Puuilo Plc

Report by the Board of Directors and Financial Statements

31 January 2023

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Report by the Board of Directors

Puuilo’s business operations

Puuilo is a Finnish discount retail chain. The strongly growing chain had 37 stores in different parts of Finland at the end of the financial period that ended on 31 January 2023. 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. Puuilo is one of the leading discount retailers in Finland and it serves both consumers and B2B customers in the repair and maintenance as well as construction sector. The company is known for its affordable prices and extensive product assortment. During the financial period, new stores were opened in Sastamala, Tornio and Lieto.

Company structure

Puuilo Group’s parent company is Puuilo Plc, which engages in the business operations of selling management services to the other Group companies. The Group also includes Puuilo Invest II Ltd, wholly owned by Puuilo Plc, and its wholly owned retail business company Puuilo Tavaratalot Ltd. There were no changes in the Group structure in the 2022 financial period.

Outlook for the financial year 2023

Puuilo forecasts that net sales and adjusted operating profit (adjusted EBITA) for the financial year 2023 in euros will increase compared to the financial year 2022.

The forecast includes elements of uncertainty arising from the energy crisis, development of the COVID-19 pandemic, the war in Ukraine, rising interest rates and inflation causing decline in purchasing power.

Puuilo’s long-term targets

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

Puuilo’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: Puuilo 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

Performance matching share plan for key employees

On 20 April 2022 the Board of Directors of Puuilo Plc decided to launch a new share-based incentive plan for the key employees of the company. The aim of the plan is to align the objectives of the shareholders and the key employees in order to increase the value of the company in the long-term.

The Performance Matching Share Plan includes one performance period, spanning approximately financial years 2022 – 2024. The performance criteria are the Total Shareholder Return of the Puuilo share (TSR) and the Adjusted EBITA of the Puuilo Group. The target group of the plan consists of a maximum of 75 persons, including the CEO, members of the Management Team, Store Managers and other key personnel. Primarily, the rewards from the plan will be paid partly in the company's shares and partly in cash by the end of May 2025. The cash proportion is intended to cover taxes and tax-related costs arising from the reward to the participant. The rewards to be paid on the basis of the plan correspond to the value of an approximate maximum total of 315,000 Puuilo Plc shares, including the proportion to be paid in cash. The final number of shares will depend on the participants' personal share acquisitions and the achievement of the targets set for the performance criteria.

Change of guidance

On 7 September 2022 Puuilo changed its guidance for the financial year 2022 with a stock exchange release. According to the updated forecast net sales would increase. However, net sales growth was forecasted to be below the long-term annual growth target for the current financial year (net sales annual organic growth in excess of 10%). Puuilo forecasted adjusted EBITA to be EUR 40 – 50 million. Refined outlook for adjusted EBITA given in connection with Q3/2022 business review was EUR 46-50 million.

With a stock exchange release on 25 May 2022 Puuilo forecasted adjusted EBITA to be EUR 35–45 million.

Repurchase of own shares

On 17 June 2022, Puuilo announced that the company's Board of Directors had decided to use the authorization given by the Annual General Meeting held on 17 May 2022 to repurchase the company's own shares.

The repurchases started on 22 June 2022 and ended on 30 June 2022. During this period, Puuilo repurchased 315,000 shares for an average price of EUR 4.9020 per share, corresponding to approximately 0.37% of the total number of the company's shares, which is 84,776,953.

The repurchased shares are to be used for pay-outs under the share-based incentive plans of Puuilo Plc. The shares were repurchased through public trading on Nasdaq Helsinki at the market price prevailing at the time of repurchase.

Following the repurchases, the company holds a total of 315,000 shares.

Growth strategy

Puuilo'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 Puuilo'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.

Puuilo 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. Puuilo 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 2022 Puuilo opened new stores in Sastamala, Tornio and Lieto. Lielahti store in Tampere was relocated in May 2022. In 2023, new stores will be opened in Vantaa Porttipuisto, Kerava, Vihti's Nummela and Vantaa Varisto. In addition, one more store will be opened in the Helsinki metropolitan area. This store opening will be announced separately closer to the opening. According to the definition by Puuilo, a store is considered new during the year of openings and the following financial year. Relocated stores are considered like-for-like stores.

On 31 January 2023, Puuilo had a total of 37 stores (34 stores) across Finland. The current store network is young, and more than half of the stores have been opened during the last five years. In recent years, Puuilo has opened an average of 3 – 4 new stores a year.

Financial development

Seasonality

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

Net sales, result and profitability

In financial year 2022, Puuilo's net sales increased by 9.7% (+13.2%) to EUR 296.4 million (270.1). Net sales of Puuilo's stores were EUR 286.4 million (260.5) and net sales of the online store were EUR 10.0 million (9.6), which corresponded to 3.4% (3.6%) of net sales. Like-for-like store net sales increased by 5.5% (+2.6%). Online store net sales increased by 3.9% (+20.8%).

The development of net sales was positively impacted by the increase in net sales in the like-for-like stores, new stores as well as the increase in online store net sales and it originated particularly from an increase in the number of customers but also from an increase of the basket size.

Puuilo's gross profit was EUR 107.2 million (99,6) and the gross margin was 36.2% (36.9%). Gross margin has remained at good level despite the rising purchase prices caused by inflation. We have succeeded in passing the increased purchase prices and logistics costs on to the sales prices. In addition, gross margin level was supported by a positive development in the share of private label products in net sales, which increased to 20% (18%). Higher level of inventories particularly at the beginning of the year have increased storage and transportation costs, which has impacted the gross margin. Puuilo has been able to improve the inventory turnover and thus the inventory levels have lowered by EUR 2.3 million during the financial year despite three new stores.

Operating expenses were EUR 47.0 million (44.0), which corresponds to 15.9% of net sales (16.3%). Adjusted operating expenses were EUR 46.4 million (41.2), or 15.7% of net sales (15.2%). The most significant item in operating expenses was personnel expenses. Personnel expenses were EUR 29.0 million (26.4), which corresponds to 9.8% (9.8%) of net sales.

Operating expenses included EUR 0.6 million items affecting comparability related to tax audit. EUR 0.5 million of the expenses related to listing expenses and EUR 0.1 million to strategic projects. Operating expenses for the comparison period included EUR 2.9 million items affecting comparability, which were mainly related to listing expenses. Adjusted EBITA was negatively impacted by EUR 0.7 million depreciation adjustment of cloud-based IT services resulting from the ifric interpretation.

Adjusted EBITA was EUR 48.8 million (48.4) and the adjusted EBITA margin was 16.5% (17.9%). EBITA was EUR 48.2 million (45.6) and the EBITA margin was 16.2% (16.9%).

Operating profit was EUR 47.0 million (44.5), which corresponds to an EBIT margin of 15.9% (16.5%).

Net financial expenses were EUR -3.1 million (-4.5). Net financial expenses excluding the effect of IFRS 16 were EUR -1.7 million (-3.2).

Profit before taxes was EUR 43.9 million (39.9). Total income taxes were EUR 8.8 million (8.0). The net result was EUR 35.1 million (31.9) and earnings per share were EUR 0.41 (0.38). Earnings per share excluding the effect of listing expenses were EUR 0.42 (0.42).

Balance sheet, financing and cash flow

At the end of the financial year, Puuilo's inventories were EUR 89.9 million (92.2). As sea freight availability and delivery times have returned to the pre-pandemic level, we have been able to start preparations for the spring and summer season on a normal schedule, and there has not been a need to order imported products earlier than usual. However, our aim is to further improve inventory turnover.

Operating free cash flow was EUR 52.7 million (10.8) and it was supported by a good operating profit and a decrease in working capital.

At the end of the financial year, cash and cash equivalents were EUR 28.8 million (16.5) and the company's financial position is stable.

At the end of the financial year, Puuilo's interest-bearing liabilities totalled EUR 123.2 million (114.1), of which non-current financial loans amounted to EUR 69.9 million (69.8). At the end of the period, the Group did not have current financial loans (-). Other interest-bearing liabilities consisted of lease liabilities reported in accordance with IFRS 16. At the end of the reporting period, the ratio of net debt to adjusted EBITDA was 1.5 (1.7), which is in line with the long-term target.

Investments

Puuilo's investments were EUR 2.6 million (4.4). Investments were mainly related to the furnishing of new stores and IT-system development. Comparison period investments were mainly related to a new ERP system implemented in 2021 and to the furnishing of new stores.

Personnel

The number of personnel converted into full-time employees (FTE) was 693 (663). The average number of personnel was 806 (788). Personnel expenses were EUR 29.0 million (26.4).

Shares and shareholders

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 Plc's share capital was EUR 80,000 at the end of the reporting period and the company had 84,776,953 shares.

On the last trading day of the reporting period, 31 January 2023, the closing price of the share was EUR 6.32. The share turnover during the reporting period was EUR 221 million and 38,813,822 shares. The highest intra-day share price during the reporting period was EUR 8.08 and the lowest intra-day price was EUR 4.35. At the end of the reporting period, the market value of the shares was EUR 534 million.

The company held 315,000 treasury shares at the end of the reporting period.

Further information on Puuilo's shares and shareholders is available on the investor website at https://www.investors.puuilo.fi/en/share-information and on the management's holdings at https://www.investors.puuilo.fi/en/corporate-governance/management-team.

Shareholders

At the end of the financial year, Puuilo had 36,932 registered shareholders. Through a flagging notification, Puuilo was in January 2022 informed that Adelis Holding I AB, through Puuilo Invest Holding AB, has decreased its holding to 24.56% of Puuilo. After the end of the reporting period, on 15 February 2023, the company received a flagging notification that, Adelis Holding I AB's indirect holdings in shares fell below the flagging threshold of 20% and was 18.66% after the transaction.

Puuilo has through a flagging notification in August 2022 from The Capital Group Companies, Inc, been informed that the company's indirect holdings are 10.03% of Puuilo's shares.

Major shareholders on 31 January 2023

	Number of shares	% of shares
1. Tuomaala Markku Kalevi	4,884,238	5.76%
2. Sijoitusrahasto Danske Invest Suomi Osake	1,670,882	1.97%
3. Sijoitusrahasto Evli Suomi Pienyhtiöt	1,463,346	1.73%
4. Keskinäinen Eläkevakuutusyhtiö Ilmarinen	1,439,000	1.70%
5. Tuomaala Päivi Maria	1,332,521	1.57%
6. Keskinäinen Työeläkevakuutusyhtiö Elo	1,128,000	1.33%
7. Tuomaala Heikki Tapani	950,000	1.12%
8. Säästöpankki Kotimaa -sijoitusrahasto	900,000	1.06%
9. Conficap Oy	888,342	1.05%
10. Tuomaala Henri Aleksi	870,734	1.03%
10 largest total	15,527,063	18.32%
100 largest total	26,907,729	31.74%
Nominee registered total	43,652,626	51.49%
Total	**84,776,953**	**100.00%**

Ownership structure on 31 January 2023

	Number of shares	% of shares
Public sector	3,494,004	4.12%
Financial and insurance corporations	47,652,212	56.21%
Households	24,588,807	29.00%
Non-financial corporations	5,735,308	6.77%
Non-profit institutions	580,479	0.69%
Rest of the world	2,726,143	3.22%
Total	**84,776,953**	**100.00%**
Nominee registered	**43,652,626**	**51.49%**

Breakdown by size of holding on 31 January 2023

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1-100	16,047	43.45%	876,478	1.03%
101-500	14,665	39.71%	3,566,897	4.21%
501-1000	3,452	9.35%	2,618,361	3.09%
1001-5000	2,407	6.52%	4,882,076	5.76%
5001-10000	195	0.53%	1,388,981	1.64%
10001-50000	105	0.28%	2,135,884	2.52%
50001-100000	19	0.05%	1,423,246	1.68%
100001-500000	26	0.07%	6,775,934	7.99%
500001-	16	0.04%	61,109,096	72.08%
Total	**36,932**	**100.00%**	**84,776,953**	**100.00%**

Management shareholding

On 31 January 2023, Puuilo Plc’s Board members and the CEO owned a total of 6,192,866 Puuilo Plc’s shares, which corresponds to 7.30% of the company’s shares and votes.

On 31 January 2023, the CEO had 297,712 Puuilo Plc’s shares, which corresponded to 0.35% of the company’s shares and votes. On 31 January 2023, Puuilo Plc’s management team incl. CEO owned 768,126 Puuilo Plc’s shares, which corresponded to 0.91% 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 10% flagging threshold on 29 August 2022 and was 10.03%.

Further information on Puuilo's shares and shareholders is available on the investor website at https://www.investors.puuilo.fi/en/share-information and on the management’s holdings at https://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 realization of business objectives by anticipating any risks involved in the company's operations and managing them in a proactive manner. Enterprise risk management emphasizes 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. A radical change in China's superpower policy might lead to significant changes in the supplier environment.

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 careful pricing decisions. The risk related to China can be mitigated by monitoring the situation and by increasing the number of procurement countries.

Changes in customer preferences

Changes in consumer behaviour may occur or purchasing power may change due to inflation or rising energy prices or interest rates.

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 as well as possible strikes in the logistics sector may have an adverse effect on Puuilo's business, financial position, profit, and cash flows.

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

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 Puuilo's position in the market.

It is possible to react 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.

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.

Puuilo manages the risk related to inventory management by actively updating its product range and monitoring inventory turnover as well as by centralizing warehouse operations and ensuring sufficient capacity in a timely manner.

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 offering meaningful tasks. In addition, recruitment processes are carried out carefully and suitability assessments are used.

IT risks

The incompetence of the personnel in protecting and processing 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 is 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, including cutting off international data connections for terrorist purposes, 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 in IT systems may be limited by documenting a disruption management plan for 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.

Global pandemic

Global pandemic such as Covid-19 may have a significant adverse effect on Puuilo’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 Puuilo's stores and for Puuilo’s product range.

Puuilo 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.

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 searching new store sites.

Puuilo brand and marketing risks

Puuilo's ability to attract customers depends significantly on the strength of its brand, and Puuilo may not be able to maintain or improve its brand image. Puuilo's advertising and marketing measures may not generate enough awareness among customers and increase the number of customers. Media inflation and other changes in the marketing supply chain, as well as rising costs, may have a negative impact on marketing and lower its effectiveness.

Puuilo brand image can be maintained and improved by carrying out consumer and customer surveys, testing concepts in control groups, developing the customer experience and measuring advertising. In addition, the brand can be strengthened by increasingly effective marketing, as well as by marketing tool development.

Foreign exchange risk

Changes in exchange rates may have a significant impact on Puuilo's business, financial position, business results and cash flows.

Puuilo manages currency risks by monitoring the development of exchange rates and regulary assessing the need for currency hedging.

Interest rate risk

Puuilo’s loans from financial institutions have variable interest rates, which exposes the company to interest rate risk.

Puuilo manages the risk by monitoring interest rate development. If necessary, the interest rates can be hedged, or additional loan amortisations can be made.

The general principles of Puuilo's risk management are also described on the investor website at https://www.investors.puuilo.fi/en/corporate-governance/risk-management-and-internal-controls.

Decisions by the Annual General Meeting and the Board of Director’s organisation meeting

Puuilo Plc’s Annual General Meeting was held on 17 May 2022 in Helsinki, Finland. Due to the COVID-19 pandemic and the uncertainty connected to arranging a physical meeting, the meeting was held under exceptional meeting procedures based on the legislative act concerning temporary deviations from the Finnish Companies Act and shareholders and their proxy representatives could not be present at the meeting venue. Shareholders and their proxy representatives could, however, participate in the meeting and exercise shareholder rights through voting in advance as well as by making counterproposals and presenting questions in advance. A total of 116 shareholders representing 57,358,913 shares and votes were represented at the meeting.

The Annual General Meeting adopted the Company's annual accounts and the consolidated financial statements for the financial year 1 February 2021 – 31 January 2022, discharged the persons who have acted as members of the Company’s Board of Directors and as CEO from liability and approved all proposals made to the Annual General Meeting by the Board of Directors. The Annual General Meeting also approved the Remuneration Policy for the Company’s Governing Bodies presented to it.

Dividend

The Annual General Meeting resolved that an aggregate dividend of EUR 0.30 per share be paid based on the balance sheet adopted for the financial year ended on 31 January 2022. The dividend will be paid in two instalments. The first dividend 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 record date for the first dividend instalment 24 May 2022. The payment date for the first dividend instalment will be on 31 May 2022. The second dividend 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 record date for the second dividend instalment 20 October 2022. The payment date for the second dividend instalment will be on 27 October 2022.

In addition, the Annual General Meeting authorized the Board of Directors to decide, if necessary, on a new record date and a new payment date for the second dividend instalment if regulations applicable to the Finnish book-entry system change or otherwise so require.

Composition of the Board of Directors

The number of members of the Board of Directors was confirmed to as six (6). Timo Mänty, Tomas Franzén, Rasmus Molander, Mammu Kaario and Markku Tuomaala were re-elected, and Bent Holm was elected as a new member of the Board of Directors for a term ending at the end of the next Annual General Meeting.

The Annual General Meeting re-elected Timo Mänty as the Chairman of the Board of Directors.

Remuneration of the members of the Board of Directors

The Annual General Meeting resolved that the annual remuneration to the members of the Board of Directors will be paid as follows: to the Chairman of the Board of Directors EUR 60,000 and to the other members EUR 30,000 each. In addition, the Annual General Meeting resolved that the annual remuneration to the members of the Audit Committee will be paid as follows: to the Chairman of the Audit Committee EUR 5,000 and to the other members of the Audit Committee EUR 2,500.

Auditor

PricewaterhouseCoopers Oy, a firm of authorized public accountants, was re-elected as auditor of the Company for the financial year 1 February 2022 – 31 January 2023. Enel Sintonen, APA, acted as the auditor with principal responsibility until September 2022. Since September 2022, Mikko Nieminen, APA, has acted as a principal responsibility.

The auditor’s remuneration is paid against an invoice approved by the Company.

Authorization for the Board of Directors to resolve on the repurchase and/or on the acceptance as pledge of the Company’s own shares

The Annual General Meeting authorized the Board of Directors to resolve on the repurchase and/or on the acceptance as pledge of an aggregate maximum of 8,477,695 Company's own shares provided, however, that the number of shares held by the Company at any time does not exceed 10 per cent of the total number of shares in the Company. Own shares can be repurchased only using the unrestricted equity of the Company at a price formed in public trading on the date of the repurchase or otherwise at a price determined by the markets. The Board of Directors decides on all other matters related to the repurchase and/or on the acceptance as pledge of own shares. Own shares can be repurchased using, inter alia, derivatives. Own shares can be repurchased otherwise than in proportion to the shareholdings of the shareholders (directed repurchase). The authorization cancels the authorization granted on 1 June 2021 to decide on the repurchase of the Company’s own shares. The authorization is effective until the beginning of the next Annual General Meeting, however, no longer than until 31 July 2023.

Authorization for the Board of Directors to decide on the issuance of shares as well as the issuance of special rights entitling to shares

The Annual General Meeting decided to authorize the Board of Directors to resolve on the issuance of shares and the issuance of special rights entitling to shares. The aggregate number of new shares to be issued may not exceed 8,477,695 shares, which corresponds to approximately 10 per cent of all of the shares in the Company. The Board of Directors decides on all other conditions of the issuance of shares and of special rights entitling to shares. The issuance of shares and of special rights entitling to shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue). The authorization cancels the authorization granted on 1 June 2021 to decide on the repurchase of the Company's own shares. The authorization is effective until the beginning of the next Annual General Meeting, however, no longer than until 31 July 2023.

Establishment of the Shareholders' Nomination Board

The Annual General Meeting decided to establish a Shareholders' Nomination Board to prepare proposals for the election and remuneration of the members of the Board of Directors and the remuneration of the members of the Board Committees for the next Annual General Meetings and for any Extraordinary General Meetings. In addition, the General Meeting approved the charter of the Shareholders' Nomination Board.

According to the decision of the General Meeting, the Shareholders' Nomination Board will be composed of representatives appointed by the three largest shareholders of the Company. The Chairman of the Board of Directors acts as a person with expertise in the Shareholders' Nomination Board. The Chairman of the Board of Directors does not participate in the decision-making of the Shareholders' Nomination Board.

The three shareholders with the largest number of votes for all shares of the Company on the 1st business day of October of the calendar year preceding the Annual General Meeting have the right to nominate the members representing the shareholders. The nomination right is determined in accordance with the shareholder register maintained by Euroclear Finland Ltd. If a shareholder presents a written request to the Chairman of the Board of Directors by last business day of September of the year preceding the Annual General Meeting, into the holdings of the shareholder shall be calculated also holdings of a person equivalent to the shareholder that need to be taken into account when evaluating the requirement to flag changes in the holdings under the Finnish Securities Markets Act.

The Chairman of the Board of Directors shall request the three largest shareholders to appoint one member each to the Shareholders' Nomination Board in accordance with the above described right of appointment. If a shareholder does not wish to exercise the right of appointment, the right is transferred to the next largest shareholder who would not otherwise have the right of appointment.

The Shareholders' Nomination Board is established until further notice until the General Meeting decides otherwise. The term of office of the members of the Shareholders' Nomination Board expires each year when a new Shareholders' Nomination Board is appointed. The members of the Shareholders' Nomination Board shall not be entitled to any remuneration on the basis of their membership in the Nomination Board. The members' travel expenses shall be reimbursed in accordance with the Company's travel policy. When necessary, the Shareholders' Nomination Board may in order to carry out its duties use external experts at a cost approved by the Company.

Antti Ihamuotila, attorney-at-law, chaired the meeting.

The minutes of the Annual General Meeting are available on the Puuilo investor website at https://www.investors.puuilo.fi/en/corporate-governance/general-meeting.

Decisions by the Board of Director’s organisation meeting

No changes were made to the composition of the Company's Audit Committee. The Audit Committee consists of Mammu Kaario (Chairman), Rasmus Molander ja Markku Tuomaala.

Proposal for profit distribution

The Board of Directors of Puuilo Plc proposes for the Annual General Meeting to be held on 16 May 2023 that a dividend of EUR 0.34 per share be paid for the financial year 1 February 2022 – 31 January 2023 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 0.17 per share, will be paid to shareholders registered in the company’s register of shareholders kept by Euroclear Finland Ltd on the instalment’s record date 23 May 2023. The board proposes that the first dividend instalment payment date be 30 May 2023.

The second instalment, EUR 0.17 per share, will be paid to shareholders registered in the company’s register of shareholders kept by Euroclear Finland Ltd on the instalment’s record date 19 October 2023. The board proposes that the second instalment payment date be 26 October 2023. 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, 29 March 2023, a total of 84,461,953 shares were held outside the company, and the corresponding total amount of dividends was EUR 28,717,064.02.

The distributable assets of Puuilo Plc total EUR 102,738,190.57 of which profit for the financial year is EUR 41,297,199.63. The proposed dividend corresponds to approximately 82% of Puuilo Group’s net income for the financial year.

Annual General Meeting

Puuilo’s Annual General Meeting will be held on 16 May 2023.

Significant events after the end of the reporting period

Flagging Notification

On 15 February 2023 Puuilo received a notification in accordance with Chapter 9, Section 6 and 7 of the Finnish Securities Markets Act. According to the notification, Adelis Holding I AB’s indirect holdings in shares fell below the flagging threshold of 20% and was 18.66% after the transaction.

Proposal of the Shareholders' Nomination Board

The shareholders' Nomination Board of Puuilo Plc proposes that current members of the Board of Directors Bent Holm, Mammu Kaario, Rasmus Molander and Markku Tuomaala will be re-elected. The Nomination Board also proposes that Lasse Aho and Tuomas Piirtola will be elected as new members to the Board of Directors. Current members of the Board of Directors Tomas Franzén and Timo Mänty have notified that they are no longer available to be elected as members of the Board of Directors. The Nomination Board proposes to the Annual General Meeting that Lasse Aho will be elected as a Chairman of the Board of Directors.

The Nomination Board proposes that the remunerations of the members of the Board of Directors fees are same as the current remuneration fees.

Statement of non-financial information

Puuilo's operating model

Puuilo 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-awareness.

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

Puuilo's 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 perspectives

Puuilo is committed to developing its operating instructions and practices concerning social responsibility. Operating in a sustainable and responsible manner is a key aspect of Puuilo's operations, overall quality of what the company does, and its value base. The company recognises corporate responsibility as a theme the promotion of which throughout the value chain is an obligation, but which also brings value to the business operations as a whole. This requires precise and goal-oriented measures on all levels of the company.

In 2021, Puuilo started to create structures for more systematic sustainability work, including goals and metrics. For this purpose, a materiality analysis was carried out with the representatives of our key stakeholders, and this analysis was used as a basis for the further measures. In the financial year 2022, we have updated the emphases of our sustainability topics and continued our responsibility work towards achieving the objectives. With regard to sustainability work, the following have been identified as our most significant stakeholders: customers, personnel, shareholders, the authorities, financers, and the media. The measures aim to serve the stakeholders with the best possible quality, while taking the sustainability perspectives into consideration. The material sustainability themes were categorised into three focus areas: 'A responsible retailer', 'A good place to work' and 'More sustainable consumption'. A responsible retailer covers the activities of Puuilo's personnel and the operations of the supply chain. A good place to work means competent and motivated personnel and a workplace where the employees enjoy working and to which they can commit. More sustainable consumption means tangible savings and streamlining measures with regard to the environment.

Sustainability management and responsibility

In Puuilo, the members of the management team are in charge of sustainability work. The CEO is in charge of the financial, environmental and social responsibility overall, the Chief Purchasing Officer is responsible for the supply chain (product responsibility and logistics), and the Chief Human Resources is in charge of social responsibility with regard to personnel. The management team conducts regular sustainability reviews in accordance with the annual planning cycle, to verify the progress of plans and measures as well as the timeliness of the materiality analysis.

Key commitments and policies

Puuilo requires that its suppliers and partners are committed to promoting sustainability. Puuilo is committed to the ethical operating principles of Amfori BSCI 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, Puuilo requires that its suppliers and partners adopt the same or equivalent approach and encourages them to proactively develop sustainable production and a sustainable product assortment. In addition, Puuilo has a Supplier Code of Conduct, which is included in cooperation agreements. The guidelines include the basic principles and expectations regarding the suppliers.

Social impacts and respect for human rights

The foundation for Puuilo'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 has 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. Approximately 44% of the foreign suppliers used in 2022, are committed to BCSI or equivalent principles. Purchases from these suppliers accounted for approximately 70% of Puuilo's foreign purchases. Puuilo'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, Puuilo has a Supplier Code of Conduct, which is included in cooperation agreements. 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. At the end of the reporting period, 82% of Puuilo's active suppliers, whose annual purchases exceed EUR 100 thousand, were covered by the commitment. Puuilo's objective is that the commitment will be part of the agreement in 80 per cent of the agreements by the end of the financial year 2025. An agreement template including Supplier Code of Conduct has also been prepared for foreign suppliers.

Personnel and occupational safety

The number of personnel continues to grow as a result of the expansion of the chain and in the financial year 2022, Puuilo opened three new stores. At the end of the financial year 2022, the number of personnel converted into full-time employees (FTE) was 693 (663). Puuilo supports its personnel in learning and career advancement, provides safe working conditions and fair employment terms and conditions and treats everyone equally. The company promotes personnel retention. Almost 80% of Puuilo's employment relationships are permanent and full-time, and the company aims to maintain this level in future as well. Puuilo works systematically to ensure personnel well-being and conducts an annual personnel satisfaction survey to measure its performance. Puuilo pays all employees salaries at least 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. We 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.

Puuilo has an equality, non-discrimination and personnel development plan that sets framework to our work. 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 to be 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. The company pays special attention to the recycling rate in waste generation as well as 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 enables store managers to 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 are carbon neutral. The carbon dioxide emissions generated were compensated by planting forests and thus creating permanent carbon sinks. Puuilo also strived to improve the reuse of the waste it generates. In the financial year 2022, the waste generation totalled 1,156 tonnes (1,213 tonnes) and the recycling rate was 69% (68%). The goal is to increase the recycling rate to at least 73% by the end of 2025 and to annually slow down the increase in the total amount of waste and in the carbon footprint.

The electricity we purchase ourselves comes 100% from renewable sources of energy. We take the responsibility for the electricity procurement whenever it is possible in order to be able to measure and to promote sustainable energy consumption. In the financial year 2022, the comparable electricity consumption decreased by 81,653 kWh (64,385 kWh), or approximately by 2% compared to previous year (-2% in FY2021). 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 decrease the greenhouse gas emissions in comparable terms of the transport it has control over by working in close cooperation with its main logistics partners. We monitor emissions, and in the financial year 2022, the measurable greenhouse gas emissions generated in transport were 1,639 tonnes (3,217 tonnes). We cooperate with a well-known international operator in transport. In 2023, we will continue to assess the climate impacts of transport and develop measurability together with our logistics partner.

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 was prepared during the financial year 2022.

A whistleblowing channel, open to everyone, is available on Puuilo's website. Anyone can use the channel to anonymously report a violation of Supplier Code of Conduct, such as corruption or other unethical behaviour, 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 the financial year 2022, there were no reported cases of discrimination or suspected misconduct.

EU taxonomy

The purpose of the EU classification system for sustainable financing, 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.

Puuilo's business operations consist of retail activities to private consumers and B2B customers. The sales of goods are not included in the taxonomy, and it does not generate taxonomy-eligible turnover.

The share of revenue from products or services associated with Taxonomy-aligned economic activities in 2022:

				Substantial contribution criteria					DNSH criteria						Taxonomy-aligned share of net sales		
Economic activities	Code(s)	Net sales	Share of net sales	Climate change mitigation	Climate change adaption	Water and marine resources	Circular economy	Biodiversity and ecosystems	Climate change mitigation	Climate change adaption	Water and marine resources	Circular economy	Biodiversity and ecosystems	Minimum safeguards	2022	2021	Category
		EUR million	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E/T
TAXONOMY-ELIGIBLE ACTIVIES																	
Taxonomy-aligned activities																	
Net sales of taxonomy-aligned activities																	
Taxonomy-non-aligned activities																	
Net sales of Taxonomy-non-aligned activities																	
Total Taxonomy-eligible activities																	
TAXONOMY-NON-ELIGIBLE ACTIVITIES																	
Net sales of Taxonomy-non-eligible activities		**296.4**	**100%**														
Total Taxonomy-eligible and non-eligible net sales		**296.4**	**100%**														

The share of CapEx from products or services associated with Taxonomy-aligned economic activities in 2022:

				Substantial contribution criteria					DNSH criteria						Taxonomy-aligned share of CapEx		
Economic activities	Code(s)	CapEx	Share of CapEx	Climate change mitigation	Climate change adaption	Water and marine resources	Circular economy	Biodiversity and ecosystems	Climate change mitigation	Climate change adaption	Water and marine resources	Circular economy	Biodiversity and ecosystems	Minimum safeguards	2022	2021	Category
		EUR million	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E/T
TAXONOMY-ELIGIBLE ACTIVIES																	
Taxonomy-aligned activities																	
CapEx of taxonomy-aligned activities																	
Taxonomy-non-aligned activities																	
CapEx of Taxonomy-non-aligned activities																	
Total Taxonomy-eligible activities																	
TAXONOMY-NON-ELIGIBLE ACTIVITIES																	
CapEx of Taxonomy-non-eligible activities		**12.2**	**100%**														
Total Taxonomy-eligible and non-eligible CapEx		**12.2**	**100%**														

CapEx includes increases in intangible assets, PPE and right-of-use Assets (leases).

The share of OpEx from products or services associated with Taxonomy-aligned economic activities in 2022:

				Substantial contribution criteria					DNSH criteria						Taxonomy-aligned share of OpEx		
Economic activities	Code(s)	OpEx	Share of OpEx	Climate change mitigation	Climate change adaption	Water and marine resources	Circular economy	Biodiversity and ecosystems	Climate change mitigation	Climate change adaption	Water and marine resources	Circular economy	Biodiversity and ecosystems	Minimum safeguards	2022	2021	Category
		EUR million	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E/T
TAXONOMY-ELIGIBLE ACTIVIES																	
Taxonomy-aligned activities																	
OpEx of taxonomy-aligned activities																	
Taxonomy-non-aligned activities																	
OpEx of Taxonomy-non-aligned activities																	
Total Taxonomy-eligible activities																	
TAXONOMY-NON-ELIGIBLE ACTIVITIES																	
OpEx of Taxonomy-non-eligible activities		**3.4**	**100 %**														
Total Taxonomy-eligible and non-eligible OpEx		**3.4**	**100 %**														

Key figures

EUR million	1 Feb 2022 - 31 Jan 2023	1 Feb 2021 - 31 Jan 2022	1 Feb 2020 - 31 Jan 2021
Net sales	296.4	270.1	238.7
Net sales development (%)	9.7%	13.2%	40.0%
Like-for-like store net sales development (%)	5.5%	2.6%	24.4%
Online store net sales development (%)	3.9%	20.8%	127.5%
Gross profit	107.2	99.6	87.1
Gross margin (%)	36.2%	36.9%	36.5%
Adjusted EBITA*	48.8	48.4	43.2
Adjusted EBITA margin (%)*	16.5%	17.9%	18.1%
EBITA*	48.2	45.6	42.6
EBITA margin (%)*	16.2%	16.9%	17.9%
EBIT	47.0	44.5	41.5
EBIT margin (%)	15.9%	16.5%	17.4%
Net income	35.1	31.9	28.8
EPS (EUR)	0.41	0.38	0.36
EPS excl. listing expenses (EUR)	0.42	0.42	0.36
Operating free cash flow	52.7	10.8	38.8
Net debt / adjusted EBITDA	1.5	1.7	2.4
Number of stores at the end of period	37	34	30
Number of personnel converted into full-time employees (FTE)	693	663	595

* Operating profit before the amortisation 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.

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
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 2022 - 31 Jan 2023	1 Feb 2021 - 31 Jan 2022	1 Feb 2020 - 31 Jan 2021
Items affecting comparability			
Strategic projects	0.1	-	0.5
Administration	-	0.0	0.1
Listing costs	0.5	2.8	-
Items affecting comparability	**0.6**	**2.9**	**0.6**
Gross profit			
Net sales	296.4	270.1	238.7
Materials and services	189.3	170.6	151.6
Gross profit	**107.2**	**99.6**	**87.1**
EBITA and adjusted EBITA			
Operating profit	47.0	44.5	41.5
Trademark amortisation	1.1	1.1	1.1
EBITA	**48.2**	**45.6**	**42.6**
Items affecting comparability	0.6	2.9	0.6
Adjusted EBITA	**48.8**	**48.4**	**43.2**
EBITDA and Adjusted EBITDA			
Operating profit	47.0	44.5	41.5
Depreciation, amortisation and impairments	13.5	11.5	9.7
EBITDA	**60.6**	**55.9**	**51.2**
Items affecting comparability	0.6	2.9	0.6
Adjusted EBITDA	**61.2**	**58.8**	**51.8**
Operating free cash flow			
Adjusted EBITDA	61.2	58.8	51.8
Net capital expenditure	-2.6	-4.4	-2.6
Depreciation on right-of-use assets	-9.8	-8.7	-7.4
Changes in working capital	3.9	-34.9	-3.0
Operating free cash flow	**52.7**	**10.8**	**38.8**
Net debt / Adjusted EBITDA			
Net debt	94.4	97.6	121.8
Adjusted EBITDA	61.2	58.8	51.8
Net debt / Adjusted EBITDA	**1.5**	**1.7**	**2.4**

Financial Statements

Consolidated Statement of Comprehensive Income

EUR million	Note	1 Feb 2022 - 31 Jan 2023	1 Feb 2021 - 31 Jan 2022
Net sales		**296.4**	**270.1**
Other operating income	2.1	0.4	0.4
Materials and services	2.3	-189.3	-170.6
Personnel expenses	2.3	-29.0	-26.4
Other operating expenses	2.3	-18.0	-17.6
Depreciation, amortisation and impairments	4.1-4.4	-13.5	-11.5
Operating profit		**47.0**	**44.5**
Finance income	5.6	0.0	0.0
Finance costs	5.6	-3.1	-4.5
Total finance income and costs		-3.1	-4.5
Profit before taxes		**43.9**	**39.9**
Current income tax	2.4	-9.2	-8.1
Deferred income tax	2.4	0.4	0.0
Total income tax expense		-8.8	-8.0
Profit for the period		35.1	31.9
Total comprehensive income for the period		**35.1**	**31.9**
Profit for the period attributable to:			
Owners of the parent		35.1	31.9
Profit for the period		**35.1**	**31.9**
Earnings per share for profit attributable to owners of the parent			
Basic and diluted earnings per share (EUR)	5.3	0.41	0.38

The Notes are an integral part of these financial statements.

Consolidated Balance Sheet

EUR million	Note	**31 Jan 2023**	**31 Jan 2022**
ASSETS			
Non-current assets			
Goodwill	4.1	33.5	33.5
Intangible assets	4.2	17.4	19.4
Property, plant and equipment	4.3	2.6	2.3
Right-of-use assets	4.4	53.0	44.4
Deferred tax assets	2.4	0.7	0.5
Total non-current assets		**107.2**	**100.2**
Current assets			
Inventories	3.1	89.9	92.2
Trade receivables	3.2, 5.5	4.1	4.0
Other receivables	3.2	1.3	1.4
Cash and cash equivalents		28.8	16.5
Total current assets		**124.1**	**114.1**
Total assets		**231.3**	**214.3**

EUR million	Note	**31 Jan 2023**	**31 Jan 2022**
Equity and liabilities			
Equity			
Share capital	5.2	0.1	0.1
Reserve for invested unrestricted equity	5.2	29.0	29.0
Retained earnings		12.0	6.8
Profit for the period		35.1	31.9
Total equity attributable to owners of the parent		**76.1**	**67.8**
Total equity		**76.1**	**67.8**
Liabilities			
Non-current liabilities			
Loans from financial institutions	5.4, 5.5	69.9	69.8
Lease liabilities	4.4	43.5	36.3
Provisions	4.5	0.8	0.7
Deferred tax liabilities	2.4	3.0	3.2
Total non-current liabilities		**117.1**	**110.0**
Current liabilities			
Lease liabilities	4.4	9.9	8.0
Trade payables	3.3, 5.5	16.1	13.2
Advances received	2.1	0.3	0.3
Income tax liabilities		2.0	4.1
Other current liabilities	3.3, 5.5	9.9	11.0
Total current liabilities		**38.0**	**36.5**
Total liabilities		**155.1**	**146.5**
Total equity and liabilities		**231.3**	**214.3**

The Notes are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

EUR million	Note	Share capital	Reserve for invested unrestricted equity	Own shares	Retained earnings	**Total equity**
		Attributable to owners of the parent				
Equity on 1 Feb 2022		**0.1**	**29.0**	**-**	**38.8**	**67.8**
Profit for the period					35.1	35.1
Total comprehensive income for the period					**35.1**	**35.1**
Dividends	5.2				-25.4	**-25.4**
Repurchase of own shares	5.2			-1.5		**-1.5**
Share-based payments	5.2				0.2	**0.2**
Total transactions with owners				**-1.5**	**-25.2**	**-26.8**
Equity on31 Jan 2023		**0.1**	**29.0**	**-1.5**	**48.6**	**76.1**

EUR million	Note	Share capital	Reserve for invested unrestricted equity	Own shares	Retained earnings	**Total equity**
		Attributable to owners of the parent				
Equity on 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 on 31 Jan 2022		**0.1**	**29.0**	**-**	**38.8**	**67.8**

The Notes are an integral part of these financial statements.

Consolidated Statement of Cash Flows

EUR million	Note	1 Feb 2022 - 31 Jan 2023	1 Feb 2021 - 31 Jan 2022
Cash flows from operating activities			
Profit for the period		35.1	31.9
Adjustments for:			
Depreciation, amortisation and impairments	4.1-4.4	13.5	11.5
Gains/losses on disposal of property, plant and equipment		0.0	0.0
Other non-cash adjustments		0.2	0.1
Finance income and costs	5.6	3.1	4.5
Income tax expense	2.4	8.8	8.0
Changes in working capital			
Change in trade and other receivables	3.2	0.0	-0.1
Change in inventories	3.1	2.3	-33.7
Change in trade and other current non-interest-bearing liabilities	3.3	1.6	-1.1
Interests paid		-1.1	-2.0
Interests of lease liabilities		-1.4	-1.3
Interests received		0.0	0.0
Arrangement fee for loans from financial institutions and other financial costs		-0.3	-0.6
Income taxes paid		-11.4	-7.4
Net cash flows generated from operating activities		**50.4**	**9.7**
Cash flows from investing activities			
Payments for intangible assets	4.2	-0.8	-3.1
Payments for property, plant and equipment	4.3	-1.8	-1.3
Proceeds from sale of property, plant and equipment	4.3	0.0	0.0
Net cash used in investing activities		**-2.6**	**-4.4**
Cash flows from financing activities			
Share issue		-	28.6
Proceeds from borrowings	5.1	8.0	70.0
Repayments of loans from financial institutions	5.1	-8.0	-91.0
Principal elements of lease liabilities	5.1	-8.6	-7.6
Dividends	5.2	-25.4	-
Acquisition of own shares		-1.5	-
Net cash used in financing activities		**-35.6**	**0.0**
Net increase (+)/(-) decrease in cash and cash equivalents		12.3	5.4
Cash and cash equivalents at the beginning of the period		16.5	11.2
Cash and cash equivalents at the end of the period		**28.8**	**16.5**

The Notes are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

1 Basis of preparation

2 Business performance

3 Working capital

4 Capital employed

5 Capital structure and financing

6 Other notes

1 BASIS OF PREPARATION

Note 1.1 Company information

Puuilo Group is a Finnish retailer company. On 31 January 2023, the fast-growing Group had a total of 37 stores (34 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. Puuilo is one of the leading discount retailers in Finland and it serves both consumers and B2B customers in the repair and maintenance as well as construction sector. The company is known for its low prices and wide range of products.

The Group's parent company is Puuilo Plc, domiciled in Helsinki, Finland. The company's registered address is Pakkalankuja 6, 01510 Vantaa, and its Business ID is 2726573-8. Puuilo Plc is listed on Nasdaq Helsinki. The Consolidated Financial Statements are available on Puuilo's investor pages at www.investors.puuilo.fi and from the company's headquarters at Pakkalankuja 6, 01510 Vantaa.

These Consolidated Financial Statements contain the consolidated financial statements of Puuilo Plc ("the company") and its subsidiaries ("the Group" or "Puuilo"). These Consolidated Financial Statements include the consolidated statement of comprehensive income, consolidated balance sheet, 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 2023 and comparison information for the financial year ended on 31 January 2022. The company's Board of Directors approved these Financial Statements on 13 April 2023.

Puuilo issues an XHTML Financial Statements complying with the ESEF requirements on Puuilo's investor website. The Audit firm PricewaterhouseCoopers Oy has provided to company an independent auditor's reasonable assurance report in accordance with ISAE 3000 (Revised) on Puuilo's ESEF Financial Statements.

The company's reporting period begins on 1 February and ends on 31 January. The reporting period 2022 comprises the period 1 February 2022–31 January 2023 and the comparison period 2021 the period 1 February 2021–31 January 2022.

Note 1.2 Basis of preparation

Puuilo'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 respective 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 recognised amounts of assets, liabilities, income and expenses. The following areas include management's estimates and assumptions:

- Share-based payments (Note 2.3)
- Measurement of inventories (Note 3.1)
- Goodwill impairment test (Note 4.1)
- Measurement of the Puuilo 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 Puuilo's management, the Covid-19 pandemic or geopolitical situation (Russian military actions in Ukraine) have 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

Puuilo'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.

Puuilo 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, Puuilo is considered to have fulfilled its performance obligations.

Sales are paid mainly in cash or by credit card. Financing offered to consumers is arranged by an external partner and does not create a performance obligation to Puuilo. 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 with the time value of money.

Puuilo'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 Company charges the warranty costs from the supplier.

In other operating income, Puuilo 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 2023**	**31 Jan 2022**
Stores	286.4	260.5
Online store	10.0	9.6
Net sales total	**296.4**	**270.1**

Contract liabilities (advances received)

EUR million	**31 Jan 2023**	**31 Jan 2022**
	0.3	0.3

Other income

EUR million	**31 Jan 2023**	**31 Jan 2022**
Lease income	0.3	0.2
Gains on disposal of tangible assets	0.0	0.0
Other	0.1	0.2
Total	**0.4**	**0.4**

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 percent in the financial period that ended on 31 January 2023 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 2022 - 31 Jan 2023**	**1 Feb 2021 - 31 Jan 2022**
Purchases during the reporting period	187.2	204.1
Changes in inventories	1.7	-33.9
External services	0.4	0.4
Total	**189.3**	**170.6**

Other operating expenses

EUR million	**1 Feb 2022 - 31 Jan 2023**	**1 Feb 2021 - 31 Jan 2022**
Administration expenses	2.1	4.1
Property maintenance expenses	3.4	2.8
Marketing expenses	5.5	5.5
IT costs	2.2	1.8
Sales freights and credit card fees	2.1	1.8
Other	2.7	1.6
Total	**18.0**	**17.6**

Auditors' fees

EUR million	1 Feb 2022 - 31 Jan 2023	1 Feb 2021 - 31 Jan 2022
Statutory audit fees	0.1	0.1
Other services	0.0	1.0
Total	**0.1**	**1.1**

* 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.

Employee benefit expenses

EUR million	1 Feb 2022 - 31 Jan 2023	1 Feb 2021 - 31 Jan 2022
Wages and salaries	24.0	21.7
Pension costs	4.2	3.8
Social security costs	0.9	0.9
Total	**29.0**	**26.4**

Personnel on average and at the end of reporting period:

	1 Feb 2022 - 31 Jan 2023	1 Feb 2021 - 31 Jan 2022
Number of employees at the end of the period, full-time equivalent	693	663
Personnel on average	806	788

Management remuneration

The management consists of 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, customary fringe benefits and a share-based incentive plan for the key employees (see section Share-based payments). The CEO or the other members of the management team do not belong to any short-term incentive programme.

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 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.

Management remuneration:

EUR million	**1 Feb 2022 - 31 Jan 2023**	**1 Feb 2021 - 31 Jan 2022**
CEO		
Salary, other remuneration and benefits	0.2	0.2
Pension costs	0.0	0.0
Total	**0.2**	**0.2**
Group management team excl. CEO		
Salary, other remuneration and benefits	0.8	0.8
Pension costs	0.1	0.1
Total	**1.0**	**0.9**
The Board of Directors		
Timo Mänty, Chairman of the Board of Directors	0.1	0.0
Gustav Bard*	0.0	0.0
Tomas Franzén	0.0	0.0
Bent Holm**	0.0	-
Rasmus Molander	0.0	0.0
Markku Tuomaala	0.0	0.0
Total	**0.2**	**0.1**
Total management team and the Board of Directors	**1.4**	**1.2**

*Member of the Board until 17 May 2022
** Member of the Board from 17 May 2022

Share-based payments

Accounting principle

The fair value of share-based payments is measured on the day which the share-based payment plan is agreed upon the counterparties. Fair value of share-based payments is recognised as an expense over the vesting period. The settlement, if the set targets are met, is a combination of shares and cash. Share-based payments to be settled in shares are recognised in equity and the payments to be settled in cash are recognised as a liability. Such cash-settled share-based payments for which the employer shall deduct, on behalf of the employee, from the share award such number of shares which covers taxes and tax-like charges paid in cash, shall be classified in their entirety as equity-settled share-based payments and thus, are recognised in equity.

Accounting estimates and judgements

The number of the shares to be granted are estimated at the end of each reporting period. The evaluation considers the turnover of persons and other factors affecting the number of shares to be granted. In addition, the measurement of the fair value of the plan and the parameters used in the measurement require management judgement.

Share-based incentive plan

On 20 April 2022, decided to launch a new share-based incentive plan for the key employees of the company. The aim of the plan is to align the objectives of the shareholders and the key employees in order to increase the value of the company in the long-term. The plan is intended to encourage key employees to personally invest in the company’s shares, to steer them toward achieving the company’s strategic objectives, to retain them at the company, and to offer them a competitive reward plan that is based on acquiring, earning and accumulating Puuilo shares.

The Performance Matching Share Plan 2022—2024 includes one performance period, spanning approximately financial years 2022—2024. The performance criteria are the Total Shareholder Return of the Puuilo share (TSR) and the Adjusted EBITA of the Puuilo Group. The achievement of the targets set for the performance criteria will determine the proportion out of the maximum reward that will be paid as reward to participants. The prerequisite for participation in the plan and receiving reward on the basis of the plan is that a participant personally has acquired Puuilo shares up to the number determined by the Board of Directors. Furthermore, payment of reward is based on the participant´s valid employment or service upon reward payment.

Primarily, the rewards from the plan will be paid partly in the company’s shares and partly in cash by the end of May 2025. The cash proportion is intended to cover taxes and tax-related costs arising from the reward to the participant. As a rule, no reward will be paid, if a participant´s employment or service terminates before the reward payment. The CEO and other members of the Management Team are obliged to keep the shares paid as a reward for twelve (12) months after the reward payment.

The target group of the plan consisted of a maximum of 75 persons, including the CEO, members of the Management Team, Store Managers and other key personnel. The rewards to be paid on the basis of the plan correspond to the value of an approximate maximum total of 315,000 Puuilo Plc shares, including also the proportion to be paid in cash. The final number of shares will depend on the participants' personal share acquisitions and the achievement of the targets set for the performance criteria.

The total cost of the share plan is recognised over the performance period, which is 34 months. The Performance period of 2022-2024. The impact of the share-based compensation plans on the profit for the financial year 2022 was EUR 0.2 million (-). At the end of the reporting period, the amount to be recognised as expense for the financial years 2022−2024 is estimated at a total of EUR 0.7 million. The actual amount may differ from the estimate.

Assumptions applied in determining the fair value of share award:

Grant date and fair value of share-based payments	Performance period 2022-2024
Grant date	3 June 2022
Grant date fair value of the share award, EUR	4.43
Grant date share price, EUR	5.34
Performance period start date	3 June 2022
Performance period end date	31 March 2025
Commitment period start date	3 June 2022
Commitment period end date (Management Team)	31 March 2026
Commitment period end date (Other)	31 March 2025

Assumptions applied in determining the fair value of share award:	Performance period 2022-2024
Maximum number of share awards to be granted (pcs)*	315,000
Number of plan participants at the end of the reporting period	34
Share price at the end of the reporting period	6.32
Assumed fulfilment of the performance criteria	82.5%
Forfeiture rate	7%

* Gross number of shares netted with the applicable withholding tax. The net amount will be paid in shares.

Note 2.4 Income taxes

Accounting policy

Income tax comprises of the 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 carrying 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.

EUR million	1 Feb 2022 - 31 Jan 2023	1 Feb 2021 - 31 Jan 2022
Current income tax on profits for the year:	9.2	8.1
Total current income tax	9.2	8.1
Deferred income tax:		
Change in deferred tax assets	-0.2	0.1
Change in deferred tax liabilities	-0.2	-0.1
Total deferred tax	-0.4	0.0
Income tax expense	**8.8**	**8.0**

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 2022 - 31 Jan 2023	1 Feb 2021 - 31 Jan 2022
Profit before tax	43.9	39.9
Tax calculated at domestic tax rate of 20 %	8.8	8.0
Income not subject to tax	0.0	0.0
Expenses not deductible for tax purposes	0.1	0.0
Taxes in income statement	**8.8**	**8.0**

	1 Feb	Recognised through profit or loss	Recognised in equity	31 Jan
Reporting period 2022				
Deferred tax assets				
Difference between accounting depreciation and tax depreciation	0.0	0.0	-	0.0
Leases	0.5	0.1	-	0.6
Share-based incentive plan	-	0.0	-	0.0
Total	**0.5**	**0.1**	**-**	**0.6**
Reporting period 2022				
Deferred tax liabilities				
Intangible assets	3.1	-0.2	-	2.9
Difference between accounting depreciation and tax depreciation	0.0	0.0	-	0.0
Arrangement fees of loans from financial institutions	0.0	0.0	-	0.0
Total	**3.2**	**-0.2**	**-**	**3.0**

	1 Feb	Recognised through profit or loss	Recognised in equity	31 Jan
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 2021				
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**

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.

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.

EUR million	**31 Jan 2023**	**31 Jan 2022**
Finished goods	86.1	80.3
Goods in transit	3.1	10.6
Prepayments	0.7	1.3
Total	**89.9**	**92.2**

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 0.5 million on 31 January 2023 (EUR 0.4 million).

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

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 2023**	**31 Jan 2022**
Trade receivables	4.1	4.0
Other receivables	0.0	-
Prepaid expenses	1.3	1.4
Total	**5.4**	**5.4**

The aging analysis of trade receivables

EUR million	31 Jan 2023	31 Jan 2022
Not overdue	3.8	3.7
Overdue		
Less than 14 days	0.2	0.3
14-30 days	0.0	0.0
31-60 days	0.0	0.0
Over 60 days	0.0	0.0
Total	**4.1**	**4.0**

A credit loss of EUR 0.0 million was recognised at profit or loss on trade receivables in the 2022 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 2023	31 Jan 2022
Annual bonuses for purchases	0.5	0.4
Product reclamation	0.0	0.2
Social security costs	0.2	0.2
Expenses paid in advance	0.6	0.4
Other	0.0	0.2
Total	**1.3**	**1.4**

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 2023	31 Jan 2022
Current		
Trade payables	16.1	13.2
Advances received	0.3	0.3
Income tax liabilities	2.0	4.1
Other current liabilities	3.7	5.2
Accrued expenses	6.2	5.8
Total current	**28.2**	**28.6**

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 2023**	**31 Jan 2022**
Salary accruals	1.6	1.4
Social security costs	1.3	1.3
Interest expenses	0.3	0.1
Holiday pay expenses	3.0	3.1
Total	**6.2**	**5.8**

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

Puuilo's goodwill has arisen in connection with the acquisition of Puuilo business in 2015 when the current Puuilo Group was established. Therefore, the entire goodwill was generated from a single acquisition covering the entire business of Puuilo. 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 four-year period. Cash flows beyond the four-year period are extrapolated using the estimated growth rate.

Goodwill impairment test

Puuilo'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. Puuilo'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 four 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 12.2% (11.2%). The changes in the WACC used in the goodwill test arise from the higher risk-free interest rate than in the comparison period. 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 Puuilo 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 Puuilo’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:

Puuilo 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 Puuilo trademark

The useful life of the Puuilo 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 Puuilo 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 Puuilo trademark may be impaired. For the Puuilo 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 Puuilo has one cash-generating unit, Puuilo’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 2022	33.5	24.0	7.0	64.6
Additions	-	-	0.8	0.8
Cost on 31 January 2023	**33.5**	**24.0**	**7.8**	**65.4**
Accumulated depreciation and impairment on 1 February 2022	-	-8.4	-3.3	-11.7
Amortisation and impairment	-	-1.1	-1.6	-2.8
Accumulated amortisation and impairment on 31 January 2023	-	-9.5	-5.0	-14.5
Net carrying amount on 1 February 2022	**33.5**	**15.7**	**3.7**	**52.9**
Net carrying amount on 31 January 2023	**33.5**	**14.6**	**2.8**	**50.9**

EUR million	Goodwill	Intangible rights	Other intangible assets	Total
Accumulated depreciation and impairment 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**
Cost 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	-	-8.4	-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**

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 2023**	**31 Jan 2022**
Leased	53.0	44.4
Owned	2.6	2.3
Total	**55.6**	**46.8**

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

EUR million	Buildings and structures	Machinery and equipment	Total
Cost on 1 February 2022	0.8	5.2	6.0
Additions	-	1.2	1.2
Disposals	-	0.0	0.0
Cost on 31 January 2023	0.8	6.4	7.2
Accumulated depreciation and impairment on 1 February 2022	-0.6	-3.0	-3.6
Depreciation and impairment	-0.1	-0.8	-1.0
Accumulated depreciation and impairment on 31 January 2023	-0.7	-3.9	-4.6
Net carrying amount on 1 February 2022	**0.1**	**2.2**	**2.3**
Net carrying amount on 31 January 2023	**0.0**	**2.5**	**2.6**

EUR million	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**

Depreciation, amortisation, and impairment

EUR million	**1 Feb 2022 - 31 Jan 2023**	**1 Feb 2021 - 31 Jan 2022**
Depreciation, amortization and impairment by asset class		
Intangible rights	1.1	1.1
Other intangible assets	1.6	0.8
Buildings and structures	0.1	0.1
Machinery and equipment	0.8	0.7
Total	**3.7**	**2.8**
Right-of-use assets	**9.8**	**8.7**
Depreciation, amortization and impairment total	**13.5**	**11.5**

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

Puuilo's leases mainly consist of 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. Puuilo 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. Puuilo 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 4.0%.

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

Puuilo has asset restoration obligations related to leased store buildings. Puuilo has recognised a provision 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 2023	31 Jan 2022
Premises and facilities	51.9	43.3
Machinery and equipment	1.2	1.1
Total	**53.0**	**44.4**

Lease liabilities

EUR million	31 Jan 2023	31 Jan 2022
Non-current	43.5	36.3
Current	9.9	8.0
Total	**53.4**	**44.3**

The additions to the right-of-use assets during the financial period that ended were EUR 10.2 million (EUR 6.6 million).

Maturity analysis, contractual discounted cash flows

EUR million	31 Jan 2023	31 Jan 2022
Less than one year	9.9	8.0
From one to five years	30.8	25.4
Over five years	12.7	11.0
Total	**53.4**	**44.3**

Maturity analysis, contractual undiscounted cash flows

EUR million	31 Jan 2023	31 Jan 2022
Less than one year	11.4	9.2
From one to five years	34.1	28.0
Over five years	13.4	11.1
Total	**58.9**	**48.4**

Amounts recognized in the statement of profit or loss

Depreciation charge of the right-of-use asset

EUR million	1 Feb 2022 - 31 Jan 2023	1 Feb 2021 - 31 Jan 2022
Premises and facilities	9.1	8.0
Machinery and equipment	0.7	0.7
Total	**9.8**	**8.7**
Interest expenses included in the finance cost	1.4	1.3
Cash flow		
Total cash outflow for leases	10.0	8.9

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

Puuilo'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 Puuilo'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:

Provisions

EUR million	
On 1 February 2022	0.7
Additions	0.1
Amounts charged against provision	0.0
On 31 January 2023	0.8
of which	
Current	-
Non-current	0.8
Total	**0.8**

EUR million	
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**

5 CAPITAL STRUCTURE AND FINANCING

Note 5.1 Capital management and net debt

The Group's objective for the capital management 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 2023**	**31 Jan 2022**
Non-current financial liabilities		
Loans from financial institutions	69.9	69.8
Lease liabilities	43.5	36.3
Total non-current financial liabilities	**113.4**	**106.1**
Current financial liabilities		
Lease liabilities	9.9	8.0
Total current financial liabilities	**9.9**	**8.0**
Total financial liabilities	**123.2**	**114.1**
Cash and cash equivalents	28.8	16.5
Net debt	**94.4**	**97.6**

Changes in net debt

			Non-cash changes		
EUR million	**Net debt 1 Feb. 2022**	Cash flows	New lease agreements	Other changes	**Net debt 31 Jan. 2023**
Cash and cash equivalents	16.5	12.3			28.8
Proceeds from loans from financial institutions		8.0			8.0
Repayments of loans from financial institutions		-8.0			-8.0
Loans from financial institutions	69.8	0.0		0.1	69.9
Lease liabilities	44.3	-8.6	10.2	7.4	53.4
Net debt	**97.6**	**3.6**	**10.2**	**7.5**	**94.4**

			Non-cash changes		
EUR million	**Net debt 1 Feb. 2021**	Cash flows	New lease agreements	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			-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**

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

Puuilo has a Group financing agreement totalling EUR 90 million. The refinancing agreement consist of terms loans totalling EUR 70.0 million and a credit limit of EUR 20.0 million. The credit limit amounting to EUR 8.0 million has been used during the financial period. The credit limit has been repaid during the 2022. (the limit has not been used during the comparison period). The loan will mature in full in June 2025.

The 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 financing agreement is tied to the ratio of net debt and EBITDA. The loans under the 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

Puuilo'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.

Puuilo Plc's share capital is EUR 80,000 (EUR 80,000). 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.

The reserve of invested non-restricted equity, EUR 29.0 million (EUR 29.0 million), includes the share subscription prices to the extent not designated to be included in share capital.

Puuilo Group held 315,000 treasury shares on the balance sheet date of 31 January 2023 or (no treasury shares in the comparison period). The acquisition cost of the shares, approximately EUR 1.5 million, have been deducted from retained earnings in equity.

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.

In the 2022 financial period, the total amount of dividends distributed was EUR 25.4 million (EUR 0.30 per share). No dividends were paid in the 2021 financial period. The dividend proposed by the Board of Directors to the Annual General Meeting has not been deducted from equity. Instead, dividends are recognised on the basis of the resolution by the Annual General Meeting.

Share issue in connection to the IPO 2021

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 in 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.

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 2022 - 31 Jan 2023	1 Feb 2021 - 31 Jan 2022
Basic earnings per share		
Profit attributable to the owners of the Company	35.1	31.9
Profit used to determine basic earnings per share	35.1	31.9
Weighted average number of shares outstanding during the period	84 586 851	83 002 500
Basic earnings per share (EUR)	0.41	0.38
Diluted earnings per share		
Profit used to determine diluted earnings per share	35.1	31.9
Weighted average number of shares outstanding during the period	84 586 851	83 002 500
Diluted earnings per share (EUR)	0.41	0.38

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

Puuilo 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 Puuilo may not be able to pass all such costs on to sales prices. Puuilo's main foreign currency is the US dollar. In the financial period that ended on 31 January 2023, approximately 90% of Puuilo's purchases were made in euros and approximately 10% in US dollars (80% and 20%, respectively, in the 2021 financial period). Puuilo does not hedge its purchases in dollars. The table below shows Puuilo'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 decrease in the transaction position arises from the levelling off of the import purchases.

EUR million	**31 Jan 2023**	**31 Jan 2022**
Transaction exposure	6.3	9.5
Open exposure	6.3	9.5
Change +10%	-0.6	-1.1
Change -10%	0.7	0.9

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 loans was EUR 70 million on 31 January 2023 (EUR 70 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 moderate interest rate level increase. Puuilo's management assesses that the interest level increase will not have a significant effect on Puuilo's business operations or solvency. If necessary, Puuilo can use its cash assets to make additional repayments in order to manage interest expenses.

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

EUR million	**31 Jan 2023**	**31 Jan 2022**
Fixed interest rate		
Loans from financial institutions	-	-
Lease liabilities	53.4	44.3
Floating interest rate		
Cash and cash equivalents	-	1.2
Loans from financial institutions	69.9	69.8
Floating interest rate position, total	**69.9**	**71.0**

If interest rates had been 1.0 percentage points higher and all other factors were unchanged, the post-tax profit for the financial period would have been EUR 0.4 million (EUR 0.3 million) lower as a result of interest expenses of the floating rate interest-bearing liabilities. If interest rates had been 1.0 percentage points lower and all other factors were unchanged, the post-tax profit for the financial period would have been EUR 0.1 million higher as a result of interest expenses of the floating rate interest-bearing liabilities. The decrease in the interest rate level would not have affected profit after tax, as the reference rate was negative during the comparison period. The sensitivity analysis is based on the risk position at the end of each financial period.

Credit risk

The Group's credit risk consists of credit risk related to business risks and the counterparty risk of other financial instruments. 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

Puuilo's CFO 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 28.8 million (EUR 16.5 million). At the end of the financial period, the Group's trade receivables totalled EUR 4.1 million (EUR 4.0 million), including bank and credit card receivables. The Group had a revolving credit facility of EUR 15.0 million (credit limit of EUR 2.3 million and revolving credit limit facility of EUR 15.0 million). The revolving credit facility amounting to EUR 8.0 million has been used during the financial period. The credit facility limit has been repaid during 2022 and the withdrawable amount have corresponded to the total amounts of the credit facility. The credit facility has not been used during the comparison period. 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 inventory turnover and trade payables. Puuilo's net cash flow generated from operating activities was EUR 50.4 million (EUR 9.7 million) in the 2022 financial period. A significant portion of Puuilo's net sales is generated from sales paid with cash or with 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 revolving credit facility 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.

EUR million	Under 1 year	1-2 years	3-5 years	Over 5 years	Contractual undiscounted cash flows	Carrying value
31 Jan 2023						
Non-derivatives						
Loans from financial institutions	2.7	2.7	71.3		76.6	69.9
Lease liabilities	11.4	10.5	23.6	13.4	58.9	53.4
Trade payables	16.1				16.1	16.1
Other payables	0.3				0.3	0.3
Total	**30.4**	**13.1**	**94.9**	**13.4**	**151.9**	**139.6**
EUR million	Under 1 year	1-2 years	3-5 years	Over 5 years	Contractual undiscounted cash flows	Carrying value
31 Jan 2022						
Non-derivatives						
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**

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.

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 2023**	**31 Jan 2022**
Cash in hand and at bank	28.8	16.5
Total	**28.8**	**16.5**

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 estimated 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 liabilities

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 2023	Measured at amortised cost	Fair value through profit or loss	Carrying amount
Current financial assets			
Trade receivables	4.1		4.1
Other financial assets	0.0		0.0
Cash and cash equivalents	28.8		28.8
Total	**32.9**		**32.9**

EUR million, 31 Jan 2023	Measured at amortised cost	Fair value through profit or loss	Carrying amount
Non-current financial liabilities			
Loans from financial institutions	69.9		69.9
Lease liabilities	43.5		43.5
Current financial liabilities			
Lease liabilities	9.9		9.9
Trade payables	16.1		16.1
Accrued interests	0.3		0.3
Total	**139.6**		**139.6**

EUR million, 31 Jan 2022	Measured at amortised 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**

EUR million, 31 Jan 2022	Measured at amortised cost	Fair value through profit or loss	Carrying amount
Non-current financial liabilities			
Loans from financial institutions	69.8		69.8
Lease liabilities	36.3		36.3
Current financial liabilities			
Lease liabilities	8.0		8.0
Trade payables	13.2		13.2
Accrued interests	0.1		0.1
Total	**127.4**		**127.4**

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. Accrued liabilities include only accrued interest since 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 2023	69.9	70.0
31 Jan 2022	69.8	70.0

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 2022 - 31 Jan 2023	1 Feb 2021 - 31 Jan 2022
Interest income	0.0	0.0
Total finance income	**0.0**	**0.0**

Finance costs

EUR million	1 Feb 2022 - 31 Jan 2023	1 Feb 2021 - 31 Jan 2022
Interest expenses on loans from financial institutions	1.2	1.9
Interest expenses on lease liabilities	1.4	1.3
Other financial costs	0.5	1.4
Total finance costs	**3.1**	**4.5**

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.

Puuilo’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 Group’s financial institution loan is unsecured.

Puuilo 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 2023**	**31 Jan 2022**
Liability for lease agreements that will enter into force in the future	17.4	19.0

6 OTHER NOTES

Note 6.1 Related parties

Puuilo Group is controlled by Puuilo Plc. In addition, Puuilo's related parties include key personnel of the Puuilo 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 Puuilo Group purchases some products it sells in its stores from companies owned by related parties. These companies manufacture products that are part of Puuilo's product assortment. In addition, the company leases 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. Transactions with related parties have taken place at market price and on normal terms. All Puuilo employees are entitled to the ordinary personnel discount in Puuilo stores. A related party employed by Puuilo 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 2022 - 31 Jan 2023	1 Feb 2021 - 31 Jan 2022
Net sales	0.0	0.0
Materials and services	2.4	2.2
Rent and other operating expenses	0.5	0.5

Balance sheet

EUR million	31 Jan 2023	31 Jan 2022
Sales receivables	0.0	0.0
Trade payables	0.1	0.1
Lease liabilities (IFRS 16)	1.8	1.7

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 2023	31 Jan 2022
The Board of Directors	5 895 154	6 022 886
CEO	297 712	294 960
Management Team excl. CEO	470 414	433 977

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

Note 6.2 Group structure and consolidation

Puuilo Plc (the parent company), and its wholly owned subsidiaries Puuilo Invest II Ltd and Puuilo Tavaratalot Ltd have been consolidated in the financial statements of Puuilo 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. Puuilo has control over an entity when Puuilo 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

Flagging Notification

On 15 February 2023 Puuilo received a notification in accordance with Chapter 9, Section 6 and 7 of the Finnish Securities Markets Act. According to the notification, Adelis Holding I AB's indirect holdings in shares fell below the flagging threshold of 20% and was 18.66% after the transaction.

Proposal of the Shareholders' Nomination Board

The shareholders' Nomination Board of Puuilo Plc proposes that current members of the Board of Directors Bent Holm, Mammu Kaario, Rasmus Molander and Markku Tuomaala will be re-elected. The Nomination Board also proposes that Lasse Aho and Tuomas Piirtola will be elected as new members to the Board of Directors. Current members of the Board of Directors Tomas Franzén and Timo Mänty have notified that they are no longer available to be elected as members of the Board of Directors. The Nomination Board proposes to the Annual General Meeting that Lasse Aho will be elected as a Chairman of the Board of Directors.

The Nomination Board proposes that the remunerations of the members of the Board of Directors fees are same as the current remuneration fees.

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

Parent company’s income statement

EUR	1 Feb 2022 - 31 Jan 2023	1 Feb 2021 - 31 Jan 2022
Net sales	**1,324,482.72**	**967,157.91**
Personnel expenses		
Salaries and remuneration	-1,224,284.96	-920,949.98
Personnel expenses		
Pension costs	-173,146.53	-119,869.25
Other personnel expenses	-32,240.61	-35,311.89
Personnel cost, total	-1,429,672.10	-1,076,131.12
Other operating expenses	-1,426,090.30	-3,297,307.91
Operating profit (loss)	**-1,531,279.68**	**-3,406,281.12**
Financial income and expenses		
Revenue from shares in other Group companies	9,354,773.12	852,077.78
Other interest and financial income		
From others	0.00	95.58
Interest expenses and other financial expenses		
To Group companies	0.00	-30,000.00
To others	-1,085,572.58	-1,986,646.58
Financial income and expenses, total	8,269,200.54	-1,164,473.22
Profit (loss) before appropriations and taxes	**6,737,920.86**	**-4,570,754.34**
Appropriations		
Group contribution		
Group contributions received	42,934,411.29	36,067,390.66
Appropriations, total	42,934,411.29	36,067,390.66
Income taxes		
Taxes for the financial period	-8,375,132.52	-6,311,676.13
Income taxes, total	-8,375,132.52	-6,311,676.13
Profit (loss) for the financial period	**41,297,199.63**	**25,184,960.19**

Parent company's balance sheet

EUR	31 Jan 2023	31 Jan 2022
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	154,249,516.07	138,926,427.09
Other receivables	25.20	-
Accrued income	66,357.88	85,794.01
Current total	154,315,899.15	139,012,221.10
Cash at hand and in banks	328,247.20	2,107,663.45
Current assets total	154,644,146.35	141,119,884.55
Assets total	154,664,101.20	141,139,839.40

EUR	31 Jan 2023	31 Jan 2022
Liabilities		
Equity		
Share capital	80,000.00	80,000.00
Reserve for invested unrestricted equity	30,000,004.98	30,000,004.98
Profit (loss) for previous financial periods	31,440,985.96	33,185,997.37
Profit (loss) for the financial period	41,297,199.63	25,184,960.19
Equity total	102,818,190.57	88,450,962.54
Liabilities		
Non-current		
Loans from financial institutions	50,000,000.00	50,000,000.00
Non-current total	50,000,000.00	50,000,000.00
Current		
Trade payables	95,078.81	93,310.94
Liabilities to Group companies	81,279.78	34,812.27
Other liabilities	109,454.80	110,040.11
Deferred liabilities	1,560,097.24	2,450,713.54
Current total	1,845,910.63	2,688,876.86
Liabilities total	51,845,910.63	52,688,876.86
Liabilities total	154,664,101.20	141,139,839.40

Parent company's cash flow statement

EUR	1 Feb 2022 - 31 Jan 2023	1 Feb 2021 - 31 Jan 2022
Cash flow from operating activities:		
Profit (loss) before appropriations and taxes	6,737 920.86	-4,570,754.34
Adjustments:		
Financial income and expenses	-8,269 200.54	1,164,473.22
Other adjustments	0.00	79,931.88
Cash flow before change in working capital	-1,531 279.68	-3,326,349.24
Change in working capital:		
Increase(-)/decrease(+) of non-interest-bearing current accounts receivable	9,506.36	-143,485.39
Increase(-)/decrease(+) of non-interest-bearing current liabilities	32,468.21	13,925.59
Cash flow from operating activities before financial items and taxes	-1,489,305.11	-3,455,909.04
Paid interest and payments from other financial expenses from operating activities	-952,619.16	-603,417.68
Financial income from operating activities	0.00	95.58
Direct taxes paid	-9,429,987.89	-7,409,938.05
Cash flow before extraordinary items	-11,871,912.16	-11,469,169.19
Cash flow from operating activities (A)	**-11,871,912.16**	**-11,469,169.19**
Cash flow from investment activities:		
Dividends received from investments	-	-
Returns of capital from other investments	-	-
Cash flow from investment activities (B):	**-**	**-**
Financing cash flow:		
Rights issue	-	28,591,090.78
Withdrawals of long-term loans	-	50,000,000.00
Dividends paid	-25,385,835.90	-
Acquisition of own shares	-1,544,135.70	-
Change in Group financing	37,022,467.51	-65,365,187.73
Financing cash flow (C):	**10,092,495.91**	**13,225,903.05**
Changes in cash and cash equivalents (A+B+C) increase(+)/decrease(-)	-1,779,416.25	1,756,733.86
Cash and cash equivalents at the beginning of the financial period	2,107,663.45	350,929.59
Cash and cash equivalents at the end of the financial period	**328,247.20**	**2,107,663.45**

Notes to the parent company’s financial statements

Accounting policies

Puuilo 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

Performance matching share plan for key employees

On 20 April 2022 the Board of Directors of Puuilo Plc decided to launch a new share-based incentive plan for the key employees of the company. The aim of the plan is to align the objectives of the shareholders and the key employees in order to increase the value of the company in the long-term.

The Performance Matching Share Plan includes one performance period, spanning approximately financial years 2022 – 2024. The performance criteria are the Total Shareholder Return of the Puuilo share (TSR) and the Adjusted EBITA of the Puuilo Group. The target group of the plan consists of a maximum of 75 persons, including the CEO, members of the Management Team, Store Managers and other key personnel. Primarily, the rewards from the plan will be paid partly in the company’s shares and partly in cash by the end of May 2025. The cash proportion is intended to cover taxes and tax-related costs arising from the reward to the participant. The rewards to be paid on the basis of the plan correspond to the value of an approximate maximum total of 315,000 Puuilo Plc shares, including the proportion to be paid in cash. The final number of shares will depend on the participants’ personal share acquisitions and the achievement of the targets set for the performance criteria.

Change of guidance

On 7 September 2022 Puuilo changed its guidance for the financial year 2022 with a stock exchange release. According to the updated forecast net sales would increase. However, net sales growth was forecasted to be below the long-term annual growth target for the current financial year (net sales annual organic growth in excess of 10%). Puuilo forecasted adjusted EBITA to be EUR 40 – 50 million. Refined outlook for adjusted EBITA given in connection with Q3/2022 business review was EUR 46-50 million.

With a stock exchange release on 25 May 2022 Puuilo forecasted adjusted EBITA to be EUR 35–45 million.

Repurchase of own shares

On 17 June 2022, Puuilo announced that the company’s Board of Directors had decided to use the authorization given by the Annual General Meeting held on 17 May 2022 to repurchase the company’s own shares.

The repurchases started on 22 June 2022 and ended on 30 June 2022. During this period, Puuilo repurchased 315,000 shares for an average price of EUR 4.9020 per share, corresponding to approximately 0.37% of the total number of the company's shares, which is 84,776,953.

The repurchased shares are to be used for pay-outs under the share-based incentive plans of Puuilo Plc. The shares were repurchased through public trading on Nasdaq Helsinki at the market price prevailing at the time of repurchase.

Following the repurchases, the company holds a total of 315,000 shares.

Significant events after the end of the reporting period

Flagging Notification

On 15 February 2023 Puuilo received a notification in accordance with Chapter 9, Section 6 and 7 of the Finnish Securities Markets Act. According to the notification, Adelis Holding I AB's indirect holdings in shares fell below the flagging threshold of 20% and was 18.66% after the transaction.

Proposal of the Shareholders' Nomination Board

The shareholders' Nomination Board of Puuilo Plc proposes that current members of the Board of Directors Bent Holm, Mammu Kaario, Rasmus Molander and Markku Tuomaala will be re-elected. The Nomination Board also proposes that Lasse Aho and Tuomas Piirtola will be elected as new members to the Board of Directors. Current members of the Board of Directors Tomas Franzén and Timo Mänty have notified that they are no longer available to be elected as members of the Board of Directors. The Nomination Board proposes to the Annual General Meeting that Lasse Aho will be elected as a Chairman of the Board of Directors.

The Nomination Board proposes that the remunerations of the members of the Board of Directors fees are same as the current remuneration fees.

Notes to the income statement

Net sales

EUR	1 Feb 2022 - 31 Jan 2023	1 Feb 2021 - 31 Jan 2022
Management fees charged from group companies	1,324,482.72	967,157.91
Total	**1,324,482.72**	**967,157.91**

Finance income and cost

EUR	1 Feb 2022 - 31 Jan 2023	1 Feb 2021 - 31 Jan 2022
Dividend income from Group companies	7,947,495.34	0.00
Interest and financial income from other Group companies	1,407,277.78	852,077.78
Interest income from others	0.00	95.58
Interest expenses to Group companies	0.00	-30,000.00
Interest expenses to others	-1,085,572.58	-1,986,646.58
Total	**8,269,200.54**	**-1,164,473.22**

Notes to the assets in balance sheet

Material items included in accrued income

EUR	31 Jan 2023	31 Jan 2022
Prepaid expenses	66,318.99	18,600.00
Other	38.89	67,194.01
Total	**66,357.88**	**85,794.01**

Receivables from Group companies

EUR	31 Jan 2023	31 Jan 2022
Group loan receivables	69,400,000.00	69,400,000.00
Trade receivables	136,863.22	126,958.65
Group contribution receivables	74,505,801.95	68,547,390.66
Other	10,206,850.90	852,077.78
Total	**154,249,516.07**	**138,926,427.09**

Notes to the liabilities in balance sheet

Equity

EUR	**31 Jan 2023**	**31 Jan 2022**
Share capital at the beginning of the financial period	80,000.00	2,500.00
Share capital at the end of the financial period	**80,000.00**	**80,000.00**
Restricted equity total at the end of the financial period	**80,000.00**	**80,000.00**
Reserve for invested unrestricted equity at the beginning of the financial period	30,000,004.98	0.00
Share issue	-	30,000,004.98
Return of capital	**30,000,004.98**	**30,000,004.98**
Reserve for invested unrestricted equity at the end of the financial period		
	33,185,997.37	4,224,740.31
Profit (loss) for previous financial periods at the beginning of the financial period	25,184,960.19	29,038,757.06
Transfer of profit (loss) from previous financial period	-25,385,835.90	-
Dividend distribution	-1,544,135.70	-
Profit (loss) for previous financial periods at the end of the financial period	**31,440,985.96**	**33,185,997.37**
Profit (loss) for the financial period	**41,297,199.63**	**25,184,960.19**
Unrestricted equity at the end of the financial period	**102,738,190.57**	**88,370,962.54**
Equity total	**102,818,190.57**	**88,450,962.54**

Calculation of distributable funds in equity

EUR	**31 Jan 2023**	**31 Jan 2022**
Profit (loss) for previous financial periods	31,440,985,96	33,185,997.37
Profit (loss) for the financial period	41,297,199.63	25,184,960.19
Reserve for invested unrestricted equity	30,000,004.98	30,000,004.98
Distributable funds total	**102,738,190.57**	**88,370,962.54**

Material items included in deferred liabilities

EUR	**31 Jan 2023**	**31 Jan 2022**
Salary accruals	49,331.52	49,826.72
Social security costs	53,165.78	45,680.33
Holiday pay expenses	160,892.30	136,596.90
Interest expenses	187,200.00	54,246.58
Income tax	1,109,507.64	2,164,363.01
Total	**1,560,097.24**	**2,450,713.54**

Notes on auditors' fees

EUR	**31 Jan 2023**	**31 Jan 2022**
Audit	57,000.00	50,000.00
Other services*	307.44	1,008,519.59
Total	**57,307.44**	**1,045,569.59**

* Includes the fees related to the company's IPO

Notes on personnel

	31 Jan 2023	**31 Jan 2022**
Average number of personnel	7	6
Total	**7**	**6**

Personnel expenses

EUR	**31 Jan 2023**	**31 Jan 2022**
Salaries for the financial period	1,224,284.96	920,949.98
Pension costs	173,146.53	119,869.25
Personnel expenses	32,240.61	35,311.89
Total	**1,429,672.10**	**1,076,131.12**

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

This document has been signed electronically with the signature service provided by Suomen Sopimustieto.

Date and signature

In Helsinki, 13 April 2023

Timo Mänty

Chairman of the Board

Tomas Franzén
Member of the Board of Directors

Bent Holm
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 2023

PricewaterhouseCoopers Ltd
Authorised Public Accountants

Mikko Nieminen
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 2023. 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 encompassed the following Puuilo companies: Puuilo Oyj, Puuilo Invest II Oy and 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 judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

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

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

Overall group materiality	EUR 2.0 million (previous year 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

How we tailored our group audit scope

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

The group audit scope encompassed the following Puuilo companies: Puuilo Oyj, Puuilo Invest II Oy and Puuilo 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	How our audit addressed the key audit matter
Valuation of inventory *Reference to note 3.1 Inventories* Puuilo Group balance sheet includes inventories in amount of EUR 89,9 (2021: 92,2) 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 Puuilo 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.	Our procedures included the following procedures, among others: – We assessed the appropriateness of inventories accounting principles applied by Puuilo 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 6 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.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. 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 report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

Helsinki 13 April 2023

PricewaterhouseCoopers Oy
Authorised Public Accountants

Mikko Nieminen
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 2022 – 31 January 2023 in European Single Electronic Format ("ESEF financial statements") version 743700UJUT6FWHBXPR69-2023-01-31-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 Management

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 behaviour.

Our firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or 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 2023 comply, in all material respects, with the minimum requirements as set out in 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

PricewaterhouseCoopers Oy
Authorised Public Accountants

Mikko Nieminen
Authorised Public Accountant (KHT)