Company	Tallinna Kaubamaja Grupp AS
Type	Company Release
Category	Other corporate action
Disclosure time	11 Jul 2019 16:45:00 +0300

Attachments:
- TallinnaKa-10002519871-et.pdf (http://oam.fi.ee/en/download?id=3977)
- TallinnaKa-10002519873-en.pdf (http://oam.fi.ee/en/download?id=3978)

Currency

Title Unaudited consolidated interim accounts for the second quarter and first six months of 2019

Segments (EURm)	Q2/19	Q2/18	yoy	6m/19	6m/18	yoy
Supermarkets	117.8	111.4	5.8%	228.7	216.1	5.9%
Department stores	24.6	23.8	3.6%	47.8	46.6	2.5%
Cars	35.7	34.9	2.1%	62.0	62.5	-0.8%
Footwear	2.2	2.5	-13.6%	4.1	4.7	-13.7%
Real Estate	1.4	1.4	4.0%	2.8	2.7	5.6%
Total sales	181.7	174.0	4.5%	345.4	332.6	3.9%

Supermarkets	3.7	3.7	-2.4%	6.0	6.9	-12.5%
Department stores	0.9	1.1	-23.4%	0.4	0.7	-39.8%
Cars	1.6	1.7	-6.8%	2.2	2.6	-15.9%
Footwear	-0.2	0.1	-259.4%	-0.6	-0.2	185.0%
Real Estate	2.8	2.5	11.3%	5.4	5.3	1.0%
IFRS 16	-0.4	0.0		-0.8	0.0	
Total profit before tax	8.4	9.2	-9.2%	12.6	15.3	-17.4%

In the second quarter of 2019, the unaudited consolidated sales revenue of the Tallinna Kaubamaja Group was 181.7 million euros, exceeding the results of the previous year by 4.5%. The sales revenue of the first half-year was 345.4 million euros, showing a growth of 3.9% compared to the first half-year of 2018, when the comparable sales revenue was 332.6 million euros. In the second quarter of 2019, the Group's unaudited consolidated net profit was 8.4 million euros, which was 9.2% lower than the profit of the comparable period. The Group's net profit was 6.2 million euros in the first six months of 2019, which is nearly one third lower year-on-year. The pre-tax profit was 12.6 million euros in the first half-year, showing a decrease of 17.4% compared to the previous year. The net profit was influenced by a dividend payment, on which income tax in the amount of 6.5 million euros was calculated in the first quarter of 2019, compared to the income tax of 6.2 million euros calculated a year earlier.

The sales revenue of the Group grew in all important retail sales segments in the second quarter of 2019. The sales revenue growth of 2.1% in the car segment is also satisfactory compared to the multi-digit growth numbers of the previous year. Efficient work with the assortment of goods and the management of mercantile processes has resulted in an improved sales margin, which balances out the strong pressure on the labour costs growth. In a year, the labour costs of the Group increased at the same rate as the respective average in Estonia, i.e. by one tenth. However, the reasons why the profit was lower compared to the result of the previous year are also the influences of the IFRS 16 and the growth of other operating expenses, such as computer and communication costs, that support more extensive process automation. In order to manage the wage pressure, market participants are reviewing free services offered in retail trade market to price them, which resulted in many market participants, including Selver e-stores, increasing the threshold of free-of-charge delivery of packages in the second half-year.

The most important development projects of the Group are improvement of the user convenience and speed of delivery of e-stores, implementing of business software in the central kitchen, real estate segment, and footwear segment, the development of car showrooms in Latvia and Lithuania, and the new production plant of Kulinaaria. The alcohol display limit, which entered into force in June, obligated store chains to place alcohol apart from other goods and limit its visibility, which required undertaking the labour-intensive and expensive reconstruction of stores. In the supermarkets segment, there is a plan to renovate two stores this year and expand the SelveEkspress service to 52 Selver stores by the end of the year. More attention is paid to responsible and sustainable behaviour and promotion thereof.

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 30.06.2019, 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 102,939 thousand euros and corresponding calculated liabilities of 103,690 thousand euros. The impact of IFRS 16 on the income statement is as follows:

in thousands of euros	II quarter 2019	6 months 2019
Decrease in other operating expenses	4 243	8 478
Increase in depreciation	-4 109	-8 214
Increase in operating profit	134	264
Calculated interest expense on lease liabilities	-512	-1015
Decrease in the net profit	-378	-751

Selver supermarkets

The consolidated sales revenue of the supermarkets business segment was 228.7 million euros in the first half-year of 2019, increasing by 5.9% in comparison with the same period last year. The consolidated sales revenue of the second quarter was 117.8 million euros, growing by 5.8% in comparison with the same period last year. At Selver stores, 19.8 million purchases were made in the first half of 2019, exceeding the year-on-year result by 4.5%.

In the second quarter of 2019, both pre-tax profit and net profit were 3.7 million euros, remaining at the same level of the comparable period of last year. The consolidated pre-tax profit of the supermarkets segment was 6.0 million euros in the first half-year, which is 0.9 million euros lower compared to the result of the previous year. The net profit earned in the first half-year was 2.1 million euros, decreasing by 0.8 million euros compared to last year. The difference between the net profit and profit before income tax is 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 allow applying a lower tax rate on one third of the previous year's dividends.

The growth of the sales revenue of the second quarter in Selver supermarkets was at the same pace as in the relevant market segment. The comparison basis of the second quarter is lower by two stores that were added in the second half of 2018 and partly higher by the specific goods sales due to exceptionally good summer weather last year. E-commerce shows good results, where the sales revenue grew 39% in the second quarter. Profit earning is influenced by the growth of sales revenue and more efficient management of goods. Investments have continued to have a positive impact, allowing cutting administrative and management costs as well as employees' working hours. To balance the decrease in the employees' working hours, their wages were adjusted, which translated into a slight decrease in the efficiency regarding labour costs. The results are also influenced by the amendment of the Alcohol Act, due to which significant one-time expenses were incurred during the rearrangement of sales floors.

This year, Selver plans to renovate up to two stores and introduce the SelveEkspress service to 52 Selver stores by the end of the year. As at the end of the second quarter of 2019, the SelveEkspress service is available in 49 stores and over 300,000 loyal customers have used the service. The work with the development of e-commerce will continue to improve the capacity to service the rapidly growing number of customers.

Department stores

In the first six months of 2019, the department stores business segment earned a sales revenue of 47.8 million euros, which is 2.5% more than last year in the same period. In the second quarter, the sales revenue of the department stores was 24.6 million euros, which is 3.6% higher than the comparable result achieved last year. Kaubamaja e-store grew by 38% in the first half-year of 2019 compared to the same period last year. The pre-tax profit of the department stores was 0.4 million euros in the first six months of 2019, which was 39.8% lower year-on-year. The pre-tax profit of the department stores was 0.9 million euros in the second quarter, which was 23.4% lower than the comparable period. The sales results of the department stores in the first half-year were influenced by very successful campaigns organised in the first and second quarter. The 42nd Osturalli sales campaign organised in spring was the most successful of all time. Good weather in the beginning of spring was favourable for the sales of seasonal goods. In the second quarter, the result of the department stores was influenced by the reconstruction of the alcoholic beverages departments in both sales houses, which disturbed the sales process in Toidumaailm (Food Department). The labour costs that increased in the second quarter also influenced the profit of the department stores.

This year, Kaubamaja pays special attention to sustainability and especially how packages are used in the sales houses. Starting from the beginning of 2019, all plastic bags have to be paid for in the department stores and the goal is to gradually replace all packages with packages manufactured from recycled materials. At the end of June, reusable bags fully manufactured from recycled plastic bottles were added to plastic bags made from recycled materials and paper bags.

In the second 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 8.4% compared to the same period in 2018. The loss was 0.1 million euros in the second quarter of 2019, which remained at the same level as in the comparable period of 2018. The sales revenue was 2.2 million euros in the first half-year of 2019, growing by 5.7% year-on-year. The loss earned in the first six months of 2019 was 0.2 million euros, which was at the same level as the loss earned in the comparable period of 2018. The sales revenue of the second quarter was positively influenced by the continued growth of popularity of the e-store and successful marketing campaigns.

Car trade

The sales revenue of the car trade segment was 62.0 million euros in the first half-year of 2019. The sales revenue decreased by 0.8% year-on-year. The sales revenue of 35.7 million euros earned in the second quarter exceeded the result of the previous year by 2.1%. In the first half-year, 2,773 new vehicles were sold altogether, of which 1,630 vehicles in the second quarter. The net profit of the segment earned in the first half-year of 2019 was 1.5 million euros, which was 18.3% lower than the profit earned in the previous year. The pre-tax profit of the segment was 2.2 million euros in the first half-year, which is 15.9% lower than the profit earned in the first half-year of 2018. The pre-tax profit earned in the second quarter of 2019 was 1.6 million euros, which is 6.8% lower year-on-year. In the beginning of the second quarter, the KIA plant had some issues with the delivery of cars. This caused most of the sales and divestments to be effected in May and some in June. The majority of divested cars were vehicles of short term lease companies. Due to the exchange of importers and coordination of action strategy, the margins earned on Opel and Peugeot vehicles were temporarily smaller than planned.

Footwear trade

The sales revenue of the footwear trade segment was 4.1 million euros in the first half-year of 2019. The sales revenue dropped by 13.7% in the first half-year compared to last year. The sales revenue of the segment was 2.2 million euros in the second quarter, decreasing by 13.6% year-on-year. The loss was 0.6 million euros in the first half-year. The year-on-year loss was 0.2 million euros. In the second quarter, the loss was 0.2 million euros, which is a weaker result by 0.3 million euros compared to the same period last year. The sales revenue earned in the second quarter was unfavourably influenced by the partial delay in the spring season goods and the assortment of goods. From 1 May, TKM Group merged the chain's commercial activities under joint management and Anne-Liis Ostov, who took on the position of a member of board of TKM King, continues also as manager of TKM Beauty Eesti.

Real estate

The sales revenue earned in the real estate segment outside the Group was 2.8 million euros in the first six months of 2019. The sales revenue grew by 5.6% compared to last year. The sales revenue outside of the Group of the segment was 1.4 million euros in the second quarter. The sales revenue increased by 4.0% year-on-year. The pre-tax profit of the real estate segment was 5.4 million euros in the first half-year of 2019. The profit grew 1.0% compared to last year. The pre-tax profit of the segment earned in the second quarter of 2019 was 2.8 million euros, which is 11.3% higher than the result earned in the same period last year. The sales revenue grew in all real estate segment companies in the first half-year. The Latvian real estate company that leased the commercial space in the Ogre building to a party outside of the Group achieved the highest sales growth in the segment. The growth of the sales revenue outside of the Group as well as the completion of Kolde Selver at the end of last year increased the profit of the segment in the reporting period. This year, the development of the Latvian and Lithuanian car centres will continue.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros?

	30.06.2019	31.12.2018
ASSETS		
Current assets		
Cash and cash equivalents	25,386	37,235
Trade and other receivables	14,201	16,093
Inventories	70,625	78,212
Total current assets	110,212	131,540
Non-current assets		
Long-term trade and other receivables	113	113
Investments in associates	1,742	1,738
Investment property	59,873	59,866
Property, plant and equipment	315,976	212,687
Intangible assets	4,914	5,133
Total non-current assets	382,618	279,537
TOTAL ASSETS	492,830	411,077

LIABILITIES AND EQUITY

Current liabilities		
Borrowings	32,845	26,002
Trade and other payables	81,601	90,775
Total current liabilities	114,446	116,777
Non-current liabilities		
Borrowings	175,142	68,313
Provisions for other liabilities and charges	370	370
Total non-current liabilities	175,512	68,683
TOTAL LIABILITIES	289,958	185,460
Equity		
Share capital	16,292	16,292
Statutory reserve capital	2,603	2,603
Revaluation reserve	94,541	95,587
Currency translation differences	-149	-149
Retained earnings	89,585	111,284
TOTAL EQUITY	202,872	225,617
TOTAL LIABILITIES AND EQUITY	492,830	411,077

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of euros

	II quarter 2019	II quarter 2018	6 months 2019	6 months 2018

Revenue	181,731	173,977	345,426	332,610
Other operating income	157	352	397	1,065
Cost of sales	-136,408	-130,959	-259,734	-250,732
Other operating expenses	-10,273	-13,744	-20,825	-27,581
Staff costs	-18,299	-16,529	-35,545	-32,317
Depreciation, amortisation and impairment losses	-7,693	-3,390	-15,330	-6,827
Other expenses	-160	-335	-411	-643
Operating profit	9,055	9,372	13,978	15,575
Finance costs	-752	-187	-1,466	-357
Finance income on shares of associates	58	24	114	76
Profit before tax	8,361	9,209	12,626	15,294
Income tax expense	0	0	-6,453	-6,249
NET PROFIT FOR THE FINANCIAL YEAR	8,361	9,209	6,173	9,045
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	8,361	9,209	6,173	9,045

Raul Puusepp

Chairman of the Board

Phone +372 731 5000