Company	Tallinna Kaubamaja Grupp AS
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Attachments:
- TallinnaKa-10001774171-en.pdf (http://oam.fi.ee/en/download?id=3793)
- TallinnaKa-10001774173-et.pdf (http://oam.fi.ee/en/download?id=3794)

Currency

Title Unaudited consolidated interim accounts for the first quarter of 2019

Segments (EURm)	Q1/19	Q1/18	yoy
Supermarkets	110.9	104.7	5.9%
Department stores	23.1	22.8	1.4%
Cars	26.4	27.6	-4.5%
Footwear	1.9	2.2	-13.8%
Real Estate	1.4	1.3	7.3%
Total sales	163.7	158.6	3.2%

Supermarkets	2.4	3.1	-24.6%
Department stores	-0.5	-0.4	2.7%
Cars	0.6	0.9	-34.7%
Footwear	-0.5	-0.3	43.5%
Real Estate	2.6	2.9	-7.8%
IFRS 16	-0.4	0.0	
Total profit before tax	4.3	6.1	-29.9%

In the first quarter of 2019, the unaudited consolidated sales revenue of the Tallinna Kaubamaja Group was 163.7 million euros. The growth was 3.2% compared to the first quarter of 2018, when the comparable sales revenue was 158.6 million euros. The net loss of the reporting period was 2.2 million euros, influenced by the income tax calculated on dividends (6.5 million euros). The loss in the first quarter of 2018 was 0.2 million euros, including 6.2 million euros of income tax. The pre-tax profit was 4.3 million euros - 1.8 million euros lower than the result of the previous year, of which 0.4 million euros was due to the negative impact on the pre-tax profit caused by the difference of estimated interest and depreciation calculated in accordance with the new financial reporting standard IFRS 16, which entered into force on 1 January 2019.

The year 2019 began with the continued growth of sales revenue for the Group. The supermarkets segment achieved an accelerated sales revenue growth compared to their market segment. The sales revenue generated by the department stores segment also increased. The car trade segment was influenced by the market situation, leading to a halt in the growth of the car market in the first quarter, and a drop in the sales of new cars. In the car trade segment, correction of revenue occurred due to a change on the market, but also the strong base year, i.e. the level of revenue generated by public procurement won by the Latvian automobile dealer in 2018 could not be repeated in the same volume at the beginning of this year. Overall, the sales revenue of the car trade segment in the first quarter was 4.5% lower than the previous year. Although the gross margin was maintained at good level in the first quarter, the pre-tax profit was expected to remain below the year before due to the launch period of the sales units opened at the end of 2018. In addition, the comparison basis of the profit was increased by the extraordinary income of 0.4 million euros from the sale of Latvian real estate, included in the result of the first quarter of 2018. Labour costs grew by 9.2% in the first quarter. The costs increased because of the additional Selver store along with the growth of average wage.

From 1 January 2019, the Group applies the new mandatory financial reporting standard IFRS 16 (Leases) in lease cost accounting. Pursuant to the standard, leased assets and liabilities are recognised in the balance sheet at the present value of lease payments and the depreciation on the leased assets and estimated interest costs on lease liabilities in the income statement. As of 31.03.2019, the assets leased in accordance with IFRS 16 were recognised in the balance sheet of the Group in the net present value of lease payments of 105,177 thousand euros. The impact of IFRS 16 on the income statement is as follows:

in thousands of euros	3 months 2019
Decrease in other operating expenses	4,235
Increase in depreciation	-4,105

Increase in operating profit	130
Calculated interest expense on lease liabilities	-503
Decrease in the net profit	-373

There were no significant sales area additions in the first quarter of 2019. In the footwear segment, business interruptions occurred due to renovation works at ABC King and SHU stores of the Rocca al Mare Centre. Renovation works were carried out in the SHU store at Ülemiste Centre and the SHU store in Kristiine Centre was reopened. Designing of the extension of the Kulinaaria central kitchen plant and the development works of the new car showrooms in Latvia and Lithuania are ongoing.

Selver supermarkets

The consolidated sales revenue of the supermarkets business segment was 110.9 million euros in the first quarter of 2019, increasing by 5.9% in comparison with the same period last year. 9.4 million purchases were made at Selver supermarkets in the first quarter of 2019, showing a growth of 4.1% year-on-year. In the first quarter of 2019, the consolidated pre-tax profit of the supermarkets segment was 2.4 million euros, being 0.8 million euros lower compared to the result of the previous year, influenced by the launch of new sales units opened at the end of 2018. The consolidated net loss of the supermarkets segment was 1.6 million euros, being 0.7 million euros lower compared to the same period in the previous year. The difference between the net profit and profit before income tax compared to year earlier results is partly due to income tax paid on dividends - income tax paid on dividends was 0.1 million euros lower in 2019 compared to the year earlier. The lower tax load due to dividends is caused by the changes in the taxation principles of dividends that allows applying a lower tax rate on one third of the previous year's dividends. The entire profit of 2019 was earned in Estonia. In 2018, SIA Selver Latvia was liquidated and the company was deleted from the commercial register.

The growth of sales revenue in Selver continued in the first quarter at a higher pace than the average of the market segment on account of new stores. Although competition is tight, sales revenue has also grown in the comparable stores. The comparison basis of the first quarter is lower by two stores that were added in the second half of 2018 and higher by one store that was closed in April last year. The basis is higher also because of Easter, which was in the first quarter last year. E-commerce produced good results with the growth of sales revenue by 32%. The profit earned is influenced by the growth of sales revenue and the more efficient inventory management. Investments have had a positive impact, allowing cutting management costs and employee working hours. The employees' wages were adjusted, which resulted in a slight decrease in labour cost efficiency.

This year, Selver plans to renovate at least two stores and introduce the

SelveEkspress service to all Selver stores. As at the end of the first quarter of 2019, the SelveEkspress service is available at 49 stores and approximately 300,000 loyal customers have used the service. We continue the development of e-commerce to improve our ability to service the growing numbers of customers. There is a plan to open the first e-Selver food locker, which is an alternative delivery method of goods that customers have ordered through e-Selver.

Department stores

In the first three months of 2019, the department stores business segment earned a sales revenue of 23.1 million euros, which is 1.4% more than last year in the same period. The pre-tax loss of department stores in the first quarter of 2019 was 0.5 million euros, which was lower by 2.7% in the year-on-year comparison. The sales results of department stores were influenced by the well-managed image campaigns in February and successful launch of the spring season in fashion departments. In the first quarter of 2019, the sales revenue of OÜ TKM Beauty Eesti, which operates I.L.U. cosmetics stores, was 1.1 million euros, showing a growth of 3.2% compared to the same period in 2018. The loss in the first quarter was 0.1 million euros, which was 16.6% lower than the loss in the comparable period in 2018. In the first quarter, the focus was on improving the e-store at www.ilu.ee and enhancing customer experience and changing the assortment. The growth of sales revenue has been achieved thanks to successful marketing campaigns and continued strong results produced by the e-store.

Car trade

The sales revenue of the car trade segment was 26.4 million euros in the first quarter of 2019. The sales revenue decreased by 4.5% year-on-year, wherein the sales revenue generated by the sales of KIAs dropped by 11.6%. In the first three months of the year, 1,143 new vehicles were sold altogether. The sales revenue generated by the car trade segment in the first quarter of 2018 included revenue from public procurements that the Latvian company had won, which was not achieved in the reporting period. In the first quarter of 2019, the car market decreased in all Baltic States; according to the data of Statistics Estonia, 7.2% fewer new passenger cars were registered in Estonia in the first two months of 2019. The pre-tax profit of the segment was 0.6 million euros in the first quarter of 2019, which is 0.3 million euros lower than in the same period last year. In addition to the decreased sales revenue, one of the reasons behind the weaker profitability results in the first quarter of 2019 could be the slower launch of the Peugeot business of the Estonian retail unit of the Group's car trade segment. The result of the car trade was also influenced by the manufacturers' problems with the production of certain models, which caused delays in the availability of cars and their delivery to customers.

Footwear trade

The sales revenue of the footwear trade segment was 1.9 million euros in the first quarter of 2019, decreasing by 13.8% on the year-on-year basis. The loss of the first quarter increased by 0.2 million euros compared to the previous year, remaining at 0.5 million euros. In the first quarter of 2019, there were business interruptions due to renovation works at Rocca al Mare ABC King and SHU stores, the SHU store at Kristiine Centre was reopened, and renovation works were carried out at the SHU store in Ülemiste Centre. In order to reduce costs, the central warehouse and office were moved in the first quarter. In accordance with the strategic decision of the Group, the managements of the beauty and footwear trade segments were merged to achieve synergy between support functions. Anne-Liis Ostov, the manager of TKM Beauty OÜ, continues also as member of the management board of the companies.

Real estate

The sales revenue earned in the real estate segment outside the Group was 1.4 million euros in the first quarter of 2019. The sales revenue grew by 7.3% compared to last year. The pre-tax profit of the real estate segment in the first quarter of 2019 was 2.6 million euros, which is 7.8% lower than the result earned in the same period last year. The sales revenue grew in all real estate segment companies in the reporting quarter. The driver of the sales revenue growth was the Latvian real estate company, where the commercial space at the Ogre building was leased to a party outside of the Group. Tartu Kaubamaja Centre showed good results and contributed remarkably to the company's sales growth. The decrease of the profit of the segment was caused by the sales profit earned from the sales of real estate sold in Latvia in the first quarter of last year. This year, the development of the Latvian and Lithuanian car centres will continue.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros

	31.03.2019	31.12.2018
ASSETS		
Current assets		
Cash and cash equivalents	41,831	37,235
Trade and other receivables	13,732	16,093
Inventories	73,696	78,212
Total current assets	129,259	131,54
Non-current assets		
Long-term receivables and prepayments	113	113

Investments in associates	1,794	1,738
Investment property	59,873	59,866
Property, plant and equipment	317,821	212,687
Intangible assets	4,957	5,133
Total non-current assets	384,558	279,537
TOTAL ASSETS	513,817	411,077

LIABILITIES AND EQUITY		
Current liabilities		
Borrowings	38,374	26,002
Trade and other payables	117,242	90,775
Total current liabilities	155,616	116,777
Non-current liabilities		
Borrowings	163,32	68,313
Provisions for other liabilities and charges	370	370
Total non-current liabilities	163,69	68,683
TOTAL LIABILITIES	319,306	185,46
Equity		
Share capital	16,292	16,292
Statutory reserve capital	2,603	2,603
Revaluation reserve	95,064	95,587
Currency translation differences	-149	-149
Retained earnings	80,701	111,284
TOTAL EQUITY	194,511	225,617
TOTAL LIABILITIES AND EQUITY	513,817	411,077

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

In thousands of euros

	3 months 2019	3 months 2018
Revenue	163,695	158,633
Other operating income	240	713
Cost of sales	-123,326	-119,773
Other operating expenses	-10,552	-13,837
Staff costs	-17,246	-15,788
Depreciation, amortisation and impairment losses	-7,637	-3,437
Other expenses	-251	-308
Operating profit	4,923	6,203
Finance income	0	0
Finance costs	-714	-170
Finance income on shares of associates	56	52
Profit before tax	4,265	6,085
Income tax expense	-6,453	-6,249
NET LOSS FOR THE FINANCIAL YEAR	-2,188	-164
Other comprehensive income:		
Items that will not be subsequently reclassified to profit or loss		
Other comprehensive income for the financial year	0	0
TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL YEAR	-2,188	-164

Raul Puusepp

Chairman of the Board

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Attachment

* Börs_Kaubamaja_1Q2019_eng (https://ml-eu.globenewswire.com/Resource/Download/95cce47b-1b48-4598-b504-a84c418bd69f)