



FINANCIAL STATEMENTS

MERCADA OY
1 JANUARY-DECEMBER 2017

Financial Statements 1 January - 31 December 2017

Contents

	Page
Report by the Board of Directors	3-4
Consolidated income statement	5
Consolidated balance sheet	6
Consolidated statement of cash flows	7
Notes to the consolidated financial statements	8-14
Parent company's income statement	15
Parent company's balance sheet	16
Parent company's statement of cash flows	17
Notes to the parent company's financial statements	18-22
Signatures and auditor's note	23

Report by the board of directors for the financial period 1 January – 31 December 2017

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 continued stable during the reporting period. The net rental income stayed at a high level and the occupancy ratio remained strong.

The main event of the year was restructuring of the loans. Mercada Oy issued 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 per cent and has an issue price of 99.849 per cent. The net proceeds from the bond offering were used for the early repayment and refinancing of existing indebtedness. The placement of Mercada's first bond transaction was substantially oversubscribed. The issuance of the bond broadened the company's financial structure and the great result on the market demonstrates the strength of the company's credit profile.

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 shopping centres performed well. Both the amount of visitors and annual sales increased substantially and well above average of Finnish shopping centres. Karisma shopping centre achieved BREEAM In-Use certification with Excellent rating. Now both of Mercada's shopping centres have BREEAM certification.

In the shopping centres, the focus was in leisure and entertainment. In shopping centre Veturi a facelift was concluded to improve the inside atmosphere and ultimately customer experience. Children's playground Papu Park in shopping centre Karisma was constructed to strengthen the image of Karisma being the family shopping centre.

The extension of the existing investment property K-Supermarket in Uusikaupunki was completed by the end of 2017.

Financial position and result of the Group

	2017	2016	Change
Net sales, EUR million	50.1	50.1	0.0
Operating profit, EUR million	59.4	38.4	21.0
Return on investment (%)	9.0	5.8	(pp) 3.2
Equity ratio (%)	10.8	7.7	(pp) 3.1
Equity ratio when shareholders' loans are included in equity (%)	35.3	32.7	(pp) 2.6

The fair value of the investment properties was as at 31 December 2017 EUR 677.4 million.

Mercada Oy reached its operative targets during the reporting period. The operational results in 2017 were at a good level and in accordance with the expectations.

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.

A new mutual real estate company named Kiinteistö Oy Oulunkylän Kisällinkujan Kauppa was established in 2017. It owns the K-Market Oulunkylä property, which was acquired in 2016. Group structure has otherwise 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 2017 – 29 May 2017

Tomi Aimonen, chair

Jukka Erlund, member

Mats Efraimsson, personal deputy member

30 May 2017 –

Jukka Erlund, chair

Tomi Aimonen, member

Fredrik Ronvall, 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 present 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 31,440.81. 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 2017 would be recorded to the retained earnings.



Consolidated Financial Statements

Consolidated Income Statement

EUR	1 Jan. - 31 Dec. 2017	1 Jan. - 31 Dec. 2016
Gross rental income	50 128 267,89	50 114 608,92
Property operating expenses and expenses from leasing operations	-7 023 005,55	-6 898 475,48
Net rental income	43 105 262,34	43 216 133,44
Other operating expenses	-1 017 001,62	-1 009 002,52
Depreciations	-	-7 275,57
Net fair value gains on investment property	17 321 548,44	-3 774 469,29
Operating profit	59 409 809,16	38 425 386,06
Net financial income and expenses	-29 945 902,46	-27 458 640,52
Profit before taxes	29 463 906,70	10 966 745,54
Current taxes	-31 028,11	-36,32
Change in deferred taxes	-6 060 373,78	-2 489 833,69
Profit for the period	23 372 504,81	8 476 875,53

Offering sustainable retail sites and the best shopping experience for customers

Consolidated Balance Sheet

EUR€	31 Dec. 2017	31 Dec. 2016
ASSETS		
NON-CURRENT ASSETS		
Other intangible assets	2 004 313,92	397 594,72
Investment properties	675 444 976,00	658 657 942,96
	677 449 289,92	659 055 537,68
CURRENT ASSETS		
RECEIVABLES		
Long term receivables		
Other receivables	254 548,77	-
	254 548,77	-
Short term receivables		
Trade receivables	132 132,84	197 425,06
Other receivables	583 239,64	1 239 804,11
Accruals	32 953,42	31 297,70
	748 325,90	1 468 526,87
CASH AND CASH EQUIVALENTS	8 274 992,47	11 156 739,54
TOTAL ASSETS	686 727 157,06	671 680 804,09

EUR	31 Dec. 2017	31 Dec. 2016
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	33 000 000,00	33 000 000,00
Translation differences	-656 592,65	-270 089,02
Retained earnings	18 662 709,46	10 185 833,93
Net income for the reporting period	23 372 504,81	8 476 875,53
	74 378 621,62	51 392 620,44
LIABILITIES		
Long-term liabilities		
Bond 2017	175 000 000,00	-
Loans from financial institutions	240 898 639,25	410 670 930,38
Shareholders' loans	167 977 725,09	167 977 725,09
Other loans	-	20 000 000,00
Other liabilities	161 184,83	153 023,00
Deferred tax liabilities	11 405 836,38	5 399 543,75
	595 443 385,55	604 201 222,22
Short-term liabilities		
Loans from financial institutions	8 750 000,00	8 750 000,00
Trade payables	351 781,18	258 379,03
Other liabilities	1 964 509,69	2 634 523,07
Accruals	5 838 859,02	4 304 993,95
Current tax liabilities	-	139 065,38
	16 905 149,89	16 086 961,43
TOTAL EQUITY AND LIABILITIES	686 727 157,06	671 680 804,09

Consolidated Statement of Cash Flows

€EUR	1 Jan. - 31 Dec. 2017	1 Jan. - 31 Dec. 2016
Cash flows from operating activities		
Profit before taxes	29 463 906,70	10 966 745,54
Depreciations	-	7 275,57
Adjustments		
Finance income and costs	29 945 902,46	27 458 640,52
Other adjustments	-17 292 125,24	3 806 958,85
	42 117 683,92	42 239 620,48
Change in working capital		
Current non-interest bearing receivables, increase (-)/decrease(+)	1 708 139,24	66 283,22
Current non-interest bearing liabilities, increase (-)/decrease(+)	-1 418 764,54	-688 498,58
	289 374,70	-622 215,36
Interest paid and other finance costs	-29 452 320,62	-27 457 974,26
Interest received	6 349,50	16 046,94
Taxes paid	-168 901,30	-36,32
	-29 614 872,42	-27 441 963,64
Net cash flows from operating activities	12 792 186,20	14 175 441,48
Cash flows from investing activities		
Payments for tangible and intangible assets	-1 123 336,83	-4 350 691,97
Net cash flows from investing activities	-1 123 336,83	-4 350 691,97
Cash flows from financing activities		
Short-term interest-bearing liabilities, increase(+)/decrease(-)	-	-
Long-term interest-bearing liabilities, increase(+)/decrease(-)	-14 550 596,44	-8 718 384,69
Proceeds from issue of shares	-	-
Other items	-	-
Net cash flows from financing activities	-14 550 596,44	-8 718 384,69
Change in cash and cash equivalents	-2 881 747,07	1 106 364,83
Cash and cash equivalents at the beginning of reporting period	11 156 739,54	10 050 374,71
Cash and cash equivalents at the end of reporting period	8 274 992,47	11 156 739,54



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 Ankkurikadun Kiinteistöt 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 Ankkurikadun Kiinteistöt 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 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 as individual line item.

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.

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.

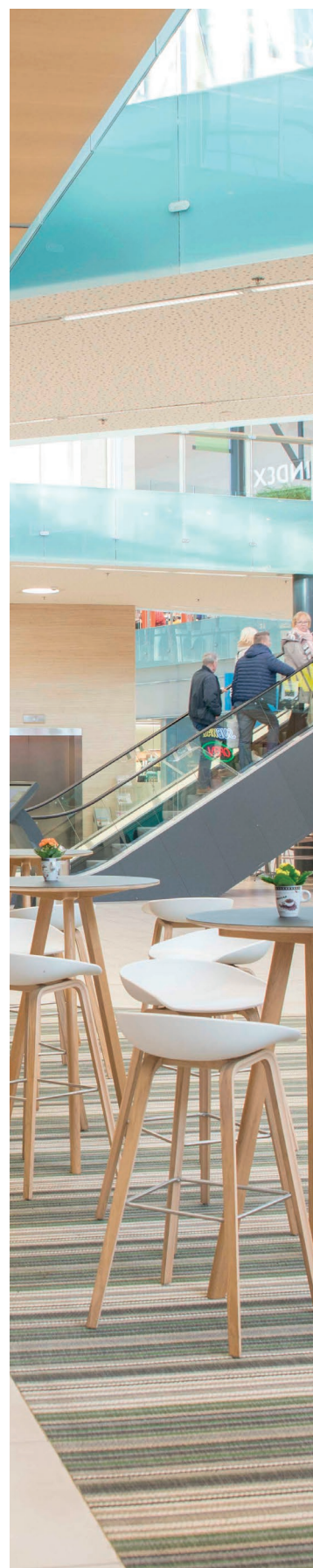
Income taxes

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	2017	2016
Gross rental income		
Finland	46 876 925,47	46 786 314,82
Sweden	3 251 559,57	3 328 294,10
Total	50 128 485,04	50 114 608,92
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	2017	2016
Chief executive officer	91 665,00	83 884,00
Total	91 665,00	83 884,00
The group employed one person at the end of December 2016.		
The members of board of directors did not receive compensation.		

Note 4. Expenses from leasing operations and other operating expenses

EUR	2017	2016
Rent expenses	134 746,39	122 206,83
Marketing expenses	399 844,59	356 012,32
Property operating expenses	6 458 991,35	6 387 766,77
Other operating expenses	1 046 424,84	1 048 767,65
Total	8 040 007,17	7 914 753,57

Auditors' fees

EUR	2017	2016
PricewaterhouseCoopers, Authorised Public Accountants		
Audit	56 992,89	54 954,12
Tax consultation	9 329,78	14 881,78
Other services	300,00	4 000,00
Total	66 622,67	73 835,90

Note 5. Finance income and costs

EUR	2017	2016
Other interest and finance income		
Interest income	6 349,50	16 046,94
Foreign exchange gains	885 931,24	2 768,29
Interest and finance income total	892 280,74	18 815,2
Interest and other finance costs		
Interest costs	-27 408 696,10	-27 307 774,10
Foreign exchange losses	-951 641,99	-
Other finance costs	-2 477 845,11	-169 681,65
Interest and finance costs total	-30 838 183,20	-27 477 455,75
Total	-29 945 902,46	-27 458 640,5

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.

Changes in investment properties		
EUR	2017	2016
At period-start	658 657 942,95	659 729 615,88
Acquisitions during the period	2 874 105,95	4 476 182,16
Net fair value gains on investment property	17 321 673,90	-3 774 469,29
Exchange rate differences	-1 404 432,88	-1 773 385,80
At period-end	677 449 289,92	658 657 942,95

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 evaluators. The evaluators prepare 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 operating profit in the income statement as individual line item "Net fair value gains on investment property".

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 input data applied in the valuation in aggregate for the whole real estate portfolio.

Input data	2017	2016
Yield %	6,3	6,4
Market rents, €/m ² /month	11,9	12,0
Vacancy %	1,3	1,1
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	752,7	713,1	677,4	645,2	615,9
Market rents	634,8	656,2	677,4	699,1	720,5
Change, percentage points	-2	-1	0	1	2
Vacancy	682,6	680,0	677,4	674,9	672,3

Note 7. Equity

EUR	Share capital	Retained earnings	Translation differences	Equity
Balance as at 31 Dec. 2016	33 000 000,00	18 662 709,46	-270 089,02	51 392 620,44
Dividends				
Increase				
Profit for the period		23 372 504,81	-386 503,63	22 986 001,18
Balance as at 31 Dec. 2017	33 000 000,00	42 035 214,27	-656 592,65	74 378 621,62

Note 8. Long term liabilities

The company has loans from financial institutions amounting to EUR 249,6 million. euroa. Some of the loans are paid back in instalments and some are bullet loans. Loans amounting to EUR 33,5 million are denominated in SEK and the rest EUR 216,1 million are denominated in EUR.

All loans from financial institutions have variable interest rate.

Mercada Oy issued in October 2017 a senior secured bond of EUR 175 million. The bond matures on 24 October 2022.

Loans due later than after 5 years amount to EUR 168,0 million.

LONG-TERM LIABILITY AMORTIZATIONS AND INTEREST PAYMENTS							
EUR thousand	2018	2019	2020	2021	2022	2023-	Total
Bank loans	8 750	8 750	134 825	4 400	92 924	-	249 649
Interest payments	4 555	4 399	3 359	1 989	962	-	15 264
Bond 10_2017	-	-	-	-	175 000	-	175 000
Interest payments	3 281	3 281	3 281	3 281	3 281	-	16 406

Note 9. Deferred tax

Deferred tax liabilities		
EUR	2017	2016
Appropriations	1 252 898,80	904 528,89
Measurement of investment property at fair value	2 997 440,45	709 059,60
Other	7 155 497,13	3 785 955,26
Total	11 405 836,38	5 399 543,75

Note 10. Commitments

EUR	2017	2016
Real estate mortgages		
Collateral given for own commitments	809 284 800,00	571 880 001,11
Other commitments and contingent liabilities		
VAT refund liabilities	28 212 374,03	35 692 984,15
Future minimum lease payments, machinery and equipment		
Not later than 1 year	80 804,43	80 662,22
Over 1 year	150 055,00	161 457,43
Future minimum lease payments, real estates		
Not later than 1 year	166 476,00	166 165,00
Over 1 year	2 441 031,00	2 600 969,00

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 424,6 million.

EUR million	2017	2017	2016	2016
Commitments from derivatives	Nominal Value	Fair Value	Nominal Value	Fair Value
Fair values 31 December				
Interest rate swaps	204,1	-4,4	355,3	-7,5



Note 11. Subsidiaries 31 December 2017

Finland	Domicile	Group's ownership interest, %	Parent's ownership interest, %
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 Finnentien 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
Oulunkylän Kisällinkujan Kauppa KOy	Helsinki	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. 2017	1 Jan. - 31 Dec. 2016
Gross rental income	46 879 181,10	46 786 314,82
Property operating expenses and expenses from leasing operations	-6 822 625,11	-6 683 784,54
Net rental income	40 056 555,99	40 102 530,28
Other operating income	-1 012 409,42	-942 969,37
Depreciation	-173 176,15	-7 275,57
Operating Profit	38 870 970,42	39 152 285,34
Net financial income and expenses	-38 779 053,17	-39 096 418,51
Profit before taxes	91 917,25	55 866,83
Appropriations		
Change in depreciation difference	-91 100,49	-80 031,17
Current taxes	-32 257,57	-
Profit for the period	-31 440,81	-24 164,34



Parent Company's Balance Sheet

EUR	31 Dec. 2017	31 Dec. 2016
ASSETS		
NON-CURRENT ASSETS		
INTANGIBLE ASSETS		
Other intangible assets	1 140 931,49	429 258,10
TANGIBLE ASSETS		
Buildings	-	3 262 745,20
INVESTMENTS		
Investments in subsidiaries	169 139 630,91	168 813 356,39
	170 280 562,40	172 505 359,69
CURRENT ASSETS		
RECEIVABLES		
Long-term		
Receivables from subsidiaries	443 189 760,68	456 965 896,00
Other receivables	254 548,77	-
	443 444 309,45	456 965 896,00
Short-term		
Trade receivables	132 132,84	197 425,06
Receivables from subsidiaries	10 214 273,57	11 756 305,83
Other receivables	181 564,74	875 316,97
Accrued income	29 364,00	133,63
	10 557 335,15	12 829 181,49
CASH AND CASH EQUIVALENTS	8 274 992,47	11 156 739,54
TOTAL ASSETS	632 557 199,47	653 457 176,72

EUR	31 Dec. 2017	31 Dec. 2016
EQUITY AND LIABILITIES		
EQUITY		
Share capital	33 000 000,00	33 000 000,00
Retained earnings	-24 174,10	-9,76
Net income for reporting period	-31 440,81	-24 164,34
	32 944 385,09	32 975 825,90
Deferred liabilities		
Deferred tax liabilities	171 131,66	80 031,17
LIABILITIES		
Long-term liabilities		
Bond 2017	175 000 000,00	-
Loans from financial institutions	240 898 639,25	410 670 930,38
Shareholder loans	167 977 725,09	167 977 725,09
Other loans	-	20 000 000,00
Other liabilities	161 184,83	153 023,00
	584 037 549,17	598 801 678,47
Short-term liabilities		
Loans from financial institutions	8 750 000,00	8 750 000,00
Advances received	42 293,98	42 530,30
Trade payables	126 460,53	35 243,71
Payables to subsidiaries	2 929 782,63	9 252 041,27
Other payables	2 178,54	31 236,44
Accruals	3 553 417,87	3 488 589,46
	15 404 133,55	21 599 641,18
TOTAL EQUITY AND LIABILITIES	632 557 199,47	653 457 176,72

Parent Company's Cash Flow Statement

EUR	1 Jan. - 31 Dec. 2017	1 Jan. - 31 Dec. 2016
Cash flows from operating activities		
Profit before taxes	91 917,25	55 866,83
Adjustments		
Depreciations	173 176,15	7 275,57
Finance income and costs	38 779 053,17	39 096 418,51
Other adjustments	29 423,23	32 489,56
	39 073 569,80	39 192 050,47
Change in working capital		
Current non-interest bearing receivables, increase (-)/decrease(+)	1 455 036,02	3 939 220,79
Current non-interest bearing liabilities, increase (-)/decrease(+)	-4 106 322,99	-1 087 590,13
	-2 651 286,97	2 851 630,66
Interest paid and other finance costs	-66 191 260,65	-67 818 932,66
Interest received	27 912 138,81	28 739 227,35
Current taxes paid	-32 257,57	-
	-38 311 379,41	-39 079 705,31
Net cash flows from operating activities	-1 889 096,58	2 963 975,82
Cash flows from investing activities		
Payments for tangible and intangible assets	-1 211 124,06	-4 217 255,01
Long-term receivables, increase (-)/decrease(+)	3 262 745,20	-
Net cash flows from investing activities	2 051 621,14	-4 217 255,01
Cash flows from financing activities		
Short-term interest-bearing liabilities, increase(+)/decrease(-)	-3 110 836,44	4 356 850,82
Long-term interest-bearing receivables, increase(-)/decrease(+)	13 521 586,55	10 093 455,46
Long-term interest-bearing liabilities, increase(+)/decrease(-)	-14 764 129,30	-10 059 064,77
Short-term interest-bearing receivables, increase(-)/decrease(+)	1 809 678,23	-2 031 597,49
Increase in share capital	-	-
Other items	-500 570,67	-
Net cash flows from financing activities	-3 044 271,63	2 359 644,02
Change in cash and cash equivalents	-2 881 747,07	1 106 364,83
Cash and cash equivalents at the beginning of reporting period	11 156 739,54	10 050 374,71
Cash and cash equivalents at the end of reporting period	8 274 992,47	11 156 739,54

Notes to the parent company's financial statements

Note 1. Principles used for preparing the financial statements

The financial statements of 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 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.

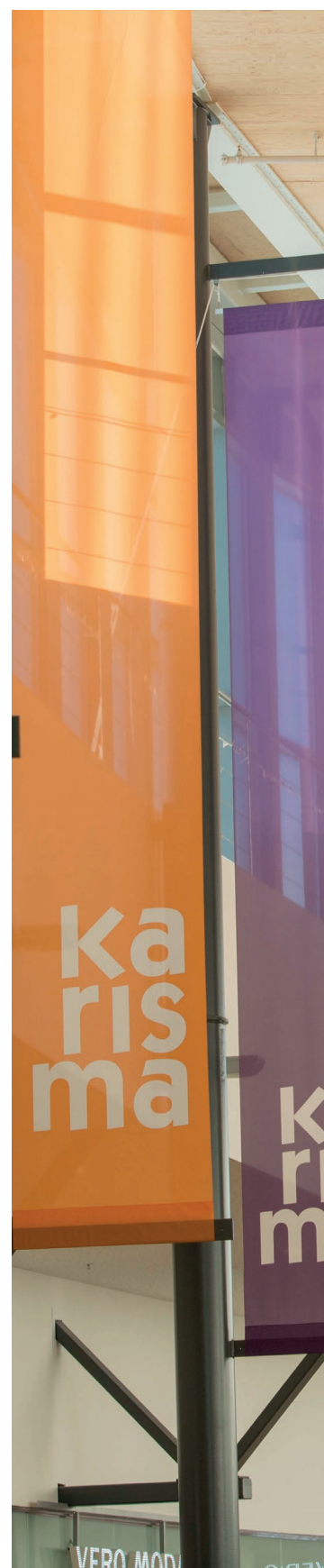
Realized cash flows arising from interest rate derivatives are recognised during the financial year as interest income or expenses.

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	2017	2016
Gross rental income		
Finland	46 879 181,10	46 786 314,82
Total	46 879 181,10	46 786 314,82
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	2017	2016
Chief executive officer	91 665,00	83 884,00
Total	91 665,00	83 884,00
Mercada group employed one person at the end of December 2016.		
The members of board of directors did not receive compensation.		

Note 4. Expenses from leasing operations and other operating expenses

EUR	2017	2016
Property operating expenses	6 691 454,91	6 539 958,30
Marketing expenses	131 170,20	143 826,24
Other operating expenses	1 185 585,57	950 244,94
Total	8 008 210,68	7 634 029,48
Other operating expenses consist mainly of fees for financial services, insurances and costs relating to leasing operations.		

Auditors' fees

EUR	2017	2016
PricewaterhouseCoopers, Authorised Public Accountants		
Audit	20 335,28	27 863,04
Tax consultation	9 329,78	11 581,50
Other services	-	4 000,00
Total	29 665,06	43 444,54

Note 5. Finance income and costs

EUR	2017	2016
Other interest and finance income		
Interest income from group companies	27 906 184,14	28 724 523,95
Other interest income	5 954,67	14 623,56
Foreign exchange gains	885 931,25	2 848,13
Interest and finance income total	28 798 070,06	28 741 995,64
Interest and other finance costs		
Interest costs	-27 403 337,04	-27 411 626,45
Interest costs to group companies	-36 744 299,09	-40 362 491,16
Foreign exchange losses	-951 641,99	-10 721,14
Other finance costs	-2 477 845,11	-53 575,40
Interest and finance costs total	-67 577 123,23	-67 838 414,15
Total	-38 779 053,17	-39 096 418,51

Notes to the Parent Company's Balance Sheet

Note 6. Intangible assets

EUR	2017	2016
Other Intangible Assets		
Acquicition costs at the beginning of period	436 533,67	-
Increases	884 849,54	436 533,67
Acquicition costs at the end of period	1 321 383,21	436 533,67
Accumulated depreciations at the beginning of period	-7 275,6	0,00
Depreciation for period	-173 176,15	-7 275,57
Accumulated depreciations at the end of period	-180 451,72	-7 275,57
Book value at the end of reporting period	1 140 931,49	429 258,10

Note 7. Tangible assets

EUR	2017	2016
Buildings		
Acquicition costs at the beginning of period	3 262 745,20	0,00
Increases	0,00	3 262 745,20
Decreases	-3 262 745,20	0,00
Acquicition costs at the end of period	0,00	3 262 745,20
Book value at the end of reporting period	0,00	3 262 745,20

Note 8. Tangible assets

EUR	2017	2016
Investments in subsidiaries		
Acquicition costs at the beginning of period	168 813 356,38	167 733 356,38
Increases	326 274,52	1 080 000,00
Acquicition costs at the end of period	169 139 630,90	168 813 356,38
Book value at the end of reporting period	169 139 630,90	168 813 356,38

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

Note 9. Receivables

EUR	2017	2016
Receivables from subsidiaries		
Long-term receivables		
Loans	443 189 760,68	456 965 896,00
Long-term receivables total	443 189 760,68	456 965 896,00
Short-term receivables		
Trade receivables	-	38 133,08
Loans	9 666 395,43	11 476 073,66
Accrued income	547 878,14	233 562,27
Other items	-	8 536,82
Short-term receivables total	10 214 273,57	11 756 305,83
Total	453 404 034,25	468 722 201,83

Note 10. Shareholders' equity

EUR	Share capital	Retained earnings	Total equity
Balance as at 31 Dec. 2016	33 000 000,00	-24 174,10	32 975 825,90
Dividends			
Increase			
Profit for the period		-31 440,81	-31 440,81
Balance as at 31 Dec. 2017	33 000 000,00	-55 614,91	32 944 385,09
Calculation of distributable profits			2017
Retained earnings at 1 January			-24 174,10
Profit for the period			-31 440,81
Retained earnings at 31 December			-55 614,91
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

Note 11. Long-term Liabilities

The company has loans from financial institutions amounting to EUR 249,6 million. Some of the loans are paid back in instalments and some are bullet loans. Loans amounting to EUR 33,5 million are denominated in SEK and the rest EUR 216,1 million are denominated in EUR.

All loans from financial institutions have variable interest rate.

Mercada Oy issued in October 2017 a senior secured bond of EUR 175 million. The bond matures on 24 October 2022.

Loans due later than after 5 years amount to EUR 168,0 million.

Long-term liabilities amortizations and interest payments

EUR thousand	2018	2019	2020	2021	2022	2023-	Total
Bank loans	8 750	8 750	134 825	4 400	92 924	-	249 649
Interest payments	4 555	4 399	3 359	1 989	962	-	15 264
Bond 10_2017	-	-	-	-	175 000	-	175 000
Interest payments	3 281	3 281	3 281	3 281	3 281	-	16 406

Note 12. Short-term liabilities

EUR						2017	2016
Liabilities to group companies							
Other payables						1 246 014,38	4 356 937,72
Accruals						1 683 768,24	4 895 103,55
Total						2 929 782,62	9 252 041,27
Accruals							
Interests						3 262 548,43	3 328 898,51
Other items						290 869,44	159 690,95
Total						3 553 417,87	3 488 589,46

Note 13. Commitments

EUR			2017	2016
Other commitments				
Collateral given for own commitments			274 942	747 062
Lease liabilities				
Not later than 1 year			-	48 940
Over 1 year			-	1 349 931

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 439,4 million.

EUR million	2017	2017	2016	2016
Commitments from derivatives	Fair Value	Change	Fair Value	Change
Values as at 31 December				
Interest rate swaps	204,1	-4,4	355,3	-7,5

SIGNATURES

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

Helsinki, ____ April 2018

Jukka Erlund
Chair

Tomi Aimonen

Fredrik Ronvall

Harri Holmström
CEO

The auditor's note

Our auditor's report has been issued today.

Helsinki, ____ April 2018

PricewaterhouseCoopers Oy
Authorised Public Accountants

Mikko Nieminen
APA



