

A man in a workshop, wearing safety glasses and holding a piece of wood, looking intently at it. The background shows a workshop with various wooden planks and machinery.

Annual Report

2021

PUUILO

Contents

03 Puuilo in brief

04 PUUILO IN 2021

05 Puuilo's year

07 CEO's review

09 Strategy and objectives

11 Business operations

18 Puuilo as an investment

19 SUSTAINABILITY

20 Sustainability at Puuilo

23 A responsible retailer

25 A good place to work

30 Consume more sustainably

33 CORPORATE GOVERNANCE

34 Corporate governance statement

1 February 2021–31 January 2022

41 Remuneration statement

43 Board of Directors

45 Management team

47 FINANCIAL STATEMENTS

49 Report by the Board of Directors

59 Key figures

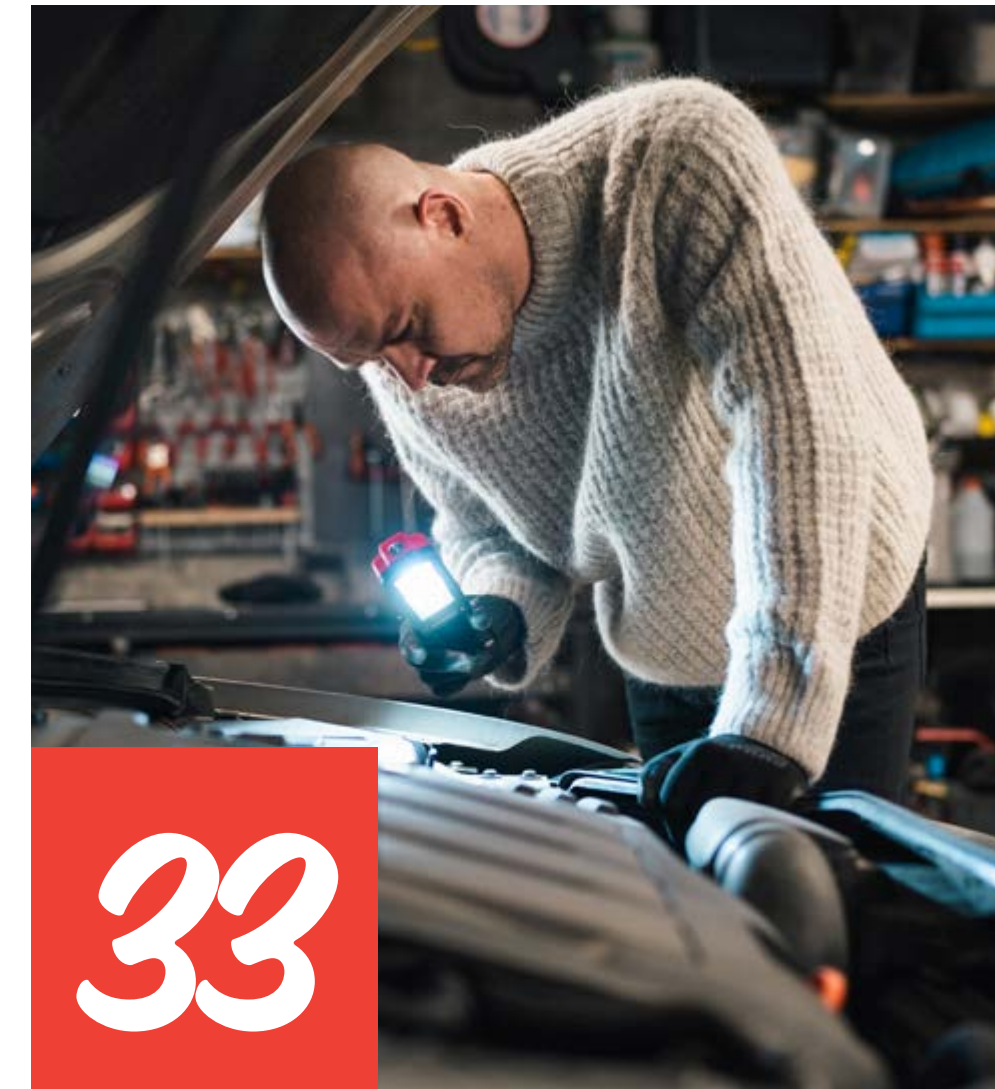
62 Financial Statements

66 Notes to the Consolidated Financial Statements

91 Parent company's Financial Statements 2021

98 Signatures

99 Auditor's Report



Puulo in brief

Puulo is one of the leading players in the growing discount retail market in Finland.

We are known for our extensive product assortment, affordable prices and shopping convenience. Our focus is, in particular, on DIY products and home supplies, as well as pet food and supplies.

Puulo was established in the Kainuu region in Finland in 1982, and at the end of January 2022, we had 34 stores in different parts of the country. The online store is an important part of our chain and enables us to be visible in various channels and also increases the number of visitors and sales in our stores.

Our goal is to continue to strengthen our position as one of Finland's leading discount stores. Dur-

ing its existence, the discount store market has significantly outperformed the total retail market, and it has also historically performed well in economic downturns.

Our product assortment consists of third-party brands and Puulo's private label products. Our customers have access to a carefully selected product assortment of approximately 30,000 items in ten product categories: construction supplies, tools, HVAC and electrical supplies, animal supplies, car supplies, foodstuffs, household items, garden supplies, leisure time and other items as well as services. The product assortment is available in all stores for the ease of shopping and a pleasant customer experience.

NET SALES	EBIT	EBIT MARGIN	ADJUSTED EBITA	ADJUSTED EBITA MARGIN
270.1	44.5	16.5	48.4	17.9
EUR million	EUR million	%	EUR million	%

34
STORES*

**Stores 31 Jan 2022*

Puulo has a wide product range, that covers over **30,000** active product names. They are available in stores all over Finland. In addition, Puulo provides multichannel services for its' clients through its own online store.





Puutilo in 2021

Puutilo completed an initial public offering in 2021, which supports our strategic objective to strengthen our position as one of Finland's leading discount retailers. We aim to open several new stores each year and develop our online store to better offer our wide range of products to our customers.

Puulo's year

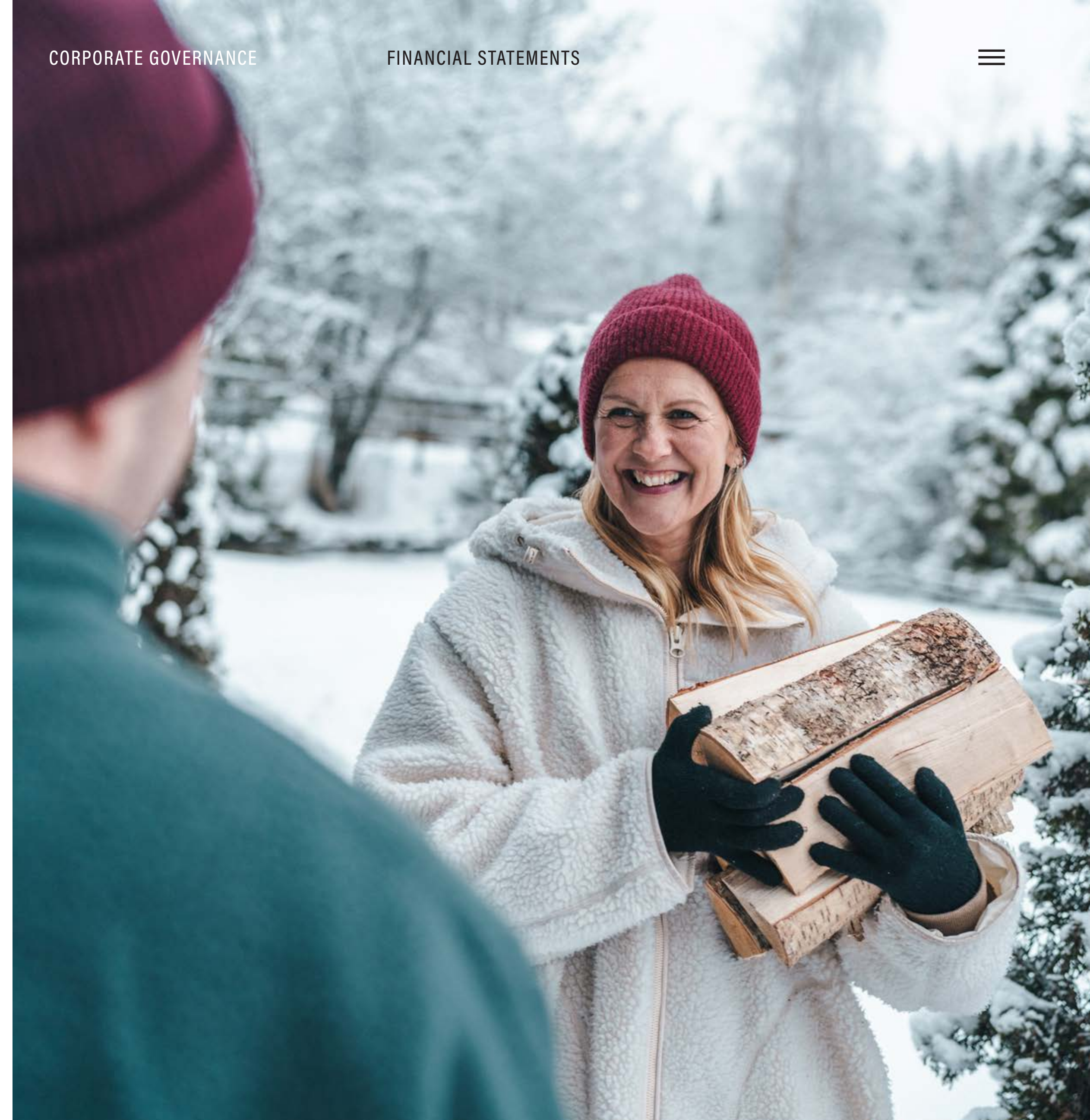
In 2021 Puulo carried out an initial public offering, and trading on Puulo Plc's shares began on 24 June 2021. The share was oversubscribed, and the public listing brought Puulo 33,000 new owners. The public listing enables us to realise our growth targets.

A total of four new stores were opened in Finland in 2021: in Vaasa, Imatra, Rauma and the Laajalahti region in Espoo. All new units are profitable. We have also announced three new store openings to take place in 2022: a new Puulo store will be opened in Sastamala, Lieto and Tornio, respectively. The number of personnel increased as a result of both the new stores and the increased total sales and was 663 at the end of the financial period (595 in 2020).

In 2021, the operating environment continued to be characterised by the coronavirus pandemic. The situation seemed to improve after the summer, but the third Covid-19 wave in the autumn affected our operating environment to some extent. Naturally, we have already learned to live amid the pandemic, and such rapid changes in the market or demand as were seen at the beginning of the pandemic no longer happened. The sea freight issues that began in the spring were a specific challenge, which we

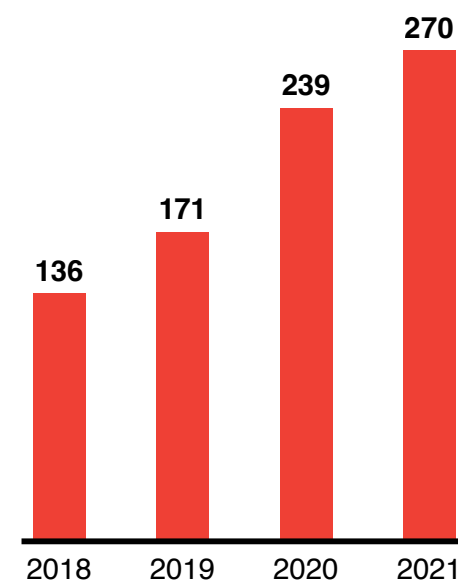
addressed rapidly. Despite the pandemic, our performance remained good, all of our stores continued to operate throughout the year, and the total sales increased. Therefore, we were also able to make investments as planned and continued to implement our growth strategy. The most significant of our investments, in addition to growing the number of our stores, was the new ERP system that we implemented at the end of 2021.

In accordance with the brand survey conducted in December 2021, the spontaneous impression of Puulo was positive, diverse and affordable. 98% of the respondents knew Puulo at least by its name, and the company ranked number four in the list of Finnish discount stores and general department stores in terms of spontaneous recognition. Those who prefer to shop at Puulo, compared to the control group, listed the good price-quality ratio and the diverse product assortment as their main criteria.

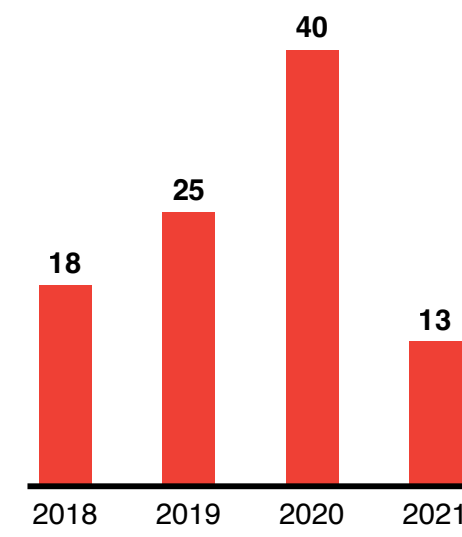


FIGURES FROM THE REPORTING YEAR 2021

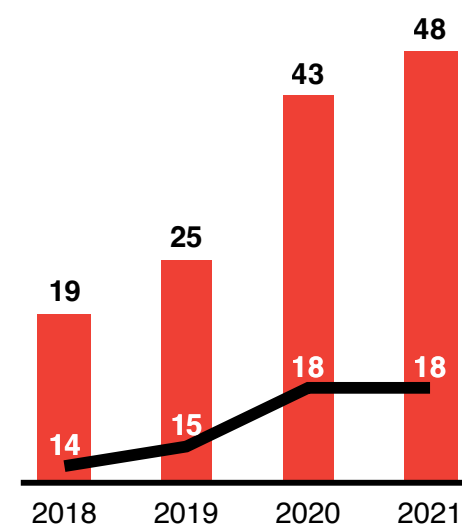
NET SALES, M€



NET SALES GROWTH, %

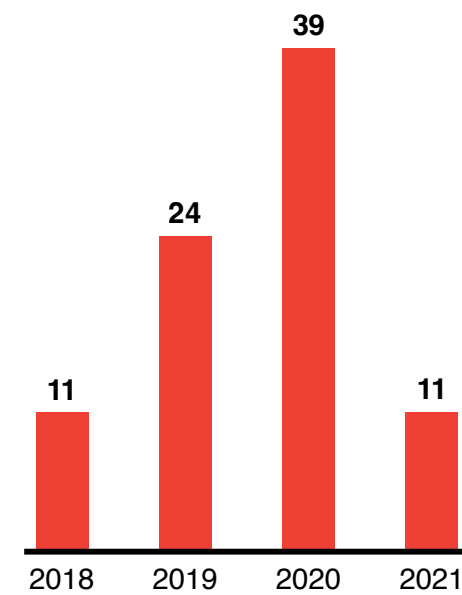


ADJUSTED EBITA & ADJUSTED EBITA MARGIN %



■ Adjusted EBITA, M€
— Adjusted EBITA margin, %

OPERATING FREE CASH FLOW, M€



KEY FIGURES

EUR million	1 Feb 2021- 31 Jan 2022	1 Feb 2020- 31 Jan 2021
Net sales	270.1	238.7
Net sales development (%)	13.2%	40.0%
Like-for-like store net sales development (%)	2.6%	24.4%
Online store net sales development (%)	20.8%	127.5%
Gross profit	99.6	87.1
Gross margin %	36.9%	36.5%
Adjusted EBITA*	48.4	43.2
Adjusted EBITA margin (%)*	17.9%	18.1%
EBITA*	45.6	42.6
EBITA margin (%)*	16.9%	17.9%
EBIT	44.5	41.5
EBIT margin (%)	16.5%	17.4%
Net income	31.9	28.8
EPS (EUR)	0.38	0.36
EPS excl. listing expenses (EUR)	0.42	0.36
Operating free cash flow	10.8	38.8
Net debt / adjusted EBITDA	1.7	2.4
Number of stores (end of period)	34	30
Number of personnel converted into full-time employees (FTE)	663	595

*Operating profit before the amortisation of Puuilo trademark

The number of shares used in the calculation of earnings per share has been adjusted for all periods presented according to the share issue split during the financial year.

CEO's review

The year 2021 was historic and important for Puuilo. Our growth continued according to our strategy, we created fundamental structures for our operations and updated our tools for future – we accomplished a lot in a short period of time and under exceptional circumstances.

Our public listing in the early summer proceeded as planned. I am particularly pleased with the fact that Puuilo is an interesting company and received more than 33,000 new shareholders in the listing. It is great to continue our journey together with such a large group of people rooting for us.

Our journey has indeed been a speedy one. During the year, we experienced strong growth. We now have 34 stores, as we opened four new ones in the financial year 2021: in Vaasa, Imatra, Rauma and Espoo. Our intention is to continue our expansion at the same pace and open 3–4 new stores per year.

We also overhauled our ERP system and updated our IT architecture. At the same time, we have been developing the company's management and created a foundation for sustainability work, a key factor in the retail sector. In the coming years, we will focus on

sustainability in accordance with the themes of “More sustainable consumption”, “A responsible retailer” and “A good place to work”. The year was truly characterised by big events!

SUMMER HOUSE LIVING, DIY PROJECTS AND REMOTE WORK CONTINUED

For us, the second successive year of the coronavirus pandemic also meant that uncertainties related to our operating environment continued. We did well: our stores continued to operate throughout the year and any product shortages did not cause major issues. Thanks to our extensive product assortment, replacement products were available, when needed, although there were some extra bumps in the road in logistics. On the other hand, the increased remote work and the hobbies and interests of people were an excellent fit with what we offer. Customers' interest



”

According to customers, the best things about Puuilo are its extensive and unique assortment, affordable prices and the convenience of shopping.

in building and renovation, gardening, summer house living and taking care of home and pets translated into a favourable development in sales.

Being part of this important period in Puuilo's journey makes me happy and proud. We have our work cut out for us, but our personnel are motivated and committed. Over the course of the busy year, I realised what enormous strength lies in a shared goal and people working. I have been in awe of the flexibility and determination that Puuilo employees have shown in their work. To me, our great accomplishments during the year are a testament to competence, personnel commitment and determination. In short: they demonstrate what we can achieve as a company.

According to the customer survey, our performance was better in 2021 than at the time of the previous survey. According to customers, the best things about Puuilo are its extensive and unique assortment, affordable prices and the convenience of shopping. Our recognition improved, as indicated by the brand survey we conducted.

FOCUS ON WHAT MATTERS

Puuilo celebrates its 40th anniversary in 2022. Over the course of its history, Puuilo has been through a lot, including economic fluctuations and even states of emergency, but it has always prevailed and grown.

Our strength lies in our choosing not to blindly follow trends but to offer products that are needed on a continuous basis. Products that are needed no matter

what happens. That is why our business operations are predictable and our business model is sustainable.

Discount stores are also a growing phenomenon worldwide: customers want more value for their money and consider affordable shopping to be a wise move. We can keep the prices affordable by focusing in our operations on specifically what our customers find important and by being efficient in what we do. Our assortment of over 30,000 product items is already in good shape. We must be able to stand behind the quality of the goods we sell.

Puuilo is a Finnish retailer which is close to its customers and operates in most provinces. And elsewhere, we will be opening stores soon. Puuilo's roots are in the region of Kainuu, where we started as a carpenter's workshop. Our appreciation of the do-it-yourself culture and understanding of customer needs stems from our early days.

In 2022, our foundation is solid. We are well-prepared for future demand, we are fully stocked and our expansion will continue as planned. We trust in the quality of our products, each other and the principle that good results arise from good work. The new year has started as expected commercially. The current state of world affairs is horrifying and, naturally, creates uncertainty. We believe and, based on our history, know that our assortment and price level will be sustainable even when the circumstances are out of the ordinary.

Juha Saarela
CEO



Strategy and objectives

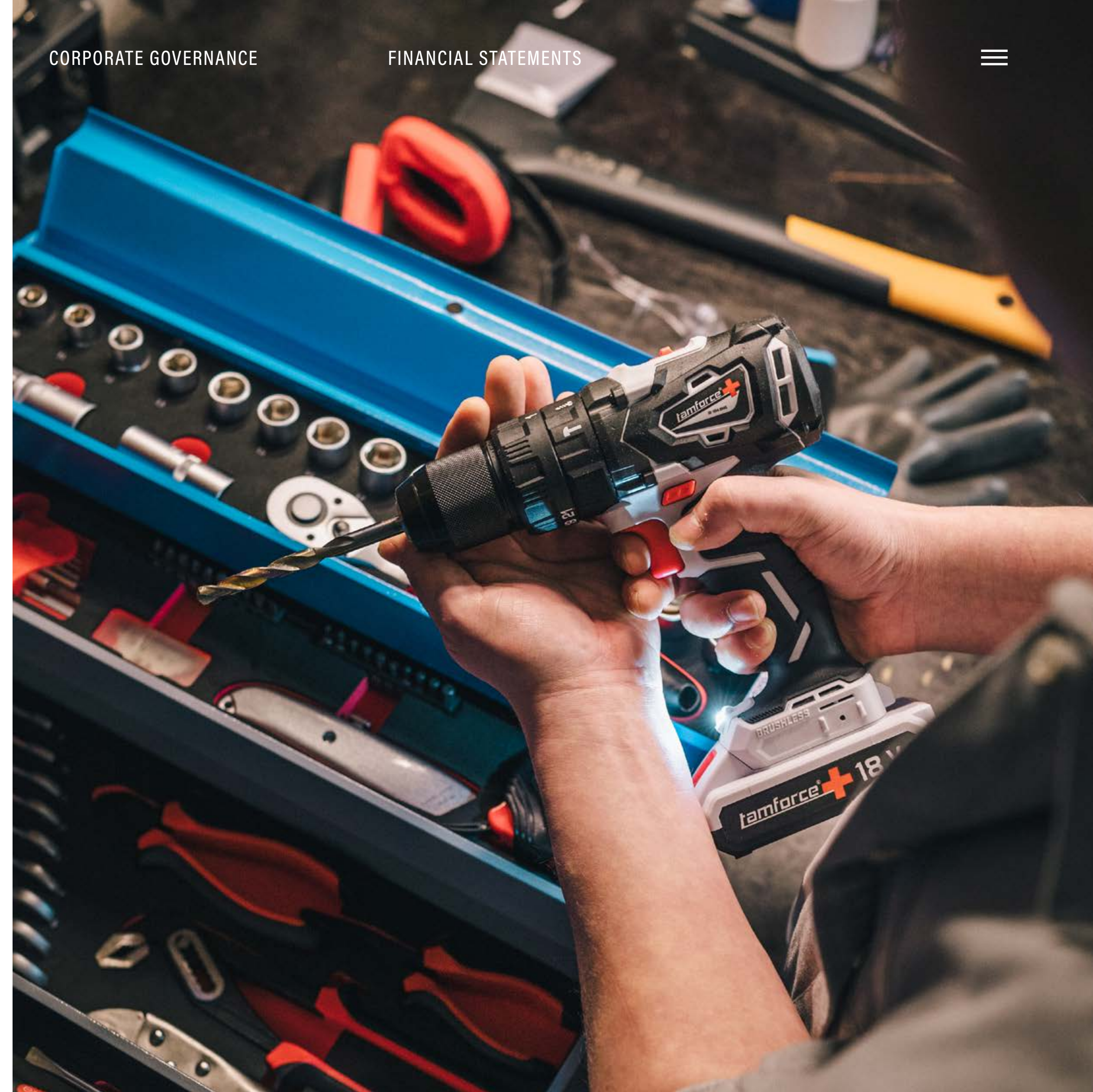
Our goal is to continue to strengthen our position as one of Finland's leading discount stores by tapping into our key strengths: an attractive and extensive product assortment, prices proven to be affordable and a good and convenient shopping experience. In accordance with our growth strategy, we strive to both open new stores and continue to grow our comparable revenue by further increasing our recognition.

We want to continue on this path by continuing to offer an extensive product assortment that meets our customers' needs, at prices that are always affordable. We will continue to invest in the development and growth of our online store: we want our customers to have diverse opportunities for shopping.

The online store is an important part of Puuilo's multi-channel approach and will help us increase our

visibility among consumers and grow our visitor volumes and sales in both the online store and regular stores. In the 2021 financial period, the online store accounted for 3.6 per cent of Puuilo's net sales and its share grew 20.8 per cent year-on-year.

By applying its growth strategy, Puuilo will also strive to achieve the medium-term financial targets set by its Board of Directors in connection with the public listing.



PUUILO'S GROWTH STRATEGY

- Growing the store network
- Increasing the share of private label products
- Maintaining and improving the high profitability
- Like-for-like net sales growth in the young store network
- Continuous development of the product assortment and the multichannel business model

THE 2021 FIGURES WERE:

NET SALES

270.1

EUR million

ADJUSTED EBITA

17.9

per cent of net sales

EARNINGS PER SHARE

0.38

EUR

LONG TERM FINANCIAL TARGETS

+400 €M

GROWTH

Net sales will exceed EUR 400 million by the end of the financial period ending on 31 January 2026 and grow organically by more than 10 per cent annually.

17–19%

PROFITABILITY

Adjusted EBITA will be 17–19 per cent of net sales.

80%

DIVIDEND POLICY

The company strives to distribute a minimum dividend of 80 per cent of the profit of each financial period, depending on the company's capital structure, financial standing, general economic and operating environment and future outlook.

Less than 2.0x

INDEBTEDNESS

The company's net debt to EBITDA ratio will be less than 2.0x.

Business operations

Puulo operates in the Finnish discount store market, which is part of the total retail market in Finland. The discount store market trends in Finland and other Nordic countries include an increase in the price-consciousness of people and a growing demand for DIY and leisure time products.

Our successful store concept has enabled us to become one of the leading players on the Finnish discount store market. Measured by net sales, we are one of Finland's largest store chains focusing on consumer goods.

Puulo's ten main product categories are building supplies, tools, HVAC and electrical accessories, pet food and supplies, car accessories, groceries, household products, garden supplies, free-time and other accessories as well as services.

EXTENSIVE ASSORTMENT

Puulo's attractive and extensive assortment of products includes over 30,000 product items, carefully selected to meet customer demand and the prevailing trends. Puulo monitors the changes in consumer behaviour and demand fluctuations and strives to adapt its product assortment proactively to customer demand.

A key aspect of the versatile assortment is Puulo's private label products, which are sold only in the Puulo stores and in the online store. They are brands that the company has developed, representing different key categories, and that have a great price-quality ratio. In addition, Puulo offers select third-party brands, which further expands Puulo's assortment.

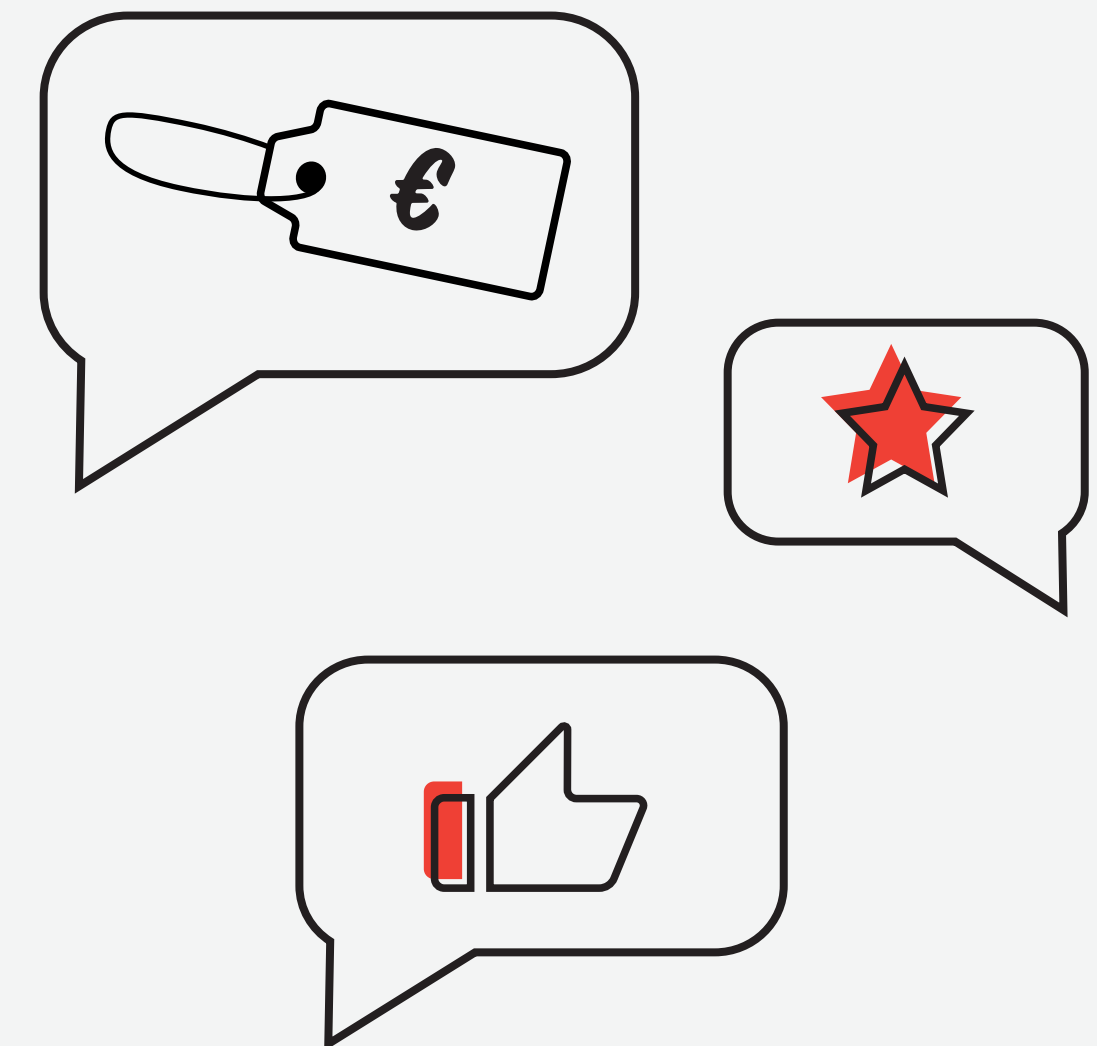
The product assortment in each Puulo store includes:

- building supplies
- tools
- HVAC and electrical accessories
- pet food and supplies
- car accessories
- groceries
- household products
- garden supplies
- free-time and other accessories
- services

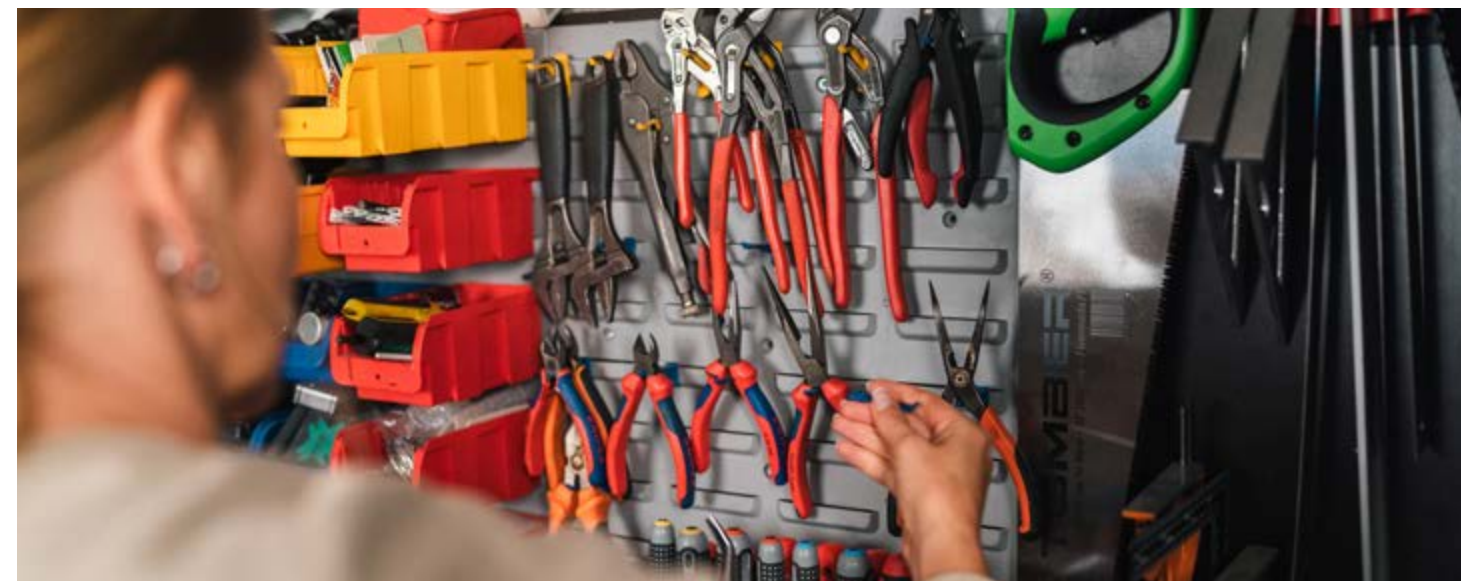
LOW PRICES

Puulo strives to ensure that its prices are reliable, comparable and, on average, lower than those offered by its competitors. The low-cost structure usually enables Puulo to offer customers lower prices compared to its competitors. Puulo's private label products are also priced considerably lower than the equivalent brand products.

That is why in its core categories, Puulo is considered to be extremely affordable among consumers, and in the DIY category, for example, the most affordable. The company's pricing is clearly more economical than that of its control groups and matches the customers' impression of affordable prices.



MARKET TRENDS



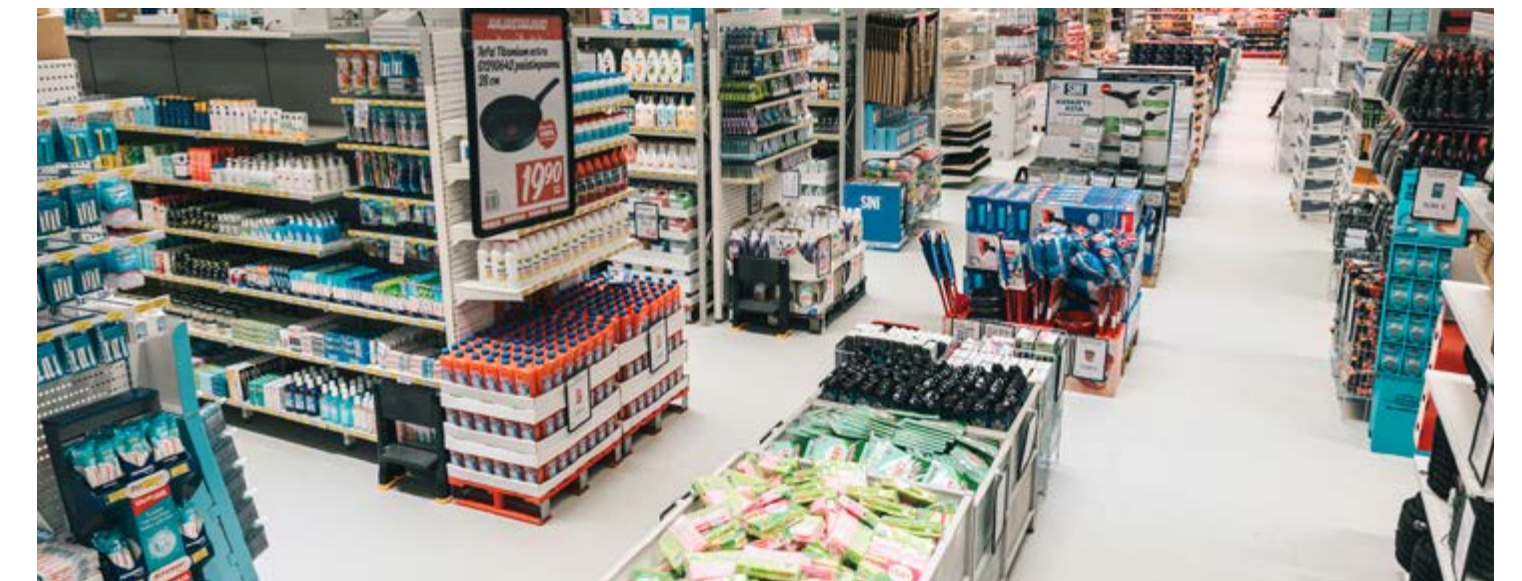
CONSERVATIVE CONSUMPTION

It is estimated that in the conservative consumption trend, consumers are highly price-conscious and actively compare prices.



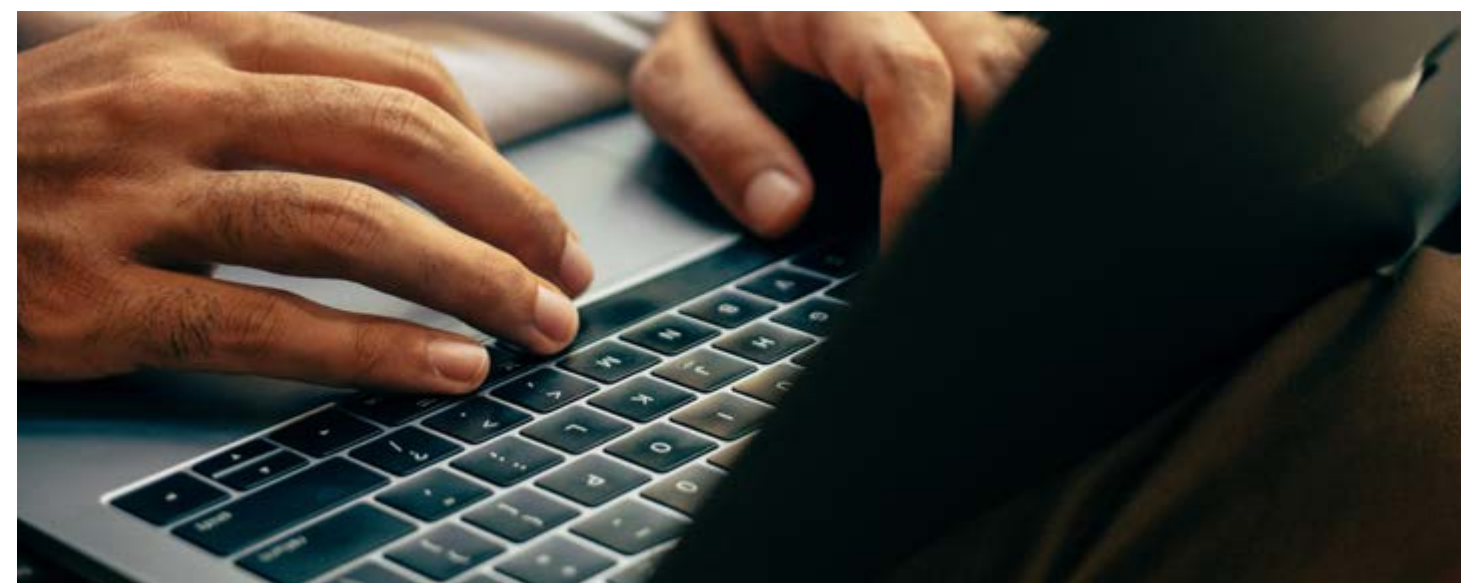
VALUING THE CONVENIENCE OF SHOPPING

Customers value their time: that is why they favour companies that offer convenient store formats and an extensive assortment.



POLARISATION OF CONSUMPTION

Consumers are increasingly busy and prefer one-stop shopping, preferably in concise stores that offer a convenient shopping experience.



ONLINE PURCHASING

The increasing popularity of online purchasing creates opportunities for discount stores to grow their market share.



CONTINUED REMOTE WORK IN THE FUTURE

The remote work trend is expected to continue and strengthen people's interest in the DIY lifestyle in the future as well.



HOME IMPROVEMENT

The DIY and home improvement trend, strengthened as a result of increased remote work, is a perfect fit with Puuilo's product and service offering, providing solid support for the future outlook of Puuilo's business operations.

OUR CUSTOMERS

Consumers are Puuilo’s clearly largest customer group, and we also serve corporate customers. The majority of Puuilo’s customers are DIY customers. The customer base includes people from all socio-economic backgrounds and genders. Our customers across Finland are a diverse representation of different age groups, but the majority of customers are in the 35–65 age group.

Our goal is to respond to customers’ wishes and needs by offering affordable products at prices that support the impression that customers have of Puuilo offering affordable prices. The assortment in the main product categories includes product alternatives with different prices and features. The goal is to cater to the preferences of different customer types.

Our customers come to Puuilo to find products and solutions for building and renovation projects, home improvement, garden or leisure-time activities, such as summer house living and boating. Puuilo also offers an extensive selection of pet supplies and food as well as horse and riding supplies. Some cus-

tomers pop in for “crowd-pullers”, such as seasonal products and specific product campaigns.

Our customer satisfaction is high. We conduct a customer satisfaction survey every two years. The latest survey was conducted in the autumn of 2020, and in it, Puuilo’s Net Promoter Score was 40. The corresponding average among the control group was 17.

According to the brand survey conducted in December 2021 (the Bilendi online panel), 98% of the respondent group of 1,000 people, representative of the population of Finland, knew Puuilo at least by its name. The spontaneous impression of Puuilo was positive, diverse and affordable. Based on the results, if a respondent had not shopped at Puuilo, the main reason was that they did not know the location of a store or were unfamiliar with the product assortment. Those who prefer to shop at Puuilo listed the good price-quality ratio and the diverse product assortment as their main criteria. The importance of good service had increased, compared to the previous survey.



WHAT IS A TYPICAL PUUILO CUSTOMER LIKE?

What is a typical Puuilo customer like in Lahti?

“The words from our advertisement song are very true, if you want to do it yourself – come to Puuilo. Our customer likes to get things done, is price-conscious and shops for necessary items for the home and the summer house. They have done their homework on products online or through advertising but in the store, they are always pleasantly surprised by how extensive and diverse our assortment is, at great prices. Our offer is also suitable for business customers and they also pay us a lot of visits.

Our store in Lahti is conveniently located along a major thoroughfare, so our customers include lots of motorists on their way to their summer houses, for example. According to them, we are easy to access. We’ve also received praise for offering customer service, which is exactly what we want to do. We are there for the customer and help them find the products they need.

Usually when a customer has shopped with us, they will visit us again! I’ve worked as a sales assistant for a long time, and for me,

serving customers is the best part of my job: when a customer leaves the store with a smile, I know I’ve done a good job. We have lots of regular customers, who shop with us at least once a week, sometimes several times per week, to buy pet food or building, HVAC and electrical supplies, or basic items for the home. The sales of seasonal products are high.”



Ville Joki
Sales assistant since 2006

Store manager Kris Niemistö in the Seinäjoki store describes what a typical customer in the Ostrobothnia region is like.

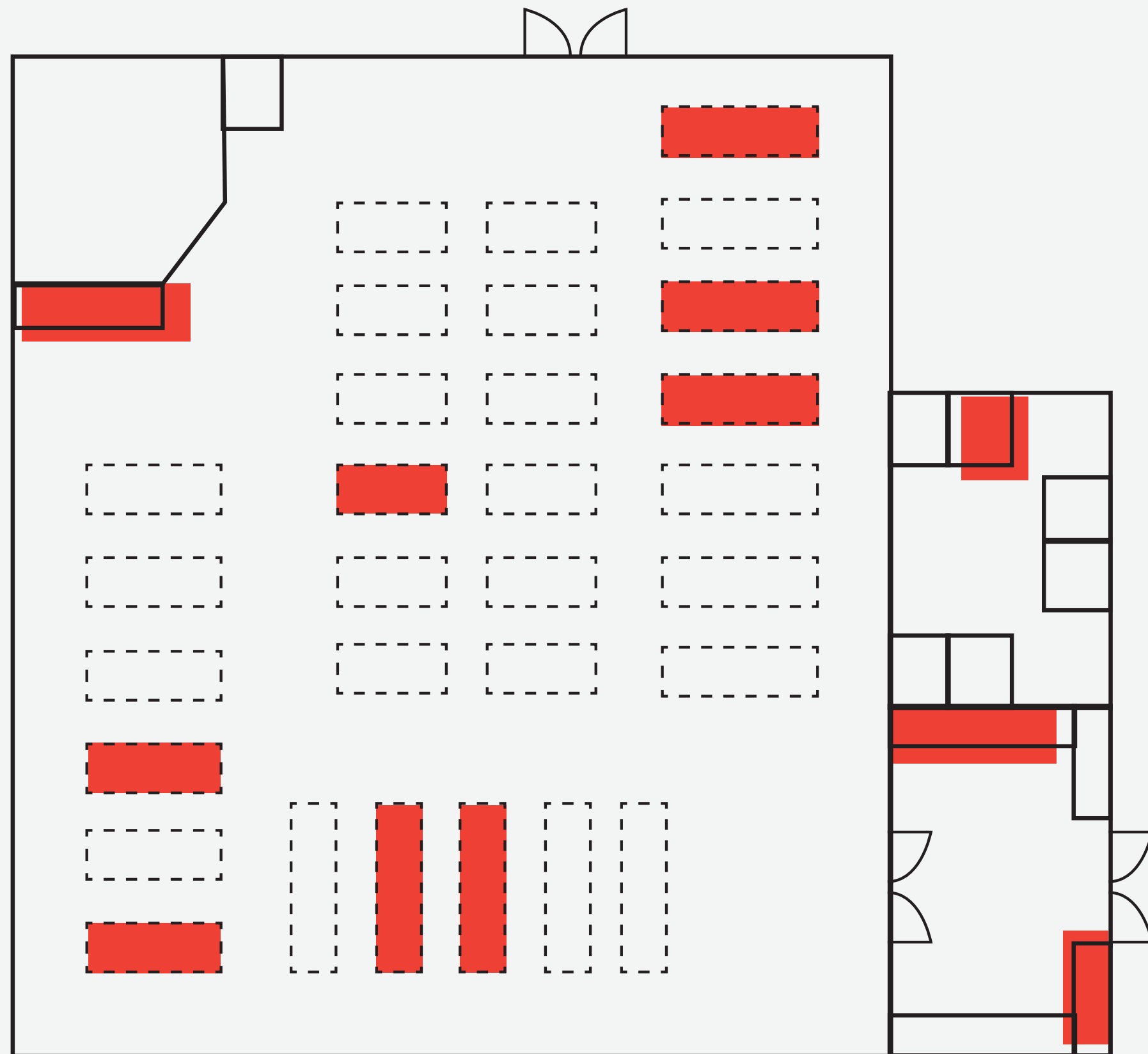
“There are lots of farms, car enthusiasts, companies and households in the vicinity, and our customers include both men and women. In particular, the sales of pet supplies, renovation supplies as well as home and garden products are brisk.

Puuilo is still a newcomer in the Seinäjoki area, so we receive a lot of questions about our store’s assortment. However, many customers learn about products and check the prices online as well. Now you can see the products’ location in the store online, too, which is a feature customers used to request.

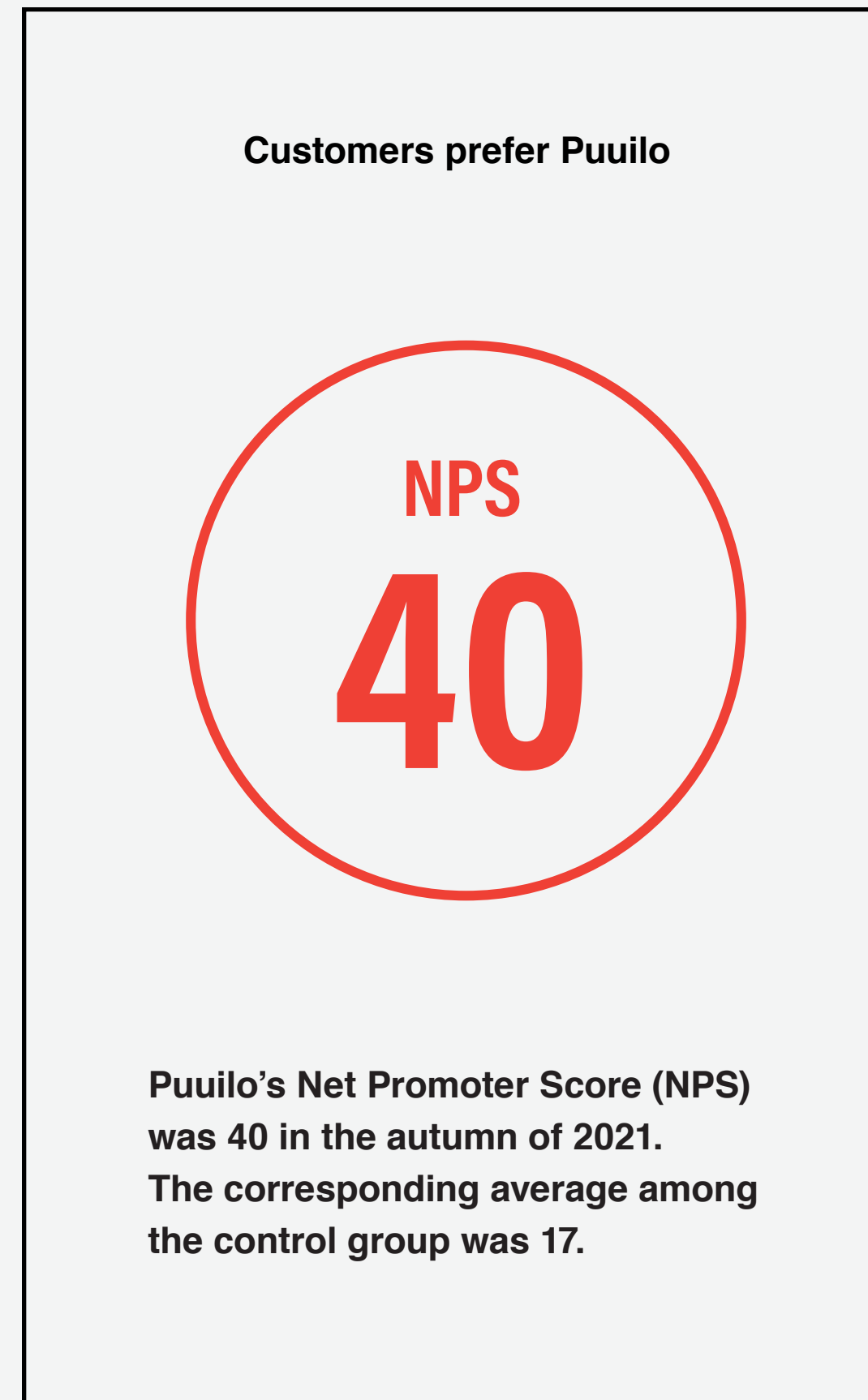
We have lots of employees, and customers like it when they always find a sales assistant and receive service here. They also like the fact that we have plenty of products that are not available elsewhere and that the prices are affordable. Our customers know that they get value for their money.”



Kris Niemistö
Store manager since 2020



Example of a store floor plan.



Source: Consumer survey commissioned by Puuilo and conducted by Taloustutkimus in 2021.

SHOPPING CONVENIENCE

Our stores are designed for easy shopping. We want to provide a good shopping experience for both consumers and corporate customers. We promote it by focusing on the customer experience and effectiveness through store design and the location, quantity and display of products.

All stores have a layout as identical as possible in terms of products and their location. It makes shopping with us faster and more convenient, the use of space in stores is more streamlined and efficient, and helps Puuilo's buyers plan our assortment and make changes to it.

We develop our store concept continuously based on the observations and feedback we receive from both customers and personnel.

STORE NETWORK

At the end of January 2022, Puuilo had 34 stores in different parts of Finland. We opened four new stores in the 2021 financial period. Our concept is in high demand, and we are going to continue growing our network in the coming years. Our goal is to double the number of stores in the medium term, which would bring the number of stores to approximately 60.

In recent years, we have opened an average of 3–4 new stores per year, and continuously and actively

look for new store locations across Finland. Our process for opening new stores is precise and effective. Among other things, it includes defining interesting targets, identifying potential sites, carrying out preliminary surveys and determining the proximity of grocery stores and competitors.

The effective and standardised process enables us to open several stores per year without it having negative effects on our other operative activities. This makes it possible to open several new stores profitably per year. Opening a new store takes approximately six weeks from the date we start preparing the commercial space.

The interior design and layout of the stores support the discount store image: the premises are compact and contain plenty of goods, which makes shopping fast and convenient. Our stores are located along good traffic connections and have plenty of parking space. Puuilo has succeeded in growing the customer volumes and the net sales of comparable stores in both new and older stores. An efficient process for opening stores also makes it possible for newer stores to be profitable as soon as after the first months, which is rare in the retail sector. The process to open new stores is described below.

NEW STORE OPENING PROCESS



The process to open a new store takes approximately six weeks, on average, from receiving the tenancy to the store space.

ONLINE STORE

Online purchasing is an increasingly natural part of the daily life of consumers and retail stores. In part, it is also a trend connected to the convenience of shopping. Puuilo's online store opened in 2008 and it was overhauled at the end of 2020. Its current product assortment is nearly the same as that of the stores, in other words, there are approximately 30,000 active product items. Products purchased from the online store can be delivered to the customer's home, to a designated post office, or, without a charge, to the nearest Puuilo store.

Although the competitive pressure put on discount stores by online stores is considered to be relatively low so far, the trend is expected to strengthen in the coming years. Increased online purchasing creates opportunities for discount stores to grow their market share. The online store is an important part of Puuilo's multi-channel approach and will help us increase our visibility among consumers and grow our visitor volumes and sales in both the online store and regular stores. Customers often study products, compare prices and check the store availability in the online store before making a purchasing decision.

We made a decision to move the order picking warehouse that operated in connection with the Itäkeskus store in Helsinki to the Kauklahti area in Espoo. The new warehouse scheduled to open in 2022 will considerably improve the prerequisites for efficient operations in Puuilo's online store and the Itäkeskus store: the sales in both of them have grown powerfully in

WE'VE MADE SHOPPING EASY

approximately **31%**
of online purchases were collected from a store¹

approximately **77%**
of visitors search for product information before coming to a store²

3.6%
the share of the online store in Puuilo's net sales¹

¹ In the financial period that ended 31.1.2022.

² Source: A survey conducted by Userneeds on the company's commission in November 2020 (n = 44,051).

recent years, and this change will provide them with appropriate, modern facilities. The new online store warehouse will improve the availability of goods and customer satisfaction in the Itäkeskus store. It will also be larger and in a more logistically favourable location, which will streamline the overall performance of our online store.

In the financial year 2021, sales in our online store grew by 20,8% and its total visitor volume increased by 18% from the previous year. The share of click-and-collect purchases from the online purchases during the year was 31% at the end of December.

We will continue both the technical development and the improvement of our operating processes in the online store. The shopping experience in and the functionalities of the online store require maintenance and development on a continuous basis for increased sales and continued customer generation in stores.

MARKET POSITION

Our strategic objective is to strengthen our market position that is based on affordable prices and our key product categories, such as DIY products and tools.

Compared to general operators, Puuilo is considered to offer a more extensive product assortment in the key product categories in its targeted market. In terms of prices, the overall impression is that Puuilo is affordable, compared to the general operators. In turn, speciality stores offer an extensive and thorough product assortment in one or a few selected

product categories, but in terms of prices, they are considered to be more expensive than Puuilo. Compared to speciality stores, Puuilo's competitive advantage is its extensive product assortment and the impression among consumers of it having clearly more affordable prices.

Customer surveys and our brand studies also indicate that our assortment serves customers better than that of our competitors and that our prices are more affordable and the shopping experience is better. More information on the surveys is available in section Our customers.

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Our strategic objective is to strengthen our market position that is based on affordable prices and our key product categories.



Puulo as an investment

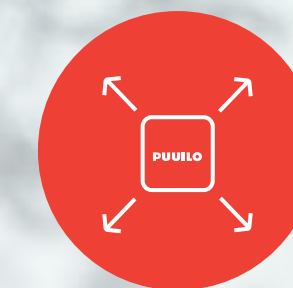
Puulo has grown considerably faster than the Finnish discount store and retail market. Despite the rapid growth, our profitability has remained on a high level and even improved in recent years.

Puulo believes that one of its key strengths, in particular, is its successful concept based on an extensive assortment, low prices, the affordable price image, and the convenience of shopping. The trends steering the discount store market in Finland and the other Nordic countries include the increased price consciousness among people and an increased demand for DIY and leisure time products. Our concept is well aligned with these trends.

We haven't yet tapped into our full potential. We have potential to grow our store network profitably from the current 34 stores up to 60 stores in the coming years.



One of the leading players in the growing discount retail market in Finland



A successful concept based on an extensive assortment, low prices, the affordable price image, and the convenience of shopping



A growing store network and online store



Historically better growth than that in the market, high profitability and a strong cash flow



Sustainability

We believe in development and seize opportunities: this is how Puulo has succeeded for 40 years and our goal is now to make sustainability a part of every Puulo employee's work and everyday life. We recognise sustainability as a theme that is not only our duty, but also an opportunity to create value throughout our entire supply chain.

We must take care of people and the environment

It is self-evident to us that we must bear responsibility for people and the environment. Similarly, it is clear to us that high-quality sustainability work will improve all areas of our business.

We believe in progress and seize opportunities: this is what has made Puuilo's operations successful for 40 years, and our objective is now to incorporate responsibility in the work and daily life of all Puuilo employees. We acknowledge corporate responsibility as a theme that we are obligated to promote throughout the operating chain and that provides an opportunity to create value. In other words, sustainability benefits all of us, our customers, personnel and investors, in a systematic manner and in the long term.

We must understand corporate responsibility in a comprehensive manner, by which we mean that it's not an assigned responsibility but should involve

each and every Puuilo employee. We at Puuilo acknowledge that the choices we make have a direct impact on a large group of people both in the daily work and on the level of attitudes. Responsibility is a permanent theme in Puuilo's management teamwork and in internal communication.

We are reporting on sustainability for the first time for the financial year 2021: although as a concept, it is natural and familiar for us, we still have work to do in the systematic target setting and monitoring of metrics and objectives. Still, there are several accomplishments that can be reported.



STRUCTURING OF SUSTAINABILITY WORK IN THE FINANCIAL YEAR 2021

In the financial year 2021, we started creating structures for more systematic sustainability work, including objectives and metrics. For this purpose, we conducted a materiality analysis with representatives of our key stakeholder groups and will use this analysis as a basis for the further measures.

We divided our material sustainability topics in three focus areas: “A responsible retailer”, “More sustainable consumption”, and “A good place to work”.

A responsible retailer refers to us and, in particular, our supply chain, which is extensive and, therefore, has extensive impacts. Another key stakeholder group which we aim to influence with our sustainability work is our personnel. We want to be a good place to work, one that employees want to commit to. More sustainable consumption means tangible savings and streamlining measures with regard to not only the environment but also costs.

CLEAR FRAMEWORK AND DIRECTION

With regard to our sustainability work, we have identified the following as our most significant stakeholders: customers, personnel, shareholders, the authorities, financiers, and the media. We aim to provide them with the best possible quality of service taking sustainability perspectives into consideration.

PUUILO’S MATERIAL SUSTAINABILITY TOPICS

MORE SUSTAINABLE CONSUMPTION (ENVIRONMENT)

1. Energy efficiency
2. Carbon footprint
3. Circular economy, including recycling and waste
4. Sustainable logistics

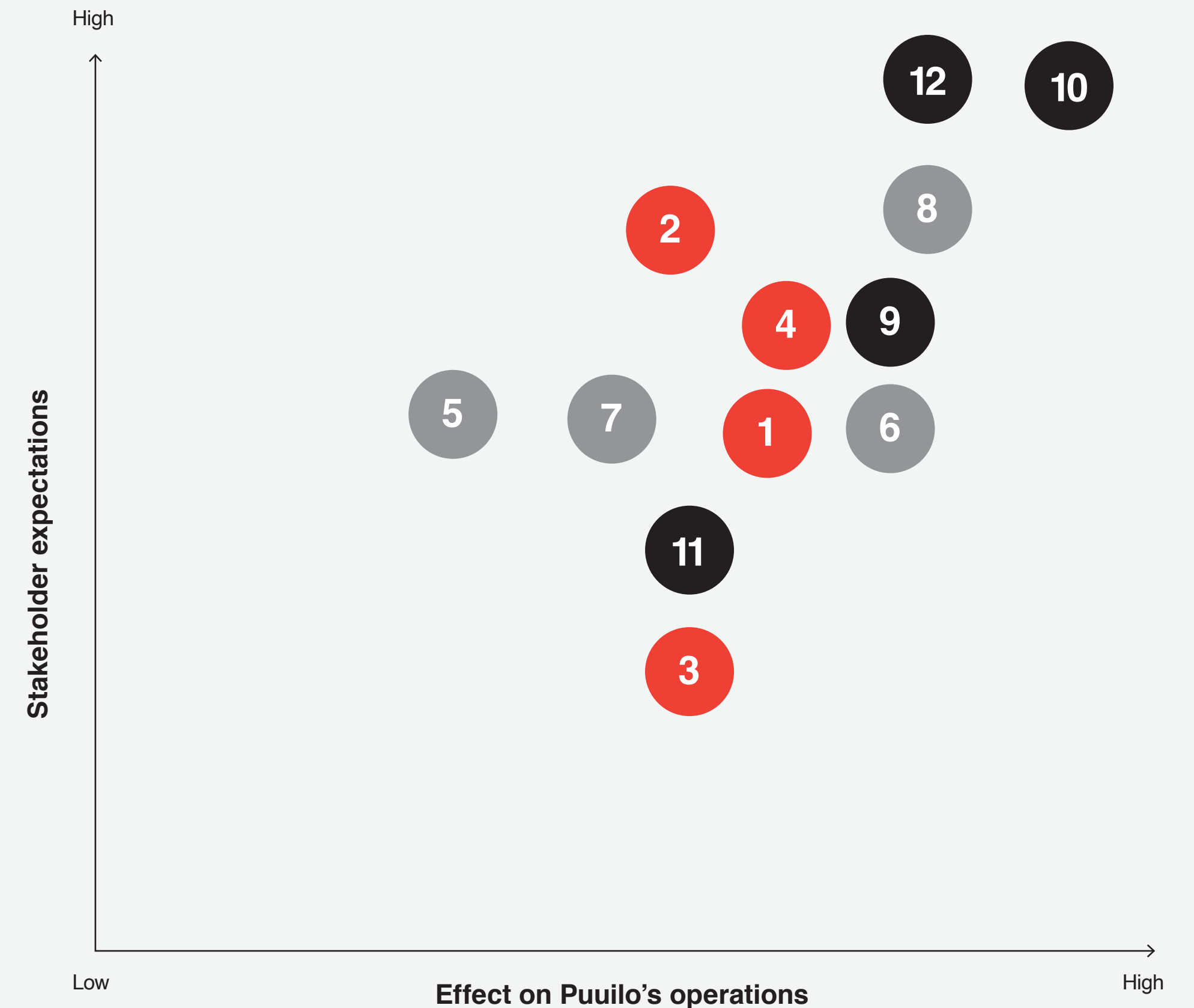
GOOD PLACE TO WORK (SOCIAL)

5. Diversity and equality
6. Respect for human rights
7. Wellbeing at work and occupational safety
8. Personnel satisfaction

RESPONSIBLE RETAILER (GOVERNANCE)

9. Responsible retailer
10. Responsible supply chain
11. Anti-corruption
12. Product quality and safety

- More sustainable consumption
- A good place to work
- A responsible retailer



The foundation for our sustainability work is laid out by national and international laws and statutes concerning business activities, as well as employer obligations and commitments. Naturally, we operate in compliance with all of these, but the actual sustainability work extends beyond regulatory compliance. That is why we are growing the number of our voluntary commitments and sustainability measures.

The impacts of our sustainability work are reflected in the functioning and success of our business operations: personnel wellbeing indicates high-quality management and our value base, which increases commitment to and a responsible approach towards one's own work and daily actions. Selecting responsible suppliers has a positive impact on resource efficiency and the product quality, among other things. Even small acts become important when they are repeated and multiplied. The results are manifested as customer satisfaction, which translates to successful business.

Our sustainability work is only just beginning, but our direction is clear. In the coming years, we will be building sustainability in a systematic manner. Sustainability will become part of the daily work of all Puuilo employees, no matter what their position.

SUSTAINABILITY MANAGEMENT AND RESPONSIBILITY

At Puuilo, the members of the management team are in charge of sustainability work. In the financial

year 2021, the CEO was in charge of the financial, environmental and social responsibility overall, the Director Purchases & Logistics was responsible for the supply chain (product responsibility), and the Head of Human Resources was in charge of social responsibility with regard to personnel.

The management team conducts regular responsibility reviews to verify the progress of plans and measures as well as the timeliness of the materiality analysis.

OPERATING ENVIRONMENT INFLUENCES SUSTAINABILITY WORK

We pay special attention to supplier selection, because our impact extends far and wide through our supply chain. A suppliers' Amfori BCSI commitment is one way to ensure sustainability of our global supply chain and verify some of our selection criteria; incorporating the Supplier Code of Conduct in the agreements with new suppliers is another one. Due to the coronavirus pandemic, we have not been able to conduct factory and supplier visits as usual in order to evaluate the operations on site. In this situation, we ensure the sustainability of new suppliers and their understanding of, for example, safety by checking their background and references and reviewing their sustainability-related documentation.

The pandemic has not caused serious problems to our sales: the scope of our chain – 34 stores in the financial year 2021 and the number is growing – and the online store ensure that customers are never

without a place to do their shopping. No temporary store closures were needed during the year. As needed, personnel transferred between stores and flexible solutions were found in all situations.

Due to the changes in the world's geopolitical situation, we discontinued purchasing products manufactured in Russia and by companies with Russian owners at the end of February 2022.

”

Even small acts become important when they are repeated and multiplied.

A responsible retailer

A responsible retailer covers both the work carried out by Puuilo employees and activities of our supply chain to the extent that we have influence over it. In the financial year 2021, we implemented both internal and external methods to advance our sustainability work.

Internally, a responsible retailer refers to Puuilo's management and the store supervisors but also individual salespersons and our other employees. We are all merchants. We want sustainability to be an innate part of what each Puuilo employee does in their daily tasks.

However, the value chain is where our most significant impact on sustainability takes place, since Puuilo only has a limited amount of own production. The supply chain needs to be involved in sustainability work to ensure both product quality and product safety. Puuilo is committed to operating ethically and requires the same of its partners.

In the financial year 2021, we evaluated the sustainability of our supply chain, published the Supplier Code of Conduct and incorporated it in our new agreements or agreements due for extension. In addition, we became members of the [Amfori BSCI](#)

[system](#), which is used to verify global supply chains, in particular. We opened a whistleblowing channel available to both internal and external users for reporting violations or suspected violations of the ethical guidelines. Our social responsibility actions included removing slot machines from all of our stores.

In 2022, we will continue to implement the Amfori BSCI in the supply chain of our private label products and to conduct factory audits to verify compliance with the commitments, as the pandemic allows.

SUSTAINABLY MANUFACTURED PRODUCTS

Puuilo's product assortment is extensive, consisting of over 30,000 items, and our prices are proven to be affordable. The prerequisite of upholding and developing these strengths is a reliable supply chain that makes products availa-

ACHIEVEMENTS AND DIRECTION



OUR 2021 MEASURES:

- We joined the Amfori BSCI system and committed to its ethical principles.
- We started sustainability evaluations and the implementation of the BSCI in our supply chain. More than half of our foreign suppliers are committed to the BSCI or equivalent.
- We published the Supplier Code of Conduct and began incorporating it in our partnership agreements that are due for extension and in all new agreements.
- We established a whistleblowing channel for reporting violations and concerns.
- We removed slot machines from our stores.

OUR OBJECTIVES FOR 2022:

- Increase the share of suppliers committed to BSCI or equivalent in our supply chain to 80% by the financial year 2025.
- Continue factory audits when the circumstances allow.
- Enter into goal-oriented partnership agreements with suppliers outside the EU as well.
- Continue incorporating the Supplier Code of Conduct in agreements with the aim of covering 80% of the agreements by the financial year 2025.
- Pay attention to ensuring product quality and to establish a Quality Control team within the purchasing organisation.



ble to our customers. The selection of suppliers and partners is key in our sustainability work. At the end of the financial year 2021, our supply chain included nearly 1,000 suppliers.

Puulo is committed to sustainable procurement. The basic principles and expectations suppliers should comply with are provided in the [Supplier Code of](#)

[Conduct](#), available on our website. In connection with our public listing in 2021, we initiated the incorporation of the Code of Conduct in our binding partnership agreements, starting with the largest suppliers, and will continue this approach with agreements that are due for extension and with new agreements. Our objective is that the Code of Conduct will be part of 80 per cent of the agreements by the end of 2025.

We expect our suppliers and partners to commit to promoting sustainability with us. Puulo is committed to the ethical operating principles of [Amfori BSCI system](#) and thus complies with the principles of the UN Global Compact, as well as the OECD Guidelines for Multinational Enterprises. In addition to compliance with laws and statutes, we require that our suppliers and partners commit to the same an equivalent principles, in addition to compliance with laws and statutes, and encourage them to pro-actively develop sustainable production and a sustainable product assortment. According to a survey we conducted in April 2021, approximately half of the foreign suppliers of our private labels are committed to BCSI or equivalent principles. Our objective is that by the end of the financial year 2025, 80% of the suppliers of our private labels are BSCI-audited.

We want to develop our operations with suppliers and partners on a long-term basis. We encourage everyone to report any concerns detected in our operations or in our supply chain. We bear our responsibility by investigating each situation and taking corrective measures in cooperation with the other members of the chain.

ENSURING HIGH PRODUCT QUALITY

We believe that commitment to sustainability indicates and drives good performance in other areas as well, including the assurance of high quality.

Our primary methods of ensuring the quality of products is to select suppliers carefully and to verify the authenticity of their documents. In addition, we test

and check both the product samples and the products themselves before distribution in Finland. Our plan is to establish a new quality control unit in our purchasing organisation in the financial year 2022.

WE PROMOTED ETHICAL BUSINESS

Puulo is committed to conducting its business in an ethical manner. An internal Code of Conduct will be prepared during the financial year 2022.

A whistleblowing channel was opened in 2021. The channel is available on our website. Anyone can use the channel to anonymously report unethical conduct, such as corruption, or suspicions thereof to Puulo’s management. A team established by the management will review the reports, take corrective measures and communicate their decision to the person who reported the issue. In the financial year 2021, we received 20 reports, all of which concerned internal, local work arrangements and terms of employment. The reports were handled in accordance with the agreed process and actual violations or serious concerns were not detected.

In line with our ethical principles, we also made the decision in the financial year 2021 to remove the slot machines from all Puulo stores. Our view is that gambling involves social problems, and we do not want to be part of increasing them. The removal of the slot machines also demonstrated our desire to show an example, and it is our stand on social responsibility. We convey the same message by discontinuing the procurement of products of Russian and Russian-owned companies in February 2022.

A good place to work

Strong and sustainable growth is possible only when personnel are skilled and motivated. That is why Puuilo wants to be a good place to work.

One of the three focus areas of our sustainability is personnel: we want to be a good place to work. Puuilo's HR work is guided by a corporate culture that is based on strong values and has crystallized over the decades and by our values. We are agile and straightforward, and the bureaucracy in our operations is minimal. It is part of our culture to trust people and allow them to make decisions about their work.

With freedom comes responsibility, and our personnel understand that. Supervisors, in particular, bear great responsibility in their work, and we support them in this by providing training and coaching. We support our entire personnel in their learning and career advancement, provide safe working conditions and fair employment terms and treat everyone equally.

We want our employees to be motivated and skilled. Therefore, we invest in personnel retention more than the retail sector on average. Over eighty per cent of our employment relationships are permanent, and we aim to maintain this level in future as well. That's because we believe that you learn new

things every day. As our product assortment is extensive and also includes more special tools and supplies, our customers often have questions about products in the store. We must have the ability to answer them, but this ability is not achieved overnight.

Our goal is to be the best and most sought-after employer in the retail sector. We are not quite there yet, but we work towards this goal systematically and measure our success by means of an annual personnel satisfaction survey.

At the end of the financial year 2021 the number of personnel converted into full-time employees (FTE) was 663. The pandemic increased our sales, as our product assortment is well aligned with construction, renovation and many everyday needs that arise at home and in gardens, garages and summer houses. That is why we recruited new personnel during the pandemic. The number of personnel also continues to grow as a result of the expansion of the chain: during the year, we opened four new stores.

ACHIEVEMENTS AND DIRECTION



OUR 2021 MEASURES:

- We provided orientation to all new employees.
- We focused on personnel training and, in particular, the management training of supervisors.
- We continued an employment contract policy that is atypical of the sector: more than 80% of the contracts are permanent.
- We paid special attention to ergonomics and occupational safety. The entire personnel took the occupational safety training.
- We opened a whistleblowing channel.
- We conducted the annual job satisfaction survey for all personnel.

OUR OBJECTIVES FOR 2022:

- Publish Puuilo's values and actively communicate them to personnel.
- Develop the employer activities that are already on a good level and build a positive employer image.
- Continue personnel and, in particular, supervisor training for management excellence.
- Continue to offer primarily full-time employment contracts.
- Continue to provide occupational safety training and measure accident frequency in order to reduce accidents.
- Draw up internal ethical guidelines for the Puuilo employees.
- Conduct an annual job satisfaction survey.
- Continue to communicate our values.



We have started communicating Puuilo’s strategy and values to personnel, so that everyone could apply and identify them in their work. We believe that this will also improve our personnel satisfaction. According to our personnel survey, personnel satisfaction is close to the retail sector average, even though the results indicate that our growth strategy, operating as a listed company and our values are still new to us. We are doing well in terms of recruiting new employees, with occasional challenges in the availability of workforce only in the southernmost Finland.

We pay all employees’ salaries in accordance with the collective labour agreement. The employees have the right to belong to a union, and employee representatives have been elected per each personnel group.

PROMOTING OCCUPATIONAL HEALTH AND SAFETY

We promote personnel wellbeing and coping at work by focusing on supervisory work excellence, occupational safety, personnel competence, as well as smooth daily operations and a manageable workload.

We provide employees with occupational health services with medical care coverage. We have a functioning model of cooperation in place with our partner Terveystalo, which enables us to proactively address issues related to health through the shared objectives and monitoring their realisation. We have established an early support model as well as a model for both reduced work and replacement work in various health-related challenges.

All of our employees take Puuilo’s occupational safety training annually. It is also incorporated in the orientation of new employees. We closely monitor the realisation of occupational safety through the occupational safety committee, which supports the supervisors by actively promoting matters concerning safety in the daily activities. In 2021, we started to measure accident frequency in a systematic manner.

Personnel are encouraged to report hazardous and near-miss situations and near miss situations through our internal reporting system, and the relevant supervisor reviews the reported cases. The occupational safety committee monitors the number of reports and the measures taken. The system also provides information on the assessments of hazards and risks and includes an action plan for occupational safety and health.

FOCUS ON ORIENTATION AND MANAGEMENT COMPETENCE

We are growing strongly, and new employees are hired to 3–4 new Puuilo stores annually. In 2021, our focus was on orientation of new employees and improving it. We have designated employees in charge of orientation in each location, and they receive training in their duties.

Orientation includes occupational safety training as well as coaching on Puuilo’s strategy, objectives and practices concerning disruptive situations, such as bullying or improper conduct. Every Puuilo employee takes the training as part of their orientation and knows how various situations are handled at Puuilo.

We provide continuous coaching for supervisors to develop their management competence. Our goal is management excellence. We provide both on-site and online training. Most of the personnel coaching takes place online. In the financial year 2021 we carried out comprehensive manager training.

Supervisors evaluate the performance and competence of their employees in regular management discussions and annual development discussions.

COMMITMENT TO EQUALITY AND NON-DISCRIMINATION

We have set an equality and non-discrimination plan and take continuous action to act in compliance with the plan. Puuilo's objective is to be a successful company whose employees have equal opportunities to perform well and develop in their jobs.

Our goal is a work community where employees treat each other equally and do not discriminate. It is our responsibility to advance this both in our daily activities and in all decision-making. Discrimination on the basis of a person's gender, age, origin, nationality, language, religion, belief, opinion, political activity, union activity, family relationships, health, disability, sexual orientation or other personal characteristic is not permitted.

We have operating models in place for addressing bullying, harassment and unprofessional treatment. We assess the sustainability of the operating practices both internally and in the selection of suppliers. Puuilo is committed to the ethical operating princi-

ples of [Amfori BSCI](#) and thus complies with the principles of the UN Global Compact, as well as the OECD Guidelines for Multinational Enterprises.

Equality and diversity matters are addressed in Amfori BSCI principles which are enforced in our supply chain. In 2021, we also opened a whistleblowing channel that anyone can use to anonymously report violations or suspected violations of our operating principles. The person reporting will be informed of the processing of and the measures taken based on their report. In 2021, the channel was used to submit 20 reports. They were handled in accordance with the process, and actual violations or serious concerns were not detected.

The HR function and the Head of Human Resources, who is a member of the management team, are in charge of the HR management practices. We emphasise cooperation and open discussions with both supervisors and personnel representatives. The cooperation is close and includes both formal meetings and informal discussions and pondering. Focus is placed, in particular, on internal communication, which is active online and in which all Puuilo employees can participate.

MAKING PROGRESS IN HR WORK

In 2022, we established the shared Puuilo values together with personnel. Our next task is to have everyone incorporate our culture and values in their daily work.

We will continue to focus, in particular, on orientation, supervisors' management competence, good cooperation between teams, and efficient organisation of work to ensure a reasonable workload. We systemati-



From the left:
Andres Reimann,
Ville Puumalainen,
Matias Koskimäki
and Nea Herranen.

Photo: Noora
Aaltonen, Puuilo

SAFETY KNIVES ELIMINATE CUTTING ACCIDENTS

Sharp knives are generally used in store work for opening packages, among other things. In 2021, we took a measure to prevent cutting accidents by giving all employees safety knives with a protected blade. Every employee who started using the knife in their work received a chocolate bar as a gift. The chocolate bar wrapper had the text: "Thanks for using the safety knife." The campaign helped reduce cutting accidents and the resulting absences considerably. Thus, the knife purchase paid for itself many times over, and work safety increased.

cally monitor accident frequency and strive to reduce the number of accidents through communication, training and internal campaigns.

Our long-term goal is to be the best and most sought-after employer in the retail sector. We build a positive employer image by means of high-quality HR work.

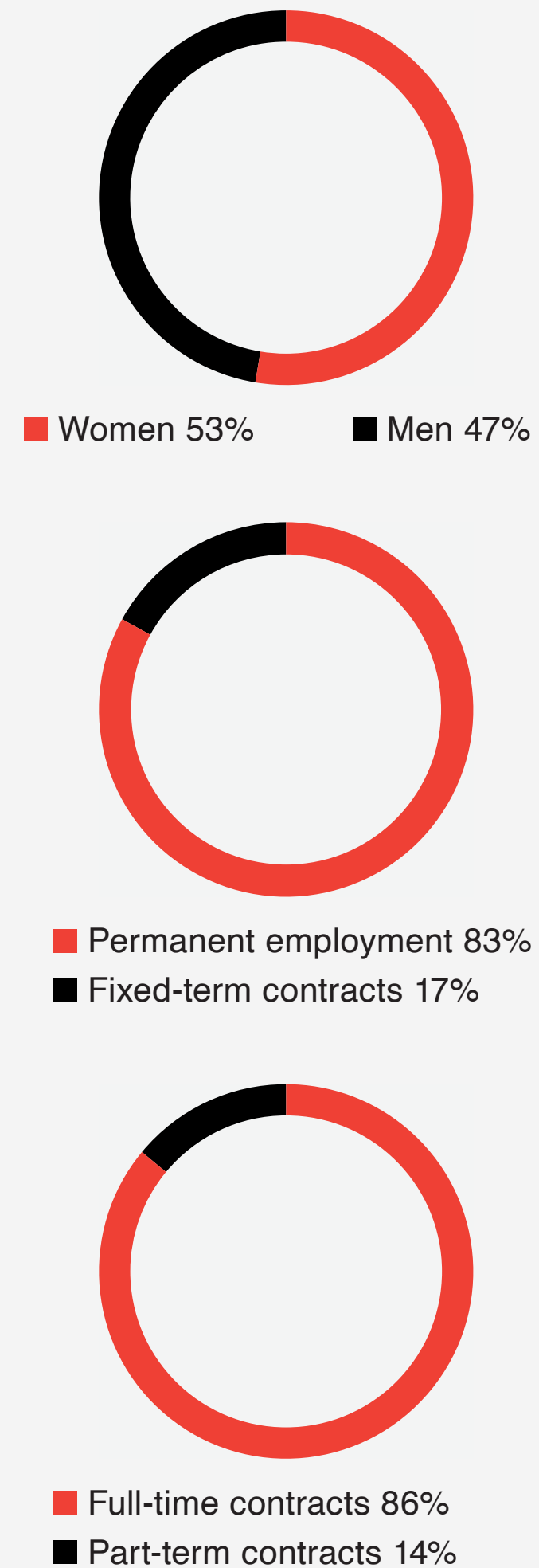
Puulo offers personnel with full-time employment relationships in a financially sound, growing and successful company that provides opportunities for improvement and competence development. We invest in good management and supervisory work. Employees can make a difference, have their voices heard and participate in the development of operations in Puulo. Instead of strict chain management, we emphasise employees' own agency and responsibility: in the stores, employees can make a difference, use their ideas and creativity in the daily tasks.

PERSONNEL

663

full-time equivalent

PERSONNEL 31.12.2022



**Applies to premanent employment relationships.*

The figures are average figures for the financial year 2021.

CASE

PERFECTLY FITTING SHOES

Our employees walk a lot: 10,000–20,000 steps per workday. We give each employee customised work shoes with the insole of the shoes made to perfectly fit the employee's feet. The right kind of shoes are ergonomic, improve job satisfaction and reduce absences related to health issues in the lower extremities.

In the photo:
Toni Leppänen (left)
and Viljami Pyykkö.

Photo: Toni Tamminen,
Puulo.



CASE: CAREER STORIES

Freedom and responsibility

Susanna Ruskeepää is the store manager of Puuilo Lahti. The responsibilities of a store manager include the overall management of the store, such as personnel, sales and result, customer satisfaction, tidiness and ensuring that the shelves are stocked with products for customers to purchase.

“I started my career as a salesperson in Puuilo Vantaa and worked as an assistant store manager in Porvoo for a while before taking the current position in Lahti,” Susanna says.

“I really like it here: the employees here are super nice and great to work with. I’ve always enjoyed customer service. In addition, this job offers me the freedom to personalise my store. I get to make decisions, apply my competence and use my imagination.”

Susanna just completed a year-long direct supervisor qualification offered through Puuilo-opisto. Puuilo-opisto is a training programme organised in cooperation with Puuilo’s partner Taitotalo. The programme offers training modules that employees can take on the side of their jobs. Susanna has a vocational qualification in Business and Administration and over 20 years of experience in a variety of retail and sales positions. Why did you choose a career at Puuilo?

“Puuilo is a developing and growing company that shows great progress all the time! The product assortment is diverse, which is also something that I find appealing. I also appreciate the training opportunities. Perhaps I will study even more in the future.”

“Sometimes it is challenging to obtain products, but usually the volume of shipments is high and keeps us busy. Customer service is always a priority for us, but we do need to get the shipments unloaded as well. It has been a challenge to find replacements for employees who have been sick with the coronavirus, but luckily in the summer our personnel will grow.”



Susanna Ruskeepää
Store manager

Optimal career advancement

Vera Julkunen just started in her job as Puuilo’s graphic designer in Vantaa. Previously, she worked in a managerial position in sales support and was in charge of the store’s work shift planning and checkout functions. She also completed the direct supervisor qualification at Puuilo-opisto. Before that, she worked as a sales assistant. Her two years with Puuilo have been just the kind of career that she hoped for.

“I studied and worked in the media sector before joining Puuilo. Then the coronavirus pandemic put a stop to work, and I moved on to retail. Puuilo was supposed to be a temporary solution, but now I am satisfied and like it here very much. Coming to Puuilo was the right choice. First, I worked in managerial positions, which I had hoped to be able to do, and then proceeded to a media-related position again,” Vera says.

“There is a spirit of getting things done in the store and the atmosphere there is great. Although it is a big company, everyone is easy to get along with, including the CEO.”

Vera works on Puuilo’s direct marketing brochure, which is published on average twice per month and delivered to over 1.5 million households, published online and available in the stores.



Vera Julkunen
Graphic designer

“I love my job; even though certain things need to be done in a certain way, I get to use my creativity and apply my own vision. I find Puuilo an excellent employer, one that offers everyone plenty of career opportunities. In the stores, you truly get to do a lot of different things and be versatile.”

Puuilo is growing rapidly, and some operations have not been quite established yet. We learn new things all the time.

“Strategy and vision are still new things for us, but we are receiving a lot of information. We have effective electronic communication channels, and the Puuilo chain event, organised twice per year, where topical and upcoming matters in the company are discussed. All activities demonstrate the unique character of Puuilo.”

Consume more sustainably

Puuiilo wants to operate in a resource-wise manner and ensure that we have a clean and life-sustaining environment in the future as well. That is why we have defined more sustainable consumption as one of our three main focus areas.

For us, more sustainable consumption means that we monitor the resource use and environmental effectiveness of our own operations and the supply chain, and aim to make it more sustainable whenever we have influence over it. Among other things, it means increasing energy efficiency and aim to decrease carbon footprint. We consider product quality to be part of more sustainable consumption: when products are durable and customers are satisfied with them, product returns, transports and waste are reduced, which in turn reduces environmental burden.

The year 2021 was meaningful not only for Puuilo as a whole but also in terms of the company's sustainability work, which got off to a

good start. We started to pay more attention to waste generation and using renewable energy.

At Puuilo, the CEO together with the Chief Purchasing Officer is in charge of environmental responsibility. The CEO is responsible for the acquisition of the business locations and for property maintenance, while the CPO is in charge of the sustainability of the supply chains. The currency of the materiality matrix and the progress of sustainability work are regularly reviewed in management team meetings.

CARBON NEUTRALITY OF WASTE GENERATION

In the financial year 2021, we paid special attention to the recycling rate in and the monitoring and management of the carbon footprint of waste generation. We

ACHIEVEMENTS AND DIRECTION



OUR 2021 MEASURES:

- The electricity we purchase comes 100% from renewable sources of energy (the properties managed by Puuilo).
- We started to systematically measure our waste generation and train personnel to improve recycling. The waste recycling rate was 68%.
- We continued to improve energy efficiency by replacing lighting and optimising energy consumption. The achieved reduction of energy consumption was 2%.
- We launched systematic monitoring of the greenhouse gas emissions of logistics. The emissions amounted to 3,217 tonnes.

OUR OBJECTIVES FOR 2022:

- We will decrease the comparable greenhouse gas emissions of ground, sea and air transports that Puuilo has control over.
- We will further improve our energy efficiency.
- We will investigate the opportunities to build charging stations for electric vehicles.
- Three new solar power stations to our stores.
- We will develop the handling and sorting of waste and improve the recycling rate: the goal is 73% by the financial year 2025.



succeeded in reducing the amount of energy waste by increasing the sorting of plastic and the energy fraction. We started measuring waste generation, enabling store managers to monitor it on the level of a specific store and the entire chain. Personnel received training in more effective sorting, and waste management equipment was overhauled and increased.

Puulo's waste management operations became carbon-neutral in 2021. We compensated for the

carbon dioxide emissions we generate by planting forests thus creating permanent carbon sinks. We also strived to improve the reuse of the waste fractions we generate. In the financial year 2021, the waste generation totalled 1,213 tonnes and the recycling rate was 68 per cent. Our goal is to increase the recycling rate to 73 per cent by the end of the financial year 2025 and to annually slow down the increase in the total amount of waste and in the carbon footprint.

WASTE RECYCLING RATE AND RELATIVE CHANGE

Puulo's waste generation the financial year 2020 compared to 2021, comparable stores



RECYCLING RATE

68%

WASTE GENERATION

1,213

TONNES
(Growth 8%)

CARBON FOOTPRINT

26.3

TONNES
(Growth 9%)

Growth is broadly in line with sales growth. Our goal is to increase the recycling rate to 73 per cent by the end of 2025 and to annually slow down the increase in the total amount of waste and in the carbon footprint.

RENEWABLE ENERGY SOURCES

Puulo is responsible for electricity procurement in the majority of our stores. Since the beginning of 2021, the operating electricity in all store properties that we are responsible for has been produced fully with renewable energy. In the financial year 2022, we aim to improve measurability of electricity consumption and to set a comparable consumption target for the coming years. We will conduct periodic energy audits, the most recent was done in 2019.

In the financial year 2021 we opened four new stores, which also increased our total consumption of energy. However, we have been able to reduce the relative energy consumption, and in 2021, the comparable electricity consumption decreased by 64,385 kWh, or approximately by 2% from the previous year. Reductions in electricity consumption have been achieved by replacing the lighting in old stores and by optimising the energy use. More than half of Puulo's stores are no more than five years old, which is why their building engineering solutions are by default modern and energy efficient.

In the financial year 2022, we aim to improve our energy efficiency even more, add three more solar power stations and investigate the opportunities to build charging stations for electric vehicles.

SUSTAINABILITY DRIVES PRODUCT QUALITY

Sustainability work develops all areas of business operations: it encourages to investment in the quality



of products. Better and more sustainable products improve customer satisfaction. The quality of products is ensured through careful supplier selection and by checking the products before procurement and distribution. We want to be able to stand behind the quality of the goods we sell.

Sustainability is also the principle behind Puulo's private label products. Fewer product complaints also mean less waste and a lighter burden on the environment.

REDUCING THE ENVIRONMENTAL FOOTPRINT FROM LOGISTICS

Puulo transports products to stores across Finland, which is why logistics has a significant environmental impact in our operations. As the number of stores increases, the traceability and comparability of greenhouse gas emission data gets more complex. However, Puulo aims to reduce the greenhouse gas emissions of the ground, sea and air transports we have control over by working in close cooperation with our main logistics partners. We have started to systematically monitor our ghg emissions and in the financial year 2021, the measurable greenhouse gas emissions generated in transportation were 3,217 tonnes.

During the 2022 financial year, we will build, together with our partner, relevant metrics to measure the emissions load of transport and set targets for the coming years.



Corporate governance

Puulo complies with the company's articles of association, Finnish law and other statutes and regulations related to the governance of a public limited liability company. In addition, Puulo complies with the Finnish Corporate Governance Code for Finnish listed companies.

CORPORATE GOVERNANCE STATEMENT 1 FEBRUARY 2021-31 JANUARY 2022

I. PREFACE

Puuiilo is committed to good corporate governance by complying with laws and regulations in all of its operations and by implementing corporate governance recommendations. Puuiilo's Group governance complies with the company's articles of association, Finnish law and other statutes and regulations related to the governance of a public limited liability company.

Moreover, Puuiilo's operations are governed by the values and internal policies confirmed in the company.

Furthermore, Puuiilo complies with the Finnish Corporate Governance Code for Finnish listed companies published by Securities Market Association in 2020. The company does not deviate from any recommendations included in the Corporate Governance Code. The Corporate Governance Code can be accessed at www.cgfinland.fi.

This corporate governance statement has been prepared in accordance with the recommendations given in the Corporate Governance Code. The corporate governance statement has been prepared separately from the Board of Directors' report and published on the company's website at www.investors.puuiilo.fi. The Audit Committee of Puuiilo's Board of Directors has reviewed this corporate governance statement and the Board has approved it. An external auditor has ensured that the statement has been issued and that the description of the key internal control and risk management systems related to the financial

reporting process are consistent with the financial statements.

II. CORPORATE GOVERNANCE DESCRIPTIONS

Puuiilo Plc is a public limited liability company established in Finland and registered in the Trade Register maintained by the Finnish Patent and Registration Office and governed by Finnish law. Puuiilo is listed on the main list of Nasdaq Helsinki.

The Puuiilo Group consists of the parent company Puuiilo Plc and its subsidiaries in Finland. The parent company is responsible for the governance of all of the three companies. The operational business is centralised in one company.

Due to the nature of Puuiilo's operations, the Group has one reportable operating segment. The individual stores and the online store are considered to be the distribution channels of Puuiilo's products, and all of them operate under the Puuiilo trademark. The Group primarily operates in Finland but has an online store in Sweden. The share of the Swedish online store in Puuiilo's net sales is remote. The functions such as financial administration, IT management, marketing as well as purchasing and logistics are centralised at the Group level.

In accordance with the Limited Liability Companies Act, the company's articles of association and internal operating procedures, the company's governance and management have been divided between the shareholders, Board of Directors and CEO. The shareholders exercise their decision-making power in matters concerning the company in the general

meeting in accordance with the Limited Liability Companies Act. The company's Board of Directors is in charge of the governance and proper organisation of the operations of the company. The Board of Directors also elects the CEO and the members of the management team. The CEO is in charge of managing and supervising the company's daily operations in accordance with the Limited Liability Companies Act, the company's internal operating procedures as well as the authorisations and guidelines issued by the Board of Directors. The company's management team supports and assists the CEO in his duties.

1. General Meeting

In accordance with the Limited Liability Companies Act, the shareholders exercise their decision-making power in matters concerning the company in the general meeting. The general meeting usually convenes by the invitation of the Board of Directors.

In accordance with the Limited Liability Companies Act, the Annual General Meeting must be held annually within six months of the end of the financial period. The general meeting decides on the adoption of the financial statements, the distribution of dividends as well as the election of the Board members and the auditor and their respective remuneration, among others. The general meeting also decides on discharging the Board of Directors and the CEO from liability.

An extraordinary general meeting must be held for the handling of certain matters when the Board of Directors deems it necessary or when the company's auditor or shareholders holding no less than

10% of the total number of the company's shares so request in writing.

In accordance with the Limited Liability Companies Act, the invitation to the general meeting must be delivered to the shareholders no earlier than three months and no later than three weeks before the meeting, however no later than nine days before the general meeting reconciliation date. The meeting invitation and the other general meeting documents, including the Board's proposals to the general meeting, are made available to the shareholders no later than three weeks before the general meeting on the company's website at www.investors.puuiilo.fi.

For a shareholder to be entitled to attend the general meeting, they must register with the company no later than on the date provided in the meeting invitation. This date may not be earlier than ten days before the general meeting. The right to attend and to cast a vote in the general meeting requires that the shareholder has registered in the shareholder register maintained by Euroclear Finland no later than eight business days before the general meeting (the general meeting reconciliation date), in accordance with the Act on the Book-Entry System and Settlement Activities.

A holder of nominee-registered shares who wishes to attend the general meeting should apply for a temporary registration in the shareholder register. The notification concerning the temporary registration must be made no later than the date specified in the invitation to the general meeting. In accordance with the Limited Liability Companies Act, this date is after the general meeting reconciliation date. The notification of tempo-

rary registration is considered to be a registration to the general meeting. If a shareholder attends the general meeting via several proxies, the shares based on which each proxy represents the shareholder must be announced in connection with the registration.

The presence of a quorum in the general meeting is not contingent on a certain number of shares being represented in the meeting, apart from certain exceptions defined in the Limited Liability Companies Act.

Voting right

A shareholder may exercise their right to attend the general meeting and cast a vote in the meeting in person or via an authorised proxy.

Each share of the company entitles its holder to one vote in the general meeting. If the shareholder's shares have been entered on more than one book-entry account, the shareholder has the right to use a different proxy for the shares of each book-entry account. The shareholder may vote differently with a portion of the shares held by them. In order to attend and vote in the general meeting, the shareholder should be registered in the shareholder register maintained by Euroclear Finland.

Most of the decisions in the general meeting are taken by a simple majority of votes. However, certain decisions, such as changes to the articles of association, deviating from the shareholders' pre-emptive subscription right in a share issue and decisions on company merger, demerger or dissolution, require a minimum majority of 2/3 of the votes cast and the shares represented in the meeting.

General meetings in the 1 February 2021–31 January 2022 financial period

Decisions made in the Annual General Meeting

Puuiilo Plc's Annual General Meeting held on 6 May 2021 adopted the financial statements for the financial period that ended on 31 January 2021 and the consolidated financial statements. In accordance with the Board of Directors' proposal, the Annual General Meeting decided that no dividend be paid.

The Annual General Meeting decided on a share issue to the company itself without payment ("a split"). In the share issue without payment, new shares were issued in the proportion of shareholding so that one (1) new share was issued per each existing share. After the share issue, the number of the company's shares totalled 80,215,860. The issued 40,107,930 shares were entered in the Trade Register on 14 May 2021.

In accordance with the Board of Directors' proposal, the Annual General Meeting decided on the remuneration of the members of the Board as follows:

- Chairman of the Board: EUR 60,000
- Other Board members: EUR 30,000

In addition, the chairperson of the Audit Committee is paid an annual fee of EUR 5,000 and the other members of the Audit Committee are paid an annual fee of EUR 2,500 each.

The Annual General Meeting confirmed that the Board of Directors has six members. The following persons will continue to serve as the company's

Board members: chairman of the Board Timo Mänty, as well as Board members Gustav Bard, Tomas Franzén, Rasmus Molander and Markku Tuomaala. Mammu Kaario was elected as a new Board member.

PricewaterhouseCoopers Oy, Authorized Public Accountants, was re-elected as the auditor, with APA Enel Sintonen as the principal auditor. A decision was made to pay the auditor a fee in accordance with a reasonable invoice approved by the Audit Committee.

The Annual General Meeting made a decision to change the name Puuiilo Invest I Ltd to Puuiilo Ltd (currently Puuiilo Plc).

Unanimous decisions by the shareholders

The shareholders unanimously decided to remove the redemption, consent and arbitration clauses from the articles of association. The decision was contingent on the public listing.

The shareholders unanimously decided to increase the share capital to EUR 80,000. The decision was registered on 4 June 2021.

The shareholders unanimously decided to authorise the Board of Directors to decide on a share issue of a maximum of 6,000,000 shares in connection with the public listing (an Initial Public Offering). The Board of Directors exercised the authorisation in connection with the IPO.

The shareholders unanimously decided to authorise the Board of Directors to decide on the measures

related to the possible public listing of the company, including the approval of the underwriting agreement and the Listing Prospectus as well as the filing of the company's application to be listed on the Nasdaq Helsinki pre-list and main list.

2. Board of Directors

In accordance with the Limited Liability Companies Act, the Board of Directors supervises the operations of Puuiilo and decides on significant matters concerning the company's strategy, investments, organisation and financing. The Board of Directors has general competence in all matters that have not, pursuant to law or the company's articles of association, been assigned to other bodies to decide on or carry out.

In addition, the Board of Directors' duties include the following:

- Approving the financial statements, consolidated financial statements as well as half-year reports and business reviews
- Approving Puuiilo's strategy plan, annual budget and investment plans
- Deciding on large-scale and financially significant matters related to the business operations
- Taking out loans for the Puuiilo Group, granting loans and deciding on the guarantees to be issued
- Confirming the Puuiilo Group's policies, such as financing, tax and risk management policies
- Being responsible for appropriately organising Puuiilo Group's risk management and internal control.

In addition, the Board of Directors appoints Puuilo’s CEO and the members of the management team and decides on their employment terms and conditions. The Board of Directors has prepared a written charter for its operations that defines the Board’s key tasks and operating principles.

The term of the Board members ends at the end of the Annual General Meeting following their election.

Members of the Board of Directors

In accordance with Puuilo’s articles of association, the Board of Directors has a minimum of four and a maximum of seven members. In the 1 February 2021–31 January 2022 financial period, the Board of Directors convened 15 times.

The Board of Directors prepares the proposals concerning the Board member appointments and remuneration to be discussed in the Annual General Meeting. In addition to the competence and personal qualifications of the candidates, the Board also assesses their cooperation skills and ability to support and challenge the executive management in a proactive and constructive manner.

Board of Director’s diversity principles

During the 1 February 2021–31 January 2022 financial period, there were representatives of both genders in the Board of Directors.

Puuilo acknowledges that diversity in the Board supports the company’s business operations and development and that the diversity of the members’ expertise, experience and opinions promotes the

The composition and holdings of the Board of Directors on 31 December 2022

Name	Year of birth	Position	Education	Main duties	Board member since	Meeting attendance	Shareholding
Timo Mänty	1960	Chairman of the Board	Master of Science (Economics)	Board professional	2016	100%	462,701
Gustav Bard	1964	Member	Master of Science (Economics and Business)	Co-founder and partner, Adelis Equity Partners	2015	100%	0
Tomas Franzén	1958	Member	Secondary school graduate	Senior consultant and Board professional	2016	100%	646,006
Rasmus Molander	1981	Member	MBA, M.Sc. (Tech)	Co-managing partner, Adelis Equity Partners	2015	100%	0
Mammu Kaario*	1963	Member	MBA, Master of Laws (LL. M.)	Board professional	2021	100%	2,941
Markku Tuomaala	1967	Member	Comprehensive school graduate	Entrepreneur	2016	100%	4,911,238

*Appointed to the Board of Directors on 6 May 2021. Attended all meetings thereafter.

preparedness to adopt an unbiased approach and generate innovative ideas.

The objective is to ensure that the Board as a whole has sufficient competence and experience in Puuilo’s business environment. The Board members should have adequate qualifications and expertise to carry out their tasks, and they should spend a reasonable amount of time to carry out the duties presented in the Corporate Governance Code.

It is estimated that in the 2021 financial period, the diversity principles were fulfilled to a sufficient extent.

Independence

The Board of Directors regularly assesses the independence of its members in accordance with Recommendation 10 of the Corporate Governance Code. A Board member is obligated to submit to the Board of Directors the information required for the assessment of their independence. All Puuilo Board

members are external to the company (non-executive directors).

Based on the independence assessment, the following Puuilo Board members are considered to be independent of the company and its significant shareholders: Timo Mänty (chairman), Tomas Franzén, Markku Tuomaala and Mammu Kaario. Rasmus Molander and Gustav Bard are independent of the company but not independent of the company’s significant shareholders.

Self-evaluation of the Board of Directors

The performance of the Board of Directors and its individual members is evaluated annually. The results of the evaluation are taken into consideration when preparing a proposal on the new composition of the Board. The self-evaluation is based on a questionnaire survey followed by a discussion in the Board of Directors of the self-evaluation results and further measures.

3. Committees of the Board of Directors

Puuilo has one committee appointed by the Board of Directors, the Audit Committee. The Committee has no independent decision-making authority but its purpose is to present issues it is responsible for to the Board of Directors and the general meeting for a decision. The Committee reports regularly to the Board of Directors.

The Board of Directors has confirmed the Audit Committee’s key duties and operating principles in the Charter of the Audit Committee. The Audit Committee consists of a minimum of three (3) members and

a maximum of four (4) members, including the chairperson. The Board of Directors elects the members of the Audit Committee from among its members after the Annual General Meeting. The term of the members is one year.

The majority of the members of the Audit Committee must be independent of the company, and at least one of the members must be independent of the significant shareholders of the company. The members of the Audit Committee must have the relevant expertise and experience required for the performance of the duties and responsibilities of the Audit Committee and the mandatory tasks relating to auditing. At least one of the members should have expertise in accounting, bookkeeping or auditing, and overall, the Committee members must possess relevant competence on the company's business operations.

A person participating in the operational management of Puuilo Plc or its Group company, such as a managing director, cannot be appointed to the Audit Committee as a member.

Duties of the Audit Committee

The duties of the Audit Committee include:

Oversight of financial reporting

- Monitoring and assessing the financial reporting processes and reviewing the annual financial statements, half-year reports and business reviews with the external auditor before submission to the Board for approval.
- Reviewing and assessing the results of the audit with the external auditor.

- Reviewing internal controls and monitoring the effectiveness of the company's internal control processes over financial reporting.
- Reviewing the company's key auditing policies and principles.
- Monitoring the business operations with related parties and reporting any conflicts of interest.
- Reviewing the company's statement on non-financial information.
- Monitoring the company's financial position.
- Assessing the use and presentation of alternative key indicators.

Risk management

- Monitoring and reviewing the effectiveness of the company's risk management system, including the risk profile of Puuilo Group, and making such recommendations as the Committee considers necessary as well as reviewing the risk management-related statements to be included in the financial reports.
- Assessing the effectiveness of internal control and the internal control system.
- Assessing the principles related to the company's internal control and risk management of the company's financial reporting.
- Receiving and reviewing management reports on any material financial risks and litigations or claims raised by any Puuilo Group companies or against Puuilo Group companies.

Auditors and external auditing

- Preparing for the Annual General Meeting, and otherwise as needed, a proposal to the shareholders regarding the election and fees of the external auditor(s) and their remuneration principles.

- Initiating the process regarding the rotation of the auditor.
- Evaluating the audit plan as well as the scope and quality of the external audit and reviewing the audit fees.
- Evaluating the independence of the auditors.
- Approving and monitoring the non-audit services provided by the auditors.
- When needed, meeting separately with the external auditors to discuss any matters other than the duties required by law, which might be relevant in terms of internal control.
- Reviewing and confirming the independence of the external auditors, also in connection with the non-audit services.
- Reviewing and evaluating the process of selecting external auditors and following any regulatory changes regarding the auditor selection as well as the rotation of the auditor and the auditing firm.

Internal audit

- Approving the internal audit guidelines, the audit activities and the resourcing of the internal audit function.
- Assessing the scope and quality of the internal audit as well as approving the internal audit plan and monitoring its implementation.
- Reviewing the summary reports of the internal audit and the management's response.

Legal matters, compliance and governance

- Reviewing major legal disputes and other legal matters together with the company's General Counsel and/or external legal advisor.
- Reviewing the company's Corporate Governance

Statement including the description of the main features of the internal control and risk management systems in relation to the financial reporting process, which are included in the company's Corporate Governance Statement.

- Reviewing the company's non-financial report.
- Establishing the principles concerning the monitoring and assessment of related party transactions.

Other

- Tending to other duties assigned by the Board of Directors.

When carrying out its auditing duty, the Audit Committee has access to the company's bookkeeping, documents, facilities and personnel. In matters falling within its area of responsibility, the Audit Committee can request advice from legal advisors, auditors or other advisors at the company's expense.

The Audit Committee convenes a minimum of four (4) times per year at the invitation of the Chairperson. The Audit Committee sets up an annual schedule for the Committee's meetings. The schedule includes the matters to be discussed in each meeting so as to cover all the obligations of the Committee. In addition, the Committee may define other matters included in its sphere of duties on a meeting-specific basis.

The chairperson of the Audit Committee presents the Committee's proposals to the Board of Directors. The chairperson of the Audit Committee introduces to the Board of Directors a summary report of each Audit Committee meeting. In addition, the memoranda and materials of the Audit Committee meetings are made

available to the Board members. The Audit Committee evaluates its own activities on an annual basis and reports on the evaluation to the Board of Directors. The Committee reports on its work to the Board of Directors on a regular basis.

During the 1 February 2021–31 January 2022 financial period, the Audit Committee convened 2 times (the Audit Committee was established during the financial period).

4. CEO and the management team

CEO

The CEO is in charge of managing and supervising the company's daily operations in accordance with the Limited Liability Companies Act as well as the authorisations and guidelines issued by the Board of Directors.

Management team

Unlike the Board of Directors and the CEO, the management team is not a statutory body. Nevertheless, the management team, including the CEO, is the highest operative decision-making body in the Group. The management team participates actively in the key strategic and operative decision-making and is responsible for resource allocation and assessing profitability.

Markus Kaatranen was appointed as Puuilo Plc's Sales Director and a member of the management team on 23 November 2021. Kaatranen started working in his new position in February 2022. Tom Lång, a former member of Puuilo's management team, resigned from the company in December 2021.

Audit Committee composition

Name	Meeting attendance	Independence
Mammu Kaario (chairperson)	100%	Independent of the company and its significant shareholders
Rasmus Molander	100%	Independent of the company, not independent of its significant shareholders
Markku Tuomaala	100%	Independent of the company and its significant shareholders

Management team composition

Name	Year of birth	Position	Education	In the management team since	Shareholding
Juha Saarela	1974	CEO	Bachelor of Applied Sciences	2017	294,960
Ville Ranta	1977	CFO	Master of Science (Economics and Business Administration)	2016	365,558
Perttu Partanen	1985	Chief Marketing Officer	Master of Science (Economics and Business Administration)	2020	22,852
Markku Lampela	1971	Director Purchases & Logistics	Master of Science (Economics and Business Administration)	2020	6,000
Sirkkaliisa Kulmala	1967	Head of Human Resources	Master of Science (Agricultural Economics)	2020	35,022
Juha Parviainen	1968	Chief Information Officer	BBA in Information Technology	2020	4,545
Markus Kaatranen	1977	Sales Director	Bachelor's degree in Business Administration	2022	0

III DESCRIPTION OF THE MAIN FEATURES OF THE INTERNAL CONTROL PROCEDURES AND THE RISK MANAGEMENT SYSTEMS

Internal control

The company's internal control targets functions and processes that are essential in terms of the compa-

ny's business operations and financial reporting and is risk-based.

The company's Board of Directors has approved operating principles for internal control. They define the objectives of internal control on the basis of inter-

nationally known principles. Internal control aims to sufficiently ascertain that the internal control procedures are adequate to either prevent or detect deviations, errors or misconduct in the company's business operations, financial reporting or compliance with applicable laws and regulations and, when such are observed, to take corrective measures.

The company's internal control includes the key policies, processes, operating methods, control measures and monitoring of controls, in which the company's Board of Directors, CEO, other members of the management team and all employees participate in accordance with their respective roles. Currently, the company has no separate internal audit function. Monitoring in accordance with the annual planning cycle of internal control and in the form of self-evaluation of the controls and including the reporting of the results to the Board of Directors, as well as the responsibility to implement measures that are similar to internal audit, have been organised in the company's financial administration. The Board of Directors annually evaluates the need to establish an independent internal audit function. Should a need arise for internal audit measures, the Board of Directors may use internal or external resources to carry out separate internal audits.

The company has in place whistleblowing channel for employees to report suspected misconduct.

Risk management

The purpose of Puuilo's risk management policy is to define the framework, processes, governance and responsibilities of risk management in Puuilo.

The primary objective of risk management in Puuilo is to support the company's strategy execution, continuity of operations and realisation of the business objectives by identifying risks involved in the company's operations and managing them in a proactive manner. Comprehensive risk management emphasises the importance of the corporate culture and is an integrated part of the business operations, planning and decision-making in Puuilo.

Risk management objectives and principles

Puuilo's risk management objectives are to:

- Emphasise risk awareness and proactive management of risks within the company.
- Increase opportunities and reduce threats with the aim to gain competitive advantage.
- Ensure sufficient treatment of risks throughout the organisation.
- Manage risks as an integrated part of the operations, planning and decision-making through defined roles and responsibilities.

Puuilo's risk universe and risk categories

Risk universe

Puuilo's risks are divided into the following main categories: strategic risks, operational risks, financial risks and compliance risks.

Strategic risks

Strategic risks are primarily uncertainties related to the operating environment and Puuilo's ability to leverage changes in the operating environment or to prepare for them. These may include changes related to the general economic situation, competitors, legislation, or technological development.

Strategic risks may relate to both financial and non-financial objectives. Appropriate risk treatment is implemented so that the chosen strategy is within the company's risk tolerance.

Operational risks

Operational risks are circumstances or events which may prevent or hinder the attainment of objectives or cause damage to people, property, business, information or any other operations of the company.

Financial risks

Financial risks are related to Puuilo's financial position. They include risks concerning the availability and cost of financing, changes in foreign exchange rates, and investments.

Compliance risks

Compliance risks are risks related to exposure to legal penalties, financial forfeiture and material losses, which an organisation faces when it fails to act in accordance with industry laws and regulations or internal policies.

Risk management governance, roles and responsibilities

An overview of the roles and responsibilities of the most relevant bodies with regards to risk management is provided in the following sub-sections.

Board of Directors

The Board of Directors is responsible for monitoring and ensuring that the functions of Puuilo's risk management process are comprehensive. The Board defines the risk appetite and tolerance in accordance with the current conditions. The Board of Directors is

also responsible for approving the company policies related to risk management.

Operative management

The company's operative management is responsible for achieving the set objectives and controlling, managing and mitigating risks that threaten them. The operative management is also responsible for the risk management work and for ensuring the performance of the risk management process and the availability of sufficient resources.

Chief Financial Officer

The Chief Financial Officer is responsible for the risk management guidelines and advice to be given to the business operations and functions as well as for monitoring the practical implementation of the process. The CFO coordinates the risk management assessment process, which supports the management, operative business operations and other support functions in the risk management work. The CFO reports the key risks to the Board of Directors on a yearly basis.

IV OTHER INFORMATION

1. Related party transactions

In accordance with the Corporate Governance Code, Puuilo's Board of Directors has defined principles for the monitoring and assessment of related party transactions. The company maintains a list of its related parties. The related party transactions are market-based and their terms and conditions correspond to transactions carried out with independent parties. The company's financial administration is responsible for the monitoring of related party transactions and reporting them to the Audit Committee.

The identified related party transactions are reported to the Audit Committee annually. The Board of Directors makes the decisions on agreements or other legal acts that are not within the scope of Puuilo's customary business operations and not executed under customary commercial terms and conditions. The matter at hand and the related decision-making are prepared carefully with the help of external assessments, for example. The disqualification provisions of the Limited Liability Companies Act are complied with in decision-making. Related party transactions that are not part of the company's customary operations or that are carried out in deviation of customary commercial terms and conditions require a decision by the Board of Directors. Related party transactions are regularly reported as part of financial reporting and published separately if so required by law or the rules of Nasdaq Helsinki.

2. Insider administration

Puuilo Plc's insider guidelines are based on Finnish and the EU's laws and regulations*. The purpose of the insider guidelines is to summarise the most important rules and procedures applied to the use and management of inside information in the company.

The insider guidelines include rules and regulations concerning the prohibited use of inside information, the company's insider lists, the disclosure and delayed disclosure of inside information, and reporting the transactions of the company's management and their related parties.

The insider guidelines apply to all persons who have an employment relationship with the company and its

Group companies, as well as the members of their respective boards of directors (each referred to as an “employee”).

The insider guidelines are also applicable to parties who, by virtue of some other agreement or otherwise, perform duties through which they have access to inside information relating to the company and who have, therefore, been entered into the company’s insider list. Such parties include advisors, accountants, auditors or credit rating agencies (each referred to as a “service provider”). In addition, the insider guidelines describe reporting obligations applied to trading by the related parties of the members of the company’s Board of Directors and Group management team.

**The most important provisions concerning insider information are the EU’s Regulation 596/2014/EU on market abuse (MAR), the European Commission’s Level 2 delegated regulations adopted under the MAR and the guidelines relating to MAR issued by ESMA, the Finnish Securities Markets Act (746/2012, as amended), the Finnish Penal Code (39/1889, as amended) as well as Nasdaq Helsinki Ltd.’s (“Nasdaq Helsinki”) Guidelines for Insiders of Listed Companies.*

Public disclosure of inside information

As an issuer, the company is required to publicly disclose as soon as possible the inside information which directly concerns it or its financial instruments. The company must ensure that the inside information is made public in a manner which enables fast access and complete, correct and timely assessment of the information by the public.

The information to be disclosed will be disclosed via a stock exchange release submitted to the central media, the Financial Supervisory Authority and Nasdaq Helsinki. In addition, the information is published on the company’s website and retained there for a period of at least five (5) years.

Notification requirement of persons discharging managerial responsibilities

Pursuant to MAR, the company has defined as persons discharging managerial responsibilities in the company the members of the Board of Directors, the CEO and the Chief Financial Officer (hereinafter the “managers”).

The managers and the persons closely associated with them (hereinafter the “related parties”) have an individual obligation to notify the company and the Financial Supervisory Authority of transactions conducted on their own account that concern the shares or debt instruments of the company or other financial instruments or derivatives linked thereto.

The published transaction notifications of managers and their related parties are available on the company’s website at www.investors.puuiilo.fi.

Closed period

The managers may not conduct any transactions on their own account or for the account of a third party, directly or indirectly, with the company’s shares or other financial instruments during a closed period of thirty (30) days before the publication of the financial statements release, half-year report or business

review, including the day of publication of the said report. The company notifies the managers of the closed period in advance.

Moreover, the company has also extended the trading restriction to all such employees and other persons who have an opportunity to access information about the company’s interim report or financial statements release through their position or duties before the said documents are published (“closed period employees”). These persons should restrict trading on the company’s shares to a period that begins on the day following the publication of the company’s interim report and ends two weeks thereafter (“the permitted period”).

The company monitors trading by its insiders, managers and their related parties as well as the closed period employees.

3. External auditor

The Annual General Meeting decides on the election of the auditor and on their fee. In accordance with Puuilo’s articles of association, the company should have one (1) auditor, who must be an accounting firm authorised by the Finnish Patent and Registration Office. The auditor’s term begins from the Annual General Meeting in which they were elected and ends at the end of the next Annual General Meeting.

The auditor is responsible for the auditing of the financial statements and accounting as well as the administration of the Group companies. The auditor

submits a statutory Auditors’ Report on the financial statements to the company’s shareholders. Moreover, the auditor regularly reports to the Audit Committee of the Board of Directors.

External auditor in the 1 February 2021–31 January 2022 financial period

The company’s statutory auditor is PricewaterhouseCoopers Oy, Authorised Public Accountants, with APA Enel Sintonen as the principal auditor. Enel Sintonen is registered in the register of auditors referred to in chapter 6, section 9 of the Auditing Act (1141/2015, as amended).

Auditors’ fees have been paid as follows:

	1 Feb 2021– 31 Jan 2022	1 Feb 2020– 31 Jan 2021
Statutory auditing	64,750	63,300
Other services*	1,024,924	7,943
Total	1,089,674	71,243

*Includes the fees related to the IPO

Remuneration statement

Puulo Plc's (hereinafter referred to as "Puulo" or "the company") corporate governance system complies with the Finnish Limited Liability Companies Act and the Finnish Corporate Governance Code for Finnish listed companies published by Securities Market Association in 2020.

Before this remuneration statement, a remuneration policy in accordance with the Corporate Governance Code 2020 has not been presented to the company's Annual General Meeting. The first remuneration policy will be introduced to the company's Annual General Meeting to be held on 17 May 2022. Therefore, this remuneration statement has been prepared in compliance with the Finnish Corporate Governance Code issued in 2015. The company's first Remuneration statement in accordance with the Finnish Corporate Governance Code issued in 2020 will be presented to the Annual General Meeting to be held after the 1 February 2022–31 January 2023 financial period.

This remuneration statement covers Puulo's financial period 1 February 2021–31 January 2022 ("the 2021 financial period"). The company will publish the remuneration statement on its website.

MAIN PRINCIPLES OF REMUNERATION

The objective of remuneration at Puulo is to boost the company's competitiveness and to support

strategy implementation. In addition, remuneration aims to commit key employees and the entire personnel to the company in the long term in order to achieve the shared objectives and to create value for the shareholders.

DECISION-MAKING PROCEDURE CONCERNING REMUNERATION

In accordance with the Finnish Limited Liability Companies Act, the decision on the remuneration payable to the members of the company's Board of Directors is made by the shareholders in the Annual General Meeting. The Board prepares a proposal on the remuneration of the Board members to the Annual General Meeting.

The CEO presents to the Board of Directors the proposals for the management team members and prepares the proposals concerning their remuneration. The Board of Directors makes the decision on the remuneration of the CEO and the other members of the management team.

REMUNERATION OF THE BOARD OF DIRECTORS

The remuneration of the Board of Directors is monetary. The Board of Directors' remuneration is based on an annual fee, and the members are not paid separate meeting fees in addition to this. Travel expenses incurred by the Board meetings are reim-



bursed in accordance with the company's travel expense policy. Pension payments are not included in the remuneration of the Board of Directors.

REMUNERATION OF THE CEO AND MANAGEMENT TEAM

The salary of the CEO and the management team consists of a fixed monthly salary and customary fringe benefits. The CEO or the other members of the management team do not belong to any incentive programme. Puuilo does not have any share-based incentive systems in place.

EMPLOYMENT TERMS AND CONDITIONS OF THE CEO AND MANAGEMENT TEAM

The employment agreement of the CEO can be terminated with a notice of six months by either party. However, if the CEO materially violates the obligations that have been set for them in the employment agreement, the company has the right to terminate the agreement with an immediate effect by notifying the CEO, and, regardless of the termination grounds, the company has the right to release the CEO from the obligation to work for the duration of the period of notice or part thereof. The CEO is entitled to their salary for the period of notice until the termination date.

The period of notice of the other members of the management team is three months. The members of the management team are entitled to their respective monthly salaries for the period of notice.

The company's CEO and the other members of the management team are entitled to a statutory pension benefit. The company does not have in place current additional pensions or collateral arrangements for the CEO and the other members of the management team. The retirement age of the company's CEO is determined in accordance with the legislation in effect.

REMUNERATION REPORT 1 FEBRUARY 2021-31 JANUARY 2022

Remuneration of the Board of Directors

In accordance with the Board of Directors' proposal, Puuilo Plc's Annual General Meeting held on 6 May 2021 decided on the remuneration of the members of the Board as follows:

- Chairman of the Board: EUR 60,000
- Other Board members: EUR 30,000
- In addition, a Board member serving as the chairperson of the Audit Committee is paid an annual fee of EUR 5,000, and the other members of the Audit Committee are paid an annual fee of EUR 2,500 each.

The Board of Directors' remuneration has been as follows:

EUR	1 February 2021-31 January 2022	1 February 2020-31 January 2021
Timo Mänty, Chairman of the Board	47,500	30,000
Gustav Bard	17,500	-
Tomas Franzén	17,500	-
Mammu Kaario	29,168	-
Rasmus Molander	18,958	-
Markku Tuomaala	18,958	-
Total	149,584	30,000

Remuneration of the CEO and management team

The CEO and the other members of the management team were paid remuneration and other benefits as follows:

EUR	1 February 2021-31 January 2022	1 February 2020-31 January 2021
CEO		
Salary, other remuneration and benefits	171,000	137,280
Pension costs	42,415	23,681
Total	213,415	160,961
Group's other management team members		
Salary, other remuneration and benefits	751,354	548,649
Pension costs	183,879	94,642
Total	935,232	643,291

Board of Directors



TIMO MÄNTY

Chairman of the Board of Directors

(b. 1960, Finnish citizen)

Member of the Board of Directors since 2016.

In addition, Mr. Mänty acts as the Chairman of the Board of Directors of QMG Holding Oy, Chairman of the Board of Directors of Finla Työterveys, Chairman of the Board of Directors of Romu Keinänen Oy, Chairman of the Board of Directors of K-H-Koneet Group Oy, Member of the Board of Directors of Eezy Oyj/Smile Oyj and Member of the Board of Directors of Dayton Group Oy. Mr. Mänty has previously acted as the CEO of Onninen Oy, CEO of Rautakirja Oy and Member of the Management team of Sanoma Oyj, CEO of Finnkino Oy and Member of the Board of Directors and CEO of Revenio Group Oy.

Mr. Mänty holds a Master's degree in Economics from Turku School of Economics.

Shares in Puuilo on 31 January 2022:
462,701



GUSTAV BARD

Member of the Board of Directors

(b. 1964, Swedish citizen)

Member of the Board of Directors since 2015.

In addition, Mr. Bard acts as the Chairman of the Board at Adelis Holding I AB, Adelis Friends & Family I AB, Adelis Holding II AB, Nordentic Group Holding AB and Didriksons Group Holding AB. Mr. Bard acts also as a member of the Board of Directors at Albia AB, Aflow Invest AB and Adelis III AB. Previously, Mr. Bard has acted as the Chairman of the Board at Entlog Top Holding AB and Medholding AB, and a member of the Board of Directors at MedGroup Oy, MedGroup Holding Oy and Intersport Sverige Holding AB. Mr. Bard is a Founding Partner of Adelis Equity Partners, and he has acted as a CEO also at 3i Nordic. Previously Mr. Bard acted at 3i Nordic as Head of Sweden and Head of 3i Nordic Buyouts, Atle Mergers & Acquisitions as Managing Director and McKinsey & Company as Principal.

Bard holds a Master's degree in Economics and Business from Stockholm School of Business.

Shares in Puuilo on 31 January 2022:
0



TOMAS FRANZÉN

Member of the Board of Directors

(b. 1958, Swedish citizen)

Member of the Board of Directors since 2016.

He has previously been the owner and CEO Tomas Franzén Consulting AB, the CEO of Runsvengruppen AB, the CEO of Econova AB, the CEO of Biltema Nordic Services AB, the CEO of IKEA Trading AB, Store Manager at IKEA Washington, Division Manager and Business Area Manager of IKEA of Sweden and Business Area manager at IKEA Stockholm.

Shares in Puuilo on 31 January 2022:
646,006



RASMUS MOLANDER

Member of the Board of Directors
(b. 1981, Finnish citizen)

Member of the Board of Directors since 2015.

In addition, Mr. Molander acts as the Chairman of the Board of Directors at Dayton Group Oy and Ropo Holding 1 Oy and as a member of the Board of Directors at SSI Diagnostica Holding AS, Quattro Mikenti Group Oy, QMG Holding Oy and DataCenter Group Oy. Previously, Mr. Molander has acted as the Chairman of the Board at Med Group Holding Oy, NGI AS, NGI Holding ApS and as a member of the Board of Directors at IVBAR Institute AB. Mr. Molander also acts as a Managing Partner at Adelis Holding I AB and Adelis Holding II AB.

Molander holds MBA from Harvard Business School and MSc (Tech.) from Helsinki University of Technology. He has previously worked at Boston Consulting Group as project leader and as Investment Executive at Permira.

Shares in Puuilo on 31 January 2022:
0



MAMMU KAARIO

Member of the Board of Directors
(b. 1963, Finnish citizen)

Member of the Board of Directors since 2021.

Previously, Ms. Kaario has acted as a Managing Director at Partnera Oy, Investment Director at Korona Invest Oy and as a Partner at Unicus Oy and Conventum Corporate Finance Oy. In addition, Ms. Kaario acts as Vice Chairman at Aspo Oy, CapMan Oyj, Ponsse Oyj and Robit Oyj, a member of the Board of Directors at The Finnish Climate Fund, Support Foundation of Sibelius Academy, Investment Committee of Art University, Nordic ID Oyj, Urhea-Halli Oy, Laptio Group Oy, Epec Oy and Makai Holding Oy as well as Deputy member of the Board of Directors at Tosuka Holding Oy. Previously, Ms. Kaario has acted as the Chairman of the Board of Directors at PerusTerveys Suomi Oy and Pilke päiväkodit Oy. Ms. Kaario has also previously acted as a member of the Board of Directors at Sstatz Oy, Suomen Hoivatilat Oyj, Invalidiliiton Asumispalvelut Oy, Enfo Oyj, Finnish Business Angels Network ry., Epec Oy and Unicus Ltd as well as Esperri Care Oy.

Ms. Kaario holds a Master of Laws degree from the University of Helsinki, and she also holds a MBA degree from Georgia Tech Scheller College of Business.

Shares in Puuilo on 31 January 2022:
2,941



MARKKU TUOMAALA

Member of the Board of Directors
(b. 1967, Finnish citizen)

Member of the Board of Directors since 2016.

Previously, Mr. Tuomaala has acted as the CEO of Puuilo. In addition he acts as Board Member at Kiantama Oy, Ice Boys Oy, Aitokaluste Oy, Warma Steel Oy, Autollecom Oy, Autocredit Oy, Comille Oy, Fast Food Builders Oy, Tiikeri, and Partners Oy. He has previously acted as a Board Member at LVI-WaBeK Oy, Drommen Brokers Oy, and Talgraf Oy.

Shares in Puuilo on 31 January 2022:
4,911,238

Management team



JUHA SAARELA

CEO
(b. 1974, Finnish citizen)

Has been the company's CEO since 2017.

Previously, Mr. Saarela has acted as a Deputy CEO, Purchasing Manager and member of the Board at J. Kärkkäinen Web Oy, Store Manager at Kesko Oyj and Area Manager at Maskun Kalustetalo Oy.

Mr. Saarela has a Bachelor of Applied Science degree from the Centria University of Applied Sciences.

Shares in Puuilo on 31 January 2022:
294,960



VILLE RANTA

Chief Financial Officer (CFO)
(b. 1977, Finnish citizen)

Has been a member of the company's Management Team since 2016.

Previously, Mr. Ranta has acted as a Corporate Business Controller at Kesko Oyj, Business Controller at Oy Sinebrychoff Ab, Controller at Kemira Oyj and has held various financial management roles at TeliaSonera Finland Oyj.

Mr. Ranta holds a Master's degree in Economics and Business Administration from the University of Vaasa.

Shares in Puuilo on 31 January 2022:
365,558



PERTTU PARTANEN

Chief Marketing Officer
(b. 1985, Finnish citizen)

Has been a member of the company's Management Team since 2020.

Previously, Mr. Partanen has been a Marketing Manager Power Finland Oy.

Mr. Partanen holds a Master's degree in Economics and Business Administration from the Jyväskylä University School of Business and Economics.

Shares in Puuilo on 31 January 2022:
22,852



MARKKU LAMPELA

Director Purchases & Logistics
(b. 1971, Finnish citizen)

Has been a member of the company's Management Team since 2020.

In addition, Mr. Lampela is a member of the Board of Fodelia Oyj. Previously, Mr. Lampela has acted as the CEO of Erätukku Oy, Kotivara Oy and SwanLine Oy.

Mr. Lampela holds a Master's degree in Economics and Business Administration from the University of Vaasa.

Shares in Puuilo on 31 January 2022:
6,000



SIRKKALIISA KULMALA

Previously, Ms. Kulmala has acted as the HR Director at SOK, Suomen Lähikauppa Oy, Kesko Oyj, Valio and Silmäasema Oyj.

Kulmala holds a Master's degree in Agricultural Economics from the University of Helsinki.

Shares in Puuilo on 31 January 2022:
35,022

Head of Human Resources
(b. 1967, Finnish citizen)

Has been a member of the company's Management Team since 2020.



MARKUS KAATRANEN

Joined Puuilo from Kotipizza Oyj, where he served as Sales Director from 2016 to 2022. Kaatranen has previously, for example, worked for LIDL Finland for about eight years. He holds expertise in chain operations and experience from retail sales management roles.

Kaatranen holds a Bachelor's degree in Business Administration.

Shares in Puuilo on 31 January 2022:
0

Sales Director
(b. 1977, Finnish citizen)

Has been the company's sales director since 2022.



JUHA PARVIAINEN

He has previously acted as an IT Director at EAB Group Oyj, IT Director at the building and technical trade division of Kesko Oyj, Chief Information Officer at Anttila Oy and K-Citymarket Oy, and as IT Manager at Altia Oyj.

Parviainen holds a BBA degree in Information Technology from the Helia University of Applied Sciences.

Shares in Puuilo on 31 January 2022:
4,545

Chief Information Officer (CIO)
(b. 1968, Finnish citizen)

Has been a member of the company's Management Team since 2020.



Financial Statements

Net sales of Puuilo and its' stores increased in 2021. The development of net sales was positively impacted by the opening of new stores and the increase in net sales of the like-for-like stores and the online store.

Financial Statements

49 REPORT BY

THE BOARD OF DIRECTORS

55 Ownership structure on
31 January 2022

59 KEY FIGURES

62 FINANCIAL STATEMENTS

62 Consolidated Statement of
Comprehensive Income

63 Consolidated Balance Sheet

64 Consolidated Statement of
Changes in Equity

65 Consolidated Statement
of Cash Flows

66 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

66 1 Accounting principles

66 Note 1.1 Company information

66 Note 1.2 Basis of preparation

66 Note 1.3 Accounting estimates and
judgements

67 2 Business performance

67 Note 2.1 Revenue

68 Note 2.2 Segment information

68 Note 2.3 Expenses

70 Note 2.4 Income taxes

73 3 Working capital

73 Note 3.1 Inventories

73 Note 3.2 Trade and other receivables

74 Note 3.3 Trade and other payables

75 4 Capital employed

75 Note 4.1 Goodwill

75 Note 4.2 Intangible assets

77 Note 4.3 Property, plant and
equipment

79 Note 4.4 Leases

81 Note 4.5 Provisions

81 5 Capital structure and financing

81 Note 5.1 Capital management
and net debt

83 Note 5.2 Equity

83 Note 5.3 Earnings per share

84 Note 5.4 Financial risk management

86 Note 5.5 Financial assets and
liabilities

88 Note 5.6 Finance income and costs

89 Note 5.7 Contingent liabilities

89 6 Other notes

89 Note 6.1 Related parties

90 Note 6.2 Group structure and
consolidation

90 Note 6.3 Significant events after the
end of the reporting period

90 Note 6.4 New accounting standards

91 PARENT COMPANY FINANCIAL STATEMENTS

91 Parent company's income statement

92 Parent company's balance sheet

93 Parent company's cash flow
statement

94 Notes to the parent company's
financial statements

94 Accounting policies

94 Significant events in the financial
period

94 Significant events after the end of
the reporting period

95 Notes to the income statement

95 Notes to the assets in balance sheet

96 Notes to the liabilities in balance sheet

97 Pledged assets and commitments

97 Notes on auditors' fees

97 Notes on personnel

97 Holdings in other companies

98 SIGNATURES

99 AUDITOR'S REPORT

103 INDEPENDENT AUDITOR'S REASONABLE ASSURANCE REPORT ON PUUILO OYJ'S ESEF FINANCIAL STATEMENTS



Report by the Board of Directors

PUUILO'S BUSINESS OPERATIONS

Puuiilo is a Finnish retail store chain. The strongly growing chain had 34 stores in different parts of Finland at the end of the financial period that ended on 31 January 2022. In addition, customers are served through an online store. The product assortment includes building supplies, tools, HVAC and electrical accessories, pet food and supplies, car accessories, groceries, household products, garden supplies, free-time and other accessories as well as services. In particular, Puuiilo serves DIY customers and B2B customers in the construction sector. The company is known for its affordable prices and extensive product assortment. During the financial period, new stores were opened in Vaasa, Imatra, Rauma and Espoo Laajalahti.

COMPANY STRUCTURE

Puuiilo Group's parent company is Puuiilo Plc (formerly Puuiilo Invest I Ltd), which engages in the business operations of selling management services to the other Group companies. The Group also includes Puuiilo Invest II Ltd, wholly owned by Puuiilo Plc, and its wholly owned retail business company Puuiilo Tavara-talot Ltd (formerly Puuiilo Ltd). There were no changes in the Group structure in the 2021 financial period.

OUTLOOK FOR THE FINANCIAL YEAR 2022

Puuiilo forecasts that net sales and adjusted operating profit (adjusted EBITA) for the financial year 2022 in euros will increase compared to the financial year 2021.

The forecast is subject to uncertainties due to the development of the Covid-19 pandemic and the effects of the geopolitical situation. Although Puuiilo's business is not exposed to direct risks related to Russia or Ukraine, Russia's military actions have caused significant uncertainty in Europe. The situation may have an impact on consumer behaviour and purchasing power and thus on Puuiilo's business. In addition, sanctions related to Russia may indirectly affect global supply chains.

PUUILO'S LONG-TERM TARGETS

There have been no changes in Puuiilo's long-term financial targets or growth expectations, announced in connection with the listing.

Puuiilo's long-term targets for the financial years 2021–2025:

- Growth: Net sales above EUR 400 million by the end of financial year 2025 with annual organic growth in excess of 10%.

- Profitability: Adjusted EBITA margin between 17–19% of net sales.
- Dividend policy: Puuiilo aims to distribute at least 80% of the net income in dividends for each financial year, depending on the company's capital structure, financial position, general economic and business conditions, and future prospects.
- Leverage: Net debt to adjusted EBITDA below 2.0x.

SIGNIFICANT EVENTS

Listing on Nasdaq Helsinki

Trading in Puuiilo Plc's shares started on 24 June 2021. The listing consisted of a share issue and a share sale. In the IPO, 4,561,093 new shares were issued and the total number of the company's shares after the listing is 84,776,953. The new shares were registered into the Finnish Trade Register on 23 June 2021. Puuiilo received EUR 30.0 million in gross assets from the IPO, which was recognised in the invested unrestricted equity fund.

The final subscription price was EUR 6.60 per share in the institutional and public offering and 10% lower in the personnel issue, i.e., EUR 5.94 per share, based on which the company's market capitalisation was approximately EUR 560 million immediately after

the IPO. The shares were in strong demand and the share issue was oversubscribed several times. The trading code for Puuiilo shares is PUUILO. Puuiilo is part of the mid cap segment and the retail sector on Nasdaq Helsinki.

Refinancing

During the financial period, Puuiilo signed a new EUR 90 million financing agreement related to the refinancing of the Group. The loans under the new financing agreement consist of a EUR 70.0 million term loan facility and a EUR 20.0 million overdraft facility. The new financing agreement replaced the company's previous loans from financial institutions. The loan will mature in full in June 2024. The loans under the new financing agreement are unsecured.

Change in Puuiilo's management team

Markus Kaatranen was appointed Sales Director and a member of Puuiilo Plc's management team on 23 November 2021. Kaatranen started in the new position in February 2022. Puuiilo's former management team member, Chain Manager Tom Lång left the company in December 2021.

GROWTH STRATEGY

Puulo's objective is to continue strengthening its position as one of the leading discount retailers in Finland by utilising its key strengths: maintaining an attractive and wide product assortment, low prices and convenient shopping experience.

In line with its growth strategy, the company aims to open approximately four new stores per year and to continue to increase its like-for-like net sales by further increasing Puulo's brand awareness. The company has an efficient and standardised store opening process, which enables the opening of several stores each year without negatively affecting other operational activities. New stores are, on average, profitable after the first full month of opening.

Puulo aims to continue to develop its value proposition by continuing to provide wide product assortment satisfying the needs of the customer base always with low prices. Puulo also aims to continue investing in the development and growth of its online store to offer its customers a possibility to shop diversely both in the stores and the online store.

STORE NETWORK DEVELOPMENT

During the financial year, Puulo opened new stores in Vaasa, Imatra, Rauma and Espoo Laajalahti.

Puulo has previously announced that it has entered into agreements to open three new stores (in Sastamala, Lieto and Tornio) during the financial year 2022. In addition, the company has previously announced that it will relocate the Lielähti store in

Tampere during the first half of the financial year 2022. In addition, Puulo has entered into four new store lease agreements for 2023. Details for these stores will be announced closer to the store openings. According to the definition by Puulo, a store is considered new during the year of opening and the following financial year. Relocated stores are considered like-for-like stores.

On 31 January 2022, Puulo had a total of 34 stores (30 stores) across Finland. The current store network is young, and more than half of the stores opened during 2016–2021. In recent years, Puulo has opened an average of 3–4 new stores a year.

FINANCIAL DEVELOPMENT

Seasonality

Puulo's business is, in part, seasonal in nature. As such, there are seasonal peaks in Puulo's net sales, operating result and cash flows, although seasonal dependence is relatively low compared to the retail sector in general. Historically, Puulo's most important seasons in terms of net sales have been the second and third quarter of each financial year. Additionally, Puulo's net sales are partly impacted by exceptional, harsh, or seasonally atypical weather.

Net sales, result and profitability

Puulo's net sales in the financial year 2021 increased by 13.2% to EUR 270.1 million (238.7). Net sales of Puulo's stores were EUR 260.5 million (230.7) and net sales of the online store were EUR 9.6 million (8.0), which corresponds to 3.6% (3.3%)

of net sales. Like-for-like store net sales increased by 2.6% (+24.4%).

The development of net sales was positively impacted by the opening of new stores and the increase in net sales of the like-for-like stores and the online store. Net sales development of the like-for-like stores were impacted by exceptionally strong demand caused by the Covid-19 pandemic in the corresponding period last year, mainly driven by the demand of protective and disinfection products.

Puulo's gross profit for the financial year 2021 was EUR 99.6 million (87.1) and the gross margin was 36.9% (36.5%). The positive gross profit development was impacted by the higher share of private label products, negotiations of the commercial purchasing terms and the implementation of accounts payable automation.

Operating expenses were EUR 44.0 million (36.4), or 16.3% of net sales (15.3%). Adjusted operating expenses were EUR 41.2 million (35.9), or 15.2% of net sales (15.0%). The most significant item in operating expenses was personnel expenses, which were higher mainly due to the opening of new stores. Personnel expenses were EUR 26.4 million (22.7), or 9.8% (9.5%) of net sales.

Operating expenses included EUR 2.8 million of stock exchange listing expenses. Operating expenses for the comparison period included EUR 0.6 million of items affecting comparability, which were mainly related to strategic development projects.

Adjusted EBITA was EUR 48.4 million (43.2) and the adjusted EBITA margin was 17.9% (18.1%). EBITA was EUR 45.6 million (42.6) and the EBITA margin was 16.9% (17.9%).

Operating profit (EBIT) was EUR 44.5 million (41.5) which corresponds to an EBIT margin of 16.5% (17.4%).

Net financial expenses were EUR -4.5 million (-5.5). Net financial expenses excluding the effect of IFRS 16 were EUR -3.2 million (-4.3).

Profit before taxes was EUR 39.9 million (36.0). Total income taxes were EUR 8.0 million (7.2). The net result was EUR 31.9 million (28.8). Earnings per share were EUR 0.38 (0.36). Earnings per share excluding the effect of listing expenses were EUR 0.42 (0.36).

STATEMENT OF NON-FINANCIAL INFORMATION

Puulo's operating model

Puulo operates in the Finnish discount store market, which is part of the total retail market in Finland. The discount store market trends in Finland and other Nordic countries include an increase in the price-consciousness of people and growing demand for DIY and leisure time products.

Our successful store concept has enabled Puulo to become one of the leading players on the Finnish discount store market. Measured by net sales, Puulo is one of Finland's largest store chains focusing on consumer goods.

Puuiilo's ten main product categories are building supplies, tools, HVAC and electrical accessories, pet food and supplies, car accessories, groceries, household products, garden supplies, free-time and other accessories as well as services.

Sustainability principles and material topics

Puuiilo is committed to developing its operating principles and practices concerning social corporate responsibility. Operating in a sustainable and responsible manner is a key aspect of Puuiilo's operations, overall quality of what the company does, and its value base. We acknowledge corporate responsibility as a theme that we are obligated to promote throughout the operating chain and that provides an opportunity to create value. This requires goal-oriented measures at all levels of the company.

Puuiilo reported on sustainability for the first time for the financial year 2021 and started creating structures for more systematic sustainability work, including goals and metrics. For this purpose, a materiality analysis was carried out with representatives of our key stakeholder groups, and this analysis will be used as a basis for the further measures. The measures aim to serve the stakeholders with the best possible quality, while taking the sustainability perspectives into consideration. With regard to sustainability work, the following were identified as our most significant stakeholders: customers, personnel, shareholders, the authorities, financiers, and the media. Identified material topics were divided into three focus areas: A responsible retailer, consume more sustainably and a good place to work. A responsible retailer covers

Puuiilo's way of working and the operations of the supply chain. More sustainable consumption means tangible savings and streamlining measures with regard to the environment. A good place to work means competent and motivated personnel and a workplace where the employees enjoy working and to which they can commit.

Sustainability management

At Puuiilo, the members of the management team are in charge of sustainability work. In the financial year 2021, the CEO was in charge of the the financial, environmental and social responsibility overall, the Chief Purchasing Officer was responsible for the supply chain (product responsibility), and the Head of Human Resources was in charge of social responsibility with regard to personnel. The management team conducts regular sustainability reviews to verify the progress of plans and measures as well as the currency of the materiality analysis.

Key commitments and policies

Puuiilo requires that its suppliers and partners are committed to acting in a sustainable manner. Puuiilo is committed to the ethical principles of Amfori BSCI and which are in line with the principles of the UN Global Compact, as well as the OECD Guidelines for Multinational Enterprises. In addition to compliance with laws and statutes, Puuiilo require that our suppliers and partners commit to the same an equivalent principles, in addition to compliance with laws and statutes, and encourage them to proactively develop sustainable production and a sustainable product assortment. In addition, in the financial year 2021 Puuiilo prepared a

Supplier Code of Conduct, which was subsequently included in supplier contracts.

Social impacts and respect for human rights

The foundation for Puuiilo's sustainability work is laid by the national and international laws and statutes concerning business activities as well as employer obligations and commitments. The company is committed to compliance with the aforementioned while also striving to increase the number of voluntary commitments and sustainability measures and to develop the verification of sustainability in supply chains. The company pays special attention to the selection of suppliers and joined the Amfori Business Social Compliance Initiative (BSCI) as a concrete measure. The objective of the measure is to promote social responsibility in the international supply chain. The BSCI's system is based on international treaties, such as the human rights principles of the ILO, UN and OECD. The BSCI has a diverse impact on the development of responsible working conditions in supply chains by means of information, training, advocacy and audits. According to a survey conducted in April 2021, approximately half of Puuiilo's international suppliers announced their commitment to BSCI's ethical principles or equivalent commitments. Puuiilo's objective is that by the end of the financial year 2025, 80% of the suppliers of its private labels will have been BSCI-audited.

In addition, Puuiilo published the Supplier Code of Conduct after the public listing began to include the Supplier Code of Conduct in legally binding cooperation agreements, starting with the largest suppliers. The

company continues to include the Code of Conduct as part of agreements that are renewed, and the Code will be attached to all new agreements. The Supplier Code of Conduct includes the basic principles and expectations regarding the suppliers. Puuiilo's objective is that the commitment will be part of the agreement in 80 per cent of the agreements by the end of 2025.

Personnel and occupational safety

Puuiilo supports its personnel in learning and career advancement, provides safe working conditions and fair employment terms and treats everyone equally. The company invests in personnel retention more than the retail sector on average. Eighty per cent of Puuiilo's employment relationships are permanent, and the company aims to maintain this level in future as well. Puuiilo works systematically to ensure personnel wellbeing and conducts an annual personnel satisfaction survey to measure its performance. At the end of the financial year 2021, the number of personnel converted into full-time employees (FTE) was 663. The number of personnel continues to grow as a result of the expansion of the chain. Puuiilo pays all employees' salaries in accordance with the collective labour agreement. The employees have the right to belong to a union, and employee representatives have been elected per each personnel group.

Employees are provided with occupational health services with medical care coverage. A functioning model of cooperation is in place with the occupational health service: shared objectives and monitoring their realisation are used to prevent risks.

All Puuilo employees take the annual occupational safety training, which is also incorporated in the orientation of new employees. Puuilo closely monitors the realisation of occupational safety through the occupational safety committee, which supports the supervisors by actively promoting matters concerning safety in the daily activities. In the financial year 2021, we started to measure accident frequency in a systematic manner. Personnel reports hazardous situations and near miss situations through an internal reporting system, and the relevant supervisor reviews the reported cases. The occupational safety committee monitors the number of reports and the measures taken. The system also provides information on the assessments of hazards and risks and includes an action plan for occupational safety and health.

We have set an equality and non-discrimination plan and take continuous action to act in compliance with the plan. Puuilo's objective is to be a successful company whose employees have equal opportunities to perform well and develop in their jobs. The goal is a work community where employees treat each other equally and do not discriminate. The company has operating models in place for addressing bullying, harassment and unprofessional treatment. Discrimination on the basis of a person's gender, age, origin, nationality, language, religion, belief, opinion, political activity, union activity, family relationships, health, disability, sexual orientation or other personal characteristic is not permitted.

Environmental perspectives

Puuilo wants to operate in a resource-wise manner and ensure that the environment is clean and

life-sustaining in the future as well. In the financial year 2021, special attention was paid to the recycling rate in waste generation and the monitoring and management of its carbon footprint. Puuilo succeeded in reducing the amount of mixed waste by increasing the sorting of plastic and the energy waste. The measurement of waste generation began, and store managers can monitor waste generation on the level of a specific store and the entire chain. Personnel received training in more effective sorting, and waste management equipment was renewed and increased.

Puuilo's waste management operations became carbon-neutral in the financial year 2021. The carbon dioxide emissions generated were compensated by planting forests thus creating permanent carbon sinks. Puuilo also strived to improve the reuse of the waste it generates. In the financial year 2021, the waste generation totalled 1,213 tonnes and the recycling rate was 68 per cent. The goal is to increase the recycling rate to at least 73 per cent by the end of 2025 and to annually slow down the increase in the total amount of waste and in the carbon footprint.

Puuilo is responsible for electricity procurement in the majority of the stores. Since the beginning of 2021, the operating electricity in all store properties that Puuilo is responsible for has been electricity produced fully with renewable energy. In the financial year 2021, the relative electricity consumption decreased by 64,385 kWh, or approximately by 2% from the previous year. Reductions in electricity consumption have been achieved by replacing the lighting in old stores and by optimising the consumption of energy. More than half of Puuilo's stores are no

more than five years old, which is why their building engineering solutions are by default modern and energy efficient.

Puuilo aims to reduce the greenhouse gas emissions of the transport it has control over by working in close cooperation with its main logistics partners. Puuilo has started to systematically monitor emissions and in the financial year 2021, the measurable greenhouse gas emissions generated in transport were 3,217 tonnes. We cooperate with a well-known international operator in transport. The objective in the financial year 2022 is to establish with the partner a relevant set of indicators for Puuilo to measure the emission load of transports and to use this information to define measurable targets for the coming years.

Prevention of corruption and bribery

Puuilo has zero tolerance for any kind of corruption and bribery. Puuilo is committed to combating corruption and operating ethically and requires the same from its partners. Anti-corruption activities are also included in the Supplier Code of Conduct. Puuilo bears its responsibility by investigating each situation and taking corrective measures in cooperation with the other members of the chain. An internal code of conduct will be prepared during the financial year 2022.

A whistleblowing channel was opened in the financial year 2021. The channel is available on the company's website. Anyone can use the channel to anonymously report unethical conduct, such as corruption or suspicions thereof, to Puuilo's management. A team established by the management will review the reports, take corrective measures and communicate

their decision to the person who reported the issue. In 2021, there were no reported cases of discrimination or suspected misconduct.

EU TAXONOMY

Puuilo's reporting concerning EU taxonomy complies with the Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020. The purpose of the EU classification system for sustainable financing, or the taxonomy, is to help companies and investors to assess whether economic activities can be considered environmentally sustainable. The taxonomy defines a set of criteria for business operations which can be used to assess the extent to which a company's operations support the achievement of environmental and climate objectives.

Companies which in accordance with the Non-Financial Reporting Directive (NFRD) must report non-financial information must, starting from 2021, report in what way and to what extent their operations can be classified in the manner referred to in the EU taxonomy as environmentally sustainable from the perspective of six environmental objectives: 1. climate change mitigation 2. climate change adaptation 3. the sustainable use and protection of water and marine resources 4. the transition to a circular economy 5. pollution prevention and control and 6. the protection and restoration of biodiversity and ecosystems. Preliminary criteria were published in 2021 for the first two of these objectives, namely climate change mitigation and climate change adaptation. The criteria for the remaining environmental objectives will be published later.

The taxonomy regulation will be developed further, and supplementations and interpretations are to be expected to it in the future. The reporting obligations defined in the EU taxonomy are applied with regard to the year 2021 by identifying activities that are covered by the classification system (taxonomy-eligible activities). The following key performance indicators are provided on the taxonomy-eligible activities: turnover, capital expenditure (CapEx) and operational expenditure (OpEx). Thus far, the Annexes confirmed for the taxonomy include the technical screening criteria that list the activities estimated to have the highest impact on the two climate-related environmental objectives of the classification system and which are essential in terms of the reduction of greenhouse gas emissions and climate sustainability. Such activities include forestry, environmental protection and restoration activities, manufacturing, energy, water supply, transportation, building and real estate sector activities, information and communication, as well as professional, scientific and technical activities. Activities typical of retail are currently not separately listed in the taxonomy. Companies operating in the retail sector will report on the aforementioned activities included in the taxonomy if they engage in them.

The most significant climate impacts in the sector are caused by the emissions generated in the companies' own operations and in the products' value chain. The emissions in the value chain include those generated during the lifecycle of products and services, such as primary production of raw materials, manufacture, packaging and transports of products, and the use of products. The emissions of Puuilo's

own operations are generated by the electricity consumed by and the heating of the buildings as well as the fuel consumption of transports.

Puuilo has assessed its turnover, capital expenditure and operational expenditure in terms of their taxonomy-eligibility. Puuilo's business operations consist of retail activities to private consumers and the financial year 2021 customers. The sales of goods are not included in the taxonomy and it does not generate taxonomy-eligible turnover. The company has assessed its capital expenditure and operational expenditure with regard to its stores. Puuilo has identified individual taxonomy-eligible expenses related, among other things, to renewable energy technology. These figures are insignificant.

BALANCE SHEET, FINANCING AND CASH FLOW

Puuilo's inventories were EUR 92.2 million (58.5) at the end of the financial year. The increase in inventories compared to the corresponding period last year was due to the opening of new stores and the increase in the volumes of private label products, in line with Puuilo's strategy. In the financial year 2021, the inventory levels have been consciously temporarily increased in order to secure the adequate stock for the seasonal peaks during the current financial year. Due to the difficult situation related to sea freights and extended delivery times, the goods have been ordered earlier than in previous years.

Operating free cash flow was EUR 10.8 million (38.8). Operating free cash flow was mainly affected by the

above-mentioned temporary increase in inventories. In addition, cash flow was affected by investments in ERP system implemented during the fourth quarter of the financial year.

Cash and cash equivalents at the end of the financial year were EUR 16.5 million (11.2) and the company's financial position is stable.

At the end of the financial year, Puuilo's interest-bearing liabilities totalled EUR 114.1 million (132.9), of which non-current financial loans amounted to EUR 69.8 million (79.9). At the end of the financial year, there were no current financial loans (EUR 10.0 million). Other interest-bearing liabilities consisted of lease liabilities reported in accordance with IFRS 16. At the end of the financial year, the ratio of net debt to adjusted EBITDA was 1.7 (2.4), which is in line with the long-term target.

REFINANCING

During the second quarter of the financial year 2021, Puuilo entered into a new EUR 90 million financing agreement. The loans under the new financing agreement consist of a EUR 70.0 million term loan facility and a EUR 20.0 million overdraft facility. The overdraft facility has not been used during the reporting period. The new financing agreement replaced the company's previous bank loans. The entire loan is due in June 2024.

The new financing agreement includes standard covenants and maturity conditions. The terms of the financial covenants in the agreement measure the

leverage in terms of the net debt to EBITDA ratio. In addition, the interest margin is tied to the net debt to EBITDA ratio. The loans under the new financing agreement are unsecured.

INVESTMENTS

Puuilo's investments during financial year 2021 were EUR 4.4 million (2.6). Investments were mainly related to a new ERP system implemented in December 2021 and to the furnishing of new stores.

PERSONNEL

The number of personnel converted into full-time employees (FTE) was 663 (595). The average number of personnel was 788 (751). Personnel expenses were EUR 26.4 million (22.7)

SHARES AND SHAREHOLDERS

Share issue in connection with the IPO

Trading in Puuilo Plc's shares began on 24 June 2021. The listing consisted of a share issue and a share sale. In the IPO, 4,561,093 new shares were issued and the total number of the company's shares after the listing was 84,776,953. The new shares were registered to the Finnish Trade Register on 23 June 2021.

Puuilo received EUR 30.0 million in gross assets from the IPO, which were recognised in the invested unrestricted equity fund. The company's listing expenses in the financial year 2021 were EUR 4.2 million, of which listing expenses recognised in equity

were approximately EUR 1.4 million less a tax effect of EUR 0.3 million. EUR 2.8 million of the expenses were recognised in profit and loss.

The final subscription price was EUR 6.60 per share in the institutional and public offering and 10% lower in the personnel issue, i.e., EUR 5.94 per share, based on which the company's market capitalisation was approximately EUR 560 million immediately after the IPO. The shares were in strong demand and the share issue was oversubscribed several times. The trading code for Puuilo's shares is PUUILO. Puuilo is part of the mid-cap segment and the retail sector on Nasdaq Helsinki.

Share information and share trading

Puuilo Plc has one class of shares. Each share carries one vote at the company's Annual General Meeting. The shares have no nominal value. Puuilo's shares were included in the book-entry system maintained by Euroclear Finland Oy in June 2021. Puuilo Plc's share capital was increased during the financial year and was EUR 80,000 at the end of the reporting period. At the end of the reporting period, the company had 84,776,953 shares.

On the last trading day of the reporting period, 31 January 2022, the closing price of the share was EUR 7.99. The share turnover during the financial year was EUR 602.0 million and 82,558,713 shares. The highest intra-day share price during the reporting period was EUR 9.46 and the lowest intra-day price was EUR 7.02. At the end of the financial year, the market value of the shares was EUR 678 million.

The company did not hold any treasury shares at the end of the reporting period.

Shareholders

At the end of the financial year, Puuilo had 33,989 registered shareholders. Through a flagging notification in January 2022, Puuilo was informed that Adelis Equity Partners Fund I AB, through Puuilo Invest Holding AB, has decreased its holding to 24.56% of Puuilo. Puuilo was, through a flagging notification in June 2021 from The Capital Group Companies, Inc, informed that the company holds 7.49% of Puuilo.

MAJOR SHAREHOLDERS ON 31 JANUARY 2022

	NUMBER OF SHARES	% OF SHARES
1. Tuomaala, Markku Kalevi	4,911,238	5.79%
2. Danske Invest Finnish Equity Fund	2,514,770	2.97%
3. Evli Finnish Small Cap Fund	1,733,083	2.04%
4. Ilmarinen Mutual Pension Insurance Company	1,534,000	1.81%
5. Conficap Oy	1,515,151	1.79%
6. Tuomaala, Päivi Maria	1,332,521	1.57%
7. Evli Finland Select Fund	1,190,000	1.40%
8. Elo Mutual Pension Insurance Company	1,100,000	1.30%
9. OP-Finland Small Cap Fund	1,088,542	1.28%
10. Tuomaala, Heikki Tapani	1,061,865	1.25%
10 largest total	17,981,170	21.21%
100 largest total	30,341,582	35.79%
Nominee registered total	43,069,115	50.80%
Total	84,776,953	100.00%

OWNERSHIP STRUCTURE ON 31 JANUARY 2022

SHAREHOLDER BY SECTOR	NUMBER OF SHARES	% OF SHARES
Public sector	3,594,293	4.24%
Financial and insurance corporations	49,642,614	58.56%
Households	21,762,378	25.67%
Non-financial corporations	5,709,749	6.74%
Non-profit institutions	936,961	1.11%
Rest of the world	3,130,958	3.69%
Total	84,776,953	100.00%
On common accounts	0	0.00%
Nominee registered	43,069,115	50.80%

BREAKDOWN BY SIZE OF HOLDING ON 31 JANUARY 2022

SHARES HELD	NUMBER OF SHAREHOLDERS	% OF SHAREHOLDERS	NUMBER OF SHARES	% OF SHARES
1–100	15,748	46.33%	914,712	1.08%
101–500	13,657	40.18%	3,204,862	3.78%
501–1000	2,570	7.56%	1,941,519	2.29%
1,001–5,000	1,688	4.97%	3,378,220	3.98%
5,001–10,000	165	0.49%	1,139,845	1.34%
10,001–50,000	96	0.28%	1,930,867	2.28%
50,001–100,000	18	0.05%	1,245,729	1.47%
100,001–500,000	29	0.09%	6,863,058	8.10%
500,001–	18	0.05%	64,158,141	75.68%
Total	33,989	100.00%	84,776,953	100.00%

MANAGEMENT SHAREHOLDING

On 31 January 2022, Puuilo Plc's Board members and the CEO owned a total of 6,317,846 Puuilo Plc's shares, which corresponds 7.45% of the company's shares and votes.

On 31 January 2022, the CEO had 294,960 Puuilo Plc's shares, which corresponded to 0.35% of the company's shares and votes. On 31 January 2022, Puuilo Plc's management team owned 728,937 Puuilo Plc's shares, which corresponded to 0.86% of the company's shares and votes.

FLAGGING NOTIFICATIONS

During the financial year, Puuilo received the following shareholder flagging notifications in accordance with the Finnish Securities Markets Act:

- The Capital Group Companies, Inc.'s indirect holding in Puuilo's shares exceeded the 5% flagging threshold on 24 June 2021 and was 7.49%.
- Danske Bank A/S's combined direct and indirect holding in Puuilo's shares exceeded the 5% flagging threshold on 2 July 2021 and was 7.24%. Danske Bank A / S's holding in Puuilo's shares fell below the 5% flagging limit on 5 July 2021 and was 0.88%.
- Adelis Holding I AB's indirect holding in Puuilo's shares fell below the 25% flagging threshold on 12 January 2022 and was 24,56%.

Further information on Puuilo's shares and shareholders is available on the company's website at www.investors.puuilo.fi/en/share-information and on the management's holdings at

www.investors.puuilo.fi/en/corporate-governance/management-team.

RISKS AND BUSINESS UNCERTAINTIES

Puuilo Group's risk management is based on the risk management policy approved by the Board of Directors. The purpose of the risk management policy is to define the framework, processes, governance and responsibilities of risk management in Puuilo.

The primary objective of risk management in Puuilo is to support the company's strategy execution, continuity of operations and realisation of business objectives by anticipating any risks involved in the company's operations and managing them in a proactive manner. Enterprise risk management emphasises the role of corporate culture and is an integrated part of Puuilo's operations, planning and decision-making.

The Board of Directors is responsible for monitoring and ensuring that the Puuilo's risk management process functions are comprehensive. The Board defines the risk appetite and tolerance, according to the current conditions. The Board of Directors is also responsible for approving enterprise risk management related company policies. Puuilo's operative management is responsible for achieving the set objectives and controlling, managing, and mitigating risks that threaten them. The operative management is also responsible for the risk management work, and for ensuring the performance of the risk management process and the availability of sufficient resources.

Risks are assessed regularly and managed comprehensively. The Group's risk map and the most significant risks and uncertainties are regularly reported to Puuilo's Board of Directors, whereas the most significant risks and uncertainties are reported to the market in the report of the Board of Directors and significant changes within them are reported in the business reviews and half-year reports.

Most significant risks and uncertainties in Puuilo

Geopolitical risks

Although Puuilo's business is not exposed to direct risks related to Russia or Ukraine, Russia's military actions have caused significant uncertainty in Europe. The situation may have an impact on consumer behaviour and purchasing power and thus on Puuilo's business. In addition, sanctions related to Russia may indirectly affect global supply chains.

The geopolitical situation and its indirect market effects increase customers' price awareness. Puuilo strives to influence consumer behaviour by maintaining a wide range of products, maintaining a favourable price image and making prudent pricing decision.

Permanence and availability of personnel

Failure to recruit or retain employees may adversely affect Puuilo.

The company manages the risk by striving to improve the employer image, by paying attention to the quality of supervisory work, through incentive programs, and by keeping job descriptions meaningful. In addition, recruitment processes are carried out carefully and suitability assessments are used.

Changes in customer preferences

Changes in consumer behaviour may occur after the Covid-19 pandemic or purchasing power may change due to inflation.

Puuilo strives to influence consumer behaviour through advertising, as well as to maintain a favourable price image and careful pricing decisions.

Disruptions in supply chains

Disruptions in the company's warehousing and logistics chain of suppliers or its own stores may have an adverse effect on Puuilo's business, financial position, profit, and cash flows.

Puuilo manages the risk by decentralising the supply chain and keeping inventory levels in stores and central warehouses at an adequate level.

Failures to find new locations or in new store openings

It is Puuilo's principle to operate in leased premises instead of owning the store premises. Puuilo may face challenges in opening new or relocating stores as well as finding new store lease properties.

Puuilo manages these risks by carefully assessing of the potential of new locations and by actively mapping new store sites.

Inefficient inventory management

Inefficient inventory management may result in loss or loss of income. If Puuilo is unable to manage its inventory in line with the customer demand, excessive inventory levels may increase logistic costs.

Insufficient number of seasonal products, in turn, would lead to a loss of net sales and a negative customer experience.

Puulo manages the risk related to inventory management by actively updating its product assortment and monitoring inventory turnover.

Global pandemic

Global pandemics such as Covid-19 may have a significant adverse effect on Puulo's business, including disruptions in supply chains and reduced opportunities for customers to do business in the company's stores across the country. Restrictions on tourism may also increase demand in Puulo's stores and for Puulo's product assortment.

Puulo manages the pandemic risk with an extensive store network that protects the company in situations where closure restrictions are not applied to the entire country. Growing the store network further supports this. In addition, the risk associated with the pandemic is managed by developing the online store and its delivery options, further expanding the supplier network and increasing the number of countries of origin.

The activities of competitors and the entry of new competitors

The Finnish retail market is competitive, so the actions of competitors and the entry of new competitors may affect Puulo's position in the market.

It is possible to influence and respond to the various actions of competitors through marketing, pricing,

and assortment management, as well as through a rapid expansion of our store network. In addition, risk is managed by actively monitoring competitors and evaluating their actions.

Stalling or slowdown in online store sales growth

Stalling or slowdown in online store sales growth would have a negative effect on Puulo.

The growth in online store sales can be affected by improving the online store customer experience, among other things, by improving delivery times and by developing payment and delivery options (for example click and collect). In addition, sales growth is affected by marketing tools.

Puulo may be unable to improve or maintain the Puulo brand image among consumers

Puulo's ability to attract customers depends significantly on the strength of its brand, and Puulo may not be able to maintain or improve its brand image.

The Puulo brand image can be maintained and improved by consumer and customer surveys, testing concepts in control groups, developing the customer experience and measuring advertising.

IT risks

The inability of the personnel to protect and process data may cause data to fall into the wrong hands or to data breach from outside the company.

The risk is managed by instructing and training personnel on a regular basis.

The company's IT systems may be subject to data breaches and business secrets, or personal data may be stolen or modified for own benefit or to harm the company.

Information security related risks can be managed by developing IT security policies and written documentation and guidelines as well as by an annual security plan. In addition, the risk can be mitigated by identifying vulnerabilities and building active control of the components at the interface and monitoring of vulnerabilities.

Disruptions in the company's IT systems may have a significant impact on the company's business. Disruptions can affect the management of flow of goods, orders, customer data, inventories, distribution, and product replenishment, as well as the management of business, insider, and personnel information. In addition, disruptions in company's IT systems may affect the other management-related issues and efficient management of financial information.

The effects of the potential disruptions of the IT systems may be limited by describing the disruption management of critical processes. In addition, the company has an IT services continuity plan and recovery plans for critical services. These plans have been documented together with suppliers.

The effect of the exceptional weather conditions

Puulo's sales may decline due to a decrease in the customer volumes resulting from poor weather conditions. Exceptional weather conditions, such as cold and rainy summer as well as winters without snow,

may also have an adverse effect on the demand for certain products among the customers.

The risk is managed by sharing it with suppliers through contracts, by assortment strategy as well as marketing measures and the timing of the marketing measures.

Failure or inadequacy of marketing and advertising

Puulo's advertising and marketing measures may not generate enough awareness among customers and increase the number of customers.

The risk associated with successful marketing can be managed by measuring advertising, as well as advertising in the media that generates most results.

Failure in supplier contract negotiations

Should Puulo find new suppliers, or it fails to negotiate new agreements with its existing suppliers, the company's costs may increase as a result of higher or additional cost of goods or changes in payment terms.

Puulo manages the risk by approving purchase agreement limits within, which the Director Purchases & Logistics approves purchase agreements of a certain size.

DECISIONS BY THE ANNUAL GENERAL MEETING AND UNANIMOUS DECISIONS BY THE SHAREHOLDERS, AND THE BOARD OF DIRECTOR'S ORGANISATION MEETING

Decisions made in the Annual General Meeting

Puuiilo Plc's Annual General Meeting held on 6 May 2021 adopted the financial statements for the financial period that ended on 31 January 2021 and the consolidated financial statements. In accordance with the Board of Directors' proposal, the Annual General Meeting decided that no dividend be paid.

The Annual General Meeting decided on a share issue to the company's shareholders without payment ("a split"). In the share issue without payment, new shares were issued in the proportion of holding so that one (1) new share was issued per each existing share. After the share issue, the number of the company's shares totalled 80,215,860 shares. The issued 40,107,930 shares were entered in the Trade Register on 14 May 2021.

In accordance with the Board of Directors' proposal, the Annual General Meeting decided on the remuneration of the members of the Board as follows:

- Chairman of the Board: EUR 60,000
- Other Board members: EUR 30,000
- In addition, the chairperson of the Audit Committee is paid an annual remuneration of EUR 5,000 and the other members of the Audit Committee are paid an annual remuneration of EUR 2,500 each.

The Annual General Meeting confirmed that the Board of Directors has six members. The following persons will continue to serve as the company's

Board members: chairman of the Board Timo Mänty as well as Board members Gustav Bard, Tomas Franzén, Rasmus Molander and Markku Tuomaala. Mammu Kaario was elected as a new Board member.

PricewaterhouseCoopers Ltd, Authorized Public Accountants, was re-elected as the auditor, with APA Enel Sintonen as the principal auditor. A decision was made to pay the auditor a fee in accordance with a reasonable invoice approved by the Audit Committee.

The Annual General Meeting made a decision to change the name Puuilo Invest I Ltd to Puuilo Ltd (currently Puuilo Plc).

Unanimous decisions by the shareholders

The shareholders unanimously decided to remove the redemption, consent and arbitration clauses from the articles of association. The public listing was contingent on the decision.

The shareholders unanimously decided to increase the share capital to EUR 80,000. The decision was registered on 4 June 2021.

The shareholders unanimously decided to authorise the Board of Directors to decide on a share issue of a maximum of 6,000,000 shares in connection with the public listing (the initial public offering). The Board of Directors exercised the authorisation in connection with the IPO.

The shareholders unanimously decided to authorise the Board of Directors to decide on the measures

related to the public listing of the company, including the approval of the underwriting agreement and the Listing Prospectus as well as the filing of its application to be listed on the stock exchange with the Nasdaq Helsinki pre-list and main list.

Decisions by the Board of Directors on 25 May 2021

The Board of Directors made a decision on the establishment of an Audit Committee. Mammu Kaario, Rasmus Molander and Markku Tuomaala were elected as the members of the Audit Committee.

PROPOSAL FOR PROFIT DISTRIBUTION

The Board of Directors of Puuilo Plc proposes for the Annual General Meeting to be held on 17 May 2022 that a dividend of EUR 0.30 per share be paid for the financial year 1 February 2021–31 January 2022 based on the adopted balance sheet on shares held outside the company. The remaining distributable assets will remain in equity. The Board of Directors proposes that the dividend be paid in two instalments.

The first instalment, EUR 0.15 per share, will be paid to shareholders registered in the company's register of shareholders maintained by Euroclear Finland Ltd on the instalment's record date 24 May 2022. The Board proposes that the first dividend instalment payment date be 31 May 2022.

The second instalment, EUR 0.15 per share, will be paid to shareholders registered in the company's register of shareholders maintained by Euroclear Finland Ltd on the instalment's record date 20 October 2022. The board proposes that the second

instalment payment date be 27 October 2022. The Board proposes it be authorised to decide, if necessary, on new dividend payment record dates and pay dates for the second instalment, if the rules and statutes of the Finnish book-entry system change or otherwise so require.

As at the date of the proposal for the distribution of profit, 30 March 2022, a total of 84,776,953 shares were held outside the company, and the corresponding total amount of dividends was EUR 25,433,085.90.

The distributable assets of Puuilo Plc total EUR 88,370,962.54, of which profit for the financial year is EUR 25,184,960.19. The proposed dividend corresponds to approximately 80% of the Group's net income for the financial year.

ANNUAL GENERAL MEETING

Puuilo's Annual General Meeting will be held on 17 May 2022.

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

Puuilo has not had any significant events since the end of the reporting period.

Key figures

EUR million	1 Feb 2021- 31 Jan 2022	1 Feb 2020- 31 Jan 2021	1 Feb 2019- 31 Jan 2020
Net sales	270.1	238.7	170.5
Net sales development (%)	13.2%	40.0%	25.1%
Like-for-like store net sales development (%)	2.6%	24.4%	5.6%
Online store net sales development (%)	20.8%	127.5%	36.4%
Gross Profit	99.6	87.1	60.2
Gross Margin %	36.9%	36.5%	35.3%
Adjusted EBITA*	48.4	43.2	24.7
Adjusted EBITA margin (%)*	17.9%	18.1%	14.5%
EBITA*	45.6	42.6	24.1
EBITA margin (%)*	16.9%	17.9%	14.1%
EBIT	44.5	41.5	22.9
EBIT margin (%)	16.5%	17.4%	13.5%
Net income	31.9	28.8	15.2
EPS (EUR)	0.38	0.36	0.19
EPS excl. listing expenses (EUR)	0.42	0.36	0.19
Operating free cash flow	10.8	38.8	24.3
Net debt / adjusted EBITDA	1.7	2.4	2.8
Number of stores (end of period)	34	30	27
Number of personnel converted into full-time employees (FTE)	663	595	457

*Operating profit before the amortization of Puuilo trademark

Earnings per share has been calculated for all periods presented considering the free-of charge share issue (split) executed during the financial year 2021.

CALCULATION OF ALTERNATIVE PERFORMANCE MEASURES AND OTHER KEY FIGURES

Puuilo uses alternative performance measures to reflect the changes in business performance and profitability. These indicators should be examined together with the IFRS-compliant performance key indicators.

Like-for-like store net sales development is used to reflect the changes in Puuilo's business volume between periods. The indicator reflects the change in the net sales excluding the impact of new stores. Like-for-like stores include the stores that have existed during both the reporting period and the comparison period.

Adjusted profit and profitability indicators are used to improve the comparability of operational performance

between periods. Items affecting comparability include unusual material items outside the ordinary course of the business. These unusual expenses are related to listing expenses, strategic development projects and administration.

Alternative performance measures, adjusted for the effect of IFRS 16, are used to monitor the achievement of financial targets. EBITDA excluding the effect of IFRS corresponds to EBITDA before the adoption of IFRS 16.

In addition, financial performance indicators for the group have been presented as alternative performance measures. The management uses these indicators to monitor and analyse business performance, profitability and financial position.

CALCULATION OF ALTERNATIVE PERFORMANCE MEASURES AND OTHER KEY FIGURES

KEY FIGURE	DEFINITION
Like-for-like store net sales development (%)	Like-for-like store net sales development is calculated as the net sales development of the comparable stores that are not considered new or closed stores. A store is considered a new store during (the) opening year and the following financial year after the opening. Relocated stores are considered as like-for-like stores.
Online net sales development (%)	Change in online store net sales for the period divided by online store net sales for the previous period
Gross profit	Net sales – materials and services
Gross margin (%)	Gross profit as percentage of net sales
EBITA	Operating profit before the amortisation of Puuilo trademark
EBITA margin (%)	EBITA as percentage of net sales
Adjusted EBITA	EBITA adjusted with items affecting comparability
Adjusted EBITA margin (%)	Adjusted EBITA as percentage of net sales
EBIT (operating profit)	Profit before income taxes and finance income and finance costs (operating profit)
EBIT margin (%)	EBIT as percentage of net sales

KEY FIGURE	DEFINITION
Earnings per share (basic and diluted) (EUR)	Earnings per share have been calculated by dividing the profit for the period according to the consolidated income statement by the weighted average number of shares issued. Earnings per share have been calculated for all periods presented considering the free-of-charge share issue executed during the reporting period.
Earnings per share excluding listing expenses (EUR)	Earnings per share have been calculated by dividing the profit for the period excluding the listing expenses recognised in profit and loss according to the consolidated income statement by the weighted average number of shares issued. Earnings per share have been calculated for all periods presented considering the free-of-charge share issue executed during the reporting period.
Operating free cash flow	Adjusted EBITDA - depreciation of right-of-use assets - change in net working capital in cash flow statement - net capital expenditure
Net debt / Adjusted EBITDA	Interest-bearing liabilities (loans from financial institutions + lease liabilities) - cash and cash equivalents divided by annualised adjusted EBITDA
EBITDA	Operating profit before depreciation, amortisation, and impairment
Adjusted EBITDA	EBITDA before items affecting comparability

RECONCILIATION OF CERTAIN ALTERNATIVE PERFORMANCE MEASURES

EUR million	1 Feb 2021- 31 Jan 2022	1 Feb 2020- 31 Jan 2021	1 Feb 2019- 31 Jan 2020
Items affecting comparability			
Strategic projects	-	0.5	0.6
Administration	0.0	0.1	0.1
Listing expenses	2.8	-	-
Items affecting comparability	2.9	0.6	0.6
Gross profit			
Net sales	270.1	238.7	170.5
Materials and services	170.6	151.6	110.3
Gross profit	99.6	87.1	60.2
EBITA and adjusted EBITA			
Operating profit	44.5	41.5	22.9
Trademark amortisation	1.1	1.1	1.1
EBITA	45.6	42.6	24.1
Items affecting comparability	2.9	0.6	0.6
Adjusted EBITA	48.4	43.2	24.7

EUR million	1 Feb 2021- 31 Jan 2022	1 Feb 2020- 31 Jan 2021	1 Feb 2019- 31 Jan 2020
EBITDA and Adjusted EBITDA			
Operating profit	44.5	41.5	22.9
Depreciation, amortisation and impairments	11.5	9.7	9.0
EBITDA	55.9	51.2	31.9
Items affecting comparability	2.9	0.6	0.6
Adjusted EBITDA	58.8	51.8	32.6
Operating free cash flow			
Adjusted EBITDA	58.8	51.8	32.6
Net capital expenditure	-4.4	-2.6	-2.4
Depreciation on right-of-use assets	-8.7	-7.4	-6.3
Changes in working capital	-34.9	-3.0	0.5
Operating free cash flow	10.8	38.8	24.3
Net debt / Adjusted EBITDA			
Net debt	97.6	121.8	92.7
Adjusted EBITDA	58.8	51.8	32.6
Net debt / Adjusted EBITDA	1.7	2.4	2.8

Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Note	1 Feb 2021- 31 Jan 2022	1 Feb 2020- 31 Jan 2021
Net sales		270.1	238.7
Other operating income	2.1	0.4	0.6
Materials and services	2.3	-170.6	-151.6
Personnel expenses	2.3	-26.4	-22.7
Other operating expenses	2.3	-17.6	-13.8
Depreciation, amortisation and impairments	4.1-4.4	-11.5	-9.7
Operating profit		44.5	41.5
Finance income	5.6	0.0	0.0
Finance costs	5.6	-4.5	-5.5
Total finance income and costs		-4.5	-5.5
Profit before taxes		39.9	36.0
Current income tax	2.4	-8.1	-7.5
Deferred income tax	2.4	0.0	0.3
Total income tax expense		-8.0	-7.2
Profit for the period		31.9	28.8
Total comprehensive income for the period		31.9	28.8

EUR million	Note	1 Feb 2021- 31 Jan 2022	1 Feb 2020- 31 Jan 2021
Profit for the period attributable to:			
Owners of the parent		31.9	28.8
Profit for the period		31.9	28.8
Earnings per share for profit attributable to owners of the parent			
Basic and diluted earnings per share (EUR)	5.3	0.38	0.36

The Notes are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

EUR million	Note	31 Jan 2022	31 Jan 2021
ASSETS			
Non-current assets			
Goodwill	4.1	33.5	33.5
Intangible assets	4.2	19.4	18.2
Property, plant and equipment	4.3	2.3	2.2
Right-of-use assets	4.4	44.4	43.9
Deferred tax assets	2.4	0.5	0.6
Total non-current assets		100.2	98.5
Current assets			
Inventories	3.1	92.2	58.5
Trade receivables	3.2, 5.5	4.0	4.2
Other receivables	3.2	1.4	1.1
Cash and cash equivalents		16.5	11.2
Total current assets		114.1	74.9
Total assets		214.3	173.4

EUR million	Note	31 Jan 2022	31 Jan 2021
Equity and liabilities			
Equity			
Share capital	5.2	0.1	0.0
Reserve for invested unrestricted equity	5.2	29.0	-
Retained earnings		6.8	-21.9
Profit for the period		31.9	28.8
Total equity attributable to owners of the parent		67.8	6.9
Total equity		67.8	6.9
Liabilities			
Non-current liabilities			
Loans from financial institutions	5.4, 5.5	69.8	79.9
Lease liabilities	4.4	36.3	35.8
Provisions	4.5	0.7	0.6
Deferred tax liabilities	2.4	3.2	3.6
Total non-current liabilities		110.0	119.9
Current liabilities			
Loans from financial institutions	5.4, 5.5	-	10.0
Lease liabilities	4.4	8.0	7.2
Trade payables	3.3, 5.5	13.2	15.2
Advances received	2.1	0.3	0.2
Income tax liabilities		4.1	3.5
Other current liabilities	3.3, 5.5	11.0	10.5
Total current liabilities		36.5	46.6
Total liabilities		146.5	166.5
Total equity and liabilities		214.3	173.4

The notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

ATTRIBUTABLE TO OWNERS OF THE PARENT					
EUR million	Note	Share capital	Reserve for invested unrestricted equity	Retained earnings	TOTAL EQUITY
Equity at 1 Feb 2021		0.0	-	6.9	6.9
Profit for the period				31.9	31.9
Total comprehensive income for the period				31.9	31.9
Increase in share capital	5.2	0.1		-0.1	0.0
Share issue	5.2		29.0		29.0
Total transactions with owners		0.1	29.0	-0.1	29.0
Equity at 31 Jan 2022		0.1	29.0	38.8	67.8

ATTRIBUTABLE TO OWNERS OF THE PARENT					
EUR million	Note	Share capital	Reserve for invested unrestricted equity	Retained earnings	TOTAL EQUITY
Equity at 1 Feb 2020		0.0	2.0	28.3	30.2
Profit for the period				28.8	28.8
Total comprehensive income for the period				28.8	28.8
Return of capital	5.2		-2.0		-2.0
Dividends	5.2			-50.1	-50.1
Total transactions with owners			-2.0	-50.1	-52.1
Equity at 31 Jan 2021		0.0	-	6.9	6.9

The Notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	Note	1 Feb 2021- 31 Jan 2022	1 Feb 2020- 31 Jan 2021
Cash flows from operating activities			
Profit for the period		31.9	28.8
Adjustments for:			
Depreciation, amortisation and impairments	4.1-4.4	11.5	9.7
Gains/losses on disposal of property, plant and equipment		0.0	-0.3
Other non-cash adjustments		0.1	-
Finance income and costs	5.6	4.5	5.5
Income tax expense	2.4	8.0	7.2
Changes in working capital			
Change in trade and other receivables	3.2	-0.1	-2.2
Change in inventories	3.1	-33.7	-8.3
Change in trade and other current non-interest-bearing liabilities	3.3	-1.1	7.5
Interests paid		-2.0	-3.3
Interests of lease liabilities		-1.3	-1.2
Interests received		0.0	0.0
Arrangement fee for loans from financial institutions and other financial costs		-0.6	-2.0
Income taxes paid		-7.4	-4.6
Net cash flows generated from operating activities		9.7	37.0

EUR million	Note	1 Feb 2021- 31 Jan 2022	1 Feb 2020- 31 Jan 2021
Cash flows from investing activities			
Payments for intangible assets	4.2	-3.1	-0.9
Payments for property, plant and equipment	4.3	-1.3	-2.1
Proceeds from sale of property, plant and equipment	4.3	0.0	0.3
Net cash used in investing activities		-4.4	-2.6
Cash flows from financing activities			
Share issue		28.6	-
Proceeds from borrowings	5.1	70.0	100.0
Repayments of loans from financial institutions	5.1	-91.0	-74.3
Repayments of lease liabilities	5.1	-7.6	-6.4
Dividends	5.2	-	-50.1
Return of capital	5.2	-	-2.0
Net cash used in financing activities		0.0	-32.9
Net increase (+)/(-) decrease in cash and cash equivalents		5.4	1.5
Cash and cash equivalents at the beginning of the period		11.2	9.7
Cash and cash equivalents at the end of the period		16.5	11.2

The Notes are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

1 ACCOUNTING PRINCIPLES

Note 1.1 Company information

Puuiilo Group is a Finnish retailer company. On 31 January 2022, the fast-growing Group had a total of 34 stores (30 stores) across Finland. In addition, the online store serves customers. The product assortment includes building supplies, tools, HVAC and electrical accessories, pet food and supplies, car accessories, groceries, household products, garden supplies, free-time and other accessories as well as services. Puuiilo serves especially do-it-yourself and construction business customers. The company is known for its low prices and wide range of products.

The Group's parent company is Puuiilo Plc (formerly Puuiilo Invest I Ltd), domiciled in Helsinki. The company's registered address is Pakkalankuja 6, 01510 Vantaa, and its Business ID is 2726573-8. Puuiilo Plc is listed on Nasdaq Helsinki. The Consolidated Financial Statements are available on Puuiilo's investor pages at www.investors.puuiilo.fi and from the company's headquarters at Pakkalankuja 6, 01510 Vantaa.

The company was listed on Nasdaq Helsinki during the financial period. In connection with the listing, the corporate form was changed to a public limited company. The company's name was changed from Puuiilo Ltd to Puuiilo Plc (formerly Puuiilo Invest I Ltd).

These Consolidated Financial Statements contain the consolidated financial statements of Puuiilo Plc ("the company") and its subsidiaries ("the Group" or "Puuiilo").

These Consolidated Financial Statements include the consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows as well as notes for the reporting period that ended on 31 January 2022 and comparison information for the financial year ended 31 January 2021. The company's Board of Directors approved these Financial Statements on 13 April 2022.

The company's reporting period begins on 1 February and ends on 31 January. The reporting period 2021 comprises the period 1 February 2021–31 January 2022 and the comparison period 2020 the period 1 February 2020–31 January 2021.

Note 1.2 Basis of preparation

Puuiilo's Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) approved for adoption by the European Union. They comply with the effective IAS and IFRS standards and the respec-

tive SIC and IFRIC interpretations. The notes to the Consolidated Financial Statements also include requirements in accordance with Finnish accounting and limited liability company legislation.

The notes to the Consolidated Financial Statements have been grouped into sections based on their nature. The basis of preparation of the financial statements is described as part of the note Accounting Policies, while the accounting policies directly related to a specific note are presented as part of the note in question. The notes of each area contain the relevant financial information, the accounting policies as well as the key estimates and discretionary solutions.

The financial statements have been prepared on the basis of initial cost, with the exception of lease liabilities and right-of-use assets which are discounted at the present value.

The figures in the Consolidated Financial Statements are presented in millions of euros, unless otherwise stated. The figures have been rounded to the nearest million, and therefore the sum of individual figures may deviate from the total presented. The presentation currency of the financial statements is euro, which is also the functional currency of the company and the Group.

Note 1.3 Accounting estimates and judgements

The preparation of Consolidated Financial Statements requires management to make estimates and assumptions that affect the application of accounting policies and the recognized amounts of assets, liabilities, income and expenses. The following areas include management's estimates and assumptions:

- Measurement of inventories (Note 3.1)
- Goodwill impairment test (Note 4.1)
- Measurement of the Puuiilo trademark (Note 4.2)
- Measurement of lease liabilities and right-of-use assets (Note 4.4)
- Restoration obligation (Note 4.5)
- Expected credit loss (Note 5.5)

These areas are explained in more detail in the individual notes.

According to Puuiilo's management, the Covid-19 pandemic or geopolitical situation (Russian military actions in Ukraine) has not had a significant impact on the above-mentioned estimates or judgements made by the management.

The realisation of the estimates and judgements made is regularly evaluated. The estimates and judgements are based on historical data and other

factors, including expectations on future events that may have a financial impact on the entity and that are assumed to be reasonable under the circumstances.

2 BUSINESS PERFORMANCE

Note 2.1 Revenue

Accounting policy

Puulo's retail chain and online store sell building supplies, tools, HVAC and electrical accessories, pet food and supplies, car accessories, groceries, household products, garden supplies, free-time and other accessories as well as services. Its net sales are primarily generated by the sales of goods and recognised when the control of the product is transferred to the customer, in other words, when the product is relinquished.

The products sold by the Group have a right of return. Based on experience, the quantity of the returned goods is considered to be insignificant compared to the company's net sales.

Puulo sells gift cards to customers. The Company recognises a liability on these prepayments. The liability is presented in the balance sheet as a separate line item Advances received. The liability is derecognised, and net sales are recognised when customer purchases goods with the gift card. After the gift card has been used, Puulo is considered to have fulfilled its performance obligations.

Sales are mainly in cash or by credit card. Financing offered to private customers is arranged by an external partner and does not create a performance obligation to Puulo. Therefore, the arrangement does not affect the revenue recognition. The payment time for invoiced sales offered to B2B customers is typically 14–30 days. As the payment term is less than 12 months, the transaction prices are not adjusted to take into account the time value of money.

Puulo's contracts with customers do not contain separate performance obligations recognised at different times. The product warranties offered by the Company are treated as assurance type warranties, because they do not include additional services to the customer. In most cases, the Group charges the warranty costs from the supplier.

In other operating income, Puulo presents lease income, gains on disposals of tangible assets, and other income that are not directly related to the Company's ordinary business operations. Lease income consists of income received from places of sales.

NET SALES

EUR million	31 Jan 2022	31 Jan 2021
Stores	260.5	230.7
Online store	9.6	8.0
Net sales total	270.1	238.7

CONTRACT LIABILITIES (PREPAID EXPENSES)

EUR million	31 Jan 2022	31 Jan 2021
	0.3	0.2

OTHER OPERATING INCOME

EUR million	31 Jan 2022	31 Jan 2021
Lease income	0.2	0.1
Gains on disposal of tangible assets	0.0	0.3
Other	0.2	0.2
Total	0.4	0.6

Note 2.2 Segment information

Due to the nature of Puuilo's operations, the Group has one reportable operating segment. The individual stores and the online store are considered to be the distribution channels of Puuilo's products and all of them operate under the Puuilo trademark. The Group primarily operates in Finland but has an online store in Sweden. The share of the Swedish online store in Puuilo's net sales is insignificant. The operations, such as financial administration, IT management, marketing as well as purchasing and logistics are centralised at the Group level.

The Board of Directors is the highest operating decision-maker at Puuilo, as it is responsible for resource allocation in the Group and assesses the performance of the operations. Puuilo's Board of Directors regularly monitors financial information of the Group. The performance metric Puuilo uses internally to monitor and assess the operations is the Group-level adjusted EBITA, which corresponds to profit before interest, taxes and amortisation of the trademark, adjusted by items affecting comparability.

Due to the large number of customers and the nature of the business, sales to any individual customer have not exceeded 10 per cent in the financial period that ended on 31 January 2022 or the comparison period.

Note 2.3 Expenses**Materials and services and other operating expenses****Accounting policy**

Materials and services consist of the acquisition cost of goods sold during the financial period and the services directly related to the goods sold. Other operating expenses include expenses other than the cost of goods sold, such as administration costs, property maintenance costs, marketing and IT costs as well as sales freight and credit card commissions. Other operating expenses also include potential losses on the disposal of property, plant and equipment and intangible assets.

Foreign exchange differences arising from purchases are recognised in the appropriate line item above operating profit.

MATERIALS AND SERVICES

EUR million	1 Feb 2021-31 Jan 2022	1 Feb 2020-31 Jan 2021
Purchases during the reporting period	204.1	159.1
Changes in inventories	-33.9	-8.2
External services	0.4	0.7
Total	170.6	151.6

OTHER OPERATING EXPENSES

EUR million	1 Feb 2021-31 Jan 2022	1 Feb 2020-31 Jan 2021
Administration expenses	4.1	1.4
Property maintenance expenses	2.8	2.8
Marketing expenses	5.5	4.1
IT costs	1.8	2.2
Sales freights and credit card fees	1.8	2.1
Other	1.6	1.1
Total	17.6	13.8

AUDITORS' FEES

EUR million	1 Feb 2021-31 Jan 2022	1 Feb 2020-31 Jan 2021
Statutory audit fees	0.1	0.1
Other services*	1.0	0.0
Total	1.1	0.1

*Includes the fees related to the company's IPO

Employee benefits**Accounting policy****Short-term benefits**

Wages and salaries mainly comprise of fixed monthly salaries and hourly wages paid to employees. Other indirect employee costs include pension expenses and other social security expenses. Employee benefits are recognised for work completed up to the balance sheet date in other liabilities and measured at the amount that is expected to be paid when the liabilities are settled.

Post-employment benefits

The pension plan of Puuilo is a defined contribution plan. The payments of a defined contribution pension plan are made to pension insurance companies, after which the Group does not have any other payment obligations. Payments made on the defined contribution pension plan are recognised as expenses in the income statement for the financial period they are attributed to.

Management remuneration

The management comprised the Board of Directors, the CEO and the other management team. The Board of Directors makes the decision on the remuneration of the CEO and the other management team. The remuneration of the CEO and the management team consists of a fixed monthly salary and customary fringe benefits. The CEO or the other members of the management team do not belong to any incentive programme and Puuilo does not have share-based incentive programmes in place. The company's CEO and the other members of the management team are entitled to a statutory pension benefit. The company does not have in place current additional pensions or collateral arrangements for the CEO and the other members of the management team. The remuneration of management consists exclusively of short-term employee benefits.

The CEO is entitled to statutory pension, and their retirement age is determined in accordance with the legislation in effect. The period of notice of the CEO is six months and they are entitled to receive salary for the period of notice. The period of notice of the other members of the management team is three months. The members of the management team are entitled to their respective monthly salaries for the period of notice.

In accordance with the Finnish Limited Liability Companies Act, the decision on the remuneration payable to the members of the company's Board of Directors is made by the shareholders in the Annual General Meeting. The Board prepares a proposal on the

remuneration of the Board members to the Annual General Meeting. The remuneration of the Board of Directors is monetary. The Board of Directors' remuneration is based on an annual fee, and the members are not paid separate meeting fees in addition to this. Travel expenses incurred by the Board meetings are reimbursed in accordance with the company's travel expense policy. Pension payments are not included in the remuneration of the Board of Directors.

EMPLOYEE BENEFIT EXPENSES

EUR million	1 Feb 2021-31 Jan 2022	1 Feb 2020-31 Jan 2021
Wages and salaries	21.7	19.1
Pension costs	3.8	3.0
Social security costs	0.9	0.6
Total	26.4	22.7

PERSONNEL ON AVERAGE AND AT THE END OF REPORTING PERIOD:

EUR million	1 Feb 2021-31 Jan 2022	1 Feb 2020-31 Jan 2021
Number of employees at the end of the period, full-time equivalent (FTE)	663	595
Personnel on average	788	757

MANAGEMENT REMUNERATION:

EUR million	1 Feb 2021-31 Jan 2022	1 Feb 2020-31 Jan 2021
CEO		
Salary, other remuneration and benefits	0.2	0.1
Pension costs	0.0	0.0
Total	0.2	0.2
Group management team excl. CEO		
Salary, other remuneration and benefits	0.8	0.5
Pension costs	0.2	0.1
Total	0.9	0.6
The Board of Directors		
Timo Mänty, Chairman of the Board of Directors	0.0	0.0
Gustav Bard	0.0	-
Tomas Franzén	0.0	-
Mammu Kaario	0.0	-
Rasmus Molander	0.0	-
Markku Tuomaala	0.0	-
Total	0.1	0.0
Total management team and the Board of Directors	1.3	0.8

Note 2.4 Income taxes**Accounting policy**

Income tax comprises of current income taxes and deferred taxes for the financial period. The income tax is recognised in the income statement. The tax effect of the items recognised directly in equity is, correspondingly, recognised as a part of equity.

The current taxes consist of the expected tax payable on the taxable income for the financial period, based on the tax rates enacted or in practice enacted by the closing of the accounts and any taxes payable for the previous year.

Deferred tax is calculated based on temporary differences between the carrying amounts and the book value of assets and liabilities, as well as on confirmed losses to the extent that it is probable that these can

be utilised against future taxable income. Deferred tax is determined using tax rates (and laws) which have been enacted or in practice enacted by the end of the financial period and which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax is not recognised for temporary differences related to initial recognition of goodwill.

Deferred tax assets and liabilities are netted to the extent that the company has a legally enforceable right to net current tax assets and liabilities and when the deferred taxes are related to the taxes of the same tax authority. Tax assets and tax liabilities based on the taxable income for the period are netted when the organisation has a legally enforceable right and it intends either to settle on a net basis or to realise the asset item and settle the liability simultaneously.

INCOME TAXES

EUR million	1 Feb 2021-31 Jan 2022	1 Feb 2020-31 Jan 2021
Current income tax on profits for the year:	8.1	7.5
Total current income tax	8.1	7.5
Deferred income tax:		
Change in deferred tax assets	0.1	-0.3
Change in deferred tax liabilities	-0.1	0.0
Total deferred tax	0.0	-0.3
Income tax expense	8.0	7.2

Reconciliation of the tax expense recognised in the consolidated income statement and the taxes calculated using the Finnish tax rate (20% for all financial periods):

EUR million	1 Feb 2021-31 Jan 2022	1 Feb 2020-31 Jan 2021
Profit before tax	39.9	36.0
Tax calculated at domestic tax rate of 20%	8.0	7.2
Income not subject to tax	0.0	0.0
Expenses not deductible for tax purposes	0.0	0.0
Taxes in income statement	8.0	7.2

CHANGES IN DEFERRED TAXES

EUR million	At 1 Feb	Recognized through profit or loss	Recognized in equity	At 31 Dec
Reporting period 2021				
Deferred tax assets				
Difference between accounting depreciation and tax depreciation	0.1	0.0	-	0.1
Leases	0.4	0.1	-	0.5
Net interest from previous financial year, deductible during the financial year	0.2	-0.2	-	-
Total	0.6	-0.1	-	0.5
Reporting period 2020				
Deferred tax liabilities				
Intangible assets	3.4	-0.2	-	3.1
Difference between accounting depreciation and tax depreciation	0.0	0.0	-	0.0
Arrangement fees of loans from financial institutions	0.2	-0.2	-	0.0
Listing expenses	-	0.3	-0.3	-
Total	3.6	-0.1	-0.3	3.2

EUR million	At 1 Feb	Recognized through profit or loss	Recognized in equity	At 31 Dec
Reporting period 2020				
Deferred tax assets				
Difference between accounting depreciation and tax depreciation	0.1	0.0	-	0.1
Leases	0.3	0.1	-	0.4
Net interest non-deductible during the financial year	-	0.2	-	0.2
Total	0.3	0.3	-	0.6
Reporting period 2020				
Deferred tax liabilities				
Intangible assets	3.6	-0.2	-	3.4
Difference between accounting depreciation and tax depreciation	0.0	0.0	-	0.0
Arrangement fees of loans from financial institutions	-	0.2	-	0.2
Total	3.6	0.0	-	3.6

3 WORKING CAPITAL

Note 3.1 Inventories

Accounting policy

The cost of inventories, i.e. goods intended for retail, corresponds to the purchasing cost of the product in question determined using the weighted average cost method. The cost of finished goods comprises all costs of purchase, including direct freight and handling costs. Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated necessary costs of sales. The cost of inventory does not include borrowing costs.

EUR million	31 Jan 2022	31 Jan 2021
Finished goods	80.3	51.8
Prepayments	1.3	1.5
Goods in transit	10.6	5.2
Total	92.2	58.5

The balance sheet valuation of inventories on the balance sheet date includes a write-down of inventories for obsolescent and slowly moving products, with the impairment of EUR 0.4 million on 31 January 2022 (EUR 0.3 million).

The cost of goods sold has been presented in Note 2.3.

Key judgements and discretionary solutions – Inventory valuation

The Group regularly reviews inventories for possible obsolescence and turnover, and for possible reduction of the net realisable value below cost, and recognises a write-down of inventory when necessary. Such reviews require estimates of future demand for products. Possible changes in these estimates may cause changes in inventory measurement in future periods.

Note 3.2 Trade and other receivables

Accounting policy

Trade receivables are receivables that consist of products sold to customers in the ordinary course of business. They fall due within 14–30 days and are, therefore, all classified as current. Trade receivables are initially recognised in the amount of the invoice

issued to the customer. Trade receivables do not include financial components.

The fair value of current trade and other receivables are estimated to equal their book values due to their short maturities.

TRADE AND OTHER RECEIVABLES CONSIST OF THE FOLLOWING

EUR million	31 Jan 2022	31 Jan 2021
Trade receivables	4.0	4.2
Other receivables	-	0.1
Prepaid expenses	1.4	1.0
Total	5.4	5.2

THE AGING ANALYSIS OF TRADE RECEIVABLES

EUR million	31 Jan 2022	31 Jan 2021
Not overdue	3.7	4.0
Overdue		
Less than 14 days	0.3	0.1
14–30 days	0.0	0.0
31–60 days	0.0	0.0
Over 60 days	0.0	0.0
Total	4.0	4.2

A credit loss of EUR 0.0 million was recognised at profit or loss on trade receivables in the 2021 financial period (EUR 0.0 million). The receivables do not involve significant credit risk concentrations and the maximum amount of the credit risk corresponds to the carrying amount of the receivables at the end of

the financial period. Trade receivables include an impairment amounting to EUR 0.0 million (EUR 0.0 million). The expected credit loss risk is not significant due to the low volume of invoicing sales. Credit risk is described in more detail in Note 5.4.

MATERIAL ITEMS INCLUDED IN PREPAID EXPENSES

EUR million	31 Jan 2022	31 Jan 2021
Annual bonuses for purchases	0.4	0.1
Product reclamation	0.2	0.2
Social security costs	0.2	-
Expenses paid in advance	0.4	0.5
Other	0.2	0.2
Total	1.4	1.0

NOTE 3.3 TRADE AND OTHER PAYABLES

Accounting policy

Trade payables and other payables concern goods and services which Puuilo has received prior to the end of financial period which were not paid by the end of the financial period. The amounts are unsecured and mainly paid according to the payment

term of 30–60 days. Trade and other payables are presented as current liabilities if they are due within 12 months after the financial period. The carrying amounts of trade payables and other payables are considered to be the same as their fair values, due to their short-term nature.

TRADE AND OTHER PAYABLES CONSIST OF THE FOLLOWING:

EUR million	31 Jan 2022	31 Jan 2021
Current		
Trade payables	13.2	15.2
Advances received	0.3	0.2
Income tax liabilities	4.1	3.5
Other current liabilities	5.2	5.0
Accrued expenses	5.8	5.6
Total current	28.6	29.3

Other current liabilities mainly consist of value added tax liabilities and withholding tax liabilities.

MATERIAL ITEMS INCLUDED IN CURRENT ACCRUED EXPENSES

EUR million	31 Jan 2022	31 Jan 2021
Salary accruals	1.4	1.3
Social security costs	1.3	1.4
Interest expenses	0.1	0.4
Holiday pay expenses	3.1	2.5
Total	5.8	5.6

4 CAPITAL EMPLOYED

Note 4.1 Goodwill

Accounting policy

Goodwill is measured at acquisition cost less any accumulated impairment losses. At the time of acquisition, goodwill is allocated to those cash-generating units which are considered to benefit from the acquisition. Goodwill is not subject to annual amortisation, because it is considered to have an indefinite useful life.

Goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset item's fair value less costs of disposal or the higher of value in use. Often it is not possible to estimate the recoverable amount for an individual asset. In the case of goodwill, the recoverable amount is determined for the cash-generating unit to which the goodwill belongs. Impairment loss recognised for goodwill is not reversed under any circumstances.

Key judgements and estimates in goodwill impairment testing

Puuiilo's goodwill has arisen in connection with the acquisition of Puuiilo business in 2015 when the current Puuiilo Group was established. Therefore, the entire goodwill was generated from a single acquisition covering the entire business of Puuiilo. At the end of the financial period, goodwill stood at EUR 33.5 million (EUR 33.5 million).

Goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill was impaired. The recoverable amount of a cash-generating unit is determined based on the value in use calculation which requires the use of assumptions. Estimates and judgements are required when determining the components of the recoverable amount. These components include the discount rate, the terminal growth rate, net sales and the adjusted operating profit before the amortisation of the trademark (adjusted EBITA). The discount rate reflects the time value of money and the market risk premiums. The risk premiums reflect risks and uncertainties for which the future cash flow estimates have not been adjusted. The calculations use cash flow projections based on financial budgets approved by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rate.

Goodwill impairment test

Puuiilo's management has been monitoring goodwill on the Group level from the date the goodwill was generated. Therefore, for the purpose of annual goodwill impairment testing, management has discrete and reliable financial information available on the Group level. Puuiilo's management considers the Group to consist of one cash-generating unit, and therefore, goodwill is tested for impairment on the Group level.

The key assumptions of the impairment calculations are the estimated growth rate of net sales and the estimated EBITA level for the period of three years.

Cash flows beyond this period have been extrapolated based on the forecast growth of 2.0% (2.0%). The discount rate used is the weighted average cost of capital (WACC) after tax. The WACC formula inputs are the risk-free rate of return, market risk premium, industry-specific beta factor, target capital structure and borrowing cost. The pre-tax WACC used was 11.2% (12.5%). The changes in the WACC used in the goodwill test arise from the market risk premium that is slightly lower than in the comparison period and the borrowing cost used. No goodwill impairment has been recognised. In addition, management has estimated that no reasonably possible change in the key assumption of the impairment testing would have resulted in a goodwill impairment.

Note 4.2 Intangible assets

Accounting policy

Intangible assets comprise of the capitalised costs of the Puuiilo trademark, the ERP system and the other IT system. Their carrying amount corresponds to cost less accumulated amortisations and impairment losses. The capitalised cost of the ERP system consists of invoices from external service providers and license fees as well as Puuiilo's internal project work related to the implementation of the new ERP system.

Other intangible assets are amortised on a straight-line basis over their estimated useful lives as follows:

Puuiilo trademark	20 years
Software and licences	5 years

The costs related to the maintenance of IT systems and software are recognised in the financial period during which they incur.

Key judgements and estimates in measurement of the Puuiilo trademark

The useful life of the Puuiilo trademark is estimated to be 20 years, and it represents the Group's assessment of the period over which the trademark is expected to generate cash flows to the Group. The actual useful life may, however, be shorter or longer, depending on changes in the operating environment. Any identified changes in the useful life of the Puuiilo trademark are reflected in the amortisation period and the recognition of impairment losses, when needed.

The management assesses at each balance sheet date whether there is any indication that the value of the Puuiilo trademark may be impaired. For the Puuiilo trademark, changes in the retail business environment, for example, could be an indication of impairment. For the trademark, the recoverable amount cannot be estimated on an asset-by-asset basis. As it is estimated that Puuiilo has one cash-generating unit, Puuiilo's trademark, like goodwill, is tested on the Group level.

The impairment is recognised through profit or loss. The impairment loss recognised earlier on an asset item is reversed if the recoverable amount of the asset has increased. However, the maximum reversal is the carrying amount that would have prevailed for the asset before the impairment was recognised.

EUR million	Goodwill	Intangible rights	Other intangible assets	Total
Cost on 1 February 2021	33.5	24.0	3.9	61.5
Additions	-	-	3.1	3.1
Cost on 31 January 2022	33.5	24.0	7.0	64.6
Accumulated depreciation and impairment on 1 February 2021	-	-7.2	-2.5	-9.8
Amortisation and impairment	-	-1.1	-0.8	-1.9
Accumulated amortisation and impairment on 31 January 2022	-	-8.5	-3.3	-11.7
Net carrying amount on 1 February 2021	33.5	16.8	1.4	51.8
Net carrying amount on 31 January 2022	33.5	15.7	3.7	52.9

EUR million	Goodwill	Intangible rights	Other intangible assets	Total
Cost on 1 February 2020	33.5	24.0	3.1	60.7
Additions	-	-	0.9	0.9
Cost on 31 January 2021	33.5	24.0	3.9	61.5
Accumulated depreciation and impairment on 1 February 2020	-	-6.1	-2.0	-8.1
Amortisation and impairment	-	-1.1	-0.5	-1.6
Accumulated amortisation and impairment on 31 January 2021	-	-7.2	-2.5	-9.8
Net carrying amount on 1 February 2020	33.5	17.9	1.0	52.5
Net carrying amount on 31 January 2021	33.5	16.8	1.4	51.8

No impairment was recognised in intangible assets during the financial period or the comparison period.

Note 4.3 Property, plant and equipment**Accounting policy**

Property, plant and equipment consist mainly of store buildings and related leasehold improvements, as well as machinery and equipment. They are measured at cost less accumulated depreciation and impairment losses. The measurement of leased properties is covered in section 4.4 Leases. Historical cost includes expenditure that is directly attributable to the acquisition of asset items or internally developed assets and subsequent costs incurred by the replacement of parts that meet the criteria for asset recognition. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset or, in the case of leasehold improvements and leased assets, over the period of the lease or the useful life of the asset, whichever is shorter.

The estimated useful lives are as follows:

Buildings	15–30 years
Machinery and equipment	3–10 years
Other tangible assets	5–10 years
Leased assets	over the lease term

Residual values, depreciation methods and useful lives are reviewed and adjusted if needed at the end of each reporting period. An item of property, plant and equipment is derecognised upon disposal or when no future financial benefits are expected from its use. Sales gains and losses are determined

by comparing disposal proceeds with the carrying amount of the disposed asset. Sales gains and losses are recognised within other operating income or expenses in the income statement in the period on which the disposal occurs. Sales gains are presented in Note 2.1.

The management assesses at each balance sheet date whether there is any indication that the value of property, plant and equipment may be impaired. In the case that there is such evidence, an assessment is made of the recoverable amount of the asset which is the higher of the fair value of the asset less the costs of disposal or the value in use. In many cases, the recoverable amount cannot be estimated on an asset-by-asset basis. In that case, the recoverable amount is determined for the cash-generating unit to which the asset item belongs. Due to the nature of Puuilo's operations, the Group has only one cash-generating unit.

The impairment is recognised through profit or loss. The impairment loss recognised earlier on an asset item is reversed if the recoverable amount of the asset has increased. However, the maximum reversal is the carrying amount that would have prevailed for the asset before the impairment was recognised.

Puuilo's property, plant and equipment is divided into owned and leased assets as follows. Leased assets are covered in Note 4.4. Leases.

EUR million	31 Jan 2022	31 Jan 2021
Leased	44.4	43.9
Owned	2.3	2.2
Total	46.8	46.1

Changes in property, plant and equipment. The figures do not include changes in leases. Leases are covered in Note 4.4.

EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Total
Cost on 1 February 2021	-	0.8	4.3	5.1
Additions	-	-	0.9	0.9
Disposals	-	-	-	0.0
Cost on 31 January 2022	-	0.8	5.2	6.0
Accumulated depreciation and impairment on 1 February 2021	-	-0.5	-2.3	-2.8
Depreciation and impairment	-	-0.1	-0.7	-0.8
Accumulated depreciation and impairment on 31 January 2022	-	-0.6	-3.0	-3.6
Net carrying amount on 1 February 2021	-	0.3	2.0	2.2
Net carrying amount on 31 January 2022	-	0.1	2.2	2.3

EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Total
Cost on 1 February 2020	0.0	0.8	3.4	4.2
Additions	-	-	1.0	1.0
Disposals	0.0	0.0	0.0	-0.1
Cost on 31 January 2021	-	0.8	4.3	5.1
Accumulated depreciation and impairment on 1 February 2020	-	-0.3	-1.8	-2.1
Depreciation and impairment	-	-0.1	-0.6	-0.7
Accumulated depreciation and impairment on 31 January 2021	-	-0.5	-2.3	-2.8
Net carrying amount on 1 February 2020	0.00	0.4	1.6	2.0
Net carrying amount on 31 January 2021	-	0,3	2,0	2,2

DEPRECIATION, AMORTISATION, AND IMPAIRMENT

EUR million	1 Feb 2021–31 Jan 2022	1 Feb 2020–31 Jan 2021
Depreciation, amortisation, and impairment by asset class		
Intangible rights	1.1	1.1
Other intangible assets	0.8	0.5
Buildings and structures	0.1	0.1
Machinery and equipment	0.7	0.6
Total	2.8	2.3
Right-of-use assets	8.7	7.4
Depreciation, amortisation and impairment total	11.5	9.7

No impairment was recognised on property, plant and equipment during the financial period or the comparison period. Depreciation of right-of-use assets is covered in greater detail in Note 4.4.

Note 4.4 Leases

Accounting policy

Puulo's leases mainly consist store building and office leases, as well as machinery and equipment used in the business operations and IT leases. At the inception of the contract, the Group makes an assessment of whether the contract is a lease or contains a lease. A contract is deemed to be a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At the inception of a lease, Group recognises a right-of-use asset as well as a lease liability. Puulo has not used the exemptions for short-term leases (lease term less than 12 months) or low value leases permitted by IFRS 16.

Lease liability is measured at the present value of those lease payments that have not been paid at the lease commencement date. The lease payments are discounted at the interest rate implicit in the lease if the rate in question is readily determinable. If the rate is not readily determinable, the Company's incremental borrowing rate will be used. Puulo has used an interest rate implicit in the lease as the discount rate in machinery and equipment leases and the incremental borrowing rate in the valuation of the store and office leases. The discount rates vary between 2.5% and 3.0%.

The lease term used in the measurement of lease liability is the non-cancellable period of a lease. The lease term includes a period covered by an option to extend and/or to terminate the lease if it is reasonably certain that the lessee will use the extension option or does not use the option to terminate. The lease term of the leases valid until further notice is

based on the probable lease term as estimated by the management.

Each lease payment is allocated between amortisation of the lease liability and finance cost. The finance costs are recognised at profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use asset is measured at cost at the commencement date of the lease. The cost comprises of the amount of the initial measurement of the lease liability at the commencement date, any lease payments at or before the lease commencement date, as well as any restoration costs. Lease payments for store and office leases are mainly tied to the cost-of-living index. Lease liability is adjusted when the index changes. Right-of-use assets are adjusted with the items resulting from the remeasurement of the lease liability.

The right-of-use assets based on leases are depreciated on a straight-line basis over the shorter of the lease term or their estimated useful lives. The depreciations are made starting from the date the asset item was commissioned. The estimated useful lives are as follows:

Machinery and equipment	3–5 years
Stores	5–10 years
Offices	1–4 years

Puulo has asset restoration obligations related to leased store buildings. Puulo has recognised a provi-

sion for estimated restoration costs. More information is provided in Note 4.5.

Key judgements and estimates applied in accounting for the leases

When determining the lease term, the management must consider all facts and circumstances that create an economic incentive to exercise an extension option. Judgement is also used in determining the lease term for leases that are valid until further notice. Extension options are included in the lease term only if it is reasonably certain that the option will be used. The lease term of the leases valid until further notice is based on the probable lease term as estimated by the management.

The Group leases various properties as well as machinery and equipment. Leases of store properties are typically made for fixed periods of 5 to 10 years but may also include extension options. The management has assessed the use of each extension option and if the use of an option has been assessed to be reasonably certain, the option has been included in the lease term. The assessment of the use of extension options is affected by, among other things, the length of the original lease, the location and the condition of the property and the amount of rent. Lease terms are negotiated on an individual basis and they can include other terms and conditions.

When determining the appropriate incremental borrowing rate to be applied in the calculation of the lease liability of property leases.

RIGHT-OF-USE ASSETS

EUR million	31 Jan 2022	31 Jan 2021
Premises and facilities	43.3	42.8
Machinery and equipment	1.1	1.1
Total	44.4	43.9

LEASE LIABILITIES

EUR million	31 Jan 2022	31 Jan 2021
Non-current	36.3	35.8
Current	8.0	7.2
Total	44.3	43.1

The additions to the right-of-use assets during the financial period that ended were EUR 6.6 million (EUR 11.3 million).

MATURITY ANALYSIS, CONTRACTUAL DISCOUNTED CASH FLOWS

EUR million	31 Jan 2022	31 Jan 2021
Less than one year	8.0	7.2
From one to five years	25.4	23.7
Over five years	11.0	12.1
Total	44.3	43.1

MATURITY ANALYSIS, CONTRACTUAL UNDISCOUNTED CASH FLOWS

EUR million	31 Jan 2022	31 Jan 2021
Less than one year	9.2	8.4
From one to five years	28.0	26.5
Over five years	11.1	12.8
Total	48.4	47.7

AMOUNTS RECOGNIZED IN THE STATEMENT OF PROFIT OR LOSS

Depreciation charge of the right-of-use asset

EUR million	1 Feb 2021– 31 Jan 2022	1 Feb 2020– 31 Jan 2021
Premises and facilities	8.0	6.9
Machinery and equipment	0.7	0.5
Total	8.7	7.4
Interest expenses included in the finance cost	1.3	1.2
Cash flow		
Total cash outflow for leases	8.9	7.6

Liability for lease agreements that will enter into force in the future are presented in Note 5.7.

Note 4.5 Provisions**Accounting policy**

A provision is recognised when the Group has a legal or actual obligation as a result of past events, and it is probable that a cash outflow will be required to settle the obligation and the amount can be estimated reliably. Provisions are not recognised on any estimated future operating losses. The interest expense arising from the discounting of provisions to their current value is recognised in financial expenses. Provisions are allocated between amounts expected to be realised within 12 months of the balance sheet date (current) and amounts expected to be realised later (non-current).

Key judgements and estimates applied in restoration obligation

Puuiilo's provisions consist of restoration provisions of leased store premises. The provisions include the estimated costs of restoring the store to its original state (asset retirement obligation). A corresponding asset item of an amount equivalent to the provision is recognised in property, plant and equipment and depreciated during the useful life of the asset. The provision and the corresponding asset item are recognised in the balance sheet at the beginning of the lease term, in other words, at the same time as the lease is recognised in the balance sheet.

The provisions for restoration obligations related to stores are determined on the basis of the net present value of Puuiilo's total estimated unavoidable dismantling costs. The estimates are based on the future estimated cost level, taking into account the effect of inflation, the cost development and discounting. Assumptions are also used when assessing the time periods for which restoration costs are incurred.

Because the actual outflows can differ from the estimates due to changes in technology, prices and conditions and can take place after many years in the future, the carrying amounts of the provisions are regularly reviewed and adjusted to take into account any such changes.

The management estimates that the restoration obligations will be realised within 1–10 years.

The changes in the restoration provisions during the financial year:

EUR million	Provisions
On 1 February 2021	0.6
Additions	0.1
Amounts charged against provision	0.0
On 31 January 2022	0.7
of which	
Current	-
Non-current	0.7
Total	0.7

EUR million	
On 1 February 2020	0.5
Additions	0.1
Amounts charged against provision	0.0
On 31 January 2021	0.6
of which	
Current	-
Non-current	0.6
Total	0.6

5 CAPITAL STRUCTURE AND FINANCING**Note 5.1 Capital management and net debt**

The Group's objective concerning the management of capital is to safeguard the ability to continue as a going concern, so that it can continue to provide returns for the shareholders and benefits for other stakeholders and maintain an optimal capital structure in order to reduce the cost of capital.

The capital structure is regularly assessed by the Board of Directors when the Board monitors equity and the level of net debt.

Interest-bearing net debt is calculated based on the consolidated balance sheet as follows:

EUR million	31 Jan 2022	31 Jan 2021
Non-current financial liabilities		
Loans from financial institutions	69.8	79.9
Lease liabilities	36.3	35.8
Total non-current financial liabilities	106.1	115.7
Current financial liabilities		
Loans from financial institutions	-	10.0
Lease liabilities	8.0	7.2
Total current financial liabilities	8.0	17.2
Total financial liabilities	114.1	132.9
Cash and cash equivalents	16.5	11.2
Net debt	97.6	121.8

CHANGES IN NET DEBT**Non-cash changes**

EUR million	Net debt 1 Feb 2021	Cash flows	Acquisitions - leases	Other changes	Net debt 31 Jan 2022
Cash and cash equivalents	11.2	5.4			16.5
Proceeds from loans from financial institutions		70.0			70.0
Repayments of loans from financial institutions		-91.0		0.0	-91.0
Loans from financial institutions	89.9	-21.0		0.9	69.8
Lease liabilities	43.1	-7.6	6.6	2.2	44.3
Net debt	121.8	-23.2	6.6	3.1	97.6

Non-cash changes

EUR million	Net debt 1 Feb 2020	Cash flows	Acquisitions - leases	Other changes	Net debt 31 Jan 2021
Cash and cash equivalents	9.7	1.5			11.2
Proceeds from loans from financial institutions		100.0			100.0
Repayments of loans from financial institutions		-74.3			-74.3
Loans from financial institutions	65.3	25.7		-1.1	89.9
Lease liabilities	37.1	-6.4	11.3	1.1	43.1
Net debt	92.7	20.7	11.3	0.0	121.8

Other changes include non-cash flow changes and interest payments, which are presented as operating cash flows in the statement of cash flows.

During the financial period, Puuilo entered into a financing agreement totalling EUR 90 million concerning the Group's refinancing. The loans in the new refinancing agreement consist of terms loans totalling EUR 70.0 million and a credit limit of EUR 20.0 million. The credit limit was not used during the financial period or the comparison period. The new financing agreement replaced the company's previous loans from financial institutions. The loan will mature in full in June 2024.

The new financing agreement includes standard covenants and terms and conditions concerning situations in which the loan would mature. The agreement terms and conditions concerning the financial covenants measure the company's indebtedness by means of the net debt to EBITDA ratio. In addition, the interest rate margin of the new financing agreement is tied to the ratio of net debt and EBITDA. The loans under the new financing agreement are unsecured.

Compliance with the covenants and loan terms and conditions is monitored as part of the Group's financial reporting, and they are reported to the Board of Directors monthly and to the lenders on a quarterly basis. No covenants were breached during the financial period or the comparison period.

Note 5.2 Equity

Puuiilo's equity consists of the share capital, the reserve for invested unrestricted equity, and retained earnings. All of the company's shares are presented as share capital. If the company purchases its own shares, the purchase will be deducted from equity.

Puuiilo Plc's share capital is EUR 80,000 (EUR 2,500). The share capital was increased by performing a fund increase from the retained earnings. The decision was registered on 4 June 2021.

The company has one type of shares. Each share conveys one vote in the general meeting and a similar dividend. The shares do not have a nominal value. Puuiilo Group did not hold any treasury shares on the balance sheet date of 31 January 2022 or during the comparison period.

The Annual General Meeting held on 6 May 2021 decided on a share issue to the shareholders without payment ("a split"). In the share issue without payment, new shares were issued in the proportion of holding so that one (1) new share was issued per each existing share. After the share issue, the number of the company's shares totalled 80,215,860. The issued 40,107,930 shares were entered in the Trade Register on 14 May 2021. In the initial public offering, the number of the shares increased by 4,561,093 shares. At the end of the financial year, the number of shares was 84,776,953.

No dividends were paid in the 2021 financial period. In the 2020 financial period, the total amount of dividends distributed was EUR 50.1 million (EUR 1.25 per share).

Share issue in connection to the IPO

Trading in Puuiilo Plc's shares began on 24 June 2021. The listing consisted of a share issue and a share sale. In the IPO, 4,561,093 new shares were issued and the total number of the company's shares after the listing was 84,776,953. The new shares were registered in the Finnish Trade Register on 23 June 2021. Puuiilo received EUR 30.0 million in gross assets from the IPO, which were recognised in the invested unrestricted equity fund. The company's listing expenses in the financial year 2021 were EUR 4.2 million, of which listing expenses recognised in equity were approximately EUR 1.4 million less a tax effect of EUR 0.3 million. EUR 2.8 million of the expenses were recognised in profit and loss. The final subscription price was EUR 6.60 per share in the institutional and public offering and 10% lower in the personnel issue, i.e., EUR 5.94 per share, based on which the company's market capitalisation was approximately EUR 560 million immediately after the IPO. The shares were in strong demand and the share issue was oversubscribed several times. The trading code for Puuiilo's shares is PUUILO. Puuiilo is part of the mid-cap segment and the retail sector on Nasdaq Helsinki.

Note 5.3 Earnings per share**Accounting policy**

The undiluted earnings per share was calculated by dividing the profit in accordance with the Group's income statement by the weighted average of the issued shares. The earnings per share adjusted by the dilution effect is calculated otherwise in the same manner, but the weighted average takes into account the diluting effect caused by the conversion of diluting potential shares to shares.

The earnings per share and the diluted earnings per share are shown in the following table:

EUR million	1 Feb 2021- 31 Jan 2022	1 Feb 2020- 31 Jan 2021
Basic earnings per share		
Profit attributable to the owners of the Company	31.9	28.8
Profit used to determine basic earnings per share	31.9	28.8
Weighted average number of shares outstanding during the period*	83,002,500	80,215,860
Basic earnings per share (EUR)	0.38	0.36
Diluted earnings per share		
Profit used to determine diluted earnings per share	31.9	28.8
Weighted average number of shares outstanding during the period*	83,002,500	80,215,860
Diluted earnings per share (EUR)	0.38	0.36

*The number of shares for the financial year 2020 has been adjusted considering the free-pf-charge share issue made in the financial year 2021.

Note 5.4 Financial risk management

The Group's operation exposes it to a variety of financial risks: a foreign exchange risk, cash flow interest rate risk, credit risk and liquidity risk. The Group's financial risk management strives to ensure liquidity and minimize potential adverse effects of market fluctuations and unpredictability to Group's financial performance, balance sheet and cash flows.

The Board of Directors is responsible for the principles for overall risk management. The Group management team is responsible for the practical implementation of financial risk management. This includes the identification and assessment of risks and the tools needed to protect from them.

Foreign exchange risk

Puulo is exposed to exchange rate risks through its purchases of goods. Unfavourable changes in foreign exchange rates may increase the cost of products purchased in currencies other than euro, and Puulo may not be able to pass all such costs on to its customers. Puulo's main foreign currency is the US dollar. In the financial period that ended on 31 January 2022, approximately 80% of Puulo's purchases were made in euros and approximately 20% in US dollars (90% and 10%, respectively, in the 2020 financial period). Puulo does not hedge its purchases in dollars. The table below shows Puulo's transaction position at the balance sheet date and the sensitivity analysis. The sensitivity analysis of the transaction position shows the impact of the Group's order book on profit or loss before taxes if the exchange rate change was +/-10%. The increase in the transaction position arises from the increase in import purchases.

EUR million	31 Jan 2022	31 Jan 2021
Transaction exposure	9.5	7.6
Open exposure	9.5	7.6
Change +10%	-1.1	-0.8
Change -10%	0.9	0.7

Interest rate risk

The Group's loans from financial institutions have variable interest rates, which exposes the Group's cash flow to interest rate risk. The carrying amount of these bank loans was EUR 70 million on 31 January 2022 (EUR 90 million). The Group has not used interest rate hedging, as the management has assessed the interest rate risk to be insignificant, taking into account the current interest rate level and the maturity of the loans.

The Group's exposure to interest rate risk is presented in the table below:

EUR million	31 Jan 2022	31 Jan 2021
Fixed interest rate		
Loans from financial institutions	-	-
Lease liabilities	44.3	43.1
Floating interest rate		
Cash and cash equivalents	1.2	0.8
Loans from financial institutions	69.8	89.9
Floating interest rate position, total	71.0	90.6

If interest rates had been 0.5 percentage points higher and all other factors were unchanged, the post-tax profit for the financial period would have been EUR 0.0 million (EUR 0.0 million) lower as a result of interest expenses of the floating rate interest-bearing liabilities. The sensitivity analysis is based on the risk position at the end of each financial period. The decrease in the interest rate level would not have affected profit after tax, as the reference rate was negative during both the financial period and the comparison period.

Credit risk

The Group's credit risk consists of credit risk related to business risks and the counterparty risk of other financial instruments Connect. The majority of the Group's sales are cash transactions, sales on credit is possible only to B2B customers. Trade receivables from B2B customers do not include a credit risk concentration, as the Group's customer base is widespread, and no customer or customer group is dominant from the Group's perspective. Credit losses affecting the result for the financial periods presented in these financial statements were insignificant. Counterparty risk related to cash and cash equivalents is managed by depositing cash and cash equivalents in large Nordic banks with solid ratings. The Group's cash and cash equivalents are fully available to the Group.

The maximum amount of the Group's credit losses corresponds to the carrying amount of the financial assets at the end of the financial period. The information is presented in Note 5.5.

Liquidity risk

The Group's management team monitors the Group's liquidity situation and reports regularly to the Board of Directors and CEO to ensure that the Group has sufficient cash for business needs and loan management. The Group follows the financing required in business operations by analysing the operating cash flow forecasts and inventory turnover in order to have sufficient liquid assets to fund the operations and to repay loans from the financial institutions at maturity.

At the end of the financial period, the Group's cash and cash equivalents totalled EUR 16.5 million (EUR 11.2 million). At the end of the financial period, the Group's trade receivables totalled EUR 4.0 million (EUR 4.2 million), including bank and credit card receivables. The Group had a credit limit of EUR 2.3 million (EUR 2.3 million) and a revolving credit facility of EUR 15.0 million (EUR 1.0 million). The Group did not use the limit or the revolving credit facility during the financial period and the comparison period, and the withdrawable amounts have corresponded to the total amounts of the limits. In addition to financial assets and liabilities, Puuilo's liquidity is based on cash flow from operations and management of the change in net working capital. The net working capital is mainly affected by the turnover of inventory and trade payables. Puuilo's net cash flow generated from operating activities was EUR 9.7 million (EUR 37.0 million) in the 2021 financial period. A significant portion of Puuilo's net sales is generated from sales paid with cash or credit cards. In addition, the company has some trade receivables mainly from sales to corporate customers, as described above. Puuilo

has a strong cash flow generated from the operating activities, which it plans to use to finance the payments described in the table below. If necessary, Puuilo can also utilise its unused credit limit in liquidity management.

The table below shows the Group's financial liabilities by maturity group based on the remaining maturity at the balance sheet date. The amounts presented are contractual, undiscounted cash flows.

Other payables do not include advances received, income tax liabilities, value-added tax liabilities as well as liabilities related to salaries and social security expenses, as they are not classified as financial liabilities. Other payables in the table include accrued interest related to the loans from financial institutions. Other accrued expenses are not classified as financial liabilities and are not included in the table. Other liabilities are presented in Note 3.3.

EUR million	Under 1 year	1-2 years	3-5 years	Over 5 years	Contractual undiscounted cash flows	Carrying value
31 Jan 2022						
Loans from financial institutions	0.8	0.8	70.4		71.9	69.8
Lease liabilities	9.2	8.6	19.5	11.1	48.4	44.3
Trade payables	13.2				13.2	13.2
Other payables	0.1				0.1	0.1
Total	23.3	9.4	89.8	11.1	133.5	127.4
31 Jan 2021						
Loans from financial institutions	12.7	12.5	73.3		98.5	89.9
Lease liabilities	8.4	7.9	18.5	12.8	47.7	43.1
Trade payables	15.2				15.2	15.2
Other payables	0.4				0.4	0.4
Total	36.7	20.4	91.8	12.8	161.8	148.5

Note 5.5 Financial assets and liabilities**Accounting policy****Financial assets**

The Group's financial assets consist of trade receivables, other financial receivables and cash and cash equivalents.

The Group applies a simplified approach in accordance with IFRS 9 that takes into account the expected life of receivables for all trade receivables and contractual receivables. The Group management estimates that the credit risk of trade receivables is insignificant. The IFRS 9 impairment requirement also applies to cash, but the impairment loss is insignificant.

Trade receivables are written down if the Group does not have a reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, include the debtor's non-commitment to a repayment plan.

Impairment losses on trade receivables are presented as a net amount in operating profit. Subsequent payments on previously recognised credit losses are recognised in the same line item.

Cash and cash equivalents include cash on hand as well as bank deposits. Financial assets are held to collect contractual cash flows. The contractual cash flows consist exclusively of principal and interest on the principal amount outstanding. Financial assets are initially measured at fair value and subsequently

measured at amortised cost. Impairment losses are presented in other operating expenses in the statement of comprehensive income.

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired or the item included in the financial assets has been transferred from the Group, and when the risks related to ownership have been transferred from the Group.

CASH AND CASH EQUIVALENTS

EUR million	31 Jan 2022	31 Jan 2021
Cash in hand and at bank	16.5	11.2
Total	16.5	11.2

Key judgements and estimates applied in accounting for credit losses

Trade receivables for the financial period or the comparison period did not include material overdue receivables. The amount of trade receivables and impairment losses recognised on them has been insignificant. In addition, the amount of the company's trade receivables in relation to the volume of business has been low, as a significant portion of the company's sales is paid in the company's stores at the time of purchase. Due to the above, the Group management has exercised judgement and esti-

mated that the credit loss risk of trade receivables is not considered to be essential and has not recognised the expected credit losses in the financial statements.

Financial assets

The financial liabilities include loans from financial institutions, accrued interests, lease liabilities and trade payables.

Financial liabilities are initially recognised at their fair value less the transaction costs incurred. After the initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method.

A financial liability is classified as current when it will be settled within 12 months from the reporting date or when the Group does not have an unconditional right to defer settlement of the liability to more than 12 months after the reporting date. Financial liabilities which fall due within 12 months after reporting date are classified as current, even if the long-term refinancing agreement has been completed after the reporting date and prior to the approval of the financial statements. If a covenant is breached on or before the reporting date with the effect that the liability becomes payable on demand, the liability is also classified as current. If liabilities are classified as current due to a covenant breach, they are presented in the amount to be redeemed.

A financial liability is derecognised from the balance sheet when it is discharged, cancelled or it expires.

Financial assets and liabilities by valuation category

EUR million, 31 Jan 2022	Measured at amortized cost	Fair value through profit or loss	Carrying amount
Current financial assets			
Trade receivables	4.0		4.0
Other financial assets	0.6		0.6
Cash and cash equivalents	16.5		16.5
Total	21.1		21.1
Non-current financial liabilities			
Loans from financial institutions	69.8		69.8
Lease liabilities	36.3		36.3
Current financial liabilities			
Loans from financial institutions	10.0		10.0
Lease liabilities	8.0		8.0
Trade payables	13.2		13.2
Accrued interests	0.1		0.1
Total	127.4		127.4

EUR million, 31 Jan 2021	Measured at amortized cost	Fair value through profit or loss	Carrying amount
Current financial assets			
Trade receivables	4.2		4.2
Other financial assets	0.3		0.3
Cash and cash equivalents	11.2		11.2
Total	15.6		15.6
Non-current financial liabilities			
Loans from financial institutions	79.9		79.9
Lease liabilities	35.8		35.8
Current financial liabilities			
Loans from financial institutions	10.0		10.0
Lease liabilities	7.2		7.2
Trade payables	15.2		15.2
Accrued interests	0.4		0.4
Total	148.5		148.5

Other financial assets include receivables related to annual discounts on purchases and product complaints to be invoiced from suppliers. Other prepaid expenses are not classified as financial assets and are therefore not presented in the table. Prepaid expenses are presented in more detail in Note 3.2. Of accrued liabilities, only accrued interest has been taken into account, as other accrued liabilities are not classified as financial liabilities. Other liabilities are presented in more detail in Note 3.3.

The carrying amounts of current items are estimated to substantially correspond to their fair values. The fair values of the loans from financial institutions are as follows:

EUR million	Carrying amount	Fair value
31 Jan 2022	69.8	70.0
31 Jan 2021	89.9	91.0

The fair values of loans from financial institutions are based on cash flows discounted at the interest rate on the reporting date. Loans from financial institutions are classified in level 3 of the fair value hierarchy because they are determined by using non-observable inputs, such as own credit risk.

Financial assets and liabilities measured at fair value

The levels of the fair value hierarchy describe the extent to which the valuation method is based on observable data. To determine fair values:

Level 1: Fair values are based on (unadjusted) quoted prices in active markets for identical assets or liabilities.

Level 2: Financial instruments are not traded in an active and liquid market, but their fair values can be calculated using market data.

Level 3: If one or more of the significant inputs are not based on observable market data, the instrument is included in Level 3. This applies to unlisted equity securities.

Note 5.6 Finance income and costs

Accounting policy

Finance costs consist of interest expenses on the loans from financial institutions, interest expenses on lease liabilities and other finance costs.

Transaction costs related to loans from financial institutions are recognised in the income statement using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the loan to the present value. The calculation includes all fees and transaction costs paid by the parties to the contract.

FINANCE INCOME

EUR million	1 Feb 2021–31 Jan 2022	1 Feb 2020–31 Jan 2021
Interest income	0.0	0.0
Total finance income	0.0	0.0

FINANCE COSTS

EUR million	1 Feb 2021–31 Jan 2022	1 Feb 2020–31 Jan 2021
Interest expenses on loans from financial institutions	1.9	3.8
Interest expenses on lease liabilities	1.3	1.2
Other financial costs	1.4	0.5
Total finance costs	4.5	5.5

Note 5.7 Contingent liabilities**Accounting policy**

Contingent liability is a liability that arises from past events and whose existence will be confirmed in the future, or an existing obligation that is not recognised in the balance sheet because its realisation is not probable, or the amount of the obligation cannot be determined with sufficient reliability.

Contingent liabilities are not recognised in the balance sheet. They are presented as disclosures unless the possibility of the realisation the liability is remote.

Puuiło's contingent liabilities consist of lease liabilities for the leases with the lease term beginning after the end of the reporting period and are therefore not recognised in the balance sheet. The comparison period contingent liabilities also include collaterals on loans from financial institutions. The current financial institution loan is unsecured.

Puuiło Group has provided the following collaterals on its loans from financial institutions:

CARRYING AMOUNTS OF PLEDGED ASSETS

EUR million	31 Jan 2022	31 Jan 2021
Property mortgages given on own behalf	-	4.4
Enterprise mortgages given on own behalf	-	220.8
Total	-	225.2

LIABILITIES FOR WHICH PLEDGES, AND MORTGAGES HAVE BEEN GIVEN

EUR million	31 Jan 2022	31 Jan 2021
Loans from financial institutions*	-	91.0
Total	-	91.0

*Nominal value

Puuiło has committed to leases, the lease term of which will begin in the future and which are, therefore, not recognised in the balance sheet as right-of-use assets or lease liabilities. The minimum lease payments under these agreements are shown in the table below:

EUR million	31 Jan 2022	31 Jan 2021
Liability for lease agreements that will enter into force in the future	19.0	9.8

6 OTHER NOTES**Note 6.1 Related parties**

Puuiło Group is controlled by Puuiło Plc. In addition, Puuiło's related parties include key personnel of the Puuiło Group, their close family members and companies controlled by them. The key personnel include the members of the Board of Directors, the CEO, and the Group management team.

The Puuiło Group purchases some products it sells in its stores from companies owned by related parties. These companies manufacture products that are part of Puuiło's product assortment. In addition, the company has leased business premises from related parties. The Group's lease liabilities to related parties include the present value of the future lease payments of the above-mentioned leased premises. During the reporting period 2020, the company sold the property it owned to related parties with the related land lease right. Transactions with related parties have taken place at market price and on normal terms. All Puuiło employees are entitled to the ordinary personnel discount in Puuiło stores. A related party employed by Puuiło is entitled to this discount. This information has not been presented as related party transactions.

The following transactions were carried out with related parties:

INCOME STATEMENT

EUR million	1 Feb 2021–31 Jan 2022	1 Feb 2020–31 Jan 2021
Net sales	0.0	0.1
Gains on disposal of tangible assets	-	0.2
Materials and services	2.2	1.9
Rent and other operating expenses	0.5	0.6

BALANCE SHEET

EUR million	31 Jan 2022	31 Jan 2021
Sales receivables	0.0	0.0
Trade payables	0.1	0.1
Lease liabilities (IFRS 16)	1.7	2.0

The shareholdings of the members of the Board of Directors, the CEO and the other members of the management team were as follows:

	31 Jan 2022	31 Jan 2021
The Board of Directors	6,022,886	2,879,464
CEO	294,960	141,752
Management team excl. CEO	433,977	209,156

The remuneration of the management team is presented in Note 2.3.

Note 6.2 Group structure and consolidation

Puuiilo Plc (the parent company), and its wholly owned subsidiaries Puuiilo Invest II Ltd and Puuiilo Tavaratalot Ltd have been consolidated in the financial statements of Puuiilo Group. All companies are domiciled in Helsinki.

Accounting policy

Subsidiaries

The subsidiaries are fully consolidated from the date of acquisition, i.e. from the date on which control is transferred to the Group until the date that control ceases. Puuiilo has control over an entity when Puuiilo is exposed to, or entitled to, the company's variable returns and has the ability to influence those returns by prescribing the principles of the entity's operations.

The Consolidated Financial Statements have been prepared using the acquisition method. Intercompany transactions, receivables and liabilities and unrealised gains are eliminated. Unrealised losses are also eliminated unless the transaction indicates an impairment of the asset transferred.

Note 6.3 Significant events after the end of the reporting period

Puuiilo has not had any significant events since the end of the reporting period.

Note 6.4 New accounting standards

At the balance sheet date, there are no new standards or amendments known that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Parent company Financial Statements 2021

PARENT COMPANY'S INCOME STATEMENT

EUR	1 Feb 2021- 31 Jan 2022	1 Feb 2020- 31 Jan 2021
Net sales	967,157.91	159,146.78
Personnel expenses		
Salaries and remuneration	-920,949.98	-138,600.00
Personnel expenses		
Pension costs	-119,869.25	-21,869.87
Other personnel expenses	-35,311.89	-2,712.93
Personnel cost, total	-1,076,131.12	-163,182.80
Other operating expenses	-3,297,307.91	-192,839.31
Operating profit (loss)	-3,406,281.12	-196,875.33
Financial income and expenses		
Revenue from shares in other Group companies	852,077.78	-
Other interest and financial income		
From others	95.58	144.74
Interest expenses and other financial expenses		
To Group companies	-30,000.00	-
To others	-1,986,646.58	-11,887.42
Financial income and expenses, total	-1,164,473.22	-11,742.68

EUR	1 Feb 2021- 31 Jan 2022	1 Feb 2020- 31 Jan 2021
Profit (loss) before appropriations and taxes	-4,570,754.34	-208,618.01
Appropriations		
Group contribution		
Group contributions received	36,067,390.66	36,510,000.00
Appropriations, total	36,067,390.66	36,510,000.00
Income taxes		
Taxes for the financial period	-6,311,676.13	-7,262,624.93
Income taxes, total	-6,311,676.13	-7,262,624.93
Profit (loss) for the financial period	25,184,960.19	29,038,757.06

PARENT COMPANY'S BALANCE SHEET

EUR	31 Jan 2022	31 Jan 2021
Assets		
Non-current assets		
Investments		
Shares in Group companies	19,954.85	19,954.85
Investments total	19,954.85	19,954.85
Non-current assets total	19,954.85	19,954.85
Current assets		
Receivables		
Current		
Receivables from Group companies	138,926,427.09	36,527,584.96
Other receivables	-	51,682.31
Accrued income	85,794.01	-
Current total	139,012,221.10	36,579,267.27
Cash at hand and in banks	2,107,663.45	350,929.59
Current assets total	141,119,884.55	36,930,196.86
Assets total	141,139,839.40	36,950,151.71

EUR	31 Jan 2022	31 Jan 2021
Liabilities		
Equity		
Share capital	80,000.00	2,500.00
Reserve for invested unrestricted equity	30,000,004.98	-
Profit (loss) for previous financial periods	33,185,997.37	4,224,740.31
Profit (loss) for the financial period	25,184,960.19	29,038,757.06
Equity total	88,450,962.54	33,265,997.37
Liabilities		
Non-current		
Loans from financial institutions	50,000,000.00	-
Non-current total	50,000,000.00	-
Current		
Trade payables	93,310.94	1,054.00
Liabilities to Group companies	34,812.27	0.00
Other liabilities	110,040.11	375,412.18
Deferred liabilities	2,450,713.54	3,307,688.16
Current total	2,688,876.86	3,684,154.34
Liabilities total	52,688,876.86	3,684,154.34
Liabilities total	141,139,839.40	36,950,151.71

PARENT COMPANY'S CASH FLOW STATEMENT

EUR	1 Feb 2021- 31 Jan 2022	1 Feb 2020- 31 Jan 2021
Cash flow from operating activities:		
Profit (loss) before appropriations and taxes	-4,570,754.34	-208,618.01
Adjustments:		
Financial income and expenses	1,164,473.22	11,742.68
Other adjustments	79,931.88	-
Cash flow before change in working capital	-3,326,349.24	-196,875.33
Change in working capital:		
Increase(-)/decrease(+) of non-interest-bearing current accounts receivable	-143,485.39	-44,945.65
Increase(-)/decrease(+) of non-interest-bearing current liabilities	13,925.59	-22,770.66
Cash flow from operating activities before financial items and taxes	-3,455,909.04	-264,591.64
Paid interest and payments from other financial expenses from operating activities	-603,417.68	-11,887.42
Financial income from operating activities	95.58	144.74
Direct taxes paid	-7,409,938.05	-4,544,884.08
Cash flow before extraordinary items	-11,469,169.19	-4,821,218.40
Cash flow from operating activities (A)	-11,469,169.19	-4,821,218.40

EUR	1 Feb 2021- 31 Jan 2022	1 Feb 2020- 31 Jan 2021
Cash flow from investment activities:		
Dividends received from investments	-	16,500,000.00
Returns of capital from other investments	-	12,200,000.00
Cash flow from investment activities (B):	-	28,700,000.00
Financing cash flow:		
Rights issue	28,591,090.78	-
Withdrawals of long-term loans	50,000,000.00	-
Dividends paid	-	-50,129,641.76
Repayments of capital	-	-1,967,495.24
Group contributions received	-	23,862,077.76
Change in Group financing	-65,365,187.73	-
Financing cash flow (C):	13,225,903.05	-28,235,059.24
Changes in cash and cash equivalents (A+B+C) increase(+)/decrease(-)	1,756,733.86	-4,356,277.64
Cash and cash equivalents at the beginning of the financial period	350,929.59	4,707,207.23
Cash and cash equivalents at the end of the financial period	2,107,663.45	350,929.59

Notes to the parent company's financial statements

ACCOUNTING POLICIES

Puulo Plc's financial statements have been prepared in accordance with the Finnish Accounting Act and ordinances and other statutes concerning the preparation of financial statements.

Trade receivables, accrued income and other receivables are recognised at their nominal value or their lower probable value. Liabilities are recognised at their nominal value.

The financial statements have been prepared in accordance with the measurement and recognition principles and methods prescribed in chapter 2, section 2 a of the Accounting Ordinance.

SIGNIFICANT EVENTS IN THE FINANCIAL PERIOD

Listing on Nasdaq Helsinki

Trading in Puulo Plc's shares started on 24 June 2021. The listing consisted of a share issue and a share sale. In the IPO, 4,561,093 new shares were issued and the total number of the company's shares

after the listing is 84,776,953. The new shares were registered in the Finnish Trade Register on 23 June 2021. Puulo received EUR 30.0 million in gross assets from the IPO, which was recognised in the invested unrestricted equity fund.

The final subscription price was EUR 6.60 per share in the institutional and public offering and 10% lower in the personnel issue, i.e., EUR 5.94 per share, based on which the company's market capitalisation was approximately EUR 560 million immediately after the IPO. The shares were in strong demand and the share issue was oversubscribed several times. The trading code for Puulo shares is PUUILO. Puulo is part of the mid cap segment and the retail sector on Nasdaq Helsinki.

Refinancing

During the financial year, Puulo signed a EUR 90 million financing agreement related to the refinancing of the Group. The loans under the new financing agreement consist of a EUR 70.0 million term loan facility and a EUR 20.0 million overdraft facility. The new financing agreement replaced the company's

previous loans from financial institutions and were reorganised between the Group companies. As a result, Puulo Plc's loans from financial institutions increased to EUR 50 million (no loans from financial institutions during the financial period). The loan will mature in full in June 2024. The loans under the new financing agreement are unsecured.

Change in Puulo's management team

Markus Kaatranen was appointed Puulo Plc's sales director and a member of the management team on 23 November 2021. Kaatranen started working in his new position in February 2022. Tom Lång, Chain Manager and a former member of Puulo's management team, left the company in December 2021.

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

Puulo has not had any significant events since the end of the reporting period.

NOTES TO THE INCOME STATEMENT**Net sales**

EUR	1 Feb 2021- 31 Jan 2022	1 Feb 2020- 31 Jan 2021
Management fees charged from group companies	967,157.91	159,146.78
Total	967,157.91	159,146.78

Finance income and cost

EUR	1 Feb 2021- 31 Jan 2022	1 Feb 2020- 31 Jan 2021
Interest and financial income from other Group companies	852,077.78	-
Interest income from others	95.58	144.74
Interest expenses to Group companies	-30,000.00	-
Interest expenses to others	-1,986,646.58	-11,887.42
Total	-1,164,473.22	-11,742.68

NOTES TO THE ASSETS IN BALANCE SHEET**Material items included in accrued income**

EUR	31 Jan 2022	31 Jan 2021
Prepaid expenses	18,600.00	-
Other accrued income	67,194.01	-
Total	85,794.01	-

Receivables from Group companies

EUR	31 Jan 2022	31 Jan 2021
Group loan receivables	69,400,000.00	36,510,000.00
Trade receivables	126,958.65	17,584.96
Group contribution receivables	68,547,390.66	-
Other Group receivables	852,077.78	-
Total	138,926,427.09	36,527,584.96

NOTES TO THE LIABILITIES IN BALANCE SHEET**Equity**

EUR	31 Jan 2022	31 Jan 2021
Share capital at the beginning of the financial period	2,500.00	2,500.00
Share capital at the end of the financial period	80,000.00	2,500.00
Restricted equity total at the end of the financial period	80,000.00	2,500.00
Reserve for invested unrestricted equity at the beginning of the financial period	-	1,967,495.24
Share issue	30,000,004.98	-
Return of capital	-	-1,967,495.24
Reserve for invested unrestricted equity at the end of the financial period	30,000,004.98	-
Profit (loss) for previous financial periods at the beginning of the financial period	4,224,740.31	21,287,661.74
Transfer of profit (loss) from previous financial period	29,038,757.06	33,066,720.33
Dividend distribution	-	-50,129,641.76
Profit (loss) for previous financial periods at the end of the financial period	33,185,997.37	4,224,740.31
Profit (loss) for the financial period	25,184,960.19	29,038,757.06
Unrestricted equity at the end of the financial period	88,370,962.54	33,263,497.37
Equity total	88,450,962.54	33,265,997.37

Calculation of distributable funds in equity

EUR	31 Jan 2022	31 Jan 2021
Profit (loss) for previous financial periods	33,185,997.37	4,224,740.31
Profit (loss) for the financial period	25,184,960.19	29,038,757.06
Reserve for invested unrestricted equity	30,000,004.98	-
Distributable funds total	88,370,962.54	33,263,497.37

Material items included in deferred liabilities

EUR	31 Jan 2022	31 Jan 2021
Salary accruals	49,826.72	5,925.29
Social security costs	45,680.33	9,589.74
Holiday pay expenses	136,596.90	29,548.20
Interest expenses	54,246.58	-
Income tax	2,164,363.01	3,262,624.93
Total	2,450,713.54	3,307,688.16

PLEDGED ASSETS AND COMMITMENTS

EUR	31 Jan 2022	31 Jan 2021
Business mortgages given	-	140,270,000.00
Total	-	140,270,000.00

The mortgages given on 31 January 2022 were used as collateral for the loans of Puuilo Plc's subsidiaries. The mortgages targeted the subsidiary's property. The Group's financing agreement was renewed during the financial period. The current loans from financial institutions are unsecured.

NOTES ON AUDITORS' FEES

EUR	31 Jan 2022	31 Jan 2021
Audit	50,000.00	24,100.00
Other services*	1,008,519.59	4,105.00
Total	1,045,569.59	28,205.00

*Includes the fees related to the company's IPO

NOTES ON PERSONNEL

	31 Jan 2022	31 Jan 2021
Average number of personnel	5	1
Total	5	1

Personnel expenses

EUR	31 Jan 2022	31 Jan 2021
Salaries for the financial period	920,949.98	138,600.00
Pension costs	119,869.25	21,869.87
Personnel expenses	35,311.89	2,712.93
Total	1,076,131.12	163,182.80

HOLDINGS IN OTHER COMPANIES

Name of company	REGISTERED OFFICE	OWNERSHIP INTEREST (%)
Puuilo Invest II Ltd	Helsinki	100.00
Puuilo Tavaratalot Ltd*	Helsinki	100.00

*A wholly owned subsidiary of Puuilo Invest II Ltd.

Signatures

DATE AND SIGNATURE

In Helsinki, 13 April 2022

Timo Mänty

Chairman of the Board

Gustav Bard

Member of the Board of Directors

Tomas Franzén

Member of the Board of Directors

Mammu Kaario

Member of the Board of Directors

Rasmus Molander

Member of the Board of Directors

Markku Tuomaala

Member of the Board of Directors

Juha Saarela

CEO

AUDITOR'S REPORT

An auditor's report has been issued today.

In Helsinki, 13 April 2022

PricewaterhouseCoopers Ltd

Authorised Public Accountants

Enel Sintonen

APA

Auditor's Report (Translation of the Finnish Original)

To the Annual General Meeting of Puuilo Oyj

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion

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

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

What we have audited

We have audited the financial statements of Puuilo Oyj (business identity code 2726573-8) for the year ended 31 January 2022. The financial statements comprise:

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

Basis for Opinion

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

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

Independence

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

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company

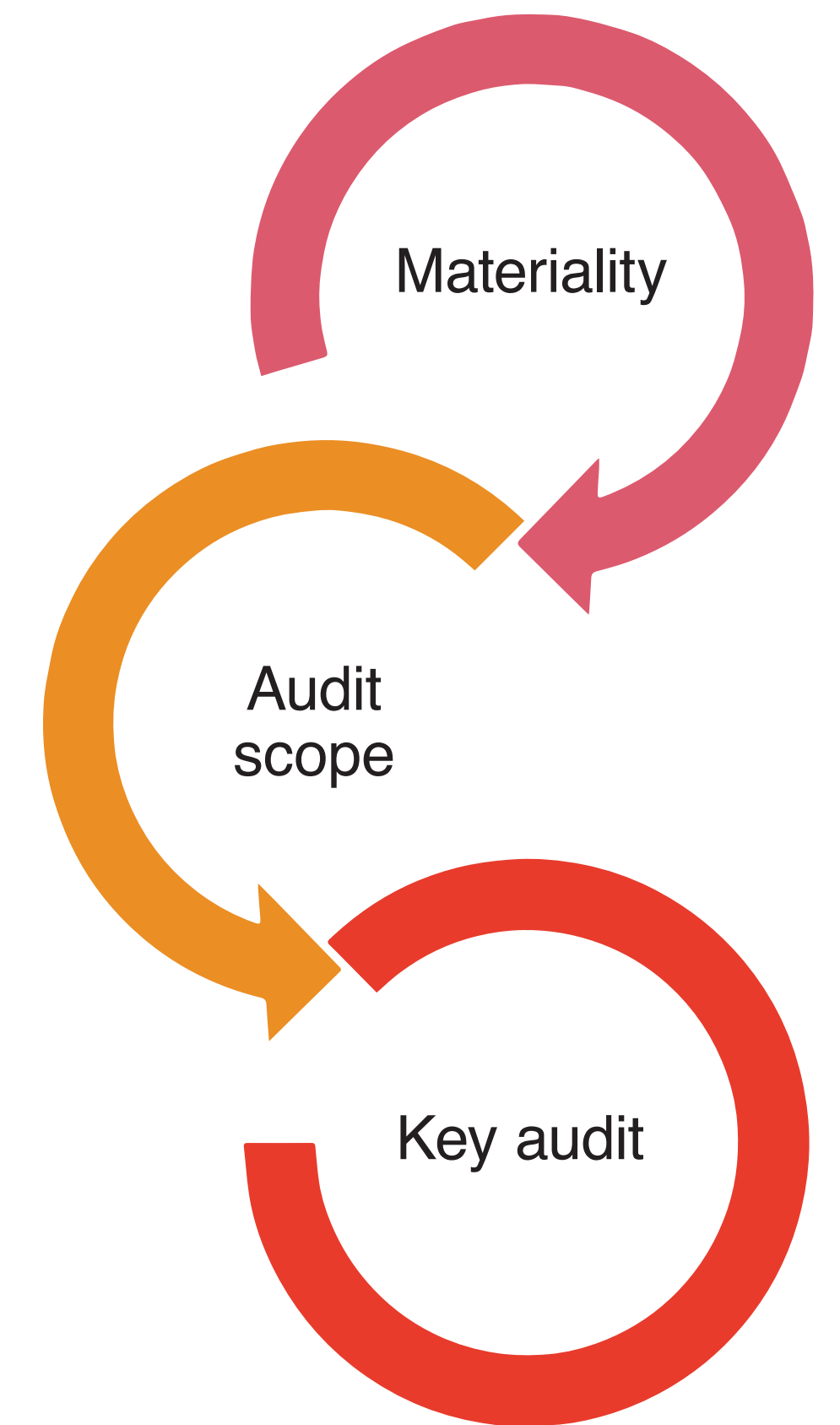
and to the group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note 2.3 to the Financial Statements.

Our Audit Approach

Overview

- We determined that overall group materiality EUR 2.0 million. We have assessed that in Puuilo Group audit material are misstatements whose impact individually or in aggregate is at the level of 5% of profit before tax.
- The group audit scope includes all Puuilo companies: Puuilo Oyj, Puuilo Invest II Oy, Puuilo Tavaratalot Oy
- Valuation of inventory

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 judgments; 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**
EUR 2.0 million
- **How we determined it**
5% of profit before tax
- **Rationale for the materiality benchmark applied**
We chose the benchmark applied because, in our view, it is the benchmark against which the performance of the group is most commonly measured by users. Also, profit before tax is a generally

accepted benchmark. We chose 5% which is within the range of acceptable quantitative materiality thresholds in auditing standards.

How we tailored our group audit scope

Puuiilo Group operates in the retail industry. We tailored the scope of our audit, taking into account the structure of the Puuiilo group, the accounting processes and controls, and the industry in which the group operates. The group audit scope includes all Puuiilo companies: Puuiilo Oyj, Puuiilo Invest II Oy and Puuiilo Tavaratalot Oy.

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

Inventories valuation
Reference to note 3.1 Inventories

Puuiilo Group balance sheet includes inventories in amount of EUR 92,2 (2020: 58,5) million.

The cost of inventories corresponds to the purchasing cost for the goods determined using the weighted average cost method. The cost of finished goods comprises all costs of purchase including vendor allowances, direct freight and handling costs. Inventories are measured at the lower of cost and net realisable value.

In our audit we focused on the measurement of cost of inventories including accounting of vendor allowances. Also, we focused on assessment of net realisable value prepared by Puuiilo and the underlying assumptions.

Inventories is key audit matter due to the significance the inventories balance, the size of store network and risk that is related to inventories valuation.

How our audit addressed the key audit matter

Our procedures included the following procedures, among others:

- We assessed the appropriateness of inventories accounting principles applied by Puuiilo by comparing to applicable accounting standards.
- We walked through inventories key processes and controls. We tested the effectiveness of selected key controls.
- We compared inventory cost value of selected items to purchase invoices.
- We tested appropriateness of weighted average cost method calculation.
- We walked through supplier allowances calculations and carried out selected testing of accounting of those.
- We walked through turnover of inventory compared to sale to identify impairments.

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

OTHER REPORTING REQUIREMENTS

Appointment

We were first appointed as auditors by the annual general meeting on 26 April 2017. Our appointment represents a total period of uninterrupted engagement of 5 years. Puuilo Oyj became a public-interest entity 24 June 2021.

Other Information

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

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

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

In our opinion

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

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

Helsinki 13 April 2022

PricewaterhouseCoopers Oy
Authorised Public Accountants

Enel Sintonen
Authorised Public Accountant (KHT)

Independent Auditor's Reasonable Assurance Report on Puuilo Oyj's ESEF Financial Statements (Translation of the Finnish Original)

To the Management of Puuilo Oyj

We have been engaged by the Management of Puuilo Oyj (business identity code 2726573-8) (hereinafter also "the Company") to perform a reasonable assurance engagement on the Company's consolidated IFRS financial statements for the financial year 1 February 2021 – 31 January 2022 in European Single Electronic Format ("ESEF financial statements") version 743700UJUT6FWHBXPR69-2022-01-31-fi.zip.

Management's Responsibility for the ESEF Financial Statements

The Management of Puuilo Oyj is responsible for preparing the ESEF financial statements so that they comply with the requirements as specified in the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 ("ESEF requirements"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of ESEF financial statements that are free from material noncompliance with the ESEF requirements, whether due to fraud or error.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is to express an opinion on the ESEF financial statements based on the procedures we have performed and the evidence we have obtained.

We conducted our reasonable assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information. That standard requires that we plan and perform this engagement to obtain reasonable assurance about whether the ESEF financial statements are free from material noncompliance with the ESEF requirements.

A reasonable assurance engagement in accordance with ISAE 3000 (Revised) involves performing procedures to obtain evidence about the ESEF financial statements compliance with the ESEF requirements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material noncompliance of the ESEF financial statements with the ESEF requirements, whether due to fraud or error. In making those risk assessments, we considered internal control relevant to the Company's preparation of the ESEF financial statements.

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

Opinion

In our opinion, Puuilo Oyj's ESEF financial statements for the financial year ended 31 January 2022 comply, in all material respects, with the ESEF requirements.

Our reasonable assurance report has been prepared in accordance with the terms of our engagement. We do not accept, or assume responsibility to anyone else, except for Puuilo Oyj for our work, for this report, or for the opinion that we have formed.

Helsinki 13 April 2022

PricewaterhouseCoopers Oy
Authorised Public Accountants

Enel Sintonen
Authorised Public Accountant (KHT)

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