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1.1.–30.6.2019
Half Year Financial Report

Tokmanni Group Corporation Half-year Financial Report January–June 2019

Strong second quarter, with clear improvement in revenue and EBIT

Tokmanni has adopted IFRS 16 *Leases* as of 1 January 2019. The adjusted comparison information for 2018 is provided as an appendix to this bulletin. The numbers in brackets refer to the adjusted figures for 2018.

SECOND QUARTER HIGHLIGHTS

- Revenue grew by 10.2% (11.0%) and was EUR 239.9 million (217.7)
- Like-for-like revenue for stores grew by 5.3% (7.7%)
- Comparable gross profit totalled EUR 84.5 million (76.1), with the comparable gross margin being 35.2% (34.9%)
- Comparable EBITDA amounted to EUR 34.0 million (27.4), representing 14.2% of revenue (12.6%)
- Comparable EBIT amounted to EUR 18.7 million (13.1), representing 7.8% of revenue (6.0%)
- Cash flow from operating activities amounted to EUR 37.8 million (31.3)
- Earnings per share were EUR 0.21 (0.16)

JANUARY–JUNE 2019 HIGHLIGHTS

- Revenue grew by 9.4% (11.0%) and was EUR 428.0 million (391.3)
- Like-for-like revenue for stores grew by 4.8% (7.0%)
- Comparable gross profit totalled EUR 143.1 million (130.6), with the comparable gross margin being 33.4% (33.4%)
- Comparable EBITDA amounted to EUR 46.8 million (39.5), representing 10.9% of revenue (10.1%)
- Comparable EBIT amounted to EUR 16.5 million (11.1), representing 3.9% of revenue (2.8%)
- Cash flow from operating activities amounted to EUR 9.5 million (17.4)
- Earnings per share were EUR 0.14 (0.10)

TOKMANNI'S OUTLOOK FOR 2019 UNCHANGED

Tokmanni expects good revenue growth for 2019, based on the revenue from the new stores acquired and opened in 2018 and new stores to be opened in 2019, as well as on slight growth in like-for-like revenue. Group profitability (comparable EBIT margin) is expected to improve on the previous year.

CEO Mika Rautiainen:

STRONG SECOND QUARTER IN TERMS OF SALES AND EBIT

“We are satisfied with our business performance in the second quarter. Our sales improved at a good rate, and our profitability improved significantly. We succeeded in sales during the spring, an important season, for the second consecutive year. In addition, our operational efficiency measures progressed in the right direction. Our focus continues to be on strategy implementation, particularly on improving profitability and the efficiency of the supply chain.

Our total revenue grew at a strong rate, by 10.2%, in the second quarter, with our comparable revenue increasing by 5.3%. We opened two new stores, and renewed and expanded several stores. Easter was observed in the second quarter this year, which also supported the good development. Tokmanni’s determined measures to strengthen its offering have improved the selections at the stores. Tokmanni’s number of customer visits has increased due to its low prices and interesting selections. Our customer numbers grew by 7.5% in the second quarter.

During the spring season, the sales structure is centred around private label products, which has a positive effect on our profitability. The sales of garden furniture, flowers and interior decoration products were particularly strong. In the second quarter, our comparable gross margin improved slightly year-on-year, and our operating profit developed favourably, with operating expenses remaining under control.

In the second half of the year, we will continue our profitability improvement measures in order to decrease the relative share of operating expenses and improve our gross margin in particular. Due to seasonality, a larger part of Tokmanni’s revenue and result is usually generated during the second half of the year.”

Key figures

		Adjusted ***	Change %		Adjusted ***	Change %	Adjusted ***
	4-6/2019	4-6/2018		1-6/2019	1-6/2018		1-12/2018
Revenue, MEUR	239.9	217.7	10.2%	428.0	391.3	9.4%	870.4
Like-for-like revenue development, %	5.3	7.7		4.8	7.0		5.6
Customer visit development %	7.5	8.5		7.3	7.8		6.9
Gross profit, MEUR	84.3	76.8	9.8%	143.1	131.5	8.8%	295.3
Gross margin, %	35.1	35.3		33.4	33.6		33.9
Comparable gross profit, MEUR	84.5	76.1	11.1%	143.1	130.6	9.6%	295.0
Comparable gross margin, %	35.2	34.9		33.4	33.4		33.9
Operating expenses	-51.8	-48.8	6.1%	-99.1	-92.0	7.8%	-188.1
Comparable operating expenses	-51.5	-49.6	3.8%	-98.3	-92.9	5.8%	-189.5
EBITDA, MEUR	33.5	28.9	15.7%	45.9	41.4	10.9%	111.2
EBITDA, %	13.9	13.3		10.7	10.6		12.8
Comparable EBITDA, MEUR	34.0	27.4	24.0%	46.8	39.5	18.4%	109.5
Comparable EBITDA, %	14.2	12.6		10.9	10.1		12.6
Operating profit (EBIT), MEUR	18.2	14.6	24.7%	15.6	13.0	20.2%	53.6
Operating profit margin EBIT, %	7.6	6.7		3.7	3.3		6.2
Comparable EBIT, MEUR	18.7	13.1	43.2%	16.5	11.1	48.5%	51.9
Comparable EBIT, %	7.8	6.0		3.9	2.8		6.0
Net financial items, MEUR	-2.6	-2.5	4.5%	-5.3	-5.3	-0.2%	-10.6
Net capital expenditure, MEUR*	5.5	6.2	-10.0%	8.2	7.6	8.6%	19.8
Net debt / comparable EBITDA ** / ****	3.7			3.7			3.5
Net cash from operating activities, MEUR	37.8	31.3		9.5	17.4		85.8
Return on capital employed, %	3.2	3.4		2.7	3.0		11.6
Return on capital employed %, rolling 12 months****	9.7			9.7			9.5
Return on equity, %	8.7	7.0		5.8	4.5		20.8
Return on equity %, rolling 12 months****	24.4			24.4			23.6
Equity ratio, %	20.3	20.3		20.3	20.3		23.3
Number of shares, weighted average during the financial period (thousands)	58 869	58 869		58 869	58 869		58 869
Earnings per share (EUR/share)	0.21	0.16		0.14	0.10		0.58
Personnel at the end of the period	4 019	3 724		4 019	3 724		3 558
Personnel on average in the period	3 784	3 512		3 606	3 336		3 415

* Net capital expenditure, excluding non-current receivables from others

** Rolling 12 months (comparable EBITDA)

*** The adjusted figure includes comparable calculations in accordance with IFRS 16

**** Comparison figure not available, as no adjustment was made for IFRS 16 for 2017

Adjustments affecting comparability

Tokmanni reports EBITDA as one of its key performance indicators and makes adjustments to improve comparability and provide a better view of Tokmanni's operational performance. EBITDA is a non-IFRS indicator that represents operating profit before depreciation and amortisation. Comparable EBITDA represents EBITDA excluding items that Tokmanni's management considers to be exceptional and non-recurring, including changes in the fair value of electricity and currency derivatives, which are adjusted by Tokmanni, as they are unrealised gains or losses related to Tokmanni's open cash flow hedge positions and are therefore not related to Tokmanni's operational performance during the review periods.

Tokmanni's management uses comparable EBIT margin as a key performance indicator to assess Tokmanni's underlying operational performance.

Adjustments affecting comparability					
		Adjusted ***		Adjusted ***	Adjusted ***
MEUR	4-6/2019	4-6/2018	1-6/2019	1-6/2018	1-12/2018
Gross profit	84.3	76.8	143.1	131.5	295.3
Changes in the fair value of currency derivatives	0.3	-0.7	0.1	-0.9	-0.3
Comparable gross profit	84.5	76.1	143.1	130.6	295.0
Operating expenses	-51.8	-48.8	-99.1	-92.0	-188.1
Changes in the fair value of electricity derivatives	0.3	-0.8	0.8	-1.0	-1.4
Comparable operating expenses	-51.5	-49.6	-98.3	-92.9	-189.5
EBITDA	33.5	28.9	45.9	41.4	111.2
Operating profit (EBIT)	18.2	14.6	15.6	13.0	53.6
Changes in the fair value of currency derivatives	0.3	-0.7	0.1	-0.9	-0.3
Changes in the fair value of electricity derivatives	0.3	-0.8	0.8	-1.0	-1.4
Comparable EBITDA	34.0	27.4	46.8	39.5	109.5
Comparable operating profit (adj. EBIT)	18.7	13.1	16.5	11.1	51.9

*** The adjusted figure includes comparable calculations in accordance with IFRS 16

MARKET DEVELOPMENT

The non-grocery market increased by 0.6% during the second quarter according to the Finnish Grocery Trade Association, FGTA (www.pti.fi). The revenue of department store and hypermarket chains increased by 4.9%. Tokmanni's revenue grew by 10.2%, and clearly outperformed the rest of the market in terms of growth.

The member companies of the FGTA operate the department store and hypermarket chains of K-Citymarket, Prisma, Sokos, Stockmann, Tokmanni and Minimani. However, it is important to note that the statistics compiled by the FGTA only cover part of Tokmanni's addressable market and exclude online sales, for example.

STORE NETWORK DEVELOPMENT

Expanding the store network is one of the key targets for growing Tokmanni's revenue and profitability. Tokmanni's target is to expand its store network to include more than 200 stores and to increase its new retail selling space by approximately 12,000 square metres in net terms every year, which means around five new or relocated stores.

Tokmanni has an efficient process of rolling out and ramping up new stores. At the end of the second quarter, Tokmanni had 189 stores in Finland (30 June 2018: 177).

In January–June 2019, Tokmanni refurbished and opened eight Ale-Makasiini stores, two TEX stores and one Säästökuoppa store under the Tokmanni brand name, and a new store in the Tesoma district of Tampere and in Loppi. In addition, Tokmanni relocated to new premises in Hanko and Juuka, and reopened a refurbished store on Kehräämötie in Kajaani, among other locations, and a refurbished and enlarged store in Turenki. In Siilinjärvi, Tokmanni centralised all of its store operations into the Tokmanni store that has been in operation in the town for many years by closing the Ale-Makasiini located in other premises nearby. During the second half of the year, Tokmanni will expand its store network to at least two new locations, Vääksy and Virrat.

Tokmanni considers a store to be new or relocated over the duration of its opening year and the following calendar year. On average, a new store becomes profitable after around 12 months and reaches its full capacity within around 24 months.

New and relocated stores include: new stores opened; store relocations where the store size changes by 30 per cent or more and the assortment increases or is reduced substantially; and store expansions where the store size changes by 30 per cent or more.

FINANCIAL DEVELOPMENT

Seasonality

Tokmanni's business is subject to seasonality, which has a significant effect on its revenue, profitability and cash flows. Generally, Tokmanni's revenue, profitability and cash flows are lowest in the first quarter and highest in the fourth quarter due to Christmas sales.

Revenue

April–June 2019

In the second quarter of 2019, Tokmanni's revenue grew by 10.2% to EUR 239.9 million (217.7). Tokmanni had a successful spring season, and June was a particularly strong month. Demand was strong for yard, balcony and garden products and home textiles in particular. Like-for-like revenue for stores grew by 5.3% (7.7%). Like-for-like customer numbers in stores grew by 2.8% and the total number of customers grew by 7.5% year-on-year. The like-for-like basket size increased by 2.4% to EUR 17.60 (17.19).

January–June 2019

Revenue for January–June 2019 grew by 9.4% to EUR 428.0 million (391.3). Comparable revenue increased by 4.8% (7.0%). Like-for-like customer numbers in stores grew by 3.0% and the total number of customers grew by 7.3% year-on-year. The like-for-like basket size increased by 1.8% to EUR 17.23 (16.93).

Direct imports accounted for 23.4% of revenue (23.2%). A total of 14.4% (14.9%) of products sold were procured through Tokmanni's sourcing company in Shanghai. Private label products accounted for 30.4% of revenue (31.3%). The shares of seasonal products, campaign products and stock lots of revenue remained at the previous year's level. Tokmanni's online sales accounted for 0.6% (0.4%) of its total revenue, and it grew by 65.6% during January–June 2019.

Profitability

April–June 2019

In the second quarter of 2019, gross profit totalled EUR 84.3 million (76.8), corresponding to a gross margin of 35.1% (35.3%). Comparable gross profit was EUR 84.5 million (76.1), corresponding to a gross margin of

35.2% (34.9%). Gross profit development was primarily affected by the sales mix. Demand was strong for yard, balcony and garden products and home textiles in particular. The share of campaign products of revenue remained at the previous year's level.

Operating expenses increased to EUR 51.8 million (48.8), or 21.6% of revenue (22.4%). Comparable operating expenses were EUR 51.5 million (49.6), or 21.5% of revenue (22.8%). The increase in operating expenses was mainly due to the additional operating expenses that came from the new stores added to the store network. Personnel expenses totalled EUR 30.8 million (28.5), or 12.9% of revenue (13.1%).

EBITDA amounted to EUR 33.5 million (28.9), and the EBITDA margin was 13.9% (13.3%). Comparable EBITDA totalled EUR 34.0 million (27.4), and the comparable EBITDA margin was 14.2% (12.6%).

EBIT totalled EUR 18.2 million (14.6), or 7.6% of revenue (6.7%). Comparable EBIT totalled EUR 18.7 million (13.1), and the comparable EBIT margin was 7.8% (6.0%).

Net financial items totalled EUR -2.6 million (-2.5). The result before taxes was EUR 15.5 million (12.0). Taxes amounted to EUR 3.1 million (2.4). The net result was EUR 12.4 million (9.6).

Earnings per share were EUR 0.21 (0.16). The return on capital employed was 3.2% (3.4%), and the return on equity was 8.7% (7.0%).

January–June 2019

In January–June 2019, gross profit amounted to EUR 143.1 million (131.5), corresponding to a gross margin of 33.4% (33.6%). Comparable gross profit was EUR 143.1 million (130.6), corresponding to a gross margin of 33.4% (33.4%).

Operating expenses amounted to EUR 99.1 million (92.0). Comparable operating expenses were EUR 98.3 million (92.9). The growth in operating expenses was mainly due to the expansion of the store network and high sales volumes. Personnel expenses totalled EUR 57.6 million (53.5), or 13.5% of revenue (13.7%).

EBITDA amounted to EUR 45.9 million (41.4), and the EBITDA margin was 10.7% (10.6%). Comparable EBITDA totalled EUR 46.8 million (39.5), and the comparable EBITDA margin was 10.9% (10.1%).

EBIT totalled EUR 15.6 million (13.0), or 3.7% of revenue (3.3%). Comparable EBIT totalled EUR 16.5 million (11.1), and the comparable EBIT margin was 3.9% (2.8%). Tokmanni's long-term target is to gradually increase its comparable EBIT margin to around 9% by improving the gross margin and reducing the relative share of operating expenses of revenue from the current level.

Net financial items totalled EUR -5.3 million (-5.3). The result before taxes was EUR 10.4 million (7.7). Taxes amounted to EUR 2.1 million (1.6). The net result was EUR 8.3 million (6.2).

Earnings per share were EUR 0.14 (0.10). The return on capital employed was 2.7% (3.0%), and the return on equity was 5.8% (4.5%).

Balance sheet, financing and cash flow

At the end of June, Tokmanni's inventories amounted to EUR 220.3 million (195.2). The increase in inventories was primarily due to growth in the store network and partly to the wider selection of stock keeping units. The Group's cash flow from operating activities amounted to EUR 37.8 million (31.3) in the second quarter of 2019. Due to the increase in inventories, cash flow in January–June decreased year-on-year and was EUR 9.5 million (17.4). Cash and cash equivalents stood at EUR 5.8 million (6.6) at the end of June.

At the end of June 2019, Tokmanni's interest-bearing debt totalled EUR 436.7 million (418.0). Following the adoption of the IFRS 16 standard, leases were transferred to liabilities and assets on the balance sheet, which increased the amount of liabilities significantly compared with what was reported before.

At end of June, the ratio of net debt to comparable EBITDA (rolling 12 months) was 3.7 (there is no comparison figure, as no adjustment was made for IFRS 16 for 2017). Tokmanni intends to maintain an efficient long-term capital structure, and its long-term goal is to keep the ratio of net debt to comparable EBITDA below 3.2.

Capital expenditure

Net capital expenditure in the second quarter totalled EUR 5.5 million (6.2). Capital expenditure was mainly focused on the expansion of the store network, renovations of stores and the development of digital services.

Net capital expenditure for January–June 2019 totalled EUR 8.2 million (7.6). Capital expenditure in 2019 is expected to be around EUR 14–15 million.

PERSONNEL

Tokmanni is a significant employer in Finland. At the end of June 2019, the company had 4,019 (3,724) employees. On average, Tokmanni had 3,606 (3,336) employees during January–June 2019.

Personnel expenses in January–June 2019 amounted to EUR 57.6 million (53.5), representing 13.5% (13.7%) of revenue. The salaries of full-time employees covered by the commercial sector's collective agreement were raised by 1.6% on 1 April 2019. Most of Tokmanni's employees are covered by the agreement.

Tokmanni employs around 1,000 summer employees and "*Tutustu työelämään ja tienaa*" summer trainees. "*Tutustu työelämään ja tienaa*" is a summer traineeship scheme for young people aged 14–17. In the retail sector, they are paid a maximum salary of EUR 365 for their two-week period of work experience.

CORPORATE RESPONSIBILITY

Responsibility is part of the day-to-day work of every member of Tokmanni's personnel. Our key corporate responsibility themes are business integrity, responsible sourcing and products, fair treatment and efficient use of resources.

During the first half of 2019, Tokmanni continued to invest in low-emission, energy-efficient business operations in its store premises in particular. The company installed LED lighting at 15 stores, as well as solar panels on the roofs of four store buildings.

In terms of responsible sourcing, auditing practices were further developed for high-risk countries, and definitions and goals were further specified for high-risk raw materials.

Tokmanni works to bear its responsibility in society and to be a significant operator in its store locations, as well as highlighting and supporting important themes, such as preventing isolation and discrimination and helping the less fortunate. To support these goals, Tokmanni selected the Finnish Red Cross as its national responsibility partner for a period of 24 months, beginning in June. Tokmanni supports the Red Cross friend visitor programme in particular, and seeks to prevent loneliness and isolation in Finland in cooperation with the Finnish Red Cross. Tokmanni also participated in the Green Ribbon campaign of the Finnish Association for Mental Health.

Tokmanni is a store for everyone, and the company sees diversity as a resource that enables responsible business operations and growth. Tokmanni continued to employ and support immigrants and people with a high

risk of isolation, and the company also continued its work to integrate diversity into its personnel and recruitment policies.

In June, Tokmanni held its annual Responsibility Day at its Mäntsälä office. The goal of the day was to increase employees' understanding of responsibility issues, to engage and educate employees, and to obtain more in-depth information about corporate responsibility from Tokmanni's key stakeholders.

More information about Tokmanni's responsibility themes and responsibility work is available in its 2018 Corporate Responsibility Report, which was published on its website at <https://ir.tokmanni.fi/en/responsibility> in March 2019.

SHARES AND SHAREHOLDERS

Tokmanni Group Corporation's share capital amounted to EUR 80,000, and its equity stood at EUR 145.7 million. Tokmanni had 58,868,752 shares outstanding at the end of June 2019. During January–June 2019, a total of 14,424,018 Tokmanni shares were traded on the Nasdaq Helsinki for a total price of EUR 118.3 million. The final trade in Tokmanni shares on the Nasdaq Helsinki was executed at a price of EUR 8.02. The highest quote for the share was EUR 9.29 and the lowest was EUR 7.09. The volume-weighted average price of the share was EUR 8.20. At the end of June 2019, the market value of the shares was EUR 472.1 million.

Tokmanni Group Corporation has one share class, with each share entitling its holder to one vote at a general meeting of the company. The shares have no nominal value. Tokmanni does not own any treasury shares.

At the end of June 2019, Tokmanni had 15,750 registered shareholders. At the end of June, the largest shareholders of Tokmanni Group Corporation were Takoa Invest Oy with 17.91%, Elo Mutual Pension Insurance Company with 8.58%, Varma Mutual Pension Insurance Company with 5.35%, OP-Finland Value Fund with 2.54% and Evli Finnish Small Cap Fund with 1.91% ownership.

Financial and insurance institutions held 40.82%, non-financial corporations held 22.88% and public-sector entities held 17.06% of the shares, while households held 16.29% and non-profit institutions 2.30%. Direct foreign ownership was 0.65% of the shares. Of all the above mentioned shares, 27.41% were nominee-registered.

More information about Tokmanni's shares and shareholders is available on the company's website at <https://ir.tokmanni.fi/en/investors/share-and-shareholders/shareholders>, and more information about management holdings is available at <https://ir.tokmanni.fi/en/investors/corporate-governance/insider-management/management-holdings>.

GOVERNANCE

Decisions taken by the Annual General Meeting

Tokmanni Group Corporation's Annual General Meeting (AGM) was held on 19 March 2019 in Mäntsälä, Finland. The AGM approved the 2018 financial statements and discharged the members of the Board of Directors, as well as the company's CEO, from liability for the financial period.

Dividend payment

The AGM approved the proposal to pay a dividend of EUR 0.50 per share for the financial period that ended on 31 December 2018. The dividend was paid to shareholders who were registered in the company's shareholders register, maintained by Euroclear Finland, on the dividend payment record date, 21 March 2019. The dividend payment date was 4 April 2019.

Board composition and remuneration

The AGM decided that the Board of Directors consist of six members. The AGM elected Juha Blomster, Thérèse Cedercreutz, Kati Hagros, Erkki Järvinen, Seppo Saastamoinen and Harri Sivula as members of the Board. Seppo Saastamoinen was elected as Chairman of the Board of Directors.

The AGM approved the proposal that the remuneration of the members of the Board of Directors remain unchanged as follows:

- The Chairman of the Board of Directors will be paid EUR 84,000 as annual remuneration;
- Each member of the Board of Directors will be paid EUR 30,000 as annual remuneration;

In addition, the Chairman and the members of the Board of Directors will be paid an attendance fee as follows:

- EUR 1,000 per Board meeting for those members of the Board of Directors who are domiciled in Finland;
- EUR 2,000 per Board meeting for those members of the Board of Directors who are domiciled elsewhere in Europe; and
- EUR 3,000 per Board meeting for those members of the Board of Directors who are domiciled outside Europe.

The annual remuneration of the members of the Board of Directors is paid in company shares and in cash, with around 40% of the annual fee being paid in shares in the company and the rest being paid in cash. The company will pay any costs and transfer tax related to the purchase of the company shares. The shares purchased for a Board member cannot be transferred until 3 years have passed from the date of purchase or before their membership in the Board has ended, whichever is earlier.

The Board members' meeting fees will be paid in cash.

Auditor remuneration and auditor selection

The AGM decided that the auditor be paid remuneration in accordance with a reasonable invoice. PricewaterhouseCoopers Oy, Authorised Public Accountants, was elected as the company's auditor, with Maria Grönroos, APA, as the principal auditor designated by the audit firm. The auditor's term of office ends at the close of the next Annual General Meeting following the election of the auditor.

The Board of Directors' authorisation to decide on the repurchase of the company's own shares

The Annual General Meeting authorised the Board of Directors to decide on repurchasing or accepting as pledge, using the company's non-restricted equity, a maximum of 2,943,000 own shares, which corresponds to around 5% of the company's total shares at the time of convening the meeting. The repurchase may take place in one or more tranches.

The shares shall be repurchased in a proportion other than the shareholders' current shareholdings in the company in public trading arranged by Nasdaq Helsinki Ltd at the trading price at the moment of repurchase. The shares shall be repurchased and paid for in accordance with the rules of Nasdaq Helsinki Ltd.

The company may repurchase shares to execute its incentive programme or corporate acquisitions or other business arrangements or investments related to its operations, to improve its capital structure, or to be otherwise further transferred, retained by the company or cancelled.

The authorisation is proposed to include the right of the Board of Directors to decide on all other matters related to the repurchase of shares. The authorisation is effective until the Annual General Meeting of 2020, but not beyond 30 June 2020.

The minutes of the meeting are available on Tokmanni's website.

Decisions taken in the constitutive meeting of the Board of Directors

At its constitutive meeting following the Annual General Meeting, the Board elected Juha Blomster, Kati Hagros, Erkki Järvinen and Harri Sivula as members of the Finance and Audit Committee.

RISKS AND BUSINESS UNCERTAINTIES

Tokmanni's risks and uncertainties are discussed in detail in its Financial Statements Bulletin and Board of Directors' report for 2018. No major changes to these risks have occurred during the review period.

MARKET OUTLOOK

According to the view of Finland's Ministry of Finance, economic growth in the coming years will be more moderate than in recent years. In its Economic Survey for summer 2019, the Ministry of Finance forecasts that the inflation rate will be 1.2% in 2019 (1.1% in 2018). The ministry expects Finland's GDP to grow by 1.6% in 2019 (2018: 2.4%). Even though the export market outlook and global economic outlook are weaker than before, the outlook for the Finnish export sector is not expected to weaken significantly in the early part of the forecast period. Private investments are expected to increase at a slower rate than before, while the rapid increase in public investments is expected to continue. The outlook for investments in production is bright. Recently there have been signs of weaker consumer confidence, which may reduce consumption.

Tokmanni expects the Finnish non-grocery market to grow slightly in 2019, and it expects discount stores, speciality discount stores and online stores to further strengthen their position.

TOKMANNI'S OUTLOOK FOR 2019 UNCHANGED

Tokmanni expects good revenue growth for 2019, based on the revenue from the new stores acquired and opened in 2018 and new stores to be opened in 2019, as well as on slight growth in like-for-like revenue. Group profitability (comparable EBIT margin) is expected to improve on the previous year.

Mäntsälä, 8 August 2019

Tokmanni Group Corporation

Board of Directors

IR CALENDAR

Tokmanni publishes shorter business reviews for the first and third quarters, and a comprehensive interim report covering the period January–June 2019. Tokmanni will publish its business review for January–September 2019 on 30 October 2019.

TOKMANNI GROUP CORPORATION'S HALF-YEAR FINANCIAL REPORT FOR JANUARY–JUNE 2019

This interim financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* using the same accounting policies and methods of computation as in the financial statements for 2018. In addition, Tokmanni adopted the new IFRS 16 *Leases* standard on 1 January 2019. The new standard replaced IAS 17 and its interpretations. IFRS 16 requires lessees to recognise leases on the balance sheet as lease liabilities and underlying right-of-use assets. There are two optional exemptions on the balance sheet that relate to short-term leases and leases of low-value items. The principles of the adoption of IFRS 16 *Leases* at Tokmanni are explained under “Adoption of new and amended standards”. All figures in the accounts have been rounded. Consequently, the sum of individual figures can deviate from the presented sum figure.

USE OF ESTIMATES

The preparation of the half-year financial report in accordance with IFRS requires the 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 on the income statement. Although the estimates are based on the management's best knowledge of current events and actions, the actual results may differ from the estimates.

This interim report is unaudited.

Consolidated income statement (MEUR)					
	4–6/2019	4–6/2018	1–6/2019	1–6/2018	1–12/2018
Revenue	239.9	217.7	428.0	391.3	870.4
Other operating income	1.0	0.9	1.9	1.8	4.0
Materials and services	-155.7	-140.9	-285.0	-259.8	-575.1
Employee benefits expenses	-30.8	-28.5	-57.6	-53.5	-106.9
Depreciation and amortisation	-15.3	-3.6	-30.3	-7.2	-14.7
Other operating expenses	-20.9	-31.7	-41.5	-61.1	-127.4
Share of profit (loss) in joint ventures	0.0	0.0	0.0	0.0	0.0
Operating profit	18.2	13.9	15.6	11.5	50.3
Financial income	0.0	0.0	0.0	0.1	0.0
Financial expenses	-2.6	-1.3	-5.3	-2.8	-5.6
Profit/loss before tax	15.5	12.6	10.4	8.7	44.7
Income taxes	-3.1	-2.6	-2.1	-1.8	-8.9
Net result for the financial period	12.4	10.1	8.3	7.0	35.8
Profit for the year attributable to					
Equity holders of the parent company	12.4	10.1	8.3	7.0	35.8

Consolidated statement of comprehensive income (MEUR)					
	4-6/2019	4-6/2018	1-6/2019	1-6/2018	1-12/2018
Net result for the financial period	12.4	10.1	8.3	7.0	35.8
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations	0.0	0.0	0.0	0.0	0.0
Comprehensive income for the financial period, net of tax	0.0	0.0	0.0	0.0	0.0
Comprehensive income for the financial period	12.4	10.1	8.3	7.0	35.8
Comprehensive income for the financial period attributable to					
Equity holders of the parent company	12.4	10.1	8.3	7.0	35.8
Earnings per share					
Equity holders of the parent company	12.4	10.1	8.3	7.0	35.8
Number of shares, weighted average during the financial period (thousands)	58,869	58,869	58,869	58,869	58,869
Earnings per share (EUR/share)	0.21	0.17	0.14	0.12	0.61

Consolidated statement of financial position (MEUR)			
	30 June 2019	30 June 2018	31 December 2018
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	322.6	88.0	86.6
Goodwill	135.0	128.6	134.6
Other intangible assets	5.3	5.7	5.8
Non-current receivables	2.4	0.6	2.6
Investments in joint ventures and other financial assets	0.2	0.2	0.2
Deferred tax asset*	1.8		
NON-CURRENT ASSETS, TOTAL	467.2	223.1	229.7
CURRENT ASSETS			
Inventories	220.3	195.2	190.5
Trade and other receivables	20.1	20.5	20.6
Income tax receivables	3.6	2.6	1.5
Cash and cash equivalents	5.8	6.6	37.9
CURRENT ASSETS, TOTAL	249.8	224.9	250.5
ASSETS, TOTAL	717.0	447.9	480.2
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the parent company			
Share capital	0.1	0.1	0.1
Reserve for invested unrestricted equity	109.9	109.9	109.9
Translation differences	0.0	0.0	0.0
Retained earnings	35.7	35.7	64.5
EQUITY, TOTAL	145.7	145.7	174.5
NON-CURRENT LIABILITIES			
Deferred tax liabilities*		0.2	0.5
Non-current interest-bearing liabilities	368.5	171.2	169.3
Non-current non-interest-bearing liabilities	6.6	7.1	6.8
NON-CURRENT LIABILITIES, TOTAL	375.1	178.5	176.6
CURRENT LIABILITIES			
Current interest-bearing liabilities	68.2	3.9	3.7
Trade payables and other current liabilities	125.8	119.1	122.7
Income tax liabilities	2.3	0.7	2.8
CURRENT LIABILITIES, TOTAL	196.2	123.7	129.1
EQUITY AND LIABILITIES, TOTAL	717.0	447.9	480.2

* Deferred tax assets and liabilities are presented netted, and the change has also been taken into account in the comparison information.

Consolidated statement of cash flows			
	1-6/2019	1-6/2018	1-12/2018
Cash flows from operating activities			
Net result for the financial period	8.3	7.0	35.8
Adjustments:			
Depreciation	30.3	7.2	14.7
Capital gains and losses on non-current assets	0.0	0.0	0.0
Financial income and expenses	5.3	2.8	5.6
Income taxes	2.1	1.8	8.9
Other adjustments	0.6	-2.3	-2.5
Change in working capital:			
Change in current non-interest-bearing receivables	-0.6	-1.1	-1.3
Change in inventories	-29.3	-24.7	-19.8
Change in current non-interest-bearing liabilities	3.1	12.2	15.7
Interest paid	-5.1	-2.6	-5.3
Other financing items	-0.1	0.0	-0.1
Income taxes paid	-5.0	-2.8	-6.7
Net cash from operating activities	9.5	-2.8	44.9
Cash flows from investing activities			
Purchases of tangible and intangible assets	-8.3	-7.6	-19.8
Proceeds from disposal of tangible and intangible assets	0.0	0.0	0.0
Loans granted			-2.0
Proceeds from repayments of loans	0.1		
Net cash from investing activities	-8.2	-7.6	-21.7
Cash flows from financing activities			
Dividends paid	-29.4	-24.1	-24.1
Change in current loans	19.6	0.4	0.0
Repayments of lease liabilities	-23.5	-1.8	-3.7
Net cash from financing activities	-33.4	-25.6	-27.8
Net change in cash and cash equivalents	-32.1	-35.9	-4.7
Cash and cash equivalents at the beginning of the financial period	37.9	42.5	42.5
Cash and cash equivalents, corporate arrangements	5.8	6.6	37.9

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
Equity 1 Jan 2019	0.1	109.9	0.0	64.5	174.5	174.5
Adjustment of implementation of IFRS 16				-7.7	-7.7	-7.7
Adjusted equity 1 Jan 2019	0.1	109.9	0.0	56.8	166.8	166.8
Comprehensive income						
Net result for the financial period				8.3	8.3	8.3
Translation differences			0.0		0.0	0.0
Comprehensive income for the financial period			0.0	8.3	8.3	8.3
Dividends				-29.4	-29.4	-29.4
Incentive scheme				0.1	0.1	0.1
Equity 30 Jun 2019	0.1	109.9	0.0	35.7	145.7	145.7

	Share capital	Reserve for invested unrestricted equity	Translation differences	Retained earnings	Equity attributable to owners of the parent	Total equity
Equity 1 Jan 2018	0.1	109.9	0.0	52.9	162.8	162.8
Comprehensive income						
Net result for the financial period				35.8	35.8	35.8
Translation differences			0.0		0.0	0.0
Comprehensive income for the financial period			0.0	35.8	35.8	35.8
Dividends				-24.1	-24.1	-24.1
Incentive scheme				0.1	0.1	0.1
Equity 31 Dec 2018	0.1	109.9	0.0	64.5	174.5	174.5

	Share capital	Reserve for invested unrestricted equity	Translation differences	Retained earnings	Equity attributable to owners of the parent	Total equity
Equity 1 Jan 2018	0.1	109.9	0.0	52.9	162.8	162.8
Comprehensive income						
Net result for the financial period				7.0	7.0	7.0
Translation differences			0.0		0.0	0.0
Comprehensive income for the financial period			0.0	7.0	7.0	7.0
Dividends				-24.1	-24.1	-24.1
Incentive scheme				0.0	0.0	0.0
Equity 30 Jun 2018	0.1	109.9	0.0	35.7	145.7	145.7

ADOPTION OF NEW OR AMENDED STANDARDS

IFRS 16 Leases

The IFRS 16 *Leases* standard came into effect on 1 January 2019. The standard concerns the definition of leases and the principles related to recognising, measuring and presenting leases, as well as the information provided about leases in financial statements. The purpose of the standard is to ensure that financial statements provide meaningful information about the effect of leases on the reporting entity's financial position, result and cash flows.

Transition

The Tokmanni Group adopted the IFRS 16 standard on 1 January 2019, and its adoption brings a significant part of Tokmanni's leases onto the balance sheet. A right-of-use asset is recognised for leases, as well as a financial liability corresponding to the lease liability, and their balance sheet value is based on the present value of future rent payments. Short-term and low-value assets are subject to an exemption, and these items remain off the balance sheet. Tokmanni primarily acts as a lessee, and the Group has leases related to its business operations, such as its logistics centre, store facilities, vehicles and IT equipment.

Tokmanni applies the IFRS 16 standard using the simplified approach, meaning that comparison figures are not adjusted and the cumulative effect arising from the adoption of the standard is recognised at the time of adoption, 1 January 2019. The Group has chosen to calculate assets in accordance with the standard from the beginning of the lease, which is why assets and liabilities were unequal at the time of adoption. The difference arising from this was recognised in retained earnings on 1 January 2019. Previously, in accordance with IAS 17, assets and liabilities related to agreements classified as financial leases were recognised in a right-of-use asset item and lease liabilities in line with IFRS 16.

Application of practical means

Short-term leases intended to last for less than 12 months are treated as short-time leases, and are not recognised on the balance sheet. The lease period was determined at the time of adoption, based on the knowledge at that time. Low-value leases are also excluded from calculations made in accordance with the IFRS 16 standard. These agreements are recognised as an expense in other operating expenses over the duration of the lease.

A consistent discount rate is applied to leases with similar characteristics. This rate is determined based on the underlying asset class, the duration of the lease and the lessee's risk premium. At the time of transition, the weighted average interest rate on incremental credit was 2.30%.

Management discretion in applying the IFRS 16 standard

At the beginning of a lease, the management assesses the probability of exercising any extension option. If it is relatively certain that Tokmanni will exercise such an option, the extension will be included in the lease period. Consequently, the lease period included in the option will affect the value of the lease liability and right-of-use asset at the beginning of the lease. Of Tokmanni's leases, lease agreements on store facilities often include significant option conditions. Their main purpose is to enable the lease to continue after the end of the original lease period.

When determining the agreement period, it is essential to consider all relevant aspects related to the duration of the agreement. Short-term leases intended to last for less than 12 months are covered by the exemption related to IFRS 16, and are not recognised on the balance sheet. Instead, they are recognised as an expense on the income statement. If an open-ended lease agreement or an extendable fixed-term lease agreement has a notice period of less than 12 months, but Tokmanni intends to continue the lease agreement for an unspecified period

of time without terminating the agreement, such agreements are nevertheless considered to be in compliance with the IFRS 16 standard. At the time of amending a short-term agreement (changes are made to the lease agreement or its duration), the agreement will be reassessed as a new lease.

Effects of the adoption of the IFRS 16 standard

The adoption of IFRS 16 has a significant effect on Tokmanni's balance sheet, income statement and key figures. On the balance sheet, interest-bearing liabilities and non-current assets are considerably higher than with IAS 17. Depreciation on fixed asset items and interest expenses arising from lease liabilities are recognised on the income statement, instead of rental payments, which increases Tokmanni's EBITDA and operating profit. Income tax will change due to the recognition of deferred taxes. The adoption of the standard will also affect the presentation of the Group's cash flow statement. However, cash flows will remain unchanged. Rental payments are presented in cash flow from operating activities in terms of financial expenses, and loan repayments are presented in cash flow from financing activities.

Effect on the opening balance			
MEUR	31 Dec 2018	Effect of IFRS 16	1 Jan 2019
Assets			
Property, plant and equipment	86.6	233.9	320.5
Deferred tax asset		1.9	1.9
Other non-current assets	143.2		143.2
Current assets	250.5		250.5
Assets total	480.2	235.9	716.1
Equity and liabilities			
Equity	174.5	-7.7	166.8
Non-current interest-bearing liabilities	169.3	200.4	369.8
Current interest-bearing liabilities	3.7	43.2	46.8
Other liabilities	132.7		132.7
Equity and liabilities total	480.2	235.9	716.1

Effect of IFRS 16 at 1 Jan 2019	Right-of-use fixed assets	Lease liabilities
MEUR		
Real estate	233.1	242.7
Vehicles	0.5	0.6
IT equipment	0.3	0.3
Total	233.9	243.6

Reconciliation of the operating lease at 31 Dec 2018 to the lease liabilities at 1 Jan 2019	
MEUR	
Operating lease commitment at 31 Dec 2018	303.1
Finance lease liabilities recognised as at 31 Dec 2018	73.6
Discounted by using incremental borrowing rate	-16.7
Short-term leases	-0.1
Leases of low-value assets	-3.4
Non-lease components included in lease payments	-39.4
Lease liabilities recognised at 1 Jan 2019	317.2
of which non-current	270.1
of which current	47.1

PROPERTY, PLANT AND EQUIPMENT

MEUR	30 June 2019	30 June 2018	31 December 2018
Property, plant and equipment			
Property, plant and equipment	34.3	88.0	86.6
Right-of-use fixed assets	288.3		
Total	322.6	88.0	86.6

INTEREST-BEARING DEBT

MEUR	30 June 2019	30 June 2018	31 December 2018
Non-current interest-bearing liabilities			
Loans from financial institutions	99.8	99.5	99.6
Finance lease liabilities		71.7	69.7
Lease liabilities	268.8		
Total	368.5	171.2	169.3
Current interest-bearing liabilities			
Loans from financial institutions	9.3	0.1	-0.3
Other current liabilities	9.6	0.4	
Finance lease liabilities		3.8	3.9
Lease liabilities	48.9		
Total	68.2	3.9	3.7

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

MEUR	Carrying amounts of assets as per balance sheet 30 Jun 2019	Fair value 30 Jun 2019	Carrying amounts of assets as per balance sheet 30 Jun 2018	Fair value 30 Jun 2018	Carrying amounts of assets as per balance sheet 31 Dec 2018	Fair value 31 Dec 2018
Financial assets						
Derivatives (level 2)	0.8	0.8	1.8	1.8	1.7	1.7
Financial liabilities						
Derivatives (level 2)	0.2	0.2	0.1	0.1	0.2	0.2
Loans from financial institutions (level 2)	99.5	99.5	99.2	99.2	99.4	99.4
Finance lease liabilities (level 2)			75.5	75.5	73.6	73.6
Lease liabilities (level 2)	317.6	317.6				
Total	417.3	417.3	174.9	174.9	173.2	173.2

COLLATERAL, CONTINGENT LIABILITIES AND PLEDGES**Contingent liabilities, assets and commitments**

Property has not been provided as collateral for loans from financial institutions, but a covenant term is related to such loans.

Non-cancellable lease liabilities

Tokmanni's lease liabilities for 2019 consist of minimum lease liabilities related to low-value leases and short-term leases. The Group has decided to apply the exemptions permitted by IFRS 16 to these lease liabilities. Its lease liabilities for 2018 consist of minimum lease liabilities classified as other leases in accordance with IAS 17.

MEUR	30 June 2019	30 June 2018	31 December 2018
No later than 1 year	8.8	53.1	56.6
Later than 1 year but no later than 5 years	24.8	154.8	176.7
Later than 5 years	8.2	64.0	69.8
Total	41.8	272.0	303.1

CALCULATION OF THE GROUP'S KEY FIGURES

Like-for-like revenue	=	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 the revenue growth of relocated stores, as defined by Tokmanni to include: (i) new stores opened; (ii) store relocations where the store size changes by 30 per cent or more and the assortment increases or is reduced substantially; and (iii) store expansions where the store size changes by 30 per cent or more. 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.
Customer visit development, %	=	Number of customer transactions during the relevant period
Gross profit	=	Revenue - Materials and services
Comparable gross profit	=	Gross profit - Changes in the fair value of currency derivatives
Operating expenses	=	Employee benefits expenses + Other operating expenses
Comparable operating expenses	=	Operating expenses - Changes in fair value of electricity derivatives
EBITDA	=	Operating profit + Depreciation and amortisation
Comparable EBITDA	=	EBITDA - (Changes in fair value of currency derivatives + Changes in fair value of electricity derivatives)
Comparable EBIT, %	=	EBIT - (Changes in fair value of currency derivatives + Changes in fair value of electricity derivatives)
Net financial items	=	Financial income – Financial expenses
Net debt	=	Interest-bearing debt - Cash and cash equivalents
Net debt / Comparable EBITDA	=	$\frac{\text{Net debt}}{\text{Comparable EBITDA}}$
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
Capital employed	=	Balance sheet total - Deferred tax liability and other non-interest-bearing liabilities
Return on capital employed, %	=	$\frac{\text{Profit before taxes} + \text{Interest and other financial expenses}}{\text{Capital employed, average at the beginning and end of the reporting period}}$
Return on capital employed, %, rolling 12 months	=	$\frac{\text{Profit before taxes} + \text{Interest and other financial expenses (preceding 12 months)}}{\text{Capital employed, average for the preceding 12 months}}$
Return on equity, %	=	$\frac{\text{Net result for the financial period}}{\text{Equity, average at the beginning and end of the reporting period}}$

Return on equity, %, rolling 12 months	=	$\frac{\text{Net result for the preceding 12 months}}{\text{Equity, average for the preceding 12 months}}$
Number of personnel	=	Number of personnel at the end of the period
Number of personnel on average	=	Number of personnel on average in the financial period
Equity ratio	=	$\frac{\text{Equity}}{\text{Balance sheet total - Advances received}}$

CALCULATION OF THE GROUP'S PER-SHARE DATA

Earnings per share (EUR)	=	$\frac{\text{Net profit}}{\text{Number of shares, weighted average during the financial period}}$
Equity per share	=	$\frac{\text{Equity}}{\text{Number of shares at the end of the reporting period}}$
Average price during the period	=	Share turnover in euro terms divided by the number of shares traded during the period
Share turnover	=	Number of shares traded during the period
Market capitalisation at 31 December	=	Number of shares x Share price on the balance sheet date
Number of shares at 31 December	=	Number of shares on the balance sheet date

The year 2019, added with adjusted comparison figures in accordance with IFRS 16 for 2018, followed by the adoption of the IFRS 16 *Leases* standard at Tokmanni and the quarterly adjusted figures for 2018, are presented below.

Consolidated income statement (MEUR)	Adjusted		Adjusted		Reported		Adjusted	
	4-6/ 2019	4-6/ 2018	1-6/ 2019	1-6/ 2018	4-6/ 2018	1-6/ 2018	1-12/ 2018	1-12/ 2018
Revenue	239.9	217.7	428.0	391.3	217.7	391.3	870.4	870.4
Other operating income	1.0	0.9	1.9	1.8	0.9	1.8	4.0	4.0
Materials and services	-155.7	-140.9	-285.0	-259.8	-140.9	-259.8	-575.1	-575.1
Employee benefits expenses	-30.8	-28.5	-57.6	-53.5	-28.5	-53.5	-106.9	-106.9
Depreciation and amortisation	-15.3	-14.3	-30.3	-28.4	-3.6	-7.2	-57.6	-14.7
Other operating expenses	-20.9	-20.3	-41.5	-38.4	-31.7	-61.1	-81.2	-127.4
Share of profit (loss) in joint ventures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit	18.2	14.6	15.6	13.0	13.9	11.5	53.6	50.3
Financial income	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.0
Financial expenses	-2.6	-2.6	-5.3	-5.3	-1.3	-2.8	-10.6	-5.6
Profit/loss before tax	15.5	12.0	10.4	7.7	12.6	8.7	42.9	44.7
Income taxes	-3.1	-2.4	-2.1	-1.6	-2.6	-1.8	-8.6	-8.9
Net result for the financial period	12.4	9.6	8.3	6.2	10.1	7.0	34.4	35.8
Profit for the year attributable to								
Equity holders of the parent company	12.4	9.6	8.3	6.2	10.1	7.0	34.4	35.8

Consolidated statement of comprehensive income (MEUR)	Adjusted		Adjusted		Reported	Reported	Adjusted	Reported
	4-6/	4-6/	1-6/	1-6/	4-6/	1-6/	1-12/	1-12/
	2019	2018	2019	2018	2018	2018	2018	2018
Net result for the financial period	12.4	9.6	8.3	6.2	10.1	7.0	34.4	35.8
Other comprehensive income								
Items that may be reclassified subsequently to profit or loss								
Exchange differences on translating foreign operations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Comprehensive income for the financial period, net of tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Comprehensive income for the financial period	12.4	9.6	8.3	6.2	10.1	7.0	34.4	35.8
Comprehensive income for the financial period attributable to								
Equity holders of the parent company	12.4	9.6	8.3	6.2	10.1	7.0	34.4	35.8
Earnings per share								
Equity holders of the parent company	Adjusted		Adjusted		Reported	Reported	Adjusted	Reported
	4-6/	4-6/	1-6/	1-6/	4-6/	1-6/	1-12/	1-12/
	2019	2018	2019	2018	2018	2018	2018	2018
Equity holders of the parent company	12.4	9.6	8.3	6.2	10.1	7.0	34.4	35.8
Number of shares, weighted average during the financial period (thousands)	58,869	58,869	58,869	58,869	58,869	58,869	58,869	58,869
Earnings per share (EUR/share)	0.21	0.16	0.14	0.10	0.17	0.12	0.58	0.61

Consolidated statement of financial position (MEUR)	Adjusted		Reported		Reported
	30 June 2019	30 June 2018	30 June 2018	31 December 2018	31 December 2018
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	322.6	321.9	88.0	320.5	86.6
Goodwill	135.0	128.6	128.6	134.6	134.6
Other intangible assets	5.3	5.7	5.7	5.8	5.8
Non-current receivables	2.4	0.6	0.6	2.6	2.6
Investments in joint ventures and other financial assets	0.2	0.2	0.2	0.2	0.2
Deferred tax asset*	1.8	1.5		1.5	
NON-CURRENT ASSETS, TOTAL	467.2	458.6	223.1	465.1	229.7
CURRENT ASSETS					
Inventories	220.3	195.2	195.2	190.5	190.5
Trade and other receivables	20.1	20.5	20.5	20.6	20.6
Income tax receivables	3.6	2.6	2.6	1.5	1.5
Cash and cash equivalents	5.8	6.6	6.6	37.9	37.9
CURRENT ASSETS, TOTAL	249.8	224.9	224.9	250.5	250.5
ASSETS, TOTAL	717.0	683.4	447.9	715.6	480.2
EQUITY AND LIABILITIES					
Equity attributable to the equity holders of the parent company					
Share capital	0.1	0.1	0.1	0.1	0.1
Reserve for invested unrestricted equity	109.9	109.9	109.9	109.9	109.9
Translation differences	0.0	0.0	0.0	0.0	0.0
Retained earnings	35.7	28.6	35.7	56.8	64.5
EQUITY, TOTAL	145.7	138.6	145.7	166.8	174.5
NON-CURRENT LIABILITIES					
Deferred tax liabilities*			0.2		0.5
Non-current interest-bearing liabilities	368.5	372.1	171.2	369.8	169.3
Non-current non-interest-bearing liabilities	6.6	7.1	7.1	6.8	6.8
NON-CURRENT LIABILITIES, TOTAL	375.1	379.1	178.5	376.6	176.6
CURRENT LIABILITIES					
Current interest-bearing liabilities	68.2	45.9	3.9	46.8	3.7
Trade payables and other current liabilities	125.8	119.1	119.1	122.7	122.7
Income tax liabilities	2.3	0.7	0.7	2.8	2.8
CURRENT LIABILITIES, TOTAL	196.2	165.7	123.7	172.3	129.1
EQUITY AND LIABILITIES, TOTAL	717.0	683.4	447.9	715.6	480.2

* Deferred tax assets and liabilities are presented netted.

Consolidated statement of cash flows	Adjusted 1-6/2019	Adjusted 1-6/2018	Reported 1-6/2018	Adjusted 1-12/2018	Reported 1-12/2018
Cash flows from operating activities					
Net result for the financial period	8.3	6.2	7.0	34.4	35.8
Adjustments:					
Depreciation	30.3	28.4	7.2	57.6	14.7
Capital gains and losses on non-current assets	0.0	0.0	0.0	0.0	0.0
Financial income and expenses	5.3	5.3	2.8	10.6	5.6
Income taxes	2.1	1.6	1.8	8.6	8.9
Other adjustments	0.6	-2.4	-2.3	-2.7	-2.5
Change in working capital:					
Change in current non-interest-bearing receivables	-0.6	-1.1	-1.1	-1.3	-1.3
Change in inventories	-29.3	-24.7	-24.7	-19.8	-19.8
Change in current non-interest-bearing liabilities	3.1	12.2	12.2	15.7	15.7
Interest paid	-5.1	-5.1	-2.6	-10.3	-5.3
Other financing items	-0.1	-0.1	0.0	-0.1	-0.1
Income taxes paid	-5.0	-2.8	-2.8	-6.7	-6.7
Net cash from operating activities	9.5	17.4	-2.8	85.8	44.9
Cash flows from investing activities					
Purchases of tangible and intangible assets	-8.3	-7.6	-7.6	-19.8	-19.8
Proceeds from disposal of tangible and intangible assets	0.0	0.0	0.0	0.0	0.0
Loans granted				-2.0	-2.0
Proceeds from repayments of loans	0.1				
Net cash from investing activities	-8.2	-7.6	-7.6	-21.7	-21.7
Cash flows from financing activities					
Dividends paid	-29.4	-24.1	-24.1	-24.1	-24.1
Change in current loans	19.6	0.4	0.4	0.0	0.0
Repayments of lease liabilities	-23.5	-21.9	-1.8	-44.7	-3.7
Net cash from financing activities	-33.4	-45.7	-25.6	-68.8	-27.8
Net change in cash and cash equivalents	-32.1	-35.9	-35.9	-4.7	-4.7
Cash and cash equivalents at the beginning of the financial period	37.9	42.5	42.5	42.5	42.5
Cash and cash equivalents, corporate arrangements	5.8	6.6	6.6	37.9	37.9

ADOPTION OF IFRS 16 LEASES AT TOKMANNI

Effective as of 1 January 2019, the IFRS 16 *Leases* standard concerns the definition, recognition and measurement of leases, as well as other information provided about leases in financial statements. In accordance with the standard, the lessee recognises a right-of-use asset and a financial liability on the balance sheet. The standard includes voluntary exceptions concerning leases of 12 months or less and minor assets. The standard came into effect on 1 January 2019.

Tokmanni has adopted IFRS 16 *Leases* as of 1 January 2019.

The Group has leases related to stores and equipment, and their treatment changes with the new standard. The store network is a strategic competitive factor for the Group, and the Group had 189 stores on 30 June 2019.

Tokmanni Group's adjusted comparison information for 2018 in accordance with IFRS 16 Leases

Consolidated income statement (MEUR)	Adjusted	Reported	Adjusted	Reported	Adjusted	Reported	Adjusted	Reported
	1–3/ 2018	1–3/ 2018	4–6/ 2018	4–6/ 2018	7–9/ 2018	7–9/ 2018	10–12/ 2018	10–12/ 2018
Revenue	173.7	173.7	217.7	217.7	210.7	210.7	268.4	268.4
Other operating income	0.9	0.9	0.9	0.9	1.0	1.0	1.1	1.1
Materials and services	-118.9	-118.9	-140.9	-140.9	-139.1	-139.1	-176.2	-176.2
Employee benefits expenses	-25.0	-25.0	-28.5	-28.5	-24.6	-24.6	-28.8	-28.8
Depreciation and amortisation	-14.0	-3.6	-14.3	-3.6	-14.3	-3.6	-14.9	-3.9
Other operating expenses	-18.2	-29.5	-20.3	-31.7	-18.8	-30.3	-24.0	-36.0
Share of profit (loss) in joint ventures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit	-1.6	-2.4	14.6	13.9	14.9	14.0	25.6	24.7
Financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial expenses	-2.8	-1.5	-2.6	-1.3	-2.7	-1.4	-2.6	-1.3
Profit/loss before tax	-4.3	-3.9	12.0	12.6	12.2	12.6	23.0	23.4
Income taxes	0.9	0.8	-2.4	-2.6	-2.4	-2.5	-4.6	-4.6
Net result for the financial period	-3.4	-3.1	9.6	10.1	9.8	10.1	18.4	18.7
Profit for the year attributable to								
Equity holders of the parent company	-3.4	-3.1	9.6	10.1	9.8	10.1	18.4	18.7

Consolidated statement of comprehensive income (MEUR)	Adjusted	Reported	Adjusted	Reported	Adjusted	Reported	Adjusted	Reported
	1–3/ 2018	1–3/ 2018	4–6/ 2018	4–6/ 2018	7–9/ 2018	7–9/ 2018	10–12/ 2018	10–12/ 2018
Net result for the financial period	-3.4	-3.1	9.6	10.1	9.8	10.1	18.4	18.7
Other comprehensive income								
Items that may be reclassified subsequently to profit or loss								
Exchange differences on translating foreign operations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Comprehensive income for the financial period, net of tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Comprehensive income for the financial period	-3.4	-3.1	9.6	10.1	9.8	10.1	18.4	18.7
Comprehensive income for the financial period attributable to								
Equity holders of the parent company	-3.4	-3.1	9.6	10.1	9.8	10.1	18.4	18.7
Earnings per share	Adjusted	Reported	Adjusted	Reported	Adjusted	Reported	Adjusted	Reported
	1–3/ 2018	1–3/ 2018	4–6/ 2018	4–6/ 2018	7–9/ 2018	7–9/ 2018	10–12/ 2018	10–12/ 2018
Equity holders of the parent company	-3.4	-3.1	9.6	10.1	9.8	10.1	18.4	18.7
Number of shares, weighted average during the financial period (thousands)	58,869	58,869	58,869	58,869	58,869	58,869	58,869	58,869
Earnings per share (EUR/share)	-0.06	-0.05	0.16	0.17	0.17	0.17	0.31	0.32

Consolidated income statement (MEUR)								
	Adjusted	Reported	Adjusted	Reported	Adjusted	Reported	Adjusted	Reported
	1-3/ 2018	1-3/ 2018	1-6/ 2018	1-6/ 2018	1-9/ 2018	1-9/ 2018	1-12/ 2018	1-12/ 2018
Revenue	173.7	173.7	391.3	391.3	602.0	602.0	870.4	870.4
Other operating income	0.9	0.9	1.8	1.8	2.8	2.8	4.0	4.0
Materials and services	-118.9	-118.9	-259.8	-259.8	-398.9	-398.9	-575.1	-575.1
Employee benefits expenses	-25.0	-25.0	-53.5	-53.5	-78.1	-78.1	-106.9	-106.9
Depreciation and amortisation	-14.0	-3.6	-28.4	-7.2	-42.7	-10.8	-57.6	-14.7
Other operating expenses	-18.2	-29.5	-38.4	-61.1	-57.2	-91.5	-81.2	-127.4
Share of profit (loss) in joint ventures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit	-1.6	-2.4	13.0	11.5	27.9	25.5	53.6	50.3
Financial income	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0
Financial expenses	-2.8	-1.5	-5.3	-2.8	-8.0	-4.3	-10.6	-5.6
Profit/loss before tax	-4.3	-3.9	7.7	8.7	19.9	21.3	42.9	44.7
Income taxes	0.9	0.8	-1.6	-1.8	-4.0	-4.3	-8.6	-8.9
Net result for the financial period	-3.4	-3.1	6.2	7.0	15.9	17.0	34.4	35.8
Profit for the year attributable to								
Equity holders of the parent company	-3.4	-3.1	6.2	7.0	15.9	17.0	34.4	35.8

Consolidated statement of comprehensive income (MEUR)	Adjusted	Reported	Adjusted	Reported	Adjusted	Reported	Adjusted	Reported
	1-3/ 2018	1-3/ 2018	1-6/ 2018	1-6/ 2018	1-9/ 2018	1-9/ 2018	1-12/ 2018	1-12/ 2018
Net result for the financial period	-3.4	-3.1	6.2	7.0	15.9	17.0	34.4	35.8
Other comprehensive income								
Items that may be reclassified subsequently to profit or loss								
Exchange differences on translating foreign operations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Comprehensive income for the financial period, net of tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Comprehensive income for the financial period	-3.4	-3.1	6.2	7.0	15.9	17.0	34.4	35.8
Comprehensive income for the financial period attributable to								
Equity holders of the parent company	-3.4	-3.1	6.2	7.0	15.9	17.0	34.4	35.8
Earnings per share								
	Adjusted	Reported	Adjusted	Reported	Adjusted	Reported	Adjusted	Reported
	1-3/ 2018	1-3/ 2018	1-6/ 2018	1-6/ 2018	1-9/ 2018	1-9/ 2018	1-12/ 2018	1-12/ 2018
Equity holders of the parent company	-3.4	-3.1	6.2	7.0	15.9	17.0	34.4	35.8
Number of shares, weighted average during the financial period (thousands)	58,869	58,869	58,869	58,869	58,869	58,869	58,869	58,869
Earnings per share (EUR/share)	-0.06	-0.05	0.10	0.12	0.27	0.29	0.58	0.61

Consolidated statement of financial position (MEUR)	Adjusted 31 March 2018	Reported 31 March 2018	Adjusted 30 June 2018	Reported 30 June 2018	Adjusted 30 September 2018	Reported 30 September 2018	Adjusted 31 Dec 2018	Reported 31 Dec 2018
ASSETS								
NON-CURRENT ASSETS								
Property, plant and equipment	312.4	86.1	321.9	88.0	314.4	87.8	320.5	86.6
Goodwill	128.6	128.6	128.6	128.6	128.6	128.6	134.6	134.6
Other intangible assets	5.1	5.1	5.7	5.7	5.6	5.6	5.8	5.8
Non-current receivables	0.2	0.2	0.6	0.6	0.8	0.8	2.6	2.6
Investments in joint ventures and other financial assets	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Deferred tax asset	6.8	5.1	6.9	5.1	7.0	5.1	7.1	5.2
NON-CURRENT ASSETS, TOTAL	453.1	225.2	463.9	228.2	456.5	228.1	470.8	234.9
CURRENT ASSETS								
Inventories	187.9	187.9	195.2	195.2	202.6	202.6	190.5	190.5
Trade and other receivables	18.3	18.3	20.5	20.5	18.6	18.6	20.6	20.6
Income tax receivables	2.4	2.4	2.6	2.6	4.2	4.2	1.5	1.5
Cash and cash equivalents	13.8	13.8	6.6	6.6	8.1	8.1	37.9	37.9
CURRENT ASSETS, TOTAL	222.3	222.3	224.9	224.9	233.5	233.5	250.5	250.5
ASSETS, TOTAL	675.5	447.5	688.8	453.0	690.0	461.6	721.3	485.4
EQUITY AND LIABILITIES								
Equity attributable to the equity holders of the parent company								
Share capital	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Reserve for invested unrestricted equity	109.9	109.9	109.9	109.9	109.9	109.9	109.9	109.9
Translation differences	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Retained earnings	19.0	25.6	28.6	35.7	38.4	45.8	56.8	64.5
EQUITY, TOTAL	128.9	135.6	138.6	145.7	148.4	155.8	166.8	174.5
NON-CURRENT LIABILITIES								
Deferred tax liabilities	5.1	5.1	5.4	5.4	5.3	5.3	5.6	5.6
Non-current interest-bearing liabilities	367.7	172.1	372.1	171.2	363.8	170.3	369.8	169.3
Non-current non-interest-bearing liabilities	7.2	7.2	7.1	7.1	6.9	6.9	6.8	6.8
NON-CURRENT LIABILITIES, TOTAL	380.0	184.4	384.5	183.6	375.9	182.5	382.2	181.8

CURRENT LIABILITIES								
Current interest-bearing liabilities	62.6	23.5	45.9	3.9	51.1	8.8	46.8	3.7
Trade payables and other current liabilities	104.0	104.0	119.1	119.1	111.4	111.4	122.7	122.7
Income tax liabilities	0.0	0.0	0.7	0.7	3.2	3.2	2.8	2.8
CURRENT LIABILITIES, TOTAL	166.6	127.5	165.7	123.7	165.7	123.4	172.3	129.1
EQUITY AND LIABILITIES, TOTAL								
	675.5	447.5	688.8	453.0	690.0	461.6	721.3	485.4

Key figures

	Adjusted *** 1-3/ 2018	Reported 1-3/ 2018	Adjusted *** 4-6/ 2018	Reported 4-6/ 2018	Adjusted *** 7-9/ 2018	Reported 7-9/ 2018	Adjusted *** 10-12/ 2018	Reported 10-12/ 2018
Revenue, MEUR	173.7	173.7	217.7	217.7	210.7	210.7	268.4	268.4
Like-for-like revenue development, %	6.1	6.1	7.7	7.7	4.0	4.0	4.7	4.7
Customer visit development, %	6.9	6.9	8.5	8.5	6.7	6.7	5.7	5.7
Gross profit, MEUR	54.7	54.7	76.8	76.8	71.6	71.6	92.2	92.2
Gross margin, %	31.5	31.5	35.3	35.3	34.0	34.0	34.3	34.3
Comparable gross profit, MEUR	54.6	54.6	76.1	76.1	72.1	72.1	92.3	92.3
Comparable gross margin, %	31.4	31.4	34.9	34.9	34.2	34.2	34.4	34.4
Operating expenses	-43.2	-54.5	-48.8	-60.2	-43.4	-55.0	-52.8	-64.7
Comparable operating expenses	-43.4	-54.7	-49.6	-61.0	-43.3	-54.9	-53.2	-65.2
EBITDA, MEUR	12.5	1.2	28.9	17.5	29.2	17.6	40.6	28.6
EBITDA, %	7.2	0.7	13.3	8.0	13.9	8.4	15.1	10.7
Comparable EBITDA, MEUR	12.1	0.8	27.4	16.0	29.8	18.2	40.2	28.2
Comparable EBITDA, %	7.0	0.5	12.6	7.4	14.1	8.6	15.0	10.5
Operating profit (EBIT), MEUR	-1.6	-2.4	14.6	13.9	14.9	14.0	25.6	24.7
Operating profit margin EBIT, %	-0.9	-1.4	6.7	6.4	7.1	6.7	9.5	9.2
Comparable EBIT, MEUR	-1.9	-2.8	13.1	12.4	15.5	14.6	25.3	24.4
Comparable EBIT, %	-1.1	-1.6	6.0	5.7	7.4	6.9	9.4	9.1
Net financial items, MEUR	-2.7	-1.5	-2.5	-1.3	-2.7	-1.5	-2.6	-1.3
Net capital expenditure, MEUR*	1.4	1.4	6.2	6.2	3.4	3.4	8.8	8.8
Net debt / comparable EBITDA ** / ****		3.2		2.7		2.7		2.1
Net cash from operating activities, MEUR	-13.9	-23.9	31.3	21.2	11.2	0.9	57.3	46.7
Return on capital employed, %	-0.4	-0.8	3.4	4.4	3.3	4.2	5.5	7.2
Return on capital employed %, rolling 12 months****		13.4		15.2		15.5		15.0
Return on equity, %	-2.7	-2.4	7.0	7.2	6.7	6.7	11.2	11.1
Return on equity %, rolling 12 months****		20.9		24.3		24.3		23.4
Equity ratio, %	19.1	30.3	20.1	32.2	21.5	33.8	23.2	36.0
Number of shares, weighted average during the financial period (thousands)	58,869	58,869	58,869	58,869	58,869	58,869	58,869	58,869
Earnings per share (EUR/share)	-0.06	-0.05	0.16	0.17	0.17	0.17	0.31	0.32
Personnel at the end of the period	3,180	3,180	3,724	3,724	3,353	3,353	3,558	3,558
Personnel on average in the period	3,159	3,159	3,512	3,512	3,487	3,487	3,500	3,500

* Net capital expenditure, excluding non-current receivables from others

** Rolling 12 months (comparable EBITDA)

*** The adjusted figure includes comparable calculations in accordance with IFRS 16

**** Comparison figure not available, as no adjustment was made for IFRS 16 for 2017

Adjustments affecting comparability								
	Adjusted *** 1–3/2018	Reported 1–3/2018	Adjusted *** 4–6/2018	Reported 4–6/2018	Adjusted *** 7–9/2018	Reported 7–9/2018	Adjusted *** 10–12/2018	Reported 10–12/2018
MEUR								
Gross profit	54.7	54.7	76.8	76.8	71.6	71.6	92.2	92.2
Changes in fair value of currency derivatives	-0.2	-0.2	-0.7	-0.7	0.5	0.5	0.1	0.1
Comparable gross profit	54.6	54.6	76.1	76.1	72.1	72.1	92.3	92.3
Operating expenses	-43.2	-54.5	-48.8	-60.2	-43.4	-55.0	-52.8	-64.7
Changes in fair value of electricity derivatives	-0.2	-0.2	-0.8	-0.8	0.1	0.1	-0.5	-0.5
Comparable operating expenses	-43.4	-54.7	-49.6	-61.0	-43.3	-54.9	-53.2	-65.2
EBITDA	12.5	1.2	28.9	17.5	29.2	17.6	40.6	28.6
Operating profit (EBIT)	-1.6	-2.4	14.6	13.9	14.9	14.0	25.6	24.7
Changes in fair value of currency derivatives	-0.2	-0.2	-0.7	-0.7	0.5	0.5	0.1	0.1
Changes in fair value of electricity derivatives	-0.2	-0.2	-0.8	-0.8	0.1	0.1	-0.5	-0.5
Comparable EBITDA	12.1	0.8	27.4	16.0	29.8	18.2	40.2	28.2
Comparable operating profit (adj. EBIT)	-1.9	-2.8	13.1	12.4	15.5	14.6	25.3	24.4

*** The adjusted figure includes comparable calculations in accordance with IFRS 16