

# TOKMANNI

## HALF YEAR FINANCIAL REPORT



1 JANUARY – 30 JUNE 2016

# Tokmanni Group January–June 2016: Good growth and profitability

## Second quarter highlights

- Revenue grew 5.4% to EUR 192.4 million (182.5), clearly outperforming the market which grew 2.9% according to the FTGA (PTY)
- Like-for-like revenue grew 2.5%
- Gross profit totaled EUR 67.8 million (62.7), a gross margin of 35.2% (34.3%)
- Adjusted gross profit totaled EUR 67.1 million (64.1), an adjusted gross margin of 34.9% (35.1%)
- EBITDA amounted to EUR 16.4 million (10.8), 8.5% of revenue (5.9%)
- Adjusted EBITDA totaled EUR 15.2 million (12.9), 7.9% of revenue (7.1%)
- EBIT amounted to EUR 12.6 million (7.1), 6.6% of revenue (3.9%)
- Adjusted EBIT totaled EUR 11.4 million (9.3), 5.9% of revenue (5.1%)
- Cash flow from operating activities totaled EUR 23.6 million (12.5)
- Earnings per share 0.08 euro (0.08)
- Tokmanni was listed on the Nasdaq Helsinki Exchange list. The IPO impacted the company's capital structure, increasing equity and decreasing non-current liabilities. In connection with the IPO, Tokmanni refinanced its loans with better terms. At the end of June Tokmanni's equity totaled EUR 137.7 million (28.3) and non-current liabilities EUR 208.0 million (304.4)

## Highlights of the review period January-June 2016

- Revenue grew 4.4% to EUR 350.6 million (335.8), clearly outperforming the market which grew 1.1% according to the FTGA (PTY)
- Like-for-like revenue grew 1.5%
- Gross profit totaled EUR 119.5 million (113.4), gross margin improved to 34.1% (33.8%)
- Adjusted gross profit totaled EUR 119.6 million (114.4), adjusted gross margin 34.1% (34.1%)
- EBITDA amounted to EUR 17.5 million (11.5), 5.0% of revenue (3.4%)
- Adjusted EBITDA totaled EUR 17.4 million (14.7), 5.0% of revenue (4.4%)
- EBIT totaled EUR 9.9 million (4.2), 2.8% of revenue (1.2%)
- Adjusted EBIT totaled EUR 9.8 million (7.4), 2.8% of revenue (2.2%)
- Cash flow from operating activities amounted to EUR 8.3 million (-5.3)
- Earnings per share -0.05 euro (-0.22)

## Tokmanni's short term outlook 2016 unchanged

Despite Tokmanni's good performance during the first half 2016 and due to the market turbulence, Tokmanni has decided to leave its short-term outlook unchanged: Tokmanni estimates its revenue to grow based on the revenue growth from new and relocated stores opened in 2015 and 2016, and on revenue of like-for-like stores, which is expected to remain at the level of the previous year despite challenging market conditions.



## Key figures

	4-6/2016	4-6/2015	Change%	1-6/2016	1-6/2015	Change%	1-12/2015
Revenue, MEUR	192.4	182.5	5.4%	350.6	335.8	4.4%	755.3
Like-for-like revenue development, %	2.5			1.5			-0.6
Number of baskets, M	11.4	10.7	6.1%	20.8	19.9	4.6%	43.3
Gross profit, MEUR	67.8	62.7	8.1%	119.5	113.4	5.3%	257.5
Gross margin, %	35.2	34.3		34.1	33.8		34.1
Adjusted gross profit, MEUR	67.1	64.1	4.7%	119.6	114.4	4.5%	258.1
Adjusted gross margin, %	34.9	35.1		34.1	34.1		34.2
Operating expenses	-52.2	-52.8	-1.1%	-103.5	-103.7	-0.2%	-207.7
Adjusted operating expenses	-52.7	-52.1	1.3%	-103.7	-101.4	2.3%	-203.7
EBITDA, MEUR	16.4	10.8	52.4%	17.5	11.5	52.5%	53.9
EBITDA, %	8.5	5.9		5.0	3.4		7.1
Adjusted EBITDA, MEUR	15.2	12.9	17.5%	17.4	14.7	18.0%	58.5
Adjusted EBITDA, %	7.9	7.1		5.0	4.4		7.7
Operating profit (EBIT), MEUR	12.6	7.1	77.3%	9.9	4.2	136.7%	39.1
Operating profit margin EBIT, %	6.6	3.9		2.8	1.2		5.2
Adjusted EBIT, MEUR	11.4	9.3	22.8%	9.8	7.4	31.4%	43.7
Adjusted EBIT, %	5.9	5.1		2.8	2.2		5.8
Net financial items, MEUR	-7.2	-5.3	35.5%	-12.3	-10.6	16.5%	-20.9
Capital expenditure, MEUR	1.6	3.9	-58.1%	3.0	7.8	-62.0%	9.0
Net debt / adjusted EBITDA	2.6	3.3		2.6	3.3		2.7
Net cash from operating activities, MEUR	23.6	12.5		8.3	-5.3		35.0
Number of shares, weighted average during the financial period (thousands)	54 095	22 274		41 897	22 274		22 274
Earnings per share (EUR/share)	0.08	0.08		-0.05	-0.22		0.67
Personnel at the end of the period	3 503	3 487		3 503	3 487		3 293

### Adjustments affecting comparability

Tokmanni has used the non-IFRS measure EBITDA and made adjustments to improve comparability and give a better view of Tokmanni's operational performance. EBITDA represents operating profit before depreciation and amortization. Adjusted EBITDA represents EBITDA adjusted to exclude items that Tokmanni's management considers to be exceptional and non-trading items, including costs incurred from the IPO, brand harmonization costs, which are not expected to be incurred from 2016 onwards and annual changes in the fair value of electricity and currency derivatives, which are adjusted for by Tokmanni as they are unrealized gains or losses related to Tokmanni's open cash flow hedge positions, and hence not related to Tokmanni's operational performance during the periods under review. Tokmanni's management uses adjusted EBITDA and other measures mentioned below as a key performance indicators to assess Tokmanni's underlying operational performance.

### Adjustments affecting comparability

MEUR	4-6/2016	4-6/2015	1-6/2016	1-6/2015	1-12/2015
<b>Gross profit</b>	<b>67.8</b>	<b>62.7</b>	<b>119.5</b>	<b>113.4</b>	<b>257.5</b>
Changes in fair value of currency derivatives	-0.6	1.5	0.1	1.0	0.6
<b>Adjusted Gross Profit</b>	<b>67.1</b>	<b>64.1</b>	<b>119.6</b>	<b>114.4</b>	<b>258.1</b>
<b>Operating expenses</b>	<b>-52.2</b>	<b>-52.8</b>	<b>-103.5</b>	<b>-103.7</b>	<b>-207.7</b>
Changes in fair value of electricity derivatives	-0.6	0.1	-0.2	0.2	0.3
Brand harmonization costs	-	0.6	-	2.1	3.5
IPO costs*	-	-	-	-	0.2
<b>Adjusted operating expenses</b>	<b>-52.7</b>	<b>-52.1</b>	<b>-103.7</b>	<b>-101.4</b>	<b>-203.7</b>
<b>EBITDA</b>	<b>16.4</b>	<b>10.8</b>	<b>17.5</b>	<b>11.5</b>	<b>53.9</b>
<b>Operating profit (EBIT)</b>	<b>12.6</b>	<b>7.1</b>	<b>9.9</b>	<b>4.2</b>	<b>39.1</b>
Changes in fair value of currency derivatives	-0.6	1.5	0.1	1.0	0.6
Changes in fair value of electricity derivatives	-0.6	0.1	-0.2	0.2	0.3
Brand harmonization costs	-	0.6	-	2.1	3.5
IPO costs*	-	-	-	-	0.2
<b>Adjusted EBITDA</b>	<b>15.2</b>	<b>12.9</b>	<b>17.4</b>	<b>14.7</b>	<b>58.5</b>
<b>Adjusted operating profit (adj. EBIT)</b>	<b>11.4</b>	<b>9.3</b>	<b>9.8</b>	<b>7.4</b>	<b>43.7</b>

\*as of January 1<sup>st</sup>, 2016 IPO costs are recorded in the balance sheet.

## CEO Heikki Väänänen: A strong first half 2016

“Our attractive pricing, good customer experience, attractive assortment and efficient sourcing model and wide product offering continued to drive our business during the first half of 2016. We continued our market outperformance which was driven by revenue growth from new stores and was also supported by like-for-like revenue growth of 1.5%. I am particularly pleased that our number of baskets increased by almost 5% to 20.8 million which signals that the Tokmanni brand is becoming more and more recognized and that new customers are finding their way to our stores. The like-for-like growth was also driven partly by the liberalization of opening hours.



During the first half of 2016, our profitability improved, our cash flow was good and our financial position was stable. Having said that, we see that the challenges in the market continue and we will continue to work hard providing our customers good value for money with a wide and attractive assortment, and a pleasant shopping experience. At the same time our focus remains on managing costs and continuously developing our highly cash generative business model to meet our targets. Personally, I welcome the on-going legislative reforms in the retail market which will hopefully have a positive effect on our and the whole retail market development long-term.”

During the first half of 2016, our profitability improved, our cash flow was good and our financial position was stable.

## Market development

The total sales of the Finnish Grocery Trade Association's FTGA ([www.ptv.fi](http://www.ptv.fi)) member department stores and hypermarket chains increased by 2.9% in the second quarter of 2016 and 1.1% during the January-June 2016 period. Price competition remained strong, especially in the grocery retail market. The liberalization of opening hours reshuffled market structures slightly, benefiting larger stores and hypermarkets and having a more negative effect on smaller stores.

Although the non-grocery market, the market closest comparable to Tokmanni, declined by 1.2% for the January-June 2016 period, the trading conditions recovered slightly in the second quarter from the first quarter 2016 low levels. According to the FTGA the non-grocery market grew 5.4% compared to the corresponding period 2015, mainly due to the timing of Easter and the timing of competitor seasonal campaigning. In the second quarter of 2016, seasonal sales were stronger than during the comparable period 2015, mainly due to favorable weather conditions.



Tokmanni opened its 157th store in May 2016 in Raisio.

## Operational development

### Store network development

Based on efficient roll-out and short ramp up, opening new stores is one of the drivers for Tokmanni's revenue and earnings growth. Tokmanni has identified over 50 potential additional locations suitable for new and relocated stores across Finland. The target is to open approximately 5 new or relocated stores per year. A store can also be relocated to smaller, more efficient premises without losing its market position.

During the second quarter 2016 Tokmanni opened its 157<sup>th</sup> store in the center of Raisio with a selling area of approximately 2,300 square meters. Tokmanni will open a new store in Helsinki, Ruoholahti at the end of August. The store will have a selling

space of approximately 1,200 square meters. In addition to the two new stores mentioned above, Tokmanni has plans to relocate the Savonlinna and Kirkkonummi stores during 2016. For scheduling reasons there will be a slight shift towards the beginning of 2017 in two planned new store openings and relocations. Tokmanni has a good pipeline of suitable selling space and is continuously conducting negotiations for new store space, which may also include new openings in 2016.

During the second quarter 2016, Tokmanni continued implementing its store concept 2.0 as part of its refurbishment schedule. Normally approximately 15-20 stores are refurbished annually.

## Financial development

### Seasonality

Tokmanni's business is subject to seasonality, which results in fluctuations in Tokmanni's net working capital within the financial year, and has a significant effect on Tokmanni's revenue, results of operations and cash flows. Tokmanni's revenue and gross profit have traditionally been highest in the fourth quarter as a result of Christmas sales. Generally, revenue and gross profit are lowest in the first quarter and highest in the fourth quarter.

### Good revenue growth supported by like-for-like growth

Tokmanni's revenue for the second quarter 2016 grew 5.4% to EUR 192.4 million (182.5). Like-for-like revenue grew by 2.5% as a result of Tokmanni's efforts to develop the customer experience and price image as well as the attractive assortment. Tokmanni's customer amounts and the number of baskets increased from 10.7 million to 11.4 million, a growth of 6.1% compared to the corresponding period 2015 which shows that the Tokmanni brand is becoming more recognized and that new customers are finding their way to Tokmanni stores. The like-for-like revenue growth was partly attributable to the timing of Easter as well as the liberalization of the opening hours in the retail market. In the second quarter 2016 sales of seasonal products was good, whereas demand for grocery products was lower.

Tokmanni's revenue for the first half of 2016 totaled EUR 350.6 million (335.8), a good growth of 4.4%, well above the total retail market which grew 1.1% during the same period. Growth was driven by growth from new and relocated stores opened in 2015 and 2016 and by like-for-like revenue growth of 1.5%.

### Profitability improved and expenses were stable

Second quarter gross profit improved to EUR 67.8 million (62.7) or 35.2% (34.3%) of revenue. The adjusted gross profit totaled EUR 67.1 million (64.1), representing a gross margin of 34.9% (35.1%). When looking at the development of the adjusted gross margin one must take into account the impact of the results of the 2015 and 2016 realized currency hedges. In the second quarter 2015, the result of the hedges were exceptionally high due to the sharp EUR-USD exchange rate development and the impact on the second quarter margin comparison is as high as + 0.6 percentage points. In line with Tokmanni's focused strategy, the increased share of imports and improving campaign management, has had a positive effect on adjusted gross margin.

In the first half of 2016, gross profit totaled EUR 119.5 million (113.4), or 34.1% (33.8%). The adjusted gross profit amounted to EUR 119.6 million (114.4),



The second quarter adjusted EBITDA amounted to EUR 15.2 million (12.9), or 7.9% (7.1%) of revenue.



corresponding to a gross margin of 34.1% (34.1). The impact of the currency hedges on the January-June margin comparison is +0.4 percentage points.

The second quarter 2016 operating expenses remained at last year's level and totaled EUR 52.2 million (52.8). Adjusted operating expenses totaled EUR 52.7 million (52.1). Operating expenses for the first half of 2016 totaled EUR 103.5 million (103.7). Adjusted operating expenses amounted to EUR 103.7 million (101.4). The increase was mainly attributable to new stores and extended opening hours. Tokmanni has renegotiated some of its rental agreements, which has had a positive effect on operating expenses. Marketing expenses were lower in the second quarter of 2016 as well as for January-June 2016, compared to the corresponding periods 2015 when some broader marketing campaigning was conducted to support the brand harmonization.

The second quarter 2016 EBITDA totaled EUR 16.4 million (10.8) with an EBITDA margin of 8.5% (5.9%). The second quarter adjusted EBITDA amounted to EUR 15.2 million (12.9), or 7.9% (7.1%). The January-June 2016 EBITDA totaled EUR 17.5 million (11.5), 5.0% of revenue (3.4%). Adjusted EBITDA amounted to EUR 17.4 million (14.7), 5.0% of revenue (4.4%).

Tokmanni's profitability improved thanks to revenue growth, the increased share of imports, improved campaign management and cost control as well as the positive impact of the sales mix. The second quarter operating profit (EBIT) totaled EUR 12.6 million (7.1), representing an EBIT margin of 6.5% (3.9%). Adjusted EBIT totaled EUR 11.4 million (9.3), or 5.9% of revenue (5.1%). January-June 2016 EBIT amounted to EUR 9.9 million (4.2). Adjusted EBIT for the same period totaled EUR 9.8 million (7.4).

Net financial items for the second quarter totaled EUR -7.2 million (-5.3). The second quarter financial items include a one-off financial cost of EUR 4.4 million, which relates to accrued, capitalized emission fees from previous loans, which have been released in conjunction with the refinancing. During the review period January-June 2016, financial items amounted to EUR -12.3 million (-10.6). In connection with the IPO, on May 3<sup>rd</sup> 2016, Tokmanni repaid the shareholder loans, which in 2015 accrued EUR 6.9 million of interest expenses. In addition, the company has also refinanced its loans from financial institutions with lower interest rates than its prior outstanding debt. In 2015, interest expenses of loans from financial institutions amounted to EUR 10.2 million. As a result of these measures, Tokmanni expects that its financial expenses going forward will be significantly lower compared to previous years.

Profit before taxes amounted to EUR -2.5 million (-6.4). Taxes amounted to EUR 0.5 million (1.5). The net result for the financial period amounted EUR -2.0 million (-4.9). Earnings per share amounted to -0.05 euros (-0.22).

#### Balance sheet, financing and cash flow

At the end of June 2016, Tokmanni had interest bearing debt totaling EUR 196.8 million (303.5). In connection with its Initial Public Offering Tokmanni repaid its shareholder loans with interests amounting to EUR 96.0 million and renegotiated other existing debt. Net debt/adjusted EBITDA improved to 2.6 at the end of June. At the end of December 2015 the corresponding number was 2.7. To improve comparability the 2015 number has been adjusted by the shareholder loans. Tokmanni's long-term target is to achieve a net debt/EBITDA ratio of below 2.0. The change in working capital was at a good level and Tokmanni's second quarter 2016 cash flow from



Tokmanni expects its financial expenses going forward to be significantly reduced compared to previous years.

operating activities totaled EUR 23.6 million (12.5). January-June 2016 cash flow from operating activities amounted to EUR 8.3 million (-5.3). At the end of June 2016, cash and cash equivalents amounted to EUR 38.4 million (29.7).

### Capital expenditure

Capital expenditure for the period January-June 2016 totaled EUR 3.0 million (7.8) and included one new store opening. The 2015 number includes capital expenditure related to the brand harmonization amounting to EUR 2.1 million. Tokmanni's total capital expenditures for 2016 are expected to be in line with previous years, dependent on the number of new stores opened.

## Strategy

Tokmanni's goal is to continue strengthening its position as the leading general discount retailer in Finland by leveraging its key competitive advantages: the strong perceived price image, an attractive and wide assortment and a good in-store customer experience.

Tokmanni aims to deliver stable and profitable growth over the long term by

- leveraging its unified brand image, enhanced store concept and category management to drive like-for-like revenue growth,
- continuing to increase the amount of net new selling space by approximately 10,000 square meters in 2016, and from 2017 onwards by approximately 12,000 square meters annually, translating into approximately five new or relocated stores, and
- increasing profitability and working capital management through improved processes and tools in sourcing, supply chain management and category management.

### Financial targets

The Board of Directors has adopted the following financial and other targets for Tokmanni:

- Tokmanni's target in 2016 is to increase the amount of net new selling area by approximately 10,000 square meters, and from 2017 onwards by approximately 12,000 square meters annually, translating in to approximately five new or relocated stores;
- Tokmanni's long-term target is to achieve low single digit revenue growth of like-for-like stores assuming current market conditions;
- Tokmanni's long-term target is to progressively expand to an adjusted EBITDA margin of approximately 10 percent driven by improving gross margin levels and maintaining stable operating expenses in relative terms;
- Tokmanni intends to maintain an efficient long-term capital structure – adjusted net debt in relation to adjusted EBITDA of below 2.0x.
- Tokmanni targets a dividend payout ratio of approximately 70 percent of Tokmanni's net result for the year subject to capital structure, financial condition, general economic and business conditions and future prospects. The Company targets a dividend payout ratio of 70 percent of Tokmanni's adjusted net result for 2016. Tokmanni's adjusted net result for 2016 is defined as reported net result for 2016 adjusted for the post-tax impact of the costs related to the Offering and the

refinancing of the current term loans, as well as assuming that the Senior Facilities Agreement would have been entered into on 1 January 2016.

## Personnel

Tokmanni Group Corporation is a significant employer in Finland and the Group had 3,503 (3,487) employees at the end of June 2016.

## Sustainable development

Responsibility is part of the daily work of every member of Tokmanni's personnel.

Tokmanni's key corporate responsibility focus areas are business integrity, responsible sourcing and products, fair treatment and efficient use of resources. Tokmanni's first corporate responsibility report was published in May 2016.

## Shares and shareholders

Tokmanni was successfully introduced on the Nasdaq Helsinki Stock Exchange after the completion of its Initial Public Offering. Trading in Tokmanni's shares started on the pre-list of Nasdaq Helsinki on 29 April 2016 and on the official list on 3 May 2016. In the IPO Tokmanni issued 14,319,880 new shares and consequently, Tokmanni had 58,868,752 outstanding shares at the end of June. The company received approximately EUR 95.9 million in proceeds from the listing. The sum, net of costs related to the IPO, has increased the company's equity. At the end of June 2016 Tokmanni's 20 biggest shareholders owned approximately 90% of the shares.

Tokmanni has one class of shares, and each share carries one vote at the Company's General Meeting of Shareholders. The shares do not have a nominal value. Tokmanni does not hold any of its own shares.

### Shares on Nasdaq Helsinki

29.4.-30.6.2016	High	Low	Average*	Close
<b>TOKMAN</b>	<b>6.97</b>	<b>6.26</b>	<b>6.69</b>	<b>6.55</b>
<b>Market cap</b>	<b>30.6.2016</b>			
EUR million	385.6			

\*Trade weighted average share price

## Corporate Governance

On 12 April 2016, the extraordinary general meeting of shareholders of the Company decided to increase the number of members on the Board of Directors to seven, and elected Kati Hagros and Thérèse Cedercreutz as new members. Both new members are independent of the Company and the Company's significant shareholders. The change in the number of the members of the Board of Directors and the election of the new members of the Board of Directors entered into force immediately upon the commencement of trading in the shares on the pre-list of the Helsinki Stock Exchange on April 29th 2016.

### Organization of the Board of Directors

The Board of Directors of Tokmanni Group Corporation has established a Finance and Audit Committee and a Nomination Committee. The Board has appointed the following members to the Committees:

Finance and Audit Committee: Robert Furuholm, Christian Gylling, Kati Hagros

Nomination Committee: Robert Furuholm, Christian Gylling, Seppo Saastamoinen

### Organizational changes

LL.M Sirpa Huuskonen has been appointed Group HR Director and member of the Executive Group as of May 2<sup>nd</sup> 2016.

Executive Group member M. Sc. (Econ.), Business Development Director, Jari Laine has decided to pursue his career outside Tokmanni as of August 10<sup>th</sup> 2016.

### Changes in Tokmanni's insider and disclosure policies

As a consequence to the Market Abuse Regulation ((EU) No 596/2014, "MAR"), which came into effect on July 3<sup>rd</sup> 2016, Tokmanni has made changes to its insider and disclosure policies. As of July 3<sup>rd</sup> 2016, Tokmanni Group discloses all transactions in the Tokmanni share of a net amount of over 5,000 EUR made by its Managers and their closely associated persons by stock exchange release. Managers at Tokmanni are members of Tokmanni's Board of Directors, Tokmanni's CEO, the deputy to the CEO and the company CFO. Tokmanni's public insider register will not be updated after July 2<sup>nd</sup> 2016.

### Risks and business uncertainties

Tokmanni's risks and uncertainties have been discussed in detail in the Group's prospectus published in connection with its Initial Public Offering in April 2016. No major changes to these risks have occurred during the quarter.

### Market outlook

Tokmanni expects the weak economic conditions to continue or to improve slightly in 2016. This will continue to have an effect on the retail market in Finland where the competition is expected to remain high. Especially department stores have been impacted by the weak economic situation and have faced challenges among others due to the increase in popularity of online stores. The latest sign of these challenges were seen in the bankruptcy of the Finnish retail chain Anttila in July 2016. In the short term the bankruptcy might impact the market through increased price competition but also brings potential for companies like Tokmanni in regard to new store space, purchasing and benefits from the redistribution of Anttila's customer base.

The liberalization of opening hours is expected to continue to have a slight positive impact on the retail market. The planned reform of the Finnish alcohol legislation, to be implemented during the spring 2017, would liberate the sales of mild alcoholic beverages in grocery stores. This would have a positive impact on the productivity and competitiveness of the Finnish grocery trade.

The reform of the retail construction regulation, increasing the minimum limit of a large retail unit will enhance the construction of Finnish retail market players, which in turn will improve the competitiveness of the whole industry.

## Tokmanni's short term outlook unchanged

Despite Tokmanni's good performance during the first half 2016 and due to the market turbulence, Tokmanni has decided to leave its short-term outlook unchanged:

Tokmanni estimates its revenue to grow based on the revenue growth from new and relocated stores opened in 2015 and 2016, and on revenue of like-for-like stores, which is expected to remain at the level of the previous year despite challenging market conditions. Tokmanni will continue the focused development of its business to improve its competitiveness and profitability. Tokmanni's target in 2016 is to increase the amount of net new selling area by approximately 10,000 square meters, translating into approximately five new or relocated stores. Tokmanni's total capital expenditures are in line with previous years, dependent on the number of new stores opened.

## IR calendar

- Tokmanni's January-September 2016 Business Review will be published on October 25<sup>th</sup> 2016

Helsinki, 9<sup>th</sup> of August 2016

Tokmanni Group Corporation

Board of Directors

## Tokmanni Group Corporation Interim report January-June 2016

The interim financial report is prepared in accordance with IAS 34 (Interim Financial Reporting) using the same accounting policies and methods of computation as in the annual financial statement for 2015. All figures in the accounts have been rounded and as a consequence the sum of individual figures can deviate from the presented sum figure.

### Use of estimates

The preparation of financial reports in accordance with IFRS requires management to make estimates and assumptions that affect the valuation of the reported assets and liabilities and other information, such as contingent liabilities and the recognition of income and expenses in the statement of income. Although the estimates are based on the management's best knowledge of current events and actions, actual results may differ from the estimates.

This interim report is unaudited.

## Consolidated income statement (MEUR)

	4-6/2016	4-6/2015	1-6/2016	1-6/2015	1-12/2015
Revenue	192.4	182.5	350.6	335.8	755.3
Other operating income	0.8	0.9	1.6	1.7	4.0
Materials and services	-124.6	-119.8	-231.1	-222.4	-497.8
Employee benefits expenses	-25.2	-23.5	-49.5	-46.0	-92.3
Depreciation and amortization	-3.8	-3.6	-7.7	-7.3	-14.8
Other operating expenses	-27.0	-29.3	-54.1	-57.7	-115.4
Share of profit (loss) in joint ventures	0.0	0.0	0.0	0.0	0.0
<b>Operating profit</b>	<b>12.6</b>	<b>7.1</b>	<b>9.9</b>	<b>4.2</b>	<b>39.1</b>
Financial income	0.0	0.1	0.0	0.2	0.4
Financial expenses	-7.2	-5.4	-12.4	-10.8	-21.3
<b>Profit/loss before tax</b>	<b>5.4</b>	<b>1.8</b>	<b>-2.5</b>	<b>-6.4</b>	<b>18.2</b>
Income taxes	-1.2	-0.1	0.5	1.5	-3.4
<b>Net result for the financial period</b>	<b>4.2</b>	<b>1.7</b>	<b>-2.0</b>	<b>-4.9</b>	<b>14.8</b>
<b>Profit for the year attributable to</b>					
Equity holders of the parent company	4.2	1.7	-2.0	-4.9	14.8

## Consolidated statement of comprehensive income (MEUR)

	4-6/2016	4-6/2015	1-6/2016	1-6/2015	1-12/2015
<b>Net result for the financial period</b>	<b>4.2</b>	<b>1.7</b>	<b>-2.0</b>	<b>-4.9</b>	<b>14.8</b>
<b>Other comprehensive income</b>					
<b>Items that may be reclassified subsequently to profit or loss</b>					
Exchange differences on translating foreign operations	0.0	0.0	0.0	0.0	0.0
<b>Comprehensive income for the financial period, net of tax</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Comprehensive income for the financial period</b>	<b>4.2</b>	<b>1.7</b>	<b>-2.0</b>	<b>-4.9</b>	<b>14.8</b>
<b>Comprehensive income for the financial period attributable to</b>					
Equity holders of the parent company	4.2	1.7	-2.0	-4.9	14.8
<b>Earnings per share</b>					
Equity holders of the parent company	4.2	1.7	-2.0	-4.9	14.8
Number of shares, weighted average during the financial period (thousands)	54 095	22 274	41 897	22 274	22 274
<b>Earnings per share (EUR/share)</b>	<b>0.08</b>	<b>0.08</b>	<b>-0.05</b>	<b>-0.22</b>	<b>0.67</b>

## Consolidated statement of financial position (MEUR)

	30.6.2016	30.16.2015	31.12.2015
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	88.0	89.2	92.7
Goodwill	128.6	128.6	128.6
Other intangible assets	3.6	4.1	3.7
Non-current receivables	0.1	0.0	0.1
Investments in joint ventures and other financial assets	0.2	0.1	0.2
Deferred tax asset	5.2	5.1	5.2
<b>NON-CURRENT ASSETS, TOTAL</b>	<b>225.7</b>	<b>227.0</b>	<b>230.5</b>
<b>CURRENT ASSETS</b>			
Inventories	161.9	164.4	160.0
Trade and other receivables	14.1	15.8	14.4
Income tax receivables	3.4	2.7	1.2
Cash and cash equivalents	38.4	29.7	48.9
<b>CURRENT ASSETS, TOTAL</b>	<b>217.8</b>	<b>212.6</b>	<b>224.5</b>
<b>ASSETS, TOTAL</b>	<b>443.5</b>	<b>439.6</b>	<b>455.0</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to the equity holders of the parent company</b>			
Share capital	0.1	0.0	0.0
Reserve for invested unrestricted equity	110.3	18.8	18.8
Translation differences	0.0	0.0	0.0
Retained earnings	27.3	9.5	29.3
<b>EQUITY, TOTAL</b>	<b>137.7</b>	<b>28.3</b>	<b>48.1</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	5.3	5.9	6.0
Non-current interest-bearing liabilities	193.6	285.7	273.2
Non-current non-interest-bearing liabilities	9.1	12.9	16.1
<b>NON-CURRENT LIABILITIES, TOTAL</b>	<b>208.0</b>	<b>304.4</b>	<b>295.3</b>
<b>CURRENT LIABILITIES</b>			
Current interest-bearing liabilities	3.2	17.9	20.6
Trade payables and other current liabilities	93.9	89.0	91.0
Income tax liabilities	0.7	0.0	0.0
<b>CURRENT LIABILITIES, TOTAL</b>	<b>97.8</b>	<b>106.9</b>	<b>111.7</b>
<b>EQUITY AND LIABILITIES, TOTAL</b>	<b>443.5</b>	<b>439.6</b>	<b>455.0</b>

# Consolidated statement of cash flows (MEUR)

	1-6/2016	1-6/2015	2015
<b>Cash flows from operating activities</b>			
Net result for the financial period	-2.0	-4.9	14.8
<b>Adjustments:</b>			
Non-cash items	7.3	8.2	15.3
Financial income	0.0	-0.2	-0.4
Financial expenses	12.4	10.8	21.3
Income taxes	-0.5	-1.5	3.4
<b>Change in working capital:</b>			
Change in current non-interest-bearing receivables	0.0	-1.3	-0.4
Change in inventories	-1.9	-12.9	-8.5
Change in current non-interest-bearing liabilities	3.2	5.1	7.4
Interest paid and other financial expenses	-8.6	-6.4	-12.6
Interest received	0.0	0.0	0.1
Income taxes paid	-1.7	-2.1	-5.5
<b>Net cash from operating activities</b>	<b>8.3</b>	<b>-5.3</b>	<b>35.0</b>
<b>Cash flows from investing activities</b>			
Purchases of tangible and intangible assets	-3.1	-7.9	-15.7
Proceeds from disposal of tangible and intangible assets	0.1	0.1	6.4
Investments in subsidiary shares	0.0	0.0	0.3
<b>Net cash from investing activities</b>	<b>-3.0</b>	<b>-7.8</b>	<b>-9.0</b>
<b>Cash flows from financing activities</b>			
Proceeds from share issue	91.6	0.0	0.0
Repayments of finance lease liabilities	-1.7	-1.3	-2.8
Proceeds from loans	125.0	0.0	0.0
Repayment of loans	-230.8	-8.4	-26.7
<b>Net cash from financing activities</b>	<b>-15.8</b>	<b>-9.7</b>	<b>-29.5</b>
<b>Net change in cash and cash equivalents</b>	<b>-10.5</b>	<b>-22.7</b>	<b>-3.5</b>
Cash and cash equivalents at beginning of the financial period	48.9	52.4	52.4
Cash and cash equivalents at end of the financial period	38.4	29.7	48.9

## Consolidated statement of changes in equity (MEUR)

	Share capital	Reserve for invested unrestricted equity	Translation differences	Retained earnings	Equity attributable to owners of the parent	Total equity
<b>Equity 1 Jan 2016</b>	<b>0.0</b>	<b>18.8</b>	<b>0.0</b>	<b>29.3</b>	<b>48.1</b>	<b>48.1</b>
<b>Comprehensive income</b>						
Net result for the financial period				-2.0	-2.0	-2.0
Translation differences			0.0		0.0	0.0
<b>Total comprehensive income for the financial period</b>			<b>0.0</b>	<b>-2.0</b>	<b>-2.0</b>	<b>-2.0</b>
Share issue		95.9			95.9	95.9
Bonus issue	0.1	-0.1			0.0	0.0
Transaction costs for equity		-4.3			-4.3	-4.3
<b>Equity 30 Jun 2016</b>	<b>0.1</b>	<b>110.3</b>	<b>0.0</b>	<b>27.3</b>	<b>137.7</b>	<b>137.7</b>
	Share capital	Reserve for invested unrestricted equity	Translation differences	Retained earnings	Equity attributable to owners of the parent	Total equity
<b>Equity 1 Jan 2015</b>	<b>0.0</b>	<b>18.8</b>	<b>0.0</b>	<b>14.4</b>	<b>33.2</b>	<b>33.2</b>
<b>Comprehensive income</b>						
Net result for the financial period				14.8	14.8	14.8
Translation differences			0.0		0.0	0.0
<b>Total comprehensive income for the financial period</b>			<b>0.0</b>	<b>14.8</b>	<b>14.8</b>	<b>14.8</b>
<b>Equity 31 Dec 2015</b>	<b>0.0</b>	<b>18.8</b>	<b>0.0</b>	<b>29.3</b>	<b>48.1</b>	<b>48.1</b>
	Share capital	Reserve for invested unrestricted equity	Translation differences	Retained earnings	Equity attributable to owners of the parent	Total equity
<b>Equity 1 Jan 2015</b>	<b>0.0</b>	<b>18.8</b>	<b>0.0</b>	<b>14.4</b>	<b>33.2</b>	<b>33.2</b>
<b>Comprehensive income</b>						
Net result for the financial period				-4.9	-4.9	-4.9
Translation differences			0.0		0.0	0.0
<b>Total comprehensive income for the financial period</b>			<b>0.0</b>	<b>-4.9</b>	<b>-4.9</b>	<b>-4.9</b>
<b>Equity 30 Jun 2015</b>	<b>0.0</b>	<b>18.8</b>	<b>0.0</b>	<b>9.5</b>	<b>28.3</b>	<b>28.3</b>

## Operating leases

### Group as lessee

The Group has leased most of its store premises. The leases are in force from eight to twelve years on average. The agreements have varying renewal terms and other index terms.

Minimum lease payments payable based on other no-terminable leases:

MEUR	30.6.2016	31.12.2015
No later than 1 year	46.8	49.0
Later than 1 year and no later than 5 years	122.4	127.7
Later than 5 years	56.8	61.7
Total	226.0	238.4

### Contingent liabilities, assets and commitments

MEUR	30.6.2016	31.12.2015
<b>Loans for which property has been given as collateral</b>		
Loans from financial institutions	125.0	137.4
<b>Collateral given</b>		
Business mortgages	0.0	937.5
Pledged subsidiary shares	0.0	270.2

## Calculation of financial ratios

Like-for-like revenue	= Like-for like revenue growth: Like-for-like revenue growth is calculated by taking into account the revenue growth of stores that are not considered to be net new and relocated stores, as defined by Tokmanni to include: (i) new stores opened; (ii) store relocations where the store size changes by 30 percent or more; (iii) store expansions where the store size changes by 30 percent or more; and (iv) closed stores during the period. If the store falls in one of these categories, it is regarded as a net new or relocated store in its opening year and in the following calendar year.
Number of baskets	= Number of customer transactions during the relevant period
Gross profit	= Revenue - Materials and services
Adjusted gross profit	= Gross profit - Changes in fair value of currency derivatives
Operating expenses	= Employee benefits expenses + Other operating expenses
Adjusted operating expenses	= Operating expenses - (Changes in fair value of electricity derivatives + Brand harmonization costs + Costs related to the IPO)
EBITDA	= Operating profit + Depreciation and Amortization
Adjusted EBITDA	= EBITDA - (Changes in fair value of currency derivatives + Changes in fair value of electricity derivatives + Brand harmonization costs + Costs related to the IPO)
Adjusted EBIT	= EBIT - (Changes in fair value of currency derivatives + Changes in fair value of electricity derivatives + Brand harmonization costs + Costs related to the IPO)
Net financial items	= Financial income - Financial expenses
Net debt	= Interest bearing debt - Shareholder loans - Cash and cash equivalents
Net debt / adjusted EBITDA	= $\frac{\text{Net debt}}{\text{Adjusted EBITDA}}$
Net cash from operating activities	= Sum of changes in current non-interest bearing operating receivables, changes in inventories and changes in current non-interest bearing operating liabilities
Nr. of shares	= Average Number of shares during the period
Earnings Per Share	= $\frac{\text{Net profit}}{\text{Average nr. of shares during the period}}$
Number of personnel	= Number of personnel at the end of the period