PUUILO

Puuilo Plc

Share Issue of approximately EUR 30 million

Share Sale initially of a maximum of 31,365,880 Sale Shares

Preliminary Price Range EUR 6.20–6.60 per Offer Share

This offering circular (the "**Offering Circular**") has been prepared in connection with the initial public offering of Puuilo Plc ("**Puuilo**" or the "**Company**"), a public limited liability company incorporated in Finland. The Company aims to collect gross proceeds of approximately EUR 30 million by offering new shares of the Company (the "**New Shares**") for subscription (the "**Share Issue**"). The number of New Shares to be issued will be determined based on the final subscription price per Offer Share (as defined below) (the "**Final Subscription Price**"). The Company would issue initially a maximum of 4,690,105 New Shares assuming that the Final Subscription Price would be at the mid-point of the Preliminary Price Range (as defined below) and initially a maximum of 26,041 New Shares are subscribed for in the Personnel Offering (as defined below) at the discount applicable to such New Shares. In addition, Puuilo Invest Holding AB, a company ultimately owned by Adelis Equity Partners Fund I AB and companies directly or indirectly owned by Adelis Equity Partners Fund I AB that are shareholders of the Company ("**Adelis**"), and the shareholders listed in the Annex A of this Offering Circular selling Sale Shares (as defined below) in the Offering (together with Adelis, the "**Sellers**") will offer for purchase initially a maximum of 31,365,880 existing shares of the Company (the "**Sale Shares**", and together with the New Shares and the Additional Shares (as defined below) the "**Offer Shares**") (the "**Share Sale**", and together with the Share Issue, the "**Offering**").

The Offering consists of (i) a public offering to private individuals and entities in Finland (the "**Public Offering**"), (ii) an institutional offering to institutional investors in Finland and, in accordance with applicable laws, internationally, including in the United States to persons reasonably believed by the Joint Global Coordinators (as defined below) to be qualified institutional buyers ("**QIBs**") as defined in Rule 144A ("**Rule 144A**") under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"), pursuant to exemptions from the registration requirements of the U.S. Securities Act (the "**Institutional Offering**") and (iii) a personnel offering to the Company's and its subsidiaries' employees as well as members of the Board of Directors and management team of the Company (the "**Personnel Offering**"). Offer Shares will be offered in the Institutional Offering to institutional investors outside the United States in offshore transactions in compliance with Regulation S under the U.S. Securities Act of 1933, as amended ("**Regulation S**"). Any offer or sale of Offer Shares in the United States in reliance on Rule 144A will solely be made by one or more broker-dealers who are registered as such under the U.S. Exchange Act. Nordea Bank Abp's ("**Nordea**") and OP Corporate Bank plc ("**OP**") activities in connection with the Offering are limited solely to outside the United States. This Offering Circular relates to the Institutional Offering of Offer Shares to QIBs in the United States and to institutional investors outside of Finland.

Certain funds managed and advised by Capital World Investors, selected funds managed by Evli Fund Management Ltd, certain funds managed by DNCA Finance, certain funds managed by Sp-Fund Management Company Ltd, certain funds managed by Svenska Handelsbanken AB, Conficap Oy and Creades AB (publ) via endowment insurance (together, the "**Cornerstone Investors**") have in total, subject to certain conditions, committed to subscribe for Offer Shares in the Offering amounting to approximately EUR 96 million at a post-money equity value of up to EUR 560 million. According to the terms and conditions of the subscription undertakings, the Cornerstone Investors will be guaranteed the number of Offer Shares covered by their subscription undertakings. The Cornerstone Investors will not be compensated for their subscription undertakings.

Carnegie Investment Bank AB, Finland Branch ("**Carnegie**") and Danske Bank A/S, Finland Branch ("**Danske**") have been appointed to act as joint global coordinators and joint bookrunners for the Offering (each jointly referred to as the "**Joint Global Coordinators**") and Nordea and OP to act as joint bookrunners for the Offering (Nordea and OP together with Joint Global Coordinators the "**Managers**"). In addition, the Company has appointed Nordnet Bank AB ("**Nordnet**") as the subscription place in the Public Offering. Adelis is expected to grant to the Managers an option, exercisable within 30 days from commencement of trading in the Company's shares (the "**Shares**") on Nasdaq Helsinki Ltd (the "**Helsinki Stock Exchange**"), to purchase a maximum of 5,431,091 additional Shares (the "**Additional Shares**") solely to cover over-allotments in connection with the Offering (the "**Over-allotment Option**").

The subscription period for the Institutional Offering will commence on 11 June 2021 at 10:00 a.m. (Finnish time) and end on or about 23 June 2021 at 12:00 p.m. (Finnish time). The subscription period for the Public Offering will commence on 11 June 2021 at 10:00 a.m. (Finnish time) and end on or about 21 June 2021 at 4:00 p.m. (Finnish time). The subscription period for Personnel Offering will commence on 11 June 2021 at 10:00 a.m. (Finnish time) and end on or about 21 June 2021 at 4:00 p.m. (Finnish time). For instructions for subscription and full terms and conditions of the Offering, see section "*Terms and Conditions of the Offering*".

Before the Offering, the Shares have not been subject to trading on a regulated market or multilateral trading facility. The Company will submit an application to the Helsinki Stock Exchange for the Shares to be listed on the official list of the Helsinki Stock Exchange with the trading code "PUUILO". Trading of the Shares on the prelist of the Helsinki Stock Exchange is expected to commence on or about 24 June 2021 and on the official list of the Helsinki Stock Exchange on or about 28 June 2021 (the "**Listing**").

The Offer Shares have not been and will not be registered under the U.S. Securities Act and are being offered or sold (i) in the United States only to persons reasonably believed by the Joint Global Coordinators to be qualified institutional buyers as defined in Rule 144A under the U.S. Securities Act, or pursuant to other applicable exemptions from the registration requirements under the U.S. Securities Act and (ii) outside the United States in offshore transactions in compliance with Regulation S. Prospective investors are hereby notified that any seller of the Offer Shares may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. The distribution of this Offering Circular and the offer and sale of the Offer Shares may be restricted by law in certain jurisdictions. Accordingly, neither this Offering Circular nor any advertisement or any other Offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons in possession of this Offering Circular are required by the Company, the Sellers and the Managers to inform themselves about and to observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities law of any such jurisdiction. See "*Selling and Transfer Restrictions*" and "*Important Information*".

The Offering Circular may not be published or distributed in or into the United States, Australia, Canada, Hong Kong, Japan, New Zealand, Singapore, South Africa or any other jurisdiction in which it would not be permissible to make an offer of the Shares. The Shares may not be offered, sold, resold, transferred or delivered, directly or indirectly, in or into any such countries.

For certain risk factors involved in investing in the Shares, see section "*Risk Factors*".

Joint Global Coordinators

Carnegie Investment Bank AB, Finnish Branch

Danske Bank A/S, Finnish Branch

Managers

Nordea Bank Abp

OP Corporate Bank plc

IMPORTANT INFORMATION

In connection with the Offering, the Company has prepared a Finnish language prospectus (the "**Finnish Prospectus**") in accordance with the Finnish Securities Market Act (746/2012, as amended) (the "**Finnish Securities Market Act**"), Regulation (EU) 2017/1129 of the European Parliament and of the Council on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (as amended) (the "**Prospectus Regulation**"), Commission Delegated Regulation (EU) 2019/980 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004 (as amended) (Annexes 1 and 11), Commission Delegated Regulation (EU) 2019/979 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council with regard to regulatory technical standards on key financial information in the summary on a prospectus, the publication and classification of prospectuses, advertisements for securities, supplements to a prospectus and a notification portal, and repealing Commission Delegated Regulation (EU) No 382/2014, and Commission Delegated Regulation (EU) 2016/301 (as amended), as well as the regulations and guidelines issued by the Finnish Financial Supervisory Authority ("**FIN-FSA**").

This Offering Circular also contains the summary in the format required by Article 7 of the Prospectus Regulation. Except for certain additional information included for the benefit of non-Finnish shareholders and prospective investors, this is an English language translation of the Finnish Prospectus. The Company is responsible for the English translation of the Finnish Prospectus. The FIN-FSA, as the competent authority under the Prospectus Regulation, has approved the Finnish Prospectus. The FIN-FSA has only approved the Finnish Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Investors should make their own assessment as to the suitability of investing in the securities. Approval by the FIN-FSA of the Finnish Prospectus shall not be considered as an endorsement of the issuer that is the subject of the Finnish Prospectus. The journal number of the FIN-FSA's decision of approval is FIVA 39/02.05.04/2021. In case of any discrepancies between the original Finnish Prospectus and the English language Offering Circular, the Finnish Prospectus shall prevail.

In this Offering Circular, any reference to the "**Company**", "**Puuilo**" or "**Puuilo Group**" means Puuilo Plc and its subsidiaries on a consolidated basis, except where it is clear from the context that the term means Puuilo Plc or a particular subsidiary or business unit only. References relating to the Shares and share capital of the Company or matters of corporate governance shall refer to the Shares, share capital and corporate governance of Puuilo Plc.

Shareholders and prospective investors should rely solely on the information contained in the Offering Circular as well as on the stock exchange releases published by Puuilo. Puuilo or Managers have not authorised anyone to provide any information or give any statements other than those provided in the Offering Circular. Delivery of the Offering Circular shall not, under any circumstances, indicate that the information presented in the Offering Circular is correct on any day other than the date of the Offering Circular, or that there would not be any changes in the business of Puuilo after the date of the Offering Circular. However, if a significant new circumstance, fault or omission is discovered in this Offering Circular after the FIN-FSA has approved the Finnish Prospectus but before the admission of the Shares for trading on the Helsinki Stock Exchange and such fault or omission may be of material importance to investors, the Offering Circular shall be supplemented in accordance with the Prospectus Regulation.

This Offering Circular is valid until the Shares commence trading on the Helsinki Stock Exchange. Responsibility to supplement the Offering Circular in the event of significant new factors, material mistakes or material inaccuracies does not apply when the Offering Circular is no longer valid.

In a number of countries, in particular in the United States, Australia, Canada, Hong Kong, Japan, New Zealand, Singapore and South Africa, the distribution of the Offering Circular and the offer of the Shares are subject to restrictions imposed by law (such as registration, admission, qualification and other regulations). The offer to subscribe for the Shares does not include persons in any jurisdiction where such an offer would be illegal. No action has been or will be taken by the Company or the Managers to permit the possession or distribution of the Offering Circular (or any other offering or publicity materials or application form(s) relating to the Offering) in any jurisdiction where such distribution may otherwise lead to a breach of any law or regulatory requirement.

The Shares may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any documents relating to the Shares nor any advertisements may be distributed or published in any jurisdiction in which this would violate any laws or regulations. No action has been or will be taken by the Company or the Managers to permit public offering of Shares outside Finland. The Company and the Managers require that any person who receives this Offering Circular into their possession acquire adequate information of these restrictions and comply with them. Nevertheless, the Shares may be offered to qualified investors in a member state of the European Economic Area ("**EEA**"), if any of the exceptions in the Prospectus Regulation is applicable. See "*Selling and Transfer Restrictions*".

The Shares have not been, and will not be, registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. The Shares may not, with certain exceptions, be offered, sold, exercised, pledged, transferred or delivered, directly or indirectly, in or into the United States. In addition to the United States, the legislation of certain other countries may restrict the distribution of this Offering Circular. This Offering Circular must not be considered an offer of securities in such country, where offering of Shares would be forbidden. The Shares may not be offered, sold, exercised, pledged, transferred or delivered, directly or indirectly, in or into such country. Neither the Company nor the Managers accept any legal responsibility for persons who have obtained the Offering Circular in violation of these restrictions, irrespective of whether these persons are prospective subscribers or purchasers of the Shares. The Company reserves the right, in its sole and absolute discretion, to reject any subscription of the Shares that the Company or its representatives believe may give rise to a breach or violation of any law, rule or regulation.

Investors must not construe the contents of this Offering Circular as legal, investment or tax advice. Each investor should consult such investor's own counsel, accountant or business advisor as to legal, investment and tax advice and related matters pertaining to the Offering, if they deem it necessary.

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ANNEXES

SUMMARY

Introduction and Warnings

*This summary contains all the sections required by the Prospectus Regulation to be included in a summary for this type of securities and issuer. This summary should be read as an introduction to the offering circular (the "**Offering Circular**"). Any decision to invest in the securities should be based on consideration of the Offering Circular as a whole by the investor. An investor investing in the securities could lose all or part of the invested capital. Where a claim relating to the information contained in the Offering Circular is brought before a court, the plaintiff investor might, under applicable law, have to bear the costs of translating the Offering Circular before legal proceedings are initiated. Puuilo Plc ("**Puuilo**" or the "**Company**") assumes civil liability in respect of this summary only if it is misleading, inaccurate or inconsistent when read together with the other parts of the Offering Circular, or if it does not provide, when read together with the other parts of the Offering Circular, key information in order to aid investors when considering whether to invest in the Company's shares (the "**Shares**").*

The identity and contact details of the issuer are as follows:

Name of the issuer:	Puuilo Plc
Address:	Pakkalankuja 6, FI-01510 Vantaa
Business identity code:	2726573-8
Legal entity identifier (LEI):	743700UJUT6FWHBXPR69
ISIN Code of the Shares:	FI4000507124

The Company will submit a listing application to Nasdaq Helsinki Ltd (the "**Helsinki Stock Exchange**") for the listing of the Shares on the official list of the Helsinki Stock Exchange (the "**Listing**"). This is an English language translation of the original Finnish language prospectus (the "**Finnish Prospectus**"). The Finnish Prospectus has been approved by the Finnish Financial Supervisory Authority (the "**FIN-FSA**") as the competent authority under Regulation (EU) 2017/1129 (the "**Prospectus Regulation**") on 10 June 2021. The FIN-FSA has only approved the Finnish Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Approval by the FIN-FSA of the Finnish Prospectus shall not be considered as an endorsement of the issuer that is the subject of the Finnish Prospectus. The decision number of the approval of the Finnish Prospectus is FIVA 39/02.05.04/2021.

The identity and contact details of the competent authority, the FIN-FSA, approving the Finnish Prospectus are as follows:

Financial Supervisory Authority
P.O. Box 103
FI-00101 Helsinki, Finland
Tel.: +358 9 183 51
Email: registry@fiva.fi.

Key Information on the Issuer

Who Is the Issuer of the Securities?

The issuer's registered name is Puuilo Plc (previously Puuilo Invest I Ltd) and it is domiciled in Helsinki, Finland. The Company is registered in the Finnish Trade Register of the Finnish Patent and Registration Office (the "**Trade Register**") under business identity code 2726573-8 and legal entity identifier (LEI) 743700UJUT6FWHBXPR69. The Company is a public limited liability company incorporated in Finland and operating under Finnish law.

General

Puuilo is a Finnish retail store chain established in 1982, known in particular for its wide product assortment, low prices, good store locations and convenient shopping experience. The Company is focused on, in particular, do-it-yourself, household and pet food and accessories. As at 30 April 2021, Puuilo had 32 stores across Finland and, after this date, it has opened a store to Rauma, Finland, on 3 June 2021. In addition, Puuilo has an online store, which is an important part of Puuilo's omnichannel approach. With the online store, Puuilo strives to increase its visibility among consumers, as well as to increase the number of visitors and sales in its online and physical stores. The online store accounted for 3.3 percent of Puuilo's net sales for the financial year ended 31 January 2021.

Puuilo offers its customers a wide and carefully selected product assortment in ten categories: building, tools, HVAC and electric supplies, pet food and accessories, car accessories, groceries, household products, garden supplies, free-time and other products, and services. Puuilo actively manages its product assortment through a central organization and, as at the date of this Offering Circular, its product offering includes approximately 30,000 active branded and private label stock-keeping units (SKUs). The Company offers its entire active product assortment in all of its stores, with the aim of making shopping easier and improving the shopping experience.

Major Shareholders

Shareholders owning five percent or more of the Shares in the Company have an interest in the Company's share capital which is notifiable pursuant to the Finnish Securities Markets Act (746/2012, as amended) (the "**Finnish Securities Markets Act**"). The following table sets forth the shareholders owning individually or through the same sphere of control five percent or more of the shares or votes in the Company before the Offering, based on the shareholders' register maintained by Euroclear Finland Ltd ("**Euroclear Finland**") as at June 9 2021 as well as on information available to the Company, and their shareholding after the Offering, assuming that Sellers sell the maximum amount of Sale Shares and that the Company will issue 4,690,105 New Shares, (assuming that the Subscription Price for New Shares will be at the mid-point of the Preliminary Price Range (as defined below) and that a total of 26,041 New Shares are subscribed for in the Personnel Offering at the discount applicable to such New Shares).

	Before the Offering		After the Offering	
Shareholder	**Number of shares**	**Percentage of shares and votes**	**Number of shares**	**Percentage of shares and votes**
Puuilo Invest Holding AB[1]	61,025,658	76.08	31,423,544[2]	37.01
Adelis Equity Partners Fund I AB	5,882,498	7.33	0	0.00
Markku Tuomaala	4,692,056	5.85	4,692,056[3]	5.53

[1] A company ultimately owned by Adelis Equity Partners Fund I AB
[2] Assuming that the entire Over-Allotment Option will be used in full. In addition, Puuilo Invest Holding I AB and certain key personnel of the Company have agreed on an arrangement where the key personnel have the right to buy the Company's shares from Puuilo Invest Holding AB. The number of Shares to be bought is defined by the Final Subscription Price. If the Final Subscription Price for New Shares will be at the mid-point of the Preliminary Price Range (as defined below), the key personnel would have the right to buy an estimated total of 577,561 shares in the Company from Puuilo Invest Holding AB.
[3] Puuilo Invest Holding AB and certain key personnel of the Company have on an arrangement where the key personnel have the right to buy the Company's shares from Puuilo Invest Holding AB. The number of Shares to be bought is defined by the Final Subscription Price. If the Final Subscription Price for New Shares will be at the mid-point of the Preliminary Price Range (as defined below), Mr. Tuomaala would have the right to buy an estimated total of 155,497 shares in the Company from Puuilo Invest Holding AB.

As at the date of this Offering Circular, Adelis held in total 83.5 percent of the Shares and votes in the Company (taking into account the shares held by Adelis Friends & Family I AB). Accordingly, Adelis has control over the Company as referred to in Chapter 2, Section 4 of the Finnish Securities Market Act.

Key Managing Directors and Statutory Auditor

The members of the Board of Directors of the Company are Timo Mänty, Gustav Ragnar Bard, Tomas Franzén, Rasmus Karl Gustaf Molander, Mammu Kaario, and Markku Kalevi Tuomaala. The members of the group's management team are Juha Saarela, Sirkkaliisa Kulmala, Markku Lampela, Tom Lång, Ville Ranta, Juha Parviainen and Perttu Partanen.

The Company's CEO is Juha Saarela.

The Company's statutory auditor is PricewaterhouseCoopers Oy, Authorised Public Accountants, with Enel Sintonen, Authorised Public Accountant as the auditor with principal responsibility. Enel Sintonen is registered to the register of auditors referred to in Chapter 6, Section 9 of the Finnish Auditing Act (1141/2015, as amended).

What Is the Key Financial Information Regarding the Issuer?

The selected historical key financial information presented below has been derived from Puuilo's unaudited consolidated financial information as at and for the three months ended 30 April 2021 including unaudited comparative consolidated financial information as at and for the three months ended 30 April 2021 as well as audited consolidated financial statements as at and for the financial years ended 31 January 2021, 31 January 2020 and 31 January 2019, prepared in accordance with the International Financial Reporting Standards ("**IFRS**") as adopted by the European Union (the "**EU**").

The following table sets forth the key figures of Puuilo for the dates and periods indicated:

(EUR in thousands, unless otherwise indicated)	As at 30 April and three months ended 30 April 2021	2020	As at and financial year ended 31 January 2021	2020 (restated)	2019
	(unaudited)		(unaudited unless otherwise indicated)		
Net sales	58,384	48,064	238,721[1]	170,483[1]	136,228[1]
Net sales growth	21.5 %		40.0 %	25.1 %	18.4 %
EBIT[2]	7,289	6,970	41,503[1]	22,949[1]	17,869[1]
EBIT margin %[2]	12.5 %	14.5 %	17.4 %	13.5 %	13.1 %
Adjusted EBIT[2]	8,436	7,198	42,056	23,594	18,072
Adjusted EBIT margin %[2]	14.4 %	15.0 %	17.6 %	13.8 %	13.3 %
Profit for the period	4,875	4,615	28,785[1]	15,236[1]	12,308[1]
Earnings per share (basic and diluted), EUR	0.06	0.06	0.36[1]	0.19[1]	0.13[1]
Total assets	185,281	168,043	173,424[1]	155,519[1]	144,595[1]
Total Equity	11,785	-1,261	6,909[1]	30,222[1]	40,209[1]
Net debt[2]	117,555	124,643	121,789[1]	92,738[1]	79,890[1]
Cash flows from operating activities	6,722	6,664	36 996[1]	24,110[1]	9,580[1]
Cash flows from investing activities	-1,065	-847	-2 648[1]	-2,397[1]	-1,977[1]
Cash flows from financing activities	-1,774	-2,920	-32,871[1]	-16,820[1]	-8,254[1]

[1] Audited.
[2] Alternative performance measure, which is not in accordance with the "Alternative Performance Measures" guidelines by the European Securities and Markets Authority are not accounting measures of historical financial performance, financial position and cash flows, defined or specified in IFRS. In the Company's view, alternative performance measures provide meaningful supplemental information about the Company to the management, investors, securities market analysts and others regarding the Company's results of operations, financial position and cash flows.

What Are the Key Risks That Are Specific to the Issuer?

- Global epidemics, such as the COVID-19 pandemic, may have a material adverse effect on Puuilo's business due to, among other factors, disruptions in the supply chains and a decrease in the number of store visits by the customers.
- Puuilo's results of operations and profitability are exposed to risks related to the purchasing behaviour of Finnish consumers.
- The activities of the Company's competitors may affect Puuilo's business operations in the future in many ways, and Puuilo may fail in reacting effectively to changing market conditions. There can be no assurance that Puuilo will be able to compete successfully with its present or potential competitors in the future. Puuilo may also face competitive pressure in the future, both at its stores and online, from new players entering the Finnish market.
- Puuilo's ability to attract customers depends to a significant extent on the strength of its brand, and Puuilo may not succeed in maintaining or improving the reputation of its brand.
- Disruptions in the availability of goods or in the supply and delivery chain may lead to additional costs and a decline in the Company's total net sales and profitability.
- Puuilo may face challenges in opening new stores, relocating existing stores and finding new leased premises.
- The loss of key employees at Puuilo could have a material adverse effect on its business and future prospects, as suitable persons may not necessarily be found to replace such key employees in a timely manner, without additional expenses or at all.
- The turnover of store employees is generally high in the retail sector, and exceptionally high turnover among store employees may increase personnel expenses.
- Disruptions in the Company's IT systems may have a significant effect on the Company's business, the management of product flows, orders, customer data, inventories, deliveries and inventory levels, as well as on the management of insider information and information related to the personnel and on effective management of other information related to management and of financial information.
- Difficulties acquiring potential financing needed in the future and an increase in financing costs could have an adverse impact on the Company's liquidity and ability to conduct or expand its business or respond to competitive pressures, and it may be forced to postpone, suspend or cancel planned store openings or existing operations, which could, in turn, reduce its operations and have a material adverse effect on Puuilo's business, financial position, results of operations and cash flows.
- Covenants related to Puuilo's loans may limit Puuilo's business and financial flexibility.
- Fluctuations in foreign exchange rates may have a material adverse effect on Puuilo's business, financial position, results of operations and cash flows.

- Puuilo is exposed to the fluctuation of interest rates.

Key Information on the Securities

What Are the Main Features of the Securities?

The Company's shares (the "**Shares**") are entered in the Finnish book entry system maintained by Euroclear Finland. The Company has one class of shares and their ISIN code is FI4000507124. The trading code of the Shares will be "PUUILO". The Shares have no nominal value and they are denominated in euro.

As at the date of this Offering Circular, the Company's Articles of Association include a redemption clause and a consent clause as well as a dispute resolution clause all of which the Company's shareholders resolved on 1 June 2021 by a unanimous resolution to remove from the Articles of Association conditional to the Listing. The removal of these clauses will not be notified to the Trade Register until in connection with notifying the registration of shares to be issued in the Offering, or immediately before it. After the removal of the redemption clause and the consent clause, the Shares of the Company may be transferred without restrictions.

The Offer Shares (as defined below) will carry equal rights along with all existing Shares of the Company. After they are registered in the Trade Register and recorded in the investor's book-entry account, the Offer Shares will entitle their holders to dividends and other distributions of funds by the Company as well as other shareholder rights. The rights attached to the Shares include, among others, pre-emptive rights to subscribe for new shares in the Company, right to participate and exercise voting power at the General Meeting of Shareholders, right to dividend and distribution of other unrestricted equity, and right to demand redemption at a fair price from a shareholder that holds shares representing more than 90 percent of all the Shares and votes in the Company, as well as other rights generally available under the Finnish Limited Liability Companies Act (624/2006, as amended) (the "**Finnish Companies Act**").

According to its dividend policy, the Company's aim is to carry out an active dividend policy which is tied to the results for the financial year and to the available growth investment opportunities. The Board of Directors of the Company makes a proposal of the amount of distributed dividends annually. According to Puuilo's dividend policy, Puuilo targets paying a dividend corresponding to a minimum of 80 percent of profit for the period. Any potential dividend shall take into account the Company's capitalisation and financial position, cash flow and future growth opportunities.

Where Will the Securities Be Traded?

The Company will submit a listing application to the Helsinki Stock Exchange to list the Shares on the official list of the Helsinki Stock Exchange. Trading in the Shares is expected to commence on the Prelist on or about 24 June 2021 and on the official list on or about 28 June 2021.

What Are the Key Risks That Are Specific to the Securities?

- The interests of the Company's major shareholders may not be aligned with the interests of other shareholders.
- A significant shareholder may sell a significant part of its shareholding, which may have a negative effect on the Company's share price and result in other adverse effects for the Company.

Key Information on the Offer of Securities to the Public and the Admission to Trading on a Regulated Market

Under Which Conditions and Timetable Can I Invest in This Security?

General

The Company aims to raise gross proceeds of approximately EUR 30 million by offering new shares in the Company (the "**New Shares**") for subscription (the "**Share Issue**"). The number of New Shares to be issued will be determined based on the final price per Offer Share (as defined below) (the "**Final Subscription Price**"). The Company will issue preliminarily a maximum of 4,690,105 New Shares assuming that the Final Subscription Price will be at the mid-point of the Preliminary Price Range (as defined below) and that a total of 26,041 New Shares would be subscribed for in the Personnel Offering (as defined below) (preliminary a maximum of 4,841,398 New Shares assuming that the Final Subscription Price will be at the low end of the Preliminary Price Range (as defined below) and that a maximum of 26,881 New Shares would be subscribed for in the Personnel Offering (as defined below)). In addition, Puuilo Invest Holding AB, a company ultimately owned by Adelis Equity Partners Fund I AB, and companies directly or indirectly owned by Adelis Equity Partners Fund I AB that are shareholders of the Company ("**Adelis**") and other shareholders listed in the Annex A of this Offering Circular (as defined below) (together with Adelis, the "**Sellers**") will offer for purchase initially a maximum of 31,365,880 existing shares of the Company (the "**Sale Shares**") (the "**Share Sale**", and together with the Share Issue, the "**Offering**"). Unless the context indicates otherwise, the New Shares (including the Personnel Shares (as defined below)), the Sale Shares and the Additional Shares (as defined below) are together referred to herein as the "**Offer Shares**". The number of Offer Shares is preliminarily a maximum of 41,464,382 (assuming that the Final Subscription Price will be at the mid-point of the Preliminary Price Range (as defined below) and that a total of 26,041 New Shares would be subscribed in the Personnel Offering (as defined below), the Sellers offer a total of a maximum of 31,365,880 Sale Shares and the Over-allotment Option is not used (36,774,277 assuming that the Over-allotment Option is used in full)).

The Offering consists of (i) a public offering to private individuals and entities in Finland (the "**Public Offering**"), (ii) an institutional offering to institutional investors in Finland and, in accordance with applicable laws, internationally, including in the United States to persons reasonably believed by the Joint Global Coordinators (as defined below) to be qualified institutional buyers ("**QIBs**") as defined in Rule 144A ("**Rule 144A**") under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"), pursuant to exemptions from the registration requirements of the U.S. Securities Act (the "**Institutional Offering**") and (iii) a personnel offering to the Company's and its subsidiaries' Personnel (as defined below) (the "**Personnel Offering**"). Offer Shares will be offered in the Institutional Offering to institutional investors outside the United States in offshore transactions in compliance with Regulation S under the U.S. Securities Act ("**Regulation S**").

Preliminarily a maximum of 2,065,047 Offer Shares are offered in the Public Offering. Preliminarily a maximum of 39,546,441 Offer Shares are offered in the Institutional Offering. Preliminarily a maximum of 26,881 New Shares are offered in the Personnel Offering and in the event of an oversubscription, a maximum of 152,330 additional New Shares. Depending on the demand, the Company may reallocate Offer Shares between the Public Offering, Institutional Offering and Personnel Offering in deviation from the preliminary number of shares without limitation. Notwithstanding the above, the minimum number of Offer Shares to be offered in the Public Offering will be a number that corresponds to 2,065,047 Offer Shares or, if the aggregate number of Offer Shares covered by the commitments to subscribe submitted in the Public Offering is smaller than this, such aggregate number of Offer Shares as covered by the commitments to subscribe submitted in the Public Offering.

The Offer Shares represent preliminarily a maximum of approximately 42.5 percent of all Shares and votes vested by the Shares after the Share Issue assuming that the Over-allotment Option (as defined below) will not be exercised (approximately 48.8 percent assuming that the Over-allotment Option will be exercised in full), and assuming that the Sellers will sell the maximum number of Sale Shares and that the Company will issue 4,690,105 New Shares (the number of New Shares has been calculated assuming that the Final Subscription Price will be at the mid-point of the Preliminary Price Range (as defined below) and that a total of 26,041 New Shares would be subscribed for in the Personnel Offering at the discount applicable to Personnel Shares (as defined below)). With the Share Issue, the Company aims to raise gross proceeds of approximately EUR 30 million, and, to achieve this goal, it may increase or decrease the number of New Shares offered in the Share Issue within the limits of these terms and conditions of the Offering.

Certain funds managed and advised by Capital World Investors, selected funds managed by Evli Fund Management Ltd, certain funds managed by DNCA Finance, certain funds managed by Sp-Fund Management Company Ltd, certain funds managed by Svenska Handelsbanken AB, Conficap Oy and Creades AB (publ) via endowment insurance (together, the "**Cornerstone Investors**") have in total, subject to certain conditions, committed to subscribe for Offer Shares in the Offering amounting to approximately EUR 96 million at a post-money equity value of up to EUR 560 million. According to the terms and conditions of the subscription undertakings, the Cornerstone Investors will be guaranteed the number of Offer Shares covered by their respective subscription undertakings. The Cornerstone Investors will not be compensated for their subscription undertakings.

Over-allotment Option

Adelis is expected to grant to the Managers an over-allotment option, exercisable by Danske on behalf of the Managers, to purchase a maximum of 5,431,091 additional Shares at the Final Subscription Price (the "**Additional Shares**") solely to cover over-allotments in connection with the Offering (the "**Over-allotment Option**"). The Over-allotment Option is exercisable within 30 days from the commencement of trading in the Shares on the prelist of the Helsinki Stock Exchange (*i.e.*, on or about the period between 24 June 2021, and 24 July 2021) (the "**Stabilisation Period**"). The Additional Shares represent approximately 6.7 percent of the Shares and votes carried by the Shares prior to the Offering and approximately 6.4 percent after the Offering assuming that the Sellers will sell the maximum number of Sale Shares and that the Company will issue 4,690,105 New Shares (the number of New Shares has been calculated assuming that the Final Subscription Price will be at the mid-point of the Preliminary Price Range (as defined below) and that a total of 26,041 New Shares would be subscribed for in the Personnel Offering at the discount applicable to Personnel Shares (as defined below)). However, the number of Additional Shares will not in any case represent more than 15 percent of the aggregate number of New Shares and Sale Shares.

Subscription Price and Period

The subscription price for the Offer Shares in the Public Offering and Institutional Offering is a minimum of EUR 6.20 and a maximum of EUR 6.60 per Offer Share (the "**Preliminary Price Range**"). The Preliminary Price Range can be changed during the subscription period. Any change would be communicated through a stock exchange release and on the internet at www.puuilo.fi/IPO and in the subscription places of the Public Offering and the Personnel Offering. If the Preliminary Price Range increases or decreases as a result of the change, the Finnish language prospectus published by the Company in connection with the Offering (the "**Finnish Prospectus**") will be supplemented and the supplement will be published through a stock exchange release. The Final Subscription Price may be above or below the Preliminary Price Range. If the Finnish Prospectus is supplemented, investors who have given their Commitments (as defined below) before the supplement or correction of the Finnish Prospectus have the right to cancel their Commitments. The Final Subscription Price may be above or below the Preliminary Price Range.

The Final Subscription Price and the final number of Offer Shares will be determined in negotiations between the Company, Adelis and the Managers based on the purchase offers of institutional investors in the Institutional Offering ("**Purchase Offers**") after the expiry of the subscription period, on or about 23 June 2021 (the "**Pricing**"). However, the Final Subscription Price in the Public Offering cannot be higher than the maximum price of the Preliminary Price Range (i.e., EUR 6.60 per Offer Share). The price per share in the Personnel Offering is 10 percent lower than the Final Subscription Price in the Public Offering (*i.e.*, the Final Subscription Price in the Personnel Offering (as defined below) will be no more than EUR 5.94 per Personnel Share (as defined below)). The amount of the Final Subscription Price can differ in the Public Offering and Institutional Offering only in the case that the Final Subscription Price of the Institutional Offering is higher than the maximum price of the Preliminary Price Range. The Final Subscription Price and the Final Subscription Price of the Personnel Offering will be communicated through a stock exchange release and be available on the Company's website at www.puuilo.fi/IPO immediately after the Pricing and in the subscription places of the Public Offering and the Personnel Offering no later than the business day following the Pricing (i.e., on or about 24 June 2021).

The subscription period for the Institutional Offering will commence on 11 June 2021 at 10:00 a.m. (Finnish time) and end on or about 23 June 2021 at 12:00 p.m. (Finnish time). The subscription period for the Public Offering will commence on 11 June 2021 at 10:00 a.m. (Finnish time) and end on or about 21 June 2021 at 4:00 p.m. (Finnish time). The subscription period for Personnel Offering will commence on 11 June 2021 at 10:00 a.m. (Finnish time) and end on or about 21 June 2021 at 4:00 p.m. (Finnish time).

The Company's Board of Directors and Adelis have, in the event of an oversubscription, the right to close the Public Offering and the Institutional Offering by joint decision at the earliest on 18 June 2021, at 4:00 p.m. (Finnish time). In addition, the Company's Board of Directors may close the Personnel Offering at its sole discretion no earlier than 18 June 2021, at 4:00 p.m. (Finnish time). The Public, Institutional and Personnel Offerings may be closed independently of one another. A stock exchange release regarding any close will be published without delay.

The Company's Board of Directors and Adelis are entitled to extend the subscription periods of the Public and Institutional Offerings. The Company's Board of Directors is entitled to extend the subscription period of the Personnel Offering. A possible extension of the subscription period will be communicated through a stock exchange release, which will indicate the new end date of the subscription period. The subscription periods of the Public, Institutional and Personnel Offerings will in any case close on 7 July 2021, at 4:00 p.m. (Finnish time) at the latest. The subscription periods of the Public, Institutional and Personnel Offerings can be extended independently of one another. A stock exchange release concerning the extension of a subscription period must be published no later than on the estimated final dates of the subscription periods for the Public, Institutional or Personnel Offerings stated above.

Cancellation According to the Prospectus Regulation

If the Offering Circular is supplemented in accordance with the Prospectus Regulation due to a significant new factor, material mistake or material inaccuracy relating to the information included in Offering Circular that has become known after the FIN-FSA has approved the Finnish Prospectus and before the trading of Offer Shares has commenced on the Prelist of Helsinki Stock Exchange, investors who have committed to subscribe for Shares before the publication of a supplement or correction of the Offering Circular have, in accordance with the Prospectus Regulation, the right to cancel their subscription commitments within three (3) working days after the supplement has been published. The use of the cancellation right requires that the significant new factor, material mistake or material inaccuracy that led to the supplement or correction has become known prior to the end of the subscription period or the delivery of the Offer Shares to the investors, whichever occurs earlier. Any cancellation of a commitment must concern the total number of Offer Shares covered by the commitment given by an individual investor. If the Offering Circular is supplemented, such supplement will be published through a stock exchange release. Such stock exchange release shall also contain information about the investors' right to cancel their Commitments in accordance with the Prospectus Regulation.

Fees and Expenses

The Company and the Sellers will pay the Managers a base fee, which will be determined on the Company's part on the basis of the gross proceeds from the New Shares and on the Sellers' part on the gross proceeds from the Sale Shares (including any sales of Additional Shares based on the Over-Allotment Option). In addition, the Company and the Sellers may, at their sole discretion, pay the Managers a discretionary fee based on the gross proceeds from the Offering, including the proceeds from any sales of Additional Shares based on the Over-Allotment Option. In addition, the Company will undertake to reimburse the Managers for certain expenses.

The Company estimates that the fees and expenses payable by it in relation to the Offering will amount to approximately EUR 4 million (assuming that the Company will receive approximately EUR 30 million gross proceeds and the discretionary fee is paid in full), and the fees to be paid by the Sellers in connection with the Offering are expected to amount to approximately

EUR 6 million (assuming that the Sellers sell the maximum amount of Sale Shares and the Over-allotment Option would not be used and the discretionary fee would be paid in full).

Applicable Laws and Dispute Resolution

The Offering shall be governed by the laws of Finland. Any disputes arising in connection with the issuance shall be settled by the court of competent jurisdiction in Finland.

Dilution of Ownership

As a result of the Share Issue, the number of Shares may increase to 85,072,491 Shares assuming that the Final Subscription Price for the New Shares would be at the low-end of the Preliminary Price Range and that a total 179,211 New Shares would be subscribed for in the Personnel Offering at the discount applicable to such New Shares. If the existing shareholders of the Company would not subscribe for the Offer Shares in the Share Issue, the total ownership of the existing shareholders would therefore dilute with approximately 5.7 percent. Accordingly, if the Final Subscription Price would be at the high-end of the Preliminary Price Range, the total ownership of the existing shareholders would therefore dilute with approximately 5.4 percent.

The Company's equity per share was as at 30 April 2021 EUR 0.15 when taken into account the free-of-charge share issue carried out by the Company in May 2021. The Preliminary Price Range of the Offer Shares is EUR 6.20 to EUR 6.60 per Offer Share.

Why Is This Offering Circular Being Produced?

The Company has prepared and published this Offering Circular in order to offer Shares to the public and to apply for the trading of its Shares on the official list of the Helsinki Stock Exchange.

Reasons for the Offering

The objectives of the Offering are to enable the continued growth of Puuilo and to improve its financial flexibility, strengthen recognition and awareness of Puuilo and its brand among customers, employees and investors. Through these goals Puuilo's competitiveness is pursued to improve and to enable and allowing its access to capital markets and to broadening its ownership base both with domestic and foreign investors, which is expected to increase the liquidity of the Shares. The Listing and increased liquidity of the Shares also would also enable Puuilo to use the Shares more effectively as a means of incentivization.

Use and Estimated Amount of Proceeds

In the Offering, the Company aims to collect gross proceeds of approximately EUR 30 million by offering New Shares for subscription. The number of New Shares to be issued will be determined on the basis of the Final Subscription Price.

The proceeds from the Share Issue are intended to be used for strengthening of the Company's capital structure, for example, by paying back Puuilo's existing loans from financial institutions by approximately EUR 20 million.

The gross proceeds that the Sellers will receive from the Share Sale will amount to approximately EUR 201 million (calculated by using mid-point of the Preliminary Price Range assuming that the Sellers will sell the maximum amount of Sale Shares and the Over-allotment Option would not be used).

Conflicts of Interest

The fees to be paid to the Managers are, in part, linked to the gross proceeds from the Offering. The Managers, as well as other entities in the same groups, may purchase and sell the Shares for their own or their customers' account prior to, during and after the Offering subject to applicable legislation and regulations. The Managers, as well as other entities in the same groups, have provided and may in the future provide to the Company investment or other banking services in accordance with their ordinary business.

Nordea is among the lenders in the Current Financing Agreement *(*as defined below in "*Operating and Financial Results and Prospects — Liquidity and Capital Resources — Loans and Net Debt*"), which will be refinanced with the New Financing Agreement (as defined below in "*Operating and Financial Results and Prospects — Liquidity and Capital resources — Loans and Net Debt — Refinancing*") in connection with the Offering. The New Financing Agreement consists of a financing arrangement of EUR 90 million, and it includes an undertaking according to which gross proceeds of the Company from the Listing to be not less than EUR 20 million. Nordea and OP will also be part of the syndicate of financial institutions in the New Financing Agreement.

RISK FACTORS

An investment in the Company involves risks, which may be significant. The following describes the risks relating the risks relating to the Company and its business and Shares as well as the Listing. Many of the risks related to the Company and its business operations are inherent to its business and are typical in its industry. Potential investors should carefully review the information contained in this Offering Circular and, in particular, the risk factors described below.

Each of the risks presented may have a material impact on the Company's business, results of operations and financial position, and they may together or individually result in the Company failing to achieve its financial targets. Should these risks lead to a decline in the market price of the Shares, investors who have invested in them could lose part or all of their investment. The description of risk factors below is based on information available and estimates made on the date of this Offering Circular and, therefore, is not necessarily exhaustive. As a part of the assessment of the risk factors, the Company has considered the probability of the realisation of the possible risks. Potential events that may or may not materialise are presented in the risk factors. Due to the inherent uncertainty of these potential courses of events, the Company is unable to present an exact estimate for all the risks or the probability of such events materialising or not materialising.

The risks presented herein have been divided into seven categories based on their nature. These categories are:

- *A. Risks Relating to Puuilo and its Operating Environment*
- *B. Risks Relating to Puuilo's Business Operations*
- *C. Risks Relating to Puuilo's Management and Employees*
- *D. Risks Relating to IT Systems, Data Protection and Intellectual Property Rights*
- *E. Risks Relating to Financing*
- *F. Risks Relating to the Shares*
- *G. Risks Relating to the Listing.*

Within each category, the risk estimated to be the most material on the basis of an overall evaluation of the criteria set out in the Prospectus Regulation is presented first. However, the order in which the risk factors are presented after the first risk factor in each category is not intended to reflect either the relative probability or the potential impact of their materialisation. The order of presentation of the categories does not represent any evaluation of the materiality of the risks within that category, when compared to risks in another category.

In addition to the risks and uncertainties described herein, risks and uncertainties that are currently unknown or considered immaterial may have a material adverse effect on the Company's business or on the market price of the Shares.

A. Risks Relating to Puuilo and its Operating Environment

1. Global epidemics, such as the COVID-19 pandemic, may have a material adverse effect on Puuilo's business due to, among other factors, disruptions in its supply chain and a decrease in the number of store visits by the customers.

The COVID-19 pandemic that is ongoing as at the date of this Offering Circular has had both direct and indirect effects on Puuilo's business. Although the impact of the COVID-19 pandemic on the Company's business has been limited so far, and has even had a positive effect on demand for certain product groups, the pandemic has also had negative effects on the reliability of purchasing and supply chain for the Company's products.

The COVID-19 pandemic has had adverse effects on the Company's supply and delivery chain. As the COVID-19 pandemic spread in November 2020, problems emerged in the availability of maritime freight causing prices to increase as much as six-fold, which resulted in some delays in the delivery of products and the availability of goods for Puuilo. Restrictions on travel and gatherings have impacted the development of the Company's product selection as they limited the development of the Company's product category development by making it more difficult to find new suppliers. For example, the opportunities for the Company's purchasers to review products at trade fairs across the world have been limited during the epidemic, and as factory sample rooms have been closed, purchasers have only been able to review products by ordering samples by mail.

The COVID-19 pandemic has significantly increased uncertainty in the global economy and financial markets and, if prolonged, it could lead to a deeper or longer-lasting global recession. Uncertainty in the global economy and financial markets, which pandemics or epidemics could escalate, erode companies' and consumers' trust in the economy and the future, and this may decrease their economic activity. Weaker confidence in the economy and reduced economic activity among Puuilo's customers could have a negative effect on Puuilo's net sales, cash flows and solvency in the future. In addition, global epidemics and pandemics, such as the COVID-19 pandemic, may have a material adverse effect on the availability of financing for Puuilo, its suppliers and its customers.

As at the date of this Offering Circular, it is difficult to foresee the full effects of the ongoing COVID-19 pandemic (including their timing, duration and extent) on the global economy, the Finnish economy, Puuilo's business and Puuilo's customers primarily because the pandemic situation and the decisions and measures undertaken by governments based on it change rapidly. To stimulate the economy, many central banks and governments across the world have implemented relief packages and programmes aimed at businesses and consumers affected by the COVID-19 pandemic. Restrictions that have been, or may in the future be, imposed to prevent the spread of the pandemic, such as curfews and temporary closures of stores or other restrictions on opening hours, may decrease the Company's sales directly or indirectly. Should the COVID-19 pandemic be prolonged or stricter restrictions be imposed and/or an event similar to the shortage in freight containers that hampered the Company's logistics recur, it could lead to weaker demand for Puuilo's products or slower sales growth than expected.

Shutdowns could have an effect on wholesalers, the functioning of warehouses and in-store sales. Puuilo's customers mostly visit the Company's stores, and stricter measures aimed at preventing the spread of the COVID-19 pandemic, such as curfews and restrictions on opening hours, could prevent customers from shopping normally at the stores. In addition, infections and exposure to the COVID-19 and possible quarantines at Puuilo's partners or Puuilo's stores may impede the delivery of products and force Puuilo to temporarily close stores. A continuation of the pandemic will also impact the number of suppliers as well as contacts with potential new sources of supply in the manner described above, which, in the long term, could impact the Company's ability to improve and develop its product selection.

Any of these negative events may have a material adverse effect on Puuilo's business, financial position, results of operations and cash flows.

2. Puuilo's results of operations and profitability are exposed to risks related to the purchasing behaviour of Finnish consumers.

All of Puuilo's stores are located in Finland, and Puuilo's net sales and profitability are dependent on the behaviour of Finnish consumers, who make up the majority of its customer base. Consumer behaviour, in turn, is impacted by numerous factors beyond Puuilo's control, such as general economic conditions, consumer confidence in the economy, private consumption, the employment rate, inflation and deflation, consumers' age structure, the average family size, the preferences, purchasing power and financial condition of consumers, the interest rate level, and tax rates and policies (see "*Markets and Industry Overview*" and "*Operating and Financial Review and Prospects — Key Factors Affecting the Business and Results of Operations — Development of Puuilo's Addressable Market in Finland*").

Although historically Puuilo's net sales have remained at the same level or grown across economic cycles, there can be no assurance that weak economic conditions or a recession in the future will not have a negative effect on Puuilo's net sales. Historically, demand for Puuilo's products in a low cycle has increased due to customers shifting from other stores perceived to be more expensive to Puuilo. When consumers' confidence in the economy and their own financial position has weakened, an increasing number of households have turned to discount retailers. In a low cycle, Puuilo's customers who normally prefer products in more expensive price categories have switched to buying cheaper products, while some customers cease or limit their purchases of products. Historically, in a high cycle the sales of building materials related to recreational activities, for example, have increased.

Although Puuilo so far has not resorted to discount campaigns to maintain its competitiveness or to increase demand for its products, possible downturns could force Puuilo to resort to such campaigns, which could have an adverse effect on Puuilo's profitability. In addition, customer behaviour could, in the future, have an impact on the Company's decisions to open new stores. In a favourable economic situation, the risks related to opening a new store are easier to justify, whereas in challenging economic circumstances, the opening of a new store must be evaluated more carefully from the perspective of the special characteristics and the competitive situation in the area of the new store. Any of these negative events may have a material adverse effect on Puuilo's business, financial position, results of operations and cash flows.

3. The activities of the Company's competitors may affect Puuilo's business operations in the future in many ways, and Puuilo may fail in reacting effectively to changing market conditions. There can be no assurance that Puuilo will be able to compete successfully with its present or potential competitors in the future. Puuilo may also face competitive pressure in the future, both at its stores and online, from new players entering the Finnish market.

The Finnish retail market is competitive. Puuilo's main product categories are: Building (do-it-yourself (DIY)), Tools, HVAC and electric supplies, Pet food and accessories, Car accessories, Groceries, Household products, Garden supplies, Free-time and other accessories, and Services. Puuilo's category management is focused on DIY, household products and pet food and accessories. Thanks to its broad product selection, Puuilo competes with other discount retailers and general merchandise stores, shops, specialty stores and hardware stores.

Puuilo's main competitors are Biltema, Motonet, IKH, Tokmanni and Clas Ohlson. Puuilo competes with Biltema and Motonet in car supplies and with hypermarkets, such as Citymarket and Prisma, in certain product categories. Among discount retailers, competitors include Halpa-Halli, J. Kärkkäinen, Minimani, Rusta, and Veljekset Keskinen. In the hardware store business, the key competitors are K-Rauta, Stark and Bauhaus. In addition, in certain locations, Puuilo also faces competition from local retailers.

Puuilo may also face competitive pressure in the future, both at its stores and online, from new retailers entering the Finnish market. For this reason, it is important for Puuilo to constantly track the development of the market and to adjust its sales promotion measures and pricing strategies. Success in the Finnish retail market is based on several factors, such as the prices and quality of products, the cost base, the brand and the images associated with Puuilo, tailored product selection, the shopping experience, the location of stores, the ease of shopping, and advertising, as well as the ability to effectively predict and identify changes in customer demand and preferences and to offer attractive products in a timely manner. Should Puuilo fail to predict and identify changing trends, or if it assesses the market for its products incorrectly or fails in the pricing of its products or in their marketing to its customer base, which has a changing age structure, this could have an adverse effect on awareness of Puuilo among its customers, and, accordingly, Puuilo could lose market share, its sales could develop worse than expected and it may be forced to recognise write-downs for obsolescence on unsold inventories. Any of these factors may have a material adverse effect on Puuilo's business, financial position, results of operations and cash flows.

Furthermore, even if Puuilo reacts effectively to changing market conditions, there can be no assurance that it will be able to compete successfully with its present or potential competitors in the future. Some of Puuilo's competitors may succeed in placing their stores in more favourable locations and they may possess larger financial resources and/or more purchasing power and a lower cost base, which could give them a competitive edge. In addition, the increase in the importance of online sales could transform the competitive environment by changing consumer preferences, which could also lead to significant costs if Puuilo is forced to alter its business strategy in response to such trends. Online sales could continue to intensify price competition and place pressures on Puuilo's profitability as an increasing number of customers shop online. This will be a risk for Puuilo particularly in the future, as its customer base shifts from those who prefer to shop in-store to those who shop mainly online. Puuilo's customers are typically 35–65 years of age and prefer to shop in-store rather than online. This gradual shift in the customer base towards customers who prefer to shop online will pose challenges to the Company's marketing and will potentially direct the Company's multichannel model increasingly towards the online store. See below "*B. Risks relating to Puuilo's Business Operations — 7. Puuilo's advertisement and marketing programmes may not increase brand recognition among customers or customer numbers*".

Online sales accounted for 3.3 percent of Puuilo's net sales in the financial year ended on 31 January 2021. The net sales generated by Puuilo's online store have grown considerably since the beginning of 2021; however, the importance of online sales is still minor relative to the Company's total net sales. Although Puuilo is able to offer a technologically well-functioning and competitive online shopping platform for its products, the Company's online store may not be able to keep up with a sudden surge in demand due to its internal processes and delivery times, and disruptions in the online store may result in reputation risks. Failure in the development of the online store may result in customers moving to competitors' online stores, which could also have an adverse effect on the customer volumes and sales in Puuilo's stores in the long run.

M&A arrangements by Puuilo's competitors, such as mergers or strategic partnerships, could increase competition in Puuilo's markets. Actions by competitors, such as aggressive pricing strategies as a result of the general economic situation, and Puuilo's measures to maintain its competitiveness and reputation have created, and may continue to create, pressures on Puuilo's pricing strategy, the growth of its net sales, its gross margins and its profitability. If competitors succeed in achieving or utilising significant competitive advantages or Puuilo faces the competitive pressures mentioned above, Puuilo's net sales, gross margin, profitability and market share may decline, and this may have a material adverse effect on Puuilo's business, financial position, results of operations and cash flows.

B. Risks Relating to Puuilo's Business Operations

1. Puuilo's ability to attract customers depends to a significant extent on the strength of its brand, and Puuilo may not succeed in maintaining or improving the reputation of its brand.

Puuilo's success is dependent on a positive perception of its brand. Puuilo's ability to promote, maintain or improve the profile and awareness of its brand among its customers and to maintain its reputation and the perception associated with the Puuilo name is important for Puuilo's business. Puuilo's reputation may be adversely affected if customers believe that the quality and safety of its products is compromised, if products are unavailable at stores as promised (see below "— *9. Disruptions in the Company's warehousing or in the warehousing and logistics chain of its suppliers and stores may have an adverse effect on Puuilo's business, financial position and cash flows.*" if it is unable to maintain its affordable price perception or if its customers feel that the Company's advertising is unethical. Furthermore, potential product liability claims, or allegations concerning sustainability in the sourcing chain or product recalls, could have a significant effect on Puuilo's brand, especially if they concern could have a significant effect on Puuilo's brand, especially if they concern products sold under Puuilo's own brands (the "**Private Label Products**"). Private Label Products. Events or negative allegations affecting Puuilo's brand or negative publicity concerning the quality or safety of products could reduce demand for Puuilo's products and the willingness of customers to shop in Puuilo's stores, even if such allegations are unfounded.

2. Disruptions in the availability of goods or in the supply and delivery chain may lead to additional costs and a decline in the Company's total net sales and profitability.

When importing goods, the Company and its Finnish suppliers must comply with national and EU regulations concerning imports and import tariffs. For the financial year ended 31 January 2021, 84 percent of Puuilo's purchases derived from products sourced from suppliers located inside Finland, 3 percent from products sourced from suppliers located in other European countries and 13 percent from suppliers located in Asia, and on an individual product basis, the number of goods imported from countries outside the EU may be significantly higher. Therefore, the Company's supply and delivery chain may be prone to disruptions that could result from new import or export restrictions imposed by the EU, including sanctions imposed by the EU, as well as country-specific restrictions due to epidemics. Countries outside the EU may also impose new export quotas, tariffs, trade barriers outside of tariffs and other barriers and restrictions that are unfavourable for the Company's supply and subcontracting chains, or change their existing quotas or tariffs.

Due to ambiguity of regulations governing tariffs, the Company may classify certain imported goods incorrectly, which could lead to the payment of incorrect amounts in tariffs. Additional charges resulting from incorrectly paid tariffs and potential fines for negligence may lead to unexpected expenses that could adversely affect the Company's profitability, even if the operational business develops favourably otherwise.

Barriers to the import and export of products in Finland or in the countries of origin of its suppliers may weaken the availability of products or raise their purchasing and import costs, which could weaken the Company's gross margins to the extent that such costs cannot be passed to the customers. It may not be possible to pass the costs to the customers by raising selling prices, or this may not be achieved in the desired way, which could lead to customers shifting to buying more affordable products from competitors, thus reducing the Company's net sales. The materialisation of any event described above may have a material adverse effect on the Company's business, results of operations, financial position and future prospects.

Puuilo procures its Private Label Products and brand products through purchase orders. These order documents include specific agreements on product deliveries, purchase prices and potential special terms and conditions applicable to the order. In order to be able to sell products at attractive prices, Puuilo needs favourable pricing terms in its purchase agreements. There can be no assurance that Puuilo will, in the future, be able to conclude new agreements on new product batches with desired suppliers under acceptable or comparable terms and conditions. To the extent that Puuilo fails to negotiate new agreements with its existing suppliers, Puuilo's costs may increase due to higher or additional procurement costs or changes in payment terms, and Puuilo may not be able to pass these costs to the customers, which may have a material adverse effect on Puuilo's business, financial position, results of operations and cash flows.

The Company aims to constantly expand its supplier base. Should the Company fail to identify or create new distribution relationships with new suppliers or find new suppliers to replace lost ones, this may place the Company in an unfavourable competitive position and significantly disrupt the Company's business, which may have a material adverse effect on the Company's net sales, financial position and results of operations.

Puuilo occasionally purchases certain products, mostly seasonal products, in large batches at discounted prices. Such product batches are sold to the customers at attractive prices. However, there can be no assurance that Puuilo will succeed in carrying out such purchases under commercially attractive terms and conditions or at all in the future, and this may have a material adverse effect on Puuilo's business, financial position, results of operations and cash flows.

3. Puuilo's sales may decline due to a decrease in the customer volumes resulting from poor weather conditions. Exceptional weather conditions, such as difficult snow conditions or winters without snow, may also have an adverse effect on the demand for certain products among the customers and the demand for seasonal products.

Puuilo's business is partially seasonal in nature, which increases the importance of effective supply chain management. Puuilo tailors its campaigns so as to attract customers during the sales season, and search engine advertising is adapted automatically according to demand. Therefore, there are seasonal peaks in Puuilo's net sales, results of operations and cash flows. For more information on Puuilo's seasonal products, see "*Business of the Company — Products and Marketing — Product Categories*". Historically, the most important months for Puuilo in terms of net sales have been the second and third quarter of the year. These seasonal factors have led to significant fluctuation in net working capital throughout the financial year. Should Puuilo fail to obtain a suitable volume of products before its best sales seasons start, it may have an inadequate number of products to match customer demand, which may lead to the loss of sales and have a negative impact on its brand and customer loyalty and, therefore, this may have a material adverse effect on Puuilo's business, financial position, results of operations and cash flows.

In addition, Puuilo's net sales are partly impacted by exceptional, harsh or seasonally atypical weather conditions. Puuilo's sales could contract during poor weather conditions as a result of fewer customer visits to its stores. Exceptional weather conditions, such as extremely heavy snow or snowless winters, may also adversely impact customer demand for certain products. Prolonged weather conditions that are atypical for the season, or temporary harsh weather conditions, particularly during Puuilo's best sales seasons, may have a material adverse effect on Puuilo's business, financial position, results of operations and cash flows.

Furthermore, if sales during the best sales seasons fall short of estimates, Puuilo may be left with a significant inventory of unsold seasonal products for which there is little or no demand outside of their sales season. In such a situation, Puuilo may be required to resort to price discounts in order to sell excess or slowly selling inventories or to book write-downs due to obsolescence of unsold inventories, which could reduce Puuilo's gross margins. Should such events occur in the future, this may have a material adverse effect on Puuilo's business, financial position, results of operations and cash flows.

4. Puuilo's Private Label Products may not gain or maintain wide acceptance on the market, and the expansion and development of the Private Label Product assortment may have an adverse effect on the Company's relationships with its suppliers.

Puuilo has Private Label Products (i.e. products the Company procures directly from manufacturers and sells under its own brands) in almost all of its ten product categories. Private Label Products are sold under the following brands, among others: Tamforce, KramforsTools, Tomber, Norrköping, Norona, Bergen, and Best4Pets. The

Company's Private Label Products compete with the products of other manufacturers. Private Label Products have been added to Puuilo's product assortment mostly because of their better margins, but also as a substitute for products sourced from Finnish wholesalers in order to streamline purchasing and improve availability. For the launch of its Private Label Products, the Company performs analyses of which products are suitable to be sold as a Private Label Product. It is possible that, despite such analyses, customers will not buy the Company's Private Label Products but continue to favour third-party branded products in certain categories.

Puuilo has significantly increased the number of Private Label Products in almost all product categories, and increasing the number of Private Label Products will form an important part of Puuilo's growth strategy in the future. The contribution of Private Label Products to sales grew by more than two percentage points between 31 January 2019 and 31 January 2021, and was approximately 16 percent of the Company's total sales in the financial year ended January 31 2021.

Puuilo may not be able to expanding the number and diversity of the Company's Private Label Products and further develop them if, for example, suppliers reduce or cease their offering of products to Puuilo or offer less beneficial supply terms and conditions to Company and increase their supply to Puuilo's competitors for competitive reasons or otherwise. The loss of suppliers would narrow the Company's offering, which could lead to the loss of sales and difficulties arising from the replacement of unavailable products as well as provide a competitive advantage to competitors, which could have a material adverse effect on the Company's business, results of operations, financial position and future prospects. In addition, the supply chains of the Private Label Products also involve a sustainability risk if Puuilo is unable to rigorously report the sustainability of its Private Label Products and the supply chains of their subcontractors. This also increases the risk of product recalls and other negative publicity for the Company. See "— *6. Deficiencies related to sustainability and quality assurance may be encountered in Puuilo's sourcing or its supply chain*."

5. Puuilo may face challenges in opening new stores, relocating existing stores and finding new leased premises.

Puuilo's growth is dependent on growing sales at the existing stores, on sales growth as a result of the relocation of stores and on the opening of new stores. Puuilo evaluates the location of new stores and the relocation of its existing stores by assessing, among other things, the number of stores for which there is demand potential in a certain area so as to ensure that the distances between Puuilo's stores are sufficient in order that they do not weaken the profitability of one another. Puuilo's ability to maintain profitable stores, relocate them and to open new stores is dependent on several factors, some of which are beyond Puuilo's control.

Puuilo follows the principle of operating in leased retail premises instead of owning them. As at the date of this Offering Circular, Puuilo owns one of its store premises and leases the premises of its other 32 stores.

Finding suitable and suitably priced commercial premises forms an integral part of Puuilo's growth strategy. Puuilo's stores are normally located in affordable leased premises, and their retail areas range from 1,706 square metres to 3,175 square metres, with the average retail area measuring approximately 2,355 square metres. Competition for such premises is intense as the availability is limited, and it is often challenging for Puuilo to find leased premises in suitable condition for a suitable price. In addition, Puuilo sometimes competes with its competitors for a store location. The features and condition of properties and buildings that can be used as suitable commercial premises for Puuilo vary. There may be risks involved in the features and condition of commercial premises that Puuilo may not necessarily be able to find out when signing lease agreements and/or it has limited opportunities to influence. There may, for example, be deficiencies in the commercial premises that cause damage to the health of Puuilo's customers and employees. If a deficiency detected in the condition of commercial premises prevents Puuilo form conducting business there, the Company may be forced to immediately find new business premises, which will result in costs, including as there would be less time to seek suitably priced premises.

Zoning and other community planning may also adversely affect Puuilo's ability to locate suitable commercial premises if zoning or other community planning does not proceed in line with the Company's goals or within the desired timetables in the areas in which the Company intends to establish a new store or relocate an existing store.

Puuilo prepares and uses statistics regarding population trends and other developments, consults with real estate and construction sector experts and analyses research data in order to evaluate investments related to its general business strategy and store network, as well as to identify suitable locations for the opening of new stores and relocating existing stores. These evaluations may prove erroneous or they may have been based on assumptions that prove to be erroneous, and the actual developments may differ significantly from expectations, which could prolong the period required for a new or relocated store to become profitable or generate a positive return on the invested capital, if at all.

It may become more difficult to identify the coverage areas of Puuilo's new and relocated stores or suitable locations and, furthermore, there is an increased risk of new and relocated stores drawing some net sales from existing stores or having a negative impact on their net sales.

There can be no assurance that Puuilo will be able to open new stores or relocate its existing stores, or that such stores will become profitable. If a Puuilo store is not profitable, this will have a negative effect on Puuilo's overall profitability. If additional marketing for an unprofitable store fails, Puuilo may have to close down the store. Puuilo's opportunities to open stores in favourable locations are limited by zoning restrictions, Puuilo's ability to identify and adequately evaluate suitable locations for stores and to collect and analyse data on demographic factors and the market in the coverage areas, its ability to deliver goods to the new and relocated stores in a timely manner and at low costs, and its ability to sell products in the new and relocated stores at competitive prices. When a store is relocated to a new area, its size may be unfit for its purpose and customer preferences may differ from those in its original location.

Puuilo's failure in opening new profitable stores or relocating existing stores may have a material adverse effect on its business, financial position, results of operations and cash flows.

6. *Deficiencies related to sustainability and quality assurance may be encountered in Puuilo's sourcing or its supply chain.*

In the financial year ended 31 January 2021, 84 percent of Puuilo's purchases came from products sourced from suppliers located inside Finland, 3 percent from products sourced from suppliers located in other European countries and 13 percent from suppliers located in Asia. A significant portion of the products sourced from Finnish suppliers are imported, in particular from Asia. Although Puuilo aims set requirements concerning the quality of production of the goods, production conditions and products for all of its direct contractual parties, Puuilo or the actors in the supply chain of the products sold by Puuilo may be subjected to allegations of violations of labour practices or applicable laws, such as fraud, bribery or corruption allegations, particularly with respect to the products imported to Finland. Similarly, due to the prevailing COVID-19 pandemic situation, the Company has not been able to visit factories to inspect the suppliers of its third-party brands or the production thereof or the production of its Private Label Products, which has caused challenges and delays in the implementation of quality control.

In spring 2021, Puuilo established a special quality control process with the purpose of validating the Company's suppliers and products and to supervise sustainability. For further information, see "*Business of the Company — Sourcing and Quality Control — Quality Control*") In addition, Puuilo has applied for a membership in the Amfori BSCI system promoting quality and sustainability. In the review carried out by Puuilo in April 2021, around half of its foreign suppliers stated that they have the BSCI certificate. Furthermore, Puuilo requires all of its Finnish suppliers to produce their products in a sustainable way and to use sustainable processes. Although Puuilo established a quality control process in spring 2021 and aims to order goods from suppliers whose operations can be assessed to be of high quality and sustainability, there can be no assurances that Puuilo's quality control process and purchasers, to the extent of their competences, will be able to detect or prevent violations of applicable laws, or that Puuilo's goods suppliers will comply with quality requirements, the laws applicable to their operations and accepted ethical and labour practices. Furthermore, misconduct that has occurred before the new quality control process was established may be detected in the supply chain of the products sold by Puuilo. Any negative events, unfavourable publicity or unfulfillment of requirements could damage the Company's reputation even if Puuilo is not directly involved, and such events may be related to any part of its supply chain.

7. *Puuilo's advertisement and marketing programmes may not increase brand recognition among customers or customer numbers.*

Puuilo's broad customer base represents all socioeconomic backgrounds and genders. Puuilo has a diverse range of customers from various age groups across Finland, and typically customers are aged 35 to 65.[1] When attracting customers, improving awareness of its brand, product selection and product prices and increasing the number of its customers, Puuilo relies on its marketing, which consists of weekly advertising leaflets, television and radio commercials and digital advertising, among other means. In order to reach its younger customer base, Puuilo intends to, for example, further increase the use of digital channels. The majority of the Company's traditional marketing and marketing to increase awareness consists of advertising leaflets, because the Company's management believes that they have proven to be one of the most effective channels for building brand recognition and presenting the Company's product selection to potential new customers.

Puuilo's marketing expenses accounted for 1.7 percent of net sales in the financial year ended 31 January 2021, 2.1 percent of net sales in the financial year ended 31 January 2020 and 2.2 percent of net sales in the financial year ended 31 January 2019.

Puuilo's future growth, profitability and increase in brand recognition are largely dependent on the impact, effectiveness and timeliness of its advertising and marketing programmes. The success of advertising and marketing programmes requires that Puuilo manages its advertising and marketing expenses effectively in order to maintain margins and the return on the Company's marketing investments on an acceptable level and to increase customer numbers through better brand recognition.

The advertising and marketing investments planned by Puuilo will not necessarily grow net sales, generate sufficient brand and product recognition or sufficient interest among Puuilo's customers. There are clear differences between Puuilo's various customer groups, whose preferences could be addressed by various types of marketing. Better-than-expected sales could force Puuilo to purchase replacement products at short notice and at a higher price (compared to the marketed products), which could lower gross margins. Furthermore, Puuilo may not be able to control its advertising and marketing costs effectively. Some of Puuilo's competitors may also have materially larger advertising budgets than Puuilo, which may give them a competitive edge. If Puuilo's advertising and marketing programmes are not up-to-date as regards their technical features or they are inefficient, or if Puuilo fails to manage its advertising and marketing costs or direct the right type of advertising towards its younger customers, Puuilo may fail to improve its brand recognition or grow its customer flows, which may have a material adverse effect on Puuilo's business, financial position, results of operations and cash flows.

8. Puuilo is exposed to risks related to the significant number of leased premises.

In accordance with its principle of favouring leasing premises over buying them, Puuilo has leased its headquarters and distribution centre located in Vantaa, as well as all but one of its stores. Puuilo leases its retail premises from third parties under lease agreements in which the lease period is valid until further notice (with notice periods ranging between 1 and 13 months) or fixed for a period of up to 10 years. The agreements may also include an option for an extension. The average remaining lease period (including notice periods) as at 30 April 2021 was approximately 57 months. Puuilo's lease agreements include clauses for a separate annual rent adjustment or link the rent increase mainly to the consumer price index. As at 30 April 2021, Puuilo recognised EUR 43,670 thousand in right-of-use assets mostly related to lease agreements for properties and EUR 42,600 thousand in lease liabilities. When recognising the amount of right-of-use assets and lease liabilities, management estimates whether each extension option will be exercised, and if it is deemed that an option was fairly certain to be exercised, the option is accounted for when determining the length of the lease period. The estimates on the exercising of extension options are impacted by, among other things, the length of the original lease agreement, the location, the condition of the property and the lease of the leased premises. Puuilo's management has exercised judgment when determining the appropriate lessee's incremental borrowing rate used for calculating the lease liabilities on the properties.

Puuilo's ability to maintain and renew its existing lease agreements and conclude new lease agreements under favourable terms, or at all, is dependent on many factors beyond Puuilo's control, such as the conditions in the local real estate markets and the competition for desired properties, as well as on factors that Puuilo can partially influence, such as the terms and conditions of potential renewal options in the agreements and its relations with current or potential future lessors. If Puuilo cannot terminate or renew its existing lease agreements, sublease unnecessary premises, lease suitable alternative premises or enter into lease agreements on new premises with

[1] Source: Consumer survey conducted by GroupM, commissioned by the Company in October 2020 targeting customers visiting the Company's stores at least two times per year (N=184).

favourable terms and conditions, this may have a negative impact on Puuilo's growth and profitability, which may have a material adverse effect on Puuilo's business, financial position, results of operations and cash flows.

Although the Company believes that it is an attractive lessee due to the typical large customer flows at its stores, the Company's ability to negotiate the termination or amendment of lease agreements on acceptable terms, or at all, may be limited. For instance, some lease agreements remain in effect until further notice after a fixed contract period. If Puuilo is unable to negotiate favourable lease terms and conditions in the future, Puuilo's lease expenses may increase in the coming years or they may force the Company to close stores in favourable locations. Puuilo may not be able to renew the lease agreements for its stores or warehouses or to exercise the extension options of its lease agreements, which may force Puuilo to close or relocate its stores or business premises. Puuilo may not be able to establish new stores or business premises to replace closed ones.

To the extent that Puuilo closes or relocates its existing stores located in places that are no longer in line with the Company's strategy regarding its store concept, are not up to the standards set by the Company for its stores in terms of their condition, or are unprofitable or their profitability outlook has changed after the lease agreement was signed, the Company may not necessarily be able to terminate, rescind or renew its existing lease agreements or to sublease unnecessary leased premises. In such situations, Puuilo may be forced to fulfil its obligations under the lease agreement, such paying the rent for the remaining lease period, thus incurring costs from the termination of such lease agreements. Moreover, even if a lease agreement includes a clause permitting premature termination of the agreement, the Company may not be able to fulfil the requirements for premature termination.

9. Disruptions in the Company's warehousing or in the warehousing and logistics chain of its suppliers and stores may have an adverse effect on Puuilo's business, financial position and cash flows.

Puuilo's gross margin and net working capital are impacted by its supply chain management, which is led by the Director of Purchasing and Logistics. Puuilo's success is dependent on its ability to efficiently manage its product flows and inventory levels in order to fulfil its customers' needs.

In addition to storage space in its stores, Puuilo has one warehouse in Kajaani, for which it has an agreement valid until further notice with a notice period of 6 months, and it uses a warehouse of third-party logistics provider Schenker in Vantaa. For some products, Puuilo's goods are delivered directly to the stores, which means Puuilo uses the warehouses of its goods suppliers and its stores. Some of the goods held in suppliers' warehouses are recognised on Puuilo's balance sheet. As at 31 January 2021, Puuilo's balance sheet included EUR 58,514 thousand in inventories, of which EUR 2,219 thousand reflected the value of the goods held at the Kajaani warehouse and EUR 6,064 thousand reflected the value of goods stored at Schenker's warehouse in Vantaa. Annual discounts, purchase costs and impairment of obsolete and slow-moving inventory included in the value of finished products are not allocated to warehouses

If the warehouse in Kajaani, Schenker's warehouse in Vantaa or any warehouse of a supplier where the Company's goods are stored is damaged, destroyed or closed for any reason, such as a fire, water damage or natural disaster, or if the warehouse and/or the warehouse's equipment are significantly damaged, for example due to a forklift truck or shelf accident or due to pests, this could limit Puuilo's ability to store, handle and distribute its goods in a timely manner and cost-effectively, or at all, which may have a material adverse effect on Puuilo's business, financial position, results of operations and cash flows. Although Puuilo estimates that its property and business interruption insurance policies are adequate, Puuilo believes that its headquarters and the Kajaani warehouse are sufficiently covered by insurance and Puuilo has insured the goods stored in the warehouses of suppliers, there can be no assurance that the insurance policies will fully cover damage caused by business interruptions or the destruction and/or loss of the buildings. Demand for products can shift between the time they are ordered and delivered to a warehouse, which could increase warehousing costs. When preparing for the seasonal sales of certain products or aiming to secure the availability or pricing of a certain product, Puuilo keeps a sizeable inventory of such products. Despite these preparations, it may not be able to sell the products in sufficient numbers or within the sales season. Should demand drop for products held in stock, this could lead to a situation in which Puuilo incurs costs for warehousing while at the same time losing sales income necessary for covering such costs. Puuilo could potentially be forced to sell the products for which there is low demand at large discounts, which could decrease gross margins.

If Puuilo is unable to manage its inventories in line with demand, excessively large stocks could increase warehousing costs, and thus holding large inventories could have an adverse effect on Puuilo's financial position and results of operations. Incorrect estimates in orders and inefficient management of Puuilo's supply chain may have a material adverse effect on Puuilo's business, financial position, results of operations and cash flows.

The success of Puuilo's stores is dependent on receiving products in a timely manner from the Kajaani warehouse, the Schenker warehouse or directly from suppliers. Puuilo also uses Schenker for the road transportation of its products. If Schenker terminates its agreement with Puuilo, there is a limited number of alternative individual logistics companies in Finland with the immediate capacity available to fulfil all of Puuilo's transportation needs, and there can be no certainty that Puuilo would succeed in concluding agreements with the new logistics companies on commercially favourable terms and sufficiently quickly to prevent disruptions in goods deliveries. If product deliveries are interrupted or delayed for any reason, it could have a significant effect on Puuilo's net sales, and it could also impair Puuilo's ability to fulfil its obligations towards its customers, which could lead to claims for financial compensation based on undelivered orders and could damage Puuilo's brand and reputation as a reliable trade partner. When Puuilo launches the sales of a new product or increases the delivery volumes of existing products, it may face difficulties in forming relations with suppliers to ensure sufficient delivery volumes or in selecting suitable products and forecasting demand accurately. A significant number of the employees of the logistics companies are members of the Transport Workers' Union AKT. External logistics companies may announce strikes or other actions by the trade unions that could interrupt or delay deliveries of Puuilo's products. Any of these factors may have a material adverse effect on Puuilo's business, financial position, results of operations and cash flows.

10. Puuilo is exposed to risks related to finding suppliers that fulfil Puuilo's requirements for production and quality and can produce and/or deliver products to Puuilo in a timely manner.

The Company offers its customers various third-party brands as well as its Private Label Products. The Company does not have any production facilities, and it purchases its products from Finnish and international suppliers. Puuilo is therefore dependent on its external goods suppliers for the timely delivery of high-quality products.

Puuilo purchases its products from a large number of goods suppliers and it had almost 1,000 suppliers in the financial year ended 31 January 2021. Puuilo sources goods from several suppliers located mainly in Finland and Asia. The 10 largest suppliers accounted for approximately 24 percent of Puuilo's materials and services expenses for the financial year 31 January 2021, and no individual supplier represented more than 4.5 percent of Puuilo's materials and services expense. In the financial year ended 31 January 2021, 84 percent of Puuilo's purchases came from products sourced from suppliers located in Finland, 3 percent from products sourced from suppliers located in other European countries and 13 percent from suppliers located in Asia. A majority of products sourced from Asia are acquired directly from the factories, and they are mainly Puuilo's Private Label Products. A significant number of products sourced from Finnish suppliers are produced outside Finland.

Although Puuilo is not dependent on any individual supplier, Puuilo's business is dependent on its ability to find suppliers that fulfil the requirements it sets for the manufacturing and quality of products. Puuilo believes that this is especially important in its Private Label Products, which are mainly procured from low-cost countries, particularly in Asia. In addition, potential product liability claims or product recalls would likely have a more significant impact on Puuilo's brand if they concerned its Private Label Products. If a manufacturer or supplier is unable to fulfil Puuilo's requirements for the manufacture and quality of its products or to manufacture and/or deliver products to Puuilo in a timely manner due to operational difficulties or for other reasons, and Puuilo is unable to find alternative suppliers in order to obtain replacement products, Puuilo may be unable to deliver products to its stores or respond to changes in customer demand in a timely manner or at all, and this may have a material adverse effect on Puuilo's business, financial position, results of operations and cash flows. Certain suppliers of Puuilo belong to a group of companies that includes a competitor of the Company. This may impact Puuilo's ability to enter into competitive agreements with such market participants, which in turn may impact Puuilo's ability to obtain certain products in its offering with a suitable price or at all, and this may impact Puuilo's product assortment and have a material adverse effect on Puuilo's business, financial position, results of operations and cash flows.

In the financial year ended 31 January 2021, 16 percent of Puuilo's net sales were generated by products purchased from suppliers located outside Finland, and in addition to this, a significant number of products sourced from Finnish suppliers are produced outside Finland. For this reason, Puuilo is exposed to various direct and indirect risks related to operations in international markets and with international companies. Product flows from foreign manufacturers and suppliers may be disrupted, for example as a result of new trade laws or regulations, exchange rate fluctuations, epidemics, natural disasters, war or terrorism, restrictions on the transfer of funds, the manufacturers' financial instability or bankruptcy, and significant labour disputes. Any risk described above may have an adverse effect on Puuilo's ability to deliver a sufficient volume of high-quality products to its stores, which may have a material adverse effect on Puuilo's business, financial position, results of operations and cash flows.

Should any of the risks described above have an impact on the Company's supply chain, this may have a material adverse effect on the Company's business, results of operations, financial position and future prospects.

C. Risks Relating to Puuilo's Management and Employees

1. The loss of key employees at Puuilo could have a material adverse effect on its business and future prospects, as suitable persons may not necessarily be found to replace such key employees in a timely manner, without additional expenses or at all.

The success of Puuilo's business is dependent on the experience and expertise of its management and other key employees. The loss of key employees at Puuilo could have a material adverse effect on its business and future prospects, as suitable persons may not necessarily be found to replace such key employees in a timely manner, without additional expenses or at all. Puuilo believes that its future success is largely dependent on its ability to continue to recruit and retain extremely competent and qualified personnel, such as employees with sourcing and project management expertise, who can easily adapt to changes in the operating environment. There is fierce competition for experienced and competent employees in the retail market. Despite the Company's growing reputation and positive employer image, the Company has previously faced difficulties in filling store manager positions at some of its stores. If Puuilo cannot satisfy its requirements for human resources or maintain its employees' working capacity, this may weaken Puuilo's growth and profitability, which may have a material adverse effect on Puuilo's business, financial position, results of operations and cash flows.

2. The turnover of store employees is generally high in the retail sector, and exceptionally high turnover among store employees may increase personnel expenses.

Puuilo believes that its success is partially dependent on its ability to attract, motivate and retain a sufficient number of store managers and store personnel who understand and value Puuilo's customers and products. Turnover in store personnel is generally high in the retail sector, and exceptionally high turnover increases personnel expenses as a result of the recruitment, hiring and training of new store employees. The COVID-19 pandemic has increased the availability of labour and reduced turnover in the retail sector. The turnover among the Company's permanent employees in 2020 was average for the trade sector, at about 18.4 percent. The turnover in personnel at Puuilo varies considerably from one locality and store to the next. As at 31 January 2021, 86 percent of Puuilo's personnel were full-time employees, and Puuilo relies on part-time employees to secure a sufficient number of personnel at its stores especially during busy sales seasons. There can be no assurance that suitable employees will be available or in the numbers needed by Puuilo, or that Puuilo will succeed in securing the necessary personnel at its stores during busy seasons through its full-time employees and work arrangements. Failure in human resourcing or significant increases in personnel turnover could, however, increase personnel expenses and force Puuilo to pay higher wages to attract or retain employees. Failure in human resourcing could also lead to stores being undermanned and/or affect the quality of the service, which could have an adverse effect on Puuilo's capabilities and brand. Any of these factors may have a material adverse effect on Puuilo's business, financial position, results of operations and cash flows.

3. Puuilo is exposed to risks related to the activities of trade unions, work stoppages and increases in personnel expenses.

Puuilo is bound by the Commercial Sector's Collective Agreement and the Collective Agreement for Retail Supervisors, which entered into force on 1 February 2020 ("**Collective Agreement**") and include provisions on such aspects as wages, working hours, holidays, sickness situations and the termination periods for employment contracts that are apply to the Company's employees, excluding officers and the management team. Wage levels are usually renegotiated every 2–4 years. Between 2018 and 2021, the average annual wage increase based on the Collective Agreements applied to Puuilo's employees was 1.6 percent (range of 1.3–2.0 percent per year). Puuilo's personnel expenses in relation to net sales was 10.8 percent for the three months ended 30 April 2021, 9.5 percent for the financial year ended 31 January 2021, 10.3 percent for the financial year ended 31 January 2020 and 10.6 percent for the financial year ended 31 January 2019. Industrial action, such as strikes, may emerge during the renegotiation of the Collective Agreement if the negotiations are not completed within the current validity period of the Collective Agreement. Furthermore, even though Puuilo currently believes that it has good relations with its personnel and the trade unions, there can be no assurance that personnel relations will remain positive or that the Collective Agreement will prevent strikes or work stoppages at Puuilo's business locations and stores. Weaker relations with employees, an increase in wage level or adverse changes to current provisions of the Collective Agreement may have a material adverse effect on Puuilo's business, financial position, results of operations and cash flows.

Puuilo's personnel expenses are influenced by many external factors, such as the unemployment rate, the prevailing wage level, collective agreements, insurance costs and amendments to employment and labour legislation. An increase in personnel expenses may have an adverse effect on Puuilo's profitability, and this may have a material adverse effect on Puuilo's business, financial position, results of operations and cash flows.

D. Risks Relating to IT Systems, Data Protection and Intellectual Property Rights

1. Disruptions in the Company's IT systems may have a significant effect on the Company's business, the management of product flows, orders, customer data, inventories, deliveries and inventory levels, as well as on the management of insider information and information related to the personnel and on effective management of other information related to management and of financial information.

The timely development, deployment and uninterrupted operation of the Company's equipment, internet connections, websites, ordering platforms and other IT systems, including systems provided by third parties as web or cloud services, are critical factors for the smooth operation of the Company's business and, thus, critical to the success of the Company. The Company uses various software programs for the efficient management of goods flows, orders, customer management, warehousing, distribution, product replenishments, business information, customer data, data about personnel and other managerial and financial data.

The Company's critical IT services (Diebold POS, Odoo ERP, Ventor PDA, Akeneo and Magento online store) and ICT infrastructure services (integration services, data communications, capacity, user management, workstations and devices, phone services and O365 services) are mostly outsourced, and the responsibility for support and maintenance has been assigned under agreements to external partners. However, the availability of IT services involves risks that cannot completely be prevented through service level agreements, and due to this, for example internal disruptions of the service providers may have an effect on the performance of the Company's systems.

Prolonged disruption in the sales or sourcing systems may have a material effect on the Company's net sales and result in a material loss of sales. In recent years, the ransom attacks to companies' IT systems have been severe according to public information and companies have had to pay hundreds of thousands or millions of euros in ramson to get access to their IT-system or recover lost information.

As at the date of this Offering Circular, a part of the IT upgrade started by the Company in 2018 is still pending. Although the Company does not expect a need for major IT upgrades in the near future after the introduction of its new ERP system is finalised (approximately in early 2022) and the basic infrastructure solutions are completed (approximately by the end of 2021), future updates and upgrades to the existing IT systems or the deployment of new IT systems may cause disturbances that affect the Company's operations. The Company's new IT systems and potential updates and upgrades of IT systems may involve wide-ranging transition stage risks or they could increase susceptibility to the risks described below. During a transition stage and afterwards, the Company may suffer from problems related to the functioning of the ERP system, which will directly affect the Company's ability to generate reliable financial and other information for internal and external reporting.

The Company is dependent on the continuous availability and reliability of its IT platforms, which in turn are dependent on the functioning of its IT equipment. There are operational risks related to this, such as the emergence of faults in equipment and software, power cuts, illegal activities and human error. The Company's IT systems are also exposed to cyber security risks related to, for example, viruses, malware, hacking, phishing attempts, human error and infiltration or by-passing of data security systems in order to gain unauthorised access to the Company's networks and systems.

Should any of the aforementioned risks materialise, it could have an adverse effect on the Company's reputation, and it could cause financial consequences for the Company in the form of claims for damages or ransom costs. In addition, the Company may suffer damage or incur additional costs from the closure of systems or services for the duration of restoration or repairs.

Should any of the risks described above impact the Company's supply chain, they may have a material adverse effect on the Company's business, results of operations, financial position and future prospects.

2. Unauthorised disclosure of sensitive or confidential information may damage Puuilo's business and customer relations.

It is critical for Puuilo to protect data concerning customers, employees and the Company. Puuilo uses commercially available systems, software, tools and monitoring to ensure safe processing, transfer and storage of confidential customer data.

The Company's operations are subject to regulations governing data protection and privacy, such as the EU's General Data Protection Regulation ((EU) 2016/679, the "**GDPR**"), which replaced the EU's Data Protection Directive (95/46/EC) in May 2018, as well as to other national data protection laws. The GDPR sets out new obligations for companies processing personal data, including the obligation to respond, within the time limits set forth in the GDPR, to requests by the data subjects concerning their stored personal data and to act in compliance with these requests. Furthermore, the GDPR provides for significant administrative sanctions up to a maximum amount of EUR 20 million or 4 percent of a company's annual worldwide net sales. Even if possible negligence does not lead to significant direct financial sanctions, the negative publicity associated with it could have material adverse effects on the Company's business, especially through an erosion or loss of trust felt towards the Company. As a result, customers may prohibit the Company from using, for example, data concerning their shopping behaviour, or move their business to the Company's competitors if they believe these competitors offer a higher level of data security.

The Company aims to comply with all laws and regulations governing privacy and data protection. Requirements based on these may, however, be subject to interpretation and may be applied to the Company in a way that differs from the current interpretations or practices applied by the EU or the Finnish authorities. Moreover, a violation of regulations or data breaches due to cyber attacks or other reasons could lead to fines, damage and orders to suspend the processing of personal data and could damage the Company's reputation or otherwise have a negative impact on the Company's business. Therefore, failure in complying with data protection legislation may lead to sanctions imposed by authorities or the loss of customers' confidence, which may have a material adverse effect on the Company's business, results of operations, financial position and future prospects.

Despite the security measures used, the premises and systems of Puuilo and its external service providers may become exposed to data security breaches, vandalism, computer viruses, the loss of data, programming errors, human error or other similar events. A data security breach directed at Puuilo or its service providers that leads to the misuse, loss or other unauthorised disclosure of confidential data could damage Puuilo's reputation, expose it to lawsuits and liability risks and disrupt its operations. Furthermore, growth in the amount of customer data increases data protection risks. In addition, a fine from the authorities as regards unauthorised disclosure of personal information may be material, but at most EUR 20 million or 4 percent of the Company's net sales.

Any of these risks may have a material adverse effect on Puuilo's business, financial position, results of operations and cash flows.

3. Puuilo may fail to protect or enforce its brands or other intellectual property rights, or it may breach the intellectual property rights of third parties.

As at the date of this Offering Circular, Puuilo had over 60 brands, of which 26 were trademarks registered with the Finnish Patent and Registration Office. The most significant of the other intellectual property rights owned by Puuilo are the Puuilo name, brand and concept. Puuilo's business is exposed to the risk of third parties violating Puuilo's intellectual property rights, which could lower the value and impact of Puuilo's trademarks and other intellectual property rights and confuse customers. Failure in protecting and enforcing trademarks and other potential intellectual property rights could have a material adverse effect on Puuilo's business, financial position, results of operations and cash flows. There have previously been individual violations of Puuilo's trademarks in China when local actors copied Puuilo's trademarks with the aim of disrupting the import of Puuilo's products from China and collecting fees using unsubstantiated allegations of trademark violations as the grounds for this.

In particular, products sold by Puuilo that do not have a registered trademark carry the risk of them breaching the intellectual property rights of third parties without Puuilo's knowledge, as a result of which third parties could dispute the existence and/or validity of Puuilo's intellectual property rights. Lawsuits concerning intellectual property rights or claims filed against Puuilo could lead to the loss or weakening of its intellectual property rights, result in significant liabilities for damages, require Puuilo to procure licences and pay fees based on these, prevent Puuilo from selling certain products or require Puuilo to redesign or redesignate its products or change the name of a brand. While Puuilo strives to avoid breaching intellectual property rights, they may be breached in the future without Puuilo being aware of it. Should the intellectual property rights of third parties be breached, this may have a material adverse effect on Puuilo's business, financial position, results of operations and cash flows.

E. Risks Relating to Financing

1. Difficulties acquiring potential financing needed in the future and an increase in financing costs could have an adverse impact on the Company's liquidity and ability to conduct or expand its business or respond to competitive pressures, and it may be forced to postpone, suspend or cancel planned store openings or existing operations, which could, in turn, reduce its operations and have a material adverse effect on Puuilo's business, financial position, results of operations and cash flows.

Puuilo's ability to finance its operations is dependent on several factors, such as its operating cash flow and the availability of debt financing and equity financing when needed. Although Puuilo primarily relies on operating cash flow for financing its current operations and growth plans, it may also use debt financing to finance its working capital and growth plans, when necessary. If Puuilo's business does not generate sufficient cash flows for financing its current operations and growth plans and adequate liquidity is not available from Puuilo's current or potential future credit arrangements, Puuilo may require more equity or debt financing. Among other factors, negative trends in the financing markets and/or difficulties faced by financial institutions could make it more difficult for Puuilo to refinance its existing loans, enter into new financing agreements or obtain financing by issuing securities. If additional financing is not available to Puuilo on satisfactory terms or at all, its liquidity and ability to conduct or expand its business or respond to competitive pressures will become limited, and it may be forced to postpone, suspend or cancel planned store openings or existing operations, which could reduce its operations and have a material adverse effect on Puuilo's business, financial position, results of operations and cash flows. There can be no assurance that Puuilo will receive additional financing for refinancing its existing loans on acceptable terms or at all.

The Company has negotiated an extensive refinancing arrangement pursuant to which a substantial amount of Puuilo's current financing will be replaced by new EUR 70 million term loan and EUR 20 million revolving credit facility, which can be used for financing of the working capital in addition to a refinancing of current liabilities. See "*Operating and Financial Review and Prospects — Liquidity and Capital Resources —Loans and Net Debt — Refinancing*". Despite the refinancing, there can be no assurances that sufficient financing will be available to Puuilo in a timely manner and on favourable terms (or at all) to enable the Company to maintain its liquidity as well as finance its business and investments.

New loans granted under the New Financing Agreement will mature within 36 months from the utilisation date, and the maturity date may be prolonged if the lender consents. Despite this, there are no assurance that the lender will consent to prolonging the maturity date of the New Financing Agreement or that the Company will be able to ensure that it will have sufficient liquidity or sufficient investment capital available on acceptable terms or in a timely manner when its loans fall due. Obtaining new financing may require Puuilo to accept less advantageous weaker terms and conditions than in the New Financing Agreement, either through covenants restricting the Company's ability to conduct its operations or higher costs of capital. In addition, changes in the availability of the equity financing or debt financing can affect Puuilo's ability to invest to the development and expansion of its business in the future.

2. Covenants related to Puuilo's loans may limit Puuilo's business and financial flexibility.

Financial covenants included in Puuilo's financing arrangements, such as the ratio of net debt to EBITDA adjusted with listing costs under the New Financing Agreement, may restrict Puuilo's ability to draw down loans in the future under its current credit arrangement. In addition, the operating covenants of financing arrangements, such as limitations in the New Financing Agreement concerning granting of a pledge, utilization of new loans and acquisitions may restrict certain aspects of Puuilo's business. Should Puuilo be unable to comply with these covenants, it may be forced to renegotiate its loans, request waivers or to replace its borrowings drawn down from the credit arrangements with other financing in order to avoid acceleration of its debts due to a breach of covenants. There can be no assurance that Puuilo will be able to take any such measures on acceptable terms or at all. Should Puuilo be unable to satisfy its financial or other covenants included in its credit arrangements, it may have a material adverse effect to Puuilo's business, financial position, results of operations and cash flows, in addition to which, it may hinder Puuilo's possibilities to obtain additional financing when needed.

3. Puuilo may fail to collect its receivables in a timely manner or at all, which may incur credit losses for Puuilo and it may have an adverse effect on Puuilo's business, financial position, results of operations and cash flows.

The Company is exposed to counterparty and credit risk, meaning the inability of its counterparties to fulfil their contractual obligations. The counterparty risk related to suppliers is due to a practice employed by foreign suppliers, especially those from outside the EU, under which the Company is typically required to pay approximately 20 percent of the total purchase price to the supplier before the goods are delivered. This practice is typical especially when an order is placed for the first time with a new supplier. There has been at least one case in the Company's history where the Company lost its advance payment for the goods bought from a local wholesaler within the EU in a batch sale and lost its advance payment to a professional criminal. There can be no assurance that the Company's suppliers will not face serious financial difficulties or declare bankruptcy, due to which the Company could lose the advance payments it has made for batches of goods. The Company is also exposed to the counterparty and credit risk when it invests its excess liquidity or enters into interest rate swaps or long-term or short-term credit agreements.

4. Fluctuations in foreign exchange rates may have a material adverse effect on Puuilo's business, financial position, results of operations and cash flows.

Puuilo is exposed to the foreign exchange risk through its purchases, and it does not hedge against changes in foreign exchange rates. Changes in foreign exchange rates may increase the costs of products purchased in currencies other than the euro, and Puuilo may not necessarily be able to pass all such costs to its customers. Puuilo's main foreign currency is the United States dollar. In the financial year ended 31 January 2021, approximately 10 percent of Puuilo's product purchases were made in US dollars and approximately 90 percent in euros. Had the exchange rate of the US dollar risen or fallen by 10 percent as at 31 January 2021, Puuilo's open transaction position would have had approximately EUR 850 thousand positive or EUR 700 thousand negative effect on the Company's profit before taxes for the financial year ended January 31, 2021. Should the exchange rate of the US dollar begin to rise, it could increase the prices of imported products. This would give a competitive advantage to Puuilo's competitors that have hedged their foreign exchange positions. Fluctuations in foreign exchange rates may have a material adverse effect on Puuilo's business, financial position, results of operations and cash flows.

5. Puuilo is exposed to the fluctuation of interest rates.

Puuilo's loans from financial institutions with a floating interest rate amounted to EUR 89,991 thousand as at 30 April 2021. In financial year 2021, Puuilo has together with Puuilo Stores Ltd (previously Puuilo Oy) negotiated an extensive refinancing arrangement. Puuilo and Puuilo Stores Ltd have on 9 June 2021 signed a total of EUR 90 million New Financing Agreement with two Nordic financial institutions concerning refinancing of the group. The loans under the New Financing Agreement comprise a total of 70.0 million term loan facilities with a floating interest rate and EUR 20.0 million revolving credit facility with a floating interest rate. The interest rate margin of the loans under the Current Financing Agreement is tied to the ratio of net debt to EBITDA adjusted with listing costs.

Although the Board of Directors regularly assesses Puuilo's exposure to interest rate risk and the level of hedging, the measures undertaken may not, however, protect Puuilo sufficiently against fluctuations in interest rates, or they may be ineffective, and therefore, fluctuations in interest rates may have a material adverse effect on Puuilo's business, financial position, results of operations and cash flows.

6. Possible future impairments in goodwill and other intangible and tangible assets may have a material adverse effect on Puuilo's business, financial position and results of operations.

As at 30 April 2021, there was EUR 33,540 thousand of goodwill on the balance sheet of Puuilo Group and the value of the Puuilo trademark was EUR 16,535 thousand. As at 31 January 2021 the balance sheet value of goodwill was EUR 33,540 thousand and the balance sheet value of the Puuilo trademark was EUR 16,818 thousand. The goodwill and the Puuilo trademark were capitalized on the balance sheet when Adelis acquired the Company's shares in 2015.

Puuilo tests its goodwill for impairment annually or whenever there is an indication that the value may have decreased. If the estimates and assumptions used in impairment testing change unfavourably, Puuilo may be required to recognise a goodwill impairment loss to the extent that the recoverable amount may be less than the carrying amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. The key estimates and assumptions by management used in impairment testing include the expected future cash flows, the rate of growth in net sales, the estimated EBITDA, terminal growth rate and the discount rate.

The useful life of the Puuilo trademark is estimated to be 20 years, and this represents the Group's estimate of the period over which the trademark is expected to generate cash flows for the Group. However, the actual useful life may be shorter or longer, depending on changes in the operating environment. All identified changes in the useful life of the Puuilo trademark are reflected in the depreciation period, and if necessary, through the recognition of impairment losses. The management estimates at each balance sheet date whether there are indications that the value of the Puuilo trademark is impaired. In the case of the Puuilo trademark, an indication of impairment could, for example, be changes in the retail operating environment. The recoverable amount of the trademark cannot be estimated on asset-by-asset basis. Since it is estimated that Puuilo has only one cash-generating unit, the Puuilo trademark is tested for impairment of goodwill at the consolidated level.

The determination of depreciation periods in connection with the measurement of tangible and intangible assets requires Puuilo to estimate the useful life of the assets. The value of acquired assets may decrease if the estimates and assumptions change. Should Puuilo be required to recognise significant impairments on goodwill, the Puuilo's trademark, other intangible or tangible assets in the future, this may have a material adverse effect on Puuilo's business, financial position and results of operations depending on the size of the impairment loss.

7. The Company as a holding company is dependent from profits and operational cash flows of its subsidiaries

The Company is a holding company with no significant assets other than shares in subsidiaries. As a result, the Company is dependent on the net sales and operational cash flows of its subsidiaries. Therefore, a deterioration in the results of operations and financial position of subsidiaries may have a material adverse effect on the Company's financial position and results of operations.

F. Risks Relating to the Shares

1. The interests of the Company's major shareholders may not be aligned with the interests of other shareholders.

As at the date of this Offering Circular, Adelis is the largest shareholder in the Company with a holding of approximately 83.5 percent of the Shares and votes (taking also the holding of Adelis Friends & Family I AB into account). If the Offering is implemented as planned, Adelis will hold approximately 37 percent (assuming that the Over-allotment Option is exercised in full) of all Shares and votes in the Company immediately after the Offering (the amount of New Shares is calculated assuming that the subscription price of the New Shares is in the mid-point of the Preliminary Price Range and 26,041 New Shares are subscribed for in the Personnel Offering at a lower subscription price applied to such New Shares). As such, Adelis will continue to hold a significant proportion of shares and votes in the Company after the Offering. Accordingly, Adelis could have, control over resolutions to be made in the general meetings of shareholders, such as adoption of financial statements, distribution of dividends, capital increases and election and dismissal of the members of the Company's Board of Directors. The interests of the Company's largest shareholder may not always be aligned with the interests of other shareholders.

2. The market price and liquidity of the Shares may fluctuate significantly.

Prior to the Offering, the Shares have not subject to trading any regulated market or multilateral trading facility. The Company intends to apply for the Shares to be admitted to trading on the Helsinki Stock Exchange, but there are no assurances that an active market will emerge or can be maintained for the Shares after the Offering. The prices of shares traded for the first time on a regulated market have generally experienced significant fluctuations in certain time period, which may not have been related to the business or financial performance of the company that has issued the shares.

The market price of the Shares may fluctuate significantly. The market price may fluctuate due to the market's perception of the Shares or as a response to various other factors and events, such as public discussion and news relating to the Company's field of business, planned and implemented changes in the legislation applied to the Company's operations or changes in the Company's results of operations or development of its business. The prices and trading volumes of shares may fluctuate from time to time, and this may impact the prices of securities without necessarily any connection to the performance or prospects of the Company. A general decline in stock markets or decline in the prices of securities comparable to shares may have a material adverse effect on the demand and liquidity of the Shares. Also, unusual events and general economic conditions in Europe may have a general effect on the equity markets. For more information of the impacts of the general economic conditions, see above "*A. Risks relating to Puuilo and its Operating Environment – 2. Puuilo's results of operations and profitability are exposed to risks related to the purchasing behaviour of Finnish consumers*".

It is also possible that the Company's growth, profitability, results or future prospects will fall short of equity analysts' and investors' expectations. Any of these factors, as well as several other factors, may lead to the market price of the Shares falling below the Subscription Price. The Final Subscription Price of the Shares in the Offering will be decided on the basis of subscription offers in the negotiations between the Company, the Sellers and Lead Arrangers, and it may not necessarily be linked to the market price of the Shares after the Listing.

3. The Sale Shares may not have been transferred to the investors' accounts when the trading commences.

If the Listing is completed, the transfer of the Sale Shares to investors' book-entry accounts may not be completed when trading in the Shares commences on the Prelist of Nasdaq Helsinki on or about 24 June 2021. If the Sale Shares have not been transferred to an investor's book-entry account when the Shares start trading on the Prelist of Nasdaq Helsinki, the investor will not be able to trade their Sale Shares until the transfer to their book-entry account has been completed.

4. There is no assurance of distribution of dividends or capital repayment to the shareholders in the future.

There can be no assurance that the Company will distribute dividends or makes capital repayments in the future on the Shares it has issued. The payment of dividends or repayment of capital and their amounts are at the discretion of the Company's Board of Directors and, ultimately, dependent on a resolution of a general meeting of the Company, as well as on cash assets, profit for previous financial periods, estimated financing needs, the Company's results and financial position, potential terms and conditions of loan agreements binding the Company, stipulations of the Finnish Companies Act (624/2006, as amended) (the "**Finnish Companies Act**") and other related factors. See "*Dividends and Dividend Policy*" and "*Shares and Share Capital — Shareholders' Rights — Dividends and Distribution of Other Unrestricted Equity*".

5. A significant shareholder may sell a significant part of its shareholding, which may have a negative effect on the Company's share price and result in other adverse effects for the Company.

Following the Offering, Adelis will likely remain the largest shareholder of the Company. As is customary for private equity companies, Adelis' business usually involves exiting from its portfolio companies within a certain time period defined in Adelis' strategy. Adelis has informed the Company that it aims to remain a large shareholder of the Company and to continue to develop the Company as a stand-alone listed company. However, it cannot be ruled out that after the expiration of the lock-up arrangement, Adelis may aim to exit from the Company in line with its investment strategy.

Should Adelis or another significant shareholder sell the Shares in significant amounts or if there is a perception in the market that Adelis or another significant shareholder might do so, such significant sales or perceptions may have a material adverse effect on the value and market price of the Shares. If a significant shareholder sells large shareholdings, this may also have other adverse effects such as triggering change of control clauses in the Company's funding or other agreements, which in turn would require that such agreements be renegotiated, which may have a material adverse effect on the Company's financial costs and ability to conduct its business. The sale of large shareholdings may also lead to a situation where the buyer is obliged to make a public offer to acquire the Company's remaining Shares if the acquired amount of Shares exceeds ownership limits defined in the Finnish Securities Market Act.

6. Investors with a different reference currency than the euro are exposed to certain foreign exchange risks when investing in the Shares.

The Shares will be priced and traded on the Helsinki Stock Exchange in euros. In addition, possible dividends on the Shares would be paid in euros. Due to this, fluctuations in the value of the euro would affect the value of possible dividends and other distributions of unrestricted equity, such as capital repayment, if the investor's reference or main currency differs from the euro. In addition, the market price of the Shares in other currencies than the euro would be affected by changes in exchange rates. This can affect the value of the Shares and possible dividends paid on the Shares if the investor's main currency is not the euro. In addition, exchanging euros into another currency may result in additional transaction costs for the investor.

G. Risks Relating to the Listing

1. The Company's Listing may not necessarily succeed or it may be delayed.

The Company's management believes that the Company fulfils the criteria set for a company applying for listing on the Official List of Nasdaq Helsinki as at the date of this Offering Circular. However, there can be no assurances that the Listing will be completed as planned by the Company or at all. It is also possible that the Listing will not be carried out at all due to reasons relating to the execution of the Listing, an order issued by authorities, additional requirements set by the Helsinki Stock Exchange or other reasons, which the Company has not been able to foresee on the basis of the information available as at the date of this Offering Circular or which are beyond its control. If the Listing is delayed due to, for example, the Helsinki Stock Exchange not approving the Company's application for listing, this may result in significant additional costs to the Company, for example, in the form of additional administrative costs related to the Company's shares being entered in to the book-entry system (as a perquisite for Listing), which may have a material adverse effect on the Company's business, results of operations and financial position, as well as the development of its shareholder value.

2. The Listing results in addition costs for the Company as well as new obligations regarding operating as a listed company.

The Company will submit a listing application to the Helsinki Stock Exchange to admit the Shares to trading on the Official List of the Helsinki Stock Exchange. In addition to non-recurring costs, the Listing will result in additional administration costs for the Company. As a result of the Listing, the Company will be required to comply with statutory requirements applied to companies whose shares have been admitted to public trading in the Helsinki Stock Exchange. The governance, planning, reporting, disclosure and monitoring systems required from a listed company are more extensive than those required from private limited liability companies. The Company must allocate the management's and personnel's resources to these operations and ensure the financial requirements to comply with the regulation and guidelines. Any resulting prospective increased costs or reduced ability to commit resources to Company's operations may have a material adverse effect on the management and development of the business.

In addition to the earlier regulation in force, there have been recent regulatory reforms concerning listed companies in Finland, such as implementation of a new directive relating to shareholder rights. See "*Shares and Share Capital — Shareholders' Rights*". In addition, the new Corporate Governance Code maintained by the Finnish Securities Market Association came into effect in the beginning of 2020. So far, established interpretations or best practices on which the Company could rely do not exists for these new regulations and self-regulation standards, which may lead to challenges in complying with them. Furthermore, unlike companies listed on the Helsinki Stock Exchange for a longer time, the Company does not have long-term experience with the practices and processes relating to the previous regulations, which could facilitate developing best practices for compliance with the new requirements.

The Company's risk management and internal control may not necessarily prevent or detect acts, omissions or mistakes which are against the Company's instructions or regulations. Even if the Company has committed to carry out its business according to applicable laws and it continues to utilise its processes, systems and controls to ensure compliance with laws, these processes, systems and control may not be sufficient to prevent or detect possible inadequate practises, fraud or illegal activities. Even if the Company's internal systems and controls aim to control these risks, these systems and controls may not be sufficient. If related to financial reporting, the Company fails to maintain effective internal controls or the implementation of required new or improved surveillance procedures or in case it has difficulties in their implementation, the Company may fail in correct reporting or prevention of misconduct.

The Company has prepared for Listing and compliance with the obligations placed on listed companies. However, the Company may not be able to fulfil all of the obligations of a listed company, and the Company may fail to comply with current or future regulations after the Listing. The increased costs resulting from the compliance with regulations and instructions as well as possible neglects resulting in fines and other payments may have a material adverse effect on the Company's business, financial position and results of operations.

3. Subscriptions cannot be cancelled.

Subscriptions made in the Offering are binding and cannot be cancelled or changed once a subscription has been made, notwithstanding the exception specified in the terms and conditions of the Offering. For more information on the binding subscriptions and cancellation of subscription commitments, see "*Terms and Conditions of the Offering — Cancellation of Commitments*". The Final Subscription Price of the Shares in the Offering will be determined in negotiations between the Company, Adelis and the Lead Arrangers on the basis of offers made by the institutional investors. Therefore, investors must make their investment decision at a time when the Final Subscription Price or the final outcome of the Offering is not yet known.

4. The ownership of a shareholder not participating in the Offering and any future share issues will be diluted.

The relative holding and voting rights in the Company of shareholders who decide not to subscribe for Shares in the Offering, or are unable to fully subscribe for Shares due to the laws and regulations in force in their country of residence or domicile, will be diluted accordingly, and the original Shares held by such shareholders will represent a smaller percentage, in the same proportion, of the increased total number of issued Shares. Correspondingly, any future share issues of the Company would dilute the relative holding in the Company of shareholders who do not participate in such possible future share issues.

5. The conditions of the Offering may not be satisfied.

The Placing Agreement relating to the Offering (as defined below) include certain customary terms and conditions, such as the accuracy and correctness of representations and warranties provided by the Company and Adelis. Should one or more condition of the Placing Agreement not be satisfied, the Placing Agreement may not be executed or it may be terminated, and as a result of this, the Offering would not be carried out. For more information on the Placing Agreement, see "*Plan of Distribution*".

The Company's gross proceeds from the Offering may be less than EUR 20 million, and the Company may not receive offers for all of the Sale Shares. In either of these cases, the conditions for the Offering will not be satisfied, which would result in the Offering will not being completed. For more information on the conditions of the offering, see "*Terms and Conditions of the Offering — General Terms and Conditions of the Offering — Conditionality, Execution and Publishing of the Offering"*.

6. Certain foreign shareholders may not be able to exercise their subscription rights.

According to Finnish legislation, shareholders have certain pre-emptive subscription rights pro rata their shareholdings when the Company issues new Shares or securities entitling subscription for new Shares. Certain shareholders in the Company who reside or will reside or whose registered address is in certain countries outside Finland, such as the United States, may not necessarily be able to exercise their pre-emptive subscription rights in possible future share issues unless the Shares have been registered according to the securities legislation in effect in the relevant country or in another corresponding way or an exception from registration or other similar requirements is available based on applicable legislation. This may dilute the shareholding of such shareholders in the Company. Furthermore, if the number of such shareholders who cannot exercise their subscription rights is large and their subscription rights are sold on the market, this may have an adverse effect on the price of the subscription rights. In addition, the legislation of the relevant country may limit the right of a foreign shareholder to receive information on share issues and other important transactions. For more information on shareholders' rights, see "*Shares and Share Capital — Shareholders' Rights*".

IMPORTANT DATES

11 June 2021 at 10:00 a.m. (Finnish time)	The subscription periods for the Public Offering, the Personnel Offering and the Institutional Offering commence
18 June 2021 at 4:00 p.m. (Finnish time)	The Public Offering, the Personnel Offering and the Institutional Offering may be ended at the earliest
21 June 2021 at 4:00 p.m. (Finnish time) (estimate)	The subscription period for the Public Offering and the Personnel Offering ends
23 June 2021 at 12:00 p.m. (Finnish time) (estimate)	The subscription period for the Institutional Offering ends
23 June 2021 (estimate)	Announcement of the Final Subscription Price, the subscription price per Share in the Personnel Offering and the results of the Offering
24 June 2021 (estimate)	The Shares subscribed for in the Public Offering and the Personnel Offering will be recorded in the book-entry accounts of investors
24 June 2021 (estimate)	Trading in the Shares on the Prelist of the Helsinki Stock Exchange is expected to commence
28 June 2021 (estimate)	The Shares subscribed for in the Institutional Offering are ready to be delivered against payment through Euroclear Finland Ltd
28 June 2021 (estimate)	Trading in the Shares on the official list of the Helsinki Stock Exchange is expected to commence

TERMS AND CONDITIONS OF THE OFFERING

The term "subscription" refers in the following to the investor's offer or commitment to subscribe for or purchase Offer Shares (as defined below) in the Offering (as defined below), and an investor may be allocated either New Shares (as defined below) or Sale Shares (as defined below). Correspondingly, "subscriber", "subscription period", "subscription place", "subscription price", "purchase offer" and "commitment" (and other corresponding terms) refer to both Share Issue (as defined below) and Share Sale (as defined below).

General Terms and Conditions of the Offering

Offering

Puuilo Plc, a public limited liability company incorporated in Finland (the "**Company**"), aims to raise gross proceeds of approximately EUR 30 million by offering new shares in the Company (the "**New Shares**") for subscription (the "**Share Issue**"). The number of New Shares to be issued will be determined based on the final price per Offer Share (as defined below) (the "**Final Subscription Price**"). The Company will issue preliminarily a maximum of 4,690,105 New Shares assuming that the Final Subscription Price will be at the mid-point of the Preliminary Price Range (as defined below) and that a total of 26,041 New Shares would be subscribed for in the Personnel Offering (as defined below) (preliminary a maximum of 4,841,398 New Shares assuming that the Final Subscription Price will be at the low end of the Preliminary Price Range (as defined below) and that a maximum of 26,881 New Shares would be subscribed for in the Personnel Offering (as defined below)). In addition, Puuilo Invest Holding AB, a company ultimately owned by Adelis Equity Partners Fund I AB, and companies directly or indirectly owned by Adelis Equity Partners Fund I AB that are shareholders of the Company ("**Adelis**") and other shareholders listed in the Annex A of this Offering Circular (as defined below) (together with Adelis, the "**Sellers**") will offer for purchase initially a maximum of 31,365,880 existing shares of the Company (the "**Sale Shares**") (the "**Share Sale**", and together with the Share Issue, the "**Offering**"). Unless the context indicates otherwise, the New Shares (including the Personnel Shares (as defined below)), the Sale Shares and the Additional Shares (as defined below) are together referred to herein as the "**Offer Shares**". The number of Offer Shares is preliminarily a maximum of 41,464,382 (assuming that the Final Subscription Price will be at the mid-point of the Preliminary Price Range (as defined below) and that a total of 26,041 New Shares would be subscribed in the Personnel Offering (as defined below), the Sellers offer a total of a maximum of 31,365,880 Sale Shares and the Over-allotment Option is not used (36,774,277 assuming that the Over-allotment Option is used in full)).

The Offering consists of (i) a public offering to private individuals and entities in Finland (the "**Public Offering**"), (ii) an institutional offering to institutional investors in Finland and, in accordance with applicable laws, internationally, including in the United States to persons reasonably believed by the Joint Global Coordinators (as defined below) to be qualified institutional buyers ("**QIBs**") as defined in Rule 144A ("**Rule 144A**") under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"), pursuant to exemptions from the registration requirements of the U.S. Securities Act (the "**Institutional Offering**") and (iii) a personnel offering to the Company's and its subsidiaries' Personnel (as defined below) (the "**Personnel Offering**"). Offer Shares will be offered in the Institutional Offering to institutional investors outside the United States in offshore transactions in compliance with Regulation S under the U.S. Securities Act ("**Regulation S**").

The Offer Shares represent preliminarily a maximum of approximately 42.5 percent of all the shares in the Company (the "**Shares**") and votes vested by the Shares after the Share Issue assuming that the Over-allotment Option (as defined below) will not be exercised (approximately 48.8 percent assuming that the Over-allotment Option will be exercised in full), and assuming that the Sellers will sell the maximum number of Sale Shares and that the Company will issue 4,690,105 New Shares (the number of New Shares has been calculated assuming that the Final Subscription Price will be at the mid-point of the Preliminary Price Range (as defined below) and that a total of 26,041 New Shares would be subscribed for in the Personnel Offering at the discount applicable to Personnel Shares (as defined below)). With the Share Issue, the Company aims to raise gross proceeds of approximately EUR 30 million, and, to achieve this goal, it may increase or decrease the number of New Shares offered in the Share Issue within the limits of these terms and conditions of the Offering.

The terms and conditions of the Offering are comprised of the general terms and conditions of the Offering as well as the special terms and conditions of the Public Offering, Institutional Offering and Personnel Offering.

Share Issue

The shareholders of the Company resolved on 1 June 2021 to authorise the Company's Board of Directors to decide on an issue of a maximum of 6,000,000 New Shares. Based on this authorisation, the Company's Board of Directors is expected to resolve on or about 23 June 2021 to issue New Shares in the Share Issue. With the Share Issue, the Company aims to raise gross proceeds of approximately EUR 30 million by offering New Shares for subscription. The number of New Shares to be issued will be determined based on the Final Subscription Price.

The Company will issue 4,690,105 New Shares and the number of the Shares may increase preliminarily to a maximum of 84,905,965 Shares, assuming that the Final Subscription Price will be at the mid-point of the Preliminary Price Range (as defined below) and that a total of 26,041 New Shares would be subscribed for in the Personnel Offering at the discount applicable to Personnel Shares (as defined below). The number of New Shares to be issued in the Share Issue would represent approximately a maximum of 5.5 percent of the Shares and votes carried by the Shares after the Share Issue assuming that all of the New Shares preliminarily offered in the Offering are offered and subscribed for in full. The maximum number of the New Shares represents approximately 5.8 percent of the Shares prior to the Share Issue.

The New Shares are being offered in deviation from the shareholders' pre-emptive subscription right in order to enable the listing of the Shares on the official list of Nasdaq Helsinki Ltd (the "**Helsinki Stock Exchange**") (the "**Listing**"). The payment made to the Company for the approved New Share subscriptions will be booked in its entirety in the invested unrestricted equity fund. Therefore, the Company's share capital will not increase in connection with the Share Issue.

Share Sale

The Sellers will offer for purchase initially a maximum of 31,365,880 Sale Shares in the Share Sale. The Sale Shares represent approximately 36.9 percent of the Shares after the Share Issue assuming that the Over-allotment Option will not be exercised (approximately 43.3 percent assuming that the Over-allotment Option will be exercised in full), and assuming that the Sellers will sell the maximum number of Sale Shares and that the Company will issue 4,690,105 New Shares (the number of New Shares has been calculated assuming that the Final Subscription Price will be at the mid-point of the Preliminary Price Range (as defined below) and that a total of 26,041 New Shares would be subscribed for in the Personnel Offering at the discount applicable to Personnel Shares (as defined below)).

Procedure in Undersubscription Situations

If the Offering is not subscribed for in full and the Offering is nevertheless completed, the subscriptions would be allocated firstly to New Shares, and, thereafter, to Sale Shares. In such case, the number of Sale Shares sold by each Seller would be reduced on a *pro rata* basis according to the number of Sale Shares initially offered for purchase by such Seller.

Managers

Carnegie Investment Bank AB, Finland Branch ("**Carnegie**") and Danske Bank A/S, Finland Branch ("**Danske**") have been appointed to act as joint global coordinators and joint bookrunners for the Offering (together, the "**Joint Global Coordinators**") and Nordea Bank Abp ("**Nordea**") and OP Corporate Bank plc ("**OP**") have been appointed to act as joint bookrunners for the Offering (Nordea and OP together with the Joint Global Coordinators, the "**Managers**"). In addition, the Company has appointed Nordnet Bank AB ("**Nordnet**") as the subscription place in the Public Offering.

Over-allotment Option

Adelis is expected to grant to the Managers an over-allotment option, exercisable by Danske on behalf of the Managers, to purchase a maximum of 5,431,091 additional Shares at the Final Subscription Price (the "**Additional Shares**") solely to cover over-allotments in connection with the Offering (the "**Over-allotment Option**"). The Over-allotment Option is exercisable within 30 days from the commencement of trading in the Shares on the prelist of the Helsinki Stock Exchange (*i.e.*, on or about the period between 24 June 2021, and 24 July 2021) (the "**Stabilisation Period**"). The Additional Shares represent approximately 6.7 percent of the Shares and votes carried by the Shares prior to the Offering and approximately 6.4 percent after the Offering assuming that the

Sellers will sell the maximum number of Sale Shares and that the Company will issue 4,690,105 New Shares (the number of New Shares has been calculated assuming that the Final Subscription Price will be at the mid-point of the Preliminary Price Range (as defined below) and that a total of 26,041 New Shares would be subscribed for in the Personnel Offering at the discount applicable to Personnel Shares (as defined below)). However, the number of Additional Shares will not in any case represent more than 15 percent of the aggregate number of New Shares and Sale Shares.

Stabilisation

In connection with the Offering, Danske, acting as stabilising manager (the "**Stabilising Manager**"), may, but is not obligated to, engage in measures during the Stabilisation Period that stabilise, maintain or otherwise affect the price of the Shares. The Stabilising Manager may allocate a larger number of Shares than the total number of New Shares and Sale Shares, which will create a short position. The short position will be covered if it does not exceed the number of Additional Shares. The Stabilising Manager is entitled to close the covered short position by exercising the Over-allotment Option and/or by buying Shares on the market. In determining the acquisition method of the Shares to cover the short position, the Stabilising Manager may consider, among other things, the market price of the Shares in relation to the Final Subscription Price. In connection with the Offering, the Stabilising Manager may also bid for and purchase Shares in the market to stabilise the market price of the Shares. These measures may raise or maintain the market price of the Shares in comparison with the price levels determined independently on the market or may prevent or delay any decrease in the market price of the Shares. However, stabilisation measures cannot be carried out at a price higher than the Final Subscription Price. The Stabilising Manager has no obligation to carry out these measures, and it may stop any of these measures at any time. The Stabilising Manager or the Company on behalf of the Stabilising Manager will publish information regarding the stabilisation required by legislation or other applicable regulations at the end of the Stabilisation Period. Stabilisation measures can be carried out on the Helsinki Stock Exchange during the Stabilisation Period.

Any stabilisation measures will be conducted in accordance with Regulation (EU) No 596/2014 of the European Parliament and of the Council on market abuse and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC (the "**Market Abuse Regulation**") and the Commission Delegated Regulation (EU) 2016/1052 supplementing the Market Abuse Regulation with regard to regulatory technical standards for the conditions applicable to buy-back programs and stabilisation measures.

The Stabilising Manager and Adelis may enter into a share lending agreement related to stabilisation and the Over-allotment Option in connection with the Offering. According to the share lending agreement, the Stabilising Manager may borrow a number of Shares equal to the maximum number of Additional Shares to cover any possible over-allotments in connection with the Offering. To the extent that the Stabilising Manager borrows Shares pursuant to the share lending agreement, it must return an equal number of Shares to Adelis. See "*Plan of Distribution*".

Placing Agreement

The Company, Adelis and the Managers are expected to enter into a placing agreement (the "**Placing Agreement**") on or about 23 June 2021. In the Placing Agreement, the Company will agree to issue and Adelis will agree to sell Offer Shares to subscribers or purchasers procured by the Managers or, failing which, to the Managers themselves, and each of the Managers, severally will agree to procure subscribers or purchasers for, or failing which, to subscribe for and purchase, the Offer Shares, provided certain conditions are fulfilled. Other Sellers than Adelis are not parties of the Placing Agreement but they have each given the Managers the sales undertaking with respect to the Offering. For further information, see "*Plan of Distribution*".

Subscription Period

The subscription period for the Public Offering will commence on 11 June 2021 at 10:00 a.m. (Finnish time) and end on or about 21 June 2021 at 4:00 p.m. (Finnish time).

The subscription period for the Institutional Offering will commence on 11 June 2021 at 10:00 a.m. (Finnish time) and end on or about 23 June 2021 at 12:00 p.m. (Finnish time).

The subscription period for Personnel Offering will commence on 11 June 2021 at 10:00 a.m. (Finnish time) and end on or about 21 June 2021 at 4:00 p.m. (Finnish time).

The Company's Board of Directors and Adelis have, in the event of an oversubscription, the right to close the Public Offering and the Institutional Offering by joint decision at the earliest on 18 June 2021, at 4:00 p.m. (Finnish time). In addition, the Company's Board of Directors may close the Personnel Offering at its sole discretion no earlier than 18 June 2021, at 4:00 p.m. (Finnish time). The Public, Institutional and Personnel Offerings may be closed independently of one another. A stock exchange release regarding any close will be published without delay.

The Company's Board of Directors and Adelis are entitled to extend the subscription periods of the Public and Institutional Offerings. The Company's Board of Directors is entitled to extend the subscription period of the Personnel Offering. A possible extension of the subscription period will be communicated through a stock exchange release, which will indicate the new end date of the subscription period. The subscription periods of the Public, Institutional and Personnel Offerings will in any case close on 7 July 2021, at 4:00 p.m. (Finnish time) at the latest. The subscription periods of the Public, Institutional and Personnel Offerings can be extended independently of one another. A stock exchange release concerning the extension of a subscription period must be published no later than on the estimated final dates of the subscription periods for the Public, Institutional or Personnel Offerings stated above.

Subscription Price

The subscription price for the Offer Shares in the Public Offering and Institutional Offering is a minimum of EUR 6.20 and a maximum of EUR 6.60 per Offer Share (the "**Preliminary Price Range**"). The Preliminary Price Range can be changed during the subscription period. Any change would be communicated through a stock exchange release and on the internet at www.puuilo.fi/IPO and in the subscription places of the Public Offering and the Personnel Offering. If the Preliminary Price Range increases or decreases as a result of the change, the Finnish language prospectus published by the Company in connection with the Offering (the "**Finnish Prospectus**") will be supplemented and the supplement will be published through a stock exchange release. The Final Subscription Price may be above or below the Preliminary Price Range. If the Finnish Prospectus is supplemented, investors who have given their Commitments (as defined below) before the supplement or correction of the Finnish Prospectus have the right to cancel their Commitments as described in "— *Cancellation of Commitments*" below.

The Final Subscription Price and the final number of Offer Shares will be determined in negotiations between the Company, Adelis and the Managers based on the purchase offers of institutional investors in the Institutional Offering ("Purchase Offers") after the expiry of the subscription period, on or about 23 June 2021 (the "**Pricing**"). However, the Final Subscription Price in the Public Offering cannot be higher than the maximum price of the Preliminary Price Range (i.e., EUR 6.60 per Offer Share). The price per share in the Personnel Offering is 10 percent lower than the Final Subscription Price in the Public Offering (*i.e.*, the Final Subscription Price in the Personnel Offering (as defined below) will be no more than EUR 5.94 per Personnel Share (as defined below)). The amount of the Final Subscription Price can differ in the Public Offering and Institutional Offering only in the case that the Final Subscription Price of the Institutional Offering is higher than the maximum price of the Preliminary Price Range. The Final Subscription Price and the Final Subscription Price of the Personnel Offering will be communicated through a stock exchange release and be available on the Company's website at www.puuilo.fi/IPO immediately after the Pricing and in the subscription places of the Public Offering and the Personnel Offering no later than the business day following the Pricing (i.e., on or about 24 June 2021).

Conditionality, Execution and Publishing of the Offering

The Company's Board of Directors and Adelis will jointly decide on the execution of the Offering, the final number of Offer Shares, the Final Subscription Price and the allocation of Offer Shares in connection with the Pricing on or about 23 June 2021. The above information will be published through a stock exchange and are available on the Company's website at www.puuilo.fi/IPO after the Pricing, and in the subscription places of the Public Offering and the Personnel Offering no later than the business day following the Pricing, on or about 24 June 2021. The execution of the Offering is conditional upon the Company receiving gross proceeds of at least EUR 20 million in the Offering. The execution of the Offering is also conditional upon the signing of the Placing Agreement.

Cancellation of Commitments

A commitment to subscribe for or purchase Offer Shares in the Public Offering or subscribe for Personnel Shares (as defined below) in the Personnel Offering (a "**Commitment**") cannot be amended. A Commitment may only be cancelled in the situations provided for in the Regulation (EU) 2017/1129 of the European Parliament and of the Council of June 14, 2017 (the "**Prospectus Regulation**").

Cancellation in Accordance with the Prospectus Regulation

If the Finnish Prospectus is supplemented in accordance with the Prospectus Regulation due to a significant new factor, material mistake or material inaccuracy that has become known after the Finnish Financial Supervisory Authority has approved the Finnish Prospectus, but before trading in the Offer Shares begins on the prelist the Helsinki Stock Exchange, investors who have given their Commitments before the supplement or correction of the Finnish Prospectus have, in accordance with the Prospectus Regulation, the right to cancel their Commitments within three (3) working days after the supplement has been published. The use of the cancellation right requires that the significant new factor, material mistake, or material inaccuracy that led to the supplement or correction has become known prior to the end of the subscription period or the delivery of the Offer Shares to the investors, whichever occurs earlier. Any cancellation of a Commitment must concern the total number of shares covered by the Commitment given by an individual investor. If the Finnish Prospectus is supplemented, the supplement will be published through a stock exchange release. The stock exchange release will also include information on the right of the investors to cancel their Commitment in accordance with the Prospectus Regulation.

Procedure to Cancel a Commitment

The cancellation of a Commitment must be notified in writing to the subscription place where the initial Commitment was made, within the time limit set for such cancellation, with the following exemptions:

- The cancellation of the Commitment made online via the Danske Bank eBanking service, corporate eBanking services or Web subscription can be made by visiting a Danske Bank office (excluding corporate offices) in person or through an authorised representative or by calling Danske Bank Investment Advisory Center using Danske Bank's bank identifiers.

- A Commitment made by telephone to the Danske Bank Investment Advisory Center may be cancelled by telephone using Danske Bank's bank identifiers.

- The personal Commitments made in any of OP's subscription channels may be cancelled in the OP telephone service using bank identifiers.

- The cancellation of the Commitment made online via the OP online service for private customers or corporate customers or by e-subscription can be made by visiting a branch office of OP Financial Group's cooperative banks in person or through an authorised representative.

- A Commitment made to Nordea may be cancelled by telephoning Nordea's Customer Service or in writing at Nordea's subscription places, other than Nordea Investor.

- A Commitment submitted via Nordnet's online service can be cancelled through an authorised representative or via Nordnet's online service by accepting a separate cancellation of Commitment by using Nordnet's bank identifiers.

A cancellation of a Commitment applies to the entire Commitment. After the time limit set for cancellation has expired, the cancellation right is no longer valid. If the Commitment is cancelled, the subscription place refunds the sum paid for the Offer Shares to the bank account specified in the Commitment. To Nordnet's own customers who gave their Commitments via Nordnet's subscription place, the amount to be refunded will be paid to Nordnet cash accounts. The payment is refunded as soon as possible after the cancellation, approximately within five (5) banking days of serving the subscription place with the cancellation notice. If an investor's bank account is in a different bank than the place of subscription, the refund will be paid to the investor's Finnish bank account in accordance with the payment schedule of the financial institutions, approximately no later than two (2) banking days thereafter. No interest will be paid on the refunded amount.

Entry of Offer Shares into Book-entry Accounts

Investors who have submitted a Commitment must have a book-entry account with a Finnish account operator or an account operator operating in Finland, and investors must specify the details of their book-entry account in their

Commitments. Subscriptions to equity savings accounts can be made through Danske Bank only to an equity savings account provided by Danske Bank, through Nordea only to an equity savings account provided by Nordea and through Nordnet only to an equity savings account provided by Nordnet. The Offer Shares allocated in the Public Offering and Personnel Offering are recorded in the book-entry accounts of investors who have made an approved Commitment on or about the first banking day after the Pricing takes place, on or about 24 June 2021. In the Institutional Offering, investors should contact the Managers of the Offering with respect to the book-entry accounts. In the Institutional Offering, the allocated Offer Shares will be ready to be delivered against payment on or about 28 June 2021, through Euroclear Finland Ltd.

Title and Shareholder Rights

The title to the Offer Shares will be transferred when the Offer Shares are paid for, the New Shares are registered in the Finnish Trade Register of the Finnish Patent and Registration Office and the Offer Shares are recorded in the investor's book-entry account. Offer Shares carry rights equal to all other Shares in the Company and they will entitle their holders to dividends and other distributions of funds (including distribution of funds in the event that the Company is insolvent) as well as other rights related to the Shares when the title has been transferred.

Transfer Tax and Other Expenses

Transfer tax will not be levied in connection with the issuance or subscription of the New Shares in Finland. Account operators charge fees in accordance with their price lists for the maintenance of the book-entry account and for safekeeping of shares. The Sale Shares are being sold in connection with commencement of trading in the Shares on the prelist of the Helsinki Stock Exchange, and no transfer tax is expected to be payable for these transfers in Finland. Should transfer tax be levied, the Sellers will pay the transfer tax levied on the sale of their Sale Shares.

Trading in the Shares

Before the Offering, the Shares have not been subject to trading on a regulated market or multilateral trading facility. The Company will submit a listing application to the Helsinki Stock Exchange for the Shares to be listed on the official list of the Helsinki Stock Exchange. Trading of the Shares on the prelist of the Helsinki Stock Exchange is expected to commence on or about 24 June 2021, and on the official list of the Helsinki Stock Exchange on or about 28 June 2021. The trading code of the Shares is "PUUILO" and the ISIN code is FI4000507124.

When the trading on the prelist commences on or about 24 June 2021, not all of the Shares may necessarily have been fully transferred to the investors' book-entry accounts. If an investor wishes to sell Shares purchased or subscribed for by it in the Offering on the prelist, the investor should ensure that the number of Shares registered to its book-entry account covers the transaction in question at the time of clearing.

Right to Cancel the Offering

The Company's Board of Directors and Adelis have the right to cancel the Offering at any time before the decision to execute it is made on the grounds of, for example, the market conditions, the Company's financial position or a material change in the Company's business. If the Offering is cancelled, the subscription price paid by the investors will be refunded in approximately five (5) banking days from the cancellation decision. If an investor's bank account is in a different bank than the place of subscription, the refund will be paid to a Finnish bank account in accordance with the payment schedule of the financial institutions, approximately no later than two (2) banking days thereafter. To persons who gave their Commitments via Nordnet's subscription place, the refunded amount will be paid to Nordnet cash accounts. No interest will be paid on the refunded amount.

Lock-up

The Company and Adelis are expected to commit during the period that will end 180 days from the Listing, without the prior written consent of the Managers, not to issue, offer, hypothecate, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of (or publicly announce such action), directly or indirectly, any Shares or any securities convertible into or exercisable or exchangeable for Shares, or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of

Shares, whether any such transaction is to be settled by delivery of Shares or such other securities, in cash or otherwise, or submit to the Company's shareholders a proposal to effect any of the foregoing. The lock-up does not apply to the measures related to the execution of the Offering and the Company's incentive programmes.

The members of the Board of Directors and management team of the Company are expected to commit to a lock-up agreement with similar terms to that of the Company and Adelis that will end on the date that falls 360 days from the Listing.

The Sellers (excluding Adelis) and certain other shareholders have agreed to comply with a lock-up agreement with similar terms to that of the Company and Adelis that will end on the date that falls 360 days from the Listing.

According to the terms and conditions of the Personnel Offering, the personnel participating in the Personnel Offering must agree to comply with the lock-up with similar terms to that of the Company and the Sellers that will end on the date that falls 360 days from the Listing.

In aggregate, the terms of lock-up agreements apply to approximately 57.5 percent of the Shares after the Offering without the Over-allotment Option and the possible Shares subscribed for by Personnel (as defined below) in the Public Offering (approximately 51.2 percent with the Over-allotment Option) assuming that the Sellers will sell the maximum number of Sale Shares and that the Company will issue 4,690,105 New Shares (the number of New Shares has been calculated assuming that the Final Subscription Price will be at the mid-point of the Preliminary Price Range and that a total of 26,041 New Shares would be subscribed for in the Personnel Offering at the discount applicable to Personnel Shares (as defined below)).

Other Matters

The Board of Directors of the Company will decide on other issues and practical matters related to the Share Issue and on the practical arrangements resulting therefrom. The Company and Adelis, together with the Managers, will decide on other issues and practical matters relating to the Share Sale.

Documents on Display

The Company's latest financial statements, annual report and the auditor's report as well as the other documents pursuant to Chapter 5, section 21 of the Finnish Limited Liability Companies Act, are available during the subscription period at the Company's offices at Pakkalankuja 6, FI-01510 Vantaa, Finland.

Applicable Law

The Offering shall be governed by the laws of Finland. Any disputes arising in connection with the Offering shall be settled by a court of competent jurisdiction in Finland.

Special Terms and Conditions Concerning the Public Offering

Overview

Preliminarily a maximum of 2,065,047 Offer Shares are offered in the Public Offering to private individuals and entities in Finland. Depending on the demand, the Company and Adelis may reallocate Offer Shares between the Public Offering, Institutional Offering and Personnel Offering in deviation from the preliminary number of shares without limitation. However, the minimum number of Offer Shares to be offered in the Public Offering will be 2,065,047 Offer Shares or, if the aggregate number of Offer Shares covered by the Commitments submitted in the Public Offering is smaller than this, such aggregate number of Offer Shares as covered by the Commitments.

The place of subscription has the right to reject a Commitment, either partially or wholly, if the Commitment does not comply with the terms and conditions herein or if it is otherwise incomplete.

Right to Participate and the Minimum and Maximum Amounts for Commitments

Offer Shares will be offered in the Public Offering to investors whose domicile is in Finland and who submit their Commitments in Finland. Entities submitting a Commitment must have a valid legal entity identifier ("**LEI**") code. Commitments in the Public Offering must be no less than 100 Offer Shares and no more than 20,000 Offer Shares.

Each investor may only provide one Commitment in the Public Offering. If an investor provides Commitments in the Public Offering in more than one place of subscription, only the first Commitment will be considered when allocating the Offer Shares. However, Commitments given by the same investor in both the Public Offering and in the Personnel Offering will not be combined.

Places of Subscription and Submission of Commitments

A Commitment is considered to have been made when the investor has submitted a signed commitment form to the place of subscription in accordance with instructions of the place of subscription or when the investor has confirmed the Commitment with bank identifiers in accordance with the instructions of the place of subscription and paid for the subscription concerned by the Commitment. A Commitment submitted as a web subscription is deemed to have been made when the investor has made the Commitment in accordance with the terms and conditions of the web subscription or has confirmed the Commitment with his or her bank identifiers and paid for the share subscription price in accordance with the Commitment. Any more detailed instructions issued by the place of subscription must be taken into consideration when submitting a Commitment.

Commitments may only be cancelled in the manner and situations referred to under "— *General Terms and Conditions of the Offering — Cancellation of Commitments*".

The places of subscription in the Public Offering for Danske Bank book-entry or equity savings account customers are:

- Danske Bank eBanking service with bank identifiers for private customers at www.danskebank.fi;
- Danske Bank corporate eBanking service in the Markets Online module for District customers;
- Danske Bank Investment Center with Danske Bank's bank identifiers by telephone, 9:00 a.m. to 6:00 p.m. Monday to Friday, tel. +358 200 20109 (local network charge/mobile call charge). Danske Bank's Investment Center calls will be recorded;
- Danske Bank offices in Finland during normal business hours; and
- Danske Bank Private Banking offices in Finland (for Danske Bank Private Banking customers only).

Submitting a Commitment by phone via Danske Bank's Investment Center or Danske Bank eBanking service requires a valid eBanking agreement with Danske Bank.

Commitments to equity savings accounts can be submitted through Danske Bank only to equity savings accounts registered with Danske Bank.

The places of subscription in the Public Offering for Nordea book-entry or equity savings account customers are:

- Nordea Investor for private individuals with Nordea bank codes at www.investor.nordea.fi or by signing in to Nordea Investor via Nordea Netbank;
- Nordea Customer Service for private individuals with Nordea bank codes, Monday to Friday 8:00 a.m. to 8:00 p.m. (Finnish time), tel. +358 200 3000 (service in Finnish, local network charge/mobile call charge), Monday to Friday 8:00 a.m. to 6:00 p.m. (Finnish time) tel. +358 200 5000 (service in Swedish, local network charge/mobile call charge) or Monday to Friday 8:00 a.m. to 6:00 p.m. (Finnish time), tel. +358 200 70 000 (service in English, local network charge/mobile call charge);
- Nordea Business Centre for Nordea corporate customers with bank codes, Monday to Friday 8:00 a.m. to 8:00 p.m. (Finnish time), tel. +358 200 2121 (service in Finnish, local network charge/mobile call charge), Monday to Friday 9:00 a.m. to 4:30 p.m. (Finnish time), tel. +358 200 2525 (service in Swedish, local network charge/mobile call charge) or Monday to Friday 9:00 a.m. to 4:30 p.m. (Finnish time), tel. +358 200 26262 (service in English, local network charge/mobile call charge). Corporate customers must have a valid LEI code;
- Nordea's branches in Finland (except branches with cash services only) during their respective opening hours; and
- Nordea Private Banking units in Finland (only for Nordea Private Banking customers).

Submitting a Commitment to Nordea by telephone or via Nordea Investor requires a valid Nordea Netbank agreement with Nordea. Companies and other corporations may not submit Commitments via Nordea Investor. Calls to Nordea Customer Service are recorded.

The places of subscription in the Public Offering for OP book-entry account customers are:

- OP Financial Group online service for private customers at the address www.op.fi/merkinta. OP Financial Group's customers submitting a Commitment by e-subscription are required to have OP Financial Group's bank identifiers;
- OP 0100 0500 telephone service (in Finnish, local network charge / mobile charge). The Commitment may be submitted via telephone if the customer has personal internet banking agreement with OP Financial Group and bank identifiers, which are required in connection with the identification to the telephone service; and
- Branch offices of OP Financial Group's cooperative banks during their normal business hours.

The places of subscription in the Public Offering for persons who are not book-entry account customers of Danske Bank, Nordea or OP are:

- Danske Bank e-subscription for private customers at www.danskebank.fi. A Commitment can be made through the online service with the bank identifiers of Aktia, Danske Bank, Handelsbanken, Nordea, Oma Savings Bank, Osuuspankki, POP Bank, S-Bank, Savings Bank, and Ålandsbanken; and
- Danske Bank offices (excluding corporate offices) in Finland during normal business hours. Information on the offices offering subscription services is available by phone using Danske Bank's Investment Center, 9:00 a.m. to 6:00 p.m. Monday to Friday, tel. +358 200 20109 (local network charge/mobile call charge) or online at www.danskebank.fi. Danske Bank's Investment Center calls will be recorded.
- OP Financial Group online service for private customers at the address www.op.fi/merkinta. An internet subscription requires bank identifiers of Aktia, Danske Bank, Handelsbanken, Nordea, Oma Savings Bank, POP Bank, S-Bank, Savings Bank or Ålandsbanken; and
- Branch offices of OP Financial Group's cooperative banks during their normal business hours provided that the person submitting a Commitment has a bank account at OP Financial Group. When carrying out banking operations in the branch offices of cooperative banks belonging to OP Financial Group, the investor must schedule an appointment.

Through the e-subscription of Danske Bank, individual investors can submit Commitments up to EUR 100,000 in the Public Offering. If the subscription exceeds EUR 100,000 the Commitment can be given at Danske Bank banking offices.

The Offer Shares covered by a Commitment must be paid using an account in the name of the investor making the Commitment.

Corporations may not submit Commitments via Danske Bank's e-subscription.

The places of subscription in the Public Offering for Nordnet's customers are:

- Nordnet's online service at www.nordnet.fi/fi/puuilo. Submitting a Commitment via Nordnet's online service requires Nordnet's personal bank identifiers. In addition, when separately agreed, the subscription commitment in the Public Offering can be made at Nordnet Bank AB, Finnish Branch's office at Yliopistonkatu 5, FI-00100 Helsinki, Finland, on weekdays from 1.00 p.m. to 5.00 p.m.

Commitments by or on behalf of persons under the age of 18, or otherwise under guardianship, must be made by their legal guardians and may require the consent of the local guardianship authority in Finland. A guardian may not subscribe for Shares without the permission of the local guardianship authority, as the Shares are not subject to trading on a regulated market at the time of the Commitment.

Payment of Offer Shares

When submitting a Commitment, the (*i.e.*, EUR 6.60 per Offer Share) multiplied by the number of Offer Shares covered by the Commitment. If the Preliminary Price Range is changed, the maximum price of the new Preliminary Price Range will be applied to commitments submitted thereafter. The Final Subscription Price may not exceed the maximum price of the Preliminary Price Range.

The payment of a Commitment submitted in a banking office of Danske Bank, Danske Bank's Private Banking offices or via Danske Bank's Investment Center will be debited directly from the investor's bank account in Danske Bank, or it may be paid by bank transfer. The payment corresponding to a Commitment that has been submitted through Danske Bank eBanking service or Danske Bank corporate eBanking services will be charged from the investor's bank account when the investor confirms the Commitment with his or her bank identifiers. The payment of a Commitment submitted through Danske Bank e-subscription must be made in accordance with the terms and conditions and instructions of e-subscription immediately after the Commitment has been submitted.

The payment of a Commitment submitted in an office of Nordea will be debited directly from the investor's bank account in Nordea, or it may be paid in cash. The payment corresponding to the Commitment that has been submitted through Nordea Investor will be charged from the investor's bank account when the investor confirms the Commitment with his or her bank codes.

A payment corresponding to a Commitment submitted in the OP Financial Group's internet banking service will be debited directly from the investor's bank account, when the investor confirms the payment of the Commitment with his or her bank identifiers. The payment of a Commitment submitted through the internet service must be made in accordance with the terms and conditions of the internet service immediately after the Commitment has been submitted. The payment must be made from a bank account that is solely in the investor's name. The payment corresponding to a Commitment that has been submitted through OP 0100 0500 telephone service will be charged from the investor's bank account in OP Financial Group.

The book-entry account customers of OP Financial Group may submit and pay Commitments in the branch offices of cooperative banks belonging to OP Financial Group. Other customers than book-entry account customers of OP Financial Group may submit and pay their Commitments in the branch offices of cooperative banks belonging to OP Financial Group provided that the person submitting a Commitment has a bank account at OP Financial Group.

If an investor has submitted a Commitment in a branch office of a cooperative bank belonging to OP Financial Group, the customer's bank account in OP Financial Group is debited directly. When carrying out banking operations in the branch offices of cooperative banks belonging to OP Financial Group, the investor must schedule an appointment. The payment corresponding to a Commitment that has been submitted through OP Financial Group will be charged from the investor's bank account at OP Financial Group when the investor confirms the Commitment.

The Commitments submitted through Nordnet's online service will be debited from the investor's cash account in Nordnet when the investor confirms the Commitment with his/her bank identifier.

Approval of Commitments and Allocation

The Company and Adelis will decide on the allocation of Offer Shares in the Public Offering to investors after the Pricing. The Company and Adelis will decide on the procedure to be followed in any over-demand situations. Commitments may be approved or rejected in whole or in part. In the event of an oversubscription, the Company and Adelis aim to approve subscribers' Commitments in whole up to 50 Offer Shares and, for Commitments exceeding this amount, the Company and Adelis allocate Offer Shares in proportion to the amount of Commitments unmet. Confirmations regarding the approval of the Commitments and the allocation of Offer Shares will be sent to the investors who have submitted their Commitments in the Public Offering and been allocated Offer Shares as soon as possible and at the latest on or about 7 July 2021. Investors who have submitted their Commitments through Nordnet will see their Commitments as well as allocation of Offer Shares on the transaction page of Nordnet's online service.

Refunding of Paid Amounts

If the Commitment is rejected or only partially approved and/or if Final Subscription Price is changed and the new subscription rice is lower than the amount paid at the time of submitting the Commitment, the excess amount paid will be refunded to the party that made the Commitment to the Finnish bank account identified in the Commitment on or about the fifth (5) banking day after the Pricing, on or about 1 July 2021. For persons who gave their Commitments via Nordnet's subscription place, the amount to be refunded will be paid to Nordnet cash accounts. If an investor's bank account is in a different bank than the place of subscription, the refund will be paid to a bank account in accordance with the payment schedule of the financial institutions, approximately no later than two (2) banking days thereafter. If Commitments submitted by the same investor have been combined, any refund will be paid to the same bank account from which the subscription payment was made. No interest will be paid on the refunded amount. See also "— *General Terms and Conditions of the Offering — Cancellation of Commitments — Procedure to Cancel a Commitment*" above.

Entry of Offer Shares into Book-entry Accounts

Parties submitting Commitments in the Public Offering must have a book-entry account with a Finnish account operator or an account operator operating in Finland, and the party must specify the details of its book-entry account in its Commitment. Subscriptions to equity savings accounts can be made through Danske Bank only to an equity savings account provided by Danske Bank, through Nordea only to an equity savings account provided by Nordea and through Nordnet only to an equity savings account provided by Nordnet. The Offer Shares allocated in the Public Offering will be recorded in the book-entry accounts of investors who have made an approved Commitment, on or about the first banking day after the Pricing on or about 24 June 2021.

Special Terms and Conditions Concerning the Institutional Offering

Overview

Preliminarily a maximum of 39,546,441 Offer Shares are being offered in the Institutional Offering to institutional investors through private placements in Finland and, in accordance with the applicable laws, internationally, including in the United States to persons reasonably believed by the Joint Global Coordinators to be qualified institutional buyers as defined in Rule 144A under the U.S. Securities Act, pursuant to exemptions from the registration requirements of the U.S. Securities Act on the terms and conditions set forth herein. Depending on the demand, the Company and Adelis may reallocate Offer Shares between the Public Offering, Institutional Offering and Personnel Offering in deviation from the preliminary number of shares without limitation. However, the minimum number of Offer Shares to be offered in the Public Offering will be 2,065,047 Offer Shares or, if the aggregate number of Offer Shares covered by the Commitments submitted in the Public Offering is smaller than this, such aggregate number of Offer Shares as covered by the Commitments.

Offer Shares will be offered in the Institutional Offering to institutional investors in Finland and internationally in certain other countries outside the United States in compliance with Regulation S. The Offer Shares will be offered in the United States to persons reasonably believed by the Joint Global Coordinators to be qualified institutional buyers as defined in Rule 144A under the U.S. Securities Act, pursuant to exemptions from the registration requirements of the U.S. Securities Act. The Shares (including the Offer Shares) have not been, and will not be, registered under the U.S. Securities Act or under the securities laws of any state of the United States and, accordingly, will not be offered or sold, directly or indirectly, in or into the United States (as defined in Regulation S), unless they have been registered under the U.S. Securities Act or pursuant to an exemption from the registration requirements of the U.S. Securities Act and in compliance with any applicable state securities laws of the United States. For more information on restrictions concerning the offering of the Offer Shares, see "*Important Information*".

The Managers have the right to reject the Purchase Offer, either partially or wholly, if it does not comply with the terms and conditions herein or if it is otherwise incomplete.

Right to Participate and Place of Subscription

An investor, whose Purchase Offer is at least 20,001 Offer Shares, may participate in the Institutional Offering. Entities submitting a Purchase Offer must have a valid LEI code.

The Purchase Offers of institutional investors will be received by the Managers of the Offering.

Approval of Purchase Offers and Allocation

The Company and Adelis will decide on the acceptance of Purchase Offers submitted in the Institutional Offering after the Pricing. The Company and Adelis will decide on the procedure to be followed in any over-demand situations. Purchase Offers may be approved or rejected in whole or in part. A confirmation of the approved Purchase Offers in the Institutional Offering will be provided as soon as practicable after the allocation.

Payment of Offer Shares

Institutional investors must pay for the Offer Shares corresponding to their accepted Purchase Offers in accordance with the instructions issued by the Managers on or about 28 June 2021. If necessary in connection with a Purchase Offer being made or before the approval of a Purchase Offer, the Managers have the right, provided by the duty of care set for securities intermediaries, to require that the investor provide information concerning its ability to pay for the Offer Shares corresponding to its Purchase Offer or require that the payment for the Offer Shares concerned by the Purchase Offer be made in advance. The amount to be paid in this connection is the maximum price of the Preliminary Price Range (*i.e.*, EUR 6.60 per Offer Share) multiplied by the number of Offer Shares covered by the Purchase Offer. The Final Subscription Price may be below or above the Preliminary Price Range. If the Preliminary Price Range is increased, the new maximum price per share of the new Preliminary Price Range will be applied to the Purchase Offers submitted thereafter. Possible refunds will be made on or about on the fifth (5th) banking day following the Pricing, on or about 1 July 2021. No interest will be paid on the refunded amount.

Subscription Undertakings

Certain funds managed and advised by Capital World Investors, selected funds managed by Evli Fund Management Ltd, certain funds managed by DNCA Finance, certain funds managed by Sp-Fund Management Company Ltd, certain funds managed by Svenska Handelsbanken AB, Conficap Oy and Creades AB (publ) via endowment insurance (together the "**Cornerstone Investors**") have in total, subject to certain conditions, committed to subscribe for the offered Shares in the Company amounting to approximately EUR 96 million at a post-money equity value of up to EUR 560 million. According to the terms and conditions of the subscription undertakings, the Cornerstone Investors will be guaranteed the number of Offer Shares covered by the subscription undertaking. The Cornerstone Investors will not be compensated for their subscription undertakings.

The subscription undertakings of the Cornerstone Investors represent approximately 41.6 percent of the Offer Shares assuming that the Over-allotment Option will not be exercised (approximately 36.2 percent assuming that the Over-allotment Option will be exercised in full), and assuming that the Sellers will sell the maximum amount of Sale Shares and that the Company will issue 4,690,105 New Shares (the amount of New Shares has been calculated assuming that the Final Subscription Price will be at the mid-point of the Preliminary Price Range and that a total of 26,041 New Shares would be subscribed for in the Personnel Offering at the discount applicable to Personnel Shares (as defined below)).

Special Terms and Conditions Concerning the Personnel Offering

Overview

Preliminarily a maximum of 26,881 personnel shares and, in the event of an oversubscription, a maximum of 152,330 additional personnel shares ("**Personnel Share**" or "**Personnel Shares**") are being offered for subscription in the Personnel Offering to all employees who are in a permanent employment relationship with the Company or its subsidiaries at the start of the subscription period on 11 June 2021, as well as to the members of the management team and Board of Directors of the Company (the "**Personnel**"). Depending on the demand, the Company may reallocate Offer Shares between the Public Offering, Institutional Offering and Personnel Offering in deviation from the preliminary number of shares without limitation. Notwithstanding the above, the minimum number of Offer Shares to be offered in the Public Offering will be a number that corresponds to 2,065,047 Offer Shares or, if the aggregate number of Offer Shares covered by the Commitments submitted in the Public Offering is smaller than this, such aggregate number of Offer Shares as covered by the Commitments submitted in the Public Offering.

Right to Participate in the Personnel Offering

The Company and its subsidiaries employees as well as members of the Board of Directors and management team of the Company are entitled to subscribe for Personnel Shares. The right to participate in the Personnel Offering is personal and non-transferrable. Personnel entitled to participate may, however, make a subscription through an authorised representative. Personnel participating in the Personnel Offering may also participate in the Public Offering subject to its terms if they wish. However, the Sellers have waived their right to participate in the Personnel Offering, even if they were persons entitled to subscription in the Personnel Offering.

A Commitment provided in the Personnel Offering must concern a minimum of 100 Personnel Shares.

Personnel must agree to comply with the lock-up to participate in the Personnel Offering. In accordance with the lock-up, Personnel participating in the Personnel Offering may not, without the prior written consent of the Managers (which consent may not be unreasonably withheld), during a period ending 360 days after the Listing, (*i.e.*, on or about 19 June 2022) sell, short sell, or otherwise directly or indirectly transfer Personnel Shares, option rights or warrants to own Personnel Shares or other securities exchangeable for or convertible into or exercisable for Personnel Shares that they may hold or have purchased in the Personnel Offering or be authorised to transfer. When making subscriptions, persons participating in the Personnel Offering accept that they will be bound without separate measures by the aforementioned lock-up period and that it will be recorded on the subscriber's book-entry account by the Company.

Final Subscription Price of the Personnel Offering and the Allocation of Personnel Shares

The Final Subscription Price in the Personnel Offering is 10 percent lower than the Final Subscription Price in the Public Offering (*i.e.*, preliminarily no more than EUR 5.94 per New Share) (the "**Final Subscription Price of the Personnel Offering**"). The Final Subscription Price of the Personnel Offering may be lower than the minimum price of the Preliminary Price Range. The Final Subscription Price and the Final Subscription Price of the Personnel Offering will be communicated through a stock exchange release following the Pricing, and they will be available in the places of subscription of the Personnel Offering no later than the banking day following the Pricing, on or about 24 June 2021.

The Board of Directors will decide on the allocation in the Personnel Offering after the Pricing. The Board of Directors will decide on the procedure to be followed in the event of an oversubscription. Commitments may be approved or rejected in whole or in part. The Board of Directors aims to approve Commitments in full up to the limit that will be set out later and, for Commitments exceeding this amount, define the allocation principles based on the overall demand.

Places of Subscription and Submission of Commitments

The subscription places in the Personnel Offering is Danske. In the Personnel Offering, Commitments will be submitted and payments will be made in accordance with separate instructions provided to the persons entitled to participate.

The Company, the Managers or the subscription place have the right to reject a Commitment, either partially or wholly, if the Commitment does not comply with the terms and conditions herein or if it is otherwise incomplete.

Refunding of Paid Amounts

If a Commitment is rejected or only partially approved and/or if the Final Subscription Price of the Personnel Shares is less than the price paid in connection with submission of the Commitment, the amount paid or part thereof will be refunded to the party that made the Commitment to the Finnish bank account identified in the Commitment on or about the fifth (5) banking day after the Pricing, on or about 1 July 2021. If an investor's bank account is in a different bank than the place of subscription, the refund will be paid to the investor's bank account in accordance with the payment schedule of the financial institutions, approximately no later than two (2) banking days thereafter. If Commitments submitted by the same entitled person have been combined, any refund will be paid to the bank account from which the subscription payment was made. No interest will be paid on the refunded amount. See also "*—General Terms and Conditions of the Offering—Cancellation of Commitments—Procedure to Cancel a Commitment*" above.

Entry of Personnel Shares into Book-entry Accounts

The parties submitting Commitments in the Personnel Offering must have or they must open a book-entry account with a Finnish account operator. Personnel Shares allocated and paid for in the Personnel Offering will be entered into the investors' book-entry accounts/securities accounts on or about 24 June 2021.

PARTIES RESPONSIBLE FOR THE OFFERING CIRCULAR

Puuilo Plc
Business identity code: 2726573-8
Domicile: Helsinki, Finland
Address: Pakkalankuja 6, FI-01510, Finland

STATEMENT REGARDING THE OFFERING CIRCULAR

The Company accepts responsibility for the information contained in the Offering Circular. To the best of knowledge of the Company, the information contained in the Offering Circular is in accordance with the facts and that the Offering Circular makes no omission likely to affect its import The Sellers accept responsibility for the information presented in this Offering Circular to the extent the information is related to their shareholdings. To the best of knowledge of the Sellers, the information contained in those parts of the Offering Circular for which they are responsible is in accordance with the facts and that those parts of the Offering Circular make no omission likely to affect their import.

INFORMATION DERIVED FROM THIRD-PARTY SOURCES

Where certain information contained in this Offering Circular has been derived from third party sources, such sources have been identified herein. The Company confirms that such third-party information has been accurately reproduced herein and that as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Market and Industry Information

This Offering Circular contains statistics, data and other information relating to markets, market sizes, market shares and market positions and other industry data pertaining to Puuilo's business and markets. These statements are based on Puuilo's estimates on and/or analysis of information derived from several sources, such as Euromonitor, Statistics Finland, RaSi Ry, EIU, the Bank of Finland, National Land Survey of Finland, Taloustutkimus, Orbis database (Bureau van Dijk), State of Built Environment Report as well as analysis prepared by Boston Consulting Group for the Company in spring 2021, unless otherwise stated.

The Company confirms that third-party information has been reproduced accurately in this Offering Circular, but the Company has not verified the accuracy of such information, market data or other information on which third parties have based their studies. As far as the Company is aware and is able to ascertain from information published by these third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Moreover, market studies are frequently based on information and assumptions that may not be exact or appropriate, and their methodology is by nature forward-looking and speculative.

This Offering Circular also contains estimates regarding the market position of Puuilo that cannot be gathered from publications by market research institutions or any other independent sources. In many cases, there is no publicly available information on such data, for example from industry associations, public authorities or other organisations and institutions. The Company believes that its internal estimates of market data and information derived therefrom and included in this Offering Circular are helpful in order to give investors a better understanding of the industry in which Puuilo operates as well as its position within this industry. Although the Company believes that its internal market estimates are fair, they have not been reviewed or verified by any external experts and the Company cannot guarantee that a third-party expert using different methods would obtain or generate the same results.

AVAILABILITY OF THE FINNISH PROSPECTUS AND THE OFFERING CIRCULAR

The Finnish Prospectus will be available on or about 11 June 2021 on the Company's website at www.puuilo.fi/listautuminen and at the registered office of the Company at Pakkalankuja 6, FI-01510 Vantaa. In addition, the Finnish Prospectus will be available on or about 11 June 2021 on the website of Danske at www.danskebank.fi/puuilo, on the website of OP at www.op.fi/merkinta, on the website of Nordea at www.nordea.fi/osakkeet and on the website of Nordnet at www.nordnet.fi/fi/puuilo.

This English language Offering Circular will be available on or about 11 June 2021 on the Company's website at www.puuilo.fi/IPO as well as on the website of Danske at www.danskebank.fi/puuilo-en and on the website of Nordea at www.nordea.fi/equities.

INFORMATION ON THE WEBSITE IS NOT INCLUDED IN THE OFFERING CIRCULAR

This Offering Circular will be published on the Company's website www.puuilo.fi/IPO. Information presented on the website of the Company or any other website is not part of this Offering Circular and the prospective investors should not rely on such information in making their decision to invest in securities.

INFORMATION AVAILABLE IN THE FUTURE

The Company plans to publish its annual report, which includes audited consolidated financial statements and the Board of Director's report for the financial year ending 31 January 2022 onwards, as well as interim reports, which include unaudited consolidated interim financial statements, for the three month and six-month periods ending 31 July 2021 including the unaudited comparative interim information for the three-month and six-month periods ending 31 July 2021. Company plans to annually publish interim reports which include unaudited consolidated interim financial information, for the first, second and third quarter. An interim report for the three and six -month periods ending 31 July 2021 is planned to be published on 15 September 2021 and an interim report for the three-month and nine-month periods ending 31 October 2021 is planned to be published on 16 December 2021. All annual reports, interim reports and stock exchange releases are published both in Finnish and in English.

FINANCIAL STATEMENTS RELATED AND CERTAIN OTHER INFORMATION

Financial information derived from Puuilo Plc's consolidated audited financial statements for the financial years ended 31 January 2021, 31 January 2020 and 31 January 2019 (the "**Audited Consolidated Financial Statements**") prepared in accordance with the International Financial Reporting Standards ("**IFRS**") have been included in this Offering Circular.

Certain historical financing information for the financial year ended 31 January 2020 presented in this Offering Circular deviate from the statutory audited consolidated financial statements approved by Puuilo's annual general meeting due to a restatement made after the reclassification of loans from financial institutions after the said approval of the annual general meeting.

After the approval of the statutory financial statements for 31 January 2020, Puuilo's management has stated that Puuilo's loan agreement prohibits the granting of group contributions directly from Puuilo Stores Ltd (previously Puuilo Oy) to the group's parent company Puuilo Plc (previously Puuilo Invest I Oy). During the financial year ended 31 January 2020, Puuilo Stores Ltd has given the parent company a direct group contribution. The borrower has been aware of the arrangement, but the official approval from the borrower was obtained only after the end of the financial year ended 31 January 2020. As the borrower was entitled to demand immediate repayment of the Company's entire loan from financial institutions as a result of the breach of the loan agreement, the entire loan from financial institutions was classified as current on 31 January 2020. The correction of the error has an effect on the result, as the loans from financial institutions previously presented as current in the approved statutory consolidated financial statements for the reporting financial year ended 31 January 2020 were reclassified as non-current loans from financial institutions and related transaction costs were accrued using the effective interest method. As the loan from financial institutions was reclassified as current, the effective interest previously recognized in the balance sheet was recognized in the financial income and costs and deferred taxes.

The Audited Consolidated Financial Statements included in this Offering Circular for the financial period ended 31 January 2020 have been restated retrospectively as regards the considerations set out above, in accordance with "IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors" standard. More information about the restatement, see note 5.1 of the Audited Consolidated Financial Statements included in this Offering Circular.

The Audited Consolidated Financial Statements of the Company are included into this Offering Circular. The Audited Consolidated Financial Statements have been prepared solely for the purpose of inclusion in the Offering Circular and have not been addressed or approved by the Company's annual general meeting.

The Company's unaudited consolidated interim financial information for the three months ended 30 April 2021, included into this Offering Circular, including the comparative figures for the three months ended 30 April 2020 have been prepared in accordance with IAS 34 standard.

The Company's statutory auditor is PricewaterhouseCoopers Oy, Authorised Public Accountants, with Enel Sintonen, Authorised Public Accountant as the auditor with principal responsibility. Enel Sintonen is registered in the Finnish Register of Auditors in accordance with chapter 6, section 9 of the Auditing Act (1141/2015, as amended).

The Company's Auditor PricewaterhouseCoopers Oy have issued an auditor's report of the Audited Consolidated Financial Statements included to this Offering Circular for the financial periods ended 31 January 2021, 2020 and 2019 dated 10 June 2021.

Alternative Performance Measures

Puuilo presents in this Offering Circular certain performance measures, which in accordance with the "Alternative Performance Measures" guidelines by the European Securities and Markets Authority ("**ESMA**") are not accounting measures of historical financial performance, financial position and cash flows, defined or specified in IFRS, but which are instead alternative performance measures. In the Company's view, alternative performance measures provide meaningful supplemental information about the Company to the management, investors, securities market analysts and others regarding the Company's results of operations, financial position and cash flows.

In line with its aim of promoting the protection of current and potential investors, Article 6 of the Prospectus Regulation sets out the principle that the information in a prospectus shall be written and presented in an easily analysable, concise and comprehensible form. According to ESMA, in case persons responsible for the prospectus decide to include alternative performance measures in a prospectus, this principle of comprehensibility dictates that such alternative performance measures should be defined, provided with meaningful labels and reconciled to financial statements and their relevance and reliability should be explained. These alternative performance measures are:

- Like-for-like store sales and sales growth
- Private Label Products share of sales
- Gross profit and gross margin
- EBITDA and EBITDA margin
- Adjusted EBITDA and adjusted EBITDA margin
- EBITA and EBITA margin
- Adjusted EBITA and adjusted EBITA margin
- EBIT and EBIT margin
- Adjusted EBIT and Adjusted EBIT margin
- Items affecting comparability
- Operating expenses
- Net working capital
- Net capital expenditure
- Operating free cash flow
- Cash conversion
- Inventory turnover
- Capital employed
- Return on capital employed
- Net debt
- Net debt / adj. EBITDA

For the detailed definitions and reasons for the use of these alternative performance measures, see "*Selected Financial Information — Calculation of Certain Alternative Performance Measures and Other Key Figures*".

Other Information

The financial and other information presented in the tables in this Offering Circular are rounded. Accordingly, in certain cases the sum of numbers presented in a column or row does not always correspond to the presented total sum of a column or a row. In addition, certain percentages are calculated with accurate numbers before rounding, so they do not necessarily correspond to the results that would have been reached if rounded figures had been used.

In this Offering Circular, "euro" or "EUR" are references to the currency used by member states of the Economic and Monetary Union of the EU, and "USD" or "US dollar" are references to the lawful currency of the United States of America.

Enforcement of Liabilities and Service of Process

The Company is organised under the laws of Finland, with its domicile in Helsinki, Finland. All of the members of the Board of Directors and the Management Team of Puuilo are non-residents of the United States. All or a substantial portion of the assets of such non-resident persons and of the Company are located outside of the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or the Company or to enforce against them in United States courts judgments obtained in such courts.

The Company has been advised that there is doubt as to the enforceability in Finland, in original actions instituted in United States courts, of civil liabilities predicated solely upon the federal securities laws of the United States. Therefore, final judgments for the payment of money rendered by a United States court in the United States based on civil liability, whether or not predicated solely upon the federal securities laws of the United States, would not be automatically enforceable in Finland.

Available Information

The Company has agreed that it will, during any period in which it is neither subject to the reporting requirements of Section 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended (the "**U.S. Exchange Act**") nor exempt from such reporting requirements pursuant to Rule 12g3-2(b) thereunder, furnish, upon request, to any holder or beneficial owner of the Offer Shares, or any prospective investor designated by any such holder or beneficial owner, information satisfying the requirements of subsection (d)(4) of Rule 144A to permit compliance with Rule 144A in connection with resales of the Offer Shares for so long as any of the Offer Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act. The Company is not currently subject to the periodic reporting and other information requirements of the U.S. Exchange Act.

FORWARD-LOOKING STATEMENTS

Certain statements in the Offering Circular, such as certain statements set forth under "*Summary*", "*Risk Factors*", "*Background of the Offering and Use of Proceeds*" and "*Operating and Financial Review and Prospects — Outlook*" and "*Market and Industry Overview*" are based on the beliefs of the Company's management as well as assumptions made by and information currently available to the Company's management, and such statements may constitute forward-looking statements. The words "believe", "expect", "anticipate", "intend" or "plan" and similar expressions identify certain of such forward-looking statements.

Such forward-looking statements involve known and unknown risks, uncertainties and other important factors, and as a result, events described in the forward-looking statements may not occur or may fail to materialize. The section "*Risk Factors*" of this Offering Circular presents examples of these and other risks, uncertainties and other factors. Should one or more of these and other risks or uncertainties materialize or the underlying assumptions prove wrong, Puuilo's actual results of operations or financial position could differ significantly from what is described in this Offering Circular as expected, believed, estimated or anticipated.

NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA

In any member state of the European Economic Area (the "**EEA**") (each, a "**Relevant Member State**"), this Offering Memorandum is only addressed to, and is only directed at, qualified investors in that Relevant Member State within the meaning of the Prospectus Regulation.

This Offering Memorandum has been prepared on the basis that any Offer Shares in any Relevant Member State, other than the offer in Finland, contemplated by the Finnish Prospectus, will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of Offer Shares. Accordingly, any person making or intending to make any offer within the EEA of Offer Shares which is subject of the offering contemplated in this Offering Memorandum may only do so in circumstances in which no obligation arises for the Company, any of the Sellers or any of the Managers to publish a prospectus for such offer. None of the Company, the Sellers or the Managers authorise, the making of any offer of Offer Shares through any financial intermediary, other than offers made by the Managers which constitute the final placement of Offer Shares contemplated in this Offering Memorandum.

NOTICE TO INVESTORS IN THE UNITED KINGDOM

This Offering Memorandum is only being distributed to, and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the Order) or (iii) high net worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons being referred to as Relevant Persons). Any person who is not a Relevant Person should not act or rely on this document or any of its contents.

BACKGROUND AND REASONS FOR THE OFFERING AND USE OF PROCEEDS

Reasons for the Offering

The objectives of the Offering are to enable the continued growth of Puuilo and to improve its financial flexibility, strengthen recognition and awareness of Puuilo and its brand among customers, employees and investors. Through these goals Puuilo's competitiveness is pursued to improve and to enable and allowing its access to capital markets and to broadening its ownership base both with domestic and foreign investors, which is expected to increase the liquidity of the Shares. The Listing and increased liquidity of the Shares also would also enable Puuilo to use the Shares more effectively as a means of incentivization.

Use of proceeds

The gross proceeds that the Sellers will receive from the Shares Sale will amount to approximately EUR 201 million (calculated by using the mid-point of the Preliminary Price Range assuming that the Sellers sell the maximum amount of Sale Shares and the Over-Allotment Option would not be used). The fees to be paid by the Sellers in connection with the Offering are expected to amount to approximately EUR 6 million (calculated by using the mid-point of the Preliminary Price Range assuming that the Sellers sell the maximum amount of Sale Shares and the Over-allotment Option would not be used and the discretionary fee would be paid in full).

In the Offering, Puuilo aims to collect gross proceeds of approximately EUR 30 million by offering New Shares for subscription. The number of the New Shares to be issued will be determined on the basis of the Final Subscription Price. The Company would issue a total of 4,690,105 New Shares assuming that the subscription price will be at the mid-point of the Preliminary Price Range and that a total of 26,041 New Shares would be subscribed in the Personnel Offering with a lower subscription price applied to such New Shares.

Puuilo estimates that the fees and expenses payable by it in relation to the Offering will amount to approximately EUR 4 million (assuming that the Company will receive approximately EUR 30 million gross proceeds and the discretionary fee is paid in full) and, as such, the net proceeds that Puuilo will receive from the Offering are estimated to be approximately EUR 6 million. The Company will not receive any share of the proceeds from existing Sale Shares sold by the Sellers in the Offering.

The proceeds from the Share Issue are intended to be used for strengthening of the Company’s capital structure, for example, by paying back Puuilo’s existing loans from financial institutions by approximately EUR 20 million.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth Puuilo's capitalisation and indebtedness as at 30 April 2021 (i) based on the Company's unaudited consolidated interim financial information for the three months ended 30 April 2021 and (ii) as adjusted by 1) the estimated EUR 30,000 thousand gross proceeds from the Offering, 2) the New Financing and 3) the share capital increase registered on 4 June 2021, 4) the estimated expenses of the Share Issue and the Listing of EUR 4,000 thousand and assuming that the events presented as adjustments would have occurred on 30 April 2021. When reading the following table, it should be noted that the realisation of the proceeds of the Offering is not certain.

This table should be read together with the following sections of this Offering Circular: "*Selected Financial Information*" and "*Operating and Financial Review and Prospects*", including "*Operating and Financial Review and Prospects — Liquidity and Capital Resources*" as well as the Company's audited consolidated financial statements and the Company's unaudited consolidated interim financial information for the three months ended 30 April 2021, included in this Offering Circular.

(EUR in thousand)	**30 April 2021 (unaudited)**	**Adjusted 30 April 2021 (unaudited)**
CAPITALISATION		
Total current interest-bearing liabilities		
(including current portion of non-current liabilities)	**17,422**	**7,422**
Guaranteed / secured[5]	17,422	7,422[2]
Unguaranteed / unsecured	-	-
Total non-current interest-bearing liabilities		
(excluding current portion of non-current liabilities)	**115,170**	**105,179**
Guaranteed / secured[5]	115,170	35,179[2]
Unguaranteed / unsecured	-	70,000[2]
Total equity	**11,785**	**38,916**
Share capital	3	80[3]
Reserve for invested unrestricted equity	-	28,599[1,4]
Retained earnings	6,907	6,829[3]
Profit for the period	4,875	3,407[4]
Total	**144,377**	**151,516**
NET INDEBTEDNESS		
A Cash	15,037	21,072[1,2,4]
B **Liquidity (A)**	**15,037**	**21,072**
C Current portion of non-current interest-bearing liabilities[5]	17,422	7,422[2]
D **Current financial indebtedness (C)**	**17,422**	**7,422**
E **Net current financial indebtedness (D-B)**	**2,385**	**-13,650**
F Non-current interest-bearing liabilities[5]	115,170	105,179[2]
G **Non-current financial indebtedness (F)**	**115,170**	**105,179**
H **Total financial net indebtedness (E+G)**	**117,555**	**91,529**

[1] The Company aims to raise gross proceeds of EUR 30,000 thousand with the Share Issue (assuming that the Share Issue will be fully subscribed). The gross proceeds improve the Company's capital structure by increasing the reserve for invested unrestricted equity and cash with an equal amount.

[2] The Company's loans from financial institutions, which are based on Current financing agreement are repaid in connection with the New Financing Agreement. In the adjusted capitalisation the non-current portion of EUR 79,991 thousand and current portion of EUR 10,000 thousand of the Current loans from financial institutions have been adjusted. The EUR 1,009 thousand accrued transaction costs have been decreased from the book value of the Current loans from financial institutions. The new fixed term non-current loan relating to the New Financing Agreement amounting to EUR 70,000 thousand (transaction costs not taken into account) has been added to the capitalisation and indebtedness figures. Under the new Financing Agreement, the Company will also have revolving credit facility of EUR 20,000 thousand, which is available for business purposes, but this limit has not been included in the capitalisation and indebtedness. The book value of the Current loans from financial institutions has been deducted from cash and the drawdown of loans relating to the New Financing Agreement have been added with nominal value EUR 70,000 thousand to cash. The net effect of these in cash is EUR 19,991 thousand. After the repayment of the Current loans from financial institutions and since the New Financing Agreement, the Company's non-current borrowings

(EUR in thousand)	30 April 2021 (unaudited)	Adjusted 30 April 2021 (unaudited)

will be comprised of a loan from financial institutions of EUR 70,000 thousand, lease liabilities and a revolving credit facility in use at a given time. The loans under the New Financing Agreement are unguaranteed.

[3] The Company's share capital increase from reserves EUR 77.5 thousand from retained earnings, which was decided with shareholders' unanimous decision on 1 June 2021, has been adjusted to increase share capital and to deduct retained earnings.

[4] The estimated expenses of Share Issue and the Listing amount to a total of EUR 4,000 thousand, of which EUR 1,131 thousand have been incurred and expensed in the three-month period ended 30 April 2021. The gross proceeds recognised in the reserve for invested unrestricted equity are adjusted with the EUR 1,401 thousand estimated expenses relating to the Share Issue. Profit for the period has been adjusted with other estimated costs related to Listing of EUR 1,468 thousand, which will be incurred and expensed after the three-month period ended 30 April 2021. Cash has been adjusted with the unpaid listing costs of EUR 3,973 thousand. The adjustment of cash includes EUR 1,104 thousand listing costs that were included in the trade payables as at 30 April 2021.

[5] As at 30 April 2021 the Company's interest-bearing liabilities included non-current lease liabilities EUR 35,179 thousand and current lease liabilities EUR 7,422 thousand.

For information about the off-balance-sheet liabilities and given collaterals, see "*Operating and Financial Review and Prospects — Balance Sheet Information — Off-Balance-Sheet Liabilities*".

There have not been any material changes in the Company's capitalisation and indebtedness since 30 April 2021.

Working Capital Statement

In the opinion of the Company's management, the Company's working capital is sufficient for the Company's present needs for the next 12 months following the date of this Offering Circular.

DIVIDENDS AND DIVIDEND POLICY

The Company's Board of Directors have, in connection with the Listing, approved the following dividend policy. The Company's aim is to carry out an active dividend policy which is tied to the results for the financial year and to the available growth investment opportunities. The Board of Directors of the Company makes a proposal of the amount of distributed dividends annually. According to Puuilo's dividend policy, Puuilo targets paying a dividend corresponding to a minimum of 80 percent of profit for the period. Any potential dividend shall take into account the Company's capitalisation and financial position, cash flow and future growth opportunities.

Although there are no plans to change the dividend policy, there can be no assurances that dividends or equity returns will actually be paid in the future, nor can there be no assurances as to the amount of dividends or equity returns to be paid for a particular year.

The Company paid as dividends EUR 50,130 thousand during the financial year ended 31 January 2021, EUR 2,970 thousand during the financial year ended 31 January 2020 and the Company did not distribute any dividends during the financial year ended 31 January 2019. Share based dividend was EUR 0.36 per Share (number of Shares has been restated taken into account the free-of-charge share issue carried out by the Company in May 2021), for the financial year ended 31 January 2021, EUR 0.19 (number of Shares has been restated taken into account the free-of-charge share issue carried out by the Company in May 2021) for the financial year ended 31 January 2020 and EUR 0.13 (number of Shares has been restated taken into account the free-of-charge share issue carried out by the Company in May 2021) for the financial year ended 31 January 2019.

Under the Finnish Companies Act, the General Meeting of Shareholders decides on the distribution of dividends based on a proposal by the company's Board of Directors. Dividends are generally declared once every financial year and may be paid only after the General Meeting of Shareholders has approved the company's financial statements. If dividends are distributed, all Shares are eligible to the same dividend. Dividend distributions during a particular year is not an indication that dividends will be distributed during subsequent years. For a description of the restrictions applicable to dividend distributions, see "*Shares and Share Capital — Shareholders' rights — Dividend and Distribution of Other Unrestricted Equity*".

As to the tax considerations for certain shareholders applicable to dividends, see "*Taxation*".

MARKET AND INDUSTRY OVERVIEW

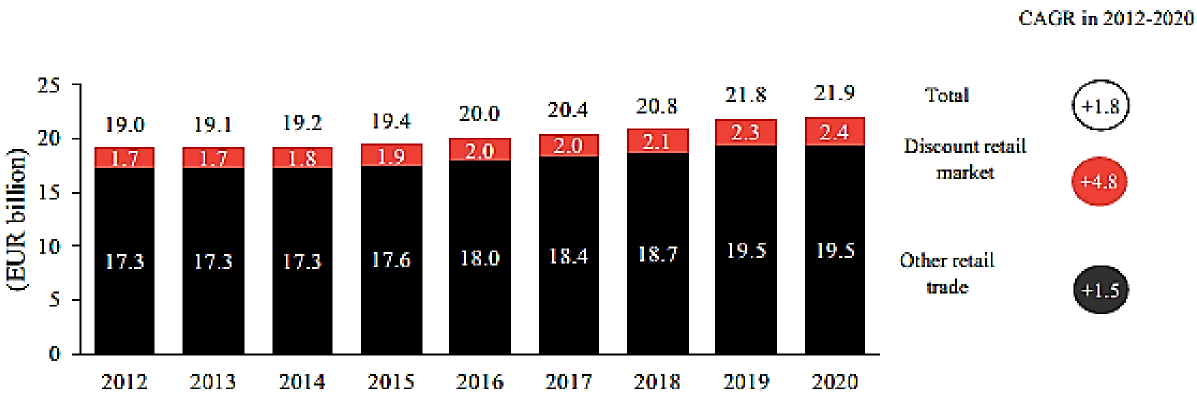
This section contains certain statements by Puuilo relating to the markets, in which it currently operates, the expected growth of these markets, as well as its competitive and market position. These statements are based on Puuilo's estimates on and/or analysis of information derived from several sources, such as Euromonitor, Statistics Finland, RaSi Ry, EIU, the Bank of Finland, National Land Survey of Finland, Taloustutkimus, Orbis database (Bureau van Dijk), State of Built Environment Report as well as analysis prepared by Boston Consulting Group for the Company in the spring of 2021, unless otherwise indicated. See "Information Derived from Third-Party Sources — Market and Industry Information".

Introduction

Puuilo operates in Finland's discount retail segment, which is part of the overall retail market in Finland. The discount retail segment has historically significantly outperformed the total retail market, and it has also historically performed well in economic downturns. The size of the total retail market in Finland, excluding food, was EUR 21.9 billion in 2020 (measured in terms of net sales), and the compound annual growth rate (CAGR) was 1.5 percent between 2012 and 2020.

The total retail market can be divided into different segments by store type, of which the share of the discount retail segment of the total retail market in Finland was estimated to be approximately EUR 2.4 billion in 2020. The CAGR of the discount retail segment was 4.8 percent between 2012 and 2020, and the segment has proved its resilience over economic cycles with continuing growth during the economic downturns between 2008 and 2009 and between 2019 and 2020. The discount retail segment has shown stable historical growth. In general, the discount retail segment, which benefits from a decrease in consumers' disposable income and an increase in their price consciousness, has developed into a distinct sector within the overall retail market in Finland. While the general discount retail segment has historically mainly targeted less affluent consumers, it has over time won a wider group of consumers from all socioeconomic classes, due to a change in perception of discount retailers. Currently, consumers increasingly prefer affordable prices and seek products that offer value for money.

The chart below sets forth the total sales and CAGR of the retail market in Finland (excluding food) and the discount retail sector for the years indicated:



Note: Discount retail segment defined as in Euromonitor's "Variety Stores" -category, added with the revenue information for Biltema (source: Euromonitor database), Clas Ohlson (source: Euromonitor database), Motonet (source: Orbis database (Bureau van Dijk))

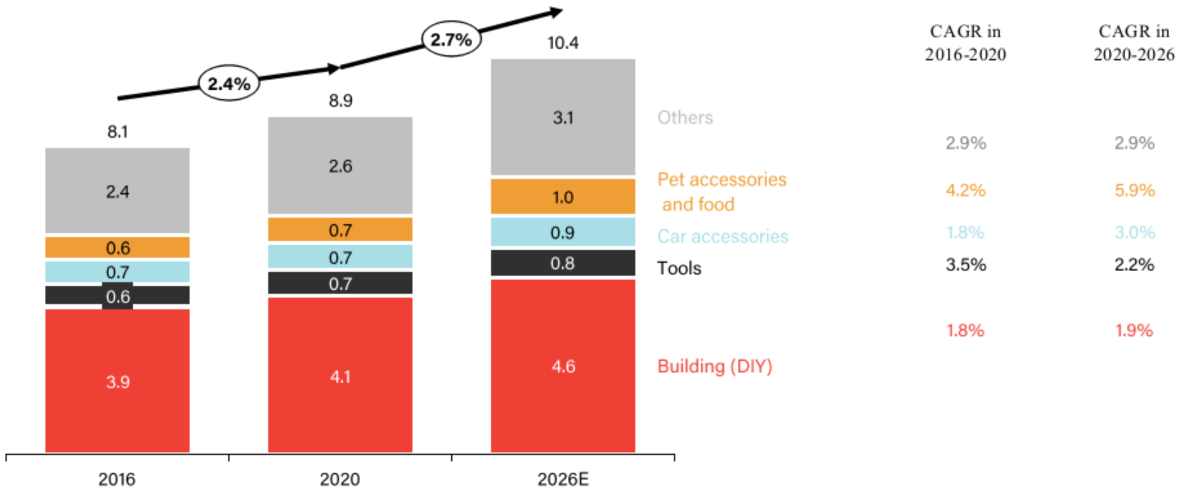
Source: Euromonitor database information on company revenues; Euromonitor database "Euromonitor in-store and online retailing market" and "Euromonitor Variety Stores" -categories.

Currently, Puuilo offers products in ten product categories: building supplies, tools, HVAC and electric supplies, pet food and accessories, car accessories, groceries, household products, garden supplies, free-time and other products, and services. These ten product categories form Puuilo's addressable market in Finland. The total volume of Puuilo's addressable market was estimated to be approximately EUR 8.9 billion in 2020 (measured in terms of net sales). The addressable market may be defined as the sales of building supplies and tools (DIY), car accessories and spare parts, garden supplies, toys and sports gear, pet food and accessories and household products in Finland. Between 2016 and 2020, the CAGR of the addressable market was estimated to be approximately 2.4 percent.

Outlook for the Addressable Market in Finland

The growth of Puuilo's addressable market is expected to continue, and the CAGR of the total addressable market is expected to be 2.7 percent until 2026. According to the forecast, growth will accelerate particularly in pet food and accessories (annual growth of 5.9 percent) and car accessories (annual growth of 3.0 percent), and their share of the total market is estimated to be approximately 18 percent in 2026. The largest product category, building, is estimated to grow 1.9 percent annually until 2026, and its share of the total market is estimated to be approximately 45 percent in 2026. The forecast for the various categories is based on the historical correlation of the categories with private consumption.

The following graph sets forth the total sales in the addressable market and the Company's forecast by main category in 2016, 2020 and 2026:



Note: "Other" category includes gardening products, toys, and home products. F = Forecast. The Company's forecast for 2026 based on historical correlation between private consumption and market size growth between 2008 and 2020. The private consumption forecast for 2026 is based on forecasts by the Bank of Finland and EIU. The historical information segment sizes are based on Statistics Finland's household consumption in 2016, historical correlation and private consumption growth in 2020.

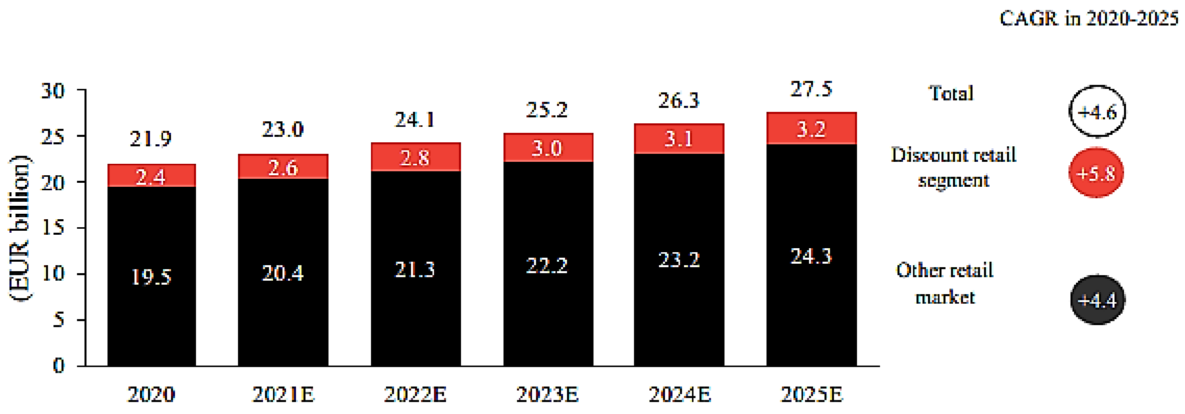
Source: Statistics Finland, RaSi Ry (building and tools categories), Euromonitor database, EIU, Bank of Finland (years 2016 and 2020 as defined above); Forecast for 2026 based on Puuilo's estimates and analysis as described in "Information Derived From Third-Party Sources—Market and Industry Information".

Outlook for the Discount Retail Segment in Finland

The CAGR of the total retail market in Finland is estimated to be 4.6 percent between 2020 and 2025. Growth in the total market is driven particularly by the forecasted strong growth of online trade between 2020 and 2025. The strong growth in the discount retail segment is also expected to continue, and the CAGR of the discount retail segment is forecasted to be 5.8 percent between 2020 and 2027. The ongoing COVID-19 pandemic and the present economic conditions are estimated to have accelerated the growth of discount retailers' share of the total retail market in Finland, and the growth is expected to continue when the economy recovers. Perceptions of discount retailers have improved significantly, and shopping at discount retailers is expected to continue to be acceptable also in the future. Customers have become accustomed to the discount retailers and have found the quality of their products to be good. Therefore, the ongoing transition to discount retailers is expected to continue, while the discount retail segment will, according to forecasts, grow faster than the total retail market.[2]

The following graph sets forth the actual and forecasted total sales and CAGR of the total retail market in Finland (excluding food) and the discount retail segment for the years indicated:

[2] Source: Euromonitor database forecast on 25 February 2021.



Note: F = Forecast.

Source: Euromonitor database forecast on 25 February 2021; Euromonitor database "Euromonitor in-store and online retailing market" and "Euromonitor Variety Stores" -categories.

Resilience of the Finnish Discount Retail Market against Economic Downturns

Discount retailers have coped particularly well during economic downturns. In Finland, this phenomenon was clearly visible during the economic downturns between 2008 and 2009 and between 2019 and 2020. Despite the total economy suffering from a clear downturn, the discount retail segment grew in Finland. Finland's GDP decreased by 6.3 percent and the discount retail segment increased by 2.7 percent without interruption between 2008 and 2009. A similar phenomenon was also seen between 2019 and 2020, when Finland's GDP decreased by 2.2 percent, whereas the discount retail segment increased by 7.6 percent.[3]

Finnish and Global Trends Driving Growth in the Discount Retail Market

A. Conservative Spending

The Finnish economy has recovered slowly from the global financial crisis between 2008 and 2009, and the ongoing COVID-19 pandemic has further weakened general economic conditions. The adverse development of the economy in the past years is believed to have provided a basis for the structural shift in consumer behaviour and laid new foundations for the retail environment. Increasing unemployment, depressed real income development and decreasing disposable incomes have caused consumers to rethink their purchasing behaviour and brought on more conservative spending attitudes. The smart shopping trend where consumers focus on value for money and affordable prices is believed to have underpinned the change in retail markets.

Along with the trend of conservative spending, consumers are believed to have become increasingly price conscious and they actively compare prices. At the same time, the Internet is believed to have increased transparency in the retail sector by providing efficient tools for consumers to gather information and compare prices, which further increases consumers' price awareness and ability to identify the best prices. Low prices and a high price-quality ratio have become an important purchasing criteria for an increasing number of consumers. Currently, consumers at all income levels increasingly seek solutions that have the lowest possible price and, in particular, the optimal price-quality ratio. The business concept of discount retailers is usually based on offering the customers the best price-quality ratio to match this demand.

The economic downturn resulting from the ongoing COVID-19 pandemic has weakened the consumers' confidence in markets and their own financial position. Therefore, an increasing number of consumers have moved towards discount retailers in their spending to save money. It is very likely that some of these customers will remain as customers of the discount retailers after the COVID-19 pandemic has ended, and the discount retailers will benefit from this new customer group. While the weak economic conditions resulting from the pandemic are believed to have accelerated the growth of the discount retailers' share of the total retail market in Finland, this growth is also expected to continue when the economy recovers. It is estimated that perceptions of discount

[3] Source: Information on the growth of the discount retail market growth between 2008 and 2009 and 2019-2020 derived from *Euromonitor database* "Variety stores" category; Information GDP growth in Finland between 2008 and 2009 and between 2019 and 2020 derived from Statistics Finland.

retailers have improved and shopping in discount stores is becoming more acceptable. Puuilo's management believes that once customers have become used to the discount retailers and found their product quality to be good, they are likely to continue to be regular customers when the economy recovers.

B. Polarisation of spending

At present, consumers are clearer in their choices of when they are prepared to pay more for certain products and when they are more conservative and seek lower prices and the best possible value for money. This particularly supports Puuilo when customers are looking for products with a high price-quality ratio, and consumers are more willing to opt for private label products of discount retailers in product categories where the value added by a branded product is low as compared to the price. Historically, when consumers' confidence in the market and their own financial standing has weakened, an increasing number of households has shifted towards discount retailers. This is one of the major reasons for the resilience of the discount retailers over economic cycles, which has been evidenced both during the financial crisis in 2008–2009 and the ongoing COVID-19 pandemic by the discount retailers outperforming the general market.

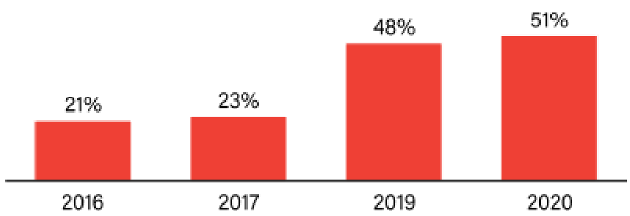
C. Appreciating the convenience of Shopping

Consumers lead increasingly busy, networked and mobile lives, and, therefore, they prefer to minimise the number of store visits and time spent in stores, favouring one-stop-shopping and compact and easily accessible stores. The trend is further supported by the ageing population in Finland.

It is believed that this benefits companies with convenient shopping formats that offer wide assortments, which meet consumers' needs in several product categories.

With regards to the convenience of shopping, consumers rate Puuilo among the top companies in Finland, and as such, it can enjoy the benefits resulting from the strengthening of this trend.[4]

The following graph sets forth the portion of the responses to a Euromonitor's global consumer survey who have responded: "I prioritise making time for myself" for the years indicated:



Source: Euromonitor International Lifestyles Survey (a global consumer survey), 2020.

D. Online Shopping

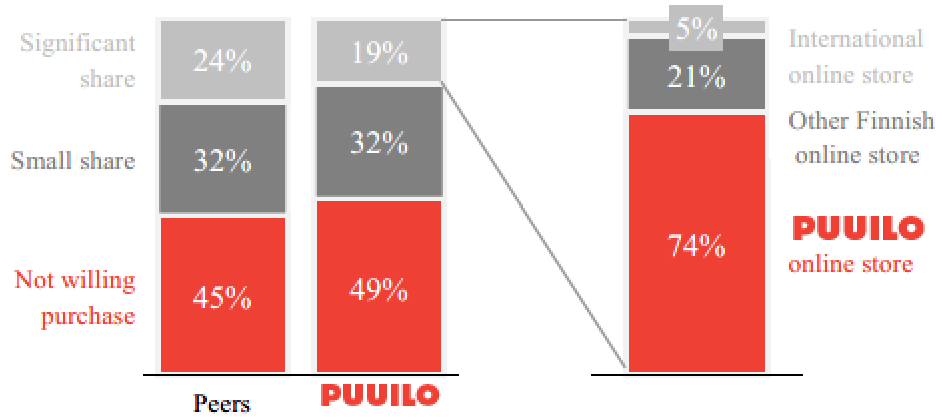
The increase in the popularity of online trade is, in part, a trend related to the convenience of shopping. Online trade is increasingly becoming a natural part of the daily life of consumers and retailers. Online trade offers new opportunities particularly to discount retailers, which can efficiently present their offering and communicate prices and other important information to the consumer in their online store. Online stores place limited competitive pressure on discount retailers, such as Puuilo. This is based on the special features of the offering and demand, such as goods that are difficult to deliver, need-based demand (i.e. customers want to start using the product immediately after its purchase), low prices and a small average basket size. In online stores, the average basket size is large in terms of euros, which is driven by the large relative share of the additional delivery costs. Discount retailers are estimated to have only limited activity in product categories that are moving online, such as home electronics.

While the competitive pressure from online stores on discount retailers is currently relatively small, this trend is expected to strengthen significantly in the coming years. Currently, many customers prefer to visit a store instead

[4] Source: Consumer Survey conducted by Taloustutkimus, commissioned by the Company in March 2021.

of making purchases online, but discount retailers must also have the capabilities required for responding to the increase in demand for online shopping. The shifting of the trade to the Internet creates a possibility to increase market share particularly for discount retailers. Puuilo has responded to this demand and invested in the capabilities of its online store. According to a customer survey, 74 percent of Puuilo's customers feel that should they make an online purchase, they would make their purchases in Puuilo's online store.[5]

The following graphs from a consumer survey represent shares of respondents to the questions "Would you be prepared to replace shopping at redistributors with online shopping?" and "What online shop would you use if you replaced a significant amount of your in-store shopping with online shopping?".



Note: Reference companies comprise of the following companies: K-Rauta, Tokmanni, Motonet, Rusta, Clas Ohlson, Biltema and Musti.
Source: Survey conducted by Taloustutkimus, commissioned by the Company in March 2021.

Trends Driving the DIY Category

A. Working from Home going forward

Puuilo and other similar retail stores selling DIY products have enjoyed strong sales and growth during the COVID-19 pandemic, as people have spent more time at home and summer cottages, and worked remotely from home. In practice, the trend of remote work has resulted in people spending less time at the workplace and more time at home or summer cottages, and this has increased their interest in home improvement. In many cases, this has in turn increased enthusiasm in a DIY lifestyle.

The remote work trend resulting from the COVID-19 pandemic has changed people's attitude towards work habits and remote work, which may in the future mean that a larger share of employees will continue to work remotely at least part of the time. In the summer of 2020, 47 percent of employees worked remotely in Finland, and according to a survey, up to 91 percent of employees in Finland would prefer to continue to work remotely, at least occasionally, even if the restrictions related to the COVID-19 pandemic did not exist[6]. Technological advances have created the technical capabilities needed for remote work. In addition, the attitudes of both employees and employers towards remote work have changed.

B. Home Improvement Trend

The home improvement trend, which has strengthened during the COVID-19 pandemic, will according to the Company's management expectations endure after the COVID-19 pandemic ends, which strongly reinforces the outlook for Puuilo's business. In Finland, there are approximately 1 million detached houses and 50,000 free-time residences. According to Statistics Finland, there was a clear increase in the number of real estate transactions in 2020: for example, the number of sold free-time residences was 8,042 units, a 50 percent increase as compared to 2019 (5,362), the number of sold lots for a single building was 3,910 units, a 21 percent increase as compared to

[5] Source: Consumer survey conducted by Taloustutkimus, commissioned by the Company in March 2021.

[6] Source: Eurofound Living, working and COVID-19 dataset, 2020.

2019 (3,223) and the number of sold detached houses was 16,150 units, a 5 percent increase as compared to 2019 (15,317). Finns have shown their dedication to take good care of their buildings, which is manifested by the fact that only 4.2 percent of residences in Finland are in poor condition, while the corresponding figure is 7.0 percent in Sweden, 12.5 percent in Germany and 14.9 percent in Denmark.[7] In addition, a significant number of buildings and houses in Finland are built in the 1970s and 1980s. The repair needs of the said houses will increase in the coming years.

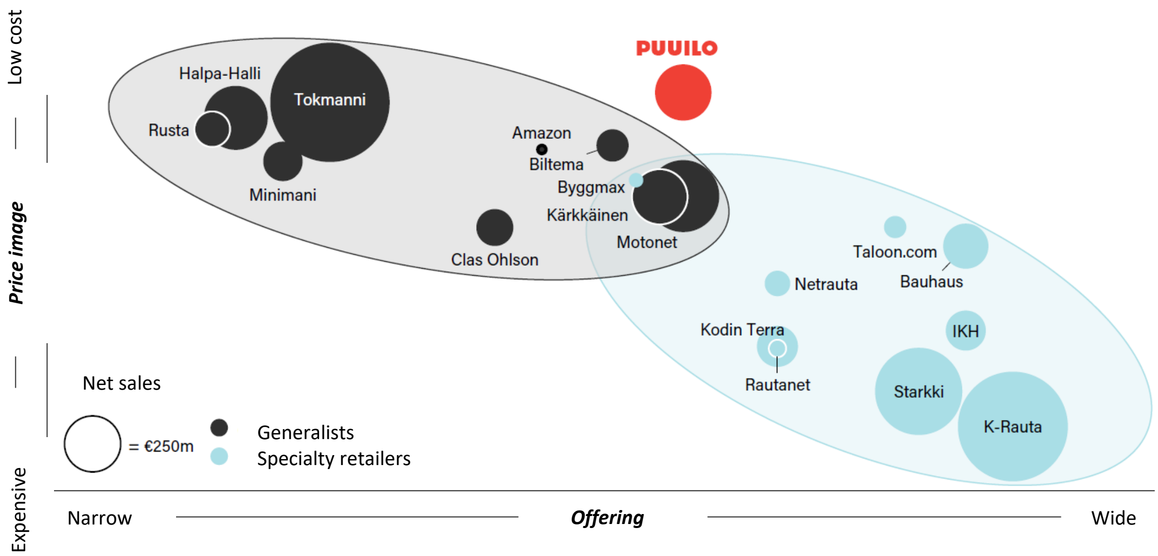
Competitive Landscape

With its wide product assortment, Puuilo competes in ten product categories: building (DIY), tools, HVAC and electric supplies, pet food and accessories, car accessories, groceries, household products, garden supplies, free-time and other products, and Services. The addressable market is large and fragmented. Puuilo's competitive landscape spans from direct competitors, such as other discount retailers, general stores and hardware stores, to department stores and indirect and category-specific competitors, such as online stores and specialty retailers.

Puuilo's main competitors are Biltema, Motonet, IKH, Tokmanni and Clas Ohlson. In car accessories, Puuilo competes with Biltema and Motonet, and in certain product categories with hypermarkets, such as Citymarket and Prisma. Discount retailers competing with Puuilo include Halpa-Halli, J. Kärkkäinen, Minimani, Rusta and Veljekset Keskinen. In the hardware store segment, the most significant competitors are K-Rauta, Stark and Bauhaus. In certain geographic areas where Puuilo operates, local players may have an impact on Puuilo's sales.

Many competing hypermarkets, other discount retailers, department stores and specialty retailers also have online stores that compete with Puuilo's online store. In addition, certain specialty retailers only operate on the Internet, and Puuilo competes with these online stores in several product categories.

The following chart sets forth consumers view on Puuilo's position as compared to certain of its competitors based on the perceived price image and the offering size in building (DIY) and tools categories, based on a consumer survey conducted by Taloustutkimus, commissioned by the Company in March 2021:



Note: The price image and offering size based on the consumer survey conducted by Taloustutkimus, commissioned by the Company in March 2021. The net sales describes the entire net sales of the companies presented in the chart. The net sales for foreign companies describes the sales of such company's subsidiary in Finland. No net revenue information available for Amazon. Kodin Terra represents sales for the entire Central Finnish Cooperative Society (SOK) hardware net sales.

Source: Consumer survey conducted by Taloustutkimus, commissioned by the Company in March 2021; The companies' latest annual reports (as on 10 March 2021).

[7] Source: State of Built Environment, 2019.

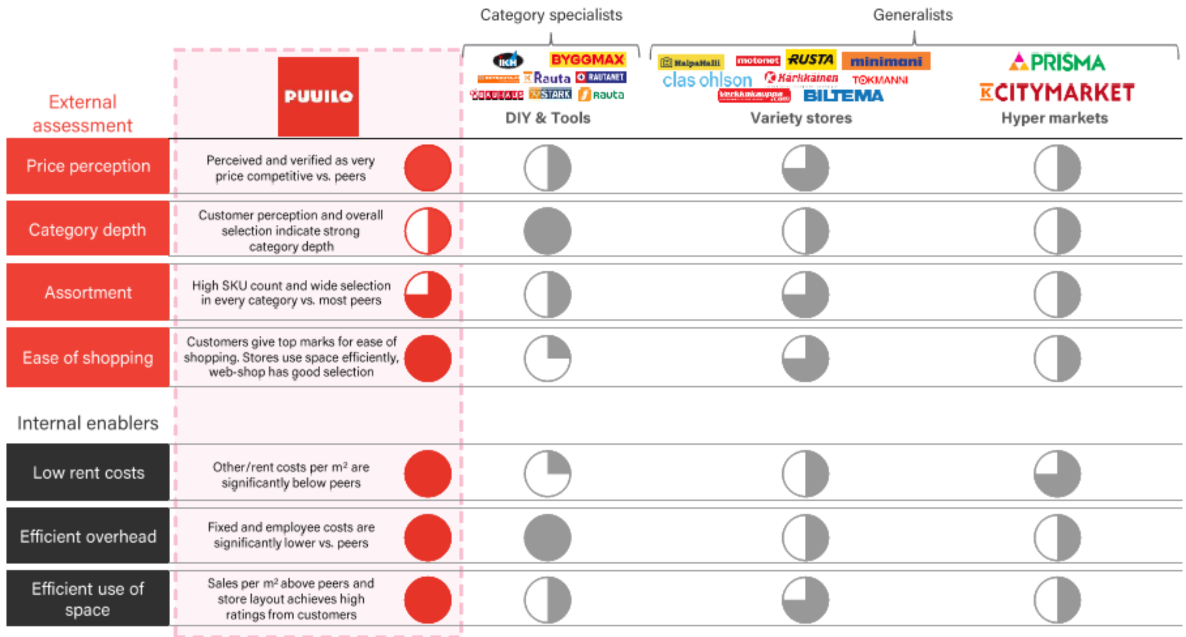
As compared to general stores, Puuilo is perceived to have a larger offering in the DIY and Tools product categories. Puuilo's price image is also perceived to be lower as compared to these players.[8] In addition, the Company's management believes that the majority of these generalist stores have moved their offering away from Puuilo's core categories, and therefore, created more room for Puuilo. The Company's management believes that generalist stores include players with products in more than one category. In Finland, the general stores include, among others, Halpa-Halli, Rusta, Tokmanni, Minimani, Clas Ohlson, Amazon, Biltema, Kärkkäinen and Motonet.

Specialty stores have a wide and comprehensive offering in one or a few selected product categories, but their price image is clearly higher than Puuilo. Specialty stores operating in Finland include, among others K-Rauta, Stark, IKH, Bauhaus, Rautanet, Kodin Terra, S-Rauta, Netrauta, Taloon.com, Plantagen, Musti, Faunatar and Horze. Puuilo believes that its primary competitive advantage over specialty stores is based on its relatively large offering and clearly lower price image as compared to the specialty stores.

Puuilo's strategic target is to strengthen its market position, which is based on low prices and the strong offering in the DIY and tools categories. Puuilo believes that its price image, which is perceived to be low, and its large offering provide it with a competitive advantage over its competitors. Based on customer surveys commissioned by the Company, the Company believes that it provides an offering that serves its customers better, along with lower prices and a better shopping experience.

In the discount retail segment, Puuilo also competes with a number of smaller privately-owned local companies, which operate regionally in Finland.

The following chart illustrates Puuilo's differentiating factors as compared to its competitors:



Note: An illustrative estimate on Puuilo differentiating factors based on the Consumer survey conducted by Taloustutkimus, commissioned by the Company in March 2021, the companies' financial indicators, and category specific assumptions.
Source: Puuilo management's estimate based on consumer survey conducted by Taloustutkimus, commissioned by the Company in March 2021.

External Factors

According to a consumer survey conducted by Taloustutkimus in March 2021, Puuilo is perceived to be cheaper than its competitors, in particular, as compared to hardware stores and hypermarkets. In category depth (i.e., the number of alternatives in each product category), Puuilo is perceived to be almost at the same level as the

[8] Consumer survey conducted by Taloustutkimus, commissioned by the Company in March 2021.

competitors, except for hardware stores and other specialty stores, which are perceived to have better category depth than Puuilo and other competitors. On the other hand, both Puuilo and general stores outperform the other competitors in the breadth of the offering (i.e., how wide a scale of products is offered to the customers). This is believed to result from the proven large number of stock-keeping units and wider offering in many product categories as compared to competitors. Puuilo is also perceived to offer a high level of convenience in shopping. This is an important feature, as consumers are increasingly interested in the ease and efficiency of shopping in stores of different retailers and, in the long term, this could drive consumers to Puuilo's stores. Reasons for the convenience of shopping at Puuilo include a well-functioning and customer-friendly online store with a good offering, as well as carefully designed, optimal and efficient use of store space.

Internal Enablers

Puuilo differentiates from its competitors with its strategic choices, which have resulted in the better average profitability of the business as compared to its competitors[9]. The low rental costs of Puuilo's store premises present a clear differentiating factor impacting profitability. The low-cost level is a strategic choice for Puuilo, and it is the most important individual factor when selecting new store premises. To maintain its cost-efficiency, Puuilo pays special attention to keeping its cost level at a differentiating level. As such, Puuilo also pays a lot of attention to keeping personnel expenses and other operating costs at a low level, and these factors also differentiate Puuilo from other general stores and supermarkets. Only specialty retailers can match Puuilo in this comparison. In addition to low costs, Puuilo differentiates from its competitors with efficient use of its premises. Puuilo has higher sales per square metre as compared to its competitors[10], and at the same time, customers appreciate the uncomplicated design of Puuilo's stores[11].

[9] Puuilo management's analysis based on competitors' latest annual reports, derived from Orbis database (Bureau van Dijk). Competitors included: Tokmanni, Clas Ohlson, Rusta, HalpaHalli, Biltema and Bauhaus.

[10] Source: Puuilo management analysis based on competitors' latest annual reports derived from Orbis database (Bureau van Dijk). Competitors include: Tokmanni, Clas Ohlson, Rusta, HalpaHalli, Biltema and Bauhaus. Competitors' surface area data derived from Euromonitor database.

[11] Source: Consumer survey conducted by GroupM, commissioned by the Company in October 2020. Responses to question: "Why do you prefer this store the most?" (N=34).

BUSINESS OF THE COMPANY

This section includes statistics and other information on the markets, size of the market, market shares and market positions, as well as other industry information relating to Puuilo's business and markets. This information is based on Puuilo's estimates and/or analysis of information derived from several sources. See "Information Derived from Third-Party Sources — Information on the Market and Industry".

Overview

Puuilo is a Finnish retail store chain established in 1982, known in particular for its wide product assortment, low prices, good store locations and convenient shopping experience. The Company is focused on, in particular, do-it-yourself, household and pet food and accessories. As at 30 April 2021, Puuilo had 32 stores across Finland and, after this date, it has opened a store to Rauma, Finland on 3 June 2021. In addition, Puuilo has an online store, which is an important part of Puuilo's omnichannel approach. With the online store, Puuilo strives to increase its visibility among consumers, as well as increase the number of visitors and sales in its online store and the physical stores. The online store accounted for 3.3 percent of Puuilo's net sales for the financial year ended 31 January 2021.

Puuilo offers its customers a wide and carefully selected product assortment in ten categories: building, tools, HVAC and electric supplies, pet food and accessories, car accessories, groceries, household products, garden supplies, free-time and other products, and services. Puuilo actively manages its product assortment through a central organization, and as at the date of this Offering Circular, its product offering included approximately 30,000 active branded and private label stock-keeping units (SKUs). The Company offers its entire active product assortment in all of its stores, with the aim of making shopping easier and improving the shopping experience.

The Company's product assortment comprises third-party brands and Puuilo's Private Label Products. The Company's Private Label Products accounted for approximately 16 percent of the product sales for the financial year ended 31 January 2021. The Company sources its Private Label Products directly from supplies and manufacturers, and they are only sold in Puuilo's stores and online store. The Company offers Private Label Products in almost all of its products categories, such as the pet food and accessories (Best4Pets) and DIY -products Main category. (Tamforce, Tomber, KramforsTools and Pitstone).

Puuilo's operating model strives for cost-efficiency in the entire value chain. Puuilo aims to maintain its low cost base with competent sourcing and an efficient supply chain, striving to source its products directly from the suppliers and manufacturers with low costs. Puuilo's experienced sourcing personnel purchases products from suppliers based in Finland, other European countries and Asia.

The Company has one leased warehouse in Kajaani, Finland, but it widely uses the warehouses of its suppliers and Schencker in its operations. The warehouse in Kajaani is mainly used for storing products sourced from domestic suppliers, but which are not delivered directly to the stores, such as seasonal or campaign products or other products, for which storing is more efficient than direct deliveries to the stores for other reasons.

Puuilo's average number of personnel for the three months ended 30 April 2021 was 628 (full-time equivalent employees). Puuilo's net sales for the three months ended 30 April 2021 amounted to EUR 58,384 thousand, operating profit to EUR 7,289 thousand and profit for the period to EUR 4,875 thousand. Puuilo's net sales for the financial year ended 31 January 2021 amounted to EUR 238,721 thousand, operating profit to EUR 41,503 thousand and profit for the period to EUR 28,785 thousand. The CAGR of Puuilo's net sales was 32.4 percent between the financial year ended 31 January 2021 and the financial year ended 31 January 2019.

Key Strengths

Puuilo believes that its key strengths include, among others, the following factors:

A leading player in the growing discount retail market of Finland

Puuilo has risen as one of the leading players in the discount retailer market of Finland due to its successful store concept, and the Company is one of the largest store chains focusing on consumer goods in Finland measured by net sales. The Company believes that its strong position provides it negotiating power in sourcing, logistics and lease conditions in turn enables offering more competitive prices to its customers and provides the Company an advantageous position when negotiating on new store locations.

The Finnish discount retailer market (see "*Market and Industry Overview*") has historically developed significantly better than the total retail market, and historically the market has also performed well in economic downturns. In 2020, the volume of the Finnish market was approximately EUR 2.4 billion, and it is estimated to grow by approximately 6 percent per year between 2020 and 2025[12]. Trends driving the discount retailer market in Finland and other Nordic countries include, for example, increasing price consciousness among consumers and the demand for DIY and free-time products. The total market for Puuilo's product categories is estimated to grow on average by 2–6 percent per year between 2020 and 2026.[13]

Successful concept based on wide product assortment, low prices, perceived low price level and convenient shopping experience

The Company believes that it has an attractive and wide product assortment, which differentiates it from the competitors both in the selection of stock keeping units and the depth of the product categories.[14] The Company's product assortment comprises of approximately 30,000 stock keeping units in ten product categories from tools to household and garden products and pet food and accessories. The Company's product categories and product assortment have been selected carefully to match the demand among the Company's customer base and the prevailing trends of for example free-time activities, such as handicraft. The Company's employees responsible for sourcing monitor changes in the consumer behaviour of customer groups and fluctuation of demand, and they strive to adapt the product assortment proactively in line with the customer demand. The Company has, for example, widened its product assortment in the DIY product category to match the people's present demand relating to home improving. One central part of the versatile product assortment is the Company's Private Label Products, which are sold only in Puuilo's stores and its online store. The Company has proprietary high-quality and cost-effective brands in certain key categories, such as pet food and accessories (Best4Pets) and in DIY Main Product Category (Tamforce, Tomber, KramforsTools and Pitstone). The Company's entire active product assortment is available in all of its stores, which makes shopping easier and improves the shopping experience. Wide product assortment and compact store size (see "*Business of the Company*") also enable higher net sales per square meter of the sales area in the stores[15].

The Company is perceived very affordable in its core categories and, for example, it is seen in the DIY category as the most affordable. Based on the same analysis, the Company's pricing is clearly lower as compared to the benchmarks, and it corresponds the customers' perception of the low price level.[16] Based on the comparison prepared on the basis of the Company's 50 best-selling products in the financial year ended 31 January 2021, the prices of Puuilo's products are on average 17 percent lower than the average prices of the benchmarks' comparable products.[17] To improve its competitive prices further, Puuilo's pricing strategy includes offering Private Label Products in its main categories. The Company's Private Label Products are priced clearly lower than the corresponding branded products, and this is believed to improve the Company's price image and promote the sales of the Private Label Products with higher margins on average.

Puuilo's stores and its online store are designed in a way that they make shopping easy. Shopping in Puuilo is perceived to be very easy, and in addition, the stores are perceived to offer good customer service. Success of Puuilo's concept and positive customer experience are demonstrated by the high Net Promoter Score. In the autumn 2020, Puuilo's Net Promoter Score was 40, while the corresponding average score of the benchmarks was

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[12] Source: Euromonitor database forecast on 25 February 2021; Euromonitor database "Euromonitor in-store and online retailing market" and "Euromonitor Variety Stores" -categories.

[13] Source: Statistics Finland, RaSi Ry, Euromonitor, EIU, Bank of Finland; future forecast based Puuilo management's estimate.

[14]Puuilo competitors' products compared to Puuilo's 50 best-selling products per category. Categories include car accessories, building and DIY, garden supplies, pet food and accessories, household products, free-time and tools. Kärkkäinen (38 percent), Motonet (25 percent), Bauhaus (23 percent), Tokmanni (20 percent) ja Clas Ohlson (10 percent). Source: Sniffie web scrape, April 2021.

[15] Source: Puuilo management analysis based on competitors' latest annual reports derived from Orbis database (Bureau van Dijk), included competitors: Tokmanni, Clas Ohlson, Rusta, HalpaHalli, Biltema and Bauhaus. Competitors' surface area data derived from Euromonitor database.

[16] Source: Consumer survey conducted by Taloustutkimus, commissioned by the Company in March 2021.

[17] Puuilo competitors' products compared to Puuilo's 50 best-selling products per category. Categories include car accessories, building and DIY, garden supplies, pet food and accessories, household products, free-time and tools. Kärkkäinen (38 percent), Motonet (25 percent), Bauhaus (23 percent), Tokmanni (20 percent) ja Clas Ohlson (10 percent). Source: Sniffie web scrape, April 2021.

17.[18] In order to satisfy the needs of its customer groups in the best way, the Company uses a multichannel business model, which combines easy shopping in the stores and the online store, including multichannel features, such as the delivery and pick-up of orders placed online from the stores.

Growing store network and online store

As at 30 April 2021, Puuilo had 32 stores in different parts of Finland and after this date, it has opened a store in Rauma, Finland on 3 June 2021. The Company's present store network is young, and at the date of this Offering Circular, over 53 percent of the Company's stores have been opened in 2016–2021. The Company has during the review period succeeded in increasing its customer volumes and like-for-like store sales both in new and older stores.

In recent years, Puuilo has opened, on average 3–4 new stores per year. The Company has developed an accurate and well-functioning selection process for opening new stores, which includes, for example, determining attractive targets, identifying potential locations, conducting feasibility studies and determining the proximity of grocery stores and competitors. Puuilo primarily looks for affordable, existing leased premises, but building a store is not excluded either.

The Company has an efficient and standardised process for opening new stores, which enables the opening of several stores per year without a negative impact on the other business operations. The Company has a separate unit responsible for the preparation of a new or relocated store, its fixtures, product display and possible renovations. A profitability projection covering next six years is prepared for the new store. New stores have been profitable measured by EBITDA during the first full month starting from their opening, as a result of which, all except one of Puuilo's stores opened between 1 February 2017 and 31 January 2021 (excluding Mikkeli store) have had a positive effect on Puuilo's EBITDA for the financial year already in their first full month of operations.[19]

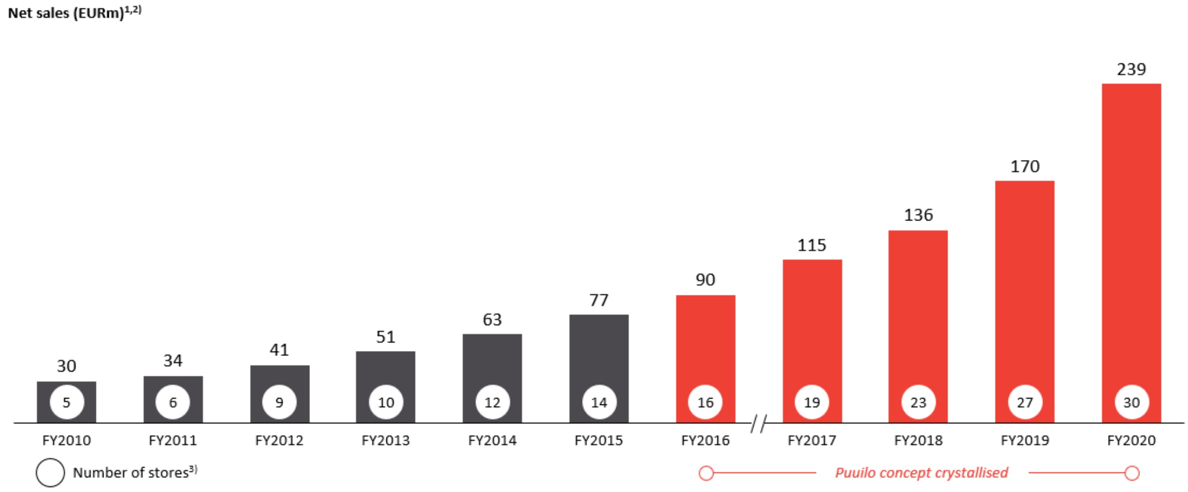
In addition, Puuilo has an online store with approximately 30,000 active stock keeping units, which the customers can order for delivery directly to the address of their choice or for pick-up from a store. The online store mainly operates in Finland, but it is also available in Sweden. In addition to the online store's direct effect on net sales, it also has an important indirect impact on the growth of sales: in 2020, approximately 29 percent of the purchases made in the online store were picked up from a store, which generates more customer flow in the stores. Furthermore, customers look for product information in the Company's online store, which makes shopping faster in the stores and releases store personnel to other tasks. The number of visitors in Puuilo's online store has grown significantly in previous years, and in the financial year ended 31 January 2021, the online store had over 8 million unique visitors. In the financial year ended 31 January 2021, the online store accounted for 3.3 percent of Puuilo's net sales.

Growth clearly outperforming the market, high profitability and strong cash flow

Puuilo has grown significantly faster than the total discount retailer market and the retail market. Despite its fast growth, the Company's profitability has remained on a high level and even improved in the last years. The Company has made significant investments in its organization, infrastructure, unification of the brand and increasing brand awareness, new and relocated stores and IT systems. The Company estimates that these investments support its growth and profitability also in the coming years.

[18] Consumer survey conducted by Taloustutkimus, commissioned by the Company in March 2021.

[19] Based in store specific FAS EBITDA, which take into account rent in full but without taking account allocation of headquarter costs nor product losses.



Note: 1) The financial statements 2010–2015 have been prepared for Puuilo Oy (currently Puuilo Stores Ltd) (according to the Finnish Accounting Act (1336/1997, as amended), Accounting Ordinance (1339/1997, as amended) and the guidelines and statements of the Accounting Board operating under the auspices of the Ministry of Economic Affairs and Employment ("FAS"), financial year 2016 consolidated FAS financial statements for Puuilo Invest I Oy (currently Puuilo Plc), for the financial year 2017 the figures are based on unaudited consolidated IFRS financial information and financial years 2018, 2019 and 2020 the figures are based on the Company's Audited Consolidated Financial Statements; 2) The financial year ends on 31 January, i.e. the financial year 2020 ends 31 January 2021; 3) The number of stores in the end of the financial year.

Puuilo's net sales grew on average by 27.5 percent per year between 1 February 2017 and 31 January 2021. In the corresponding period, the average growth for non-food variety and discount retail in Finland was 6.1 percent and for non-food retail 2.1 percent, i.e. falling clearly short of Puuilo's growth. The growth of the like-for-like net sales both in the existing stores as well as the new stores have significantly contributed to the growth. The Company estimates that its growth which was faster than the market in the last years as compared to the rest of the market has resulted from developing successful product assortment, clarification of the store concept, low prices and successful opening of new and relocated stores. As a result of these factors, Puuilo's customer volume has steadily grown annually, which has been reflected in the strong growth of the Company's net sales.

Puuilo's gross margin was 36.5 for the financial year ended 31 January 2021, 35.3 for the financial year ended 31 January 2020 and 34.6 for the financial year ended 31 January 2019. The increase of the gross profit has been supported by the increased proportion of the Private Label products with higher margins and better purchase prices resulted from stronger negotiation position. Puuilo's EBIT-margin was 17.4 percent for the financial year ended 31 January 2021, 13.5 for the financial year ended 31 January 2020 and 13.1 for the financial year ended 31 January 2019. Puuilo's adjusted EBITA margin also improved in the same period, and being 18.1 in the financial year ended 31 January 2021, 14.5 for the financial year ended 31 January 2020 and 14.1 for the financial year ended 31 January 2019. As compared to the competitors, the Company's operations have structurally low costs. The operating expenses (personnel expenses and other operating expenses without items affecting comparability) accounted for 15.0 percent of the net sales for the financial year ended 31 January 2021, of which personnel expenses accounted for 9.5 percent of the net sales. The Company's other operating expenses mainly consist of costs related to maintenance of real estate and stores, marketing expenses, IT costs and other operating expenses. Low other operating expenses are based on, among other things, generally compact store size, as well as low personnel and marketing costs. Personnel expenses are optimised with continuous monitoring of efficiency in each store and planning of shifts with the aim to minimise the amount of the most expensive hours, i.e. evenings, weekends and bank holidays, as Puuilo's customer structure and product assortment do not require keeping the stores open during the most expensive hours. The units and store managers are provided with coaching and models for the shift planning.

Puuilo has generated positive operating cash flow during the periods presented in the Offering Circular. The operating free cash flow was EUR 38,775 thousand for the financial year ended 31 January 2021 and the cash conversion was 87.4 percent. The strong cash flow is supported by, among other things, very low need for investing in the existing and new stores and efficient management of the working capital.

Strategy

Puuilo's target is to continue strengthening its position as one of the leading discount retailers in Finland by utilising its key strengths: attractive and wide product assortment, proven low prices and convenient shopping experience. In line with its growth strategy, the Company aims to open approximately four stores per year on average and to continue to grow its like-for-like net sales by improving its brand awareness further. Puuilo aims to continue to develop is value proposition by continuing to provide wide product assortment satisfying the needs of the customer base always with low prices. Puuilo aims to continue investing in the development and growth of its online store to offer its customers a possibility to shop diversely both in the stores and the online store.

Growing the Store Network

During 1 February 2017 and 31 January 2021, the Company has, on average, opened four new stores annually. See section "— *Key Strengths*". As at the date of this Offering Circular, Puuilo had 33 stores across Finland. The Company's target is to open approximately one more store in 2021. In the medium term, Puuilo's target is to double the number of its stores and grow its network to approximately 60 stores. In the last year, Puuilo ordered a store location analysis from Houston Analytics. According to the analysis, there are approximately 50 locations for Puuilo's new stores, and based on the analysis, the Company's management has identified approximately 30 potential locations for Puuilo's present store concept. A majority of the potential new store locations are in populous areas in South and West Finland.

All of Puuilo's stores (excluding Mikkeli store) had a positive impact on the EBITDA for the financial year ended 31 January 2021. All of Puuilo's stores, which were opened between 31 February 2017 and 31 January 2021 (excluding Mikkeli store), have on average been profitable already during their first full month after their opening as measured by EBITDA. Therefore, new stores have a positive impact on the Company's results almost immediately after their opening. The Company estimates based on the historical performance of stores opened between 2019 and 2021 that the investments and initial inventory required for a new store are on average approximately EUR 0.3 million and EUR 1.2 million, respectively, and approximately EUR 1.5 million in total.

Like-for-like Net Sales Growth in the Young Store Network

The Company's like-for-like store net sales have been strong in the review period. The like-for-like store net sales has been 24.4 percent for the financial year ended 31.1.2021, 5.6 percent for the financial year ended 31.1.2020 and 7.0 percent for the financial year ended 31.1.2019. The growth of like-for-like store net sales has mainly resulted from the increase in customer volumes. During the financial years from 1 February 2018 to 31 January 2021, the average comparable growth has been significantly faster in new stores that have been open for 3–5 years than in older stores, which have operated over 5 years. Reaching the real net sales potential of the stores may take a long time, and typically their revenues still grow even after 10 years from their opening.

Puuilo's present store network is young, and as at the date of the Offering Circular, over 53 percent of the network is under five years old. In the financial year ended 31 January 2021, the average net sales per store's sales area in square meters for stores opened 1–2 years ago was approximately EUR 2 thousand, for stores opened 3–5 years ago was approximately EUR 3 thousand, for stores opened 6–10 years ago was approximately EUR 4 thousand and for stored opened over 10 years ago was approximately EUR 5 thousand. Young stores, which have been open less than 10 years before the financial year started 1 February 2021, are estimated to present potential additional net sales of approximately EUR 110 million, assuming that the stores opened less than 10 years ago would reach the same net sales per store's sales area in square meters as the average of stores which have been opened over 10 years ago. Stores, which have been open over 10 years, also present comparable growth, and they offer additional growth in parallel with the growth of the young stores.

The growth of comparable net sales is supported by increase in the Company's brand awareness. According to a survey conducted in spring 2021, the Company's brand awareness is good, and it has grown significantly from 2015 to 2021.[20] According to the survey, for example the Helsinki Metropolitan Area still has large growth potential by opening new stores and increasing the Company's brand awareness. Approximately 53 percent of the respondents in the survey had visited Puuilo during the previous 12 months. Approximately 35 percent of the respondents were aware of the brand but had not visited Puuilo's stores. Furthermore, based on Google Trends service, the number of Internet searches for Puuilo has steadily grown in the recent years. The number of Internet

[20] Consumer survey conducted by Taloustutkimus, commissioned by the Company in March 2021.

searches varies between geographical areas, and for example, it is relatively low in areas, in which Puuilo has not been present for a long time, such as in Uusimaa, Finland. The search rate is also lower as compared to, for example, Tokmanni and Motonet, which in the view of the Company indicates that Puuilo brand awareness still has strong growth potential particularly in its new locations. The Company has clear measures to increase its brand awareness, such as opening new stores and continuous development of its product assortment in order to differentiate itself from the competitors. In addition, the Company expects that increase in its marketing efforts and its focus will speed up the increases in its brand awareness.

Increasing the Share of Private Label Products

One important factor in the historical improvement of Puuilo's gross profits has been the increase in the relative proportion of Private Label Products of net sales. Private Label Products have typically better average gross profits than the third-party brands sold by Puuilo. In the previous financial year, Puuilo's Private Label Products accounted for approximately 16.0 percent of net sales, which is approximately 2 percentage points higher than in the financial year ended 31 January 2019 during which the Private Label Products accounted for approximately 14 percent. Increase in the proportion of Private Label Products has been based on, among other things, Puuilo's understanding and knowhow on the customers' needs and the expertise of its sourcing organization. Furthermore, the possible increase in general sales also increases the ordered volumes and reach the limit for minimum order volume required for production of Private Label Products.

The Company has strong historical track record in increasing the proportion of Private Label Products. Puuilo's long term target is to increase the share of its Private Label Products of net sales to approximately 30 percent. The share of Private Label Products can be increased by increasing and expanding the sales of the existing Private Label Products and launching new product families. Increase in the Company's size and brand awareness is expected to support sourcing and selling Private Label Products also in the future. As the awareness of Private Label Products increases, launching new products also becomes easier.

Continuous Development of the Product Assortment and the Multichannel Business Model

The Company strives to differentiate from its competitors with its wide and attractive product assortment, and the Company has clear product category management, which focuses around the DIY, household and pet product categories. Puuilo continuously strives to reassess and develop its offering to respond to the changing needs of customers. A good example of this is the addition of knitting accessories in the product assortment as their demand grew generally in the market. Puuilo wants to redeem its customer promise also in the future by providing a wide and up-to-date product assortment.

To respond to the needs of the customers in the best way, the Company uses a multichannel business model, offering its customers the possibility to learn about the products and make their purchase decision both in the stores and the online store. To support optimal customer experience, the Company aims to invest in the development of its multichannel capabilities, such as features helping the customers to learn about the products in the network even better before visiting the store or making the purchase decision directly online. The target is to increase the net sales of the online store as a part of the continuous development of the multichannel approach towards an omnichannel approach.

Maintaining and Improving the High Profitability

Puuilo has had a high profitability during the financial years ended 31 January 2019, 31 January 2020 and 31 January 2021. The most important background factors are, among others, relatively low other operating expenses and high net sales per square meter of the sales area in the stores as well as competitive purchase prices of the sold goods. See section "— *Key Strengths*" above. Puuilo's competitors have, on average, more expensive and larger stores, long leases, and competing with Puuilo's concept would require change in the competitors' business models.[21] Despite of the low cost ratio and effective organization, Puuilo still notes features in its internal operations that the Company can improve and be more effective. The Company sees potential for efficiency for example, in optimising shift planning, the need to develop tailored work shift models based on projected demand and training store managers to use these models, to utilize the bargaining power based on greater size in sourcing and the ability to centralize restocking activities in the future. It is also typical for fixed costs that they do not grow

[21] Puuilo management analysis based on competitors' latest annual reports derived from Orbis database (Bureau van Dijk), included competitors: Tokmanni, Clas Ohlson, Rusta, HalpaHalli, Biltema and Bauhaus. Competitors' surface area data derived from Euromonitor database.

in relation with revenue growth. In order to maintain and develop its profitability, the Company intends to continue developing its effective concept.

Puuilo's strong and experienced sourcing and procurement personnel enables goods to be sold in the store at a competitive price. The competitive purchase price of the goods and their margins to the Company are largely based on the volume of goods and the expertise of the sourcing and procurement personnel. As the Company's size grows, the sizes of orders will also naturally increase, which results in improvement also in the bargaining power of the Company's sourcing unit. Puuilo believes that as its size grows, it will gain more bargaining power, which would allow to negotiate better and cheaper contracts in future, which are expected to further improve the Company's profitability.

Financial targets

The Board of Directors of the Company has set the following financial targets in connection with the Listing. The financial targets are forward-looking statements and are not guarantees of future financial performance. Puuilo's actual results could differ materially from those expressed or implied by these forward-looking statements as a result of many factors, including but not limited to those described under "*Forward-looking Statements*", "*Risk Factors*" and "*Operating Financial Review and Prospects — Key Factors Affecting the Business and Results of Operations*". All financial targets presented in this Offering Circular are solely targets and they do not constitute, and should not be treated as, forecasts or estimates of Puuilo's financial performance in the future.

Puuilo's Board of Directors has set the following targets for 2021–2025 (financial years ending 31 January 2022 - 31 January 2026):

- Growth: net sales above EUR 400 million by financial year ending 31 January 2026 with annual organic growth in excess of 10 percent.
- Profitability: Adjusted EBITA margin between 17–19 percent of net sales.
- Dividend policy: The Company aims to distribute at least dividend of 80 percent of the profit for the period for each financial year, depending on the Company's capital structure, financial position, general economic and business conditions, and future prospects.
- Leverage: Net debt to adjusted EBITDA below 2.0x.

Puuilo's profitability has been good throughout the review period, financial years ending 31 January 2019 and 31 January 2021 and time between them. The Company's operations have enjoyed positive development and targets have either been achieved or exceeded during the review period.

History

Puuilo's operations began in Puolanka, in Finland, in 1982, when the parents of Markku Tuomaala, a present member of the Company's Board of Directors, established the Company around the father's woodworking hobby. Initially, Puuilo sold toys made by Tuomaala's father as a side job, from which the name of the Company originates. Markku Tuomaala was elected Puuilo's CEO in 1985. Soon after that, Puuilo's product assortment changed from wooden toys to, for example, imported household products, which were sold from bus-based mobile stores in market squares.

In the 1990s, the Company's central warehouse was located in Puolanka, and six buses circulated from there all-around Finland to sell household products in market squares. The first store was established in 1988 in Kajaani, and at the same time selling in market squares was terminated completely. By 2006, stores had been opened, in addition to Kajaani, Finland, in Oulu, Finland, Kuopio, Finland and Vantaa, Finland. Puuilo's online store was opened in 2008, and the Company started sourcing Private Label Products to be sold with the Company's trademarks in 2012.

In 2011, private equity company Sentica Partners acquired 55 percent of Puuilo Oy's (Puuilo Stores Ltd) shares. The target was to create better possibilities for Puuilo to grow its business and expand it to new locations by opening new stores. In 2015, Sentica Partners sold its shareholding to Adelis[22], and Puuilo's key personnel continued as significant shareholders of Puuilo.

By the end of 2019, Puuilo had already opened 27 stores, and during the calendar year 2020, new stores were opened also in Kotka, Finland, Seinäjoki, Finland and Mikkeli, Finland. In 2020, Puuilo also relocated its stores in Lahti, Finland and Rusko in Oulu, Finland.

Puuilo's Customers

Customer groups targeted by Puuilo include particularly DIY customers. Consumers are clearly the largest customer group of the Company, along of which Puuilo also serves corporate customers.

Puuilo's wide customer base represents all socioeconomic backgrounds and genders. Puuilo has a diverse range of customers from various age groups across Finland, with typical age group being 35 to 65 years old.[23]

Puuilo's target is to respond to the needs of its customers by offering affordable products, which support the perception of Puuilo's low price level. The assortment of the main categories includes alternatives with different prices and properties to respond to the preferences of different customer types. Puuilo's customers come to its stores to find products and solutions for their building projects, home improvement, gardening or free-time activities, such as spending time in summer cottage or boating. Puuilo also has a wide offering in pet food and accessories and food and horse accessories. Some customers are attracted to the store by so called magnet products, such as seasonal and campaign products.

The Company's customer satisfaction is on a high level. Based on the surveys conducted in the autumn of 2020 and the spring of 2021, the NPS score provided by customers was 40 percent as compared to 17 percent of the benchmark group.[24]

Puuilo's stores processed 8.8 million customer transactions in the financial year ended 31 January 2021, 6.8 million customer transactions in the financial year ended 31 January 2020 and 5.5 million customer transactions in the financial year ended 31 January 2019. The average basket size in Puuilo's stores was EUR 26 for the financial year ended 31 January 2021.

Stores and Store Concept

Overview

As at the date of this Offering Circular, Puuilo has 33 stores across Finland. The stores are decorated and designed to support low cost image, and the compact premises with lots of goods make shopping fast and easy. Puuilo's target is to ensure that its stores have good transport connections and good parking facilities.

The stores are managed centrally by the Chain Director, who is a member of the Company's Management Team. Puuilo's store personnel have the same roles in all stores, which simplifies transferring employees between stores and promotes internal recruitment of key persons. Daily store-specific sales and inventory reports enable fast reactions and guide decision making based on sales in the stores.

Key roles in the stores as the store manager, an assistant store manager and sales support.

The store manager's duties include reviewing invoices, restocking of orders, personnel and sales and implementing decisions of the central management in the stores under their management, and they also act as recruiting supervisors. Freedom of operation is a central part of the work of the store managers. Store managers meet regularly in regional meetings and in two-day chain trainings arranged at least twice per year. Store-specific results and meeting of the performance targets as well as other relevant performance measures are monitored and

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[22] Adelis is a private equity investor focused growth companies which aims to strengthen the investment targets strategic position and increase their net sales.

[23] Source: Consumer survey conducted by GroupM, commissioned by the Company in October 2020 targeting customers visiting the Company's stores at least two times per year (N=184).

[24] Consumer survey conducted by Taloustutkimus, commissioned by the Company in March 2021.

compared between the stores with short- and long-term key performance indicators. These indicators include sales volume, average basket size as well as employee satisfaction and efficiency, to which the incentive plan of the store managers is also based on. The assistant store managers duties include taking care of agreed restocking orders, accuracy of the inventory levels and acting as the deputy for the store manager. As at the date of this Offering Circular, Puuilo has three regional store managers with East, West-North and the Helsinki Metropolitan Area and Southern Finland as their areas of responsibility. Duties of the regional store managers include supporting the stores in their area with the challenges they face and other matters requiring special attention. The position of the regional store manager is not a full-time job, and each regional store manager also works at the same time as a store manager.

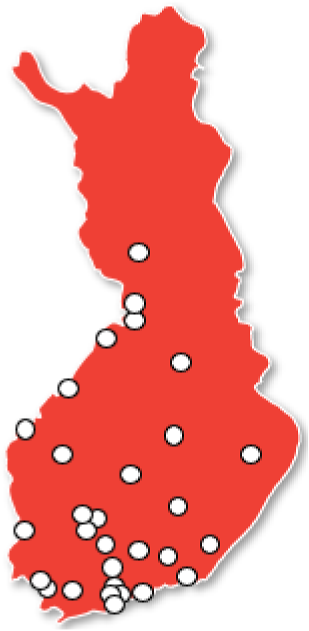
Sales support prepares working hour lists for the employees in accordance with the hour budget, takes care of the settlements and money transfers and, among other things, organizes cleaning and sees to the work clothes. The duties of the full-time store assistants include, in addition to sales, shelving orders, client service, cashier work, placing restocking orders, in addition to which the full-time store assistants have special areas of responsibility assigned to them, in which they are responsible for placing orders and the sufficient availability of the products.

For the financial year ended 31 January 2021, the sales area of Puuilo's stores varied between 1,706 square meters to 3,175 square meters, and the average sales area was approximately 2,355 square metres as at 30 April 2021. The facility management of the stores (excluding cleaning, the outdoor areas and small repairs), such as building engineering and maintenance is taken care of centrally by an external service provider if it is not the responsibility of the lessor.

The following table sets forth the number and sales area of Puuilo's stores as at the dates indicated:

	As at 30 April		**As at 31 January**						**CAGR**
	2021	**2020**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**(%)**
Stores	32	29	30	27	23	19	16	14	**16.5**

The following map sets forth Puuilo's store network as at 31 January 2021:



Note: One dot on the map represents one store.

By the date of this Offering Circular, Puuilo has opened three stores during the financial year beginning 1 February 2021.

Store Concept and its Development

Puuilo strives to offer good shopping experience both to consumers and business customers. Puuilo invests in the customer experience and efficiency aspects through its store design and the placement, amount and display of the products.

In particular, Puuilo's new stores are designed in a way that every store is as similar as possible with regards to the products and their placement. This simplifies and streamlines shopping in the store, as the products are found in the same place in different stores, facilitates and supports efficient use of space and helps the sourcing personnel in the planning and changing of the product assortment.

Puuilo continuously develops its store concept under guidance of the chain management and the project team dedicated to the establishment of new stores. Findings and feedback of customers and personnel are taken into account in the development work. Clear channels for customer feedback are an important part of the development of stores to offer better customer experience.

Developing the Store Network and Selecting the Locations

Puuilo's management continuously reviews and analyses Puuilo's possibilities to expand its current store network. The Company assesses store openings based on the demand potential in each location, and thereafter, the exact location of the store inside the location is analysed to prevent stores disturbing each other's sales. When assessing the opening of a new store and the location of stores, the calculations are made for the next six years on the basis of the typical historical development of the sales in the Company's stores. In assessing the demand potential and development, the Company's management utilises demographic and other statistics describing the development, as well as research data produced internally or derived from external sources. The store placement is based on a careful analysis, in which the rent level of the store premises, the possibilities for parking and the store size, among other things, are central selection criteria.

The Company has a carefully planned and standardised process for the opening of new stores, and in the last years, the time period between the getting access to the store premises of a new store and the actual opening of the store has been six weeks on average. The process includes recruitment of key employees, allocation of marketing resources to the new store, expanding coverage of IT processes to the new store and carrying out the renovations, furnishing and equipping as well as other store infrastructure in the store premises, if needed. Recruitment of the personnel is usually started 2-3 months before the opening of the store. The Company has a specialised team dedicated to the opening of new stores, which shortens the time required for the opening a new store.

Typically, Puuilo's stores are on average profitable as measured by EBITDA already in their first full month after their opening. As at 30 April 2021, the average age of Puuilo's stores was 6.4 years. In the beginning, initial and inventory investments decrease the cash flow of new stores.

Online Store

Puuilo opened its online store in 2008. The online store's current product assortment is almost the same as in the stores, and it includes approximately 30,000 active store keeping units, which the consumers can order easily online and which in the view of the customers have low or competitive prices as compared to large online stores.[25] Products purchase online can be delivered home, to a post office or, to the nearest store (in the latter case free of charge). The online store is an important part of Puuilo's multichannel approach, and Puuilo strives to utilise its online store to increase its visibility among consumers, as well as to increase the number of customers and the sales volume both in the online store and in the physical stores. Net sales of Puuilo's online store increased by 128 percent for the financial year ended 31 January 2021 as compared to financial year ended 31 January 2020.

For the financial year ended 31 January 2021, the online store had over 8 million unique visitors[26]. Approximately one-half of the visits were done by organic visitors without any targeted online advertising. Puuilo's online store

[25] Source: Survey conducted by Taloustutkimus, commissioned by the Company in March 2021.

[26] Individual user refers to the number of visitors of the web site during a certain time period, calculating all visits of a same person as a one visit.

had on average 900 thousand individual visitors per month between 1 January 2021 and 31 March 2021.[27] Particularly as a result of the platform upgrades started in 2019 and finalised in the autumn 2020 for Finland and to be finalised in the spring of 2021 for Sweden, the online store's technological features also enable serving larger customer volumes. In the design of Puuilo's online store, special emphasis has been placed on the user-friendliness of the online store for visitors using mobile devices in particular. The high-quality online store supports Puuilo's brand and the perception of good price-quality ratio, as well as helps Puuilo to collect customer data for targeted advertising. Furthermore, the online store provides customers a possibility too get to know Puuilo's product assortment more widely.

Net sales of Puuilo's online store were EUR 7,989 thousand, or 3.3 percent of the Company's total net sales for the financial year ended 31 January 2021, and EUR 3,512 thousand, or 2.1 percent of the Company's total net sales for the financial year ended 31 January 2020. The net sales of online store have increased 76.1 percent on average (CAGR) between the financial years ended 31 January 2019 and 31 January 2021.

For the financial year ended 31 January 2021, the average basket size in the online store was EUR 61. Out of Puuilo's online store visitors, 59 percent visit it on a daily basis. The majority of the online store's customers, approximately 60 percent, visit the online store with a mobile device. Eighty-three percent of the visitors are returning visitors, of whom 24 percentage points have previously placed an order in the online store.[28]

The online store supports the sales in the stores particularly because a significant part, approximately 77[29] percent of visitors visit the online store to get information about the products or to ensure that the product is available in the store before visiting there. The website optimised for mobile devices helps the customers to find products in the store. An increasing number of customers orders the product in the online store before visiting the store with a so called "click & collect" service, where the product is paid beforehand and collected from a store. Certain products, such as large products, which are difficult to transport (hot tubs and piers, among others), are sold exclusively in the online store on an experimental basis.

The online store's share of sales is decreased by the products included in Puuilo's offering, which are typically immediately taken into use after purchase, and in addition, customers typically visit stores to look for solutions for their building projects, home improvement, garden or free-time activities, such as spending time in the summer cottage or boating, and they typically need assistance from store personnel. Furthermore, the average basket size of EUR 26[30] is seldom suitable in relation to potential delivery costs.

Puuilo's advanced online store enables utilisation of customer data and efficient advertising tailored for customers. Customers, who have placed orders in Puuilo's online store, rate Puuilo's web site higher than the web sites of competitors in all categories related to the functioning of the site as regards to the purchase, payment and delivery costs and time. Puuilo's average score was 4.33/5.00, which was higher compared to the competitors' average score of 4.21. The average rating of the visitors using a mobile device for visiting the online store was even higher, 4.36/5.00.[31]

The Company continues to develop its online store. The upgrades aim to convert visits into orders, increase the average basket size, increase the number of visits in the online store and the stores and engage customers. The targets of the development are to move from a multichannel approach to an omnichannel approach, real-time information of the availability of the products, so called "last mile" deliveries, inclusion of the online store in marketing campaigns, and enabling and improving direct deliveries. The online store is optimised by improving the rating function and product information and descriptions, as well as by collecting NPS scores. Clients' lifecycle value is planned to be improved by lowering the minimum purchase limit for free delivery, shortening the delivery times, implementing Puuilo's nature of easy shopping in the online store, using big data for offering individual customer experience and offering and creating system for monthly orders of certain products, such as pet food.

[27] Individual user refers to the number of visitors of the web site during a certain time period, calculating all visits of a same person as a one visit.

[28] Source: Userneeds survey commissioned by the Company on 12 November 2020 – 26 November 2020, n = 44 051.

[29] Source: Userneeds survey commissioned by the Company on 12 November 2020 – 26 November 2020, n = 44 051.

[30] Figures for the financial year ended 31 January 2021.

[31] Source: Userneeds survey commissioned by the Company on 12 November 2020 – 26 November 2020, n = 44 051.

As a part of the development of its online store, the Company investigates deployment of the “Drop shipping” model, where the goods are sold so that they are delivered directly from the wholesaler’s warehouse to the end customer. In this model, the goods do not go through the retailer’s warehouse at all.

Products and Marketing

Product Categories

The product assortment of Puuilo’s each store includes ten product categories:

- building (DIY)
- tools
- HVAC and electric supplies
- pet food and accessories
- car accessories
- groceries
- household products
- garden supplies
- free-time and other accessories
- services

Puuilo manages the product assortment of its stores actively and centrally, and it includes approximately 30,000 active stock keeping units. Puuilo has clear product category management, that is focused around the DIY, household products and pet food and accessories categories. Puuilo aims, in each of its product categories, to offer multiple products in different price groups, for example three products in three price groups. Only a small part of Puuilo’s net sales is generated by seasonal products. Seasonal products include, for example, tools for removing snow and Christmas lights. Puuilo continuously strives to reassess and renew its offering to respond to the changing customer needs. Good examples of this are the import of face mask directly from China after the outbreak of the COVID-19 pandemic and the addition of knitting accessories in the product assortment as their demand grew generally in the market. Puuilo wants to redeem its customer promise also in the future by providing a wide and up-to-date product assortment. The building category does not include building materials. Neither does the Company’s product assortment include clothes, consumer electronics, fresh food or toys.

Puuilo’s most significant Private Label Products are Tamforce, KramforsTools, Tomber, Norrköping, Norona, Bergen and Best4Pets. The Company’s Private Label Products are sold exclusively in the Company’s stores and its online store, and they accounted for approximately 16 percent of the total product sales for the financial year ended 31 January 2021 and 14 percent for the financial year ended 31 January 2019. The Company’s Private Label Products have typically included products, that have reliable demand and established suitable price and volume (tools and products related to building). Puuilo believes that its Private Label Products offer high-quality alternatives with an attractive price for branded products, differentiate its offering and, therefore, increase the customer volumes. Puuilo’s Private Label Products have higher average margins than the branded products. Puuilo offers Private Label Products in all of its product categories and aims to increase their number to cover entire product lines (products sold under the same brand or products which relate to the same or related use such as bicycle supplies or mobile phone supplies).

Puuilo has a possibility to gain new customers by converting its brand awareness to visits in a Puuilo’s store. Puuilo’s spontaneous brand awareness is still clearly lower than with its competitors particularly in the Helsinki Metropolitan Area as compared to the rest of Finland, which the Company believes to indicate growth potential.

The Company continuously reviews its product segments and, thereby, strives to determine, what are the possibilities for adding Private Label Products in order to increase profitability and increase sales and improve competitiveness. Many discretionary factors have an effect on the development of Private Label Products and the creation of new Private Label Products. A new Private Label Product can be selected when it is cheaper to have a product produced for Puuilo itself than to purchase it from the importer and therefore, products ordered in large quantities, in particular, are typically Private Label Products. In the assessment it is decisive, for example, how high the product's price will rise in the entire supply chain taking into account package design, safety of use, package markings, warehousing costs and freight, among other things.

Well-known third-party brands are also material for the Company's business, as they expand Puuilo's offering, attract customers to the stores and generate the most of Puuilo's revenue. Third-party brands also help customers compare the prices and properties with Puuilo's Private Label Products at the moment of the purchase, which contributes to the sales of Private Label Products with higher margins. The third-party brands are sold without exclusivity.

Product Category Management

Puuilo manages the product assortment of its stores actively and centrally, and it includes approximately 30,000 active stock keeping units. Puuilo's product category management is carried out by the Company's sourcing personnel. The sourcing function decides, what products are sold in Puuilo's stores, and it is of utmost importance that sourcing recognises demand trends and supply channels. The Company's sourcing unit includes competent personnel that responds quickly to the needs of customers, each having an own special area of expertise. Puuilo's store personnel operates in the customer interface, and with their customer knowledge, they understand the needs of customers and support the sourcing function with their ideas. In addition, the Company collects ideas for new products extensively from its customers, collects customer feedback from its store personnel and receives ideas from its suppliers. The Company also receives information and ideas from the fair offerings.

The Company's sourcing personnel make decisions on new suppliers, and they are responsible for the negotiations with them and the removal of individual products from the offering. Larger strategic decisions on the product assortment, such as decision to add new product categories or remove entire supplier or product categories, are made by the sourcing and logistic director together with the other members of the Management Team, if necessary.

The Company has the same active product assortment all of its stores. The product assortment of the online store comprises almost the same products as in the stores, excluding, for example, products which are difficult to deliver due to a risk of ignition or explosion.

Pricing of the Products

With the pricing of its products, Puuilo aims to ensure to its customers reliable and, on average, lower prices than those of its competitors. The basic principle of the pricing is that the product is not necessarily required to be the cheapest, but the customer may not be disappointed in the store's price level. The sales prices of individual products is decided by the Company's sourcing personnel. The Company is usually able to price its products lower than its competitors due to the lower cost structure as compared to its competitors.[32] The acquisition costs and the price level of reference products in the market are taken in to account in the pricing. The pricing strategy is supported by efficient marketing and campaign pricing as described below under section "— *Marketing*" below.

Marketing

Puuilo uses a chain-wide marketing strategy in its marketing. According to the Company's estimate, its marketing reaches regularly approximately two million households. The target of Puuilo's marketing is to increase the Company's sales, awareness and knowledge of Puuilo's wide product assortment, strengthen perception of the Company's price level[33] and increase customer volumes in the stores and the online store. Puuilo uses also external service providers and experts in the execution of its marketing.

Puuilo aims to achieve its targets with omnichannel marketing activities, that reach the customers in a timely manner and cost-effectively. Due to its agile organization, Puuilo can adapt its marketing plans rapidly and flexibly. Puuilo strives to develop its brand continuously with marketing differentiating it from the competitors

[32] The Company's products are more affordable than its competitors in the following categories on average with the following percentages: tools 19 percent, car supplies 19 percent, construction and DIY 12 percent, houseware 10 percent and gardening 5 percent. Source: Reference products comprise of similar but not the same products. Analysis made comparing approximately 350 products (50 products per product category) on the competitors internet offering. The competitors prices of 169/350 products were available. Source: Sniffie web scrape, April 2021.

[33] Consumer survey conducted by Taloustutkimus, commissioned by the Company in March 2021.

and to improve its brand awareness. The Company's marketing consists of sub-areas, each of which has its own role as a part of the marketing strategy. The majority of the Company's advertising is mainly tactic. Puuilo continuously tailors its marketing in line with the prevailing demand and season. Majority of the Company's advertising is based on print media (direct distribution, the Postinen leaflet and local newspapers), television marketing, radio marketing and search engine advertising. Based on Google's search information, Puuilo's online searches have increased between 2018 and 2021.[34]

Media Marketing

Puuilo relies on its marketing in customer acquisition and improvement awareness of its brand, product assortment and pricing of its products.

The level of media investments and the media strategy are planned together with media agency partners. The planning includes media purchases and reservations (television and radio), marketing optimisation and studies (market, customer and brand surveys). Production of television and radio advertising is planned together with a production company partner.

Marketing comprises, among other things, weekly advertisement leaflets, television and radio advertisement and digital advertising (see below "— *Digital Marketing*"). The majority of the Company's traditional and awareness-increasing marketing is based on advertising leaflets, as in the view of the Company's management they have proven to be one of the most efficient channels for building brand awareness and presenting the Company's product assortment to new potential customers.

Currently, one of Puuilo's primary marketing channels is the advertising leaflet distributed to approximately 1.8 million households 1–2 times per month. The purpose of the leaflet is to present Puuilo's wide product assortment and low prices. In addition to the advertising leaflet, Puuilo uses regional and city newspapers in its print media advertising. In addition to the print media advertising, Puuilo uses increasingly television and radio advertising to reach its targets. Puuilo believes that television and radio advertising has a significant role in increasing awareness of the brand and the product assortment.

Local and national sponsoring is one of Puuilo's marketing methods. The purpose of the sponsoring is to increase Puuilo's visibility, strengthen the Company's brands and support, among other things, Finnish sports and culture. The selection of parties to be sponsored emphasises the sponsoree's profile and image, and Puuilo has been, for example, the main cooperating partner of Pesäpalloliitto in the seasons of 2020 and 2021.

Digital Marketing

Puuilo's marketing organization monitors current trends when planning marketing. As a result of the transformation of media usage, digital marketing channels have an increasingly important role in Puuilo's marketing strategy. Puuilo aims to increase further, for example, the use of digital channels in order to reach a younger customer base in particular. Consumers study products online to a large extent before making their purchase decision, and therefore, the role of search engine marketing as a part of the Company's marketing has increased significantly in the last years.[35] Puuilo also strives to constantly improve the content and functions of its web site to develop the Company's visibility in search engines and to improve the shopping experience of customers.

The Company's digital marketing focuses on the acquisition of new customers and remarketing. Digital tools enable more accurate targeting of the advertising to consumers interested in Puuilo's product assortment. Social media is an important marketing channel for Puuilo, offering possibilities for targeted tactical product advertising and a platform for interaction with the customers. Puuilo's digital marketing is continuously developed together with the partners and the effects of marketing are monitored continuously. Puuilo's online newsletter has approximately 70,000 subscribers.

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[34] Source: Google Trends analysis on the search word "Puuilo", average of samples during 12 months between 2018 and 2021, 10 March 2021.

[35] Source: Google Trends analysis on the search word "Puuilo", average of samples during 12 months between 2018 and 2021, 10 March 2021; comparison with Google Trends analysis of the searches for the benchmark companies, average of samples during 12 months between 2018 and 2021, 10 March 2021.

Sourcing and Quality Control

Sourcing

The sourcing function is essential for the success of Puuilo's business, and it has a central role in Puuilo's strategy to offer an attractive and wide product assortment to its price conscious customers at low prices. Puuilo's sourcing function is headed by the sourcing and logistic director, and in addition to him, the sourcing and procurement personnel includes 17 employees as at the date of this Offering Circular.

The sourcing function is divided into five units based on product categories (tools and gardening, household products, HVAC and electronics, car accessories and free-time). Each of the units has an assigned purchaser in the domestic and import purchases and a purchasing assistant. The personnel of the sourcing function have experience from the largest procurement organisations in Finland. The expertise the sourcing function supports the development of Puuilo's product assortment and enables increasing the number of Private Label Products in the product assortment.

Puuilo had more than 1,000 product suppliers for the financial year ended 31 January 2021. Puuilo sources goods from several suppliers mainly located in Finland and Asia. The 10 largest suppliers of Puuilo accounted for approximately 24 percent of Puuilo's materials and services expense for the financial year ended 31 January 2021, and no individual supplier had a share of more than 4.5 percent of Puuilo's materials and services expense. For the financial year ended 31 January 2021, 84 percent of Puuilo's purchases came from products sourced from suppliers located inside Finland, 3 percent from products sourced from suppliers located in other European countries and 13 percent from suppliers located in Asia.

Puuilo strives to source goods with low costs and increasingly directly from producers in countries with low cost levels. In addition, Puuilo has a good bargaining power as one of the largest buyers in its product categories in Finland. To a large extent, the same models are used for the Private Label Products as described above for other goods. The purchasers use modern sourcing methods, such as reliable online wholesales portals, and their existing contacts and local agents to find the best sources for their products. The suppliers benefit from the cooperation with Puuilo by reaching wide access for their products to the Finnish market through Puuilo's stores.

Puuilo strives to maintain its flexibility and bargaining power by limiting the scope of long-term procurement agreements by not committing to significant requirements for minimum or maximum purchases. The purpose of these strategic choices is to maintain sourcing cost on a low level and shorten the delivery times.

The COVID-19 pandemic has had a negative effects on the Company's logistics. As the COVID-19 pandemic spread in November 2020, significant problems emerged in the availability of maritime freight containers, with their prices rising as much as six-fold, which resulted in some delays in the delivery of products and the availability of goods. In addition, restrictions on travel and gatherings have impacted the development of the Company's product assortment as they made it more difficult to find new suppliers. Similarly, opportunities for the Company's purchasers to review products at the sector's fairs across the world have been more limited during the epidemic, or the Company has not been able to use such opportunities at all to develop its product assortment. Factories' so-called sample rooms have been closed and purchasers have been able to review products only by ordering samples by mail.

Quality Control

Quality control is material for Puuilo's business to ensure that the quality, safety and sustainability of the products sold by Puuilo satisfy the required level. As Puuilo has grown, it has recently improved its quality control processes, and the implementation of these processes is still partially ongoing.

In the spring of 2021, Puuilo established a special quality control process with the purpose of validating suppliers and products. In the process, products and their packages are tested regularly, and the products sold in Puuilo's stores are subjected to reviews and verification tests. The quality control process uses external service providers and experts for the investigation and testing of the products and their packages. Prior to this, Puuilo had no centralized quality control and the quality assurance in purchasing activities was based on the professional skills of Puuilo's purchasers, the terms and conditions of the supply agreements and the suppliers' references and other customer relationships, and on how suppliers documented their activities and products and whether a supplier was a member of well-known cooperation alliances or organisations for improving sustainability. In addition, Puuilo has applied for membership from Amfori BSCI -system, which improves quality and sustainability. According to the survey conducted by Puuilo in April 2021, approximately one-half of its foreign suppliers notified having BSCI-certificate. Puuilo requires from all of its domestic suppliers that their products are responsible produced and the processes they use are sustainable.

For more information on Puuilo's corporate responsibility, see "— *Corporate Responsibility and the Environment*".

Warehouses and Logistics

Inventory Management

Puuilo's inventory management is based on the inventory management system included in the ERP system, where the store- and warehouse-specific inventory levels are maintained. The store managers take care of the restocking orders for each store. The store personnel refill the shelves in the day-time to maintain the efficiency of the operations.

In addition to warehouses in stores, the Company has one leased warehouse in Kajaani, and the Company also uses Schenker's warehouse in Vantaa, Finland, but it otherwise it mainly utilises the warehouses of its suppliers. Schenker's warehouse stores mainly Puuilo's Private Label Products delivered there with sea freight and, for some parts, with road transport. The warehouse in Kajaani is mainly used for storing products sourced from domestic suppliers, but which are not delivered directly to the stores (such as seasonal or campaign products or other products, for which storing is more efficient than direct deliveries to the stores for other reasons).

The Company's sourcing function is responsible for restocking the products in the warehouses. The import department is responsible for restocking Schenker's warehouse, and the purchaser who decided on warehousing of the stock keeping unit is responsible for its restocking in the warehouse in Kajaani.

Distribution through Importers

Puuilo strives to develop its inventory management. Puuilo monitors and evaluates what kind of logistical solutions will need to be implemented in order to improve efficiency and profitability and to secure growth.

Development of Inventory Management

Puuilo plans include centralising and improving the efficiency of its logistics chain and potentially the establishment of a warehouse serving as a central distribution centre. The said measures would enable the improvement of Puuilo's existing logistics infrastructure with the aim of decreasing personnel expenses and the amount of freight transport. The establishment of the warehouse would concentrate the distribution capabilities to the key areas of sales, which may further streamline Puuilo's logistics function. The opportunity to combine deliveries of products of local producers and through importers would create synergies. The options to increase logistic efficiency include the establishment of a centralised restocking system, which would streamline and optimise placing orders by combining centralised sourcing competence with an automatic ordering process. A centralised ordering process would improve the efficiency of the operations by optimising inventory levels and decreasing inventory losses. A centralised ordering process would also enable sales increase without adding store personnel to match the demand for customer service, and, therefore, improving the efficiency of the personnel.

Information Technology

In 2018, Puuilo started to renew its IT systems. The Company has invested significantly into its new IT system and the renewal of its basic infrastructure. As a result of these significant IT renewals, the Company estimates that, after 2021, significant IT investments are not required between 2022 and 2024. The IT renewals aim to support the efficiency of operations improving Puuilo's profitability and to secure the scalability of IT solutions to the Company's growth in years to come.

The Company's management believes that the IT renewal has increased security in the business continuity, meaning the stability of activities and less interruptions in the business as the business grows and number of transactions increases. The renewal has also created a Group-wide scalable infrastructure, which provides a platform for cost-efficient and profitable scalable growth in the future. In particular, the renewal of business applications aims to improve the scalability of growth, provide better support for the increasing online sales and improve the efficiency of all operations and processes.

As at the date of this Offering Circular, part of the Company's IT renewal is still ongoing. The completed parts include cash system, HR system, internal communications, online trade platform, product information management, purchase invoice system and auditing of information security. The deployment of the new ERP system is planned to be finalised in the beginning of 2022 and the basic infrastructure solutions by the end of 2021.

The Company's critical IT services (Diebold POS, Odoo ERP, Ventor PDA, Akeneo and Magento online store) and ICT infrastructure services (integration services, data communication, capacity, user management, workstations and devices, telephony services and O365 services) are primarily outsourced, and the responsibility is transferred to an external partner with support and maintenance agreements.

By early 2022, the IT upgrade enables new capabilities, which the Company has not been able to prioritise or implement previously. These new capabilities help to improve customer experience and interaction by offering new digital services, developing utilisation of customer data and improve the efficiency of logistics. As at the date of this Offering Circular, the Company's management believes that the capabilities to establish new stores and reporting capabilities are on a good level. After the IT upgrade, the Microsoft-based intercompatible basic solutions enable versatile new solutions based on analytics, Big Data or for example, artificial intelligence. Parallel with the IT upgrade, Puuilo has established an internal service team, which is responsible for the maintenance of the IT services and their development on the basis of business needs together with carefully selected IT service providers.

Particularly, the upgrade of the ERP system provides the Company with a scalable infrastructure that creates a platform for cost-effective and profitable growth.

See section "*Risk factors — D. Risks relating to IT Systems, Data Protection and Intellectual Property Rights — 1. Disruptions in the Company's IT systems may have a significant effect on the Company's business, the management of product flows, orders, customer data, inventories, deliveries and inventory levels, as well as on the management of insider information and information related to the personnel and on effective management of other information related to management and of financial information.*"

Personnel

As at the date of this Offering Circular, the Company has 653 employees. As at 31 January 2021, the total number of the Company's employees in Finland was 622, and the average number of the personnel was 595 for the financial year ended 31 January 2021 and 457 for the financial year ended 31 January 2020.[36] The increase in the number of employees is mainly due to the steady increase in the number of the Company's store personnel. The share of full-time employees of the entire personnel was approximately 86 percent as at 31 January 2021. The Company's long-term HR policy is to emphasise full-time employment relationships, unlike other players in the retail sector. This ensures adequate competence in the stores and reduces unnecessary turnover of the employees.

In addition, the Company had 148 employees working under a framework agreement as at 31 January 2021. If a store needs more personnel, the Company first offers additional working hours to its part-time employees. If none of them accepts the shift, it is offered to employees working under the framework agreement. An employee working under the framework agreement is not required to accept the Company's request to work, and the Company is not obliged to offer any specific number of working hours to the employees working under the framework agreement.

As customary in Finland, many employees of the Company are members of trade unions, and the Company is bound by the Collective Agreements applied in its industry. The Commercial Sector's Collective Agreement and the Collective Agreement for Retail Supervisors are applied to the Company's employees, excluding senior offices (21 persons) and the management team (7 persons). The Collective Agreements have contributed to the establishment of stable relationships between the Company and its employees. The Company maintains good relationships with trade unions and all of its employees, as well as promotes an atmosphere supporting open communication and feedback. The personnel can impact the development of the Company's operations and working environment through regular personnel surveys. In order to improve the efficiency of communications

[36] Converted to full-time equivalent employees.

and collaboration and to increase transparency, the Company deployed Microsoft Teams for all of its employees. As a result of this, the interaction between the Company's employees in different locations and roles have improved significantly. The application has further lowered the threshold for presenting ideas, discuss and develop the Company's operations together.

The Company is also committed to promote the employee satisfaction and wellbeing further than required by the legislation and the applicable Collective Agreements. Despite there being no Collective Agreement applied to the senior salaried employees in the industry, the rules and regulations of the Commercial Sector's Collective Agreement relating to holidays, paid sick leaves and general wage increases are applied to the senior salaried employees. In addition to the fixed monthly salary, the store managers in Finland have a possibility to receive an annual bonus, if they achieve their predefined performance targets.

Between 2018 and 2021, the average annual wage increases based on the Collective Agreements applied to Puuilo's employees was 1.6 percent (range between 1.3 and 2.0 percent annually). Personnel expenses are optimised with continuous monitoring of the efficiency in each store and planning of shifts by minimising the amount of the most expensive hours, i.e. evenings, weekends and bank holidays, as Puuilo's customer structure and product assortment do not require keeping the stores open during the most expensive hours. The units and store managers are provided with coaching and models for the shift planning.

The Company renewed is management team in 2020 by redefining the roles and carrying out critical recruitments on areas with strategic importance. The Company monitors KPIs related to its personnel indicating, for example, the satisfaction, commitment and turnover of the employees and absences due to sickness. The COVID-19 pandemic has increased the availability of labour and reduced turnover in the retail sector.

Business Premises

Puuilo's head office is located in leased premises in Vantaa, Finland, and the Company has one leased warehouse in Kajaani, Finland, with a notice period of six months.

All except one of Puuilo's stores are located in leased premises. The lease term of the Company's stores varies from agreements in force until further notice (with a notice period of 1–13 months) to a lease term of 10 years. As at 30 April 2021, the average remaining lease term (including the notice period) was approximately 57 months. The majority of Puuilo's lease agreements include a clause for a separate annual rent adjustment or link the rent increase mainly to the consumer price index. Despite the lease commitments, leasing the store premises helps Puuilo to maintain its flexibility in its operations by decreasing the amount of investments required and reducing the market and liquidity risks related to the ownership of real estates.

Corporate Responsibility and the Environment

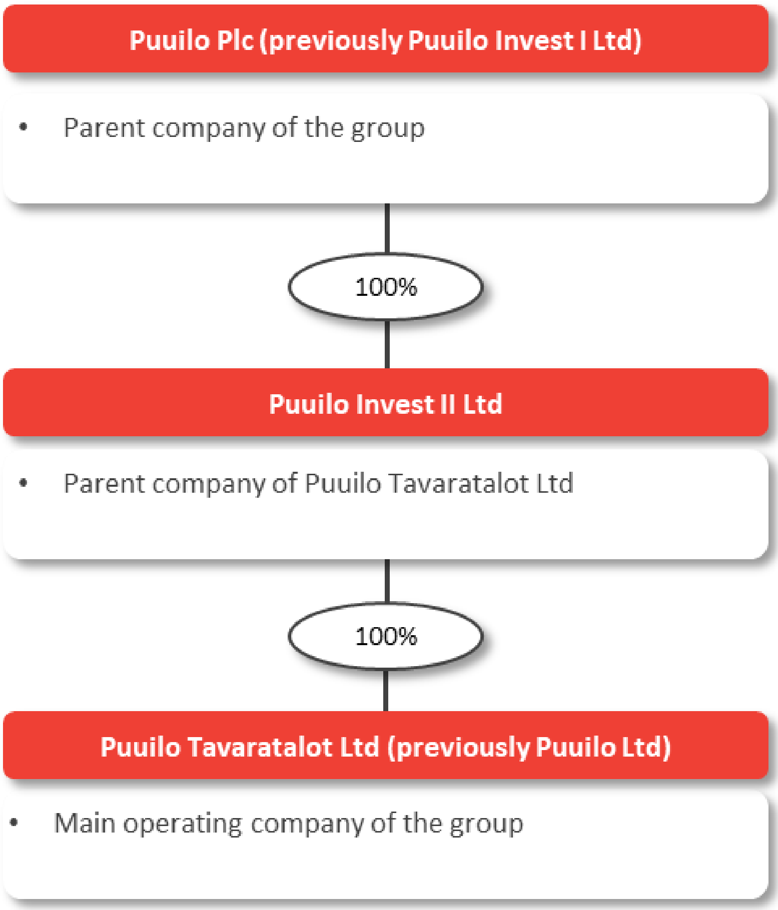
Puuilo understands that it has the responsibility to ensure the sustainability of its business operations, which is reflected in activities with regards to society and the environment. Puuilo aims to have good environmental practises (focuses on saving energy and all the electricity the Company is using is from renewable sources). The Company aims to minimize waste and its carbon footprint as well as its adverse environmental impacts. Puuilo strives to reach these targets by ensuring efficient use of materials and energy, recycling always when possible, using recycled fixtures in its stores, keeping the amount of waste as low as possible and ensuring compliance with the environmental regulations.

Puuilo complies with its own sustainability strategy, on the basis of which the Company strives to carefully select its suppliers and cooperation partners. The Company also strives to ensure the safety of its products and respond quickly to challenges related to sustainability. In addition, the Company develops its sustainability strategy continuously. Eighty four percent of Puuilo's suppliers are domestic. Puuilo aims at setting requirements concerning the quality of production of the goods, production conditions and products for all of its direct contractual parties, and all domestic suppliers are required to ensure the sustainability of their supply chain. Puuilo has applied for membership in the Amfori BSCI system promoting sustainability. As member of the system, Puuilo, its suppliers and subcontractors are required to comply with the system's rules and ethical principles in their operations. Based on a review conducted by Puuilo's assignment, one-half of its foreign suppliers had the BSCI certificate as at the date of this Offering Circular. Puuilo will prepare a plan for meeting the criteria in case of suppliers not satisfying the criteria of the certificate. See "*Risk Factors — B. Risks related to Puuilo's Business*

Operations — 6. Deficiencies related to sustainability and quality assurance may be encountered in Puuilo's sourcing or its supply chain".

The Group's Legal Structure

Puuilo Plc is the parent company of the Puuilo Group. The following chart sets forth the legal structure of the Puuilo Group as at 31 January 2021:



Legislation and Compliance

Various laws and regulations enacted on the EU and national level are applied to Puuilo and its business, including regulations related to consumers, marketing, product safety, product marking, zoning, online trade and data protection. In addition, laws related to the use of labour, health and safety at work, environment, competition, business operations and taxation are applied to Puuilo and its business.

Material Agreements

In addition to the agreements described below, Puuilo has not entered into any agreements (except for those entered into in the ordinary course of its business), (i) which are or could be material to it and have been entered into in the financial years immediately preceding the date of this Offering Circular, or (ii) with obligations or rights based on them which are on could be material to Puuilo as at the date of this Offering Circular.

Puuilo has together with Puuilo Stores Ltd negotiated an extensive refinancing arrangement, which includes an undertaking that the Company's proceeds of the Offering to be not less than EUR 20 million. The Company as borrower has negotiated EUR 90 million New Financing Agreement in order to, among other things, refinance its current loans, with two Nordic financial institutions. See more information on the New Financing Agreement under "*Operating and Financial Review and Prospects — Liquidity and Capital Resources — Loans and Net Debt — Refinancing*".

Placing Agreement

The Company, Adelis and the Managers are expected to enter into the Placing Agreement on or about 23 June 2021. Other Sellers are not parties of the Placing Agreement but they have each given the Managers the sales undertaking with respect to the Offering. For more information on the Placing Agreement, see "*Plan of Distribution*".

Insurances

Puuilo believes that the insurance coverage of the Company and its subsidiaries is in line with the requirements and the size of the parent company and the subsidiaries, as well as the practices in the industry. Puuilo's insurances include, among others, property insurance, business continuation insurance, general liability insurance, product liability insurance and liability insurance of the members of the Board of Directors as well as an insurance for inventories.

Intellectual Property Rights

As at the date of this Offering Circular, Puuilo had over 60 brands, out of which 26 were trademarks registered with the Finnish Patent and Registration Office. The most significant of the other intellectual property rights owned by Puuilo are the Puuilo name, brand and concept. Puuilo believes that its trademarks are important for its business, and Puuilo invests in maintaining and increasing the value of its brand. Puuilo aims to register its trademarks according to the possibilities and prevent breaches against them. The remaining term of Puuilo's trademarks varies, and each registered trademark is in effect for 10 years. The number of renewing times of the trademark registrations is not limited.

Legal Proceedings

Puuilo is not involved in any governmental, legal or arbitration proceedings which may have, or have had in the previous 12 months a significant effect on the financial position or profitability of the Company and/or its subsidiaries, nor is the Company aware of any pending proceedings or the threat thereof.

SELECTED FINANCIAL INFORMATION

The financial information presented below has been derived from the set of financial statements that include the Company's Audited Consolidated Financial Statements as at and for the financial years ended 31 January 2021, 31 January 2020 and 31 January 2019 prepared in accordance with IFRS, included in this Offering Circular, and from the unaudited consolidated interim information as at and for the three months ended 30 April 2021, including unaudited comparative financial information as at and for the three months ended 30 April 2020 prepared in accordance with "IAS 34 Interim Financial Reporting", included in this Offering Circular.

The financial information presented for the financial year ended 31 January 2020 differs from the Company's approved statutory consolidated financial statements for the same period due to a restatement made to classify loans from financial institutions current after preparation and approval of the Company's statutory consolidated financial statements in accordance with "IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors". For more information on the restatement, see "*Financial Statements Related and Certain Other Information*" in this Offering Circular and in the note 5.1. of the Audited Consolidated Financial statements included in this Offering Circular.

The selected financial information provided herein should be read together with "*Financial Statements Related and Certain Other Information*" and the Company's Audited Consolidated Financial Statements as at and for the years ended 31 January 2021, 31 January 2020 and 31 January 2019 as well as unaudited consolidated interim information as at and for the three months ended 30 April 2021 attached to this Offering Circular.

Consolidated statement of comprehensive income

	Three months ended 30 April		Financial year ended 31 January		
	2021	2020	2021	2020 (restated)	2019
(EUR in thousands)	(unaudited)			(audited)	
Net sales	58,384	48,064	238,721	170,483	136,228
Other operating income	66	24	562	209	147
Materials and services	-37,064	-30,287	-151,586	-110,306	-89,091
Personnel expenses	-6,297	-5,259	-22,667	-17,619	-14,470
Other operating expenses	-5,108	-3,321	-13,781	-10,845	-8,004
Depreciation, amortization and impairments	-2,693	-2,252	-9,746	-8,973	-6,941
Operating profit	**7,289**	**6,970**	**41,503**	**22,949**	**17,869**
Finance income	3	2	8	16	12
Finance costs	-1,197	-1,203	-5,542	-3,917	-2,483
Total finance income and costs	-1,194	-1,201	-5,534	-3,900	-2,471
Profit before taxes	**6,095**	**5,769**	**35,969**	**19,048**	**15,398**
Current income tax expense	-1,117	-943	-7,499	-4,165	-3,428
Deferred income tax expense	-103	-211	315	353	337
Total income tax expense	-1,220	-1,154	-7,184	-3,812	-3,090
Profit for the period	**4,875**	**4,615**	**28,785**	**15,236**	**12,308**
Total comprehensive income for the period	**4,875**	**4,615**	**28,785**	**15,236**	**12,308**

Consolidated balance sheet

	As at 30 April		As at 31 January		
	2021	2020	2021	2020 (restated)	2019
(EUR in thousands)	(unaudited)		(audited)		
ASSETS					
Non-current assets					
Goodwill	33,540	33,540	33,540	33,540	33,540
Intangible assets	17,947	18,639	18,229	18,990	20,014
Property, plant and equipment	2,459	2,185	2,234	2,044	1,965
Right-of-use assets	43,670	39,581	43,901	37,676	33,894
Deferred tax assets	449	343	624	320	201
Total non-current assets	**98,066**	**94,289**	**98,528**	**92,571**	**89,614**
Current assets					
Inventories	67,016	57,101	58,514	50,205	46,670
Trade receivables	3,229	3,106	4,155	2,342	2,297
Other receivables	1,934	972	1,073	723	1,228
Cash and cash equivalents	15,037	12,574	11,154	9,678	4,785
Total current assets	**87,215**	**73,754**	**74,896**	**62,948**	**54,981**
Total assets	**185,281**	**168,043**	**173,424**	**155,519**	**144,595**
EQUITY AND LIABILITIES					
EQUITY					
Share capital	3	3	3	3	3
Reserve for invested unrestricted equity	-	1,967	-	1,967	23,998
Retained earnings	6,907	-7,846	-21,878	13,015	3,901
Profit for the period	4,875	4,615	28,785	15,236	12,308
Total equity attributable to owners of the parent	**11,785**	**-1,261**	**6,909**	**30,222**	**40,209**
Total equity	**11,785**	**-1,261**	**6,909**	**30,222**	**40,209**
LIABILITIES					
Non-current liabilities					
Loans from financial institutions	79,991	89,549	79,888	-	-
Lease liabilities	35,179	32,456	35,809	31,232	28,201
Trade payables	-	-	-	-	10
Provisions	636	556	616	533	453
Deferred tax liabilities	3,528	3,852	3,607	3,619	3,853
Total non-current liabilities	**119,334**	**126,413**	**119,921**	**35,384**	**32,516**
Current liabilities					
Loans from financial institutions	10,000	9,000	10,000	65,333	51,545
Interest rate swaps	-	-	-	-	4
Lease liabilities	7,422	6,213	7,246	5,850	4,929
Trade payables	23,338	17,758	15,172	10,969	8,399
Advances received	148	123	151	173	145
Income tax liabilities	3,579	1,508	3,499	565	978
Other current liabilities	9,676	8,289	10,526	7,023	5,870
Total current liabilities	**54,163**	**42,890**	**46,594**	**89,914**	**71,870**
Total liabilities	**173,497**	**169,303**	**166,515**	**125,298**	**104,386**
Total equity and liabilities	**185,281**	**168,043**	**173,424**	**155,519**	**144,595**

Consolidated statement of cash flows

(EUR in thousands)	Three months ended 30 April 2021	2020	Financial year ended 31 January 2021	2020 (restated)	2019
	(unaudited)			(audited)	
Cash flows from operating activities	6,722	6,664	36,996	24,110	9,580
Cash flows from investing activities	-1,065	-847	-2,648	-2,397	-1,977
Cash flows from financing activities	-1,774	-2,920	-32,871	-16,820	-8,254
Net increase (+)/(-) decrease in cash and cash equivalents	3,882	2,896	1,476	4,893	-651
Cash and cash equivalents at the beginning of the period	11,154	9,678	9,678	4,785	5,437
Cash and cash equivalents at the end of the period	**15,037**	**12,574**	**11,154**	**9,678**	**4,785**

Key Figures

(EUR in thousands, unless otherwise indicated)	As at 30 April and three months ended 30 April 2021	2020	As at 31 January and financial year ended 31 January 2021	2020 (restated)	2019
	(unaudited)		(unaudited unless otherwise indicated)		
Net sales	58,384	48,064	238,721[1]	170,483[1]	136,228[1]
Net sales growth	21.5%		40.0%	25.1%	18.4%
Like-for-like store net sales growth	12.8%		24.4%	5.6%	7.0%
Online store net sales	2,474	2,046	7,989[1]	3,512[1]	2,575[1]
Online net sales growth	20.9%		127.5%	36.4%	35.1%
Private Label Products share of sales	17.9%	18.4%	16.3%	15.5%	14.2%
Gross profit	21,320	17,778	87,136	60,177	47,137
Gross Margin	36.5%	37.0%	36.5%	35.3%	34.6%
EBITDA	9,982	9,222	51,249	31,921	24,810
EBITDA margin	17.1%	19.2%	21.5%	18.7%	18.2%
Adjusted EBITDA	11,129	9,449	51,803	32,567	25,013
Adjusted EBITDA margin	19.1%	19.7%	21.7%	19.1%	18.4%
EBITA	7,572	7,253	42,634	24,079	19,000
EBITA margin	13.0%	15.1%	17.9%	14.1%	13.9%
Adjusted EBITA	8,719	7,480	43,187	24,725	19,203
Adjusted EBITA margin	14.9%	15.6%	18.1%	14.5%	14.1%
EBIT	7,289	6,970	41,503[1]	22,949[1]	17,869[1]
EBIT margin	12.5%	14.5%	17.4%	13.5%	13.1%
Adjusted EBIT	8,436	7,198	42,056	23,594	18,072
Adjusted EBIT margin	14.4%	15.0%	17.6%	13.8%	13.3%
Profit for the period	4,875	4,615	28,785[1]	15,236[1]	12,308[1]
Earnings per share (basic and diluted), EUR	0.06	0.06	0.36[1]	0.19[1]	0.13[1]
Net capital expenditure	1,065	847	2,648	2,397	1,977
Operating free cash flow	6,905	6,572	38,775	24,313	10,683
Cash conversion	76.1%	84.9%	87.4%	92.7%	53.0%
Inventory turnover (days)	155	162	131	160	172
Capital employed	129,340	123,383	128,698	122,959	120,098
Return on capital employed	33.5%		32.7%	19.2%	15.0%
Net debt	117,555	124,643	121,789[1]	92,738[1]	79,890[1]
Net debt / Adj. EBITDA	2.20		2.35	2.85	3.19
Number of stores (end of period)	32	29	30	27	23
Average number of personnel, full-time equivalent, end of period	628	536	595	457	385

[1] Audited.

Calculation of Certain Alternative Performance Measures and Other Key Figures

Key figure	Definition	Reason for the use
Like-for-like store net sales and net sales growth	Like-for-like store net sales and net sales growth is calculated as the net sales and net sales growth of the comparable stores that are not seen as new stores on a net basis. According to Puuilo's definition a store is considered as a new store during the opening year and the following financial year after the opening. As per net basis Puuilo deducts the stores that are closed during the financial year from the new stores.	Like-for-like store net sales and net sales growth presents the development of the Company's continuing business operations.
Online store net sales	Puuilo's online store net sales (including Click & collect sales)	Online store net sales and online net sales growth presents the level and development of the Company's online store net sales.
Online net sales growth	Change in Puuilo's online store net sales for the period divided by online store net sales for the previous period	
Private Label Products share of sales	Puuilo's Private Label Products' sales as percentage of sales derived from the cash register system. Private Label Products are sold only in Puuilo stores and online store.	Presents the share and development of Puuilo's Private Label Product sales in proportion to total net sales.
Gross profit	Net sales – materials and services	Gross profit is an indicator to measure the profitability of the Company. Gross profit measures the profitability after deducting the costs from materials and services.
Gross margin	Gross profit as percentage of net sales	
EBITDA	Operating profit before depreciation, amortization and impairment	EBITDA is an indicator to measure the performance of the group.
EBITDA margin	EBITDA as percentage of net sales	
EBITA	Operating profit before the amortization of Puuilo trademark	EBITA is an indicator to measure the performance of the group.
EBITA margin	EBITA as percentage of net sales	
EBIT (operating profit)	Profit before income taxes, finance income and finance costs (operating profit)	Operating profit shows the result generated by the operating activities.
EBIT margin	EBIT as percentage of net sales	
Items affecting comparability	Unusual material items outside the ordinary course of the business, which relate to i) costs related to the contemplated listing ii) strategic development projects iii) Administration fees paid by the Company to Adelis, that will no longer accrue after the listing	Adjusted EBITDA, adjusted EBITDA margin, adjusted EBITA, adjusted EBITA margin, adjusted EBIT and adjusted EBIT margin are presented in addition to EBITDA, EBITA and EBIT to reflect the underlying business performance and to enhance comparability between periods. The Company believes that these comparable performance measures provide meaningful supplemental information by excluding items outside normal business, which reduce comparability between the periods.
Adjusted EBITDA	EBITDA before items affecting comparability	
Adjusted EBITDA margin	Adjusted EBITDA as percentage of net sales	
Adjusted EBITA	EBITA before items affecting comparability	
Adjusted EBITA margin	Adjusted EBITA as percentage of net sales	
Adjusted EBIT	EBIT before items affecting comparability	

Key figure	Definition	Reason for the use
Adjusted EBIT margin	Adjusted EBIT as percentage of net sales	
Operating expenses	Personnel expenses and other operating expenses less items affecting comparability	Operating expenses present the level and development of the company's personnel expenses and other operating expenses, excluding the items affecting comparability.
Earnings per share (basic)	Basic earnings per share is calculated by dividing profit for the period in consolidated comprehensive statement of income less dividends paid or accrued on preference shares during the period by the weighted average number of shares outstanding.	Earnings per share presents the distribution of the Company's results to the owners.
Earnings per share (diluted)	Diluted earnings per share is otherwise calculated same basis than basic earnings per share above, except that weighted average number of shares reflects dilutive effect of converting all dilutive potential shares into shares.	
Net working capital	Puuilo's inventories, trade receivables, other receivables and deferred tax assets less trade payables, provisions, deferred tax liabilities, advances received, income tax liabilities and other current liabilities	Net working capital is a useful measure to monitor the level of direct net working capital tied to the operations and changes therein.
Net capital expenditure	Investments in property, plant and equipment and intangible assets net of proceeds from sale of property, plant and equipment and intangible assets	Net capital expenditure provides additional information of the cash flow needs of organic operations and it is used to calculate operating free cash flow.
Operating free cash flow	Adjusted EBITDA – depreciation of right-of-use assets – change in net working capital in cash flow statement – net capital expenditure	Operating free cash flow provides information about the cash flow that the company is able to generate after net capital expenditure.
Cash conversion	Operating free cash flow / (adjusted EBITDA – depreciation of right-of-use assets)	Cash conversion represents how much of its EBITDA the Company is able to convert into free cash flow. The ratio indicates the Company's capacity to pay dividends and / or generate funds for acquisitions or other transactions.
Inventory turnover	Average inventory for the period (average of beginning and ending) / Materials and services * 365[1]	Inventory turnover measures the efficiency of the Company's inventories.
Capital employed	Total equity + net debt	Capital employed presents the total investment in the Company's operations and it is used to calculate return on capital employed.
Return on capital employed (ROCE)	Annualized adjusted EBIT[2] / capital employed	Measure to evaluate the return on capital employed and to analyse and compare different businesses and opportunities taking into account the capital required.
Net debt	Interest-bearing liabilities (loans from financial institutions + lease liabilities) – cash and cash equivalents	Net debt is an indicator of the total external debt financing of the Company.

Key figure	Definition	Reason for the use
Net debt / Adj. EBITDA	Net debt divided by annualised adjusted EBITDA[3]	The ratio of net debt to adjusted EBITDA helps to show financial risk level and it is a useful measure to monitor the level of the Company's indebtedness.

[1] Multiply by 365 for full financial years and 365/4 for quarterly periods.
[2] Annualized for quarterly periods using 12-month rolling adjusted EBIT.
[3] Annualized for quarterly periods using 12-month rolling adjusted EBITDA.

Reconciliation of Certain Alternative Performance Measures

	Three months ended 30 April		Financial year ended 31 January		
	2021	**2020**	**2021**	**2020 (restated)**	**2019**
(EUR in thousands, unless otherwise indicated)	**(unaudited)**		**(unaudited unless otherwise indicated)**		
Items affecting comparability					
Strategic projects	-	212	482	571	123
Administration fees	16	16	71	75	80
Listing expenses	1,131	-	-	-	-
Items affecting comparability total	**1,147**	**228**	**553**	**646**	**203**
EBITDA and Adjusted EBITDA					
Operating profit	7,289	6,970	41,503[1]	22,949[1]	17,869[1]
Depreciation, amortization and impairments	2,693	2,252	9,746[1]	8,973[1]	6,941[1]
EBITDA	**9,982**	**9,222**	**51,249**	**31,921**	**24,810**
Items affecting comparability	1,147	228	553	646	203
Adjusted EBITDA	**11,129**	**9,449**	**51,803**	**32,567**	**25,013**
EBITA and adjusted EBITA					
Operating profit	7,289	6,970	41,503[1]	22,949[1]	17,869[1]
Trademark amortization[2]	283	283	1,131[1]	1,131[1]	1,131[1]
EBITA	**7,572**	**7,253**	**42,634**	**24,079**	**19,000**
Items affecting comparability	1,147	228	553	646	203
Adjusted EBITA	**8,719**	**7,480**	**43,187**	**24,725**	**19,203**
Adjusted EBIT					
Operating profit	7,289	6,970	41,503[1]	22,949[1]	17,869[1]
Items affecting comparability	1,147	228	553	646	203
Adjusted EBIT	**8,436**	**7,198**	**42,056**	**23,594**	**18,072**
Operating expenses					
Personnel expenses	6,297	5,259	22,667[1]	17,619[1]	14,470[1]
Other operating expenses	5,108	3,321	13,781[1]	10,845[1]	8,004[1]
Items affecting comparability	-1,147	-228	-553	-646	-203
Operating expenses	**10,257**	**8,352**	**35,895**	**27,818**	**22,271**
Net Debt					
Non-current interest-bearing liabilities					
Loans from financial institutions	79,991	89,549	79,888[1]	-	-
Lease liabilities	35,179	32,456	35,809[1]	31,232[1]	28,201[1]
Current interest-bearing liabilities					
Loans from financial institutions	10,000	9,000	10,000[1]	65,333[1]	51,545[1]
Lease liabilities	7,422	6,213	7,246[1]	5,850[1]	4,929[1]
Interest-bearing liabilities	**132,592**	**137,217**	**132,943**	**102,416**	**84,675**
Cash and cash equivalents	-15,037	-12,574	-11,154[1]	-9,678[1]	-4,785[1]
Net debt	**117,555**	**124,643**	**121,789**[1]	**92,738**[1]	**79,890**[1]
Net debt / Adj. EBITDA					
Net debt	117,555	-	121,789[1]	92,738[1]	79,890[1]

(EUR in thousands, unless otherwise indicated)	Three months ended 30 April 2021 (unaudited)	Three months ended 30 April 2020 (unaudited)	Financial year ended 31 January 2021 (unaudited unless otherwise indicated)	Financial year ended 31 January 2020 (restated)	Financial year ended 31 January 2019
/ Annualised adjusted EBITDA[3]	53,482	-	51,803	32,567	25,013
Net debt / Adj. EBITDA	**2.20**	-	**2.35**	**2.85**	**3.19**
Net capital expenditure					
Investments in intangible assets	157	39	864[1]	958[1]	441[1]
Investments in property, plant and equipment	908	819	2,099[1]	1,462[1]	1,590[1]
Proceeds from sale of property, plant and equipment	-	-10	-315[1]	-23[1]	-54[1]
Net capital expenditure	**1,065**	**847**	**2,648**	**2,397**	**1,977**
Operating free cash flow					
Adjusted EBITDA	11,129	9,449	51,803	32,567	25,013
Net capital expenditure	-1,065	-847	-2,648	-2,397	-1,977
Depreciation of right-of-use assets	-2,059	-1,705	-7,417[1]	-6,341[1]	-4,871[1]
Changes in working capital	-1,100	-325	-2,962	483	-7,483
Operating free cash flow	**6,905**	**6,572**	**38,775**	**24,313**	**10,683**
Cash conversion					
Operating free cash flow	6,905	6,572	38,775	24,313	10,683
/					
Adjusted EBITDA	11,129	9,449	51,803	32,567	25,013
Depreciation of right-of-use assets	-2,059	-1,705	-7,417[1]	-6,341[1]	-4,871[1]
Cash conversion	**76.1 %**	**84.9 %**	**87.4%**	**92.7%**	**53.0%**
Inventory turnover					
Inventory at the beginning of the period	58,514	50,205	50,205[1]	46,670[1]	37,211[1]
Inventory at the end of the period	67,016	57,101	58,514[1]	50,205[1]	46,670[1]
Inventory, average	**62,765**	**53,653**	**54,359**	**48,438**	**41,941**
Materials and services	37,064	30,287	151,586[1]	110,306[1]	89,091[1]
Inventory turnover	**155**	**162**	**131**	**160**	**172**
Return on Capital Employed					
Equity	11,785	-1,261	6,909[1]	30,222[1]	40,209[1]
Net debt	117,555	124,643	121,789[1]	92,738[1]	79,890[1]
Capital employed	**129,340**	**123,383**	**128,698**	**122,959**	**120,098**
Annualised adjusted EBIT[3]	43,295	-	42,056	23,594	18,072
Return on capital employed (ROCE), %	**33.5 %**	-	**32.7 %**	**19.2 %**	**15.0 %**

[1] Audited.
[2] Amortization of intangible rights in financial statements.
[3] For the three-month periods ended 30 April.2021 annualized using a 12-month rolling figure.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following review should be read together with the section "Selected Financial Information" of this Offering Circular and the Company's Audited Consolidated Financial Statements as at and for the financial years ended 31 January 2021, 31 January 2020 and 31 January 2019 prepared in accordance with the IFRS and the Company's unaudited consolidated interim information as at and for the three months ended 30 April 2021 prepared in accordance with "IAS 34 – Interim Financial Reporting" standard included in this Offering Circular.

The financial information presented below has been derived from the set of financials statements included in this Offering Circular, including the Company's audited consolidated financial statements as at and for the financial years ended 31 January 2021, 31 January 2020 and 31 January 2019 prepared in accordance with IFRS, as well as Puuilo's unaudited consolidated interim information as at and for the three months ended 30 April 2021, prepared in accordance with "IAS 34 – Interim Financial Reporting" standard, including unaudited comparative consolidated financial information for the three months ended 30 April 2020 included in this Offering Circular.

This review contains forward-looking statements, which are inherently subject to risks and uncertainties. The actual results may differ materially from those expressed or implied in the forward-looking statements. See "Forward-looking Statements" and "Risk Factors", as well as "— Outlook" below.

Overview

Puuilo is a Finnish retail store chain established in 1982, known in particular for its wide product assortment, low prices, good store locations and easy and convenient shopping experience. The Company is focused on, in particular, do-it-yourself, household and pet food and accessories. As at 30 April 2021, Puuilo had 32 stores across Finland and after this date, it has opened a store to Rauma, Finland on 3 June 2021. In addition, Puuilo has an online store, which is an important part of Puuilo's omnichannel approach. With the online store, Puuilo strives to increase its visibility among consumers, as well as increase the number of visitors and sales in its online store and the physical stores. The online store accounted for 3.3 percent of Puuilo's net sales for the financial year ended 31 January 2021.

Puuilo offers its customers a wide and carefully selected product assortment in ten categories: building, tools, HVAC and electric supplies, pet food and accessories, car accessories, groceries, household products, garden supplies, free-time and other products, and services. Puuilo actively manages its product assortment through a central organization, and as at the date of this Offering Circular, its product offering included approximately 30,000 active branded and private label stock-keeping units (SKUs). The Company offers its entire active product assortment in all of its stores, with the aim of making shopping easier and improving the shopping experience.

The Company's product assortment comprises high quality Private Label Products, sold under Puuilo's own brands, and third-party brands. Private Label Products' share of net sales was approximately 16 percent for the financial year ended 31 January 2021. The Company sources its Private Label Products directly from supplies and manufacturers, and they are only sold in Puuilo's stores and online store. The Company offers Private Label Products in almost all of its products categories, including the pet food and accessories category (Best4Pets brand) and building category (DIY) (Tamforce, Tomber, KramforsTools and Pitstone brands).

The following table sets forth Puuilo's financial performance measures for the periods indicated[2]:

(EUR in thousands unless otherwise indicated)	1 Feb – 30 Apr 2021 (unaudited)	1 Feb - 30 Apr 2020 (unaudited)	1 Feb 20 - 31 Jan 21 (unaudited, unless otherwise indicated)	1 Feb 19 - 31 Jan 20 (restated) (unaudited, unless otherwise indicated)	1 Feb 18 - 31 Jan 19 (unaudited, unless otherwise indicated)
Net sales	58,384	48,064	238,721[1]	170,483[1]	136,228[1]
Operating profit	7,289	6,970	41,503[1]	22,949[1]	17,869[1]
Operating profit, %[2]	12.5%	14.5%	17.4%	13.5%	13.1%
EBITA[2]	7,572	7,253	42,634	24,079	19,000
EBITA, %[2]	13.0%	15.1%	17.9%	14.1%	13.9%
Adjusted EBITA[2]	8,719	7,480	43,187	24,725	19,203
Adjusted EBITA, %[2]	14.9%	15.6%	18.1%	14.5%	14.1%

[1] Audited.
[2] The Company monitors several financial performance measures which it uses to measure the performance of its operations. These performance measures also include non-IFRS measures. The definitions of these alternative performance measures and the reconciliation thereof is presented in "*Selected Financial Information — Calculation of Certain Alternative Performance Measures and Other Key Figures*" and "*Selected Financial Information — Reconciliation of Certain Alternative Performance Measures*".

Key Factors Affecting the Business and Results of Operations

This section contains certain statements given by Puuilo relating to the markets, in which it currently operates, the expected growth of these markets, as well as its competitive and market position. These statements are based on Puuilo's estimates on and/or analysis of information derived from several sources, such as Euromonitor, Statistics Finland, RaSi Ry, EIU, the Bank of Finland, National Land Survey of Finland, Taloustutkimus, Orbis database (Bureau van Dijk), State of Built Environment Report as well as analysis prepared by Boston Consulting Group for the Company in the spring of 2021, unless otherwise indicated. See "Information Derived From Third-Party Sources — Market and Industry Information".

The key factors that have affected Puuilo's results of operations during the periods presented in the following review and analysis and that may impact Puuilo's results of operations in the future, include, but are not limited to, the following:

- Development of Puuilo's addressable market in Finland
- Like-for-like store net sales growth
- New store openings
- Development of sales of Private Label Products
- Sourcing
- Personnel expenses
- Leases of business premises
- Capital expenditure
- Marketing
- Fluctuation of interest rates and foreign exchange rates
- Development of net working capital
- Inventory management
- Seasonality
- Development of online net sales

As some of these factors are beyond Puuilo's control and some of them have previously been sensitive to changes, it is difficult to forecast Puuilo's future results, and Puuilo's historical results may not necessarily provide any indication on its future results. For more information on risks related to COVID-19 pandemic and its effect on Puuilo's profitability and financial position, see "*Risk Factors — A. Risks Relating to Puuilo and its Operating*

Environment — 1. Global epidemics, such as the COVID-19 pandemic, may have a material adverse effect on Puuilo's business due to, among other factors, disruptions in the supply chains and a decrease in the number of store visits by the customers."

Development of Puuilo's Addressable Market in Finland

All of Puuilo's stores are located in Finland. While Puuilo's net sales have historically remained stable or grown over economic cycles (see "*Market and Industry Overview — Resilience of the Finnish Discount Retailer Market against Economic Downturns*"), its net sales and profitability are based on the customers in Finland. Therefore, the purchasing behaviour of Finnish consumers in particular has an effect on Puuilo's results of operations. Consumers' purchasing behaviour, in turn, is impacted by many factors, which are beyond Puuilo's control, such as general economic conditions, consumers' confidence in the economy, private consumption, employment rate, inflation and deflation, consumers' age structure, average size of households, consumers' preferences, purchasing power and financial position, interest rate level, tax rates and policies and the trends in the discount retailer sector described under "*Market and Industry Overview — Finnish and Global Trends Driving Growth in the Discount Retail Market*".

The product assortment of each Puuilo store comprises ten product categories that form Puuilo's addressable market: building (DIY), tools, HVAC and electric supplies, pet food and accessories, car accessories, groceries, household products, garden supplies, free-time and other products, and services. The demand in Puuilo's main product categories has a significant effect on the Company's sales and results. The discount retailer market has historically grown and coped well also during economic downturns. The total volume of Puuilo's addressable market was estimated to be approximately EUR 8.9 billion in 2020 (measured in terms of net sales). Between 2016 and 2020, the CAGR of the addressable market was estimated to be approximately 2.4 percent. According to the forecast, the growth trend continues in Puuilo's addressable market and the CAGR of the total addressable market is expected to be 2.7 percent until 2026.[37] For more information, see "*Market and Industry Overview — Outlook for the Addressable Market in Finland*".

The COVID-19 pandemic has had both direct and indirect effects on Puuilo's business, but its adverse effects have been mainly limited to the functioning of the supply and delivery chain, as described in "*Risk Factors — A. Risks relating to Puuilo and its Operating Environment — 1. Global epidemics, such as the COVID-19 pandemic, may have a material adverse effect on Puuilo's business due to, among other factors, disruptions in the supply chains and a decrease in the number of store visits by the customers.*" In 2020, the COVID-19 pandemic had a positive effect on the demand certain of the Company's product categories, increasing the demand for DIY and free-time products in particular, as people spent more time at home and summer cottages and working remotely and spent more money on homes, summer cottages and hobbies due to the limited possibilities to travel. The COVID-19 pandemic also accelerated the growth of Puuilo's online store in addition to the growth addition to the growth resulting from the opening of new stores.

Like-for-like Store Net Sales Growth

Like-for-like stores net sales[38] is an important metric because the ability of the existing stores to increase net sales describes the development of the Company's continuing operations and because it has a significant effect on Puuilo's net sales and results of operations in addition to the growth resulting from the opening of new stores.

Stores are included in the comparison of like-for-like store net sales after the first full calendar year after their opening. Puuilo's like-for-like net sales has increased strongly and growth amounted to 24.4 percent for the financial year ended 31 January 2021, 5.6 percent for the financial year ended 31 January 2020 and 7.0 percent for the financial year ended 31 January 2019. Historically, the increase in customer volumes has impacted the development of like-for-like store net sales. Changes in Puuilo's competitive landscape as well as the increase in marketing initiatives have contributed to the strong growth in 2017. In 2017, the difficulties of the Company's competitor Hong Kong escalated and the company was placed into company restructuring. In addition, the increase in demand resulting from the COVID-19 pandemic partly affected the strong growth in 2020.

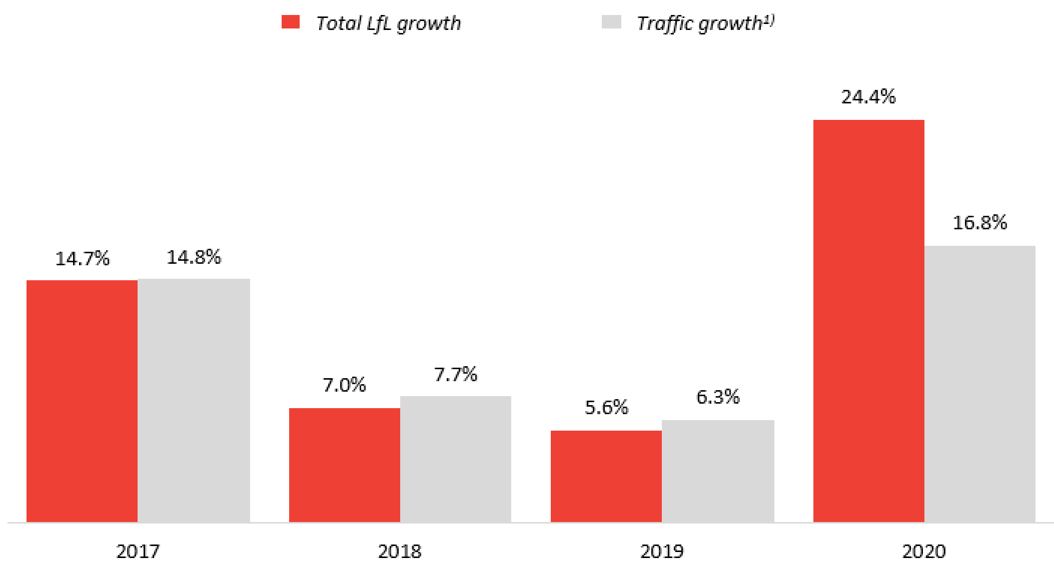
[37] Source: Puuilo management analysis based on data derived from Statistics Finland, RaSi Ry, Euromonitor, EIU, Bank of Finland.

[38] Calculations for Like-for-like store net salessee "*Selected Financial Information – Calculation of Certain Alternative Performance Measures and Other Key Figures*".

Historically, the Company's like-for-like net sales growth has been strong, growing by 6–24 percent annually between 1 February 2018 and 31 January 2021. The like-for-like net sales growth has mainly resulted from the increase in customer volumes. Between 1 February 2018 and 31 January 2021, the average like-for-like net sales growth has been significantly faster in stores that have been open for 3–5 years than in older stores that have operated for more than 5 years. Reaching the full real net sales potential of Puuilo's stores may take a very long time.

The following chart sets forth Puuilo's like-for-like net sales growth and increase in customer volumes for the financial years indicated:

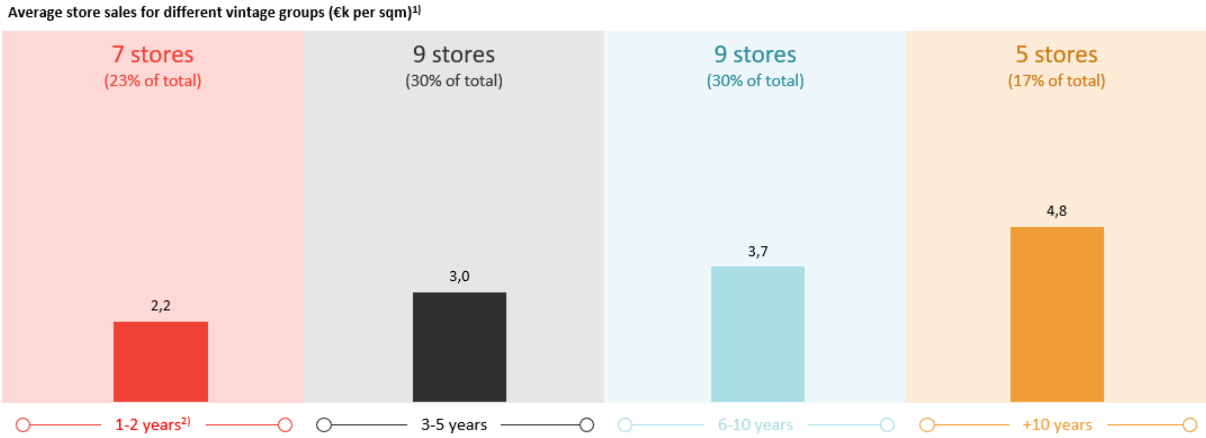
Like-for-like sales development



1) Calculated as comparable change in cash receipts
Note: Fiscal Year ends January 31st e.g., FY2020 ends 31st of January 2021

Puuilo's present store network is young, and over 53 percent of the network is less than 5 years old. For the financial year ended 31 January 2021, the average net sales per square metre of sales area for stores opened 1 to 2 years before was approximately EUR 2 thousand, for stores opened 3 to 5 years earlier was approximately EUR 3 thousand, for stores opened 6 to 10 years before was approximately EUR 4 thousand and for stored opened over 10 years before was approximately EUR 5 thousand. Puuilo believes that its young stores, which have been open less than 10 years before the financial year started on 1 February 2021, have potential to create additional net sales of approximately EUR 110 million, assuming that the average net sales per square meter of sales area of the young stores develops in line with that of its stores that have been open for more than 10 years. Also stores that have been open for more than 10 years have grown on a like-for-like basis in the periods presented and provided more growth alongside the young store network.

The following table sets forth the average sales of stores in different age groups for the financial year ended 31 January 2021.



Average sales of stores in different age groups (EUR 1,000 per sales area in square meters).
[1] Financial year ended 31 January 2021; 2) "1" refers to the opening financial year, i.e. stores that have been opened during the first two years.

Changes in the number of customer visits[39] and the average basket size have an effect on the like-for-like store net sales. The number of customer visits are affected by several factors, such as general consumer demand, seasonality of the customers' purchasing behaviour, the development of Puuilo's brand awareness (including the effect of the opening of new stores) and the efficiency of marketing activities.

The number and prices of the purchased products on each visit and the product assortment have an effect on the average basket. [40] Puuilo uses various means to increase the number of products in the basket, such as the display of products in the store and designing the customers' path in the stores. For the financial year ended 31 January 2021, the increase in the average basket partly affected positively the sales in certain product categories, such as garden products, fixings and tools, and the sales of hygiene products (face masks and hand sanitisers) during the COVID-19 pandemic. Puuilo's basket is on average 17 percent cheaper than that of its competitors.[41]

New Store Openings

As at the date of this Offering Circular, Puuilo had 33 stores across Finland. A store is considered as a new store in its opening year, and the following financial year.

The Company opened 3 new stores in the financial year ended 31 January 2021, 4 new stores in the financial year ended 31 January 2020 and 4 new stores in the financial year ended 31 January 2019.

New stores support net sales growth by increasing the sales and expanding Puuilo's potential customer base by serving new areas of influence in Finland. For the financial years ended 31 January 2021, 31 January 2020 and 31 January 2019, new stores contributed to Puuilo's sales growth by 18.3 percentage points, 37.9 percentage points and 40.4 percentage points, respectively.[42] During the review period relocated stores have been in the same area of influence and a part of the new stores have been in the same area with the existing stores. As a part of its growth strategy, Puuilo has opened 16 new stores during the last five full financial years. This has had a significant direct effect on the Company's ability to increase its net sales and results of operations. This has also supported growth in the existing stores by increasing brand awareness. In the medium term, Puuilo's target is to approximately double the number of its stores and increase the size of its network to approximately 60 stores.

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[39] The Company measures its customer volume on the basis of the number of receipts.

[40] The average basket includes both stores and the online store.

[41] The price comparison of Puuilo's 50 best-selling products. The competitors included Halpa-Halli, Kärkkäinen, Motonet, Prisma, Rusta, Tokmanni, Bauhaus, K-Rauta, Kodin Terra, NetRauta, Taloon.com, IKH, Byggmax, Peten koiratarvike and Stark.

[42] The share of new stores of Puuilo's net sales growth means the net sales of the new stores during the financial year less the net sales of the stores closed for the financial year.

Wider demographic changes and urbanisation have an effect on Puuilo's strategic decisions to open new stores and relocate existing stores, as well as on the locations of the stores. Puuilo may be required to close or relocate stores due to demographic changes or termination of leases in areas, in which it already has a strong position. Generally, the rental level is higher in the proximity of city centres. Therefore, the distribution of the store locations between countryside and urban centres may lead to an increase in Puuilo's operating expenses and have an effect on its profitability. Puuilo strives to ensure that its stores have good transport connections and good parking facilities.

The Company has an efficient and standardised process for opening new stores that enables it to open several stores annually without having a negative impact on its other business operations. The Company has a separate unit responsible for the preparation of a new or relocated store, including its fixtures, product display and any possible renovations. A profitability projection covering the next six years is prepared for the new store. On average, new stores are profitable after the first full month starting from their opening, as a result of which, all Puuilo's stores opened between 1 February 2017 and 31 January 2021 (excluding Mikkeli store) have had a positive effect on Puuilo's EBITDA for the relevant financial year already in their first full month of operations.[43] The Company opened on average four new stores per financial year between 1 February 2017 and 31 January 2021.

Opening new stores in close proximity to existing stores, may in certain cases lead to a decrease in the sales of the existing stores (so called cannibalisation). This effect in assessed carefully when reviewing new locations and, therefore, such impact has usually been quite limited, and the increase in net sales of the previous stores has continued in parallel with the new stores. The Company assesses either the demand potential or the developments of the demand potential in each location, and thereafter, the exact location is assessed in a way that the stores do not disturb the sales of other stores.

Puuilo's management continuously reviews and analyses Puuilo's possibilities to expand its present store network. In assessing the demand and development potential, Puuilo's management utilises statistics describing demographic and other development, as well as research data produced internally and derived from external sources.

The Company estimates based on the historical performance of stores opened between 2019 and 2021 that the completed investments and initial inventory required for a new store are on average amount to approximately EUR 0.3 million and EUR 1.2 million, respectively, and approximately EUR 1.5 million in total.

Development of the Sales of Private Label Products

A part of Puuilo's strategy is to increasingly offer high-quality Private Label Products to consumers and expand this assortment to cover entire product lines. In recent years, Puuilo has succeeded in increasing the share of Private Label Products of its total net sales. Private Label Products accounted for 14 percent of net sales for the financial year ended 31 January 2019 and 16 percent of net sales for the financial year ended 31 January 2021. This has had a positive effect on the Company's gross profit, and thereby, on the Company's profitability. However, the effect of Private Label Products on the Company's profitability decreases as the volumes grow due to the lower average selling price of the Private Label Products. Higher gross margins result from Puuilo's lower purchase prices for the Private Label Products as compared to branded products. Puuilo continuously monitors and adapts the distribution of the Private Label Products and branded product to ensure that its product assortment attracts the customers as strongly as possible, in order to respond to competitive pressures and to take into account changes in customer preferences. At the same time, Puuilo actively manages its marketing to focus its sales efforts to achieving higher gross margins. Puuilo aims to increase the number and share of Private Label Products in its product assortment and to make Private Label Products cover complete product lines.

Sourcing

The sourcing function has a significant position in Puuilo's strategy to offer its customers high-quality products with low prices. Puuilo's ability to source goods with low prices has an effect both on the Company's product assortment and sales. The Company's historically high gross profit is, in part, based on the competent sourcing function. Puuilo's sourcing strategy includes sourcing products directly from manufacturers and suppliers, which

[43] Based in the 15 latest store openings (excluding the stores which have been opened during the financial year started 1 February 2022). Based on the price margins without taking product losses into account.

decreases the use of agents and wholesalers. As every store offers the same products, Puuilo has been able to benefit from its purchasing power and benefits of scale by acquiring large amounts of products with low prices. When the Company has grown in its size, the negotiating power of its sourcing function has also increased. During the review periods, improved sourcing has had a positive effect on Puuilo's gross margins. See "*Business of the Company — Sourcing and Quality Control — Sourcing*".

Puuilo expects that the gross margins will improve in the long term, assuming that its sourcing volumes will grow, enabling the Company to negotiate of better prices.

Personnel Expenses

The Company's average number of full-time equivalent personnel has increased from 385 employees for the financial year ended 31 January 2019 to 595 employees for the financial year ended 31 January 2021.[44] Direct and indirect personnel expenses are the largest individual expense in the Company's operations. The personnel expenses' share of the Company's net sales were 9.5 percent for the financial year ended 31 January 2021, 10.3 percent for the financial year ended 31 January 2020 and 10.6 percent for the financial year ended 31 January 2019. The Company's store personnel includes store assistants, store managers, assistant store managers, sales support and regional sales managers. The total salary of the Company's employees comprises monthly and hourly wages, wage supplements and the incentives of the store managers. Sales support prepares working hour lists for the employees in accordance with the hour budget and takes care of the settlements and bank transactions. The results, meeting of the performance targets and other material performance measures are monitored in stores and compared between them using short and long term metrics.

In addition to the number of employees, the average salary of the Company's employees has a significant effect on the Company's profitability. The Collective Agreements applied in the Company's sector are binding on the Company. The Commercial Sector's Collective Agreement and the Collective Agreement for Retail Supervisors are applied to the Company's employees, excluding senior salaried employees (21 persons) and the management team (7 persons). Between 2018 and 2021, the average annual wage increases based on the Collective Agreements applied to Puuilo's employees were 1.6 percent (ranging between 1.3 and 2.0 percent annually). Sick leaves and employee turnover have an effect on the profitability and the efficiency of the sales. Puuilo's sick leave percentage (sick leave hours divided by total working hours) increased 0.4 percentage points in the financial year ended 31 January 2021 as compared to the financial year ended 31 January 2020.

Leases of Business Premises

Puuilo's head office is located in leased premises in Vantaa, Finland, and the Company has one leased warehouse in Kajaani, Finland, with a notice period of six months. All of Puuilo's stores except for one are located in leased premises. The lease agreements are in force either until further notice or for a fixed term. In accordance with "IFRS 16 – Leases", a right-of-use asset and a lease liability is recognized in the balance sheet at the inception date of the lease. Each lease payment is allocated between amortisation of the lease liability and finance cost. The right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term or their estimated useful lives from the day they are available for use. For the financial year ended 31 January 2021, depreciation recognized in the income statement for right-of-use assets was EUR 7,417 thousand and interest expenses included in the finance costs were EUR 1,192 thousand. The effect of lease payments on the cash flow statement is shown in cash flows from operating activities in interests of lease liabilities and in cash flows from financing activities in the decrease of lease liabilities. For the financial year ended 31 January 2021, the total amount of these items was EUR 7,633 thousand. Historically, the Company's rental costs per store per square metre of sales area has been low as compared to competitors.[45] Its stores are not located in city centres with high rental level, which has had a positive effect on the Company's profitability. Competition for such premises is intense; their availability is low and Puuilo often faces challenges in finding leasable premises in suitable condition and with suitable rental level. The properties and condition of business premises and buildings suitable for Puuilo vary. The availability of leasable premises with a suitable rental level may also have an effect on the opening of new stores, and, thereby, have both a positive and a negative effect on the Company's net sales.

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[44] Puuilo's full-time employees as at the end of the financial year.

[45] Measures as the average value in relation to a selected group of competitors, including Tokmanni, Clas Ohlson, Rusta, HalpaHalli, Biltema and Bauhaus. Source: Puuilo management analysis based on data derived from Euromonitor database, Planet Retail and Orbis database (Bureau van Dijk).

Puuilo's provisions consists of restoration provisions of leased store sites. Provisions include an estimated cost of restoring the store to its original state (asset retirement obligation). A corresponding item equivalent to the provision is also recognised to property, plant and equipment and subsequently depreciated as part of the assets, during the useful life of the right-of-use asset. The provision and the corresponding item of property, plant and equipment equivalent to the provision are recognised on the balance sheet at the beginning of the lease term, *i.e.,* at the same time as the lease is recognised on the balance sheet.

Provisions for restoration (asset retirement) obligations related to store sites are determined based on the net present value of Puuilo's total estimated unavoidable dismantling costs for restoration obligations. The estimates are based on future estimated level of expenses taking into account the effect of inflation, cost-base development and discounting.

Assumptions are also used in assessing the time periods for which the restoration costs are incurred. Because the actual expenses can differ from estimates due to changes in technology, prices and conditions, and can take place after many years in the future, the carrying amounts of provisions are regularly reviewed and adjusted to take into account any such changes. The Company's management estimates that the restoration obligations will be realised over 3 to 10 years.

As at 30 April 2021, Puuilo's average term of fixed-term lease agreements was 5 years. The agreements have a fixed rent. The majority of Puuilo's lease agreements include a clause for a separate annual rent adjustment or link the rent increase mainly to the consumer price index. Almost half of the Company's lease agreements contain an option to extend the agreement by five years.

Capital Expenditures

Puuilo continuously develops the functions supporting its growth capabilities and monitors actively the need for further investments.

Historically, the Company has made significant investments in its IT systems. These investments include an online trade platform, an internal communications system, a purchase invoice handling system, the cash register system and a HR system. In addition, the Company has invested in its current ERP system. The total investments related to the IT systems amounted to EUR 2,264 thousand between 1 February 2018 and 31 January 2021. In addition, the Company is renewing its ERP-system. Company's management estimates that its ERP system is renewed by early 2022. As a result of the investments made and to be made in these systems, the infrastructure and capabilities enable, among other things, improving the efficiency of the operations and better measurability, as well as improved management of the product assortment and better customer experience.

The Company's investments required for the opening of new stores have historically been low. The Company's management estimates that the opening of a new store requires on average EUR 300 thousand per store mainly for fixed assets, such as shelves, cash registers and equipment. The Company's store premises are leased, except for one, and due to this, the maintenance investments are mainly targeted on fixed assets. Maintenance investments in the fixed assets of the existing stores have historically been low.

Marketing

The volume of marketing has impacted the Company's costs and its brand awareness and, therefore, has had a positive effect on its net sales during the review period. The growth of the Company is mainly driven by the acquisition of new customers, and in addition, the growth of sales is also supported by the high retention rate of the existing customers.

Puuilo relies on its marketing in customer acquisition and improving the awareness of its brand, product assortment and pricing of its products. Marketing comprises, among other things, weekly advertisement leaflets, television and radio advertisements and digital advertising. The Company has increased its advertising volume in print media, expanded its direct mailing and increased the frequency of its direct mailing during the financial years ended 31 January 2021, 31 January 2020 and 31 January 2019.

Puuilo's marketing organization monitors current trends when planning marketing and designing marketing materials. As a result of the transformation of media usage, digital marketing channels have an increasingly important role in Puuilo's marketing strategy. Puuilo aims to increase further, for example, the use of digital channels in order to reach a younger customer base in particular. Consumers study products online to a large extent before making their purchase decision and, therefore, the role of search engine marketing as a part of the Company's marketing has increased significantly in the last years. Puuilo also strives to constantly improve the content and functions of its web site to develop its visibility in search engines and to improve the shopping experience of its customers.

Fluctuation of Interest Rates and Foreign Exchange Rates

Puuilo makes the majority of its purchases in euros, but some of the purchases are made in US dollars, which exposes the Company to the risk of price fluctuation of the products purchased in US dollar. Consequently, fluctuations in foreign exchange rates in relation to the euro, which is Puuilo's reporting currency, have an effect on the Company's results of operations.

Fluctuations in interest rates have an effect on the availability and price of the Company's financing. As at the date of this Offering Circular, all loans from financial institutions of the Company carry a floating interest rate.

As at the date of this Offering Circular, the ratio of net debt to EBITDA excluding listing costs is linked to the covenants of the Company's credit facilities.

However, the Company has negotiated an extensive refinancing arrangement, which will change the terms and conditions of the Company's financing. See below "*— Liquidity and Capital Resources — Loans and Net Debt — Refinancing*".

Development of Net Working Capital

Net working capital provides indications on Puuilo's liquidity and has also an effect on its results of its operations, and, it is impacted by inventory, trade receivables and trade payables, among other things. Puuilo's net working capital[46], amounted to EUR 30,793 thousand as at 31 January 2021, EUR 30,708 thousand as at 31 January 2020 and EUR 30,689 as at 31 January 2019.

Puuilo's supply chain management, which is managed by the sourcing and logistics director, has an effect on the Company's net working capital. Puuilo's success depends on its ability to effectively manage its product flows and inventory levels to satisfy the needs of its customers.

Historically, Puuilo's most important seasons with regards to its net sales have been the second and third quarter of each year. Should Puuilo fail to obtain a suitable volume of products before its best sales seasons start, it may have an inadequate number of products to match customer demand, which may lead to the loss of sales and have a negative impact on its brand and customer loyalty.

Arrival of seasonal products in the warehouse typically have an effect on Puuilo's need for net working capital in the first quarter. Puuilo has typically strengthened the inventory for the winter season during the third quarter, as well as made advance payments for the import of the Private Label Products for the next spring and summer.

Inventory Management

Puuilo's inventory management has an effect on its net working capital. Puuilo's own inventory management helps to decrease operating expenses and aims to optimise warehousing costs. The inventory turnover[47] was 172 days for the financial year ended 31 January 2019, 160 days for the financial year ended 31 January 2020 and 131 days for the financial year ended 31 January 2021. In recent years, the inventory turnover of Puuilo's products has been on a good level. Utilisation of the warehouses of Puuilo's suppliers results in a decrease in the warehousing expenses.

Puuilo's inventory management is based on the inventory management system included in its ERP system, where the inventory levels of each store and warehouse are maintained. The Company has, in addition to the warehouses in its stores, one leased warehouse in Kajaani, Finland, and the Company uses Schenker's warehouse in Vantaa,

[46] Net working capital includes Puuilo's inventories, trade receivables, other receivables and deferred tax assets less trade payables, provisions, deferred tax liabilities, advances received, income tax liabilities and other current liabilities.

[47] Average inventory for the period (average of beginning and ending) / Materials and services * 365.

Finland, but it mainly utilises the warehouses of its suppliers. The Company's sourcing function is responsible for restocking the products in the warehouses. The import department is responsible for restocking Schenker's warehouse, and the purchaser who decided on warehousing of the stock keeping unit is responsible for its restocking in the warehouse in Kajaani, Finland.

Seasonality and Fluctuation of the Customer Volume

Puuilo's business is, in part, seasonal in nature, which increases the importance of efficient management of the supply chain. Puuilo tailors its campaigns to attract customers during the sales seasons, and the advertising in search engines adapts automatically based on demand. As such, there are seasonal peaks in Puuilo's net sales, results of operations and cash flows, despite the retail sector being relatively independent of seasons. Historically, Puuilo's most important seasons in terms of net sales have been the second and third quarter of each year. Additionally, Puuilo's net sales are partly impacted by exceptional, harsh or seasonally atypical weather. Puuilo's net sales may decrease, if the products meant for the season do not get sold as expected. Exceptional weather conditions, such as extremely heavy snow or snowless winters, may also adversely impact customer demand for certain products. Furthermore, if sales during the best sales seasons fall short of estimates, Puuilo may be left with a significant number of unsold seasonal products for which there is little or no demand outside their actual sales season. In such a situation, Puuilo may be forced to resort to price discounts in order to sell excess or slowly moving inventories or to book write-downs due to obsolescence on unsold inventories, which could reduce Puuilo's gross margins.

However, Puuilo's management estimates that the number of visitors is distributed over the week more evenly than with its competitors, i.e. during the working days, the number of visitors is even higher than in the weekends.

Development of the Online Store

Puuilo opened its online store in 2008. The online store's current product assortment is almost the same as in the physical stores, and it includes approximately 30,000 active stock keeping units, which the consumers can order easily online and which have, in consumers' view, low or competitive prices as compared to large online stores.[48] The online store is an important part of Puuilo's omnichannel approach, and with it, Puuilo strives to increase its visibility among consumers, as well as the number of visitors and sales both in its online store and physical stores.

Puuilo's online sales were EUR 7,989 thousand, or 3.3 percent of the Company's total net sales for the financial year ended 31 January 2021, EUR 3,512 thousand, or 2.1 percent of the Company's total net sales for the financial year ended 31 January 2020 and EUR 2,575 thousands, or 1.9 percent of the Company's total net sales for the financial year ended 31 January 2019 and EUR 1,906 thousand, or 1.7 percent of the Company's total net sales for the financial year ended 31 January 2018. The net sales of the online store have increased by 76.1 percent on average (CAGR) between the financial years ended 31 January 2019 and 31 January 2021. The increase was due to the increased brand awareness of Puuilo and the fact that the Company has placed its whole product assortment in the online store as well as modernized its website.

Recent Events

In addition to the events presented below, there has been no significant changes in Puuilo's financial position or results of operations between 30 April 2021 and the date of this Offering Circular.

- In June 2021, the Company's shares have been entered into the Finnish book-entry system.
- On 6 May 2021, the annual general meeting of shareholders adopted the Company's statutory financial statements as at and for the financial year ended 31 January 2021. The annual general meeting of shareholders decided according to the proposal made by the board of directors that no dividend shall be distributed and the result for the financial year is transferred to retained earnings.
- The annual general meeting elected Mammu Kaario as a new member of the board of directors. Timo Mänty, Gustav Bard, Tomas Franzén, Rasmus Molander and Markku Tuomaala shall continue as members of the board of directors. PricewaterhouseCoopers Oy, Authorised public accountants who had elected authorised public accountant Enel Sintonen as the main responsible auditor, will continue as the auditor.

[48] Source: Consumer Survey conducted by Taloustutkimus, commissioned by the Company in March 2021.

- The annual general meeting decided to change Puuilo Invest I Oy's name to Puuilo Ltd.
- The annual general meeting decided on a free-of-charge share issue. In the free-of-charge share issue, the shareholders will be given new shares without consideration in relation to their previous ownership in a manner that they shall receive one (1) new share for each share they own. The new shares were registered in to the Finnish Trade Register maintained by the Finnish Patent and Registration Office (the "**Trade Register**") on 14 May 2021.
- The shareholders unanimously decided on 1 June 2021 to change the company form from a private company to a public company and to change the Company's name from Puuilo Ltd to Puuilo Plc. The change was registered to Trade Register on 4 June 2021.
- The shareholders unanimously decided on 1 June 2021 to remove the redemption, consent and arbitration clauses from the articles of association. The decision is conditional on the Listing.
- The shareholders unanimously decided on 1 June 2021 to increase the share capital to EUR 80,000. The change was registered to Trade Register on 4 June 2021.
- The shareholders unanimously decided on 1 June 2021 to authorise the board of directors to decide on a share issue (so called IPO authorisation and an authorisation on other share issue and/or option agreement), purchase of own shares and listing measures.
- The Company has entered into an EUR 90 million refinancing agreement for the group. The new loans consist of a EUR 70.0 million term loan and a EUR 20.0 million revolving credit facility. The Company's existing loans from financial institutions will be refinanced with floating interest rate term loans under the New Financing Agreement. More information on the New Financing Agreements, see "*—Liquidity and Capital Resources— Loans and Net Debt — Refinancing*".

Outlook

The Company estimates that the market development and demand for its products will remain favorable. Additionally, discount retailers' and the Company's market share are believed to continue to in-crease. However, the COVID-19 pandemic continues to create uncertainty in the market and the Company expects this uncertainty to continue throughout 2021. In particular, the lifting of travel or other restrictions, lockdowns or quarantines may affect the demand for the Company's products.

The Company intends to continue to grow its store network and further develop its online store. The Company has as at the date of this Offering Circular opened new stores during 2021 in Rauma, Finland, Imatra, Finland and Vaasa, Finland. The Company plans to open one additional new store during 2021 in Laajalahti, Espoo, Finland.

Key Income Statement Items

Net Sales

Puuilo's stores and online store sells building supplies, tools, car accessories, garden accessories, pet food and accessories, and household products. Net sales mainly consist of sale of goods. The Group sells products in its stores and through its online store. Net sales are recognised at the point in time when control over the goods is transferred to the customer i.e. when the product is handed over to the customer.

Other Operating Income

Puuilo presents as other income, rent income, gains on disposal of tangible and intangible assets, and other income that are not directly related to the Company's ordinary business operations. Rent income consists mainly from the outdoor sales areas located next to the stores.

Materials and Services

Materials and services consist of the direct cost of goods sold and the services directly related to the goods sold during the financial year. Foreign exchange differences arising from purchases are recognised within the appropriate line item above operating profit.

Personnel Expenses

Wages and salaries comprise mainly of fixed monthly salaries and hourly wages paid to employees. Other indirect employee costs include pension expenses and other social security expenses. The pension plan of Puuilo is a defined contribution plan.

Other Operating Expenses

Other operating expenses include expenses other than the cost of goods sold, such as administration costs, maintenance costs of the business premises, marketing costs as well as ICT expenses. Other operating expenses also include potential losses on the disposal of tangible and intangible assets. Foreign exchange differences arising from purchases are recognised within the appropriate line item above operating profit.

Depreciation and amortisation

Intangible assets are amortised on a straight-line basis over their estimated useful lives. Depreciation of tangible assets is calculated on straight-line basis over the estimated useful life of the asset or, in case of leasehold improvements and leased assets, over the term of the lease or the useful life of the asset, whichever is shorter. The estimated useful lives are as follows:

Puuilo trademark	20 years
Software and licenses	5 years
Buildings	15 to 30 years
Machinery and equipment	3 to 10 years
Other tangible assets	5 to 10 years
Leased assets	
Machinery and equipment	3 to 5 years
Stores	5 to 10 years
Offices	1 to 4 years

Operating Profit

Operating profit is the net amount calculated by adding other operating income to the net sales and subtracting from its materials and services, personnel expenses, depreciation, amortisation and impairment and other operating expenses. All other items of the income statement than mentioned above are presented below the operating profit.

Finance Income and Costs

Finance costs consist of interest expenses on loans from financial institutions, interest expenses on lease liabilities and fair value gains or losses on the interest rate swap. Transaction costs related to loans are recognised in the income statement using the effective interest method.

Income Tax

Income tax include the tax payable on the taxable income for the financial year, using tax rates in effect in Finland from time to time, restatements related to taxes on previous periods and changes in the deferred tax assets and liabilities during the financial year.

Profit for the Period

Profit for the period is the operating profit deducted by income tax and other items presented under the operating profit, such as finance income and cost.

Results of Operations for the Financial Years Ended 31 January 2021, 31 January 2020 and 31 January 2019, as well as for the Three Months Ended 30 April 2021 and 30 April 2020

(EUR in thousands, unless otherwise indicated)	1 Feb 21 - 30 Apr 21	1 Feb 20 - 30 Apr 20	1 Feb 20 - 31 Jan 21	1 Feb 19 - 31 Jan 20 (restated)	1 Feb 18 - 31 Jan 19	Change Q1 21/ Q1 20	Change 21/20	Change 20/19	Change, % Q1 21/ Q1 20	Change, % 21/20	Change, % 20/19
	(unaudited)			(audited)		(EUR in thousands, unaudited)			(%, unaudited)		
Net sales	58,384	48,064	238,721	170,483	136,228	10,320	68,239	34,255	21.5	40.0	25.1
Other operating income	66	24	562	209	147	42	353	62	174.9	169.1	41.8
Materials and services	-37,064	-30,287	-151,586	-110,306	-89,091	- 6,777	-41,280	-21,215	22.4	37.4	23.8
Personnel expenses	-6,297	-5,259	-22,667	-17,619	-14,470	- 1,038	-5,048	-3,149	19.7	28.6	21.8
Other operating expenses	-5,108	-3,321	-13,781	-10,845	-8,004	-1,786	-2,937	-2,840	53.8	27.1	35.5
Depreciation, amortization and impairments	-2,693	-2,252	-9,746	-8,973	-6,941	-441	-774	-2,032	19.6	8.6	29.3
Operating profit	**7,289**	**6,970**	**41,503**	**22,949**	**17,869**	**319**	**18,554**	**5,080**	**4.6**	**80.9**	**28.4**
Total finance income and costs	-1,194	-1,201	-5,534	-3,900	-2,471	7	-1,633	-1,430	-0.6	41.9	57.9
Profit before taxes	**6,095**	**5,769**	**35,969**	**19,048**	**15,398**	**326**	**16,921**	**3,650**	**5.7**	**88.8**	**23.7**
Total income tax expense	-1,220	-1,154	-7,184	-3,812	-3,090	-66	-3,372	-722	5.7	88.5	23.4
Profit for the period	**4,875**	**4,615**	**28,785**	**15,236**	**12,308**	**260**	**13,549**	**2,928**	**5.6**	**88.9**	**23.8**

Net Sales

Puuilo's net sales increased in each period presented. The increase in net sales for the three months ended 30 April 2021 as compared to the three months ended 30 April 2020 was mainly due to an increase in customer volumes [49], an increase in the average basket size of customers, the opening of new stores and the growth of the online store. The customer volume increased by 17.6 percent in the three months ended 30 April 2021, 29.5 percent in the financial year ended 31 January 2021, 25.4 percent in the financial year ended 31 January 2020 and 19.4 percent in the financial year ended 31 January 2019.

The increase in the net sales for the financial years ended 31 January 2021, 31 January 2020 and 31 January 2019 was mainly due to an increase in like-for-like net sales, an increase in the number of customers and an increase in sales resulting from the opening of new stores as well as growth of the online store. The increase in net sales was also affected by an increase in the average basket size.

Puuilo opened two new stores in the three months ended 30 April 2021, and two new stores in the three months ended 30 April 2020. Puuilo opened three new stores in the financial year ended 31 January 2021, four new stores in the financial year ended 31 January 2020 and four new stores in the financial year ended 31 January 2019.

Like-for-like store net sales growth was 12.8 percent for the three months ended 30 April 2021. Like-for-like store net sales growth was 24.4 percent for the financial year ended 31 January 2021, 5.6 percent for the year ended 31 January 2020 and 7.0 percent for the year ended 31 January 2019.

Online sales increased by 20.9 percent to EUR 2,474 thousand for the three months ended 30 April 2021, as compared to the three months ended 30 April 2020. Online sales increased by 127.5 percent to EUR 7,989 thousand for the financial year ended 31 January 2021, as compared to the financial year ended 31 January 2020 and by 36.4 percent to EUR 3,512 thousand for the financial year ended 31 January 2020, as compared to the online net sales of EUR 2,575 thousand for the financial year ended 31 January 2019.

The net sales growth of the online store and the like-for-like stores for the three months ended 30 April 2021 and the financial year ended 31 January 2021 was also impacted by the change the consumption of the Finnish

[49] The Company measures its customer volume on the basis of the number of receipts.

households towards the home and domestic consumption during the COVID-19 pandemic and Puuilo's marketing efforts. In addition, increased brand awareness of Puuilo and the general growth trend in the market share of discount retailers had an effect on the increase in net sales. The like-for-like store net sales growth for the financial years ended 31 January 2020 and 31 January 2019 was impacted by, in particular, increased brand awareness of Puuilo and an increase in the customer volumes thereby, as well as the general growth trend in the market share of discount retailers. Increase in online sales for the financial years ended 31 January 2021 and 31 January 2020 was impacted by the broadening of the range of products in the online store.

Operating Profit

The increase in the operating profit for the three months ended 30 April 2021 as compared to the three months ended 30 April 2020 was mainly due to an increase in net sales.

The increase in operating profit for the financial years ended 31 January 2021, 31 January 2020 and 31 January 2019 was mainly due to an increase in net sales, and operating profit increased in line with the net sales. The financial year ended 31 January 2021 was an exception to this, as the increase of net sales was also impacted by the COVID-19 pandemic and the Company's operating profit increased significantly more than net sales due to, in particular, the improved gross profit and lower operating expenses in relation to net sales.

Puuilo's gross profit denominated in euros increased for the three months ended 30 April 2021 as compared to the three months ended 30 April 2020 mainly due to an increase in net sales. Operating profit in relation to net sales decreased during the three months period ended 30 April 2021 as compared to the three months ended 30 April 2020 when the effect of the sudden demand for personal protective equipment and sanitizers, caused by the COVID-19 pandemic, impacted positively on gross profit.

The increase in gross profit for the financial years ended 31 January 2021, 31 January 2020 and 31 January 2019 was mainly due to an increase in the relative share of Private Label Products.

The materials and services included in the gross profit increased for the financial years ended 31 January 2021, 31 January 2020 and 31 January 2019 mainly due to an increase in the costs from purchasing the products sold as a result of the increase in net sales.

The increase in Puuilo's personnel expenses for the three months ended 30 April 2021 as compared to the three months ended 30 April 2020 was mainly due to an increase in the number of employees resulting from the opening of new stores and an increase in the number of employees in existing stores. Puuilo also continued to strengthen its group administration. The personnel expenses increased for the financial years ended 31 January 2021, 31 January 2020 and 31 January 2019. The increase was mainly due to an increase in the number of Puuilo's employees relating both to the opening of new stores and an increase in the number of the employees in the existing stores in line with the increase in net sales of the stores. In addition, the Group administration has been strengthened to match Puuilo's expansion during the periods presented.

The increase in Puuilo's other operating expenses for the three months ended 30 April 2021 as compared to the three months ended 30 April 2020 was mainly due to an increase in the marketing expenses and the EUR 1,147 thousand listing costs and administration fees included in the operating profit. The increase in other operating expenses for the financial years ended 31 January 2021, 31 January 2020 and 31 January 2019 was mainly due to the increase in IT costs, credit card commissions, maintenance costs of the premises and the marketing expenses. The increase in the expenses was due to an increase in the number of Puuilo's stores and the increased marketing efforts in relation to the net sales. The depreciation of tangible assets increased for the financial years ended 31 January 2021, 31 January 2020 and 31 January 2019 mainly due to the depreciation of the right-of-use assets recognised in connection with the lease agreements for the new stores. There were no significant changes in the amortization of intangible assets for the financial years ended 31 January 2021, 31 January 2020 and 31 January 2019. For the financial year ended 31 January 2020, an impairment of EUR 374 thousand related to the IT system was recognised in the intangible assets.

The operating profit for the financial years ended 31 January 2021, 31 January 2020 and 31 January 2019 included EUR 553 thousand, EUR 646 thousand and EUR 203 thousand, respectively, special expenses affecting the comparability related to Puuilo's strategic projects and administration costs, such as the costs related to the IFRS conversion and the reorganization of the capital structure.

Profit for the Period

The increase in the profit for the period for the three months ended 30 April 2021 as compared to the three months ended 30 April 2020 and the increase in the profit for the financial years ended 31 January 2021, 31 January 2020 and 31 January 2019 was mainly based on the increase in net sales and operating profit as described above. The profit for the period increased in line with the net sales growth, except for the financial year ended 31 January 2021, when the gross profit improved and the decrease in operating expenses in relation to net sales had an effect on the profit for the period. The finance cost included in Puuilo's profit for the period increased for the financial year ended 31 January 2021 as compared to the financial year ended 31 January 2020 due to the financing agreement renewed by the Company. The Company also drew down a new loan in the financial year ended 31 January 2020, which increased finance costs as compared the financial year ended 31 January 2019. In the periods presented, the Company's income tax increased due to an increase in income before tax, and the Company's effective tax rate was 20 percent throughout the periods presented.

EBITA and adjusted EBITA[50]

The following table sets forth Puuilo's EBITA and adjusted EBITA as reconciliated with Puuilo's operating profit and the changes for the periods incidacted[1]:

(EUR in thousands, unless otherwise indicated)	1 Feb 2021-30 Apr 2021	1 Feb 2020-30 Apr 2020	1 Feb 2020-31 Jan 2021	1 Feb 2019-31 Jan 2020 (restated)	1 Feb 2018-31 Jan 2019
	(unaudited)		(unaudited, unless otherwise indicated)		
Operating profit	7,289	6,970	41,503[2]	22,949[2]	17,869[2]
Amortisation of trademark[4]	283	283	1,131[2]	1,131[2]	1,131[2]
EBITA	**7,572**	**7,253**	**42,634**	**24,079**	**19,000**
Items affecting comparability[3]	1,147	228	553	646	203
Adjusted EBITA	**8,719**	**7,480**	**43,187**	**24,725**	**19,203**

[1] The Company monitors several key performance measures which it uses to measure the performance of its operations. These key performance measures include non-IFRS-based measures. The definitions of these alternative performance measures and the reconciliation thereof is presented in "*Selected Financial Information — Calculation of Certain Alternative Performance Measures and Other Key Figures*" and "*Selected Financial Information — Reconciliation of Certain Alternative Performance Measures*".
[2] Audited.
[3] For more information on items affecting comparability, see "*Selected Financial Information — Calculation of Certain Alternative Performance Measures and Other Key Figures*".
[4] Amortisation of intangible rights in financial statements.

The increase in EBITA and adjusted EBITA for the three months ended 30 April 2021 as compared to the three months ended 30 April 2020 was mainly due to the increase in net sales. The increase in EBITA and adjusted EBITA for the financial years ended 31 January 2021, 31 January 2020 and 31 January 2019 was mainly due the increase in net sales, as EBITA increased in line with the increase in net sales. The financial year ended 31 January 2021 was an exception to this as the increase in net sales was also affected by the COVID-19 pandemic as also the Company's EBITA and adjusted EBITA increased significantly more than the increase in net sales also due to the increase in gross profit and the decrease in operating expenses in relation to net sales. Also, the factors described in "*– Operating profit*" had an effect on the increase in EBITA and adjusted EBITA.

Liquidity and Capital Resources

General

Puuilo's liquidity has historically been based on the cash flow from operating activities and loans from financial institutions. Puuilo's main liquidity needs arise from the business operations, investments, service of debts, management of working capital, payment of dividends and taxes.

[50] Calculations for EBITA and adjusted EBITA can be found in "*Selected Financial Information – Calculation of Certain Alternative Performance Measures and Other Key Figures*".

Puuilo's cash and cash equivalents amounted to EUR 15,037 thousand and loans from financial institutions amounted to EUR 89,991 thousand as at 30 April 2021. In addition, Puuilo's lease liabilities amounted to EUR 42,600 thousand as at 30 April 2021. Puuilo has an unused credit limit of EUR 2,300 thousand which was not in use as at 30 April 2021.

The Company's cash flows are described below for the periods presented in this Offering Circular. After three months ended 30 April 2021 and before the date of this Offering Circular, there have not been significant changes in the Company's cash flows. Puuilo's liquidity is also affected by, for example, payment of trade payables and the turnover of inventory. Puuilo's net working capital is described in "— *Balance sheet information — Net Working Capital*" below.

Puuilo has negotiated an extensive new financing agreement with two Nordic financial institutions. Under the New Financing Agreement, Puuilo's current loans from financial institutions will be replaced by new EUR 70 million term loan, which is repaid in one instalment, and which is due 36 months from the first date of withdrawal of the loan. A EUR 20 million revolving credit facility, which can be used to financing of the working capital and refinancing of loans under Current Financing Agreement, will also be available to Puuilo. The New Financing Agreement is conditional on, amongst other things, the execution of the listing. The details of the New Financing Agreement are described in more detail under "— *Loans and Net Debt — Refinancing*" below.

Cash Flows

The following table sets forth a summary on Puuilo's cash flows for the three months ended 30 April 2021 and 30 April 2020, as well as for the financial years ended 31 January 2021, 31 January 2020 and 31 January 2019:

						Change		
(EUR in thousands, unless otherwise indicated)	**1 Feb 21– 30 Apr 21**	**1 Feb 20– 30 Apr 20**	**1 Feb 20– 31 Jan 21**	**1 Feb 19– 31 Jan 20 (restated)**	**1 Feb 18– 31 Jan 19**	**Q1 21/ Q1 20**	**21/20**	**20/19**
	(unaudited)			**(audited)**		**(EUR in thousands, unaudited)**		
Net cash flows generated from operating activities	6,722	6,664	36,996	24,110	9,580	58	12,887	14,530
Net cash flows used in investing activities	-1,065	-847	-2,648	-2,397	-1,977	-218	-251	-420
Net cash flows used in financing activities	-1,774	-2,920	-32,871	-16,820	-8,254	1,146	-16,052	-8,566
Net increase (+)/(-) decrease in cash and cash equivalents	**3,882**	**2,896**	**1,476**	**4,893**	**-651**	**986**	**-3,416**	**5,544**
Cash and cash equivalents at the beginning of the period	11,154	9,678	9,678	4,785	5,437	1,476	4,893	-651
Cash and cash equivalents at the end of period	**15,037**	**12,574**	**11,154**	**9,678**	**4,785**	**2,463**	**1,476**	**4,893**

Cash Flows From Operating Activities

For the three months ended 30 April 2021, the net cash flows from operating activities were on the same level as for the three months ended 30 April 2020 mainly due to working capital bound by inventory increase. The increase in net cash flows from operating activities for the financial years ended 31 January 2021, 31 January 2020 and 31 January 2019 was mainly due to the increase in net sales and the Company's improved profitability.

Cash Flows from Investing Activities

For the three months ended 30 April 2021 and for the financial years ended 31 January 2021, 31 January 2020 and 31 January 2019, the net cash flows from investing activities mainly related to IT systems as well as repairs and modifications in the old and new stores and acquisition of fixtures for the stores.

Cash Flows from Financing Activities

The net cash flows from financing activities for the three months ended 30 April 2021 mainly related to lease payments related to the lease liabilities.

The net cash flows from financing activities for the financial year ended 31 January 2021 was impacted by the refinancing of Puuilo's loans from financial institutions, where Puuilo drew down new loans in the amount of EUR 100,000 thousand and repaid old loans from financial institutions in their entirety. The Company also paid dividends of EUR 50,130 thousand and made a capital repayment of EUR 1,967 thousand for the financial year ended 31 January 2021. In addition, Puuilo paid lease payments related to the lease liabilities.

The net cash flows from financing activities for the year ended 31 January 2020 was mainly impacted by the draw-down of a new loan from financial institutions, as well as the repayment of capital and distribution of dividends in connection with the redemption and cancellation of preferred shares. In addition, Puuilo made repayments of its loans from financial institutions and paid lease payments related to its lease liabilities.

The net cash flow from financing activities for the financial year ended 31 January 2019 included amortisation of loans from financial institutions and lease payments related to the lease liabilities.

Capital Expenditure

Puuilo started in year 2020 the preparations for implementation of a new ERP system. The target is to begin using the new ERP in the beginning of 2022. The estimated total amount of this investment is approximately EUR 2,700 thousand of which approximately EUR 2,500 thousand is estimated to be recognised in the financial year ending 31 January 2022. The investment will be financed with the cash flows from operating activities.

Puuilo has disclosed that it will open a new store in Laajalahti, Espoo, Finland during the financial year ending 31 January 2022 and, it also opened a new store in Vaasa on 11 February 2021. A store was opened in Imatra on 15 April 2021 and in Rauma, Finland on 3 June 2021. The new store to be opened requires purchasing of various equipment and fixtures. The Company finances these investments with its existing cash and cash equivalents.

For more information on Puuilo's investments for the three months ended 30 April 2021 and for the financial years ended 31 January 2021, 31 January 2020 and 31 January 2019, see above "— *Cash Flows — Cash Flow from Investing Activities*" above.

Loans and Net Debt

The following table sets forth Puuilo's non-current and current loans and net debt, as well as their changes as at 30 April 2021, 31 January 2021, 31 January 2020 and 31 January 2019:

	30 Apr 2021	31 Jan 2021	31 Jan 2020 (restated)	31 Jan 2019	Change Q1/21	Change 21/20	Change 20/19
(EUR in thousands, unless otherwise indicated)	**(unaudited)**		**(audited)**		**(EUR in thousands, unaudited)**		
Non-current interest-bearing liabilities							
Loans from financial institutions	79,991	79,888	-	-	103	79,888	-
Lease liabilities	35,179	35,809	31,232	28,201	-631	4,577	3,032
Total non-current interest-bearing liabilities	**115,170**	**115,697**	**31,232**	**28,201**	**-527**	**84,465**	**3,032**
Current interest-bearing liabilities							
Loans from financial institutions	10,000	10,000	65,333	51,545	-	-55,333	13,788
Lease liabilities	7,422	7,246	5,850	4,929	176	1,395	921
Total current interest-bearing liabilities	**17,422**	**17,246**	**71,184**	**56,474**	**176**	**-53,938**	**14,709**

(EUR in thousands, unless otherwise indicated)	30 Apr 2021	31 Jan 2021	31 Jan 2020 (restated)	31 Jan 2019	Change Q1/21	21/20	20/19
	(unaudited)		(audited)		(EUR in thousands, unaudited)		
Total interest-bearing liabilities	**132,592**	**132,943**	**102,416**	**84,675**	**-351**	**30,527**	**17,741**
Cash and cash equivalents	-15,037	-11,154	-9,678	-4,785	-3,882	-1,476	-4,893
Net debt	**117,555**	**121,789**	**92,738**	**79,890**	**-4,233**	**29,051**	**12,848**

Maturity analysis for the lease liabilities, contractual undiscounted cash flows

(EUR in thousands)	30 Apr 2021	31 Jan 2021	31 Jan 2020	31 Jan 2019
Less than one year	8,580	8,418	6,874	5,840
From one to five years	26,788	26,451	22,525	19,569
Over five years	11,646	12,807	11,767	11,764
Total	**47,013**	**47,676**	**41,166**	**37,173**

Net Debt

Puuilo's non-current financial liabilities consist mainly from interest-bearing liabilities including loans from financial institutions and lease liabilities.

The Group's current financing has been withdrawn under the guaranteed senior loan facility agreement entered as at 20 December2019 and the loans under the facility have been withdrawn during the financial year ended 31 January 2021 (**"Current Financing Agreement"**). The loans withdrawn under the Current Financing Agreement are due at the beginning of 2024. Under the Current Financing Agreement, the Company has withdrawn in total EUR 100 million term loan facilities of which EUR 40 million are amortizing loans and EUR 60 million bullet loans repayable at the maturity date of the Current Financing Agreement. The interest rate margin of the loans under the Current Financing Agreement is tied to the ratio of total debt and EBITDA. The interest rate of the loans under the Current Financing Agreement comprises a reference rate (EURIBOR) added with a margin.

The Company and its subsidiaries repaid all their prior loans from financial institutions with the loans withdrawn under the Current Financing Agreement. The Current Financing Agreement contains financial covenants, which measures capital expenditure, ratio of cash flows to debt service costs and the ratio of net debt to EBITDA. Due to the loans withdrawn under the Current Financing Agreement, the total amount of the Company's loans from financial institutions increased during the financial year ended 31 January 2021. The Company has also a EUR 7,900 thousand revolving credit facility, which is due in 2024. Of the revolving credit facility EUR 2,300 thousand is usable to finance business operations, together EUR 4,600 thousand is used for guarantees for the Company's lease and rent liabilities and EUR 1,000 thousand is usable to factoring facilities if needed.

Puuilo's non-current loans amounted to EUR 89,991 thousand as at 30 April 2021. Thereafter, Puuilo has negotiated a new financing agreement conditional on the completion of the listing, under which Puuilo will re pay its current loans and will withdraw a new EUR 70 million term loan and a EUR 20 million revolving credit facility will be available to Puuilo. For more information, see "*— Refinancing" below.*

The non-current loans from financial institutions increased for the financial year ended 31 January 2021 as compared to the previous financial year. The change was mainly caused by the new withdrawn loan from financial institutions and the classification of loans from financial institutions as current during the previous financial years as well as due to increased lease liabilities. Puuilo's loans from financial institutions were classified as current in the financial statements for the financial years ended 31 January 2020 and 31 January 2019, for the financial statement for the year ended 31 January 2020 due to the group contribution received by the parent company which was prohibited by the loan terms and for the financial statement for the financial year ended 31 January 2019 due to the breach of a capital expenditure covenant. For both of the loan term breaches, the Company has received the approval from the main financier based on the Company's formal request after the date of the financial statements.

For a more detailed explanation, see note 5.1. to the audited consolidated financial statements.

The growth of lease liabilities for the financial years ended 31 January 2021, 31 January 2020 and 31 January 2019 is mainly caused by the lease agreements of the new stores.

Refinancing

Puuilo has together with Puuilo Stores Ltd negotiated a comprehensive refinancing arrangement. On 9 June 2021, the Company and Puuilo Stores Ltd have signed, as borrowers, a new EUR 90 million financing agreement related to the refinancing of the group with two Nordic financial institutions (the "**New Financing Agreement**"). The loans under the New Financing Agreement consist of a EUR 70.0 million term loan facility and a EUR 20.0 million revolving credit facility. The debt under the Company's Current Financing Agreements will be refinanced with floating interest-rate term loans under the New Financing Agreement. The revolving credit facility can also be used to refinance the loans under the Current Financing Agreement as well as to finance Puuilo Stores Ltd's ordinary business and working capital requirements. The term loans can be withdrawn after the Listing until 30 July 2021. The overdraft facility can be withdrawn after the listing during the loan-period until one month from the due date of the New Financing Agreement. The loans under the New Financing Agreement are due after 36 months from the first date of withdrawal of the loan and each loan's due date can be extended with a separate agreement by the lender. The term loan will be repaid fully on the due date.

The loans under the New Financing Agreement can be withdrawn after the listing, assuming that the normal preconditions to withdraw the loans are fulfilled, including the release of the guarantees given under the loans of the Current Financing Agreement.

The New Financing Agreement includes conventional debt covenants, assurances as well as conditions relating to the termination of the loans. The financial covenants related to the New Financing Agreement measures the Company's indebtedness with a net debt to EBITDA ratio, excluding listing expenses. The interest rate of the loans under the New Financing Agreement are tied to Company's net debt to EBITDA ratio. Additionally, the Company and Puuilo Stores Ltd have given a cross-guarantee for each other's liabilities under the New Financing Agreement. The New Financing Agreement includes also other conventional conditions for similar financing agreements. The loans under the New Financing Agreement are unguaranteed.

Balance Sheet Information

Assets

The following table sets forth Puuilo's non-current assets and their change as at 30 April 2021, 31 January 2021, 31 January 2020 and 31 January 2019:

					Change		
(EUR in thousands, unless otherwise indicated)	**30 Apr 2021**	**31 Jan 2021**	**31 Jan 2020 (restated)**	**31 Jan 2019**	**Q1/21**	**21/20**	**20/19**
	(unaudited)		**(audited)**			**(EUR in thousands, unaudited)**	
Non-current assets							
Goodwill	33,540	33,540	33,540	33,540	-	-	-
Trademark	16,535	16,818	17,949	19,079	-283	-1,131	-1,131
Other intangible assets	1,412	1,412	1,042	934	0	370	108
Property, plant and equipment	2,459	2,234	2,044	1,965	225	190	80
Right-of-use assets	43,670	43,901	37,676	33,894	-230	6,224	3,782
Deferred tax assets	449	624	320	201	-174	304	119
Total non-current assets	**98,066**	**98,528**	**92,571**	**89,614**	**-462**	**5,957**	**2,957**

Puuilo's non-current assets comprise goodwill, other intangible assets, tangible assets, right-of-use assets and deferred tax assets. The goodwill arose in 2015 when Adelis Equity Partners Fund I AB acquired control in Puuilo. Intangible assets mainly comprise the Puuilo trademark and the capitalised costs related to the ERP system and other IT systems. Tangible assets mainly comprise equipment and fixtures of the stores. Right-of-use assets mainly comprise the leases agreements for the stores and leased machinery and equipment. During the periods presented, there were no material changes in the non-current assets, except for the right-of-use assets, which increased due to the lease agreements of the new store premises between the financial years.

__Net Working Capital__

The following table sets forth Puuilo's net working capital and its change as at 30 April 2021, 31 January 2021, 31 January 2020 and 31 January 2019:

(EUR in thousands, unless otherwise indicated)	30 Apr 2021 (unaudited)	31 Jan 2021	31 Jan 2020 (restated) (audited)	31 Jan 2019	Change Q1/21	21/20 (EUR in thousands, unaudited)	20/19
Net working capital							
Inventories	67,016	58,514	50,205	46,670	8,502	8,309	3,535
Trade receivables	3,229	4,155	2,342	2,297	-926	1,813	44
Deferred tax assets	449	624	320	201	-174	304	119
Other receivables	1,934	1,073	723	1,228	861	350	-505
Trade payables	-23,338	-15,172	-10,969	-8,409	-8,165	-4,203	-2,561
Provisions	-636	-616	-533	-453	-20	-83	-80
Deferred tax liabilities	-3,528	-3,607	-3,619	-3,853	79	12	234
Advances received	-148	-151	-173	-145	3	22	-28
Income tax liabilities	-3,579	-3,499	-565	-978	-80	-2,934	413
Other current liabilities	-9,676	-10,526	-7,023	-5,870	850	-3,503	-1,153
Total net working capital	**31,723**	**30,793**	**30,708**	**30,689**	**930**	**85**	**19**

Puuilo's net working capital comprises inventory, trade and other payables, trade and other receivables, provisions, deferred taxes and income tax liabilities.

The increase in the net working capital for the three months ended 30 April 2021 as compared with the balance sheet 31 January 2021, was mainly due to an increase in inventories, which was offset by the increase in trade payables.

The increase in net working capital for the financial years ended 31 January 2021 and 31 January 2020 was mainly due to the increase in the inventory as a result of the growth of the business, which was offset by the increase in trade payables and other liabilities**.**

__Equity__

The following table sets forth Puuilo's equity and its change as at 30 April 2021, 31 January 2021, 31 January 2020 and 31 January 2019:

(EUR in thousands, unless otherwise indicated)	30 Apr 2021 (unaudited)	31 Jan 2021	31 Jan 2020 (restated) (audited)	31 Jan 2019	Change Q1/21	21/20 (EUR in thousands, unaudited)	20/19
Equity							
Share capital	3	3	3	3	-	-	-
Reserve for invested unrestricted equity	-	-	1,967	23,998	-	-1,967	-22,030
Retained earnings	6,907	-21,878	13,015	3,901	28,785	-34,893	9,114
Profit for the period	4,875	28,785	15,236	12,308	-23,910	13,549	2,928
Total equity	**11,785**	**6,909**	**30,222**	**40,209**	**4,875**	**-23,312**	**-9,987**

As at the date of the Offering Circular, Puuilo's equity comprises share capital, retained earnings and profit for the period.

The increase in Puuilo's equity for the three months ended 30 April 2021 as compared to the financial year ended 31 January 2021 was mainly due to the profit for the financial period that ended on 30 April 2021.

The decrease in Puuilo's equity for the financial year ended 31 January 2021 as compared to the financial year ended 31 January 2020 was due to the two distributions of dividends totalling EUR 50,130 thousand and the repayment of capital from the invested unrestricted equity. Profit for the period increased the equity.

The decrease in Puuilo's equity for the financial year ended 31 January 2020 as compared to the financial year ended 31 January 2019 was mainly due to the repayment of the subscription price related to the redemption of Puuilo's preferred shares and the payment of dividends accrued on the preferred shares and the transfer tax, repayment of capital from the invested unrestricted equity and the distribution of dividends. After the redemption, the shares were annulled and the articles of association were changed accordingly. Profit for the period increased the equity.

Companies in the Puuilo Group did not hold any treasury shares as at 30 April 2021, 31 January 2021, 31 January 2020 or 31 January 2019.

Off-balance Sheet Liabilities

Puuilo's contingent liabilities consist of loan collaterals and lease liabilities for the leases with lease term beginning after the end of the financial year and, therefore, are not recorded in the balance sheet.

The following table sets forth Puuilo's off-balance sheet liabilities as at 30 April 2021, 31 January 2021, 31 January 2020 and 31 January 2019:

(EUR in thousands, unless otherwise indicated)	**30 Apr 2021**	**31 Jan 2021**	**31 Jan 2020**	**31 Jan 2019**
	(unaudited)		**(audited)**	
Mortgages given on own behalf				
Property mortgages given on own behalf	4,458	4,439	4,439	4,439
Enterprise mortgages given on own behalf	220,740	220,759	161,164	143,664
Total mortgages given on own behalf	**225,198**	**225,198**	**165,603**	**148,103**
Liabilities for which pledges and mortgages have been given				
Loans from financial institutions	91,000	91,000	65,333	51,545
Liability for lease agreements that will enter into force in the future	11,304	9,755	12,036	8,470

Financial Risk Management

The Group's operation exposes it to a variety of financial risks: foreign exchange risk, cash flow interest rate risk, credit risk and liquidity risk. The Group's financial risk management strives to ensure liquidity and minimise potential adverse effects of market fluctuations and unpredictability to the Group's financial performance, balance sheet and cash flows.

The Board of Directors provides the principles for overall risk management. The Group Management Team is responsible for the practical implementation of the financial risk management. This includes the identification and assessment of risks and the tools needed to protect them.

Foreign Exchange Rate Risk

Puuilo is exposed to exchange rate risks through its purchases of goods. Unfavourable changes in foreign exchange rates may increase the cost of products purchased in currencies other than the euro, and Puuilo may not be able to pass on all such costs to its customers. Puuilo's main foreign currency is the US dollar. For the financial year ended 31 January 2021, approximately 90 percent of Puuilo's purchases were made in euros and approximately 10 percent in US dollars. Puuilo does not hedge its purchases in dollars.

Interest Rate Risk

The Group's largest exposure to the interest rate risk arises from to the Company's loans from financial institutions. The Group's loans from financial institutions have floating interest rates linked to the EURIBOR, which exposes the Group's cash flow to interest rate risk. The carrying amount of the loans was EUR 89,888 thousand as at 31 January 2021, EUR 65,333 thousand as at 31 January 2020 and EUR 51,545 thousand as at 31 January 2019.

As at 31 January 2021 and 31 January 2020, the Group had no interest rate swaps, as the Company's management has assessed that, the interest rate levels and maturities considered, the interest rate risk to be insignificant. As at 31 January 2019, the book value of the interest rate swaps valued at fair value was EUR 4 thousand.

Credit Risk

The Group's credit risk consists of credit risk related to business risks and counterparty risk of other financial instruments. The majority of the Group's sales are cash transactions, only to business customers are sold on credit. Trade receivables from business customers do not include credit risk concentrations, as the Group's customer base is widespread, and no customer or customer group is dominant from the Group's perspective. Credit losses affecting the result for the financial years ended 31 January 2021, 31 January 2020 and 31 January 2019 were insignificant. Counterparty risk related to cash and cash equivalents is managed by depositing cash and cash equivalents in large Nordic financial institutions with solid international ratings. The Group's cash and cash equivalents are fully available to the Group.

Liquidity Risk

The Group Management Team monitors the Group's liquidity and reports regularly to the Board of Directors and CEO to ensure that the Group has sufficient cash assets for its business needs and debt service. The Group monitors the financing required in business operations by analysing the forecasts on the cash flow from operating activities and inventory turnover in order to have sufficient liquid assets to fund the operations and to repay loans from financial institutions at maturity.

The Group's cash and cash equivalents totalled EUR 11,154 thousand as at 31 January 2021, EUR 9,678 thousand as at 31 January 2020 and EUR 4,785 thousand as at 31 January 2019. Trade receivables were EUR 4,155 thousand as at 31 January 2021, EUR 2,342 thousand as at 31 January 2020 and 2,297 thousand as at 31 January 2019. The Group had a credit limit of EUR 2,300 thousand on as at 31 January 2021, 31 January 2020 and 31 January 2019. The Group did not use the limit during the financial year ended 31 January 2021, and therefore, the available credit limit has corresponded to the total amount of the limit. In addition to financial assets and liabilities, Puuilo's liquidity is based on cash flow from operations and management of the change in net working capital. The net working capital is mainly affected by the inventory and trade receivables turnover. Puuilo's net cash flow generated from operating activities was EUR 36,996 thousand for the financial year ended 31 January 2021, EUR 24,110 thousand for the financial year ended 31 January 2020 and EUR 9,580 thousand for the financial year ended 31 January 2019. A majority of Puuilo's net sales is generated from sales paid with cash or credit cards and, in addition, the Company has some sales receivables mainly from sales to corporate as described above. Puuilo has strong cash flow generated from operating activities and it plans to finance it financial liabilities with the said cash flow. If needed, Puuilo may utilise the unused credit limit. When planning its financing structure, the Company must consider the covenants related to its external financing.

Accounting Estimates and Judgements Used in the Preparation of Financial Statements

The preparation of consolidated financial statements requires the management to make estimates and assumptions that affect the application of accounting policies and the recognised amounts of assets, liabilities, income and expenses. The materialisation of the estimates and assumptions are monitored and assessed continuously. The estimates and assumptions are based on historical experience and other factors, including expectations on future events, which may have a financial impact on the Company and which are assumed to be reasonable in the prevailing conditions.

Key Judgements and Estimates – Share-based Payments

The Company makes judgements on whether an arrangement or a transaction contains a share-based payment. The measurement of the fair value for the arrangement requires judgement from the management.

The key personnel of Puuilo have acquired shares issued by the Company mainly in December 2015 when Adelis Equity Partners Fund I AB acquired a majority shareholding in Puuilo. Key personnel share acquisitions were carried out at the same valuation basis and substantially on the same terms as the investments made by the controlling owner. Subsequent share acquisitions have been made at fair value. As at 31 January 2021, the key personnel's share of the Company's was 6,964,100 shares, corresponding approximately 17 per cent of the Company's shares.

The key personnel's share acquisitions contain a share-based payment component, but the valuation at the grant date indicates that the investments made and possible proceeds to employees do not contain additional benefit compared to the controlling owner. As the Company does not have contractual obligation to redeem the shares in cash, and the Company has not created past practice to redeem in cash the shares of key personnel's shares as their employment ends, the arrangement is classified as equity-settled share-based payment plan under IFRS. Accordingly, with the grant date fair value of the share-based payment being zero, no expense has been recognised in the financial statements.

At the end of 2019, key personnel employed by Puuilo were given the opportunity to sell part of their Puuilo Plc (previously Puuilo Invest I Oy) shares at fair value to Puuilo Invest Holding AB, the parent company of the Puuilo Group. The arrangement was related to a financing arrangement made by Puuilo Invest Holding AB. At the same connection, the key personnel who sold the shares entered into an agreement with Puuilo Invest Holding AB. The purpose of the agreement is to cover the relative share of the key personnel in the costs of the financing arrangement. Based on the agreement, Puuilo Invest Holding AB has the right to redeem Puuilo shares owned by key personnel or key personnel have the right to redeem Puuilo shares owned by Puuilo Invest Holding AB, depending on, among other things, the development of the value of Puuilo shares. The share price in possible redemption situations is EUR 0.01. Key personnel did not receive an additional benefit from the above agreement, which would be recognised as an expense in the financial statements.

Key Judgements and Estimates – Valuation of Inventories

The Puuilo Group regularly reviews inventories for possible obsolescence and turnover, and for possible reduction of net realizable value[51] below cost, and a write-down of inventory is recognised when necessary. Such reviews require assessments of future demand for products. Possible changes in these estimates may cause changes in inventory measurement in future periods.

Key Judgements and Estimates – Impairment Test of Goodwill

The goodwill is subject to impairment testing on an annual basis, or more frequently, if events or changes in circumstances indicate that goodwill might be impaired. The recoverable amount of a cash generating unit is determined based on a value in use calculation which requires the use of assumptions. Estimation and judgment are required in determining the components of the recoverable amount calculation, including the discount rate, the terminal growth rate and the development of net sales and EBITDA (which is for impairment testing purposes defined as earnings before interest, taxes and depreciation and amortization). The discount rates reflect current assessments of the time value of money and relevant market risk premiums reflecting risks and uncertainties for which the future cash flow estimates have not been adjusted. The calculations use cash flow projections based on financial budgets approved by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rate.

Puuilo's management has monitored goodwill at the Group level from the date the goodwill was generated. Therefore, for the purpose of annual goodwill impairment testing, management will have discrete and reliable financial information on the Puuilo Group level. Puuilo management considers that the Group consist of one cash generating unit and, therefore, goodwill is tested for impairment on the Group level.

The key assumptions of the impairment calculations are the estimated annual sales growth rate and the estimated EBITDA. Cash flows beyond this period have been extrapolated based on 2.0 percent forecast growth rate. The discount rate used is the weighted average cost of capital ("**WACC**") after tax. The WACC formula inputs are risk-free rate of return, market risk premium, industry-specific beta factor, target capital structure and borrowing cost.

[51] Net realisable value is the estimated selling price in the ordinary course of business less direct costs necessary to make the sale. The cost of inventory does not include borrowing costs.

No goodwill impairment has been recognised. In addition, Puuilo's management has assessed that no reasonably possible change in a key assumption of the impairment calculations would have resulted in a goodwill impairment.

Key Judgements and Estimates – Puuilo Trademark

The useful life of Puuilo trademark is estimated to be 20 years and it represents the Puuilo Group's assessment of the period over which the trademark is expected to generate cash flows to the Group. The actual useful life may, however, be shorter or longer, depending on changes in business environment. Any identified changes in the useful life of Puuilo trademark will be reflected in the amortization period and recognition of impairment losses, when needed.

Puuilo's management assesses at each balance sheet date whether there is any indication that the value of Puuilo's trademark may be impaired. For the Puuilo trademark, an indication of impairment could be, for example, changes in the retail business environment. As Puuilo's cash-generating units are estimated to be one for trademark similarly to goodwill, impairment testing is carried out on a group level. For a trademark, the recoverable amount cannot be estimated on an asset-by-asset basis.

Impairment is recognised in the income statement. The recognised impairment losses are reversed if the recoverable amount of the asset has increased. The reversal is made up to the carrying amount that would have been determined for the asset (net of depreciation) had no impairment loss been recognised for the asset in prior periods.

Key Judgements and Estimates – Lease Agreements

In determining the lease term, Puuilo's management must consider all facts and circumstances that create an economic incentive to exercise an extension option. Judgement is also used in determining the lease term for leases that are valid until further notice. Extension options are included in the lease term only if the option is reasonably certain to be used. The lease term of the leases valid until further notice is based on the probable lease term estimated by Puuilo's management.

The Group leases various properties as well as machinery and equipment. Leases are typically made for fixed periods of 1 to 10 years but may also include extension options. Puuilo's management has assessed the use of each extension option and if the use of an option has been assessed to be reasonably certain, the option has been included in the lease term. The assessment of the use of extension options is affected by, among other things, the length of the original lease, the location, the condition of the property and the amount of rent. Lease terms are negotiated on an individual basis and they can include other terms and conditions.

In determining the discount rate for the calculation of the lease liability of property leases, Puuilo's management has made estimates to reach to the appropriate incremental borrowing rate.

Key Judgements and Estimates – Restoration Provisions

Puuilo's provisions consist of restoration provisions of leased store sites. Provisions include an estimated cost of restoring the store to its original state (asset retirement obligation). A corresponding item of property, plant and equipment of an amount equivalent to the provision is also recognised and subsequently depreciated as part of the assets, during the useful life of the right-of-use asset. The provision and the corresponding item of property, plant and equipment are recognised at the beginning of the lease term, i.e., at the same time as the lease is recognised in the balance sheet.

Provisions for restoration (asset retirement) obligations related to store sites are determined based on the net present value of Puuilo's total estimated unavoidable dismantling costs for restoration obligations. The estimates are based on future estimated level of expenses taking into account the effect of inflation, cost-base development and discounting. Assumptions are also used in assessing the time periods for which the restoration costs are incurred. Because the actual expenses can differ from estimates due to changes in technology, prices and conditions, and can take place after many years in the future, the carrying amounts of provisions are regularly reviewed and adjusted to take into account of any such changes.

Management estimates that the restoration obligations will be realized over 3 to 10 years.

Key Judgements and Estimates Applied in Accounting for Credit Losses

The amount of trade receivables and impairment losses recognized on them has been insignificant. In addition, the amount of the Company's trade receivables in relation to the volume of the business has been low, as a significant part of the Company's sales is paid in the Company's stores at the time of purchase. Due to the above, the Group's management has assessed that the credit loss risk of trade receivables is not considered material and expected credit losses has not been recognized in the financial statements.

New Standards and Interpretations

As at the date of this Offering Circular, the Company is not aware of any new standards or amendments that are not yet effective and that would be expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

CORPORATE GOVERNANCE

General

Under the Finnish Companies Act and the Company's Articles of Association, the Company's governance and management are distributed between the shareholders, the Board of Directors and the CEO. The management team supports the CEO in the daily management of the Company's operations.

The shareholders take part in the supervision and governance of the Company through the resolutions of General Meetings of Shareholders. A General Meeting of Shareholders is generally convened by the Board of Directors. In addition to this, a General Meeting of Shareholders shall be held if the Company's auditor or shareholders representing a minimum of one-tenth of all outstanding shares in the Company demand in writing that a General Meeting be convened.

The task of the Board of Directors is to see to the governance of the Company and ensure the appropriate organisation of the Company's operations. According to the Company's Articles of Association, the Board of Directors consists of a minimum of four (4) and a maximum of seven (7) ordinary members the term of office for members of the Board of Directors expires at the end of the first Annual General Meeting of Shareholders following the election. The Company's Board of Directors appoints the CEO and decides on the terms and conditions of his/her executive contract in writing.

The Company's corporate governance complies with the Finnish Companies Act and the Finnish Corporate Governance Code for listed companies issued by the Securities Market Association.

The address of the members of the Board of Directors, the CEO and the management team is Pakkalankuja 6, FI-01510 Vantaa, Finland.

Puuilo's Management

Board of Directors

The members of the Board of Directors are Timo Mänty (the Chairman), Gustav Bard, Tomas Franzén, Rasmus Molander, Mammu Kaario and Markku Tuomaala.

The following table sets forth the members of the Company's Board of Directors as at the date of this Offering Circular.

Name	Year of birth	Position	Board member since
Timo Mänty	1960	Chairman of the Board of Directors	2016
Gustav Bard	1964	Member of the Board of Directors	2015
Tomas Franzén	1958	Member of the Board of Directors	2016
Rasmus Molander	1981	Member of the Board of Directors	2015
Mammu Kaario	1963	Member of the Board of Directors	2021
Markku Tuomaala	1967	Member of the Board of Directors	2016

Timo Mänty has been a member of the Board of Directors since 2016. In addition, Mr. Mänty acts as the Chairman of the Board of Directors of QMG Holding Oy, Chairman of the Board of Directors of Finla Työterveys, Chairman of the Board of Directors of Romu Keinänen Oy, Chairman of the Board of Directors of K-H-Koneet Group Oy, Member of the Board of Directors of Eezy Oyj/Smile Oyj and Member of the Board of Directors of Dayton Group Oy. Mr. Mänty has previously acted a Board member at LVI-WaBeK Oy and Member of the Board of Directors and Chairman of the Board of Directors of Revenio Group Oyj. Mr. Mänty holds a Master's Degree in Economics from Turku School of Economics. Mr. Mänty is a Finnish citizen.

Gustav Bard has been a member of the Board of Directors since 2015. In addition, Mr. Bard acts as the Chairman of the Board at Adelis Holding I AB, Adelis Friends & Family I AB, Adelis Holding II AB, Nordentic Group Holding AB and Didriksons Group Holding AB. Mr. Bard acts also as a member of the Board of Directors at Albivia AB, Aflow Invest AB and Adelis III AB. Previously, Mr. Bard has acted as the Chairman of the Board at Entlog Top Holding AB and Medholding AB, and a member of the Board of Directors at MedGroup Oy, MedGroup Holding Oy and Intersport Sverige Holding AB. Mr. Bard is a Founding Partner of Adelis Equity Partners, and he has acted as a CEO also at 3i Nordic. Previously Mr. Bard acted at 3i Nordic as Head of Sweden and Head of 3i Nordic Buyouts, Atle Mergers & Acquisitions as Managing Director and McKinsey & Company as Principal. Bard holds a Master's degree in Economics and Business from Stockholm School of Business. Mr. Bard is a Swedish citizen.

Tomas Franzén has been a member of the Board of Directors since 2016. He has previously been the owner and CEO Tomas Franzén Consulting AB, the CEO of Runsvengruppen AB, the CEO of Econova AB, the CEO of Biltema Nordic Services AB, the CEO of IKEA Trading AB, Store Manager at IKEA Washington, Division Manager and Business Area Manager of IKEA of Sweden and Business Area manager at IKEA Stockholm. Mr. Franzén is a Swedish citizen.

Rasmus Molander has been a member of the Board of Directors since 2015. In addition, Mr. Molander acts as the Chairman of the Board of Directors at Dayton Group Oy and Ropo Holding 1 Oy and as a member of the Board of Directors at Nordic Biosite Group Holding AB, SSI Diagnostica Holding AS, Quattro Mikenti Group Oy, QMG Holding Oy and DataCenter Group Oy. Previously, Mr. Molander has acted as the Chairman of the Board at Med Group Holding Oy, NGI AS, NGI Holding ApS and as a member of the Board of Directors at NGI AS, NGI Holding ApS. and IVBAR Institute AB. Mr. Molander also acts as a Managing Partner at Adelis Holding I AB and Adelis Holding II AB. Molander holds MBA from Harvard Business School and MSc (Tech.) from Helsinki University of Technology. He has previously worked at Boston Consulting Group as project leader and as Investment Executive at Permira. Mr. Molander is a Finnish citizen.

Mammu Kaario has been a member of the Board of Directors since 2021. Previously, Ms. Kaario has acted as a Managing Director at Partnera Oy, Investment Director at Korona Invest Oy and as a Partner at Unicus Oy and Conventum Corporate Finance Oy. In addition, Ms. Kaario acts as Chairman of the Board at Mercury Newco Oy, Vice Chairman at Aspo Oy, CapMan Oyj, Ponsse Oyj, Robit Oyj and Virala Acquisition Company Oyj, a member of the Board of Directors at Ilmastorahasto Oy, Support Foundation of Sibelius Academy, Investment Comittee of Art University, Urhea-Halli Oy, Laptio Group Oy, Epec Oy and Makai Holding Oy as well as Deputy member of the Board of Directors at Tosuka Holding Oy. Previously, Ms. Kaario has acted as the Chairman of the Board of Directors at PerusTerveys Suomi Oy and Pilke päiväkodit Oy. Ms. Kaario has also previously acted as a member of the Board of Directors at Nordic ID Oyj, SstatzZ Oy, Suomen Hoivatilat Oyj, Invalidiliiton Asumispalvelut Oy, Enfo Oyj, Finnish Business Angels Network ry., Epec Oy and Unicus Ltd as well as Esperi Care Oy. Ms. Kaario holds a Master of Laws degree from the University of Helsinki and she also holds an MBA degree from Georgia Tech Scheller College of Business. Ms. Kaario is a Finnish citizen.

Markku Tuomaala has been a member of the Board of Directors since 2016. Previously, Mr. Tuomaala has acted as the CEO of Puuilo. In addiction he acts as Board Member at Kiantama Oy, Ice Boys Oy, Aitokaluste Oy, Warma Steel Oy, Autollecom Oy, Warma Steel Oy, Autocredit Oy, Comille Oy, Fast Food Builders Oy, and Tiikeri Partners Oy. He has previously acted as a Board Member at LVI-WaBeK Oy, Drommen Brokers Oy, and Talgraf Oy. Mr. Tuomaala is a Finnish citizen.

CEO and Management Team

The CEO is responsible for the supervision and control of the Company's day-to-day operations in accordance with the Finnish Companies Act and authorisations and guidelines issued by the Board of Directors.

The following table sets forth the members of Puuilo's management team as at the date of this Offering Circular.

Name	Year of birth	Position	Member of management team since
Juha Saarela	1974	CEO	2017
Ville Ranta	1977	Chief Financial Officer	2016
Perttu Partanen	1985	Chief Marketing Officer	2020
Markku Lampela	1971	Director Purchases & Logistics	2020
Sirkkaliisa Kulmala	1967	Head of Human Resources	2020
Tom Lång	1979	Chain Manager	2019
Juha Parviainen	1968	Chief Information Officer	2020

Juha Saarela has been the Company's CEO since 2017. Previously, Mr. Saarela has acted as a Deputy CEO, Purchasing Manager and member of the Board at J. Kärkkäinen Web Oy, Store Manager at Kesko Oyj and Area Manager at Maskun Kalustetalo Oy. Mr. Saarela has a Bachelor of Applied Science degree from the Centria University of Applied Sciences. He is a Finnish citizen.

Ville Ranta has been a member of the Company's Management Team since 2016. Previously, Mr. Ranta has acted as a Corporate Business Controller at Kesko Oyj, Business Controller at Oy Sinebrychoff Ab, Controller at Kemira Oyj and has held various financial management roles at TeliaSonera Finland Oyj. Mr. Ranta holds a Master's degree in Economics and Business Administration from the University of Vaasa. Mr. Ranta is a Finnish citizen.

Perttu Partanen has been a member of the Company's Management Team since 2020. Previously, Mr. Partanen has been a Marketing Manager Power Finland Oy. Mr. Partanen holds a Master's degree in Economics and Business Administration from the Jyväskylä University School of Business and Economics. Mr. Partanen is a Finnish citizen.

Markku Lampela has been a member of the Company's Management Team since 2020. In addition, Mr. Lampela is a member of the Board of Fodelia Oyj. Previously, Mr. Lampela has acted as the CEO of Erätukku Oy, Kotivara Oy and SwanLine Oy. Mr. Lampela holds a Master's degree in Economics and Business Administration from the University of Vaasa. Mr. Lampela is a Finnish citizen.

Sirkkaliisa Kulmala has been a member of the Company's Management Team since 2020. Previously, Ms. Kulmala has acted as the HR Director at SOK, Suomen Lähikauppa Oy, Kesko Oyj, Valio and Silmäasema Oyj. Kulmala holds a Master's degree in Agricultural Economics from the University of Helsinki. Ms. Kulmala is a Finnish citizen.

Tom Lång has been a member of the Company's Management Team since 2019. Previously, Mr. Lång has been a Managing Director, Operational Director, Regional Manager and a Store Manager at Biltema Suomi Oy and has held various store managing positions at Clas Ohlson Oy. Mr. Lång is a Finnish citizen.

Juha Parviainen has been a member of the Company's Management Team since 2020. He has previously acted as an IT Director at EAB Group Oyj, IT Director at the building and technical trade division of Kesko Oyj, Chief Information Officer at Anttila Oy and K-Citymarket Oy, and as IT Manager at Altia Oyj. Parviainen holds a BBA degree in Information Technology from the Helia University of Applied Sciences. Mr. Parviainen is a Finnish citizen.

Management's Backgrounds and Family Relations

As at the date of this Offering Circular none of the members of the Board of Directors, the management team nor the CEO have, save for the exemptions described below, during the five previous years:

- been convicted in relation to fraudulent offences;
- held an executive function, been included in the executive management, or been a member of the administrative, management or supervisory bodies of any company, or acted as a general partner with individual liability in a limited partnership at the time of or preceding any bankruptcy, receivership, administration of an estate or liquidation, notwithstanding Markku Lampela, who acted as the CEO of Erätukku Oy, which filed for bankruptcy on 14 March 2017; or
- been subject to any official public incrimination and/or sanctions by any statutory or regulatory authorities (including any designated professional bodies) or been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.

There are no family relations between the members of the Company's Board of Directors or of the management team.

Conflicts of Interest

Provisions regarding the conflicts of interest of the management of a Finnish company are set forth in the Finnish Companies Act. Pursuant to Chapter 6, Section 4 of the Finnish Companies Act, a member of the Board of Directors may not participate in the handling of a contract between himself or herself and the company. Further, pursuant to Chapter 6, Section 4 a of the Finnish Companies Act, a member of the Board of Directors may not participate in the handling of a contract between himself or herself or an entity that is related to himself or herself as defined in the IAS 24 standard, and the company or its subsidiary, unless the agreement is part of the company's ordinary course of business or is conducted on normal market terms. This provision also applies to any other legal act, legal proceeding or other similar matter. Further, this provision also applies to the CEO.

The members of the Company's Board of Directors, the CEO or the members of the management team do not have any conflicts of interest between their duties relating to the Company and their private interests and/or their other duties.

According to the independence assessment, the following members of Puuilo's Board of Directors are deemed to be independent of the Company and its major shareholders: Timo Mänty (Chairman), Tomas Franzén, Markku Tuomaala, and Mammu Kaario. Rasmus Molander acts as the Managing Partner of Adelis Equity Partners Fund I AB, which through Puuilo Invest Holding AB controls Puuilo. Gustav Bard is a Chairman of the board of directors of Adelis Holding I AB, which owns Adelis Equity Partners Fund I, which owns Puuilo Invest Holding AB, which controls Puuilo. In addition, Bard is the Managing Partner of Adelis Equity Partners Fund I AB. Due to this, Molander and Bard are considered to be dependent of Adelis, which is a significant shareholder in the Company.

Duties of the Board of Directors

The Board of Directors supervises Puuilo's operations and management, and decides on significant matters concerning the company strategy, investments, organization and finance in accordance with the Finnish Companies Act. The Board of Directors has general competence to decide and act in all matters not reserved for other corporate governing bodies by law or under provisions of the Company's Articles of Association.

The Board of Directors' duties further include, among others:

- approving financial statement, consolidated financial statements and interim reports;
- approving the Puuilo Group's strategic plan, annual budget and investment and divestment plans;
- deciding on major, strategically important business matters as well as investments and divestments;
- deciding on taking out a loan for the Puuilo Group and on issuing any loans or guarantees;
- confirming any policies governing the Puuilo Group, including personnel, treasury and risk management policies;
- ensuring the appropriate organization of risk management and internal audit within the Puuilo Group.

The Board of Directors also appoints Puuilo's CEO as well as the members of the management team and decides on the terms of their service. The Board of Directors has compiled a written working order for its operations, defining the main duties and operating principles of the Board.

Committees

Puuilo has one committee appointed by the Board of Directors, the Audit Committee. The Committee has no independent decision-making authority but its purpose is to present issues within their remit to the Board of Directors or the General Meeting for a decision. The Committee reports regularly to the Board of Directors.

The Board of Directors has confirmed the Audit Committee's key duties and operating principles in the Charter of the Audit Committee. The Audit Committee consists of a minimum of three (3) members and a maximum of four (4) members. The majority of the members of the Audit Committee must be independent of the Company, and at least one of the members must be independent of the major shareholders of the Company.

The Chairman of the Audit Committee presents the Committee's proposals to the Board of Directors. The Audit Committee reports regularly to the Board of Directors. Members of the Audit Committee shall have the relevant expertise and experience required for the performance of the duties and responsibilities of the Audit Committee and the mandatory tasks relating to auditing, and at least one of the members shall have expertise in accounting or auditing. The responsibilities of the Audit Committee are

- Oversight of financial reporting, such as to monitor and assess the reporting process of financial statements reporting and review with the external auditor the annual financial statements and interim reports before submission to the Board for final approval; review and assess with the external auditors the results of the audit; review internal controls and monitor the effectiveness of the Company's procedures for internal control over financial reporting; review the Company's key accounting policies and principles; monitor the related party transactions and address any possible conflicts; consider the report on non-financial matters; monitor the Company's financial position; evaluate the use and presentation of alternative performance measures;

- Risk management, such as to monitor and review the effectiveness of the Company's risk management system, including the risk profile of Puuilo Group and make such recommendations as the Committee considers desirable and review the risk management-related statements to be included in the financial reports; assess the effectiveness of the internal controls and the internal control system; assess principles related to internal controls and risk management of the Company's financial reporting processes; receive and review reports from the management on any material financial risks and litigation or claim against or raised by any Puuilo Group company;
- Auditors and external audit, such as for the purposes of each Annual General Meeting and otherwise as necessary, prepare a resolution proposal to the shareholders as to the election and fees of the external auditor(s) and remuneration principles; initiate the process regarding rotation of the auditor; evaluate the audit plan as well as the scope and quality of the external audit and review audit fees; evaluate the independence of the auditors; approve and follow up on non-audit services provided by the auditors; when needed, meet separately with external auditors to discuss any matters in addition to the duties required by regulations that might be relevant for the internal controls; review and confirm the independence of external auditors, also in relation to the non-audit services; review and evaluate the process of selecting external auditors and follow any regulatory changes regarding auditor selection as well as auditor and audit firm rotation requirements;
- Internal audit, such as to approve the internal audit guidelines, audit activities and resourcing of the internal audit function; assess the scope and quality of the internal audit as well as approve the internal audit plan and review its implementation; review the summary reports of the internal audit and the management's response;
- Legal, compliance and governance, such as to review major legal disputes and other legal matters together with the General Counsel of the Company and/or external legal advisor; review the Company's Corporate Governance Statement including the description of the main features of the internal control and risk management systems in relation to the financial reporting process, which are included in the Company's Corporate Governance Statement; review the Company's non-financial report; and establish principles concerning the monitoring and assessment of related party transactions; and
- Other tasks assigned by the Board.

As at the date of this Offering Circular, the Audit Committee consists of Mammu Kaario (Chairman), Rasmus Molander and Markku Tuomaala. The Audit Committee's term of office commences when the Company is listed on the main list of the Helsinki Stock Exchange.

Corporate Governance

The Company is committed to good corporate governance through compliance with laws and regulations in all of its operations and to implement recommendations for good corporate governance. The governance of the Company complies with the Company's Articles of Association, Finnish legislation, in particular the Finnish Companies Act, the Finnish Accounting Act, securities markets regulations and other decrees and regulations relevant to the governance of a public limited liability company. Furthermore, the Company's operations are guided by values and internal operating principles ratified by the Company.

In its governance, the Company also complies with the Finnish Corporate Governance Code for listed companies (hereinafter "**the Code**") issued by the Securities Market Association entered into force on in 2020. As at the date of this Offering Circular, the Company does not deviate from any Corporate Governance Code recommendation. The Code is available on the Internet at www.cgfinland.fi.

Shareholding by the Members of the Board of Directors and Management Team

The following table sets forth the number of Shares owned by the members of the Board of Directors and management team as at the date of this Offering Circular.

At the end of the year 2019, key personnel of Puuilo were given an opportunity to sell a part of their shares in the Company to Puuilo Invest Holding AB (the parent company of the Puuilo Group). The arrangement was related to a financing arrangement carried out by Puuilo Invest Holding AB. Simultaneously, the key personnel who sold shares, made an agreement with Puuilo Invest Holding AB which is meant to cover the relative portion of the key personnel share of the costs of the financing arrangements and ascertain that the financial gain and risk in the investment is aligned with Adelis' gain and risk. According to the Agreement, Puuilo Invest Holding AB has the right to redeem the Shares owned by the key personnel or the key personnel have the right to redeem the Shares owned by Puuilo Invest Holding AB depending on, for example, the development of the value of the Company's Share. The price of the Share in the possible redemption situations is EUR 0.01. The key personnel did not receive such an additional benefit from the said agreement which would need to be booked as cost to the financial statements. Puuilo Invest I Oy or other companies in the Puuilo Group are not part of this arrangement and, therefore, this arrangement does not have an effect on Puuilo's IFRS consolidated financial statements for the year ended 31 January 2021. The agreement covers almost all of the key personnel who own the Shares. The agreement has been connected to the validity of Puuilo Invest Holding AB's financing arrangement.

All key personnel participating in the arrangement, which includes from the Board of Directors Timo Mänty, Tomas Franzén and Markku Tuomaala and from the Management Team Juha Saarela and Ville Ranta, have agreed on dismantling the arrangement in connection with the Listing so that each can buy Shares in the Company from Puuilo Invest Holding AB at EUR 0.01 per Share corresponding to the amount covering the key employee's relative share of the profit of the financing arrangement. The profit is tied to the Offering's Final Subscription Price. The table below represents, in addition to the number of shares held, the estimated number of shares that each person would have the right to purchase from Puuilo Invest I AB supposing that the Subscription Price is at the mid-point of the Preliminary Price Range.

Name	**Position**	**Number of shares**	**Number of shares to be acquired from Puuilo Invest Holding AB**
Timo Mänty	Chairman of the Board of Directors	446,598	14,800
Gustav Bard	Member of the Board of Directors	-	-
Tomas Franzén	Member of the Board of Directors	620,274	20,556
Rasmus Molander	Member of the Board of Directors	-	-
Mammu Kaario	Member of the Board of Directors	-	-
Markku Tuomaala	Member of the Board of Directors	4,692,056	155,497
Juha Saarela	CEO	283,504	7,387
Ville Ranta	Chief Financial Officer	352,964	9,689
Perttu Partanen	Chief Marketing Officer	22,522	-
Markku Lampela	Director Purchases & Logistics	-	-
Sirkkaliisa Kulmala	Head of Human Resources	22,522	-
Tom Lång	Chain Manager	42,826	-
Juha Parviainen	Chief Information Officer	-	-

Board of Directors' and Management's Fees and Benefits

Board of Directors' Fees

According to the Finnish Companies Act, the Annual General Meeting of Shareholders decides on the fees payable to the members of the Company's Board of Directors.

The Annual General Meeting of Shareholders on 6 May 2021 resolved that the remuneration of the Chairman of the Board is EUR 60,000 per year and the remuneration of other members of the Board is EUR 30,000 per year. In addition, the Annual General Meeting decided that the Chairman of the Audit Committee is paid a yearly remuneration of EUR 5,000 and each member of the Audit Committee a yearly remuneration of EUR 2,500.

The remunerations are paid as of the beginning of the month following the Company's listing by multiplying the remuneration with a fraction with the number of months remaining until next Annual General Meeting (including both months) as the numerator and number 12 as the denominator.

The following table sets forth the remuneration paid to the members of the Company's Board of Directors for the periods indicated.

(EUR in thousands)	1.2.2020–31.1.2021	1.2.2019–31.1.2020 (audited)	1.2.2018–31.1.2019
Board of Directors' Fees	30	30	30

There have not been material changes to the remuneration of the Company's Board of Directors between 30 April 2021 and the date of this Offering Circular.

Remuneration of the CEO and Members of Management Team

The Board of Directors decides on the remuneration and its terms of the CEO and the members of the management team. The remuneration of the management team and the CEO consists of a monthly salary, customary fringe benefits and incentives as in force from time to time.

The pension benefits of the Company's CEO and the other members of the management team are determined in accordance with law and customary practice. The Company has no active supplementary pension or insurance plans provided for the CEO nor for the other members of the management team. The retirement age of the CEO of the Company is 63 years.

The following table sets forth the salaries, remuneration, benefits and pension expenses paid to Puuilo's CEO and management team for the periods indicated.

	1 Feb 2021-30 Apr 2021	1 Feb 2020-31 Jan 2021	1 Feb 2019-31 Jan 2020	1 Feb 2018-31 Jan 2019
(EUR in thousands)	**(unaudited)**		**(audited)**	
Remuneration of the CEO				
Salary, other remuneration and benefits	33	137	126	136
Pension expenses	6	24	22	24
Total	**39**	**161**	**148**	**160**
Remuneration of the management team (excluding the CEO)				
Salary, other remuneration and benefits	172	549	367	388
Pension expenses	30	95	64	69
Total	**203**	**643**	**430**	**457**

There have not been material changes to the remuneration of Puuilo's management team and the CEO between 30 April 2021 and the date of this Offering Circular.

Termination Benefits

The CEO's contract of service may be terminated on a mutual six months' notice. In the event of the CEO's material breach of the obligations under the CEO's contract of service, the Company is entitled to terminate the contract of service immediately, upon notice. The Company has the right, regardless of the grounds for termination, to free the CEO from employment obligations during the entire time of the notice or part of it.

Incentive Programs[52]

At the date of this Offering Circular, the Company has no share-based incentive programs.

[52] See above "*Operating and Financial Review and Prospects — Accounting Estimates and Judgements Used in Preparation of Financial Statements — Key Judgements and Estimates — Share-based Payments*".

Memberships and Partnerships

The members of the Board of Directors and the management team of the Company have or have had during the last five years before the date of this Offering Circular the following memberships and/or been partners in the following partnerships:

Members of the Board of Directors	Current memberships and partnerships	Previous memberships and partnerships
Timo Mänty	Dayton Group Oy Romu Keinänen Oy Finla Työterveys Oy QMG Holding Oy KH-Koneet Group Oy Eezy Oyj Quattroservices Oy	LVI-WaBeK Oy Eezy Henkilöstöpalvelyt Oy Omaeläinklinikka Holding Oy
Gustav Bard	Adelis Equity Partners Adelis Holding I AB Adelis Holding II AB Adelis Friends & Family AB Albivia AB Didriksons Group Holding AB Alfow Invest AB Nordentic Group Holding AB Ropo Holding 1 Oy	3i Nordic MedGroup Oy MedGroup Holding Oy Entlog Top Holding AB Boomerang AB Medholding AB Intersport Sverige Holding AB
Rasmus Molander	Adelis Holding I AB Adelis Holding II AB Dayton Group Oy DataCenter Group Oy Sports03 Oy QMG Holding Oy Quattro Mikenti Group Oy Ropo Holding 1 Oy SSI Diagnostica A/S Nordic Biosite Group Holding AB	Med Group Oy Med Group Holding Oy RopoHold Oy Movitek Oy NGI Holding ApS IVBAR Institute AS NGI A/S
Mammu Kaario	Sibelius-Akatemia tukisäätiö ry Robit Oyj CapMan Oyj Ponsse Oyj Aspo Oyj Gofore Oyj Makai Holding Oy Kiinteistö Oy Luppokelo Ilmastorahasto Oy Lapti Group Oy Urhea-halli Oy Mercury NewCo Oy	Kastelli Group Oy Oulu ICT Sijoitus Oy Partnera Oyj Korona Invest Oy Pilke päiväkodit Oy Enfo Oyj SstatzZ Oy Hoivatilat Oyj Kiinteistö Oy Honkahalli Luona Terveys Oy PerusTerveys Uusimaa Oy PerusTerveys Oulu Oy Nordic ID Oyj
Markku Tuomaala	Kiantama Oy Kiinteistö Oy Lappeenrannan Viistokatu 9 Iceboys Oy Kiinteistö Oy Joensuun Kauppakeidas Kiinteistö Oy Rasant Aitokaluste Oy Warma Steel Oy Autollecom Oy Autocredit Oy Kiinteistö Oy Hangon Liiketalo Comille Oy Fast Food Builders Oy Tiikeri Partners Oy KOY Metsämiehenkuja 1 Nurmijärvi	LVI-WaBeK Oy Drommen Brokers Oy Autocredit Oy Talgraf Oy

Members of the Board of Directors	**Current memberships and partnerships**	**Previous memberships and partnerships**
Members of the management team		
Juha Saarela		Kärkkäinen Web Oy
Markku Lampela		Erätukku Oy Morgan SAS Oy

RELATED PARTY TRANSACTIONS

General

The Company's related parties include the subsidiaries belonging to the same group as the Company as well as controlling owner Adelis.

The Company is controlled by Puuilo Invest Holding I AB, which held 76.08 percent of the Company's shares and votes on 31 January 2021 and 75.07 percent as at 31 January 2020 and 74.79 percent as at 31 January 2019. The ultimate control is exercised by Adelis Holding I AB who directly owned 74.70 percent of the Company's shares as at 31 January 2019. In addition, related parties include the funds owned by Adelis Holding I AB and the companies managed by them, as well as key personnel of the Puuilo Group, their close family members and companies controlled by them. The key personnel include the members of the Board of Directors, the CEO and the Group Management Team.

The Groups parent company and subsidiary relationships are presented in section "*Business of the Company — Group's Legal structure*".

Transactions with Related Parties

Transactions with related parties have been carried out on an arm's length basis. Puuilo Group sources retail products it sells from companies owned by related parties. These companies produce products belonging to Puuilo's product categories. Additionally, Puuilo has leased premises from related parties. Group's lease liabilities to related parties include the above-mentioned leased premises net present value of the future rent.

During the financial year ended 31 January 2021, Puuilo Stores Ltd has sold a real property unit located on a leasehold site (Konetie 4, 90620 Oulu) to a related party company, Tiikeri Partners Oy. The real property unit has previously been Puuilo Oulu Rusko store. The company did not continue leasing the real property. The store location was moved to a leased real estate unit built for Puuilo, leaving the old store out of use. Puuilo does not therefore lease the sold real property, and the lessor of the new property is not a related party of Puuilo.

Puuilo's personnel have a right to a customary personnel discount at Puuilo stores. Close family of the related parties employed by Puuilo have the right to the aforementioned discount. These transactions have not been recorded as related party transactions.

The following table sets forth Puuilo's related party transactions as at the dates and for the periods indicated:

Income Statement	**1 Feb 2021 – 30 Apr 2021**	**1 Feb 2020 – 31 Jan 2021**	**1 Feb 2019 – 31 Jan 2020**	**1 Feb 2018 – 31 Jan 2019**
(EUR in thousands)	**(unaudited)**		**(audited)**	
Sales	79	71	34	26
Gains on disposal of tangible assets	-	221	-	-
Purchases	453	1,922	871	676
Rent and other operating expenses	17	553	503	615

Balance sheet	**30 Apr 2021**	**31 Jan 2021**	**31 Jan 2020**	**31 Jan 2019**
(EUR in thousands)	**(unaudited)**		**(audited)**	
Sales receivables	4	5	3	3
Trade payables	133	104	37	26
Lease liabilities (IFRS 16)	1,936	2,009	2,295	2,607

The Company has previously held two types of shares: ordinary shares and preference shares. Both classes of shares produced similar voting rights at the General Meeting; one vote per share. Preference shares were held by both the primary owner Adelis Equity Partners Fund I AB and Puuilo's key personnel, including related parties. All 55,892,071 preference shares of Puuilo were redeemed during the financial year ended 31 January 2020 by paying the shareholders the initial subscription price plus the accrued dividends calculated on the basis of the subscription price, a total of EUR 17,166 thousand. The initial subscription price, EUR 13,973 thousand, was deducted from the Company's reserve for invested unrestricted equity and the accumulated dividends and transfer tax, totalling EUR 3,193 thousand, from retained earnings. The redemption price was determined on the basis of a provision in the Articles of Association. Following the redemption, the preference shares were cancelled, and the Articles of Association were amended accordingly. The purpose of the transaction was to simplify the capital structure of the Company and since then the Company has held only one class of shares.

The shareholdings of the members of the Board of Directors, CEO and the other members of the management team of the Company's shares are presented in section "*Corporate Governance — Shareholding by the Members of the Board of Directors and Management Team*".

For management remuneration, see "*— Board of Directors' and Management's Fees and Benefits*", "*— Termination Benefits*" and "*Incentive Programs*".

OWNERSHIP STRUCTURE

The Company's registered share capital at the date of this Offering Circular is EUR 80,000, and it comprises of 80,215,860 Shares.

Shareholders owning five percent or more of the shares in the Company have an interest in the Company's share capital which is notifiable pursuant to the Finnish Securities Markets Act. The following table sets forth the shareholders owning individually or through the same sphere of control five percent or more of the shares or votes in the Company before the Offering, based on the shareholders' register maintained by Euroclear Finland Ltd ("**Euroclear Finland**") as at 9 June 2021 as well as on information available to the Company and their shareholding after the Offering, assuming that Sellers sell the maximum amount of Sale Shares and that the Company will issue 4,690,105 New Shares, (assuming that the Final Subscription Price for New Shares will be at the mid-point of the Preliminary Price Range and that a total of 26,041 New Shares are subscribed for in the Personnel Offering at the discount applicable to such New Shares).

	Before the Offering Period		**After the Offering**	
Shareholder	**Number of shares**	**Percentage of shares and votes**	**Number of shares**	**Percentage of shares and votes**
Puuilo Invest Holding AB[1]	61,025,658	76,08	31,423,544[2]	37.01
Adelis Equity Partners Fund I AB	5,882,498	7,33	0	0.00
Markku Tuomaala	4,692,056	5,85	4,692,056[3]	5.53

[1] A company ultimately owned by Adelis Equity Partners Fund I AB.
[2] Assuming that the entire Over-Allotment Option will be used in full. In addition, Puuilo Invest Holding I AB and certain key personnel of the Company have agreed on an arrangement where the key personnel have the right to buy the Company's shares from Puuilo Invest I AB. The number of Shares to be bought is defined by the Final Subscription Price. If the Final Subscription Price for New Shares will be at the mid-point of the Preliminary Price Range (as defined below), the key personnel would have the right to buy an estimated total of 577,561 shares in the Company from Puuilo Invest Holding AB.
[3] Puuilo Invest Holding AB and certain key personnel of the Company have on an arrangement where the key personnel have the right to buy the Company's shares from Puuilo Invest I AB. The number of Shares to be bought is defined by the Final Subscription Price. If the Final Subscription Price for New Shares will be at the mid-point of the Preliminary Price Range, Mr. Tuomaala would have the right to buy an estimated total of 155,497 shares in the Company from Puuilo Invest Holding AB. For more information, see "*Corporate Governance — Shareholding by the Members of the Board of Directors and Management Team*".

As at the date of this Offering Circular, Adelis held 83.5 percent of the Shares (taking also the holding of Adelis Friends & Family I AB into account). Accordingly, Adelis has control over the Company as referred to in Chapter 2, Section 4 of the Finnish Securities Market Act.

The Company is not aware of event or arrangements following the Offering that may in the future lead to a change of control in the Company.

SHARES AND SHARE CAPITAL

General

The Company is incorporated on 26 November 2015 in Finland and organized under the laws of the Republic of Finland. The operations of the previous companies began in 1980s. See "*Business of the Company — History*". The Company's registered company name is Puuilo Plc (previously Puuilo Invest I Ltd) and it is domiciled in Helsinki. The Company is entered in the Trade Register with the business ID 2726573-8 and LEI code 743700UJUT6FWHBXPR69. The Company's registered address is Pakkalankuja 6, 01510 Vantaa and phone number 020 786 9410.

In accordance with section 3 of the Company's Articles of Association, the Company's field of business is operating as a parent company to other companies the field of business of which is wholesale, in-store and online retail and operations thereof. Additionally, the Company's field of business includes offering internal services with respect to strategy, managing trademarks, transactions and outsourcing, financing and reporting, governance, managing legal and business risks, and human resources development in the companies owned by the Company.

Share Information

General

The Company has a single series of Shares, and each Share entitles its holder to one vote in the General Meeting of Shareholders. The Shares have no nominal value. All the Shares carry equal rights to dividends and other distributions by the Company (including distributions of assets in the event of the liquidation of the Company).

The Company's registered share capital as at the date of this Offering Circular is EUR 80,000 and the Company has 80,215,860 fully paid shares. Company's Articles of Association do not contain any provisions governing the Company's minimum and maximum share capital.

As at the date of this Offering Circular, the Company's Articles of Association include a redemption clause and a consent clause as well as a dispute resolution clause all of which the Company's shareholders resolved on 1 June 2021 by a unanimous resolution to remove from the Articles of Association conditional to the Listing. The removal of these clauses will not be notified to the Finnish Trade Register until in connection with notifying the registration of shares to be issued in the Offering, or immediately before it.

If the New Shares are registered in more than one batch, the removal of the redemption and consent clauses as well as a dispute resolution clause will be notified to be registered in connection with the first registration notification regarding such New Shares, or immediately before it.

The Board of Directors of the Company has decided on 9 June 2021 that the Company will apply for the listing of the Shares on the official list of the Helsinki Stock Exchange. Trading in the Shares on the Helsinki Stock Exchange is expected to commence on the pre-list of the Helsinki Stock Exchange on or about 24 June 2021 and the official list on 28 June 2021 under the trading code "PUUILO" and ISIN code FI4000507124.

As at the date of this Offering Circular, the Company does not hold any of its own shares.

Historical Development of the Share Capital

A summary of the historical development of the Company's share capital and share number from 31 January 2019 to the date of this Offering Circular is presented in the table below:

Date of the decision	Transaction	Changes in the number of issued shares	Number of shares after the transaction	Share capital EUR	Date of Trade Register registration
27 March 2019	Redemption and cancellation of shares	Annulled 55,892,071 preferred shares, removal of a share class	40,107,930	2,500	16 April 2019
6 May 2021	Free-of-charge share issue (split)	40,17,930	80, 215, 860	2,500	14 May 2021
1 June 2021	Increase in share capital	N/A	80,215,860	80,000	4 June 2021

Valid Authorisations

The Company's shareholders resolved on 1 June 2021 by a unanimous resolution to authorise the Board of Directors to decide on a share issue. A maximum of 6,000,000 Shares can be issued based on the authorization in the Offering. The authorisation will be effective until the end of the next Annual General Meeting, however no longer than until 30 June 2022.

The Company's shareholders resolved on 1 June 2021 by a unanimous resolution to authorise the Company's Board of Directors to decide on an issue of shares and special rights entitling to the Shares. A maximum of 8,600,000 shares can be issued based on the authorization. The Board of Directors of the Company is permitted to use this authorisation only if the Listing is completed. The authorisation will be effective until the end of the next Annual General Meeting, however no longer than until 30 June 2022.

In addition, the shareholders authorised with the same resolution the Board of Directors to decide on the purchase of own shares. A maximum of 8,600,000 Shares in total can be purchased based on the authorization. The Board of Directors of the Company is permitted to use this authorisation only if the Listing is completed. The authorisation will be effective until the end of the next Annual General Meeting, however no longer than until 30 June 2022.

Shareholders' Rights

Shareholders' Rights under New Shareholder Rights Directive

The EU's Second Shareholder Rights Directive (EU) 2017/828, ("**SHRD II**") was implemented in Finland on 10 June 2019. New provisions of the SHRD II have resulted in amendments of the Finnish Companies Act and the Finnish Securities Markets Act, among others, and concerns publicly listed companies, institutional investors, asset managers and proxy advisors. In addition, the Finnish Corporate Governance Code has also been amended during 2019, and the amended Code has entered into force on 1 January 2020. The SHRD II seeks to strengthen the position of shareholders to have an effective say on related party transactions and directors' remuneration as well as to encourage the flow of information and increase transparency between a listed company and its shareholders. The core of the SHRD II consists of themes such as director remuneration, related party transactions, identification of shareholders and transmission of information, and transparency requirements for institutional investors, asset managers and proxy advisors. The new requirements have entered into force gradually during the years 2019 and 2020.

Pre-emptive Subscription Rights

Under the Finnish Companies Act, existing shareholders have pre-emptive right to subscribe for new Shares of the Company. A resolution to issue new Shares waiving pre-emptive rights as well as a resolution to grant option rights and other special rights entitling to the Shares requires at least two-thirds of all votes cast and Shares represented at a General Meeting of Shareholders. In addition, such resolution requires that there is a weighty financial reason for the Company to do so. According to the Finnish Companies Act, a resolution on a share issue without payment waiving the shareholders' pre-emptive rights requires that there is an especially weighty reason for the Company and in regard to the interests of all shareholders in the Company.

Certain shareholders who reside or whose registered address is outside Finland, including "U.S. Persons" (as defined in Regulation S of the U.S. Securities Act), may not necessarily be able to exercise their pre-emptive subscription rights unless the Shares have been registered according to the securities legislation in effect in the relevant country or an exception from registration or other similar requirements is available.

General Meeting of Shareholders

Under the Finnish Companies Act, shareholders exercise their power to decide on corporate matters at General Meetings. According to the Company's Articles of Association, the Annual General Meeting shall be held annually within six months from the end of the financial year. The Annual General Meeting shall decide, among others, upon the approval of the financial statements, auditor's report, distribution of dividend and elections of members of the Board of Directors and the auditor and their remuneration. The Annual General Meeting decides also upon discharge of the Board of Directors and of the CEO from liability. Extraordinary General Meetings in respect of specific matters must be held when considered necessary by the Board of Directors, or when requested in writing by the auditor of the Company or by shareholders of the Company holding at least 10 percent of all the Shares.

According to the Finnish Companies Act and the Company's Articles of Association, the notice convening a General Meeting of Shareholders shall be delivered to the shareholders no more than three months and no less than three weeks before the meeting, however, at least nine days before the record date of the General Meeting of Shareholders. The notice shall be delivered to the shareholders with a notification published in the Company's website or at least in one national daily newspaper designated by the Board of Directors. To be entitled to attend the General Meeting of Shareholders, the shareholder shall notify his/her attendance to the Company at the latest by the date mentioned in the notice convening the meeting, which date may be no more than ten days before the General Meeting of Shareholders.

In order to have the right to attend and vote at a General Meeting of Shareholders, a shareholder must be registered, in accordance with the Finnish Act on the Book-entry System and Clearing Operations, in the shareholders' register maintained by Euroclear Finland no later than eight business days prior to the relevant General Meeting of Shareholders (the record date of the General Meeting of Shareholders). A beneficial owner wishing to attend and vote at the General Meeting of Shareholders should seek a temporary registration in the shareholders' register. The notification of temporary registration should be made at the latest on the date mentioned in the notice to the General Meeting of Shareholders, which shall according to the Finnish Companies Act be after the record date of the General Meeting of Shareholders, and such notification is considered a notice of participation in the General Meeting of Shareholders. If the shareholder is participating in the General Meeting of Shareholders through several authorised representatives, the shareholder shall in connection with the notification notify the shares on the basis of which each authorised representative represents the shareholder.

Except for certain exceptions stipulated in the Finnish Companies Act, there are no quorum requirements for General Meetings of Shareholders.

Voting Rights

A shareholder may attend and vote at a General Meeting of Shareholders in person or through an authorised representative. Each Share in the Company entitles its holder to one vote at a General Meeting of Shareholders. If the shareholder's shares are recorded on more than one book-entry account, the shareholder has the right to use a different authorised representative for each book-entry account. The shareholder may also vote differently with a part of his owned votes. In order to attend and vote at a General Meeting of Shareholders, a shareholder must be registered in the shareholders' register maintained by Euroclear Finland.

At the General Meeting of Shareholders, most resolutions are passed by a simple majority of the votes cast. However, certain resolutions, such as amending the Articles of Association, waiving shareholders' pre-emptive right to subscribe for shares in a new issue and resolutions on a merger, a demerger or dissolution of the Company require at least a two-thirds majority of the votes cast and the shares represented at the meeting.

Dividend and Distribution of Other Unrestricted Equity

A General Meeting of Shareholders decides on the payment of dividend and other distribution of funds by the majority of the votes cast. All Shares carry equal rights to dividends and other distributions by the Company. In accordance with prevailing practice in Finland, dividends on shares of a Finnish company are generally only paid annually and only after shareholder approval of the Company's financial statements and of the amount of the dividend proposed by the Board of Directors. However, under the Finnish Companies Act the General Meeting of Shareholders may also authorise the Board of Directors to resolve upon payment of dividends.

Under the Finnish Companies Act, shareholders' equity is divided into restricted and unrestricted equity. Restricted equity consists of the share capital, the fair value funds and the revaluation fund as well as any possible reserve fund and share premium fund formed subject to the old Finnish Companies Act effective prior to 1 September 2006. The other equity reserves are included in unrestricted equity. Accordingly, unrestricted equity includes the profit for the preceding financial year, retained earnings from previous financial years and the Company's other unrestricted equity, including the funds in the invested unrestricted equity fund, less the reported losses and the amount that the Articles of Association of the Company require to be left undistributed, and certain other undistributable funds.

The Finnish Companies Act emphasises the maintenance of the company's solvency in connection with the distribution of funds and, consequently, no funds may be distributed if, when making the decision on the distribution, the persons knew or should have known that the Company was insolvent or that it would become insolvent due to the distribution of the funds.

Under the Finnish Companies Act, the amount of dividend may not exceed the amount proposed or accepted by the Board of Directors. However, shareholders holding no less than 10 percent of all the shares may request at the Annual General Meeting that the amount distributed as dividend shall be at least one-half of the company's profit for the last preceding financial year, less the amount that the Articles of Association of the company may require to be left undistributed and any dividends previously distributed in respect of the financial year in question. However, the dividend so paid may neither exceed the amount distributable without the creditors' consent nor 8 percent of the total shareholders' equity of the parent company.

Dividends and other distributable funds can be distributed for a certain financial year after the General Meeting of Shareholders has adopted the financial statements for the year in question and resolved on the amount of dividends or other distribution of unrestricted funds on the basis of the proposal prepared by the Board of Directors. Pursuant to the Finnish Companies Act, payment of dividends or other distribution of unrestricted equity can be also based on other financial statements than the adopted financial statements for the latest financial year, provided that the General Meeting of Shareholders has adopted the financial statements in question. Significant changes in the Company's financial position that have occurred after the financial statements were prepared must be considered when deciding on the distribution of profits.

Under the Finnish Companies Act, dividends and other distributions are paid to shareholders or their nominees entered in the shareholders' register on the relevant record date. Such register is maintained by Euroclear Finland through the account operators. No dividends are payable to shareholders not entered in the shareholders' register.

The right to dividends is forfeited three years from when they are payable according to the decision on the dividend.

Distribution of other unrestricted equity is effected essentially in the same way as described above regarding the distribution of dividend.

For information on the taxation of dividends, see "*Taxation*".

Obligation to Make a Mandatory Bid and Redemption Obligations and Rights

According to the Finnish Securities Market Act, a shareholder holding more than three-tenths or more than half of the voting rights attached to shares in a company after the shares or securities entitling to such shares of the company have entered into public trading, is obligated to make an offer for all such remaining shares and securities entitling to such shares in the company at fair value (mandatory bid). According to the Finnish Securities Market Act, the obligation to launch a mandatory bid shall, however, not arise if the securities resulting in the threshold referred to above being exceeded have been acquired through a voluntary takeover bid, provided that the initial voluntary takeover bid is made for all securities entitling to shares of the target company. Moreover, the obligation to launch a mandatory bid shall not arise if the exceeding of the threshold for a mandatory bid is caused solely by the actions of the target company or another shareholder. The obligation to launch a mandatory bid shall no longer exist if the person obliged to offer within a month from the emergence of the obligation gives up the share of voting rights exceeding the threshold for a mandatory bid by assigning shares of the target company or otherwise decreasing its share of voting rights in the target company.

Under the Finnish Companies Act, a shareholder holding shares representing more than 90 percent of all the shares and votes in a company has the right to redeem the remaining shares in the company at fair market value (squeeze-out). In addition, a shareholder whose shares can be redeemed in the above manner is entitled to demand redemption of his/her shares from the majority shareholder entitled to exercise redemption (sell-out).

As at the date of this Offering Circular, the Company's Articles of Association include a redemption clause and a consent clause. The Company's shareholders resolved on 1 June 2021 by a unanimous resolution to remove the redemption and consent clauses from the Articles of Association conditional to the Listing. The removal of these clauses will not be notified to the Finnish Trade Register until in connection with notifying the registration of shares to be issued in the Offering, or immediately before it.

Dilution of Ownership

To the extent that a shareholder decides not to subscribe for the full amount of new Shares, or is restricted from subscribing, the proportionate ownership and voting interest in the Company of such shareholder will be diluted accordingly and such shareholder's original share percentage of the increased amount of all Shares issued by the Company will be proportionally reduced.

Transfer of Shares

When the shares are sold through the book-entry system, the shares are transferred as a bank transfer from the seller's book-entry account to the buyer's book-entry account. For the purpose of the sales, allocation data is entered in the Infinity 2 clearing system of Euroclear Finland and, if necessary, a reservation regarding the book-entries is entered in the book-entry account. The purchase is marked as a pre-sale until it has been cleared and the shares have been paid, after which the buyer is automatically entered in the Company's shareholders' register. If the shares are nominee registered and the shares of both seller and buyer are held in the same custodial nominee accounts, the sale of shares does not cause any notes on the book-entry system unless the nominee registration custodian is changed or the shares transferred from the custodial nominee account as a result of the sale.

The terms and conditions of the Offering include lock-up clauses regarding the Company, the Sellers, the Company's Board of Directors and management, the existing shareholders as well as the employees participating the Personnel Offering. For more information on the lock-ups, see "*Plan of Distribution — Lock-up*" and "*Terms and Conditions of the Offering — General Terms and Conditions of the Offering — Lock-up*".

Exchange Control

Foreign people can acquire shares of a Finnish company without any specific exchange control authorisation. Foreign people can also receive dividend without any specific exchange control authorisation, but the company distributing the dividend must deduct the tax-at-source from the assets transferred outside Finland, unless otherwise stated in an applicable tax treaty. Foreign people who have acquired shares of a Finnish company may receive shares in connection with a capitalisation or participate in a rights issue without any specific exchange control authorisation. Foreign people may sell their shares in a Finnish company in Finland and the assets acquired in connection with such sale can be transferred outside Finland in any convertible currency. There are no exchange control rules in Finland which would restrict the selling of shares of a Finnish company to another foreign person.

PLAN OF DISTRIBUTION

Placing Agreement

The Company, Adelis and the Managers are expected to enter into a placing agreement (the "**Placing Agreement**") on or about 23 June 2021. In the Placing Agreement, the Company will agree to issue and Adelis will agree to sell the Offer Shares to subscribers or purchasers procured by the Managers, or, failing which, to the Managers themselves, and each of the Managers severally will agree procure subscribers or purchasers for, or failing which, to subscribe for and purchase the percentage of the total number of Offer Shares opposite such Manager's name below, provided certain conditions are fulfilled:

	Percentage of Offer Shares
Carnegie Investment Bank AB, Finland Branch	40
Danske Bank A/S, Finland Branch	40
Nordea Bank Abp	15
OP Corporate Bank plc	5
Total	**100.0**

The Placing Agreement will include customary conditions that entitle the Managers to terminate the Placing Agreement in certain situations and with certain preconditions. Such situations include certain material adverse changes in Puuilo's condition (financial, legal or otherwise), results of operations, or Puuilo's prospects, as well as certain changes in, among others, national or international political or economic conditions. Furthermore, the Company and Adelis have given customary representations and warranties to the Managers related to, among others, their respective businesses, compliance with laws and regulations, the Shares and the content of this Offering Circular. According to the Placing Agreement, the Company and Adelis severally will commit, among others, to indemnify the Managers for certain costs and liabilities and to reimburse the Managers for certain costs incurred in connection with the Offering.

The Offering consists of (i) the Public Offering to private individuals and entities in Finland, (ii) the Institutional Offering to institutional investors in Finland and, in accordance with applicable laws, internationally, including in the United States to persons reasonably believed by the Joint Global Coordinators to be QIBs as defined in Rule 144A under the U.S. Securities Act, pursuant to exemptions from the registration requirements of the U.S. Securities Act and (iii) the personnel offering to the Company's and its subsidiaries' employees as well as members of the Board of Directors and management team of the Company. The Offer Shares will be offered in the Institutional Offering to institutional investors outside the United States in offshore transactions in compliance with Regulation S.

Other Sellers than Adelis are not parties to the Placing Agreement, but they have each made a sales commitment to the Managers with regard to the Offering.

Over-allotment Option

Adelis is expected to grant to the Managers an Over-allotment Option, exercisable by Danske on behalf of the Managers, to purchase a maximum of 5,431,091 additional Shares at the Subscription Price (the "**Additional Shares**") solely to cover over-allotments in connection with the Offering (the "**Over-allotment Option**"). The Over-allotment Option is exercisable within 30 days from the commencement of trading in the Shares on the prelist of the Helsinki Stock Exchange (*i.e.*, on or about the period between 24 June 2021 and 24 July 2021) (the "**Stabilisation Period**"). The Additional Shares represent approximately 6.7 percent of the Shares and votes vested by the Shares prior to the Offering and approximately 6.4 percent after the Offering assuming that the Sellers will sell the maximum number of Sale Shares and that the Company will issue 4,690,105 New Shares (the number of New Shares is calculated assuming that the Subscription Price will be at the mid-point of the Preliminary Price Range and that a total of 26,041 New Shares would be subscribed for in the Personnel Offering at the discount applicable to Personnel Shares). However, the number of Additional Shares will not in any case represent more than 15 percent of the aggregate number of New Shares and Sale Shares.

Stabilisation Measures

Danske, acting as stabilising manager (the "**Stabilising Manager**"), may, but is not obligated to, engage in measures during the Stabilisation Period that stabilise, maintain or otherwise affect the price of the Shares. The

Stabilising Manager may allocate a larger number of Shares than the total number of New Shares and Sale Shares, which will create a short position. The short position will be covered if it does not exceed the number of Additional Shares. The Stabilising Manager is entitled to close the covered short position by exercising the Over-allotment Option and/or by buying Shares in the market. In determining the acquisition method of the Shares to cover the short position, the Stabilising Manager may consider, among other things, the market price of the Shares in relation to the Subscription Price. In connection with the Offering, the Stabilising Manager may also bid for and purchase Shares in the market to stabilise the market price of the Shares. These measures may raise or maintain the market price of the Shares in comparison with the price levels determined independently on the market or may prevent or delay any decrease in the market price of the Shares. However, stabilisation measures cannot be carried out at a price higher than the Subscription Price. The Stabilising Manager has no obligation to carry out these measures, and it may stop any of these measures at any time. The Stabilising Manager or the Company on behalf of the Stabilising Manager will publish information regarding the stabilisation required by legislation or other applicable regulations at the end of the Stabilisation Period. Stabilisation measures can be carried out on the Helsinki Stock Exchange during the Stabilisation Period.

Any stabilisation measures will be conducted in accordance with Regulation (EU) No 596/2014 of the European Parliament and of the Council on market abuse and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC (the "**Market Abuse Regulation**") and Commission Delegated Regulation (EU) 2016/1052 supplementing the Market Abuse Regulation with regard to regulatory technical standards for the conditions applicable to buy-back programs and stabilisation measures.

The Stabilising Manager and Adelis may enter into a share lending agreement related to stabilisation and the Over-allotment Option in connection with the Offering. According to the share lending agreement, the Stabilising Manager may borrow a number of Shares equal to the maximum number of Additional Shares to cover any possible over-allotments in connection with the Offering. To the extent that the Stabilising Manager borrows Shares pursuant to the share lending agreement, it must return an equal number of Shares to Adelis.

Lock-up

The Company and Adelis are expected to commit during the period that will end 180 days from the Listing, without the prior written consent of the Managers, not to issue, offer, hypothecate, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of (or publicly announce such action), directly or indirectly, any Shares or any securities convertible into or exercisable or exchangeable for Shares, or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares, whether any such transaction is to be settled by delivery of Shares or such other securities, in cash or otherwise, or submit to the Company's shareholders a proposal to effect any of the foregoing. The lock-up does not apply to the measures related to the execution of the Offering or the Company's incentive programmes.

The members of the Board of Directors and the management team of the Company are expected to commit to a lock-up agreement with similar terms to that of the Company and Adelis that will end on the date that falls 360 days from the Listing.

The Sellers (excluding Adelis) and certain other shareholders have agreed to comply with a lock-up agreement with similar terms to that of the Company and Adelis that will end on the date that falls 360 days from the Listing.

According to the terms and conditions of the Personnel Offering, the personnel participating in the Personnel Offering must agree to comply with the lock-up with similar terms to that of the Company and the Sellers that will end on the date that falls 360 days from the Listing.

In aggregate, the terms of lock-up agreements apply to approximately 57.5 percent of the Shares after the Offering without the Over-allotment Option and the possible Shares subscribed for by the Personnel in the Public Offering (approximately 51.2 percent with the Over-allotment Option) assuming that the Sellers will sell the maximum number of Sale Shares and that the Company will issue 4,690,105 New Shares (the number of New Shares has been calculated assuming that the Final Subscription Price will be at the mid-point of the Preliminary Price Range and that a total of 26,041 New Shares would be subscribed for in the Personnel Offering at the discount applicable to Personnel Shares).

Subscription Undertakings

The Cornerstone Investors have in total, subject to certain conditions, committed to subscribe for Offer Shares in the Offering amounting to approximately EUR 96 million at a post-money equity value of up to EUR 560 million. According to the terms and conditions of the subscription undertakings, the Cornerstone Investors will be guaranteed the number of Offer Shares covered by their respective subscription undertakings. The Cornerstone Investors will not be compensated for their subscription undertakings.

Dilution of Ownership

As a result of the Share Issue, the number of Shares may increase to 85,072,491 Shares assuming that the Final Subscription Price for the New Shares would be at the low-end of the Preliminary Price Range and that a total 179,211 New Shares would be subscribed for in the Personnel Offering at the discount applicable to such New Shares. If the existing shareholders of the Company would not subscribe for the Offer Shares in the Share Issue, the total ownership of the existing shareholders would therefore dilute with approximately 5.7 percent. Accordingly, if the Final Subscription Price would be at the high-end of the Preliminary Price Range, the total ownership of the existing shareholders would therefore dilute with approximately 5.4 percent.

The Company's equity per share was as at 30 June 2021 EUR 0,15 when taken into account the free-of-charge share issue carried out by the Company in May 2021. The Preliminary Price Range of the Offer Shares is EUR 6.20 to EUR 6.60 per Offer Share.

Fees and Expenses

The Company and the Sellers will pay the Managers a base fee, which will be determined on the Company's part on the basis of the gross proceeds from the New Shares and on the Sellers' part on the gross proceeds from the Sale Shares (including any sales of Additional Shares based on the Over-Allotment Option). In addition, the Company and the Sellers may, at their sole discretion, pay the Managers a discretionary fee based on the gross proceeds from the Offering, including the proceeds from any sales of Additional Shares based on the Over-Allotment Option. In addition, the Company will undertake to reimburse the Managers for certain expenses.

The Company estimates that the fees and expenses payable by it in relation to the Offering will amount to approximately EUR 4 million (assuming that the Company will receive approximately EUR 30 million gross proceeds and the discretionary fee is paid in full), and the fees to be paid by the Sellers in connection with the Offering are expected to amount to approximately EUR 6 million (assuming that the Sellers sell the maximum amount of Sale Shares and the Over-allotment Option would not be used and the discretionary fee would be paid in full).

Interests Related to the Offering

The fees to be paid to the Managers are, in part, linked to the gross proceeds from the Offering.

The Managers, as well as other entities in the same groups, may purchase and sell the Shares for their own or their customers' account prior to, during and after the Offering subject to applicable legislation and regulations.

The Managers, as well as other entities in the same groups, have provided and may in the future provide to the Company investment or other banking services in accordance with their ordinary business.

The Sellers will sell Sale Shares in the Offering. For more information on the Sellers, see Annex A of this Offering Circular.

Nordea is among the lenders in the Current Financing Agreement, which will be refinanced with the New Financing Agreement in connection with the Offering. The New Financing Agreement consists of a financing arrangement of EUR 90 million, which has an undertaking according to which the gross proceeds of the Company from the Listing to be not less than EUR 20 million. Nordea will also be part of the syndicate of financial institutions in the New Financing Agreement.

Information to Distributors

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Offer Shares have been subject to a product approval process, which has determined that the Offer Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II (the "**Target Market Assessment**"); and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II. Notwithstanding the Target Market Assessment, distributors should note that: the price of the Offer Shares may decline and investors could lose all or part of their investment; the Offer Shares offer no guaranteed income and no capital protection; and an investment in the Offer Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offering.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Offer Shares. Each distributor is responsible for undertaking its own Target Market Assessment in respect of the Offer Shares and determining appropriate distribution channels.

FINNISH SECURITIES MARKET

The following summary is a general description of the Finnish securities market and it is based on the laws in force in Finland on the date of this Offering Circular. The following summary is not exhaustive.

General

The securities market in Finland is supervised by the FIN-FSA. The primary laws governing securities markets are the Finnish Securities Market Act (746/2012, as amended), which contains provisions in respect of, among others, company and shareholder disclosure obligations, prospectus requirements and public tender offers, the Prospectus Regulation ((EU) 2017/1129), containing regulation relating to, among others, on the duty to prepare a prospectus and its contents, as well as the Market Abuse Regulation (EU) No 596/2017 containing regulation relating to, among others, disclosure of inside information and the obligation of the issuer's management to notify transactions. The regulation governing admission of securities and other financial instruments to public trading and trading in listed financial instruments is compiled under the Finnish Act on Trading in Financial Instruments (1070/2017, as amended). The role of the FIN-FSA is to monitor compliance with these provisions. The FIN-FSA may issue further detailed regulation based on delegation of authority under the Finnish Securities Market Act and other laws that entitle it to do so.

The Finnish Securities Market Act and the Market Abuse Regulation specify minimum disclosure requirements for companies applying to have their shares listed on the Helsinki Stock Exchange or whose securities are publicly traded or who offer their securities to the public. Insider information must be made public in a manner which enables fast access and complete, correct and timely assessment of the information by the public. A Finnish listed company, i.e. a company that has issued shares that are traded in a regulated market, is under an obligation to regularly publish financial information on the company as well as to inform the markets of any matters concerning the company which, if made public, would be likely to have a significant effect on the price of the financial instruments of the issuer.

A shareholder is required to notify, without undue delay, a Finnish listed company and the FIN-FSA when its voting rights in, or its percentage ownership of the total number of shares of such Finnish listed company reaches, exceeds or falls below 5, 10, 15, 20, 25, 30, 50 or 90 percent or two thirds (66.67 percent), calculated in accordance with the Finnish Securities Markets Act (flagging notification). A flagging notification must also be made when a shareholder is entitled to acquire, on the basis of a financial instrument, a number of shares that will reach, exceed or fall below the flagging threshold described above or, when the combined ownership share based either on direct holding or holding through financial instruments reaches, exceeds or falls below the flagging threshold described above. In this connection, the definition of financial instrument also refers to such financial instruments the value of which is determined on the basis of the company's share and which have a similar economic effect as a financial instrument that entitles its holder to receive the company's shares. A flagging notification must be made regardless of whether the underlying asset of the financial instrument will be settled physically or in cash. The notification must be submitted without an undue delay, however no later than on the following trading day after the shareholder was informed or should have known about such a change in the shareholder's voting rights or ownership. The shareholder shall be deemed to have been informed of the said transaction no later than two trading days after the transaction. When a listed company has received the above-mentioned information, it must disclose the information in a stock exchange release without undue delay.

According to the Finnish Securities Market Act, a shareholder, whose holding increases to more than 30 percent or more than 50 percent of the voting rights attached to shares in a company after the shares or securities entitling to such shares in the company have been entered into public trading on the regulated market, is obligated to make a public offer for all remaining shares and securities entitling to such shares in the company at fair value (mandatory takeover bid). Under the Finnish Companies Act, a shareholder holding shares representing more than 90 percent of all the shares and votes in a company has the right to redeem the remaining shares in the company at fair value (right of squeeze-out). In addition, a shareholder whose shares may be redeemed in the above-mentioned manner is entitled to demand redemption from the majority shareholder entitled to exercise redemption (right of sell-out). Detailed rules apply to the calculation of the proportions of shares and votes discussed above.

According to the Finnish Securities Market Act, a Finnish listed company shall directly or indirectly belong to an independent body representing the economy on a wide basis and established in Finland, which has issued a recommendation to promote compliance with good securities markets practice on the actions of the management of the offeree company with regard to a takeover bid (the "**Helsinki Takeover Code**"). According to the Finnish

Securities Market Act, a listed company must provide an explanation for not committing to complying with the Helsinki Takeover Code.

The Financial Supervisory Authority must be notified of net short positions in shares listed on the Helsinki Stock Exchange in accordance with the Regulation (EU) No 236/2012 of the European Parliament and of the Council on short selling and certain aspects of credit default swaps. The obligation to notify net short positions applies to all investors and market participants. A net short position in relation to the shares of a company that has shares admitted to trading on a regulated market must be disclosed where the position reaches, exceeds or falls below the threshold of 0.2 percent of the target company's issued share capital. A new notification must be submitted for each 0.1 percent above the threshold. The FIN-FSA will publish any notified net short position that reaches, exceeds or falls below the threshold of 0.5 percent of the target company's issued share capital on its website.

The Finnish Penal Code (39/1889, as amended), contains provisions relating to breach of disclosure requirements, the misuse of inside information, unauthorised disclosure of inside information and market manipulation. Acts described in such provisions have been criminalized. Pursuant to Market Abuse Regulation, the Finnish Securities Markets Act and the Finnish Act on the Financial Supervisory Authority (878/2008, as amended), the FIN-FSA has the right to impose administrative sanctions for breach of provisions relating to, among others, disclosure requirements, misuse of inside information, market manipulation and the obligation of issuer's management to notify transactions, with the exception of situations where preliminary investigation, consideration of charges or a pending criminal case in a court of law against the party in breach of such regulations is ongoing in relation to the same offence, or where the party has received a non-appealable sentence for the same act. The FIN-FSA can, for example, issue a public warning, prohibit the person involved to trade securities or impose administrative fines or penalty payments. The disciplinary board of the Helsinki Stock Exchange may give a warning or note or impose a disciplinary fine or order the company to be removed from the official list.

Trading and Settlement on the Helsinki Stock Exchange

Share trading on the Helsinki Stock Exchange occurs through automatic order matching. In carrying out share trades, the Helsinki Stock Exchange uses the INET Nordic trading platform, which is an order-based system in which buy and sell orders are matched as trades when the price and the volume information tally. In the INET Nordic trading platform, the trading day consists, as a general rule, of the following main phases: pre-trading, continuous trading, the closing auction and post-trading.

During the pre-trading session from 9:00 a.m. to 9:45 a.m., orders may be entered, changed or deleted. The opening call begins at 9:45 a.m. and ends at 10:00 a.m. Round lot orders entered during the pre-trading phase and existing orders that may be valid for more than one day are automatically transferred into the opening call. Continuous trading takes place between 10:00 a.m. and 6:25 p.m. Continuous trading begins sequentially immediately after the end of the opening call at 10:00 a.m., at which time the first share's opening price is determined, after which continuous trading in said share commences. Approximately ten minutes later, the opening prices of all the shares have been determined and trading based on market demand continues until 6:25 p.m. The closing auction begins at 6.25 p.m. and ends at approximately 6:30 p.m., when the closing prices are determined and when continuous trading ends as well. In post-trading between 6:30 p.m. and 7:00 p.m., the only trades that may be registered are contract trades for shares in after-hours trading. The shares will be registered at prices established during the trading day.

Trades are primarily cleared in Euroclear Finland's automated clearing and settlement system (Infinity system) on the second (2nd) banking day after the trade date (T+2) unless otherwise agreed by the parties.

Trading in securities on the Helsinki Stock Exchange and clearing of trades in Euroclear Finland takes place in euros, with the minimum tick size for trading quotations depending on the tick size table and being a minimum of EUR 0.0001. The price information is produced and published only in euros.

The Finnish Book-Entry Securities System

General

Any issuer established in the European Union that issues or has issued transferable securities which are admitted to trading or traded on trading venues, shall arrange for such securities to be represented in book-entry form. An issuer has the right to choose the central securities depository where the securities are admitted to trading. In

Finland, the book-entry system is maintained by Central Securities Depository. In Finland, on the date of this Offering Circular, the Central Securities Depository is Euroclear Finland. Euroclear Finland maintains a book-entry securities register for both equity and debt securities. The registered office of Euroclear Finland is located at Urho Kekkosen katu 5C, FI-00100, Helsinki.

The Finnish Central Securities Depository keeps company-specific shareholder registers of the shareholders of companies on behalf of issuers. According to the Regulation (EU) No 909/2014, Central Securities Depositories are not obliged to offer shareholders book-entry accounts free of charge and sponsored by issuers, but a Central Securities Depository may offer such accounts based on a voluntary business decision. The account operators, which consist of, among others, banks, investment services companies and other institutions licensed to act as clearing parties by the Central Securities Depository, are entitled to make entries in the book-entry register and administer the book-entry accounts.

Registration

Shareholders of all companies entered into the book-entry securities system must establish a book-entry account with an account operator or register its securities through nominee registration in order to effect share entries. A Finnish shareholder may not hold his or her shares through a nominee registered account in the Finnish book-entry system. For shareholders who have not transferred their shares into book-entries, a joint book-entry account shall be opened with Euroclear Finland and the issuer is entered as the account holder. All transactions in securities registered with the book-entry securities system are executed as computerized book-entry transfers. The account operator confirms book-entry transfers by sending notifications of all transactions to the holder of the respective book-entry account. The account holders also receive an annual statement of their holdings as of the end of each calendar year.

Each book-entry account must give the particulars of the account holder and other holders of rights to the book-entries in the account or of the custodial account holder who manages the assets in the nominee-registered account, as well as information on the account operator for the account. The required information includes the type and number of the book-entry securities registered in the account as well as the rights and restrictions pertaining to the account and the book-entries. Any nominee-registered account must be identified when making entries in the account. Euroclear Finland and all the account operators are responsible for maintaining the confidentiality of the information they receive. However, a company must keep the shareholders' register accessible to everyone at the head office of the company or, if the company's shares are incorporated in the book entry system, at the registered office of the Central Securities Depository in Finland. The FIN-FSA is entitled to receive certain information on nominee registrations upon request.

Each account operator is liable for possible errors and omissions in the book-entry registers maintained by it and for any breach of data protection. However, if an account holder has suffered loss as a result of a faulty registration and the account operator is unable to compensate such a loss, such account holder is entitled to receive compensation from the statutory registration fund of Euroclear Finland. The capital of the registration fund must be at least 0.0048 percent of the average of the total market value of the book-entries kept in the book-entry securities system during the last five (5) calendar years and it must be no less than EUR 20 million. The compensation to be paid to one injured party shall be equal to the amount of damage suffered by such an injured party from a single account operator, subject to a maximum amount of EUR 25,000. The liability of the registration fund to pay damages in relation to each incident is limited to EUR 10 million.

Custody of Securities and Nominee Registration

According to the Finnish laws, a non-Finnish shareholder may appoint an account operator (or certain non-Finnish organizations approved by the Central Securities Depository) to act as a custodial nominee account holder on its behalf. In some cases, nominee-registration of Finnish shareholders abroad may be possible by virtue of the Regulation (EU) No 909/2017 of the European Parliament and of the Council or other EU regulation or, if a Finnish company issues its shares in another EU country. A nominee-registered shareholder is entitled to receive dividends and to exercise all share subscription rights and other financial and administrative rights attached to the shares held in its name. A nominee-registered shareholder wishing to attend a General Meeting of Shareholders should seek a temporary registration in the shareholders' register. The notification of the temporary registration shall be made at the latest on the date set out in the notice to the General Meeting, which shall be after the record date of the General Meeting. A custodial nominee account holder or another nominee is required to disclose to the FIN-FSA and to the relevant issuer, upon request, the actual identity of the shareholder of any shares registered in the name of such a nominee, where the nominee-registered shareholder is known, as well as the number of shares owned by such nominee-registered shareholder. If the name of the nominee-registered shareholder is not known, the nominee is required to disclose said information in respect of the representative acting on behalf of the nominee-registered shareholder and to submit a written declaration to the effect that the actual shareholder is not a Finnish natural person or legal entity.

Finnish depositories for both Euroclear Bank, S.A./N.V. – as operator of Euroclear Finland – and Clearstream have custodial accounts within the book-entry securities system and, accordingly, non-Finnish shareholders may hold their shares listed on Helsinki Stock Exchange in their accounts in Euroclear Bank, S.A./N.V. and in Clearstream.

Shareholders wishing to hold their shares in the book-entry securities system in their own name but who do not maintain a book-entry account in Finland are required to open a book-entry account with an account operator as well as a bank account denominated in euros in Finland.

Compensation Fund for Investors

Under Finnish law, investors are divided into professional and non-professional investors. The definition of professional investors includes business enterprises and public entities which can be deemed to know the securities markets and the risks related thereto. A customer may also declare in writing that, on the basis of his or her professional skills and experience in investment activities, he or she is a professional investor. However, private investors are generally considered to be non-professional investors.

Credit institutions and such investment services companies managing or retaining clients' assets that do not provide solely intermediation or investment advisory services or organising of multilateral trading must belong to a compensation fund for investors. The compensation fund safeguards payment of clear, indisputable receivables that are due when an investment services company or a credit institution, for a reason other than temporary insolvency, is not capable of paying the claims of investors within a determined period of time. Only claims of non-professional investors are paid by the compensation fund. An investor is paid 90 percent of the investor's receivable, subject to a maximum amount of EUR 20,000. The compensation fund does not compensate for losses due to a fall in equity prices or incorrect investment decisions, whereby the customer is still responsible for the consequences of his or her investment decisions. If a bank becomes insolvent, customers of a credit institution shall be compensated from the Deposit Guarantee Fund for claims up to EUR 100,000. The funds of an investor are safeguarded either through the Deposit Guarantee Fund or the compensation fund. Accordingly, the same funds of an investor do not benefit from double protection.

TAXATION

The following summary is based on the tax laws of Finland as in effect on the date of this Offering Circular, and is subject to changes in Finnish law, including changes that could have a retroactive effect on taxation. The following summary is not exhaustive and does not take into account or deal with the tax laws of any country other than Finland. Prospective investors are advised to consult their own professional tax advisors as to the Finnish or foreign tax consequences of the Offering and the purchase, ownership and disposition of the Shares. The tax laws of other jurisdictions may have an effect on the prospective investor and on the possible income of the Shares, and prospective investors should consult their tax advisors with respect to the tax consequences applicable to their particular circumstances.

Finnish taxation

The following is a description of the material Finnish income tax consequences that may be relevant with respect to this Offering. The following description of Finnish domestic tax legislation relating to dividend distributions and capital gains arising from the sale of Shares is applicable to natural persons and limited liability companies both resident and non-resident in Finland.

The following description does not address tax considerations applicable to the holders of the Shares that may be subject to special tax rules, including, among others, different restructurings of corporations, controlled foreign corporations (CFC), non-business carrying entities, income tax-exempt entities or general or limited partnerships. Furthermore, this description addresses neither Finnish inheritance nor gift tax consequences.

This description is based on:

- The Finnish Income Tax Act (1535/1992), as amended;
- The Finnish Business Income Tax Act (360/1968), as amended;
- The Finnish Act on Taxation Procedure (1558/1995), as amended;
- The Finnish Act on Taxation of Non-residents (627/1978), as amended; and
- The Finnish Transfer Tax Act (931/1996), as amended.

In addition, relevant case law as well as decisions and statements made by the tax authorities in effect and available on the date of this Offering Circular have been taken into account.

All of the foregoing is subject to change, which could apply retroactively and could affect the tax consequences described below.

General

Residents and non-residents of Finland are treated differently for tax purposes. The worldwide income of persons resident in Finland is subject to taxation in Finland. Non-residents are taxed on Finnish source income only. In addition, any income received by a non-resident from a permanent establishment in Finland is subject to taxation in Finland. Finnish tax treaties may limit the applicability of the domestic tax legislation and also the right to tax the non-resident's income that is received from Finland.

Generally, an individual is deemed a resident of Finland if such individual stays in Finland for more than six consecutive months or if the permanent home and dwelling of such individual is in Finland. Earned income, including salary, is taxed at progressive rates. Capital income is currently taxed at a rate of 30 percent. However, if the capital income exceeds EUR 30,000 during the calendar year, the tax for the exceeding amount is 34 percent. Corporate entities established under the laws of Finland and foreign entities with the effective place of management in Finland are regarded as residents of Finland and are subject to corporate income tax on their worldwide income. Currently, the corporate income tax rate is 20 percent.

The following is a summary of certain Finnish tax consequences relating to the purchase, ownership and disposal of the Shares by Finnish resident and non-resident shareholders.

Personnel Offering

If an employer offers its employees shares at a reduced subscription price, maximum of 10 percent discount is not deemed as taxable benefit (Chapter 4, Section 66 of the Finnish Income Tax Act), provided that the shares are offered to the majority of the employees. According to the Supreme Administrative Court's recent precedent KHO 2021:25, Section 66 of the Finnish Income Tax Act applies to the subscription of new and existing shares of the company. The discount is the difference between the market price and the subscription price.

Discount on subscription price of shares exceeding 10 percent is considered as taxable earned income of the employee and the tax of such income is withheld correspondingly to salary. The discount provided in personnel offering is in general exempted from social security and pension contributions. The employee health insurance premium is, however, payable on the taxable part of the benefit.

Taxation of dividends and equity returns

Distribution of funds from unrestricted equity fund (Chapter 13, Section 1, subsection 1 of the Finnish Companies Act by a public listed company as defined in the Finnish Income Tax Act Section 33 a, subsection 2 ("**Listed Company**") is taxed as distribution of dividends. Therefore, the following applies also to the distribution of funds from unrestricted equity funds of the Company.

Resident individuals

85 percent of dividends paid by a Listed Company to an individual shareholder is considered capital income of the recipient, taxable at the rate of 30 percent (however, if the overall capital income exceeds EUR 30,000 during the calendar year, the tax for the exceeding amount is 34 percent) while the remaining 15 percent is tax-exempt.

A Listed Company distributing dividends is obligated to withhold tax in advance from dividends paid to resident individuals. Currently, the amount of the tax withheld in advance is 25.5 percent of the amount of the dividend paid. The advance tax withheld by the distributing company is credited against the final tax payable by the individual shareholder for the dividend received. Where shares are held through a nominee account by a Finnish resident individual the withholding rate is 50 percent. Resident individuals must review their pre-completed tax form to confirm that the received dividend income during the tax year is correct. If necessary, the taxpayer must report the correct amount of dividend income and the amount of prepaid income tax to the tax authorities, should these amounts be incorrectly entered on the pre-completed tax form.

Finnish limited liability companies

Dividends received by a Listed Company from another Listed Company are generally tax-exempt. However, in case the shares are included in the investment assets of the shareholder (only financial, insurance and pension institutes may have investment assets referred to in this context), 75 percent of the dividend is taxable income while the remaining part of the dividend is tax-exempt.

Dividends received by a non-listed Finnish company from a Listed Company are generally taxable income with respect to 100 percent of the dividend. However, in cases where the non-listed company directly owns 10 percent or more of the share capital of the Listed Company distributing the dividend, the dividend received on such shares is tax-exempt provided that the shares are not included in the investment assets of the shareholder. If the shares are included in the investment assets of the shareholder, 75 percent of the dividend is taxable income while the remaining part of the dividend is tax-exempt.

Where shares are held through a nominee account by a Finnish resident company the withholding rate is 50 percent.

Non-residents

Dividends paid by a Finnish company to non-residents are subject to Finnish withholding tax. The withholding tax as a final tax at source is withheld by the company distributing the dividend at the time of the dividend payment. The withholding tax rate for a dividend received by a non-resident individual shareholder is 30 percent whereas the withholding tax rate for a dividend received by a non-resident company is 20 percent unless otherwise set forth in an applicable tax treaty. Starting 1 January 2021, the rate is generally 35 percent for dividends paid by a Finnish resident Listed Company to nominee registered shares, as described further below.

Finland has entered into double tax treaties with many countries pursuant to which the withholding tax rate on dividends paid to persons entitled to the benefits under such treaties is reduced. For example, in the case of the treaties with the following countries, Finnish withholding tax rate regarding dividends of portfolio shares is generally reduced to the following percentages: Austria: 10 percent; Belgium: 15 percent; Canada: 15 percent; Denmark: 15 percent; France: zero; Germany: 15 percent; Ireland: zero; Italy: 15 percent; Japan: 15 percent; the Netherlands: 15 percent; Norway: 15 percent; Spain: 15 percent; Sweden: 15 percent; Switzerland: 10 percent; the United Kingdom: zero; and the United States: 15 percent. Please note that this list is not exhaustive. A further reduction in the withholding tax rate is usually available to corporate shareholders for dividend distributions on qualifying holdings (usually ownership of at least 10 or 25 percent of the share capital or voting rights of the distributing company). The benefit of reduced withholding rate in an applicable tax treaty will be available if the receiver of the dividend has provided the payer of the dividend the necessary details on the applicability of the tax treaty.

Where shares in a Finnish company are held through a nominee account, the Finnish distributing company pays the dividends to the nominee account managed by the custodian, who then delivers the dividend payment to the beneficial owner. 35 percent withholding tax is generally applied on dividend distributions by Listed Companies, unless custodians fulfill certain strict requirements and are willing to take over certain responsibilities (including, for example, registration with the Finnish Tax Administration (so called authorised intermediary), identification of the beneficial owner of the dividend and collecting and submitting detailed recipient information to the Finnish Tax Administration using specific filing procedures). Furthermore, application of reduced withholding tax rates at source require that the custodian and dividend distributor are willing to assume liability of incorrectly applied withholding tax. If the custodian only registers with the Finnish Tax Administration and submits (or undertakes to submit) the detailed recipient details to the Finnish Tax Administration, 30 percent withholding tax rate can be applied, instead of 35 percent.

Any tax withheld in excess can be reclaimed after the year of the dividend payment by submitting a refund application to the Finnish Tax Administration no later than by the end of the third calendar year following the dividend payment year. During the year of dividend payment, the refund can be processed if custodians and dividend distributor fulfill the above-mentioned requirements laid down for actual dividend distribution. It is exceptionally also possible that any tax not withheld at source is later assessed directly to the shareholder by the Finnish Tax Administration, in case the failure to withhold tax at source is not due to negligence of the custodian or the dividend distributor.

Foreign companies residing in the European Union Member States

No withholding tax is levied under Finnish tax laws on dividends paid to foreign corporate entities that reside, and are subject to corporate tax, in an EU member state as specified in Article 2 of the Parent Subsidiary Directive (2011/96/EU), as amended by the Council Directive 2013/13/EU and 2017/86/EU, and that directly hold at least 10 percent of the capital of the dividend distributing Finnish company.

Foreign companies residing in the European Economic Area

Dividends paid to certain foreign companies residing in the European Economic Area are either tax-exempt in full or a lowered rate of withholding tax is applied depending on how the dividend would be taxed if paid to a corresponding Finnish corporate entity.

No withholding tax will be levied in Finland from dividends paid by a Finnish company to a non-resident entity, if (i) the entity receiving the dividend resides in the European Economic Area; (ii) the Council Directive 2011/16/EU on Administrative Cooperation in the Field of Taxation and Repealing Directive 77/799/EEC, as amended by the Council Directives 2014/107/EU and (EU) 2015/2376 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation or an agreement on mutual assistance and information exchange in tax matters applies to the home state of the receiver of the dividend; and (iii) the company receiving dividend is equivalent to a Finnish entity defined in the Finnish Income Tax Act Section 33 d Sub-section 4 or in Section 6 a of the Finnish Business Income Tax Act; (iv) the dividend would be tax-exempt in full if paid to a corresponding Finnish limited liability company (see above "— *Finnish limited liability companies*"): and (v) the entity receiving the dividend provides a report (a certificate from the home member state's tax authority) clarifying that in accordance with the treaties on avoiding double taxation applicable in the home state of the receiver of dividends, the withholding tax cannot be reimbursed in full.

If dividend is paid to a foreign company that fulfils the requirements presented above in section (iii) and resides in a country which fulfils the criteria set out in sections (i) and (ii), but the dividend would be only partly tax exempt if it was paid to a corresponding Finnish entity (see above "— *Finnish limited liability companies*"), a withholding tax will be withheld on the dividends (see above section "— *Non-residents*"), but the withholding tax for such dividends will be lowered to 15 percent (instead of 20 percent). Thus, notwithstanding entities as defined in the Parent Subsidiary Directive, which fulfil the criteria for tax exemption by directly owning at least 10 percent of the capital of the Finnish company paying the dividends (see above "— *Foreign companies residing in the European Union Member States*"), the withholding tax rate of 15 percent will be applied to dividends paid to a foreign entity if the shares of the Finnish company paying dividends belong to the investment assets of the company receiving the dividends. Depending on the applicable treaty on avoiding double taxation, the applicable withholding tax can also be lower than 15 percent (see above section "— *Non-residents*").

Foreign individuals residing in the European Economic Area

The dividends paid to a foreign non-resident individual can upon request by the individual in question be taxed, instead of as withholding tax (see above "*Non-residents*"), in accordance with the Finnish Act on Assessment Procedure (1558/1995, as amended) and thus similarly as resident individuals in Finland are taxed (see above "*Resident Individuals*"), provided that (i) the individual receiving the dividend resides in the European Economic Area; (ii) the Council Directive 2011/16/EU on Administrative Cooperation in the Field of Taxation and Repealing Directive 77/799/EEC, as amended by the Council Directives 2014/107/EU and (EU) 2015/2376 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation or an agreement on mutual assistance and information exchange in tax matters applies to the home state of the receiver of the dividend; and (iii) the individual provides a report (a certificate from the home member state's tax authority) clarifying that in accordance with the treaties on avoiding double taxation applicable in the home state of the receiver of dividends, the withholding tax cannot be reimbursed in full.

Taxation of capital gains

Resident individuals

Capital gain or loss arising from the sale of Shares (other than in the context of business activities) is taxable as capital gain or as capital loss deductible from capital gains for resident individuals. Capital gains are currently taxed at a rate of 30 percent (however if the overall capital income exceeds EUR 30,000 during the calendar year, the tax for the exceeding amount is 34 percent). If the disposition of shares is connected to the business activities (business income source) of the seller, any gain arising from the sale is deemed to be the seller's business income, which will be divided according to the Finnish Income Tax Act to be taxed as earned income at a progressive tax rate and capital income at a flat rate of 30 percent (however if the overall capital income exceeds EUR 30,000 during the calendar year, the tax for the exceeding amount is 34 percent).

Any capital gain or loss is calculated by deducting the original acquisition cost and sales related expenses from the sales price. Alternatively, individuals may, instead of deducting the actual acquisition costs, choose to apply a so-called presumptive acquisition cost, which is equal to 20 percent of the sales price or, if the shares have been held for at least ten years, 40 percent of the sales price. If the presumptive acquisition cost is used instead of the actual acquisition cost, any sales related expenses are deemed to be included therein and, therefore, may not be separately deducted from the sales price.

A capital loss arising from the sale of securities, such as the Shares, is deductible primarily from the resident individual's capital gains and secondarily from other capital income arising in the same year and during the following five calendar years. However, the tax-exempt part of the reduced subscription price related to the Personnel Offering will not be taken into account in the acquisition cost of the shares when calculating capital gains or losses. Capital losses will not be taken into account when calculating the capital income deficit for the calendar year in question. Thus, such capital losses do not affect the amount of the deficit credit.

Notwithstanding the above, capital gains arising from the sale of assets, such as the Shares, are exempt from tax provided that the proceeds of all assets sold by the resident individual during the calendar year do not, in the aggregate, exceed EUR 1,000 (not including proceeds of assets the sale of which is tax-exempt pursuant to Finnish tax laws). Correspondingly, capital losses are not tax deductible if the acquisition cost of all assets sold during the calendar year does not, in the aggregate, exceed EUR 1,000 and also the proceeds of all assets sold by the resident individual during the calendar year do not, in the aggregate, exceed EUR 1,000.

An individual resident in Finland has to enter information regarding the sale of securities (such as the Shares) occurred during the relevant calendar year on the pre-completed tax form.

Finnish limited liability companies

The following applies only to Finnish limited liability companies taxed in accordance with the Finnish Business Income Tax Act. Generally, capital gain arising from the Shares is taxable income of the limited liability company.

Shares may be fixed assets, current assets, investment assets (only financial, insurance and pension institutes may have investment assets referred to in this context), financial assets or other assets of a limited liability company. The taxation of a disposal of shares and loss of value may vary according to the asset type for which the shares qualify. Shares may only exceptionally qualify as other than business income source assets of a limited liability company. The provisions of the Finnish Income Tax Act are applied to the capital gains arising from the sale of assets from other income source.

Any sales price from the sale of securities is generally included in the business income of a Finnish company. Correspondingly, the acquisition cost of the shares is deductible from business income upon disposal of the shares. However, a participation exemption for capital gains on share disposals is available for Finnish companies, provided that certain strict requirements are met. Under the participation exemption and except for private equity investors, capital gains arising from the sale of shares that are part of the fixed assets of the selling company are not considered taxable business income and, correspondingly, capital losses incurred on the sale of such shares are not tax deductible, provided, among others, that (i) the selling company has continuously owned at least 10 percent of the share capital in the company whose shares are sold and such sold shares have been owned for at least one year, which period has ended no later than one year before the sale, (ii) the company whose shares have been sold is not a real estate or residential housing company or a limited liability company whose activities, on a factual basis, mainly consist of ownership or possession of property, and (iii) the company whose shares are sold is resident in Finland or a company referred to in Article 2 of the Parent Subsidiary Directive or it is resident in a country with which Finland has entered into a tax treaty for the elimination of double taxation which is applicable to dividends. Further, based on case law, the application of the participation exemption also requires among other things, that there is an operational connection between the company disposing of the shares and the company whose shares are being sold.

Tax deductible capital losses arising from the sale of shares (other shares than shares sold under the participation exemption) that are part of the fixed assets of the selling company can only be deducted from capital gains arising from the sale of shares in the same financial year and five subsequent years. Tax deductible capital losses arising from the sale of shares belonging to other assets are tax deductible only from capital gains arising from the sale of other assets in the same fiscal year and the subsequent five years. Capital losses arising from the sale of shares that are not part of fixed assets or other assets are tax deductible from taxable income in the same financial year and the subsequent ten years in accordance with the general rules concerning losses carried forward.

Non-residents

Non-residents are generally not tax liable in Finland on capital gains realised on the sale of shares in a Finnish company, unless the non-resident taxpayer is deemed to have a permanent establishment in Finland according to the Income Tax Act and the applicable tax treaty, and the shares are considered as assets of that permanent establishment.

Transfer tax

In Finland, transfer tax is not payable in connection with the issuance or subscription of shares. Transfer tax is generally not payable on the transfer of shares subject to public trading against fixed cash consideration. The transaction is not subject to transfer tax provided that an investment service company or a foreign investment service company or another investment service provider, as defined in the Finnish Act on Investment Services (747/2012, as amended), is brokering or serving as a party to the transaction or that the transferee has been approved as a trading party in the market where the transfer is executed. If the transferee's broker or other party to the transfer is not a Finnish investment firm, Finnish credit institution or Finnish branch or office of a foreign investment firm or credit institution, the transfer will be tax exempt provided that the transferee liable for tax notifies the Finnish tax authorities of the transfer within two months thereof or that the broker submits an annual declaration concerning the transfer to the Finnish Tax Administration as set forth in the Finnish Act on Assessment

Procedure (1558/1995, as amended). Tax exemption does not apply to transfers executed as capital investments or distribution of funds or to transfers in which consideration comprises in full or in part of work contribution, or to certain other transfers set out in the Transfer Tax Act. Accordingly, in case law it has been considered that if an incentive scheme remuneration of key persons is paid in money and the receiver of the remuneration is obliged to purchase shares of the Listed Company with a part of the remuneration, consideration of the share purchase comprises in full or in part of work contribution, and is thus subject to transfer tax.

The buyer is liable to pay transfer tax amounting to 1.6 percent of the transaction price in share transfers that do not fulfil the above criteria (2.0 percent on transfers of shares in a company qualified as a real estate company). If the buyer in that case is not generally liable for tax in Finland or a foreign credit institution's or an investment firm's or a fund management company's or an EEA alternative investment fund manager's Finnish branch, the seller must charge the tax from the buyer. If the broker is a Finnish stockbroker or a credit institution or a foreign stockbroker's or credit institution's Finnish branch, it is liable to charge the transfer tax from the buyer and effect the payment on the buyer's behalf. If neither party to the transaction is generally liable for tax in Finland or a foreign credit institution's or an investment firm's or a fund management company's or an EEA alternative investment fund manager's Finnish branch, transfer tax will not be payable on the transfer of shares (excluding transfers of qualified real estate company shares, as defined in the Transfer Tax Act). No transfer tax is levied if the amount of the tax is less than EUR 10.

Certain U.S. Federal Income Tax Considerations

The following is a discussion of certain U.S. federal income tax consequences to U.S. Holders (defined below) of acquiring, owning and disposing of Shares, but it does not purport to be a comprehensive discussion of all tax considerations that may be relevant to a particular person's decision to acquire Shares. This discussion applies only to a U.S. Holder that owns Shares as capital assets for U.S. federal income tax purposes. This discussion is based on the Internal Revenue Code of 1986, as amended (the "Code"), U.S. Treasury regulations promulgated thereunder, and administrative rulings and judicial interpretations thereof, in each case as in effect of the date of this offering memorandum. All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax consequences described below. No ruling will be sought from the Internal Revenue Service (the "IRS") with respect to any statement or conclusion in this discussion, and there can be no assurance that the IRS will not challenge such statement or conclusion in the following discussion or, if challenged, that a court will uphold such statement or conclusion.

In addition, this discussion does not describe all of the tax consequences that may be relevant in light of a U.S. Holder's particular circumstances, including any U.S. state, local or non-U.S. tax law, the Medicare tax on net investment income, and any estate or gift tax laws, and it does not describe differing tax consequences applicable to U.S. Holders subject to special rules, such as:

- certain banks or financial institutions;
- regulated investment companies and real estate investment trusts;
- dealers or traders in securities that use a mark-to-market method of tax accounting;
- insurance companies;
- persons holding Shares as part of a hedge, straddle, conversion, constructive sale, integrated transaction or similar transaction;
- persons liable for the alternative minimum tax;
- persons required for U.S. federal income tax purposes to accelerate the recognition of any item of gross income with respect to the Shares as a result of such income being recognized on an applicable financial statement;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- entities or arrangements classified as partnerships or pass-through entities for U.S. federal income tax purposes or holders of equity interests therein;
- tax-exempt entities, "individual retirement accounts" or "Roth IRAs";
- certain U.S. expatriates;

- persons that own, directly, indirectly or constructively, ten percent (10%) or more of the total voting power or value of all of our outstanding stock; or
- persons owning Shares in connection with a trade or business conducted outside the United States.

U.S. Holders should consult their tax advisors concerning the U.S. federal, state, local and non-U.S. tax consequences of acquiring, owning and disposing of Shares in their particular circumstances.

For purposes of this discussion, a "U.S. Holder" is a person that, for U.S. federal income tax purposes, is a beneficial owner of Shares and is:

- an individual citizen or resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if a court within the United States is able to exercise primary supervision over its administration and one or more United States persons have the authority to control all substantial decisions of the trust or otherwise if the trust has a valid election in effect under current Treasury regulations to be treated as a United States person.

If an entity or arrangement that is classified as a partnership for U.S. federal income tax purposes owns Shares, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the status and activities of the partnership. Partnerships owning Shares and partners in such partnerships should consult their tax advisors as to the particular U.S. federal income tax consequences of owning and disposing of the Shares.

THE DISCUSSION OF U.S. FEDERAL INCOME TAX CONSIDERATIONS SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS CONCERNING THE TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP, OR DISPOSITION OF SHARES IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES, INCLUDING THE APPLICABILITY AND EFFECT OF OTHER FEDERAL, STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Taxation of Distributions

Subject to the discussion below under "Passive Foreign Investment Company Rules," the gross amount of any distribution of cash or property paid with respect to the Shares (including the amount of any Finnish taxes withheld therefrom), will generally be included in a U.S. Holder's gross income as divided income to the extent such distribution is paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Distributions in excess of our current and accumulated earnings and profits will be treated first as a non-taxable return of capital, thereby reducing the U.S. Holder's adjusted tax basis in the Shares (but not below zero), and thereafter as either long-term or short-term capital gain depending upon whether the U.S. Holder held the Shares for more than one year as of the time such distribution is actually or constructively received. Because we do not prepare calculations of our earnings and profits using U.S. federal income tax principles, it is expected that distributions generally will be taxable to U.S. Holders as dividends, and taxable at ordinary income tax rates.

As used below, the term "dividend" means a distribution that constitutes a dividend for U.S. federal income tax purposes. The amount of a dividend on the Shares will include any amounts withheld in respect of Finnish taxes. Dividends will be treated as foreign-source dividend income and will not be eligible for the dividends-received deduction available to U.S. corporations under the Code with respect to dividends received from other U.S. corporations. With respect to non-corporate U.S. Holders, including individual U.S. Holders, dividends may be "qualified dividend income", which is taxed at the long-term capital gain rate provided that (1) we are eligible for the benefits of the income tax treaty between Finland and the United States (the "**Treaty**"), (2) we are not a PFIC (as discussed below) with respect to the U.S. Holder for either its taxable year in which the dividend was paid or the preceding taxable year, and (3) certain other requirements are met. A dividend will generally be included in a U.S. Holder's income on the date of the U.S. Holder's actual or constructive receipt of the dividend. The amount of any dividend paid in Euros will be the U.S. dollar value of the Euros calculated by reference to the spot rate of exchange in effect on the date of actual or constructive receipt, regardless of whether the payment is in fact converted into U.S. dollars on such date. U.S. Holders should consult their own tax advisors regarding the treatment of any foreign currency gain or loss.

A U.S. Holder generally will be entitled, subject to certain limitations, to a credit against its U.S. federal income tax liability, or to a deduction, if elected, in computing its U.S. federal taxable income, for non refundable Finnish income taxes withheld from dividends. U.S. Holders that are eligible for benefits under the Treaty will not be entitled to a foreign tax credit for the amount of any Finnish taxes withheld in excess of the applicable treaty rate For purposes of the foreign tax credit limitation, dividends paid by the Company generally will constitute foreign source income in the "passive category income" basket. An election to deduct foreign taxes instead of claiming foreign tax credits is made on a year-by-year basis and must apply to all foreign taxes paid (whether directly or through withholding) or accrued in the taxable year. The foreign tax credit rules are complex and U.S. Holders should consult their tax advisors concerning the availability of the U.S. foreign tax credit in their particular circumstances.

Sale or Other Taxable Disposition of the Shares

Subject to the discussion below under "Passive Foreign Investment Company Rules," a U.S. Holder generally will recognize gain or loss for U.S. federal income tax purpose on the sale, exchange or other taxable disposition of the Shares in an amount equal to the difference between the amount realized on the disposition and the U.S. Holder's adjusted tax basis in the Shares disposed of, in each case as determined in U.S. dollars. Such gain or loss generally will be capital gain or loss and will be long term capital gain or loss if the U.S. Holder's holding period for the Shares exceeds one year. Long-term capital gains of certain non-corporate U.S. Holders (including individuals) are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

A U.S. Holder's initial tax basis in the Shares will be the U.S. dollar value of the Euros denominated purchase price determined on the date of purchase, and the amount realized on a sale, exchange or other taxable disposition of the Shares will be the U.S. dollar value of the payment received determined on the date of disposition. If the Shares are treated as traded on an "established securities market," a cash method U.S. Holder or, if it elects, an accrual method U.S. Holder, will determine the U.S. dollar value of (i) the cost of such Shares by translating the amount paid at the spot rate of exchange on the settlement date of the purchase, and (ii) the amount realized by translating the amount received at the spot rate of exchange on the settlement date of the sale, exchange or other taxable disposition. Such an election by an accrual method U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS. Accrual-method U.S. Holders that do not elect to be treated as cash-method taxpayers for this purpose may have a foreign currency gain or loss for U.S. federal income tax purposes, which in general will be treated as U.S.-source ordinary income or loss. U.S. Holders should consult their advisors as to the U.S. federal income tax consequences of the receipt of Euros.

Although it is currently not expected for the reasons described under "*Taxation—Taxation of Capital Gains—Non-Residents*", if any Finnish tax is imposed on the sale or other disposition of the Shares, a U.S. Holder's amount realized will include the gross amount of the proceeds of the sale or other disposition before deduction of the Finnish tax. Because capital gain or loss, if any, will generally be U.S. source gain or loss for foreign tax credit purposes and a U.S. Holder may use foreign tax credits to offset only the portion of U.S. federal income tax liability that is attributable to foreign-source income, a U.S. Holder may not be able to claim a foreign tax credit for any Finnish income tax imposed on such gains unless the U.S. Holder has other taxable income from foreign sources in the appropriate foreign tax credit basket. U.S. Holders should consult their own tax advisors concerning the creditability or deductibility of any Finnish income tax imposed on the disposition of Shares in their particular circumstances.

Passive Foreign Investment Company Rules

In general, a corporation organized outside the United States will be treated as a passive foreign investment company ("**PFIC**") for U.S. federal income tax purposes in any taxable year in which (a) 75% or more of its gross income is passive income (the "**income test**") or (b) 50% or more of its assets by value either produce passive income or are held for the production of passive income, based on the quarterly average of the fair market value of such assets (the "**asset test**"). For this purpose, "gross income" generally includes all sales revenues less the cost of goods sold, plus income from investments and from incidental or outside operations or sources, and "passive income" generally includes, for example, dividends, interest, certain rents and royalties, certain gains from the sale of stock and securities, and certain gains from commodities transactions. For purposes of the PFIC income test and asset test described above, if the Company owns, directly or indirectly, 25% or more of the total value of the outstanding shares of another corporation, the Company will be treated as if it (a) held a proportionate share of the assets of such other corporation and (b) received directly a proportionate share of the income of such other corporation.

Based on the nature of our business, our intended use of the proceeds from the offering and the expected price of the Shares, we do not believe that we were a PFIC for the 2020 taxable year, or expect that we will be a PFIC for our current taxable year or in the foreseeable future. However, because a determination of whether a company is a PFIC must be made annually after the end of each taxable year and the Company's PFIC status for each taxable year will depend on facts, including the composition of Company's income and assets and the value of Company's assets (which may be determined in part by reference to the market value of the Shares) at such time, there can be no assurance that the Company will not be a PFIC for the current or any future taxable year.

If the Company is a PFIC for any taxable year during which a U.S. Holder holds the Shares and any of the Company's non-U.S. subsidiaries is also a PFIC, such U.S. Holder will be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules. U.S. Holders are urged to consult their tax advisors about the application of the PFIC rules to any of the Company's subsidiaries.

Generally, if the Company is a PFIC for any taxable year during which a U.S. Holder holds Shares, the U.S. Holder may be subject to adverse tax consequences. Generally, gain recognized by a U.S. Holder upon a disposition (including, under certain circumstances, a pledge) of Shares by the U.S. Holder would be allocated ratably over the U.S. Holder's holding period for such Shares. The amounts allocated to the taxable year of disposition and to years before the Company became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for that taxable year for individuals or corporations, as appropriate, and an interest charge would be imposed on the tax attributable to the allocated amount. Further, to the extent that any distribution received by a U.S. Holder on the Shares exceeds 125% of the average of the annual distributions on such Shares received during the preceding three years or the U.S. Holder's holding period, whichever is shorter, that distribution would be subject to taxation in the same manner as gain, described immediately above. Certain elections may be available that would result in alternative treatments of the Shares if the Company was a PFIC.

If the Company was a PFIC for any year during which a U.S. Holder owned Shares, the Company would generally continue to be treated as a PFIC with respect to such U.S. Holder for all succeeding years during which such U.S. Holder held the Shares, even if the Company ceased to meet the threshold requirements for PFIC status.

If a U.S. Holder owns the Shares during any year in which we are a PFIC, the U.S. Holder generally will be required to file an IRS Form 8621 annually with respect to the Company, generally with the U.S. Holder's U.S. federal income tax return for that year unless specified exceptions apply.

U.S. Holders should consult their tax advisors regarding our PFIC status for any taxable year and the potential application of the PFIC rules.

Information Reporting and Backup Withholding

Payments of dividends and sales proceeds from a sale, exchange or other taxable disposition (including redemption) of the Shares that are made within the United States, by a U.S. payor or through certain U.S.-related financial intermediaries to a U.S. Holder generally are subject to information reporting, unless the U.S. Holder is a corporation or other exempt recipient. In addition, such payments may be subject to backup withholding, unless (1) the U.S. Holder is a corporation or other exempt recipient or (2) the U.S. Holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding in the manner required.

Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. Holder will generally be allowed as a credit against the U.S. Holder's U.S. federal income tax liability or may entitle the U.S. Holder to a refund, provided that the required information is timely furnished to the IRS.

Foreign Financial Asset Reporting

Certain U.S. Holders who are individuals or certain specified entities that own "specified foreign financial assets" with an aggregate value in excess of U.S.$50,000 (and in some circumstances, a higher threshold) may be required to report information relating to the Shares by attaching a complete IRS Form 8938, Statement of Specified Foreign

Financial Assets (which requires U.S. Holders to report "foreign financial assets," which generally include financial accounts held at a non-U.S. financial institution, interests in non-U.S. entities, as well as stock and other securities issued by a non-U.S. person), to their tax return for each year in which they hold the Shares, subject to certain exceptions (including an exception for the Shares held in accounts maintained by U.S. financial institutions). U.S. Holders should consult their tax advisors regarding their reporting obligations with respect to their ownership and disposition of the Shares.

SELLING AND TRANSFER RESTRICTIONS

Selling Restrictions

General

No public offer is being made and no one has taken any action that would, or is intended to, permit a public offering of the Offer Shares to be made in any country or jurisdiction, other than Finland, where any such action for that purpose is required.

Accordingly, the Offer Shares may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material nor advertisement in connection with the Offer Shares may be distributed or published in or from any country or jurisdiction except in compliance with applicable rules and regulations of such country or jurisdiction. It is the responsibility of any person who receives a copy of this document to satisfy himself or herself as to full observance of the laws of any relevant territory with respect to any actions he or she may take, including the obtaining of any requisite governmental or other consent or the observance of any requisite formalities and the payment of any issue, transfer or other taxes due in such territory.

United States

The Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States except in certain transaction exempt from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. See "— *Transfer Restrictions*" below.

European Economic Area

In relation to each Member State of the European Economic Area (each a "**Member State**"), no Offer Shares have been offered or will be offered pursuant to the Offering to the public in that Member State prior to the publication of a prospectus in relation to the Offer Shares which has been approved by the competent authority in that Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Member State, all in accordance with the Prospectus Regulation, except that offers of Offer Shares may be made to the public in that Member State at any time under the following exemptions under the Prospectus Regulation:

(a) to any legal entity which is a qualified investor as defined under the Prospectus Regulation;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined under the Prospectus Regulation), subject to obtaining the prior consent of the Joint Global Coordinators for any such offer; or

(c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Offer Shares shall require the Company or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "offer to the public" in relation to any Offer Shares in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase or subscribe for any Shares.

United Kingdom

No Offer Shares have been offered or will be offered pursuant to the Offering to the public in the United Kingdom prior to the publication of a prospectus in relation to the Shares that has been approved by the Financial Conduct Authority, except that the Shares may be offered to the public in the United Kingdom at any time:

(a) to any legal entity which is a qualified investor as defined under Article 2 of the UK Prospectus Regulation;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined under Article 2 of the UK Prospectus Regulation), subject to obtaining the prior consent of the Joint Global Coordinators for any such offer; or

(c) in any other circumstances falling within Section 86 of the Financial Services and Markets Act 2000 (the "**FSMA**"),

provided that no such offer of the Offer Shares shall require the Company or any Manager to publish a prospectus pursuant to Section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation. For the purposes of this provision, the expression an "offer to the public" in relation to the Shares in the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the offer and any Offer Shares to be offered so as to enable an investor to decide to purchase or subscribe for any Shares and the expression "UK Prospectus Regulation" means the Prospectus Regulation as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018.

In the United Kingdom, this Offering Circular is addressed to and directed only at parties who (i) are persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**"), (ii) are persons who are high net worth entities falling within Article 49(2)(a) to (d) of the Order, or (iii) are other persons to whom this Offering Circular may otherwise lawfully be communicated (all such persons together being referred to as "**relevant persons**").

Certain Other Restricted Jurisdictions

In a number of countries, in particular in Australia, Canada, Hong Kong, Japan, New Zealand, Singapore and South Africa, the offer of the Offer Shares is subject to restrictions imposed by law (such as registration, admission, qualification and other regulations). The Offer Shares are not being offered to persons in any jurisdiction where such an offer would be illegal.

Transfer Restrictions

The Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States, except in a transaction exempt from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, the Offer Shares are only to be offered and sold outside the United States in offshore transactions in compliance with Regulation S under the U.S. Securities Act ("**Regulation S**"), and within the United States to persons reasonably believed by the Managers to be qualified institutional buyers pursuant to an exemption from the registration requirements of the U.S. Securities Act. Terms used in this section are used as defined in Regulation S and/or Rule 144A.

Each purchaser of Offer Shares outside the United States pursuant to Regulation S will be deemed to have represented and agreed that it has received a copy of this Offering Circular and such other information as it deems necessary to make an informed investment decision and that:

1. the purchaser is purchasing Offer Shares in an offshore transaction meeting the requirements of Regulation S;

2. the purchaser has not purchased the Offer Shares as a result of any directed selling efforts;

3. the purchaser acknowledges that the Offer Shares have not been and will not be registered under the U.S. Securities Act, or with any securities regulatory authority of any state of the United States, and are subject to restrictions on transfer;

4. the purchaser will not offer, sell, pledge, or transfer any Offer Shares, except in accordance with the U.S. Securities Act and any applicable laws of any state of the United States and any other jurisdictions;

5. the purchaser is not engaged in the business of distributing securities or, if it is, the purchaser agrees that it will not offer or sell in the United States (i) any Offer Shares that it acquires in the Offering at any time or (ii) any Offer Shares that it acquires other than in the Offering until 40 days after the date of the Offering Circular, except in both cases in a transaction exempt from, or not subject to, the registration requirements of the U.S. Securities Act pursuant to Rule 144A or Regulation S thereunder; and

6. the Company will not recognize any offer, sale, pledge or other transfer of the Shares made other than in compliance with the above-stated restrictions.

Each purchaser of Offer Shares in the United States pursuant to Rule 144A will be deemed to have represented and agreed that it has received a copy of the Offering Circular and such other information as it deems necessary to make an informed investment decision and that:

1. the purchaser (i) is a qualified institutional buyer; (ii) is aware that the sale to it is being made in reliance on Rule 144A; and (iii) is acquiring such Offer Shares for its own account or for the account of another qualified institutional buyer;

2. the purchaser acknowledges that the Offer Shares: (i) have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States; (ii) are being offered and sold in the United States in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act; and (iii) are "restricted securities" within the meaning of Rule 144A(a)(3) under the U.S. Securities Act and are subject to restrictions on transfer;

3. for so long as the Offer Shares are "restricted securities", the purchaser will only offer, sell, pledge or otherwise transfer the Offer Shares: (i) to a person reasonably believed to be a qualified institutional buyer in a transaction meeting the requirements of Rule 144A; (ii) in accordance with Regulation S; or (iii) in accordance with Rule 144 under the Securities Act (if available), in each case in accordance with any applicable securities laws of any state of the United States or any other jurisdiction;

4. for so long as the Offer Shares are "restricted securities", the purchaser will not deposit, or cause to be deposited, any Offer Shares into any depositary receipt facility established or maintained by a depositary bank other than a Rule 144A restricted depositary receipt facility; and

5. the Company will not recognize any offer, sale, pledge, or other transfer of the Shares made other than in compliance with the above-stated restrictions.

Prospective purchasers are hereby notified that sellers of the Offer Shares may be relying on the exemption from registration requirements of Section 5 of the Securities Act provided by Rule 144A.

Furthermore, each purchaser in a Member State other than, in the case of paragraph (1) below, persons receiving offers contemplated in this Offering Circular in Finland who receive any communication in respect of, or who acquire any Offer Shares under, the Offering contemplated in this Offering Circular, will be deemed to have represented and agreed that:

1. the purchaser is a qualified investor as defined in the Prospectus Regulation; and

2. in the case of any Offer Shares acquired by the purchaser as a financial intermediary: (i) the Offer Shares acquired by it in the Offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Member State other than qualified investors, as that term is defined in the Prospectus Regulation, or in circumstances in which the prior consent of the Managers has been given to the offer and resale; or (ii) where Offer Shares have been acquired by it on behalf of persons in any Member State other than qualified investors, the offer of those Offer Shares to it is not treated under the Prospectus Regulation as having been made to such persons.

LEGAL MATTERS

Certain legal matters in connection with the Offering have been passed upon for Puuilo by Roschier, Attorneys Ltd. Certain legal matters in connection with the Offering have been passed upon the Managers by White & Case LLP.

DOCUMENTS ON DISPLAY

The Company's Finnish language Articles of Association, the Finnish Prospectus and this Offering Circular are available on the Company's website at www.puuilo.fi/IPO.

FINANCIAL STATEMENTS

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Puuilo Oyj, Interim information 1 February – 30 April 2021

Puuilo Oyj

Interim information 1 February – 30 April 2021

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Consolidated statement of comprehensive income

EUR thousand	1 Feb 2021 - 30 Apr 2021	1 Feb 2020 - 30 Apr 2020	1 Feb 2020 - 31 Jan 2021
Net sales	**58,384**	**48,064**	**238,721**
Other operating income	66	24	562
Materials and services	-37,064	-30,287	-151,586
Personnel expenses	-6,297	-5,259	-22,667
Other operating expenses	-5,108	-3,321	-13,781
Depreciation, amortization and impairments	-2,693	-2,252	-9,746
Operating profit	**7,289**	**6,970**	**41,503**
Finance income	3	2	8
Finance costs	-1,197	-1,203	-5,542
Total finance income and costs	-1,194	-1,201	-5,534
Profit before taxes	**6,095**	**5,769**	**35,969**
Current income tax	-1,117	-943	-7,499
Deferred income tax	-103	-211	315
Total income tax expense	-1,220	-1,154	-7,184
Profit for the period	**4,875**	**4,615**	**28,785**
Total comprehensive income for the period	**4,875**	**4,615**	**28,785**
Profit for the period attributable to:			
Owners of the parent	4,875	4,615	28,785
Profit for the period	**4,875**	**4,615**	**28,785**
Earnings per share for net profit attributable to owners of the parent			
Basic and diluted earnings per share (EUR)	0,06	0,06	0,36

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

Earnings per share has been calculated taking into account the free-of-charge share issue executed after the end of the reporting period.

Consolidated balance sheet

EUR thousand	30 Apr 2021	30 Apr 2020	31 Jan 2021
ASSETS			
Non-current assets			
Goodwill	33,540	33,540	33,540
Intangible assets	17,947	18,639	18,229
Property, plant and equipment	2,459	2,185	2,234
Right-of-use assets	43,670	39,581	43,901
Deferred tax assets	449	343	624
Total non-current assets	**98,066**	**94,289**	**98,528**
Current assets			
Inventories	67,016	57,101	58,514
Trade receivables	3,229	3,106	4,155
Other receivables	1,934	972	1,073
Cash and cash equivalents	15,037	12,574	11,154
Total current assets	**87,215**	**73,754**	**74,896**
Total assets	**185,281**	**168,043**	**173,424**

EUR thousand	30 Apr 2021	30 Apr 2020	31 Jan 2021
EQUITY AND LIABILITIES			
Equity			
Share capital	3	3	3
Reserve for invested unrestricted equity	-	1,967	-
Retained earnings	6,907	-7,846	-21,878
Profit for the period	4,875	4,615	28,785
Total equity attributable to owners of the parent	**11,785**	**-1,261**	**6,909**
Total equity	**11,785**	**-1,261**	**6,909**
Liabilities			
Non-current liabilities			
Loans from financial institutions	79,991	89,549	79,888
Lease liabilities	35,179	32,456	35,809
Provisions	636	556	616
Deferred tax liabilities	3,528	3,852	3,607
Total non-current liabilities	**119,334**	**126,413**	**119,921**
Short-term liabilities			
Loans from financial institutions	10,000	9,000	10,000
Lease liabilities	7,422	6,213	7,246
Trade payables	23,338	17,758	15,172
Advances received	148	123	151
Income tax liabilities	3,579	1,508	3,499
Other current liabilities	9,676	8,289	10,526
Total current liabilities	**54,163**	**42,890**	**46,594**
Total liabilities	**173,497**	**169,303**	**166,515**
Total equity and liabilities	**185,281**	**168,043**	**173,424**

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

Consolidated statement of changes in equity

	Attributable to owners of the parent			
EUR thousand	Share capital	Reserve for invested unrestricted equity	Retained earnings	**Total equity**
Equity at 1 February 2021	**3**	**-**	**6,907**	**6,909**
Profit for the period			4,875	4,875
Total comprehensive income for the period			**4,875**	**4,875**
Equity at 30 April 2021	**3**	**-**	**11,782**	**11,785**

EUR thousand	Share capital	Reserve for invested unrestricted equity	Retained earnings	**Total equity**
Equity at 1 February 2020	**3**	**1,967**	**28,252**	**30,222**
Profit for the period			28,785	28,785
Total comprehensive income for the period			**28,785**	**28,785**
Return of capital		-1,967		-1,967
Dividends			-50,130	-50,130
Total transactions with owners		**-1,967**	**-50,130**	**-52,097**
Equity at 31 January 2021	**3**	**-**	**6,907**	**6,909**

EUR thousand	Share capital	Reserve for invested unrestricted equity	Retained earnings	**Total equity**
Equity at 1 February 2020	**3**	**1,967**	**28,252**	**30,222**
Profit for the period			4,615	4,615
Total comprehensive income for the period			**4,615**	**4,615**
Dividends			-36,097	-36,097
Total transactions with owners			**-36,097**	**-36,097**
Equity at 30 April 2020	**3**	**1,967**	**-3,231**	**-1,261**

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

Consolidated statement of cash flows

EUR thousand	1 Feb 2021 - 30 Apr 2021	1 Feb 2020 - 30 Apr 2020	1 Feb 2020 - 31 Jan 2021
Cash flows from operating activities			
Profit for the period	4,875	4,615	28,785
Adjustments for:			
Depreciation, amortization and impairments	2,693	2,252	9,746
Gains/losses on disposal of tangible assets	-	-	-256
Finance income and costs	1,194	1,201	5,534
Income tax expense	1,220	1,154	7,184
Changes in working capital			
Change in trade and other receivables	57	-1,013	-2,163
Change in inventories	-8,502	-6,897	-8,309
Change in trade and other current non-interest-bearing liabilities	7,345	7,585	7,510
Interests paid	-743	-385	-3,267
Interests of lease liabilities	-320	-271	-1,192
Interests received	3	2	8
Arrangement fee for loans from financial institutions and other financial costs	-63	-1,579	-2,019
Income taxes paid	-1,037	-	-4,565
Net cash flows generated from operating activities	**6,722**	**6,664**	**36,996**
Cash flows from investing activities			
Payments for property, plant and equipment	-908	-819	-2,099
Payments for intangible assets	-157	-39	-864
Proceeds from sale of property, plant and equipment	-	10	315
Net cash flows usesd in investing activities	**-1,065**	**-847**	**-2,648**
Cash flows from financing activities			
Proceeds from borrowings	-	100,000	100,000
Repayments of borrowings	-	-65,333	-74,333
Decrease of lease liabilities	-1,774	-1,490	-6,441
Dividends	-	-36,097	-50,130
Return of capital	-	-	-1,967
Net cash flows used in financing activities	**-1,774**	**-2,920**	**-32,871**
Net increase (+)/(-) decrease in cash and cash equivalents	3,882	2,896	1,476
Cash and cash equivalents at the beginning of the period	11,154	9,678	9,678
Cash and cash equivalents at the end of period	**15,037**	**12,574**	**11,154**

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

Notes to the interim information

1. Basis of preparation

This interim financial information as at and for the three months ended 30 April 2021 has been prepared solely for the purpose of inclusion in the Offering Circular in connection with the listing of Puuilo Oyj's ("the Company") shares in the main list of Nasdaq Helsinki Oy (the "Listing") and cannot be used for any other purpose. The Board of Directors of the Company has approved this financial information at 9 June 2021 to be published in the Offering Circular. This financial information has not been audited.

This consolidated interim financial information of Puuilo Oyj and its subsidiaries (together "the Group" or "Puuilo") has been prepared in accordance with IAS 34 Interim Financial Reporting – standard. In preparation of this financial information the same accounting policies, methods of computation and presentation have been applied as in the consolidated financial statements of the reporting period ended 31 January 2021. No new accounting policies have been adopted during the reporting period, that would have had a material impact to this interim financial information. This interim financial information does not include all the notes included in the consolidated financial statements for the reporting period ended 31January 2021 and this interim financial information should be read in conjunction with the consolidated financial statements.

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

The preparation of interim financial information requires management to make estimates and assumptions that affect the application of accounting policies and the recognized amounts of assets, liabilities, income and expenses. Actual results may differ from these estimated. The estimates and assumptions used in the preparation on interim financial information are similar to those applied in the preparation of the consolidated financial statements for the financial year ended January 31, 2021.

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

2. Seasonality

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

3. Key events

New stores:

New stores were opened in Vaasa and Imatra during the reporting period. At the end of the reporting period Puuilo had 32 stores in total (29 stores). New stores have impacted, among other things, to the growth in inventories and trade payables.

Entering shares into the book-entry system

Shareholders of Puuilo made unanimous resolution at April 30, 2021 to enter the Company's shares into the book-entry system.

4. Earnings

EUR thousand	1 Feb 2021 – 30 Apr 2021	1 Feb 2020 – 30 Apr 2020	1 Feb 2020 – 31 Jan 2021
Stores	55,910	46,018	230,732
Online store	2,474	2,046	7,989
Net sales total	**58,384**	**48,064**	**238,721**

5. Management remuneration

EUR thousand	1 Feb 2021 - 30 Apr 2021	1 Feb 2020 - 30 Apr 2020	1 Feb 2020 - 31 Jan 2021
CEO remuneration			
Salary, other remuneration and benefits	33	33	137
Pension costs - defined contribution plan	6	6	24
Total	**39**	**39**	**161**
Management Team remuneration (excluding CEO)			
Salary, other remuneration and benefits	172	102	549
Pension costs - defined contribution plan	30	18	95
Total	**203**	**119**	**643**
The Board of Directors remuneration	**8**	**8**	**30**
Total Management Team and the Board of Directors	**249**	**166**	**834**

6. Expenses

In the other operating expenses of the reporting period is included 1,1 million euros of costs relating to the listing preparations in February-April 2021.

7. Intangible and tangible assets

EUR thousand	1 Feb 2021 - 30 Apr 2021	1 Feb 2020 - 30 Apr 2020	1 Feb 2020 - 31 Jan 2021
Goodwill			
Net carrying amount at the beginning of the reporting period	33,540	33,540	33,540
Net carrying amount at the end of the reporting period	**33,540**	**33,540**	**33,540**

EUR thousand	1 Feb 2021 - 30 Apr 2021	1 Feb 2020 - 30 Apr 2020	1 Feb 2020 - 31 Jan 2021
Trademark			
Net carrying amount at the beginning of the reporting period	16,818	17,949	17,949
Amortization and impairment	-283	-283	-1,131
Net carrying amount at the end of the reporting period	**16,535**	**17,666**	**16,818**

EUR thousand	1 Feb 2021 - 30 Apr 2021	1 Feb 2020 - 30 Apr 2020	1 Feb 2020 - 31 Jan 2021
Other intagible and tangible assets			
Net carrying amount at the beginning of the reporting period	3,646	3,086	3,086
Amortization, depreciation and impairment	-351	-264	-1,199
Additions	576	347	1,827
Disposals		-10	-69
Net carrying amount at the end of the reporting period	**3,871**	**3,158**	**3,646**

8. Right-of-use assets

EUR thousand	1 Feb 2021 - 30 Apr 2021	1 Feb 2020 - 30 Apr 2020	1 Feb 2020 - 31 Jan 2021
Right-of-use assets			
Net carrying amount at the beginning of the reporting period	43,901	37,676	37,676
Depreciation and impairment	-2,059	-1,705	-7,417
Additions and other changes	1,829	3,610	13,641
Net carrying amount at the end of the reporting period	**43,670**	**39,581**	**43,901**

Maturity analysis of Lease liabilities, contractual undiscounted cash flows

EUR thousand	30 Apr 2021	30 Apr 2020	31 Jan 2021
Less than one year	8,580	7,013	8,418
From one to five years	26,788	22,568	26,451
Over five years	11,646	10,630	12,807
Total	**47,013**	**40,211**	**47,676**

9. Net Debt

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

EUR thousand	30 Apr 2021	30 Apr 2020	31 Jan 2021
Non-current financial liabilities			
Loans from financial institutions	79,991	89,549	79,888
Lease liabilities	35,179	32,456	35,809
Total non-current financial liabilities	**115,170**	**122,004**	**115,697**
Current financial liabilities			
Loans from financial institutions	10,000	9,000	10,000
Lease liabilities	7,422	6,213	7,246
Total current financial liabilities	**17,422**	**15,213**	**17,246**
Total financial liabilities	**132,592**	**137,217**	**132,943**
Cash and cash equivalents	15,037	12,574	11,154
Net debt	**117,555**	**124,643**	**121,789**

Loans from financial institutions are classified in level 3 of the fair value hierarchy because they are determined using non-observable inputs, including the Company's own estimates related to the level of risk premium.

10. Equity

The Annual General Meeting held at 6 May 2021 decided on a free-of-charge share issue (share split). In the share issue, new shares will be issued to shareholders free of charge in proportion to the ownership, so that one (1) new share will be issued for each share. After the share issue the number of the Company's shares was 80,215,860. The new shares were registered in the Trade Register on 14 May 2021. Earnings per share has been calculated taking into account the free-of-charge share issue executed after the end of the reporting period.

11. Contingent liabilities

Carrying amounts of pledged assets

EUR thousand	30 Apr 2020	31 Jan 2021	31 Jan 2021
Property mortgages given on own behalf	4,458	4,439	4,439
Enterprise mortgages given on own behalf	220,740	220,759	220,759
Total	**225,198**	**225,198**	**225,198**

Liabilities* for which pledges and mortgages have been given

EUR thousand	30 Apr 2020	31 Jan 2021	31 Jan 2021
Loans from financial institutions*	91,000	100,000	91,000
Total	**91,000**	**100,000**	**91,000**

*nominal value

EUR thousand	30 Apr 2020	31 Jan 2021	31 Jan 2021
Liability for lease agreements that will enter into force in the future	11,304	10,003	9,755

Puuilo's contingent liabilities consist of collaterals related to the loans from financial institutions and lease liabilities for the leases with lease term beginning after the end of the reporting period and are therefore not yet recorded in the balance sheet.

12. Related party transactions

Puuilo Oyj is controlled by Puuilo Invest Holding I AB. The ultimate control is exercised by Adelis Holding I AB. In addition, Puuilo’s related parties include the funds owned by Adelis Holding I AB and the companies managed by them, as well as key personnel of the Puuilo Group, their close family members and companies controlled by them. The key personnel include the members of the Board of Directors, the CEO and the Group Management Team.

The Puuilo Group purchases some products it sells from companies owned by related parties. These companies manufacture products that are included in Puuilo's product range. In addition, the Company has leased business premises from related parties. The Group's lease liabilities to related parties include the present value of the future lease payments of the above-mentioned leased premises. During the reporting period 2020, the Company sold the property it owned to related parties with the related land lease right. Transactions with related parties have taken place at market price and on normal terms.

All Puuilo employees are entitled to the usual personnell discount in Puuilo stores. A related party employed by Puuilo is entitled to this discount. This information has not been presented as related party transactions.

The following transactions were carried out with related parties:

Statement of comprehensive income

EUR thousand	1 Feb 2021 - 30 Apr 2021	1 Feb 2020 – 30 Apr 2020	1 Feb 2020 – 31 Jan 2021
Sales	79	7	71
Gains on disposal of tangible assets	-	2	221
Purchases	453	481	1,922
Rent and other operating expenses	17	173	553

Balance sheet

EUR thousand	30 Apr 2021	30 Apr 2020	31 Jan 2021
Sales receivables	4	6	5
Trade payables	133	76	104
Lease liabilities (IFRS 16)	1,936	2,224	2,009

13. Events after the reporting period

Book-entry system

The Company has entered its shares into the book-entry system in June 2021.

Resolutions of the Annual General Meeting on 6 May 2021

The Annual General Meeting approved the statutory financial statements for the reporting period ended 31 January 2021. In accordance with the proposal of the Board of Directors, the Annual General Meeting resolved not to distribute a dividend and to transfer the profit for the period to retained earnings.

Mammu Kaario was elected as a new member of the Board of Directors. Timo Mänty, Gustav Bard, Tomas Franzén, Rasmus Molander and Markku Tuomaala will continue as members of the Board of Directors. The firm of Authorised Public Accountants PricewaterhouseCoopers Oy will continue as Company’s auditor. PricewaterhouseCoopers Oy has appointed Authorized Public Accountant Enel Sintonen as the principal auditor.

It was resolved to change the name of the Company Puuilo Invest I Oy to Puuilo Oy.

The Annual General Meeting resolved on a free-of-charge share issue (so-called split). In the share issue, new shares will be issued to shareholders free of charge in proportion to the ownership, so that one (1) new share will be issued for each share. The new shares were registered in the Trade Register 14 May 2021.

Resolutions of the Board of the Directors 25 May 2021

The Board of Directors authorised CEO and CFO to resolve to publish intention of the Company’s Initial Public Offering in Nasdaq Helsinki.

The Board of Directors resolved to establish the Audit Committee.

Unanimous resolutions of the Shareholders 1 June 2021

The Shareholders of the Company resolved unanimously to change corporate form of the Company into a public limited company and to change the name of the Company from Puuilo Oy to Puuilo Oyj. The resolution was registered 4 June 2021.

The Shareholders of the Company made unanimous resolution to remove redemption, consent and arbitration clauses of the Articles of Association. The resolution is conditional on Listing.

The Shareholders of the Company made unanimous resolution to increase the share capital of the Company as reserve increase of EUR 80,000 from retained earnings. The resolution was registered 4 June 2021.

The Shareholders of the Company made unanimous resolution to authorize the Board of the Directors to decide on issuance of shares in connection with the Listing (Initial Public Offering). The share issue is up to 6,000,000 new shares and can be executed in deviation from the shareholders' pre-emptive subscription right (directed share issue), including offering of shares to institutional investors, to the public as well as Puuilo's personnel and the members of the Board of Directors in connection with the potential listing of the Company. As part of the initial public offering of the Company, the shares can be offered to Puuilo's personnel and members of the Board of Directors possibly at a lower subscription price than payable by other investors. Based on the authorization, the Board of Directors can resolve on all terms and conditions of the share issue, including the subscription price or subscription price range of the shares. The authorization will be effective until end of the next Annual General Meeting of Shareholders, however, no longer than until 30 June 2022.

The shareholders made unanimous resolution to authorize the Board of Directors of the Company to decide take relevant measures in connection with the Company's possible listing, including the adoption of the underwriting agreement and the listing prospectus and on submitting the listing application on the pre- and main lists of Helsinki Stock Exchange.

The shareholders made unanimous resolution to authorize the Board of Directors to decide on the issuance of shares and the issuance of special rights entitling to shares in one or more tranches. The authorization will concern both the issuance of new shares as well as transfer of treasury shares. The total number of shares to be issued or transferred shall not exceed 8,600,000 shares. The issuance of shares and of special rights entitling to shares can also be carried out in deviation from the shareholders' pre-emptive rights (directed issue). The Board of Directors will only be permitted to use this authorization if the IPO share issue discussed above is carried out. The authorization will be effective until the end of next Annual General Meeting of Shareholders, however, no longer than until 30 June 2022.

The shareholders made unanimous resolution to authorize the Board of Directors to decide on the acquisition of own shares. Based on the authorization the total number of shares to be acquired may not exceed 8,600,000 shares. However, the Company together with its subsidiaries cannot at any moment own more than 10 percent of all the shares of the Company. The Board of Directors of the Company will decide on the manner of acquiring own shares, and derivative instruments, among others, may be used in the acquisition. Based on the authorization, own shares can be acquired at a price formed in public trading on the date of the repurchase or otherwise at a price formed on the market. Furthermore, the acquisition of shares can also be carried out in deviation from the shareholders' pre-emptive rights (directed acquisition) and only the unrestricted equity of the Company can be used to acquire own shares on the basis of the authorisation. The Board of Directors will only be permitted to use this authorization if the IPO share issue discussed above is carried out. The authorization will be effective until the end of next Annual General Meeting of Shareholders, however, no longer than until 30 June 2022.

Refinancing

Puuilo has agreed a new EUR 90 million financing agreement related to the refinancing of the group with a Nordic financial institution (the “New Financing Agreement”). The loans under the New Financing Agreement consist of a EUR 70 million term loan facility and a EUR 20 million overdraft facility. The Company's existing loans from financial institutions will be refinanced with floating interest-rate term loans under the New Financing Agreement. The overdraft facility can also be used to refinance Company's existing loans from financial institutions as well as to finance Puuilo’s ordinary business and working capital requirements. The new financing agreement is conditional on Listing. The loans under the New Financing Agreement are due after 36 months from the first date of withdrawal of the loan and each loan's due date can be extended with a separate agreement by the lender. The term loan will be repaid fully on the due date.

The New Financing Agreement includes conventional debt covenants, assurances as well as conditions relating to the termination of the loans. The financial covenants related to the New Financing Agreement measures the Company’s indebtedness with a net debt to EBITDA ratio, excluding listing expenses. Additionally, the interest rate of the loans under the New Financing Agreement are tied to Company's net debt to EBITA ratio. The New Financing Agreement includes also other conventional conditions for similar financing agreements. The loans under the New Financing Agreement are unguaranteed.

Puuilo Oyj (previously Puuilo Invest I Oy), IFRS Consolidated Financial Statements for the years ended 31 January 2021, 31 January 2020 and 31 January 2019, and the related independent auditor's report

Puuilo Oyj (previously Puuilo Invest I Oy)

IFRS Consolidated Financial Statements

for the years ended

31 January 2021, 31 January 2020 and 31 January 2019

Contents

Financial Statements

Consolidated Statement of Comprehensive Income

EUR thousand	Note	1 Feb 2020 - 31 Jan 2021	1 Feb 2019 - 31 Jan 2020 (restated)	1 Feb 2018 - 31 Jan 2019
Net sales	2.1	**238,721**	**170,483**	**136,228**
Other operating income	2.1	562	209	147
Materials and services	2.3	-151,586	-110,306	-89,091
Personnel expenses	2.3	-22,667	-17,619	-14,470
Other operating expenses	2.3	-13,781	-10,845	-8,004
Depreciation, amortization and impairments	4.1-4.4	-9,746	-8,973	-6,941
Operating profit		**41,503**	**22,949**	**17,869**
Finance income	5.6	8	16	12
Finance costs	5.6	-5,542	-3,917	-2,483
Total finance income and costs		-5,534	-3,900	-2,471
Profit before taxes		**35,969**	**19,048**	**15,398**
Current income tax	2.4	-7,499	-4,165	-3,428
Deferred income tax	2.4	315	353	337
Total income tax expense		-7,184	-3,812	-3,090
Profit for the period		28,785	15,236	12,308
Total comprehensive income for the period		**28,785**	**15,236**	**12,308**
Profit for the period attributable to:				
Owners of the parent		28,785	15,236	12,308
Profit for the period		**28,785**	**15,236**	**12,308**
Earnings per share for profit attributable to owners of the parent				
Basic and diluted earnings per share (EUR)	5.3	0,36	0,19	0,13

The notes are an integral part of these financial statements. Note 5.1 provides information on the restatement.

Consolidated Balance Sheet

EUR thousand	Note	31 Jan 2021	31 Jan 2020 (restated)	31 Jan 2019
ASSETS				
Non-current assets				
Goodwill	4.1	33,540	33,540	33,540
Intangible assets	4.2	18,229	18,990	20,014
Property, plant and equipment	4.3	2,234	2,044	1,965
Right-of-use assets	4.4	43,901	37,676	33,894
Deferred tax assets	2.4	624	320	201
Total non-current assets		**98,528**	**92,571**	**89,614**
Current assets				
Inventories	3.1	58,514	50,205	46,670
Trade receivables	3.2	4,155	2,342	2,297
Other receivables	3.2	1,073	723	1,228
Cash and cash equivalents		11,154	9,678	4,785
Total current assets		**74,896**	**62,948**	**54,981**
Total assets		**173,424**	**155,519**	**144,595**

EUR thousand		31 Jan 2021	31 Jan 2020 (restated)	31 Jan 2019
Equity and liabilities				
Equity				
Share capital	5.2	3	3	3
Reserve for invested unrestricted equity	5.2	-	1,967	23,998
Retained earnings		-21,878	13,015	3,901
Profit for the period		28,785	15,236	12,308
Total equity attributable to owners of the parent		**6,909**	**30,222**	**40,209**
Total equity		**6,909**	**30,222**	**40,209**
Liabilities				
Non-current liabilities				
Loans from financial institutions	5.4, 5.5	79,888	-	-
Lease liabilities	4.4	35,809	31,232	28,201
Trade payables	3.3, 5.5	-	-	10
Provisions	4.5	616	533	453
Deferred tax liabilities	2.4	3,607	3,619	3,853
Total non-current liabilities		**119,921**	**35,384**	**32,516**
Current liabilities				
Loans from financial institutions	5.4, 5.5	10,000	65,333	51,545
Interest rate swap		-	-	4
Lease liabilities	4.4	7,246	5,850	4,929
Trade payables	3.3, 5.5	15,172	10,969	8,399
Advances received	3.3, 5.5	151	173	145
Income tax liabilities		3,499	565	978
Other current liabilities	5.5	10,526	7,023	5,870
Total current liabilities		**46,594**	**89,914**	**71,870**
Total liabilities		**166,515**	**125,298**	**104,386**
Total equity and liabilities		**173,424**	**155,519**	**144,595**

The notes are an integral part of these financial statements. Note 5.1 provides information on the restatement.

Consolidated Statement of Changes in Equity

EUR thousand	Note	Share capital	Reserve for invested unrestricted equity	Retained earnings	Total equity
		Attributable to owners of the parent			
Equity at 1 Feb 2018		**3**	**23,998**	**3,901**	**27,901**
Profit for the period				12,308	12,308
Total comprehensive income for the period				**12,308**	**12,308**
Equity at 31 Jan 2019		**3**	**23,998**	**16,209**	**40,209**
Equity at 1 Feb 2019		**3**	**23,998**	**16,209**	**40,209**
Profit for the period (restated)				15,236	15,236
Total comprehensive income for the period				**15,236**	**15,236**
Return of capital	5.2		-8,057		**-8,057**
Return of subscription price	5.2		-13,973		**-13,973**
Dividends	5.2			-2,970	**-2,970**
Purchase of own shares	5.2			-224	**-224**
Total transactions with owners			**-22,030**	**-3,193**	**-25,223**
Equity at 31 Jan 2020 (restated)		**3**	**1,967**	**28,252**	**30,222**
Equity at 1 Feb 2020		**3**	**1,967**	**28,252**	**30,222**
Profit for the period				28,785	28,785
Total comprehensive income for the period				**28,785**	**28,785**
Return of capital	5.2		-1,967		**-1,967**
Dividends	5.2			-50,130	**-50,130**
Total transactions with owners			**-1,967**	**-50,130**	**-52,097**
Equity at 31 Jan 2021		**3**	**-**	**6,907**	**6,909**

The notes are an integral part of these financial statements. Note 5.1 provides information on the restatement.

Consolidated Statement of Cash Flows

EUR thousand	Note	1 Feb 2020 - 31 Jan 2021	1 Feb 2019- 31 Jan 2020 (restated)	1 Feb 2018 - 31 Jan 2019
Cash flows from operating activities				
Profit for the period		28,785	15,236	12,308
Adjustments for:				
Depreciation, amortization and impairments	4.1-4.4	9,746	8,973	6,941
Gains/losses on disposal of tangible assets		-256	3	-4
Finance income and costs	5.6	5,534	3,900	2,471
Income tax expense	2.4	7,184	3,812	3,090
Changes in working capital				
Change in trade and other receivables	3.2	-2,163	9	-732
Change in inventories	3.1	-8,309	-3,535	-9,459
Change in trade and other current non-interest-bearing liabilities		7,510	4,008	2,709
Interests paid	3.3	-3,267	-2,233	-1,610
Interests of lease liabilities		-1,192	-1,027	-880
Interests received		8	16	12
Arrangement fee for loans from financial institutions and other financial costs		-2,019	-582	-42
Income taxes paid		-4,565	-4,472	-5,224
Net cash flows generated from operating activities		**36,996**	**24,110**	**9,580**
Cash flows from investing activities				
Payments for property, plant and equipment	4.2	-2,099	-1,462	-1,590
Payments for intangible assets	4.3	-864	-958	-441
Proceeds from sale of property, plant and equipment	4.3	315	23	54
Net cash flows used in investing activities		**-2,648**	**-2,397**	**-1,977**
Cash flows from financing activities				
Proceeds from loans from financial institutions	5.1	100,000	18,455	-
Repayments of loans from financial institutions	5.1	-74,333	-4,667	-4,000
Principal elements of lease liabilities	5.1	-6,441	-5,384	-4,254
Dividends	5.2	-50,130	-2,970	-
Return of capital	5.2	-1,967	-22,030	-
Acquisition of own shares		-	-224	-
Net cash flows used in financing activities		**-32,871**	**-16,820**	**-8,254**
Net increase (+)/(-) decrease in cash and cash equivalents		1,476	4,893	-651
Cash and cash equivalents at the beginning of the period		9,678	4,785	5,437
Cash and cash equivalents at the end of the period		**11,154**	**9,678**	**4,785**

The notes are an integral part of these financial statements. Note 5.1 provides information on the restatement.

Notes to the Consolidated Financial Statements

1 BASIS OF PREPARATION AND KEY EVENTS DURING THE REPORTING PERIOD

Note 1.1 Company information

These are the Consolidated Financial Statements of Puuilo Oyj (previously Puuilo Invest I Oy) ("the Company") and its subsidiaries (together "the Group" or "Puuilo"). Puuilo was founded in 1982 and it is a Finnish medium-sized retail chain. Current Puuilo Group was established in December 2015, when Adelis Equity Partners Fund I AB ("Adelis") acquired a majority stake in Puuilo business. Simultaneously, the Company's key personnel subscribed for shares in the Group's new parent company.

Puuilo Oyj's parent company is Puuilo Invest Holding AB, which is a Swedish limited liability company incorporated under Swedish law. Puuilo Invest Holding AB is domiciled in Stockholm, Sweden and has its registered address in Regeringsgatan 20, 111 53 Stockholm, Sweden. Its business ID is 559230-5782. These Consolidated Financial Statements have been prepared at Puuilo subgroup level. The parent company of the subgroup, Puuilo Oyj, is a Finnish limited liability company incorporated under Finnish law with a business ID of 2726573-8. The Company is domiciled in Helsinki and its registered address is Pakkalankuja 6, Vantaa.

On 31 January 2021, the fast-growing Group had a total of 30 stores, on 31 January 2020 a total of 27 stores and on 31 January 2019 a total of 23 stores across Finland. In addition, the online store serves customers. The product range includes construction supplies, tools, car accessories, garden supplies, pet food and supplies, and household products. Puuilo serves especially do-it-yourself and construction business customers. The Company is known for its low prices and wide range of products.

These Consolidated Financial Statements include consolidated balance sheet, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows as well as notes for the reporting periods ended on 31 January 2021, 2020 and 2019. The Company's Board of Directors has approved these Consolidated Financial Statements on 9 June 2021.

The Company's reporting period begins on 1 February and ends on 31 January. The reporting period 2020 comprises the period 1 February 2020 - 31 January 2021, the reporting period 2019 the period 1 February 2019 - 31 January 2020 and the reporting period 2018 the period 1 February 2018 - 31 January 2019.

Note 1.2 Basis of preparation

These Consolidated Financial Statements, which includes the consolidated financial statements for the reporting periods ended 31 January 2021, 31 January 2020 and 31 January 2019, have been prepared solely for the purpose of inclusion in the Offering Circular prepared in connection with the listing of Puuilo Oyj shares in the main list of Nasdaq Helsinki Oy and cannot be used for any other purposes.

These Consolidated Financial Statements are not the Company's statutory financial statements and no report of the Board of Directors or standalone financial information for the parent Company have been presented for the reporting periods ended 31 January 2021, 31 January 2020 and 31 January 2019. These Consolidated Financial Statements have not been approved by the Company's Annual General Meeting. In addition, the historical financial information presented for the reporting period ended 31 January 2020 differs from the Company's approved statutory Consolidated Financial Statements for that year due to an adjustment made after the preparation and approval of the Company's statutory Consolidated Financial Statements. The Company's loans from the financial institutions are classified as current after the adjustment.

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) approved for adoption by the European Union, and they comply with the effective IAS and IFRS standards and respective SIC and IFRIC interpretations. The notes to the Consolidated Financial Statements also include requirements in accordance with Finnish accounting and limited liability company legislation.

Puuilo's IFRS transition date was 1 February 2017 and the Company published the first Consolidated Financial Statements prepared in accordance with IFRS standards for the reporting period ending 31 January 2020. In connection with the first-time adoption of IFRS, Puuilo has early adopted IFRS 16 Leases standard, effective on 1 January 2019, for the reporting periods ending 31 January 2019 and 31 January 2018. During the reporting periods covered by the Consolidated Financial Statements, no other new standards or amendments to standards have entered into force that would have a material effect on the Group's accounting policies.

The notes to the Consolidated Financial Statements have been grouped into sections based on their nature. The basis of preparation is described as part of the note Basis of Preparation, while the accounting policies directly related to a specific note are presented as part of the particular note. The notes contain the relevant financial information as well as a description of the accounting policies and key estimates and judgements applied for the topics of the individual note.

Assets and liabilities are measured at cost, except for lease liabilities and right-of-use assets which are discounted at present value.

The Consolidated Financial Statements are presented in thousands of euros, unless otherwise stated, and the figures have been rounded to the nearest thousand, and therefore the sum of individual figures may deviate from the total presented. The Company’s functional currency is euro, which is also the presentation currency of the Company and the Group.

Note 1.3 Key events during the reporting periods

Reporting period ended 31 January 2021

During the coronavirus pandemic (Covid-19), household consumption focused to the home and Finland, which had a positive effect on Puuilo's net sales. The net sales for the reporting period 2020 grew faster than the historical pace and significantly exceeded the net sales for the previous reporting period. The coronavirus pandemic has had both direct and indirect effects on Puuilo's business. Although so far the impact of the coronavirus pandemic on Puuilo's operations has been limited and it has had a positive effect on the demand for certain product groups, the pandemic has also had a detrimental effect on the functioning of the Company's product supply chains. The coronavirus pandemic has had a negative impact on Puuilo's logistics. Towards the end of 2020, the availability of sea containers became more difficult and prices for sea freight rose, causing some delays in the delivery of products and the availability of goods. Travel and assembly restrictions have affected the development of the product range, as it has limited the previously reasonably wide possibilities to procure the same goods from several suppliers. During the epidemic, the opportunities for Puuilo buyers to get to know the products at trade fairs around the world have been more limited or these opportunities have not been used at all in order to develop the product range. Existing good contacts with suppliers have reduced the impact of the restrictions on Puuilo. It has not been possible to inspect the suppliers' product ranges on site, but only by ordering samples.

During the reporting period 2020 Puuilo renewed its financing agreement. Puuilo draw a new loan from financial institutions amounting to EUR 100 million, of which EUR 89,888 thousand remained at the end of reporting period, taking into account transactions costs. In connection with the withdrawal of the new loan from financial institutions, Puuilo repaid the entire previous loan from the financial institutions.

During the reporting period, Puuilo paid a total dividend of EUR 50,130 thousand (EUR 1.25 per share) and returned capital to shareholders totalling EUR 1,967 thousand (EUR 0.05 per share).

Puuilo began preparations for the implementation of the new ERP system. The planned implementation is during the first quarter of the reporting period 2022.

Reporting period ended 31 January 2020

During the reporting period 2019 Puuilo redeemed all its preference shares by paying the shareholders the initial subscription price plus the accrued dividends calculated on the basis of the subscription price. The initial subscription price, EUR 13,973 thousand (EUR 0.25 per share), was deducted from the Company's reserve for invested unrestricted equity and the accumulated dividends (EUR 0.05 per share) and transfer tax, totalling EUR 3,193 thousand, from retained earnings. In addition, a capital return from reserve for invested unrestricted equity of EUR 8,057 thousand (EUR 0.13 per share) was paid for the Company's ordinary shares. Following the redemption, the preference shares were cancelled, and the Articles of Association were amended accordingly. Since then, the Company has held only one class of shares.

In the reporting period 2019, Puuilo draw additional loan from financial institutions amounting to EUR 18.5 million.

Puuilo's group structure changed in the reporting period 2019, when Puuilo Oyj (previous Puuilo Invest I Oy) became a subsidiary of the Swedish Puuilo Invest Holding AB.

Reporting period ended 31 January 2019

There were no significant events during the reporting period.

Note 1.4 Accounting estimates and judgements

The preparation of Consolidated Financial Statements requires management to make estimates and assumptions that affect the application of accounting policies and the recognized amounts of assets, liabilities, income and expenses. The following areas include management's estimates and assumptions:

- Measurement of share - based payments (Note 2.3)
- Measurement of inventories (Note 3.1)
- Goodwill impairment test (Note 4.1)
- Measurement of Puuilo trademark (Note 4.2)
- Measurement of lease liabilities and right-of-use assets (Note 4.4)
- Restoration obligation (Note 4.5)
- Classification of financial instruments – preference shares (applies to financial statements 31 January 2019) (Note 5.2)
- Expected credit loss (Note 5.5)

These areas are explained in more detail in the individual notes.

The impact of the coronavirus pandemic on Puuilo's business operations for the reporting period ended 31 January 2021 has been described in the section Key events during the reporting periods above. According to Puuilo's management, the coronavirus pandemic has not had a significant impact on the above-mentioned estimates or judgements made by the management.

The realization of the estimates and judgements made is regularly evaluated. The estimates and judgements are based on historical data and other factors, including expectations on future events that may have a financial impact on the entity and that are assumed to be reasonable under the circumstances.

2 BUSINESS PERFORMANCE

Note 2.1 Earnings

Accounting policy

Puuilo's retail chain and online store sell building supplies, tools, car accessories, garden supplies, pet food and supplies, and household products. Net sales mainly consist of sale of goods and it is recognized at the point in time when control over the goods is transferred to the customer i.e. when the product is handed over to the customer.

The products sold by the Group have a right of return. Based on experience, the number of returned products is considered insignificant compared to the net sales of the Company.

Puuilo also sells gift cards to customers. The Company recognizes a liability for these prepayments. The liability is presented in the balance sheet as a separate line item Advances received. The liability is derecognized, and net sales recognized as customer purchases goods with the gift card. After using the gift card, Puuilo is considered to have fulfilled its performance obligations.

Sales are mainly in cash or by credit card. Financing offered to private customers is arranged by an external partner and does not create a performance obligation to Puuilo and therefore does not affect the revenue recognition. The payment time for invoicing sales offered to business customers is typically 14-30 days. As the payment time is under 12 months, the transaction prices are not adjusted for the time value of money.

Puuilo's contracts with customers do not contain separate performance obligations recognized at different times. The product warranties offered by the Company are treated as assurance type warranties, because they do not render additional service to the customer. In most cases the Group is entitled to charge the warranty costs from the supplier.

As other operating income, Puuilo presents lease income, gains on disposal of tangible assets, and other income that are not directly related to the Company's ordinary business operations. Lease income consists of income received from sales areas.

Net sales

EUR thousand	**31 Jan 2021**	**31 Jan 2020**	**31 Jan 2019**
Stores	230,732	166,971	133,653
Online store	7,989	3,512	2,575
Net sales total	**238,721**	**170,483**	**136,228**

Contract liabilities (prepaid expenses)

EUR thousand	**31 Jan 2021**	**31 Jan 2020**	**31 Jan 2019**
	151	173	145

Other operating income			
Lease income	144	106	77
Gains on disposal of tangible assets	255	-	8
Other	163	102	62
Total	**562**	**209**	**147**

Note 2.2 Segment information

Due to the nature of Puuilo's operations, the Group has one reportable operating segment. Individual stores and online store are considered as distribution channels for Puuilo's products and all the stores operate under the Puuilo trademark. The Group operates mainly in Finland, with the exception of the online store in Sweden. Swedish online store accounts for an insignificant share of the Puuilo's net sales. Functions such as financial management, information management, marketing, purchases and logistics are centralized and managed at the Group level.

The Board of Directors is the chief operating decision maker of Puuilo as it is responsible for allocating resources of the Group and the evaluation of the Group's results. Puuilo's Board of Directors regularly reviews financial information of the Group. The performance metric Puuilo uses internally to follow-up and evaluate operations is Group level adjusted EBITDA, which corresponds to profit before interest, taxes and depreciation and amortization and impairment of tangible and intangible assets.

Due to the large number of customers and the nature of the business, sales to one single customer have not exceeded 10 percent of the entire net sales in the reporting period ended 31 January 2021, 31 January 2020 or 31 January 2019.

Note 2.3 Expenses

Materials and services and other operating expenses

Accounting policy

Materials and services consist of the direct cost of goods sold and the services directly related to the goods sold during the reporting period. Other operating expenses include expenses other than the cost of goods sold, such as administration costs, store site maintenance costs, marketing costs as well as ICT expenses. Other operating expenses also include potential losses on the disposal of property, plant and equipment.

Foreign exchange differences arising from purchases are recognized within the appropriate line item above operating profit.

Materials and services

EUR thousand	**1 Feb 2020 – 31 Jan 2021**	**1 Feb 2019 – 31 Jan 2020**	**1 Feb 2018 – 31 Jan 2019**
Purchases during the reporting period	159,098	113,731	98,792
Changes in inventories	-8,165	-3,496	-9,741
External services	653	71	40
Total	**151,586**	**110,306**	**89,091**

Other operating expenses

EUR thousand	**1 Feb 2020 – 31 Jan 2021**	**1 Feb 2019 – 31 Jan 2020**	**1 Feb 2018 – 31 Jan 2019**
Administration expenses	1,439	1,549	986
Property maintenance expenses	2,790	2,223	1,649
Marketing expenses	4,091	3,591	3,056

ICT costs	2,248	1,019	1,029
Sales freights and credit card fees	2,067	1,442	535
Others	1,147	1,021	750
Total	**13,781**	**10,845**	**8,004**

Auditors' fees

EUR thousand	1 Feb 2020 – 31 Jan 2021	1 Feb 2019 – 31 Jan 2020	1 Feb 2018 – 31 Jan 2019
Statutory audit fees	63	101	48
Other services	8	22	62
Total	**71**	**124**	**110**

Employee benefits

Accounting policy

Short-term benefits

Wages and salaries comprise mainly of fixed monthly salaries and hourly wages paid to employees. Other indirect employee costs include pension expenses and other social security expenses. Employee benefits are recognized for work completed up to the balance sheet date in other liabilities and are measured to the amount that is expected to be paid when the liabilities are settled.

Post-employment benefits

The pension plan of Puuilo is a defined contribution plan. The payments of a defined contribution pension plan are made to the pension insurance companies after which the Group does not have any other payment obligations. Payments made due to a defined contribution pension plan are recognized as expenses in the income statement for the reporting period they are attributed to.

Key judgements and estimates in share-based payments

The key personnel of Puuilo have acquired in shares issued by Puuilo Oyj (previous Puuilo Invest I Oy) mainly in December 2015 as Adelis Equity Partners Fund I AB acquired a majority stake in Puuilo. Key personnel share acquisitions were carried out at the same valuation basis and substantially on the same terms as the investments made by the controlling owner. Subsequent share acquisitions have been made at fair value. On 31 January 2021 key personnel ownership accounted for 6,964,100 shares corresponding approximately 17% of the Company's shares, 9,997,291 shares, corresponding approximately 25% of the shares on 31 January 2020 and 24,203,421, corresponding approximately 25 % of shares on 31 January 2019.

The key personnel's share acquisitions contain a share-based payment component, but the valuation at the grant date indicates that the investments made and possible proceeds to employees do not contain additional benefit when compared to the controlling owner. As the Company does not have contractual obligation to redeem shares from the leavers in cash, and the Company has not created past practice to redeem in cash the key personnel's shares as their employment ends, the arrangement is classified as equity-settled share-based payment plan under IFRS. Accordingly, with the grant date fair value of the share-based payment being zero, no expense has been recognized in the Consolidated Financial Statements.

At the end of 2019, key personnel employed by Puuilo were given the opportunity to sell part of their Puuilo Oyj shares at fair value to Puuilo Invest Holding AB, the parent company of the Puuilo Group. The arrangement was related to a financing arrangement made by Puuilo Invest Holding AB. In the same connection, the key personnel who sold the shares entered into an agreement with Puuilo Invest Holding AB. The purpose of the agreement is to cover the relative share of the key personnel in the costs of the financing arrangement. Based on the agreement, Puuilo Invest Holding AB has the right to redeem Puuilo shares owned by key personnel or key personnel have the right to redeem Puuilo shares owned by Puuilo Invest Holding AB, depending on, among other things, the development of the value of Puuilo shares. The share price in possible redemption situations is EUR 0.01. Key personnel did not receive an additional benefit from the above agreement, which should be recognized as an expense in the financial statements. Puuilo Oyj or other companies of Puuilo Group are not parties to the arrangement, and the arrangement therefore has no effect on Puuilo's 2020 IFRS Consolidated Financial Statements. The agreement covers almost all key personnel who own shares in the Company. The agreement is conditional to the validity of Puuilo Invest Holding AB's financing arrangement.

In connection of the termination of the employment, key personnel have the opportunity to either withdraw from the agreement or remain involved in the agreement. During 2020 and 2021, key personnel who terminated their employment, have sold their Puuilo shares to Puuilo Invest Holding AB and Adelis. Some of the key personnel have withdrawn from the agreement and some have remained involved in it.

Employee benefits consist of the following

Employee benefit expenses

EUR thousand	**1 Feb 2020 – 31 Jan 2021**	**1 Feb 2019 – 31 Jan 2020**	**1 Feb 2018 – 31 Jan 2019**
Wages and salaries	19,089	14,657	11,866
Pension costs	3,024	2,492	2,150
Social security costs	554	470	454
Total	**22,667**	**17,619**	**14,470**

Personnel on average and at the end of reporting period:

	1 Feb 2020 – 31 Jan 2021	**1 Feb 2019 – 31 Jan 2020**	**1 Feb 2018 – 31 Jan 2019**
Number of employees at the end of the reporting period, full-time equivalent	595	457	385
Personnel on average	757	541	476

Management remuneration

Management comprises of the Board of Directors, the CEO and other Management Team. The Board of Directors decides on the remuneration and criteria of the remuneration of the CEO and the members of the Management Team. The salary of the CEO and the members of the Management Team consists of monthly salary. Their statutory pension is determined in accordance with the statutory employee pension system. Remuneration of management consists exclusively of short-term employee benefits.

The CEO is entitled to the statutory pension and the age of retirement is determined in accordance with the statutory employee pension system. Termination period for the CEO's employment contract is 6 months, and he is entitled to the salary for the termination period. In case the notice of termination is given to the CEO, a severance pay of 12 months' base salary will be paid in addition to the salary for six months' notice period. If the CEO gives a notice of termination, no severance pay will be paid in addition to the salary for the notice period.

Management remuneration:

EUR thousand	1 Feb 2020 – 31 Jan 2021	1 Feb 2019 – 31 Jan 2020	1 Feb 2018 – 31 Jan 2019
CEO remuneration			
Salary, other remuneration and benefits	137	126	136
Pension costs - defined contribution plan	24	22	24
Total	**161**	**148**	**160**
Management Team remuneration (excluding CEO)			
Salary, other remuneration and benefits	549	367	388
Pension costs - defined contribution plans	95	64	69
Total	**643**	**430**	**457**
The Board of Directors remuneration	**30**	**30**	**30**
Total Management Team and the Board of Directors	**834**	**609**	**647**

Note 2.4 Income taxes

Accounting policy

Income tax expenses comprise of current and deferred taxes. Income tax expense is recognized in the income statement. The tax effect of the items recognized directly in equity is respectively recognized as a part of equity. Puuilo has not recognized any income taxes in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the reporting period, using tax rates enacted or substantively enacted by the reporting date, and any adjustment to tax payable in respect of previous year.

Deferred tax is calculated based on temporary differences between carrying amounts and taxable value of assets and liabilities and for tax loss carry-forwards to the extent that it is probable that these can be utilized against future taxable profits. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled. Deferred tax is not recognized for temporary differences relating to initial recognition of goodwill.

Deferred tax assets and liabilities are netted when there is a legally enforceable right to net current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are netted where the entity has a legally enforceable right to net and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Income taxes

EUR thousand	1 Feb 2020 – 31 Jan 2021	1 Feb 2019 - 31 Jan 2020	1 Feb 2018 – 31 Jan 2019
Current income tax on profits for the year:	7,499	4,165	3,428
Adjustments for current tax of prior years	-	-	-
Total current income tax	7,499	4,165	3,428
Deferred income tax:			
Change in deferred tax assets	-304	-119	-104
Change in deferred tax liabilities	-12	-234	-234
Total deferred tax	-315	-353	-337
Income tax expense	**7,184**	**3,812**	**3,090**

Reconciliation of the income tax expense recognized in consolidated income statement to the taxes calculated using the Finnish tax rate (20 % for all reporting periods):

EUR thousand	1 Feb 2020 – 31 Jan 2021	1 Feb 2019 - 31 Jan 2020	1 Feb 2018 – 31 Jan 2019
Profit before tax	35,969	19,048	15,398
Tax calculated at domestic tax rate of 20 %	7,194	3,810	3,080
Income not subject to tax	-13	-	-2
Expenses not deductible for tax purposes	4	3	12
Adjustment in respect of prior years	-	-	-
Taxes in income statement	**7,184**	**3,812**	**3,090**
Changes in deferrex taxes			

Change in deferred taxes

EUR thousand	At 1 Feb	Recognized through profit or loss	At 31 Jan
2020			
Deferred tax assets			
Difference between accounting depreciation and tax depreciation	64	-2	62
Leases	256	104	361
Net interest non-deductible during the reporting period	-	201	201
Total	**320**	**304**	**624**
2020			
Deferred tax liabilities			
Capitalized intangible assets	3,590	-226	3,364
Difference between accounting depreciation and tax depreciation	29	-8	21
Arrangement fees of loans from financial institutions	-	222	222
Total	**3,619**	**-12**	**3,607**

EUR thousand	At 1 Feb	Recognized through profit or loss	At 31 Jan
2019			
Deferred tax assets			
Difference between accounting depreciation and tax depreciation	43	21	64
Derivative financial instruments measured at fair value	1	-1	-
Leases	158	99	256
Total	**201**	**119**	**320**
2019			
Deferred tax liabilities			
Intangible assets	3,816	-226	3,590
Difference between accounting depreciation and tax depreciation	37	-8	29
Total	**3,853**	**-234**	**3,619**

EUR thousand	At 1 Feb	Recognized through profit or loss	At 31 Jan
2018			
Deferred tax assets			
Difference between accounting depreciation and tax depreciation	16	27	43
Derivative financial instruments measured afair value	4	-3	1
Leases	78	80	158
Total	**97**	**104**	**201**
2018			
Deferred tax liabilities			
Intangible assets	4,042	-226	3,816
Difference between accounting depreciation and tax depreciation	45	-8	37
Total	**4,087**	**-234**	**3,853**

3 WORKING CAPITAL

Note 3.1 Inventories

Accounting policy

The cost of inventories i.e. goods for resale corresponds to the purchasing cost for the goods determined using the weighted average cost method. The cost of finished goods comprises all costs of purchase including direct freight and handling costs. Inventories are recognized at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less direct costs necessary to make the sale. The cost of inventory does not include borrowing costs.

Key judgements and estimates in measurement of inventories

The Group regularly reviews inventories for possible obsolescence and turnover, and for possible reduction of net realizable value below cost, and a write-down of inventory is recognized when necessary. Such reviews require assessments of future demand for products. Possible changes in these estimates may cause changes in inventory measurement in future reporting periods.

EUR thousand	**31 Jan 2021**	**31 Jan 2020**	**31 Jan 2019**
Finished goods	51,826	46,835	42,820
Prepayments	1,496	611	547
Goods in transit	5,192	2,759	3,303
Total	**58,514**	**50,205**	**46,670**

The financial statements include a write-down of inventories for obsolescent and slowly moving products, with the impairment on 31 January 2021 amounting to EUR 334 thousand, EUR 553 thousand on 31 January 2020 and EUR 264 thousand on 31 January 2019.

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

Note 3.2 Trade and other receivables

Accounting policy

Trade receivables are receivables that consist of products sold to customers in the ordinary course of business. They fall due within 14-30 days and are therefore all classified as current. Trade receivables are initially recognized in the amount of the invoice issued to the customer. Trade receivables do not include financial components.

The fair values of current trade and other receivables are estimated to equal the carrying amounts due to their short maturities.

Trade and other receivables consist of the following:

EUR thousand	**31 Jan 2021**	**31 Jan 2020**	**31 Jan 2019**
Trade receivables	4,155	2,342	2,297
Other receivables	52	13	648
Prepaid expenses	1,021	710	580
Total	**5,228**	**3,065**	**3,526**

The aging analysis of trade receivables

EUR thousand	31 Jan 2021	31 Jan 2020	31 Jan 2019
Not overdue	4,025	2,095	2,012
Overdue			
Less than 14 days	83	192	148
14-30 days	21	23	43
31-60 days	9	6	6
Over 60 days	16	26	88
Total	**4,155**	**2,342**	**2,297**

A credit-loss of EUR 23.6 thousand during reporting period of 2020, EUR 2.7 thousand in 2019 and EUR 1.0 thousand in 2018 has been recognized on trade receivables in the income statement. The receivables do not involve significant credit risk concentrations and the maximum amount of credit risk corresponds to the carrying amount of the receivables at the end of the reporting period. Trade receivables include a credit-loss allowance amounting to EUR 0.0 thousand in the reporting periods presented in the Consolidated Financial Statements. The expected credit loss risk is not significant due to the low volume of invoicing sales. Credit risk is described in more detail in Note 5.4.

Material items included in prepaid expenses consists of the following:

EUR thousand	31 Jan 2021	31 Jan 2020	31 Jan 2019
Annual bonuses for purchases	94	316	213
An invoiced product reclamation	213	-	-
Social security costs	-	2	63
Expenses paid in advance	500	249	290
Other	214	144	15
Total	**1,021**	**710**	**580**

Note 3.3 Trade and other payables

Accounting policy

Trade and other payables represent liabilities for goods and services provided to Puuilo prior to the end of reporting period which are unpaid. The amounts are unsecured and mainly paid according to 30 days payment terms. Trade and other payables are presented as current liabilities if they are due within 12 months after the reporting period. The carrying amounts of account payables and other payables are considered to be the same as their fair values, due to their short-term nature.

Trade and other payables consist of the following:

EUR thousand	31 Jan 2021	31 Jan 2020	31 Jan 2019
Non-current			
Trade payables	-	-	10
Total non-current	**-**	**-**	**10**
Current			
Trade payables	15,172	10,969	8,399
Advances received	151	173	145
Income tax liabilities	3,499	565	978

Other current liabilities	4,960	2,730	2,838
Accrued expenses	5,566	4,293	3,033
Total current	**29,349**	**18,730**	**15,392**

Other current liabilities mainly consist of value added tax liabilities and withholding tax liabilities.

Material items included in current accrued expenses:

EUR thousand	**31 Jan 2021**	**31 Jan 2020**	**31 Jan 2019**
Salary accruals	1,283	1,021	467
Social security costs	1,352	865	645
Interest expenses	387	213	134
Holiday pay expenses	2,544	2,194	1,787
Total	**5,566**	**4,293**	**3,033**

4 CAPITAL EMPLOYED

Note 4.1. Goodwill

Accounting policy

Goodwill is recognized at acquisition cost less any accumulated impairment losses. At the time of acquisition, goodwill is allocated to those cash generating units which are considered to benefit from the acquisition. Goodwill is not subject to annual amortization, because it is considered to have an indefinite useful life.

Goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that goodwill might be impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Often, it is not possible to estimate the recoverable amount for an individual asset. Then, as in the case of goodwill, the recoverable amount is determined for the cash generating unit to which the goodwill belongs. Impairment loss recognized for goodwill is not reversed under any circumstances.

Key judgements and estimates in goodwill impairment testing

Puuilo's goodwill has arisen in connection with the acquisition of Puuilo business in 2015 when Adelis Equity Partners Fund I AB ("Adelis") acquired a majority stake in Puuilo. Therefore, the entire goodwill was generated from a single acquisition covering the entire business of Puuilo. Goodwill amounted to EUR 33,540 thousand as at all balance sheet dates.

The goodwill is subject to impairment testing on an annual basis, or more frequently, if events or changes in circumstances indicate that goodwill might be impaired. The recoverable amount of a cash generating unit (CGU) is determined based on value in use calculation which requires the use of assumptions. Estimation and judgment are required in determining the components of the recoverable amount calculation, including the discount rate, the terminal growth rate and development of the net sales and EBITDA (which is for impairment testing purposes defined as earnings before interest, taxes and depreciation and amortization). The discount rates reflect current assessments of the time value of money and relevant market risk premiums reflecting risks and uncertainties for which the future cash flow estimates have not been adjusted. The calculations use cash flow projections based on financial budgets approved by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rate.

Goodwill impairment test

Puuilo management has monitored goodwill at the Group level from the date the goodwill was generated. Therefore, for the purpose of annual goodwill impairment testing, management will have discrete and reliable financial information on the Group level. Puuilo management considers that the Group consist of one cash generating unit, and therefore, goodwill is tested for impairment on the Group level.

The key assumptions of the impairment calculations are the estimated annual sales growth rate and the estimated EBITDA level for the period of three years. The average nominal annual growth of net sales for the forecast period was 7-10% and the EBITDA margin was between 18-20%. Cash flows beyond this period have been extrapolated based on 2.0% forecast growth rate on 31 January 2021, 2.0% on 31 January 2020 and 2.0% on 31 January 2019. The discount rate used is the weighted average cost of capital (WACC) after tax. The WACC formula inputs are risk-free rate of return, market risk premium, industry-specific beta factor, target capital structure and borrowing cost. The pre-tax WACC used was 9.7% on 31 January 2021, 7.1% on 31 January 2020 and 7.8% on 31 January 2019. The changes in the WACC arise from the increase in the market risk premium and the industry-specific beta.

No goodwill impairment has been recognized. In addition, management has assessed that no reasonably possible change in a key assumption of the impairment calculations would have resulted in a goodwill impairment.

Note 4.2 Intangible assets

Accounting policy

Intangible assets comprise of Puuilo trademark and capitalized costs related to ERP system and other IT system. They are measured at cost less accumulated amortizations and impairment losses. The capitalized cost for the ERP system consists of invoices from external service providers and license fees as well as Puuilo’s internal project work related to the implementation of the new ERP system.

Other intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Puuilo trademark	20 years
Software and licenses	5 years

Costs relating to the maintenance of information systems and software are expensed as incurred.

Key judgements and estimates in measurement of Puuilo trademark

The useful life of Puuilo trademark is estimated to be 20 years and it represents Group’s assessment of the period over which trademark is expected to generate cash flows to the Group. The actual useful life may, however, be shorter or longer, depending on changes in business environment. Any identified changes in the useful life of Puuilo trademark will be reflected in the amortization period and recognition of impairment losses, when needed.

Management assesses at each balance sheet date whether there is any indication that the value of Puuilo's trademark may be impaired. For the Puuilo trademark, an indication of impairment could be, for example, changes in the retail business environment. For a trademark, the recoverable amount cannot be estimated on an asset-by-asset basis. As Puuilo's cash-generating units are estimated to be one, Puuilo's trademark, like goodwill, is being tested at the Group level.

Impairment is recognized in the income statement. The recognized impairment losses are reversed if the recoverable amount of the asset has increased. The reversal is made up to the carrying amount that would have been determined for the asset (net of depreciation) had no impairment loss been recognized for the asset in prior periods.

EUR thousand	Goodwill	Intangible rights	Other intangible assets	Total
Cost at 1 February 2020	33,540	24,050	3,074	60,664
Additions	-	-	864	864
Cost at 31 January 2021	**33,540**	**24,050**	**3,938**	**61,528**
Accumulated amortization and impairment at 1 February 2020	-	-6,101	-2,032	-8,133
Amortization and impairment	-	-1,131	-494	-1,625
Accumulated amortization and impairment at 31 January 2021	-	-7,232	-2,526	-9,758
Net carrying amount at 1 February 2020	**33,540**	**17,949**	**1,042**	**52,531**
Net carrying amount at 31 January 2021	**33,540**	**16,818**	**1,412**	**51,770**

EUR thousand	Goodwill	Intangible rights	Other intangible assets	Total
Cost at 1 February 2019	33,540	24,050	2,115	59,705
Additions	-	-	958	958
Cost at 31 January 2020	**33,540**	**24,050**	**3,074**	**60,664**
Accumulated amortization and impairment at 1 February 2019	-	-4,970	-1,181	-6,151
Amortization impairment	-	-1,131	-851	-1,981
Accumulated amortization and impairment at 31 January 2020	-	-6,101	-2,032	-8,133
Net carrying amount at 1 February 2019	**33,540**	**19,079**	**934**	**53,554**
Net carrying amount at 31 January 2020	**33,540**	**17,949**	**1,042**	**52,531**

EUR thousand	Goodwill	Intangible rights	Other intangible assets	Total
Cost at 1 February 2018	33,540	24,050	1,674	59,264
Additions	-	-	441	441
Cost at 31 January 2019	33,540	24,050	2,115	59,705
Accumulated amortization and impairment at 1 February 2018	-	-3,840	-834	-4,674
Amortization impairment	-	-1,131	-347	-1,477
Accumulated amortization and impairment at 31 January 2019	-	-4,970	-1,181	-6,151
Net carrying amount at 1 February 2018	**33,540**	**20,210**	**840**	**54,590**
Net carrying amount at 31 January 2019	**33,540**	**19,079**	**934**	**53,554**

During the reporting period 2019, a total of approximately EUR 374 thousand of impairment was recognized in connection with the scrapping of IT-system. No impairment was recognized in the reporting periods 2020 or 2018.

Note 4.3 Property, plant and equipment

Accounting policy

Property, plant and equipment consist mainly of store buildings and related leasehold improvements, as well as machinery and equipment. They are measured at cost less accumulated depreciation and impairment losses. The measurement of leased properties is discussed in section 4.4 Leases. Owned land areas are not depreciated. Historical cost includes expenditure that is directly attributable to the acquisition of the items or the internally developed assets and subsequent costs incurred to replace parts that meet the criteria for asset recognition. Depreciation is calculated on straight-line basis over the estimated useful life of the asset or, in case of leasehold improvements and leased assets, over the period of the lease or useful life of the asset, whichever is shorter.

The estimated useful lives are as follows:

Buildings	15-30 years
Machinery and equipment	3-10 years
Other tangible assets	5-10 years
Leased assets	over the lease term

Residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Gains and losses on disposals are determined by comparing disposal proceeds with the carrying amount of the disposed asset and are recognized within other operating income or expenses in the income statement in the reporting period the disposal occurs. Gains on disposal have been disclosed in Note 2.1.

On every balance sheet date, the management assesses whether there is any evidence of impairment regarding property, plant and equipment. In the case that there is such evidence, an assessment is made of the recoverable amount of the asset which is the higher of the fair value of the asset less the costs of disposal or a value in use. Often it is not possible to estimate the recoverable amount for an individual asset. Then the recoverable amount is determined for the cash-generating unit to which the asset belongs. Due to the nature of Puuilo's operations, the Group has only one cash-generating unit.

Impairment is recognized in the income statement. The recognized impairment losses are reversed if the recoverable amount of the asset has increased based on new assessment made. The reversal is made up to the carrying amount that would have been determined for the asset (net of depreciation) had no impairment loss been recognized for the asset in prior reporting periods.

Puuilo’s property, plant and equipment is divided to owned and leased assets as follows. Information of the leased assets is disclosed in Note 4.4.

EUR thousand	**31 Jan 2021**	**31 Jan 2020**	**31 Jan 2019**
Leased	43,901	37,676	33,894
Owned	2,234	2,044	1,965
Total	**46,135**	**39,720**	**35,859**

Property, plant and equipment has changed as follows during the years presented. The figures do not include changes in leases. Leases have been presented in Note 4.4.

EUR thousand	Land and water areas	Buildings and structures	Machinery and equipment	Total
Cost at 1 February 2020	25	755	3,378	4,158
Additions	-	-	963	963
Disposals	-25	-1	-43	-69
Cost at 31 January 2021		753	4,299	5,052
Accumulated depreciation and impairment at 1 February 2020	-	-340	-1,774	-2,113
Depreciation and impairment	-	-142	-562	-705
Accumulated depreciation and impairment at 31 January 2021	-	-482	-2,336	-2,818
Net carrying amount at 1 February 2020	**25**	**415**	**1,605**	**2,044**
Net carrying amount at 31 January 2021	**-**	**271**	**1,963**	**2,234**

EUR thousand	Land and water areas	Buildings and structures	Machinery and equipment	Total
Cost at 1 February 2019	25	755	2,648	3,427
Additions	-	-	756	756
Disposals	-	-	-26	-26
Cost at 31 January 2020	25	755	3,378	4,158
Accumulated depreciation and impairment at 1 February 2019	-	-196	-1,266	-1,463
Depreciation and impairment	-	-143	-507	-651
Accumulated depreciation and impairment at 31 January 2020	-	-340	-1,774	-2,113
Net carrying amount at 1 February 2019	**25**	**558**	**1,382**	**1,965**
Net carrying amount at 31 January 2020	**25**	**415**	**1,605**	**2,044**

EUR thousand	Land and water areas	Buildings and structures	Machinery and equipment	Total
Cost at 1 February 2018	25	755	1,911	2,690
Additions	-	-	795	795
Disposals	-	-	-58	-58
Cost at 31 January 2019	25	755	2,648	3,427
Accumulated depreciation and impairment at 1 February 2018	-	-53	-817	-870
Depreciation and impairment	-	-143	-449	-593
Accumulated depreciation and impairment at 31 January 2019	-	-196	-1,266	-1,463
Net carrying amount at 1 February 2018	**25**	**702**	**1,094**	**1,820**
Net carrying amount at 31 January 2019	**25**	**558**	**1,382**	**1,965**

Depreciation, amortization and impairment

Intangible assets and property, plant and equipment

EUR thousand	1 Feb 2020 - 31 Jan 2021	1 Feb 2019 - 31 Jan 2020	1 Feb 2018 - 31 Jan 2019
Depreciation, amortization and impairment by asset class			
Intangible rights	1,131	1,131	1,131
Intangible assets	494	851	347
Buildings and structures	142	143	143
Machinery and equipment	562	507	449
Total	**2,330**	**2,632**	**2,070**
Right-of-use assets	**7,417**	**6,341**	**4,871**
Depreciation, amortization and impairment total	**9,746**	**8,973**	**6,941**

No impairment losses have been recognized for property, plant and equipment reporting periods ended on 31 January 2021, on 31 January 2020 or on 31 January 2019.

Depreciation of right-of-use assets has been presented in more detail in Note 4.4.

Note 4.4 Leases

Accounting policy

Puuilo's leases mainly consist store building and office leases, as well as machinery and equipment an IT leases used in the business operations. At the inception of the contract, the Group makes an assessment on whether the contract is a lease or contains a lease. A contract is deemed a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At the inception of a lease, Group recognizes a right-of-use asset as well as a lease liability. Puuilo has not used the exemption for short-term leases (lease term less than 12 months) or low value leases permitted by IFRS 16.

Lease liability is measured at the present value of those lease payments that have not been paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease if the rate in question is readily determinable. If the rate is not readily determinable, the Company's incremental borrowing rate will be used. Puuilo has used interest rate implicit in the lease as discount rate in all machinery and equipment leases and incremental borrowing rate in all store and office leases. The discount rates vary between 2.5% and 3.0%.

The lease term used in the measurement of lease liability is the non-cancellable period of a lease, together with the periods covered by an option to extend and/or to terminate if it is reasonably certain that the lessee uses the extension option or does not use the option to terminate. The lease term of the leases valid until further notice is based on the probable lease term estimated by the management.

Each lease payment is allocated between amortisation of the lease liability and finance cost. The finance cost is recognized to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use asset is measured at cost at the commencement date of the lease. The cost comprises of the amount of initial measurement of the lease liability at the commencement date, any lease payments at or before the lease commencement date as well as any restoration costs. Lease payments for store and office leases are mainly tied to the cost of living index. Lease liability is adjusted as the index changes. Right-of-use assets are adjusted with the item resulting from the remeasurement of the lease liability.

The right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and their estimated useful lives from the day they are available for use. Estimated useful lives are as follows:

Machinery and equipment:	3-5 years
Stores:	5-10 years
Offices:	1-4 years

Puuilo has asset restoration obligations related to leased store buildings. Puuilo has recognized a provision for estimated restoration costs. For more information see note 4.5.

Key judgements and estimates applied in accounting for the leases

In determining the lease term, management must consider all facts and circumstances that create an economic incentive to exercise an extension option. Judgement is also used in determining the lease term for leases that are valid until further notice. Extension options are included in the lease term only if the option is reasonably certain to be used. The lease term of the leases valid until further notice is based on the probable lease term estimated by the management.

The Group leases various properties as well as machinery and equipment. Leases are typically made for fixed periods of 5 to 10 years but may also include extension options. Management has assessed the use of each extension option and if the use of an option has been assessed to be reasonably certain, the option has been included in the lease term. The assessment of the use of extension options is affected by, among other things, the length of the original lease, the location, the condition of the property and the amount of rent. Lease terms are negotiated on an individual basis and they can include other terms and conditions.

In determining the discount rate for the calculation of the lease liability of property leases, the management has made estimates to reach to the appropriate incremental borrowing rate.

Right-of-use assets

EUR thousand	**31 Jan 2021**	**31 Jan 2020**	**31 Jan 2019**
Premises and facilities	42,788	36,642	33,206
Machinery and equipment	1,112	1,034	689
Total	**43,901**	**37,676**	**33,894**

Lease liabilities in the balance sheet

EUR thousand	**31 Jan 2021**	**31 Jan 2020**	**31 Jan 2019**
Non-current	35,809	31,232	28,201
Current	7,246	5,850	4,929
Total	**43,055**	**37,082**	**33,130**

Additions to the right-of-use assets during the reporting period ended on 31 January 2021 were EUR 11,339 thousand, EUR 8,755 thousand the reporting period ended on 31 January 2020 and EUR 11,408 thousand the reporting period ended on 31 January 2019.

Maturity analysis, contractual discounted cash flows (lease liabilities)

EUR thousand	31 Jan 2021	31 Jan 2020	31 Jan 2019
Less than one year	7,246	5,850	4,929
From one to five years	23,691	20,118	17,164
Over five years	12,118	11,114	11,037
Total	**43,055**	**37,082**	**33,130**

Maturity analysis, contractual undiscounted cash flows

EUR thousand	31 Jan 2021	31 Jan 2020	31 Jan 2019
Less than one year	8,418	6,874	5,840
From one to five years	26,451	22,525	19,569
Over five years	12,807	11,767	11,764
Total	**47,676**	**41,166**	**37,173**

Amounts recognized in profit or loss

Depreciation charge of the right-of-use asset

EUR thousand	1 Feb 2020 – 31 Jan 2021	1 Feb 2019 – 31 Jan 2020	1 Feb 2018 – 31 Jan 2019
Premises and facilities	6,870	5,933	4,642
Machinery and equipment	547	408	229
Total	**7,417**	**6,341**	**4,871**
Interest expenses included in the finance cost	1,192	1,027	878
Cash flow			
Total cash outflow for leases	7,613	6,391	5,132

Liability for lease agreements that will enter into force in the future is presented in Note 5.7.

Note 4.5 Provisions

Accounting policy

Provision is recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that a cash outflow will be required to settle the obligation and the amount can be estimated reliably. Provision is not recognized for any estimated future operating losses. Provisions are allocated between amounts expected to be settled within 12 months of the balance sheet date (current) and amounts expected to be settled later (non-current).

Key judgements and estimates applied in restoration obligation

Puuilo's provisions consists of restoration provisions of leased store sites. Provisions include an estimated cost of restoring the store to its original state (asset retirement obligation). A corresponding item of property, plant and equipment of an amount equivalent to the provision is also recognized and subsequently depreciated as part of the assets, during the useful life of the right-of-use asset. The provision and the corresponding item of property, plant and equipment are recognized at the beginning of the lease term i.e. at the same time as the lease is recognized in the balance sheet.

Provisions for restoration (asset retirement) obligations related to store sites are determined based on the net present value (NPV) of Puuilo's total estimated unavoidable dismantling costs for restoration obligations. The estimates are based on future estimated level of expenses taking into account the effect of inflation, cost-base development and discounting. Assumptions are also used in assessing the time periods for which the restoration costs are incurred. Because the actual outflows can differ from estimates due to changes in technology, prices and conditions, and can take place after many years in the future, the carrying amounts of provisions are regularly reviewed and adjusted to take into account of any such changes.

Management estimates that the restoration obligations will be realized over 3-10 years.

Movements in restoration provision during the years presented are set out below:

Provisions

EUR thousand	**Provisions**
At 1 February 2020	533
Additions	103
Occurred during the year	-20
At 31 January 2021	616
of which	
Current	-
Non-current	616
Total	**616**

EUR thousand	**Provisions**
At 1 February 2019	453
Additions	100
Occurred during the year	-20
At 31 January 2020	533
of which	
Current	-
Non-current	533
Total	**533**

EUR thousand	**Provisions**
At 1 February 2018	333
Additions	120
At 31 January 2019	453
of which	
Current	-
Non-current	453
Total	**453**

5 CAPITAL STRUCTURE AND FINANCING

Note 5.1 Capital management and net debt

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and maintain an optimal capital structure to reduce the cost of capital. The capital structure is regularly assessed by the Board of Directors, among other things, by monitoring equity and the level of net debt.

Interest-bearing net debt which is calculated based on the consolidated balance sheet as follows:

EUR thousand	**31 Jan 2021**	**31 Jan 2020**	**31 Jan 2019**
Non-current financial liabilities			
Loans from financial institutions	79,888	-	-
Lease liabilities	35,809	31,232	28,201
Total non-current financial liabilities	**115,697**	**31,232**	**28,201**
Current borrowings			
Loans from financial institutions	10,000	65,333	51,545
Lease liabilities	7,246	5,850	4,929
Total current financial liabilities	**17,246**	**71,184**	**56,474**
Total financial liabilities	**132,943**	**102,416**	**84,675**
Cash and cash equivalents	11,154	9,678	4,785
Net debt	**121,789**	**92,738**	**79,890**
Derivatives			
Current			
Interest rate swap	-	-	4
Total	**-**	**-**	**4**

Changes in net debt is presented in the tables below:

			Non-cash changes		
EUR thousand	**Net debt 1 Feb. 2020**	Cash flows	Acquisitions − leases	Other changes	**Net debt 31 Jan. 2021**
Cash and cash equivalents	9,678	1,476			11,154
Proceeds from loans from financial institutions		100,000			100,000
Repayments of loans from financial institutions		-74,333			-74,333
Loans from financial institutions	65,333	25,667		-1,112	89,888
Lease liabilities	37,082	-6,441	11,339	1,074	43,055
Net debt	**92,738**	**20,702**	**11,339**	**-38**	**121,789**

EUR thousand	**Net debt 1 Feb. 2019**	Cash flows	Non-cash changes: Acquisitions − leases	Non-cash changes: Other changes	**Net debt 31 Jan. 2020**
Cash and cash equivalents	4,785	4,893			9,678
Proceeds from loans from financial institutions		18,455			18,455
Repayments of loans from financial institutions		-4,667			-4,667
Loans from financial institutions	51,545	13,788			65,333
Lease liabilities	33,130	-5,389	8,755	586	37,082
Net debt	**79,890**	**13,292**	**8,755**	**586**	**92,738**

EUR thousand	**Net debt 1 Feb. 2018**	Cash flows	Non-cash changes: Acquisitions − leases	Non-cash changes: Other changes	**Net debt 31 Jan. 2019**
Cash and cash equivalents	5,437	-651			4,785
Repayments of loans from financial institutions		-4,000			-4,000
Loans from financial institutions	55,545	-4,000			51,545
Lease liabilities	25,766	-4,254	11,408	210	33,130
Net debt	**75,875**	**-8,906**	**11,408**	**210**	**24,344**

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

During the reporting period 2020 Puuilo renewed its financing agreement. The Company has drawn a new loan from financial institutions and repaid its previous loan from financial institutions in full. The amount of the loan at the time the loan was drawn was EUR 100 million (fair value). The loan margin is dependent on the ratio of interest-bearing net debt to EBITDA. The loan is partly bullet loan and partly amortized twice a year. The loan matures in 2024. In the reporting period 2019, a new loan of approximately EUR 18.5 million was drawn. During the reporting period 2018, there were no changes in the loan agreements.

Under the terms of the major borrowing facilities, the Group is required to comply with the financial covenants. According to the most important covenant terms, the Group must achieve a certain interest-bearing net debt to EBITDA ratio. In addition, the covenants include euro-denominated limits for the Group's capital expenditure and intra-group profit distribution and group contributions. The covenants are calculated based on the Group financial statements prepared according to the Finnish Accounting Standards (FAS). The compliance of the covenants is monitored as part of the Group's financial reporting and reported to the Board of Directors and to the borrowers on a monthly basis. There have been no breaches of the covenants during the reporting periods ended 31 January 2021 or 31 January 2020.

The capital expenditure covenant has been breached during the reporting period ending on 31 January 2019. The breach of the investment covenant was caused by the Group's strong and profitable growth. The borrower was immediately notified after the occurrence of the breach of the capex covenant and it was orally approved during the reporting period 2019. A formal approval from the borrower for the breach of the capex covenant was obtained not obtained until after the end of the reporting period. Due to the breach of the covenant, the borrower had the right to demand immediate repayment of the Company's entire loan from financial institutions and therefore the loan from financial institutions was classified as current. In addition, accrued transaction costs recognized in the balance sheet in the IFRS financial statements using the effective interest method, were recognized as an expense for the reporting period ended 31 January 2019.

Correction of an error relating to reporting period ended 31 January 2020

After the approval of the statutory Consolidated Financial Statements on 31 January 2020, Puuilo's management has stated that the Group's loan agreement prohibits the granting of group contributions directly from Puuilo Tavaratalot Oy (previously Puuilo Oy) to the Group's parent Company Puuilo Oyj (previously Puuilo Invest I Oy). During the reporting period 2019, Puuilo Tavaratalot Oy has given the parent Company a direct group contribution. The borrower has been aware of the arrangement, but the official approval from the borrower was obtained only after the end of the reporting period 2019. As the borrower was entitled to demand immediate repayment of the Company's entire loan from financial institutions as a result of the breach of the loan agreement, the figures for 2019 have been restated in accordance with “IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors” and the entire loan from financial institutions was classified as current”.

The correction of the error has an effect on the result, as the loan from financial institutions previously presented as current in the approved statutory Consolidated Financial Statements for the reporting period ended 31 January 2020 were reclassified as non-current loans from financial institutions and related transaction costs were accrued using the effective interest method. As the loan from financial institutions was re-classified as current, the effective interest previously recognized in the balance sheet was recognized in the financial income and expenses. The deferred taxes were restated accordingly.

The effects of the adjustment are shown in the table below.

Reclassification of loan from financial institutions - Restatement of approved financial statements 2019

Consolidated statement of comprehensive income

EUR thousand	**31 Jan 2020 Approved financial statement**	**Change**	**31 Jan 2020 Restated**
Operating profit	22,949		22,949
Finance income	919	-903	16
Finance costs	-3,903	-13	-3,917
Total finance income and costs	-2,984	-916	-3,900
Profit before taxes	**19,965**	**-916**	**19,048**
Current income tax	-4,165		-4,165
Deferred income tax	170	183	353
Total income tax expense	**-3,995**	**183**	**-3,812**
Profit for the period	**15,969**	**-733**	**15,236**
EPS	0,20	-0,01	0,19

Consolidated balance sheet

EUR thousand	31 Jan 2020 Approved financial statement	31 Jan 2020 Restated
Retained earnings, restated 31 January 2020	30,955	30,222
Loans from financial institutions, non-current	55,084	-
Loans from financial institutions, current	9,333	65,333
Deferred tax liability	3,802	3,619

The effect of the restatement on retained earnings

EUR thousand	
Retained earnings, approved financial statements 31 January 2020	30,955
Restatement of the finance income and costs	-916
Change in deferred taxes	183
Retained earnings, restated 31 January 2020	**30,222**

The tables present only those line items for which the restatement has had an effect.

Note 5.2 Equity

On 31 January 2021 Puuilo's equity consists of share capital and retained earnings.

The share capital of Puuilo Oyj was EUR 2,500 at 31 January 2021, 31 January 2020 and 31 January 2019.

On 31 January 2021 and 31 January 2020 Puuilo Invest I Oy (currently Puuilo Oyj) had only ordinary shares and the number of shares was 40,107,930. The Company has previously held two types of shares: ordinary shares and preference shares. The share capital was divided into ordinary shares and preference shares as follows prior to the redemption of the preference shares in March 2019:

	Number of shares 31 January 2019	% of shares
Ordinary shares	40 107 930	41,8 %
Preference shares	55 892 071	58,2 %
Total	**96 000 001**	**100 %**

Both classes of shares produced similar voting rights at the Annual General Meeting; one vote per share. Preference shares were held both the primary owner Adelis Equity Partners Fund I AB and Puuilo's key personnel. All 55,892,071 preference shares of Puuilo were redeemed during the reporting period 2019 by paying the shareholders the initial subscription price plus the accrued dividends calculated on the basis of the subscription price, a total of approximately EUR 17,166 thousand. The initial subscription price, EUR 13,973 thousand, was deducted from the Company's reserve for invested unrestricted equity and the accumulated dividends and transfer tax, totalling EUR 3,193 thousand, from retained earnings. The redemption price was determined on the basis of a provision in the Articles of Association. Following the redemption, the preference shares were cancelled, and the Articles of Association were amended accordingly. The purpose of the transaction was to simplify the capital structure of the Company and since then the Company has held only one class of shares.

Puuilo Group has not held any treasury shares as at 31 January 2021, 31 January 2020 or 31 January 2019.

The Company has no reserves at the end of the reporting period ended 31 January 2021. The amount of the reserve for invested unrestricted equity on 31 January 2020 was EUR 1,967 thousand and it was returned to the shareholders during the reporting period 2020. The reserve for invested unrestricted equity on 31 January 2019 was EUR 23,998 thousand. A total of EUR 22,030 thousand of the reserve for invested unrestricted equity was returned during the reporting period 2019, of which EUR 8,057 thousand was a return of capital and EUR 13,973 thousand was a return of the subscription price (see previous section).

During the reporting period 2020, dividends totalling EUR 50,130 thousand were paid. During the reporting period 2019, dividends of approximately EUR 2,970 thousand were paid (see the section on redemption of preference shares earlier). No dividend was paid in the 2018 reporting period.

Key judgements and estimates applied in classification of the preference shares to equity (applies to financial statements 31 January 2019)

The management has analyzed the contractual terms of the preference shares when classifying the shares to equity or liabilities. The key driver in the classification of instruments was whether there was contractual obligation to deliver cash or other financial assets based on the terms of the instrument. Financial assets were distributed to the holders of the preference shares only if the shareholders decided to distribute dividend to the preference shareholders. In addition, it would have been possible in connection with a trade sale of the Company. These transactions could only have been executed by a decision of the parent Company's Board of Directors.

The preference shares were classified as equity because cash could only be distributed in an event of exit or by a decision of the shareholders to distribute a non-cumulative dividend of 12.2%. The execution of a potential exit would have been the responsibility of the Board of Directors, elected by the Annual General Meeting. The Board's decision-making takes place in accordance with the Companies Act. As a result, the redemption or dividend of the preference shares was not classified as a financial liability.

The main terms and conditions of the preference shares were as follows:

When distributing consideration to shareholders in connection with a trade sale or other transaction, or when distributing the Company's assets or net assets to shareholders in liquidation, bankruptcy or dissolution, the sale price or consideration (collectively, "consideration") would have been apportioned so that:

(a) first, the consideration would have been distributed to the holders of the preference shares in proportion to their mutual holdings of preference shares, which was the subscription price paid for their preference shares plus accrued and unpaid annual dividends of 12.2% calculated on the subscription price; and

(b) the remaining consideration would then be distributed to the holders of ordinary shares in proportion to their holdings of ordinary shares.

Shareholders had the opportunity to decide on an annual, non-cumulative dividend of 12.2% on the preference shares. Accumulated but unrecognized cumulative dividends were EUR 2,704 thousand on 31 January 2019. The dividends were paid in connection with the redemption of preference shares during the reporting period 1 February 2019 - 31 January 2020. At the balance sheet date 31 January 2021 or 31 January 2020, there were no preference shares.

Note 5.3 Earnings per share

Accounting policy

Basic earnings per share have been calculated by dividing the profit of the consolidated income statement less the accrued dividends on preference shares by the weighted average number of shares issued. Diluted earnings per share are calculated on the same basis, except that it reflects dilutive effect of converting all dilutive potential shares into shares.

The information of the preference shares has been disclosed in Note 5.2.

The following table shows the calculation of the earnings per share and the diluted earnings per share.

EUR thousand	1 Feb 2020 - 31 Jan 2021	1 Feb 2019 - 31 Jan 2020	1 Feb 2018 - 31 Jan 2019
Basic earnings per share			
Profit attributable to the owners of the Company	28,785	15,236	12,308
Dividends paid or accrued on preference shares during the period	-	266	1,705
Profit used to determine basic earnings per share	28,785	14,970	10,603
Weighted average number of ordinary shares outstanding during the period*	80,215,860	80,215,860	80,215,860
Basic earnings per share (EUR)	0,36	0,19	0,13
Diluted earnings per share			
Profit used to determine diluted earnings per share	28,785	14,970	10,603
Weighted average number of shares outstanding during the period*	80,215,860	80,215,860	80,215,860
Diluted earnings per share (EUR)	0,36	0,19	0,13

* The number of shares for the reporting periods 2020, 2019 and 2018 has been adjusted with free-of-charge share issue executed in reporting period 2021.

Note 5.4 Financial risk management

The Group's operation exposes it to a variety of financial risks: foreign exchange risk, cash flow interest rate risk, credit risk and liquidity risk. Group's financial risk management strives to ensure liquidity and minimize potential adverse effects of market fluctuations and unpredictability to Group's financial performance, balance sheet and cash flows.

The Board of directors provides the principles for overall risk management. The Group Management Team is responsible for the practical implementation of financial risk management. This includes the identification and assessment of risks and the tools needed to protect them.

Foreign exchange risk

Puuilo is exposed to exchange rate risks through its purchases of goods. Unfavourable changes in foreign exchange rates may increase the cost of products purchased in currencies other than the euro, and Puuilo may not be able to pass on all such costs to its customers. Puuilo's main foreign currency is the US dollar. In the reporting period ended 31 January 2020, approximately 90% of Puuilo's purchases were made in euros and approximately 10% in US dollars. Puuilo does not hedge its purchases in dollars. The table below shows the Puuilo transaction position at the balance sheet date and the sensitivity analysis. The sensitivity analysis of the transaction position shows the impact on profit or loss of before taxes a +/-10% exchange rate change. The increase in the transaction position arises from the increase in import purchases.

EUR thousand	**31 Jan 2021**	**31 Jan 2020**
Transaction exposure	7,624	1,672
Open exposure	7,624	1,672
Change +10%	-847	-186
Change -10%	693	152

The transaction position on January 31, 2019 was not significant and was not followed.

Interest rate risk

The Group's loan from financial institutions have variable interest rates, which exposes the Group's cash flow to interest rate risk. The carrying amount of the loan from financial institutions was EUR 89,888 thousand, EUR 65,333 thousand on 31 January 2020 and EUR 51,545 thousand on 31 January 2019. At 31 January 2021 and 31 January 2020, the Group has not had interest rate swaps, as the management has assessed the interest rate risk to be insignificant, taking into account the current interest rate level and the maturity of the loans. At the end of 31 January 2019, the fair value of the interest rate swap was EUR 4 thousand.

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

EUR thousand	**31 Jan 2021**	**31 Jan 2020**	**31 Jan 2019**
Fixed interest rate			
Loans from financial institutions	-	-	10,950
Lease liabilities	43,055	37,082	33,130
Floating interest rate			
Cash and cash equivalents	751	-	-
Loans from financial institutions	89,888	65,333	40,595
Floating interest rate position, total	**90,639**	**65,333**	**40,595**

If interest rates had been 0.5 percentage points higher with all other factors held constant, the post-tax profit for the reporting period would have been EUR 10 thousand lower as a result of interest expenses on floating rate interest-bearing liabilities on 31 January 2021, EUR 56 thousand lower on 31 January 2020 and EUR 62 thousand lower on 31 January 2019. The sensitivity analysis is based on the risk position at the end of each reporting period. The decrease in interest rates would not have affected profit after tax, as the reference rate has been negative during each of the reporting periods.

Credit risk

The Group's credit risk consists of credit risk related to business risks and counterparty risk of other financial instruments. The majority of the Group's sales are cash transactions, only to business customers are sold on credit. Trade receivables from business customers do not include credit risk concentrations, as the Group's customer base is widespread, and no customer or customer group is dominant from the Group's perspective. Credit losses affecting the result for the reporting periods presented in these financial statements were insignificant. Counterparty risk related to cash and cash equivalents is managed by depositing cash and cash equivalents in large Nordic banks with solid ratings. The Group's cash and cash equivalents are fully available to the Group.

The maximum amount of the Group's credit loss corresponds to the carrying amount of financial assets at the end of the reporting period, presented in Note 5.5.

Liquidity risk

The Group's management team monitors the Group's liquidity situation and reports regularly to the Board of Directors and CEO to ensure that the Group has sufficient cash for business needs and loan management. The Group follows the financing required in business operations by analysing the operating cash flow forecasts and inventory turnover in order to have sufficient liquid assets to fund the operations and to repay loans from the financial institutions at maturity.

At the end of the reporting period, the Group's cash and cash equivalents totalled EUR 11,154 thousand as at 31 January 2021, EUR 9,678 thousand as at 31 January 2020 and EUR 4,785 thousand as at 31 January 2019. At the end of the reporting period trade receivables totalled EUR 4,155 thousand as at 31 January 2021, EUR 2,342 thousand as at 31 January 2020 and EUR 2,297 thousand as at 31 January 2019. The Group had a credit limit of EUR 2.3 million as at 31 January 2021, 31 January 2020 and 31 January 2019. The Group has not used the limit during the reporting periods and the withdrawable credit limit has corresponded to the total amount of the limit. In addition to financial assets and liabilities, Puuilo's liquidity is based on cash flow from operations and management of the change in net working capital. The net working capital is mainly affected by the inventory and trade payables turnover. Puuilo's net cash flow generated from operating activities was EUR 36,996 thousand at the period ended 31 January 2021, EUR 24,110 thousand at the period ended 31 January 2020 and EUR 9,580 thousand at the period ended 31 January 2019. Main part of Puuilo's Net sales is generated from sales paid with cash or credit cards and in addition the Company has some trade receivables mainly from sales to corporates as described above. Puuilo has a strong cash flow generated from operating activities, with which it plans to finance the payments described in the table below. If necessary, Puuilo can also utilize its unused credit limit in liquidity management.

The table below shows the Group's financial liabilities by maturity group based on the remaining maturity at the balance sheet date. The amounts disclosed are contractual, undiscounted cash flows.

EUR thousand	Under 1 year	1-2 years	3-5 years	Over 5 years	Contractual undiscounted cash flows	Carrying value
31 Jan 2021						
Non-derivatives						
Loans from financial institutions	12,734	12,459	73,331		98,523	89,888
Lease liabilities	8,418	7,946	18,505	12,807	47,676	43,055
Trade payables	15,172				15,172	15,172
Other payables	387				387	387
Total	**36,711**	**20,405**	**91,835**	**12,807**	**161,759**	**148,503**

EUR thousand	Under 1 year	1-2 years	3-5 years	Over 5 years	Contractual undiscounted cash flows	Carrying value
31 Jan 2020						
Non-derivatives						
Loans from financial institutions	65,333				65,333	65,333
Lease liabilities	6,874	6,599	15,926	11,767	41,166	37,082
Trade payables	10,969				10,969	10,969
Other payables	213				213	213
Total	**83,390**	**6,599**	**15,926**	**11,767**	**117,682**	**113,598**

EUR thousand	Under 1 year	1-2 years	3-5 years	Over 5 years	Contractual undiscounted cash flows	Carrying value
31 Jan 2019						
Non-derivatives						
Loans from financial institutions	51,545				51,545	51,545
Lease liabilities	5,840	5,629	13,940	11,764	37,173	33,130
Trade payables	8,399	5	5		8,409	8,409
Other payables	134				134	134
Total	**65,918**	**5,634**	**13,945**	**11,764**	**97,261**	**93,218**
Derivatives						
Interest rate swaps	4					4
Total	**65,922**	**5,634**	**13,945**	**11,764**	**97,261**	**93,222**

Other payables do not include advances received, income tax liabilities, value-added tax liabilities as well as liabilities related to salaries and social security expenses, as they are not classified as financial assets. Other payables in the table include accrued interest related to the loan from financial institutions.

Other accrued expenses are not classified as financial liabilities and are not included in the table. Other liabilities have been disclosed in in Note 3.3.

After the end of the reporting period the Company has agreed a new financing agreement which is conditional on listing and which is described in more detail in Note 6.3. The term loan under the new financing agreement will be repaid fully on due date, which is after 36 months from the first date of withdrawal of the loan. In addition, Puuilo will have an overdraft facility, which is EUR 20 million according to the new financing agreement.

Note 5.5 Financial assets and liabilities

Accounting policy

Financial assets

The Group's financial assets consist of trade receivables, other financial receivables and cash and cash equivalents.

The Group applies a simplified approach in accordance with IFRS 9 that takes into account the expected life of receivables for all trade receivables and contractual receivables. The Group's management estimates that the credit risk of trade receivables is insignificant. The IFRS 9 impairment requirement also applies to cash, but the impairment loss is insignificant.

Trade receivables are written down if the Group does not have a reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the debtor's non-commitment to a repayment plan.

Impairment losses on trade receivables are presented net in operating profit. Subsequent payments on previously recognized credit losses are recognized in the same line item.

Cash and cash equivalents include cash on hand as well as bank deposits. Financial assets are held to collect contractual cash flows. The contractual cash flows consist exclusively of principal and interest on the principal amount outstanding. Financial assets are initially measured at fair value and subsequently measured at amortized cost. Impairment losses are presented in other operating expenses in the statement of comprehensive income.

Financial assets are derecognized when the rights to receive cash flows from the financial asset have expired or the item included in the financial assets has been transferred from the Group, and when the risks related to ownership have been transferred from the Group.

Cash and cash equivalents

EUR thousand	31 Jan 2021	31 Jan 2020	31 Jan 2019
Cash in hand and at bank	11,154	9,678	4,785
Total	**11,154**	**9,678**	**4,785**

Key judgements and estimates applied in accounting for credit losses

Trade receivables for the reporting periods presented do not include material overdue receivables. The amount of trade receivables and impairment losses recognized on them has been insignificant. In addition, the amount of the Company's trade receivables in relation to the volume of the business been low, as a significant part of the Company's sales is paid in the Company's stores at the time of purchase.

Due to the above, the Group's management has assessed that the credit loss risk of trade receivables is not considered material and expected credit losses has not been recognized in the financial statements.

Financial liabilities

Puuilo’s financial liabilities consists of loans from financial institutions, accrued interests, lease liabilities and trade payables.

Financial liabilities are initially recognized at their fair value less transaction costs incurred. Subsequent to initial recognition, financial liabilities other than derivatives, are measured at amortized cost using the effective interest rate method.

Derivatives are measured at fair value through profit or loss. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period. Derivatives have only been used for financial hedging purposes and not for speculative investments.

A financial liability is classified as current when it will be settled within 12 months after the reporting date or when the Group does not have an unconditional right to defer settlement of the liability for more than 12 months after the reporting date. Financial liabilities which fall due within 12 months after reporting date are classified as current, even if the long-term refinancing agreement has been completed after the reporting date and prior to the approval of the financial statements. When a covenant is breached on or before the reporting date with the effect that the liability becomes payable on demand, the liability is also classified as current. If liabilities are classified as current due to a covenant breach, they are presented in the amount to be redeemed.

A financial liability is derecognized from the balance sheet when it is discharged, cancelled or it expires.

Financial assets and liabilities by valuation category

EUR thousand, 31 Jan 2021	**Measured at amortized cost**	**Fair value through profit or loss**	**Carrying amount**
Current financial assets			
Trade receivables	4,155		4,155
Other financial assets	307		307
Cash and cash equivalents	11,154		11,154
Total	**15,617**		**15,617**

EUR thousand, 31 Jan 2021	**Measured at amortized cost**	**Fair value through profit or loss**	**Carrying amount**
Non-current financial liabilities			
Loans from financial institutions	79,888		79,888
Lease liabilities	35,809		35,809
Trade payables			
Current financial liabilities			
Loans from financial institutions	10,000		10,000
Lease liabilities	7,246		7,246
Trade payables	15,172		15,172
Accrued interests	387		387
Total	**148,503**		**148,503**

EUR thousand, 31 Jan 2020	**Measured at amortized cost**	**Fair value through profit or loss**	**Carrying amount**
Current financial assets			
Trade receivables	2,342		2,342
Other financial assets	316		316
Cash and cash equivalents	9,678		9,678
Total	**12,335**		**12,335**

EUR thousand, 31 Jan 2020	**Measured at amortized cost**	**Fair value through profit or loss**	**Carrying amount**
Non-current financial liabilities			
Lease liabilities	31,232		31,232
Current financial liabilities			
Loans from financial institutions	65,333		65,333
Lease liabilities	5,850		5,850
Trade payables	10,969		10,969
Accrued interests	213		213
Total	**113,598**		**113,598**

EUR thousand, 31 Jan 2019	**Measured at amortized cost**	**Fair value through profit or loss**	**Carrying amount**
Current financial assets			
Trade receivables	2,297		2,297
Other financial assets	213		213
Cash and cash equivalents	4,785		4,785
Total	**7,295**		**7,295**

EUR thousand, 31 Jan 2019	**Measured at amortized cost**	**Fair value through profit or loss**	**Carrying amount**
Non-current financial liabilities			
Lease liabilities	28,201		28,201
Trade payables	10		10
Current financial liabilities			
Loans from financial institutions	51,545		51,545
Lease liabilities	4,929		4,929
Trade payables	8,399		8,399
Interest rate swaps		4	4
Accrued interests	134		134
Total	**93,218**	**4**	**93,222**

Other financial assets include receivables related to annual discounts on purchases and product complaints invoiced from suppliers. Other prepaid expenses are not classified as financial assets and are therefore not presented in the table. Prepaid expenses are presented in more detail in Note 3.2. Of accrued liabilities, only accrued interest has been taken into account, as other accrued liabilities are not classified as financial liabilities. Other liabilities are presented in more detail in Note 3.3.

The carrying amounts of current items are estimated to substantially correspond to their fair values. The fair values of the loans from financial institutions are as follows:

EUR thousand	**Carrying amount**	**Fair value**
31.1.2021	89,888	91,000
31.1.2020	65,333	65,333
31 Jan 2019	51,545	51,454

The fair values of loan from financial institutions are based on cash flows discounted at the reporting interest rate. Loans from financial institutions are classified in level 3 of the fair value hierarchy because they are determined using non-observable inputs, such as own credit risk.

Financial assets and liabilities measured at fair value

The levels of the fair value hierarchy describe the extent to which the valuation method is based on observable data. To determine fair values:

Level 1: Fair values are based on (unadjusted) quoted prices in active markets for identical assets or liabilities

Level 2: Financial instruments are not traded in an active and liquid market, but their fair values can be calculated using market data.

Level 3: If one or more of the significant inputs are not based on observable market data, the instrument is included in Level 3. This applies to unlisted equity securities.

All of the Group's financial assets measured at fair value, i.e. the Group's derivatives belong to Level 2 of the fair value hierarchy in accordance with IFRS 13. The fair value of these instruments at the end of 31 January 2021 was EUR 0, at the end of 31 January 2020 was EUR 0 and at the end of 31 January 2019 was EUR 4 thousand.

Note 5.6 Finance income and costs

Accounting policy

Finance costs consist of interest expenses on the loans from financial institutions, interest expenses on lease liabilities and fair value losses on the interest rate swap.

Transaction costs related to loans from financial institutions are recognized in the income statement using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the loan to the present value. The calculation includes all fees and transaction costs paid by the parties to the contract.

Finance income

EUR thousand	1 Feb 2020 - 31 Jan 2021	1 Feb 2019 - 31 Jan 2020	1 Feb 2018 - 31 Jan 2019
Interest income	8	16	12
Total finance income	**8**	**16**	**12**

Finance costs

EUR thousand	1 Feb 2020 - 31 Jan 2021	1 Feb 2019 - 31 Jan 2020	1 Feb 2018 - 31 Jan 2019
Interest expenses on loans from financial institutions	3,845	2,294	1,503
Interest expenses on lease liabilities	1,192	1,027	880
Other financial costs	505	596	100
Total finance costs	**5,542**	**3,917**	**2,483**

Note 5.7 Contingent liabilities

Accounting policy

Contingent liability is a liability that arises from past events and whose existence will be confirmed in the future or an existing obligation that is not recognized in the balance sheet because its realization is not probable, or the amount of the obligation cannot be determined with sufficient reliability.

Contingent liabilities are not recognized in the balance sheet. They are presented as disclosures unless the possibility of the realization the liability is remote.

Puuilo's contingent liabilities consist of collaterals related to the loans from financial institutions and lease liabilities for the leases with lease term beginning after the end of the reporting period and are therefore not recorded in the balance sheet.

Puuilo has provided the following collaterals for its loans from financial institutions:

Contingent Liabilities

Carrying amounts of pledged assets

EUR thousand	31 Jan 2021	31 Jan 2020	31 Jan 2019
Property mortgages given on own behalf	4,439	4,439	4,439
Enterprise mortgages given on own behalf	220,759	161,164	143,664
Total	**225,198**	**165,603**	**148,103**

Liabilities for which pledges and mortgages have been given

EUR thousand	31 Jan 2021	31 Jan 2020	31 Jan 2019
Loans from financial institutions	91,000	65,333	51,545
Total	**91,000**	**65,333**	**51,545**

Puuilo has entered into leases, the lease term of which will begin in the future and are therefore not included in the balance sheet as right-of-use assets or lease liabilities. The minimum lease payments under these agreements are shown in the table below:

EUR thousand	**31 Jan 2021**	**31 Jan 2020**	**31 Jan 2019**
Liability for lease agreements that will enter into force in the future	9,755	12,036	8,470

6 OTHER NOTES

Note 6.1 Related party transactions

Puuilo Oyj is controlled by Puuilo Invest Holding I AB, which held 76.08% of the Company's shares and votes on 31 January 2021 and 75.07% on 31 January 2020. The ultimate control is exercised by Adelis Holding I AB who directly owned 74.70% of the Company's shares in reporting period 2018. In addition, related parties include the funds owned by Adelis Holding I AB and the companies managed by them, as well as key personnel of the Puuilo subgroup, their close family members and companies controlled by them. The key personnel include the members of the Board of Directors, the CEO and the Group Management Team.

The Puuilo Group purchases some products it sells from companies owned by related parties. These companies companies manufacture products that are included in Puuilo's product range. In addition, the Company has leased business premises from related parties. The Group's lease liabilities to related parties include the present value of the future lease payments of the above-mentioned leased premises. During the reporting period 2020, the Company has sold the property it owns to related parties and the related lease right. Transactions with related parties have taken place at market price and on normal terms.

All Puuilo employees are entitled to the usual personnel discount in Puuilo stores. A related party employed by Puuilo is entitled to this discount. This information has not been presented as related party transactions.

The following transactions were carried out with related parties:

Income statement

EUR thousand	**1 Feb 2020 – 31 Jan 2021**	**1 Feb 2019 – 31 Jan 2020**	**1 Feb 2018 – 31 Jan 2019**
Sales	71	34	26
Gains on disposal of tangible assets	221	-	-
Purchases	1,922	871	676
Rent and other operating expenses	553	503	615

Balance sheet

EUR thousand	**31 Jan 2021**	**31 Jan 2020**	**31 Jan 2019**
Sales receivables	5	3	3
Trade payables	104	37	26
Lease liabilities (IFRS 16)	2,009	2,295	2,607

The shareholdings of the members of the Board of Directors, CEO and the other members of the management team on 31 January of 2021, 31 January of 2020 and 31 January 2019 of the Company's shares were as follows:

	31 Jan 2021	**31 Jan 2020**	**31 Jan 2019**	
			Ordinary shares	Preference shares
CEO	141,752	125,397	155,208	-
Other members of the management team	209,156	2,221,124	2,749,155	2,090,468
The Board of Directors	2,879,464	3,000,484	3,713,793	5,254,520

The redemption of preference shares is discussed in Note 5.2. Key management remuneration has been presented in Note 2.3.

Note 6.2 Group structure and consolidation

Puuilo Oyj (parent company, previously Puuilo Invest I Oy) and its wholly owned subsidiaries Puuilo Invest II Oy and Puuilo Tavaratalot Oy (previously Puuilo Oy) have been consolidated in the financial statements of Puuilo Group. All companies are domiciled in Helsinki.

Accounting policy

Subsidiaries

Subsidiaries are fully consolidated from the date of acquisition, i.e. from the date on which control is transferred to the Group until the date that control ceases. Puuilo has control over an entity when Puuilo is exposed to, or entitled to, the Company's variable returns and has the ability to influence those returns by prescribing the principles of the entity's operations.

The Consolidated Financial Statements have been prepared using the acquisition method. Intercompany transactions, receivables and liabilities and unrealized gains are eliminated. Unrealized losses are also eliminated unless the transaction indicates an impairment of the asset transferred.

Note 6.3 Significant events after the reporting period

Book-entry system

The Company has entered its shares into the book-entry system in June 2021.

Decisions of the Annual General Meeting on 6 May 2021

The Annual General Meeting approved the financial statements for the reporting period ended 31 January 2021. In accordance with the proposal of the Board of Directors, the Annual General Meeting decided not to distribute a dividend and to transfer the profit for the period to retained earnings.

Mammu Kaario was elected as a new member of the Board. Timo Mänty, Gustav Bard, Tomas Franzén, Rasmus Molander and Markku Tuomaala will continue as members of the Board. The firm of authorised public accountants PricewaterhouseCoopers Oy will continue as Company's auditor. PricewaterhouseCoopers Oy has appointed Authorized Public Accountant Enel Sintonen as the principal auditor.

It was decided to change the name of Puuilo Invest I Oy to Puuilo Oy.

The Annual General Meeting decided on a free-of-charge share issue (so-called split). In the share issue, new shares will be issued to shareholders free of charge in proportion to the ownership, so that one (1) new shares will be issued for each share. The new shares were registered in the Trade Register 14 May 2021.

Resolutions of the Board of the Directors 25 May 2021

The Board of Directors authorised CEO and CFO to resolve to publish intention of the Company's Initial Public Offering in Nasdaq Helsinki.

The Board of Directors resolved to establish the Audit Committee of the Board of Directors.

Unanimous resolutions of the Shareholders 1 June 2021

The Shareholders of the Company resolved unanimously to change corporate form of the Company into a public limited company and to change the name of the Company from Puuilo Oy to Puuilo Oyj. The resolution was registered 4 June 2021.

The Shareholders of the Company made unanimous resolution to remove redemption, consent and arbitration clauses of the Articles of Association. The resolution is conditional on Listing.

The Shareholders of the Company made unanimous resolution to increase the share capital of the Company as reserve increase of EUR 80,000 from retained earnings. The resolution was registered 4 June 2021.

The Shareholders of the Company made unanimous resolution to authorize the Board of the Directors to decide on issuance of shares in connection with the Listing (Initial Public Offering). The share issue is up to 6,000,000 new shares and can be executed in deviation from the shareholders' pre-emptive subscription right (directed share issue), including offering of shares to institutional investors, to the public as well as Puuilo's personnel and the members of the Board of Directors in connection with the potential listing of the Company. As part of the initial public offering of the Company, the shares can be offered to Puuilo’s personnel and members of the Board of Directors possibly at a lower subscription price than payable by other investors. Based on the authorization, the Board of Directors can resolve on all terms and conditions of the share issue, including the subscription price or subscription price range of the shares. The authorization will be effective until end of the next Annual General Meeting of Shareholders, however, no longer than until 30 June 2022.

The shareholders made unanimous resolution to authorize the Board of Directors of the Company to decide take relevant measures in connection with the Company's possible listing, including the adoption of the underwriting agreement and the listing prospectus and on submitting the listing application on the pre- and main lists of Helsinki Stock Exchange.

The shareholders made unanimous resolution to authorize the Board of Directors to decide on the issuance of shares and the issuance of special rights entitling to shares in one or more tranches. The authorization will concern both the issuance of new shares as well as transfer of treasury shares. The total number of shares to be issued or transferred shall not exceed 8,600,000 shares. The issuance of shares and of special rights entitling to shares can also be carried out in deviation from the shareholders' pre-emptive rights (directed issue). The Board of Directors will only be permitted to use this authorization if the IPO share issue discussed above is carried out. The authorization will be effective until the end of next Annual General Meeting of Shareholders, however, no longer than until 30 June 2022.

The shareholders made unanimous resolution to authorize the Board of Directors to decide on the acquisition of own shares. Based on the authorization the total number of shares to be acquired may not exceed 8,600,000 shares. However, the Company together with its subsidiaries cannot at any moment own more than 10 percent of all the shares of the Company. The Board of Directors of the Company will decide on the manner of acquiring own shares, and derivative instruments, among others, may be used in the acquisition. Based on the authorization, own shares can be acquired at a price formed in public trading on the date of the repurchase or otherwise at a price formed on the market. Furthermore, the acquisition of shares can also be carried out in deviation from the shareholders' pre-emptive rights (directed acquisition) and only the unrestricted equity of the Company can be used to acquire own shares on the basis of the authorisation. The Board of Directors will only be permitted to use this authorization if the IPO share issue discussed above is carried out. The authorization will be effective until the end of next Annual General Meeting of Shareholders, however, no longer than until 30 June 2022.

Refinancing

Puuilo has agreed a new EUR 90 million financing agreement related to the refinancing of the group with a Nordic financial institution (the “New Financing Agreement”). The loans under the New Financing Agreement consist of a EUR 70 million term loan facility and a EUR 20 million overdraft facility. The Company's existing loans from financial institutions will be refinanced with floating interest-rate term loans under the New Financing Agreement. The overdraft facility can also be used to refinance Company's existing loans from financial institutions as well as to finance Puuilo’s ordinary business and working capital requirements. The new financing agreement is conditional on Listing. The loans under the New Financing Agreement are due after 36 months from the first date of withdrawal of the loan and each loan's due date can be extended with a separate agreement by the lender. The term loan will be repaid fully on the due date.

The New Financing Agreement includes conventional debt covenants, assurances as well as conditions relating to the termination of the loans. The financial covenants related to the New Financing Agreement measures the Company’s indebtedness with a net debt to EBITDA ratio, excluding listing expenses. Additionally, the interest rate of the loans under the New Financing Agreement are tied to Company's net debt to EBITA ratio. The New Financing Agreement includes also other conventional conditions for similar financing agreements. The loans under the New Financing Agreement are unguaranteed.

Note 6.4 New accounting standards

There are no new standards or amendments that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Signatures

Date and signature

In Helsinki, 9 June 2021

Timo Mänty
Chairman of the Board

Gustav Bard
Board Member

Tomas Franzén
Board Member

Mammu Kaario
Board Member

Rasmus Molander
Board Member

Markku Tuomaala
Board Member

Juha Saarela
CEO

Auditor's Report (Translation of the Finnish Original)

To the Board of Directors of Puuilo Plc

Audit of the Set of consolidated financial statements

Opinion

In our opinion, each consolidated financial statements included in the Set of consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

What we have audited

We have audited the set of consolidated financial statements of Puuilo Plc (business identity code 2726573-8) comprising consolidated financial statements for the financial years ended 31 January 2021, 2020 and 2019 (the "Set of consolidated financial statements"). The Set of consolidated financial statements has been prepared solely for the purpose of inclusion in the Offering Circular prepared in accordance with commission regulation (EC) N:o 2017/1129 and commission delegated regulation (EC) 2019/980. The Offering Circular has been prepared in connection with the initial public offering and the listing of Puuilo Plc's shares on the official list of Nasdaq Helsinki Ltd.

Each consolidated financial statements comprise

- the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies.

This auditor's report has been prepared only for the purpose of including it in the Offering Circular mentioned above.

Basis for Opinion

We conducted our audit in accordance with International Auditing Standards (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of the Board of Directors and the Managing Director for the Consolidated Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of each consolidated financial statements included in the Set of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is

PricewaterhouseCoopers Oy, Authorised Public Accountants, P.O. Box 1015 (Itämerentori 2), FI-00101 HELSINKI
Phone +358 20 787 7000, fax +358 20 787 8000, www.pwc.fi
Reg. Domicile Helsinki, Business ID 0486406-8

necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors and the Managing Director are responsible for assessing the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The consolidated financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the the group or to cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance on whether each consolidated financial statements included in the Set of consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events so that the consolidated financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Helsinki 10 June 2021

PricewaterhouseCoopers Oy
Authorised Public Accountants

Enel Sintonen
Authorised Public Accountant (KHT)

ANNEX A - SELLERS SELLING SALE SHARES IN THE OFFERING

The following table sets forth the number of Sale Shares offered for sale by Adelis:

Seller	Sale Shares
Adelis Equity Partners Fund I AB	5,882,498
Adelis Friends & Family I AB	59,010
Puuilo Invest Holding AB	29,602,114[1]

[1] Including 5,408,397 Additional Shares (calculated assuming that the Final Subscription Price will be at the mid-point of the Preliminary Price Range and that a total of 26,041 New Shares would be subscribed for in the Personnel Offering at the discount applicable to Personnel Shares).

The registered address of Adelis is Regeringsgatan 20, SE-111 53 Stockholm, Sweden. As at the date of this Offering Circular, Adelis is the largest shareholder of the Company.

The following table sets forth the names of the other sellers, who are existing shareholders of the Company, and the number of the Sale Shares offered for sale by them:

Seller	Sale Shares
Heljälä, Hanna	104,148
Heljälä, Ville	104,148
Illikainen, Juho	24,811
Juntunen, Olli	24,811
Klasila, Antti	12,405
Koivula, Jouni	19,663
Lähteenmäki, Henri	7,564
Montonen, Juha	24,811
Mäkelä, Mika	1,891
Tuomaala, Erika	24,811
Tuomaala, Heikki	239,072
Tuomaala, Henri	208,296
Tuomaala, Meeri	105,980
Tuomaala, Päivi	318,763
von Weymarn, Annu	1,917
Vähämaa, Matti	7,564

The registered address of the Sellers is c/o Puuilo Plc, Pakkalankuja 6, FI-01510, Finland.

ANNEX B – PUUILO PLC'S ARTICLES OF ASSOCIATION

The articles of association included in this Offering Circular is valid from the Company's Listing.

1 Business name

The name of the company is Puuilo Oyj in Finnish, Puuilo Plc in English and Puuilo Abp in Swedish.

2 Domicile of the company

The domicile of the company is Helsinki.

3 Field of business

The company's field of business is operating as a parent company to other companies the field of business of which is wholesale, in-store and online retail and operations thereof. Additionally, the company's field of business includes offering internal services with respect to strategy, managing trademarks, transactions and outsourcing, financing and reporting, governance, managing legal and business risks, and human resources development in the companies owned by the company.

4 Board of Directors and the Chairman of the Board of Directors

The Board of Directors of the company shall consist of four to seven (4–7) members. Personal deputy members may be appointed to the members of the Board of Directors.

The term of office of members of the Board of Directors begins from the General Meeting deciding on their election and ends at the close of the next Annual General Meeting following their election. Chairman of the Board of Directors is appointed by the General Meeting of shareholders. Should the membership of the Chairman expire during the term of office, the Board of Directors may elect a new Chairman from among its members.

5 Chief Executive Officer

The company may have a Chief Executive Officer to be appointed by the Board of Directors.

6 Auditor

The company has one (1) auditor that shall be an auditing firm approved by the Finnish Patent and Registration Office. The auditor's term of office begins from the General Meeting deciding on the auditor's election and ends at the close of the next Annual General Meeting following its election.

7 Representation

The company is represented by the Board of Directors.

The Board of Directors may grant to one (1) or more named persons the right to represent the company or procuration.

8 Notice of the General Meeting of Shareholders

The notice of the General Meeting shall be delivered to the shareholders no earlier than three (3) months and no later three (3) weeks prior to of the Meeting, however, no later than nine (9) days before the record date of the General Meeting. The notice shall be delivered to the shareholders by means of a notice published on the company's website or at least in one national daily newspaper designated by the Board of Directors.

To be entitled to attend the General Meeting, a shareholder must register with the company no later than on the date specified in the notice of the General Meeting, which date may not be earlier than ten (10) days prior to the General Meeting.

9 General Meeting

The General Meeting of Shareholders shall be held at a location decided by the Board of Directors, which may be in Vantaa or Helsinki.

The Annual General Meeting of shareholders shall be held annually within six (6) months of the expiration of the financial year on a date designated by the Board of Directors. An Extraordinary General Meeting of shareholders shall be held when the Board of Directors considers it necessary or when the law so requires.

At the Annual General Meeting the following shall be presented:

– the financial statements, including the consolidated financial statements,

– the annual report, and

– the auditor’s report.

After which, the following shall be decided:

– the adoption of the financial statements and consolidated financial statements,

– the use of the profit shown on the balance sheet,

– the discharge from liability for the members of the Board of Directors and the Chief Executive Officer,

– the remuneration of the members of the Board of Directors and of the auditor, and

– the number of members of the Board of Directors.

After which, the following shall be elected:

– the Chairman and the members of the Board of Directors, and

– the auditor.

After which, any other matters possibly contained in the notice of the Meeting shall be handled.

10 Book-entry system

The shares of the company shall belong to the book-entry system after the expiry of the registration period.

THE COMPANY

Puuilo Plc
Pakkalankuja 6
FI-01510 Vantaa
Finland

THE JOINT GLOBAL COORDINATORS

Carnegie Investment Bank AB, Finland Branch
Eteläesplanadi 22 A
FI-00130 Helsinki
Finland

Danske Bank A/S, Finland Branch
Televisiokatu 1
FI-00240 Helsinki
Finland

COORDINATORS

Nordea Bank Abp
Satamaradankatu 5
FI-00020 NORDEA
Finland

OP Corporate Bank plc
Gebhardinaukio 1
FI-00510 Helsinki
Finland

LEGAL ADVISER OF THE COMPANY

Roschier, Attorneys Ltd.
Kasarmikatu 21 A
FI-00130 Helsinki
Finland

LEGAL ADVISER TO THE MANAGERS

White & Case LLP
Aleksanterinkatu 44
FI-00100 Helsinki
Finland

AUDITOR

Authorised Public Accountants
PricewaterhouseCoopers Oy
Itämerentori 2
FI-00180 Helsinki
Finland