Half year financial report 2018

STOCKMANN

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The Group's adjusted operating profit improved by EUR 9.3 million in Q2 – a strong quarter for Lindex

April-June 2018, continuing operations:
- Consolidated revenue was EUR 279.4 million (281.3).
- Gross margin was 58.2% (56.1).
- Adjusted operating result was EUR 23.8 million (14.6).
- Reported operating result was EUR 29.6 million (14.6), including a capital gain of EUR 7.0 million from the divestment of the Book House property in Helsinki.

January-June 2018, continuing operations:
- Consolidated revenue was EUR 481.8 million (498.1).
- Gross margin was 56.9% (54.9).
- Adjusted operating result was EUR -1.0 million (-10.5).
- Reported operating result was EUR 2.7 million (-10.5).
- Adjusted earnings per share were EUR -0.37 and reported earnings per share were EUR -0.35 (-0.42).

Guidance for 2018 remains unchanged:
Stockmann expects the Group's revenue for 2018 to be on a par with the previous year. Adjusted operating profit is expected to improve in 2018.

CEO Lauri Veijalainen:
Our second quarter was a good quarter for the Group. The Group's performance improved and the adjusted operating profit was up by nearly EUR 10 million. The gross margin continued to improve due to healthy inventory levels and reduced clearance sales.

Lindex showed solid sales growth thanks to strong, renewed spring and summer collections which led to increased sales in all markets and channels. The tough but needed cost savings are also starting to bear fruit. The gross margin improved and subsequently the adjusted operating result increased by EUR 8 million.

In Stockmann Retail, the Crazy Days campaign in April was a success, but sales were slower towards the end of the quarter. We aim to compensate the decline in revenue with an improved gross margin and cost savings throughout 2018, and thus to catch up with Retail's performance improvement schedule targets. However, Stockmann Retail is not expected to reach a positive operating result for the full year. Digital projects aiming at increasing sales are also under way.

Real Estate's performance continued as planned. Based on customer feedback, we introduced several new restaurants and cafés in our department stores during the quarter. The divestment of the Book House in Helsinki was completed. Investigations into the possible divestment of the Nevsky Centre in St Petersburg are being actively pursued.

In the autumn, we will continue to speed up our strategic projects, particularly digital acceleration, in order to reach the growth targets and improve our profitability. Due to seasonality, the most important months are ahead of us, in the second half of 2018.

KEY FIGURES

Continuing operations	**4-6/2018**	4-6/2017	**1-6/2018**	1-6/2017	1-12/2017
Revenue, EUR mill.	**279.4**	281.3	**481.8**	498.1	1 055.9
Gross margin, %	**58.2**	56.1	**56.9**	54.9	55.8
EBITDA, EUR mill.	**43.5**	29.5	**30.8**	19.4	67.6
Adjusted EBITDA, EUR mill.	**37.7**	29.5	**27.1**	19.4	73.2
Operating result (EBIT), EUR mill.	**29.6**	14.6	**2.7**	−10.5	−148.4
Adjusted operating result (EBIT), EUR mill.	**23.8**	14.6	**−1.0**	−10.5	12.3
Net financial items, EUR mill.*	**−8.8**	−10.8	**−17.5**	−15.4	−31.1
Result before tax, EUR mill.	**20.8**	3.8	**−14.8**	−25.9	−179.5
Result for the period, EUR mill.	**8.0**	−1.1	**−22.9**	−28.0	−198.1
Earnings per share, undiluted and diluted, EUR	**0.09**	−0.03	**−0.35**	−0.42	−2.82
Personnel, average	**7 214**	7 224	**7 144**	7 217	7 360

Continuing and discontinued operations**	**4-6/2018**	4-6/2017	**1-6/2018**	1-6/2017	1-12/2017
Net earnings per share, undiluted and diluted, EUR	**0.09**	−0.09	**−0.35**	−0.52	−2.98
Cash flow from operating activities, EUR mill.	**79.7**	48.2	**17.9**	−29.9	25.9
Capital expenditure, EUR mill.	**7.4**	7.9	**15.1**	15.7	34.7
Equity per share, EUR			**11.92**	14.32	12.29
Net gearing, %			**72.7**	76.5	83.8
Equity ratio, %			**45.7**	46.9	43.0
Number of shares, undiluted and diluted, weighted average, 1 000 pc			**72 049**	72 049	72 049
Return on capital employed, rolling 12 months, %			**−8.3**	1.3	−9.1

* Includes in 2017 a write-off of EUR 3.8 million related to Stockmann's investment in Tuko Logistics Cooperative (Q2 2017), EUR 2.0 million related to Seppälä (Q3 2017), EUR 1.5 million related to Hobby Hall (Q4 2017).
** Discontinued operations include Stockmann Delicatessen food operations in Finland (2017).

Items affecting comparability

EUR million	**4-6/2018**	4-6/2017	**1-6/2018**	1-6/2017	1-12/2017
Adjusted EBITDA	**37.7**	29.5	**27.1**	19.4	73.2
Adjustments to EBITDA					
Restructuring arrangements	**−1.2**		**−3.3**		−9.6
Fair value gains and losses on investment properties					4.0
Gain on sale of properties	**7.0**		**7.0**		
Adjustments total	**5.7**		**3.7**		−5.6
EBITDA	**43.5**	29.5	**30.8**	19.4	67.6

EUR million	**4-6/2018**	4-6/2017	**1-6/2018**	1-6/2017	1-12/2017
Adjusted operating result (EBIT)	**23.8**	14.6	**−1.0**	−10.5	12.3
Adjustments to EBIT					
Lindex goodwill impairment					−150.0
Restructuring arrangements	**−1.2**		**−3.3**		−14.6
Fair value gains and losses on investment properties					4.0
Gain on sale of properties	**7.0**		**7.0**		
Adjustments total	**5.7**		**3.7**		−160.6
Operating result (EBIT)	**29.6**	14.6	**2.7**	−10.5	−148.4

Stockmann uses Alternative Performance Measures according to the guidelines of the European Securities and Market Authority (ESMA) to better reflect the operational business performance and to facilitate comparisons between financial periods. 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. EBITDA is calculated from the operating result excluding depreciation, amortisation and impairment losses. Adjusted EBITDA and adjusted operating result (EBIT) are measures which exclude non-recurring items and other adjustments affecting comparability from the reported EBITDA and reported operating result (EBIT).

MARKET ENVIRONMENT

The general economic situation remained strong in Finland in the second quarter, and consumer confidence was at a high level. However, the fashion market in Finland in January-June was -1.0% (-2.9%, source: Fashion and Sport Commerce Association, TMA).

In Sweden, the general economic situation continued stable development, but the fashion market was in January-June -2.0% (-2.1%, source: Swedish Trade Federation, Stilindex).

The retail market in the Baltic countries continued its growth both in Estonia and Latvia.

REVENUE AND EARNINGS IN CONTINUING OPERATIONS

April-June 2018

The Stockmann Group's second-quarter revenue was EUR 279.4 million (281.3). Revenue was down by 0.6% from the previous year. Revenue was lower due to the weakening of the exchange rate of the Swedish krona.

The revenue in Finland was down by 1.9%, to EUR 106.0 million (108.1). Revenue in other countries was up by 0.2%, to EUR 173.4 million (173.2).

The gross profit amounted to EUR 162.7 million (157.9) and the gross margin was 58.2% (56.1). The gross margin improved due to good development in Lindex.

The Group's adjusted EBITDA was EUR 37.7 million (29.5). Depreciation was EUR 13.9 million (14.9).

The adjusted operating result for the second quarter was EUR 23.8 million (14.6). Operating profit improved in Lindex and Real Estate, while Stockmann Retail's operating result declined.
Operating costs were down by EUR 2.2 million, or by EUR 3.5 million including adjustments related to restructuring measures, and amounted to EUR 126.2 million (128.4).

A capital gain of EUR 7.0 million was recorded due to the divestment of the Book House. The reported operating result was EUR 29.6 million (14.6).

January-June 2018

The Stockmann Group's revenue for the period was EUR 481.8 million (498.1). Revenue was down by 3.3% from the previous year. Revenue was lower due to the weakening of the exchange rate of the Swedish krona. The comparison figure includes the revenue of the Oulu department store which was closed in January 2017.

The revenue in Finland was down by 4.0%, to EUR 181.8 million (189.4). Revenue in other countries was down by 2.8%, to EUR 300.1 million (308.7).

The gross profit amounted to EUR 274.3 million (273.6) and the gross margin was 56.9% (54.9). The margin improved in both Lindex and Stockmann Retail.

The Group's adjusted EBITDA was EUR 27.1 million (19.4). Depreciation was EUR 28.1 million (29.9).

The adjusted operating result for the period was EUR -1.0 million (-10.5). Operating costs were down by EUR 3.8 million, or by EUR 7.0 million including adjustments, and amounted to EUR 250.4 million (254.2). The target is to achieve annual cost savings of EUR 8 million in Stockmann and EUR 10 million in Lindex, by the end of 2018. The reported operating result was EUR 2.7 million (-10.5).

Net financial expenses were EUR 17.5 million (15.4). The increase is due to the changed financing arrangements and the higher financing expenses resulting from the financial structure. The expenses in 2017 include a write-off of EUR 3.8 million related to Stockmann's investment in Tuko Logistics Cooperative. Foreign exchange losses amounted to EUR 0.4 million (1.0). The result before taxes was EUR -14.8 million (-25.9).

Additional taxes of EUR 4.9 million were booked in the second quarter due to a tax reassessment decision made by the Swedish tax authorities for 2016. The result for the period was EUR -22.9 million (-28.0, or -35.0 including discontinued operations of Stockmann Delicatessen in Finland).

Adjusted earnings per share for the period were EUR -0.37. Earnings per share for the period were EUR -0.35 (-0.42, or -0.52 including discontinued operations). Equity per share was EUR 11.92 (14.32).

FINANCING AND CAPITAL EMPLOYED

Cash flow from operating activities came to EUR 79.7 million (48.2) in the second quarter and EUR 17.9 million (-29.9) in January-June. Cash and cash equivalents totalled EUR 24.9 million (11.3) at the end of the period.

Inventories were below the previous year's level. Total inventories were EUR 149.6 million (166.2) at the end of June.

Interest-bearing liabilities at the end of June were EUR 650.4 million (803.9), of which long-term debt amounted to EUR 439.4 million (387.0). Stockmann repaid term loans amounting to EUR 108.1 million with the proceeds from the divestment of the Book House property. Part of the short-term debt has been raised in the commercial paper market. The Group has undrawn, long-term committed credit facilities of EUR 151.7 million and uncommitted, short-term credit facilities of EUR 540.0 million. Stockmann also has a EUR 84.3 million hybrid bond which is treated as equity.

The equity ratio at the end of June was 45.7% (46.9), and net gearing was 72.7% (76.5).

The Group's capital employed at the end of June was EUR 1 509.5 million (1 835.8). The return on capital employed over the past 12 months was -8.3% (1.3).

CAPITAL EXPENDITURE

Capital expenditure totalled EUR 7.4 million (7.9) in the second quarter and EUR 15.1 million (15.7) in January-June. Most of the capital expenditure was used for Lindex digitalisation and store refurbishments. Depreciation was EUR 28.1 million (29.9).

REVENUE AND EARNINGS BY DIVISION

Stockmann's divisions and reportable segments are Lindex, Stockmann Retail and Real Estate. Stockmann Retail includes non-food department store operations in Finland and non-food and food operations in the Baltic countries.

LINDEX

Lindex	4–6/2018	4–6/2017	1–6/2018	1–6/2017
Revenue, EUR mill.	**163.8**	162.1	**278.6**	285.3
Gross margin, %	**63.7**	60.6	**61.2**	59.1
Operating result, EUR mill.	**19.6**	12.6	**3.4**	−2.1
Adjusted operating result, EUR mill.	**20.8**	12.6	**4.9**	−2.1
Capital expenditure, EUR mill.	**4.1**	4.9	**10.3**	9.3

April-June 2018

Lindex's revenue for the quarter was up by 1.0%, to EUR 163.8 million (162.1). The same-store sales at comparable exchange rates were up by 4.5%. Comparable sales increased in all markets.

The gross margin for the quarter was 63.7% (60.6). Collections have been renewed, and as a result, markdowns decreased and the gross margin increased.

Operating costs were down by EUR 0.9 million, or by EUR 2.1 million including adjustments related to restructuring measures. The costs declined mainly due to currency exchange rates.

The adjusted operating profit for the quarter was EUR 20.8 million and the reported operating profit was EUR 19.6 million (12.6).

January-June 2018

Lindex's revenue for the period was down by 2.3%, to EUR 278.6 million (285.3). The same-store sales at comparable exchange rates were up by 0.3%

The gross margin for the period was 61.2% (59.1).

Operating costs were down by EUR 3.6 million, or by EUR 5.1 million including adjustments. Costs declined mainly due to currency exchange rates.

The adjusted operating profit for the period was EUR 4.9 million and the reported operating profit was EUR 3.4 million (-2.1).

Store network

Lindex opened 6 stores and closed 8 stores during the second quarter. In 2018, Lindex will mainly focus on optimising its store locations. Unprofitable stores will either move to new locations or close down. Some new store openings in attractive locations and with new formats will be launched. The total number of stores at the end of year is estimated to decrease by over 20 stores, compared to 2017.

Lindex store network	Total 31.12.2017	Total 31.3.2018	Closed stores 1–6/2018	New stores 1–6/2018	**Total 30.6.2018**
Finland	60	61	1	2	**62**
Sweden	210	207	3	1	**205**
Norway	99	98	1	3	**100**
Estonia	10	10	1	0	**9**
Latvia	10	10	0	0	**10**
Lithuania	9	9	0	0	**9**
Czech Republic	29	29	0	0	**29**
Slovakia	12	12	0	0	**12**
Poland	3	3	1	0	**2**
UK	2	2	0	0	**2**
Iceland*	7	7	0	0	**7**
Bosnia and Herzegovina*	7	7	0	0	**7**
Serbia*	5	5	0	0	**5**
Kosovo*	2	2	1	0	**1**
Albania*	1	1	0	0	**1**
Saudi Arabia*	21	20	0	0	**20**
Qatar*	2	2	0	0	**2**
Tunisia*	1	1	0	0	**1**
Total	**490**	**486**	**8**	**6**	**484**
Own stores	444	441	7	6	**440**
Franchising stores (*)	46	45	1	0	**44**

STOCKMANN RETAIL

Stockmann Retail	4-6/2018	4-6/2017	1-6/2018	1-6/2017
Revenue, EUR mill.	**104.7**	109.1	**181.0**	192.8
Gross margin, %	**45.4**	45.8	**45.1**	44.2
Operating result, EUR mill.	**-3.6**	-2.6	**-20.8**	-17.3
Adjusted operating result, EUR mill.	**-3.6**	-2.6	**-19.1**	-17.3
Capital expenditure, EUR mill.	**1.1**	0.8	**1.4**	3.3

April-June 2018

Stockmann Retail's revenue for the quarter was EUR 104.7 million (109.1). Revenue was down by 4.0% due to decreased sales in the brick-and-mortar stores in Finland.

Revenue in Finland was EUR 81.6 million (86.2). Revenue was down by 5.3% compared with the previous year. Revenue in the Baltic department stores was up by 0.9%, to EUR 23.1 million (22.9).

The gross margin for the quarter was 45.4% (45.8). The gross margin was down due to timing of markdowns in the summer clearance sales.

Operating costs were down by EUR 0.9 million. Although rent levels were higher than in the previous year, costs declined due to savings in the support functions.

EBITDA was EUR -0.4 million (1.0). The operating result for the quarter was EUR -3.6 million (-2.6).

January-June 2018

Stockmann Retail's revenue for the period was EUR 181.0 million (192.8 or 191,1 excluding Oulu department store which was closed in January 2017). Revenue in comparable stores was down by 5.3%.

Revenue in Finland was EUR 138.7 million (150.3). Revenue in comparable stores was down by 6.7%. Revenue in the Baltic department stores was down by 0.2%, to EUR 42.3 million (42.4).

The gross margin for the period was 45.1% (44.2) due to lower markdowns during the first quarter.

Operating costs were up by EUR 0.8 million, or down by EUR 0.9 million including adjustments related to restructuring measures.

Adjusted EBITDA was EUR -12.6 million (-10.1). The adjusted operating result for the period was EUR -19.1 million and the reported operating result was EUR -20.8 million (-17.3).

REAL ESTATE

Real Estate	4–6/2018	4–6/2017	1–6/2018	1–6/2017
Revenue, EUR mill.	**17.5**	16.8	**35.4**	33.8
Net operating income, Stockmann-owned properties, EUR mill.	**12.9**	12.9	**26.2**	25.9
Operating result, EUR mill.	**14.3**	6.6	**21.9**	13.0
Adjusted operating result, EUR mill.	**7.4**	6.6	**14.9**	13.0
Capital expenditure, EUR mill.	**1.6**	1.7	**2.5**	2.4

April-June 2018

Real Estate's revenue for the quarter was EUR 17.5 million (16.8). The main reason for the increase was higher rent levels than in the previous year.

The net operating income of Stockmann-owned properties was EUR 12.9 million (12.9). The average monthly rent from these properties was EUR 38.58 per square metre (37.39).

Due to the divestment of Book House, a capital gain of EUR 7.0 million was recorded in the quarter.

The adjusted operating result for the quarter was EUR 7.4 million and the reported operating result was EUR 14.3 million (6.6).

January-June 2018

Real Estate's revenue for the period was EUR 35.4 million (33.8).

The net operating income of the Stockmann-owned properties was EUR 26.2 million (25.9). The average monthly rent from these properties was EUR 38.59 per square metre (37.48).

The adjusted operating result for the period was EUR 14.9 million and the reported operating result was EUR 21.9 million (13.0).

Properties

On 1 January 2018, the fair value of Stockmann's five properties amounted to EUR 973.0 million, of which the value of the Book House in Helsinki city centre was EUR 100.0 million and the value of the Nevsky Centre in St Petersburg was EUR 181.0 million. The weighted average market yield requirement used in the fair value calculation was 5.6% (5.7).

On 24 May 2018, the Book House property was sold to AEW Europe City Retail Fund for a price of EUR 108.6 million. The transaction had a positive profit/loss effect of EUR 7 million and a positive cash flow effect of EUR 108 million for Stockmann.

During the year, the depreciation of department store properties is deducted from the fair value whereas investment properties are not depreciated. At the end of the second quarter, after the divestment of the Book House, the revalued amount of Stockmann-owned properties was EUR 863.3 million. Investigations related to the possible divestment of the Nevsky Centre have been actively continued.

The four properties owned by Stockmann have a gross leasable area (GLA) of 134 000 m2 in total. At the end of June 2018, Stockmann Retail was using 48% of the total GLA. Excluding the Nevsky Centre, 73% was being used by Stockmann Retail. The occupancy rate of the properties remained at a high level, at 99.4% (99.6). Net rental yield in the reporting period was 5.5% (5.5).

During the second quarter of 2018, the Ooh La Laa, Comptoir Farouge, Hanko Sushi Bar, Pupu restaurants and the enlargement of the terrace restaurant Stockmann Roof by Teatteri opened in the Helsinki department store. Powau café opened in the Turku department store.

Property	Gross leasable area, m2 30.6.2018	Occupancy rate, % 30.6.2018	Usage by Stockmann Retail, % 30.6.2018
Helsinki flagship building	51 000	99,8	66
Tallinn department store building	22 000	98,0	82
Riga department store building	15 000	100,0	86
Total, Stockmann-owned department store properties	**88 000**	**99,4**	**73**
Nevsky Centre, St. Petersburg	46 000	99,6	0
Total, all Stockmann-owned properties	**134 000**	**99,4**	**48**

PERSONNEL

The Group's average number of personnel in continuing operations was 7 144 (7 217) in the second quarter. In terms of full-time equivalents, the average number of employees was 5 245 (5 258).

At the end of June, the Group had 7 304 employees (7 371), of whom 2 230 (2 373) were working in Finland. The number of employees working outside Finland was 5 074 (4 998), which represented 69% (68) of the total.

The Group's wages and salaries amounted to EUR 86.6 million in the period, compared with EUR 88.4 million in 2017. The total employee benefits expenses were EUR 112.4 million (117.5), which is equivalent to 23.3 % (23.6) of revenue.

CHANGES IN MANAGEMENT

Petteri Naulapää, Stockmann's CIO and member of the Management Team, left Stockmann in June, in order to assume a new position outside the company. (Stock Exchange Release 27 April 2018). In connection with this, Stockmann's ICT and Marketing & Digitalisation functions were merged in June, with the new function being headed by Anna Salmi, Chief Customer Officer.

Elena Stenholm, M.Sc. (Pol.), born 1971, has been appointed as Director, Real Estate and as a member of the Stockmann Management Team. She will join Stockmann by the end of the year. Seppo Oksanen, Commercial Director of the Real Estate division, will act as interim Director of the division until Elena Stenholm starts. (Stock Exchange Release 25 June 2018)

Changes after the reporting period

Susanne Ehnbåge, M.Sc.(Econ.), born 1979, started as the CEO of Lindex and a member of Stockmann's Management Team as of 10 August 2018. (Stock Exchange Release 10 January 2018)

Björn Teir, current Director of Real Estate will leave Stockmann on 17 August 2018. (Stock Exchange Release 14 March 2018).

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.

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

The share capital remained at EUR 144.1 million. The market capitalisation was EUR 286.8 million (545.7) at the end of June.

The price of a Series A share was EUR 3.94 at the end of June, compared with EUR 4.60 at the end of 2017, while the price of a Series B share was EUR 4.01, compared with EUR 4.35 at the end of 2017.

A total of 0.7 million (0.4) Series A shares and 6.7 million (5.5) Series B shares were traded during the period on Nasdaq Helsinki. This corresponds to 2.3% (1.3) of the average number of Series A shares and 16.1% (13.3) 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 45 505 shareholders, compared with 48 210 a year earlier.

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 affects 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. Uncertainties related to changes in purchasing behaviour are considered to be the principal risk arising from the operating environment that could affect Stockmann during 2018.

The 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, particularly if related to the biggest tenants of the properties, may have an effect on the fair value of the real estate.

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. These factors may have an impact on the Group's revenue and gross margin. In the retail sector, the products' value chain from raw material to customers often contains many stages and involves reputation risks related to the fulfilment of human rights, good working conditions, environmental and other requirements set out in Stockmann's Code of Conduct and other policies. Responsible management of the supply chain and the sustainable use of natural resources are important for the Group's brands in order to retain customer confidence in Stockmann.

The Group's operations are based on flexible logistics and the efficient flow of goods and information. Delays and disturbances in logistic and information systems, as well as uncertainties related to logistics partners, can have an 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 and hence high interest costs, and risks related to refinancing, breaching financial covenants under finance agreements and liquidity may have an effect on the financial position. Interest rate fluctuations may also have an impact on goodwill and the valuation of properties owned by the Group, and thus on the fair value of these assets. Financial risks are managed in accordance with the risk policy confirmed by the Board of Directors.

OUTLOOK FOR 2018

In the Stockmann Group's largest operating countries, Finland and Sweden, the general economic situations have improved and according to forecasts by the national central banks, the GDP growth is expected to continue in 2018. Consumer confidence is also estimated to continue its positive development.

However, purchasing behaviour is changing due to digitalisation and increasing competition. This is reflected in the outlook for the fashion market, which according to Stockmann's management estimate is not developing as well as the economy in general.

In the Baltic countries, the outlook for the retail trade is, according to the management estimate, expected to be better than that for the Stockmann Group's other market areas.

Stockmann will continue to improve the Group's long-term competitiveness and profitability. The efficiency measures launched at Lindex at the end of 2017, and at Stockmann at the beginning of 2018, have mostly been implemented and they will be fully visible in the 2019 operating costs.

Capital expenditure for 2018 is estimated to be approximately EUR 40-45 million, which is less than the estimated depreciation for the year.

GUIDANCE FOR 2018

Stockmann expects the Group's revenue for 2018 to be on a par with the previous year. Adjusted operating profit is expected to improve in 2018.

Helsinki, Finland, 15 August 2018

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 food operations in Finland, which were divested on 31 December 2017, have been reported as discontinued operations.. The figures are unaudited.

CHANGES IN ACCOUNTING PRINCIPLES

As from 1 January 2018, the Group has applied IFRS 15 and IFRS 9 standards.

IFRS 15 *Revenue from Contracts with Customers*, replaces the IAS 18 and IAS 11 standards and related interpretations. IFRS 15 provides a five-step model outlining the amount and the timing of revenue recognition. According to the new standard, revenue is recognised as control is passed, either over time or at a point in time. Most of the Group's revenue comes from the in-store sale of goods and services that is paid for with cash or credit card, distance sales or sales to franchising partners and the revenue is recognised as the control of the goods and services is transferred to the buyer. Thus the adoption of IFRS 15 has not had an effect on consolidated figures.

IFRS 9 *Financial instruments* and amendments replace the IAS 39 standard. The new standard includes revised guidelines for the recognition and measurement of financial assets and liabilities. Guidelines also contain a new accounting model for expected credit losses that is applied in determining the impairment recognised for financial assets. In the Stockmann Group the amount of future credit losses is estimated on the basis of experience and recognised in profit or loss as a percentage of all outstanding trade and lease receivables. The new standard accordingly changes the timing of the recognition of credit losses, but its effect is not significant. The requirements related to hedge accounting have also been revised. In the Stockmann Group hedge accounting is applied to certain foreign currency-denominated loans that hedge foreign currency denominated net investments in foreign operations as well as for cash flow hedges of foreign currency risk in forecasted purchases and sales in foreign currency. The hedging relationship must be effective, and the effectiveness testing is carried out at each financial statements date. The new standard has no effect on the consolidated figures.

Otherwise the accounting policies and calculation methods applied are the same as those in the 2017 financial statements.

IFRS 16 *Leases* was published in January 2016 and applies to financial periods beginning on or after 1 January 2019. Stockmann will adopt the standard from the beginning of the financial period 2019 onwards. The standard replaces IAS 17 and the related interpretations. Stockmann plans to use the exemption provided by IFRS 16 not to recognize to the balance sheet lease liability for leases which have a lease term of 12 months or less, and for leases in which the underlying asset is not material. Stockmann expects that the new standard will have a significant impact on consolidated assets, liabilities, income statement and key figures.

Based on Stockmann's analysis right-of-use assets and lease liability will be composed of leased business premises, storages, cars, and other machinery and equipment. At the time the standard is initially applied, the lease liability will be recognised at the present value of the minimum lease payments payable on the basis of leases, discounted using the incremental borrowing rate. The amount of lease liability will be included in the acquisition cost of property, plant and equipment at the date of initial application. On 30 June 2018, the minimum lease payments payable on the basis of leases for the Group's business premises and payments on lease agreements totalled EUR 646.1 million (note "Contingent liabilities and derivative contracts").

The reporting of leases in accordance with the new standard will also have a significant effect on the consolidated operating result and EBITDA. A lessee will not recognise any lease payment instead depreciation or possible impairment loss for the period will be recognised through profit or loss. Also the interest on the lease liability, which is calculated using the discount rate at the lease commencement date, will be recognised as financial items; and variable lease payments that are not included in the lease liability as lease expenses. In addition, the adoption of IFRS 16 will also have impact on the net cash flows from operating activities, as the amortisation of lease liabilities is transferred to cash flows from financing activities. Adoption of IFRS 16 will have significant impact on key figures based on balance sheet, such as the equity ratio and net gearing.

CONSOLIDATED INCOME STATEMENT

EUR mill.	**1.1.–30.6.2018**	1.1.–30.6.2017	1.1.–31.12.2017
Continuing operations			
REVENUE	**481.8**	498.1	1 055.9
Other operating income	**7.0**	0.0	0.0
Fair value changes on investment properties	**−0.1**	0.0	3.7
Materials and consumables	**−207.5**	−224.6	−467.1
Wages, salaries and employee benefit expenses	**−112.4**	−117.5	−236.2
Depreciation, amortisation and impairment losses	**−28.1**	−29.9	−215.9
Other operating expenses	**−138.0**	−136.7	−288.8
Total expenses	**−486.0**	−508.7	−1 208.0
OPERATING PROFIT/LOSS	**2.7**	−10.5	−148.4
Financial income	**0.3**	0.3	0.7
Financial expenses	**−17.8**	−15.7	−31.8
Total financial income and expenses	**−17.5**	−15.4	−31.1
PROFIT/LOSS BEFORE TAX	**−14.8**	−25.9	−179.5
Income taxes	**−8.1**	−2.1	−18.7
PROFIT/LOSS FROM CONTINUING OPERATIONS	**−22.9**	−28.0	−198.1
Profit/loss from discontinued operations		−7.0	−11.3
NET PROFIT/LOSS FOR THE PERIOD	**−22.9**	−35.0	−209.4
Profit/loss for the period attributable to:			
Equity holders of the parent company	**−22.9**	−35.0	−209.4
Earnings per share, EUR:			
From continuing operations (undiluted and diluted)	**−0.35**	−0.42	−2.82
From discontinued operations (undiluted and diluted)		−0.10	−0.16
From the period result (undiluted and diluted)	**−0.35**	−0.52	−2.98

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR mill.	**1.1.–30.6.2018**	1.1.–30.6.2017	1.1.–31.12.2017
PROFIT/LOSS FOR THE PERIOD	**−22.9**	−35.0	−209.4
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Changes in revaluation surplus (IAS 16), before tax			38.0
Changes in revaluation surplus (IAS 16), tax			−7.5
Changes in revaluation surplus (IAS 16), net of tax			30.5
Items that may be subsequently reclassified to profit and loss			
Exchange differences on translating foreign operations, before tax	**1.9**	−3.0	−7.2
Exchange differences on translating foreign operations, net of tax	**1.9**	−3.0	−7.2
Cash flow hedges, before tax	**1.9**	−3.8	−2.0
Cash flow hedges, tax	**−0.4**	0.8	0.4
Cash flow hedges, net of tax	**1.5**	−3.0	−1.6
Other comprehensive income for the period, net of tax	**3.5**	−5.9	21.7
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**−19.4**	−40.9	−187.7
Total comprehensive income attributable to:			
Equity holders of the parent company, continuing operations	**−19.4**	−33.9	−176.4
Equity holders of the parent company, discontinued operations		−7.0	−11.3

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR mill.	**30.6.2018**	30.6.2017	31.12.2017
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Goodwill	**530.8**	729.0	563.8
Trademark	**87.0**	94.3	92.4
Intangible rights	**37.2**	46.7	38.5
Other intangible assets	**2.5**	3.0	2.7
Advance payments and construction in progress	**1.0**	1.2	0.6
Intangible assets, total	**658.5**	874.2	698.0
Property, plant and equipment			
Land and water	**103.9**	114.3	103.9
Buildings and constructions	**577.9**	644.8	587.6
Machinery and equipment	**69.9**	78.7	76.2
Modification and renovation expenses for leased premises	**5.2**	4.6	4.4
Advance payments and construction in progress	**1.1**	1.7	1.2
Property, plant and equipment, total	**758.0**	844.1	773.2
Investment properties	**0.5**		100.5
Non-current receivables	**2.7**	6.8	3.0
Other investments	**0.3**	0.3	0.3
Deferred tax assets	**16.0**	37.8	33.2
NON-CURRENT ASSETS, TOTAL	**1 435.9**	1 763.1	1 608.2
CURRENT ASSETS			
Inventories	**149.6**	166.2	162.2
Current receivables			
Interest-bearing receivables	**1.5**	1.4	2.2
Income tax receivables	**8.4**	3.4	3.6
Non-interest-bearing receivables	**77.1**	59.2	79.6
Current receivables, total	**87.0**	64.0	85.4
Cash and cash equivalents	**24.9**	11.3	21.0
CURRENT ASSETS, TOTAL	**261.5**	241.5	268.6
ASSETS CLASSIFIED AS HELD FOR SALE	**184.2**	195.0	184.6
ASSETS, TOTAL	**1 881.6**	2 199.5	2 061.4

EUR mill.	**30.6.2018**	30.6.2017	31.12.2017
EQUITY AND LIABILITIES			
EQUITY			
Share capital	**144.1**	144.1	144.1
Share premium fund	**186.1**	186.1	186.1
Revaluation surplus	**360.2**	398.3	418.6
Invested unrestricted equity fund	**250.4**	250.4	250.4
Other funds	**45.3**	42.4	43.8
Translation reserve	**−12.5**	−10.2	−14.5
Retained earnings	**−198.7**	−63.5	−227.6
Hybrid bond	**84.3**	84.3	84.3
Equity attributable to equity holders of the parent company	**859.1**	1 031.9	885.1
EQUITY, TOTAL	**859.1**	1 031.9	885.1
NON-CURRENT LIABILITIES			
Deferred tax liabilities	**128.3**	164.3	146.7
Non-current interest-bearing financing liabilities	**439.4**	387.0	505.2
Non-current non-interest-bearing liabilities and provisions	**19.8**	4.1	20.7
NON-CURRENT LIABILITIES, TOTAL	**587.5**	555.4	672.6
CURRENT LIABILITIES			
Current interest-bearing financing liabilities	**211.0**	416.9	258.3
Current non-interest-bearing liabilities			
Trade payables and other current liabilities	**160.3**	164.8	183.5
Income tax liabilities	**19.7**	22.9	16.4
Current provisions	**5.3**	1.1	5.7
Current non-interest-bearing liabilities, total	**185.3**	188.8	205.7
CURRENT LIABILITIES, TOTAL	**396.3**	605.7	464.0
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	**38.7**	6.5	39.6
LIABILITIES, TOTAL	**1 022.5**	1 167.6	1 176.3
EQUITY AND LIABILITIES, TOTAL	**1 881.6**	2 199.5	2 061.4

Includes continuing and discontinued operations

CONSOLIDATED CASH FLOW STATEMENT

EUR mill.	**1.1.–30.6.2018**	1.1.–30.6.2017	1.1.–31.12.2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/loss for the period	**−22.9**	−35.0	−209.4
Adjustments for:			
Depreciation, amortisation and impairment losses	**28.1**	29.9	215.9
Gains (-) and losses (+) of disposals of fixed assets and other non-current assets	**−6.3**	0.1	0.3
Interest and other financial expenses	**17.8**	15.7	31.8
Interest income	**−0.3**	−0.3	−0.7
Income taxes	**8.1**	2.1	18.7
Other adjustments	**−0.8**	−2.2	11.9
Working capital changes:			
Increase (-) /decrease (+) in inventories	**7.0**	9.7	15.5
Increase (-) / decrease (+) in trade and other current receivables	**3.9**	−0.6	3.1
Increase (+) / decrease (-) in current liabilities	**3.6**	−31.4	−26.4
Interest expenses paid	**−11.3**	−12.5	−23.6
Interest received from operating activities	**0.2**	0.3	0.6
Income taxes paid from operating activities	**−9.2**	−5.5	−11.8
Net cash from operating activities	**17.9**	−29.9	25.9
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of tangible and intangible assets	**−15.6**	−16.6	−33.7
Proceeds from sale of tangible and intangible assets	**123.8**		
Proceeds from sale of investments		0.0	
Dividends received from investing activities		0.0	0.0
Net cash used in investing activities	**108.2**	−16.6	−33.7
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from current liabilities	**61.8**	260.2	246.1
Repayment of current liabilities	**−249.1**	−230.5	−380.6
Proceeds from non-current liabilities	**168.0**	69.4	737.4
Repayment of non-current liabilities	**−86.4**	−55.1	−582.9
Loan arrangement expenses			−10.4
Interest on hybrid bond	**−6.6**	−7.4	−7.4
Net cash used in financing activities	**−112.2**	36.6	2.3
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**13.8**	−9.9	−5.5
Cash and cash equivalents at the beginning of the period	**21.0**	20.2	20.2
Cheque account with overdraft facility	**−12.2**	−5.7	−5.7
Cash and cash equivalents at the beginning of the period	**8.8**	14.5	14.5
Net increase/decrease in cash and cash equivalents	**13.8**	−9.9	−5.5
Effects of exchange rate fluctuations on cash held	**−0.4**	0.0	−0.2
Cash and cash equivalents at the end of the period	**24.9**	11.3	21.0
Cheque account with overdraft facility	**−2.6**	−6.7	−12.2
Cash and cash equivalents at the end of the period	**22.3**	4.6	8.8

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**
EQUITY 1.1.2017	144.1	186.1	398.3	1.5	250.4	43.9	−7.2	−21.1	84.3	**1 080.3**
Profit/loss for the period								−35.0		**−35.0**
Exchange differences on translating foreign operations							−3.0			**−3.0**
Cash flow hedges				−3.0						**−3.0**
Total comprehensive income for the period, net of tax				−3.0			−3.0	−35.0		**−40.9**
Interest paid on hybrid bond								−7.4		**−7.4**
Total transactions with the equity owners								−7.4		**−7.4**
EQUITY 30.6.2017	144.1	186.1	398.3	−1.5	250.4	43.9	−10.2	−63.5	84.3	**1 031.9**

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**
EQUITY 1.1.2017	144.1	186.1	398.3	1.5	250.4	43.9	−7.2	−21.1	84.3	**1 080.3**
Profit/loss for the period								−209.4		**−209.4**
Changes in revaluation surplus (IAS 16)			30.5							**30.5**
Exchange differences on translating foreign operations							−7.2			**−7.2**
Cash flow hedges				−1.6						**−1.6**
Total comprehensive income for the period, net of tax			30.5	−1.6			−7.2	−209.4		**−187.7**
Interest paid on hybrid bond								−7.4		**−7.4**
Other changes			−10.3			−0.1		10.3		
Total transactions with the equity owners			−10.3			−0.1		2.9		**−7.4**
EQUITY 31.12.2017	144.1	186.1	418.6	−0.1	250.4	43.8	−14.5	−227.6	84.3	**885.1**

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**
EQUITY 1.1.2018	144.1	186.1	418.6	−0.1	250.4	43.8	−14.5	−227.6	84.3	**885.1**
Profit/loss for the period								−22.9		**−22.9**
Exchange differences on translating foreign operations							1.9			**1.9**
Cash flow hedges				1.5						**1.5**
Total comprehensive income for the period, net of tax				1.5			1.9	−22.9		**−19.4**
Disposal of revalued assets			−58.4					58.4		
Interest paid on hybrid bond								−6.6		**−6.6**
Total transactions with the equity owners			−58.4					51.8		**−6.6**
EQUITY 30.6.2018	144.1	186.1	360.2	1.4	250.4	43.8	−12.5	−198.7	84.3	**859.1**

Includes continuing and discontinued operations

GROUP'S OPERATING SEGMENTS

Revenue, EUR mill.	**1.1.–30.6.2018**	1.1.–30.6.2017	1.1.–31.12.2017
Lindex	**278.6**	285.3	606.0
Stockmann Retail	**181.0**	192.8	410.2
Real Estate	**35.4**	33.8	67.1
Segments, total	**495.0**	511.9	1 083.3
Unallocated	**0.2**	0.0	0.0
Eliminations	**−13.4**	−13.8	−27.5
Group total	**481.8**	498.1	1 055.9

Operating profit/loss, EUR mill.	**1.1.–30.6.2018**	1.1.–30.6.2017	1.1.–31.12.2017
Lindex	**3.4**	−2.1	13.4
Stockmann Retail	**−20.8**	−17.3	−20.6
Real Estate	**21.9**	13.0	29.0
Segments, total	**4.4**	−6.4	21.8
Unallocated	**−1.7**	−4.1	−20.2
Goodwill impairment			−150.0
Group total	**2.7**	−10.5	−148.4
Financial income	**0.3**	0.3	0.7
Financial expenses	**−17.8**	−15.7	−31.8
Consolidated profit/loss before taxes	**−14.8**	−25.9	−179.5

Depreciation, amortisation and impairment losses, EUR mill.	**1.1.–30.6.2018**	1.1.–30.6.2017	1.1.–31.12.2017
Lindex	**10.0**	10.1	20.5
Stockmann Retail	**6.6**	7.2	14.9
Real Estate	**10.6**	11.6	23.2
Segments, total	**27.3**	28.8	58.6
Unallocated	**0.8**	1.1	7.3
Goodwill impairment			150.0
Group total	**28.1**	29.9	215.9

Capital expenditure, EUR mill.	**1.1.–30.6.2018**	1.1.–30.6.2017	1.1.–31.12.2017
Lindex	**10.3**	9.3	22.6
Stockmann Retail	**1.4**	3.3	5.7
Real Estate	**2.5**	2.4	4.9
Segments, total	**14.2**	15.0	33.2
Unallocated	**0.9**	0.7	1.5
Group total	**15.1**	15.7	34.7

Assets, EUR mill.	**1.1.–30.6.2018**	1.1.–30.6.2017	1.1.–31.12.2017
Lindex	**784.5**	993.6	830.0
Stockmann Retail	**171.2**	197.0	189.1
Real Estate	**684.8**	753.3	786.4
Segments, total	**1 640.5**	1 943.9	1 805.5
Unallocated	**56.9**	60.7	71.3
Assets classified as held for sale	**184.2**	195.0	184.6
Group total	**1 881.6**	2 199.5	2 061.4

INFORMATION ON MARKET AREAS

Revenue, EUR mill.	**1.1.–30.6.2018**	1.1.–30.6.2017	1.1.–31.12.2017
Finland	**181.8**	189.4	402.6
Sweden*) and Norway	**211.6**	225.0	474.7
Baltic countries, Russia and other countries	**88.4**	83.7	178.6
Group total	**481.8**	498.1	1 055.9
Finland %	**37.7%**	38.0%	38.1%
International operations %	**62.3%**	62.0%	61.9%

Operating profit/loss, EUR mill.	**1.1.–30.6.2018**	1.1.–30.6.2017	1.1.–31.12.2017
Finland	**−11.4**	−19.0	−34.0
Sweden*) and Norway	**7.2**	3.6	20.5
Baltic countries, Russia and other countries	**6.9**	4.9	15.2
Market areas total	**2.7**	−10.5	1.6
Goodwill impairment			−150.0
Group total	**2.7**	−10.5	−148.4

Non-current assets, EUR mill.	**1.1.–30.6.2018**	1.1.–30.6.2017	1.1.–31.12.2017
Finland	**680.7**	798.4	791.3
Sweden and Norway	**629.2**	835.5	668.3
Baltic countries, Russia and other countries	**293.0**	280.5	298.5
Group total	**1 602.9**	1 914.4	1 758.1
Finland %	**42.5%**	41.7%	45.0%
International operations %	**57.5%**	58.3%	55.0%

*) Includes franchising income

ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

EUR mill.	**30.6.2018**	30.6.2017	31.12.2017
Discontinued operations			
Profit/loss for the financial period from discontinued operations			
Income		57.4	118.7
Expenses		64.5	129.5
Profit/loss before and after taxes		−7.0	−10.8
Profit/loss relating to the sales of discontinued operations after income tax			−0.5
Result from discontinued operation		−7.0	−11.3
Cash flows from discontinued operations			
Cash flow from operations		−6.3	−9.6
Cash flow from investments	**15.5**	−0.9	−0.9
Cash flow total	**15.5**	−7.2	−10.5
Discontinued operations, assets classified as held for sale and relating liabilities			
Intangible assets and property, plant and equipment		6.0	
Inventories		3.9	
Net assets		9.9	
Other assets classified as held for sale and the relating liabilities			
Intangible assets and property, plant and equipment	**182.9**	183.1	183.0
Other receivables	**1.2**	0.7	0.9
Cash and cash equivalents	**0.0**	1.3	0.7
Other liabilities	**38.7**	6.5	39.6
Net assets	**145.5**	178.5	145.0

KEY FIGURES OF THE GROUP

	30.6.2018	30.6.2017	31.12.2017
Equity ratio, %	**45.7**	46.9	43.0
Net gearing, %	**72.7**	76.5	83.8
Cash flow from operating activities per share, year-to-date, EUR	**0.25**	−0.41	0.36
Interest-bearing net debt, EUR mill.	**623.3**	787.9	739.4
Number of shares at the end of the period, thousands	**72 049**	72 049	72 049
Weighted average number of shares, undiluted and diluted, thousands	**72 049**	72 049	72 049
Market capitalisation, EUR mill.	**286.8**	545.7	321.0
Operating profit/loss, % of revenue *)	**0.6**	−2.1	−14.1
Equity per share, EUR	**11.92**	14.32	12.29
Return on equity, rolling 12 months, %	**−20.9**	−1.5	−21.3
Return on capital employed, rolling 12 months, %	**−8.3**	1.3	−9.1
Average number of employees, converted to full-time equivalents *)	**5 245**	5 258	5 426
Capital expenditure, year-to-date, EUR mill.	**15.1**	15.7	34.7

*) Continuing operations, comparison figures restated

DEFINITIONS OF KEY FIGURES

Performance measures according to IFRS

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

Alternative performance measures

Equity ratio, % = $\dfrac{\text{Equity total}}{\text{Total assets – advance payments received}} \times 100$

Net gearing, % = $\dfrac{\text{Interest-bearing liabilities – cash and cash equivalents – interest-bearing receivables}}{\text{Equity total}} \times 100$

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

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

Return on equity, % = $\dfrac{\text{Result for the period (12 months)}}{\text{Equity total (average over 12 months)}} \times 100$

Return on capital employed, % = $\dfrac{\text{Result before taxes + interest and other financial expenses}}{\text{Capital employed (average over 12 months)}} \times 100$

Capital employed = Total assets – deferred tax liabilities and other non-interest-bearing liabilities (average over 12 months)

Equity per share = $\dfrac{\text{Equity attributable to the parent company's shareholders}}{\text{Number of shares on the balance sheet date}}$

Cash flow from operating activities per share = $\dfrac{\text{Cash flow from operating activities}}{\text{Average number of shares}}$

EXCHANGE RATES OF EURO

Closing rate for the period	**30.6.2018**	30.6.2017	31.12.2017
RUB	**73.1582**	67.5449	69.3920
NOK	**9.5115**	9.5713	9.8403
SEK	**10.4530**	9.6398	9.8438
Average rate for the period	**1.1.–30.6.2018**	1.1.–30.6.2017	1.1.–31.12.2017
RUB	**71.9852**	62.7434	65.9183
NOK	**9.5928**	9.1783	9.3316
SEK	**10.1536**	9.5964	9.6376

INFORMATION PER QUARTER

Consolidated income statement per quarter						Restated	Restated	Restated
EUR mill.	**Q2 2018**	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Continuing operations								
Revenue	**279.4**	202.4	315.7	242.0	281.3	216.9	348.0	263.9
Other operating income	**7.0**	0.0	0.0	0.0	0.0	0.0	0.0	0.6
Fair value changes on investment properties	**0.0**	0.0	3.9	-0.2	0.0		-0.1	-0.2
Materials and consumables	**-116.7**	-90.8	-136.5	-106.0	-123.4	-101.2	-153.6	-114.4
Wages, salaries and employee benefit expenses	**-55.9**	-56.5	-61.5	-57.2	-59.1	-58.4	-68.6	-60.4
Depreciation, amortisation and impairment losses	**-13.9**	-14.2	-20.6	-165.5	-14.9	-15.0	-15.2	-14.1
Other operating expenses	**-70.3**	-67.7	-87.5	-64.6	-69.3	-67.4	-78.1	-70.7
Operating profit/loss	**29.6**	-26.9	13.6	-151.4	14.6	-25.1	32.3	4.8
Financial income	**0.1**	0.2	0.3	0.1	-0.3	0.6	-0.1	0.2
Financial expenses	**-8.9**	-8.9	-11.3	-4.9	-10.5	-5.2	-9.0	-5.3
Total financial income and expenses	**-8.8**	-8.7	-10.9	-4.8	-10.8	-4.6	-9.1	-5.0
Profit/loss before tax	**20.8**	-35.6	2.6	-156.2	3.8	-29.7	23.2	-0.2
Income taxes	**-12.8**	4.7	-14.8	-1.8	-4.9	2.8	-2.3	-5.2
Profit/loss from continuing operations	**8.0**	-30.9	-12.2	-158.0	-1.1	-26.9	20.9	-5.4
Profit/loss from discontinued operations			-1.2	-3.1	-4.3	-2.7	6.0	-1.8
Net profit/loss for the period	**8.0**	-30.9	-13.3	-161.1	-5.4	-29.6	26.9	-7.2

Earnings per share per quarter						Restated	Restated	Restated
EUR	**Q2 2018**	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
From continuing operations (undiluted and diluted)	**0.09**	-0.45	-0.19	-2.21	-0.03	-0.39	0.27	-0.09
From the period result (undiluted and diluted)	**0.09**	-0.45	-0.20	-2.25	-0.09	-0.43	0.36	-0.12

Segment information per quarter						Restated	Restated	Restated
EUR mill.	**Q2 2018**	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Revenue								
Lindex	**163.8**	114.8	169.6	151.1	162.1	123.2	171.3	156.1
Stockmann Retail	**104.7**	76.3	136.2	81.2	109.1	83.7	167.1	99.2
Real Estate	**17.5**	17.9	16.8	16.5	16.8	17.0	15.7	14.9
Unallocated	**0.1**	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Eliminations	**-6.7**	-6.7	-6.8	-6.8	-6.9	-7.0	-6.1	-6.3
Group total	**279.4**	202.4	315.7	242.0	281.3	216.9	348.0	263.9
Operating profit/loss								
Lindex	**19.6**	-16.2	10.0	5.5	12.6	-14.7	19.6	15.7
Stockmann Retail	**-3.6**	-17.2	7.5	-10.8	-2.6	-14.7	12.5	-16.1
Real Estate	**14.3**	7.5	9.8	6.3	6.6	6.4	4.6	5.1
Segments, total	**30.4**	-25.9	27.2	1.0	16.6	-23.0	36.7	4.6
Unallocated	**-0.8**	-0.9	-13.7	-2.4	-2.0	-2.1	-4.4	0.2
Goodwill impairment				-150.0				
Group total	**29.6**	-26.9	13.6	-151.4	14.6	-25.1	32.3	4.8

Information on market areas						Restated	Restated	Restated
EUR mill.	**Q2 2018**	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Revenue								
Finland	**106.0**	75.8	129.7	83.5	108.1	81.3	161.1	103.3
Sweden*) and Norway	**124.5**	87.1	131.8	117.9	127.7	97.4	136.2	122.8
Baltic countries, Russia and other countries	**48.9**	39.5	54.3	40.7	45.5	38.2	50.7	37.8
Group total	**279.4**	202.4	315.7	242.0	281.3	216.9	348.0	263.9
Finland %	**37.9%**	37.4%	41.1%	34.5%	38.4%	37.5%	46.3%	39.2%
International operations %	**62.1%**	62.6%	58.9%	65.5%	61.6%	62.5%	53.7%	60.8%
Operating profit/loss								
Finland	**5.7**	-17.1	-3.8	-11.2	-3.0	-16.0	6.7	-12.4
Sweden*) and Norway	**17.3**	-10.1	9.8	7.1	13.1	-9.5	18.7	16.0
Baltic countries, Russia and other countries	**6.6**	0.3	7.6	2.7	4.4	0.5	7.0	1.2
Market areas total	**29.6**	-26.9	13.6	-1.4	14.6	-25.1	32.3	4.8
Goodwill impairment				-150.0				
Group total	**29.6**	-26.9	13.6	-151.4	14.6	-25.1	32.3	4.8

*) Includes franchising income

CONTINGENT LIABILITIES AND DERIVATIVE CONTRACTS

Contingent liabilities of the Group, EUR mill.	**30.6.2018**	30.6.2017	31.12.2017
Mortgages on land and buildings	**1 501.7**	1.7	1 801.7
Pledges and guarantees	**2.9**	5.3	2.9
Electricity commitments	**1.5**		1.6
Liabilities of adjustments of VAT deductions made on investments to immovable property	**5.5**	12.4	12.7
Total	**1 511.5**	19.3	1 818.9
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:	**2.7**	2.7	6.0

Lease agreements on the Group's business premises, EUR mill.	**30.6.2018**	30.6.2017	31.12.2017
Minimum rents payable on the basis of binding lease agreements on business premises			
Within one year	**125.2**	150.0	129.3
After one year	**518.5**	573.2	555.8
Total	**643.7**	723.2	685.1

Group's lease payments, EUR mill.	**30.6.2018**	30.6.2017	31.12.2017
Within one year	**0.7**	0.7	0.7
After one year	**1.7**	0.9	1.7
Total	**2.4**	1.5	2.4

Group's derivative contracts, EUR mill.	**30.6.2018**	30.6.2017	31.12.2017
Nominal value			
Currency derivatives	**724.6**	482.8	805.7
Electricity derivatives	**1.7**	1.4	1.4
Total	**726.3**	484.2	807.1

CONSOLIDATED ASSETS AND GOODWILL

Assets, EUR mill.	**30.6.2018**	30.6.2017	31.12.2017
Acquisition cost at the beginning of the period	**2 169.8**	2 361.7	2 361.7
Fair value change from revaluation of the real estates	**−0.1**	0.0	41.7
Translation difference +/-	**−46.0**	−11.1	−31.9
Increases during the period	**15.1**	15.7	34.7
Decreases during the period	**−129.8**	−4.1	−27.8
Transfers to non-current assets classified as held for sale	**0.0**	−216.5	−208.6
Acquisition cost at the end of the period	**2 009.0**	2 145.8	2 169.8
Accumulated depreciation and impairment losses at the beginning of the period	**−598.0**	−432.7	−432.7
Translation difference +/-	**6.2**	3.0	6.3
Depreciation on reductions during the period	**27.9**	3.2	17.3
Accumulated depreciation on transfers to non-current assets classified as held for sale	**0.0**	28.9	27.0
Depreciation, amortisation and impairment losses during the period	**−28.1**	−29.9	−215.9
Accumulated depreciation and impairment losses at the end of the period	**−592.0**	−427.5	−598.0
Carrying amount at the beginning of the period	**1 721.8**	1 929.0	1 929.0
Carrying amount at the end of the period	**1 417.0**	1 718.2	1 571.8

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

Goodwill, EUR mill.	**30.6.2018**	30.6.2017	31.12.2017
Carrying amount at the beginning of the period	**563.8**	735.6	735.6
Translation difference +/-	**−33.0**	−6.7	−21.8
Impairment losses			−150.0
Carrying amount at the end of the period	**530.8**	729.0	563.8

EUR 505.8 million of goodwill was allocated to Lindex and EUR 25 million of goodwill to Stockmann Retail on 30 June 2018. Goodwill allocated to both Lindex and Stockmann Retail was tested on 30 June 2018. Based on the impairment testing carried out, there was no need for impairment entries.

FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY, AND HIERARCHICAL CLASSIFICATION OF FAIR VALUES

Financial assets, EUR mill.	Level	**Carrying amount 30.6.2018**	**Fair value 30.6.2018**	Carrying amount 30.6.2017	Fair value 30.6.2017	Carrying amount 31.12.2017	Fair value 31.12.2017
Derivative contracts, hedge accounting applied	2	**1.8**	**1.8**	0.0	0.0	0.5	0.5
Financial assets at fair value through profit or loss							
Derivative contracts, hedge accounting not applied							
Currency derivatives	2	**28.4**	**28.4**	2.8	2.8	4.8	4.8
Electricity derivatives	1	**0.2**	**0.2**				
Financial assets at amortised cost							
Non-current receivables		**2.7**	**2.7**	6.8	6.8	3.0	3.0
Current receivables, interest-bearing		**1.5**	**1.5**	1.4	1.4	2.2	2.2
Current receivables, non-interest-bearing		**46.6**	**46.6**	56.4	56.4	74.3	74.3
Cash and cash equivalents		**24.9**	**24.9**	11.3	11.3	21.0	21.0
Other investments	3	**0.3**	**0.3**	0.3	0.3	0.3	0.3
Financial assets by measurement category, total		**106.5**	**106.5**	79.0	79.0	106.1	106.1

Financial liabilities, EUR mill.	Level	**Carrying amount 30.6.2018**	**Fair value 30.6.2018**	Carrying amount 30.6.2017	Fair value 30.6.2017	Carrying amount 31.12.2017	Fair value 31.12.2017
Derivative contracts, hedge accounting applied	2					0.7	0.7
Financial liabilities at fair value through profit or loss							
Derivative contracts, hedge accounting not applied							
Currency derivatives	2	**0.3**	**0.3**	3.6	3.6	5.6	5.6
Electricity derivatives	1			0.1	0.1	0.2	0.2
Financial liabilities at amortised cost							
Non-current interest-bearing liabilities	2	**439.4**	**424.9**	387.0	387.3	505.2	504.2
Current liabilities, interest-bearing	2	**211.0**	**211.4**	416.9	420.0	258.3	258.5
Current liabilities, non-interest-bearing		**160.1**	**160.1**	161.1	161.1	177.2	177.2
Financial liabilities by measurement category, total		**810.7**	**796.7**	968.7	972.2	947.2	946.3

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 other investments, EUR mill.	**30.6.2018**	30.6.2017	31.12.2017
Carrying amount Jan. 1	**0.3**	5.5	5.5
Translation difference +/-	**0.0**	-0.1	-0.1
Sale of shares		0.0	0.0
Write-off related to the investment in Cooperative		-3.8	-3.8
Transfers to non-current assets held for sale		-1.4	-1.4
Total	**0.3**	0.3	0.3

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