Q2

VMP PLC
HALF-YEAR REPORT
JANUARY–JUNE 2019

VMP PLC'S HALF-YEAR REPORT JANUARY 1 – JUNE 30, 2019:

STRONG GROWTH CONTINUED

April–June 2019 in brief

- The Group's revenue was EUR 44.4 million (EUR 32.4 million in April–June 2018). Revenue increased by 36.8%.
- EBITDA was EUR 3.0 million (2.5). EBITDA increased by 20.2%.
- Adjusted[1] EBITDA was EUR 3.2 million (2.7). Adjusted EBITDA increased by 22.1%.
- Earnings per share (EPS) was EUR -0.02 (-0.26). The result was weakened by amortizations of goodwill amounting to EUR 2.3 million[2]. Earnings per share excluding amortizations of goodwill was EUR 0.14 (-0.13).
- VMP strengthened its recruiting and organizational development business area and expanded its service offering by acquiring Corporate Spirit Ltd.
- VMP initiated a cost savings and efficiency program, targeting annual savings of approximately EUR 2.5 to 3 million.

January–June 2019 in brief

- The Group's revenue was EUR 82.6 million (EUR 60.5 million in January–June 2018). Revenue increased by 36.6%.
- EBITDA was EUR 6.6 million (4.5). EBITDA increased by 48.0%.
- Adjusted[3] EBITDA was EUR 5.8 million (5.0). Adjusted EBITDA increased by 15.6%.
- Earnings per share (EPS) was EUR 0.01 (-0.29). The result was weakened by amortizations of goodwill amounting to EUR 4.4 million[2]. Earnings per share excluding amortizations of goodwill was EUR 0.31 (-0.05).
- VMP strengthened its position in the retail industry by acquiring Henkilöstöratkaisu Extraajat Ltd.

Outlook for 2019

VMP expects adjusted EBITDA to grow significantly during the financial period ending December 31, 2019 compared to the financial period ended December 31, 2018.

Key figures

EUR million, unless otherwise specified	4–6/2019	4–6/2018	Change %	1–6/2019	1–6/2018	Change %	2018
Revenue	44.4	32.4	36.8%	82.6	60.5	36.6%	124.9
Adjusted EBITDA	3.2	2.7	22.1%	5.8	5.0	15.6%	10.2
Adjusted EBITDA margin, %	7.3%	8.2%	-	7.0%	8.3%	-	8.2%
EBITDA	3.0	2.5	20.2%	6.6	4.5	48.0%	9.8
Earnings per share, EUR	-0.02	-0.26	-	0.01	-0.29	-	-0.20
Earnings per share excluding amortizations of goodwill, EUR	0.14	-0.13	-	0.31	-0.05	-	0.27
Net debt / Adjusted EBITDA	-	-	-	1.9 x	1.5 x	-	1.4 x
Operative free cash flow	1.1	2.2	-	3.4	4.4	-	9.5
Chain-wide revenue	63	54	17%	118	99	19%	204

[1] In April–June 2019, EUR 0.3 million in personnel expenses relating to severance payments have been entered as items affecting comparability.

[2] The financial statements and interim reports of VMP Plc are made pursuant to Finnish Accounting Standards (FAS).

[3] In January–June 2019, a capital gain of EUR 1.2 million from Alina divestment and EUR 0.4 million in personnel expenses relating to severance payments have been entered as items affecting comparability.

Juha Pesola, CEO

"Our revenue for January–June 2019 increased by 37% and totaled EUR 82.6 million (60.5). Revenue increased particularly due to the business acquisitions carried out at the end of last year and the beginning of this year. EBITDA was EUR 6.6 million (4.5). Adjusted EBITDA amounted to EUR 5.8 million (5.0).

In the second quarter, our revenue grew by 37% to EUR 44.4 million (32.4). EBITDA was EUR 3.0 million (2.5). Adjusted EBITDA amounted to EUR 3.2 million (2.7).

During the first half of the year, we have continued active development of our operations and the Group according to our strategy. We have increasingly focused on our core business and divested Alina Hoivatiimi Oy. We have strengthened our expertise by acquiring Henkilöstöratkaisu Extraajat Oy, in addition to acquiring Corporate Spirit Oy, a top expert in organizational and leadership development, at the beginning of the second quarter. The Corporate Spirit acquisition expands our service portfolio and enables us to provide our customers with an even wider selection of employee-related services. We can also utilize Corporate Spirit's know-how especially in analyzing customer needs and thus develop new services.

Eezy, our self-employment service, has also developed positively. During the review period, we increased the marketing investments for the service, which led to a significant increase in the number of registered users. The revenue of the unit has also grown from the previous year.

Due to the acquisitions carried out in the staffing service area, the proportion of higher added value services of the revenue has decreased, which is visible in the Group's profitability figures for the period. We constantly pay special attention to achieving synergy benefits. In the short term, synergies can be created by, for instance, combining purchases and office premises. In the medium term, more services as well as solutions generating higher added value to customers can be produced in the customer interface.

We initiated a Group-wide cost savings and efficiency program in May, targeting annual savings of approximately EUR 2.5 to 3 million. At the first stage, we have completed the personnel reductions related to the program, which will generate approximately EUR 2.1 million in annual savings, of which approximately EUR 1.0 million will materialize already this year. We will continue other savings and efficiency measures related to the program during the autumn, but their effects will mainly be seen later.

Immediately after the review period, on July 5, we announced the merger of VMP and Smile. The new combined company will be a significant player in the staffing services market and aims to become the market leader. We have convened an Extraordinary General Meeting for August 22 to decide on the acquisition. It has also been proposed that the EGM would decide on an extra dividend and equity repayment, totaling approximately EUR 3.5 million. As part of the transaction, Sami Asikainen will replace me as the CEO of the combined company. The transaction is expected to be completed in the third quarter.

It has been great to serve as VMP's CEO in a period of significant developments. The company has been listed on the Nasdaq First North and has completed several acquisitions that have significantly strengthened VMP's position. I believe in the continuing success of the company, as an even larger and stronger player in the continuously developing HR services market."

Market review

The HR services market relevant to VMP's business includes staffing services, recruitment and organizational development services, and self-employment services. According to an estimate by VMP's management, the size of the entire HR services market in Finland was EUR 2.4 billion in 2018, growing by 9 percent year on year.

The share of staffing services of the entire market was EUR 2.1 billion in 2018, so it was clearly the largest service area. Correspondingly, the market size of recruitment and organizational development services was approximately EUR 130 million in 2018. The market size of self-employment services has been estimated to be approximately EUR 160 million.

According to The Private Employment Agencies Association (HPL), the revenue of the largest companies in the staffing service market continued to grow during January–May 2019. According to HPL, growth amounted to 7%, including inorganic growth. According to HPL, the economic situation in staffing services is still good. The economic outlook is also cautiously positive, and the number of personnel is expected to grow during the next few months. The management estimates that the recruitment market decreased slightly in the beginning of the year 2019 compared to the previous year. In the self-employment services market, the market leaders have continued strengthening their position.

Looking at different industries, the manufacturing and construction sectors are more sensitive to economic fluctuations in comparison to service industries, where the demand for HR services grows more moderately during economic upturns. The relative proportion of staffing in the service industry has increased among the industries served by VMP, especially due to the completed acquisitions.

In Finland, the share of flexible forms of working of all work remains significantly lower than in comparable European countries. The management believes that the market will continue its structural growth as flexible forms of working become more prevalent.

Revenue in April–June 2019

VMP's revenue amounted to EUR 44.4 million (32.4), increasing by 36.8% compared to the corresponding period in the previous year. Revenue increased by 61.0% in the staffing service area due to acquisitions realized at the end of 2018 and during the first quarter of 2019. In the recruitment and organizational development service area, revenue increased by 5.2%. The growth stemmed from the acquisition of Corporate Spirit, as the net sales of the recruiting business were clearly below last year. In the self-employment service area, revenue increased by 7.0%. The growth in the self-employment revenue is mainly based on the increase in the number of users of the service.

Of the Group's revenue, 98.3% came from Finland and the rest was generated in Sweden.

VMP's chain-wide revenue amounted to EUR 63 million (54) and franchise fees totaled EUR 2.1 million (2.3). The decrease of franchise fees stems from the Alina divestment. Chain-wide revenue increased by 17%.

Revenue in January–June 2019

VMP's revenue increased by 36.6% compared to the corresponding period in the previous year, and amounted to EUR 82.6 million (60.5). Revenue increased by 61.3% in the staffing service area due to acquisitions realized at the end of 2018 and during the first quarter of 2019. Revenue increased particularly in the service sector. In the recruitment and organizational development service area, revenue decreased by 2.7%, as the net sales of the recruiting business were clearly below last year. In the self-employment service area, revenue increased by 6.9%. The growth in the self-employment is mainly based on the increase in the number of users of the service.

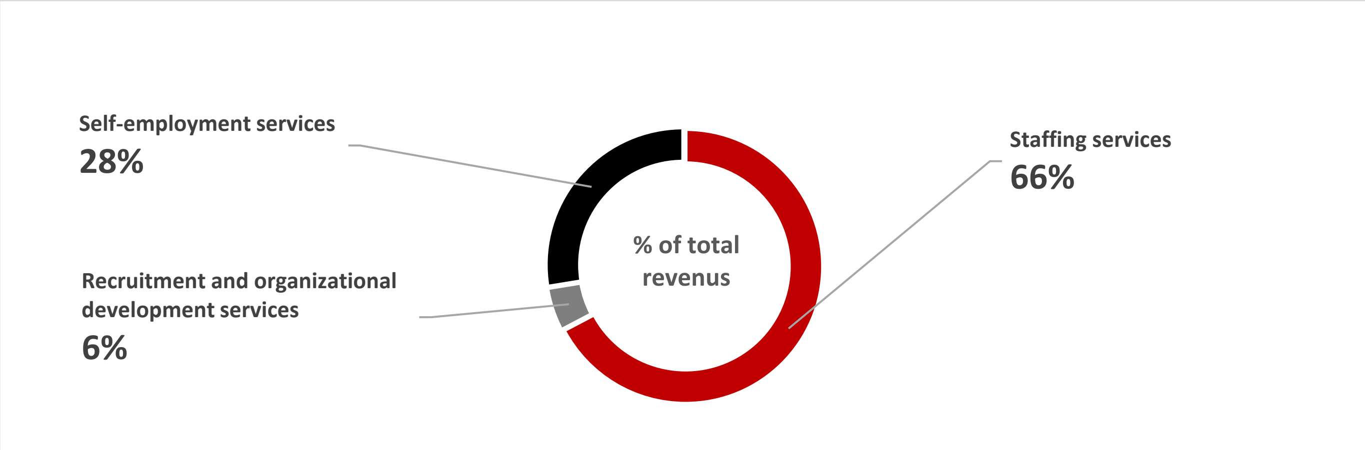
Of the Group's revenue, 98.1% came from Finland and the rest was generated in Sweden.

VMP's chain-wide revenue amounted to EUR 118 million (99) and franchise fees totaled EUR 4.0 million (4.2). The decrease of franchise fees stems from the Alina divestment. Chain-wide revenue increased by 19%.

VMP's revenue by service area

EUR million	4–6/2019	4–6/2018	Change %	1–6/2019	1–6/2018	Change %	2018
Staffing	28.9	18.0	61.0%	54.6	33.9	61.3%	70.0
Recruitment and Organizational Development	2.8	2.7	5.2%	4.8	4.9	-2.7%	8.7
Self-employment	12.6	11.8	7.0%	23.2	21.7	6.9%	46.1
Total	**44.4**	**32.4**	**36.8%**	**82.6**	**60.5**	**36.6**	**124.9**

Distribution of VMP's revenue by service area 1–6/2019



Result April-June 2019

The Group's EBITDA was EUR 3.0 million (2.5), making up 6.7% (7.6%) of the revenue. The increase in EBITDA was primarily due to increase in revenue from acquisitions realized. The decrease in EBITDA margin was due to a change in sales mix.

The adjusted EBITDA was EUR 3.2 million (2.7) or 7.3% of the revenue (8.2%). EUR 0.3 million of personnel expenses relating to severance payments were entered as items affecting comparability.

The Group's operating profit was EUR 0.4 million (0.6). Adjusted operating profit was EUR 0.7 million (0.8). Compared to last year's figures, the operating profit was burdened by increased amortizations of consolidated goodwill and goodwill, which in the review period amounted to EUR 2.3 million (1.7). The increase in amortizations of consolidated goodwill stems from the share exchange carried out on May 29, 2018, in which the Group's minority shareholders received VMP Plc's shares, with the Group receiving subsidiary shares in exchange, and from the acquisitions realized.

The result before taxes was EUR 0.2 million (-3.4) and the result for the period was EUR -0.3 million (-3.5). Comparative figures were impacted by listing expenses of EUR 3.3 million. Earnings per share were EUR -0.02 (-0.26). Earnings per share excluding amortizations of goodwill was EUR 0.14 (-0.13).

Result January-June 2019

The Group's EBITDA was EUR 6.6 million (4.5), making up 8.0% (7.4%) of the revenue. The increase in EBITDA was primarily due to increase in revenue from acquisitions realized and the capital gain from Alina divestment. The increase in EBITDA margin was primarily due to the capital gain from Alina divestment.

The adjusted EBITDA was EUR 5.8 million (5.0) or 7.0% of the revenue (8.3%). The decrease in adjusted EBITDA margin was due to a change in the sales mix. The adjusted EBITDA is smaller than the Group's EBITDA by EUR 0.8 million mainly because of the capital gain of EUR 1.2 million from Alina divestment, entered in other operating income, and personnel expenses of EUR 0.4 million relating to severance payments.

The Group's operating profit was EUR 1.6 million (0.8). The capital gain from the Alina divestment improved the operating profit.

Adjusted operating profit was EUR 0.8 million (1.3). Compared to last year's figures, the operating profit was burdened by increased amortizations of consolidated goodwill and goodwill, which in the review period amounted to EUR 4.4 million (3.2). The increase in amortizations of consolidated goodwill stems from the share exchange carried out on May 29, 2018, in which the Group's minority shareholders received VMP Plc's shares, with the Group receiving subsidiary shares in exchange and from the acquisitions realized.

The result before taxes was EUR 1.3 million (-3.8) and the result for the period was EUR 0.1 million (-4.0). Comparative figures were impacted by listing expenses of EUR 3.3 million. Earnings per share were EUR 0.01 (-0.29). Earnings per share excluding amortizations of goodwill was EUR 0.31 (-0.05).

Financial position and cash flow

VMP's consolidated balance sheet total on June 30, 2019 was EUR 108.0 million (92.1), of which equity made up EUR 54.6 million (50.2).

As of June 30, 2019, the Group has liabilities to credit institutions amounting to EUR 26.2 million (20.0), of which EUR 26.1 (20.0) was non-current. In addition, the Group has an overdraft facility of EUR 3.0 million, which on June 30, 2019 was fully unused.

Equity-to-assets ratio stood at 50.6% (54.6%). The Group's net debt on June 30, 2019 amounted to EUR 21.4 million (15.9). The net debt/adjusted EBITDA ratio was 1.9 x (1.5 x).

Operative free cash flow amounted to EUR 1.1 million (2.2) in April–June and EUR 3.4 (4.4) in January–June. Cash conversion was 37.0% (88.8%) in April–June and 51.5% (97.5%) in January-June. Changes in cashflow are assessed to normal variation in business payment transactions.

Investments and acquisitions

VMP's investments in subsidiary shares amounted to EUR 4.1 million (2.1) in April–June. Investments include the acquisition of Corporate Spirit Ltd and additional purchase prices relating to earlier acquisitions.

VMP strengthened its recruiting and organizational development business area and expanded its service offering by acquiring Corporate Spirit Ltd, which specializes in employee, management and expert surveys as well as organizational development. The revenue for the fiscal period of April 1, 2018–March 31, 2019 amounted to EUR 3.1 million and adjusted EBITDA to EUR 0.4 million. VMP financed the acquisition with its cash assets. The fixed debt free purchase price was EUR 2.5 million, with an additional purchase price of up to EUR 0.5 million based on the profitability of year 2019.

VMP's investments in subsidiary shares amounted to EUR 11.1 million (2.9) in January–June. Investments include the acquisitions of Corporate Spirit Ltd and Henkilöstöratkaisu Extraajat Ltd, as well as additional purchase prices relating to earlier acquisitions.

VMP strengthened its market position in the retail industry by acquiring Henkilöstöratkaisu Extraajat Ltd on February 14, 2019. Extraajat offers staffing services nationwide and specializes in serving customers and employees in the retail industry. The revenue for the fiscal year October 1, 2017–September 30, 2018 was EUR 19.8 million and EBITDA was EUR 1.7 million. VMP financed the acquisition with a combination of a bank loan and cash assets. The fixed debt-free purchase price was EUR 6.8 million.

VMP announced on February 15, 2019 the divestment of Alina Hoivatiimi Oy to Norlandia Care Oy. Alina is a nation-wide franchise chain offering home care, household services and home healthcare services. The revenue of Alina Group was EUR 1.5 million, EBITDA was EUR 0.2 million and chain-wide revenue was EUR 7.7 million in 2018. The debt-free transaction price was 1.5 million euros. The transaction resulted in a capital gain of EUR 1.2 million. Excluding the capital gain, the transaction did not have a significant effect on VMP Group's result.

VMP's investments in tangible and intangible assets totaled EUR 0.3 million (0.2) in April–June and EUR 0.6 million (0.3) in January–June. Investments in tangible and intangible assets were mainly related to IT investments and robotics development projects.

Personnel

VMP announced on May 2, 2019, that it will initiate a cost savings program to reduce overlapping operations and improve the efficiency of operations after completing acquisitions. The company is targeting annual cost savings of EUR 2.5–3.0 million through the program. At the first stage, VMP has completed the personnel reductions related to the program in June and achieved approximately EUR 2.1 million of annual savings, of which EUR 1.0 million materializes already in this year. One-off termination costs were EUR 0.3 million. The implementation of other savings and efficiency improvement actions will continue during the remaining part of the year, but their impact will be mainly seen in the forthcoming years.

VMP employs people in Group functions and as staffed employees assigned to customer companies. In April–June 2019, VMP employed an average of 310 (212) people in Group functions and on average 2,334 (1,385) staffed employees. In January–June 2019, VMP employed an average of 288 (205) people in Group functions and on average 2,270 (1,267) staffed employees.

Due to the nature of the staffing service business, VMP's total number of personnel employed is higher than the number of personnel employed on average. In the calculation of the average number of staffed employees, the work input of the employees has been converted into person-years. The users of self-employment services are not included in the Group's personnel numbers.

Changes in company management

VMP announced on June 4, 2019 that Aki Peiju (BBA) has been appointed as the new chief digital officer (CDO) and Member of the Management Team of VMP Plc. Previously Aki has worked as CIO of Administer Ltd. Aki Peiju is responsible for digitalization progress of VMP group companies.

VMP announced on June 4, 2019 that Matti Vuohiniemi, who has been working as group's HR director since 2013, will leave the company.

Starting from January 1, 2019, Pauliina Soinio was appointed interim CFO and member of the Management Team. On March 15, 2019, VMP announced that Hannu Nyman has been appointed as the new CFO and member of the Management Team. Previously, Hannu Nyman has worked as CFO of Efecte Plc. Hannu Nyman started in his position at VMP on May 15, 2019, and he is responsible for financial administration, development of financial operations, investor relations and M&A processes of VMP.

VMP announced on March 7, 2019 that Saija Hellstén had been appointed as the director of self-employment services, Managing Director of Eezy and member of the Management Team of VMP. Previously, Saija Hellstén has worked as the Development Director of Eezy.

Shares and shareholders

Trading in VMP's share on Nasdaq Helsinki's First North marketplace began on June 19, 2018. On June 30, 2019, VMP had 14,799,198 (13,505,191) registered shares. The company holds no treasury shares. The company had 1,120 (1,204) shareholders, including nominee registered shareholders.

In January–June 2019, a total of 767,808 (1,048,331) VMP shares were traded in the Helsinki stock exchange and the total trading volume was EUR 3.6 million (5.3). During the time period, the highest quotation was EUR 5.40 (5.32) and the lowest EUR 3.60 (5.05). The volume-weighted average price of the share was EUR 4.65 (5.03). The closing price of the share at the end of June was EUR 4.94 (5.29) and the market value of VMP stood at EUR 73.1 million (71.4).

As of June 30, 2019, the members of the Board of Directors of VMP and the members of the management team own a total of 823,058 (918,420) VMP shares, corresponding to approximately 5.6% (6.2%) of VMP's shares and of the votes to which they entitle. The share numbers include the direct holdings of the persons in question. In addition, Board members are employed in managerial duties by significant shareholders.

Governance

The Annual General Meeting was held on March 28, 2019. The Annual General Meeting adopted the Financial Statements for the year 2018.

The Annual General Meeting approved the proposal of the Board of Directors according to which a dividend of EUR 0.08 per share will be paid from the distributable funds of the Company for the financial year 2018. The dividend, EUR 1.2 million in total, was paid on April 8, 2019.

The Annual General Meeting elected eight members to the Board of Directors. Liisa Harjula, Mika Uotila, Joni Aaltonen, Heimo Hakkarainen, Tapio Pajuharju, and Paul Savolainen were re-elected as members of the Board of Directors, and Kati Hagros and Timur Kärki were elected as new members of the Board of Directors for a term of office expiring at the end of the Annual General Meeting 2020. Convening after the Annual General Meeting, the Board of Directors appointed from among its members Liisa Harjula as the Chairman of the Board of Directors, Joni Aaltonen as the Chairman of the Audit Committee and Mika Uotila and Liisa Harjula as members of the Audit Committee.

Authorized Public Accountant KPMG Oy Ab was re-elected as the Company's auditor for a term of office expiring at the end of the Annual General Meeting 2020. KPMG Oy Ab has informed that Authorized Public Accountant Mr. Esa Kailiala will act as the principal auditor.

The Annual General Meeting authorized the Board of Directors to decide on the repurchase of the Company's own shares in accordance with the proposal by the Board of Directors. The number of shares to be repurchased shall not exceed 1,000,000 shares. The purchase of own shares may be made in a trade organized on Nasdaq Helsinki Oy's regulated market at a price formed in public trading on the date of repurchase. The purchase of the shares lowers the Company's distributable unrestricted equity. The repurchase of own shares may be made otherwise than in proportion to the share ownership of the shareholders (directed repurchase). The authorization remains in effect until the end of the 2020 Annual General Meeting, however no longer than 18 months from the date of decision of the Annual General Meeting.

The Annual General Meeting authorized the Board of Directors to decide on the issuance of shares and options and on issuance of other special rights entitling to shares in one or several lots. The maximum aggregate number of shares issued based on the authorization may not exceed 2.000.000. The Board of Directors decides on the conditions regarding any issuance of shares and options and other special rights entitling to shares. Share issues and issuance of options and other special rights entitling to shares may take place in deviation of the shareholder's subscription right (directed issuance), if there exists a weighty financial reason for doing so from the company's perspective, such as, for example, the funding or realization of mergers or acquisitions, the development of the company's own capital structure or the realization of the company's incentive schemes. Based on the authorization, the Board of Directors may also decide on the free issuance of shares to the company itself in such a way that the maximum number of shares held by the company after the issuance does not exceed 10 percent of all company shares. The shares held by the company itself and those possibly held by its subsidiaries are counted in this number in the way specified in Paragraph 1, Section 11, Chapter 15 of the Finnish Limited Liability Companies Act. The authorization remains in effect until the end of the 2020 Annual General Meeting, however no longer than 18 months from the date of decision of the Annual General Meeting.

Risks and uncertainties

VMP's risk management principles are based on the Finnish Corporate Governance Code for Listed Companies (2015). The objective of risk management is to ensure that the group's targets are reached and to safeguard the continuity of operations.

Poor economic development in Finland or Sweden may have an indirect adverse impact on VMP's business and result. In economic downturn it is possible that companies use less staffing services and other HR services offered by VMP. Material short-term risks also include tighter competition in the HR and recruitment market, changes in legislation or collective agreements, and the cyclical nature of the business.

There are also significant risks related to acquisitions. If the performance of the acquired company does not match expectations, the integration fails, or other targets set for the acquisition are not reached, there may be material effects for VMP's profitability and financial position.

More information about VMP's risk management is available on the company website at https://www.vmpgroup.fi/en/

Events after the review period

VMP has on 5 July, 2019 signed a share purchase agreement with NoHo Partners Oyj and the minority shareholders of Smile Henkilöstöpalvelut Oyj to acquire the share capital of Smile as share consideration. The Transaction will be executed as a share exchange, in which Smile's shareholders will receive 0.8087 new shares in VMP as share consideration for each share in Smile owned by them, a total of approximately 10.50 million new VMP shares, corresponding to a debt-free purchase price of approximately EUR 82 million (based on the closing price EUR 4.92 of VMP as at 4 July, 2019). Following the Transaction, the current shareholders of VMP will hold approximately 59.6% and shareholders of Smile 40.4% of the shares in VMP.

According to preliminary illustrative combined financial information from year 2018, the combined net sales of VMP and Smile was approx. EUR 235.5 million, adjusted EBITDA EUR 21.8 million and adjusted EBITA EUR 20.6 million.

The completion of the Transaction is subject to approval by VMP's shareholders in the Extraordinary General Meeting (EGM) of VMP by a majority of two-thirds of votes cast and shares represented at the EGM and the approvals and commitments from the financing banks. The EGM will be organized on August 22, 12019. The largest shareholders of VMP, Sentica Buyout V Ky and Sentica Buyout V Co-investment Ky and Meissa-Capital Oy, who together hold approximately 58.1% of VMP's shares, support the Combination and have committed in advance to vote in favour of the Transaction.

As part of the terms of the Transaction, the Board of Directors of VMP has proposed to the EGM a dividend and capital repayment amounting to EUR 3.5 million in total to be paid to its shareholders before the closing of the Transaction.

Sami Asikainen will act as the CEO of the combined company and Hannu Nyman as the CFO. The board of VMP will include board members from both companies. It is proposed that the chairman will be Mr. Tapio Pajuharju.

The Transaction brings together two industry leading HR services companies, who together have a stronger market position and a better ability to reform working life. The Combination is a strategically important step for both companies, enabling investments into digitalisation and developing new services. The

Combination is expected to create value for the company's customers, employees and shareholders.

The Transaction is expected to be completed during the third quarter of 2019. The combined company intends to release further information on strategy and the integration plan during the autumn after the completion of the Transaction

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VMP Plc
Board of Directors

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Financial reports 2019

Interim Report from January to September 2019	20 November 2019

Result publication event:
A press conference for analysts and media will be held on Wednesday, August 21, 2019 at 11.00 a.m. Finnish time as an audiocast at https://vmp.videosync.fi/2019-q2. The conference will be held in Finnish. The conference will be hosted by Juha Pesola, CEO, and Hannu Nyman, CFO. During the presentation, there will be an opportunity to ask questions. The presentation material will be available at the company website at http://www.vmpgroup.fi/en/investors/reports-and-presentations before the conference. A recording of the audiocast will be available at the same website later on the same day.

Accounting principles

VMP Group's financial statements and interim reports are prepared in accordance with the Finnish Accounting Standards ("FAS"). Assets and liabilities are measured at the acquisition cost or the lower/higher fair value.

Intangible assets included in the company y's non-current assets are valued at acquisition cost less amortization according to plan, and tangible assets are valued at their variable acquisition cost less depreciation according to plan. Trade and other receivables included in the current assets are valued at their nominal value or probable value, if lower. The acquisition cost of intangible and tangible assets included in the company's non-current assets is amortized/depreciated in accordance with a predetermined plan. The difference between the acquisition cost and the residual value is recorded as an expense during the estimated useful life. Group goodwill is amortized using straight-line method according to an estimated useful life of 10 years.

The deferred tax asset has been recognized for temporary differences between the interim report and the amounts used for taxation purposes, applying the current enacted tax rate. Deferred tax assets are only recognized to the extent that is probable that taxable profit will be available in the future, against which temporary differences can be utilized.

Receivables and liabilities denominated in foreign currencies are translated into euros using the closing rate.

In the preparation of consolidated financial statements, intra-group ownership is eliminated using the acquisition cost method. Intra-group transactions and mutual receivables and liabilities are eliminated.

The figures in the interim report are unaudited. Information is presented in the scope required in the First North rules section 4.6. (e). Figures presented are rounded from exact figures.

Consolidated Income Statement

EUR thousand	1 Apr – 30 Jun 2019	1 Apr – 30 Jun 2018	Change %	1 Jan – 31 Dec 2018
Revenue	**44,363**	**32,430**	**36.8%**	**124,892**
Other operating income	58	78	-24.7%	275
Income received from group undertakings	-17	0	-	0
Materials and services	-569	-559	1.8%	-2,210
Personnel expenses[4]	-38,539	-27,261	41.4%	-104,976
Amortization	-2,285	-1,652	38.4%	-6,924
Depreciation and impairment losses	-300	-244	23.1%	-1,001
Other operating expenses	-2,342	-2,230	5.0%	-8,229
Operating profit (loss)	**369**	**563**	**-34.4%**	**1,826**
Financial income and expenses	-131	-4,012[5]	-96.7%	-4,340[6]
Profit (loss) before appropriations and taxes	**239**	**-3,449**	**-106.9%**	**-2,513**
Income taxes	-505	-361	40.0%	-989
Deferred taxes	0	649	-100.0%	527
Minority shares	0	-312	-100.0%	0
Profit (loss) for the reporting period	**-266**	**-3,474**	**-92.3%**	**-2,975**

[4] Personnel expenses comprise of both expenses related to employees and expenses related to the users of self-employment services
[5] Financial income and expenses include interest expenses, as well as, expenses from the initial public offering (EUR 3,266 thousand).
[6] Financial income and expenses include interest expenses, as well as, expenses from the initial public offering (EUR 2,994 thousand).

Consolidated Income Statement

EUR thousand	1 Jan – 30 Jun 2019	1 Jan – 30 Jun 2018	Change %	1 Jan – 31 Dec 2018
Revenue	**82,571**	**60,455**	**36.6%**	**124,892**
Other operating income	1,330	208	541.1%	275
Income received from group undertakings	-21	0	-	0
Materials and services	-1,061	-1,159	-8.5%	-2,210
Personnel expenses[7]	-71,462	-50,410	41.8%	-104,976
Amortization	-4,438	-3,233	37.3%	-6,924
Depreciation and impairment losses	-579	-468	23.6%	-1,001
Other operating expenses	-4,745	-4,625	2.6%	-8,229
Operating profit (loss)	**1,594**	**767**	**108.0%**	**1,826**
Financial income and expenses	-310	-4,615[8]	-93.3%	-4,340[9]
Profit (loss) before appropriations and taxes	**1,285**	**-3,848**	**-133.4%**	**-2,513**
Income taxes	-1,199	-762	57.4%	-989
Deferred taxes	0	649	-100.0%	527
Minority shares	0	-4	-100.0%	0
Profit (loss) for the reporting period	**86**	**-3,964**	**-102.2%**	**-2,975**

[7] Personnel expenses comprise of both expenses related to employees and expenses related to the users of self-employment services
[8] Financial income and expenses include interest expenses, as well as, expenses from the initial public offering (EUR 3,266 thousand).
[9] Financial income and expenses include interest expenses, as well as, expenses from the initial public offering (EUR 2,994 thousand).

Consolidated Balance Sheet

EUR thousand	30 Jun 2019	30 Jun 2018	31 Dec 2018
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Intangible rights	268	201	170
Goodwill	44	102	66
Group goodwill	74,602	64,224	67,492
Other non-current expenditures	1,733	1,948	1,865
Advance payments	24	85	105
Total intangible assets	**76,672**	**66,559**	**69,697**
Tangible assets			
Machinery and equipment	702	385	624
Other tangible assets	29	27	27
Total tangible assets	**731**	**412**	**651**
Investments			
Participating interests	85	0	106
Other shares and similar rights of ownership	225	226	225
Total investments	**311**	**226**	**332**
TOTAL NON-CURRENT ASSETS	**77,714**	**67,197**	**70,679**

Consolidated Balance Sheet

EUR thousand	30 Jun 2019	30 Jun 2018	31 Dec 2018
CURRENT ASSETS			
Receivables			
Non-current			
Receivables from participating interest companies	58	0	50
Loan receivables	18	6	23
Other receivables	285	109	284
Total non-current	360	115	357
Current			
Trade receivables	21,208	15,684	17,816
Receivables from participating interest companies	38	0	40
Loan receivables	64	20	66
Deferred tax asset	527	649	527
Other receivables	851	521	581
Prepayments and accrued income	1,659	1,630	2,000
Total current	24,348	18,504	21,030
Total receivables	**24,708**	**18,619**	**21,388**
Cash at bank and in hand	5,622	6,242	8,645
Total cash at bank and in hand	**5,622**	**6,242**	**8,645**
TOTAL CURRENT ASSETS	**30,331**	**24,862**	**30,033**
TOTAL ASSETS	**108,045**	**92,058**	**100,713**

Consolidated Balance Sheet

EUR thousand	30 Jun 2019	30 Jun 2018	31 Dec 2018
EQUITY AND LIABILITIES			
EQUITY			
Share capital	80	80	80
Translation differences	-176	-153	-103
Reserve for invested unrestricted equity	59,789	55,260	59,789
Retained earnings	-5,142	-990	-1,047
Profit (loss) for the reporting period	86	-3,964	-2,975
TOTAL EQUITY	**54,636**	**50,232**	**55,743**
MINORITY SHARES	**0**	**27**	**0**
LIABILITIES			
Non-current			
Liabilities to credit institutes	26,137	20,000	20,171
Other liabilities	204	847	204
Total non-current	26,340	20,847	20,375
Current			
Liabilities to credit institutes	76	0	93
Advances received	4	11	3
Trade payables	3,897	2,520	2,218
Other liabilities	8,867	6,529	9,304
Accruals and deferred income	14,224	11,892	12,976
Total current	27,069	20,952	24,595
TOTAL LIABILITIES	**53,409**	**41,799**	**44,970**
TOTAL EQUITY AND LIABILITIES	**108,045**	**92,058**	**100,713**

Consolidated Statement of Changes in Equity

EUR thousand	Share capital	Reserve for invested unrestricted equity	Translation differences	Retained earnings	Total
Balance at 1 Jan 2019	80	59,789	-103	-4,022	55,743
Dividends				-1,184	-1,184
Translation differences			-73	64	-9
Profit (loss) for the reporting period				**86**	**86**
Balance at 30 Jun 2019	**80**	**59,789**	**-176**	**-5,056**	**54,636**

EUR thousand	Share capital	Reserve for invested unrestricted equity	Translation differences	Retained earnings	Total
Balance at 1 Jan 2018	3	1,186	-6	-1,550	-368
Increase in share capital	78	-78			0
Investments		8,811			8,811
Share exchange		15,340			15,340
Initial public offering		30,000			30,000
Removal of minority shares				423	423
Translation differences			-146	136	-10
Profit (loss) for the reporting period				**-3,964**	**-3,964**
Balance at 30 Jun 2018	**80**	**55,260**	**-153**	**-4,956**	**50,232**

EUR thousand	Share capital	Reserve for invested unrestricted equity	Translation differences	Retained earnings	Total
Balance at 1 Jan 2018	3	1,186	-6	-1,550	-368
Increase in share capital	78	-78			0
Investments		8,811			8,811
Share exchange		15,340			15,340
Initial public offering		34,529			34,529
Removal of minority shares				408	408
Translation differences			-98	95	-3
Profit (loss) for the reporting period				**-2,975**	**-2,975**
Balance at 31 Dec 2018	**80**	**59,789**	**-103**	**-4,022**	**55,743**

Consolidated Cash Flow Statement

EUR thousand	1 Apr – 30 Jun 2019	1 Apr – 30 Jun 2018	1 Jan – 31 Dec 2018
Cash flow from operating activities			
Cash receipts from customers	42,331	30,640	126,082
Cash receipts from other operating income	58	192	275
Cash paid to suppliers and employees	-40,979	-28,403	-116,225
Cash flow from operating activities before financial items and taxes	**1,410**	**2,430**	**10,132**
Interest and expenses paid from other operating financial expenses	0	-25	-82
Dividend received from operating activities	1	0	0
Interest received from operating activities	4	4	21
Direct taxes paid	-507	-266	-1,654
Granted loans	-8	0	0
Net cash from operating activities	**900**	**2,143**	**8,418**
Cash flow from investing activities			
Investments in tangible and intangible assets	-317	-247	-643
Proceeds from sale of tangible and intangible assets	42	0	53
Granted loans	0	0	-221
Repayments of loan receivables	3	0	284
Investments in subsidiaries	-4,148	-2,143	-8,658
Net cash used in investing activities	**-4,420**	**-2,390**	**-9,185**
Cash flow from financing activities			
Proceeds from issuance of share capital	0	37,505	42,034
Change in current receivables	0	2	481
Proceeds from current loans and borrowings	13	0	0
Repayment of current loans and borrowings	-25	0	-1,181
Proceeds from non-current loans and borrowings	32	18,833	18,833
Repayment of non-current loans and borrowings	-6	-50,789	-50,787
Change in non-current receivables	0	-32	-131
Interest and other financial expenses paid	-112	-3,206	-4,666
Dividends paid and other distribution of profit	-1,184	0	0
Net cash used in financing activities	**-1,282**	**2,314**	**4,583**
Net increase/decrease in cash and cash equivalents	**-4,803**	**2,068**	**3,815**
Cash and cash equivalents at beginning of reporting period	10,425	4,174	4,830
Cash and cash equivalents at end of reporting period	5,622	6,242	8,645

Consolidated Cash Flow Statement

EUR thousand	1 Jan – 30 Jun 2019	1 Jan – 30 Jun 2018	1 Jan – 31 Dec 2018
Cash flow from operating activities			
Cash receipts from customers	79,951	59,529	126,082
Cash receipts from other operating income	110	200	275
Cash paid to suppliers and employees	-76,102	-55,039	-116,225
Cash flow from operating activities before financial items and taxes	**3,959**	**4,691**	**10,132**
Interest and expenses paid from other operating financial expenses	0	-80	-82
Dividends received from operating activities	2	0	0
Interest received from operating activities	39	11	21
Direct taxes paid	-1,050	-1,232	-1,654
Granted loans	-12	0	0
Net cash from operating activities	**2,937**	**3,390**	**8,418**
Cash flow from investing activities			
Investments in tangible and intangible assets	-556	-335	-643
Proceeds from sale of tangible and intangible assets	140	0	53
Granted loans	0	0	-221
Repayments of loan receivables	399	0	284
Investments in subsidiaries	-11,069	-2,895	-8,658
Divestments of subsidiaries	660	0	0
Net cash used in investing activities	**-10,426**	**-3,230**	**-9,185**
Cash flow from financing activities			
Proceeds from issuance of share capital	1	37,505	42,034
Change in current receivables	0	86	481
Proceeds from current loans and borrowings	13	0	0
Repayment of current loans and borrowings	-66	0	-1,181
Proceeds from non-current loans and borrowings	6,032	18,833	18,833
Repayment of non-current loans and borrowings	-31	-51,624	-50,787
Change in non-current receivables	0	-97	-131
Interest and other financial expenses paid	-300	-3,452	-4,666
Dividends paid and other distribution of profit	-1,184	0	0
Net cash used in financing activities	**-4,465**	**1,251**	**4,583**
Net increase/decrease in cash and cash equivalents	**-3,023**	**1,412**	**3,815**
Cash and cash equivalents at beginning of reporting period	8,645	4,830	4,830
Cash and cash equivalents at end of reporting period	5,622	6,242	8,645

Collaterals and commitments

EUR thousand	30 Jun 2019	31 Dec 2018
Obligations relating to acquisitions, maximum	1,118	610
Lease obligations	416	555
Rental obligations	3,957	2,084
Other collaterals given		
Guarantees	10,237	10,244
Deposits	43	43
Trade receivables	0	1
Group cash pool with overdraft facility, total amount of credit limit	3,000	3,000
Company mortgage	40,400	40,400
Book value of the pledged shares	56,350	56,350
Book value of the fixed assets given as collateral	202	255
Notes to hedging instruments		
Nominal amount of interest rate swap	12,001	12,417
Fair value of the instruments	-87	-75

Changes in group goodwill

EUR million	1 Apr – 30 Jun 2019	1 Apr – 30 Jun 2018	1 Jan – 30 Jun 2019	1 Jan – 30 Junr 2018	1 Jan – 31 Dec 2018
Group goodwill at the beginning of reporting period	74.2	54.3	67.5	54.9	54.9
Increases	2.7	11.5	11.6	12.6	19.4
Decreases	0.0	0.0	-0.1	0.0	0.0
Amortization	-2.3	-1.6	-4.4	-3.1	-6.9
Group goodwill at the end of reporting period	**74.6**	**64.2**	**74.6**	**64.2**	**67.5**

Key figures

EUR thousand, unless otherwise specified	1 Apr – 30 Jun 2019	1 Apr – 30 Jun 2018	Change %	1 Jan – 30 Jun 2019	1 Jan – 30 Jun 2018	Change %	1 Jan – 31 Dec 2018
Key figures for income statement							
EBITDA	2,955	2,458	20.2%	6,611	4,468	48.0%	9,752
EBITDA margin, %	6.7%	7.6%	-	8.0%	7.4%	-	7.8%
EBITA	2,655	2,214	19.9%	6,032	4,000	50.8%	8,750
EBITA margin, %	6.0%	6.8%	-	7.3%	6.6%	-	7.0%
Operating profit	369	563	-34.4%	1,594	767	108.0%	1,826
Operating profit margin, %	0.8%	1.7%	-	1.9%	1.3%	-	1.5%
Items affecting comparability	281	193	-	-821	542	-	480
Adjusted EBITDA	3,236	2,651	22.1%	5,790	5,010	15.6%	10,232
Adjusted EBITDA margin, %	7.3%	8.2%	-	7.0%	8.3%	-	8.2%
Adjusted EBITA	2,936	2,408	22.0%	5,211	4,542	14.7%	9,230
Adjusted EBITA margin, %	6.6%	7.4%	-	6.3%	7.5%	-	7.4%
Adjusted operating profit	651	756	-13.9%	773	1,309	-40.9%	2,306
Adjusted operating profit margin, %	1.5%	2.3%	-	0.9%	2.2%	-	1.8%
Earnings per share, basic (EUR)	-0.02	-0.26	-	0.01	-0.29	-	-0.20
Earnings per share, diluted (EUR)	-0.02	-0.26	-	0.01	-0.29	-	-0.20
Earnings per share excluding amortizations (EUR)	0.14	-0.13	-	0.31	-0.05	-	0.27
Number of shares in calculating earnings per share	14,799,198	13,505,191	-	14,799,198	13,505,191	-	14,799,198
Number of shares at end of reporting period	14,799,198	13,505,191	-	14,799,198	13,505,191	-	14,799,198
Key figures for balance sheet							
Net debt	-	-	-	21,438	15,940	34.5%	14,625
Net debt / Adjusted EBITDA (net leverage)	-	-	-	1.9 x	1.5 x	-	1.4 x
Gearing, %	-	-	-	39.2%	31.7%	-	26.2%
Equity-to-assets ratio, %	-	-	-	50.6%	54.6%	-	55.4%

Key figures

EUR thousand, unless otherwise specified	1 Apr – 30 Jun 2019	1 Apr – 30 Jun 2018	Change %	1 Jan – 30 Jun 2019	1 Jan – 30 Jun 2018	Change %	1 Jan – 31 Dec 2018
Key figures for cash flows							
Operative free cash flow	1,093	2,183	-	3,403	4,356	-	9,489
Cash conversion ratio, %	37.0%	88.8%	-	51.5%	97.5%	-	97.3%
Investments							
Investments in tangible and intangible assets	-317	-247	-	-556	-335	-	-643
Investments in subsidiary shares	-4,148	-2,143	-	-11,069	-2,895	-	-8,658
Operative key figures							
Chain-wide revenue (EUR million)	63	54	17%	118	99	19%	204
Franchise fees (EUR million)	2.1	2.3	-9.4%	4.0	4.2	-5.1%	8.9
Eezy's net revenue (EUR million)	0.8	0.8	1.2%	1.5	1.4	2.6%	2.9

Reconciliation of Certain Alternative Performance Measures

EUR thousand, unless otherwise specified	1 Apr – 30 Jun 2019	1 Apr – 30 Jun 2018	1 Jan – 31 Dec 2018
EBITDA and adjusted EBITDA			
Operating profit	369	563	1,826
Depreciation, amortization and impairment losses	2,585	1,895	7,926
EBITDA	**2,955**	**2,458**	**9,752**
Items affecting comparability	281	193	480
Adjusted EBITDA	**3,236**	**2,651**	**10,232**
Operating profit before amortization of goodwill (EBITA) and adjusted EBITA			
Operating profit	369	563	1,826
Amortization of goodwill	2,285	1,652	6,924
Operating profit before amortization of goodwill (EBITA)	**2,655**	**2,214**	**8,750**
Items affecting comparability	281	193	480
Adjusted EBITA	**2,936**	**2,408**	**9,230**
Adjusted operating profit			
Operating profit	369	563	1,826
Items affecting comparability	281	193	480
Adjusted operating profit	**651**	**756**	**2,306**
Earnings per share excluding amortizations			
Profit (loss) for the reporting period	-266	-3,474	-2,975
Amortization of goodwill	2,285	1,652	6,924
Profit (loss) for the reporting period excluding amortizations	2,019	-1,822	3,949
Number of shares in calculating earnings per share	14,799,198	13,505,191	14,799,198
Earnings per share excluding amortizations	**0.14**	**-0.13**	**0.27**
Operative free cash flow			
Cash flows from operating activities before financial items and taxes (from the cash flow statement)	1,410	2,430	10,132
Investments in tangible and intangible assets (from the cash flow statement)	-317	-247	-643
Operative free cash flow	**1,093**	**2,183**	**9,489**

Reconciliation of Certain Alternative Performance Measures

EUR thousand, unless otherwise specified	1 Jan – 30 Jun 2019	1 Jan – 30 Jun 2018	1 Jan – 31 Dec 2018
EBITDA and adjusted EBITDA			
Operating profit	1,594	767	1,826
Depreciation, amortization and impairment losses	5,017	3,702	7,926
EBITDA	**6,611**	**4,468**	**9,752**
Items affecting comparability	-821	542	480
Adjusted EBITDA	**5,790**	**5,010**	**10,232**
Operating profit before amortization of goodwill (EBITA) and adjusted EBITA			
Operating profit	1,594	767	1,826
Amortization of goodwill	4,438	3,233	6,924
Operating profit before amortization of goodwill (EBITA)	**6,032**	**4,000**	**8,750**
Items affecting comparability	-821	542	480
Adjusted EBITA	**5,211**	**4,542**	**9,230**
Adjusted operating profit			
Operating profit	1,594	767	1,826
Items affecting comparability	-821	542	480
Adjusted operating profit	**773**	**1,309**	**2,306**
Earnings per share excluding amortizations			
Profit (loss) for the reporting period	86	-3,964	-2,975
Amortization of goodwill	4,438	3,233	6,924
Profit (loss) for the reporting period excluding amortizations	4,524	-731	3,949
Number of shares in calculating earnings per share	14,799,198	13,505,191	14,799,198
Earnings per share excluding amortizations	**0.31**	**-0.05**	**0.27**
Operative free cash flow			
Cash flows from operating activities before financial items and taxes (from the cash flow statement)	3,959	4,691	10,132
Investments in tangible and intangible assets (from the cash flow statement)	-556	-335	-643
Operative free cash flow	**3,403**	**4,356**	**9,489**

Calculation of key figures

Key figures for income statement

EBITDA	=	Operating profit + Depreciation, amortization and impairment losses
EBITDA margin, %	=	$\frac{\text{EBITDA}}{\text{Revenue}} \times 100$
EBITA	=	Operating profit + Amortization of goodwill
EBITA margin, %	=	$\frac{\text{EBITA}}{\text{Revenue}} \times 100$
Operating profit	=	Profit before minority shares, appropriations, income tax, financial income and financial expenses
Operating profit margin, %	=	$\frac{\text{Operating profit}}{\text{Revenue}} \times 100$
Items affecting comparability	=	Material items outside the scope of ordinary operations relating to, among others, acquisitions, closing of business operations, structural reorganization and significant redundancy costs
Adjusted EBITDA	=	EBITDA + Items affecting comparability
Adjusted EBITDA margin, %	=	$\frac{\text{Adjusted EBITDA}}{\text{Revenue}} \times 100$
Adjusted EBITA	=	EBITA + Items affecting comparability
Adjusted EBITA margin, %	=	$\frac{\text{Adjusted EBITA}}{\text{Revenue}} \times 100$
Adjusted operating profit	=	Operating profit + Items affecting comparability
Adjusted operating profit margin, %	=	$\frac{\text{Adjusted operating profit}}{\text{Revenue}} \times 100$
Earnings per share, basic	=	$\frac{\text{Net result attributable to owners of the Parent Company}}{\text{Weighted average number of outstanding shares}}$
Earnings per share, diluted	=	$\frac{\text{Net result attributable to owners of the Parent Company}}{\text{Weighted average number of outstanding shares taking into account obligations arising from possible share issues of the Parent Company in the future}}$
Earnings per share excluding amortizations	=	$\frac{\text{Profit (loss) for the reporting period + Amortizations of goodwill}}{\text{Number of shares in calculating earnings per share}}$

Key figures for balance sheet

Net debt	=	Non-current and current liabilities to credit institutions + subordinated loans + other non-current liabilities + short-term acquisition liabilities - cash at bank and in hand	
Net debt / Adjusted EBITDA (net leverage)	=	$\frac{\text{Net debt}}{\text{Adjusted EBITDA}}$	
Gearing, %	=	$\frac{\text{Net debt}}{\text{Equity}}$	x 100
Equity-to-assets ratio, %	=	$\frac{\text{Equity}}{\text{Total assets – advances received}}$	x 100

Key figures for cash flows

Operative free cash flow	=	Cash flow from operating activities presented in the cash flow statement before financing items and taxes - investments in tangible and intangible assets	
Cash conversion ratio, %	=	$\frac{\text{Operative free cash flow}}{\text{EBITDA}}$	x 100

Investments

Investments in tangible and intangible assets	=	Investments in tangible and intangible assets presented in the cash flow statement
Investments in subsidiary shares	=	Acquired shares of subsidiaries presented in the cash flow statement

Operative key figures

Chain-wide revenue	=	Consolidated revenue + revenue chain franchisees – franchise fees (and other significant internal chain revenue)
Franchise fees	=	Fees paid by franchisees based on revenue and/or gross profit + initial fees
Eezy’s net revenue	=	Total fees received from the services provided by Eezy

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