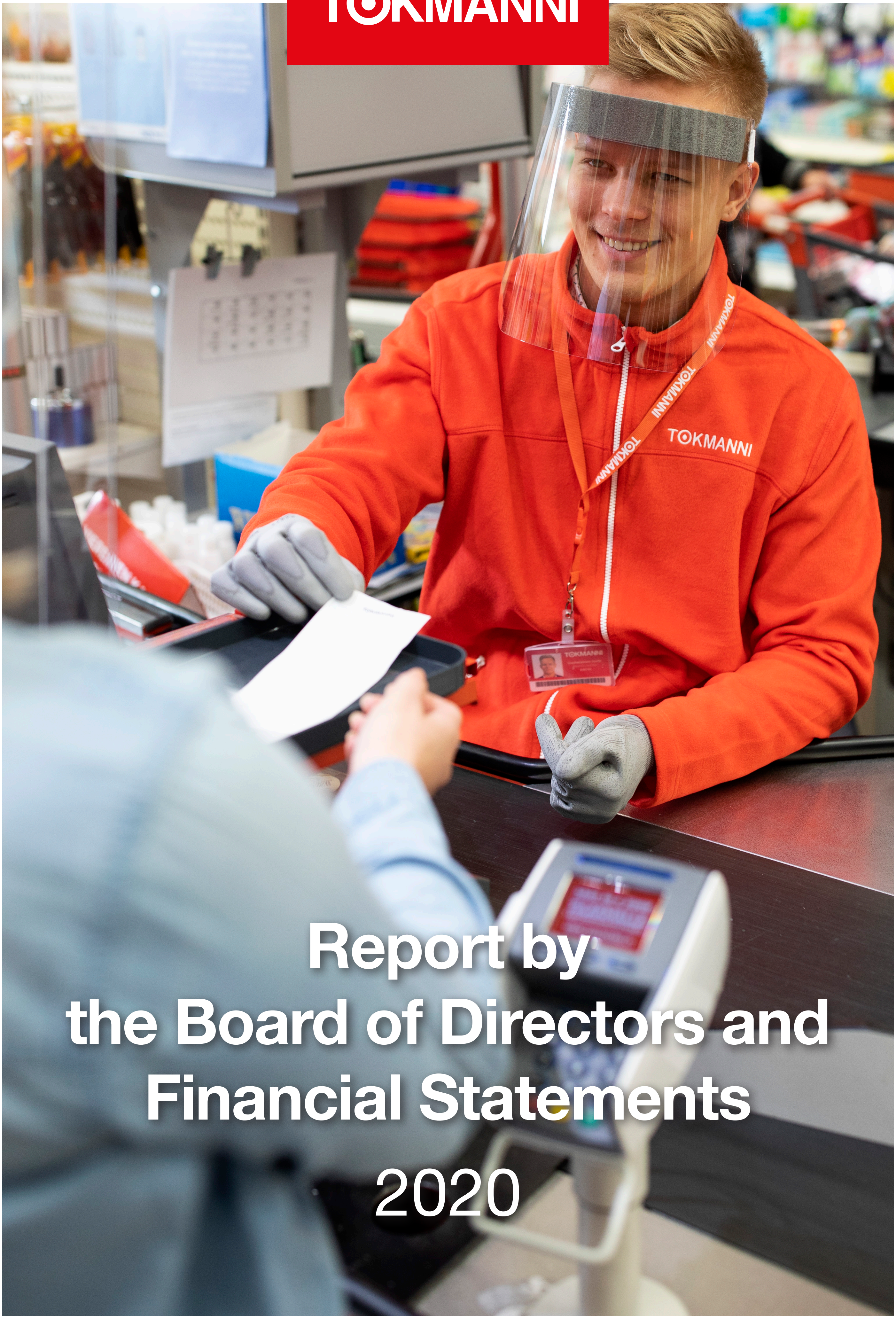

Report by the Board of Directors and Financial Statements

2020

Report by the Board of Directors and financial statements

REPORT BY THE BOARD OF DIRECTORS

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REPORT BY THE BOARD OF DIRECTORS 2020

The principal line of business of Tokmanni Group Corporation is to sell administrative services to the other companies in the Tokmanni Group. These companies include Retail Leasing Oy, whose line of business is to own and lease property, plant and equipment to the other Group companies. Retail Leasing Oy's subsidiary Nordic Disco AB (Sweden) merged with its parent company on 31 December 2020. As a result of the merger, Tokmanni Oy is a wholly, 100% owned subsidiary of Retail Leasing Oy. Tokmanni Oy engages in wholesale, retail and speciality goods trade in collaboration.

Taitomanni Oy is a company owned by Tokmanni Oy, whose business is to provide Group companies with personnel rental and support services in the retail sector. The Group also includes Retail Property Investment Ltd, which carries out a real estate business by investing in own real estate companies that build store premises for Group company use.

Tokmanni’s business

Tokmanni is the largest nationwide general discount retail chain in Finland. At the end of 2020 Tokmanni had 192 stores across the country, as well as an online store. Tokmanni is a customer-oriented general discount retailer whose competitive advantages are its low prices, attractive assortment, service-oriented and motivated personnel, its online store combined with its national store network, and an efficient and agile business model. Tokmanni aims for stable and profitable long-term growth.

Tokmanni’s assortment consists of private label and exclusive brand products as well as non-branded products and leading international brands. Tokmanni has a wide range of products with an excellent price-quality ratio, for example in the following product categories: home cleaning, personal care, tools and electrical equipment, home and decoration, garden, yard and balcony, leisure, home electronics, apparel, and groceries.

Highlights 2020

Despite the coronavirus pandemic, Tokmanni continued to implement its strategy and pursue its goal-oriented development of the company in 2020. The coronavirus pandemic somewhat hindered the execution of the company’s strategy. In the spring, measures aiming at opening new stores were suspended for a while, but then resumed once the operational situation became clearer for the company. In addition, the company made slower progress than planned towards the strategic aim of increasing the sales of Tokmanni’s private label products, as the structure of sales differed from before. Going forward, growing the sales of Tokmanni’s private label products and increasing direct imports will remain key strategic measures to improve the gross margin. More information on Tokmanni’s strategic measures taken in 2020 can be found in the Strategy section.

Revenue for 2020 grew by 13.6% on the previous year to EUR 1,073.2 million. Like-for-like revenue for stores grew by 12.3%. Comparable gross margin was 34.6% (34.4%). Comparable EBIT totalled EUR 100.2 million (70.4), and the comparable EBIT margin was 9.3% (7.5%). The ratio of net debt to comparable EBITDA (rolling 12 months) was 2.0 at the end of 2020.

Expanding the store network is one of the key means of growing Tokmanni’s revenue and operating profit. Tokmanni has an efficient process of rolling out and ramping up new stores. The company increased its retail space by about 7,000 square metres during 2020. At the end of 2020, Tokmanni stores had a retail space of approximately 467,000 square meters in total.

Impacts of the coronavirus pandemic on Tokmanni’s business

Stores and consumers were subjected to many changes during the coronavirus year 2020. Consumer behaviour changed as safety measures increased and people spent more time at home and travelling in Finland. Tokmanni was able to respond in an agile way to the changes caused by the coronavirus by focusing especially on the safety of customers and employees, improving customer service, developing digital channels and adjusting its product assortments and prices. In 2020, yard and garden furniture, sports, wellbeing and leisure products, home decoration products, and cleaning products and detergents had particularly strong sales in Tokmanni’s extensive assortment.

In the fourth quarter, Tokmanni continued its measures to promote the safety of customers and employees and added new measures. All of Tokmanni's stores were open in 2020, and the company was not forced to furlough any employees. During the coronavirus pandemic, Tokmanni has become aware of 17 confirmed coronavirus infections among its employees by the end of 2020 (total number of personnel: 4,056).

The reliability of the operations of the logistics centre and supply chain is critical for Tokmanni. In the latter half of the year, Tokmanni was better prepared than it was early in the year for any new disruptions from the pandemic, and it continues to employ safety measures widely. Christmas products arrived in Finland earlier than in the previous year to ensure that they would be available. The shelf availability in the stores was at a good level in the latter part of the year, after some early-year challenges. During the past year, Tokmanni managed to improve the processes in its supply chain, enabling good shelf availability in the second half of 2020.

Tokmanni's liquidity is good. At the end of December 2020, the company's cash and cash equivalents and undrawn credit limits totalled EUR 137.1 million (31 December 2019: 88.1). Tokmanni has recognised a loan of EUR 100 million on its balance sheet that was set to mature in October 2021 under its terms and conditions valid at the turn of the year. For this reason, the loan in question is reported in the financial statements under current liabilities. Since the turn of the year, the company reached an agreement on 11 February 2021 concerning a rearrangement of the EUR 100 million loan, with a new maturity date in February 2026. Tokmanni also agreed on a EUR 50 million credit limit with a maturity of five years. In addition to the above, the financing agreement includes a committed option for drawing down an additional loan of EUR 50 million in instalments. The option for an additional loan is valid for three years and it includes a conditional option to extend the loan by one year at a time for another two years.

Operating environment and market development

Competitive field

Tokmanni is the market leader in Finland's general discount retail market. Tokmanni's competitors in this market are several smaller local companies. Tokmanni is the only general discount retailer in Finland with a nationwide network of stores. At the end of 2020 Tokmanni had 192 stores. In addition to emphasising low prices, Tokmanni focuses on its product selection and store concept and on the continuous development of the customer service in order to distinguish itself from other discount retailers.

Tokmanni offers its customers a wide assortment of non-grocery and grocery products. As a result, Tokmanni's target markets are fragmented. Grocery products include food, beverages, techno chemical products, household papers, tobacco products, magazines and daily cosmetics.

Hypermarkets carry a large product assortment, from fresh food to consumer goods. They are mostly located in the suburbs of the largest cities and benefit from repeated visits thanks to their fresh food offering. Tokmanni also has a wide selection of consumer goods. Its low prices and attractive product selection as well as easiness to do shopping is stores that sets it apart from hypermarkets give it a competitive edge over the latter.

Speciality discount retailers with low prices and a strong assortment of private label goods offer a comprehensive assortment in individual product groups, such as sports products or home electronics. Tokmanni's primary competitive advantages over speciality discount retailers come from its lower price level, nationwide store network and a significantly more extensive assortment of products. At Tokmanni, customers can purchase the products they need from several different categories at the same place. Additionally, Tokmanni's assortments include extremely low-priced and intriguing batches of products that may not necessarily be available elsewhere.

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

Market development

The retail sector is undergoing a structural transformation and a digital revolution. Competition from Finnish and international rivals continue to intensify both in brick-and-mortar stores and online. In Tokmanni's view, consolidation into larger companies will probably continue in the European discount retail market. Besides online retail, general discount retail is one of the fastest growing segments in the retail sector. Companies with strong know-how in online retail, combined with a comprehensive network of brick-and-mortar stores, are best positioned to succeed over their competition. As a result of changing market conditions and stiffer competition, there is a need to boost operational and cost efficiency. With online, multi-channel service and international competition, retail companies have begun to pay even more attention to customer satisfaction and service.

Tokmanni continuously monitors market developments and the competitive environment and actively develops its own business to maintain its competitive advantages. Tokmanni has identified the following as its competitive advantages: low prices, an interesting product assortment, service-minded and motivated staff, combination of online and a nationwide store network, as well as an efficient and agile business model.

According to the FGTA, the non-grocery market grew by 1.1% for the full year 2020, with the trend being weak especially in apparel. The revenue of department store and hypermarket chains grew by 7.5%. Tokmanni clearly outperformed the rest of the market in terms of growth. Tokmanni's revenue grew by 13.6%.

The member companies of the FGTA operate the department store and hypermarket chains of K-Citymarket, Prisma, Sokos, Stockmann, Tokmanni and Minimani. However, it is important to note that the statistics compiled by the FGTA only cover part of Tokmanni's addressable market.

Operational development

Store network development

Expanding the store network is one of the key ways of growing Tokmanni's revenue and operating profit. Tokmanni has an efficient process of rolling out and ramping up new stores. Tokmanni's target is to expand its store network to include more than 200 stores and to increase its new retail selling space by approximately 12,000 square metres in net terms every year, which means around five new, enlarged or relocated stores. At the end of 2020 Tokmanni had 192 stores (31 December 2019: 191 stores).

During 2020, Tokmanni opened new stores in the Myyrmanni shopping centre in Vantaa, in Aura, in Pudasjärvi, in the REDI shopping centre in Helsinki and in Pietarsaari, and expanded its stores in the Helsinki Citycenter shopping centre and in Kauhajoki. In the first half of the year, Tokmanni closed its store in Tammela in Tampere, its store in the centre of Äänekoski, its store in the Mylly shopping centre in Raisio and its store in the Isomyyri shopping centre in Vantaa. The company increased its retail space by about 7,000 square metres during 2020 when the closed stores are accounted for. The retail selling space in the Tokmanni stores totalled about 467,000 square metres at the end of 2020. The company's expansion and increase of its retail selling space was slower than targeted owing to delays in investments because of the pandemic in 2020.

At the end of 2020, Tokmanni signed agreements for the opening of three new stores and two relocated stores. The agreements will result in the expansion of Tokmanni's store network into the Kaari shopping centre in Helsinki and into Kausala in the municipality of Iitti during 2021. Tokmanni will open a new store in Kirkonkylä in Nurmijärvi according to the latest assessment in the spring of 2022. In addition, Tokmanni will move to new, larger commercial premises in shopping centres in the centres of Lahti and Jyväskylä in 2021.

Tokmanni is focusing on continuously developing its store concept and the shopping experience. During 2020, 14 Tokmanni stores were designed and revamped in accordance with Tokmanni's latest store concept, which emphasises effortless and pleasant shopping experiences. Under this concept, the stores have such features as wide aisles, informative signage and well-defined product areas.

Tokmanni considers a store to be new or relocated over the duration of its opening year and the following calendar year. On average, a new store becomes profitable after around 12 months and reaches its full capacity within around

24 months. New and relocated stores include new stores opened and store relocations where the store size changes by 30% or more and the assortment increases or is reduced substantially.

Financial development

Seasonality

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

Revenue for the full year 2020

The coronavirus pandemic caused numerous challenges for sales in 2020. However, Tokmanni decided to focus on its inherent strengths as a general discount retailer, and this paid off. Sales were strongly supported with marketing in different channels. The like-for-like average basket in stores grew by 9.5% to EUR 19.72 (18.00).

Revenue for 2020 grew by 13.6% on the previous year to EUR 1,073.2 million (944.3). Like-for-like revenue grew by 12.3%. Demand for Tokmanni's leisure goods, gardening, home decoration and renovation products as well as groceries was particularly good.

Like-for-like customer visits in stores grew by 2.4% and the total number of customer visits grew by 3.2% year-on-year.

Tokmanni's online sales accounted for 1.2% (0.6%) of its total revenue, growing by 124.1% year-on-year.

Direct imports accounted for 26.6% of sales (25.6%). These can be broken down into products purchased using Tokmanni's sourcing company in Shanghai, which accounted for 16.5% (15.0%), and into other direct imports, which accounted for 10.2% (10.6%). Tokmanni's private label products, exclusive brands and non-branded products represented 31.8% of full-year 2020 sales (31.7%).

Profitability for the full year 2020

Gross profit in 2020 totalled EUR 370.9 million (325.2) and the gross margin was 34.6% (34.4%). Comparable gross profit was EUR 371.6 million (325.3), corresponding to a gross margin of 34.6% (34.4%). As a result of the coronavirus pandemic, the gross margin fluctuated more heavily than in the previous year, although it ended up at around the same level.

Operating expenses were EUR 211.5 million (198.9), or 19.7% of revenue (21.1%). Comparable operating expenses were EUR 210.9 million (197.9), or 19.6% of revenue (21.0%). The safety measures related to the coronavirus pandemic resulted in additional expenses. The largest item in operating expenses was personnel expenses, which increased due to the higher sales volumes as well as the work shift arrangements made to prevent the spread of the coronavirus pandemic and the extra personnel recruited to improve the delivery capabilities of the warehouse. Personnel expenses in 2020 totalled EUR 122.1 million (114.0), or 11.4% of revenue (12.1%).

The expenses recognised on the sales bonus scheme, which pays out bonuses to personnel quarterly, amounted to EUR 2.2 million (1.4) in 2020. The expenses booked from the annual bonus scheme for the Group's key persons totalled EUR 1.5 million (1.0) in 2020. Tokmanni also has a share-based incentive scheme for the Group's key persons. The expenses recognised on the share-based incentive scheme totalled EUR 0.7 million (0.3) in 2020.

EBITDA for 2020 amounted to EUR 163.6 million (130.6), and the EBITDA margin was 15.2% (13.8%). Comparable EBITDA totalled EUR 164.9 million (131.6), and the comparable EBITDA margin was 15.4% (13.9%).

Thanks to the strong sales as well as the improved gross margin and cost ratio, EBIT improved considerably. EBIT totalled EUR 98.9 million (69.4), and the EBIT margin was 9.2% (7.3%). Comparable EBIT totalled EUR 100.2 million (70.4), and the comparable EBIT margin was 9.3% (7.5%), exceeding Tokmanni's strategic target of 9%.

Net financial items totalled EUR 10.0 million (10.5). The result before taxes was EUR 88.9 million (58.9). Taxes for the period amounted to EUR 17.7 million (11.8). The net result for 2020 was EUR 71.2 million (47.1).

Diluted earnings per share were EUR 1.21 (0.80). The return on capital employed was 16.2% (11.8%). The return on equity was 35.4% (26.8%).

Balance sheet, cash flow and financial position

On 31 December 2020, Tokmanni's inventories were nearly at the same level as a year before, amounting to EUR 225.7 million (222.8).

Due to the improved net result and sound management of inventories, full-year cash flow in 2020 increased year-on-year to EUR 151.1 million (84.0). The company's cash and cash equivalents totalled EUR 78.1 million (29.1) at the end of 2020.

At the close of 2020, Tokmanni's interest-bearing debt totalled EUR 410.9 million (409.3), including EUR 100.0 million (100.0) in corporate bonds and loans from financial institutions. The remainder of the liabilities are lease liabilities reported under IFRS 16.

Tokmanni reached an agreement on 11 February 2021 concerning a rearrangement of the EUR 100 million loan, with a new maturity date in February 2026. Tokmanni also agreed on a EUR 50 million credit limit with a maturity of five years. In addition to the above, the financing agreement includes a committed option for drawing down an additional loan of EUR 50 million in instalments. The option for an additional loan is valid for three years and it includes a conditional option to extend the loan by one year at a time for another two years.

-The ratio of net debt to comparable EBITDA (rolling 12 months) was 2.0 at the end of 2020. Tokmanni intends to maintain an efficient long-term capital structure, and its long-term goal is to keep the ratio of net debt to comparable EBITDA below 3.2.

Tokmanni's equity ratio was 27.7% (25.3%).

Investments

Net capital expenditure for the full year 2020 totalled EUR 12.8 million (15.4). Some of the investments planned for 2020 were postponed until 2021 due to the coronavirus pandemic. Capital expenditure was mainly focused on the expansion and development of the store network. Depreciation and amortisation in 2020 amounted to EUR 64.6 million (61.2).

Capital expenditure in 2021 is expected to be around EUR 16–18 million.

Tokmanni has launched a review on the possibilities of expanding the Mäntsälä logistics centre together with the property owner and the municipality of Mäntsälä. According to preliminary plans, the storage space would increase by about a third compared to the current level. If the project is realized, it would replace the existing external warehouses and affect the level of investment in the next few years.

Acquired businesses

Tokmanni acquired the business of the Perhemarket Pertti Heikkinen Ky store in Pudasjärvi with a contract signed on 31 January 2020, and the acquired store was transferred to Tokmanni on 1 April 2020.

Tokmann's long-term financial targets and achievements

Target	Achievement in 2020
Tokmanni's long-term target is to achieve low single digit growth in like-for-like revenue.	Like-for-like revenue grew by 12.3%
Tokmanni's target is to increase its store network to cover more than 200 stores as well as to increase its new selling area by some 12,000 square metres in net terms every year, which means around five new, enlarged or relocated stores each year.	Store network increased by one store (5 openings, 4 closings) Number of stores at the end of the year was 192 (191) Selling area increased by about 7,000 square metres in net terms Selling area was in total 467 000 square metres at the end of the year
Tokmanni's long-term goal is to gradually increase the comparable EBIT margin to about 9 percent by improving the gross margin and reducing the relative share of current operating expenses from the current levels.	Comparable EBIT margin was 9,3 % Comparable gross margin increased by 0.2 percentage points The share of comparable operating expenses of revenue decreased by 1.3 percentage points to 19.6%
Tokmanni intends to maintain an efficient long-term capital structure by keeping the ratio of net debt to comparable EBITDA below 3.2.	Ratio of net debt to comparable EBITDA was 2,0 on 31 December 2020
Tokmanni's aim is to distribute around 70 per cent of net income for each financial year in dividends, depending on the capital structure, financial position, general economic and business conditions and future prospects.	The Board's dividend proposal for 2020 to the Annual General Meeting is 70.2% of the net result for the financial year

Strategy

Tokmanni's goal is to continue to reinforce its position as the leading general discount retailer in Finland by making the most out of its key competitive advantages, which are its low perceived price image, wide and attractive assortment, lean and efficient operation model, nationwide store network combined with an online store as well as effortless and pleasant shopping experience.

Tokmanni aims for stable and profitable long-term growth by:

- utilising its consistent brand image and needs-based product category management, continuously developing the store concept and assortment, and investing more and more in digitalisation and multi-channel operations so as to support growth in like-for-like revenue;
- continuing to increase its retail space by some 12,000 square metres in net terms each year, which means around five new, enlarged or relocated stores each year; and
- improving profitability and management of working capital with better processes and tools used in sourcing and in supply chain and product category management, and by improving store efficiency.

Strategic measures taken in 2020

The coronavirus pandemic and the emergency rules imposed because of it impacted the markets and consumer behaviour, and consequently the execution of Tokmanni's strategy. Due to the pandemic, the structure of sales in 2020 differed from normal in that demand for yard and garden furniture, sports, wellbeing and leisure products, home decoration products, and cleaning products and detergents was noticeable, while apparel accounted for a smaller share of sales. As a result of the change in consumer behaviour, customers also visited physical stores more infrequently than before, especially in the spring, but they bought more on each visit.

The reliability of the operations of the stores, logistics centre and supply chain is critical for Tokmanni. In the early stages of the coronavirus pandemic, Tokmanni made numerous special arrangements and took various measures to ensure the safety of customers and employees and to secure the reliability of the operations. These measures were continued throughout the year as the pandemic persisted. In the spring, Tokmanni took the decision to not furlough any employees and to increase its investment in the wellbeing of the personnel. The strong growth in sales combined with weaker efficiency in the supply chain resulted in considerable deficiencies in shelf availability during the spring and the summer. To improve shelf availability, Tokmanni recruited more employees for its warehouse and procured equipment to improve the performance of the logistics centre. Shelf availability at the stores returned to a good level, and in the latter half of the year products were delivered to the stores according to plan.

The coronavirus pandemic hit apparel sales hard because people spent more time at home and had fewer occasions for which to dress up. Tokmanni boosted the sales of apparel with discount sales at the end of the summer, which led to a lower gross margin in the third quarter of 2020. Despite the challenges, the sales of apparel in euro terms reached almost the same level as in the previous year and apparel inventories were at a normal level from an operational perspective, thanks to the steps taken by Tokmanni.

Tokmanni continued to develop the combination of its online store and brick-and-mortar stores so as to serve customers even better than before. The company benefitted from the rapid growth in online retail brought on by the coronavirus pandemic in 2020. The Tokmanni online store attracted lots of new customers during the exceptional circumstances and sales grew strongly in 2020. Tokmanni developed its online store in 2020, focusing particularly on expanding the selection, improving the customer experience and coordinating the operations of the physical stores and the online store.

Despite the coronavirus pandemic, Tokmanni continued to implement its strategy and pursue its goal-oriented development of the company in 2020. The coronavirus pandemic somewhat hindered the execution of the company's strategy. In the spring, measures aiming at opening new stores were suspended for a while, but then resumed once the operational situation became clearer for the company. In addition, the company made slower progress than planned towards the strategic aim of increasing the sales of Tokmanni's private label products, as the structure of sales differed from before. Going forward, growing the sales of Tokmanni's private label products and increasing direct imports will remain key strategic measures to improve the gross margin.

In 2020, Tokmanni continued to strengthen customer trust by focusing on affordable prices, a diverse assortment, renewing the store concept and enhancing customer service. New products that complemented the selection were well-received by the customers. Likewise, the company was successful in opening new stores and expanding and renovating existing stores. An increasing number of stores have been designed in accordance with Tokmanni's latest store concept, which emphasises effortless and pleasant shopping experiences. Under this concept, the stores have such features as wide aisles, informative signage and well-defined product areas.

Personnel

Tokmanni is a significant employer in Finland, and the chain's store network extends from Hanko in the south all the way to Sodankylä in the north. The skilled, motivated and satisfied Tokmanni employees work together to serve the customers, enabling the company to reach its goals. For this reason, it is paramount to ensure that the employees possess the right kind of competence and are committed to achieving the common goals. Tokmanni rewards its personnel for good and productive work, and every Tokmanni employee is covered by the performance bonus system.

Tokmanni had 4,056 (3,659) employees at the end of 2020. On average, Tokmanni employed 3,873 (3,647) people during 2020. Out of Tokmanni's total personnel, 85.3% (85.4%) worked at the stores, 8.0% (7.1%) at warehouses and 6.8% (7.5%) in support functions.

During the exceptional coronavirus year, ensuring the safety and wellbeing of the personnel became one of the company's key focuses. As early as the beginning of March, Tokmanni appointed a coronavirus team to coordinate and decide on safety measures and communications to the personnel concerning the coronavirus. During the year, Tokmanni employees received frequent instructions through various communications channels. An email address was also set up to answer questions posed by the employees and to provide urgent help with issues related to the coronavirus. Tokmanni follows the guidelines of the authorities (hospital districts or regional cooperation groups) and the Finnish Grocery Trade Association, and has introduced its own, stricter measures, instructions and recommendations to ensure the safety of customers and employees.

In the spring and the autumn, Tokmanni conducted a job wellbeing survey to ensure that employees are coping at work. The survey showed that the increase in teleworking had among other things boosted the productivity and wellbeing of experts.

Occupational safety was further enhanced by updating occupational safety processes and introducing systems that support these processes. The occupational safety system allows the personnel to report accidents at work directly to the insurance company. The same system can also be used to report safety observations and close call situations in 2020. A new risk assessment system was also introduced during the year. By updating processes and deploying new systems, Tokmanni ensures that it is aware of the accident situation in all units and the measures they have taken to address observed safety risks. In 2020, the company also aimed to enhance the personnel's occupational safety competence through revised online occupational safety course material.

During the year of 2020, nearly 200 Tokmanni employees participated in apprenticeship training, with the majority graduating as garden salespersons. Additionally, numerous employees completed qualifications in management and business that helped them advance their careers, especially at Tokmanni stores. Tokmanni's store managers also actively participated in studies leading to a Specialist Qualification in Business or a Specialist Qualification in Management. The career paths of the store personnel and studies supporting their development are documented, serving as a development incentive for the employees in future personal appraisals.

Tokmanni actively promotes an equal and diverse workplace culture, and it uses gender-neutral job titles. Before Christmas, Tokmanni intensified its cooperation with Eteva, the largest centre providing services for people with disabilities in Finland, whose customers packed delicacy bags that were sold at Tokmanni stores. The cooperation with Eteva also continued at numerous stores. Additionally, Tokmanni continued its work with the Federation of Finnish Commerce in the Kaupan polku programme, which promotes diverse working communities and sustainability, as well as its cooperation with Plan International in recruiting summer employees with an immigrant background and in arranging in-store traineeships focusing on the language and working life skills that are included in integration training aimed at immigrants. Tokmanni's diverse workplace culture is supported by the diversity project team, which is composed of volunteers from various parts of the organisation. Its work is led by a steering group that ensures that diversity is promoted actively and systematically.

All Tokmanni employees are covered by the quarterly incentive bonus scheme, with the exception of logistics personnel. Tokmanni's logistics employees are paid a personal productivity bonus based on their monthly performance, on top of their monthly basic salary. All Tokmanni employees who were employed in the second quarter were rewarded with an additional performance bonus for their excellent work during the spring and the summer.

Personnel expenses in 2020 totalled EUR 122.1 million (114.0). The salaries of employees covered by the commercial sector's collective agreement were raised by 2.0% on 1 April 2020. Most of Tokmanni's employees are covered by the agreement. Due to the coronavirus pandemic, a statutory and temporary reduction to employee pension (TyEL) payments was instituted for the period of 1 May–31 December 2020. The effect of the reduction in TyEL payments on Tokmanni's personnel expenses in the fourth quarter was around EUR 0.5 million, and the effect for the full year of 2020 was EUR 2.2 million.

Corporate responsibility

Corporate responsibility is one of the factors that underpins the success of Tokmanni's strategy. The key themes of corporate responsibility were updated in 2020. The updated themes are Products and Sourcing Chain, People, Climate and Business Integrity. These themes are based on the materiality analysis Tokmanni commissioned in 2015, and they remain relevant.

Tokmanni's sustainability will be presented comprehensively in the Sustainability Report to be published in the week beginning on 22 March 2021 and which is prepared in accordance with the GRI standards. In addition, matters related to sustainability will be discussed in the "Non-financial information" section in the Board of Directors' Report.

Key sustainability achievements in 2020

Tokmanni was the third Nordic retail sector company to announce science-based climate targets that are aligned with the Paris Agreement and aim to limit global temperature rise to 1.5 degrees Celsius.

Tokmanni continued to invest in solar power, installing solar power plants on the roofs of 14 (18) stores in 2020. Tokmanni also installed LED lighting at 37 (36) of its stores.

Tokmanni reused, recycled or recovered all, or 100% (98%), of its waste. To reduce food waste, Tokmanni extended the evening discounts on food products about to expire to all of its stores.

Tokmanni improved its score in the global Carbon Disclosure Project (CDP) climate change assessment. The fact that Tokmanni achieved the Management level score of B in the climate change assessment shows that Tokmanni has improved the way it takes into account the risks and opportunities of climate change and is actively taking measures to reduce emissions, combat climate risks and develop a low-carbon economy.

Tokmanni continued to develop risk management in its sourcing chain from a sustainability perspective. In 2020, 94% (96%) of direct purchases from risk countries were made from factories audited by a third party. Due to the coronavirus pandemic, Tokmanni conducted its factory audits, 60 in total, mostly in the second half of the year. In addition, Tokmanni adopted revised terms and conditions for sourcing and updated its guidelines for responsible sourcing and sanctions inspections as well as its internal systems in order to support risk management. Tokmanni made progress on its targets for certifying risk raw materials in cotton and fish products in its assortment. Tokmanni invited its goods suppliers to amfori BEPI (Business Environmental Performance Initiative) in order to influence the climate impacts of its factories in risk countries. By the end of 2020, a total of 231 factories used by Tokmanni had joined amfori BEPI.

In a study conducted by the Status of Human Rights Performance of Finnish Companies (SIHTI) project, which was run by the Government’s analysis, assessment and research activities under the Prime Minister’s Office and published in early 2021, Tokmanni received a score that was clearly higher than the average (48.1/100; the average for all the companies surveyed was 23.9/100).

Tokmanni’s social responsibility partnership with the Finnish Red Cross (FRC) continued. Its aim is to endorse work for combatting loneliness and social exclusion across Finland by supporting the FRC’s friend volunteers. The annual donations towards this work were increased because of the coronavirus pandemic. In addition, Tokmanni continued to support Veikko ja Lahja Hurstin Laupeudentyö ry together with Unilever Finland, and it participated in the Green Ribbon campaign of the Finnish Association for Mental Health and cooperated with the John Nurminen Foundation in a campaign in which EUR 53,000 from the sales of Pisara-branded products were donated through the foundation for the protection of the Baltic Sea.

In 2020, Tokmanni conducted a consumer survey in which fair treatment of employees and customers as well as diversity were raised as the most important areas of corporate responsibility, as they had been in the previous year. Tokmanni continued its systematic work to promote diversity by testing an anonymous recruitment process. Its widespread adoption will require a redesign of the recruitment programme, which is under way. Tokmanni employees speak 23 different mother tongues, due to which induction materials have been revised by increasing the use of videos and images, for example. Tokmanni promoted diversity by cooperating with Plan International in recruiting trainees with an immigrant background through the Tutustu työelämään ja tienaa scheme. The company also continued its cooperation with the Federation of Finnish Commerce and Ohjaamo Helsinki in the Kaupan polku programme, which offers work trials to young people and adults at risk of social exclusion. Cooperation with Eteva, a centre providing services for people with disabilities, also continued as Tokmanni offered work to members of Eteva’s Duunarit (“worker”) groups, packing delicacy bags that were sold during the Christmas season. Eteva’s Duunarit members are people in need of special support, such as people with intellectual and developmental disabilities or autism spectrum disorders or those participating in mental health rehabilitation.

The Compliance unit is responsible for Tokmanni’s compliance with guidelines. The unit is headed by the Chief Compliance Officer (the Chief Financial Officer), who reports directly to the Chief Executive Officer and also informs the Board of Directors. In addition to the Chief Compliance Officer, the Compliance unit includes four Compliance Officers, each of whom has a specific area of responsibility. The Compliance team convened regularly during 2020, handling all reports received through the whistleblowing channel in an appropriate manner. In 2020, Tokmanni introduced a new anonymous whistleblowing channel for both internal and external reports. The Ethical Code of Conduct e-learning course, which is compulsory for every Tokmanni employee, was completed by 3,158 Tokmanni employees in 2020.

Shares and shareholders

Tokmanni Group Corporation’s share capital amounted to EUR 80,000 and the company had 58,868,752 shares outstanding at the end of 2020. During the year, a total of 41,677,662 Tokmanni shares were traded on Nasdaq Helsinki Ltd for a total price of EUR 548.3 million. During 2020 the final trade in Tokmanni Group Corporation shares on Nasdaq Helsinki was executed at a price of EUR 16.24. The highest quote during 2020 for the share was EUR 16.70 and the lowest was EUR 8.64. The volume-weighted average price of the share was EUR 13.17. At the end of December 2020, the market value of the shares was EUR 956.0 million (742.9).

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

	Number of shares
Treasury shares owned by the company on 31 December 2019	**0**
Shares acquires during the financial year	150,000
Transferred during the financial year on the basis of the share incentive plan	-43,933
Returned to the company during the financial year	850
Treasury shares owned by the company on 31 December 2020	**106,917**

During the financial year 2020, Tokmanni Group Corporation purchased a total of 150,000 of its own shares at an average price of EUR 14,799. During the financial year, the company conveyed 43,933 Tokmanni Group Corporation's own shares without consideration to persons belonging to the company's long-term share-based incentive program. During 2020, a total of 850 of Tokmanni Group Corporation’s own shares were returned to the company. The shares were returned to the company in accordance with the terms and conditions of the share-based incentive scheme due to the termination of this key employee’s employment. At the end of 2020, Tokmanni held 106,917 of its own shares, which represents 0.18% of the total number of shares. The acquisition cost of the company's own shares is EUR 2.2 million is presented as a deduction from equity.

At the end of December 2020, Tokmanni had 26,480 registered shareholders. At the end of the year, the largest shareholders of Tokmanni Group Corporation were Takoa Invest Oy with 17.91%, Varma Mutual Pension Insurance Company with 4.77%, Elo Mutual Pension Insurance Company with 3.90%, Ilmarinen Mutual Pension Insurance Company with 2.94% and OP-Suomi investment fund with 2.05% ownership.

Financial and insurance institutions held 40.38% of the shares, while non-financial corporations held 23.58%, households held 19.24%, public-sector entities held 12.94% and non-profit organisations held 2.63%. Direct foreign ownership accounted for 1.23%. Of all the above-mentioned holdings, 30.42% were nominee registered.

The combined holding of Tokmanni's Board of Directors, the CEO and the Deputy CEO as well as the other members of the Executive Group in the shares issued by the company was 1.48% at the end of 2020.

Shareholding of the Board of Directors on 31 December 2020

	Shares
Seppo Saastamoinen*	91,602
Juha Blomster	6,462
Thérèse Cedercreutz	4,815
Erkki Järvinen	2,714
Ulla Lettijeff**	760
Harri Sivula	293,009
Total	**399,362**

* One of the founders of Takoa Invest Oy, Chairman of the Board and CEO. Takoa Invest Oy owned 10,544,688 shares, or 17.91% of Tokmanni's shares on 31 December 2020. In addition, Jukka Saastamoinen Oy owned 214,000 Tokmanni shares and Seppo Saastamoinen owned 30% of Jukka Saastamoinen Oy.
** Since 7 May 2020

Shareholding of the Executive Group on 31 December 2020

	Shares
Mika Rautiainen	154,811
Markku Pirskanen	19,714
Timo Heimo	41,903
Sirpa Huuskonen	18,062
Mathias Kivikoski	34,813
Harri Koponen	35,979
Matti Korolainen	93,020
Janne Pihkala	44,437
Juha Valtonen	30,000
Total	**472,739**

More information on Tokmanni's shareholders can be found on the company's website ir.tokmanni.fi/en.

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

The Annual General Meeting of 2020 resolved to authorise the Board of Directors to decide on acquiring or accepting as a pledge a maximum of 2,943,000 of the company's own shares with the company's distributable funds, corresponding to around 5% of the total number of shares in the company at the time of publishing notice of the Annual General Meeting. The acquisitions can take place in one or more tranches.

The shares will be acquired in a proportion other than the shareholders' current shareholdings in the company in public trading arranged by Nasdaq Helsinki Ltd at the trading price quoted at the time of acquisition. The shares will be acquired and paid for in accordance with the rules of Nasdaq Helsinki Ltd.

The company may repurchase the shares to execute its incentive scheme, corporate acquisitions or other business arrangements, or investments related to the company's operations, to improve its capital structure, or to be otherwise further transferred, retained by the company or cancelled.

The authorisation includes the right for the Board of Directors to decide on all other matters related to the repurchase of shares. The authorisation is effective until the Annual General Meeting to be held in 2021, but no longer than 30 June 2021.

Repurchase of own shares for the company's incentive programmes

The Board of Directors of Tokmanni Group Corporation decided to start repurchasing the company's own shares on the basis of the authorisation granted by the Annual General Meeting on 19 March 2019. The shares were repurchased to be used as part of the company's incentive programmes. The number of shares acquired was 50,000, corresponding to 0.08% of the total number of shares. The shares were acquired in public trading on Nasdaq Helsinki Ltd at the market price quoted at the time of purchase. The share repurchase was started on 4 March 2020 and ended on 5 March 2020.

The Board of Directors of Tokmanni Group Corporation decided to start repurchasing the company's own shares on the basis of the authorisation granted by the Annual General Meeting on 7 May 2020. The shares were repurchased to be used as part of the company's incentive programmes. The number of shares acquired was 100,000, corresponding to 0.17% of the total number of shares. The shares were acquired in public trading on Nasdaq Helsinki Ltd at the market price quoted at the time of purchase. The share repurchase was started on 21 December 2020 and ended on 29 December 2020.

During 2020, Tokmanni assigned a total of 43,933 of the company's own shares to 58 persons covered by the company's incentive programme without consideration and in accordance with the terms and conditions of the incentive programme. During the review period, a total of 850 of these own shares were returned to Tokmanni Group Corporation. Under the terms and conditions of the incentive programme, 12,257 shares will be released from restrictions in January 2021 and 30,826 shares will be released in January 2022.

At the end of 2020, Tokmanni Group Corporation held 106,917 own shares.

Share-based incentive programs

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

The performance share program includes the calendar year 2020. The potential reward of the program will be based on the Company's earnings per share on 31 December 2020 and on the market value development 1.1-31.12.2020.

The target group of the program includes the CEO, the members of the Executive Group as well as other key employees. The potential rewards, which by nature are taxable income, to be paid correspond to a maximum of 120,000 Tokmanni Group Corporation's shares based on the market value at the moment of granting. Potential reward, which is earned income in nature, will be paid in company shares and possibly in part in cash. The cash proportion covers taxes arising from the payment. The shares to be transferred as a reward will be released from the restrictions in January 2023.

A total of 43,933 of Tokmanni Group Corporation's own shares were conveyed without consideration to the 58 employees participating in the incentive program under the terms and conditions of the plans.

On 28 October 2020, Tokmanni Group Corporation's Board of Directors decided to specify the remuneration of the CEO within the limits of the Remuneration Policy so that a maximum of 12,000 company shares will be transferred to the CEO, without consideration, during the remuneration period beginning on 1 November 2020 and ending on 31 October 2023.

Flagging notifications

Tokmanni Group Corporation received in May a notification pursuant to Chapter 9, Section 5 of the Securities Markets Act from Elo Mutual Pension Insurance Company. According to the notification the holding of Elo Mutual Pension Insurance Company in the Company's shares and votes decreased under 5% on 14 May 2020. After the transaction, Elo Mutual Pension Insurance Company held 2 863 549 Tokmanni's shares, which represented 4.86 % of Tokmanni's shares and voting rights.

Tokmanni Group Corporation received in June a notification pursuant to Chapter 9, Section 5 of the Securities Markets Act from Handelsbanken Fonder AB. According to the notification the holding of Handelsbanken Fonder AB in the Company's shares and votes increased above 5% on 12 June 2020. After the transaction, Handelsbanken Fonder AB held 2,978,203 Tokmanni's shares, which represented 5.06% of Tokmanni's shares and voting rights.

Tokmanni Group Corporation received in August a notification pursuant to Chapter 9, Section 5 of the Securities Markets Act from Handelsbanken Fonder AB. According to the notification the holding of Handelsbanken Fonder AB in the Company's shares and votes decreased under 5% on 12 August 2020. After the transaction, Handelsbanken Fonder AB held 2,911,340 Tokmanni's shares, which represented 4.95% of Tokmanni's shares and voting rights.

Tokmanni Group Corporation has received in August a notification pursuant to Chapter 9, Section 5 of the Securities Markets Act from Varma Mutual Pension Insurance Company. According to the notification the holding of Varma Mutual Pension Insurance Company in the Tokmanni's shares and votes decreased under 5% on 20 August 2020. After the transaction, Varma Mutual Pension Insurance Company held 2,860,526 Tokmanni's shares, which represented 4.86% of Tokmanni's shares and voting rights.

Up-to-date information on Tokmanni's shareholders is available on the company's website ir.tokmanni.fi/en.

Governance

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

Decisions taken by the Annual General Meeting

Tokmanni Group Corporation’s Annual General Meeting was held on Thursday 7 May 2020. The general meeting approved the 2019 financial statements, including the consolidated financial statements, the report of the Board of Directors and the auditor's report and discharged the members of the Board of Directors and the company's CEO from liability.

Dividend payment

The general meeting approved the proposal to pay a dividend EUR 0.25 per share for the accounting period that ended on 31 December 2019. The proposed dividend was paid to shareholders who were registered in the company's shareholders register, maintained by Euroclear Finland, on the record date of the payment of the dividend. The record date for the payment of the dividend was 11 May 2020 and the date for the payment of the dividend was 12 June 2020. The remaining distributable assets remained in equity. In addition, the general meeting authorised the Board of Directors to decide at a later stage and in its discretion on a dividend payment in one instalments of a total maximum of EUR 0.37 per share. The authorisation was valid until 31 December 2020.

Tokmanni Group Corporation’s Board of Directors decided in July on the payment of additional dividend for the financial year ended 31 December 2019. The additional dividend to be paid was EUR 0.37 per. The record date of the additional dividend was 31 July 2020, and it was paid on 27 August 2020.

Board remuneration and composition

The general meeting approved the proposal that the Chairman of the Board of Directors will be paid EUR 84,000 as yearly remuneration and a member of the Board of Directors will be paid EUR 30,000 as yearly remuneration.

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

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

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

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

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

The general meeting decided the number of Board members to be six. The meeting elected Juha Blomster, Thérèse Cedercreutz, Erkki Järvinen, Ulla Lettijeff, Seppo Saastamoinen and Harri Sivula as members of the Board of Directors. Seppo Saastamoinen was elected as the Chairman of the Board of Directors.

Remuneration and selections of the auditor

The general meeting decided that the auditor is paid remuneration in accordance with a reasonable invoice. The authorised public accountants PricewaterhouseCoopers Oy was elected as the company's auditor. The principal auditor designated by the audit firm is APA Maria Grönroos. The term of office of the auditor ends at the close of the Annual General Meeting of shareholders following the election of the auditor.

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

The Annual General Meeting decided to authorise the Board of Directors to decide on repurchase or accepting as pledge, using the company's non-restricted equity, a maximum of 2.943.000 own shares, which corresponds to approximately 5% of the company's total shares at the time of convening the meeting. The repurchase may take place in one or more tranches.

The shares shall be repurchased in a proportion other than the shareholders' current shareholdings in the company in public trading arranged by Nasdaq Helsinki Ltd at the trading price of the moment of repurchase. The shares shall be repurchased and paid in accordance with the rules of Nasdaq Helsinki Ltd.

The company may repurchase the shares to execute its incentive program or corporate acquisitions or other business arrangements or investments related to the company's operations, to improve its capital structure, or to be otherwise further transferred, retained by the company or cancelled.

The authorisation include the right for the Board of Directors to decide on all other matters related to the repurchase of shares. The authorisation is effective until the Annual General Meeting held in 2021, yet no further than until 30 June 2021.

Decisions taken in the constitutive meeting of the Board of Directors

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

Executive Group

On 31 December 2020, Tokmanni's Executive Group included the following persons:

- Mika Rautiainen, CEO since 1 June 2018
- Markku Pirskanen, CFO and deputy to CEO, member of the Executive Group since 22 May 2017
- Timo Heimo, Director, Information Management and Supply Chain, member of the Executive Group since 1 December 2018
- Sirpa Huuskonen, HR Director, member of the Executive Group since 1 May 2016
- Mathias Kivikoski, Sales and Marketing Director, member of the Executive Group since 16 January 2017
- Harri Koponen, Store Network and Concept Director, member of the Executive Group since 1 February 2018
- Matti Korolainen, Commercial Director, member of the Executive Group since 1 August 2019
- Janne Pihkala, Strategy and Business Development Director, member of the Executive Group since 1 April 2018
- Juha Valtonen, Sourcing Director, member of the Executive Group since 1 August 2020

More information on Tokmanni's governance is available on the company's website ir.tokmanni.fi/en.

Information contained in the notes to the financial statements

Note 5.1 Related party transactions discloses transactions with related parties and the terms and conditions of the CEO's contract.

Risk management

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

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

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

During the second quarter of 2020, Tokmanni added two new risks to the description of its risks and business uncertainties, injury risks and risks related to the health and ability to work of employees (published in the business review on April 29, 2020). Below is an estimate and descriptions in full.

Market risk

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

Inventory turnover and working capital management

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

Product quality and responsibility risk

Some of the key measures taken by Tokmanni to improve the gross margin include increasing direct imports and growing the sales of its private label products. 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 has strengthened its quality organisation and fine-tuned its sourcing model. In addition, Tokmanni focuses increasingly on extensive pretesting of products and ensures through self-supervision that products comply with regulations governing them. Effective handling of customer feedback also forms a key aspect in the management of product quality. Tokmanni mitigates the responsibility risks related to products by striving to channel all direct sourcing from risk countries to factories audited by amfori BSCI or SA8000.

Data system and data security risks

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

Risks arising from the pace of change in the sector

Achieving business goals in the ongoing transformation of the retail sector requires an active approach and strong competence. Companies must offer products and services that appeal to customers at an accelerating pace. Technological advances will affect products, sales channels and deliveries, among other things. Digital services and online retail continue to grow in importance, as do customer communications supporting them. Tokmanni's aim is to offer its customers low prices, an interesting and wide assortment, comprehensive services, a nationwide network of stores combined with an online store, and an inspiring shopping experience through all of its sales channels. To achieve its goals, Tokmanni has increased the efficiency of its strategic work and clarified responsibilities in order to ensure that its strategically important projects are carried out smoothly from planning to implementation. Part of the strategic work involves evaluating developments taking place in the sector and predicting future changes.

Political country risk in sourcing

The sourcing market is constantly undergoing changes that are beyond the company's control. The changing environmental legislation in China and political instability in such sourcing countries as Turkey, Bangladesh, Myanmar and Pakistan could increase sourcing prices or cause supply problems. Tokmanni focuses increasingly on developing its sourcing models, which would enable it to adjust its sourcing flexibly in the event that risks materialise.

Reputation risk

If Tokmanni fails 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 customers. Any failure to implement responsibility perspectives would result in negative publicity for Tokmanni, impacting Tokmanni's reputation. The above-mentioned quality and reputation risks are managed with internal and external quality and responsibility audits, with the compliance requirements of the amfori BSCI Code of Conduct and Tokmanni's Ethical Code of Conduct, with good governance principles and a good corporate management model, and with internal audit measures and a large-scale internal Compliance programme. In addition, Tokmanni has a quality organisation that monitors product safety and quality in the country of origin, at the logistics centre and in the stores.

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

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

Brand image and marketing risk

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

Personnel competence and key person risks

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

Foreign exchange risks

Tokmanni is exposed to foreign exchange risks through its sourcing. Unfavourable changes in foreign exchange rates can raise the acquisition costs of products purchased in other currencies than the euro, and Tokmanni may not be able to pass on all such costs to its customers. The most important foreign currency for Tokmanni is the United States dollar. In the financial year that ended on 31 December 2020, approximately 87% of Tokmanni's product purchases were made in euros and approximately 13% in US dollars. Tokmanni hedges at least half of its purchases made in US dollars for an average period of six months.

Risks of loss or damage

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

Risks relating to the health and working capacity of employees

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

Events after the review period

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

In the release published on 29 January 2021, the Shareholders' Nomination Board of Tokmanni Group Corporation proposes to the Annual General Meeting that the number of the members of the Board of Directors and their remuneration remain the same as previous year.

Tokmanni's outlook for 2021

The behaviour of Tokmanni's customers and thus the future prospects will be strongly influenced by the coronavirus pandemic and the development of its treatment in 2021. In the current circumstances, Tokmanni forecasts slight growth in revenue for 2021. Group profitability measured in euros (comparable EBIT) is expected to be on the same level as last year.

Board of directors dividend proposal

The parent company's distributable funds total EUR 192 958 784,92, which includes EUR 62 157 402,96 in profit for the year. The Board of Directors proposes that a dividend of EUR 0.85 per share, in total EUR 49,947,559.75 be paid for the financial period ending 31 December 2020. The dividend will be paid to shareholders who are registered in the list of shareholders maintained by Euroclear Finland Ltd on the record date 25 March 2021. The dividend payment day proposed by the Board of Directors is 9 April 2021. The Group's liquidity is good, and the proposed profit distribution does not endanger Tokmanni's solvency.

Statement of non-financial information

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

Tokmanni's corporate responsibility and sustainability will be discussed comprehensively in the Sustainability Report to be published in the week beginning 22 March 2021. The report is prepared in accordance with the GRI standards.

Corporate responsibility at Tokmanni

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

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

Description of Tokmanni's business model

Tokmanni is the largest nationwide general discount retailer in Finland. At the end of 2020, Tokmanni had 192 (191) stores across the country, as well as an online store. Tokmanni is a customer-oriented general discount retailer whose competitive advantages are its low prices, attractive assortment, service-oriented and motivated personnel, its online store combined with its national store network, and an efficient and agile business model.

Tokmanni's assortment consists of private label and exclusive brand products as well as non-branded products and leading international brands. Tokmanni has a wide selection of products with an excellent price-to-quality ratio in the following categories, for example: home cleaning; personal care; tools and electrical equipment; home and decoration; garden, yard and balcony; leisure; home electronics; clothing; and groceries.

Tokmanni aims to grow profitably. The improvement in profitability is driven by increasing the proportion of direct imports and private label products of sales by utilising the sourcing company in Shanghai, among other aspects. Tokmanni's products are distributed to the stores mainly from the Group's logistics centre in Mäntsälä. The Group's head office is also located in Mäntsälä.

Tokmanni had 4,056 (3,659) employees at the end of 2020. On average, Tokmanni had 3,873 (3,647) employees during 2020. Out of Tokmanni's total personnel, 85.3% (85.4) worked in the stores, 8.0% (7.1) in warehouses and 6.8% (7.5) in support functions.

Business integrity

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

Responsibility work at Tokmanni is based on the company's values and Code of Conduct, including the supplementary principles, policies and instructions. Tokmanni's Code of Conduct and the related principles are approved by its Board of Directors. The policies and guidelines are approved by the Executive Group and the heads of department, respectively. The CEO is ultimately responsible for corporate responsibility at Tokmanni. In this capacity, the CEO reports to the Board of Directors. The Board of Directors deals with corporate responsibility and sustainability matters if necessary, and the presentations and information produced by Tokmanni's sustainability team support decision-making.

Tokmanni's Code of Conduct includes the following rules: we treat everyone equally and without discrimination; we minimise accidents at work; we follow laws and regulations; we do not offer bribes; we protect sensitive business information and group assets; we respect privacy; we support fair competition; we minimise our environmental impact; we require responsible production of our products; we communicate transparently and reliably.

The Code of Conduct online course was completed by 3,158 Tokmanni employees in 2020. The course must be completed annually, and is a mandatory part of induction training for new employees.

The Compliance unit is responsible for Tokmanni's compliance with guidelines. The unit is headed by the Chief Compliance Officer (the Chief Financial Officer), who reports directly to the CEO and also informs the Board of Directors. In addition to the Chief Compliance Officer, the Compliance unit includes four Compliance Officers, each of whom has a specific area of responsibility. Tokmanni's Compliance team convened regularly during 2020, processing all reports received through the whistleblowing channel in an appropriate manner. In 2020, Tokmanni introduced a new anonymous whistleblowing channel for both internal and external stakeholders.

BUSINESS INTEGRITY **Targets for 2020**	**Status in 2020**	**Targets for 2021**
Tokmanni employees have been trained in the Code of Conduct	Partially achieved	All Tokmanni employees have been trained in the updated Code of Conduct
All messages submitted through Tokmanni's whistleblowing channel are processed appropriately	Achieved	All messages submitted through Tokmanni's whistleblowing channel are processed appropriately
Tokmanni has no cases of corruption	Achieved	Tokmanni has no cases of corruption
Tokmanni has no privacy violations	Achieved	Tokmanni has no privacy violations
Tokmanni does not receive any complaints from the authorities regarding its marketing	Achieved	Tokmanni does not receive any complaints from the authorities regarding its marketing

People

An open and fair corporate culture that respects all employees is essential for successful and sustainable business operations. With inclusive and fair personnel management, Tokmanni is able to evolve, benefit from new opportunities, reduce business risks and generate added value for all its stakeholders. In 2020, Tokmanni used its value-based management principles, which were introduced in 2019, in its supervisory training. Online training material was produced on workplace skills concerning all Tokmanni employees. The training is mandatory for all employees.

The Group continuously monitors the development of good management, supervisory work, the work atmosphere and equal treatment. Two employee wellbeing surveys were conducted during the coronavirus pandemic in 2020, in the spring and in the autumn. In March 2020, the employees at Tokmanni's headquarters largely transferred to remote work because of the coronavirus pandemic. In the spring, experts working remotely rated their supervisors with a score of 4.37 (on a scale of 1–5) for remote team management (4.24 in the autumn). Of the experts, 97.1% felt that they had received sufficient support from their supervisor in managing remote work. The coronavirus pandemic had the strongest impact on store employees' coping at work. In response to the question "How well do you feel you are currently coping at work?", store employees gave a score of 7.25 (on a scale of 1–10). Warehouse employees' response to the same question was a score of 7.46. The employee wellbeing survey also measured the team atmosphere at the end of the year. In response to the statement "Our team has a good work atmosphere", experts gave a score of 4.39, store employees gave a score of 4.01, and warehouse employees gave a score of 3.98 (on a scale of 1–5). Tokmanni rewarded its employees quarterly for good customer service despite the coronavirus pandemic.

Tokmanni's aim is a motivated and committed personnel who value the customer, their own work and their employer and contribute responsibly to the company's performance. The personnel are offered various training and development opportunities. The professional expertise of Tokmanni's personnel is developed through conventional training and e-learning courses and in-service training, in all jobs. Tokmanni's in-house experts participate in the development of training and employee competence in collaboration with external training partners. In 2020, nearly 200 Tokmanni employees participated in training towards various vocational qualifications through apprenticeship training programmes. Tokmanni also provided its store and warehouse supervisors and team leaders, as well as all employees in its headquarters, with opportunities for online training. In the spring, all employees had the opportunity for free training in the English language in accordance with their skill level. Considerable investments were also made in store employees' product knowledge during the year. For example, 70 salespeople were provided with special training in selling garden products.

The health, working capacity and safety of employees are ensured through working capacity management. The goal of Tokmanni's working capacity management is to anticipate the occupational health risks of the personnel, improve job satisfaction and lengthen careers. At the end of 2020, the sickness absence percentage of all Tokmanni employees was 4.19.

Tokmanni monitors employee satisfaction, focusing on factors such as the development of equality, the work atmosphere, supervisory work and fair management. Development focuses are selected each year, and these are monitored on a regular basis. The employee Net Promoter Score (eNPS) was 47 for office employees and 38 for store employees in 2020.

At the end of 2020, Tokmanni had a total of 4,056 (3,659) employees, representing an increase of 397 (101) from the previous year. The average number of Tokmanni personnel in 2020 was 3,873 (3,647). The reported figures include those who were on periods of absence from the workplace (e.g. on maternity, paternity, parental, childcare, study and job alternation leave). The most common reasons for fixed-term employment relationships were various substitute positions (e.g. for the duration of family or study leave) and seasonal work.

A total of 540 (287) safety observations were reported at Tokmanni in 2020. A total of 146 (291) workplace accidents, including work-related pain, were reported. During 2020, Tokmanni introduced an occupational safety system to facilitate the reporting of safety observations, the investigation of accidents and the reporting of accidents to the insurance company.

Tokmanni recognises, values and manages diversity. The majority of Tokmanni's employees are women, and the age distribution of employees is wide. Tokmanni employs a large number of young workers at its stores and in other tasks across the organisation through summer jobs and various forms of work experience. The company also believes it is especially important to provide the best possible service to all of its customers. Tokmanni has established procedures for processing cases of inappropriate treatment and for preventing such occurrences. The guidelines state that an intervention must be made immediately in cases of inappropriate treatment. During the year, Tokmanni further specified its process concerning inappropriate treatment and provided its HR experts and employee representatives with training that enables them to serve as mediators in the workplace community when necessary.

In 2020, Tokmanni conducted a consumer survey in which fair treatment of employees and customers as well as diversity were raised as the most important areas of corporate responsibility, as they had been the previous year. Tokmanni continued its systematic work to promote diversity by testing an anonymous recruitment process. Its widespread adoption will require a redesign of the recruitment programme, which is underway. Tokmanni employees speak 23 different native languages, which is why induction materials have been revised by increasing the use of videos and images, for example. Tokmanni promoted diversity by cooperating with Plan International in recruiting trainees with an immigrant background through a programme (*Tutustu työelämään ja tienaa*) that enables them to earn money through practical training. The company also continued its cooperation with the Federation of Finnish Commerce and Ohjaamo Helsinki in the *Kaupan polku* programme, which offers work try-out opportunities for young people and adults at risk of social exclusion. Cooperation with Eteva, a centre providing services for people with disabilities, also continued as Tokmanni offered work to members of Eteva's *Duunarit* ("workers") groups, packing delicacy bags that were sold during the Christmas season. Eteva's *Duunarit* members are people in need of special support, such as people with intellectual and developmental disabilities or autism spectrum disorders, or those participating in mental health rehabilitation. Tokmanni's diversity working group and steering group continued their work as planned.

Tokmanni's corporate social responsibility partnership with the Finnish Red Cross (FRC) continued. Its aim is to endorse work for combatting loneliness and social exclusion across Finland by supporting the FRC's friend volunteers.

The annual donations towards this work were increased because of the coronavirus pandemic. In addition, Tokmanni continued to support the charity Veikko ja Lahja Hurstin Laupeudentyö together with Unilever Finland and participated in the Mielinauha campaign of MIELI Mental Health Finland.

In cooperation with the John Nurminen Foundation, Tokmanni implemented a purchasing campaign through which EUR 53,000 in revenues from the sale of Tokmanni's Pisara products was donated for the protection of the Baltic Sea.

PEOPLE Targets for 2020	Status in 2020	Targets for 2021
- Workplace skills are made compulsory induction training through an e-learning course for all Tokmanni employees - New employees recruited for the stores are provided with customer service training by their supervisors - Coaching programme for the extended management is launched	Partially achieved	- Workplace skills are made compulsory induction training through an e-learning course for all Tokmanni employees - New employees recruited for the stores are provided with customer service training by their supervisors - Coaching programme for the extended management is launched
- The occupational safety system is introduced in February 2020. All store managers undergo occupational safety training in 2020. - The number of safety observations is increased further to develop the occupational safety culture and reduce the number of accidents	Achieved	- The number of safety observations is doubled to develop the occupational safety culture and reduce the number of accidents
- The development of management by knowledge continues (eNPS > 36)	Partially achieved	- The development of management by knowledge continues (eNPS > 38)
- Diversity is taken into consideration in every recruitment case	Partially achieved	- The extended management and new supervisors have been provided with diversity training

Products and the supply chain

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

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

Respect for human rights

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

The most significant potential human rights impacts in Tokmanni's operations are related to health and safety, safety of buildings, excessive overtime, lack of a living wage, child labour and forced labour. The negative impacts identified can affect a range of human rights, including the right to work, the right to health, the right to life and the right to a family life. Human rights impacts are monitored constantly through audits and communication with suppliers, among other measures. Any negative impacts are addressed immediately. Serious issues, such as the use of child and forced labour, are rare. No such cases were detected at the factories used by Tokmanni in 2020. The most important measures for eliminating or mitigating human rights impacts in Tokmanni's own operations are related to improving occupational health and safety.

In a study conducted by the Human rights performance status of Finnish companies (SIHTI) project, which was run by the Government's analysis, assessment and research activities under the Prime Minister's Office and published in early 2021, Tokmanni received a score of 48.1/100, which was markedly higher than the average for all the companies surveyed (23.9/100).

In 2020, Tokmanni further developed the management of sustainability risks in terms of human rights. The company introduced its updated terms and conditions for sourcing, with the updates concerning sustainability aspects, and the implementation of the supplier management system began at the sourcing office in Shanghai. Tokmanni continued to further specify its guidelines concerning sanctions and instructions on responsible sourcing . An anonymous whistleblowing channel was introduced for reporting non-compliant products or conduct. The development of sustainability indicators for factories and suppliers was postponed until 2021.

In 2020, 94% (96) of direct purchases from risk countries were made from factories audited by a third party.

The sustainability of Tokmanni's sourcing is monitored and developed with amfori BSCI audits and Tokmanni's own audits. The prioritisation process for own factory audits was updated in 2020. Because of the coronavirus pandemic, Tokmanni conducted most of its factory audits, 60 in total, in the second half of the year. This represented 15.0% (12.4) of active suppliers in risk countries and 8.6% of active factories in risk countries. Tokmanni's own factory audits focus simultaneously on product quality and on verifying the social compliance of factories – that is, the results of their amfori BSCI audits.

In 2020, in line with the UN guiding principles, Tokmanni continued to delve deeper into supply chains, particularly with regard to high-risk raw materials, by determining measurement systems and certification targets for cotton and fish, two high-risk raw materials included in its product selection.

The company will continue to develop its management of sustainability risks. In 2021, the goal is to introduce certification targets for all of Tokmanni's high-risk raw materials (cotton, palm oil, fish and timber), in addition to determining targets for selected sustainability labels. In addition, Tokmanni will further sharpen its human rights objectives and prioritise more in-depth factory-specific audits in the future. Tokmanni aims to conduct at least 70 (70) factory audits of its own in 2021. In its own audits, Tokmanni focuses particularly on factories with the highest estimated risk of human rights violations. The special characteristics of the country and the products will be taken into account, in addition to the amount of manual work in production. In addition, Tokmanni is further developing its factory audit process concerning third-party audits that are conducted when necessary. With regard to the implementation of the supplier management system at the joint sourcing office of Tokmanni and the Norwegian general discount retailer Europris in Shanghai, the goal is to introduce the social compliance functionalities during 2021.

Product responsibility

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

In 2020, Tokmanni's aim was to focus on the safety and quality of its private label products, its licenced brand products and the products it imports, as well as to improve the quality control process together with the quality team at the sourcing office in Shanghai so that the focus in quality control can be reliably moved closer to the suppliers. A comprehensive review of the quality process was conducted for each product category. The various process phases were examined on a risk basis with regard to inspections of components and product samples, as well as inspections during and after production. In addition, operating models were agreed upon between units. This review will continue in 2021.

The number of non-compliance instances was used as an indicator of product safety and the quality of experience in 2020. A total of 21 (10) non-compliance instances in relation to the product specification were detected in 2020. Most of the cases were related to a low quality of experience detected through self-supervision or based on customer feedback. No serious faults related to product safety were detected concerning private label or imported products sold by Tokmanni in 2020.

No product recalls concerning Tokmanni's private label products were conducted in 2020. Tokmanni conducted three prohibitions imposed by the authorities on the sale of its private label products, one of which was a formal prohibition for the duration of updating documents. The second prohibition was related to impurities in a bird seed mix, and the third concerned the weak surface material of the power cord in a product intended for outdoor use. The development of the contract management process will continue in 2021. Tokmanni also aims to reduce the complaint rate concerning its private label products in 2021.

PRODUCTS AND THE SUPPLY CHAIN Targets for 2020	Status in 2020	Targets for 2021
- Defining a responsibility indicator for suppliers - Updating the sanction guidelines and introducing the updated general terms and conditions for sourcing and responsible sourcing guidelines, improving the contract management process - Defining certification targets and measurement systems for high-risk raw materials	Partially achieved	- Defining a supplier-specific and factory-specific sustainability indicator - Completion and implementation of the updated sanction guidelines and responsible sourcing guidelines - Further specification of Tokmanni's human rights objectives, including the prioritisation of more in-depth factory-specific reviews - Certification targets for palm oil and timber - Defining certification targets for selected sustainability labels - Implementing the social compliance functionalities in the supplier management system
- 70 factory audits conducted by Tokmanni and updating the factory audit process	Partially achieved	- 70 factory audits conducted by Tokmanni and updating the factory inspection process, including additional third-party factory audits
- No serious faults related to product safety have been found in products sold by Tokmanni, and none have caused any accidents - Conducting an overall assessment and update of quality control processes in sourcing	Partially achieved	- No serious faults related to product safety have been found in products sold by Tokmanni, and none have caused any accidents - Reducing the complaint rate concerning Tokmanni's private label products - Developing the contract management process

Climate

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

Energy-efficient business

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

The main focus of Tokmanni's climate strategy in 2020 was to reduce the energy consumption and carbon dioxide emissions of its properties. In 2020, its market-based Scope 1 and 2 emissions decreased by 7.5% from 2019.

In 2020, Tokmanni was the third Nordic retail sector company to announce accepted science-based climate targets that are aligned with the Paris Agreement and aim to limit global warming to 1.5 degrees Celsius.

In addition, Tokmanni improved its rating in the global Carbon Disclosure Project (CDP) climate change assessment. The fact that Tokmanni achieved a Management-level rating (B) in the climate change assessment shows that the company has improved its consideration of the risks and opportunities related to climate change and is actively taking measures to reduce emissions, combat climate risks and develop a low-carbon economy.

The company’s carbon neutrality target will be further specified in 2021. The target can be achieved by reducing energy consumption, improving energy efficiency, using renewable energy, obtaining renewable energy certificates and compensating for air travel emissions.

Environmentally sound logistics

In spite of its growth and the expansion of its store network, Tokmanni is aiming to keep the greenhouse gas emissions from transport at the 2015 level in relation to revenue. This was achieved in 2020. Tokmanni strives to concentrate its transport needs with long-term contractors, and with these partners it looks for ways to reduce carbon dioxide emissions and other environmental impacts from transport.

Resource efficiency

Tokmanni seeks to minimise the amount of waste sent to incinerator plants by reducing waste, and by increasing the reuse and recycling of waste. In 2020, Tokmanni recycled around 35% (32) and reused 45% (50) of its waste. The latter was achieved by reusing pallets in transportation. In 2020, the amount of palletsdecreased by 7% (measured in kilos) from 2019. In 2021, Tokmanni aims to achieve a recycling and reuse rate of 80%.

The location-based emissions of Tokmanni’s properties decreased by around 10% (9) in 2020. In 2020, the need for heating decreased from 2019, but the consumption of district heating increased because of two new warehouses. The two new warehouses increased Tokmanni's total surface area by 3% compared with 2019. Finland’s average emission factors for both electricity and heat decreased from the previous year. Tokmanni installed LED lighting at 37 (36) of its stores, which decreased its electricity consumption.

In 2019, Tokmanni installed solar panels on the roofs of 14 (18) stores. In 2020, these solar panels produced 4,296 (1,609) MWh of solar power, representing 6.5% of the combined electricity consumption of Tokmanni’s stores and its Mäntsälä logistics centre.

For 2021, Tokmanni’s target is to reduce location-based emissions at its properties by 3%.

CLIMATE **Targets for 2020**	**Status in 2020**	**Targets for 2021**
- Reduction of location-based carbon dioxide emissions at the properties (Scope 1 and 2) by 3%	Achieved	- Reduction of location-based carbon dioxide emissions at the properties (Scope 1 and 2) by 3%
- Maintaining greenhouse gas emissions from transport at the 2015 level in relation to revenue	Achieved	- Maintaining greenhouse gas emissions from transport at the 2015 level in relation to revenue
- Waste recycling rate is 35% and reuse rate is 50% - Reducing comparable electricity consumption by 4% - Reducing (total) electricity consumption by 3%	Partially achieved	- Recycling and reuse rate of 80% - Reducing comparable electricity consumption by 4% - Reducing (total) electricity consumption by 3%

Group key figures and calculation of financial ratios

Key figures	1-12/2020	1-12/2019	1-12/2018
Revenue, 1,000 EUR	1 073 153	944 276	870 390
Like-for-like revenue development, %	12.3	4.3	5.6
Customer visit development %	3.2	6.9	6.9
Gross profit, 1,000 EUR	370 912	325 197	295 305
Gross margin, %	34.6	34.4	33.9
Comparable gross profit, 1,000 EUR	371 610	325 278	295 043
Comparable gross margin, %	34.6	34.4	33.9
Operating expenses, 1,000 EUR	-211 453	-198 892	-234 348
Comparable operating expenses, 1,000 EUR	-210 874	-197 923	-235 744
EBITDA, 1,000 EUR	163 576	130 556	64 937
EBITDA, %	15.2	13.8	7.5
Comparable EBITDA, 1,000 EUR	164 853	131 605	63 279
Comparable EBITDA, %	15.4	13.9	7.3
Operating profit EBIT, 1,000 EUR	98 934	69 386	50 252
Operating profit margin EBIT, %	9.2	7.3	5.8
Comparable EBIT, 1,000 EUR	100 211	70 435	48 593
Comparable EBIT, %	9.3	7.5	5.6
Net financial items, 1,000 EUR	-10 011	-10 454	-5 583
Net capital expenditure, 1,000 EUR *	12 833	15 428	19 754
Net debt / comparable EBITDA **	2.0	2.9	2.1
Net cash from operating activities, 1,000 EUR	151 063	84 021	44 877
Return on capital employed, %	16.2	11.8	14.6
Return on capital employed %, rolling 12 months	16.3	11.8	15.0
Return on equity, %	35.4	26.8	21.2
Return on equity %, rolling 12 months	37.4	30.1	23.4
Equity ratio, %	27.7	25.3	36.4
Personnel at the end of the period	4 056	3 659	3 558
Personnel on average in the period	3 873	3 647	3 415

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

*** Rolling 12 months comparable EBITDA*

Per-share data	2020	2019	2018
Earnings per share, basic (EUR/share)	1.21	0.80	0.61
Earnings per share, diluted (EUR/share)	1.21	0.80	0.61
Equity per share, (EUR/share)	3.70	3.14	2.96
Dividend per share, (EUR/share) *	0.85	0.62	0.50
Payout ratio, % *	70.2	77.4	82.3
Effective dividend yield, % *	5.2	4.9	7.0
Price/earnings ratio (P/E)	13.41	15.76	11.82
Share price at 31 December	16.24	12.62	7.18
Highest price during the period	16.70	12.74	8.04
Lowest price during the period	8.64	7.09	6.42
Average price during the period	13.17	9.00	7.30
Share turnover, thousands	41 678	23 806	30 094
Share turnover, %	70.8	40.4	51.1
Market capitalisation at 31 December, 1,000 EUR	956 029	742 924	422 678
Number of shares at 31 December, thousands	58 869	58 869	58 869
Number of shares, weighted average during the financial period (thousands)	58 825	58 869	58 869
Diluted number of shares, weighted average during the financial period (thousands)	58 850	58 869	58 869

* For 2020, the Board's proposal to the Annual General Meeting

Alternative Performance Measures (APM)

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

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

1,000 EUR	1-12/2020	1-12/2019	1-12/2018
Gross profit	**370 912**	**325 197**	**295 305**
Changes in fair value of currency derivatives	698	81	-263
Comparable Gross Profit	**371 610**	**325 278**	**295 043**
Operating expenses	**-211 453**	**-198 892**	**-234 348**
Changes in fair value of electricity derivatives	580	968	-1 396
Comparable operating expenses	**-210 874**	**-197 923**	**-235 744**
EBITDA	**163 576**	**130 556**	**64 937**
Operating profit (EBIT)	**98 934**	**69 386**	**50 252**
Changes in fair value of currency derivatives	698	81	-263
Changes in fair value of electricity derivatives	580	968	-1 396
Comparable EBITDA	**164 853**	**131 605**	**63 279**
Comparable operating profit (adj. EBIT)	**100 211**	**70 435**	**48 593**

Calculation of the Group’s key figures

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

Equity ratio
$$= \frac{\text{Equity}}{\text{Balance sheet total - Advances received}}$$

Calculation of the group’s per-share data

Earnings per share, basic
$$= \frac{\text{Net profit}}{\text{Number of shares, weighted average during the period}}$$

Earnings per share, diluted
$$= \frac{\text{Net profit}}{\text{Diluted number of shares, weighted average during the period}}$$

Equity per share
$$= \frac{\text{Equity}}{\text{Number of shares excluding treasury shares, end of reporting period}}$$

Dividend per share
$$= \frac{\text{Dividend for the period}}{\text{Number of shares, weighted average during the period}}$$

Earnings per share
$$= \frac{\text{Net profit}}{\text{Number of shares excluding treasury shares, end of reporting period}}$$

Payout ratio
$$= \frac{\text{Dividend per share}}{\text{Earnings per share}}$$

Effective dividend yield
$$= \frac{\text{Dividend per share}}{\text{Closing price for the period}}$$

Price/earnings ratio (P/E)
$$= \frac{\text{Closing price for the period}}{\text{Earnings per share}}$$

Closing price for the period	=	Share price at balance sheet date
Average price during the period	=	Share turnover in euro terms divided by the number of shares traded during the period
Share turnover	=	Number of shares traded during the period
Market capitalisation	=	Number of shares x Share price on the balance sheet date
Number of shares	=	Number of shares on the balance sheet date

Shares and share capital

There were no changes in the amount of shares during the financial period 2020.

Tokmanni has one share series and all shares carry equal voting rights at the general meeting. The share has no nominal value. Tokmanni does not hold any of its own shares.

Tokmanni's shares on the Nasdaq Helsinki stock exchange in 2020

Turnover, EUR	548,267,997
Volume	41,677,662
High, EUR	16.70
Low, EUR	8.64
WVAP, EUR	13.17
Last, EUR	16.24
Market cap 31 Dec, EUR	956.028.532

Division of shares 31 December 2020

	Shareholders		Shares		Votes	
	Number	%	Number	%	Number	%
1–100	11,819	44.63	562,698	0.96	562,698	0.96
101–500	9,521	35.96	2,504,078	4.25	2,504,078	4.25
501–1,000	2,710	10.23	2,107,160	3.58	2,107,160	3.58
1,001–5,000	2,073	7.83	4,396,895	7.47	4,396,895	7.47
5,001–10,000	173	0.65	1,217,005	2.07	1,217,005	2.07
10,001–50,000	123	0.46	2,667,053	4.53	2,667,053	4.53
50,001–100,000	27	0.10	2,008,986	3.41	2,008,986	3.41
100,001–500,000	22	0.08	5,105,585	8.67	5,105,585	8.67
500,001-	12	0.05	,	65.06	38,299,292	65.06
Total	**26,480**	**100.00**	**58,868,752**	**100.00**	**58,868,752**	**100.00**
Out of which nominee registered	12		17,908,437	30.42	17,908,437	30.42

Ownership structure on 31 December 2020

	Shares	
	Number	%
Financial and insurance institutions	23,768,370	40.38
Private Corporations	13,880,831	23.58
Households	11,326,696	19.24
Public sector organisations	7,620,235	12.94
Non-profit organisations	1,545,874	2.63
Non-Finnish holders	726,746	1.23
Total	**58,868,752**	**100.00**
Out of which nominee registered	17,908,437	30.42

Tokmanni's major shareholders by number of shares 31 December 2020

	Shares	% of shares
Takoa Invest	10,544,688	17.91
Varma Mutual Pension Insurance Company	2,810,526	4.77
Elo Mutual Pension Insurance Company	2,294,354	3.90
Ilmarinen Mutual Pension Insurance Company	1,732,539	2.94
OP-Finland Fund	1,208,437	2.05
Veritas Pension Insurance Company Ltd.	688,954	1.17
Evli Finnish Small Cap Fund	638,000	1.08
Säästöpankki Kotimaa	611,527	1.04
Nordea Fennia Fund	514,825	0.87
Kirkon Eläkerahasto	456,531	0.78
Evli Finland Select Fund	420,000	0.71
OP Life Assurance Company Ltd	388,046	0.66
Nordea Pro Finland Fund	345,660	0.59
Fondita Nordic Small Cap Investment Fund	330,000	0.56
OP-Finland Small Firms Fund	327,136	0.56
FIM Fenno Sijoitusrahasto	302,075	0.51
Sivula Harri	293,009	0.50
Säästöpankki Pienyhtiöt	244,474	0.42
Jukka Saastamoinen Oy	214,000	0.36
Mandatum Life Insurance Company Limited	186,161	0.32

CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

Consolidated income statement

1,000 EUR	Note	1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2019
Revenue	2.2	**1 073 153**	**944 276**
Other operating income	2.2	4 117	4 251
Materials and services	2.3	-702 241	-619 079
Employee benefits expenses	2.6	-122 150	-113 986
Depreciation	2.5	-64 642	-61 171
Other operating expenses	2.4	-89 310	-84 912
Share of profit in joint ventures	3.9	6	5
Operating profit		**98 934**	**69 386**
Financial income	2.7	31	22
Financial expenses	2.7	-10 042	-10 476
Profit/loss before tax		**88 923**	**58 932**
Income taxes	2.8	-17 743	-11 806
Net result for the financial period		**71 180**	**47 126**
Profit for the year attributable to			
Equity holders of the parent company		71 180	47 126

Consolidated statement of comprehensive income

1,000 EUR	1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2019
Net result for the financial period	**71 180**	**47 126**
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	-7	2
Comprehensive income for the financial period, net of tax	**-7**	**2**
Comprehensive income for the financial period	**71 173**	**47 128**
Comprehensive income for the financial period attributable to		
Equity holders of the parent company	71 173	47 128

Earnings per share	2020	2019
Equity holders of the parent company	71 180	47 126
Number of shares, weighted average during the financial period (thousands)	58 825	58 869
Diluted number of shares, weighted average during the financial period (thousands)	58 850	58 869
Earnings per share, basic (EUR/share)	1.21	0.80
Earnings per share, diluted (EUR/share)	1.21	0.80

Consolidated statement of financial position

1,000 EUR	Note	31 December 2020	31 December 2019
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3.1	314 841	315 036
Goodwill	3.2	135 816	135 016
Other intangible assets	3.2	4 709	5 617
Non-current receivables	3.5	2 580	2 619
Investments in joint ventures	3.9	29	21
Other financial assets	3.5	197	147
Deferred tax asset	2.8	2 250	1 770
NON-CURRENT ASSETS, TOTAL		**460 422**	**460 227**
CURRENT ASSETS			
Inventories	3.3	225 680	222 798
Trade and other receivables	3.4	20 860	17 945
Income tax receivables	3.4		786
Cash and cash equivalents	3.8	78 080	29 129
CURRENT ASSETS, TOTAL		**324 620**	**270 658**
ASSETS, TOTAL		**785 042**	**730 885**
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the parent company			
Share capital	4.1	80	80
Reserve for invested unrestricted equity	4.1	109 902	109 902
Treasury shares	4.1	-2 220	
Translation differences		11	17
Retained earnings		109 564	74 664
EQUITY, TOTAL		**217 336**	**184 663**
NON-CURRENT LIABILITIES			
Non-current interest-bearing liabilities	4.2	258 037	359 053
Non-current non-interest-bearing liabilities	3.7	5 903	6 307
NON-CURRENT LIABILITIES, TOTAL		**263 940**	**365 360**
CURRENT LIABILITIES			
Current interest-bearing liabilities	4.2	152 863	50 204
Trade payables and other current liabilities	3.6	140 988	126 919
Income tax liabilities	3.6	9 914	3 739
CURRENT LIABILITIES, TOTAL		**303 766**	**180 862**
EQUITY AND LIABILITIES, TOTAL		**785 042**	**730 885**

Consolidated statement of cash flows

1,000 EUR	31 December 2020	31 December 2019
Cash flows from operating activities		
Net result for the financial period	71 180	47 126
,Adjustments:		
Depreciation	64 642	61 171
Capital gains and losses on non-current assets	-2	87
Financial income and expenses	10 011	10 454
Income taxes	17 743	11 806
Other adjustments	423	277
Change in working capital:		
Change in current non-interest-bearing receivables	-2 776	-1 788
Change in inventories	-2 167	-28 875
Change in current non-interest-bearing liabilities	13 218	4 373
Interest paid	-9 524	-10 093
Other financing items	-424	-149
Income taxes paid	-11 261	-10 367
Net cash from operating activities	**151 063**	**84 021**
Cash flows from investing activities		
Purchases of tangible and intangible assets	-12 872	-15 497
Proceeds from disposal of tangible and intangible assets	39	69
Loans granted	-487	-254
Proceeds from repayments of loans		85
Net cash from investing activities	**-13 320**	**-15 596**
Cash flows from financing activities		
Purchase of treasury shares	-2 220	
Repayments of lease liabilities	-50 081	-47 730
Dividends paid	-36 495	-29 434
Net cash from financing activities	**-88 796**	**-77 164**
Net change in cash and cash equivalents	**48 948**	**-8 739**
Cash and cash equivalents at beginning of the financial period	29 129	37 868
Cash and cash equivalents, corporate arrangements	-4	
Cash and cash equivalents at end of the financial period	78 080	29 129

Consolidated statement of changes in equity

1,000 EUR	Note	Share capital	Reserve for invested unrestricted equity	Treasury shares	Translation differences	Retained earnings	Equity attributable to owners of the parent	Total equity
Equity 1 Jan 2020	4.1	**80**	**109 902**		**17**	**74 664**	**184 663**	**184 663**
Comprehensive income								
Net result for the financial period						71 180	71 180	71 180
Translation differences					-7		-7	-7
Total comprehensive income for the financial period					**-7**	**71 180**	**71 173**	**71 173**
Dividends						-36 495	-36 495	-36 495
Treasury shares				-2 220			-2 220	-2 220
Incentive scheme						214	214	214
Equity 31 Dec 2020		**80**	**109 902**	**-2 220**	**11**	**109 564**	**217 336**	**217 336**

1,000 EUR	Note	Share capital	Reserve for invested unrestricted equity	Treasury shares	Translation differences	Retained earnings	Equity attributable to owners of the parent	Total equity
Equity 1 Jan 2019	4.1	**80**	**109 902**		**15**	**64 537**	**174 535**	**174 535**
Adjustment of implementation of IFRS 16						-7 709	-7 709	-7 709
Adjusted equity 1 Jan 2019		**80**	**109 902**		**15**	**56 828**	**166 825**	**166 825**
Comprehensive income								
Net result for the financial period						47 126	47 126	47 126
Translation differences					2		2	2
Total comprehensive income for the financial period					**2**	**47 126**	**47 128**	**47 128**
Dividends						-29 434	-29 434	-29 434
Incentive scheme						145	145	145
Equity 31 Dec 2019		**80**	**109 902**		**17**	**74 664**	**184 663**	**184 663**

Notes to the consolidated financial statements

1. Accounting policies used in the consolidated financial statements

1.1 Basic information on the Group

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

The principal line of business of Tokmanni Group Corporation is to sell administrative services to the other companies in the Group. These companies include Retail Leasing Oy, whose line of business is to own and lease property, plant and equipment to the other Group companies. Retail Leasing Oy's subsidiary Nordic Disco AB (Sweden) merged with its parent company on 31 December 2020. As a result of the merger, Tokmanni Oy is a wholly owned subsidiary of Retail Leasing Oy. Tokmanni Oy engages in wholesale, retail and speciality goods trade. Taitomanni Oy is a company owned by Tokmanni Oy, whose business is to provide Group companies with personnel rental and support services in the retail sector. The Group also includes Retail Property Investment Oy, which carries out a real estate business by investing in own real estate companies that build store premises for Group company use. Retail Property Investment Oy can also own, manage, sell, rent and purchase real estates. Tokmanni Group Corporation is the parent company of Retail Leasing Oy and Retail Property Investment Oy.

Tokmanni Group Corporation is domiciled in Helsinki and its registered address is Isolammintie 1, 04600 Mäntsälä. Copies of the parent company financial statements and the consolidated financial statements are available at the Group’s head office at Isolammintie 1, 04600 Mäntsälä and on the company website www.tokmanni.fi. At its meeting of 19 February 2021, the Board of Directors of Tokmanni Group Corporation approved the financial statements for publication. Under the Finnish Limited Liability Companies Act, the shareholders may either adopt or reject the financial statements at the Annual General Meeting held after their publication. In addition, the AGM may also decide to amend the financial statements.

1.2 Accounting policies used in the financial statements

These financial statements are compiled in accordance with the International Financial Reporting Standards (IFRS) and in particular with the IAS and IFRS standards and SIC and IFRIC interpretations in force on 31 December 2020. The term “International Financial Reporting Standards” refers to the standards adopted in the Finnish Accounting Act and provisions issued under it in accordance with the procedure under Regulation (EC) No 1606/2002 of the European Parliament and of the Council on the application of international accounting standards in the EU. The notes to the consolidated financial statements also comply with Finnish accounting and company legislation that complements the IFRS provisions.

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

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

1.3 Accounting policies used in the consolidated financial statements

Consolidation policies - subsidiaries

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

All internal transactions, receivables and liabilities, unrealised profits and internal distribution of profit are eliminated at the preparation of the consolidated financial statements.

Mutual share ownership within the Group is eliminated using the acquisition method. Considerations transferred and the identifiable assets as well as liabilities assumed of the acquire are valued at their fair value of the date of acquisition. Acquisition-related costs are recognised as expenses, excluding the expenses incurred for the issuance of debt or equity securities. On 31 December 2020 or on 31 December 2019, there were no non-controlling interests within the Group. The way to recognise the goodwill generated through subsidiary acquisitions and business acquisitions is described later in Note 3.2 Intangible assets.

Consolidation policies - joint ventures

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

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

Translation of items in foreign currencies

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

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

The income and expenses in the statement of comprehensive income and the separate income statement of a foreign subsidiary are translated into euro at the exchange rates of the transaction dates, while the statement of financial position is translated using the closing rates of the reporting period. The translation of the net profit for the financial period and of the comprehensive income by using different rates in the income statement / statement of comprehensive income on the one hand and in the statement of financial position on the other hand, gives rise to a translation difference recognised in equity, with the respective changes recognised under other comprehensive income. The translation differences arising from the elimination of the acquisition cost of a foreign subsidiary and the post-acquisition equity items are recognised under other comprehensive income. When a subsidiary is disposed of, either in full or in part, the cumulative translation differences are recognised in profit or loss as a part of capital gains or losses.

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

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

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

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

1.5 Application of new and revised IFRS standards

No significant new standards or interpretations have been adopted during the financial year.

1.6 Forthcoming IFRS standards

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

2. Business performance

2.1 Segment information

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

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

2.2 Income

Accounting policies

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

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

1,000 EUR	2020	2019
Revenue		
Revenue from the sale of goods	1 072 873	944 135
Revenue from services	280	141
Total	**1 073 153**	**944 276**
Other operating income		
Service income	1 688	2 271
Rental income	234	219
Other operating income	2 195	1 762
Total	**4 117**	**4 251**
Total	**1 077 270**	**948 527**

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

2.3 Materials and services

1,000 EUR	2020	2019
Purchases during the period	-703 714	-648 291
Increase / decrease in inventories	2 501	29 765
External services	-1 027	-553
Total	**-702 241**	**-619 079**

2.4 Other operating expenses

Accounting policies

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

1,000 EUR	2020	2019
Rental expenses	-2 753	-3 847
Marketing expenses	-13 902	-14 344
Real estate and store site expenses	-35 660	-33 425
IT expenses	-8 228	-7 068
Purchased services	-11 673	-9 225
Other expenses	-17 093	-17 002
Total	**-89 310**	**-84 912**

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

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

Auditors' fees

1,000 EUR	2020	2019
PricewaterhouseCoopers Oy		
Audit	-156	-105
Other services	-151	-4
Tax services	-11	
Total	**-318**	**-109**
Kpmg Oy Ab		
Other services		-8
Tax services		-10
Total		**-18**
Total	**-318**	**-127**

2.5 Depreciation

1,000 EUR	2020	2019
Intangible assets		
IT software and licences	-1 973	-1 650
Other intangible assets	-20	-20
Total	**-1 993**	**-1 670**
Property, plant and equipment		
Buildings and constructions	-54 134	-51 891
Machinery and equipment	-8 515	-7 609
Total	**-62 649**	**-59 500**
Total	**-64 642**	**-61 171**

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

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

2.6 Employee benefit expenses

Accounting policies

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

1,000 EUR	2019	2018
Wages, salaries and fees	-94 235	-87 092
Pension expenses - defined contribution plans	-16 822	-16 641
Other social security expenses	-2 929	-3 173
Total	**-113 986**	**-106 906**
Number of personnel on average in the financial period	3 647	3 415

According to the performance bonus model covering the entire personnel, the bonuses are based on realised quarterly sales and capped on the basis of the EBITDA margin. The bonuses are paid to every Tokmanni employee who has been paid salaries by Tokmanni during the bonus review period and who has worked during the same period. The employee must also be employed by Tokmanni at the time of payment. The expenses arising from the performance bonuses during the financial period amounted to EUR 2,176 thousand (EUR 1,380 thousand).

The annual bonus scheme for the Group’s key personnel is divided into two parts: a short-term bonus paid annually in cash and a share-based long-term bonus paid over a period of three years. The share-based bonus scheme is the company’s long-term incentive scheme for its management and key personnel. The targets for the annual bonus scheme were based on the company’s growth and profits. In the share-based bonus scheme, the targets for the 2019 earning period were based on the Group’s earnings per share (EPS) and on the development of the company’s market capitalisation.

Expenses totalling EUR 1,454 thousand (EUR 1,000 thousand) were recorded for the annual bonus scheme for the Group’s key personnel in 2020, and expenses of EUR 683 thousand (EUR 280 thousand) were recorded for the share-based bonus scheme. Additional information on the share-based bonus scheme is presented in note 4.1 Equity, Share-based payments.

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

2.7 Financial income and expenses

1,000 EUR	2019	2018
Interest income and other financial income		
Interest income on financial assets at amortised cost	22	7
Dividend income	2	1
Foreign exchange gains on cash and cash equivalents	-1	0
Other financing income	0	4
Total	**22**	**12**
Interest expenses and other financial costs		
Interest expenses on financial liabilities at amortised cost	-1 527	-1 710
Interest expenses on leases	-8 793	
Interest expenses on finance leases		-3 755
Foreign exchange losses on cash and cash equivalents	-2	-8
Other financial costs	-155	-123
Total	**-10 476**	**-5 595**
Total	**-10 454**	**-5 583**

Exchange rate differences are also recorded under purchases in the financial period. Changes in the fair value of currency derivatives are recognised as adjustments of purchases in the period by EUR -698 thousand (EUR -81 thousand). Changes in the fair value of commodity derivatives are recognised as adjustments of other operating expenses by EUR -580 thousand (EUR -968 thousand).

2.8 Income taxes for the financial period and deferred tax balances

Accounting policies

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

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

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

Income taxes

1,000 EUR	2020	2019
Income taxes for the financial period	-18 254	-12 156
Income taxes for previous financial periods	31	41
Change in deferred taxes	480	310
Total	**-17 743**	**-11 806**

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

1,000 EUR	2020	2019
Profit/loss before tax	88 923	58 932
Income taxes at Finnish tax rate 20,0% (20,0%)	-17 785	-11 786
Differing tax rates of foreign subsidiaries	0	0
Tax-exempt income	1	0
Non-deductible expenses	-49	-56
Use of tax losses not recognised earlier	61	
Unrecognised deferred tax assets from losses in taxation	-3	-5
Income taxes for previous financial periods	31	41
Total	**-17 743**	**-11 806**

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

Deferred tax assets and liabilities

Change in deferred tax balances 2020

1,000 EUR	1 Jan 2020	Recognised in income statement	31 Dec 2020
Deferred tax assets			
Leases	6 073	437	6 510
Sale and leaseback transaction	1 360	-99	1 261
Other	25	189	214
Total	**7 458**	**527**	**7 985**
Deferred tax liabilities			
Deductible goodwill amortisation, reversal	3 747	141	3 888
Cumulative depreciation differences	1 179	-91	1 088
Other	762	-3	760
Total	**5 688**	**47**	**5 735**
Net deferred tax assets	**1 770**		**2 250**
Net deferred tax liabilities			

Change in deferred tax balances 2019

1,000 EUR	1 Jan 2019	Recognised in income statement	31 Dec 2019
Deferred tax assets			
Leases		6 073	6 073
Finance leases	3 681	-3 681	
Sale and leaseback transaction	1 459	-99	1 360
Other	42	-17	25
Total	**5 182**	**2 276**	**7 458**
Deferred tax liabilities			
Deductible goodwill amortisation, reversal	3 618	129	3 747
Cumulative depreciation differences	1 064	115	1 179
Other	967	-204	762
Total	**5 649**	**39**	**5 688**
Net deferred tax assets			**1 770**
Net deferred tax liabilities	**467**		

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

3. Assets and liabilities

3.1 Property, plant and equipment

Accounting policies

General accounting policies

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

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

The estimated useful lives are as follows:

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

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

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

Accounting policies for lease agreements

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

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

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

The Group's interest-bearing liabilities increase when a lease agreement starts and the balance sheet value of the liability is based on the present value of future lease payments. The internal rate of return of the lease agreement will primarily determine the discount rate. It its usual that the internal interest rate is not easy to determine on the lease agreements for Tokmanni's store properties; in this case the interest of the additional credit is used, which Tokmanni would use if it would loan the funds that would be needed for acquiring right-of-use assets for a corresponding period of time. The components of the interest of the additional credit are the risk-free reference rate and the credit risk spread of the additional credit. Determining the interest rate for the additional credit requires consideration by the Board, which takes into consideration the nature of the right-of-use asset, the duration of the lease agreement and the Group's risk factors at that time. When possible, external funding will also be considered when determining the interest rate, which will be adjusted if any changes arise after receiving the possible funding. Lease payments as stated in the lease agreement are recognised in equity and finance expenses that will be recognised as profit and loss during the lease period. The remaining percentage of interest is equal during all remaining lease periods.

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

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

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

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

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

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

Extension and termination options

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

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

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

- The profitability, location and position in relation to competitors of the leased asset are on a reasonable level. The Board continuously monitors the situation in case conditions change.
- Renovation costs already during the validity of the lease agreement that can be expected to provide financial benefits also during an extension option period.
- The required resources incurred by not using the extension option related to finding a new agreement asset, agreement negotiations and remodelling of the potential new agreement asset.
- The price level of the leased asset during the extension option period compared to the market price.
- The completed lease period of the leased asset that indicates the likelihood of extending the lease agreement.

Variable lease payments

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

Sale and leaseback transaction

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

Residual value guarantees

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

Property, plant and equipment

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

Property, plant and equipment 2020

1,000 EUR	Land and waters	Buildings	Machinery and equipment	Prepayments	Total
Property, plant and equipment	208	5 975	28 839	758	35 781
Right-of-use assets		278 493	762		279 255
Carrying amount as at 1 Jan	**208**	**284 469**	**29 601**	**758**	**315 036**
Property, plant and equipment	208	6 238	28 984	766	36 196
Right-of-use assets		277 894	751		278 645
Carrying amount as at 31 Dec	**208**	**284 132**	**29 735**	**766**	**314 841**

Property, plant and equipment 2019

1,000 EUR	Land and waters	Buildings	Machinery and equipment	Prepayments	Total
Property, plant and equipment		4 431	26 629	254	31 314
Right-of-use assets		288 363	818		289 181
Carrying amount as at 1 Jan		**292 795**	**27 447**	**254**	**320 496**
Property, plant and equipment	208	5 975	28 839	758	35 781
Finance leases		278 493	762		279 255
Carrying amount as at 31 Dec	**208**	**284 469**	**29 601**	**758**	**315 036**

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

Property, plant and equipment (excluding right-of-use assets) 2020

1,000 EUR	Land and waters	Buildings	Machinery and equipment	Prepayments	Total
Acquisition cost					
Acquisition cost as at 1 Jan	208	16 489	76 439	758	93 893
Additions		2 197	7 260	1 201	10 658
Disposals		-39			-39
Transfers between items		200	993	-1 193	
Acquisition cost as at 31 Dec	**208**	**18 847**	**84 692**	**766**	**104 513**
Accumulated depreciation					
Accumulated depreciation as at 1 Jan		-10 513	-47 600		-58 113
Depreciation charge for the financial period		-2 098	-8 109		-10 206
Accumulated depreciation of disposals		2			2
Accumulated depreciation as at 31 Dec		**-12 609**	**-55 708**		**-68 317**
Carrying amount as at 1 Jan	**208**	**5 975**	**28 839**	**758**	**35 781**
Carrying amount as at 31 Dec	**208**	**6 238**	**28 984**	**766**	**36 196**

Property, plant and equipment (excluding right-of-use assets) 2019

1,000 EUR	Land and waters	Buildings	Machinery and equipment	Prepayments	Total
Acquisition cost					
Acquisition cost as at 1 Jan		12 801	67 135	254	80 190
Additions	208	3 163	8 574	2 034	13 979
Disposals			-276		-276
Transfers between items		524	1 006	-1 530	0
Acquisition cost as at 31 Dec	**208**	**16 489**	**76 439**	**758**	**93 893**
Accumulated depreciation					
Accumulated depreciation as at 1 Jan		-8 370	-40 506		-48 875
Depreciation charge for the financial period		-2 143	-7 270		-9 413
Accumulated depreciation of disposals			176		176
Accumulated depreciation as at 31 Dec		**-10 513**	**-47 600**		**-58 113**
Carrying amount as at 1 Jan		**4 431**	**26 629**	**254**	**31 314**
Carrying amount as at 31 Dec	**208**	**5 975**	**28 839**	**758**	**35 781**

Leases

Leases recognised in the balance sheet 2020

1,000 EUR	Buildings	Machinery and equipment	Total
Right-of-use assets			
Carrying amount as at 1 Jan	278 493	762	279 255
Carrying amount as at 31 Dec	277 894	751	278 645
Additions to the right-of-use assets	8 400	395	8 795
Lease liabilities			
Non-current	258 974	442	259 416
Current	49 872	332	50 204
Lease liabilities 1 Jan	308 846	774	309 620
Non-current	257 659	379	258 037
Current	52 769	387	53 157
Lease liabilities 31 Dec	310 428	766	311 194

Leases recognised in the balance sheet 2019

1,000 EUR	Buildings	Machinery and equipment	Total
Right-of-use assets			
Carrying amount as at 1 Jan	288 363	818	289 181
Carrying amount as at 31 Dec	278 493	762	279 255
Additions to the right-of-use assets	12 530	331	12 861
Lease liabilities			
Non-current	269 571	559	270 130
Current	46 821	272	47 093
Lease liabilities 1 Jan	316 392	831	317 223
Non-current	258 974	442	259 416
Current	49 872	332	50 204
Lease liabilities 31 Dec	308 846	774	309 620

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

An adjustment was made to lease periods due to a reassessment of the exercising of extension options. The effect of the adjustment on the value of the right-of-use assets and lease liabilities recognised on the balance sheet was EUR 10,216 thousand during the financial period (EUR 1,978 thousand).

At the close of the 2020 financial year, it was estimated that the undiscounted residual values payable in the future will amount to EUR 140 thousand. These residual values are included in the lease liabilities recognised on the balance sheet.

Leases recognised in the statement of profit or loss

1,000 EUR	2020	2019
Depreciation charge of right-of-use assets		
Buildings	-52 036	-49 748
Machinery and equipment	-406	-339
Total	**-52 443**	**-50 087**
Other amounts relating to leases		
Interest expense	-8 439	-8 793
Expense relating to variable lease payments (not included in lease liabilities)	-330	-432
Expense relating to short-term leases (less than 1 year)	-1 024	-1 485
Expense relating to leases of low-value assets	-1 399	-1 932
Income from subleasing right-of-use assets	234	219
Total cash outflow for leases	-58 521	-56 522

3.2 Intangible assets

Accounting policies

Goodwill

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

Accounting policies requiring management judgement

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

Other intangible assets

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

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

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

Intangible assets 2020

1,000 EUR	Goodwill	IT software and licences	Other intangible assets	Prepayments	Total
Acquisition cost					
Acquisition cost as at 1 Jan	135 016	17 097	140	649	152 903
Additions	800	740		346	1 886
Transfers between items		1		-1	
Acquisition cost as at 31 Dec	**135 816**	**17 838**	**140**	**994**	**154 788**
Accumulated depreciation					
Accumulated depreciation as at 1 Jan		-12 158	-112		-12 270
Depreciation charge for the financial period		-1 973	-20		-1 993
Accumulated depreciation as at 31 Dec		**-14 131**	**-132**		**-14 263**
Carrying amount as at 1 Jan	**135 016**	**4 939**	**28**	**649**	**140 633**
Carrying amount as at 31 Dec	**135 816**	**3 706**	**8**	**994**	**140 525**

Intangible assets 2019

1,000 EUR	Goodwill	IT software and licences	Other intangible assets	Prepayments	Total
Acquisition cost					
Acquisition cost as at 1 Jan	134 566	15 741	140	549	150 996
Additions	450	1 201		317	1 968
Disposals		-17		-44	-61
Transfers between items		172		-172	
Acquisition cost as at 31 Dec	**135 016**	**17 097**	**140**	**649**	**152 903**
Accumulated depreciation					
Accumulated depreciation as at 1 Jan		-10 513	-92		-10 604
Depreciation charge for the financial period		-1 650	-20		-1 670
Accumulated depreciation of disposals					5
Accumulated depreciation as at 31 Dec		**-12 158**	**-112**		**-12 270**
Carrying amount as at 1 Jan	**134 566**	**5 228**	**48**	**549**	**140 392**
Carrying amount as at 31 Dec	**135 016**	**4 939**	**28**	**649**	**140 633**

The Group does not have any intangible asset items acquired through finance leases.

On January 31, 2020, Tokmanni signed an agreement to acquire the business of the store called Perhemarket Pertti Heikkinen Ky from Pudasjärvi, and the acquired business was transferred to Tokmanni on April 1, 2020. The purchase price was paid in cash in the financial year 2020. The acquisition generated goodwill of EUR 800 thousand, which is tax deductible.

Allocation of goodwill and testing practice

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

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

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

No impairment loss has been recognized during the financial periods 2020 and 2019.

Determining cash flows

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

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

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

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

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

Discount rate

The discount rate applied in determining the recoverable amount is the pre-tax weighted average cost of capital (WACC), calculated for Tokmanni. The elements of WACC are risk-free interest rate, equity beta, market risk premium, small company risk premium, credit margin, and the capital structure employed. The pre-tax WACC used was 6.0% (7.0%). The various components of the discount rate used in impairment testing are based on information derived from peers in which the effects of IFRS 16 are accounted for.

Sensitivity analysis in impairment testing

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

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

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

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

2020	Value used	Change
1. Discount rate (before tax)	6.0%	14.6 percentage point increase
2. Average operating profit margin (operating profit/revenue)	9.0%	5.1 percentage point decrease each year

2019	Value used	Change
1. Discount rate (before tax)	7.0%	12.1 percentage point increase
2. Average operating profit margin (operating profit/revenue)	8.0%	4.2 percentage point decrease each year

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

3.3 Inventories

Accounting policies

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

Accounting policies requiring management judgement

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

1,000 EUR	2020	2019
Goods	220 173	215 533
Write-down in inventories	-4 046	-3 683
Goods, in transport	9 496	10 947
Prepayments	57	2
Total	**225 680**	**222 798**

The financial statements include a write-down in inventories for obsolescent and slowly moving products.

3.4 Other receivables and income tax receivables

Other receivables and income tax receivables

1,000 EUR	2020	2019
Loans and other receivables		
Trade receivables	1 451	1 424
Financial assets at fair value through profit or loss		
Derivatives, non-hedge accounting	206	65
Other receivables		
Prepayments and accrued income	4 884	4 262
Income tax receivables		786
Other receivables	14 319	12 195
Total	**19 203**	**17 243**
Total	**20 860**	**18 732**

The receivables are not associated with any significant credit risk concentrations, and the maximum credit risk corresponds to the carrying amount of the receivables at year's end. The impairment losses recognised in the Group's trade receivables are not significant. The expected risk of credit losses are not material due to minor level of invoiced sales. The other receivables item includes EUR 10,256 thousand (EUR 8,878 thousand) of invoiced annual bonus receivables.

Ageing analysis of trade receivables (external parties)

1,000 EUR	2020	2019
Not overdue	1 372	1 267
Overdue less than 7 days	73	96
Overdue between 8-21 days	19	37
Overdue more than 21 days	-13	24
Total	**1 451**	**1 424**

Prepayments and accrued income

1,000 EUR	2020	2019
Annual discounts	612	502
Consumables expenses	1 062	851
Prepayments	541	494
Receivable from occupational health care payments	717	704
Receivables from Veikkaus	257	252
Other prepayments and accrued income	1 694	1 460
Total	**4 884**	**4 262**

Other prepayments and accrued income include receivables of EUR 449 thousand (EUR 811 thousand) related to returned service products.

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

1,000 EUR	2020	2019
Loans and other receivables		
Loan receivables	190	140
Other receivables	8	8
Financial assets at fair value through profit or loss		
Derivatives, non-hedge accounting		475
Other receivables		
Non-current loan receivables from related parties	2 580	2 144
Total	**2 778**	**2 767**

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

3.6 Other liabilities and income tax liabilities

Accounting policies

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

Other liabilities and income tax liabilities

1,000 EUR	2020	2019
Financial liabilities at amortised cost		
Trade payables	76 866	73 856
Financial liabilities at fair value through profit or loss		
Derivatives, non-hedge accounting	977	124
Other liabilities		
Other non-interest-bearing liabilities	29 120	24 114
Accrued liabilities	34 025	28 824
Income tax liabilities	9 914	3 739
Total	**73 059**	**56 677**
Total	**150 902**	**130 658**

Current accrued liabilities

1,000 EUR	2020	2019
Holiday pay	16 640	15 328
Wages and salaries including social expenses	10 417	8 507
Compulsory insurances	4 890	2 264
Current interest liabilities	104	106
Other accrued liabilities	1 974	2 620
Total	**34 025**	**28 824**

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

3.7 Non-current non-interest-bearing liabilities

1,000 EUR	2020	2019
Non-current financial assets at fair value through profit or loss		
Derivatives, non-hedge accounting	92	1
Other liabilities		
Sale and leaseback transaction	5 811	6 306
Non-current non-interest-bearing liabilities, total	**5 903**	**6 307**

3.8 Cash and cash equivalents

1,000 EUR	2020	2019
Cash and cash equivalents	78 080	29 129

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

3.9 Investments in joint ventures

Accounting policies

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

1,000 EUR	2020	2019
Acquisition cost as at 1 Jan	21	16
Share of result for the financial period	6	5
Translation differences	1	0
Acquisition cost as at 31 Dec	**29**	**21**

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

4. Capital structure, financing and risk management

4.1 Equity

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

	Number of outstanding shares	Share capital (thousand euro)	Reserve for invested non-restricted equity (thousand euro)	Treasury shares (thousand euro)	Total (thousand euro)
31 Dec 2018	58 868 752	80	109 902		109 982
31 Dec 2019	58 868 752	80	109 902		109 982
Repurchase of own shares	-150 000			-2 220	
31 Dec 2020	58 718 752	80	109 902	-2 220	107 762

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

Treasury shares

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

The general meeting at 19 March 2019 authorised the Board of Directors to decide on repurchase or accepting as pledge, using the company's non-restricted equity, a maximum of 2,943,000 own shares, which corresponds to approximately 5% of the company's shares. The authorisation is effective until the annual general meeting held in 2020, but not later than 30 June 2020.

The Board of Directors of Tokmanni Group Corporation decided to start repurchasing the company’s own shares on the basis of the authorisation granted by the Annual General Meeting on 19 March 2019. The shares were repurchased to be used as part of the company’s incentive programmes. The number of shares acquired was 50,000, corresponding to 0.08% of the total number of shares. The shares were acquired in public trading on Nasdaq Helsinki Ltd at the market price quoted at the time of purchase. The share repurchases started on 4 March 2020 and ended on 5 March 2020.

On May 7, 2020, the Annual General Meeting authorized the Board of Directors to decide on the repurchase or acceptance as pledge, using the Company’s unrestricted equity, of a maximum of 2,943,000 own shares, which corresponds to approximately 5% of the Company’s total shares. The authorization is valid until the Annual General Meeting to be held in 2021, but not later than 30 June 2021.

The Board of Directors of Tokmanni Group Corporation decided to start repurchasing the company’s own shares on the basis of the authorisation granted by the Annual General Meeting on 7 May 2020. The shares were repurchased to be used as part of the company’s incentive programmes. The number of shares acquired was 100,000, corresponding to 0.17% of the total number of shares. The shares were acquired in public trading on Nasdaq Helsinki Ltd at the market price quoted at the time of purchase. The share repurchases started on 21 December 2020 and ended on 29 December 2020.

The general meeting authorised the Board of Directors to decide on the issuance of at most 2,943,000 new shares or shares held by the company in one or more tranches through a share issue and/or by issuing options or other special rights entitling to shares as referred to in Chapter 10 Section 1 of the Limited Liability Companies Act.The authorisation is effective until 23 March 2022.

During 2020, Tokmanni assigned a total of 43,933 of the company’s own shares to 58 persons covered by the company’s incentive programme without consideration and in accordance with the terms and conditions of the incentive programme. During the review period, a total of 850 of these own shares were returned to Tokmanni Group Corporation. Under the terms and conditions of the incentive programme, 12,257 shares will be released from restrictions in January 2021 and 30,826 shares will be released in January 2022.

	Number of shares
Treasury shares owned by the company on 31 December 2019	**0**
Shares acquires during the financial year	150,000
Transferred during the financial year on the basis of the share incentive plan	-43,933
Returned to the company during the financial year	850
Treasury shares owned by the company on 31 December 2020	**106,917**

The acquisition cost of the treasury shares purchased in 2020, including transaction costs, was EUR 2,220 thousand and is presented as a deduction from equity.

Reserve for invested unrestricted equity

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

Translation differences

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

Dividends

The parent company's distributable funds total 192,958,784.92 euros, which includes 62,157,402.96 euro in profit for the year. After the balance sheet date, the Board has proposed for the financial year ended on 31 December 2020 to distribute a dividend of EUR 0.85 per share. This dividend amounts to a total of EUR 49,947,559.75. The remaining part of the retained earnings be retained in unrestricted shareholders' equity.

Share-based payments

At the end of the review period on December 31, 2020, the Group had a long-term share-based incentive program with an earnings period of year 2020 and as earnings criteria the Group's earnings per share (EPS) and the company's market value during the period January 1 - December 31, 2020. The target group of the system is the CEO, the members of the Group Executive Team and other key personnel of the Group. The potential rewards to be paid correspond to a maximum of 120,000 Tokmanni Group Corporation's shares based on the market value at the moment of granting and will be paid in Tokmanni Group shares and possibly partly in cash. The recipient of the shares is free to use the shares in 1 January 2023. The cash proportion covers taxes and tax-related costs arising from the reward to a key employee.

According to IFRS 2, the share-based incentive program should be valued at fair value at the grant date and recognized as an expense during the vesting period. If the share premium is paid in combination of shares and cash, the fair value of the reward is divided into two parts according to IFRS 2; in shares settled and cash settled. The portion to be settled in the shares is recognized in equity and the part paid in cash to liabilities. The fair value of the share-based payment at the time the reward was granted was the share price of the company's share. Correspondingly, the fair value of the portion to be settled in cash is revised every reporting date until the end of the earnings period and the fair value of the debt thus changes according to the price of the company's share.

Based on realised earnings per share ratio and the market value of the company for the financial year 2020, the program will generate a total of EUR 214 (145) thousand to be paid to employees. For the year 2020, EUR 43 (23) thousand has been recognised as cost based on IFRS 2 standard.

Changes in share-based payments	Number of shares
Number outstanding at the beginning of the period	34,862
Awarded in the period	120,000
Expired in the period	-88,411
Outstanding and executable at the end of the period	66,452

4.2 Financial assets and liabilities

Accounting policies

Financial assets

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Cash and cash equivalents

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

Impairment of financial assets

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

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

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

Financial liabilities

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

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

Derivative contracts

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

Financial assets and liabilities 31 Dec 2020

1,000 EUR	Financial assets and liabilities at fair value through income statement	Financial assets and liabilities measured at amortised cost	Carrying amounts of assets as per balance sheet
Financial assets			
Non-current financial assets			
Loan receivables		190	190
Current financial assets			
Derivatives, non-hedge accounting	206		206
Trade receivables		1 451	1 451
Cash and cash equivalents		78 080	78 080
Total	**206**	**79 531**	**79 737**
Financial assets, total	**206**	**79 721**	**79 927**
Financial liabilities			
Non-current financial liabilities			
Lease liabilities		258 037	258 037
Derivatives, non-hedge accounting	92		92
Total	**92**	**258 037**	**258 129**
Current financial liabilities			
Loans from financial institutions *		99 707	99 707
Lease liabilities		53 157	53 157
Derivatives, non-hedge accounting	977		977
Trade payables		76 866	76 866
Total	**977**	**229 729**	**230 707**
Financial liabilities, total	**1 069**	**487 767**	**488 836**
Financial assets and liabilities, total	**-863**	**-408 046**	**-408 909**

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

Financial assets and liabilities 31 Dec 2019

1,000 EUR	Financial assets and liabilities at fair value through income statement	Financial assets and liabilities measured at amortised cost	Carrying amounts of assets as per balance sheet
Financial assets			
Non-current financial assets			
Derivatives, non-hedge accounting	475		475
Loan receivables		140	140
Total	**475**	**140**	**615**
Current financial assets			
Derivatives, non-hedge accounting	65		65
Trade receivables		1 424	1 424
Cash and cash equivalents		29 129	29 129
Total	**65**	**30 552**	**30 617**
Financial assets, total	**540**	**30 692**	**31 232**
Financial liabilities			
Non-current financial liabilities			
Loans from financial institutions *		99 637	99 637
Lease liabilities		259 416	259 416
Derivatives, non-hedge accounting	1		1
Total	**1**	**359 053**	**359 055**
Current financial liabilities			
Lease liabilities		50 204	50 204
Derivatives, non-hedge accounting	124		124
Trade payables		73 856	73 856
Total	**124**	**124 060**	**124 184**
Financial liabilities, total	**125**	**483 113**	**483 239**
Financial assets and liabilities, total	**415**	**-452 421**	**-452 007**

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

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

Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities 2020

1,000 EUR	Financial liabilities 1 Jan 2020	Cash flows	Non-cash changes: Leases	Non-cash changes: Other changes	Financial liabilities 31 Dec 2020
Loans from financial institutions	99 637			70	99 707
Lease liabilities	309 620	-50 081	51 832	-177	311 194
Total	**409 257**	**-50 081**	**51 832**	**-107**	**410 901**

Reconciliation of liabilities arising from financing activities 2019

1,000 EUR	Impact of the IFRS 16 implementation	Financial liabilities 1 Jan 2019	Cash flows	Non-cash changes: Finance leases	Non-cash changes: Other changes	Financial liabilities 31 Dec 2019
Loans from financial institutions		99 366			271	99 637
Lease liabilities	243 577	317 223	-47 730	43 068	-2 941	309 620
Total	**243 577**	**416 588**	**-47 730**	**43 068**	**-2 670**	**409 257**

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

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

Derivatives

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

Lease liabilities

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

Loans from financial institutions

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

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

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

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

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

The Group's financial assets and liabilities measured at fair value (i.e., all of the Group's derivatives) are level 2 of the fair value hierarchy as per IFRS 13. The fair value of these instruments at the end of the reporting period, 31 Dec 2020 was EUR -863 thousand (EUR 415 thousand).

Derivative contracts

Derivative contracts 2020

	Fair value (thousand euro)	Underlying value (thousand euro)	Secured energy (MWh)
Foreign exchange forward contracts and options	-757	20 373	
Electricity derivatives			
System price	-252	1 073	43 800
Area price	146	175	8 760

Derivative contracts 2019

	Fair value (thousand euro)	Underlying value (thousand euro)	Secured energy (MWh)
Foreign exchange forward contracts and options	-59	22 254	
Electricity derivatives			
System price	339	2 565	78 936
Area price	135	262	35 112

4.3 Management of financial risks

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

Exchange rate risk

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

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

1,000 EUR	2020	2019
Trade payables	6 154	6 074
Forecasted purchases in the next 6 months	51 509	36 503
Cash and cash equivalents	-1 539	-7
Total	**56 124**	**42 570**
Currency options	-20 373	-22 254
Position, total	**35 751**	**20 316**

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

The table below shows the impacts on the Group's profit after taxes, as well as the impact on equity. Should the euro strengthen or weaken against the USD (+/- 10%), with the other factors remaining unchanged, the Group's profit after taxes would be affected by EUR 2 860 thousand (EUR 1 625 thousand) positively or negatively. The sensitivity analysis is based on the currency position at the end of the reporting period.

1,000 EUR	2020	2019
Change	+/-10%	+/-10%
Effect on profit after tax	2 860	1 625
Effect on equity	0	0

Interest rate risk

The Group's revenues and operational cash flows are largely independent of fluctuations in the market rates of interest, and, therefore, the Group’s exposure to interest rate risks is mainly related to its external loan portfolio. According to its risk management principles, the Group aims to have at least two-thirds of the loans with fixed interest rates or hedged against interest rate changes, subject to discretion of the Board of Directors. The Board of Directors evaluates the Group’s exposure to interest rate risks and the level of hedging on a regular basis and makes interest rate hedging decisions if needed. The average annual rate of the Group’s interest-bearing liabilities excluding IFRS 16 finance liabilities was 0.9% (1.1%).

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

1,000 EUR	2020	2019
Fixed interest rate		
Financial liabilities	311 194	309 620
Floating interest rate		
Financial liabilities	100 000	100 000

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

1,000 EUR	2020	2019
Change	+/-0,5%	+/-0,5%
Effect on profit after tax	400	400
Effect on equity	0	0

Credit risks

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

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

Part of the purchases from the Far East need to be paid in advance, and the respective risk is minimised by long-term cooperation with suppliers. The Group has a procurement company in Shanghai, China together with the Norwegian discount store chain, Europris AS. The company is the cornerstone of goods procurements made in China and the Far East. The company’s operations include identifying and selecting local suppliers, ensuring the correct quality, monitoring delivery times, and ensuring responsible operations on the part of suppliers. The Shanghai company has 25 employees.

Liquidity risk

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

The availability and flexibility of the Group's financing is guaranteed through sufficient credit facilities, balanced maturity distribution of the loans and sufficiently long loan periods, and by using several financial institutions and forms for the procurement of funding. On December 31, 2020, the Group had EUR 59,000 thousand (EUR 59,000 thousand) in credit limit reserves and their maturity profile is linked to the maturity of underlying finance agreements.

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

Liability-related defaults and violations of contractual terms

Loans from financial institutions contain a covenant according to which the Group has to achieve a certain ratio of net debt in relation to adjusted EBITDA. Operations in accordance with the loan covenants are reported lenders on a quarterly basis. The Group's management monitors compliance with loan covenants on a regular basis. In 2020, Tokmanni has met the required covenants.

Maturity of contractual cash flows of non-derivative financial liabilities

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

Maturity of contractual cash flows of non-derivative financial liabilities 2020

1,000 EUR	Carrying amount 31 Dec 2020	Cash flows based on agreements	Less than 1 year	1–5 years	Over 5 years
Loans from financial institutions *	99 707	100 755	100 755		
Lease liabilities	311 194	347 985	61 018	197 981	88 986
Trade payables	76 866	76 866	76 866		
Total	**487 767**	**525 606**	**238 639**	**197 981**	**88 986**

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

Maturity of contractual cash flows of non-derivative financial liabilities 2019

1,000 EUR	Carrying amount 31 Dec 2019	Cash flows based on agreements	Less than 1 year	1–5 years	Over 5 years
Loans from financial institutions *	99 637	101 220	915	100 305	
Lease liabilities	309 620	350 946	58 258	188 591	104 097
Trade payables	73 856	73 856	73 856		
Total	**483 113**	**526 022**	**133 029**	**288 896**	**104 097**

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

Maturity of contractual cash flows of derivative financial liabilities

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

Maturity of contractual cash flows of derivative financial liabilities 2020

1,000 EUR	Carrying amount 31 Dec 2020	Cash flows based on agreements	Less than 1 year	1–5 years
Commodity derivatives	252	252	160	92
Foreign exchange forward contracts and options	817	817	817	
Total	**1 069**	**1 069**	**977**	**92**

Maturity of contractual cash flows of derivative financial liabilities 2019

1,000 EUR	Carrying amount 31 Dec 2019	Cash flows based on agreements	Less than 1 year	1–5 years
Commodity derivatives	1	1		1
Foreign exchange forward contracts and options	124	124	124	
Total	**125**	**125**	**124**	**1**

Commodity risks

In its operations, the Group is exposed to a commodity risk caused by the possible impacts of the electricity price risk on the Group’s energy costs. The Group hedges itself against electricity price changes through electricity derivative contracts in line with the policy determined by the Tokmanni Board. However, the maximum amount corresponds to the Group's estimated electricity consumption. The hedge level covers about 70% of the consumption for one year ahead, gradually decreasing over a period of about 3-4 years.

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

1,000 EUR	2020	2019
Electricity derivative contracts	-106	474

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

The table below shows the impacts on the Group's profit after taxes, as well as the impact on equity. Should the prices of electricity increase or decrease (+/- 10%), with the other factors remaining unchanged, the Group's profit after taxes would be affected by EUR 100 thousand (EUR 226 thousand) positively or negatively. The sensitivity analysis is based on the risk position at the end of the reporting period.

1,000 EUR	2020	2019
Change	+/-10%	+/-10%
Effect on profit after tax	100	226
Effect on equity	0	0

4.4 Capital management

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

1,000 EUR	2020	2019
Interest-bearing liabilities	410 901	409 257
Cash and cash equivalents	78 080	29 129
Interest-bearing net debt	332 821	380 128
Equity	**217 336**	**184 663**
Equity ratio	**27.7%**	**25.3%**

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

	Target level	2020	2019
Net debt / comparable EBITDA	below 3.2	2.0	2.9

4.5 Contingent liabilities, assets and commitments

Contingent liabilities, assets and commitments

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

Non-cancellable lease liabilities

Group as lessee

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

Minimum lease payments payable based on other non-terminable leases

1,000 EUR	2020	2019
No later than 1 year	8 701	8 676
Later than 1 year and no later than 5 years	21 967	23 661
Later than 5 years	3 978	6 641
Total	**34 646**	**38 978**

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

Group as lessor

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

5. Other

5.1 Related party transactions

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

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

The Group's parent and subsidiary relationships are as follows

Company	Domicile	Shareholding	Voting rights
Parent company Tokmanni Group Corporation	Finland		
Retail Property Investment Oy	Finland	100%	100%
Retail Leasing Oy	Finland	100%	100%
Tokmanni Oy	Finland	100%	100%
Taitomanni Oy	Finland	100%	100%

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

Specification of transactions carried out with related parties

Transactions during the financial period 2020 including receivables, payables and liabilities per 31 Dec 2020 carried out with related parties

1,000 EUR	Majority owner and related parties to majority owner	Board of Directors and management	Joint ventures
Income statement			
Revenue and other operating income		2	
Other operating expenses		1 205	1 052
Financial income		17	
Balance sheet			
Assets			
Receivables from joint ventures			190
Non-current loan receivables from related parties		2 580	
Interest receivables from related parties		17	
Total		**2 597**	**190**

Transactions during the financial period 2019 including receivables, payables and liabilities per 31 Dec 2019 carried out with related parties

1,000 EUR	Majority owner and related parties to majority owner	Board of Directors and management	Joint ventures
Income statement			
Revenue and other operating income		1	
Other operating expenses		1 110	1 166
Financial income		16	
Balance sheet			
Assets			
Receivables from joint ventures			140
Non-current loan receivables from related parties		2 144	
Interest receivables from related parties		19	
Total		**2 163**	**140**

Non-current loan receivables from related parties

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

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

- A total of EUR 436 thousand (EUR 254 thousand) in loans was granted during the financial period. During the financial year, loans were repaid by an amount of EUR 0 thousand (EUR 85 thousand).
- The loan period is five years and the borrowers may repay their loans earlier if desired.
- The purchased shares serve as collateral for these loans.
- The borrowers will pay an annual interest rate consisting of the 12-month Euribor plus one percentage point. The interest will be paid on the outstanding loan amount and calculated for an interest period of one (1) calendar year. The loan interest is paid annually in arrears.

Management employee benefits

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

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

EUR		2020	2019
Mika Rautiainen	CEO	668 490	444 966
Seppo Saastamoinen	Chairman of the Board	90 996	102 000
Juha Blomster	Member of the Board	49 856	45 000
Thérèse Cedercreutz	Member of the Board	44 812	41 000
Kati Hagros	Member of the Board (until 7 May 2020)	16 565	45 000
Erkki Järvinen	Member of the Board	56 837	44 000
Lettijeff Ulla	Member of the Board (from 7 May 2020)	26 761	
Harri Sivula	Member of the Board	49 853	45 000
CEO of the Group companies and members of the Board of Directors		**1 004 170**	**766 966**
Executive Group		**2 186 728**	**1 492 409**
Monetary salaries, fees and fringe benefits, total		**3 190 898**	**2 259 375**

Pension benefits

In Tokmanni Group Corporation, the pensions of the key management personnel are determined in line with the general provisions applied in Finland to employee pensions (Employee Pensions Act). The CEO's statutory pension cost was EUR 102,546.37 in 2020 (EUR 75,421.74).

Termination benefits

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

5.2 Provisions and contingencies

Accounting policies

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

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

5.3 Events after the end of the reporting period

Tokmanni reached an agreement on 11 February 2021 concerning a rearrangement of the EUR 100 million loan, with a new maturity date in February 2026. Tokmanni also agreed on a EUR 50 million credit limit with a maturity of five years. In addition to the above, the financing agreement includes a committed option for drawing down an additional loan of EUR 50 million in instalments. The option for an additional loan is valid for three years and it includes a conditional option to extend the loan by one year at a time for another two years.

Parent company's financial statements (FAS)

Parent company's income statement

EUR	1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2019
REVENUE	**1 401 100.00**	**1 030 200.00**
Wages, salaries and employee benefits	-1 197 517.49	-1 048 825.19
Other operating expenses	-1 085 079.88	-683 620.05
OPERATING PROFIT	**-881 497.37**	**-702 245.24**
Financial income	18 230.94	16 655.02
Financial expenses	-1 424 669.00	-1 345 798.89
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES	**-2 287 935.43**	**-2 031 389.11**
Appropriations		
Group contribution received	80 000 000.00	61 500 000.00
Profit (loss) before taxes	**77 712 064.57**	**59 468 610.89**
Income taxes	-15 554 661.61	-11 896 709.43
NET RESULT FOR THE FINANCIAL PERIOD	**62 157 402.96**	**47 571 901.46**

Parent company's balance sheet

EUR	31 Dec 2020	31 Dec 2019
ASSETS		
NON-CURRENT ASSETS		
Investments		
Holdings in group companies	235 233 761.80	235 233 761.80
NON-CURRENT ASSETS, TOTAL	**235 233 761.80**	**235 233 761.80**
CURRENT ASSETS		
Non-current receivables		
Non-current loan receivables, related parties	2 580 302.11	2 144 049.20
Current receivables		
Amounts owed by group companies	81 492 041.36	63 199 898.42
Other receivables	0.00	3 673.73
Prepayments and accrued income	45 605.81	36 131.63
Current receivables	81 537 647.17	63 239 703.78
Cash in hand and at banks	72 318 587.31	24 141 581.07
CURRENT ASSETS, TOTAL	**156 436 536.59**	**89 525 334.05**
ASSETS TOTAL	**391 670 298.39**	**324 759 095.85**
EQUITY AND LIABILITIES		
EQUITY		
Share capital	80 000.00	80 000.00
Reserve for invested unrestricted equity	114 629 589.41	114 629 589.41
Treasury shares	-2 219 913.50	
Retained earnings	18 391 706.05	7 314 534.13
Net result for the financial period	62 157 402.96	47 571 901.46
EQUITY, TOTAL	**193 038 784.92**	**169 596 025.00**
LIABILITIES		
Non-current liabilities		
Loans from financial institutions		100 000 000.00
Current liabilities		
	100 000 000.00	0.00
Trade payables	59 272.00	28 631.24
Amounts owed to group companies	90 587 647.38	50 936 274.81
Other payables	22 023.20	30 295.45
Accruals and deferred income	7 962 570.89	4 167 869.35
Current liabilities	198 631 513.47	55 163 070.85
LIABILITIES, TOTAL	**198 631 513.47**	**155 163 070.85**
EQUITY AND LIABILITIES, TOTAL	**391 670 298.39**	**324 759 095.85**

Parent company's cash flow statement

1,000 EUR	31 Dec 2020	31 Dec 2019
Cash flows from operating activities		
PROFIT (LOSS) FOR THE PERIOD	62 157	47 572
Adjustments:		
Financial income and expenses	1 406	1 329
Appropriations	-80 000	-61 500
Tax on income from operations	15 555	11 897
Change in working capital		
Increase (-) / decrease (+) of current receivables	-344	189
Increase (+) / decrease (-) of current non-interest-bearing liabilities	165	-192
Interest paid	-1 121	-1 291
Other financing items	-284	-98
Direct income taxes paid	-11 900	-10 910
Cash from operating activities	**-14 366**	**-13 005**
Cash flows from investing activities		
Granted loans (+)	-436	-254
Proceeds from repayments of loans		85
Cash from investing activities	**-436**	**-169**
Cash flows from financing activities		
Change in internal bank account receivables	543	326
Change in internal bank account liabilities	39 650	-7 982
	-2 220	
Dividends paid	-36 495	-29 434
Group contributions	61 500	43 000
Cash from financing activities	**62 979**	**5 910**
Change in cash in hand and at bank	**48 177**	**-7 264**
Cash in hand and at bank at the beginning of the period	24 142	31 405
Cash in hand and at bank at the end of the period	72 319	24 142

Notes to the parent company's financial statements

1. Accounting policies

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

The domicile of the company is Helsinki.

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

Principles used for preparing the financial statements

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

Valuation of financial instruments

Financial instruments are valued at acquisition cost.

Cash in hand and at banks

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

Recognition of pensions

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

Income tax

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

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

2. Breakdown of revenue by market area

1,000 EUR	2020	2019
Finland	1 401	1 030

3. Personnel and members of administrative bodies

	2020	2019
Salaries of CEO and members of the Board of Directors 1,000 EUR	-995	-882

Average number of employees	1	1

The CEO and members of the Board do not have pension plans that differ from the statutory provisions.

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

4. Other operating expenses

1,000 EUR	2020	2019
Office and administration	-495	-403
Purchased services	-397	-220
Other expenses	-193	-60
Total	**-1 085**	**-684**

5. Group contribution

1,000 EUR	2020	2019
Group contribution received	80 000	61 500

6. Income taxes

1,000 EUR	2020	2019
Income taxes for the financial period	-15 549	-11 894
Income taxes for previous financial periods	-6	-3
Total	**-15 555**	**-11 897**

7. Auditor's fees

1,000 EUR	2020	2019
Audit	-102	-59
Other fees and services	-112	-12
Tax counselling	-7	-6
Total	**-222**	**-78**

8. Related party transactions

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

9. Investments

1,000 EUR	2020	2019
Holdings in group companies		
Acquisition cost as at 1 Jan	235 234	235 234
Acquisition cost as at 31 Dec	235 234	235 234
Carrying amount		
Retail Property Investment Oy, Mäntsälä	1 000	1 000
Retail Leasing Oy, Helsinki	234 234	234 234
Total	235 234	235 234
Shareholding, %		
Retail Property Investment Oy, Mäntsälä	100	100
Retail Leasing Oy, Helsinki	100	100

10. Receivables

Non-current receivables

1,000 EUR	2020	2019
Non-current loan receivables from related parties	2 580	2 144

Current receivables

1,000 EUR	2020	2019
Amounts owed by group companies		
Trade receivables	0	3
Other receivables, group contribution receivables	80 000	61 500
Other receivables, group account receivables	947	1 490
Accruals, interest receivables	545	207
Total	**81 492**	**63 200**
Other receivables		
Other receivables	0	4
Prepayments and accrued income	46	36
Total	**46**	**40**
Total	**81 538**	**63 240**

Prepayments and accrued income

1,000 EUR	2020	2019
Interest receivables	17	19
Advance payments	5	10
Other prepayments and accrued income	24	7
Total	**46**	**36**

11. Equity

1,000 EUR	2020	2019
Restricted equity		
Share capital as at 1 Jan	80	80
Share capital as at 31 Dec	80	80
Restricted equity	**80**	**80**
Unrestricted equity		
Reserve for invested unrestricted equity as at 1 Jan	114 630	114 630
Reserve for invested unrestricted equity as at 31 Dec	114 630	114 630
Treasury shares, 1 Jan		
Additions	-2 220	
Treasury shares, 31 Dec	-2 220	
Retained earnings as at 1 Jan	54 886	36 749
Dividends	-36 495	-29 434
Retained earnings as at 31 Dec	18 392	7 315
Net result for the financial period	62 157	47 572
Unrestricted equity	**192 959**	**169 516**
Equity	**193 039**	**169 596**

Calculation of distributable equity

1,000 EUR	2020	2019
Retained earnings	18 392	7 315
Net result for the financial period	62 157	47 572
Reserve for invested unrestricted equity	114 630	114 630
Treasury shares	-2 220	
Total	**192 959**	**169 516**

12. Non-current liabilities

1,000 EUR	2020	2019
Loans from financial institutions		100 000

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

13. Current liabilities

1,000 EUR	2020	2019
Loans from financial institutions	100 000	0

1,000 EUR	2020	2019
Amounts owed to group companies		
Trade payables	1	
Other liabilities, internal account payable	90 586	50 936
Total	**90 588**	**50 936**

Accruals and deferred income

1,000 EUR	2020	2019
Amortised personnel costs	441	324
Interest payable	104	106
Income tax payable	7 392	3 737
Other accruals and deferred income	25	1
Total	**7 963**	**4 168**

14.Credit limit agreements

1,000 EUR	2020	2019
Granted credit limit total	75 000	75 000
In use	16 000	16 000

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

Mäntsälä, 19 February 2021

Seppo Saastamoinen
Chairman of the Board

Thérèse Cedercreutz
Member of the Board

Juha Blomster
Member of the Board

Ulla Lettijeff
Member of the Board

Erkki Järvinen
Member of the Board

Harri Sivula
Member of the Board

Mika Rautiainen
CEO

AUDITOR'S NOTE
Our auditor’s report has been issued today.

Helsinki, 19 February 2021

PricewaterhouseCoopers Oy
Authorised Public Accountants

Maria Grönroos
Authorised Public Accountant

Auditor's Report (Translation of the Finnish Original)

To the Annual General Meeting of Tokmanni Group Oyj

Report on the Audit of the Financial Statements

Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU

- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

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

What we have audited

We have audited the financial statements of Tokmanni Group Oyj (business identity code 2483212-7) for the year ended 31 December 2020. The financial statements comprise:

- the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies

- the parent company's balance sheet, income statement, statement of cash flows and notes.

Basis for Opinion

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

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

Independence

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

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

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Our Audit Approach

Overview

- Overall group materiality: € 5,4 million, which represents 0,5 % of group revenue

- Audit scope: We performed audit procedures at the parent company Tokmanni Group Oyj and at its Finnish subsidiaries

- Valuation of goodwill
- Inventories

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

Materiality

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

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

Overall group materiality	€ 5,4 million (prior year € 4,3 million)
How we determined it	0,5 % of group revenue
Rationale for the materiality benchmark applied	We chose revenue as the benchmark because, in our view, it is the benchmark against which the performance of the group is most commonly measured by users and is a generally accepted benchmark. We chose 0,5% which is within the range of acceptable quantitative materiality thresholds in auditing standards.

How we tailored our group audit scope

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

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

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

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

Key Audit Matters

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

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

Key audit matter in the audit of the group	**How our audit addressed the key audit matter**
Valuation of goodwill *Refer to Note 1 Accounting policies used in the financial statements and Note 3.2 Intangible assets* Goodwill amounts to 135,8 (135,0) million euro in the consolidated balance sheet. The company's management is responsible for performing impairment testing. As presented in Note 1 Accounting policies used the financial statements and note 3.2 Intangible assets goodwill is tested for possible impairment on an annual basis and whenever there is an indication of impairment. Estimates of future cash flows include management judgement. The most significant assumptions used in impairment testing are the future average EBIT margin and the discount rate (WACC). We have identified and assessed the risk that assumptions used in impairment testing are not appropriate and that goodwill is overstated. Valuation of goodwill is a key audit matter as it is a significant balance sheet item and due to the judgement included in impairment testing.	We have inspected the goodwill impairment testing calculations prepared by group management. As part of our audit we have: • Compared the future cash flows as presented in the calculations to financial plans approved by Tokmanni Group Oy's Board of Directors. • Assessed the calculation model, discussed significant assumptions used in the cash flow estimates as well as assessed and compared them to existing internal and external information. • Assessed the discount rate (WACC) applied and tested mathematical accuracy. • Tested the mathematical accuracy of the impairment calculations. • Assessed the adequacy and appropriateness of the notes to the consolidated financial statements.

Inventories

Refer to Note 1 Accounting policies used in the financial statements and Note 3.3 Inventories

Inventories amount to 225,7 (222,8) million euro in the consolidated balance sheet.

As presented in note 3.3 inventories are valued at the lower of cost or net realisable value. The cost of goods include all costs of purchase, including direct transportation and handling costs and other costs.

Valuation of inventories and obsolescence provisions include management judgement. Inventories are a key audit matter due to the size of this balance sheet item, the large network of stores and the judgement included in inventory valuation.

As part of our audit we have:

- Participated in physical stock taking in selected shops and at the central warehouse as well as tested the company's physical stock taking control.
- Audited the inventory reconciliation performed by the company.
- Tested the correctness of inventory pricing using data-analytics.
- Assessed the company's inventory obsolescence calculations and tested the correctness of input data on a sample basis as well as reperformed calculations to ensure mathematical accuracy.
- Assessed the adequacy and appropriateness of the notes to the consolidated financial statements.

We have no key audit matters to report with respect to our audit of the parent company financial statements.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Appointment

We were appointed as auditors by the annual general meeting on 19 March 2019 and we have acted for two consecutive years.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors, but does not include the financial statements and our auditor's report thereon.

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

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

In our opinion

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

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

Helsinki 19 February 2021

PricewaterhouseCoopers Oy
Authorised Public Accountants

Maria Grönroos
Authorised Public Accountant (KHT)