Tokmanni Group Corporation Half-year Financial Report 29 July 2020 at 8.30 a.m.

Tokmanni Group Corporation Half-year Financial Report January–June 2020

Very strong growth in second-quarter revenue and comparable EBIT

SECOND QUARTER 2020 HIGHLIGHTS

- Revenue grew by 19.2% (10.2%) and was EUR 286.0 million (239.9)
- Like-for-like revenue for stores grew by 17.5% (5.3%)
- Comparable gross profit totalled EUR 98.6 million. (84.5), with the comparable gross margin being 34.5% (35.2%)
- Comparable EBIT amounted to EUR 30.6 million (18.7), representing 10.7% of revenue (7.8%)
- Cash flow from operating activities amounted to EUR 78.9 million (37.8)
- Earnings per share were EUR 0.38 (0.21)

JANUARY–JUNE 2020 HIGHLIGHTS

- Revenue grew by 13.3% (9.4%) and was EUR 484.9 million (428.0)
- Like-for-like revenue for stores grew by 11.8% (4.8%)
- Comparable gross profit totalled EUR 162.4 million (143.1), with the comparable gross margin being 33.5% (33.4%)
- Comparable EBIT amounted to EUR 30.9 million (16.5), representing 6.4% of revenue (3.9%)
- Cash flow from operating activities amounted to EUR 55.3 million (9.5)
- Earnings per share were EUR 0.34 (0.14)

TOKMANNI'S OUTLOOK FOR 2020

Tokmanni forecasts strong growth in revenue and like-for-like revenue in 2020.
Group profitability (comparable EBIT margin) is expected to improve on the previous year.

Tokmanni's outlook for the latter half of 2020 is based on the assumption that there will be no significant disturbances in the market environment of Tokmanni's business.

CEO Mika Rautiainen:

SALES AND RESULT GREW VERY STRONGLY – MANY THANKS TO THE CUSTOMERS AND PERSONNEL

When the coronavirus crisis and the exceptional restrictions were imposed in March, customer visits at Tokmanni stores fell sharply. We took immediate action to address the uncertainty in early April by further adjusting the pricing of our products. We also took steps to ensure the safety of our personnel and stores, so that customer service and shopping at Tokmanni stores would be as risk-free as possible. Our successful actions produced very good sales and results.

In the second quarter, Tokmanni's revenue grew by 19.2% to EUR 286.0 million (239.9). The product categories offered by Tokmanni are well suited to a situation in which Finns are spending more time at home and at their cottages and are favouring domestic tourism. The increase in sales of leisure, gardening and home improvement products and food products was particularly strong in the second quarter. Clothing sales were somewhat lower than in the previous year. It is a pleasure to see that our customers have also increasingly found their way to Tokmanni's online store. The online store accounted for 1.4% (0.6%) of revenue in the second quarter and the business was profitable.

The efficiency of our supply chain weakened due to action points related to ensuring the safety of our warehouse personnel. The sales strong growth combined with weaker efficiency in the supply chain resulted in considerable deficiencies in shelf availability. The situation is currently improving and returning to normal.

The comparable gross margin fell in the second quarter due to our strong sales programme and unusual sales structure. Strong growth in revenue and strict cost control, however, enabled a significant improvement in EBIT.

Tokmanni has pride in its low prices, dares to renew and does things together. These values have guided us this spring, as before. Our personnel have worked for the benefit of our customers throughout the spring, encouraging one another in a good spirit. As a reward for a job well done, we are paying our entire personnel with an additional bonus for the second quarter, which is EUR 0.6 million in total.

We are confident Tokmanni's business will continue to run smoothly despite the fact that there are naturally considerable uncertainty factors concerning the autumn and the rest of the year. We will continue to offer our customers a wide assortment of attractive products at low prices. We remain committed to ensuring the health and wellbeing of our personnel, customers and partners. Measures for improving profitability and further increasing the role of our online store are key elements of our strategy.

The wheels have once again been set in motion!

IMPACTS OF THE CORONAVIRUS PANDEMIC ON TOKMANNI'S BUSINESS

Since the exceptional restrictions related to the coronavirus epidemic were imposed in March, Tokmanni's customer flows declined but, on the other hand, the size of the average basket grew. However, the situation started to recover at a rapid pace from April onwards, and currently shopping behaviour has returned to almost normal. As a result of the epidemic, the sales structure in the second quarter was abnormal in a number of ways, including the fact that demand for groceries increased while demand for clothing declined. On the whole, Tokmanni has benefitted from the fact that customers have not been travelling abroad.

To ensure the safety of customers and employees, we have implemented numerous special arrangements and taken various steps, which have resulted in extra costs. The measures to reinforce customer and employee safety will be continued and increased, if necessary. During the coronavirus epidemic, Tokmanni had three verified cases of coronavirus among its personnel. All of Tokmanni's stores have remained open during the coronavirus epidemic.

Tokmanni has a joint sourcing company in China with the Norwegian general discount retailer Europris. The sourcing company is operating normally despite signs of uncertainty over a second wave of the pandemic. In the early stages of the epidemic, the supply chain in China suffered from a 2–4-week delay in deliveries. Despite this, we were able to get the spring and summer season products to the stores on time. Christmas is the most important season for Tokmanni and imports from China play a key role in this. The Christmas products are already in production, and some are already being shipped to Finland.

The reliability of the operations of the logistics centre and supply chain is critical for Tokmanni. To secure the reliability of its operations in the early stages of the epidemic, Tokmanni took several measures to ensure the safety of the warehouse personnel, which in part reduced the efficiency of the supply chain. The strong growth in sales combined with weaker efficiency in the supply chain resulted in considerable deficiencies in shelf availability. To improve shelf availability, Tokmanni has recruited more employees for its warehouse and procured equipment to improve the performance of the logistics centre. Shelf availability is currently clearly improving. Tokmanni has prepared comprehensive contingency plans to ensure continuity in its logistics, including in case of a second wave of the coronavirus epidemic.

Tokmanni's liquidity is good. At the end of June 2020, the company's cash and cash equivalents and undrawn credit limits totalled EUR 98.8 million (30 June 2019: 55.2). Tokmanni's balance sheet includes a long-term loan of EUR 100 million, which will fall due in October 2021 under its current terms and conditions. The company is in negotiations to extend or refinance the loan.

Tokmanni's operations are proceeding according to its strategy. The operations and the strategy involve systematic risk assessments and the necessary measures for managing risks.

Key figures	4-6/ 2020	4-6/ 2019	Change %	1-6/ 2020	1-6/ 2019	Change %	1-12/ 2019
Revenue, MEUR	286.0	239.9	19.2%	484.9	428.0	13.3%	944.3
Like-for-like revenue development, %	17.5	5.3		11.8	4.8		4.3
Customer visit development %	3.5	7.5		3.2	7.3		6.9
Gross profit, MEUR	98.1	84.3	16.4%	162.3	143.1	13.4%	325.2
Gross margin, %	34.3	35.1		33.5	33.4		34.4
Comparable gross profit, MEUR	98.6	84.5	16.7%	162.4	143.1	13.4%	325.3
Comparable gross margin, %	34.5	35.2		33.5	33.4		34.4
Operating expenses	-52.4	-51.8	1.3%	-101.9	-99.1	2.9%	-198.9
Comparable operating expenses	-52.9	-51.5	2.7%	-101.3	-98.3	3.1%	-197.9
EBITDA, MEUR	46.6	33.5	39.4%	62.3	45.9	35.8%	130.6
EBITDA, %	16.3	13.9		12.8	10.7		13.8
Comparable EBITDA, MEUR	46.7	34.0	37.4%	63.0	46.8	34.7%	131.6
Comparable EBITDA, %	16.3	14.2		13.0	10.9		13.9
Operating profit (EBIT), MEUR	30.6	18.2	68.2%	30.2	15.6	93.0%	69.4
Operating profit margin EBIT, %	10.7	7.6		6.2	3.7		7.3
Comparable EBIT, MEUR	30.6	18.7	63.7%	30.9	16.5	87.0%	70.4
Comparable EBIT, %	10.7	7.8		6.4	3.9		7.5
Net financial items, MEUR	-2.5	-2.6	-6.4%	-5.0	-5.3	-4.6%	-10.5
Net capital expenditure, MEUR*	3.1	5.6	-45.1%	6.3	8.3	-24.0%	15.4
Net debt / comparable EBITDA **	2.5	3.7		2.5	3.7		2.9
Net cash from operating activities, MEUR	78.9	37.8		55.3	9.5		84.0
Return on capital employed, %	5.1	3.2		5.1	2.7		11.8
Return on capital employed %, rolling 12 months	14.0	9.7		14.0	9.7		11.8
Return on equity, %	13.4	8.7		12.0	5.8		26.8
Return on equity %, rolling 12 months	33.7	24.4		33.7	24.4		30.1
Equity ratio, %	25.0	20.3		25.0	20.3		25.3
Number of shares, weighted average during the financial period (thousands)	58 819	58 869		58 836	58 869		58 869
Diluted number of shares, weighted average during the financial period (thousands)	58 844	58 869		58 843	58 869		58 869
Earnings per share, basic (EUR/share)	0.38	0.21		0.34	0.14		0.80
Earnings per share, diluted (EUR/share)	0.38	0.21		0.34	0.14		0.80
Personnel at the end of the period	4 199	4 019		4 199	4 019		3 659
Personnel on average in the period	3 920	3 784		3 719	3 606		3 647

* Net capital expenditure, excluding non-current receivables from others
** Rolling 12 months comparable EBITDA

Adjustments affecting comparability

Tokmanni reports EBITDA and EBIT as 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. Comparable EBITDA and comparable EBIT represent the same indicators 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 the comparable EBITDA margin and comparable EBIT margin as key performance indicators to assess Tokmanni's underlying operational performance.

Adjustments affecting comparability					
MEUR	4-6/2020	4-6/2019	1-6/2020	1-6/2019	1-12/2019
Gross profit	**98.1**	**84.3**	**162.3**	**143.1**	**325.2**
Changes in fair value of currency derivatives	0.5	0.3	0.1	0.1	0.1
Comparable Gross Profit	**98.6**	**84.5**	**162.4**	**143.1**	**325.3**
Operating expenses	**-52.4**	**-51.8**	**-101.9**	**-99.1**	**-198.9**
Changes in fair value of electricity derivatives	-0.4	0.3	0.6	0.8	1.0
Comparable operating expenses	**-52.9**	**-51.5**	**-101.3**	**-98.3**	**-197.9**
EBITDA	**46.6**	**33.5**	**62.3**	**45.9**	**130.6**
Operating profit (EBIT)	**30.6**	**18.2**	**30.2**	**15.6**	**69.4**
Changes in fair value of currency derivatives	0.5	0.3	0.1	0.1	0.1
Changes in fair value of electricity derivatives	-0.4	0.3	0.6	0.8	1.0
Comparable EBITDA	**46.7**	**34.0**	**63.0**	**46.8**	**131.6**
Comparable operating profit (adj. EBIT)	**30.6**	**18.7**	**30.9**	**16.5**	**70.4**

MARKET DEVELOPMENT

According to the statistics of the Finnish Grocery Trade Association FGTA (www.pty.fi), the non-grocery market increased by 3.6% in the second quarter of 2020. The revenue of department store and hypermarket chains grew by 10.7%. Tokmanni's revenue grew by 19.2%, and clearly outperformed the rest of the market in terms of growth.

According to the statistics of the FGTA, the non-grocery market decreased by 1.3% in the first half of the year of 2020. The revenue of department store and hypermarket chains grew by 7.6%. Tokmanni's revenue grew by 13.3%, and clearly outperformed the rest of the market in terms of growth.

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

STORE NETWORK DEVELOPMENT

Expanding the store network is one of the key 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 June, Tokmanni had 190 stores (30 June 2019: 189). During the second quarter, Tokmanni opened a new store in Aura and reopened a renewed store in Pudasjärvi. The store in the Mylly shopping centre in Raisio and the store in the centre of Äänekoski were closed.

Tokmanni will open a new and versatile store in the REDI shopping centre located in Kalasatama, Helsinki, in October this year. Tokmanni has also signed an agreement on the opening of a store in Pietarsaari.

Tokmanni is focusing on its store concept and on continuously developing the shopping experience. Under this concept, the stores have such features as wide aisles, informative signage and well-defined product areas.

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% or more 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

April–June 2020
In the second quarter of 2020, Tokmanni's revenue grew by 19.2% to EUR 286.0 million (239.9). Tokmanni had a successful spring season, with May and June being particularly strong months. There was high demand for leisure, gardening and home improvement products and food products in particular. Clothing sales were somewhat lower than in the previous year. Sales of Tokmanni's online store accounted for 1.4% (0.6%) of revenue.

Like-for-like revenue grew by 17.5% (5.3%). Like-for-like customer visits in stores grew by 2.6% and the total number of customers grew by 3.5% year-on-year. The coronavirus epidemic had an impact on shopping behaviour especially early in the quarter, and therefore the like-for-like average basket in stores grew by 14.6% to EUR 20.31 (17.72).

Direct imports accounted for 25.1% of sales (24.4%). These can be broken down into products purchased using Tokmanni's sourcing company in Shanghai, which accounted for 15.7% (14.8%), and into other direct imports, which accounted for 9.4% (9.6%). Tokmanni's private label products, exclusive brands and non-branded products represented 31.4% of second-quarter sales (32.2%).

January–June 2020

Revenue for January–June 2020 grew by 13.3% to EUR 484.9 million (428.0). Like-for-like revenue increased by 11.8% (4.8%). Like-for-like customer visits in stores grew by 2.2% and the total number of customers grew by 3.2% year-on-year. The like-for-like basket increased by 9.4% to EUR 18.98 (17.35). Sales of Tokmanni's online store accounted for 1.1% (0.6%) of its total revenue.

Direct imports accounted for 24.5% of sales (23.4%). These can be broken down into products purchased using Tokmanni's sourcing company in Shanghai, which accounted for 14.7% (13.4%), and into other direct imports, which accounted for 9.8% (10.0%). Tokmanni's private label products, exclusive brands and non-branded products represented 30.5% of sales in January–June 2020 (30.4%).

Profitability

April–June 2020

In the second quarter of 2020, gross profit totalled EUR 98.1 million (84.3), corresponding to a gross margin of 34.3% (35.1%). Comparable gross profit was EUR 98.6 million (84.5), corresponding to a gross margin of 34.5% (35.2%). The decrease in margin came primarily as a result of the sales structure and the even lower prices offered to customers with the aim of increasing sales growth. The product categories where there was a clear increase in sales in the second quarter compared to the same period last year were leisure, gardening and home improvement products and food products. On the other hand, clothing sales were somewhat lower than the previous year.

Operating expenses were EUR 52.4 million (51.8), or 18.3% of revenue (21.6%). Comparable operating expenses were EUR 52.9 million (51.5), or 18.5% of revenue (21.5%). Actions related to the coronavirus epidemic, such as the special arrangements for ensuring the safety of customers and employees, have resulted in some extra costs. The largest item in operating expenses was personnel expenses, which increased due to the work shift arrangements made to prevent the spread of the coronavirus epidemic and due to the extra personnel recruited to improve the delivery capabilities of the warehouse. Additionally, the personnel will be rewarded for their good work in the second quarter with an additional bonus totalling EUR 0.6 million. On the other hand, personnel expenses correspondingly decreased in particular due to the adjustment of store opening hours, and thus personnel working hours, in the early part of the quarter, as well as by the statutory and temporary reduction in employee pension (TyEL) payments. The effect of the reduction in TyEL payments on personnel expenses for the quarter was around EUR 0.9 million. Thanks to its effective and flexible actions, Tokmanni managed to avoid furloughing its personnel. Personnel expenses totalled EUR 31.8 million (30.8), or 11.1% of revenue (12.9%).

EBITDA amounted to EUR 46.6 million (33.5), and the EBITDA margin was 16.3% (13.9%). Comparable EBITDA totalled EUR 46.7 million (34.0), and the comparable EBITDA margin was 16.3% (14.2%).

EBIT totalled EUR 30.6 million (18.2), and the EBIT margin was 10.7% (7.6%). Comparable EBIT totalled EUR 30.6 million (18.7), and the comparable EBIT margin was 10.7% (7.8%).

Net financial items totalled EUR -2.5 million (-2.6). The result before taxes was EUR 28.1 million (15.5). Taxes amounted to EUR 5.6 million (3.1). The net result was EUR 22.4 million (12.4).

Earnings per share were EUR 0.38 (0.21). The return on capital employed was 5.1% (3.2%), and the return on equity was 13.4% (8.7%).

January–June 2020
In January–June 2020, gross profit amounted to EUR 162.3 million (143.1), corresponding to a gross margin of 33.5% (33.4%). Comparable gross profit was EUR 162.4 million (143.1), corresponding to a gross margin of 33.5% (33.4%).

Operating expenses were EUR 101.9 million (99.1), or 21.0% of revenue (23.2%). Comparable operating expenses were EUR 101.3 million (98.3), or 20.9% of revenue (23.0%). The growth in operating expenses was primarily due to high sales volumes. Personnel expenses totalled EUR 59.8 million (57.6), or 12.3% of revenue (13.5%).

EBITDA amounted to EUR 62.3 million (45.9), and the EBITDA margin was 12.8% (10.7%). Comparable EBITDA totalled EUR 63.0 million (46.8), and the comparable EBITDA margin was 13.0% (10.9%).

EBIT totalled EUR 30.2 million (15.6), and the EBIT margin was 6.2% (3.7%). Comparable EBIT totalled EUR 30.9 million (16.5), and the comparable EBIT margin was 6.4% (3.9%).

Net financial items totalled EUR -5.0 million (-5.3). The result before taxes was EUR 25.2 million (10.4). Taxes amounted to EUR 5.1 million (2.1). The net result was EUR 20.1 million (8.3).

Earnings per share were EUR 0.34 (0.14). The return on capital employed was 5.1% (2.7%), and the return on equity was 12.0% (5.8%).

Balance sheet, financing and cash flow

At the end of June, Tokmanni's inventories amounted to EUR 229.6 million (220.3). The increase in inventories was due to higher sales volumes and partly to the wider selection of stock keeping units.

The Group's cash flow from operating activities amounted to EUR 78.9 million (37.8) in the second quarter of 2020. Due to the improved net result and the smaller increase in inventories, cash flow in January–June increased year-on-year to EUR 55.3 million (9.5). Cash and cash equivalents stood at EUR 49.8 million (5.8) at the end of June, and the financial position is stable.

At the end of June 2020, Tokmanni's interest-bearing debt totalled EUR 420.5 million (436.7), including EUR 100.0 million (100.0) in non-current corporate bonds and loans from financial institutions and EUR 10.0 million (19.6) in current corporate bonds and loans from financial institutions. The remainder of the liabilities are lease liabilities reported under IFRS 16.

The ratio of net debt to comparable EBITDA (rolling 12 months) was 2.5 (3.7) at the end of June. 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 25.0% (20.3%) at the end of June 2020.

Capital expenditure

Net capital expenditure in the second quarter totalled EUR 3.1 million (5.6). Capital expenditure was mainly focused on the expansion of the store network and renovations of stores.

Net capital expenditure for January–June 2020 totalled EUR 6.3 million (8.3). Capital expenditure in 2020 is expected to be around EUR 15 million.

PERSONNEL

Tokmanni is a significant employer in Finland. At the end of June 2020, the company had 4,199 (4,019) employees. On average, Tokmanni had 3,719 (3,606) employees during January–June 2020.
Despite the coronavirus situation, Tokmanni is employed hundreds of summer workers. Of the 540 employees hired in January-June 2020, 465 were seasonal employees and 75 were other recruitments.

In January–June 2020 personnel expenses totalled EUR 59.8 million (57.6), representing 12.3% of revenue (13.5%). The salaries of employees covered by the commercial sector's collective agreement were raised by 2.0% on 1 April 2020. Most of Tokmanni's employees are covered by the agreement. Due to the coronavirus epidemic, a statutory and temporary reduction to employee pension (TyEL) payments was instituted for the period of 1 May–31 December 2020. The effect of the reduction in TyEL payments on Tokmanni's personnel expenses in the second quarter was around EUR 0.9 million. Additionally, the personnel were rewarded for their good work in the second quarter with an additional bonus totalling EUR 0.6 million.

CORPORATE RESPONSIBILITY

Tokmanni considers it important to respect human rights in Finland and throughout its sourcing chain, to know the products it sells and where they come from, and to systematically reduce the impact of its operations on the climate. During the first half of 2020, Tokmanni maintained its good momentum in corporate responsibility.

Tokmanni continued to invest in low-emission, energy-efficient business operations and installed LED lighting at 18 stores as well as solar panels on the roofs of six store buildings. Furthermore, Tokmanni worked on its science-based climate targets and launched cooperation with the John Nurminen Foundation, which focuses on the protection of the Baltic Sea and its heritage. Under this cooperation, Tokmanni will donate five cents to the Foundation for the protection of the Baltic Sea for each Pisara product it sells during May–August this year.

Tokmanni participated in efforts to combat the coronavirus epidemic by increasing its annual support to the friend volunteer programme of its longer-term partner, the Finnish Red Cross (FRC), and by donating cleaning products to the FRC's Emergency Response Unit and various hygiene products for the aid packages distributed by the organisation. The total number of products donated to the FRC was nearly 11,500. In addition, Tokmanni offered help with logistics to the organisation and its local branches. Due to the exceptional circumstances caused by the coronavirus, Tokmanni also donated more than 6,000 handicraft sets and puzzles to the child patients at children's hospitals in response to a request by the Association of Friends of the University Children's Hospitals. In addition, Tokmanni donated six trolleys of clothes to Veikko and Lahja Hursti's Compassionate Workers for distribution to people in need.

Tokmanni is a store for everyone, and the company sees diversity as a resource that enables responsible business operations and growth. Tokmanni hires people with various backgrounds in order to better serve its diversifying customer base. The work to incorporate diversity as part of Tokmanni's personnel and recruitment processes continued, and a number of new cooperation projects were started despite the coronavirus crisis. Tokmanni also participated once again in the Green Ribbon campaign of the Finnish Association for Mental Health.

In the area of responsible sourcing, Tokmanni further developed risk management and introduced clearer sustainability labels on its products. The updated compliance section of the general terms and conditions for sourcing was adopted. Tokmanni signed up to the Accord programme, which works towards increasing safety at factories in Bangladesh, and joined the Finix project led by Aalto University, which studies sustainable textile systems. The coronavirus caused delays in audits conducted by third parties and Tokmanni at factories in risk countries.

The code of conduct online course was completed by 2,393 Tokmanni employees.

Tokmanni developed its communications about responsibility and launched its new website. Tokmanni replied actively to queries from its stakeholders concerning, in particular, responsibility in the clothing supply chain, and promoted responsibility in the sector together with the Federation of Finnish Commerce.

More information about Tokmanni's responsibility themes and responsibility work can be found in the Sustainability Report 2019, which was published on its website at https://ir.tokmanni.fi/en/sustainability/sustainabilityreport2019 in March 2020.

SHARES AND SHAREHOLDERS

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 Group Corporation's share capital amounted to EUR 80,000 in 30 June 2020. Tokmanni had 58,868,752 shares outstanding at the end of June 2020. During January–June 2020, a total of 20 929 494 Tokmanni shares were traded on the Nasdaq Helsinki for a total price of EUR 240.1 million. The final trade in Tokmanni shares on the Nasdaq Helsinki was executed at a price of EUR 13.14 in 30 June 2020. The highest quote for the share was EUR 14.68 and the lowest was EUR 8.64. The volume-weighted average price of the share was EUR 11.47. At the end of June 2020, the market value of the shares was EUR 773.5 million.

During January–June 2020, a total of 218 own shares returned to Tokmanni Group Corporation in accordance with the terms and conditions of the share-based incentive program due to the termination of employment of key person. The return was related to the company's long-term share-based incentive program. At the end of June 2020, Tokmanni Group Corporation hold a total of 6,285 own shares.

At the end of June 2020, Tokmanni had 21,312 registered shareholders. At the end of June, the largest shareholders of Tokmanni Group Corporation were Takoa Invest Oy with 17.91%, Varma Mutual Pension Insurance Company with 5.35%, Elo Mutual Pension Insurance Company with 4.22%, Ilmarinen Mutual Pension Insurance Company 2.94 % and OP-Finland Fund with 2.08 % ownership.

Financial and insurance institutions held 43.50%, non-financial corporations held 22.81% and public-sector entities held 13.79% of the shares, while households held 16.89% and non-profit institutions 2.42%. Direct foreign ownership was 0.59% of the shares. Of all the above mentioned shares, 32.89% were nominee-registered.

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

EXTENDING THE INCENTIVE PROGRAMME

The Board of Directors of Tokmanni Group Corporation decided on extending the share-based incentive scheme for the Group's key personnel. The purpose of the scheme is to align the targets of the owners and the key persons to increase the company's value in the long term, to commit the key persons to executing the company's strategy and to offer them a competitive bonus scheme based on earning and accruing shares in the company.

The earning period for the share-based incentive scheme is the 2020 calendar year. The potential bonus from the scheme for the 2020 earning period is based on the Group's earnings per share (EPS) on 31 December 2020 and on the development of its market capitalisation between 1 January and 31 December 2020.

The persons eligible for the scheme are the CEO, the members of the Executive Group and other key persons of the company. The bonuses paid for the 2020 earning period correspond to a maximum of about 120,000 shares of Tokmanni Group Corporation, based on their market value at the time they are paid as a bonus. The potential bonus, which is treated as earned income, will be paid in 2021 in the form of shares in the company and, possibly, partially in cash. However, under the terms and conditions of the incentive scheme, the shares will be subject to certain restrictions until January 2023. The cash component will cover the withheld taxes incurred from the bonuses by the persons eligible for the scheme. If the employment or manager's contract of an eligible person is terminated before the restrictions on the shares expire, the shares will be returned to the company.

REPURCHASE OF OWN SHARES FOR THE COMPANY'S INCENTIVE PROGRAMMES

The Board of Directors of Tokmanni Group Corporation decided to start repurchasing the company's own shares on the basis of the authorisation granted by the Annual General Meeting on 19 March 2019. The shares were repurchased to be used as part of the company's incentive programmes. The number of shares acquired was 50,000, corresponding to 0.08% of the total number of shares. The shares were acquired in public trading on Nasdaq Helsinki Ltd at the market price quoted at the time of purchase. The share repurchase was started on 4 March 2020 and ended on 5 March 2020.

In March, Tokmanni announced that it conveyed a total of 43,933 of Tokmanni Group Corporation's own shares without consideration to the 58 employees participating in the incentive programme under the terms and conditions of the plans. During the review period, a total of 218 of these own shares were returned to Tokmanni Group Corporation. Under the terms and conditions of the incentive programme, 12,405 shares will be released from restrictions in January 2021 and 31,310 shares will be released in January 2022.

At the end of June 2020, Tokmanni Group Corporation held a total of 6,285 own shares.

GOVERNANCE

Decisions taken by the Annual General Meeting

Tokmanni Group Corporation's Annual General Meeting was held on Thursday 7 May 2020. The general meeting approved the 2019 financial statements, including the consolidated financial statements, the report of the Board of Directors and the auditor's report and discharged the members of the Board of Directors and the company's CEO from liability.

Dividend payment

The general meeting approved the proposal to pay a dividend EUR 0.25 per share for the accounting period that ended on 31 December 2019. The proposed dividend was paid to shareholders who were registered in the company's shareholders register, maintained by Euroclear Finland, on the record date of the payment of the dividend. The record date for the payment of the dividend was 11 May 2020 and the date for the payment of the dividend was 12 June 2020. The remaining distributable assets will remain in equity. In addition, the general meeting authorised the Board of Directors to decide at a later stage and in its discretion on a dividend payment in one instalments of a total maximum of EUR 0.37 per share. The authorisation is valid until 31 December 2020.

Board remuneration and composition
The general meeting approved the proposal that the Chairman of the Board of Directors will be paid EUR 84,000 as yearly remuneration and a member of the Board of Directors will be paid EUR 30,000 as yearly remuneration.

The Chairman and the members of the Board of Directors will be paid an attendance fee per each meeting of the Board of Directors as follows:

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

In addition, the Chairman of the Finance and Audit Committee will be paid EUR 1,000 as monthly remuneration.

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

Board members' meeting fees and the Chairman of the Finance and Audit Committee’s remuneration will be paid in cash.

The general meeting decided the number of Board members to be six. The meeting elected Juha Blomster, Thérèse Cedercreutz, Erkki Järvinen, Ulla Lettijeff, Seppo Saastamoinen and Harri Sivula as members of the Board of Directors. Seppo Saastamoinen was elected as the Chairman of the Board of Directors.

Remuneration and selections of the auditor
The general meeting decided that the auditor is paid remuneration in accordance with a reasonable invoice. The authorised public accountants PricewaterhouseCoopers Oy was elected as the company’s auditor. The principal auditor designated by the audit firm would be APA Maria Grönroos. The term of office of the auditor ends at the close of the Annual General Meeting of shareholders following the election of the auditor.

Authorising the Board of Directors to decide on the repurchase of the company’s own shares
The Annual General Meeting decided to authorise 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 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 2021, yet no further than until 30 June 2021.

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 resolved to elect as members of the Finance and Audit Committee: Juha Blomster, Erkki Järvinen and Harri Sivula. Erkki Järvinen was elected as Chairman of the Finance and Audit Committee.

RISKS AND BUSINESS UNCERTAINTIES

During the second quarter of 2020, Tokmanni added two new risks to the description of its risks and business uncertainties, injury risks and risks related to the health and ability to work of employees (published in the business review on April 29, 2020). Below is an estimate and descriptions in full.

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.

Risks of loss or damage
Accidents, natural disasters and epidemics, as well as restrictions on travel and transportation resulting from these, can result in significant damage to people, property and the business. Moreover, risks of loss or damage can cause delays and interruptions in business and imports that cannot be prevented in advance. Tokmanni has prepared for a possible lack of availability in goods by introducing alternative sourcing channels, among other measures. Tokmanni observes official recommendations and orders in all its activities.

Risks relating to the health and working capacity of employees
Widespread absences by employees in various employee groups (e.g. logistics, sales, customer service, management) may impact the company's operations. The company strives to minimise risks relating to the health and working capacity of its employees, for example, through various safety solutions and, if necessary, by instructing employees to work from home if their work duties allow this. In addition, the company may acquire temporary labour force during possible peaks in sickness absences. Tokmanni has identified the critical key persons for its various functions and made arrangements for providing deputies for them.

EVENTS AFTER THE REVIEW PERIOD

On 29 July 2020, the Board of Directors of Tokmanni Group Corporation decided to pay an additional dividend for the accounting period that ended on 31 December 2019. The amount of the dividend to be paid is EUR 0.37 per share, and the decision is based on the authorisation granted to the Board of Directors by the Annual General Meeting held on 7 May 2020. The company has already distributed a dividend of EUR 0.25 per share for the accounting period that ended on 31 December 2019. This dividend was paid on 12 June 2020.

The additional dividend will be paid on 27 August 2020 to shareholders registered in the company's shareholder register maintained by Euroclear Finland Ltd, on the dividend payment record date, 31 July 2020.

TOKMANNI'S OUTLOOK FOR 2020

Tokmanni forecasts strong growth in revenue and like-for-like revenue in 2020.
Group profitability (comparable EBIT margin) is expected to improve on the previous year.

Tokmanni's outlook for the latter half of 2020 is based on the assumption that there will be no significant disturbances in the market environment of Tokmanni's business.

Mäntsälä 29 July 2020

Tokmanni Group Corporation

Board of Directors

IR-KALENTERI

Tokmanni will publish its Business Review for January-September 2020 on 29 October 2020

TOKMANNI GROUP CORPORATION'S HALF-YEAR FINANCIAL REPORT FOR JANUARY–JUNE 2020

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 2019. All figures in the accounts have been rounded. Consequently, the sum of individual figures can deviate from the presented sum figure.

USE OF ESTIMATES

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

This interim report is unaudited.

Consolidated income statement (MEUR)	4-6/2020	4-6/2019	1-6/2020	1-6/2019	1-12/2019
Revenue	**286.0**	**239.9**	**484.9**	**428.0**	**944.3**
Other operating income	1.0	1.0	2.0	1.9	4.3
Materials and services	-187.9	-155.7	-322.7	-285.0	-619.1
Employee benefits expenses	-31.8	-30.8	-59.8	-57.6	-114.0
Depreciation	-16.1	-15.3	-32.1	-30.3	-61.2
Other operating expenses	-20.6	-20.9	-42.2	-41.5	-84.9
Share of profit (loss) in joint ventures	0.0	0.0	0.0	0.0	0.0
Operating profit	**30.6**	**18.2**	**30.2**	**15.6**	**69.4**
Financial income	0.0	0.0	0.0	0.0	0.0
Financial expenses	-2.5	-2.6	-5.1	-5.3	-10.5
Profit/loss before tax	**28.1**	**15.5**	**25.2**	**10.4**	**58.9**
Income taxes	-5.6	-3.1	-5.1	-2.1	-11.8
Net result for the financial period	**22.4**	**12.4**	**20.1**	**8.3**	**47.1**
Profit for the year attributable to					
Equity holders of the parent company	22.4	12.4	20.1	8.3	47.1

Consolidated statement of comprehensive income (MEUR)	4-6/2020	4-6/2019	1-6/2020	1-6/2019	1-12/2019
Net result for the financial period	**22.4**	**12.4**	**20.1**	**8.3**	**47.1**
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations	0.0	0.0	0.0	0.0	0.0
Comprehensive income for the financial period, net of tax	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Comprehensive income for the financial period	**22.4**	**12.4**	**20.1**	**8.3**	**47.1**
Comprehensive income for the financial period attributable to					
Equity holders of the parent company	22.4	12.4	20.1	8.3	47.1

Earnings per share					
Equity holders of the parent company	22.4	12.4	20.1	8.3	47.1
Number of shares, weighted average during the financial period (thousands)	58 819	58 869	58 836	58 869	58 869
Diluted number of shares, weighted average during the financial period (thousands)	58 844	58 869	58 843	58 869	58 869
Earnings per share, basic (EUR/share)	0.38	0.21	0.34	0.14	0.80
Earnings per share, diluted (EUR/share)	0.38	0.21	0.34	0.14	0.80

Consolidated statement of financial position (MEUR)	30 June 2020	30 June 2019	31 December 2019
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	314.8	322.6	315.0
Goodwill	135.8	135.0	135.0
Other intangible assets	4.9	5.3	5.6
Non-current receivables	2.2	2.4	2.6
Investments in joint ventures	0.0	0.0	0.0
Other financial assets	0.1	0.1	0.1
Deferred tax asset	2.0	1.8	1.8
NON-CURRENT ASSETS, TOTAL	**459.9**	**467.2**	**460.2**
CURRENT ASSETS			
Inventories	229.6	220.3	222.8
Trade and other receivables	15.7	20.1	17.9
Income tax receivables	4.4	3.6	0.8
Cash and cash equivalents	49.8	5.8	29.1
CURRENT ASSETS, TOTAL	**299.6**	**249.8**	**270.7**
ASSETS, TOTAL	**759.5**	**717.0**	**730.9**
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the parent company			
Share capital	0.1	0.1	0.1
Reserve for invested unrestricted equity	109.9	109.9	109.9
Treasury shares	-0.6		
Translation differences	0.0	0.0	0.0
Retained earnings	80.1	35.7	74.7
EQUITY, TOTAL	**189.5**	**145.7**	**184.7**
NON-CURRENT LIABILITIES			
Non-current interest-bearing liabilities	358.9	368.3	359.1
Non-current non-interest-bearing liabilities	6.3	6.6	6.3
NON-CURRENT LIABILITIES, TOTAL	**365.2**	**374.8**	**365.4**
CURRENT LIABILITIES			
Current interest-bearing liabilities	61.5	68.5	50.2
Trade payables and other current liabilities	137.7	125.8	126.9
Income tax liabilities	5.6	2.3	3.7
CURRENT LIABILITIES, TOTAL	**204.8**	**196.5**	**180.9**
EQUITY AND LIABILITIES, TOTAL	**759.5**	**717.0**	**730.9**

Consolidated statement of cash flows (MEUR)	1-6/2020	1-6/2019	1-12/2019
Cash flows from operating activities			
Net result for the financial period	20.1	8.3	47.1
Adjustments:			
Depreciation	32.1	30.3	61.2
Capital gains and losses on non-current assets	0.0	0.0	0.1
Financial income and expenses	5.0	5.3	10.5
Income taxes	5.1	2.1	11.8
Other adjustments	0.3	0.6	0.3
Change in working capital:			
Change in current non-interest-bearing receivables	2.5	-0.6	-1.8
Change in inventories	-6.3	-29.3	-28.9
Change in current non-interest-bearing liabilities	8.7	3.1	4.4
Interest paid	-4.8	-5.1	-10.1
Other financing items	-0.3	-0.1	-0.1
Income taxes paid	-7.1	-5.0	-10.4
Net cash from operating activities	**55.3**	**9.5**	**84.0**
Cash flows from investing activities			
Purchases of tangible and intangible assets	-6.4	-8.3	-15.5
Proceeds from disposal of tangible and intangible assets	0.0	0.0	0.1
Loans granted			-0.3
Proceeds from repayments of loans		0.1	0.1
Net cash from investing activities	**-6.3**	**-8.2**	**-15.6**
Cash flows from financing activities			
Repurchase of treasury shares	-0.6		
Change in current loans	10.0	19.6	
Repayments of lease liabilities	-24.7	-23.5	-47.7
Dividends paid	-13.1	-29.4	-29.4
Net cash from financing activities	**-28.3**	**-33.4**	**-77.2**
Net change in cash and cash equivalents	**20.7**	**-32.1**	**-8.7**
Cash and cash equivalents at beginning of the financial period	29.1	37.9	37.9
Cash and cash equivalents, corporate arrangements	0.0		
Cash and cash equivalents at end of the financial period	49.8	5.8	29.1

Consolidated statement of changes in equity (MEUR)

	Share capital	Reserve for invested unrestricted equity	Treasury shares	Translation differences	Retained earnings	Equity attributable to owners of the parent	Total equity
Equity 1 Jan 2020	**0.1**	**109.9**		**0.0**	**74.7**	**184.7**	**184.7**
Comprehensive income							
Net result for the financial period					20.1	20.1	20.1
Translation differences				0.0		0.0	0.0
Total comprehensive income for the financial period				**0.0**	**20.1**	**20.1**	**20.1**
Dividends					-14.7	-14.7	-14.7
Treasury shares			-0.6			-0.6	-0.6
Incentive scheme					0.0	0.0	0.0
Equity 30 Jun 2020	**0.1**	**109.9**	**-0.6**	**0.0**	**80.1**	**189.5**	**189.5**

	Share capital	Reserve for invested unrestricted equity	Treasury shares	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**

	Share capital	Reserve for invested unrestricted equity	Treasury shares	Translation differences	Retained earnings	Equity attributable to owners of the parent	Total equity
Equity 1 Jan 2019	**0.1**	**109.9**		**0.0**	**64.5**	**174.5**	**174.5**
Adjustment of implementation of IFRS 16					-7.7	-7.7	-7.7
Adjusted equity 1 Jan 2019	**0.1**	**109.9**		**0.0**	**56.8**	**166.8**	**166.8**
Comprehensive income							
Net result for the financial period					8.3	8.3	8.3
Translation differences				0.0		0.0	0.0
Total comprehensive income for the financial period				**0.0**	**8.3**	**8.3**	**8.3**
Dividends					-29.4	-29.4	-29.4
Incentive scheme					0.1	0.1	0.1
Equity 30 June 2019	**0.1**	**109.9**		**0.0**	**35.7**	**145.7**	**145.7**

PROPERTY, PLANT AND EQUIPMENT

MEUR	30 June 2020	30 June 2019	31 December 2019
Property, plant and equipment			
Property, plant and equipment	35.6	34.3	35.8
Right-of-use fixed assets	279.2	288.3	279.3
Total	**314.8**	**322.6**	**315.0**

INTEREST-BEARING DEBT

MEUR	30 June 2020	30 June 2019	31 December 2019
Non-current interest-bearing liabilities			
Loans from financial institutions	99.5	99.5	99.6
Lease liabilities	259.4	268.8	259.4
Total	**358.9**	**368.3**	**359.1**
Current interest-bearing liabilities			
Loans from financial institutions	10.0	9.6	0.0
Other current liabilities		10.0	
Lease liabilities	51.5	48.9	50.2
Total	**61.5**	**68.5**	**50.2**
Total	**420.5**	**436.7**	**409.3**

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

MEUR	Carrying amounts of assets as per balance sheet 30 Jun 2020	Fair value 30 Jun 2020	Carrying amounts of assets as per balance sheet 30 Jun 2019	Fair value 30 Jun 2019	Carrying amounts of assets as per balance sheet 31 Dec 2019	Fair value 31 Dec 2019
Financial assets						
Derivatives (level 2)	0.4	0.4	0.8	0.8	0.5	0.5
Financial liabilities						
Derivatives (level 2)	0.7	0.7	0.2	0.2	0.1	0.1

COLLATERAL, CONTINGENT LIABILITIES AND PLEDGES

Contingent liabilities, assets and commitments

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

Non-cancellable lease liabilities

Tokmanni's lease liabilities consist of minimum lease liabilities related to low-value leases and short-term leases.

MEUR	30 June 2020	30 June 2019	31 December 2019
No later than 1 year	9.7	8.8	8.7
Later than 1 year but no later than 5 years	23.5	24.8	23.7
Later than 5 years	6.0	8.2	6.6
Total	**39.2**	**41.8**	**39.0**

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
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	=	Net debt / Comparable EBITDA
Capital employed	=	Balance sheet total - Deferred tax liability and other non-interest-bearing liabilities
Return on capital employed, %	=	Profit before taxes + Interest and other financial expenses / Capital employed, average at the beginning and end of the period
Return on capital employed, %, rolling 12 months	=	Profit before taxes + Interest and other financial expenses (preceding 12 months) / Capital employed, average for the preceding 12 months
Return on equity, %	=	Net result for the period / Equity, average at the beginning and end of the period
Return on equity, %, rolling 12 months	=	Net result for the preceding 12 months / 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 period
Equity ratio	=	Equity / Balance sheet total - Advances received

CALCULATION OF THE GROUP'S PER-SHARE DATA

Earnings per share, basic	=	Net profit / Number of shares, weighted average during the period
Earnings per share, diluted	=	Net profit / Diluted number of shares, weighted average during the period
Dividend per share	=	Dividend for the period / Number of shares, weighted average during the period
Payout ratio	=	Dividend per share / Earnings per share
Effective dividend yield	=	Dividend per share / Closing price for the period
Price/earnings ratio (P/E)	=	Closing price for the period / Earnings per share
Closing price for the period	=	Share price at balance sheet date
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