Company	Tallinna Kaubamaja Grupp AS
Type	Company Release
Category	Other corporate action
Disclosure time	23 Jan 2020 16:30:00 +0200

Attachments:
- TallinnaKa-10003149381-en.pdf (http://oam.fi.ee/en/download?id=4272)
- TallinnaKa-10003149383-et.pdf (http://oam.fi.ee/en/download?id=4273)

Currency

Title Unaudited consolidated interim accounts for the fourth quarter and twelve months of 2019

?

Segments (EURm)	Q4/19	Q4/18	yoy	12m/19	12m/18	yoy
Supermarkets	123,0	122,5	0,4%	469,4	450,1	4,3%
Department stores	32,0	31,6	1,4%	102,8	100,9	1,9%
Cars	33,5	24,2	38,2%	130,4	114,9	13,4%
Footwear	2,6	2,6	0,1%	8,9	9,8	-9,6%
Real Estate	1,5	1,4	3,8%	5,8	5,4	5,7%
Total sales	192,6	182,4	5,6%	717,2	681,2	5,3%

Supermarkets	5,6	5,8	-3,0%	18,1	18,6	-3,0%
Department stores	2,4	2,8	-17,2%	3,5	3,8	-7,3%
Cars	0,2	0,6	-65,0%	4,0	4,4	-9,2%
Footwear	-0,2	0,0	-694,4%	-1,2	-0,4	202,6%
Real Estate	6,6	2,3	186,3%	14,7	10,2	43,3%
IFRS 16	-0,4	0,0	-	-1,5	0,0	-

Total profit before tax	14,1	11,6	22,1%	37,7	36,7	2,5%

In the fourth quarter of 2019, the unaudited consolidated sales revenue of Tallinna Kaubamaja Group was 192.6 million euros, exceeding the results of the previous year by 5.6%. The sales revenue of twelve months was 717.2 million euros, showing a growth of 5.3% compared to the result of 2018, when the comparable sales revenue was 681.2 million euros. In the fourth quarter of 2019, the Group's unaudited consolidated net profit was 14.1 million euros, which was 22.0% higher than the profit of the comparable period in the previous year. The Group's net profit was 31.1 million euros in 2019, which is 2.3% higher than the previous year. The pre-tax profit earned in twelve months was 37.7 million euros, showing a 2.5% increase compared to last year. The net profit was influenced by a dividend payment, on which income tax in the amount of 6.3 million euros was calculated in the first quarter of 2019, compared to the income tax of 6.7 million euros calculated a year earlier. Accounting for leases in compliance with IFRS 16 (Leases) was first introduced in 2019, which resulted in net profit reduction by 1.5 million euros.

The sales revenue growth slightly accelerated compared to the annual average in the last quarter of 2019. In the fourth quarter, the Group's car segment greatly contributed to the sales revenue (38.2%), driven by the sale of KIAs as well as the successful sale of Peugeots. In November, Verte Auto, the Latvian company belonging to the car trade segment, opened a completely new and fully functional showroom in Riga and started to sell Shkodas, a suitable addition to the brand selection of the Group's car segment. The continued strong growth of 40% of e-stores compared to 2018 gives a reason to rejoice. In 2019, no new stores were opened in the supermarkets segment; however, two Selver stores were refurbished in the fourth quarter. Due to temporary closing of the stores for refurbishing, the quarterly growth number of supermarkets was lower compared to the previous quarters. One-off investments in developments intended to generate income in the future - the refurbishing of Selver stores in the supermarkets segment, opening a Shkoda showroom in the car segment, and the development of the cash collection service in Viking Security in the department store segment - caused a slight decrease of the pre-tax profit in these segments compared to the period a year earlier. In 2019, the supermarkets and the Kaubamaja department stores improved their gross profit margin, although redirecting the business model to more extensive fleet sales in the car segment, which has a significant weight in the Group's business, also influenced the margin on the Group's consolidated level. The labour costs of the Group increased by 8.0% in the year, keeping up with the growth of the average wage in Estonia.

In the fourth quarter, Pelgulinna and Jõhvi Selver underwent extensive renovations. The SelveEkspress service was made available in 52 Selver stores. The service area of e-Selver expanded twice in 2019 and by the end of 2019, the service covered the entire city of Tallinn and Harju County, Rapla and part of Rapla County, and the city of Pärnu and its close proximity. From the beginning of 2020, the e-Selver service is offered in Tartu, which has turned e-Selver into the e-store with the largest assortment of foodstuffs and the largest service area in Estonia. In addition, the aforementioned new fully functional Shkoda showroom in Riga was completed. As an important development of the reporting period, the construction works of the Kulinaaria central kitchen production building in Tallinn are in progress. The completion of the new Kulinaaria production plant and the exchange of the business software of the central kitchen is planned for 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. In 2019, the business software of real estate management and the footwear segment were renewed and the focus was on the improvement of user convenience of e-stores and speed of delivery. In the footwear segment, the SHU stores in Kristiine Keskus, Võru Kagukeskus, and Tartu Kaubamaja were renovated. In the first half of 2019, 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 in the companies of the Group. Special attention was paid in 2019 to reducing the use of packaging, especially plastic bags, in stores. During the year, more than 1 million less plastic bags have been circulated from the Group's stores than in 2018. In addition to reducing the amount of packaging, we also consider it important that the packaging in circulation is environmentally friendly, also preferably made from recycled materials. In 2020, Selver plans to replace existing food boxes with new, greener ones made from recycled and biodegradable materials in all 53 stores across Estonia.

From 1 January 2019, the Group has applied 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 31 December 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 99,126 thousand euros and corresponding calculated liabilities of 100,630 thousand euros. The impact of IFRS 16 on the income statement is as follows:

in thousands of euros	4(th) quarter 2019	12 month 2019
Decrease in other operating expenses	4,261	17,001
Increase in depreciation	-4,130	-16,474
Increase in operating profit	131	527
Calculated interest expense on lease		

liabilities	-508	-2,031
Total decrease in the net profit	-377	-1,504

Selver supermarkets

The consolidated sales revenue of the supermarkets segment was 469.4 million euros, increasing by 4.3% in comparison with the same period last year. The consolidated sales revenue of the fourth quarter was 123.0 million euros, growing by 0.4% compared to the same period of the previous year. At Selver stores, 40.3 million purchases were made in 2019, exceeding the year-on-year result by 3.8%. In the fourth quarter of 2019, the pre-tax profit of the supermarkets segment was 5.6 million euros, which is 3.0% lower than the result of the previous year. The consolidated pre-tax profit of the supermarkets segment was 18.1 million euros in 2019, which also marks a 3% decrease year on year. The net profit was 14.1 million euros, which is 0.4 million euros lower than the result of the previous year. The difference between net profit and pre-tax profit is due to income tax paid as dividends, i.e. income tax paid on dividends was 0.1 million euros lower in 2019 compared to the year earlier. The lower tax load on dividends is due to the amendment regulating the taxation of dividends, which allows applying a lower tax rate on one third of last year's dividends.

The temporary closing of two stores, Jõhvi Selver and Pelgulinna Selver, for refurbishing influenced the results of the fourth quarter and the year 2019. The comparison basis of the fourth quarter is partly lower by two stores that were added in the last quarter of 2018. The results of the sales of fresh foodstuffs as well as the more efficient management of stocks had a positive impact on the sales revenue. In the last quarter, the fear of consumers of catching a Listeria infection from fish products influenced the sales of fish products, which account for a large portion of consumers? basket of products, despite the fact that Selver purchases products that meet health requirements and both Selver and Kulinaaria constantly monitor the quality of goods on sale or moving through the production. 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. The results of the annual report were also influenced by the amendment of the Alcohol Act, due to which significant expenses were incurred during the rearrangement of sales floors, and one-time expenses made in the renovation of two stores.

E-commerce shows good results - the sales revenue grew by 34.7% in a year. The service area of e-Selver expanded twice in 2019. By the end of 2019, the service covered the entire city of Tallinn and Harju County, Rapla and part of Rapla County, and the city of Pärnu and its close proximity. In addition to the assortment of goods offered in regular Selver stores, e-Selver offers larger household appliances and other devices. From the beginning of 2020, the e-Selver service was introduced to cover Tartu and its close proximity. e-Selver is the e-store with the largest assortment of foods and the largest service area in Estonia.

Department stores

The Kaubamaja business segment earned a sales revenue of 102.8 million euros in 2019, which is 1.9% more than last year in the same period. The e-store of Kaubamaja grew by 41.5% in a year. The pre-tax profit of the department stores was 3.5 million euros in 2019, which was 7.3% lower year on year. In the fourth quarter, the pre-tax profit of the department stores was 2.4 million euros, which result is 17.2% lower than the comparable period. In 2019, the sales results of the department stores were influenced by very successful larger campaigns. The Osturalli campaigns organised in spring and autumn were the most successful of all time. The Ilu Aeg campaign carried out in the beginning of September brought the best results ever. Although the beginning of the autumn season in September was very positive, the expected winter weather did not appear in the last quarter and the warmer-than-average winter had a negative impact on the result of the fourth quarter of Kaubamaja. Still, the stores were better at managing inventories and growing the margin in 2019, which resulted in a positive effect on the total annual profit.

In the fourth quarter of 2019, the sales revenue of OÜ TKM Beauty Eesti, which operates the I.L.U. cosmetics stores, was 1.6 million euros, showing a growth of 4.5% compared to the same period in 2018. The profit was 0.07 million euros in the fourth quarter, which was 37.7% higher than the result earned in the comparable period of 2018. The sales revenue was 4.9 million euros in 2019, growing by 5.8% on the year-on-year basis. The loss earned was 0.13 million euros in 2019, which was 0.04 million euros lower than the loss earned in the comparable period of 2018. In 2019, the focus was on the launch of the e-store and on digital marketing. The brand identity was refreshed in connection with the 10(th) anniversary of I.L.U. stores.

Car trade

The sales revenue of the car trade segment was 130.4 million euros in 2019. The sales revenue exceeded the revenue earned last year by 13.4%, wherein the sales revenue generated by the sales of KIAs grew by 9.6% in a year. The sales revenue of 33.5 million euros earned in the fourth quarter exceeded the result of the previous year by 38.2%. The sales revenue of KIAs grew by 21.4% year on year and the sales of Peugeot cars increased almost by one third. In November, Shkoda was added to the product portfolio as a new car brand; 42 Shkoda cars were sold in the last two months of the year. In 2019, the Group's car trade segment sold 5,704 new vehicles, of which 1,353 were sold in the fourth quarter. The pre-tax profit of the car trade segment was 4.0 million euros in 2019, which is 9.2% lower than the profit earned a year earlier. The pre-tax profit of the fourth quarter of 2019 was 0.2 million euros, which was 0.4 million euros lower than the pre-tax profit earned in the fourth quarter of 2018.

In summary, the share of companies offering full service and short-term lease among the customers of new cars was clearly growing in 2019. This customer segment is mostly responsible for the fleet and wholesale transactions. This, in turn, translates into the growth of the number of vehicles sold, turnover, and market share; however, these sales decrease profit margin, which is clear from the results of the Group's car trade segment. Furthermore, the sales results of new Opel vehicles by Viking Motors in Tallinn worsened, showing a clear downward trend that has become obvious following the change in the importer of Opel vehicles. The changed business policy and strategy of the new importer has caused a continued decrease of the market share of Opel cars in the region and forced the Group's car segment to cease the sales of Opel passenger and commercial cars in future as an unprofitable business. The follow-up services for Opel vehicles will be provided in future. The Group opened a completely new and fully functional Shkoda showroom with another showroom specially built for the sale of used cars, which is one of a kind in Latvia, by Verte Auto, the Latvian subsidiary of the Group's car segment in the beginning of November 2019. The popularity of Shkoda's vehicles among the customers of Baltic regions is well known and it is good to conclude that the Group's car segment successfully replaced the Opel brand with the Shkoda brand, which shows a great potential.

Footwear trade

The sales revenue of the footwear trade segment was 8.9 million euros in 2019, showing a decrease of 9.6% compared to the previous year. The pre-tax loss of the segment was 1.2 million euros in 2019, growing by 0.8 million euros year on year. The sales revenue of the fourth quarter was 2.6 million euros, a growth of 0.1% compared to the sales revenue of the same period last year, which, for the first time, has put a stop on the declining turnover of the past three years. The pre-tax loss of the fourth quarter was 0.2 million euros, which is 0.2 million euros weaker compared with the result of the same period of the previous year. The net loss of the fourth quarter was 0.2 million euros. The result of the footwear trade segment in 2019 was affected by store repositioning plans and related business decisions, as well as the introduction of renewed business software and logistics service. In the beginning of 2019, a change was made in the company - the central warehouse was closed and a new principle was applied to the logistics service. During the year, the SHU stores in Kristiine Keskus, Võru Kagukeskus, and Tartu Kaubamaja were renovated. The concepts of the assortment and sales environments of ABC KING and SHU were refreshed and a new visual identity of SHU was developed. In the second half of the year, a new business software system was introduced and the cash register systems were replaced in the stores. It is planned to continue with the renovation of stores in 2020 and implement the changes in the assortment and sales environment at stores developed in 2019.

Real estate

The sales revenue earned in the real estate segment outside the Group was 5.8 million euros in 2019. The sales revenue grew by 5.7% compared to last year. The sales revenue of the segment outside of the Group was 1.5 million euros in the fourth quarter, growing by 3.8% compared to the same period last year. The pre-tax profit of the real estate segment was 14.7 million euros in 2019. The profit grew by 43.3% year on year. The pre-tax profit of the segment was 6.6 million euros in the fourth quarter, which exceeded the result of the same period last year by 4.3 million euros. The Latvian real estate company that leased the commercial space to a party outside of the Group influenced the sales growth of the segment. Other companies of the Group's real estate segment also showed a stable sales growth. The profit of the segment within the Group was increased by the new Shkoda car showroom and the showroom intended for used cars completed and taken into use in Latvia at the end of the year, the reduction of costs in the Latvian real estate company, and the sales income from the sale of the registered immovable intended for the development of residential property in Tallinn. At the end of the year, the annual revaluation of investments in property was conducted, which did not have any significant effect on the profit of the segment. The development of the additional Latvian car showroom and the store of Kaubamaja department store in Tallinn will continue in 2020.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros?

	31.12.2019	31.12.2018
ASSETS		
Current assets		
Cash and cash equivalents	40,629	37,235
Trade and other receivables	16,904	16,093
Inventories	78,305	78,212
Total current assets	135,838	131,540
Non-current assets		
Long-term trade and other receivables	114	113
Investments in associates	1,721	1,738
Investment property	60,458	59,866
Property, plant and equipment	319,192	212,687
Intangible assets	4,990	5,133
Total non-current assets	386,475	279,537

TOTAL ASSETS	522,313	411,077

LIABILITIES AND EQUITY		
Current liabilities		
Borrowings	46,448	26,002
Trade and other payables	89,831	90,775
Total current liabilities	136,279	116,777
Non-current liabilities		
Borrowings	157,876	68,313
Provisions for other liabilities and charges	322	370
Total non-current liabilities	158,198	68,683
TOTAL LIABILITIES	294,477	185,460
Equity		
Share capital	16,292	16,292
Statutory reserve capital	2,603	2,603
Revaluation reserve	93,496	95,587
Currency translation differences	-149	-149
Retained earnings	115,594	111,284
TOTAL EQUITY	227,836	225,617
TOTAL LIABILITIES AND EQUITY	522,313	411,077

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of euros

	IV quarter 2019	IV quarter 2018	12 months 2019	12 months 2018

Revenue	192,614	182,352	717,223	681,181
Other operating income	4,431	982	5,113	2,175
Cost of sales	-142,372	-132,830	-535,410	-507,182
Other operating expenses	-11,435	-15,189	-41,917	-56,033
Staff costs	-20,448	-19,461	-73,113	-67,710
Depreciation, amortisation and impairment losses	-7,685	-3,227	-30,743	-13,426
Other expenses	-233	-844	-715	-1,673
Operating profit	14,872	11,783	40,438	37,332
Finance income	0	0	1	1
Finance costs	-767	-237	-2,982	-810
Finance income on shares of associates	29	27	203	214
Profit before tax	14,134	11,573	37,660	36,737
Income tax expense	-70	-49	-6,523	-6,299
NET PROFIT FOR THE FINANCIAL YEAR	14,064	11,524	31,137	30,438
Other comprehensive income:				
Items that will not be subsequently reclassified to profit or loss				
Revaluation of land and buildings	0	15,266	0	15,266

Other comprehensive income for the financial year	0	15,266	0	15,266
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR	14,064	26,790	31,137	45,704

Raul Puusepp

Chairman of the Board

Phone +372 731 5000