



Tallinna Kaubamaja Grupp AS

Reg nr 10223439

Kaubamaja 1, 10143, Tallinn

Report of the board of directors of Tallinna Kaubamaja Grupp AS on the Annual Report of 2022

Translation of the Estonian original

21 February 2023

In 2022, Tallinna Kaubamaja Grupp AS (hereinafter the Group) achieved good financial results in a challenging economic environment. Even though the net profit of the Group was smaller than in the previous year due to rapidly increasing energy costs, growing labour costs, and the larger revaluation of real estate investments in 2021, the sales revenue grew in every area of activity and a strong sales margin was retained. In the assessment of the board of directors, the Group has fulfilled the goals set for the Executive Board for 2022.

The focus of the reporting year has been on providing a better service for customers and for this reason, we have invested into developing physical and digital sales channels. In the supermarket segment, two new stores were opened and one existing store was renovated; Naistemaailm in the Kaubamaja department store in Tallinn and several I.L.U. cosmetics stores were updated. During the reporting year, self-service payment terminals were opened in all Selver stores and the reliability of e-stores was improved. The party snacks of Selveri Köök were integrated into the e-Selver platform, expanding the delivery area of these products significantly. The number of loyal customers of the Group is at a record high, exceeding 700 thousand. The mobile application of the loyalty programme has become very popular. The reporting year was successful for the car segment of the group and all companies in the car segment achieved record profits. Success was achieved due to new business directions, the better availability of KIA vehicles, and the growing car sales in Latvia and Lithuania. In 2022, the Group stopped selling footwear in separate shoe stores. However, the area of security services was expanded with the aim of bringing new products to the market and developing the wholesale activities of security systems.

The Group continues to focus on developing business culture in an environmentally friendly and responsible way. At the end of the reporting year, the board of directors of the Group approved the sustainable development strategy for 2023–2030, the aim of which is to ensure the long-term profitable and responsible operational capacity of the Group. As part of implementing the sustainable strategy of the group, the real estate companies in the group have focused on improving the energy efficiency of its buildings during the reporting year. In 2023, it is planned to continue with the developments and focus more on responsibility and reducing the ecological footprint.

With the aim of maintaining and growing a continuously strong market position, the plans of the supermarkets segment for 2023 include continuing developments related to improving user convenience, renovating several existing stores, and opening a new store in the rapidly developing Kurna village near Tallinn. There are also plans to renovate the Solaris grocery store in Tallinn, which sees many visitors, and Järve Selver, the representative store of the chain. Kulinaaria OÜ, the central kitchen, will focus on the development of new products in 2023. In the Kaubamaja department stores segment, the Toidumaailm department in Tartu Kaubamaja department and the concept of the I.L.U. cosmetics stores will be updated. The loyalty programme Partnerkaart, connecting the retail trade segments of the Group, will focus on supplementing financial services supporting retail trade. It is planned to expand the operations of the car trade segment – the Group will begin selling Škoda in Lithuania and preparations are made to open a new multi-brand Škoda and KIA car sales and service centre in Vilnius. The goal for 2023 of the security segment is to increase sales capacity and develop new services and security solutions.

The development plans listed above will be drawn up and the activities will be planned in close cooperation with the board of directors of the Group. The executive board, the management, and the board of directors will work together on developing the strategy of the company; thereat, the executive board and the



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management will be making their management decisions based on the strategic guidelines received from the board of directors. The members of the board of directors will supervise the activity of the executive board. The term of office of Raul Puusepp, Member of the Executive Board, was extended on 17 February 2023 and his term of office will expire on 6 March 2026. The board of directors held twelve ordinary and one extraordinary meeting in 2022. The board of directors discussed and approved the budgets and investments drawn up by the executive board and set operational objectives and priorities. Within the framework of supervising the activity of the executive board, the board of directors has discussed the financial results of the company by months in their monthly meetings and specified further action plans. The activity of the board of directors is supported by the audit committee of the Group, which mainly focuses its activity on improving risk management and the internal control system. The audit committee also helps to coordinate the activity of internal and external auditors and discusses all important reports of the auditors. In exercising supervision, the efficiency of the follow-up control is prioritised, supporting the executive board and the management of the Group at that. The audit committee works on a monthly basis and documents its operations in compliance with the applicable rules.

In the opinion of the board of directors of the Group, the executive board of the Group has fulfilled its obligations. The board of directors of the company approves the annual report of 2022 drawn up by the executive board.

Jüri Käo

Chairman of the board of directors

Tallinna Kaubamaja Grupp AS

(signed digitally)



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