

TALLINNA KAUBAMAJA GRUPP AS

Consolidated Interim Report for
the Second quarter and first 6 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 4,400 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 June 2020
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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.

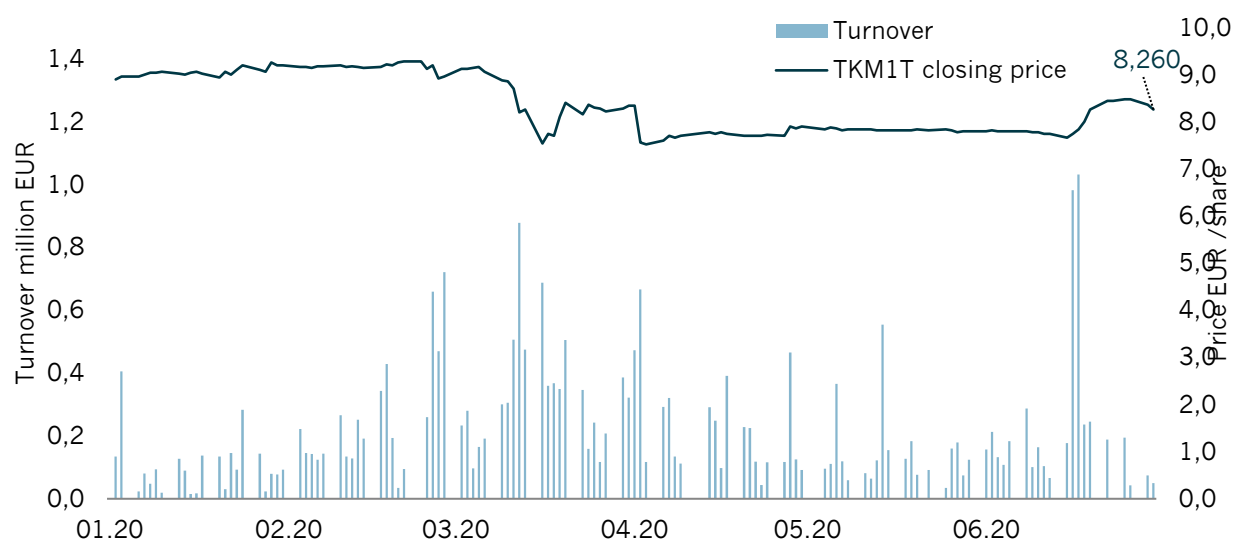
The members of the management board of Tallinna Kaubamaja Group have no right to issue or buy back shares. In addition, there are no commitments between the company and its employees providing for compensation in mergers and acquisitions under article 19' of Stock Market Trade Act.

The share with a price of 8.90 euros at the end of 2019 was closed in the end of June 2020 at the level of 8.26 euros, decreased by 7.19% in six 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 30.06.2020.

In euros



Company's structure

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

	Location	Shareholding as of 30.06.2020	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%
AS TKM King	Estonia	100%	100%
Rävala Parkla AS	Estonia	50%	50%

Economic environment

In the first quarter of 2020, the gross domestic product decreased by 0.7% in comparison with the first quarter of the previous year. According to Statistics Estonia, economic growth was hindered mainly by the energy sector, mostly due to the warm winter and reduced heating costs. Of larger economic activities, the processing industry, which began to decline already in the second half of 2019, had a negative impact on economic growth. It also reduced the volume of exports. The coronavirus crisis halted the export of tourism sector services. At the same time, the economic recession was even deeper in many other European Union countries. The general economic activity is slow to recover and, according to the Bank of Estonia, Estonia expects an economic downturn of a total of 10.0%. The consumer price index in Estonia grew by 0.2% in the first six months, whereas the prices of food and non-alcoholic beverages rose by 2.9%, mainly due to the increasing prices of fruits and meat products. However, the prices of clothing and footwear fell by 0.3%. According to the estimations of the Bank of Estonia, the average deflation in 2020 will be 1.1%, mainly due to the decreasing prices of services primarily related to the tourism sector. In comparison with the first quarter of 2019, the average monthly gross wages and salaries increased by 4.7%, reaching 1,404 euros in the first quarter. As a result of the coronavirus crisis, the demand for labour force decreased abruptly and analytics estimate that the average wages and salaries will decrease by 0.1% by the end of the year.

According to Statistics Estonia, the sales revenue generated by commercial establishments in current prices increased by 9.1% in the first five months of 2020. The largest growth in sales revenue was shown by retail sales via mail or the Internet (18.9%). Sales revenue in non-specialised stores (primarily foodstuffs) grew by 5.6% in total in the first five 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 five months by 25.9%. According to Statistics Estonia, registering new vehicles dropped even more in the first five months of 2020 – 35.9%. According to AMTEL, 9,371 new passenger cars were sold in Estonia in the first six months of 2020. As of March, car sales dropped sharply and in the first six months of 2020, 35.6% 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.

Economic results**FINANCIAL RATIOS 2019 - 2020**

	EUR		Change
	2 nd quarter 2020	2 nd quarter 2019	
Sales revenue (in millions)	171.0	181.5	-5.8%
Operating profit/loss (in millions)	6.8	9.1	-24.7%
Net profit/loss (in millions)	5.8	8.4	-30.5%
Return on equity (ROE)	2.9%	4.2%	
Return on assets (ROA)	1.0%	1.7%	
Net profit margin	3.40%	4.61%	
Gross profit margin	24.53%	24.97%	
Quick ratio	0.90	0.96	
Debt ratio	0.65	0.59	
Sales revenue per employee (in millions)	0.038	0.043	
Inventory turnover	1.67	1.93	
SHARE			
Average number of shares (1000 pcs)	40,729	40,729	
Equity capital per share (EUR/share)	4.96	4.98	
Share's closing price (EUR/share)	8.260	8.240	
Earnings per share (EUR/share)	0.14	0.21	
Average number of employees	4,459	4,259	

	EUR		Change
	6 month 2020	6 month 2019	
Sales revenue (in millions)	346.5	344.9	0.5%
Operating profit/loss (in millions)	11.5	14.0	-17.4%
Net profit/loss (in millions)	4.1	6.2	-34.1%
Return on equity (ROE)	2.0%	3.1%	
Return on assets (ROA)	0.7%	1.2%	
Net profit margin	1.17%	1.79%	
Gross profit margin	24.07%	24.84%	
Quick ratio	0.90	0.96	
Debt ratio	0.65	0.59	
Sales revenue per employee (in millions)	0.080	0.080	
Inventory turnover	3.40	3.67	
SHARE			
Average number of shares (1000 pcs)	40,729	40,729	
Equity capital per share (EUR/share)	4.96	4.98	
Share's closing price (EUR/share)	8.260	8.240	
Earnings per share (EUR/share)	0.10	0.15	
Average number of employees	4,355	4,290	
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 second quarter of 2020, the consolidated unaudited sales revenue of Tallinna Kaubamaja Grupp was 171.0 million euros, which was 5.8% less than the sales revenue of the same period in 2019. The sales revenue in the first six months was 346.5 million euros, which was a 0.5% increase in comparison with the result of the first six months of 2019, when the sales revenue was 344.9 million euros. The Group's consolidated unaudited net profit of the second quarter of 2020 was 5.8 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 six months of 2020 was 4.1 million euros, which was also about a third less than the result of the previous comparable period. In the first six months, pre-tax profit was 9.9 million euros, which is 21.7% 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.

The crisis months brought on by the spread of the new coronavirus left a deep mark on the economic results of the Group in the first six months of the year. Closing stores and movement restrictions caused the popularity of the Group's e-stores to increase explosively, but still, the sales revenue in the segments in which business operations were limited was significantly lower than the sales revenue in 2019. In order to rapidly increase the capacity of e-commerce, investments were made in reprocessing logistics solutions, acquiring additional vehicles and reorganising work processes. The negative impact was less pronounced in the supermarket segment, as food and convenience stores remained open. In the changed situation, the whole cost base of the Group was reviewed critically. Special agreements were achieved with lessors to reduce the rental costs of closed sales areas. Various measures have been used to reduce labour costs, including the reduction of wages and the use of state aid measures, to deal with the surplus of labour force caused by the reduction of workload related to the slowdown in the economic activities of the Group companies. The Group applied for remuneration compensation on the terms set by the state for eight Group companies whose economic activities were extensively disrupted due to the crisis. The state compensated for the remuneration of the employees in the extent of 1.3 million euros, thereby preserving about 1,000 jobs in the Group. In the

second quarter, labour force costs decreased by 2.1%. In connection with the virus threat, the Group immediately took measures to ensure the safety of both its customers and employees, which led to an increase in operating expenses. To ensure the safety of customers, the Group's retail units were equipped with hand disinfectants and instructions for their use at store entrances. In addition, signs and warning lines were used to make sure that people keep a two-metre distance from each other in the stores and the number of people in the store at one time was limited. Security staff and store employees instructed customers to make safe purchases. Corresponding instructions were also distributed via speakers and on the digital screens in the stores. Customers were encouraged to use self-service checkouts, which also ensured a safe distance between customers. To protect the health of store employees, safety glasses were installed at checkouts and protective visors and masks were distributed to personnel who come in direct contact with customers.

By acquiring shares of ABC Supermarkets AS on 29 May 2020, Tallinna Kaubamaja Grupp realised one of its long-term strategic goals of expanding its activities in the supermarkets area. As a result of the acquisition, a company with a strong market position and store network that supplements the Group's supermarket segment in a suitable way is joining the Group. The acquisition of ABC Supermarkets AS creates a synergy of two domestic retail chains that combines the most valuable experiences and successes of both companies. A larger chain with a denser network of stores strengthens commerce based on Estonian capital, values customer-focused service, and helps to provide to the customer a good selection of goods at reasonable prices, offering a wide selection of high-quality goods made by local Estonian producers. In the near future, the focus will be on realising synergies of both chains.

In April, the new production building of the central kitchen of Kulinaaria OÜ was completed in Tallinn and production began there. At the same time, renovations of the old factory building continued according to plan. 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. During the reporting period, Selver fully renovated the Suurejõe Selver in Pärnu and extended the sales area at the Rannarootsi Selver in Haapsalu. During the second half of the year, it is planned to renovate two Selver stores. On 9 July, Selver opened a new store at the WOW mall in Saaremaa, which is the 54th store in the Selver chain. The Group's attention continues to be focused on developing e-commerce and increasing the shopping convenience of customers.

As at 30 June 2020, the volume of assets of Tallinna Kaubamaja Group was 578.9 million euros – a decrease of 3.5 million euros or 0.8% 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 676,000, which is 0.4% less than the year before due to the movement restrictions enacted during the corona crisis. The proportion of loyal customers in the Group's turnover was 86.9% (during the first six months of 2019, it was 85.8%). 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.

Selver supermarkets

The consolidated sales revenue of the supermarkets business segment was 246.5 million euros in the first six months of 2020, increasing by 7.7% in comparison with the same period of last year. The consolidated sales revenue was 128.2 million euros in the second quarter of 2020, increasing by 8.8% in comparison with the same period of last year. In the first six months of 2020 and also during the second quarter of 2020, the average sales revenue per square metre of selling space was 0.39 thousand euros per month, which is respectively 5.1% and 2.3% higher than during the same periods last year. The average sales revenue per square metre of selling space of comparable stores was 0.40 thousand euros in the first six months and the second quarter of 2020, growing by 6.9% and 5.4%, respectively. During the first six months of 2020, 18.3 million purchases were made from the stores, which was 7.4% less than the reference year. The decrease in the number of purchases is impacted by the crisis situation in the Republic of Estonia, during which the customers visited the stores more rarely, but in turn, the average total sum of purchases increased.

In the second quarter of 2020, both the pre-tax profit and net profit were 4.3 million euros, growing by 0.6 million euros in comparison with the same period the year before. The consolidated pre-tax profit of the supermarkets segment in the first six months of the year was 7.6 million euros, growing by 1.6 million euros in comparison with the previous year. In the first six months, the net profit was 5.5 million euros, which is an increase of 3.4 million euros in comparison with 2019. The profit of the central kitchen was 0.7 million euros in the first six months of the year. 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 supermarkets segment includes the results of ABC Supermarkets AS.

The increase in sales revenue of Selver in the second quarter has been faster than the average growth in the market segment. The basis for comparison is higher on the account of the Suurejõe Selver being temporarily closed for renovations, Sepapaja Selver being closed due to the emergency situation, and the Ilulaat campaign being cancelled due to the emergency situation. The basis for comparison is lower on the account of the sales revenue of stores of ABC Supermarkets AS that were added in June. The restrictions related to the emergency situation reduced the attendance of stores operating in shopping malls, but increased the attendance of separately located stores. During the emergency situation, the demand for e-Selver services increased significantly. In the area of e-commerce, the sales revenue doubled in the second quarter and the sales revenue of the first six months grew by more than 135%. The number of purchases in the second quarter decreased significantly due to the emergency situation in the country, due to which the customers visited the stores less often and purchased more at once.

The profit was earned thanks to the increased sales revenue, the investments made in increasing the efficiency of daily processes, and the warmer winter, which enabled saving on administrative expenses. The SelveEkspress service that became available at all Selver stores in the first quarter enabled to maintain the previous year's level of labour force efficiency in the conditions of the salary pressure that remained prevalent at the beginning of the year. In the second quarter, the economic results were affected by the crisis situation in the Republic caused by COVID-19, when expenses made to protect the health of customers and employees increased significantly. The one-off expenses related to the purchase transaction of ABC Supermarkets also affected the results.

During the current year, Selver has fully renovated the Suurejõe Selver in Pärnu and extended the sales area at the Rannarootsi Selver in Haapsalu. In Võru, Selver moved to new premises at the Kagukeskus shopping mall. Due to the crisis situation, Sepapaja Selver was temporarily closed. The SelveEkspress service has been extended and is now available in all Selver stores. The assembly volumes of e-Selver have been grown rapidly. By the end of the first six months, 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. In the second quarter, Selver acquired the shares of ABC Supermarkets AS. By acquiring the shares, Selver improves the availability of its service via a wider network of stores, and thereby increases its market share by nearly 2 percentage points. The Comarket store chain mainly includes stores with a small sales area, which is why Selver is beginning to operate and develop the small stores format more seriously.

In the second half of 2020, Selver plans to renovate two stores. On 9 July, Selver opened a new store at the WOW mall in Saaremaa, which is the 54th store in the Selver chain. Attention continues to be paid to developing the e-commerce area.

As at the end of June, the supermarkets segment includes the Selver store chain with 53 Selver stores, 16 Comarket stores, 2 Delice stores, the Solaris grocery store, the e-Selver mobile store, and a café with a total selling space of 113,800 m², as well as the central kitchen of Kulinaaria OÜ.

Department stores

In the six months of 2020, the Kaubamaja department stores business segment earned a sales revenue of 37.0 million euros, which is 21.7% 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 0.22 thousand euros per month in the first six months of 2020, which is 24.4% lower than in the same period last year. The pre-tax loss of the Kaubamaja department stores in the first six months of 2020 was 1.0 million euros, weakened of 1.4 million euros in the year-on-year comparison. The sales revenue of Kaubamaja department stores in the second quarter of 2020 was 15.8 million euros, which was 35.0% less than during the same period of 2019. The pre-tax profit of the Kaubamaja department stores in the second quarter of 2020 was zero, which was 0.9 million weaker than in the second quarter of last year. After a relatively successful start to the year, the sales result of the Kaubamaja department stores in the both first and second quarter 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 Kaubamaja department stores from the middle of March. On 27 March, the Government of the Republic of Estonia ordered the closing of all shopping malls and Kaubamaja also closed all selling spaces of manufactured goods in Tallinn and Tartu with only the grocery stores remaining open. Kaubamaja department stores were reopened on 11 May. Closing the spaces of manufactured goods in April was not compensated by the turnovers of the e-store being multiplied during the crisis.

In the second quarter of 2020, the sales revenue of OÜ TKM Beauty Eesti, which operates I.L.U. cosmetics stores, was 0.9 million euros, which is 16.0% less than in the second quarter of 2019. In the second quarter of 2020, profit was 0.04 million euros, which was 0.1 million euros more than during the comparable period in 2019. The sales revenue of the first six months of 2020 was 1.9 million euros, which is 7.9% less than during the same period of 2019. The loss of the first six months of 2020 was 0.01 million euros, which is an improvement of 0.16 million euros compared to the loss of the same period in 2019. The sales revenue of

the second quarter was affected by the emergency situation enacted due to the COVID-19 virus spreading and shopping malls being closed. The results of the company were supported by a sudden increase in the sales of the ilu.ee e-store, including increasing its assortment to include additional goods categories. Successful negotiations with shopping malls to reduce rent payments and using the Unemployment Fund's support measures to reduce salary expenses had a significant impact on reducing costs.

Car trade

The sales revenue of the car trade segment was 57.9 million euros in the first six months of 2020. Sales revenue was 6.7% less than the sales revenue of the same period in 2019, whereas the sales revenue for KIAs decreased by 30.2%. The sales revenue of 24.8 million euros of the second quarter of 2020 was 30.5% less than the sales revenue of the same period in 2019, whereas the sales revenue for KIAs decreased by 49.7%. During the first six months, a total of 2,471 new vehicles were sold, 1,033 vehicles of them in the second quarter. The net profit of the segment in the first six months of 2020 was 0.2 million euros, which was 1.4 million euros less than the profit of the same period a year before. The pre-tax profit of the segment in the first six months of 2020 was 0.8 million euros, showing a decrease of 1.4 million euros in comparison with the profit of the first six months of 2019. The pre-tax profit of the second quarter of 2020 was 0.5 million euros, which is 1.1 million euros less than the profit of the same period a year before.

In the second quarter, sales revenue and business profit decreased mainly due to the restrictions on movement and the economic situation caused by the coronavirus crisis, due to which the purchases of car rental companies did not happen and in Lithuania, car showroom was closed. In addition, the launching period of the new Škoda car showroom in Riga, which coincided with the corona crisis, reduced profitability. Major restructuring has also taken place in the Tallinn Viking Motors car showroom, where, in relation to establishing a new bodyworks building and reconstructing the Tammsaare tee 51 showroom, one-time expenses were higher. These activities did reduce the business income of the second quarter, but are aimed at the future and the good results in June confirm their profitability. Of new models, the new Kia Sorento will be launched in September.

Footwear trade

The sales revenue of the footwear trade segment was 2.9 million euros in the first six months of 2020. In comparison with 2019, the sales revenue in the first six months decreased by 28.0%. In the second quarter, the sales revenue of the segment was 1.3 million euros, which is 41.0% less than during the same period in 2019. The loss of the first six months was 1.2 million euros. The loss of the comparable period in 2019 was 0.6 million euros. The loss of the second quarter was 0.2 million euros, which is 0.08 million euros weaker than during the same period of 2019. The sales revenue of the second quarter was affected by the emergency situation enacted due to the COVID-19 virus spreading and shopping malls being closed. Successful negotiations with shopping malls to reduce rent payments and using the Unemployment Fund's support measures to reduce salary expenses had an impact on reducing costs. The discounts on stock made during the last month of the quarter were higher than usual, as the emergency situation completely eliminated sales options at the beginning of the spring season.

Real estate

The sales revenue earned in the real estate segment outside the Group was 2.3 million euros in the first six months of 2020. Sales revenue decreased by 19.4% in comparison with the previous year. The sales revenue earned in the real estate segment outside the Group was 0.9 million euros in the second quarter of 2020. During the reference period, sales revenue decreased by 33.9%. The sales revenue earned in the real estate segment was 4.6 million euros in the first six months of 2020. During the reference period, profit decreased by 14.3%. The pre-tax profit of the segment in the second quarter was 2.0 million euros, which is 28.8% less than during the same period in 2019.

The drop in the profits and sales revenue in the first six months of 2020 was caused by the emergency situation declared by the Government of the Republic on 12 March 2020 and the restriction of the freedom of movement implemented on 27 March 2020, as well as the prohibition on visiting shopping malls. As a responsible and caring lessor, we agreed to reduce the rent of lessees during the emergency situation. The emergency situation, restriction on the movement of persons, and prohibition on being in shopping mall caused a difficult economic situation for lessees. 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 hit the 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%. The recreational area of Viimsi Keskus shopping mall was completely opened for visitors only on 1 June. Within the segment, the Latvian real estate company improved its results. At the end of last year, the sales showroom for Škodas and used cars was completed, and it was also open during the crisis.

The aftermath of the coronavirus epidemic will continue to affect the results of the retail rental market for the whole of 2020 due to both a decrease in rent income and vacancies of commercial premises. As the economic impact of the epidemic is not yet clear, the volume and schedule for future developments will be reviewed.

Personnel

During the first six months of 2020, the average number of employees at Tallinna Kaubamaja Grupp was 4,459, growing by 4.7% 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 six months of 2020 were 36.1 million euros, which is 1.7% more than during the same period of 2019. In the second quarter, labour force costs decreased by 2.1% in comparison with the year before, while the average number of employees increased by 4.7%. The average monthly salary costs per employee increased by 0.3% during the first six months in comparison with the average salary of the first six months of 2019; in the second quarter, the decrease was 5.9%.

Impact of the coronavirus

Baltic States began to extensively implement different measures to prevent the spread of COVID-19 starting from March 2020, which brought along sudden changes in the former organisation of life and the economic environment and affected the daily operations of the Group's companies.

In order to limit the spread of the virus, the Government of the Republic of Estonia declared an emergency situation on 12 March. On March 25, an additional order was issued to close all shopping malls from March 27. As a result, all stores of the Group's footwear trade segment, the industrial goods departments of the Kaubamaja segment, and I.L.U. shops were closed for visitors from that date. The Tartu Kaubamaja department store, Viimsi Keskus shopping mall, and the historic Kaubamaja building, mainly used by the Kaubamaja segment and located in the centre of Tallinn – all managed by the Group's real estate segment – were also closed. On 11 May, permission was granted to reopen stores in Estonia. From March 16, the Lithuanian car showroom of the Group's car trade segment was closed for almost a month.

In connection with the virus threat, the Group immediately took measures to ensure the safety of both its customers and employees. To ensure the safety of customers, the Group's retail units were equipped with hand disinfectants and instructions for their use at store entrances. In addition, signs and warning lines were used to make sure that people keep a two-metre distance from each other in the stores and the number of people in the store at one time was limited. Security staff and store employees instructed customers to make safe purchases. Corresponding instructions were also distributed via speakers and on the digital screens in the stores. Customers were encouraged to use self-service checkouts, which also ensured a safe distance between customers. To protect the health of store employees, safety glasses were installed at checkouts and protective visors and masks were distributed to personnel who come in direct contact with customers.

On May 11, all of the Group's sales premises were reopened and by the time of preparing this report, business operations have substantially resumed. In conclusion, our estimation is that the economic changes caused by the virus will not affect the Group's sustainability.

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, 13 July 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 second quarter and first 6 months of 2020 as set out on pages 13 - 35.

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, 13 July 2020

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros

	Note	30.06.2020	31.12.2019
ASSETS			
Current assets			
Cash and cash equivalents	2	21,425	40,629
Trade and other receivables	3	13,641	16,904
Inventories	5	77,393	78,305
Total current assets		112,459	135,838
Non-current assets			
Long-term trade and other receivables	8	275	114
Investments in associates	7	1,835	1,721
Investment property	9	60,541	60,458
Property, plant and equipment	10	381,181	319,192
Intangible assets	11	22,606	4,990
Total non-current assets		466,438	386,475
TOTAL ASSETS		578,897	522,313
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings	12	36,446	46,448
Trade and other payables	13	87,891	89,831
Total current liabilities		124,337	136,279
Non-current liabilities			
Borrowings	12	252,018	157,876
Provisions for other liabilities and charges		368	322
Total non-current liabilities		252,386	158,198
TOTAL LIABILITIES		376,723	294,477
Equity			
Share capital	15	16,292	16,292
Statutory reserve capital		2,603	2,603
Revaluation reserve		92,450	93,496
Currency translation differences		-149	-149
Retained earnings		90,978	115,594
TOTAL EQUITY		202,174	227,836
TOTAL LIABILITIES AND EQUITY		578,897	522,313

The notes presented on pages 18 to 35 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	II quarter 2020	II quarter 2019	6 months 2020	6 months 2019
Revenue	16	171,008	181,731	346,504	345,426
Other operating income		417	157	660	397
Cost of sales	5	-129,062	-136,408	-263,092	-259,734
Other operating expenses	17	-9,612	-10,273	-20,146	-20,825
Staff costs	18	-17,913	-18,299	-36,146	-35,545
Depreciation, amortisation and impairment losses	10, 11	-7,871	-7,693	-15,862	-15,330
Other expenses		-146	-160	-377	-411
Operating profit		6,821	9,055	11,541	13,978
Finance costs		-1,066	-752	-1,763	-1,466
Finance income on shares of associates	7	59	58	114	114
Profit before tax		5,814	8,361	9,892	12,626
Income tax expense	15	-1	0	-5,822	-6,453
NET PROFIT FOR THE FINANCIAL YEAR		5,813	8,361	4,070	6,173
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		5,813	8,361	4,070	6,173
Basic and diluted earnings per share (euros)	19	0.14	0.21	0.10	0.15

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

The notes presented on pages 18 to 35 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

In thousands of euros

	Note	6 months 2020	6 months 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit		4,070	6,173
<i>Adjustments:</i>			
<i>Income tax on dividends</i>	15	5,821	6,452
<i>Interest expense</i>		1,763	1,466
<i>Depreciation, amortisation</i>	10, 11	15,806	15,330
<i>Loss on write-off of non-current assets</i>	10	56	0
<i>Profit on sale of non-current assets</i>	10	-18	-69
<i>Effect of equity method</i>	7	-114	-114
Change in inventories		3,770	7,506
Change in receivables and prepayments related to operating activities		3,926	1,892
Change in liabilities and prepayments related to operating activities		-10,375	-9,157
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		24,705	29,479
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment (excl. finance lease)	10	-14,966	-6,992
Proceeds from sale of property, plant and equipment	10	76	94
Purchase of investment property	9	-93	-7
Proceeds from sale of investment property	9	10	0
Purchase of intangible assets	11	-408	-200
Investments in subsidiaries	6	-13,962	0
Dividends received	7	0	110
TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES		-29,343	-6,995
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	12	37,815	16,640
Repayments of borrowings	12	-11,266	-13,293
Change in overdraft balance	12	3,469	6,635
Repayments of lease liabilities	12	-7,247	-7,463
Interest paid on lease liabilities	12	-1,215	-1,015
Dividends paid	15	-29,731	-28,917
Income tax on dividends	15	-5,821	-6,452
Interest paid		-570	-468
TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES		-14,566	-34,333
TOTAL CASH FLOWS		-19,204	-11,849
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	21,425	25,386
Net change in cash and cash equivalents		-19,204	-11,849

The notes presented on pages 18 to 35 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	6,173	6,173
Total comprehensive loss for the reporting period	0	0	0	0	6,173	6,173
Reclassification of depreciation of revalued land and buildings	0	0	1,046	0	1,046	0
Dividends declared	0	0	0	0	-28,918	-28,918
Balance as of 30.06.2019	16,292	2,603	94,541	-149	89,585	202,872
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	4,070	4,070
Total comprehensive income for the reporting period	0	0	0	0	4,070	4,070
Reclassification of depreciation of revalued land and buildings	0	0	-1,046	0	1,046	0
Dividends paid	0	0	0	0	-29,732	-29,732
Balance as of 30.06.2020	16,292	2,603	92,450	-149	90,978	202,174

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

The notes presented on pages 18 to 35 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 second quarter and first 6 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

	30.06.2020	31.12.2019
Cash on hand	932	1,155
Bank accounts	19,618	38,257
Cash in transit	875	1,217
Total cash and cash equivalents	21,425	40,629

Note 3. Trade and other receivables

in thousands of euros

	30.06.2020	31.12.2019
Trade receivables (Note 4)	11,003	13,455
Other short-term receivables	684	385
Total financial assets from balance sheet line "Trade and other receivables"	11,687	13,840
Prepayment for goods	786	2,190
Other prepaid expenses	1,089	837
Prepaid rental expenses	29	6
Prepaid taxes (Note 14)	50	31
Total trade and other receivables	13,641	16,904

Note 4. Trade receivables

in thousands of euros

	30.06.2020	31.12.2019
Trade receivables	9,335	10,629
Allowance for doubtful receivables	-4	-10
Receivables from related parties (Note 20)	242	361
Credit card payments	1,430	2,475
Total trade receivables	11,003	13,455

Note 5. Inventories

in thousands of euros

	30.06.2020	31.12.2019
Goods purchased for resale	76,425	77,156
Raw materials and materials	968	1,149
Total inventories	77,393	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

	II quarter 2020	II quarter 2019	6 months 2020	6 months 2019
Write-down and write-off of inventories	2,218	2,351	4,515	4,611
Inventory stocktaking deficit	975	685	1,561	1,167
Total materials and consumables used	3,193	3,036	6,076	5,778

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 30.06.2020	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

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.

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.

	30.06.2020	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	114	203
Dividends received	0	-220
Investment in the associate at the end of the accounting period	1,835	1,721

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

	30.06.2020	31.12.2019		
Current assets	268	68		
Non-current assets	3,464	3,483		
Current liabilities	64	109		
	II quarter 2020	II quarter 2019	6 months 2020	6 months 2019
Revenue	87	180	264	310
Net profit	118	116	228	228

Note 8. Long-term trade and other receivables

in thousands of euros

	30.06.2020	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	93
Disposal	-10
Carrying value as at 30.06.2020	60,541

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 93 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 and 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	846	0	7,116	2,906	4,098	14,966
Acquired through business combinations (Note 6)	246	0	883	294	8	1,431
Addition to right-of use-assets	0	62,170	0	0	0	62,170
Reclassification to inventory	0	0	-175	0	0	-175
Reclassification to property, plant and equipment from inventory	0	0	155	0	3	158
Disposals	-4	0	-54	0	0	-58
Write-offs	-17	0	-7	-32	0	-56
Termination of right-of use-assets	0	-920	0	0	0	-920
Depreciation	-2,688	-8,204	-2,085	-2,550	0	-15,527
30.06.2020						
Cost or revalued amount	180,199	176,417	49,980	46,251	32,049	484,896
Accumulated depreciation and impairment	-7,351	-24,245	-30,966	-31,473	-9,680	-103,715
Carrying value	172,848	152,172	19,014	14,778	22,369	381,181

The cost of investments for the 6 months of 2020 amounted to 15,374 thousand euros (including purchases of property, plant and equipment in the amount of 14,966 thousand euros and purchases of intangible assets amounted to 408 thousand euros).

The cost of purchases of property, plant and equipment made in reporting period in the supermarkets business segment was 11,818 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. 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 1,145 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 1,605 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 9 thousand euros.

The cost of purchases of property, plant and equipment in the real estate business segment amounted to 389 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	408	408
Acquired through business combinations	0	16,848	639	17,487
Amortisation	0	-135	-144	-279
30.06.2020				
Cost	3,260	20,536	3,217	27,013
Accumulated amortisation and impairment	0	-3,047	-1,360	-4,407
Carrying value	3,260	17,489	1,857	22,606

In the reporting period, the Group capitalised costs of a web page update, locality card web page update and e-shop as development expenditure in the amount of 408 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	30.06.2020	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	30.06.2020	31.12.2019
Short-term borrowings		
Overdraft	20,609	17,140
Bank loans	4,766	12,480
Lease liabilities	9,334	15,371
Other borrowings	1,737	1,457
Total short-term borrowings	36,446	46,448

in thousands of euros	30.06.2020	31.12.2019
Long-term borrowings		
Bank loans	103,793	72,549
Lease liabilities	145,283	85,259
Other borrowings	2,942	68
Total long-term borrowings	252,018	157,876
Total borrowings	288,464	204,324

Borrowings received

in thousands of euros	II quarter 2020	II quarter 2019	6 months 2020	6 months 2019
Overdraft	0	1,188	3,469	6,635
Bank loans	19,250	14,323	33,934	14,975
Other borrowings	3,344	729	3,881	1,665
Total borrowings received	22,594	16,240	41,284	23,275

Borrowings paid

in thousands of euros

	II quarter 2020	II quarter 2019	6 months 2020	6 months 2019
Overdraft	857	0	0	0
Bank loans	5,344	7,497	10,404	10,705
Lease liabilities	3,302	3,731	7,247	7,463
Other borrowings	381	588	862	2,588
Total borrowings paid	9,884	11,816	18,513	20,756

Bank loans are denominated in euros.

As of 30.06.2020, the repayment dates of bank loans are between 31.07.2020 and 27.05.2025 (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 1.76% (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

	30.06.2020	31.12.2019
Cash and cash equivalents (Note 2)	21,425	40,629
Short-term borrowings	-36,446	-46,448
Long-term borrowings	-252,018	-157,876
Net debt	-267,039	-163,695
Cash and cash equivalents (Note 2)	21,425	40,629
Gross debt – fixed interest rates	-162,234	-111,975
Gross debt – variable interest rates	-126,230	-92,349
Net debt	-267,039	-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)	-19,204	-3,469	-26,114	8,462	-40,325
Interest accrued	0	0	-570	-1 215	-1,785
New lease contracts	0	0	0	-62,170	-62,170
Termination of lease liabilities	0	0	0	936	936
Net debt 30.06.2020	21,425	-20,609	-113,238	-154,617	-267,039

Note 13. Trade and other payables

in thousands of euros

	30.06.2020	31.12.2019
Trade payables	62,199	65,010
Payables to related parties (Note 20)	3,959	5,043
Other accrued expenses	1,708	183
Prepayments by tenants	2,953	2,956
Total financial liabilities from balance sheet line "Trade and other payables"	70,819	73,192
Taxes payable (Note 14)	7,626	7,226
Employee payables	6,952	7,293
Prepayments	2,486	2,113
Short-term provisions*	8	7
Total trade and other payables	87,891	89,831

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

Note 14. Taxes

in thousands of euros

	30.06.2020		31.12.2019	
	Prepaid taxes	Taxes payable	Prepaid taxes	Taxes payable
Prepaid taxes	50	0	31	0
Value added tax	0	3,323	0	2,941
Personal income tax	0	1,071	0	1,051
Social security taxes	0	2,882	0	2,840
Corporate income tax	0	14	0	79
Unemployment insurance	0	195	0	184
Mandatory funded pension	0	141	0	131
Total taxes	50	7,626	31	7,226

Note 15. Share capital

As of 30.06.2020 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

II quarter 2020	Super markets	Department store	Car trade	Foot-wear trade	Real estate	Inter-segment transactions	Impact of lease accounting	Total segments
External revenue	128,157	15,844	24,786	1,283	938	0	0	171,008
Inter-segment revenue	360	2,428	238	27	2,944	-5,997	0	0
Total revenue	128,517	18,272	25,024	1,310	3,882	-5,997	0	171,008
EBITDA	6,285	565	725	-80	3,161	0	4,036	14,692
Segment depreciation and impairment losses	-1,984	-654	-116	-127	-1,060	0	-3,930	-7,871
Operating profit/loss	4,301	-89	609	-207	2,101	0	106	6,821
Finance income	75	178	0	0	90	-343	0	0
Finance income on shares of associates	0	59	0	0	0	0	0	59
Finance costs	-125	-173	-107	-38	-232	343	-734	-1,066
Income tax	0	0	-1	0	0	0	0	-1
Net profit/loss	4,251	-25	501	-245	1,959	0	-628	5,813
incl. in Estonia	4,251	-25	618	-245	2,011	0	-628	5,982
incl. in Latvia	0	0	-228	0	-40	0	0	-268
incl. in Lithuania	0	0	111	0	-12	0	0	99
Segment assets	129,553	83,567	37,566	4,959	272,838	-101,758	152,172	578,897
Segment liabilities	114,552	55,736	29,625	5,358	93,453	-76,618	154,617	376,723
Segment investments in property, plant and equipment	5,532	343	816	0	224	0	0	6,915
Segment investments in intangible assets	13	238	15	0	0	0	0	266

in thousands of euros

II quarter 2019	Super markets	Department store	Car trade	Foot-wear trade	Real estate	Inter-segment transactions	Impact of lease accounting	Total segments
External revenue	117,834	24,377	35,679	2,173	1,418	0	0	181,481
Inter-segment revenue	288	1,876	63	0	3,334	-5,561	0	0
Total revenue	118,122	26,253	35,742	2,173	4,752	-5,561	0	181,731
EBITDA	5,290	1,520	1,801	-30	3,924	0	4,243	16,481
Segment depreciation and impairment losses	-1,659	-670	-122	-119	-1,014	0	-4,109	-7,693
Operating profit/loss	3,631	850	1,679	-149	2,910	0	134	9,055
Finance income	76	71	0	0	31	-178	0	0
Finance income on shares of associates	0	58	0	0	0	0	0	58
Finance costs	-54	-106	-50	-20	-188	178	-512	-752
Income tax	0	0	0	0	0	0	0	0
Net profit/loss	3,653	873	1,629	-169	2,753	0	-378	8,361
incl. in Estonia	3,653	873	1,320	-169	2,870	0	-378	8,169
incl. in Latvia	0	0	151	0	-105	0	0	46
incl. in Lithuania	0	0	158	0	-12	0	0	146
Segment assets	92,256	76,341	33,233	5,153	267,564	-84,656	102,939	492,830
Segment liabilities	82,478	46,563	24,061	8,950	88,832	-64,616	103,690	289,958
Segment investments in property, plant and equipment	1,723	443	40	64	1,484	0	0	3,754
Segment investments in intangible assets	0	170	0	0	0	0	0	170

in thousands of euros

6 months 2020	Super markets	Department store	Car trade	Foot-wear trade	Real estate	Inter-segment transactions	Impact of lease accounting	Total segments
External revenue	246,454	36,988	57,852	2,923	2,287	0	0	346,504
Inter-segment revenue	663	4,360	346	35	6,451	-11,855	0	0
Total revenue	247,117	41,348	58,198	2,958	8,738	-11,855	0	346,504
EBITDA	11,429	142	1,190	-866	7,046	0	8,462	27,403
Segment depreciation and impairment losses	-3,792	-1,279	-215	-255	-2,117	0	-8,204	-15,862
Operating profit/loss	7,637	-1,137	975	-1,121	4,929	0	258	11,541
Finance income	150	315	0	0	109	-574	0	0
Finance income on shares of associates (Note 7)	0	114	0	0	0	0	0	114
Finance costs	-170	-268	-203	-71	-410	574	-1,215	-1,763
Income tax	-2,105	-617	-617	0	-2,483	0	0	-5,822
Net profit/loss	5,512	-1,593	155	-1,192	2,145	0	-957	4,070
incl. in Estonia	5,512	-1,593	519	-1,192	2,210	0	-957	4,499
incl. in Latvia	0	0	-436	0	-41	0	0	-477
incl. in Lithuania	0	0	72	0	-24	0	0	48
Segment assets	129,553	83,567	37,566	4,959	272,838	-101,758	152,172	578,897
Segment liabilities	114,552	55,736	29,625	5,358	93,453	-76,618	154,617	376,723
Segment investments in property, plant and equipment (Note 10)	11,818	1,145	1,605	9	389	0	0	14,966
Segment investments in intangible assets (Note 11)	13	380	15	0	0	0	0	408

in thousands of euros

6 months 2019	Super markets	Department store	Car trade	Foot-wear trade	Real estate	Inter-segment transactions	Impact of lease accounting	Total segments
External revenue	228,744	47,255	62,029	4,062	2,836	0	0	344,926
Inter-segment revenue	607	3,732	103	4	6,656	-11,102	0	0
Total revenue	229,351	50,987	62,132	4,066	9,492	-11,102	0	344,926
EBITDA	9,212	1,708	2,540	-375	7,745	0	8,478	29,308
Segment depreciation and impairment losses	-3,272	-1,334	-250	-236	-2,024	0	-8,214	-15,330
Operating profit/loss	5,940	374	2,290	-611	5,721	0	264	13,978
Finance income	150	115	0	0	31	-296	0	0
Finance income on shares of associates (Note 7)	0	114	0	0	0	0	0	114
Finance costs	-77	-181	-103	-36	-350	296	-1,015	-1,466
Income tax	-3,947	-635	-669	0	-1,202	0	0	-6,453
Net profit/loss	2,066	-213	1,518	-647	4,200	0	-751	6,173
incl. in Estonia	2,066	-213	1,025	-647	4,483	0	-751	5,963
incl. in Latvia	0	0	205	0	-260	0	0	-55
incl. in Lithuania	0	0	288	0	-23	0	0	265
Segment assets	92,256	76,341	33,233	5,153	267,564	-84,656	102,939	492,830
Segment liabilities	82,478	46,563	24,061	8,950	88,832	-64,616	103,690	289,958
Segment investments in property, plant and equipment (Note 10)	3,248	748	99	271	2,626	0	0	6,992
Segment investments in intangible assets (Note 11)	0	200	0	0	0	0	0	200

External revenue according to types of goods and services sold

in thousands of euros

	II quarter 2020	II quarter 2019	6 months 2020	6 months 2019
Retail revenue	158,285	165,044	319,060	315,476
Wholesale revenue	5,094	9,853	13,121	17,068
Rental income	1,858	2,575	4,231	5,072
Revenue for rendering services	5,771	4,259	10,092	7,810
Total revenue	171,008	181,731	346,504	345,426

External revenue by client location

in thousands of euros

	II quarter 2020	II quarter 2019	6 months 2020	6 months 2019
Estonia	160,913	168,093	322,940	320,971
Latvia	7,451	8,419	17,856	15,358
Lithuania	2,644	5,219	5,708	9,097
Total	171,008	181,731	346,504	345,426

Distribution of non-current assets* by location of assets

in thousands of euros

	30.06.2020	31.12.2019
Estonia	433,661	354,275
Latvia	28,830	28,366
Lithuania	2,112	2,113
Total	464,603	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

	II quarter 2020	II quarter 2019	6 months 2020	6 months 2019
Rental expenses*	160	197	236	451
Heat and electricity expenses	1,887	1,837	3,911	4,023
Operating costs	1,719	1,859	3,501	3,602
Cost of sale related services and materials	1,501	1,444	3,124	2,934
Marketing expenses	1,311	2,019	3,362	4,029
Miscellaneous other operating expenses	1,119	1,105	2,221	2,113
Computer and communication costs	1,392	1,148	2,657	2,294
Personnel expenses	523	664	1,134	1,379
Total other operating expenses	9,612	10,273	20,146	20,825

*Due to application of IFRS 16 from 01.01.2019, Group's rental expenses in 2020 second quarter in the amount of 8,462 thousand euros (in 2019 second quarter 8,478 thousand euros) have been reclassified as repayment of lease liabilities.

Note 18. Staff costs

in thousands of euros

	II quarter 2020	II quarter 2019	6 months 2020	6 months 2019
Wages and salaries	13,582	13,869	27,426	26,929
Social security taxes	4,331	4,430	8,720	8,616
Total staff costs	17,913	18,299	36,146	35,545
Average wages per employee per month (euros)	1,015	1,078	1,050	1,046
Average number of employees in the reporting period	4,459	4,287	4,355	4,290

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.

	II quarter 2020	II quarter 2019	6 months 2020	6 months 2019
Net profit (in thousands of euros)	5,813	8,361	4,070	6,173
Weighted average number of shares	40,729,200	40,729,200	40,729,200	40,729,200
Basic and diluted earnings per share (euros)	0.14	0.21	0.10	0.15

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 6 months 2020	Sales 6 months 2020	Purchases 6 months 2019	Sales 6 months 2019
Parent	1	0	138	4
Entities in the Parent's consolidation group	13,793	1,027	12,100	1,552
Members of management and supervisory boards	0	58	0	19
Other related parties	123	7	272	6
Total	13,917	1,092	12,510	1,581

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:

	30.06.2020	31.12.2019
Receivables from entities in the in the Parent's consolidation group (Note 4)	242	361
Total receivables from related parties	242	361

	30.06.2020	31.12.2019
Parent	19	19
Entities in the Parent's consolidation group	3,947	5,017
Other related parties	-7	7
Total liabilities to related parties (Note 13)	3,959	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 six months, the Group has not earned interest income on its deposits of available funds (2019: 0 euros). As at 30 June 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 1,346 thousand euros (2019: 1,364 thousand euros). Short-term benefits to supervisory boards' members of the Group in reporting period including social taxes amounted to 315 thousand euros (2019: 330 thousand euros).

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