# Financial Statements

## December 31, 2016
## December 31, 2015
## December 31, 2014

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KAMUX

## Consolidated Financial Statements as of December 31, 2016, December 31, 2015 and December 31, 2014

Kamux's (Company ID 2442327-8) business is based on the effective integrated business model in the sales of used cars. Kamux's goal is to continuously develop its operations and services to better meet customers´ needs. Also in the presentation of consolidated financial statements Kamux has focused on the information which is relevant to the stakeholders and other users of financial statements and strived to report Kamux's financial statements for the years ended 2016, 2015 and 2014 clearly and simply. The consolidated financial statements include five sections: Basis of Preparation and Kamux Information, Key Performance Metrics of Kamux Group, Net Working Capital, Net Debt and Contingencies and Other Notes. Each part includes related significant accounting principles. This presentation aims at providing the reader a clear understanding of the Group's financial position and how accounting policies applied affect Kamux.

The Consolidated Financial Statements are published in Finnish and English. In case of doubt, the Finnish version is authoritative.

# PRIMARY STATEMENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS

## Consolidated statements of comprehensive income

Consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.

| | | For the year ended December 31, | | |
|---|---|---|---|---|
| **EUR thousand** | **Note** | **2016** | **2015** | **2014** |
| **Revenue** | 2.2 | **404 750** | **309 929** | **214 968** |
| Other operating income | 2.2 | 1 076 | 224 | 89 |
| Materials and services | 2.3, 2.4 | -356 595 | -272 020 | -189 160 |
| Personnel costs | 2.4 | -19 944 | -14 280 | -9 575 |
| Other operating expenses | 2.4 | -12 809 | -7 746 | -5 564 |
| Depreciation and amortization | 2.4 | -804 | -592 | -479 |
| **Operating profit** | | **15 675** | **15 514** | **10 279** |
| Finance costs | 4.2 | -1 043 | -610 | -1 354 |
| **Profit before income tax** | | **14 631** | **14 904** | **8 924** |
| Income tax | 2.5 | -3 622 | -3 349 | -1 910 |
| **Profit for the period** | | **11 009** | **11 555** | **7 014** |
| | | | | |
| **Other comprehensive income** | | | | |
| **Items that maybe subsequently reclassified to profit or loss** | | | | |
| Translation differences | | 12 | 27 | 26 |
| **Other comprehensive income for the period, net of tax** | | **12** | **27** | **26** |
| **Total comprehensive income for the period** | | **11 021** | **11 582** | **7 040** |
| | | | | |
| Profit for the period attributable to | | | | |
| Owners of the Company | | 11 009 | 11 555 | 7 014 |
| Total comprehensive income for the period attributable to | | | | |
| Owners of the Company | | 11 021 | 11 582 | 7 040 |
| Earnings per share for profit attributable to Owners of the Company | 2.6 | | | |
| Earnings per share, basic and diluted, EUR | | 0,29 | 0,30 | 0,18 |

# Consolidated balance sheets

## Consolidated balance sheets should be read in conjunction with the accompanying notes.

| | | At December 31, | | |
|---|---|---|---|---|
| EUR thousand | Note | 2016 | 2015 | 2014 |
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Intangible assets | 5.2 | 998 | 613 | 427 |
| Goodwill | 5.2 | 13 564 | 13 564 | 13 564 |
| Property, plant and equipment | 5.2 | 1 715 | 870 | 747 |
| Other receivables | | 28 | 45 | - |
| Deferred tax assets | 5.5 | 297 | 206 | 298 |
| **Total non-current assets** | | **16 601** | **15 297** | **15 037** |
| | | | | |
| **Current assets** | | | | |
| Inventories | 3.1 | 47 914 | 36 224 | 21 368 |
| Trade and other receivables | 3.2 | 11 424 | 6 379 | 4 174 |
| Income tax receivables | | 1 760 | - | - |
| Cash and cash equivalents | 4.1 | 736 | 846 | 16 |
| **Total current assets** | | **61 834** | **43 450** | **25 558** |
| **TOTAL ASSETS** | | **78 436** | **58 747** | **40 594** |
| | | | | |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity attributable to owners of the Company** | 5.4 | | | |
| Share capital | | 80 | 80 | 3 |
| Reserve for invested unrestricted equity | | 4 094 | 863 | 19 |
| Translation differences | | 71 | 59 | 32 |
| Retained earnings | | 13 658 | 8 780 | 5 732 |
| Profit for the period | | 11 009 | 11 555 | 7 014 |
| **Total equity attributable to owners of the Company** | | **28 913** | **21 338** | **12 800** |
| | | | | |
| **LIABILITIES** | | | | |
| **Non-current liabilities** | | | | |
| Borrowings | 4.1 | 25 363 | 17 786 | 15 517 |
| Derivative financial instruments | 4.1 | 90 | 181 | 243 |
| Provisions | 4.3 | 350 | - | - |
| **Total non-current liabilities** | | **25 803** | **17 967** | **15 760** |
| | | | | |
| **Current liabilities** | | | | |
| Borrowings | 4.1 | 6 303 | 7 428 | 4 609 |
| Trade and other payables | 3.3 | 12 278 | 9 573 | 5 966 |
| Provisions | 2.3 | 1 690 | 1 235 | 831 |
| Current income tax liabilities | | 3 449 | 1 205 | 627 |
| **Total current liabilities** | | **23 719** | **19 442** | **12 034** |
| **Total liabilities** | | **49 523** | **37 409** | **27 794** |
| **TOTAL EQUITY AND LIABILITIES** | | **78 436** | **58 747** | **40 594** |

## Consolidated statements of changes in equity

Consolidated statements of changes in equity should be read in conjunction with the accompanying notes.

| EUR thousand | Note | Share capital | Reserve for invested unrestricted equity | Translation differences | Retained earnings | Total equity |
|---|---|---|---|---|---|---|
| **Equity at Jan 1, 2014** | | **3** | **99** | **6** | **5 732** | **5 840** |
| Profit for the period | | | | | 7 014 | **7 014** |
| Other comprehensive income | | | | 26 | | **26** |
| **Total comprehensive income** | | | | **26** | **7 014** | **7 040** |
| Transactions with owners: | | | | | | |
| Acquisition of own shares | 5.4 | | -80 | | | **-80** |
| **Equity at Dec 31, 2014** | | **3** | **19** | **32** | **12 746** | **12 800** |
| | | | | | | |
| **Equity at Jan 1, 2015** | | **3** | **19** | **32** | **12 746** | **12 800** |
| Profit for the period | | | | | 11 555 | **11 555** |
| Other comprehensive income | | | | 27 | | **27** |
| **Total comprehensive income** | | | | **27** | **11 555** | **11 582** |
| Increase in share capital | | 78 | | | -78 | **0** |
| Transactions with owners: | | | | | | |
| Dividends to shareholders | | | | | -961 | **-961** |
| Share isssue | | | 845 | | | **845** |
| Acquisition of own shares | 5.4 | | -1 | | -2 928 | **-2 929** |
| **Equity at Dec 31, 2015** | | **80** | **863** | **59** | **20 335** | **21 338** |
| | | | | | | |
| **Equity at Jan 1, 2016** | | **80** | **863** | **59** | **20 335** | **21 338** |
| Profit for the period | | | | | 11 009 | **11 009** |
| Other comprehensive income | | | | 12 | | **12** |
| **Total comprehensive income** | | | | **12** | **11 009** | **11 021** |
| Transactions with owners: | | | | | | |
| Dividends to shareholders | | | | | -1 505 | **-1 505** |
| Share isssue | | | 3 231 | | | **3 231** |
| Acquisition of own shares | 5.4 | | | | -5 173 | **-5 173** |
| **Equity at Dec 31, 2016** | | **80** | **4 094** | **71** | **24 666** | **28 913** |

## Consolidated statements of cash flows

Consolidated statements of cash flow should be read in conjunction with the accompanying notes.

| | | For the year ended December 31, | | |
|---|---|---|---|---|
| EUR thousand | Note | 2016 | 2015 | 2014 |
| **Cash flows from operating activities** | | | | |
| **Profit for the period** | | **11 009** | **11 555** | **7 014** |
| Adjustments for: | | | | |
| Depreciation and amortization | 2.4 | **804** | **592** | 479 |
| Finance costs | 4.2 | **1 043** | 610 | 1 354 |
| Change in provisions | 2.3, 4.3 | **814** | 404 | 328 |
| Write-down of inventories | 3.1 | **278** | 231 | 127 |
| Income taxes | 2.5 | **3 622** | 3 349 | 1 910 |
| Other non-cash items | | **96** | 100 | 124 |
| Changes in working capital: | | | | |
| Change in trade receivables and other receivables | 3.2 | -5 103 | -2 190 | -984 |
| Change in trade payables and other payables | 3.3 | 2 707 | 3 638 | 1 571 |
| Change in inventories | 3.1 | -12 200 | -15 059 | -4 999 |
| Interests paid | | -716 | -738 | -836 |
| Other financial items, net | | -180 | -30 | -305 |
| Income taxes paid | | -3 231 | -2 678 | -2 230 |
| **Net cash flow inflow (outflow) from operating activities** | | **-1 058** | **-216** | **3 555** |
| | | | | |
| **Cash flows from investing activities** | | | | |
| Payments for property, plant and equipment | | -1 457 | -523 | -685 |
| Payments for intangible assets | | -686 | -378 | -522 |
| **Net cash (outflow) from investing activities** | | **-2 143** | **-900** | **-1 207** |
| | | | | |
| **Cash flows from financing activities** | | | | |
| Proceeds from issues of shares | 5.4 | 3 231 | 845 | - |
| Purchase of treasury shares | 5.4 | -5 173 | -2 929 | -80 |
| Repayments of shareholder loans | 4.1 | - | -78 | -320 |
| Proceeds from bank loans | 4.1 | 43 431 | 7 819 | 772 |
| Repayments of bank loans | 4.1 | -36 872 | -2 750 | -2 750 |
| Dividends paid | | -1 505 | -961 | - |
| **Net cash inflow (outflow) from financing activities** | | **3 113** | **1 947** | **-2 378** |
| | | | | |
| **Net decrease/increase in cash and cash equivalents** | | -88 | 830 | -30 |
| Cash and cash equivalents at the beginning of the period | | 846 | 16 | 43 |
| Effects of exchange rate changes on cash and cash equivalents | | -22 | - | 2 |
| **Cash and cash equivalents at the end of period** | | **736** | **846** | **16** |

# 1 BASIS OF PREPARATION AND KAMUX INFORMATION

## 1.1 Basis of preparation

### General information

These are the financial statements of Kamux Corporation (the "Company") and its subsidiaries (together referred as "Kamux", or "Group"). Kamux is a rapidly grown car retail chain operating in Finland, Sweden and Germany and specializing in the trading of used cars.

The parent company's company ID is 2442327-8, domicile is Hämeenlinna and the registered address of the head office is Parolantie 66 A, 13130 Hämeenlinna.

The Company's Board of Directors has approved these financial statements at its meeting on April 12, 2017.

According to the Finnish Companies Act, shareholders have the opportunity to approve or reject the financial statements at the General Meeting of Shareholders held after publication. It is also possible to amend the financial statements at the General Meeting of Shareholders.

### Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, conforming to the IAS standards and IFRS standards as well as IFRIC interpretations applicable as of December 31, 2016. The notes to the financial statements also comply with Finnish accounting and corporate legislation complementing the IFRS standards.

Assets and liabilities are measured at cost, except for derivative instruments that are measured at fair value through profit or loss. Financial statements are presented in thousand euros. The figures presented in the financial statements are rounded and therefore the sum of individual figures may differ from the presented sum figure.

The Company's functional currency is euro, which is also the reporting currency for the Company and the Group. This means that financial statements are presented in euros.

The consolidated financial statements are divided into five sections: Basis of Preparation and Kamux Information, Key Performance Metrics of Kamux Group, Net Working Capital, Net Debt and Contingencies and Other Notes. Each part includes related significant accounting policies.

### Accounting estimates and judgments in the financial statements

Preparing the financial statements in accordance with IFRS requires management to make accounting estimates and judgments as well as assumptions that influence the application of the accounting policies and the carrying amounts of assets, liabilities, revenue and expenses. Actual outcomes may differ from these estimates and judgments.

Estimates and judgments are regularly reviewed. Changes in estimates are reported in the period in which the change occurs if the change affects only that period, or in the period in which the change occurs and in future periods if the change affects both the current and future periods.

Assumptions underlying management's estimates can be found in the following notes to the financial statements:

| Source of uncertainty and managerial judgments | Note |
|---|---|
| Repair liability costs | 2.3 |
| Valuation of used cars | 3.1 |
| Goodwill | 5.2 |
| Management holdings | 5.3 |

## 1.2 Short presentation of Kamux

Kamux is a rapidly grown car retail chain operating in Finland, Sweden and Germany and specializing in the trading of used cars. The first Kamux car showroom began operations in Finland in 2013 and as of December 31, 2016 Kamux had 36 showrooms in Finland, 9 in Sweden and 2 in Germany. Since its incorporation Kamux has sold more than 140 000 used cars.

Kamux's CEO Juha Kalliokoski founded Kamux in 2003 by opening its first car showroom in Hämeenlinna where Kamux's head office is still located. Kamux opened its second car showroom in 2006 and by 2010 it had expanded its network to 14 car showrooms in Finland. In 2010 Kamux started to offer integrated services to its customers. In 2011 Finnish private equity investor Intera Partners acquired control of Kamux with the existing management staying as company shareholders. Intera's aim was to provide Kamux with additional resources and know-how for expanding the operations in Finland and abroad. Kamux expanded into Sweden in late 2012 and into Germany in December 2015.

Kamux's business is based on a combination of car showrooms and online presence, professional procurement of used cars, low fixed costs, rapid inventory turnover and sales of integrated services. Kamux's business model makes it possible to offer affordable used cars, and Kamux's aim is to continuously develop its operations to better address customers' needs. Kamux offers its customers financing products from third party service providers at all of its car showrooms in Finland, Sweden and Germany. In addition, Kamux offers insurance products and liability extension product for car repair costs, Kamux Plus, in Finland and Sweden. A key component of Kamux's customer service concept is the home delivery under which the car is delivered to a location agreed with the customer and, if necessary, the simultaneous pick up of a possible trade-in car. In February 2017 Kamux opened its online store in Finland.

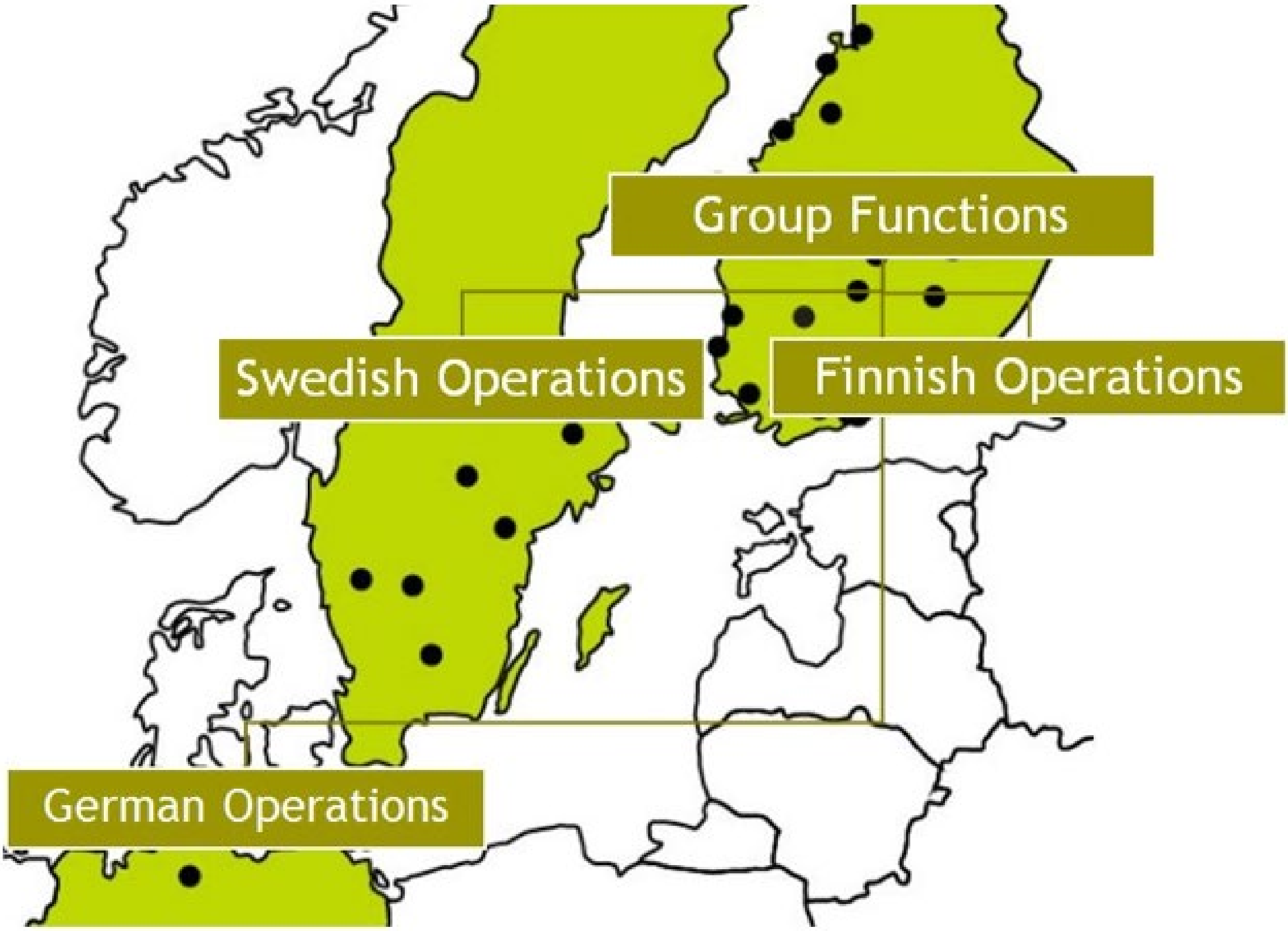
Kamux acquires used cars from car auctions, leasing companies, other car dealers, financing companies, importers, private individuals, and other sources. The majority of the used cars sold by Kamux are acquired from its customers as part of trade-in car sales. All of Kamux's car sales personnel in Finland buy cars, and each of Kamux's car showrooms has set purchasing targets. In Sweden and Germany pricing of purchased cars is the responsibility of the sourcing teams in these countries operating under the purchasing director. In addition Kamux has a separate sourcing organization which is responsible for acquiring cars, among others, at car auctions. Kamux aims to align its own and its employees' interests through its incentive scheme. The sales personnel incentive scheme takes into account sales, car procurements, car trade-ins and the sales of integrated service when determining the amount of remuneration.

Kamux's entire car selection is available to all of its sales personnel at all Kamux's car showrooms in Finland as well as countrywide in Sweden and Germany and, if needed, Kamux relocates a car from one car showroom or country to another once the sale is agreed upon. In 2016, 27 percent of the cars sold by Kamux's were cross-sold through another Kamux car showroom. The size of the car selection at each of Kamux's car showrooms in Finland and Sweden varies between approximately 50 and 150 used cars available for sale, and at its car showrooms in Germany, Kamux aims to have a selection of approximately 150 to 300 used cars available for sale.

# 2 KEY PERFORMANCE METRICS OF KAMUX GROUP

## 2.1 Results by segments

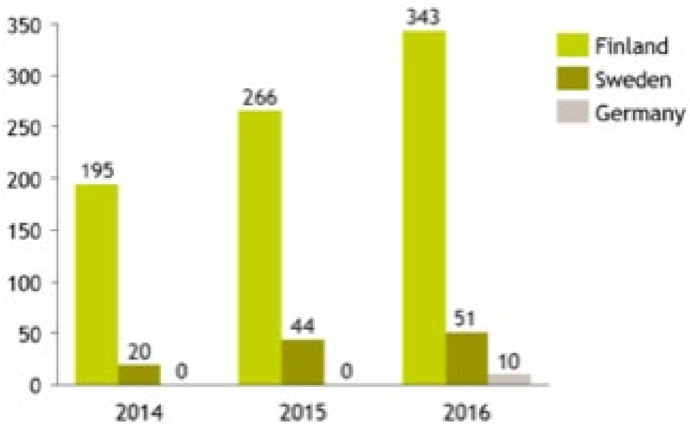
Kamux is a rapidly grown car retail chain operating in Finland, Sweden and Germany and specializing in the trading of used cars. Its operational structure is as follows:




*Operational structure of Kamux.*

Management has defined the Group's reportable segments based on the reporting regularly presented to the CEO of the Group, which forms the basis for CEO's strategic and operative decisions to allocate resources and in assessing performance. The primary measure of performance is earnings before interest, tax, depreciation and amortization (EBITDA). The CEO also receives information about segments' revenue, gross profit and operating profit on a monthly basis. Reportable segments comprise the following geographical areas: Finland, Sweden and Germany. Other activities consists of head office and Group functions including centralized procurement, marketing, finance and Group management.

Kamux had 36 different showrooms in Finland on December 31, 2016. In Sweden Kamux opened its first showroom in December 2012 and at the end of December 2016 it operated 9 showrooms, all in different localities. Kamux's growth strategy includes expansion into new countries and in accordance with the strategy Kamux started its operations in Germany by opening its first showroom in Elmshorn near Hamburg in December 2015. At the end of 2016 a second store was opened in Nedderfeld, Hamburg.




*External revenue by segment (EUR millions).*

**Accounting policy**

Segment revenue and expenses are items directly attributable to the operating segment. Certain expenses such as centralized procurement are allocated to the segments on a reliable basis in the internal management reporting. Other activities comprise Group level operations that are not directly employed by the individual segment in its operating activities. Sales between segments are carried out on arm's length and eliminated on consolidation. Segment reporting is based on the Group's IFRS reporting.

| | |
|---|---|
| **Gross profit** | Revenue + Other operating income - Materials and services |
| **EBITDA** | Operating profit + depreciation and amortization |
| **Operating profit** | Profit for the period + income tax + net finance costs |

*Definition of key measures.*

| EUR thousand | Finland | Sweden | Germany | Segments total | Group functions | Eliminations | Group |
|---|---|---|---|---|---|---|---|
| 2016 | | | | | | | |
| **Revenue** | **343 185** | **60 856** | **10 848** | **414 890** | | **-10 140** | **404 750** |
| internal | | 9 556 | 583 | 10 140 | | -10 140 | |
| external | 343 185 | 51 300 | 10 265 | 404 750 | | | 404 750 |
| **Gross profit** | **44 137** | **4 258** | **836** | **49 231** | | | **49 231** |
| **EBITDA** | **22 798** | **-1 329** | **-694** | **20 775** | **-4 297** | | **16 478** |
| Depreciation and amortization | -635 | -128 | -35 | -798 | -5 | | -804 |
| **Operating profit** | **22 163** | **-1 457** | **-729** | **19 977** | **-4 302** | | **15 675** |
| Finance costs | | | | | | | -1 043 |
| **Profit before income tax** | | | | | | | **14 631** |

| EUR thousand | Finland | Sweden | Germany | Segments total | Group functions | Eliminations | Group |
|---|---|---|---|---|---|---|---|
| 2015 | | | | | | | |
| **Revenue** | **265 862** | **51 525** | **141** | **317 529** | | **-7 599** | **309 929** |
| internal | | 7 599 | | 7 599 | | -7 599 | |
| external | 265 862 | 43 926 | 141 | 309 929 | | | 309 929 |
| **Gross profit** | **35 475** | **2 645** | **13** | **38 133** | | | **38 133** |
| **EBITDA** | **19 188** | **-1 010** | **-243** | **17 935** | **-1 828** | | **16 107** |
| Depreciation and amortization | -490 | -94 | -8 | -592 | | | -592 |
| **Operating profit** | **18 698** | **-1 105** | **-251** | **17 342** | **-1 828** | | **15 514** |
| Finance costs | | | | | | | -610 |
| **Profit before income tax** | | | | | | | **14 904** |

| EUR thousand | Finland | Sweden | Germany | Segments total | Group functions | Eliminations | Group |
|---|---|---|---|---|---|---|---|
| 2014 | | | | | | | |
| **Revenue** | **194 936** | **21 924** | | **216 860** | | **-1 892** | **214 968** |
| internal | | 1 892 | | 1 892 | | -1 892 | |
| external | 194 936 | 20 032 | | 214 968 | | | 214 968 |
| **Gross profit** | **24 266** | **1 632** | | **25 897** | | | **25 897** |
| **EBITDA** | **12 350** | **-425** | | **11 921** | **-1 163** | | **10 758** |
| Depreciation and amortization | -421 | -58 | | -479 | | | -479 |
| **Operating profit** | **11 929** | **-483** | | **11 442** | **-1 163** | | **10 279** |
| Finance costs | | | | | | | -1 354 |
| **Profit before income tax** | | | | | | | **8 924** |

*Table on the previous page: Of the Group's non-current assets, except for deferred tax assets, EUR 15 043 thousand as of December 31, 2016, EUR 14 666 thousand as of December 31, 2015, and EUR 14 456 thousand as of December 31, 2014 were located in Finland. The corresponding amounts for Sweden were EUR 392 thousand as of December 31, 2016, EUR 301 thousand as of December 31, 2015, EUR 283 thousand as of December 31, 2014 and for Germany EUR 870 thousand as of December 31, 2016 and EUR 124 thousand as of December 31, 2015.*

## 2.2 Revenue

Kamux's business consists of retail and wholesale sales of used cars in Finland, Sweden and Germany and integrated services sold to consumer and corporate customers. Sales are based on the network of physical showrooms and efficient online showrooms in Kamux's websites in these countries. Kamux offers a home delivery service so that Kamux delivers the car to the place agreed with the client. The car delivered to customer's home has a 14-day right of return. Kamux also sells used cars in the auctions.

Kamux offers its customers financing and insurance products provided by third parties in connection with the sale of the used car. The credit and insurance risks for these products are borne by finance and insurance companies. Kamux is entitled to financing fees and insurance commissions from its sales of these products. Parts of the fees are contingent on the continuation of the agreement between the finance company and the client.

In addition, Kamux offers its customers Kamux Plus -service which extends the seller's statutory liability for defects. Kamux repairs predefined car defects which are detected within 12 months of a buying of a car or until 17 500 driven kilometers, depending on which threshold is reached first. Kamux Plus is part of car's trade agreement and it will therefore be taken into account when determining sales price of a car.

***Read more about Kamux Plus -service in note 2.3.***

**Revenue**

| | For the year ended December 31, | | |
|---|---|---|---|
| **EUR thousand** | **2016** | **2015** | **2014** |
| Sales of used cars | 385 478 | 296 395 | 206 437 |
| Financing fees and Insurance commissions | 15 760 | 11 309 | 6 963 |
| Sales of Kamux Plus | 3 512 | 2 225 | 1568 |
| **Total** | **404 750** | **309 929** | **214 968** |

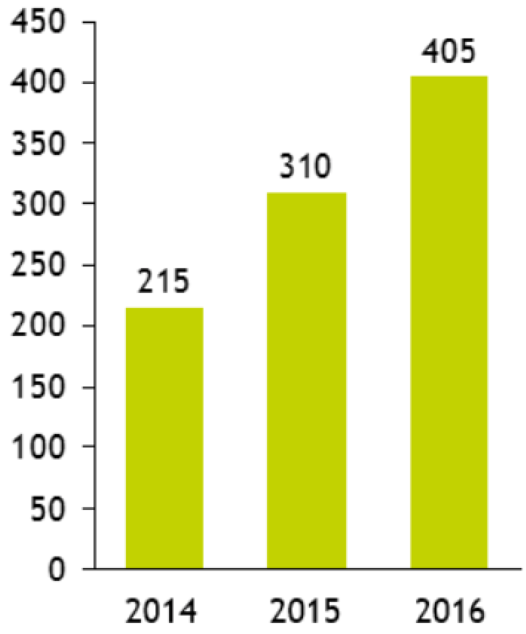
Revenue from sales of used cars was EUR 385 million or 95 percent of total revenue during financial year 2016. In 2015 such revenue was EUR 296 million or 96 percent and in 2014 EUR 206 million or 96 percent.

Financing fees and insurance commissions amounted to EUR 16 million during 2016, comprising 4 percent of total revenue. In 2015 fees and commissions were EUR 11 million or 4 percent and in 2014 EUR 7 million and 3 percent. Revenue from sales of Kamux Plus -service was EUR 4 million for the year ended December 31, 2016, EUR 2 million in 2015 and EUR 2 million in 2014.

External revenue generated in Finland was EUR 343 million and represented 85 percent of total group revenue during 2016. In 2015 corresponding revenue was EUR 266 million or 86 percent and in 2014 EUR 195 million or 91 percent. In Sweden external revenue amounted to EUR 51 million during 2016, EUR 44 million during 2015 and EUR 20 million during 2014. In Germany external revenue amounted to EUR 10 million during 2016.

Other operating income includes rental income from premises, insurance compensations and car tax refunds.

*Read more about segment revenue in note 2.1.*




*Revenue (EUR millions).*

**Accounting policy**

**The sales of used cars** are recognized as revenue upon delivery of the car to the customer. At the time of delivery customer pays the sales price by cash or the finance company provides Kamux an approved credit decision as a payment for the sales price. Home delivered cars have a 14-day right of return. Revenue on home delivered cars is recognized when the right of return has expired.

**Insurance commissions from insurance companies** are recognized as revenue when the service is rendered, i.e. when the insurance contract is signed with the customer and Kamux is entitled to commission fee in accordance with its agency contract.

**Financing fees from finance companies** comprise fixed withdrawal and invoicing fees and variable interest fees and annual bonus fees. Fees are recognized as revenue on an accrual basis when the contract is signed with the customer or during the term of the agreement when Kamux is entitled to a payment from finance company.

**Kamux Plus service** is recognized as revenue on a straight-line basis over the 12 months warranty period.

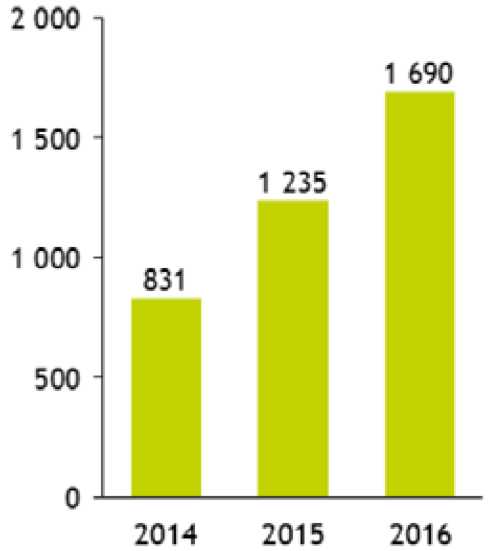
Revenue from sales is recognized according to the fair value of the sold car, net of discounts and value added taxes.

## 2.3 Repair costs

Kamux's customer service and customer satisfaction strategy are based on offering used cars that are high-quality and reconditioned. Any deficiencies in the cars are disclosed to the customer during the sale process.

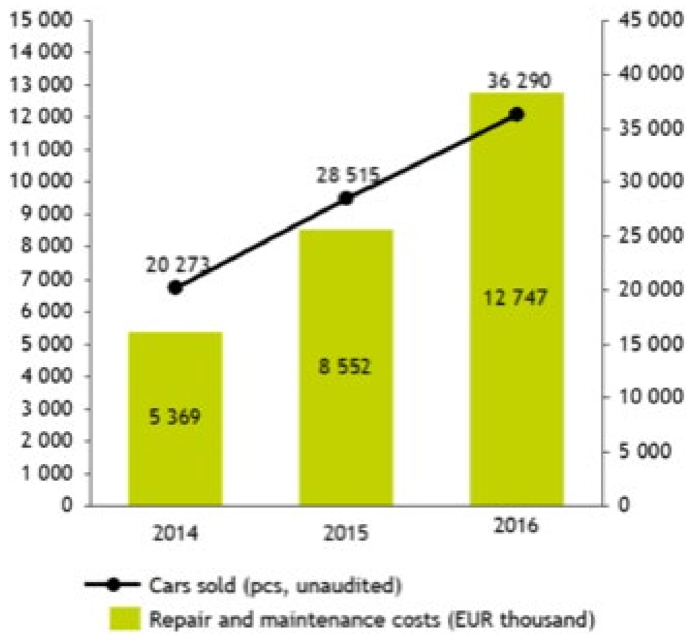
Used cars include seller's statutory repair liability. In Finland, Sweden and Germany a car dealer has liability to repair undisclosed defects that become apparent within six months after purchase of the car (unless Kamux can prove that the defects arose subsequent to the sale). After six months, the burden of proof is transferred from Kamux to the customer.

In addition to the statutory repair liability Kamux offers its customers Kamux Plus -service, which means seller's extended liability for defects. Kamux repairs predefined defects that are detected within 12 months following the purchase of car or within 17 500 driving kilometers, whichever comes first.




*Repair liability provision (EUR thousand).*

Repair liability provision amounted to EUR 1 690 thousand as at December 31, 2016, EUR 1 235 thousand as at December 31, 2015 and EUR 831 thousand as at December 31, 2014. Repair- and maintenance costs have increased concurrently as the sales volumes have grown. Repair- and maintenance costs amounted to EUR 12 747 thousand during the financial year 2016, EUR 8 552 thousand during the financial year 2015 and EUR 5 369 thousand in 2014. The repair liability provision is expected to be used in the following 12 months. Repair liability costs and other repair- and maintenance costs are reported in "materials and services" in the consolidated statement of comprehensive income.




*Cars sold & repair and maintenance costs.*

**Accounting policy**

Estimated repair liability cost is recognized as repair liability provision when the car is sold. The amount of repair liability provision is based on historical statistics about realized repair liability costs and the estimated trend of repair liability costs.

**Sources of uncertainty and managerial judgments**

Repair liability provision is recognized based on the actual repair costs and the estimate about the development of repair liability costs. There is uncertainty between actual and estimated repair liability costs because repair liability costs may not necessarily be realized as predicted. Typically repair liability costs are realized frontloaded during the repair liability period. Estimates and assumptions are reviewed quarterly. Differences between actual and estimated repair liability costs may impact the provision amounts recognized in future periods.

## 2.4 Expenses

| EUR thousand | For the year ended December 31, 2016 | 2015 | 2014 |
|---|---|---|---|
| **Materials and services** | | | |
| Purchases during the period | 368 147 | 286 701 | 194 139 |
| Change in inventories | -11 949 | -14 709 | -4 986 |
| External services | 396 | 28 | 6 |
| **Total** | **356 595** | **272 020** | **189 160** |
| | | | |
| **Personnel costs** | | | |
| Wages and salaries | 15 980 | 11 640 | 7 819 |
| Pension costs | 2 285 | 1 722 | 1 194 |
| Other employee benefit expenses | 1 679 | 917 | 562 |
| **Total** | **19 944** | **14 280** | **9 575** |
| | | | |
| **Other operating expenses** | | | |
| Rents and lease costs | 4 835 | 3 875 | 2 791 |
| Marketing and advertising expenses | 2 523 | 1 026 | 998 |
| Other administrative expenses | 5 451 | 2 845 | 1 776 |
| **Total** | **12 809** | **7 746** | **5 564** |
| | | | |
| **Auditors' fees (included in line other administrative expenses above)** | | | |
| Audit fees | 188 | 85 | 67 |
| Other audit related services | 551 | 308 | 26 |
| **Total** | **740** | **393** | **93** |
| | | | |
| **Depreciation and amortization by class** | | | |
| Intangible assets | 299 | 193 | 200 |
| Property, plant and equipment | 505 | 400 | 280 |
| **Total** | **804** | **592** | **479** |

**Materials and services**

Kamux purchases most of its used cars as trade-in cars. Kamux acquires cars also from private individuals, car auctions, leasing companies, finance companies, other car dealers, importers and other sources. Materials and services include the cost to acquire used cars and the reconditioning and transportation costs associated with preparing cars for sale. It also includes repair costs associated with repair liability and change in inventories.

**Personnel costs**

Kamux's average number of personnel was 343 during the financial period 2016, 271 in 2015 and 203 in 2014. Employee remuneration is based on fixed and variable salary. The proportionate share of the variable compensation is significant and is based on the achievement of individually determined sales targets. In addition, part of the personnel have car allowance, telephone allowance and internet access at home.

Kamux's pension arrangements are classified as defined contribution plans. The Finnish statutory pension plan under TyEL is arranged through insurance companies which provides pension benefits based on the years of employment and earnings. The retirement age of the old-age pension under TyEL is 63–68 years. Employees in Sweden and Germany belong to defined contribution plans. In Sweden retirement age is 61-67 years, in Germany 65-67 years.

In defined contribution plans insurance contributions are paid to insurance companies and expensed through profit or loss in the financial period the charge relates to. There are no other payment obligations in the defined contributions plans.

Other employee benefit expenses include 304 thousand euros share-based compensation recognized as an expense in connection with the redemption of own shares during 2016.

***Read more about management's wages and remuneration in note 5.3.***

**Rents and lease costs**

Rents and lease costs consist of rental payments for showrooms and office space and related costs such as heating, cleaning and electricity. All Kamux's lease agreements are classified as operating leases with fixed rental periods and rents are expensed evenly over the rental period. Contracts are either cancellable or fixed-term of 1-10 years.

***Read more about leasing obligations in note 4.3.***

## 2.5 Income taxes

| | For the year ended December 31, | | |
|---|---|---|---|
| **EUR thousand** | **2016** | **2015** | **2014** |
| Current income tax | 3 714 | 3 256 | 2 012 |
| Change in deferred tax assets and liabilities | -91 | 93 | -102 |
| **Total** | **3 622** | **3 349** | **1 910** |
| **Reconciliation of income tax expense** | | | |
| Profit before income tax expense | 14 631 | 14 904 | 8 924 |
| Tax calculated at the Finnish tax rate* | 2 926 | 2 981 | 1 785 |
| Non-deductible expenses | 160 | 2 | 5 |
| Difference in foreign tax rates | -142 | -57 | -13 |
| Tax losses carried forward for which a deferred tax asset has not been recognized | 564 | 429 | 139 |
| Temporary differences for which a deferred tax asset has not been recognized | 115 | - | - |
| Other items | -1 | -6 | -6 |
| **Income tax expense** | **3 622** | **3 349** | **1 910** |

**Tax rate 20% in 2016, 2015 and 2014.*

***Read more about deferred tax balances in note 5.5.***

**Accounting policy**

Income taxes for the period include current and deferred taxes. Current income tax is the tax to be paid or received with respects to the current financial year, with the application of tax rates that have been enacted or substantively enacted by the balance sheet date. Current income taxes are calculated on the basis of the tax regulations prevailing in the countries in which Kamux operates and generate taxable income. Current tax also includes adjustments for current income tax attributable to earlier periods.
Deferred taxes are recognized on temporary differences that arise between the taxable value and carrying value of assets and liabilities. Deferred tax assets are recognized to the extent that it is probable that they will be utilized against taxable income.

## 2.6 Earnings per share

| | For the year ended December 31, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| Profit for the period attributable to owners of the Company (EUR thousand) | 11 009 | 11 555 | 7 014 |
| Weighted average number of shares outstanding during the period, basic | 37 566 330 | 38 253 314 | 39 657 623 |
| **Earnings per share, basic (EUR)** | **0,29** | **0,30** | **0,18** |
| Impact of unregistered share issue on number of shares | 68 562 | 205 854 | - |
| Weighted average number of shares outstanding during the period, fully diluted | 37 634 892 | 38 459 168 | 39 657 623 |
| **Earnings per share, fully diluted (EUR)** | **0,29** | **0,30** | **0,18** |

*For 2015 and 2014 the weighted average number of ordinary shares outstanding has been calculated taking into account the share split free of charge that was registered as of December 17, 2015. The share split ratio was 49 new shares for each existing outstanding share, in other words, for one share a shareholder received 49 new shares. Earnings per share for 2015 and 2014 is calculated based on the new number of share.*

**Accounting policy**

Basic EPS is calculated by dividing the consolidated profit for the period attributable to the owners of the Company with the weighted average number of shares outstanding during the year excluding the treasury shares.

Diluted EPS is calculated on the same basis as Basic EPS except that it reflects the impact of any potential commitments the Group has to issue shares in the future.

# 3 NET WORKING CAPITAL

## 3.1 Inventory

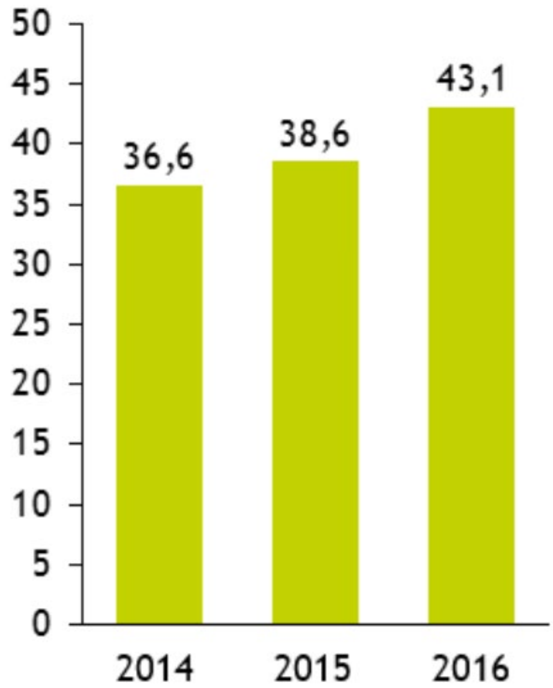
Due to its effective process to acquire used cars, Kamux is able to offer a broad collection of different car brands at competitive prices. Kamux acquires cars from car auctions, leasing companies, other car dealers, finance companies, importers, private persons and other sources. Kamux purchases most of the used cars from customers as trade-in cars part of the used car sale. Inventory is located in different showrooms. Every salesman is able to sell used cars from all Kamux's showrooms utilizing the Group-wide inventory information. Inventory management is well organized and advanced IT-systems are utilized to achieve optimal balance between cars in inventory and quick inventory turnover.

Inventories amounted to EUR 47 914 thousand on December 31, 2016. On December 31, 2015 inventories amounted to EUR 36 224 thousand and on December 31, 2014 to EUR 21 368 thousand.

Write-downs of inventories to net realizable value amounted to EUR 278 thousand during 2016. In 2015 write-downs were EUR 231 thousand and in 2014 EUR 127 thousand. These were expensed through profit or loss during the financial years and were included in changes in inventory in line item "materials and services".

### Inventory turnover

Inventory turnover is calculated as follows: Inventory on average during the period (average of the beginning and ending inventory of the year) divided by "materials and services" expense item during the reporting period, multiplied by 365.




*Inventory turnover*

**Accounting policy**

Inventory is measured at lower of cost and net realizable value. The cost of individual car included in the inventory balance is determined using the purchase price for the car including directly attributable repair costs for reconditioning the car for selling purpose. At each reporting date, a detailed review for net realizable value is executed for cars which have been in inventory over 90 days. Any adjustments to net realizable value are expensed through profit or loss.

**Sources of uncertainty and managerial judgments**

The estimated selling price of the car (net realizable value) at the reporting date is determined based on the managerial judgment, market information and historical data. If the estimated selling price of the car is lower than the cost, the inventory value for the car will be written down.

## 3.2 Trade and other receivables

| | At December 31, | | |
|---|---|---|---|
| EUR thousand | 2016 | 2015 | 2014 |
| Trade receivables | 7 756 | 4 569 | 2 814 |
| Prepaid expenses and accrued income | 1 898 | 1 305 | 666 |
| Other receivables | 1 771 | 506 | 693 |
| **Total** | **11 424** | **6 379** | **4 174** |
| | | | |
| **Material items included in prepaid expenses and accrued income** | | | |
| Insurance and finance commission fees | 1 266 | 1 058 | 572 |
| Other | 632 | 247 | 95 |
| **Total** | **1 898** | **1 305** | **666** |

**Trade receivables and credit risk**

Trade receivables consist mainly of receivables from finance companies, with the exception of insignificant amount of receivables from individual customers that Kamux has sold a car with a short-term payment period. Generally, receivables originate when there is a temporary time lag between the approved credit decision (i.e. when revenue is recognized) and a payment is made by the finance company. However, once the finance company has approved the credit application of Kamux's customer, the credit risk of the car sale is borne by the finance company.

Kamux has temporary credit risk from finance companies between the approved credit decision and payment. The Company mitigates credit risk by dealing with highly rated finance company counterparties.

Impairment losses from trade receivables recognized in profit or loss amounted to EUR 352 thousand during the year 2016. In 2015 impairment losses were EUR 22 thousand and in 2014 EUR 39 thousand.

## 3.3 Trade and other payables

| | At December 31, | | |
|---|---|---|---|
| **EUR thousand** | **2016** | **2015** | **2014** |
| Trade payables* | 5 615 | 4 175 | 2 401 |
| Accrued expenses and deferred income | 4 931 | 4 461 | 2 764 |
| Other | 1 732 | 937 | 800 |
| **Total** | **12 278** | **9 573** | **5 966** |
| | | | |
| **Material items included in accrued expenses and deferred income** | | | |
| Accrued salaries | 2 830 | 2 616 | 1 908 |
| Accrued interests | 21 | 10 | 28 |
| Other accrued expenses** | 2 079 | 1 836 | 829 |
| **Total** | **4 931** | **4 461** | **2 764** |

** Trade payables also include short term car financing related loans transferred to Kamux in connection with the purchases of the trade-in cars of EUR 855 thousand as of December 31, 2016, EUR 333 thousand as of December 31, 2015 and EUR 179 thousand as of December 31, 2014. Loans to the finance companies are paid within a short period after the purchase of the car.*

*** Other accrued expenses relate to deferred revenue from sales of Kamux Plus as of December 31, 2016, 2015 and 2014.*

*Carrying values of trade and other payables are corresponding to their fair values due to the short-term nature of these payables.*

# 4 NET DEBT AND CONTINGENCIES

## 4.1 Capital management and net debt

### Capital management

The Group's objective when managing capital (net debt and total equity) is to safeguard its ability to continue as going concern and maintain optimal returns to shareholders. Management aims to maintain an optimal capital and funding structure that ensures the lowest cost of capital available to the Group.

*Read more about equity in note 5.4.*

In order to maintain or adjust capital structure the Group may adjust the amount of dividends paid to shareholders or issue new shares. The Group monitors capital on the basis of net debt and equity. Net debt is calculated as borrowings ("current and non-current borrowings") in the consolidated balance sheet) less cash and cash equivalents.

### Net debt

The Group borrows money from financial institutions in the form of bank loans and bank overdrafts. The Group's loans have floating interest rates and the Group uses interest rate swaps to limit the interest rate risk related to floating interest rates of the loans.

| | At December 31, | | |
|---|---|---|---|
| **EUR thousand** | **2016** | **2015** | **2014** |
| **Non-current** | | | |
| Bank loans | 25 363 | 17 786 | 15 439 |
| Shareholder loans | - | - | 78 |
| **Total non-current borrowings** | **25 363** | **17 786** | **15 517** |
| **Current** | | | |
| Bank loans | 5 000 | 5 250 | 2 750 |
| Bank overdrafts | 1 303 | 2 178 | 1 859 |
| **Total current borrowings** | **6 303** | **7 428** | **4 609** |
| **Total borrowings** | **31 666** | **25 214** | **20 126** |
| Less cash and cash equivalents | -736 | -846 | -16 |
| **Net debt** | **30 930** | **24 368** | **20 110** |

*Borrowings and net debt*

**Accounting policy - borrowings**

Bank loans and shareholder loans are measured initially at fair value, net of transaction costs. Bank loans and shareholder loans are subsequently carried at amortized cost. Interest expenses and transaction costs are amortized over the term of the loan and recognized as finance cost using effective interest rate method. Borrowings are derecognized when loan has been repaid or liability has been extinguished for example in the connection with refinancing.

## Borrowings and derivatives

As at 31 December 2016 borrowings consisted of EUR 28 500 thousand five year bullet loan, which has semiannual repayments of EUR 1 500 thousand in March and September until the Company is listed, after which no repayments are due until maturity. In addition the Company had a EUR 2 500 thousand revolving credit facility, of which EUR 2 000 was utilized, and a EUR 7 500 thousand multicurrency credit facility of which EUR 1 303 thousand was utilized. The loans mature on March 31, 2021.

***Read also note 5.3 Related party transactions***

**Accounting policy - derivatives**

Financial assets and liabilities at fair value through profit and loss are derivatives. Derivatives are measured and recognized in the balance sheet according to their fair value at the trade date. Subsequent fair value changes of open derivatives are recognized directly to the finance income and finance costs in the statement of comprehensive income. Group's open derivatives are interest rate swaps used to hedge interest rate risk, and they are not subject to hedge accounting.

Fair values for Kamux's borrowings are determined by discounting the estimated cash flows to be paid at the market rate of the reporting date, considering the risk premium. Different terms and conditions of the loans (maturity, subordination, collateral) taken into account in the measurement. Bank loans are classified as Level 2 and shareholder loans as Level 3 in the fair value hierarchy due to the use of unobservable inputs, including Kamux's own estimates for risk premium.

Derivatives consist of interest rate swaps and foreign exchange forwards. These derivatives are included in Level 2 and their fair value is calculated as the present value of the estimated future cash flows based on observable yield curves. Nominal values of open interest rate swaps was EUR 6 918 on December 31, 2016, EUR 8 141 on December 31, 2015 and EUR 9 363 on December 31, 2016. Nominal values of open foreign exchange forwards was EUR 3 106 on December 31, 2016, EUR 0 on December 31, 2015 and EUR 0 on December 31, 2014.

## Risks associated with Net debt

### Liquidity risk

Management of liquidity risk aims at to ensure that Kamux is able to meet its finance obligations. To ensure this, Kamux's financing requirement is covered by both optimizing of operating activities and external financing in order to ensure that Kamux has continually sufficient liquidity or has access to an adequate amount of committed credit facilities. Liquidity risks are monitored and managed centrally in the Group's finance department where the availability of financing is managed daily based on rolling forecasts.

The maturity of financial liabilities is monitored regularly. As of December 31, 2016 Kamux had cash and cash equivalents of EUR 736 thousand, as of December 31, 2015 EUR 846 thousand and as of December 31, 2014 EUR 16 thousand. In addition Kamux has access to unused credit facilities and bank overdrafts of EUR 6 697 thousand as of December 31, 2016, EUR 6 410 thousand as of December 31, 2015 and EUR 1 205 thousand as of December 31, 2014.

In March 2016 the Company reorganized its loan portfolio. The company drew down a new, EUR 30 000 thousand, 5-year bullet bank loan and a EUR 10 000 thousand, 5-year revolving credit facility. Loans from the financial institutions include the following covenants: net debt in proportion to adjusted EBITDA, equity as a portion of the balance sheet total and inventory turnover. The interest margin is variable and depends on the ratio of net debt and adjusted EBITDA. Kamux has given business mortgages amounting to 104 000 thousand euros as of December 31, 2016 as a security for the loans from financial institutions. In addition, the Company has given an unlimited general guarantee on the behalf of the subsidiaries in Finland, Sweden and Germany and pledged the shares of the Finnish, Swedish and German subsidiaries.

In December 2016 the Company took into use a global cash pool and in connection with it EUR 7 500 thousand of the EUR 10 000 revolving credit facility was converted into a multicurrency credit facility.

At the date of these financial statements the Company is negotiating to take into use an additional EUR 10 000 thousand revolving credit facility, see section 5.6 events after the reporting date.

According to specific terms and conditions of the bank loan agreements the most significant transactions require a prior written approval by the financial institution, including ordinary terms and conditions protecting the creditor.

| EUR thousand | Less than 3 months | 3 months - 1 year | 1-2 years | 2-3 years | 3-4 years | 4-5 years | More than 5 years |
|---|---|---|---|---|---|---|---|
| **Dec 31, 2016** | | | | | | | |
| Loans | 4 952 | 361 | 481 | 481 | 481 | 27 120 | - |
| Accounts payables | 5 615 | - | - | - | - | - | - |
| Derivatives | -11 | 72 | - | - | - | - | - |
| **Dec 31, 2015** | | | | | | | |
| Loans | 3 694 | 4 263 | 18 249 | - | - | - | - |
| Accounts payables | 4 175 | - | - | - | - | - | - |
| Derivatives | 18 | 49 | 55 | - | - | - | - |
| **Dec 31, 2014** | | | | | | | |
| Loans | 3 369 | 1 749 | 3 071 | 13 169 | 5 | 5 | 100 |
| Accounts payables | 2 401 | - | - | - | - | - | - |
| Derivatives | 21 | 58 | 67 | 55 | - | - | - |

***Maturity table for financial liabilities.*** *The table shows the situation on December 31, 2016 assuming that the Company will go public prior to September 30, 2017. If the listing does not happen, the Company will repay its debt by EUR 1,5 million twice a year on the last days of March and September.*

### Interest rate risk

Group's bank loans comprise of long term floating rate loans and interest bearing credit limit facilities. Due to the Euribor-tied loans, Kamux is subject to the cash flow risk arising from floating rate loans.

To manage the interest rate risk, Kamux uses interest rate swaps in order to reduce the cash flow risk arising from floating rate loans. With this Kamux aims to mitigate the impact of interest rate volatility in Group's finance costs within acceptable level.

Effective interest rates of bank loans were 1,4%-1,5% at the end of 2016, 4,3%-4,4% at the end of 2015 and 4,3%-4,4% at the end of 2014. In March 2016 the Company reorganized its loan portfolio. The company drew down a new, EUR 30 000 thousand, bank loan and a EUR 10 000 thousand, revolving credit facility (RCF). In December 2016 the Company took into use a EUR 7 500 thousand multicurrency credit facility (MCCF) and the revolving credit facility was reduced by the corresponding EUR 7 500 thousand.

Based on the sensitivity analysis, if interest rates had been 1.0 percentage points higher with all other variables held constant, the recalculated post-tax profit for the period and equity would have been EUR 119 thousand lower in 2016, EUR 14 thousand higher in 2015 and EUR 1 thousand higher in 2014. Interest rate sensitivity has been calculated by shifting the interest curve by 1.0 percentage points (due to low market interest environment the lower scenario has not been presented). The interest position includes all external variable rate loans and interest rate swaps.

**Foreign exchange risk**

Kamux is mainly exposed to transaction risk related to Swedish crown and risk that arises when the parent company's investments in the Swedish subsidiaries are translated into euros.

Foreign exchange risk relating to Swedish operations arises basically from Intra-Group finance transactions and trade payables from Swedish subsidiaries incurred in operating activities between the Group companies. Foreign exchange risk is not significant for the Group and these items are hedged as needed by using foreign exchange derivatives.

The remainder of the Group's income and expenses are generated almost exclusively in euros. According to the Company's treasury policy, all intercompany financing is issued in subsidiary's functional currency.

Group's net investment to companies outside Eurozone consists of subsidiary investments in Sweden. Foreign exchange risk associated with the net investment is not hedged.

Foreign exchange risk position includes debts denominated in Swedish crown of Group companies and loan receivables from Swedish subsidiaries. Crown denominated intra-group items, which are exposed to foreign exchange risk, translated at the rate of the balance sheet date were EUR 10 156 thousand as of December 31, 2016, EUR 7 815 thousand as of December 31, 2015 and EUR 3 980 thousand as of December 31, 2014. Based on the sensitivity analysis, if the weakening or strengthening of Swedish crown against euro had been 10 percent, the recalculated post-tax profit for the period and equity would have been EUR 739 thousand in 2016, EUR 625 thousand in 2015 and EUR 318 thousand in 2014 higher or lower.

**Credit and counterparty risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. Kamux considers all of its material counterparties to be creditworthy as they represent large and well-established financial institutions. The Kamux's exposure to credit risk is continuously monitored, in particular, if agreed payments are delayed.

***Read more about credit risk related to trade and other receivables in note 3.2.***

The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. To spread the credit risk, Kamux deposits its cash reserves with different banks.

## 4.2 Finance costs

| | For the year ended December 31, | | |
|---|---|---|---|
| EUR thousand | 2016 | 2015 | 2014 |
| Interest expenses for loans from financial institutions and shareholder loans | 730 | 817 | 958 |
| Fair value changes for derivatives | -127 | -62 | 91 |
| Foreign exchange gains and losses, net | 259 | -173 | 193 |
| Other finance income and costs | 182 | 28 | 112 |
| **Total** | **1 043** | **610** | **1 354** |

**Accounting policy**

Finance costs consist of interest expenses on bank loans, credit limits, and shareholder loans and realized and unrealized changes on interest rate swaps and exchange rate differencies. Transaction costs related to loans are expensed in profit or loss using effective interest rate method.

The effective interest rate is the rate that discounts the estimated future payments through the expected life of a loan to the net carrying amount of the financial liability. The calculation includes all fees paid by the contracting parties and transaction costs.

## 4.3 Lease obligations and other commitments

| | At December 31, | | |
|---|---|---|---|
| **EUR thousand** | **2016** | **2015** | **2014** |
| No later than 1 year | 5 048 | 3 619 | 3 011 |
| Later than 1 year and no later than 5 years | 11 767 | 8 412 | 7 645 |
| Later than 5 years | 979 | 1 249 | 1 667 |
| **Total** | **17 793** | **13 280** | **12 324** |

*Operating lease commitments. The future minimum lease payments under non-cancellable operating leases are as above.*

| | At December 31, | | |
|---|---|---|---|
| **EUR thousand** | **2016** | **2015** | **2014** |
| Loans | 31 666 | 25 214 | 20 048 |
| guarantees given against loans | 104 000 | 41 000 | 31 000 |

*Loans against which guarantees and mortgages have been given.*

| | At December 31, | | |
|---|---|---|---|
| **EUR thousand** | **2016** | **2015** | **2014** |
| Rent and other payment guarantees | 250 | 321 | 328 |

*Other commitments.*

Lease obligations consist mainly of rental payments of showrooms. Kamux displays its inventory and conducts the sales through showrooms. Rental contracts are typically either cancellable or 1- to 10-year fixed term contracts and without transfer of ownership or favorable purchase options, all of the leases of showrooms are classified as operating leases. Contracts usually include the option of extending the lease after the original date of termination. As the leasing contracts are considered to be operating leases, lease payments are charged to profit or loss over the lease contract period.

Kamux has given business mortgages amounting to 104 000 thousand euros at 31 December 2016, EUR 41 000 thousand as of December 31, 2015 and EUR 31 000 thousand as of December 31, 2014 as a security for its loans from financial institutions. In addition, the Company has given an unlimited general guarantee on the behalf of the subsidiaries of Finland, Sweden and Germany and pledged their shares.

**Decommissioning obligation**

Kamux owns a car showroom building in Nedderfeld, Germany, which is located on the land area Kamux is renting. Kamux has leased the land area for five years, and the lease may be extended. Kamux has an obligation to demolish the building at Kamux's own expense at the end of the lease. This obligation is recognized in the balance sheet on December 31, 2016 as a non-current provision of EUR 350 thousand.

# 5 OTHER NOTES

## 5.1 Group structure and consolidation

### Subsidiaries

The consolidated financial statements include parent company and its subsidiaries. Subsidiaries refers to entities of which Kamux group has control. Control exists, when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control or if the subsidiaries have been founded by the Company, from the date of the inception of the subsidiary. Subsidiaries are consolidated until the date that control ceases.

Group's subsidiaries as at December 31, 2016, 2015 and 2014 are as follows:

| Parent company | Country of incorporation | Parent and Group ownership (%) | Principal activities |
|---|---|---|---|
| Kamux Corporation | Finland | | Holding company |
| **Subsidiaries** | | | |
| Kamux Suomi Oy | Finland | 100 | Sales of used cars |
| Suomen Autorahaksi Oy | Finland | 100 | Dormant company |
| KMX Holding AB | Sweden | 100 | Holding company |
| Kamux AB | Sweden | 100 | Sales of used cars |
| Kamux Auto GmbH* | Germany | 100 | Sales of used cars |

***Subsidiaries.*** *Subsidiaries have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests equals the voting rights held by the Group. The country of incorporation of registration is also their principal place of business. *The company was founded in 2015.*

Intra-Group receivables and liabilities, income or expenses and unrealized profits or losses arising from Intra-Group transactions between the Group companies and intra-Group profit sharing are eliminated in their entirety when preparing the consolidated accounts.

Assets and liabilities in Swedish subsidiaries are translated into euro at the rate prevailing on the balance sheet date. Income and expenses in Swedish subsidiaries are translated into euro using an average rate. Translation differences that arise when translating the financial statements of subsidiaries are recognized in other comprehensive income and accumulated in a separate component of equity, called translation differences.

Foreign currency denominated transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or if items have been revalued, at the measurement dates exchange rates. Foreign exchange gains and losses arising in respect of business operations, such as sales and purchases, are recognized in EBIT. Foreign exchange differences arising from financing transactions are recognized in finance costs.

## 5.2 Intangible assets and property, plant and equipment

### Goodwill

Goodwill in the balance sheet formed when the parent company, a company established by Intera Fund II Ky, acquired Kamux Oy and its subsidiaries on December 7, 2011. The amount of goodwill was EUR 13 564 thousand as of December 31, 2016, 2015 and 2014. Goodwill is entirely allocated to the operating segment of Finland.

The Group performs impairment tests annually. The recoverable amount of goodwill related to Finland is based on fair value less costs of disposal (FVLCD) which is determined using a discounted cash flow model. Key estimates used to determine the recoverable amount include sales growth rate, cost development and the post-tax discount rate. Inputs used in the discounted cash flow model are inputs that are not based on observable market data (Level 3 inputs). Calculations are based on 5 years cash flow projections approved by the management, long-term growth rate was estimated to be 1 % and post-tax discount rate was defined at 10,4 % (2015 9,1 %). In addition, management reviews observable market data of comparable entities, for example EBITDA multiples to assess whether there is a significant difference between FLVCD of the group of CGU's tested and comparable entities market data, which would require Kamux to make changes to the assumptions used in goodwill impairment testing.

As part of the performance review management has performed sensitivity analyses around the key parameters and the result suggests that a situation in which the carrying value of goodwill and other assets under impairment testing would exceed the recoverable amount is unlikely. Changed parameters used in the sensitivity analyses for 2016, 2015 and 2014 impairment testing were:

- 20% decrease in the annual sales growth rate
- 20% decrease in EBIT margin of the financial year
- Long term growth rate of 0%
- Post-tax discount rate of 15%

The sensitivity analyses did not indicate impairment when the parameters above were changed one at a time or all at the same time.

### Other intangible assets

Kamux has capitalized development costs and intangible rights related to different IT systems as other intangible assets. Kamux has invested in a tailor-made CRM system which is one of the key enablers of Kamux's effective selling process and cost efficient inventory management. Microsoft Ax is a system for enterprise resource planning (ERP) and it connects Kamux's inventory management and accounting. In 2015 and 2016 Kamux invested in Basware's FPM system which was implemented in the beginning of 2017. The capitalized costs consist of external service provider invoices and license fees.

**Accounting policy – Goodwill and other intangible assets**

Goodwill is an intangible asset with indefinite useful life.

Goodwill is not amortized but tested for impairment at least annually, or whenever there is an indication that its carrying value would not be recoverable.

Management has determined that each showroom represents a separate cash generating unit (CGU). The impairment review is carried out for the group of cash generating units representing geographical area of Finland which is the level at which goodwill is monitored by management (read more in section "Sources of uncertainty and managerial judgements – Goodwill").

Other intangible assets which are separately identifiable and can be sold separately comprise development costs of IT software and intangible rights. Other intangible assets are amortized on a straight-line basis over the estimated useful life of 3 years.

**Sources of uncertainty and managerial judgments - Goodwill**

Management makes significant estimates and judgments in determining the level at which the goodwill is tested and whether there are any indications of impairment.

The goodwill in the Kamux's balance sheet arose in December 2011 when the parent company, a company established by Intera Fund II Ky, acquired Kamux Oy and its subsidiaries. At the time of the acquisition, Kamux operated in Finland through five subsidiaries, including 16 showrooms. Management views that the excess of the purchase price over the acquired net assets was paid for the business and business concept as a whole and therefore considers that goodwill should be tested at the level of group of CGU's which is Finland.

The forecasted cash flows are based on Group's past performance and management's best estimate of future sales, cost development, general market conditions and applicable income tax rates.

Management tests the effects of changes of significant estimates used in forecasts by sensitivity analyses in a way described in the section "Goodwill".

## Property, plant and equipment

Property, plant and equipment comprise of office furniture, machinery and equipment and capitalized renovation and modernization costs which are depreciated on a straight line basis over the estimated useful life of 3-5 years. Property, plant and equipment includes also the car showroom building in Nedderfeld, Germany, which was acquired in 2016.

## 5.3 Related party transactions

The Group is controlled by Intera Fund II Ky which owned 58 % of the Company's outstanding shares on December 31, 2016, 57 % on December 31, 2015 and 54 % on December 31, 2014.

Related parties of the Group consist of the parent company, Group companies mentioned in note 5.1, and the companies owned by the controlling owner Intera Fund II Ky. Related parties are also key management personnel and their close family members as well as entities controlled by them. Key management personnel are the members of the Board of Directors, CEO and Management Team.

| 2016 | For the year ended December 31, | | | At December 31, | |
|---|---|---|---|---|---|
| EUR thousand | Sales of used cars | Purchases of used cars and rental expenses | Finance costs | Receivables | Liabilities |
| Intera Fund II Ky ja and the companies owned by it | - | - | - | - | - |
| Management* | 164 | -724 | - | - | - |
| **Total** | **164** | **-724** | - | - | - |

| 2015 | For the year ended December 31, | | | At December 31, | |
|---|---|---|---|---|---|
| EUR thousand | Sales of used cars | Purchases of used cars and rental expenses | Finance costs | Receivables | Liabilities |
| Intera Fund II Ky ja and the companies owned by it | 22 | - | - | - | - |
| Management* | 346 | -737 | -5 | - | - |
| **Total** | **368** | **-737** | **-5** | - | - |

| 2014 | For the year ended December 31, | | | At December 31, | |
|---|---|---|---|---|---|
| EUR thousand | Sales of used cars | Purchases of used cars and rental expenses | Finance costs | Receivables | Liabilities |
| Intera Fund II Ky ja and the companies owned by it | - | - | - | - | - |
| Management* | 281 | -609 | -28 | - | 78 |
| **Total** | **281** | **-609** | **-28** | - | **78** |

** Key personnel in Group management, their immediate family members and companies under their control*

Kamux's key management personnel, members of the Board of Directors and their family members have right to buy cars from Kamux and sell cars to Kamux in accordance with the personnel policy applicable to the whole staff.

The Group has leased from CEO, his close family members and the companies controlled by them four locations with fixed-term lease contracts for 5-10 years. According to these contracts the Group has future lease obligations of EUR 2 914 thousand in 2016, EUR 3 091 thousand in 2015 and EUR 4 358 thousand in 2014.

On February 1, 2016, Kamux signed a consulting agreement with Virtanen Consulting GmbH, a company under Matti Virtanen's control. Kamux will purchase internationalization related consulting services from Virtanen Consulting GmbH for EUR 9 thousand per month.

Transactions with related parties were made on an arm's length basis.

Liabilities to related parties in 2014 are shareholder loans granted to the Company. Intera Fund II Ky and certain shareholders belonging to the Company's related parties have granted shareholder loans to Kamux together with the other shareholders. All the shareholder loans have been repaid by the end of 2015.

**Management holdings**

The Company has established a management co-investment arrangement for certain key management personnel and other key employees. The co-investment arrangements have been made with key employees of the Company employed before or during 2011-2016. The co-investment arrangement includes shareholders, who have been shareholders before the current ownership structure was formed in December 2011 and shareholders, who have joined the company as key employees after the 2011 ownership changes. The co-investments of key employees who have invested after the 2011 ownership changes are subject to IFRS 2 standard.

According to the agreements, the key employees of the arrangements have invested in shares and shareholder loans issued by the Company. Investments made by key employees were carried out at the same valuation basis and substantially on the same terms as the investments made by the controlling owner.

The co-investment arrangement contains a share-based payment, but the valuation at the grant date indicates that the co-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 the leavers in cash, and the company has not prior to 2016 used its right to redeem the shares of key employees' shares as their employment ends, the arrangement is classified as equity-settled share-based payment under IFRS. Accordingly, with the grant date fair value of the share-based payment being zero, no expense has been recognized in financial statements. In 2016 the Company redeemed one employee's shares and the difference between the subscription price and the redemption price has been treated as a share based compensation expense. The share based expense was EUR 304 thousand in 2016.

Key employees subscribed for the Company's shares in directed share issues for EUR 3 231 thousand in the financial year 2016 and EUR 845 thousand in 2015. Key employees belonging to management subscribed for the Company's shares for EUR 330 thousand in 2016 and EUR 698 thousand in 2015 in the above mentioned share issues.

Kamux acquired its own shares from key personnel for EUR 5 390 in 2016, EUR 2 882 in 2015 and EUR 80 thousand in 2014. Of these shares EUR 5 360 in 2016, EUR 2 402 in 2015 and EUR 80 thousand in 2014 were acquired from key employees belonging to management.

| | Ownership |
|---|---|
| Members of the Board of Directors | 0,4 % |
| CEO | 17,9 % |
| Other Management Group | 13,8 % |

*Holdings of the Board of Directors, CEO and Management Group of the Company's outstanding shares as of December 31, 2016.*

**Management's salaries and fees**

The Board of Directors decides on the remuneration and criteria of CEO and members of the Management Group. The salary of CEO and members of Management Group consists of monthly salary and bonus. The Board of Directors decides the terms of bonuses annually. CEO's and Management Group's bonuses are paid on the basis of personal goals set for the financial year and certain profitability targets. Bonus share of total wages may not exceed 50 percent for CEO and 50 percent for other Management Group members.

The Group CEO is entitled to the statutory pension and retirement age is determined within the framework of statutory earnings-related pension plans. CEO's retirement age is 63 years under the current legislation. Termination period for the CEO's employment contract is 6 months, and he is entitled to the salary for the termination period as well as the performance bonus until the termination date. In addition, if the Company terminates the contract, CEO is entitled under certain conditions to the amount corresponding to six months total salary.

**Sources of uncertainty and managerial judgments – Management holdings**

The Group estimates whether the management holdings include an incentive plan. Judgment is required when classifying the plan (as cash or equity-settled payments or arrangement with alternatives) and measuring the plan. Fair values of grant dates of the benefits including in the arrangements have to be assessed for measurement.

| EUR thousand | For the year ended December 31, 2016 | 2015 | 2014 |
|---|---|---|---|
| **Management group salaries and other benefits (except CEO)** | | | |
| Wages, salaries and benefits | 776 | 727 | 749 |
| Pension costs -defined contribution plans | 185 | 157 | 161 |
| **Total** | **960** | **884** | **910** |
| | | | |
| **CEO salaries and benefits** | | | |
| Wages, salaries and benefits | 249 | 177 | 150 |
| Pension costs -defined contribution plans | 61 | 42 | 36 |
| **Total** | **311** | **219** | **186** |
| | | | |
| **Board of Directors salries and benefits** | | | |
| Matti Virtanen (from Jan 29, 2016)* | 137 | - | - |
| Alexej von Bagh (until March 24, 2016) | 3 | 12 | 12 |
| Jokke Paananen | - | - | - |
| Inka Mero (from Jan 29, 2016) | 11 | - | - |
| David Nuutinen | 13 | 18 | 18 |
| Vesa Uotila | - | - | - |
| **Total** | **163** | **30** | **30** |
| | | | |
| **Management and Board of Directors compensation in total** | **1 434** | **1 133** | **1 126** |

**Matti Virtanen's benefits include EUR 117 thousand consulting fees of Virtanen Consulting GmbH.*

## 5.4 Share capital and reserves

| Number of shares | Shares oustanding | Treasury shares | Total shares | Treasury shares* EUR thousand |
|---|---|---|---|---|
| **January 1, 2014** | **793 732** | **-** | **793 732** | **-** |
| Acquisition of own shares | -6 410 | 6 410 | 0 | -81 |
| **December 31, 2014** | **787 322** | **6 410** | **793 732** | **-81** |
| Acquisition of own shares | -46 800 | 46 800 | 0 | -2 928 |
| Share issue | 9 344 | - | 9 344 | - |
| Share split | 36 743 434 | - | 36 743 434 | - |
| Share issue | 120 537 | - | 120 537 | - |
| **December 31, 2015** | **37 613 837** | **53 210** | **37 667 047** | **-3 009** |
| Acquisition of own shares | -1 266 652 | 1 266 652 | 0 | -5 173 |
| Share issue | 192 917 | - | 192 917 | - |
| Share issue | 476 717 | - | 476 717 | - |
| **December 31, 2016** | **37 016 819** | **1 319 862** | **38 336 681** | **-8 182** |

**Of the amounts paid from the redeemed shares EUR 81 thousand have been recorded as a deduction of the Reserve for invested unrestricted equity and EUR 8 101 thousand as deduction of retained earnings.*

Movements in the number of outstanding shares, treasury shares and total registered shares during the financial periods were as above. The Company has one share class and each share has equal right to dividend. Each share carries one vote at the general meeting. All issued shares are fully paid and they do not have par value.

Dividend distribution, acquisition or redemption of the treasury shares or other distribution of funds to the Company's shareholders require a prior written consent from the Company's financing bank. For the financial year 2016 the Board of Directors proposes a dividend of EUR 2 224 thousand. The Company paid a dividend of EUR 1 505 thousand (EUR 0.04 per share, taken into consideration the share issue without consideration) in spring 2016 and EUR 961 thousand in spring 2015.

The subscription price of new shares is recognized into share capital unless it is determined in the share issue decision to be booked entirely or partly into the reserve for invested unrestricted equity. Payments to the reserve for invested unrestricted equity can be also done without a share issue. The amount of shares which have been paid but not yet registered at the end the financial year are entered to the share issue account. Company's share capital is EUR 80 thousand. Share capital was increased by a bonus issue of EUR 78 thousand in December 2015.

**Movements in the reserve for invested unrestricted equity are as follows:**

***Share issue without consideration in 2015***
In December 2015, the number of the Company's shares increased as a result of a directed share issue free of charge, where each existing share entitled without consideration to 49 new shares of the Company.

***Directed share issues in 2016 and 2015***
The Company issued new shares of the Company to certain shareholders in November 2016, in February 2016, in December 2015 and in June 2015. As a result of these share issues the reserve for invested unrestricted equity of the Company increased by EUR 3 231 thousand in 2016 and by EUR 845 thousand in 2015.

**Purchases of treasury shares in 2016, 2015 and 2014**

In November 2016 the Company purchased 1 266 652 of its own shares from certain shareholders of the Company. Retained earnings of the Company decreased by EUR 5 173 thousand taking into account the impact of the transfer tax and EUR 304 was recorded as a share based payment expense for the year 2016 as a result of the purchase. In June 2015 the Company purchased 46 800 of its own shares from certain shareholders of the Company. Retained earnings of the Company decreased by EUR 2 928 thousand as a result of the purchase. In November 2014, the Company purchased treasury shares from certain shareholders of the Company. The reserve for invested unrestricted equity of the Company decreased by EUR 81 thousand, including transfer taxes, as a result of the purchase.

## 5.5 Deferred tax

| EUR thousand | January 1, | Recognized through profit or loss | December 31, |
|---|---|---|---|
| 2016 | | | |
| **Deferred tax assets** | | | |
| Provisions and accrued expenses | 196 | 91 | 288 |
| Derivative instruments | 36 | - | 36 |
| **Total** | **232** | **91** | **324** |
| **Deferred tax liabilities** | | | |
| Loans from financial institutions | 27 | 1 | 27 |
| **Total** | **27** | **1** | **27** |
| **Total net** | **206** | **91** | **297** |
| 2015 | | | |
| **Deferred tax assets** | | | |
| Provisions and accrued expenses | 296 | -100 | 196 |
| Derivative instruments | 49 | -12 | 36 |
| **Total** | **345** | **-112** | **232** |
| **Deferred tax liabilities** | | | |
| Loans from financial institutions | 46 | -19 | 27 |
| **Total** | **46** | **-19** | **27** |
| **Total net** | **298** | **-93** | **206** |
| 2014 | | | |
| **Deferred tax assets** | | | |
| Provisions and accrued expenses | 235 | 61 | 296 |
| Derivative instruments | 31 | 18 | 49 |
| **Total** | **266** | **79** | **345** |
| **Deferred tax liabilities** | | | |
| Loans from financial institutions | 69 | -23 | 46 |
| **Total** | **69** | -23 | **46** |
| **Total net** | **196** | **102** | **298** |

Deferred tax assets and liabilities are offset only when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the taxes collected by the same fiscal authority. In Sweden the Group had tax losses carried forward EUR 4 038 thousand as of December 31, 2016, EUR 2 516 thousand as of December 31, 2015 and EUR 921 thousand as of December 31, 2014 and in Germany the Group had tax losses carried forward EUR 851 thousand as of December 31, 2016 and EUR 264 thousand as of December 31, 2015 for which no deferred tax asset has been recognized due to the operating losses of the early phase of operations. These losses will not expire under the current tax regulations.

**Accounting policy – Deferred tax balances**

Deferred tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax liabilities are recognized on all taxable temporary differences, except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognized on deductible temporary differences only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## 5.6 Events after reporting date

In February 2017 Kamux opened its 37th showroom in Finland in Turku. In addition to this, lease agreements were signed in Iisalmi, Finland and Espoo, Finland. Opening of showrooms in Iisalmi and Espoo is expected to take place by end of May 2017.

On January 5, 2017, Kamux signed a consulting agreement with DN Advisory Oy, a company under David Nuutinen's control. Kamux will purchase consulting services related to Swedish operations development and management from DN Advisory Oy for EUR 7,5 thousand per month.

On January 30, 2017 the Company issued 52 174 new shares in a directed share issue to a new key employee and part of management of the Company. The shares were registered in the trade register on February 14, 2017.

At the general meeting of shareholders on March 10, 2017, Reija Laaksonen was elected as a new member to the Board of Directors.

On March 27, 2017 the Company issued 39 348 new shares in a directed share issue to new Members of the Board of the Company. The shares will be registered in the trade register during April 2017.

By a unanimous decision by the shareholders on March 27, 2017 it was decided that the Board of Directors shall have seven Members and that Harri Sivula shall be elected as a new Member of the Board. The number of Members on the Board and Harri Sivula's election to the Board are subject to Kamux completing its planned listing.

On April 5, 2017 the Company issued 26 100 new shares in a directed share issue to a new key employee who is part of management of the Company. The shares will be registered in the trade register during April 2017.

At the date of these financial statements the Company is negotiating to take into use an additional EUR 10 000 thousand revolving credit facility. The Company aims to sign the required agreements during April 2017. The new credit facility would mature on March 31, 2021.

## 5.7 New and forthcoming IFRS standards

Kamux has not yet applied the following new and amended standards and interpretations already issued but not endorsed by the European Union. The Group will adopt them as of the effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year.

### IFRS 9 Financial instruments and associated amendments to various other standards

IFRS 9 "Financial Instruments" replaces the multiple classification and measurement models in IAS 39 and it will bring changes to classification and measurement of financial assets, their impairment assessment and hedge accounting.

A debt instrument is measured at amortized cost only if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and the contractual cash flows under the instrument solely represent payments of principal and interest. All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognized at fair value.

All fair value movements on financial assets are taken through the statement of profit or loss, except for equity investments that are not held for trading, which may be recorded in the statement of profit or loss or in reserves (without subsequent recycling to profit or loss). In addition debt instruments can be classified at fair value through other comprehensive income according to entity's business model.

According to the analysis prepared by Kamux the adoption of IFRS 9 does not have a significant impact on the classification of its financial assets due to the company does not have investments in securities or bonds at the moment.

Impairment of financial asset will be based on new expected credit loss method. The most significant financial assets of Kamux are trade receivables arising from normal business operations. For these trade receivables the group will apply a simplified provision matrix approach that is permitted by the standard. According to this approach a loss is recognized for the entire maturity by using the provision matrix except for situations where financial assets are assessed to be impaired due to credit risk. The Group does not expect the adoption of the new credit loss method to have significant impact due to historically trace amount of credit losses.

The new hedge accounting rules align hedge accounting more closely with common risk management practices. The Group does not expect the amendments to increase applying hedge accounting in the Group, but as a general rule, it will be easier to apply hedge accounting going forward due to inter alia  only prospective effectiveness assessment is required and the risk component can be designated as a hedged item.

The new standard also introduces expanded disclosure requirements and changes in presentation. IFRS 9 is effective from January 1, 2018 which will be also the initial application date for Kamux Group.

Management of the company has started the analysis of the effects of initial application of IFRS 9 and the detailed effects are assessed during year 2017.

**IFRS 15 Revenue from Contracts with Customers and associated amendments to various other standards**

A new standard for the recognition of revenue, IFRS 15 Revenue from Contracts with Customers, will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard includes a five-step model by which sales revenue is recognized when control of a good or service transfers to a customer. Revenue is recognized in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Company has prepared a preliminary assessment about the effect of the adoption of IFRS 15 standard. This assessment will be updated during year 2017.

Kamux's business consists of retail and wholesale sales of used cars and integrated services sold to consumer and corporate customers. These goods and services have been identified in accordance with IFRS 15 as separate performance obligations.

In accordance with the Group's preliminary assessment the adoption of the standard will have an effect on the different streams of net sales as follows:

In sales of used cars the customer obtains control over the sold product at the time of delivery of the car and the adoption of the standard does not have a material effect regarding the timing of obtaining control.

Regarding Kamux Plus -service which extends the seller's statutory liability for defects the adoption of the standard is assessed to have no material effect.

The analysis prepared by the Group shows that, in both under the present and new standard, the Group operates as an agent towards the customer regarding the finance and insurance products from the third parties. Kamux shows the income derived from the sales of third party finance and insurance products as net amount in its net sales at the time it has fulfilled its obligations from providing the services. The Group is assessing the effects of adoption of the new standard regarding the variable contingencies derived from sales of third party finance services.

The management assesses that adoption of the new standard will not have a material effect on the consolidated financial statements regarding the timing or amount of net sales to be recognized. However, adoption of the standard may have an effect on the consolidated financial statements through the new disclosure requirements.

The standard is effective for accounting periods beginning on or after January 1, 2018. The Group plans to adopt IFRS 15 standard at January 1, 2018 by using the method of retrospective application. Adoption of the standard will increase the amount of disclosures.

**IFRS 16 Leases and associated amendments to various other standards**

IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires for virtually all lease contracts recognition of an asset (the right to use the leased item) and a financial liability to pay rentals. An optional exemption exists for short-term and low-value leases.

The Kamux's statement of profit and loss will also be affected because by the new method the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, lease payment in operating expenses will be replaced with interest and depreciation, so key metrics like EBITDA and operating profit will change.

Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows. Kamux has not yet calculated the total effects of adopting IFRS 16 standard in its consolidated financial statements. Taking into consideration that Kamux has leased into its use many stores and office premises from third parties for longer period than one year by cancellable contracts, the standard will have a significant effect on Kamux's consolidated financial statements. Kamux expects that the amount of leased assets and correspondent lease liabilities will increase significantly. In addition, the related rental costs are classified as depreciation and finance cost.

Kamux had non-cancellable lease commitments for operational leases totaling EUR 17,8 million (see Note 4.3.) on December 31, 2016. However, Kamux has not yet determined the extent to which these commitments and other leases will be recognized in the future as assets and liabilities in the balance sheet, nor how the adoption of the standard will impact the presentation of the Group's statements of comprehensive income and cash flows. Defining the impacts requires management to exercise judgment on the expected duration of indefinite leases and use of extension options embedded in some leases.

The standard is effective for accounting periods beginning on or after January 1, 2019. At this stage Kamux assesses that it will not apply the standard before its effective date.

# Signatures for the financial statements

Helsinki, April 12, 2017

/s/ Matti Virtanen

**Matti Virtanen**
Chairman of the Board

/s/ Jokke Paananen

**Jokke Paananen**
Member of the Board

/s/ David Nuutinen

**David Nuutinen**
Member of the Board

/s/ Inka Mero

**Inka Mero**
Member of the Board

/s/ Vesa Uotila

**Vesa Uotila**
Member of the Board

/s/ Reija Laaksonen

**Reija Laaksonen**
Member of the Board

/s/ Juha Kalliokoski

**Juha Kalliokoski**
CEO

**The Auditor's Note**

A report on the audit performed has been issued today.

Helsinki, April 12, 2017

**PricewaterhouseCoopers Oy**
Authorized Public Accountants

/s/ Janne Rajalahti

**Janne Rajalahti**
Authorized Public Accountant

KAMUX™