

#### A strong year in an unsteady operating environment

##### Highlights Q4/2022

- Net sales increased by 9.7% (+15.1%) and were EUR 68.3 million (62.3)
- Like-for-like store net sales increased by 6.8% (+3.1%)
- Online store net sales increased by 12.0% (-11.8%)
- Gross profit was EUR 24.8 million (22.6) and gross margin was 36.2% (36.3%)
- Adjusted EBITA was EUR 9.7 million (9.8), which corresponds to an adjusted EBITA margin of 14.2% (15.7%), adjusted EBITA includes EUR 0.7 million one-time depreciation.
- EBIT was EUR 9.4 million (9.5) which corresponds to 13.8% of net sales (15.3%)
- Operating free cash flow was EUR 3.9 million (-7.2)
- Earnings per share were EUR 0.08 (0.08)
- Earnings per share excluding listing expenses were EUR 0.08 (0.08)
- Two new stores were opened during the fourth quarter (no new stores)

##### Highlights FY2022

- Net sales increased by 9.7% (+13.2%) and were EUR 296.4 million (270.1)
- Like-for-like store net sales increased by 5.5% (+2.6%)
- Online store net sales increased by 3.9% (+20.8%)
- Gross profit was EUR 107.2 million (99.6) and gross margin was 36.2% (36.9%)
- Adjusted EBITA was EUR 48.8 million (48.4), which corresponds to an adjusted EBITA margin of 16.5% (17.9%), adjusted EBITA includes EUR 0.7 million one-time depreciation.
- EBIT was EUR 47.0 million (44.5) which corresponds to 15.9% of net sales (16.5%)
- Operating free cash flow was EUR 52.7 million (10.8)
- Earnings per share were EUR 0.41 (0.38)
- Earnings per share excluding listing expenses were EUR 0.42 (0.42)
- Three new stores were opened during the reporting period (four new stores)
- Board's dividend proposal EUR 0.34 per share, proposed to be paid in two instalments.

Figures are in millions of euros unless otherwise stated and have been rounded. Hence the sum of individual figures may differ from the total shown. Puuilo's financial year starts on 1 February and ends on 31 January the following year. The figures in parentheses refer to the comparison period the previous year, unless otherwise stated. The information in this report is unaudited.

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#### Conference call in English and webcast in Finnish

The report will be presented for analysts, investors, and the media on the publication date in English at 10:00 am EET (9:00 am CET) and in Finnish at 11.30 am EET (10:30 am CET).

The conference call in English can be followed live at <https://puuilo.videosync.fi/2022-q4-results>. Asking questions requires participation in the conference call. You can access the teleconference by registering on the link <http://palvelu.flik.fi/teleconference/?id=10010324>. After the registration you will be provided phone numbers and a conference ID to access the conference. If you wish to ask questions, please, dial \*5 on your telephone keypad to enter the queue.

The webcast in Finnish will begin at 11.30 am EET at <https://puuilo.videosync.fi/2022-q4-tulos>.

Recordings of both events will be available later the same day at Puuilo's Investors website at <https://www.investors.puuilo.fi/en/reports-and-presentations>.

## Key figures

EUR million	Q4/2022	Q4/2021	2022	2021
Net sales	68.3	62.3	296.4	270.1
Net sales development (%)	9.7%	15.1%	9.7%	13.2%
Like-for-like store net sales development (%)	6.8%	3.1%	5.5%	2.6%
Online store net sales development (%)	12.0%	-11.8%	3.9%	20.8%
Gross profit	24.8	22.6	107.2	99.6
Gross margin (%)	36.2%	36.3%	36.2%	36.9%
Adjusted EBITA*	9.7	9.8	48.8	48.4
Adjusted EBITA margin (%)*	14.2%	15.7%	16.5%	17.9%
EBITA*	9.7	9.8	48.2	45.6
EBITA margin (%)*	14.2%	15.7%	16.2%	16.9%
EBIT	9.4	9.5	47.0	44.5
EBIT margin (%)	13.8%	15.3%	15.9%	16.5%
Net income	6.7	6.5	35.1	31.9
EPS (EUR)	0.08	0.08	0.41	0.38
EPS excl. listing expenses (EUR)	0.08	0.08	0.42	0.42
Dividend (EUR per share)			0.34**	0.30
Operating free cash flow	3.9	-7.2	52.7	10.8
Net debt / adjusted EBITDA	1.5	1.7	1.5	1.7
Number of stores (at the end of the period)	37	34	37	34
Number of personnel converted into full-time employees (FTE)	669	643	693	663

Puulo's financial year starts on 1 February and ends on 31 January the following year

\* Operating profit before the amortisation of Puulo trademark

\*\* Board of Directors' proposal

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

## Outlook for the financial year 2023

Puulo 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.

## Puulo's long-term targets

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

Puulo'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: Puulo aims to distribute at least 80% of net income for each financial year in dividends, 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.

## CEO Juha Saarela's review

Puulo's performance in financial year 2022 was strong. Our growth continued throughout the year. The operating environment can be described as changing and challenging. Covid-19 pandemic came to an end and life normalized in this consideration. Russia's invasion of Ukraine, energy crisis, rise in interest rates and high inflation rates have lowered consumer confidence at a record low. Despite these factors Puulo's concept, that works in all circumstances, was successful and we are satisfied with the whole year's performance.

In Q4, Puulo's net sales increased by 9.7% and the like-for-like net sales increased by 6.8%. We were able to continue to increase the number of customers. In Q4, we opened new stores in Tornio and Lieto. Q4 gross profit was 36.2%, remaining at almost previous year's level. The gross profit was negatively impacted by the additional costs resulting from the high inventory levels, but we still managed to report a good gross margin. Adjusted EBITA was EUR 9.7 million, which corresponds to 14.2% of net sales. Operating expenses remained well under control despite the accelerated inflation. Q4 adjusted EBITA was negatively impacted by EUR 0.7 million depreciation adjustment of cloud-based IT services resulting from the ifric interpretation.

For the full financial year, our net sales increased by 9.7% and the like-for-like net sales increased by 5.5%. We opened new stores in Sastamala, Tornio and Lieto. All new stores have had a solid start. Gross profit for the financial year 2022 was 36.2% (36.9%), a decrease compared to previous year due to temporarily increased storage costs. Adjusted EBITA increased and amounted to EUR 48.8 million, which corresponds to an adjusted EBITA margin of 16.5%.

Puulo was able to maintain its profitability despite the challenging operating environment. We have been consistent, but moderate in passing-on higher purchasing prices to sales prices. We determinedly continued to implement our growth strategy and opened the above mentioned three new stores. We also increased the share of private label products to 20% of net sales while remaining good cost control. In the longer term, our target is to increase the share of private label products to 30%. These factors are well reflected in the Company's result.

Going into 2023, the challenges of the operating environment are still present. Russia's invasion of Ukraine continues, and the world's geopolitical risks have increased. Interest rates continue to rise, and the consumer confidence has remained low. However, our customers' day-to-day life has become easier as the most acute phase of the energy crisis has probably been passed and consumer purchasing power will probably improve as a result of the pay settlements. At the same time, we can see a downward trend in purchase prices of goods supplied by Puulo supported by a decrease in energy and sea freight prices. Therefore, we believe that the gross margin will improve this year. I will take the opportunity to repeat that low-price concept works better in challenging times relative to retail industry in general. Once again this is reflected in our solid figures for the reporting period.

We forecast that net sales and adjusted EBITA in euros will increase in the financial year 2023. The growth is supported by the opening of no less than five new stores in the current financial year. All new stores are located in or near to Helsinki metropolitan area and we are expecting a rapid start for the stores thanks to good business locations. At the same time, we forecast that our relatively young like-for-like stores and the Online store will increase their net sales in the current financial year. We will also continue to improve our internal processes in order to lower costs related to i.e. warehousing, logistics and store operations. We have succeeded in lowering the high inventory levels of 2022, but we are still expecting to increase the inventory turnover.

The Board of Directors proposes for the Annual General Meeting that a dividend of EUR 0.34 per share will be distributed, which exceeds previous year's dividend by more than 10%.

Puulo's growth continues.

To conclude this review of a strong year for Puulo, I want to thank our customers, personnel and shareholders and wish everyone a happy spring!

## Significant events of the reporting 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.

## Growth strategy

Puuilo's target 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.

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

### **Store network development**

During the reporting period Puulo opened new stores in Sastamala, Tornio and Lieto. Lielähti store in Tampere was relocated the 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 Puulo, 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, Puulo 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, Puulo has opened an average of 3 – 4 new stores a year.

### **Financial development**

#### **Seasonality**

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

#### **Financial year**

Puulo's financial year starts on 1 February and ends on 31 January the following year. The figures in parentheses refer to the comparison period the previous year, unless otherwise stated.

#### **Q4/2022**

In November – January Puulo's net sales increased by 9.7% (+15.1%) to EUR 68.3 million (62.3). Net sales of Puulo's stores were EUR 66.3 million (60.5) and net sales of the online store were EUR 2.0 million (1.8), which corresponded to 3.0% (2.9%) of net sales. Like-for-like store net sales increased by 6.8% (+3.1%) in the fourth quarter. Online store net sales increased by 12.0% (-11.8%) in the fourth quarter.

The development of net sales was positively impacted by the increase in net sales of 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.

Puulo's gross profit for the reporting period was EUR 24.8 million (22.6) and the gross margin was 36.2% (36.3%). Gross margin has remained at good level despite the rising purchase prices caused by inflation. We have succeeded in passing increased purchase prices and logistics costs on to the sales prices. In addition, gross margin level was supported by higher share of private label products in net sales. Higher level of inventories compared to previous year have increased storage and transportation costs, which has impacted the gross margin. In absolute terms, inventory levels have slightly increased compared to the end of Q3, but relatively decreased. Inventory turnover has improved also during the last quarter.

Operating expenses were EUR 11.4 million (10.2), which corresponds to 16.7% of net sales (16.4%). The most significant item in operating expenses was personnel expenses. Personnel expenses were EUR 7.4 million (6.9), which corresponds to 10.9% (11.1%) of net sales.

Operating expenses did not include items affecting comparability in the fourth quarter or the comparison period. Q4 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 9.7 million (9.8) and the adjusted EBITA margin was 14.2% (15.7%). EBITA was EUR 9.7 million (9.8) and the EBITA margin was 14.2% (15.7%).

Operating profit was EUR 9.4 million (9.5), which corresponds to an EBIT margin of 13.8% (15.3%).

Net financial expenses were EUR -1.0 million (-0.6). Net financial expenses excluding the effect of IFRS 16 were EUR -0.6 million (-0.3).

Profit before taxes was EUR 8.4 million (8.9). Total income taxes were EUR 1.7 million (2.4). The net result was EUR 6.7 million (6.5) and earnings per share were EUR 0.08 (0.08). Earnings per share excluding the effect of listing expenses were EUR 0.08 (0.08).

## **Financial year 2022**

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%) in the reporting period. 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 for the reporting period 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 reporting period 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 reporting period, Puuilo's inventories were EUR 89.9 million (92.2). The inventory levels have been lowered in a controlled manner after the increase in 2022. 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 in November – January was EUR 3.9 million (-7.2) and in February – January EUR 52.7 million (10.8). In Q4, particularly good EBITA contributed to positive operating free cash flow. The operating free cash flow for the full financial year was supported by a good operating profit and a decrease in working capital.

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

At the end of the reporting period, 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 in the fourth quarter were EUR 0.7 million (1.1) and in February – January 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 full-time employees was 693 (663).

### **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.

At the end of the reporting period, Puuilo had 36,932 registered shareholders.

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 company's website at <https://www.investors.puuilo.fi/en/share-information> and on the management's holdings at

<https://www.investors.puulo.fi/en/corporate-governance/management-team>.

## Flagging notifications

During the review period, Puulo received the following shareholder flagging notifications in accordance with the Finnish Securities Markets Act:

- The Capital Group Companies, Inc.'s indirect holding in Puulo's shares exceeded the 10% flagging threshold on 29 August 2022 and was 10.03%.

## Managers' share transactions

Puulo's managers' transactions after the listing have been published as stock exchange releases and are available on the company's website at <https://www.investors.puulo.fi/en/financial-releases>.

## Principles and key themes of sustainability

Conducting business in a sustainable and responsible manner is an integral part of Puulo's operations, overall quality of operations and our company's values. The company recognises sustainability as a theme that not only affects the entire chain of operations, but also creates value for the business as a whole. This requires precise and targeted measures at all levels of the company.

Customers, personnel, shareholders, authorities, investors and the media were identified as the most relevant stakeholders for sustainability work. All activities aim to serve stakeholders to the highest possible standard, while taking into account sustainability considerations. The key sustainability issues are grouped into three priority areas: Responsible retailer, A good place to work and Sustainable consumption. Being a responsible retailer covers both our own personnel and the supply chain. A good place to work means that Puulo as an employer aims to be a good workplace for our personnel, to which they want to commit to. In addition, we aim to build a responsible work atmosphere and attitude environment that the personnel can relate to and thus be involved in building a shared responsible workplace. Promoting sustainable consumption means concrete savings and measures in our own operations in order to improve the environment but also cost efficiency.

Puulo publishes a report on non-financial information as part of the Report by the Board of Directors. The Report by the Board of Directors and a separate Sustainability Report will be published in week 16.

## Risks and business uncertainties

Puulo 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 Puulo.

The primary objective of risk management in Puulo 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 Puulo's operations, planning and decision-making.

The Board of Directors is responsible for monitoring and ensuring that the Puulo'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. Puulo'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 prudent 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 behavior may occur or purchasing power may change due to inflation or rising energy prices or interest rates.

Puuilo strives to influence consumer behavior through advertising, as well as to maintain a favorable 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 amount 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 keeping job descriptions meaningful. 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.

Puulo 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 Puulo's business, financial position, business results and cash flows.

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

### ***Interest rate risk***

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

Puulo 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 Puulo's risk management are also described on the company's website at <https://www.investors.puulo.fi/en/corporate-governance/risk-management-and-internal-controls>.

## **Significant events after the end of the reporting period**

### **Flagging notification**

On 15 February 2023 Puulo 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 Puulo 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 than the current remuneration fees.

### **Proposal for profit distribution**

The Board of Directors of Puulo 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.

### **Financial statements**

The Financial statements and the Report by the Board of Directors 2022 and will be published during week 16.

### **Annual General Meeting**

Puuilo's Annual General Meeting is planned for Tuesday 16 May 2023. The meeting will be convened by the company's Board of Directors separately at a later date.

### **Next financial reports**

Puuilo's financial year starts on 1 February and ends on 31 January the following year. The company publishes Business reviews for the first and third quarter, a Half-year financial report and a Financial statements release.

Business review February – April 2023	on 14 June 2023
Half-year financial report February – July 2023	on 14 September 2023
Business review February – October 2023	on 14 December 2023

All financial reports are published in English and in Finnish and are available at:  
<https://www.investors.puuilo.fi/en/reports-and-presentations>.

29 March 2023  
PUUILO PLC  
Board of Directors

DISTRIBUTION  
Nasdaq Helsinki  
[www.puuilo.fi](http://www.puuilo.fi)

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## Consolidated statement of comprehensive income

EUR million	1 Aug 2022 - 31 Jan 2023	1 Aug 2021 - 31 Jan 2022	1 Feb 2022 - 31 Jan 2023	1 Feb 2021 - 31 Jan 2022
<b>Net sales</b>	<b>148.3</b>	<b>132.0</b>	<b>296.4</b>	<b>270.1</b>
Other operating income	0.3	0.3	0.4	0.4
Materials and services	-94.3	-83.4	-189.3	-170.6
Personnel expenses	-14.7	-13.4	-29.0	-26.4
Other operating expenses	-8.4	-7.2	-18.0	-17.6
Depreciation, amortisation and impairments	-7.3	-6.0	-13.5	-11.5
<b>Operating profit</b>	<b>24.0</b>	<b>22.3</b>	<b>47.0</b>	<b>44.5</b>
Finance income	0.0	0.0	0.0	0.0
Finance costs	-1.7	-1.4	-3.1	-4.5
Total finance income and costs	-1.7	-1.3	-3.1	-4.5
<b>Profit before taxes</b>	<b>22.3</b>	<b>21.0</b>	<b>43.9</b>	<b>39.9</b>
Current income tax	-4.7	-4.4	-9.2	-8.1
Deferred income tax	0.2	0.2	0.4	0.0
Total income tax expense	-4.5	-4.2	-8.8	-8.0
<b>Profit for the period</b>	<b>17.8</b>	<b>16.7</b>	<b>35.1</b>	<b>31.9</b>
<b>Total comprehensive income for the period</b>	<b>17.8</b>	<b>16.7</b>	<b>35.1</b>	<b>31.9</b>
Profit for the period attributable to:				
Owners of the parent	17.8	16.7	35.1	31.9
<b>Profit for the period</b>	<b>17.8</b>	<b>16.7</b>	<b>35.1</b>	<b>31.9</b>
<b>Earnings per share for net profit attributable to owners of the parent</b>				
Basic and diluted earnings per share (EUR)	0.21	0.20	0.41	0.38

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Earnings per share has been calculated considering the free-of-charge share issue executed during the reporting period 2021.

Profit for 2022 included EUR 0.5 million listing expenses. Profit for H2/2021 included EUR 0.1 million listing expenses. Profit for 2021 included EUR 2.8 million listing expenses

## Consolidated balance sheet

EUR million	31 Jan 2023	31 Jan 2022
<b>ASSETS</b>		
<b>Non-current assets</b>		
Goodwill	33.5	33.5
Intangible assets	17.4	19.4
Property, plant and equipment	2.6	2.3
Right-of-use assets	53.0	44.4
Deferred tax assets	0.7	0.5
<b>Total non-current assets</b>	<b>107.2</b>	<b>100.2</b>
<b>Current assets</b>		
Inventories	89.9	92.2
Trade receivables	4.1	4.0
Other receivables	1.3	1.4
Cash and cash equivalents	28.8	16.5
<b>Total current assets</b>	<b>124.1</b>	<b>114.1</b>
<b>Total assets</b>	<b>231.3</b>	<b>214.3</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	0.1	0.1
Reserve for invested unrestricted equity	29.0	29.0
Retained earnings	12.0	6.8
Profit for the period	35.1	31.9
<b>Total equity attributable to owners of the parent</b>	<b>76.1</b>	<b>67.8</b>
<b>Total equity</b>	<b>76.1</b>	<b>67.8</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Loans from financial institutions	69.9	69.8
Lease liabilities	43.5	36.3
Provisions	0.8	0.7
Deferred tax liabilities	3.0	3.2
<b>Total non-current liabilities</b>	<b>117.1</b>	<b>110.0</b>
<b>Current liabilities</b>		
Lease liabilities	9.9	8.0
Trade payables	16.1	13.2
Advances received	0.3	0.3
Income tax liabilities	2.0	4.1
Other current liabilities	9.9	11.0
<b>Total current liabilities</b>	<b>38.0</b>	<b>36.5</b>
<b>Total liabilities</b>	<b>155.1</b>	<b>146.5</b>
<b>Total equity and liabilities</b>	<b>231.3</b>	<b>214.3</b>

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

## Consolidated statement of changes in equity

EUR million	Share capital	Reserve for invested unrestricted equity	Own shares	Retained earnings	Total equity
<b>Equity on 1 February 2022</b>	<b>0.1</b>	<b>29.0</b>	-	<b>38.8</b>	<b>67.8</b>
Profit for the period				35.1	35.1
<b>Total comprehensive income for the period</b>	<b>0.1</b>	<b>29.0</b>		<b>35.1</b>	<b>35.1</b>
Dividends				-25.4	-25.4
Acquisition of own shares			-1.5		-1.5
Share-based incentive plan				0.2	0.2
<b>Total transactions with owners</b>			<b>-1.5</b>	<b>-25.2</b>	<b>-26.8</b>
<b>Equity on 31 January 2023</b>	<b>0.1</b>	<b>29.0</b>	<b>-1.5</b>	<b>48.6</b>	<b>76.1</b>

EUR million	Share capital	Reserve for invested unrestricted equity	Own shares	Retained earnings	Total equity
<b>Equity on 1 February 2021</b>	<b>0.0</b>	-	-	<b>6.9</b>	<b>6.9</b>
Profit for the period				31.9	31.9
<b>Total comprehensive income for the period</b>	<b>0.0</b>			<b>31.9</b>	<b>31.9</b>
Increase in share capital	0.1			-0.1	0.0
Share issue*		29.0			29.0
<b>Total transactions with owners</b>	<b>0.1</b>	<b>29.0</b>	-	<b>-0.1</b>	<b>29.0</b>
<b>Equity on 31 January 2022</b>	<b>0.1</b>	<b>29.0</b>	-	<b>38.8</b>	<b>67.8</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

\* The gross assets from the share issue were EUR 30 million. Listing expenses of EUR 1.4 million less a tax effect of EUR 0,3 million have been recognized in the reserve for invested unrestricted equity fund.

## Consolidated statement of cash flows

EUR million	1 Aug 2022 - 31 Jan 2023	1 Aug 2021 - 31 Jan 2022	1 Feb 2022 - 31 Jan 2023	1 Feb 2021 - 31 Jan 2022
<b>Cash flows from operating activities</b>				
Profit for the period	17.8	16.7	35.1	31.9
Adjustments for:				
Depreciation, amortisation and impairments	7.3	6.0	13.5	11.5
Gains/losses on disposal of property, plant and equipment	0.0	0.0	0.0	0.0
Other non-cash adjustments	0.1	0.1	0.2	0.1
Finance income and costs	1.7	1.3	3.1	4.5
Income tax expense	4.5	4.2	8.8	8.0
Changes in working capital				
Change in trade and other receivables	1.8	1.5	0.0	-0.1
Change in inventories	3.2	-21.0	2.3	-33.7
Change in trade and other current non-interest-bearing liabilities	-9.9	-6.5	1.6	-1.1
Interests paid	-0.6	-0.5	-1.1	-2.0
Interests of lease liabilities	-0.7	-0.7	-1.4	-1.3
Interests received	0.0	0.0	0.0	0.0
Arrangement fee for loans from financial institutions and other financial costs	-0.1	-0.2	-0.3	-0.6
Income taxes paid	-7.5	-5.3	-11.4	-7.4
<b>Net cash flows generated from operating activities</b>	<b>17.5</b>	<b>-4.3</b>	<b>50.4</b>	<b>9.7</b>
<b>Cash flows from investing activities</b>				
Payments for intangible assets	-0.5	2.8	-0.8	-3.1
Payments for property, plant and equipment	-0.9	0.2	-1.8	-1.3
Proceeds from sale of property, plant and equipment	0.0	0.0	0.0	0.0
<b>Net cash flows used in investing activities</b>	<b>-1.4</b>	<b>-2.5</b>	<b>-2.6</b>	<b>-4.4</b>
<b>Cash flows from financing activities</b>				
Share issue	-	-0.4	-	28.6
Proceeds from borrowings	-	-	8.0	70.0
Repayments of loans from financial institutions	-8.0	-	-8.0	-91.0
Repayments of lease liabilities	-4.4	-3.9	-8.6	-7.6
Dividends	-12.7	-	-25.4	-
Acquisition of own shares	-	-	-1.5	-
<b>Net cash flows used in financing activities</b>	<b>-25.1</b>	<b>-4.3</b>	<b>-35.6</b>	<b>0.0</b>
Net increase (+)/(-) decrease in cash and cash equivalents	-9.0	-11.1	12.3	5.4
Cash and cash equivalents at the beginning of the period	37.8	27.6	16.5	11.2
<b>Cash and cash equivalents at the end of period</b>	<b>28.8</b>	<b>16.5</b>	<b>28.8</b>	<b>16.5</b>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Profit for 2022 included EUR 0.5 million listing expenses. Profit for H2/2021 included EUR 0.1 million listing expenses. Profit for 2021 included EUR 2.8 million listing expenses

# Notes to the financial information

## 1. Basis of preparation

This financial information has been prepared in accordance with IAS 34 Interim Financial Reporting – standard. In preparation of this financial information the same accounting policies, methods of computation and presentation have been applied as in the consolidated financial statements 2021. 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. Accounting principles as well as the accounting estimates and assumptions used are discussed in Note 6. Share-based payments. No other new accounting policies have been adopted during the reporting period, that would have had a material impact to this financial information. The financial statements release does not include all the notes included in the consolidated financial statements for the reporting period ended 31 January 2022 and this financial information should be read in conjunction with the consolidated financial statements. This financial information has not been audited.

Due to the nature of Puuilo's operations, the group has only one reportable operating segment. Individual stores and online store are considered as distribution channels for Puuilo's products, and all the stores operate under the Puuilo trademark. Functions such as financial management, information management, marketing, purchases, and logistics are centralized and managed on the group level.

The preparation of financial information requires management to make estimates and assumptions that affect the application of accounting policies and the recognized amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates. Accounting estimates and assumptions used in the calculation of share-based payments are discussed in Note 6. In other respects, the estimates and assumptions used in the preparation on financial information are similar to those applied in the preparation of the consolidated financial statements for the financial year ended 31 January 2022.

Figures presented in parentheses refer to corresponding reporting period in previous reporting period, if not otherwise stated.

## 2. Seasonality

Puuilo's business is, in part, seasonal in nature. As such, there are seasonal peaks in Puuilo's net sales, results of operations and cash flows, despite the retail sector being relatively independent of seasons. Historically, Puuilo's most important seasons in terms of net sales have been the second and third quarter of each year. Additionally, Puuilo's net sales are partly impacted by exceptional, harsh, or seasonally atypical weather.

## 3. Significant events of the reporting 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 new 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

Puulo 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 Puulo 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%). Puulo 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 Puulo forecasted adjusted EBITA to be EUR 35–45 million.

### Repurchase of own shares

On 17 June 2022, Puulo 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, Puulo 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 Puulo 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.

## 4. Earnings

EUR million	1 Aug 2022 - 31 Jan 2023	1 Aug 2021 - 31 Jan 2022	1 Feb 2022 - 31 Jan 2023	1 Feb 2021 - 31 Jan 2022
Stores	143.6	127.9	286.4	260.5
Online store	4.7	4.1	10.0	9.6
<b>Net sales total</b>	<b>148.3</b>	<b>132.0</b>	<b>296.4</b>	<b>270.1</b>

## 5. Management remuneration

EUR million	1 Aug 2022 - 31 Jan 2023	1 Aug 2021 - 31 Jan 2022	1 Feb 2022 - 31 Jan 2023	1 Feb 2021 - 31 Jan 2022
<b>CEO</b>				
Salary, other remuneration and benefits	0.1	0.1	0.2	0.2
Pension costs	0.0	0.0	0.0	0.0
<b>Total</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>	<b>0.2</b>
<b>Management team excl. CEO</b>				
Salary, other remuneration and benefits	0.4	0.4	0.8	0.8
Pension costs	0.1	0.1	0.1	0.1
<b>Total</b>	<b>0.4</b>	<b>0.4</b>	<b>1.0</b>	<b>0.9</b>
<b>The Board of Directors</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>	<b>0.1</b>
<b>Total Management team and the Board of Directors</b>	<b>0.7</b>	<b>0.7</b>	<b>1.4</b>	<b>1.2</b>

## 6. 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 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:

<b>Grant date and fair value of share-based payments</b>	<b>Performance period 2022-2024</b>
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 Mars 2025
Commitment period start date	3 June 2022
Commitment period end date (Management Team)	31 Mars 2026
Commitment period end date (Others)	31 Mars 2025

<b>Assumptions applied in determining the fair value of share award:</b>	<b>Performance period 2022-2024</b>
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

## 7. Intangible and tangible assets

EUR million	1 Aug 2022 - 31 Jan 2023	1 Aug 2021 - 31 Jan 2022	1 Feb 2022 - 31 Jan 2023	1 Feb 2021 - 31 Jan 2022
<b>Goodwill</b>				
Net carrying amount at the beginning of the reporting period	33.5	33.5	33.5	33.5
<b>Net carrying amount at the end of the reporting period</b>	<b>33.5</b>	<b>33.5</b>	<b>33.5</b>	<b>33.5</b>

EUR million	1 Aug 2022 - 31 Jan 2023	1 Aug 2021 - 31 Jan 2022	1 Feb 2022 - 31 Jan 2023	1 Feb 2021 - 31 Jan 2022
<b>Trademark</b>				
Net carrying amount at the beginning of the reporting period	15.1	16.3	15.7	16.8
Amortisation and impairment	-0.6	-0.6	-1.1	-1.1
<b>Net carrying amount at the end of the reporting period</b>	<b>14.6</b>	<b>15.7</b>	<b>14.6</b>	<b>15.7</b>

EUR million	1 Aug 2022 - 31 Jan 2023	1 Aug 2021 - 31 Jan 2022	1 Feb 2022 - 31 Jan 2023	1 Feb 2021 - 31 Jan 2022
<b>Intangible and tangible assets</b>				
Net carrying amount at the beginning of the reporting period	5.9	3.8	6.0	3.6
Amortisation, depreciation and impairment	-1.7	-0.9	-2.6	-1.6
Additions	1.3	3.2	2.0	4.0
Disposals	0.0	-	0.0	-
<b>Net carrying amount at the end of the reporting period</b>	<b>5.4</b>	<b>6.1</b>	<b>5.4</b>	<b>6.0</b>

## 8. Right-of-use assets

EUR million	1 Aug 2022 - 31 Jan 2023	1 Aug 2021 - 31 Jan 2022	1 Feb 2022 - 31 Jan 2023	1 Feb 2021 - 31 Jan 2022
<b>Right-of-use assets</b>				
Net carrying amount at the beginning of the reporting period	44.9	44.6	44.4	43.9
Depreciation and impairment	-5.1	-4.5	-9.8	-8.7
Additions and other changes	13.1	4.3	18.4	9.2
<b>Net carrying amount at the end of the reporting period</b>	<b>53.0</b>	<b>44.4</b>	<b>53.0</b>	<b>44.4</b>

## 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
<b>Total</b>	<b>58.9</b>	<b>48.4</b>

## 9. Net Debt

Net debt calculated based on the consolidated balance sheet as follows:

EUR million	31 Jan 2023	31 Jan 2022
<b>Non-current financial liabilities</b>		
Loans from financial institutions	69.9	69.8
Lease liabilities	43.5	36.3
<b>Total non-current financial liabilities</b>	<b>113.4</b>	<b>106.1</b>
<b>Current financial liabilities</b>		
Lease liabilities	9.9	8.0
<b>Total current financial liabilities</b>	<b>9.9</b>	<b>8.0</b>
<b>Total financial liabilities</b>	<b>123.2</b>	<b>114.1</b>
Cash and cash equivalents	28.8	16.5
<b>Net debt</b>	<b>94.4</b>	<b>97.6</b>

Loans from financial institutions are classified in level 3 of the fair value hierarchy because their fair value is based on non-observable inputs, including the company's own estimates related to the level of risk premium.

The loan from financial institution is measured at amortized cost. The carrying value of the loan is estimated to substantially correspond to their fair values.

## 10. Equity

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.

## 11. Contingent liabilities

EUR million	31 Jan 2023	31 Jan 2022
Liability for leases with the lease term beginning after the end of reporting period	17.4	19.0

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 yet recognised in the balance sheet.

## 12. Related party transactions

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:

### Statement of comprehensive income

EUR million	1 Aug 2022 - 31 Jan 2023	1 Aug 2021 - 31 Jan 2022	1 Feb 2022 - 31 Jan 2023	1 Feb 2021 - 31 Jan 2022
Sales	0.0	0.0	0.0	0.0
Purchases	1.4	1.1	2.4	2.2
Lease payments and other operating expenses	0.2	0.2	0.5	0.5

### Balance sheet

EUR million	1 Feb 2022 - 31 Jan 2023	1 Feb 2021 - 31 Jan 2022
Sales receivables	0.0	0.0
Trade payables	0.1	0.1
Lease liabilities (IFRS 16)	1.8	1.7

### **13. Significant events after the end of 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 the same as the current remuneration fees.

## Calculation of certain alternative performance measures and other key figures

Puulo 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 Puulo'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 review 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 relate 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
<b>Like-for-like store net sales development (%)</b>	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 like-for-like stores.
<b>Online net sales development (%)</b>	Change in online store net sales for the period divided by online store net sales for the previous period
<b>Gross profit</b>	Net sales – materials and services
<b>Gross margin (%)</b>	Gross profit as percentage of net sales
<b>EBITA</b>	Operating profit before the amortisation of Puulo trademark
<b>EBITA margin (%)</b>	EBITA as percentage of net sales
<b>Adjusted EBITA</b>	EBITA adjusted with items affecting comparability
<b>Adjusted EBITA margin (%)</b>	Adjusted EBITA as percentage of net sales
<b>EBIT (operating profit)</b>	Profit before income taxes and finance income and finance costs (operating profit)
<b>EBIT margin (%)</b>	EBIT as percentage of net sales
<b>Earnings per share (basic and diluted) (EUR)</b>	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 has been calculated for all periods presented considering the free-of-charge share issue executed in the financial year 2021.
<b>Earnings per share excluding listing expenses (EUR)</b>	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 has been calculated for all periods presented considering the free-of-charge share issue executed in the financial year 2021.
<b>EBITDA</b>	Operating profit before depreciation, amortisation, and impairment
<b>Adjusted EBITDA</b>	EBITDA before items affecting comparability
<b>Operating free cash flow</b>	Adjusted EBITDA – depreciation of right-of-use assets – change in net working capital in cash flow statement – net capital expenditure
<b>Net debt / Adjusted EBITDA</b>	Interest-bearing liabilities (loans from financial institutions + lease liabilities) – cash and cash equivalents divided by annualised adjusted EBITDA

## Reconciliation of alternative performance measures

EUR million	1 Nov 2022 - 31 Jan 2023	1 Nov 2021 - 31 Jan 2022	1 Feb 2022 - 31 Jan 2023	1 Feb 2021 - 31 Jan 2022
<b>Items affecting comparability</b>				
Strategic projects	-	-	0.1	-
Administration	-	-	-	0.0
Listing expenses	-	-	0.5	2.8
<b>Items affecting comparability</b>	<b>-</b>	<b>-</b>	<b>0.6</b>	<b>2.9</b>
<b>Gross profit</b>				
Net sales	68.3	62.3	296.4	270.1
Materials and services	43.6	39.7	189.3	170.6
<b>Gross profit</b>	<b>24.8</b>	<b>22.6</b>	<b>107.2</b>	<b>99.6</b>
<b>EBITA and adjusted EBITA</b>				
Operating profit	9.4	9.5	47.0	44.5
Trademark amortisation	0.3	0.3	1.1	1.1
<b>EBITA</b>	<b>9.7</b>	<b>9.8</b>	<b>48.2</b>	<b>45.6</b>
Items affecting comparability	-	-	0.6	2.9
<b>Adjusted EBITA</b>	<b>9.7</b>	<b>9.8</b>	<b>48.8</b>	<b>48.4</b>
<b>EBITDA and Adjusted EBITDA</b>				
Operating profit	9.4	9.5	47.0	44.5
Depreciation, amortisation and impairments	4.1	3.1	13.5	11.5
<b>EBITDA</b>	<b>13.5</b>	<b>12.6</b>	<b>60.6</b>	<b>55.9</b>
Items affecting comparability	-	-	0.6	2.9
<b>Adjusted EBITDA</b>	<b>13.5</b>	<b>12.6</b>	<b>61.2</b>	<b>58.8</b>
<b>Operating free cash flow</b>				
Adjusted EBITDA	13.5	12.6	61.2	58.8
Net capital expenditure	-0.7	-1.1	-2.6	-4.4
Depreciation of right-of-use assets	-2.6	-2.3	-9.8	-8.7
Changes in working capital	-6.3	-16.5	3.9	-34.9
<b>Operating free cash flow</b>	<b>3.9</b>	<b>-7.2</b>	<b>52.7</b>	<b>10.8</b>
<b>Net debt / Adjusted EBITDA</b>				
Net debt	94.4	97.6	94.4	97.6
Adjusted EBITDA, rolling 12 mths	61.2	58.8	61.2	58.8
<b>Net debt / Adjusted EBITDA</b>	<b>1.5</b>	<b>1.7</b>	<b>1.5</b>	<b>1.7</b>