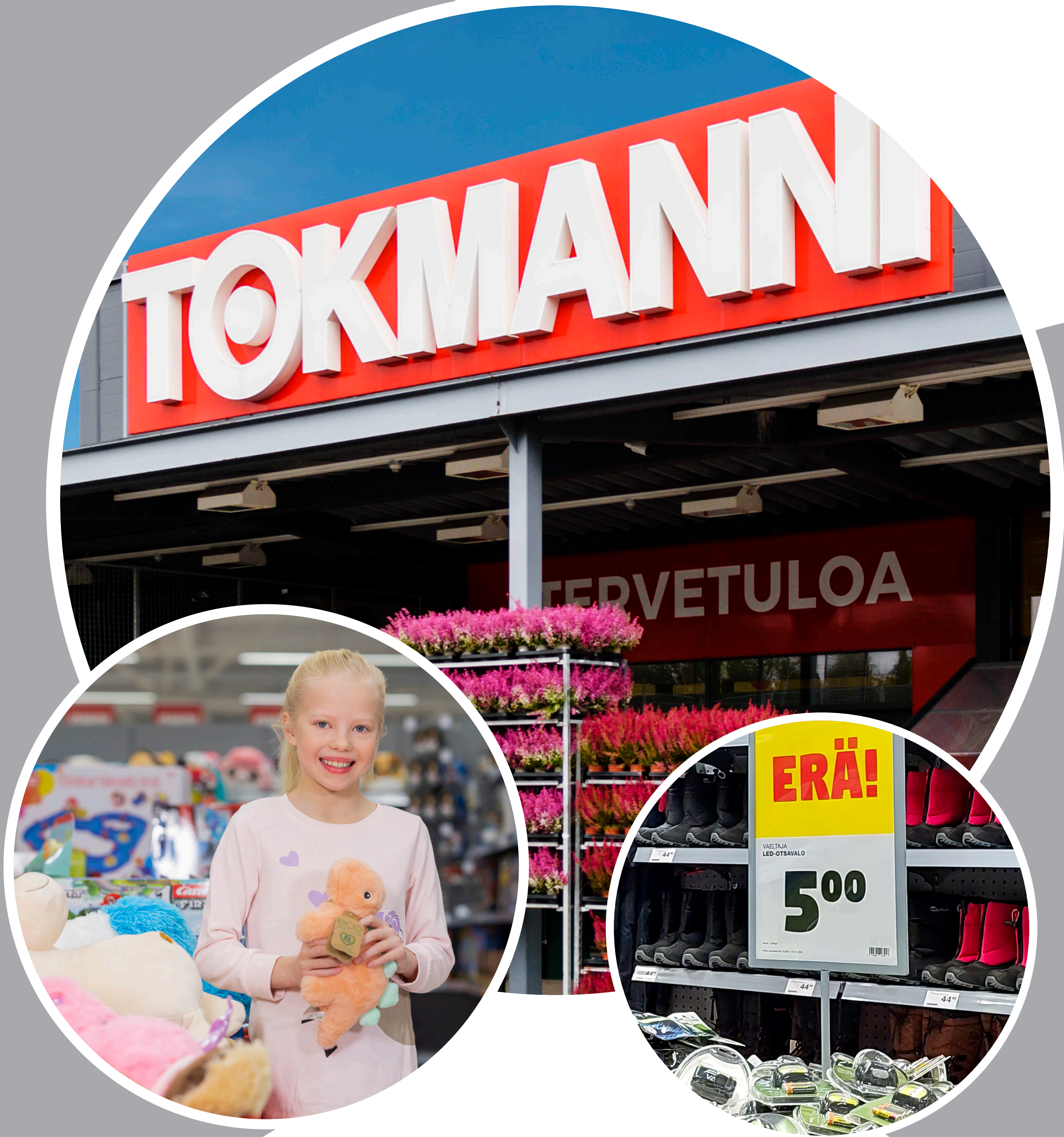


Report by the Board of Directors and Financial Statements 2023

Report by the Board of Directors and financial statements

REPORT BY THE BOARD OF DIRECTORS

FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

PARENT COMPANY'S FINANCIAL STATEMENTS (FAS)

REPORT BY THE BOARD OF DIRECTORS 2023

Tokmanni Group’s business model and value creation

Tokmanni Group Corporation is one of the leading variety discount retailers in the Nordics. At the end of 2023, Tokmanni Group had a total of 372 stores. In Finland, the Group had 201 Tokmanni stores, 29 Click Shoes stores, 2 Shoe House stores and 6 Miny stores. In Sweden, Tokmanni Group had 130 Dollarstore and in Denmark 4 Bigdollar stores. Tokmanni Group’s vision is to be the leading discount retail chain in Northern Europe.

Tokmanni Group operates in the retail market, focusing on the discount retail market in particular. The retail market can be divided into the grocery and non-grocery markets. In 2023, roughly 51.8% (51.2%) of Tokmanni Group’s revenue came from grocery products and roughly 51.2% (48.8%) came from non-grocery products. The grocery trade market consists of the sale of food, beverages, household papers, newspapers and magazines, cleaning products and daily cosmetics, among others. The non-grocery market consists of the sale of apparel, housing, garden and leisure products, among others.

Tokmanni Group is a customer-oriented variety discount retailer whose competitive advantages are its low prices, an interesting product assortment, service-minded and motivated staff, combination of online store and nationwide store network, and an efficient and agile business model. Tokmanni aims for stable and profitable long-term growth.

Tokmanni Group sources products from many suppliers. The aim is to increase sourcing directly from the suppliers and from countries with low manufacturing costs. This is done, for example, in cooperation with Norwegian company Europris through a joint venture located in Shanghai. By omitting intermediaries and by sourcing products directly from suppliers, the Group is able to offer products at a very low price. This also gives it more control of the supply chain and its responsibility.

Tokmanni Group’s assortment consists of private label and exclusive brand products as well as non-branded products and leading Finnish and international brands. The Group has a wide assortment of products with a good price-to-quality ratio, for example in the following categories: home cleaning, personal care, apparel, tools and electrical equipment, home and decoration, garden, yard and balcony, leisure, home electronics, and groceries. At the end of 2023, 19 of Tokmanni Group’s 372 stores sold fresh foods. These stores were located in Finland.

Tokmanni Group creates shareholder value by helping its store chains to achieve rapid and profitable growth. The Group focuses its growth investments on the most profitable assets and on growth-enabling markets. The Group’s store chains can leverage shared knowledge and other resources they need, reducing the risk of failure. Shared values and the Group’s corporate culture create the basis for success.

In addition to the value it creates for its owners, Tokmanni Group creates economic value as an employer, a taxpayer and a customer of its suppliers. The Group provides jobs and business opportunities for a wide range of stakeholders and indirectly contributes to the well-being of local communities.

Corporate responsibility is at the heart of Tokmanni Group’s strategy, operations and value creation. Sustainable development is integrated into the Group’s strategy and main processes. Responsibility and sustainable business practices cover Tokmanni’s entire value chain, including the supply chain and the Group’s own functions. The Group focuses on expertise in responsibility, direct import of its private label products, building long-term supplier relationships and close cooperation with its various stakeholders. This makes it possible to have an impact on the production conditions of sourced products and to keep prices low. The Group’s responsibility themes are Products and Sourcing, Climate, People, and Business Integrity.

Tokmanni's segment structure changed from the last quarter of 2023. Tokmanni Group announced the key figures of its new segment reporting for the years 2023 and 2022 in accordance with the revised segment structure in a stock exchange release on 22 March 2024. Before the change, Tokmanni had only one reportable segment operating in Finland.

Market development

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

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

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

Competitive landscape

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

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

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

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

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

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

Outlook for 2024

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

Financial development

Reporting structure

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

Seasonality

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

TOKMANNI GROUP

Revenue

Revenue, MEUR	1–12/2023	1–12/2022	Change %
Tokmanni	1 208.6	1 168.0	3.5
Dollarstore*	184.1		
Group functions and eliminations	-0.1		
Total	**1 392.7**	**1 168.0**	**19.2**

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

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

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

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

Profitability

Comparable EBIT, MEUR	1–12/2023	1–12/2022	Change%
Tokmanni	87.8	86.9	1.0
Dollarstore*	12.6		
Group functions and eliminations	-1.6	-1.2	36.7
Total	**98.8**	**85.8**	**15.2**

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

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

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

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

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

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

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

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

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

Balance sheet, financing and cash flow

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

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

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

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

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

Capital expenditure

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

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

TOKMANNI SEGMENT

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

	1–12/2023	1–12/2022
Revenue, MEUR	1,208.6	1,168.0
Like-for-like revenue, %	0.7	-0.7
Comparable gross profit, MEUR	415.5	398.0
Comparable gross profit, %	34.4	34.1
Comparable EBIT, MEUR	87.8	86.9
Comparable EBIT, %	7.3	7.4
Return on capital employed, %, rolling 12 months	12.5	13.4
Inventories at the end of period, MEUR	248.8	281.3
Capital expenditure, MEUR	236.5	54.3
Number of stores at the end of period	238	202

Revenue

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

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

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

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

Profitability

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

Operating expenses were kept firmly under control. Tokmanni segment's operating expenses were EUR 253.2 million (242.5), or 20.9% of revenue (20.8%), as a result of successful measures taken to increase efficiency. Personnel expenses represented EUR 144.1 million (136.4) of total operating expenses, or 11.9% of revenue (11.7%). The salaries of employees covered by the collective agreement for the retail sector were raised during 2023: a one-off payment in April and a salary increase as of 1 June 2023. Comparable operating expenses were EUR 252.7 million (242.0), or 20.9% of revenue (20.7%).

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

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

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

DOLLARSTORE SEGMENT

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

	8–12/2023	8–12/2022
Revenue, MEUR	184.1	
Like-for-like revenue, %	3.8	
Comparable gross profit, MEUR	74.1	
Comparable gross profit, %	40.2	
Comparable EBIT, MEUR	12.6	
Comparable EBIT, %	6.8	
Return on capital employed, %, rolling 12 months *		
Inventories at the end of period, MEUR	94.1	
Capital expenditure, MEUR	2.2	
Number of stores at the end of period	134	

* Not countable

Revenue

August–December 2023

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

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

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

Profitability

August–December 2023

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

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

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

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

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

Tokmanni Group's long-term financial targets and achievements

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

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

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

* The figure does not include Click Shoe, Shoe House, or Miny stores.
** The decision to distribute dividend is always dependent on capital structure, financial position, general economic and business conditions, and future outlook.

Acquired businesses

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

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

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

Personnel

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

Key achievements in personnel work in 2023

Tokmanni segment

Tokmanni started to use new HR systems in 2022 continued in 2023, and the efforts to utilise them continued in 2023. A shift planning pilot was launched in the metropolitan region, the goal of which was professional and supportive shift planning and more efficient utilisation of resources across store boundaries. Similar pilots will be conducted in different Tokmanni sales areas in the coming years.

During 2023, Tokmanni especially renewed the orientation of Tokmanni stores by developing processes and training supervisors to use new tools. In addition, Tokmanni clarified the store employees job descriptions and roles and coached the stores' management teams in relation to them. In addition to clarifying roles, the change was supported by offering management team members more training, especially on topics related to front-line work, processes, and customer service.

Tokmanni also continued long-term occupational safety work by directing personnel to actively make safety observations. Centralising information in one system supported occupational safety work and made it much easier to draw conclusions and take the right type of corrective measures.

At the beginning of 2023, a comprehensive personnel survey of all personnel in Finland was carried out. Based on the survey, Tokmanni had been particularly successful in developing management and operational culture. This survey result was significantly above the general norm of the retail sector. According to the survey, Tokmanni's strengths were also its support given for professional development and well-being as well as functional workspaces.

During 2023, 3,284 employees participated in at least one training. More than 240 people participated in the long-term apprenticeships training courses. The most popular degrees were the basic degree in logistics, the professional degree in immediate supervisor work, the professional degree in business and the specialized professional degree. A popular training was also the horticultural salesperson's training program, where individual parts of the degree from two different degrees are completed.

Dollarstore segment

In 2023, there was a lot of focus on raising the basic skill level of all Dollarstore's leaders, with a particular focus on leaders in stores and warehouses. During the year, training was offered in the fields of physical and mental work environment, labour law, work adaptation and rehabilitation, staffing planning and scheduling.

In the spring of 2023, Dollarstore implemented a digital handbook portal so that instructions related to personnel, management and the work environment would be easily accessible to both managers and employees. The content of the portal is cloud-based, so the information can be accessed anywhere and anytime. Answers can be found quickly, and searching for information does not waste work time.

Digitization work continued throughout the year. Accidents and incidents were reported and recorded using Dollarstore's own application, which all employees have access by their own phones. The data and statistics collected by the application are used when deciding on development measures. The development of a new cloud service-based salary payment system continued. As an additional feature, a digital signature feature was added to it. The system will be introduced in the spring of 2024.

In 2023, the focus was also on resourcing, shift planning, system support and supporting the work of front-line employees. More than 150 supervisors participated in theoretical training, and more than 90 supervisors/managers completed practical training related to the personnel management system. In addition, new methods of operation, processes and more efficient working methods were introduced throughout the chain.

Executive Group

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

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

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

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

Statement of non-financial information

The statement below describes Tokmanni Group's responsibility through four main themes of sustainability work. 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 Sourcing" sections, and the prevention of corruption and bribery is discussed in the "Business integrity" section. Majority of sustainability targets regarding 2023 cover Tokmanni-segment only, and sustainability targets for 2024 are mainly set for the whole Group.

Tokmanni Group's corporate responsibility will be discussed more broadly in the Sustainability Report to be published in the week beginning 15 April 2024. This report has been prepared in accordance with the GRI standards. The report does not yet comply with the CSRD, but the ESRS guidelines have been considered.

Due to businesses acquired in 2023, Tokmanni Group is in a transition phase in the integration of Dollarstore as well as Click Shoes and Shoe House operations into its sustainability target setting and reporting. In 2024, the Group will define its sustainability agenda including Group-level targets.

Corporate responsibility

Sustainable business operations are one of Tokmanni's success factors and an integral part of every Tokmanni employee's day-to-day work. The main themes of Tokmanni Group's sustainability work are Business integrity, People, Products and Sourcing and Climate. These themes were determined based on the materiality analysis Tokmanni commissioned in 2015. They take into account stakeholders and business operations, and they remain relevant for Tokmanni. The themes were further specified when the sustainability agenda was updated in 2020.

In 2023, Tokmanni started preparations for the CSRD (Corporate Sustainability Reporting Directive) and conducted a double-materiality analysis of its sustainability impact and risks and opportunities of its overall operations and business environment. As a result, the sustainability themes defined in 2015 were updated and biodiversity was identified as an additional topic.

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

In the tables below, "Partially achieved" means that measures have been taken to achieve that goal. "Not achieved" means that almost nothing has been done or that the value is far from the target level.

Business integrity

Targets 2023	Achievements 2023
Messages received through the whistleblowing channel were processed appropriately	Achieved
No cases of corruption found at Tokmanni	Achieved
Tokmanni receives no notice from the authorities related to marketing	Achieved
No cases of non-compliance with environmental laws and regulations	Achieved
No cases of non-compliance with laws and regulations in the social and economic area	Achieved
No privacy violations found at Tokmanni	Achieved

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

Sustainability work at Tokmanni is based on the company's values and Code of Conduct, including the supplementary principles, policies and instructions. Tokmanni's Code of Conduct and the related principles are approved by its Board of Directors. Policies are approved by the Executive Group of Tokmanni and guidelines by the Sustainability Steering Group. The Group's Sustainability and Personnel Committee, which was established in October 2023, will monitor such documents in the future. The President and CEO is ultimately responsible for corporate responsibility at Tokmanni Group. In this capacity, the President and CEO reports to the Board of Directors. The Board of Directors discusses sustainability matters regularly as part of the strategy process and whenever necessary. Decision-making is supported by Tokmanni's Sustainability Steering Group and the presentations and information produced by Tokmanni's sustainability team.

Tokmanni's Code of Conduct includes the following rules: We treat everyone equally and without discrimination; we minimise accidents at work; we follow laws and regulations; we do not offer bribes; we protect sensitive business information and Group assets; we respect privacy; we support fair competition; we minimise our environmental impact; we require ethical production of our products; we communicate transparently and reliably. The Code of Conduct training must be completed annually and is a mandatory part of induction training for new employees. At the end of 2023, total of 3,287 (3,143) Tokmanni employees, 93 Click Shoes and Shoe House employees and 222 Dollarstore and Bigdollar employees completed the mandatory Code of Conduct online training.

The CFO is responsible for the company's compliance operations and reports directly to the President and CEO and regularly informs the Board of Directors. The CFO is supported by Tokmanni's Compliance team, which is composed of the Head of Corporate Responsibility, the Vice President, Store Network and Concept, the Vice President, Sales and Supply Chain, and the HR Manager. The Compliance team convenes every quarter, but urgent matters are dealt with without delay. Tokmanni's anonymous whistleblowing channel has been used since 2020 for reporting both internal and external incidents. A total of 87 (105) incidents were reported during 2023.

In 2024, Tokmanni Group will continue its preparations for the upcoming CSRD reporting requirements. This will include starting the integration of financial and sustainability reporting processes, data validation and internal control procedures. The double-materiality analysis will be further refined to include governance related impacts. In addition, a Group-level sustainability agenda will be defined.

People

Targets 2023	Achievements 2023
Continuing our well-being programme by offering our employees external help to balance their financial situation. We also encourage our employees to make healthy lifestyle choices by giving special discounts on certain products at our stores.	Achieved
Adding diversity training to our extended management team and supervisor training programmes	Achieved
Starting training programmes for our buyers and store management teams	Partially achieved (a training programme for store management teams was started)
More than 3,000 safety observations in 2023	Partially achieved (2,720)

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 2023, Tokmanni continued active cooperation with Tokmanni’s occupational healthcare partner Mehiläinen and the mutual pension insurance company Varma to promote mental health well-being and prevent musculoskeletal disorders. A work psychologist held training for supervisors and head office staff on topics such as identifying psychosocial stress and emotional skills in the workplace. *Työfyssari Helppi* operating model, to support good ergonomics at work in the warehouse and the stores, continued in 2023. Individual and group supervision was also launched as an in-house service. Coaching and supervision are also available through Tokmanni's partner network. Tokmanni also continued its long-term work safety efforts by actively involving staff in making safety observations. Centralizing the data into one system supported the work safety and significantly facilitated the drawing of conclusions and the implementation of the right types of corrective actions. The injury rate has decreased, thanks to long-term commitment and work and was 13.8 in year 2023.

Tokmanni monitored its employees’ workplace satisfaction with Pulse survey to understand how factors such as equality, working atmosphere, and fair management are realised at Tokmanni. eNPS that is obtained from the Pulse survey tells how likely employees would recommend Tokmanni as a workplace and employer. In 2023, the eNPS results increased by 21%. The actions taken to support staff well-being after the previous survey in 2022 has guided the actions in 2023, including implementing health surveys and the occupational health measures, adding well-being products to the staff's monthly discounts, and improving the ePassi benefit for the staff. At the end of 2023, the sickness absence percentage for all Tokmanni employees was 4.8 (2022: 5.3).

In 2023, training for all employees focused on developing leadership and management skills, building career-paths and being better at on-boarding and induction. During 2023, Tokmanni clarified the job descriptions and roles of the store staff and trained the store leadership teams. Tokmanni also continued its diversity work: extended management team was offered a special diversity training. Diversity training was also added to supervisor trainings.

Tokmanni’s supervisors have an opportunity to learn in degree-based programs, such as the Specialist Vocational Qualification in Leadership and Business Management, Specialist Vocational Qualification in Business, and Further Vocational Qualification in First-Level Management. Employees at stores have an opportunity to improve in their current role by learning more about sales, customer service, or products (further Vocational Qualification in Business). Warehouse has two programmes for their employees aiming for a further Vocational Qualification in Service Logistics and a Vocational Qualification in Logistics. Degree-based training is a familiar way to develop competence also in the office. In 2023, 241 Tokmanni employees around Finland were studying in degree-based training.

Tokmanni engaged with numerous educational institutions, e.g. providing internships to young individuals. Tokmanni continued to participate in summer trainee program ("Tutustu työelämään ja tienaa") and hired approximately 805 trainees to stores. Few of the participants from this program were recruited as part of an immigration collaboration project with Plan International. Tokmanni also took part in the Responsible Workplace and Summer Jobs campaign (Oikotie Responsible Workplace community) and offered 774 summer jobs and work experience opportunities for young people.

Products and the supply chain

Targets 2023	Achievements 2023
Biodiversity-related targets according to our biodiversity roadmap implemented with regards to products and sourcing*	Not achieved
Reducing the use of virgin plastic in selected products	Partially achieved (Decrease e.g. in pots packaging and projects at Shanghai sourcing company, no weight data of the decrease available)
No serious product safety flaws in the products sold by Tokmanni (private label) or accidents caused by them. (Customer return %)	Achieved
Actively reducing or eliminating reasons for complaints in all products, leading to lower product complaint percentage. (Claim rate %)	Achieved
Further development of the supplier and contract management process	Partially achieved (Process has been developed and the work continues in 2024)

Targets 2023	Achievements 2023
90 own factory inspections and 40 third party audits	Partially achieved (Amount achieved (135), ratio between own factory inspections and third-party audits not)
Update of human rights principles and continuing factory-specific human rights assessments	Achieved
Utilising factory and supplier sustainability data better to manage responsible sourcing more systematically.	Not achieved
Implementing social compliance features into the supplier management system and increasing the impact of factory audits	Not achieved
Targets set for products certified and labelled as sustainable	Partially achieved (Definition for sustainably labelled products continued, targets to be set in 2024)

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

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

Respect for human rights

Respect for human rights is the starting point of Tokmanni Group's responsibility work. The human rights efforts are guided by the International Bill of Human Rights, OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, as well as the ILO Declaration on Fundamental Principles and Rights at Work and the UN Global Compact initiative, for example. 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 new Human Rights Policy in 2023, and a summary of its Human Rights Report for 2016 on its website. This report is still relevant.

The most significant potential human rights impact in Tokmanni's operations in the supply chain are related to health and safety, safety of buildings, working conditions including overtime and wages, as well as 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. In 2023, no cases of zero tolerance were detected at the factories used by Tokmanni.

In 2023, Tokmanni further developed responsibility risk management in the area of human rights. The sustainability of Tokmanni's sourcing is monitored and developed using amfori BSCI audits and Tokmanni's own assessments. Tokmanni conducted a total of 62 (75) own factory assessments. Tokmanni's own factory assessments focus simultaneously on product quality and verifying the responsibility of factories – that is, the results of their amfori BSCI audits. Tokmanni also commissioned 73 (42) additional third-party factory audits, mostly in China, but also in Bangladesh and India. These corresponds to 17% of active factories in risk countries. Additionally, Tokmanni commissioned one factory-specific human rights assessments with an external auditing firm for a potential new supplier. The development of responsibility indicators for factories and suppliers continued. Of the products imported directly by Tokmanni, approximately 62% (2022: 62%) were acquired from risk countries according to the World Bank's classification.

In 2024, Tokmanni continues to conduct factory-specific human rights assessments. Tokmanni's target is to conduct 100 own assessments and third-party assessments. The risk profile of the country and the products will be taken into account, in addition to the amount of manual work used in production. The aim is also to develop social responsibility features to the supplier management system and further strengthen the impact of factory assessments.

In 2023, Tokmanni continued to prepare its definition for sustainably labelled products in order to set targets for these in 2024. Biodiversity related targets were not met but the work continued internally. Tokmanni continued to delve deeper into supply chains, particularly with regard to high-risk raw materials. Tokmanni continued to pursue the goals set in its sustainability policies for raw materials.

Product responsibility

Product safety is an integral part of Tokmanni Group's sourcing practices, and the company is doing its best to guarantee the safety of the products sold. The Group does self-monitoring, visits suppliers, and tests products itself and with third parties at various stages of the sourcing process.

Tokmanni Group is regarded either as a distributor, importer, or manufacturer of the products depending on the brand and the role of the operations regarding the placing of the item on the Finnish, Swedish or Danish markets. Tokmanni Group has the ultimate responsibility over the safety of private label products and of other goods which it imports into the European Union (EU). The company monitors product safety by checking documentation, controlling quality during production, and inspecting consignments. It has products tested by third parties and carries out inspections for all its products based on their risk level.

The goal for 2023 was to further develop product quality and to enhance the customer experience of Tokmanni's private label products. In 2020, Tokmanni began reviewing its quality assurance processes. Based on the assessment of the customer claim rate, a detailed cause analysis and various bans and recommendations to suppliers to enhance product quality were implemented. This development also decreases the negative impacts to customers as the number of customer product returns has decreased. At the same time, with better quality products Tokmanni is able to increase customer satisfaction and improve better customer experience.

In order to mitigate negative impacts to customers, Tokmanni Group measures product safety by the number of product types that do not meet all its requirements. In 2023, Tokmanni Group identified 23 such cases (2022: 27), most of which were due to poor product quality and were detected through self-monitoring or customer returns. In 2023, no products sold by Tokmanni resulted in serious harm to consumer safety or property.

In 2023, Tokmanni Group carried out three market recall procedures for own brands or imported brands. In Finland, Tokmanni carried out two recalls, one related to possible safety risk related to own brand macaroni and other related to own import fruit bar. Both recalls were voluntary measures to minimize possible health risks. In addition to recalls, Tokmanni announced one voluntary based sales ban for own brand billhook to prevent possible risks to consumers. In Sweden and Denmark, Dollarstore conducted one recall for sunbed to minimize possible health risks. In Sweden, Dollarstore announced one voluntary based sales ban for own import Halloween items to prevent possible risks to consumers. In addition, in 2023 Dollarstore received fines from Swedish authorities totalling SEK 750 000 related to multiple separate cases related in selling products containing environmental hazardous substances that were sold during 2021-2022. No fines were addressed to Tokmanni in year 2023.

Tokmanni Group is responsible for ensuring the correctness of texts and packaging markings for the goods it sells. All our private label products indicate the country of manufacture and the recyclability of the packaging materials. Tokmanni, excl. Click Shoes and Shoe House, reviewed or renewed the labelling of 5,004 private label products in 2023 (2022: 4,740).

Climate

Tokmanni's most significant climate and environmental themes are energy consumption and the related emissions, circular economy including waste and waste management, biodiversity, as well as reducing emissions from the products sold and the supply chain including 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 increasing the reuse and recycling of its waste.

Targets 2023	Achievements 2023
Recycling and reuse rate: 85% of total waste	Partially achieved (83.5%)
CDP score A- or above	Partially achieved (B)
Reducing location-based CO2 emissions at our properties (Scope 1 and 2) by 2% compared to 2022 levels.	Partially achieved (-0.8%)
Analysis of renewable heat producers and pricing completed	Partially achieved
Targets set in the biodiversity roadmap adopted	Not achieved
Decreasing emissions in the supply chain in cooperation with suppliers (science-based climate targets, Scope 3 target)	Partially achieved (49.1%)
Maintaining CO2 emissions intensity from transport at 2015 level in relation to revenue	Partially achieved (2023: 12.06 t CO2/MEur; 2015 11.5 t CO2/MEur)
Developing information management systems for environmental reporting and auditing	Not achieved

Energy-efficient business

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

In 2020, Tokmanni was the third Nordic retail sector company to announce climate targets officially approved by the Science Based Targets initiative (SBTi) that are aligned with the Paris Agreement and aim to limit global warming to 1,5 degrees Celsius. In 2021, Tokmanni announced its aim to be carbon neutral in 2025. In 2023, Tokmanni had reduced its scope 1 and 2 emissions by 69.2% compared to 2015 base year, and 49.1% of its suppliers of products and services (by spend) had set climate targets in line with the Science Based Targets initiative (SBTi). In addition, in 2023, Tokmanni's market-based Scope 1 and 2 emissions increased by 41.1% from 2022 (-40.6%). The main reason was the rise of market-based CO2 emissions coefficient for district heating, which increased by 48%.

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

In 2023, the location-based scope 1 and 2 carbon dioxide emissions decreased by 0.8% (-21.9%). The decrease in location-based scope 1 and 2 emissions can be attributed to the continuation of energy efficiency measures.

In 2023, Tokmanni continued to increase solar power, commissioning the installation of new power plants on the roofs of 6 (5) buildings in 2023, including the new Moreeni logistics centre. Self-produced solar electricity accounted for about 9.8% (8.9%) of Tokmanni's annual measured electricity consumption in 2023, and 6.9% (6.5%) of estimated total consumption. The building automation systems at 15 properties, including refrigeration automation systems, were also upgraded in order to increase their energy efficiency by lowering the consumption of electricity and water.

In 2023, Tokmanni received a B score in the international climate change assessment of the CDP (formerly the Carbon Disclosure Project). Tokmanni is increasingly considering the risks and opportunities arising from climate change and has addressed the environmental impacts of their business.

In 2024, Tokmanni will continue to work on its current accepted science-based targets and recalculate a new baseline for the Science Based Targets initiative (SBTi) for the whole Group.

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. In 2023, Tokmanni did not entirely reach this target. A major international transport partner had further specified its emissions calculation leading to higher emissions despite lower transport amount.

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

Resource efficiency

Tokmanni seeks to minimise the amount of waste sent to incinerator plants by reducing waste and increasing the reuse and recycling of materials. In 2023 Tokmanni recycled around 33.9% (34%) and reused 49.6% (48%) of its waste. The latter was achieved by reusing pallets in transportation. In 2024, Tokmanni aims to achieve a recycling and reuse rate of 85%.

Tokmanni postponed the implementation of its biodiversity roadmap due to prioritizing the preparations for sustainability reporting according to the upcoming CSRD.

Targets 2024

Environment	Climate change	• Reduce Tokmanni segment's emissions according to current science-based targets (SBTs, 1.5 degrees Celsius) and own target (carbon neutral in own operations in 2025) (excl. Click Shoes and Shoe House) • Recalculate a new baseline for SBTs for Tokmanni Group, including Shoe House and Dollarstore. Set new SBTs for the Group • Maintaining Tokmanni segment's CO2 emissions intensity from transport at 2015 level in relation to revenue (excl. Click Shoes and Shoe House) • Invite Tokmanni segment's home textile factories to amfori BEPI environmental program (excl. Click Shoes and Shoe House)
	Biodiversity	• Set targets for Tokmanni segment's products certified and labelled as sustainable (excl. Click Shoes and Shoe House)
	Circular economy	• Tokmanni segment's recycling and reuse target rate 85% (excl. Click Shoes and Shoe House)
Social	Own employees	• Build common HR KPI´s between Tokmanni Group • Harmonize the statutory Work Community Development Plans between Tokmanni Group • Define the best practices in occupational health and safety (OHS) management and operations and implement them at Tokmanni Group • Harmonize the occupational health services for Tokmanni segment's employees • Harmonize and improve the on-boarding process and leadership trainings of Tokmanni Group • Improve the appraisal discussion process in the whole Group
	People in the value chain	• Increase the impact of Group's own assessments: 100 own assessments and third-party assessments • BSCI Compliance Rate 100% for Tokmanni segment and 80% for Dollarstore segment • Responsible sourcing guidelines adopted at Group-level (incl. Group-level human rights due diligence process definition) • Supplier management system project started in Tokmanni segment (excl. Click Shoes and Shoe House)
	Consumers and end-users	• No serious product safety flaws in products sold by the Group, and reducing complaints in private label products • The Group receives no notice from the authorities related to marketing • No privacy violations found at the Group • Promoting sustainable choices at Tokmanni segment (Reputation&Trust survey) (excl. Click Shoes and Shoe House)
Governance	Business conduct	• No serious breaches of non-compliance with ESG laws and regulations at the Group • Group's sustainability risk assessment done, incl. integration to Group-level risk assessment process • Test assurance for the Group 2023 sustainability report done and gap analysis implemented • Preparations done for Group reporting according to CSRD standards • Define Group-level sustainability agenda for the next strategy period

Reporting in accordance with the EU taxonomy

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

Proportion of revenue from products or services associated with Taxonomy-aligned economic activities – disclosure covering 2023

				Substantial contribution criteria						DNSH criteria										
Economic activities (1)	**Code(s) (2)**	**Absolute revenue (3)**	**Proportion of revenue (4)**	**Climate change mitigation (5)**	**Climate change adaptation (6)**	**Water and marine resources (7)**	**Circular economy (8)**	**Pollution (9)**	**Biodiversity and ecosystems (10)**	**Climate change mitigation (11)**	**Climate change adaptation (12)**	**Water and marine resources (13)**	**Circular economy (14)**	**Pollution (15)**	**Biodiversity and ecosystems(16)**	**Minimum safeguards (17)**	**Taxonomy-aligned portion of revenue, year N (18)**	**Taxonomy-aligned portion of revenue, year N-1 (19)**	**Category (enabling activity) (20)**	**Category (transitional activity) (21)**
		1,000 EUR	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**%**	**%**	**E**	**T**
A. Taxonomy-eligible activities																				
A.1 Environmentally sustainable activities (taxonomy-aligned)																				
Revenue of environmentally sustainable activities (taxonomy-aligned) (A.1)																				
Of which Enabling																				
Of which Transitional																				
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Revenue of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)																				
Total (A.1 + A.2)																				
B. TAXONOMY-NON ELIGIBLE ACTIVITIES																				
Revenue of Taxonomy-non-eligible activities		1 392 654	100 %																	
Total (A + B)		**1 392 654**	**100 %**																	

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

Proportion of capital expenditure from products or services associated with Taxonomy-aligned economic activities – disclosure covering 2023

				Substantial contribution criteria						DNSH criteria										
Economic activities (1)	**Code(s) (2)**	**Absolute turnover (3)**	**Proportion of turnover (4)**	**Climate change mitigation (5)**	**Climate change adaptation (6)**	**Water and marine resources (7)**	**Circular economy (8)**	**Pollution (9)**	**Biodiversity and ecosystems (10)**	**Climate change mitigation (11)**	**Climate change adaptation (12)**	**Water and marine resources (13)**	**Circular economy (14)**	**Pollution (15)**	**Biodiversity and ecosystems(16)**	**Minimum safeguards (17)**	**Taxonomy-aligned portion of turnover, year N (18)**	**Taxonomy-aligned portion of turnover, year N-1 (19)**	**Category (enabling activity) (20)**	**Category (transitional activity) (21)**
		1,000 EUR	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**%**	**%**	**E**	**T**
A. Taxonomy-eligible activities																				
A.1 Environmentally sustainable activities (taxonomy-aligned)																				
CapEx of environmentally sustainable activities (taxonomy-aligned) (A.1)																				
Of which Enabling																				
Of which Transitional																				
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)																				
Total (A.1 + A.2)																				
B. TAXONOMY-NON ELIGIBLE ACTIVITIES																				
CapEx of Taxonomy-non-eligible activities		431 924	100 %																	
Total (A + B)		**431 924**	**100 %**																	

Tokmanni Group has determined the total capital expenditure (denominator), EUR 431 924 thousand, in accordance with the Taxonomy guidelines. Capital expenditure consists of increases in Tokmanni Group's intangible assets, property, plant and equipment and right-of-use assets (leases) during the financial year. Additions to property, plant and equipment, and right-of-use assets are presented in Note 3.1 of the financial statement. Additions to intangible assets are presented in Note 3.2. The increase in goodwill related to business acquisitions is not included in the capital expenditures as defined by the taxonomy.

Proportion of operating expenses from products or services associated with Taxonomy-aligned economic activities – disclosure covering 2023

				Substantial contribution criteria						DNSH criteria										
Economic activities (1)	Code(s) (2)	Absolute turnover (3)	Proportion of turnover (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems(16)	Minimum safeguards (17)	Taxonomy-aligned portion of turnover, year N (18)	Taxonomy-aligned portion of turnover, year N-1 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
		1,000 EUR	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. Taxonomy-eligible activities																				
A.1 Environmentally sustainable activities (taxonomy-aligned)																				
OpEx of environmentally sustainable activities (taxonomy-aligned) (A.1)																				
Of which Enabling																				
Of which Transitional																				
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities (A.2)				[redacted]																
Total (A.1 + A.2)																				
B. TAXONOMY-NON ELIGIBLE ACTIVITIES																				
OpEx of Taxonomy-non-eligible activities		884	100 %																	
Total (A + B)		**884**	**100 %**																	

Tokmanni Group has determined the total operating expenses (denominator), EUR 884 thousand, in accordance with the Taxonomy guidelines. The operating expenses include expenses related to Tokmanni’s short-term leases, which are presented as part of other operating expenses. The item is part of Leases recognised in the statement of profit or loss, which is presented in Note 3.1.

Shares and shareholders

Tokmanni Group Corporation’s share capital amounted to EUR 80,000 on 31 December 2023. Tokmanni had 58,868,752 shares outstanding at the end of December 2023. During January–December 2023, a total of 25,838,859 Tokmanni shares were traded on the Nasdaq Helsinki for a total value of EUR 334.1 million. The final trade in Tokmanni shares on the Nasdaq Helsinki was executed at a price of EUR 14.62 on 31 December 2023. The highest quote for the share was EUR 14.87 and the lowest was EUR 11.29. The volume-weighted average price of the share was EUR 12.93. At the end of December 2023, the market value of the shares was EUR 860.7 million (1,156,8).

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

During January–December 2023 a total of 7,025 of Tokmanni Group Corporation's own shares were conveyed without consideration to the employees participating in the incentive program under the terms and conditions of the plans. During 2023, no own shares returned to Tokmanni Group Corporation. At the end of December 2023, Tokmanni Group Corporation held a total of 43,038 own shares, which represented 0.07% of Tokmanni Group Corporation’s share capital. The Board has a valid authorization to repurchase and/or on the acceptance as pledge of the company’s own shares. The authorization is explained below in the section Decisions of the Annual General Meeting.

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

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

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

Shareholding of the Board of Directors on 31 December 2023

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

* Mikko Bergman is Sompa Capital Oy's Board member. Sompa Capital Oy owned 40,000 Tokmanni Group Corporation's shares, or 0.07% of Tokmanni Group Corporation's shares on 31 December 2023.
** Seppo Saastamoinen is one of the founders of Takoa Invest Oy, Chairman of the Board and CEO. Takoa Invest Oy owned 10,844,688 shares, or 18.42% of Tokmanni Corporation's shares on 31 December 2023. In addition, Jukka Saastamoinen Oy owned 274,000 Tokmanni Group Corporation's shares. Seppo Saastamoinen owned 30% of Jukka Saastamoinen Oy's shares.

Shareholding of the Executive Group on 31 December 2023

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

More information on Tokmanni's shares and shareholders, as well as management's holdings, can be found 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. regarding listed companies. Tokmanni complies with the Finnish Corporate Governance Code for listed companies issued by the Securities Market Association.

Decisions taken by the Annual General Meeting

Tokmanni Group Corporation's Annual General Meeting was held on 22 March 2023 at Tokmanni's administration and logistics centre, address Isolammintie 1, 04600 Mäntsälä, Finland.

The meeting approved the financial statements, considered the Remuneration Report for governing bodies and discharged the responsible parties from liability for the financial period 1 January–31 December 2022.

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

In addition, the AGM authorised the Board of Directors to decide, at its discretion, on the distribution of a maximum dividend of EUR 0.38 per share in one instalment. The second dividend instalment was EUR 0.38 per share, and it was be paid on 30 November 2023 to the shareholders listed in the company's shareholder register maintained by Euroclear Finland Ltd on the record date of 22 November 2023.

In addition, the AGM confirmed Board composition, remuneration of the Board members and the auditor, nominated public accountants PricewaterhouseCoopers Oy as the auditor, authorised the Board of Directors to decide on repurchase and/or acceptance as pledge of the company’s own shares and the issue of shares as well as the issue of options and other special rights entitling to shares. The AGM also approved the amendment of section 9 of the Articles of Association.

Decisions taken in the constitutive meeting of the Board of Directors

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

Risk management

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

In Tokmanni Group, risk management is a proactive and essential part of day-to-day management to assess and manage opportunities and threats related to business operations. The Executive Groups of Tokmanni and Dollarstore are responsible for the practical implementation of risk management. Risks are assessed regularly and managed comprehensively. The risks of Tokmanni Group Corporation are reviewed annually by the Finance and Audit Committee of Tokmanni Group’s Board of Directors. The Chairman of the Finance and Audit Committee reports on risk management to the Board of Directors on a regular basis. The Board of Directors reports the key risks and factors of uncertainty to the markets in the Board of Directors’ Report and communicates material changes to them in the Group’s business review and half-year financial report.

Internal control is an essential part of Tokmanni Group’s governance and management system, in which Tokmanni Group Corporation’s Board of Directors, management and personnel participate. The purpose of internal control is to help ensure the achievement of the Group’s goals. The Group’s internal auditor is responsible for internal auditing. Administratively, the auditor reports to the Group’s CFO. However, in matters related to internal auditing, the auditor reports to the Finance and Audit Committee. The purpose of internal auditing is to monitor and verify that the company’s business operations are efficiently managed and profitable, that risk management is at an adequate level and that the external and internal reporting produced is accurate and appropriate.

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

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

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

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

Economic fluctuation

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

Geopolitical changes and political country risk in sourcing

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

Data system and data security risks

Dependence on data systems, data traffic and external service providers has grown. The interconnectedness of networks, the outsourcing of services and online retail mean that companies are required to carry out more effective monitoring of data security. Prolonged disturbances in data systems, payment transmissions or elsewhere in the supply chain, or other exceptional situations such as a cyber-attack, could paralyse the company’s operations or halt the flow of goods within the Group, causing significant losses in sales and a weakening of customers’ trust in the company. Tokmanni Group is focusing increasingly on identifying data security risks and increasing its data security capabilities. In addition, Tokmanni Group is investing in the latest device infrastructure and back-up systems as well as keeping preparation and recovery plans up to date.

Market risk

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

Inventory turnover and working capital management

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

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

The execution of Tokmanni Group’s strategy and strategic transformation require new kinds of skills and competences from the personnel. In addition to organic growth, acquisitions are one possible way to achieve the Group's strategic and financial targets. Acquisitions involve risks, which are related to, for example, the successful integration of sustainability work and purchasing operations and employees. If this integration is unsuccessful, it can be more difficult to achieve the required level of sustainability and the financial targets. Tokmanni Group has created operating models and actively allocated Group-level resources to support the implementation of acquisitions and integration. External advisors are also used to assess potential acquisition targets and related transactions.

Risks of loss or damage

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

Impacts of climate-related risks

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

Destruction of or damage at the logistics centre

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

Risks relating to the health and working capacity of employees

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

Reputation risk

If Tokmanni Group fails, for example, in its supervision of product safety or in ensuring responsibility in the supply chain, it could result in financial losses as well as an erosion or loss of customer trust. The importance of different aspects of responsibility in product manufacturing and sourcing as well as fair and equal treatment of employees is increasingly emphasised by stakeholders. Potential failures in implementing responsibility would result in negative publicity for Tokmanni Group, impacting its reputation. The above-mentioned quality, human rights and reputation risks are managed with internal and external quality and responsibility audits, with the compliance requirements of the amfori BSCI Code of Conduct and Ethical Code of Conduct, with good governance principles and a good corporate management model, and with internal audit measures and a large-scale Compliance programme. In addition, Tokmanni and Dollarstore have their own quality teams that monitor product safety and quality in the country of origin, at logistics centres and in the stores.

Brand image and marketing risk

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

Product quality and responsibility risk

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

Risks related to private label products and direct sourcing

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

Foreign exchange risks

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

Events after the review period

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

Preliminary information on the 2023 result

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

Outlook for 2024

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

Updated financial targets

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

Board of Directors’ proposal for the distribution of profit

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

The Board of Directors proposes that a maximum dividend of EUR 0.76 per share, or a total of EUR 44,707,542.64, be distributed as dividend for the financial year ended 31 December 2023. Of this dividend, EUR 0.38 will be paid to shareholders who are registered in the company’s shareholder register maintained by Euroclear Finland Ltd on the record date of the payment of the dividend, which is 25 April 2024. The Board of Directors proposes 8 May 2024 as the dividend payment date. The remainder of the distributable assets will remain in equity. The company’s solvency is good, and the proposed dividend distribution will not endanger the company’s solvency in the view of the Board of Directors.

In addition, the Board of Directors proposes that the 2024 Annual General Meeting authorise the Board of Directors to decide, at its discretion, on the distribution of a maximum dividend of EUR 0.38 per share in one instalment. This authorisation would be valid until 31 December 2024. The company will announce the possible decision taken by the Board of Directors on the distribution of dividend and, in connection with this, confirm the record date and payment date of the dividend. The dividend based on the authorisation will be paid to shareholders registered in the company’s shareholder register maintained by Euroclear Finland Ltd on the dividend record date.

Mäntsälä 11 April 2024

Tokmanni Group Corporation

Board of Directors

Group key figures

Key figures	1-12/2023	1-12/2022	1-12/2021
Revenue, 1,000 EUR	1 392 654	1 168 017	1 141 808
Like-for-like revenue development, %	1.1	-0.7	4.8
Customer visit development, %	0.7	0.8	0.8
Gross profit, 1,000 EUR	486 862	396 767	397 814
Gross profit, %	35.0	34.0	34.8
Comparable gross profit, 1,000 EUR	489 546	397 964	396 436
Comparable gross profit, %	35.2	34.1	34.7
Operating expenses, 1,000 EUR	-301 247	-243 678	-226 925
Comparable operating expenses, 1,000 EUR	-298 137	-243 138	-227 571
EBITDA, 1,000 EUR	189 853	157 114	174 536
EBITDA, %	13.6	13.5	15.3
Comparable EBITDA, 1,000 EUR	195 647	158 852	172 512
Comparable EBITDA, %	14.0	13.6	15.1
Operating profit EBIT, 1,000 EUR	93 049	84 054	107 710
Operating profit EBIT, %	6.7	7.2	9.4
Comparable EBIT, 1,000 EUR	98 843	85 792	105 686
Comparable EBIT, %	7.1	7.3	9.3
Net financial items, 1,000 EUR	-24 657	-10 749	-10 109
Capital expenditure, 1,000 EUR	238 714	54 275	21 586
Net cash from operating activities, 1,000 EUR	220 179	86 332	126 828
Net debt, 1,000 EUR	730 445	383 389	314 366
Net debt without lease liabilities, 1,000 EUR	165 310	100 413	18 037
Net debt / comparable EBITDA *	3.7	2.4	1.8
Net debt / comparable EBITDA without lease liabilities *	1.6	1.1	0.2
Return on capital employed, %	11.2	12.8	18.0
Return on equity, %	22.2	26.9	37.9
Equity ratio, %	18.8	31.2	30.0
Personnel at the end of the period	6 206	4 241	4 105
Personnel on average in the period (FTE)	3 706	3 126	3 091

* Rolling 12 months comparable EBITDA

Per-share data	2023	2022	2021
Earnings per share, basic (EUR/share)	0.92	1.00	1.33
Earnings per share, diluted (EUR/share)	0.92	1.00	1.33
Equity per share, (EUR/share)	4.51	4.20	4.16
Dividend per share, (EUR/share) *	0.76	0.76	0.96
Payout ratio, % *	82.8	76.2	72.4
Effective dividend yield, % *	5.2	6.7	4.9
Price/earnings ratio (P/E)	15.92	11.31	14.82
Share price at 31 December	14.62	11.29	19.65
Highest price during the period	14.87	20.26	26.90
Lowest price during the period	11.29	10.77	15.32
Average price during the period	12.93	13.91	20.50
Share turnover, thousands	25 839	48 596	42 374
Share turnover, %	43.9	82.5	72.0
Market capitalisation at 31 December, 1,000 EUR	860 661	664 628	1 156 771
Number of shares at 31 December, thousands	58 869	58 869	58 869
Number of shares, weighted average during the financial period (thousands)	58 819	58 815	58 731
Diluted number of shares, weighted average during the financial period (thousands)	58 878	58 858	58 776

** For 2023, the Board's proposal to the Annual General Meeting*

Adjustments affecting comparability

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

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

1,000 EUR	1-12/2023	1-12/2022	1-12/2021
Gross profit	**486 862**	**396 767**	**397 814**
Changes in fair value of currency derivatives	-250	1 197	-1 378
Change in the fair value of inventory related to purchase price allocation, preliminary	2 934		
Comparable Gross Profit	**489 546**	**397 964**	**396 436**
Operating expenses	**-301 247**	**-243 678**	**-226 925**
Changes in fair value of electricity derivatives		540	-646
Non-recurring expenses related to business acquisitions	3 110		
Comparable operating expenses	**-298 137**	**-243 138**	**-227 571**
EBITDA	**189 853**	**157 114**	**174 536**
Operating profit (EBIT)	**93 049**	**84 054**	**107 710**
Changes in fair value of currency derivatives	-250	1 197	-1 378
Changes in fair value of electricity derivatives	-	540	-646
Non-recurring expenses related to business acquisitions	3 110	-	-
Change in the fair value of inventory related to purchase price allocation, preliminary	2 934	-	-
Comparable EBITDA	**195 647**	**158 852**	**172 512**
Comparable operating profit (adj. EBIT)	**98 843**	**85 792**	**105 686**

Calculation of the Group's key figures

Like-for-like revenue development, %	=	Like-for-like revenue development is calculated by taking into account the revenue growth of stores that are not considered to be net-new and the revenue growth of relocated stores, as defined by Tokmanni Group 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. Tokmanni Group reduces the net amount of stores closed during the financial year from new and relocated stores.
Customer visit development, %	=	Number of customer transactions
Gross profit	=	Revenue - Materials and services
Comparable gross profit	=	Gross profit - Changes in the fair value of currency derivatives - other non-recurring expenses
Operating expenses	=	Employee benefits expenses + Other operating expenses
Comparable operating expenses	=	Operating expenses - Changes in fair value of electricity derivatives
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
Capital expenditure	=	Investments in tangible and intangible assets + Purchased subsidiary shares
Net debt	=	Interest-bearing debt - Cash and cash equivalents
Net debt without lease liabilities	=	Net debt - IFRS 16 lease liabilities
Net debt / Comparable EBITDA	=	$\dfrac{\text{Net debt}}{\text{Comparable EBITDA}}$
Net debt / Comparable EBITDA without lease liabilities	=	$\dfrac{\text{Net debt - IFRS 16 lease liabilities}}{\text{Comparable EBITDA, without IFRS 16 liabilities, average preceding 12 months}}$
Capital employed	=	Balance sheet total - Deferred tax liability and other non-interest-bearing liabilities
Return on capital employed, %, rolling 12 months	=	$\dfrac{\text{Comparable EBIT, average preceding 12 months}}{\text{Capital employed, average for the preceding 12 months}}$
Invested capital	=	Balance sheet total - Deferred tax liability and other non-interest-bearing liabilities
Return on invested capital, %	=	$\dfrac{\text{Profit before taxes + Interest and other financial expenses (preceding 12 months)}}{\text{Capital employed, average for the preceding 12 months}}$

Return on equity, %	=	Net result for the preceding 12 months / Equity, average for the preceding 12 months
Number of personnel	=	Number of personnel at the end of the period
Number of personnel on average, converted into full-time employees	=	Average number of personnel converted into full-time employees
Equity ratio	=	Equity / Balance sheet total - Advances received

Calculation of the group's per-share data

Earnings per share, basic	=	Net profit / Number of shares, weighted average during the period
Earnings per share, diluted	=	Net profit / Diluted number of shares, weighted average during the period
Equity per share	=	Equity / Number of shares excluding treasury shares, end of reporting period
Dividend per share	=	Dividend for the period / Number of shares, weighted average during the period
Earnings per share	=	Net profit / Number of shares excluding treasury shares, end of reporting period
Payout ratio, %	=	Dividend per share / Earnings per share
Effective dividend yield, %	=	Dividend per share / Closing price for the period
Price/earnings ratio (P/E)	=	Closing price for the period / 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 2023.

Tokmanni Group Corporation has one share series and all shares carry equal voting rights at the general meeting. The share has no nominal value. On 31 December 2023 Tokmanni Group Corporation owned 43,038 of its own shares.

Tokmanni Group Corporation's shares on the Nasdaq Helsinki stock exchange in 2023

Turnover, EUR	334,124,511
Volume	25,838,859
High, EUR	14.87
Low, EUR	11.29
WVAP, EUR	12.93
Last, EUR	14.62
Market cap 31 Dec, EUR	860,661,154

Division of shares 31 December 2023

	Shareholders		Shares		Votes	
	Number	%	Number	%	Number	%
1-100	26,082	51.66	1,108,036	1.88	1,108,036	1.88
101-500	16,863	33.40	4,248,965	7.22	4,248,965	7.22
501-1,000	4,052	8.03	3,100,084	5.27	3,100,084	5.27
1,001-5,000	3,009	5.96	6,199,365	10.53	6,199,365	10.53
5,001-10,000	276	0.55	1,959,490	3.33	1,959,490	3.33
10,001-50,000	149	0.30	2,990,228	5.08	2,990,228	5.08
50,001-100,000	22	0.04	1,522,413	2.59	1,522,413	2.59
100,001-500,000	26	0.05	5,136,608	8.73	5,136,608	8.73
50,0001-	12	0.02	32,603,563	55.38	32,603,563	55.38
Total	**50,491**	**100.00**	**58,868,752**	**100.00**	**58,868,752**	**100.00**
Out of which nominee registered	11		13,780,914	23.41	13,780,914	23.41

Ownership structure 31 December 2023

	Shares	
	Number	%
Financial and insurance institutions	17,236,763	29.28
Households	16,475,272	27.99
Private Corporations	14,912,912	25.33
Public sector organisations	5,672,489	9.64
Non-Finnish holders	2,480,167	4.21
Non-profit organisations	2,091,149	3.55
Total	**58,868,752**	**100.00**
Out of which nominee registered	13,780,914	23.41

Tokmanni Group Corporation's major shareholders by number of shares 31 December 2023

	Shares	% of shares
Takoa Invest	10,844,688	18.42
Varma Mutual Pension Insurance Company	2,457,715	4.17
Ilmarinen Mutual Pension Insurance Company	1,526,000	2.59
Evli Finnish Small Cap Fund	1,111,000	1.89
Elo Mutual Pension Insurance Company	1,053,000	1.79
OP Life Assurance Company Ltd	613,333	1.04
OP-Finland Fund	559,289	0.95
S-pankki Fenno Osake Sijoitusrahasto	540,138	0.92
Nordea Finnish Stars Fund	522,303	0.89
Veritas Pension Insurance Company Ltd.	510,000	0.87
Säästöpankki Kotimaa	438,678	0.75
Nordea Pro Finland Fund	330,941	0.56
Kirkon Eläkerahasto	325,736	0.55
Mandatum Life Insurance Company Limited	276,756	0.47
Jukka Saastamoinen Oy	274,000	0.47
Danske Invest Finnish Equity Fund	256,773	0.44
Evli Finland Select Fund	225,000	0.38
Sivula Harri	215,572	0.37
Rautiainen Mika Aarne Valter	177,911	0.30
OP-Finland Small Firms Fund	168,221	0.29

CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

Consolidated income statement

1,000 EUR	Note	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
Revenue	2.2	**1 392 654**	**1 168 017**
Other operating income	2.2	4 238	4 025
Materials and services	2.3	-905 792	-771 249
Employee benefits expenses	2.6	-174 434	-137 072
Depreciation	2.5	-96 804	-73 060
Other operating expenses	2.4	-126 887	-106 705
Share of profit in joint ventures	3.9	74	98
Operating profit		**93 049**	**84 054**
Financial income	2.7	2 624	54
Financial expenses	2.7	-27 281	-10 802
Profit/loss before tax		**68 392**	**73 306**
Income taxes	2.8	-14 386	-14 613
Net result for the financial period		**54 005**	**58 693**
Profit for the year attributable to			
Equity holders of the parent company		54 005	58 693

Consolidated statement of comprehensive income

1,000 EUR	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
Net result for the financial period	**54 005**	**58 693**
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	8 830	-5
Comprehensive income for the financial period, net of tax	**8 830**	**-5**
Comprehensive income for the financial period	**62 835**	**58 688**
Comprehensive income for the financial period attributable to		
Equity holders of the parent company	62 835	58 688

Earnings per share		2023	2022
Equity holders of the parent company		54 005	58 693
Earnings per share, basic (EUR/share)	2.9	0.92	1.00
Earnings per share, diluted (EUR/share)	2.9	0.92	1.00

Consolidated statement of financial position

1,000 EUR	Note	31 December 2023	31 December 2022
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3.1	633 393	329 666
Goodwill	3.2	218 070	136 216
Other intangible assets	3.2	45 769	4 022
Non-current receivables	3.5	2 005	2 170
Investments in joint ventures	3.9	254	191
Other financial assets	3.5	650	664
Deferred tax asset	2.8	-	1 616
NON-CURRENT ASSETS, TOTAL		**900 141**	**474 545**
CURRENT ASSETS			
Inventories	3.3	342 851	281 312
Trade and other receivables	3.4	31 019	26 406
Income tax receivables	3.4	2 636	2 508
Cash and cash equivalents	3.8	133 687	9 051
CURRENT ASSETS, TOTAL		**510 193**	**319 278**
ASSETS, TOTAL		**1 410 334**	**793 823**
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	-706	-819
Translation differences		8 837	7
Retained earnings		147 290	137 789
EQUITY, TOTAL		**265 402**	**246 959**
NON-CURRENT LIABILITIES			
Deferred tax liabilities	2.8	12 894	-
Non-current interest-bearing liabilities	4.2	726 063	322 721
Non-current non-interest-bearing liabilities	3.7	4 327	4 822
NON-CURRENT LIABILITIES, TOTAL		**743 284**	**327 543**
CURRENT LIABILITIES			
Current interest-bearing liabilities	4.2	138 068	69 719
Trade payables and other current liabilities	3.6	259 941	148 507
Income tax liabilities	3.6	3 639	1 095
CURRENT LIABILITIES, TOTAL		**401 648**	**219 321**
EQUITY AND LIABILITIES, TOTAL		**1 410 334**	**793 823**

Consolidated statement of cash flows

1,000 EUR	Note	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
Cash flows from operating activities			
Net result for the financial period		54 005	58 693
Adjustments:			
Depreciation	2.5	96 804	73 060
Capital gains and losses on non-current assets		-52	-2
Financial income and expenses	2.7	24 646	10 724
Income taxes	2.8	14 386	14 613
Other adjustments		-191	636
Change in working capital:			
Change in current non-interest-bearing receivables		-7 637	-4 707
Change in inventories		36 971	-17 136
Change in current non-interest-bearing liabilities		36 025	-16 700
Interest paid		-19 655	-10 133
Other financing items		1 269	-61
Income taxes paid		-16 392	-22 655
Net cash from operating activities		**220 179**	**86 332**
Cash flows from investing activities			
Purchases of tangible and intangible assets		-53 950	-54 275
Proceeds from disposal of tangible and intangible assets		88	31
Business acquisitions		-166 086	-
Investments in other assets		-	-465
Proceeds from sale of investments		3	-
Loans granted		-	-160
The compensation from sales of property		52 701	-
Proceeds from repayments of loans		242	143
Net cash from investing activities		**-167 002**	**-54 726**
Cash flows from financing activities			
Proceeds from current loans		224 769	400 500
Repayments of current loans		-210 000	-390 500
Proceeds from non-current loans		174 613	-
Repayments of lease liabilities	3.1	-73 988	-57 230
Dividends paid		-44 707	-56 470
Net cash from financing activities		**70 686**	**-103 700**
Net change in cash and cash equivalents		**123 864**	**-72 094**
Cash and cash equivalents at beginning of the financial period		**9 051**	**81 253**
Net change in cash and cash equivalents		123 864	-72 094
Effects of exchange rate fluctuations on cash held		772	-107
Cash and cash equivalents at end of the financial period		**133 687**	**9 051**

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 2023	4.1	**80**	**109 902**	**-819**	**7**	**137 789**	**246 959**	**246 959**
Comprehensive income								
Net result for the financial period						54 005	54 005	54 005
Translation differences					8 830		8 830	8 830
Other comprehensive income					**8 830**		**8 830**	**8 830**
Total comprehensive income for the financial period					**8 830**	**54 005**	**62 835**	**62 835**
Dividends						-44 707	-44 707	-44 707
Transfer of treasury shares				113		-113	-	-
Changes in ownership interests in subsidiaries						-3	-3	-3
Incentive scheme						319	319	319
Equity 31 Dec 2023		**80**	**109 902**	**-706**	**8 837**	**147 290**	**265 402**	**265 402**

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

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 Tokmanni Group. The shares of the parent company are listed on the Nasdaq Helsinki exchange.

The principal line of business of Tokmanni Group Corporation is to sell administrative services to the other companies in the Group. These companies include Retail Leasing Oy, whose line of business is to own and lease property, plant and equipment to the other Group companies. Tokmanni Oy is a wholly owned subsidiary of Retail Leasing Oy. Tokmanni Oy engages in wholesale, retail and speciality goods trade. Taitomanni Oy is a company owned by Tokmanni Oy, whose business is to provide Group companies with personnel rental and support services in the retail sector. During the fiscal year Tokmanni Oy bought two shoe retail businesses, Click Shoes Oy and Shoe House Oy, Click Shoes Oy merged into Shoe House Oy on December 31, 2023.

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. During the fiscal year Retail Property Investment established two new real estate companies, Kiinteistö Oy Tokmanni Pälkäne and Kiinteistö Oy Tokmanni Eurajoki. Retail Property Investment Oy can also own, manage, sell, rent and purchase real estates. Tokmanni Group Oyj is parent company of Retail Leasing Oy and Retail property investment Oy. In December 2023 Tokmanni Group sold Mäntsälä Distribution Center Oy and Kiinteistöosakeyhtiö Tokmannin Moreeni.

On August 1, 2023, Tokmanni Group Oyj purchased all shares of the companies belonging to the Swedish Dollarstore discount store chain, which include Tokmanni Retail AB, Dollarstore AB and Big Dollar ApS.

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 ir.tokmanni.fi/en. At its meeting of 11 April 2024, 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 2023. 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 2023 or on 31 December 2022, there were no non-controlling interests within the Group. The way to recognise the goodwill generated through subsidiary acquisitions and business acquisitions is described later in Note 3.2 Intangible assets.

Consolidation policies - joint ventures

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

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

Translation of items in foreign currencies

"Transactions in foreign currencies are converted into the functional currency using the exchange rate of the transaction date. Gains and losses resulting from the translation of foreign currency transactions and items are recognised in profit or loss, disclosed after the operating profit in financial income and expenses. The following items included in the purchase costs of the financial period constitute an exception:
- Exchange rate gains or losses arising from the translation of trade payables in foreign currencies.
- Exchange rate gains or losses arising from the changes in the fair values of currency options that hedge purchases quoted in foreign currencies."

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

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

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

The most significant areas where Management has used judgement are listed under. More detailed descriptions of the discretionary are presented in notes of the related items.
- Classification of leases, Note 3.1
- Measurement of inventories, Note 3.3
- Goodwill impairment testing, Note 3.2

1.5 Adoption of new or revised IFRS standards and IFRIC interpretations

Amendment to IAS 12 Income Taxes -standard, pillar two, regulation on global minimum tax

Tokmanni Group has assessed the likely effects of the regulation on global minimum tax on income taxes. According to the assessment, the regulation should not have an effect on taxes payable. The regulation is applied for the first time during the tax year 2024.

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

1.6 Forthcoming IFRS standards

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

2. Business performance

2.1 Operating segments

Accounting principles

The chief operating decision-maker is the President and CEO, whose decision-making criterion in assessing the performance of segments and resource allocation are EBIT and comparable EBIT. The reporting of the operating segments is consistent with the internal reporting submitted to the chief operating decision-maker.

Intra-segment transactions are eliminated and inter-segment transactions are on market-based terms. The revenues, expenses, assets and liabilities presented in segment reporting are items that are directly or reasonably allocable to segments. Group operations and eliminations are presented separately from reportable segments. In the consolidated financial statements, inter-segment transactions have been eliminated and, except for items affecting comparability, segment reporting is produced in accordance with the principles applied in the preparation of the consolidated financial statements.

New segment reporting structure

Tokmanni Group’s business is monitored on geographical basis and the Group’s reportable segments consist of Tokmanni segment in Finland and Dollarstore segment in Sweden and Denmark. Segment structure changed as a result of the acquisition of Dollarstore in the 2023 financial year. The figures reported in the financial statements reflect the new segment structure and the comparative period has been restated to also reflect the new structure. Before Dollarstore acquisition and the resulting segment restructuring, Group had only one reportable segment, which operated in Finland.

Operating segments

The revenue of the operating segments consists mainly of sales of grocery and non-grocery products. The volume of sales of services is low. Tokmanni Group has no such single external customers whose business contribution would accounts for more than 10% of the Group’s revenue.

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

Operating segments in 2023

EUR thousand	Tokmanni	Dollarstore	Group functions and eliminations	Total
Profit				
External revenue	1 208 577	184 077	-	1 392 654
Internal revenue	66	-	-66	-
Revenue, total	**1 208 643**	**184 077**	**-66**	**1 392 654**
Depreciation	-79 156	-17 648	-	-96 804
Share of profit of joint ventures	74	-	-	74
EARNINGS BEFORE INTEREST AND TAXES (EBIT)	**84 718**	**9 909**	**-1 578**	**93 049**
Adjustments affecting comparability	3 127	2 667	-	5 794
Comparable EBIT	**87 845**	**12 576**	**-1 578**	**98 843**
Financial income	2 419	468	-262	2 624
Financial expenses	-22 649	-4 894	262	-27 281
Profit/loss before tax	**64 488**	**5 482**	**-1 578**	**68 392**
Other items				
Inventories at the end of the period	248 775	94 076	-	342 851
Capital expenditure	236 484	2 230	-	238 714

Operating segments 2022

EUR thousand	Tokmanni	Dollarstore	Group functions and eliminations	Total
Profit				
External revenue	1 168 017	-	-	1 168 017
Internal revenue	-	-	-	-
Revenue, total	**1 168 017**	**-**	**-**	**1 168 017**
Depreciati	-73 060	-	-	-73 060
Share of profit of joint ventures	98	-	-	98
EARNINGS BEFORE INTEREST AND TAXES (EBIT)	**85 209**	**-**	**-1 155**	**84 054**
Adjustments affecting comparability	1 737	-	-	1 737
Comparable EBIT	**86 946**	**-**	**-1 155**	**85 792**
Financial income	54	-	-	54
Financial expenses	-10 802	-	-	-10 802
Profit/loss before tax	**74 460**	**-**	**-1 155**	**73 306**
Other items				
Inventories at the end of the period	281 312	-	-	281 312
Capital expenditure	54 275	-	-	54 275

Geographical information

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

Geographical information 2023

	Finland	Sweden and Denmark	Group functions and eliminations	Total
External revenue, EUR thousand	1 208 577	184 077	-	1 392 654
Non-current assets, EUR thousand *	554 925	345 215	-	900 141
Number of stores at the end of the period	238	134	-	372

* excluding deferred taxes

Geographical information 2022

	Finland	Sweden and Denmark	Group functions and eliminations	Total
External revenue, EUR thousand	1 168 017	-	-	1 168 017
Non-current assets, EUR thousand *	472 929	-	-	472 929
Number of stores at the end of the period	202	-	-	202

* excluding deferred taxes

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	2023	2022
Revenue		
Finland	1 208 577	1 168 017
Sweden	179 314	-
Denmark	4 763	-
Total	**1 392 654**	**1 168 017**
Other operating income		
Service income	1 154	1 222
Rental income	838	331
Other operating income	2 246	2 472
Total	**4 238**	**4 025**
Total	**1 396 892**	**1 172 042**

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	2023	2022
Purchases during the period	-865 928	-786 702
Increase / decrease in inventories	-37 803	17 690
External services	-2 060	-2 238
Total	**-905 792**	**-771 249**

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	2023	2022
Rental expenses	-1 657	-3 001
Marketing expenses	-19 459	-16 461
Real estate and store site expenses	-51 540	-41 978
IT expenses	-13 094	-10 541
Purchased services	-16 738	-13 781
Other expenses	-24 398	-20 942
Total	**-126 887**	**-106 705**

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	2023	2022
PricewaterhouseCoopers Oy		
Audit	-189	-169
Other services	-80	-7
Total	**-269**	**-177**
Ernst & Young Sweden AB		
Audit	-55	-
Tax services	-16	-
Total	**-71**	**-**

The auditor of Group’s Finnish companies is PricewaterhouseCoopers Oy, excluding Shoe House Oy. The auditor of Dollarstore AB is Ernst & Young Sweden AB. Statutory audit fees have also been paid EUR 11 thousand to other audit companies.

2.5 Depreciation

1,000 EUR	2023	2022
Intangible assets		
IT software and licenses	-2 509	-1 888
Other intangible assets	-11	-4
Total	**-2 520**	**-1 892**
Property, plant and equipment		
Buildings and constructions	-80 625	-60 105
Machinery and equipment	-13 660	-11 063
Total	**-94 284**	**-71 168**
Total	**-96 804**	**-73 060**

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 and benefit based 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	2023	2022
Wages, salaries and fees	-141 540	-112 569
Pension expenses - defined contribution plans	-21 241	-20 070
Pension expenses - benefit-based plans	-45	-
Other social security expenses	-11 609	-4 433
Total	**-174 434**	**-137 072**
Personnel on average in the period (FTE)	3 706	3 126

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 654 thousand (EUR 338 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. The performance share program included the calendar year 2023. The pay-out of the program was based on the company’s earnings per share, Tokmanni Group Corporation's total share return compared to peer companies, and on the customers' view of Tokmanni store chain's sustainability in 1.1. –31.12.2023.

Expenses totalling EUR 465 thousand (EUR 139 thousand) were recorded for the annual bonus scheme for the Group’s key personnel in 2023, and expenses of EUR 814 thousand (EUR 726 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	2023	2022
Interest income and other financial income		
Interest income on financial assets at amortised cost	489	39
Dividend income	2	2
Foreign exchange gains on cash and cash equivalents	2 133	13
Total	**2 624**	**54**
Interest expenses and other financial costs		
Interest expenses on financial liabilities at amortised cost	-10 441	-2 286
Interest expenses on leases	-15 256	-8 300
Foreign exchange losses on cash and cash equivalents	-1 987	-281
Other financial costs	403	65
Total	**-27 281**	**-10 802**
Total	**-24 657**	**-10 749**

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 250 thousand (EUR -1 197 thousand). Changes in the fair value of commodity derivatives are recognised as adjustments of other operating expenses by EUR 0 thousand (EUR -540 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	2023	2022
Income taxes for the financial period	-15 361	-14 902
Income taxes for previous financial periods	-21	46
Change in deferred taxes	996	243
Total	**-14 386**	**-14 613**

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

1,000 EUR	2023	2022
Profit/loss before tax	68 392	73 306
Income taxes at Finnish tax rate 20,0% (20,0%)	-13 678	-14 661
Differing tax rates of foreign subsidiaries	-39	-
Tax-exempt income	23	1
Non-deductible expenses	-672	2
Use of tax losses not recognised earlier	-	0
Unrecognised deferred tax assets from losses in taxation	-	0
Income taxes for previous financial periods	-21	46
Total	**-14 386**	**-14 613**
Effective tax rate	**21,0 %**	**19,9 %**

Deferred tax assets and liabilities

Change in deferred tax balances 2023

1,000 EUR	1 Jan 2023	Recognised in income statement	Acquisitions	Translation differences	31 Dec 2023
Deferred tax assets					
Leases	56 595	14 749	41 461	1 630	114 435
Sale and leaseback transaction	1 063	-99	-	-	964
Other	121	-62	-	-	59
Total	**57 779**	**14 588**	**41 461**	**1 630**	**115 458**
Deferred tax liabilities			0	0	
Leases	50 139	13 923	41 461	1 612	107 136
Valuation of intangible and tangible goods at fair value, acquisitions	-	-843	11 334	392	10 883
Deductible goodwill amortisation, reversal	4 189	170	-	-	4 359
Cumulative depreciation differences	909	554	1 552	76	3 091
Other	925	-212	2 091	78	2 883
Total	**56 163**	**13 593**	**56 438**	**2 158**	**128 352**
Net deferred tax assets	**1 616**				**-**
Net deferred tax liabilities	**-**				**12 894**

Change in deferred tax balances 2022

1,000 EUR	1 Jan 2022	Recognised in income statement	Acquisitions	Translation differences	31 Dec 2022
Deferred tax assets			0	0	
Leases	59 266	-2 671	-	-	56 595
Sale and leaseback transaction	1 162	-99	-	-	1 063
Other	35	86	-	-	121
Total	**60 463**	**-2 684**	**-**	**-**	**57 779**
Deferred tax liabilities					
Leases	52 936	-2 796	-	-	50 139
Deductible goodwill amortisation, reversal	4 036	153	-	-	4 189
Cumulative depreciation differences	1 010	-100	-	-	909
Other	1 109	-184	-	-	925
Total	**59 090**	**-2 927**	**-**	**-**	**56 163**
Net deferred tax assets	**1 373**				**1 616**

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

2.9 Earnings per share

Accounting policies

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

Earnings per share	2023	2022
Equity holders of the parent company	54 005	58 693
Number of shares, weighted average during the financial period (thousands)	58 819	58 815
Diluted number of shares, weighted average during the financial period (thousands)	58 878	58 858
Earnings per share, basic (EUR/share)	0,92	1,00
Earnings per share, diluted (EUR/share)	0,92	1,00

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 are depreciated over their useful lives using the straight-line depreciation. Depreciation on land applies to improvements made to the land. 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 15-20 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 Group leases store premises, logistics centres, vehicles and equipment for its use. The Group 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.

The Group 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 Group's lease agreements vary between non-fixed-term agreements with a 1-month notice period and 20-year fixed agreements. Regarding non-fixed-term lease agreements, when estimating the likely lease period, the importance of the leased asset to Group 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 Group'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 Group's store properties; in this case the interest of the additional credit is used, which Group 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.

Tokmanni Group applies a practical relief, according to which the Group combines similar lease contracts into a portfolio. The impact of lease contracts treated according to this relief on the Group’s right-of-use assets and lease liabilities is not significant.

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 Group to continue successful business activities, it is favourable to remain in a 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 desired. 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, management will evaluate the likelihood of using the extension option of the lease period that may be written 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 be included in 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 management 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. Management 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 common for shopping centre properties.

Sale and leaseback transaction

In a sale and leaseback situation, the Group assesses whether the transaction meets the criteria for the sale of an asset according to IFRS 15 standard. In a sale situation, the value of the right-of-use asset is recorded in the balance sheet as the portion of the original book value of the asset that corresponds to the value retained by the Group. In this case, the portion of the sale price that corresponds to the rights transferred to the buyer is recorded as an asset, allocated to either prepaid rents or financial liabilities. If the sale criteria are not met, the asset’s reporting continues on the balance sheet and the disposal price is presented as a financial liability.

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

Residual value guarantees

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

Property, plant and equipment

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

Property, plant and equipment 2023

1,000 EUR	Land and waters	Buildings	Machinery and equipment	Prepayments	Total
Property, plant and equipment	442	7 572	35 119	35 835	78 968
Right-of-use assets	-	250 070	627	-	250 697
Carrying amount as at 1 Jan	**442**	**257 642**	**35 746**	**35 835**	**329 666**
Property, plant and equipment	4 381	31 146	54 839	3 852	94 220
Right-of-use assets	-	532 242	6 932	-	539 173
Carrying amount as at 31 Dec	**4 381**	**563 388**	**61 771**	**3 852**	**633 393**

Property, plant and equipment 2022

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

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) 2023

1,000 EUR	Land and waters	Buildings	Machinery and equipment	Prepayments	Total
Acquisition cost					
Acquisition cost as at 1 Jan	442	24 879	110 203	35 835	171 360
Translation differences	21	1 167	1 586	27	2 801
Acquisitions	522	28 802	39 363	298	68 985
Additions	2 498	1 828	7 393	39 612	51 331
Sales of property	-1 539	-44 548	-10 318	-	-56 405
Disposals	-	-	-133	-	-133
Transfers between items	2 719	49 564	19 428	-71 920	-209
Acquisition cost as at 31 Dec	**4 662**	**61 693**	**167 523**	**3 852**	**237 731**
Accumulated depreciation					
Accumulated depreciation as at 1 Jan	-	-17 307	-75 085	-	-92 392
Translation differences	-11	-408	-1 033	-	-1 452
Cumulative depreciation on acquisitions	-252	-9 312	-24 085	-	-33 649
Depreciation charge for the financial period	-18	-3 520	-12 575	-	-16 113
Accumulated depreciation of disposals	-	-	95	-	95
Accumulated depreciation as at 31 Dec	**-281**	**-30 547**	**-112 684**	**-**	**-143 511**
Carrying amount as at 1 Jan	**442**	**7 572**	**35 119**	**35 835**	**78 968**
Carrying amount as at 31 Dec	**4 381**	**31 146**	**54 839**	**3 852**	**94 220**

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

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

Leases

Leases recognised in the balance sheet 2023

1,000 EUR	Buildings	Machinery and equipment	Total
Right-of-use assets			
Carrying amount as at 1 Jan	250 070	627	250 697
Carrying amount as at 31 Dec	532 242	6 932	539 173
Additions to the right-of-use assets	261 825	7 192	269 017
Lease liabilities			
Non-current	222 948	308	223 257
Current	59 420	299	59 719
Lease liabilities 1 Jan	**282 369**	**607**	**282 976**
Non-current	476 648	5 418	482 066
Current	81 358	1 710	83 068
Lease liabilities 31 Dec	**558 006**	**7 128**	**565 134**

Leases recognised in the balance sheet 2022

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

Additions to right-of-use assets are new leases related to stores (Buildings and constructions), company cars and equipment (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 8 047 thousand during the financial period (EUR 7 953 thousand).

At the close of the 2023 financial year, it was estimated that the undiscounted residual values payable in the future will amount to EUR 1 211 thousand (EUR 168 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	2023	2022
Depreciation charge of right-of-use assets		
Buildings	-77 086	-57 556
Machinery and equipment	-1 087	-332
Total	**-78 173**	**-57 888**
Other amounts relating to leases		
Interest expense	-15 256	-8 300
Expense relating to variable lease payments (not included in lease liabilities)	-996	-1 178
Expense relating to short-term leases (less than 1 year)	-884	-1 231
Expense relating to leases of low-value assets	-356	-592
Income from subleasing right-of-use assets	838	331
Total cash outflow for leases	-89 244	-65 530

Sale and leaseback transaction

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

Costs related to construction of the Moreeni logistics centre and the road connection accounted for EUR 23,2 million in 2023. The total value of the investment amounted to EUR 59.0 million and was recognised over the period 2022–2023. The compensation received from the sale was EUR 52,7 million and it is presented in Group's cash flow from investments. The arrangement generated a sales profit of EUR 3 thousand and it is presented in the Group's income statement.

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 revenue, the average EBIT margin 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 2023

1,000 EUR	Goodwill	IT software and licences	Other intangible assets	Prepayments	Total
Acquisition cost					
Acquisition cost as at 1 Jan	136 216	21 476	185	-15	157 863
Translation differences	3 004	-	1 522	-	4 526
Acquisitions	78 849	-	41 754	-	120 603
Additions	-	778	10	27	815
Transfers between items	-	13	209	-13	209
Acquisition cost as at 31 Dec	**218 070**	**22 266**	**43 679**	**-**	**284 016**
Accumulated depreciation					
Accumulated depreciation as at 1 Jan	-	-17 481	-144	-	-17 625
Translation differences	-	-	-32	-	-32
Depreciation charge for the financial period	-	-1 348	-1 173	-	-2 520
Accumulated depreciation as at 31 Dec	**-**	**-18 828**	**-1 348**	**-**	**-20 177**
Carrying amount as at 1 Jan	**136 216**	**3 995**	**41**	**-15**	**140 238**
Carrying amount as at 31 Dec	**218 070**	**3 438**	**42 331**	**-**	**263 839**

Intangible assets 2022

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

Allocation of goodwill and testing practice

For the purpose of impairment testing of Tokmanni Group, goodwill is allocated to cash-generating units, which is at maximum at the level of reportable segments. Management has identified Tokmanni and Dollarstore as cash-generating units. The cash-generating unit group is tested for impairment by comparing the carrying amount of the group of cash-generating units with its recoverable amount. The carrying amount to be tested includes goodwill, intangible and tangible 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 item or group of cash-generating units being less than the carrying amount. Besides goodwill, the Group has no other intangible assets deemed to have an unlimited useful life. The carrying amount of goodwill recognized to Tokmanni is EUR 168.0 million and for Dollarstore EUR 50,1 million.

An impairment loss is the amount by which the carrying amount of an asset or group of cash-generating units exceeds the recoverable amount of the corresponding item. 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 the impairment loss of tangible assets and of intangible assets with a limited useful life is recognised, the useful life of the asset subject to depreciation is re-evaluated.

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, the recoverable amount is based on value in use (present value), determined by discounting the expected future net cash flows for the moment of review.

Expected future 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. The nominal annual growth rate of revenue forecast period was on average 4.4% - 9.5%. EBIT margin was on average 6.0% - 8.2%.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 2.0%–3.5%, which is not expected 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 business plan and forecasts have, however, been adjusted in impairment testing by eliminating the future cash flows that are expected to be generated through rearrangements not yet committed to, and cash flows that are expected to be generated through the improved performance or increase of an asset.

The assumptions used in impairment testing are the same as those approved by the management and used in 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 predictions, the assumptions calling for major management judgement are those related to market and profitability outlooks. The right-of-use assets recognised on leases that comply with the IFRS 16 standard 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 to the recovered amount is the weighted average cost of capital WACC prior to taxes, calculated for Tokmanni Group. The elements of WACC are risk-free interest, equity beta, market risk premium, sector-specific risk premium, liabilities margin, and the capital structure employed. WACC prior to taxes was 10.1% (10.4%) for Tokmanni and 9.7% for Dollarstore. The various components of the discount rate used in impairment testing are based on information derived from peers.

Sensitivity analysis in impairment testing

The core assumptions used in determining value in use are made by the management of Tokmanni. These assumptions are revenue, discount rate and average operating profit margin. The assumptions are based on expectations of future events believed to be realistic under the current circumstances. The assumptions have been approved by the Group’s 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. Based on the impairment testing for 2023, no change in any of the core assumptions that could be foreseen would have an impact on the reduction of the recoverable amount below the carrying amount.

No impairment losses were recognised on goodwill in the financial years 2023 and 2022.

3.3 Inventories

Accounting policies

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

Accounting policies requiring management judgement

Items included in the Group's inventory are classified into different groups based on their turnover times, and a write-down is recorded as necessary for the slowest moving products. Testing for write-down applies to products that have arrived over 18 months ago. Possible write-down is based on each product category’s actual profit margin and write-down varies between product categories based on age distribution from 0-100%. Products that have arrived over 36 months ago are written down in full. Write-down 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	2023	2022
Goods	346 171	281 114
Write-down in inventories	-12 880	-6 892
Goods, in transport	13 552	10 525
Purchase rebate accrual	-4 001	-3 446
Prepayments	10	11
Total	**342 851**	**281 312**

3.4 Other receivables and income tax receivables

Other receivables and income tax receivables

1,000 EUR	2023	2022
Loans and other receivables		
Trade receivables	1 940	1 700
Financial assets at fair value through profit or loss		
Derivatives, non-hedge accounting	-	29
Other receivables		
Prepayments and accrued income	5 888	5 203
Income tax receivables	2 636	2 508
Other receivables	23 192	19 474
Total	**31 716**	**27 186**
Total	**33 655**	**28 914**

The receivables are not associated with any significant credit risk concentrations, and the maximum credit risk corresponds to the carrying amount of the receivables at year's end. The impairment losses recognised in the Group's trade receivables are not significant. The other receivables item includes EUR 10 839 thousand (EUR 10 048 thousand) of invoiced annual bonus receivables.

Ageing analysis of trade receivables (external parties)

1,000 EUR	2023	2022
Not overdue	1 697	1 623
Overdue less than 7 days	184	108
Overdue between 8-21 days	38	18
Overdue more than 21 days	21	-49
Total	**1 940**	**1 700**

Prepayments and accrued income

1,000 EUR	2023	2022
Annual discounts	492	492
Consumables expenses	1 466	1 034
Prepayments	778	801
Receivable from occupational health care payments	1 001	938
Receivables from Veikkaus	172	278
Other prepayments and accrued income	1 978	1 660
Total	**5 888**	**5 203**

Other prepayments and accrued income include receivables of EUR 593 thousand (EUR 622 thousand) related to returned service products.

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

1,000 EUR	2023	2022
Loans and other receivables		
Loan receivables	173	191
Other receivables	477	473
Other receivables		
Non-current loan receivables from related parties	1 946	2 170
Non-current other receivables	58	-
Total	**2 654**	**2 834**

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	2023	2022
Financial liabilities at amortised cost		
Trade payables	159 746	77 854
Financial liabilities at fair value through profit or loss		
Derivatives, non-hedge accounting	326	605
Other liabilities		
Other non-interest-bearing liabilities	41 898	32 667
Accrued liabilities	57 971	37 381
Income tax liabilities	3 639	1 095
Total	**103 508**	**71 143**
Total	**263 580**	**149 602**

Current accrued liabilities

1,000 EUR	2023	2022
Holiday pay	25 509	18 877
Wages and salaries including social expenses	9 680	8 109
Compulsory insurances	11 159	5 766
Current interest liabilities	6 480	740
Other accrued liabilities	5 144	3 889
Total	**57 971**	**37 381**

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

3.7 Non-current non-interest-bearing liabilities

1,000 EUR	2023	2022
Other liabilities		
Sale and leaseback transaction	4 327	4 822
Non-current non-interest-bearing liabilities, total	**4 327**	**4 822**

3.8 Cash and cash equivalents

1,000 EUR	2023	2022
Cash and cash equivalents	133 687	9 051

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

A 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	2023	2022
Acquisition cost as at 1 Jan	191	98
Share of result for the financial period	74	98
Translation differences	-11	-5
Acquisition cost as at 31 Dec	**254**	**191**

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

3.10 Business combinations

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

Acquisitions during the 2023 financial period

Dollarstore

On 7 July 2023, Tokmanni Group announced that it had entered into entered into an agreement with the owner of one of the leading Swedish discount retail chains Ahlberg-Dollarstore AB and Ahlberg Dollarstore ApS to acquire 100 per cent of the shares in Storsjöbygdens Kapitalförvaltning AB, the holding company of Ahlberg-Dollarstore AB and Ahlberg Dollarstore ApS. Storsjöbygdens Kapitalförvaltning AB is the holding company of Ahlberg-Dollarstore AB and Ahlberg Dollarstore ApS (collectively Dollarstore). Tokmanni Group completed the transaction on 1 August 2023, when ownership of Dollarstore was transferred to Tokmanni Group. In connection with the transaction, the number of stores in Tokmanni Group increased by 130 stores in Sweden and two stores in Denmark.

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

Acquisition cost

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

1,000 EUR	
Acquisition cost paid in cash	-174 086
Cash transferred in connection with the acquisition	18 156
Cash flow impact of the acquisition	**-155 930**

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

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

1,000 EUR	
Intangible assets	36 979
Tangible assets and right-of-use assets	244 498
Inventories	87 676
Trade receivables and other receivables	1 576
Cash and cash equivalents	18 156
Total assets	**388 884**
Lease liabilities	203 007
Trade payables and other short-term liabilities	71 236
Deferred tax liability	13 974
Total liabilities	**288 217**
Net assets acquired, total	**100 668**
Goodwill	**73 419**

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

Impact on the Group's result and balance sheet

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

Click Shoes Oy and Shoe House Oy

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

Acquisition cost

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

1,000 EUR	
Acquisition cost paid in cash	-10 678
Cash transferred in connection with the acquisition	922
Cash flow impact of the acquisition	**-9 755**

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

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

1,000 EUR	
Intangible assets	4 533
Tangible assets and right-of-use assets	58
Inventories	5 064
Trade receivables and other receivables	760
Cash and cash equivalents	922
Total assets	**11 337**
Trade payables and other short-term liabilities	3 717
Deferred tax liability	912
Total liabilities	**4 629**
Net assets acquired, total	**6 708**
Goodwill	**3 970**

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

Impact on the Group's result and balance sheet

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

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

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 2021	58 733 009	80	109 902	-2 045	107 936
Transfer of treasury shares	85 680	-	-	1 226	-
31 Dec 2022	58 818 689	80	109 902	-819	109 162
Transfer of treasury shares	7 025	-	-	113	-
31 Dec 2023	58 825 714	80	109 902	-706	109 275

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 Group Corporation.

During 2023, Tokmanni Group Corporation transferred a total of 7,025 shares held by the company without consideration to individuals included in the company’s long-term incentive scheme in accordance with the terms and conditions of the scheme. During 2023, no own shares were returned to Tokmanni Group Corporation. At the end of 2023, Tokmanni Group Corporation owned 43,038 of its own shares, which is 0.07% of the total shares. The Board has a valid authorization to acquire and/or take as pledge own shares.

	Number of shares
Treasury shares owned by the company on 31 December 2022	**50 063**
Transferred during the financial year on the basis of the share incentive plan	-7 025
Treasury shares owned by the company on 31 December 2023	**43 038**

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 222 626 585.64 euros, which includes 48 972 429.88 euro in profit for the year. After the balance sheet date, the Board has proposed for the financial year ended on 31 December 2023 to distribute a dividend of EUR 0.76 per share. This dividend amounts to a total of EUR 44 707 542.64. The remaining part of the retained earnings be retained in unrestricted shareholders' equity.

Share-based payments

The Group has a long-term share-based incentive program. The earnings period was the year 2023. The reward of the system was based on the Group's earnings per share (EPS), the total return on Tokmanni Group Corporation shares compared to benchmark companies, and the customers' view on the responsibility of Tokmanni store chain during the period January 1 - December 31, 2023. The target group of the program is the President and CEO, the members of the Group Executive Team and other key personnel of the Group. If the maximum targets set for the earning criteria are achieved, the total amount of rewards to be paid under the system is estimated to be EUR 1.5 million (gross) for the entire incentive program period. The potential rewards to be paid correspond to approximately 120,000 Tokmanni Group Corporation shares based on the volume weighted share price of Tokmanni Group Corporation share in January 2023. The possible reward, which is income for employee, is paid in the company's shares and possibly partially in cash. The cash proportion covers taxes and tax-related costs arising from the reward to a key employee. The shared will be delivered to the participants' book-entry accounts in 2024 and the restriction period on the delivered shares ends in January 2026. If the employment of a person belonging to the target group ends before the end of the restriction period, the shares are returned to the company.

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

Based on realised earnings per share in 2023, the total shareholder return on Tokmanni Group Oyj's share compared to peer companies, and customers' view of the responsibility of Tokmanni store chain from 1.1.- 31.12.2023, the program will generate a total of EUR 319 (89) thousand to be paid to employees. For the year 2023, EUR 136 (65) thousand has been recognised as cost based on IFRS 2 standard.

4.2 Financial assets and liabilities

Accounting policies

Financial assets

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Cash and cash equivalents

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

Impairment of financial assets

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

The Group has noted 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. Derivatives may include electricity derivative contracts and currency derivatives. With interest rate swap agreements, the Group can hedge against the interest flow risk arising from long-term loans from credit institutions. Electricity futures can be used to hedge against changes in the price of electricity, up to the amount of the Group's own electricity consumption. Currency forwards and options are used to hedge against changes in the cash flows of anticipated foreign currency purchases. 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 2023

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	-	173	173
Current financial assets			
Trade receivables	-	1 940	1 940
Cash and cash equivalents	-	133 687	133 687
Total	**-**	**135 626**	**135 626**
Financial assets, total	**-**	**135 799**	**135 799**
Financial liabilities			
Non-current financial liabilities			
Loans from financial institutions *	-	243 997	243 997
Lease liabilities	-	482 066	482 066
Total	**-**	**726 063**	**726 063**
Current financial liabilities			
Loans from financial institutions *	-	55 000	55 000
Finance lease liabilities	-	83 068	83 068
Derivatives, non-hedge accounting	326	-	326
Trade payables	-	159 746	159 746
Total	**326**	**297 814**	**298 140**
Financial liabilities, total	**326**	**1 023 877**	**1 024 203**
Financial assets and liabilities, total	**-326**	**-888 078**	**-888 403**

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

Financial assets and liabilities 31 Dec 2022

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

* Loans from financial institutions, adjusted with arrangement fees paid

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 2023

1,000 EUR	Financial liabilities 1 Jan 2023	Cash flows	Non-cash changes Leases	Other changes	Financial liabilities 31 Dec 2023
Loans from financial institutions	99 465	200 000	-	-468	298 997
Corporate loans	10 000	-10 000	-	-	-
Lease liabilities	282 976	-73 988	356 264	-128	565 134
Total	**392 440**	**116 012**	**356 264**	**-595**	**864 131**

Reconciliation of liabilities arising from financing activities 2022

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

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 2023 was EUR -326 thousand (EUR -576 thousand).

Derivative contracts

Derivative contracts 2023

	Fair value (thousand euro)	Underlying value (thousand euro)
Foreign exchange forward contracts and options	-326	23 077

Derivative contracts 2022

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

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. Practical implementation of financial risk management is the responsibility of 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 can employ currency forwards and options, interest rate swaps and electricity derivative contracts. The Group does not engage in hedge accounting under IFRS 9.

Exchange rate risk

Tokmanni Group's business is exposed to risks arising from exchange rate fluctuations caused by both transaction risks arising from the cash flows of income and expenses in different currencies, and from translation risks arising from the translation of the income statements and balance sheets of foreign subsidiaries into the Group currency. The Group seeks to manage currency risks in a variety of ways, such as by using natural hedging or by entering into contracts that hedge the company against fluctuations in exchange rates. Management continuously monitors exchange rate developments and, where necessary, takes strategic decisions to manage exchange rate risks.

The most significant foreign currencies for the Group are the US dollar (USD) and the Swedish krona (SEK). The US dollar is the most significant non-euro purchasing currency of Tokmanni Group. The importance of the Swedish krona is due to the acquired subsidiary operating in its domestic currency.

Transaction risks

Unfavourable changes in foreign exchange rates can raise the acquisition costs of products purchased in other currencies than the euro. Under Tokmanni Group's hedging principles, about half of the purchases in USD are hedged every month 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.

The Group's USD positions (in euro) at the end of the reporting period

1,000 EUR	2023	2022
Trade creditors	-19 413	-6 361
Cash and cash equivalents	1 282	-
Total	-18 132	-6 361
Forward exchange agreements and currency options	23 077	14 063
Position total	4 945	7 702

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 result prior to 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 result after taxes would be affected by EUR 396 thousand (616 thousand) positively or negatively. The sensitivity analysis is based on the currency position on the last day of the reporting period.

	2023	2022
1,000 EUR	USD	USD
Change	+/-10 %	+/-10 %
Effect on profit after tax	396	616
Effect on equity	-	-

Translation risks

Investments in subsidiaries outside the euro area expose Tokmanni Group to foreign exchange risk arising from the consolidation of the assets, liabilities and income of non-euro-denominated subsidiaries into the Group currency. The balance sheets are translated into euros at the exchange rate of the balance sheet date, and the resulting exchange differences are recognised directly in equity. If a foreign subsidiary is sold, the accumulated translation differences are recognised in the income statement. The Group systematically monitors translation risk and assesses the potential need for hedging. Hedging of translation risk has not been considered necessary to date.

The table below shows the Group's non-euro-denominated equity in euros, and the potential impact on the Group's equity if the euro strengthens or weakens by +/-10%, other factors remaining unchanged.

Net investments

	2023		2022	
1,000 EUR	SEK	DKK	SEK	DKK
Non-euro-denominated equity	159 937	423	-	-
Change	+/-10 %	+/-10 %	+/-10 %	+/-10 %
Effect on equity	15 994	42	-	-

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 4.7% (1.2%).

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

1,000 EUR	2023	2022
Floating interest rate		
Financial liabilities	300 000	100 000

The table below shows the impacts on the Group's profit after taxes, as well as the impact on equity. Should the interests increase or decrease +/- 1.0 percentage points (+/- 0.5), with the other factors remaining unchanged, the Group's profit after taxes would be affected by EUR 2 400 thousand (EUR 800 thousand) negatively or positively. The sensitivity analysis is based on the floating interest rate position at the end of the reporting period.

1,000 EUR	2023	2022
Change	+/-1.0%	+/-1.0%
Effect on profit after tax	2 400	800
Effect on equity	-	-

Credit risks

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

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

Part of the purchases from the Far East need to be paid in advance, and the respective risk is minimised by long-term cooperation with suppliers. The Group has a procurement company in Shanghai, China together with the Norwegian discount store chain, Europris AS. The company is the cornerstone of goods procurements made in China and the Far East. The company's operations include identifying and selecting local suppliers, ensuring the correct quality, monitoring delivery times, and ensuring responsible operations on the part of suppliers. The Shanghai company has 33 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, 2023 the Group had a total EUR 216 million (EUR 206 million) in credit facility reserve, including the commercial paper programme.

The company's loan of EUR 100 million drawn under the financing agreement signed in February 2021 will mature in February 2026. The financing agreement includes a credit facility of EUR 50 million. An additional loan of EUR 180 million was added to the existing financial agreement on July 7 2023, of which EUR 175 million were drawn on August 1, 2023 to finance the acquisition of Dollarstore. The loan period is four years and is paid EUR 30 million annually. The last payment is made on July 7, 2027.

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. The additional loan drawn in August 2023 is subject to the existing covenant condition, which determines the required net debt/EBITDA ratio. In 2023, Tokmanni has met the required covenant.

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 2023

1,000 EUR	Carrying amount 31 Dec 2023	Cash flows based on agreements	Less than 1 year	1-5 years	Over 5 years
Loans from financial institutions and corporations*	298 997	336 126	69 713	266 413	-
Lease liabilities	565 134	682 585	115 861	369 286	197 439
Trade payables	159 746	159 746	159 746	-	-
Total	**1 023 877**	**1 178 457**	**345 319**	**635 699**	**197 439**

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

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

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

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

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 2023

1,000 EUR	Carrying amount 31 Dec 2023	Cash flows based on agreements	Less than 1 year	1-5 years
Foreign exchange forward contracts and options	326	326	326	-

Maturity of contractual cash flows of derivative financial liabilities 2022

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

Electricity price risk

The Group is exposed to commodity risks in its operations, caused by the possible impacts of the electricity price risk on the Group's energy costs. The Group can hedge itself against electricity price changes through electricity derivative contracts in line with the policy determined by the Board of Directors, at most up to the amount corresponding estimated electricity consumption. The Group hedges against electricity price risk by purchasing fixed-price electricity, which covers about 70% of consumption one year ahead and decreases gradually over 3-4 years. At the end of financial periods 2023 and 2022 Group had no active electricity derivative contracts.

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	2023	2022
Interest-bearing liabilities	864 131	392 440
Interest-bearing liabilities excluding lease liabilities	298 997	109 465
Cash and cash equivalents	133 687	9 051
Interest-bearing net debt	730 445	383 389
Interest-bearing net debt excluding lease liabilities	165 310	100 413
Total equity according to IFRS	**265 402**	**246 959**
Equity ratio	**18.8%**	**31.2%**

Tokmanni Group intends to maintain an efficient long-term capital structure. The long-term goal is to keep the ratio of net debt excluding lease liabilities to comparable EBITDA below 2,25.

	Target level	2023	2022
Net debt / adjusted EBITDA	below 3.2	3.7	2.4
Net debt / adjusted EBITDA, without lease liabilities	below 2.25	1.6	1.1

4.5 Contingent liabilities, assets and commitments

Contingent liabilities, assets and commitments

Property has not been provided as collateral for loans from financial institutions, but a covenant term is related to such loans. The covenant term determines the required net debt to EBITDA ratio. In 2023, the Group has met the required covenant.

Non-cancellable lease liabilities

Group as lessee

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	2023	2022
No later than 1 year	9 625	9 171
Later than 1 year and no later than 5 years	25 831	21 350
Later than 5 years	6 242	3 823
Total	**41 698**	**34 344**

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 President and CEO and Deputy CEO, as well as subsidiaries and joint ventures. Owners of Tokmanni Group, either entities or persons who have control, joint control or significant influence in Tokmanni Group are also defined as related parties.

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		
Real Estate Company Tokmanni Eurajoki	Finland	100%	100%
Real Estate Company Tokmanni Pälkäne	Finland	100%	100%
Retail Leasing Oy	Finland	100%	100%
Retail Property Investment Oy	Finland	100%	100%
Shoe House Oy	Finland	100%	100%
Taitomanni Oy	Finland	100%	100%
Tokmanni Oy	Finland	100%	100%
Tokmanni Retail AB	Sweden	100%	100%
Dollarstore AB	Sweden	100%	100%
Dollarstore ApS	Denmark	100%	100%

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 2023 including receivables, payables and liabilities per 31 Dec 2023 carried out with related parties

1,000 EUR	Majority owner and related parties to majority owner	Board of Directors and management	Joint ventures
Income statement			
Revenue and other operating income	-	2	-
Other operating expenses	-	1 372	1 794
Financial income	-	88	-
Balance sheet			
Assets			
Receivables from joint ventures	-	-	173
Non-current loan receivables from related parties	-	1 946	-
Interest receivables from related parties	-	23	-
Total	**-**	**1 969**	**173**

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

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

Non-current loan receivables from related parties

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

Long-term loans have been granted on market terms to related parties as follows:
- A total of EUR 0 thousand (EUR 160 thousand) in loans was granted during the financial period. During the financial year, loans were repaid by an amount of EUR 224 thousand (EUR 123 thousand).
- The loans expired on December 31, 2023. New contracts were drawn up for the loans on the same terms. The loan period is five years and the borrower has the right to repay the loan earlier.
- 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 is calculated on the remaining loan amount retrospectively on the dividend payment day and the interest is paid by Tokmanni Group Corporation after the dividend payment 1-2 times a year.

Management employment benefits

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

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

EUR		2023	2022
Mika Rautiainen	President and CEO	602 213	873 012
Seppo Saastamoinen	Chairman of the Board	96 034	95 860
Mikko Bergman	Member of the Board	38 331	-
Juha Blomster	Member of the Board	10 500	47 353
Thérèse Cedercreutz	Member of the Board	42 310	41 307
Erkki Järvinen	Member of the Board	59 343	58 340
Ulla Serlenius	Member of the Board	42 320	41 317
Harri Sivula	Member of the Board	50 849	42 853
President and CEO of the Group companies and members of the Board of Directors		**941 900**	**1 200 042**
Executive Group		**1 602 653**	**2 195 229**
Monetary salaries, fees and fringe benefits, total		**2 544 553**	**3 395 271**

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 President and CEO's statutory pension cost was EUR 94 333.06 in 2023 (EUR 102 092.21).

Termination benefits

If the Group gives notice to the President and 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 Oy acquired the operations of the grocery store Ville’s Kauppa from Ylöjärvi on January 1, 2024.

PARENT COMPANY'S FINANCIAL STATEMENTS (FAS)

Parent company's income statement

EUR	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
REVENUE	**1 201 500.00**	**1 177 700.00**
Other operating income	2 562.32	-
Wages, salaries and fees	-1 079 454.59	-846 989.79
Social security expenses		
Pension expenses	-96 573.03	-208 700.73
Other social security expenses	-15 961.46	-8 510.26
Wages, salaries and employee benefits	-1 191 989.08	-1 064 200.78
Other operating expenses	-1 072 528.15	-868 299.62
OPERATING PROFIT	**-1 060 454.91**	**-754 800.40**
Financial income	3 023 313.67	266 324.67
Financial expenses	-12 285 139.40	-2 202 673.81
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES	**-10 322 280.64**	**-2 691 149.54**
Appropriations		
Group contribution received (+) and given (-)	71 640 000.00	75 980 000.00
Profit (loss) before taxes	**61 317 719.36**	**73 288 850.46**
Income taxes	-12 345 289.48	-14 676 089.23
NET RESULT FOR THE FINANCIAL PERIOD	**48 972 429.88**	**58 612 761.23**

Parent company's balance sheet

EUR	31 Dec 2023	31 Dec 2022
ASSETS		
NON-CURRENT ASSETS		
Investments		
Holdings in group companies	411 926 603.01	235 233 761.80
Other shares and holdings	464 944.31	464 944.31
Investments	412 391 547.32	235 698 706.11
NON-CURRENT ASSETS, TOTAL	**412 391 547.32**	**235 698 706.11**
CURRENT ASSETS		
Non-current receivables		
Amounts owed by group companies	14 529 740.24	32 637 682.72
Non-current loan receivables, related parties	1 946 439.71	2 170 086.11
Non-current receivables	16 476 179.95	34 807 768.83
Current receivables		
Amounts owed by group companies	78 433 486.12	79 367 811.43
Other receivables	22 795.52	16 479.32
Prepayments and accrued income	2 395 912.08	47 281.89
Current receivables	80 852 193.72	79 431 572.64
Cash in hand and at banks	97 653 139.84	4 005 064.10
CURRENT ASSETS, TOTAL	**194 981 513.51**	**118 244 405.57**
ASSETS TOTAL	**607 373 060.83**	**353 943 111.68**
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	-706 357.74	-819 364.00
Retained earnings	59 730 924.09	45 937 951.76
Net result for the financial period	48 972 429.88	58 612 761.23
EQUITY, TOTAL	**222 706 585.64**	**218 440 938.40**
LIABILITIES		
Non-current liabilities		
Loans from financial institutions	245 000 000.00	100 000 000.00
Current liabilities		
Loans from financial institutions	55 000 000.00	-
Trade payables	48 599.47	44 968.63
Amounts owed to group companies	77 477 423.85	23 268 837.37
Other payables	147 172.07	10 108 172.71
Accruals and deferred income	6 993 279.80	2 080 194.57
Current liabilities	139 666 475.19	35 502 173.28
LIABILITIES, TOTAL	**384 666 475.19**	**135 502 173.28**
EQUITY AND LIABILITIES, TOTAL	**607 373 060.83**	**353 943 111.68**

Parent company's cash flow statement

1,000 EUR	31 Dec 2023	31 Dec 2022
Cash flows from operating activities		
PROFIT (LOSS) FOR THE PERIOD	48 972	58 613
Adjustments:		
	-3	-
Financial income and expenses	9 262	1 936
Appropriations	-71 640	-75 980
Tax on income from operations	12 345	14 676
Change in working capital		
Increase (-) / decrease (+) of current receivables	-231	542
Increase (+) / decrease (-) of current non-interest bearing liabilities	310	-119
Interest paid	-4 371	-1 829
Other financing items	1 594	-72
Direct income taxes paid	-15 755	-19 993
Cash from operating activities	**-19 517**	**-22 226**
Cash flows from investing activities		
Acquisition of subsidiaries	-176 693	-
Investments in other assets	-	-465
Proceeds from sale of investments	3	-
Granted loans (+)	-35 050	-32 561
The compensation from sales of property	52 701	-
Proceeds from repayments of loans	624	123
Cash from investing activities	**-158 416**	**-32 903**
Cash flows from financing activities		
Change in internal bank account receivables	-2 879	-2 947
Change in internal bank account liabilities	33 768	-62 850
Proceeds from current loans	248 432	400 500
Repayments of current loans	-213 605	-390 500
Proceeds from non-current borrowings	175 000	-
Dividends paid	-44 707	-56 470
Group contributions	75 980	94 500
Cash from financing activities	**271 988**	**-17 766**
Change in cash in hand and at bank	**94 056**	**-72 895**
Cash in hand and at bank at the beginning of the period	4 005	76 900
Cash in hand and at bank at the end of the period	97 653	4 005
Effects of exchange rate fluctuations on cash held	-408	-

Notes to the parent company's financial statements

1. Accounting policies

General

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

The domicile of the company is Helsinki.

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

Principles used for preparing the financial statements

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

Valuation of financial instruments

Financial instruments are valued at acquisition cost.

Cash in hand and at banks

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

Recognition of pensions

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

Income tax

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

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

2. Breakdown of revenue by market area

1,000 EUR	2023	2022
Finland	1 135	1 178
Sweden	65	-
Denmark	2	-
Total	**1 202**	**1 178**

3. Other operating income

1,000 EUR	2023	2022
Non-recurring gain on sale of operations, investments	3	-

4. Personnel and members of administrative bodies

	2023	2022
Salaries of President and CEO and members of the Board of Directors 1,000 EUR	-1 079	-847
Average number of employees	1	1

The President and CEO or board members don’t have pension arrangements that deviate from statutory regulations. Monetary salaries, fees and fringe benefits by institution are defined in the Group Note 5.1 Related party transactions.

5. Other operating expenses

1,000 EUR	2023	2022
Marketing expenses	-14	-
Office and administration	-513	-491
Purchased services	-398	-242
Other expenses	-147	-136
Total	**-1 073**	**-868**

6. Group contribution

1,000 EUR	2023	2022
Group contribution received	72 000	76 000
Group contribution given	-360	-20
Total	**71 643**	**75 980**

7. Income taxes

1,000 EUR	2023	2022
Income taxes for the financial period	-12 345	-14 657
Income taxes for previous financial periods	-	-19
Total	**-12 345**	**-14 676**

8. Auditor's fees

1,000 EUR	2023	2022
Audit	-111	-96
Other fees and services	-71	-7
Total	**-182**	**-104**

9. Related party transactions

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

10. Investments

1,000 EUR	2023	2022
Holdings in group companies		
Acquisition cost as at 1 Jan	235 234	235 234
Additions, 1 Jan - 31 Dec	176 693	-
Acquisition cost as at 31 Dec	411 927	235 234
Carrying amount		
Retail Property Investment Oy, Mäntsälä	1 000	1 000
Retail Leasing Oy, Helsinki	234 234	234 234
Tokmanni Retail AB, Sweden	176 693	-
Total	411 927	235 234
Shareholding, %		
Retail Property Investment Oy, Mäntsälä	100	100
Mäntsälä Distribution Center Oy	-	100
Retail Leasing Oy, Helsinki	100	100
Tokmanni Retail AB, Sweden	100	-

1,000 EUR	2023	2022
Other shares and holdings		
Acquisition cost, 1 Jan	465	-
Additions, 1 Jan - 31 Dec	-	465
Acquisition cost, 31 Dec	465	465

11. Receivables

Non-current receivables

1,000 EUR	2023	2022
Amounts owed by group companies		
Loan receivables	14 351	32 401
Non-current loan receivables from related parties	1 946	2 170
Other receivables		
Prepayments and accrued income, interest receivables	178	237
Total	**16 476**	**34 808**

Current receivables

1,000 EUR	2023	2022
Amounts owed by group companies		
Other receivables, group contribution receivables	72 000	76 000
Other receivables, group account receivables	6 080	3 201
Accruals, interest receivables	353	167
Total	**78 433**	**79 368**
Other receivables		
Other receivables	23	16
Prepayments and accrued income	2 396	47
Total	**2 419**	**64**
Total	**80 852**	**79 432**

Prepayments and accrued income

1,000 EUR	2023	2022
Interest receivables	-	6
VAT-receivable	2 316	-
Other prepayments and accrued income	80	41
Total	**2 396**	**47**

12. Equity

1,000 EUR	2023	2022
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	-819	-2 045
Transfer of treasury shares	113	1 226
Treasury shares, 31 Dec	-706	-819
Retained earnings as at 1 Jan	104 551	103 634
Dividends	-44 707	-56 470
Direct recognitions in retained earnings	-113	-1 226
Retained earnings as at 31 Dec	59 731	45 938
Net result for the financial period	48 972	58 613
Unrestricted equity	**222 627**	**218 361**
Equity	**222 707**	**218 441**

Calculation of distributable equity

1,000 EUR	2023	2022
Retained earnings	59 731	45 938
Net result for the financial period	48 972	58 613
Reserve for invested unrestricted equity	114 630	114 630
Treasury shares	-706	-819
Total	**222 627**	**218 361**

13. Non-current liabilities

1,000 EUR	2023	2022
Loans from financial institutions	245 000	100 000

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

14. Current liabilities

1,000 EUR	2023	2022
Interest-bearing short-term debts		
Loans from financial institutions	55 000	-
Corporate loans	-	10 000
Amounts owed to group companies		
Trade payables	1	1
Accruals and deferred income	274	-
Other liabilities, internal account payable	57 015	23 248
Other creditors	20 187	20
Amounts owed to others		
Other liabilities	196	153
Other accruals and deferred income	6 993	2 080
Total	**139 666**	**35 502**

Accruals and deferred income

1,000 EUR	2023	2022
Amortised personnel costs	331	144
Interest payable	6 480	740
Income tax payable	-	1 094
Other accruals and deferred income	182	102
Total	**6 993**	**2 080**

15.Credit limit agreements

1,000 EUR	2023	2022
Financing agreements		
Granted credit limit total	91 000	116 000
In use	25 000	-
Commercial paper programme		
Granted credit limit total	150 000	100 000
In use	-	10 000
Available credit limit reserve	216 000	206 000

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

Mäntsälä, 11 April 2024

Seppo Saastamoinen
Chairman of the Board

Mikko Bergman
Member of the Board

Thérèse Cedercreutz
Member of the Board

Erkki Järvinen
Member of the Board

Ulla Serlenius
Member of the Board

Harri Sivula
Member of the Board

Mika Rautiainen
President and CEO

AUDITOR'S NOTE

Our auditor’s report has been issued today.

Helsinki,11 April 2024

PricewaterhouseCoopers Oy
Authorised Public Accountant

Ylva Eriksson
Authorised Public Accountant

Auditor's Report (Translation of the Finnish Original)

To the Annual General Meeting of Tokmanni Group Oyj

Report on the Audit of the Financial Statements

Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with IFRS Accounting Standards 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 financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report to the Finance and 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 2023. The financial statements comprise:

- the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and notes, which include material accounting policy information and other explanatory information

- the parent company's income statement, balance sheet, cash flow statement 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.

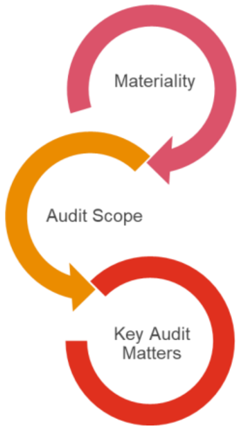
Independence

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

Our Audit Approach

Overview



- Overall group materiality: 6.9 million euros, which represents approximately 0,5 % of group revenue

- We have audited the parent company and the most significant subsidiaries for the group.

- Accounting for business combinations
- 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	6.9 million euros (previous year 5.8 million euros)
How we determined it	Approximately 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 Tokmanni group, the accounting processes and controls, and the industry in which the group operates.

Tokmanni Group Oyj operates mainly in Finland and Sweden, and has two subsidiaries that are significant to the group. Group revenue accumulates from sales in these subsidiaries. We have audited the subsidiaries 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.

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
Accounting for business combinations *Refer to Note 1 Accounting policies used in the financial statements and Note 3.10* Tokmanni Group acquired the Swedish discount retailer Dollarstore in 2023. The acquisition is accounted for as a business combination. The purchase consideration comprises of cash payment of 174,1 million euro. Acquired business's net assets 100.7 million euro were identified and recognized at fair value as of the acquisition date. The identified intangible assets relate to trademarks. Fair values for the intangible assets have been determined using appropriate valuation methods. The acquisition resulted in	We assessed the management's process relating to accounting for business combinations and valuating the acquired net assets. Our procedures for business combination and net asset valuation included the following procedures, among others: • We tested the cash payment purchase consideration • We assessed the methodology adopted by management for calculating the fair value of technology and customer relationships • We tested the mathematical accuracy of

goodwill amounting to 73.4 million euro.

Accounting for business combinations is a key audit matter in the audit due to the high level of management judgement involved and due to the significant impacts to consolidated financial statements.

valuation models used

- We evaluated the appropriateness of the key assumptions in the valuation models
- We tested the input data and related forecasts used in the valuation models

We utilised auditor's experts in testing the valuation of aquired net assets.

We evaluated the appropriateness of the notes relating to accounting for business combinations.

Valuation of goodwill

Refer to Note 1 Accounting policies used in the financial statements and Note 3.2 Intangible assets

Goodwill amounts to 218,1 (136,2) million euro in the consolidated balance sheet.

Goodwill is tested for possible impairment on an annual basis and whenever there is an indication of impairment. Estimating future cash flows requires management's judgement. The most significant assumptions used in impairment testing are future EBIT margin and the discount rate (WACC).

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 Corporation's Board of Directors.
- Assessed the calculation model, discussed significant assumptions used in the cash flow estimates and compared them to existing internal and external information.
- Assessed the discount rate (WACC) applied and tested mathematical accuracy.
- Tested the mathematical accuracy of the impairment calculations.
- Assessed the adequacy and appropriateness of the notes to the consolidated financial statements.

Inventories

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

Inventories amount to 342,9 (281,3) million euro in the consolidated balance sheet.

Inventories are valued on either the cost or net realisable value, whichever is lower. The cost is defined using the weighted average method and

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.
- Tested the inventory reconciliation performed by

includes direct costs less purchase rebates.

The cost of goods includes all costs of purchase, including purchase rebates, direct transportation and handling costs and other costs.

Inventory turnover is assessed reguarly and a write-down of inventories is recognized on aged products based on days in stock. Valuation of inventories and obsolescence provisions include management judgement.

Inventories are a key audit matter due to the judgement included in inventory valuation and the size of this balance sheet item.

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 IFRS Accounting Standards 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

PricewaterhouseCoopers Oy were first appointed as auditors by the annual general meeting on 19 March 2019 and our appointment represents a total period of uninterrupted engagement of 5 years. Authorised public accountant (KHT) Ylva Erikson has been the auditor in charge nominated by PricewaterhouseCoopers Oy since the Annual General Meeting 23 March 2022.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors.

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

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

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

Helsinki 11 April 2024

PricewaterhouseCoopers Oy
Authorised Public Accountants

Ylva Eriksson
Authorised Public Accountant (KHT)