

2



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

20

## 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 mints metallic coins and coin blanks to order and provides customers with associated related services. Most of the company's production is exported, with Asia, Europe and Latin America being the most important market areas in 2020. Finland accounted for 1% of the company's revenue. Customers are mainly 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 Cospelés S.A. (CECO SA), in which Mint of Finland and Fábrica Nacional de Moneda y Timbre-Real Casa de la Monedan (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. The effects of the Covid-19 pandemic on demand in the short term has been seen in invitations to tender being pushed back, whereas the long-term effect is still uncertain. To compensate for future declining demand, the company actively strives to develop new business and new business models.

### Revenue and result

Consolidated revenue remained more or less flat year on year and amounted to €57.2. (2019: €56.8m). Operating profit before depreciation on consolidated goodwill (EBITA) decreased to -€3.2m (€0.5m). The operating result was a loss of €5.1m, which equates to -9.0% of revenue (2019: -€1.4m, -2.4% of revenue). The Group's result for the accounting period was -€5.1m or -8.9% of revenue (2019: -€1.6m or -2.8% of revenue). Lower profitability was attributable to the product range, the low utilisation rate in the circulation coin business, investments in the IT environment and in new business opportunities, as well as extra costs caused by Covid-19. The company also rolled out cost saving measures to mitigate the effects of the low utilisation rate and Covid-19.

The blank business has shown clear growth since 2019 but relative profitability weakened. This was affected by the challenges of the pandemic, a high workload and additional investments in the supply chain that helped us to keep promises to customers. The capacity utilisation rate in blank production was at a good level throughout the year. Demand for finished blanks was lower later in the year than earlier in the year.

The Circulation Coins business has contracted significantly since 2019 and profitability weakened. The capacity utilisation rate in circulation coin production was low during the first half of the year but improved in the second half because of good order intake. The 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 has decreased since 2019. During the year, the sale of collector items in the online store was discontinued and the Commemorative Coins business has now been merged into the Circulation Coins business.

## Balance sheet and cash flow

The consolidated balance sheet total at year-end 2020 was €71.5m (2019: €50.6m). Cash and cash equivalents contracted €0.9m and at year-end were €0.8m (€1.7m). Current liabilities increased €21.8m to €36.6m (€14.9m). This was affected by a major project tying up working capital and which will largely be recognised in the coming accounting period. Investment at year-end 2020 was €51.6m (2019: €41.4m) and return on investment was -11.1% (-3.1%).

To ensure working capital financing for ongoing customer projects, the company agreed a €17m revolving credit facility instead of the €8m facility.

Consolidated cash flow from operating activities in 2020 was -€9.9m (2019: +€4.6m). Cash flow from investing activities in 2020 was -€0.6m (-€1.4m) and cash flow from financing activities +€9.6m, compared to -€5.3m a year earlier.

The company's equity ratio at the end of the year was 36.5% (50.6%). Return on equity was -19.8% (-6.0%).

## Investments

Group net investments in fixed assets were €0.9m (2019: €1.5m). The most significant investments were in production equipment and in the Finnish and German units.

## Key performance indicators 2016-2020

Mint of Finland Group	2020	2019	2018	2017	2016
Revenue (€1 000)	57 163	56 829	71 604	85 099	66 448
Change in revenue, %	0.6%	-20.6%	-15.9%	28.1%	-24.6%
Operating profit (€1 000)	-5 142	-1 383	1 414	-1 793	-1 755
Operating profit, %	-9.0%	-2.4%	2.0%	-2.1%	-2.6%
ROE, %	-19.8%	-6.0%	4.1%	-8.6%	-7.6%
ROI, %	-11.1%	-3.1%	2.9%	-3.8%	-3.2%
Equity ratio, %	36.5%	50.6%	46.8%	44.2%	44.1%
Personnel, average	174	162	166	174	191
<b>Mint of Finland Ltd</b>					
Revenue (€1 000)	38 036	42 210	54 576	66 824	40 752
Change in revenue, %	-9.9%	-22.7%	-18.3%	64.0%	-16.6%
Operating profit (€1 000)	-1 609	977	2 851	-552	-1 167
Operating profit, %	-4.2%	2.3%	5.2%	-0.8%	-2.9%
ROE, %	-45.3%	2.0%	6.6%	-1.4%	-2.8%
ROI, %	-3.2%	1.1%	4.2%	-1.3%	-2.0%
Equity ratio, %	38.0%	68.1%	61.9%	61.1%	58.7%
Personnel, average	53	54	56	62	65

## Personnel

During the year, the Group employed an average of 174 persons (2019: 162 persons), 53 (2019: 54) of whom worked in Finland. At year-end, there were a total of 174 persons (2019: 159) in the Group's service. Wages and salaries paid to employees during the report year amounted to €7.8m (2019: €7.5m).

## Management remuneration

In 2020, the Board of Directors were paid fees of €136,440 (2019: €145k). During the report year, the CEO was paid a fixed salary of €204,000 and the Management Team was paid €621,973. The financial statements include target bonuses of €18,360 paid to the CEO and €22,418 paid to the Management Team. The company has no long-term incentive programme. The CEO and Finnish members of the

Management Team have no supplementary pensions. The managing director of the German subsidiary who was in the Management Team in 2020 has a contribution-based supplementary pension in line with local market practice.

## Organisation

The company's CEO is Jonne Hankimaa. Members of the Management Team were Sirpa Kuusirati, Vice President, Sales; Patrik Sjöblom, CFO; Minna Toiviainen, General Counsel; Pekka Myllymäki, Vantaa Plant Manager; Dirk Höhne, Managing Director of Mint of Finland GmbH and until September, Henna Karjalainen, Vice President, Communications.

## 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 regular intervals. 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.

Currency 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 in circulation coins and blanks the project-like nature of operations, dependency on a number of customers. Customer risks refers to changes in the buying behaviour of major individual 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.

The Covid-19 pandemic added to the risks in the operating environment and, for example, suppliers' delivery reliability weakened and customer payment processing lasts longer. These in turn impacted the company's own delivery reliability and liquidity. Using proactive measures and invoking force-majeure clauses in agreements, it was possible to reduce the impact on operations.

## Decisions of the Annual General Meeting

Mint of Finland's Annual General Meeting was held in Helsinki on 31 March 2020. The Meeting adopted the financial statements for 2019 and discharged members of the Board of Directors and the CEO from liability for the accounting period 1 January-31 December 2019.

Kaisa Vikkula, Päivi Nerg, Petri Vihervuori, Pekka Leskinen and Ari Viinikkala were re-elected as members of the Board of Directors. Kaisa Vikkula was re-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 Audit Committee and members of any other 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 2020, the Board of Directors met nine times and held two email meetings.

Ari Viinikkala was appointed to chair the Audit Committee and Kaisa Vikkula was appointed as a member. The Audit Committee met four times during the year.

Because of the Covid-19 situation, members could attend Board of Directors and Audit Committee meetings remotely via Teams.

### **Share capital**

The company's share capital at 31 December 2020 was €5,000,000. The company has 16,000 shares, each of which conveys one (1) vote at shareholder meetings. At year-end 2020, the Finnish State owned all the shares.

### **Market and business outlook for 2021**

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.

Because of the good order intake in 2020, the outlook for 2021 is good and earnings are expected to improve and turn positive.

### **Events since the balance sheet date**

There have been no significant events since the balance sheet date.

### **Board of Directors' proposal for the distribution of profit**

Mint of Finland Ltd's Board of Directors proposes that the company pay no dividend for 2020 and that the loss of €16,000,486.46 be retained.

### **Annual General Meeting**

Mint of Finland Ltd's Annual General Meeting will be held on Wednesday 21 April 2021 starting at 12.30 at Mint of Finland Ltd's premises at Suokallionkuja 4, 01740 Vantaa. It will also be possible to attend the meeting remotely.

Vantaa, 18 March 2021  
Mint of Finland Ltd's Board of Directors