



# FINANCIAL STATEMENTS

MERCADA OY  
1.1. - 31.12.2018



# **Financial Statements 1 January - 31 December 2018**

## **Contents**

	<b>Page</b>
<b>Report by the Board of Directors</b>	<b>5-6</b>
<b>Consolidated income statement</b>	<b>7</b>
<b>Consolidated balance sheet</b>	<b>8</b>
<b>Consolidated statement of cash flows</b>	<b>9</b>
<b>Notes to the consolidated financial statements</b>	<b>10-16</b>
<b>Parent company's income statement</b>	<b>17</b>
<b>Parent company's balance sheet</b>	<b>18</b>
<b>Parent company's statement of cash flows</b>	<b>19</b>
<b>Notes to the parent company's financial statements</b>	<b>20-25</b>
<b>Signatures and auditor's note</b>	<b>27</b>





Reikiläisyyden ja  
vakuutusmaksun  
1,590,-  
**SolarShop**

**sohson**  
ALAINEN

**TOKMANNI**  
Ma-Pe  
8-20  
La  
8-18  
Su  
11-18

**Paulig**

# Report by the board of directors for the financial period 1 January – 31 December 2018

## Group structure and operations

Mercada Oy is a joint venture owned with equal shares of Kesko Corporation, the Swedish life insurance company AMF Pensionsförsäkring AB and Ilmarinen Mutual Pension Insurance Company.

The parent company of the group, Mercada Oy and its subsidiaries in Finland and Sweden own, lease, manage and develop store sites primarily used by Kesko Group.

## Material events during the financial period

Mercada's operational results were stable during the reporting period. The net rental income stayed at a high level and the occupancy ratio remained strong.

Mercada enjoyed predictable cash flow from grocery dominated Kesko business. Kesko is the most important tenant generating approximately 80 % of Mercada's gross rental income with long lease maturities. Kesko is the single tenant with triple-net lease agreements in 39 out of 41 Mercada owned properties.

Mercada's both shopping centres performed well. According to KTI, an independent research organisation, the occupancy rates and average purchases were well above the average of Finnish regional shopping centres.

Mercada Oy reached its operative targets during the reporting period. The operational results in 2018 were at a good level and in accordance with the expectations.

The fair value of the investment properties was as at 31 December 2018 EUR 676.5 million.

## Group structure and financing arrangements

Investment properties are financed in addition to equity with loans from the shareholders, variable rate loans from financial institutions and a secured bond. The duration of the bank loan interests' have been extended with interest rate derivatives.

The Group structure remained unchanged during reporting period.

## Personnel

The company employed one person during the reporting period.

## Shares of the company

The company's share capital is EUR 33,000,000.00 comprising of 3,300,000 shares. The share capital has been fully paid. The company has one share type and each share entitles to one vote at the general meeting.

## Financial position and result of the Group

	2018	2017	Change
Net sales, EUR million	49.9	50.1	-0.3
Operating profit, EUR million	41.8	59.4	17.7
Return on investment (%)	6.3	9.0	(pp) -2.7
Equity ratio (%)	12.3	10.8	(pp) 1.4
Equity ratio when shareholders' loans are included in equity (%)	36.3	35.3	(pp) 1.0



## The company's organization, management and auditor

There are three ordinary members in the board of directors of Mercada Oy:

1 January 2018 – 29 May 2018

Jukka Erlund, chair

Tomi Aimonen, member

Fredrik Ronvall, member

30 May 2018 –

Tomi Aimonen, chair

Pernilla Arnrud Melin, member

Jukka Erlund, member

Harri Holmström has acted as the managing director of the company starting from 1.10.2015.

PricewaterhouseCoopers Oy, Authorized Public Accountants, act as the auditors of the company with APA Mikko Nieminen as the auditor with principal responsibility.

### Estimate on material risks and uncertainties

The most significant risks associated with the company's operations relate to the general economic and trading sector development in Finland and particularly its possible effects to the occupancy rates and rental levels of the shopping centres. The tenant credit risk is also a potential risk especially due to company's real estate portfolio structure where Kesko Group is the single tenant in all properties excluding shopping centres.

### Estimate on probable future development

The company's management estimate that the operations and financial results remain unchanged.

### Material events after the balance sheet date

There have been no events after the balance sheet date, which would materially affect the development during the current financial period.

### The proposal by the Board of Directors regarding the profit for the year

The parent company's loss for the financial period was EUR 18,616,212.23. The company has no distributable funds. Mercada's Board of Directors' proposes to the Annual General Meeting that the result of the financial period ended 31 December 2018 would be recorded to the retained earnings.



## Consolidated Financial Statements

### Consolidated Income Statement

EUR	1 Jan. - 31 Dec. 2018	1 Jan. - 31 Dec. 2017
<b>Gross rental income</b>	<b>49 851 611,90</b>	<b>50 128 267,89</b>
Property operating expenses and expenses from leasing operations	-7 173 410,53	-7 023 005,55
<b>Net rental income</b>	<b>42 678 201,37</b>	<b>43 105 262,34</b>
Other operating expenses	-1 193 178,15	-1 017 001,62
Depreciations	-	-
Net fair value gains on investment property	273 894,00	17 321 548,44
<b>Operating profit</b>	<b>41 758 917,22</b>	<b>59 409 809,16</b>
Net financial income and expenses	-27 217 860,60	-29 945 902,46
<b>Profit before taxes</b>	<b>14 541 056,62</b>	<b>29 463 906,70</b>
Current taxes	0,09	-31 028,11
Change in deferred taxes	-2 960 113,90	-6 060 373,78
<b>Profit for the period</b>	<b>11 580 942,81</b>	<b>23 372 504,81</b>

Offering sustainable retail sites and the best shopping experience for customers

## Consolidated Balance Sheet

EUR	31 Dec. 2018	31 Dec. 2017
<b>ASSETS</b>		
NON-CURRENT ASSETS		
Other intangible assets	2 531 005,46	2 004 313,92
Investment properties	673 926 411,56	675 444 976,00
	<b>676 457 417,02</b>	<b>677 449 289,92</b>
CURRENT ASSETS		
RECEIVABLES		
Long term receivables		
Other receivables	201 698,77	254 548,77
Deferred tax assets	3 723 242,45	-
	3 924 941,22	254 548,77
Short term receivables		
Trade receivables	53 901,02	132 132,84
Other receivables	5 382 825,02	583 239,64
Accruals	<b>18 832,45</b>	<b>32 953,42</b>
	5 455 558,49	748 325,90
<b>CASH AND CASH EQUIVALENTS</b>	<b>11 687 269,73</b>	<b>8 274 992,47</b>
<b>TOTAL ASSETS</b>	<b>697 525 186,46</b>	<b>686 727 157,06</b>

EUR	31 Dec. 2018	31 Dec. 2017
<b>EQUITY AND LIABILITIES</b>		
Equity attributable to owners of the parent		
Share capital	33 000 000,00	33 000 000,00
Translation differences	-1 169 452,51	-656 592,65
Retained earnings	42 035 214,27	18 662 709,46
Net income for the reporting period	11 580 942,81	23 372 504,81
	<b>85 446 704,57</b>	<b>74 378 621,62</b>
LIABILITIES		
Long-term liabilities		
Bond 2017	175 000 000,00	175 000 000,00
Loans from financial institutions	230 805 052,27	240 898 639,25
Shareholders' loans	167 977 725,09	167 977 725,09
Other liabilities	196 375,93	161 184,83
Deferred tax liabilities	18 014 516,57	11 405 836,38
	<b>591 993 669,86</b>	<b>595 443 385,55</b>
Short-term liabilities		
Loans from financial institutions	8 750 000,00	8 750 000,00
Trade payables	254 953,34	351 781,18
Other liabilities	7 108 403,54	1 964 509,69
Accruals	3 971 455,15	5 838 859,02
	20 084 812,03	16 905 149,89
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>697 525 186,46</b>	<b>686 727 157,06</b>



## Consolidated Statement of Cash Flows

EUR	1 Jan. - 31 Dec. 2018	1 Jan. - 31 Dec. 2017
<b>Cash flows from operating activities</b>		
Profit before taxes	14 541 056,62	29 463 906,70
Adjustments		
Finance income and costs	27 217 860,60	29 945 902,46
Other adjustments	-273 830,44	-17 292 125,24
	<b>41 485 086,78</b>	<b>42 117 683,92</b>
Change in working capital		
Current non-interest bearing receivables, increase (-)/decrease(+)	-3 367 063,03	1 708 139,24
Current non-interest bearing liabilities, increase (-)/decrease(+)	3 057 801,28	-1 418 764,54
	-309 261,75	289 374,70
Interest paid and other finance costs	-27 099 945,02	-29 452 320,62
Interest received	10 352,92	6 349,50
Taxes paid	0,09	-168 901,30
	-27 089 592,01	-29 614 872,42
<b>Net cash flows from operating activities</b>	<b>14 086 233,02</b>	<b>12 792 186,20</b>
<b>Cash flows from investing activities</b>		
Payments for tangible and intangible assets	-1 929 882,94	-1 123 336,83
<b>Net cash flows from investing activities</b>	<b>-1 929 882,94</b>	<b>-1 123 336,83</b>
<b>Cash flows from financing activities</b>		
Long-term interest-bearing liabilities, increase(+)/decrease(-)	-8 744 072,82	-14 550 596,44
<b>Net cash flows from financing activities</b>	<b>-8 744 072,82</b>	<b>-14 550 596,44</b>
<b>Change in cash and cash equivalents</b>	<b>3 412 277,26</b>	<b>-2 881 747,07</b>
<b>Cash and cash equivalents at the beginning of reporting period</b>	<b>8 274 992,47</b>	<b>11 156 739,54</b>
<b>Cash and cash equivalents at the end of reporting period</b>	<b>11 687 269,73</b>	<b>8 274 992,47</b>

# Notes to the consolidated financial statements

## Note 1. Accounting policies for the consolidated financial statements

The parent company of Mercada Group, Mercada Oy, is a Finnish limited liability company constituted in accordance with the laws of Finland. The company is domiciled in Helsinki with its registered address Sörnäistenkatu 2, 00580 Helsinki. The company owns real estate properties in Finland and in Sweden.

The consolidated financial statements of Mercada Group have been prepared in accordance with the Finnish Accounting Act which came into force on 1.1.2016.

## Consolidation

### Subsidiaries

The consolidated financial statements include Mercada Oy and subsidiaries controlled by the Group. Control exists when the Group has more than half of the voting rights of a subsidiary and this majority in votes is based on ownership, membership, articles of association or other similar rules or agreements or when the group has the right to nominate or dismiss majority of the members of the board or equivalent body in the subsidiary. Acquired subsidiaries are consolidated from the date on which the Group gains control until the date on which control ceases. Subsidiaries are listed in note 11.

Mutual shareholding is eliminated by using the acquisition cost method. The cost of assets acquired is determined on the basis of the fair value of the acquired assets as at the acquisition date, the issued equity instruments and liabilities resulting from or assumed on the date of the exchange transaction. The identifiable assets, liabilities and contingent liabilities acquired are measured at the fair value at the acquisition date, gross of minority interest.

Intragroup transactions, receivables and payables, unrealised profits and internal distributions of profits are eliminated when preparing the consolidated financial statements. Unrealised losses are not eliminated if the loss is due to the impairment of an asset. Minority interest in the profit for the period is disclosed in the income statement and the amount of equity attributable to the minority interest is disclosed separately in equity.

### Mutual real estate companies

Mutual real estate companies are consolidated as assets under joint control on a line-by-line basis in proportion to ownership. The Group's share of mutual real estate companies' loans and reserves is accounted for separately in the consolidation.

### Investment properties

Investment property is real estate that the group holds in order to obtain rental income or capital appreciation or for both. Investment properties are accounted for according to the fair value model in accordance with IAS 40 Investment properties -standard, where the change in the fair value of the investment properties is recorded in the income statement. Initially investment properties are measured at cost, including transaction costs. After the initial measurement investment properties are measured at their fair value at the balance sheet date.

The value of the investment properties are determined by an external authorized evaluator. The valuation is based on net cash flow analysis, DCF. The annual cash flow is calculated based on the lease agreement in force the time of the valuation. For vacant premises a market rent assessed by the evaluator is used. Maintenance costs and capital expenditure are deducted from the gross rent income. The net cash flow is discounted with property-specific discount rate, which comprises of the yield requirement. Yield requirements are determined for each property by taking into account property-specific risk and market risk. The total value of the property portfolio is calculated as the sum of the individual properties' fair values.

Gains and losses on the change in fair value of investment properties are presented as net amount in the income statement in a separate line item within operating profit in the income statement.

### Foreign currency items

The consolidated financial statements are presented in euros, which is both the functional currency of the environment in which the Group's parent operates and the presentation currency. On initial recognition, the amounts with respect to the result and financial position of the Group companies located outside the euro zone are recorded in the functional currency of each of their operating environments.

Foreign currency transactions are recorded in euros by applying the exchange rate at the date of the transaction. Receivables and liabilities denominated in foreign currency are translated into euros using the closing rate. Exchange rate gains and losses on foreign currency transactions and receivables and liabilities denominated in foreign currency are recognised in the income statement. Foreign exchange gains and losses resulting from operating activities are included in the respective items above operating profit.

The foreign exchange difference resulting from the use of different rates, and the translation differences arising from the elimination of the acquisition cost of subsidiaries outside the euro zone, are recognised in equity. In connection with the disposal of a subsidiary, translation differences are recognised in the income statement as part of the gains or losses on the disposal.

# Notes to the consolidated financial statements

## Derivative financial instruments

### Interest rate derivatives

Interest rate derivatives are used to increase the duration of borrowings. The company's loans from financial institutions are variable rate loans and the loan agreements require that the interest rates are partly converted into fixed interest rates using interest rate derivatives.

Realized cash flows arising from interest rate derivatives are recognised during the financial year as interest income or expenses.

### Pension plans

Personnel's statutory pension provision is organised through pension insurance companies. Pension costs are recognised as expense in the income statement.

### Income taxes

Income taxes in the consolidated income statement include the income tax payments of group companies for the period calculated based on the profit for the period, taxes payable for prior periods, tax refunds and change in deferred taxes. Income taxes for group companies are calculated based on taxable income for each group company according to local tax legislation.

Deferred tax receivable and liability is recognized for all temporary differences between the taxable amounts and book values of assets and liabilities. Deferred tax liabilities have not been recognised for taxes that would be payable on subsidiaries' undistributed earnings, unless profit distribution is probable and will result in tax payment.

Deferred taxes are calculated based on tax rates enacted at the balance sheet date and when tax rates change, based on the new tax rate. Deferred tax asset is recognized to the extent that it is probable that it can be utilised against future taxable income. The Group's deferred income tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority.

The most significant temporary differences result from the measurement of the investment property at fair value.





## Notes to the Consolidated Income Statement

### Note 2. Gross rental income

EUR	2018	2017
Gross rental income		
Finland	46 699 652,54	46 876 925,47
Sweden	3 151 959,36	3 251 559,57
Total	49 851 611,90	50 128 485,04

Gross rental income consists of rents and service charges from owned investment properties.

### Note 3. Employee benefit expense

#### Management compensation and number of personnel

EUR	2018	2017
Chief executive officer	100 392,00	91 665,00
Total	100 392,00	91 665,00

The group employed one person at the end of December 2018.  
The members of board of directors did not receive compensation.

### Note 4. Expenses from leasing operations and other operating expenses

EUR	2018	2017
Rent expenses	166 870,99	134 746,39
Marketing expenses	375 075,07	399 844,59
Property operating expenses	6 631 400,89	6 458 991,35
Other operating expenses	1 193 241,73	1 046 424,84
Total	8 366 588,68	8 040 007,17

### Auditors' fees

EUR	2018	2017
<b>PricewaterhouseCoopers, Authorised Public Accountants</b>		
Audit	49 156,76	56 992,89
Tax consultation	-	9 329,78
Other services	-	300,00
Total	49 156,76	66 622,67

### Note 5. Finance income and costs

EUR	2018	2017
Other interest and finance income		
Interest income	10 352,92	6 349,50
Foreign exchange gains	1 171 137,12	885 931,24
Interest and finance income total	1 181 490,04	892 280,74
Interest and other finance costs		
Interest costs	-27 045 530,19	-27 408 696,10
Foreign exchange losses	-1 255 130,94	-951 641,99
Other finance costs	-98 689,51	-2 477 845,11
Interest and finance costs total	-28 399 350,64	-30 838 183,20
Total	-27 217 860,60	-29 945 902,46

# Notes to the Consolidated Balance Sheet

## Note 6. Investment Properties

The Group's investment properties comprise of retail trade premises.

Changes in investment properties during the accounting period are presented in the table below.

### Investment property changes

EUR	2018	2017
At period-start	677 449 289,92	658 657 942,95
Acquisitions	579 882,94	2 874 105,95
Net fair value gains on investment property	273 894,00	17 321 673,90
Exchange differences	-1 845 649,84	-1 404 432,88
At period-end	676 457 417,02	677 449 289,92

Investment properties are accounted for applying the fair value model in accordance with IAS 40 Investment properties -standard. The fair value of the investment properties are based on valuations given by an external authorized evaluator. The evaluator prepares property-specific valuations, which are analysed by the company management at the end of each reporting period.

Gains and losses on the change in fair value of investment properties are presented in a separate line item within operating profit in the income statement.

The evaluators have used 10 year discounted cash flow valuation method. The fair value of the investment property is the sum of the individual property's discounted cash flow and residual value. Since there are no market valuations available when determining the fair values according to IFRS 13, the group has classified all investment property into level 3 (unobservable inputs).

The following table includes the key input data applied in the valuation in aggregate for the whole real estate portfolio.

Input data	2018	2017
Yield %	6,3	6,3
Market rents, €/m <sup>2</sup> /month	11,8	11,9
Vacancy %	1,0	1,3
Increase in market rents %	1,9	1,9

### Sensitivity analysis

Increase (decrease) in yield requirement would result in lower (higher) fair value whereas increase (decrease) in market rents would result in higher (lower) fair value. The change in market rents may be associated with changes in yield requirement and vacancy in a manner that all the factors would affect the change in fair value to the same direction. Vacancy is relevant factor only in relation to the shopping centres owned by the group. The table presents the effect of the reasonable probable change in the most important input data to the fair value of the investment properties (EUR million).

Change- %	-10	-5	0	5	10
Yield	751,6	712,1	676,5	644,2	615,0
Market rents	631,7	654,1	676,5	698,9	721,4
Change, percentage points	-2	-1	0	1	2
Vacancy	681,6	679,0	676,5	673,9	671,3

## Note 7: Equity

EUR	Share capital	Retained earnings	Translation differences	Equity
Balance as at 31 Dec. 2017	33 000 000,00	42 035 214,27	-656 592,65	74 378 621,62
Dividends				
Increase				
Profit for the period		11 580 942,81	-512 859,86	11 068 082,95
Balance as at 31 Dec. 2018	33 000 000,00	53 616 157,08	-1 169 452,51	85 446 704,57

## Note 8. Long term liabilities

The company has loans from financial institutions amounting to EUR 239,6 million (EUR 249,6 million) at year-end. Some of the loans are paid back in instalments and some are bullet loans. Loans amounting to EUR 32,2 million are denominated in SEK and EUR 207,4 million are denominated in EUR.

Mercada Oy issued in October 2017 a senior secured bond of EUR 175 million. The bond matures on 24 October 2022. It carries a fixed annual interest at the rate of 1.875 percent and has an issue price of 99.849 percent.

Other long-term loans comprise of shareholder loans amounting to EUR 168,0 million.

## Note 9. Deferred tax

### Deferred tax liabilities

EUR	2018	2017
Tax losses carried forward	3 723 242,45	-
Total	3 723 242,45	0,00

## Deferred tax liabilities

### Deferred tax liabilities

EUR	2018	2017
Appropriations	1 429 944,77	1 252 898,80
Measurement of investment property at fair value	2 529 212,23	2 997 440,45
Other	14 055 359,57	7 155 497,13
Total	18 014 516,57	11 405 836,38





## Note 10. Commitments

EUR	2018	2017
<b>Real estate mortgages</b>		
Collateral given for own commitments	809 284 800,00	809 284 800,00
<b>Other commitments and contingent liabilities</b>		
VAT refund liabilities	20 248 087,06	28 212 374,03
<b>Future minimum lease payments, machinery and equipment</b>		
Not later than 1 year	113 165,52	80 804,43
Over 1 year	187 156,50	150 055,00
<b>Future minimum lease payments, real estates</b>		
Not later than 1 year	166 653,00	166 476,00
Over 1 year	2 292 243,00	2 441 031,00

Mercada Oy and its subsidiaries have pledged all their assets, receivables including rent income and bank accounts as collateral to the payback of the financial liabilities amounting to EUR 414,6 million (EUR 424,6 million).

Interest rate derivatives are used to increase the duration of borrowings. The company's loans from financial institutions are variable rate loans linked to 3-month Euribor. The loan agreements require that the interest rates are partly converted into fixed interest rates using interest rate derivatives.

Interest rate derivatives nominal value amounted to EUR 196,7 million (204,1 million) and their fair value was EUR -3,5 million (EUR -4,4 million) at year-end

Realised cash flows arising from interest rate derivatives are recognised during the financial year as interest income or expenses.



## Note 11. Subsidiaries 31 December 2018

<b>Finland</b>	<b>Domicile</b>	<b>Group's ownership interest, %</b>	<b>Parent's ownership interest, %</b>
Helsingin Oulunkylän Kisällinkujan Kauppa Koy	Helsinki	100,00	100,00
Helsingin Oulunkylän Käskynhaltijantien Kauppa Koy	Helsinki	100,00	100,00
Helsingin Torpparinmäen Haastemiehentien Kauppa Koy	Helsinki	100,00	100,00
Huittisten Särämäkadun Kauppa Koy	Huittinen	100,00	100,00
Imatran Tietäjänkadun Kauppa Koy	Imatra	100,00	100,00
Jalasjärven Koskitien Kauppa Koy	Kurikka	100,00	100,00
Järvenpään Vehnätien Kauppa Koy	Järvenpää	100,00	100,00
Kangasalan Fintentien Kauppa Koy	Kangasala	100,00	100,00
Kankaanpään Liikekeskus Koy	Kankaanpää	100,00	100,00
Kauhajoen Puistotien Kauppa Koy	Kauhajoki	100,00	100,00
Kempeleen Kauppaticien Kauppa Koy	Kempele	100,00	100,00
Kirkkonummen Veikkolan Koskentien Kauppa Koy	Kirkkonummi	100,00	100,00
Kokkolan Heinolankaaren Kauppa Koy	Kokkola	100,00	100,00
Kouvolan Kankaron Kartanokadun Kauppa Koy	Kouvola	100,00	100,00
Kuhmon Torikadun Kauppa Koy	Kuhmo	100,00	100,00
Kuopion Päivärannantien Kauppa Koy	Kuopio	100,00	100,00
Lahden Karisma Koy	Helsinki	100,00	100,00
Lappeenrannan Standertskjöldinkadun Kauppa Koy	Kuopio	100,00	100,00
Lieksan Pielisentien Kauppa Koy	Lieksa	100,00	100,00
Loimaan Aleksis Kiven Kadun Kauppa Koy	Loimaa	100,00	100,00
Mäntsälän Sälinkääntien Kauppa Koy	Mäntsälä	100,00	100,00
Oulun Haukiputaan Revontien Kauppa Koy	Oulu	100,00	100,00
Pietarsaaren Koulukadun Kauppa Koy	Pietarsaari	100,00	100,00
Pihtiputaan Asematicien Kauppa Koy	Pihtipudas	100,00	100,00
Rauman Karjalankadun Kauppa Koy	Rauma	100,00	100,00
Savonlinnan Mertalan Kullervonkadun Kauppa Koy	Savonlinna	100,00	100,00
Sodankylän Haastajantien Kauppa Koy	Sodankylä	100,00	100,00
Suomenojan Kauppakeskus Oy	Espoo	100,00	100,00
Tampuri Koy	Helsinki	100,00	100,00
Tervaskangas Koy	Helsinki	100,00	100,00
Uudenkaupungin Ketunkalliontien Kauppa Koy	Uusikaupunki	100,00	100,00
Vantaan Koivukylän Ojalehdonkujan Kauppa Koy	Vantaa	100,00	100,00
Äänekosken Työskintien Kauppa Koy	Äänekoski	100,00	100,00
Malmintorin Pysäköintitalo Oy	Helsinki	99,91	99,91

<b>Sweden</b>	<b>Domicile</b>	<b>Group's ownership interest, %</b>	<b>Parent's ownership interest, %</b>
Ankaregatans Fastigheter Ab	Tukholma, Ruotsi	100,00	100,00
KR Fastigheter i Eskilstuna Ab	Eskilstuna, Ruotsi	100,00	0,00
KR Fastigheter i Halmstad Ab	Halmstad, Ruotsi	100,00	0,00
KR Fastigheter i Norrbotten Ab	Norrbotten, Ruotsi	100,00	0,00
KR Fastigheter i Sundsvall Ab	Sundsvall, Ruotsi	100,00	0,00
KR Fastigheter i Umeå Ab	Umeå, Ruotsi	100,00	0,00
KR Fastigheter i Uppland Ab	Uppland, Ruotsi	100,00	0,00

## Parent Company's Financial Statements

### Parent Company's Income Statement

EUR	1 Jan. - 31 Dec. 2018	1 Jan. - 31 Dec. 2017
<b>Gross rental income</b>	<b>46 699 236,40</b>	<b>46 879 181,10</b>
Property operating expenses and expenses from leasing operations	-6 976 414,85	-6 822 625,11
<b>Net rental income</b>	<b>39 722 821,55</b>	<b>40 056 555,99</b>
Other operating income	-1 152 741,64	-1 012 409,42
Depreciation	-293 913,24	-173 176,15
<b>Operating Profit</b>	<b>38 276 166,67</b>	<b>38 870 970,42</b>
Net financial income and expenses	-56 854 007,89	-38 779 053,17
<b>Profit before appropriations and taxes</b>	<b>-18 577 841,22</b>	<b>91 917,25</b>
Appropriations		
Change in depreciation difference	-38 371,10	-91 100,49
Current taxes	0,09	-32 257,57
<b>Profit for the period</b>	<b>-18 616 212,23</b>	<b>-31 440,81</b>

We operate in urban locations in Finland and Sweden



## Parent Company's Balance Sheet

EUR	31 Dec. 2018	31 Dec. 2017
<b>ASSETS</b>		
NON-CURRENT ASSETS		
INTANGIBLE ASSETS		
Other intangible assets	1 187 056,81	1 140 931,49
INVESTMENTS		
Investments in subsidiaries	169 139 630,91	169 139 630,91
	170 326 687,72	170 280 562,40
CURRENT ASSETS		
RECEIVABLES		
Long-term		
Receivables from subsidiaries	412 798 982,47	443 189 760,68
Other receivables	201 698,77	254 548,77
	413 000 681,24	443 444 309,45
Short-term		
Trade receivables	52 590,78	132 132,84
Receivables from subsidiaries	31 483 717,98	10 214 273,57
Other receivables	5 221 867,22	181 564,74
Accrued income	10 000,00	29 364,00
	36 768 175,98	10 557 335,15
CASH AND CASH EQUIVALENTS	11 687 269,73	8 274 992,47
<b>TOTAL ASSETS</b>	<b>631 782 814,67</b>	<b>632 557 199,47</b>

EUR	31 Dec. 2018	31 Dec. 2017
<b>EQUITY AND LIABILITIES</b>		
EQUITY		
Share capital	33 000 000,00	33 000 000,00
Retained earnings	-55 614,91	-24 174,10
Net income for reporting period	-18 616 212,23	-31 440,81
	14 328 172,86	32 944 385,09
Deferred liabilities		
Deferred tax liabilities	209 502,76	171 131,66
<b>LIABILITIES</b>		
Long-term liabilities		
Bond 2017	175 000 000,00	175 000 000,00
Loans from financial institutions	230 805 052,27	240 898 639,25
Shareholder loans	167 977 725,09	167 977 725,09
Other liabilities	196 375,93	161 184,83
	573 979 153,29	584 037 549,17
Short-term liabilities		
Loans from financial institutions	8 750 000,00	8 750 000,00
Advances received	41 725,45	42 293,98
Trade payables	12 609,05	126 460,53
Payables to subsidiaries	31 033 610,29	2 929 782,63
Other payables	56 561,12	2 178,54
Accruals	3 371 479,85	3 553 417,87
	43 265 985,76	15 404 133,55
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>631 782 814,67</b>	<b>632 557 199,47</b>

## Parent Company's Cash Flow Statement

EUR	1 Jan. - 31 Dec. 2018	1 Jan. - 31 Dec. 2017
<b>Cash flows from operating activities</b>		
Profit before appropriations and taxes	-18 577 841,22	91 917,25
Adjustments		
Depreciations	293 913,24	173 176,15
Finance income and costs	56 854 007,89	38 779 053,17
Other adjustments	28,51	29 423,23
	<b>38 570 108,42</b>	<b>39 073 569,80</b>
Change in working capital		
Current non-interest bearing receivables, increase (-)/decrease(+)	-4 317 683,91	1 455 036,02
Current non-interest bearing liabilities, increase (-)/decrease(+)	25 288 378,79	-4 106 322,99
	20 970 694,88	-2 651 286,97
Interest paid and other finance costs	-83 944 118,76	-66 191 260,65
Interest received	27 218 356,25	27 912 138,81
Current taxes paid	0,09	-32 257,57
	-56 725 762,42	-38 311 379,41
<b>Net cash flows from operating activities</b>	<b>2 815 040,88</b>	<b>-1 889 096,58</b>
<b>Cash flows from investing activities</b>		
Payments for tangible and intangible assets	-340 038,56	-1 211 124,06
Long-term receivables, increase (-)/decrease(+)	-	3 262 745,20
<b>Net cash flows from investing activities</b>	<b>-340 038,56</b>	<b>2 051 621,14</b>
<b>Cash flows from financing activities</b>		
Short-term interest-bearing liabilities, increase(+)/decrease(-)	1 101 612,55	-3 110 836,44
Long-term interest-bearing receivables, increase(-)/decrease(+)	30 390 778,21	13 521 586,55
Long-term interest-bearing liabilities, increase(+)/decrease(-)	-10 005 545,88	-14 764 129,30
Short-term interest-bearing receivables, increase(-)/decrease(+)	-20 549 569,94	1 809 678,23
Other items	-	-500 570,67
<b>Net cash flows from financing activities</b>	<b>937 274,94</b>	<b>-3 044 271,63</b>
<b>Change in cash and cash equivalents</b>	<b>3 412 277,26</b>	<b>-2 881 747,07</b>
<b>Cash and cash equivalents at the beginning of reporting period</b>	<b>8 274 992,47</b>	<b>11 156 739,54</b>
<b>Cash and cash equivalents at the end of reporting period</b>	<b>11 687 269,73</b>	<b>8 274 992,47</b>

# Notes to the parent company's financial statements

## Note 1. Principles used for preparing the financial statements

The financial statements of Mercada Oy have been prepared in accordance with the Finnish Accounting Act which came into force on 1 January 2016.

### Foreign currency items

Foreign currency transactions have been recorded in euros using the rate of exchange at the date of transaction. Foreign currency receivables and payables have been translated into euros using the rate of exchange at the balance sheet date. Exchange rate gains and losses on foreign currency transactions and receivables and liabilities denominated in foreign currency are recognised in the income statement. Foreign exchange gains and losses resulting from operating activities are included in the respective line items above operating profit.

### Derivative financial instruments

#### Interest rate derivatives

Interest rate derivatives are used to increase the duration of borrowings. The company's loans from financial institutions are variable rate loans and the loan agreements require that the interest rates are partly converted into fixed interest rates using interest rate derivatives.

Realized cash flows arising from interest rate derivatives are recognised during the financial year as interest income or expenses.

#### Pension plans

Personnel's statutory pension provision is organised through pension insurance companies. Pension costs are recognised as expense in the income statement.

#### Income taxes

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



# Notes to the Parent Company's Income Statement

## Note 2. Gross rental income

EUR	2018	2017
Gross rental income		
Finland	46 699 236,40	46 879 181,10
Total	46 699 236,40	46 879 181,10

Gross rental income consists of rents and service charges from owned investment properties.

## Note 3. Employee benefit expense

### Management compensation and number of personnel

EUR	2018	2017
Chief executive officer	100 392,00	91 665,00
Total	100 392,00	91 665,00

Mercada group employed one person at the end of December 2018. The members of board of directors did not receive compensation.

## Note 4. Expenses from leasing operations and other operating expenses

EUR	2018	2017
Property operating expenses	6 842 741,37	6 691 454,91
Marketing expenses	133 673,48	131 170,20
Other operating expenses	1 446 654,88	1 185 585,57
Total	8 423 069,73	8 008 210,68

Other operating expenses consist mainly of fees for financial services, insurances and costs relating to leasing operations.

## Auditors' fees

EUR	2018	2017
<b>PricewaterhouseCoopers, Authorised Public Accountants</b>		
Audit	20 775,16	20 335,28
Tax consultation	-	9 329,78
Total	20 775,16	29 665,06

## Note 5. Finance income and costs

EUR	2018	2017
Other interest and finance income		
Interest income from group companies	27 208 738,59	27 906 184,14
Other interest income	9 617,66	5 954,67
Foreign exchange gains	1 171 144,15	885 931,25
Interest and finance income total	28 389 500,40	28 798 070,06
Interest and other finance costs		
Interest costs	-27 035 203,60	-27 403 337,04
Interest costs to group companies	-56 854 500,33	-36 744 299,09
Foreign exchange losses	-1 255 114,85	-951 641,99
Other finance costs	-98 689,51	-2 477 845,11
Interest and finance costs total	-85 243 508,29	-67 577 123,23
Total	-56 854 007,89	-38 779 053,17



## Notes to the Parent Company's Balance Sheet

### Note 6. Intangible assets

EUR	2018	2017
<b>Other Intangible Assets</b>		
Acquisition costs at the beginning of period	1 321 383,21	436 533,67
Increases	340 038,56	884 849,54
Acquisition costs at the end of period	1 661 421,77	1 321 383,21
Accumulated depreciations at the beginning of period	-180 451,7	-7 275,57
Depreciation for period	-293 913,24	-173 176,15
Accumulated depreciations at the end of period	-474 364,96	-180 451,72
Book value at the end of reporting period	1 187 056,81	1 140 931,49

### Note 7. Tangible assets

EUR	2018	2017
<b>Buildings</b>		
Acquisition costs at the beginning of period	-	3 262 745,20
Decreases	-	-3 262 745,20
Acquisition costs at the end of period	-	0,00
Book value at the end of reporting period	-	0,00

### Note 8. Tangible assets

EUR	2018	2017
<b>Investments in subsidiaries</b>		
Acquisition costs at the beginning of period	169 139 630,90	168 813 356,38
Increases	-	326 274,52
Acquisition costs at the end of period	169 139 630,90	169 139 630,90
Book value at the end of reporting period	169 139 630,90	169 139 630,90

The parent company's ownership in group companies is presented in group's balance sheet notes.

## Note 9. Receivables

<b>EUR</b>	<b>2018</b>	<b>2017</b>
<b>Receivables from subsidiaries</b>		
Long-term receivables		
Loans	412 798 982,47	443 189 760,68
Long-term receivables total	412 798 982,47	443 189 760,68
Short-term receivables		
Loans	30 215 965,37	9 666 395,43
Accrued income	1 267 752,61	547 878,14
Short-term receivables total	31 483 717,98	10 214 273,57
Total	444 282 700,45	453 404 034,25

## Note 10. Shareholders' equity

<b>EUR</b>	<b>Share capital</b>	<b>Retained earnings</b>	<b>Total equity</b>
Balance as at 31 Dec. 2017	33 000 000,00	-55 614,91	32 944 385,09
Dividends			
Increase			
Profit for the period		-18 616 212,23	-18 616 212,23
Balance as at 31 Dec. 2018	<b>33 000 000,00</b>	<b>-18 671 827,14</b>	<b>14 328 172,86</b>
<b>Calculation of distributable profits</b>			<b>2018</b>
Retained earnings at 1 January			-55 614,91
Profit for the period			-18 616 212,23
Retained earnings at 31 December			-18 671 827,14
<b>Breakdown of parent company shares</b>			<b>Pcs</b>
Shares			3 300 000,00
Total			3 300 000,00
<b>Votes attached to shares</b>			<b>Number of votes</b>
Share			1



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**MERITUULI**

**WINTER SPORT**  
**KRauta**

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MA-PE 10-18  
LA 10-16

Pisarameri Oy

MA-PE 10-18 • LA 10-16

**SISÄÄN**



**Kiinteistömaailma**



## Note 11. Long-term Liabilities

The company has loans from financial institutions amounting to EUR 239,6 million (EUR 249,6 million) at year-end. Some of the loans are paid back in instalments and some are bullet loans. Loans amounting to EUR 32,2 million are denominated in SEK and EUR 207,4 million are denominated in EUR.

Mercada Oy issued in October 2017 a senior secured bond of EUR 175 million. The bond matures on 24 October 2022. It carries a fixed annual interest at the rate of 1.875 percent and has an issue price of 99.849 percent. Other long-term loans comprise of shareholder loans amounting to EUR 168,0 million.

## Note 12. Short-term liabilities

EUR	2018	2017
<b>Liabilities to group companies</b>		
Other payables	2 347 626,93	1 246 014,38
Accruals	28 685 983,36	1 683 768,24
Total	31 033 610,29	2 929 782,62
<b>Accruals</b>		
Interests	3 306 823,11	3 262 548,43
Other items	64 656,74	290 869,44
Total	3 371 479,85	3 553 417,87

## Note 13. Commitments

EUR	2018	2017
<b>Other commitments</b>		
Collateral given for own commitments	316 424,65	274 941,97

### Other commitments

Mercada Oy and its subsidiaries have pledged all their assets, receivables including rent income and bank accounts as collateral to the payback of the financial liabilities amounting to EUR 414,6 million (EUR 424,6 million).

Interest rate derivatives are used to increase the duration of borrowings. The company's loans from financial institutions are variable rate loans linked to 3-month Euribor. The loan agreements require that the interest rates are partly converted into fixed interest rates using interest rate derivatives.

Interest rate derivatives nominal value amounted to EUR 196,7 million (204,1 million) and their fair value was EUR -3,5 million (EUR -4,4 million) at year-end.

Realized cash flows arising from interest rate derivatives are recognised during the financial year as interest income or expenses.





PAPU  
Park

# SIGNATURES

## Signatures of the financial statements and report by the board of directors

Helsinki, \_\_\_\_ April 2019

Tomi Aimonen  
Chair

Pernilla Arnrud Melin

Jukka Erlund

Harri Holmström  
CEO

## The auditor's note

Our auditor's report has been issued today.

Helsinki, \_\_\_\_ April 2019

PricewaterhouseCoopers Oy  
Authorised Public Accountants

Mikko Nieminen  
APA

