



# Q4

1.1.–31.12.2023

**Financial Statement Bulletin**

# Tokmanni Group Corporation's Financial Statement Bulletin 2023

**Revenue increased by 39.0% and comparable EBIT by 29.3% in the fourth quarter**

## FOURTH QUARTER 2023 HIGHLIGHTS

- Tokmanni Group revenue grew by 39.0% (1.5 %) and was EUR 471.2 million (339.0)
- Like-for-like revenue increased by 1.0% (-1.0%)
- Comparable gross profit totalled EUR 172.0 million (119.5) with the comparable gross margin being 36.5% (35.2%)
- Comparable EBIT amounted to EUR 46.2 million (35.8), representing 9.8% of revenue (10.5%)
- Cash flow from operating activities amounted to EUR 116.5 million (92.2)
- Earnings per share, diluted was EUR 0.44 (0.41)

## JANUARY-DECEMBER 2023 HIGHLIGHTS

- Tokmanni Group completed the acquisition of Dollarstore on 1 August 2023
- Tokmanni Group revenue grew by 19.2% (2.3%) and was EUR 1,392.7 million (1,168.0)
- Like-for-like revenue increased by 1.1% (-0.7%)
- Comparable gross profit totalled EUR 489.5 million (398.0) with the comparable gross margin being 35.2% (34.1%)
- Comparable EBIT amounted to EUR 98.8 million (85.8), representing 7.1% of revenue (7.3%)
- Cash flow from operating activities amounted to EUR 220.2 million (86.3)
- Earnings per share, diluted was EUR 0.92 (1.00)

## NEW FINANCIAL REPORTING STRUCTURE

Tokmanni Group has changed its segment reporting due to the Dollarstore acquisition. From the fourth quarter of 2023, Tokmanni Group has two reportable segments, Tokmanni and Dollarstore. Tokmanni segment includes the Tokmanni, Miny, Click Shoes and Shoe House stores, as well as the Tokmanni and Click Shoes online stores. Click Shoes' and Shoe House's financials have been included in Tokmanni Group financials starting from 1 March 2023. Dollarstore segment consists of the Dollarstore and Bigdollar stores. Dollarstore financials have been included in Tokmanni Group financials starting from 1 August 2023. Tokmanni Group refers to the whole group.

## DIVIDEND PROPOSAL

Tokmanni's Board of Directors proposes to the Annual General Meeting a dividend of maximum EUR 0.76 per share, which would be paid in two instalments.

## TOKMANNI'S OUTLOOK FOR 2024

In 2024, Tokmanni Group expects its revenue to be EUR 1,660–1,760 million. Comparable EBIT is expected to be EUR 110–130 million.

## **TOKMANNI GROUP'S PRESIDENT AND CEO MIKA RAUTIAINEN**

### **Tokmanni Group became the leading discount retailer in the Nordics**

Tokmanni Group's acquisitions completed in 2023 made it a very significant year in the Group's success story. With the Dollarstore acquisition, Tokmanni Group became the leading discount retail chain in the Nordics. Good progress has been made in the realization of the synergy targets related to the acquisition. By the end of the year, we reached approximately EUR 2.4 million in annual synergies. The acquisitions of Click Shoes and Catmandoo enabled us to significantly strengthen our apparel offering in the Finnish market. The integrations of all acquisitions progressed as planned during 2023.

The reduction of disposable income was clearly reflected in customers' purchasing behaviour in 2023. Store visits and shopping basket contents were considered very carefully, especially in non-grocery products. In the final quarter, sales growth in Finland, Sweden and Denmark was satisfactory considering the market conditions, and the Group's revenue increased by 39.0% to EUR 471.2 million mainly driven by the Dollarstore acquisition.

Tokmanni segment's revenue for the fourth quarter was EUR 351.5 million. The growth was driven by the Click Shoes acquisition and a good start to the quarter. Like-for-like revenue grew by 0.6%. Comparable EBIT was EUR 36.1 million (36.0). The level of EBIT was supported in part by excellent control of fixed costs.

Dollarstore segment's revenue for the fourth quarter was EUR 119.8 million. Like-for-like revenue grew by 2.1% in local currencies. Dollarstore's strong price image is working well in the Swedish market also when consumer purchasing power weakens. Dollarstore's comparable EBIT amounted to EUR 10.7 million. The EBIT development was supported by sales growth and improvement in the gross profit.

In 2023, inventory control and increasing the efficiency of the supply chain received particular attention. The total value of Tokmanni Group's inventories was EUR 342.9 million (281.3). Thanks to successful measures taken, the value of the Tokmanni segment's inventories decreased to EUR 248.8 million (281.3) at the end of the year. Dollarstore's inventories amounted to EUR 94.1 million. Our successful measures to control inventory levels contributed to the increase in the Group's cash flow from operating activities. The Group's cash flow from operating activities in 2023 amounted to EUR 220.2 million (86.3).

At our Capital Markets Day held in February 2024, we presented our updated strategy and targets. Strengthening customer confidence and loyalty continue to be at the heart of everything we do. We will continue to work systematically to develop our operations.

I would like to extend my warmest thanks to our customers and partners and, above all, to all Tokmanni Group's wonderful employees for the year 2023. Together, we are in an excellent position to continue implementing our strategy and strengthening our position as the leading discount retailer in the Nordics.

<b>Key figures</b>						
(Dollarstore included in from 1 August 2023 onwards)	10–12/ 2023	10–12/ 2022	Change %	1–12/ 2023	1–12/ 2022	Change %
Revenue, MEUR	471.2	339.0	39.0%	1,392.7	1,168.0	19.2%
Like-for-like revenue development, %	1.0	-1.0		1.1	-0.7	
Customer visit development, %	0.5	0.3		0.7	0.8	
Gross profit, MEUR	169.5	117.8	43.9%	486.9	396.8	22.7%
Gross profit, %	36.0	34.7		35.0	34.0	
Comparable gross profit, MEUR	172.0	119.5	44.0%	489.5	398.0	23.0%
Comparable gross profit, %	36.5	35.2		35.2	34.1	
Operating expenses, MEUR	-96.5	-67.3	43.4%	-301.2	-243.7	23.6%
Comparable operating expenses; MEUR	-96.2	-66.2	45.4%	-298.1	-243.1	22.6%
EBITDA, MEUR	74.4	51.7	43.7%	189.9	157.1	20.8%
EBITDA, %	15.8	15.3		13.6	13.5	
Comparable EBITDA, MEUR	77.2	54.5	41.5%	195.6	158.9	23.2%
Comparable EBITDA, %	16.4	16.1		14.0	13.6	
Operating profit (EBIT), MEUR	43.4	33.0	31.7%	93.0	84.1	10.7%
Operating profit (EBIT), %	9.2	9.7		6.7	7.2	
Comparable EBIT, MEUR	46.2	35.8	29.3%	98.8	85.8	15.2%
Comparable EBIT, %	9.8	10.5		7.1	7.3	
Net financial items, MEUR	-10.4	-2.9	255.4%	-24.7	-10.7	129.4%
Capital expenditure, MEUR	17.5	20.5	-14.7%	238.7	54.3	339.8%
Net cash from operating activities, MEUR	116.5	92.2		220.2	86.3	
Net debt, MEUR				730.4	383.4	
Net debt without lease liabilities, MEUR				165.3	100.4	
Net debt / comparable EBITDA *				3.7	2.4	
Net debt / comparable EBITDA without lease liabilities *				1.6	1.1	
Return on capital employed, %				11.2	12.8	
Return on equity, %				22.2	26.9	
Equity ratio, %				18.8	31.2	
Number of shares, weighted average during the financial period (thousands)	58,825	58,818		58,819	58,815	
Diluted number of shares, weighted average during the financial period (thousands)	58,884	58,860		58,878	58,858	
Earnings per share, basic (EUR/share)	0.44	0.41		0.92	1.00	
Earnings per share, diluted (EUR/share)	0.44	0.41		0.92	1.00	
Personnel at the end of the period				6,206	4,241	
Personnel on average in the period (FTE)	4,314	3,013		3,706	3,126	

\* Rolling 12 months comparable EBITDA

## PRELIMINARY FINANCIAL IMPACT OF DOLLARSTORE ACQUISITION AND PRELIMINARY PURCHASE PRICE ALLOCATION

Dollarstore financials have been included in Tokmanni Group financials starting from 1 August 2023. Dollarstore consists of the Dollarstore and Bigdollar stores. Tokmanni consists of the Tokmanni, Miny, Click Shoes and Shoe House stores, as well as the Tokmanni and Click Shoes online stores. Based on refined preliminary calculations the impact of Dollarstore purchase price allocation on Tokmanni Group figures is the following: The preliminary fair valuation of Dollarstore immaterial rights and owned assets will add EUR 47.0 million to the balance sheet, which will be depreciated and amortised in accordance with Tokmanni Group's accounting principles over periods varying from 15 to 20 years. The annual impact of these amortisations

and depreciations is around EUR 2,5 million per year on Tokmanni Group's EBIT. The impact of inventory fair valuation will be reported in items affecting comparability and will not impact comparable EBIT but will impact EBIT and earnings per share. The fair valuation write-up is EUR 3.2 million and it was recorded as an expense over six months starting from August 2023.

## ADJUSTMENTS AFFECTING COMPARABILITY

Tokmanni Group reports EBITDA and EBIT as its key performance indicators and makes adjustments to improve comparability and provide a better view of Tokmanni Group's operational performance. EBITDA is not a key indicator according to IFRS accounting standards and it represents operating profit before depreciation and amortisation. Comparable EBITDA and EBIT represent the same indicators excluding items that Tokmanni Group's management considers to be exceptional and non-recurring. The items include changes in the fair value of electricity and currency derivatives, which are adjusted by Tokmanni Group as they are unrealised gains or losses related to Tokmanni Group's open cash flow hedge positions, and hence not related to Tokmanni Group's operational performance during the review periods. In addition, other non-recurring costs related to acquired businesses and companies are included in the items affecting comparability.

Tokmanni Group's management uses the comparable EBITDA margin and comparable EBIT margin as key performance indicators when evaluating Tokmanni Group's and its segments' underlying operational performance.

<b>Adjustments affecting comparability</b>				
MEUR	10-12/2023	10-12/2022	1-12/2023	1-12/2022
<b>Gross profit</b>	<b>169.5</b>	<b>117.8</b>	<b>486.9</b>	<b>396.8</b>
Changes in fair value of currency derivatives	0.6	1.7	-0.3	1.2
Change in the fair value of inventory related to purchase price allocation, preliminary	1.9	0.0	2.9	0.0
<b>Comparable Gross Profit</b>	<b>172.0</b>	<b>119.5</b>	<b>489.5</b>	<b>398.0</b>
<b>Operating expenses</b>	<b>-96.5</b>	<b>-67.3</b>	<b>-301.2</b>	<b>-243.7</b>
Changes in fair value of electricity derivatives	0.0	1.1	0.0	0.5
Non-recurring expenses related to business acquisitions	0.3	0.0	3.1	0.0
<b>Comparable operating expenses</b>	<b>-96.2</b>	<b>-66.2</b>	<b>-298.1</b>	<b>-243.1</b>
<b>EBITDA</b>	<b>74.4</b>	<b>51.7</b>	<b>189.9</b>	<b>157.1</b>
<b>Operating profit (EBIT)</b>	<b>43.4</b>	<b>33.0</b>	<b>93.0</b>	<b>84.1</b>
Changes in fair value of currency derivatives	0.6	1.7	-0.3	1.2
Changes in fair value of electricity derivatives	0.0	1.1	0.0	0.5
Non-recurring expenses related to business acquisitions	0.3	0.0	3.1	0.0
Change in the fair value of inventory related to purchase price allocation, preliminary	1.9	0.0	2.9	0.0
<b>Comparable EBITDA</b>	<b>77.2</b>	<b>54.5</b>	<b>195.6</b>	<b>158.9</b>
<b>Comparable operating profit (adj. EBIT)</b>	<b>46.2</b>	<b>35.8</b>	<b>98.8</b>	<b>85.8</b>

## MARKET DEVELOPMENT

Tokmanni Group continuously monitors market developments and the competitive landscape in its markets in the Nordics and actively develops its own business to maintain its competitive advantages. Tokmanni Group's view is that retailers that are able to offer lower prices for products than other operators will be most successful in the current increasingly competitive market environment.

The retail market is in the process of a structural and digital transformation. In terms of the structural transformation, consolidation into larger companies and the internationalisation of local companies continued in 2023. In terms of the digital transformation, digital business grew on many fronts. Loyalty programmes and mobile solutions were gaining more active users. Furthermore, there were signs of a recovery in the growth of e-commerce.

The key factors in the market environment that affected Tokmanni Group's business in 2023 were high inflation, weak consumer purchasing power, geopolitical uncertainty and changes in supply chain pricing and delivery times. Inflation and rising interest rates weakened consumers' purchasing power. Consumers' purchasing decisions were increasingly influenced by price, which lead to an increase in the sales of discounted products.

## COMPETITIVE LANDSCAPE

Tokmanni Group's main competitors in the diverse variety discount retail market are especially hypermarkets and many smaller local variety discount retailers, international variety discount retailers and specialty discount retailers.

Hypermarkets carry a large product assortment, from fresh foods to consumer goods. Hypermarkets are mostly located in the suburbs of the largest cities and benefit from frequent customer visits driven by their fresh food offering.

Variety discount retailers, with their low prices and wide assortments in selected product categories, offer an alternative to hypermarkets and speciality stores. Specialty discount retailers, with low prices and a strong assortment of private labels, offer a comprehensive assortment in individual product groups, such as sports products or home electronics.

Tokmanni's competitive advantages compared to other operators are, in particular, low prices, an interesting and distinctive product range and a remarkably wide assortment of products from different product categories combined with a nationwide network of stores and an online store. The competitive advantages of Dollarstore compared to other operators are, in particular, low prices, an interesting and distinctive product range and a wide assortment of products from different product categories combined with a nationwide network of stores.

According to the statistics of the Finnish Grocery Trade Association FGTA ([www.pty.fi](http://www.pty.fi)), the total sales of department store and hypermarket chains increased by 3.9% in the fourth quarter of 2023. Sales increased in all main product groups. According to the statistics of the FGTA, the total sales of department store and hypermarket chains grew by 6.0% in 2023. Sales increased in all main product groups. It is important to note that the statistics compiled by the FGTA only cover part of the market relevant for Tokmanni.

According to the statistics of the Swedish Food Retailers' Federation (<https://www.svenskdagligvaruhandel.se/>), the Food Retail Index increased by 7.5% in total in 2023. Sales of brick-and-mortar stores increased by 8.1% and online sales fell by 4.5%. The Food Retail Index measures sales growth in the grocery trade and does not include specialised food stores or service trade. It is important to note that the statistics compiled by the Swedish Food Retailers Federation only cover part of the market relevant for Dollarstore.



## TOKMANNI GROUP'S STORE NETWORK

At the end of December 2023, Tokmanni Group had a total of 372 stores (31 December 2022: 202). In Finland, the Group had 201 Tokmanni, 29 Click Shoes, 2 Shoe House and 6 Miny stores. In Sweden, Tokmanni Group had 130 Dollarstore stores and in Denmark 4 Bigdollar stores.

More information about Tokmanni Group's store network is available on Tokmanni Group's website at <https://ir.tokmanni.fi/en>.

## FINANCIAL DEVELOPMENT

### Reporting structure

Tokmanni Group consists of Tokmanni and Dollarstore segments as well as Group functions and eliminations. Tokmanni segment consists of the Tokmanni stores, Miny stores, Click Shoes stores and Shoe House stores, as well as the Tokmanni and Click Shoes online stores. Click Shoes' and Shoe House's financials have been included in Tokmanni Group financials starting from 1 March 2023. Dollarstore segment consists of the Dollarstore and Bigdollar stores. Dollarstore financials have been included in Tokmanni Group financials starting from 1 August 2023. Due to Dollarstore's unusual accounting period and lack of IFRS financial statement reporting, Tokmanni Group does not publish figures for Dollarstore's comparison period, with the exception of revenue growth and certain operational figures.

### Seasonality

Tokmanni Group's business is subject to seasonality, which has a significant effect on its revenue, profitability, and cash flow. In general, Tokmanni Group's revenue, profitability and cash flow are lowest in the first quarter and highest in the fourth quarter due to Christmas sales.

## TOKMANNI GROUP

### Revenue

Revenue, MEUR	10–12/ 2023	10–12/ 2022	Change %	1–12/ 2023	1–12/ 2022	Change %
Tokmanni	351.5	339.0	3.7	1 208.6	1 168.0	3.5
Dollarstore*	119.8			184.1		
Group functions and eliminations	-0.1			-0.1		
<b>Total</b>	<b>471.2</b>	<b>339.0</b>	<b>39.0</b>	<b>1 392.7</b>	<b>1 168.0</b>	<b>19.2</b>

\* Dollarstore financials have been included in Tokmanni Group financials starting from 1 August 2023.

### October–December 2023

In the fourth quarter Tokmanni Group's revenue grew by 39.0% (1.5%) to EUR 471.2 million (339.0). Sales of the Tokmanni Group's grocery products grew by 5.5% compared to the corresponding period of the previous year. The proportion of grocery sales was 49.9% (49.0%) of total sales. The grocery figures include Dollarstore sales from the comparison period.

Tokmanni Group's like-for-like revenue grew by 1.0% (-1.0%). The like-for-like change in percentage is calculated in local currencies, and the comparison period includes Dollarstore's figures.

Tokmanni Group's like-for-like customer visits decreased by 1.6% (-2.0%), and the total number of customers grew by 0.5% (0.3%) compared to the corresponding period of the previous year. The like-for-like average basket size increased by 2.6% to EUR 20.93 (20.40). The comparison figures for 2022 include Dollarstore's amount of customer visits and sales for the period October–December 2022.

### January–December 2023

In 2023, Tokmanni Group's net sales increased by 19.2% (2.3%) and were EUR 1,392.7 (1,168.0) million. Sales of Tokmanni Group's grocery products grew by 5.0% year-on-year. The proportion of grocery sales was 51.8% (51.2%) of total sales. The grocery figures include Dollarstore's sales from August to December.

Tokmanni Group's like-for-like revenue grew by 1.1% (-0.7%). The like-for-like change in percentage is calculated in local currencies, and the comparison period includes Dollarstore's revenue from August–December 2022.

Tokmanni Group's like-for-like customer visits decreased by 1.3% (-2.1%), and the total number of customers grew by 0.7% (0.8%) year-on-year. The like-for-like average basket size increased by 2.5% to EUR 20.70 (20.20). The comparison figures for 2022 include Dollarstore's amount of customer visits and sales for the period August–December 2022.

### Profitability

Comparable EBIT, MEUR	10–12/ 2023	10–12/ 2022	Change %	1–12/ 2023	1–12/ 2022	Change %
Tokmanni	36.1	36.0	0.0	87.8	86.9	1.0
Dollarstore*	10.7			12.6		
Group functions and eliminations	-0.6	-0.3	94.0	-1.6	-1.2	36.7
<b>Total</b>	<b>46.2</b>	<b>35.8</b>	<b>29.3</b>	<b>98.8</b>	<b>85.8</b>	<b>15.2</b>

\* Dollarstore financials have been included in Tokmanni Group financials starting from 1 August 2023

### October–December 2023

In the fourth quarter, Tokmanni Group's gross profit amounted to EUR 169.5 million (117.8), and the gross margin was 36.0% (34.7%). Comparable gross profit was EUR 172.0 million (119.5), corresponding to a comparable gross margin of 36.5% (35.2%). The Group's gross profit increase in the fourth quarter was driven by Dollarstore's gross profit.

Tokmanni Group's operating expenses in the fourth quarter were EUR 96.5 million (67.3), or 20.5% (19.8%) of revenue. Personnel expenses represented EUR 57.0 million (36.1) of total operating expenses, or 12.1% of revenue (10.7%). Comparable operating expenses were EUR 96.2 million (66.2), or 20.4% of revenue (19.5%). The increase in operating expenses resulted mainly from the integration of Dollarstore's operating expenses into the consolidated figures from 1 August 2023.

The Group's EBITDA in the fourth quarter totalled EUR 74.4 million (51.7), corresponding to an EBITDA margin of 15.8% (15.3%). Comparable EBITDA totalled EUR 77.2 million (54.5), and the comparable EBITDA margin was 16.4% (16.1%).

Tokmanni Group's depreciation amounted to EUR 30.9 million (18.8). The growth mainly reflected the impact of IFRS 16 due to the growth of the store network. Depreciation excluding preliminary depreciation of tangible and intangible assets (PPA) arising from the acquisitions amounted to EUR 30.2 million. EUR 0.8



million was recognised for preliminary depreciation of tangible and intangible assets (PPA) arising in the acquisitions.

The Group's EBIT in the fourth quarter totalled EUR 43.4 million (33.0), corresponding to an EBIT margin of 9.2% (9.7%). The EBIT includes non-recurring costs of EUR 2.2 million related to acquisitions. Comparable EBIT was EUR 46.2 million (35.8), and the comparable EBIT margin was 9.8% (10.5%).

The Tokmanni Group's net financial items totalled EUR -10.4 million (-2.9). The result before taxes was EUR 33.1 million (30.0). Taxes for the period amounted to EUR 7.0 million (5.9). The net result was EUR 26.1 million (24.1).

Diluted earnings per share were EUR 0.44 (0.41).

### **January–December 2023**

In 2023, Tokmanni Group's gross profit amounted to EUR 486.9 million (396.8), and the gross margin was 35.0% (34.0%). Comparable gross profit was EUR 489.5 million (398.0), corresponding to a comparable gross margin of 35.2% (34.1%). The Group's gross margin was increased by Dollarstore segments higher gross margin compared to that of Tokmanni segment.

Tokmanni Group's operating expenses were EUR 301.2 million (243.7), or 21.6% of revenue (20.9%). Personnel expenses represented EUR 174.4 million (137.1) of the aforementioned operating expenses, or 12.5% of revenue (11.7%). Comparable operating expenses were EUR 298.1 million (243.1), or 21.4% of revenue (20.8%). The increase in operating expenses was caused in particular by the Dollarstore acquisition.

The Group's EBITDA for 2023 amounted to EUR 189.9 million (157.1), corresponding to an EBITDA margin of 13.6% (13.5%). Comparable EBITDA totalled EUR 195.6 million (158.9), and the comparable EBITDA margin was 14.0% (13.6%).

Tokmanni Group's depreciation and amortisation amounted to EUR 96.8 million (73.1). The growth was mainly driven by the impact of IFRS 16 related to the growth of the store network. Depreciation excluding preliminary depreciation of tangible and intangible assets (PPA) arising in the acquisitions amounted to EUR 95.4 million. EUR 1.4 million was recognised for preliminary depreciation of tangible and intangible assets (PPA) arising in the acquisitions.

The Group's EBIT in 2023 was EUR 93.0 million (84.1), corresponding to an EBIT margin of 6.7% (7.2%). Comparable EBIT was EUR 98.8 million (85.8), and the comparable EBIT margin was 7.1% (7.3%).

Tokmanni Group's net financial items totalled EUR 24.7 million (10.7). The result before taxes was EUR 68.4 million (73.3). Taxes amounted to EUR 14.4 million (14.6). The net result for 2023 was EUR 54.0 million (58.7).

The Group's effective tax rate was 21.0% (19.9%).

Diluted earnings per share were EUR 0.92 (1.00). The return on capital employed was 11.2% (12.8%). The return on equity was 22.2% (26.9%).

## Balance sheet, financing and cash flow

At the end of 2023, Tokmanni Group's inventories amounted to EUR 342.9 million (281.3). At the end of the year, Tokmanni segment's inventories amounted to EUR 248.8 million (281.3) and Dollarstore segment's inventories amounted to EUR 94.1 million.

Consolidated cash flow from operating activities amounted to EUR 116.5 million (92.2) in the fourth quarter of 2023. Cash flow amounted to EUR 220.2 million (86.3) in January–December. The increase in the cash flow from operating activities was affected especially by the changes in the value of inventories year-on-year. The company had a total of EUR 216.0 million (206.0) in credit facilities, consisting of loan agreements with financial institutions and a commercial paper programme. Cash and cash equivalents amounted to EUR 133.7 million (9.1) at the end of 2023, and the company's financial position is solid.

At the end of 2023, Tokmanni Group's interest-bearing debt totalled EUR 864.1 million (392.4), including EUR 245.0 million (100.0) in non-current loans from financial institutions and EUR 55.0 million (10.0) in current loans from financial institutions and commercial paper programme. The remainder of the liabilities mainly consist of lease agreement liabilities reported under IFRS 16. The Group's net debt without lease liabilities was EUR 165.3 million (100.4). The figure increased mainly due to acquisitions and investments in store sites.

Tokmanni Group's ratio of net debt to comparable EBITDA excluding the impact of IFRS 16 was 1.6 at the end of 2023 (1.1). Tokmanni Group's target is to maintain an efficient capital structure. The long-term goal is to keep the ratio of net debt to comparable EBITDA at year-end, excluding the impact of IFRS 16, below 2.25.

The Tokmanni Group's equity ratio was 18.8% (31.2%) at the end of 2023.

## Capital expenditure

Tokmanni Group's capital expenditure in the fourth quarter of 2023 totalled EUR 17.5 million (20.5). Capital expenditure for the year 2023 totalled EUR 238.7 million (54.3). Capital expenditure was related to the Dollarstore, Click Shoes and Shoe House acquisitions and the expansion, development and maintenance of the store network, the development of digital services and the construction of the new Moreeni logistics centre in Finland.

Acquisitions of companies and businesses accounted for EUR 184.8 million of capital expenditure in 2023. Costs related to construction of the Moreeni logistics centre and the road connection accounted for EUR 6.6 million (15.8) of fourth-quarter capital expenditure and EUR 23.2 million (35.8) of full-year capital expenditure in 2023. The total value of the investment amounted to EUR 59.0 million and was recognised over the period 2022–2023. In accordance with the sale and leaseback agreement with NREP, after the completion of the logistics center, the EUR 52.7 million compensation received from the sale was allocated to the cash flow from investments. At the same time, a 20-year lease agreement was signed with NREP for the new Moreeni logistics centre.

## TOKMANNI SEGMENT

Tokmanni segment includes the Tokmanni, Miny, Click Shoes and Shoe House stores, as well as Tokmanni and Click Shoes online stores. The figures of Click Shoes and Shoe House have been consolidated with those of Tokmanni Group as of 1 March 2023.

	10–12/2023	10–12/2022	1–12/2023	1–12/2022
Revenue, MEUR	351.5	339.0	1,208.6	1,168.0
Like-for-like revenue, %	0.6	-1.0	0.7	-0.7
Comparable gross profit, MEUR	122.6	119.5	415.5	398.0
Comparable gross profit, %	34.9	35.2	34.4	34.1
Comparable EBIT, MEUR	36.1	36.0	87.8	86.9
Comparable EBIT, %	10.3	10.6	7.3	7.4
Return on capital employed, %, rolling 12 months			12.5	13.4
Inventories at the end of period, MEUR			248.8	281.3
Capital expenditure, MEUR	15.7	20.5	236.5	54.3
Number of stores at the end of period			238	202

### Revenue

#### October–December 2023

In the fourth quarter, Tokmanni segment's revenue grew by 3.7% (1.5%) to EUR 351.5 million (339.0). Measured in percentage, the categories with highest sales growth were pet products as well as cleaning and storage products for the home. On the other hand, sales of various home renovation products were markedly lower compared to the corresponding period of the previous year. Sales of grocery products grew by 4.8%. The proportion of grocery sales was 49.2% (48.4%) of Tokmanni segment's total sales.

The proportion of Tokmanni segment's B2B sales was 3.1% (3.6%) of revenue. Revenue from B2B sales decreased by 11.7% (16.4%). Tokmanni's online sales accounted for 1.9% (1.7%) of revenue. Online revenue increased by 15.1% (-15.6%).

Tokmanni segment's like-for-like revenue increased by 0.6% (-1.0%). Like-for-like customer visits decreased by 1.1% (-2.0%), and the total number of customers grew by 0.5% (0.3%). The like-for-like average basket size increased by 1.7% to EUR 23.05 (22.65). The comparison figures for 2022 include sales of Click Shoes and Shoe House.

The brands managed by Tokmanni segment (private label products, exclusive brands, and non-branded products) represented 35.9% (36.3%) of sales in the fourth quarter. Direct imports accounted for 30.6% of sales (32.1%). These can be broken down into products purchased using Tokmanni segment's sourcing company in Shanghai, China, which accounted for 22.5% (23.7%), and other direct imports, which accounted for 8.2% (8.4%).

#### January–December 2023

Tokmanni segment's full-year revenue for 2023 grew by 3.5% (2.3%) to EUR 1,208.6 million (1,168.0). Measured as a percentage, the categories with highest sales growth included apparel as well as cleaning and storage products for the home. On the other hand, the sales of various products related to home renovation were markedly lower than in the previous year. Sales of grocery products grew by 4.1%. The proportion of grocery sales was 51.5% (51.1%) of Tokmanni's total sales.

The proportion of Tokmanni segment's B2B sales was 3.1% (3.4%) of revenue. Revenue from B2B sales decreased by 6.5% (15.7%). Tokmanni's online sales accounted for 1.6% (1.7%) of revenue. Online revenue decreased by 1.5% (-2.0%).

Tokmanni segment's like-for-like revenue increased by 0.7% (-0.7%). Like-for-like customer visits in stores decreased by 1.3% (-2.1%), and the total number of customers grew by 0.5% (0.8%). The like-for-like average basket size increased by 2.0% to EUR 21.67 (21.23). The comparison figures for 2022 include sales of Click Shoes and Shoe House.

The brands managed by Tokmanni segment (private label products, exclusive brands and non-branded products) represented 33.5% (32.5%) of sales in 2023. Direct imports accounted for 27.6% of sales (27.2%). These can be broken down into products purchased using Tokmanni segment's sourcing company in Shanghai, China, which accounted for 21.4% (20.7%), and other direct imports, which accounted for 6.2% (6.4%).

## **Profitability**

### **October–December 2023**

In the fourth quarter, Tokmanni segment's gross profit amounted to EUR 121.7 million (117.8), and the gross margin was 34.6% (34.7%). Comparable gross profit was EUR 122.6 million (119.5), corresponding to a comparable gross margin of 34.9% (35.2%).

Operating expenses were kept firmly under control. Tokmanni's operating expenses in the fourth quarter of 2023 totalled EUR 68.1 million (67.0), or 19.4% of revenue (19.8%). Personnel expenses represented EUR 38.1 million (36.0) of total operating expenses, or 10.8% of revenue (10.6%). The salaries of employees covered by the collective agreement for the retail sector were raised during 2023 as of 1 June 2023. Comparable operating expenses were EUR 67.8 million (65.9), or 19.3% of revenue (19.4%).

Tokmanni segment's EBITDA in the fourth quarter totalled EUR 54.9 million (52.0), which corresponds to an EBITDA margin of 15.6% (15.3%). Comparable EBITDA totalled EUR 56.1 million (54.8), and the comparable EBITDA margin was 16.0% (16.2%).

Tokmanni segment's EBIT in the fourth quarter totalled EUR 34.9 million (33.3), corresponding to an EBIT margin of 9.9% (9.8%). The EBIT includes non-recurring costs of EUR 0.5 million related to acquisitions. Comparable EBIT was EUR 36.1 million (36.0), and the comparable EBIT margin was 10.3% (10.6%).

Tokmanni segment's capital expenditure in October–December totalled EUR 15.7 million (20.5). Costs related to the construction of the new logistics centre accounted for EUR 6.6 million of fourth-quarter capital expenditure (15.8).

### **January–December 2023**

In 2023, the Tokmanni segment's gross profit in euros amounted to EUR 415.5 million (396.8), and the gross margin was 34.4% (34.0%). Comparable gross profit was EUR 415.5 million (398.0), corresponding to a comparable gross margin of 34.4% (34.1%).

Operating expenses were kept firmly under control. Tokmanni segment's operating expenses were EUR 253.2 million (242.5), or 20.9% of revenue (20.8%), as a result of successful measures taken to increase efficiency. Personnel expenses represented EUR 144.1 million (136.4) of total operating expenses, or 11.9% of revenue (11.7%). The salaries of employees covered by the collective agreement for the retail sector were

raised during 2023: a one-off payment in April and a salary increase as of 1 June 2023. Comparable operating expenses were EUR 252.7 million (242.0), or 20.9% of revenue (20.7%).

Tokmanni segment's EBITDA for 2023 amounted to EUR 166.5 million (158.3), which corresponds to an EBITDA margin of 13.8% (13.6%). Comparable EBITDA totalled EUR 167.0 million (160.0), and the comparable EBITDA margin was 13.8% (13.7%).

Tokmanni segment's EBIT in 2023 was EUR 87.3 million (85.2), which corresponds to an EBIT margin of 7.2% (7.3%). The EBIT includes non-recurring costs of EUR 0.8 million related to acquisitions. Comparable EBIT was EUR 87.8 million (86.9), and the comparable EBIT margin was 7.3% (7.4%).

Tokmanni segment's capital expenditure in January–December totalled EUR 236.5 million (54.3). Costs related to the construction of the new logistics centre accounted for EUR 23.2 million (35.8) of capital expenditure in 2023.

## DOLLARSTORE SEGMENT

The figures of the Dollarstore business have been consolidated with those of the Tokmanni Group as of 1 August 2023. The Dollarstore segment consists of the Dollarstore and Bigdollar stores.

	10–12/2023	10–12/2022	1–12/2023	1–12/2022
Revenue, MEUR	119.8		184.1	
Like-for-like revenue, %	2.1		3.8	
Comparable gross profit, MEUR	49.5		74.1	
Comparable gross profit, %	41.3		40.2	
Comparable EBIT, MEUR	10.7		12.6	
Comparable EBIT, %	9.0		6.8	
Return on capital employed, %, rolling 12 months *				
Inventories at the end of period, MEUR			94.1	
Capital expenditure, MEUR	1.8		2.2	
Number of stores at the end of period			134	

\* Not countable

## Revenue

### October–December 2023

Dollarstore segment's revenue increased to EUR 119.8 million in the fourth quarter. In local currencies, revenue grew by 5.2% compared to the corresponding period of the previous year. Measured as a percentage, sales of cleaning and interior decoration products for the home grew the most. On the other hand, the sales of various pieces of furniture and travel and leisure products were markedly lower than in the previous year. The successful clearance sale of the Christmas season products contributed to the sales growth. Sales of grocery products grew by 7.5% in local currencies. The proportion of grocery sales was 51.9% of Dollarstore's total sales.

Like-for-like revenue increased by 2.1% in local currencies. Like-for-like customer visits decreased by 2.6%, and the total number of customers grew by 0.3% compared to the corresponding period of the previous year. The like-for-like average basket size increased by 4.8% to EUR 16.30.

The brands managed by Dollarstore segment (private label products, exclusive brands, and non-branded products) represented 6.2% of sales in the fourth quarter.

### **August–December 2023**

In August–December, Dollarstore segment's revenue increased to EUR 184.1 million. In local currencies, revenue grew by 7.5% compared to the corresponding period of the previous year. Measured as a percentage, sales of gardening products, party-related products and storage products grew the most. On the other hand, the sales of various pieces of furniture and office supplies were markedly lower than in the previous year. Sales of grocery products grew by 10.6% in local currencies. The proportion of grocery sales was 53.9% of Dollarstore segment's total sales.

Like-for-like revenue increased by 3.8% in local currencies. Like-for-like customer visits decreased by 1.5%, and the total number of customers grew by 1.9%. The like-for-like average basket size increased by 5.4% to EUR 15.83.

The brands managed by Dollarstore segment (private label products, exclusive brands, and non-branded products) represented 6.1% of sales in August–December.

### **Profitability**

#### **October–December 2023**

In the fourth quarter, Dollarstore segment's gross profit amounted to EUR 47.8 million, and the gross margin was 39.9%. Comparable gross profit was EUR 49.5 million, corresponding to a comparable gross margin of 41.3%.

Dollarstore segment's operating expenses for the fourth quarter totalled EUR 27.9 million, or 23.3% of revenue. Comparable operating expenses were EUR 27.9 million, or 23.3% of revenue. Personnel expenses represented EUR 18.5 million of total operating expenses, or 15.5% of revenue.

Dollarstore segment's EBITDA in the fourth quarter totalled EUR 20.0 million, which corresponds to an EBITDA margin of 16.7%. Comparable EBITDA totalled EUR 21.6 million, and the comparable EBITDA margin was 18.1%.

Dollarstore segment's EBIT in the fourth quarter totalled EUR 9.1 million, corresponding to an EBIT margin of 7.6%. Comparable EBIT was EUR 10.7 million, and the comparable EBIT margin was 9.0%.

Dollarstore segment's capital expenditure in October–December totalled EUR 1.8 million.

#### **August–December 2023**

In August–December 2023, Dollarstore segment's gross profit amounted to EUR 71.4 million, and the gross margin was 38.8%. Comparable gross profit was EUR 74.1 million, corresponding to a comparable gross margin of 40.2%.

Dollarstore segment's operating expenses in August–December were EUR 44.0 million, or 23.9% of revenue. Comparable operating expenses were EUR 44.0 million, or 23.9% of revenue. Personnel expenses represented EUR 29.3 million of total operating expenses, or 15.9% of revenue.

Dollarstore segment's EBITDA for August–December was EUR 27.6 million, which corresponds to an EBITDA margin of 15.0%. Comparable EBITDA totalled EUR 30.2 million, and the comparable EBITDA margin was 16.4%.

Dollarstore segment's EBIT in August–December totalled EUR 9.9 million, corresponding to an EBIT margin of 5.4%. Comparable EBIT was EUR 12.6 million, and the comparable EBIT margin was 6.8%.

Dollarstore segment's capital expenditure in August–December totalled EUR 2.2 million.

## TOKMANNI GROUP'S LONG-TERM FINANCIAL TARGETS AND ACHIEVEMENTS

In February 2024, Tokmanni Group updated its strategy for the years 2021 to 2025.

### The targets of Tokmanni Group's strategic period 2021–2025 and achievements in 2023

	Previous target	Updated target	Achievement in 2023
Revenue	EUR 1.5 billion	EUR 1.8 billion	EUR 1,392.7 million
Comparable EBIT	EUR 150 million	EUR 150 million	EUR 98.8 million
Store network	Over 220 stores in Finland	Over 360 stores in Nordics*	335 stores in Nordics*
Net debt / comparable EBITDA	Less than 3.2 (incl. IFRS 16 impact)	Less than 2.25 at year-end (excl. IFRS 16 impact)	1.6 (excl. IFRS 16 impact)
Dividend**	About 70% of net result for the financial year	About 70% of net result for the financial year	83% of net result for the financial year 2023 (Board's proposal to AGM)

\* The figure does not include Click Shoe, Shoe House, or Miny stores.

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

## ACQUIRED BUSINESSES

The Tokmanni Group's new era as the leading Nordic variety discount retail chain started in August 2023, when Tokmanni Group acquired Dollarstore, one of Sweden's leading discount retail chains. As a result of the acquisition of Dollarstore, Tokmanni Group expanded its operations beyond Finland in line with its strategy. By joining forces, Tokmanni and Dollarstore will be able to offer their customers an improved and optimised product offering, lower prices, and a wider private label product assortment. The companies will also benefit from economies of scale in purchasing and distribution. Tokmanni will provide Dollarstore with support and expertise in implementing its growth plans.

Tokmanni entered into an agreement to purchase the business of Jyskän Varastomyylä Oy in Jyskä, Jyväskylä in November 2022. Tokmanni took control of the store's business operations as of 1 January 2023. In addition, Tokmanni segment acquired the entire share capital of the Finnish footwear store chains Click Shoes Oy and Shoe House Oy. Ownership of the companies transferred to Tokmanni on 1 March 2023. Tokmanni also acquired the operations of the Villen Kauppa grocery store, which transferred to Tokmanni on 1 January 2024.

Tokmanni acquired the Finnish outdoor clothing brand Catmandoo and its products. Ownership of Catmandoo transferred to Tokmanni at the end of May 2023.



## PERSONNEL

Tokmanni Group had 6,206 (4,241) employees at the end of 2023. 4,301 employees worked in Finland (4,241), 1,844 in Sweden and 61 in Denmark. Personnel on average during the accounting period (FTE) was 3,706 (3,126).

### Executive Group

Tokmanni's Commercial Director Matti Korolainen retired on November 10, 2023. Korolainen was a member of the Executive Group since 1 August 2019.

#### On 31 December 2023, Tokmanni's Executive Group included the following persons:

- Mika Rautiainen, President and CEO, 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
- 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 Group's governance is available on the company's website

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

## SUSTAINABILITY

Corporate responsibility is one success factor in Tokmanni Group's strategy. Corporate responsibility targets are related to the following themes: products and sourcing, people, climate and business integrity. Corporate responsibility work is carried out in line with the strategic objectives and in compliance with current legislation.

### Key sustainability achievements in 2023

In 2023, Tokmanni prepared for the requirements of the EU's new Corporate Sustainability Reporting Directive (CSRD) by preparing a double materiality analysis, assessing the current status of reporting, and by starting the development of reporting and data collection, and preparing for the verification of sustainability data to meet the requirements of the new legislation.

In 2023, the Tokmanni Group expanded significantly through acquisitions. The Group acquired two shoe store chains, Click Shoes and Shoe House, and Dollarstore, which operates under the Dollarstore brand in Sweden and the Bigdollar brand in Denmark. Tokmanni Group is currently in a transition phase, where the acquired businesses are being integrated into a common sustainability agenda in line with the Group's strategy. The sustainability programme will be updated during 2024, when new, ambitious targets will be set for the entire Tokmanni Group.

Tokmanni is increasingly considering the risks and opportunities arising from climate change and actively taking measures to reduce emissions, combat climate risks and develop the low-carbon economy. Tokmanni continued its climate work in 2023, guided by its climate targets that are in line with the Paris Agreement and approved by the Science Based Targets initiative (SBTi). Measures to improve energy efficiency and the use of zero emission electricity and renewable heat were continued. Solar panels were installed at six locations. At the end of 2023, solar power plants had been installed at a total of 61 Tokmanni sites. Finland's largest roof-mounted solar power plant complex is located in the Moreeni logistics centre, which was completed at the end of 2023. Approximately 9.8% (8.9%) of Tokmanni's total measured annual electricity consumption and 6.9% (6.5%) of its total estimated annual electricity consumption was produced with solar power. Construction works were planned and implemented in compliance with the "Very Good" level of the BREEAM environmental certification criteria. Tokmanni received a B score in global organisation CDP's Climate Change assessment. The building automation systems, such as refrigeration automation systems, of 15 properties in total were upgraded to make them more energy efficient and consume less electricity and water.

In 2023, Tokmanni recycled approximately 34% (34%) of its waste and reused approximately 50% (48%). The latter was achieved through the reuse of pallets in transportation. Dollarstore's rate of recycled and reused waste was 75.2%. To reduce food waste, Tokmanni continued to offer evening discounts on food products about to expire at all its stores. In addition, 134 (145) Tokmanni stores and the Tokmanni logistics operations made food donations.

Tokmanni continued to develop its supply chain risk management from a sustainability perspective. Tokmanni conducted 62 (75) own factory inspections in 2023. In addition, Tokmanni commissioned 73 (42) extra third-party factory audits. This represents 17% of all Tokmanni's active factories in high-risk countries. Tokmanni also commissioned a factory-specific human rights audit for one potential sourcing area from an external auditing firm.

In 2023, Tokmanni promoted its internal targets for sustainability-labelled products. Tokmanni continued its work in line with 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. Tokmanni's corporate social responsibility partnership with MIELI Mental Health Finland continued. Tokmanni took part in the organisation's Mielinauha campaign and for the first time also carried out a product cooperation campaign in which EUR 10,000 from the sales of Arki 360°-branded products were donated to domestic mental health work and crisis relief. In addition, Tokmanni continued to support Hurstinapu charity together with Unilever 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 totalled EUR 55,700 in 2023.

Tokmanni also continued its work with local charity organisations and associations in 2023. Christmas gift wrapping services were purchased from Keusote, a joint municipal authority for disability services. Tokmanni also participated in the Mäntsälä Pride event.

Tokmanni's Compliance team convened regularly once every quarter during 2023, processing all reports received through the whistleblowing channel in an appropriate manner. There were 87 (105) notifications during the year. Tokmanni's anonymous whistleblowing channel has been in use since 2020 for reporting both internal and external incidents. Dollarstore introduced an external whistleblowing channel in 2023 and it received one notification during the year.

The Code of Conduct e-learning course, which is compulsory for every employee in the Group, was completed by 3,287 (3,143) Tokmanni employees, in total 93 Click Shoes and Shoe House employees and in total 222 Dollarstore and Bigdollar employees during 2023.

## SHARES AND SHAREHOLDERS

Tokmanni Group Corporation's share capital amounted to EUR 80,000 on 31 December 2023. Tokmanni had 58,868,752 shares outstanding at the end of December 2023. During January–December 2023, a total of 25,838,859 Tokmanni shares were traded on the Nasdaq Helsinki for a total price of EUR 334.1 million. The final trade in Tokmanni shares on the Nasdaq Helsinki was executed at a price of EUR 14.62 on 31 December 2023. The highest quote for the share was EUR 14.87 and the lowest was EUR 11.29. The volume-weighted average price of the share was EUR 12.93. At the end of December 2023, the market value of the shares was EUR 860.7 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 2023 a total of 7,025 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. During 2023, no own shares returned to Tokmanni Group Corporation. At the end of December 2023, Tokmanni Group Corporation held a total of 43,038 own shares, which represented 0.07% of Tokmanni Group Corporation's share capital. The Board has a valid authorization to repurchase and/or on the acceptance as pledge of the company's own shares. The authorization is explained below in the section Decisions of the Annual General Meeting.

At the end of December 2023, Tokmanni had 50,491 registered shareholders. At the end of the year 2023, the largest shareholders of Tokmanni Group Corporation were Takoa Invest Oy with 18.42%, Varma Mutual Pension Insurance Company with 4.17%, Ilmarinen Mutual Pension Insurance Company with 2.59%, Evli Finnish Small Cap Fund with 1.89% and Elo Mutual Pension Insurance Company with 1.79% ownership.

Financial and insurance institutions held 29.28% of the shares, while households held 27.99%, non-financial corporations held 25.33%, public-sector entities held 9.64%, and non-profit organisations held 3.55%. Direct foreign ownership accounted for 4.21%. 23.41% of shares were nominee registered.

The combined holding of Tokmanni Group's Board of Directors, the President and CEO and the Deputy CEO as well as the other members of the Executive Group in the shares issued by the company was 1.10% at the end of 2023.

### Shareholding of the Board of Directors on 31 December 2023

	Shares
Mikko Bergman*	998
Thérèse Cedercreutz	7,378
Erkki Järvinen	5,277
Ulla Serlenius	3,323
Seppo Saastamoinen**	114,782
Harri Sivula	215,572
<b>Total</b>	<b>347,330</b>

\* Mikko Bergman is Sompa Capital Oy's Board member. Sompa Capital Oy owned 40,000 Tokmanni Group Corporation's shares, or 0.07% Tokmanni Group Corporation's shares on 31 December 2023.

\*\* Seppo Saastamoinen is one of the founders of Takoa Invest Oy, Chairman of the Board and CEO. Takoa Invest Oy owned 10,844,688 shares, or 18.42% of Tokmanni Corporation's shares on 31 December 2023. In addition, Jukka Saastamoinen Oy owned 274,000 Tokmanni Group Corporation's shares. Seppo Saastamoinen owned 30% of Jukka Saastamoinen Oy's shares.

**Shareholding of the Executive Group on 31 December 2023**

	<b>Shares</b>
Tapio Arimo	2,029
Timo Heimo	47,679
Sirpa Huuskonen	21,768
Harri Koponen	39,560
Janne Pihkala	27,000
Mika Rautiainen	177,911
Juha Valtonen	32,637
Veli-Pekka Ääri	11,367
<b>Total</b>	<b>359,951</b>

More information on Tokmanni's shares 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>.

**REMUNERATION OF THE PERSONNEL**

In 2023, all Tokmanni employees were covered by the quarterly incentive bonus scheme, except for logistics personnel. Tokmanni segment's logistics employees were paid a personal productivity bonus based on their monthly performance, on top of their monthly basic salary. In addition, key personnel were part of the share-based incentive programme.

**Share-based incentive programme 2022**

In March 2023, Tokmanni Group Corporation assigned a total of 5,025 of the company's own shares to 57 persons covered by the company's incentive programme 2022 without consideration and in accordance with the terms and conditions of the incentive programme. Earned shares will be released from transfer 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. The resolution on the directed share issue is based on the authorisation granted to the Board of Directors by the Annual General Meeting held on 23 March 2022.

**Share-based incentive programme 2023**

The Board of Directors of Tokmanni Group Corporation resolved in February 2023 to continue its share-based incentive program directed to key employees. The aim of the program is to align the interests of shareholders and key employees, increase the value of the company in the long-term and commit key employees to implement the company's strategy. In addition, the aim of the program is to offer key employees a competitive reward program based on earning and accumulating the company's shares.

The performance share program included the calendar year 2023. The pay-out of the program was based on the company's earnings per share, Tokmanni Group Corporation's total share return compared to peer companies, and on the customers' view of Tokmanni store chain's sustainability in 1.1. –31.12.2023.

The target group of the program includes the President and CEO, the members of the Executive Group as well as other key employees. If the maximum target level set for the earnings criteria is achieved, the total amount of rewards paid under the program would be approximately EUR 1.5 million (gross), which is estimated to correspond to up to approximately 120,000 Tokmanni Group Corporation's shares, based on the average volume weighted price of the Tokmanni Group Corporation's share in January 2023. The potential reward will be paid in Tokmanni Group shares and possibly partly in cash. The cash proportion covers personal taxes and tax-related costs arising from the reward. The earned shares will be transferred to the participant's book-entry account in 2024 and will be released from restrictions in January 2026. If the

employee's employment ends before the end of the restriction period, the shares will be returned to the company.

### **New share-based long-term incentive scheme**

The Board of Directors of Tokmanni Group Corporation resolved in December 2023 on the establishment of a new share-based long-term incentive scheme for the company's key management and selected key employees. The incentive scheme comprises a Performance Share Plan ("PSP"). The Board of Directors, in addition, decided on the establishment of a new Restricted Share Plan structure ("Restricted Share Plan" or "RSP"), which is intended to be used as a complementary share-based retention plan.

Share-based long-term incentive plans are part of the reward program of the company's key personnel. The aim of the incentive scheme 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.

### **Performance Share Plan**

The Performance Share Plan structure consists of annually commencing individual Performance Share Plans, each with a three-year performance period, followed by the payment of the potential share rewards.

The Board of Directors of the company shall decide on each new plan, its earning period, and other related details separately.

The first individual plan within the new PSP structure, PSP 2024–2026, commences as of the beginning of 2024 and the rewards potentially earned thereunder will be paid in listed shares of Tokmanni Group during the first half of 2027. The payment of the rewards is conditional on the achievement of the performance targets set by the Board of Directors for the plan.

The performance measures based on which the potential share rewards under PSP 2024–2026 will be paid relate to the company's share value, the company's profitability and sustainability.

Eligible for participation in PSP 2024–2026 are approximately 80 individuals, including members of Tokmanni Group's Executive Group and other selected key employees.

If all the performance targets set for PSP 2024–2026 are fully achieved, the aggregate maximum number of shares to be paid based on this plan is approximately 200,000 shares (referring to gross reward, from which the applicable payroll tax is withheld before share delivery).

### **Restricted Share Plan**

The Restricted Share Plan structure consists of annually commencing individual restricted share plans. Each plan comprises a restriction period with an overall length of three years, extending to the first half of the fourth year of the plan. The granted share rewards are paid to the selected participants in one or several tranches latest by the end of the restriction period. The share rewards are paid in listed shares of Tokmanni Group.

The Board of Directors of the company shall decide on each new plan, its earning period, and other related details separately.

The first individual plan, RSP 2024–2026, commences effective as of the beginning of 2024 and the share rewards payable thereunder are paid in annual tranches during the restriction period.

The aggregate maximum number of shares payable as a reward based on RSP 2024–2026 is approximately 50,000 shares (referring to gross reward, from which the applicable payroll tax is withheld before share delivery).

### **Other terms**

The value of the rewards payable based on the above-described plans is limited by a maximum cap linked to the company's share price development.

Tokmanni Group applies a share ownership policy to the members of its Executive Group. According to this policy, each member of the Executive Group is expected to retain in his/her ownership at least half of the shares received under the share-based incentive plans of the company until the value of his/her share ownership in the company corresponds to at least his/her annual gross base salary.

## **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. regarding 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 on 22 March 2023 at Tokmanni's administration and logistics centre, address Isolammintie 1, 04600 Mäntsälä, Finland.

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 2022.

### **Use of the profit shown on the balance sheet and the payment of dividends**

The General Meeting approved dividends in line with the Board of Director's proposal of EUR 0.76 per share. Of this dividend, EUR 0.38 was paid to shareholders who were registered in the company's shareholder register maintained by Euroclear Finland Ltd on the record date of the payment of the dividend, which was 24 March 2023. The dividend payment date was 12 April 2023.

Tokmanni Group Corporation's Board of Directors decided on the payment of second instalment of the dividend for the financial year ended 31 December 2022. The second dividend instalment was EUR 0.38 per share, and it was to be paid on 30 November 2023 to the shareholders listed in the company's shareholder register maintained by Euroclear Finland Ltd on the record date of 22 November 2023.

### **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, Thérèse Cedercreutz, Erkki Järvinen, Ulla Lettijeffer and Harri Sivula. Mikko Bergman was elected as a new member of the Board of Directors. 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.

The meeting fees of the Board members and the fee of the Chair of the Finance and Audit Committee are paid in cash.

### **Selection of the auditor and remuneration**

The authorised public accountants PricewaterhouseCoopers Oy was nominated as the auditor for the term 2023. The principal auditor will be APA Ylva Eriksson. The auditor is paid remuneration in accordance with a reasonable invoice.

### **Authorising the Board of Directors to decide on repurchase and/or 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 and/or acceptance as pledge a maximum of 2,940,000 of the company's own shares using the company's unrestricted equity, corresponding to around 5 per cent of the company's total number of shares at the time of publishing the Notice of the Annual General Meeting. The repurchase can take place in one or more tranches. The authorisation includes the right for 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 2024, but no longer than until 30 June 2024.

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

The Annual General Meeting decided to authorise the Board of Directors to decide on assigning a maximum of 2,940,000 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. 2,940,000 shares currently represent approximately 5 per cent of Tokmanni Group Corporation's total number of registered shares. The authorisation includes the right of the Board of Directors to decide on the terms and conditions of any share issue and any 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 2024, but no longer than until 30 June 2024.



## Amendments to the Articles of Association

The General Meeting approved that section 9 of the Articles of Association be amended in such a way as to enable a General Meeting of the shareholders to be arranged at the company's domicile in Mäntsälä, or in Helsinki, or as a remote meeting without any physical meeting venue. Following amendment, this provision in the Articles of Association will be as follows:

### “§ 9 Notice of the Annual General Meeting

The notice convening the General Meeting of shareholders must be delivered to the shareholders by publishing the notice on the company's website or by a newspaper announcement which is published in one or more widely circulated daily newspapers chosen by the Board of Directors no earlier than three (3) months and no later than three (3) weeks before the meeting, and in any case at least nine (9) days before the record date of the General Meeting of shareholders referred to in the Finnish Limited Liability Companies Act.

In order to be able to attend the General Meeting of shareholders, the shareholder must notify the company at the latest on the date mentioned in the notice, which may be no earlier than ten (10) days before the General Meeting of shareholders.

The venue for the General Meeting of shareholders must be located in Helsinki or Mäntsälä, Finland.

The Board of Directors may also decide that a General Meeting of shareholders be held without a venue in such a way that the shareholders may exercise their decision-making authority fully and in real time during the meeting with the help of a telecommunications connection and technical tool.”

## 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: Mikko Bergman, 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 Group. The purpose of Tokmanni Group's risk management is to support the Group's values and strategy and the continuity of its business operations by identifying, measuring, managing, and monitoring any risks associated with its operations. The goal is to assess risks systematically to encourage thorough planning and decision-making.

In Tokmanni Group, risk management is a proactive and essential part of day-to-day management to assess and manage opportunities and threats related to business operations. The Executive Groups of Tokmanni and Dollarstore are 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 Tokmanni Group's 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 Group's business review and half-year financial report.

Internal control is an essential part of Tokmanni Group's governance and management system, in which Tokmanni Group Corporation's Board of Directors, management and personnel participate. The purpose of internal control is to help ensure the achievement of the Group's goals. The Group's internal auditor is responsible for internal auditing. Administratively, the auditor reports to the Group's CFO. However, in

matters related to internal auditing, the auditor reports to the Finance and Audit Committee. The purpose of internal auditing is to monitor and verify that the company's business operations are efficiently managed and profitable, that risk management is at an adequate level and that the external and internal reporting produced is accurate and appropriate.

In its external financial reporting, Tokmanni Group complies with the disclosure policy approved by the Group's Board of Directors. The company aims to produce and publish reliable information in a timely manner. The principle of the disclosure of information is to ensure that all market participants have equal, equitable and simultaneous access to information on Tokmanni Group's financial instruments, such as shares, to form the basis of price formation.

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

### **Weakened demand due to inflation, rising interest rates and the economic downturn**

Inflation, rising interest rates, high energy prices, weaker employment situation and economic uncertainty are affecting consumers' purchasing power. A decline in purchasing power typically means that sales of non-grocery products slow down and discounts and campaign sales account for a larger share of total sales, which in turn reduces the gross margin. Rising interest rates and inflation can increase costs, especially those of lease agreements and properties. Inflation increases consumers' price awareness, which is why discount store chains like Tokmanni and Dollarstore tend to do relatively better than store chains with a higher price image in times of high inflation.

### **Economic fluctuation**

Changes taking place in the global economy and the Finnish economy 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.

### **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 Group's business and on demand for the company's products. Moreover, the Group'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 Group also focuses increasingly on developing its sourcing models, which enables it to adjust its sourcing flexibly in the event that risks materialise.

### **Data system and data security risks**

Dependence on data systems, data traffic and external service providers has grown. The interconnectedness of networks, the outsourcing of services and online retail mean that companies are required to carry out more effective monitoring of data security. 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 and a weakening of customers' trust in the company. Tokmanni Group is focusing increasingly on identifying data security risks and increasing its data security capabilities. In addition,

Tokmanni Group 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 Group's profitability and profit from operations as well as sales growth are dependent on the behaviour of consumers and competitors operating in the Nordic 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 Group 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 Group's business. To manage market risks, Tokmanni Group tracks the market as part of its 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.

### **Inventory turnover and working capital management**

Tokmanni Group 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 the Group to manage its working capital could have a negative effect on its financial position and profitability. Tokmanni Group continuously monitors the transportation of imported goods, the turnover of its inventory, the life cycles of and 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 Group's strategy and strategic transformation require new kinds of skills and competences from the personnel. In addition to organic growth, acquisitions are one possible way to achieve the Group's strategic and financial targets. Acquisitions involve risks, which are related to, for example, the successful integration of sustainability work and purchasing operations and employees. If this integration is unsuccessful, it can be more difficult to achieve the required level of sustainability and the financial targets. The Tokmanni Group has created operating models and actively allocated Group-level resources to support the implementation of acquisitions and integration. External advisors are also used to assess potential acquisition targets and related transactions.

### **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 Group has prepared for a possible lack of availability in goods by introducing alternative sourcing channels, among other measures. Tokmanni Group observes official recommendations and orders in all its activities.

### **Impacts of climate-related risks**

Extreme weather conditions, such as hurricanes and floods, can affect the Tokmanni Group's supply chain and suppliers' production facilities. Increased awareness and concern about climate change and more sustainable products, for example, may change customer purchasing behaviour. Climate-related risks are monitored as part of the Group's risk management process. The Tokmanni Group takes climate change seriously, and reducing climate emissions is one of the company's key priorities in corporate responsibility.

### **Destruction of or damage at the logistics centre**

Tokmanni Group is dependent on the uninterrupted operation of its logistics centres. If a single 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. The Group 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 for all work duties where this is possible. In addition, the company may acquire temporary labour force during possible peaks in sickness absences. Tokmanni Group has identified the critical key persons for its various functions and made arrangements for providing deputies for them.

**Reputation risk**

If Tokmanni Group 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 Group, impacting its reputation. The above-mentioned quality, human rights 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 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 and Dollarstore have their own quality teams that monitor product safety and quality in the country of origin, at logistics centres and in the stores.

**Brand image and marketing risk**

The growth of Tokmanni Group'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, the Group 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 Group tracks the markets and constantly measures the effectiveness of marketing and advertising. Tokmanni Group'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 Group 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 Group focuses on pretesting of products and ensures through self-supervision that products comply with responsibility standards and regulations governing them. Effective handling of customer feedback and the results of audits forms a key aspect in the management of product quality. Tokmanni Group mitigates the liability and 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 private label products and direct sourcing**

Tokmanni Group is increasing the number of private label products in all its product categories in order to achieve its aim of improving profitability. Private label products usually have a low perceived price image and offer better margins than the brand products that Tokmanni Group sells. Tokmanni Group has also improved its capability to make direct procurements by dropping intermediaries and dealing directly with the manufacturers of the products. An increase in Tokmanni Group'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 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 the business and financial position. To manage the above-mentioned risks, Tokmanni Group utilises the sourcing company in

Shanghai, China that it jointly owns with the Europris discount retail chain, continues to utilise and develop its sourcing model and conducts audits of manufacturers, among other things.

### **Foreign exchange risks**

Tokmanni Group is exposed to foreign exchange risks through its sourcing and foreign operations. Unfavourable changes in foreign exchange rates can raise the sourcing costs of products purchased in other currencies than the euro and reduce the result of foreign operations and the value of foreign investments in Tokmanni Group's balance sheet. The Group aims to manage this risk in many different ways, such as by utilising natural hedging or entering into agreements that protect the company from exchange rate fluctuations. Management constantly monitors the development of exchange rates and, if necessary, makes strategic decisions to manage the exchange rate risk.

### **EVENTS AFTER THE REVIEW PERIOD**

In a release published on 24 January 2024, the Shareholders' Nomination Board proposes to the Annual General Meeting that the number of the members of the Board of Directors and their remuneration remain the same. The Nomination Board proposes that Seppo Saastamoinen, Harri Sivula, Erkki Järvinen, Ulla Serlenius and Mikko Bergman be re-elected as members of the company's Board of Directors. The Nomination Board also proposes that Eja Tuominen be elected as a new member of the Board of Directors. Current Board member Thérèse Cedercrutz has announced that she is no longer available to serve on the Board.

### **Preliminary information on the 2023 result**

On 13 February 2024, Tokmanni Group Corporation released preliminary information on its financial performance for the full year 2023. At that time, it was reported that, based on preliminary and unaudited information, revenue would be approximately EUR 1,393 million and the comparable EBIT would be approximately EUR 99 million in 2023. The preliminary information was in line with the guidance given earlier. Previously, the Tokmanni Group forecast that its revenue for 2023 would be EUR 1,370–1,440 million. Comparable EBIT was expected to be EUR 90–110 million.

### **Outlook for 2024**

On 13 February 2024, Tokmanni Group Corporation published an estimate according to which its revenue for 2024 will be EUR 1,660–1,760 million. The comparable EBIT was estimated to be EUR 110–130 million.

### **Updated financial targets**

As a result of the growth and internationalisation of operations, the Board of Directors of the Tokmanni Group Corporation updated the Group's financial targets for the strategy period 2021–2025 on 13 February 2024.

### **BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFIT**

The parent company's distributable assets total EUR 222,626,585.64, of which profit for the period totals EUR 48,972,429.88.

The Board of Directors proposes that a maximum dividend of EUR 0.76 per share, or a total of EUR 44,707,542.64, be distributed as dividend for the financial year ended 31 December 2023. 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 25 April 2024. The Board of Directors proposes 8 May 2024 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 2024 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 2024. 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.

## **ANNUAL GENERAL MEETING**

The Board of Directors decided that Tokmanni Group's Annual General Meeting will be held on 23 April 2024 at 10 am. Tokmanni Group will publish a notice of the General Meeting on the company's website and as a stock exchange release on 22 March 2024.

## **REPORT BY THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS, CORPORATE GOVERNANCE STATEMENT AND REMUNERATION REPORT FOR GOVERNING BODIES**

Tokmanni Group will publish its Report by the Board of Directors and financial statements for 2023, the Corporate Governance Statement, the Remuneration Report for Governing Bodies in week 15 at the latest on its website at [ir.tokmanni.fi/en](https://ir.tokmanni.fi/en).

Mäntsälä 22 March 2024

Tokmanni Group Corporation

Board of Directors

## Tokmanni Group Corporation's Financial Bulletin 2023

### ACCOUNTING POLICIES

This Financial Statement Bulletin has been prepared in accordance with IAS 34 *Interim Financial Reporting* using the same accounting policies and methods of computation as in the financial statements for 2022. All figures in the accounts have been rounded. Consequently, the sum of individual figures can deviate from the presented sum figure. The figures in the financial statement release are presented in millions of euros.

#### Seasonality

Tokmanni Group's business is subject to seasonality, which has a significant effect on its revenue, profitability, and cash flow. In general, Tokmanni Group's revenue, profitability and cash flow are lowest in the first quarter and highest in the fourth quarter due to Christmas sales.

#### Use of estimates

The preparation of the Financial Statement Bulletin in accordance with IFRS requires the management to make estimates and assumptions that affect the valuation of the reported assets and liabilities and other information, such as contingent liabilities and the recognition of income and expenses on the income statement. Although the estimates are based on the management's best knowledge of current events and actions, the actual results may differ from the estimates.

This report is unaudited.



<b>Consolidated income statement (MEUR)</b>				
	<b>10-12/ 2023</b>	<b>10-12/ 2022</b>	<b>1-12/ 2023</b>	<b>1-12/ 2022</b>
<b>Revenue</b>	<b>471.2</b>	<b>339.0</b>	<b>1,392.7</b>	<b>1,168.0</b>
Other operating income	1.4	1.2	4.2	4.0
Materials and services	-301.7	-221.2	-905.8	-771.2
Employee benefits expenses	-57.0	-36.1	-174.4	-137.1
Depreciation	-30.9	-18.8	-96.8	-73.1
Other operating expenses	-39.6	-31.2	-126.9	-106.7
Share of profit in joint ventures	0.0	0.0	0.1	0.1
<b>Operating profit</b>	<b>43.4</b>	<b>33.0</b>	<b>93.0</b>	<b>84.1</b>
Financial income	0.0	0.0	2.6	0.1
Financial expenses	-10.4	-2.9	-27.3	-10.8
<b>Profit/loss before tax</b>	<b>33.1</b>	<b>30.0</b>	<b>68.4</b>	<b>73.3</b>
Income taxes	-7.0	-5.9	-14.4	-14.6
<b>Net result for the financial period</b>	<b>26.1</b>	<b>24.1</b>	<b>54.0</b>	<b>58.7</b>
<b>Profit for the year attributable to</b>				
Equity holders of the parent company	26.1	24.1	54.0	58.7
<b>Consolidated statement of comprehensive income (MEUR)</b>				
	<b>10-12/ 2023</b>	<b>10-12/ 2022</b>	<b>1-12/ 2023</b>	<b>1-12/ 2022</b>
<b>Net result for the financial period</b>	<b>26.1</b>	<b>24.1</b>	<b>54.0</b>	<b>58.7</b>
<b>Other comprehensive income</b>				
<b>Items that may be reclassified subsequently to profit or loss</b>				
Exchange differences on translating foreign operations	7.1	0.0	8.8	0.0
<b>Comprehensive income for the financial period, net of tax</b>	<b>7.1</b>	<b>0.0</b>	<b>8.8</b>	<b>0.0</b>
<b>Comprehensive income for the financial period</b>	<b>33.1</b>	<b>24.1</b>	<b>62.8</b>	<b>58.7</b>
<b>Comprehensive income for the financial period attributable to</b>				
Equity holders of the parent company	33.1	24.1	62.8	58.7
<b>Earnings per share</b>				
Equity holders of the parent company	26.1	24.1	54.0	58.7
Earnings per share, basic (EUR/share)	0.44	0.41	0.92	1.00
Earnings per share, diluted (EUR/share)	0.44	0.41	0.92	1.00

Consolidated statement of financial position (MEUR)		
	31 December 2023	31 December 2022
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	633.4	329.7
Goodwill	218.1	136.2
Other intangible assets	45.8	4.0
Non-current receivables	2.0	2.2
Investments in joint ventures	0.3	0.2
Other financial assets	0.6	0.7
Deferred tax asset	-	1.6
<b>NON-CURRENT ASSETS, TOTAL</b>	<b>900.1</b>	<b>474.5</b>
<b>CURRENT ASSETS</b>		
Inventories	342.9	281.3
Trade and other receivables	31.0	26.4
Income tax receivables	2.6	2.5
Cash and cash equivalents	133.7	9.1
<b>CURRENT ASSETS, TOTAL</b>	<b>510.2</b>	<b>319.3</b>
<b>ASSETS, TOTAL</b>	<b>1,410.3</b>	<b>793.8</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to the equity holders of the parent company</b>		
Share capital	0.1	0.1
Reserve for invested unrestricted equity	109.9	109.9
Treasury shares	-0.7	-0.8
Translation differences	8.8	0.0
Retained earnings	147.3	137.8
<b>EQUITY, TOTAL</b>	<b>265.4</b>	<b>247.0</b>
<b>NON-CURRENT LIABILITIES</b>		
Deferred tax liabilities	12.9	-
Non-current interest-bearing liabilities	726.1	322.7
Non-current non-interest-bearing liabilities	4.3	4.8
<b>NON-CURRENT LIABILITIES, TOTAL</b>	<b>743.3</b>	<b>327.5</b>
<b>CURRENT LIABILITIES</b>		
Current interest-bearing liabilities	138.1	69.7
Trade payables and other current liabilities	259.9	148.5
Income tax liabilities	3.6	1.1
<b>CURRENT LIABILITIES, TOTAL</b>	<b>401.6</b>	<b>219.3</b>
<b>EQUITY AND LIABILITIES, TOTAL</b>	<b>1,410.3</b>	<b>793.8</b>

<b>Consolidated statement of cash flows (MEUR)</b>		
	<b>1-12/2023</b>	<b>1-12/2022</b>
<b>Cash flows from operating activities</b>		
Net result for the financial period	54.0	58.7
Adjustments:		
Depreciation	96.8	73.1
Capital gains and losses on non-current assets	-0.1	0.0
Financial income and expenses	24.6	10.7
Income taxes	14.4	14.6
Other adjustments	-0.2	0.6
Change in working capital:		
Change in current non-interest-bearing receivables	-7.6	-4.7
Change in inventories	37.0	-17.1
Change in current non-interest-bearing liabilities	36.0	-16.7
Interest paid	-19.7	-10.1
Other financing items	1.3	-0.1
Income taxes paid	-16.4	-22.7
<b>Net cash from operating activities</b>	<b>220.2</b>	<b>86.3</b>
<b>Cash flows from investing activities</b>		
Purchases of tangible and intangible assets	-53.9	-54.3
Proceeds from disposal of tangible and intangible assets	0.1	0.0
Business acquisitions	-166.1	
Investments in other assets	-	-0.5
Proceeds from sale of investments	0.0	-
Loans granted	-	-0.2
The compensation from sales of property	52.7	
Proceeds from repayments of loans	0.2	0.1
<b>Net cash from investing activities</b>	<b>-167.0</b>	<b>-54.7</b>
<b>Cash flows from financing activities</b>		
Proceeds from current loans	224.8	400.5
Repayments of current loans	-210.0	-390.5
Proceeds from non-current loans	174.6	-
Repayments of lease liabilities	-74.0	-57.2
Dividends paid	-44.7	-56.5
<b>Net cash from financing activities</b>	<b>70.7</b>	<b>-103.7</b>
<b>Net change in cash and cash equivalents</b>	<b>123.9</b>	<b>-72.1</b>
<b>Cash and cash equivalents at beginning of the financial period</b>	<b>9.1</b>	<b>81.3</b>
Net change in cash and cash equivalents	123.9	-72.1
Effects of exchange rate fluctuations on cash held	0.8	-0.1
<b>Cash and cash equivalents at end of the financial period</b>	<b>133.7</b>	<b>9.1</b>

**Consolidated statement of changes in equity (MEUR)**

	Share capital	Reserve for invested unrestricted equity	Treasury shares	Translation differences	Retained earnings	Equity attributable to owners of the parent	Total equity
<b>Equity 1 Jan 2023</b>	<b>0.1</b>	<b>109.9</b>	<b>-0.8</b>	<b>0.0</b>	<b>137.8</b>	<b>247.0</b>	<b>247.0</b>
<b>Comprehensive income</b>							
Net result for the financial period					54.0	54.0	54.0
Translation differences				8.8		8.8	8.8
<b>Other comprehensive income</b>				<b>8.8</b>		<b>8.8</b>	<b>8.8</b>
<b>Total comprehensive income for the financial period</b>				<b>8.8</b>	<b>54.0</b>	<b>62.8</b>	<b>62.8</b>
Dividends					-44.7	-44.7	-44.7
Transfer of treasury shares			0.1		-0.1	-	-
Changes in ownership interests in subsidiaries					0.0	0.0	0.0
Incentive scheme					0.3	0.3	0.3
<b>Equity 31 Dec 2023</b>	<b>0.1</b>	<b>109.9</b>	<b>-0.7</b>	<b>8.8</b>	<b>147.3</b>	<b>265.4</b>	<b>265.4</b>
	Share capital	Reserve for invested unrestricted equity	Treasury shares	Translation differences	Retained earnings	Equity attributable to owners of the parent	Total equity
<b>Equity 1 Jan 2022</b>	<b>0.1</b>	<b>109.9</b>	<b>-2.0</b>	<b>0.0</b>	<b>136.7</b>	<b>244.7</b>	<b>244.7</b>
<b>Comprehensive income</b>							
Net result for the financial period					58.7	58.7	58.7
Translation differences				0.0		0.0	0.0
<b>Other comprehensive income</b>				<b>0.0</b>		<b>0.0</b>	<b>0.0</b>
<b>Total comprehensive income for the financial period</b>				<b>0.0</b>	<b>58.7</b>	<b>58.7</b>	<b>58.7</b>
Dividends					-56.5	-56.5	-56.5
Transfer of treasury shares			1.2		-1.2	-	-
Incentive scheme					0.1	0.1	0.1
<b>Equity 31 Dec 2022</b>	<b>0.1</b>	<b>109.9</b>	<b>-0.8</b>	<b>0.0</b>	<b>137.8</b>	<b>247.0</b>	<b>247.0</b>

**DIVIDENDS 2023**

In line with the Board's proposal, the dividend was confirmed at a maximum of EUR 0.76 per share. Of this dividend, EUR 0.38 was be paid to shareholders who were registered in the company's shareholder register maintained by Euroclear Finland Ltd on the record date of the payment of the dividend, which was 24 March 2023. The dividend payment date was 12 April 2023. In addition, authorised by the General Meeting, the Board decided on the payment of the second instalment of the dividend. The second instalment of the dividend was EUR 0.38 per share. It was paid on 30 November 2023 to the shareholders listed in the company's shareholder register maintained by Euroclear Finland Ltd on the record date of 22 November 2023. A total of EUR 44.7 million was distributed during the financial year as dividends.

## INFORMATION BY SEGMENT

Revenue by segment, EUR million	10-12/2023	10-12/2022	1-12/2023	1-12/2022
Tokmanni	351.5	339.0	1,208.6	1,168.0
of which between the segments in total	0.1		0.1	
Dollarstore	119.8		184.1	
Group functions and eliminations	-0.1		-0.1	
<b>Group total</b>	<b>471.2</b>	<b>339.0</b>	<b>1,392.7</b>	<b>1,168.0</b>
Gross profit by segment, EUR million	10-12/2023	10-12/2022	1-12/2023	1-12/2022
Tokmanni	121.7	117.8	415.5	396.8
Dollarstore	47.8		71.4	
Group functions and eliminations	-0.1		-0.1	
<b>Group total</b>	<b>169.5</b>	<b>117.8</b>	<b>486.9</b>	<b>396.8</b>
EBIT by segment, EUR million	10-12/2023	10-12/2022	1-12/2023	1-12/2022
Tokmanni	34.9	33.3	84.7	85.2
Dollarstore	9.1		9.9	
Group functions and eliminations	-0.6	-0.3	-1.6	-1.2
<b>Group total</b>	<b>43.4</b>	<b>33.0</b>	<b>93.0</b>	<b>84.1</b>
Comparable EBIT by segment, EUR million	10-12/2023	10-12/2022	1-12/2023	1-12/2022
Tokmanni	36.1	36.0	87.8	86.9
Dollarstore	10.7		12.6	
Group functions and eliminations	-0.6	-0.3	-1.6	-1.2
<b>Group total</b>	<b>46.2</b>	<b>35.8</b>	<b>98.8</b>	<b>85.8</b>
Comparable EBIT by segment, %	10-12/2023	10-12/2022	1-12/2023	1-12/2022
Tokmanni	10.3	10.6	7.3	7.4
Dollarstore	9.0		6.8	
Group functions and eliminations				
<b>Group in total</b>	<b>9.8</b>	<b>10.5</b>	<b>7.1</b>	<b>7.3</b>
Return on capital employed, %, rolling 12 months	10-12/2023	10-12/2022	1-12/2023	1-12/2022
Tokmanni			12.5	13.4
Dollarstore				
Group functions and eliminations				
<b>Group total</b>			<b>11.6</b>	<b>13.2</b>
Inventories at the end of period, EUR million	10-12/2023	10-12/2022	1-12/2023	1-12/2022
Tokmanni			248.8	281.3
Dollarstore			94.1	
Group functions and eliminations				
<b>Group total</b>			<b>342.9</b>	<b>281.3</b>
Capital expenditure by segment, EUR million	10-12/2023	10-12/2022	1-12/2023	1-12/2022
Tokmanni	15.7	20.5	236.5	54.3
Dollarstore	1.8		2.2	
Group functions and eliminations				
<b>Group total</b>	<b>17.5</b>	<b>20.5</b>	<b>238.7</b>	<b>54.3</b>

## Acquisitions

### Dollarstore

On 7 July 2023, Tokmanni announced that it had signed an agreement with Ahlberg-Dollarstore AB, the leading Swedish discount retailer, and the owner of Ahlberg Dollarstore ApS on the acquisition of 100% of the share capital of Storsjöbygdens Kapitalförvaltning AB. Storsjöbygdens Kapitalförvaltning AB is the holding company of Ahlberg-Dollarstore AB and Ahlberg Dollarstore ApS (collectively Dollarstore). Tokmanni completed the transaction on 1 August 2023, when ownership of Dollarstore was transferred to Tokmanni. In connection with the transaction, the number of stores in the Tokmanni Group increased by 130 stores in Sweden and two stores in Denmark.

With the acquisition of Dollarstore, Tokmanni expanded its operations beyond Finland, which is in line with its strategy. Together, Tokmanni and Dollarstore form one of the leading discount retailers in the Nordic market. Through the combination, Tokmanni and Dollarstore will be able to better serve their customers through an improved and optimised product offering, lower prices, and wider private label product assortment. The companies benefit from the economies of scale of procurement and distribution.

### Acquisition cost

The final purchase price was SEK 2.028 billion, or EUR 174.1 million, and it was paid in cash. Tokmanni Group financed the transaction with a new bank loan of EUR 175 million. Tokmanni Group hedged approximately half of the purchase price between the signing date of 7 July 2023 and the transaction closing date on 1 August 2023, and the hedging of the purchase price resulted in a profit of approximately EUR 1.3 million recorded in financial income. No hedge accounting was applied to the arrangement.

EUR million	
Acquisition cost paid in cash	-174.1
Cash transferred in connection with the acquisition	18.2
<b>Cash flow impact of the acquisition</b>	<b>-155.9</b>

Fair value of assets acquired and liabilities assumed at the time of the acquisition, preliminary

Dollarstore's net assets are recorded at fair values at the time of the acquisition on 1 August 2023. The accounting treatment is considered preliminary until the valuation of the assets acquired and liabilities assumed has been completed. Preliminary values can be adjusted within 12 months from the date of acquisition if new information is obtained concerning the facts and circumstances prevailing at the time of acquisition. The following table shows a preliminary summary of acquired assets and assumed liabilities.

<b>EUR million</b>	
Intangible assets	37.0
Tangible assets and right-of-use assets	244.5
Inventories	87.7
Trade receivables and other receivables	1.6
Cash and cash equivalents	18.2
<b>Total assets</b>	<b>388.9</b>
Lease liabilities	203.0
Trade payables, other short-term liabilities	71.2
Deferred tax liability	14.0
<b>Total liabilities</b>	<b>288.2</b>
<b>Net assets acquired, total</b>	<b>100.7</b>
<b>Goodwill</b>	<b>73.4</b>

Intangible assets consist of trademarks. Intangible and tangible assets are valued at fair value and are depreciated using Tokmanni Group's accounting principles over periods of 15–20 years. The amount determined according to the fair value assessment of the purchased inventory is recorded as an expense over six months. The goodwill generated from the acquisition consists of identified synergies, which are geographical coverage, economies of scale in procurement and purchasing operations, and a combined product assortment. The goodwill arising from the acquisition is not tax deductible. The goodwill generated from the acquisition has been allocated to the Tokmanni and Dollarstore segments in the ratio of 35% and 65%.

#### Impact on the Group's result and balance sheet

The effect of the acquired business on Tokmanni Group's revenue was EUR 184.1 million in the period 1 August–31 December 2023 and the impact on the Group's net income was EUR 4.4 million. One-time expenses related to the acquisition, a total of EUR 5.3 million are recorded as expenses and are presented as items affecting comparability. These one-time expenses are included in other operating expenses of the Group's income statement and in cash flow from operating activities. The impact of inventory fair valuation is reported in items affecting comparability and will not impact comparable EBIT but will impact EBIT and earnings per share. The fair valuation write-up of inventory is EUR 3.2 million and it was recorded as an expense over six months starting from August 2023. The preliminary fair valuation of Dollarstore immaterial rights and owned assets added EUR 47.0 million to the balance sheet and are depreciated using Tokmanni Group's accounting principles over periods of 15–20 years. The annual impact of these amortisations and depreciations is around EUR 2,5 million per year on Tokmanni Group's EBIT.

#### Click Shoes Oy and Shoe House Oy

Tokmanni bought all the shares of the domestic shoe store chains Click Shoes Oy and Shoe House Oy. The ownership of the companies was transferred to Tokmanni on 1 March 2023. The goal of the acquisition is to increase apparel sales and strengthen Tokmanni's market share in apparel product groups. At the beginning of March, the companies had a total of 28 stores across Finland and an online store.



## Acquisition cost

The final purchase price was EUR 10.7 million and it was paid in cash. The purchase price also includes an additional purchase price based on the work obligation, and if the seller resigns or the seller's employment is terminated on personal grounds, the additional purchase price will not be paid. In accordance with IFRS 3, the additional purchase price is classified as salary and not part of the purchase price.

EUR million	
Acquisition cost paid in cash	-10.7
Cash transferred in connection with the acquisition	0.9
<b>Cash flow impact of the acquisition</b>	<b>-9.8</b>

Fair value of assets acquired and liabilities assumed at the time of the acquisitions, preliminary

Click Shoes Oy and Shoe House Oy net assets are recorded at fair values at the time of acquisition on 1 March 2023. The accounting treatment is considered preliminary until the valuation of the assets acquired and liabilities assumed has been completed. Preliminary values can be adjusted within 12 months from the date of acquisition if new information is obtained concerning the facts and circumstances prevailing at the time of acquisition. The following table shows a preliminary summary of acquired assets and assumed liabilities.

EUR million	
Intangible assets	4.5
Tangible assets	0.1
Inventories	5.1
Receivables	0.8
Cash and cash equivalent	0.9
<b>Total assets</b>	<b>11.3</b>
Trade payables, other liabilities	3.7
Deferred tax liability	0.9
<b>Total liabilities</b>	<b>4.6</b>
<b>Net assets acquired, total</b>	<b>6.7</b>
<b>Goodwill</b>	<b>4.0</b>

Intangible assets consist of brands and trademarks, and they are valued at fair value using the Relief from royalty method. The depreciation period for intangible assets is 10 years. The goodwill generated from the acquisition consists of workforce, business locations, customer relationships and future development potential. The goodwill arising from the acquisition is not tax deductible.

## Impact on the Group's result and balance sheet

The effect of the acquired business on Tokmanni Group's revenue was EUR 13.8 million in the period 1 March to 31 December 2023. The minor one-time expenses related to the acquisition have been recorded as expenses and are presented as items affecting comparability. These minor one-time expenses are included in other operating expenses in the Group's income statement and in the cash flow from operating activities. The preliminary fair valuation of intangible rights adds EUR 4.4 million to the balance sheet, and the intangible rights are depreciated in accordance with Tokmanni Group's accounting principles over a period of 10 years. The annual impact of depreciation on Tokmanni Group's EBIT is approximately EUR 0.5 million per year.

**CHANGE IN TANGIBLE AND INTANGIBLE ASSETS**

MEUR	31 December 2023	31 December 2022
Opening carrying amount	219.2	180.1
Acquisitions	110.8	
Additions	130.9	54.3
Business disposals	-56.4	
Disposals	-0.1	-0.8
Depreciation charge for the financial period	-52.2	-14.4
Transfers between items	0.0	
Translation differences	5.8	
Closing carrying amount	358.1	219.2

**CHANGE IN RIGHT-OF-USE ASSETS**

MEUR	31 December 2023	31 December 2022
Opening carrying amount	250.7	264.7
Acquisitions	211.4	
Net additions	140.5	43.0
Depreciation charge for the financial period	-71.7	-57.0
Translation differences	8.2	
Closing carrying amount	539.2	250.7

With an agreement signed on 8 December 2023, Tokmanni Group sold its Moreeni logistics centre, which was completed in November in Mäntsälä in Finland to the real estate investment and development company NREP Oy. Tokmanni Oy also became a long-term tenant in the building under a lease agreement signed on 15 December 2023. The agreements are based on a project agreement signed by the parties in 2021. According to the project agreement, Tokmanni Group has sold the Moreeni logistics centre after completing its construction and has leased the premises back under a 20-year lease. The consideration received from the sale of the property was EUR 52.7 million.

**INVENTORIES**

The Group's inventories are classified into different groups based on their turnaround times and, if necessary, an impairment is recorded for the slowest-moving products. Impairment recognition requires judgements and estimates based on factors such as future demand for the products. Changes in these assessments may impact the valuation of inventories in future periods.

MEUR	31 December 2023	31 December 2022
Goods	346.2	281.1
Write-down in inventories	-12.9	-6.9
Goods in transport	13.6	10.5
Purchase rebate accrual	-4.0	-3.4
Prepayments	0.0	0.0
<b>Total</b>	<b>342.9</b>	<b>281.3</b>

**INTEREST-BEARING DEBT**

MEUR	31 December 2023	31 December 2022
<b>Non-current interest-bearing liabilities</b>		
Loans from financial institutions*	244.0	99.5
Lease liabilities	482.1	223.3
<b>Total</b>	<b>726.1</b>	<b>322.7</b>
<b>Current interest-bearing liabilities</b>		
Loans from financial institutions*	55.0	
Other current liabilities	0.0	10.0
Lease liabilities	83.1	59.7
<b>Total</b>	<b>138.1</b>	<b>69.7</b>
<b>Total</b>	<b>864.1</b>	<b>392.4</b>

\* Loans from financial institutions, adjusted with arrangement fees paid

An additional loan of EUR 180 million was added to Tokmanni Group Corporation's current financing agreement. From this additional loan EUR 175 million was drawn. The loan was used to finance the Dollarstore acquisition on 1 August 2023. The maturity of the loan is four years, and the loan repayments are EUR 30 million annually. The last instalment will be made on 7 July 2027. The additional loan is subject to the existing loan covenant, which determines the required net debt/EBITDA ratio.

**FOREIGN EXCHANGE RISKS**

Tokmanni Group is exposed to foreign exchange risks through its sourcing and foreign operations. Unfavourable changes in foreign exchange rates can raise the sourcing costs of products purchased in other currencies than the euro and reduce the result of foreign operations. The Group aims to manage this risk in many different ways, such as by utilising natural hedging or entering into agreements that protect the company from exchange rate fluctuations. Management constantly monitors the development of exchange rates and, if necessary, make strategic decisions to manage the exchange rate risk. Investments made by the Group in subsidiaries outside the euro zone expose the Group to the risk of translation differences in equity. The Group monitors the translation risk regularly and at the same time assesses the possible need for hedging. The effect of translation risk on the Group is not significant, and hedging has not been deemed necessary so far. The Group's long-term loans are entirely denominated in euros. There is no currency risk associated with financial liabilities.

**FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE**

MEUR	Carrying amounts of assets as per balance sheet 31 Dec 2023	Fair value 31 Dec 2023	Carrying amounts of assets as per balance sheet 31 Dec 2022	Fair value 31 Dec 2022
<b>Financial assets</b>				
Derivatives (level 2)	0.0	0.0	0.0	0.0
<b>Financial liabilities</b>				
Derivatives (level 2)	0.3	0.3	0.6	0.6

**COLLATERAL, CONTINGENT LIABILITIES AND PLEDGES****Contingent liabilities, assets and commitments**

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

**Non-cancellable lease liabilities**

Lease liabilities consist of minimum lease liabilities related to low-value leases and short-term leases.

MEUR	31 December 2023	31 December 2022
No later than 1 year	9.6	9.2
Later than 1 year but no later than 5 years	25.8	21.4
Later than 5 years	6.2	3.8
<b>Total</b>	<b>41.7</b>	<b>34.3</b>

**RELATED PARTY TRANSACTIONS****Specification of transactions carried out with related parties**

Transactions during the financial period 2023 including receivables, payables and liabilities per 31 Dec 2023 carried out with related parties

1,000 EUR	Majority owner and related parties to majority owner	Board of Directors and management	Joint ventures
<b>Income statement</b>			
Revenue and other operating income		0.0	
Other operating expenses		1.4	1.8
Financial income		0.1	
<b>Balance sheet</b>			
Assets			
Receivables from joint ventures			0.2
Non-current loan receivables from related parties		1.9	
Interest receivables from related parties		0.0	
<b>Total</b>		<b>2.0</b>	<b>0.2</b>

**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
<b>Income statement</b>			
Revenue and other operating income		0.0	
Other operating expenses		1.3	1.8
Financial income		0.0	
<b>Balance sheet</b>			
Assets			
Receivables from joint ventures			0.2
Non-current loan receivables from related parties		2.2	
Interest receivables from related parties		0.0	
Additions to other tangible assets		0.1	
<b>Total</b>		<b>2.2</b>	<b>0.2</b>

**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 align the targets of the owners and management of the company in order to increase the value of the company over the long term and to commit management to even better implement 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 0.0 million (EUR 0.2 million) in loans was granted during the financial period. During the financial year, loans were repaid by an amount of EUR 0.2 million (EUR 0.1 million).
- 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 annual interest on the loan is 12-month Euribor plus 1%. The interest rate is revised quarterly. The interest is calculated on the remaining loan afterwards on the dividend payment date, and the interest is paid 1–2 times a year after Tokmanni Group Corporation has paid dividend to shareholders.

**New share-based long-term incentive scheme**

The Board of Directors of Tokmanni Group Corporation has decided on the establishment of a new share-based long-term incentive scheme for the Company's key management and selected key employees. The incentive scheme comprises a Performance Share Plan ("PSP"). The Board of Directors, in addition, decided on the establishment of a new Restricted Share Plan structure ("Restricted Share Plan" or "RSP") which is intended to be used as a complementary share-based retention plan.

Share-based long-term incentive plans are part of the reward program of the Company's key personnel. The aim of the incentive scheme 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.

**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 - Other non-recurring expenses
Operating expenses	=	Employee benefits expenses + Other operating expenses
Comparable operating expenses	=	Operating expenses - Changes in fair value of electricity derivatives - Other non-recurring expenses
EBITDA	=	Operating profit + Depreciation
Comparable EBITDA	=	EBITDA - Changes in fair value of currency and electricity derivatives - Other non-recurring expenses
Comparable EBIT	=	EBIT - Changes in fair value of currency and electricity derivatives - Other non-recurring expenses
Net financial items	=	Financial income - Financial expenses
Capital expenditure	=	Investments in tangible and intangible assets + Purchased subsidiary shares
Net debt	=	Interest-bearing debt - Cash and cash equivalents
Net debt (without lease liabilities)	=	Net debt - IFRS 16 lease liabilities
Net debt / Comparable EBITDA	=	$\frac{\text{Net debt}}{\text{Comparable EBITDA, average for the preceding 12 months}}$
Net debt / Comparable EBITDA (without lease liabilities)	=	$\frac{\text{Net debt} - \text{IFRS 16 lease liabilities}}{\text{Comparable EBITDA without IFRS 16 liabilities, average preceding 12 months}}$
Capital employed	=	Long-term assets - Deferred tax assets + Current assets + Trade receivables and other receivables + Cash and cash equivalents - Long-term interest-free liabilities - Trade payables and other short-term liabilities
Return on capital employed, %, rolling 12 months	=	$\frac{\text{Comparable EBIT, average for the preceding 12 months}}{\text{Capital employed, average for the preceding 12 months}}$
Invested capital	=	Balance sheet total - Deferred tax liability and other non-interest-bearing liabilities

Return on invested capital, %	= $\frac{\text{Profit before taxes} + \text{Interest and other financial expenses (preceding 12 months)}}{\text{Invested capital, average for the preceding 12 months}}$
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, converted into full-time employees	= Average number of personnel converted into full-time employees
Equity ratio	= $\frac{\text{Equity}}{\text{Balance sheet total} - \text{Advances received}}$

## 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	= $\frac{\text{Share turnover in euro terms}}{\text{divided by the number of shares traded during the period}}$
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