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**Mint of Finland Group's
Report of the Board of
Directors 2019**

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REPORT OF THE BOARD OF DIRECTORS

Operating environment

Mint of Finland is one of the world's leading mints in terms of exports. The company manufactures circulation and commemorative coins and blanks. Most of the company's production is exported. Asia, Europe, Africa and Latin America were Mint of Finland's most important areas in 2019. Finland accounted for 7% of the company's revenue. Customers are largely central banks and mints worldwide.

Most of the company's business is of a project nature based on non-recurring or multiannual agreements. Mint of Finland Group comprises Mint of Finland Ltd, Mint of Finland GmbH and the Spanish blank manufacturer Compañía Europea de Cosepeles S.A. (CECO SA), in which Mint of Finland and Fábrica Nacional de Moneda y Timbre-Real Casa de la Moneda (Royal Mint of Spain) each has a 50% holding.

Significant overcapacity in the industry has resulted in tougher competition on the international markets and is in turn reflected in fierce price competition. Whereas most European countries are closed to competition, there is a demand for blank and circulation coin suppliers in developing countries.

Various new means of payment continue to be rolled out and this has led to a growing need to examine the future of cash as a means of payment. Cash has so far retained its position in minor transactions, which continue to account for a significant share of transactions worldwide, even though in the Nordic countries digital payments are accounting for a growing share of minor transactions. To compensate for future declining demand, the company actively strives to develop new business and new business models.

Revenue and result

Consolidated revenue was down year on year and amounted to €56.8m (2018: €71.6m). Operating profit before depreciation on consolidated goodwill (EBITA) decreased to €0.5m (€3.3m). The operating result was a loss of €1.4m, which equates to -2.4% of revenue (2018: +€1.4m, +2.0% of revenue). The Group's result for the accounting period was -€1.6, which equates to -2.8% of revenue (2018: +€1.1m, +1.5% of revenue). Lower profitability was mainly attributable to smaller volumes compared to a year earlier, but continued greater production efficiency and lower fixed costs had a positive impact on earnings.

The blank business has contracted since 2018 and also profitability was down significantly. A low capacity utilisation rate in blank production persisted throughout the year due to low order books and marketing activities. Demand improved towards the end of the year, particularly in Asia.

In the circulation coins business, volumes remained flat compared to 2018 and profitability was good. The capacity utilisation rate in circulation coin production fluctuated greatly between months, especially during the first half of the year. Fluctuation in capacity utilisation reflects the cyclical nature of the industry, which is a result of central banks' purchasing cycles.

Revenue in the commemorative coins business was down year on year, with domestic sales accounting for most of the decrease.

Balance sheet and cash flow

The balance sheet total at year-end 2019 was €50.6m (2018: €58.1m). Cash and cash equivalents contracted €2.1m and at year-end were €1.7m (€3.7m). Current liabilities decreased €12.4m to €14.9m (€27.3m). Investment at year-end 2019 was €41.4m (2018: €47.9m) and return on investment was -3.1% (+2.9%).

Funding in respect of the real estate in Vantaa was restructured through a €10 million interest rate corridor in February 2019.

Consolidated cash flow from operating activities in 2018 was +€4.6m (2018: +€7.3m). Cash flow from investing activities in 2019 was -€1.4m (-€1.2m) and cash flow from financing activities -€5.3m, compared to -€4.1m a year earlier.

The company's equity ratio at the end of the year was 50,6 (46,8) %. Return on equity was -6,0 (+4,1) %.

Investments

Group net investments in fixed assets were €1.5m (2018: €1.2m). The most significant investments were in production equipment and in a wastewater treatment system in the German unit.

Key performance indicators 2015-2019**Mint of Finland Group**

	2019	2018	2017	2016	2015
Revenue (€1 000)	56 829	71 604	85 099	66 448	88 091
Change in revenue %	-20,6 %	-15,9 %	28,1 %	-24,6 %	15,6 %
Operating profit/loss, %	-2,4 %	2,0 %	-2,1 %	-2,6 %	-4,3 %
ROE, %	-6,0 %	4,1 %	-8,6 %	-7,6 %	-12,8 %
ROI, %	-3,1 %	2,9 %	-3,8 %	-3,2 %	-6,1 %
Equity ratio, %	50,6 %	46,8 %	44,2 %	44,1 %	45,8 %
Personnel, average	162	166	174	191	195

Mint of Finland Ltd

	2019	2018	2017	2016	2015
Revenue (€1 000)	42 210	54 576	66 824	40 752	48 839
Change in revenue %	-22,7 %	-18,3 %	64,0 %	-16,6 %	108,2 %
Operating profit/loss, %	2,3 %	5,2 %	-0,8 %	-2,9 %	0,3 %
ROE, %	2,0 %	6,6 %	-1,4 %	-2,8 %	-1,5 %
ROI, %	1,1 %	4,2 %	-1,3 %	-2,0 %	-1,4 %
Equity ratio, %	68,1 %	61,9 %	61,1 %	58,7 %	56,2 %
Personnel, average	54	56	62	65	63

The formula for the calculation of key performance indicators can be found in the accounting principles.

Personnel

During the year the Group employed an average of 162 persons (2018: 166), 54 (2018: 56) of whom worked in Finland. At year-end, there were a total of 159 persons in the Group's service. Wages and salaries paid to employees during the report year amounted to €7.5m (2018: €7.3m).

Management remuneration

In 2019, the Board of Directors were paid fees of €144,840 (2018: €133k). During the report year, the CEO was paid a fixed salary of €213,651 and the Management Team was paid €648,179. The financial statements include target bonuses of €73,440 paid to the CEO and €116,670 paid to the Management Team. The company has no long-term incentive programme. The company had no supplementary pension arrangements in place at year-end 2019.

Organisation

The company's CEO is Jonne Hankimaa. In August, Mikko Leino, Vice President Operations and Logistics, left to take up a new position outside the company. In conjunction with this, Pekka Myllymäki, Vantaa Plant Manager, and Dirk Höhne, Managing Director of Mint of Finland GmbH, switched to reporting to the CEO and were appointed to the Management Team. Patrik Sjöblom joined Mint of Finland as the new CFO in November 2019. His remit also includes IT and sourcing and he is a member of the Management Team.

Risk management

Risks at Mint of Finland relate both to changes taking place in the operating environment and in the company's operating activities.

Fluctuations in metal prices expose the company to risks that relate to the pricing of tenders. Efforts are made to mitigate this risk by negotiating fixed prices with metals suppliers as early as possible for projects and by negotiating price revision clauses in sales agreements to eliminate the risks associated with price changes.

Mint of Finland is also dependent on the delivery reliability of its materials suppliers. To minimise this risk, the most important suppliers are evaluated at least once a year. In addition, it is important to be able to recognise the most critical materials and suppliers for each project and to align our own operations to demands.

Forex risks are minimised by hedging all significant items denominated in foreign currencies.

Operative risks involve potential process and quality issues, faults, malfunction of machinery or systems, which in turn could lead to delivery delays and unpredicted costs. Operative risks also include demand and customer risks. Demand risks means fluctuations in demand and economic, political and operative risks relating to the company's different market areas. Customer risks refers to changes in the buying behaviour of major individual customers, the project-like nature of operations, dependency on a number of customers. Global excess capacity and the approaches of different actors make for a challenging business playing field.

With regard to insurance, efforts have been made to build comprehensive cost-effective insurance cover.

Decisions of the Annual General Meeting

Mint of Finland's Annual General Meeting was held in Helsinki on 28 March 2019. The Meeting adopted the financial statements for 2018 and discharged members of the Board of Directors and the CEO from liability for the accounting period 1 January-31 December 2018.

Kaisa Vikkula, Päivi Nerg, Petri Vihervuori, Pekka Leskinen and Ari Viinikkala were elected as members of the Board of Directors. Kaisa Vikkula was elected as chairperson to the Board of Directors and Pekka Leskinen as vice chairperson. Authorised Public Accountant Firm EY were re-appointed as the company's auditors.

The fee for the chairperson of the Board of Directors was fixed at €2,800 a month, the vice chairperson's fee at €1,970 a month and ordinary members at €1,400 a month. In addition, an attendance fee of €600 is paid to each member for each meeting at which he or she is present. In addition, it was confirmed that members of the Board of Directors' committees to be established would be paid an attendance fee of €600 for each committee meeting at which he or she is present. During 2019, the Board of Directors met nine times and held three email meetings.

In its meeting on 25 January 2019, the Board of Directors resolved to establish an Audit Committee, which is tasked with assisting the Board in preparing matters for which the Board is responsible. The company's Board of Directors and its members, as a college, remain responsible jointly and severally also for the tasks assigned to the Audit Committee, which has no independent decision-making authority. Ari Viinikkala was appointed to chair the Audit Committee and Kaisa Vikkula was appointed as a member. The Audit Committee met 4 times during the year.

Share capital

The company's share capital at 31 December 2019 was €5,000,000. The company has 16,000 shares, each of which conveys one (1) vote at shareholder meetings. At year-end 2019, the Finnish State owned all the shares.

Market and business outlook for 2020

Competition in the industry is tough and margins are very low. The arrival of new actors on the international market, especially in the coin blank business, further increases competition. The coin blank business is characterised by excess capacity on the one hand, although on the other hand most suppliers have been unable to optimise their production processes in response to peaks in demand and thus their operations suffer from bottlenecks.

The outlook for blanks is good for 2020. The cyclicity of the circulation coin business is reflected in low order books earlier in the year and this will affect profitability.

Events since the balance sheet date

At this stage, it is still difficult to assess the uncertainty and implications ensuing from the covid-19 pandemic spreading around the world and in Finland. However, the increased risks to business are obvious and they will to some extent affect our performance, at least in the short term.

Board of Directors' proposal for the distribution of profit

Mint of Finland Ltd's Board of Directors proposes that the parent company pay no dividend for 2019 and that the profit of €842,701.25 be retained.

Annual General Meeting

Mint of Finland Ltd's Annual General Meeting will be held on Tuesday 31 March 2020 at the Mint of Finland, Suokallionkuja 4, 01740 Vantaa, it's also possible to participate remotely.

Vantaa, 19 March 2020
Mint of Finland Ltd's Board of Directors

Mint of Finland Group

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