

ANNUAL REPORT



# ANNUAL REPORT 2016-2017

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WE PROMOTE WELL-BEING IN FINLAND BY SUPPORTING VARIOUS TYPES OF CHARITABLE WORK, INCLUDING WORK WITH CHILDREN AND YOUTH, EDUCATION, SPORTS, CULTURE, WAR VETERANS AND NATIONAL DEFENCE.

## **BROMAN GROUP**

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## **BROMAN GROUP**

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# Family Business of the Year in Finland for the second time, and an excellent result

In autumn 2017, our company was chosen by Ernst & Young as the Family Business of the Year. To commemorate Finland's 100th anniversary, the winner was selected from among family businesses who had participated in the EY Entrepreneur of the Year competition since 2003. According to the selection body, one of the selection criteria was our long established charity work, in addition to the excellent business result. Our donations for good causes have been noticed and will be continued. The selection as the Family Business of the Year is a great recognition for the excellent work of our staff and we can all be proud of it.

**Our success enabled us to pay a total of almost 1,5 million euros of staff bonuses during the financial period**

The year under review was another year of success and our result was excellent. Our sales grew to 333.2 million euros – a growth of 9.6% compared to the previous year. The result after taxes was 30.3 million euros. Our equity ratio was excellent, 70%. We continued our investment programme and took on about a hundred new employees. Our success enabled us to pay a total of almost 1.5 million euros of staff bonuses during the financial period.

#### **Competition tightens and pricing has become transparent**

International online sales have grown significantly over the past few years. We, too, must react to the tightened competition. We have to pay even more attention to our pricing. We want to hold on to our good price-quality ratio. The significance of correct purchases will be notably emphasised in the future. Products shall be transported from the manufacturer to our outlets as directly as possible. This will be one of the most important strategic objectives for us in the years to come. We need to intensify our own logistic operations. We want to create new, innovative solutions together with our partners to lower the costs of both parties. This is the only way in which we will both be successful.

#### **Job satisfaction is high and our operations keep improving**

Antti Tiitola has led the Group's business operations for slightly over a year now. Our organisation has been strengthened and many development projects initiated. Our operations are developing in a varied manner, which I believe will also show to our customers as an improved service. The job satisfaction of our staff has improved, too. For this, I would like to give special thanks to our managers and supervisors. I am proud of our staff and the customer feedback I have received. A warm thank you to the entire staff for a successful year. I would also like to extend my thanks to our partners for the past year.

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**THE SELECTION AS THE FAMILY BUSINESS OF THE YEAR IS A GREAT RECOGNITION FOR THE EXCELLENT WORK OF OUR STAFF AND WE CAN ALL BE PROUD OF IT.**



**EERO BROMAN**  
BROMAN GROUP  
the Chairman of the  
Board of Directors





”  
**BOTH THE POSITIVE AND THE  
CONSTRUCTIVE FEEDBACK FROM OUR  
STAFF GUIDES US EVERY DAY  
IN OUR ATTEMPT TO DEVELOP THE  
OPERATIONS FOR THE BENEFIT OF  
OUR CUSTOMERS.**

**ANTTI TIITOLA**  
MOTONET, AD VARAOSAMAAILMA,  
BROMAN LOGISTICS  
Managing Director

## Motonet continues its growth

Despite increased competition, we have been able to continue our profitable growth. During the period under review, we opened new department stores in Mikkeli and Kokkola. In addition, our Hämeenlinna outlet moved to new premises

We have been moderate in establishing new outlets during the past financial period, and this has enabled us to focus on the development of our other operations. We have continued to develop our product range and services. As for our product range, we have focused more attention on purchasing and cooperation with our numerous suppliers. In January 2017, we established a purchasing office in San Diego in the United States. We have also considerably strengthened and renewed our purchasing organisation. This will provide a solid basis for our future development.

### **Sales nearly 300 million euros**

Our sales for the period increased by 11.0%, being 298.9 million euros. Our operating profit increased by 6.5% to 37.5 million euros. Our profitability is excellent. The heavy investments in the product range and in marketing have brought us new customers: we now have more than 1.3 million loyal customers.

### **Motonet extends its services**

The active development of services available in connection with our department stores has continued. Our customers have welcomed the Motomaatti testing and service stations. We now have Motonet repair shops in 18 localities, and more will be established. We are trying out car wash services in five locations. In addition to the above-mentioned additional services, we have introduced liquid gas sales and distribution in all our outlets.

### **Year 2018**

In October, at the beginning of the present financial period, we moved to new premises in Lappeenranta, where Motonet and Varaosamaailma with their auxiliary services are now located under one roof. In October, we also opened a new department store in Kerava. In spring 2018, we will move to new premises in Rovaniemi and open a new department store in Kaarina. In summer 2018, we intend to open a new department store in Hannuksenpelto, Espoo.

Our strong growth over the past few years has enabled us to hire plenty of new employees for interesting and versatile duties. Both the positive and the constructive feedback from our staff guides us every day in our attempt to develop the operations for the benefit of our customers. I would like to thank the Motonet staff for a job well done – our joined efforts to improve the operations will continue.

**MOTONET OY**  
Managing Director's  
Review

**The heavy  
investments in the  
product range and  
in marketing have  
brought us new  
customers: we now  
have more than  
1.3 million loyal  
customers**

# The operational environment of spare parts trade is undergoing changes

The national sales of the spare parts sector remained at the same level as last year. The mild winter did not promote sales, and this is reflected in the growth figures of the entire year. The structural changes we made shifted customer sales to Motonet.

The sales of Varaosamaailma Oy for the financial period decreased by 4.2%, being 31.9 million euros. Our operating profit decreased respectively by 20.4% to 1.2 million euros.

## Heavy investments is new corporate sales outlets

In the period under review, we closed our Jukolankatu outlet in Joensuu, and focused on the development of corporate sales in the Helsinki area. In the spring, we opened a service centre in Roihupelto, Helsinki, to serve our corporate customers in the metropolitan area.

At the beginning of the new financial period, we expanded corporate sales in the Helsinki area by opening outlets in Konala (Helsinki), Espoo and Kerava. Furthermore, we opened a new corporate sales outlet in Kokkola. Consequently, we now have a network of altogether 26 corporate outlets. This provides us with a good chance to develop the operations.

## Year 2018

To meet our customers' needs, we will develop the operating concepts of both the separate AD Varaosamaailma outlets (6), as well as the combined MotVom shops. Due to the competitive situation and major changes in the repair shop sector, this is essential. We will continue to focus on the development of our services and want to ensure the best services in our sector by investing in our personnel. I want to thank the staff of Varaosamaailma for their excellent work contribution.

**We now have a network of altogether 26 corporate outlets. This provides us with a good chance to develop the operations**

# Logistics centre as the core of our operations

The logistics centre in Hyvinkää was renamed during the financial period: the name BG Varasto Oy changed to Broman Logistics Oy, which describes its operations better. We extended our logistics centre further during the financial period. This was the fourth building project on the property.

The Hyvinkää logistics centre has been developed in a determined manner since its establishment. The distribution centre, originally 13,000 square metres in size, has again expanded to new dimensions and now encompasses 43,000 square metres.

## Efficient logistics means secure operations

The sales of Broman Logistics increased by 3.2%, amounting to 94.4 million euros during the past financial period. Our operating profit was 0.8 million euros. The average number of personnel during the period reviewed was 72.

The inauguration of the extension completed in 2017 was started in early December, and it will be in full use in early 2018. The extension will enable us to strengthen our own import operations and to serve both our own outlets and our partners better. With the extension, we will hire more personnel to Hyvinkää.

Broman Logistics is one of Finland's most efficient distribution centres. The entire staff deserves recognition for their excellent contribution

## SOME OF THE BRANDS WE REPRESENT



## LOGISTICS CENTRE

surface area	43 100 sq. m
volume	438 400 cu. m
pallet spaces	53 000
shelves for small items	36 km

IN ADDITION, A STORAGE ROOM FOR FLAMMABLE LIQUIDS

”  
**THE FOUNDER OF BROMAN GROUP,  
VÄINÖ H. BROMAN, AND THE  
REPRESENTATIVES OF THE PRESENT  
GENERATION, EERO AND HARRI  
BROMAN, WERE PRESENTED WITH THE  
FINNISH FAMILY BUSINESS AWARD  
IN 2017**

## Broman Group - Patriotic and responsible

Finland is a magnificent place to live and do business. We wish to congratulate and extend our thanks to Finland on its 100 years of independence, along with all of its citizens.

Broman Group is patriotic and particularly proud of being Finnish. We aim to act in a socially responsible manner. We work not just for the good of our company, but for the good of the surrounding society. We promote well-being in Finland by supporting various types of charitable work, including work with children and youth, education, sports, culture, war veterans and national defence. Broman Group's social responsibility is evidenced by the several awards for merit we have received.

The founder of Broman Group, Väinö H. Broman, and the representatives of the present generation, Eero and Harri Broman, were presented with the Finnish Family Business Award in 2017. The judges described Broman Group as a methodical growth company, whose success is backed up by the family's determination and investment in the company.

**The judges described Broman Group as a methodical growth company, whose success is backed by the family's determination and investment in the company**

### **Brisk growth of the customer loyalty programme**

Motonet's customer loyalty programme has been growing briskly, and it continues its growth. Almost every fifth Finn is a loyal customer of Motonet. This provides us with the opportunity to focus our marketing efforts with precision. During the financial period under review, more than 150,000 new customers joined the customer loyalty programme. We offer our loyal customers hundreds of topical offers and benefits each month. By joining our customer loyalty programme, you will also support Finnish work. Our determined work to develop the customer loyalty programme, along with our business operations, continues.

### **Awards for merit and prizes received in the 2000s**

- EY Family Business Award of Excellence in Finland 2017
- Trainer Company of the Year in North Karelia 2016
- Family Business of the Year 2015, Finnish Family Firms Association
- Top Family Business in Europe in 2013 by Campden FB
- Regional Developer 2011
- Commercial Growth Business 2009
- National Entrepreneur Award 2000



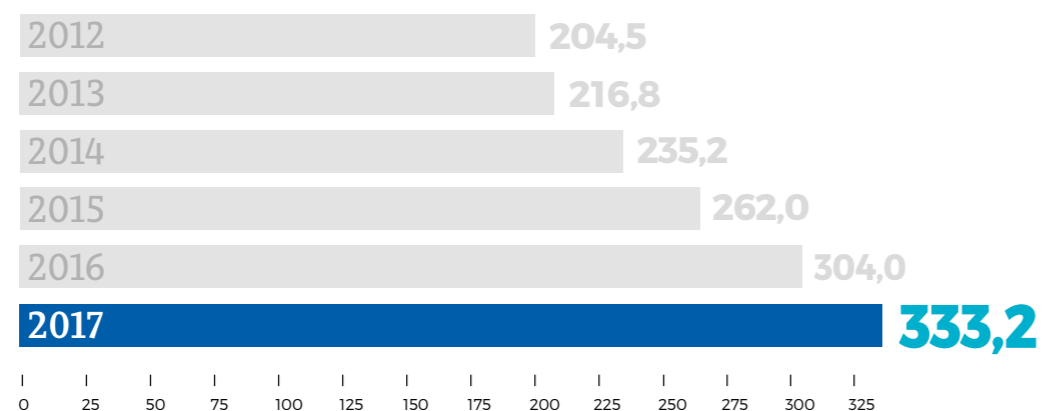
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**OUR SALES GREW TO 333.2 MILLION  
EUROS — A GROWTH OF 9.6%  
COMPARED TO THE PREVIOUS YEAR.  
THE RESULT AFTER TAXES WAS  
30.3 MILLION EUROS. OUR EQUITY  
RATIO WAS EXCELLENT, 70%.**

**EERO BROMAN**  
BROMAN GROUP  
the Chairman of  
the Board of Directors

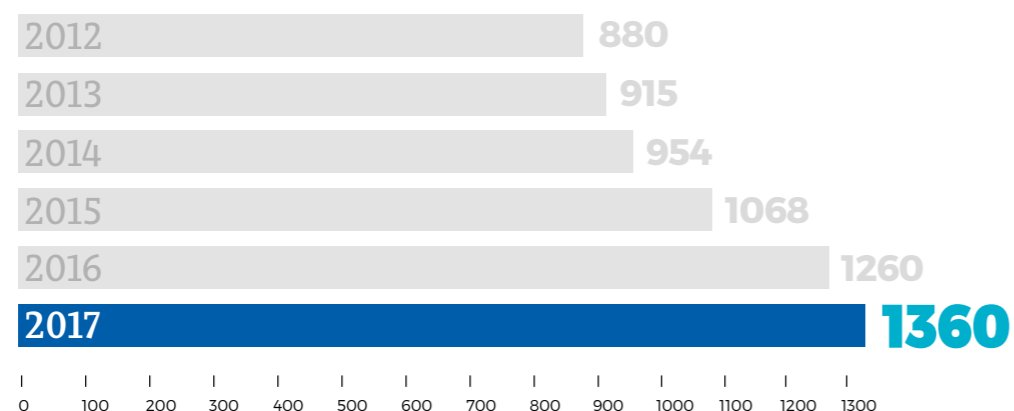
# FINANCIAL STATEMENTS

## Business indicators

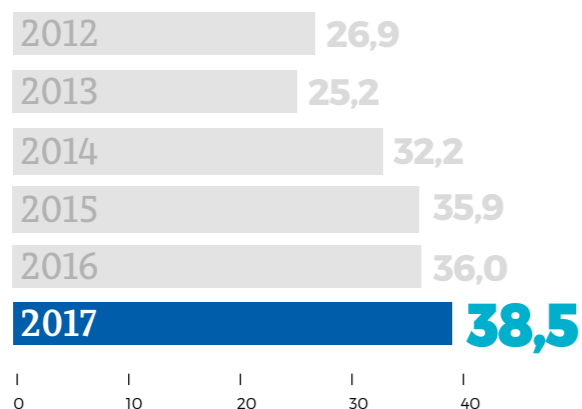
### SALES / €M



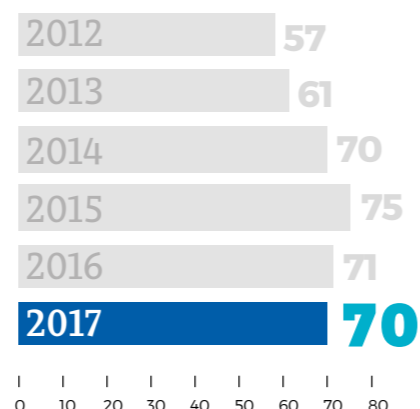
### NUMBER OF PERSONNEL



### OPERATING PROFIT / €M



### EQUITY RATIO / %



## Consolidated profit and loss account

CONSOLIDATED PROFIT AND LOSS ACCOUNT	1.10.2016 30.9.2017	1.10.2015 30.9.2016
<b>SALES</b>	<b>333 247 982,85</b>	<b>304 035 314,93</b>
Other operating income	4 075 168,00	2 020 289,32
Materials and services		
Materials, supplies and consumables		
Purchases during the financial period	-205 765 786,58	-205 051 397,76
Change in inventories	4 467 803,67	24 642 466,59
Materials and services	-201 297 982,91	-180 408 931,17
Personnel expenses		
Wages, salaries and fees	-43 185 992,38	-39 733 721,10
Social security expenses		
Pension expenses	-7 952 724,23	-7 175 837,18
Other social security expenses	-2 226 173,06	-2 363 135,26
Social security expenses	-10 178 897,29	-9 538 972,44
Personnel expenses	-53 364 889,67	-49 272 693,54
Depreciation and reduction in value	-8 369 277,65	-7 810 468,17
Other operating expenses	-35 747 062,14	-32 531 678,88
<b>OPERATING PROFIT</b>	<b>38 543 938,48</b>	<b>36 031 832,49</b>
Financial income and expenses		
Income from other investments in non-current assets	1 469,02	316,70
Other interest and financial income	105 164,49	208 843,32
Interest and other financial expenses	-707 578,02	-592 945,90
Financial income and expenses	-600 944,51	-383 785,88
<b>PROFIT BEFORE APPROPRIATIONS AND TAXES</b>	<b>37 942 993,97</b>	<b>35 648 046,61</b>
Taxes for the financial year and previous financial years	-7 678 086,90	-7 820 056,62
Imputed taxes	-2 856,54	4 011,92
Minority shares	-4 657,74	
<b>RESULT OF THE FINANCIAL PERIOD</b>	<b>30 257 392,79</b>	<b>27 832 001,91</b>



## Consolidated balance sheet

CONSOLIDATED BALANCE SHEET	30.9.2017	30.9.2016
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Intangible assets		
Intangible rights	88 579,12	18 633.04
Business value	0,00	23 000.00
Other long-term expenses	5 379 724,37	4 682 797.43
Intangible assets in total	5 468 303,49	4 724 430.47
Tangible assets		
Land and water areas	17 771 527,14	16 538 763.96
Buildings and constructions	71 592 660,98	67 890 574.07
Machinery and equipment	2 523 079,67	2 496 951.10
Other tangible assets	27 916,88	31 406.49
Prepayments and purchases in progress	18 971 943,58	1 593 927.39
Tangible assets in total	110 887 128,25	88 551 623.01
Investments		
Holdings in Group companies	178 435,18	178 435.18
Other shares and participations	357 140,13	358 480.13
Other investments	168 285,21	168 285.21
Investments in total	703 860,52	705 200.52
<b>NON-CURRENT ASSETS IN TOTAL</b>	<b>117 059 292,26</b>	<b>93 981 254.00</b>
<b>CURRENT ASSETS</b>		
Inventories		
Goods	110 589 403,01	105 249 108.41
Inventories	110 589 403,01	105 249 108.41
Receivables		
Non-current		
Receivables from Group companies	0,00	140 000.00
Loans receivable	4 470 000,00	4 235 000.0
Other receivables	35 600,00	35 600.00
Current		
Trade receivables	3 054 574,18	2 955 220.71
Receivables from Group companies	10 924,45	10 869.45
Loans receivable	22 402,92	7 282.70
Other receivables	2 228 260,35	987 105.71
Prepayments and accrued income	4 957 468,79	5 336 069.62
Total receivables	14 779 230,69	13 707 148.19
Marketable securities included in current assets		
Other shares and participations	100 000,00	100 000.00
Cash in hand and at banks	16 143 525, 18	4 995 509.06
<b>CURRENT ASSETS IN TOTAL</b>	<b>141 612 158,88</b>	<b>124 051 765.66</b>
<b>ASSETS IN TOTAL</b>	<b>258 671 451,14</b>	<b>218 033 019.66</b>

## Consolidated balance sheet

CONSOLIDATED BALANCE SHEET	30.9.2017	30.9.2016
<b>LIABILITIES</b>		
<b>SHAREHOLDER'S EQUITY</b>		
Share capital	360 000,00	360 000.00
Retained profit/loss	149 983 185,41	126 151 183.48
Net profit for the financial year	30 257 392,79	27 832 001.91
<b>SHAREHOLDER'S EQUITY IN TOTAL</b>	<b>180 597 215,06</b>	<b>154 343 185.39</b>
<b>LIABILITIES</b>		
Non-current		
Loans from credit institutions	26 299 560,50	12 862 620.00
Pension loans	11 500 000,00	13 000 000.00
Advances received	10 000,00	10 000.00
Imputed tax liability	24 466,87	21 610.34
Non-current liabilities in total	37 844 434,24	25 894 230.34
Current		
Loans from credit institutions	5 585 611,60	4 604 399.85
Pension loans	1 500 000,00	1 500 000.00
Trade payables	20 131 664,45	19 184 214.24
Other liabilities	6 947 057,09	5 627 944.51
Accruals and deferred income	6 058 184,35	6 879 045.33
Current liabilities in total	40 222 517,49	37 795 603.93
<b>LIABILITIES IN TOTAL</b>	<b>78 066 951,73</b>	<b>63 689 834.27</b>
<b>LIABILITIES IN TOTAL</b>	<b>258 671 451,14</b>	<b>218 033 019.66</b>

# Board of Directors

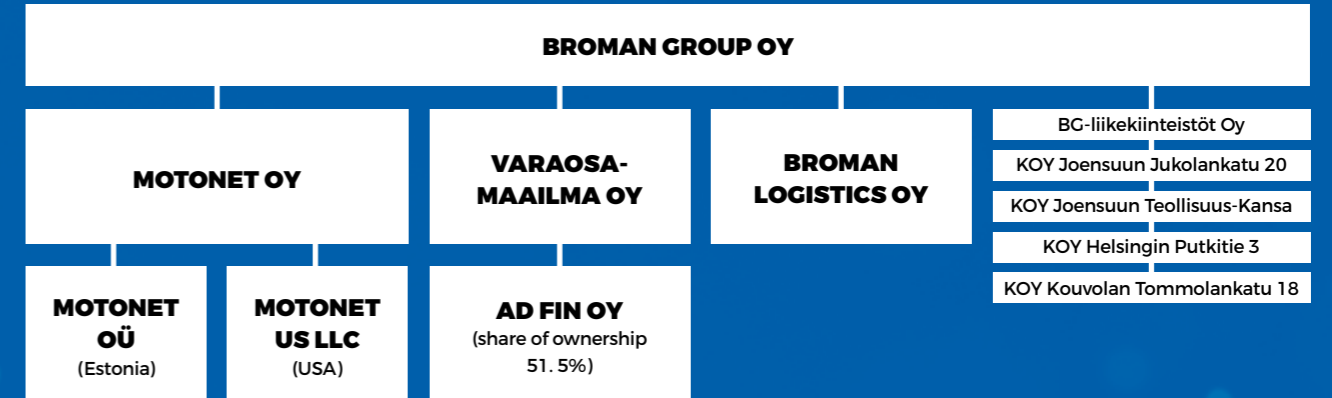
FROM TOP LEFT: **ANTTI TIITOLA, PETER AHLSTRÖM, EERO BROMAN, HARRI BROMAN, OUTI BROMAN** (BOARD SECRETARY)  
 FROM BOTTOM LEFT: **SANNA SUVANTO-HARSAAE, VÄINÖ H. BROMAN**



”  
**I AM PROUD OF OUR GROUP STAFF  
 AND THE CUSTOMER FEEDBACK I RECEIVED.**

**EERO BROMAN**  
 BROMAN GROUP  
 the Chairman of  
 the Board of Directors

# Group Organisation Chart



## Outlets

Our network now includes 57 outlets:  
 31 Motonet and 26 AD VaraosaMaailma outlets,  
 as well as a Motonet online shop.

-  **MOTONET** 31 OUTLETS
-  **AD VARAOSAMAAILMA** 26 OUTLETS
-  **BROMAN LOGISTICS CENTRE**
-  **BROMAN GROUP OFFICE**
-  **MOTONET OFFICE**



**BROMAN GROUP OY**

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