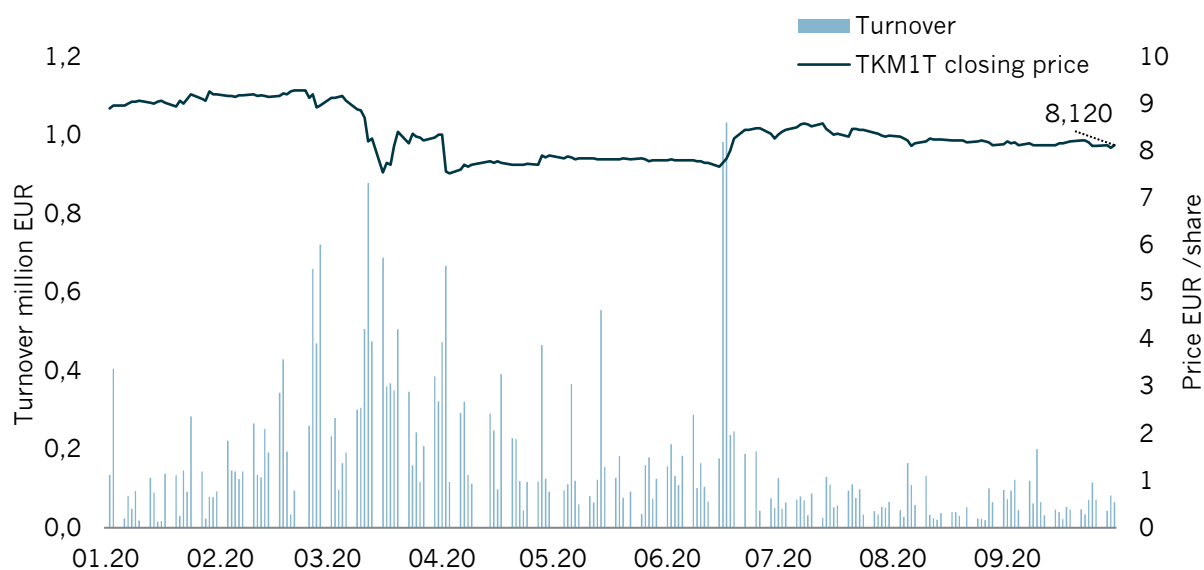
The members of the management board of Tallinna Kaubamaja Group have no right to issue or buy back shares. In addition, there are no commitments between the company and its employees providing for compensation in mergers and acquisitions under article 19' of Stock Market Trade Act.

The share with a price of 8.90 euros at the end of 2019 was closed in the end of September 2020 at the level of 8.12 euros, decreased by 8.76% in nine months.

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

Share price and trading statistics on the Tallinn Stock Exchange from 01.01.2020 to 30.09.2020.

In euros



Company's structure

The following companies belong to the Group as of September 30, 2020:

	Location	Shareholding as of 30.09.2020	Shareholding as of 31.12.2019
Selver AS	Estonia	100%	100%
Kulinaaria OÜ	Estonia	100%	100%
ABC Supermarkets AS	Estonia	100%	0%
Kaubamaja AS	Estonia	100%	100%
Viking Security AS	Estonia	100%	100%
Tartu Kaubamaja Kinnisvara OÜ	Estonia	100%	100%
Tallinna Kaubamaja Kinnisvara AS	Estonia	100%	100%
TKM Lietuva UAB	Lithuania	100%	100%
SIA TKM Latvija	Latvia	100%	100%
TKM Auto OÜ	Estonia	100%	100%
KIA Auto AS	Estonia	100%	100%
KIA Auto UAB	Lithuania	100%	100%
Forum Auto SIA	Latvia	100%	100%
Verte Auto SIA	Latvia	100%	100%
Viking Motors AS	Estonia	100%	100%
OÜ TKM Beauty	Estonia	100%	100%
OÜ TKM Beauty Eesti	Estonia	100%	100%
OÜ TKM Beauty Holding	Estonia	100%	0%
AS TKM King	Estonia	100%	100%
TKM Finants AS	Estonia	100%	0%
Rävala Parkla AS	Estonia	50%	50%

Economic environment

In the second quarter of 2020, the gross domestic product decreased by 5.6% in comparison with the second quarter of the previous year, which is a relatively good result compared to other European countries. The economic downturn of the largest trade partners in Estonia was also more modest than the European average. COVID-19 has had the biggest impact on the tourism sector, while the retail sector showed a moderate recovery in the summer months. The deterioration of the situation of the pandemic in autumn may result in new restrictions and the government is expected to implement economic measures which would enable commercial undertakings and households to recover to alleviate the impact of the restrictions. The Ministry of Finance expects an economic downturn of 5.5% in 2020. The consumer price index in Estonia dropped by 0.2% in the first nine months of 2020, whereas the prices of food and non-alcoholic beverages rose by 2.6%, the prices of clothing and footwear increased by 0.5%, but the prices of alcohol fell by 2.2%. According to the estimations of the Ministry of Finance, the average deflation in 2020 will be 0.2%, mainly due to the decreasing fuel prices. In comparison with the second quarter of 2019, the average monthly gross wages increased by 1.0%, reaching 1,433 euros in the second quarter. A moderate increase in unemployment is expected in the last months of the year as a result of the coronavirus crisis, as the number of redundancies is expected to rise in connection with the end of wage subsidies and periods of grace. Overall in 2020, analysts still estimate an increase of 1–2% in the average wages thanks to the wage subsidies.

According to Statistics Estonia, which had been published for the first eight months at the time of publication of the report, the sales revenue generated by commercial establishments in current prices increased by 6.6% in the first eight months of 2020. The largest growth in sales revenue was shown by retail sales via mail or the Internet (18.3%). Sales revenue in non-specialised stores (primarily foodstuffs) grew by 4.5% in total in the first eight months of the year. The largest drop in sales revenue happened in the retail, wholesale, and repairs segment of motor vehicles and motorbikes, which decreased in the first eight months by 23.2%. According to Statistics Estonia, registering new vehicles dropped even more in the first eight months of 2020 – 34.4%. According to the latest data from AMTEL, 14,246 new passenger cars were sold in Estonia in the first nine months of 2020. As a result of the crisis, car sales began to fall sharply in March, but have gradually begun to recover. In the first nine months of 2020, a total of 30.9% less passenger cars were sold in Estonia than during the same period of 2019. The consumer confidence index that stayed relatively high at the beginning of the crisis had its biggest fall of the last eight years in June, but has also improved somewhat in recent months.

Economic results**FINANCIAL RATIOS 2019 - 2020**

	EUR		Change
	3 rd quarter 2020	3 rd quarter 2019	
Sales revenue (in millions)	194.2	179.7	8.1%
Operating profit/loss (in millions)	8.6	11.6	-25.9%
Net profit/loss (in millions)	7.4	10.9	-31.8%
Return on equity (ROE)	3.6%	5.2%	
Return on assets (ROA)	1.3%	2.2%	
Net profit margin	3.83%	6.07%	
Gross profit margin	24.81%	25.53%	
Quick ratio	0.99	1.08	
Debt ratio	0.64	0.57	
Sales revenue per employee (in millions)	0.041	0.042	
Inventory turnover	1.92	1.80	
SHARE			
Average number of shares (1000 pcs)	40,729	40,729	
Equity capital per share (EUR/share)	5.15	5.25	
Share's closing price (EUR/share)	8.120	8.120	
Earnings per share (EUR/share)	0.18	0.27	
Average number of employees	4,726	4,308	

	EUR		Change
	9 month 2020	9 month 2019	
Sales revenue (in millions)	540.7	524.6	3.1%
Operating profit/loss (in millions)	20.1	25.6	-21.3%
Net profit/loss (in millions)	11.5	17.1	-32.6%
Return on equity (ROE)	5.6%	8.2%	
Return on assets (ROA)	2.0%	3.5%	
Net profit margin	2.13%	3.25%	
Gross profit margin	24.34%	25.08%	
Quick ratio	0.99	1.08	
Debt ratio	0.64	0.57	
Sales revenue per employee (in millions)	0.121	0.122	
Inventory turnover	5.37	5.28	
SHARE			
Average number of shares (1000 pcs)	40,729	40,729	
Equity capital per share (EUR/share)	5.15	5.25	
Share's closing price (EUR/share)	8.120	8.120	
Earnings per share (EUR/share)	0.28	0.42	
Average number of employees	4,479	4,296	
Return on equity (ROE)	= Net profit / Average owners' equity * 100%		
Return on assets (ROA)	= Net profit / Average total assets * 100%		
Sales revenue per employee	= Sales revenue / Average number of employees		
Inventory turnover (multiplier)	= Cost of goods sold / inventories		
Net profit margin	= Net profit / Sales revenue * 100%		
Gross profit margin	= (Sales revenue - Cost of goods sold) / Sales revenue		
Quick ratio	= Current assets / Current liabilities		
Debt ratio	= Total liabilities / Balance sheet total		

In the third quarter of 2020, the consolidated unaudited sales revenue of Tallinna Kaubamaja Grupp was 194.2 million euros, which was 8.1% higher than the sales revenue of the same period in 2019. The sales revenue in the first nine months was 540.7 million euros, which was a 3.1% increase in comparison with the result of the first nine months of 2019, when the sales revenue was 524.6 million euros. The Group's consolidated unaudited net profit of the third quarter of 2020 was 7.4 million euros, which was about a third less than the profit of the comparable period in 2019. The Group's net profit of the first nine months of 2020 was 11.5 million euros, which was also about a third less than the result of the previous comparable period. In the first nine months of 2020, pre-tax profit was 17.3 million euros, which is 26.3% less than the year before. Net profit was affected by the dividend payment, from which 5.8 million euros of income tax was calculated in the first quarter of 2020; 6.5 million euros of income tax was calculated a year before.

Retail consumption in the last months of 2020 was characterised by a surprisingly rapid recovery, where the sales revenue from Estonian retail trade (except motor vehicles and motorcycles) in current prices has demonstrated a slight growth after the decline in April and May. Thereat, the consumer behaviour has changed significantly. The number of visits to city centres has decreased and the consumption has moved more to rural areas. People attempt to visit stores less frequently, but buy more at a time. Understandably, online stores are also preferred more frequently. The Group's sales revenue of the third quarter of 2020 grew faster than the average sales revenue for the Estonian retail trade, primarily due to the sales revenue of ABC Supermarkets AS, which was acquired and added to the supermarket segment in May 2020. The business volumes of the car segment of the Group dropped, but the decline was smaller than the decline of the car market in general. The fashion goods segments of the Group were hit hardest by the crisis, as the demand for those items has dropped due to the lower mobility. In addition to the expenses on virus control supplies for retail stores, the profit has been put under pressure by the one-off costs of numerous developments. Labour force expenses increased by 11.8% in the third quarter, while the number of employees grew by 9.7% due to expansions and the average wages grew by 2.0%.

The largest development projects in the third quarter included preparations for transferring the stores of a new chain acquired at the end of May, which are operating under the Comarket trademark, to under the trademark of Selver and the opening of ABC KING and SHU e-stores. The adjustment of the new factory and the renovation of an existing factory building of Kulinaaria is in progress. Renovation will be completed in the beginning of 2021, after which Kulinaaria will be carrying out its operations in both factories and is focusing on product development in new as well as current food categories to expand its market share and increase its production volumes. Several developments have already been completed in the financial year. The Selver store in Võru was successfully moved to the new location in the Kagukeskus shopping mall in March and it was the latest Selver store to introduce the SelveEkspress service. Selver fully renovated the Suurejõe Selver in Pärnu and extended the sales area at the Rannarootsi Selver in Haapsalu. On 9 July, Selver opened a new store at the WOW mall in Saaremaa, which is the 54th store in the Selver chain. In the last quarter of the year, it is planned to renovate Mustakivi Selver in Tallinn and launch the transfer of the Comarket stores to under the trademark of Selver ABC. The Group's attention continues to be focused on developing e-commerce and increasing the shopping convenience of customers.

As at 30 September 2020, the volume of assets of Tallinna Kaubamaja Group was 576.5 million euros – an increase of 5.8 million euros or 1.4% compared to the results at the end of 2019 without the impact of IFRS 16.

At the end of the reporting period, the number of loyal customers was more than 686,000, which is 1.0% more than the year before. The proportion of loyal customers in the Group's turnover was 86.3% (during the first nine months of 2019, it was 84.8%). On 1 July, the Group launched a new functionality of the Partnerkaart loyalty card called 'Kuukaart' or 'Monthly Card', which enables the customers to pay for purchases made in the Group's retail stores within one month by a monthly invoice. The Monthly Card is especially convenient for making purchases from the online stores of the Group where the customer can skip several bothersome authorisation stages in paying for their purchases.

Supermarkets

The consolidated sales revenue of the supermarkets business segment was 381.0 million euros in the first nine months of 2020, increasing by 10.0% in comparison with the same period of last year. Excluding the added ABC Supermarket stores, the segment grew by 4.5%. The consolidated sales revenue was 134.5 million euros in the third quarter of 2020, increasing by 14.4% in comparison with the same period of last year. In the first nine months of 2020, the monthly average sales revenue of goods per square metre of selling space was 0.39 thousand euros, increasing by 3.6% compared to the same period last year. In the third quarter, the same indicator per square metre was 0.38 euros, increasing by 0.7% compared to the same period last year. The average sales revenue per square metre of selling space of comparable stores was 0.40 thousand euros in the first nine months and 0.39 thousand euros, on average, in the third quarter of 2020, growing by 5.8% and 3.5%, respectively, compared to the year before. During the first nine months of 2020, 29.9 million purchases were made from the stores, which was 1.3% less than the reference year. The decrease in the number of purchases is impacted by the state of emergency which was announced in spring, during which the customers visited the stores more rarely, but in turn, the average total sum of purchases increased.

In the third quarter of 2020, both the pre-tax profit and net profit were 4.4 million euros, dropping by 2.1 million euros in comparison with the same period the year before. The consolidated pre-tax profit of the supermarkets segment in the nine months of 2020 was 12.0 million euros, dropping by 0.5 million euros in comparison with the previous year. The net profit of the nine months was 9.9 million euros, which is an increase of 1.4 million euros in comparison with 2019. The difference between the net profit and profit before income tax compared to the results from a year earlier is due to income tax paid on dividends – income tax paid on dividends was 1.8 million euros lower in 2020 compared to the year before. All supermarket profit is earned in Estonia. As of 1 June 2020, the results of the supermarkets segment include the results of ABC Supermarkets.

The profit was earned thanks to the increased sales revenue, the investments made in increasing the efficiency of daily processes, and the warmer weather in the beginning of the year, which enabled saving on administrative expenses. The SelveEkspress service was extended to all Selvers in the first quarter, which has enabled keeping the labour efficiency at last year's level in the conditions of wage pressure which were prevailing in the beginning of the year. The economic results were impacted by the expenses made on the protection of the customers and employees due to COVID-19. The impacts of COVID-19 were carried over to the third quarter in a lesser extent, with the customers visiting the stores less frequently, but buying more per purchase. In the second quarter, Selver acquired the ABC Supermarkets chain, which will improve the availability of Selver's service and increase the market share thanks to the wider network of stores. On the other hand, the economic result of supermarkets is impacted by the one-off costs related to the purchase of ABC Supermarkets. Selver has fully renovated the Suurejõe Selver in Pärnu and the Merimetsa Selver in Tallinn this year. Both stores were closed to customers during the renovation works. The sales area of the

Rannarootsi Selver in Haapsalu has been expanded. In Võru, Selver moved to new premises at the Kagukeskus shopping mall. In July, Selver opened a new store at the WOW mall in Saaremaa. Due to the state of emergency, the Sepapaja Selver and the Puhvet café at the Kadaka Selver were temporarily closed in the second quarter. Selver is planning to renovate the Mustakivi Selver in Tallinn and launch the process of transferring the stores, which are operating under the trademark of Comarket, to under the trademark of Selver ABC this year. The result of the first nine months includes the costs of launching the new factory of Kulinaaria. The assembly and delivery volumes of e-Selver have been growing rapidly. The e-Selver service area includes all of Harju and Tartu County, Hiiu County, Saare County, a large part of Pärnu County, and a part of Lääne County. Development of the e-commerce remains one of the priorities of the segment.

As at the end of September, the supermarkets segment includes the Selver store chain with 54 Selver stores, 16 Comarket stores, 2 Delice stores, the Solaris grocery store, e-Selver, the mobile store, and a café, with a total selling space of 114,600 m², as well as the central kitchen of Kulinaaria OÜ.

Department stores

In the nine months of 2020, the Kaubamaja department stores business segment earned a sales revenue of 58.6 million euros, which is 17.3% less than in the same period of last year. The average sales revenue of the Kaubamaja department stores per square metre of selling space was 0.24 thousand euros per month in the first nine months of 2020, which is 30% lower than in the same period last year. The pre-tax loss of the Kaubamaja department stores in the first nine months of 2020 was 0.7 million euros, showing a decrease of 1.9 million euros in the year-on-year comparison. The sales revenue of Kaubamaja department stores in the third quarter of 2020 was 21.6 million euros, which was 8.3% less than during the same period of 2019. The pre-tax profit of the Kaubamaja department stores in the third quarter was 0.3 million euros, showing a decrease of 0.5 million euros in the year-on-year comparison. The sales result of the Kaubamaja department stores in the two last quarters was influenced by the emergency situation declared by the Government of the Republic of Estonia due to the COVID-19 virus, which resulted in a lower number of visitors to the department stores from the middle of March. On 27 March, the Government of the Republic of Estonia ordered the closing of all shopping malls and Kaubamaja also closed all selling spaces of manufactured goods in Tallinn and Tartu, with only the grocery stores remaining open. The department stores were reopened on 11 May. Some changes can be observed in the purchasing behaviour of customers. Even more value is placed on quality and such products are sought and purchased. Fashion items are purchased somewhat more modestly, but the sales of household goods have been quite successful. The Kodumaailm (Home department) at Tallinna Kaubamaja was redesigned for autumn, which has also had a positive impact on the sales figures. On the other hand, due to its central location, Tallinna Kaubamaja has been strongly affected by the drop in the number of tourists and the lower number of people working in the offices in the city centre, as well as the general decline in the visitation of the city centre, especially in the summer period, which has had a negative impact on the sales result of the third quarter. The turnovers of the Kaubamaja online store have multiplied after the crisis, but this has failed to compensate for the decline in the sales of the physical department stores.

In the third quarter of 2020, the sales revenue of OÜ TKM Beauty Eesti, which operates I.L.U. cosmetics stores, was 1.3 million euros, which is 12.3% more than in the third quarter of 2019. In the third quarter of 2020, profit was 0.03 million euros, which was 0.05 million euros more than during the comparable period in 2019. The result of the third quarter was impacted positively by the continued increase in the sales revenue of the online store, the refreshment of the selection, which was welcomed by the customers, and the successful changes in the marketing campaigns. The sales revenue of the first nine months of 2020 was 3.3 million euros, which is 1.0% less than during the same period of 2019. In the first nine months of 2020, profit was 0.02 million euros, which was 0.22 million euros more than during the comparable period in 2019.

Car trade

The sales revenue of the car trade segment was 92.5 million euros in the first nine months of 2020, which was 4.5% less than the sales revenue of the same period in 2019. The sales revenue for KIAs decreased by 29.1%. The sales revenue of 34.7 million euros of the third quarter of 2020 was 0.5% less than the sales revenue of the same period in 2019, whereas the sales revenue for KIAs decreased by 27.3%. During the first nine months, a total of 3,895 new vehicles were sold, 1,482 vehicles of them in the third quarter. The net profit of the segment in the first nine months of 2020 was 1.2 million euros, which was 2.0 million euros less than the profit of the same period a year before. The pre-tax profit of the segment in the first nine months of 2020 was 1.8 million euros, which is 2.0 million euros less than the profit of the first nine months of 2019. The pre-tax profit of the third quarter of 2020 was 1.0 million euros, which is 0.6 million euros less than the profit of the same period a year before.

In the third quarter, sales revenue and business profit decreased mainly due to the delivery problems of suppliers, which were caused by the coronavirus crisis. The importer of the brands sold by the car segment of the Group experienced issues with the delivery of new cars and the limited stocks. On the other hand, there were also less buyers; thus, the demand and supply were balanced. All showrooms were opened and

worked under normal conditions. A change in the consumer behaviour can be observed in the sales of new cars, with the regular customers and small customers having been replaced with large customers and public procurements and with the operations of the car segment of the Group proving quite successful. The volumes of after-sale services have not declined significantly. The new Škoda car showroom of Verte Auto in Riga is still in the launching phase and is showing a monthly growth trend.

New and warmly anticipated models will be added to the selection in the fourth quarter: KIA Sorento, Peugeot e-208 and e-2008, Opel Insignia, Opel Corsa-e, and Grandland PHEV.

Footwear trade

The sales revenue of the footwear trade segment was 4.8 million euros in the first nine months of 2020. In comparison with 2019, the sales revenue of the same period decreased by 22.6%. In the third quarter, the sales revenue of the segment was 1.9 million euros, which is 12.7% less than during the same period in 2019. The loss of the first nine months of 2020 was 1.6 million euros. The loss of the comparable period in 2019 was 0.9 million euros. The loss of the third quarter was 0.4 million euros, which is 0.1 million euros weaker than during the same period of 2019. The sales revenue of the third quarter was impacted by the continuing deep discounts in the realisation of the stocks of the spring season, which were left due to state of emergency announced and closing of the shopping centres in connection the spread of COVID-19. The SHU store in Haapsalu was closed in September, while the SHU store in Jõhvi was moved to another location at the recently renovated Jewe centre, which has more perspective. Taking into consideration the changes in the consumer behaviour and the development of e-commerce, online stores of ABC KING and SHU were developed and opened to customers in the middle of September.

Real estate

The sales revenue earned in the real estate segment outside the Group was 3.7 million euros in the first nine months of 2020. Sales revenue decreased by 13.1% in comparison with the previous year. The sales revenue earned in the segment outside the Group was 1.4 million euros in the third quarter of 2020. During the reference period, sales revenue decreased by 0.8%. The pre-tax profit in the real estate segment was 7.5 million euros in the first nine months of 2020. Compared to the reference period, profit decreased by 7.6%. The pre-tax profit of the segment in the third quarter was 2.9 million euros, which is 5.8% more than during the same period in 2019.

The segment's sales revenue and profit of the third quarter recovered quickly. The drop in the sales result of the real estate segment in the first nine months reflects the impact of the rent discounts during the state of emergency announced by the Government of the Republic and the closing of department stores. The Tartu Kaubamaja department store and Viimsi Keskus shopping mall were largely closed until 10 May. Grocery stores, telecommunication stores, and stores with a separate entrance were open at the malls. Catering enterprises were open only for take-away. The restriction on movement affected Tartu Kaubamaja department store the hardest – the attendance of the mall decreased by more than 80% during the period that shopping malls were closed. During the same period, the attendance of the Viimsi Keskus shopping mall decreased by nearly 40%. Viimsi Keskus has recovered from the impacts of the state of emergency quicker than Tartu Kaubamaja. Within the segment, the Latvian real estate company improved its results most, having gained a new Škoda and used cars showroom in Riga in the end of last year. The aftershocks of the coronavirus epidemic will continue to affect the results of the retail rental market for the whole of 2020. As the economic impact of the epidemic is not yet clear, the volumes of and schedule for future developments will be adjusted as and when needed.

Personnel

During the first nine months of 2020, the average number of employees at Tallinna Kaubamaja Grupp was 4,726, growing by 9.7% in comparison with the same period in 2019 due to the acquisition of the subsidiary ABC Supermarkets AS in May. Total labour force expenses (salary expenses and social tax expenses) in the first nine months of 2020 were 55.3 million euros, which is 5.0% more than during the same period of 2019. In the third quarter, labour force costs increased by 11.8% in comparison with the year before, while the average number of employees increased by 9.7%. The average monthly salary costs per employee increased by 0.8% during the first nine months in comparison with the average salary of the first nine months of 2019; in the third quarter, the increase was 2.0 %.

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, 12 October 2020

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT BOARD'S CONFIRMATION TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Chairman of the Management Board confirms the correctness and completeness of Tallinna Kaubamaja Grupp AS condensed consolidated interim financial statements (unaudited) for the period of the third quarter and first 9 months of 2020 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, 12 October 2020

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros

	Note	30.09.2020	31.12.2019
ASSETS			
Current assets			
Cash and cash equivalents	2	22,700	40,629
Trade and other receivables	3	14,955	16,904
Inventories	5	76,197	78,305
Total current assets		113,852	135,838
Non-current assets			
Long-term trade and other receivables	8	275	114
Investments in associates	7	1,892	1,721
Investment property	9	60,641	60,458
Property, plant and equipment	10	378,636	319,192
Intangible assets	11	21,235	4,990
Total non-current assets		462,679	386,475
TOTAL ASSETS		576,531	522,313
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings	12	23,465	46,448
Trade and other payables	13	90,995	89,831
Total current liabilities		114,460	136,279
Non-current liabilities			
Borrowings	12	252,096	157,876
Provisions for other liabilities and charges		362	322
Total non-current liabilities		252,458	158,198
TOTAL LIABILITIES		366,918	294,477
Equity			
Share capital	15	16,292	16,292
Statutory reserve capital		2,603	2,603
Revaluation reserve		91,927	93,496
Currency translation differences		-149	-149
Retained earnings		98,940	115,594
TOTAL EQUITY		209,613	227,836
TOTAL LIABILITIES AND EQUITY		576,531	522,313

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 2020	III quarter 2019	9 months 2020	9 months 2019
Revenue	16	194,181	179,683	540,685	524,609
Other operating income		316	285	976	682
Cost of sales	5	-146,012	-133,804	-409,104	-393,038
Other operating expenses	17	-11,216	-9,657	-31,362	-30,482
Staff costs	18	-19,139	-17,120	-55,285	-52,665
Depreciation, amortisation and impairment losses	10, 11	-9,387	-7,728	-25,249	-23,058
Other expenses		-157	-71	-534	-482
Operating profit		8,586	11,588	20,127	25,566
Finance income		1	1	1	1
Finance costs		-1,204	-749	-2,967	-2,215
Finance income on shares of associates	7	57	60	171	174
Profit before tax		7,440	10,900	17,332	23,526
Income tax expense	15	-1	0	-5,823	-6,453
NET PROFIT FOR THE FINANCIAL YEAR		7,439	10,900	11,509	17,073
Other comprehensive income:					
<i>Items that will not be subsequently reclassified to profit or loss</i>					
Other comprehensive income for the financial year		0	0	0	0
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		7,439	10,900	11,509	17,073
Basic and diluted earnings per share (euros)	19	0.18	0.27	0.28	0.42

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 2020	9 months 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit		11,509	17,073
<i>Adjustments:</i>			
<i>Income tax on dividends</i>	15	5,821	6,452
<i>Income tax</i>		0	1
<i>Interest expense</i>		2,967	2,215
<i>Interest income</i>		-1	-1
<i>Depreciation, amortisation</i>	10, 11	25,129	23,005
<i>Loss on write-off of non-current assets</i>	10	120	53
<i>Profit on sale of non-current assets</i>	10	-19	-69
<i>Effect of equity method</i>	7	-171	-174
Change in inventories		4,934	3,632
Change in receivables and prepayments related to operating activities		2,611	1,206
Change in liabilities and prepayments related to operating activities		-7,275	-13,170
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		45,625	40,223
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment (excl. finance lease)	10	-21,389	-12,420
Proceeds from sale of property, plant and equipment	10	77	106
Purchase of investment property	9	-193	-64
Proceeds from sale of investment property	9	10	0
Purchase of intangible assets	11	-623	-267
Investments in subsidiaries	6	-14,099	0
Dividends received	7	0	110
Interest received		1	1
TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES		-36,216	-12,534
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	12	38,963	21,022
Repayments of borrowings	12	-14,626	-19,259
Change in overdraft balance	12	-1,692	6,134
Repayments of lease liabilities	12	-11,441	-11,217
Interest paid on lease liabilities	12	-2,024	-1,523
Dividends paid	15	-29,731	-28,917
Income tax on dividends	15	-5,821	-6,452
Interest paid		-966	-709
TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES		-27,338	-40,921
TOTAL CASH FLOWS		-17,929	-13,232
Effect of exchange rate changes		0	0
Cash and cash equivalents at the beginning of the period	2	40,629	37,235
Cash and cash equivalents at the end of the period	2	22,700	24,003
Net change in cash and cash equivalents		-17,929	-13,232

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 31.12.2018	16,292	2,603	95,587	-149	111,284	225,617
Balance as of 01.01.2019	16,292	2,603	95,587	-149	111,284	225,617
Adjustment on the adoption of IFRS 16	0	0	0	0	0	0
Balance as of 01.01.2019 restated	16,292	2,603	95,587	-149	111,284	225,617
Net loss for the reporting period	0	0	0	0	17,073	17,073
Total comprehensive loss for the reporting period	0	0	0	0	17,073	17,073
Reclassification of depreciation of revalued land and buildings	0	0	-1,568	0	1,568	0
Dividends declared	0	0	0	0	-28,918	-28,918
Balance as of 30.09.2019	16,292	2,603	94,019	-149	101,007	213,772
Net profit for the reporting period	0	0	0	0	31,137	31,137
Total comprehensive income for the reporting period	0	0	0	0	31,137	31,137
Reclassification of depreciation of revalued land and buildings	0	0	-2,091	0	2,091	0
Dividends paid	0	0	0	0	-28,918	-28,918
Balance as of 31.12.2019	16,292	2,603	93,496	-149	115,594	227,836
Net profit for the reporting period	0	0	0	0	11,509	11,509
Total comprehensive income for the reporting period	0	0	0	0	11,509	11,509
Reclassification of depreciation of revalued land and buildings	0	0	-1,569	0	1,569	0
Dividends paid	0	0	0	0	-29,732	-29,732
Balance as of 30.09.2020	16,292	2,603	91,927	-149	98,940	209,613

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 Kaubamaja 1, 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 2019. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

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

The Manager is of the opinion that the Condensed Consolidated Interim Report of Tallinna Kaubamaja Group for the third quarter and first 9 months of 2020 gives a true and fair view of the Company's performance in accordance with the going-concern concept.

This Condensed Consolidated Interim Report has not been audited or otherwise reviewed by auditors.

Note 2. Cash and cash equivalents

in thousands of euros

	30.09.2020	31.12.2019
Cash on hand	871	1,155
Bank accounts	21,042	38,257
Cash in transit	787	1,217
Total cash and cash equivalents	22,700	40,629

Note 3. Trade and other receivables

in thousands of euros

	30.09.2020	31.12.2019
Trade receivables (Note 4)	11,972	13,455
Other short-term receivables	611	385
Total financial assets from balance sheet line "Trade and other receivables"	12,583	13,840
Prepayment for goods	1,376	2,190
Other prepaid expenses	823	837
Prepaid rental expenses	30	6
Prepaid taxes (Note 14)	143	31
Total trade and other receivables	14,955	16,904

Note 4. Trade receivables

in thousands of euros

	30.09.2020	31.12.2019
Trade receivables	10,409	10,629
Allowance for doubtful receivables	-4	-10
Receivables from related parties (Note 20)	248	361
Credit card payments	1,319	2,475
Total trade receivables	11,972	13,455

Note 5. Inventories

in thousands of euros

	30.09.2020	31.12.2019
Goods purchased for resale	75,316	77,156
Raw materials and materials	881	1,149
Total inventories	76,197	78,305

Tallinna Kaubamaja Grupp AS

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

in thousands of euros

	III quarter 2020	III quarter 2019	9 months 2020	9 months 2019
Write-down and write-off of inventories	2,458	2,287	6,973	6,898
Inventory stocktaking deficit	514	566	2,075	1,733
Total materials and consumables used	2,972	2,853	9,048	8,631

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 30.09.2020	Year of acquisition or foundation
Selver AS	Estonia, Tallinn	Retail trade	100%	1996
Tallinna Kaubamaja Kinnisvara AS	Estonia, Tallinn	Real estate management	100%	1999
Tartu Kaubamaja Kinnisvara OÜ	Estonia, Tartu	Real estate management	100%	2004
SIA TKM Latvija	Latvia, Riga	Real estate management	100%	2006
TKM Auto OÜ	Estonia, Tallinn	Commercial and finance activities	100%	2007
KIA Auto AS	Estonia, Tallinn	Retail trade	100%	2007
Forum Auto SIA	Latvia, Riga	Retail trade	100%	2007
KIA Auto UAB	Lithuania, Vilnius	Retail trade	100%	2007
TKM Beauty OÜ	Estonia, Tallinn	Retail trade	100%	2007
TKM Beauty Eesti OÜ	Estonia, Tallinn	Retail trade	100%	2007
TKM King AS	Estonia, Tallinn	Retail trade	100%	2008
Kaubamaja AS	Estonia, Tallinn	Retail trade	100%	2012
Kulinaaria OÜ	Estonia, Tallinn	Centre kitchen activities	100%	2012
Viking Motors AS	Estonia, Tallinn	Retail trade	100%	2012
Viking Security AS	Estonia, Tallinn	Security activities	100%	2014
UAB TKM Lietuva	Lithuania, Vilnius	Real estate management	100%	2017
Verte Auto SIA	Latvia, Riga	Retail trade	100%	2017
ABC Supermarkets AS	Estonia, Tallinn	Retail trade	100%	2020
TKM Finants AS	Estonia, Tallinn	Commercial and finance activities	100%	2020
TKM Beauty Holding OÜ	Estonia, Tallinn	Holding	100%	2020

Business combinations in 2020:

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

On May 29, 2020, Selver AS acquired a 100% stake in ABC Supermarkets AS. The exact price of the transaction is determined by several different circumstances and was still being clarified at the time of preparing the report.

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

In order to separate the operations of OÜ TKM Beauty Eesti, which is involved in the retail trade of cosmetics, from the cosmetics wholesale function, a division will be undertaken. In the course of the division of OÜ TKM Beauty (company being divided), OÜ TKM Beauty Holding, a company with a share capital of 2,500 euros and 100% ownership by Tallinna Kaubamaja Grupp AS, is established. OÜ TKM Beauty will transfer the share of OÜ TKM Beauty Eesti to OÜ TKM Beauty Holding (recipient company). The further plan is to merge OÜ TKM Beauty Holding and OÜ TKM Beauty Eesti so that OÜ TKM Beauty Eesti will directly become a 100% subsidiary of Tallinna Kaubamaja Grupp AS.

In 2019, there were no business combinations.

Note 7. Investments in associates

in thousands of euros

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

	30.09.2020	31.12.2019
Investment in the associate at the beginning of the year	1,721	1,738
Profit for the reporting period under equity method	171	203
Dividends received	0	-220
Investment in the associate at the end of the accounting period	1,892	1,721

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

	30.09.2020		31.12.2019	
Current assets	383		68	
Non-current assets	3,455		3,483	
Current liabilities	55		109	
	III quarter 2020	III quarter 2019	9 months 2020	9 months 2019
Revenue	135	133	399	443
Net profit	119	120	347	348

Note 8. Long-term trade and other receivables

in thousands of euros

	30.09.2020	31.12.2019
Prepaid rental expenses	214	53
Deferred tax asset	26	26
Other receivables	35	35
Total long-term trade and other receivables	275	114

Note 9. Investment property

in thousands of euros

Carrying value as at 31.12.2018	59,866
Reclassification (Note 10)	111
Disposal	122
Net gain from fair value adjustment	359
Carrying value as at 31.12.2019	60,458
Purchases and improvements	193
Disposal	-10
Carrying value as at 30.09.2020	60,641

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

Retail property (Viimsi shopping centre and Tartu Kaubamaja Shopping Centre), which the Group maintains predominantly for earning rental income in Estonia, are partially classified as investment properties and partially as property, plant and equipment depending on the purpose those properties are used by Group companies. In Latvia, Rezekne the retail property is classified as investment property, as the Group maintains it for earning rental income.

In 2020 year, renovation work was carried out for Tartu Kaubamaja in the amount of 193 thousand euros.

In 2019 year, renovation in the amount of 122 thousand euros was reclassified from property, plant and equipment to investment property. Tartu Kaubamaja Shopping Centre renovation works were done in amount of 105 thousand euros and Viimsi Centre 6 thousand euros.

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

No fair value change of investment property was identified in 2020.

Note 10. Property, plant and equipment

in thousands of euros

	Land and buildings	Right-of use-assets: retail properties	Machinery and equipment	Other fixtures and fittings	Construction in progress and prepayments	Total
31.12.2018						
Cost or revalued amount	170,576	0	40,456	41,235	27,579	279,846
Accumulated depreciation and impairment	0	0	-27,697	-28,234	-11,228	-67,159
Carrying value	170,576	0	12,759	13,001	16,351	212,687
IFRS 16 initial application	0	109,282	0	0	0	109,282
Adjusted carrying value as at 01.01.2019	170,576	109,282	12,759	13,001	16,351	321,969
Changes occurred in 2019						
Purchases and improvements	2,274	0	4,054	5,844	10,426	22,598
Addition to right-of use-assets	0	6,709	0	0	0	6,709
Reclassification among property, plant and equipment groups	6,676	0	0	1	-6,677	0
Reclassification to investment property (Note 9)	0	0	0	0	-122	-122
Reclassification to inventory	0	0	-351	0	0	-351
Reclassification to property, plant and equipment from inventory	0	0	541	0	2	543
Disposals	-4	0	-20	-4	-1,720	-1,748
Write-offs	-18	0	-25	-68	0	-111
Termination of right-of use-assets	0	-391	0	0	0	-391
Depreciation	-5,039	-16,474	-3,777	-4,614	0	-29,904
31.12.2019						
Cost or revalued amount	179,243	115,574	43,321	43,541	27,940	409,619
Accumulated depreciation and impairment	-4,778	-16,448	-30,140	-29,381	-9,680	-90,427
Carrying value	174,465	99,126	13,181	14,160	18,260	319,192
Changes occurred in 2020						
Purchases and improvements	2,030	0	8,939	4,202	6,218	21,389
Acquired through business combinations (Note 6)	249	0	2,109	530	8	2,896
Addition to right-of use-assets	0	60,833	0	0	0	60,833
Reclassification among property, plant and equipment groups	1,898	0	5	-5	-1,898	0
Reclassification to inventory	0	0	-303	0	0	-303
Reclassification to property, plant and equipment from inventory	0	0	316	0	3	319
Disposals	-4	0	-54	0	0	-58
Write-offs	-38	0	-35	-47	0	-120
Termination of right-of use-assets	0	-920	0	0	0	-920
Depreciation	-4,094	-13,122	-3,473	-3,903	0	-24,592
30.09.2020						
Cost or revalued amount	183,161	175,080	51,449	47,324	32,061	489,075
Accumulated depreciation and impairment	-8,655	-29,163	-30,764	-32,387	-9,470	-110,439
Carrying value	174,506	145,917	20,685	14,937	22,591	378,636

The cost of investments for the 9 months of 2020 amounted to 22,012 thousand euros (including purchases of property, plant and equipment in the amount of 21,389 thousand euros and purchases of intangible assets amounted to 623 thousand euros).

The cost of purchases of property, plant and equipment made in reporting period in the supermarkets business segment was 17,204 thousand euros. In the reporting period, computing technology for SelveEkspress self-service cashers were purchased. New project of transition to digital price tags in Selver stores started, also were renewed store fittings. Suurejõe Selver and Rannarootsi Selver were renovated. In

Võru was opened south-eastern Estonian the most modern supermarket, Vilja Selver that also moved to new location. In Saaremaa, second Selver store was opened, WOW Selver. In current period started transition of Comarket stores under Selver trademark. Continued construction of AS Selver subsidiary's Kulinaaria OÜ new production building and renovation of current production building. As a result the production capacity will grow twice.

The cost of purchases of property, plant and equipment in the business segment of department stores amounted to 1,974 thousand euros. Tallinna Kaubamaja Grupp AS subsidiary Viking Security AS is entering into money collection market and for this purpose armoured cash vehicles and computer technology was purchased. In the reporting period, in Kaubamaja renovation work were carried out and store fittings and computing technology was purchased.

The cost of purchases of property, plant and equipment in the reporting period was 1,732 thousand euros in the car trade business segment. In the reporting period, reconstruction work for car showroom were carried out, garage equipment was renewed and equipment for the most modern East Europe Škoda resale centre were purchased.

The cost of purchases of property, plant and equipment in the reporting period in the footwear segment was 32 thousand euros.

The cost of purchases of property, plant and equipment in the real estate business segment amounted to 447 thousand euros. In the reporting period the renovation work were carried out for shopping centres.

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

Note 11. Intangible assets

in thousands of euros

	Goodwill	Trademark	Development expenditure	Total
31.12.2018				
Cost	3,260	5,277	1,602	10,139
Accumulated amortisation and impairment	0	-4,080	-926	-5,006
Carrying value	3,260	1,197	676	5,133
Changes occurred in 2019				
Purchases and improvements	0	0	585	585
Amortisation	0	-421	-307	-728
31.12.2019				
Cost	3,260	3,688	2,170	9,118
Accumulated amortisation and impairment	0	-2,912	-1,216	-4,128
Carrying value	3,260	776	954	4,990
Changes occurred in 2020				
Purchases and improvements	0	0	623	623
Acquired through business combinations	0	15,520	639	16,159
Amortisation	0	-271	-266	-537
30.09.2020				
Cost	3,260	19,208	3,433	25,901
Accumulated amortisation and impairment	0	-3,183	-1,483	-4,666
Carrying value	3,260	16,025	1,950	21,235

In the reporting period, the Group capitalised costs of a web page update, locality card web page update, Partner Kuukaart (Monthly Card) and e-shop as development expenditure in the amount of 623 thousand euros (2019: 585 thousand euros).

As a trademark, the Group has recognised the image of ABC King at cost value of 3,508 thousand euros; the image contains a combination of the name, symbol and design together with recognition and preference by consumers. Trademark will be amortised during 15 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	30.09.2020	31.12.2019
Car trade	3,156	3,156
Department store	104	104
Total	3,260	3,260

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

Note 12. Borrowings

in thousands of euros	30.09.2020	31.12.2019
Short-term borrowings		
Overdraft	15,448	17,140
Bank loans	2,383	12,480
Lease liabilities	4,187	15,371
Other borrowings	1,447	1,457
Total short-term borrowings	23,465	46,448

in thousands of euros	30.09.2020	31.12.2019
Long-term borrowings		
Bank loans	103,793	72,549
Lease liabilities	144,899	85,259
Other borrowings	3,404	68
Total long-term borrowings	252,096	157,876
Total borrowings	275,561	204,324

Borrowings received

in thousands of euros	III quarter 2020	III quarter 2019	9 months 2020	9 months 2019
Overdraft	0	-501	0	6,134
Bank loans	0	3,864	33,934	18,839
Other borrowings	1,148	518	5,029	2,183
Total borrowings received	1,148	3,881	38,963	27,156

Borrowings paid

in thousands of euros

	III quarter 2020	III quarter 2019	9 months 2020	9 months 2019
Overdraft	5,161	0	1,692	0
Bank loans	2,383	5,449	12,787	16,154
Lease liabilities	4,194	3,754	11,441	11,217
Other borrowings	977	517	1,839	3,105
Total borrowings paid	12,715	9,720	27,759	30,476

Bank loans are denominated in euros.

As of 30.09.2020, the repayment dates of bank loans are between 18.12.2020 and 31.07.2025 (2019: between 27.03.2020 and 05.12.2024), interest is tied both to 3-month and 6-month EURIBOR as well as EONIA. Group has also contracts with fixed interest rate. Weighted average interest rate was 1.64% (2019: 1.19%).

Lease agreements that form lease liabilities have been concluded for the term until 31.12.2035. Lease liability recorded in the balance sheet as at 31.12.2019 is recognised as a result of adoption of IFRS 16 on 01.01.2019. The lease payments are discounted at the Group's incremental borrowing rate. Weighted average interest rate used on recognition of lease liabilities was 1.49%.

Net debt reconciliation

in thousands of euros

	30.09.2020	31.12.2019
Cash and cash equivalents (Note 2)	22,700	40,629
Short-term borrowings	-23,465	-46,448
Long-term borrowings	-252,096	-157,876
Net debt	-252,861	-163,695
Cash and cash equivalents (Note 2)	22,700	40,629
Gross debt – fixed interest rates	-157,045	-111,975
Gross debt – variable interest rates	-118,516	-92,349
Net debt	-252,861	-163,695

	Cash and cash equivalents	Overdraft	Borrowings	Lease liabilities	Total
Net debt 31.12.2018	37,235	-7,354	-86,961	0	-57,080
IFRS 16 initial application (Note 1)	0	0	0	-109,282	-109,282
Net debt 01.01.2019	37,235	-7,354	-86,961	-109,282	-166,362
Cash flow (principal and interest)	3,394	-9,786	1,352	17,001	11,961
Interest accrued	0	0	-945	-2,031	-2,976
New lease contracts	0	0	0	-6,709	-6,709
Termination of lease liabilities	0	0	0	391	391
Net debt 31.12.2019	40,629	-17,140	-86,554	-100,630	-163,695
Cash flow (principal and interest)	-17,929	1,692	-23,507	13,465	-26,279
Interest accrued	0	0	-966	-2,024	-2,990
New lease contracts	0	0	0	-60,833	-60,833
Termination of lease liabilities	0	0	0	936	936
Net debt 30.09.2020	22,700	-15,448	-111,027	-149,086	-252,861

Note 13. Trade and other payables

in thousands of euros

	30.09.2020	31.12.2019
Trade payables	66,980	65,010
Payables to related parties (Note 20)	4,474	5,043
Other accrued expenses	1,714	183
Prepayments by tenants	2,681	2,956
Total financial liabilities from balance sheet line "Trade and other payables"	75,849	73,192
Taxes payable (Note 14)	6,994	7,226
Employee payables	5,995	7,293
Prepayments	2,144	2,113
Short-term provisions*	13	7
Total trade and other payables	90,995	89,831

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

Note 14. Taxes

in thousands of euros

	30.09.2020		31.12.2019	
	Prepaid taxes	Taxes payable	Prepaid taxes	Taxes payable
Prepaid taxes	143	0	31	0
Value added tax	0	2,565	0	2,941
Personal income tax	0	1,117	0	1,051
Social security taxes	0	2,950	0	2,840
Corporate income tax	0	19	0	79
Unemployment insurance	0	199	0	184
Mandatory funded pension	0	144	0	131
Total taxes	143	6,994	31	7,226

Note 15. Share capital

As of 30.09.2020 and 31.12.2019, the share capital in the amount of 16,292 thousand euros consisted of 40,729,200 ordinary shares with the nominal value of 0.40 euros per share. All shares issued have been paid for. According to the articles of association, the maximum allowed number of shares is 162,916,800 shares.

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

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

Note 16. Segment reporting

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

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

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

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

The disclosures of financial information correspond to the information that is periodically reported to the Supervisory Board. Measures of income statement, segment assets and liabilities have been measured in accordance with accounting policies used in the preparation of the financial statements except for accounting for lease that is presented in reports to Supervisory Board according to IAS 17. Main measures that Supervisory Board monitors are segment revenue (external segment and inter-segment revenue), EBITDA (earnings before interest, taxes, depreciation and amortisation) and net profit or loss.

in thousands of euros

	Super markets	Depart- ment store	Car trade	Foot- wear trade	Real estate	Inter- segment transact- ions	Impact of lease accounting	Total seg- ments
III quarter 2020								
External revenue	134,536	21,599	34,686	1,920	1,440	0	0	194,181
Inter-segment revenue	252	2,162	44	4	3,534	-5,996	0	0
Total revenue	134,788	23,761	34,730	1,924	4,974	-5,996	0	194,181
EBITDA	7,005	839	1,285	-285	4,126	0	5,003	17 973
Segment depreciation and impairment losses	-2,496	-626	-147	-127	-1,073	0	-4,918	-9,387
Operating profit/loss	4,509	213	1,138	-412	3,053	0	85	8,586
Finance income	77	160	0	0	76	-312	0	1
Finance income on shares of associates	0	57	0	0	0	0	0	57
Finance costs	-184	-155	-106	-23	-239	312	-809	-1,204
Income tax	0	0	-1	0	0	0	0	-1
Net profit/loss	4,402	275	1,031	-435	2,890	0	-724	7,439
incl. in Estonia	4,402	275	1,004	-435	2,869	0	-724	7,391
incl. in Latvia	0	0	-124	0	33	0	0	-91
incl. in Lithuania	0	0	151	0	-12	0	0	139
Segment assets	132,130	90,085	35,477	5,812	274,570	-107,460	145,917	576,531
Segment liabilities	112,727	61,979	26,504	6,647	92,295	-82,320	149,086	366,918
Segment investments in property, plant and equipment	5,386	829	127	23	58	0	0	6,423
Segment investments in intangible assets	8	143	-1	65	0	0	0	215

in thousands of euros

	Super markets	Department store	Car trade	Foot-wear trade	Real estate	Inter-segment transactions	Impact of lease accounting	Total segments
III quarter 2019								
External revenue	117,615	23,563	34,854	2,199	1,452	0	0	179,683
Inter-segment revenue	413	1,587	38	2	3,352	-5,392	0	0
Total revenue	118,028	25,150	34,892	2,201	4,804	-5,392	0	179,683
EBITDA	8,151	1,253	1,869	-131	3,912	0	4,262	19,316
Segment depreciation and impairment losses	-1,699	-650	-116	-119	-1,014	0	-4,130	-7,728
Operating profit/loss	6,452	603	1,753	-250	2,898	0	132	11,588
Finance income	76	188	0	1	29	-293	0	1
Finance income on shares of associates	0	60	0	0	0	0	0	60
Finance costs	-51	-106	-132	-49	-196	293	-508	-749
Income tax	0	0	0	0	0	0	0	0
Net profit/loss	6,477	745	1,621	-298	2,731	0	-376	10,900
incl. in Estonia	6,477	745	1,343	-298	2,849	0	-376	10,740
incl. in Latvia	0	0	113	0	-108	0	0	5
incl. in Lithuania	0	0	165	0	-10	0	0	155
Segment assets	92,368	83,333	33,658	6,174	271,796	-92,258	98,809	493,880
Segment liabilities	76,113	52,812	22,866	10,268	90,331	-72,218	99,936	280,108
Segment investments in property, plant and equipment	1,516	466	346	26	3,074	0	0	5,428
Segment investments in intangible assets	0	67	0	0	0	0	0	67

in thousands of euros

	Super markets	Department store	Car trade	Foot-wear trade	Real estate	Inter-segment transactions	Impact of lease accounting	Total segments
9 months 2020								
External revenue	380,990	58,587	92,538	4,843	3,727	0	0	540,685
Inter-segment revenue	915	6,522	390	39	9,985	-17,851	0	0
Total revenue	381,905	65,109	92,928	4,882	13,712	-17,851	0	540,685
EBITDA	18,434	981	2,475	-1,151	11,172	0	13,465	45,376
Segment depreciation and impairment losses	-6,288	-1,905	-362	-382	-3,190	0	-13,122	-25,249
Operating profit/loss	12,146	-924	2,113	-1,533	7,982	0	343	20,127
Finance income	227	475	0	0	185	-886	0	1
Finance income on shares of associates (Note 7)	0	171	0	0	0	0	0	171
Finance costs	-354	-423	-309	-94	-649	886	-2,024	-2,967
Income tax	-2,105	-617	-618	0	-2,483	0	0	-5,823
Net profit/loss	9,914	-1,318	1,186	-1,627	5,035	0	-1,681	11,509
incl. in Estonia	9,914	-1,318	1,523	-1,627	5,079	0	-1,681	11,890
incl. in Latvia	0	0	-560	0	-8	0	0	-568
incl. in Lithuania	0	0	223	0	-36	0	0	187
Segment assets	132,130	90,085	35,477	5,812	274,570	-107,460	145,917	576,531
Segment liabilities	112,727	61,979	26,504	6,647	92,295	-82,320	149,086	366,918
Segment investments in property, plant and equipment (Note 10)	17,204	1,974	1,732	32	447	0	0	21,389
Segment investments in intangible assets (Note 11)	21	523	14	65	0	0	0	623

in thousands of euros

	Super markets	Department store	Car trade	Foot-wear trade	Real estate	Inter-segment transactions	Impact of lease accounting	Total segments
9 months 2019								
External revenue	346,359	70,818	96,883	6,261	4,288	0	0	524,609
Inter-segment revenue	1,020	5,319	141	6	10,008	-16,494	0	0
Total revenue	347,379	76,137	97,024	6,267	14,296	-16,494	0	524,609
EBITDA	17,363	2,961	4,409	-506	11,657	0	12,740	48,624
Segment depreciation and impairment losses	-4,971	-1,984	-366	-355	-3,038	0	-12,344	-23,058
Operating profit/loss	12,392	977	4,043	-861	8,619	0	396	25,566
Finance income	226	303	0	1	60	-589	0	1
Finance income on shares of associates (Note 7)	0	174	0	0	0	0	0	174
Finance costs	-128	-287	-235	-85	-546	589	-1,523	-2,215
Income tax	-3,947	-635	-669	0	-1,202	0	0	-6,453
Net profit/loss	8,543	532	3,139	-945	6,931	0	-1,127	17,073
incl. in Estonia	8,543	532	2,368	-945	7,332	0	-1,127	16,703
incl. in Latvia	0	0	318	0	-368	0	0	-50
incl. in Lithuania	0	0	453	0	-33	0	0	420
Segment assets	92,368	83,333	33,658	6,174	271,796	-92,258	98,809	493,880
Segment liabilities	76,113	52,812	22,866	10,268	90,331	-72,218	99,936	280,108
Segment investments in property, plant and equipment (Note 10)	4,764	1,214	445	297	5,700	0	0	12,420
Segment investments in intangible assets (Note 11)	0	267	0	0	0	0	0	267

External revenue according to types of goods and services sold

in thousands of euros

	III quarter 2020	III quarter 2019	9 months 2020	9 months 2019
Retail revenue	177,391	161,212	496,451	476,188
Wholesale revenue	7,846	10,517	20,967	27,585
Rental income	2,713	2,575	6,944	7,647
Revenue for rendering services	6,231	5,379	16,323	13,189
Total revenue	194,181	179,683	540,685	524,609

External revenue by client location

in thousands of euros

	III quarter 2020	III quarter 2019	9 months 2020	9 months 2019
Estonia	173,716	165,102	496,656	485,573
Latvia	15,582	8,969	33,438	24,327
Lithuania	4,883	5,612	10,591	14,709
Total	194,181	179,683	540,685	524,609

Distribution of non-current assets* by location of assets

in thousands of euros

	30.09.2020	31.12.2019
Estonia	430,033	354,275
Latvia	28,642	28,366
Lithuania	2,112	2,113
Total	460,787	384,754

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

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

Note 17. Other operating expenses

in thousands of euros

	III quarter 2020	III quarter 2019	9 months 2020	9 months 2019
Rental expenses*	267	212	503	663
Heat and electricity expenses	1,954	1,772	5,865	5,795
Operating costs	1,891	1,937	5,392	5,539
Cost of sale related services and materials	1,851	1,703	4,975	4,637
Marketing expenses	2,181	1,805	5,543	5,834
Miscellaneous other operating expenses	1,103	568	3,324	2,681
Computer and communication costs	1,323	1,142	3,980	3,436
Personnel expenses	646	518	1,780	1,897
Total other operating expenses	11,216	9,657	31,362	30,482

*Due to application of IFRS 16 from 01.01.2019, Group's rental expenses in 2020 third quarter in the amount of 13,464 thousand euros (in 2019 third quarter 12,740 thousand euros) have been reclassified as repayment of lease liabilities.

Note 18. Staff costs

in thousands of euros

	III quarter 2020	III quarter 2019	9 months 2020	9 months 2019
Wages and salaries	14,532	12,990	41,958	39,919
Social security taxes	4,607	4,130	13,327	12,746
Total staff costs	19,139	17,120	55,285	52,665
Average wages per employee per month (euros)	1,025	1,005	1,041	1,032
Average number of employees in the reporting period	4,726	4,308	4,479	4,296

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 2020	III quarter 2019	9 months 2020	9 months 2019
Net profit (in thousands of euros)	7,439	10,900	11,509	17,073
Weighted average number of shares	40,729,200	40,729,200	40,729,200	40,729,200
Basic and diluted earnings per share (euros)	0.18	0.27	0.28	0.42

Note 20. Related party transactions

in thousands of euros

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

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

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

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

	Purchases 9 months 2020	Sales 9 months 2020	Purchases 9 months 2019	Sales 9 months 2019
Parent	1	0	209	42
Entities in the Parent's consolidation group	20,735	1,553	18,368	2,348
Members of management and supervisory boards	0	73	0	20
Other related parties	137	10	398	8
Total	20,873	1,636	18,975	2,418

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:

	30.09.2020	31.12.2019
Receivables from entities in the in the Parent's consolidation group (Note 4)	247	361
Other related parties	1	0
Total receivables from related parties	248	361

	30.09.2020	31.12.2019
Parent	19	19
Entities in the Parent's consolidation group	4,451	5,017
Other related parties	4	7
Total liabilities to related parties (Note 13)	4,474	5,043

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

For arranging funding for its subsidiaries, the Group uses the group account, the members of which are most of the Group's entities. In its turn, the Group as a subgroup is a member of the group account of NG Investeeringud OÜ (hereinafter head group). From 2001, Tallinna Kaubamaja Grupp AS has been keeping its available funds at the head group account, earning interest income on its deposits. In 2020 nine months, the Group has not earned interest income on its deposits of available funds (2019: 0 euros). As at 30 September 2020 and 31 December 2019 Tallinna Kaubamaja Grupp AS had not deposited any funds through head group and had not used available funds of head group. According to the group account contract, the Group's members are jointly responsible for the unpaid amount to the bank.

Remuneration paid to the members of the Management and Supervisory Board

Short term benefits to the management boards' members of the Tallinna Kaubamaja Group for the reporting period including wages, social security taxes, bonuses and car expenses, amounted to 1,714 thousand euros (2019: 1,686 thousand euros). Short-term benefits to supervisory boards' members of the Group in reporting period including social taxes amounted to 485 thousand euros (2019: 495 thousand euros).

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