



Report by the Board of Directors and Financial Statements 2022

Report by the Board of Directors and financial statements

REPORT BY THE BOARD OF DIRECTORS

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Auditor's report

REPORT BY THE BOARD OF DIRECTORS 2022

Tokmanni's business

Tokmanni is the largest nationwide variety discount retailer in Finland. At the end of 2022, Tokmanni had 198 Tokmanni stores across the country, four Miny stores as well as extensive online services. Tokmanni is an easily accessible variety discount retailer whose competitive advantages are low prices, interesting and broad product assortment, committed staff, a combination of online store and nationwide store network, and an efficient and agile business model. Tokmanni aims for stable and profitable long-term growth.

Tokmanni operates in the Finnish retail market, focusing on the variety discount retail market. The retail market can be divided into the grocery and the non-grocery market. In 2022, about 51.2% (49.9%) of Tokmanni's sales came from grocery products and about 48.8% (50.1%) came from non-grocery products. The grocery trade market consists of the sale of food, beverages, household papers, newspapers and magazines, cleaning products and daily cosmetics, among others. The non-grocery market consists of the sale of apparel, housing, garden, and leisure products, among others.

Tokmanni's assortment consists of private label and exclusive brand products as well as non-branded products and leading Finnish and international brands. Tokmanni has a wide range of products with a good price-to-quality ratio, for example in the following categories: home cleaning, personal care, apparel, tools and electrical equipment, home and decoration, garden, yard and balcony, leisure, home electronics, and groceries. At the end of 2022, 18 out of Tokmanni's 198 stores sold fresh foods.

Market development

Tokmanni continuously monitors market developments and the competitive field and actively develops its own business to maintain its competitive advantages. Tokmanni's target markets are broad. In addition to the store network, Tokmanni's sales channels include its online store and direct sales to companies, association and public sector. In Tokmanni's view, companies with strong know-how in online retail, combined with a comprehensive network of brick-and-mortar stores, are best positioned to succeed over their competition in the future.

The retail market is undergoing a structural transformation and a digital revolution. With regard to the structural transformation, Tokmanni believes that consolidation into larger companies will probably continue in the European discount retail market. As for the digital revolution, Tokmanni aims to utilise solutions that have become standard in the market to support its business.

The key changes in the market environment affecting Tokmanni are rising inflation and the weakening of consumer purchasing power. Consumer purchasing power has been eroded particularly by higher prices of products and services and the rise in interest rates. The uncertainty caused by the war in Ukraine and deterioration of consumer purchasing power had a negative impact on volumes in the Finnish retail market in 2022. On the other hand, the sharp rise in prices during 2022 supported retail sales measured in euros.

Impacts of Russia's attack on Tokmanni's business

Russia's attack against Ukraine has increased market uncertainty. Even though, Russia's war in Ukraine has not had significant direct effects on Tokmanni's financial performance, the crisis has impacted the general economic environment through higher energy prices, a rise in market interest rates, weaker consumer confidence and an increase in geopolitical tensions.

Tokmanni has no business operations in Russia. Tokmanni ceased procuring oils and techno chemicals from Teboil and other products of Russian origin in February 2022.

Competitive landscape

In Tokmanni's view, competition from Finnish and international rivals continues to intensify both in brick-and-mortar stores and online. As a result of changing market conditions and stiffer competition, there is a need to boost

operational and cost efficiency. The current market conditions favour companies that are agile and able to rapidly react to changes in consumer needs and that possess swift implementation capabilities.

Tokmanni's competitors in the variety discount retail market are hypermarkets and several smaller local variety discount retailers and international variety discount retailers. Tokmanni's size gives it a competitive advantage against other variety discount retailers in the Finnish market. Tokmanni also aims to differentiate itself from other variety discount retailers in addition to its low prices through an interesting and extensive product assortment, a better customer experience, the wellbeing of its personnel, sustainability, and the efficiency of its operations.

Hypermarkets carry a large product assortment, from fresh food to consumer goods. Hypermarkets are mostly located in the suburbs of the largest cities and benefit from frequent visits driven by their fresh food offering. Tokmanni's low prices and its interesting product assortment that sets it apart from hypermarkets, as well as the convenience of shopping at its stores, give it a competitive edge over hypermarkets.

Specialty discount retailers with low prices and a strong assortment of private label goods offer a comprehensive assortment in individual product groups, such as sports products or home electronics. Tokmanni's primary competitive advantages over specialty discount retailers come from its lower price level, nationwide store network and a more extensive assortment of products in other product categories. At Tokmanni, customers can purchase the products they need from several different categories at once.

In recent years, the importance of international online stores has also increased in Finland. Competition has increased especially in the product categories of apparel and home electronics, and online stores are expected to grow further over the next few years. Tokmanni continuously develops its digital services to meet the changed needs of its consumers and to develop the total customer experience. Tokmanni's competitive advantages over other online stores are the low prices of its products, its interesting and extensive product assortment, quick delivery and a nationwide store network. Tokmanni has combined the operations of brick-and-mortar stores and the online store in a way that makes it quick and easy for customers to search, buy, pick up and return products.

Store network development

Expanding the store network is one of the ways to grow Tokmanni's revenue and profit. Tokmanni has an efficient process of establishing and launching new stores. Tokmanni's target is to expand its store network to include more than 220 Tokmanni stores in Finland by the end of 2025. The Miny stores are not included in this target. The company increased its retail selling space by approximately 8,800 square metres during 2022. At the end of 2022, the retail selling space of stores totalled about 495,000 square metres (31 December 2021: about 487,000).

At the end of 2022, Tokmanni had 198 Tokmanni stores (31 December 2021: 196). During 2022, Tokmanni carried out major refurbishment of its stores in Kivikukkaro in Turku, Tervaharju in Kemi, Porttipuisto in Vantaa, Arabia shopping centre in Helsinki, and our store in Tornio. The stores in Kaarina, Kuusamo, Hyvinkää, Ikaalinen, in Tammisto in Vantaa and Koskikeskus in Tampere were renewed and expanded. In addition, Tokmanni opened new stores in the Lippulaiva shopping centre in Espoo, in Nurmijärvi and in Kontula in Helsinki. At the end of 2022, Tokmanni closed its store in the Veturi shopping centre in Kouvola due to the expiry of its lease.

Tokmanni has signed agreements to open new stores in Konala in Helsinki, the Keljo district of Jyväskylä and in Söderkulla in Sipoo. In addition, Tokmanni acquired the business of Jyskän Varastomyymälä Oy in Jyskä, Jyväskylä. Tokmanni celebrated the opening of the Jyskä store on 26 January 2023.

Tokmanni's stores are usually located just outside urban centres. The stores mostly operate out of leased premises. Tokmanni considers a store to be new or relocated over the duration of its opening year and the following calendar year.

Miny shop-in-shop departments and dedicated stores

Miny is a lifestyle brand launched by Tokmanni in February 2022. At the end of 2022, there were four dedicated Miny stores: in the Lippulaiva shopping centre in Espoo, the Forum Jyväskylä shopping centre in Jyväskylä, the IsoKristiina shopping centre in Lappeenranta and the Jumbo-Flamingo entertainment and shopping centre in Vantaa. In addition, Miny products were available in Tokmanni's online store and in shop-in-shop departments in 20 Tokmanni stores.

More information about Tokmanni's stores and the Miny lifestyle brand is available on the 'New store development' page at https://ir.tokmanni.fi/en/investors/tokmanni-as-an-investment/new_stores, and on the 'News and media' page at <https://ir.tokmanni.fi/en/news-and-media> and <https://www.tokmanni.fi/miny> (in Finnish).

Financial development

Revenue

Revenue for January–December 2022 grew by 2.3% (6.4%) to EUR 1 168.0 million (1,141.8). All in all, sales in January–December were characterised by higher sales of grocery products due to the price increase. Sales of grocery products grew by 4.8% compared to the previous year. Measured as a percentage, the biggest growth was in the sales of pet products and food, apparel and cleaning products. Correspondingly, the sales of kitchen products and toys decreased the most. Tokmanni's online sales accounted for 1.7% (1.8%) of total revenue, a decrease of 2.0% (+58.7%) year-on-year.

Like-for-like revenue decreased by 0.7% (+4.8%) in 2022. Like-for-like customer visits decreased by 2.1% (-0.8%), and the total number of customers grew by 0.8% (0.8%) year-on-year. The like-for-like average basket grew by 1.4% to EUR 21.05 (20.76).

Direct imports accounted for 27.1% of sales (27.1%). These can be broken down into products purchased using Tokmanni's sourcing company in Shanghai, which accounted for 18.2% (18.3%), and other direct imports, which accounted for 8.9% (8.8%). The brands managed by Tokmanni (private label products, exclusive brands and non-branded products) represented 32.2% (32.5%) of sales in January–December. In 2022, Tokmanni made changes to the definitions of imports, which impacted the comparison figures for 2021.

Profitability

January–December 2022 gross profit in euros amounted to EUR 396.8 million (397.8), and the gross margin was 34.0% (34.8%). Comparable gross profit was EUR 398.0 million (396.4), corresponding to a comparable gross margin of 34.1% (34.7%). The decrease in the gross margin was due, in particular, to the sales structure and the decision to maintain low prices despite higher sourcing prices.

Operating expenses increased to EUR 243.7 million (226.9), or 20.9% of revenue (19.9%). Comparable operating expenses were EUR 243.1 million (227.6), or 20.8% of revenue (19.9%). The growth in operating expenses in euros was mainly due to general increase in costs. Personnel expenses represented EUR 137.1 million (132.9) of the aforementioned operating expenses, or 11.7% (11.6%) of revenue.

EBITDA for 2022 amounted to EUR 157.1 million (174.5), and the EBITDA margin was 13.5% (15.3%). Comparable EBITDA totalled EUR 158.9 million (172.5), and the comparable EBITDA margin was 13.6% (15.1%).

Profitability decreased in January–December compared with the previous year, which was mainly due to the aforementioned increase in operating expenses and depreciation. EBIT was EUR 84.1 million (107.7), and the EBIT margin was 7.2% (9.4%). Comparable EBIT was EUR 85.8 million (105.7), and the comparable EBIT margin was 7.3% (9.3%).

Net financial items totalled EUR 10.7 million (10.1). The result before taxes was EUR 73.3 million (97.6). Taxes for the period amounted to EUR 14.6 million (19.6). The net result for 2022 was EUR 58.7 million (78.0).

Diluted earnings per share were EUR 1.00 (1.33). The return on capital employed was 12.8% (18.0%), and the return on equity was 26.9% (37.9%).

Balance sheet, financing and cash flow

At the close of 2022, Tokmanni's inventories amounted to EUR 281.3 million (263.6). The value of inventories reflects the increase in purchase prices.

Tokmanni Group Corporation

Consolidated cash flow from operating activities amounted to EUR 86.3 million (126.8) in January–December. The decrease in the cash flow was due to the weaker result and the fact that the amount of capital tied to inventories was higher than in the previous year. Cash and cash equivalents amounted to EUR 9.1 million (81.3). Cash and cash equivalents were impacted in particular by investment in the construction of the logistics centre and the high level of inventories. At the close of 2022, the financial position was good. Tokmanni has a total of EUR 206.0 million in withdrawable funds, consisting of loan agreements with financial institutions and a commercial paper programme.

At the end of 2022, Tokmanni's interest-bearing debt totalled EUR 392.4 million (395.6), including EUR 100.0 million (100.0) in non-current loans from financial institutions and EUR 10.0 million (0) in current commercial paper debt and loans from financial institutions. The remainder of the liabilities consist of lease liabilities reported under IFRS 16.

The ratio of net debt to comparable EBITDA (rolling 12 months) was 2.4 (1.8) at the end of 2022. Tokmanni intends to maintain an efficient long-term capital structure. Tokmanni's long-term goal is to keep the ratio of net debt to comparable EBITDA at a level below 3.2.

Tokmanni's equity ratio was 31.2% (30.0%) at the end of 2022.

Capital expenditure

Net capital expenditure for the full year 2022 totalled EUR 54.7 million (21.7). Capital expenditure was mainly related to the expansion, development and maintenance of the store network, the development of digital services and the construction of a new logistics centre. Costs related to construction accounted for EUR 35.8 million of full-year 2022 capital expenditure.

Capital expenditure in 2023 is expected to be at the same level as in 2022, excluding the capital expenditure related to the construction of the new logistics centre.

The construction of Tokmanni's new logistics centre, which will support and complement Tokmanni's existing logistics centre, is progressing as planned. Once completed, it will replace the extra warehouse capacity currently leased. The new logistics centre, which is located in the immediate vicinity of the current administrative and logistics centre, will be introduced into service in stages. The first section will be brought into service in April 2023, and it is estimated that the whole building will be completed in November 2023. The total value of the investment is estimated at EUR 65 million, and it will be recognised over 2022–2023. Once the logistics centre is completed in 2023, it will be sold to NREP, which will become Tokmanni's lessor under a 20-year lease.

Tokmanni Group Corporation established in January 2022 two new companies, Mäntsälä Distribution Center Oy and Kiinteistösaakeyhtiö Tokmannin Moreeni, for a new warehouse construction project.

Acquired businesses

Tokmanni acquired the business of Jyskän Varastomyymlä Oy in Jyskä, Jyväskylä ([Release 11.11.2022](#)). The total revenue of the acquired business was EUR 7.2 million in the financial period ending in February 2022. Tokmanni took the control of the store's business operations as of 1 January 2023.

Tokmann's long-term financial targets and achievements

In March 2021, Tokmanni updated its strategy for the years 2021 to 2025. Tokmanni's aim is to achieve a revenue of EUR 1.5 billion and a comparable EBIT of EUR 150 million by the end of 2025.

The targets of Tokmanni's strategic period 2021–2025 and achievements in 2022.

Target for 2021–2025	Achievement in 2022
Revenue EUR 1.5 billion	Revenue EUR 1,168.0 million
Over 220 stores in Finland*	At the end of year, the number of Tokmanni stores was 198
Comparable EBIT EUR 150 million	Comparable EBIT EUR 85.8 million
Ratio of net debt to comparable EBITDA is less than 3.2	Ratio of net debt to comparable EBITDA was 2.4 as of 31 December 2022
Dividend about 70% of net profit for the financial year**	The Board of Directors' dividend proposal for 2022 to the Annual General Meeting is 76% of the net profit for the financial year

*The aim is to increase the number of stores every year by about six new or relocated Tokmanni stores in Finland.

**The decision to distribute dividend is always dependent on capital structure, financial position, general economic and business conditions and future outlook.

Strategic measures taken in 2022

The cornerstones of Tokmanni's strategy are enhancing customer confidence and loyalty and improving cost-effectiveness. Key measures to achieve customer confidence and loyalty are focus on low prices, expansion of the assortment, easy shopping, attractive customer experience, service-oriented personnel and sustainability.

- **Low prices / price competitiveness**

Low price is at the core of discount retail. Perceived price image is a valuable feature that should be risked as little as possible. For this reason, Tokmanni kept offering customer prices lower than its competitors in 2022, despite the rise in sourcing prices and cost inflation. In addition, Tokmanni announced at the end of September that it would lock the prices of more than a hundred products until the end of 2022.

- **Wide assortment**

Tokmanni's target is to double its product assortment during its current strategy period, i.e. by the end of 2025. It will be able to achieve this target by expanding the current destination product categories, adding new product categories to the selections, offering more A-brand products and reinforcing the private label offering. Tokmanni launched its Miny lifestyle brand in February 2022. Miny products are available in the Tokmanni online store, in shop-in-shop departments in selected Tokmanni stores and in designated Miny stores. Tokmanni launched a new nutritional supplement private label brand in September 2022. Arki 360° offers vitamins, protein bars and other daily wellness products. At the beginning of the year 2022, Tokmanni launched the Parco brand, which outdoor furniture and pots and other products related to decorating outdoor spaces complemented the company's yard, balcony and garden product group.

- **Easy shopping**

Over one million customers visit Tokmanni stores and more than one million people visit the company's website every week. Tokmanni's target is to offer all customers the opportunity to enjoy easy shopping at Tokmanni stores and at its online store. One of the key factors enabling this is the fact that Tokmanni's stores are located close to the customer. Tokmanni's target is to expand its store network to include more than 220 Tokmanni stores in Finland by the end of 2025. At the end of 2022, Tokmanni had 198 Tokmanni stores (196) and 4 Miny stores.

- **Attractive customer experience**

In August 2021, Tokmanni launched the Tokmanni Klubi customer loyalty programme, which has attracted great interest among customers and partners. Almost 2 million customers had joined Tokmanni's customer loyalty programme by the end of January 2023. The aim of Tokmanni Klubi is to improve customer confidence and loyalty as well as the shopping experience.

- **Service-oriented personnel**

Tokmanni's competent and motivated employees work together to serve their customers, thus enabling the

company to achieve its targets. It is particularly important to ensure that the employees possess the proper expertise and that they are committed to achieving the common targets. Tokmanni's different personnel groups have varying needs regarding skills, and the company is active in providing its employees with training. At the center of everything are induction, management, coaching and rewarding. More information on the key achievements in Tokmanni's personnel work in 2022 is presented below in the Personnel section.

- **Sustainability**

Sustainability at Tokmanni arises from practical actions that are monitored and developed in line with common goals as part of day-to-day work. At the same time, Tokmanni can improve customer satisfaction and its employer brand, as well as grow its business operations. More information on the key achievements in Tokmanni's sustainability work in 2022 is presented below in the Corporate Responsibility section.

Cost efficiency is a core competence of the discount retailer and is a part of all decision making. Key measures to improve cost-effectiveness include investments in sourcing, the supply chain, digital solutions and operational efficiency.

- **Sourcing**

Tokmanni is constantly strengthening its sourcing operations and sourcing channels to guarantee affordable prices for its customers. One of the key ways for Tokmanni to offer its customers low prices is to introduce Tokmanni private label products to the market. In just over three years, Tokmanni has introduced the following seven: Pisara, Noixx, Perfekt+, Natur Premium Pet, Parco, Arki 360° and products related to the Miny-concept. Tokmanni will continue to develop new private labels for suitable product categories.

Efficient sourcing and cooperation allow Tokmanni to widely utilise product innovations, conduct total price comparisons of several different sourcing markets, guarantee quick deliveries from nearby regions and react quickly if needed. Tokmanni engages in sourcing cooperation with Norwegian Europris chain in Asia (incl. China, India, Bangladesh, Myanmar, Thailand, Cambodia, Indonesia and Vietnam) and Eastern Europe (incl. Turkey, Poland, Bulgaria, Romania, Czechia, Slovakia, Hungary, Serbia, Bosnia, Slovenia, Croatia, Estonia, Latvia and Lithuania). The functions in Vietnam were launched in August 2022 through the joint sourcing company of Tokmanni and Europris, located in Shanghai.

- **Supply chain**

Tokmanni continued to take measures to boost the efficiency of its supply chain in 2022. Growth in line with the strategy will mean that goods flows to the stores will grow, which will have an impact on the stores and the supply chain, among other things. During 2022, the company continued to develop its operating models to ensure that, despite the growth in the volume of goods, the stores are always ready to serve their customers in the best possible way. In addition, Tokmanni introduced measures to reduce the value of inventories.

- **Digital solutions**

Tokmanni's digital projects will be planned and piloted gradually during the current strategy period. The experiences gained from the pilots will be used to decide which solutions will be deployed throughout the chain. Development of the customer loyalty program introduced in 2021 continued in 2022 to ensure a seamless digital customer experience. Additionally, Tokmanni introduced new digital shift planning software that will make it more efficient to plan work shifts. Existing systems such as the online store and enterprise resource planning systems were also developed.

- **Operational efficiency**

Logistics and the supply chain were integral to operational efficiency. At the end of 2021, Tokmanni decided to build a new logistics centre with a total area of around 55,000 square metres in Mäntsälä. The new logistics centre will considerably increase efficiency in Tokmanni's logistics and supply chain, supporting Tokmanni's aim of improving the company's profitability. More information on the new logistics centre is presented above in the Investments section.

Personnel

Tokmanni had 4,241 (4,105) employees at the end of 2022. On average, Tokmanni employed 4,236 (4,132) people during 2022. Out of Tokmanni's total personnel, 85.3% (85.5%) worked at the stores, 7.5% (7.2%) at the warehouses and 7.2% (7.2%) in support functions.

Key achievements in personnel work in 2022

The year was characterised by the introduction of three new systems that support personnel management. The new HR system, shift planning system and recruitment system were introduced successfully, and efforts to utilise them even more effectively continue. During 2022, Tokmanni redesigned its careers pages and began systematically building cooperation with educational institutions across Finland.

During 2022, more than 260 Tokmanni employees participated in long apprenticeship training courses. The highest numbers of students were in the programmes aiming for a vocational qualification in business, a vocational qualification in first-line management and a garden salesperson qualification. The career paths of store salespeople were also developed. Finnish language courses that were launched in 2021 for store and warehouses employees who have moved to Finland from other countries were continued in 2022.

The training programme aimed at the extended management continued. In 2022, the training focused particularly on change management and wellbeing. The supervisors' coaching path was supplemented with a new coaching module in which participants learn to build trust and psychological safety within a team and to develop self-knowledge. One of the development projects carried out in 2022 was the educational coaching aiming at a Bachelor of Business Administration degree, for which 10 Tokmanni employees were accepted as degree students.

As part of its project called *Onnistuneesti työuralle*, the Finnish Institute of Occupational Health organised online coaching sessions for Tokmanni's young employees and training for their supervisors. Tokmanni also participated in the training project intended for immigrants, which was organised by Stadin AO (Helsinki Vocational College and Adult Institute). Tokmanni continued its cooperation with Plan International, recruiting young people with an immigrant background as trainees in the *Tutustu työelämään ja tienaa* programme. During 2022, Tokmanni employed 17 Ukrainians at its logistics centre and stores.

In 2022, Tokmanni paid particular attention to the prevention of mental health problems and musculoskeletal disorders. The occupational health care agreement concluded with Mehiläinen was supplemented with short-term therapy and mood coaching for employees facing mental health challenges. In cooperation with occupational health care, Tokmanni planned and launched the *Työfysari Helppi* operating model to support good ergonomics at work in the logistics centre and the stores.

In 2022, Tokmanni launched the Tokmanni Tsemppi wellbeing programme to promote coping at work and a healthy way of life for all employees. Personal wellbeing surveys were conducted on the supervisors and experts at the headquarters with the help of an external partner, and the results of the surveys were used to create various lectures. Occupational health care conducted a health survey among the store and warehouses personnel. The survey's purpose was to ensure that persons who were found to be in need of support, or who indicated this themselves, received treatment or were referred to various care paths.

In the area of occupational safety, the focus in 2022 was on instilling various operating methods. The safety walks started in 2021 continued to take place actively at all Tokmanni's locations in 2022, and any shortcomings detected were remedied in a timely manner. The Tokmanni Turva system was enhanced by including workplace surveys by occupational health care and observations that arose in inspections by the Regional State Administrative Agency in the system. Concentrating all information in a single system makes it easier for Tokmanni to draw conclusions concerning the entire company and to take steps to remedy detected deficiencies.

Tokmanni continued its active work to promote diversity in 2022. The diversity coaching for warehouse supervisors was expanded so that it now also covers orientation mentors at warehouse. Having completed the coaching, many of the orientation mentors completed a vocational degree in service logistics alongside their work.

Remuneration of the personnel

All Tokmanni employees are covered by the quarterly incentive bonus scheme, with the exception of logistics personnel. Tokmanni's logistics employees are paid a personal productivity bonus based on their monthly performance, on top of their monthly basic salary. A description of Tokmanni's Board of Directors' and Executive Group's remuneration practices will be provided in the Remuneration Report to be published in the week beginning on 20 February 2023.

Changes in Tokmanni's Executive Group

Tokmanni's CFO and CIO Markku Pirskanen decided to move to a new position outside the company. Pirskanen's last working day at Tokmanni was 12 August 2022. Tokmanni's new CFO and CIO Tapio Arimo started in his position on 15 November 2022.

On 31 December 2022, Tokmanni's Executive Group included the following persons:

- Mika Rautiainen, President and CEO as well as member of the Executive Group since 1 June 2018
- Tapio Arimo, CFO and CIO, member of the Executive Group since 15 November 2022 and deputy to CEO since 23 November 2022
- Timo Heimo, Vice President, Sales and Supply Chain, member of the Executive Group since 1 December 2018
- Sirpa Huuskonen, Vice President, People, Culture and Sustainability, member of the Executive Group since 1 May 2016
- Harri Koponen, Vice President, Store Network and Concept, member of the Executive Group since 1 February 2018
- Matti Korolainen, Commercial Director, member of the Executive Group since 1 August 2019
- Janne Pihkala, Vice President, Strategy, Business Development and eCommerce, member of the Executive Group since 1 April 2018
- Juha Valtonen, Vice President, Sourcing, member of the Executive Group since 1 August 2020
- Veli-Pekka Ääri, Vice President, Marketing and Communications, member of the Executive Group since 1 October 2021

More information on Tokmanni's governance is available on the company's website

<https://ir.tokmanni.fi/en/investors/corporate-governance/executive-group>.

Corporate responsibility

Corporate responsibility is one of the factors that underpins the success of Tokmanni's strategy. The key corporate responsibility targets were updated in 2021 as part of Tokmanni's strategy update. The targets are related to the following themes: Products and Sourcing Chain, People, Climate and Business Integrity. Corporate responsibility work is carried out in line with the strategic objectives and in compliance with valid legislation.

Tokmanni takes climate change seriously, and reducing climate emissions is one of Tokmanni's key priorities in corporate responsibility. Tokmanni's climate work is guided by ambitious science-based climate targets (based on the Science Based Targets initiative) that are aligned with the Paris Agreement and aim to limit global warming to 1.5 degrees Celsius. Tokmanni set its science-based climate targets in 2020 as the third Nordic retail sector company to do so. Tokmanni is also aiming to achieve carbon neutrality in its own operations (Scope 1 and 2 emissions) in 2025.

Tokmanni's sustainability will be presented comprehensively in the Sustainability Report to be published in the week beginning on 20 March 2023 and which is prepared in accordance with the GRI standards. In addition, matters related to sustainability will be discussed in the 'Non-financial information' section in the Board of Directors' Report, which will be published in the week beginning on 20 February 2023.

Key sustainability achievements in 2022

Tokmanni will achieve its ambitious climate targets in stages by continuing to implement energy efficiency measures, using only emission-free electricity and transitioning gradually to renewable heating.

Tokmanni improved its score in the global CDP Climate Change assessment. Tokmanni's inclusion in the Management category (A-) in the Leadership category in the climate change assessment proves that Tokmanni is increasingly considering the risks and opportunities arising from climate change and actively taking measures to reduce emissions, combat climate risks and develop a low-carbon economy.

In 2022, Tokmanni recycled approximately 34% (34%) of its waste and reused 48% (48%). The latter consisted of the reuse of pallets in transport. To reduce food waste, Tokmanni continued to offer evening discounts on food products about to expire at all of its stores. Tokmanni also started selling products that are past their best before date but are safe to eat at a 70% discount. In addition, 145 (140) Tokmanni stores and the logistics centre made food donations.

In 2022, Tokmanni further boosted energy efficiency at the properties whose operation it can directly influence. Tokmanni continued to invest in solar power, commissioning the installation of new solar power plants on the roofs of 5 (12) stores in 2022. About 9% of Tokmanni's annual electricity consumption was produced with solar power. Tokmanni also installed LED lighting at 6 (20) of its Tokmanni stores and at its 4 Miny stores. As a result, all of Tokmanni's stores now have LED lighting. In addition, Tokmanni switched off outdoor and advertising lights earlier than before and controlled ventilation units more closely. The building automation systems at many properties were also upgraded. This included refrigeration automation systems, where an increase in energy efficiency was sought by lowering the consumption of electricity and water.

Tokmanni continued to develop its supply chain risk management from a sustainability perspective. Tokmanni conducted 75 (62) own factory inspections in 2022. In addition, Tokmanni commissioned 42 extra third-party factory audits. Tokmanni also ordered factory-specific human rights audits for two potential sourcing areas from an external auditing firm. Tokmanni prepared a biodiversity roadmap. In 2022, Tokmanni updated its policy concerning wood- and paper-based products and set a goal to increase the amount of certified wood-based products. In addition, Tokmanni set a policy of using certified coffee in all its private label coffee brand. Tokmanni continued to pursue the goals set in its sustainability policies for raw materials. Tokmanni continued to work with amfori BEPI (Business Environmental Performance Initiative) in order to influence the climate impacts of its factories in high-risk countries. During 2022, Tokmanni used around 830 factories in high-risk countries.

Tokmanni's social responsibility partnership with the Finnish Red Cross (FRC) continued. Its aim is to endorse work combatting loneliness and social exclusion across Finland by supporting the FRC's volunteer friend activities. In 2022, Tokmanni donated EUR 242,200 collected from the sale of Teboil products towards helping Ukrainians through the FRC Disaster Relief Fund. In addition, Tokmanni continued to support Hurstinapu ry together with Unilever Finland, and it participated in the Mielinauha campaign of MIELI Mental Health Finland and cooperated with the John Nurminen Foundation in a campaign in which EUR 15,000 from the sales of Pisara-branded products were donated through the foundation for the protection of the Baltic Sea. In total, Tokmanni's various forms of support for different charitable causes added up to an amount almost EUR 300,000 in 2022.

Tokmanni purchased packaging services from Eteva for the third year in a row, offering packaging work to members of Eteva's *Duunarit* ('worker') groups. Members of Eteva's *Duunarit* groups include people in need of special support, such as people with intellectual and developmental disabilities or autism spectrum disorders, or those participating in mental health rehabilitation.

Tokmanni's Compliance team convened regularly once every quarter during 2022, processing all reports received through the whistleblowing channel in an appropriate manner. There were 105 notifications during the year. The anonymous whistleblowing channel has been used since 2020 for reporting both internal and external incidents. The Ethical Code of Conduct e-learning course, which is compulsory for every Tokmanni employee, was completed by 3,143 (3,128) Tokmanni employees in 2022.

Shares and shareholders

Tokmanni Group Corporation's share capital amounted to EUR 80,000 on 31 December 2022. Tokmanni had 58,868,752 shares outstanding at the end of December 2022. During January–December 2022, a total of 48,595,707 Tokmanni shares were traded on the Nasdaq Helsinki for a total price of EUR 673.4 million. The final trade in Tokmanni shares on the Nasdaq Helsinki was executed at a price of EUR 11.29 on 31 December 2022. The highest quote for the share was EUR 20.26 and the lowest was EUR 10.77. The volume-weighted average price of the share was EUR 13.91. At the end of December 2022, the market value of the shares was EUR 664.6 million (1,156,8).

Tokmanni Group Corporation has one share class, with each share entitling its holder to one vote at a general meeting of the company. The shares have no nominal value.

During January–December 2022 a total of 33,475 of Tokmanni Group Corporation's own shares were conveyed without consideration to the employees participating in the incentive program under the terms and conditions of the plans. A total of 6,352 own shares returned to Tokmanni Group Corporation. At the end of December 2022, Tokmanni Group Corporation held a total of 50,063 own shares, which represented 0.09% of Tokmanni's share capital.

At the end of December 2022, Tokmanni had 51 619 registered shareholders. At the end of the year 2022, the largest shareholders of Tokmanni Group Corporation were Takoa Invest Oy with 17.91%, Varma Mutual Pension Insurance Company with 4.17%, Ilmarinen Mutual Pension Insurance Company with 2.38%, Elo Mutual Pension Insurance Company with 2.02%, and OP-Suomi investment fund with 1.75% ownership.

Households held 29.04% of the shares, while financial and insurance institutions held 27.33%, public-sector entities held 25.21%, non-financial corporations held 9.66%, and non-profit organisations held 4.33%. Direct foreign ownership accounted for 4.43%. 22.03% of shares were nominee registered.

The combined holding of Tokmanni's Board of Directors, the CEO and the Deputy CEO as well as the other members of the Executive Group in the shares issued by the company was 1.33% at the end of 2022.

Shareholding of the Board of Directors on 31 December 2022

	Shares
Juha Blomster	8,840
Thérèse Cedercreutz	6,380
Erkki Järvinen	4,279
Ulla Lettijeffer	2,325
Seppo Saastamoinen*	111,987
Harri Sivula	214,574
Total	348,385

* One of the founders of Takoa Invest Oy, Chairman of the Board and CEO. Takoa Invest Oy owned 10,544,688 shares, or 17.91% of Tokmanni's shares on 31 December 2022. In addition, Jukka Saastamoinen Oy owned 274,000 Tokmanni shares, and Seppo Saastamoinen owned 30% of Jukka Saastamoinen Oy.

Shareholding of the Executive Group on 31 December 2022

	Shares
Tapio Arimo	2,000
Timo Heimo	48,247
Sirpa Huuskonen	21,474
Harri Koponen	39,287
Matti Korolainen	101,321
Janne Pihkala	6,732
Mika Rautiainen	174,915
Juha Valtonen	31,926
Veli-Pekka Ääri	11,112
Total	437,014

More information on Tokmanni's share and shareholders, as well as management's holdings, can be found on the company's website <https://ir.tokmanni.fi/en/investors/share-and-shareholders/management-shareholding>.

Authorisation of the Board of Directors to decide on the repurchase of the company's own shares

The Annual General Meeting held in 2022 decided to authorise the Board of Directors to decide on the repurchase or acceptance as pledge, using the Company's unrestricted equity, of a maximum of 2,943,000 own shares, which corresponds to approximately 5% of the Company's total shares at the time of convening the Annual General Meeting. The repurchase may take place in one or more tranches. The authorisation includes the right of the Board of Directors to decide on all other matters related to the repurchase and/or the acceptance as pledge of shares. The authorisation is effective until the Annual General Meeting to be held in 2023, yet no further than until 30 June 2023. The authorisation had not been used by 31 December 2022.

The Annual General Meeting decided to authorise the Board of Directors to decide on the issuance of at most 2,943,000 new shares or shares held by the company in one or more tranches through a share issue and/or by issuing options or other special rights entitling to shares as referred to in Chapter 10 Section 1 of the Limited Liability Companies Act. 2,943,000 shares currently represent approximately 5% of Tokmanni's total number of registered shares. The authorisation includes the right of the Board of Directors to decide on any terms and conditions of the share issue and the issue of special rights referred to in Chapter 10 Section 1 of the Limited Liability Companies Act. The authorisation is effective until the Annual General Meeting to be held in 2023, yet no further than until 30 June 2023. The share issue authorization has been used and shares owned by the Group were conveyed to the key employees in connection with the remuneration.

Share-based incentive programs

The Board of Directors of Tokmanni Group Corporation resolved in February 2022 to continue its share-based incentive program directed to the key employees. The aim of the program is to combine the objectives of the shareholders and the key employees in order to increase the value of the Company in the long-term, to commit the key employees to implement the Company's strategy, and to offer them a competitive reward program based on earning and accumulating the Company's shares.

The performance share program included the calendar year 2022. The potential reward of the program was based on the Company's earnings per share, on the market value development and emission reduction of own operations in 1.1.-31.12.2022.

The target group of the program includes the CEO, the members of the Executive Group as well as other key employees. The potential rewards, which by nature are taxable income, to be paid correspond to a maximum of 120,000 Tokmanni Group Corporation's shares based on the market value at the moment of granting and will be paid in Tokmanni Group shares and possibly partly in cash. The cash proportion covers taxes and tax-related costs arising from the reward to a key employee. The earned shares will be transferred to the participant's book-entry account in 2023 and will be released from restrictions in January 2025. If the employee's employment ends before the end of the restriction period, the shares will be returned to the company.

During 2022, Tokmanni Group Corporation assigned a total of 33,475 of the company's own shares to 58 persons covered by the company's incentive programme 2021 without consideration and in accordance with the terms and conditions of the incentive programme.

On 28 October 2020, Tokmanni's Board of Directors decided to specify the President and CEO's remuneration, in compliance with the company's Remuneration Policy, so that a maximum of 12,000 company shares will be transferred to the President and CEO without consideration during the remuneration period beginning on 1 November 2020 and ending on 31 October 2023. In accordance with the terms and conditions of the President and CEO's share-based commitment scheme, the President and CEO was paid a share-based bonus of 4,000 shares, half of which was paid in cash and half in shares in November 2021 and 2022. Paid-up shares are freely transferable without any obligation to return them. 4,000 shares of the President and CEO's share-based commitment scheme remain unused.

Governance

Governance at Tokmanni Group Corporation is based on the Articles of Association approved by the General Meeting of Shareholders, the Finnish Limited Liability Companies Act and the rules and regulations by Nasdaq Helsinki Ltd. with regard to listed companies. Tokmanni complies with the Finnish Corporate Governance Code for listed companies issued by the Securities Market Association.

Decisions taken by the Annual General Meeting

Tokmanni Group Corporation's Annual General Meeting was held in Helsinki, Finland on 23 March 2022. The meeting was held based on the so-called temporary act so that shareholders participated in the meeting and exercised their shareholder rights only by voting in advance and by submitting counterproposals and asking questions in advance.

The meeting approved the financial statements, considered the Remuneration Report for governing bodies and discharged the responsible parties from liability for the financial period 1 January–31 December 2021.

Dividend payment

The General Meeting approved dividends in line with the Board of Director's proposal of EUR 0.96/share. The proposed dividend was paid to shareholders who are registered in the company's shareholders register, maintained by Euroclear Finland, on the record date of the payment of the dividend. The record date for the payment of the dividend was 25 March 2022 and the date for the payment of the dividend is 8 April 2022.

Board composition and remuneration

The number of Members of the Board of Directors was confirmed as six. Re-elected as Members of the Board were Seppo Saastamoinen, Harri Sivula, Thérèse Cedercrutz, Juha Blomster, Erkki Järvinen and Ulla Lettijeff. Seppo Saastamoinen was re-elected as the Chairman of the Board of Directors.

The General Meeting confirmed an annual compensation of EUR 84,000 for the Chairman of the Board and EUR 30,000 for the member of the Board.

The Chairman and the members of the Board of Directors will be paid an attendance fee per each meeting of the Board of Directors as follows:

- EUR 1,000 for those members of the Board of Directors who are domiciled in Finland;
- EUR 2,000 for those members of the Board of Directors who are domiciled elsewhere in Europe; and
- EUR 3,000 for those members of the Board of Directors who are domiciled outside Europe.

In addition, the Chairman of the Finance and Audit Committee will be paid EUR 1,000 as monthly remuneration.

The annual remuneration of the members of the Board of Directors is paid in company shares and in cash so that approximately 40% of the annual fee is paid in the company shares and the rest is paid in cash. The company will pay any costs and transfer tax related to the purchase of the company shares. The shares purchased for the Board member cannot be transferred until 3 years have passed from the date of purchase or before the Board member's membership in the Board has ended, whichever is earlier.

Board members' meeting fees and the Chairman of the Finance and Audit Committee's remuneration will be paid in cash.

Selection of the auditor and remuneration

The authorised public accountants PricewaterhouseCoopers Oy was nominated as the auditor for the term 2022. The principal auditor is APA Ylva Eriksson. The auditor is paid remuneration in accordance with a reasonable invoice.

Authorising the Board of Directors to decide on the repurchase and/or on the acceptance as pledge of the Company's own shares

The Annual General Meeting decided to authorise the Board of Directors to decide on the repurchase or acceptance as pledge, using the Company's unrestricted equity, of a maximum of 2,943,000 own shares, which corresponds to

approximately 5% of the Company's total shares at the time of convening the Annual General Meeting. The repurchase may take place in one or more tranches. The authorisation includes the right of the Board of Directors to decide on all other matters related to the repurchase and/or the acceptance as pledge of shares. The authorisation is effective until the Annual General Meeting to be held in 2023, yet no further than until 30 June 2023.

Authorising the Board of Directors to decide on the issuance of shares as well as the issuance of options and other special rights entitling to shares

The Annual General Meeting decided to authorise the Board of Directors to decide on the issuance of at most 2,943,000 new shares or shares held by the company in one or more tranches through a share issue and/or by issuing options or other special rights entitling to shares as referred to in Chapter 10 Section 1 of the Limited Liability Companies Act. 2,943,000 shares currently represent approximately 5% of Tokmanni's total number of registered shares. The authorisation includes the right of the Board of Directors to decide on any terms and conditions of the share issue and the issue of special rights referred to in Chapter 10 Section 1 of the Limited Liability Companies Act. The authorisation is effective until the Annual General Meeting to be held in 2023, yet no further than until 30 June 2023.

Decisions taken in the constitutive meeting of the Board of Directors

At its constitutive meeting following the annual general meeting, the Board resolved to elect as members of the Finance and Audit Committee: Juha Blomster, Erkki Järvinen and Harri Sivula. Erkki Järvinen was elected as Chairman of the Finance and Audit Committee.

Risk management

Tokmanni Group Corporation's risk management is guided by the risk management policy approved by the Board of Directors of Tokmanni. The purpose of Tokmanni's risk management is to support the Group's values and strategy and the continuity of its business operations by anticipating and managing any risks associated with its operations. The goal is to assess risks systematically to promote thorough planning and decision-making.

The Executive Group is responsible for the practical implementation of risk management. Risks are assessed regularly and managed comprehensively. The risks of Tokmanni Group Corporation are reviewed annually by the Finance and Audit Committee of the Board of Directors. The Chairman of the Finance and Audit Committee reports on risk management to the Board of Directors on a regular basis. The Board of Directors reports the key risks and factors of uncertainty to the markets in the Board of Directors' Report and communicates material changes to them in the business review and half-year financial report.

Description of the risks and uncertainties that are considered significant for Tokmanni

Data system and data security risks

Tokmanni has become increasingly dependent on data systems, data traffic and external service providers. The interconnectedness of networks, the outsourcing of services and online retail have made it more difficult for companies to monitor their data security effectively. Prolonged disturbances in data systems, payment transmission or elsewhere in the supply chain, or other exceptional situations such as a cyber-attack, could paralyse the company's operations or halt the flow of goods within the Group, causing significant losses in sales. Tokmanni is focusing increasingly on identifying data security risks and increasing its data security capabilities. In addition, Tokmanni is investing in the latest device infrastructure and back-up systems as well as keeping preparedness and recovery plans up to date.

Market risk

Tokmanni's profitability and profit from operations as well as sales growth are dependent on the behaviour of consumers and competitors operating in the Finnish retail market. New international market forces and online stores are transforming the sector and its market dynamics, creating pressure in the market and further intensifying competition. If Tokmanni is unable to correctly judge the direction of the market trend and the changes that it demands, it could have an adverse effect on Tokmanni's business. To manage market risks, Tokmanni tracks the market as part of the Group's day-to-day operational management, develops its business processes and services in an agile way, and adapts its sales promotion procedures and pricing strategies in order to respond to the changing market conditions.

Economic fluctuation

Changes taking place in the global economy and the Finnish economy, including a strong economic recovery, could raise the costs of transportation, components, energy and materials and potentially result in shortages in these. Prolonged high prices, shortages of components, problems in the distribution of electricity and disturbances in logistics chains could, for example, delay deliveries and otherwise weaken the availability of products as well as result in additional costs that we are unable to pass along fully to customer prices. Economic slumps have a clear impact on the retail sector, although they are likely to have less of an impact on variety discount retailers.

Inventory turnover and working capital management

Tokmanni aims to improve the management of working capital by developing the processes and tools used in sourcing and in supply chain and category management. A failure by Tokmanni to manage its working capital could have a negative effect on Tokmanni's financial position and profitability. Tokmanni continuously monitors the transportation of imported goods, the turnover of its inventory, the life cycles of products, depreciation on products, and its assortment management as part of the Group's day-to-day operational management, and takes corrective measures, if necessary.

Failure in the execution of strategic projects, as well as the competence and availability of personnel

The execution of Tokmanni's strategy and strategic transformation require new kinds of skills and competences from the personnel. Tokmanni's ongoing development projects and its need for special expertise increase the key person risk and the company's dependence on the competence of individual persons. Tokmanni focuses on recruiting people with the essential competence, developing competence through training and coaching and promoting learning on the job in order to mitigate the key person risk.

Risks of loss or damage

Accidents, natural disasters and pandemics, as well as restrictions on travel and transportation resulting from these, can result in significant damage to people, property and the business. Moreover, risks of loss or damage can cause delays and interruptions in business and imports that cannot be prevented in advance. Tokmanni has prepared for a possible lack of availability in goods by introducing alternative sourcing channels, among other measures. Tokmanni observes official recommendations and orders in all its activities.

Destruction of or damage at the logistics centre

Tokmanni is dependent on the uninterrupted operation of its logistics centre. If this logistics centre is destroyed or closed for any reason, or if its equipment is damaged to a significant extent, or if there are any other disruptions to operations, this will result in delays in the distribution of products according to timetable. Significant delays will lead to the loss of sales and to additional expenses. Tokmanni manages this risk with business continuity, safety and recovery plans and by carrying out preventive maintenance.

Risks relating to the health and working capacity of employees

Widespread absences by employees in various employee groups (e.g. logistics, sales, customer service, management) may impact the company's operations. The company strives to minimise risks relating to the health and working capacity of its employees, for example, through various safety solutions and, if necessary, by instructing employees to work from home if their work duties allow this. In addition, the company may acquire temporary labour force during possible peaks in sickness absences. Tokmanni has identified the critical key persons for its various functions and made arrangements for providing deputies for them.

Reputation risk

If Tokmanni fails, for example, in its supervision of product safety or in controlling responsibility in the supply chain, it could result in financial losses as well as an erosion or loss of customer trust. The importance of different aspects of responsibility in product manufacturing and sourcing as well as fair and equal treatment of employees is increasingly emphasised by stakeholders. Any failure to implement responsibility perspectives would result in negative publicity for Tokmanni, impacting Tokmanni's reputation. The above-mentioned quality and reputation risks are managed with internal and external quality and responsibility audits, with the compliance requirements of the amfori BSCI Code of Conduct and Tokmanni's Ethical Code of Conduct, with good governance principles and a good corporate management model, and with internal audit measures and a large-scale Compliance programme. In addition, Tokmanni has a quality organisation that monitors product safety and quality in the country of origin, at the logistics centre and in the stores.

Geopolitical changes and political country risk in sourcing

There are direct and indirect risks involved in the uncertain global economic conditions and in geopolitical developments, including slower economic growth and potential unexpected political decisions. These factors may have an adverse effect on Tokmanni's business and on demand for the company's products. Moreover, Tokmanni's sourcing market is constantly undergoing changes that are beyond the company's control. China's changing environmental legislation and the impact of the country's political decisions on its economic development and legislation as well as political instability in such sourcing countries as Turkey, Bangladesh, Myanmar and Pakistan could increase sourcing prices or cause supply problems. Risks are assessed continuously by monitoring changes in the geopolitical situation, and the necessary plans and measures are prepared in order to react to changes that might take place. Tokmanni also focuses increasingly on developing its sourcing models, which would enable it to adjust its sourcing flexibly in the event that risks materialise.

Brand image and marketing risk

The growth of Tokmanni's like-for-like sales is partially dependent on the reach and effectiveness of advertising and marketing programmes. For advertising and marketing programmes to be successful, Tokmanni must, for example, effectively manage its advertising and marketing expenses relative to revenue. It must also increase its customer numbers through better brand awareness. To manage its marketing risk, Tokmanni tracks the markets and constantly measures the effectiveness of marketing and advertising. Tokmanni's marketing processes have been developed to be agile and flexible, to enable very rapid reaction to any adverse events.

Product quality and responsibility risk

Some of the key measures taken by Tokmanni to improve the gross margin include increasing direct imports and growing the contribution of its private label products to overall sales. Increasing imports rapidly could result in risks related to product quality and to responsibility. If monitoring and quality control in the supply chain fails, it could result in financial losses, an erosion of customer trust and the company's reputation or, in the worst case, risks to customers' health. Tokmanni focuses increasingly on extensive pretesting of products and ensures through self-supervision that products comply with regulations governing them. Effective handling of customer feedback forms a key aspect in the management of product quality. Tokmanni mitigates the responsibility risks related to products by striving to channel all direct sourcing from risk countries to factories audited by amfori BSCI or SA8000.

Risks related to Tokmanni's private label products and direct sourcing

Tokmanni is increasing the number of private label products in all its product categories in order to achieve its aim of improving profitability. Tokmanni's private label products usually have a low perceived price image and they offer better margins than the brand products the company sells. Tokmanni has also improved its capability to make direct procurements by dropping intermediaries and dealing directly with goods manufacturers. An increase in Tokmanni's direct procurements may increase operational risks related to the availability of products, the need for working capital and the quality and safety of products. A failure by Tokmanni to increase the number of its private label products or direct procurements could also jeopardise the company's strategic goals, which could have a negative effect on Tokmanni's business and financial position. To manage the above-mentioned risks, Tokmanni utilises its joint sourcing company in Shanghai, continues to utilise and develop its sourcing model and conducts audits of manufacturers.

Foreign exchange risks

Tokmanni is exposed to foreign exchange risks through its sourcing. Unfavourable changes in foreign exchange rates can raise the acquisition costs of products purchased in other currencies than the euro, and Tokmanni may not be able to pass on all such costs to its customers. The most important foreign currency for Tokmanni is the United States dollar. In the financial year that ended on 31 December 2022, approximately 82% of Tokmanni's product purchases were made in euros and approximately 18% in US dollars. Tokmanni hedges at least half of its purchases made in US dollars for an average period of six months.

Events after the review period

The company's management is not aware of any events of material importance after the review period that might have affected the preparation of the financial statements.

In the release published on 24 January 2023, the Shareholders' Nomination Board of Tokmanni Group Corporation proposed to the Annual General Meeting that the number of the members of the Board of Directors and their remuneration remain the same as previous year. The Nomination Board proposes that the current members of the

Tokmanni Group Corporation

Board of Directors Thérèse Cedercreutz, Erkki Järvinen, Ulla Lettijeffer, Harri Sivula and Seppo Saastamoinen will be re-elected. The Nomination Board also proposes that Mikko Bergman will be elected as a new member to the Board of Directors. Current Member of the Board of Directors Juha Blomster has notified that he is no longer available to be elected as a member of the Board.

Tokmanni has concluded an agreement on acquiring the entire share capital of the Finnish footwear store chains Click Shoes Oy and Shoe House Oy. The two companies have a total of 29 stores across Finland and an online store at www.clickshoes.fi. The combined revenue of Click Shoes and Shoe House totalled nearly ten million euros in the financial year that ended in December 2021. Ownership of the companies will be transferred to Tokmanni on 1 March 2023. The transaction price will not be disclosed.

Tokmanni's outlook for 2023

In 2023, Tokmanni expects its revenue to be EUR 1,200–1,270 million. Comparable EBIT is expected to be EUR 85–100 million.

Board of directors' proposal for the distribution of profit

The parent company's distributable assets total EUR 218,360,938.40, of which profit for the period totalled EUR 58,612,761.23.

The Board of Directors proposes that a maximum dividend of EUR 0.76 per share, or a total of EUR 44,702,203.64, be distributed as dividend for the financial year ended 31 December 2022. Of this dividend, EUR 0.38 will be paid to shareholders who are registered in the company's shareholder register maintained by Euroclear Finland Ltd on the record date of the payment of the dividend, which is 24 March 2023. The Board of Directors proposes 12 April 2023 as the dividend payment date. The remainder of the distributable assets will remain in equity. The company's solvency is good, and the proposed dividend distribution will not endanger the company's solvency in the view of the Board of Directors.

In addition, the Board of Directors proposes that the 2023 Annual General Meeting authorise the Board of Directors to decide, at its discretion, on the distribution of a maximum dividend of EUR 0.38 per share in one instalment. This authorisation would be valid until 31 December 2023. The company will announce the possible decision taken by the Board of Directors on the distribution of dividend and, in connection with this, confirm the record date and payment date of the dividend. The dividend based on the authorisation will be paid to shareholders registered in the company's shareholder register maintained by Euroclear Finland Ltd on the dividend record date.

Statement of non-financial information

The statement below describes Tokmanni's corporate responsibility through the Group's four key corporate responsibility focus areas. Environmental aspects concerning the Group are discussed in the "Climate" section, social and personnel matters and respect for human rights are discussed in the "People" and "Products and the supply chain" sections, and the prevention of corruption and bribery is discussed in the "Business integrity" section.

Tokmanni's corporate responsibility will be discussed more broadly in the Sustainability Report to be published in the week beginning 20 March 2023. The report is prepared in accordance with the GRI standards.

Corporate responsibility at Tokmanni

Sustainable business operations are one of Tokmanni's success factors and an integral part of every Tokmanni employee's day-to-day work. The main themes of Tokmanni's corporate responsibility are business integrity, people, products and sourcing and climate. These themes were determined based on the materiality analysis Tokmanni commissioned in 2015. They take into account stakeholders and business operations, and they remain relevant for Tokmanni. The themes were further specified when the sustainability strategy was updated in 2020.

Tokmanni's sustainability work aims to minimise business risks, make use of opportunities and produce added value for various stakeholders. Tokmanni has assessed the risks associated with its operations and business relations from a corporate responsibility perspective and strives to minimise them. In terms of sustainability, the most significant challenges related to the Group's business operations concern products and responsible sourcing and the reduction of climate risks and carbon dioxide emissions throughout the value chain.

Business integrity

Responsibility towards our customers, employees, investors and other stakeholders is a core principle in our business operations. Tokmanni's business operations are guided by its Code of Conduct. Tokmanni observes laws, regulations and good corporate governance in all its operations.

Sustainability work at Tokmanni is based on the company's values and Code of Conduct, including the supplementary principles, policies and instructions. Tokmanni's Code of Conduct and the related principles are approved by its Board of Directors. The Executive Group approves the policies, and the heads of department approve the guidelines. The CEO is ultimately responsible for corporate responsibility at Tokmanni. In this capacity, the CEO reports to the Board of Directors. The Board of Directors discusses sustainability matters regularly as part of the strategy process and whenever necessary. Decision-making is supported by Tokmanni's sustainability steering group and the presentations and information produced by Tokmanni's sustainability team.

Tokmanni's Code of Conduct includes the following rules: We treat everyone equally and without discrimination; we minimise accidents at work; we follow laws and regulations; we do not offer bribes; we protect sensitive business information and group assets; we respect privacy; we support fair competition; we minimise our environmental impact; we require ethical production of our products; we communicate transparently and reliably. The Code of Conduct online course was completed by 3,143 Tokmanni employees in 2022. The course must be completed annually, and is a mandatory part of induction training for new employees.

The CFO is responsible for the company's compliance operations and reports directly to the CEO and also regularly informs the Board of Directors. The CFO is supported by Tokmanni's Compliance team, which is composed of the Head of Corporate Responsibility, the Manager of Security, the Vice President, Sales and Supply Chain, and the HR Manager. The Compliance team convenes every two months, but urgent matters are dealt with without delay. Tokmanni's anonymous whistleblowing channel has been used since 2020 for reporting both internal and external incidents. A total of 105 incidents were reported during 2022.

BUSINESS INTEGRITY		
Targets for 2022	Status in 2022	Targets for 2023
All messages submitted through Tokmanni's whistleblowing channel are processed appropriately	Achieved	All messages submitted through Tokmanni's whistleblowing channel are processed appropriately
Tokmanni has no cases of corruption	Achieved	Tokmanni has no cases of corruption
Tokmanni does not receive any complaints from the authorities regarding its marketing	Achieved	Tokmanni does not receive any complaints from the authorities regarding its marketing
Tokmanni has no violations of environmental laws and regulations	Achieved	Tokmanni has no violations of environmental laws and regulations
Tokmanni has no violations of social and economic laws and regulations	Achieved	Tokmanni has no violations of social and economic laws and regulations
Tokmanni has no privacy violations	Not achieved	Tokmanni has no privacy violations
All Tokmanni employees have been trained in the updated Code of Conduct	Partially achieved (74%)	

People

An open and fair corporate culture that respects all employees is essential for successful and sustainable business operations. With inclusive and fair personnel management, Tokmanni is able to evolve, benefit from new opportunities, reduce business risks and generate added value for all its stakeholders.

In 2022, Tokmanni paid particular attention to the prevention of mental health problems and musculoskeletal disorders as well as to the promotion of coping at work and healthy lifestyles. The occupational health care agreement concluded with Mehiläinen was supplemented with short-term therapy and mood coaching for employees facing mental health challenges. In cooperation with occupational health care, Tokmanni planned and launched the *Työfyssari Helppi* operating model in order to support good ergonomics at work in the warehouse and the stores. Tokmanni launched the Tokmanni Tsemppi wellbeing programme. Personal wellbeing surveys were conducted on the supervisors and experts at the headquarters with the help of an external partner, and the results of the surveys were used to create various lectures. Occupational health care conducted a health survey among the store and warehouse personnel. The survey's purpose was to ensure that persons who were found to be in need of support, or who indicated this themselves, received treatment or were referred to various care paths. At the end of 2022, the sickness absence percentage for all Tokmanni employees was 5.29 (2021: 4.44).

In 2022, Tokmanni supplemented the training programme intended for supervisors with a new module related to coaching-based management, which focuses on creating a feeling of psychological safety, improving time management and delegating tasks. The supervisor training also included topics related to labour rights, giving feedback and managing challenging situations. In addition, Tokmanni offered its employees the opportunity to complete a Specialist Vocational Qualification in Leadership and Business Management, Specialist Vocational Qualification in Business, Further Vocational Qualification in First-Level Management, Further Vocational Qualification in Service Logistics and Vocational Qualification in Logistics. A total of 14 Tokmanni employees from the office and the stores started academic training with the aim of increasing their general level of education and completing a Bachelor's degree in the coming years. Tokmanni arranged language training and continued the coaching programme for the extended management. Tokmanni also continued its diversity work. The diversity coaching for warehouse supervisors was expanded so that it now covers orientation mentors at warehouses.

In the area of occupational safety, the focus in 2022 was on instilling various operating methods. Safety walks were held actively at all of Tokmanni's locations, and any shortcomings detected were remedied in a timely manner. The Tokmanni Turva system was enhanced by including workplace surveys by occupational health care and observations that arose in inspections by the Regional State Administrative Agency in the system. Concentrating all information in a single system makes it easier for Tokmanni to draw conclusions concerning the entire company and to take steps to remedy detected deficiencies.

PEOPLE		
Targets for 2022	Status in 2022	Targets for 2023
- A health survey is carried out and a wellbeing programme is introduced for all Tokmanni employees to support coping at work and commitment	Achieved	- We will continue the wellbeing programme by offering the employees external help for balancing their finances and special discounts at our stores to promote healthy lifestyle choices.
- The members of the extended Executive Group and supervisors have been provided with diversity training	Partially achieved	- The members of Tokmanni's extended Executive Group will be provided with diversity training - Diversity training will be added to training provided to supervisors
- The coaching programme for the extended management is continued - A voluntary coaching programme is introduced for experts and office employees to develop their skills and strengthen their job satisfaction and commitment	Achieved	- We will continue the training for the extended management and launch training programmes for sourcing experts and store managers
- More than 2,000 safety observations are made at the stores and in the warehouse to further develop our safety culture and to reduce accidents	Achieved	- More than 3,000 safety observations are made at the stores and in the warehouse to further develop our safety culture and to reduce accidents
- We will continue to develop management by knowledge (no eNPS survey was conducted in 2022)	Partially achieved	- We will continue to develop management by knowledge (eNPS 20)

Products and the supply chain

Sustainability is an integral part of Tokmanni's sourcing process. Sustainable sourcing at Tokmanni means, in particular, ensuring that the fundamental rights of employees are respected throughout the supply chain. The process is supported by Tokmanni's principles and guidelines for responsible sourcing. As a member of the amfori Business Social Compliance Initiative (amfori BSCI), Tokmanni is committed to complying with the amfori BSCI Code of Conduct. Tokmanni also requires its supplier factories to be committed to operating in accordance with the amfori BSCI Code of Conduct, and these suppliers must demand the same from their own suppliers and producers.

The supervision of responsibility in sourcing focuses in particular on risk countries, which, according to the World Bank's classification, have the greatest risk of labour and human rights violations. The primary focus is on suppliers within Tokmanni's more immediate sphere of influence – that is, suppliers of private label and exclusive distribution products. Tokmanni requires factories manufacturing these products in risk countries to be audited in accordance with the amfori BSCI or SA8000. SEDEX audits and the toy industry's ICTI Care audits can also be accepted for toy factories on a case-by-case basis. Sourcing agreements with brand product suppliers must also contain a commitment stating that production complies with the requirements of the amfori BSCI. The assessment of responsibility begins at the supplier tendering stage, as responsibility issues are taken into account in the competitive bidding.

Respect for human rights

Respect for human rights is the starting point of Tokmanni's responsibility work. Tokmanni is committed to compliance with the provisions of the UN's International Bill of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, and the UN Global Compact initiative, for example. Regarding human rights, Tokmanni's operations are also steered by the UN Guiding Principles on Business and Human Rights. In line with the due diligence principle, Tokmanni evaluates and monitors the impacts of its operations on human rights, taking any necessary corrective measures, and communicates them as far as possible within its degree of participation, possibility and power of influence. Tokmanni has published its Human Rights Principles and a summary of its Human Rights Report for 2016 on its website. This report is still relevant.

The most significant potential human rights impacts in Tokmanni's operations are related to the supply chain, as well as to health and safety, safety of buildings, excessive overtime, lack of a living wage, child labour and forced labour within the supply chain. The negative impacts identified can affect a range of human rights, including the right to work,

the right to health, the right to life and the right to a family life. Human rights impacts are monitored constantly through audits and communication with suppliers, among other measures. Any negative impacts are addressed immediately. Serious issues, such as the use of child and forced labour, are rare. In 2022, one case was detected at the factories used by Tokmanni. It was about recruitment fees for a factory used in Taiwan, which are internationally prohibited fees (forced labor). The most important measures for eliminating or mitigating human rights impacts in Tokmanni's own operations are related to improving occupational health and safety.

In 2022, Tokmanni further developed the management of responsibility risks in the area of human rights. The sustainability of Tokmanni's sourcing is monitored and developed using amfori BSCI audits and Tokmanni's own inspections. Tokmanni conducted a total of 75 (62) own factory inspections. Tokmanni's own factory inspections focus simultaneously on product quality and verifying the responsibility of factories – that is, the results of their amfori BSCI audits. Tokmanni also commissioned 42 additional third-party factory audits, mostly in China, but also in Vietnam, Bangladesh and Myanmar. Tokmanni commissioned an external auditing firm to conduct factory-specific human rights audits for two potential new suppliers, one of which was located in a new sourcing country for Tokmanni. The development of responsibility indicators for factories and suppliers continued. During 2022, Tokmanni used around 830 factories in high-risk countries.

In 2022, in line with the UN guiding principles, Tokmanni continued to delve deeper into supply chains, particularly with regard to high-risk raw materials. In 2022, Tokmanni updated its policy concerning wood- and paper-based products and set a goal to increase the amount of certified wood-based products. In addition, Tokmanni set a policy of using certified coffee in its private label coffee brand. Tokmanni continued to pursue the goals set in its sustainability policies for raw materials. In 2022, Tokmanni prepared a biodiversity roadmap.

Tokmanni continues to update its human rights principles and factory-specific human rights assessments. Tokmanni aims to conduct 90 factory inspections of its own and to commission 40 third-party factory audits in 2023. In its own audits, Tokmanni focuses particularly on factories with the highest estimated risk of human rights violations. The special characteristics of the country and the products will be taken into account, in addition to the amount of manual work in production. The aim is also to introduce social responsibility features to the supplier management system and further specify the impacts of factory audits.

Product responsibility

Product safety is one of Tokmanni's main corporate responsibility themes. Tokmanni aims to ensure that all the products it sells are safe to use. Tokmanni ensures product safety, responsibility and due diligence by conducting self-supervision, visiting suppliers and carrying out product testing itself or commissioning tests from third parties.

As a retailer, Tokmanni is responsible for the safety and quality of the products it sells. From a legal viewpoint, Tokmanni has three roles in the products it sells: distributor, importer and manufacturer. Tokmanni's greatest responsibility from a legal point of view is for the safety of its private labels and of goods imported by other parties into the European Union (EU). However, Tokmanni also inspects the quality and safety of the products it distributes by, among other things, checking documentation, controlling quality during and after production and inspecting shipments arriving at its warehouses.

In 2022, Tokmanni's aim was to continue with its project to improve the quality of its products and to further develop the customer experience of its private label products. A detailed root cause analysis was conducted on the basis of the project to improve quality. Tokmanni determined measures in terms of product and supplier management if the total complaint rate concerning an individual product or supplier is high (higher than 3%). These measures are expected to play a key role in creating customer satisfaction for private labels. The measures helped Tokmanni decrease the number of private label product returns (as a percentage) compared to the previous year. This project will continue as one of the most important quality improvement projects in 2023.

In 2022, the number of non-compliance instances was used as an indicator of product safety and the quality of experience. A total of 27 cases (2021: 13) of non-compliance with the product specifications were identified in products for which Tokmanni is responsible, and the majority of these were due to poor product quality which was detected either through self-supervision or customer returns.

In 2022, Tokmanni carried out a recall of two of its own products. One of these was an elastic toy imported by Tokmanni and the other was a private label food product. The elastic toy had an eye made of hard plastic that posed a suffocation hazard, while the recalled food product was a batch of imported rice in which the amount of plant protection products exceeded the limit set in regulations. In addition, Tokmanni conducted a recall of one imported product in its capacity as the distributor. The product in question was a European manufacturer's remote-controlled toy for children under the age of 3 that did not meet the requirements of the safety standard applicable to the product. Tokmanni also enforced four sales bans ordered by the authorities, all of which were due to an electric shock hazard.

Tokmanni is responsible for the correctness of the texts and package labelling on the products it sells. The country of origin and the recycling instructions for the packaging materials are stated on all of Tokmanni's private label products. Tokmanni revised or renewed the labelling on 4,740 private label products in 2022 (2021: 5,119). A total of 2,939 (2021: 3,510) third-party product tests were conducted, mostly at the factories.

In 2023, Tokmanni will further enhance product safety and its management.

PRODUCTS AND THE SUPPLY CHAIN		
Targets for 2022	Status in 2022	Targets for 2023
- Certification targets have been determined for timber	Achieved	- Setting biodiversity targets for products and sourcing (cocoa, tea, logging policy) in accordance with the biodiversity plan
- Developing the sustainability of packaging together with sourcing team by reducing the use of virgin plastic, for example	Achieved	- Reducing the use of virgin plastic
- No serious faults related to product safety have been found in products sold by Tokmanni, and none have caused any accidents	Achieved	- No serious faults related to product safety have been found in products sold by Tokmanni, and none have caused any accidents
- Reducing the complaint rate concerning Tokmanni's private label products	Achieved	- Reducing the complaint rate concerning Tokmanni's private label products
- Developing the contract management process	Achieved	- Further developing the supplier and contract management process
- 100 separate factory inspections conducted by Tokmanni	Partially achieved (75)	- 90 own factory inspections and 40 third-party factory audits
- Further specification of Tokmanni's human rights objectives, including the prioritisation of more in-depth factory-specific reviews	Partially achieved	- Updating of human rights principles and continuing factory-specific human rights assessments
- Developing the management of responsible sourcing by means of supplier- and factory-specific responsibility indicators, including by developing country-specific risk assessments	Partially achieved	- Utilising sustainability data and indicators from factories and suppliers more systematically in the management of sustainable sourcing
- Introducing social responsibility features to the supplier management system	Not achieved	- Introducing social responsibility features to the supplier management system and further specifying the impacts of factory audits
- Setting targets for products with sustainability labels	Not achieved	- Targets have been set for certified products and products with sustainability labels

Climate

Tokmanni's most significant climate and environmental themes are energy consumption and the related emissions, waste and waste management, as well as reducing emissions from transport. Tokmanni implements a range of measures that aim to improve the resource efficiency of its business operations. The Group is constantly examining new opportunities to reduce its energy consumption and use renewable energy sources at its properties, and it aims to make its logistics system more environmentally friendly. Tokmanni also monitors the amount of waste generated at its warehouse and in its stores and is actively improving the reuse and recycling of its waste.

Energy-efficient business

The reduction of climate impacts is one of the most important areas of responsibility at Tokmanni. Most of the climate impacts over the life cycle of Tokmanni's products arise during the manufacture and use of the products. The company has limited opportunities to affect these impacts, and their measurement is challenging.

In 2020, Tokmanni was the third Nordic retail sector company to announce science-based climate targets officially approved by the Science Based Targets initiative (SBTi) that are aligned with the Paris Agreement and aim to limit global warming to 1,5 degrees Celsius. In 2021, Tokmanni announced its aim to be carbon neutral in 2025. Tokmanni will reach its ambitious climate targets in stages by continuing to implement energy efficiency measures, using only emission-free electricity and transitioning gradually to renewable heating.

The main focus of Tokmanni's climate strategy in 2022 was to reduce the energy consumption and carbon dioxide emissions of its properties. In 2022, its sourcing-based Scope 1 and 2 emissions decreased by 40.6% from 2021 (2021: increase of 21.1%). The decrease can be attributed to the continuation of energy efficiency measures and the use of emission-free electricity.

In 2022, Tokmanni improved its score in the global Carbon Disclosure Project (CDP) Climate Change assessment. Tokmanni's inclusion in the Leadership category (A-) in the climate change assessment proves that Tokmanni is increasingly considering the risks and opportunities arising from climate change and actively taking measures to reduce emissions, combat climate risks and develop a low-carbon economy.

Environmentally sound logistics

In spite of its growth and the expansion of its store network, Tokmanni is aiming to keep the greenhouse gas emissions from transport at the 2015 level in relation to revenue. Tokmanni achieved this target in 2022, and in fact its emissions in 2022 were lower than in 2015.

Tokmanni strives to concentrate its transport needs with long-term contractors, and with these partners it looks for ways to reduce carbon dioxide emissions and other environmental impacts from transport.

Resource efficiency

Tokmanni seeks to minimise the amount of waste sent to incinerator plants by reducing waste and increasing the reuse and recycling of materials. In 2022, Tokmanni recycled around 34% (34%) and reused 48% (48%) of its waste. The latter was achieved by reusing pallets in transportation. In 2023, Tokmanni aims to achieve a recycling and reuse rate of 85%.

The location-based carbon dioxide emissions of Tokmanni's properties decreased by 21.9% in 2022 (+8.4%). The reason for this reduction was a decrease in the location-based emissions coefficients for energy production, which means that energy is being generated with lower emissions than previously.

In 2022, Tokmanni further boosted energy efficiency at the properties whose operation it can directly influence. Tokmanni continued to install solar power plants, commissioning the installation of new power plants on the roofs of 5 (12) stores in 2022. Self-produced solar electricity accounted for about 9% of Tokmanni's annual electricity consumption in 2022. In addition, Tokmanni switched off outdoor and advertising lights earlier than before and controlled ventilation units more closely. The building automation systems at many properties, including refrigeration automation systems, were also upgraded in order to increase their energy efficiency by lowering the consumption of electricity and water. Tokmanni is committed to the Down A Degree campaign, which challenges all Finns to save energy and even out peaks in electricity consumption. During the campaign, Tokmanni adjusted the temperature at its properties to about 18–19 degrees.

In 2023, Tokmanni aims to achieve a reduction of location-based carbon dioxide emissions at the properties (Scope 1 and 2) by 2% compared to 2022.

CLIMATE		
Targets for 2022	Status in 2022	Targets for 2023
- A recycling and reuse rate of 85%	Not achieved	- A recycling and reuse rate of 85%
- CDP result: B or higher	Achieved	- CDP result: A- or higher
- Reduction of location-based carbon dioxide emissions at the properties (Scope 1 and 2) by 2% compared to 2021	Achieved	- Reduction of location-based carbon dioxide emissions at the properties (Scope 1 and 2) by 2% compared to 2022
- Roadmap for renewable heat completed	Partially achieved	- Analysis of renewable heat producers and pricing completed
- Biodiversity roadmap completed	Achieved	- Targets set in the biodiversity roadmap adopted
- Decreasing emissions in the supply chain in cooperation with suppliers	Partly acheieved	- Decreasing emissions in the supply chain in cooperation with suppliers (Science-Based Climate Targets, Scope 3 target)
- Maintaining greenhouse gas emissions from transport at the 2015 level in relation to revenue	Achieved	- Maintaining greenhouse gas emissions from transport at the 2015 level in relation to revenue
		- Developing information management systems for environmental reporting and assurance
		- Reducing market-based emissions (Scope 1 and 2) by 5% compared to 2022

Reporting in accordance with the EU taxonomy

Tokmanni has not identified any activities in its business that are covered by the classifications set out in the EU Taxonomy at this stage. Tokmanni's main operations that generate the Group's revenue are the sale of goods and services to customers. The sale of goods is not covered by the Taxonomy. The Taxonomy is the European Union's classification system for sustainable financing, with the aim of helping to identify sustainable economic activities that meet the needs of various parties. The aims of the Taxonomy are related to the European Union's sustainable development principles and the achievement of set environmental and climate targets.

Proportion of revenue from products or services associated with Taxonomy-aligned economic activities – disclosure covering 2022

				Substantial contribution criteria						DNSH criteria												
Economic activities (1)	Code(s) (2)	Absolute revenue (3) 1,000 EUR	Proportion of revenue (4) %	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned portion of revenue, year N (18)	Taxonomy-aligned portion of revenue, year N-1 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)		
				%	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T	
				A. Taxonomy-eligible activities																		
				A.1 Environmentally sustainable activities (taxonomy-aligned)																		
				Revenue of environmentally sustainable activities (taxonomy-aligned) (A.1)																		
				A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																		
				Revenue of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)																		
				Total (A.1 + A.2)																		
				B. TAXONOMY-NON ELIGIBLE ACTIVITIES																		
				Revenue of Taxonomy-non-eligible activities																		
				Total (A + B)																		

Total revenue according to the figures reported by the Group. Tokmanni's accounting principles for revenue are set out in section 2.2 of the financial statements.

Tokmanni has determined the total capital expenditure (denominator), EUR 59 073 thousand, in accordance with the Taxonomy guidelines. Capital expenditure consists of increases in Tokmanni's intangible assets, property, plant and equipment and right-of-use assets (leases) during the financial year.

Proportion of operating expenses from products or services associated with Taxonomy-aligned economic activities – disclosure covering 2022

			Substantial contribution criteria							DNSH criteria												
	Economic activities (1)	Code(s) (2)	Absolute turnover (3)	Proportion of turnover (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned portion of turnover, year N (18)	Taxonomy-aligned portion of turnover, year N-1 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)	
			1,000 EUR	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T	
A. Taxonomy-eligible activities																						
A.1 Environmentally sustainable activities (taxonomy-aligned)																						
OpEx of environmentally sustainable activities (taxonomy-aligned) (A.1)																						
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																						
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities (A.2))																						
Total (A.1 + A.2)																						
B. TAXONOMY-NON ELIGIBLE ACTIVITIES																						
OpEx of Taxonomy-non-eligible activities			1 231	100 %																		
Total (A + B)			1 231	100 %																		

Tokmanni has determined the total operating expenses (denominator), EUR 1,231 thousand, in accordance with the Taxonomy guidelines. The operating expenses include expenses related to Tokmanni's short-term leases.

Group key figures

Key figures	1-12/2022	1-12/2021	1-12/2020
Revenue, 1,000 EUR	1 168 017	1 141 808	1 073 153
Like-for-like revenue development, %	-0.7	4.8	12.3
Customer visit development, %	0.8	0.8	3.2
Gross profit, 1,000 EUR	396 767	397 814	370 450 ***
Gross profit, %	34.0	34.8	34.5 ***
Comparable gross profit, 1,000 EUR	397 964	396 436	371 148 ***
Comparable gross profit, %	34.1	34.7	34.6
Operating expenses, 1,000 EUR	-243 678	-226 925	-211 453
Comparable operating expenses, 1,000 EUR	-243 138	-227 571	-210 874
EBITDA, 1,000 EUR	157 114	174 536	163 114 ***
EBITDA, %	13.5	15.3	15.2
Comparable EBITDA, 1,000 EUR	158 852	172 512	164 392 ***
Comparable EBITDA, %	13.6	15.1	15.3 ***
Operating profit EBIT, 1,000 EUR	84 054	107 710	98 472 ***
Operating profit EBIT, %	7.2	9.4	9.2
Comparable EBIT, 1,000 EUR	85 792	105 686	99 750 ***
Comparable EBIT, %	7.3	9.3	9.3
Net financial items, 1,000 EUR	-10 749	-10 109	-10 011
Net capital expenditure, 1,000 EUR *	54 709	21 749	12 833
Net debt / comparable EBITDA **	2.4	1.8	2.0
Net cash from operating activities, 1,000 EUR	86 332	126 828	151 063
Return on capital employed, %	12.8	18.0	16.2 ***
Return on equity, %	26.9	37.9	37.3 ***
Equity ratio, %	31.2	30.0	27.8 ***
Personnel at the end of the period	4 241	4 105	4 056
Personnel on average in the period	4 236	4 132	3 873

* Net capital expenditure, excluding non-current receivables from others

** Rolling 12 months comparable EBITDA

*** Figures for the comparison year 2020 have been adjusted as a result of a correction applied to previous financial years. The corrections relate to the recognition of purchase rebates and adjustments to the recognition of IFRS 16 leases. The impact of the adjustments on materials and services for the period 1–12/2020 is EUR -0.5 million, on income taxes EUR 0.1 million and on net result thus EUR -0.4 million. The impact on equity is EUR -1.0 million.

Per-share data	2022	2021	2020
Earnings per share, basic (EUR/share)	1.00	1.33	1.20 **
Earnings per share, diluted (EUR/share)	1.00	1.33	1.20 **
Equity per share, (EUR/share)	4.20	4.16	3.68 **
Dividend per share, (EUR/share) *	0.76	0.96	0.85
Payout ratio, % *	76.2	72.4	70.5 **
Effective dividend yield, % *	6.7	4.9	5.2
Price/earnings ratio (P/E)	11.31	14.82	13.48 **
Share price at 31 December	11.29	19.65	16.24
Highest price during the period	20.26	26.90	16.70
Lowest price during the period	10.77	15.32	8.64
Average price during the period	13.91	20.50	13.17
Share turnover, thousands	48 596	42 374	41 678
Share turnover, %	82.5	72.0	70.8
Market capitalisation at 31 December, 1,000 EUR	664 628	1 156 771	956 029
Number of shares at 31 December, thousands	58 869	58 869	58 869
Number of shares, weighted average during the financial period (thousands)	58 815	58 731	58 825
Diluted number of shares, weighted average during the financial period (thousands)	58 858	58 776	58 850

* For 2022, the Board's proposal to the Annual General Meeting

*** Figures for the comparison year 2020 have been adjusted as a result of a correction applied to previous financial years. The corrections relate to the recognition of purchase rebates and adjustments to the recognition of IFRS 16 leases. The impact of the adjustments on materials and services for the period 1–12/2020 is EUR -0.5 million, on income taxes EUR 0.1 million and on net result thus EUR -0.4 million. The impact on equity is EUR -1.0 million.

Alternative Performance Measures (APM)

Tokmanni reports EBITDA and EBIT as of its key performance indicators and makes adjustments to improve comparability and provide a better view of Tokmanni's operational performance. EBITDA is a non-IFRS indicator that represents operating profit before depreciation and amortisation. Comparable EBITDA and EBIT represents key figures excluding items that Tokmanni's management considers to be exceptional and non-recurring, including changes in the fair value of electricity and currency derivatives, which are adjusted by Tokmanni, as they are unrealised gains or losses related to Tokmanni's open cash flow hedge positions and are therefore not related to Tokmanni's operational performance during the review periods.

Tokmanni's management uses comparable EBITDA and EBIT margin as a key performance indicators to assess Tokmanni's underlying operational performance.

1,000 EUR	1-12/2022	1-12/2021	1-12/2020
Gross profit	396 767	397 814	370 450 *
Changes in fair value of currency derivatives	1 197	-1 378	698
Comparable Gross Profit	397 964	396 436	371 148 *
Operating expenses	-243 678	-226 925	-211 453
Changes in fair value of electricity derivatives	540	-646	580
Comparable operating expenses	-243 138	-227 571	-210 874
EBITDA	157 114	174 536	163 114 *
Operating profit (EBIT)	84 054	107 710	98 472 *
Changes in fair value of currency derivatives	1 197	-1 378	698
Changes in fair value of electricity derivatives	540	-646	580
Comparable EBITDA	158 852	172 512	164 392 *
Comparable operating profit (adj. EBIT)	85 792	105 686	99 750 *

* The figures for the comparison year 2020 have been adjusted as a result of a correction applied to previous financial years. The corrections relate to the accounting policy for purchase rebates. The impact of the adjustment on materials and services for the period 1–12/2020 is EUR -0.5 million.

Calculation of the Group's key figures

Like-for-like revenue development, %	=	Like-for-like revenue development is calculated by taking into account the revenue growth of stores that are not considered to be net-new and the revenue growth of relocated stores, as defined by Tokmanni to include: (i) new stores opened; (ii) store relocations where the store size changes by 30 per cent or more and the assortment increases or is reduced substantially; and (iii) store expansions where the store size changes by 30 per cent or more. If the store falls in one of these categories, it is regarded as a net-new or relocated store in its opening year and in the following calendar year.
Customer visit development, %	=	Number of customer transactions
Gross profit	=	Revenue - Materials and services
Comparable gross profit	=	Gross profit - Changes in the fair value of currency derivatives
Operating expenses	=	Employee benefits expenses + Other operating expenses
Comparable operating expenses	=	Operating expenses - Changes in fair value of electricity derivatives
EBITDA	=	Operating profit + Depreciation
Comparable EBITDA	=	EBITDA - Changes in fair value of currency and electricity derivatives
Comparable EBIT	=	EBIT - Changes in fair value of currency and electricity derivatives
Net financial items	=	Financial income - Financial expenses
Net debt	=	Interest-bearing debt - Cash and cash equivalents
Net debt / Comparable EBITDA	=	$\frac{\text{Net debt}}{\text{Comparable EBITDA}}$
Capital employed	=	Balance sheet total - Deferred tax liability and other non-interest-bearing liabilities
Return on capital employed, %	=	$\frac{\text{Profit before taxes + Interest and other financial expenses (preceding 12 months)}}{\text{Capital employed, average for the preceding 12 months}}$
Return on equity, %	=	$\frac{\text{Net result for the preceding 12 months}}{\text{Equity, average for the preceding 12 months}}$
Number of personnel	=	Number of personnel at the end of the period
Number of personnel on average	=	Number of personnel on average in the financial period
Equity ratio	=	$\frac{\text{Equity}}{\text{Balance sheet total - Advances received}}$

Calculation of the group's per-share data

Earnings per share, basic	= $\frac{\text{Net profit}}{\text{Number of shares, weighted average during the period}}$
Earnings per share, diluted	= $\frac{\text{Net profit}}{\text{Diluted number of shares, weighted average during the period}}$
Equity per share	= $\frac{\text{Equity}}{\text{Number of shares excluding treasury shares, end of reporting period}}$
Dividend per share	= $\frac{\text{Dividend for the period}}{\text{Number of shares, weighted average during the period}}$
Earnings per share	= $\frac{\text{Net profit}}{\text{Number of shares excluding treasury shares, end of reporting period}}$
Payout ratio, %	= $\frac{\text{Dividend per share}}{\text{Earnings per share}}$
Effective dividend yield, %	= $\frac{\text{Dividend per share}}{\text{Closing price for the period}}$
Price/earnings ratio (P/E)	= $\frac{\text{Closing price for the period}}{\text{Earnings per share}}$
Closing price for the period	= Share price at balance sheet date
Average price during the period	= Share turnover in euro terms divided by the number of shares traded during the period
Share turnover	= Number of shares traded during the period
Market capitalisation	= Number of shares x Share price on the balance sheet date
Number of shares	= Number of shares on the balance sheet date

Shares and share capital

There were no changes in the amount of shares during the financial period 2022.

Tokmanni has one share series and all shares carry equal voting rights at the general meeting. The share has no nominal value. On 31 December 2022 Tokmanni Group Corporation owned 50 063 of its own shares.

Tokmanni's shares on the Nasdaq Helsinki stock exchange in 2022

Turnover, EUR	673,435,324
Volume	48,595,707
High, EUR	20.26
Low, EUR	10.77
WVAP, EUR	13.91
Last, EUR	11.29
Market cap 31 Dec, EUR	664,628,210

Division of shares 31 December 2022

	Shareholders		Shares		Votes	
	Number	%	Number	%	Number	%
1–100	26,390	51.13	1,151,536	1.96	1,151,536	1.96
101–500	17,319	33.55	4,381,730	7.44	4,381,730	7.44
501–1,000	4,242	8.22	3,240,937	5.51	3,240,937	5.51
1,001–5,000	3,173	6.15	6,574,898	11.17	6,574,898	11.17
5,001–10,000	277	0.54	1,969,886	3.35	1,969,886	3.35
10,001–50,000	159	0.31	3,287,689	5.58	3,287,689	5.58
50,001–100,000	20	0.04	1,406,598	2.39	1,406,598	2.39
100,001–500,000	27	0.05	5,448,618	9.26	5,448,618	9.26
50,0001–	12	0.02	31,406,860	53.35	31,406,860	53.35
Total	51,619	100.00	58,868,752	100.00	58,868,752	100.00
Out of which nominee registered	11		12,966,565	22.03	12,966,565	22.03

Ownership structure 31 December 2022

	Shares	
	Number	%
Households	17,092,562	29.04
Financial and insurance institutions	16,091,700	27.33
Private Corporations	14,841,177	25.21
Public sector organisations	5,684,161	9.66
Non-Finnish holders	2,609,135	4.43
Non-profit organisations	2,550,017	4.33
Total	58,868,752	100.00
Out of which nominee registered	12,966,565	22.03

Tokmanni's major shareholders by number of shares 31 December 2022

	Shares	% of shares
Takoa Invest	10,544,688	17.91
Varma Mutual Pension Insurance Company	2,457,715	4.17
Ilmarinen Mutual Pension Insurance Company	1,400,000	2.38
Elo Mutual Pension Insurance Company	1,190,000	2.02
OP-Finland Fund	1,029,289	1.75
Svenska litteratursällskapet i Finland r.f.	724,000	1.23
Evli Finnish Small Cap Fund	630,000	1.07
OP Life Assurance Company Ltd	546,450	0.93
Veritas Pension Insurance Company Ltd.	510,000	0.87
Säästöpankki Kotimaa	438,678	0.75
Nordea Pro Finland Fund	343,871	0.58
S-pankki Fenno Osake Sijoitusrahasto	332,453	0.56
Kirkon Eläkerahasto	318,736	0.54
Nordea Finnish Stars Fund	305,278	0.52
Mandatum Life Insurance Company Limited	300,954	0.51
Danske Invest Finnish Equity Fund	289,113	0.49
Jukka Saastamoinen Oy	274,000	0.47
Sivula Harri	214,574	0.36
Fondita Nordic Small Cap Investment Fund	180,000	0.31
eQ Suomi	177,000	0.30

CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

Consolidated income statement

1,000 EUR	Note	1 Jan - 31 Dec 2022	1 Jan - 31 Dec 2021
Revenue	2.2	1 168 017	1 141 808
Other operating income	2.2	4 025	3 647
Materials and services	2.3	-771 249	-743 994
Employee benefits expenses	2.6	-137 072	-132 884
Depreciation	2.5	-73 060	-66 826
Other operating expenses	2.4	-106 705	-94 108
Share of profit in joint ventures	3.9	98	67
Operating profit		84 054	107 710
Financial income	2.7	54	105
Financial expenses	2.7	-10 802	-10 214
Profit/loss before tax		73 306	97 601
Income taxes	2.8	-14 613	-19 648
Net result for the financial period		58 693	77 953
Profit for the year attributable to			
Equity holders of the parent company		58 693	77 953

Consolidated statement of comprehensive income

1,000 EUR	1 Jan - 31 Dec 2022	1 Jan - 31 Dec 2021
Net result for the financial period	58 693	77 953
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	-5	2
Comprehensive income for the financial period, net of tax	-5	2
Comprehensive income for the financial period	58 688	77 955
Comprehensive income for the financial period attributable to		
Equity holders of the parent company	58 688	77 955

Earnings per share	2022	2021
Equity holders of the parent company	58 693	77 953
Earnings per share, basic (EUR/share)	2.9	1.00
Earnings per share, diluted (EUR/share)	2.9	1.00

Consolidated statement of financial position

1,000 EUR	Note	31 December 2022	31 December 2021
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3.1	329 666	303 904
Goodwill	3.2	136 216	136 216
Other intangible assets	3.2	4 022	4 690
Non-current receivables	3.5	2 170	2 133
Investments in joint ventures	3.9	191	98
Other financial assets	3.5	664	219
Deferred tax asset	2.8	1 616	1 373
NON-CURRENT ASSETS, TOTAL		474 545	448 633
CURRENT ASSETS			
Inventories	3.3	281 312	263 611
Trade and other receivables	3.4	26 406	23 002
Income tax receivables	3.4	2 508	49
Cash and cash equivalents	3.8	9 051	81 253
CURRENT ASSETS, TOTAL		319 278	367 914
ASSETS, TOTAL		793 823	816 548
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the parent company			
Share capital	4.1	80	80
Reserve for invested unrestricted equity	4.1	109 902	109 902
Treasury shares	4.1	-819	-2 045
Translation differences		7	13
Retained earnings		137 789	136 703
EQUITY, TOTAL		246 959	244 652
NON-CURRENT LIABILITIES			
Non-current interest-bearing liabilities	4.2	322 721	339 708
Non-current non-interest-bearing liabilities	3.7	4 822	5 317
NON-CURRENT LIABILITIES, TOTAL		327 543	345 024
CURRENT LIABILITIES			
Current interest-bearing liabilities	4.2	69 719	55 911
Trade payables and other current liabilities	3.6	148 507	164 525
Income tax liabilities	3.6	1 095	6 435
CURRENT LIABILITIES, TOTAL		219 321	226 871
EQUITY AND LIABILITIES, TOTAL		793 823	816 548

Consolidated statement of cash flows

1,000 EUR	Note	1 Jan - 31 Dec 2022	1 Jan - 31 Dec 2021
Cash flows from operating activities			
Net result for the financial period		58 693	77 953
Adjustments:			
Depreciation	2.5	73 060	66 826
Capital gains and losses on non-current assets		-2	178
Financial income and expenses	2.7	10 724	10 108
Income taxes	2.8	14 613	19 648
Other adjustments		636	-2 338
Change in working capital:			
Change in current non-interest-bearing receivables		-4 707	-578
Change in inventories		-17 136	-36 742
Change in current non-interest-bearing liabilities		-16 700	23 980
Interest paid		-10 133	-9 254
Other financing items		-61	-897
Income taxes paid		-22 655	-22 057
Net cash from operating activities		86 332	126 828
Cash flows from investing activities			
Purchases of tangible and intangible assets		-54 275	-21 586
Proceeds from disposal of tangible and intangible assets		31	-
Losses on disposal of tangible and intangible assets		-	-163
Investments in other assets		-465	-
Loans granted		-160	-38
Proceeds from repayments of loans		143	464
Net cash from investing activities		-54 726	-21 323
Cash flows from financing activities			
Proceeds from current loans		400 500	-
Repayments of current loans		-390 500	-100 000
Proceeds from non-current loans		-	100 000
Repayments of lease liabilities	3.1	-57 230	-52 341
Dividends paid		-56 470	-49 973
Net cash from financing activities		-103 700	-102 314
Net change in cash and cash equivalents		-72 094	3 191
Cash and cash equivalents at beginning of the financial period			
		81 253	78 080
Net change in cash and cash equivalents		-72 094	3 191
Effects of exchange rate fluctuations on cash held		-107	-
Cash and cash equivalents, corporate arrangements		-	19
Cash and cash equivalents at end of the financial period		9 051	81 253

Consolidated statement of changes in equity

1,000 EUR	Note	Share capital	Reserve for invested unrestricted equity	Treasury shares	Translation differences	Retained earnings	Equity attributable to owners of the parent	Total equity
Equity 1 Jan 2022	4.1	80	109 902	-2 045	13	136 703	244 652	244 652
Comprehensive income								
Net result for the financial period						58 693	58 693	58 693
Translation differences					-5		-5	-5
Other comprehensive income					-5		-5	-5
Total comprehensive income for the financial period					-5	58 693	58 688	58 688
Dividends						-56 470	-56 470	-56 470
Transfer of treasury shares				1 226		-1 226	-	-
Incentive scheme						89	89	89
Equity 31 Dec 2022		80	109 902	-819	7	137 789	246 959	246 959

1,000 EUR	Note	Share capital	Reserve for invested unrestricted equity	Treasury shares	Translation differences	Retained earnings	Equity attributable to owners of the parent	Total equity
Equity 1 Jan 2021	4.1	80	109 902	-2 220	11	108 590	216 362	216 362
Comprehensive income								
Net result for the financial period						77 953	77 953	77 953
Translation differences					2		2	2
Other comprehensive income					2		2	2
Total comprehensive income for the financial period					2	77 953	77 955	77 955
Dividends						-49 973	-49 973	-49 973
Transfer of treasury shares				175		-175	-	-
Incentive scheme						303	303	303
Other change						5	5	5
Equity 31 Dec 2021		80	109 902	-2 045	13	136 703	244 652	244 652

Notes to the consolidated financial statements

1. Accounting policies used in the consolidated financial statements

1.1 Basic information on the Group

Tokmanni Group Corporation (Finnish limited liability company, business ID 2483212-7) is the parent company of the Tokmanni Group. The shares of the parent company are listed on the Nasdaq Helsinki exchange.

The principal line of business of Tokmanni Group Corporation is to sell administrative services to the other companies in the Group. These companies include Retail Leasing Oy, whose line of business is to own and lease property, plant and equipment to the other Group companies. Tokmanni Oy is a wholly owned subsidiary of Retail Leasing Oy. Tokmanni Oy engages in wholesale, retail and speciality goods trade. Taitomanni Oy is a company owned by Tokmanni Oy, whose business is to provide Group companies with personnel rental and support services in the retail sector. The Group also includes Retail Property Investment Oy, which carries out a real estate business by investing in own real estate companies that build store premises for Group company use. Retail Property Investment Oy can also own, manage, sell, rent and purchase real estates. Tokmanni Group Corporation is the parent company of Retail Leasing Oy and Retail Property Investment Oy. In January 2022, Tokmanni established two new companies, Mäntsälä Distribution Center Oy and Kiinteistöosakeyhtiö Tokmannin Moreeni, for a new warehouse construction project.

Tokmanni Group Corporation is domiciled in Helsinki and its registered address is Isolammintie 1, 04600 Mäntsälä. Copies of the parent company financial statements and the consolidated financial statements are available at the Group's head office at Isolammintie 1, 04600 Mäntsälä and on the company website www.tokmanni.fi. At its meeting of 17 February 2023, the Board of Directors of Tokmanni Group Corporation approved the financial statements for publication. Under the Finnish Limited Liability Companies Act, the shareholders may either adopt or reject the financial statements at the Annual General Meeting held after their publication. In addition, the AGM may also decide to amend the financial statements.

1.2 Accounting policies used in the financial statements

These financial statements are compiled in accordance with the International Financial Reporting Standards (IFRS) and in particular with the IAS and IFRS standards and SIC and IFRIC interpretations in force on 31 December 2022. The term "International Financial Reporting Standards" refers to the standards adopted in the Finnish Accounting Act and provisions issued under it in accordance with the procedure under Regulation (EC) No 1606/2002 of the European Parliament and of the Council on the application of international accounting standards in the EU. The notes to the consolidated financial statements also comply with Finnish accounting and company legislation that complements the IFRS provisions.

Unless otherwise specified in the present accounting policies, the information in the financial statements is based on historical cost. The consolidated financial statements are presented in euro which is the operating and reporting currency of the Group's parent company. The information is given in thousands of euro unless otherwise mentioned.

The preparation of the financial statements in accordance with the IFRS requires Group management makes judgements regarding the selection and application of accounting policies and, estimates and assumptions that may affect the measurement of the reported assets and liabilities, contingent assets and liabilities and the recognition of income and expenses. Information on major issues requiring judgement are presented in "Accounting policies requiring management judgement and major sources of estimation uncertainty".

1.3 Accounting policies used in the consolidated financial statements

Consolidation policies – subsidiaries

The consolidated financial statements include not only the parent company, Tokmanni Group Corporation, but also the subsidiaries controlled by the Group. Control is deemed to arise when the Group, while being involved with the entity, becomes exposed to the entity's variable returns or is entitled to such variable returns and the Group is able to affect those returns by exercising its power over the entity. In practice, control normally arises when the Group owns over half of the voting rights in the subsidiary. The acquired subsidiaries have been consolidated in the consolidated financial statements from the date at which the Group acquires control, until the moment at which this control expires. All internal transactions, receivables and liabilities, unrealised profits and internal distribution of profit are eliminated at the preparation of the consolidated financial statements.

Mutual share ownership within the Group is eliminated using the acquisition method. Considerations transferred and the identifiable assets as well as liabilities assumed of the acquire are valued at their fair value of the date of acquisition. Acquisition-related costs are recognised as expenses, excluding the expenses incurred for the issuance of debt or equity securities. On 31 December 2022 or on 31 December 2021, there were no non-controlling interests within the Group. The way to recognise the goodwill generated through subsidiary acquisitions and business acquisitions is described later in Note 3.2 Intangible assets.

Consolidation policies - joint ventures

The Group also includes a joint arrangement operating in Hong Kong, classified as a joint venture (Tokmanni – Europris Sourcing Ltd.). A joint arrangement is one where two or several parties exercise joint control. Joint control means contractually agreed sharing of control over the arrangement, and it prevails only if decisions about relevant activities require unanimous consent of the parties sharing the control. A joint arrangement is either a joint operation or a joint venture. In a joint operation, the Group has rights based on the assets and obligations based on the liabilities in the arrangement, while a joint venture is an arrangement where the Group has rights to the net assets of the arrangement.

A joint venture is consolidated using the equity method. If the Group's share of the losses from the joint venture exceeds the carrying amount of the investment, it will be recognised in the statement of financial position at zero, while the losses in excess of the carrying amount are not consolidated. The Group's share of the net profit for the financial period of the joint venture, proportional to its ownership interest, is disclosed prior to the operating profit.

Translation of items in foreign currencies

Transactions in foreign currencies are converted into the functional currency using the exchange rate of the transaction date. Gains and losses resulting from the translation of foreign currency transactions and items are recognised in profit or loss, disclosed after the operating profit in financial income and expenses. The following items included in the purchase costs of the financial period constitute an exception:

- Exchange rate gains or losses arising from the translation of trade payables in foreign currencies.
- Exchange rate gains or losses arising from the changes in the fair values of currency options that hedge purchases quoted in foreign currencies.

The translation of the net profit for the financial period and of the comprehensive income by using different rates in the income statement / statement of comprehensive income on the one hand and in the statement of financial position on the other hand, gives rise to a translation difference recognised in equity, with the respective changes recognised under other comprehensive income.

1.4 Accounting policies requiring management judgement and major sources of estimation uncertainty

When preparing the financial statements, it is necessary to make certain assessments and assumptions about the future, although the actual outcomes may prove different. In addition, the management of the Group makes judgement-based decisions pertaining to the selection and application of the accounting principles used in the financial statements. This particularly applies in cases where the existing IFRS regulations allow for alternative methods of recognition, measurement and presentation.

The most significant areas where Management has used judgement are listed under. More detailed descriptions of the discretionary are presented in notes of the related items.

- Classification of leases, Note 3.1
- Measurement of inventories, Note 3.3
- Goodwill impairment testing, Note 3.2

1.5 Adoption of new or revised IFRS standards and IFRIC interpretations

In April 2021, the IFRS Interpretations Committee published a final agenda decision on the Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets). The decision takes a closer look at how to recognise the configuration or customisation costs if they cannot be recognised as intangible assets in accordance with IAS 38. As a result of the agenda decision, Tokmanni has carried out an analysis of the assets that come under the SAAS interpretation and on the basis of the analysis Tokmanni concluded that the IFRIC decision has not had a material impact on its financial statements for 2021 and 2022.

No other significant new IFRS standards or IFRIC interpretations have been adopted during the period.

1.6 Forthcoming IFRS standards

IFRS standards which will come into force and would affect Tokmanni Group Corporation's consolidated income statement, statement of financial position or notes at the time of the adoption are not known at the closing of the accounts.

2. Business performance

2.1 Segment information

As a result of the nature of Tokmanni's operations, the Group only has one operating segment to report. This is based on the fact that the Group's purchasing and logistics are managed in a centralised manner, the opening of new and closing of existing stores is a Group-level decision and the stores act as distribution channels. The Group only operates in Finland. All revenue is generated in Finland and all assets are also located in Finland. There are no single customers for which the revenues received amount to more than 10% of the Group's revenues.

The chief operating decision-maker is the CEO, whose decision-making criterion in assessing performance and resource allocation is the Group operating profit (EBIT).

2.2 Income

Accounting policies

The Group is engaged in the wholesale, retail and specialty goods trade. Its revenue comes from the sale of goods and, when the revenue is calculated, the sales proceeds are adjusted for indirect taxes and sales adjustment items. Revenue from the sale of goods is recognised when the major risks, benefits and control from the ownership of the goods have been taken over by the buyer, and it is probable that the Group will obtain the economic benefits related to sales. Most of the sales are cash or credit card sales, and therefore the proceeds are recognised as revenue at the moment the products are delivered to the buyers.

Other operating income includes income other than that associated with the sale of goods or services, such as rental income, capital gains on the disposals of tangible and intangible assets, insurance compensation and various other service fees and commissions. Service sales proceeds are recognised when the service has been provided.

1,000 EUR	2022	2021
Revenue		
Revenue from the sale of goods	1 167 558	1 141 492
Revenue from services	458	317
Total	1 168 017	1 141 808
Other operating income		
Service income	1 222	1 252
Rental income	331	226
Other operating income	2 472	2 169
Total	4 025	3 647
Total	1 172 042	1 145 456

The Group's revenue is fully generated through the sale of goods and services. Service income recognised under other operating income includes slot gaming and betting bonuses of the store premises. Rental income consists of the cost of using real estate for sub-tenants. Other income includes among others, income from the sale and leaseback arrangement of the Mäntsälä logistics centre as well as from sales of pallets.

2.3 Materials and services

1,000 EUR	2022	2021
Purchases during the period	-786 702	-779 025
Increase / decrease in inventories	17 690	36 998
External services	-2 238	-1 967
Total	-771 249	-743 994

2.4 Other operating expenses

Accounting policies

Other operating expenses include the acquisition costs other than those for goods and services sold, such as rental expenses, marketing expenses, maintenance expenses for real estate and store sites, IT expenses and purchased services. Other operating expenses also include losses on the disposal of tangible and intangible assets as well as the realised and unrealised losses on derivatives used for hedging commodity risks.

1,000 EUR	2022	2021
Rental expenses	-3 001	-2 181
Marketing expenses	-16 461	-14 811
Real estate and store site expenses	-41 978	-38 235
IT expenses	-10 541	-9 027
Purchased services	-13 781	-13 019
Other expenses	-20 942	-16 834
Total	-106 705	-94 108

The items grouped under Other expenses in the table include expenses related to the use of outsourced workforce and other personnel expenses, travel-related expenses and office and administrative expenses. Other expenses also include other operating expenses such as credit card commissions and banking and insurance expenses.

The rental expenses for the financial period consist of the variable lease payments on other leases, more information on which is provided in Note 3.1 Property, plant and equipment.

Auditors' fees

1,000 EUR	2022	2021
PricewaterhouseCoopers Oy		
Audit	-169	-109
Other services	-7	-128
Tax services	-	-6
Total	-177	-243

2.5 Depreciation

1,000 EUR	2022	2021
Intangible assets		
IT software and licences	-1 888	-1 852
Other intangible assets	-4	-8
Total	-1 892	-1 860
Property, plant and equipment		
Buildings and constructions	-60 105	-55 356
Machinery and equipment	-11 063	-9 611
Total	-71 168	-64 966
Total	-73 060	-66 826

The Group has not recognised impairments for tangible or intangible assets in reported financial periods .

Depreciation on right-of-use assets by asset class is presented in Note 3.1 Property, plant and equipment.

2.6 Employee benefit expenses

Accounting policies

The Group companies have defined contribution plans, with the related payments expenses in profit or loss during the period in which the contributions are paid. The Group does not have a legal or constructive obligation to make additional contributions in the event that the recipient of the premium payments is not able to pay out the pension benefits.

1,000 EUR	2022	2021
Wages, salaries and fees	-112 569	-109 302
Pension expenses - defined contribution plans	-20 070	-19 346
Other social security expenses	-4 433	-4 236
Total	-137 072	-132 884
Number of personnel on average in the financial period	4 236	4 132

According to the performance bonus model covering the entire personnel, the bonuses are based on realised quarterly sales and capped on the basis of the EBITDA margin. The bonuses are paid to every Tokmanni employee who has been paid salaries by Tokmanni during the bonus review period and who has worked during the same period. The employee must also be employed by Tokmanni at the time of payment. The expenses arising from the performance bonuses during the financial period amounted to EUR 338 thousand (EUR 1 205 thousand).

The annual bonus scheme for the Group's key personnel is divided into two parts: a short-term bonus paid annually in cash and a share-based long-term bonus paid over a period of three years. The share-based bonus scheme is the company's long-term incentive scheme for its management and key personnel. The targets for the annual bonus scheme were based on the company's growth and profits. In the share-based bonus scheme, the targets for the 2022 earning period were based on the Group's earnings per share (EPS), on the development of the company's market capitalization and emission reduction of own operations.

Expenses totalling EUR 139 thousand (EUR 918 thousand) were recorded for the annual bonus scheme for the Group's key personnel in 2022, and expenses of EUR 726 thousand (EUR 1 077 thousand) were recorded for the share-based bonus scheme. Additional information on the share-based bonus scheme is presented in note 4.1 Equity, Share-based payments.

The information on Management's employment-related benefits is in Note 5.1 Related party transactions.

2.7 Financial income and expenses

1,000 EUR	2022	2021
Interest income and other financial income		
Interest income on financial assets at amortised cost	39	16
Dividend income	2	2
Foreign exchange gains on cash and cash equivalents	13	17
Other financing income	-	70
Total	54	105
Interest expenses and other financial costs		
Interest expenses on financial liabilities at amortised cost	-2 286	-1 845
Interest expenses on leases	-8 300	-8 212
Foreign exchange losses on cash and cash equivalents	-281	-1
Other financial costs	65	-157
Total	-10 802	-10 214
Total	-10 749	-10 109

Exchange rate differences are also recorded under purchases in the financial period. Changes in the fair value of currency derivatives are recognised as adjustments of purchases in the period by EUR -1 197 thousand (EUR 1 378 thousand).

thousand). Changes in the fair value of commodity derivatives are recognised as adjustments of other operating expenses by EUR -540 thousand (EUR 646 thousand).

2.8 Income taxes for the financial period and deferred tax balances

Accounting policies

The tax expense is constituted by the current tax and the deferred tax. Taxes are recognised in profit or loss except when they are directly related to items under equity or other comprehensive income, in which case the tax is also recognised under such items. Current tax is calculated on the basis of taxable income using the valid tax rates.

Deferred taxes are provided for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in financial reporting. Typical temporary differences arise related to property, plant and equipment and tax deductible goodwill. Deferred taxes are calculated using the tax rates in force on the date of the financial statements and when the tax rates change, on the known new rates if they are substantively enacted by the end of the reporting period.

Deferred tax assets on unused tax losses and other temporary differences are recognized to the extent it is probable that taxable profit is available. The positions taken in tax returns are evaluated at the end of each financial period.

Income taxes

1,000 EUR	2022	2021
Income taxes for the financial period	-14 902	-19 134
Income taxes for previous financial periods	46	-44
Change in deferred taxes	243	-470
Total	-14 613	-19 648

Reconciliation between the income tax expense in the income statement and the Group's tax expense at the Finnish tax rate

1,000 EUR	2022	2021
Profit/loss before tax	73 306	97 601
Income taxes at Finnish tax rate 20,0% (20,0%)	-14 661	-19 520
Differing tax rates of foreign subsidiaries	-	-
Tax-exempt income	1	0
Non-deductible expenses	2	-84
Use of tax losses not recognised earlier	0	-
Unrecognised deferred tax assets from losses in taxation	0	-
Income taxes for previous financial periods	46	-44
Total	-14 613	-19 648

Tokmanni Group Corporation has a case pending with the tax authorities concerning the right to deduct value added taxes. No decision has been issued on the case yet. The amount of the disputed tax is about EUR 100 thousand.

Deferred tax assets and liabilities

Change in deferred tax balances 2022

1,000 EUR	1 Jan 2022	Recognised in income statement	31 Dec 2022
Deferred tax assets			
Leases	6 330	125	6 456
Sale and leaseback transaction	1 162	-99	1 063
Other	35	86	121
Total	7 528	112	7 640
Deferred tax liabilities			
Deductible goodwill amortisation, reversal	4 036	153	4 189
Cumulative depreciation differences	1 010	-100	909
Other	1 109	-184	925
Total	6 155	-131	6 024
Net deferred tax assets	1 373		1 616

Change in deferred tax balances 2021

1,000 EUR	1 Jan 2021	Recognised in income statement	31 Dec 2021
Deferred tax assets			
Leases	6 104	226	6 330
Sale and leaseback transaction	1 261	-99	1 162
Other	863	-828	35
Total	8 228	-701	7 528
Deferred tax liabilities			
Deductible goodwill amortisation, reversal	3 888	148	4 036
Cumulative depreciation differences	1 088	-78	1 010
Other	760	349	1 109
Total	5 735	419	6 155
Net deferred tax assets	2 493		1 373

The Group did not have any unused tax-loss carry-forward at end of the financial period.

2.9 Earnings per share

Accounting policies

Basic earnings per share are calculated by dividing the net profit for the financial period attributable to the owners of the parent company by the weighted average number of shares outstanding during the financial period. Diluted earnings per share are calculated by dividing the net profit for the financial period attributable to the owners of the parent company by the weighted average number of outstanding shares during the financial period, taking into account the diluting effect of all potential diluting shares.

Earnings per share	2022	2021
Equity holders of the parent company	58 693	77 953
Number of shares, weighted average during the financial period (thousands)	58 815	58 731
Diluted number of shares, weighted average during the financial period (thousands)	58 858	58 776
Earnings per share, basic (EUR/share)	1,00	1,33
Earnings per share, diluted (EUR/share)	1,00	1,33

3. Assets and liabilities

3.1 Property, plant and equipment

Accounting policies

General accounting policies

Property, plant and equipment include land areas, buildings and refurbishment expenses related to them, as well as machinery and equipment. In the statement of financial position, property, plant and equipment are measured at cost less accumulated depreciation and eventual impairment losses.

Assets, with the exception of land, are depreciated over their useful lives using the straight-line depreciation method, while land is not subject to depreciation. Depreciation commences when the asset is ready for use and functioning in the way expected by Management. When an item in property, plant and equipment is classified as one held for sale in line with IFRS 5 Non-current assets held for sale and discontinued operations, depreciation is no longer recorded.

The estimated useful lives are as follows:

- Buildings and constructions 15 years
- Machinery and equipment 3-15 years

The capital gains and losses from retirements and disposals of property, plant and equipment are recognised in profit or loss and disclosed in other operating income or expenses. Capital gain or loss is defined as the difference between the sales price and the residual acquisition cost. The normal repair, service and maintenance expenses of property, plant and equipment are recognised as expenses in the income statement during the period in which they are incurred.

The residual value, useful life and depreciation method of an asset item are re-examined at least at the end of each financial period and adjusted, if necessary, to reflect the changes in the expected economic benefits.

Accounting policies for lease agreements

Tokmanni leases store premises, the Mäntsälä logistics centre, vehicles and equipment for its use. Tokmanni has a few subleases related to leasing office and store premises to external parties. These agreements are of minor importance and they will not be considered in the Group's leases in accordance with the IFRS 16 standard.

Tokmanni will analyse whether an agreement should be classified as a lease agreement in compliance with the IFRS 16 standard when the agreement is entered into. The same analysis will be carried out when the terms and conditions of an agreement are changed. When identifying a lease agreement, it is essential to determine whether the agreement conveys the right to use an identified asset for a period of time defined in the agreement or during the agreement in exchange for consideration. Lease agreements include numerous terms and conditions that are always negotiated separately for each case or right-of-use asset. A few leased assets have separate rental guarantees and the Group can not use the lease agreement assets as collateral for loans.

The lease period refers to the period during which the lease agreement can not be terminated nor is there intention to do so. The lease period starts on the starting date of the agreement and also includes such periods when the lessor does not collect rent. In addition, feasible extension and termination options will be included in the lease period if the use of an option is reasonably certain. The lease periods of Tokmanni's lease agreements vary between non-fixedterm agreements with a 12-month notice period and 15-year fixed agreements. Regarding non-fixed-term lease agreements, when estimating the likely lease period, the importance of the leased asset to Tokmanni will be taken into account as well as expenses related to the termination and possible replacement of the lease agreement. Non-fixedterm agreements and agreements including option conditions require significant consideration by the Board. When estimating the lease period, the Board will consider e.g. the location of the agreement asset, its importance to Tokmanni's business activities and availability of alternative agreement assets. The length of the agreement is always dependent on the conditions at the time of consideration.

The Group's interest-bearing liabilities increase when a lease agreement starts and the balance sheet value of the liability is based on the present value of future lease payments. The internal rate of return of the lease agreement will primarily determine the discount rate. It is usual that the internal interest rate is not easy to determine on the lease agreements for Tokmanni's store properties; in this case the interest of the additional credit is used, which Tokmanni would use if it would loan the funds that would be needed for acquiring right-of-use assets for a corresponding period of time. The components of the interest of the additional credit are the risk-free reference rate and the credit risk spread of the additional credit. Determining the interest rate for the additional credit requires consideration by the

Board, which takes into consideration the nature of the right-of-use asset, the duration of the lease agreement and the Group's risk factors at that time. When possible, external funding will also be considered when determining the interest rate, which will be adjusted if any changes arise after receiving the possible funding. Lease payments as stated in the lease agreement are recognised in equity and finance expenses that will be recognised as profit and loss during the lease period. The remaining percentage of interest is equal during all remaining lease periods.

The value of the lease liability will be determined at the initial time of assessment using the following principles:

- Unpaid fixed payments of the right-of-use assets that will be paid during the lease period will be included and possible received incentives will be deducted. Future payments that are based on the index or the price level are taken into account in accordance with the current index or price level at the starting date of the agreement.
- Sums that the Group is expected to pay based on residual value guarantees are taken into account.
- Future lease payments will be taken into account regarding such extension options that are likely to be used.
- Fines related to possible early termination of agreement will be taken into account as well as possible purchase options if it is likely that related options will be used.

The lease liability that is based on the lease agreement will be assessed after the initial assessment using the effective interest method. The lease liability will be reassessed if the cash flow changes; this may happen when the index determining payment or the variable interest change as agreed upon in the lease agreement. The reassessment due to index change is done using the discount rate of the initial assessment. If the lease period changes at the same time, the reassessment will be done using the current interest rate. The change of lease liability will also be integrated into the adjustment of the right-of-use asset.

The Group's funds will increase when the lease agreement enters effect based on the assessed right-of-use asset, and the right-of-use asset will be depreciated during the lease period. Depreciations will be mainly done as straight line depreciations during the useful life of the right-of-use asset or during the lease period if shorter. The value of the right-of-use asset will be determined at the initial assessment using the following principles:

- The amount determined at the initial assessment of the lease liability will be included.
- Lease payments that have been made by the start of the lease agreement, from which incentives and possible initial direct costs have been deducted, will be considered.
- Possible restoration costs will be taken into account. These refer to costs incurred in the demolition, removal or restoration of the rental property. The obligation to pay restoration costs starts when the agreement enters into force or when the right-of-use asset has been used for a specific period of time.

Short-term and low-value assets are subject to an exemption, and these items remain off the balance sheet. Items will be recognised on the profit and loss statement as lease costs on an over-time basis.

Extension and termination options

For Tokmanni to continue successful business activities, it is favourable to remain in prime store location for a long time. Due to this, the aim is to include options in lease agreements to enable the extension and termination of the lease agreement after the end of the original lease period if requested. In addition to the Group's internal KPIs, many external factors influence the likelihood of using the options, such as competition, changes in the city and urban structure and the general financial situation.

When entering an agreement, the Board will evaluate the likelihood of using the extension option of the lease period that may be recorded in the agreement. If it is reasonably certain that Tokmanni will use this option, it will be considered as a part of the lease period. Thus, the lease period included in the option will include the value of the lease liability and the right-of-use asset when the agreement comes into effect. The lease period will be reassessed if a significant event or a change in situation occurs that influences the previous value; in this case the financial impact caused by the changed lease period will be recorded on the balance sheet as an adjustment to right-of-use assets and lease liabilities.

Among others, the following points under the evaluation of the board create an incentive to use extension options:

- The profitability, location and position in relation to competitors of the leased asset are on a reasonable level. The Board continuously monitors the situation in case conditions change.
- Renovation costs already during the validity of the lease agreement that can be expected to provide financial benefits also during an extension option period.

- The required resources incurred by not using the extension option related to finding a new agreement asset, agreement negotiations and remodelling of the potential new agreement asset.
- The price level of the leased asset during the extension option period compared to the market price.
- The completed lease period of the leased asset that indicates the likelihood of extending the lease agreement.

Variable lease payments

Some of the lease agreements concerning the Group's store premises contain lease payment terms that are partly or fully based on the revenue of the store that is the subject of the lease. If the lease agreement determines a minimum lease payment level that is not linked to the revenue, this instalment of the lease payment will be considered as a part of the balance sheet value of the right-of-use asset. In turn, the possible instalment that exceeds the minimum lease payment level and is based on revenue is recognised in profit or loss during the financial year. Terms concerning variable lease payment are usual for shopping centre properties.

Sale and leaseback transaction

The sale and leaseback transaction in Tokmanni's balance sheet is treated as a lease and is part of the right-of-use assets and lease liability. The gain on the sale is accrued over the lease term.

Residual value guarantees

Expected amounts payable under residual value guarantees will be estimated and recognised as a part of the lease liability at initial recognition. Residual value guarantees are included in some lease agreements that are recognised as part of the Buildings and constructions and machinery and equipment right-of-use assets. The effect of residual value guarantees on the operations and finances of the Group is not significant.

Property, plant and equipment

Property, plant and equipment as a whole are presented as a single item on the balance sheet and the items in this note are divided into Property, plant and equipment and Right-of-use assets related to leases.

Property, plant and equipment 2022

1,000 EUR	Land and waters	Buildings	Machinery and equipment	Prepayments	Total
Property, plant and equipment	208	6 883	31 557	578	39 226
Right-of-use assets	-	264 172	506	-	264 679
Carrying amount as at 1 Jan	208	271 055	32 063	578	303 904
Property, plant and equipment	442	7 572	35 119	35 835	78 968
Right-of-use assets	-	250 070	627	-	250 697
Carrying amount as at 31 Dec	442	257 642	35 746	35 835	329 666

Property, plant and equipment 2021

1,000 EUR	Land and waters	Buildings	Machinery and equipment	Prepayments	Total
Property, plant and equipment	208	6 238	28 984	766	36 196
Finance leases	-	275 471	751	-	276 222
Carrying amount as at 1 Jan	208	281 709	29 735	766	312 418
Property, plant and equipment	208	6 883	31 557	578	39 226
Finance leases	-	264 172	506	-	264 679
Carrying amount as at 31 Dec	208	271 055	32 063	578	303 904

Buildings and constructions also include related refurbishing costs of store properties. The Group has leased the logistics and store properties, cars and IT equipment from external parties.

Property, plant and equipment (excluding right-of-use assets) 2022

1,000 EUR	Land and waters	Buildings	Machinery and equipment	Prepayments	Total
Acquisition cost					
Acquisition cost as at 1 Jan	208	21 711	96 479	578	118 976
Additions	234	1 546	9 201	42 070	53 051
Disposals	-	-70	-597	-	-667
Transfers between items	-	1 692	5 121	-6 813	-
Acquisition cost as at 31 Dec	442	24 879	110 203	35 835	171 360
Accumulated depreciation					
Accumulated depreciation as at 1 Jan	-	-14 828	-64 922	-	-79 750
Depreciation charge for the financial period	-	-2 549	-10 755	-	-13 304
Accumulated depreciation of disposals	-	70	593	-	662
Accumulated depreciation as at 31 Dec	-	-17 307	-75 085	-	-92 392
Carrying amount as at 1 Jan	208	6 883	31 557	578	39 226
Carrying amount as at 31 Dec	442	7 572	35 119	35 835	78 968

Property, plant and equipment (excluding right-of-use assets) 2021

1,000 EUR	Land and waters	Buildings	Machinery and equipment	Prepayments	Total
Acquisition cost					
Acquisition cost as at 1 Jan	208	18 847	84 692	766	104 513
Additions	-	2 490	10 959	1 042	14 491
Disposals	-	-	-29	-	-29
Transfers between items	-	374	856	-1 230	-
Acquisition cost as at 31 Dec	208	21 711	96 479	578	118 976
Accumulated depreciation					
Accumulated depreciation as at 1 Jan	-	-12 609	-55 708	-	-68 317
Depreciation charge for the financial period	-	-2 219	-9 228	-	-11 447
Accumulated depreciation of disposals	-	-	14	-	14
Accumulated depreciation as at 31 Dec	-	-14 828	-64 922	-	-79 750
Carrying amount as at 1 Jan	208	6 238	28 984	766	36 196
Carrying amount as at 31 Dec	208	6 883	31 557	578	39 226

Leases

Leases recognised in the balance sheet 2022

1,000 EUR	Buildings	Machinery and equipment	Total
Right-of-use assets			
Carrying amount as at 1 Jan	264 172	506	264 679
Carrying amount as at 31 Dec	250 070	627	250 697
Additions to the right-of-use assets	4 291	508	4 798
Lease liabilities			
Non-current	240 177	242	240 418
Current	55 646	265	55 911
Lease liabilities 1 Jan	295 822	507	296 329
Non-current	222 948	308	223 257
Current	59 420	299	59 719
Lease liabilities 31 Dec	282 369	607	282 976

Leases recognised in the balance sheet 2021

1,000 EUR	Buildings	Machinery and equipment	Total
Right-of-use assets			
Carrying amount as at 1 Jan	275 471	751	276 222
Carrying amount as at 31 Dec	264 172	506	264 679
Additions to the right-of-use assets	19 202	231	19 433
Lease liabilities			
Non-current	254 045	379	254 423
Current	51 932	387	52 319
Lease liabilities 1 Jan	305 976	766	306 743
Non-current	240 177	242	240 418
Current	55 646	265	55 911
Lease liabilities 31 Dec	295 822	507	296 329

Additions to right-of-use assets are new leases related to stores (Buildings and constructions), company cars and equipments (Machinery and equipment).

An adjustment was made to lease periods due to a reassessment of the exercising of extension options. The effect of the adjustment on the value of the right-of-use assets and lease liabilities recognised on the balance sheet was EUR 7 953 thousand during the financial period (EUR 6 253 thousand).

At the close of the 2022 financial year, it was estimated that the undiscounted residual values payable in the future will amount to EUR 168 thousand (EUR 140 thousand). These residual values are included in the lease liabilities recognised on the balance sheet.

Leases recognised in the statement of profit or loss

1,000 EUR	2022	2021
Depreciation charge of right-of-use assets		
Buildings	-57 556	-53 136
Machinery and equipment	-332	-383
Total	-57 888	-53 519
Other amounts relating to leases		
Interest expense	-8 300	-8 212
Expense relating to variable lease payments (not included in lease liabilities)	-1 178	-599
Expense relating to short-term leases (less than 1 year)	-1 231	-745
Expense relating to leases of low-value assets	-592	-838
Income from subleasing right-of-use assets	331	226
Total cash outflow for leases	-65 530	-60 552

3.2 Intangible assets

Accounting policies

Goodwill

The goodwill generated from business combinations is recognised as the excess of the aggregate of the consideration transferred, the non-controlling interests in the acquire and any previous interest held, over the fair value of the acquired net assets. Goodwill is not subject to amortisation but is tested for impairment on an annual basis and also whenever there is an indication of impairment.

Accounting policies requiring management judgement

In impairment testing, the Group must assess indications of impairment based on both internal and external sources of information. The Group Management must make assessments while analysing the information obtained from these sources and making its conclusions. When determining the value in use, the Group estimates future market trends, such as the growth rate and profitability. The most impacting factors underpinning the estimates are the average EBIT margin (EBIT/revenue) and the discount rate. Changes in these assumptions may have a material impact on the estimated future cash flows. Chapter Allocation of goodwill and testing practice includes additional information on the sensitivity of the recoverable amount to the changes in the assumptions made.

Other intangible assets

Intangible assets are recognised in the statement of financial position at their cost, on condition that the cost can be determined reliably, and it is probable that the Group will receive the expected economic benefits from the asset. The other intangible assets of the Group are mainly IT software and licenses. They are recognised at acquisition cost less amortisation and impairment losses. The cost is the purchase price and all other expenses directly incurred for making the asset available for its intended use.

Intangible assets with definite useful lives will be amortised using the straight-line method over their known or estimated useful lives. Intangible assets with a fixed timeframe are amortised and recognised as expenses over the respective contract period. Once the intangible asset is classified as held-for-sale, amortisation is no longer recorded. The amortisation period for other intangible assets is five years on average.

The estimated useful lives and residual values are reviewed at least at the end of each financial period, and, if they differ significantly from earlier estimates, the amortisation periods are adjusted correspondingly

Intangible assets 2022

1,000 EUR	Goodwill	IT software and licences	Other intangible assets	Prepayments	Total
Acquisition cost					
Acquisition cost as at 1 Jan	136 216	20 227	140	207	156 791
Additions	-	1 159	45	19	1 223
Disposals	-	-151	-	-	-151
Transfers between items	-	241	-	-241	-
Acquisition cost as at 31 Dec	136 216	21 476	185	-15	157 863
Accumulated depreciation					
Accumulated depreciation as at 1 Jan	-	-15 744	-140	-	-15 884
Depreciation charge for the financial period	-	-1 888	-4	-	-1 892
Accumulated depreciation of disposals	-	151	-	-	151
Accumulated depreciation as at 31 Dec	-	-17 481	-144	-	-17 625
Carrying amount as at 1 Jan	136 216	4 483	-	207	140 907
Carrying amount as at 31 Dec	136 216	3 995	41	-15	140 238

Intangible assets 2021

1,000 EUR	Goodwill	IT software and licences	Other intangible assets	Prepayments	Total
Acquisition cost					
Acquisition cost as at 1 Jan	135 816	17 838	140	994	154 788
Additions	400	1 073	-	768	2 241
Disposals	-	-239	-	-	-239
Transfers between items	-	1 555	-	-1 555	-
Acquisition cost as at 31 Dec	136 216	20 227	140	207	156 791
Accumulated depreciation					
Accumulated depreciation as at 1 Jan	-	-14 131	-132	-	-14 263
Depreciation charge for the financial period	-	-1 852	-8	-	-1 860
Accumulated depreciation of disposals	-	239	-	-	239
Accumulated depreciation as at 31 Dec	-	-15 744	-140	-	-15 884
Carrying amount as at 1 Jan	135 816	3 706	8	994	140 525
Carrying amount as at 31 Dec	136 216	4 483	-	207	140 907

Allocation of goodwill and testing practice

For impairment testing purposes goodwill is allocated to the Group, which constitutes one group of cash-generating units and the Group's reporting segment.

The group of cash-generating units is tested for impairment by comparing the carrying amounts of the group of cash generating units with the respective recoverable amounts. The tested carrying amounts include property, plant and equipment, goodwill and other intangible assets and net working capital. The Group performs annual impairment testing on the goodwill during the last quarter of each reporting period. Impairment testing is also performed whenever there is an indication of the recoverable amount from an asset or the group of cash-generating units being less than the carrying amount. Besides goodwill, the Group has no other intangible assets deemed to have an indefinite useful life.

Impairment is the amount by which the asset's carrying amount exceeds the recoverable amount. An impairment loss is recognised immediately in profit or loss. Recognition of impairment loss has an adverse effect on the Group's result and thereby also on its equity but does not influence the Group's cash flows. When an impairment loss is recognised, the useful life of the asset subject to impairment is re-evaluated.

No impairment loss has been recognized during the financial periods 2022 and 2021.

Determining cash flows

The recoverable amount is the higher of the fair value less costs of disposal of the asset, or its value in use. In testing the goodwill of Tokmanni, the recoverable amount is based on value in use (present value), determined by discounting the estimated net cash flows for the moment of review.

Estimated net cash flows are constituted of two elements: three-year cash flows based on the business plan adopted by Management, and the so-called terminal value after the forecast period. New stores are taken into account, so that new stores where investment decisions have been approved by the testing day, are included. The terminal value is determined by extrapolating the forecasted cash flows. In the calculations, the growth factor for the years after the forecast period is 0.5% which is not estimated to be in excess of long-term growth in the sector.

The assumptions of cash flow growth and improved profitability reflect Management's view of the development of sales and expenses during the forecast period. The cash flows calculated on the basis of the budget and forecasts have, however, been adjusted in impairment testing by eliminating the estimated cash flows that are estimated to be generated through rearrangements not yet committed to, and cash flows that are estimated to be generated through improving or enhancing the performance of an asset.

The assumptions used in impairment testing are mainly the same as those underpinning the business plan and forecasts. The assumptions used are based on historical trends and on market data from external information sources. In determining the future cash flow projections, the assumptions calling for major Management judgement are those related to market and profitability outlooks. Following the adoption of IFRS 16, the right-of-use assets recognised on leases are also subjected to impairment testing.

If the assumptions used for the calculation of the amounts change, the recoverable amount used in impairment testing may also change.

Discount rate

The discount rate applied in determining the recoverable amount is the pre-tax weighted average cost of capital (WACC), calculated for Tokmanni. The elements of WACC are risk-free interest rate, equity beta, market risk premium, small company risk premium, credit margin, and the capital structure employed. The pre-tax WACC used was 10.4% (9.4%). The various components of the discount rate used in impairment testing are based on information derived from peers in which the effects of IFRS 16 are accounted for.

Sensitivity analysis in impairment testing

The key assumptions used in determining value in use are defined by the Management of Tokmanni. The most important assumptions are:

- discount rate; and
- average operating profit margin (operating profit/revenue)

The assumptions are based on expectations of future events believed to be realistic under the current circumstances. The assumptions have been adopted by the Executive Group and Board of Directors.

Sensitivity analyses have been made on the assumption that the average EBIT margin will decrease both during the forecast period and thereafter, and that the discount rate will increase. The table below presents a change in the key assumption which (with other assumptions remaining unchanged) would cause the recoverable amount to equal the carrying amount.

2022	Value used	Change
1. Discount rate (before tax)	10.4%	8.9 percentage point increase
2. Average operating profit margin (operating profit/revenue)	8.6%	3.2 percentage point decrease each year

2021	Value used	Change
1. Discount rate (before tax)	9.4%	12.5 percentage point increase
2. Average operating profit margin (operating profit/revenue)	9.1%	4.0 percentage point decrease each year

The consequential effects of the change in the value of the above key assumptions on other variables have not been taken into consideration in the sensitivity analysis. In the values presented in the tables above, the leeway exceeding their carrying amounts on the balance sheet, as indicated by impairment testing, is significant. In estimating the recoverable amount, Management did not find that a reasonably possible change in any of the core variables used would result in a situation where the recoverable amounts of units would be less than their carrying amounts.

3.3 Inventories

Accounting policies

Inventories are valued at the lower of cost or net realisable value. Cost is defined using the weighted average method. The cost of goods includes all costs of purchase, including purchase rebates, direct transportation and handling costs and other costs. The net realisable value is the estimated sales price obtainable through normal business, less the estimated product expenses and the estimated indispensable expenses related to materialised sales.

Accounting policies requiring management judgement

The Group's inventories are classified into different groups based on their turnaround times and, the slowest moving are, if appropriate, impairment recognized. Impairment recognition calls for judgements and estimates based on issues such as the future demand for the products. Changes in these assessments may impact the measurement of inventories in future financial periods.

1,000 EUR	2022	2021
Goods	281 114	248 068
Write-down in inventories	-6 892	-5 561
Goods, in transport	10 525	24 502
Purchase rebate accrual	-3 446	-3 399
Prepayments	11	-
Total	281 312	263 611

3.4 Other receivables and income tax receivables

Other receivables and income tax receivables

1,000 EUR	2022	2021
Loans and other receivables		
Trade receivables	1 700	1 419
Financial assets at fair value through profit or loss		
Derivatives, non-hedge accounting	29	1 337
Other receivables		
Prepayments and accrued income	5 203	6 561
Income tax receivables	2 508	49
Other receivables	19 474	13 685
Total	27 186	20 295
Total	28 914	23 051

The receivables are not associated with any significant credit risk concentrations, and the maximum credit risk corresponds to the carrying amount of the receivables at year's end. The impairment losses recognised in the Group's trade receivables are not significant. The other receivables item includes EUR 10 048 thousand (EUR 9 861 thousand) of invoiced annual bonus receivables.

Ageing analysis of trade receivables (external parties)

1,000 EUR	2022	2021
Not overdue	1 623	1 349
Overdue less than 7 days	108	67
Overdue between 8-21 days	18	11
Overdue more than 21 days	-49	-8
Total	1 700	1 419

Prepayments and accrued income

1,000 EUR	2022	2021
Annual discounts	492	1 950
Consumables expenses	1 034	1 087
Prepayments	801	702
Receivable from occupational health care payments	938	805
Receivables from Veikkaus	278	181
Other prepayments and accrued income	1 660	1 835
Total	5 203	6 561

Other prepayments and accrued income include receivables of EUR 622 thousand (EUR 594 thousand) related to returned service products.

3.5 Non-current receivables and other non-current financial assets

1,000 EUR	2022	2021
Loans and other receivables		
Loan receivables	191	211
Other receivables	473	8
Other receivables		
Non-current loan receivables from related parties	2 170	2 133
Total	2 834	2 352

The information on related party loans and their terms and conditions is presented in Note 5.1 Related party transactions.

3.6 Other liabilities and income tax liabilities**Accounting policies**

Trade payables and other non-interest-bearing current liabilities arose from goods and services that have been delivered to the Group before the close of the financial period and that have not been paid for. The liabilities are unsecured, and the general payment period is net 30 days. Trade payables and other liabilities are classified as current liabilities if they are due for payment within 12 months of the close of the reporting period.

Other liabilities and income tax liabilities

1,000 EUR	2022	2021
Financial liabilities at amortised cost		
Trade payables	77 854	100 950
Financial liabilities at fair value through profit or loss		
Derivatives, non-hedge accounting	605	176
Other liabilities		
Other non-interest-bearing liabilities	32 667	27 130
Accrued liabilities	37 381	36 269
Income tax liabilities	1 095	6 435
Total	71 143	69 835
Total	149 602	170 960

Current accrued liabilities

1,000 EUR	2022	2021
Holiday pay	18 877	18 120
Wages and salaries including social expenses	8 109	9 357
Compulsory insurances	5 766	3 439
Current interest liabilities	740	463
Other accrued liabilities	3 889	4 891
Total	37 381	36 269

Other accrued liabilities consist of deferred expenses related to recycling fees, electric power and credit card commissions, among other things.

3.7 Non-current non-interest-bearing liabilities

1,000 EUR	2022	2021
Other liabilities		
Sale and leaseback transaction	4 822	5 317
Non-current non-interest-bearing liabilities, total	4 822	5 317

3.8 Cash and cash equivalents

1,000 EUR	2022	2021
Cash and cash equivalents	9 051	81 253

Cash and cash equivalents include money in cash, demand deposits at banks and other current liquid investments readily convertible to an amount of cash known in advance. The cash and cash equivalents also include amounts relating to cash floats in stores and amounts being transferred to the respective companies.

3.9 Investments in joint ventures

Accounting policies

The joint venture is consolidated by using the equity method. The Group's share of the net profit for the financial period of the joint venture, proportional to its ownership interest, is disclosed prior to the operating profit.

1,000 EUR	2022	2021
Acquisition cost as at 1 Jan	98	29
Share of result for the financial period	98	67
Translation differences	-5	2
Acquisition cost as at 31 Dec	191	98

Tokmanni Oy owns 50% of the shares of the Hong Kong based joint venture Tokmanni-Europris Sourcing Ltd. The joint venture owns the Tokmanni-Europris (Shanghai) Trading Co., Ltd., a Shanghai-based procurement company. The company is the cornerstone of goods procurements made in China and the Far East. The company's operations include identifying and selecting local suppliers, ensuring the correct quality, monitoring delivery times, and ensuring responsible operations on the part of suppliers.

3.10 Business combinations

Accounting policies

The identifiable assets and liabilities acquired in connection with a business combination are measured at fair value at the time of acquisition and the costs related to the acquisition are recognised as expenses. Goodwill arising in a business combination is recognised at the amount by which the consideration given, the non-controlling interests in the acquiree and the previously held interests in the acquiree combined exceed the fair value of the net assets acquired. If the amount by which the consideration given, the non-controlling interests in the acquiree and the previously held interests in the acquiree combined fall below the fair value of the net assets acquired, the difference is recognised through profit or loss as a gain on a favourable transaction.

Acquisitions during the 2022 financial period

There were no acquisitions in the year ending 31 December 2022.

Acquisitions during the 2021 financial year

By way of an agreement signed on 22 June 2021, Tokmanni acquired the business operations of Tampereen Säästö-Tex Oy's shops in the TEX retail chain in Tornio and Kemi. The shop operations were taken over by Tokmanni as of 1 August 2021 and revised into Tokmanni shops during 2021. In accordance with Tokmanni's strategic objectives, shops of a significantly larger size than the existing ones were acquired and they carry a significantly larger product range than the average shop.

The net assets recorded as a result of the acquisition amounted to EUR 4,715 thousand, of which EUR 4,236 thousand were in inventories and EUR 650 thousand in property, plant and equipment. EUR 400 thousand was recognised in goodwill. The consideration paid for the acquisition amounted to EUR 5,115 thousand and, as a result of the decrease in cash received, the net cash flow from the investment is EUR 5,096 thousand, which is included in purchases of tangible and intangible assets under cash flows from investing activities in the cash flow statement. The purchase price was paid in cash during the 2021 financial period. The acquired business was not considered to be significant on its own.

The acquisition-related costs are included in other operating expenses in the income statement and they are part of cash flow from operating activities in the cash flow statement.

4. Capital structure, financing and risk management

4.1 Equity

Equity consists of share capital, reserve for invested unrestricted equity, treasury shares, translation differences and retained earnings.

	Number of outstanding shares	Share capital (thousand euro)	Reserve for invested non- restricted equity (thousand euro)	Treasury shares (thousand euro)	Total (thousand euro)
31 Dec 2020	58 718 752	80	109 902	-2 220	107 762
Transfer of treasury shares	14 257	-	-	175	-
31 Dec 2021	58 733 009	80	109 902	-2 045	107 936
Transfer of treasury shares	85 680	-	-	1 226	-
31 Dec 2022	58 818 689	80	109 902	-819	109 162

Tokmanni Group Corporation has one series of shares. The maximum number of the shares or the nominal value of the share has not been determined. Each share provides one voting right. All issued shares have been paid in full.

Treasury shares

The treasury shares fund includes the acquisition cost of treasury shares held by Tokmanni.

The Board of Directors, authorized by the Annual General Meeting, repurchased a total of 150,000 Tokmanni's shares during the financial year 2020. The shares are held by the company as treasury shares and the company's Board of Directors has the right to transfer them further. The acquisition cost of the treasury shares purchased in 2020, including transaction costs, was EUR 2,220 thousand and is presented as a deduction from equity.

During 2021, Tokmanni transferred a total of 33,475 shares held by the company without consideration to 58 persons included in the company's incentive scheme in accordance with the terms and conditions of the scheme. Of these, 6,352 treasury shares were returned to Tokmanni Group Corporation during the review period. Under the terms and conditions of the incentive scheme, 29,048 shares will be released from restrictions in January 2023 and 28,243 in January 2024.

	Number of shares
Treasury shares owned by the company on 31 December 2021	77 186
Shares acquired during the financial year	-
Transferred during the financial year on the basis of the share incentive plan	-33 475
Returned to the company during the financial year	6 352
Treasury shares owned by the company on 31 December 2022	50 063

Reserve for invested unrestricted equity

The reserve for invested unrestricted equity includes other equity type investments and the subscription price of the shares less transaction costs to the extent that it has not by explicit decision been registered in the share capital.

Translation differences

The translation differences reserve contains the translation differences arising from the conversion of the financial statements of foreign companies. The changes in the reserve are disclosed in comprehensive income.

Dividends

The parent company's distributable funds total 218 360 938.40 euros, which includes 58 612 761.23 euro in profit for the year. After the balance sheet date, the Board has proposed for the financial year ended on 31 December 2022 to

distribute a dividend of EUR 0.76 per share. This dividend amounts to a total of EUR 44 702 203.64. The remaining part of the retained earnings be retained in unrestricted shareholders' equity.

Share-based payments

At the end of the review period on December 31, 2022, the Group had a long-term share-based incentive program with an earnings period of year 2021 and as earnings criteria the Group's earnings per share (EPS), the company's market value and emission reduction of own operations during the period January 1 - December 31, 2022. The target group of the system is the CEO, the members of the Group Executive Team and other key personnel of the Group. The potential rewards to be paid correspond to a maximum of 120,000 Tokmanni Group Corporation's shares based on the market value at the moment of granting and will be paid in Tokmanni Group shares and possibly partly in cash. The recipient of the shares is free to use the shares in 1 January 2025. The cash proportion covers taxes and tax-related costs arising from the reward to a key employee.

According to IFRS 2, the share-based incentive program should be valued at fair value at the grant date and recognized as an expense during the vesting period. If the share premium is paid in combination of shares and cash, the fair value of the reward is divided into two parts according to IFRS 2; in shares settled and cash settled. The portion to be settled in the form of shares is recognised in equity and the cash settlement is amortised until the shares are released to the recipient. The fair value of the share-based payment at the time of awarding the bonus was the price of the company's share.

Based on realised earnings per share ratio and the market value of the company for the financial year 2022, the program will generate a total of EUR 89 (303) thousand to be paid to employees. For the year 2022, EUR 65 (157) thousand has been recognised as cost based on IFRS 2 standard.

4.2 Financial assets and liabilities

Accounting policies

Financial assets

The Group's financial assets are classified on initial recognition into the following categories: Financial assets at fair value through profit or loss and financial receivables measured at amortised cost. With respect to financial assets other than those recognised at fair value through profit or loss, the transaction costs are added to the historical cost. All purchases and sales of financial assets are recognised on the transaction date, which is the date on which the Group commits to the purchase or sale of the financial instrument. Derecognition of financial assets takes place when the Group has lost the contractual right to the cash flows or when it has transferred a significant part of the risks and income outside the Group.

Financial assets at fair value through profit or loss

This group includes financial assets that are classified on initial recognition at fair value recognised through profit or loss. The items classified in this group by the Group include derivatives that are not subject to hedge accounting. Financial assets that will mature within 12 months of the end of the reporting period are included in current assets. The items in this group are measured at fair value, based principally on the market price quoted at the end of the reporting period. Should an item not have a quoted market price, it is measured by using general valuation methods mainly based on observable market information. Any realised or unrealised gains and losses resulting from changes in the fair value are recognised in profit or loss during the financial period in which they arise.

Loans and receivables

This group includes non-derivative assets that have fixed or determinable payments and are not quoted on the active market. The Group does not hold them for sale or classify them on initial recognition as held-for-sale. They are measured on the basis of amortised cost using the effective interest method, and they are included, in line with their inherent nature, in either current or non-current assets.

Cash and cash equivalents

Cash and cash equivalents include money in cash, demand deposits at banks and other current liquid investments readily convertible to an amount of cash known in advance, with a minor risk of change in value. The maximum maturity of the items classified in cash and cash equivalents is three months from the moment of acquisition.

Impairment of financial assets

The Group applies the simplified method when recognising expected credit losses on sales trade receivables, according to which it recognises the expected credit losses on all trade receivables and contract assets over their lifetime. For the purpose of determining the expected credit losses, trade receivables are grouped on the basis of common credit risk characteristics and delays in payment.

The Group has found that the amount of impairment on trade receivables is not material.

The Group's management has stated that other receivables and cash and cash equivalents are exposed to a low credit risk and that the amount of impairment recognised on them is not material.

Financial liabilities

The Group's financial liabilities are classified on initial recognition as either financial liabilities at fair value through profit or loss, or financial liabilities measured at amortised cost. For financial liabilities other than those recognised at fair value through profit or loss, the transaction costs are deducted from the historical cost. All financial liability transactions are recognised on the contract date, or the date on which the Group commits to the contractual terms of the financial liability. The derecognition of financial liabilities takes place when the Group's contractual obligation has been met or cancelled or the obligation has expired.

The arrangement fees related to loan commitments are recognised as transaction costs to the extent that it is probable that the entire loan commitment or part of it will be drawn out, and in this case the fee will be recognised in the statement of financial position until the loan is drawn out. The arrangement fee related to loan commitments at the withdrawal is recognised under transaction costs. To the extent that it is probable that the loan commitment will not be drawn out, the arrangement fee is recognised as an advance payment for liquidity-related services and is amortised over the loan commitment period.

Derivative contracts

The Group concludes derivative contracts only for the purpose of hedging, but does not apply hedge accounting. The derivatives include electricity derivative contracts and currency derivatives. Electricity derivative contracts are used as a hedge against variation in electricity prices, to the maximum of the Group's own electricity consumption. The Group can use interest rate swap agreements to hedge against interest flow risks caused by long-term loans from credit institutions. Currency derivatives and options provide hedging against the changes in the cash flows of forecast purchases in foreign currencies. Derivative contracts are measured at fair value when the Group becomes a contractual party, and later they are further measured at fair value. The gains and losses thus arising are accounted for in line with the purpose of use of the derivative contract.

Financial assets and liabilities 31 Dec 2022

1,000 EUR	Financial assets and liabilities at fair value through income statement	Financial assets and liabilities measured at amortised cost	Carrying amounts of assets as per balance sheet
Financial assets			
Non-current financial assets			
Loan receivables	-	191	191
Total	-	191	191
Current financial assets			
Derivatives, non-hedge accounting	29	-	29
Trade receivables	-	1 700	1 700
Cash and cash equivalents	-	9 051	9 051
Total	29	10 751	10 780
Financial assets, total	29	10 942	10 971
Financial liabilities			
Non-current financial liabilities			
Loans from financial institutions *	-	99 465	99 465
Lease liabilities	-	223 257	223 257
Total	-	322 721	322 721
Current financial liabilities			
Corporate loans	-	10 000	10 000
Finance lease liabilities	-	59 719	59 719
Derivatives, non-hedge accounting	605	-	605
Trade payables	-	77 854	77 854
Total	605	147 573	148 178
Financial liabilities, total	605	470 294	470 899
Financial assets and liabilities, total	-576	-459 352	-459 928
* Loans from financial institutions, adjusted with arrangement fees paid			

Financial assets and liabilities 31 Dec 2021

1,000 EUR	Financial assets and liabilities at fair value through income statement	Financial assets and liabilities measured at amortised cost	Carrying amounts of assets as per balance sheet
Financial assets			
Non-current financial assets			
Loan receivables	-	211	211
Total	-	211	211
Current financial assets			
Derivatives, non-hedge accounting	1 337	-	1 337
Trade receivables	-	1 419	1 419
Cash and cash equivalents	-	81 253	81 253
Total	1 337	82 671	84 009
Financial assets, total	1 337	82 882	84 220
Financial liabilities			
Non-current financial liabilities			
Loans from financial institutions *	-	99 289	99 289
Finance lease liabilities	-	240 418	240 418
Total	-	339 708	339 708
Current financial liabilities			
Finance lease liabilities	-	55 911	55 911
Derivatives, non-hedge accounting	176	-	176
Trade payables	-	100 950	100 950
Total	176	156 860	157 036
Financial liabilities, total	176	496 568	496 744
Financial assets and liabilities, total	1 161	-413 686	-412 525

* Loans from financial institutions, adjusted with arrangement fees paid

The carrying amounts of current items are substantially all estimated to correspond to their fair values.

Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities 2022

1,000 EUR	Financial liabilities 1 Jan 2022	Cash flows	Non-cash changes		Financial liabilities 31 Dec 2022
			Leases	Other changes	
Loans from financial institutions	99 289	-	-	175	99 465
Corporate loans	-	10 000	-	-	10 000
Lease liabilities	296 329	-57 230	43 907	-31	282 976
Total	395 619	-47 230	43 907	145	392 440

Reconciliation of liabilities arising from financing activities 2021

1,000 EUR	Financial liabilities 1 Jan 2021	Cash flows	Non-cash changes		Financial liabilities 31 Dec 2021
			Finance leases	Other changes	
Loans from financial institutions	99 707	-	-	-417	99 289
Lease liabilities	306 743	-52 341	41 976	-49	296 329
Total	406 449	-52 341	41 976	-466	395 619

Policies applied by the Group in determining the fair value of all financial instruments

The following price quotes, assumptions and measurement models have been used in determining the fair values of the financial assets and liabilities given in the table:

Derivatives

The fair values of forward exchanges and options are determined using counterparty price quotations. Moreover, the Group has made its own verification calculation using generally accepted methods of valuation. The fair values of commodity derivatives are determined using publicly quoted market prices.

Lease liabilities

The fair value of lease liabilities has been estimated by discounting future cash flows at an interest rate that primarily corresponds to the internal interest rate of the lease agreements. In the case of leases related to retail properties, it is customary that the internal rate of the lease is not easily determinable, in which case the interest rate for the additional credit is used.

Loans from financial institutions

The fair values of loans have been calculated on the basis of the present value of future cash flows, using the rates at the end of the financial period. Substantially all carrying amounts of the loans correspond to fair values, since the loans are floating-rate loans and the Group's risk premium has not changed to any essential degree. The loans are broken down by maturity in Note 4.3 Management of financial risks.

Trade receivables and other receivables, as well as trade payables and other liabilities

The initial carrying amounts of non-derivative receivables and liabilities correspond to their fair value since the impact of discounting is not material, considering the maturity of these receivables and liabilities.

Fair value hierarchy of the financial assets and liabilities measured at fair value

Level 1 instruments are subject to active trading in the market, and therefore their fair values are directly based on the market price. The fair value of the level 2 instruments is based on available market data. The fair value of level 3 instruments is not based on observable market information (unobservable inputs).

The Group's financial assets and liabilities measured at fair value (i.e., all of the Group's derivatives) are level 2 of the fair value hierarchy as per IFRS 13. The fair value of these instruments at the end of the reporting period, 31 Dec 2022 was EUR -576 thousand (EUR 1 161 thousand).

Derivative contracts**Derivative contracts 2022**

	Fair value (thousand euro)	Underlying value (thousand euro)	Secured energy (MWh)
Foreign exchange forward contracts and options	-576	14 063	

Derivative contracts 2021

	Fair value (thousand euro)	Underlying value (thousand euro)	Secured energy (MWh)
Foreign exchange forward contracts and options	621	40 615	
Electricity derivatives			
System price	540	1 088	17 520

4.3 Management of financial risks

In its normal business operations, the Group is exposed to many financial risks, the principal types of which are currency and interest-rate risks. The objective of the Group's risk management is to minimise the adverse effects of changes in the financial market on the Group's financial performance. The general principles of the Group's risk management are adopted by the Board of Directors. The responsibility for practical implementation of financial risk management is shouldered by the Group's CFO, with such management comprising the identification and assessment of the risks and furnishing the Group with the necessary instruments of risk hedging. In risk management, the Group employs forward exchanges, currency options and electricity derivative contracts. The Group does not engage in hedge accounting under IFRS 9.

Exchange rate risk

The Group is exposed to currency risks from its purchases. The most significant foreign currency for the Group is the US dollar (USD). According to Tokmanni's hedging principles, about half of the purchases in USD are hedged for an average length of six months. Currency hedging takes place through forward exchanges and currency options. The Group's import and finance departments collaborate to draft a monthly updated estimate of the purchases in USD. In the financial year that ended on 31 December 2022, approximately 82% of Tokmanni's product purchases were made in euros and approximately 18 % in US dollars. Since the Group's non-current loans are fully in euro, financial liabilities do not involve any currency risk.

The Group's foreign exchange positions (in euro) at the end of the reporting period:

1,000 EUR	2022	2021
Trade payables	6 361	14 956
Forecasted purchases in the next 6 months	29 843	66 400
Total	36 204	81 356
Currency options	-14 063	-40 615
Position, total	22 141	40 741

Currency derivatives are recognised at their acquisition value and are measured at the end of the financial period at their fair value in profit or loss.

The table below shows the impacts on the Group's profit after taxes, as well as the impact on equity. Should the euro strengthen or weaken against the USD (+/- 10%), with the other factors remaining unchanged, the Group's profit after taxes would be affected by EUR 1 771 thousand (EUR 3 259 thousand) positively or negatively. The sensitivity analysis is based on the currency position at the end of the reporting period.

1,000 EUR	2022	2021
Change	+/-10%	+/-10%
Effect on profit after tax	1 771	3 259
Effect on equity	-	-

Interest rate risk

The Group's revenues and operational cash flows are largely independent of fluctuations in the market rates of interest, and, therefore, the Group's exposure to interest rate risks is mainly related to its external loan portfolio. According to its risk management principles, the Group aims to have at least two-thirds of the loans with fixed interest rates or hedged against interest rate changes, subject to discretion of the Board of Directors. The Board of Directors evaluates the Group's exposure to interest rate risks and the level of hedging on a regular basis and makes interest rate hedging decisions if needed. The average annual rate of the Group's interest-bearing liabilities excluding IFRS 16 finance liabilities was 1.2% (1.1%).

The following table shows the Group's interest position at the end of the reporting period

1,000 EUR	2022	2021
Fixed interest rate		
Financial liabilities	292 976	296 329
Floating interest rate		
Financial liabilities	100 000	100 000

The table below shows the impacts on the Group's profit after taxes, as well as the impact on equity. Should the interests increase or decrease +/- 1.0 percentage points (+/- 0.5), with the other factors remaining unchanged, the Group's profit after taxes would be affected by EUR 800 thousand (EUR 400 thousand) negatively or positively. The sensitivity analysis is based on the floating interest rate position at the end of the reporting period.

1,000 EUR	2022	2021
Change	+/-1.0%	+/-0.5%
Effect on profit after tax	800	400
Effect on equity	-	-

Credit risks

The Group's credit exposure is constituted of the credit risk related to the receivables from business operations, and the counterparty risk associated with other financial instruments.

The Group has no significant credit risk concentrations related to receivables because its clientele is widely spread, the sales are mainly retail sales against cash, and no single customer or group of customers is dominant from the Group's perspective. Note 3.4 Other receivables and income tax receivables presents the breakdown of trade receivables by maturity. The credit losses with impact on profit or loss incurred during the financial period were not significant. The maximum amount of the Group's credit loss corresponds to the carrying amount of financial assets at the end of the reporting period (note 4.2 Financial assets and liabilities).

Part of the purchases from the Far East need to be paid in advance, and the respective risk is minimised by long-term cooperation with suppliers. The Group has a procurement company in Shanghai, China together with the Norwegian discount store chain, Europris AS. The company is the cornerstone of goods procurements made in China and the Far

East. The company's operations include identifying and selecting local suppliers, ensuring the correct quality, monitoring delivery times, and ensuring responsible operations on the part of suppliers. The Shanghai company has 34 employees. The functions in Vietnam were launched in August 2022 through the sourcing company located in Shanghai.

Liquidity risk

The Group seeks to follow the financing required in business operations by analysing the sales cash flow forecasts in order to have sufficient liquid assets to fund the operations and to repay loans at maturity.

The availability and flexibility of the Group's financing is guaranteed through sufficient credit facilities, balanced maturity distribution of the loans and sufficiently long loan periods, and by using several financial institutions and forms for the procurement of funding. At 31 December 2022, the Group had a total of EUR 206 million (EUR 216 million) in the credit facility reserve, including the commercial paper programme.

The company's loan of EUR 100 million drawn under the financing agreement signed in February 2021 will mature in February 2026. The financing agreement includes a credit facility of EUR 50 million. In addition to the above, the financing agreement also includes a committed option for drawing down an additional loan of EUR 50 million in instalments. The option for an additional loan is valid until February 2023, and includes a conditional option to extend the loan by one year at a time for another two years.

The Group has not identified any significant liquidity risk concentration in relation to its financial assets or sources.

Liability-related defaults and violations of contractual terms

Loans from financial institutions contain a covenant according to which the Group has to achieve a certain ratio of net debt in relation to adjusted EBITDA. Operations in accordance with the loan covenants are reported lenders on a quarterly basis. The Group's management monitors compliance with loan covenants on a regular basis. In 2022, Tokmanni has met the required covenants.

Maturity of contractual cash flows of non-derivative financial liabilities

The table below includes all the instruments in force at the closing of the accounts, as well as their contractual loan principals and interests. The amounts are undiscounted and they include both the future interest payments and the principal repayments.

Maturity of contractual cash flows of non-derivative financial liabilities 2022

1,000 EUR	Carrying amount 31 Dec 2022	Cash flows based on agreements	Less than 1 year	1-5 years	Over 5 years
Loans from financial institutions and corporations*	109 465	115 829	11 857	103 972	-
Lease liabilities	282 976	313 548	67 418	183 212	62 919
Trade payables	77 854	77 854	77 854	-	-
Total	470 294	507 232	157 128	287 184	62 919

* Loans from financial institutions, adjusted with arrangement fees paid and corporate loans

Maturity of contractual cash flows of non-derivative financial liabilities 2021

1,000 EUR	Carrying amount 31 Dec 2021	Cash flows based on agreements	Less than 1 year	1-5 years	Over 5 years
Loans from financial institutions *	99 289	104 593	1 115	103 477	-
Lease liabilities	296 329	329 159	63 425	190 591	75 143
Trade payables	100 950	100 950	100 950	-	-
Total	496 568	534 701	165 489	294 069	75 143

* Loans from financial institutions, adjusted with arrangement fees paid

Maturity of contractual cash flows of derivative financial liabilities

The cash flows related to currency and electricity derivative contracts are based on their fair values at the end of the reporting period with the maturity corresponding to the due date. Potential cash flows related to interest derivatives are disclosed in net.

Maturity of contractual cash flows of derivative financial liabilities 2022

1,000 EUR	Carrying amount 31 Dec 2022	Cash flows based on agreements	Less than 1 year	1-5 years
Foreign exchange forward contracts and options	605	605	605	-
Total	605	605	605	-

Maturity of contractual cash flows of derivative financial liabilities 2021

1,000 EUR	Carrying amount 31 Dec 2021	Cash flows based on agreements	Less than 1 year	1-5 years
Foreign exchange forward contracts and options	176	176	176	-
Total	176	176	176	-

Commodity risks

In its operations, the Group is exposed to a commodity risk caused by the possible impacts of the electricity price risk on the Group's energy costs. The Group hedges itself against electricity price changes through electricity derivative contracts in line with the policy determined by the Tokmanni Board. However, the maximum amount corresponds to the Group's estimated electricity consumption. The hedge level covers about 70% of the consumption for one year ahead, gradually decreasing over a period of about 3-4 years. At the balance sheet date in 2022, the Group had no existing electricity hedges.

The carrying amount (EUR) of electricity derivative contracts at the end of financial period

1,000 EUR	2022	2021
Electricity derivative contracts	-	540

The changes in the value of the derivatives hedging the price of electricity supplied during the financial period are included in the adjustments of other operating expenses.

The table below shows the impacts on the Group's profit after taxes, as well as the impact on equity. Should the prices of electricity increase or decrease (+/- 10%), with the other factors remaining unchanged, the Group's profit after taxes would be affected by EUR 0 thousand (EUR 87 thousand) positively or negatively. The sensitivity analysis is based on the risk position at the end of the reporting period.

1,000 EUR	2022	2021
Change	+/-10%	+/-10%
Effect on profit after tax	-	87
Effect on equity	-	-

4.4 Capital management

The objective of the Group's capital management function is to retain an optimal capital structure in line with the Group's strategy. By managing its capital, the Group ensures that its business operations will continue without interruption, thus guaranteeing cash flow financing under all circumstances, allowing for investments according to the Group's strategy and increasing shareholder value long-term.

1,000 EUR	2022	2021
Interest-bearing liabilities	392 440	395 619
Cash and cash equivalents	9 051	81 253
Interest-bearing net debt	383 389	314 366
Total equity according to IFRS	246 959	244 652
Equity ratio	31.2%	30.0%

Tokmanni intends to maintain an efficient long-term capital structure by keeping the ratio of net debt to comparable EBITDA below 3.2.

	Target level	2022	2021
Net debt / adjusted EBITDA	below 3.2	2.4	1.8

4.5 Contingent liabilities, assets and commitments

Contingent liabilities, assets and commitments

Property has not been provided as collateral for loans from financial institutions, but a covenant term is related to such loans. The covenant term determines the required net debt to EBITDA ratio. In 2022, Tokmanni has met the required covenants.

Non-cancellable lease liabilities

Group as lessee

Tokmanni's lease liabilities consist of minimum lease liabilities related to low-value leases and short-term leases.

Minimum lease payments payable based on other non-terminable leases		
1,000 EUR	2022	2021
No later than 1 year	9 171	8 876
Later than 1 year and no later than 5 years	21 350	20 952
Later than 5 years	3 823	2 521
Total	34 344	32 349

The effect on leases and other leases are described in Note 3.1 Tangible assets, in the table "Lease amounts presented in the income statement".

Group as lessor

The Group has sublet certain business premises. The rental expenses incurred for these premises, as well as the minimum lease payments obtainable in the future on the basis of the subleases, are not significant for the Group.

5. Other

5.1 Related party transactions

The Group's related parties are the Board of Directors and Executive Group members, including the CEO and Deputy CEO, as well as subsidiaries and joint ventures. The owners' related parties are defined by societies and persons who have control, joint control or significant influence in the Tokmanni Group.

The disclosed transactions with related parties include those not eliminated in the consolidated financial statements of Tokmanni Group Corporation. All transactions with related parties are on market-based terms.

The Group's parent and subsidiary relationships are as follows

Company	Domicile	Shareholding	Voting rights
Parent company Tokmanni Group Corporation	Finland		
Retail Property Investment Oy	Finland	100%	100%
Retail Leasing Oy	Finland	100%	100%
Tokmanni Oy	Finland	100%	100%
Taitomanni Oy	Finland	100%	100%
Mäntsälä Distribution Center Oy	Finland	100%	100%
Kiinteistöosakeyhtiö Tokmannin Moreeni	Finland	100%	100%

The Tokmanni - Europris Sourcing Ltd joint venture, which has been consolidated using the equity method, sells purchasing services to the Group.

Specification of transactions carried out with related parties

Transactions during the financial period 2022 including receivables, payables and liabilities per 31 Dec 2022 carried out with related parties

1,000 EUR	Majority owner and related parties to majority owner	Board of Directors and management	Joint ventures
Income statement			
Revenue and other operating income	-	9	-
Other operating expenses	-	1 326	1 830
Financial income	-	11	-
Balance sheet			
Assets			
Receivables from joint ventures	-	-	191
Non-current loan receivables from related parties	-	2 170	-
Interest receivables from related parties	-	11	-
Additions to other tangible assets	-	58	-
Total	-	2 238	191

Transactions during the financial period 2021 including receivables, payables and liabilities per 31 Dec 2021 carried out with related parties

1,000 EUR	Majority owner and related parties to majority owner	Board of Directors and management	Joint ventures
Income statement			
Revenue and other operating income	-	2	-
Other operating expenses	-	1 146	1 507
Financial income	-	11	-
Balance sheet			
Assets			
Receivables from joint ventures	-	-	211
Non-current loan receivables from related parties	-	2 133	-
Interest receivables from related parties	-	11	-
Total	-	2 144	211

Non-current loan receivables from related parties

The Board of Directors of Tokmanni Group Corporation has decided to encourage the members of its Executive Group to increase their shareholdings. The purpose of this arrangement is to more closely unite the targets of the owners and management of the company in order to raise the value of the company over the long term and to commit the management to an even better implementation of the company's strategy. In the arrangement, Tokmanni's Board of Directors decided to offer the Group's key personnel financing for their share purchases.

Long-term loans have been granted on market terms to related parties as follows:

- A total of EUR 160 thousand (EUR 0 thousand) in loans was granted during the financial period. During the financial year, loans were repaid by an amount of EUR 123 thousand (EUR 447 thousand).
- The loan period is five years and the borrowers may repay their loans earlier if desired.
- The purchased shares serve as collateral for these loans.
- The borrowers will pay an annual interest rate consisting of the 12-month Euribor plus one percentage point. The interest will be paid on the outstanding loan amount and calculated for an interest period of one (1) calendar year. The loan interest is paid annually in arrears.

Management employee benefits

The key management personnel includes the members of the Board of Directors and Executive Group, and the CEO.

The table below shows the salaries and other short-term employee benefits of key executives. No other benefits have been paid to persons.

EUR		2022	2021
Mika Rautiainen	CEO	873 012	910 123
Seppo Saastamoinen	Chairman of the Board	95 860	95 015
Juha Blomster	Member of the Board	47 353	46 346
Thérèse Cedercreutz	Member of the Board	41 307	40 312
Erkki Järvinen	Member of the Board	58 340	58 326
Ulla Lettijeffer	Member of the Board	41 317	40 326
Harri Sivula	Member of the Board	42 853	46 352
CEO of the Group companies and members of the Board of Directors		1 200 042	1 236 800
Executive Group		2 195 229	2 046 297
Monetary salaries, fees and fringe benefits, total		3 395 271	3 283 098

Pension benefits

In Tokmanni Group Corporation, the pensions of the key management personnel are determined in line with the general provisions applied in Finland to employee pensions (Employee Pensions Act). The CEO's statutory pension cost was EUR 102 092.21 in 2022 (EUR 96 887.47).

Termination benefits

If the Group gives notice to the CEO, he will have the right to receive compensation corresponding to the maximum of 12 months' overall pay. Under corresponding circumstances, the other Executive Group members will have the right to compensation corresponding to the maximum of 9 months' overall pay.

5.2 Provisions and contingencies

Accounting policies

A provision is recorded when the Group has a legal or constructive obligation as a result of an earlier event, and when the materialisation of the obligation is probable and its amount can be reliably estimated. Provisions are valued at the

present value of the expenses required to cover the obligation. The discount rate used for the calculation of the present value is chosen to reflect the current market view of the time value of money and the risks associated with the obligation. If it is possible to have compensation for part of the obligation from a third party, the compensation is recognised as a separate asset when the reimbursement is virtually certain. The amounts of the provisions are estimated at each closing of the accounts, and they will be adjusted to correspond with the best current estimate. Changes in provisions are recognised in the income statement under the same item where the original provision was recorded. The increase in the provision resulting from the passing of time is recognised as interest expenses. At the end of the reporting or comparison period, the Group did not have any provisions.

A contingent liability is a possible obligation arising from past events, the existence of which is confirmed only if an uncertain event beyond the Group's control occurs. A contingent liability is also deemed to be a present obligation where payment is not probable or the amount cannot be measured reliably. Contingent liabilities are specified in the Notes 4.2 Financial assets and liabilities and 4.5 Contingent liabilities, assets and commitments.

5.3 Events after the end of the reporting period

Tokmanni has concluded an agreement on acquiring the entire share capital of the Finnish footwear store chains Click Shoes Oy and Shoe House Oy. Ownership of the companies will be transferred to Tokmanni on 1 March 2023.

Parent company's financial statements (FAS)

Parent company's income statement

EUR	1 Jan - 31 Dec 2022	1 Jan - 31 Dec 2021
REVENUE	1 177 700.00	1 498 400.00
Other operating income	-	1 752.88
Wages, salaries and fees	-846 989.79	-1 031 151.81
Social security expenses		
Pension expenses	-208 700.73	-252 347.71
Other social security expenses	-8 510.26	-14 213.84
Wages, salaries and employee benefits	-1 064 200.78	-1 297 713.36
Other operating expenses	-868 299.62	-885 622.10
OPERATING PROFIT	-754 800.40	-683 182.58
Financial income	266 324.67	82 845.29
Financial expenses	-2 202 673.81	-2 358 906.68
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES	-2 691 149.54	-2 959 243.97
Appropriations	75 980 000.00	94 500 000.00
Profit (loss) before taxes	73 288 850.46	91 540 756.03
Income taxes	-14 676 089.23	-18 308 153.25
NET RESULT FOR THE FINANCIAL PERIOD	58 612 761.23	73 232 602.78

Parent company's balance sheet

EUR	31 Dec 2022	31 Dec 2021
ASSETS		
NON-CURRENT ASSETS		
Investments		
Holdings in group companies	235 233 761.80	235 233 761.80
Other shares and holdings	464 944.31	-
Investments	235 698 706.11	235 233 761.80
NON-CURRENT ASSETS, TOTAL	235 698 706.11	235 233 761.80
CURRENT ASSETS		
Non-current receivables		
Amounts owed by group companies	32 637 682.72	-
Non-current loan receivables, related parties	2 170 086.11	2 133 009.31
Non-current receivables	34 807 768.83	2 133 009.31
Current receivables		
Amounts owed by group companies	79 367 811.43	95 462 562.82
Other receivables	16 479.32	12 113.84
Prepayments and accrued income	47 281.89	46 304.91
Current receivables	79 431 572.64	95 520 981.57
Cash in hand and at banks	4 005 064.10	76 900 403.18
CURRENT ASSETS, TOTAL	118 244 405.57	174 554 394.06
ASSETS TOTAL	353 943 111.68	409 788 155.86
EQUITY AND LIABILITIES		
EQUITY		
Share capital	80 000.00	80 000.00
Reserve for invested unrestricted equity	114 629 589.41	114 629 589.41
Treasury shares	-819 364.00	-2 045 393.93
Retained earnings	45 937 951.76	30 401 245.79
Net result for the financial period	58 612 761.23	73 232 602.78
EQUITY, TOTAL	218 440 938.40	216 298 044.05
LIABILITIES		
Non-current liabilities		
Loans from financial institutions	100 000 000.00	100 000 000.00
Current liabilities		
Trade payables	44 968.63	48 325.19
Amounts owed to group companies	23 268 837.37	86 098 652.41
Other payables	10 108 172.71	55 772.77
Accruals and deferred income	2 080 194.57	7 287 361.44
Current liabilities	35 502 173.28	93 490 111.81
LIABILITIES, TOTAL	135 502 173.28	193 490 111.81
EQUITY AND LIABILITIES, TOTAL	353 943 111.68	409 788 155.86

Parent company's cash flow statement

1,000 EUR	31 Dec 2022	31 Dec 2021
Cash flows from operating activities		
PROFIT (LOSS) FOR THE PERIOD	58 613	73 233
Adjustments:		
Financial income and expenses	1 936	2 276
Appropriations	-75 980	-94 500
Tax on income from operations	14 676	18 308
Change in working capital		
Increase (-) / decrease (+) of current receivables	542	-193
Increase (+) / decrease (-) of current non-interest bearing liabilities	-119	-30
Interest paid	-1 829	-1 042
Other financing items	-72	-859
Direct income taxes paid	-19 993	-19 288
Cash from operating activities	-22 226	-22 096
Cash flows from investing activities		
Investments in other assets	-465	-
Granted loans (+)	-32 561	-
Proceeds from repayments of loans	123	447
Cash from investing activities	-32 903	447
Cash flows from financing activities		
Change in internal bank account receivables	-2 947	693
Change in internal bank account liabilities	-62 850	-4 489
Proceeds from current loans	400 500	-
Repayments of current loans	-390 500	-100 000
Proceeds from non-current borrowings	-	100 000
Dividends paid	-56 470	-49 973
Group contributions	94 500	80 000
Cash from financing activities	-17 766	26 231
Change in cash in hand and at bank	-72 895	4 582
Cash in hand and at bank at the beginning of the period	76 900	72 319
Cash in hand and at bank at the end of the period	4 005	76 900

Notes to the parent company's financial statements

1. Accounting policies

General

Tokmanni Group Corporation is a Finnish limited liability company and its shares are listed on the Nasdaq Helsinki exchange.

The domicile of the company is Helsinki.

The principal line of business of Tokmanni Group Corporation is to sell administrative services to the other companies in the Group.

Principles used for preparing the financial statements

Tokmanni Group Corporation's financial statements have been prepared in compliance with the Finnish Accounting Standards (FAS) and in accordance with the accounting regulation for listed companies.

Valuation of financial instruments

Financial instruments are valued at acquisition cost.

Cash in hand and at banks

The company has a Group account agreements in Nordea and Swedbank, which includes all Group companies' Nordea and Swedbank bank accounts. The Group companies' cash and cash equivalents shown in the group account is shown as asset or liability from the Group companies.

Recognition of pensions

The company's pension cover is arranged by external pension insurance companies. Pension expenditure is recognised as an expense in the year in which it is accrued.

Income tax

Income tax includes the income tax payments for the period based on the profit for the period, and taxes payable for prior periods, or tax refunds. Deferred taxes are not included in the parent company's income statement and balance sheet.

Board of director's dividend proposal is indicated in Note 4.1 Equity.

2. Breakdown of revenue by market area

1,000 EUR	2022	2021
Finland	1 178	1 498

3. Personnel and members of administrative bodies

	2022	2021
Salaries of CEO and members of the Board of Directors 1,000 EUR	-847	-1 031
Average number of employees	1	1

The pensions of CEO and members of the Board of Directors are determined in line with the general provisions applied in Finland to employee pensions (Employee Pensions Act). CEO has a supplementary pension insurance as part of an incentive scheme.

Monetary salaries, fees and fringe benefits by institution are defined in the Group Note 5.1 Related party transactions.

4. Other operating expenses

1,000 EUR	2022	2021
Marketing expenses	-	-7
Office and administration	-491	-500
Purchased services	-242	-254
Other expenses	-136	-125
Total	-868	-886

5. Group contribution

1,000 EUR	2022	2021
Group contribution received	76 000	94 500

6. Income taxes

1,000 EUR	2022	2021
Income taxes for the financial period	-14 657	-18 308
Income taxes for previous financial periods	-19	0
Total	-14 676	-18 308

7. Auditor's fees

1,000 EUR	2022	2021
Audit	-96	-58
Other fees and services	-7	-52
Tax counselling	-	-6
Total	-104	-116

8. Related party transactions

All transactions with related parties are on market-based terms.

9. Investments

1,000 EUR	2022	2021
Holdings in group companies		
Acquisition cost as at 1 Jan	235 234	235 234
Acquisition cost as at 31 Dec	235 234	235 234
Carrying amount		
Retail Property Investment Oy, Mäntsälä	1 000	1 000
Retail Leasing Oy, Helsinki	234 234	234 234
Total	235 234	235 234
Shareholding, %		
Retail Property Investment Oy, Mäntsälä	100	100
Mäntsälä Distribution Center Oy	100	-
Retail Leasing Oy, Helsinki	100	100
1,000 EUR		
2022		
2021		
Other shares and holdings		
Additions, 1 Jan - 31 Dec	465	-
Acquisition cost, 31 Dec	465	-

10. Receivables

Non-current receivables

1,000 EUR	2022	2021
Amounts owed by group companies		
Loan receivables	32 401	-
Non-current loan receivables from related parties	2 170	2 133
Other receivables		
Prepayments and accrued income, interest receivables	237	-
Total	34 808	2 133

Current receivables

1,000 EUR	2022	2021
Amounts owed by group companies		
Other receivables, group contribution receivables	76 000	94 500
Other receivables, group account receivables	3 201	254
Accruals, interest receivables	167	709
Total	79 368	95 463
Other receivables		
Other receivables	16	12
Prepayments and accrued income	47	46
Total	64	58
Total	79 432	95 521

Prepayments and accrued income

1,000 EUR	2022	2021
Interest receivables	6	-
Advance payments	-	10
Other prepayments and accrued income	41	36
Total	47	46

11. Equity

1,000 EUR	2022	2021
Restricted equity		
Share capital as at 1 Jan	80	80
Share capital as at 31 Dec	80	80
Restricted equity	80	80
Unrestricted equity		
Reserve for invested unrestricted equity as at 1 Jan	114 630	114 630
Reserve for invested unrestricted equity as at 31 Dec	114 630	114 630
Treasury shares, 1 Jan	-2 045	-2 220
Transfer of treasury shares	1 226	175
Treasury shares, 31 Dec	-819	-2 045
Retained earnings as at 1 Jan	103 634	80 549
Dividends	-56 470	-49 973
Direct recognitions in retained earnings	-1 226	-175
Retained earnings as at 31 Dec	45 938	30 401
Net result for the financial period	58 613	73 233
Unrestricted equity	218 361	216 218
Equity	218 441	216 298

Calculation of distributable equity

1,000 EUR	2022	2021
Retained earnings	45 938	30 401
Net result for the financial period	58 613	73 233
Reserve for invested unrestricted equity	114 630	114 630
Treasury shares	-819	-2 045
Total	218 361	216 218

12. Non-current liabilities

1,000 EUR	2022	2021
Loans from financial institutions	100 000	100 000

The company has no liabilities falling due later than within 5 years.

13. Current liabilities

1,000 EUR	2022	2021
Interest-bearing short-term debts		
Corporate loans	10 000	-
Amounts owed to group companies		
Trade payables	1	-
Accruals and deferred income	-	1
Other liabilities, internal account payable	23 248	86 097
Other creditors	20	-
Amounts owed to others		
Other liabilities	153	104
Other accruals and deferred income	2 080	7 287
Total	35 502	93 490

Accruals and deferred income

1,000 EUR	2022	2021
Amortised personnel costs	144	406
Interest payable	740	463
Income tax payable	1 094	6 411
Other accruals and deferred income	102	8
Total	2 080	7 287

14. Credit limit agreements

1,000 EUR	2022	2021
Financing agreements		
Granted credit limit total	116 000	116 000
In use	-	-
Commercial paper programme		
Granted credit limit total	100 000	100 000
In use	10 000	-

Signing of Report by the Board of Directors and the financial statements

Mäntsälä, 17 February 2023

Seppo Saastamoinen
Chairman of the Board

Thérèse Cedercreutz
Member of the Board

Juha Blomster
Member of the Board

Ulla Lettijeff
Member of the Board

Erkki Järvinen
Member of the Board

Harri Sivula
Member of the Board

Mika Rautiainen
CEO

AUDITOR'S NOTE

Our auditor's report has been issued today.

Helsinki, 23 February 2023

PricewaterhouseCoopers Oy
Authorised Public Accountants

Ylva Eriksson
Authorised Public Accountant

Auditor's Report (Translation of the Finnish Original)

To the Annual General Meeting of Tokmanni Group Oyj

Report on the Audit of the Financial Statements

Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report to the Audit Committee.

What we have audited

We have audited the financial statements of Tokmanni Group Corporation (business identity code 2483212-7) for the year ended 31 December 2022. The financial statements comprise:

- the consolidated income statements, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and notes, including a summary of significant accounting policies
- the parent company's income statement, balance sheet, statement of cash flows and notes.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.


Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note 2.4 to the Financial Statements.

Our Audit Approach

Yhteenveto

	<ul style="list-style-type: none"> • Overall group materiality: € 5,8 million, which represents 0,5% of group revenue
	<ul style="list-style-type: none"> • Audit scope: We performed audit procedures for the parent company Tokmanni Group Oyj and its subsidiaries
	<ul style="list-style-type: none"> • Valuation of goodwill • Inventories

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall group materiality	€ 5,8 million (prior year € 5,7 million)
How we determined it	0,5% of group revenue
Rationale for the materiality benchmark applied	We chose revenue as the benchmark because, in our view, it is the benchmark against which the performance of the group is most commonly measured by users and is a generally accepted benchmark. We chose 0,5% which is within the range of acceptable quantitative materiality thresholds in auditing standards.

How we tailored our group audit scope

We tailored the scope of our audit, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

We have determined the nature of audit work needed and it was performed by the group engagement team. Tokmanni Group Oyj operates in Finland, where it has one subsidiary that is significant to the group. Group revenue accumulates from sales in this subsidiary. We have audited this subsidiary as part of our group audit procedures.

In addition, we have performed audit procedures at other subsidiaries for balance sheet line items that are significant to the group. Our audit procedures have covered most of the consolidated assets and liabilities. For remaining parts we have performed analytical procedures.

By performing the procedures above, combined with additional procedures at the group level, we have obtained sufficient and appropriate evidence regarding the financial information of the group as a whole to provide a basis for our opinion on the consolidated financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
<p>Valuation of goodwill</p> <p><i>Refer to Note 1 Accounting policies used in the financial statements and Note 3.2 Intangible assets</i></p> <p>Goodwill amounts to 136,2 (136,2) million euro in the consolidated balance sheet.</p> <p>Goodwill is tested for possible impairment on an annual basis and whenever there is an indication of impairment. Estimating future cash flows requires management's judgement. The most significant assumptions used in impairment testing are future EBIT margin and the discount rate (WACC).</p> <p>Valuation of goodwill is a key audit matter as it is a significant balance sheet item and due to the judgement included in impairment testing.</p>	<p>We have inspected the goodwill impairment testing calculations prepared by group management. As part of our audit, we have:</p> <ul style="list-style-type: none"> • Compared the future cash flows as presented in the calculations to financial plans approved by Tokmanni Group Corporation's Board of Directors. • Assessed the calculation model, discussed significant assumptions used in the cash flow estimates and compared them to existing internal and external information. • Assessed the discount rate (WACC) applied and tested mathematical accuracy. • Tested the mathematical accuracy of the impairment calculations. • Assessed the adequacy and appropriateness of the notes to the consolidated financial statements.

<p>Inventories</p> <p><i>Refer to Note 1 Accounting policies used in the financial statements and Note 3.3 Inventories</i></p> <p>Inventories amount to 281,3 (263,6) million euro in the consolidated balance sheet.</p> <p>Inventories are valued on either the cost or net realisable value, whichever is lower. The cost is defined using the weighted average method and includes direct costs less purchase rebates.</p> <p>The cost of goods includes all costs of purchase, including purchase rebates, direct transportation and handling costs and other costs.</p> <p>Inventory turnover is assessed regularly and a write-down of inventories is recognized on aged products based on days in stock. Valuation of inventories and obsolescence provisions include management judgement.</p> <p>Inventories are a key audit matter due to the size of this balance sheet item, the large network of stores and the judgement included in inventory valuation.</p>	<p>As part of our audit, we have:</p> <ul style="list-style-type: none"> • Participated in physical stock taking in selected shops and at the central warehouse as well as tested the company's physical stock taking control. • Tested the inventory reconciliation performed by the company. • Tested the correctness of inventory pricing using data-analytics. • Assessed the company's inventory obsolescence calculations and tested the correctness of input data on a sample basis as well as reperformed calculations to ensure mathematical accuracy. • Assessed the adequacy and appropriateness of the notes to the consolidated financial statements.
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We have no key audit matters to report with respect to our audit of the parent company financial statements.

There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the consolidated financial statements or the parent company financial statements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure

about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Appointment

We were first appointed as auditors by the annual general meeting on 19 March 2019 and our appointment represents a total period of uninterrupted engagement of 4 years. Authorised public accountant (KHT) Ylva Erikson has been the auditor in charge nominated by PricewaterhouseCoopers Oy since the Annual General Meeting 23 March 2022.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and Annual Review, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report and the Annual Review is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion

- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 23 February 2023

PricewaterhouseCoopers Oy
Authorised Public Accountants

Ylva Eriksson
Authorised Public Accountant (KHT)