



FINANCIAL STATEMENTS

MERCADA OY
1.1.–31.12.2019

Financial Statements 1 January–31 December 2019

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Report by the board of directors for the financial period 1 January–31 December 2019

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. Almost all of the shopping centre facilities were leased during the period.

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 restructured a major part of its bank loans during 2019. The maturity of the loans was extended so that the interest rate margin of the loans decreased. The Loan-to-Value ratio continued decreasing further during the reporting period.

The market value of Mercada's property portfolio remained stable and was approximately EUR 674 million at the end of the reporting period.

Financial position and result of the Group

	2019	2018	Change
Net sales, EUR million	50.1	49.9	0.2
Operating profit, EUR million	40.2	41.8	-1.6
Return on investment (%)	6.1	6.3	(pp) -0.2
Equity ratio (%)	14.0	12.3	(pp) 1.7
Equity ratio when shareholders' loans are included in equity (%)	38.4	36.3	(pp) 1.1

Mercada Oy reached its operative targets during the reporting period. The operational results in 2019 were at a good level and in accordance with the expectations.

The fair value of the investment properties was as at 31 December 2019 EUR 674.0 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.

The company's organization, management and auditor

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

1 January 2019–11 April 2019

Tomi Aimonen, chair
Pernilla Arnrud Melin, member
Jukka Erlund, member

12 April 2019–

Pernilla Arnrud Melin, chair
Tomi Aimonen, 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

The company's management estimates that operational performance will remain positive, but will decrease over the previous year due to the rapid spread of coronavirus Covid-19 since March 2020.

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

Mercada's wholly-owned Swedish company Ankaregatan Fastigheter AB sold on 6 March 2020 its shares in KR Fastigheter i Norrbotten AB and on 20 March 2020 its shares in KR Fastigheter i Sundsvall AB.

Economic uncertainty has increased in Finland and Sweden following the global spread of Covid-19 since March 2020. Mercada's management has decided on temporary rent discounts for some of the most affected tenants operating in the two Mercada owned shopping centres in order to support their business continuity and solvency in the long term. The decided rent discounts amount to approximately 2.3 per cent of the total yearly gross rental income.

The effects of the Covid-19 pandemic on the Finnish and Swedish economies in the coming months could give rise to new rental discounts or may have an otherwise negative impact on Mercada's rental income and cash flow. The company management's view is that the foreseeable decrease in future cash flows will not endanger operational continuity.

Proposal by the Board of Directors regarding the profit for the year

Parent company's profit for the financial period was EUR 140,637.65. 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 2019 would be recorded to the retained earnings.



Consolidated Financial Statements

Consolidated Income Statement

EUR	1 Jan.–31 Dec. 2019	1 Jan.–31 Dec. 2018
Gross rental income	50 142 010,13	49 851 611,90
Property operating expenses and expenses from leasing operations	-7 503 028,62	-7 173 410,53
Net rental income	42 638 981,51	42 678 201,37
Other operating expenses	-1 046 294,38	-1 193 178,15
Depreciations	-	-
Net fair value gains on investment property	-1 412 308,22	273 894,00
Operating profit	40 180 378,91	41 758 917,22
Net financial income and expenses	-26 809 782,83	-27 217 860,60
Profit before taxes	13 370 596,08	14 541 056,62
Current taxes	-49 074,28	0,09
Change in deferred taxes	-2 626 482,75	-2 960 113,90
Profit for the period	10 695 039,05	11 580 942,81

Offering sustainable retail sites and the best shopping experience for customers

Consolidated Balance Sheet

EUR	31 Dec. 2019	31 Dec. 2018
ASSETS		
NON-CURRENT ASSETS		
Other intangible assets	3 529 532,63	2 531 005,46
Investment properties	670 504 713,27	673 926 411,56
	674 034 245,90	676 457 417,02
CURRENT ASSETS		
RECEIVABLES		
Long term receivables		
Other receivables	148 848,77	201 698,77
Deferred tax assets	3 723 242,45	3 723 242,45
	3 872 091,22	3 924 941,22
Short term receivables		
Trade receivables	172 746,12	53 901,02
Other receivables	1 060 494,89	5 382 825,02
Accruals	14 953,18	18 832,45
	1 248 194,19	5 455 558,49
CASH AND CASH EQUIVALENTS	7 691 993,87	11 687 269,73
TOTAL ASSETS	686 846 525,18	697 525 186,46

EUR	31 Dec. 2019	31 Dec. 2018
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	33 000 000,00	33 000 000,00
Translation differences	-1 463 524,53	-1 169 452,51
Retained earnings	53 616 157,08	42 035 214,27
Net income for the reporting period	10 695 039,05	11 580 942,81
	95 847 671,60	85 446 704,57
LIABILITIES		
Long-term liabilities		
Bond 2017	175 000 000,00	175 000 000,00
Loans from financial institutions	211 463 620,44	230 805 052,27
Shareholders' loans	167 977 725,09	167 977 725,09
Other loans	-	-
Other liabilities	180 003,83	196 375,93
Deferred tax liabilities	20 589 675,13	18 014 516,57
	575 211 024,49	591 993 669,86
Short-term liabilities		
Loans from financial institutions	8 750 000,00	8 750 000,00
Trade payables	171 602,15	254 953,34
Other liabilities	2 835 407,80	7 108 403,54
Accruals	4 030 819,14	3 971 455,15
Current tax liabilities	-	-
	15 787 829,09	20 084 812,03
TOTAL EQUITY AND LIABILITIES	686 846 525,18	697 525 186,46

Consolidated Statement of Cash Flows

EUR	1 Jan.–31 Dec. 2019	1 Jan.–31 Dec. 2018
Cash flows from operating activities		
Profit before taxes	13 370 596,08	14 541 056,62
Depreciations	-	-
Adjustments		
Finance income and costs	26 809 782,83	27 217 860,60
Other adjustments	1 424 616,44	-273 830,44
	41 604 995,35	41 485 086,78
Change in working capital		
Current non-interest bearing receivables, increase (-)/decrease(+)	4 783 652,03	-3 367 063,03
Current non-interest bearing liabilities, increase (-)/decrease(+)	-4 895 796,34	3 057 801,28
	-112 144,31	-309 261,75
Interest paid and other finance costs	-26 992 410,75	-27 099 945,02
Interest received	134 225,06	10 352,92
Taxes paid	16 013,26	0,09
	-26 842 172,43	-27 089 592,01
Net cash flows from operating activities	14 650 678,61	14 086 233,02
Cash flows from investing activities		
Payments for tangible and intangible assets	114 952,83	-1 929 882,94
Net cash flows from investing activities	114 952,83	-1 929 882,94
Cash flows from financing activities		
Short-term interest-bearing liabilities, increase(+)/decrease(-)	-	-
Long-term interest-bearing liabilities, increase(+)/decrease(-)	-18 804 454,17	-8 744 072,82
Proceeds from issue of shares	-	-
Other items	43 546,87	-
Net cash flows from financing activities	-18 760 907,30	-8 744 072,82
Change in cash and cash equivalents	-3 995 275,86	3 412 277,26
Cash and cash equivalents at the beginning of reporting period	11 687 269,73	8 274 992,47
Cash and cash equivalents at the end of reporting period	7 691 993,87	11 687 269,73

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 Työpajankatu 12, 00580 Helsinki. The company owns investment properties in Finland and in Sweden.

Mercada Group's consolidated financial statements 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

An 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

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.

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.

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	2019	2018
Gross rental income		
Finland	47 035 200,74	46 699 652,54
Sweden	3 106 809,39	3 151 959,36
Total	50 142 010,13	49 851 611,90

The 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	2019	2018
Chief executive officer	94 500,00	100 392,00
Total	94 500,00	100 392,00

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	2019	2018
Rent expenses	168 015,25	166 870,99
Marketing expenses	456 486,90	375 075,07
Property operating expenses	6 866 218,26	6 631 400,89
Other operating expenses	1 058 602,59	1 193 241,73
Total	8 549 323,00	8 366 588,68

Auditors' fees

EUR	2019	2018
PricewaterhouseCoopers, Authorised Public Accountants		
Audit	52 051,31	49 156,76
Tax consultation	600,00	-
Other services	-	-
Total	52 651,31	49 156,76

Note 5. Finance income and costs

EUR	2019	2018
Other interest and finance income		
Interest income	134 225,06	10 352,92
Foreign exchange gains	467 058,24	1 171 137,12
Interest and finance income total	601 283,30	1 181 490,04
Interest and other finance costs		
Interest costs	-26 462 258,88	-27 045 530,19
Foreign exchange losses	-563 313,74	-1 255 130,94
Other finance costs	-385 493,51	-98 689,51
Interest and finance costs total	-27 411 066,13	-28 399 350,64
Total	-26 809 782,83	-27 217 860,60

Notes to the Consolidated Balance Sheet

Note 6. Investment Properties

The Group's investment properties comprise of retail trade premises. Changes in the fair values of investment properties during the accounting period are presented in the table below.

Investment property changes

EUR	2019	2018
At period-start	676 457 417,02	677 449 289,92
Acquisitions	-39 528,83	579 882,94
Disposals	-75 424,00	-
Net fair value gains on investment property	-1 412 308,22	273 894,00
Exchange differences	-895 910,07	-1 845 649,84
At period-end	674 034 245,90	676 457 417,02

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	2019	2018
Yield %	6,4	6,3
Market rents, €/m ² /month	11,8	11,8
Vacancy %	0,9	1,0
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	748,9	709,5	674,0	641,9	612,8
Market rents	628,6	651,4	674,0	697,1	720,0
Change, percentage points	-2	-1	0	1	2
Vacancy	679,2	676,6	674,0	671,5	668,9

Note 7. Equity

EUR	Share capital	Retained earnings	Translation differences	Equity
Balance as at 31 December 2018	33 000 000,00	53 616 157,08	-1 169 452,51	85 446 704,57
Dividends				
Increase				
Profit for the period		10 695 039,05	-294 072,02	10 400 967,03
Balance as at 31 December 2019	33 000 000,00	64 311 196,13	-1 463 524,53	95 847 671,60

Note 8. Long-term liabilities

Mercada Oy has loans from financial institutions amounting to EUR 220.2 million (EUR 239.6 million) at year-end. Some of the loans are paid back in instalments and some are bullet loans. Loans amounting to EUR 31.6 million are denominated in SEK and EUR 188.6 million are denominated in EUR.

The company 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	2019	2018
Tax losses carried forward	3 723 242,45	3 723 242,45
Total	3 723 242,45	3 723 242,45

Deferred tax liabilities

Deferred tax liabilities

EUR	2019	2018
Appropriations	1 309 515,83	1 429 944,77
Measurement of investment property at fair value	3 887 798,70	2 529 212,23
Other	15 392 360,60	14 055 359,57
Total	20 589 675,13	18 014 516,57



Note 10. Commitments

EUR	2019	2018
Real estate mortgages		
Collateral given for own commitments	809 284 800,00	809 284 800,00
Other commitments and contingent liabilities		
VAT refund liabilities	13 418 904,94	20 248 087,06
Future minimum lease payments, machinery and equipment		
Not later than 1 year	112 512,96	113 165,52
Over 1 year	285 423,78	187 156,50
Future minimum lease payments, real estates		
Not later than 1 year	168 015,24	166 653,00
Over 1 year	2 142 963,21	2 292 243,00

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 395.6 million (EUR 414.6 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 189.9 million (196.7 million) and their fair value was EUR -2.4 million (EUR -3.5 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 2019

Finland	Domicile	Group's ownership interest, %	Parent's ownership interest, %
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

Sweden	Domicile	Group's ownership interest, %	Parent's ownership interest, %
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. 2019	1 Jan.–31 Dec. 2018
Gross rental income	47 089 862,77	46 699 236,40
Property operating expenses and expenses from leasing operations	-7 312 866,65	-6 976 414,85
Net rental income	39 776 996,12	39 722 821,55
Other operating income	-1 063 213,70	-1 152 741,64
Depreciation	-400 503,72	-293 913,24
Operating Profit	38 313 278,70	38 276 166,67
Net financial income and expenses	-38 057 406,23	-56 854 007,89
Profit before appropriations and taxes	255 872,47	-18 577 841,22
Appropriations		
Change in depreciation difference	-131 486,06	-38 371,10
Current taxes	16 251,24	0,09
Profit for the period	140 637,65	-18 616 212,23

We operate in urban locations in Finland and Sweden

Parent Company's Balance Sheet

EUR	31 Dec. 2019	31 Dec. 2018
ASSETS		
NON-CURRENT ASSETS		
INTANGIBLE ASSETS		
Other intangible assets	1 785 080,26	1 187 056,81
TANGIBLE ASSETS		
Buildings	-	-
INVESTMENTS		
Investments in subsidiaries	324 209 630,91	169 139 630,91
	325 994 711,17	170 326 687,72
CURRENT ASSETS		
RECEIVABLES		
Long-term		
Receivables from subsidiaries	244 412 725,21	412 798 982,47
Other receivables	148 848,77	201 698,77
	244 561 573,98	413 000 681,24
Short-term		
Trade receivables	170 013,35	52 590,78
Receivables from subsidiaries	13 435 943,84	31 483 717,98
Other receivables	154 792,55	5 221 867,22
Accrued income	375,73	10 000,00
	13 761 125,47	36 768 175,98
CASH AND CASH EQUIVALENTS	7 691 993,87	11 687 269,73
TOTAL ASSETS	592 009 404,49	631 782 814,67

EUR	31 Dec. 2019	31 Dec. 2018
EQUITY AND LIABILITIES		
EQUITY		
Share capital	33 000 000,00	33 000 000,00
Retained earnings	-18 671 827,14	-55 614,91
Net income for reporting period	140 637,65	-18 616 212,23
	14 468 810,51	14 328 172,86
Deferred liabilities		
Deferred tax liabilities	340 988,82	209 502,76
LIABILITIES		
Long-term liabilities		
Bond 2017	175 000 000,00	175 000 000,00
Loans from financial institutions	211 463 620,44	230 805 052,27
Shareholder loans	167 977 725,09	167 977 725,09
Other liabilities	180 003,83	196 375,93
	554 621 349,36	573 979 153,29
Short-term liabilities		
Loans from financial institutions	8 750 000,00	8 750 000,00
Advances received	34 496,08	41 725,45
Trade payables	35 060,74	12 609,05
Payables to subsidiaries	10 095 934,83	31 033 610,29
Other payables	304 084,66	56 561,12
Accruals	3 358 679,49	3 371 479,85
	22 578 255,80	43 265 985,76
TOTAL EQUITY AND LIABILITIES	592 009 404,49	631 782 814,67

Parent Company's Cash Flow Statement

EUR	1 Jan.–31 Dec. 2019	1 Jan.–31 Dec. 2018
Cash flows from operating activities		
Profit before appropriations and taxes	255 872,47	-18 577 841,22
Adjustments		
Depreciations	400 503,72	293 913,24
Finance income and costs	38 057 406,23	56 854 007,89
Other adjustments	12 314,01	28,51
	38 726 096,43	38 570 108,42
Change in working capital		
Current non-interest bearing receivables, increase (-)/decrease(+)	1 185 231,16	-4 317 683,91
Current non-interest bearing liabilities, increase (-)/decrease(+)	-25 492 641,91	25 288 378,79
	-24 307 410,75	20 970 694,88
Interest paid and other finance costs	-56 702 504,40	-83 944 118,76
Interest received	18 596 689,50	27 218 356,25
Current taxes paid	16 251,24	0,09
	-38 089 563,66	-56 725 762,42
Net cash flows from operating activities	-23 670 877,98	2 815 040,88
Cash flows from investing activities		
Acquisition of subsidiaries	-155 070 000,00	-
Payments for tangible and intangible assets	-998 527,17	-340 038,56
Long-term receivables, increase (-)/decrease(+)	-	-
Net cash flows from investing activities	-156 068 527,17	-340 038,56
Cash flows from financing activities		
Short-term interest-bearing liabilities, increase(+)/decrease(-)	4 271 186,11	1 101 612,55
Long-term interest-bearing receivables, increase(-)/decrease(+)	168 386 257,26	30 390 778,21
Long-term interest-bearing liabilities, increase(+)/decrease(-)	-19 357 803,93	-10 005 545,88
Short-term interest-bearing receivables, increase(-)/decrease(+)	22 400 942,98	-20 549 569,94
Other items	43 546,87	-
Net cash flows from financing activities	175 744 129,29	937 274,94
Change in cash and cash equivalents	-3 995 275,86	3 412 277,26
Cash and cash equivalents at the beginning of reporting period	11 687 269,73	8 274 992,47
Cash and cash equivalents at the end of reporting period	7 691 993,87	11 687 269,73

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	2019	2018
Gross rental income		
Finland	47 089 862,77	46 699 236,40
Total	47 089 862,77	46 699 236,40

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	2019	2018
Chief executive officer	94 500,00	100 392,00
Total	94 500,00	100 392,00

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	2019	2018
Property operating expenses	7 078 062,83	6 842 741,37
Marketing expenses	234 803,82	133 673,48
Other operating expenses	1 463 717,42	1 446 654,88
Total	8 776 584,07	8 423 069,73

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

Auditors' fees

EUR	2019	2018
PricewaterhouseCoopers, Authorised Public Accountants		
Audit	48 936,03	20 775,16
Tax consultation	-	-
Total	48 936,03	20 775,16

Note 5. Finance income and costs

EUR	2019	2018
Other interest and finance income		
Interest income from group companies	18 462 842,20	27 208 738,59
Other interest income	133 847,30	9 617,66
Foreign exchange gains	467 064,05	1 171 144,15
Interest and finance income total	19 063 753,55	28 389 500,40
Interest and other finance costs		
Interest costs	-26 454 561,64	-27 035 203,60
Interest costs to group companies	-29 717 790,89	-56 854 500,33
Foreign exchange losses	-563 313,74	-1 255 114,85
Other finance costs	-385 493,51	-98 689,51
Interest and finance costs total	-57 121 159,78	-85 243 508,29
Total	-38 057 406,23	-56 854 007,89

Notes to the Parent Company's Balance Sheet

Note 6. Intangible assets

EUR	2019	2018
Other Intangible Assets		
Acquisition costs at the beginning of period	1 661 421,77	1 321 383,21
Increases	998 527,17	340 038,56
Acquisition costs at the end of period	2 659 948,94	1 661 421,77
Accumulated depreciations at the beginning of period	-474 364,96	-180 451,72
Depreciation for period	-400 503,72	-293 913,24
Accumulated depreciations at the end of period	-874 868,68	-474 364,96
Book value at the end of reporting period	1 785 080,26	1 187 056,81

Note 7. Shares in subsidiaries

EUR	2019	2018
Investments in subsidiaries		
Acquisition costs at the beginning of period	169 139 630,90	169 139 630,90
Increases	155 070 000,00	-
Acquisition costs at the end of period	324 209 630,90	169 139 630,90
Book value at the end of reporting period	324 209 630,90	169 139 630,90

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

Note 8. Receivables

EUR	2019	2018
Receivables from subsidiaries		
Long-term receivables		
Loans	244 412 725,21	412 798 982,47
Long-term receivables total	244 412 725,21	412 798 982,47
Short-term receivables		
Loans	12 873 022,38	30 215 965,37
Accrued income	562 921,46	1 267 752,61
Short-term receivables total	13 435 943,84	31 483 717,98
Total	257 848 669,05	444 282 700,45

Note 9. Shareholders' equity

EUR	Share capital	Retained earnings	Total equity
Balance as at 31 December 2018	33 000 000,00	-18 671 827,14	14 328 172,86
Dividends			
Increase			
Profit for the period		140 637,65	140 637,65
Balance as at 31 December 2019	33 000 000,00	-18 531 189,49	14 468 810,51
Calculation of distributable profits			2019
Retained earnings at 1 January			-18 671 827,14
Profit for the period			140 637,65
Retained earnings at 31 December			-18 531 189,49
Breakdown of parent company shares			Pcs
Shares			3 300 000,00
Total			3 300 000,00
Votes attached to shares			Number of votes
Share			1



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СЕРВИС

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Blue pedestrian crossing sign

Yellow triangular warning sign

Blue square sign with white symbol

Note 10. Long-term liabilities

The company has loans from financial institutions amounting to EUR 220.2 million (EUR 239.6 million) at year-end. There are loans that are paid back in instalments as well as bullet loans. Loans amounting to EUR 31.6 million are denominated in SEK and EUR 188.6 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 11. Short-term liabilities

EUR	2019	2018
Liabilities to group companies		
Other payables	6 618 813,04	2 347 626,93
Accruals	3 477 121,79	28 685 983,36
Total	10 095 934,83	31 033 610,29
Accruals		
Interests	3 162 164,75	3 306 823,11
Other items	196 514,74	64 656,74
Total	3 358 679,49	3 371 479,85

Note 12. Commitments

EUR	2019	2018
Other commitments		
Collateral given for own commitments	492 990,17	316 424,65

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 395.2 million (EUR 414.6 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 189.9 million (196.7 million) and their fair value was EUR -2.4 million (EUR -3.5 million) at year-end.

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



SIGNATURES

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

Helsinki, 17 April 2020

Pernilla Arnrud Melin
Chair

Tomi Aimonen

Jukka Erlund

Harri Holmström
CEO

The auditor's note

Our auditor's report has been issued today.

Helsinki, 17 April 2020

PricewaterhouseCoopers Oy
Authorised Public Accountants

Mikko Nieminen
APA



MERCADA