Half year financial report 2016

STOCKMANN

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Operating result continued to improve and was positive in Q2

April-June 2016:
- Consolidated revenue was EUR 352.7 million (EUR 351.0 million).
- Revenue in continuing product areas and businesses was up by 6.8 per cent.
- Gross margin was up, to 54.5 per cent (52.7 per cent).
- Operating result was EUR 11.1 million (EUR -4.1 million).

January-June 2016:
- Consolidated revenue was EUR 625.9 million (EUR 696.8 million).
- Revenue in continuing product areas and businesses was down by 1.8 per cent.
- Gross margin was up, to 52.6 per cent (49.8 per cent).
- Operating result was EUR -19.2 million (EUR -46.2 million).
- Result for the period was EUR -33.3 million (EUR -59.3 million).
- Earnings per share were EUR -0.50 (EUR -0.82).

- Lindex achieved its all-time high second quarter revenue and result: operating profit up EUR 9.5 million, to EUR 28.1 million (EUR 18.6 million).
- Efficiency programme speeding up: a leaner organisation with a reduced headcount to be introduced, targeting EUR 20 million further savings in 2017. A provision of EUR 5.8 million booked for Q2 due to the organisational restructuring measures.
- Department store operations in Russia have been classified as discontinued operations. The comparison figures in the income statement and related items have been restated accordingly. The comments in the half year report refer only to continuing operations.

Outlook for 2016 remains unchanged:
Stockmann expects the Group's revenue for 2016 to be down on 2015 due to ongoing strategic actions in order to improve profitability. The adjusted operating result is expected to be slightly positive in 2016.
- The term "adjusted operating result" has replaced the previously used term "operating result excluding non-recurring items", due to the new guidelines of the European Securities and Market Authority ESMA for Alternative Performance Measures.

KEY FIGURES

Continuing operations	**4-6/2016**	4-6/2015	**1-6/2016**	1-6/2015	1-12/2015
Revenue, EUR mill.	**352.7**	351.0	**625.9**	696.8	1 434.8
Gross margin, per cent	**54.5**	52.7	**52.6**	49.8	50.6
Operating result, EUR mill.	**11.1**	-4.1	**-19.2**	-46.2	-52.5
Adjustments to operating result*, EUR mill.	**0.0**	6.6	**0.0**	6.6	24.0
Adjusted operating result (EBIT), EUR mill.	**11.1**	2.5	**-19.2**	-39.6	-28.5
Adjusted operating result before depreciation (EBITDA), EUR mill.	**26.1**	19.9	**10.0**	-4.6	43.4
Net financial costs, EUR mill.	**4.7**	5.0	**8.9**	9.1	21.2
Result before tax, EUR mill.	**6.5**	-9.1	**-28.1**	-55.3	-73.7
Result for the period, EUR mill.	**-1.7**	-12.1	**-33.3**	-59.3	-88.9
Earnings per share, undiluted, EUR	**-0.04**	-0.17	**-0.50**	-0.82	-1.24
Personnel, average	**9 158**	10 417	**9 229**	11 066	10 763

Continuing and discontinued operations	**4-6/2016**	4-6/2015	**1-6/2016**	1-6/2015	1-12/2015
Net earnings per share, undiluted, EUR	**-0.04**	-0.16	**-0.35**	-0.94	-2.43
Cash flow from operating activities, EUR mill.	**54.4**	17.2	**-20.9**	-48.0	17.2
Capital expenditure, EUR mill.	**13.6**	9.7	**19.5**	26.2	53.4
Equity per share, EUR			**14.19**	14.42	14.53
Net gearing, per cent			**76.2**	85.3	72.1
Equity ratio, per cent			**46.0**	44.6	46.1
Number of shares, undiluted, weighted average, 1 000 pc			**72 049**	72 049	72 049
Return on capital employed, rolling 12 months, per cent			**-4.6**	-5.2	-7.6

*Adjustments in 2015 were related to Academic Bookstore, Oulu store, Seppälä and other Group's restructuring costs.

Stockmann has revised the terminology used in its reporting due to the new guidelines of the European Securities and Market Authority (ESMA). Alternative Performance Measures are used to better reflect the operational business performance and to facilitate comparisons between financial periods. Starting from the second quarter of 2016, the previously used term "excluding non-recurring items" has been replaced by the term "adjusted", and, as a consequence, "operating profit (EBIT) excluding non-recurring items" has been replaced by the term "adjusted operating profit (EBIT)". Correspondingly, "adjusted EBITDA" is calculated from adjusted operating profit excluding depreciation.

Stockmann uses the term "continuing product areas and businesses" which refers to operations excluding Russian retail operations (Stockmann and Lindex), Seppälä, Hobby Hall, Stockmann Beauty, the airport store and the product areas the company has withdrawn from in department stores (electronics, books, sports equipment, toys and pet supplies). Gross profit and gross margin are also used as alternative performance measures. Gross profit is calculated by deducting the costs of goods sold from the revenue, and gross margin is calculated by dividing gross profit by the revenue as a percentage.

Interim CEO Lauri Veijalainen:
Stockmann is continuing its persistent actions to implement the comprehensive turnaround of its retail business. The operating result for the second quarter was back to profit and improved by EUR 15.3 million compared to the previous year. Especially pleasing is that Lindex reached its best ever second quarter result by improving its operating profit by EUR 9.5 million. Lindex's performance, together with the earlier divestments of non-core businesses resulted in a good improvement in the Group's earnings. In fact, this was the fifth consecutive quarter when the Stockmann Group's operating result improved.

Our strategy work focusing on core strengths is proceeding well and Stockmann signed an agreement in April to sell the Hobby Hall business to the SGN Group. The business will be transferred to the new owner at the beginning of 2017. All major structural changes in the non-core units have been made, and we will concentrate fully on our core businesses, Stockmann Retail, Real Estate and Lindex.

Stockmann continued to implement cost savings in line with the efficiency programme which will enable savings of EUR 50 million for 2016. As the sales performance of our department stores has fallen short of expectations, we need to further speed up the turnaround by applying additional cost savings. Stockmann has therefore conducted codetermination negotiations during the summer to bring the cost level more into line with the scope of current operations. Personnel reductions are unfortunately a necessary step to ensure that Stockmann Retail achieves a positive EBIT in 2018.

We are slowly, but surely, moving towards better performance. After streamlining our organisation and operational model, all the conditions are now in place to fully and further develop our selected focus areas (fashion, beauty, food and home products), invest in the renewal of our stores, develop online and digital tools, and fully utilize our new distribution centre – just to mention some of the on-going actions to improve the customer experience and increase sales.

Strategy

In the second quarter of 2016, Stockmann continued the comprehensive turnaround of its business required by the strategy. The company is focusing on developing its Stockmann Retail, Real Estate and Lindex divisions, as withdrawals from non-core units have now been made.

Stockmann signed an agreement on 27 April 2016 to sell the Hobby Hall business to the SGN Group. The closing of the transaction will take place on 31 December 2016, and the transfer of business will take place on 1 January 2017. The purchase price is not expected to significantly affect Stockmann's earnings. The transaction will include Hobby Hall's entire assets and liabilities. Hobby Hall's logistics operations and all warehouse personnel were transferred to the Posti Group as of 1 May 2016. Financial reporting for 2016 will continue to recognize Hobby Hall as a part of the Stockmann Retail segment, but its assets will be reported as assets held for sale in the balance sheet.

Stockmann invests in the renewal of its department stores in order to offer an improved customer experience. Stockmann will open a completely new department store in Tapiola in March 2017. In Helsinki, the flagship department store is currently undergoing significant refurbishments, including several renewals of entire departments such as women's accessories and home products, which will bring many new brands into the selection. In Turku, a project to renovate the Delicatessen food department was started in the second quarter. In Tallinn, the store's fifth floor is undergoing major renovation work.

The new Stockmann online store is expected to be launched in the second half of 2016. The online store will operate on a new platform and will gradually gain several new features, such as online availability for the goods in the brick-and-mortar stores.

Stockmann opened a new, more efficient distribution centre in May 2016, which will combine the existing five warehouses into one and improve omnichannel operations by speeding up delivery times, among other benefits. The current warehouses in Finland will be moved in stages to the new centre, which will become fully operational during autumn 2016. The warehouse in Riga will move in 2017. The new distribution centre will produce annual cost savings of approximately EUR 5.5 million compared with 2014, or net savings of EUR 3.5 million (including the increased depreciation) to be achieved in full from 2018 onwards. However, during the transition period of 2016 Stockmann Retail's logistics costs will be up by around EUR 2 million due to overlapping rental and other costs.

Real Estate develops and complements the offering in the department stores with attractive products and services from external tenants. Several new agreements have been signed particularly in the Helsinki flagship department store to improve the customer experience. The first Joe & the Juice bar in Finland will open in Stockmann's Helsinki department store before Christmas. Polarn o. Pyret will broaden the offering for children, the Longchamp store will complement the accessories selection and a new wedding service White Dress will also open in the early autumn. In addition, an agreement has been signed with Westerback, a watch and jewellery store, on opening six stores within the Stockmann department stores. The first four stores (Helsinki, Tampere, Itis, Jumbo) will open in November 2016, with the Turku store opening in January 2017 and the Tapiola store opening in March 2017.

In Riga, Latvia, agreements have been made with the Laiks watch and accessories retailer, the Zvaigne ABC bookstore, and with an optician and a barber shop, on opening to business in October 2016. In Tallinn, Estonia, the Zucchini and Chat restaurants, as well as the Melior wellbeing clinic, will open in October in the department store's newly renovated fifth floor. Vacant office premises in the Nevsky Centre, St Petersburg, have now also been leased out.

Lindex continued its successful like-for-like growth with good development in its main markets in the Nordic countries. The remaining three stores in Russia were closed in May.

Stockmann launched an efficiency programme in February 2015 with an annual cost savings target of EUR 50 million, which will be reflected in the result by the end of 2016. An essential part of the programme has been to renew Stockmann's support functions and reduce the headcount. Other actions have included renegotiating supplier terms and conditions, which will lower the costs of goods sold and the indirect procurement costs recognized in other operating costs, and release store space from Stockmann's own retail operations to external tenants, resulting in lower rental costs.

Events after the reporting period

Stockmann's target is to considerably flatten its organisational structure, eliminate overlaps and simplify its processes. A new lean organisation, that will adjust the number of Stockmann's employees in line with the scope of current operations, was discussed with the personnel during the codetermination negotiations which started in June and were concluded at the beginning of August.

As a result, approximately 300 positions will be ended, most of them through lay-offs. In addition, around 80 people from the support functions will be offered a new position as a sales assistant and around 60 people are offered a position in the support functions with new employment conditions. The number of department store sales assistants will not be reduced to ensure excellent customer service. The final number of reductions will be confirmed when all the personal discussions have been carried out. At the start of the negotiations, which concerned around 3 000 persons, the reduction need was estimated to be about 380 employees. The goal is annual cost savings of approximately EUR 20 million, which will be achieved during 2017. A provision of EUR 5.8 million related to these organisational restructuring measures was booked in the second quarter.

Revenue and earnings in continuing operations

The general economic situation continued to be uncertain in Stockmann's main market areas during the second quarter of 2016. Consumer confidence and purchasing power remained low in Finland, and the retail market environment continued to be weak in the second quarter. The Finnish fashion market was down by 3.7 per cent in January-June (source: TMA). In Sweden, the fashion market was up by 1.8 per cent in January-June (source: Stilindex). The retail market in the Baltic countries was relatively stable, although competition has increased particularly in Estonia.

The Stockmann Group's revenue in January-June was EUR 625.9 million (EUR 696.8 million). In continuing product areas and businesses, revenue was down by 1.8 per cent. The Seppälä fashion chain's revenue is included in the 2015 comparison figure until its divestment on 1 April 2015.

Revenue in Finland was EUR 302.0 million (EUR 371.3 million). In continuing product areas and businesses, revenue was down by 7.2 per cent. Revenue in other countries amounted to EUR 323.9 million (EUR 325.5 million). In continuing product areas and businesses, revenue was up by 3.2 per cent.

The Group's gross profit during January-June amounted to EUR 329.5 million (EUR 346.7 million) and the gross margin was 52.6 per cent (49.8 per cent). The increase was due to more efficient buying as a part of the efficiency programme and withdrawal from the low-margin electronics product area in 2015.

Operating costs were down by EUR 38.4 million, and amounted to EUR 319.5 million (EUR 357.9 million). The decline was due to cost savings measures in all divisions. Operating costs include a provision of EUR 5.8 million booked in the second quarter due to organisational restructuring measures.

EBITDA was EUR 10.0 million (EUR -11.2 million, or EUR -4.6 million excluding adjustments). Depreciation was down, to EUR 29.2 million (EUR 35.0 million), due to reduced investments and the reclassification of the Nevsky Centre as an investment property.

The operating result for January-June was up, to EUR -19.2 million (EUR -46.2 million, or the adjusted operating result of EUR -39.6 million). Lindex's operating result was significantly up.

The Stockmann Group's second-quarter (April-June) revenue was EUR 352.7 million (EUR 351.0 million). In continuing product areas and businesses, revenue was up by 6.8 per cent.

The second-quarter revenue in Finland was EUR 169.1 million (EUR 166.2 million). In continuing product areas and businesses, revenue increased by 12.6 per cent due to the timing of the Crazy Days campaign. Revenue in other countries amounted to EUR 183.6 million (EUR 184.8 million). In continuing product areas and businesses, revenue was up by 2.5 per cent.

The second-quarter gross profit amounted to EUR 192.4 million (EUR 185.0 million) and the gross margin was 54.5 per cent (52.7 per cent). The gross margin was up in both Stockmann Retail and Lindex.

Operating costs were down by EUR 5.5 million, and amounted to EUR 166.3 million (EUR 171.8 million).

EBITDA was EUR 26.1 million (EUR 13.3 million, or EUR 19.9 million excluding adjustments). Depreciation was down, to EUR 15.0 million (EUR 17.4 million).

The operating profit for the quarter was up, to EUR 11.1 million (EUR -4.1 million, or the adjusted operating profit of EUR 2.5 million). The operating profit was up particularly due to good performance in Lindex. The operating result also increased slightly in Stockmann Retail.

Net financial expenses for January-June decreased by EUR 0.2 million to EUR 8.9 million (EUR 9.1 million). Interest rates were lower than in 2015, but foreign exchange losses amounted to EUR 1.0 million (2015: gains EUR 0.2 million).

The result before taxes for the January-June period was EUR -28.1 million (EUR -55.3 million). The result for the reporting period was EUR -33.3 million (EUR -59.3 million). The net result for the period, including discontinued operations, was EUR -22.9 million (EUR -68.0 million), since the loss from the divestment of the Russian department stores was EUR 10.0 million less than estimated in 2015. The result from discontinued operations is shown in a separate table at the end of this report.

Earnings per share for January-June were EUR -0.50 (EUR -0.82), or EUR -0.35 (EUR -0.94) including discontinued operations. Equity per share was EUR 14.19 (EUR 14.42).

Revenue and earnings by division in continuing operations

Stockmann's divisions and reportable segments are Stockmann Retail, Real Estate and Lindex. The department store operations in Russia, which were part of Stockmann Retail until the divestment on 1 February 2016, were classified as discontinued operations in the fourth quarter of 2015. The comparison figures in the income statement and related items have been restated. Stockmann's department store properties have been measured at their fair market values according to the IAS 16 standard since 1 January 2015. The Nevsky Centre shopping centre has been classified as an investment property in accordance with IAS 40 as of 1 February 2016, since the property is no longer used in the Group's own operations. Investment properties are not depreciated, but any gains or losses due to changes in fair value are recognised through profit and loss for the period during which they arise. See Accounting Principles at the end of this bulletin for further information.

Stockmann Retail

Stockmann Retail's revenue in January-June was EUR 303.9 million (EUR 367.2 million). In continuing product areas and businesses, revenue was down by 8.5 per cent.

Revenue in Finland was EUR 262.6 million (EUR 322.5 million), which includes Hobby Hall's revenue of EUR 36.4 million. In continuing product areas in the department stores, revenue was down by 9.3 per cent.

Revenue from international operations, which consist of two department stores in the Baltic countries, was EUR 41.3 million (EUR 44.6 million) and accounted for 13.6 per cent (12.1 per cent) of the division's total revenue. In continuing product areas and businesses, revenue was down by 3.7 per cent.

The gross margin during the reporting period was 39.4 per cent (37.8 per cent).

Operating costs during January-June were down by EUR 17.8 million, and amounted to EUR 157.9 million (EUR 175.6 million).

The division's operating result for the period was EUR -45.8 million (EUR -44.4 million), of which the department store business accounted for EUR -41.9 million (EUR -42.8 million) and Hobby Hall for EUR -3.9 million (EUR -1.6 million).

Stockmann Retail's revenue in April-June was EUR 168.7 million (EUR 169.2 million). In continuing product areas and businesses, revenue was up by 10.8 per cent, since the Crazy Days campaign in Finland was held in April in 2016, instead of March as in 2015.

Revenue in Finland was EUR 146.6 million (EUR 145.4 million), which includes Hobby Hall's revenue of EUR 19.4 million. In continuing product areas in the department stores, revenue was up by 13.6 per cent due to the timing of the Crazy Day's campaign.

Revenue from international operations, which consist of two department stores in the Baltic countries, was EUR 22.1 million (EUR 23.9 million) and accounted for 13.1 per cent (14.1 per cent) of the division's total revenue. In continuing product areas and businesses, revenue was down by 2.4 per cent.

The gross margin during the second quarter was 40.2 per cent (40.2 per cent). Excluding the effect of the Crazy Days campaign, gross margin was up.

Operating costs during April-June were down by EUR 1.4 million, and amounted to EUR 84.3 million (EUR 85.7 million). Costs decreased, although a provision for the restructuring costs and overlapping warehouse costs were booked in the quarter.

The operating result during the quarter was EUR -20.5 million (EUR -21.8 million), of which the department store business accounted for EUR -18.1 million (EUR -20.9 million) and Hobby Hall for EUR -2.4 million (EUR -0.9 million).

Real Estate

The five properties owned by Stockmann have a gross leasable area (GLA) of 144 000 m2 in total. The occupancy rate of the properties totalled 96.7 per cent at the end of the second quarter (99.2 per cent). The decline was mostly due to a lower occupancy rate in Tallinn, where the department store's fifth floor is being renewed. The renovated floor will be opened in stages during the autumn of 2016.

In Stockmann's properties, 53 per cent of the GLA was used by Stockmann Retail at the end of June (74 per cent). The decline was mostly due to the transfer of the department store in the Nevsky Centre to a new owner as of 1 February 2016.

PROPERTIES

	Gross leasable area, m2 30.6.2016	Occupancy rate, % 30.6.2016	Usage by Stockmann Retail, % 1.1.2016	Usage by Stockmann Retail, % 30.6.2016
Helsinki flagship building	51 000	99.7	80	80
Book House, Helsinki	9 000	94.6	30	30
Tallinn department store building	22 000	88.3	85	85
Riga department store building	16 000	100	88	86
Nevsky Centre, St Petersburg	46 000	96.7	44	0
Total, all Stockmann-owned properties	**144 000**	**96.7**	**67**	**53**

On 1 January 2016 the fair value of Stockmann's properties amounted to EUR 918.2 million, of which the department store properties' value was EUR 737.2 million and the Nevsky Centre's value was EUR 181.0 million. The weighted average market yield requirement used in the fair value calculation was 6.0 per cent. During the year, the depreciation of department store properties is deducted from their fair value. However, the Nevsky Centre, which is treated as an investment property, is not depreciated. At the end of the second quarter, the revalued amount of all Stockmann-owned properties was EUR 909.5 million, which is the fair value less the subsequent accumulated depreciation of the department store buildings.

Real Estate's revenue in January-June was EUR 29.6 million (EUR 29.8 million). The average monthly rent from Stockmann's properties was EUR 33.35 per square metre (EUR 33.37). Net operating income from these properties was EUR 22.3 million (EUR 24.3 million). Net rental yield was 4.9 per cent (5.4 per cent).

Operating profit for the reporting period was EUR 11.4 million (EUR 10.1 million), mainly due to lower depreciation due to the change in accounting principle relating to the Nevsky Centre.

The division's revenue in April-June was EUR 14.7 million (EUR 15.2 million). The decline was mostly due to temporary rent adjustments in the Nevsky Centre. Net operating income from properties owned by Stockmann was EUR 10.2 million (EUR 12.5 million). The decline was partly due to the timing when operating expenses were recognized in 2015.

Operating profit for the quarter was EUR 5.4 million (EUR 5.5 million).

Isku opened a home decoration store in the Book Building in Helsinki in June. The store will also include Värisilmä and Vallila shop-in-shops and Keittiömaailma shop-in-shop as of January 2017. A unique new co-working space, UMA Esplanadi, operated by Technopolis opened in the Book Building in Helsinki in May. The Helsinki flagship department store's service offering broadened in June, when a new Smörre Gastrobar opened for business on the first floor. Stockmann's tenant, Expert, also rebranded its stores in Stockmann's premises in Helsinki, Turku and Tampere under a new concept, named Power, during May.

Several agreements were signed for new stores and services. The first Joe & the Juice bar in Finland will open in Stockmann's Helsinki flagship department store before Christmas. Westerback, a watch and jewellery store, will open six stores within the department stores in Finland. In the Helsinki flagship store, Longchamp opened an accessories shop in August, Polarn o. Pyret will open a children's clothing shop and a new wedding service White Dress will open in September. In Riga, Latvia, agreements were made with the Laiks watch and accessories store, the Zvaigne ABC bookstore, an optician, and a barber shop, all expected to open in October 2016. In Tallinn, Estonia, the Zucchini and Chat restaurants as well as the Melior wellbeing clinic will open in October 2016 on the department store's newly renovated fifth floor.

Lindex

Lindex's revenue in January-June was up 1.4 per cent, to EUR 305.8 million (EUR 301.6 million). Revenue at comparable exchange rates was up 3.0 per cent, or 3.8 per cent in comparable stores.

Lindex's gross margin was 62.2 per cent (62.4 per cent).

Operating costs were down by EUR 8.7 million due to lower office and store costs as a result of the efficiency programme started in 2015.

Lindex's operating result in January-June was EUR 19.6 million (EUR 7.8 million).

Lindex's revenue in April-June was up 0.6 per cent, to EUR 175.6 million (EUR 174.6 million). Revenue at comparable exchange rates was up 3.4 per cent, or 4.3 per cent in comparable stores. Lindex reached its all-time high sales during the second quarter. Successful collections and campaigns resulted in very positive sales development, particularly in the main markets of Sweden, Norway and Finland.

Lindex's gross margin for the quarter was 65.0 per cent (62.9 per cent). The increase was mainly due to lower markdowns and the timing of the mid-season sale in March-April, as well as a healthier stock composition.

Operating costs were down by EUR 4.5 million due to lower store and office costs. Also the closure of the remaining operations in Russia contributed to cost savings.

Lindex's operating profit in April-June was EUR 28.1 million (EUR 18.6 million).

In 2015, the Fashion Chains division also included Seppälä until its divestment on 1 April 2015. The division's revenue in January-June was EUR 317.4 million, including Seppälä's revenue of EUR 15.9 million. The operating result was EUR -5.3 million, including Seppälä's operating result of EUR -13.1 million.

Financing and capital employed

Cash and cash equivalents totalled EUR 18.0 million at the end of June 2016, compared with EUR 10.3 million a year earlier. Cash flow from operating activities came to EUR -20.9 million (EUR -48.0 million).

In the consolidated balance sheet on 30 June 2016, Hobby Hall's assets and liabilities are classified as assets held for sale. Net working capital excluding cash, cash equivalents and assets held for sale amounted to EUR 24.5 million at the end of June, compared with EUR 75.9 million a year earlier.

Inventories were EUR 169.6 million (EUR 216.4 million). The decline was mostly due to the discontinued product areas and the divestment of Russian operations in Stockmann Retail.

Current receivables amounted to EUR 70.6 million (EUR 84.3 million). Non-interest-bearing liabilities amounted to EUR 215.7 million (EUR 224.8 million).

Interest-bearing liabilities at the end of June were EUR 805.9 million (EUR 904.2 million), of which long-term debt amounted to EUR 522.9 million (EUR 579.3 million). In addition, the Group had EUR 300.0 million in undrawn, long-term committed credit facilities and EUR 369.1 million in uncommitted, short-term credit facilities. Most of the short-term debt has been acquired in the commercial paper market. Stockmann also has a EUR 84.3 million hybrid bond which is treated as equity.

The equity ratio at the end of June was 46.0 per cent (44.6 per cent), and net gearing was 76.2 per cent (85.3 per cent). At the end of 2015, the equity ratio was 46.1 per cent and net gearing was 72.1 per cent.

The return on capital employed over the past 12 months was -4.6 per cent (-5.2 per cent). The Group's capital employed was EUR 1 828.5 million at the end of June, compared with EUR 1 943.2 million a year earlier.

Capital expenditure

Capital expenditure totalled EUR 19.5 million (EUR 26.2 million) in January-June. Depreciation was EUR 29.2 million (EUR 35.0 million).

Stockmann Retail's capital expenditure for the reporting period totalled EUR 8.8 million (EUR 12.8 million). A major part of this was used for the new distribution centre, renewals of the home and women's accessories departments in the Helsinki department store and the renovation of the Delicatessen in the Turku department store.

Real Estate's capital expenditure for the reporting period was EUR 2.5 million (EUR 0.9 million), which was used for property maintenance and refurbishments for new tenants mainly in the Helsinki flagship department store.

Lindex's capital expenditure for January-June totalled EUR 8.2 million (EUR 11.7 million). Lindex opened two stores during the second quarter: one in Czech Republic and one in Saudi Arabia. Six stores were closed in the quarter: the last three stores in Russia, one in Sweden, one in Saudi Arabia and one in United Arab Emirates.

The Group's other capital expenditure totalled EUR 0.1 million (EUR 0.7 million).

STORE NETWORK

Stockmann Group	Total 31.12.2015	Total 31.3.2016	New stores in Q2 2016	Closed stores in Q2 2016	**Total 30.6.2016**
Department stores	16	9			**9**
Outlet stores	1	0			**0**
Hobby Hall stores	1	1			**1**
Lindex stores	487	483	2	6	**479**
of which franchising	37	39	1	2	**38**
of which own stores	450	444	1	4	**441**

New Projects

Capital expenditure for 2016 is re-estimated to amount to approximately EUR 40-45 million which is approximately EUR 20 million less than estimated depreciation for 2016. The depreciation is expected to decline due to reduced investments and the reclassification of the Nevsky Centre as an investment property. Most of the capital expenditure will be used for the refurbishment of the Lindex stores, IT and omnicommerce system renewals, and Stockmann's property and store concept renewals.

Lindex will continue to open new stores in 2016. However, the total number of stores is expected to decline on 2015, as Lindex has closed down its remaining stores in Russia and will close certain loss-making stores in other market areas.

Shares and share capital

Stockmann has two series of shares. Series A shares each confer 10 votes, while Series B shares each confer one vote. The shares carry an equal right to dividends. The par value is EUR 2.00 per share.

As of the end of June 2016, Stockmann had 30 530 868 Series A shares and 41 517 815 Series B shares, or a total of 72 048 683 shares. The number of votes conferred by the shares was 346 826 495.

The share capital remained at EUR 144.1 million at the end of the period. The market capitalisation was EUR 387.8 million (EUR 447.1 million).

At the end of June, the price of a Series A share was EUR 5.63, compared with EUR 6.22 at the end of 2015, while the price of a Series B share was EUR 5.20, compared with EUR 6.25 at the end of 2015. A total of 2.4 million (2.2 million) Series A shares and 6.7 million (14.6 million) Series B shares were traded during the quarter on Nasdaq Helsinki. This corresponds to 7.7 per cent (7.2 per cent) of the average number of Series A shares and 16.2 per cent (35.2 per cent) of the average number of Series B shares.

The company does not hold any of its own shares, and the Board of Directors has no valid authorisations to purchase company shares or to issue new shares.

At the end of June, Stockmann had 51 454 shareholders, compared with 54 067 a year earlier.

Changes in management

Per Thelin and the Board of Directors jointly agreed that Per Thelin would leave position as Chief Executive Officer of Stockmann plc on 4 April 2016. Thelin had been the CEO of Stockmann from November 2014. The Board of Directors has initiated a process to find a new CEO. Lauri Veijalainen, Chief Financial Officer, was appointed the interim CEO of Stockmann as of 4 April 2016. Eva Mansikka-Mikkola was appointed acting CFO as of the same date.

The Annual General Meeting of Lindex decided in April to elect Susanne Najafi, a member of Stockmann's Board of Directors, as a new member in the Lindex Board of Directors, replacing Per Thelin in the Board. Per Sjödell continued as the Chairman of the Lindex Board of Directors.

The Management Teams of the Stockmann Group and Stockmann Retail were merged to speed up decision-making in June 2016.

Maiju Niskanen was appointed Director, Store Operations and a member of the Stockmann Management Team as of 1 July 2016. Niskanen was earlier the Country Manager for Lindex Finland and the Baltic countries.

Tove Westermarck was appointed Director, Supply Chain. Westermarck had earlier been Director, Development for Stockmann and a member of the Management Team from autumn 2014.

Susanna Ottila, Director, Stockmann Delicatessen, was appointed a member of the Management Team as of 13 June 2016. Ottila joined Stockmann in 2014 and has led Stockmann's food chain since 2015.

Mikko Huttunen was appointed Director, HR and a member of the Management Team as of 15 August 2016. Huttunen earlier held HR management positions at Rovio Entertainment, GE Healthcare, Cargotec and Nokia.

Stockmann's Management Team consists of the following persons as of 15 August 2016: Lauri Veijalainen (chairman), Mikko Huttunen, Ingvar Larsson, Nora Malin, Jukka Naulapää, Petteri Naulapää, Maiju Niskanen, Susanna Ottila, Björn Teir, and Tove Westermarck. All Management Team members report to interim CEO Lauri Veijalainen.

Jouko Pitkänen, Director of Stockmann Retail and a member of the Stockmann Management Team, resigned on 13 June 2016.

Personnel

The Group's average number of personnel in continuing operations was 9 229 (11 066) in the reporting period. The decline was mainly due to the divestment of Seppälä in 2015 and personnel reductions in support functions and department stores. In terms of full-time equivalents, the average number of employees was 6 661 (7 878).

At the end of June, the Group had 9 125 employees (10 476) in continuing operations, of whom 3 996 (4 905) were working in Finland. The number of employees working outside Finland was 5 129 (5 571), which represented 56 per cent (53 per cent) of the total.

The Group's wages and salaries in continuing operations amounted to EUR 116.7 million in the period, compared with EUR 128.7 million in 2015. The total employee benefits expenses were EUR 151.8 million (EUR 167.9 million), which is equivalent to 24.3 per cent (24.1 per cent) of revenue.

Risk factors

Stockmann is exposed to risks that arise from the operating environment, risks related to the company's own operations and financial risks.

The general economic situation is affecting consumers' purchasing behaviour and purchasing power in all of the Group's market areas. Consumers' purchasing behaviour is also influenced by digitalisation, increasing competition and changing purchasing trends. Rapid and unexpected movements in markets may influence the behaviour of both the financial markets and consumers. A weak operating environment may also affect the operations of Stockmann's tenants and consequently may have a negative impact on rental income and the occupancy rate of Stockmann's properties. These may have an effect on the fair value of the real estate. Uncertainties related to the general economic situation, and particularly those related to consumers' purchasing power are considered to be the principal risks that will continue to affect Stockmann during 2016.

Fashion accounts for over two thirds of the Group's revenue. An inherent feature of the fashion trade is the short lifecycle of products and their dependence on trends, the seasonality of sales and the susceptibility to abnormal changes in weather conditions. Responsible management of the supply chain is important for the Group's brands in order to retain customer confidence in Stockmann. The Group addresses these factors as part of its day-to-day management of operations.

The Group's operations are based on flexible logistics and efficient flows of goods. Delays and disturbances in the flow of goods and information can have a temporary adverse effect on operations. Every effort is made to manage these operational risks by developing appropriate back-up systems and alternative ways of operating, and by seeking to minimise disturbances to information systems. Operational risks are also met by taking out insurance cover.

The Group's revenue, earnings and balance sheet are affected by changes in exchange rates between the Group's reporting currency, which is the euro, and the Swedish krona, the Norwegian krone, the US dollar, the Russian rouble and certain other currencies. Currency fluctuations may have an effect on the Group's business operations. Financial risks, mainly risks arising from interest rate fluctuations due to the Group's high level of debt may have an effect on the financial costs and the financial position. Financial risks are managed in accordance with the risk policy confirmed by the Board of Directors.

Outlook for 2016

In the Stockmann Group's main operating country, Finland, the general economic situation remains uncertain and only slow GDP growth is estimated. Consumers' purchasing power is expected to remain low, and the development of the non-food retail market is likely to continue being weak. At the same time, competition is increasing.

The GDP growths for Sweden, Norway and the Baltic countries are estimated to be somewhat higher than in Finland. The affordable fashion market in Sweden is expected to remain relatively stable. In the Baltic countries, more competition is expected in the retail market.

Stockmann will continue to operate its shopping centre in St Petersburg. Economic development in Russia is expected to remain weak in 2016. This will have a negative impact on the rental income from tenants in Stockmann's real estate business.

Stockmann's strategy aims at improving the Group's long-term competitiveness and profitability through a comprehensive turnaround of its business. An efficiency programme was launched in February 2015 with an annual cost savings target of EUR 50 million. The programme is progressing according to plan, and its main effects will be reflected in Stockmann's performance from 2016 onwards. The new organisational model which is currently being taken into use, will reduce costs by approximately EUR 20 million during 2017.

Capital expenditure for 2016 is re-estimated to be approximately EUR 40-45 million which is approximately EUR 20 million less than the estimated depreciation for 2016.

Stockmann expects the Group's revenue for 2016 to be down on 2015 due to on-going strategic actions in order to improve profitability. The adjusted operating result is expected to be slightly positive in 2016.

Helsinki, Finland, 12 August 2016

STOCKMANN plc
Board of Directors

CONDENSED FINANCIAL STATEMENTS AND NOTES

Accounting Principles
This Half year financial report has been prepared in compliance with IAS 34. The accounting policies and calculation methods applied are the same as those in the 2015 financial statements except the changes described below. The figures are unaudited.

The Russian rouble has been used as the functional currency for the Russian real estate operations as of 1 February 2016 when the sale of the Russian department store business was completed. The effects of the change in the functional currency are treated non-retroactively, meaning that all items are translated from euros into roubles using the exchange rate prevailing on the date when the functional currency was changed. The arising amounts related to non-monetary items are treated using their original acquisition costs. The change has no material impact on the Group's equity.

Stockmann classifies the Nevsky Centre shopping centre as an investment property in accordance with IAS 40 as of 1 February 2016, since the property is no longer used by the Group's own operations. Investment properties are not depreciated, but any gains or losses due to changes in fair value are recognised through profit and loss for the period during which they arise.

CONSOLIDATED INCOME STATEMENT

EUR mill.	**1.1.–30.6.2016**	1.1.–30.6.2015	1.1.–31.12.2015
Continuing operations			
REVENUE	**625.9**	696.8	1 434.8
Other operating income	**0.6**	0.2	0.2
Materials and consumables	**−297.0**	−350.3	−709.3
Wages, salaries and employee benefit expenses	**−151.8**	−167.9	−321.5
Depreciation, amortisation and impairment losses	**−29.2**	−35.0	−71.9
Other operating expenses	**−167.6**	−190.0	−384.8
Total expenses	**−645.7**	−743.1	−1 487.5
OPERATING PROFIT/LOSS	**−19.2**	−46.2	−52.5
Financial income	**0.7**	0.5	0.9
Financial expenses	**−9.6**	−9.6	−22.1
Total financial income and expenses	**−8.9**	−9.1	−21.2
PROFIT/LOSS BEFORE TAX	**−28.1**	−55.3	−73.7
Income taxes	**−5.2**	−4.0	−15.1
PROFIT/LOSS FROM CONTINUING OPERATIONS	**−33.3**	−59.3	−88.9
Profit/loss from discontinued operations	**10.4**	−8.7	−86.1
NET PROFIT/LOSS FOR THE PERIOD	**−22.9**	−68.0	−175.0
Profit/loss for the period attributable to:			
Equity holders of the parent company	**−22.9**	−68.0	−175.0
Non-controlling interest		−0.0	−0.0
Earnings per share for profit attributable to the ordinary equity holders of the parent company			
From continuing operations (undiluted and diluted)	**−0.50**	−0.82	−1.24
From discontinued operations (undiluted and diluted)	**0.14**	−0.12	−1.20
From the period result (undiluted and diluted), EUR	**−0.35**	−0.94	−2.43

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR mill.	**1.1.–30.6.2016**	1.1.–30.6.2015	1.1.–31.12.2015
PROFIT/LOSS FOR THE PERIOD	**−22.9**	−68.0	−175.0
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurement gains/losses on defined benefit pension liability, before tax		−0.0	0.0
Remeasurement gains/losses on defined benefit pension liability, tax		0.0	0.0
Remeasurement gains/losses on defined benefit pension liability, net of tax		−0.0	0.0
Changes in revaluation surplus (IAS 16), before tax		438.1	473.0
Changes in revaluation surplus (IAS 16), tax		−88.8	−94.5
Changes in revaluation surplus (IAS 16), net of tax		349.3	378.5
Items that may be subsequently reclassified to profit and loss			
Exchange differences on translating foreign operations, before tax	**−1.5**	1.6	1.5
Exchange differences on translating foreign operations, tax		0.1	0.1
Exchange differences on translating foreign operations, net of tax	**−1.5**	1.7	1.6
Cash flow hedges, before tax	**0.1**	−5.4	−3.6
Cash flow hedges, tax	**0.0**	1.2	0.8
Cash flow hedges, net of tax	**0.1**	−4.2	−2.8
Other comprehensive income for the period, net of tax	**−1.4**	346.7	377.2
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**−24.3**	278.7	202.2
Total comprehensive income attributable to:			
Equity holders of the parent company, continuing operations	**−34.7**	287.4	288.4
Equity holders of the parent company, discontinued operations	**10.4**	−8.7	−86.1
Non-controlling interest		−0.0	−0.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR mill.	30.6.2016	30.6.2015	31.12.2015
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Trademark	**96.5**	98.7	98.9
Intangible rights	**44.8**	57.1	48.7
Other intangible assets	**3.5**	3.9	3.7
Advance payments and construction in progress	**4.6**	1.3	1.9
Goodwill	**745.6**	762.6	764.7
Intangible assets, total	**895.0**	923.6	917.9
Property, plant and equipment			
Land and water	**109.4**	139.1	140.4
Buildings and constructions	**619.0**	756.0	777.8
Machinery and equipment	**84.7**	78.6	63.2
Modification and renovation expenses for leased premises	**4.3**	22.1	5.5
Advance payments and construction in progress	**5.2**	16.5	29.3
Property, plant and equipment, total	**822.6**	1 012.3	1 016.2
Investment properties	**181.0**		
Non-current receivables	**10.0**	8.5	9.7
Available-for-sale investments	**5.6**	7.7	5.4
Deferred tax assets	**41.8**	24.3	45.2
NON-CURRENT ASSETS, TOTAL	**1 956.1**	1 976.3	1 994.5
CURRENT ASSETS			
Inventories	**169.6**	216.4	170.8
Current receivables			
Interest-bearing receivables	**1.1**	1.8	1.6
Income tax receivables	**0.1**	5.7	0.2
Non-interest-bearing receivables	**69.5**	76.8	53.8
Current receivables, total	**70.6**	84.3	55.5
Cash and cash equivalents	**18.0**	10.3	19.1
CURRENT ASSETS, TOTAL	**258.1**	311.0	245.4
ASSETS CLASSIFIED AS HELD FOR SALE	**15.7**	46.6	34.0
ASSETS, TOTAL	**2 230.0**	2 333.9	2 273.9

EUR mill.	30.6.2016	30.6.2015	31.12.2015
EQUITY AND LIABILITIES			
EQUITY			
Share capital	**144.1**	144.1	144.1
Share premium fund	**186.1**	186.1	186.1
Revaluation surplus	**368.9**	349.3	368.9
Invested unrestricted equity fund	**250.4**	250.4	250.4
Other funds	**44.6**	43.1	44.6
Translation reserve	**−5.8**	−4.2	−4.3
Retained earnings	**−50.0**	70.2	−27.1
Hybrid bond	**84.3**		84.3
Equity attributable to equity holders of the parent company	**1 022.6**	1 039.0	1 046.9
EQUITY, TOTAL	**1 022.6**	1 039.0	1 046.9
NON-CURRENT LIABILITIES			
Deferred tax liabilities	**159.6**	149.3	163.9
Non-current interest-bearing financing liabilities	**522.9**	579.3	534.7
Provisions for pensions		0.0	
Non-current non-interest-bearing liabilities and provisions	**3.9**	11.6	4.8
NON-CURRENT LIABILITIES, TOTAL	**686.4**	740.2	703.4
CURRENT LIABILITIES			
Current interest-bearing financing liabilities	**283.0**	325.0	248.7
Current non-interest-bearing liabilities			
Trade payables and other current liabilities	**187.6**	213.2	207.5
Income tax liabilities	**20.4**	3.2	20.5
Current provisions	**7.7**	8.3	2.5
Current non-interest-bearing liabilities, total	**215.7**	224.8	230.5
CURRENT LIABILITIES, TOTAL	**498.7**	549.7	479.2
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	**22.3**	4.9	44.4
LIABILITIES, TOTAL	**1 207.4**	1 294.9	1 227.0
EQUITY AND LIABILITIES, TOTAL	**2 230.0**	2 333.9	2 273.9

Includes continuing and discontinued operations

CONSOLIDATED CASH FLOW STATEMENT

EUR mill.	1.1.–30.6.2016	1.1.–30.6.2015	1.1.–31.12.2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/loss for the period	**–22.9**	–68.0	–175.0
Adjustments for:			
Depreciation, amortisation and impairment losses	**29.2**	41.3	89.1
Gains (-) and losses (+) of disposals of fixed assets and other non-current assets	**–0.5**	0.1	1.1
Interest and other financial expenses	**9.6**	10.4	27.0
Interest income	**–0.7**	–0.3	–1.1
Income taxes	**5.2**	4.0	15.1
Other adjustments	**–7.2**	–11.3	–24.1
Working capital changes:			
Increase (-) /decrease (+) in inventories	**–2.7**	24.8	73.0
Increase (-) / decrease (+) in trade and other current receivables	**–20.5**	–2.8	47.0
Increase (+) / decrease (-) in current liabilities	**6.6**	–29.9	–11.2
Interest expenses paid	**–10.6**	–12.1	–17.8
Interest received from operating activities	**0.5**	0.2	0.8
Other financing items from operating activities	**–1.4**	0.0	–1.5
Income taxes paid from operating activities	**–5.4**	–4.3	–5.1
Net cash from operating activities	**–20.9**	–48.0	17.2
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of tangible and intagible assets	**–17.4**	–27.0	–53.9
Proceeds from sale of tangible and intangible assets	**5.7**	0.7	0.9
Acquisition of subsidiaries, net of cash acquired			–0.3
Loans granted	**0.0**	–5.0	–7.0
Dividends received from investing activities	**0.1**	0.1	0.1
Net cash used in investing activities	**–11.6**	–31.2	–60.3
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of hybrid bond			84.3
Proceeds from current liabilities	**247.3**	262.9	218.0
Repayment of current liabilities	**–217.9**	–207.4	–207.4
Proceeds from non-current liabilities		41.0	51.2
Repayment of non-current liabilities	**–0.5**	–35.3	–112.9
Payment of finance lease liabilities	**–0.2**	–0.8	–0.6
Dividends paid	**0.0**	0.0	0.0
Net cash used in financing activities	**28.8**	60.4	32.7
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**–3.6**	–18.8	–10.4
Cash and cash equivalents at the beginning of the period	**19.1**	29.3	29.3
Cheque account with overdraft facility	**–4.1**	–4.1	–4.1
Cash and cash equivalents at the beginning of the period	**15.0**	25.3	25.3
Net increase/decrease in cash and cash equivalents	**–3.6**	–18.8	–10.4
Effects of exchange rate fluctuations on cash held	**–0.0**	0.0	0.2
Cash and cash equivalents at the end of the period	**18.0**	10.3	19.1
Cheque account with overdraft facility	**–6.5**	–3.8	–4.1
Cash and cash equivalents at the end of the period	**11.4**	6.5	15.0

Includes continuing and discontinued operations

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR mill.	Share capital	Share premum fund	Revaluation surplus	Hedging reserve	Reserve for un-restricted equity	Other reserves	Translation differences	Retained earnings	Hybrid bond	**Total**	Non-controlling interest	**Total**
EQUITY 1.1.2015	144.1	186.1		3.4	250.4	43.9	−5.9	138.3		**760.4**	0.0	**760.4**
Profit/loss for the period								−68.0		**−68.0**	−0.0	**−68.0**
Changes in revaluation surplus (IAS 16)			349.3							**349.3**		**349.3**
Remeasurement gains/losses on defined benefit pension liability								−0.0		**−0.0**		**−0.0**
Exchange differences on translating foreign operations							1.7			**1.7**		**1.7**
Cash flow hedges				−4.2						**−4.2**		**−4.2**
Total comprehensive income for the period *)			349.3	−4.2			1.7	−68.1		**278.7**		**278.7**
EQUITY 30.6.2015	144.1	186.1	349.3	−0.8	250.4	43.9	−4.2	70.3		**1 039.0**		**1 039.0**

EUR mill.	Share capital	Share premum fund	Revaluation surplus	Hedging reserve	Reserve for un-restricted equity	Other reserves	Translation differences	Retained earnings	Hybrid bond	**Total**	Non-controlling interest	**Total**
EQUITY 1.1.2015	144.1	186.1		3.4	250.4	43.9	−5.9	138.3		**760.4**	0.0	**760.4**
Proceeds from hybrid bond									85.0	**85.0**		**85.0**
Hybrid bond expenses									−0.7	**−0.7**		**−0.7**
Profit/loss for the period								−175.0		**−175.0**	−0.0	**−175.0**
Changes in revaluation surplus (IAS 16)			378.5							**378.5**		**378.5**
Other changes			−9.6					9.6		**0.0**		**0.0**
Remeasurement gains/losses on defined benefit pension liability								0.0		**0.0**		**0.0**
Exchange differences on translating foreign operations							1.6			**1.6**		**1.6**
Cash flow hedges				−2.8						**−2.8**		**−2.8**
Total comprehensive income for the period *)			378.5	−2.8			1.6	−175.1		**202.2**		**202.2**
EQUITY 31.12.2015	144.1	186.1	368.9	0.6	250.4	43.9	−4.3	−27.1	84.3	**1 046.9**		**1 046.9**

EUR mill.	Share capital	Share premum fund	Revaluation surplus	Hedging reserve	Reserve for un-restricted equity	Other reserves	Translation differences	Retained earnings	Hybrid bond	**Total**	Non-controlling interest	**Total**
EQUITY 1.1.2016	144.1	186.1	368.9	0.6	250.4	43.9	−4.3	−27.1	84.3	**1 046.9**		**1 046.9**
Profit/loss for the period								−22.9		**−22.9**		**−22.9**
Exchange differences on translating foreign operations							−1.5			**−1.5**		**−1.5**
Cash flow hedges				0.1						**0.1**		**0.1**
Total comprehensive income for the period *)				0.1			−1.5	−22.9		**−24.3**		**−24.3**
EQUITY 30.6.2016	144.1	186.1	368.9	0.7	250.4	43.9	−5.8	−50.0	84.3	**1 022.6**		**1 022.6**

*) Adjusted with deferred taxes
Includes continuing and discontinued operations

GROUP'S OPERATING SEGMENTS

Revenue, EUR mill.	1.1.–30.6.2016	1.1.–30.6.2015	1.1.–31.12.2015
Stockmann Retail	**303.9**	367.2	740.8
Fashion Chains	**305.8**	317.5	668.4
Real Estate	**29.6**	29.8	59.3
Segments, total	**639.3**	714.5	1 468.5
Unallocated	**0.0**	0.1	0.3
Eliminations	**−13.4**	−17.8	−34.0
Group total	**625.9**	696.8	1 434.8

Operating profit/loss, EUR mill.	1.1.–30.6.2016	1.1.–30.6.2015	1.1.–31.12.2015
Stockmann Retail	**−45.8**	−44.4	−72.9
Fashion Chains	**19.6**	−5.3	30.5
Real Estate	**11.4**	10.1	16.3
Segments, total	**−14.7**	−39.6	−26.1
Unallocated	**−4.5**	−6.6	−26.4
Group total	**−19.2**	−46.2	−52.5
Financial income	**0.7**	0.5	0.9
Financial expenses	**−9.6**	−9.6	−22.1
Consolidated profit/loss before taxes	**−28.1**	−55.3	−73.7

Depreciation, amortisation and impairment losses, EUR mill.	1.1.–30.6.2016	1.1.–30.6.2015	1.1.–31.12.2015
Stockmann Retail	**7.7**	7.8	13.7
Fashion Chains	**10.0**	12.1	22.3
Real Estate	**10.4**	13.9	27.4
Segments, total	**28.1**	33.8	63.4
Unallocated	**1.1**	1.2	8.5
Group total	**29.2**	35.0	71.9

Comparison figures related to the income statement have been restated due to the Retail Russia being classified as discontinued operations.

Capital expenditure, gross, EUR mill.	1.1.–30.6.2016	1.1.–30.6.2015	1.1.–31.12.2015
Stockmann Retail	**8.8**	12.8	25.8
Fashion Chains	**8.2**	11.7	21.9
Real Estate	**2.5**	0.9	4.8
Segments, total	**19.4**	25.5	52.5
Unallocated	**0.1**	0.7	1.0
Group total	**19.5**	26.2	53.4

Assets, EUR mill.	1.1.–30.6.2016	1.1.–30.6.2015	1.1.–31.12.2015
Stockmann Retail	**211.3**	278.8	209.6
Fashion Chains	**1 019.5**	1 052.3	1 038.4
Real Estate	**923.2**	905.5	917.3
Segments, total	**2 154.0**	2 236.6	2 165.3
Unallocated	**60.3**	50.7	74.6
Assets classified as held for sale	**15.7**	46.6	34.0
Group total	**2 230.0**	2 333.9	2 273.9

Includes continuing and discontinued operations

INFORMATION ON MARKET AREAS

Revenue, EUR mill.	1.1.–30.6.2016	1.1.–30.6.2015	1.1.–31.12.2015
Finland	302.0	371.3	743.2
Sweden and Norway *)	244.5	236.9	512.6
Baltic countries, Russia and other countries	79.4	88.6	179.0
Group total	625.9	696.8	1 434.8
Finland %	48.3%	53.3%	51.8%
International operations %	51.7%	46.7%	48.2%

Operating profit/loss, EUR mill.	1.1.–30.6.2016	1.1.–30.6.2015	1.1.–31.12.2015
Finland	−43.8	−56.4	−102.9
Sweden and Norway *)	24.8	14.2	55.4
Baltic countries, Russia and other countries	−0.2	−4.1	−5.0
Group total	−19.2	−46.2	−52.5

Non-current assets, EUR mill.	1.1.–30.6.2016	1.1.–30.6.2015	1.1.–31.12.2015
Finland **)	741.8	723.8	771.4
Sweden and Norway	855.4	878.2	878.6
Baltic countries, Russia and other countries	317.5	350.7	299.9
Group total	1 914.7	1 952.7	1 949.9
Finland %	38.7%	37.1%	39.6%
International operations %	61.3%	62.9%	60.4%

Comparison figures related to the income statement have been restated due to the Retail Russia being classified as discontinued operations.
*) Includes franchising income
**) Includes non-current assets classified as held for sale

ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

EUR mill.	30.6.2016	30.6.2015	31.12.2015
Discontinued operations			
Profit/loss for the financial period from discontinued operations			
Income	13.2	89.3	177.4
Expenses	12.8	98.0	186.4
Profit/loss before and after taxes	0.4	−8.7	−9.0
Intra-group charges and rent income are eliminated and therefore not included in income nor expenses.			
Profit/loss relating to the sales of Retail Russia after income tax	10.0		−77.2
Result from discontinued operation	10.4	−8.7	−86.1
Cash flows from discontinued operations			
Cash flow from operations	0.0	−3.6	−11.7
Cash flow from investments	3.5	−0.1	1.1
Cash flow from financing		5.5	8.3
Cash flow total	3.5	1.7	−2.3
Discontinued operations, assets classified as held for sale and relating liabilities			
Current receivables			13.3
Current liabilities	4.0		23.4
Net assets	−4.0		−10.1
Other assets classified as held for sale and the relating liabilities			
Intangible assets and property, plant and equipment	0.4	0.7	0.6
Inventories	12.3	13.1	10.9
Other receivables	2.9	31.9	8.5
Cash and cash equivalents	0.1	0.9	0.7
Other liabilities	18.3	4.9	21.0
Net assets	−2.6	41.6	−0.3

KEY FIGURES OF THE GROUP

	30.6.2016	30.6.2015 Restated	31.12.2015
Equity ratio, per cent	**46.0**	44.6	46.1
Net gearing, per cent	**76.2**	85.3	72.1
Cash flow from operating activities per share, EUR	**−0.29**	−0.74	0.24
Interest-bearing net debt, EUR mill.	**778.0**	884.2	753.6
Number of shares at the end of the period, thousands	**72 049**	72 049	72 049
Weighted average number of shares, thousands	**72 049**	72 049	72 049
Weighted average number of shares, diluted, thousands	**72 049**	72 049	72 049
Market capitalization, EUR mill.	**387.8**	447.1	449.4
Operating profit/loss, per cent of turnover *)	**−3.1**	−6.6	−3.7
Equity per share, EUR	**14.19**	14.42	14.53
Return on equity, rolling 12 months, per cent	**−12.6**	−12.9	−19.4
Return on capital employed, rolling 12 months, per cent	**−4.6**	−5.2	−7.6
Average number of employees, converted to full-time equivalents *)	**6 661**	7 878	7 643
Capital expenditure, EUR mill.	**19.5**	26.2	53.4

*) continuing operations

DEFINITIONS OF KEY FIGURES:

Equity ratio, per cent = 100 x $\frac{\text{Equity + non-controlling interest}}{\text{Total assets – advance payments received}}$

Net gearing, per cent = 100 x $\frac{\text{Interest-bearing liabilities – cash and cash equivalents – interest-bearing receivables}}{\text{Equity total}}$

Interest-bearing net debt = Interest-bearing liabilities – cash and cash equivalents – interest-bearing receivables

Market capitalization = Number of shares multiplied by the quotation for the respective share series on the balance sheet date

Earnings per share = $\frac{\text{Result for the period attributable to the parent company's shareholders less tax-adjusted interest on hybrid bond adjusted for share issue}}{\text{Average number of shares, adjusted for share issue*}}$

Return on equity, per cent, rolling 12 months = 100 x $\frac{\text{Result for the period (12 months)}}{\text{Equity + non-controlling interest (average over 12 months)}}$

Return on capital employed, per cent, rolling 12 months = 100 x $\frac{\text{Result before taxes + interest and other financial expenses (12 months)}}{\text{Capital employed (average over 12 months)}}$

* Without own shares owned by the company

EXCHANGE RATES OF EURO

Closing rate for the period	**30.6.2016**	30.6.2015	31.12.2015
RUB	**71.5200**	62.3550	80.6736
NOK	**9.3008**	8.7910	9.6030
SEK	**9.4242**	9.2150	9.1895
Average rate for the period	**1.1.–30.6.2016**	1.1.–30.6.2015	1.1.–31.12.2015
RUB	**78.3784**	64.5211	67.9919
NOK	**9.4223**	8.6444	8.9442
SEK	**9.3007**	9.3396	9.3532

INFORMATION PER QUARTER

Consolidated income statement per quarter

EUR mill.	**Q2 2016**	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014
Continuing operations								
Revenue	**352.7**	273.1	420.0	317.9	351.0	345.8	476.3	358.6
Other operating income	**0.6**	0.0	0.0	0.0	0.2	0.0	0.0	0.0
Materials and consumables	**-160.9**	-136.1	-205.9	-153.1	-166.1	-184.1	-257.5	-174.4
Wages, salaries and employee benefit expenses	**-76.1**	-75.7	-81.9	-71.7	-81.0	-86.9	-93.7	-80.9
Depreciation, amortisation and impairment losses	**-15.0**	-14.2	-19.4	-17.5	-17.4	-17.6	-14.6	-14.4
Other operating expenses	**-90.2**	-77.5	-108.5	-86.2	-90.7	-99.3	-138.6	-100.4
Operating profit/loss, EUR mill.	**11.1**	-30.3	4.3	-10.6	-4.1	-42.0	-28.1	-11.6
Financial income	**0.3**	0.4	0.6	-0.2	-0.4	0.9	0.1	0.1
Financial expenses	**-5.0**	-4.7	-7.7	-4.7	-4.6	-5.0	-5.5	-5.5
Total financial income and expenses	**-4.7**	-4.3	-7.2	-4.9	-5.0	-4.1	-5.4	-5.3
Profit/loss before tax	**6.5**	-34.6	-2.9	-15.5	-9.1	-46.2	-33.5	-16.9
Income taxes	**-8.2**	3.0	-16.3	5.1	-3.0	-1.0	-7.0	5.9
Profit/loss from continuing operations	**-1.7**	-31.6	-19.1	-10.4	-12.1	-47.2	-40.5	-11.0
Profit/loss from discontinued operations		10.4	-71.3	-6.1	0.2	-8.9	2.4	-2.6
Net profit/loss for the period	**-1.7**	-21.2	-90.4	-16.5	-11.9	-56.2	-38.1	-13.6

Earnings per share per quarter

EUR	**Q2 2016**	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014
From continuing operations (undiluted and diluted)	**-0.04**	-0.46	-0.27	-0.14	-0.17	-0.66	-0.56	-0.15
From the period result (undiluted and diluted)	**-0.04**	-0.31	-1.26	-0.23	-0.16	-0.78	-0.53	-0.19

Segment information per quarter

EUR mill.	**Q2 2016**	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014
Revenue								
Stockmann Retail	**168.7**	135.2	228.5	145.1	169.2	197.9	273.3	161.2
Fashion Chains	**175.6**	130.2	184.6	166.4	175.2	142.3	196.9	190.9
Real Estate	**14.7**	14.8	14.4	15.0	15.2	14.6	15.0	14.8
Unallocated	**0.0**	0.0	0.0	0.1	0.1	0.0	-0.1	0.1
Eliminations	**-6.4**	-7.1	-7.5	-8.7	-8.8	-9.0	-8.8	-8.3
Group total	**352.7**	273.1	420.0	317.9	351.0	345.8	476.3	358.6
Operating profit/loss, EUR mill.								
Stockmann Retail	**-20.5**	-25.3	0.4	-28.9	-21.8	-22.6	-2.9	-20.3
Fashion Chains	**28.1**	-8.5	20.5	15.3	17.7	-23.0	2.9	4.2
Real Estate	**5.4**	6.0	1.7	4.5	5.5	4.6	3.9	3.6
Unallocated	**-1.8**	-2.6	-18.2	-1.6	-5.5	-1.0	-34.9	-2.1
Group total	**11.1**	-30.3	4.3	-10.6	-4.1	-42.0	-30.9	-14.7
Reconciliation to reported operating profit/loss:								
Change in depreciation (IAS 16)							2.9	3.1

Information on market areas

EUR mill.	**Q2 2016**	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014
Revenue								
Finland	**169.1**	132.9	223.8	148.1	166.2	205.1	262.6	180.1
Sweden and Norway *)	**140.6**	103.9	145.8	129.8	137.4	99.6	137.8	129.0
Baltic countries, Russia and other countries	**43.0**	36.4	50.4	40.0	47.4	41.2	76.0	49.5
Group total	**352.7**	273.1	420.0	317.9	351.0	345.8	476.3	358.6
Finland %	**47.9%**	48.6%	53.3%	46.6%	47.4%	59.3%	55.1%	50.2%
International operations %	**52.1%**	51.4%	46.7%	53.4%	52.6%	40.7%	44.9%	49.8%
Operating profit/loss								
Finland	**-18.3**	-25.5	-19.2	-27.3	-24.1	-32.2	-42.7	-29.2
Sweden and Norway *)	**27.4**	-2.6	22.6	18.6	18.7	-4.5	12.9	10.2
Baltic countries, Russia and other countries	**2.0**	-2.2	1.0	-1.9	1.3	-5.3	-1.2	4.3
Group total	**11.1**	-30.3	4.3	-10.6	-4.1	-42.0	-31.0	-14.6

*) Includes franchising income
Comparison figures related to the income statement have been restated due to the Retail Russia being classified as discontinued operations.

CONTINGENT LIABILITIES AND DERIVATIVE CONTRACTS

Contingent liabilities of the Group, EUR mill.	**30.6.2016**	30.6.2015	31.12.2015
Mortgages on land and buildings	**1.7**	1.7	1.7
Pledges and guarantees	**11.2**	8.5	8.0
Liabilities of adjustments of VAT deductions made on investments to immovable property	**14.9**	16.8	17.6
Total	**27.8**	27.0	27.3
Hybrid bond			
On 17 December 2015 Stockmann issued a hybrid bond of EUR 85 mill. The accrued interest on the bond at the end of period was:	**3.5**		0.3

Lease agreements on the Group's business premises, EUR mill.	**30.6.2016**	30.6.2015	31.12.2015
Minimum rents payable on the basis of binding lease agreements on business premises			
Within one year	**127.0**	164.9	158.7
After one year	**617.9**	718.7	726.6
Total	**744.9**	883.6	885.3
Retail Russia as per 30.6.2015 EUR 105.9 mill and 31.12.2015 EUR 94.0 mill included.			

Group's lease payments, EUR mill.	**30.6.2016**	30.6.2015	31.12.2015
Within one year	**0.6**	0.6	0.7
After one year	**1.1**	1.1	1.0
Total	**1.6**	1.7	1.7

Group's derivative contracts, EUR mill.	**30.6.2016**	30.6.2015	31.12.2015
Nominal value			
Currency derivatives	**507.5**	486.0	523.3
Electricity derivatives	**1.7**	1.4	1.8
Total	**509.2**	487.5	525.1

CONSOLIDATED ASSETS AND GOODWILL

Assets, EUR mill.	**30.6.2016**	30.6.2015	31.12.2015
Acquisition cost at the beginning of the period	**2 331.8**	1 960.6	1 960.6
Fair value valuation of the real estates 1.1.		438.3	438.3
Acquisition cost at the beginning of the period total	**2 331.8**	2 398.9	2 398.9
Fair value change from revaluation of the real estates 31.12.			34.7
Translation difference +/-	**-23.0**	19.8	19.0
Increases during the period	**19.5**	26.2	53.4
Decreases during the period	**-11.3**	-24.2	-46.3
Transfers to non-current assets classified as held for sale	**1.0**	-0.6	-128.0
Acquisition cost at the end of the period	**2 317.9**	2 420.2	2 331.8
Accumulated depreciation and impairment losses at the beginning of the period	**-397.6**	-457.9	-457.9
Translation difference +/-	**0.6**	-2.6	0.2
Depreciation on reductions during the period	**7.8**	16.8	39.4
Accumulated depreciation on transfers to non-current assets classified as held for sale	**-0.7**	0.7	109.7
Depreciation, amortisation and impairment losses during the period	**-29.2**	-41.3	-89.1
Accumulated depreciation and impairment losses at the end of the period	**-419.2**	-484.3	-397.6
Carrying amount at the beginning of the period	**1 934.1**	1 502.7	1 502.7
Carrying amount at the end of the period	**1 898.7**	1 935.9	1 934.1

The calculation of consolidated assets includes following changes in consolidated goodwill:

Goodwill, EUR mill.	**30.6.2016**	30.6.2015	31.12.2015
Acquisition cost at the beginning of the period	**764.7**	748.1	748.1
Translation difference +/-	**-19.0**	14.5	16.6
Acquisition cost at the end of the period	**745.6**	762.6	764.7
Carrying amount at the beginning of the period	**764.7**	748.1	748.1
Carrying amount at the end of the period	**745.6**	762.6	764.7

CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES CLASSIFIED ACCORDING TO IAS 39, AND HIERARCHICAL CLASSIFICATION OF FAIR VALUES

Financial assets, EUR mill.	Level	**Carrying amount 30.6.2016**	**Fair value 30.6.2016**	Carrying amount 30.6.2015	Fair value 30.6.2015	Carrying amount 31.12.2015	Fair value 31.12.2015
Derivative contracts, hedge accounting applied	2	**1.3**	**1.3**	0.5	0.5	1.2	1.2
Financial assets at fair value through profit or loss							
Derivative contracts, hedge accounting not applied							
Currency derivatives	2	**6.1**	**6.1**	0.5	0.5	0.5	0.5
Financial assets at amortised cost							
Non-current receivables		**10.0**	**10.0**	8.5	8.5	9.7	9.7
Current receivables, interest-bearing		**1.1**	**1.1**	1.8	1.8	1.6	1.6
Current receivables, non-interest-bearing		**62.0**	**62.0**	75.8	75.8	52.1	52.1
Cash and cash equivalents		**18.0**	**18.0**	10.3	10.3	19.1	19.1
Available-for-sale financial assets	3	**5.6**	**5.6**	7.7	7.7	5.4	5.4
Financial assets, total		**104.1**	**104.1**	105.1	105.1	89.6	89.6

Financial liabilities, EUR mill.	Level	**Carrying amount 30.6.2016**	**Fair value 30.6.2016**	Carrying amount 30.6.2015	Fair value 30.6.2015	Carrying amount 31.12.2015	Fair value 31.12.2015
Derivative contracts, hedge accounting applied	**2**	0.3	**0.3**	1.2	1.2	0.3	0.3
Financial liabilities at fair value through profit or loss							
Derivative contracts, hedge accounting not applied							
Currency derivatives	2	**0.5**	**0.5**	4.7	4.7	5.3	5.3
Electricity derivatives	1	**0.4**	**0.4**	0.2	0.2	0.5	0.5
Financial liabilities at amortised cost							
Non-current interest-bearing liabilities	2	**522.9**	**523.8**	579.3	578.7	534.7	534.9
Current liabilities, interest-bearing	2	**283.0**	**283.7**	325.0	325.4	248.7	249.4
Current liabilities, non-interest-bearing		**186.6**	**186.6**	207.3	207.3	201.6	201.6
Financial liabilities, total		**993.9**	**995.5**	1 117.6	1 117.4	991.2	992.1

The Group uses the following hierarchy of valuation techniques to determine and disclose the fair value of financial instruments:
Level 1: Quoted (unadjusted) prices for identical assets or liabilities in active markets.
Level 2: The valuation techniques use as input data quoted market prices which are regularly available from stock exchanges, brokers or pricing services. Level 2 financial instruments are over-the-counter (OTC) derivative contracts which are classified either for recognition at fair value on the income statement or as hedging instruments.
Level 3: Techniques, which require most management's judgment.

There were no transfers between levels during the financial year.

Financial assets on level 3 are investments in shares of unlisted companies. The fair value of the shares is determined by techniques based on the management's judgment. Profits or losses from the investments are recorded to other operating income or expenses in the income statement, because acquisition and divestment decisions on the investments are made for business reasons. The following calculation illustrates changes in financial assets valuated at fair value during the reporting period.

Change in fair value of available-for-sale financial assets, EUR mill.	**30.6.2016**	30.6.2015	31.12.2015
Carrying amount Jan. 1	**5.4**	7.8	7.8
Translation difference +/-	**0.2**	0.0	0.0
Sale of shares	**0.0**	−0.1	−0.1
Fair value change			−1.6
Transfers to non-current assets held for sale	**0.0**		−0.6
Total	**5.6**	7.7	5.4

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