Company Tallinna Kaubamaja Grupp AS

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Attachments:
- Börs_Kaubamaja_3Q2021_eng.pdf (http://oam.fi.ee/en/download?id=5797)
- Börs_Kaubamaja_3Q2021_est.pdf (http://oam.fi.ee/en/download?id=5798)

Currency

Title Unaudited consolidated interim accounts for the third quarter and first nine months of 2021

Segments (EURm)	Q3/21	Q3/20	yoy	9m/21	9m/20	yoy
Supermarkets	142,5	134,5	5,9%	417,6	381,0	9,6%
Department stores	21,9	22,0	-0,4%	60,7	59,4	2,1%
Cars	38,2	34,7	10,2%	116,2	92,5	25,6%
Security segment	2,2	1,5	42,3%	5,8	4,0	45,9%
Real Estate	1,4	1,4	-2,9%	3,8	3,7	2,4%
Total sales	206,2	194,2	6,2%	604,1	540,7	11,7%
Supermarkets	7,8	4,4	77,4%	14,2	12,0	17,7%
Department stores	-0,1	-0,2	-50,0%	-1,0	-2,3	-57,8%
Cars	2,4	1,0	136,5%	5,8	1,8	222,8%
Security segment	0,1	0,0	140,6%	0,1	0,0	775,0%
Real Estate	3,1	2,9	7,2%	8,0	7,5	7,1%
IFRS 16	-0,8	-0,7	4,0%	-2,5	-1,7	46,8%
Total profit before tax	12,6	7,4	69,1%	24,6	17,3	42,2%

In the third quarter of 2021, the consolidated unaudited sales revenue of the

Group was 206.2 million euros, which was 6.2% more than the sales revenue of the same period in 2020. The sales revenue in the nine months was 604.1 million euros, which was an 11.7% increase in comparison with the result of the first nine months of 2020, when the sales revenue was 540.7 million euros. In the third quarter of 2021, the Group's unaudited consolidated net profit was 12.6 million euros, which was 69.1% higher than the profit of the comparable period in the previous year. The Group's net profit of the first nine months of 2021 was 20.3 million euros, which was 76.4% higher than the result of the comparable period in the previous year. In the first nine months, the pre-tax profit was 24.6 million euros, increasing by 42.2% compared to the year before. Net profit was affected by the dividend payment, from which 4.3 million euros of income tax was calculated in the first quarter of 2021; 5.8 million euros of income tax was calculated a year before.

The sales result of the third quarter of 2021 was probably affected most by the favourable situation in the Estonian retail market. Those consumers, who had stayed away from stores during the coronavirus restrictions in spring, returned, and active use of the funds from the second pension pillar, which became available due to the pension reform in Estonia, increased the sales of durable goods explosively. The strong sales results of the Selver segment and the car segment in the third quarter also accelerated the growth of the Group's sales revenue. Fast-paced growth of the sales via online channels continued in the Selver and Kaubamaja department store segments even after the restrictions on movement were lifted. The major strategic investments made by the Group a year earlier in the growth of the supermarket segment's store network and the expansion of the central kitchen have paid off and enabled the successful growth of supermarket segment sales and gross revenue and increased margins. In the situation of a car deficit, the Group's car segment also managed to improve its sales margin. Along with the growth of the store network, maintenance and data communication costs increased at a comparable pace. Labour costs increased by 8.0% in the third quarter, while the number of employees increased by 3.1%.

The economic result of the first nine months of 2021 was affected by the restrictions established to prevent the spread of the coronavirus in the second quarter. Those mainly affected the stores of the Kaubamaja department store segment, with most of those stores closed for seven weeks. The fashion and industrial goods departments of the Kaubamaja department store segment, all I.L.U. stores, as well as the ABC King and SHU shoe stores were closed for visitors. Even though, based on an application submitted by the Group, the state covered the employees' remuneration and, within the framework of the entrepreneurship support package, the Group's operating expenditure in the extent of 1.6 million euros in total (in the year before, the amount of national aid for the operations reached 1.3 million euros), the Kaubamaja department store segment is still earning a loss over the nine months in total.

In the third quarter of this year, Selver renovated the Jaamamõisa store. In the Kaubamaja department store segment, the Beauty department and Food department of the Tallinn department store were renovated, with the Food department in Tallinn closed fully for the renovation works on 25 June and reopened in renovated form

on 26 August. Both of the renovated sections have been accepted well by the customers. In September, the Group notified the stock exchange of the strategic decision to close the footwear business and to gradually close all ABC KING and SHU stores over the following year.

One of the most significant large-scale developments of the Group was finished in the first nine months of 2021 - the completion of the new production building of the central kitchen of Kulinaaria OÜ with the renovation of the previous factory and the connection of the two production buildings. The most extensive innovation in the first quarter was the transfer of stores operating under the Comarket brand to the Selver ABC brand and the integration of Comarket, Delice stores, and the Solaris Food Store with the Selver supply chain and IT systems. Updating the software platform of the Selver online stores also commenced in the first quarter and was fully completed by the end of the third quarter. As of 1 June 2021, the service area of the e-Selver online store service covers all of Estonia. With this expansion, Selver became the only online grocery store in Estonia which delivers goods to all counties of mainland Estonia in the entire extent. Selver has been very actively contributing to the development of e-commerce in the past six years to be a pioneer in online shopping. One update allows the customers of e-Selver to track the journeys of their orders on the map, which is updated at an interval of twenty seconds.

Selver supermarkets

The consolidated sales revenue of the supermarket business segment in the nine months of 2021 was 417.6 million euros, increasing by 9.6% compared to the previous year. The consolidated sales revenue was 142.5 million euros in the third quarter of 2020, increasing by 5.9% in comparison with the same period of last year. The average monthly sales revenue per square metre of sales area in the nine months of 2021 was 0.39 thousand euros, exceeding the respective indicator in the year before by 1.8%. In the third quarter, the respective indicator was 0.41 thousand euros, which is 6.2% more than in 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 0.41 thousand euros, on average, in the third quarter, growing by 2.1% and 4.6%, respectively, compared to the year before. In the nine months of 2021, 31.7 million purchases were made from the stores, which was 13.0% more than in the reference year.

In the third quarter of 2021, both the pre-tax profit and the net profit were 7.8 million euros, increasing by 3.4 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 2021 was 14.2 million euros, increasing by 2.1 million euros in comparison with the previous year. The net profit of the nine months was 12.6 million euros, which is an increase of 2.7 million euros in comparison with the previous year. As of 1 June 2020, the results of the supermarket segment include the results of ABC Supermarkets.

As Estonian economy as a whole, the supermarket segment was also impacted by the

changes in the purchase behaviour and consumption habits of the customers in connection with the coronavirus broke out in March 2020, which has resulted in challenges in operating with the goods and continuously increased the expenses on the personal protective equipment for the customers and the employees.

Selver's result is affected by the acquisition of ABC Supermarkets in the second quarter of last year, which increased the number of Selver stores by nineteen new stores. In February 2021, the sales activities of one of the stores were terminated and at the end of the half-year, the sales activities will continue in the eighteen added stores. The comparability of the results is also affected by the new Selver store opened in July 2020 and by the renovation of one of the Selver stores in the reference period, the expansion of the sales area of two stores, and the impact of the leap year. Selver has renovated one store in the third quarter this year. The store was closed for customers for six weeks due to the renovation works.

Compared to the same period the year before, which included the significant increase in e-commerce, the number of orders received by e-Selver has almost doubled in the nine months. The service area of e-Selver has been expanded in several stages since the beginning of the year and since June, it covers the entire mainland Estonia, as well as the largest islands. The service area of e-Selver is the largest in Estonia and it was declared the most user-friendly online store in the category of groceries in 2021.

This year, the transfer of the stores operating under the Comarket brand to the Selver ABC brand was completed and IT software upgrades were made in the Delice store and Solaris Food Store. In the Delice and Solaris stores, the Delice Express service is now offered to customers - previously, these stores had self-service checkouts, but now, customers can make their purchases conveniently by using barcode scanners. The process bringing the stores together under one brand and the process of updating the IT software were accompanied by closing the stores for a few days for replacing the equipment, as well as by one-time expenses and investments. The work with the assortment of the stores operating under the Selver ABC trademark, as well as increasing the efficiency of the work processes including the entire Selver chain, has continued. In the third quarter, four smaller Selver stores were rebranded under the Selver ABC trademark. Investments have been made in the popular SelveEkspress service this year. Additional self-checkout tills have been added to the stores where the customers' interest in the service has significantly increased, and opening of the SelveEkspress service in the Selver ABC stores has begun. Expansion of the SelveEkspress service to the Selver ABC stores will also continue in the last quarter of the year.

The profit has been significantly affected by the good revenue, especially in the summer period, when the weather was warm, as well as the faster increase in labour costs, and the costs of the acquisition of ABC Supermarkets and bringing the stores under the Selver trademark. The lack of manpower in the labour market has resulted in wage pressure. A temporary increase in the labour costs was also caused by the integration of the processes of ABC Supermarket stores into the

Selver solution, higher labour needs in the e-commerce segment, where the provision of the service is more resource-intensive compared to the physical store, and higher expenses to cover the increased sick days of employees. The profit has also been affected by the energy prices, which have occasionally risen several times above the normal levels.

Selver also plans to renovate another Selver store this year and to further develop the online store service to meet the persistently high demand. Active preparations continue in connection with the new Selver stores to be opened in 2022.

Department stores

The sales revenue of the Kaubamaja department stores segment in the nine months of 2021 was 60.7 million euros, which was 2.1% better than in the comparable period of the previous year. The sales revenue of the third quarter was 21.9 million euros, which remained 0.4% below the level of the previous year. The pre-tax loss of the Kaubamaja department store segment in the first nine months of 2021 was 1.0 million euros, which was 1.3 million euros better than the result of the previous year, when the loss amounted to 2.3 million euros. The pre-tax loss of for the third quarter was 0.1 million euros, which is 0.1 million euros better than in the same period 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 nine months, which is 0.7% higher than in the same period last year. The sales result of the Kaubamaja department stores for the nine months was affected by the strict restrictions in spring, which resulted in the closure of all stores selling industrial goods. As in the previous year, the Kaubamaja department stores closed all departments of industrial goods in Tallinn and Tartu for seven weeks (in 2020, they were closed for six weeks). Only the grocery stores remained open. The fact, that the customers' demand for summer goods was, compared to the previous year, much higher after the reopening of the stores, was evident from the discount campaign in the summer, which proved very successful. The renovation of the Beauty department and Food department of the Tallinn department store had a negative impact on the operating profit of the Kaubamaja department store segment, with the Food department in Tallinn closed fully for the renovation works on 25 June and reopened in renovated form on 26 August. The opening campaign of the autumn season and 'Ilu Aeg' (the Time of Beauty campaign) in early September were most successful for a number of years, which shows, that the customers have accepted the renovated sections well.

In the third quarter of 2021, the sales revenue of OÜ TKM Beauty Eesti, which operates I.L.U. cosmetics stores, was 1.5 million euros, which is 17.4% more than in the same period of 2020. In the third quarter of 2021, profit was 0.1 million euros, which was 0.05 million euros more than during the comparable period in 2020. The sales revenue in the first nine months of 2021 was 3.5 million euros, which is 7.4% more than in the same period of 2020. In the first nine months of 2021, profit was 0.1 million euros, which was 0.04 million euros

more than in the comparable period in 2020. The sales revenue in the third quarter was increased by successful marketing campaigns, the expansion of the sales areas of several stores at the expense of former hair studios, and the consumers' preparedness to visit physical stores in the light of the significantly improved pandemic situation. In the last month of the quarter, thanks to the funds released from the second pension pillar, there was an increase in more expensive impulse purchases.

The sales revenue of the shoe stores of TKM King AS, which is being reported under the Kaubamaja department store segment as of 1 April 2021, was 3.5 million euros in the nine months of 2021. In comparison with the previous year, the sales revenue decreased by 28.0% in the same period. In the third quarter, the sales revenue of the segment was 1.8 million euros, which is 7.3% less than during the same period in the year before. The loss of the nine months of 2021 was 0.8 million euros, which is an improvement of 0.6 million euros compared to the loss of the same period in 2020. The loss of the third quarter was 0.3 million euros, which is 0.1 million euros better than loss of the same period of 2020. In September, the Group notified the stock exchange of the strategic decision to close its footwear business. The Group intends to gradually close all ABC KING and SHU stores within the next year. Two ABC KING stores (Kristiine Centre, Port Artur 2), two SHU stores (Ülemiste Centre, Port Artur 2), and the outlet store in the Magistrali Centre were closed in the second quarter, which also had an impact on the sales revenue for the reporting period.

Car trade

The sales revenue of the car trade segment was 116.2 million euros in the first nine months of 2021. The sales revenue was 25.6% higher than the sales revenue in the same period the year before. The 38.2-million-euro sales revenue of the third quarter was 10.2% higher than the sales revenue in the third quarter of 2020. In the first nine months, a total of 4,887 new vehicles were sold, of which 1,581 were sold in the third quarter. The net profit of the segment in the first nine months of 2021 was 5.5 million euros, exceeding the profit for the same period of the year before by 4.4 million euros. The pre-tax profit of the segment for the first nine months of 2021 was 5.8 million euros, exceeding the profit for the same period in 2020 by 4.0 million euros. The pre-tax profit of the third quarter of 2021 was 2.4 million euros, which is 1.4 million euros more than the profit of the same period of the year before.

The improved market environment in the third quarter supported the customers' increasing interest in purchasing vehicles. The availability of the cars has turned out to be the key component of the sales success, as the deficiency of chips and other car components has been causing more or less severe delivery difficulties for car manufacturers for quite a while. The competent planning of the stocks in the car segment of the Group has enabled to continue to increase the sales figures. The volumes of the car maintenance services have been growing increasingly thanks to the increase in the number of car brands represented by the Group's car segment. The increased demand has allowed to improve the sales margin and thereby also the profitability of the segment.

Security segment

The sales revenue earned in the security segment outside the Group was 5.8 million euros in the first nine months of 2021. The sales revenue of the nine months increased by 45.9% compared to the year before. The sales revenue in the third quarter was 2.2 million euros, which is 42.3% more than in the same period last year. The pre-tax profit of the security segment in the first nine months of 2021 was 0.1 million euros, remaining approximately at the same level compared to the previous year. The pre-tax profit of the segment in the third quarter was 0.1 million euros, which is 140.6% higher than in the same period in 2020.

All business areas showed good growth numbers. Profitability has also improved as a result of the investments and extensions in several areas of activity. The area of cash transport and fire safety services grew the fastest. Important emphasis will be placed on technological solutions and digitalisation in the following quarters. The labour market situation, which has a negative impact on both growth and margins, remains a major concern.

Real estate

The sales revenue earned in the real estate segment outside the Group was 3.8 million euros in the first nine months of 2021. The sales revenue increased by 2.4% compared to the same period last year. The sales revenue earned in the segment outside the Group was 1.4 million euros in the third quarter. During the reference period, sales revenue decreased by 2.9%. The pre-tax profit in the real estate segment outside the Group was 8.0 million euros in the first nine months of 2021. Compared to the reference period, the profit increased by 7.1%. The pre-tax profit earned in the segment was 3.1 million euros in the third quarter. The pre-tax profit increased by 7.2% in the reference period.

The drop in the sales revenue of the segment in the third quarter reflects with a delay the impact of the one-time lowering of the rent, which was granted to the tenants during the period of the restriction on visiting shopping centres in spring. The restrictions have had a more significant impact on the rental premises in central Tallinn. The Tartu Kaubamaja centre has recovered quickly from the restrictions, which were implemented to prevent the spread of the virus. The same applies to the Viimsi Centre, which was affected most by the restrictions imposed on leisure centres in the beginning of the year. The increase in the sales revenue and profit of the segment in the nine months were supported by renting commercial premises to an external party by the Latvian real estate company and by the sale of a registered immovable in Saare County.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros

	30.09.2021	31.12.2020
ASSETS		
Current assets		
Cash and cash equivalents	12,205	32,757
Trade and other receivables	16,613	15,894
Inventories	73,378	77,334
Total current assets	102,196	125,985
Non-current assets		
Long-term receivables and prepayments	373	335
Investments in associates	1,868	1,712
Investment property	60,550	60,347
Property, plant and equipment	412,993	388,757
Intangible assets	20,169	20,148
Total non-current assets	495,953	471,299
TOTAL ASSETS	598,149	597,284
LIABILITIES AND EQUITY	,	
Current liabilities		
Borrowings	23,324	49,402
Trade and other payables	92,663	102,841
Total current liabilities	115,987	152,243
Non-current liabilities		
Borrowings	258,601	217,349
Deferred tax liabilities	4,408	4,408
Provisions for other liabilities and charges	278	277

Total non-current liabilities	263,287	222,034
TOTAL LIABILITIES	379,274	374,277
Equity		
Share capital	16,292	16,292
Statutory reserve capital	2,603	2,603
Revaluation reserve	100,852	102,630
Currency translation differences	-149	-149
Retained earnings	99,277	101,631
TOTAL EQUITY	218,875	223,007
TOTAL LIABILITIES AND EQUITY	598,149	597,284

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of euros

	III quarter 2021	III quarter 2020	9 months 2021	9 months 2020
Revenue	206,150	194,181	604,103	540,685
Other operating income	637	316	1,993	976
Cost of merchandise	-150,841	-146,012	-451,143	-409,104
Service expenses	-11,687	-11,216	-34,550	-31,362
Staff costs	-20,662	-19,139	-62,799	-55,285
Depreciation,				

amortisation and impairment losses	-9,559	-9,387	-29,031	-25,249
Other expenses	-158	-157	-467	-534
Operating profit	13,880	8,586	28,106	20,127
Finance income	0	1	2	1
Finance costs	-1,361	-1,204	-3,626	-2,967
Finance income on shares of associates accounted for using the equity method	59	57	156	171
Profit before tax	12,578	7,440	24,638	17,332
Income tax expense	0	-1	-4,333	-5,823
NET PROFIT FOR THE FINANCIAL YEAR	12,578	7,439	20,305	11,509
Other comprehensive income:				
Items that will not be subsequently reclassified to profit or loss				
Other comprehensive income for the financial year	0	0	0	0
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR	12,578	7,439	20,305	11,509
Basic and diluted earnings per share (euros)	0.31	0.18	0.50	0.28

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Chairman of the Board

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