TOKMANNI

Q4

1.1.2017 – 31.12.2017

Financial Statements Bulletin

Good fourth quarter - revenue and EBITDA grew

Fourth quarter highlights

- Revenue grew 4.4% to EUR 248.5 million (238.1)
- Like-for-Like revenue decreased 1.0%
- Six new stores opened during the quarter
- Gross profit totaled EUR 86.6 million (84.2), a gross margin of 34.8% (35.3%)
- Comparable gross profit totaled EUR 86.1 million (83.5), a comparable gross margin of 34.6% (35.1%)
- EBITDA amounted to EUR 29.3 million (28.4), an EBITDA margin of 11.8% (11.9%)
- Comparable EBITDA totaled EUR 28.6 million (27.3), a comparable EBITDA margin of 11.5% (11.5%)
- EBIT totaled EUR 25.7 million (24.6), 10.3% of revenue (10.3%)
- Comparable EBIT totaled EUR 25.0 million (23.6), 10.1% of revenue (9.9%)
- Cash flow from operating activities amounted to EUR 52.6 million (47.5)
- Earnings per share amounted to 0.33 euros (0.32)

Highlights of the review period January-December 2017

- Revenue grew 2.7% to EUR 796.5 million (775.8)
- Like-for-Like revenue decreased 1.3%
- 13 new and 2 relocated stores opened during the review period
- Gross profit totaled EUR 267.1 million (268.4), a gross margin of 33.5% (34.6%)
- Comparable gross profit totaled EUR 268.1 million (267.9), a comparable gross margin of 33.7% (34.5%)
- EBITDA amounted to EUR 53.1 million (64.3), an EBITDA margin of 6.7% (8.3%)
- Comparable EBITDA totaled EUR 55.0 million (62.8), a comparable EBITDA margin of 6.9% (8.1%)
- EBIT totaled EUR 38.8 million (49.2), 4.9% of revenue (6.3%)
- Comparable EBIT totaled EUR 40.6 million (47.7), 5.1% of revenue (6.1%)
- Cash flow from operating activities amounted to EUR 27.1 million (62.5)
- Earnings per share amounted to 0.45 euros (0.50)
- The Board of Directors proposes to the Annual General Meeting to pay a dividend of 0.41 euros per share

TOKMANNI'S OUTLOOK FOR 2018: GOOD GROWTH AND IMPROVED PROFITABILITY

Tokmanni's expects good revenue growth for 2018 based on the revenue from new stores opened in 2017 and stores to be opened in 2018 and low single digit Like-for Like revenue growth. As of 2018 Tokmanni's online revenue will be included in the Group's Like-for-Like revenue. Group profitability (adjusted EBITDA%) is expected to improve from the previous year.

Key figures

	10-12/2017	10-12/2016	Change%	1-12/2017	1-12/2016	Change%
Revenue, MEUR	248.5	238.1	4.4%	796.5	775.8	2.7%
Like-for-like revenue development, %	-1.0	0.8		-1.3	-0.1	
Number of baskets, M	13.3	12.8	3.6%	46.4	44.7	3.6%
Gross profit, MEUR	86.6	84.2	2.9%	267.1	268.4	-0.5%
Gross margin, %	34.8	35.3		33.5	34.6	
Comparable gross profit, MEUR	86.1	83.5	3.1%	268.1	267.9	0.1%
Comparable gross margin, %	34.6	35.1		33.7	34.5	
Operating expenses, MEUR	-58.5	-56.8	3.0%	-217.8	-207.4	5.0%
Comparable operating expenses, MEUR	-58.7	-57.2	2.6%	-217.0	-208.5	4.1%
EBITDA, MEUR	29.3	28.4	3.3%	53.1	64.3	-17.5%
EBITDA, %	11.8	11.9		6.7	8.3	
Comparable EBITDA, MEUR	28.6	27.3	4.8%	55.0	62.8	-12.5%
Comparable EBITDA, %	11.5	11.5		6.9	8.1	
Operating profit (EBIT), MEUR	25.7	24.6	4.4%	38.8	49.2	-21.3%
Operating profit margin EBIT, %	10.3	10.3		4.9	6.3	
Comparable EBIT, MEUR	25.0	23.6	6.1%	40.6	47.7	-14.9%
Comparable EBIT, %	10.1	9.9		5.1	6.1	
Net financial items, MEUR	-1.6	-1.4	13.2%	-5.8	-15.2	-61.7%
Net capital expenditure, MEUR	4.3	4.4	-2.3%	8.1	9.8	-16.7%
Net debt / adjusted EBITDA **	2.4	1.8		2.4	1.8	
Net cash from operating activities, MEUR	52.6	47.5		27.1	62.5	
Return on capital employed, %	7.6	7.2		11.4	14.5	
Return on equity, %	11.7	12.3		16.0	18.1	
Number of shares, weighted average during the financial period (thousands)*	58 869	58 869		58 869	54 095	
Earnings per share (EUR/share)*	0.33	0.32		0.45	0.50	
Personnel at the end of the period	3 255	3 224		3 255	3 224	
Personnel on average in the period	3 258	3 200		3 232	3 209	

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

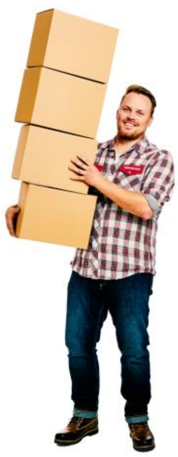
** Rolling 12 months adjusted EBITDA

Adjustments affecting comparability

Tokmanni has used the non-IFRS measure EBITDA and made adjustments to improve comparability and give a better view of Tokmanni's operational performance. EBITDA represents operating profit before depreciation and amortization. Comparable EBITDA represents EBITDA adjusted to exclude items that Tokmanni's management considers to be exceptional and non-trading items, including the 2017 loss on real estate and changes in the fair value of electricity and currency derivatives, which are adjusted for by Tokmanni as they are unrealized gains or losses related to Tokmanni's open cash flow hedge positions, and hence not related to Tokmanni's operational performance during the periods under review. Tokmanni's management uses comparable EBITDA and other measures mentioned below as a key performance indicators to assess Tokmanni's underlying operational performance. As of the third quarter 2017, Tokmanni has adapted its terminology to market practice by replacing the term "adjusted" with "comparable".

Adjustments affecting comparability

MEUR	10-12/2017	10-12/2016	1-12/2017	1-12/2016
Gross profit	**86.6**	**84.2**	**267.1**	**268.4**
Changes in fair value of currency derivatives	-0.5	-0.7	1.0	-0.5
Comparable Gross Profit	**86.1**	**83.5**	**268.1**	**267.9**
Operating expenses	**-58.5**	**-56.8**	**-217.8**	**-207.4**
Changes in fair value of electricity derivatives	-0.2	-0.4	-0.4	-1.1
Loss on real estate sales	-	-	1.2	-
Comparable operating expenses	**-58.7**	**-57.2**	**-217.0**	**-208.5**
EBITDA	**29.3**	**28.4**	**53.1**	**64.3**
Operating profit (EBIT)	**25.7**	**24.6**	**38.8**	**49.2**
Changes in fair value of currency derivatives	-0.5	-0.7	1.0	-0.5
Changes in fair value of electricity derivatives	-0.2	-0.4	-0.4	-1.1
Loss on real estate sales	-	-	1.2	-
Comparable EBITDA	**28.6**	**27.3**	**55.0**	**62.8**
Comparable operating profit (comp. EBIT)	**25.0**	**23.6**	**40.6**	**47.7**



Interim CEO Harri Sivula:

”THE FOURTH QUARTER WAS GOOD IN MANY RESPECTS”

"The beginning of 2017 was challenging sales wise for Tokmanni due to Tokmanni's internal system problems as well as external circumstances. At the same time, the market development was slower than we had expected. Despite the strong recovery in the Finnish economy, signs of a turn in the non-grocery market were seen only at the end of the year. However, due to our resolute measures, we managed to stabilize the situation towards the end of the year and the performance of the fourth quarter was good measured by many metrics.

Fourth quarter Group revenue developed well and our revenue grew 4.4% based on revenue from new stores opened in 2016 and 2017. During the last quarter of the year we opened six new stores. The Like-for-Like revenue development was slightly negative at -1.0%. Our Christmas sales were record high but October and November Like-for-Like sales were a slightly behind last year’s sales mainly due to strong market competition as a result of the challenging first part of the year. Our gross margin was slightly below the corresponding quarter last year but our comparable EBITDA margin remained at the previous year’s good level, 11.5%.

Full-year revenue grew 2.7% but Like-for-Like revenue decreased 1.3% from the previous year. This was mainly due to the weak beginning of the year, stronger competition especially in groceries, and the impact from some new stores and store size reductions on Like-for-Like sales. The strong competition brought on by online stores and specialty discount retailers could be seen especially in the clothing and tools product categories. When analyzing the numbers, it is also good to keep in mind that 2017 had one selling day less than the previous year. As we had anticipated, our profitability weakened from the previous year. This was mainly due to the sales mix and the high amount of new stores opened during the period. In 2017, the financial structure of the Group was clearly lighter than in the previous year, as a result of which our financial expenses declined significantly and net income was almost at the previous year's level.

Expanding the store network is one of Tokmanni's revenue and earnings drivers. Over the last few years, we have invested exceptionally heavily in the opening of new stores and our store network has grown by nearly 20 stores over the last couple of years. In 2017, we opened a record number of new stores, 13 new and 2 relocated stores. In our investment program for 2018, we will invest more heavily in the maintenance of our store network than in the previous years, especially in updating our grocery stores, and in Tokmanni's digital services to support Like-for-Like sales. In 2018 we will open approximately five new stores in accordance with our target.

In 2017, we have paid even more attention to our pricing strategy, the development of our customer-focused assortment as well as the continuous development of our store concept to improve our Like-for-Like sales. At the same time, we continue to develop our private labels and direct imports to improve our profitability. In 2018, we focus heavily on among others sharpening our private label strategy and marketing to increase their share of sales.

We predict good sales growth in 2018. Based on the actions mentioned above we expect Like-for-Like revenue to turn to low single digit growth and at the same time for new stores opened in 2017 and 2018 to bring good revenue growth.”

TOKMANNI'S BUSINESS

Tokmanni is Finland's leading discount retailer. We are the only discount retailer with a nationwide store network. At the end of 2017 Tokmanni had 175 stores around Finland and an online store. We offer our customers an interesting and wide assortment at affordable prices combined with a good customer experience. We want to offer our customers an inspirational shopping experience in all our sales channels. We have a wide range of products at low prices in six product categories: Groceries, Home cleaning and personal care, Clothing, Tools and electrical equipment, Home, decoration and garden, Leisure and home electronics. Our assortment consists of leading international brands, our private labels and non-branded products.

BUSINESS ENVIRONMENT AND MARKET DEVELOPMENT

COMPETITIVE FIELD

Tokmanni's offering is broad and covers six product categories, which is why the company's target market is large and the competitive field is fragmented.

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

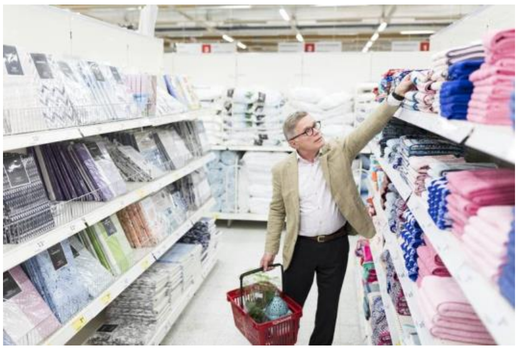
Hypermarkets carry a large product assortment, from fresh food to consumer goods. They are mostly located in the suburbs of the main cities and benefit from repeated visits thanks to their fresh food offering. Tokmanni also has a wide range of non-grocery goods, and its low perceived price image provides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

Specialty discount retailers with affordable 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 advantage compared to specialty retailers is its considerably wider assortment and a nationwide store network.

In the centers of large cities, Tokmanni also competes with department stores, such as Sokos and Stockmann. Department stores offer a wide assortment of consumer goods but because their perceived price image is higher, their sales have decreased in recent years.
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 further grow over coming years. Tokmanni continuously develops its digital services to meet the changing needs of its customers and to develop the holistic customer experience.

MARKET DEVELOPMENT

In 2017 the Finnish economy improved significantly and GDP grew more than 3%, significantly faster than what was expected at the beginning of the year. Nonetheless, the uncertainty in the non-grocery market continued throughout the year. Competition continued harsh and many retailers, such as Erätukku and Seppälä, suffered from market weakness, intense competition, and the growth in popularity of online stores.



Fourth quarter market development

According to the Finnish Grocery Trade Association's FGTA (www.pty.fi), the total sales of the non-grocery market, the market closest comparable to Tokmanni, grew 1.1%, and department stores and hypermarket chain sales grew 2.6% in the fourth quarter of 2017. According to Tokmanni's estimate, the non-grocery market grew 3.8% and the total sales of department stores and hypermarket chains grew 3.7% in the fourth quarter when Anttila's estimated sales is adjusted from the 2016 comparable numbers.

Market development 2017

According to the FGTA statistics the total sales of the non-grocery market, the market closest comparable to Tokmanni, decreased by -6.1% during the year 2017. Department stores and hypermarket chain sales decreased by -0.5% in the same period according to the statistics. According to Tokmanni's estimate, the non-grocery market decreased by -0.7% and the total sales of department stores and hypermarket chains grew 1.6% during the review period January-December 2017 when Anttila's estimated sales is adjusted from the 2016 comparable numbers.

FGTA member department stores and hypermarket chains are K-Citymarket, Prisma, Sokos, Stockmann, Tokmanni and Minimani. In addition, Anttila is included in the comparable numbers. It is important to note that the FGTA statistics only partially covers Tokmanni's addressable market. Tokmanni's target is to develop its market coverage to be able to provide a more detailed picture of the development. However, the challenges of access to topical quarterly information will limit the possibility to provide a complete picture.

OPERATIONAL DEVELOPMENT

Store network development – record high amount of new stores opened

Based on efficient roll-out and short ramp up, opening new stores is one of the drivers for Tokmanni's revenue and earnings growth. At the end of the fourth quarter Tokmanni had 175 (162) stores across Finland.

In the fourth quarter Tokmanni opened six new stores and a record high amount of new stores, a total of 13 new and 2 relocated stores during 2017. Thereby, Tokmanni increased its selling space by approximately 24,000 square meters.

> We opened a record amount of new stores in 2017

To date, Tokmanni has agreed to open two new stores and two relocated stores in 2018. In addition, the company will expand three stores during 2018. The selling space of these stores will increase by more than 30% and they will therefore be included in new stores according to Tokmanni's definition. To improve the efficiency of the selling space, the selling space of two existing stores is planned to be reduced, which may affect the 2018 net space increase. No final decision regarding these reductions has yet been taken. During 2018, the company's selling space is estimated to grow by approximately 8,000 square meters depending on the store reductions.

According to Tokmanni's definition a store is considered a new or relocated store in its opening year and in the following calendar year. On average a new store is profitable in approximately 12 months and reaches full capacity in approximately 24 months.

FINANCIAL DEVELOPMENT

REVENUE DEVELOPMENT

Fourth quarter revenue grew 4.4% - successful Christmas sales

Tokmanni's fourth quarter 2017 revenue grew 4.4% to EUR 248.5 million (238.1).Like-for-Like sales decreased 1.0%. Tokmanni's Christmas sales were very successful despite the strong competition but October and November like-for-like sales were behind last year's sales. Demand for Tokmanni's home decoration products, and particularly home furnishing and textiles, was good.

Revenue for 2017 grew 2.7%, Like-for-Like sales behind last year

Tokmanni's January-December 2017 revenue amounted to EUR 796.5 million (775.8), a growth of 2.7%. Like-for-Like revenue decreased by 1.3 %. This was mainly due to the weak beginning of the year, stronger competition especially in groceries, and the impact from some new stores and store size reductions on Like-for-Like sales. The strong competition brought on by online stores and specialty discount retailers could be seen especially in the clothing and tools product categories. The Like-for-Like sales improved considerably during the second half of the year, -0.2 % year on year compared to -2.7% during the first half of the year. This signals that measures taken to improve Like-for-Like sales, such as the continuous development of the assortment and the store concept, are beginning to make a difference. When analyzing the numbers, it is also good to keep in mind that 2017 had one selling day less than the previous year. The share of sales of the continuous assortment was 74% (72%), seasonal products 21% (22%) and stock lots 5% (6%). In the review period January-December 2017 the revenue from Tokmanni's online sales was more than EUR 3 million and its share of Group revenue approximately 0.5%. The online sales is also seasonal and as a result, the first quarter is usually the weakest and the last quarter is the strongest. As of 2018 the online sales will be included in Like-for-Like revenue. The number of baskets grew 3.6% to 46.4 million but the average basket size decreased slightly by 0.9% to 17.2 euros.

Record high Christmas sales

PROFITABILITY

Fourth quarter profitability at good level

Fourth quarter 2017 gross profit totaled EUR 86.6 million (84.2) and the gross margin was 34.8% (35.3%) of revenue. Comparable gross profit totaled EUR 86.1 million (83.5), which corresponds to a gross margin of 34.6% (35.1%).

Fourth quarter 2017 operating expenses remained nearly at last year's level amounting to EUR 58.5 million (56.8). Comparable operating expenses totaled EUR 58.7 million (57.2).

October-December 2017 EBITDA amounted to EUR 29.3 million (28.4) an EBITDA margin 11.8% (11.9%). Comparable EBITDA totaled EUR 28.6 million (27.3), 11.5% of revenue (11.5%).

The October-December 2017 operating profit (EBIT) amounted to EUR 25.7 million (24.6), corresponding to 10.3% of revenue (10.3%). Comparable operating profit amounted to EUR 25.0 million (23.6), 10.1% of revenue (9.9%).

Q4/17 comparable EBITDA margin 11.5%

Fourth quarter 2017 net financial items totaled EUR 1.6 million (1.5).

Fourth quarter 2017 result before taxes amounted to EUR 24.1 million (23.2). Taxes amounted to EUR 4.8 million (4.6). The result for the quarter totaled EUR 19.3 million (18.6).

Year 2017: sales mix and high amount of new stores impacted profitability

January-December 2017 gross profit totaled EUR 267.1 million (268.4), a gross margin of 33.5% (34.6%). Comparable gross profit totaled EUR 268.1 million (267.9), corresponding to a gross margin of 33.7% (34.5%). The direct imports' share of revenue remained at last year's level 25% (25%). In 2017 Tokmanni has determinedly focused on developing sourcing efficiency and sourcing through its Shanghai office. 14% (13%) of products sold in 2017 was sourced through the Shanghai office. Tokmanni continues to increase the share of direct sourcing and private label products as a part of its profitability improvement strategy. In 2017 the share of private labels, licensed and non-branded products was 32% of revenue (34%). The decrease was mainly due to the sales mix with a higher amount of branded products, eventhough the share of private labels improved towards the end of the year and the fourth quarter in particular.

Operating expenses for January-December 2017 totaled EUR 217.8 million (207.4), 27.3% of revenue (26.7%). Comparable operating expenses were EUR 217.0 million (208.5), 27.2% of revenue (26.9%). The growth in operating expenses in 2017 was mainly due to the high number of new stores opened in 2017.

EBITDA for the review period totaled EUR 53.1 million (64.3), 6.7% of revenue (8.3%) and comparable EBITDA EUR 55.0 million (62.8), 6.9% of revenue (8.1%).

January-December 2017 operating profit (EBIT) totaled EUR 38.8 million (49.2), 4.9% of revenue (6.3%). Comparable EBIT totaled EUR 40.6 million (47.7), 5.1% of revenue (6.1%).

Net financial items for the period January-December 2017 totaled EUR 5.9 million (15.3). In 2017, the financial structure of the Group was clearly lighter than in the previous year, as a result of which financial expenses declined significantly and net income was almost at the previous year's level.

January-December 2017 profit before taxes totaled EUR 32.9 million (34.0). Taxes for the period were EUR 6.6 million (6.8). The result for the period was close to last year's level EUR 26.3 million (27.2). Earnings per share were 0.45 euros (0.50). Return on Capital Employed (ROCE) was 11.4% (14.5%) and Return on Equity (ROE) 16.0% (18.1%).

BALANCE SHEET, FINANCING AND CASH FLOW

Cash flow from operating activities 2017 amounted to EUR 27.1 million (62.5). Cash flow from operating activities, which was exceptionally strong in 2016, weakened during 2017 due to the growth in working capital. Cash and cash equivalent totaled EUR 42.5 million (57.6) at the end of the period.

At the end of December 2017 Tokmanni had a total of EUR 176.6 million (173.5) in interest bearing debt. Net debt/comparable EBITDA was 2.4 (1.8) at the end of the year. Tokmanni's target is that net debt/adjusted EBITDA is below 2.0. Tokmanni's equity ratio was 35.2% (36.3%).

CAPITAL EXPENDITURE

Fourth quarter net capital expenditure totaled EUR 4.3 million (4.4). Net capital expenditure for 2017 amounted to EUR 8.1 million (9.8). The 2017 capital expenditure is decreased by a repayment of EUR 2.9 million temporary financing related to the construction of the Närpiö store, which was returned as a result of a sales-and-leaseback arrangement.

In our investment program for 2018, we will invest more heavily in the maintenance of our store network than in the previous years, especially in updating our grocery stores, and in Tokmanni's digital services to support Like-for-Like sales. We will open approximately five new stores in 2018 in accordance with our targets. Capital expenditures are expected to be at the level of depreciation in 2018. In 2017 depreciation amounted to EUR 14.3 million (15.1).

STRATEGY

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

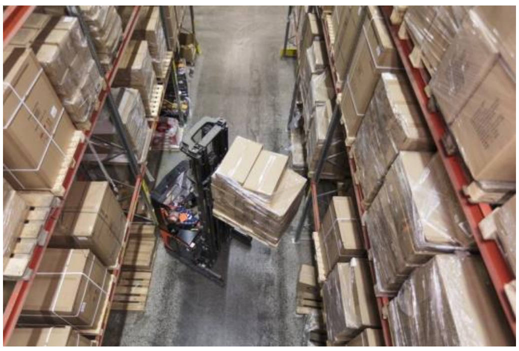
Tokmanni's target is to continue Tokmanni aims to deliver stable and profitable growth over the long term by

- leveraging its unified brand image and, demand-driven category management, continuous store concept and assortment development and through further investments in digital and omni-channel services to drive like-for-like revenue growth;
- continuing to increase the amount of net new selling space by approximately by approximately 12,000 square meters annually, translating into approximately five new or relocated stores, and
- improving profitability and working capital management through improved processes and tools in sourcing, supply chain management and category management as well as improving its store efficiency.

Financial targets

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

- Tokmanni's target is to increase the amount of net new selling area by approximately 12,000 square meters annually, translating into approximately five new or relocated stores;
- Tokmanni's long-term target is to achieve low single digit revenue growth of like-for-like stores;
- Tokmanni's long-term target is to progressively expand to an adjusted EBITDA margin of approximately 10 percent driven by improving gross margin levels and maintaining stable operating expenses in relative terms;
- Tokmanni intends to maintain an efficient long-term capital structure – adjusted net debt in relation to adjusted EBITDA of below 2.0x.
- Tokmanni targets is to distribute approximately 70% of Tokmanni's net result as dividends for the year subject to capital structure,



financial condition, general economic and business conditions and future prospects.

Strategic measures during the review period

During January-December 2017, Tokmanni continued to implement its strategy and to develop the company according to its targets.

Tokmanni continuously develops its customer-focused assortment and offers interesting products to its customers at attractive prices. To ensure a pleasant experience for customers Tokmanni continuously develops its store concept according to customer needs. During the review period, the reinforcement of Tokmanni's store concept continued. The company regularly analyzes the functionality of the concept, modifies solutions when needed and designs new elements to be embedded in the concept. The new elements of the store concept are tested in pilot stores and thereafter partially or completely implemented in stores. During the review period key components of the store concept development were space optimization, the development of easy to use and attractive "worlds" as well as increasing impulse shopping for example through the improvement of mass areas. During the review period, the company continued to improve its store efficiency. The aim of the project is to improve the store presentation work and releases sales staff time to better customer service.

Tokmanni's assortment consists of leading international brands, Tokmanni's own private labels and non-branded products. Tokmanni's most important profitability drivers are the increase in direct imports and the share of private labels. Tokmanni has been developing its operations decisively since 2013, when the company established a sourcing company in Shanghai with Norwegian discounter Europris. During the review period, the company continued to develop its portfolio of private labels and at the same time concentrating it. As a result, Tokmanni is now investing more and more in, among other things, the marketing of private labels and has, among other things, made private label focused marketing recruitments in 2017.

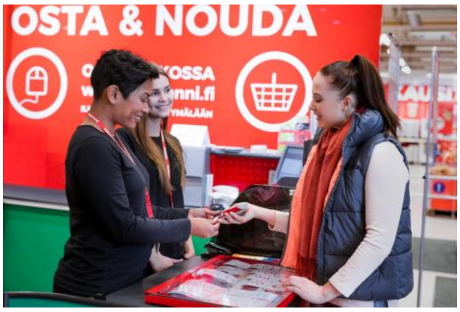
Tokmanni continued to sharpen the destination categories of its assortments as a part of its product category strategy.

Tokmanni's digital project proceeded as planned. In the first phase of the project, the company focuses on building a system platform to enable an omni-channel approach. The goal is to create new tools for reaching and serving customers as well as to develop sales digitally and building a new online store.

In addition to increasing Like-for-Like sales, Tokmanni is seeking growth by opening new stores. During 2017 Tokmanni opened 13 new and 2 relocated stores net.

PERSONNEL

Tokmanni is a significant employer in Finland and the company had 3,255 (3,224) employees at the end of the year 2017. On average Tokmanni had 3,232 (3,209) employees during the year. Out of the total number of employees 86.0% (86.0%) worked in the stores, 6.4% (6.4%) in the warehouse and 7.6% (7.6%) in support functions. In the fourth quarter Tokmanni Oy and Administer Partner Oy entered into a contract for the transfer of Tokmanni's accounting services to the Administer. As a result of the agreement, ten Tokmanni employees were transferred to Administer as



old employees at their Mäntsälä branch office. Personnel expenses for the financial year were EUR 97.9 million. (96.4), 12.3% of net sales.

CORPORATE RESPONSIBILITY

Responsibility is part of the daily work of every member of Tokmanni's personnel. Our key corporate responsibility focus areas are business integrity, fair treatment, responsible sourcing and products and efficient use of resources. Tokmanni's responsibility issues are covered in depth in the group's corporate responsibility report which will be published in week 8. The report has been prepared in accordance with the GRI standard. Tokmanni also publishes non-financial information for the financial year 2017 in its Report by the Board of Directors included in the 2017 financial statements.

Tokmanni's responsibility work 2017

In January Tokmanni published the results of its human rights assessment. The human rights due diligence assessment is based on the UN Guiding Principles on Business and Human Rights.

In April 2017 Tokmanni set up a Sustainability Advisory Board to support its responsibility work. The Advisory Board consists of external experts and aims to support Tokmanni by providing the company with an outside view of the company's responsibility work and sparring the company in, among others, sustainability trends, risks and best practices.

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

During the review period, the company continued to implement its Deep Green project at the Mäntsälä office. The project aims to reduce the environmental impact of the office. The company's objective is to roll out suitable parts of the Deep Green project also to the stores.

Tokmanni's target is to direct all direct sourcing from risk countries to suppliers using factories audited by amfori BSCI or SA8000. In 2017, 99% (95%) of direct purchases from risk countries were made from audited factories.

SHARE AND SHAREHOLDERS

At the end of 2017 Tokmanni had 58,868,752 shares. During the review period 63,315,286 Tokmanni shares were traded on Nasdaq Helsinki and the value of the shares traded was EUR 520.8 million.

At the end of the year the biggest shareholders were Rockers Tukku Oy 17.00%, Elo Pension Company 8.07%, Varma Mutual Pension Insurance Company 7.38%, Nordea Pro Finland Fund 4.54% and OP-Finland Value Fund 3.18%. At the end of the year Tokmanni had approximately 14,000 shareholders.

Tokmanni has one share series and all shares carry equal voting rights at the general meeting. The share has no nominal value. Tokmanni does not hold any of its own shares.

TOKMAN on the Nasdaq Helsinki exchange

1.1.–31.12.2017	High	Low	VWAP*	Last
TOKMAN	11.13	6.66	8.17	7.25
Market Cap				31.12.2017
MEUR				426.8

*Trade Weighted Average

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 issued 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 in 2015.

Tokmanni publishes a separate corporate governance and remuneration report for 2017 in accordance with the Finnish Corporate Governance Code. The report will be released in week 8 on Tokmanni's website.

Decisions taken by the Annual General Meeting

Tokmanni Group Corporation's annual general meeting, which was held on 24 March 2017, approved the 2016 financial statements, and discharged the members of the Board of Directors and the company's CEO from liability.

The general meeting approved the proposal to pay a dividend of EUR 0.51 per share, for the accounting period that ended on 31 December 2016.

The general meeting decided the number of Board members to be six. The meeting elected Harri Sivula, Therese Cedercreutz, Christian Gylling, Kati Hagros, Sven-Olof Kulldorff and Seppo Saastamoinen as members of the Board of Directors. Harri Sivula was re-elected as Chairman of the Board of Directors.

The general meeting decided that the auditor is paid remuneration in accordance with a reasonable invoice. The authorized public accountants KPMG Oy Ab were reappointed as the company's auditor until the Annual general meeting 2018.

The general meeting resolved to establish a Shareholders' Nomination Board to prepare future proposals concerning the election and remuneration of the members of the Board of Directors to the general meetings. The Shareholders' Nomination Board replaces the Nomination Committee nominated by the Board of Directors.

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 per cent of the company's total shares at the time of convening the meeting. The authorization is effective until the annual general meeting held in 2018. The authorization was not exercised during the review period.

The general meeting authorized the Board of Directors to decide on the issuance of at most 2,943,000 new shares or shares held by the company in one or more tranches through a share issue and/or by issuing options or other special rights entitling to shares as referred to in

Chapter 10 Section 1 of the Limited Liability Companies Act.The authorization is effective until 23 March 2022. The authorization was not exercised during the review period.

Constitutive meeting of the Board of Directors

At its constitutive meeting following the annual general meeting, the Board resolved to elect as members of the Finance and Audit Committee: Christian Gylling, Kati Hagros and Harri Sivula.

Organizational changes

M.Sc. (Econ.) Mathias Kivikoski took up the position as sales director and member of the Executive Group and M.Sc. (Econ.) Hanna Nikoskelainen as business director and member of the Executive Group in January 2017.

M.Sc. (Econ.) Markku Pirskanen was appointed Tokmanni's CFO and member of the Executive Group as of May 2017. Pirskanen is the successor to Tokmanni's former CFO Sixten Hjort. Hjort retired from the company at the end of June.

Tokmanni's Board of Directors appointed Chairman of the Board Harri Sivula interim CEO as of 15 June 2017 when CEO Heikki Väänänen left the company. At the same time, the Board of Directors appointed CFO Markku Pirskanen deputy to the CEO.

In July Tokmanni’s Board of Directors appointed M.Sc. (Econ.) Mika Rautiainen as new CEO of Tokmanni Group. He will take up his position in June 2018.

RISK MANAGEMENT

Tokmanni Group Corporation’s risk management is guided by its risk management policy confirmed by the Board of Directors. The objective of Tokmanni's risk management is to support the company's values, strategy and business continuity by anticipating and managing potential risks involved in the activities. The aim is to assess the risks systematically in order to promote the in-depth planning and decision-making process.

The responsibility for the practical implementation of risk management lies with Group management. Risks are assessed on a regular basis and managed holistically. Tokmanni Group Corporation's risks are discussed in Tokmanni's Board of Directors’ Finance and Audit Committee annually.

The chairman of the Finance and Audit Committee regularly reports on risk management to the Board. The most significant risks and uncertainty factors are disclosed to the market in the report by the Board of Directors and any material changes to these risks in the business reviews and half year financial reports.

Tokmanni’s risks and uncertainties considered significant

Market risk

Tokmanni's business performance and profitability are exposed to consumer behavior in the Finnish retail market. New international market powers are changing market dynamics, create market pressure and further tighten the competitive situation. If Tokmanni failed to understand the direction of market development and the need for change required, this could have a negative impact on Tokmanni's business. To manage market risks Tokmanni monitors the market as part of the company's everyday business operations, effectively adapts its business processes and services, adapts sales promotion measures and pricing strategies as a response to changing market conditions.

Reputation risk

Failures in Tokmanni's product safety control or quality assurance of the supply chain may result in financial losses and loss of customer confidence. Different aspects of responsibility, manufacturing of products, responsible sourcing, the importance of fair and equal treatment of employees is becoming even more pronounced to customers. Possible failures in implementing the responsibility aspects would cause negative publicity and affect the company's reputation. The aforementioned quality and reputation risks are managed, among others through quality and sustainability audits, through compliance requirements regarding amfori BSCI and Tokmanni's Code of Conduct, through internal audit measures as well as a rigorous internal compliance program.

Information system and information security risks

Dependence on information systems, telecommunications and external service providers has grown also at Tokmanni. Also the integration of networks, outsourcing services as well as online and mobile retail have reduced the possibility for effective information security control. Extended malfunctions in information systems, payment systems or in other parts of the supply chain can cause major losses in sales. Tokmanni focuses even more on identifying the risks associated with data security and in increasing data security capabilities.

Risks related to Tokmanni's private labels and direct sourcing

Tokmanni increases the number of private label products in all product categories as part of its target to improve profitability. Tokmanni's private label products generally have a low price image and have higher margins than branded products. Tokmanni is also focusing on direct sourcing, leaving the middlemen out and doing business directly with the suppliers. Increasing direct sourcing can increase risks related to the availability of products, the need for working capital, as well as product quality and safety-related business risks. Failure to increase Tokmanni's private labels and direct sourcing may also endanger the implementation of the strategic objectives, which can have a negative impact on Tokmanni's business and financial position. To manage the above mentioned risks, the group among others takes advantage of its sourcing joint venture established in Shanghai, continues to develop and optimize its sourcing model and conducts manufacturing audits.

Inventory turnover and working capital management

Tokmanni strives to improve working capital management with better processes and tools in sourcing, supply chain management and category management. If the company fails to improve working capital management this can have a negative impact on the company's financial position and profitability. Tokmanni continuously monitors the inventory turnover, product life cycles and assortment management as part of the company's everyday business operations management and take corrective action if necessary.

Brand perception and marketing risk

Tokmanni's Like-for-Like revenue growth is largely dependent on its advertising and the effectiveness and efficiency of marketing programs. The success of the advertising and marketing program requires that Tokmanni manages advertising and marketing costs effectively to keep the marketing investment returns at an acceptable level and to increase the number of customers through improved awareness. To manage the marketing risk, Tokmanni monitors the market and measures marketing and advertising efficiency constantly. Tokmanni's marketing processes have been developed to be agile and flexible, allowing for a very rapid response to potential negative effects.

Employee competencies and key employee risks

Tokmanni's strategy implementation and strategic changes require new kind of competencies and skilled personnel. Tokmanni's ongoing development and the need for specialized expertise will increase the risk of key employees and reliance on the competence of individual people. Tokmanni focuses on essential competencies in recruitment, competence development, learning on the job and training to reduce key employee risks.

Currency risks

Tokmanni is exposed to currency risk through its purchasing practices. Unfavorable changes in currency exchange rates may increase the cost of the products purchased in currencies other than in euros and Tokmanni may not be able to transfer all such costs to its customers. Tokmanni's main foreign currency is the US dollar. Of Tokmanni’s products purchased during the review period ending December 31st, 2017 approximately 90 per cent were euro denominated and about 10 per cent US dollar denominated. Tokmanni hedges at least half of purchases made in USD for an average period of six months.

MARKET OUTLOOK

In 2017, the Finnish economy recovered and GDP grew over 3%, significantly more than what had been expected at the beginning of the year. The Finnish Ministry of Finance forecasts GDP growth of 2.4% in 2018 and 1.9% in 2019. Unemployment is projected to decrease to 8.1% and real disposable income to rise by more than 2%, as inflation only accelerates slightly.

Tokmanni expects the Finnish retail market to grow slightly, but the competition to continue to be fierce, especially in groceries. The share of E-commerce is expected to grow in all product categories, especially in home electronics and clothing. Specialty stores are also expected to continue strengthening their positions.

Although the weak economic situation has accelerated the growth of the share of discount retail stores in the Finnish retail market, growth is expected to continue as the economy recovers. As customers have taken discount retailers as regular shopping places, have become accustomed to discount stores and found the value for money of their products to be good, they are likely to remain regular customers even when the economy recovers. The long-standing global trend which emphasizes good value-for-money, is expected to continue.

TOKMANNI’S OUTLOOK FOR 2018: GOOD GROWTH AND IMPROVED PROFITABILITY

Tokmanni’s expects good revenue growth for 2018 based on the revenue from new stores opened in 2017 and stores to be opened in 2018 and low single digit Like-for Like revenue growth. As of 2018 Tokmanni’s online revenue will be included in the Group’s Like-for-Like revenue. Group profitability (adjusted EBITDA%) is expected to improve from the previous year.

BOARD OF DIRECTOR’S DIVIDEND PROPOSAL

The parent company’s distributable funds total 112,878,460.17 euros, which includes 24,265,300.88 euro in profit for the year. The Board of Directors proposes that a dividend of 0.41 euro per share, in total 24,136,188.32 euros be paid for the financial period ending December 31st 2017. The dividend will be paid to shareholders who are registered in the list of shareholders maintained by Euroclear Finland Ltd on the record date 16 March 2018. The dividend payment date proposed by the Board is 23 March 2018. The Group’s liquidity is good and the proposed profit distribution does not endanger Tokmanni’s solvency.

Tokmanni's 2017 Financial Statements including the Report by the Board of Directors will be published during week 8 after which it can be found on the Group's webpage ir.tokmanni.fi.

Helsinki 8 February 2018

Tokmanni Group Corporation

Board of Directors

IR calendar 2018

- AGM 14 March 2018 in Mäntsälä
- January-March 2018 Business review April 25th 2018
- January-June Half Year 2018 Financial review August 9th 2018
- January-September 2018 Business review October 24th 2018

Tokmanni Group Corporation's Financial Statement bulletin 2017

This financial statements bulletin is prepared in accordance with IAS 34 (Interim Financial Reporting) using the same accounting policies and methods of computation as in the annual financial statements for 2016. All figures in the accounts have been rounded and consequently the sum of individual figures can deviate from the presented sum figure.

Use of estimates

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

IFRS amendments

No new or amended standards were applied in 2017.

This financial statements bulletin is unaudited.

Consolidated income statement (MEUR)

	10-12/2017	10-12/2016	1-12/2017	1-12/2016
Revenue	**248.5**	**238.1**	**796.5**	**775.8**
Other operating income	1.2	1.0	3.9	3.4
Materials and services	-161.9	-154.0	-529.4	-507.4
Employee benefits expenses	-26.0	-25.5	-97.9	-96.4
Depreciation and amortization	-3.6	-3.8	-14.3	-15.1
Other operating expenses	-32.5	-31.4	-119.9	-111.1
Share of profit (loss) in joint ventures	0.0	0.0	0.0	0.0
Operating profit	**25.7**	**24.6**	**38.8**	**49.2**
Financial income	0.0	0.1	0.0	0.1
Financial expenses	-1.6	-1.5	-5.9	-15.3
Profit/loss before tax	**24.1**	**23.2**	**32.9**	**34.0**
Income taxes	-4.8	-4.6	-6.6	-6.8
Net result for the financial period	**19.3**	**18.6**	**26.3**	**27.2**
Profit for the year attributable to				
Equity holders of the parent company	19.3	18.6	26.3	27.2

Consolidated statement of comprehensive income (MEUR)

	10-12/2017	10-12/2016	1-12/2017	1-12/2016
Net result for the financial period	**19.3**	**18.6**	**26.3**	**27.2**
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	**19.3**	**18.6**	**26.3**	**27.2**
Comprehensive income for the financial period attributable to				
Equity holders of the parent company	19.3	18.6	26.3	27.2

Earnings per share

Equity holders of the parent company	19.3	18.6	26.3	27.2
Number of shares, weighted average during the financial period (thousands)*	58 869	58 869	58 869	54 095
Earnings per share (EUR/share)*	0.33	0.32	0.45	0.50

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

Consolidated statement of financial position (MEUR)

	31.12.2017	31.12.2016
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	88.6	90.7
Goodwill	128.6	128.6
Other intangible assets	4.8	3.6
Non-current receivables	0.2	0.1
Investments in joint ventures and other financial assets	0.2	0.2
Deferred tax asset	5.1	5.0
NON-CURRENT ASSETS, TOTAL	**227.5**	**228.1**
CURRENT ASSETS		
Inventories	170.2	155.2
Trade and other receivables	18.4	17.0
Income tax receivables	3.8	0.7
Cash and cash equivalents	42.5	57.6
CURRENT ASSETS, TOTAL	**235.0**	**230.5**
ASSETS, TOTAL	**462.5**	**458.6**
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	110.0
Translation differences	0.0	0.0
Retained earnings	52.9	56.5
EQUITY, TOTAL	**162.8**	**166.6**
NON-CURRENT LIABILITIES		
Deferred tax liabilities	5.1	5.3
Non-current interest-bearing liabilities	173.0	170.3
Non-current non-interest-bearing liabilities	7.4	8.1
NON-CURRENT LIABILITIES, TOTAL	**185.4**	**183.6**
CURRENT LIABILITIES		
Current interest-bearing liabilities	3.6	3.2
Trade payables and other current liabilities	107.3	103.5
Income tax liabilities	3.3	1.7
CURRENT LIABILITIES, TOTAL	**114.2**	**108.4**
EQUITY AND LIABILITIES, TOTAL	**462.5**	**458.6**

Consolidated statement of cash flows (MEUR)

	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
Cash flows from operating activities		
Net result for the financial period	**26.3**	**27.2**
Adjustments:		
Depreciation	14.3	15.1
Capital gains and losses on non-current assets	1.3	0.0
Financial income and expenses	5.8	15.2
Income taxes	6.6	6.8
Other adjustments	-0.2	-1.9
Change in working capital:		
Change in current non-interest-bearing receivables	-2.4	-2.4
Change in inventories	-14.7	4.7
Change in current non-interest-bearing liabilities	3.8	13.1
Interest paid	-5.3	-11.2
Other financing items	-0.2	-0.1
Income taxes paid	-8.3	-4.0
Net cash from operating activities	**27.1**	**62.5**
Cash flows from investing activities		
Purchases of tangible and intangible assets	-11.7	-10.0
Proceeds from disposal of tangible and intangible assets	0.8	0.2
Disposal of subsidiaries	0.1	0.0
Loans granted	-0.3	0.0
Proceeds from repayments of loans	2.9	0.0
Net cash from investing activities	**-8.1**	**-9.8**
Cash flows from financing activities		
Proceeds from share issue	-0.1	90.1
Dividends paid	-30.0	0.0
Repayments of finance lease liabilities	-3.6	-3.4
Proceeds from loans	0.0	125.0
Repayment of loans	0.0	-255.8
Net cash from financing activities	**-33.7**	**-44.1**
Net change in cash and cash equivalents	**-14.7**	**8.7**
Cash and cash equivalents at beginning of the financial period	57.6	48.9
Cash and cash equivalents, corporate arrangements	-0.3	0.0
Cash and cash equivalents at end of the financial period	42.5	57.6

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 2017	**0.1**	**110.0**	**0.0**	**56.5**	**166.6**	**166.6**
Comprehensive income						
Net result for the financial period				26.3	26.3	26.3
Translation differences			0.0		0.0	0.0
Total comprehensive income for the financial period			**0.0**	**26.3**	**26.3**	**26.3**
Dividends				-30.0	-30.0	-30.0
Incentive scheme				0.0	0.0	0.0
Transaction costs for equity		-0.1			-0.1	-0.1
Equity 31 Dec 2017	**0.1**	**109.9**	**0.0**	**52.9**	**162.8**	**162.8**

	Share capital	Reserve for invested unrestricted equity	Translation differences	Retained earnings	Equity attributable to owners of the parent	Total equity
Equity 1 Jan 2016	**0.0**	**18.8**	**0.0**	**29.3**	**48.1**	**48.1**
Comprehensive income						
Net result for the financial period				27.2	27.2	27.2
Translation differences			0.0		0.0	0.0
Total comprehensive income for the financial period			**0.0**	**27.2**	**27.2**	**27.2**
Share issue		95.9			95.9	95.9
Bonus issue	0.1	-0.1			0.0	0.0
Transaction costs for equity		-4.6			-4.6	-4.6
Equity 31 Dec 2016	**0.1**	**110.0**	**0.0**	**56.5**	**166.6**	**166.6**

Operating leases

Group as lessee

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

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

MEUR	31.12.2017	31.12.2016
No later than 1 year	51.9	47.6
Later than 1 year and no later than 5 years	150.1	133.3
Later than 5 years	62.3	57.9
Total	264.3	238.7

Fair value

MEUR	Carrying amounts of assets as per balance sheet 31.12.2017	Fair value 31.12.2017	Carrying amounts of assets as per balance sheet 31.12.2016	Fair value 31.12.2016
Financial assets				
Derivatives (level 2)	0.3	0.3	1.0	1.0
Financial liabilities				
Derivatives (level 2)	0.5	0.5	0.6	0.6
Loans from financial institutions (level 2)	99.1	99.1	98.8	98.8
Finance lease liabilities (level 2)	77.5	77.5	74.7	74.7
Total	177.1	177.1	174.1	174.1

Calculation of financial ratios

Like-for-like revenue	=	Like-for like revenue growth: Like-for-like revenue growth is calculated by taking into account the revenue growth of stores that are not considered to be net new and relocated stores, as defined by Tokmanni to include: (i) new stores opened; (ii) store relocations where the store size changes by 30 percent or more and the assortment increases or is reduced substantially; (iii) store expansions where the store size changes by 30 percent or more; and (iv) closed stores. If the store falls in one of these categories, it is regarded as a net new or relocated store in its opening year and in the following calendar year.
Number of baskets	=	Number of customer transactions during the relevant period
Gross profit	=	Revenue - Materials and services
Adjusted gross profit	=	Gross profit - Changes in fair value of currency derivatives
Operating expenses	=	Employee benefits expenses + Other operating expenses
Adjusted operating expenses	=	Operating expenses - (Changes in fair value of electricity derivatives + Loss on real estate sales in 2017)
EBITDA	=	Operating profit + Depreciation and Amortisation
Adjusted EBITDA	=	EBITDA - (Changes in fair value of currency derivatives + Changes in fair value of electricity derivatives + Loss on real estate sales in 2017)
Adjusted EBIT	=	EBIT - (Changes in fair value of currency derivatives + Changes in fair value of electricity derivatives + Loss on real estate sales in 2017)
Net financial items	=	Financial income - Financial expenses
Net debt	=	Interest bearing debt - Cash and cash equivalents
Net debt / adjusted EBITDA	=	$\frac{\text{Net debt}}{\text{Adjusted EBITDA}}$
Change in net working capital	=	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, %	=	$\frac{\text{Profit before taxes + Interest and other financial expenses}}{\text{Average capital employed}}$
Return on equity, %	=	$\frac{\text{Net result for the financial period}}{\text{Average equity}}$
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
Earnings Per Share	=	$\frac{\text{Net profit}}{\text{Number of shares weighted average during the period}}$
Number of shares	=	Number of shares at the end of the period