



TOKMANNI Year 2016

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HQ and Logistics Center
Isolammintie 1
FIN-04600 MÄNTSÄLÄ
FINLAND



Tokmanni – Finland's leading general discount retailer

Tokmanni is Finland's largest general discount retailer measured by number of stores and revenue. Tokmanni's value proposition combines an attractive and wide product assortment at low prices supported by a good in-store customer experience. Tokmanni is also the only nationwide general discount retailer in Finland. Tokmanni was listed on Nasdaq Helsinki in the spring 2016.

Tokmanni's competitive advantages

- ✓ Low price image
- ✓ Attractive and wide product assortment
- ✓ A strong national brand
- ✓ A pleasant customer experience
- ✓ A nationwide store network

Tokmanni's product categories

- Groceries
- Home cleaning and personal care
- Clothing
- Tools and electrical equipment
- Home, decoration and garden
- Leisure and home electronics

Revenue, MEUR

775.8



Revenue growth

2.7%



Like-for-Like revenue growth

-0.1%



Adj. gross margin

34.5%



Adj. EBITDA margin

8.1%



44.7

million baskets



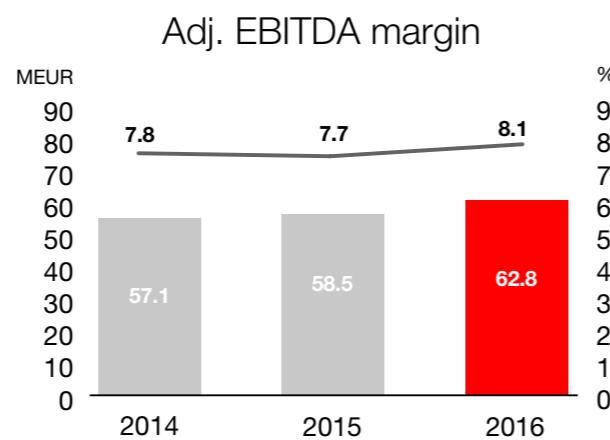
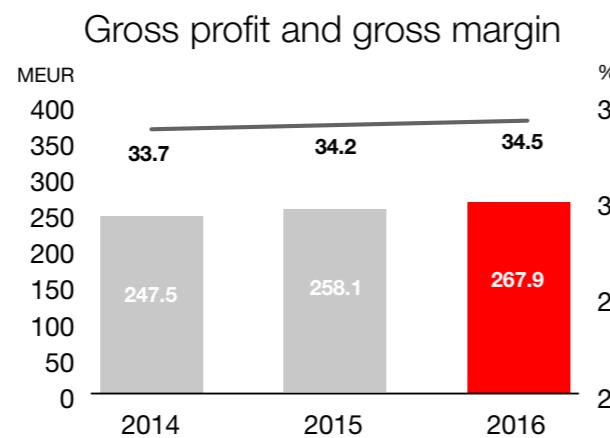
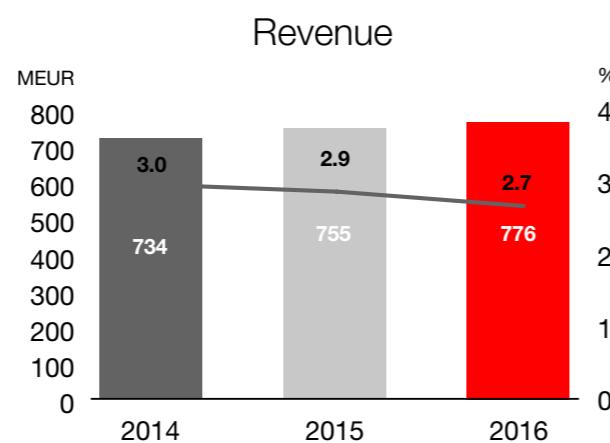
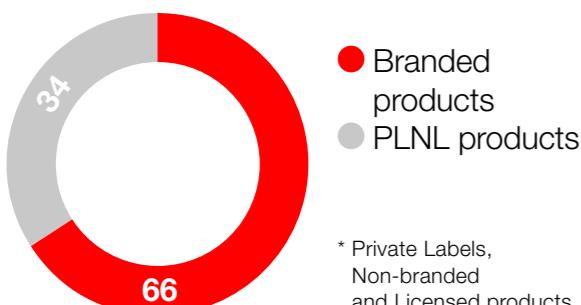
2016 in figures

Key figures

	2016	2015
Revenue, MEUR	775.8	755.3
Like-for-like revenue development, %	-0.1	
Number of baskets, million	44.7	43.3
Adjusted gross profit, MEUR	267.9	258.1
Adjusted gross margin, %	34.5	34.2
Adjusted EBITDA, MEUR	62.8	58.5
Adjusted EBITDA, %	8.1	7.7
Adjusted EBIT, MEUR	47.7	43.7
Adjusted EBIT, %	6.1	5.8
Net financial items, MEUR	-15.2	-20.9
Net Capital expenditure, MEUR	9.8	9.0
Net debt/adjusted EBITDA	1.8	2.7
Net cash from operating activities, MEUR	62.5	35.0
Return on capital employed, %	14.5	11.6
Return on equity, %	18.1	12.0
Number of shares, weighted average during the financial period (thousands)*	54,095	44,549
Earnings per share (EUR/share)*	0.50	0.33
Personnel at the end of the period	3,224	3,293

* The amount of shares 2015 and 2016 has been been adjusted with the effects of the bonus issue ('share split') carried out 04/2016.

Share of branded products and PLNL* products, %



Number of employees

3,224

at the end of the year

162

stores at the end of the year

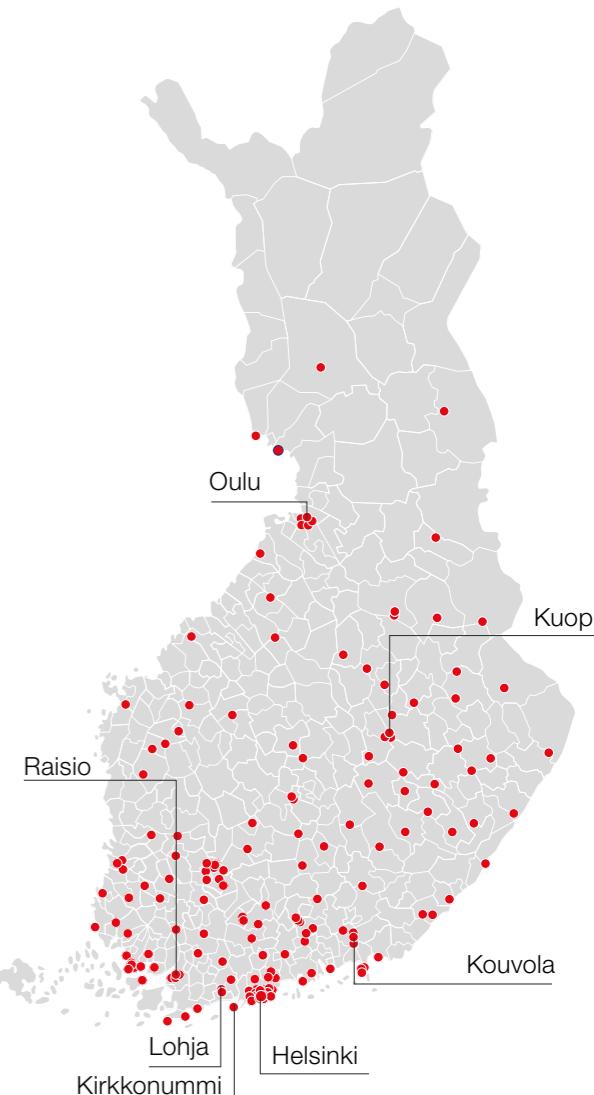
We were listed on the stock exchange in

2016



For more information regarding new stores go to: ir.tokmanni.fi/en/tokmanni-as-an-investment/new_stores

In 2016, Tokmanni opened seven new and relocated stores:



Tokmanni's customers are served through more than 160 stores around Finland and an online store.

2016 was an eventful year

The company opened seven new and relocated stores in Finland and a growing number of people found their way to the company's stores. This increased revenue and reinforced brand awareness. Tokmanni also took the next step in its development path by listing on the Nasdaq Helsinki stock exchange.

Q Could you briefly describe the year 2016?

The year 2016 was eventful for Tokmanni. We were introduced on the Nasdaq Helsinki stock exchange, opened seven new stores around Finland and a growing number of customers found their way to our stores. This resulted in revenue growth and reinforced the brand awareness.

During the year, the challenges in the market continued and according to the FTGA statistics the non-grocery market continued to decline in 2016. In the summer of 2016, the department store chain Anttila went bankrupt and liquidated its stock which created temporary market turbulence. The effects were seen also at Tokmanni, especially in the third quarter, but also extending to the fourth quarter impacting our Like-for-Like development negatively.

With the exception of the third quarter, Tokmanni's Like-for-Like revenue has grown during the whole year which signals that our measures to improve Like-for-Like growth are heading in the right direction. I am particularly pleased that our number of baskets increased by 3.4% to 44.7 million showing that we create value for our customers, our assortment is topical, that Tokmanni's brand awareness constantly improves and that new customers are finding their way to our stores.

In accordance with our strategy, our profitability improved by developing sourcing efficiency,

focusing on direct sourcing, increasing the share of private labels and through continuous tight cost control. Our cash flow was good and our balance sheet strong enabling the continuous development of the company and increasing shareholder value.

Q Like-for-like sales have been flat for several years. What is Tokmanni doing to increase like-for-like sales?

At the end of 2015, our like-for-like sales began to increase, and in the first half of 2016 some growth was still apparent. In the third quarter of the year, the department store chain Anttila announced its bankruptcy and began to clear stock. This had an impact on our like-for-like sales in the third quarter, which then reduced like-for-like growth for the full year. The market disruption was however temporary. For several years, we have focused especially on the growth of like-for-like sales and are now witnessing its gradual improvement despite a challenging market.

Our goal is to achieve a low single digit growth in like-for-like sales. We will continue our work to develop Tokmanni's brand image through marketing, among other things. This is much easier now that we have one single Tokmanni brand instead of seven different store brands and that we have renewed our marketing programme. We seek growth by attracting more customers to our stores. We are also improving



the appearance of our stores and developing the store concept to make Tokmanni an even more attractive place to shop. Our value proposition to our customers is to offer them an interesting assortment, good value for money and the best price image in Finland.

Q New stores are an important driver for growth and profitability. Why is this?

We have developed a very efficient and fast process. We are able to make new stores profitable very quickly and the payback time for investments is very short. Our comprehensive analysis shows that we have the potential to increase the number of stores to more than 200. At the end of 2016, we had 162 stores, and we announced that we intend to open at least eleven new stores in 2017. In addition, the store space released by Anttila may provide us opportunities to open a few additional new stores in 2017.

Q One of Tokmanni's strategic goals is to gradually increase the EBITDA margin to approximately ten per cent. In 2016, the adjusted EBITDA margin was 8.1 per cent. What are the main profitability drivers in your opinion?

Improving the EBITDA margin is mainly based on improving gross profit. The EBITDA margin is improved by increasing the share of Tokmanni's private label products in all product categories, as their gross profit is significantly higher than branded products. Tokmanni's Private Labels, Non-branded and Licensed (PLNL) products accounted for 34 per cent of Tokmanni's 2016 revenue. Our goal is to further increase direct sourcing in all product groups and to reduce the use of agents and wholesalers. Direct sourcing from suppliers supports the improvement of gross profit. Our goal is also more careful campaign management, to make the most of sourcing from low cost countries. Tight cost-control also supports the improvement of the EBITDA margin.

Q The operating environment in retail has been challenging for some time already. In your opinion, will it change significantly in 2017?

During 2016 the Finnish economy has seen slight recovery which has been primarily based on the growth of private consumption. The Finnish Finance Ministry predicts that GDP will grow by 0.9% in 2017 and 1.0% in 2018, but that the growth of private consumption will temporarily slowdown in 2017 as, among others, a result of accelerating inflation, wage development due to the Competitive Pact (KiKy) as well as annual working time changes. Tokmanni expects the Finnish retail market to grow slightly, but tough competition to continue especially in the grocery market. At the same time speciality stores and online stores will continue to strengthen their position.

Q You have been systematically developing Tokmanni for a long time; what are your next key strategic goals?

Our goal is to be a modern and dynamic general discount retailer and we develop our business operations continuously. We will continue the implementation of the strategic measures that I mentioned above to attain our growth and profitability targets. We will also invest in new development projects in order to serve our customers as well as possible also in the future.

Buying behaviour is changing. Today, buying either begins or is carried out at home, on the sofa. We want to offer our customers an opportunity to make purchases irrespective of time or place. We will invest more in digitalisation and a multichannel approach. We believe that these measures will help us attract our target customers in particular, to shop with us more often.

We are strengthening our position as the leading general discount retailer

Tokmanni's goal is to continue strengthening its position as the leading general discount retailer by exploiting our key competitive advantages: a low price image, an attractive and wide product assortment and a good customer experience.

We target stable and profitable long-term growth



- by making better use of a consistent brand image, an improved store concept and category management as well as increasing focus on digitalization and a multi-channel approach **to support Like-for-Like revenue growth;**
- by **adding new stores**, and;
- by **improving profitability** and working capital management with better processes and tools used in sourcing and in supply chain and category management.



Like-for-like revenue growth

Strengthening brand image and nationwide marketing

According to a survey conducted by Tokmanni in 2015, all Finns recognise Tokmanni. According to the survey, 42 per cent of Finnish adults visit a Tokmanni store at least once every month, while 48 per cent of Finnish adults, Tokmanni's so-called target customers, visit our stores once a year or less frequently.

Tokmanni's goal is to attract more target customers to its stores and to increase the frequency of their visits by continuing to develop the company's brand and marketing.

Between 2013–2015 Tokmanni made its brand consistent by bringing all of its stores under the same Tokmanni brand. From late 2015, the company has had one single Tokmanni brand instead of seven different store brands. A single, consistent and nationwide Tokmanni brand has strengthened the brand image and Finns now associate Tokmanni with smart shopping.

Marketing focuses on attracting core and target customers with a wide product assortment, price and a quality image.

Continuous improvement of store concept and customer experience

We continuously develop our store concept and want to ensure a good customer experience that increases customers' average basket size and the frequency of their visits. The key principles of our store concept are mass displays, clear price communication and presentation of Tokmanni's attractive and wide product assortment. We also continuously develop our store concept. The newest concept is always used in all new, relocated and refurbished stores.

Assortment management and continuous development of category management

We optimise our assortment continuously to make it as interesting to our customers as possible. We focus on the active management of an attractive and wide product assortment with a disciplined category management process and tools that improve our result. However, we maintain an element of surprise in our offering and flexibility in making stock lot purchases, for example.

Digitalisation

Our goal is to be a modern and dynamic general discount retailer and we develop our business operations continuously to be able to serve our customers as well as possible. Today, buying behaviour is changing and buying either begins or is carried out at home, on the sofa. We want to offer our customers an opportunity to make purchases irrespective of time and place and we will increasingly focus on digital solutions and a multichannel approach. We believe that these measures will help us to attract our target customers in particular to shop with us more often.

Developing the store network

Opening new stores is one of the drivers of Tokmanni's revenue and result which is based on efficient setting up and opening of new stores. We have identified several potential locations for new stores to expand our store network to more than two hundred stores. At the end of 2016, Tokmanni had 162 stores across the country. Our goal is to increase our retail space by some 12,000 square metres each year, which means opening around five new or re-located stores each year.

Improving profitability and working capital management

Focusing on private labels

The goal of Tokmanni's category management is to improve gross profit and increase sales by offering an attractive product assortment. Tokmanni's private label products have the biggest impact on improving gross profit because their sourcing costs are lower than those of brand-name products. Tokmanni has added private label products in various product groups and in 2016, Tokmanni's PLNL products accounted for 34 per cent of revenue. We continuously evaluate opportunities for adding private label products to our product categories and increasing their share of sales.

Further improvement of supply chain management

Our goal is to further increase direct sourcing in all product groups and to reduce the use of agents and wholesalers. Direct sourcing from suppliers supports improving gross profit and helps to maintain the high standards of sourcing, product oversight and control. Our goal is to increase

Efficient business model benefits our customers

sourcing through our sourcing office in Shanghai. The joint venture was established in 2013 with the Norwegian company Europris.

Improving campaign processes

We are improving our campaigns by enhancing campaign management and processes. Our goal is to plan our campaigns more carefully, in order to make the most of sourcing from low cost countries. To this end, we implemented an improved campaign planning and optimisation tool in 2016, which is expected to significantly ease the management of campaigns.

Financial targets and dividend policy

Long-term financial targets		Target
Like-for-Like revenue growth	Tokmanni Group's long-term target is to achieve low single digit like-for-like net sales growth assuming current market conditions	Low single digit
New stores	Tokmanni Group's target is to, on average, expand by approx. 12,000 square metres of new store space annually, consisting of approximately 5 net new stores, expansions and relocations	approximately 5 p.a. 12,000 sqm
Adjusted EBITDA margin	Tokmanni Group's long-term target is to progressively expand to an adjusted EBITDA margin of approximately 10 per cent driven by improving gross margin levels and stable operating expenses in relative terms	Progressively reaching ~10%
Net Debt/Adjusted EBITDA	Tokmanni Group intends to maintain an efficient long-term capital structure, defined as net debt in relation to adjusted EBITDA of below 2.0x	<2x
Dividend policy	Tokmanni targets a dividend payout ratio of approximately 70 per cent of the net result of Tokmanni subject to capital structure, financial condition, general economic and business conditions and future prospects	approximately 70%



Tokmanni has a strong role in the Finnish retail market

Tokmanni's target market is large and the competitive field is fragmented. The competitive environment includes direct competitors such as hypermarkets, general discount stores and department stores, as well as indirect and product-group specific competitors such as online and specialised stores.

Hypermarkets carry a large product assortment, from fresh food to consumer goods. They are mostly located in the suburbs of the main cities and benefit from repeated visits thanks to their fresh food offering. Tokmanni also has a wide range of consumer goods and its low-price image provides it with a competitive advantage over hypermarkets.

In the general discount market, Tokmanni's competitors are several smaller local companies. Tokmanni is the only general discount retailer with a nationwide network of stores and it is the discount market leader in Finland. In addition to the favourable price image, Tokmanni has focused on its store concept and the continuous development of the customer experience to distinguish itself from other discount retailers.

Specialised stores with affordable prices and a strong assortment of private label goods offer a comprehensive assortment in individual product groups. Tokmanni's competitive advantage compared to specialised stores is its wider assortment.

In the centres of large cities, Tokmanni also competes with department stores such as Sokos and Stockmann. Department stores offer a wide assortment of consumer goods but because their price image is higher, their sales have decreased

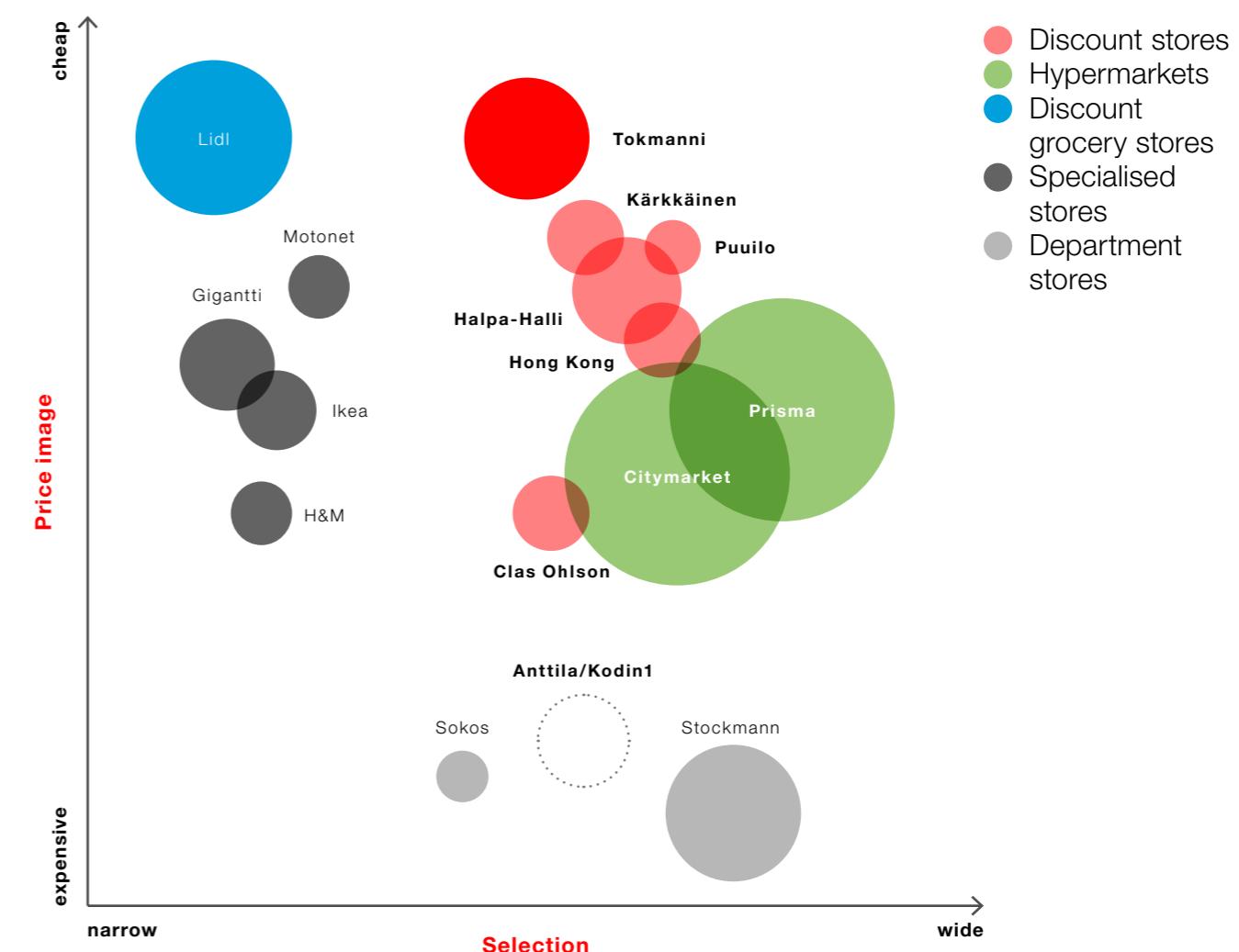
in recent years. The bankruptcy of the Anttila department store chain is a clear sign of the difficulties the department store segment is facing.

Market outlook

During 2016 the Finnish economy has seen slight recovery which has been primarily based on the growth of private consumption. The Finnish Finance Ministry predicts that GDP will grow by 0.9% in 2017 and 1.0% in 2018, but that the growth of private consumption will temporarily slowdown in 2017 as, among others, a result of accelerating inflation, wage development due to the Competitive Pact (KiKy) as well as annual working time changes. Tokmanni expects the Finnish retail market to grow slightly, but tough competition to continue especially in the grocery market. At the same time, specialty stores and online stores will continue to strengthen their respective position.

While the weak economy is reported to have accelerated the market-share growth of discount stores in the Finnish retail market, the smart shopping trend is here to stay and the share's growth is expected to continue to outpace that of the overall market even as the economy recovers.

Operating environment and target market



Our main competitors' names have been highlighted. The size of the circles is illustrative.

Responsibility as part of our strategy

Corporate responsibility is an integral part of Tokmanni's day-to-day business. The company aims to minimise business risks, make use of the opportunities associated with this, and produce added value for stakeholders. Tokmanni's Corporate Responsibility Report 2016 can be found on our website.

Tokmanni's material responsibility themes



Business Integrity

Economic performance

Employment

Anti-corruption

Privacy protection

Ethical marketing

Fair Treatment

Occupational health and safety

Employee training and development

Equality in work and remuneration

Non-discrimination

Responsible Sourcing and Products

Responsible sourcing

Responsible products and packaging

Product safety

Appropriate markings on products

Efficient Use of Resources

Efficient use of materials

Energy efficiency

Efficient logistics

Efficient waste recycling

0

cases of corruption in 2016

22%

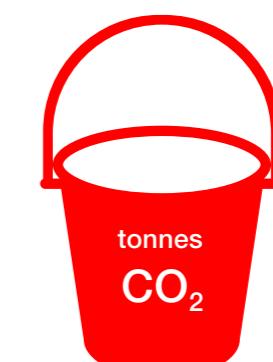
direct imports

95%

of purchases from BSCI audited factories in risk countries

Carbon footprint

27,638



29%

female Board members

= -26.5%

Market based greenhouse gas emissions



More information on responsibility at Tokmanni: rytys.tokmanni.fi/responsibility

Tokmanni carried out a human rights impact assessment based on UN Guiding Principles on Business and Human Rights in 2016.

Board of Directors

Harri Sivula

Independent of the company and its major shareholders, Chairman of the Board, Tokmanni Group
Member of the Board since 2012, Chairman since 2012, born 1962, M.Sc. (Admin.)
Key work experience: GS1, CEO (since 2015), Restel Oy, CEO (2011–2014), Onninen Oy, CEO (2006–2010), Kesko Oyj, Ruoka-Kesko, Deputy Managing Director; Ruoka-Kesko, Division Director (1987–2006)
Holding in Tokmanni Group Corporation on 31 December 2016: 450,000 shares

Therese Cedercreutz

Independent of the company and its major shareholders
Member of the Board since 2016, born 1969, M.Sc. (Econ.)
Key work experience: Barmer-Cedercreutz, CEO (since 2016), 358 Creative Agency, Managing Director (2015–2016), 358 Creative Agency, COO (2013–2014), Spoiled Milk Creative Agency, VP, Business Development (2011–2013), F-Secure Oyj, Director, Global Consumer Business and Marketing (2010–2011), THQ Wireless, VP, Sales and Business Development, EMEA (2003–2009)
Holding in Tokmanni Group Corporation on 31 December 2016: 640 shares

Robert Furuhjelm

Independent of the company, not independent of its major shareholders
Member of the Board since 2012, born 1969, M.Sc. (Econ.)
Key work experience: Nordic Capital, Partner (since 2003), Enskilda Securities Corporate Finance, Director, London and Helsinki (1996–2003), Goldman Sachs London, Investment Banking Division, Analyst (1994–1996)
Holding in Tokmanni Group Corporation on 31 December 2016: 0 shares

Christian Gylling

Independent of the company, not independent of its major shareholders
Member of the Board since 2012, born 1979, M.Sc. (Econ.)
Key work experience: Nordic Capital, Principal (since 2008), Apax Partners Holdings Ltd, Senior Associate (2005–2008), Goldman Sachs London, Investment Banking Division, Analyst (2003–2005)
Holding in Tokmanni Group Corporation on 31 December 2016: 0 shares

Kati Hagros

Independent of the company and its major shareholders
Member of the Board since 2016, born 1970, M.Sc. (Eng.), M.Sc. (Soc.)
Key work experience: Aalto University, Chief Digital Officer (since 2016), KONE Corporation, SVP, Digitalization Strategy, Service Business (2015–2016), KONE Corporation, SVP, Global Development, and CIO and Head of Global Development (2010–2015), Nokia Corporation, Vice President, IT, Finland and the UK (2007–2009), Nokia Corporation, Vice President, Quality, Finland and the UK (2004–2007), Nokia Mobile Phones, Asia-Pacific, various positions (1997–2004)
Holding in Tokmanni Group Corporation on 31 December 2016: 0 shares

Sven-Olof Kulldorff

Independent of the company and its major shareholders
Member of the Board since 2012, born 1954, M.Sc. (Eng.)
Key work experience: Företagsledare REGO, CEO (since 2007), ICA Group, EVP (Supply) and deputy CEO (2004–2007), IKEA, CPO of Ikea Group and CEO of Ikea Netherlands, among other positions (1978–2004)
Holding in Tokmanni Group Corporation on 31 December 2016: 0 shares
Kulldorff is a shareholder in REGO AB, which owned 300,000 shares in Tokmanni Group Corporation

Seppo Saastamoinen

Not independent of the company or its major shareholders
Member of the Board since 2013, born 1960, Diploma in Business Administration
Key work experience: Board professional (since 2007), Tokmanni, Deputy CEO (2006–2007), Tarjousmaxi, Founder and Board member (2003–2006), Maxi-Makasiini and Maxi-Kodintukku, Founder and CEO (1978–2003)
Holding in Tokmanni Group Corporation on 31 December 2016: 0 shares

Saastamoinen has indirect holdings in Rockers Tukku Oy, which owned 8,836,825 shares in Tokmanni Group Corporation



More information about the Board of Directors:
ir.tokmanni.fi/en/corporate-governance/board-of-directors



Executive Group

Heikki Väänänen

CEO since 2009, born in 1958, BSc (Econ.), MBA, joined the company in 2009

Key work experience: Stockmann Group, Deputy CEO, responsible for the department stores (2004–2008), CEO, Seppälä Oy (2001–2004)

Positions of trust: Finnish Commerce Federation, Board member (since 2013), Finnish Grocery Trade Association, Board member (since 2009), Tilakarhut Oy, Board member (since 2008)

Holding in Tokmanni Group Corporation on 31 December 2016: 600,000 shares

Sixten Hjort

Deputy CEO since 2009, CFO since 2005, member of the Executive Group since 2005, born in 1955, MSc (Econ.), joined the company in 2005

Key work experience: Vogue Group Oy, CFO (1998–2005), Partner, Authorised Public Accountant, Ernst & Young Oy (1979–1998)

Positions of trust: Ota-Tuote Oy, Chairman of the Board (since 2000), Fixcel Group Oy, Chairman of the Board (since 2015), Mäntsälän Yrityskehitys Oy, Board member (since 2011), Silexium Oy, Board member (since 2007), Haaslahti Oy, Chairman of the Board (since 2016)

Holding in Tokmanni Group Corporation on 31 December 2016: 202,500 shares

Tomi Hakunpää

Marketing Director since 2015, member of the Executive Group since 2015, born in 1971, MSc (Econ.), joined the company in 2015

Key work experience: DDB Helsinki, Strategy Director (2004–2015), Cloetta Fazer AB, Category Director (2002–2004), Fazer Confectionery Ltd, Marketing Manager (1999–2002), Fazer Confectionery Ltd, Product Group Manager (1997–1999)

Holding in Tokmanni Group Corporation on 31 December 2016: 50,000 shares

Sirpa Huuskonen

HR Director since 2016, member of the Executive Group since 2016, born in 1961, LLM (trained on the bench), joined the company in 2016

Key work experience: ISS Palvelut Oy, HR Director, member of Management Team (2004–2016), Engel Palvelut Oy, HR Manager (2002–2004), Helsinki Metropolitan Area Council, Administrative Manager (1997–2002), UL Oikeuspalvelu Oy, Finnish Foreign Trade Law Office Ltd, Legal Counsel (1995–1997)

Positions of trust: Helsinki Regional Chamber of Commerce, Vice Chair of the Education and Labour Committee (since 2009), Helsinki Regional Chamber of Commerce, member of the Merit Board (since 2015)

Holding in Tokmanni Group Corporation on 31 December 2016: 600 shares

Pasi Karhapää

Chief Information Officer since 2007, member of the Executive Group since 2009, born in 1970, BSc (Tech.), joined the company in 2007

Key work experience: Bauhaus & Co., ICT Manager (2005–2007), Business Director, Data-Info Vantaa (2000–2004)

Positions of trust: A.I.D. Advanced Internet Design, Chairman of the Board (since 1998)

Holding in Tokmanni Group Corporation on 31 December 2016: 78,750 shares

Karri Pulli

Sourcing Director since 2013, member of the Executive Group since 2013, born in 1963, MSc (Econ.), joined the company in 2013

Key work experience: Best Friend Group Oy, Managing Director (2011–2013), Best Friend Group Oy, Director of Operations (2010–2011), Best Friend Group Oy, Commercial Director (2008–2010), Finnish Food and Drink Industries' Federation, Head of Commercial Operations (2007–2008), Kesko, various managerial positions (1992–2007)

Holding in Tokmanni Group Corporation on 31 December 2016: 48,000 shares

Sami Vilkki

Supply Chain Director since 2015, member of the Executive Group since 2010, born in 1970, B.Sc. (Tech.), joined the company in 2006

Key work experience: Tokmanni, Logistics Manager (2006–2015), Valio Oy, Logistics Manager (2005–2006), Valio Oy, Warehouse Manager (2000–2004)

Positions of Trust: Osuuskunta TYÖPOOLI Andelslag, Board member (2011–2015)

Holding in Tokmanni Group Corporation on 31 December 2016: 63,000 shares

Panu Porkka

Sales Director and member of the Executive Group from 2013 to 2016, born in 1977, student of economics and business administration, joined the company in 2013

Business Development Director Jari Laine left the company on 10 August 2016.



More information about the Executive Group:
ir.tokmanni.fi/en/corporate-governance/executive-group



Corporate governance 2016

The duties and responsibilities of Tokmanni Group's (Tokmanni) various governing bodies are based on the laws of Finland, the Articles of Association adopted by the general meeting and the corporate governance principles adopted by the company's Board of Directors in March 2016. Tokmanni complies with the Finnish Corporate Governance Code for listed companies issued by the Securities Market Association in 2015. The Corporate Governance Code is available at www.cgfinaid.fi.

Regulatory framework

The duties of Tokmanni's governance bodies are based on Finnish law. In addition to the Finnish Corporate Governance Code for listed companies, Tokmanni complies with the corporate governance principles defined by its Board of Directors. The corporate governance principles are based on the Limited Liability Companies Act and the Securities Markets Act. In addition, Tokmanni observes other laws and decrees, its Articles of Association and the Guidelines for Insiders issued by NASDAQ Helsinki Oy (Helsinki stock exchange). Tokmanni draws up its consolidated financial statements and interim reports in accordance with international financial reporting standards adopted in Europe (International Financial Reporting Standards, IFRS), the Securities Markets Act, applicable Financial Supervision regulations and guidelines and the rules of the Helsinki stock exchange. The report by the Board of Directors, which forms a part of Tokmanni's financial statements, is drawn up in accordance with the Accounting Act and the guidelines and statements of the Accounting Standards Board.

Tokmanni's governing bodies

The governing bodies of the parent company Tokmanni Group Corporation have final responsibility for Tokmanni's governance and operations. Tokmanni Group Corporation is a company founded and operated under Finnish law. Its governing bodies are the General Meeting, Board of Directors

and the Tokmanni Group Corporation CEO, who is responsible for the company's operations. The general meeting elects members of the Board of Directors and appoints the auditors. The Board appoints the CEO. The purpose of the Executive Group, which is subordinate to the CEO, is to ensure the efficient management of the company.

More information regarding Tokmanni's governing bodies, their responsibilities as well as remuneration can be found in Tokmanni's Corporate Governance Statement which has been published on the Group website at <https://ir.tokmanni.fi/en/corporate-governance>.

Control systems

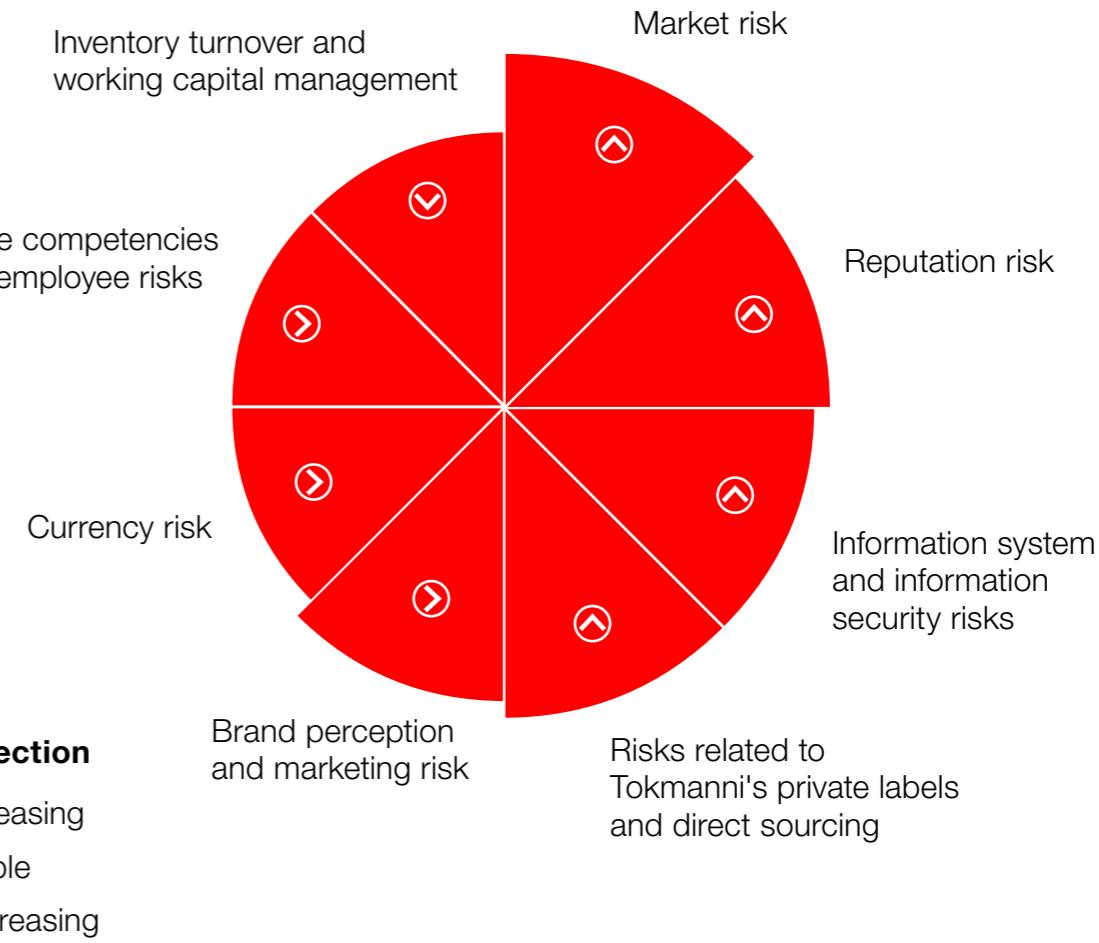
The corporate governance principles lay down the groundwork for Tokmanni's business operations. To guarantee the appropriate operation of the governing model, the Tokmanni Board of Directors has defined a set of principles for internal control. The purpose of internal control is to generate added value and to improve Tokmanni's business operations. Internal control covers all of Tokmanni's policies, processes, practices and organisational structures that assist its management and ultimately the Board of Directors to ensure that Tokmanni will attain its goals, its business operations are managed ethically and in compliance with all applicable laws and regulations, and that the company's assets are managed responsibly and that financial reporting is appropriate.

Risk management

Risk management is part of Tokmanni's corporate governance and internal control. The purpose of Tokmanni's risk management is to support the company's values and strategy and its continued business by anticipating and managing any risks associated with its operations. The goal is to assess risks systematically to promote thorough planning and decision-making.

Risk management includes all parts of the organisation and all risk types from strategic to oper-

Risk assessment



ational risks. Risk management supports corporate management and the Board to ensure that the company can fulfil its strategy efficiently. Tokmanni operates according to the risk management policy approved by the Board of Directors.

Risks are assessed regularly and reported to the CEO, the Executive Group, the financial and audit committee (FAC) and the Board of Directors in accordance with Tokmanni's risk management policy.

Risks that may affect Tokmanni are classified under strategic, operational and financial risks and risks of loss or damage.

Significant risks and uncertainties for Tokmanni are described in the 2016 report by the Board of Directors.



More information on Tokmanni's governing bodies, their responsibilities and their remuneration can be found on the company's website at: ir.tokmanni.fi/en/corporate-governance

Consolidated income statement

MEUR	2016	2015
Revenue		
Other operating income	3.4	4.0
Materials and services	-507.4	-497.8
Employee benefits expenses	-96.4	-92.3
Depreciation and amortization	-15.1	-14.8
Other operating expenses	-111.1	-115.4
Share of profit (loss) in joint ventures	0.0	0.0
Operating profit	49.2	39.1
Financial income	0.1	0.4
Financial expenses	-15.3	-21.3
Profit/loss before tax	34.0	18.2
Income taxes	-6.8	-3.4
Net result for the financial period	27.2	14.8
Profit for the year attributable to		
Equity holders of the parent company	27.2	14.8

Consolidated statement of comprehensive income

MEUR	2016	2015
Net result for the financial period	27.2	14.8
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	0.0	0.0
Comprehensive income for the financial period, net of tax	0.0	0.0
Comprehensive income for the financial period	27.2	14.8
Comprehensive income for the financial period attributable to		
Equity holders of the parent company	27.2	14.8

Earnings per share

	2016	2015
Equity holders of the parent company	27.2	14.8
Number of shares, weighted average during the financial period (thousands)*	54,095	44,549
Earnings per share (EUR/share)*	0.50	0.33

* The amount of shares 2015 and 2016 has been adjusted with effects of the bonus issue

Consolidated statement of financial position

MEUR	31.12.2016	31.12.2015
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	90.7	92.7
Goodwill	128.6	128.6
Other intangible assets	3.6	3.7
Non-current receivables	0.1	0.1
Investments in joint ventures and other financial assets	0.2	0.2
Deferred tax asset	5.0	5.2
NON-CURRENT ASSETS, TOTAL	228.1	230.5
CURRENT ASSETS		
Inventories	155.2	160.0
Trade and other receivables	17.0	14.4
Income tax receivables	0.7	1.2
Cash and cash equivalents	57.6	48.9
CURRENT ASSETS, TOTAL	230.5	224.5
ASSETS, TOTAL	458.6	455.0
EQUITY AND LIABILITIES		
Equity attributable to the equity holders of the parent company		
Share capital	0.1	0.0
Reserve for invested unrestricted equity	110.0	18.8
Translation differences	0.0	0.0
Retained earnings	56.5	29.3
EQUITY, TOTAL	166.6	48.1
NON-CURRENT LIABILITIES		
Deferred tax liabilities	5.3	6.0
Non-current interest-bearing liabilities	170.3	273.2
Non-current non-interest-bearing liabilities	8.1	16.1
NON-CURRENT LIABILITIES, TOTAL	183.6	295.3
CURRENT LIABILITIES		
Current interest-bearing liabilities	3.2	20.6
Trade payables and other current liabilities	103.5	91.0
Income tax liabilities	1.7	0.0
CURRENT LIABILITIES, TOTAL	108.4	111.7
EQUITY AND LIABILITIES, TOTAL	458.6	455.0

Cash flow statement

MEUR	2016	2015
Cash flows from operating activities		
Net result for the financial period	27.2	14.8
Adjustments:		
Non-cash items	13.1	15.3
Financial income	-0.1	-0.4
Financial expenses	15.3	21.3
Income taxes	6.8	3.4
Change in working capital:		
Change in current non-interest-bearing receivables	-2.4	-0.4
Change in inventories	4.7	-8.5
Change in current non-interest-bearing liabilities	13.1	7.4
Interest paid and other financial expenses	-11.5	-12.6
Interest received	0.1	0.1
Income taxes paid	-4.0	-5.5
Net cash from operating activities	62.5	35.0
Cash flows from investing activities		
Purchases of tangible and intangible assets	-10.0	-15.7
Proceeds from disposal of tangible and intangible assets	0.2	6.4
Investments in subsidiary shares	0.0	0.3
Net cash from investing activities	-9.8	-9.0
Cash flows from financing activities		
Proceeds from share issue	90.1	0.0
Repayments of finance lease liabilities	-3.4	-2.8
Proceeds from loans	125.0	0.0
Repayment of loans	-255.8	-26.7
Net cash from financing activities	-44.1	-29.5
Net change in cash and cash equivalents	8.7	-3.5
Cash and cash equivalents at beginning of the financial period	48.9	52.4
Cash and cash equivalents at end of the financial period	57.6	48.9

Key figures

	2016	2015	Change, %
Revenue, MEUR	775.8	755.3	2.7%
Like-for-like revenue development, %	-0.1		
Number of baskets, M	44.7	43.3	3.4%
Gross profit, MEUR	268.4	257.5	4.2%
Gross margin, %	34.6	34.1	
Adjusted gross profit, MEUR	267.9	258.1	3.8%
Adjusted gross margin, %	34.5	34.2	
Operating expenses	-207.4	-207.7	-0.1%
Adjusted operating expenses	-208.5	-203.7	2.4%
EBITDA, MEUR	64.3	53.9	19.3%
EBITDA, %	8.3	7.1	
Adjusted EBITDA, MEUR	62.8	58.5	7.4%
Adjusted EBITDA, %	8.1	7.7	
Operating profit (EBIT), MEUR	49.2	39.1	25.9%
Operating profit margin EBIT, %	6.3	5.2	
Adjusted EBIT, MEUR	47.7	43.7	9.2%
Adjusted EBIT, %	6.1	5.8	
Net financial items, MEUR	-15.2	-20.9	-27.2%
Net Capital expenditure, MEUR	9.8	9.0	8.8%
Net debt/adjusted EBITDA	1.8	2.7	
Net cash from operating activities, MEUR	62.5	35.0	
Return on capital employed, %	14.5	11.6	
Return on equity, %	18.1	12.0	
Number of shares, weighted average during the financial period (thousands)*	54,095	44,549	
Earnings per share (EUR/share)*	0.50	0.33	
Personnel at the end of the period	3,224	3,293	

*The amount of shares 2015 and 2016 has been adjusted with the effects of the bonus issue ('share split') carried out 04/2016.

Clear strategic road map and cash-generating business model

- ✓ Leading position in the discount store market
- ✓ Strong brand in Finland and an attractive value proposition
- ✓ Faster-than-market growth. Capacity to continue growth by improving like-for-like sales and by opening new stores
- ✓ Good EBITDA and clear measures to improve EBITDA margin
- ✓ Strong cash-generating business model and generous dividend policy

Share information

2016	
Profit/share, EUR	0.50
Profit/share, EUR	0.51 ¹
Adjusted number of shares, (1,000)	58,869
Average share price, EUR	7.62*
Year-end market value, MEUR	500.4
Name	TOKMAN
List	Mid Cap

¹ Board proposal

Tokmanni listed on the stock exchange in spring 2016

Tokmanni's shares are quoted on the Nasdaq Helsinki Mid Cap list under the symbol TOKMAN. At the end of 2016, Tokmanni had nearly 6,000 shareholders. The company has one class of shares and each share earns one vote at company's General Meeting. Shares have no nominal value. Tokmanni does not own its shares.

Tokmanni's disclosure policy

Tokmanni is committed to transparent communications and its objective is to be consistent and accurate in its stakeholder communications. Tokmanni communicates both favourable and unfavourable news in a credible, proactive, neutral and timely manner. The goal of stakeholder communications is to ensure that stakeholders receive correct and sufficient information on the company's financial status and business operations.

Tokmanni regularly meets with representatives of the capital market and media, and seeks to respond to enquiries by investors, analysts and the media without delay. Tokmanni's official investor relations spokespersons are the CEO, CFO and the Head of Investor Relations. They are entitled to comment on all issues related to Tokmanni, including strategy, financial figures, market trends and demand, major strategic projects and the company's opinions.



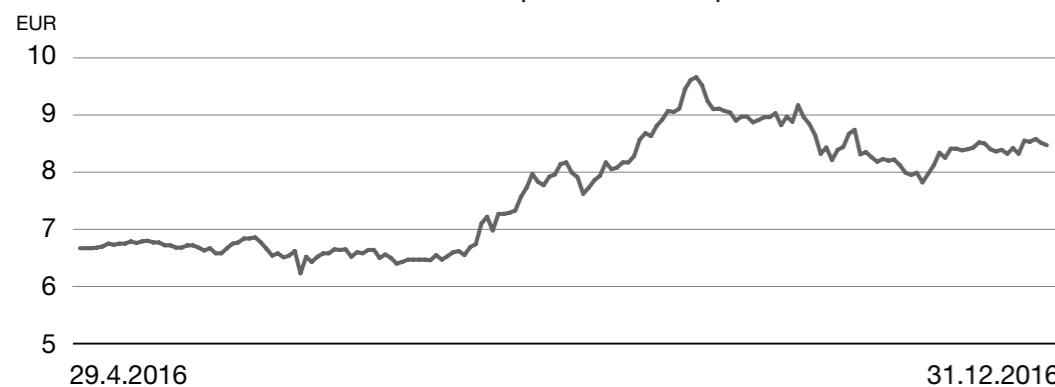
IR highlights for 2016

- Tokmanni was listed on the Nasdaq Helsinki Exchange. Trading on the pre-list started on 29 April and on the main list on 3 May 2016.
- During the IPO process, the company met with more than 100 investors in Finland, other Nordic countries, elsewhere in Europe and the USA.
- In June, the company organised an analyst afternoon in Mäntsälä, where the CEO and the CFO presented the company's strategy, business operations and financial development. There were eight analysts present at the event.
- Following the listing the company has met with investors in Helsinki, Stockholm, London, Frankfurt and Paris.
- During 2016 Tokmanni has participated in numerous events for private investors: Nasdaq's Open House in Helsinki, the Finnish Foundation for Share Promotion's stock exchange evening in Oulu and the Sijoitus-Invest fair in Helsinki.

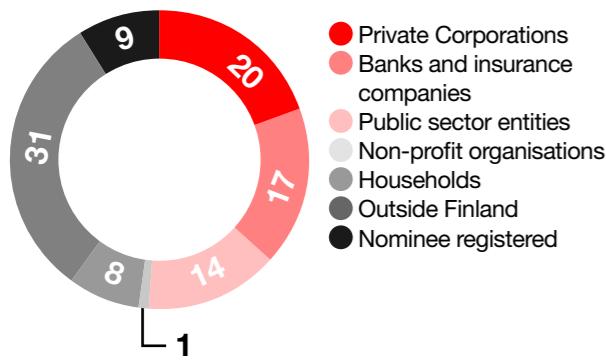
The largest shareholders by number of shares on 31 December 2016

Shareholders	Shares	%, of shares
Cidron Disco S.A.R.L.	17,952,301	30.50
Rockers Tukku Oy	8,836,825	15.01
Elo Pension Company	2,700,000	4.59
Varma Mutual Pension Insurance Company	2,675,000	4.54
Mandatum Life Insurance Company Limited	2,350,000	3.99
Nordea Fennia Fund	1,846,970	3.14
Mutual Funds Nordea Pro Suomi	1,582,737	2.69
Ilmarinen Mutual Pension Insurance Company	1,275,000	2.17
Mutual Funds Evli Suomi	762,195	1.29
Veritas Pension Insurance	750,000	1.27

Tokmanni's share price development



Ownership structure on 31 December 2016, %



More information on the company as an investment, investor events and policies can be found on the company's website at: ir.tokmanni.fi/en

IR Team



From left: CEO Heikki Väänänen, Head of IR and Communications Joséphine Mickwitz, and CFO Sixten Hjort

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TOKMANNI