

TOKMANNI

Q4

1.1.–31.12.2019

Financial Statement Bulletin

Tokmanni Financial Statement Bulletin 2019

Strong Q4/2019: revenue grew by 6.1%, comparable EBIT improved clearly

Tokmanni has adopted IFRS 16 Leases as of 1 January 2019. The numbers in brackets refer to the adjusted figures for 2018.

FOURTH-QUARTER 2019 HIGHLIGHTS

- Revenue grew by 6.1% (8.0%) to EUR 284.8 million (268.4)
- Like-for-like revenue grew by 3.1% (4.7%)
- Comparable gross profit totalled EUR 100.1 million (92.3) and comparable gross margin 35.2% (34.4%)
- Comparable EBITDA totalled EUR 47.6 million (40.2), 16.7% of revenue (15.0%)
- Comparable EBIT totalled 32.0 million (25.3), 11.2% of revenue (9.4%)
- Cash flow from operating activities amounted to EUR 56.5 million (57.3)
- Earnings per share were EUR 0.39 (0.31)

JANUARY-DECEMBER 2019 HIGHLIGHTS

- Revenue grew by 8.5% (9.3%) to EUR 944.3 million (870.4)
- Like-for-like revenue grew by 4.3% (5.6%)
- Comparable gross profit totalled EUR 325.3 million (295.0) and comparable gross margin 34.4% (33.9%)
- Comparable EBITDA totalled EUR 131.6 million (109.5), 13.9% of revenue (12.6%)
- Comparable EBIT totalled EUR 70.4 million, (51.9), 7.5% of revenue (6.0%)
- Cash flow from operating activities amounted to EUR 84.0 million (86.0)
- Earnings per share were EUR 0.80 (0.58)

DIVIDEND PROPOSAL

Tokmanni's Board of Directors proposed to the Annual General Meeting to pay a dividend of EUR 0.62 per share.

TOKMANNI'S OUTLOOK FOR 2020

Tokmanni expects good revenue growth for 2020, based on the revenue from the new stores acquired and opened in 2019 and new stores to be opened in 2020, 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:

ALL-TIME HIGH YEAR

Tokmanni's total revenue in the fourth quarter grew by 6.1%, while like-for-like revenue grew by 3.1% on the previous year. The strong sales performance was boosted by Tokmanni's highly successful 30th birthday and the Black Friday campaigns, among other events. The change in the timing of tax refunds to citizens, the delayed winter season in most of Finland and the postal strike slowed down year-end sales. However, we succeeded in achieving all-time high sales and profits in the fourth quarter as well as in 2019.

Tokmanni's main focus in 2019 was on improving profitability. We turned our gross margin back onto a growth track and reduced the share of operating expenses relative to revenue. The comparable EBIT margin in 2019 improved significantly, amounting to 7.5% (6.0%).

Tokmanni's employees did a great job in serving our customers and advancing our company's growth story in 2019. In addition to a robust improvement in our result, we achieved comparable sales growth of 4.3% on top of the strong performance in the previous year. As a reward for a job well done, Tokmanni pays about EUR 2 million in sales and performance bonuses to its employees based on the year of 2019.

In 2019, Tokmanni engaged in its responsibility work with good drive. It is important for us to respect human rights in Finland and throughout our sourcing chain, to know where the products we sell come from and to systematically reduce Tokmanni's impact on the climate. Moreover, we aim to be the best place to work in the retail sector for our employees. As a responsible general discount retailer, we will continue our work in 2020, doing our part towards building a better future.

In 2020, we will continue to focus on investing in our general discount retailer business model in accordance with our strategy. Low prices, an attractive assortment, service-oriented employees and an efficient supply chain form the foundation for customer satisfaction at Tokmanni.

Key figures

	Adjusted ***			Adjusted ***		
	10-12/ 2019	10-12/ 2018	Change %	1-12/ 2019	1-12/ 2018	Change %
Revenue, MEUR	284.8	268.4	6.1%	944.3	870.4	8.5%
Like-for-like revenue development, %	3.1	4.7		4.3	5.6	
Customer visit development %	5.6	5.7		6.9	6.9	
Gross profit, MEUR	99.7	92.2	8.2%	325.2	295.3	10.1%
Gross margin, %	35.0	34.3		34.4	33.9	
Comparable gross profit, MEUR	100.1	92.3	8.5%	325.3	295.0	10.2%
Comparable gross margin, %	35.2	34.4		34.4	33.9	
Operating expenses	-54.1	-52.8	2.6%	-198.9	-188.1	5.7%
Comparable operating expenses	-53.9	-53.2	1.3%	-197.9	-189.5	4.4%
EBITDA, MEUR	47.0	40.6	15.9%	130.6	111.2	17.4%
EBITDA, %	16.5	15.1		13.8	12.8	
Comparable EBITDA, MEUR	47.6	40.2	18.5%	131.6	109.5	20.2%
Comparable EBITDA, %	16.7	15.0		13.9	12.6	
Operating profit (EBIT), MEUR	31.4	25.6	22.6%	69.4	53.6	29.5%
Operating profit margin EBIT, %	11.0	9.5		7.3	6.2	
Comparable EBIT, MEUR	32.0	25.3	26.7%	70.4	51.9	35.7%
Comparable EBIT, %	11.2	9.4		7.5	6.0	
Net financial items, MEUR	-2.6	-2.6	-1.8%	-10.5	-10.6	-1.7%
Net capital expenditure, MEUR*	3.5	8.8	-60.7%	15.4	19.8	-21.9%
Net debt / comparable EBITDA **	2.9	3.5		2.9	3.5	
Net cash from operating activities, MEUR	56.5	57.3		84.0	86.0	
Return on capital employed, %****	5.3			11.8		
Return on capital employed %, rolling 12 months****	11.8	9.5		11.8	9.5	
Return on equity, %****	13.1			26.8		
Return on equity %, rolling 12 months****	30.1	23.6		30.1	23.6	
Equity ratio, %	25.3	23.3		25.3	23.3	
Number of shares, weighted average during the financial period (thousands)	58,869	58,869		58,869	58,869	
Earnings per share (EUR/share)	0.39	0.31		0.80	0.58	
Personnel at the end of the period	3,659	3,558		3,659	3,558	
Personnel on average in the period	3,624	3,500		3,647	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 and EBIT as 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 and EBIT represents key figures 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 EBITDA and EBIT margin as a key performance indicators to assess Tokmanni's underlying operational performance.

Adjustments affecting comparability				
		Adjusted ***		Adjusted ***
MEUR	10-12/ 2019	10-12/ 2018	1-12/ 2019	1-12/ 2018
Gross profit	99.7	92.2	325.2	295.3
Changes in fair value of currency derivatives	0.4	0.1	0.1	-0.3
Comparable Gross Profit	100.1	92.3	325.3	295.0
Operating expenses	-54.1	-52.8	-198.9	-188.1
Changes in fair value of electricity derivatives	0.2	-0.5	1.0	-1.4
Comparable operating expenses	-53.9	-53.2	-197.9	-189.5
EBITDA	47.0	40.6	130.6	111.2
Operating profit (EBIT)	31.4	25.6	69.4	53.6
Changes in fair value of currency derivatives	0.4	0.1	0.1	-0.3
Changes in fair value of electricity derivatives	0.2	-0.5	1.0	-1.4
Comparable EBITDA	47.6	40.2	131.6	109.5
Comparable operating profit (adj. EBIT)	32.0	25.3	70.4	51.9

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

TOKMANNI'S BUSINESS

Tokmanni is the largest nationwide general discount retail chain in Finland. At the end of 2019 Tokmanni had 191 stores across the country, as well as an online store. Tokmanni is a customer-oriented general discount retailer whose competitive advantages are its cheap prices, attractive assortment, and a nationwide store network combined with an online store, an efficient business model and the ability to react rapidly to factors influencing customer satisfaction.

Tokmanni offers a wide assortment of products that offer great value for money in the home renovation and cleaning, clothing and leisure, and interior decoration and garden categories, for example. Tokmanni's selection consists of its own private label and exclusive products as well as unlabelled products and leading international brands.

OPERATING ENVIRONMENT AND MARKET DEVELOPMENT

Competitive field

Tokmanni is the market leader in Finland's general discount retail market. Tokmanni's competitors in this market are several smaller local companies. Tokmanni is the only general discount retailer in Finland with a nationwide network of stores. At the end of 2019 Tokmanni had 191 stores. In addition to emphasising low prices, Tokmanni focuses on its product selection and store concept and on the continuous development of the customer service in order to distinguish itself from other discount retailers.

Tokmanni offers its customers a wide assortment of non-grocery and grocery products. As a result, Tokmanni's target markets are fragmented.

Hypermarkets carry a large product assortment, from fresh food to consumer goods. They are mostly located in the suburbs of the largest cities and benefit from repeated visits thanks to their fresh food offering.

Tokmanni also has a wide selection of consumer goods. Its low prices and attractive product selection that sets it apart from hypermarkets give it a competitive edge over the latter.

Speciality discount retailers with low prices and a strong assortment of private label goods offer a comprehensive assortment in individual product groups, such as sports products or home electronics.

Tokmanni's primary competitive advantages over speciality discount retailers come from its nationwide store network and a significantly more extensive assortment. At Tokmanni, customers can purchase the products they need from several different categories at the same place. Additionally, Tokmanni's assortments include extremely low-priced and intriguing batches of products that may not necessarily be available elsewhere.

In recent years, the importance of international online stores has also increased in Finland. Competition has increased especially in the product categories of clothing and home electronics, and online stores are expected to grow further over the next few years. Tokmanni continuously develops its digital services to meet the changed needs of its consumers and to develop the total customer experience. Tokmanni's competitive advantages over other online stores are the low prices of its products, its attractive and extensive assortment and its nationwide chain of stores that enables customers to pick up and return products quickly and conveniently.

Market development

The retail sector is undergoing a structural transformation and a digital revolution. Competition from Finnish and international rivals continues to intensify both in brick-and-mortar stores and online. In Tokmanni's view, consolidation into larger companies will probably continue in the European discount retail market. Besides online retail, general discount retail is one of the fastest growing segments in the retail sector. Companies with strong know-how in online retail, combined with a comprehensive network of brick-and-mortar stores, are best positioned to succeed over their competition. As a result of changing market conditions and stiffer competition, there is a need to boost operational and cost efficiency.

Tokmanni continuously monitors market developments and the competitive environment and actively develops its own business to maintain its competitive advantages. Tokmanni has identified the following as its competitive advantages: low prices, an interesting and wide product assortment, and a lean and efficient operating model, a nationwide store network combined with a click & collect service, and an inspiring and comprehensive shopping experience.

According to the statistics of the Finnish Grocery Trade Association FGTA (www.pty.fi), the non-grocery market decreased by 0.1% in the final quarter of 2019, with the trend being weak in clothing in particular. The revenue of department store and hypermarket chains grew by 2.8%.

According to the FGTA, the non-grocery market grew by 2.7% for the full year 2019, with the trend being strong especially in home and leisure products. The revenue of department store and hypermarket chains grew by 3.7%. Tokmanni 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, 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.

OPERATIONAL DEVELOPMENT

Store network development

Expanding the store network is one of the key means of growing Tokmanni's revenue and operating profit. Tokmanni has an efficient process of rolling out and ramping up new stores. 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, enlarged or relocated stores. At the end of 2019 Tokmanni had 191 stores (186 stores on 31 December 2018).

In 2019, Tokmanni transformed eight Ale-Makasiini stores, two TEX stores and one Säästökuoppa store under the Tokmanni brand name, and opened new Tokmanni stores in Loppi, in the Tesoma district of Tampere, in Vääksy and in Virrat. In addition, Tokmanni relocated to new premises in Hanko and Juuka, reopened a refurbished store on Kehräämöntie in Kajaani and refurbished and expanded stores in Turenki and Hollola and in the Skanssi shopping centre in Turku. In Hanko, the company closed two small Tokmanni stores as it opened a new, large store. 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. The company increased its retail space by about 20,000 square metres during 2019. At the end of 2019, Tokmanni stores had a retail space of approximately 460,000 square meters in total.

By 7 February 2020, Tokmanni had bought Perhemarket store in Pudasjärvi and agreed on the opening of two new stores and two enlarged stores during 2020. During the spring, Perhemarket store will be transformed to under the Tokmanni brand and new Tokmanni store will be opened in Aura, and the current Tokmanni stores at the Citycenter shopping centre in Helsinki and in Kauhajoki will be expanded considerably. The Tokmanni store located in the Myyrmäki district of Vantaa will be relocated in March from

the Isomyyri shopping centre to the Myyrmanni shopping centre, where it will have better commercial premises than currently.

Tokmanni is focusing on its store concept and on continuously developing the shopping experience. During 2019, 10 Tokmanni stores were designed in accordance with Tokmanni's latest store concept, which emphasises effortless and pleasant shopping experiences. Under this concept, the stores have such features as wide aisles, informative signage and well-defined product areas.

In 2019, Tokmanni opened car washes adjacent to its stores in Lielähti in Tampere and in Länsikeskus in Turku. Open all hours, the Tokmanni Car Washes allow customers to wash and vacuum clean their cars as well as to check the tyre pressures of their cars, bicycles or other vehicles.

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 and store relocations where the store size changes by 30% and the assortment increases or is reduced substantially.

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 in October–December 2019

Tokmanni's efforts to offer low prices, improve and expand its product selection and further develop its store concept have borne fruit. Products were available at stores early in the Christmas season and, at the same time, sales were supported more than before with marketing and advertising in all channels.

Tokmanni's sales in the fourth quarter of 2019 proceeded well, despite a change in the timing of tax refunds, late start of the winter and the strike by postal workers. The Group's revenue increased by 6.1% on the previous year to EUR 284.8 million (268.4). Like-for-like revenue for stores grew by 3.1%. Demand for Tokmanni's sports and leisure goods, electrical equipment, cleaning products, and beauty and wellbeing products was particularly good.

Like-for-like customer numbers in stores grew by 0.9% and the total number of customers grew by 5.6% year-on-year.

Fourth-quarter direct imports accounted for 28.6% of revenue (26.4%). A total of 18.5% (17.0%) of products sold were procured through Tokmanni's sourcing company in Shanghai. Tokmanni's private label products, exclusive brands and non-branded products represented 33.6% of fourth-quarter revenue (33.0%).

Revenue for the full year 2019

Revenue for 2019 grew by 8.5% on the previous year to EUR 944.3 million (870.4). Like-for-like revenue for stores grew by 4.3%. Demand for Tokmanni's leisure goods, electrical equipment and tools, and cleaning and cosmetics products was excellent.

Like-for-like customer numbers in stores grew by 2.3% and the total number of customers grew by 6.9% year-on-year. The like-for-like basket size increased by 1.9% to EUR 17.9 (17.8).

Tokmanni's online revenue accounted for 0.6% (0.5%) of its total revenue, an increase of 43.5% year-on-year.

The proportion of private labels and direct imports of total sales developed favourably. In 2019, direct imports accounted for 25.6% of revenue (24.4%). A total of 16.2% (15.9%), figure has been adjusted to reflect the 2019 reporting principle) of products sold were procured through Tokmanni's sourcing company in Shanghai. Tokmanni's private label products, exclusive brands and non-branded products represented 31.7% of revenue (31.7%).

Profitability in October–December 2019

Gross profit in the fourth quarter of 2019 totalled EUR 99.7 million (92.2), and the gross margin was 35.0% (34.3%). Comparable gross profit was EUR 100.1 million (92.3), corresponding to a comparable gross margin of 35.2% (34.4%). The gross profit improvement was mainly due to professional sourcing and the sales structure.

Operating expenses increased to EUR 54.1 million (52.8), or 19.0% of revenue (19.7%). The increase in operating expenses in euro terms was mainly due to the additional operating expenses that came from the new stores added to the store network. In addition, expenses grew slightly due to the leasing of additional warehouses for storing inventories. Comparable operating expenses were EUR 53.9 million (53.2), or 18.9% of revenue (19.8%), and thus their relative share developed favourably. Personnel expenses for the quarter totalled EUR 29.9 million (28.8), or 10.5% of revenue (10.7%).

EBITDA amounted to EUR 47.0 million (40.6), and the EBITDA margin was 16.5% (15.1%). Comparable EBITDA totalled EUR 47.6 million (40.2), and the comparable EBITDA margin was 16.7% (15.0%).

EBIT in the fourth quarter totalled EUR 31.4 million (25.6), corresponding to an EBIT margin of 11.0% (9.5%). Comparable EBIT totalled EUR 32.0 million (25.3), and the comparable EBIT margin was 11.2% (9.4%).

Net financial expenses totalled EUR 2.6 million (2.6). The result before taxes was EUR 28.8 million (23.0). Taxes amounted to EUR 5.7 million (4.6). The net result was EUR 23.1 million (18.4).

Earnings per share were EUR 0.39 (0.31). The return on capital employed was 5.3%, and the return on equity was 13.1% (there is no comparison figure available, as no adjustment was made for IFRS 16 for 2017).

Profitability for the full year 2019

Gross profit in 2019 totalled EUR 325.2 million (295.3) and the gross margin was 34.4% (33.9%). Comparable gross profit was EUR 325.3 million (295.0), corresponding to a comparable gross margin of 34.4% (33.9%). The trend in the gross profit was mainly due to professional sourcing and the sales structure.

Operating expenses were EUR 198.9 million (188.1), or 21.1% of revenue (21.6%). Comparable operating expenses were EUR 197.9 million (189.5), or 21.0% of revenue (21.8%). The increase in operating expenses in euro terms was mainly due to the additional operating expenses that came from the new stores added to the store network. The high sales volume also had an impact on operating expenses in euro terms.

The expenses recognised on the sales bonus scheme, which covers all personnel and pays out bonuses quarterly, amounted to EUR 1.4 million (1.4) in 2019. The expenses booked from the annual bonus scheme for the Group's key persons totalled EUR 1.0 million (0.6) in 2019. Tokmanni also has a share-based incentive scheme for the Group's key persons. The expenses recognised on the share-based incentive scheme totalled EUR 0.3 million (0.1) in 2019. Personnel expenses in 2019 totalled EUR 114.0 million (106.9).

EBITDA for 2019 amounted to EUR 130.6 million (111.2), and the EBITDA margin was 13.8% (12.8%). Comparable EBITDA totalled EUR 131.6 million (109.5), and the comparable EBITDA margin was 13.9% (12.6%).

EBIT totalled EUR 69.4 million (53.6), and the EBIT margin was 7.3% (6.2%). Comparable EBIT totalled EUR 70.4 million (51.9), and the comparable EBIT margin was 7.5% (6.0%). Tokmanni's long-term target is gradually to increase its comparable EBITDA 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 expenses totalled EUR 10.5 million (10.6). The result before taxes was EUR 58.9 million (42.9). Taxes for the period amounted to EUR 11.8 million (8.6). The net result for 2019 was EUR 47.1 million (34.4).

Earnings per share were EUR 0.80 (0.58). The return on capital employed was 11.8%, and the return on equity was 26.8% (there is no comparison figure available, as no adjustment was made for IFRS 16 for 2017).

Balance sheet, cash flow and financial position

At the close of 2019, Tokmanni's inventories amounted to EUR 222.8 million (190.5). The increase was due to growth in the store network, later start of the winter and to the controlled addition of stock keeping units to the assortment.

Consolidated cash flow from operating activities amounted to EUR 56.5 million (57.3) in the fourth quarter of 2019. Due to the increase in inventories, cash flow for the full year 2019 decreased slightly year-on-year and was EUR 84.0 million (86.0). The company's cash and cash equivalents totalled EUR 29.1 million (37.9) at the end of 2019.

At the close of 2019, Tokmanni's interest-bearing debt totalled EUR 409.3 million (416.6), including EUR 99.6 million (99.4) in corporate bonds and loans from financial institutions. 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.

The ratio of net debt to comparable EBITDA (rolling 12 months) was 2.9 at the end of 2019. 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.

Tokmanni's equity ratio was 25.3% (23.3%).

Investments

Net capital expenditure in the fourth quarter totalled EUR 3.5 million (8.8). Net capital expenditure for the full year 2019 totalled EUR 15.4 million (19.8). Capital expenditure was mainly focused on the expansion of the store network, renovations of stores and the development of digital services. Depreciation and amortisation in 2019 amounted to EUR 61.2 million (57.6). The growth in depreciation and amortisation was mostly attributable to an increase in leased assets (IFRS 16).

Capital expenditure in 2020 is expected to be around EUR 16 million.

ACQUIRED BUSINESSES

Tokmanni acquired four stores in northern Finland: Centtilä in Keminmaa, Säästökuoppa in Sodankylä and the TEX stores in Rovaniemi and Kemijärvi. Tokmanni took control of the business operations of these stores on 1 January 2019.

TOKMANNI'S LONG-TERM FINANCIAL TARGETS

Tokmanni's Board of Directors updated in February 2019 the Group's long-term financial targets for comparable EBITDA margin and the ratio of net debt to comparable EBITDA due to IFRS 16, effective from 1 January 2019. The comparable EBITDA margin was replaced by a comparable EBIT margin and the net debt to comparable EBITDA target changes. At the same time, the targeted amount of stores were updated.

- Tokmanni's long-term target is to achieve low single digit growth in like-for-like revenue,
- Tokmanni's target is to increase its store network to cover more than 200 stores as well as to increase its new selling area by some 12,000 square metres in net terms every year, which means around five new or relocated stores each year,
- Tokmanni's long-term goal is to gradually increase the comparable EBIT margin to about 9 percent by improving the gross margin and reducing the relative share of current operating expenses from the current levels,
- Tokmanni intends to maintain an efficient long-term capital structure by keeping the ratio of net debt to comparable EBITDA below 3.2,
- Tokmanni's aim is to distribute around 70 per cent of net income for each financial year in dividends, depending on the capital structure, financial position, general economic and business conditions and future prospects.

STRATEGY

Tokmanni's goal is to continue to reinforce its position as the leading general discount retailer in Finland by making the most out of its key competitive advantages, which are its low perceived price image, wide and attractive assortment, lean and efficient operation model, nationwide store network combined with an online store and inspiring shopping experience.

Tokmanni aims for stable and profitable long-term growth by:

- utilising its consistent brand image and needs-based product category management, continuously developing the store concept and assortment, and investing more and more in digitalisation and multi-channel operations so as to support growth in like-for-like revenue;
- continuing to increase its retail space by some 12,000 square metres in net terms each year, which means around five new or relocated stores each year; and
- improving profitability and management of working capital with better processes and tools used in sourcing and in supply chain and product category management, and by improving store efficiency.

Strategic measures taken in 2019

During 2019, Tokmanni continued to implement its strategy and pursue its goal-oriented development of the company. The main focus during the year was on improving profitability. Actions were taken particularly to improve the gross margin by growing the sales of its private label products and increasing direct imports as well as to boost the efficiency of processes in order to reduce the relative share of fixed expenses.

Some of the key measures taken by Tokmanni to improve the gross margin include increasing direct imports and growing the sales of its private label products. These measures integrally involve increasing sourcing through the sourcing company in Shanghai and boosting the efficiency of such sourcing, as well as growing the sales of stock lots. Moreover, Tokmanni is focusing on improving its product category specific operations by reducing shrinkage and ensuring inventories do not become obsolete. Tokmanni succeeded well in all of the aforementioned measures during 2019.

Tokmanni's goal is to reduce the relative share of fixed expenses. Measures aimed at reducing the relative share of rents and maintenance costs at premises were carried out according to plan in 2019. Additionally, Tokmanni focused on making its retail functions more efficient and improved the fluency of the store

personnel work and the allocation of their time. The company initiated measures for boosting the efficiency of the supply chain, but the key benefits derived from this will only be realised in the future. Tokmanni's goal is to make the entire delivery process from the goods supplier all the way to the customer more efficient, creating cost-efficiency without forgetting customer satisfaction.

Tokmanni continues to strengthen customer trust by focusing on low prices, a diverse assortment, renewing the store concept and enhancing the customer service. The renewed and expanded assortment in several different product categories was well-received by customers in 2019. Likewise, new stores were opened and existing stores were expanded and renovated successfully. An increasing number of stores have been designed in accordance with Tokmanni's latest store concept, which emphasises effortless and pleasant shopping experiences. Under this concept, the stores have such features as wide aisles, informative signage and well-defined product areas. Strong growth in revenue and customer numbers as well as the extremely strong customer satisfaction level (Net promoter Score, NPS) indicate that the company's measures have been successful.

Tokmanni continued to develop the combination of its online store and brick-and-mortar stores so as to serve customers even better than before. With the online store, the company focused on improving internal efficiency, deploying new tools that serve customers and ensuring the product offering is attractive. Supported by the various measures implemented by Tokmanni, the online store's sales developed favourably in 2019.

PERSONNEL

Tokmanni is a significant employer in Finland, and the chain's store network extends from Hanko in the south all the way to Sodankylä in the north. The motivated and satisfied Tokmanni employees work together to serve the customers, enabling the company to reach its goals. For this reason, it is paramount to ensure that the employees possess the right kind of competence and are committed to achieving the common goals. Tokmanni rewards its personnel for good and productive work, and every Tokmanni employee is covered by the performance bonus system.

Tokmanni had 3,659 (3,558) employees at the end of 2019. On average, Tokmanni employed 3,647 (3,415) people during 2019. Out of Tokmanni's total personnel, 85.4% (86.3%) worked at the stores, 7.1% (6.0%) at warehouses and 7.5% (7.6%) in other functions.

Tokmanni's different personnel groups have varying competence needs, which the company addresses by coaching personnel very actively. Supervisors, in particular, are an important group from the point of view of wellbeing at work. Additionally, the entire personnel's competence is developed systematically with a view to building career paths. The study groups arranged by Tokmanni allow employees to complete competence-based qualifications through apprenticeship training. Warehouse employees, for example, have the opportunity to complete a vocational qualification in logistics, while store employees are offered various vocational qualifications in business and management. Employees with a higher education degree can enrol in the Trainee programme, and experts are also sent to training events outside the company. During 2019, over 3,300 Tokmanni employees took part in customer service training.

The aim of Tokmanni's wellbeing at work activities is to provide the best conditions for productive work and coping at work. Following the cooperation agreement with LocalTapiola General Mutual Insurance Company, in 2019 Tokmanni increased its investment in occupational safety training. Among other events, Tokmanni organised the Varma Day, where all regional managers and Group key personnel received training in the working capacity management practices followed at Tokmanni. Tokmanni's wellbeing at work team subsequently provided training on the topic to the company's store managers. During the year, more than 300 occupational health consultations were held to support the working capacity of partially incapacitated employees, and the practices of the Flexible Work model were fine-tuned. Moreover, Tokmanni deployed the

Työkykytutka working capacity monitoring tool in cooperation with Mehiläinen in order to facilitate the early detection of working capacity risks. The company also introduced direct appointments to an occupational physiotherapist, various digital coaching sessions for supporting wellbeing at work and Huolikulma chat through the OmaMehiläinen service as a low-threshold mental health service.

Tokmanni has a diversity steering group and project group, whose members broadly represent Tokmanni's employees. The group's goal is to ensure that Tokmanni hires people with various backgrounds in order to broaden and better serve its diversifying customer base.

The job satisfaction and activity of Tokmanni's employees are measured with an annual personnel survey, in addition to a quick survey of a few key indicators every autumn to ensure that the agreed development measures and goals are fulfilled. The employee satisfaction related score (Net promoter Score, NPS) was 36 in 2019 (2018: 24).

All Tokmanni employees are covered by the quarterly incentive bonus scheme, with the exception of logistics personnel. Tokmanni's logistics employees are paid a personal productivity bonus based on their monthly performance, on top of their monthly basic salary.

Personnel expenses in 2019 totalled EUR 114.0 million (106.9). 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.

CORPORATE RESPONSIBILITY

Corporate responsibility is one of Tokmanni's business drivers. The key corporate responsibility focus areas at Tokmanni are business integrity, fair treatment, responsible sourcing and products, and efficient use of resources. These themes were determined based on the materiality analysis Tokmanni commissioned in 2015, and they remain relevant. Tokmanni's corporate responsibility will be presented comprehensively in the Corporate Responsibility Report to be published in the week beginning on 16 March 2020 and which is prepared in accordance with the GRI standards. In addition, matters related to corporate responsibility will be discussed in the "Non-financial information" section in the Board of Directors' Report.

Key corporate responsibility achievements in 2019

Tokmanni's Corporate Responsibility Report was awarded the honourable mention of Riser of the Year in the corporate responsibility reporting competition held by FIBS, a corporate responsibility organisation.

Tokmanni continued to invest in solar power plants, installing new solar power plants on the roofs of 18 stores in 2019. Tokmanni also installed LED lighting at 36 of its stores.

Tokmanni reused, recycled or recovered almost all, or 98% (92%), of its waste. To reduce food waste, Tokmanni launched a pilot for an evening discount on expiring food products at 20 of its stores. It also introduced plastic bags containing 60% recycled plastic for its Christmas sales.

Tokmanni reported to the Carbon Disclosure Project (CDP) for the first time and began validating Science-Based Targets for the reduction of greenhouse gas emissions.

Tokmanni continued to develop risk management in its sourcing chain also from a corporate responsibility perspective. In 2019, 96% (98%) of direct purchases from risk countries were made from third-party audited factories. In addition, Tokmanni continued to conduct factory inspections at new and high-risk factories, especially in risk countries, and updated its general terms and conditions for sourcing, its code of conduct for sourcing and its internal systems in order to support risk management. Tokmanni also made progress in its policies on high-risk raw materials in its product selection. Tokmanni joined amfori BEPI (Business

Environmental Performance Initiative) in order to influence the climate impacts of its factories in risk countries.

Tokmanni entered into a two-year corporate social responsibility partnership with the Finnish Red Cross (FRC), with the aim of endorsing work for combatting loneliness and social exclusion across Finland by supporting FRC's friend volunteers. In addition, Tokmanni continued to support the charity organisation Veikko ja Lahja Hurstin Laupedyö ry together with Unilever Finland and participated in the Mielinauha campaign of MIELI Mental Health Finland.

Tokmanni strengthened diversity and equality within the company by introducing gender-neutral job titles and asking job applicants to state whether they had more than one mother tongue on their job applications. Tokmanni also offered trainee positions to young people and work trial positions to people at risk of social exclusion in order to strengthen their employment skills. Additionally, Tokmanni employed around 1,000 summer employees and *Tutustu työelämään ja tienaa* summer trainees across Finland.

The Compliance unit is responsible for Tokmanni's compliance with guidelines. The unit is headed by the Chief Compliance Officer, who reports directly to the Chief Executive Officer and also informs the Board of Directors. In addition to the Chief Compliance Officer, the Compliance unit includes four Compliance Officers, each of whom has a specific area of responsibility. The Compliance team convened regularly during 2019, handling all reports received through the whistleblowing channel in an appropriate manner. The whistleblowing channel is available to all Tokmanni employees, who can report violations anonymously through it. Tokmanni also updated the content of the Ethical Code of Conduct e-learning course, which is compulsory for every Tokmanni employee.

In addition to working on various projects, Tokmanni held its annual Responsibility Day at its Mäntsälä administrative and logistics centre in June.

SHARES AND SHAREHOLDERS

Tokmanni Group Corporation's share capital amounted to EUR 80,000, and it had 58.868.752 shares outstanding at the end of 2019. During 2019, a total of 23.805.712 Tokmanni shares were traded on the Nasdaq Helsinki for a total price of EUR 213.8 million. The final trade in Tokmanni shares on the Nasdaq Helsinki was executed at a price of EUR 12.62. The highest quote for the share was EUR 12.74 and the lowest was EUR 7.09. The volume-weighted average price of the share was EUR 9.00. At the end of December 2019, the market value of the shares was EUR 742.9 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 December 2019, Tokmanni had 16.199 registered shareholders. At the end of 2019, 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%, Ilmarinen Mutual Pension Insurance Company 3.48 % and OP-Finland Value Fund with 2.28% ownership.

Financial and insurance institutions held 40.13%, non-financial corporations held 22.48% and public-sector entities held 18.68% of the shares, while households held 15.50% and non-profit institutions 2.19%. Direct foreign ownership was 1.04% of the shares. Of all the above mentioned shares, 28.69% were nominee-registered.

More information about Tokmanni's shares and shareholders is available at and management holdings is available at n the company's website.

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

The general meeting authorized the Board of Directors to decide on repurchase or accepting as pledge, using the company's non-restricted equity, a maximum of 2.943.000 own shares, which corresponds to approximately 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 of the moment of repurchase. The shares shall be repurchased and paid in accordance with the rules of Nasdaq Helsinki Ltd.

The company may repurchase the shares to execute its incentive program or corporate acquisitions or other business arrangements or investments related to the company's 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 for 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 held in 2020, yet no further than until 30 June 2020. The Board of Directors did not use the authorization it received in 2019.

SHARE-BASED INCENTIVE SCHEMES

The Board of Directors of Tokmanni Group Corporation resolved to continue its share-based incentive program directed to the key employees in February 2019. The aim of the program is to combine the objectives of the shareholders and the key employees in order to increase the value of the Company in the long-term, to commit the key employees to implement the Company's strategy, and to offer them a competitive reward program based on earning and accumulating the Company's shares.

The performance share program includes the calendar year 2019. The potential reward of the program will be based on the Company's earnings per share on 31 December 2019 and on the market value development 1.1-31.12.2019. In 2019, the expense recognized for the share-based incentive scheme was EUR 0.3 million (0.1).

The target group of the program includes the CEO, Deputy CEO, and members of the Executive Group as well as other key employees. The potential rewards, which by nature are taxable income, to be paid correspond to a maximum of 120,000 Tokmanni Group Corporation's shares based on the market value at the moment of granting and will be paid in Tokmanni Group shares in 2022 and possibly partly in cash. The cash proportion covers taxes and tax-related costs arising from the reward to a key employee. As a rule, no reward will be paid, if a target group employee's employment or service ends before the reward payment.

GOVERNANCE

Governance at Tokmanni Group Corporation is based on the Articles of Association approved by the General Meeting of Shareholders, the Finnish Limited Liability Companies Act and the rules and regulations by Nasdaq Helsinki Ltd. with regard to listed companies. Tokmanni complies with the Finnish Corporate Governance Code for listed companies issued by the Securities Market Association.

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.

Executive Group

On 31 December 2019, Tokmanni's Executive Group included the following persons:

- Mika Rautiainen, CEO since 1 June 2018
- Markku Pirskanen, CFO and deputy to CEO, member of the Executive Group since 22 May 2017
- Timo Heimo, Director, Information Management and Supply Chain, member of the Executive Group since 1 December 2018
- Sirpa Huuskonen, HR Director, member of the Executive Group since 1 May 2016
- Tuomas Hyvärinen, Purchasing Director, member of the Executive Group since 21 May 2018
- Mathias Kivikoski, Sales and Marketing Director, member of the Executive Group since 16 January 2017
- Harri Koponen, Store Network and Concept Director, member of the Executive Group since 1 February 2018
- Matti Korolainen, Commercial Director, member of the Executive Group since 1 August 2019
- Janne Pihkala, Strategy and Business Development Director, member of the Executive Group since 1 April 2018

More information on Tokmanni's governance is available on the company's website.

RISK MANAGEMENT

Tokmanni Group Corporation's risk management is guided by the risk management policy approved by the Board of Directors of Tokmanni. The purpose of Tokmanni's risk management is to support the Group's values and strategy and the continuity of its business operations by anticipating and managing any risks associated with its operations. The goal is to assess risks systematically to promote thorough planning and decision-making.

The Executive Group is responsible for the practical implementation of risk management. Risks are assessed regularly and managed comprehensively. The risks of Tokmanni Group Corporation are reviewed annually by the Finance and Audit Committee of the Board of Directors.

The Chairman of the Finance and Audit Committee reports on risk management to the Board of Directors on a regular basis. The Board of Directors reports the key risks and factors of uncertainty to the markets in the Board of Directors' Report, and communicates material changes to them in the business review and half-year financial report.

Below is a description of the risks and uncertainties that are considered significant for Tokmanni.**Market risk**

Tokmanni's profitability and profit from operations as well as sales growth are dependent on the behaviour of consumers and competitors operating in the Finnish retail market. New international market forces and online stores are transforming the sector and its market dynamics, creating pressure in the market and further intensifying competition. If Tokmanni is unable to correctly judge the direction of the market trend and the changes that it demands, it could have an adverse effect on Tokmanni's business. To manage market risks, Tokmanni tracks the market as part of the Group's day-to-day operational management, develops its business processes and services in an agile way, and adapts its sales promotion procedures and pricing strategies in order to respond to the changing market conditions.

Inventory turnover and working capital management

Tokmanni aims to improve the management of working capital with better processes and tools used in sourcing and in supply chain and category management. A failure by Tokmanni to improve its management of working capital could have a negative effect on Tokmanni's financial position and profitability. Tokmanni continuously monitors the turnover of its inventory, the life cycles of products, depreciation on products, and its assortment management as part of the Group's day-to-day operational management, and takes corrective measures, if necessary.

Product quality and responsibility risk

Some of the key measures taken by Tokmanni to improve the gross margin include increasing direct imports and growing the sales of its private label products. Increasing imports rapidly could result in risks related to product quality and to responsibility. If monitoring and quality control in the supply chain fails, it could result in financial losses, an erosion of customer trust and the company's reputation or, in the worst case, risks to customers' health. Tokmanni has strengthened its quality organisation and fine-tuned its sourcing model. In addition, Tokmanni focuses increasingly on extensive pretesting of products and ensures through self-supervision that products comply with regulations governing them. Effective handling of customer feedback also forms a key aspect in the management of product quality. Tokmanni mitigates the responsibility risks related to products by striving to channel all direct sourcing from risk countries to factories audited by amfori BSCI or SA8000.

Data system and data security risks

Tokmanni has become increasingly dependent on data systems, data traffic and external service providers. The interconnectedness of networks, the outsourcing of services and online retail have made it more difficult for companies to monitor their data security effectively. Prolonged disturbances in data systems, payment transmission or elsewhere in the supply chain, or other exceptional situations such as a cyber-attack, could paralyse the company's operations or halt the flow of goods within the Group, causing significant losses in sales. Tokmanni is focusing increasingly on identifying data security risks and increasing its data security capabilities. In addition, Tokmanni is investing in the latest device infrastructure and the development of back-up systems as well as keeping preparedness and recovery plans up to date.

Risks arising from the pace of change in the sector

Achieving business goals in the ongoing transformation of the retail sector requires an active approach and strong competence. Companies must offer products and services that appeal to customers at an accelerating pace. Technological advances will affect products, sales channels and deliveries, among other things. Digital services and online retail continue to grow in importance, as do customer communications supporting them. Tokmanni's aim is to offer its customers low prices, an interesting and wide assortment, comprehensive services, a nationwide network of stores combined with an online store, and an inspiring shopping experience through all of its sales channels. To achieve its goals, Tokmanni has increased the efficiency of its strategic work and clarified responsibilities in order to ensure that its strategically important

projects are carried out smoothly from planning to implementation. Part of the strategic work involves evaluating developments taking place in the sector and predicting future changes.

Political country risk in sourcing

The sourcing market is constantly undergoing changes that are beyond the company's control. The changing environmental legislation in China and political instability in such sourcing countries as Turkey, Bangladesh, Myanmar and Pakistan could increase sourcing prices or cause supply problems. Tokmanni focuses increasingly on developing its sourcing models, which would enable it to adjust its sourcing flexibly in the event that risks materialise.

Reputation risk

If Tokmanni fails in its supervision of product safety or in controlling responsibility in the supply chain, it could result in financial losses as well as an erosion or loss of customer trust. The importance of different aspects of responsibility in product manufacturing and sourcing as well as fair and equal treatment of employees is increasingly emphasised by customers. Any failure to implement responsibility perspectives would result in negative publicity for Tokmanni, impacting Tokmanni's reputation. The above-mentioned quality and reputation risks are managed with internal and external quality and responsibility audits, with the compliance requirements of the amfori BSCI Code of Conduct and Tokmanni's Ethical Code of Conduct, with good governance principles and a good corporate management model, and with internal audit measures and a large-scale internal Compliance programme. In addition, Tokmanni has a quality organisation that monitors product safety and quality in the country of origin, at the logistics centre and in the stores.

Risks related to Tokmanni's private label products and direct sourcing

Tokmanni is increasing the number of private label products in all product categories in order to achieve its aim of improving profitability. Tokmanni's private label products usually have a low perceived price image and they offer better margins than the brand products the company sells. Tokmanni is also boosting its capability to make direct procurements by dropping intermediaries and dealing directly with goods manufacturers. An increase in Tokmanni's direct procurements may increase operational risks related to the availability of products, the need for working capital and the quality and safety of products. A failure by Tokmanni to increase the number of its private label products or direct procurements could also jeopardise the company's strategic goals, which could have a negative effect on Tokmanni's business and financial position. To manage the above-mentioned risks, Tokmanni utilises its joint sourcing company in Shanghai, continues to utilise and develop its sourcing model and conducts audits of manufacturers.

Brand image and marketing risk

The growth of Tokmanni's like-for-like sales is dependent on the reach and effectiveness of advertising and marketing programmes. For advertising and marketing programmes to be successful, Tokmanni must, for example, manage its advertising and marketing expenses effectively so as to maintain margins and the return on Tokmanni's marketing investments at a satisfactory level. It must also increase its customer numbers through better brand awareness. To manage its marketing risk, Tokmanni tracks the markets and constantly measures the effectiveness of marketing and advertising. Tokmanni's marketing processes have been developed to be agile and flexible, to enable very rapid reaction to any adverse events.

Personnel competence and key person risks

The execution of Tokmanni's strategy and strategic transformation require new kinds of skills and competences from the personnel. Tokmanni's ongoing development projects and its need for special expertise increase the key person risk and the company's dependence on the competence of individual persons. Tokmanni focuses on recruiting people with the essential competence, developing competence through training and coaching and promoting learning on the job in order to mitigate the key person risk.

Foreign exchange risks

Tokmanni is exposed to foreign exchange risks through its sourcing. Unfavourable changes in foreign exchange rates can raise the acquisition costs of products purchased in other currencies than the euro, and Tokmanni may not be able to pass on all such costs to its customers. The most important foreign currency for Tokmanni is the United States dollar. In the financial year that ended on 31 December 2019, approximately 86% of Tokmanni's product purchases were made in euros and approximately 14% in US dollars. Tokmanni hedges at least half of its purchases made in US dollars for an average period of six months.

MARKET OUTLOOK

According to the view of Finland's Ministry of Finance, economic growth will be sustained by domestic demand in the coming years, as the outlook for foreign trade is fairly weak. The importance of public spending and investments for GDP growth will be emphasised, especially in 2020. In its Economic Survey for winter 2019, the Ministry forecasts that inflation in 2020 will amount to 1.3%. As for GDP growth in 2020, the Ministry forecasts that it will slow down to 1.0% (1.6% in 2019). More information can be found on the website of the Ministry of Finance, at <https://vm.fi/en/publications>.

Tokmanni expects the Finnish non-grocery market to grow slightly in 2020, and it expects discount stores, speciality discount stores and online stores to further strengthen their position.

TOKMANNI'S OUTLOOK FOR 2020

Tokmanni expects good revenue growth for 2020, based on the revenue from the new stores acquired and opened in 2019 and new stores to be opened in 2020, as well as on slight growth in like-for-like revenue. Group profitability (comparable EBIT margin) is expected to improve on the previous year.

BOARD OF DIRECTORS DIVIDEND PROPOSAL

The parent company's distributable funds total EUR 169,516,025.00, which includes EUR 47,571,901.46 in profit for the year. The Board of Directors proposes that a dividend of EUR 0.62 per share, in total EUR 36,498,626.24 be paid for the financial period ending 31 December 2019. The dividend will be paid to shareholders who are registered in the list of shareholders maintained by Euroclear Finland Ltd on the record date 20 March 2020. The dividend payment day proposed by the Board of Directors is 3 April 2020. The Group's liquidity is good and the proposed profit distribution does not endanger Tokmanni's solvency.

Tokmanni's 2019 Financial Statements including the Report of the Board of Directors will be published during week 8 after which it can be found on the Groups' webpages ir.tokmanni.fi.

Helsinki 7 February 2020

Tokmanni Group Corporation

Board of Directors

IR CALENDAR

Tokmanni's Annual General Meeting is planned to be held on 18 March 2020. Tokmanni's Board of Directors will summon the meeting at a later date.

Financial reporting

- 29 April 2020: Business Review for January-March 2020
- 29 July 2020: Half Year Financial Review for January-June 2020
- 29 October 2020: Business Review for January-September 2020

TOKMANNI GROUP CORPORATION'S FINANCIAL REPORT FOR JANUARY–December 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)				
	10-12/2019	10-12/2018	1-12/2019	1-12/2018
Revenue	284.8	268.4	944.3	870.4
Other operating income	1.4	1.1	4.3	4.0
Materials and services	-185.0	-176.2	-619.1	-575.1
Employee benefits expenses	-29.9	-28.8	-114.0	-106.9
Depreciation and amortisation	-15.6	-3.9	-61.2	-14.7
Other operating expenses	-24.3	-36.0	-84.9	-127.4
Share of profit (loss) in joint ventures	0.0	0.0	0.0	0.0
Operating profit	31.4	24.7	69.4	50.3
Financial income	0.0	0.0	0.0	0.0
Financial expenses	-2.6	-1.3	-10.5	-5.6
Profit/loss before tax	28.8	23.4	58.9	44.7
Income taxes	-5.7	-4.6	-11.8	-8.9
Net result for the financial period	23.1	18.7	47.1	35.8
Profit for the year attributable to				
Equity holders of the parent company	23.1	18.7	47.1	35.8

Consolidated statement of comprehensive income (MEUR)				
	10-12/2019	10-12/2018	1-12/2019	1-12/2018
Net result for the financial period	23.1	18.7	47.1	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
Comprehensive income for the financial period, net of tax	0.0	0.0	0.0	0.0
Comprehensive income for the financial period	23.1	18.7	47.1	35.8
Comprehensive income for the financial period attributable to				
Equity holders of the parent company	23.1	18.7	47.1	35.8
Earnings per share				
Equity holders of the parent company	23.1	18.7	47.1	35.8
Number of shares, weighted average during the financial period (thousands)*	58 869	58 869	58 869	58 869
Earnings per share (EUR/share)*	0.39	0.32	0.80	0.61

Consolidated statement of financial position (MEUR)		
	31 December 2019	31 December 2018
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	315.0	86.6
Goodwill	135.0	134.6
Other intangible assets	5.6	5.8
Non-current receivables	2.6	2.6
Investments in joint ventures	0.0	0.0
Other financial assets	0.1	0.1
Deferred tax asset *	1.8	
NON-CURRENT ASSETS, TOTAL	460.2	229.7
CURRENT ASSETS		
Inventories	222.8	190.5
Trade and other receivables	17.9	20.6
Income tax receivables	0.8	1.5
Cash and cash equivalents	29.1	37.9
CURRENT ASSETS, TOTAL	270.7	250.5
ASSETS, TOTAL	730.9	480.2
EQUITY AND LIABILITIES		
Equity attributable to the equity holders of the parent company		
Share capital	0.1	0.1
Reserve for invested unrestricted equity	109.9	109.9
Translation differences	0.0	0.0
Retained earnings	74.7	64.5
EQUITY, TOTAL	184.7	174.5
NON-CURRENT LIABILITIES		
Deferred tax liabilities *		0.5
Non-current interest-bearing liabilities	359.3	169.3
Non-current non-interest-bearing liabilities	6.3	6.8
NON-CURRENT LIABILITIES, TOTAL	365.6	176.6
CURRENT LIABILITIES		
Current interest-bearing liabilities	49.9	3.7
Trade payables and other current liabilities	126.9	122.7
Income tax liabilities	3.7	2.8
CURRENT LIABILITIES, TOTAL	180.6	129.1
EQUITY AND LIABILITIES, TOTAL	730.9	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 (MEUR)		
	1-12/2019	1-12/2018
Cash flows from operating activities		
Net result for the financial period	47.1	35.8
Adjustments:		
Depreciation	61.2	14.7
Capital gains and losses on non-current assets	0.1	0.0
Financial income and expenses	10.5	5.6
Income taxes	11.8	8.9
Other adjustments	0.3	-2.5
Change in working capital:		
Change in current non-interest-bearing receivables	-1.8	-1.3
Change in inventories	-28.9	-19.8
Change in current non-interest-bearing liabilities	4.4	15.7
Interest paid	-10.1	-5.3
Other financing items	-0.1	-0.1
Income taxes paid	-10.4	-6.7
Net cash from operating activities	84.0	44.9
Cash flows from investing activities		
Purchases of tangible and intangible assets	-15.5	-19.8
Proceeds from disposal of tangible and intangible assets	0.1	0.0
Loans granted	-0.3	-2.0
Proceeds from repayments of loans	0.1	
Net cash from investing activities	-15.6	-21.7
Cash flows from financing activities		
Repayments of lease liabilities	-47.7	
Repayments of finance lease liabilities		-3.7
Dividends paid	-29.4	-24.1
Net cash from financing activities	-77.2	-27.8
Net change in cash and cash equivalents	-8.7	-4.7
Cash and cash equivalents at beginning of the financial period	-37.9	-42.5
Cash and cash equivalents, corporate arrangements	-29.1	-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				47.1	47.1	47.1
Translation differences			0.0		0.0	0.0
Total comprehensive income for the financial period			0.0	47.1	47.1	47.1
Dividends				-29.4	-29.4	-29.4
Incentive scheme				0.1	0.1	0.1
Equity 31 Dec 2019	0.1	109.9	0.0	74.7	184.7	184.7
Equity 1 Jan 2018						
	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
Total 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

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	31 December 2019	31 December 2018
Property, plant and equipment		
Property, plant and equipment	35.8	86.6
Right-of-use fixed assets	279.3	
Total	315.0	86.6

INTEREST-BEARING DEBT

MEUR	31 December 2019	31 December 2018
Non-current interest-bearing liabilities		
Loans from financial institutions	99.9	99.6
Finance lease liabilities		69.7
Lease liabilities	259.4	
Total	359.3	169.3
Current interest-bearing liabilities		
Loans from financial institutions	-0.3	-0.3
Finance lease liabilities		3.9
Lease liabilities	50.2	
Total	49.9	3.7
Total	409.3	173.0

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

MEUR	Carrying amounts of assets as per balance sheet 31 Dec 2019	Fair value 31 Dec 2019	Carrying amounts of assets as per balance sheet 31 Dec 2019	Fair value 31 Dec 2019
Financial assets				
Derivatives (level 2)	0.5	0.5	1.7	1.7
Financial liabilities				
Derivatives (level 2)	0.1	0.1	0.2	0.2
Loans from financial institutions (level 2)	99.6	99.6	99.4	99.4
Finance lease liabilities (level 2)			73.6	73.6
Lease liabilities (level 2)	309.6	309.6		
Total	409.4	409.4	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. The covenant term determines the required net debt to EBITDA ratio.

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	31 December 2019	31 December 2018
No later than 1 year	8.7	56.6
Later than 1 year but no later than 5 years	23.7	176.7
Later than 5 years	6.6	69.8
Total	39.0	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
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 and electricity derivatives
Comparable EBIT, %	=	EBIT - Changes in fair value of currency and 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	=	$\frac{\text{Equity}}{\text{Balance sheet total} - \text{Advances received}}$

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	=	Number of shares x Share price on the balance sheet date
Number of shares	=	Number of shares on the balance sheet date

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 191 stores on 31 December 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						
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						
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	Reported	Adjusted	Reported	Adjusted	Reported	Adjusted	Reported
	31	31	30	30	30	30	31	31
	March	March	June	June	September	September	Dec	Dec
	2018	2018	2018	2018	2018	2018	2018	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
<hr/>								
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, MEUR	-43.2	-54.5	-48.8	-60.2	-43.4	-55.0	-52.8	-64.7
Comparable operating expenses, MEUR	-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								
MEUR	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
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