Company	Tallinna Kaubamaja Grupp AS
Type	Company Release
Category	Other corporate action
Disclosure time	10 Oct 2019 16:30:00 +0300

Attachments:
- TallinnaKa-10002873791-et.pdf (http://oam.fi.ee/en/download?id=4083)
- TallinnaKa-10002873793-en.pdf (http://oam.fi.ee/en/download?id=4084)

Currency

Title Unaudited consolidated interim accounts for the third quarter and first nine months of 2019

Segments (EURm)	Q3/19	Q3/18	yoy	9m/19	9m/18	yoy
Supermarkets	117,6	111,5	5,5%	346,4	327,6	5,7%
Department stores	23,8	22,8	4,7%	71,6	69,3	3,2%
Cars	34,9	28,1	23,8%	96,9	90,7	6,8%
Footwear	2,2	2,5	-12,1%	6,3	7,2	-13,2%
Real Estate	1,5	1,3	8,0%	4,3	4,0	6,4%
Total sales	179,9	166,2	8,3%	525,4	498,8	5,3%
Supermarkets	6,5	6,0	7,9%	12,5	12,9	-3,0%
Department stores	0,7	0,3	192,2%	1,2	1,0	22,1%
Cars	1,6	1,2	35,3%	3,8	3,8	0,2%
Footwear	-0,3	-0,2	55,2%	-0,9	-0,4	125,5%
Real Estate	2,7	2,6	4,7%	8,1	8,0	2,2%
IFRS 16	-0,4	0,0	-	-1,1	0,0	-
Total profit before tax	10,9	9,9	10,4%	23,5	25,2	-6,5%

In the third quarter of 2019, the unaudited consolidated sales revenue of

Tallinna Kaubamaja Group was 179.9 million euros, exceeding the result of the previous year by 8.3%. The sales revenue generated in nine months was 525.4 million euros, showing a growth of 5.3% compared to the first nine months of 2018, when the sales revenue was 498.8 million euros. In the third quarter of 2019, the Group's unaudited consolidated net profit was 10.9 million euros, which is 10.4% higher of the profit earned in the comparable period last year. The Group's net profit was 17.1 million euros in the first nine months of 2019, showing a 9.7% decrease year on year, which was influenced by a higher tax cost and calculated interest expense of IFRS 16. The pre-tax profit was 23.5 million euros in the first nine months of 2019.

The Group's car segment showed a record high sales growth in the third quarter of 2019 as a result of extensive fleet sales. Although fleet sales put some pressure on the margin, the third quarter of 2019 became more profitable for the Group's car segment than the year before. The sales revenue and the growth of profit of other retail segments important for the Group, such as supermarkets and Kaubamaja department stores, were also satisfactory. The growth in these segments was supported by successful sales promotion campaigns, the growth of sales revenue in e-commerce channels, and more efficient management of goods. A decrease in the sales revenue earned in the Group's footwear trade segment, a market with growing competition, slightly decelerated compared to the previous quarter. The Group's labour costs have increased 9.2% in nine months and the average wage in the Group has increased by 9.4%. The activities undertaken by the Group with the intent to automate processes has enabled reducing slightly the number of employees in the third quarter.

As an important development of the reporting period, the construction works of the Kulinaaria central kitchen production building in Tallinn are in progress. Plans are in place to complete the new production plant of Kulinaaria in the first half of 2020. An additional plan is to renovate the older production building after the completion of the new building and the entire refurbished production complex should be finished by the end of 2020. With the extension of the production area, new products in the ready-to-eat food category are expected to be launched under the Estonians' beloved Selveri Köök trademark and new interesting pastry products under the Van Kook trademark.

The construction works of the Shkoda car centre and the used cars showroom in Riga are also underway. The business software of real estate management, the footwear segment, and the central kitchen are being renewed and the focus is still on the improvement of user convenience of e-stores and speed of delivery. Earlier this year, rearrangement of all the Group's food stores was undertaken to bring them into compliance with the amendment of law that restricted the visibility of displayed alcohol in stores. 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 at 30 September 2019, the assets leased in accordance with IFRS 16 were recognised in the balance sheet of the Group in the present value of lease payments of 98,809 thousand euros and corresponding calculated liabilities of 99,936 thousand euros. The impact of IFRS 16 on the income statement is as follows:

in thousands of euros	3(rd) quarter 2019	9 month 2019
Decrease in other operating expenses	4,243	12,740
Increase in depreciation	-4,109	-12,344
Increase in operating profit	134	396
Calculated interest expense on lease liabilities	-512	-1 523
Total decrease in the net profit	-378	-1 127

Selver supermarkets

The consolidated sales revenue of the supermarkets business segment was 346.4 million euros in the first nine months of 2019, increasing by 5.7% in comparison with the same period last year. The consolidated sales revenue of the third quarter was 117.6 million euros, growing by 5.5% in comparison with the same period last year. At Selver stores, 30.3 million purchases were made in the first nine months of 2019, exceeding the year-on-year result by 4.7%. In the third quarter of 2019, both pre-tax profit and net profit of the supermarkets segment were 6.5 million euros, exceeding last year's result by 7.9%. The consolidated pre-tax profit of the supermarkets segment was 12.5 million euros in the first nine months, which is 0.4 million euros lower than the result of the previous year. The net profit was 8.5 million euros, decreasing by 3.2% compared to the previous year. The difference between net profit and pre-tax profit is due to income tax paid on dividends, i.e. income tax paid on dividends was 0.1 million euros lower in 2019 compared to the previous year.

The comparison basis of the third quarter is lower by two stores that were added in the second half of 2018 and higher due to exceptionally good summer weather last year and a store closed for renovation in September. E-commerce shows good results - the sales revenue grew by 39% in the third quarter. Profit earning is influenced by the growth of sales revenue and more efficient management of goods. Investments have a positive impact, allowing cutting administrative costs and 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.

It is planned to renovate the Selver store in Jõhvi and Pelgulinna Selver store in Tallinn in the fourth quarter. The SelveEkspress service will also be introduced to 52 Selver stores by the end of the year. As at the end of the third quarter of 2019, the SelveEkspress service is available in 51 stores and over 400,000 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 nine months of 2019, the department stores business segment earned a sales revenue of 71.6 million euros, which is 3.2% more than last year in the same period. In the third quarter, the sales revenue of the Kaubamaja department stores was 23.8 million euros, which is 4.7% higher than the comparable result achieved last year. The e-store of Kaubamaja grew 37% in nine months compared to the same period in the previous year. The pre-tax profit of the Kaubamaja department stores was 1.2 million euros in the first nine months, showing an increase of 22.1% year on year. The pre-tax profit of the department stores was 0.7 million euros in the third quarter and the result was higher by 0.5 million euros of the comparable period. The sales results of the department stores in the first nine months were influenced by successful sales campaigns organised in all three quarters. The result of the third quarter of the department stores was influenced by a successful autumn sales campaign and the first day of the autumnal Osturalli sales campaign, which was launched in September. The Ilu Aeg sales campaign organised in the beginning of September was the most successful of all time. The profit of the department stores was affected by the summer discount campaign with a higher margin compared to the same period last year, when traffic in the city centre was disturbed.

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, in addition to plastic bags made from recycled materials and paper bags, reusable bags fully manufactured from recycled plastic bottles were added.

In the third 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 8.1% compared to the same period in 2018. The loss was 0.02 million euros in the third quarter of 2019, which was 48.7% lower than in the comparable period of 2018. The sales revenue was 3.3 million euros in the first nine months of 2019, which was 6.5% higher than the same period in 2018. The loss earned in the first nine months of 2019 was 0.2 million euros, which was 8.7% lower than in the comparable period of 2018. The result of the third quarter was positively influenced by booming e-store sales and successful changes in marketing campaigns.

Car trade

The sales revenue of the car trade segment was 96.9 million euros in the first nine months of 2019. The sales revenue exceeded the revenue earned in the same period last year by 6.8%; the sales revenue of KIAs grew by 6.9%. The sales revenue of 34.9 million euros earned in the third quarter exceeded the result of the previous year by 23.8%; the sales revenue of KIAs grew by 31.8%. In the first nine months of the year, a total of 4,351 new vehicles were sold in the car trade segment of the Group, of which 1,578 vehicles in the third quarter. The pre-tax profit of the segment was 3.8 million euros in the first nine months of 2019, which is 0.2% higher than the profit earned in the same period last year. The pre-tax profit earned in the third quarter of 2019 was 1.6 million euros, exceeding the profit earned in the third quarter of 2018 by 0.4 million euros, or 35.3%.

The sales revenue growth in 2019 was caused by the successful and increased fleet sales of KIAs. In addition to KIAs, the sale of Peugeot vehicles and spare parts has continued to give good results at the group's subsidiaries. In October, there is a plan in place to open a completely new Shkoda sales and service centre and a used cars showroom, unique in Latvia, on the Bikernieku lot in Riga.

Footwear trade

The sales revenue of the footwear trade segment was 6.3 million euros in the first nine months of 2019. The sales revenue dropped by 13.2% in the first nine months of the year compared to the same period last year. The sales revenue of the segment was 2.2 million euros in the third quarter, decreasing by 12.1% year on year. The loss was 0.9 million euros in the first nine months of 2019. The year-on-year loss was 0.4 million euros. In the third quarter, the loss was 0.3 million euros, which is a weaker result by 0.1 million euros compared to the same period last year.

The sales revenue of the third quarter was influenced by tight competition on the footwear market and aggressive discount campaigns of seasonal goods due to the planned changes in the assortment to be effected in following seasons. Moving to new premises disrupted business for short periods at SHU stores in Tartu Kaubamaja and Võru Kagukeskus. At the end of September, the visual identity and assortment principle were refreshed at the SHU store in Võru Kagukeskus, which, if successful, will become the standard to be followed in other SHU stores in future.?

Real estate

The sales revenue earned in the real estate segment outside the Group was 4.3 million euros in the first nine months of 2019. The sales revenue grew by 6.4% compared to last year. The sales revenue of the segment outside the Group was 1.5 million euros. The sales revenue increased by 8.0% year on year. The pre-tax profit of the real estate segment was 8.1 million euros in the first nine months of 2019. The profit grew 2.2% compared to the same period last year. The pre-tax profit of the segment earned in the third quarter of 2019 was 2.7 million euros, which is 4.7% higher than the result achieved in the same period last year.

The sales revenue growth of the segment is still driven by the Latvian real estate company that leased commercial space in the Ogre building to a party outside of the group. Other companies involved in the segment showed stable growth - the rental spaces in shopping centres are covered by rental agreements and despite tight competition, the daily marketing activity has helped to maintain the number of visitors of the shopping centres. The completion of Kolde Selver at the end of last year, the growth of the sales revenue outside of the Group, and cost cuts in the Latvian real estate company all contributed to the profit growth. At the end of the year, the Shkoda car centre and the used cars showroom will be completed as planned.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros?

	30.09.2019	31.12.2018
ASSETS		
Current assets		
Cash and cash equivalents	24,003	37,235
Trade and other receivables	14,887	16,093
Inventories	74,380	78,212
Total current assets	113,270	131,540
Non-current assets		
Long-term trade and other receivables	113	113
Investments in associates	1,802	1,738
Investment property	59,930	59,866
Property, plant and equipment	313,966	212,687
Intangible assets	4,799	5,133
Total non-current assets	380,610	279,537
TOTAL ASSETS	493,880	411,077

LIABILITIES AND EQUITY		
Current liabilities		
Borrowings	27,006	26,002
Trade and other payables	77,590	90,775
Total current liabilities	104,596	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	280,108	185,460
Equity		
Share capital	16,292	16,292
Statutory reserve capital	2,603	2,603
Revaluation reserve	94,019	95,587
Currency translation differences	-149	-149
Retained earnings	101,007	111,284
TOTAL EQUITY	213,772	225,617
TOTAL LIABILITIES AND EQUITY	493,880	411,077

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of euros

	III quarter 2019	III quarter 2018	9 months 2019	9 months 2018
Revenue	179,933	166,219	525,359	498,829

Other operating income	285	128	682	1,193
Cost of sales	-134,054	-123,620	-393,788	-374,352
Other operating expenses	-9,657	-13,263	-30,482	-40,844
Staff costs	-17,120	-15,932	-52,665	-48,249
Depreciation, amortisation and impairment losses	-7,728	-3,372	-23,058	-10,199
Other expenses	-71	-186	-482	-829
Operating profit	11,588	9,974	25,566	25,549
Finance income	1	1	1	1
Finance costs	-749	-216	-2,215	-573
Finance income on shares of associates	60	111	174	187
Profit before tax	10,900	9,870	23,526	25,164
Income tax expense	0	-1	-6,453	-6,250
NET PROFIT FOR THE FINANCIAL YEAR	10,900	9,869	17,073	18,914
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	10,900	9,869	17,073	18,914

Raul Puusepp

Chairman of the Board

Phone +372 731 5000